

ANNUAL REPORT
of
MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
for the year ended
June 30, 2016
pursuant to
Continuing Disclosure Agreements executed in connection with
the issuance of its General Transportation System Bonds
entered into pursuant to the provisions of Rule 15c2-12
of the
Securities and Exchange Commission

6-digit CUSIP* Reference: 575567
(for additional details see Exhibit B hereto)

This Annual Report of Massachusetts Bay Transportation Authority (the “Authority”) has been prepared and is submitted pursuant to continuing disclosure agreements of the Authority (the “Continuing Disclosure Agreements”), subject to Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the “Rule”), executed and delivered by the Authority in connection with the issuance by the Authority of its General Transportation System Bonds, 1998 Series A, 1998 Series C, Variable Rate Demand Obligations, 2000 Series A-1 and Variable Rate Demand Obligations, 2000 Series A-2 (collectively, the “Bonds”). The Authority has entered into the Continuing Disclosure Agreements in order to facilitate compliance with the provisions of the Rule by the bond underwriters.

All information contained herein has been furnished or obtained by the Authority from sources believed to be accurate and reliable. The information contained in this Annual Report is subject to change without notice and delivery of this information shall not, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. Reference should be made to the official statement and the operative documents for the Bonds for a full and complete statement of the terms of the Bonds.

THIS IS NOT AN OFFERING DOCUMENT

The information in this Annual Report relates to bond issues of the Authority that have been sold and distributed in underwritten public offerings described in the related official statement. Each viewer of the following information acknowledges that (i) the Authority is not now by this document offering any bonds or other securities, nor soliciting an offer to buy any securities, (ii) this information is not to be construed as any description of the Authority or its programs in conjunction with any offering of bonds or securities of the Authority - such offerings are only made pursuant to the appropriate official statements of the Authority - nor shall anyone assume from the availability of the following information that the affairs of the Authority have not changed since the date of this information, (iii) no representation is made as to the propriety or legality of any secondary market trading of the Bonds or other securities of the Authority by anyone in any jurisdiction and (iv) the Authority does not hereby obligate itself in any manner to periodically or otherwise update this information.

This Annual Report contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Authority, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Authority. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates” and others.

This Annual Report consists of the following financial information and operating data relating to the Authority:

- Attached hereto as Exhibit A is financial information and operating data for the fiscal year ended June 30, 2016 updating the information contained in the Official Statements with respect to the Bonds under the Sections entitled “THE AUTHORITY - Budgetary Matters - Summary of Income and Expenses and Net Cost of Service, Calendar Year,” “THE AUTHORITY - Budgetary Matters - Summary of Income and Expenses, Fiscal Year,” “THE AUTHORITY - State and Federal Assistance Payments - Section 28 Contract Assistance,” “THE AUTHORITY - Indebtedness,” and “THE AUTHORITY - Long-Term Leases,” as required by Section 4 of each of the Continuing Disclosure Agreements.
- Attached hereto as Exhibit B is a list of CUSIP numbers associated with the Bonds.
- Reference is made to the MBTA Financial Statements, Required Supplementary Information, and Supplementary Information for the year ended June 30, 2016 posted to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) system on January 12, 2017.

**MASSACHUSETTS BAY
TRANSPORTATION AUTHORITY**

Dated: March 23, 2017

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Selected Financial Information and Operating Data

Fiscal Year 2016

The information set forth herein includes financial information and operating data for the fiscal year ended June 30, 2016 updating the information contained in the Official Statements with respect to the Bonds under the Sections entitled “THE AUTHORITY - Budgetary Matters - Summary of Income and Expenses and Net Cost of Service, Calendar Year,” “THE AUTHORITY - Budgetary Matters - Summary of Income and Expenses, Fiscal Year,” “THE AUTHORITY - State and Federal Assistance Payments - Section 28 Contract Assistance,” “THE AUTHORITY - Indebtedness,” and “THE AUTHORITY - Long-Term Leases,” as required by Section 4 of each of the Continuing Disclosure Agreements.

