

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

Financial Statements and Required Supplementary Information

June 30, 2024

(With Independent Auditor's Report Thereon)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Massachusetts Bay Transportation Authority
Boston, Massachusetts

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of the Massachusetts Bay Transportation Authority (the Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Pension Contributions, and Schedule of Changes in Total OPEB Liability Related Ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Boston, Massachusetts
December 20, 2024

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2024

(Dollars in thousands)

Introduction

The following discussion and analysis of the financial performance and activity of the Massachusetts Bay Transportation Authority (the Authority) is intended to provide an overview and analysis of the basic financial statements of the Authority for the fiscal year ended June 30, 2024 (FY24) with selected comparative information for the fiscal year ended June 30, 2023 (FY23). The management of the Authority prepared this discussion, and it should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Chapter 161A is referred to herein, together with Section 35T of Chapter 10 of Massachusetts General Laws, as the "Enabling Act".

The Authority receives a dedicated revenue stream consisting of the Assessments and the Dedicated Sales Tax (collectively, the Dedicated Revenues). The Dedicated Sales Tax is equal to the greater of the base revenue amount (as defined in the Enabling Act) and the amount raised by a 1% statewide sales tax, plus \$160,000 annually, all to be funded from existing sales tax receipts, subject to upward adjustment under certain circumstances set forth in the Enabling Act.

Aggregate Assessments are adjusted annually for inflation but will not be permitted to increase by more than 2.5% per year. Under the Enabling Act, the Authority is required to meet all of its operating and capital expenditures from Dedicated Revenues, federal assistance and revenues generated from operation of the Authority's system, including without limitation fare revenues and non-fare revenues (e.g., parking and advertising). However, under the Enabling Act, the Authority's failure to provide transportation services at current levels would not affect the Commonwealth's or the assessed cities' and towns' obligation or ability to provide the Dedicated Revenues.

Financial Statements

The financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Authority is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include statements of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. These are followed by notes to the financial statements. In addition to the financial statements, this report also contains required supplementary information pertaining to the retirement and other postemployment benefit plans (OPEB) of the Authority.

The Statement of Net Position presents information on the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or weakening.

The Statement of Revenue, Expenses and Changes in Net Position reports the operating revenues and expenses and nonoperating revenues and expenses of the Authority for the fiscal year with the difference – the change in net position – being combined with any capital grants and contributions to determine the net change in position for the fiscal year. That change combined with the net position from the end of the previous year equals the net position at the end of the fiscal year.

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June 30, 2024

(Dollars in thousands)

The Statement of Cash Flows report cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, noncapital and related financing activities and investing activities. The net result of these activities added to the beginning of the year balance of cash and cash equivalents total to the cash and cash equivalent balance at the end of the fiscal year.

(a) Financial Highlights – 2023 to 2024

- The Authority's net position at June 30, 2024, was \$8,057,454 an increase from the prior year of \$454,307. The Authority's net position increased by \$920,453 for the fiscal year ended at June 30, 2023. The \$466,146 net position decrease year over year is primarily the result of the following:
 - During the year, the Authority's operating revenues, principally transportation revenues, totaled \$520,627 as compared to operating revenues of \$452,973 in fiscal year 2023, an increase of \$67,654, primarily driven by revenue from transportation fares.
 - Total nonoperating revenues, net and capital grants and contributions, which includes sales tax receipts and federal and state operating and capital grants, decreased by \$131,989 from \$2,820,710 in FY23 to \$2,688,721 in FY24. The decrease was due to a decrease of \$191,446 in capital grants and contributions, a decrease in other nonoperating income of \$77,030, and a decrease in dedicated local sales tax of \$20,214, and partially offset by an increase in contract assistance of \$169,414 and an increase in interest income of \$3,910.
 - Total operating expenses of \$2,755,041 in FY24 increased by \$401,811 as compared with FY23. The increase in operating expenses from FY23 to FY24 is primarily attributable to an increase in materials supplies and services of \$137,452, and increase in wages of \$125,337, an increase in commuter railroad and local subsidy expense of \$47,166, an increase of \$27,956 in pension expense, an increase in depreciation and amortization of \$30,374, an increase of \$12,998 in injuries and damages, an increase in social security taxes of \$10,681, an increase of \$6,798 in medical and dental insurance expense, and an increase in other postemployment benefits expense of \$9,127.
- Total bonds and notes payable outstanding at June 30, 2024, and 2023 were \$5,442,418 and \$5,514,840, respectively. During fiscal 2024, the Authority did not issue any new bonds but drew down on the Railroad Rehabilitation and Improvement Financing (RRIF) ATC Tranche for \$72,065.
- As of June 30, 2024, the Authority's capital assets had a depreciated value of \$16,819,642 made up of \$26,814,833 in historical cost offset by \$9,995,191 in accumulated depreciation and amortization. During FY24, the Authority spent \$1,592,931 for additions to the system.

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Management's Discussion and Analysis (Unaudited)

June 30, 2024

(Dollars in thousands)

Condensed Financial Information

Condensed financial information as of and for the years ended June 30, 2024, and 2023 is as follows:

Condensed Statements of Net Position:

	June 30	
	2024	2023
Current assets	\$ 1,605,718	\$ 1,768,718
Noncurrent assets and deferred outflows	1,534,932	1,648,911
Capital assets, net	16,819,642	15,739,534
Total assets and deferred outflows	19,960,292	19,157,163
Current liabilities	1,355,092	1,060,137
Long-term liabilities and deferred inflows	10,547,746	10,493,879
Total liabilities and deferred inflows	11,902,838	11,554,016
Net position:		
Net investment in capital assets	11,287,074	10,634,606
Restricted	27,447	31,054
Unrestricted	(3,257,067)	(3,062,513)
Total net position	\$ 8,057,454	\$ 7,603,147

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Management's Discussion and Analysis (Unaudited)

June 30, 2024

(Dollars in thousands)

Condensed Statements of Revenue, Expenses and Changes in Net Position:

	June 30	
	2024	2023
Operating revenue:		
Revenue from transportation	\$ 416,595	\$ 376,357
Other	104,032	76,616
Total operating revenues	520,627	452,973
Operating expenses:		
Transportation services	998,418	822,671
Other operating expenses	1,164,002	968,312
Total operating expenses, excluding depreciation	2,162,420	1,790,983
Depreciation and amortization	592,621	562,247
Total operating expenses, including depreciation and amortization	2,755,041	2,353,230
Operating loss	(2,234,414)	(1,900,257)
Nonoperating revenue, net	1,872,037	1,812,580
Gain/(Loss) before capital grants and contributions	(362,377)	(87,677)
Capital grants and contributions	816,684	1,008,130
Increase in net position	454,307	920,453
Beginning of year, net position	7,603,147	6,682,694
End of year, net position	\$ 8,057,454	\$ 7,603,147

The information contained in the condensed financial information table is used as the basis for the following discussion regarding the Authority's financial activities for the fiscal years ended June 30, 2024, and 2023.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis (Unaudited)

June 30, 2024

(Dollars in thousands)

Financial Highlights for the fiscal years ended June 30, 2024, and 2023

- The Authority ended the years June 30, 2024, and 2023 with a net position of \$8,057,454 and \$7,603,147 of which \$11,287,074 and \$10,634,606 represented the Authority's net investment in capital assets, and (\$3,257,067) and (\$3,062,513) was unrestricted, respectively. The net position increased by \$454,307 and \$920,453 in FY24 and FY23, respectively. The \$466,146 net position decrease year over year is primarily the result of an increase of \$67,654 in the Authority's operating revenues primarily from transportation fares, an increase in contract assistance of \$169,414, an increase of \$3,910 in interest income, an increase in other postemployment benefits expense of \$9,127, and a decrease in health and welfare expenditure of \$4,337, partially offset by a decrease of \$191,446 in capital grants and contributions, a decrease in other nonoperating income of \$77,030, a decrease in dedicated local sales tax of \$20,214, an increase in materials supplies and services of \$137,452, and increase in wages of \$125,337, an increase in pension expense of \$27,956, an increase in social security taxes of \$10,681, an increase in injuries and damages of \$12,998, an increase in commuter railroad and local subsidy expense of \$47,166, an increase in depreciation and amortization of \$30,374 and an increase in interest expense of \$23,047.
- The Authority incurred an operating loss for the year ended June 30, 2024, of \$2,234,414. The operating loss was offset in accordance with the Enabling Act which provides the Authority a dedicated revenue stream consisting of the assessments on the communities in the Authority's service area and a Dedicated Sales Tax. For year ended June 30, 2024, the Authority recognized \$1,403,792 of dedicated sales tax revenues from the Commonwealth of Massachusetts. Dedicated local assessments on cities and towns within the Authority's service area accounted for \$188,385 in nonoperating revenue in FY24. The Authority also recognized \$391,078 of contract assistance from the Commonwealth and \$5,051 in State MEMA Emergency Assistance and additional State Fair Share Funding to further offset the operating loss. The net loss before capital grants and contributions for FY24 is \$362,377; a year-over-year decrease of \$274,700.
- The Authority ended the years June 30, 2024, and 2023 with cash and investments of \$1,689,729 and \$2,121,560, respectively. Only \$998,121 and \$1,011,835 of this amount at June 30, 2024, and 2023, respectively, is available for operations as the bulk of these assets are restricted for specific purposes and unavailable for the Authority's general use.
- The statement of cash flows identifies the sources and uses of cash for each fiscal year. Cash and cash equivalents decreased by \$67,563 in FY24.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis (Unaudited)

June 30, 2024

(Dollars in thousands)

Operating Revenue

The following charts show the major sources of operating revenue for the fiscal years ended June 30, 2024, and 2023:

	<u>2024</u>	<u>Percent of total</u>		<u>2023</u>	<u>Percent of total</u>
Bus	\$ 82,264	16 %	\$	76,549	17 %
Subway	189,107	36 %		176,521	39 %
Commuter rail	132,998	26 %		112,801	25 %
Other passenger	12,226	2 %		10,486	2 %
Other operating	104,032	20 %		76,616	17 %
	<u>\$ 520,627</u>	<u>100 %</u>	\$	<u>452,973</u>	<u>100 %</u>

Passenger revenues make up 80% and 83% of the total operating revenues in FY24 and FY23, respectively. The Authority continues to work on increasing ridership through new equipment purchases, station upgrades and system expansion and will continue to pursue its policy of maximizing non-fare revenue opportunities.

Operating Expenses

The following chart shows the major sources of operating expenses for the fiscal years ended June 30, 2024, and 2023:

	<u>2024</u>	<u>Percent of total</u>		<u>2023</u>	<u>Percent of total</u>
Wages and benefits	\$ 998,418	36 %	\$	822,671	35 %
Commuter rail	681,409	25 %		634,244	27 %
Depreciation and amortization	592,621	22 %		562,247	24 %
Material and supplies	442,099	16 %		304,646	13 %
Other operating	40,494	1 %		29,422	1 %
	<u>\$ 2,755,041</u>	<u>100 %</u>	\$	<u>2,353,230</u>	<u>100 %</u>

Consistent with previous years, wages and benefits make up the largest portion of operating expenses. This is common in the public transportation industry as the provision of service is extremely labor intensive. Due to the significant investments the Authority has in capital assets, depreciation and amortization continues to be a significant operating expense. Unlike the other expenses listed, depreciation and amortization are not a cash expense. The Authority has and continues to pursue ways to reduce costs without impacting service.

Capital Assets

The Authority's capital assets as of June 30, 2024, and 2023 amounted to \$16,819,642 and \$15,739,534, (net of accumulated depreciation and amortization), respectively. This investment in capital assets includes land, construction work in progress, ways and structures, buildings and equipment, other capital assets, and lease and subscription right-of-use assets.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis (Unaudited)

June 30, 2024

(Dollars in thousands)

Net capital assets consisted of the following for the fiscal years ended June 30, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 707,972	\$ 706,618
Construction work in progress	5,613,798	4,358,277
Ways and structures	8,044,500	8,080,366
Buildings and equipment	2,350,344	2,484,178
Other and leases	<u>103,028</u>	<u>110,095</u>
	<u>\$ 16,819,642</u>	<u>\$ 15,739,534</u>

The Authority primarily acquires its assets with the proceeds from governmental agencies capital grants and revenue bonds. Station improvements, new equipment purchases, and system expansion are all part of the Authority's capital investment plan. See footnotes 5 and 7 for more information on the Authority's lease assets and capital assets.

