NEW ISSUE – BOOK ENTRY ONLY **Ratings: S&P: "AA+"**
Moody's: "Aa2"

In the opinion of Bond Counsel, interest on the 2016 Bonds (as defined hereafter) is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the condition described in "TAX MATTERS" herein and interest on the 2016 Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes. However, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the 2016 Bonds. Under existing law, the 2016 Bonds, interest on the 2016 Bonds and their transfer shall be exempt from taxation by the State of Delaware and its political subdivisions except for estate, inheritance or gift taxes imposed by the State of Delaware. For a more complete discussion, see "TAX MATTERS" herein.

DelDOT

DELAWARE TRANSPORTATION AUTHORITY
$181,475,000
Transportation System Senior Revenue Bonds, Series 2016

Dated: Date of Issuance **Due: July 1, as shown below**

The Transportation System Senior Revenue Bonds, Series 2016 (the "2016 Bonds" or "Bonds") will be issued in book-entry only form. Beneficial owners of 2016 Bonds will not receive physical delivery of Bond certificates. Principal and interest payments on the 2016 Bonds are to be made to The Depository Trust Company ("DTC") or its nominee as record owner of the 2016 Bonds. Interest will be payable July 1, 2016 and thereafter semi-annually on each January 1 and July 1.

The 2016 Bonds maturing on and after July 1, 2027 are subject to optional redemption prior to maturity, at the option of the Delaware Transportation Authority (the "Authority"), in whole or in part at any time on or after July 1, 2026, in any order of maturity selected by the Authority (and within a maturity and interest rate by lot), at a redemption price equal to 100% of the principal amount of the 2016 Bonds to be redeemed plus interest accrued and unpaid to the redemption date.

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES

Due (July 1)	Principal Amount ($)	Interest Rate (%)	Price	Yield (%)	CUSIP† (246428)	Due (July 1)	Principal Amount ($)	Interest Rate (%)	Price	Yield (%)	CUSIP† (246428)
2019	2,075,000	3.000	106.834	0.960	A97	2024	10,125,000	4.000	117.787	1.720	B62
2020	1,245,000	2.000	103.954	1.080	B21	2024	12,600,000	5.000	125.589	1.720	C87
2020	11,580,000	5.000	116.851	1.080	C46	2025	8,245,000	4.000	118.211	1.880	B70
2021	870,000	4.000	114.633	1.200	B39	2025	15,525,000	5.000	126.802	1.880	C95
2021	12,550,000	5.000	119.860	1.200	C53	2026	24,870,000	5.000	128.183	1.990	B88
2022	2,225,000	3.000	110.039	1.360	B47	2027	1,000,000	2.000	98.688	2.130	B96
2022	11,860,000	5.000	122.283	1.360	C61	2027	16,930,000	5.000	126.997*	2.100	D29
2023	200,000	2.000	103.281	1.530	B54	2028	18,815,000	3.000	105.877*	2.360	C20
2023	14,545,000	5.000	124.231	1.530	C79	2029	1,610,000	2.500	99.433	2.550	C38
						2029	14,605,000	3.000	104.464*	2.510	D37

* Priced to the first call date of July 1, 2026 at par.

† CUSIP numbers have been assigned to these issues by CUSIP Global Services, managed by Standard & Poor's Services LLC on behalf of The American Bankers Association, and are included solely for the convenience of the owners of the 2016 Bonds. Neither the Authority nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2016 Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the 2016 Bonds.

The 2016 Bonds are limited obligations of the Authority, payable solely from and secured by a pledge and assignment of Pledged Revenue (as defined hereafter). See "SECURITY FOR THE BONDS." The 2016 Bonds are secured on a parity with other Transportation System Senior Revenue Bonds which have been issued by the Authority and remain outstanding. The Authority may issue additional bonds which are secured on a parity with all such Senior Bonds. THE 2016 BONDS DO NOT CONSTITUTE A DEBT OF THE STATE OF DELAWARE OR OF ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF, OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE GENERAL TAXING POWER OR THE FAITH AND CREDIT OF THE STATE OF DELAWARE OR ANY SUCH POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY.

The 2016 Bonds are offered when, as and if issued and received by the Underwriters, subject to the issuance of a legal opinion as to validity by Bond Counsel, Saul Ewing LLP, Wilmington, Delaware, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by a Deputy Attorney General of the State of Delaware. Certain legal matters will be passed upon for the Underwriters by their counsel, Cozen O'Connor, Wilmington, Delaware and Philadelphia, Pennsylvania. It is anticipated that the 2016 Bonds will be available for delivery through the book-entry facilities of DTC on or about February 2, 2016.

BofA Merrill Lynch

Citigroup **J.P. Morgan** **M&T Securities, Inc.**

Dated: January 12, 2016

No dealer, salesman or any other person has been authorized by the Delaware Transportation Authority (the "Authority") or the Underwriters of the 2016 Bonds (the "Underwriters") to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2016 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the 2016 Bonds. Neither the delivery of this Official Statement nor the sale of any of the 2016 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The information set forth herein has been obtained from the Authority and other sources believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. All summaries contained herein of the Indenture (as defined herein) or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All statements made herein are made as of the date of this document by the Authority except statistical information or other statements where some other date is indicated in the text.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2016 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "forecast," "assume" and other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Authority in any way, regardless of the level of optimism communicated in the information. The Authority is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based do or do not occur.

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OFFICIAL STATEMENT
Delaware Transportation Authority

$181,475,000
Transportation System Senior Revenue Bonds, Series 2016

INTRODUCTION

This Official Statement (including the cover page, graphs and the appendices hereto, the "Official Statement") sets forth information in connection with the issuance of $181,475,000 aggregate principal amount of Transportation System Senior Revenue Bonds, Series 2016 (the "2016 Bonds") by the Delaware Transportation Authority (the "Authority"), a body corporate and politic constituting a public instrumentality of The State of Delaware (the "State"). The 2016 Bonds, together with the Authority's other Transportation System Senior Revenue Bonds which have been or may be issued in the future on a parity with the 2016 Bonds, and remain outstanding from time to time, are herein referred to collectively as the "Senior Bonds". The Authority also has the power to issue Transportation System Junior Revenue Bonds (the "Junior Bonds") and subordinated indebtedness ("Subordinate Indebtedness"). As hereinafter more fully described, the Junior Bonds would have a lien on the Pledged Revenue, subordinate to the lien of the Senior Bonds, and Subordinate Indebtedness would have a lien on the Pledged Revenue, subordinate to the lien of the Senior Bonds and the Junior Bonds. There are no Junior Bonds outstanding. In December 2015, the Authority issued its Sr. 301 Bonds (as defined herein) in an aggregate principal amount of $212,535,000 and its TIFIA 301 Bond (as defined herein) in a principal amount up to $211,350,000. Both the Sr. 301 Bonds and the TIFIA 301 Bond are Subordinate Indebtedness under the Agreement (as defined herein). See "TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS – U.S. 301 Project."

The 2016 Bonds are being issued pursuant to the Delaware Transportation Authority Act, Chapter 13, Title 2, Delaware Code, as amended, and the Transportation Trust Fund Act, Chapter 14, Title 2, Delaware Code, as amended (collectively, the "Act") and a Trust Agreement, dated as of August 1, 1988, by and between the Authority and Wilmington Trust Company, Wilmington, Delaware ("WTC") (WTC, not in its individual capacity but solely as trustee, the "Trustee"), as supplemented and amended (the Trust Agreement as so supplemented and amended is hereinafter referred to as the "Agreement").

This Official Statement contains, among other topics, a description of the current Capital Transportation Program and the sources of funding therefor; the security for the 2016 Bonds; the terms of the 2016 Bonds; and the powers, responsibilities, membership and projected operations of the Authority and the Delaware Department of Transportation (referred to herein as either the "Department" or "DelDOT").

Capitalized words and terms used in this Official Statement and not defined herein, if defined in the Agreement, shall have the same meanings herein as are ascribed to such words and terms in the Agreement. See APPENDIX B, "Definitions". References herein to the Agreement, the Act and the Bonds do not purport to be complete. Copies of the Agreement are available upon request to the Authority.

DELAWARE TRANSPORTATION AUTHORITY

General; Relation to the Department of Transportation

The Authority is a body corporate and politic constituting an instrumentality of the State which has been established and is authorized to create an economical, efficient and unified system of air, water, vehicular, public and specialized transportation in the State. The Act, however, specifically excludes the following from the jurisdiction of the Authority: the New Castle County Airport, the Sussex County Airport, the Port of Wilmington and the Wilmington Parking Authority facilities. Actions by the Authority, including the issuance of debt, are taken by resolution of the Secretary of the Department, the Director of

Finance of the Department and the Transportation Trust Fund Administrator. The Department has overall responsibility for coordinating and developing comprehensive, multi-modal transportation planning and policy for the State. The Department is headed by the Secretary of Transportation who is appointed by the Governor, subject to confirmation by the State Senate.

Powers and Responsibilities of the Authority

The Act gives the Authority broad powers in order to effectuate its statutory purposes of creating a unified transportation system for the State. It has the power to make and enforce rules and regulations; and to establish, fix and revise, and charge and collect charges, fares, fees, rates, rentals and tolls for the use of any transportation facility it operates. The Authority is empowered to create subsidiaries to perform its duties and functions. The Authority also has the power to issue bonds, with the approval of the State, and the State's Bond Issuing Officers (the Governor, the Secretary of Finance, the Secretary of State and the State Treasurer) (the "Bond Issuing Officers"), to finance improvements to the State's transportation systems. Approval by the General Assembly of the State (the "General Assembly") is not required for the Authority to issue bonds to refund any of its bonds provided that a present value debt service savings is achieved in such refunding. The Authority also has the power to pledge its revenue to secure its obligations. To assist the Authority in carrying out its responsibilities, the State has created the Transportation Trust Fund ("TTF"), which the Authority administers. See "THE TRANSPORTATION TRUST FUND".

Acting pursuant to its powers, the Authority owns the Delaware Turnpike, an 11.3 mile limited access highway, which is part of Interstate 95. The Authority also owns the Route 1 Toll Road, which consists of a 41-mile fully controlled access highway extending from a connection with the southern terminus of the new Route 1 freeway just south of Wilmington to points south of Dover on U.S. Routes 13 and 113. Commencing in January 2016, the Authority will begin the construction and equipping of a new U.S. 301 toll road, which consists of a new 14-mile long, access controlled toll highway with two lanes in each direction that will connect existing U.S. 301 at the Maryland/Delaware State Line with SR 1, south of the Roth Bridge, over the Chesapeake and Delaware (C&D) Canal in southern New Castle County, Delaware. The new U.S. 301 toll road is anticipated to be substantially completed in December 2018. See "SOURCES OF REVENUE FOR THE TRUST FUND - Toll Revenue," "THE TRANSPORTATION TRUST FUND," and "TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS – U.S. 301 Project."

In addition, the Authority, through its subsidiary, the Delaware Transit Corporation, owns, operates and subsidizes numerous transportation services and facilities throughout the State, including a public bus system which operates primarily in and around Wilmington, the State's largest city; a public bus system in and around Dover, the State's capital; a public bus system which operates on a seasonal basis in Eastern Sussex County during the summer resort season; statewide specialized transportation services for the elderly and handicapped; passenger rail service between Newark and Philadelphia; freight rail and aviation and various statewide and local transit services.

Management of the Department and the Authority

The following persons fill key management positions in the Department and the Authority:

JENNIFER L. COHAN serves as Cabinet Secretary for the Department. Her responsibilities consist of managing the day-to-day operations of the State's transportation system, including transit, motor vehicles, project construction, maintenance, planning, IT and human resources functions. She is also charged with directing a billion dollar budget and nearly 2,800 employees. Secretary Cohan's State government career has spanned nearly 25 years. From 2007 to her confirmation by the Delaware State Senate on January 28, 2015, Secretary Cohan served as Director of the Delaware Division of Motor Vehicles. Prior to that, she has held an array of leadership positions within the Department in the areas of Planning, Finance and Motor Carrier Safety. She was also a Financial/Program Analyst and Program Manager of the Clean Water Program at the Delaware Department of Natural Resource and Environmental Control and a Senior

Legislative Analyst for the Delaware Legislature – Office of the Controller General. Secretary Cohan graduated summa cum laude from Wilmington University where she received a Bachelor of Science Degree in Business Management. She also received a Master of Science Degree in Management – Public Administration from Wilmington University.

MARK ALEXANDER became Director of Maintenance and Operations for the Department in September 2013. During his 26-year career with the Department, Mr. Alexander has primarily served the geographic areas of Kent and New Castle Counties where he most recently was an Assistant Director for Maintenance and Operations' – Canal District. In that role, Mr. Alexander supervised more than 180 employees with primary responsibility for maintaining roads and bridges in the Canal District, along with Public Works duties for all of New Castle County. He was also responsible for statewide outdoor advertising and roadside control. In addition to a Bachelor of Science Degree in Civil Engineering from the University of Delaware, Mr. Alexander holds his Professional Engineer's license in the State.

DREW BOYCE, Director of Planning, has been employed by the Department for over 27 years. During his tenure, Mr. Boyce has worked in different capacities in the development of the State's capital roadway projects. In 2005, he was promoted to the Assistant Director of Project Development in the Division of Transportation Solutions. In this capacity he is responsible implementing a $150 million Capital Transportation Program within the northern region of the State. In 2012, Mr. Boyce accepted the role of Director of Planning for the Department where he is responsible for statewide transportation planning, statistic and research and development coordination. Mr. Boyce received his Bachelor Degree in Civil Engineering Technology from the University of Delaware and is a registered Professional Engineer in Delaware and Pennsylvania.

HUGH CURRAN joined the Department in July 2013 as the Director of Finance. Mr. Curran has 30 years of financial management experience in both the private and public sectors, advising leadership on strategy, planning, investments, and risk management. Prior to joining the Department, Mr. Curran held finance leadership roles at MBNA Corporation, Barclays, Morgan Stanley, and Merrill Lynch. Mr. Curran holds a Bachelor of Science degree in Finance and a Masters in Business Administration both from the University of Delaware. He is also a Certified Management Accountant.

LI WEN LIN, Director of Technology and Innovation, joined the Department in May 2015. Ms. Lin has 17 years of IT experience with a concentration in project/portfolio management. Prior to joining the Department, Ms. Lin was a Senior Team Leader at the Department of Technology and Information, responsible for the project/portfolio, customer engagement and organizational change management teams. Ms. Lin holds a Bachelor of Arts degree in Political Science from the University of Delaware and has completed the Masters of Public Administration program at Wilmington University. She is also a Project Management Professional (PMP).

ROBERT MCCLEARY was named Chief Engineer and Director of Transportation Solutions for the Department in October, 2013. Mr. McCleary has 27 years of civil engineering experience in both the private and public sectors. He has been with the Department since 1993 and has managed a broad array of programs involving the delivery of the Department's capital program. Mr. McCleary has a broad background in civil engineering including roadway and bridge design, environmental compliance, and project management. Mr. McCleary holds a Bachelor of Civil Engineering from the University of Delaware, is a registered Professional Engineer in the State and is a Past President of the American Society of Civil Engineers, Delaware Chapter.

BRIAN G. MOTYL, Assistant Director of Finance and Transportation Trust Fund Administrator, joined the Department in May 2006. Prior to coming to the Department, Mr. Motyl was a Fiscal Management Analyst with the Department of Natural Resources and Environmental Control where he was responsible for the financial management of the Water Pollution Control State Revolving Fund, the Wastewater Management Account and various loan/grant portfolios. He has experience working on and managing several of the Authority's issuances of revenue bonds, Build America Bonds and GARVEE

Bonds. Mr. Motyl holds a Bachelor of Science Degree in Business/Public Management from the State University of New York, College of Technology at Utica/Rome.

GEOFF SUNDSTROM, Director of Public Relations, joined the Department in December 2010 as Deputy Director of Public Relations. He was promoted to Director in September 2011. Mr. Sundstrom has a decades' long career in transportation-related media and public relations, most recently serving as Director of Public Relations for the national office of AAA in Heathrow, Florida. During 21 years with the 52 million-member AAA, Mr. Sundstrom was responsible for business line publicity and served as the lead spokesman to national print and broadcast media on a wide variety of consumer issues. Previous to joining the AAA, he was Washington, D.C.-based transportation journalist for *Automotive News* magazine and the New York Journal of Commerce. He is a recipient of the Public Relations Society of America's Silver Anvil Award for achievement in public relations and holds a Bachelor of Science Degree in Journalism from Northern Arizona University in Flagstaff.

SCOTT VIEN, Director of the Delaware Division of Motor Vehicles (DMV), joined DMV as a Management Analyst in April 2006, where he has since served in the capacities of Commercial Driver License Program Manager, Chief of Driver Services, and Deputy Director. As an active member of the American Association of Motor Vehicle Administrators (AAMVA), Scott is currently a Member-at-Large on the AAMVA Region I Board of Directors, and has served as Chair of the Card Design Standards (CDS) Committee, Vice-Chair of the e-ID Working Group, and as an Identity Management Representative for the Driver Standing Committee. Scott holds a Masters Degree in Public Administration and a Bachelor's Degree in Business Management from Wilmington University.

Role of the State

General

The annual budgets for capital and operating expenditures of the Department (including the Authority) are subject to review and approval by the State. The Act provides that if the Authority's proposed annual operating budget is not approved by July 1 for the year the budget is submitted, the budget as submitted is deemed to have been adopted by the Authority until such time as the annual budget is approved by the State. The Act also provides that any obligations incurred by the Authority after July 1 pursuant to an annual operating budget so adopted by the Authority and prior to its approval by the State are binding, even if the annual operating budget is subsequently revised by the State.

The Act provides that, in approving the annual operating budget of the Authority, the State (1) may not approve an amount for debt service or for debt service reserve purposes which is less than the amount required to be provided pursuant to any resolution or trust indenture of the Authority pursuant to which any bonds are issued and (2) may not approve an amount for operating expenses of the Delaware Turnpike that is less than the amount incurred for the preceding fiscal year of the Authority plus an inflation factor based on the U.S. Consumer Price Index, unless the Authority requests a lesser amount. Although the State has the right to approve the Authority's annual budget, THE GENERAL ASSEMBLY DOES NOT HAVE TO APPROVE THE TOLLS AND OTHER CHARGES THE AUTHORITY IMPOSES FOR USE OF THE DELAWARE TURNPIKE, THE ROUTE 1 TOLL ROAD OR THE NEW U.S. 301 TOLL ROAD.

Each year the Department revises a six-year Capital Transportation Program for the State's transportation system. The first year of the Capital Transportation Program is reflected in the Department's annual capital budget (which includes Delaware Transit Corporation's annual capital budget) and is submitted to the State for review and approval. This annual capital budget represents the Department's work program. The Authority cannot undertake, or commit to, capital projects in excess of the amounts specifically authorized by the State. See "TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS - Capital Improvements Planning and Budgeting."

The issuance of Authority debt obligations is subject to (i) approval by the State's Bond Issuing Officers and (ii) one provision of the State's statutory debt limitations designed to control total indebtedness of the State and the Authority. The applicable debt limitation (the "15% Test") states that no "tax-supported debt obligation" of the State and no "Transportation Trust Fund debt obligation" of the Authority may be incurred if the aggregate maximum annual payments on all such outstanding obligations (plus certain lease obligations) will exceed 15% of the estimated aggregate General Fund revenue from all sources, plus Transportation Trust Fund revenue. Estimated revenue figures are for the fiscal year following the fiscal year in which such obligation is incurred, as determined by the most recent projections made by the Delaware Economic and Financial Advisory Council. Such estimated revenue figures are adjusted, if appropriate, by the fiscal impact of subsequently enacted legislation as certified by the Secretary of Finance. After the issuance of the 2016 Bonds, the applicable debt service under the 15% Test will be approximately 6.8% of the applicable revenue in fiscal 2017. The State and the Authority expect that the Bonds projected to be issued in the current Capital Transportation Program can be issued within the limits of the 15% Test.

Delaware Economic and Financial Advisory Council

Delaware Economic and Financial Advisory Council ("DEFAC") is a council comprised currently of 33 government officials and private citizens from the business and financial communities appointed by the Governor. DEFAC was established by Executive Order to provide to the General Assembly General Fund revenue forecasts and Transportation Trust Fund revenue forecasts six times each fiscal year in September, December, March, April, May and June for the current fiscal year and the succeeding two fiscal years. A forecast for the current fiscal year and the succeeding four fiscal years is generated once each year, not later than October 1. A seven-year forecast is generated for the Transportation Trust Fund. General Fund and Transportation Trust Fund expenditure forecasts are generated for the current fiscal year in September, December, March, April, May and June. These forecasts are used in the State budget process to assist State compliance with the State's constitutional limits on spending and statutory debt limitations.

Cash Management Policy Board

The Cash Management Policy Board was created by State law to establish policies for and the terms, conditions and other matters relating to, the investment of all money belonging to the State, including funds in the Transportation Trust Fund (except money in any State pension fund and money held for individuals under the State deferred compensation program). The Board is composed of nine members including the Secretary of Finance, the Secretary of State, the State Treasurer, the Controller General (serving ex officio), and five members from the private sector appointed by the Governor and confirmed by the State Senate.

THE TRANSPORTATION TRUST FUND

General

To facilitate the Authority's development of a unified transportation system in the State and to take advantage of the Authority's broad financing powers, in 1987 the Transportation Trust Fund (the "TTF") was created by law. The TTF was created to consolidate and dedicate transportation related revenue to transportation projects and to provide a flexible mechanism to handle increasing funding requirements over time for all transportation projects in the State. The TTF is the State's financing vehicle for transportation capital expenditures. Funding for such expenditures is derived from Bond proceeds, excess TTF revenue, and cash balances.

In addition, the Trust Fund has assumed the responsibility for (1) the operating expenses of the Authority (including the Delaware Transit Corporation), the Delaware Turnpike and the Route 1 Toll Road and all of the other divisions of the Department and (2) debt service on general obligation bonds previously sold by the State for transportation projects.

Initial Funding

The TTF was initially funded in fiscal 1988 with existing cash balances of $22.5 million, a special one-time appropriation from the General Fund of $27.8 million plus the dedication of revenue streams (including investment earnings) then aggregating approximately $76.2 million per year. Since establishing the TTF, the State has increased fee and tax rates for existing dedicated revenue streams and has assigned to the TTF certain additional sources of transportation related revenue, as well as certain additional transportation related expenses. As a result, revenues to the TTF have increased substantially since fiscal 1988 and totaled $481.0 million in fiscal 2015 (of which $412.8 million is derived from Pledged Revenue). Revenues are estimated to reach $517.7 million in fiscal 2016 (of which $446.3 million is anticipated from Pledged Revenue).

Summary of Revenue Dedicated to the TTF

The following table and chart summarize the revenue which is currently dedicated to the TTF, and identify that revenue which is pledged to secure the Bonds:

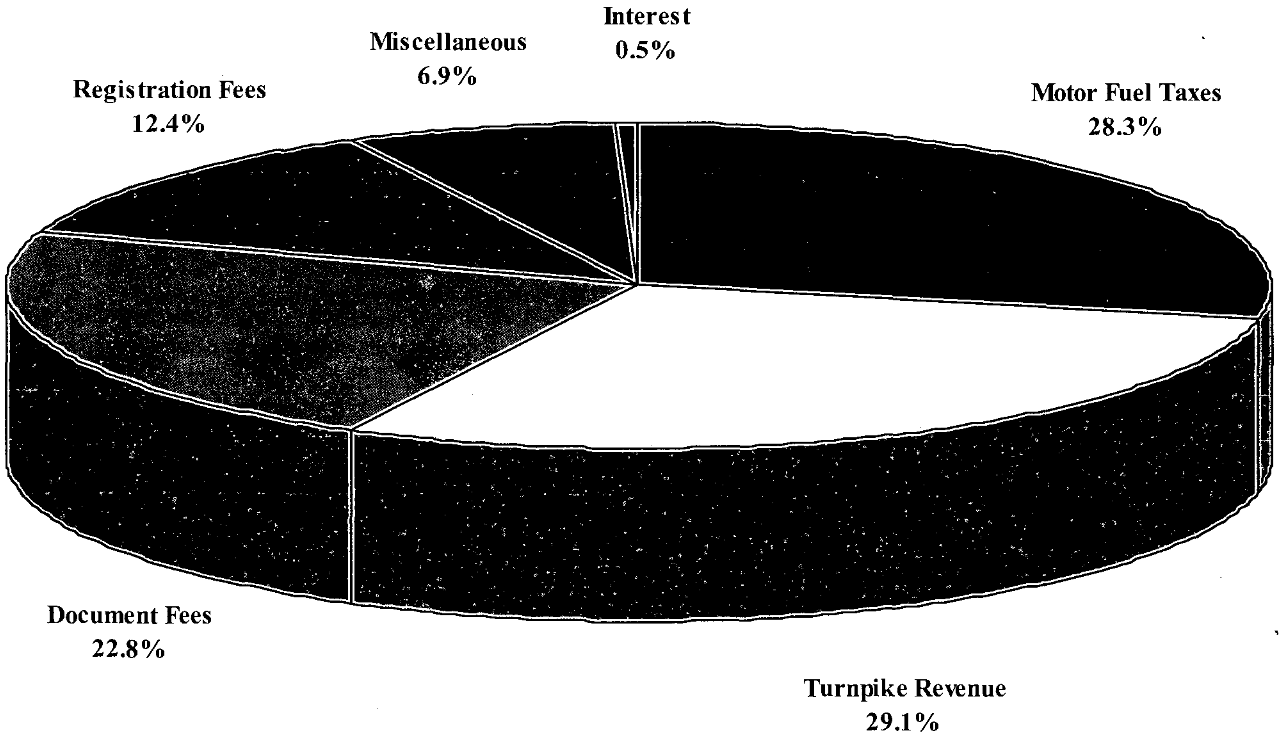
	Fiscal Year 2015 (in $ millions)		Percentage of Total Fiscal 2015 Pledged Revenue
Pledged to the Bonds:			
Motor Fuel Taxes	$117.0		28.3%
Delaware Turnpike Toll/Concession	120.3		29.1%
Motor Vehicle Document Fees	94.0		22.8%
Motor Vehicle Registration Fees	51.2	(1)	12.4%
Miscellaneous Transportation Revenue	28.4	(2)	6.9%
Investment Earnings	1.9		0.5%
Total Pledged Revenue	$412.8		100.0%
Not Pledged to the Bonds:			
Route 1 Toll Road Revenue	55.8		
Non-pledged Miscellaneous Revenue	12.4	(3)	
Total Non-Pledged Revenue	$ 68.2		
Total TTF Revenues	$481.0		

(1) Net of refunds to other states under the International Registration Plan ($0.1 million).

(2) Net of refunds to other jurisdictions under the International Motor Fuel Tax Agreement ($0.38 million) and transfers to the General Fund ($0.58 million).

(3) Traffic violation surcharge revenue, general fund transfers including motor vehicle dealer handling fee, motor vehicle dealer annual licensing fee, development plan review fees, motor vehicle use tax on vehicle lease payments, real estate lease fees, and property sales.

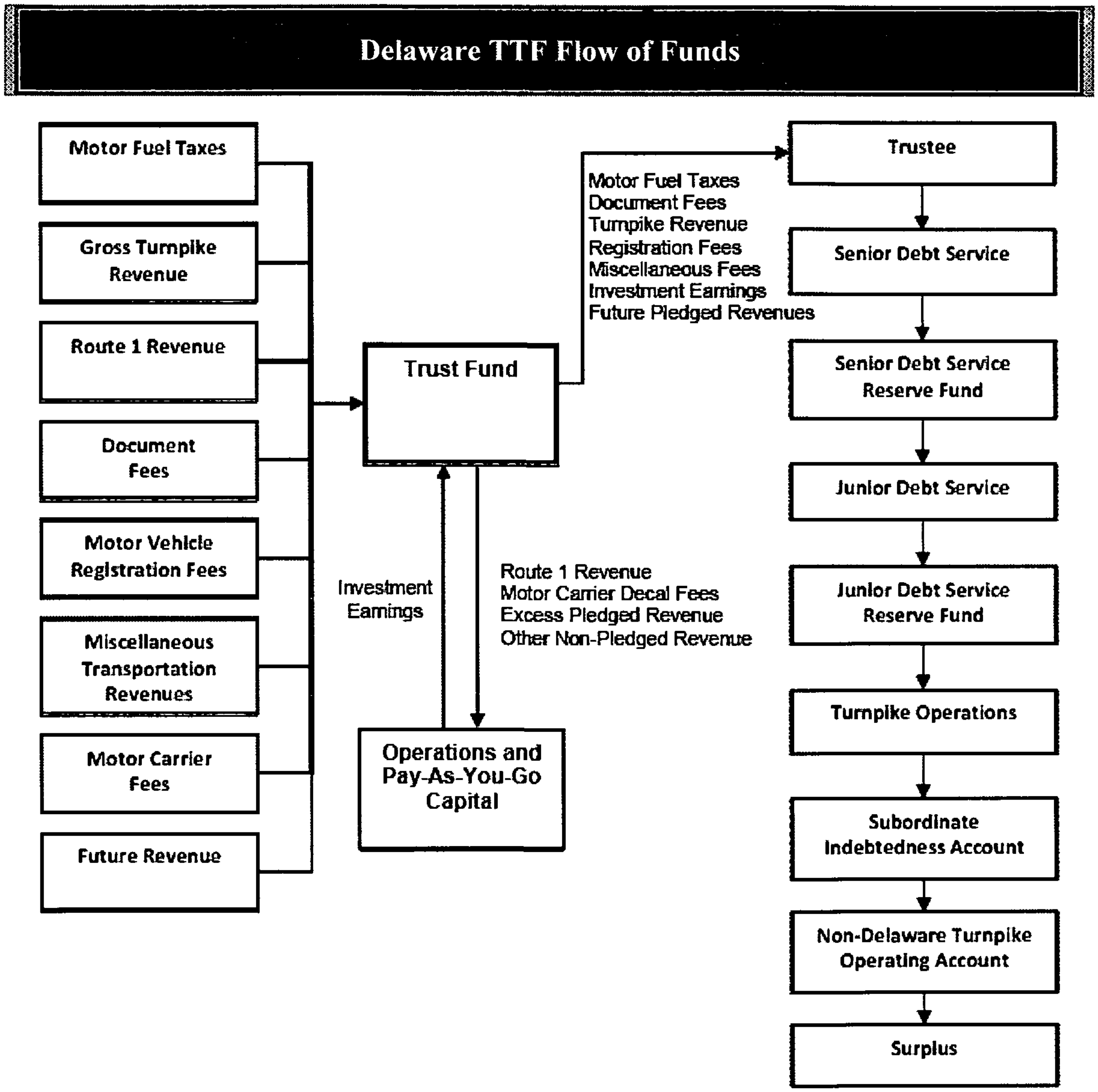
Sources of Pledged Revenue
Transportation Trust Fund - Fiscal 2015



Uses of Funds in the Transportation Trust Fund

Funds in the TTF are applied to meet the funding requirements of the Agreement including debt service on the Bonds, operating expenses of the Authority and the Department, debt service on existing State general obligation bonds issued for transportation projects and the costs of capital projects of the Authority and the Department.

The flow of funds to the TTF and under the Agreement is summarized in the following diagram:



See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT – Flow of Funds" for a discussion regarding the payment of the Sr. 301 Bonds and the TIFIA 301 Bond from the Subordinate Indebtedness Account in the event of any deficiency in certain funds and accounts under the Master Indenture (defined herein).

Sources and Uses of Funds for Fiscal Years 2012, 2013, 2014 and 2015

The following summary of the results of the Sources and Uses of Funds are for fiscal years ended June 30, 2012, 2013, 2014 and 2015 (audited financial statements for the fiscal 2015 are included in

APPENDIX A). The summary reflects the flow of funds required by the Agreement as illustrated in the Flow of Funds diagram above.

Summary Results for the Fiscal Years Ended
(dollars in thousands)

SOURCES OF FUNDS:	2012	2013	2014	2015
Existing Pledged Revenue				
I-95 Tolls & Concessions[1]	117,133	120,089	122,404	120,364
Motor Fuel Tax Admin.[2]	115,877	115,008	116,928	119,663
DMV Fees	142,790	150,601	160,333	170,978
Interest Income	3,160	2,220	2,257	1,845
Total Pledged Revenue	**378,960**	**387,918**	**401,922**	**412,850**
Non-Pledged Revenues				
SR 1 Tolls	44,889	46,224	47,562	55,767
Continuing General Fund Support	40,000	40,000	45,100	0
IRIB Settlement	0	0	5,250	0
DE Transit (Farebox, FTA, & Other)	17,687	18,785	19,388	19,080
Port of Wilmington - Refinancing	1,628	1,628	1,628	1,628
Build America Bond Subsidy	2,026	1,242	1,173	1,206
Other Miscellaneous Revenue	11,324	11,158	11,577	9,571
Total Non-Pledged Revenue	**117,554**	**119,037**	**131,678**	**87,252**
Total Revenue	**496,514**	**506,955**	**533,600**	**500,102**
Borrowing[3]	0	0	0	0
TOTAL SOURCES	**496,514**	**506,955**	**533,600**	**500,102**
USES OF FUNDS:				
Debt Service				
DTA Bonds & Notes	123,366	116,197	110,175	103,668
State G.O. Bonds	377	213	153	108
Total Debt Service	**123,743**	**116,410**	**110,328**	**103,776**
Operations				
Department Operations	141,818	142,792	157,033	157,900
Delaware Transit Corp. Operations	95,203	99,122	103,266	104,663
Total Operations	**237,021**	**241,914**	**260,299**	**262,563**
State Capital Spending	**191,479**	**188,000**	**171,144**	**136,624**
TOTAL USES	**552,243**	**546,324**	**541,771**	**502,963**
Additional Senior Bonds Test	3.05	3.32	3.63	3.98
Additional Junior Bonds Test	N/A[4]	N/A[4]	N/A[4]	N/A[4]

(1) Includes toll, concession and other revenue on the Delaware Turnpike.
(2) Includes motor carrier fees.
(3) Based on the assumption that July 1 payments are made on the previous June 30.
(4) There are no Junior Bonds Outstanding.

Senate Bill 167 & Proposed Constitutional Amendment

On July 15, 2015, the General Assembly passed Senate Bill 167 that limits the ability of the 148th General Assembly to appropriate TTF moneys to a purpose other than: (1) capital expenditures on the public transportation system, including the road system, grants and allocations for investments in transportation, the transit system, and the support systems for public transportation; (2) payment of the interest and principal on all bonds issued before or after the effective date of Senate Bill 167 and secured by moneys in the Transportation Trust Fund; and (3) other transportation-related purposes, including operating expenses funding the Department, to which moneys in the Transportation Trust Fund are authorized on the effective date of Senate Bill 167.

In general, Senate Bill 167 creates a "lock box" on the TTF that can only be opened by the agreement of three-fourths of all the members of each House through a bill separate from an annual budget act, bond and capital improvement act, or grants-in-aid act. Additionally, if moneys in the TTF cease to be appropriated for a transportation-related purpose, the moneys may not again be appropriated to such purpose except by the agreement of three-fourths of all the members of each House through a bill separate from an annual budget act, bond and capital improvement act, or grants-in-aid act.

Finally, Senate Bill 167 restricts the use of funds raised by the enactment of House Bill 140, as amended, to projects in the capital program categories of the TTF and specifically prohibits use of this revenue to fund the operating costs of the Department. For a list of fee increases arising from House Bill 40, see "SOURCES OF REVENUE FOR THE TRUST FUND - New Revenue Legislation for Fiscal Year 2016."

Senate Bill 167 will sunset on November 8, 2016. However, on July 1, 2015, the 148th General Assembly introduced and passed Senate Bill 166, which is the first step in enacting a constitutional amendment that will limit the ability of the State to appropriate TTF moneys to a purpose other than those stated in Senate Bill 167. Senate Bill 166 will need to be approved by a two-thirds vote of all the members of the 149th General Assembly before the constitutional amendment can be enacted. If enacted by the 149th General Assembly, Senate Bill 166 will permanently create a "lock box" on the TTF unless amended or repealed at later date.

REFUNDING PROGRAM

The Authority will use a portion of the proceeds of the 2016 Bonds to provide for the advance refunding of the Senior Bonds identified below (the "Refunded Bonds"). The Refunded Bonds are being refunded for debt service savings.

Senior Bonds Being Refunded

Series	Maturities (July 1)	Principal Amount	Call Date
2006	2024, 2025, 2026	$27,010,000	July 1, 2016
2008A	2019 through 2028, inclusive	$28,275,000	July 1, 2018
2008B	2020 through 2027, inclusive, 2029	$72,675,000	July 1, 2019
2009A	2020 through 2029, inclusive	$68,575,000	July 1, 2019

In order to provide for the refunding of the Refunded Bonds, the Authority will use a portion of the proceeds of the 2016 Bonds, together with certain other available moneys, to purchase United States Treasury Obligations, State and Local Government Series, or other direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government (the "Government Securities"), the principal of which together with interest payable thereon will be sufficient to pay when due the interest on the Refunded Bonds on or prior to the maturity date or call date, as the case may be, and principal, to redeem on such call date Refunded Bonds which become due after such date. Neither the maturing principal of the Government Securities nor the interest thereon will secure or be available for the payment of principal of, interest or redemption premium, if any, on any obligations of the Authority other than the Refunded Bonds.

The Government Securities are to be held in a trust fund (the "Escrow Fund") by Wilmington Trust Company, as escrow agent (the "Escrow Agent") pursuant to an Escrow Agreement expected to be dated February 2, 2016 (the "Escrow Agreement") between the Authority and the Escrow Agent for the benefit of the holders of the Refunded Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table summarizes the estimated sources and uses of money which the Authority estimates will be available to refund the Refunded Bonds and to pay costs of issuance of the 2016 Bonds.

SOURCES OF FUNDS	
Principal amount of 2016 Bonds	$ 181,475,000.00
Net Original Issue Premium	35,162,043.65
Other Sources of Funds	1,397,116.67
Total	$ 218,034,160.32
USES OF FUNDS	
Escrow Deposit for Refunded Bonds	$ 217,322,015.75
Financing and Other Expenses	
Underwriting discount	359,839.45
Other financing expenses	352,305.12
Total	$ 218,034,160.32

DESCRIPTION OF THE 2016 BONDS

The 2016 Bonds are to be issued in the total aggregate principal amount of $181,475,000. The 2016 Bonds are dated and bear interest from their date of delivery payable commencing July 1, 2016, and thereafter semi-annually on each January 1 and July 1 (each an "Interest Payment Date") at the rate or rates per annum and shall mature, all as set forth on the cover page of this Official Statement.

The 2016 Bonds will be payable as to principal upon presentation and surrender thereof to the Trustee at the principal office of Wilmington Trust Company, Wilmington, Delaware. The 2016 Bonds will be issued as fully registered bonds, and when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"). Purchases of beneficial interests in the 2016 Bonds will be made in book-entry form (without certificates) in the denomination of $1,000 or any whole multiple thereof. Under certain limited circumstances described herein, the Authority may determine to forego immobilization of the 2016 Bonds at DTC, or another securities depository, in which case, such beneficial interests are expected to become exchangeable for one or more fully registered bonds of like principal, series, maturity and interest rate in the denomination of $1,000 or any whole multiple thereof.

Principal of and premium, if any, and interest on the 2016 Bonds will be paid by the Trustee. Principal is payable upon presentation of the 2016 Bonds by the holders thereof as the 2016 Bonds become due and payable. Except as otherwise provided in the Agreement, interest on the 2016 Bonds will be payable on each Interest Payment Date by the Trustee by check mailed on the date on which interest is due to the holders of the 2016 Bonds at the close of business on the Record Date (as described below) in respect of such Interest Payment Date to the registered addresses of such holders as they appear on the registration books maintained by the Trustee. The Record Date with respect to any Interest Payment Date for the 2016

Bonds is the fifteenth (15th) day (whether or not a business day) of the calendar month immediately preceding such Interest Payment Date. Notwithstanding the foregoing, so long as DTC or its nominee, Cede & Co., is the registered owner of the 2016 Bonds, payments of the principal of and interest on the 2016 Bonds are to be made by the Trustee directly to Cede & Co. Distribution of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to owners of beneficial interests in the 2016 Bonds is the responsibility of the DTC participants. See "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption

The 2016 Bonds maturing on or after July 1, 2027 are subject to redemption, at the option of the Authority, in whole or in part at any time on or after July 1, 2026, in any order of maturity selected by the Authority (and within a maturity and interest rate by lot), at a redemption price equal to 100% of the principal amount of the 2016 Bonds to be redeemed plus interest accrued and unpaid to the redemption date.

Notice of Redemption

The Agreement provides that at least 30 days but not more than 60 days before the redemption date of any of the 2016 Bonds, the Trustee shall mail notice of such redemption to all owners of 2016 Bonds or portions thereof to be redeemed at their addresses as they appear on the registration books held by the Trustee. Each such notice will set forth the 2016 Bonds or portions thereof to be redeemed, the date for such redemption, the redemption price to be paid, and if less than all of the 2016 Bonds within a maturity and interest rate will be called for redemption, the maturities and interest rates of such 2016 Bonds to be redeemed. So long as DTC is the registered owner of the 2016 Bonds, this notice is required to be mailed by the Trustee to DTC only. Any failure of DTC to mail such notice to any participant will not affect the validity of the redemption of the 2016 Bonds.

Any notice of redemption of the 2016 Bonds may state that it is conditioned upon there being available on the redemption date an amount of money sufficient to pay the redemption price, consisting of par and the applicable redemption premium, if any, plus interest accrued and unpaid to the redemption date (the "Redemption Price"), and any conditional notice so given may be rescinded at any time to and including the redemption date if such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit with the Trustee to pay the Redemption Price, the corresponding notice of redemption will be deemed to have been revoked.

SECURITY FOR THE BONDS

Pledge and Assignment of Revenue and Funds

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge and assignment of motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees, certain miscellaneous transportation related fees ("Pledged Miscellaneous Transportation Revenue"), revenue of the Delaware Turnpike, certain funds held by the Trustee under the Agreement and investment earnings on all funds of the Authority, all as more fully described below (the "Pledged Revenue").

Tax and Fee Revenue

The State has pledged and assigned to the TTF, for the use of the Authority, (i) all motor fuel tax revenue imposed and collected by the State, (ii) all motor vehicle document fees imposed and collected by the State, (iii) all motor vehicle registration fees imposed and collected by the State, (iv) the Pledged Miscellaneous Transportation Revenue plus certain other miscellaneous transportation revenue and reimbursement which have not been pledged as security for the Bonds and (v) certain escheat revenues, which escheat revenues have not been pledged as security for the Bonds. Since 1999, escheat revenues have been appropriated by the General Assembly on a year-by-year basis and transferred to the TTF. Those appropriations have ranged from $0 to $40,000,000. The final operating and capital budgets for fiscal 2015 and fiscal 2016 eliminated the escheat transfer. The Department has decided for planning purposes, it will assume that all future escheat payments will be discontinued. The Authority and the Department emphasize that the appropriation of the escheat monies to the TTF each year is subject to the discretion of the General Assembly and cannot be considered a reliable source of funds. See footnote (1) to the Base Financial Plan – Capital table under "TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS – Current Financial Plan" herein. In the Agreement the Authority has, in turn, pledged and assigned motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees, investment earnings and the Pledged Miscellaneous Transportation Revenue to secure the Bonds. The Pledged Miscellaneous Transportation Revenue and the Non-Pledged Miscellaneous Transportation Revenue (hereinafter defined) are hereafter collectively referred to as the "Miscellaneous Transportation Revenue".

The State has covenanted in the Act that it will not repeal or reduce the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees or the fees constituting Pledged Miscellaneous Transportation Revenue, which are pledged to secure the Bonds, below the levels in effect on the date of issuance of the 2016 Bonds until such Bonds are paid or provision for their payment is made. The State, however, has not authorized nor does it have any obligation to increase the rates of those taxes or fees to generate revenue to meet debt service on the 2016 Bonds. The above covenant does not apply to the Non-Pledged Miscellaneous Transportation Revenue, or other non-pledged revenue.

Delaware Turnpike Revenue

All revenue received by the Authority from the operation of the Delaware Turnpike (including toll and concession revenue) is pledged by the Authority in the Agreement to secure the Bonds.

The Authority covenants in the Agreement that it will fix and revise from time to time, and charge and collect charges, fares, fees, rentals and tolls for the use of the Delaware Turnpike and that it will not reduce the tolls on the Delaware Turnpike below the level in effect on the date of issuance of the 2016 Bonds, except as provided in the Agreement. The Authority may increase tolls, reduce tolls and make certain other adjustments or reclassifications of toll rates or establish special toll rates for the Delaware Turnpike as provided in the Agreement.

Bond Proceeds

All proceeds of Bonds which are deposited in the Capital Fund under the Agreement to be applied to pay for improvements to the State's transportation system are pledged by the Authority in the Agreement to secure the Bonds.

Debt Service Fund; Stabilization Fund

Under the Agreement there is established a Debt Service Fund and within that fund there is a separate Principal and Interest Account, and Redemption Account, for the Senior Bonds and the Junior Bonds. All funds held by the Trustee in such Senior Bonds accounts are pledged to secure only the Senior Bonds, and all funds held by the Trustee in such Junior Bonds accounts are pledged to secure only the Junior Bonds, all as hereinafter more fully described. See "Flow of Funds" and APPENDIX B, "Flow of Funds" and "Events of Default and Remedies; Respective Rights of Senior and Junior Bondholders." All funds held by the Trustee in the Debt Service Stabilization Fund (the "Stabilization Fund") are also pledged to secure the Bonds. The Authority is required to fund the Stabilization Fund (in such amount as the Authority determines at the time of the funding of the Stabilization Fund) if it determines that Test Revenue (hereinafter defined) based on the applicable historical test for issuing additional Bonds (hereinafter described) is less than 3.5 times the maximum Principal and Interest Requirements on Senior Bonds, including any Senior Bonds proposed to be issued. In the event sufficient funds are not otherwise available in the Debt Service Fund when required to pay debt service, the Trustee is required to draw upon the Stabilization Fund to pay debt service, first on the Senior Bonds and next on the Junior Bonds. See APPENDIX B, "Flow of Funds."

Debt Service Reserve Fund

Under the Agreement there is established a Debt Service Reserve Fund and within that fund there is a separate Debt Service Reserve Account for the Senior Bonds and the Junior Bonds. All funds held by the Trustee in the Debt Service Reserve Fund are pledged to secure the Senior Bonds and the Junior Bonds, as the case may be, as hereinafter more fully described. If there are insufficient funds otherwise available in the Senior Bonds or Junior Bonds debt service account, or in the Stabilization Fund, as applicable, when required to pay debt service on the Bonds, the Trustee is required to draw on the applicable Debt Service Reserve Account to make up the deficiency. The Authority is required to maintain funds in the Debt Service Reserve Fund at least equal to the Senior and Junior Bonds Debt Service Reserve Account Requirements.

The Debt Service Reserve Account Requirements with respect to the Senior and Junior Bonds are one half of the maximum Principal and Interest Requirements with respect to Senior and Junior Bonds, respectively. The Senior Bonds Debt Service Reserve Account Requirement is subject to increase as described below.

Two months prior to each July 1 (as of a date during such two-month period), the Authority must prepare the certificate required to be prepared in connection with the issuance of additional Bonds. In the event that the certificate shows that Test Revenues do not cover maximum Principal and Interest Requirements of the Senior Bonds Outstanding by 2.00 times, then the Authority will file the certificate with the Trustee and (i) the Senior Bonds Debt Service Reserve Account Requirement shall become an amount equal to the maximum Principal and Interest Requirements on Senior Bonds Outstanding and (ii) the Authority shall commence to make deposits to the Senior Bonds Debt Service Reserve Account on at least an equal monthly basis to fund fully the Senior Bonds Debt Service Reserve Account Requirement on or by the second anniversary of the date of calculation. On any subsequent July 1, if such coverage exceeds 2.25 times, the Senior Bonds Debt Service Reserve Account Requirement may be reduced to an amount equal to one-half maximum Principal and Interest Requirements on Senior Bonds Outstanding, subject to increase as provided above.

Two months prior to each October 1 (as of a date during such two-month period) unless the Authority has filed with the Trustee the certificate described above during the two-month period prior to the next preceding July 1, the Authority shall prepare such certificate. In the event that the certificate shows that Test Revenues do not cover maximum Principal and Interest Requirements of the Senior Bonds Outstanding by 2.00 times, then the Authority will file the certificate with the Trustee and (i) the Senior Bonds Debt Service Reserve Account Requirement shall become an amount equal to the maximum Principal and Interest Requirements on Senior Bonds Outstanding and (ii) the Authority shall commence to make deposits to the Senior Bonds Debt Service Reserve Account on at least an equal monthly basis to fund fully the Senior Bonds Debt Service Reserve Account Requirement on or by the second anniversary of the date of calculation. On any subsequent July 1, if such coverage exceeds 2.25 times, the Senior Bonds Debt Service Reserve Account Requirement may be reduced to an amount equal to one-half maximum Principal and Interest Requirements on Senior Bonds Outstanding, subject to increase as provided above. The foregoing certificate shall also be filed by the Authority with the Trustee at the time of issuance of additional Bonds.

The Debt Service Reserve Account Requirements may be satisfied by the acquisition of a Credit Facility as provided in the Agreement. See APPENDIX B, "Additional Bonds; Debt Service Reserve Fund".

Investment Earnings

All investment earnings on the Revenue Fund, the Capital Fund, the Debt Service Fund, the Stabilization Fund and the Debt Service Reserve Fund, net of any amounts required to be paid to the Internal Revenue Service in order to preserve the tax-exempt status of the 2016 Bonds, are to be retained in or deposited by the Trustee in the Revenue Fund and are pledged by the Authority in the Agreement to secure the 2016 Bonds. The Authority is also required to cause the investment earnings on all of its other funds not held by the Trustee, including particularly the TTF, to be paid to the Trustee for deposit in the Revenue Fund at least once a year (the "TTF Investment Earnings"). These investment earnings are also pledged by the Authority in the Agreement to secure the Bonds; however, such earnings shall not be treated as Additional Revenue for purposes of satisfying the coverage test which must be met as a condition of issuing additional bonds under the Agreement (See "SECURITY FOR THE BONDS - Additional Senior Bonds" and "SECURITY FOR THE BONDS - Additional Junior Bonds").

Non-Pledged Revenue

The Authority has not pledged to secure the Bonds (i) the toll revenue from the Route 1 Toll Road (the "Route 1 Toll Revenue"), (ii) the federal subsidy payments the Authority receives from bonds issued as "Build America Bonds," and (iii) certain other miscellaneous transportation revenue and reimbursements which includes various amounts which may not be transferred in future fiscal years. Since 1999, escheat revenues have been appropriated by the General Assembly on a year-by-year basis and transferred to the TTF. Those appropriations have ranged from \$0 to \$40,000,000. The final operating and capital budgets for fiscal 2015 and fiscal 2016 eliminated the escheat transfer. The Department has decided for planning purposes that it will assume that all future escheat payments will be discontinued. The Authority and the Department emphasize that the appropriation of the escheat monies to the TTF each year is subject to the discretion of the General Assembly and cannot be considered a reliable source of funds. See footnote (1) to the Base Financial Plan – Capital table under "TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS – Current Financial Plan" herein. In fiscal 2016, the General Assembly transferred \$5,000,000 to the TTF based on a task force recommendation to gradually revert Department operations to the State's General Fund. Any future transfer from the General Fund for purposes of supporting Department operations will be reviewed annually, and as such, the Department again emphasizes that future appropriations to the TTF are subject to the discretion of the General Assembly and cannot be considered a reliable source of funds. The revenue described in clause (ii) above, together with any escheat revenues or General Fund support for Department operations, are hereinafter sometimes referred to as "Non-Pledged Miscellaneous Transportation Revenues". Certain components of the Non-Pledged Miscellaneous Transportation Revenue are not projected to be recurring in future fiscal years. See "SOURCES OF REVENUE FOR THE TRUST FUND -- Miscellaneous Transportation Revenue - Non-Pledged Miscellaneous Transportation Revenues" for a discussion of revenue sources transferred to the TTF but which have not been pledged by the Authority to secure the Bonds.

Flow of Funds

The State is required to transfer all motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees and Miscellaneous Transportation Revenue to the TTF from where such revenue is required to be immediately transferred to the Trustee for deposit in the Revenue Fund to the extent that such revenues constitute "Revenues and Receipts of the Authority". The Agreement requires the Authority to collect tolls and other charges, fares, fees, and concessions for use of the Delaware Turnpike and its facilities and to deposit this revenue, upon receipt, in the Revenue Fund. On or before the fifteenth day of each month, the Trustee is required under the Agreement to withdraw all funds from the Revenue Fund on deposit on the tenth day of that month and to deposit these funds in the following order of priority:

(i) to fund debt service and debt service reserve requirements with respect to all Senior Bonds;

(ii) to fund debt service and debt service reserve requirements with respect to all Junior Bonds;

(iii) to pay Operating Expenses of the Delaware Turnpike;

(iv) to make up any deficiency in the Operating Reserve Fund;

(v) to make up any deficiency in the Stabilization Fund;

(vi) to pay debt service requirements with respect to all Subordinate Indebtedness;

(vii) to pay Non-Delaware Turnpike Operating Expenses; and

(viii) the remainder to be transferred to the TTF, free of the lien of the Agreement, subject to an obligation to transfer investment income on the TTF, if any, to the Revenue Fund.

See APPENDIX B, "Flow of Funds" and the flow of funds diagram under "THE TRANSPORTATION TRUST FUND -- Uses of Funds in the Transportation Trust Fund".

Senior Lien for Senior Bonds

The lien of the Junior Bonds against the Pledged Revenue, with certain limited exceptions, is subordinate to the lien of the Senior Bonds. If there is an event of default resulting from a failure in payment of debt service on the Senior Bonds or from an insolvency of the Authority or if there is an event of default which the Trustee attempts to remedy by acceleration, no payment of debt service may be made on the Junior Bonds except from certain Junior Bonds Priority Funds -- funds already on deposit in the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account (but not any funds held for optional redemption) or the Junior Bonds Debt Service Reserve Account -- until the default with respect to the Senior Bonds is cured.

Credit of the State Not Pledged; Certain Covenants of the State

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY SECURED ONLY BY THE PLEDGED REVENUE OF THE AUTHORITY AS DESCRIBED ABOVE UNDER "PLEDGE AND ASSIGNMENT OF REVENUE AND FUNDS". THE BONDS DO NOT CONSTITUTE A DEBT OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, NOR A PLEDGE OF THE GENERAL TAXING POWER OR THE FAITH AND CREDIT OF THE STATE OR OF ANY SUCH POLITICAL SUBDIVISION.

The State has covenanted in the Act that it will not repeal or reduce the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees or the fees constituting Pledged Miscellaneous Transportation Revenue, which are pledged to secure the Bonds, below the levels in effect on the date of issuance of the 2016 Bonds until such Bonds are paid or provision for their payment is made. The State has not, however, authorized nor does it have any obligation to increase the rates of those taxes or fees to generate revenue to meet debt service on the 2016 Bonds.

The State has also covenanted in the Act that it will not (i) limit or alter the rights or powers vested in the Authority by the Act in any way that would jeopardize the interest of the holders of the Bonds or inhibit or prevent performance or fulfillment by the Authority of the terms of any agreement made with the holders or (ii) prevent the Authority from obtaining revenue which, together with other available funds, shall be sufficient to meet all expenses of the Authority and fulfill the terms of any agreement made with the holders of Bonds and all costs and expenses in connection with any action or proceedings by or on behalf of the holders, or (iii) prevent the Authority from receiving payment of funds as provided in any agreement, until the Bonds together with interest and premium, if any, thereon are fully met and discharged or provided for.

The State has also covenanted in the Act that it will not limit or restrict the rights granted to the Authority by the Act to construct, reconstruct, improve, extend, alter, modernize, repair, operate and maintain any transportation facilities, or to establish and collect such charges, fares, fees, rates, rentals and tolls as may be convenient or necessary to produce sufficient revenue to meet the expenses of maintenance and operation thereof and to fulfill the terms of any agreements made with the holders of bonds authorized by the Act or in any way impair the rights or remedies of the holders of such bonds until all of such bonds are fully paid or discharged.

Additional Senior Bonds

The Agreement and the Act permit the Authority to issue additional Senior Bonds (or to convert outstanding Junior Bonds to Senior Bonds) secured on a parity with the other Senior Bonds issued and outstanding under the Agreement for any purpose permitted under the Act, provided that there is satisfied the Senior Bonds Historical Test (described in (i)(A) below) and the Junior Bonds Historical Test (described in (i)(B) below) or the Senior Bonds Alternate Test (described in (ii)(A) below) and the Junior Bonds Alternate Test (described in (ii)(B) below).

(i)(A) The Senior Bonds Historical Test is satisfied if the aggregate amount of motor fuel tax revenue, motor vehicle document fees, motor vehicle registration fees, revenue from the Delaware Turnpike, Pledged Miscellaneous Transportation Revenue and Additional Revenue pledged to secure the Bonds (excluding TTF Investment Earnings) (the "Test Revenue") for any 12 consecutive month period of the preceding 15 months ending not later than three months prior to the date of the additional Senior Bonds, which date shall not be more than 90 days prior to the date of issuance of the additional Senior Bonds (adjusted to reflect adjustments in the tax rates, fees and tolls as if such adjustments had been in effect for the entire period) equals or exceeds 2.00 times the maximum Principal and Interest Requirements for all Senior Bonds, including the Senior Bonds proposed to be issued.

(B) The Junior Bonds Historical Test is satisfied if the aggregate amount of Test Revenue, calculated in the same manner and for the same 12 month period as in (i)(A) above, reduced by the maximum Principal and Interest Requirements for the Senior Bonds, equals or exceeds 3.0 times the maximum Principal and Interest Requirements for all Junior Bonds, including the Junior Bonds proposed to be issued.

(ii)(A) The Senior Bonds Alternate Test is satisfied if estimated Test Revenue (assuming for each fiscal year described below, that Test Revenue is equal to the aggregate amount of Test Revenue for the same 12 month period as in (i)(A) above as adjusted in subsequent fiscal years for any increase in tolls, taxes or fees from the date such increase is to be in effect) (I) for the current fiscal year and each of the following four fiscal years equals or exceeds 2.00 times the Principal and Interest Requirements for all Senior Bonds Outstanding during each such year and (II) for the fifth following fiscal year equals or exceeds 2.00 times the maximum Principal and Interest Requirements for all Senior Bonds for that year or any subsequent fiscal year.

(B) The Junior Bonds Alternate Test is satisfied if estimated Test Revenue (assuming for each fiscal year described below, that Test Revenue is equal to the aggregate amount of Test Revenue for the same 12 month period as in (i)(A) above as adjusted in subsequent fiscal years for any increase in tolls, taxes or fees from the date such increase is to be in effect), less (x) for the current and each of the next four fiscal years, the Principal and Interest Requirements on the Senior Bonds for each such year, and (y) for the fifth following fiscal year, the maximum Principal and Interest Requirements on the Senior Bonds for that year or any subsequent fiscal year, (I) for the current fiscal year and each of the following four fiscal years equals or exceeds 3.0 times the Principal and Interest Requirements for all Junior Bonds Outstanding during each such year and (II) for the fifth following fiscal year equals or exceeds 3.0 times the maximum Principal and Interest Requirements for all Junior Bonds for that year or any subsequent fiscal year.

The Authority may also issue additional Senior Bonds to refund any Senior Bonds, without meeting the coverage tests described above, if the maximum Principal and Interest Requirements for the refunding bonds is less than the maximum Principal and Interest Requirements for the Bonds to be refunded.

Additional Junior Bonds

The Agreement and the Act permit the Authority to issue additional Junior Bonds secured on a parity with all other Junior Bonds issued and outstanding under the Agreement for any purpose permitted under the Act, provided that either the Junior Bonds Historical Test or the Junior Bonds Alternate Test, as described above, is satisfied.

The Authority may also issue additional Junior Bonds to refund any Junior Bonds or Senior Bonds, without meeting the coverage tests described above, if the maximum Principal and Interest Requirements for the refunding bonds are less than the maximum Principal and Interest Requirements for the Bonds to be refunded.

Additional Revenue Considered in Additional Bonds Tests

For the purposes of the additional bonds coverage tests described above, Additional Revenue (excluding the TTF Investment Earnings) may be included and taken into account as Test Revenue provided that (1) a Supplemental Agreement is duly adopted by the Authority providing for the pledge of such Additional Revenue under the Agreement for the benefit of the holders of Bonds, (2) the Authority receives a written opinion of nationally recognized bond counsel to the effect that such pledge is valid and binding on the Authority and any pledge or assignment of such additional revenue to the Authority by the State is valid, (3) the State or the Authority, as the case may be, shall have covenanted not to repeal, reduce or adversely alter such Additional Revenue below rates in effect at the time of such pledge and assignment, (4) all approvals and authorizations necessary to effect such pledge and assignment have been obtained and (5) the Supplemental Agreement evidencing the pledge of Additional Revenues shall incorporate all of the covenants, terms and conditions contained in the Agreement.

