

June 11, 2008

Mr. Lenney Goldberg  
Federal Highway Administration (HPPI-10)  
400 7th Street, S.W., Room 3306  
Washington, D.C. 20590

**RE: FHWA-536 (Local Highway Finance Report)**

Attached for your record is File 536DE07.xls, which conforms to “A Guide to Reporting Highway Statistics.”

The municipalities in Delaware do not receive federal-aid for highways and streets. However, the cities and towns receive municipal aid from DelDOT’s Transportation Trust Fund (TTF) on an annual basis. [The Municipal Street-Aid fund](#) amounted to \$5 million for FY 2007 in Delaware as indicated below with other statistical data.

2003-2007 Population, Street Mileage and Municipal Aid						
Year	Population	% Change Previous Year	Street Mileage	% Change Previous Year	TOTAL AID FY-June 30	% Change Previous Year
2003	236,370		706.81		6,000,000	
2004	239,182	1.19%	720.27	1.90%	6,000,000	0.00%
2005	243,996	2.01%	732.23	1.66%	6,000,000	0.00%
2006	247,190	1.31%	741.63	1.28%	5,000,000	-16.67%
2007	252,701	2.23%	769.22	3.72%	5,000,000	0.00%

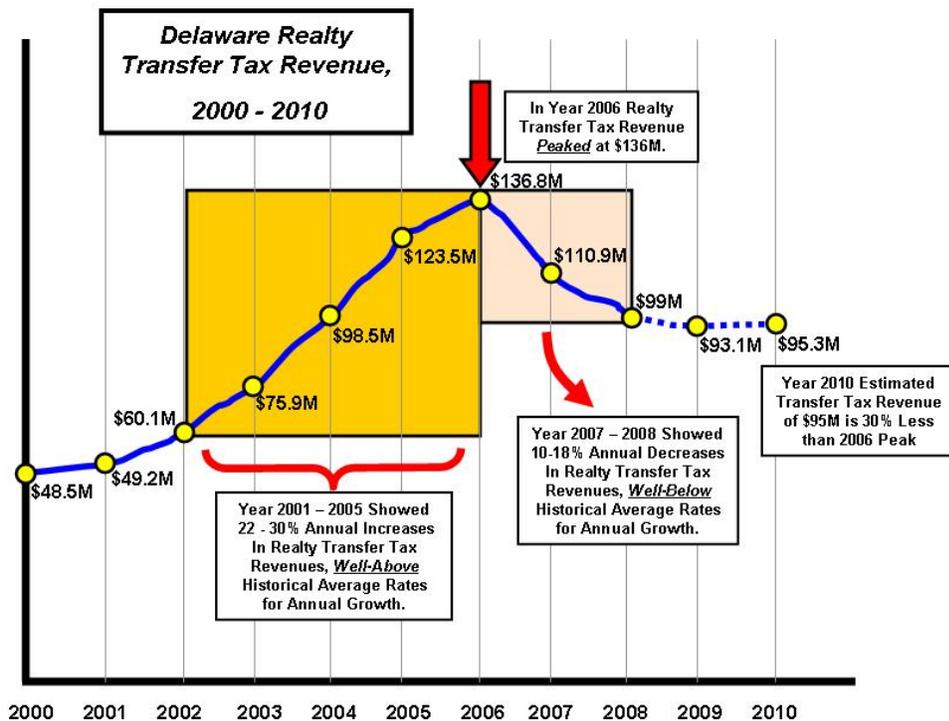
Since 2003, the municipal population and the street mileage have increased by 6.91% and 8.83% respectively, while at the same time the Municipal Street Aid has dropped 16.67%.

In addition to the municipal street aid, the 62 Delaware legislators receive annually \$300,000 each for suburban street projects in their respective districts from the TTF. There is also a provision for \$1.50 million annually for statewide drainage projects in the TTF.

With changing consumer spending habits, and the opening of Costco, Sams Club, Wal-Mart, other super stores and regional malls, the old downtown business districts are decaying. To maintain the economic viability, the state’s financial assistance has become an integral part of the municipal survival. In 2007, the City of Rehoboth received \$3,657,159 for a streetscape project, storm water, and 21<sup>st</sup> Century projects.

With the introduction of casinos in the adjacent states [Delaware Municipalities with Casinos & Gambling](#) are expected to experience a loss of revenue.

Delaware has a Realty Transfer Tax, which is 3% of the sale price. The buyer and the seller pay 1.5% each. Depending on the location of property, the revenue from the Realty Transfer Tax is split between the state and the municipality, or the state and the county.