As part of its Fiscal Year 2000 annual appropriations act, Chapter 127 of the Acts of 1999 of the Commonwealth, as amended (“Chapter 127” or the “Forward Funding Legislation”), the Commonwealth of Massachusetts (the “Commonwealth”) repealed and restated the Authority’s enabling act, Chapter 161A of Massachusetts General Laws (“Prior Act”), effective July 1, 2000. The Prior Act as restated by Section 151 of Chapter 127, together with Section 35T of Chapter 10 of Massachusetts General Laws, also enacted as part of Chapter 127, as amended, are collectively referred to herein as the “Enabling Act.”

Prior Obligations. Prior to July 1, 2000, in order to fund a portion of its capital program, the Authority periodically issued bonds under the General Bond Resolution of the Authority adopted February 15, 1967, as amended, and had issued notes and entered into certain leases and other obligations. Such bonds, notes, leases and other obligations outstanding as of July 1, 2000 are collectively referred to herein as the “Prior Obligations.”

The Prior Obligations were a general obligation of the Authority. However, if the Authority lacked funds to pay such indebtedness, the Commonwealth was obligated to pay such amount, to which obligation the Commonwealth’s full faith and credit was pledged (the “Commonwealth Guaranty”). In addition, the Commonwealth entered into a contract for financial assistance with the Authority pursuant to which the Commonwealth agreed to pay a portion of the debt service on the Prior Obligations (“Section 28 Assistance”). Furthermore, the Commonwealth paid to the Authority the total amount of expenses in excess of revenues (“Net Cost of Service”).

Under the Enabling Act, the Authority is no longer authorized to issue indebtedness supported by the Commonwealth Guaranty. Under the Enabling Act, the Authority receives a dedicated revenue stream consisting of the Assessments and the Dedicated Sales Tax (collectively, the “Dedicated Revenues”). Furthermore, the Commonwealth no longer shall pay Net Cost of Service or Section 28 Assistance. Instead, Authority indebtedness may be a general obligation of the Authority or may be secured by a pledge or conveyance of all or a portion of revenues, receipts or other assets or funds of the Authority, including without limitation, the greater of the base revenue amount or the dedicated sales tax revenue, both as defined in the Enabling Act (the “Dedicated Sales Tax”) and the amounts assessed on cities and towns of the Authority in accordance with the Enabling Act (the “Assessments”). As a result, the Authority no longer calculates Net Cost of Service, which had been calculated on a calendar year basis, so this Annual Report does not include an updated table showing the Authority’s income and expenses for the previous five calendar years, the calculation of the Net Cost of Service and the net amount of the assessment on the cities and towns relating to those years.

While the Authority no longer may incur indebtedness supported by the Commonwealth Guaranty, to the extent that the Dedicated Revenues are insufficient in any year to provide for the

payment of the Prior Obligations in such year, the Commonwealth shall remain liable to pay such Prior Obligations to the same extent as under the Enabling Act in effect prior to July 1, 2000. The Enabling Act provides, however, that any such payment by the Commonwealth shall be repayable within five years by the Authority, without interest, from Dedicated Revenues.

The payment of Prior Obligations each year is provided for under the Sales Tax Bond Trust Agreement to be paid from the Dedicated Sales Tax. Under the Enabling Act, the Dedicated Sales Tax may not be less than the base revenue amount (as defined in the Enabling Act), which was approximately \$779 million in 2012, \$787 million in 2013, \$799 million in 2014, \$810 million in 2015, \$986 million for Fiscal Year 2016 and \$992 million for Fiscal Year 2017 and is subject to adjustment in future years in accordance with the Enabling Act.

Outstanding Prior Obligations include without limitation the Authority's General Transportation System Bonds and certain leases.

As of March 1, 2017, the Authority had outstanding \$196,835,000 aggregate principal amount of General Transportation System Bonds issued under its General Bond Resolution adopted February 15, 1967, as amended. The General Transportation System Bonds include \$154,260,000 principal amount bearing interest at variable rates. Under the supplemental resolutions authorizing such variable rate General Transportation System Bonds, the interest rate on such bonds may not exceed 12% per annum. As described under "Hedge Agreements" below, the Authority no longer has hedges related to such variable rate obligations. Because under the Enabling Act the Authority is no longer authorized to issue bonds supported by the Commonwealth Guaranty or Section 28 Assistance, the Authority does not expect to issue any additional General Transportation System Bonds.

In the event the Authority draws upon any of its liquidity facilities for its variable rate indebtedness, the Authority would be required to repay the liquidity provider the principal amount of such draw with interest at a variable rate substantially in excess of the rates assumed in the table of Prior Obligation Debt Service Requirements below.