Subordinate Indebtedness

Under the Agreement, the Authority may also issue additional obligations secured by a lien on the Pledged Revenue which is subordinate to the lien of the Senior Bonds and the Junior Bonds. Pursuant to Supplemental Agreement No. 27, bonds, parity obligations and/or subordinated indebtedness issued pursuant to and subject to the terms of that certain Master Indenture of Trust dated as of December 1, 2015 (the "Master Indenture") between the Authority and Wilmington Trust, National Association, as trustee (the "301 Trustee") are considered "Subordinate Indebtedness" under the Agreement. In December 2015, the Authority issued its Sr. 301 Bonds (as defined herein) in an aggregate principal amount of $212,535,000 and its TIFIA 301 Bond (as defined herein) in a principal amount up to $211,350,000, both of which were issued as Subordinate Indebtedness under the Agreement.

Before January 1, 2016, subordinate obligations issued under the Agreement could be issued without regard to any additional bonds debt service coverage test. After January 1, 2016, no such Subordinate Indebtedness shall be issued under the Agreement unless the tests in "Additional Seniors Bonds" above are first met with respect to Senior Bonds and Junior Bonds, and the following coverage test is also met: the aggregate amount of the Test Revenues for any twelve (12) consecutive months occurring in the most recent fifteen (15) months preceding the date on which the Subordinate Indebtedness is proposed to be issued was not less than 2.00 times the maximum debt service due for all outstanding Subordinate Indebtedness, taking into account the Subordinate Indebtedness proposed to be issued after subtracting from the Test Revenues the maximum Principal and Interest Requirements for Senior Bonds and Junior Bonds and any deposits to any funds or reserve funds as may be required by the Agreement. See "SECURITY FOR THE BONDS – Flow of Funds."

The rights of holders of any Subordinate Indebtedness will be limited, however, as follows:, all principal and interest on all Senior and Junior Bonds must be paid before any payment of debt service may be made on any Subordinate Indebtedness if any of the following occur (i) insolvency, bankruptcy, receivership or any similar proceeding with respect to the Authority or its property; (ii) the acceleration of principal and interest on the Subordinate Indebtedness; (iii) an Event of Default with respect to Senior or Junior Bonds resulting in acceleration of principal of and interest on the Senior Bonds and/or the Junior Bonds; or (iv) an Event of Default resulting from the failure in payment of Principal and Interest Requirements on any Bond. An event of default with respect to Subordinate Indebtedness shall not in itself create the right to declare an Event of Default with respect to the Senior Bonds or the Junior Bonds.

SOURCES OF REVENUE FOR THE TRUST FUND

General

The TTF receives the motor fuel taxes, the Delaware Turnpike toll and concession revenue, Route 1 Toll Revenue, the motor vehicle document fee revenue, the motor vehicle registration fee revenue, Miscellaneous Transportation Revenue and the interest earnings on the TTF's balances. All of the revenue derived from these sources, except the Route 1 Toll Revenue and the Non-Pledged Miscellaneous Transportation Revenue (which includes, among others, the escheat revenues), is pledged to secure the Bonds.

The Delaware Economic and Financial Advisory Council ("DEFAC") forecasts revenue of the TTF applying various assumptions and forecasts provided to it by the Department. A traffic report entitled "Traffic and Revenue Study" has been completed by Stantec Consulting Services Inc. (the "Transportation Consultant") and is attached hereto as APPENDIX E (such traffic report being referred to herein as the "Traffic Report"). The forecasts of toll and concession revenue for the Delaware Turnpike and the Route 1 Toll Road contained herein reflect the DEFAC forecasts.

Motor Fuel Tax Revenue

General

Motor fuel tax revenue is derived from taxes imposed by the State on gasoline and special fuels. This revenue totaled $117.0 million (net of refunds) in fiscal 2015. Motor fuel tax revenue provided 28.0% of the revenue pledged to secure the Bonds in fiscal 2015 and is the second largest component of such pledged revenue.

The term "gasoline" includes all products commonly or commercially known as gasoline but does not include liquefied gases. The term "special fuel" means all combustible gases and liquids, except gasoline, suitable for the generation of power for propulsion of motor vehicles. Gasoline taxes are payable by licensed distributors and special fuel taxes are remitted by licensed special fuel suppliers, users and dealers based on the sale or use of special fuels. Distributors, licensed special fuel users, dealers and suppliers are required to file tax reports monthly and remit the taxes due for the preceding month. Failure to file reports or remit taxes subjects the distributor, dealer, user or supplier to monetary penalties plus civil or criminal proceedings. Exemptions from the motor fuel tax are provided to the United States or any government agencies thereof and to the State and its political subdivisions, among other entities.

Motor fuel taxes were imposed at the rate of 16 cents per gallon for gasoline and special fuels for the period from September 1, 1987 to December 31, 1990. On January 1, 1991 the motor fuel tax increased to 19 cents per gallon. In June, 1993, the General Assembly enacted increases in both the gasoline and special fuels tax rates as follows: (1) the gasoline tax rate increased to 22 cents per gallon on September 1, 1993 and to 23 cents per gallon on January 1, 1995; and (2) the special fuels tax rate increased to 22 cents per gallon on January 1, 1995.

Historical Summary of Gallonage and Revenue from Motor Fuel Taxation

The following table summarizes certain historical information pertaining to motor fuel taxes and motor fuel usage in the State.

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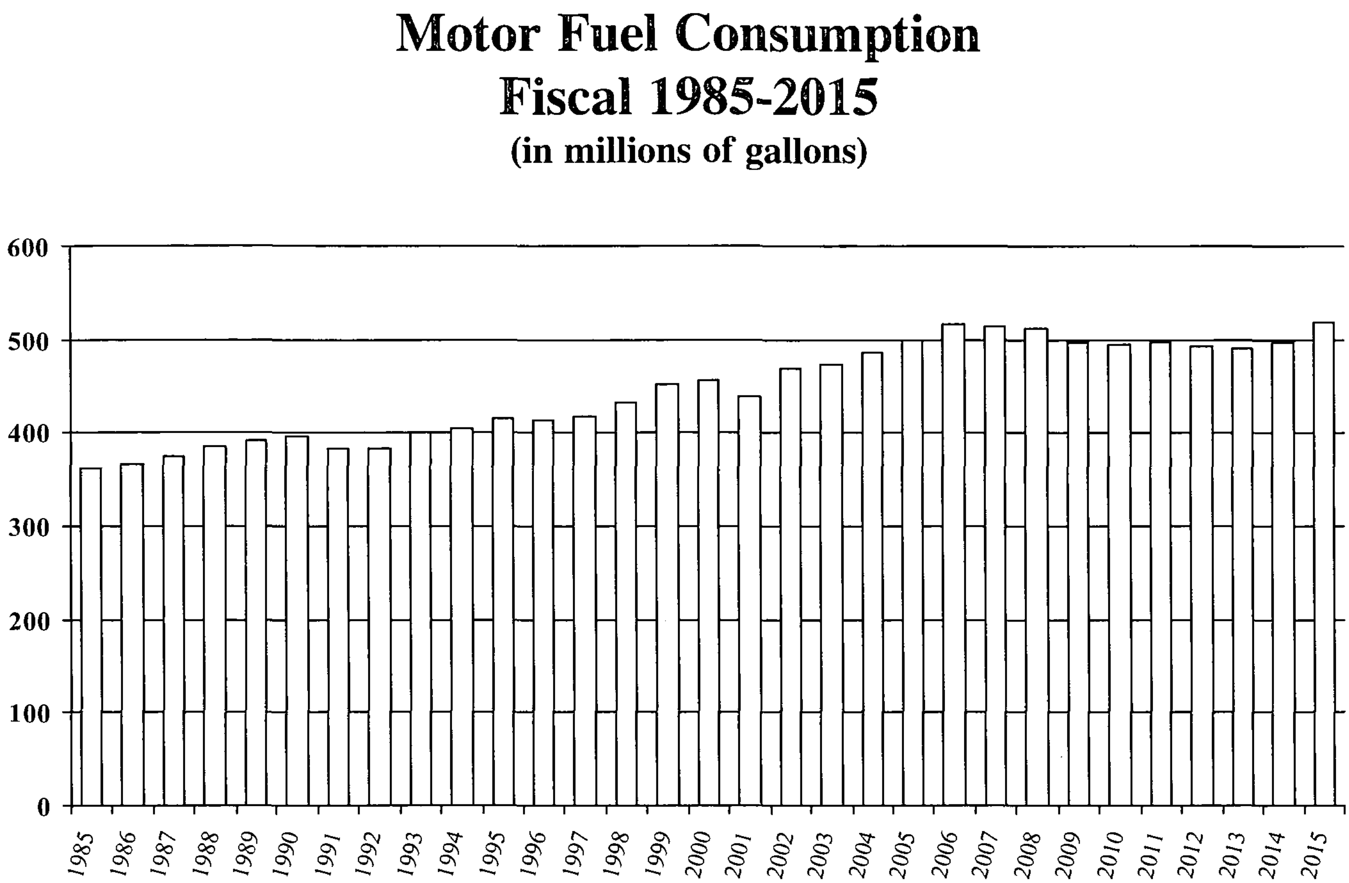
History of Gallonage and Revenue from Motor Fuel Taxes

(dollars and gallonage in millions; percent change calculated from unrounded data)

	Gallonage	Change		Revenue [1]		Change	
1985	361.5	--		$ 39.4	(2)	--	
1986	365.6	1.1	%	40.2		2.0	%
1987	374.2	2.4		45.7	(3)	13.7	
1988	386.4	3.3		59.2	(4)	29.5	
1989	392.5	1.6		62.6		5.7	
1990	395.8	0.8		63.4		1.3	
1991	383.9	(3.0)		66.0	(5)	4.1	
1992	382.8	(0.3)		72.5		9.9	
1993	399.7	4.4		75.6		4.3	
1994	404.8	1.3		84.7	(6)	12.0	
1995	415.5	2.6		91.7	(7)	8.3	
1996	412.7	(0.7)		94.1		2.6	(8)
1997	417.2	1.1		95.1		1.1	
1998	433.8	4.0		98.5		3.6	
1999	451.9	4.1		102.5		4.0	
2000	455.7	0.8		103.9		1.4	
2001	438.8	(3.7)		98.9		(4.8)	
2002	469.6	7.0		107.7		8.9	
2003	474.2	1.0		107.3		(0.4)	
2004	485.7	2.4		112.4		4.8	
2005	499.2	2.8		113.7		1.1	
2006	516.2	3.4		120.1		5.7	
2007	514.6	(0.3)		117.5		(2.2)	
2008	511.4	(0.6)		117.7		0.2	
2009	498.1	(2.6)		114.6		(2.6)	
2010	494.5	(0.7)		112.9		(1.5)	
2011	498.1	0.7		113.8		0.8	
2012	493.5	(0.9)		112.9		(0.7)	
2013	490.7	(0.6)		112.6		(0.3)	
2014	496.7	1.2		114.6		1.8	
2015	518.0	4.3		117.0		2.1	

(1) Net of motor carrier fees and refunds for non-highway use.
(2) Rate increased from 9 to 11 cents per gallon on August 1, 1981.
(3) Rate increased from 11 to 13 cents per gallon on October 1, 1986.
(4) Rate increased from 13 to 16 cents per gallon on September 1, 1987.
(5) Rate increased from 16 to 19 cents per gallon for gasoline on January 1, 1991.
(6) Rate increased from 19 cents to 22 cents per gallon for gasoline on September 1, 1993.
(7) Rate increased from 22 cents to 23 cents per gallon for gasoline and from 19 to 22 cents per gallon for special fuels on January 1, 1995.
(8) Reflects full year impact of fiscal 1995 rate increase.

The following graph plots the taxable motor fuel consumed in the State from fiscal 1985 through fiscal 2015.



Motor Fuel Consumption

Motor fuel consumption is affected by various factors, including population growth, stages of the business cycle, cost and availability of fuel, the requirements of the Federal Energy Act and the Federal Clean Air Act Amendments of 1991 and the fuel efficiency of the vehicle fleet.

During the thirty-one year period from fiscal 1985 through fiscal 2015, motor fuel consumption has risen from a low of 361.5 million gallons during fiscal 1985 to an all-time high of 518 million gallons during fiscal 2015. Until 2014, motor fuel consumption had declined in every year since 2007, except for a 0.7% increase in fiscal 2011 which is attributed to the re-opening of the I-95 service plaza that had been closed for most of fiscal 2010. Motor fuel consumption has risen in both fiscal 2014 and fiscal 2015. In fiscal 2015, the I-95 service plaza sold over 8.8 million gallons of gasoline and over 3.5 million gallons of diesel fuel.

Special fuel consumption has increased significantly since fiscal 1980 primarily because of the increased use of diesel engines. Special fuel's percentage of total consumption has increased from 9.2% in fiscal 1980 to 13% in fiscal 2015.

Projections of Gallonage and Revenue from Motor Fuel Taxes

Based on the historical data regarding motor fuel consumption, current economic conditions and some of the factors referenced below, DEFAC has provided projections of fuel revenues through fiscal 2022. An important factor which will affect future motor fuel consumption and revenues, both nationally and in Delaware, is the shift in consumer purchasing toward smaller more fuel-efficient vehicles. Increases in vehicle fuel efficiency will also impact consumption. New vehicles entering the fleet have increased the average number of gallons for all vehicles and future changes in vehicle technology may affect gasoline consumption.

Revenues and fuel consumption are impacted by several factors which contribute to increases and decreases in both the price and availability of gasoline. Such factors taken into consideration are:

- U.S. dependency on imported crude oil has been decreasing due to continued domestic development of light oil and increased offshore development. Based on estimates from the Department of Energy - U.S. Energy Information Administration (EIA), by 2020, domestic oil production could be at the high levels previously seen in 1994;
- Use of other fuel types, such as biofuel, has increased in the U.S., reducing the need for gasoline;
- Demand for fuel remains uncertain based on domestic and world economic recovery and future economic conditions. A potential slowing of domestic demand could result in lower prices; however, price decreases could be offset by increased demand overseas as global economic conditions improve;
- Political unrest in oil-producing countries creates price uncertainty;
- Vehicle Miles Traveled (VMT) on a national level decreased by 2.5% between 2007 and 2008 and by 2.2% between 2010 and 2011. Delaware VMT patterns from 2006 to 2011 reflected a 6.3% decrease (from a high of 9.5 billion miles in 2006 down to 8.9 billion in 2011). Since 2011, Delaware VMT has increased by 3.4%, reaching an annual level of 9.2 billion in 2013. Fuel price increases could decrease future Delaware VMT, as seen when gasoline prices increased in 2008 and 2011.
- Vehicle fuel efficiency continues to increase. The latest data available from the U.S. Environmental Protection Agency shows that the adjusted 2012 composite model year fuel economy was at a high of 23.6 miles per gallon (mpg). It is assumed that fuel efficiency of vehicles will continue to increase. Total fleet federal Corporate Average Fuel Economy (CAFE) requirements are set at 34.1 mpg for 2016 (37.8 mpg average for passenger cars / 28.8 mpg for light trucks).
- Currently, motor fuel consumption has increased in both fiscal 2014 and fiscal 2015 primarily due to continued lower fuel prices. This factor weighed heavily in the determination to adjust the current consumption forecast and the forecast for the following two fiscal years, at which point, it is believed that fuel consumption will return to the previous negative growth rate.

The forecasted motor fuel consumption and revenue from motor fuel taxation, assumes the current and approved rate structure of $.23 per gallon for gasoline and $.22 per gallon for special fuels.

Projections of Gallonage and Revenue from Motor Fuel Taxes[1]
(dollars and gallonage in millions)

Fiscal Year	Gallonage	Percent Change	Revenue[2]	Percent Change
2016	520.0	0.4%[3]	$118.0	0.4%[3]
2017	520.0	0.0	118.0	0.0
2018	520.0	0.0	118.0	0.0
2019	516.0	(0.8)	117.0	(0.8)
2020	512.0	(0.8)	116.1	(0.8)
2021	508.0	(0.8)	115.2	(0.8)
2022	504.0	(0.8)	114.3	(0.8)

(1) Projections provided by DEFAC from its December 21, 2015 meeting.
(2) Revenue net of motor carrier fees and refunds for non-highway use.
(3) Percent change from fiscal 2015 actual.

Toll Revenue

Delaware Turnpike Revenue

General. The toll and concession revenue of the Delaware Turnpike generated the largest source of revenue to the TTF: $120.3 million in fiscal 2015 or 29.0% of the revenue pledged to secure the Senior Bonds (including the 2016 Bonds), Junior Bonds and Subordinate Indebtedness issued pursuant to the Agreement. Of the total toll and concession revenue in fiscal 2015, toll revenue comprised 98% and concession revenue comprised 2%.

Electronic Tolls. In 1998, the Department joined a consortium of several transportation agencies from New Jersey and New York (the "Consortium") for the purpose of installing an electronic toll collection system ("E-Z Pass System") on the toll roads and bridges operated by the members of the Consortium. Pursuant to a Contract (the "Vendor Contract"), dated March 10, 1998, between The New Jersey Turnpike Authority, as the designated representative of the Consortium, and Adesta Communications (formerly MFS Network Technologies, Inc.) (the "Vendor"), the Department completed the installation of the E-Z Pass System on the Route 1 Toll Road and the Delaware Turnpike (which became operational on the Delaware Turnpike in November 1998, the southern section of the Route 1 Toll Road in April 1999 and the northern section in November 1999). All tolls, due to the Authority, paid by the users of the E-Z Pass System in Delaware are promptly being remitted to Delaware. Under the Vendor Contract, the Department has a contingent liability for a share of various costs to the extent that such costs are not covered by the anticipated revenues. The Department prepaid its entire liability in fiscal 2007.

For a variety of reasons, the Department determined to separate from the Consortium. In connection with that decision, the Department entered into an agreement in late March 2003 with the New Jersey Turnpike Authority, pursuant to which the Department received certain one-time payments totaling $7.6 million and a further $1 million in work effort required to complete a Fiber Optic network for the State's E-Z Pass System.

In connection with the decision to separate from the Consortium, the Department issued a Request for Proposals and subsequently entered into an Agreement with TransCore for the build-out and operation of the Department's new stand-alone E-Z Pass Customer Service Center and Violations Processing Center. The Center was completed and made operational in October 2003.

The implementation of the E-Z Pass System occurred in stages. The implementation of E-Z Pass coincided with the increase in tolls at the Delaware Turnpike in January 1999. Implementation on the southern section of State Route 1 occurred in April 1999 and implementation in the northern section occurred with the opening of the tolls at Biddles Corner, southern New Castle County, in November 1999.

The E-Z Pass System has increased the Authority's ability to track traffic and transactions at the toll barriers and has aided in the electronic transfer of funds to TTF accounts. It has also increased the Authority's enforcement of violations for non-payment of tolls.

Delaware's E-Z Pass utilization rates have increased as expected. The Delaware Turnpike has a utilization rate of 69.3%, while the rate on State Route 1 was 70.5% for fiscal 2015. These rates will continue to increase as neighboring toll facilities join the E-Z Pass network. The Delaware River and Bay Authority (operator of the Delaware Memorial Bridge), started operating in the E-Z Pass network in July 2001. Delaware's toll roads are now connected to E-Z Pass participants to the north and the south, which will lead to further increases in utilization.

Description of Delaware Turnpike. The Delaware Turnpike comprises 11.3 miles of the nation's Interstate 95, which extends along the east coast from Maine to Florida. To the southwest, the Delaware Turnpike connects directly to the Maryland Turnpike, a similar toll facility extending southward to Baltimore.

The easterly terminus of the Delaware Turnpike is at Delaware Route 141 where the Delaware Turnpike meets the following three non-toll sections of the State's interstate road system: Interstate 95 which extends north to Wilmington, Delaware and into Pennsylvania; Interstate 495 which bypasses Wilmington to the east and rejoins I-95 at the Delaware/Pennsylvania state line; and Interstate 295 which connects with U.S. Routes 13, 40 and 301 immediately to the east, and continues across the Delaware Memorial Bridge, connecting with the New Jersey Turnpike and New Jersey I-295.

Most of the Delaware Turnpike consists of four twelve-foot wide lanes in each direction. There are four interchanges to serve communities along the route. A main barrier toll plaza consisting of 18 lanes (7 cash lanes and 2 high speed E-Z Pass lanes in each direction), the only toll collection point on the Delaware Turnpike, is located near the Maryland state line.

The Authority owns a service plaza facility containing restaurants and one service station which, through contracts with concessionaires, provides additional revenue for the Delaware Turnpike. The facility is located on I-95 near Newark, Delaware, approximately midway on the Delaware Turnpike, between the north and southbound lanes.

The Delaware Welcome Center Travel Plaza was rebuilt over a nine month period beginning September 9, 2009. The new facility opened June 24, 2010 and features a 47,000 square foot building and a new service station operated by Sunoco, with high-speed diesel pumps and a 24-hour convenience store. The $35 million complex was financed entirely with private funding by the operator, HMS Host Corporation, pursuant to a twenty-year contract which extended through June 2008, but which remained in force through carryover provisions until the plaza closed down for construction in September 2009. A new contract was negotiated and executed in July 2008 for the design, finance, construction, operation, and maintenance of a new welcome center and service plaza. The contract also requires the operator to spend, at a minimum, an additional $21 million in capital improvements over the 35-year lease term. To replace revenue lost during the closure, temporary rent payments were made each month during the closure ($170,000/month). A new revenue sharing agreement was also negotiated between the operator and the Department. In fiscal 2015, concession revenue to the Delaware Turnpike totaled $2.6 million.

Historic Traffic and Toll Summary. The average annual growth of vehicle trips since fiscal 1985 has been 1.9%. During fiscal 2014, traffic increased by 0.4%, and also increased by 3.2% in fiscal 2015 (passenger traffic increased by 2.9% and commercial traffic was up 5.9%). For the first five months of fiscal 2016, I-95 total traffic was up 5.2%, with passenger traffic up 3.7% and commercial traffic increasing by over 17% compared to fiscal 2015.

Several factors have had a significant impact on I-95/Delaware Turnpike traffic over the last ten years. These include the recession of 2007 – 2009 and its slow recovery; toll increases in 2005 and 2007; severe weather events such as Superstorm Sandy in October 2012 and severe winter snow and ice storms over the last few years. Traffic has also been impacted by the increase in fuel prices in 2008 and 2011. Traffic volumes on I-95/Delaware Turnpike decreased from a high of 28.6 million in fiscal 2004 to 25.8 million in fiscal 2015.

Toll Evasion Agreement. In fiscal 2008, the Authority discontinued its toll evasion program. Commercial traffic declined from fiscal 2008 through fiscal 2011. In fiscal 2012, as the recession eased, commercial traffic increased by 2.5%. However, in fiscal 2013, traffic unexpectedly declined. In fiscal 2014, after six consecutive months of decline, the decision was made to implement a three-month pilot program for enhanced enforcement of toll evasion by heavy trucks and commercial motor vehicles in the vicinity of the I-95 Newark toll plaza, particularly along the Delaware Route 896 corridor and Christina Parkway which by local ordinance restricts use of such roads for local deliveries.

The Delaware State Police Commercial Motor Vehicle Unit in conjunction with the City of Newark Police Department started a pilot program from November 1, 2014 through January 31, 2015 to enforce heavy trucks and commercial motor vehicles along the Delaware Route 896 corridor and the vicinity of the I-95 Newark toll plaza. The Delaware State Police concentrated its enforcement along Delaware Route 896, Old Baltimore Pike, Elkton Road and Otts Chapel Road. The Newark Police Department concentrated its enforcement on Delaware Route 896 and the Christina Parkway.

The pilot program resulted in 759 hours of enforcement with 564 vehicles being inspected, which resulted in 267 citations being issued. Commercial traffic during this period increased by 22,281 vehicles, which resulted in additional toll revenues of over $182,000. Program costs were $52,120. There are many variables that affect commercial traffic, and although the Authority cannot attribute the large traffic gains specifically to the enforcement program, the Delaware State Police have witnessed heightened communication between truckers using the corridor, which implies trucker awareness of the enforcement.

Based on the results of the pilot program, on January 21, 2015, the Department entered into two new agreements (each with the Delaware State Police and the City of Newark Police Department) to continue the enforcement program through the end of the fiscal 2015 (February 1, 2015 to June 30, 2015). To reduce the cost while still remaining effective, it was determined that the number of enforcement shifts could be reduced and the program hours of operation would be randomized, so that no enforcement pattern could be detected by the truckers. The extended program resulted in an additional 276,375 trucks passing the toll plaza compared to the previous year. Revenues associated with the increased truck traffic was $2.3 million. The total cost of the agreement was $55,584. Commercial traffic was up 5.9% compared to the previous year.

Both police agency agreements were renegotiated for fiscal 2016. For the first five months of fiscal 2016, commercial traffic continued to show large gains over the previous fiscal year (up 17%). Due to the success of the program, the Department anticipates continuing the program into the future.

Vehicle Trips. The following table summarizes the recorded vehicle trips through the Delaware Turnpike toll barrier and the revenue derived from tolls and concessions from fiscal 1985 through fiscal 2015.

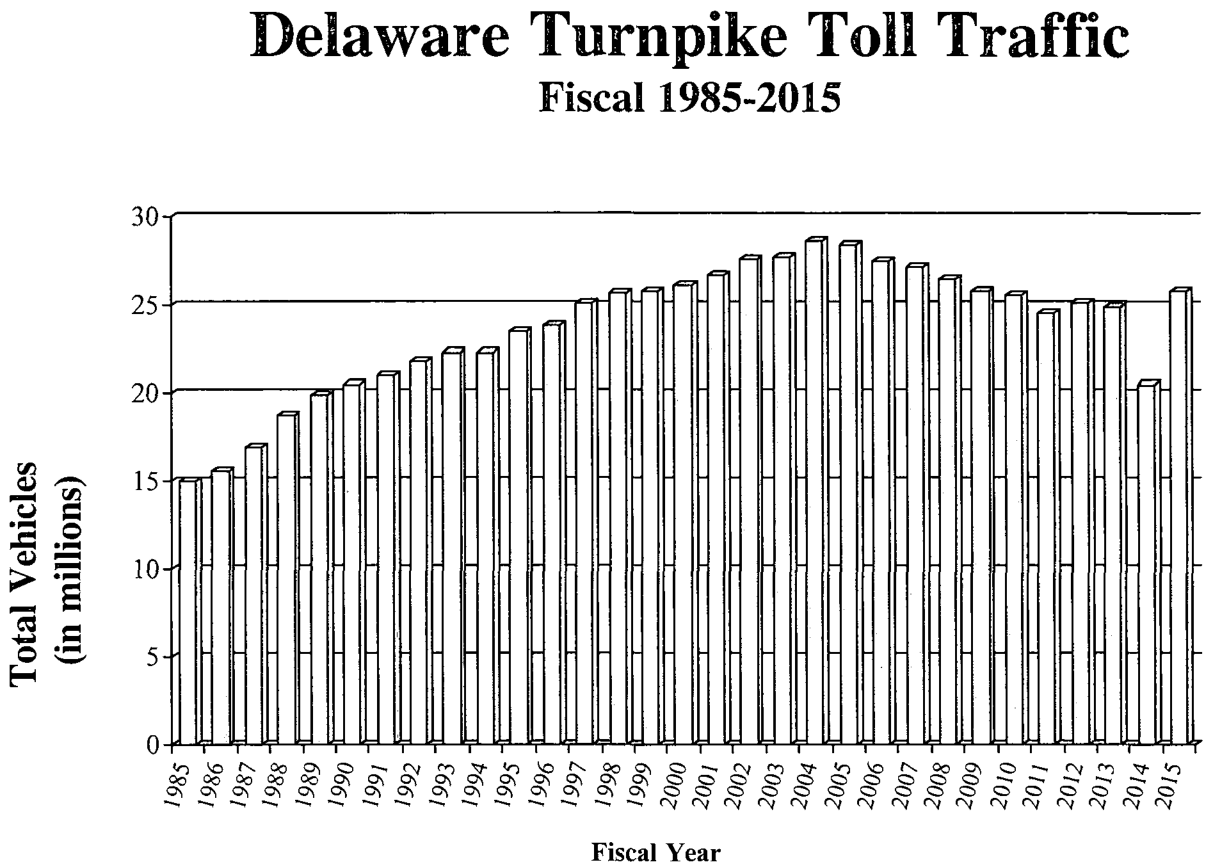
Delaware Turnpike Vehicle Trips and Revenue

(dollars and vehicles in millions, percent change and totals calculated from unrounded data)

	Vehicles Through the Toll Barrier	Change	Toll Revenue		Concession Revenue	Toll and Concession Revenue	Change
1985	15.0	--	$ 19.7	(1)	$ 1.3	$ 21.0	--
1986	15.6	4.1%	20.5		1.3	21.8	3.8%
1987	16.9	8.3	22.3		1.4	23.7	8.7
1988	18.7	10.4	24.6		1.4	26.0	9.7
1989	19.9	6.5	26.1		1.7	27.8	6.9
1990	20.5	3.2	28.3	(2)	1.7	30.0	7.9
1991	21.0	2.1	29.0		1.7	30.7	2.3
1992	21.8	4.0	29.5		1.9	31.4	2.3
1993	22.3	2.4	30.4		2.0	32.4	3.2
1994	22.3	(0.2)	36.7	(3)	2.1	38.8	19.7
1995	23.5	5.4	40.3		2.2	42.5	9.5
1996	23.8	1.7	40.6		2.3	42.9	0.9
1997	25.1	4.7	41.8		2.4	44.2	3.0
1998	25.6	2.2	43.3		2.4	45.7	3.4
1999	25.8	0.7	51.3	(4)	2.5	53.8	17.6
2000	26.1	1.2	60.1		2.5	62.6	16.3
2001	26.7	2.2	61.6		2.6	64.2	2.6
2002	27.6	3.4	62.1		2.5	64.6	0.6
2003	27.7	0.3	60.1		2.5	62.6	(3.0)
2004	28.6	3.0	60.1		2.8	62.9	0.4
2005	28.4	(0.5)	57.9		2.8	60.7	(3.4)
2006	27.5	(3.1)	84.7	(5)	3.0	87.7	44.5
2007	27.1	(1.5)	93.6		3.1	96.7	10.3
2008	26.4	(2.6)	115.4	(6)	2.5	117.9	21.9
2009	25.8	(2.3)	118.8		2.4	121.2	2.8
2010	25.5	(1.2)	117.2		2.2	119.4	(1.5)
2011	24.5	(4.2)	114.1		1.8	115.9	(2.9)
2012	25.1	2.5	115.3		1.8	117.1	1.1
2013	24.9	(0.9)	117.7		2.4	120.1	2.5
2014	25.0	0.4	119.9		2.5	122.4	1.9
2015	25.8	3.2	117.8		2.6	120.4	(1.7)

(1) Toll increase effective July 1, 1983.
(2) Toll adjustments effective October 1, 1989.
(3) Toll increase effective September 1, 1993.
(4) Toll increase for Non-E-Z Pass cars effective on January 4, 1999.
(5) Toll increase effective October 1, 2005.
(6) Toll increase effective October 1, 2007.

The following graph illustrates the growth of traffic through the toll gates of the Delaware Turnpike from fiscal 1985 through fiscal 2015.



<u>Delaware Turnpike Toll Schedules</u>. The Act authorizes the imposition of tolls at the main barrier of the Delaware Turnpike. The Authority has broad power to determine the levels of the tolls. The establishment of tolls does not involve public hearings, nor are the levels of tolls subject to approval by any person or entity other than the Authority itself. In general, the Authority has set tolls to meet debt service and reserve requirements on obligations sold to fund Delaware Turnpike projects, to meet operating and maintenance costs and to fund the costs of constructing and reconstructing feeder roads and related facilities used by Delaware Turnpike travelers.

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The following table summarizes the recent toll history and indicates the percentage of toll revenue collected in fiscal 2013 by class of vehicle.

Delaware Turnpike Barrier Tolls

	January 4, 1999 - September 30, 2005	October 1, 2005 - September 30, 2007	October 1, 2007 to Present (4)	% of Fiscal 2015 Toll Revenue by Vehicle Class
Commuter Vehicle	n/a	n/a	n/a	n/a
High Occupancy Vehicle (2)	$0.63	n/a	n/a	n/a
Passenger cars, pick up and panel trucks (1)	$2.00	$3.00	$4.00	25.3%
Passenger cars, pick up and panel trucks-EZP	$1.25	$3.00	$4.00	51.7%
Two axles, six tire trucks	n/a	n/a	n/a	n/a
Three axles trucks	$2.50	$5.00	$6.00	2.1%
Three axles trucks EZP 10 p.m. - 6 a.m. (3)	n/a	$1.25	n/a	n/a
Four axle trucks	$3.75	$6.00	$7.00	2.4%
Four axle trucks EZP 10 p.m. - 6 a.m. (3)	n/a	$1.50	n/a	n/a
Five axle trucks	$5.00	$8.00	$9.00	18.0%
Five axle trucks EZP 10 p.m. - 6 a.m. (3)	n/a	$2.00	n/a	n/a
Six axle trucks	$6.25	$10.00	$11.00	0.4%
Six axle trucks EZP 10 p.m. - 6 a.m. (3)	n/a	$2.50	n/a	n/a
Special permit vehicles	$10.00	$10.00	$11.00	0.0%

(1) Includes toll revenue from two axle, six tire trucks which are now in the same vehicle class as passenger cars, pick up and panel trucks.
(2) Special 50% discount applied when commuter's vehicle has two or more passengers.
(3) Commencing October 1, 2005, toll increase and discounts offered to commercial E-Z Pass customers during the hours of 10 p.m. to 6 a.m.
(4) Commencing October 1, 2007, all vehicle class tolls increased by $1.00, and the night-time discount offered to commercial E-Z Pass customers during the hours of 10 p.m. to 6 a.m. was discontinued.

Projections of Delaware Turnpike Toll and Concession Revenue. DEFAC projects toll and concession revenue which projections are set forth in the following chart.

Projections of Delaware Turnpike Toll and Concession Revenue(1)

(dollars in millions)

Fiscal Year	Toll Revenue(2)	Concessions	Total Revenue	Percent Change
2016	$ 122.9	$ 2.7	$ 125.6	1.1%(3)
2017	123.6	2.8	126.4	0.6
2018	124.3	2.9	127.2	0.6
2019	125.0	3.0	128.0	0.6
2020	125.8	3.1	128.9	0.7
2021	126.6	3.1	129.7	0.6
2022	127.4	3.2	130.6	0.7

(1) Projections provided by DEFAC from its December 21, 2015 meeting.
(2) Excludes "Other Turnpike Revenue".
(3) Percent change from fiscal 2015 actual.

Route 1 Toll Road

General. The Authority has completed a fully controlled access highway of 41 miles extending from a connection with the southern terminus of the new Route 1 Toll Road just south of Wilmington to points south of Dover on U.S. Routes 13 and 113. A new high-level bridge across the Chesapeake and Delaware Canal was opened for traffic during December 1995.

The southern portion of the project was opened for traffic during December 1993. This section is approximately 9 miles and extends from north of Smyrna southward to south of State Route 10 in the vicinity of the Dover Air Force Base. This section also includes a mainline toll plaza and one ramp toll for access to and from the City of Dover.

A portion of the northern section of approximately 4.8 miles, including a new bridge over the Chesapeake and Delaware Canal, was opened for traffic in December 1995. On November 17, 1999, this Section was extended another 9 miles south to Odessa. This section has a main-line toll plaza (the Biddle's Plaza) and tolls on the southerly interchange ramps at Route 896 (Boyd's Corner). The final section from south of Odessa to north of Smyrna was finished in May 2003.

Most Recent Toll Increase. Effective August 2014, the weekend toll rate for all vehicle classes was increased by $1.00.

Fiscal 2008 Toll Increases. With input from the General Assembly and the then Governor and her Administration, the Authority evaluated the current toll structure and found that amending the current structure of the Route 1 Toll Road would be in the best interest of the Authority.

Effective October 1, 2007, passenger tolls at the Biddles and Dover plazas were increased by $1.00 on weekends (weekends are defined as the period between 7:00 p.m. ET on Friday through 11 p.m. ET on Sunday). Passenger weekday and weekend tolls at the other toll areas remained unchanged.

Commercial traffic tolls were raised by $.25 per axle at Smyrna and $.50 per axle at Denneys and Boyds. At Biddles and Dover the commercial toll was raised by $1.00 per axle on weekdays and an additional $1.00 per axle on weekends.

Effective October 1, 2007, the 15% E-Z Pass discount was eliminated. Passenger frequency discounts of 50% for travelers who meet the "30 trips in 30 days" requirement remained in place. The commercial E-Z Pass discount was reduced from 50% to 25%, and is still available without a minimum trip requirement. The High Occupancy Vehicle ("HOV") Plan discount was also eliminated. The current toll structure is listed below:

Vehicle Class	Smyrna	Denneys Road and Boyds Corner	Biddles Plaza and Dover Plazas	
	All Days	All Days	Weekday	Weekend
Two Axle	$ 0.25	$ 0.50	$ 1.00	$ 3.00
Three axle	0.75	1.50	3.00	5.00
Four axle	1.00	2.00	4.00	6.00
Five axle	1.25	2.50	5.00	7.00
Six axle	1.50	3.00	6.00	8.00
Permit			$11.00	$11.00

Historic and Projected State Route 1 Toll Revenue. Fiscal 1995 represented the first full year of operation for the Route 1 Toll Road. Total revenues of $6.4 million exceeded the forecast of $5.7 million projected in connection with the sale of the 1994 Series Senior Bonds. DEFAC's projected toll revenue for the entire Route 1 Toll Road, assuming the present toll structure was maintained at both mainline toll barriers, is set forth in the following table. Total annual revenues to be generated from the entire toll road are expected to increase to approximately $61.7 million by fiscal 2022. **Revenue from the Route 1 Toll Road is not pledged to secure the Bonds**.

Route 1 traffic volumes have been increasing fairly consistently, with the exception of the impacts of the 2007 toll increase in fiscal 2008 and the effects of the recession in fiscal 2009. In 2006, there were 37.3 million transactions on the toll road and this increased to 39.8 million in fiscal 2015. For the first five months of fiscal 2016, traffic is 5.6% higher than the same period in fiscal 2015.

Route 1 Toll Road
Historical and Projected Toll Revenue
(dollars in millions, percentage change calculated from unrounded data)

Fiscal Year	Total Toll Revenue	Percent Change
1997	$ 8.4	---
1998	9.2	8.9%
1999	9.7	5.8
2000	16.4	69.8
2001	20.7	25.7
2002	24.2	17.2
2003	25.4	5
2004	27.1	6.5
2005	30.2	11.3
2006	31.5	4.5
2007	32.6	3.4
2008	40.5(2)	24.2(2)
2009	44.5	9.9
2010	45.5	2.3
2011	44.4	-2.4
2012	44.9	1.0
2013	46.2	3.0
2014	47.6	3.0
2015	55.8	17.2
Forecasted-		
2016	57.5(1)	3.1
2017	58.2(1)	1.2
2018	58.9(1)	1.2
2019	59.6(1)	1.2
2020	60.3(1)	1.2
2021	61.0(1)	1.2
2022	61.7(1)	1.2

(1) Projections provided by DEFAC from its December 21, 2015 meeting.
(2) Toll increase effective October 1, 2007.

New Revenue Legislation for Fiscal Year 2016

The Delaware General Assembly passed House Bill 140 on June 30, 2015, increasing various Department of Motor Vehicle fees. All fee increases became effective on October 1, 2015.

House Bill 140 increased the following revenue sources for the TTF:

Fee Source	Prior Fee	New Fee (effective Oct. 1, 2015)
Motor Vehicle Document Fee	3.75% of vehicle net cost	4.25% of vehicle net cost
Late Renewal of Driver's License	$1.15	$10.00
Late Renewal of Vehicle Registration	$10.00	$20.00
Reinstatement of Suspended License	$25.00	$40.00
Reinstatement of Revoked License	$143.75	$200.00
Vehicle Temporary Tag	$10.00	$20.00
Sale of Driver's License Records	$15.00	$25.00
Transfer of Specific Vehicle Tag	$10.00	$20.00
Issuance of Title	$25.00	$35.00
Issuance of a Lien on Existing Title	$10.00	$20.00
Duplicate Documents		
- Driver's License	$10.00	$20.00
- Title	$25.00	$50.00
- Vehicle Validation Stickers	$1.00	$5.00
- Registration Card	$2.00	$10.00

House Bill 140 Projected Revenue Increase
(in millions)

	Full Year Increase	FY16 Impact 9 Month Increase	FY17 Impact 3 Month Increase
Motor Vehicle Document Fees	$ 12.8	$ 9.5	$ 3.3
Motor Vehicle Registration Fees	1.0	0.7	0.2
Other DMV			
-- Record sales	4.6	3.5	1.1
-- Title fees	4.5	3.4	1.1
-- Hauling permit fees	1.4	1.0	0.4
-- Other DMV Misc. Fees	1.4	1.0	0.4
Other DMV TOTAL	11.9	8.9	3.0
TOTAL ANTICIPATED INCREASES	$ 25.7	$ 19.1	$ 6.5

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Motor Vehicle Document Fees

General

Motor vehicle document fees are imposed upon the sale or transfer of any new or used motor vehicle, truck tractor, trailer or motorcycle in the State. These fees contributed $94.0 million in fiscal 2015, 22.5% of the fiscal 2015 revenue pledged to the Senior Bonds (including the 2016 Bonds), Junior Bonds and Subordinate Indebtedness issued pursuant to the Agreement.

Fiscal 2008 Fee Increase. Effective October 1, 2007, the document fee increased by $.50 per hundred dollars of the net vehicle purchase price. The new fee increased from $2.75 per hundred to $3.25 per hundred.

Fiscal 2009 Fee Increase. Effective October 1, 2008, the second phase of the document fee increase became effective. The new increase of an additional $.50 per hundred increased the fee to $3.75 per hundred.

Fiscal Year 2016 Fee Increase. Effective October 1, 2015, a document fee increase became effective. The new increase of an additional $0.50 per hundred increased the fee to $4.25 per hundred.

The document fee, which is based on the vehicle purchase price, is paid by the owners and collected by the State for deposit in the TTF. If the price of the vehicle is less than $400, the fee is $8; if the price is $400 to $500, the fee is $13.75. Thereafter, the fee increases by $4.25 for each additional $100 of vehicle purchase price or any fraction thereof. The following table summarizes the history of motor vehicle document fee collections from fiscal 1985 through fiscal 2015.

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History of Motor Vehicle Document Fees

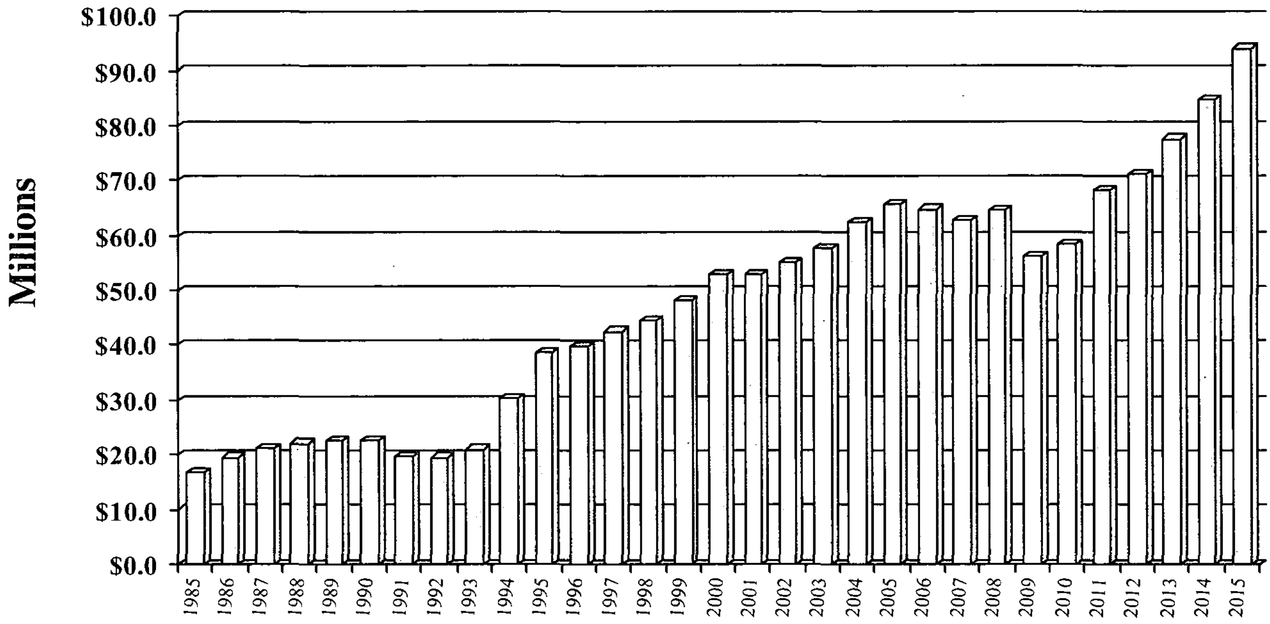
(vehicles in thousands and dollars in millions,
percent change calculated from unrounded data)

FY	Vehicles Titled (1)	Change		Revenue		Change	
1985	229.6	--		$ 16.7		--	
1986	251.4	9.5	%	19.5		17.0	%
1987	274.3	9.1		21.1		8.1	
1988	270.6	(1.3)		22.1		4.7	
1989	233.2	(13.8)		22.6		2.3	
1990	213.8	(8.3)		22.6		(0.2)	
1991	209.7	(1.9)		19.7		(12.7)	
1992	196.4	(6.3)		19.5		(0.8)	
1993	193.0	(1.7)		21.0		7.7	
1994	199.0	3.1		30.3	(2)	44.3	
1995	215.5	8.3		38.6		27.4	
1996	211.6	(1.8)		39.9		3.3	
1997	216.5	2.3		42.5		6.7	
1998	217.0	0.3		44.4		4.4	
1999	224.9	3.6		48.1		8.3	
2000	232.7	3.5		52.9		9.9	
2001	234.0	0.5		52.8		0.0	
2002	244.1	4.3		55.2		4.5	
2003	248.2	1.7		57.7		4.6	
2004	262.3	5.7		62.5		8.4	
2005	276.1	5.2		65.7		5.0	
2006	275.8	(0.1)		64.8		(1.3)	
2007	264.7	(4.0)		62.7		(3.3)	
2008	250.1	(5.5)		64.6	(3)	3.0	
2009	214.9	(14.1)		56.2	(4)	(13.0)	
2010	215.9	0.5		58.4		3.8	
2011	232.0	7.5		68.3		17.1	
2012	234.0	0.9		71.1		4.1	
2013	240.0	2.6		77.6		9.1	
2014	251.9	5.0		84.8		9.3	
2015	264.6	12.7		94.0		10.9	

(1) Includes titles for both new and used vehicles which closely approximates total car sales during each fiscal year.
(2) Reflects rate increase from 2% to 2.75%, effective September 1, 1993.
(3) Reflects rate increase from \$2.75 per hundred to \$3.25 per hundred, effective October 1, 2007.
(4) Reflects rate increase from \$3.25 per hundred to \$3.75 per hundred, effective October 1, 2008.

The revenue stream in the previous table is illustrated by the following graph.

Motor Vehicle Document Fee Revenue
Fiscal 1985-2015



Document fee revenue decreased in fiscal years 1990 through 1992 reflecting that recessionary period. Fiscal 1993 revenue increased 7.7% as the economy improved as indicated by the increase in new car sales of 5.6%. The trend continued during fiscal 1994 as revenue increased over 44% as a result of an increase in new car sales of over 9.1% combined with the document fee increase from 2% to 2.75% in September 1993.

The average annual rate of growth in revenue was 8.0% between fiscal 1994 and fiscal 2007, due in large part to increases in new car sales and document fees (as described below). The average annual rate of growth in revenue was 4.2% between fiscal 1996 and fiscal 2007, despite no increase in the document fee. Document fee revenue is generated by the number of transactions as well as the cost of the vehicle transferred. Fiscal 2008 saw revenues increase by 3.0% primarily due to the fee increase. The slowing economy contributed to poor auto sales, as vehicle titles decreased by 5.5% from fiscal 2007.

Again in fiscal 2008 both new and used car sales were down compared to the previous year. Tightening credit conditions along with higher interest rates slowed vehicle sales. These economic conditions combined with increased energy costs reduced consumers disposable income and borrowing ability, which resulted in weaker vehicle sales. The continued poor economic conditions caused a reduction in fiscal 2009 revenues. As conditions started to improve in fiscal 2010, revenues increased from document fees. By fiscal 2011, document fee revenues increased greatly by 17.1%, and such gain was attributed to the easing of bank financing and pent-up demand as consumers once again started to replace older vehicles. Strong vehicle sales continued annually from fiscal 2012 through fiscal 2015, inclusive, with fiscal 2015 reporting a 12.9% increase in vehicle sales over fiscal 2014. The corresponding annual increase in document fee revenue from fiscal 2012 through fiscal 2015, inclusive, ranged from 4.1% in fiscal 2012 to 10.9% in fiscal 2015. While the fiscal 2016 forecast for vehicle sales has been realigned to reflect a more normal, historic growth rate of 3.0%, fiscal 2016 document fee revenues are expected to be higher as revenues will reflect 9 months of revenue generated from the new fee increases which became effective on October 1, 2015.

Listed below are the DEFAC forecasts of document fee revenue through fiscal 2022.

Projected Motor Vehicle Document Fees [1]
(vehicles in thousands and dollars in millions)

Fiscal Year	Vehicles Titled	Change	Revenue	Percent Change
2016	272.5	3.0%[2]	$ 106.3[3]	13.0%[2][3]
2017	280.7	3.0	112.8[3]	3.1 [3]
2018	289.1	3.0	116.2	3.0
2019	297.8	3.0	119.7	3.0
2020	306.7	3.0	123.3	3.0
2021	315.9	3.0	127.0	3.0
2022	325.4	3.0	130.8	3.0

(1) Projections provided by DEFAC from its December 21, 2015 meeting.
(2) Percent change from fiscal 2015 actual.
(3) Reflects fee increase from $3.75 to $4.25 effective October 1, 2015. Fiscal 2016 reflects 9 months at new rate and fiscal 2017 reflects first full year at new rate.

Motor Vehicle Registration Fees

General

Motor vehicle registration fees are paid at the time of application for the registration of a motor vehicle and prior to the issuance of the required registration plates by the Division of Motor Vehicles. The revenue (net of refunds to other states) from this source was $51.2 million in fiscal 2015 and constituted 12.2% of the revenue pledged to the Senior Bonds (including the 2016 Bonds), Junior Bonds and Subordinate Indebtedness issued pursuant to the Agreement.

Since October 1986, new cars can be registered for a three-year period and effective September 1990, new or used cars have had the option to renew for a two-year period. Commencing in July 2000, any newly-manufactured current model year motor vehicle or trailer with a gross registered weight of 10,000 lbs. or less not previously registered or titled in any state or country may be initially registered by the owner for five years or less. Passenger cars have paid $20 per year since 1965 while trucks pay according to their weight. On October 1, 1991, the registration fee for commercial vehicles increased from $2.60 to $5.20 for each 1000 pounds or fraction thereof in excess of 5,000 pounds as part of the three year plan to increase fees in this category. On July 1, 1992 this fee was increased to $12.00 for each such 1000 pounds or fraction thereof. The third increase to $16.80 for each such 1000 pounds or fraction thereof became effective on July 1, 1993.

Effective October 1, 2007, passenger car registration and the base commercial registration fee increased by $20 per year to $40 per year. Additionally, the registration weight fee for commercial vehicles increased from $16.80 for each 1000 pounds or fraction thereof in excess of 5,000 pounds to $18.00 for each 1,000 pounds. Motorcycle registration increased from $10 to $15 annually; recreational vehicle, farm truck and trailer registrations and weight fees were also increased.

During January 1995, the Department established the Motor Carrier Service Section to support the trucking industry and entered into a base state agreement under the International Registration Plan ("IRP") for the collection and distribution of commercial registration fees for vehicles in excess of 26,000 pounds. Under IRP, commercial registration fee revenue is a function of the miles traveled in each state and the registration fee assessed by each state.

From fiscal 1985 - 2015, the average annual growth rate of registrations in the State has been 1.8% and the average annual growth rate of revenue from those registrations has been 4.8%, largely due to commercial fee increases enacted in fiscal 1992 and the various fee increases in October 2008. Registration fee revenue growth since fiscal 1987 has varied from the growth in the number of vehicles registered. In fiscal 1987 and fiscal 1988, revenue increased faster than vehicles registered, whereas in fiscal 1989 and fiscal 1990 revenue decreased while the number of vehicles registered increased. The variances are primarily due to the option, beginning in fiscal 1987, for new car owners to elect a three-year registration period. In fiscal 1991, growth in vehicles registered was flat but revenue increased 14.8% due to the implementation of a two-year registration option for used vehicles. Increases in commercial registration fees were phased in from fiscal 1992 through fiscal 1994, contributing to increases in revenue of 7.8%, 4.7% and 11.4%, respectively. The growth in registered vehicles from fiscal 2000 to fiscal 2011 was 20.8% as registrations increased to 839.7 from 695.2. This motor vehicle growth rate is directly correlated to the population growth rate in Delaware. In fiscal 2008, registration revenue grew by 31.2% largely due to the fee increases. Vehicle registration slowed, growing only 1.0%, partially due to the slowing housing market, which limited the influx of new residents entering the state and registering their vehicles. The continued poor economic conditions caused small reductions in fiscal 2009 and fiscal 2010 registration counts. However, revenues increased in both fiscal 2009 and fiscal 2010; this is possible because revenues are affected not only by the number of registrations but the type of registration and term selected. The registration term can be from ¼ of a year to up to 5 years for new vehicles.

Registration revenue continued strong in fiscal 2013 through fiscal 2015, benefitting from increased vehicle sales. Revenue was up 3.9% in fiscal 2015 and is forecasted to remain positive in fiscal 2016 and fiscal 2017. Various registration related fees increased on October 1, 2015, increasing the growth rate forecast to 4.1% for fiscal 2016 and 3.6% for fiscal 2017. The out years are expected to return to the more normal 3% annual growth rate.

Historical Summary of Vehicle Registrations and Revenue

The following table shows the historical record of vehicle registrations and registration fees for the last thirty-one fiscal years:

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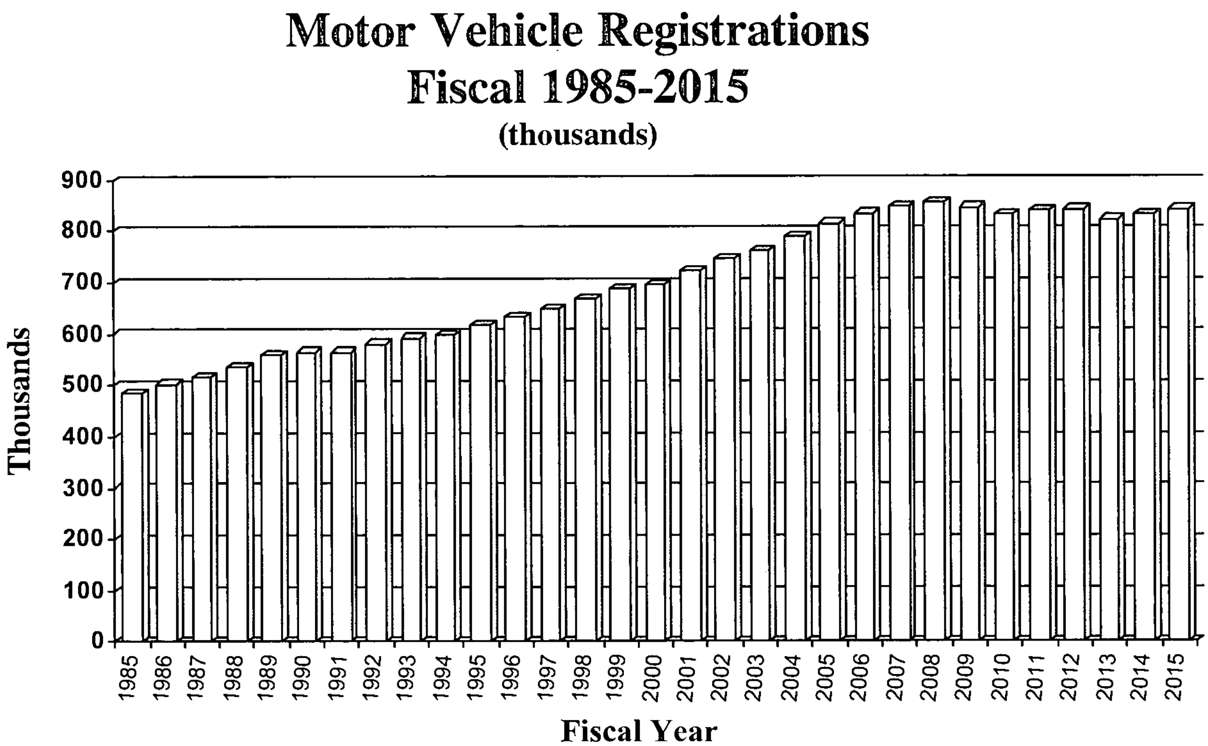
History of Vehicle Registrations and Revenue

(dollars in millions, vehicle registrations in thousands, percent change calculated from unrounded data)

	Vehicle Registration	Percentage Change	Registration Revenue		Percentage Change
1985	485.2	--	$ 14.2		--
1986	503.0	3.7	14.4		1.6
1987	515.7	2.5	15.3	(1)	6.5
1988	536.0	3.9	16.2		5.7
1989	560.4	4.5	15.6		(3.7)
1990	565.0	0.8	14.9		(4.3)
1991	565.1	0.0	17.1	(2)	14.8
1992	581.0	2.8	18.4	(3)	7.8
1993	592.8	2.0	19.3	(4)	4.7
1994	598.3	0.9	21.5	(5)	11.4
1995	617.7	3.2	22.2	(6)	3.3
1996	632.6	2.4	22.6	(6)	1.8
1997	649.3	2.6	23.0	(6)	1.6
1998	668.3	2.9	24.8	(6)	8.0
1999	687.1	2.8	24.2	(6)	(2.4)
2000	695.2	1.2	26.6	(6)	10.1
2001	722.9	4.0	27.0	(6)	1.0
2002	747.5	3.4	28.0	(6)	4.0
2003	762.9	2.1	27.8	(6)	(0.7)
2004	790.0	3.5	28.3	(6)	1.8
2005	814.3	3.1	30.2	(6)	6.5
2006	834.3	2.5	30.2	(6)	0.2
2007	848.6	1.7	31.5	(6)	4.1
2008	856.7	1.0	41.3	(6,7)	31.2
2009	845.8	(1.0)	43.3	(6)	4.8
2010	832.7	(1.5)	44.5	(6)	2.8
2011	839.7	0.8	47.2	(6)	5.9
2012	842.4	0.3	46.6	(6)	(1.1)
2013	822.3	(2.4)	47.6	(6)	2.0
2014	831.7	1.1	49.2	(6)	3.4
2015	841.7	1.2	51.2	(6)	3.9

(1) Effective October 1, 1986, new car owners had the option to register the vehicle for a three year period. Commencing on October 1, 1999, new car owners had the option to register the cars for a four-year period or a five-year period for a fee equal to $20.00 for each year in the period.
(2) New and used vehicle owners had the option to renew the registration for a two year period commencing September 1, 1990.
(3) Fee increase for vehicles in excess of 5,000 pounds effective October 1, 1991.
(4) Fee increase for vehicles in excess of 5,000 pounds effective July 1, 1992.
(5) Fee increase for vehicles in excess of 5,000 pounds effective July 1, 1993.
(6) Net of refunds to other states under IRP.
(7) Various registration fee increases effective October 1, 2007.

The growth of vehicle registrations in the previous table is illustrated in the following graph:



Projected Registration Fee Revenue[1]
(vehicles in thousands and dollars in millions)

Fiscal Year	Vehicles	Percent Change	Revenue	Percent Change
2016	850.1	1.0%[2]	$ 53.3	4.1%[2][3]
2017	858.6	1.0	55.2	3.6[3]
2018	867.2	1.0	56.9	3.1
2019	875.9	1.0	58.6	3.0
2020	884.6	1.0	60.4	3.0
2021	893.5	1.0	62.2	3.0
2022	902.4	1.0	64.0	3.0

(1) Projections provided by DEFAC from its December 21, 2015 meeting. All amounts are net of refunds for IRP.
(2) Percent change from fiscal 2015 actual.
(3) Reflects various increases for motor vehicle registration fees. Fiscal 2016 reflects 9 months at increased fees, and fiscal 2017 reflects first full year at increased fees.

Miscellaneous Transportation Revenue

Pledged Miscellaneous Transportation Revenue

Motor carrier registration fees, operator license fees, titling fees, Division of Motor Vehicles record sales, vanity tag fees and other miscellaneous transportation related revenue which have been assigned by the State to the TTF and which have been pledged by the Authority to secure the bonds are herein referred to as "Pledged Miscellaneous Transportation Revenue".

