

**Ambac**

# Chicago Transit Authority Leverages 5307 Funds In Major Financing

Ambac Guarantees Bonds Backed by Federal Mass Transit Formula Funds

\$250,000,000

**Chicago Transit Authority**

Capital Grant Receipts Revenue Bonds

An experienced and often innovative bond issuer, the Chicago Transit Authority (CTA) constantly seeks to pursue cost-efficient and effective financings. In 2004, the Authority decided to use future Federal funds to back a major bond issue. The revenue source would come from the Federal Transit Authority's Section 5307 funds, authorized under the Transportation Equity Act for the 21st Century (TEA 21). Allocation of 5307 funds is based on a Federal formula using population and demand. CTA, with its active history and strong reputation in the debt markets, sought to improve the economics of the innovative bond issue with a financial guarantee to strengthen the issue.

Triple-A-rated Ambac knew the CTA well, having recently insured a federally supported full funding grant agreement transaction for reconstruction of the Douglas Blue line. Ambac also brought a wealth of experience in structuring financings backed by anticipated federal funds, including early uses of grant anticipation notes and Garvee bonds for a variety of transportation issuers.

A portion of the proceeds of the 5307 Formula Fund Bonds will be used to fund capital improvements to the transportation system operated by the Authority and to reimburse the Authority for prior capital expenditures. Among some of the projects funded with proceeds of the issuance are the renovation of various support facilities, modernization and upgrade of rail signals and communications infrastructure, an automated fare collection system for buses and the reconstruction of certain rail lines and stations.

The \$250 million issue successfully came to market in October of 2004.

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