Debt

Bonds and notes outstanding for the fiscal years ended June 30, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
General Transportation System bonds	\$ 87,975	\$ 99,470
Revenue bonds, net	4,019,124	4,248,525
RRIFs	699,529	647,545
Commercial paper	250,000	125,000
BABs	<u>385,790</u>	<u>394,300</u>
	<u>\$ 5,442,418</u>	<u>\$ 5,514,840</u>

The total amount for these categories of debt decreased by \$72,422 for the fiscal year ended June 30, 2024.

The Authority issued Commercial Paper Sales Tax Bond Anticipation Notes (CP) in the amount of \$260,000 and paid down \$135,000 during FY2024. See footnote 8 for more information about the Authority's debt.

Requests for Information

This financial report is intended to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any information within this report may be directed to the General Manager, the Chief Administrative Officer or the Chief Financial Officer of the Authority.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position

Assets and Deferred Outflows of Resources

June 30, 2024

(Dollars in thousands)

Current assets:

Unrestricted cash and temporary cash investments (Note 3)	\$ 891,733
Other cash and temporary investments (Note 3)	106,388
Restricted cash and temporary cash investments (Note 3):	
Bond construction accounts	106,151
Accounts receivable:	
Commonwealth of Massachusetts - Dedicated Revenues	134,127
Federal grants	113,329
Other trade, net	145,907
Materials and supplies	84,843
Prepaid expenses	18,687
Short-term lease receivable (Note 5)	4,553
Total current assets	1,605,718

Noncurrent assets:

Restricted cash and investments accounts (Note 3):	
Stabilization account	22,856
Forward delivery agreements	4,591
Lease deposits	62,514
Bond reserve accounts (Note 8)	495,496
Total restricted cash and investments accounts	585,457
Long-term lease receivables (Note 5)	157,957
Capital assets, at cost (Notes 5, 6, and 7):	
Transportation property, not being depreciated	6,321,770
Transportation property, being depreciated, net	10,455,879
Lease Right of Use ("ROU") Assets, net	40,847
Subscription ROU assets, net	1,146
Capital assets, net	16,819,642
Total noncurrent assets	17,563,056
Total assets	19,168,774

Deferred outflows of resources:

Debt refundings	86,786
Derivative related amounts	2,797
Pension related amounts (note 12)	349,457
Other postemployment related amounts (note 13)	352,478
Total deferred outflows of resources	791,518
Total assets and deferred outflows of resources	\$ 19,960,292

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position

Liabilities and Deferred Inflows of Resources

June 30, 2024

(Dollars in thousands)

Current Liabilities	
Current maturities of bonds and notes payable (Note 8)	\$ 562,899
Current lease and SBITA obligations (Notes 5 and 6)	7,839
Accounts payable	529,773
Accrued liabilities	
Payroll and vacation	70,703
Interest	107,550
Injuries, and damage claims (Note 10)	10,975
Workers' compensation claims (Note 10)	36,625
Other accrued liabilities (Note 10)	28,728
<u>Total current liabilities</u>	<u>1,355,092</u>
Noncurrent liabilities, less current maturities:	
Bonds payable, net (Note 8)	5,323,905
Lease and SBITA obligations (Note 5 and 6)	100,945
Accrued liabilities	
Injuries, and damage claims (Note 10)	36,645
Workers' compensation claims (Note 10)	52,213
Other accrued liabilities (Note 10)	7,258
Pension liability (Note 12)	1,762,138
Other postemployment benefits (Note 13)	2,049,249
Liability for derivative instruments	2,797
Unearned revenue	351,226
<u>Total noncurrent liabilities</u>	<u>9,686,376</u>
<u>Total liabilities</u>	<u>11,041,468</u>
Deferred inflows of resources:	
Lease (Note 5)	192,609
Pension related amounts (Note 12)	39,674
Other postemployment related amounts (Note 13)	629,087
<u>Total deferred inflows of resources</u>	<u>861,370</u>
<u>Total liabilities and deferred inflows of resources</u>	<u>11,902,838</u>
Net Position	
Net investment in capital assets	11,287,074
Restricted	27,447
Unrestricted	(3,257,067)
<u>Total net position</u>	<u>\$ 8,057,454</u>

See accompanying notes to financial statements

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2024
(Dollars in thousands)

Operating revenue:		
Revenue from transportation	\$	416,595
Other		104,032
Total operating revenue		<u>520,627</u>
Operating expenses:		
Wages and related employee benefits:		
Wages		685,316
Medical and dental insurance		71,836
Other postemployment benefits		(19,814)
Health and welfare trust expenditures		18,165
Pensions		202,584
Social security taxes		63,116
Workers' compensation		21,748
Other		958
Capitalized costs		(45,491)
Total wages and related employee benefits		<u>998,418</u>
Other operating expenses:		
Depreciation and amortization		592,621
Materials, supplies, and services		442,099
Injuries and damages		33,528
Commuter railroad and local subsidy expenses (Note 11)		681,409
Other		6,966
Total other operating expenses		<u>1,756,623</u>
Total operating expenses		<u>2,755,041</u>
Operating loss		<u>(2,234,414)</u>
Nonoperating revenue (expense):		
Dedicated sales tax revenue (Note 4)		1,403,792
Contract assistance – Commonwealth of Massachusetts		391,078
Dedicated local assessments (Note 4)		188,385
Other nonoperating income		12,020
Fair Market Value Change in Forward Delivery Agreements		(5,349)
FEMA Emergency Assistance		5,051
Interest income		86,149
Interest expense		(209,089)
Nonoperating revenue, net		<u>1,872,037</u>
Loss before capital grants		(362,377)
Capital grants and contributions		816,684
Increase net position		454,307
Beginning of year net position		7,603,147
End of year net position	\$	<u><u>8,057,454</u></u>

See accompanying notes to financial statements.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Cash Flows

Year Ended June 30, 2024

(Dollars in thousands)

Cash flows from operating activities:	
Receipts from transit customers	\$ 410,154
Receipts from other operations	117,618
Payments to suppliers and vendors	(1,262,182)
Payments to employees	(821,732)
Net cash used in operating activities	<u>(1,556,142)</u>
Cash flows from capital and related financing activities:	
Purchases of transportation property	(1,663,263)
Lease and subscription payments	(7,785)
Interest paid	(224,746)
Proceeds from issuances of commercial paper	260,000
Payments on commercial paper	(135,000)
Payments on debt	(275,028)
Proceeds from bond and loan issuances	72,065
Capital grants	715,587
Other	(4,854)
Net cash used in capital and related financing activities	<u>(1,263,024)</u>
Cash flows from noncapital and related financing activities:	
Sales tax, contract assistance and local assessment	<u>2,279,360</u>
Net cash provided by noncapital and related financing activities	<u>2,279,360</u>
Cash flows from investing activity:	
Change in Investments, net	364,269
Interest and other income	107,974
Net cash provided by investing activity	<u>472,243</u>
Net change	(67,563)
Cash, temporary cash investments, beginning of year	<u>1,464,684</u>
Cash, temporary cash investments, end of year	<u>\$ 1,397,121</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Operating loss	\$ (2,234,414)
Changes not requiring current expenditure of cash:	
Depreciation and amortization	592,621
Change in other postemployment benefits and related deferred outflows/inflows, net	
Deferred outflows	(282)
Deferred inflows	(282,205)
Net Pension/OPEB Liability	249,835
Total	<u>(32,652)</u>
Changes in all other working capital accounts except cash, temporary cash investments and	
Changes in unearned revenue	(58,568)
Changes in receivables	(31,788)
Changes in materials, supplies, and prepaids	(15,090)
Changes in accounts payable and accrued liabilities	122,513
Changes in leases	101,236
Total	<u>118,303</u>
Net cash used in operating activities	<u>\$ (1,556,142)</u>

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Cash Flows
Year Ended June 30, 2024

(Dollars in thousands)

Supplemental Disclosures of Non-Cash Activities:

Purchase of capital assets in account payable at year end	\$	191,311
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Reconciliation of Cash and Cash Equivalents:

Deposits (Note 2)	\$	84,856
Money market funds (Note 2)		269,993
MMDT (Note 2)		<u>1,042,272</u>
		<u>1,397,121</u>
Investment		<u>292,608</u>
Total cash and investment	\$	<u>1,689,729</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2024

(Dollars in thousands)

(1) The Reporting Entity

The Massachusetts Bay Transportation Authority (the Authority or MBTA) was created in 1964 as a body politic and corporate and a political subdivision of the Commonwealth of Massachusetts (the Commonwealth) to finance and operate mass transportation facilities within, and, to a limited extent, outside of its territorial area within the Greater Boston Area of 176 cities and towns and is authorized to enter into agreements for providing mass transportation service by private companies, including railroads. The 176 cities and towns are grouped into three categories, based upon the weighting of each member's allocable percentage of population and assessments: (i) the inner 14 cities and towns; (ii) the outer 51 cities and towns; and (iii) the other 111 served communities.

Chapter 161A is referred to herein, together with Section 35T of Chapter 10 of Massachusetts General Laws, as the "Enabling Act." Under the Enabling Act, an Advisory Board, consisting of a representative of each of the cities and towns paying assessments, shall have certain specified powers, including the power to review the Authority's long term capital program and annual operating budget. The Enabling Act does not provide for the Authority to be a debtor under the federal bankruptcy code.

Effective July 29, 2021, Chapter 161A, Section 3 was amended by Chapter 29 of the Acts of 2021 creating a new Board of Directors (the Board) that shall consist of the following seven members: the Secretary of Transportation, who shall serve ex officio; one person to be appointed by the Advisory Board and five persons to be appointed by the governor, one of whom shall have experience in safety, one of whom shall have experience in transportation operations, one of whom shall have experience in public or private finance, one of whom shall be a rider and a resident of an environmental justice population and one of whom shall be selected from a list of three persons recommended by the President of the AFL-CIO.

On April 9, 2023, the Secretary of Transportation along with the Governor of Massachusetts, appointed Philip Eng as the new General Manager of the MBTA. The General Manager reports to and serves at the pleasure of the secretary of transportation.

In accordance with the requirements of Governmental Accounting Standards Board (GASB), the financial statements must present the Authority and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

Effective July 29, 2021, the Authority is a component unit of the Commonwealth of Massachusetts. Previously, the Authority was a component unit of MassDOT.

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Reporting

The Authority applies U.S. generally accepted accounting principles (GAAP) as prescribed by GASB. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Authority, the reporting entity. The Authority accounts for its operations as an enterprise fund. Operating revenues and expenses result from providing transportation services to member communities. All other revenues and expenses are reported as nonoperating revenues and expenses.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
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June 30, 2024

(Dollars in thousands)

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(c) Cash

Cash and cash equivalents include cash on deposit, money market funds and the Massachusetts Municipal Depository Trust (MMDT). MMDT is a pooled money market like investment fund, established under General Laws, chapter 29, Section 38A. MMDT is an external investment pool that meets the criteria established by GASB 79 to report its investments at amortized cost. As such, the Authority reports its investment in MMDT at amortized cost which approximates the net asset value of \$1.00 (one dollar) per share.

(d) Investments

Investments are generally presented at fair value, other than certain investments that are recorded at amortized cost. The MBTA uses an independent pricing source to determine the fair value of investments at quoted market prices. Changes in fair value are included in nonoperating interest income in the Statement of Revenues, Expenses and Changes in Net Position.

The investments recorded at amortized cost are those outlined by GASB standards and include:

- Investments in state & local government series obligations at cost due to prohibition of transferability of the obligations.
- Investments in nonparticipating and participating interest-earning contracts that have a remaining maturity at the time of purchase of one year or less.

(e) Statement of Cash Flows

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, which are reported as temporary cash investments.

(f) Cash and Investment Accounts

Certain cash and investments are segregated from operating cash and investments and labeled restricted due to certain external restrictions as follows:

Bond Construction Accounts – represent unexpended bond proceeds

Stabilization Accounts – represent funds held in accordance with statutory requirements to be used when annual revenues are projected to be less than annual expenses, or if the Authority has insufficient funds on hand to pay current expenses

Lease Deposits – represent investments (Treasury STRIPS) held by trustees that will be used to make scheduled equity payments on certain of the Authority's leases

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Bond Reserve Accounts – represent funds required to be maintained by trust agreements and bond resolutions

Forward Delivery Agreements – represent investment derivatives associated with bond reserve accounts as more fully described in Note 3(g)

Unrestricted cash and temporary investments are free of any internal or external restrictions. Other cash and temporary investments represent internally restricted funds held for capital maintenance, debt service, and other expenses.