Motor carrier registration fee revenue is collected with respect to trucks registered in Delaware and totaled $2.7 million (net of refunds) in fiscal 2015. Motor carrier registration fees are comprised of the motor fuel road use tax, hauling permits, temporary operating permits, and penalty and interest. The road use tax is calculated based upon the miles traveled in Delaware, the average miles per gallon, the actual fuel purchased in Delaware and the rate of the motor fuel tax. To the extent that fuel purchases are less than fuel used, the truckers are taxed at the current motor fuel tax rate for the difference. If fuel purchases in the State exceed the amount of fuel used while traveling roads in Delaware, refunds are made to the motor carrier.

The State charges various fees for obtaining a driver's license. Effective July 9, 2007, the fee for a five-year license to operate a passenger vehicle was increased from $12.50 to $25.00. Commercial drivers' licenses remained unchanged at $30.00. The revenue from these fees was $5.7 million in fiscal 2015. In fiscal 2013, the available term for driver's licenses was increased to a maximum of 8 years.

Prior to October 1, 2015, the Division of Motor Vehicles sold driver and vehicle records for $15 per document and $20 per certified document. Effective October 1, 2015, driver/vehicle records increased to $25 per document and $30 per certified document. Revenue from these sales was $0.6 million in fiscal 2015. Motor vehicle titling fees charged by the Division of Motor Vehicles have increased four times since fiscal 1992 as depicted in the following table. These fees generated $9.2 million in revenue in fiscal 2015.

Title Fees	Prior to Aug. 1, 1991	Aug. 1, 1991 to Sept. 30, 2007	Oct. 1, 2007 to Sept. 30, 2015	Effective Oct. 1, 2015
Certificate of Title	$ 4.00	$15.00	$25.00	$35.00
Title with a Lien	$ 6.05	$25.00	$35.00	$55.00

State residents may buy "vanity" license plates for their vehicles. The current annual cost for a "vanity" license plate is $40.00 in addition to the $40.00 annual registration fee. There were 12,612 "vanity tags" sold in fiscal 2015, generating revenue of $865,291. In addition to vanity tag revenue, the Department also receives other Division of Motor Vehicle revenue from the issuance of temporary tags and permits, reinstatement fees and nine other miscellaneous categories. Effective August 1, 1991, fees for temporary tags and permits each increased from $4 to $10. Effective October 1, 2015, the following increases went into effect:

	Prior Fee	Increased Fee Effective Oct. 1, 2015
Vehicle Temporary Tag	$ 10.00	$ 20.00
Duplicate Driver's License	$ 10.00	$ 20.00
Duplicate Vehicle Title	$ 25.00	$ 50.00
Late Driver's License Renewal	$ 1.15	$ 10.00
Driver's License Reinstatement	$143.75	$200.00
Retention of Vehicle Tag	$ 10.00	$ 20.00
Duplicate Vehicle Validation Sticker	$ 1.00	$ 5.00

Revenue from other miscellaneous sources of Pledged Miscellaneous Transportation Revenue aggregated $1.8 million in fiscal 2015.

Effective July 9, 2007, the fee for ID cards was also increased from $5.00 to $20.00.

Historical Summary of Pledged Miscellaneous Transportation Revenue

The following table outlines the history of revenue from these sources from fiscal 1985 through fiscal 2015.

History of Pledged Miscellaneous Transportation Revenue

(dollars in millions, percent change calculated from unrounded data)

	Total Miscellaneous Transportation Revenue		Change	
1985	$ 4.4	(1)	--	
1986	5.3	(2)	20.5	%
1987	5.8	(3)	9.4	
1988	7.1	(4)	22.4	
1989	6.3		(11.3)	
1990	7.0		11.1	
1991	7.9	(5)	12.9	
1992	12.3	(6)	55.7	
1993	13.0	(7)	5.7	
1994	12.9		(0.8)	
1995	13.9	(8)	7.8	
1996	14.6		5.0	
1997	15.5		6.2	
1998	15.7		1.3	
1999	15.8		0.6	
2000	16.4		3.5	
2001	17.4		6.2	
2002	18.2		4.4	
2003	17.3		(4.9)	
2004	19.6		13.2	
2005	24.5	(9)	25.5	
2006	24.0		(2.4)	
2007	23.8		(0.7)	
2008	29.3	(10)	23.1	
2009	27.4		(6.5)	
2010	25.7		(6.2)	
2011	27.5		7.0	
2012	28.0		2.0	
2013	27.9		(0.4)	
2014	28.6		2.5	
2015	28.4		(0.7)	

(1) Motor Fuel Tax increased from 9 to 11 cents on August 1, 1981.
(2) Titling Fee increased from $2 to $4 effective September 1, 1985.
(3) Motor Fuel Tax increased from 11 to 13 cents on October 1, 1986.
(4) Motor Fuel Tax increased from 13 to 16 cents on September 1, 1987. Sale of driver and vehicle records increased from $2 to $4 per copy effective July 1, 1987.
(5) Fee increases for Vanity Tags ($25 to $28.75), Temporary Tags ($2 to $4), License Reinstatement Fees ($125 to $143.75) and Temporary Permits ($2 to $2.30) on July 1, 1990.
(6) Motor Fuel Tax increased from 16 to 19 cents effective January 1, 1991. Titling fees increased from $4 to $15 effective August 1, 1991. Increases in miscellaneous motor vehicle fees (Vanity Tags, Temporary Tags and Temporary Permits) became effective August 1, 1991.
(7) Motor Fuel Tax increased from 19 to 22 cents effective September 1, 1993.
(8) Hauling permits transferred from General Fund and rate on gasoline increased from 22 to 23 cents per gallon and special fuels increased from 19 to 22 cents per gallon effective January 1, 1995.
(9) Driving and vehicle records increased from $4 to $15 per record and certified documents increased from $8 to $20 effective July 1, 2004.
(10) Various fee increases effective in fiscal 2008.

Projected Pledged Miscellaneous Transportation Revenue [1]

($ in millions)

Fiscal Year	Revenues	Percent Change
2016	$ 39.6	39.4%[2][3]
2017	43.7	10.4[3]
2018	44.9	2.7
2019	46.2	2.9
2020	47.5	2.8
2021	48.8	2.7
2022	50.2	2.9

(1) Projections provided by DEFAC from its December 21, 2015 meeting.
(2) Percent change from fiscal 2015 actual.
(3) Reflects HB-140 increases that became effective on October 1, 2015.

Non-Pledged Miscellaneous Transportation Revenue

Since 1999, escheat revenues have been appropriated by the General Assembly on a year-by-year basis and transferred to the TTF. Those appropriations have ranged from $0 to $40,000,000. The final operating and capital budgets for fiscal 2015 and fiscal 2016 eliminated the escheat transfer. The Department has decided for planning purposes, it will assume that all future escheat payments will be discontinued. The Authority and the Department emphasize that the appropriation of the escheat monies to the TTF each year is subject to the discretion of the General Assembly and cannot be considered a reliable source of funds. See footnote (1) to the Base Financial Plan – Capital table under "TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS – Current Financial Plan" herein. In fiscal 2016, the General Assembly transferred $5,000,000 to the TTF based on a task force recommendation to gradually revert Department operations to the State's General Fund. Any future transfer from the General Fund for purposes of supporting Department operations will be reviewed annually, and as such, the Department again emphasizes that future appropriations to the TTF are subject to the discretion of the General Assembly and cannot be considered a reliable source of funds.

During its June 1997 legislative session, the General Assembly approved the transfer of three revenue sources from the General Fund to the TTF effective during fiscal 1998. These revenue sources include: (1) the motor vehicle dealer handling fee assessed at $2 for every vehicle sold by auto dealers; (2) the annual license fees for all motor vehicle dealers charged at $100 per year; and (3) the motor vehicle use tax on lessees and lessors based on amount of lease payments. The tax rate for lessees is 1.92% of total amount and the rate for lessors is .288%. With the passage of Senate Bill 336 by the 144th General Assembly in fiscal 2008, the transfer of the lease tax and the transfer of the lessor's license fee to the trust fund were repealed. In fiscal 2007, the 144th General Assembly passed House Bill 264, which became effective on January 1, 2008, adding a 50% surcharge to all Title 21 offenses. This surcharge revenue is transferred to the TTF, and at the time of enactment, it was expected that this revenue source would generate $3.5 million annually in additional trust fund revenue. In fiscal 2015, the TTF received $2.8 million from this revenue source.

The Department's capital program requires the acquisition of real property in advance of actual construction. Once construction is completed, any property acquired for the project, but no longer needed, is sold. As a by-product of this process the Department manages a portfolio of properties awaiting construction or disposal. All such lease revenues are transferred to the TTF. These revenues are not pledged. The Department has provided preliminary forecasts through fiscal 2022 for this revenue stream which are included in the table below.

In connection with the issuance by the Authority of its Transportation System Senior Revenue Bonds, Series 2010B (Federally Taxable – Build America Bonds) (the "2010B Bonds"), the Authority irrevocably elected to receive periodic interest subsidy payments from the United States Treasury on each interest payment date for the 2010B Bonds equal to 35% of the amount of interest payable on the 2010B Bonds on such date (the "BAB Subsidy Payments"). The BAB Subsidy Payments have not been pledged to the holders of the 2016 Bonds, and will be considered Non-Pledged Miscellaneous Transportation Revenue. Such payments are not reflected in the projections for Non-Pledged Miscellaneous Transportation Revenue contained in this Official Statement.

Projections of Miscellaneous Transportation Revenue

Current Dedicated Sources. Projections for "Miscellaneous Transportation Revenue" through fiscal 2022 are shown below.

Projected Miscellaneous Transportation Revenue
(dollars in millions)

Fiscal Year	Pledged Miscellaneous Transportation Revenues (1)	Non-Pledged Miscellaneous Transportation Revenues(2)	Total Miscellaneous Transportation Revenue	Change
2016	$ 39.3	$ 11.1	$ 50.4	1.5%(3)
2017	43.4	11.2	54.6	8.3
2018	44.6	11.3	55.9	2.4
2019	45.9	11.4	57.3	2.5
2020	47.2	11.4	58.6	2.3
2021	48.5	11.5	60.0	2.4
2022	49.9	11.5	61.4	2.3

(1) Provided by DEFAC from its December 21, 2015 meeting. Includes IFTA/Motor Carrier Fees, vanity tags, record sales, titles and other motor vehicle related fees, net of IFTA and DMV refunds.
(2) Not pledged by the Authority to secure the Bonds. Excludes the tolls from Route 1 Toll Road and the Delaware Transit Corporation farebox. Includes escheat revenue, real estate lease and sales proceeds, use tax on motor vehicle leases, motor vehicle handling and license fees, and development plan review fees, and various other transfers to the TTF. The BAB Subsidy Payments expected to be received by the Authority are considered Non-Pledged Miscellaneous Transportation Revenues, but have not been included in this table.
(3) Percent change from fiscal 2015 actual.

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Projected Total Revenue Sources

The following table shows in the aggregate for fiscal years 2016 through 2022 the projections of total Pledged Revenue and Non-Pledged Revenue.

Projected Total Revenue Sources[1]
(dollars in millions)

Fiscal Year	Pledged Revenue[2]	Percent Change	Non-Pledged Revenue[3]	Percent Change	Total	Percent Change
2016	$ 446.3	8.1%[4]	$ 68.6	1.4%[4]	$ 514.9	7.7%[4]
2017	459.7	3.0	69.4	1.2	529.1	2.8
2018	466.8	1.5	70.2	1.2	537.0	1.5
2019	473.0	1.3	71.0	1.1	544.0	1.3
2020	480.0	1.5	71.7	1.0	551.7	1.4
2021	486.7	1.4	72.5	1.1	559.2	1.4
2022	493.7	1.4	73.2	1.0	566.9	1.4

(1) Delaware Turnpike toll and concession revenue, investment earnings, Route 1 Toll Revenue, motor fuel revenue, motor vehicle document fee revenue, motor vehicle registration fee revenue, Pledged Miscellaneous Transportation Revenue and Non-Pledged Miscellaneous Transportation Revenue projected by DEFAC from its December 21, 2015 meeting.

(2) Includes Delaware Turnpike Revenues, motor fuel tax revenues, motor vehicle document fee revenue, motor vehicle registration fee revenue, Pledged Miscellaneous Transportation Revenue and investment earnings.

(3) Route 1 Toll Revenue, escheat revenues and other Non-Pledged Miscellaneous Transportation Revenues. See discussion of escheat revenue under "SECURITY FOR THE BONDS – Non-Pledged Revenue" herein. Does not include Delaware Transit Corporation farebox transit revenue. The BAB Subsidy Payments expected to be received by the Authority are considered Non-Pledged Miscellaneous Transportation Revenues, but have not been included in this table. Also, Port of Wilmington loan repayments are not included.

(4) Percent change from fiscal 2015 actual.

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DEBT SERVICE REQUIREMENTS

The following table summarizes debt service requirements for the Authority's outstanding Senior Bonds, as well as the 2016 Bonds in each fiscal year ending June 30 (assuming July 1 payments are made on the previous June 30). No Junior Bonds are outstanding. The table below does not take into account outstanding Subordinate Indebtedness under the Agreement.

Fiscal Year	Prior Outstanding Senior Bonds Debt Service[1][2]	2016 Senior Bonds Principal	2016 Senior Bonds Interest	Total Senior Bonds Debt Service[2][3]
2016	$ 88,172,345	$ -	$ 3,316,637	$ 91,488,982
2017	84,054,495	-	8,013,350	92,067,845
2018	84,672,845	-	8,013,350	92,686,195
2019	78,894,845	2,075,000	8,013,350	88,983,195
2020	62,989,080	12,825,000	7,951,100	83,765,180
2021	57,201,580	13,420,000	7,347,200	77,968,780
2022	51,446,720	14,085,000	6,684,900	72,216,620
2023	44,364,698	14,745,000	6,025,150	65,134,848
2024	28,890,663	22,725,000	5,293,900	56,909,563
2025	20,705,105	23,770,000	4,258,900	48,734,005
2026	8,158,870	24,870,000	3,152,850	36,181,720
2027	8,033,400	17,930,000	1,909,350	27,872,750
2028	7,904,300	18,815,000	1,042,850	27,762,150
2029	7,765,990	16,215,000	478,400	24,459,390
2030	7,628,180	-	-	7,628,180
Total[3]	$640,883,116	$181,475,000	$71,501,287	$893,859,403

(1) This column does not include debt service on the Refunded Bonds.
(2) The interest shown on the above table includes the total amount of interest on the Authority's Build America Bonds issued in 2010, that is, it does not take into account the BAB Subsidy Payments expected to be received.
(3) Totals may not add due to rounding.

RISK FACTORS

The following is a discussion of certain risk factors that should be considered in evaluating an investment in the 2016 Bonds. This discussion does not purport to be either comprehensive or definitive. The order in which risks are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. Moreover, there may well be other risks associated with an investment in the 2016 Bonds in addition to those set forth herein.

Limited Obligations

The 2016 Bonds are limited obligations of the Authority payable solely from and secured by a pledge of the Pledged Revenue. Other than the pledge of the Pledged Revenue, the Authority has not mortgaged, assigned or pledged any interest in any real or personal property or improvements as security for payment of the 2016 Bonds.

Ability to Maintain or Raise Rates

The Authority may need to raise toll rates in the future above the current toll rate schedule to support its debt service requirements. Although the historical revenue trends following the prior toll increases, as shown in the Transportation Consultant's Traffic Report, suggest there is an ability to raise rates further, the effect of any future rate increase is unknown. It is possible that a future increase in rates could result in reduced usage of the Delaware Turnpike, resulting in decreased Pledged Revenue. Additionally, political pressure could result in hesitance by the Authority to raise rates further if needed.

Motor Fuel Prices and Taxes

There is no assurance that motor fuel will remain in adequate supply or that motor fuel prices and federal and State motor fuel taxes will not increase. Increases in motor fuel pump prices could negatively impact the Pledged Revenue of the Authority. Additionally, if motor fuel prices increase, it could have a material adverse effect on the economy of the region and the Pledged Revenue of the Authority.

Dilution of Pledged Revenue

The Agreement permits the Authority, subject to certain conditions, to issue from time to time, additional senior revenue bonds, junior revenue bonds or subordinated indebtedness as described in "SECURITY FOR THE BONDS – Additional Senior Bonds, – Additional Junior Bonds, – Subordinate Indebtedness," and in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT." In addition, under certain conditions, the debt service reserve fund and operating reserve fund requirements under the Agreement may be increased. Such additional senior revenue bonds, junior revenue bonds or subordinated indebtedness and any increases in debt service reserve fund or operating reserve fund requirements may impact the amount of Pledged Revenue that is available to pay debt service on the 2016 Bonds. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT."

Technological and Societal Changes

Neither the Authority nor the Transportation Consultant can predict the technological and societal changes that may affect the use of the Delaware Turnpike during the period that the 2016 Bonds remain Outstanding. Societal changes may include, for example, the increased use of telecommuting. Higher levels of telecommuting could have an adverse impact on usage of the Delaware Turnpike. Technological advancements may include broadening the use of electric vehicles, which, together with more stringent air quality standards, could change the characteristics of vehicles on the road. The development of new types of switchable transponders and other technological advances may significantly change the way toll revenue of the Delaware Turnpike is collected. Other technologies or societal changes could have a similar detrimental effect on the Delaware Turnpike and the generation of Pledged Revenue.

Cyber-Attack Security

Computer hacking, cyber-attacks or other malicious activities could disrupt the Authority's services. Further, security breaches such as leakage, or loss of confidential or proprietary data and failure or disruption of information technology systems could materially and adversely affect the Authority's reputation, which could lead to significant capital outlays and decreased performance that insurance may not cover. To mitigate these risks, the Authority has increased its threat monitoring and security measures. The Authority does not believe it has experienced any cyber security breaches.

Market Liquidity Risks

Two credit rating agencies have been engaged to assign credit ratings to the 2016 Bonds. A rating is not a recommendation to purchase, hold or sell the 2016 Bonds, and does not address the market price or suitability of the 2016 Bonds for a particular investor. A rating on the 2016 Bonds may not remain for any given period of time and may be lowered or withdrawn depending on, among other things, each rating agency's assessment of the credit strength of the Pledged Revenue.

The Authority has been informed by the Underwriters that they intend to make a market in the 2016 Bonds after the completion of this offering; however, the Underwriters are not required to make a market in the 2016 Bonds, and they may cease market-making at any time without notice. The Authority cannot assure potential investors that an active market for the 2016 Bonds will develop. Even if a market for the 2016 Bonds does develop, depending on prevailing interest rates and market conditions generally, the 2016 Bonds could trade at a discount from their initial offering price. Holders of the 2016 Bonds may not be able to sell their 2016 Bonds in the future or such sale may not be at a price equal to or greater than the initial offering price of the 2016 Bonds. As a result, holders of the 2016 Bonds may not be able to liquidate their investment quickly or to liquidate it at an attractive price or at all.

Forward-Looking Statements

This Official Statement and Appendices hereto contain "forward-looking statements," which generally can be identified with words or phrases such as "anticipates," believes," "could," "estimates," "expects," "foresees," "may," "plan," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement and Appendices hereto that any person expects or anticipates will, should or may occur in the future, including but not limited to, the projections in the Transportation Consultant's Traffic Report, are forward-looking statements. These statements are based on assumptions and analysis made by the Authority and the Transportation Consultant, as applicable, in light of their experience and perception of historical trends, current conditions and expected future developments as well as other factors they believe are appropriate in the circumstances. However, whether actual results and developments will conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under this "RISK FACTORS" caption of this Official Statement as well as additional factors beyond the Authority's control. The important risk factors and assumptions described under this caption and elsewhere in this Official Statement could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement and any Appendices hereto are qualified by these cautionary statements. There can be no assurance that the actual results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Authority's revenues or operations. All forward-looking statements attributable to the Authority or persons acting on their behalf are expressly qualified in their entirety by the factors and assumptions described above and in any documents containing those forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority and the other aforementioned entities on the date hereof, and neither the Authority nor any of such other aforementioned entities assumes any obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates that are inherently subject to numerous risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward- looking statements included in this Official Statement will prove to be accurate.

TRANSPORTATION CAPITAL PROJECTS AND FINANCING PLANS

Capital Transportation Program

The Capital Transportation Program is a six-year planning document which is updated annually by the Department, coordinated with the two Metropolitan Planning Organizations ("MPOs"), approved by the Council on Transportation and the first year of which is authorized by the General Assembly.

The Capital Transportation Program is presented as a plan to the Council on Transportation (the "Council" or "COT"), a nine-member citizen committee created by State law to serve as an advisor with respect to transportation matters to the Governor, the Secretary and the Authority. The Council has final approval of and adopts the Capital Transportation Program after holding public hearings. The Council may make priority changes to the proposed Capital Transportation Program in an open meeting by documenting the reasons and justifications for the changes. If the Council fails to adopt a Capital Transportation Program after a reasonable period of time, the Secretary may, with the approval of the Governor and with forty days prior written notice to the Chairperson of the Council, give final approval to the Capital Transportation Program. The first year is the basis for the Department's portion of the State's annual capital budget, which must be enacted into law before being implemented.

In preparing its capital spending plans through fiscal 2022, the Department has formulated its Capital Transportation Program by purpose and function for all modes of transportation. Listed below are the names and descriptions of each category which include transportation investments for all modes:

Road System:	Improvements to roads, bridges, and adjacent assets;
Grants and Allocations:	Municipal Street Aid and Community Transportation Funds;
Transit System:	Investments in transit services including buses, rail, facilities, and other assets supporting transit users;
Support System:	All other investments in the transportation network including facilities, equipment, information systems, etc.

As described above, the Department prepares estimates of capital needs for the current year and also for the ensuing years in the Capital Transportation Program. The Department, however, cannot undertake or commit to projects in the proposed six-year program without specific authorization by the State.

Implementation of New Project Prioritization Process

In fiscal 2014, the Department began using Decision Lens Software ("Decision Lens") to aid in the project prioritization process. Decision Lens allows the Department to use a more transparent, structured, and data driven decision process to achieve the organization's goals and mission. In using the software, the Department can define and prioritize the criteria used to rank projects using specific weighted goals. The result is a qualitative and quantitative rating system that measures projects against established priorities.

The current priorities evaluated include: system operating effectiveness, safety, environmental impact/stewardship, revenue generation/economic development/jobs & commerce, multi-modal mobility, and the impact on the public and system preservation. Department leadership can easily evaluate alternatives, make decisions, justify those decisions and change course quickly when needed.

This process improves communication between the officials, government, and citizens while increasing decision efficiency, buy-in, and transparency. The software also provides the ability to quickly model various "what-if" scenarios to quickly react to what the future may bring, resulting in a process that is proactive and defensible.

MAP-21

On July 6, 2012, President Obama signed into law P.L. 112-141, the Moving Ahead for Progress in the 21st Century Act (MAP-21). MAP-21 provides needed funds and represents a milestone for the U.S. economy:

- The first multi-year transportation authorization enacted since 2005 - The bill provides states two years of steady funding to build the roads, bridges and transit systems.
- Funds surface transportation programs at over $105 billion for fiscal years 2013 and 2014
- Transforms the framework for investments to guide the growth and development of the country's vital transportation infrastructure.

FAST-Act

The Fixing America's Surface Transportation (FAST) Act, signed into law by President Barack Obama in December 2015, authorizes approximately $305 billion in federal highway and transit spending over the next five years for transportation projects. The FAST Act provides much needed certainty for states, transit agencies and other local agencies to move forward with critical transportation infrastructure projects. This is the longest duration of a surface transportation bill in over a decade and will provide increased stability to DelDOT's federal capital program. The anticipated impact to the State is a 5.1% increase in formula funding in fiscal 2016, on average, a $15 million per year increase, with a total five-year impact of $75 million.

Capital Program – Long Range Financial Planning

In fiscal 2012, DelDOT introduced its new initiative "TEAM DelDOT" with the intent of revitalizing the organization through the creation of a **T**ransparent, **E**fficient, **A**ccountable and **M**easured DelDOT. The goals of the initiative are as follows:

- *Transparent* – posting property acquisitions on the DelDOT website for public view;
- *Efficient* – providing quick and precise responses to earthquake and hurricane threats, and ensuring that projects are delivered on time and on budget;
- *Accountable* – providing DelDOT's performance metrics with the public via the new "dashboard" on the DelDOT website; and
- *Measured* – aiming to provide improved customer service which can be measured with established performance metrics.

During this same time, DelDOT proposed a different way of conducting business. Rather than program all of the projects DelDOT can afford, the new Capital Transportation Program will be based on what DelDOT can responsively and realistically deliver. The Capital Transportation Program will focus on maintaining the core transportation infrastructure, and maximizing Federal Funds, before considering advancing the Capital Transportation Program. DelDOT's commitment to reducing its $1.2 billion debt load and tightening spending priorities has decreased outstanding debt to $861.4 million at the end of fiscal 2015.

During fiscal 2015, Secretary Cohan continued the debt-reduction strategy and was instrumental in gaining legislative approval of a new revenue package for the Transportation Trust Fund in fiscal 2016. The revenue package focused on increased Department of Motor Vehicle fees and is forecasted to generate $25 million annually for the TTF. The new fees were implemented on October 1, 2015 and are forecasted to generate $19.1 million in additional Pledged Revenue during the remainder of fiscal 2016. As a result of receiving new pledged revenue, DelDOT has been authorized to borrow up to $25 million annually for the next six-years ($150 million in the aggregate) for its capital program. Other than the issuance of the 2016

Bonds, the Sr. 301 Bonds (defined herein) and the TIFIA 301 Bond (defined herein), there is no planned borrowing in fiscal 2016, but DelDOT tentatively intends to borrow $75 million in fiscal 2017 and again in fiscal 2019.

Federal Funds

Level of Funding

The State has benefited from authorizations granted under federal laws. Through fiscal 2016, the State has continued to receive approximately $180 million annually in FHWA and Federal Transportation Administration ("FTA") apportionments under the legislation. Additionally, the State will benefit from a 5.1% increase in formula funding in fiscal 2016 under the FAST Act, resulting in an anticipated increase, on average, to the State of $15 million per year with a total five-year anticipated impact of $75 million.

The total federal funding anticipated under the fiscal 2016-2022 plan will be approximately $1.877 billion.

Application of Innovative Financing Techniques

As part of its capital programming process, the Department is currently reviewing the timing of federal apportionments to determine the potential expanded use of certain innovative financing techniques available with federal funding. The Department is currently making use of "advanced construction" in the programming of federal funds in an effort to accelerate some projects.

The Department has also performed a toll credit analysis and received FHWA approval of $197.8 million in state toll credits. The State's credits can be applied toward the non-Federal share of projects authorized under Title 23. The credits may also be used for transit projects authorized by Chapter 53 of Title 49. The Department has identified eligible projects and has received Federal approval of the projects and has started to utilize the credits.

To help finance the new U.S. 301 Project, DelDOT applied for and received a Transportation Infrastructure Finance and Innovation Act Program (TIFIA) loan from the Federal Department of Transportation in an amount not to exceed $211,350,000. The loan closed on December 3, 2015 at an interest rate of 2.94%.

U.S. 301 Project

The new U.S. 301 Mainline will be a four-lane tolled expressway from the Maryland state-line to Delaware SR1, south of the C&D Canal. This 14-mile roadway will complete the "missing link" of limited access high speed roadway, designed to intercept existing traffic flows on US 301. It is expected that this road will provide a low cost, competitive route to I-95 through the Baltimore region and reduce traffic and congestion on local roadways in Middletown, Delaware. This limited access high-speed option will facilitate long-distance travel passing through Middletown, Delaware, retain long-haul truck traffic on the toll road, and provide enhanced access with direct connections to the C&D Canal Bridges.

In December 2015, the Department and the Authority secured the final funding for the U.S. 301 Project with the following bond issues, both of which are Subordinate Indebtedness under the Agreement:

\$212,535,000 U.S. 301 Project Revenue Bonds, Series of 2015 (the "Sr. 301 Bonds")	**Use of Sr. 301 Bond Proceeds**
• 40 year maturity; • senior lien on revenues generated from new U.S. 301 toll road; • enhanced by a subordinate lien on the Pledged Revenue under the Agreement	(i) finance only that portion of the U.S. 301 Project that consists of the construction and equipping of the new U.S. 301 Mainline; (ii) pay capitalized interest on the Sr. 301 Bonds during construction; (iii) make a deposit to the debt service reserve fund; and (iv) pay the costs associated with financing the Sr. 301 Bonds
Up to \$211,350,000 Subordinated U.S. 301 Project Revenue Bonds, TIFIA Series of 2015 (the "TIFIA 301 Bond")	**Use of TIFIA 301 Bond Proceeds**
• matures the earlier of 35 years from substantial completion date or December 31, 2053; • subordinate lien on revenues generated from new U.S. 301 toll road; • enhanced by a subordinate lien on the Pledged Revenue under the Agreement	(i) finance eligible costs of the U.S. 301 Project

At 85-100% of the traffic and revenue forecast for U.S. 301, there is no negative impact on the TTF and on U.S. 301 generating sufficient revenues to pay debt service on the Sr. 301 Bonds and the TIFIA 301 Bond. This plan has sufficient revenues to cover all debt-service payments, the operating and maintenance expenses of the road and also fund a capital expense reserve account. At various levels throughout the 40 year term excess revenues are forecasted to be available to the TTF. There can be no assurance, however, that at lower traffic levels there would not be a financial impact on the TTF.

Grant Anticipation Revenue Vehicle (GARVEE) Bond Issue

In June 2010, the Authority utilized the GARVEE Bond Program, under which the cost of the debt service is paid from federal funds. The GARVEE bonds sold by the Authority are backed by the annual federal appropriations for federal-aid transportation projects and carry a 15-year term. The Authority was able to issue these bonds without the additional backing or pledge of any TTF revenues.

The Authority sold a total of \$113,490,000 (par value) in bonds, and received an additional \$12,455,753.90 in premiums resulting in total proceeds of just under \$126 million. The net proceeds from the bond sale are being used for the completion of the design and the real estate acquisition for the U.S. 301 Project. As of March 15, 2012, the underlying bond documents pertaining to the GARVEE bonds were amended to allow proceeds of the GARVEE bonds to also be used for payment of the costs associated with the construction and equipping of the U.S. 301 Project.

Through the use of additional innovative credit enhancements, the Department successfully structured the GARVEE bonds to protect the bondholders, preserve the integrity and high credit rating of the TTF and achieve a rating of "AA" and "Aa2" by Standard & Poor's and Moody's Investor Services, respectively. In November 2012 and again in June 2014, Moody's downgraded the GARVEE bonds to "Aa3" and "A1", respectively.

Diamond State Port Corporation

The Capital Transportation Program for fiscal 2002 contained a \$27,500,000 loan which the TTF made to the Diamond State Port Corporation (the "Port Corporation") to enable the Port Corporation to prepay or refinance certain obligations which it owed to the City of Wilmington related to the Port Corporation's acquisition of the Port of Wilmington from the City. The Port Corporation was obligated to repay the loan to the TTF over a 20-year term, which commenced in January, 2003. The Port Corporation has not performed its obligations with respect to the loan, and therefore the loan has subsequently been restructured three times.

Due to the multiple restructurings and the uncertainty of future payments, the Authority recorded a loss of $20,297,835 for the year ended June 30, 2010 on the impairment of the loan receivable. This however, will not impede the Authority's ability to receive future loan repayments.

Since the last restructuring, the Port Corporation has made all scheduled payments in a timely manner. The first payment for fiscal 2016 is scheduled to be received on March 31, 2016.

Establishment of a Line of Credit

In November 2013, the Authority issued its General Obligation Note, Series 2013 (Revolving Line of Credit) (the "2013 Note") to PNC Bank, National Association (the "Bank") in a maximum principal amount of $50,000,000. Under the terms of the 2013 Note, the Authority can request advances during the revolving period, which expires on November 8, 2016 (the "Revolving Period"). The line of credit is available to meet short-term cash flow needs when revenue receipts are not sufficient to cover current capital expenditures; it cannot be used for any debt-service or operating expenses.

Amounts advanced under the 2013 Note that are repaid may be advanced again during the Revolving Period, but the aggregate principal outstanding at any one time may not exceed $50,000,000. Principal on all amounts advanced is due on November 8, 2016 unless the Authority elects to convert the outstanding aggregate amount of advances made during the Revolving Period to a fixed-rate, term loan for an additional term of up to 5 years. The 2013 Note bears interest on the amount which has been advanced from time to time at an annual rate equal to: [65% x (Daily LIBOR Rate + 0.85%)] + 0.015%. An annual unused fee equal to 0.125% on any undrawn portion of the note is charged by the bank to the Authority quarterly in arrears during the revolver term. Amounts due under the 2013 Note are unsecured general obligations of the Authority. The Authority may pre-pay any outstanding balance due under the 2013 Note at any time without penalty. To date, the Authority has not requested any advance under the 2013 Note.

Current Financial Plan

The revenue sources described earlier are combined with the proceeds of the Transportation System Revenue Bonds and support from the federal government to fund the Department's total transportation budget - both operating and capital. The Department updates its six-year financial plan concurrent with the preparation of the annual operating and capital budgets.

The current financial plan assumes that the existing sources of revenues will meet projections without any further increases in the rates. In the event revenues or other sources fall short of projections, the Department will either request additional revenues from the General Assembly, reduce the transportation program or a combination of both.

The table on the following page shows the anticipated financing plan assuming that the full implementation of the proposed Capital Transportation Program is approved by the State.

Base Financial Plan - Capital
Fiscal 2016 – December DEFAC
Spend Plan – FINAL
($ in 000s)

Sources of Funds	2016	2017	2018	2019	2020	2021	2022
Existing Pledged Revenue							
I-95 Tolls & Concessions	125,600	126,400	127,200	128,000	128,900	129,700	130,600
Motor Fuel Tax Admin.	121,300	121,300	121,300	120,300	119,300	118,300	117,400
DMV Fees	196,500	209,000	215,300	221,700	228,300	235,200	242,200
Interest Income	2,900	3,000	3,000	3,000	3,500	3,500	3,500
Total Pledged Revenue	**$ 446,300**	**$ 459,700**	**$ 466,800**	**$ 473,000**	**$ 480,000**	**$ 486,700**	**$ 493,700**
Non-Pledged Revenues							
SR 1 Tolls	57,500	58,200	58,900	59,600	60,300	61,000	61,700
DE Transit (Farebox, FTA, & Other)	24,065	24,529	25,003	25,485	25,978	26,498	27,028
Port of Wilmington - Refinancing	1,628	1,628	1,628	1,628	1,618	1,618	1,618
Build America Bond Subsidy Payment	1,199	1,199	1,199	1,199	1,263	1,190	1,110
Other Transportation Revenue	11,100	11,200	11,300	11,400	11,400	11,500	11,500
Total Non-Pledged Revenue	**$ 95,492**	**$ 96,756**	**$ 98,030**	**$ 99,312**	**$ 100,559**	**$ 101,806**	**$ 102,956**
Total Sources of Funds	**$ 541,792**	**$ 556,456**	**$ 564,830**	**$ 572,312**	**$ 580,559**	**$ 588,506**	**$ 596,656**
Uses of Funds							
Debt Service							
Senior Bonds	101,361	95,918	91,786	92,299	88,881	84,277	78,512
New Debt Service	-	-	6,437	6,437	12,874	12,874	12,874
Total Debt Service	**$ 101,361**	**$ 95,918**	**$ 98,223**	**$ 98,736**	**$ 101,755**	**$ 97,151**	**$ 91,386**
Operations							
Turnpike Operations	11,057	11,389	11,730	12,082	12,445	12,818	13,203
Department Operations	140,313	144,522	148,858	153,324	157,923	162,661	167,541
Delaware Transit Corp. Operations (Adj.)	109,486	114,960	120,708	126,744	133,081	139,735	146,722
Total Operations	**$ 260,856**	**$ 270,871**	**$ 281,296**	**$ 292,150**	**$ 303,449**	**$ 315,214**	**$ 327,466**
Total Uses of Funds Before Capital	**$ 362,217**	**$ 366,789**	**$ 379,519**	**$ 390,886**	**$ 405,204**	**$ 412,365**	**$ 418,852**
State Resources Available for Capital(1)	**$ 179,575**	**$ 189,667**	**$ 185,311**	**$ 181,426**	**$ 175,355**	**$ 176,141**	**$ 177,804**
Beginning Capital Cash Balance	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Carry-over Encumbrance Balance	11,470	-	-	-	-	-	-
Federal Funds	263,700	309,800	273,200	211,500	247,300	295,800	275,522
Bond Proceeds	-	75,000	-	75,000	-	-	-
Total Funds Available for Capital Expenditures	**$ 474,745**	**$ 594,467**	**$ 478,511**	**$ 487,926**	**$ 442,655**	**$ 491,941**	**$ 473,326**
Less:							
State Capital Expenditures	179,575	264,667	185,311	256,426	175,355	176,141	177,804
Carry-over Encumbrance Spend	11,470	-	-	-	-	-	-
Federal Capital Expenditures	252,714	298,806	262,211	200,517	236,312	284,826	264,529
GARVEE Debt-Service (Federal)	10,986	10,994	10,989	10,983	10,988	10,974	10,993
Total Capital Spending	**$ 454,745**	**$ 574,467**	**$ 458,511**	**$ 467,926**	**$ 422,655**	**$ 471,941**	**$ 453,326**
Sub-Total	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Carry Over Cash	-	-	-	-	-	-	-
Ending Capital Cash	**$20,000**	**$20,000**	**$20,000**	**$20,000**	**$20,000**	**$20,000**	**$20,000**
GARVEE Bond Proceeds	31,438	6,938	-	-	-	-	-
GARVEE Capital Expenditures	24,500	6,938	-	-	-	-	-
GARVEE Ending Capital Cash	**$ 6,938**	-	-	-	-	-	-
Pay Go Revenue	179,575	189,667	185,311	181,426	175,355	176,141	177,804
State Capital	191,045	264,667	185,311	256,426	175,355	176,141	177,804
Pay Go Percentage	94.0%	71.7%	100.0%	70.8%	100.0%	100.0%	100.0%
Additional Senior Bond Test	4.37	4.76	4.72	4.76	4.68	4.97	5.36

(1) Assumes that no funds have been used for the Sr. 301 Bonds or the TIFIA 301 Bond.

Source: Revenue forecasts for all Fiscal Years derived from DEFAC forecasts from its December 21, 2015 meeting. Fiscal 2016 expenditure forecast derived from DEFAC forecast from its December 21, 2015 meeting; expenditure forecasts for fiscal years 2017-2022 prepared internally by the Department based on an assumed growth rate of 3% for the Department and 5% for the Delaware Transit Corporation.

BOOK-ENTRY ONLY SYSTEM

Portions of the following information concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system have been obtained from DTC. The Authority, the Financial Advisor, and the Underwriters make no representation as to the accuracy of such information.

Initially, DTC will act as Securities Depository for the 2016 Bonds. The 2016 Bonds initially will be issued solely in book-entry form to be held under DTC's book-entry only system, registered in the name of Cede & Co. (DTC's Partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2016 Bond certificate will be issued for each maturity and interest rate of the 2016 Bonds, in the aggregate principal amount of the 2016 Bonds of such maturity and interest rate, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. So long as the 2016 Bonds are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the 2016 Bonds.

Purchases of the 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

As long as the book-entry system is used for the 2016 Bonds, redemption notices will be sent to Cede & Co. If less than all of the 2016 Bonds within a maturity and interest rate are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

As long as the book-entry system is used for the 2016 Bonds, principal or redemption price of, and interest payments on, the 2016 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. Beneficial Owners of the 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the financing documents. For example, Beneficial Owners of the 2016 Bonds may wish to ascertain that the nominee holding the 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2016 Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2016 Bonds are credited on the record date (identified in listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2016 Bonds at any time by giving reasonable notice to the Authority and the Trustee. In addition, the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository).

Under either of such circumstances, in the event that a successor Securities Depository is not obtained, bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the Authority takes no responsibility for the accuracy thereof.

THE AUTHORITY AND TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 2016 BONDS: (I) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2016 BONDS, OR (II) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE 2016 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

THE AUTHORITY AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY SECURITIES DEPOSITORY, ANY PARTICIPANTS IN THE BOOK-ENTRY SYSTEM, OR THE BENEFICIAL OWNERS WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE SECURITIES DEPOSITORY OR ANY PARTICIPANT; (II) THE PAYMENT BY THE SECURITIES DEPOSITORY OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY PARTICIPANT OR BENEFICIAL OWNER, RESPECTIVELY, IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, ANY 2016 BONDS; (III) THE DELIVERY OF ANY NOTICE BY THE SECURITIES DEPOSITORY OR ANY PARTICIPANT; (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2016 BONDS; OR (V) ANY OTHER ACTION TAKEN BY THE SECURITIES DEPOSITORY OR ANY PARTICIPANT.

LITIGATION

There is no litigation pending or, to the knowledge of the Authority, threatened in any court or administrative body, questioning the enforceability of the Act, the statutes imposing the motor fuel taxes, the motor vehicle document fees, the motor vehicle registration fees, the Miscellaneous Transportation Revenue or the transfer of that revenue to the Authority, the existence of the Authority, the validity of the 2016 Bonds, or any proceedings of the Authority taken with respect to the issuance or sale thereof, or seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2016 Bonds or questioning the power of the Authority to collect, pledge and assign revenue of the Delaware Turnpike, or to pay the 2016 Bonds as provided in the Agreement.

The Authority monitors any possible judicial proceedings that may arise and affect the TTF revenue sources as well as continues to review the impact, if any, such judicial decisions could have on the TTF revenue sources. If necessary, the Authority plans to take whatever action may be required with respect to any required revisions to the TTF revenue and expenditure plan, with the end result that there will be a revenue neutral impact on the TTF. In the event that any such changes require approval by the State, the Authority expects that the State will enact any such changes requested by the Authority.

INDEPENDENT AUDITORS AND TRANSPORTATION CONSULTANT

The financial statements of the Authority for fiscal year ending June 30, 2015 included as APPENDIX A to this Official Statement have been examined by Santora CPA Group, independent auditors, whose report thereon appears therein. Santora CPA Group, the Authority's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Santora CPA Group has not performed any procedures relating to this Official Statement. The Authority represents that, except as described herein, there has been no material adverse change in its financial position since June 30, 2015.

The Transportation Consultant's Traffic Report, prepared by Stantec Consulting Services, Inc., is included as APPENDIX E to this Official Statement. The Transportation Consultant's Traffic Report is based on historical data provided by the Authority and the Department of Public Safety and their own forecasts of population, and certain other factors. This Traffic Report has been included in this Official Statement in reliance on the Transportation Consultant's knowledge and experience in examining and projecting such matters. Unanticipated events and circumstances may occur which would affect the forecasts contained therein. Therefore, the actual results achieved during the forecast period may vary materially from those forecasted.

FINANCIAL ADVISOR

Public Financial Management, Inc. has served as financial advisor (the "Financial Advisor") to the Authority in connection with the sale of the 2016 Bonds. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Compensation paid to the Financial Advisor is contingent upon the successful issuance of the 2016 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

PFM Asset Management LLC, will verify from the information provided to them the mathematical accuracy as of the date of the closing on the 2016 Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in such schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements of the Refunded Bonds, and (2) the computations of yield on both the securities and the 2016 Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the 2016 Bonds is exempt from tax. PFM Asset Management LLC will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the 2016 Bonds.

TRUSTEE

The Trustee for the holders of the 2016 Bonds, as well as the Authority's outstanding Senior Bonds, is Wilmington Trust Company. Wilmington Trust Company, as escrow agent, holds funds for the payment of certain defeased indebtedness of the Authority.

RATINGS

The 2016 Bonds have been given a rating of "AA+" (stable outlook) by Standard and Poor's Corporation and "Aa2" (stable outlook) by Moody's Investors Service, Inc. Reference is made to the manuals of both rating agencies for a complete description of its rating procedures and other rating categories.

A bond rating is not a recommendation to buy, sell or hold bonds. The rating represents a judgment as to the likelihood of timely payment of the 2016 Bonds according to their terms but does not address the likelihood of redemption or other payments of the 2016 Bonds prior to maturity. There is no assurance that any of the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any of the ratings may have an adverse effect on the market price or marketability of the 2016 Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same.

LEGALITY FOR INVESTMENT

The Act provides that the 2016 Bonds are securities in which all officers of political subdivisions, administrative departments, boards and commissions of the State, all banks, bankers, savings banks and institutions, building and loan associations, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business; all insurance companies, insurance associations and other persons carrying on an insurance business; all administrators, executors, guardians, trustees and other fiduciaries; and all other persons whatsoever who now are or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest any funds, including capital, belonging to them or within their control.

The Act also provides that the 2016 Bonds may be properly and legally deposited with and received by any officer of the State, or of any political subdivision or agency of the State, for any purpose for which the deposit of bonds or other obligations of the State is now, or may hereafter be, authorized by law.

UNDERWRITING

The 2016 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith, Incorporated, as representative of a group of underwriters (the "Underwriters"). The Underwriters have agreed to purchase said 2016 Bonds at a purchase price of $216,277,204.20 (which is equal to the aggregate principal amount of $181,475,000.00 plus net original issue premium of $35,162,043.65 less underwriters' discount of $359,839.45). The Underwriters' obligation to make such purchase is subject to certain terms and conditions set forth in the related purchase contract, the approval of certain legal matters by Bond Counsel and certain other conditions.

The Underwriters reserve the right to change the initial prices of the 2016 Bonds in connection with the marketing of the 2016 Bonds and may offer and sell the 2016 Bonds to certain dealers (including dealers depositing the 2016 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Authority, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Citigroup Global Markets Inc., an Underwriter of the 2016 Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate

TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2016 Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2016 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase 2016 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2016 Bonds that such firm sells.

M&T Securities, Inc., one of the Underwriters of the 2016 Bonds, is an affiliate of Wilmington Trust, National Association, the Trustee for the 2016 Bonds.

CONTINUING DISCLOSURE UNDERTAKING

Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, (the "Rule") prohibits an underwriter from purchasing or selling municipal securities, such as the 2016 Bonds, unless it has determined that the issuer of such securities and/or other persons deemed to be material "obligated persons" (each, a "MOP") have committed to provide (i) on an annual basis, certain financial information, including financial information and operating data ("Annual Reports"), to each Nationally Recognized Municipal Securities Information Repository (a "NRMSIR") and the relevant state information repository (if any) and (ii) notice of various events described in the Rule, if material ("Event Notices"), to each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB") and to any such state information repository.

The Authority will agree with the purchasers of the 2016 Bonds, by executing a supplement to the Continuing Disclosure Agreement executed in connection with the issuance of its 1997 Series Bonds prior to the issuance of the 2016 Bonds, to provide Annual Reports with respect to itself to each NRMSIR and to any Delaware information repository that is formed. The Authority has determined that there currently is no other MOP for purposes of the Rule. The Authority will provide Event Notices to the MSRB and to any Delaware information repository.

On December 5, 2008, the Securities and Exchange Commission amended the Rule by replacing the four NRMSIRs with the Electronic Municipal Market Access System ("EMMA") created by the MSRB beginning July 1, 2009. Pursuant to the supplement to the Continuing Disclosure Agreement, the Authority shall file, or cause to be filed, with EMMA any filing required or permitted under the Continuing Disclosure Agreement

Effective December 1, 2010, the Securities and Exchange Commission amended the Rule to, among other things, make certain changes to the type of events that give rise to Event Notices. The Supplement to Continuing Disclosure Agreement (the "2010 Supplement"), which was executed prior to the issuance of the Authority's Transportation System Senior Revenue Bonds, Series 2010, amends the Authority's Continuing Disclosure Agreement so that it is compliant with the amended Rule. A form of the Continuing Disclosure Agreement, together with the 2010 Supplement thereto, appears as APPENDIX C to this Official Statement.

The Authority previously failed to timely file an event notice in connection with a rating change on June 16, 2014 in connection with the Authority's GARVEE bonds. The Authority subsequently filed the notice on EMMA on August 14, 2014.

Other than as set forth in the preceding paragraph, the Authority has complied in all material respects with all of its obligations under continuing disclosure agreements to which it is a party in each of the past five years.

TAX MATTERS

Tax Exemption-Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2016 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2016 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Authority subsequent to the issuance and delivery of the 2016 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The Authority has made covenants to comply with such requirements.

In the opinion of Bond Counsel, interest on the 2016 Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the Authority comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2016 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the 2016 Bonds to be so includable in gross income retroactive to the date of issuance of the 2016 Bonds. The Authority has covenanted to comply with all such requirements. Interest on the 2016 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the 2016 Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the corporate alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences relating to the 2016 Bonds or the receipt of interest thereon. See discussion of "Alternative Minimum Tax", "Branch Profits Tax", "S Corporations with Passive Investment Income", "Social Security and Railroad Retirement Benefits", "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations", "Property or Casualty Insurance Company" and "Accounting Treatment of Original Issue Discount and Amortizable Bond Premium" below.

In the opinion of Bond Counsel, under existing law, the 2016 Bonds, the interest on the 2016 Bonds and their transfer shall be exempt from taxation by The State of Delaware and its political subdivisions, except for estate, inheritance or gift taxes imposed by The State of Delaware.

Alternative Minimum Tax

The Code includes, for purposes of the corporate alternative minimum tax, a preference item consisting of, generally, seventy-five percent of the excess of a corporation's "adjusted current earnings" over its "alternative minimum taxable income" (computed without regard to this particular preference item and the alternative tax net operating loss deduction). Thus, to the extent that tax-exempt interest (including interest on the 2016 Bonds) is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to an alternative minimum tax.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States will be subject to a "branch profits tax" equal to thirty percent (30%) of the corporation's "dividend equivalent amount" for the taxable year. The term "dividend equivalent amount" includes interest on tax-exempt obligations.

S Corporations with Passive Investment Income

Section 1375 of the Code imposes a tax on the income of certain small business corporations for which an S Corporation election is in effect, and that have "passive investment income". For purposes of Section 1375 of the Code, the term "passive investment income" includes interest on the 2016 Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are "passive investment income". Thus, interest on the 2016 Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the "benefits") may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the 2016 Bonds) is included in the calculation of "modified adjusted gross income" in determining whether a portion of the benefits received are to be includable in gross income of individuals.

Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

The Code, subject to limited exceptions not applicable to the 2016 Bonds, denies the interest deduction for indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the 2016 Bonds. With respect to banks, thrift institutions and other financial institutions, the denial to such institutions is one hundred percent (100%) for interest paid on funds allocable to the 2016 Bonds and any other tax-exempt obligations acquired after August 7, 1986.

Property or Casualty Insurance Company

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income, of its deduction for losses incurred.

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium

The 2016 Bonds maturing on July 1 in the years 2027 (bearing interest at 2.000%) and 2029 (bearing interest at 2.500%) are herein referred to as the "Discount Bonds". In the opinion of Bond Counsel, under existing law, the difference between the initial public offering price of the Discount Bonds as set forth on the inside cover page and the stated redemption price at maturity of each such Bond constitutes "original issue discount", all or a portion of which will, on the disposition or payment of such Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a "constant interest method", which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. Prospective purchasers of the Discount Bonds should consult their tax advisors regarding the Delaware tax treatment of original issue discount.

The 2016 Bonds maturing on July 1 in the years 2019 through 2026, inclusive, 2027 (bearing interest at 5.000%), 2028, and 2029 (bearing interest at 3.000%) are hereinafter referred to as the "Premium Bonds". An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds.

APPROVAL OF LEGAL PROCEEDINGS

The authorization and issuance of the 2016 Bonds are subject to the issuance of a legal opinion as to validity by Bond Counsel, Saul Ewing LLP, Wilmington, Delaware, whose legal opinion will be available at the time of the delivery of the 2016 Bonds. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Compensation paid to Bond Counsel and Underwriters' Counsel is conditioned upon the successful issuance of the 2016 Bonds. Certain legal matters will be passed upon for the Authority by a Deputy Attorney General of the State of Delaware. Certain legal matters will be passed upon for the Underwriters by Cozen O'Connor, Wilmington, Delaware and Philadelphia, Pennsylvania.

The agreement of the Authority with the holders of the 2016 Bonds is set forth in full in the Agreement, and neither any advertisement of the 2016 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the 2016 Bonds. So far as any statements are made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

[Remainder of this page intentionally left blank.]

The execution and distribution of this Official Statement by the undersigned and its distribution to prospective purchasers has been duly authorized by the Authority.

DELAWARE TRANSPORTATION AUTHORITY

By: Secretary of Department of Transportation

/s/ Jennifer Cohan

Director of Finance

/s/ Hugh E. Curran

Transportation Trust Fund Administrator

/s/ Brian G. Motyl

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APPENDIX A

Delaware Transportation Authority
Transportation Trust Fund
General Purpose Financial Statements
Year Ended June 30, 2015

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STATE OF DELAWARE
DEPARTMENT OF TRANSPORTATION

Financial Statements
June 30, 2015
(With summarized financial information for the year ended June 30, 2014)

(With Independent Auditors' Report Thereon)

Issuance Date: November 25, 2015

State of Delaware
Department of Transportation

Table of Contents

Santora CPA Group
Right, By Your Side

William A. Santora, CPA
John A. D'Agostino, CPA, MST
Heath N. Kahrs, CPA
Robert S. Smith, CPA
Stacey A. Powell, CPA, CFE, CICA

Robert Freed, Principal
Linda A. Pappajohn, Principal

Independent Auditors' Report

State of Delaware Department of Transportation
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements, as listed in the table of contents, of the business-type activities and each major fund of the State of Delaware Department of Transportation (the Department), which is an enterprise fund of the State (the State) as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Department's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Department as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Princple Resulting from the Adoption of New Accounting Pronouncements

As discussed in Note 2(n) to the financial statements, during the Fiscal Year Ended June 30, 2015, the Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Financial Statement Presentation

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, changes in financial position, and cash flows of only that portion of the business-type activities and major funds of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Department's financial statements for the year ended June 30, 2014, from which such partial information was derived. The financial statements for the year ended June 30, 2014 were audited by other auditors whose report, dated December 10, 2014, expressed unmodified opinions on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who consider 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 23, 2015, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Department's internal control over financial reporting and compliance.

Santora CPA Group

November 23, 2015
Newark, Delaware

This section of the State of Delaware Department of Transportation's (the Department) annual financial statements presents our discussion and analysis of the Department's financial performance during the Fiscal Year Ended June 30, 2015.

Background

The mission of the Department is to provide a safe, efficient, and environmentally sensitive transportation network that offers a variety of convenient, cost-effective mobility opportunities for the movement of people and goods. The Department is responsible for the construction and maintenance of the State of Delaware's (the State) roadways, bridges, and public transportation systems, and for the coordination and development of the State's comprehensive, balanced transportation planning and policies.

Financial Highlights

- Outstanding revenue bonds payable continued to decrease as the Department continues to limit long-term borrowing and decrease debt-service costs. Revenue bonds payable decreased to $861.4 million at June 30, 2015 from $939.1 million at June 30, 2014.

- Operating revenues increased by $26.6 million to $510.9 million during the Fiscal Year Ended June 30, 2015, primarily from 1) increased motor vehicle related revenues as a result of continued strong auto sales, 2) increases in SR-1 toll revenues due to implementation of weekend toll increase, and 3) increased motor fuel taxes as a result of lower fuel prices.

- Operating expenses increased by $33.3 million to $601.0 million during the Fiscal Year Ended June 30, 2015, primarily as a result of increases in road maintenance, preservation, and repair expenses due to an increased focus on maintaining the State's transportation infrastructure in a state of good repair.

- Total capital assets (net of depreciation) increased $49.0 million to $4,321.3 million during Fiscal Year 2015, primarily as a result of the following infrastructure and equipment spending: West Dover Connector - $6.7 million; US 301 - $12.8 million; Wilmington Riverfront/Christina River Bridge - $5.3 million; SR-1/I-95 Interchange - $5.8 million; and truck and tractor purchases - $7.5 million.

Overview of the Financial Statements

The Department is an agency of the State and operates as an enterprise fund. Included within the Department is the Delaware Transportation Authority (the Authority), which is a blended component unit of the Department. The Authority is made up of the activities of the Transportation Trust Fund (the Trust Fund) and the Delaware Transit Corporation (DTC).

The financial section of this annual report consists of five parts: (1) management's discussion and analysis, (2) the basic financial statements, (3) notes to the financial statements, (4) required supplementary information, and (5) supplementary information.

The financial statements provide both long- and short-term information about the Department's overall financial status.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information and supplementary information that further explain and support the information in the financial statements.

The Department's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statement of revenues, expenses, and changes in fund net position. All assets and liabilities associated with the operation of the Department are included in the statement of net position.

Financial Analysis of the Department

Net Position

The Department's total assets were $4,705.8 million at June 30, 2015, compared to $4,675.4 million at June 30, 2014. Total liabilities were $1,252.4 million at June 30, 2015, compared to $1,316.8 million at June 30, 2014. Net position at June 30, 2015 was $3,440.7 million, compared to $3,361.9 million at June 30, 2014.

Condensed Financial Information - Department of Transportation
Net Position as of June 30
(Dollars expressed in millions)

			Change	
	2015	2014	($)	(%)
Current assets	$ 309.2	$ 313.2	$ (4.0)	(1.3)
Capital assets	4,321.3	4,272.3	49.0	1.1
Other noncurrent assets	75.3	89.9	(14.6)	(16.2)
Total assets	4,705.8	4,675.4	30.4	0.7
Deferred outflows of resources	29.4	22.8	6.6	28.9
Current liabilities	181.1	179.7	1.4	0.8
Noncurrent liabilities	1,071.3	1,137.1	(65.8)	(5.8)
Total liabilities	1,252.4	1,316.8	(64.4)	(4.9)
Deferred inflows of resources	42.1	19.6	22.5	114.8
Net position				
Net investment in capital assets	3,445.9	3,267.4	178.5	5.5
Restricted	153.1	160.5	(7.4)	(4.6)
Unrestricted	(158.3)	(66.0)	(92.3)	139.8
Total net position	$ 3,440.7	$ 3,361.9	$ 78.8	2.3

The increase in capital assets is primarily a result of the following infrastructure and equipment spending: West Dover Connector - $6.7 million; US 301 - $12.8 million; Wilmington Riverfront/Christina River Bridge - $5.3 million; SR-1/I-95 Interchange - $5.8 million; and truck and tractor purchases - $7.5 million.

Although there were increases in the net post-employment benefits obligations adding to liabilities, the decrease in total liabilities is primarily the result of not issuing new debt during the year and the payment of existing bonds.

For Fiscal Year 2015, the unrestricted net position decreased due to the decision to draw down existing cash balances to pay for capital assets instead of issuing new debt during the year, as well as the effect of implementing new accounting standards related to pensions.

Changes in Net Position

The Department's net position at June 30, 2015 was $3,440.7 million, compared to $3,361.9 million at June 30, 2014. Operating revenues were $510.9 million and $484.3 million in Fiscal Years 2015 and 2014, respectively. Total operating expenses were $601.0 million and $567.8 million in Fiscal Years 2015 and 2014, respectively.

Condensed Financial Information - Department of Transportation
Changes in Net Position for the Years Ended June 30
(Dollars expressed in millions)

			Change	
	2015	2014	($)	(%)
Operating revenues	$ 510.9	$ 484.3	$ 26.6	5.5
Operating expenses				
Operating expenses	573.8	534.5	39.3	7.4
Depreciation	27.2	33.2	(6.0)	(18.1)
Total operating expenses	601.0	567.7	33.3	5.9
Operating loss	(90.1)	(83.4)	(6.7)	8.0
Nonoperating revenues, net	212.3	188.5	23.8	12.6
Income before transfers	122.2	105.1	17.1	16.3
Transfers, net	(7.1)	39.7	(46.8)	(117.9)
Change in net position	115.1	144.8	(29.7)	(20.5)
Total net position - beginning of year, as previously stated	3,361.9	3,217.1	144.8	4.5
Prior period adjustment - Implementation of GASB Nos. 68 and 71	(36.3)	-	(36.3)	N/A
Total net position - beginning of year, as restated	3,325.6	3,217.1	108.5	3.4
Total net position - end of year	$ 3,440.7	$ 3,361.9	$ 78.8	2.3

The increase in operating revenues from 2014 to 2015 is primarily attributed to increased toll revenues and an increase in motor vehicle and related revenues as a result of increased auto sales.

The increase in total operating expenses from 2014 to 2015 is primarily due to increased professional fees for the planning of projects and increases in materials and supplies from a challenging winter season.

The increase in nonoperating revenues from 2014 to 2015 is a result of increased federal grant revenues relating to federal capital projects.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the Department had invested $4,530.2 million in capital assets, including roads, bridges, buildings, land, and equipment. Net of accumulated depreciation, the Department's net capital assets at June 30, 2015 totaled $4,321.3 million. This amount represents a net increase (including additions and disposals, and net of depreciation) of $49.0 million over June 30, 2014. The increase is primarily a result of the following infrastructure and equipment spending: West Dover Connector - $6.7 million; US 301 - $12.8 million; Wilmington Riverfront/Christina River Bridge - $5.3 million; SR-1/I-95 Interchange - $5.8 million; and truck and tractor purchases - $7.5 million.