**Source:** Delaware Economic and Financial Advisory Council

One of the major sources of revenue for Delaware municipalities is the property transfer tax. As the above chart shows, the trend seems to be in reverse at this time.

Due to subprime mortgage debacle around the country, Delaware municipalities, as everywhere, are also facing a decline in the value of residential houses.

When purchasing residential property, buyers often consider the neighborhood and their commuting times to work; others are more concerned about the state they live in. To evaluate and compare the existing residential conditions by state, [Dynamic Maps of Nonprime Mortgage](#) is a good source.

[Federal Reserve](#) historical data shows an easy access to credit provided by banks has contributed to the current economic crisis.

There are 57 municipalities in Delaware. Only three municipalities have reported “Bonds Outstanding” under the title, Local Highway Debt Status as presented in the following.

<b>Municipality</b>	<b>Opening Debt</b>	<b>Amount Issued</b>	<b>Redemptions</b>	<b>Closing Debt</b>	<b>Debt Rating</b>	<b>City Contact Person</b>
Wilmington	\$11,689,869	\$0	\$0	\$11,689,869	AA-	Robert Johnson
Dover	\$427,436	0	\$85,225	\$342,211	A+	Donna Mitchell
Milford	\$384,014	0	\$11,609	\$372,405	Aaa	Jeffrey Portmann
Total	\$12,501,319	0	\$96,834	\$12,404,485		

So far, most of the municipalities in Delaware have maintained excellent bond ratings. But, most recently, the revenue short falls are being felt at not only the state level, but at the town and county levels as well. With the increased cost for both food and fuel, the future outlook will most likely worsen.

Most recently, many municipalities, just as at the national level, are having a difficult time in finding adequate financing to support their budget needs, and have had to cut back on various public services. Here in Delaware, for one municipality the budget crisis has been magnified as a result of a state audit. A director of a major municipality was found guilty of misappropriation of funds. There should be limited intervention in assisting and provide guidance to the municipalities in Delaware.

Unlike cities such as Wilmington and Dover, which receive various grants and other revenues, the small towns of the State have limited resources. The distribution of Municipal Street-Aid fund is formula-based on population and mileage. It seems there is a need to review the formula for equity in the distribution considering financial scarcity in small towns.

Since 2005, the Highway Law Enforcement and Safety Expenditure in municipalities have decreased from \$18,955,426 to \$17,015,911 for the first time in FY 2007. Most of the municipalities are on budget restraints, so services to the public have been reduced.

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New source revenue not reported separately in the previous years is [Electronic Red Light Safety Program](#) (ERLSP). During 2007, the municipalities collected \$2,012,577 as part of their share from the collection of fines. The two major cities which collected more than half a million dollars were the City of Wilmington and Dover with \$771,337 and \$540,566 respectively.

The City of Wilmington presently has 19 cameras in place and we will be installing 6 more for a total of 25. (Source: Robert C. Johnson, City Manager)

The financial managers of municipalities have found that the old FHWA -536 instructions are not user friendly. Many of the small municipalities have difficult time in determining the percentage of distribution of Highway Law Enforcement funds, especially where the municipality officials carry out multiple functions and responsibilities.

The preparation of this report is a team effort and has always been the responsibility of the Planning Section of DeIDOT. This completion of FHWA-536 by DeIDOT has a two-fold purpose. It must be completed alternate years to meet the FHWA requirements. It is also a very helpful tool for the state elected officials to keep track of state fund allocation to the municipalities every year.

As the population in some municipalities grows, so does their boundaries. We in DeIDOT coordinate with the municipalities, and keep a record of the total street mileage maintained as well as the changes in population.

The historical data are available on the DeIDOT website. The FY 2008-2009 Program will be posted after July 1, 2008. Also, a complete guideline for the Municipal Street Aid Funding may be found on the [State of Delaware Office of Auditor of Accounts](#).

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Correspondence, collection and distribution of Federal Guidelines and Requirements for FHWA- 536, is a continuous year round process. The Fiscal Year for Delaware municipalities varies.

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More details on the municipalities are on the internet site, [Local Highway Finance Report \(FHWA -536\)](#).

I will be pleased to provide additional information, if needed.

Sincerely,

S. Bhai,  
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DeIDOT Planning  
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cc: Tashia Clemons, Planning Program Manager  
Federal Highway Administration

File name: 536\_2007.Doc  
Attached Excel File Name: 536DE07.xls