

Financial Update

2015 Winter Workshop



TRANSPARENT EFFICIENT ACCOUNTABLE MEASURED

“The uncreative mind can spot wrong answers, but it takes a very creative mind to spot wrong questions.”

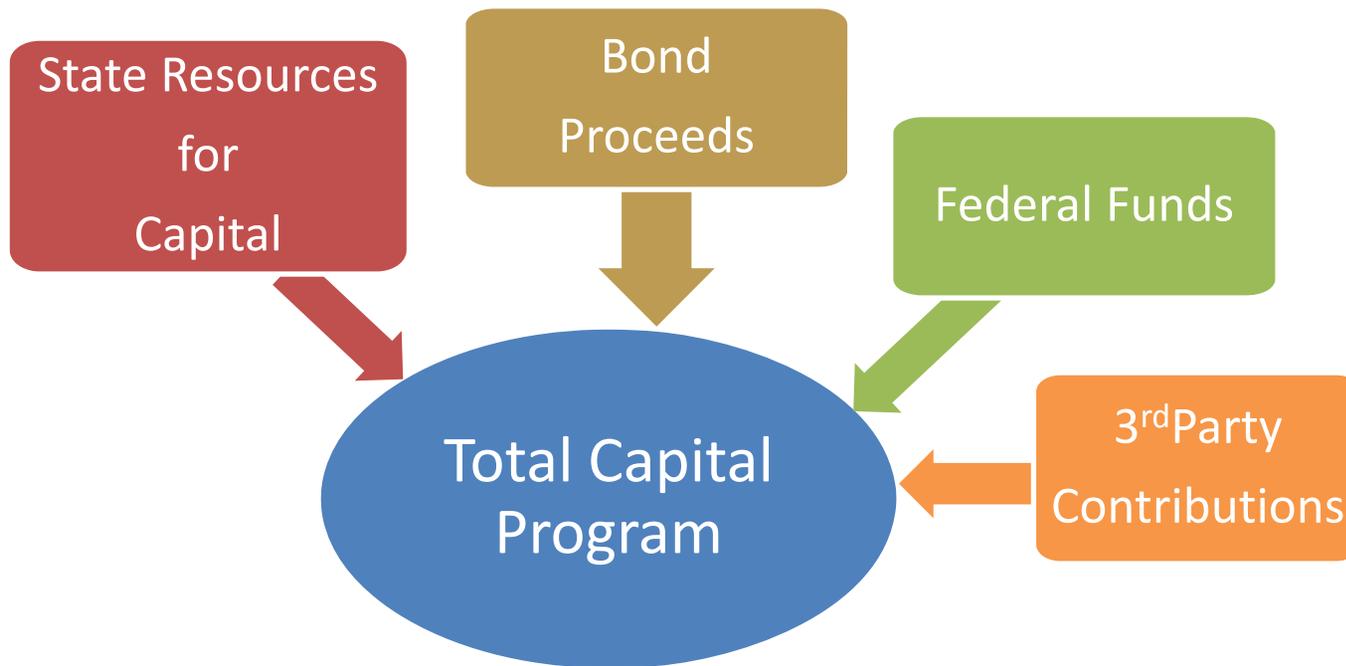
— Anthony Jay

Current Needs

\$780 Million Deficit Over the Next 6 Years

- Continued Funding of State of Good Repair (\$180M)
 - I-95 Bridge Decks
 - Corrugated Metal Pipes
- Delayed Projects (\$600M)
- Funding for Community Transportation Fund
- Funding for Municipal Street Aid

Components of the Capital Program

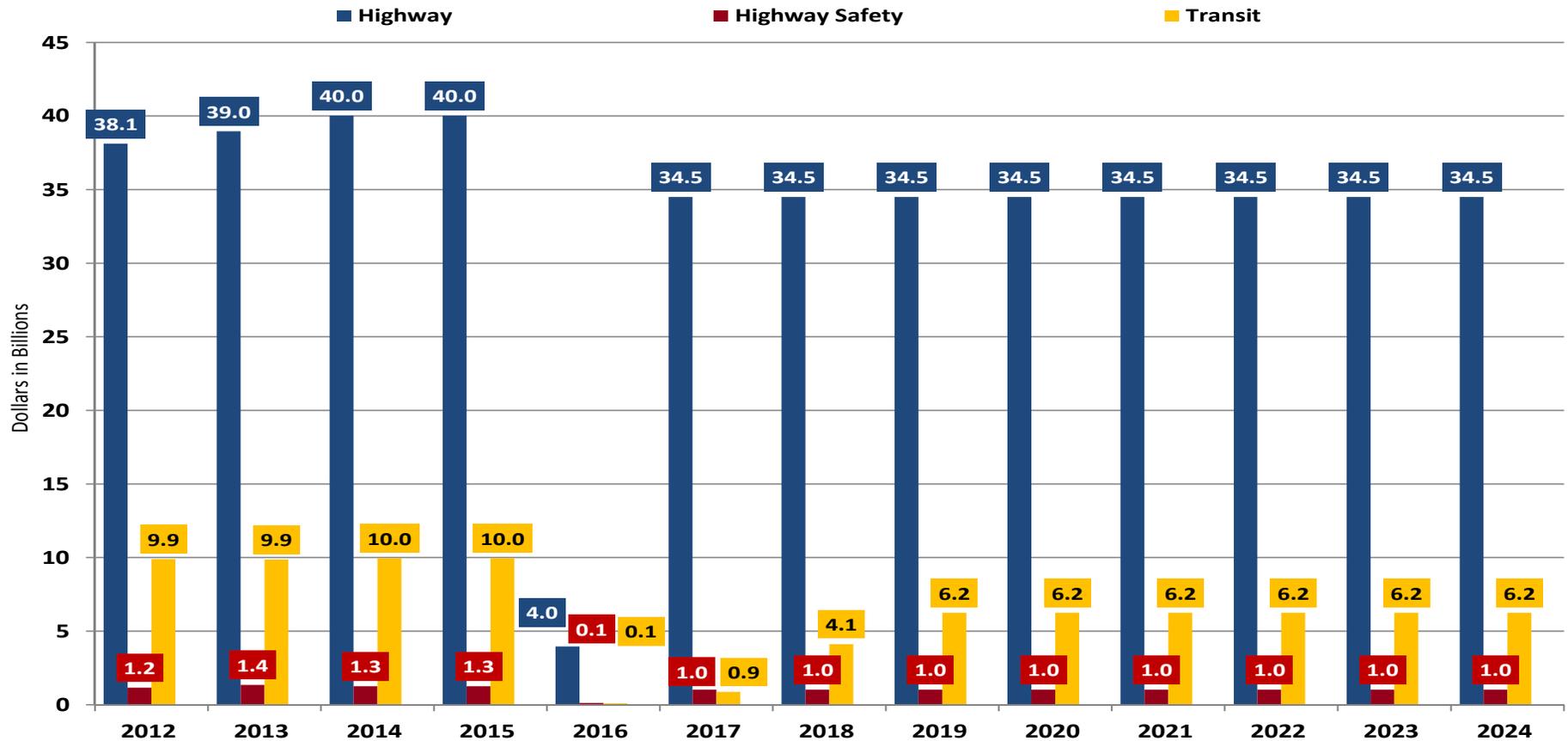


Moving Ahead for Progress in the 21st Century Act (MAP-21)