The Department is using the "modified approach" related to depreciation on its roads and bridges. The modified approach requires that the Department initially set a percentage benchmark for maintaining the infrastructure in fair or better condition and report at least every three years on their condition assessment.

It is the Department's policy to maintain at least 85% of its highway system at a fair or better condition rating and 75% of its bridge system (combined structural and deck ratings) at a good or better condition rating as follows:

The condition of road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in good condition.

The condition of bridge structures is measured using the "Bridge Condition Rating" (BCR), which is based on the Federal Highway Administration's (FHWA) Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges". The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9, 0 to 4 for substandard bridges, and 9 for bridges in good condition. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges are taken as those with ratings of 6 to 9. A rating of 5 is considered fair. The information is taken from past "Bridge Inventory Status" reports.

The Department performs condition assessments of eligible infrastructure assets at least every three years.

Of the Department's 1,626 bridge structures that were rated in 2015, 74.5% received a good or better BCR rating, 18.7% were rated fair, and 6.8% received a substandard rating. Of the 8,049,340 square feet of bridge deck that was rated, 74.3% or 5,979,029 square feet received an OPC condition rating of good or better, 21.1% received a fair rating, and 4.6% received a substandard deck rating. In 2013, 4,448 centerline miles were rated; 98.6% received a fair or better OPC rating and 1.4% received a poor rating. No roadway condition assessment was performed for Fiscal Year 2015.

The estimate to maintain and preserve the Department's infrastructure was $241.9 million and $198.9 million for 2015 and 2014, respectively. The actual expenditures were $291.6 million and $234.8 million for 2015 and 2014, respectively.

Debt Administration

Transportation Systems Revenue Bonds are issued with the approval of the State and the State's Bond Issuing Officers (the Governor, the Secretary of Finance, the Secretary of State, and the State Treasurer) to finance improvements to the State's transportation systems. Approval by the General Assembly of the State is not required for the Authority to issue bonds to refund any of its bonds provided that a present value debt service savings is achieved in such refunding. The sales must comply with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2015, the Authority had $861.4 million in revenue bonds outstanding, an 8.3% decrease from June 30, 2014. On June 30, 2015 and 2014, the Authority had a total of $262.4 million in authorized but unissued revenue bonds.

Of the 10 outstanding Senior Bond Issues, all bonds are rated AA+ and Aa2 by Standard and Poor's and Moody's Investors Services, respectively. The GARVEE Bond, 2010 Series is rated AA and A1 by Standard and Poor's and Moody's Investors Services, respectively.

The Department's investment portfolio is actively managed by Wilmington Trust Company and primarily consists of U.S. government securities, U.S. government agency securities, and high-grade commercial paper. The majority of these investments have maturities of less than one year. The Department's bond ratings have allowed continued access to the municipal bond market at favorable interest rates.

Contacting the Department's Financial Management

This financial report is designed to provide bondholders, patrons, and other interested parties with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the State of Delaware Department of Transportation, Finance Unit, P.O Box 778, Dover, Delaware 19903.

State of Delaware
Department of Transportation
Statement of Net Position
June 30, 2015
(with summarized financial information for June 30, 2014)

		Delaware Transportation Authority		2015	2014
	DELDOT	TTF	DTC	Total	Total
Current assets					
Cash and cash equivalents					
Unrestricted	$ 258,338	$ 26,447,592	$ 34,715,497	$ 61,421,427	$ 46,816,405
Restricted	6,799	3,655,737	-	3,662,536	26,655,174
Pooled cash and investments	12,401,297	-	-	12,401,297	14,355,895
Investments - at fair value					
Unrestricted	-	55,413,618	-	55,413,618	79,197,865
Restricted	195,896	110,039,426	-	110,235,322	70,517,154
Accounts receivable					
Trade	10,617,916	8,891,270	1,016,993	20,526,179	18,189,511
Federal grants	26,268,004	276,291	765,313	27,309,608	39,121,024
Interest	-	398,661	-	398,661	454,745
Inventory	14,554,901	-	3,096,249	17,651,150	17,702,410
Other assets	-	-	207,330	207,330	213,325
Total current assets	64,303,151	205,122,595	39,801,382	309,227,128	313,223,508
Noncurrent assets					
Capital assets, not depreciable					
Land	144,769,155	152,306,437	1,872,536	298,948,128	288,612,090
Infrastructure	2,543,143,814	1,216,991,300	-	3,760,135,114	3,723,674,937
Construction in progress	17,169,477	-	-	17,169,477	34,086,538
Service concession buildings and improvements	-	22,100,000	-	22,100,000	22,100,000
Capital assets, depreciable					
Buildings and improvements	71,596,684	8,072,030	57,862,351	137,531,065	118,630,402
Fixtures, vehicles, and equipment	111,904,656	-	182,422,919	294,327,575	296,476,030
Total capital assets	2,888,583,786	1,399,469,767	242,157,806	4,530,211,359	4,483,579,997
Less: accumulated depreciation	85,923,293	4,217,142	118,779,115	208,919,550	211,273,388
Capital assets, net	2,802,660,493	1,395,252,625	123,378,691	4,321,291,809	4,272,306,609
Investments - at fair value, net of current portion					
Unrestricted	-	4,563,474	-	4,563,474	26,553,523
Restricted	-	70,484,736	-	70,484,736	59,626,299
Net pension asset	-	-	253,443	253,443	3,707,985
Total noncurrent assets	2,802,660,493	1,470,300,835	123,632,134	4,396,593,462	4,362,194,416
Total assets	2,866,963,644	1,675,423,430	163,433,516	4,705,820,590	4,675,417,924
Deferred outflows of resources					
Loss on refundings of debt	-	20,448,278	-	20,448,278	22,823,445
Changes in employer proportionate share of net pension liability	212,160	-	-	212,160	-
Pension contributions made after the measurement date	6,508,133	-	2,232,549	8,740,682	-
Total deferred outflows of resources	6,720,293	20,448,278	2,232,549	29,401,120	22,823,445

(Continued)

State of Delaware
Department of Transportation
Statement of Net Position (Continued)
June 30, 2015
(with summarized financial information for June 30, 2014)

	DELDOT	Delaware Transportation Authority TTF	Delaware Transportation Authority DTC	2015 Total	2014 Total
Current liabilities					
Accounts payable and other accrued expenses	$ 15,711,288	$ 15,608,211	$ 10,317,149	$ 41,636,648	$ 41,444,293
Accrued payroll	3,749,874	-	2,124,008	5,873,882	5,342,023
Escrow deposits	6,411,575	2,259,980	-	8,671,555	10,112,519
Customer toll deposits	-	14,487,762	-	14,487,762	11,921,228
Interest payable	-	20,737,791	-	20,737,791	20,733,321
Unearned revenue	-	-	-	-	56,675
Pollution remediation obligations	685,000	-	-	685,000	1,280,000
Insurance loss reserve	-	-	2,485,340	2,485,340	2,427,420
Compensated absences payable	963,077	-	1,127,251	2,090,328	1,787,132
General obligation bonds payable	-	-	-	-	103,426
Revenue bonds payable	-	72,580,000	-	72,580,000	77,655,000
Bond issue premium - net of accumulated amortization	-	11,902,313	-	11,902,313	6,823,880
Total current liabilities	27,520,814	137,576,057	16,053,748	181,150,619	179,686,917
Noncurrent liabilities					
Other post-employment benefits payable	112,946,392	-	101,508,765	214,455,157	194,503,873
Compensated absences - net of current portion	7,629,630	-	2,194,981	9,824,611	10,479,463
Insurance loss reserve - net of current portion	-	-	9,168,660	9,168,660	9,583,580
Pollution remediation obligations - net of current portion	1,308,000	-	-	1,308,000	2,231,500
Revenue bonds payable - net of current portion	-	788,820,000	-	788,820,000	861,400,000
Bond issue premium - net of accumulated amortization and current portion	-	33,576,224	-	33,576,224	58,915,314
Net pension liability	14,114,288	-	-	14,114,288	-
Total noncurrent liabilities	135,998,310	822,396,224	112,872,406	1,071,266,940	1,137,113,730
Total liabilities	163,519,124	959,972,281	128,926,154	1,252,417,559	1,316,800,647
Deferred inflows of resources					
Service concession arrangement	-	18,942,857	-	18,942,857	19,574,286
Differences between projected and actual earnings on pension plan investments	22,430,145	-	706,367	23,136,512	-
Total deferred inflows of resources	22,430,145	18,942,857	706,367	42,079,369	19,574,286
Net position					
Net investment in capital assets	2,802,660,493	519,840,247	123,378,691	3,445,879,431	3,267,408,989
Restricted	202,695	152,713,740	253,443	153,169,878	160,506,612
Unrestricted	(115,128,520)	44,402,583	(87,598,590)	(158,324,527)	(66,049,165)
Total net position	$ 2,687,734,668	$ 716,956,570	$ 36,033,544	$ 3,440,724,782	$ 3,361,866,436

See accompanying notes to financial statements.

State of Delaware
Department of Transportation
Statement of Revenues, Expenses, and Changes in Fund Net Position
June 30, 2015
(with summarized financial information for June 30, 2014)

	DELDOT	Delaware Transportation Authority TTF	Delaware Transportation Authority DTC	2015 Total	2014 Total
Operating revenues					
Pledged revenue					
Turnpike revenue	$ -	$ 120,363,461	$ -	$ 120,363,461	$ 122,404,184
Motor fuel tax revenue	-	116,968,447	-	116,968,447	114,555,916
Motor vehicle document fee revenue	-	94,037,087	-	94,037,087	84,830,376
Motor vehicle registration fee revenue	-	51,184,304	-	51,184,304	49,243,279
Other motor vehicle revenue	-	25,757,326	-	25,757,326	26,259,772
International Fuel Tax Agreement revenue	-	2,694,453	-	2,694,453	2,372,142
Toll revenue - Delaware SR-1	-	55,767,180	-	55,767,180	47,561,542
Passenger fares	-	-	18,452,285	18,452,285	16,332,281
Miscellaneous	13,299,683	9,571,417	2,820,574	25,691,674	20,751,376
Total operating revenues	13,299,683	476,343,675	21,272,859	510,916,217	484,310,868
Operating expenses					
Road maintenance, preservation, and repairs	106,012,905	45,864,274	-	151,877,179	122,087,638
Payroll expense	115,000,588	-	79,833,141	194,833,729	200,998,978
Professional fees	51,168,591	99,182,481	21,598,327	171,949,399	157,477,186
Materials, supplies, and other	7,360,703	26,165,562	21,590,493	55,116,758	53,947,378
Depreciation	7,872,770	188,500	19,131,585	27,192,855	33,242,994
Total operating expenses	287,415,557	171,400,817	142,153,546	600,969,920	567,754,174
Operating income (loss)	(274,115,874)	304,942,858	(120,880,687)	(90,053,703)	(83,443,306)
Nonoperating revenues (expenses)					
Income from investments - pledged	-	1,844,953	-	1,844,953	2,257,110
Income from investments	-	-	-	-	24,083
Bad debt recovery	-	923,348	-	923,348	887,732
Federal grant revenue	226,266,879	276,291	7,475,681	234,018,851	224,087,434
Pass-through grant revenue	-	-	3,336,385	3,336,385	3,206,584
Pass-through grant expense	-	-	(4,962,061)	(4,962,061)	(5,973,876)
Interest expense	-	(23,482,198)	-	(23,482,198)	(38,529,291)
Service concession arrangement	-	631,428	-	631,428	2,525,714
Excess (deficiency) of nonoperating revenues over nonoperating expenses	226,266,879	(19,806,178)	5,850,005	212,310,706	188,485,490
Income (loss) before transfers	(47,848,995)	285,136,680	(115,030,682)	122,257,003	105,042,184

(Continued)

State of Delaware
Department of Transportation
Statement of Revenues, Expenses, and Changes in Fund Net Position (Continued)
June 30, 2015
(with summarized financial information for June 30, 2014)

	DELDOT	Delaware Transportation Authority TTF	Delaware Transportation Authority DTC	2015 Total	2014 Total
Transfers to other governmental agencies	$ -	$ (5,484,944)	$ -	$ (5,484,944)	$ (3,743,385)
Transfers to State General Fund	-	(5,000,000)	-	(5,000,000)	(5,000,000)
Transfers from State General Fund	-	3,388,738	-	3,388,738	48,467,109
Capital contributions	(13,791,965)	-	13,791,965	-	-
Transfers to DTC	(7,331,880)	(85,583,707)	92,915,587	-	-
Transfers to DelDOT	104,103,279	(104,103,279)	-	-	-
Change in fund net position	35,130,439	88,353,488	(8,323,130)	115,160,797	144,765,908
Fund net position - beginning of year, as previously stated	2,687,157,063	628,603,082	46,106,291	3,361,866,436	3,217,100,528
Prior period adjustment - Implementation of GASB Nos. 68 and 71					
Net pension liability (measurement date)	(41,255,617)	-	(3,815,944)	(45,071,561)	-
Deferred outflows - Contributions made during Fiscal Year 2014	6,702,783	-	2,066,327	8,769,110	-
Total prior period adjustment	(34,552,834)	-	(1,749,617)	(36,302,451)	-
Fund net position - beginning of year, as restated	2,652,604,229	628,603,082	44,356,674	3,325,563,985	3,217,100,528
Fund net position - end of year	$ 2,687,734,668	$ 716,956,570	$ 36,033,544	$ 3,440,724,782	$ 3,361,866,436

See accompanying notes to financial statements.

State of Delaware
Department of Transportation
Statement of Cash Flows
June 30, 2015
(with summarized financial information for June 30, 2014)

	DELDOT	Delaware Transportation Authority TTF	Delaware Transportation Authority DTC	2015 Total	2014 Total
Cash flows from operating activities					
Receipts from customers	$ 10,419,238	$ 477,878,722	$ 18,374,660	$ 506,672,620	$ 481,661,002
Payments to suppliers	(172,003,495)	(167,947,809)	(39,820,124)	(379,771,428)	(316,709,002)
Payments to employees	(109,680,352)	-	(63,791,063)	(173,471,415)	(177,134,285)
Insurance claims paid	-	-	(5,537,731)	(5,537,731)	(3,960,884)
Other receipts	-	-	2,820,390	2,820,390	2,445,960
Net cash provided by (used in) operating activities	(271,264,609)	309,930,913	(87,953,868)	(49,287,564)	(13,697,209)
Cash flows from noncapital financing activities					
Transfers from State General Fund	-	3,388,738	-	3,388,738	48,467,109
Transfers to State General Fund	-	(5,000,000)	-	(5,000,000)	(5,000,000)
Federal operating subsidies	-	-	7,475,681	7,475,681	4,516,222
Pass-through grant revenue	-	-	3,528,336	3,528,336	2,159,344
Pass-through grant payments	-	-	(4,962,061)	(4,962,061)	(5,973,876)
Transfers from TTF	96,963,350	(189,686,986)	92,723,636	-	(701,690)
Transfers to other governmental agencies	-	(5,484,944)	-	(5,484,944)	(3,743,385)
Net cash provided by (used in) noncapital financing activities	96,963,350	(196,783,192)	98,765,592	(1,054,250)	39,723,724
Cash flows from capital and related financing activities					
Payments of revenue bond principal	-	(77,655,000)	-	(77,655,000)	(84,450,000)
Payments of general obligation bond principal	-	(103,426)	-	(103,426)	(142,867)
Premium from revenue bond sale	-	-	-	-	15,983,075
Loss from bond refunding	-	-	-	-	8,089,500
Federal reimbursement of debt service	-	276,291	-	276,291	-
Proceeds from capital grants	230,404,449	6,623,370	-	237,027,819	207,200,107
Bond issuance costs from revenue bond sale	-	-	-	-	2,380,684
Proceeds from capital contributions	(14,842,441)	-	14,842,441	-	-
Acquisition of capital assets	(43,740,034)	(12,131,568)	(20,356,310)	(76,227,912)	(127,250,270)
Payments of interest	-	(41,363,218)	-	(41,363,218)	(47,745,720)
Net cash provided by (used in) capital and related financing activities	171,821,974	(124,353,551)	(5,513,869)	41,954,554	(25,935,491)
Cash flows from investing activities					
Purchase of investments	-	(2,352,695,177)	-	(2,352,695,177)	(23,433,296)
Proceeds from sale of investments	7,922	2,347,884,946	-	2,347,892,868	26,945,974
Collection on loans previously written off	-	923,348	-	923,348	887,732
Escrow insurance deposits	-	-	22,971	22,971	37,176
Interest received	-	1,901,036	-	1,901,036	2,200,048
Net cash provided by (used in) investing activities	7,922	(1,985,847)	22,971	(1,954,954)	6,637,634

(Continued)

State of Delaware
Department of Transportation
Statement of Cash Flows (Continued)
June 30, 2015
(with summarized financial information for June 30, 2014)

	DELDOT	Delaware Transportation Authority TTF	DTC	2015 Total	2014 Total
Net increase (decrease) in cash and cash equivalents	$ (2,471,363)	$ (13,191,677)	$ 5,320,826	$ (10,342,214)	$ 6,728,658
Cash and cash equivalents - beginning of year	15,137,797	43,295,006	29,394,671	87,827,474	81,098,816
Cash and cash equivalents - end of year	$ 12,666,434	$ 30,103,329	$ 34,715,497	$ 77,485,260	$ 87,827,474
Reconciliation of operating income (loss) to net cash used in operating activities					
Net operating income (loss)	$ (274,115,874)	$ 304,942,858	$ (120,880,687)	$ (90,053,703)	$ (83,443,306)
Adjustment to reconcile net operating income (loss) to net					
cash provided by (used in) operating activities					
Depreciation	7,872,770	188,500	19,131,585	27,192,855	33,242,994
Adoption of GASB Nos. 68 and 71	3,698,443	-	(178,743)	3,519,700	-
Changes in assets and liabilities					
(Increase) decrease in accounts receivable - trade	(1,934,359)	(479,934)	77,625	(2,336,668)	(292,694)
(Increase) decrease in inventory	(425,683)	-	476,943	51,260	722,917
Decrease in prepaid expenses	-	-	28,965	28,965	1,012,651
(Increase) decrease in net pension asset	-	-	361,402	361,402	(395,894)
Increase (decrease) in accounts payable and other accrued expenses	(5,517,113)	3,264,508	2,444,960	192,355	7,341,928
Increase (decrease) in escrow deposits	(946,086)	(494,878)	-	(1,440,964)	3,990,487
Increase (decrease) in insurance loss reserve	-	-	(357,000)	(357,000)	2,164,000
Increase (decrease) in compensated absences	(482,196)	-	130,540	(351,656)	(1,678,389)
Increase (decrease) in accrued payroll and related expenses	271,542	-	260,317	531,859	(287,931)
Decrease in unearned revenue	-	(56,675)	-	(56,675)	(535,890)
Increase (decrease) in customer toll deposits	-	2,566,534	-	2,566,534	(1,864,354)
Increase (decrease) in pollution remediation obligations	(1,518,500)	-	-	(1,518,500)	99,365
Decrease in net pension liability	(7,568,612)	-	-	(7,568,612)	-
Increase in post-employment benefits payable	9,401,059	-	10,550,225	19,951,284	26,226,907
Net cash provided by (used in) operating activities	$ (271,264,609)	$ 309,930,913	$ (87,953,868)	$ (49,287,564)	$ (13,697,209)

See accompanying notes to financial statements.

(1) Organization

The Delaware Department of Transportation (the Department) is a major fund of the State of Delaware (the State). The Department has the overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policies for the State. In addition, the Department has overall responsibility for maintenance and operation of roadways and bridges that fall under its jurisdiction. To assist the Department in their mission, the State and the Department created the Delaware Transportation Authority (the Authority), which includes the activities of the Transportation Trust Fund (the Trust Fund) and the Delaware Transit Corporation (DTC). The Authority is a body politic and corporate whose actions are overseen by the Secretary of Transportation (the Secretary), the Director of the Office of Financial Management and Budget, and the Administrator of the Trust Fund. The Authority's principal role is to provide financing to the Department and, as a result, is a blended component unit of the State and is included in these financial statements on a blended basis.

The Trust Fund was created by the State as a special fund with its corporate powers held by the Authority, under the Transportation Trust Fund Act of 1987 (the TTF Act). The underlying purpose of the TTF Act and the Trust Fund is to address the growing urgency to provide additional means to finance the maintenance and development of the integrated highway, air, and water transportation system in the State for the economic benefit of the State and for the welfare and safety of the users of the transportation system. The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation-related fees, which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned, and continuously appropriated to the Trust Fund these taxes and fees. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 Toll Roads. The Authority may apply Trust Fund revenue for transportation projects, subject to the approval of the State, and may pledge any or all of this revenue to secure financing for these projects. The TTF Act also granted the Authority the power to issue bonds payable from and secured by the revenues pledged and assigned to the Trust Fund.

The trust agreements in effect are the Motor Fuel Tax Revenue Bond Trust Agreement (the Motor Fuel Tax Agreement), dated September 1, 1981, as supplemented, and the Transportation Trust Fund Agreement (the Trust Agreement), dated August 1, 1988, as supplemented. The Trust Agreement is a bond indenture, intended to ensure payment to bondholders through assets and revenues pledged to the Trust Fund. Pledged revenues fund certain accounts created under Section 4.02 of the Trust Agreement and, to the extent those revenues are not needed for that purpose, they are deposited, lien-free, to the Trust Fund. Surplus pledged revenues and nonpledged revenues of the Trust Fund may be used to fund the operations of the Department. The provisions of the Motor Fuel Tax Agreement and the Trust Agreement govern the disposition of revenues and other income and prescribe certain accounting practices, including the conditions for transfer of monies among the various funds and accounts held by the Authority or the Trustee and the use of such funds.

Pursuant to Title 2 of the Delaware Code, Sections 1304(a) and 1307(a) as enacted by 69 Delaware Law Chapter 435, DTC was created in Fiscal Year 1995 as a subsidiary public benefit corporation of the Authority. With approval of the Governor, the Secretary appoints the Director of DTC, who serves at the pleasure of the Secretary. The Authority provides significant operational subsidies to DTC annually. DTC is authorized to operate the public transportation system within the State and provides services directly to the public. As a result, it is a blended component unit of the Authority. Separate financial statements for DTC are available by writing to the State of Delaware Department of Transportation, 800 Bay Road, Dover, Delaware 19903.

(2) Summary of Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

The Department, which is comprised of three funds - DelDOT, the Trust Fund, and DTC, operates as an enterprise fund. The Department's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, short-term money market securities, and other deposits held by financial institutions, generally with original maturities of three months or less when purchased.

The Department maintains cash escrow accounts for administrative purposes and has classified these cash balances as restricted. An offsetting liability is recorded in the accompanying statement of net position.

(c) Allowance for Doubtful Accounts

Accounts receivable are expected to be fully collectible at June 30, 2015, and accordingly, a provision for uncollectible accounts has not been established.

(d) Inventory

Inventory is accounted for at the lower of cost or market. Cost is determined using the weighted average method.

(e) Investments

Investments are recorded at fair value. Fair value is determined using quoted market prices in an active market, if available. For certain U.S. government agency and corporate fixed-income securities, for which an active market does not exist, fair value is determined using a discounted cash flow model. Significant inputs to the discounted cash flow model are the coupon, yield, and expected maturity date of the security.

(f) *Management Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) *Capital Assets*

Capital assets, which include land, buildings, improvements, fixtures, equipment, and infrastructure assets (such as roads and bridges, which are normally immovable and of value only to the State), are reported in the Department's financial statements.

Capital assets are defined by the State as assets with an initial individual cost of more than $25,000 at the date of acquisition and an estimated useful life in excess of one year. It is the policy of the Department, with the exception of DTC, to capitalize all buildings and land regardless of cost, improvements to land and buildings when the cost of projects exceed $100,000, and infrastructure when the cost of individual items or projects exceeds $1,000,000. Such assets are recorded at historical cost, or estimated historical cost, if original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the time of the donation. Buildings, improvements, fixtures, and equipment are depreciated on a straight-line basis.

Capital assets are defined by DTC as all assets purchased with State and federal grant funds, as well as any asset with a cost greater than $5,000 purchased with operating funds.

For assets not part of infrastructure, the costs of normal preservation, maintenance, and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

For infrastructure, the Department uses the "modified approach" to account for roads and bridges, as provided by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Under this process, the Department does not record depreciation expense nor are amounts expended in connection with improvements to these assets capitalized, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the Department to: (1) commit to maintaining and preserving affected assets at or above a condition level established by the Department, (2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and (3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

The Department maintains two asset management systems, one for the roads and one for the bridges. In addition, the Department completes condition assessments on its roads and bridges at least every three years.

Buildings, improvements, fixtures, and equipment, other than those associated with service concession agreements, are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Revenue vehicles	4 - 25 years
Service vehicles and equipment	3 - 20 years
Communications equipment	10 - 40 years
Furniture and fixtures	3 - 10 years
Bus signs and shelters	10 years

(h) Compensated Absences

Compensated absences are absences for which Department employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Department and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Department and its employees are accounted for in the period in which such services are rendered or such events take place.

(i) Line of Credit

The Trust Fund has a line of credit agreement with PNC Bank for $50,000,000 that matures November 2016. There were no borrowings against the line at June 30, 2015. The line bears interest on the amount that has been advanced from time to time pursuant to the bank loan agreements. At June 30, 2015, the rate was equal to 0.6975%.

(j) Revenue Recognition

Turnpike/Toll Revenue - Turnpike/Toll revenues consist primarily of fees for the usage of the Delaware Turnpike and the toll portion of Delaware SR-1 and are recognized at the time vehicles pass through the toll plazas.

Motor Fuel Tax Revenue - Motor fuel tax revenues are generally recognized at the time fuel is dispensed to the ultimate user.

Motor Vehicle Revenue - Motor vehicle revenues are recognized at the time services are provided to customers.

Passenger Fares - Passenger fare revenues are recorded at the time services are provided.

(k) Bond Issue Premiums/Discounts

Amortization of bond issue premiums/discounts is provided using the straight-line method over the life of the bond issue. Net amortization resulted in $20,260,657 of reductions of interest expense in 2015.

(l) Revenues and Expenses

The Department defines nonoperating revenues as federal grant revenue, investment income, and collections on loans previously written off. Pledged revenue represents taxes, fees, and investment income committed to repayment of revenue bonds. All other revenues are derived from normal operations of the Department. Nonoperating expenses are defined as grant expenses and interest expense. All other expenses are a result of normal operations.

(m) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as consumption of net assets by the government that is applicable to future reporting periods. Deferred inflows of resources are defined as acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows increase net position, similar to assets, and deferred inflows decrease net position, similar to liabilities.

The components of deferred outflows of resources and deferred inflows of resources reported in the financial statements as of June 30, 2015 were as follows:

Deferred outflows of resources:	
Loss on refundings of debt	$ 20,448,278
Changes in employer proportionate share of net pension liability	212,160
Pension contributions made after the measurement date	8,740,682
Total deferred outflows of resources	$ 29,401,120
Deferred inflows of resources:	
Service concession arrangement	$ 18,942,857
Differences between projected and actual investment earnings on pension plan investments	23,136,512
Total deferred inflows of resources	$ 42,079,369

(n) New Accounting Standards Adopted

During the Fiscal Year Ended June 30, 2015, the Department adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan. Adoption of GASB No. 68 resulted in the recognition of a net pension liability of $45,071,561 and a reduction of net position of $45,071,561 as of June 30, 2014.

GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in November 2013. GASB No. 71 addresses an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer, or nonemployer contributing entity, to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The adoption of GASB No. 71 resulted in the recognition of deferred outflows and an increase in net position of $8,769,110 as of June 30, 2014.

(o) Summarized Comparative Information

The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Department's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

(3) Cash and Investments

(a) Cash Management Policy and Investment Guidelines

The Department follows the *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy) of the State's Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the State except money in the Delaware Pension Employee Retirement System, the Other Post-Employment Benefits Trust (the OPEB Trust), and money held under the State deferred compensation program. By law, all deposits and investments belonging to the State are under the control of the State Treasurer in various pooled investment funds (State Investment Pool) except for those that, by specific authority, are under the control of other agencies or component units, as determined by the Board. The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the Department. Investments of the Department are further restricted to "Qualified Investments" as defined in the Trust Agreement.

All deposits and investments of the Department are categorized as "Authority Accounts."

As defined by the Policy, the investment objectives of Authority Accounts include maximizing yield and maintaining the safety of principal. At June 30, 2015, investments of the Department are primarily in U.S. government securities, U.S. government agency securities, and commercial paper rated in the highest rating category by either Moody's or Standard & Poor's. All of these meet the objectives defined by the Policy and are Qualified Investments in accordance with the Trust Agreement.

The Policy is available on the Office of the State Treasurer's website at http://treasury.delaware.gov.

(b) Custodial Credit Risk

Deposits

Per the Policy, all State deposits are required by law to be collateralized by direct obligations of, or obligations that are guaranteed by, the United States of America or other suitable obligations as determined by the Board, unless the Board shall find such collateralization not in the best interest of the State. The Board has determined that certificates of deposit and time deposits must be collateralized unless the bank issuing the certificate has assets of not less than $5 billion and is rated not lower than B by Fitch, Inc. Bank Watch.

The Board has also determined that State demand deposits need not be collateralized, provided that any bank that holds these funds has, for any quarter during the most recent eight quarters, a return on average assets of 0.5% or greater and an average capital ratio (total equity to total assets) of 5% or greater. If the bank does not meet either of these criteria, collateral must be pledged and shall consist of one or more of the following securities:

- U.S. government securities;
- U.S. government agency securities;
- Federal Home Loan Board letters of credit;
- State of Delaware securities; or
- Securities of a political subdivision of the State with a Moody's Investors Service rating of A or better.

Additionally, the bank must ensure that those securities pledged as collateral (except for Federal Home Loan Board letters of credit) have a market value equal to or greater than 102% of the total average monthly ledger balance(s) (net of Federal Deposit Insurance Corporation limits) held in all accounts and ensure that the securities pledged as collateral are housed at the Federal Reserve Bank. Financial institutions must provide reports on a monthly basis to the State Treasurer's Office detailing the collateral pledged and provide a Call Report on a quarterly basis to the State Treasurer's Office.

The Department's cash and cash equivalents held at external financial institutions at June 30, 2015 were $65,083,963, and the bank balances were $65,143,472. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits-in-transit. Of the bank balances, $65,025,933 was covered by federal depository insurance or by collateral held by the Department's agent, in the Department's name, at June 30, 2015. The remaining bank balances of $117,539 were neither insured nor collateralized at June 30, 2015.

As of June 30, 2015, the Department also had $12,401,297 held in the State Investment Pool by the State Treasurer's Office. The State Treasurer's Office controls these funds and any investment decisions are made by the State Treasurer's Office. The State Investment Pool includes deposit accounts and short- and long-term investments. The deposits held in the State Investment Pool are allocated to the Department, but the custodial credit risk cannot be categorized for these deposits.

Investments

Investments of the Department are stated at fair value. At June 30, 2015, all of the Department's investments were insured or registered, with securities held by the Department or the counterparty in the Department's name.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Department accounts, at the time of purchase, shall not exceed 10 years, except when it is prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

The following table presents a listing of directly held investments and related maturities at June 30, 2015:

		Investment maturities (in years)		
Investment type	**Fair value**	**Less than 1**	**1 - 5**	**6 - 10**
U.S. government securities	$ 44,163,109	$ 7,465,654	$ 15,762,877	$ 20,934,578
U.S. government agency securities	133,670,692	96,036,031	16,993,478	20,641,183
Commercial paper	62,863,349	61,951,359	911,990	-
Total investments	$240,697,150	$165,453,044	$ 33,668,345	$ 41,575,761

(d) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department follows the Policy and the Trust Agreement by investing only in authorized securities. The Department's general investment policy for credit risk is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

In addition, the Trust Agreement limits investments in commercial paper to those with a Moody's rating of P-1 or a Standard & Poor's rating of A-1 for short-term investments. The Department had investments in commercial paper of $62,863,349 at June 30, 2015. All commercial paper held matures within five years and is rated in accordance with the Trust Agreement. The investments in U.S. government and government agency securities are rated at Aaa with Moody's and AA+ with Standard & Poor's.

(e) Investments in Excess of 5%

Concentration of credit risk is the risk of loss attributed to the magnitude of the Department's investments in a single issuer (5% or more of total investments). When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure.

The Policy provides that the purchase of securities cannot exceed the following percentage of account limitations, valued at market. Investments due to mature in one business day may be excluded from the computation of said limitations.

A. U.S. government - no restrictions.

B. Government agency - 50% total; 20% in any one agency.

C. Certificates of deposit, time deposits, and bankers acceptances - 50% total; 5% in any one issuer.

   1. Domestic - No additional restrictions.

   2. Nondomestic - 25%.

   3. Delaware domiciled - Not more than the lesser of $10 million or 25% of an issuer's total equity capital may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)

D. Corporate debt - 50% total; 25% in any one industry; 5% in any one issuer, 5% of any issuer's total outstanding securities.

1. Domestic - No additional restrictions.
2. Nondomestic - 25%; 5% in any one issuer.

E. Repurchase agreements - 50% total.

F. Reverse repurchase agreements - 25% total.

G. Money market funds - 25% total; 10% in any one fund.

H. Canadian treasuries - 25% total; 10% in any one agency.

I. Canadian agency securities - 25% total; 10% in any one agency.

J. Mortgage-backed and asset-backed securities - 10% total (when combined with asset-backed securities and trust certificates, if applicable).

K. Municipal obligations - 5% in any one issuer.

L. Guaranteed investment contracts - Permitted where it is prudent to match a specific investment instrument with a known specific future liability, subject to credit quality guidelines for commercial paper and corporate bonds and debentures and with adequate exit provisions in the event of the future downgrade of the issuer.

M. Asset-backed securities and trust certificates - 10% total (when combined with mortgage-backed and asset-backed securities, if applicable).

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2015:

Federal National Mortgage Association	$ 94,370,094	39%
United States Treasury	44,163,109	18
Federal Home Loan Mortgage Corporation	29,108,830	12
Commonwealth Bank of Australia	14,499,285	6

(f) Investment Commitments

The Department has made no investment commitments as of June 30, 2015.

(g) Funding of Unpaid Loss Insurance Reserve Liability

Included in cash at Fiscal Years June 30, 2015 and 2014 was $- and $-, respectively, which will by utilized to fund the remaining loss insurance liability (Note 15) less the escrow insurance deposits.

(4) Capital Assets

Capital asset activity for the Fiscal Year Ended June 30, 2015 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Land	$ 288,612,090	$ 10,336,038	$ -	$ 298,948,128
Infrastructure	3,723,674,937	36,460,177	-	3,760,135,114
Service concession buildings and improvements	22,100,000	-	-	22,100,000
Construction-in-progress	34,086,538	2,451,633	(19,368,694)	17,169,477
Total capital assets not being depreciated	4,068,473,565	49,247,848	(19,368,694)	4,098,352,719
Capital assets being depreciated:				
Buildings and improvements	118,630,402	18,905,663	(5,000)	137,531,065
Furniture, vehicles, and equipment	296,476,030	27,806,694	(29,955,149)	294,327,575
Total capital assets being depreciated	415,106,432	46,712,357	(29,960,149)	431,858,640
Less accumulated depreciation for:				
Buildings and improvements	41,172,399	3,942,305	(5,000)	45,109,704
Furniture, vehicles, and equipment	170,100,989	23,250,550	(29,541,693)	163,809,846
Total accumulated depreciation	211,273,388	27,192,855	(29,546,693)	208,919,550
Total capital assets being depreciated, net	203,833,044	19,519,502	(413,456)	222,939,090
Total capital assets, net	$ 4,272,306,609	$ 68,767,350	$ (19,782,150)	$ 4,321,291,809

Depreciation expense for Fiscal Year 2015 was $27,192,855.

(5) Changes in Long-Term Liabilities

Long-term liability activity for the Fiscal Year Ended June 30, 2015 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Revenue bonds	$ 939,055,000	$ -	$ (77,655,000)	$ 861,400,000	$ 72,580,000
General obligation bonds	103,426	-	(103,426)	-	-
Bond issue premium, net of accumulated amortization	65,739,194	-	(20,260,657)	45,478,537	11,902,313
Insurance loss reserve	12,011,000	5,180,731	(5,537,731)	11,654,000	2,485,340
Post-employment benefits	194,503,873	31,551,284	(11,600,000)	214,455,157	-
Pollution remediation obligations	3,511,500	-	(1,518,500)	1,993,000	685,000
Net pension liability	-	14,114,288	-	14,114,288	-
Compensated absences	12,266,595	-	(351,656)	11,914,939	2,090,328
Long-term liabilities	$ 1,227,190,588	$ 50,846,303	$ (117,026,970)	$ 1,161,009,921	$ 89,742,981

(6) Revenue Bonds Outstanding

Date of issue/maturity	Amount of original issue	Description and fixed interest rates	Bonds outstanding at June 30, 2015
Senior Bonds:			
2005/2025	150,000,000	Transportation System Senior Revenue Bonds, 2005, 5.00%	$ 7,870,000
2006/2026	127,445,000	Transportation System Senior Revenue Bonds, 2006, 3.50% - 5.00%	39,035,000
2007/2021	87,890,000	Transportation System Senior Revenue Bonds, 2007A, 4.00% - 5.00%	50,135,000
2008/2028	84,720,000	Transportation System Senior Revenue Bonds, 2008A, 4.00% - 5.00%	62,575,000
2008/2029	117,875,000	Transportation System Senior Revenue Bonds, 2008B, 5.00%	97,620,000
2009/2029	105,315,000	Transportation System Senior Revenue Bonds, 2009A, 5.00%	92,180,000
2010/2019	47,715,000	Transportation System Senior Revenue Bonds, 2010A, 5.00%	32,990,000
2010/2030	72,120,000	Transportation System Senior Revenue Bonds, 2010B, 3.95% - 5.80%	72,120,000
2012/2024	222,870,000	Transportation System Senior Revenue Bonds, 2012, 3.00% - 5.00%	211,540,000
2014/2024	108,760,000	Transportation System Senior Revenue Bonds, 2014, 2.25% - 5.00%	108,760,000
GARVEE Bonds:			
2010/2025	113,490,000	Transportation System Grant Anticipation Bonds, 2010, 3.25% - 5.00%	86,575,000
		Total bonds payable	861,400,000
		Less: current portion	72,580,000
		Long-term portion	$788,820,000

The State has pledged turnpike, motor fuel tax, and motor vehicle fee revenues to the Trust Fund in order to support repayments of revenue bonds. Proceeds from the revenue bonds were used to finance the infrastructure maintenance, preservation, and construction-related projects of the State's highway transportation system, as well as security for the repayment of the outstanding revenue bonds of the Authority.

The revenue bonds do not constitute a debt of the State or of any political subdivision thereof, or a pledge of the general taxing power or the faith and credit of the State or of any such political subdivision.

Annual principal and interest payments on the revenue bonds are expected to require less than 35% of pledged revenues. Principal and interest paid on the revenue bonds for the Fiscal Year Ended June 30, 2015 was $119,121,644

The Transportation System Senior Revenue Bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the Trust Fund. The pledged revenues of the Authority were as follows at June 30, 2015:

Pledged operating revenues	$	411,005,078
Investment income		1,844,953
Total pledged revenues	$	412,850,031

The Transportation System GARVEE Bonds have fixed interest rates and are limited obligations of the Authority secured by and payable solely from the annual federal appropriation for the State's federal aid transportation projects. On average, the State has been apportioned approximately $160 million in federal highway aid annually over the past five fiscal years. At that level, principal and interest payments on the GARVEE bonds are expected to require approximately 6.5% of pledged federal highway aid annually. While the Authority believes that sufficient pledged federal highway aid will be available during the term of the bonds to meet all required principal and interest payments, various factors beyond the Authority's control may impact the ability to make all payments when due, including, but not limited to, subsequent reauthorization of federal highway aid and federal budgetary limitations.

At June 30, 2015, the Authority had a total of $262,369,957 in authorized but unissued revenue bonds, including $11,510,000 in GARVEE bond authorization, to fund a portion of the Department of Transportation Capital Improvement Program.

The annual requirement to amortize all revenue bonds payable as of June 30, 2015 was as follows:

Years ending June 30,	Principal maturity	Interest maturity	Total
2016	$ 72,580,000	$ 39,767,858	$ 112,347,858
2017	70,595,000	36,317,308	106,912,308
2018	69,880,000	32,895,008	102,775,008
2019	73,945,000	29,336,333	103,281,333
2020	74,185,000	25,684,475	99,869,475
2021 - 2025	338,290,000	77,410,200	415,700,200
2026 - 2030	154,715,000	19,277,974	173,992,974
2031	7,210,000	209,090	7,419,090
	$ 861,400,000	$ 260,898,246	$ 1,122,298,246

(7) Debt Defeasance

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued and the proceeds had been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures.

For financial reporting purposes, the debt is considered defeased, and therefore, not reported as a liability. As of June 30, 2015, the amount of defeased debt outstanding amounted to $130,535,000.

(8) Restricted Net Position

Restricted net position was as follows at June 30, 2015:

Pension funds:	
Prepaid DTC pension contribution	$ 253,443
Rebate funds:	
Amounts generated from operations to meet future arbitrage rebate requirements	366,165
Debt service funds:	
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments	87,935,654
Debt reserve funds:	
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments	64,411,921
Highway beautification funds:	
Amounts held in trust to be used for highway beautification	202,695
Total restricted net position	$ 153,169,878

(9) International Registration Plan

The Department participates in the International Registration Plan (IRP) pursuant to Section 4008 of the Intermodal Surface Transportation Efficiency Act of 1997 (ISTEA). ISTEA requires jurisdictions to join base state agreements for the collection and distribution of commercial vehicle registration fees. IRP is an agreement among member jurisdictions whereby commercial registration fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during Fiscal Year 2015 were $9,222,460. IRP fees are included in motor vehicle registration fee revenue.

(10) International Fuel Tax Agreement

The Department participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial license fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during Fiscal Year 2015 were $2,694,453.

(11) DTC Union Contracts

Operators and maintenance personnel of the North District Fixed Route system are represented by the Amalgamated Transit Union AFL-CIO, Local 842. The term of the current Collective Bargaining Agreement covers the period September 1, 2013 through August 31, 2016.

Paratransit Specialists statewide and South District Fixed Route Operators are also represented by the Amalgamated Transit Union AFL-CIO, Local 842, under a separate Collective Bargaining Agreement. The term of the current Collective Bargaining Agreement covers the period September 1, 2013 through August 31, 2016.

Certain administrative, operations, and maintenance personnel are represented by the Office and Professional Employee International Union AFL-CIO, Local 32. The term of the current Collective Bargaining Agreement covers the period January 1, 2013 through December 31, 2016.

(12) Pension Plan

A. State Employees' Pension Plan

With the exception of DTC employees (see Note 12B); the Department's full-time employees are covered by the State Employees' Pension Plan, a cost-sharing, multiple-employer, defined benefit plan, which is administered by the Delaware Public Employees Retirement System (DPERS). The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

Detailed information concerning the State Employees' Pension Plan is presented in its publicly available annual basic financial statements, which can be obtained by writing the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite 1, 860 Silver Lake Blvd., Dover, Delaware 19904-2402.

(1) Plan Description and Eligibility

The State Employees' Pension Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities. There are two tiers within this plan: 1) Employees hired prior to January 1, 2012 (Pre-2012) and 2) Employees hired on or after January 1, 2012 (Post-2011).

Service Benefits

Final average monthly compensation (employees hired Post-2011 may not include overtime in pension compensation) multiplied by 2% and multiplied by the years of credited service prior to January 1, 1997, plus final average monthly compensation, multiplied by 1.85%, and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, the average monthly compensation is the monthly average of the highest three periods of 12 consecutive months of compensation.

Vesting

Pre-2012 date of hire members are fully vested after five years of credited service and Post-2011 date of hire members are fully vested after 10 years of credited service.

Retirement

Pre-2012 date of hire members are eligible to retire at age 62 with five years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age. Post-2011 date of hire members are eligible to retire at age 65 with at least 10 years of credited service; age 60 with 20 years of credited service; or with 30 years of credited service at any age.

Disability Benefits

Pre-2012 date of hire members receive the same as service benefits and must have five years of credited service. In lieu of disability pension benefits, over 90% of members of this plan opted into the Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 date of hire members are provided disability benefits through the State's Disability Insurance Program.

Survivor Benefits

If the deceased member is receiving a pension, the eligible survivor receives 50% of the pension (or 75% with a 3% reduction of benefit). If the deceased member is active with at least five years of credited service, the eligible survivor receives 75% of the benefit the employee would have received at age 62.

Burial Benefit

The burial benefit is $7,000 per member.

Contributions

The Board's employer-determined contributions, based principally on an actuarially determined rate, were 9.5% for Fiscal Year 2014. The Department's contributions to the plan were $6,702,782. Pre-2012 date of hire members are required to contribute 3% of earnings in excess of $6,000, and Post-2011 date of hire members are required to contribute 5% of earnings in excess of $6,000.

(2) Allocation Percentage Methodology

In accordance with GASB 68, DPERS prepared a Schedule of Pension Amounts by Participating Employer, which calculates the employer's proportionate share of the State Employees' Pension Plan's collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. DPERS management has elected to allocate the employer's proportionate shares of the collective pension amounts based on the percentage of actual employer contributions. The Department's proportionate share of the collective pension amounts was 3.8332% and 3.8097% at June 30, 2014 and 2013, respectively.

(3) Net Pension Liability

For the Fiscal Year Ended June 30, 2015, the Department reported a net pension liability in the amount of $14,114,288 for its proportionate share of the State Employees' Pension Plan's collective net pension liability. The net pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The Department reported a decrease in beginning net assets of $41.3 million to account for the net pension liability balance at July 1, 2014. The collective total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation at June 30, 2013. The actuarial valuation and related update procedures used the following actuarial assumptions:

Investment rate of return/discount rate, including inflation	7.20%
Projected salary increases, including inflation	3.50% to 11.50%
Cost-of-living adjustments	Ad-hoc
Inflation	3.00%

These assumptions are based on an experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality rates were based on the Sex Distinct RP - 2000 Combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

Long-Term Expected Rate of Return - 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 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 an asset allocation percentage, which is based on the nature and mix of current plan investments, and adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the DPERS's current and expected asset allocation is summarized in the following table.

Asset class	Long-term expected real rate of return
Domestic equity	5.7%
International equity	5.7
Fixed income	2.0
Alternative investments	7.0
Cash and cash equivalents	7.8

Discount Rate - The discount rate for all plans used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Department's proportionate share of the State Employees' Pension Plan's net pension liability, calculated using the discount rate of 7.2%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate (expressed in thousands):

1% Decrease	Discount rate	1% Increase
$ 52,896	$ 14,114	$ (18,664)

Expected and Actual Experience Differences - The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members, which is six years. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources. The collective amount of the difference between expected and actual experience for the Fiscal Year Ended June 30, 2014 was $0.

Change in Assumptions - The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive plan members, which is six years. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources. The collective amount of change in assumptions for the Fiscal Year Ended June 30, 2014 was $0.

Changes in Employer Proportionate Share - The change in employer proportionate share is the amount of the difference between the employer proportionate share of the net pension liability in the prior year compared to the current year. This change in proportion is amortized over the weighted average of the expected remaining service life of active and inactive plan members, which is six years. The first year of amortization is recognized as pension expense, with the remaining years recognized as a deferred outflow of resources. The amount of difference of the Department's proportionate share from Fiscal Year 2013 to Fiscal Year 2014 was $254,592, of which $42,432 was recognized in current year pension expense and $212,160 was recognized as a deferred outflow of resources at June 30, 2015.

Differences between Projected and Actual Investment Earnings on Pension Plan Investments - The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.2% is amortized over a closed period of five years. The first year of amortization is recognized as pension expense, with the remaining four years recognized as a deferred inflow of resources. The collective amount of the difference between projected and actual earnings for the Fiscal Year Ended June 30, 2014 was $28,037,681, of which $5,607,536 was recognized in current year pension expense and $22,430,145 was recognized as a deferred inflow of resources at June 30, 2015.

(4) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the Fiscal Year Ended June 30, 2015, the Department recognized $2.8 million in pension expense, which represents its proportionate share of the State Employees' Pension Plan's collective pension expense.

As of June 30, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on plan investments	$ -	$ 22,430,145
Net difference to change in proportion	212,160	-
Contributions made subsequent to the measurement date	6,508,133	-
Totals	$ 6,720,293	$ 22,430,145

Contributions made subsequent to the measurement period of June 30, 2014 (Fiscal Year 2015 contributions) will be recognized as a reduction to the net pension liability in Fiscal Year 2016. The remaining components of collective deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on DPERS investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all plan members, beginning in the year in which the deferred amount occurs. The amortization period is six years for the State Employees' Pension Plan for deferred amounts arising in 2014. The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs. The net amount of the Department's proportionate share of the net collective deferred outflows (inflows) will be recognized in pension expense during the Fiscal Years Ended June 30,:

2016	$ (5,565,104)
2017	(5,565,104)
2018	(5,565,104)
2019	(5,565,104)
2020	42,431

B. DTC Pension Plans

(1) Plan Descriptions

DTC administers the Delaware Transit Corporation Pension Plan (DTC Plan) and the DART Contributory Pension Plan (DART Plan).

The DTC Plan is a single-employer, defined benefit, contributory plan covering noncollectively bargained employees of DTC, Delaware Authority for Regional Transit (DART), and Delaware Administration for Special Transit.

The DART Plan is a single-employer, defined benefit, contributory plan covering members of Local 32, Office and Professional Employees International Union AFL-CIO, and Local 842, Amalgamated Transit Union AFL-CIO and its collective bargaining units: the North District Fixed Route and Maintenance Employees and the Paratransit and Greater Dover Area Fixed Route Drivers, who are employed by DTC.

Each plan provides retirement, disability, and death benefits to plan members and beneficiaries.

Both plans issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing DTC at 900 Public Safety Boulevard, Dover, Delaware 19901-4503.

At June 30, 2014, the following employees were covered by the DTC Plan:

Active members	256
Inactive members or beneficiaries currently receiving benefits	52
Terminated, vested members	53
Total	361

At December 31, 2014, the following employees were covered by the DART Plan:

Active members	648
Inactive members or beneficiaries currently receiving benefits	155
Terminated, vested members	72
Total	875

(2) *Benefits*

The DTC Plan provides retirement, disability, and death benefits. All employees with 10 years of credited service are eligible to retire at age 55. All employees may retire at any age after 25 years of credited service or upon reaching the age of 62. If an employee terminates their employment after at least five years of credited service, but before normal retirement age, they may defer pension benefits until reaching retirement age. Employees who retire after reaching normal retirement age with at least five years of credited service are entitled to receive pension benefits equal to 70% of the participant's average earnings, offset by 100% of the primary insurance amount, reduced by 1/25 for each year of service less than 25, at the later of the participant's normal retirement date or actual retirement, computed to the nearest dollar. Benefits fully vest after five years of credited service. The disability retirement benefit of a participant shall be the participant's normal retirement benefit determined by computing their average earnings for the period ending on the last day that the employee worked prior to commencement of disability. Death benefits for a participant who dies while employed after completing five years of credited service is equal to 75% of the service pension to which the participant would have been eligible at age 65; for a former participant who dies after completing five years of service, 50% of the accrued benefit that would have been payable at age 65.

The DART Plan provides retirement, disability, and death benefits. All employees with 10 years of credited service are eligible to receive pension benefits at age 65. All employees may retire at any age after 25 years of credited service or upon reaching the age of 65 with a minimum of five years of continuous service. If an employee terminates their employment after at least five years of continuous service, but before normal retirement age, they may defer pension benefits until reaching retirement age. Monthly benefits are calculated as $65 multiplied by the applicable years of service credited to the eligible participant. DTC may offset its contribution by the employer contributions made on behalf of a participant who terminated and withdrew their contributions. Upon the death of a retiree or active participant, a lump-sum payment will be made comprised of the aggregate of the participant's contributions that exceed the aggregate of the payments that have been made to the participant.

(3) Funding Policy

For the DTC Plan, DTC retains the authority to establish, evaluate, and amend the obligations to contribute to the Plan. DTC's annual contribution determined by the actuary is funded monthly until the required contribution is met. Employees hired after June 30, 2012 are required to contribute 3% of eligible annual compensation in excess of $6,000.

For the DART Plan, the DTC Pension Committee retains the authority to establish, evaluate, and amend the obligations to contribute to the Plan of both the Plan members, as collectively bargained, and DTC. Plan members are required to contribute 5% of their hourly wages for each hour worked to a maximum of 2,080 hours per year. DTC contributes 5% of the regular hourly wages to the Plan.

The contributions recognized by the DTC Plan and the DART Plan during the Fiscal Year Ended June 30, 2015 were $1,157,550 and $908,777, respectively.

(4) Net Pension Liability (Asset)

The DTC Plan's net pension liability (asset) for the Fiscal Year Ended June 30, 2015 was determined by an actuarial valuation as of June 30, 2014. Update procedures were used to roll forward the 2014 valuation results. There have been no changes between the measurement date of the net pension liability (asset) and the report date that are expected to have a significant effect on the net pension liability (asset).

The total pension liability used to calculate the net pension liability (asset) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5%, net of plan investment expense, including inflation
Salary increases	2.5%, including inflation
Inflation	2.0%
Mortality	RP-2000 Combined Healthy tables with generational projection by Scale AA

The long-term expected rate of return on DTC Plan investments was determined using a building-block method where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. These return expectations are weighted based on the following asset/target amounts:

Asset class	**Long-term expected real rate of return**
Domestic equity	5.2%
International equity	5.2
Emerging equity	5.7
Core fixed income	3.0
Intermediate IG Corp	3.8
Bank loans	2.7
High yield	4.3
Emerging debt	4.8

The DART Plan's net pension asset/liability for the calendar year ended December 31, 2014 was determined by an actuarial experience study as of January 1, 2015. There have been no changes between the measurement date of the net pension asset/liability and the report date that are expected to have a significant effect on the net pension asset/liability. The total pension liability used to calculate the net pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.0%
Salary increases	4.0%, including inflation
Inflation	2.0%
Mortality	RP-2000 Blue Collar table without any future mortality improvements

The long-term expected rate of return on DART Plan investments was determined using a building-block method where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. These return expectations are weighted based on the following asset/target amounts:

Asset class	Long-term expected real rate of return
Domestic equity	5.2%
International equity	5.2
Emerging equity	5.7
Core fixed income	3.0
Intermediate IG Corp	3.8
Bank loans	2.7
High yield	4.3
Emerging debt	4.8
Cash equivalents	0.8

(5) Discount Rate

The discount rate used to measure the total pension liability was 7.5% for the DTC Plan and 7.0% for the DART Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from DTC will be made at rates determined by the Pension Committee, actuarially calculated. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(6) *Changes in the Net Pension Liability (Asset)*

Changes in DTC's net pension liability (asset) for the Fiscal Year Ended June 30, 2015 were as follows:

	DTC Plan			DART Plan			Total		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) - (b)	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) - (b)	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) - (b)
Balances at 7/1/13 (DTC Plan) and 1/1/14 (DART Plan)	$ 20,057,790	$ 17,937,922	$ 2,119,868	$ 37,483,272	$ 39,495,181	$ (2,011,909)	$ 57,541,062	$ 57,433,103	$ 107,959
Changes for the year:									
Service cost	840,320	-	840,320	1,765,669	-	1,765,669	2,605,989	-	2,605,989
Interest	1,483,009	-	1,483,009	2,675,064	-	2,675,064	4,158,073	-	4,158,073
Changes of benefit terms	-	-	-	1,029,691	-	1,029,691	1,029,691	-	1,029,691
Differences between expected and actual experience	-	-	-	4,126	-	4,126	4,126	-	4,126
Contributions - employer	-	1,157,550	(1,157,550)	-	908,777	(908,777)	-	2,066,327	(2,066,327)
Contributions - member	-	30,251	(30,251)	-	1,262,888	(1,262,888)	-	1,293,139	(1,293,139)
Net investment income	-	2,443,142	(2,443,142)	-	2,605,668	(2,605,668)	-	5,048,810	(5,048,810)
Benefit payments, including refunds of member contributions	(568,654)	(568,654)	-	(2,103,050)	(2,103,050)	-	(2,671,704)	(2,671,704)	-
Administrative expenses	-	(115,578)	115,578	-	(133,417)	133,417	-	(248,995)	248,995
Net changes	1,754,675	2,946,711	(1,192,036)	3,371,500	2,540,866	830,634	5,126,175	5,487,577	(361,402)
Balances at 6/30/14 (DTC Plan) and 12/31/14 (DART Plan)	$ 21,812,465	$ 20,884,633	$ 927,832	$ 40,854,772	$ 42,036,047	$ (1,181,275)	$ 62,667,237	$ 62,920,680	$ (253,443)

(7) Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate

The sensitivity of the net pension liability to changes in the DTC Plan's discount rate as of June 30, 2014, and the DART Plan's discount rate as of December 31, 2014 is as follows:

	1% Decrease	Current Discount rate	1% Increase
DTC Plan (7.5%)	$ 3,619,855	$ 927,832	$ (1,343,018)
DART Plan (7.0%)	$ 3,236,223	$ (1,181,275)	$ (4,978,492)

(8) Expected and Actual Experience Difference

The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members, which is six years. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources. The collective amount of the difference between expected and actual experience for the Fiscal Year Ended June 30, 2014 and December 31, 2014 was $0.

(9) Change in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive plan members, which is six years. The first year of amortization is recognized as pension expense, with the remaining years recognized as either a deferred outflow or deferred inflow of resources. The collective amount of change in assumptions for the Fiscal Year Ended June 30, 2014 and December 31, 2014 was $0.

(10) Difference between Projected and Actual Investment Earnings on Pension Plan Investments

The difference between the actual earnings on plan investments compared to the DTC Plan's expected rate of return of 7.5% and DART Plan's expected rate of return of 7.0% is amortized over a closed period of five years. The first year of amortization is recognized as pension expense with the remaining four years recognized as a deferred inflow of resources. The collective amount of the difference between projected and actual earnings for the Fiscal Year Ended June 30, 2014 and December 31, 2014 was $706,367.

(11) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The components of pension expense for the DTC Plan and DART Plan for Fiscal Year 2015 were as follows:

	DTC Plan	DART Plan
Service cost	$ 840,320	$ 1,765,669
Interest	1,483,009	2,675,064
Member contributions	(30,251)	(1,262,888)
Benefit changes	-	1,029,691
Difference between actual and expected experience	-	4,126
Administrative expenses	115,578	133,417
Projected earnings on plan investments	(1,364,227)	(2,762,433)
Amortization of investment return differences	(215,783)	-
Pension expense	$ 828,646	$ 1,582,646

For the Fiscal Year Ended June 30, 2015, DTC reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Contributions made subsequent to the measurement date	$ 2,232,549	$ -
Pension plan investment return differences	-	706,367
Totals	$ 2,232,549	$ 706,367

Amounts reported as deferred outflows of resources will be recognized as a reduction to the net pension liability in Fiscal Year 2016. Amounts reported as deferred inflows of resources will be recognized in pension expense as follows:

2016	$ 184,430
2017	184,430
2018	184,430
2019	184,430
2020	(31,353)

(13) Other Post-Employment Benefits (OPEB)

With the exception of DTC employees (see Note 13A), the Department's eligible employees are covered under the OPEB Trust.

(a) Plan Description

On July 1, 2007, the OPEB Trust was established pursuant to Section 115 of the Internal Revenue Code and separate from the DPERS. The OPEB Trust is administered by the DPERS Board of Directors. Policy for and management of the OPEB benefits provided to retirees are the responsibility of the State. No stand-alone financial report is issued for the OPEB Trust.

The OPEB Trust is a single-employer, defined benefit plan. The OPEB Trust provides retirement medical coverage to pensioners and their eligible dependents in the State Employees', Judiciary, Open State Police, and Closed State Police pension plans. The State of Delaware has elected to assume the OPEB liability on behalf of employees who participate in the State's pension plan but are employed at outside agencies including Delaware State University, University of Delaware, Delaware State Housing Authority, Delaware Charter Schools, and Delaware Solid Waste Authority.

Membership of the plan consisted of the following at June 30, 2015:

Retirees and beneficiaries receiving benefits	20,970
Terminated plan members entitled to, but not yet receiving, benefits	3,205
Active eligible plan members	36,748
Total	60,923

The Department has approximately 1,700 active eligible plan members, which is the basis on which plan costs are allocated.

Substantially all State employees become eligible for post-retirement benefits if they reach retirement age while working for the State. The costs of providing these benefits are shared between the State and the retired employee. The plan provisions are as follows:

Eligibility

State employees:

Early Retirement: Age 55 with 15 years of service or any age with 25 years of service.