(g) Capital Assets

All capital assets (excluding right-of-use lease assets and subscription assets) exceeding \$5, with a useful life of greater than one year, are stated at historical cost. These costs include the Authority's labor costs for employees working on capital projects, related fringe benefits, and an allocated share of general and administrative costs. Ordinary maintenance and repairs are charged to expense as incurred.

Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the asset. The major categories of transportation property in service and their estimated useful lives are as follows at June 30, 2024:

	Estimated useful life
Ways and structures	10–60 years
Building and equipment	3–25 years
Capital assets - other	5–11 years
Right of use assets	1–99 years

(h) Construction in Progress

For the year ended June 30, 2024, approximately \$1,592,931 was expended towards the completion of major construction projects and improvements in progress. The projects and improvements completed were transferred to the appropriate transportation property accounts. Major projects included transit service extensions, right of way improvements, and purchases of new rolling stock and other equipment.

(i) Right of Use Asset

Right-of-Use (ROU) assets are recognized at the lease commencement date and represent the Authority's right to use an underlying asset for the lease term. ROU assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement and initial direct costs. Amortization of the ROU asset is recorded on a straight-line basis over the shorter of the useful life or the lease term.

(j) Lease Liability

Lease liabilities represent the Authority's obligation to make lease payments arising from leases other than short term leases. Lease liabilities are recognized at the lease commencement date based on the

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(Dollars in thousands)

present value of future lease payments over the remaining lease term. Present value of lease payments is discounted based on a borrowing rate determined by the Authority. Short term leases, those with a maximum period of 12 months, are expensed as incurred.

(k) Lease Receivable

Lease receivables are recorded by the Authority as the present value of lease payments expected to be received under all leases other than short term. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, those with a maximum period of 12 months, are recognized as collected. A deferred inflow of resources is recognized ratably over the life of the lease agreement.

(l) Subscription-Based Information Technology Arrangements (SBITAs)

MBTA recognizes a subscription liability and an intangible right of use subscription asset (subscription asset) in the statement of net position. MBTA reports SBITA current expenditures in the statement of revenues, expenditures, and changes in net position. MBTA recognizes subscription liabilities with an initial term greater than twelve months. Remaining subscription terms range from 1 to 5 years with fixed payments due monthly and annually. For SBITAs with a maximum possible term of twelve months or less at commencement, MBTA recognizes expenses based on the provisions of the arrangement.

At the commencement of a SBITA, MBTA initially measures the subscription liability at the present value of expected subscription payments to be made over the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the useful life of the IT asset or subscription term.

Key estimates and judgments related to SBITAs include how MBTA determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) subscription payments.

If an interest rate is not stated in the contract, MBTA uses interest rates on subordinated sales tax bonds at the commencement date of the contract as the discount rate. The subscription term includes the noncancellable period during which MBTA has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend if reasonably certain MBTA or vendor will exercise that option or to terminate if it is reasonably certain that MBTA or vendor will not exercise that option. Subscription payments included in the measurement of the subscription liability are composed of fixed payments only.

MBTA monitors changes in circumstances that would require a remeasurement of a SBITA and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

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Subscription assets are reported with noncurrent assets and subscription liabilities are reported with long term liabilities on the statement of net position.

(m) Materials and Supplies

Materials and supplies are stated at average cost and include items to support the Authority's operations.

(n) Self-Insurance

The Authority is fully self-insured for various risks including workers' compensation, and injuries and damages claims. The Authority also self-insures a portion of casualty, liability claims, and property losses.

(o) Revenue Recognition

The Authority realizes revenue from a variety of different sources including but not limited to dedicated sales tax revenue and dedicated assessment revenue (collectively referred to as Dedicated Revenues, state contract assistance appropriated funds, fare revenue, and non-fare revenue such as real estate, parking, and advertising revenues.

Under the Enabling Act, the Dedicated Revenues are impressed with a trust for the benefit of Authority bondholders. Furthermore, the Commonwealth covenants that while any Authority bonds or notes secured by the Dedicated Revenues are outstanding and remain unpaid, the Dedicated Revenues shall not be diverted, and so long as the Dedicated Revenues are necessary for the purpose for which they have been pledged. The Authority recognizes the Dedicated Revenues as nonoperating revenue.

The Dedicated Sales Tax is equal to the greater of the base revenue amount (as defined in the Enabling Act) and the amount raised by a 1% statewide sales tax to be funded from existing sales tax receipts, subject to adjustment under certain circumstances set forth in the Enabling Act, plus \$160,000 annually. The dedicated assessment revenue consists of the obligation of 178 cities and towns in the Authority's expanded district to pay assessments for transportation services and benefits rendered. The Commonwealth deducts the assessments from each municipality's local aid payments; as such, these payments are received from the Commonwealth.

The dedicated assessments shall be adjusted each July 1 by the growth rate of the inflation index over the preceding 12 months not to exceed 102.5% of the previous year's assessment.

The 2009 Transportation Reform Act established the Commonwealth Transportation Fund (CTF), a budgetary fund of the Commonwealth for transportation related purposes, to receive essentially the same revenue previously deposited into the Highway Fund, including gasoline tax receipts and registry fee revenue. The Transportation Finance Act also provided funding for various transportation services and infrastructure needs within the various units of MassDOT. The Commonwealth appropriated the amount of \$187,000 from the CTF to the Authority for fiscal 2024. The Authority recognizes the state appropriated funds from the CTF on an accrual basis as nonoperating revenue.

The Authority generates significant revenue from the operation of its transportation system, including both fare revenue and non-fare revenue such as those derived from real estate, parking, and advertising. Fare revenue is recorded on an accrual basis as operating revenue when fare media is purchased by riding customers through fare vending equipment and pass programs administered by the Authority. Real

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(Dollars in thousands)

estate, parking, and advertising revenue is recorded on an accrual basis as operating revenue upon reporting of independent contractors managing these revenue streams on behalf of the Authority. Such activity is reflected as operating revenue in the accompanying financial statements.

(p) Capital Grants and Contributions

The Authority receives capital grants from certain governmental agencies to be used for various purposes connected with the planning, modernization, and expansion of transportation facilities and equipment.

(q) Compensated Absences

The Authority accrues for vacation pay when it is earned by employees. The amount of vacation pay accrued as of June 30, 2024, was \$30,524.

	Beginning balance July 1, 2023	Increases	Decreases	Ending balance June 30, 2024
Accrued Vacation Liability	\$ 27,946	\$ 44,500	\$ (41,922)	\$ 30,524

(r) Postemployment Benefits

- (i) The Authority has the following defined benefit postemployment plans:

Pension: The Authority sponsors six defined benefit pension plans, three of which have significant net/total pension liabilities that are recorded on the accompanying financial statements (the MBTA Retirement Fund, the MBTA Police Association Retirement Plan and the MBTA Deferred Compensation Plan). The remaining three plans (the MBTA Executive Deferred Compensation Plan, the MBTA Executive Deferred Compensation Annuity Plan and the MBTA Excess Benefit Annuity Plan) have less than ten active and retired participants and are considered immaterial and are not reflected in the accompanying financial statements.

Other Postemployment Benefits (OPEB): The Authority sponsors one defined benefit OPEB plan.

For purposes of measuring the net/total pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to these liabilities and related expenses, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the applicable defined benefit plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by the plans, where applicable, are measured at fair value.

- (ii) The Authority has the following defined contribution postemployment plans:

Pension: The Authority sponsors one defined contribution plan, the MBTA Deferred Compensation Saving plan.

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(Dollars in thousands)

OPEB: The Authority sponsors one defined contribution Transit Employees Health and Welfare Trust.

See footnotes 12 and 13 for more information on the Authority's postemployment benefit plans.

In accordance with GASB Statement No. 84, Fiduciary Activities, the Authority determined that none of its postemployment plans meet the criteria for being reported as a fiduciary activity because none of the plans were determined to be component units of the Authority and the Authority was not deemed to have control of the plans' assets.

(s) Environmental and Other Remediation Obligations

The Authority recognizes pollution remediation liabilities in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and GASB Statement No. 83, *Certain Asset Retirement Obligations*. At June 30, 2024, the Authority recorded a long-term liability of \$4,258 related to simple ownership of historical rights of way and property located within industrial areas, and the operation and maintenance of our transportation facilities.

(t) Derivatives

The Authorities derivative activities included various forward delivery agreements (FDA) and various interest rate swaps which are recorded at fair value. At June 30, 2024, the fair value of the FDA which are considered investment derivatives totaled \$4,591. At June 30, 2024, the fair value of the interest rate swaps which are considered as hedge instruments totaled \$2,797.

Derivative instruments are reported as assets or liabilities at fair value on the statement of net position. Fair value is determined using a market approach that considers benchmark interest rates.

Changes in fair value may be reported in the statement of revenue, expenses, and changes in net position, or as deferred inflows or deferred outflows of resources in the statement of net position depending upon whether the derivative instrument qualifies for hedge accounting.

(u) Available Unrestricted Resources

The Authority's policy is to utilize available unrestricted resources prior to restricted resources.

(v) Deferred Inflows and Outflows

The Authority accounts for certain transactions that result in the consumption or acquisition of one period that are applicable to future periods as deferred outflows and deferred inflows, respectively, to distinguish them from assets and liabilities. Deferred outflows of resources increase net position, similar to assets and deferred inflows of resources decrease net position similar to liabilities.

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(Dollars in thousands)

(w) Statement of Net Position

The statement of net position presents all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net position result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

(x) Recently Adopted Accounting Standards

The Governmental Accounting Standards Board has issued GASB Statement No. 99, Omnibus 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the fiscal year ending June 30, 2024. This pronouncement was applicable; however, had no material impact on the financial statements as of June 30, 2024.

The Governmental Accounting Standards Board has issued GASB Statement No. 100, Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62, effective for the fiscal year ending June 30, 2024. This pronouncement was applicable; however, had no material impact on the financial statements as of June 30, 2024.

(3) Deposits and Investments

The Authority's investment policy is to only invest in securities named in the respective trust agreements and in its investment policy.

The Authority is authorized by its board of directors to make deposits into checking and savings accounts and to invest in direct obligations of the U.S. Treasury, its agencies and instrumentalities, bankers' acceptances, investment agreements, municipal bonds, repurchase agreements secured by U.S. government and agency obligations, and certain other investments permitted under the trust indentures.

Obligations of any agency or instrumentality of the United States of America including, but not limited to, the following may be acceptable as collateral to secure certificates of deposit or other instruments:

- (A) Federal Home Loan Banks
- (B) Federal Land Banks
- (C) Federal Intermediate Credit Banks

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(Dollars in thousands)

(D) Bank for Cooperatives

(E) Federal National Mortgage Association

(F) Federal Farm Credit Banks

The Authority may invest in prime commercial paper of corporate issuers with a minimum quality rating of P1 by Moody's Investors Service (Moody's) or A1 by S&P Global (S&P). These instruments can vary in maturity; however, no more than 10% of the investment funds shall be invested in the commercial paper of a single corporation.

Additionally, the Authority is authorized to invest in Massachusetts Municipal Depository Trust (MMDT).

Deposits and investments consisted of the following at June 30, 2024:

	2024
Restricted:	
Bond construction accounts	\$ 106,151
Bond reserve accounts	495,496
Stabilization accounts	22,856
Forward delivery agreements	4,591
Lease deposits	62,514
Subtotal	691,608
Unrestricted cash and temporary cash investments	998,121
Total	\$ 1,689,729

(a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. The deposits in the bank in excess of the insured amount and collateralized amount are uninsured and uncollateralized. The carrying amount of the Authority's deposits at June 30, 2024 was \$84,856. The bank balances at June 30, 2024, were \$94,645. Of this amount, \$0 was exposed to custodial credit risk as uninsured and uncollateralized. These amounts reflect the Federal Deposit Insurance Corporation limit of \$250 per institution at June 30, 2024.

(b) Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Authority follows the guidelines in the Authority's trust agreements and does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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(Dollars in thousands)

The Authority's fixed income investments at June 30, 2024, are presented below. All investments are presented by investment type and maturity.