HIGHWAY TRUST FUND FORECASTS AND LONG-TERM FUNDING



ESTIMATED FEDERAL HIGHWAY TRUST FUND OBLIGATIONS



GAS TAX HEADWIND: SIGNIFICANT LOSS OF PURCHASING POWER

Sample of Nominal Prices Relative to Federal Gas Tax, 1993 and 2010

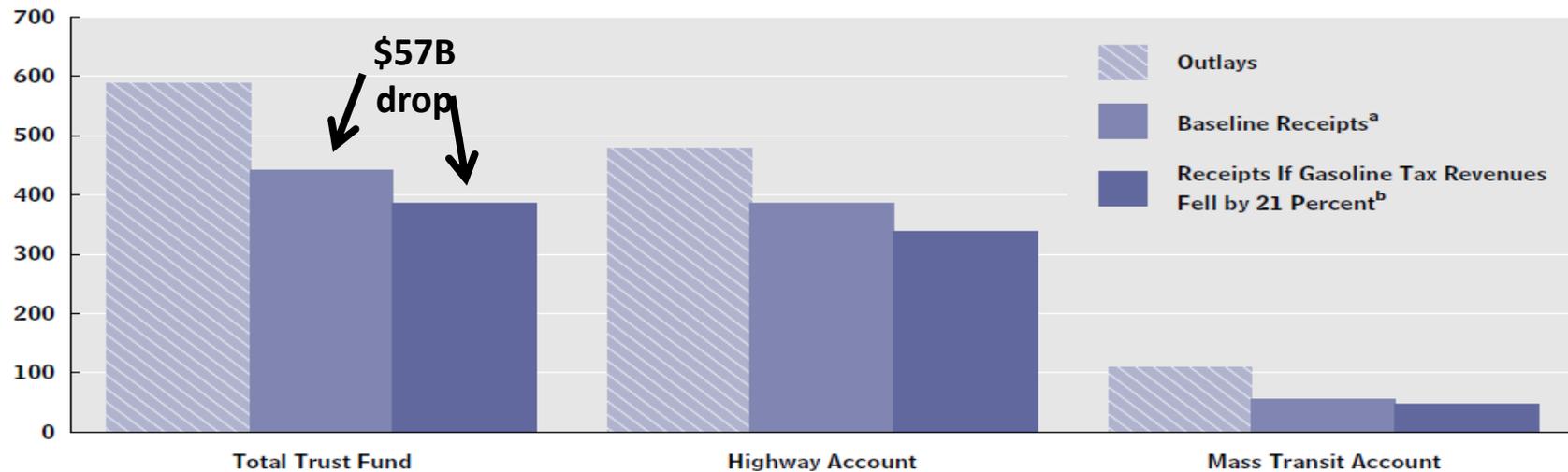
ITEM	UNIT/DESCRIPTION	1993	2010	PERCENT CHANGE
College Tuition	Average Tuition and Required Fees	\$ 3,517	\$ 9,136	160%
Gas	Per Gallon	\$ 1.12	\$ 2.73	144%
Movie Ticket	Average Ticket Price	\$ 4.14	\$ 7.89	91%
House	Median Price	\$ 126,500	\$ 221,800	75%
Bread	Per Pound	\$ 1.08	\$ 1.76	62%
Income	Median Household	\$ 31,272	\$ 49,167	57%
Stamp	One First-class Stamp	\$ 0.29	\$ 0.44	52%
Beef	Per Pound of Ground Beef	\$ 1.57	\$ 2.28	46%
Car	Average New Car	\$ 19,200	\$ 26,850	40%
Federal Gas Tax	Per Gallon	\$ 0.184	\$ 0.184	0%

Sources: U.S. Census Bureau, U.S. Department of Transportation, U.S. Postal Service, U.S. Department of Commerce, U.S. Department of Education, National Association of Theater Owners

Alternative fuel vehicles will further erode future HTF receipts

Projected Outlays and Receipts of the Highway Trust Fund, by Account, 2012 to 2022

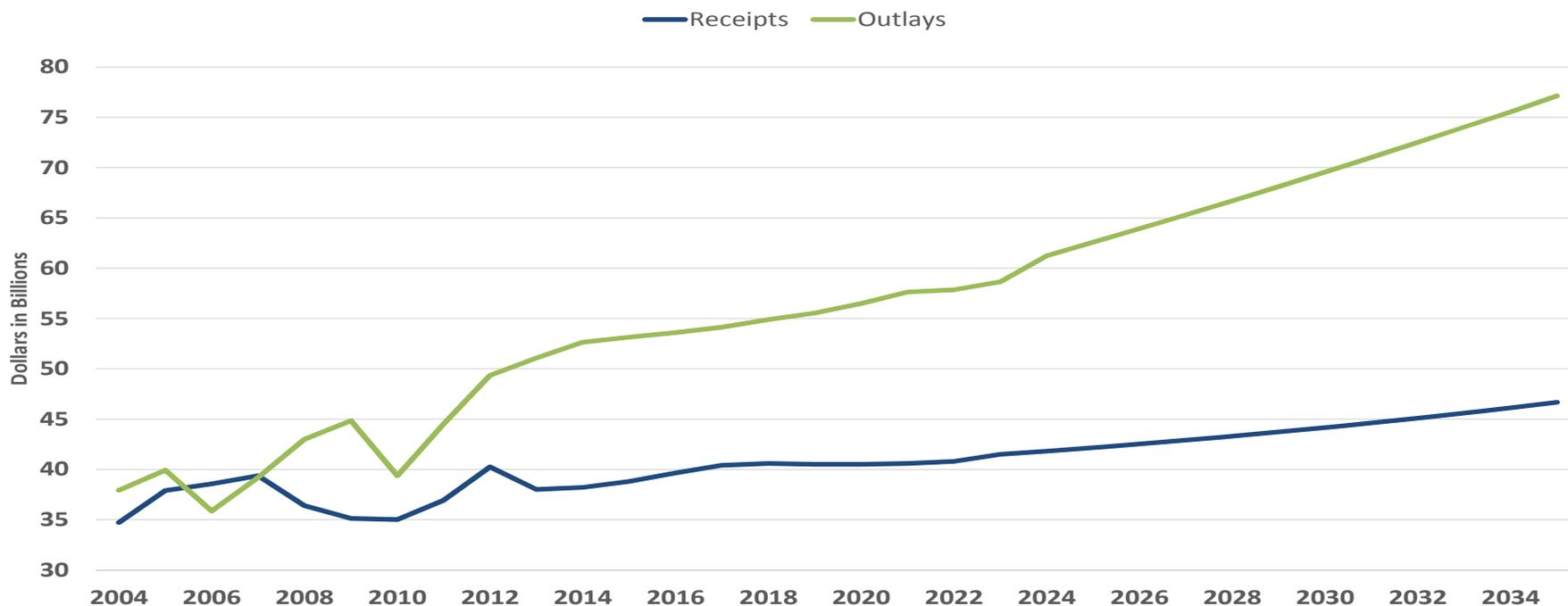
(Billions of dollars)



Source: Congressional Budget Office

Outlays will outpace receipts by about \$15 billion per year and more for a foreseeable future

Highway Trust Fund Receipts and Outlays Discrepancy



Excludes \$8.017 billion transfer from General Fund to Highway Account of HTF in September 2008; \$7 billion transfer from General Fund to Highway Account of HTF in August 2009; \$19.5 billion transfer from General Fund to Highway and Mass Transit Accounts of HTF in March 2010; \$2.4 billion transfer from Leaking Underground Storage Tank Trust Fund to HTF in July 2012; \$6.2 billion transfer from General Fund to Highway Account of HTF in FY 2013; \$10.4 billion transfer from General Fund to Highway Account of HTF in FY 2014; \$2.2 billion transfer from General Fund to Mass Transit Account of HTF in FY 2014.