Normal Retirement (hired before January 1, 2012): Age 62 with five years of service, age 60 with 15 years of service, or any age with 30 years of service.

Normal Retirement (hired on or after January 1, 2012): Age 65 with 10 years of service, age 60 with 20 years of service, or any age with 30 years of service.

Judges:

Normal Retirement (before July 1, 1980): Age 65 with 12 years of service, any age with 24 years of service, or involuntarily retired after 22 years of service as a judge.

Normal Retirement (after June 30, 1980): Age 62 with 12 years of service, any age with 24 years of service, or involuntarily retired after 22 years of service as a judge.

Closed State Police:

Normal Retirement: Age 55 or 20 years of service.

Open State Police:

Normal Retirement: Employed at age 55 with 10 years of service, any age with 20 years of service, or 10 years of service when age plus service equals 75.

Benefits

During the Fiscal Year Ended June 30, 2015, the State provided health insurance options through several providers.

Spouse and Survivor Coverage

Both are available under any of the plan options with similar retiree contributions.

Employee Contributions

If hired prior to July 1, 1991, no contributions are required. If hired on or after July 1, 1991 (except disability pension), contributions depend on years of service, as follows:

Years of service	Percent of premium paid by State
Less than 10	0 %
10 - 14	50
15 - 19	75
20 or more	100

(b) Funding Policy

The State funds the OPEB Trust for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. Additional funding has also been provided on an ad-hoc basis. By State statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may be amended by the State Legislature. Funds are recorded in the OPEB Trust for the payment of retiree healthcare claims and administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the OPEB Trust. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the OPEB Trust and is responsible for the financial management of the OPEB Trust.

(c) Contributions

The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you-go financing requirements as a percentage of covered payroll, with an additional amount to pre-fund benefits, which is not actuarially determined. For Fiscal Year 2015, the State contribution in relation to the annual required contribution (ARC) totaled $226.3 million. The portion of the contribution allocated to the Department for Fiscal Year 2015 was $11.4 million.

Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991 paying a proportionately higher rate if their years of service total less than 20. Retiree contributions for health coverage during Fiscal Year 2015 totaled $8.0 million.

(d) Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the net OPEB obligation.

The following table shows the components of the State's annual OPEB cost, the amount actually contributed to the Plan, the State's net OPEB obligation, and the amounts allocated to the Department for the Fiscal Year Ended June 30, 2015:

	(in Millions)	
	State total	**Department allocation**
Net OPEB obligation as of June 30, 2014	$ 1,988.6	$ 103.6
Annual required contribution	404.4	20.4
Interest on net OPEB obligation	84.5	4.2
Adjustment to annual required contribution	(76.7)	(3.9)
Annual OPEB cost	2,400.8	124.3
Employer contributions	(226.3)	(11.4)
Net OPEB obligation as of June 30, 2015	$ 2,174.5	$ 112.9

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are as follows (dollar amounts in millions):

Fiscal Year Ended		Annual OPEB cost	Percentage of annual OPEB cost contributed		Net OPEB obligation
06/30/2015	$	124.3	9 %	$	112.9
06/30/2014		113.9	9		103.6
06/30/2013		103.5	10		92.8

(e) *Funded Status and Funding Progress*

As of June 30, 2015, the plan was 4.9% funded. The actuarial accrued liability for benefits was $6,321.2 million, and the actuarial value of assets was $312.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of $6,008.8 million for the State. The covered payroll (annual payroll of active employees covered by the Plan) was $2,048.0 million, and the ratio of the UAAL to the covered payroll was 293.4%. Specific amounts related to the Department cannot be determined.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

(f) *Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the OPEB plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the entry age normal actuarial cost method was used. Investments are valued at fair value. The actuarial assumptions included a 4.25% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the State's own investments calculated based on the funded level of the plan at the valuation date, and an initial medical inflation rate of 4.25%. The UAAL is being amortized as a level percentage of projected payroll on a level percent open basis over 30 years using a 3.25% rate of salary increase.

A. DTC OPEB

(1) Plan Description

In June 2010, the Delaware Transit Corporation OPEB Fund Trust (the DTC OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code. The DTC OPEB Trust is administered by DTC. Policy for and management of the OPEB benefits provided to retirees are the responsibility of DTC. No stand-alone financial report is issued for the DTC OPEB Trust.

The DTC OPEB Trust is a single-employer, defined benefit plan. The DTC OPEB Trust provides retirement medical insurance coverage to retired employees and their eligible dependents. DTC has elected to assume the DTC OPEB Trust liability on behalf of all of its employees.

Membership of the plan consisted of the following at June 30, 2014:

Retirees and beneficiaries receiving benefits	148
Terminated plan members entitled to, but not yet receiving, benefits	31
Active eligible plan members	817
Total	996

Substantially all DTC employees become eligible for post-retirement benefits if they reach retirement age while working for DTC. The plan provisions are as follows:

Eligibility

Contract Employees:

Age 65 with five years of service or after attaining 25 years of service.

Normal Retirement:

Age 55 with 10 years of service or age 62 with five years of service.

Benefits

During the Fiscal Year Ended June 30, 2015, DTC provided health insurance options through several providers.

Spouse and Survivor Coverage

Surviving spouses of participants are allowed access to the plan and receive the same subsidy as retirees.

Employee Contributions

No contributions are required by the employees.

(2) Funding Policy

DTC funds the DTC OPEB Trust on a pay-as-you-go basis with additional funding provided on an ad-hoc basis. Funds are recorded in the DTC OPEB Trust for the payment of retiree healthcare claims and administrative and investment expenses. Administrative costs are financed through investment earnings. Employer contributions and retiree contributions for healthcare are recorded in the DTC OPEB Trust. The funds available are invested under DTC's management, which acts as the Trustee and is responsible for the financial management of the DTC OPEB Trust. The cash basis costs associated with these benefits were $1,399,775 for the Fiscal Year Ended June 30, 2015.

(3) Contributions

DTC subsidizes the medical premium. The subsidized percentage is 90% of published rates for retirees less than age 65 and 100% for retirees age 65 or greater. DTC subsidizes 100% of the dental and vision coverage for noncontract employees. Contract employees are allowed access to dental and vision coverage, but must pay the full premium. Life insurance is provided to retirees. Retirees under age 70 receive $6,000 in coverage. Once the participant reaches age 70, the coverage drops to $5,000. DTC must pay $0.23 per month per $1,000 of coverage for each employee.

(4) Annual OPEB Cost and Net OPEB Obligation

DTC's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. Amounts "required" but not actually contributed to pay for these benefits are accumulated as part of the net OPEB obligation. The following table shows the components of DTC's annual OPEB cost, the amount actually contributed to the plan, and DTC's net OPEB obligation for the Fiscal Year Ended June 30, 2015:

Net OPEB obligation as of June 30, 2014	$	90,958,540
Annual required contribution		12,868,000
Interest on net OPEB obligation		3,606,000
Adjustment to annual required contribution		(4,524,000)
Annual OPEB cost		102,908,540
Employer contributions		(1,399,775)
Net OPEB obligation as of June 30, 2015	$	101,508,765

DTC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year Ended		Annual OPEB cost	Percentage of annual OPEB cost contributed		Net OPEB obligation
06/30/2015	$	11,950,000	11.71 %	$	101,508,765
06/30/2014		16,748,000	7.69		90,958,540
06/30/2013		15,671,000	7.62		75,498,140

(5) ***Funded Status and Funding Progress***

As of July 1, 2014, the most recent actuarial valuation date, the plan was 2.1% funded. The actuarial accrued liability was $104,434,000, and the actuarial value of assets was $2,188,606, resulting in a UAAL of $102,245,394. The covered payroll (annual payroll of active employees covered by the plan) was $42,716,806, and the ratio of the UAAL to the covered payroll was 239.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(6) ***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the OPEB plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit method was used with linear proration to assumed benefit commencement. The actuarial assumptions included a 4.0% investment rate of return, 3.0% payroll growth rate, a 2.4% inflation rate, and a healthcare cost trend rate based on the Society of Actuaries Long-Term

Trend Model adjusted for the projected impact of the cadillac tax for pre-age 65 retirees. Sample trends are as follows:

2015	4.5%
2020	5.3
2025	5.0
2050	4.8

The unfunded liability is being amortized as a level percentage of payroll over a 30-year closed amortization period.

(14) Commitments and Contingencies

(a) Construction Commitments

The Department had contractual commitments of $295,901,907 for construction of various highway projects at June 30, 2015. Current and future appropriations will fund these commitments as work is performed.

(b) Litigation

The Department is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Department.

(c) Pollution Remediation

GASB No. 49 provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASB No. 49 does not require the Department to search for pollution, it does require the Department to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

a. Pollution poses an imminent danger to the public and the Department is compelled to take action;

b. The Department is in violation of a pollution-related permit or license;

c. The Department is named, or has evidence that it will be named, as a responsible party by a regulator;

d. The Department is named, or has evidence that it will be named, in a lawsuit to enforce a cleanup; or

e. The Department commences, or legally obligates itself to conduct, remediation activities.

The Department becomes aware of pollution conditions in the fulfillment of its mission, and site investigation, planning and design, cleanup, and site monitoring are typical remediation activities of the Department. The Department has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. GASB No. 49 requires the Department to calculate pollution remediation liabilities using the expected cash flow technique. Where the Department cannot reasonably estimate a pollution remediation obligation, it does not report a liability; however, the Department has not identified any of these situations.

The remediation obligation estimates presented in these financial statements are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations, and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the Department's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

At June 30, 2015, the Department had outstanding pollution remediation liabilities of $1,993,000.

(15) Risk Management

The Department is exposed to various risks of loss related to workers' compensation, healthcare, automobile, and casualty claims. Except as noted below, the Department is a participant in the State of Delaware's Risk Management Program, which covers all claim settlements and judgments out of its General Fund. The Department pays premiums to the General Fund for this coverage.

(a) Workers' Compensation Insurance

DTC maintains coverage for workers' compensation benefits. DTC manages the coverage through both the retention of risk and the purchase of commercial insurance. The payment of workers' compensation claims is processed through a third-party administrator.

For years prior to 2003, DTC established workers' compensation loss contingency reserves based upon insurance carriers' actuarial reviews. Benefit claims in an amount of $100,000 or less per person, per coverage year are paid by DTC from the workers' compensation loss contingency reserve. Once any claim exceeds $100,000 or total claims for a given policy period exceed the maximum loss amount, the insurance policy covers the excess.

For Fiscal Year 2003, DTC changed its coverage to a first dollar program. Also, all claims were subject to a $5,000 deductible for the medical portion of a claim. All other expenses related to a claim were covered by the insurance carrier.

Subsequent to Fiscal Year 2003, DTC changed its coverage and was insured through Fiscal Year 2011 by the State. For Fiscal Years 2012 through 2014, DTC was insured through Liberty Mutual. In Fiscal Year 2015, DTC returned to being covered by the State and the premium was calculated as $9.00 per $100 on gross wages. DTC is not responsible for any costs other than the premium paid, thus no loss contingency reserves were established.

(b) Auto Insurance

DTC maintains auto insurance coverage through both the retention of risk and the purchase of commercial insurance. Auto loss reserves that are based upon actuarial reviews were established by DTC.

For years prior to 2003, DTC established auto loss reserves based upon insurance carriers' actuarial reviews. Individual claims in an amount of $100,000 or less per incident, per coverage year were paid from the auto loss reserve funds. Once a specific claim exceeds $100,000 or total claims for a given policy period exceed the maximum loss amount established by the insurance carrier, the insurance policy covers the excess.

For 2003 and subsequent years, DTC changed its auto insurance coverage whereby they established self-insured retention thresholds up to certain dollar amounts and purchased commercial insurance (wrap-around) policies for coverage amounts in excess of the self-insured retention thresholds. DTC established initial loss reserve insurance liabilities for each of the years based upon actuarially determined valuations assuming DTC's maximum liability exposure to be $1,000,000 per occurrence (this reflects the sovereign immunity cap pursuant to Title 2 of the Delaware Code, Subsection 1329). DTC had several cases that were settled in excess of the sovereign immunity cap.

For individual claims in excess of the sovereign immunity cap, DTC established a maximum amount of loss based upon their self-insured retention program, as well as purchasing commercial insurance coverage in the amounts identified in the table below:

Fiscal Year	**Initial loss reserve insurance liability established**	**Maximum amount of loss under self-insured retention program (per occurrence)**	**Excess commercial coverage (aggregate)**
2015	$ 5,078,000	$ 1,000,000	***
2014	4,510,000	1,000,000	***
2013	4,304,004	1,000,000	***
2012	3,828,996	1,000,000	***
2011	3,372,000	1,000,000	***
2010	3,467,000	1,000,000	***
2009	3,129,000	900,000	**
2008	3,106,000	900,000	**
2007 (01/15/07 - 06/30/07)	*	900,000	**
2007 (07/01/06 - 01/14/07)	2,607,350	2,300,000	$ 5,000,000
2006	2,858,258	2,300,000	5,000,000
2005	2,763,367	2,300,000	5,000,000
2004	2,666,763	1,300,000	6,000,000
2003	2,561,000	1,300,000	10,000,000

* Initial loss reserve established July 1, 2006 in the amount of $2,607,350 for the entire fiscal year.

** For these loss years, DTC is self-insured for the first $900,000, and the next $100,000 is commercial coverage. DTC has no additional coverage beyond this point.

*** For these years, DTC is self-insured with no commercial coverage.

The components of the remaining insurance loss reserve on DTC's statement of net position were as follows at June 30, 2015:

Auto loss reserve remaining for Fiscal Year 2015	$	3,456,000
Auto loss reserve remaining for Fiscal Year 2014		3,355,000
Auto loss reserve remaining for Fiscal Year 2013		3,792,000
Auto loss reserve remaining for Fiscal Year 2012		742,000
Auto loss reserve remaining for Fiscal Year 2011		189,000
Auto loss reserve remaining for Fiscal Year 2010		116,000
Auto loss reserve remaining for Fiscal Year 2000		4,000
	$	11,654,000

Changes in the balance of total claim liabilities during Fiscal Year 2015 were as follows:

Beginning balance - July 1, 2014	Current year estimated claims and changes in estimates	Actual claim payments	Ending balance - June 30, 2015
$ 12,011,000	$ 5,180,731	$ (5,537,731)	$ 11,654,000

(16) Operating Leases

The Department has several noncancellable operating leases, primarily for operation and maintenance facilities, which expire at various times through June 29, 2020. Those leases require the Department to pay for maintenance and liability insurance costs. Rental expenses were $257,649 for the Fiscal Year Ended June 30, 2015.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2015 are as follows:

2016	$	188,747
2017		47,993
2018		1,800
2019		1,800
2020		1,800
	$	242,140

DTC had an operating lease agreement for transit vehicle tires, which expired on August 31, 2014. The lease agreement can be automatically renewed for two additional one year periods, which extends the lease through August 31, 2016. The lease agreement requires DTC to make monthly payments based on miles driven multiplied by a mileage rate as set forth in the agreement. The mileage rate is based on contract year and estimated annual vehicle miles. For the Fiscal Year Ended June 30, 2015, DTC incurred expenses related to this lease of $608,161.

(17) Transfers In From and Out to Other Funds

Per the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating, maintenance, and capital expenses financed by the State's general bank account. However, the State's General Assembly and the State's Division of Revenue transferred the following amounts as general operating support from the State's General Fund to the Department at June 30, 2015:

Amounts transferred to the Trust Fund:	
Division of Motor Vehicles	$ 2,874,726
Division of Revenue, Motor Vehicle Dealer/Lessor License and Document Fees	514,012
	$ 3,388,738

In addition, the Trust Fund is responsible for maintaining funds appropriated by the General Assembly for DTC, and reimbursing DTC for its operating and capital expenses up to the total amount of the appropriated funds. Total reimbursement for the Fiscal Year Ended June 30, 2015 was $92,915,587.

(18) Service Concession Arrangement for Welcome Center and Service Plaza

At the end of Fiscal Year 2010, construction was completed on the Welcome Center and Service Plaza (the Center) pursuant to an agreement with HMS Host Tollroads, Inc. (HMS), under which HMS financed, designed, and built the Center and continues to maintain and operate the Center for 35 years. The agreement with HMS was entered into in order to improve the comfort of motorists traveling through Delaware and to avoid the issuance of debt. Under the agreement, HMS is responsible for maintaining the Center to current conditions and insuring the Center over the course of the 35 year operations period. The Trust Fund will be entitled to a percentage of all sales from fuel and non-fuel items sold. At the end of the arrangement, operation of the Center will be transferred to the Trust Fund in its enhanced condition. The Department reports the Center as a capital asset with a carrying amount of $22,100,000 at June 30, 2015, and a related deferred inflow of resources of $18,942,857, which is being amortized over 35 years. Amortization expense for the Fiscal Year Ended June 30, 2015 was $631,428.

(19) Subsequent Events

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements or disclosure in the notes to financial statements. All events and transactions have been evaluated through November 23, 2015, which is the date the financial statements were available to be issued.

(20) Reclassifications

Certain reclassifications have been made to the prior year's financial statements in order to conform to the current year presentation. The reclassifications had no effect on previously reported changes in net position or net position.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information - Governments That Use the Modified Approach for Infrastructure Assets

As allowed by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 4,448 centerline miles and 1,626 bridges that the State is responsible for maintaining.

The condition of the State's road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0.0 for poor pavement to 5.0 for pavement in good condition.

The condition of bridges is measured using the "Bridge Condition Rating" (BCR), which is based on the Federal Highway Administration (FHWA) Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges." The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9, 0 to 4 for substandard bridges, and 9 for bridges in good condition. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of between 6 and 9. A rating of 5 is considered fair. The information is taken from past "Bridge Inventory Status" reports.

It is the State's policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges. Due to the timing of these condition assessments, information for the Fiscal Year Ended June 30, 2015 is not available.

State of Delaware
Department of Transportation

Required Supplementary Information
June 30, 2015

Structural rating numbers and percentages for bridges

	BCR condition rating	2015 Number	2015 Percentage	2014 Number	2014 Percentage	2013 Number	2013 Percentage
		Calendar year ended December 31,:					
Good	6 - 9	1,211	74.5	1,198	75.3	1,152	73.1
Fair	5	304	18.7	307	19.3	331	21.0
Poor	0 - 4	111	6.8	87	5.4	92	5.9
	Totals	1,626	100.0	1,592	100.0	1,575	100.0

Deck rating numbers and percentages for bridges

	OPC condition rating	2015 Square feet	2015 Percentage	2014 Square feet	2014 Percentage	2013 Square feet	2013 Percentage
		Calendar year ended December 31,:					
Good	6 - 9	5,979,029	74.3	5,886,694	74.9	5,936,967	75.4
Fair	5	1,696,198	21.1	1,650,327	21.0	1,549,714	19.7
Poor	0 - 4	374,113	4.6	321,851	4.1	384,961	4.9
	Totals	8,049,340	100.0	7,858,872	100.0	7,871,642	100.0

Center-line mile numbers and percentages for road pavement

	OPC condition rating	2013 Center-line miles	2013 Percentage	2011 Center-line miles	2011 Percentage	2009 Center-line miles	2009 Percentage
		Calendar year ended December 31,:					
Good	3.0 - 5.0	4,032	90.6	3,796	86.7	3,423	78.5
Fair	2.5 - 3.0	356	8.0	400	9.1	575	13.2
Poor	Below 2.5	60	1.4	182	4.2	362	8.3
	Totals	4,448	100.0	4,378	100.0	4,360	100.0

Comparison of estimated-to-actual maintenance/preservation (in thousands)*

	2015	2014	2013	2012	2011
	Fiscal Year Ended June 30,:				
Estimated	$ 241,900	$ 198,873	$ 185,399	$ 243,600	$ 259,351
Actual	291,630	234,800	233,810	285,923	248,973

* The estimated expenditures represent annual Bond Bill authorization. The actual expenditures represent the current year spending, which includes cumulative authorization.

State of Delaware
Department of Transportation

Required Supplementary Information
June 30, 2015

Required Supplementary Information - DelDOT/Trust Fund Pension

Schedule of Proportionate Share of Net Pension Liability

Proportionate Share of Net Pension Liability	**June 30, 2014**
DelDOT/Trust Fund proportion of the net pension liability	3.8332 %
DelDOT/Trust Fund proportion of the net pension liability - dollar value	$ 14,114,288
DelDOT/Trust Fund covered employee payroll	$ 73,603,519
DelDOT/Trust Fund proportionate share of the net pension liability as a percentage of covered employee payroll	19.18 %
Contributions	
Contractually required contribution	$ 6,702,782
Contributions in relation to the contractually required contribution	6,702,782
Contribution deficiency	$ -
DelDOT/Trust Fund covered employee payroll	$ 73,603,519
Contribution as a percentage of covered employee payroll	9.11 %

In accordance with GASB No. 68, this schedule has been prepared prospectively as the above information for the preceding years in not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Required Supplementary Information - DTC Pensions

The following provides an analysis of the changes in DTC's net pension liability (asset) for each of its plans:

Statement of Changes in Net Pension Liability (Asset) and Related Ratios
(Dollar amounts in thousands)

	DTC Plan 6/30/2014	DART Plan 12/31/2014
Total pension liability		
Service cost	$ 840	$ 1,766
Interest	1,483	2,675
Changes of benefit terms	-	1,030
Differences between expected and actual experience	-	4
Benefit payments, including refunds of member contributions	(569)	(2,103)
Net change in total pension liability	1,754	3,372
Total pension liability - beginning	20,058	37,483
Total pension liability - ending (a)	$ 21,812	$ 40,855
Plan fiduciary net position		
Contributions - employer	$ 1,158	$ 909
Contributions - members	30	1,263
Net investment income	2,443	2,605
Benefit payments, including refunds of member contributions	(569)	(2,103)
Administrative expense	(116)	(133)
Net change in plan fiduciary net position	2,946	2,541
Plan fiduciary net position - beginning	17,938	39,495
Plan fiduciary net position - ending (b)	$ 20,884	$ 42,036
Net pension liability (asset) - ending (a) - (b)	$ 928	$ (1,181)
Plan fiduciary net position as a percentage of total pension liability	95.75 %	102.89 %
Covered-employee payroll	$ 12,099	$ 27,627
Net pension liability (asset) as a percentage of covered-employee payroll	7.67 %	(4.27)%
Expected average remaining service years of all participants	8.5	8.3

Notes to Schedule

Benefit changes:	None
Changes of assumptions:	None

State of Delaware
Department of Transportation

Required Supplementary Information
June 30, 2015

Schedule of Contributions

Last 10 Fiscal Years
(Dollar amounts in thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
DTC Plan, as of June 30,										
Actuarially determined contribution	$ 1,156									
Contributions in relation to the actuarially determined contribution	1,158									
Contribution deficiency (excess)	$ (2)	Information for FY2013 and earlier is not available								
Covered-employee payroll	$ 12,099									
Contributions as a percentage of covered-employee payroll	9.57 %									
DART Plan, as of December 31,										
Actuarially determined contribution	$ 635	$ 773	$ 715	$ 598	$ 611	$ 859	$ 683			
Contributions in relation to the actuarially determined contribution	908	1,250	1,080	1,074	1,082	1,063	996	Information for FY2007 and earlier is not available		
Contribution deficiency (excess)	$ (273)	$ (477)	$ (365)	$ (476)	$ (471)	$ (204)	$ (313)			
Covered-employee payroll	$ 25,748	$ 24,788	$ 22,985	$ 22,847	$ 22,675	$ 22,072	$ 18,689			
Contributions as a percentage of covered-employee payroll	3.53 %	5.04 %	4.70 %	4.70 %	4.77 %	4.82 %	5.33 %			

Notes to Schedule

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the immediately following fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:	*DTC Plan*	*DART Plan*
Actuarial cost method	Frozen Entry Age	Entry Age Normal
Amortization method	Level Dollar, Open	Level Percentage of Pay
Remaining amortization period	30 years	15 years
Asset valuation method	Market value	Five-year market smoothed
Inflation	2.0%	2.0%
Salary increases	2.5%, including inflation	4.0%, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation	7.0%, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service	Rates vary by participant age and service
Mortality	RP-2000 Combined Healthy tables with generational projection by Scale AA	RP-2000 Blue Collar table without any future mortality improvements

State of Delaware
Department of Transportation

Required Supplementary Information
June 30, 2015

Required Supplementary Information - DTC OPEB Trust

The following table presents additional information related to funding status and funding progress. It is intended to help readers assess the individual plan's funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due:

Schedule of Funding Status and Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficit) of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered payroll (c)	Excess (Deficit) as a % of Covered Payroll ((a-b)/c)
07/01/2014	$ 2,189,000	$ 104,434,000	$ (102,245,000)	2.10 %	$ 42,716,806	(239.36)%
07/01/2013	1,878,000	135,237,000	(133,359,000)	1.39	38,546,221	(345.97)
07/01/2012	1,755,283	121,627,000	(119,871,717)	1.44	34,537,878	(347.07)

SUPPLEMENTARY INFORMATION

Delaware Transportation Authority
Transportation Trust Fund
Statement of Net Position in Accordance with Trust Agreement
June 30, 2015
(with comparative totals for June 30, 2014)

	Operations	Trust Holdings	Debt Reserve	(Memorandum Only) 2015	2014
Current assets					
Cash and cash equivalents					
Unrestricted	$ 26,384,024	$ 63,568	$ -	$ 26,447,592	$ 16,648,716
Restricted	-	3,643,014	12,723	3,655,737	26,646,290
Investments - at fair value					
Unrestricted	45,293,433	10,120,185	-	55,413,618	79,197,865
Restricted	-	107,388,612	2,650,814	110,039,426	70,313,336
Accounts receivable					
Trade	8,891,270	-	-	8,891,270	8,411,336
Federal grants	276,291	-	-	276,291	6,899,661
Interest	398,661	-	-	398,661	454,745
Total current assets	81,243,679	121,215,379	2,663,537	205,122,595	208,571,949
Noncurrent assets					
Capital assets, not depreciable					
Land	-	152,306,437	-	152,306,437	146,001,454
Infrastructure	-	1,216,991,300	-	1,216,991,300	1,211,164,715
Service concession buildings and improvements	-	22,100,000	-	22,100,000	22,100,000
Capital assets, depreciable					
Buildings and improvements	-	8,072,030	-	8,072,030	8,072,030
Total capital assets	-	1,399,469,767	-	1,399,469,767	1,387,338,199
Less: accumulated depreciation	-	4,217,142	-	4,217,142	4,028,642
Capital assets, net	-	1,395,252,625	-	1,395,252,625	1,383,309,557
Investments - at fair value, net of current portion					
Unrestricted	408,645	4,154,829	-	4,563,474	26,553,523
Restricted	366,164	8,370,187	61,748,385	70,484,736	59,626,299
Total noncurrent assets	774,809	1,407,777,641	61,748,385	1,470,300,835	1,469,489,379
Total assets	82,018,488	1,528,993,020	64,411,922	1,675,423,430	1,678,061,328
Deferred outflows of resources	-	20,448,278	-	20,448,278	22,823,445

(Continued)

Delaware Transportation Authority
Transportation Trust Fund
Statement of Net Position in Accordance with Trust Agreement (Continued)
June 30, 2015
(with comparative totals for June 30, 2014)

	Operations	Trust Holdings	Debt Reserve	(Memorandum Only) 2015	2014
Current liabilities					
Accounts payable and other accrued expenses	$ 15,608,211	$ -	$ -	$ 15,608,211	$ 12,343,703
Escrow deposits	-	2,259,980	-	2,259,980	2,754,858
Customer toll deposits	14,487,762	-	-	14,487,762	11,921,228
Interest payable	-	20,737,791	-	20,737,791	20,733,321
Unearned revenue	-	-	-	-	56,675
General obligation bonds payable	-	-	-	-	103,426
Revenue bonds payable	-	72,580,000	-	72,580,000	77,655,000
Bond issue premium - net of accumulated amortization	-	11,902,313	-	11,902,313	6,823,880
Total current liabilities	30,095,973	107,480,084	-	137,576,057	132,392,091
Noncurrent liabilities					
Revenue bonds payable - net of current portion	-	788,820,000	-	788,820,000	861,400,000
Bond issue premium - net of accumulated amortization and current portion	-	33,576,224	-	33,576,224	58,915,314
Total noncurrent liabilities	-	822,396,224	-	822,396,224	920,315,314
Total liabilities	30,095,973	929,876,308	-	959,972,281	1,052,707,405
Deferred inflows of resources	-	18,942,857	-	18,942,857	19,574,286
Net position					
Net investment in capital assets	-	519,840,247	-	519,840,247	378,411,937
Restricted	366,164	87,935,654	64,411,922	152,713,740	156,585,925
Unrestricted	51,556,351	(7,153,768)	-	44,402,583	93,605,220
Total net position	$ 51,922,515	$ 600,622,133	$ 64,411,922	$ 716,956,570	$ 628,603,082

Delaware Transportation Authority
Transportation Trust Fund
Statement of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement
Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	Operations	Trust Holdings	Debt Reserve	(Memorandum Only) 2015	2014
Operating revenues					
Pledged revenue					
Turnpike revenue	$ 120,363,461	$ -	$ -	$ 120,363,461	$ 122,404,184
Motor fuel tax revenue	116,968,447	-	-	116,968,447	114,555,916
Motor vehicle document fee revenue	94,037,087	-	-	94,037,087	84,830,376
Motor vehicle registration fee revenue	51,184,304	-	-	51,184,304	49,243,279
Other motor vehicle revenue	25,757,326	-	-	25,757,326	26,259,772
International Fuel Tax Agreement revenue	2,694,453	-	-	2,694,453	2,372,142
Total pledged revenue	411,005,078	-	-	411,005,078	399,665,669
Toll revenue - Delaware SR-1	55,767,180	-	-	55,767,180	47,561,542
Miscellaneous	8,258,624	1,312,793	-	9,571,417	12,749,770
Total operating revenues	475,030,882	1,312,793	-	476,343,675	459,976,981
Operating expenses					
Road maintenance, preservation, and repairs	1,387,149	44,477,125	-	45,864,274	49,372,042
Professional fees	49,208,623	49,973,858	-	99,182,481	100,086,311
Materials, supplies, and other	18,837,237	7,328,325	-	26,165,562	23,758,092
Depreciation	-	188,500	-	188,500	154,695
Total operating expenses	69,433,009	101,967,808	-	171,400,817	173,371,140
Operating income (loss)	405,597,873	(100,655,015)	-	304,942,858	286,605,841
Nonoperating revenues (expenses)					
Income from investments - pledged	51,188	1,033,257	760,508	1,844,953	2,257,110
Bad debt recovery	-	923,348	-	923,348	887,732
Federal grant revenue	-	276,291	-	276,291	6,899,661
Interest expense	-	(23,482,198)	-	(23,482,198)	(38,529,291)
Service concession arrangement	-	631,428	-	631,428	2,525,714
Excess (deficiency) of nonoperating revenues over nonoperating expenses	51,188	(20,617,874)	760,508	(19,806,178)	(25,959,074)
Income (loss) before transfers	405,649,061	(121,272,889)	760,508	285,136,680	260,646,767

(Continued)

Delaware Transportation Authority
Transportation Trust Fund
Statement of Revenues, Expenses, and Changes in Net Position in Accordance with Trust Agreement (Continued)
Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	Operations	Trust Holdings	Debt Reserve	(Memorandum Only) 2015	2014
Net transfers per agreement	$ (213,271,441)	$ 209,276,573	$ 3,994,868	$ -	$ -
Transfers to other governmental agencies	(5,484,944)	-	-	(5,484,944)	(3,743,385)
Transfers to State General Fund	-	(5,000,000)	-	(5,000,000)	(5,000,000)
Transfers from State General Fund	-	3,388,738	-	3,388,738	48,467,109
Transfers to DTC	(85,583,707)	-	-	(85,583,707)	(83,878,200)
Transfers to DelDOT	(104,103,279)	-	-	(104,103,279)	(112,792,414)
Change in fund net position	(2,794,310)	86,392,422	4,755,376	88,353,488	103,699,877
Fund net position - beginning of year	54,716,825	514,229,711	59,656,546	628,603,082	524,903,205
Fund net position - end of year	$ 51,922,515	$ 600,622,133	$ 64,411,922	$ 716,956,570	$ 628,603,082

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenue Bonds Outstanding
June 30, 2015

Principal	2005 Series	2006 Series	2007 A Series	2008 A Series	2008 B Series	2009 A Series	2009 B Series	2010 B Series	2012 Series	2014 Series	Total Senior Bond Series
FY16	$ 7,870,000	$ 5,865,000	$ 105,000	$ 14,620,000	$ 4,550,000	$ 4,270,000	$ 4,170,000	$ -	$ 9,945,000	$ 14,195,000	$ 65,590,000
FY17	-	6,160,000	4,975,000	15,355,000	4,730,000	4,485,000	8,530,000	-	5,395,000	13,685,000	63,315,000
FY18	-	-	5,220,000	2,110,000	4,970,000	4,710,000	9,975,000	-	25,600,000	9,670,000	62,255,000
FY19	-	-	5,455,000	2,215,000	5,215,000	4,945,000	4,830,000	-	38,800,000	4,500,000	65,960,000
FY20	-	-	5,730,000	2,330,000	5,480,000	5,195,000	5,485,000	5,070,000	21,555,000	14,965,000	65,810,000
FY21	-	-	22,130,000	2,445,000	5,750,000	5,455,000	-	5,200,000	12,715,000	10,650,000	64,345,000
FY22	-	-	6,520,000	2,540,000	6,040,000	5,725,000	-	5,340,000	23,100,000	12,330,000	61,595,000
FY23	-	-	-	2,645,000	6,340,000	6,010,000	-	5,495,000	30,280,000	8,060,000	58,830,000
FY24	-	-	-	2,750,000	6,660,000	6,310,000	-	5,655,000	24,800,000	8,465,000	54,640,000
FY25	-	8,695,000	-	2,865,000	7,000,000	6,625,000	-	5,830,000	19,350,000	195,000	50,560,000
FY26	-	9,000,000	-	2,980,000	7,360,000	6,960,000	-	6,015,000	-	12,045,000	44,360,000
FY27	-	9,315,000	-	3,105,000	7,745,000	7,305,000	-	6,215,000	-	-	33,685,000
FY28	-	-	-	3,240,000	8,150,000	7,670,000	-	6,450,000	-	-	25,510,000
FY29	-	-	-	3,375,000	8,580,000	8,055,000	-	6,695,000	-	-	26,705,000
FY30	-	-	-	-	9,050,000	8,460,000	-	6,945,000	-	-	24,455,000
FY31	-	-	-	-	-	-	-	7,210,000	-	-	7,210,000
	$ 7,870,000	$ 39,035,000	$ 50,135,000	$ 62,575,000	$ 97,620,000	$ 92,180,000	$ 32,990,000	$ 72,120,000	$ 211,540,000	$ 108,760,000	$ 774,825,000

Principal	GARVEE 2010 Series	Total GARVEE Bond Series	Totals
FY16	$ 6,990,000	$ 6,990,000	$ 72,580,000
FY17	7,280,000	7,280,000	70,595,000
FY18	7,625,000	7,625,000	69,880,000
FY19	7,985,000	7,985,000	73,945,000
FY20	8,375,000	8,375,000	74,185,000
FY21	8,785,000	8,785,000	73,130,000
FY22	9,210,000	9,210,000	70,805,000
FY23	9,625,000	9,625,000	68,455,000
FY24	10,145,000	10,145,000	64,785,000
FY25	10,555,000	10,555,000	61,115,000
FY26	-	-	44,360,000
FY27	-	-	33,685,000
FY28	-	-	25,510,000
FY29	-	-	26,705,000
FY30	-	-	24,455,000
FY31	-	-	7,210,000
	$ 86,575,000	$ 86,575,000	$ 861,400,000

Delaware Transportation Authority
Transportation Trust Fund
Schedule of Revenue Bond Coverage
June 30, 2015

Oversight responsibility for the issuance of debt by the State and its authorities is centralized under the Secretary of Finance. The following table sets forth certain indebtedness of the Authority. Further information for the Authority may be found in the notes to financial statements, changes in long-term liabilities, and bonds outstanding.

(Dollar amounts in thousands)

		Debt service requirements			
Fiscal Year	**Gross pledged revenue**	**Principal**	**Interest**	**Total**	**Coverage***
2005	$ 300,820	$ 53,920	$ 39,370	$ 93,290	3.22
2006	337,350	58,445	40,573	99,018	3.41
2007	346,954	61,370	45,534	106,904	3.25
2008	381,590	67,640	46,210	113,850	3.35
2009	367,399	73,510	43,619	117,129	3.14
2010	363,948	74,380	50,885	125,265	2.91
2011	376,186	71,760	52,585	124,345	3.03
2012	378,960	76,320	56,411	132,731	2.86
2013	387,918	83,230	48,097	131,327	2.95
2014	401,923	75,205	47,162	122,367	3.28
2015	412,850	77,655	41,467	119,122	3.47

* The above calculation represents the total gross pledged revenue as it relates to the total debt service requirement of all Senior and Junior Bonds. The calculation method used in the Official Statement per the Trust Agreement calculates only the Senior Bond debt service requirement and subtracts investment income revenue from gross pledged revenue.

Santora CPA Group
Right, By Your Side

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

State of Delaware Department of Transportation
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the State of Delaware Department of Transportation (the Department), an enterprise fund of the State of Delaware as of and for the Fiscal Year Ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that were appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatement on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described as findings 2015-1 and 2015-2 in the accompanying *Schedule of Findings* to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Department in a separate letter dated November 23, 2015.

The Department's Responses to Findings

The Department's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings*. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Santora CPA Group

November 23, 2015
Newark, Delaware

State of Delaware
Department of Transportation

Schedule of Findings
June 30, 2015

Finding 2015-1: Financial Reporting (Material Weakness)

Background

Throughout the year, the Department operates and records transactions on the cash and budget basis of accounting using First State Financials (FSF), the State's accounting system. The cash basis of accounting differs significantly from the accrual basis of accounting, which is the Department's basis for reporting information included in the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Since FSF is not used throughout the year to capture transactions on the accrual basis of accounting, the year-end compilation of the Department's financial statements is complex and heavily reliant on manual adjustments to properly record accruals and other non-routine transactions. State agencies on FSF are required to prepare GAAP packages to make various types of adjustments to correct the non-GAAP basis of accounting throughout the year. The Division of Accounting (DOA) provides training and instructions to State personnel on the GAAP package preparation and sets timelines for GAAP package submission to the DOA. In addition, there are some State agencies that use systems outside of FSF to gather and track required information; this adds to the complexity of the year-end GAAP package reporting and reconciliation process.

Condition

The Department's management has overall responsibility for the preparation and fair presentation of their financial statements. The DOA is responsible for compiling the Department's financial statements in accordance with GAAP.

During our audit, we identified several significant adjustments as a result of inaccurate or incomplete information included in the Department's GAAP package:

- $3,044,850 overstatement of the Division of Motor Vehicle's (DMV) direct access accounts receivable. This accounts receivable balance was recorded on both TTF and DelDOT fund trial balances. Subsequently, it was determined that the majority of this accounts receivable had in fact been collected and was recorded in error.

- $1,760,660 overstatement in Computer Software In Process.

- $6,233,368 expensed in current period related to prior-period expenditures on the new DMV Center.

In addition, we noted the following deficiencies in internal control over financial reporting:

- GAAP requires use of the effective interest method in calculating the amortization of bond premiums/discounts. The accumulated amortization and amortization expense reported in the compiled financial statements were recorded using the straight-line method. The impact of adjusting the bond premium amortization to be in accordance with GAAP was $13.4 million.

- GASB Nos. 68 and 71 were implemented by the Department in Fiscal Year 2015. The compiled financial statements did not calculate the impact of GASB No. 68 correctly and did not consider the impact of GASB No. 71. In addition, the compiled financial statements were missing certain disclosures required for compliance with GASB Nos. 68 and 71. The impact of adjusting entries to correctly present the impact of GASB Nos. 68 and 71 was $6.5 million.

- Reconciliations of revenue and expenses (proving out a rollforward of cash basis revenues and expenses from FSF, adding in the impact of accrual entries, and showing an adjusted total that agrees to financial statement line items) was not provided with the compiled financial statements. This type of reconciliation control is necessary to ensure that the financial statements are complete and accurate and reflect all activity of the Department for the fiscal year.

- Several amounts reported in the statement of cash flows were adjusted to reconcile to supporting audit documentation and workpapers.

- Revenues owed to DelDOT under a Park & Ride agreement with DTC in the amount of $757,836 were not properly accrued as a receivable on DelDOT's books and records as of June 30, 2015.

- Transfers to Other Governmental Agencies and Transfers from General Fund line items both overstated by $5 million due to double counting of Municipal Street Aid transfer to General Fund. Transfers from General Fund understated by approximately $514,000 related to Dealer/Lessor license and document fees not being included. In addition, the compiled footnote included a supplemental appropriation from Bond Bill; based on review of the Bond Bill and discussion with management, no supplemental appropriation was approved or received in Fiscal Year 2015.

Criteria

According to the National Council on Government Accounting Concept Statement No. 1, *Objectives of Financial Reporting,* "The overall goal of accounting and financial reporting for governmental units is to provide: 1) financial information useful for making economic, political, and social decisions, and demonstrating accountability and stewardship; and 2) information useful for evaluating managerial and organizational performance."

Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), defines financial reporting objectives as follows: "Financial reporting objectives address the preparation of reliable published financial statements, including interim and condensed financial statements and selected financial data derived from such statements...Reliable financial statements are a prerequisite to obtaining investor or creditor capital, and may be critical to the award of certain contracts or to dealing with certain suppliers. Investors, creditors, customers, and suppliers often rely on financial statements to assess management's performance and to compare it with peers and alternative investments. The term 'reliability' as used with financial reporting objectives involves the preparation of financial statements that are fairly presented in conformity with generally accepted or other relevant and appropriate accounting principles and regulatory requirements for external purposes."

The financial statements are the responsibility of management. A proper system of internal control over financial reporting is essential in order to prevent, detect, and correct misstatements and to ensure that such information is useful in decision-making and evaluating managerial and departmental performance, as well as demonstrating accountability and stewardship. Controls must be properly designed, in place, and operating effectively to ensure that the Department's accounting and financial information is fairly stated in accordance with GAAP.

Cause

There is not an effective internal management review process to ensure that the financial statements are accurate and complete and that presentation and disclosure is proper prior to submission for audit. Review at both the DOA and Department levels was not performed at a sufficient level of precision to identify these significant misstatements.

All Department and DOA staff working on various aspects of the GAAP reporting process should have sufficient technical expertise to perform the work accurately and timely. Management relies heavily on the audit process to identify financial statement errors and to implement new accounting standards.

The misstatement related to bond premium amortization was caused by the non-GAAP policy of using the straight-line method instead of the effective interest method.

Effect

There were material misstatements to the compiled financial statements submitted for audit.

Recommendation

We recommend that management refine the process used to complete the draft Department financial statements, notes to the financial statements, all significant GAAP adjustments, conversion to accrual adjustments, and prepare the necessary account reconciliations. The review process should include completion of a disclosure checklist to ensure that financial statements include all requirements of GAAP, as well as an evaluation of the reasonableness of individual financial statement line items and their related footnote disclosures by an individual with sufficient accounting and financial reporting experience and knowledge of the processes at the Department to detect and correct material inconsistencies and errors. Focus should be placed on the valuation of accounts associated with the GAAP package process and financial statement presentation, including the completeness and accuracy of the financial statements.

View of Responsible Officials

Fiscal Year 2015 was the second year that the DOA compiled the Department's financial statements, and we are gradually realizing the goals intended in doing so: increased skill and understanding of our financial statements and the processes required to produce them among members of our team, improved controls, and the ability to produce financial statements more frequently and efficiently in order to improve management information and decision making. The conditions cited are reminders of the importance of communication, and we acknowledge an improvement opportunity going forward between the Department and the DOA. We intend to schedule regular meetings with the DOA during the report compilation process to ensure the GAAP package and any adjusting entries are thoroughly understood and agreed to. We will also be engaging the DOA on both the conditions and deficiencies you have communicated.

Taking into account our practice of refunding certain bond issues and the desire to more accurately reflect the value of bond premiums in the financial statements, we agree with your recommendation and adopted the effective interest method. We will continue calculating bond premium amortization using this methodology going forward.

Finding 2015-2: Division of Motor Vehicle Revenues (Material Weakness)

Background

One of the sources of revenue for the Department is the DMV revenue, which is initiated when a customer enters one of the DMV locations to register a vehicle or pay a fee. The customer completes the appropriate forms, and the cashier at the DMV location enters the customer information into the Motor Vehicle and License System (MVALS), which calculates the appropriate fee the customer is to pay. On a daily basis for each location, a Daily Cash Report is created to reconcile the daily total for cash, credit cards, and checks for each cashier. Any discrepancies greater than $5 are investigated. The completed Daily Cash Reports are provided to the Accounting Specialist who reconciles the Daily Cash Reports to the MVALS system report for each location. The Accounting Specialist ensures that any shortages/ overages greater than $5 are reasonable and explained. A second Accounting Specialist then reconciles the MVALS totals to the related bank statement.

Condition

In testing a sample of 11 DMV daily revenue reconciliations, we verified that each daily reconciliation was properly reviewed and approved; this includes an audit by the Accounting Specialist that compares the lane work to what was recorded in MVALS for accuracy. In addition, for each daily reconciliation tested, the daily revenue was properly included in the total deposit submitted for the day, and the daily deposit properly flowed through to the month-end bank statement.

We did not identify control or substantive testing exceptions in the sample of 11 daily reconciliations tested. However, in reviewing the fiscal year DMV revenue reconciliation summary, we identified $3.3 million in "MVALS Adjustments". These amounts represent unreconciled variances between the MVALS system and bank statements. A breakout of the variances by month is detailed below:

Month	MVALS Adjustments
July 2014	$ (177,970)
August 2014	(182,898)
September 2014	(197,402)
October 2014	(487,140)
November 2014	502,417
December 2014	(408,585)
January 2015	(243,953)
February 2015	(404,365)
March 2015	(138,596)
April 2015	(383,280)
May 2015	(209,627)
June 2015	(1,041,503)
Total	$ (3,372,902)

In addition, we noted the following regarding the MVALS system:

- It is not possible to run consistent month-end reports, as MVALS system users are able to make changes after the fact (the month period in the system is never officially closed out). As a result, running the same month-end report on different days could generate different report results.

- There are no system controls to ensure that the correct transaction is processed in MVALS. For example, if the cashier incorrectly codes a transaction but enters the correct transaction amount, the cashier may process the transaction without correcting the coding (i.e., cashier processes one type of service but codes it to another service with the same cost). As a result, it is possible for a cashier to manipulate the transaction that is being processed. Because of this system limitation, management review of system reports from MVALS may not catch errors in data entry/coding in the system.

Criteria

Internal Control – Integrated Framework, published by COSO, defines control activities as "policies and procedures that help ensure management directives are carried out." Control activities occur throughout an organization, at all levels and functions, and include a wide range of activities, such as authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. To ensure control activities meet the objectives of management, supporting documentation for all such activities should be referred to or maintained with the financial documents. Management review controls are defined as activities of a person different than the preparer analyzing and performing oversight of activities performed and is an integral part of any internal control structure.

Cause

There are system limitations in the reporting functionality of MVALS. As a result, management cannot pinpoint the cause of the "MVALS Adjustments" noted above.

Effect

Without being able to effectively explain all reconciling items included in DMV revenue reconciliations, misstatements to the financial statements could go undetected.

Recommendation

We recommend that the Department consider updated software to use for recording DMV revenues or seek modifications to the current MVALS system that would address the reporting issues noted above. We further recommend that the Department ensure all reconciliations of cash and credit card transactions are performed timely, including explanations for all variances and "MVALS Adjustments", as required by the Department's internal policies and procedures.

View of Responsible Officials

The DMV Financial Services section performs a daily reconciliation of MVALS transactions to include cash, credit card, and checks for each lane (Delaware City, Wilmington, Georgetown, and Dover). This daily reconciliation ensures all revenue received throughout each day is properly accounted for and subsequently deposited in the bank. To address the reporting issues noted in this audit finding, the DMV is making it a priority to work closely with the Department's technology group to explore enhancements that can be made to improve MVALS revenue reporting. Specifically, we will work to identify all adjustments and make this a part of our monthly reconciliation.

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APPENDIX B

Summary of Certain Provisions of the Agreement

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

The following is a general summary of certain provisions of the Agreement, Summaries of definitions of certain defined terms used in the Agreement and the Official Statement are also set forth below. Other terms defined in the Agreement or the Official Statement for which summary definitions are not set forth are indicated by initial capitalization. This Summary is not to be considered a full statement of the terms of the Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof. Copies of the Agreement are available for examination at the offices of the Trustee and the Authority.

Definitions

"Accreted Value" shall mean, as of any date of computation with respect to any Compound Interest Bond, an amount equal to the principal amount of such Compound Interest Bond (the principal amount at its original issuance) plus the interest accrued on such Compound Interest Bond from the date of its original issuance to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at the interest rate per annum of the Compound Interest Bonds set forth in the Supplemental Agreement authorizing the issuance of such Compound Interest Bonds, compounded on each Interest Payment Date, plus, with respect to matters related to the payment upon redemption or acceleration of the Compound Interest Bonds, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based upon an assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of 360 days consisting of twelve (12) months of thirty (30) days each.

"Act" shall mean the Delaware Transportation Authority Act, Chapter 13, Title 2, Delaware Code, as amended, and the Transportation Trust Fund Act, Chapter 14, Title 2, Delaware Code, as amended from time to time.

"Additional Revenues" shall mean any receipts or revenue of the Authority pledged to the Trustee for the benefit of the holders of the Bonds pursuant to a Supplemental Agreement and not pledged by the Agreement on the date of its initial execution and delivery. By Supplemental Agreement No. 3 dated as of August 1, 1990, the following were added as Additional Revenue: motor vehicle registration fees imposed by the State pursuant to Chapter 21, Title 21, Delaware Code, all fees which are collected by the Department of Public Safety and paid to the Transportation Trust Fund pursuant to Chapter 3, Title 21, Delaware Code, and investment income earned and received on assets held in the Trust Fund (provided that investment income shall not be treated as Additional Revenue for the purposes of the additional Bonds tests). By Supplemental Agreement No. 9 dated as of November 1, 1994, amounts received from the State and derived by the State from the hauling permits required under Chapter 45, Title 21, Delaware Code were added as Additional Revenue. The Chapter 3, Title 21 Additional Revenue pledged by Supplemental Agreement No. 3 and the Chapter 45, Title 21 Additional Revenue pledged by Supplemental Agreement No. 9 are referred to herein as "Pledged Miscellaneous Transportation Revenue".

"Agreement" shall mean the Trust Agreement, dated as of the 1st day of August, 1988, between the Authority and Wilmington Trust Company together with all agreements supplemental thereto as therein permitted.

"Annual Budget" shall mean the Authority's budget required to be prepared by the Act, showing, among other things, the expected deposits to the Funds created under the Agreement.

"Appreciated Value" shall mean, (i) as of any date of computation with respect to any Compound Interest and Income Bond prior to the Interest Commencement Date set forth in the Supplemental Agreement providing for the issuance of such Compound Interest and Income Bond, an amount equal to the principal amount of such Compound Interest and Income Bond (the principal amount at its original issuance) plus the interest accrued on such Compound Interest and Income Bond from the date of original issuance of such Bond to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at the rate per annum of the Compound Interest and Income Bonds set forth in the Supplemental Agreement providing for the issuance of such Compound Interest and Income Bond, compounded semiannually on each Interest Payment Date, plus, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Appreciated Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Interest Payment Date calculated based upon an assumption that Appreciated Value accrues during any period in equal daily amounts on the basis of a year of 360 days consisting of twelve (12) months of thirty (30) days each, and (ii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

"Authority" shall mean the Delaware Transportation Authority, a body corporate and politic constituting a public instrumentality of The State of Delaware, and the successor or successors of the Authority.

"Bonds" or "Bond" shall mean Senior and/or Junior Bonds or Bond issued under the Agreement.

"Capital Fund" shall mean the Delaware Transportation Authority Capital Fund, a trust fund created and designated by the provisions of Article V of the Agreement.

"Compound Interest and Income Bonds" shall mean any Bonds as to which accruing interest is not paid prior to the Interest Commencement Date specified in the Supplemental Agreement providing for the issuance of such Bonds and the Appreciated Value for such Bonds is compounded semiannually on each of the applicable semiannual dates designated for compounding prior to the Interest Commencement Date for such Compound Interest and Income Bonds, all as so designated by the Supplemental Agreement providing for the issuance of such Bonds.

"Compound Interest Bonds" shall mean those Bonds as to which interest is compounded semiannually on each of the applicable semiannual dates designated for compounding and payable in an amount equal to the then current Accreted Value only at the maturity, earlier redemption or other payment date therefor, all as so designated by the Supplemental Agreement providing for the issuance of such Bonds.

"Credit Facility; Termination thereof; Expiration thereof" "Credit Facility" shall mean any of the following: (i) a letter of credit; and (ii) any other credit facility, insurance policy or other credit support agreement or mechanism obtained, delivered, made, entered into or otherwise arranged by the Authority for the purpose of securing, evidencing or being otherwise in furtherance of the obligations of the Authority under the Agreement or for the purpose of securing all or a portion of the Bonds, or for all of the foregoing purposes. Credit Facility shall include any agreement to reimburse the obligor of such Credit Facility for a drawing or advance under that Credit Facility as well as the agreement, if separate, which embodies the obligation of the obligor to the Authority or the Trustee permitting the Authority or the Trustee to draw or obtain advances under such Credit Facility. Any Credit Facility obtained to satisfy the debt service reserve account requirements for the Junior Bonds or the Senior Bonds which is an insurance policy must be rated at its issuance in the highest Rating Category by Moody's and S&P. Any such Credit Facility which is a letter of credit must be continuously rated in the highest Rating Category by Moody's and S&P. "Termination" (and other forms of the word "terminate") shall mean, when used with respect to any Credit Facility, the replacement, removal, surrender or other termination of such Credit Facility by the Trustee other than the Expiration of such Credit Facility. "Expiration" (and other forms of the word "expire") shall mean, when used with respect to any Credit Facility, the expiration or termination of such Credit Facility in accordance with its terms.

"Current Interest Bonds" shall mean any bonds the interest on which is paid at least semi-annually unless otherwise provided in a Supplemental Agreement.

"Defeased Municipal Obligations" shall mean obligations of state or local governments or obligations of public authorities or agencies which are rated in the highest Rating Category by S&P or Moody's and provisions for payment of which have been made by deposit of funds or investments with a trustee or escrow agent for the benefit of the holders of such Defeased Municipal Obligations.

"Delaware Turnpike" shall mean the toll express highway designated Delaware Interstate 95 extending from a point in the vicinity of Farnhurst, Delaware, to a point at or near the boundary line between the State of Delaware and the State of Maryland.

"Delaware Turnpike Revenues" shall mean all tolls, concession revenues and other revenues or receipts derived from the ownership, operation or maintenance of the Delaware Turnpike.

"Document Fees" shall mean the fees derived from motor vehicle document fees imposed by the State of Delaware pursuant to Section 3002, Chapter 30, Title 30, Delaware Code, as amended, from time to time, and successor sections of the Delaware Code.

"Engineering Consultants" shall mean a firm or corporation having a nationwide and favorable repute for skill and experience in all phases of turnpike engineering and maintenance and in estimating operating expenses incurred in operating toll turnpikes.

"Fiscal Year" shall mean the period commencing on the first day of July of any year and ending on the last day of June of the following year.

"Government Obligations" shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock surplus and undivided profits of at least $50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; and (c) Defeased Municipal Obligations.

"Interest Commencement Date" shall mean with respect to any particular Compound Interest and Income Bond, the date which must be an Interest Payment Date, as set forth in the Supplemental Agreement providing for the issuance of such Bond (which date must be prior to the scheduled maturity date for such Bond) after which interest accruing on such Bond shall be payable semiannually, with the first such payment being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

"Investment Account" shall mean the Delaware Transportation Authority Investment Account, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Junior Bonds" shall mean Bonds, at any time Outstanding, the principal and interest on which are payable from the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account and, as provided in the Agreement, from the Junior Bonds Debt Service Reserve Account and by their terms, subordinate in right of payment to Senior Bonds (except with respect to Junior Bonds Priority Funds) but senior in their right of payment to Subordinate Indebtedness.

"Junior Bonds Debt Service Reserve Account" shall mean the Delaware Transportation Authority Junior Bonds Debt Service Reserve Account, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Junior Bonds Debt Service Reserve Account Requirement" shall mean, as of any date of determination, an amount equal to one-half the maximum Principal and Interest Requirements on Junior Bonds then Outstanding; provided that with respect to any Junior Bonds bearing interest at the Short-Term Rate, such requirement shall be determined by Supplemental Agreements.

"Junior Bonds Principal and Interest Account" shall mean the Delaware Transportation Authority Junior Bonds Principal and Interest Account, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Junior Bonds Priority Funds" shall mean moneys on deposit in and/or payable under a Credit Facility to the Junior Bonds Principal and Interest Account, Junior Bonds Redemption Account and/or the Junior Bonds Debt Service Reserve Account.

"Junior Bonds Redemption Account" shall mean the Delaware Transportation Authority Junior Bonds Redemption Account, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Maximum Principal and Interest Requirement" shall mean the maximum principal and interest payable in any Fiscal Year with respect to Senior Bonds or Junior Bonds, as the case may be, less the sum of the proceeds of such Bonds issued to fund interest of such series of Bonds during the Fiscal Year of calculation.

"Motor Fuel Tax Revenues" shall mean the revenues derived from the motor fuel tax imposed by the State pursuant to Chapter 51, Title 30, Delaware Code, as amended, from time to time, and successor provisions of the Delaware Code.

"Non-Delaware Turnpike Operating Account" shall mean the trust fund created and designated in the Revenue Fund by the provisions of Supplemental Agreement No. 27.

"Operating Fund" shall mean the Delaware Transportation Authority Operating Fund, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Operating Reserve Fund" shall mean the Delaware Transportation Authority Operating Reserve Fund, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Other Projects Account" shall mean the Delaware Transportation Authority Other Projects Account, a trust fund created and designated in Section 5.01 ("Capital Fund") of the Agreement.

"Outstanding" when used in reference to the Bonds, shall mean, at any particular date, the aggregate of all Bonds authenticated and delivered under the Agreement except:

(a) those Bonds cancelled at or prior to such date or delivered to or acquired by the Trustee at or prior to such date for cancellation;

(b) those deemed to be paid in accordance with Article VIII ("Defeasance") of the Agreement;

(c) those deemed to be purchased in accordance with any agreement with a Tender Agent or Remarketing Agent; and

(d) those in lieu of or in exchange or substitution for which other Bonds shall have been authenticated and delivered pursuant to the Agreement.