The following table sets forth the total annual regularly scheduled debt service requirements on outstanding Prior Obligations for each Fiscal Year as of March 1, 2017:

Prior Obligations Debt Service Requirements ⁽¹⁾

Year	Principal	Interest ⁽²⁾	Total	Year	Principal	Interest ⁽²⁾	Total
2017	\$9,630,000	\$ 5,874,100	\$15,504,100	2024	\$11,495,000	\$1,717,267	\$13,212,267
2018	17,315,000	5,421,997	22,736,997	2025	12,300,000	1,509,333	13,809,333
2019	18,840,000	4,594,800	23,434,800	2026	13,160,000	1,286,844	14,446,844
2020	19,095,000	3,700,339	22,795,339	2027	14,080,000	1,048,800	15,128,800
2021	20,420,000	2,817,653	23,237,653	2028	15,065,000	794,111	15,859,111
2022	10,955,000	2,126,706	13,081,706	2029	16,120,000	521,600	16,641,600
2023	10,740,000	1,911,556	12,651,556	2030	17,250,000	230,000	17,480,000

Source: The MBTA

(1) Includes both principal and interest portions of lease payments for leases that constitute Prior Obligations.

(2) Assumes a 2% interest rate per annum (in line with internal projections) for the General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series A-1 and A-2 ("2000 Bonds") outstanding in the aggregate principal amount of \$154,260,000, which bear interest at a variable rate reset weekly.

Hedge Agreements. In July 2001, the Authority entered into a swaption with UBS AG in the current notional amount of \$161,420,000, equal to the par amount of the Authority's General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series A-1 and A-2, which swaption was exercised making the swap effective September 1, 2005. Under such swap, the Authority received a variable rate equal to 67% of LIBOR and pays a fixed rate of 5%. On May 23, 2016, the MBTA terminated the swap with UBS AG.

Assessment Bonds. The Authority has issued seven series of Assessment Bonds, which, as of March 1, 2017 were outstanding in the aggregate principal amount of \$704,750,000 Under the Assessment Bond Trust Agreement, the Authority pledges to the payment of obligations thereunder pledged revenues, including Assessments. The outstanding Assessment Bonds amortize through July 1, 2041.

Sales Tax Bonds. As of March 1, 2017, \$3,852,240,000 in aggregate principal amount of Sales Tax Bonds was outstanding.

In addition, the Authority maintains a commercial paper program under the Sales Tax Bond Trust Agreement in the aggregate principal amount not to exceed \$250 million. Such commercial paper notes are secured by the Sales Tax Bond Trust Agreement and repaid by the proceeds of other notes, Senior Sales Tax Bonds or the Dedicated Sales Tax. As of March 1, 2017, \$67,300,000 in aggregate principal amount of such notes was outstanding and a portion of which constitutes the notes initially issued to redeem the 2003 Series B Bonds in 2008.

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**DEBT SERVICE REQUIREMENTS
ON SENIOR SALES TAX BONDS AND ASSESSMENT BONDS**

The following table sets forth Debt Service on all of the outstanding Senior Sales Tax Bonds and Assessment Bonds to be paid to Bondowners in each Fiscal Year in which the Senior Sales Tax Bonds and Assessment Bonds will be outstanding.

Fiscal Year Ending June 30	Debt Service on Outstanding Assessment Bonds*	Debt Service on Outstanding Senior Sales Tax Bonds*
2017	43,878,691	365,943,304
2018	52,405,891	371,291,535
2019	78,983,291	364,850,310
2020	73,247,935	360,046,198
2021	67,613,235	377,947,299
2022	45,064,135	301,030,122
2023	41,202,885	377,511,167
2024	61,499,885	300,409,070
2025	66,421,000	292,761,508
2026	68,775,500	286,801,490
2027	82,813,913	267,906,798
2028	32,430,538	274,553,997
2029	18,758,000	312,477,235
2030	43,673,775	246,188,381
2031	42,570,238	219,434,097
2032	9,263,875	219,282,904
2033	9,263,875	136,022,797
2034	9,263,875	167,364,332
2035	10,573,875	121,017,596
2036	40,550,100	68,483,731
2037	40,575,900	68,268,364
2038	40,690,500	68,012,618
2039	40,734,000	67,742,230
2040	40,773,500	52,348,608
2041	40,815,250	31,878,500
2042	-	31,870,250
2043	-	31,881,650
2044	-	31,898,100
2045	-	13,876,500
2046	-	13,885,650