HIGHWAY TRUST FUND PROJECTIONS

Based on CBO Score of MAP-21 (June 2012)

Highway Account

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Beginning-of-year Balance	\$14	\$8	\$4	\$4	-\$6	-\$15	-\$24	-\$33	-\$42	-\$52	-\$62
Revenues and Interest	\$33	\$33	\$33	\$34	\$35	\$36	\$36	\$36	\$36	\$37	\$37
Intragovernmental Transfers	\$2	\$6	\$10	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outlays	\$42	\$43	\$44	\$44	\$44	\$45	\$45	\$46	\$46	\$47	\$47
End-of-year Balance	\$8	\$4	\$4	-\$6	-\$15	-\$24	-\$33	-\$42	-\$52	-\$62	-\$72

Mass Transit Account

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Beginning-of-year Balance	\$7	\$5	\$5	\$1	-\$3	-\$7	-\$12	-\$16	-\$20	-\$24	-\$29
Revenues and Interest	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Intragovernmental Transfers	\$0	\$0	\$2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outlays	\$7	\$8	\$8	\$9	\$10	\$10	\$10	\$9	\$9	\$10	\$10
End-of-year Balance	\$5	\$5	\$1	-\$3	-\$7	-\$12	-\$16	-\$20	-\$24	-\$29	-\$33

TOTAL HTF BALANCE	\$13	\$9	\$5	-\$9	-\$22	-\$36	-\$49	-\$62	-\$76	-\$91	-\$105
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Matrix of Illustrative Surface Transportation Revenue Options

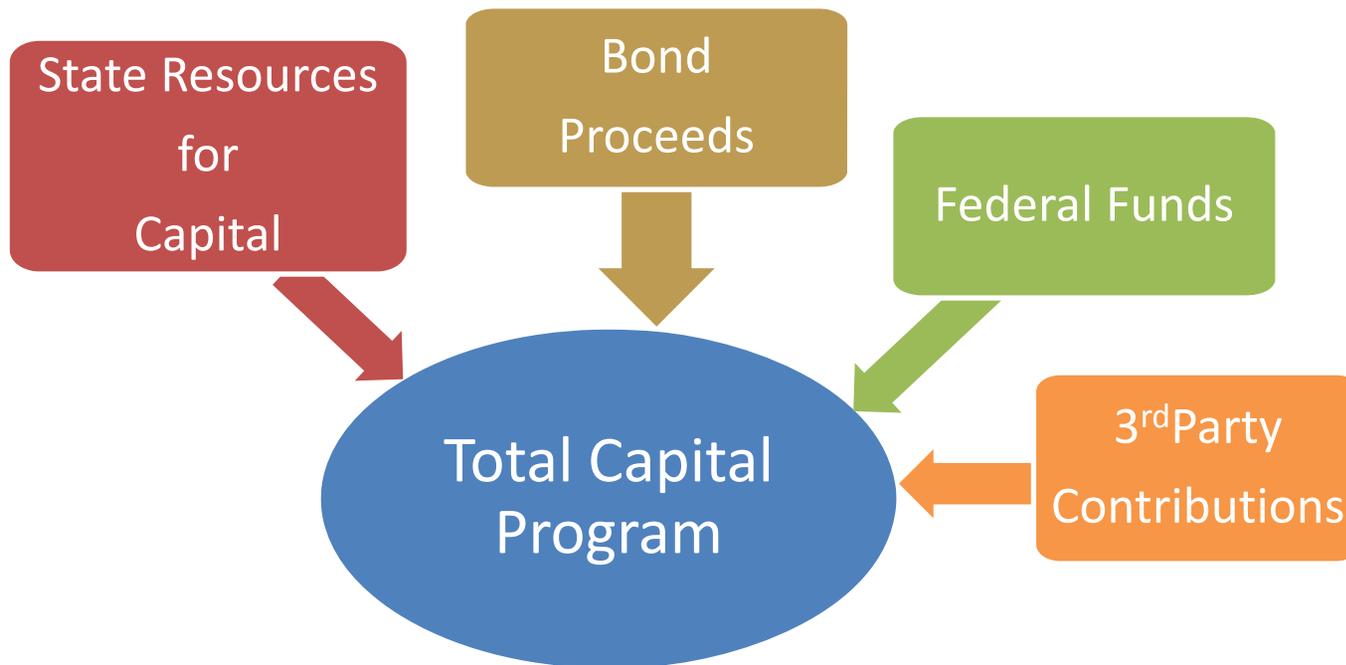
Existing Highway Trust Fund Revenue Mechanisms	Illustrative Rate or Percentage Increase	Definition of Mechanism/Increase	\$ in Billions	
			Assumed 2014 Yield	Total Forecast Yield 2015–2020
Motor Fuel Tax—Diesel	15.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	\$6.54	\$41.79
Motor Fuel Tax—Gas	10.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	\$13.21	\$78.12
Heavy Vehicle Use Tax	50%	Increase in current revenues, structure not defined	\$0.55	\$3.42
Sales Tax—Trucks and Trailers	10%	Increase in current revenues, structure not defined	\$0.33	\$2.19
Tire Tax—Trucks	10%	Increase in current revenues, structure not defined	\$0.04	\$0.23
Potential Highway Trust Fund Revenue Mechanisms	Illustrative Rate or Percentage Increase	Definition of Mechanism/Increase	Assumed 2014 Yield*	Total Escalated Yield 2015–2020*
Container Tax	\$15.00	Dollar per TEU	\$0.66	\$4.26
Customs Revenues	5.0%	Increase in/reallocation of current revenues, structure not defined	\$1.80	\$11.66
Drivers License Surcharge	\$5.00	Dollar annually	\$1.08	\$6.98
Freight Bill—Truck Only	0.5%	Percent of gross freight revenues (primary shipments only)	\$3.07	\$19.90
Freight Bill—All Modes	0.5%	Percent of gross freight revenues (primary shipments only)	\$3.80	\$24.60
Freight Charge—Ton (Truck Only)	10.0¢	¢/ton of domestic shipments	\$1.17	\$7.54
Freight Charge—Ton (All Modes)	10.0¢	¢/ton of domestic shipments	\$1.44	\$9.29
Freight Charge—Ton-Mile (Truck Only)	0.10¢	¢/ton-mile of domestic shipments	\$1.41	\$9.15
Freight Charge—Ton-Mile (All Modes)	0.10¢	¢/ton-mile of domestic shipments	\$3.48	\$22.52
Harbor Maintenance Tax	25.0%	Increase in/reallocation of current revenues, structure not defined	\$0.43	\$2.79
Imported Oil Tax	\$2.50	Dollar/barrel	\$5.76	\$37.28
Income Tax—Business	1.0%	Increase in/reallocation of current revenues, structure not defined	\$2.79	\$18.06
Income Tax—Personal	0.5%	Increase in/reallocation of current revenues, structure not defined	\$6.70	\$43.36
Motor Fuel Tax Indexing to CPI—Diesel	—	¢/gal excise tax	—	\$5.22
Motor Fuel Tax Indexing to CPI—Gas	—	¢/gal excise tax	—	\$10.87