"Principal" or "principal amount" shall mean (i) with respect to any Compound Interest and Income Bond, the Appreciated Value thereof and with respect to any Compound Interest Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Appreciated Value or the Accreted Value, as the case may be, being deemed unearned interest) except as used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default (of which the Trustee has notice within the meaning of Section 10.05 of the Agreement), in which case "principal" means the initial public offering price of a Compound Interest and Income Bond and a Compound Interest Bond (the difference between the Appreciated Value or the Accreted Value, as the case may be, and the initial public offering price being deemed interest) and (ii) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

"Principal and Interest Requirements" shall mean for any Fiscal Year:

(a) as applied to any Outstanding Bonds (except as provided in clauses (b), (c), (d) and (e) below), the sum of:

(i) the amount required to pay interest and any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on all serial Bonds then Outstanding which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if any interest payable on July 1 of the Fiscal Year of calculation is excluded);

(ii) the amount required to pay principal of all serial Bonds then Outstanding which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if the principal payment due on any July 1 of the Fiscal Year of calculation is excluded);

(iii) the amount required to pay interest and any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on all term Bonds then Outstanding which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if interest payable on any July 1 of the Fiscal Year of calculation is excluded); and

(iv) the amount required to meet the Sinking Fund Payments on all term Bonds then Outstanding which is payable in such Fiscal Year (and on any July 1 of the following Fiscal Year if the amount required to meet the Sinking Fund Payment on any July 1 of the Fiscal Year of calculation is excluded);

(b) as applied to Bonds of any series which are payable in a Fiscal Year by virtue of the right of a holder of Bonds to demand repurchase or repayment prior to their scheduled maturity (after taking into account all scheduled mandatory redemptions or prepayments payable over the life of those Bonds):

(i) the amount required to pay interest and any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on such Bonds then Outstanding which is payable in a Fiscal Year (and on any July 1 of the following Fiscal Year if interest payable on any July 1 of the Fiscal Year of calculation is excluded);

(ii) the amount required to pay principal of such Bonds then Outstanding which is payable in a Fiscal Year (and on any July 1 of the following Fiscal Year if principal payable on any July 1 of the Fiscal Year of calculation is excluded) assuming that the principal amount of such Bonds which is subject to repurchase or repayment prior to its scheduled maturity shall be required to be repurchased or repaid on the earliest date on which such demand can be made or on which by its terms it can be required to be repaid;

(iii) notwithstanding items (i) and (ii) in this clause (b), if the Authority has delivered a Credit Facility to the Trustee under which money is available for the payment of all or a portion of such Bonds (a "balloon payment") (provided that if the Credit Facility is scheduled to expire prior to the date of payment of the balloon payment, the amount available under the Credit Facility is required to be drawn and applied to the payment of the balloon payment unless the Credit Facility is replaced or renewed prior to such Expiration date) Principal and Interest Requirements shall be calculated as follows: (1) it shall be assumed that the amounts available under the Credit Facility are drawn on the earlier of the balloon payment date or the Expiration or Termination date of the Credit Facility; (2) the Principal and Interest Requirements on the Bonds for each Fiscal Year prior to the Fiscal Year of the assumed date of drawing on the Credit Facility shall be deemed to be equal to the amount of principal and interest payments scheduled to be paid; and (3) the Principal and Interest Requirements for the Fiscal Year of the assumed draw under the Credit Facility and for each Fiscal Year thereafter shall be deemed to be equal to the sum of the principal and interest payable during such period by the terms of the Credit Facility and the principal and interest payments of other Bonds of that series for which amounts are not available under the Credit Facility;

(c) with respect to any Bonds bearing interest at the Short-Term Rate, for purposes of calculations made under (a) or (b) above, interest payments shall be the sum of:

(i) the maximum interest rate payable at the Short-Term Rate as determined by the Supplemental Agreement pursuant to which such Bonds are issued, or, if higher, the maximum rate payable on the Bonds if held by any provider of a Credit Facility ensuring the payment of principal of and interest on such Bonds but only to the extent that such interest is payable from a Debt Service Fund; and

(ii) any annual or other periodic fee payable to the provider of a Credit Facility ensuring the payment of principal of and interest on the Bonds subject to the foregoing calculations;

(d) Notwithstanding the foregoing provisions of this definition with respect to any Bonds bearing interest at the Commercial Paper Rate, the payment of principal of and interest on which is ensured by the provider of a Credit Facility, Principal and Interest Requirements for each Fiscal Year shall be calculated assuming level debt service over 20 years with interest, for purposes of that calculation, at the maximum allowable rate on the date of initial issuance of Bonds bearing interest at the Commercial Paper Rate as determined by the Supplemental Agreement pursuant to which such Bonds are issued, or, if higher, the maximum rate payable on such Bonds if held by such provider of the Credit Facility but only to the extent that such interest is payable from a Debt Service Fund;

(e) Notwithstanding the foregoing provisions of this definition, Principal and Interest Requirements with respect to Compound Interest Bonds and Compound Interest and Income Bonds (each of such Bonds may comprise a portion of a series) shall be determined by the Supplemental Agreement providing for the issuance of any such Bonds but in any event, shall commence on the Interest Commencement Date with respect to Compound Interest and Income Bonds and, with respect to Compound Interest Bonds, either six months or one year prior (or such lesser time prior, as provided in the applicable Supplemental Agreement) to the date on which Accreted Value becomes due and payable with principal and interest portions of Accreted Value payable on such due date being deemed to accrue in equal daily installments commencing on the first day of such one year period (or such other period as is provided in the Supplemental Agreement pursuant to which such Bonds are issued).

"Project" shall mean any project which the Authority is authorized to finance under the provisions of the Act.

"Qualified Investments" shall mean

(a) (i) Government Obligations and (ii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association, the Federal Financing Bank, the Federal Home Loan Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the Government National Mortgage Association, or by any other agency controlled by or supervised by and acting as an instrumentality of the United States Government (except for the Federal Farm Credit Bank, the Federal Land Bank, the Federal Intermediate Credit Bank, the Federal Home Loan Banks, or the Federal Bank for Cooperatives),

(b) certificates of deposit issued by, and time deposits in, any bank (including the Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, other than the Trustee, whose long-term unsecured indebtedness is rated less than A by Moody's or S &P, such certificates of deposit or time deposits are (i) insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the United States Treasury, then by the custodian designated by the United States Treasury,

(d) Defeased Municipal Obligations,

(e) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by S&P or Moody's,

(f) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by S&P or Moody's despite the failure of such obligations to qualify as a Qualified Investment under (e) above,

(g) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (e) or (f) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least $100,000,000 and is rated in the highest Rating Category by S&P or Moody's,

(h) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(i) any repurchase agreement for Government Obligations by the Trustee that is with a bank or trust company (including the Trustee) or any securities dealer which is a member of the Securities Investors Protective Corporation; provided, however, that the Government Obligations must be transferred to the Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims, and further provided that (i) in the case of a bank or trust company, such institution shall have a combined capital and surplus of not less than $50,000,000 or have ratings from S&P or Moody's in one of their three highest Rating Categories and (ii) in the case of a securities dealer, such dealer is a member of the National Association of Securities Dealers, Inc. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations, and

(j) commercial paper rated in the highest Rating Category by either S&P or Moody's.

Any investment in obligations described in (a), (c), (d), (e), (f), (g), (h) and (j) above may be made in the form of an entry made on the records of the issuer of the particular obligation.

"Rebate Account" shall mean the Delaware Transportation Authority Rebate Account, a special fund created and designated by the provisions of Section 7.22 of the Agreement.

"Receipts and Revenues of the Authority" shall mean all moneys paid or payable to the Trustee by or for the account of the Authority, including, but not limited to, Motor Fuel Tax Revenues, Delaware Turnpike Revenues, Document Fees, the proceeds of all drawings by or advances to the Trustee under a Credit Facility in satisfaction of the Authority's obligations to make payments under the Agreement (other than drawings or advances under Credit Facilities ensuring payment of principal of and interest on Bonds), all Additional Revenues and all receipts of the Trustee which, under the provisions of the Agreement, reduce the amount of such payments.

"Revenue Account" shall mean the Delaware Transportation Authority Revenue Account, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Revenue Fund" shall mean the Delaware Transportation Authority Revenue Fund, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Senior Bonds" shall mean Bonds, at any time Outstanding, that by their terms are senior in right of payment to Junior Bonds (except Junior Bonds to the extent payable from Junior Bonds Priority Funds) and the principal and interest on which are payable from the Senior Bonds Principal and Interest Account, the Seniors Bonds Redemption Account and, as provided in the Agreement, from the Senior Bonds Debt Service Reserve Account.

"Senior Bonds Debt Service Reserve Account" shall mean the Delaware Transportation Authority Senior Bonds Debt Service Reserve Account, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Senior Bonds Debt Service Reserve Account Requirement" shall mean as of any date of determination, an amount equal to one-half of the maximum Principal and Interest Requirements on Senior Bonds then Outstanding (subject to the provisions of Section 4.05 of the Agreement); provided that with respect to any Senior Bonds bearing interest at the Short-Term Rate, such requirement shall be determined by Supplemental Agreements.

"Senior Bonds Principal and Interest Account" shall mean the Delaware Transportation Authority Senior Bonds Principal and Interest Account, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Senior Bonds Redemption Account" shall mean the Delaware Transportation Authority Senior Bonds Redemption Account, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Stabilization Fund" shall mean the Delaware Transportation Authority Debt Service Stabilization Fund, a trust fund created and designated by the provisions of Section 4.01 ("Creation of Funds") of the Agreement.

"Subordinate Indebtedness" shall mean obligations of the Authority issued pursuant to the Agreement on a basis subordinate to the lien of the holders of Bonds in the Receipts and Revenues of the Authority.

"Supplemental Agreement" shall mean any agreement of the Authority modifying, altering, amending, supplementing or confirming the Agreement for any purpose, in accordance with the terms thereof.

"Supplemental Agreement No. 27" shall mean the Supplemental Agreement No. 27 to Trust Agreement dated as of December 1, 2015 between the Authority and the Trustee.

"Tender Agent" shall mean the agent appointed in accordance with a Supplemental Agreement to accept the tender of Bonds, as determined by such Supplemental Agreement.

"Test Revenues" shall mean the aggregate amount of Delaware Turnpike Revenues, Motor Fuel Tax Revenues, Document Fees and Additional Revenues, as calculated pursuant to Section 2.07(b)(i) of the Agreement.

"Traffic Consultants" shall mean a firm or corporation having a nationwide and favorable repute for skill and experience in making estimates of vehicular traffic, turnpike earnings, fees and taxes related to motor vehicle use and/or other transportation related matters with respect to which the Traffic Consultants are providing projections, estimates or other advice and counsel described in the Agreement.

"Trust Estate" shall mean at any particular time all right, title and interest of the Trustee in and to the Agreement (except any rights of the Authority to receive notices, certificates, requests, requisitions and other communications thereunder), including without limitation the Receipts and Revenues of the Authority, any Credit Facility (excluding the rights to make drawings thereunder with respect to the payment or purchase of Bonds and proceeds of such drawings), the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Stabilization Fund (but not the Operating Fund and the Operating Reserve Fund) and the Capital Fund (and Funds created in those Funds) and all moneys and investments from time to time on deposit therein (excluding, however, any moneys or investments held in the Rebate Account), any and all other moneys and obligations (other than Bonds) which at such time are deposited or are required to be deposited with, or are held or are required to be held by or on behalf of, the Trustee, the Paying Agent or any Co-Paying Agent in trust under any of the provisions of the Agreement and all other rights, titles and interests which at such time are subject to the lien of the Agreement; provided, however, that in no event shall there be included in the Trust Estate (a) moneys or obligations deposited with or paid to the Trustee for the redemption or payment of Bonds which are deemed to have been paid in accordance with Article VIII ("Defeasance") of the Agreement or moneys held pursuant to Section 4.10 ("Money Held in Trust") and 7.22 ("Rebate Account") of the Agreement or (b) except as therein expressly provided, any moneys held by the Tender Agent or any other person for the purchase of Bonds or for payment of Bonds held or to be held by it pursuant to a draw under a Credit Facility; provided, further, however that advances or drawings under a Credit Facility may be subject to a lien under the Agreement in favor of holders of less than all of the Bonds Outstanding, as provided in any Supplemental Agreement and the lien of the holders of Junior Bonds shall be subordinate and subject in right of payment, to the extent and in the manner set forth in the Agreement, to the prior payment of all Senior Bonds but prior to the rights of holders of Senior Bonds with respect to the Junior Bonds Priority Funds.

"Turnpike Account" shall mean the Delaware Transportation Authority Turnpike Account created and designated by the provisions of Section 5.01 of the Agreement.

"Turnpike Operating Expenses" shall mean the Authority's reasonable and necessary current expenses of operating, maintaining and repairing the Delaware Turnpike and shall include, without limiting the generality of the foregoing, all ordinary and usual expenses of operation, maintenance and repair, which may include extraordinary operating, maintenance and repair expenses not annually recurring, ordinary and usual costs of equipment acquisition, premiums for insurance, fees and expenses of any Credit Facility, all administrative and engineering expenses relating to operation, maintenance and repair of the Delaware Turnpike (excluding administrative expenses of the Authority paid by the State, if any), legal expenses, advertising expenses, any taxes or assessments lawfully levied on the Delaware Turnpike, any payments to pension or retirement funds, any payments required to be made by the Authority under any interest rate exchange agreement entered into by the Authority, any other expenses required or permitted to be paid by the Authority under the provisions of the Agreement or by law including any expenses incurred by the Authority for any of the foregoing purposes.

"U.S. 301 Subordinate Indebtedness Account" shall mean the trust fund created and designated in the Revenue Fund by the provisions of Supplemental Agreement No. 27.

"Variable Rate" shall mean an interest rate on a Bond that varies from period to period during the term of the Bond, which may or may not be subject to a put, and which may include an interest rate fixed for a period of time less than the term of the Bond, all as determined pursuant to a Supplemental Agreement.

Pledge and Assignment of Revenue

In the Agreement the Authority grants, bargains, sells, conveys, mortgages, pledges and assigns, and grants a security interest in, the Trust Estate to the Trustee, its successors in trust and their assigns forever in trust upon the terms and trusts therein set forth for the equal and proportionate benefit and security of all holders of the Bonds issued under and secured by the Agreement without preference, priority or distinction as to liens of any Bonds over any other Bonds except as otherwise provided therein or in any Supplemental Agreement; provided, however, that (a) the holders of Senior Bonds shall have a prior and superior lien on the Funds created under the Agreement to the lien of the holders of the Junior Bonds except with respect to the lien on the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account and the Junior Bonds Debt Service Reserve Account (the lien of the holders of Junior Bonds on the Junior Bonds Principal and Interest Account, the Junior Bonds Redemption Account and the Junior Bonds Debt Service Reserve Account shall be prior and superior to the lien of the holders of Senior Bonds); (b) certain holders of Senior Bonds may be given a prior and superior lien to holders of other Senior Bonds in a Fund into which are only deposited proceeds of such Bonds together with interest thereon and investment proceeds thereof; (c) the holders of certain Bonds may be given a prior and superior lien in accounts into which are deposited proceeds of advances or draws under a Credit Facility ensuring the payment of such Bonds to the extent of any such deposit; and (d) proceeds of advances or draws under a Credit Facility ensuring the payment of principal of and interest on any series of Bonds shall be excluded from the pledge and assignment of the Trust Estate although held for the benefit of holders of Bonds.

Flow of Funds

Creation of Funds. The Agreement creates and establishes with the Trustee the following trust funds, and within those funds, the following accounts:

- Revenue Fund
  - Revenue Account
  - Investment Account
  - U.S. 301 Subordinate Indebtedness Account
  - Non-Delaware Turnpike Operating Account
- Debt Service Fund
  - Senior Bonds Principal and Interest Account
  - Junior Bonds Principal and Interest Account
  - Senior Bonds Redemption Account
  - Junior Bonds Redemption Account
- Stabilization Fund

Debt Service Reserve Fund
Senior Bonds Debt Service Reserve Account
Junior Bonds Debt Service Reserve Account
Operating Fund
Operating Reserve Fund
Capital Fund
Turnpike Account
Other Projects Account
Settlement Account

Deposits to Revenue Fund. Receipts and Revenues of the Authority constituting Delaware Turnpike Revenue, Motor Fuel Tax Revenue, Document Fees and Additional Revenues shall be deposited in the Revenue Account. Earnings derived from any Fund created under the provisions of the Agreement other than the Rebate Account shall be deposited in the Investment Account.

Use of Money in Revenue Fund. It shall be the duty of the Trustee, on or before the 15th day of each month, to withdraw from the Revenue Account and the Investment Account an amount equal to the amount of all moneys held for the credit of those accounts on the tenth day of that month and deposit the sum so withdrawn to the credit of the following Funds in the following order (provided that the Trustee first apply amounts in the Revenue Account to the credit of the following Funds):

(a) to the credit of the Senior Bonds Principal and Interest Account, such sum, if any, required to increase the amount in said account so that it equals the total of (a) the sum obtained by multiplying one sixth (1/6) of all unpaid interest on Senior Bonds (or interest on any obligation under any Credit Facility drawn upon to purchase any Senior Bonds and required to be paid under the terms of such Credit Facility in the next six months) due and payable on or before the next succeeding Interest Payment Date by the number of months in the period beginning seven months prior to such Interest Payment Date and ending on the date of such computation (provided that with respect to Senior Bonds bearing interest at intervals more frequently than once every six months or at a variable rate, the Trustee shall deposit such amounts as are necessary to pay interest on such Senior Bonds when due as provided in the applicable Supplemental Agreement) and (b) the sum obtained by multiplying one-twelfth (1/12) of all unpaid principal of serial Senior Bonds (or amounts attributable to principal of such Senior Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of such Credit Facility in the next twelve months) due and payable on or before the date when the next installation of serial Senior Bonds shall mature by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(b) to the credit of the Senior Bonds Redemption Account, a sum obtained by multiplying one-twelfth (1/12) of the principal amount of the then Outstanding term Senior Bonds of each series required to be retired in satisfaction of Sinking Fund Payments therefor in the next succeeding twelve months (or amounts attributable to principal of Senior Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of the Credit Facility in the next succeeding twelve months) by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(c) to the credit of the Senior Bonds Debt Service Reserve Account such amount, if any, of the balance remaining after making the deposits under clauses (a) and (b) above (or the entire balance if less than the required amount) as may be required to make the amount then to the credit of the Senior Bonds Debt Service Reserve Account equal to the Senior Bonds Debt Service Reserve Account Requirement or such greater amount as shall be determined by the Authority pursuant to a Supplemental Agreement provided such amount is originally funded with proceeds of Bonds or satisfied by a Credit Facility;

(d) to the credit of the Junior Bonds Principal and Interest Account, such sum, if any, required to increase the amount in said account so that it equals the total of (a) the sum obtained by multiplying one sixth (1/6th) of all unpaid interest on Junior Bonds (or interest on any obligation under any Credit Facility drawn upon to acquire any Junior Bonds and required to be paid under the terms of such Credit Facility in the next six months) due and payable on or before the next succeeding Interest Payment Date by the number of whole months in the period beginning seven months prior to such Interest Payment Date and ending on the date of such computation (provided that with respect to Junior Bonds bearing interest at intervals more frequently than once every six months or at a variable rate, the Trustee shall deposit such amounts as are necessary to pay interest on such Junior Bonds when due as provided in the applicable Supplemental Agreement) and (b) the sum obtained by multiplying one-twelfth (1/12th) of all unpaid principal of serial Junior Bonds (or amounts attributable to principal of such Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of such Credit Facility in the next twelve months) due and payable on or before the date when the next installment of serial Junior Bonds shall mature by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(e) to the credit of the Junior Bonds Redemption Account, a sum obtained by multiplying one-twelfth (1/12th) of the principal amount of the then Outstanding term Junior Bonds of each series required to be retired in satisfaction of Sinking Fund Payments therefor in the next succeeding twelve months (or amounts attributable to principal of Junior Bonds acquired by a drawing under a Credit Facility and required to be paid under the terms of the Credit Facility in the next twelve months) by the number of whole months in the period beginning thirteen months prior to such date and ending on the date of such computation;

(f) to the credit of the Junior Bonds Debt Service Reserve Account, such amount, if any, of the balance remaining after making the deposits under clauses (d) and (e) above (or the entire balance if less than the required amount) as may be required to make the amount then to the credit of the Junior Bonds Debt Service Reserve Account equal to the Junior Bonds Debt Service Reserve Account Requirement or such greater amount as shall be determined by the Authority by resolution from time to time filed with the Trustee;

(g) to the credit of the Operating Fund, an amount necessary to increase the amount in said Fund to an amount equal to one-sixth (1/6) of the amount set forth in the Annual Budget to be expended from said Fund;

(h) if and only if the most recently-filed certificate of the Authority described in Section 4.05(d) of the Agreement (dealing with the debt service reserve find) indicates that Test Revenues do not cover maximum Principal and Interest Requirements of the Senior Bonds Outstanding by at least 3.00 times, then to the credit of the Operating Reserve Fund, an amount necessary to increase the amount in said Fund to an amount equal to one-sixth (1/6) of the amount set forth in the Annual Budget to be expended from the Operating Fund for the Delaware Turnpike;

(i) to the credit of the Stabilization Fund, an amount, together with any other amount credited to such Fund, equal to an amount to be determined by the Authority in a Supplemental Agreement with the initial deposit required to be made to the Stabilization Fund when a determination is made by the Authority that Test Revenues are less than 3.5 times the maximum Principal and Interest Requirements on Senior Bonds Outstanding; and

(j) to the credit of the U.S. 301 Subordinate Indebtedness Account. If the Trustee receives notice on or prior to the fifteenth (15th) day of any month from the Authority or the trustee under that certain Master Trust Indenture dated as of December 1, 2015 (the "301 Indenture") between the Authority and Wilmington Trust, National Association, as trustee (the "301 Trustee") that amounts deposited in and credited to those certain funds and accounts identified in paragraphs (a) through (d), inclusive, of Section 4.2 of the 301 Indenture are less than the required amounts to be deposited therein, the Trustee shall cause the monies deposited into the U.S. 301 Subordinate Indebtedness Account on or prior to the fifteenth (15th) day of such month to be transferred as directed by the 301 Trustee to cause the balance on deposit in those funds and accounts identified in paragraphs (a) through (d), inclusive, of Section 4.2 of the 301 Indenture to equal the amounts so required. If the Trustee does not receive any notice described in the preceding sentence on or prior to the fifteenth (15th) day of any month, the Trustee shall release all monies held in the U.S. 301 Subordinate Indebtedness Account as set forth in paragraph (l) below.

(k) after all amounts have been deposited pursuant to the above paragraphs (a) through (j), inclusive, to the credit of the Non-Delaware Turnpike Operating Account, an amount equal to one-sixth (1/6) of the amount set forth in the Authority's Annual Budget for operating expenses after subtracting for such Annual Budget the amount budgeted for Turnpike Operating Expenses.

(l) the remainder, if any, to the Authority, free of the lien of the Agreement, for deposit to the Transportation Trust Fund, subject to the obligation to transfer interest earned on assets held therein to the Revenue Fund.

Deposits to and Uses of Funds in the Capital Fund. Bond proceeds borrowed for capital projects are deposited into the Capital Fund and disbursed by the Trustee to the Authority to pay for authorized projects in accordance with a requisition procedure provided in the Agreement. In payment of any such requisition, the Trustee is entitled to rely as to the completeness and accuracy of all statements in such requisition upon the approval of such requisition by an Authorized Authority Representative, execution thereof to be conclusive evidence of such approval.

Deposits to and Uses of Funds in the Operating Fund. Moneys deposited in the Operating Fund pursuant to provisions of the Agreement for the purposes of paying Turnpike Operating Expenses shall be limited to an annual growth rate equal to the greater of (i) the percentage increase in Receipts and Revenues of the Authority from the prior year or (ii) three percent (3%). Moneys in the Operating Fund shall be held by the Trustee in trust and used to pay Turnpike Operating Expenses, including all amounts required for payment by the Authority under any interest rate exchange agreement entered into by the Authority, and any other amounts contemplated to be met in the Annual Budget with respect to Turnpike Operating Expenses to the extent provision is made in the Annual Budget to meet such expenditures. Payments from the Operating Fund shall be made in accordance with the provisions of the Agreement, and before any amount shall be withdrawn from the Operating Fund, the Authority shall file with the Trustee a requisition as set forth in the Agreement.

Deposits to and Uses of Funds in the U.S. 301 Subordinate Indebtedness Account. Moneys deposited in the U.S. 301 Subordinate Indebtedness Account pursuant to the provisions of Supplemental Agreement No. 27 shall be held by the Trustee in trust and used to pay any deficiencies identified by the 301 Trustee in those certain funds and accounts identified in paragraphs (a) through (d), inclusive, of Section 4.2 of the 301 Indenture. If the Trustee receives notice from the 301 Trustee of any such deficiencies in those specific funds and accounts under the 301 Indenture, it shall cause the monies held in the U.S. 301 Subordinate Indebtedness Account to be transferred on or prior to the fifteenth (15th) day of such month to the 301 Trustee to cause the balances contained in such funds and accounts under the 301 Indenture to equal the amounts so required. If the Trustee does not receive any notice from the 301 Trustee on or before the fifteenth (15th) day of any month as described in the prior sentence, the Trustee shall release all monies held in the U.S. 301 Subordinated Indebtedness Account in accordance with the provisions of the Agreement.

Deposits to and Uses of Funds in the Non-Delaware Turnpike Operating Account. Moneys in the Non-Delaware Turnpike Operating Account shall be held by the Trustee in trust and used to pay any amounts contemplated to be met in the Annual Budget with respect to operating expenses (other than Turnpike Operating Expenses) of the Authority to the extent provision is made in the Annual Budget to meet such expenditures. Payments from the Non-Delaware Turnpike Operating Account shall be made in accordance with the provisions of the Agreement, and before any amount shall be withdrawn from the Non-Delaware Turnpike Operating Account, the Authority shall file with the Trustee a requisition as set forth in the Agreement.

Additional Bonds; Debt Service Reserve Fund. In addition to the requirements described in the body of this Official Statement no additional Bonds may be issued under the Agreement, unless the Trustee shall deduct from the proceeds of such additional Bonds and deposit to the credit of the appropriate account in the Debt Service Reserve Fund such amount, if any, as may be required to make the amount then to the credit of the appropriate account in the Debt Service Reserve Fund equal to the Senior Bonds Debt Service Reserve Account Requirement and/or the Junior Bonds Debt Service Reserve Account Requirement, as the case may be. The Trustee shall also deduct from such proceeds and deposit to the credit of the Stabilization Fund such amount, if any, as may be required to be deposited to the Stabilization Fund unless the Authority certifies to the Trustee that the Annual Budget has made provision for the amount required to be deposited in the current Fiscal Year and that such amount shall be available in amounts and at the times required by Supplemental Agreements.

Investment of Funds

The moneys in the Funds shall, at the direction of the Authority, be invested and reinvested in Qualified Investments, provided, however, that moneys constituting proceeds of a drawing on a Credit Facility and, while the Credit Facility is in effect ensuring the payment of principal and interest on a series of Bonds, any moneys held by the Paying Agent pursuant to Section 4.10 ("Money Held in Trust"), of the Agreement or by a Tender Agent, Remarketing Agent or other similar person for the purchase or redemption of Bonds shall be invested only in Government Obligations which have a remaining term not exceeding 30 days or such shorter period as needed. Subject to the further provisions of Section 6.01 of the Agreement, such investments shall be made by the Trustee as directed and designated by the Authority in a certificate of, or telephonic advice promptly confirmed by a certificate of, an Authorized Authority Representative. As and when any amounts thus invested may be needed for disbursements from any Fund, the Trustee shall cause a sufficient amount of such investments to be sold or otherwise converted into cash to the credit of such Fund. As long as no Event of Default (as defined in Section 9.01 ("Events of Default") of the Agreement) shall have occurred and be continuing, the Authority shall have the right to designate the investments to be sold and to otherwise direct the Trustee in the sale or conversion to cash of the investments made with the moneys in the Funds, provided that the Trustee shall be entitled to assume conclusively the absence of any such Event of Default unless it has notice thereof within the meaning of Section 10.05 ("Notice of Event of Default") of the Agreement.

Investments shall be made from each Fund for a period not exceeding a period during which such investments are expected to be required to be converted to cash for application by or on behalf of the Authority provided that: (a) moneys held for the credit of the Revenue Fund and the Operating Reserve Fund shall not be invested in Qualified Investments which mature or which are not subject to redemption by the Trustee, at the option of the Trustee, later than one year after the date of such investment; (b) moneys held for the credit of the Debt Service Reserve Fund shall be invested in Qualified Investments which mature or which are not subject to redemption by the Trustee, at the option of the Trustee at such times as designated by the Authority.

In furtherance of the covenant of the Authority set forth in Section 7.22 ("Rebate Account") of the Agreement, the Trustee shall comply with any and all instructions of the Authority, given from time to time, to pay all or a portion of the moneys in the Funds not constituting part of the Trust Estate to, or upon the order of, the Department of the Treasury of the United States of America, anything in the Agreement to the contrary notwithstanding.

Accounts, Reports and Audits

The Authority covenants that it will keep an accurate record of the total cost of the Delaware Turnpike and of transfers to the State to meet the costs of other Projects financed with the proceeds of Bonds, of the Receipts and Revenues of the Authority collected from the Delaware Turnpike, of Motor Fuel Tax Revenues, of Document Fees, of Additional Revenues, if any, and of the application of such receipts and revenues. Such records shall be open during normal business hours of the Authority to the inspection of the Trustee and the holders of the Bonds and their agents and representatives.

The Authority further covenants that, in the months of January, April, July and October in each year, it will cause to be filed with the Trustee and mailed to all holders of Bonds who shall have filed their names and addresses with the Authority board for such purpose a report setting forth in respect of the preceding three months' period .

(a) in reasonable detail, the Receipts and Revenues of the Authority and the Turnpike Operating Expenses (i) for such period and (ii) for the same period of the preceding Fiscal Year,

(b) all deposits to the credit of and withdrawals from each Fund created under the provisions of the Agreement during such period,

(c) the details of all Bonds issued, paid, purchased or redeemed during such period,

(d) a balance sheet as of the end of such period,

(e) the amount on deposit at the end of such period to the credit of each such Fund, the security therefor, and the details of any investments thereof, and

(f) any revisions during such period of the charges, fares, fees, rentals and tolls for the use or services of the Delaware Turnpike.

The Authority further covenants that promptly after the close of each Fiscal Year it will cause an audit to be made of its books and accounts relating to the Delaware Turnpike and the Receipts and Revenues of the Authority for the preceding Fiscal Year by an independent firm of certified public accountants of recognized ability and standing, to be chosen by the Authority. The Trustee shall make available to such accountants all of its books and records pertaining to the Delaware Turnpike and the Receipts and Revenues of the Authority. Promptly thereafter reports of each such audit shall be filed with the Authority and the Trustee and copies of such reports shall be mailed by the Authority to all holders of Bonds who shall have filed their names and addresses with the Authority board for such purpose. Each such audit report shall set forth in respect of the preceding Fiscal Year the same matters as are hereinabove required for the quarterly reports, the findings of such certified public accountants as to whether the moneys received by the Authority under the provisions of the Agreement during such Fiscal Year have been applied in accordance with the provisions of the Agreement, and whether any obligations for Turnpike Operating Expenses were incurred in the preceding Fiscal Year in excess of the total amount provided for Turnpike Operating Expenses in the Annual Budget for such Fiscal Year. Such quarterly reports and audit reports shall be open at all reasonable times to the inspection of the holders of Bonds and their agents and representatives.

The Authority further covenants that it will cause any additional reports or audits relating to the Delaware Turnpike to be made as required by law and that, as often as may be requested, it will furnish to the Trustee and the holder of any Bond such other information concerning the Delaware Turnpike or the operation thereof as any of them may reasonably request.

The cost of the reports and audits referred to above shall be payable from the Operating Fund.

Insurance

The Authority covenants that it will at all times, maintain, to the extent reasonably obtainable, the following insurance, with terms, conditions, provisions and costs, the Authority determines to be reasonable, subject to applicable, customary insurance practice:

(a) Multi-risk insurance on facilities of the Delaware Turnpike of an insurable nature and of the character usually insured by those operating similar facilities, covering direct physical loss or damage from causes customarily insured against, in amounts certified to be necessary or advisable by the Authority;

(b) Use and occupancy insurance covering loss of revenues by reason of the necessary interruption, total or partial, in the use of the Susquehanna River Bridge in the State of Maryland, in such amounts as the Authority shall certify will provide income during the period of interruption equal to the loss of Delaware Turnpike Revenues for a period of one year less the Turnpike Operating Expenses for that period;

(c) Public liability, landlord's liability and comprehensive motor vehicle liability insurance;

(d) During any improvement or reconstruction of the Delaware Turnpike, such insurance as is customarily carried by others under similar circumstances, unless maintained for the benefit of the Authority by contractors;

(e) Blanket crime policies on all officers and employees of the Authority who collect or have custody of or access to revenues, receipts or income of the Delaware Turnpike or any funds of the Delaware Turnpike;

(f) Boiler and machinery coverage; and

(g) Any additional or other insurance determined by the Authority to be necessary or advisable.

All such insurance policies shall be carried with a responsible insurance company or companies authorized or qualified under the laws of the State to assume the risks covered by such policy or policies.

The Trustees shall deposit the proceeds of physical loss or damage insurance to the credit of an account in the Capital Fund. The Authority shall give written instructions to the Trustee concerning the use of such money. The Trustee shall deposit the proceeds of use and occupancy insurance to the credit of the Revenue Fund immediately upon receipt and such proceeds shall be used, for the purposes permitted for moneys in such Fund. Instead of any of the foregoing policies of insurance, the Authority may establish one or more self-insurance funds to cover one or more of the risks required to be covered by the foregoing policies of insurance. Any self insurance fund shall be established pursuant to a written plan for funding and coverage adopted by the Authority. The plan shall, among other things, require that: (a) all funds be deposited with a fiduciary in trust pursuant to a written agreement; (b) an actuary shall prepare a written report recommending, among other things, the amounts to be deposited initially in the self insurance fund and the times by which such initial amounts shall be deposited; (c) a written report by an actuary, on at least a biennial basis, making recommendations on appropriate funding levels; and (d) the actuary hired by the Authority to make the foregoing reports shall be qualified and experienced.

Tax Law Compliance; Arbitrage Rebate

Tax Covenant. The Authority covenants for the benefit of the holders of the Bonds (a) that no use of the proceeds of the Bonds or the earnings thereon will be made, and no other action will be taken, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, (b) that all action with respect to the Bonds required to be taken to avoid characterization of the Bonds as "arbitrage bonds" under Section 148 of the Code shall be taken, (c) that the Authority will take all reasonable steps to ensure that interest on the Bonds is not included in gross income of the holder of any Bond for purposes of federal income taxation (unless such bonds are issued as federally taxable bonds) and (d) that the Authority will take no action to cause the Bonds to become "private activity bonds" as that term is used in Section 141(a) of the Code.

Rebate Account. The Agreement creates and establishes with the Trustee an account designated the "Delaware Transportation Authority Rebate Account" (the "Rebate Account"). The Trustee, at the direction of an Authorized Authority Representative shall transfer from the Investment Account to the Rebate Account amounts determined solely by the Authority as necessary to avoid characterization of the Bonds as "arbitrage bonds" under Section 148 of the Code. Amounts on deposit in the Rebate Account shall not be subject to any claim or charge in favor of the Trustee or any holder of a Bond. Upon receipt of written instructions from an Authorized Authority Representative, the Trustee shall pay to the United States of America amounts determined solely by the Authority and/or shall transfer amounts determined solely by the Authority to the Investment Account from the Rebate Account. All amounts on deposit in the Rebate Account may be invested in Qualified Investments at the direction of the Authority. Interest earned or profit realized on amounts invested in the Rebate Account shall be retained in the Rebate Account. The Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken with respect to amounts in the Rebate Fund or any calculations made by the Authority or any other person with respect to rebate. The Trustee may conclusively rely on any instructions received from an Authorized Authority Representative with respect to rebate.

Other Covenants

Inspection of Delaware Turnpike. The Authority covenants that it will cause its Engineering Consultants to make an inspection of the Delaware Turnpike at least once in every other year and, on or before the 1st day of October in such year, to submit to the Authority a report or reports setting forth their findings whether the Delaware Turnpike has been maintained in good repair, working order and condition.

Use and Operation of the Delaware Turnpike. The Authority covenants that it will establish and enforce reasonable rules and regulations governing the use of the Delaware Turnpike and the operation thereof, that all conditions of employment and all compensation, salaries, fees and wages paid by it in connection with the operation, maintenance and repair of the Delaware Turnpike will be reasonable, that no more persons will be employed by it than are necessary, that all persons employed by it will be qualified for their respective positions, that it will maintain and operate the Delaware Turnpike in an efficient and economical manner, that from the then current Receipts and Revenues of the Authority it will at all times maintain the Delaware Turnpike in good repair and in sound operating condition and will make all necessary repairs, renewals and replacements, and that it will observe and perform all of the terms and conditions contained in the Act.

Covenants as to Tolls. The Authority covenants that it will fix and revise from time to time, and charge and collect charges, fares, fees, rentals and tolls for the use of the Delaware Turnpike. The Authority further covenants that it will not reduce tolls in effect on the Delaware Turnpike after the date of issuance of the 2014 Bonds unless the Authority board files a certificate with the Trustee showing that the Authority would have met the tests described in Section 2.07(b)(i)(A) and (B) ("Additional Bonds Coverage Tests") of the Agreement with respect to the Outstanding Bonds assuming a reduction in Delaware Turnpike Revenues for the applicable twelve-month period utilized in that Section 2.07(b)(i)(A) and (B) as if the reduction occurred on the first day of that period. The Authority may make any other adjustment or reclassification of toll rates or establish special toll rates for the Delaware Turnpike, provided that such adjustment or reclassification is recommended in writing by the Authority's Traffic Consultants and will not reduce Delaware Turnpike Revenues unless the Authority meets the foregoing test. Notwithstanding the foregoing provision, the tolls in effect on August 1, 1988 shall not be reduced.

Covenant Against Sale and Encumbrance; Exceptions. The Authority covenants that it will not sell or otherwise dispose of or encumber the Delaware Turnpike, or any part thereof, or any other physical assets of the Authority, subject to the other provisions of the Agreement, except those physical assets which the Authority either reasonably determines to be of no use for purposes of the Authority or for which the Authority is acquiring replacements.

The Authority may lease, or grant easements, franchises or concessions for the use of any part of the Delaware Turnpike and the net proceeds of any such lease, easement, franchise or concession shall be deposited as earned to the credit of the Revenue Fund.

Events of Default and Remedies; Respective Rights of Senior and Junior Bondholders

Events of Default. Each of the following events shall constitute and is referred to in the Agreement as an "Event of Default":

(a) a failure to pay the principal of or premium, if any, on any Bond when the same shall become due and payable at maturity, upon redemption or otherwise;

(b) a failure to pay an installment of interest on any Bond after such interest shall have become due and payable;

(c) a failure to pay an amount due in respect of a put of any Bond for a period of two (2) Business Days after such amount shall have become due and payable (or such shorter period as provided by the applicable Supplemental Agreement);

(d) a failure of the Authority to transfer to the Trustee Receipts and Revenues of the Authority pledged to the Trustee under the Agreement;

(e) failure by the State to transfer to the Authority, or a reduction by the State subsequent to the effective date of the Agreement of the rate of, the Motor Fuel Taxes, the Document Fees or any fees and taxes yielding Additional Revenues imposed by the State;

(f) receipt by the Trustee of notice from the obligor of a Credit Facility ensuring the payment of principal and interest on any series of Bonds stating that an event of default under the applicable Credit Facility has occurred and directing the Trustee to declare the series of Bonds ensured by such Credit Facility to be immediately due and payable and directing the Trustee to draw on such Credit Facility;

(g) failure by the Authority to observe and perform any other covenant, condition, agreement or provision contained in the Bonds or in the Agreement on the part of the Authority to be observed or performed for the benefit of the holders of Bonds, which failure shall continue for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of holders of not less than 10% in principal amount of the Bonds then Outstanding of any series, unless the Trustee, or the Trustee and the holders of a principal amount of Bonds not less than the principal amount of Bonds the holders of which requested that such notice be given, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the holders of such principal amount of Bonds, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Authority within such period and is being diligently pursued;

(h) the Authority (i) files a petition under the Bankruptcy Reform Act of 1978 (the "Bankruptcy Code"), as amended or superseded, makes an assignment for the benefit of creditors, enters into a composition with creditors or commences a case or proceeding for reorganization or readjustment of its debts, for dissolution, liquidation or commences a similar procedure under the law of any jurisdiction, whether now or hereafter in effect; (ii) is, or admits in writing that it is, insolvent, bankrupt, is unable generally to pay its debts as they become due or its debts are greater than its property net of any property which was transferred, concealed or removed with the intent to hinder, delay or defraud its creditors; (iii) applies to any government or governmental entity for the appointment of a Custodian (as such term is defined in Section 101(10) of the Bankruptcy Code) for itself or for all or any substantial or material part of its property; or (iv) has transferred, concealed or removed any of its property with intent to hinder, delay or defraud any of its creditors generally or the holders of the Bonds, in particular, or has received less than reasonably equivalent value in a transfer of all or a substantial or material part of its property; or

(i) the Authority (i) has commenced against it an involuntary case or proceeding referred to in paragraph (h) above which is not dismissed on the day of such commencement; (ii) has an order of relief entered against it in such an involuntary case or proceeding; (iii) consents to, grants approval of or acquiesces to such involuntary case or proceeding; or (iv) is subject to the appointment of a Custodian for it or all or any substantial part of its property and such Custodian is not dismissed by a court of competent jurisdiction (and all such property returned) on the day of such Custodian's appointment.

Upon the occurrence and continuation of any Event of Default other than an Event of Default described in (f) or (g) of the preceding paragraph with respect to Bonds of any series, the Trustee may, and at the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds of such series or upon the occurrence and continuation of an Event of Default described in (f) of the preceding paragraph and at the written request of the obligor under a Credit Facility ensuring the payment of the principal of and interest on a series of Bonds, shall, declare such series of Bonds to be immediately due and payable, whereupon they shall, without further action become and be immediately due and payable, anything in the Agreement or in the Bonds to the contrary notwithstanding. The Trustee shall give prompt notice of acceleration to any Tender Agent and any Remarketing Agent, and shall give notice thereof by Mail to all holders of Outstanding Bonds of all series. In the case of an Event of Default described in the preceding paragraph occurring when a Credit Facility is in effect and with respect to which the Trustee is required to draw to effect an acceleration of the Bonds, the Trustee shall make the aforesaid declaration on the first Business Day on or after the occurrence of such Event of Default that the Trustee may make a drawing or drawings on such Credit Facility (but shall not make such declaration prior to such date) unless provisions to the contrary are made in the applicable Supplemental Agreement.

The provisions of the preceding paragraph, however, are subject, when no Credit Facility shall be in effect ensuring the payment of principal of and interest on a series of Bonds, to the condition that if, after the principal of any Bonds shall have been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Authority shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum borne by the Bonds) and such amounts as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee (including reasonable counsel fees and expenses), and all Events of Default other than nonpayment of the principal of Bonds which shall have become due by said declaration shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission and annulment to the Authority, any Tender Agent and any Remarketing Agent, and, if notice of the acceleration of any Bonds shall have been given to the holders of said Bonds, shall give prompt notice thereof by Mail to all holders of Outstanding Bonds; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

The provisions of the second preceding paragraph are further subject to the condition that, if an Event of Default described in clause (f) of the third preceding paragraph shall have occurred and if the Trustee shall thereafter have received notice from the obligor of a Credit Facility ensuring the payment of principal of and interest on a series of Bonds (a) that the notice which caused the Event of Default to occur has been withdrawn and (b) that the amounts available to be drawn on that Credit Facility to pay (i) the principal of said Bonds or the portion of the purchase price equal to principal and (ii) interest on said Bonds and the portion of purchase price equal to accrued interest have been reinstated all in amounts that are required to maintain the then ratings on said Bonds, then, in every such case, such Event of Default shall be deemed waived and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission and annulment to the Authority, the obligor under the applicable Credit Facility, any Tender Agent and any Remarketing Agent, and, if notice of the acceleration of said Bonds shall have been given thereof, by Mail to all holders of Outstanding Bonds; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon or the rights of holders of any other series of Bonds.

Remedies. Upon the occurrence and continuation of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the obligor under any Credit Facility ensuring the payment of principal of and interest on a series of Bonds in respect of which an Event of Default has occurred or the holders of not less than 25% in principal amount of the Bonds of any series then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in, equity, enforce all rights of the holders of said Bonds and require the Authority, or the obligor under any Credit Facility ensuring the payment of principal of and interest on any Bonds to carry out any agreements with or for the benefit of the holders of said Bonds and to perform its or their duties under the Act, any Credit Facility and the Agreement;

(b) bring suit upon said Bonds; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the holders of said Bonds.

Note: If the State violates its contractual obligation to impose and collect motor vehicle fuel taxes, motor vehicle document fees, motor vehicle registration fees or the fees and taxes yielding Additional Revenue at the rates in effect on the date of issuance of the 2014 Bonds or requires the use of that revenue for some purpose other than as assigned to secure the Bonds, the State would be subject to a bondholders' suit, and, under Delaware law, probably would not be able to avail itself of the defense of sovereign immunity. Payment of any award against the State obtained by a judgment creditor, however, must be appropriated by the State legislature. In addition the overriding interest of the State in promoting the health, safety and welfare of the people of the State, may affect the enforceability of the contractual obligation and may justify the impairment of the contract.

Limitation on Holders' Right to Institute Proceedings. No holder of a Bond of any series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Agreement, or any other remedy thereunder or on the Bonds, unless such holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Agreement and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding of such series shall have made written request of the Trustee so to do, after the right to institute said suit, action or proceeding shall have accrued and is continuing and shall have afforded the Trustee sixty (60) days to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby (including reasonable counsel fees and expenses), and the Trustee shall not have complied with such request within sixty (60) days after receipt of the request (provided no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the Outstanding Bonds of such series); and such notification, request and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the institution of said suit, action or proceeding; it being understood and intended that no one or more of the holders of the Bonds of such series shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Agreement, or to enforce any right thereunder or under the Bonds, except in the manner therein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Agreement and for the equal benefit of all holders of the Bonds of such series. In any event, no one or more holders of Bonds of any series shall have any right in any manner whatever by virtue of the Agreement to affect, disturb or prejudice the rights of any other holder of Bonds of any series or to obtain priority or preference over any other holder or to enforce any right under the Agreement except in the manner or to the extent therein provided and with respect to any series, for the equal and ratable benefit of all holders of Bonds of that Series.

Obligors' Right Under Credit Facility or Holders' Right to Direct Proceedings. Anything in the Agreement to the contrary notwithstanding, the holders of a majority in principal amount of the Bonds then

Outstanding thereunder with respect to which an Event of Default has occurred shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Agreement or exercising any trust or power conferred on the Trustee by the Agreement; provided, however, that the obligor under any Credit Facility shall have no such rights, as a holder of Bonds or a deemed holder of Bonds, in respect of proceedings taken by holders of Bonds against such obligor. For purposes of this Section, an obligor under any Credit Facility ensuring the payment of principal of and interest on any Bonds shall be deemed the holder of those Bonds, absent a default in the obligations of the obligor of that Credit Facility under the Credit Facility, unless the applicable Supplemental Agreement provides to the contrary.

Application of Money. Any money received by the Trustee or by any holder of a Bond pursuant to any right given or action taken under the provisions of Article IX ("Defaults and Remedies") of the Agreement, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the expenses, liabilities and advances incurred or made by the Trustee (including reasonable counsel fees and expenses), and the payment and setting aside of reasonable and necessary amounts to meet Turnpike Operating Expenses as determined by a firm of Engineering Consultants, shall be deposited in the Debt Service Fund for such series of Bonds and all money so deposited in the Debt Service Fund for such series of Bonds during the continuance of an Event of Default (other than money for the payment of Bonds which had matured or otherwise become payable prior to such Event of Default) shall be applied as follows with respect to each series of Bonds (provided, however, that any drawing by the Trustee under a Credit Facility for the payment of principal of, or premium, if any, or interest on the Bonds shall be applied only to the payment of the principal of or premium, if any, or interest on the particular Bonds identified in the applicable Credit Facility):

(a) Under and subject to the provisions of Section 7.22 of the Agreement, to the Rebate Account in an amount, together with any other amounts on deposit or credited to, such account, sufficient to meet the Authority's obligation to make payments to the United States of America as required under Section 148 of the Code.

(b) Unless the principal of all the Bonds shall have become due and payable, all such money shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on Senior Bonds, with interest on overdue installments of interest then due on such Bonds, if lawful, at the rate per annum borne by such Bonds, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment; (ii) second, to the payment to the persons entitled thereto of the unpaid principal of any Senior Bonds which shall have become due (other than such Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Agreement), with interest on such Bonds at their rate from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full such Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege; (iii) third, to the payment to the persons entitled thereto of all installments of interest then due on Junior Bonds, with interest on overdue installments of interest then due on such Bonds, if lawful, at the rate per annum borne by such Bonds, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment; (iv) fourth, to the payment to the persons entitled thereto of the unpaid principal of any Junior Bonds which shall have become due (other than such Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Agreement), with interest on such Bonds at their rate from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full such Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege; provided, however, that money derived from the rights of the Trustee under a Credit Facility shall not be applied to the payment of the principal of or premium, if any, or interest on any Bonds held of record by the Authority, by the obligor under a Credit Facility or by any Tender Agent or other person for the account of the Authority or other person if a Credit Facility prohibits by its terms a drawing thereunder for such purpose.

(c) If the principal of all Senior Bonds shall have become due and payable, all such money shall be applied (i) first to the payment of the principal and interest then due and unpaid upon Senior Bonds, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Bond over any other Senior Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; and (ii) second, to the payment of the principal and interest then due and unpaid upon Junior Bonds whether or not the principal of all Junior Bonds shall have become due and payable, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or of interest over any other installment of interest, or of any Junior Bond over any other Junior Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; provided, however, that money derived from the rights of the Trustee under a Credit Facility shall not be applied to the payment of the principal of or premium, if any, or interest on Bonds held of record by the Authority, by the obligor under a Credit Facility or by any Tender Agent for the account of the Authority if the applicable Credit Facility prohibits by its terms a drawing thereunder for such purpose.

(d) If the principal of all Junior Bonds shall have become due and payable and there are no Senior Bonds Outstanding, all such money shall be applied as set forth in clauses (b)(iii) and (b)(iv) above.

(e) If the principal of all the Bonds of a series shall have come due and payable, and if acceleration of the maturity of said Bonds by reason of such Event of Default shall thereafter have been rescinded and annulled under the provisions of Article IX ("Defaults and Remedies") of the Agreement, then, subject to the provisions of clause (c) of this Section which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the money shall be applied in accordance with the provisions of clause (b) of this Section.

Trustee's Notice of Event of Default. The Trustee shall not be required to take notice, or be deemed to have notice, of any default or Event of Default under the Agreement (i) other than an Event of Default under clause (a), (b) or (c) of the first paragraph of Section 9.01 ("Events of Default") of the Agreement or (ii) unless an officer of the Trustee assigned by the Trustee to administer its corporate trust matters has been specifically notified in writing of such default or Event of Default by holders of at least 25% in principal amount of the Bonds then Outstanding of any series, by the Authority, by the obligor under a Credit Facility ensuring payment of principal or interest on any series of Bonds, by a Tender Agent or in the case of an Event of Default under clause (h) or (i) of the first paragraph of Section 9.01 of the Agreement, by any holder. The Trustee may, however, at any time, in its discretion, require of the Authority full information and advice as to the performance of any of the covenants, conditions and agreements contained in the Agreement.

Action by Trustee. The Trustee shall be under no obligation to take any action in respect of any default or Event of Default under the Agreement with respect to Bonds of any series other than an Event of Default described in clause (f) of Section 9.01 ("Events of Default") of the Agreement, or toward the execution or enforcement of any of the trusts thereby created, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested in writing so to do by holders of at least 25% in principal amount of the Outstanding Bonds of such Series and, if in its opinion such action may tend to involve it in expense or liability, unless furnished, from time to time as often as it may reasonably require, with security and indemnity satisfactory to it (including reasonable counsel fees and expenses); but the foregoing provisions are intended only for the protection of the Trustee, and shall not affect any discretion or power given by any provisions of the Agreement to the Trustee to take action in respect to any default or Event of Default without such notice or request from the holders of Bonds or the obligor under a Credit Facility or without such security or indemnity.

Notice to Owners of Event of Default. If an Event of Default occurs of which the Trustee has notice within the meaning of Section 10.05 ("Notice of Event of Default") of the Agreement and any such Event of Default shall continue for at least two days after the Trustee has notice thereof within the meaning of Section 10.05 of the Agreement, unless the Trustee shall have theretofore given a notice of acceleration pursuant to Section 9.01 ("Events of Default") of the Agreement, the Trustee shall give prompt notice thereof to the Authority, any Tender Agent, any Remarketing Agent and any obligor under a Credit Facility and give notice by Publication and by Mail to all holders of Outstanding Bonds for which it is acting as Trustee. Such Trustee shall also give notice of any Event of Default to any other Trustee appointed pursuant to the Agreement and such Trustee shall likewise give prompt notice to all holders of Outstanding Bonds for which it is acting as Trustee.

Trustee; Paying Agents

Acceptance of Trusts. The Trustee accepts and agrees to execute the trusts created by the Agreement, but only upon the additional terms set forth in Article X ("Trustee; Paying Agent and Co-Paying Agents; Registrar") of the Agreement, to all of which the Authority agrees and the respective holders of the Bonds agree by their acceptance of delivery of any of the Bonds. By accepting and agreeing to act as Trustee for holders of Senior Bonds and/or Junior Bonds, the Trustee is agreeing to act for holders of Bonds of all series of Senior Bonds and/or Junior Bonds, as the case may be, subject to the rights of the Trustee to resign and be discharged of the trusts created by the Agreement.

Paying Agent; Co-Paying Agents; Depositary. The Authority shall appoint the Paying Agent for the Bonds and may at any time or from time appoint one or more Co-Paying Agents for a series of Bonds and one or more Depositaries for the receipt of Revenue and Receipts pledged to the Trustee under the Agreement, subject to the conditions set forth in Section 10.22 ("Qualifications of Paying Agent, Co-Paying Agents and Depositary; Resignation; Removal") of the Agreement.

Responsibility of Fiduciaries

Notwithstanding any other provisions of Article X of the Agreement, the Trustee shall, during the existence of an Event of Default of which the Trustee has actual notice, exercise such of the rights and powers vested in it by the Agreement and use the same degree of skill and care in their exercise as a prudent man would use and exercise under the circumstances in the conduct of his own affairs.

Limitation on Liability. The Trustee may execute any of the trusts or powers created under the Agreement and perform the duties required of it thereunder by or through attorneys, agents, receivers, or employees, and shall be entitled to advice of counsel concerning all matters of trust and its duty thereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or employee selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under the Agreement or for anything whatsoever in connection with the trust created thereby, except only for its own negligence, willful misconduct or bad faith or for failure to exercise reasonable care in the selection of any attorney, agent or employee acting thereunder. The Trustee shall notify the Authority before selecting any agent to act on behalf of the Trustee in order to permit the Authority reasonable opportunity to join in any contract with such agent. The Authority shall, from the Receipts and Revenue of the Authority, indemnify and save the Trustee harmless against any liabilities which the Trustee may incur in the exercise and performance of its powers and duties under the Agreement, except for liabilities arising out of the negligence, willful misconduct or bad faith of the Trustee.

Good Faith Reliance. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, telex, facsimile transmission, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board, body or person or to have been prepared and furnished pursuant to any of the provisions of the Agreement, or upon the written opinion of any attorney, engineer, accountant or other expert believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

Defeasance

If the Authority shall pay or cause to be paid to the holder of any Bond secured by the Agreement the principal of and premium, if any, and interest due and payable, and thereafter to become due and payable, upon such Bond or portion of such Bond, such Bond or portion thereof shall cease to be entitled to any lien, benefit or security under the Agreement. If the Authority shall pay or cause to be paid to the holders of all the Bonds secured thereby the principal and premium, if any, and interest due and payable, and thereafter to become due and payable, thereon, and shall pay or cause to be paid all other sums payable thereunder by the Authority, including but not limited to Subordinate Indebtedness, if any, then, and in that case, the right, title and interest of the Trustee in and to the Trust Estate shall thereupon cease, terminate and become void. In such event, the Trustee shall assign, transfer and turn over to the Authority the Trust Estate, including, without limitation, any balance remaining in any Fund; provided, however, that prior to any such assignment, transfer and turning over to the Authority as aforesaid, the Trustee shall pay to any obligor under a Credit Facility an amount equal to the lesser of (i) the total amount which the Credit Facility obligor informs the Trustee in writing is owed by the Authority to the obligor under such Credit Facility and (ii) the total amount remaining in all Funds.

All or any portion of Outstanding Bonds or portions of Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section when:

(a) in the event said Bonds or portions thereof have been selected for redemption in accordance with Section 3.02 ("Selection of Bonds to be Redeemed") of the Agreement, the Trustee shall have given, or the Authority shall have given to the Trustee in form satisfactory to it, irrevocable instructions to give, on a date in accordance with the provisions of Section 3.03 ("Procedure for Redemption") of the Agreement, notice of redemption of such Bonds or portions thereof; and

(b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which, when due, and without any regard to reinvestment thereof, will provide moneys which, together with the moneys, if any deposited with or held by the Trustee, shall be sufficient to pay when due the principal of and premium, if any, and interest (at the maximum rate permitted, if such deposit shall be made with respect to Bonds bearing interest at the Short-Term Rate reflecting however any period during which the Short-Term Rate has been fixed at a rate or rates less than the maximum permitted rate) due and to become due on said Bonds or portions thereof on and prior to the redemption date or maturity date thereof, as the case may be; provided, however, that, if required by the Supplemental Agreement pursuant to which the Bonds were issued, such moneys shall constitute Available Moneys and that such Government Obligations either shall have been purchased with Available Moneys, or, shall otherwise qualify as Available Moneys; and

(c) in the event said Bonds or portions thereof do not mature and are not to be redeemed within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as a notice of redemption is given pursuant to Section 3.03 ("Procedure for Redemption") of the Agreement, a notice to the holders of said Bonds or portions thereof that the deposit required by clause (b) above has been made with the Trustee and that said Bonds or portions thereof are deemed to have been paid in accordance with Article VIII of the Agreement and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on said Bonds or portions thereof.

Neither the Government Obligations nor moneys deposited with the Trustee pursuant to Article VIII of the Agreement nor principal or interest payments on any such Government Obligations shall be withdrawn (unless a substitution is made with other Government Obligations) or used for any purpose other than, and such Government Obligations, moneys and principal or interest payments shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds or portions thereof, or for the payment of the purchase of said Bonds in accordance with any applicable agreement with a Tender Agent or other person; provided, that, during an Interest Period which is not a fixed rate period with respect to Bonds bearing interest at a Short-Term Rate or with respect to any Bonds bearing interest at the Long-Term Rate, such moneys, if not then needed for such purposes, shall, at the direction of an Authorized Authority Representative and to the extent practicable, be invested and reinvested in Government Obligations maturing on or prior to the earlier of (a) the date moneys shall be required for the purchase of Bonds pursuant to any applicable agreement with a Tender Agent or other person; and (b) the Interest Payment Date next succeeding the date of investment or reinvestment, and interest earned from such investments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge under the Agreement, unless there are insufficient other funds to redeem said Bonds; and provided, further, that, during a fixed rate period with respect to Bonds bearing interest at a Short-Term Rate or with respect to any Bonds bearing interest at the Long-Term Rate, any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purposes, shall, at the direction of an Authorized Authority Representative and to the extent practicable, be invested in Government Obligations of the type described in clause (b) of the next preceding paragraph maturing at times and in amounts sufficient to pay when due the principal of and premium, if any, and interest to become due on said Bonds or portions thereof on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge under the Agreement unless there are insufficient other funds to redeem said

Bonds. If payment of less than all the Bonds is to be provided for in the manner and with the effect provided in this Section, the Authority shall select such Bonds or portions of Bonds in the manner specified by Section 3.02 ("Selection of Bonds to be Redeemed") of the Agreement for selection for redemption of less than all Bonds in the principal amount designated to the Trustee by the Authority.

Modification of The Agreement

Limitations. The Agreement shall not be modified or amended in any respect subsequent to the first issuance of the Bonds except as provided in and in accordance with and subject to the provisions of Article XII ("Modification of This Agreement") of the Agreement.

Supplemental Agreements without Consent of Holders of Bonds. The Authority and the Trustee may, from time to time and at any time, without the consent of or notice to the holders of the Bonds, enter into Supplemental Agreements as follows:

(a) to cure any formal defect, omission, inconsistency or ambiguity in the Agreement;

(b) to grant to or confer or impose upon the Trustee for the benefit of the holders of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Agreement as theretofore in effect;

(c) to add to the covenants and agreements of, and limitations and restrictions upon, the Authority in the Agreement, other covenants, agreements, limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Agreement as theretofore in effect, including, but not limited to, agreements to pledge Additional Revenues to the Trustee for the benefit of the holders of the Bonds;

(d) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Agreement, of the Receipts and Revenues of the Authority pledged or to be pledged under the Agreement or of any other moneys, securities or funds;

(e) to authorize the issuance of additional Bonds pursuant to the Agreement, to authorize a different denomination or denominations of the Bonds or to permit the issuance of the Bonds in the form of coupon Bonds and to make correlative amendments and modifications to the Agreement regarding exchangeability of Bonds of different denominations and forms, redemptions of portions of Bonds of particular denominations and forms and similar amendments and modifications of a technical nature;

(f) to modify, alter, amend or supplement the Agreement in any and all respects which may be necessary, desirable or appropriate in connection with any supplement to the Agreement relating to the priority of sources of funds derived from a Credit Facility to be used for the payment of the principal of and premium, if any, and interest on the Bonds, changes to the provisions relating to the priority of sources of funds derived from a Credit Facility to be used for the purchase of Bonds and, changes to the default provisions referred to in Section 9.01(c) or (f) ("Events of Default") of the Agreement;

(g) to modify, alter, supplement or amend the Agreement in such manner as shall permit the qualification thereof under the Trust Indenture Act of 1939, as from time to time amended;

(h) to modify, alter, supplement or amend the Agreement in such manner as shall be necessary, desirable or appropriate in order to provide for the registration and registration of transfer of the Bonds through a book-entry or similar method, whether or not the Bonds are evidenced by certificates;

(i) to provide a method for the determination of a Short-Term Rate; and

(j) to modify, alter, amend or supplement the Agreement in any other respect which is not materially adverse to the holders of the Bonds and which does not involve a change described in clause (i), (ii), (iii) or (iv) of Section 12.03(a) ("Supplemental Agreements with Consent of Holders of Bonds") of the Agreement.

Before the Authority and the Trustee shall enter into any Supplemental Agreement pursuant to this Section, there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and does not adversely affect the exclusion from gross income of the interest on the Bonds for purposes of Federal income taxation.