* [Includes \$74,350,000 principal amount of the Senior Sales Tax Bonds, 2003 Series B, which were issued as auction rate securities in two subseries. Such bonds were optionally redeemed by the Authority on March 5 and 19, 2008, from the proceeds of commercial paper Sales Tax Bond Anticipation Notes. Assumes that the \$68,815,000 principal amount thereof bears interest at the fixed rate under the swap agreement associated with the 2003 Series B Bonds and that the remaining, unhedged portion bears interest at the rate of 2% per annum, that the \$25,005,000 principal amount of the CPI Bonds of the 2003 Series C Bonds bears interest at the fixed rate of 4.13% per annum under the interest rate swap associated with those bonds, With respect to the 2010 Series A Bonds, the \$79,645,000 hedged portion is based on the fixed rate payable

under the interest rate swap associated with such bonds and the unhedged portion at the rate of 2% per annum. Includes \$15,150,000 of unhedged commercial paper notes interest on which is calculated at the rate of 2% per annum.] The table below shows the Authority's new presentation, for fiscal years 2013, 2014, 2015 and 2016 of the statement of revenue and expenses, which includes the Assessments and Dedicated Sales Tax received by the Authority under the Enabling Act commencing July 1, 2000.

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FISCAL YEARS 2012, 2013, 2014, 2015 AND 2016¹
(\$ THOUSANDS)
FISCAL YEARS 2012-2015 RESTATED TO BE CONSISTANT WITH 2016 REPORTING

		<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPERATING REVENUE						
REVENUE FROM TRANSPORTATION		\$ 619,214	\$ 602,627	\$ 576,686	\$ 564,560	\$ 465,755
OTHER		\$ 73,966	\$ 58,895	\$ 66,703	\$ 65,675	\$ 63,151
	TOTAL OPERATING REVENUE	\$ 693,180	\$ 661,522	\$ 643,389	\$ 630,235	\$ 528,906
OPERATING EXPENSES						
WAGES AND RELATED EMPLOYEE BENEFITS:						
	WAGES	\$ 495,172	\$ 491,949	\$ 453,772	\$ 450,898	\$ 410,156
	MEDICAL AND DENTAL INSURANCE	\$ 63,255	\$ 70,302	\$ 70,935	\$ 65,104	\$ 77,350
	OTHER POSTEMPLOYMENT BENEFITS	\$ 163,554	\$ 193,065	\$ 146,102	\$ 185,595	\$ 183,676
	HEALTH AND WELFARE EXPENDITURES	\$ 9,472	\$ 7,765	\$ -	\$ -	\$ -
	PENSIONS	\$ 135,479	\$ 97,399	\$ 102,074	\$ 102,941	\$ 91,988
	SOCIAL SECURITY TAXES	\$ 41,920	\$ 40,912	\$ 38,725	\$ 38,654	\$ 36,760
	WORKERS' COMPENSATION	\$ 13,349	\$ 14,581	\$ 12,207	\$ 8,778	\$ 7,989
	OTHER	\$ 8,843	\$ 869	\$ 1,879	\$ 1,131	\$ 1,346
	CAPITALIZED COSTS	\$ (22,828)	\$ (20,779)	\$ (21,608)	\$ (22,548)	\$ (22,353)
	TOTAL WAGES AND RELATED EMPLOYEE BENEFITS	\$ 908,216	\$ 896,063	\$ 804,086	\$ 830,553	\$ 786,912
OTHER OPERATING EXPENSES:						
	DEPRECIATION AND AMORTIZATION	\$ 419,774	\$ 389,155	\$ 381,966	\$ 372,947	\$ 366,330
	MATERIALS, SUPPLIES, AND SERVICES	\$ 247,380	\$ 256,441	\$ 214,340	\$ 208,589	\$ 212,146
	INJURIES AND DAMAGES	\$ 20,343	\$ 23,435	\$ 15,213	\$ 28,994	\$ 13,122
	COMMUTER RAILROAD AND LOCAL SUBSIDY EXPENSES	\$ 500,013	\$ 484,298	\$ 496,479	\$ 453,954	\$ 431,262
	OTHER	\$ 11,865	\$ 6,630	\$ 9,640	\$ 7,511	\$ 8,292
	TOTAL OTHER OPERATING EXPENSES	\$ 1,199,375	\$ 1,159,959	\$ 1,117,638	\$ 1,071,995	\$ 1,031,152
	TOTAL OPERATING EXPENSES	\$ 2,107,591	\$ 2,056,022	\$ 1,921,724	\$ 1,902,548	\$ 1,818,064
	OPERATING LOSS	\$(1,414,411)	\$(1,394,500)	\$(1,278,335)	\$(1,272,313)	\$(1,289,158)
NONOPERATING REVENUE						
DEDICATED SALES TAX REVENUE (NOTE 4)		\$ 986,274	\$ 970,637	\$ 799,295	\$ 786,867	\$ 779,092
CONTRACT ASSISTANCE – COMMONWEALTH OF MASSACHUSETTS		\$ 155,833	\$ 122,553	\$ 275,200	\$ 160,000	\$ 160,000
DEDICATED LOCAL ASSESSMENTS (NOTE 4)		\$ 162,883	\$ 160,159	\$ 157,206	\$ 155,921	\$ 152,125
FAIR VALUE CHANGE IN INVESTMENT DERIVATIVES		\$ 1,124	\$ 1,623	\$ 1,907	\$ 4,564	\$ 1,230