Matrix of Illustrative Surface Transportation Revenue Options

Potential Highway Trust Fund Revenue Mechanisms	Illustrative Rate or Percentage Increase	Definition of Mechanism/Increase	Assumed 2014 Yield*	Total Escalated Yield 2015–2020*
Oil, Gas, and Minerals Receipts	25.0%	Increase in/reallocation of current revenues, structure not defined	\$2.20	\$14.25
Registration Fee—Electric LDVs	\$100.00	Dollar annually	\$0.01	\$0.06
Registration Fee—Hybrid LDVs	\$50.00	Dollar annually	\$0.17	\$1.12
Registration Fee—Light Duty Vehicles	\$15.00	Dollar annually	\$3.57	\$23.11
Registration Fee—Trucks	\$150.00	Dollar annually	\$1.63	\$10.54
Registration Fee—All vehicles	\$20.00	Dollar annually	\$4.98	\$32.21
Sales Tax—Auto-related Parts & Services	1.0%	Percent of sales	\$2.32	\$15.04
Sales Tax—Bicycles	1.0%	Percent of sales	\$0.06	\$0.38
Sales Tax—Diesel	7.6%	Percent of sales (excl. excise taxes)	\$9.65	\$62.50
Sales Tax—Gas	5.6%	Percent of sales (excl. excise taxes)	\$24.05	\$155.66
Sales Tax—New Light Duty Vehicles	1.0%	Percent of sales	\$2.41	\$15.61
Sales Tax—New and Used Light Duty Vehicles	1.0%	Percent of sales	\$3.46	\$22.40
Tire Tax—Bicycles	\$2.50	Dollar per bicycle tire	\$0.08	\$0.53
Tire Tax—Light Duty Vehicles	1.0%	Of sales of LDV tires	\$0.33	\$2.12
Transit Passenger Miles Traveled Fee	1.5¢	¢/passenger mile traveled on all transit modes	\$0.84	\$5.45
Vehicle Miles Traveled Fee—Light Duty Vehicles	1.0¢	¢/LDV vehicle mile traveled on all roads	\$27.12	\$175.58
Vehicle Miles Traveled Fee—Trucks	4.0¢	¢/truck vehicle mile traveled on all roads	\$10.93	\$70.73
Vehicle Miles Traveled Fee—All Vehicles	—	¢/vehicle mile traveled on all roads	\$38.05	\$246.31

* Base annual yield escalated using CPI-U.

Components of the Capital Program



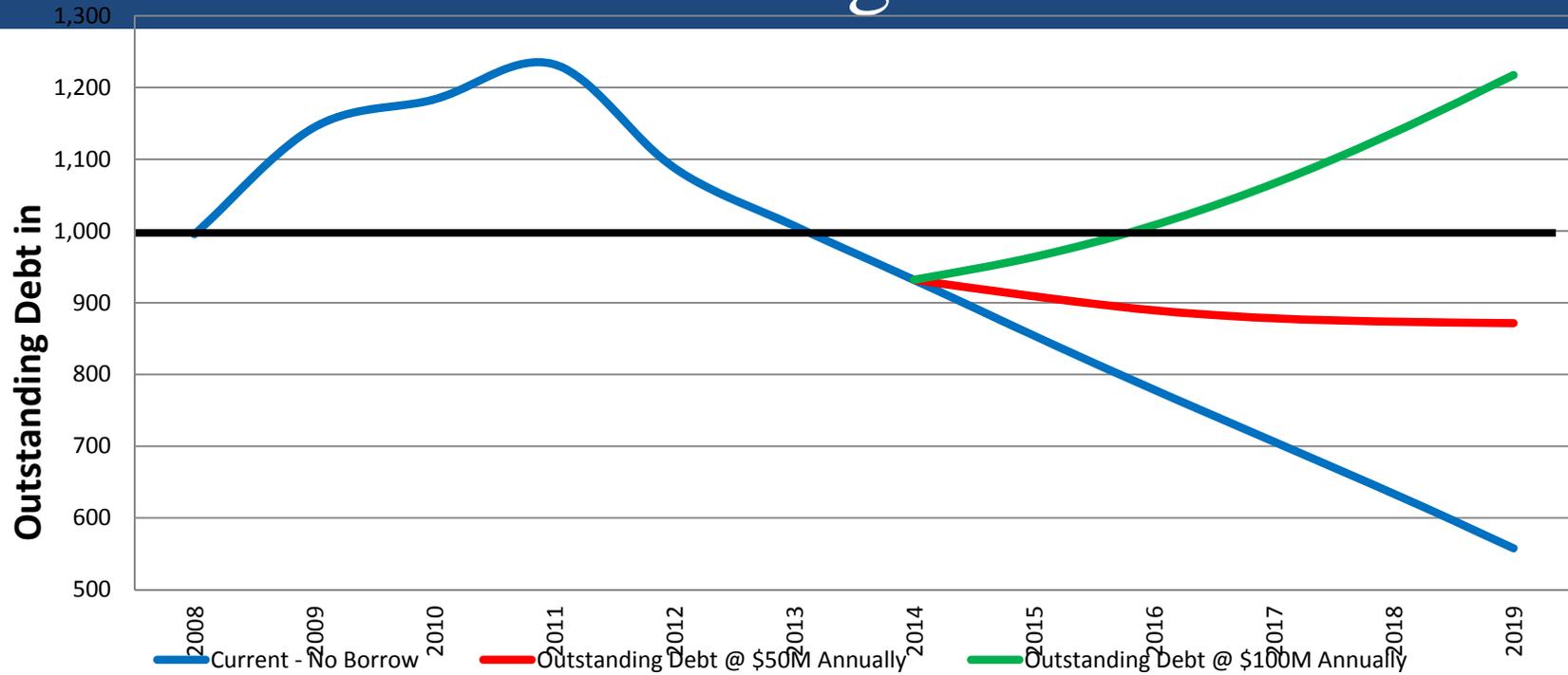
Transportation Trust Fund Rating

Moody's	S&P	
Aaa	AAA	Prime
Aa1	AA+	High grade
Aa2	AA	
Aa3	AA-	
A1	A+	Upper medium grade
A2	A	
A3	A-	
Baa1	BBB+	Lower medium grade
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	Non-investment grade
Ba2	BB	speculative
Ba3	BB-	
B1	B+	Highly speculative
B2	B	
B3	B-	
Caa1	CCC+	Substantial risks
Caa2	CCC	Extremely speculative
Caa3	CCC-	Default imminent with little prospect for recovery
Ca	CC	
C	C	
/	D	In default
/		

