Dallas Area Rapid Transit
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214/749-3278

January 10, 2018

Ms. Rebecca Moses
Director
Fitch Ratings, Inc.
111 Congress Avenue
Austin, TX 78701

RE: Fitch Rating for Dallas Area Rapid Transit (DART)

Dear Ms. Moses:

DART requested a rating from Fitch on two bond issuances in 2007 and 2008, and in accordance with your practice, your company will continue to provide a rating on any outstanding bonds from those issuances. While DART management respects the obligation of a rating service which was used for bond issuances over ten years ago to follow their normal protocol, we are disappointed with the decision of Fitch to issue a downgrade from AA to AA- on the $127.8 million in outstanding bonds from those issuances and must voice our disagreement with the conclusions which resulted in this action.

To be clear, it is the considered opinion of DART management that DART's current and projected financial position is strong.

Your report makes several points supporting this fact:

- "DART's operating reserves as measured by unrestricted cash and investments are sizable relative to revenue declines anticipated in a moderate recession, contributing to strong anticipated financial resilience and exceptional gap-closing ability."
- "DART will maintain strong financial flexibility throughout the business cycle based on high reserve levels relative to potential revenue declines anticipated in a typical recession."
- "Unrestricted cash and investments equaled $616 million (a very strong 122% of operating expenses) or 444 days cash at the end of fiscal 2016."

DART's FY 2018 Twenty Year Financial Plan, which takes into account all future capital requirements, includes fully funded state of good repair obligations and system expansions and provides a clear confirmation that debt service coverage and internal coverage ratios will be stable to higher in the near term and rising for the balance of the plan.

We disagree with your report statement that "bondholders' claim on pledged revenues would not be protected in the event of a bankruptcy filing by the authority." Bankruptcy is a highly unlikely event and should not be the basis for a rating adjustment. The holders of DART's bonds are well protected. DART's Master Debt Resolution and enabling legislation provide a framework for the State Comptroller to remit monthly sales taxes directly to the bond trustee to pay bondholders before the residual sales tax receipts are remitted to DART.

The rating adjustment is apparently premised largely on a concern about future actions of the agency and a change in rating methodology since the last rating two years ago. The change is associated with a Fitch Ratings report published in June of 2017, "Rating Criteria for Public/Sector Revenue-Supported Debt." Since nearly all of the future capital projects were clearly defined in the Twenty-Year Financial Plan approved at the time of Fitch's last review in 2016, the rating agency's methodology change is clearly what triggered the recent action.

The DART Board of Directors and management team have demonstrated consistently and over an extended period of time their steadfast commitment to sound financial practices and prudent debt management. An unchanged rating is much more in line with the facts and circumstances for DART.

Sincerely,

David Leininger

David Leininger
Executive Vice President
Chief Financial Officer