<u>Investment type</u>	<u>2024</u>				
	<u>Amount</u>	<u>Investment maturities (in years)</u>			
		<u>Less than 1 year</u>	<u>1-3</u>	<u>4-8</u>	<u>More than 8</u>
Money market funds	\$ 269,993	\$ 269,993	\$	\$	\$
MMDT	1,042,272	1,042,272			
Guaranteed Investment Contracts	2,073			1,246	827
U.S. Treasury STRIPS	67,104	1		38,500	28,603
U.S. Treasury securities	179,704	179,704			
U.S. government-sponsored enterprises	9,213	9,213			
Municipal bonds	34,514	20	994	8,597	24,903
Cash and Investments	1,604,873	1,501,203	994	48,343	54,333
Deposits	84,856				
Total	<u>\$ 1,689,729</u>	<u>\$ 1,501,203</u>	<u>\$ 994</u>	<u>\$ 48,343</u>	<u>\$ 54,333</u>

(c) Credit Ratings

The Authority has \$1,042,272 invested in MMDT as of June 30, 2024, a state investment pool managed by Federated Hermes, Inc. as agent for the Commonwealth and shareholders of the MMDT. MMDT is unrated.

The Authority has \$354,849 invested in cash and money market funds as of June 30, 2024. These funds are not rated.

The Authority holds guaranteed investment contracts with a fair value of \$2,073 as of June 30, 2024. These investments are not rated.

The Authority had \$110,831 in U.S. Treasury STRIPS, U.S. Treasury securities, State and local government series and municipal bonds as of June 30, 2024. The investments in Treasury STRIPS, U.S. Treasury Securities and State and local government series obligations are backed by the full faith and credit of the U.S. government. The municipal bonds have an implied credit rating of AAA.

The Authority has \$179,704 invested in U.S. government-sponsored enterprises as of June 30, 2024. These investments have an implied credit rating of Aaa/AA+ or they have been collateralized to AAA.

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June 30, 2024

(Dollars in thousands)

(d) Fair Value Hierarchy

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that are required to be made at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure the fair value.

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability or similar assets or liabilities either directly or indirectly through corroboration with the observable market data.
- Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024.

Institutional Money Market Funds – Valued at fair value, which is represented by the quoted price for the fund generally \$1.00 (one dollar). Institutional Money market funds are generally classified as Level 1.

U.S. Treasury Strips – Treasury strips are typically valued based on pricing sources with reasonable level of price transparency or derived from a treasury curve. Treasury strips are generally categorized as Level 2 of the fair value hierarchy.

U.S. Treasury Securities – Securities issued by the U.S. Government, its agencies, authorities and instrumentalities are valued using quoted prices, documented trade history in the security and a pricing model maximizing the use of observable inputs determined by investment managers.

- U.S. Treasury Securities consist principally of U.S. Treasury bills, notes and bonds are generally classified as Level 2 of the fair value hierarchy
- U.S. Government sponsored enterprises securities consist principally of U.S. Government agency obligations including agency-issued debt, agency mortgage pass-through securities, and agency collateralized mortgage obligation are generally categorized in Level 2 of the fair value hierarchy.

Municipal Bonds – State and municipal bonds are generally valued based on the independent prices obtained from third party valuation services. Where prices of recently executed market transactions of similar securities and of comparable size are easily observed, those are taken into consideration for arriving at the fair value. When independent prices are available for state and municipal bonds, these are categorized as Level 2 of the fair value hierarchy.

International Bank Notes – International bank notes are generally valued based on independent prices obtained from third party valuation services and are categorized as Level 2 of the fair value hierarchy.

Derivative Instruments – The Authority's interest rate swaps and forward delivery agreements are classified as Level 2 as valued using a market approach that considers benchmark interest rates.

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The Authority has no securities classified as Level 3.

(e) Fair Value and Amortized Cost Measurements

The Authority categorizes its cash and investments within the fair value hierarchy as of June 30, 2024, as follows:

	2024		
	Total	Fair value Level 1	Fair value Level 2
Cash and Investments by fair value level:			
Money market funds	\$ 269,993	\$ 269,993	\$
U.S. Treasury STRIPS	67,104		67,104
U.S. Treasury securities	179,704		179,704
U.S. government sponsored enterprises	9,213		9,213
Municipal bonds	34,514		34,514
Total Investments by fair value level	<u>560,528</u>	<u>269,993</u>	<u>290,535</u>
Cash and Investments measured at amortized cost:			
MMDT	1,042,272		1,042,272
Guaranteed investment contracts	2,073		2,073
Total Investments measured at amortized cost	<u>1,044,345</u>	<u>—</u>	<u>1,044,345</u>
Total cash and investments	<u>1,604,873</u>	<u>269,993</u>	<u>1,334,880</u>
Deposits	84,856		
Total	<u>\$ 1,689,729</u>	<u>\$ 269,993</u>	<u>\$ 1,334,880</u>
Interest rate swaps	\$ 2,797	\$	\$ 2,797
Forward delivery agreements	\$ 4,591	\$	\$ 4,591

(f) Forward Delivery Agreements

The Authority has entered into several forward delivery agreements (FDAs) with various counterparties related to its debt service and debt service reserve funds (collectively, the Funds). These FDAs provide for the counterparties to pay the Authority a fixed rate of return on the amounts on deposit in the Funds in exchange for the Authority's obligation to purchase securities at specified dates in the future. Under the FDAs, the Authority receives fixed return rates ranging from 4.000% to 6.735% and commits to purchase the securities at their market value on the specified future dates through June 30, 2037. The credit ratings of the counterparties to the FDAs as of June 30, 2024, as determined by S&P Global, were from "A+" to "AA".

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(Dollars in thousands)

(4) Pledged Revenues

The Authority has pledged, as security for Sales Tax Bonds issued, Assessment Bonds issued, Federal Bonds (TIFIA and RRIF), and Build America Bonds (BABs) a portion of the Commonwealth sales tax (excluding meals tax) that is restricted for purposes of providing a dedicated revenue source to the Authority and a portion of the assessments obligated to be paid by cities and towns for which the Authority provides specified transportation services. Such bonds, issued by the Authority, provide financing for a portion of the capital improvement projects included in the Authority's approved Capital Investment Plan (CIP), and are payable through fiscal year ended June 30, 2053. The pledge of dedicated sales tax receipts and assessments from local communities remains in place until all bonds outstanding are retired and paid. The Authority generally issues bonds annually to fund its CIP, and these funds will continue to be pledged as security for the bonds until such time as the Authority no longer finances its CIP through the issuance of bonds secured by such pledged revenues and all such Authority bonds issued and outstanding have been retired. The total amount of dedicated sales tax revenues and local assessment revenues received in fiscal year 2024 was \$1,403,792 and \$188,385 respectively, a total of \$1,592,177. Total annual debt service (principal and interest) paid during fiscal year 2024 on outstanding Sales Tax Bond Series and Assessment Bonds was \$465,679 representing 29.0% of pledged revenues.

Total principal and interest remaining on Sales Tax Series Bonds and Assessment Bonds outstanding as of June 30, 2024, are approximately \$7,997,790.

(5) Leases

(a) Lease Overview

The Authority has entered various leases for land, building, equipment, easement and other arrangements. The Authority has recognized a lease liability and an intangible right-to-use lease asset for lessee arrangements and a lease receivable and a deferred inflow of resources for lessor arrangements.

(b) Lessee Arrangements

A summary of changes in the Right-of-Use Assets, displayed by the nature of underlying assets, is as follows for the year ended June 30, 2024:

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	Beginning balance July 1, 2023	Increases	Decreases	Ending balance June 30, 2024
Land and Building Leases	\$ 38,692	\$ 9,289	\$ (241)	\$ 47,740
Equipment Leases	16,826	424		17,250
Easement Leases	1,224			1,224
Total Lease Assets	<u>56,742</u>	<u>9,713</u>	<u>(241)</u>	<u>66,214</u>
Less accumulated depreciation:	<u>(16,626)</u>	<u>(8,741)</u>		<u>(25,367)</u>
Lease Assets, net	\$ <u>40,116</u>	\$ <u>972</u>	\$ <u>(241)</u>	\$ <u>40,847</u>

A summary of principal changes in the related lease liabilities is as follows for the year ended June 30, 2024:

	Beginning balance July 1, 2023	Increases	Decreases	Ending balance June 30, 2024	Amounts due within one year
Lease Liability	\$ <u>42,812</u>	\$ <u>9,671</u>	\$ <u>(7,300)</u>	\$ <u>45,183</u>	\$ <u>6,957</u>

The principal and interest expense for the next five years and beyond are as follows for lease obligations:

Fiscal year(s):	Principal	Interest	Total
2025	\$ 6,957	\$ 1,250	\$ 8,207
2026	6,301	941	7,242
2027	5,924	774	6,698
2028	5,335	611	5,946
2029-2033	<u>20,666</u>	<u>1,283</u>	<u>21,949</u>
Total	\$ <u>45,183</u>	\$ <u>4,859</u>	\$ <u>50,042</u>

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(c) Other Lessee Arrangements

In fiscal 2006, the Authority entered into two Sale - in/Lease – out (SILO) transactions – with lease end dates of December 15, 2029, and December 15, 2035. Because the transaction did not meet the “in-substance defeasance” criteria, the lease liability and the related refunding trust established to pay off the lease payments as they come due are included in the accompanying financial statements. The refunded trust’s investments in U.S. Treasury STRIPs and corresponding lease liability were valued at \$62,509 at June 30, 2024.

(d) Lessor Arrangements

The Authority has lease arrangements which call for payments that are partially or completely variable and were not included in lease receivables or deferred inflows of resources. These variable payments were a result of the underlying lease measured not on a fixed rate, but rather variable due to the underlying payments derived from a percentage of sales, use of a capital asset, or changes in an index rate.

The principal and interest receivable for the next five years and beyond are as follows for lease receivables:

Fiscal year(s)	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 4,553	\$ 5,147	\$ 9,700
2026	4,645	5,019	9,664
2027	4,526	4,888	9,414
2028	4,110	4,769	8,879
2029	2,834	894	3,728
2030-2034	10,191	22,468	32,659
2035-2039	10,303	21,293	31,596
2040-2044	9,883	20,107	29,990
2045-2049	10,454	19,023	29,477
2050-2054	4,587	17,986	22,573
Thereafter	94,616	189,431	284,047
Total	<u>160,702</u>	<u>311,025</u>	<u>471,727</u>

In 2024, the Authority reclassified the beginning balance related to the underground parking garage lease which is located at Nashua Street and Legends Way in the city of Boston. The lease is for a subsurface building area for five levels of parking with a capacity of 1,275 automobiles (unaudited). The lease agreement is for a 75-year term with an initial rent payment of \$50,000 paid on the commencement date of the lease.

For the year ended June 30, 2024, the Authority earned approximately \$6.3 million in lease revenue and \$1.9 million in lease interest revenue related to all its lessor leasing activities.

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(6) Software Subscriptions

MBTA is party to seven SBITA as of June 30, 2024, the total subscription assets related to these agreements were \$1,146, net of accumulated amortization of \$1,902 as of June 30, 2024.

MBTA has a subscription liability of \$1,092 as of June 30, 2024. The following is a schedule by year of future minimum SBITA payments as of June 30, 2024:

	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
Fiscal year(s):			
2025	\$ 787	21	766
2026	<u>333</u>	<u>7</u>	<u>326</u>
Total	<u>\$ 1,120</u>	<u>28</u>	<u>1,092</u>

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(7) Capital Assets

A summary roll-forward of capital assets at June 30, 2024, is as follows:

	Beginning balance June 30, 2023	Increases	Decreases	Ending balance June 30, 2024
Capital assets not being depreciated				
Land	\$ 706,618	\$ 1,354	\$ —	\$ 707,972
Construction work in progress	4,358,277	1,592,931	(337,410)	5,613,798
Total capital assets not being depreciated	<u>5,064,895</u>	<u>1,594,285</u>	<u>(337,410)</u>	<u>6,321,770</u>
Capital assets being depreciated:				
Ways and structures	14,213,008	339,044	—	14,552,052
Buildings and equipment	5,465,759	108,105	(80,387)	5,493,477
Capital assets - other	378,616	—	—	378,616
Total capital assets being depreciated	<u>20,057,383</u>	<u>447,149</u>	<u>(80,387)</u>	<u>20,424,145</u>
Less accumulated depreciation for:				
Ways and structures	6,132,642	374,910	—	6,507,552
Buildings and equipment	2,981,581	241,939	(80,387)	3,143,133
Capital Assets - other	310,460	7,121	—	317,581
Total	<u>9,424,683</u>	<u>623,970</u>	<u>(80,387)</u>	<u>9,968,266</u>
Depreciable capital assets, net	<u>10,632,700</u>	<u>(176,821)</u>	<u>—</u>	<u>10,455,879</u>
Capital assets, net excluding lease assets	<u>15,697,595</u>	<u>1,417,464</u>	<u>(337,410)</u>	<u>16,777,649</u>
Subscription ROU assets, net (Note 6)	1,823	337	(1,014)	1,146
Lease ROU assets, net (Note 5)	40,116	9,713	(8,982)	40,847
Total capital assets	<u>\$ 15,739,534</u>	<u>\$ 1,427,514</u>	<u>\$ (347,406)</u>	<u>\$ 16,819,642</u>

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(8) Long-Term Debt

(a) Bonds Payable

Debt issued by the Authority prior to and outstanding as of July 1, 2000 (the Prior Obligations) is backed by the full faith and credit of the Commonwealth to the extent revenues collected by the Authority are insufficient to pay the debt, until the debt is paid off. Principal and interest payments on that debt were subsidized by the Commonwealth prior to June 30, 2000. As of June 30, 2024, Prior Obligations in the amount of \$87,975 are outstanding.