Credit Strength

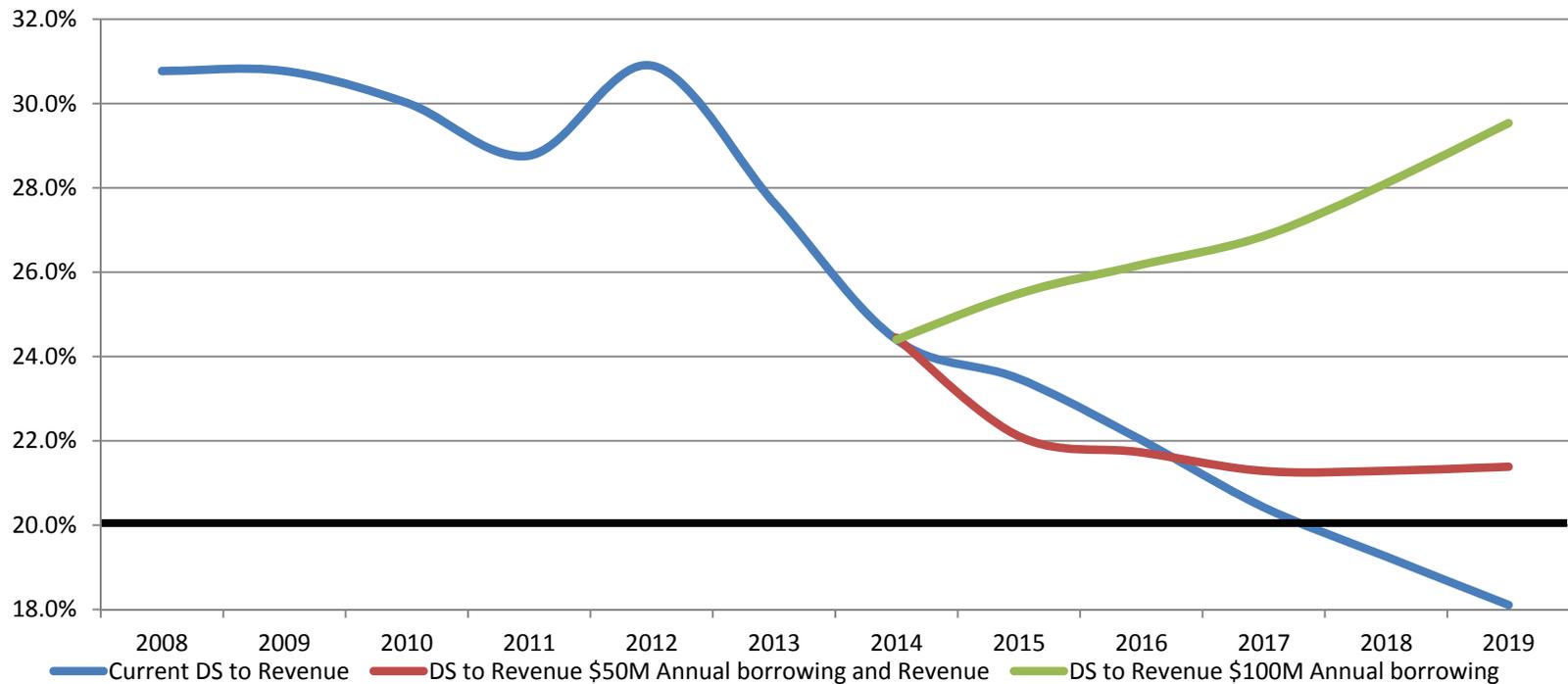
- Credit quality of DTA bonds remains strong
 - Diverse mix of transportation revenues pledged to bond holders
 - Operating expenses well managed, forecasted to grow by 1.1% in FY15
 - Capital program prioritizes state of good repair and at least 50% funded pay-as-you-go
 - Debt-reduction (no borrowing FY12,13 & 14)
 - Strong Debt Service Coverage. Minimum of 3.55x
 - Parity Debt Service Reserve funded at 50% of Maximum Aggregate Annual Debt Service [\$60 Million]
 - Delaware Economic & Financial Advisory Council (DEFAC)

