

RatingsDirect®

Summary:

Massachusetts Bay Transportation Authority; CP

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Summary:

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Credit Profile

Massachusetts Bay Transp Auth A CP <i>Short Term Rating</i>	A-1+	Affirmed
Massachusetts Bay Transp Auth B CP <i>Short Term Rating</i>	A-1+	Affirmed
Massachusetts Bay Transp Auth C CP <i>Short Term Rating</i>	A-1+	Affirmed

Rationale

S&P Global Ratings has affirmed its 'A-1+' short-term rating to Massachusetts Bay Transportation Authority's (MBTA) commercial paper (CP) sales tax bond anticipation notes (BANs) series A, series B, and series C, on substitution of MBTA's bank liquidity facilities for the authority's existing CP program, scheduled to go into effect Dec. 10, 2018, the same day the outgoing facilities expire.

The rating reflects our view of the authority's covenant to issue senior or subordinated sales tax bonds to ultimately retire the notes, which secures the principal of the BANs, as well as funds advanced from certain bank credit lines, and other available funds of the authority. Amounts on deposit in the senior debt service fund, on parity with senior sales tax bonds, secure the interest on the CP. We understand that proceeds of the CP BANs will be used to finance various capital projects and roll over maturing notes, as well as be available to cover any other of the authority's requirements.

Currently, we rate the long-term senior sales tax bonds 'AA' with a stable outlook. The trust agreement for the senior sales tax bonds includes a covenant to include in its additional bonds test calculation, when selling additional senior sales tax bonds, a pro forma debt service schedule that includes an issue of senior sales tax bonds that could refund CP outstanding. The MBTA has projected that a senior sales tax bond could refund the entire current \$250 million CP authorization, if issued, and remain well within the additional bonds test sales tax coverage test for the senior-lien bonds.

All three series A, B, and C CP BANs (authorized up to a \$100 million principal amount for the series A, up to \$100 million for the series B, and up to \$50 million for series C), will now be covered by a CP advance line of credit with TD Bank, N.A. (AA-/Stable/A-1+). The line of credit represents an extension and expansion of the existing series C liquidity agreement that otherwise would have expired on Dec. 10, 2018. The new extended credit line expires on Dec. 10, 2021, and covers up to the aggregate \$250 million of principal amount of CP authorized, plus 270 days of interest at the maximum permitted rate of 9.0%. The credit line could be terminated in advance of its expiration date on the occurrence of certain events, including failure of the MBTA to pay any amount when due with respect to the principal of, or interest on, any CP or parity obligations; if rating agencies assign a long-term parity rating below investment-grade; or if MBTA commences a case of bankruptcy, or MBTA or the commonwealth imposes a debt

moratorium. However, we base our rating on the ability of MBTA to refund the CP, and not solely on the liquidity support due to various provisions allowing the expiration of the bank lines for series A and C upon certain credit events.

(For more information on MBTA's long-term sales tax bond rating, please refer to the most recent senior-lien sales tax revenue bond analysis published Nov. 21, 2018; for more information on the Commonwealth of Massachusetts and its economy, please refer to the most recent state GO analysis published Aug. 9, 2018; both published on RatingsDirect.)

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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