Principal on General Transportation System (GTS) bonds, all issued prior to July 1, 2000, is payable in annual installments on March 1st and interest is payable semiannually on March 1st and September 1st. The GTS bonds were issued to provide funds for the financing of the Authority's transportation properties.

Debt issued by the Authority after June 30, 2000 (new debt) is not supported by the Commonwealth's guarantee. Additionally, the Authority is not expected to receive any principal or interest subsidies from the Commonwealth, for the repayment of the prior obligations and new debt of the Authority, unless authorized by special legislation.

In December 2017, the Authority entered a TIFIA loan and a RRIF loan with the United States Department of Transportation secured by subordinated sales tax bonds. In July 2020, the Authority refinanced the TIFIA and RRIF loans. The two loans were consolidated under the RRIF program, and the total loan amount increased to \$851,150. The new RRIF loan program consists of three tranches: (a) a PTC Tranche for \$382,000; (b) an ATC Tranche for \$369,065; and (c) a Resiliency Tranche for \$100,085. The PTC Tranche has an annual interest rate of 1.15%; the ATC Tranche has an annual interest rate of 1.29%; and the Resiliency Tranche has an annual interest rate of 1.45%. On December 1, 2021, the Authority drew down on the PTC Tranche for \$382,000. The Authority drew on the ATC Tranche for \$297,000 on June 1, 2023; \$59,000 on December 1, 2023, and \$13,065 on February 1, 2024. The ATC Tranche has been fully drawn. Principal and interest payments are made semi-annually on January 1 and July 1 beginning January 1, 2022, through the maturity date of January 1, 2039, for PTC. Amortization commences on July 1 or January 1 after the draw date. The final maturity on the remaining Tranches is as follows: (a) ATC Tranche final maturity occurs on July 1, 2042; and (b) Resiliency Tranche final maturity occurs on July 1, 2054. Principal and interest payments will be made on January 1 and July 1.

The Authority issued Commercial Paper Sales Tax Bond Anticipation Notes (CP) in the amount of \$260,000 and paid down \$135,000 during FY2024. As of June 30, 2024, \$250,000 in commercial paper was outstanding. The Authority has authorization to issue up to \$400,000 in commercial paper.

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The Authority's bonds payable outstanding at June 30, 2024, are as follows:

	<u>Final fiscal year of maturity</u>	<u>Interest rates</u>	<u>Outstanding principal as of June 30, 2025</u>	<u>Due in fiscal year 2024</u>
General transportation system bonds:				
2000 Series Variable Rate Demand Obligation dated March 10, 2000 ^(a)	2030	Variable	\$ 87,975	\$ 12,300
			<u>87,975</u>	<u>12,300</u>
Revenue bonds:				
2004 Series B Senior Sales Tax dated March 9, 2004	2031	4.00%–5.25%	25,705	4,210
2004 Series C Senior Sales Tax dated December 22, 2004	2025	5.50 %	17,890	17,890
2005 Series A Senior Sales Tax dated March 24, 2005	2032	5.00 %	567,495	93,065
2005 Series B Senior Sales Tax dated December 21, 2005	2030	5.50 %	81,585	10,445
2006 Series A Senior Sales Tax dated March 2, 2006	2035	5.25 %	224,890	—
2006 Series A Assessment dated September 13, 2006 ^(b)	2036	Variable and Fixed	147,170	19,260
2007 Series A-1 Senior Sales Tax dated May 24, 2007	2035	5.25 %	186,195	—
2008 Series B Senior Sales Tax dated April 30, 2008	2034	5.00%–5.25%	24,140	1,900
2014 Series A Senior Sales Tax dated April 23, 2014	2045	4.00%–5.00%	68,345	6,975
2015 Series A Senior Sales Tax dated October 14, 2015	2046	2.00%–5.00%	128,915	4,505
2015 Series B Senior Sales Tax dated October 14, 2015	2036	4.00%–5.00%	67,185	10,435
2016 Series A Senior Sales Tax dated July 19, 2016	2035	Zero coupon	223,710	12,045

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	<u>Final fiscal year of maturity</u>	<u>Interest rates</u>	<u>Outstanding principal as of June 30, 2024</u>	<u>Due in fiscal year 2025</u>
2016 Series A Assessment dated July 19, 2016	2029	2.00%–5.00%	\$ 115,665	\$ 11,530
2017 Series A-1 Subordinated Sales Tax dated October 12, 2017	2047	5.00 %	99,170	—
2017 Series A-2 Subordinated Sales Tax dated October 12, 2017	2047	5.00 %	130,930	—
2020 Series B-1 Subordinated Sales Tax dated June 11, 2020	2051	5.00 %	326,460	14,385
2021 Series A-1 Subordinated Sales Tax dated April 15, 2021	2052	2.50%–5.00%	539,440	22,240
2021 Series A-2 Subordinated Sales Tax dated April 15, 2021	2043	5.00%	56,265	—
2021 Bond Anticipation Notes (BANs) dated August 10, 2021	2025	4.00%	24,830	24,830
2022 Series A-1 Assessment dated April 13, 2022	2042	3.125%–5.00%	180,440	—
2022 Series A-2 Assessment dated April 13, 2022	2053	5.00%	97,200	—
2022A Sales Tax Principal ^(c) dated April 13, 2022	2053	Variable	95,000	—
2023 Series A-1 Sales Sales Tax dated March 29, 2023	2053	4.0% - 5.25%	509,655	—
2023 Series A-2 Senior Sales Tax dated March 29, 2023	2038	5.00%	108,010	—
			<u>\$ 4,046,290</u>	<u>\$ 253,715</u>

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	<u>Final fiscal year of maturity</u>	<u>Interest rates</u>	<u>Outstanding principal as of June 30, 2024</u>	<u>Due in fiscal year 2025</u>
Railroad Rehabilitation and Improvement Financing (RRIF)				
RRIF ATC Tranche	2042	1.29%	\$ 369,065	\$ 17,792
RRIF PTC Tranche	2039	1.15%	330,464	20,302
			<u>699,529</u>	<u>38,094</u>
Revenue Build America Bonds (BABs)				
2009 Series C Senior Sales Tax dated October 29, 2009	2040	4.893%–5.569%	185,790	8,790
2010 Series D Senior Sales Tax dated December 8, 2010	2041	5.769%–5.869%	200,000	—
			<u>385,790</u>	<u>8,790</u>
Commercial Paper	2024		<u>250,000</u>	<u>250,000</u>
Total outstanding principal			5,469,584	\$ <u>562,899</u>
Unamortized capital appreciation			<u>(27,166)</u>	
Total bonds and note payable			5,442,418	
Less current maturities			(562,899)	
Plus unamortized bond premiums/discounts, net			<u>444,386</u>	
Total long-term bonds and note payable			<u>\$ 5,323,905</u>	

- (a) The bonds were issued as variable rate demand obligations (VRDO), and their variable interest is based on a weekly reset.
- (b) \$5,000 of the 2025 maturity amount is variable debt based on the MUNI CPI rate, plus 107 basis points.
- (c) These bonds were issued as VRDOs, and their variable interest is based on a weekly reset.

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The contractual principal and interest maturities of the bonds and notes payable as of June 30, 2024, are as follows¹:

Fiscal year(s):	Notes from Direct Borrowings ¹		All Other Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 38,094	\$ 8,442	\$ 524,805	\$ 200,858	\$ 562,899	\$ 209,300
2026	38,556	7,980	242,920	188,711	281,476	196,691
2027	39,026	7,510	237,690	176,440	276,716	183,950
2028	39,511	7,025	238,736	164,619	278,247	171,644
2029	39,974	6,562	247,388	153,309	287,362	159,871
2030-2034	207,349	25,331	1,093,250	617,009	1,300,599	642,340
2035-2039	220,304	12,376	737,890	405,357	958,194	417,733
2040-2044	76,715	1,990	583,106	244,078	659,821	246,068
2045-2049	—	—	429,270	137,228	429,270	137,228
2050-2054	—	—	407,835	40,871	407,835	40,871
Total	\$ 699,529	\$ 77,216	\$ 4,742,890	\$ 2,328,480	\$ 5,442,419	\$ 2,405,696

A summary roll-forward of bonds payable for the year ended June 30, 2024, is as follows:

	2024					
	Balance 2023	Bonds issued	Principal payments	Refunded/ redeemed principal	Capital appreciation bond accretion	Balance 2024
GTS	\$ 99,470	\$ —	\$ (11,495)	\$ —	\$ —	\$ 87,975
Revenue	4,248,525	—	(234,080)	—	4,679	4,019,124
RRIFs	647,545	72,065	(20,081)	—	—	699,529
BABs	394,300	—	(8,510)	—	—	385,790
Commercial Paper	125,000	260,000	(135,000)	—	—	250,000
	\$ 5,514,840	\$ 332,065	\$ (409,166)	\$ —	\$ 4,679	\$ 5,442,419

¹ Notes from direct borrowings consists of the Railroad Rehabilitation and Improvement Financing ("RRIF") notes.

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A roll-forward of the 2016A capital appreciation bonds for the year ended June 30, 2024, is as follows:

	<u>Balance at June 30, 2023</u>	<u>Appreciation</u>	<u>Principal Payments</u>	<u>Balance at June 30, 2024</u>
Zero coupon bond	\$ 245,530	\$ —	\$ (21,820)	\$ 223,710
Accretion	<u>(31,845)</u>	<u>4,679</u>	<u>—</u>	<u>(27,166)</u>
June 30, 2024	<u>\$ 213,685</u>	<u>\$ 4,679</u>	<u>\$ (21,820)</u>	<u>\$ 196,544</u>

The following funds, excluding the fair value of any forward delivery agreements, are included in restricted assets at June 30, 2024, in connection with the Authority's revenue bond trust agreements and bond resolutions:

	<u>Assessment bonds</u>	<u>Sales tax bonds</u>	<u>Outstanding balance</u>
Debt service	\$ 76,644	\$ 364,340	\$ 440,984
Debt service reserve	<u>—</u>	<u>54,512</u>	<u>54,512</u>
	<u>\$ 76,644</u>	<u>\$ 418,852</u>	<u>\$ 495,496</u>

The minimum required balances in the debt service reserve funds at June 30, 2024, was \$67,777 for the Sales Tax Series Bonds. The Authority no longer has a minimum required balance for the Assessment Bonds as this requirement was removed as part of the April 13, 2022, Series A Assessment Bond issuance. The Authority has complied with its financial bond covenants by maintaining sufficient cash and investments in the debt service reserve funds.

(b) Standby Purchase Agreements

The GTS 2000 Series Bonds issued March 10, 2000, were issued as a Variable Rate Demand Obligation. The Authority's obligation to purchase these Bonds in the event of a failed remarketing is secured by a Standby Bond Purchase Agreement (SBPA) with TD Bank, which will expire in March 2030.

The 2022 Sales Tax Bonds were issued on September 28, 2022, as Variable Rate Demand Obligations. The Authority's obligation to purchase these Bonds in the event of a failed remarketing is secured by a Standby Bond Purchase Agreement (SBPA) with TD Bank, which will expire in September 2027.

