

NOTE 6. REVENUE BONDS

REVENUE BONDS

The State Constitution empowers certain State agencies and authorities to issue bonds that are not supported by the full faith and credit of the State. These bonds pledge income derived from acquired or constructed assets or some other stream of revenues to retire the debt and pay related interest.

PRIMARY GOVERNMENT

Delaware Economic Development Office

The Office has \$180,000 of industrial development revenue bonds outstanding at June 30, 2003, which are supported by the full faith and credit of the State. Future debt service requirements are dependent on lease rentals or other payments from the users of the projects financed with the separate bond proceeds. The State is liable for payment of principal and interest to the extent that the other sources default on payments.

DeIDOT Fund

Delaware Transportation Authority

The Delaware Transportation Authority (the Authority) is subject to oversight by the Department of Transportation and is included in the DeIDOT fund. The Authority assists in the implementation of the State's plans and policies regarding the

coordination and development of a comprehensive, balanced transportation system for the State. It has the power to develop a unified system of air, water, vehicular and specialized transportation in the State. The Authority includes the Transportation Trust Fund and the Delaware Transit Corporation. The Secretary of the Department of Transportation, with consent of the Governor, appoints the Authority's Director.

To assist the Authority in financing a unified transportation system, the State created a Transportation Trust Fund (the Trust Fund) within the Authority which receives all receipts of the Authority. The primary sources of funding of the Trust Fund are motor fuel taxes and motor vehicles fees imposed and collected by the State and deposited in the Trust Fund, and revenue from the Delaware Turnpike, which the Authority owns and operates. The Authority also has the power to issue bonds, with legislative authorization, to finance improvements to the State's transportation system. The Authority may apply Trust Fund revenue in excess of debt service requirements for transportation projects, subject to legislative authorization, and may pledge any or all of this revenue to secure financing for these projects.

On August 15, 2002, the Trust Fund issued \$173,680,000 of Transportation System Senior Revenue Bonds, 2002 Series B. A portion of the proceeds was used for a current refunding of \$85,320,000 of Transportation System Senior Revenue Bonds. The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$3,345,564 and a reduction of \$4,568,209 in future debt service payments.

On April 17, 2003, the Trust Fund issued \$277,210,000 of Transportation System Senior Revenue Bonds, 2003 Series. A portion of the proceeds was used for a current refunding of \$136,670,000 of Transportation System Senior Revenue Bonds. The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$14,035,493 and a reduction of \$16,949,916 in future debt service payments.

The Authority has previously defeased various other bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have 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 has been considered defeased and is therefore removed as a liability of the Authority. As of June 30, 2003, a total of \$283,035,000 of defeased bonds are outstanding.

Bonds outstanding at June 30, 2003 amounted to \$863,145,000. The Delaware Transportation Authority had a total of \$195,470,550 in authorized but unissued bonds at June 30, 2003. Bonds outstanding at June 30, 2003 are detailed on the following page.

Delaware Transportation Authority Revenue Bonds

Description	Interest Rates	Maturity Date (Fiscal Year)	Balance Outstanding June 30, 2003
(Expressed in Thousands)			
Transportation System Senior Revenue Bonds - Series			
1992	5.3% - 5.4%	2012	\$ 2,825
1993	4.9% - 5.5%	2010	17,645
1993 A	4.65% - 5.25%	2014	7,870
1994	5.6% - 6.50%	2014	6,235
1997	5.0% - 6.0%	2017	100,455
1998	4.0% - 5.5%	2016	59,470
2000	5.0% - 6.0%	2020	30,560
2001	3.5% - 5.25%	2021	63,700
2002	4.0% - 5.0%	2008	43,015
2002 B	3.0% - 5.25%	2022	173,680
2003	3.0% - 5.0%	2023	277,210
Transportation System Junior Revenue Bonds - Series			
1992	5.3% - 5.4%	2009	510
1993	4.9% - 5.0%	2005	29,320
1997	4.5%	2004	2,530
2002	4.375% - 5.0%	2009	48,120
Totals			863,145
Less: Current portion			47,640
			<u>\$ 815,505</u>

Future debt service requirements for the Authority's outstanding bonds are shown in the table below.