INTEREST RATE SWAP TERMINATION PAYMENTS		\$ (78,865)	\$ -	\$ -	\$ -	\$ -
OTHER NONOPERATING INCOME		\$ 36,117	\$ 17,140	\$ 21,934	\$ 48,291	\$ 32,599
INTEREST INCOME		\$ 29,308	\$ 17,770	\$ 28,235	\$ 15,293	\$ 43,947
INTEREST EXPENSE		\$ (267,504)	\$ (274,308)	\$ (278,057)	\$ (283,657)	\$ (284,560)
	NONOPERATING REVENUE, NET	\$ 1,025,170	\$ 1,015,574	\$ 1,005,720	\$ 887,279	\$ 884,433
	LOSS BEFORE CAPITAL GRANTS	\$ (389,241)	\$ (378,926)	\$ (272,615)	\$ (385,034)	\$ (404,725)
CAPITAL GRANTS AND CONTRIBUTIONS		\$ 561,674	\$ 567,082	\$ 502,722	\$ 424,416	\$ 246,574
	INCREASE IN NET POSITION	\$ 172,433	\$ 188,156	\$ 230,107	39,382	\$ (158,151)
BEGINNING OF YEAR, NET POSITION		\$ 2,350,841	\$ 2,845,059	\$ 2,614,952	\$ 2,575,570	\$ 2,761,832
	RESTATEMENT TO COMPLY WITH GASB STMNT NO. 68	\$ -	\$ (682,374)	\$ -	\$ -	\$ -
	RESTATEMENT TO COMPLY WITH GASB STMNT NO. 65	\$ -	\$ -	\$ -	\$ -	\$ (28,111)
	RESTATEMENT TO COMPLY WITH GASB STMNT NO. 53	\$ -	\$ -	\$ -	\$ -	\$ -
	RESTATEMENT TO COMPLY WITH GASB STMNT NO. 49	\$ -	\$ -	\$ -	\$ -	\$ -
END OF YEAR, NET POSITION		\$ 2,523,274	\$ 2,350,841	\$ 2,845,059	\$ 2,614,952	\$ 2,575,570

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EXHIBIT B

CUSIP Numbers*

This Annual Report relates to bonds and notes issued by the Massachusetts Bay Transportation Authority (the “Authority”) which records available to the Authority indicate have, or had at the time of issuance, the following CUSIP numbers:

General Transportation System Bonds, 1998 Series A

575567JU7 575567JW3

575567JV5 575567JX1

General Transportation System Bonds, 1998 Series C

575567LT7

General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series A-1

575567VF6

General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series A-2

575567VG4

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The Authority is not responsible for the selection or accuracy of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financing products. In accordance with the terms of the bonds and notes of the Authority, failure to use CUSIP numbers in any notice to holders of the bonds or notes, or any error or omission with respect thereto, does not constitute an event of default or any similar violation of any Authority contract with such holders.