(9) Commitments and Contingencies

(a) Capital Investment Plan (CIP)

The Authority's continuing CIP for mass transportation has projects in service and in various stages of approval, planning, and implementation. The following tables show, as of June 30, 2024, capital project

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costs approved, expenditures against these projects, and estimated costs to complete these projects, as well as the major funding sources:

Funding source	Approved project cost	Expenditures through 30-Jun-24	Unexpended costs
Federal grants	\$ 11,939,338	\$ 10,213,241	\$ 1,726,097
State and local sources	7,368,608	6,226,605	1,142,003
Authority bonds	14,146,568	9,844,406	4,302,162
Total	\$ 33,454,514	\$ 26,284,252	\$ 7,170,262

The terms of the federal grant contracts require the Authority to, in part, utilize the equipment and facilities for the purposes specified in the grant agreement, maintain these items in operation for a specified time period, which normally approximates the useful life of the equipment, and comply with the Equal Employment Opportunity and Affirmative Action programs required by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users. Failure to comply with these terms may jeopardize future funding and require the Authority to refund a portion of these grants to the Federal Transit Administration. In management's opinion, no events have occurred that would result in the termination of these grants or require the refund of a significant amount of funds received under these grants.

Other cases and claims include disputes with contractors and others arising out of the Authority's CIP. In the opinion of the general counsel to the Authority, amounts reasonably expected to be paid by the Authority would be within the scope of grant funds and other funds available to the Authority for the respective projects.

The Authority has entered into several long-term contracts to purchase coaches, locomotives, buses, rapid transit cars, and other transportation equipment. Unexpended amounts under these contracts total approximately \$870,338 at June 30, 2024.

(b) Automated Fare Collection Commitment

In March 2018, the Authority entered into an agreement with a third-party System Implementor (SI) to design, implement, integrate, test, finance, operate, maintain and manage a new automated fare collection (AFC 2.0) system (the Project). The agreement hereafter referred to as the Project Agreement was amended and restated in June 2020. The Project Agreement's initial term is approximately 13.5 years and can be extended at the Authority's discretion for up to two additional five-year periods.

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Upon satisfaction of the Project Agreements terms and conditions, the Authority is obligated to make milestone payments to the SI totaling approximately \$218,500 through the Full-Service Commencement Date, as defined. Thereafter, for the remainder of the initial term, the Authority is obligated to make availability payments to the SI for capital (APC) in the amount of \$343,000 and availability payments for operations/total AP transaction rates (APO/APT) totaling approximately \$347,000.

The Project, in part, will become operational in fiscal 2025 with the initial term expiring in fiscal 2034. The Authority will capitalize all milestone and APC payments and will expense all APO and APT payments when made. As of June 30, 2024, the Authority has made five (5) milestone payments with an aggregate value of \$18,500.

(c) Legal and Other

The Authority is involved in numerous lawsuits, claims, and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage, and disputes over eminent domain proceedings. In the opinion of the general counsel to the Authority, payments of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position.

The Authority participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of the Authority's management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.

(10) Risk Management

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and unemployment.

Buildings are fully insured up to \$500,000 to the extent that losses exceed the self-insured retention of \$10,000 effective March 1, 2024. The Authority is self-insured for workers' compensation, unemployment claims and vehicle liability. Beginning July 1, 2015, the Authority provided all its employees with health insurance through the health insurance plans administered by the Group Insurance Commission of the Commonwealth (GIC) and was no longer self-insured. Under GIC, the Authority pays 75% to 80% of all healthcare premiums for active employees within the health insurance plans administered by GIC; and pays 80% to 90% of all health premiums for retired employees within the health insurance plans administered by the GIC. Supplemental postemployment benefits for certain retirees are provided by the Authority as well. See Note 12.

The Authority self-funds a \$7,500 per occurrence deductible for general liability and \$10,000 per occurrence for Bus Liability. The Authority has a program of excess public liability insurance to provide for \$92,500 of layered coverage on a per occurrence and annual aggregate basis. In the opinion of the general counsel to the Authority, payments of claims by the Authority for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position.

Payments for claims and judgments and workers' compensation were \$10,446 and \$15,310 respectively for the year ended June 30, 2024.

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The requirements of GASB, Statements require that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The Authority reserves such liabilities, which consist of workers' compensation, and injuries and damages (legal claims) as accrued expenses as of June 30, 2024, and 2023. Changes in the self-insurance liabilities in FY24 were as follows:

	2024	2023
Liability, beginning of year	\$ 143,305	140,032
Provisions for claims	19,056	21,377
Payments	(25,903)	(18,104)
Liability, end of year	\$ 136,458	143,305

(11) Commuter Railroad

Under the Enabling Act, the Authority may enter into agreements with private transportation companies, railroads, and other concerns providing for joint or cooperative operation of any mass transportation facility and for operation and use of any mass transportation facility and equipment for the account of the Authority.

In February 2014 the Authority and Keolis Commuter Services (Keolis) entered into an operating agreement (the "Base Agreement") effective July 1, 2014, to provide commuter railroad service over the Authority's rail lines for a period of eight (8) years, through June 30, 2022. On July 1, 2020, the Authority entered into an Amendment and Extension of the Commuter Operating Agreement to extend the term to June 30, 2026. The Authority has a fixed annual payment schedule with a total contract amount of approximately \$1,207,000 over the remaining two years of the agreement, of which approximately \$814,299 relates to services established within the Base Agreement. The payments for all commuter rail costs incurred by Keolis totaled \$577,855 in FY24.

(12) Pension Plans

The MBTA Retirement Fund, a single employer defined benefit plan, covers all employees except the MBTA police, who are covered separately, and certain executives who elect coverage under an alternate plan. The MBTA Retirement Fund and the MBTA Police Association Retirement Plan, a single employer defined benefit plan, both provide retirement, disability, and death benefits to their members. The MBTA Retirement Fund issues separately audited financial statements that may be obtained by writing to One Washington Mall, Boston, Massachusetts 02108, or by calling (617) 316-3800. The MBTA Police Association Retirement Plan also issues separately audited financial statements that may be obtained by writing to the Board of Directors, MBTA Police Association Retirement Plan, P.O. Box 35, Grafton, Massachusetts 01519.

The MBTA Deferred Compensation Plan, a single employer defined benefit plan, provides supplemental pension benefits for certain Local 453, Steelworkers, Transit Employee Administrators (collective bargaining units) and executive employees after retirement. Employees may participate in both the MBTA Retirement Fund and the MBTA Deferred Compensation Plan. The MBTA Deferred Compensation Plan is unfunded and does not issue separately audited financial statements.

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Employees Covered by Benefit Terms

At December 31, 2023, the following employees were covered by the benefit terms:

	MBTA Retirement Fund	MBTA Police Association Retirement Fund	MBTA Deferred Compensation Plan
Retired employees or beneficiaries receiving benefits	6,800	143	923
Active employees	5,805	205	728
Inactive employees entitled to, but not yet receiving benefits	444	75	—
	<hr/>	<hr/>	<hr/>
Total	13,049	423	1,651

(a) Funding Policy and Annual Pension Cost

The pension agreements between the Authority and Local 589, dated July 1, 2014, for the MBTA Retirement Fund and the MBTA Police Association dated June 30, 2003, designates that the board of trustees of each retirement plan establish the contribution requirements.

The historical MBTA Retirement Fund contribution rates are as follows:

<u>Valuation date</u>	<u>Effective date</u>	<u>Contribution percentage</u>		
		<u>Employer</u>	<u>Employee</u>	<u>Total</u>
12/31/2021	7/1/2022	25.82 %	9.05 %	34.87 %
12/31/2022	7/1/2023	25.95	9.10	35.05
12/31/2023	7/1/2024	25.95	9.10	35.05

Actual contributions made were in accordance with these contribution requirements.

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The historical MBTA Police Association Retirement Plan contribution rates are as follows:

Valuation date	Effective date	Contribution percentage		
		Employer	Employee	Total
12/31/2021	7/1/2022	13.74 %	8.71 %	22.45 %
12/31/2022	7/1/2023	13.73	8.35	22.08
12/31/2023	7/1/2024	17.86	9.72	27.58

Contributions are not required to be made for the MBTA Deferred Compensation Plan. Rather, benefit payments are made on a “pay as you go” basis.

(i) *Net Pension Liability*

The Authority’s June 30, 2024, net pension liability for each retirement plan was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023.

Actuarial assumptions. The total pension liability for the MBTA Retirement Fund and the MBTA Police Association Plan as of December 31, 2023, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Pension	MBTA Retirement Fund	MBTA Police Association Plan
Actuarial assumptions		
Inflation rate	2.75 %	2.36 %
Salary increase	2.75 - 14.00	3.25
Investment rate of return *	7.25	7.00

* Net of pension plan investment expense, including inflation

For the December 31, 2023, MBTA Retirement Fund actuarial valuation, mortality rates were as follows:

Active and Deferred Mortality: The PRI-2012 Amount Weighted Blue Collar Mortality Tables with fully generational projection using Scale MP-2021

Retired Mortality: 101.1% of the PRI-2012 Amount Weighted Blue Collar Mortality Tables with fully generational projection using Scale MP-2021

Surviving Spouse Mortality: 98.3% of the PRI-2012 Amount Weighted Blue Collar Mortality Tables with fully generational projection using Scale MP-2021

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Disabled Mortality: The PRI-2012 Amount Weighted Blue Collar Mortality Tables with fully generational projection using Scale MP-2021

Among pre-retirement deaths, 7.5% are assumed to qualify for accidental death benefits

An experience study of the MBTA Retirement Fund was conducted based on the period from January 1, 2018, to December 31, 2022.

For the December 31, 2023, MBTA Police Association Plan actuarial valuation, mortality rates were as follows: for non-disabled participants mortality is based on the PubS-2010 (Below Median) Amount-Weighted Safety Mortality Tables with generational projection using Scale MP-2019, except for current and future beneficiaries of deceased participants. For current and future beneficiaries of deceased participants, mortality is based on the Pub-2010 (Below Median) Amount-Weighted Contingent Survivor table with generational projection using Scale MP-2019. The PubS-2010 Amount-Weighted Safety Disabled Retiree table with generational projection using Scale MP-2019 is used for the period after disability retirement. Among pre-retirement deaths, 25% are assumed to qualify for accidental death benefits.

An experience study of the MBTA Police Association Retirement Plan was conducted based on the period from January 1, 2014, to December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building -block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target allocation as of December 31, 2023, are summarized in the following tables:

	MBTA Retirement Fund	
	Target allocation	Long term expected real rate of return
Equity	43 %	6.54 %
Fixed income	23	2.46
Alternatives	32	6.60
Cash	2	0.64
Total	<u>100 %</u>	

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	<u>MBTA Police Association Plan</u>	
	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Equity	39 %	6.00 %
Fixed income	45	2.19
Alternatives	16	7.41
Total	<u>100 %</u>	

Actuarial assumptions. The total pension liability for the MBTA Deferred Compensation Plan as of December 31, 2023, was determined using same actuarial assumptions for inflation, salary increases, and mortality as described above for members covered by the MBTA Retirement Fund and the MBTA Police Association Retirement Plan.

Discount rate: The discount rate used to measure the total pension liability was 7.25% for the MBTA Retirement Fund (no change from prior year) while the discount rate for the MBTA Police Association Retirement Plan was 7.00% (no change from prior year). The projection of cash flows used to determine the discount rate assumed that employee contributions will continue to be made in accordance with the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current MBTA Retirement Fund and MBTA Police Association Retirement Plan members. The discount rate used to measure the total pension liability for the MBTA Deferred Compensation Plan was 4.00%. Since this plan is unfunded, the assumed discount rate has been determined in accordance with the method prescribed by GASB No. 67 and is based on the S&P Municipal Bond 20 Year Grade Rate Index, whose yield to maturity was 4.00% as of December 31, 2023.