Borrowing Scenarios Outstanding Debt

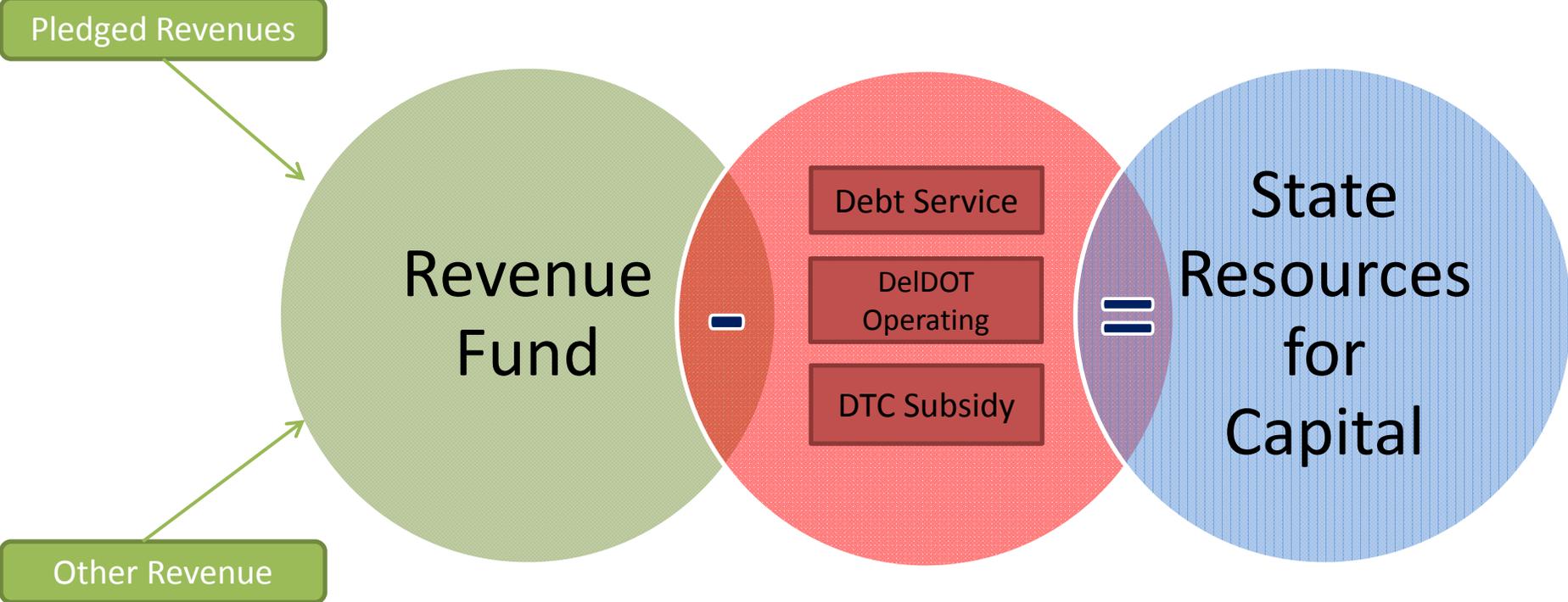


Borrowing Scenarios

Debt Service as a Percentage of Revenues

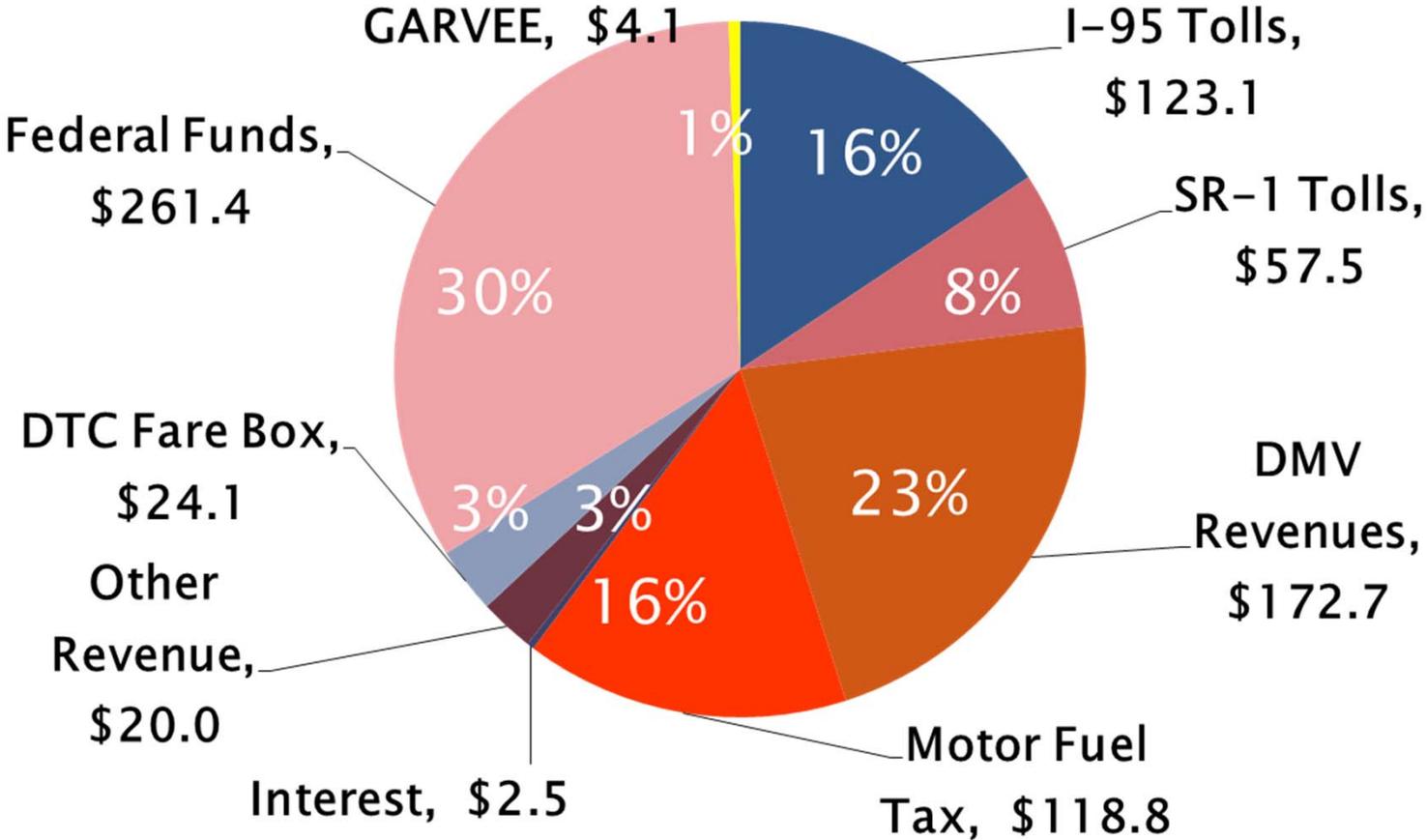


Flow of Funds



FY2016 - Sources of Funds - \$784.2M

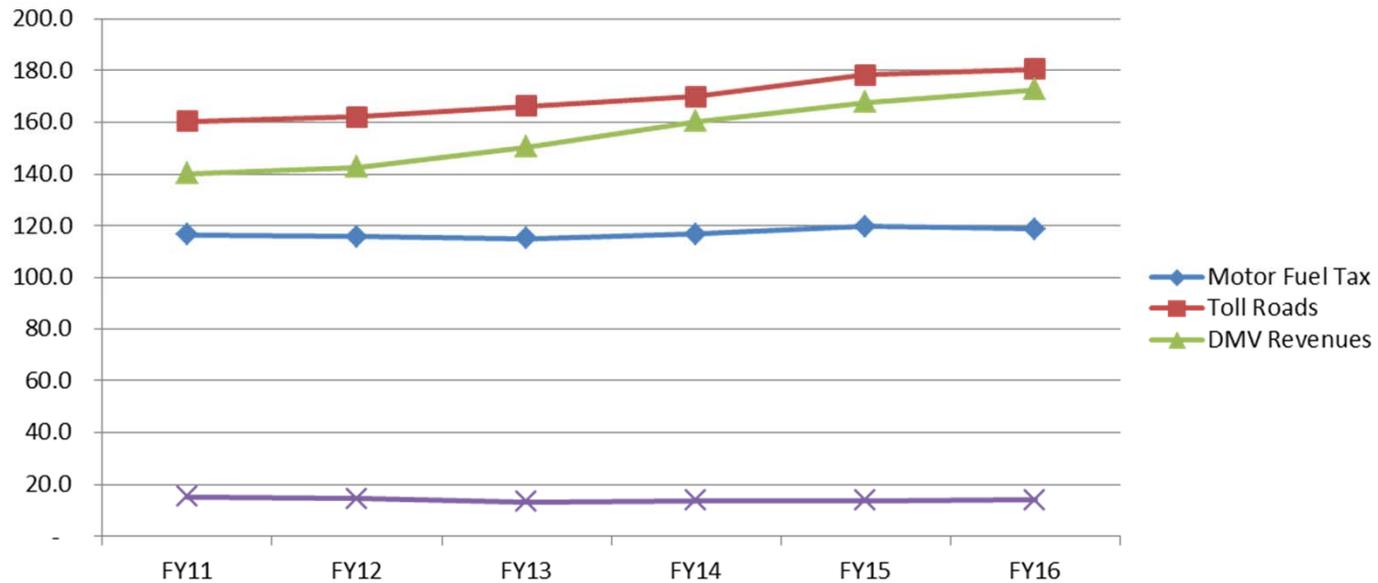
(in millions)



Trust Fund Revenues

Revenues	Forecasted					
	FY11	FY12	FY13	FY14	FY15	FY16
Motor Fuel Tax	116.6	115.9	115.0	116.9	119.8	118.8
Toll Road Revenues	160.3	162.0	166.3	170.0	178.4	180.6
DMV Revenues	140.1	142.7	150.5	160.3	167.7	172.7
Other Revenues	15.4	14.5	13.4	13.9	13.8	14.0
Total	432.4	435.1	445.2	461.1	479.7	486.2

% Change	Forecasted				
	FY12	FY13	FY14	FY15	FY16
Motor Fuel Tax	(0.6%)	(0.8%)	1.7%	2.5%	(0.8%)
Toll Road Revenues	1.1%	2.7%	2.2%	4.9%	1.2%
DMV Revenues	1.9%	5.5%	6.4%	4.6%	3.0%
Other Revenues	(5.8%)	(7.6%)	3.7%	(0.7%)	1.4%
Growth Rate	0.6%	2.3%	3.5%	4.0%	1.3%



Source Threats & Challenges

MOTOR FUEL TAX

Corporate Average Fuel Economy (CAFE) Standard: 32.6 MPG 2015 – 48.7 MPG 2025

EV 200/30: 200 miles on single charge from a vehicle costing less than \$30K (2017)

Price Volatility/Vehicle Miles Traveled (VMT)

DMV FEES

Vehicle sales volume (Document Fee)