Supplemental Agreements with Consent of Holders of Bonds. (a) Except for any Supplemental Agreement entered into pursuant to Section 12.02 ("Supplemental Agreements without Consent of Holders of Bonds") of the Agreement, subject to the terms and provisions contained in this Section and not otherwise, the holders of not less than fifty-one (51) percent in aggregate principal amount of the Bonds then Outstanding which would be adversely affected thereby shall have the right from time to time to consent to and approve the execution and delivery by the Authority and the Trustee of any Supplemental Agreement deemed necessary or desirable by the Authority for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Agreement; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding which would be adversely affected thereby, nothing therein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or premium, if any, or interest on any Outstanding Bond, a change in the purchase price or time of purchase of Bonds put pursuant to the terms thereof, a reduction in the principal amount or redemption price of any Outstanding Bond or a change in the method of determining the rate of interest thereon, or (ii) the creation of a claim or lien upon, or a pledge of, the Receipts and Revenues of the Authority pledged under the Agreement ranking prior to or on a parity with the claim, lien or pledge created by the Agreement, or (iii) a preference or priority of any other Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of Bonds the consent of the holders of the Bonds of which is required for any such Supplemental Agreement.

(b) If at any time the Authority shall request the Trustee to enter into any Supplemental Agreement for any of the purposes of this Section, the Trustee shall cause notice of the proposed Supplemental Agreement to be given by Publication at least once a week for two successive weeks, and by Mail to all holders of Outstanding Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Agreement and shall state that a copy thereof is on file at the office of the Trustee for inspection by all holders of Bonds.

(c) Within two years after the date of the first publication of such notice, the Authority and the Trustee may enter into such Supplemental Agreement in substantially the form described in such notice only if there shall have first been delivered to the Trustee (i) the required consents, in writing, of the holders of the Bonds and (ii) an opinion of Bond Counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement and the Act, complies with their respective terms and, upon the execution and delivery thereof, will be valid and binding upon the Authority in accordance with its terms and will not adversely affect the exclusion from gross income of the interest on the Bonds for purposes of Federal income taxation.

(d) If the holders of not less than the percentage of Bonds required by this Section shall have consented to and approved the execution and delivery thereof, no holder of a Bond shall have any right to object to the execution and delivery of such Supplemental Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Authority or the Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

(e) Subject to the terms and provisions contained in this subsection (e) of this Section, the holders of all the Bonds at any time Outstanding shall have the right, and the Authority and the Trustee by their execution and delivery of the Agreement expressly confer upon such holders the right to modify, alter, amend or supplement the Agreement in any respect, including without limitation in respect of the matters described in clauses (i), (ii), (iii) and (iv) of the proviso contained in subsection (a) of this Section, by delivering to the Authority and the Trustee a written instrument or instruments, executed by or on behalf of such holders, containing a form of Supplemental Agreement which sets forth such modifications, alterations, amendments and supplements, and, upon the expiration of a thirty (30) day period commencing on the date of such delivery during which no notice of objection shall have been delivered by the Authority and the Trustee to such holders at an address specified in such written instrument, such Supplemental Agreement shall be deemed to have been approved and confirmed by the Authority and the Trustee, to the same extent as if actually executed and delivered by the Authority and the Trustee and such

Supplemental Agreement shall thereupon become and be for all purposes in full force and effect without further action by the Authority and the Trustee. The foregoing provisions are, however, subject to the following conditions:

(i) no such Supplemental Agreement shall in any way affect the limited nature of the obligations of the Authority under the Agreement as set forth in Sections 2.06 ("Security for the Bonds") and 7.01 ("Payment of Bonds") thereof or shall adversely affect any of its rights thereunder;

(ii) no such Supplemental Agreement shall be to the prejudice of the obligor under any Credit Facility, the Paying Agent or Co-Paying Agent, any Depositary, the Registrar, any Tender Agent, or any Remarketing Agent; and

(iii) there shall have been delivered to the Authority and the Trustee an opinion of Bond Counsel stating that such Supplemental Agreement is authorized or permitted by the Agreement and the Act, complies with their respective terms, will, upon the expiration of the aforesaid thirty (30) day period, be valid and binding upon the Authority in accordance with its terms and will not adversely affect the exclusion from gross income of the interest on the Bonds for the purposes of Federal income taxation.

Effect of Supplemental Agreement. Upon the execution and delivery of any Supplemental Agreement pursuant to the provisions of the preceding Sections, the Agreement shall be, and be deemed to be, modified, altered, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Agreement of the Authority, the Trustee and all holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Agreement subject in all respects to such modifications, alterations, amendments and supplements.

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APPENDIX C

Form of Continuing Disclosure Agreement
And Supplement to Continuing Disclosure Agreement

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DELAWARE TRANSPORTATION AUTHORITY
$120,640,000
TRANSPORTATION SYSTEM SENIOR REVENUE BONDS, SERIES 1997
$19,385,000
TRANSPORTATION SYSTEM JUNIOR REVENUE BONDS, SERIES 1997

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of August 15, 1997 (the "Disclosure Agreement") is executed and delivered by THE DELAWARE TRANSPORTATION AUTHORITY (as more fully defined below, the "Authority") in connection with the issuance of the above captioned bonds (the "1997 Bonds"). The Authority, intending to be legally bound, hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the Holders from time to time of the Bonds and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized terms used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Additional Bonds" shall mean any indebtedness of the Authority issued subsequent to the 1997 Bonds which the Authority has declared in writing to be covered by this Disclosure Agreement.

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Authority" shall mean The Delaware Transportation Authority, or any successor Obligated Person that assumes either by operation of law or by contract or both (i) the obligation to pay debt service on the Bonds and (ii) the obligations of the Authority under this Disclosure Agreement.

"Bonds" shall mean the 1997 Bonds and any Additional Bonds, if any.

"Dissemination Agent" shall mean any agent of the Authority designated in writing by the Authority which has filed with the Authority a written acceptance of such designation.

"Holder" shall mean any registered holder of Bonds, provided however that with respect to any Bond registered in a "street name" or the name of a nominee such as The Depository Trust Company, the term "holder" shall mean any person which produces reasonable documentary evidence that it is a beneficial owner of a Bond.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor organization. The current address of the MSRB is:

MUNICIPAL SECURITIES RULEMAKING BOARD
Continuing Disclosure Information System
1640 King Street, Suite 300
Alexandria, VA 22314-2719
(202) 223-9503 (phone)
(703) 683-1930 (fax)

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

BLOOMBERG MUNICIPAL REPOSITORIES
Attn: Municipal Dept.
Bloomberg Business Park
100 Business Park Drive
Skillman, New Jersey 08558
(609) 279-3200 (phone)
(609) 279-3224 (phone)
(609) 279-5962 (fax)
(U.S. Mail: P.O. Box 840
Princeton, NJ 08542-0840]
E-Mail: Munis@Bloomberg.com

THOMSON NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3rd Fl.
New York, New York 10014
(212) 807-5001 (phone)
(800) 689-8466 (phone)
(212) 989-2078 (fax)
E-Mail: Disclosure@Muller.com

DISCLOSURE, INC.
Attn: Document Acquisitions/Municipal Securities
5161 River Road
Bethesda, Maryland 20816
(301) 718-2390 (phone)
(800) 638-8241 (phone)
(301) 951-1366 (fax)
E-Mail: Sherri.sewalt@Disclosure.com

DONNELLEY FINANCIAL
559 Main Street
Municipal Securities Disclosure Archive
Hudson, Massachusetts 01749
(800) 580-3670 (phone)
(508) 562-1969 (fax)
E-Mail: Sspotkill@rrdfin.com

KENNY INFORMATION SYSTEMS, INC.
Attn: Kenny Repository Service
65 Broadway, 16th Fl.
New York, New York 10006
(212) 770-4595 (phone)
(212) 797-7994 (fax)

MOODY'S NRMSIR
Attn: Public Finance Information Center
99 Church Street, 6th Floor
New York, New York 10007-2701
(800) 339-6306 (phone)
(212) 553-1460 (fax)

DPC DATA INC.
One Executive Drive
Fort Lee, New Jersey 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
E-Mail: nrmsir@dpcdata.com

"Obligated Person" shall have the meaning set forth in the Rule, provided that the sole objective criteria used to select the Obligated Person shall be the entity obligated to repay all debt service with respect to the relevant Bonds.

"Participating Underwriter" shall mean any of the original underwriters of any Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Repository" shall mean each National Repository and each State Repository, if any.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission.

"State" shall mean the Department of Finance of the State of Delaware, to the attention of the Director of Bond Finance.

"State Repository" shall mean any public or private repository or entity designated by the State of Delaware as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

"Tax-exempt" shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

"Trust Agreement" shall mean the Trust Agreement dated as of August 1, 1988 between the Authority and Wilmington Trust Company, as amended.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than the first day of the eighth calendar month immediately following the end of the Authority's fiscal year, provide to the State and each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent, if any. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that audited financial statements of the Authority may be submitted separately from the balance of the Annual Report.

(b) If the Authority is unable to provide the Annual Report to Repositories by the date required in subsection (a), the Authority shall send a notice to each Repository (or to the MSRB and the State Repository) in substantially the form attached as Exhibit A.

(c) The Dissemination Agent, if any, shall (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and (ii) file a report with the Authority certifying that the Annual Report has been filed pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Audited financial statements of the Authority not submitted as part of the Annual Report shall be provided to each Repository, if and when available to the Authority, and in any event not more than thirty (30) days after receipt thereof from the Authority's auditors. In the event that audited financial statements are not submitted as part of the Annual Report, the Authority shall provide in lieu thereof unaudited financial statements meeting the description set forth in Section 4(a)(i) hereof.

(e) The Authority shall promptly provide written notice of any change in its fiscal year to the MSRB and to each Repository.

SECTION 4. Content of Annual Reports

(a) The Authority's Annual Report shall contain or incorporate by reference the information listed in Exhibit B with respect to the relevant fiscal year.

(b) Any or all of the information required may be incorporated by reference from other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by reference.

(c) If any information described in Section 4(a) above can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations of the Authority under this Section 4, provided however that the Authority shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds (each, a "Listed Event"):

1. Principal and interest payment delinquencies;

2. Non payment-related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

7. Modifications to rights of Bondholders;

8. Bond calls (other than mandatory sinking fund redemption);

9. Defeasance of Bonds;

10. Release, substitution, or sale of property securing repayment of any Bonds; or

11. Rating changes.

(b) If the occurrence of a Listed Event would be material to holders of Bonds in accordance with the applicable "materiality" standard under then-current securities laws, the Authority shall in a timely manner file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB and the State Repository (if any). Notwithstanding the foregoing, notice of Listed Events need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Trust Agreement, provided that such notice is given in a timely manner.

SECTION 6. Accounting Standards. The financial statements described in Section 4(a)(i) above shall be audited by either a certified public accountant or an independent public accountant and shall be prepared in accordance with both (a) generally accepted accounting principles applicable in the preparation of financial statements of municipalities and other public entities as such principles are from time to time promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body ("GAAP"), and (b) applicable federal and state auditing statutes, regulations, standards and/or guidelines; provided however, that the Authority may from time to time modify its accounting principles to the extent necessary or desirable to comply with changes in either GAAP or applicable federal or state statutes, regulations, standards and/or guidelines. Any such modification of accounting standards to conform to changes in either GAAP or applicable federal or state auditing statutes, regulations, standards or guidelines shall not constitute an amendment to this Disclosure

Agreement within the meaning of Section 9 hereof; however, such modifications shall be disclosed in the first Annual Report to be provided subsequent to such modifications.

SECTION 7. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) the assumption by a successor Obligated Person of all of the obligations of the prior Obligated Person both hereunder and under the Bonds. The prior Obligated Person shall provide timely written notice to each Depository of any termination of its obligations hereunder.

SECTION 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendments.

(a) Notwithstanding any other provision of this Disclosure Agreement, the Authority may modify or amend this Disclosure Agreement upon receipt of a written opinion of nationally recognized bond counsel to the effect that the then-current requirements of the Rule have been satisfied. The Authority acknowledges and agrees that the current SEC interpretation of the Rule requires satisfaction of the following preconditions:

(i) the modification or amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the Authority, or change in the type of business conducted by the Authority;

(ii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule as of the date of issuance of the relevant Bonds, after taking into account any amendment or interpretations of the Rule, as well as any change in circumstances; and

(iii) the modification or amendment does not materially adversely affect the interests of Holders, as determined either by a party unaffiliated with the Authority (such as the Trustee or nationally recognized bond counsel) or by an approving vote of a majority of Holders.

Compliance with the provisions of this Section 9(a) shall be conclusively evidenced by a written opinion of nationally recognized bond counsel to the effect that the modification or amendment satisfies the requirements of this Section 9(a) and the then-current requirements of the Rule.

(b) The Authority shall report any modification or amendment of this Disclosure Agreement as required by the Rule. To the extent required by the Rule, the Authority shall include as a component of the first Annual Report to be provided subsequent to the relevant amendment, a copy of the amendment, together with a notice explaining in narrative form both (i) the reasons for the amendment, and (ii) the impact of the change in the type of operating data or financial information being provided. To the extent required by the Rule, if the amendment relates to changes in accounting principles to be followed in preparing financial statements, the first Annual Report to be provided subsequent to the relevant amendment shall also include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles and a qualitative (and to the extent reasonably feasible, quantitative) discussion of the differences in the accounting principles and the impact of the change in the accounting principles upon the presentation of the financial information. Written notice of any such change in accounting principles shall be provided in a timely fashion to each Depository.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Authority to comply with any provisions of this Disclosure Agreement, the Trustee, any Participating Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance; provided however that nothing herein shall limit any Holder's rights under applicable federal securities law.

SECTION 12. Severability. In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of the Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 13. Entire Agreement. This Disclosure Agreement contains the entire agreement of the Authority with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto, provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in *pari materia* with the Rule.

SECTION 14. Captions. The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 15. Beneficiaries. This Disclosure Agreement is being entered into solely for the benefit of the Participating Underwriters and Holders from time to time of the Bonds, and nothing in this Disclosure Agreement expressed or implied is intended to or shall be construed to give to any other person or entity any legal or equitable right, remedy or claim under or in respect to this Disclosure Agreement or any covenants, conditions or provisions contained herein.

SECTION 16. Governing Law. This Disclosure Agreement shall be deemed to be a contract made under the laws of the State of Delaware, and all provisions hereof shall be governed and construed in accordance with the laws of the State of Delaware, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the Delaware Transportation Authority has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

DELAWARE TRANSPORTATION AUTHORITY

(SEAL)

By: ______________________________
Transportation Trust Fund Administrator

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENTS]

DELAWARE TRANSPORTATION AUTHORITY
$120,640,000
TRANSPORTATION SYSTEM SENIOR REVENUE BONDS, SERIES 1997
$19,385,000
TRANSPORTATION SYSTEM JUNIOR REVENUE BONDS, SERIES 1997

NOTICE IS HEREBY GIVEN that The Delaware Transportation Authority (the "Authority") has not provided an Annual Report [Audited Annual Financial Statements] as required by the Continuing Disclosure Agreement which was entered into in connection with the issuance of the above-captioned bonds. The Authority anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by ____________________________.

Date: _____________, ____

DELAWARE TRANSPORTATION AUTHORITY

By: ______________________________________

EXHIBIT B

CONTENTS OF ANNUAL REPORT

The Annual Report shall contain the following with respect to the prior fiscal year:

1. Audited financial statements in form and content substantially the same as those appended to the Authority's Official Statement with respect to the Bonds;

2. An update of the type of information included in the below-listed tables in the Official Statement:

   (a) Summary of Revenue Dedicated to the Trust Fund (p. 7);

   (b) Summary Results (p. 11);

   (c) History of Gallonage and Revenue from Motor Fuel Taxes (p. 27);

   (d) Vehicle Trips and Delaware Turnpike Revenue (p. 32);

   (e) Delaware Turnpike Barrier Tolls (p. 34);

   (f) Route 1 Toll Schedule and the amount of toll revenue received from the Route 1 Toll Road during the prior fiscal year (pp. 36-37);

   (g) History of Motor Vehicle Document Fees (p. 38);

   (h) History of Motor Vehicle Registrations and Revenue (p. 42); and

   (i) History of Miscellaneous Transportation Revenue (p. 46);

3. A statement of the proposed capital authorizations which have been approved for the current fiscal year (p. 52).

DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION SYSTEM SENIOR REVENUE BONDS, SERIES 2010

SUPPLEMENT TO CONTINUING DISCLOSURE AGREEMENT

This Supplement to Continuing Disclosure Agreement, dated December 9, 2010 (the "2010 Supplement"), is executed and delivered by the Delaware Transportation Authority (the "Authority") in connection with the issuance of the Authority's Transportation System Senior Revenue Bonds, Series 2010.

WHEREAS, the Authority has previously entered into a Continuing Disclosure Agreement dated as of August 15, 1997 (the "Original Disclosure Agreement"), as heretofore and herein supplemented (hereinafter collectively referred to as the "Disclosure Agreement"), in which the Authority agreed to take certain actions in order to assist the Participating Underwriter (as defined in the Original Disclosure Agreement) in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"); and

WHEREAS, pursuant to Section 2 of the Original Disclosure Agreement, the Authority has the ability to supplement the Original Disclosure Agreement to include additional bonds with the same force and effect as if all terms and provisions of such Original Disclosure Agreement had originally provided for the inclusion of such bonds.

WHEREAS, pursuant to Section 9 of the Original Disclosure Agreement, the Authority has the ability to amend the Original Disclosure Agreement upon receipt of a written opinion of nationally recognized bond counsel to the effect that the then-current requirements of the Rule have been satisfied.

NOW, THEREFORE, the Authority, intending to be legally bound, hereby covenants and agrees as follows:

SECTION 1. Written Declaration of Authority. The Authority has determined that the 2010 Bonds shall constitute "Additional Bonds" under the Original Disclosure Agreement.

SECTION 2. Amendment. Section 5 of the Original Disclosure Agreement is hereby deleted in its entirety, and in its place shall be substituted the following:

"SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non payment-related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of Bondholders, if material;

8. Bond calls (other than mandatory sinking fund redemptions), if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of any Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Authority (for the purposes of the event identified in subsection 5(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority);

13. The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material; and

15. Failure to provide annual financial information as required.

(b) Upon the occurrence of a Listed Event, the Authority shall, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB via EMMA in a timely manner not in excess of ten (10) Business Days after the occurrence of the Listed Event."

SECTION 3. Original Disclosure Agreement Applicable to 2010 Bonds. This 2010 Supplement shall be construed as a supplement to the Original Disclosure Agreement and shall be governed by the provisions thereof. Except as hereby supplemented and amended, all the terms, covenants and conditions of the Original Disclosure Agreement are hereby confirmed, ratified and approved in all respects, shall continue in full force and effect, and shall apply to the 2010 Bonds with the same force and effect as if all terms and provisions of the Original Disclosure Agreement had originally provided for the inclusion of the 2010 Bonds.

SECTION 4. Compliance. The Authority has not failed to comply with the requirements of the Original Disclosure Agreement.

SECTION 5. "New" Repository. Effective July 1, 2009, any future Annual Report and any notices filed in connection with the Disclosure Agreement shall be filed in accordance with the requirements of the Rule with MSRB's EMMA at http://emma.msrb.org/ and any future Repository as may be required under the Rule. "EMMA" is the Electronic Municipal Market Access System. The Securities and Exchange Commission has appointed MSRB to replace the four nationally recognized municipal securities information repositories effective as of July 1, 2009.

SECTION 6. Governing Law. This 2010 Supplement shall be deemed to be a contract made under the laws of the State of Delaware, and all provisions hereof shall be governed and construed in accordance with the laws of the State of Delaware, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the Delaware Transportation Authority has caused this 2010 Supplement to be duly executed as of the day and year first above written.

DELAWARE TRANSPORTATION AUTHORITY

(SEAL)

By:______________________________
Director of Finance,
Department of Transportation

APPENDIX D

Proposed Form of Opinion of Bond Counsel

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February 2, 2016

DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION SYSTEM SENIOR REVENUE BONDS, SERIES 2016

TO THE PURCHASERS OF THE ABOVE-CAPTIONED BONDS:

We have acted as bond counsel in connection with the issuance on the date hereof by the Delaware Transportation Authority (the "Authority"), a body politic and corporate constituting a public instrumentality of The State of Delaware (the "State"), of its $181,475,000 Delaware Transportation Authority Transportation System Senior Revenue Bonds, Series 2016 (the "Bonds"). The Bonds are dated the date of issuance, and are subject to redemption, in whole or in part, at the times, in the manner and upon the terms set forth in the Bonds.

The Bonds are issued pursuant to Chapter 13, Title 2, Delaware Code, as amended, and Chapter 14, Title 2, Delaware Code, as amended (collectively, the "Act"), a Trust Agreement dated as of August 1, 1988, by and between the Authority and Wilmington Trust Company, a State banking corporation ("WTC") (WTC, not in its individual capacity but solely as trustee, the "Trustee"), as amended and supplemented, including by Supplemental Agreement No. 28, dated February 2, 2016 (the "Trust Agreement"), and a resolution of the Authority dated January 12, 2016 (the "Resolution"), and other laws of the State, for the purposes of refunding certain outstanding Senior Bonds of the Authority and paying the costs of issuing the Bonds.

As bond counsel, we have examined an executed counterpart of the Trust Agreement, a certified copy of the Resolution, the form of the Bonds and applicable laws. In addition, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary for the purposes of the opinion rendered below, including the Authority's Tax Certificate (the "Tax Certificate"). In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. We have relied upon the aforesaid instruments, certificates and documents as to any facts material to our opinion, when relevant facts were not independently established and on the performance of the covenants of the Authority contained in the Resolution. We have relied, as to the execution, authentication and delivery of, and payment for, the Bonds, on certificates of the Authority and the Trustee.

Based on the foregoing, we are of the opinion, on the date hereof, that:

(1) The Authority is a body politic and corporate constituting a public instrumentality of the State duly created and validly existing under and by virtue of the Act.

(2) The Resolution has been duly adopted by the Authority, is in full force and effect and is a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms.

(3) The Authority has duly authorized, executed and delivered the Trust Agreement and the Trust Agreement constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

(4) The Bonds constitute legal and valid limited obligations of the Authority enforceable against the Authority in accordance with their terms. The Bonds are entitled to the benefits and the security, and are subject only to the terms and conditions, set forth in the Resolution and the Trust Agreement.

(5) Interest (including accrued original issue discount) on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the Authority comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The Authority has covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to the corporate alternative minimum tax. We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

(6) Under existing statutes, the Bonds, interest on the Bonds and their transfer shall be exempt from taxation by the State and its political subdivisions, except for estate, inheritance or gift taxes imposed by the State.

The foregoing opinions relating to the enforceability against the Authority of the Resolution, the Trust Agreement and the Bonds are qualified to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights and remedies of creditors generally, and general principles of equity.

APPENDIX E

"Traffic and Revenue Report for the Delaware Turnpike and Route 1 Toll Road"
March 18, 2014

Traffic & Revenue Report

I-95/Delaware Turnpike

SR 1 Toll Road

Prepared for:

Delaware Department of Transportation

Prepared by:

Stantec

March 18, 2014

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March 18, 2014
File: 193410350

Mr. Shailen P. Bhatt
Delaware Department of Transportation
800 Bay Road/Route 113
Dover, DE 19903

Attn: Mr. Brian Motyl, Assistant Director, Finance

Reference: Traffic & Revenue Report, I-95/Delaware Turnpike and SR 1 Toll Road

In accordance with your request, Stantec Consulting Services Inc. (Stantec) has developed estimates of traffic and revenue for the Delaware Turnpike (I-95) and the State Route (SR) 1 Toll Road through Fiscal Year 2020, in connection with the issuance by the Delaware Transportation Authority of Delaware Transportation Authority Transportation System Senior Revenue Bonds, 2014 Series.

As described in this letter report, the estimates for the Turnpike are based on its actual traffic and earnings record from its opening in 1963 through January, 2014 (FY 2014), and on a series of comprehensive studies of traffic patterns and revenue trends undertaken over the course of the Turnpike's 51 years of operation. For SR 1 Toll Road, the estimates are based on its actual traffic and revenue record since the opening of the first section of the project in December 1993; its staged completion through May 2003; and, as with the Turnpike, the results through January, 2014.

Several factors have had a significant impact on traffic on the toll roads in the last ten years. These include the recession of 2007 – 2009 and its lingering effects; the 2005 and 2007 toll increases; severe weather events such as Superstorm Sandy in October 2012 and harsh winter storms over the last few years; and the increase in fuel prices in 2008 and 2011.

Traffic volumes on I-95/Delaware Turnpike decreased from a high of 28.6 million in FY 2004 to 24.5 million in FY 2011. Since then, traffic volumes have been fluctuating due to the factors noted. In FY 2012, traffic increased 2.5 percent, but decreased 0.9 percent in FY 2013. For the first seven months of FY 2014, traffic is 0.9 percent higher than last year, despite a 3.2 percent decrease in January 2014 due to harsh winter weather conditions.

On SR 1 Toll Road, traffic volumes have been increasing rather consistently, with the exception of the impacts of the 2007 toll increase in FY 2008 and the effects of the recession in FY 2009. In 2004, there were 32.3 million transactions on the toll road and this increased to 38.3 million in FY 2013. For the first seven months of FY 2014, traffic is 2.7 percent higher than the same period in FY 2013.

1.0 I-95/Delaware Turnpike

The Delaware Turnpike is an integral part of the transportation network in the Northeast Corridor. The 11-mile Delaware Turnpike is a key link in the Northeast Corridor's I-95 route from New England, New York, Philadelphia and Wilmington to Baltimore, Washington and the South. It forms the trunk of the system, whose branches include I-95 (north to Wilmington, Philadelphia and Trenton), I-295 and the New Jersey Turnpike (north to Trenton and New York), and I-495 (north toward Philadelphia via the Port of Wilmington). To the south, it connects directly with Maryland's Turnpike (I-95) for service to Baltimore and beyond.

Delaware Turnpike interchanges in New Castle County, the most northerly of Delaware's three counties, are located, from north (east) to south (west), at SR 141, combined SR 1/7, SR 273 and SR 896. The SR 1/7 connection leads to the SR 1 Toll Road at Tybouts while SR 896 connects with US 301 which leads to the Chesapeake Bay Bridge at Annapolis.

The Turnpike serves both long-distance Northeast Corridor traffic and commuter traffic between Wilmington and Newark (via SR 896), where the volumes are highest. The Turnpike currently consists of 10 lanes from SR 141 to SR 1 and then transitions down to eight lanes between SR 1 and the Newark plaza. South (west) of the Newark plaza, the number of lanes drops to six, coinciding with the six Turnpike lanes on I-95 in Maryland.

A single Turnpike toll plaza (the Newark plaza) is located between SR 896 and the Maryland line. The Newark toll plaza currently has a total of 20 toll lanes, of which four are dedicated E-ZPass lanes. Conversion of two toll lanes in each direction to high-speed E-ZPass lanes was completed in July, 2011. As a result, delays at the toll plaza due to capacity constraints were alleviated.

A service plaza, with fuel and restaurant facilities, is located in the median of the Turnpike between the SR 273 and SR 896 interchanges, producing concession revenue for the Authority. The service plaza was reconstructed during FY 2010 and as of June 25, 2010 was reopened to patrons.

1.1 TOLL COLLECTION

The Delaware Turnpike was opened to traffic in 1963. When the toll collection system was established at that time, it consisted of a single mainline plaza (the Newark plaza) near the Maryland line and ramp tolls at SR 896, SR 273 and SR 7, resulting in a "closed" toll system with all users paying at one point or another. The ramp tolls were removed in 1976, so that, now, local users who do not travel into Maryland can use the Turnpike toll-free.

Tolls at the Newark plaza have been increased periodically (in 1977, 1981, 1984, 1989, 1993, 1999, 2005 and 2007) over the years, since the initial 30-cent toll (for autos, higher for trucks) was established in 1963. Table 1.1 provides a summary of the toll schedule implemented on October 1, 2007 and currently in place. Note that cash and E-ZPass patrons are charged the same rate.

Table 1.1 Tolls on I-95/Delaware Turnpike

Vehicle Class	Tolls Through 9/30/07	Tolls Effective 10/1/07	Increase
Passenger Cars (2-Axle)	$ 3.00	$ 4.00	33%
3-Axle	$ 5.00	$ 6.00	20%
4-Axle	$ 6.00	$ 7.00	17%
5-Axle	$ 8.00	$ 9.00	13%
6-Axle	$ 10.00	$ 11.00	10%
Permit	$ 10.00	$ 11.00	10%

For the full-length, 11-mile stretch from SR 141 to the Maryland line, the two-axle toll rate for cash patrons is 36 cents per mile. While this seems high, the 13-mile section of I-95 north of SR 141 is toll-free, thereby reducing the overall (24-mile) per-mile rate to 16.7 cents per mile.

Since the Delaware Turnpike section of I-95 connects directly with the Maryland section of I-95, it is useful to compare the two toll schedules. After the last revision of the I-95 Delaware Turnpike toll rates in 2007, MdTA increased truck tolls significantly at all of its tolled facilities, including I-95 in Maryland in May, 2009. Following this, a series of toll rate increases was implemented on I-95 whereby tolls for all vehicle classes were increased by 60 percent. For passenger cars, cash tolls increased in two steps from $5.00 prior to October, 2011 to $8.00 after July, 2013. Truck tolls were increased in three steps; the cash and E-ZPass rates for 5-axle trucks increasing from $30.00 to $48.00.

Tolls on I-95 in Delaware and in Maryland for autos and for the predominant long-distance five-axle trucks are compared in Table 1.2. Round-trip tolls are shown because the Maryland tolls are collected in only one direction (northbound), while the Delaware Turnpike tolls are collected in each direction.

Table 1.2 Comparative I-95 Tolls

Vehicle Class	Representative Round Trip Tolls: Newark Plaza (1)	Representative Round Trip Tolls: Susquehanna Plaza (2)
2-Axle	$8.00	$8.00 cash/$7.20 E-ZPass (3)
5-Axle	$18.00	$48.00

Notes: (1) Tolls effective October 1, 2007, collected in each direction; round-trip tolls shown in table.
(2) Tolls effective July 1, 2013; collected northbound only, no tolls collected southbound.
(3) Commuter discount plan available for 2-axle vehicle using Maryland E-ZPass accounts for $70 for 25 trips within 45 days. At Susquehanna plaza, effective toll for round trip, collected northbound only, is $2.80.

One-way tolls have been considered at Delaware's Newark plaza and rejected, due to the network of alternative routes crossing the state line between Delaware and Maryland. There is no natural barrier between Delaware and Maryland as there is at the Susquehanna River in Maryland. A doubling of the toll at the Newark plaza in one direction could potentially induce significant traffic diversions, particularly by trucks.

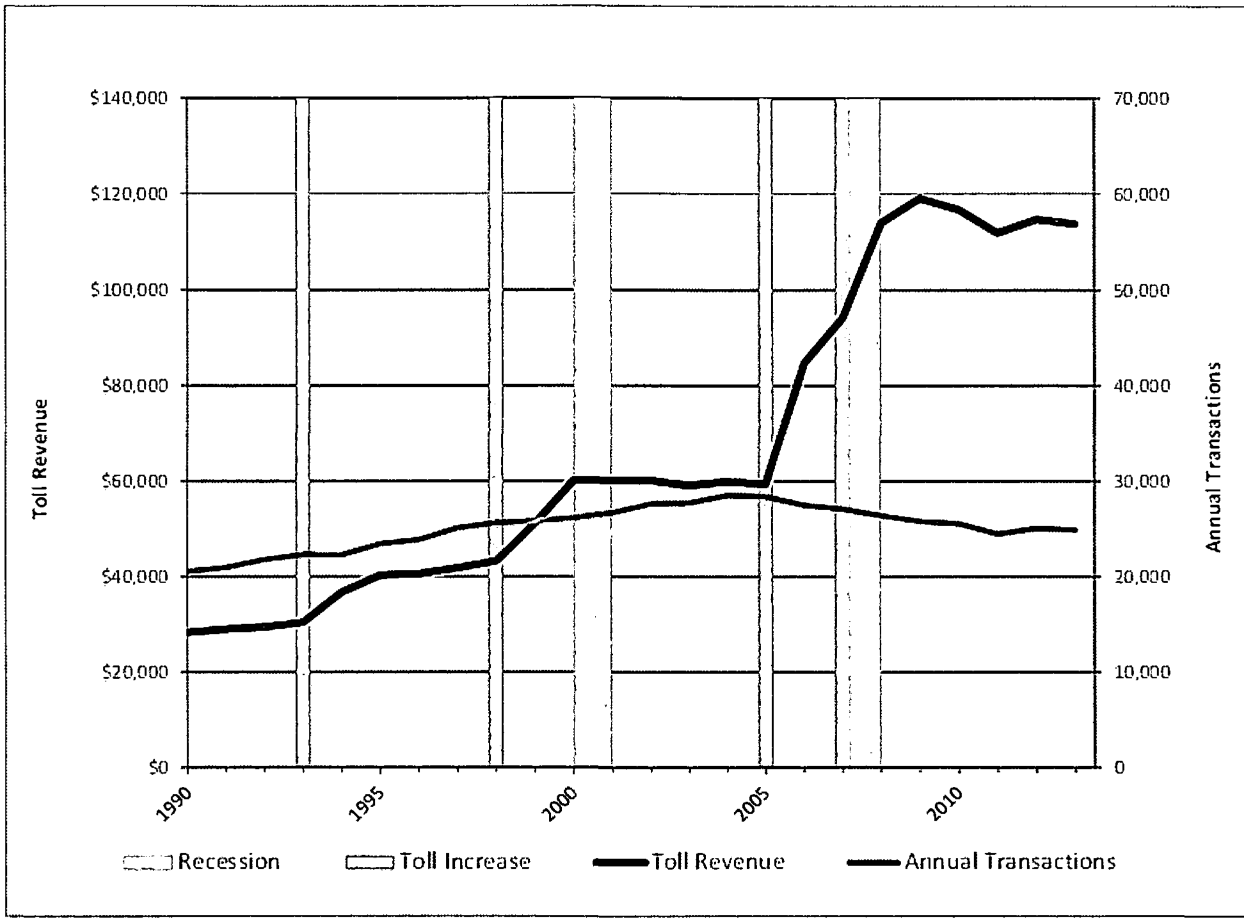
The Delaware toll facilities are members of the E-ZPass Interagency Group (IAG) which was founded in 1993 to enable customers of the member IAG agencies to use their E-ZPass tags on any E-ZPass-equipped toll facility operated by another IAG member. The IAG now encompasses 25 toll agencies in 15 states and processes over 2.4 billion toll transactions annually. There are more than 24 million E-ZPass devices in circulation. As the IAG has grown, the E-ZPass customer base has increased which has helped increase E-ZPass usage on the Delaware toll facilities.

1.2 HISTORICAL GROWTH OF TRAFFIC, TOLL REVENUE AND CONCESSION REVENUE

With the opening of the Delaware Turnpike in 1963, the Turnpike has a 51-year record at the Newark toll plaza of traffic and revenue growth. During its first 25 years of operation, traffic through the Newark plaza increased by a factor of 3.4, from 5.9 million vehicles in 1964, its first full year of operation, to 19.9 million vehicles in FY 1989. (References to *traffic* or *transactions* throughout the report are intended to mean *toll-paying traffic*.) During this same period, toll revenues collected at the Newark plaza increased by a factor of 13.7, from $1.9 million to $26.1 million, reflecting the completion of nearly all of I-95 between Maine and Florida, and the Turnpike's toll increases from $.30 (for passenger cars, higher for trucks) early in the period to $1.00 by the end of the period. Early in the period, tolls were also collected on the Turnpike ramps at SR 7, SR 273, and SR 896, but as mentioned previously, these tolls were discontinued in 1976. Commensurate with the increasing traffic over the years, concession revenues (from the two service stations and restaurant facility) increased from $690,000 in 1964 to $1,556,000 in FY 1989. (The source of all traffic and revenue data is from DelDOT Toll Operations.)

Turnpike traffic and revenue record for the period from FY 1990 through January 2014 are listed in Table 1.3 and shown graphically in Figure 1.1. From the period between 1989 and 2004, traffic, toll revenue and concession revenue continued to generally increase, despite the 25 percent toll increase (from $1.00 to $1.25 for passenger cars and other two-axle vehicles, higher for trucks) in September 1993 (FY 1994), and the increase in the passenger car cash toll from $1.25 to $2.00 in January 1999 (FY 1999). For FY 2005, traffic and revenue did decrease slightly in response to higher fuel prices in the wake of Hurricane Katrina, although concession revenue did increase. This increase was attributed to rising fuel sales.

Figure 1.1 I-95/Delaware Turnpike Traffic and Revenue, FY 1990 – 2013



Revenues for FY 2006 increased significantly due to the increased toll rates for all vehicles that went into effect on October 1, 2005 along with discontinuing the *EZ-Pass* discount for autos. Revenue increased significantly again in FY 2008 in response to the toll increase in October 2007, although the number of patrons using the facility in FY 2008 was approximately 7.0 percent less than the number of patrons in FY 2005. Similarly revenue increased in FY 2009 as a result of having the increased tolls in effect for an entire fiscal year, and transactions continued to decline in response to the toll increase and the recession. As the effects of the recession continued into FY 2010, transactions and revenue declined. Toll revenue decreased by approximately 2.0 percent from FY 2009 and the average toll rate decreased to $4.57 per transaction reflecting a lower overall share of truck transactions.

For FY 2011, traffic was 4.2 percent lower than FY 2010 and toll revenue was 4.1 percent lower in response to both the declining economy and, for the last several months of the year, the effect of higher fuel prices. Also, in November 2010, construction required closures at the Turnpike toll plaza during the Thanksgiving holiday weekend. If the estimated revenue loss of approximately $86,600 due to the closure had not occurred, the change in revenues would have been -4.0 percent for the year.

Table 1.3 I-95/Delaware Turnpike Traffic and Revenue, FY 1990 – 2014

Fiscal Year	Annual Transactions		Toll Revenue			Concession Revenue		Total Revenue
	Volume (000)	Percent Change	Amount (000)	Percent Change	Average per Vehicle	Amount (000)	Average per Vehicle	
1990	20,526	--	$ 28,316	--	$ 1.380	$ 1,567	$ 0.076	$ 29,883
1991	20,950	2.1%	$ 28,996	2.4%	$ 1.384	$ 1,545	$ 0.074	$ 30,541
1992	21,789	4.0%	$ 29,476	1.7%	$ 1.353	$ 1,669	$ 0.077	$ 31,145
1993	22,305	2.4%	$ 30,418	3.2%	$ 1.364	$ 1,842	$ 0.083	$ 32,260
1994 (1)	22,251	-0.2%	$ 36,748	20.8%	$ 1.652	$ 1,853	$ 0.083	$ 38,601
1995 (1)	23,451	5.4%	$ 40,258	9.6%	$ 1.717	$ 2,047	$ 0.087	$ 42,305
1996	23,848	1.7%	$ 40,580	0.8%	$ 1.702	$ 2,075	$ 0.087	$ 42,655
1997	25,091	5.2%	$ 41,795	3.0%	$ 1.666	$ 2,124	$ 0.085	$ 43,919
1998	25,649	2.2%	$ 43,276	3.5%	$ 1.687	$ 2,216	$ 0.086	$ 45,492
1999 (2)	25,837	0.7%	$ 51,258	18.4%	$ 1.984	$ 2,265	$ 0.088	$ 53,523
2000 (2)	26,138	1.2%	$ 60,187	17.4%	$ 2.303	$ 2,313	$ 0.088	$ 62,500
2001	26,724	2.2%	$ 60,243	0.1%	$ 2.254	$ 2,304	$ 0.086	$ 62,547
2002	27,633	3.4%	$ 60,165	-0.1%	$ 2.177	$ 2,302	$ 0.083	$ 62,467
2003 (3)	27,727	0.3%	$ 59,099	-1.8%	$ 2.131	$ 2,332	$ 0.084	$ 61,431
2004	28,553	3.0%	$ 59,986	1.5%	$ 2.101	$ 2,465	$ 0.086	$ 62,451
2005 (4)	28,411	-0.5%	$ 59,346	-1.1%	$ 2.089	$ 2,591	$ 0.091	$ 61,937
2006 (5)	27,527	-3.1%	$ 84,723	42.8%	$ 3.078	$ 2,698	$ 0.098	$ 87,421
2007	27,110	-1.5%	$ 94,195	11.2%	$ 3.475	$ 2,800	$ 0.103	$ 96,995
2008 (6)	26,410	-2.6%	$ 113,989	21.0%	$ 4.316	$ 2,499	$ 0.095	$ 116,488
2009	25,812	-2.3%	$ 119,105	4.5%	$ 4.614	$ 2,408	$ 0.093	$ 121,513
2010	25,542	-1.0%	$ 116,727	-2.0%	$ 4.570	$ 2,161	$ 0.085	$ 118,888
2011	24,460	-4.2%	$ 111,932	-4.1%	$ 4.576	$ 1,782	$ 0.073	$ 113,714
2012	25,079	2.5%	$ 114,729	2.5%	$ 4.575	$ 2,024	$ 0.081	$ 116,753
2013	24,858	-0.9%	$ 113,769	-0.8%	$ 4.577	$ 2,377	$ 0.096	$ 116,146
July - January								
2013	14,679		$ 67,054		$ 4.568	$ 1,373	$ 0.094	$ 68,427
2014	14,815	0.9%	$ 67,525	0.7%	$ 4.558	$ 1,460	$ 0.099	$ 68,985

Notes: (1) Toll increase September, 1993, impact reflected in FY 1993 and FY 1994.
(2) Toll increase January, 1999, impact reflected in FY 1999 and FY 2000.
(3) Growth affected by severe winter weather.
(4) Growth affected by increased fuel prices.
(5) Toll increase October, 2005 impact reflected in FY 2006.
(6) Toll increase October,2007 and increased fuel prices reflected in FY 2008.

In FY 2012, both passenger cars and commercial vehicles were 2.5 percent higher than FY 2011 showing some recovery from the recession. Higher volumes in January 2012 were the result of improved weather compared to heavy snow and cold weather in 2011. Also, 2012 was a leap year and monthly transactions for February showed an increase over 2011 due to the additional day.

For FY 2013, traffic decreased 0.9 percent; however, a year over year comparison of monthly data provides mixed results in terms of change in transactions. Factors that could influence this are:

- In the aftermath of Superstorm Sandy at the end of October, 2012, traffic volumes were reduced all along the East Coast in October and November. Toll collection was suspended at the Newark plaza from 10:15 am on Monday, October 29th through noon Tuesday, October 30th;
- Traffic volumes were less in February, 2013 when compared to the previous year due to the extra leap year day in February, 2012;
- July 4th fell on a Wednesday in 2012 and part of the weekend holiday traffic was in June; therefore, traffic in July, 2012, the first month in FY 2013, was less than the previous year; and
- Easter fell in April, 2012 and in March, 2013 resulting in higher traffic volumes in March FY 2013 and lower volumes in April 2013 when compared to the previous year. When added together, the number of transactions for this two-month period is approximately the same.

For the first seven months of FY 2014, traffic volumes are 0.9 percent higher that FY 2013. Traffic increased in FY 2014 due to the gradually improving economy and the recovery from Superstorm Sandy in October and November. This growth was partially offset by the severe winter weather conditions in January 2014.

The final set of columns in Table 1.3 includes concession revenues earned from the fuel sales and sales of convenience items as well as the restaurant operated by Marriott at the previous service plaza. Due to its location midway between New York and Washington, the Delaware Turnpike service plaza is one of the busiest, if not the busiest, turnpike service plaza in the Northeast Corridor.

In recent years the revenue from concessions has varied due to the change in travel resulting from the increased fuel prices and the impacts of the recession and weak recovery, as well as the period when the service plaza was reconstructed. Note that the reduced concession revenue for FY 2010 includes primarily temporary rent payments made during reconstruction of the service plaza between Labor Day 2009 and June, 2010. Concession revenue in FY 2011 was approximately 17 percent less than the previous year due to two factors: first, the 4.2 percent reduction in traffic and second, the low transaction rate per vehicle. In FY 2012, the rate per vehicle rebounded and concession revenue increased 13.6 percent over FY 2011. This trend continued in FY 2013 and the first seven months of FY 2014, with the rate per vehicle at $0.099.

Over the last several years traffic on the I-95/Delaware Turnpike has been fluctuating in response to economic contraction, volatile fuel prices and severe weather events. Using the monthly data provided by the Delaware Department of Transportation (DelDOT), a monthly comparison of transactions by vehicle type was prepared for FY 2012, FY 2013 and FY 2014 through January to determine if the current data provide an indication of recent overall travel patterns. The comparison is provided in Table 1.4.

Since 2-axle vehicles account for more than 85 percent of total transactions on the I-95/Delaware Turnpike, the trend for passenger cars is similar to the trend for total transactions noted above. Passenger car growth for fiscal years 2013 and 2014 has been uneven due to Superstorm Sandy in October, 2012 and other unusual weather events; the extra leap year day in 2012; and the number of weekdays, weekend days and holidays in individual months.

Commercial vehicle transactions have shown an uneven growth trend. There has been little improvement since FY 2012 when volumes were 2.5 percent greater than FY 2011. For FY 2013, transactions for the full year were 0.4 percent less than FY 2012. There was no distinct pattern for the year with monthly variations ranging from -8.3 percent in September to +7.7 percent in November. Performance in FY 2014 has fluctuated and traffic volumes for the first seven months are 0.8 percent lower than FY 2013; however, again there is no distinct monthly pattern. These patterns indicate that economic conditions are improving but are not yet stable, with conditions varying on a short term basis.

Table 1.4 I-95/Delaware Turnpike, Transaction Changes, FY 2012 - FY 2014

Month	Passenger Cars				
	FY 2012	Percent Change	FY 2013	Percent Change	FY 2014
July	2,252,847	-2.7%	2,191,714	-1.0%	2,170,380
August	2,044,745	8.7%	2,222,723	4.5%	2,323,831
September	1,718,033	1.4%	1,741,777	-1.1%	1,722,042
October	1,766,279	-8.6%	1,615,250	4.5%	1,688,017
November	1,823,443	-4.5%	1,741,246	2.4%	1,782,951
December	1,829,931	0.6%	1,841,133	1.3%	1,864,159
January	1,445,933	-1.3%	1,426,546	-3.2%	1,381,352
February	1,387,542	-7.7%	1,280,881		
March	1,651,652	9.8%	1,812,741		
April	1,917,648	-8.9%	1,746,223		
May	1,928,896	2.2%	1,970,796		
June	2,033,160	-1.7%	1,999,578		
Total Year	21,800,109	-1.0%	21,590,608		
Jul - Jan			12,780,389	1.2%	12,932,732

Month	Commercial Vehicles				
	FY 2012	Percent Change	FY 2013	Percent Change	FY 2014
July	270,522	2.5%	277,287	1.7%	281,919
August	287,991	-0.9%	285,353	-0.6%	283,721
September	280,412	-8.3%	257,065	3.3%	265,469
October	280,730	-3.2%	271,818	5.6%	286,917
November	269,017	7.7%	289,781	-10.0%	260,789
December	261,766	-3.4%	252,853	1.0%	255,371
January	250,968	5.3%	264,313	-6.0%	248,461
February	247,237	-3.3%	239,199		
March	279,972	-0.8%	277,713		
April	274,030	2.7%	281,388		
May	294,549	-0.1%	294,247		
June	282,120	-2.0%	276,501		
Total Year	3,279,314	-0.4%	3,267,518		
Jul - Jan			1,898,470	-0.8%	1,882,647

1.3 TRAFFIC CHARACTERISTICS

Traffic on the I-95/Delaware Turnpike is characterized by method of toll payment (cash, E-ZPass), type of vehicle (auto, truck) and monthly traffic patterns.

1.3.1 Toll Payment Method

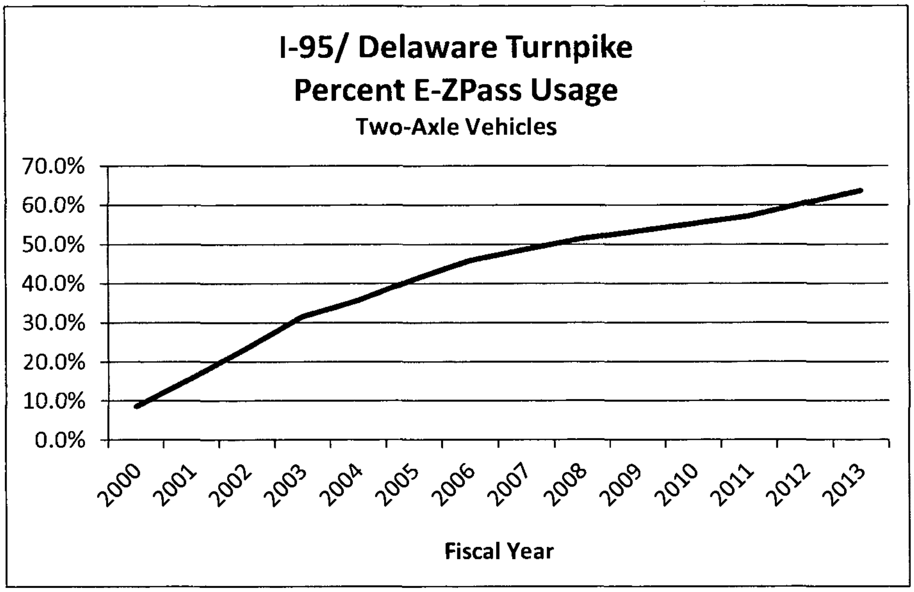
Transactions for two-axle vehicles by payment type (cash versus E-ZPass) since FY 2000, the first full year following the implementation of E-ZPass on the Turnpike in January 1999, are listed in Table 1.5 and shown graphically in Figure 1.2. Only the two-axle/E-ZPass users were eligible for the E-ZPass discount ($1.25 E-ZPass versus $2.00 cash) between January 1999 and September 30, 2005. The table indicates that the two-axle E-ZPass market share consistently increased during the six years when a deep discount was offered on the Delaware Turnpike, reaching the 41 percent level in FY 2005.

E-ZPass usage has continued to increase although at a slower rate than the period to when the discount was in place. Part of this increase can be attributed to the regional aspect of E-ZPass convenience and cost savings in the Northeast Corridor, where other toll road operators have offered a discount for E-ZPass users and have introduced All Electronic Toll (AET) collection. As a result of these programs and improvements, E-ZPass exceeds 80 percent on some facilities in the New York metropolitan area. For the first seven months of FY 2014, 65 percent of the two-axle transactions on the I-95/Delaware Turnpike were by E-ZPass.

Table 1.5 I-95/Delaware Turnpike E-ZPass Usage by Passenger Cars FY 2000 – 2014

Fiscal	Two-Axle Transactions (000)			Percent
Year	Cash	E-ZPass	Total	E-ZPass
2000	20,306	1,907	22,213	8.6%
2001	19,057	3,568	22,625	15.8%
2002	18,297	5,615	23,912	23.5%
2003	16,524	7,589	24,113	31.5%
2004	15,965	8,841	24,806	35.6%
2005	14,434	10,061	24,495	41.1%
2006	12,786	10,835	23,621	45.9%
2007	11,908	11,294	23,202	48.7%
2008	10,960	11,590	22,550	51.4%
2009	10,378	11,858	22,236	53.3%
2010	9,949	12,291	22,240	55.3%
2011	9,102	12,159	21,261	57.2%
2012	8,619	13,181	21,800	60.5%
2013	7,868	13,723	21,591	63.6%
July - January				
2013	4,778	8,003	12,781	62.6%
2014	4,530	8,403	12,933	65.0%

Figure 1.2 I-95/Delaware Turnpike Passenger Cars E-ZPass Usage FY 2000 – 2013



Commercial vehicles have a higher level of E-ZPass use, reaching 84 percent for the first seven months of FY 2014. This is due to the increased accountability available by using E-ZPass instead of cash and also the ease of usage. In addition to the acceptance of E-ZPass toll payment on toll facilities throughout the Northeast and Midwest states, many facilities have introduced AET. The level of E-ZPass usage by commercial vehicles for FY 2010 to date is shown in Table 1.6.

Table 1.6 I-95/Delaware Turnpike E-ZPass Usage by Commercial Vehicles FY 2010 - 2014

Fiscal Year	Commercial Vehicle Transactions (000)			Percent E-ZPass
	Cash	E-ZPass	Total	
2010	784	2,519	3,303	76.3%
2011	708	2,491	3,199	77.9%
2012	638	2,642	3,280	80.5%
2013	588	2,680	3,268	82.0%
July - January				
2013	344	1,554	1,898	81.9%
2014	298	1,584	1,882	84.2%

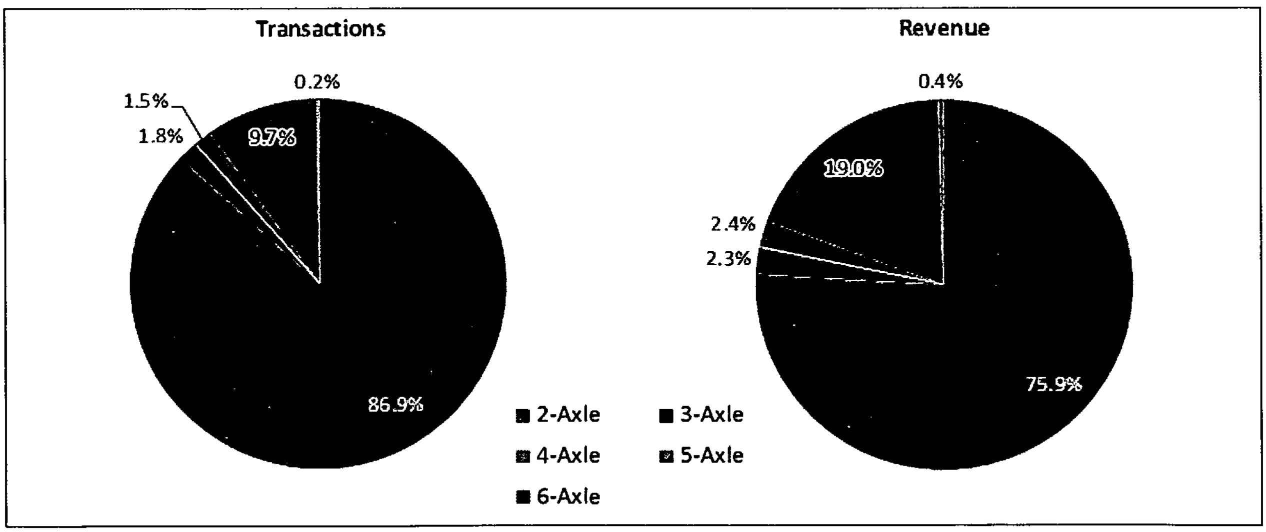
1.3.2 Vehicle Types

Traffic and revenue results for FY 2013 by vehicle toll classification are summarized in Table 1.7 and shown graphically in Figure 1.3. While two-axle vehicles are 86.9 percent of total transactions, they are only 75.9 percent of toll revenue. The second highest toll classification category is five-axle vehicles which account for almost 10 percent of transactions and 19 percent of toll revenue. The remaining commercial vehicle categories account for 3.5 percent of transactions and 5.1 percent of toll revenue.

Table 1.7 I-95/Delaware Turnpike Traffic and Revenue by Toll Classification, FY 2013

Vehicle Class	Transactions		Toll	Toll Revenue	
	Volume (000)	Percent of Total		Amount (000)	Percent of Total
2-Axle	21,591	86.9%	$ 4.00	$ 86,364	75.9%
3-Axle	439	1.8%	$ 6.00	$ 2,634	2.3%
4-Axle	384	1.5%	$ 7.00	$ 2,688	2.4%
5-Axle	2,403	9.7%	$ 9.00	$ 21,627	19.0%
6-Axle	38	0.2%	$ 11.00	$ 420	0.4%
Permit	4	0.0%	$ 11.00	$ 39	0.0%
Total	24,859	100.0%		$ 113,772	100.0%

Figure 1.3 I-95/Delaware Turnpike Traffic and Revenue by Vehicle Class, FY 2013



1.3.3 Monthly Traffic Patterns

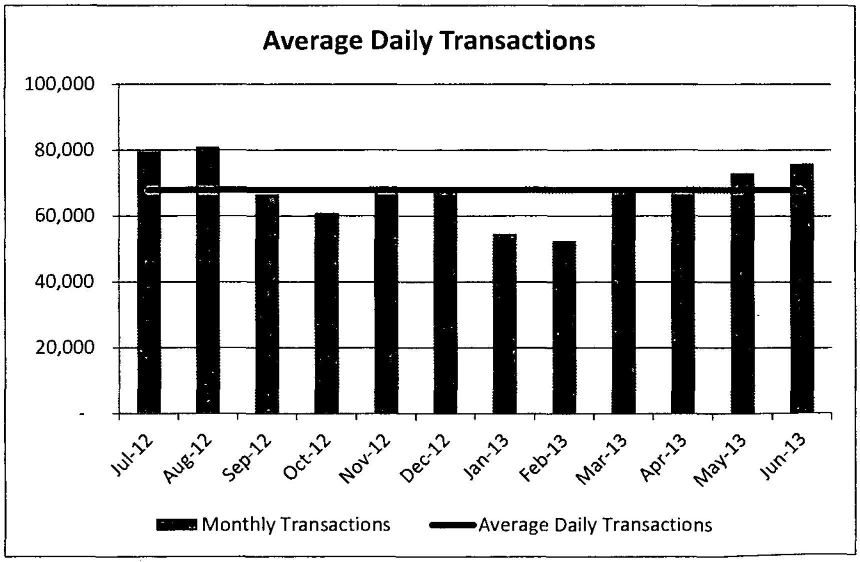
Monthly average daily toll transactions ranged from 23 percent below the Average Annual Daily Traffic (AADT) volumes in February to 19 per cent above the average in August. The February data reflect the winter conditions while July and August traditionally have the highest traffic volumes due to the influences of recreational travel in the Northeast Corridor. October traffic was below normal as a result of Superstorm Sandy which had an impact on travel in Delaware and other east coast states. The effects of

Sandy were also apparent in November which normally has a noticeable spike in traffic resulting from Thanksgiving weekend travel, and consistently has been the highest traffic period on the Turnpike. December results reflect additional traffic associated with the Christmas/New Year holiday period. As expected, January and February have the lowest travel levels due to the inclement weather common at this time of the year. Traffic volumes in April were closest to AADT. Monthly variations in traffic at the Newark Plaza are presented in Table 1.8 and shown graphically in Figure 1.4.

Table 1.8 I-95/Delaware Turnpike Monthly Traffic, FY 2013

Month	Monthly Transactions		Average Daily Transactions	
	Volume (000)	Percent of Year	Volume	Ratio to Annual Average Daily Transactions
Jul-12	2,469	9.9%	79,645	1.17
Aug-12	2,508	10.1%	80,906	1.19
Sep-12	1,998	8.0%	66,602	0.98
Oct-12	1,888	7.6%	60,898	0.90
Nov-12	2,031	8.2%	67,701	1.00
Dec-12	2,094	8.4%	67,548	0.99
Jan-13	1,691	6.8%	54,544	0.80
Feb-13	1,520	6.1%	52,417	0.77
Mar-13	2,090	8.4%	67,434	0.99
Apr-13	2,028	8.2%	67,587	1.00
May-13	2,265	9.1%	73,066	1.08
Jun-13	2,276	9.2%	75,869	1.12
Year	24,858	100.0%	67,918	1.00

Figure 1.4 I-95/Delaware Turnpike Monthly Traffic, FY 2013



1.4 FACTORS AFFECTING TRAFFIC GROWTH

As an established route within an established region, the factors affecting Delaware Turnpike traffic growth during the forecast period through 2020 were considered to be the expected population trends and forecasts in the Northeast Corridor and their relationship to traffic growth; coupled with the effects of on-going weakness in economic conditions. In addition, price of gasoline and highway improvements in the regional transportation network were also considered.

1.4.1 Northeast Corridor Population

With the Delaware Turnpike serving as a central link in I-95 between Washington and New York, the population of the five states and District of Columbia provide the base from which most of the traffic passing through the Newark Plaza is generated. Table 1.9 lists the historical and projected population for this region.