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(ii) *Change in the Net Pension Liability – MBTA Retirement Fund*

	<u>liability</u> <u>(a)</u>	<u>net position</u> <u>(b)</u>	<u>liability</u> <u>(a)-(b)</u>
Balances at December 31, 2022	\$ 3,167,471	\$ 1,622,548	\$ 1,544,923
Changes for the year:			
Service cost	62,189		62,189
Interest	225,168		225,168
Changes of benefit terms	35,547		35,547
Difference between expected and actual experience	65,179		65,179
Changes in assumptions			—
Contributions – employer		135,226	(135,226)
Contributions – employee		50,735	(50,735)
Net investment Income		142,700	(142,700)
Benefit payments, including refund of employee contributions	(252,190)	(252,190)	—
Administrative expense		(4,415)	4,415
Other		(204)	204
Net changes	<u>135,893</u>	<u>71,852</u>	<u>64,041</u>
Balances at December 31, 2023	<u>\$ 3,303,364</u>	<u>\$ 1,694,400</u>	<u>\$ 1,608,964</u>

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(iii) *Change in the Net Pension Liability – MBTA Police Association Retirement Plan*

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a)-(b)
	Balances at December 31, 2022	\$ 128,857	\$ 89,973
Changes for the year:			—
Service cost	2,256		2,256
Interest	8,931		8,931
Changes of benefit terms	6,886		6,886
Contributions – employer		3,472	(3,472)
Contributions – employee		2,097	(2,097)
Net investment Income		10,473	(10,473)
Difference between expected and actual experience	1,122		1,122
Benefit payments, including refund of employee contributions	(7,173)	(7,173)	
Administrative expense		(243)	243
Net changes	12,022	8,626	3,396
Balances at December 31, 2023	\$ 140,879	\$ 98,599	\$ 42,280

(iv) *Change in the Total Pension Liability – MBTA Deferred Compensation Plan*

	Increase (decrease) Total pension liability
Balances at December 31, 2022	\$ 99,088
Changes for the year:	
Service cost	3,047
Interest	4,258
Differences between expected and actual experience	7,908
Changes in assumptions	3,342
Benefit payments, including refund of employee contributions	(6,749)
Net changes	11,806
Balances at December 31, 2023	\$ 110,894

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Sensitivity of Net Pension Liability to Changes in the Rate

The following presents the net pension liability of the Authority, calculated using the discount rates disclosed as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of December 31, 2024.

	<u>Current rate</u>		<u>1% Decrease of current rate</u>		<u>Current discount rate</u>		<u>1% Increase of current rate</u>
MBTA Retirement Fund	7.25 %	\$	1,941,656	\$	1,608,964	\$	1,325,603
MBTA Police Assoc. Retirement Plan	7.00 %		59,850		42,280		27,611
MBTA Deferred Compensation	4.00 %		122,965		110,894		100,697

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Authority recognized pension expense of \$177,006; \$12,832; and \$6,335; for the MBTA Retirement Fund, the MBTA Police Association Retirement Plan and the MBTA Deferred Compensation Plan, respectively.

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At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension amounts from the following sources:

	MBTA Retirement Fund	MBTA Police Assoc. Retirement Plan	MBTA Deferred Compensation Plan	Total
Deferred outflows of resources:				
Changes in assumptions	\$ —	\$ —	\$ 2,228	\$ 2,228
Contributions subsequent to the measurement date	76,185	2,128	3,404	81,717
Differences between expected and actual experience	92,829	6,623	7,829	107,281
Net difference between projected and actual earnings	<u>150,014</u>	<u>8,217</u>	<u>—</u>	<u>158,231</u>
Total deferred outflows of resources	<u>319,028</u>	<u>16,968</u>	<u>13,461</u>	<u>349,457</u>
Deferred inflows of resources:				
Differences between expected and actual experience	(1,469)	(532)	—	(2,001)
Changes in assumptions	<u>(28,656)</u>	<u>(1,319)</u>	<u>(7,698)</u>	<u>(37,673)</u>
Total deferred inflows of resources	<u>(30,125)</u>	<u>(1,851)</u>	<u>(7,698)</u>	<u>(39,674)</u>
Less contributions subsequent to the measurement date	<u>(76,185)</u>	<u>(2,128)</u>	<u>(3,404)</u>	<u>(81,717)</u>
Net deferred outflows and inflows of resources exclusive of employer specific deferrals	\$ <u>212,718</u>	\$ <u>12,989</u>	\$ <u>2,359</u>	\$ <u>228,066</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the subsequent year.

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Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized/(amortized) into pension expense as follows:

	<u>MBTA Retirement Fund</u>	<u>MBTA Police Assoc. Retirement Plan</u>	<u>MBTA Deferred Compensation Plan</u>
Year ended June 30:			
2024	\$ 44,995	\$ 4,060	\$ (1,391)
2025	69,312	4,192	3,750
2026	90,892	5,360	—
2027	<u>7,519</u>	<u>(623)</u>	<u>—</u>
Totals	\$ <u>212,718</u>	\$ <u>12,989</u>	\$ <u>2,359</u>

Payable to the Pension Plans

At June 30, 2024, the Authority reported a payable for \$7,218 for the outstanding amount of contributions to pension plans required for the year ended June 30, 2024.

(b) The MBTA Deferred Compensation Savings Plan

The Authority provides a defined contribution retirement plan for nonunion and certain grandfathered union management not participating in the MBTA Retirement Fund. Authority employee trustees administer the plan and recommend benefit amendments that require approval from the Authority's general manager. The plan requires members to contribute 10.3489% of total covered payroll for the years ended June 30, 2024, with the Authority contributing 8.0%. The Plan had 896 members as of June 30, 2024. The cost of the Plan was \$4,601 for the year ended June 30, 2024. Member contributions vest to plan members immediately, while contributions made by the Authority vest to plan members as follows: 50% after three years, 75% after four years, and 100% after five years of credited service. The total asset balances of \$83,897 as of June 30, 2024, were held by a third-party administrator who allocates the assets of fully funded member account balance at the direction of individual member discretion.

(13) Other Postemployment Benefits (OPEB)

In addition to providing the pension benefits described, the Authority provides OPEB for eligible retired employees under two arrangements through the Postretirement Medical and Life Insurance Plan, which is a single employer defined benefit plan. The Authority participates in the Commonwealth of Massachusetts' Group Insurance Commission (GIC) plan which provides health and other benefits to both Medicare and Non-Medicare eligible retirees. The Authority also provides eligible retirees with additional nonduplicative supplemental life insurance and Medicare Part B premium benefits through the Transit Employees Health and Welfare Fund. The benefits, benefit levels, employee contributions, and employer contributions are

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(Dollars in thousands)

governed by the Authority, collective bargaining agreements, and state statute. Plan membership as of July 1, 2023, is as follows:

Retirees or beneficiaries currently receiving		
benefits payments		6,433
Active employees		6,604
		13,037

Through the GIC, the Authority provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Authority and meet the eligibility criteria can receive these benefits.

(a) Funding Policy

Retiree contributions to the GIC plan vary based on the date of retirement. Pre- and post-65 retirees with a retirement date on or before July 1, 1994, contribute 10% to the cost of the health plan. Retirees who retired after July 1, 1994, and filed for retirement prior to August 10, 2009, contribute 15% of the cost of the health plan. Retirees who retired after July 1, 1994, and filed for retirement on or after August 10, 2009, but on or before October 1, 2009, with a retirement date on or before January 31, 2010, contribute 15% of the cost of the health plan. Retirees who file for retirement after October 1, 2009, contribute 20% of the cost of the health plan. The Authority contributes the remainder of the health plan costs on a pay-as-you-go basis.

(b) Total OPEB Liability

The Authority's total OPEB liability of \$2,049,249 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023.

Actuarial assumptions and other inputs: The total OPEB liability as of June 30, 2023, was determined using the same actuarial assumptions for inflation, salary increases, and mortality as described in Note 12(a)(i) for members covered by the MBTA Retirement Fund and the MBTA Police Association Retirement Plan. Other Actuarial assumptions used to determine total OPEB liability as of June 30, 2023, are as follows:

Discount Rate	4.13% based on the S&P Municipal Bond 20 Year High Grade Rate Index
Healthcare cost trend rate	Pre-Medicare and Medicare, 8.0% decreasing to an ultimate trend rate of 4.5% Medicare Part B, 5.0% remaining constant

Discount rate: The discount rate used to measure the total OPEB liability was 4.13% (previously 4.09%). Since OPEB is unfunded, the assumed discount rate has been determined in accordance with the

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(Dollars in thousands)

method prescribed by GASB No. 74 and is based on the S&P Municipal Bond 20 Year Grade Rate Index, whose yield to maturity was 4.13% as of June 30, 2023.

(i) *Change in Total OPEB Liability*

	<u>Increase (decrease)</u>
Balances at June 30, 2022	\$ 1,878,657
Changes for the year:	
Service cost	64,430
Interest	78,054
Differences between expected and actual experience	7,485
Changes of assumptions	90,698
Benefit payments, including refund of employee contributions	<u>(70,075)</u>
Net changes	<u>170,592</u>
Balances at June 30, 2023	\$ <u>2,049,249</u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13%) or 1-percentage-point higher (5.13%) than the current discount rate (in thousands):

	<u>1% Decrease</u>	<u>Discount rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,373,334	\$ 2,049,249	\$ 1,788,970

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or cost trend rates that are 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	<u>1% Decrease</u>	<u>Discount rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,775,451	\$ 2,049,249	\$ 2,393,989

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(ii) *OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2024, the Authority recognized OPEB expense of \$138. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB amounts from the following sources:

Deferred outflows of resources:

Change in assumptions	\$ 178,200
Difference between expected and actual experience	111,180
Contributions subsequent to the measurement date	<u>63,098</u>
Total deferred outflows of resources	<u>352,478</u>

Deferred inflows of resources:

Difference between expected and actual experience	(103,961)
Changes in assumptions	<u>(525,126)</u>
Total deferred inflows of resources	<u>(629,087)</u>

Net deferred outflows and inflows of resources (276,609)

Less contributions subsequent to the measurement date (63,098)

Net deferred outflows and inflows of resources exclusive of
employer specific deferrals \$ (339,707)

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction in the total OPEB liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized/(amortized) into OPEB expense/(benefit) as follows:

Year ended June 30:

2025	\$ (125,802)
2026	(101,781)
2027	(81,991)
2028	(42,641)
2029	<u>12,508</u>
Totals	<u>\$ (339,707)</u>

For the year ended June 30, 2024, the Authority recognized OPEB expense of \$62,529 for Medicare, non-Medicare eligible retirees, additional nonduplicative supplemental life insurance and Medicare part B premium for eligible retirees, respectively.

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(c) *Transit Employees Health and Welfare Trust*

In fiscal 2015 the Authority and Local 589 (Local Union 589, Amalgamated Transit union, AFL-CIO and CLC) as a result of an arbitration award established a separate trust fund, the Transit Employee Health and Welfare Trust Fund (the Trust Fund), to address legislative changes impacting healthcare and other coverage (medical, dental, vision and life insurance) for Local 589 active and retired employees (collectively, the employees). The Authority and the employees are required to make contributions to the Trust Fund based on the rates agreed to in the Collective Bargaining Agreement. Contributions, once received by the Trust Fund, must be used exclusively “to provide benefits to eligible participants and/or appropriate administrative or operating expenditures.” The Trust allows participation of any Authority employee or retiree and provides pre and post retiree benefits to those individuals through the Trust Fund. As such the Trust Fund does not meet the definition of a qualifying trust under the requirements of GASB 75 and its assets cannot be used to reduce the Authority’s total OPEB liability.

In fiscal 2024, the Authority made contributions to the Trust Fund of \$18,165. The liability for the Authority’s obligation for the benefits administered by this Trust Fund is recorded as part of the Authority’s total OPEB liability. All operating activities of the Trust Fund have been excluded from the accompanying financial statements.

(14) SUBSEQUENT EVENTS

Debt Issuance

In July 2024, the Authority issued \$987,635 Senior Sales Tax Bonds, 2024 Series A and \$97,705 Senior Sales Tax Bonds, 2024 Series B (Sustainability Bonds). The 2024 Series A has two Term Bonds, one Term Bond has a coupon rate of 4.00% and annual sinking funds from July 1, 2043, through final maturity on July 1, 2044, and the other has a coupon rate of 5.25% and annual sinking funds from July 1, 2049, through final maturity on July 1, 2052. The 2024 Series B has one Term Bond with a coupon rate of 5.25% and annual sinking funds from July 1, 2052, through final maturity on July 1, 2054. The 2024 Series A has annual principal payments beginning July 1, 2025, through July 1, 2048. The 2024 Series A annual principal amounts due July 1, 2025, through and including July 1, 2036, are subject to a make whole call and annual principal amounts and Term Bonds due July 1, 2037, through July 1, 2052, are subject to an optional call at par on or after July 1, 2034. The 2024 Series B Term Bond is subject to an optional call at par on or after July 1, 2034. The 2024 Series A were issued to provide financing for capital projects and refinancing of existing obligations for cash flow savings. The 2024 Series B were issued to provide financing for capital projects consistent with the Authority’s Sustainability Bond Framework.