BORROWING CAPACITY

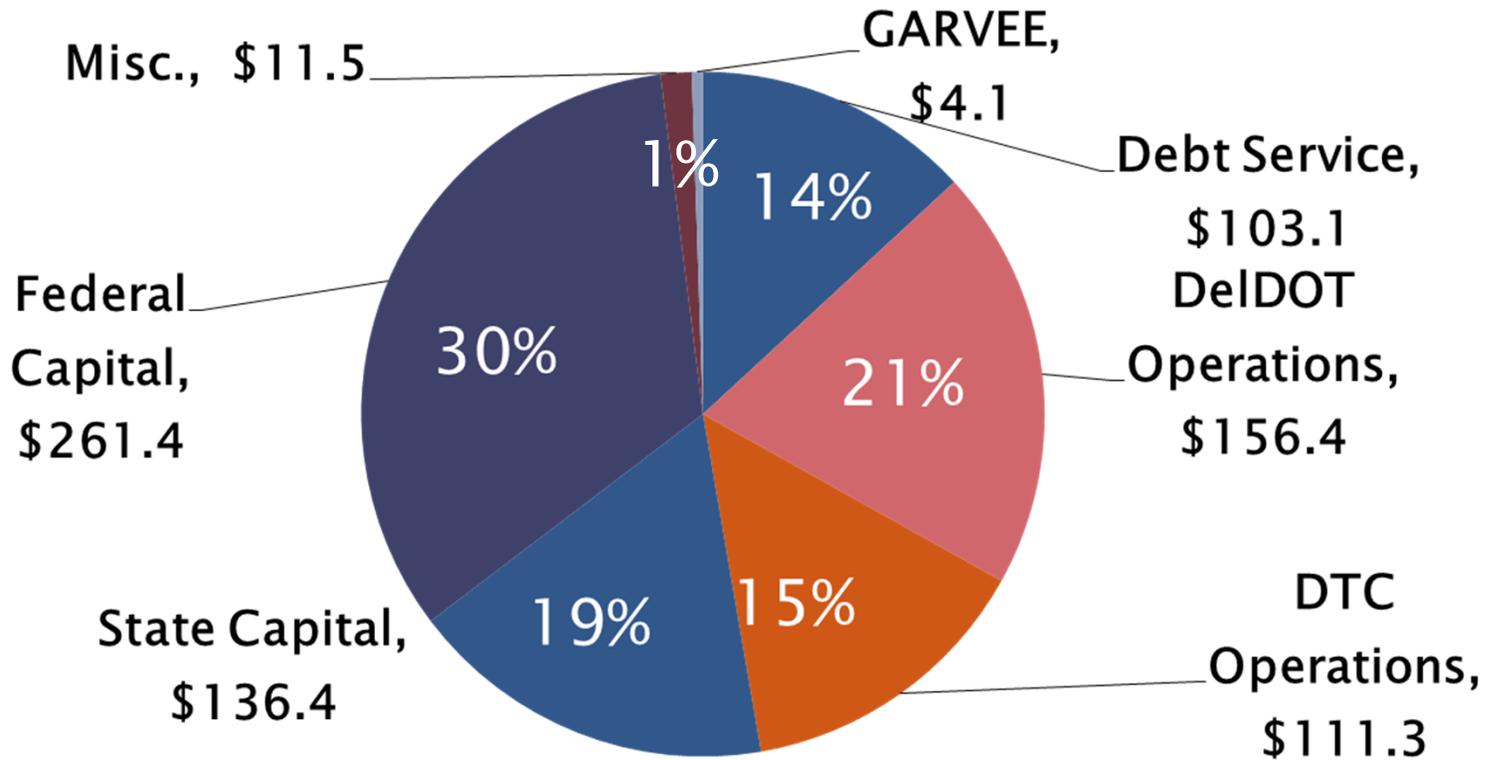
FEDERAL FUNDS

Federal Highway Trust Fund (HTF) Insolvency

HTF Appropriation Formula

FY2016 - USES OF FUNDS - \$784.2M

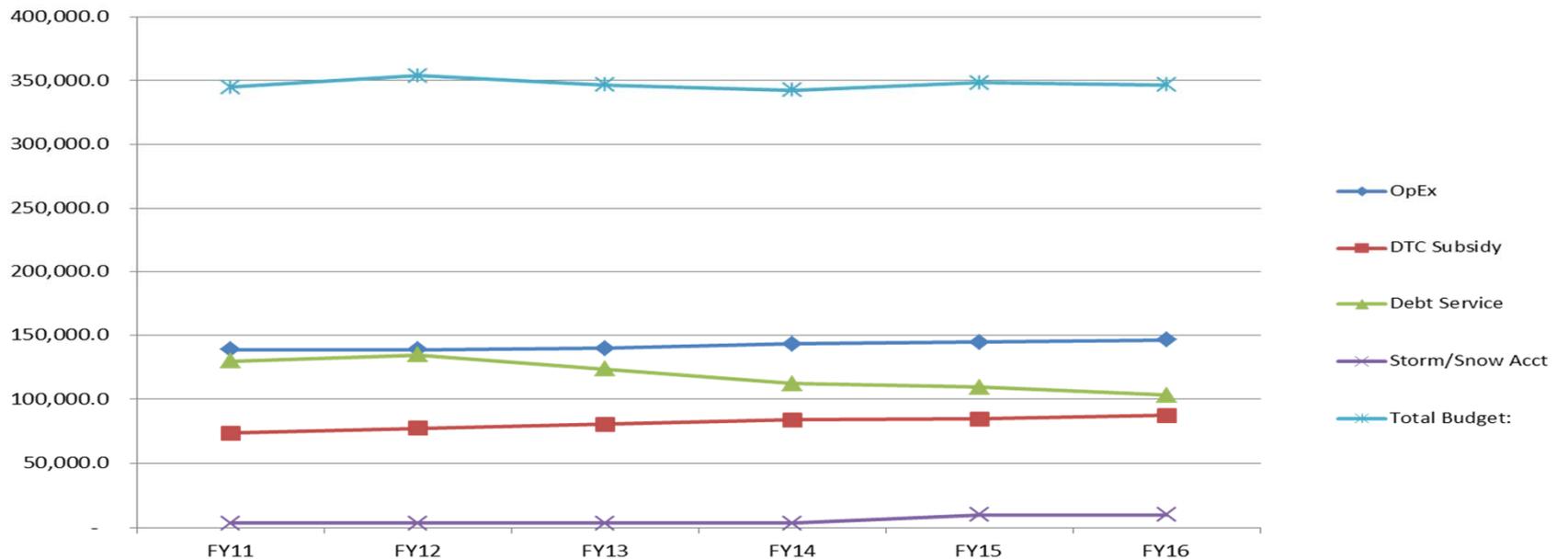
(IN MILLIONS)