Table 1.9 Northeast Corridor Population

Year	Population (000)							Average Annual Growth Rate
	DC	MD	DE	PA	NJ	NY	Total	
1980	638	4,217	594	11,864	7,365	17,558	42,236	-
1990	604	4,781	665	11,895	7,740	17,990	43,675	0.3%
2000	572	5,311	786	12,286	8,431	18,976	46,362	0.6%
2005	582	5,583	838	12,418	8,622	19,336	47,379	0.4%
2010	602	5,774	898	12,702	8,792	19,378	48,146	0.3%
2015	654	5,962	952	12,706	9,024	19,547	48,845	0.3%
2020	676	6,216	996	12,872	9,242	19,697	49,699	0.3%
2025	702	6,428	1,032	13,031	9,446	19,787	50,426	0.3%
2030	723	6,612	1,060	13,190	9,648	19,795	51,028	0.2%

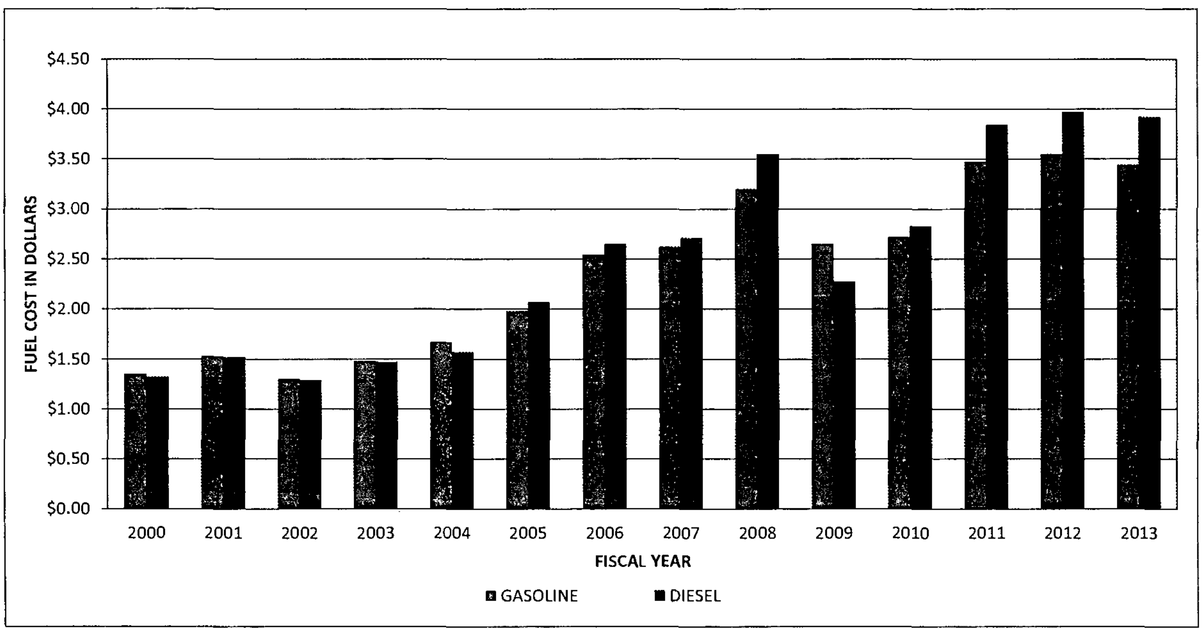
Source: Delaware Population Consortium, State of Maryland, Metropolitan Washington Council of Governments, State of New Jersey, Cornell University

The values in Table 1.9 include the historical population values from the Census Bureau for years up to and including 2010. The forecasted growth for these regions is provided by the Census Bureau and state and Metropolitan Planning Organization (MPO) sources. As expected, the relatively low level of annual growth reflects the extensive existing development of the regions served by the Delaware Turnpike. The compounded average growth rate of the corridor population from 1990 to 2010 is 0.5 percent per year, while the compounded growth rate for Delaware is approximately 1.5 percent. Population in the region is estimated to grow at an average annual rate of 0.3 percent through 2025, which includes the period of the traffic and revenue forecasts included in this report.

1.4.2 Fuel Prices and Vehicle Miles of Travel

Over the last several years, the cost of fuel and the recession have had significant impacts on the travel characteristics not only in the Delaware Turnpike corridor, but across the nation. As shown in Figure 1.5, the cost of gasoline and diesel fuel increased by approximately 135 percent and 166.5 respectively over the 9-year period from FY 2000-2008, reflecting the impact of Hurricane Katrina in FY 2005, while the increases through FY 2008 reflected strong worldwide demand, particularly in developing nations. In FY 2009, the price of fuel declined as the impact of the recession slowed the demand for travel and reduced fuel consumption. Since FY 2010, recovery from the global recession has increased demand for fuel and the corresponding cost, though the cost has been relatively stable over the past three years.

Figure 1.5 Fuel Cost Trends



Source: U.S. Energy Information Agency

In July, 2008, the average price of gasoline was the highest recorded of $4.143 per gallon on the east coast of the U.S. Prices then dropped in the second half of 2008, remaining steady through 2009 and increasing through 2010. In May, 2011, the next peak, prices were $4.02 per gallon on the east coast. As of March 3, 2014, the U.S. Energy Information Administration reports that the price of gasoline averaged $3.48 per gallon nationally, and $3.57 in the Central Atlantic states.

Factors contributing to changes in the price and availability of gasoline are both upward and downward and each has an unknown element that contributes to uncertainty. These factors include:

- Dependency on imported crude oil - U.S. dependency on imported fuel has decreased as a result of continued domestic development of light oil and increased development of offshore resources in the Gulf of Mexico. The U.S. Energy Information Administration (EIA) of the Department of Energy anticipates that, by 2020, domestic crude oil production will be at the high levels previously seen in 1994;

- Use of substitute fuels – The use of biofuels has increased in the US, thus reducing the need for gasoline;

- Level of demand – Domestic economic recovery is expected to be the slowest growth of any recovery since 1960 and, while the total energy consumption is estimated to increase over the next 25 years, per capita consumption is expected to decrease, according to EIA. The slowing of domestic demand should result in lower prices; however, this may be offset by increased demand overseas as world economic conditions improve;

- The political situation in oil-producing countries creates tension and uncertainty. Economists say these are partially reflected in current oil prices; and

- Motor vehicle fuel efficiency – The adjusted composite model year 2012 fuel economy of 23.6 miles per gallon (mpg) was the highest level of fuel efficiency since the US Environmental Protection Agency (EPA) began its analysis of light-duty automotive vehicles in 1975. Preliminary 2013 fuel efficiency results indicate a further 0.4 mpg increase in fuel economy. In April 2010, the National Highway Traffic Safety Administration and the EPA raised the fleet wide federal Corporate Average Fuel Economy (CAFE) requirements to 34.1 mpg for 2016, which is an average of passenger cars (37.8 mpg) and light trucks (28.8 mpg).

In the near term, the Energy Information Agency (EIA), in the February, 2014 Short-Term Energy Outlook, indicates that the price of regular grade gasoline will average about $3.44 in 2014, decreasing to $3.37 in 2015. It is assumed that the on-going increases of fuel economy will help offset the periodic spikes in fuel prices that will occur sporadically during the forecast period out to 2020.

Sharp increases in the price of gasoline in 2008 and 2011 resulted in decreases in Vehicle Miles of Travel (VMT) in the US and in the region served by the I-95/Delaware Turnpike. Data from the U.S. Federal Highway Administration shown in Table 1.10 indicate that VMT on a national level decreased 2.5 percent between 2007 and 2008 and 2.2 percent between 2010 and 2011. Similar patterns can be seen in data for Delaware and the neighboring states of New Jersey, Pennsylvania and Maryland. VMT in Delaware decreased from a high of 9.5 billion miles in 2006 down to 8.9 billion in 2011. Since then, travel has increased, reaching an annual level of 9.2 billion in 2013.

Table 1.10 Vehicle Miles of Travel in U.S. and States Served by I-95/Delaware Turnpike

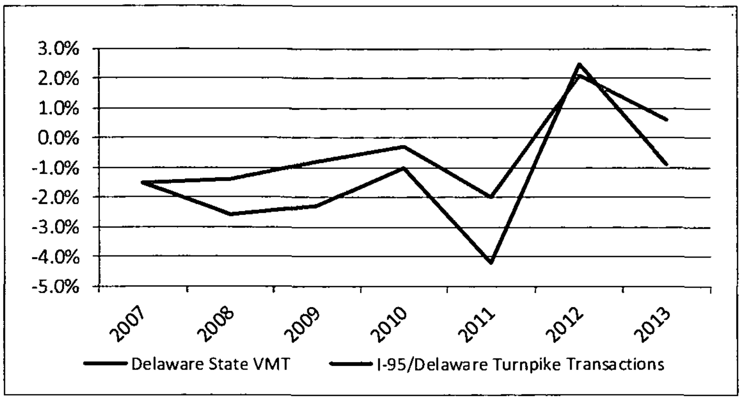
Annual VMT (000)					
Year	US	NJ	DE	PA	MD
2006	2,999,349	73,966	9,486	108,431	56,215
2007	3,003,410	74,369	9,344	106,847	56,012
2008	2,927,641	73,459	9,214	107,876	54,833
2009	2,979,599	73,515	9,143	106,659	55,281
2010	2,996,295	73,538	9,118	104,217	55,597
2011	2,931,080	71,944	8,936	100,235	55,990
2012	2,954,205	73,864	9,125	99,318	56,280
2013	2,972,233	73,786	9,180	98,978	56,414
Percent Change over Previous Year					
2007	0.1%	0.5%	-1.5%	-1.5%	-0.4%
2008	-2.5%	-1.2%	-1.4%	1.0%	-2.1%
2009	1.8%	0.1%	-0.8%	-1.1%	0.8%
2010	0.6%	0.0%	-0.3%	-2.3%	0.6%
2011	-2.2%	-2.2%	-2.0%	-3.8%	0.7%
2012	0.8%	2.7%	2.1%	-0.9%	0.5%
2013	0.6%	-0.1%	0.6%	-0.3%	0.2%

Source: US Federal Highway Administration.

The percent change for Delaware VMT and I-95/Delaware Turnpike transactions are shown in Figure 1.6. As shown in the graph, the patterns of change are similar, even though the data sets are off by six months since the VMT data are on a calendar year basis while the Turnpike data are reported for the fiscal year. Also, the effect of the October, 2007 toll increase can be seen in the decrease in Turnpike transactions for FY 2008. Despite these differences, the comparison does indicate that the growth trend for Turnpike traffic follows the general travel pattern for the State.

Figure 1.6 Comparison of Changes in VMT in Delaware and I-95/Delaware Turnpike Transactions

Year*	Percent Change over Previous Year	
	Delaware State VMT	I-95/Delaware Turnpike Transactions
2007	-1.5%	-1.5%
2008	-1.4%	-2.6%
2009	-0.8%	-2.3%
2010	-0.3%	-1.0%
2011	-2.0%	-4.2%
2012	2.1%	2.5%
2013	0.6%	-0.9%



* Fiscal Year for I-95/Delaware Turnpike data and Calendar Year for VMT.
Sources: Delaware Department of Transportation and U.S. Federal Highway Administration.

1.4.3 Highway Network Improvements

As for the existing roadway network, the local toll-free routes that are parallel to the Delaware Turnpike in the Newark area (SR 4, Old Baltimore Pike and US 40) have existed for many years, so the traffic patterns and toll impacts are well established and are an accomplished fact. The traffic regulations restricting through trucks over nine tons from using SR 4 or Old Baltimore Pike (west of SR 896, in the vicinity of the Turnpike's Newark plaza) have been in place for more than 20 years and are well enforced.

Similarly, on a more regional basis, SR 896 south into US 301, and from there to the Chesapeake Bay Bridge, was (except for a 10-mile section north and west of Middletown, Delaware) upgraded to a four-lane, at-grade facility with good control of access; but, here again, this is an established route with established traffic patterns vis-a-vis the Delaware Turnpike. US 301 has been improved from SR 299 in Middletown southward to Levels Road just to the east of the Maryland state line, but the remaining sections above and below this localized improvement remain as two-lane roadways providing some restriction on travel flow through Middletown.

Within this corridor, DelDOT has conducted planning studies and feasibility analysis for a connecting toll road that would link I-95 and US 301 in Maryland using a portion of the SR 1 Toll Road as part of the proposed alignment. This planned facility, the US 301 Mainline Toll Road, has not been approved or fully funded by DelDOT and there is no certainty in terms of its final configuration, tolling plan and completion. If the US 301 Mainline Toll Road is approved and constructed, the earliest completion is currently set for January 1, 2018. Contingent on the toll plan and anticipated time savings of the US 301 Mainline Toll Road, it could be expected to divert a minimal amount of traffic from the Newark plaza. Since the project is not yet a committed improvement and will require bond financing to implement, the impacts of the completion of the US 301 Toll Road on the Newark Plaza are not included in the forecasts presented in this report. DelDOT will update these forecasts in the coming years to reflect any decisions made regarding the completion year and final configuration and tolling plan of the US301 Mainline Toll Road.

DelDOT has been implementing a series of major improvements to I-95/Delaware Turnpike. Projects completed to date include widening between the SR 1 interchange and the I-95/I-295 junction and the conversion of the Newark toll plaza to include two high-speed E-ZPass lanes in each direction. Projects currently under construction include the reconfiguring of the I-95/SR 1 interchange at the Christiana Mall (anticipated completion fall 2014);improvements to the SR 141/I-95 interchange (currently anticipated to be completed by the end of 2018); and rehabilitation of the Newport Viaduct at SR 141 (anticipated completion fall 2014). Further north, two additional projects on I-95 northeast of the I-95/Delaware Turnpike are the US 202/I-95 interchange (improvements anticipated to be completed fall 2014) and the Carr Road/Marsh Road/I-95 ramps (scheduled to be completed by 2018).

1.5 TRAFFIC AND REVENUE FORECAST, FY 2014 – 2020

Using the growth rate trends described previously along with anticipated future economic conditions, Stantec developed the forecast of Turnpike traffic, toll revenue and concession revenue through FY 2020, as presented in Table 1.11.

Table 1.11 I-95/Delaware Turnpike Traffic and Revenue Forecast, FY 2014 – 2020

Fiscal Year	Annual Transactions		Toll Revenue		Concession Revenue		Total Revenue	
	Volume (000)	Percent Change (1)	Amount (000)	Average per Vehicle (2)	Amount (000)	Average per Vehicle (2)	Amount (000)	Percent Change
2013(3)	24,858		$ 113,769	$ 4.577	$ 2,377	$ 0.096	$ 116,146	
2014 (4)	24,994	0.5%	$ 114,240	$ 4.571	$ 2,464	$ 0.099	$ 116,704	0.5%
2015	25,145	0.6%	$ 114,928	$ 4.571	$ 2,479	$ 0.099	$ 117,407	0.6%
2016	25,296	0.6%	$ 115,621	$ 4.571	$ 2,494	$ 0.099	$ 118,115	0.6%
2017	25,448	0.6%	$ 116,317	$ 4.571	$ 2,509	$ 0.099	$ 118,826	0.6%
2018	25,602	0.6%	$ 117,018	$ 4.571	$ 2,524	$ 0.099	$ 119,542	0.6%
2019	25,756	0.6%	$ 117,723	$ 4.571	$ 2,539	$ 0.099	$ 120,262	0.6%
2020	25,911	0.6%	$ 118,432	$ 4.571	$ 2,554	$ 0.099	$ 120,986	0.6%

Notes: (1) Based on historical relationship between transaction growth and population growth applied to projected regional population growth.

(2) Rate per vehicle for FY 2015 through FY 2020 estimated to be same as rate for first seven months of FY 2014.

(3) Actual.

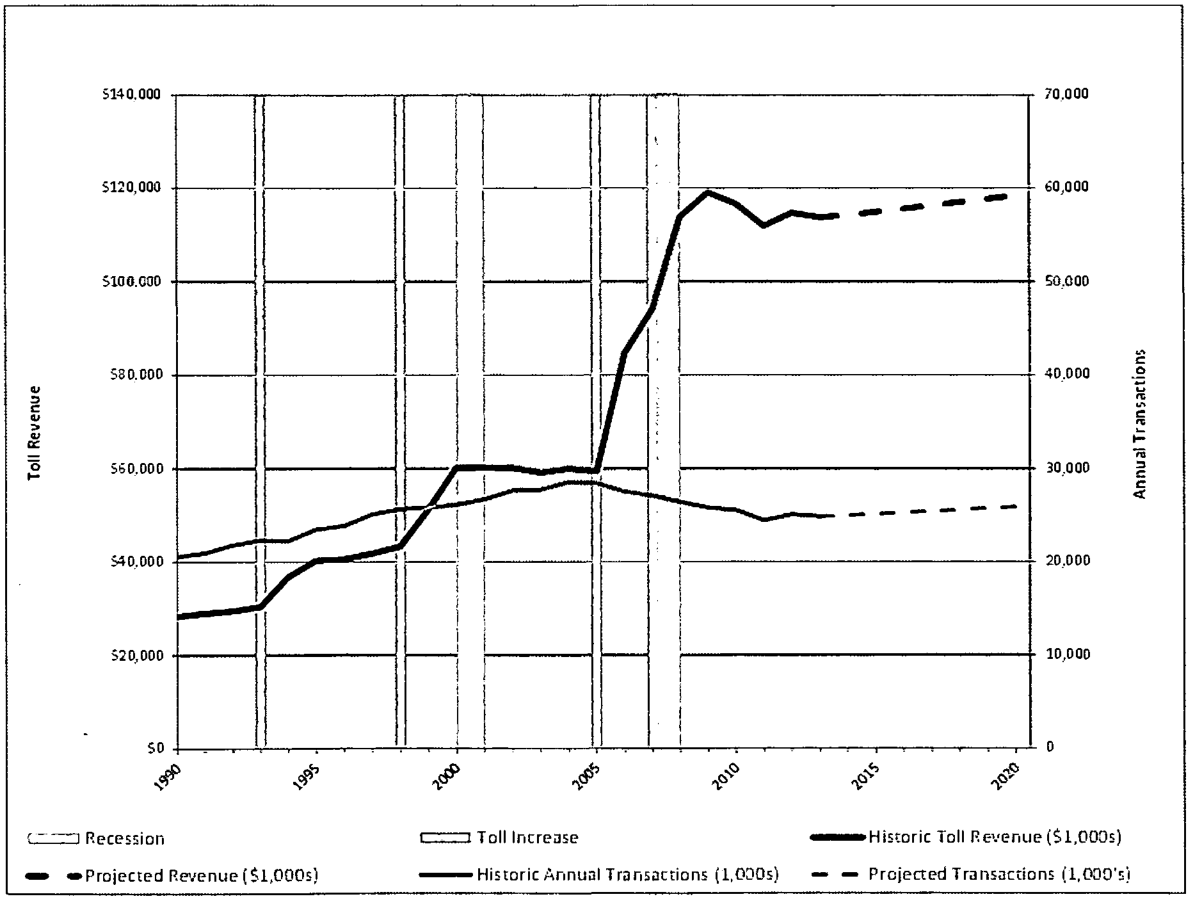
(4) Last five months of FY 2014 estimated to be at the same level as last five months of FY 2013.

Transactions for FY 2014 are estimated to increase at 0.5 percent. This is based on the actual results for the first seven months of FY 2014 plus the last five months of FY 2014 estimated to be the same level as FY 2013. This estimate for the remainder of the fiscal year reflects the month-to-month volatility demonstrated in FY 2013 and FY 2014 and the uncertainty regarding economic conditions. For the forecast beyond FY 2014, I-95/Delaware Turnpike traffic was estimated based on the historical relationship between the historical Turnpike traffic growth and population growth. Between 1990 and 2013, population in the region served by the Turnpike increased at an average annual rate of 0.46 percent. During the same time period, Turnpike transactions increased at an average annual rate of 0.84 percent. Using these data, a general growth trend relating corridor population growth to transaction growth was established. Dividing the transaction growth rate (0.84 percent) by the population growth rate (0.46

percent) yields a factor of 1.81. Applying that factor to the expected population growth rate of 0.33 percent yields an expected transaction growth of approximately 0.6 percent annually for the period 2015 through 2020.

The toll forecast is based on the continuation of the toll schedule implemented on October 1, 2007 throughout the forecast period. The average toll rate per transaction was derived from the revenue and transaction values for the first seven months of FY 2014. Historical and projected transactions and toll revenue are shown in Figure 1.7. Note that the concession revenue is based on the estimated traffic volumes and a rate per vehicle of 9.9 cents per vehicle, the same value as the rate for the first seven months of FY 2014.

Figure 1.7 Historical and Projected I-95/Delaware Turnpike Transactions and Toll Revenue



2.0 SR 1 TOLL ROAD

The SR 1 Corridor extends approximately 100 miles, nearly the full length of the state, from the I-95/Delaware Turnpike in New Castle County southward to the Maryland state line (at Fenwick Island in Sussex County) on the approach to Ocean City. Within the corridor, SR 1 Toll Road has three distinct components:

< The six-mile freeway section from the Delaware Turnpike to the junction with the US 13 at Tybouts;

< The 41-mile toll road section from Tybouts to the junction with US 113 south of Dover Air Force Base; and

< The approximately 50-mile at-grade divided arterial section (except for the freeway by-pass of Milford) from Dover AFB to the Maryland line.

It is the middle segment that is the SR 1 Toll Road.

2.1 TRANSPORTATION INFRASTRUCTURE IN DELAWARE'S NORTH-SOUTH CORRIDOR

Until the openings of the freeway and toll road sections between the Turnpike and Dover, US 13 was essentially the only direct arterial route down the middle of the state (straight through the congested portions of Odessa, Smyrna and Dover), serving both inter-city traffic and local traffic within each community. There was only limited right-of-way to significantly increase the capacity of SR 13, and levels of service were already intolerable, especially on summer weekends. The solution was a new expressway on separate right-of-way, with toll financing for the middle section. This section, the SR 1 Toll Road, is the highway "spine" of the north-south corridor. It consists of two lanes in each direction with room for expansion to three lanes in each direction.

The SR 1 Toll Road, from Tybouts to US 113 south of Dover AFB, was constructed in stages over a period of 10 years:

- The first (southern) section opened to traffic was the 17 miles from US 13 north of Smyrna to US 113 south of Dover, in December 1993. This section, which provides a bypass of both Dover and Smyrna, contains one main-line toll plaza (the Dover plaza) and tolls on the northerly interchange ramps at Denneys Road (Dover-north) and Smyrna-south.

- The next (northern) section that was opened, in December 1995, was the five miles from the existing freeway section at Tybouts, over the Chesapeake and Delaware (C&D) Canal to a temporary tie-in to US 13 (at that time) south of the canal. No tolls were collected on this section of the SR 1 Toll Road while the temporary tie-in was still in operation.

- The two-mile extension from the temporary southern terminus south of Dover (north of Dover AFB) to south of Dover AFB was opened to traffic in January 1999. No additional tolls are collected in this section, because traffic on the extension funnels through the Dover plaza.

- The northern section of the SR 1 Toll Road was extended another nine miles in November 1999, from just south of the C&D Canal, bypassing Odessa and tying back into US 13 south of Odessa. This section has a main-line toll plaza (the Biddles plaza) two miles south of the canal and tolls on the southerly interchange ramps at SR 896 (Boyds Corner). West of Odessa (on the bypass), an interchange is provided at SR 299, where the southerly ramps are currently toll-free. A toll-free outlet is provided just south of the canal (as was provided previously via the tie-in to US 13) at Road 412, allowing motorists to use the canal bridge without paying a toll; the Biddles plaza is located south of Road 412. (The Road 412 ramps are also known as the Scott Run ramps.)

- The Puncheon Run Connector, a two-mile spur connecting SR 1 with US 13 south of Dover, was opened to traffic in December 2000. While there is no toll collection on the spur itself, the Connector has induced greater usage of SR 1 Toll Road through the Dover plaza.

- The last section, the seven-mile gap between Smyrna-north and Odessa-south, was opened in May 2003, completing the 41-mile toll road.

The SR 1 Toll Road, as mentioned previously, provides the key link in Delaware's north-south corridor, with some 15 interchanges serving local as well as through travel between Tybouts and Dover. US 13 remains available for local traffic within and between the cities that are bypassed by SR 1. However, it is estimated that, since US 13 is the main arterial street through Dover, Smyrna, and Odessa, with its shopping malls and strip development, most of the traffic growth in the corridor has and will occur on SR 1.

The north-south corridor is also served, marginally, by three other routes that cross the C&D Canal: SR 9 to the east; SR 896-71/US 301 (via the Summit Bridge) to the west; and SR 213 in Maryland. None of these routes is a significant competitor to SR 1; in fact, SR 71 merges back into US 13 at Blackbird, midway between Odessa and Smyrna.

2.2 TOLL COLLECTION

The barrier/ramp setup on the SR 1 Toll Road includes a combination of two mainline plazas—Biddles near the north end and Dover near the south end; and three sets of ramp tolls in between the two main-line plazas— SR 896/Boyds Corner (to/from south); Smyrna/south (to/from north); and Denneys Road/north Dover (to/from north). Tolls are collected in each direction at each of these locations. With the implementation of E-ZPass on the SR 1 Toll Road in April 1999, DelDOT established a system that allows for the per-mile tolling of E-ZPass users through transponder detection at all entry/exit points instead of only at the toll plaza/toll ramp location.

Under the current toll plan implemented in 2007, the tolls for cash and E-ZPass transactions are the same as the previous level. At the mainline Biddles and Dover toll plazas, tolls on weekends (7 PM Friday to 11 PM Sunday) are $1.00 higher than weekday tolls.

The Frequent Traveler toll discount program provides a 50 percent discount off the cash tolls for two-axle vehicles using E-ZPass on SR 1 Toll Road for 30 or more trips during a 30-day period. A trip is defined in which a toll is charged against a customer's account, regardless of entry and exit. These adjustments are made through the toll calculation process at the Customer Service Center. The frequency-of-use provision only applies to non-commercial two-axle vehicles.

The commercial vehicle E-ZPass program provides a 25 percent discount for vehicles of three or more axles without having to make a minimum number of trips. The discounted tolls for passenger cars and trucks are available during weekends.

The current tolls at the five toll locations are listed in Table 2.1.

Table 2.1 SR1 Toll Rates

Vehicle Class	Mainline Plazas (Biddles and Dover)			Ramp Plazas			
	Through 9/30/07	Effective 10/1/07		Boyds and Denneys		South Smyrna	
		Weekday[1]	Weekend [2]	Through 9/30/07	Effective 10/1/07	Through 9/30/07	Effective 10/1/07
2-Axle[3]	$ 1.00	$ 1.00	$ 2.00	$ 0.50	$ 0.50	$ 0.25	$ 0.25
3-Axle[4]	$ 2.00	$ 3.00	$ 4.00	$ 1.00	$ 1.50	$ 0.50	$ 0.75
4-Axle[4]	$ 3.00	$ 4.00	$ 5.00	$ 1.50	$ 2.00	$ 0.70	$ 1.00
5-Axle[4]	$ 4.00	$ 5.00	$ 6.00	$ 2.00	$ 2.50	$ 1.00	$ 1.25
6-Axle[4]	$ 5.00	$ 6.00	$ 7.00	$ 2.50	$ 3.00	$ 1.25	$ 1.50
Permit	$ 10.00	$ 11.00					

Notes: (1) Cash and E-ZPass
(2) Cash and E-ZPass, 7 PM Friday to 11 PM Sunday.
(3) Frequent Traveler Program - 50 percent discount for passenger vehicles making 30 trips in 30 days.
(4) Commercial Vehicle E-ZPass discount - 25 percent per transaction

For the full-length 41-mile trip between Dover Air Force Base and I-95, the weekday two-axle toll rate is 4.9 cents per mile and for weekends, the cost is 9.8 cents per mile. The rate for some shorter trips is higher, depending on the entry-exit locations. The discounted rate for frequent users is 2.4 cents per mile on weekdays and 4.9 cents on weekends.

For a five-axle truck traveling the full length of the facility during a weekday and paying cash, the effective toll rate is 24.4 cents per mile. If the same trip used E-ZPass, the 25 percent commercial discount would reduce the toll to 18.3 cents per mile. The toll rates for passenger cars and for 5-axle trucks for a full-length trip are shown in Table 2.2.

Table 2.2 SR1 Full-Length Tolls, Passenger Cars and 5-Axle Trucks

Vehicle Class and Time Period	Toll Rates	
	Full-Length Toll	Rate per Mile(1)
Passenger Car		
Weekday(2)	$ 2.00	$ 0.049
Weekend (3)	$ 4.00	$ 0.098
Frequent Traveler Rate(4)		
Weekday	$ 1.00	$ 0.024
Weekend	$ 2.00	$ 0.049
5-Axle Truck		
Weekday(2)	$ 10.00	$ 0.244
Weekend (3)	$ 12.00	$ 0.293
Commercial Discount Rate(5)		
Weekday	$ 7.50	$ 0.183
Weekend	$ 9.00	$ 0.220

Notes: (1)Full-length 41-mile trip between Dover Air Force Base and I-95.
(1) Cash and E-ZPass.
(2) Cash and E-ZPass, 7 PM Friday to 11 PM Sunday.
(3)Frequent Traveler Program - 50 percent discount for passenger vehicles making 30 trips in 30 days.
(4)Commercial Vehicle E-ZPass discount - 25 percent per transaction.

The SR1 Toll Road, with two exceptions, is a "closed" system toll road; i.e., all interchange-to-interchange movements are tolled. One exception is between Tybouts and Road 412 (just south of the C&D Canal) due to the toll-free outlet (southbound exit and northbound entry ramps) at Road 412 and its connection back to US 13. One other toll-free outlet is provided at SR 299 west of Odessa, a leftover vestige from before the middle nine-mile gap between Odessa and Smyrna was completed. While both of these outlets allow for traffic diversions, the traffic and revenue record of SR 1 Toll Road already accounts for these diversions; i.e., they are an accomplished fact.

2.3 HISTORICAL GROWTH OF TRAFFIC AND TOLL REVENUE

With the opening of the SR 1 Toll Road in December 1993, the Authority now has a record of transactions and revenue growth for more than 20 years. As a result of the opening of additional segments of the road, transactions increased from 6,250,000 in 1995, the first full fiscal year of operations, to 16,444,000 in FY 2000. Over the same period, toll revenue increased from $2.3 million in FY 1995 to $16.6 million in FY 2000.

In November 1999, the Canal-Odessa section (including the Biddles plaza) opened, followed by the Puncheon Run Connector in December 2000. Combined, these additions produced a 177 percent increase in traffic between FY 1999 and FY 2002 with the Biddles plaza doubling the number of main-line plazas, and the Puncheon Run Connector feeding additional traffic (to/from US 13/south) through the Dover plaza. For the six-year period from FY 2004-2010 following the completion of the final section of SR-1, average traffic growth has increased at a compounded rate of approximately 2.3 percent per year. This includes the significant downturn in FY 2008 resulting from increased fuel costs and the initial impacts of the recession. The transactions and revenue by fiscal year from 2000 to the present are shown graphically in Figure 2.1 and summarized in Table 2.3.

Figure 2.1 SR 1 Toll Road Traffic and Toll Revenue, FY 2000 -2014

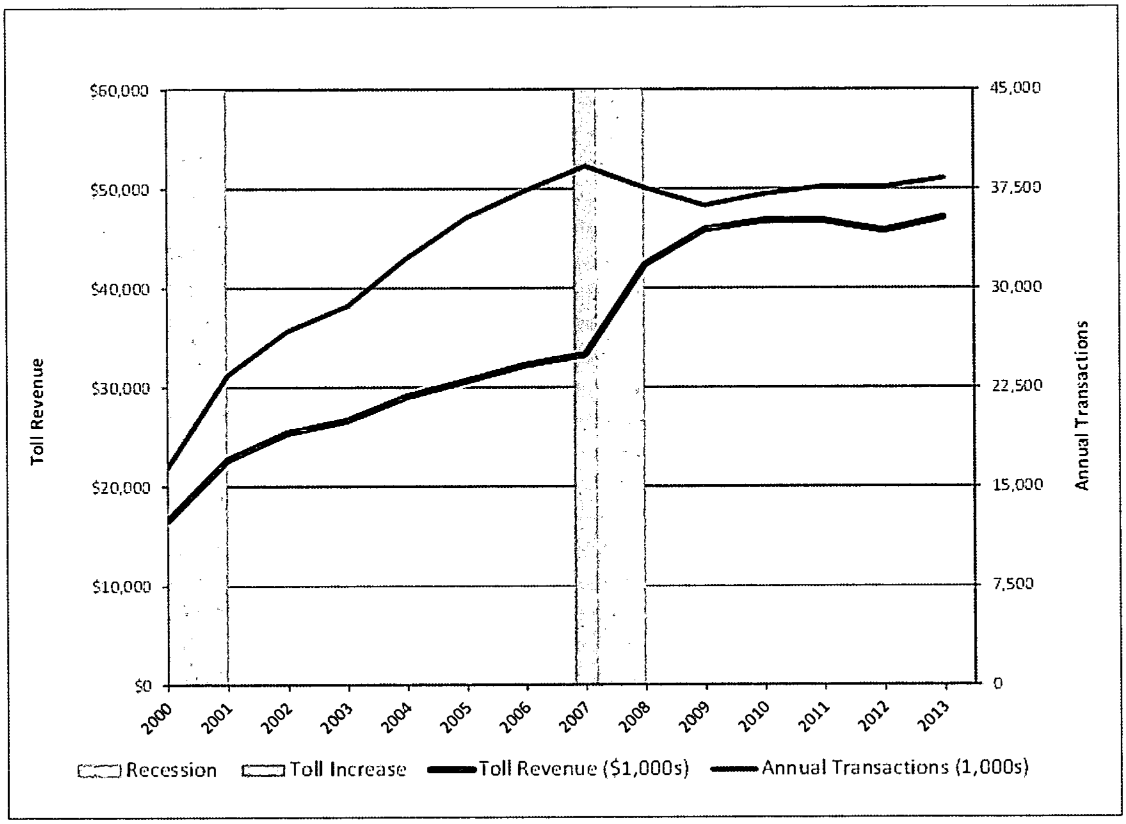


Table 2.3 SR 1 Toll Road Traffic and Revenue, FY 2000-2014

Fiscal Year	Annual Transactions (1)		Toll Revenue(1)		
	Volume (000)	Percent Change	Amount (000)	Percent Change	Average per Vehicle
2000 (2)	16,444		$ 16,587	-	$ 1.009
2001 (3)	23,408	42.3%	$ 22,704	36.9%	$ 0.970
2002	26,742	14.2%	$ 25,398	11.9%	$ 0.950
2003 (4)	28,650	7.1%	$ 26,666	5.0%	$ 0.931
2004	32,269	12.6%	$ 29,088	9.1%	$ 0.901
2005	35,304	9.4%	$ 30,656	5.4%	$ 0.868
2006	37,347	5.8%	$ 32,253	5.2%	$ 0.864
2007	39,206	5.0%	$ 33,295	3.2%	$ 0.849
2008 (5)	37,548	-4.2%	$ 42,361	27.2%	$ 1.128
2009	36,220	-3.5%	$ 45,889	8.3%	$ 1.267
2010	37,082	2.4%	$ 46,796	2.0%	$ 1.262
2011	37,670	1.6%	$ 46,755	-0.1%	$ 1.241
2012	37,625	-0.1%	$ 45,757	-2.1%	$ 1.216
2013	38,284	1.8%	$ 47,089	2.9%	$ 1.230
July - January					
2013	22,712		$ 27,965		$ 1.231
2014	23,316	2.7%	$ 28,842	3.1%	$ 1.237

Notes: (1) Mainline and ramp plazas combined.
(2) Canal-Odessa section (inc Biddles Plaza) opened November 1999.
(3) Puncheon Run Connector opened December 2000.
(4) Odessa-Smyrna section opened May 2003.
(5) Reflects impact of October 1, 2007 toll increase.

Following the immediate impact from the Great Recession, in the period from 2010 through 2013, traffic growth has been approximately 1.1 percent compounded annually. Although there is some variation including a minor loss of traffic in FY 2012, this growth rate shows less variation than the trend exhibited on the I-95/Delaware Turnpike. For the first several months of FY 2014, traffic has increased 2.7 percent, which includes the impacts of severe winter weather in late 2013 and January 2014.

The average revenue per vehicle (i.e., the average toll) decreased from $1.009 in FY 2000 to $.849 in FY 2007 with the increase in E-ZPass usage and its associated discount. The average revenue per transaction in FY 2008 increased by approximately 33 percent to a rate of $1.128 in response to the October 2007 toll increase. The weekend surcharge implemented as part of the toll increase, coupled with the removal on the E-ZPass discount for non-frequent auto patrons and the reduction of the commercial discount from 50 percent to 25 percent, resulted in a significant increase in revenue for the final nine months within FY 2008. While the number of transactions declined 3.5 percent in FY 2009 reflecting the general weakness in the economy, revenues grew as a result of having a full year of transactions with the increased toll rates implemented in October 2007.

For the FY 2009-2010 period, transaction and revenue growth was significant as seasonal traffic that occurs primarily on the weekend periods (which are subject to the weekend surcharge) was most likely recovering from the reductions experienced when fuel prices escalated significantly in FY 2008. For FY 2011, weather conditions during the first eight months were the major factor influencing traffic and revenue performance. With the exception of January, good weather resulted in traffic increases in every month. Traffic decreased 2.2 percent in January due to heavy snow, In February, traffic increased by 29 percent in comparison to the previous year when weather was particularly poor. For the March through June period, traffic decreased by reason of the increase in fuel prices and poor performance of the regional economy.

As discussed previously in this report, traffic has been fluctuating over the last several years in response to economic conditions and fuel prices. Using the monthly data provided for FY 2012, FY 2013 and FY 2014 through January, a comparison was performed of transactions by vehicle type to determine if the current data provide an indication that the overall travel has stabilized. The comparison for SR 1 Toll Road is provided in Table 2.4. The year-over-year comparison of monthly data indicates that traffic on SR 1 Toll Road has shown strong growth in FY 2012 and FY 2013, with decreases due to specific events or weather-related phenomena.

In FY 2013 passenger car traffic decreased due to Superstorm Sandy in October, 2012 when the entire length of SR 1 Toll Road (Dover, Denneys, Smyrna, Biddles and Boyds) was closed from noon on Sunday, October 28th, through 3:00 pm Tuesday, October 30th. Total traffic decreased in February when compared to the previous year due to the leap year day in February, 2012. Growth in truck traffic was particularly strong, increasing 8.0 percent when compared to FY 2012 as a result of economic recovery.

Strong growth continued for the first seven months of FY 2014, with auto traffic increasing 2.5 percent and truck traffic increasing 5.5 percent. The results for October indicate the recovery from Superstorm Sandy in the previous year. The decrease in January was due to severe winter weather.

Table 2.4 SR 1 Toll Road, Transaction Changes, FY 2012 - FY 2014

Month	Passenger Cars				
	FY 2012	Percent Change	FY 2013	Percent Change	FY 2014
July	3,811,034	-0.7%	3,785,134	1.4%	3,839,563
August	3,486,158	12.4%	3,920,087	3.3%	4,047,493
September	3,071,249	1.1%	3,106,220	3.8%	3,225,387
October	2,887,930	-6.2%	2,707,753	9.7%	2,969,927
November	2,690,063	0.8%	2,711,038	1.6%	2,754,414
December	2,642,649	-1.1%	2,614,472	1.8%	2,661,176
January	2,352,614	2.2%	2,403,373	-5.5%	2,272,349
February	2,350,951	-4.0%	2,256,316		
March	2,672,826	1.9%	2,724,076		
April	2,772,038	2.4%	2,839,739		
May	3,156,790	2.7%	3,243,154		
June	3,398,013	1.6%	3,453,479		

Total Year	35,292,315	1.3%	35,764,841		
Jul - Jan			21,248,077	2.5%	21,770,309

Month	Commercial Vehicles				
	FY 2012	Percent Change	FY 2013	Percent Change	FY 2014
July	236,132	0.0%	236,217	8.4%	256,174
August	205,296	22.0%	250,399	4.4%	261,522
September	188,501	15.0%	216,762	12.2%	243,187
October	181,244	13.7%	206,141	11.3%	229,447
November	175,299	16.7%	204,565	-1.1%	202,359
December	177,122	-3.1%	171,704	5.8%	181,681
January	163,382	9.3%	178,614	-4.1%	171,269
February	166,237	-1.1%	164,377		
March	194,432	-1.5%	191,458		
April	197,478	11.5%	220,246		
May	223,124	11.4%	248,539		
June	224,950	2.7%	230,913		

Total Year	2,333,197	8.0%	2,519,935		
Jul - Jan			1,464,402	5.5%	1,545,639

2.4 TRAFFIC CHARACTERISTICS

Traffic on the SR 1 Toll Road is characterized by method of toll payment (cash, E-ZPass), traffic through the mainline and ramp toll plazas, type of vehicle (auto, truck), monthly traffic patterns and traffic corridor market share.

2.4.1 Toll Payment Method

With the introduction of E-ZPass on SR 1 Toll Road in April 1999, the E-ZPass market share increased from 19 percent in FY 2000 to 69.9 percent of the transactions in FY 2013. E-ZPass accounted for 67.9 percent of SR 1 Toll Road revenue in FY 2013. Table 2.5 lists the cash versus E-ZPass results for FY 2013.

Table 2.5 SR 1 Toll Road Cash v. E-ZPass Results, FY 2013

Payment Method	Annual Transactions		Toll Revenue		Average Toll
	Volume (000)	Percent of Total	Amount (000)	Percent of Total	
Cash	11,529	30.1%	$15,093	32.1%	$ 1.309
E-ZPass	26,756	69.9%	$31,996	67.9%	$ 1.196
Total	38,285	100.0%	$47,089	100.0%	$ 1.230

2.4.2 Mainline and Ramp Toll Plaza Transactions

While Table 2.5 disaggregates the traffic and revenue results for FY 2013 by payment type (cash and E-ZPass), Table 2.6 disaggregates the FY 2013 results by the mainline and ramp toll plazas.

Table 2.6 SR 1 Toll Road Transactions and Revenue by Toll Plaza, FY 2013

Toll Plaza	Annual Transactions		Toll Revenue		Average Toll per Vehicle
	Volume (000)	Percent of Total	Amount (000)	Percent of Total	
Mainline					
Dover	12,836,814	33.5%	$ 19,244,200	40.9%	$ 1.50
Biddles	17,181,236	44.9%	$ 25,338,149	53.8%	$ 1.47
Subtotal	30,018,050	78.4%	$ 44,582,349	94.7%	$ 1.49
Ramps					
Denneys	4,247,150	11.1%	$ 1,507,942	3.2%	$ 0.36
Smyrna	2,195,260	5.7%	$ 250,806	0.5%	$ 0.11
Boyds	1,824,316	4.8%	$ 747,514	1.6%	$ 0.41
Subtotal	8,266,726	21.6%	$ 2,506,262	5.3%	$ 0.30
Total	38,284,776	100.0%	$ 47,088,611	100.0%	$ 1.23

The FY 2013 results indicate that the two main-line plazas handle, by far, most of the traffic (78.4 percent of the traffic, 94.7 percent of the revenue). The data also show that the Biddles plaza is the busier of the two main-line plazas, because a significant volume of Dover-Wilmington traffic uses the Denneys Road ramps at the southern end of the toll road.

2.4.3 Vehicle Types

Passenger cars are the major type of traffic on the SR 1 Toll Road, as shown in Table 2.7. In FY 2013, passenger cars were 93.4 percent of the traffic and 85.1 percent of the revenue. Although commercial vehicles were only 6.6 percent of the traffic, they accounted for 14.9 percent of the toll revenue due to the higher toll rates.

Table 2.7 SR 1 Toll Road Transactions and Revenue by Vehicle Class, FY 2013

Vehicle Class	Transactions		Toll	Toll Revenue	
	Volume (000)	Percent of Total		Amount (000)	Percent of Total
Passenger Cars	35,765	93.4%	$ 1.120	$ 40,053	85.1%
Commercial Vehicles	2,520	6.6%	$ 2.792	$ 7,036	14.9%
Total	38,285	100.0%	$ 1.230	$ 47,089	100.0%

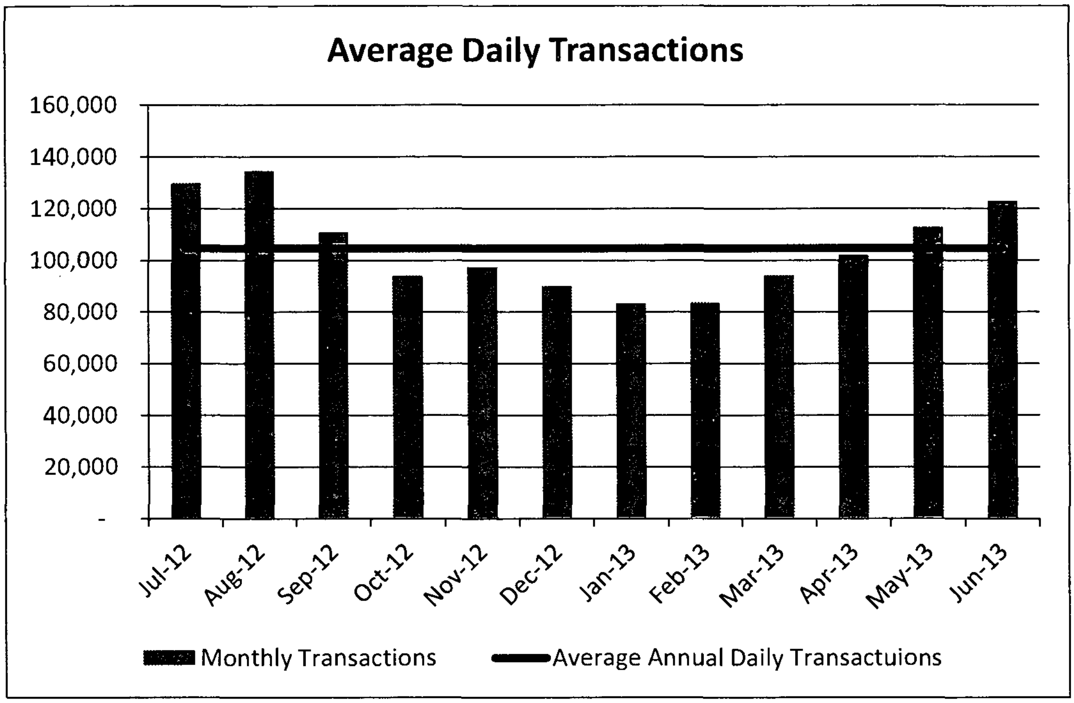
2.4.4 Monthly Traffic Patterns

The monthly traffic variations, in aggregate, along SR 1 Toll Road are listed in Table 2.8 and shown graphically in Figure 2.2.

Table 2.8 SR 1 Toll Road Monthly Traffic, FY 2013

Month	Monthly Transactions		Average Daily Transactions	
	Volume (000)	Percent of Year	Volume	Ratio to Annual Average Daily Transactions
Jul-12	4,021	10.5%	129,721	1.24
Aug-12	4,170	10.9%	134,532	1.29
Sep-12	3,323	8.7%	110,766	1.06
Oct-12	2,914	7.6%	93,997	0.90
Nov-12	2,916	7.6%	97,187	0.93
Dec-12	2,786	7.3%	89,877	0.86
Jan-13	2,582	6.7%	83,290	0.80
Feb-13	2,421	6.3%	83,472	0.80
Mar-13	2,916	7.6%	94,049	0.90
Apr-13	3,060	8.0%	102,000	0.98
May-13	3,492	9.1%	112,635	1.08
Jun-13	3,684	9.6%	122,813	1.17
Year	38,285	100.0%	104,603	1.00

Figure 2.2 SR 1 Toll Road Monthly Traffic Variations, FY 2013



The average daily toll transactions ranged from a low of 20 percent below the annual average in both January and February to a high of 29 percent above the average in August, reflecting the peak of seasonal recreation travel on the SR 1 Toll Road in FY 2013. April was the closest month to the annual average. The variability also takes into account the fact that US 13 is congested during the summer months, resulting in a shift to the SR 1 Toll Road, but not so (except for commuting hours) during the remainder of the year.

2.4.5 Corridor Market Share

A comparison of SR 1 Toll Road and US 13 traffic gives an indication of the toll roads market share in Delaware's north-south corridor. There is a permanent count station recording continuous traffic counts on US 13 in the urban area of Dover (near Dover Downs), which forms a screenline with SR 1 at the Dover toll plaza. On this screenline, SR 1 Toll Road traffic has increased from 14 percent of the screenline total in 1994 to 37 percent in 2012, the latest year for which the counts are available. The level of traffic share has held relatively steady since 2008. Recognizing that a large portion of the US 13 traffic in Dover is comprised of purely local trips, the 37 percent share is substantial; and the percentage could be expected to increase in the future due to capacity limitations on US 13.

2.5 FACTORS AFFECTING SR 1 TOLL ROAD TRAFFIC GROWTH

In preparing the forecasts of traffic for the SR 1 Toll Road, the factors that were considered include population growth in the State of Delaware, improvements to the highway network in the region served by the toll road and the price and availability of fuel. The following discussion addresses the impacts of population growth and highway projects on traffic, the impacts of fuel conditions are the same as those discussed in the section of this report on the I-95/Delaware Turnpike.

2.5.1 Delaware Population

Unlike the Delaware Turnpike, which carries (through the Newark toll plaza) mostly interstate traffic in the Northeast Corridor, SR 1 serves mostly Delaware traffic and those motorists bound for the Delaware-Maryland shore in the summer. Accordingly, it is the projected population of Delaware that will sustain the future levels of SR 1 traffic. Table 2.9 lists the historical and projected population of Delaware's three counties. For the period 2010 – 2020, the average annual rate of growth for the State is 1.0 percent.

Table 2.9 Delaware Population Growth

Year	County Population (000)				Average Annual Growth Rate
	New Castle	Kent	Sussex	Total	
1980	398	98	98	594	
1990	442	110	113	665	1.1%
2000	502	127	157	786	1.7%
2005	520	142	176	838	1.3%
2010	538	162	197	898	1.4%
2015	558	172	221	952	1.2%
2020	578	180	238	996	0.9%
2025	595	187	250	1,032	0.7%
2030	607	192	260	1,060	0.5%

Source: US Census and Delaware Popu;ation Consortium.

Note: May not add due to rounding.

As with the I-95/Delaware Turnpike, the population forecast in Table 2.9 and observed growth rates in transactions since the completion of SR 1 Toll Road were used as guidance for estimating future growth in transactions and revenue. These estimates are summarized in the following section of this report.

2.5.2 Highway Network Improvements

Delaware DOT proposes widening SR 1 between Route 273 in the vicinity of Christiana south to the Roth Bridge over the C&D Canal. The project will address existing congestion in the area, improve system connectivity and provide support for local access for existing and committed development in New Castle County. The project includes widening SR 1 by adding a travel lane in each direction, widening bridges to accommodate the additional travel lanes and reconfiguring the supporting interchanges at SR 273, US 40, US 13/Tybouts Corner and SR 72. Funds for construction of the project are included in the Council on Transportation Approved FY 2015 – FY 2020 Capital Transportation Program, Spend Plan. After completion, this project should have a positive impact on the SR 1 Toll Road by providing additional capacity and improved access to the toll road.

Locally, from a network perspective, the principal toll-free routes that run parallel to SR 1 in the corridor — US 13, and several miles to the west, SR 896/71 over the C&D Canal's Summit Bridge — are an accomplished fact. While improvements are continually being made to the highway system, none are expected to have a significant impact on the established traffic patterns that use SR 1.

2.6 TRAFFIC AND REVENUE FORECAST, FY 2014-2020

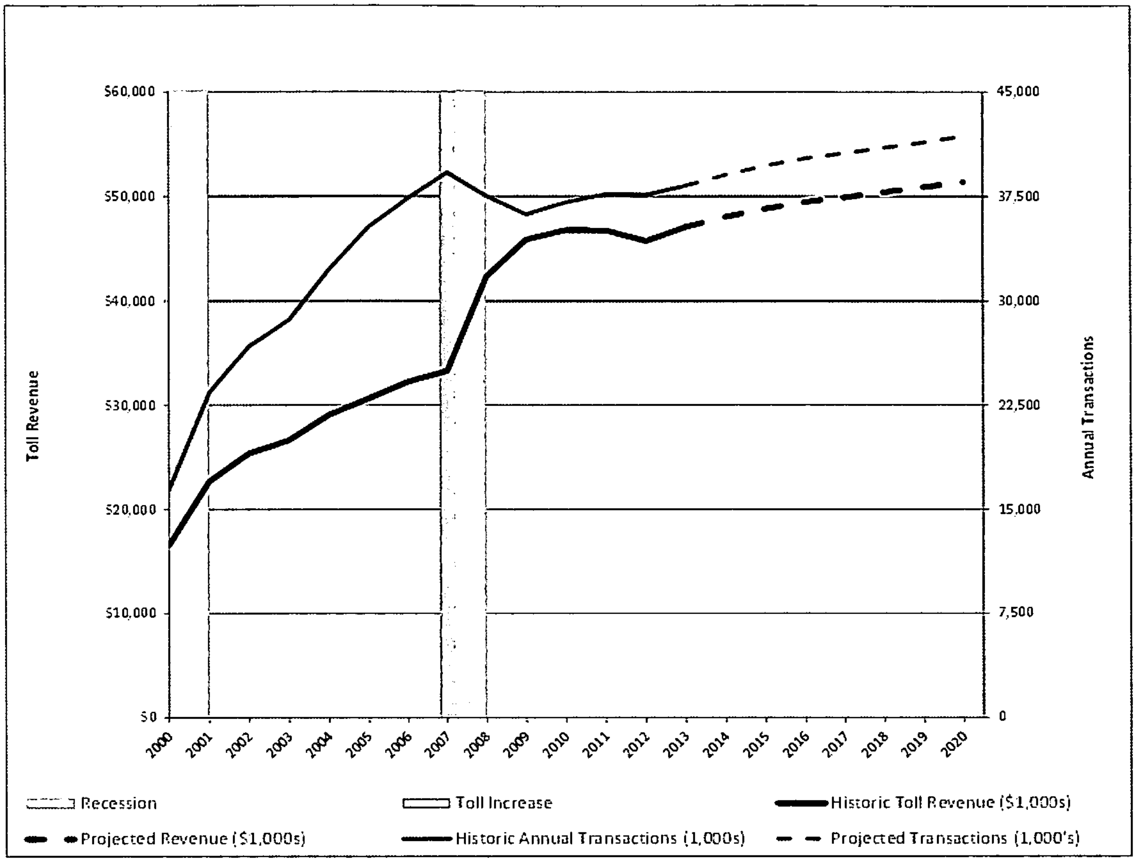
On the basis of its historical performance, as well as the projected population growth trends in the corridor, and the increasing share of US 13/SR 1 corridor traffic expected to use SR 1, Stantec developed the forecast of SR 1 Toll Road traffic and revenue through 2020. The forecast is based on the continuation of the current toll schedule on SR 1 Toll Road during the forecast period, which means that the tolls become less of an impediment (i.e., more affordable) to motorists and truckers over time (due to the inflationary trends associated with personal and business incomes). The forecast is summarized in Table 2.10 and shown in Figure 2.3

Table 2.10 SR 1 Toll Road Traffic and Revenue Forecast, FY 2014 – 2020

Fiscal Year	Annual Transactions		Toll Revenue	
	Volume (000)	Percent Change [1]	Amount (000)	Average per Vehicle [1]
2013[2]	38,284		$ 47,089	$ 1.230
2014 [3]	39,054	2.0%	$ 48,037	$ 1.230
2015	39,702	1.7%	$ 48,834	$ 1.230
2016	40,221	1.3%	$ 49,471	$ 1.230
2017	40,603	1.0%	$ 49,942	$ 1.230
2018	40,990	1.0%	$ 50,417	$ 1.230
2019	41,380	1.0%	$ 50,897	$ 1.230
2020	41,774	1.0%	$ 51,381	$ 1.230

Notes: [1] Rate per vehicle for FY 2014 through FY 2020 estimated to be same as rate for FY 2013.
[2] Actual.
[3] Last five months of FY 2014 estimated to grow at same rate as Average Annual Growth Rate for 2010 - 2013 period.

Figure 2.3 Historical and Projected SR 1 Toll Road Transactions and Revenue FY 2013 -2020



3.0 COMBINED TOLL ROAD REVENUE FORECASTS

Finally, the revenue forecasts for the I-95/Delaware Turnpike and the SR 1 Toll Road were combined in this concluding section of the report. The combined forecast is shown in Table 3.1.

3.1 SUMMARY OF ASSUMPTIONS

Following is the list of assumptions upon which the revenue forecasts for the i-95/Delaware Turnpike and SR 1 Toll Road were based:

- Continuation of the I-95/Delaware Turnpike and SR 1 Toll Road toll schedules throughout the forecast period.
- The US 13/St. Georges Bridge, which crosses the C&D canal adjacent to the SR 1 Bridge, will remain open during the forecast period, as will the SR 1 toll-free outlets at Road 412 and SR 299.
- During the forecast period, no competing limited-access, toll-free facility will be constructed in the I-95/Delaware Turnpike or SR 1 corridors.
- Since the US 301 Mainline Toll Road is not yet a committed improvement and will require bond financing to implement, the impacts of this project on the I-95/Delaware Turnpike and the SR 1 Toll Road are not included in the forecasts in this report.
- The I-95/Delaware Turnpike and SR 1 Toll Road will be effectively signed and maintained to encourage maximum usage.
- Land development and travel patterns will generally follow the population forecasts discussed with respect to Table 1.9 and Table 2.9.
- Motor fuel will remain in adequate supply during the forecast period and no excessive increases in fuel taxes will be implemented at the state or federal level.
- No radical change in travel modes, which would drastically curtail motor vehicle use, is expected during the forecast period.
- In the long term, generally normal economic conditions consistent with the on-going recovery will prevail in Delaware and the United States, and there will not be an occurrence of a major depression, national emergency or prolonged fuel shortage.
- As for the projections themselves, while they are stated year-by-year, they are intended to show the trends that may reasonably be anticipated on the basis of the above assumptions.

3.2 COMBINED REVENUE FORECAST, FY 2014-2020

The revenue forecasts for the Delaware Turnpike (from Table 1.11) and the SR 1 Toll Road (from Table 2.10) were then combined, as listed in Table 3.1.

Table 3.1 Combined I-95/Delaware Turnpike and SR 1 Toll Road Revenue Forecast, FY 2014 – 2020

Fiscal Year	Revenue (000)					Percent Change
	I-95/Delaware Turnpike			SR 1 Toll Road Tolls	Combined	
	Tolls	Concession	Total			
2013*	$ 113,769	$ 2,377	$ 116,146	$ 47,089	$ 163,235	
2014	$ 114,240	$ 2,464	$ 116,704	$ 48,037	$ 164,741	0.9%
2015	$ 114,928	$ 2,479	$ 117,407	$ 48,834	$ 166,241	0.9%
2016	$ 115,621	$ 2,494	$ 118,115	$ 49,471	$ 167,586	0.8%
2017	$ 116,317	$ 2,509	$ 118,826	$ 49,942	$ 168,768	0.7%
2018	$ 117,018	$ 2,524	$ 119,542	$ 50,417	$ 169,959	0.7%
2019	$ 117,723	$ 2,539	$ 120,262	$ 50,897	$ 171,159	0.7%
2020	$ 118,432	$ 2,554	$ 120,986	$ 51,381	$ 172,367	0.7%

* Actual.

While the projections in this Report are stated year-by-year, they are intended to show the trends that may reasonably be anticipated on the basis of the assumptions listed herein. it is our opinion that the revenue projections are reasonable and that they have been prepared in accordance with accepted practice for investment-grade studies. However, given the uncertainties within the current international and economic climate, Stantec and DelDOT have agreed that:

- The revenue forecast in Table 3.1 present the results of our consideration of the data available to us as of the date hereof and the application of our experience and professional judgment to that information. It is not a guarantee of future events or trends.
- The traffic and revenue forecasts will be subject to future economic and demographic trends in Delaware and the Northeast Corridor that cannot be predicted with certainty.
- The projections contained in this Report, while presented with numerical specificity, are based on a number of estimates and assumptions that, though considered reasonable to us, are inherently subject to significant economic and competitive uncertainties and contingencies, many of which will be beyond our control. In many instances, a broad range of alternative assumptions could be considered reasonable. Changes in the assumptions used could result in material differences in projected outcomes.
- If, for any reason, any of these conditions should change due to changes in the economy or competitive environment, or other factors, Stantec's opinions or estimates may require amendment or further adjustments.

The report contains forward-looking statements, revenue projections, and statements of opinion based upon certain information. These forward-looking and opinions statements and projections include statements relating to preexisting conditions not caused or created by Stantec and external conditions beyond our control. We believe that our expectations are reasonable and are based on reasonable assumptions. However, such forward-looking statements, projections and opinions, by their nature involve risks and uncertainties beyond our control. We caution that a variety of factors could cause the actual revenue associated with the I-95/Delaware Turnpike and SR 1 Toll Road to differ from that expressed or implied in this document. We assume no obligation with respect to the differences between this document and the actual performance of the two toll facilities. This document was prepared solely for the use of DelDOT that commissioned it and the Delaware Transportation Authority. It may only be relied upon by third parties at their own risk. Under no circumstance Stantec be liable to third parties for claims or damage arising out of this document. Any unauthorized use of this document is at the user's sole risk.

We acknowledge with thanks the cooperation of the DelDOT staff during the course of this study.

Respectfully,

STANTEC CONSULTING SERVICES INC.

David Schellinger, PE
Principal

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