Automated Fare Collection System

Subsequent to June 30, 2024, the multi-year contract for automated fare collections system services described in Note 9(b) moved from the implementation work phase to the operations phase. This contract

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qualifies as an availability payment arrangement and is subject to GASB Statement No. 94 accounting requirements for financial reporting purposes beginning in the fiscal year ending June 30, 2025. At the time the contract moves to the operations phase, in fiscal year 2025, the MBTA estimates a liability for a milestone payment of \$79.9 million to the system operator.

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Required Supplementary Information – MBTA Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios

June 30, 2024

(Dollars in thousands)
(Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 62,189	55,163	55,417	52,010	47,943	46,101	31,850	31,897	37,305	34,501
Interest	225,168	220,641	217,508	214,773	214,112	207,498	204,780	195,768	191,392	184,667
Differences between expected and actual experience	65,179	66,600	1,812	(7,346)	(3,179)	11,599	44,627	90,068	31,325	48,560
Change in assumptions	—	(45,499)	(3,390)	—	69,299	43,927	128,688	—	(6,762)	—
Change of benefit terms	35,547	—	—	—	—	—	—	—	—	—
Benefit payments, including refunds of employee contributions	(252,190)	(231,138)	(224,768)	(225,423)	(223,865)	(221,710)	(212,815)	(197,562)	(188,906)	(184,130)
Net change in total pension liability	135,893	65,767	46,579	34,014	104,310	87,415	197,130	120,171	64,354	83,598
Total pension liability – beginning	3,167,471	3,101,704	3,055,125	3,021,111	2,916,801	2,829,386	2,632,256	2,512,085	2,447,731	2,364,133
Total pension liability – ending	3,303,364	3,167,471	3,101,704	3,055,125	3,021,111	2,916,801	2,829,386	2,632,256	2,512,085	2,447,731
Plan Fiduciary Net Position										
Contributions – employer	135,226	129,973	123,494	116,286	103,264	92,013	83,383	77,239	73,374	70,603
Contributions – employees	50,735	45,511	43,224	40,774	36,366	32,606	29,775	27,792	26,511	25,318
Net investment income (loss)	142,700	(257,255)	232,418	228,671	253,731	(52,073)	221,691	86,782	4,712	73,543
Benefit payments, including refunds of employee contributions	(252,190)	(231,138)	(224,768)	(225,423)	(223,865)	(221,710)	(212,815)	(197,562)	(188,906)	(184,130)
Administrative expenses	(4,415)	(4,485)	(4,369)	(4,510)	(5,046)	(4,317)	(4,464)	(6,493)	(5,808)	(4,053)
Other	(204)	—	—	—	—	—	—	—	—	—
Net change in plan fiduciary net position	71,852	(317,394)	169,999	155,798	164,450	(153,481)	117,570	(12,242)	(90,117)	(18,719)
Plan fiduciary net position – beginning	1,622,548	1,939,942	1,769,943	1,614,145	1,449,695	1,603,176	1,485,606	1,497,848	1,587,965	1,606,684
Plan fiduciary net position – ending	1,694,400	1,622,548	1,939,942	1,769,943	1,614,145	1,449,695	1,603,176	1,485,606	1,497,848	1,587,965
Authority's net pension liability	\$ 1,608,964	1,544,923	1,161,762	1,285,182	1,406,966	1,467,106	1,226,210	1,146,650	1,014,237	859,766
Plan fiduciary net position as a percentage of the total pension liability	51.3 %	51.2 %	62.5 %	57.9 %	53.4 %	49.7 %	56.7 %	56.4 %	59.6 %	64.9 %
Covered payroll	\$ 560,825	496,468	458,857	460,922	436,828	425,862	428,830	446,741	443,238	417,957
Net pension liability as a percentage of covered payroll	286.9 %	311.2 %	253.2 %	278.8 %	322.1 %	344.5 %	285.9 %	256.7 %	228.8 %	205.7 %

See accompanying independent auditors' report.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information – MBTA Police Retirement Plan

Schedule of Changes in Net Pension Liability and Related Ratios

June 30, 2024

(Dollars in thousands)
(Unaudited)

Total Pension Liability	December 31 (measurement date)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service cost	\$ 2,256	2,071	2,172	2,147	2,074	2,019	2,042	2,177	1,879	1,772
Interest	8,931	8,186	7,927	7,774	7,525	7,137	6,958	6,538	6,490	6,173
Change in benefit terms	6,886	—	—	—	—	—	—	—	—	—
Differences between expected and actual experience	1,122	7,250	397	(1,595)	4,118	—	(1,769)	1,646	(5,058)	(60)
Change in assumptions	—	—	—	—	(4,616)	1,346	—	—	784	—
Benefit payments, including refunds of employee contributions	(7,173)	(6,938)	(6,440)	(5,908)	(5,343)	(4,675)	(4,636)	(3,850)	(3,542)	(3,417)
Net change in total pension liability	12,022	10,569	4,056	2,418	3,758	5,827	2,595	6,511	553	4,468
Total pension liability – beginning	128,857	118,288	114,232	111,815	108,057	102,230	99,635	93,124	92,571	88,103
Total pension liability – ending	140,879	128,857	118,288	114,233	111,815	108,057	102,230	99,635	93,124	92,571
Plan Fiduciary Net Position										
Contributions – employer	3,472	2,320	2,490	2,554	3,309	2,727	2,492	2,550	2,512	2,280
Contributions – employees	2,097	1,410	1,538	1,594	2,013	1,702	1,504	1,570	1,513	1,337
Net investment income (loss)	10,473	(14,873)	11,050	7,208	11,815	(3,316)	9,371	5,313	403	3,966
Other	—	—	123	—	—	—	—	—	—	—
Benefit payments, including refunds of employee contributions	(7,173)	(6,938)	(6,440)	(5,908)	(5,343)	(4,675)	(4,636)	(3,850)	(3,542)	(3,417)
Administrative expenses	(243)	(213)	(201)	(284)	(262)	(242)	(180)	(184)	(138)	(122)
Net change in plan fiduciary net position	8,626	(18,294)	8,560	5,164	11,532	(3,804)	8,551	5,399	748	4,044
Plan fiduciary net position – beginning	89,973	108,267	99,707	94,544	83,012	86,816	78,265	72,866	72,118	68,074
Plan fiduciary net position – ending	98,599	89,973	108,267	99,708	94,544	83,012	86,816	78,265	72,866	72,118
Authority's net pension liability	\$ 42,280	38,884	10,021	14,525	17,271	25,045	15,414	21,370	20,258	20,453
Plan fiduciary net position as a percentage of the total pension liability	70.0 %	69.8 %	91.5 %	87.3 %	84.6 %	76.8 %	84.9 %	78.6 %	78.2 %	77.9 %
Covered payroll	\$ 25,148	16,892	17,657	17,850	18,207	16,736	16,123	16,289	16,478	18,207
Net pension liability as a percentage of covered payroll	168.1 %	230.2 %	56.8 %	81.4 %	94.9 %	149.6 %	95.6 %	131.2 %	122.9 %	112.3 %

See accompanying independent auditors' report.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information – MBTA Deferred Compensation Plan

Schedule of Changes in Total Pension Liability and Related Ratios

June 30, 2024

(Dollars in thousands)
(Unaudited)

Total Pension Liability	December 31 (measurement date)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service cost	\$ 3,047	3,470	3,523	2,767	2,417	2,099	2,039	2,035	1,382	1,715
Interest	4,258	2,591	2,210	3,140	3,352	2,887	3,142	2,687	2,615	2,592
Differences between expected and actual experience	7,908	7,670	5,572	2,604	672	2,155	2,206	5,423	4,482	2,767
Change in assumptions	3,342	(23,095)	(4,307)	15,784	3,777	(578)	5,122	(4,681)	1,260	—
Other changes	—	—	(577)	—	—	—	—	—	(195)	—
Benefit payments, including refunds of employee contributions	(6,749)	(6,385)	(6,306)	(6,249)	(6,358)	(5,940)	(5,889)	(5,679)	(5,648)	(5,517)
Net change in total pension liability	11,806	(15,749)	115	18,046	3,860	623	6,620	(215)	3,896	1,557
Authority's total pension liability – beginning	99,088	114,837	114,722	96,676	92,816	92,193	85,573	85,788	81,892	80,335
Authority's total pension liability – ending	\$ 110,894	99,088	114,837	114,722	96,676	92,816	92,193	85,573	85,788	81,892
Covered-employee payroll	\$ 87,808	79,426	66,252	70,206	65,207	61,986	56,848	60,454	56,540	56,042
Total pension liability as a percentage of covered employee payroll	126.3 %	124.8 %	173.3 %	163.4 %	148.3 %	149.7 %	162.2 %	141.6 %	151.7 %	146.1 %

The Deferred Compensation Plan has no assets accumulated in a trust for purposes of making future pension payments. See accompanying independent auditors' report.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information – MBTA Retirement Fund

Schedule of Pension Contributions

June 30, 2024

(Dollars in thousands)
(Unaudited)

	December 31 (measurement date)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 131,308	126,389	123,494	116,286	103,264	92,013	83,383	77,239	73,359	77,594
Contributions in relation to the actuarially determined contribution	135,226	129,973	123,494	116,286	103,264	92,013	83,383	77,239	73,374	70,603
Contribution deficiency (excess)	\$ (3,918)	(3,584)	—	—	—	—	—	—	(15)	6,991
Covered employee payroll	\$ 560,825	496,468	458,857	460,922	436,828	425,862	428,830	446,741	443,238	417,957
Contributions as a percentage of covered employee payroll	24.1 %	26.2 %	26.9 %	25.2 %	23.6 %	21.6 %	19.4 %	17.3 %	16.6 %	16.9 %

See accompanying independent auditors' report

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information – MBTA Police Retirement Plan

Schedule of Pension Contributions

June 30, 2024

(Dollars in thousands)
(Unaudited)

	December 31 (measurement date)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 3,972	2,320	2,457	2,554	3,309	2,727	2,492	2,550	2,512	2,279
Contributions in relation to the actuarially determined contribution	3,472	2,320	2,490	2,554	3,309	2,727	2,492	2,550	2,512	2,279
Contribution deficiency (excess)	\$ 500	—	(33)	—	—	—	—	—	—	—
Covered employee payroll	\$ 25,148	16,892	17,657	17,850	18,207	16,736	16,123	16,289	16,478	18,207
Contributions as a percentage of covered employee payroll	13.8 %	13.7 %	14.1 %	14.3 %	18.2 %	16.3 %	15.5 %	15.7 %	15.2 %	12.5 %

See accompanying independent auditors' report.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information – MBTA OPEB Plan
Schedule of Changes in Total OPEB Liability and Related Ratios

June 30, 2024

(Dollars in thousands)
(Unaudited)

	June 30 (measurement date)						
Total OPEB Liability	2023	2022	2021	2020	2019	2018	2017
Service cost	\$ 64,430	96,206	86,445	82,707	87,346	71,286	82,886
Interest	78,054	54,027	58,350	66,510	74,941	70,435	63,600
Difference between expected and actual experience	7,485	164,491	(32,287)	(216,297)	(304,320)	(98,131)	
Change in assumptions	90,698	(788,192)	221,061	(69,802)	75,199	265,990	(171,163)
Benefit payments, including refunds of employee contributions	(70,075)	(59,590)	(57,685)	(56,488)	(62,397)	(59,917)	(60,630)
Net change in total OPEB liability	170,592	(533,058)	275,884	(193,370)	(129,231)	249,663	(85,307)
Total OPEB liability – beginning	1,878,657	2,411,715	2,135,831	2,329,201	2,458,432	2,208,769	2,294,076
Total OPEB liability – ending	<u>\$ 2,049,249</u>	<u>1,878,657</u>	<u>2,411,715</u>	<u>2,135,831</u>	<u>2,329,201</u>	<u>2,458,432</u>	<u>2,208,769</u>
Covered-employee payroll	\$ 585,973	513,359	476,514	473,597	461,393	462,807	460,328
Total OPEB liability as a percentage of covered employee payroll	349.7 %	366.0 %	506.1 %	451.0 %	504.8 %	531.2 %	479.8 %

Notes: Information provided for Required Supplementary Information will be provided for 10 years as it becomes available.
See accompanying independent auditors' report.