Delaware Transportation Authority Revenue Bonds

(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2004	\$ 47,640	\$ 38,176	\$ 85,816
2005	53,920	39,175	93,095
2006	55,095	36,433	91,528
2007	56,875	33,571	90,446
2008	60,345	30,619	90,964
2009-2013	259,120	109,638	368,758
2014-2018	196,725	55,081	251,806
2019-2023	133,425	16,311	149,736
Totals	<u>\$ 863,145</u>	<u>\$ 359,004</u>	<u>\$ 1,222,149</u>

COMPONENT UNITS***Delaware State Housing Authority***

The Authority is authorized to issue bonds and notes, with the approval of the State, in order to exercise its powers. These bonds and notes are secured solely by the revenues, loans, and other pledged assets under the related Bond Indenture of the Authority. Bonds issued by the Authority are not secured by the full faith, credit and taxing power of the State.

The Delaware State Housing Authority has issued revenue bonds to provide financing for mortgage, construction, and other loans to not-for-profit and limited for-profit housing sponsors; to make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans; and to purchase qualified mortgage loans from mortgage lenders. The bonds are direct obligations of the Authority and are secured by the mortgage loans made or purchased under the applicable resolutions; the revenues, prepayments and foreclosure proceeds received are related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 2.25% to 10.375% with maturities through October 1, 2035.

The Authority's Single Family Mortgage Revenue Bonds 2003 Series A is a total of \$30,000,000 being issued in tranches. From February 18, 2003 to June 26, 2003, the Authority issued a total of \$18,881,115. Proceeds of the sales were used for making new qualified residential mortgage loans and to purchase qualified mortgage loans from mortgage lenders.

Outstanding bonds at June 30, 2003 amounted to \$379,605,000. Future debt service requirements for the Authority's bonds are shown below.

Delaware State Housing Authority Revenue Bonds

(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2004	\$ 11,240	\$ 19,819	\$ 31,060
2005	11,771	19,321	31,092
2006	12,064	18,779	30,843
2007	12,492	18,194	30,686
2008	13,203	17,551	30,754
2009-2013	66,367	76,760	143,127
2014-2018	58,730	58,304	117,034
2019-2023	69,088	57,939	127,027
2024-2028	58,731	31,849	90,580
2029-2033	44,569	12,862	57,431
2034-2038	21,350	11,270	32,620
Total	<u>\$ 379,605</u>	<u>\$ 342,648</u>	<u>\$ 722,254</u>

Riverfront Development Corporation

Bonds payable represents amounts due under variable rate bonds, which were issued by RDC in November 1997. The bonds bear interest at a rate which is determined quarterly and is equal to the yield on 90-day U.S. Treasury Bills plus .30%. The rate as of June 30, 2003 was 5.125%. The bonds mature December 1, 2017. The bonds are subject to mandatory redemption requirements as shown on the below.

Riverfront Development Corporation Revenue Bonds

(Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2004	\$ 180	\$ 270	\$ 450
2005	200	261	461
2006	240	249	489
2007	245	237	482
2008	275	224	499
2009-2013	1,785	869	2,654
2014 - 2018	<u>2,440</u>	<u>302</u>	<u>2,742</u>
Total	<u>\$ 5,365</u>	<u>\$ 2,412</u>	<u>\$ 7,777</u>

Delaware State University

In May of 1999, the University issued Revenue Refunding Bonds of \$15,865,000 (par value) to advance refund the 1992 and 1996 series bonds with a total par value of \$14,625,000. The Bond Trust Indenture requires the University to maintain a Debt Service Reserve Fund equal to the maximum annual debt service on all bonds outstanding under the Indenture. The indenture provides for the deposit of a surety bond in the Debt Reserve Fund replacing the investment requirement. This bond was obtained from MBIA Insurance Corporation in the amount of \$1,580,000. The bond ratings were not changed as a result of this substitution. In addition, the University has pledged for payment of debt, all net operating and non-operating revenues, except State appropriations and restricted gifts, grants and bequests, for each academic year during which any of the bonds remain outstanding.

Interest rates range from 3.65% to 5.25% on the outstanding Revenue Refunding Bonds. Debt service requirements for the Delaware State University Bonds are shown on the following page.

Delaware State University Revenue Refunding Bonds

Year Ending June 30	(Expressed in Thousands)		
	Principal	Interest	Total
2004	\$ 870	\$ 554	\$ 1,424
2005	905	521	1,426
2006	940	485	1,425
2007	690	453	1,143
2008	720	2,086	2,806
2009 - 2013	4,035	897	4,932
2014 - 2018	<u>4,980</u>	<u>29</u>	<u>5,009</u>
Total	\$ 13,140	\$ <u>5,025</u>	\$ <u>18,165</u>
Less: Unamortized Bond Discount	<u>(68)</u>		
	<u>\$ 13,072</u>		