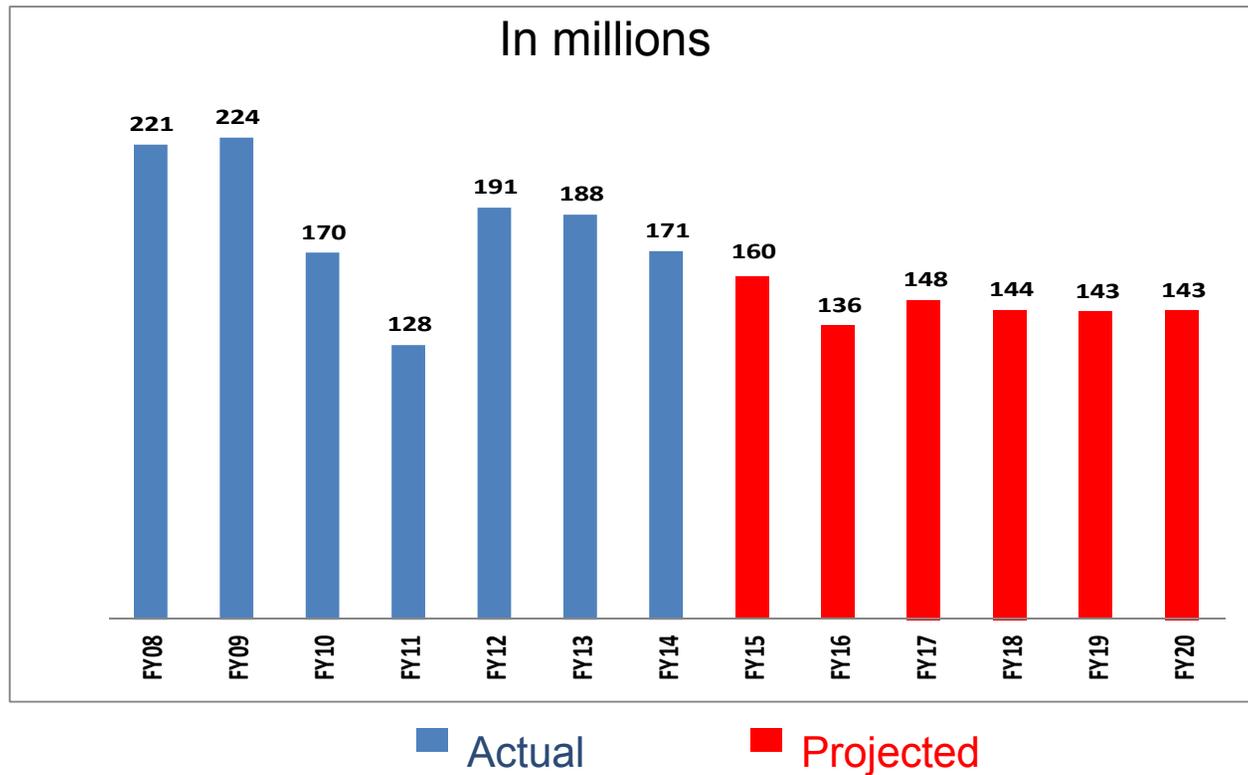
Operating Budget History

Budgeted	Requested					
	FY11	FY12	FY13	FY14	FY15	FY16
OpEx	138,540.0	138,540.6	139,514.5	143,005.4	144,605.5	146,369.6
DTC Subsidy	73,526.2	77,515.7	80,337.0	83,878.8	84,453.3	87,220.6
Debt Service	129,536.6	134,647.0	123,476.4	112,297.9	109,433.1	103,111.6
Storm/Snow Acct	3,277.4	3,277.4	3,277.4	3,277.4	10,000.0	10,000.0
Total Budget:	344,880.2	353,980.7	346,605.3	342,459.5	348,491.9	346,701.8

% Change	FY12	FY13	FY14	FY15	FY16
OpEx	0.0%	0.7%	2.5%	1.1%	1.2%
DTC Subsidy	5.4%	3.6%	4.4%	0.7%	3.3%
Debt Service	3.9%	(8.3%)	(9.1%)	(2.6%)	(5.8%)
Storm/Snow Acct	0.0%	0.0%	0.0%	205.1%	0.0%
Total Budget:	2.6%	(2.1%)	(1.2%)	1.8%	(0.5%)
W/O Storm Acct	2.7%	(2.1%)	(1.2%)	(0.2%)	(0.5%)

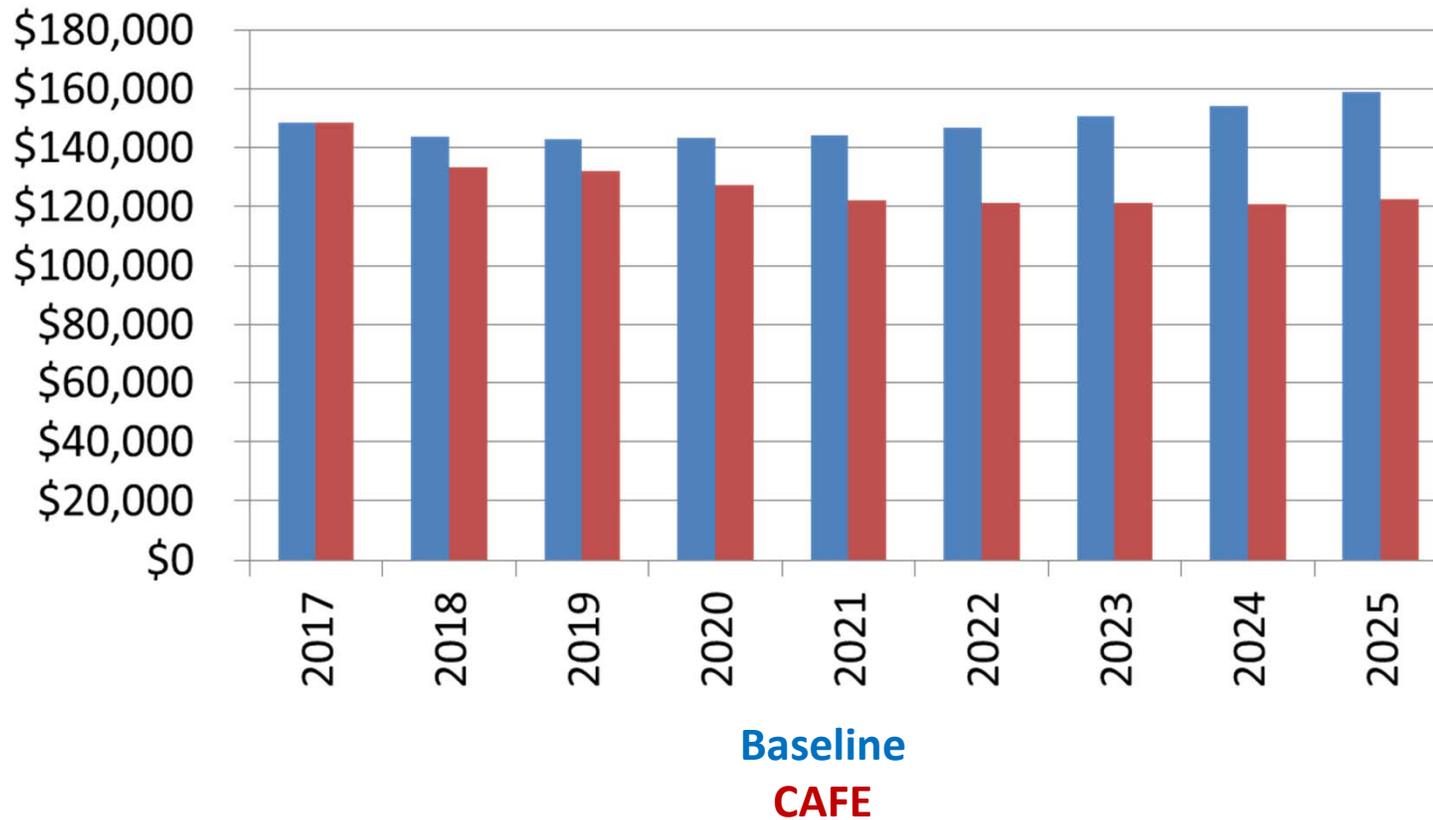


State Capital Spend With No Additional Revenue



State Capital CAFE Impact

(\$000)



Source Opportunities

MOTOR FUEL TAX (State & Federal)

Index rate per gallon to inflation (Core CPI)

Replace with a Road Usage Charge (Mileage Based User Fee)

FISCALLY RESPONSIBLE BORROWING

Maintain Investment Grade Bond Rating