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DELAWARE RIVER PORT AUTHORITY

ANNUAL REPORT 1988

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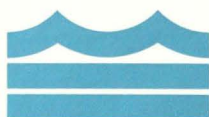


HAPAG LLOYD'S
EUROPA JOINS PORT'S
BUSY CRUISE FLEET.

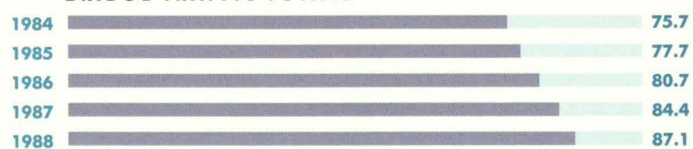


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BRIDGE TRAFFIC TOTALS



INTERNATIONAL WATERBORNE COMMERCE TOTAL CARGO

(Millions of Short Tons)



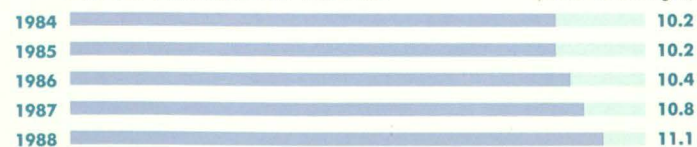
INTERNATIONAL WATERBORNE COMMERCE GENERAL CARGO

(Millions of Short Tons)

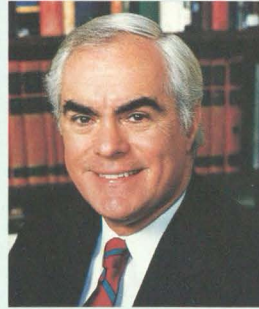


PATCO PASSENGER TOTALS

(Millions of Passengers)



**THE 1988 REPORT
OF THE
DELAWARE RIVER
PORT AUTHORITY**



GOVERNOR CASEY



GOVERNOR KEAN

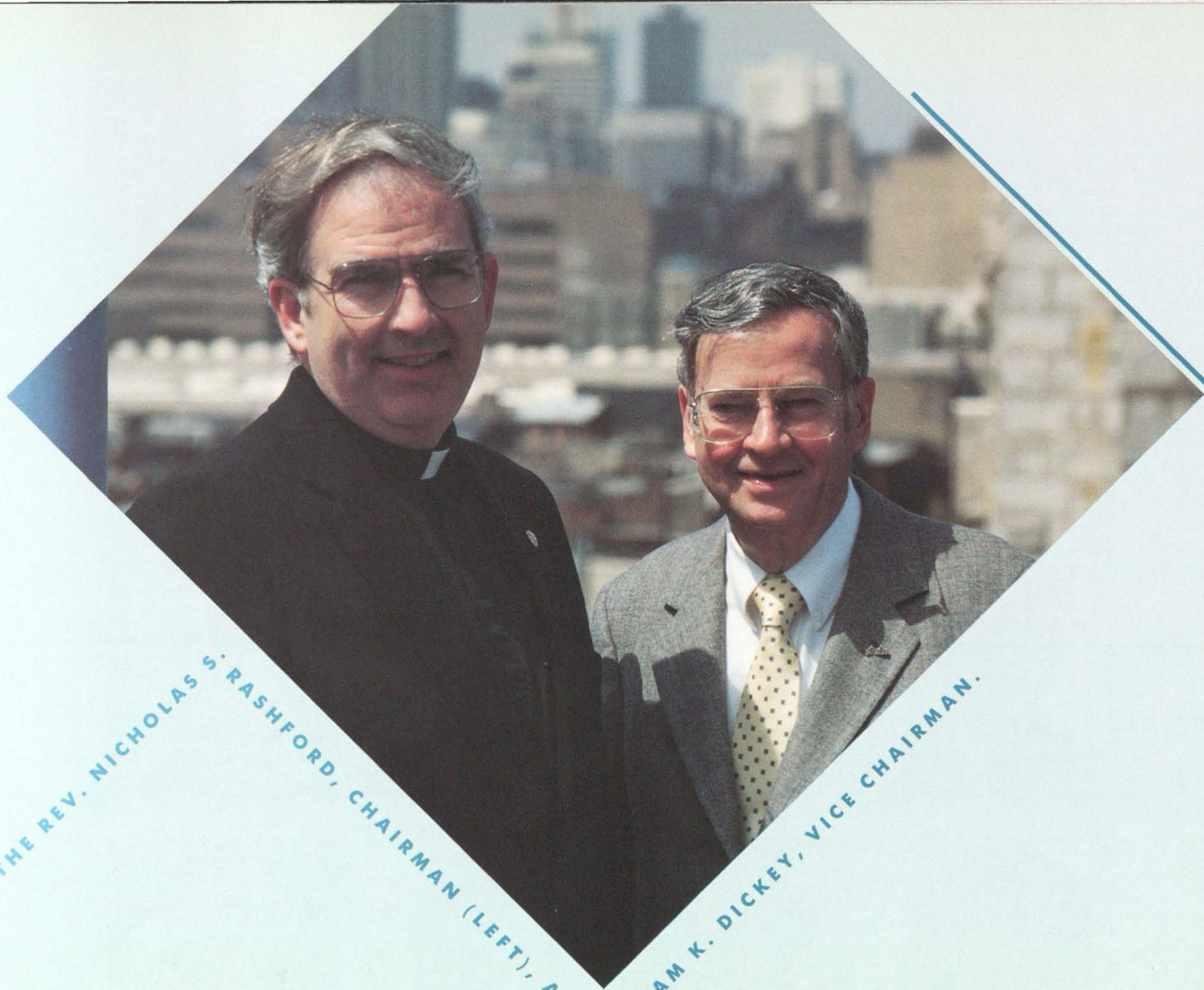
**TO: THE HONORABLE ROBERT P. CASEY
AND THE HONORABLE THOMAS H. KEAN**

Governor of the Commonwealth of Pennsylvania

Governor of the State of New Jersey

The past year has been a good year. The traditional functions of this agency have been conducted efficiently and in a manner designed to provide the greatest accommodation to our patrons. Testifying to the success of these efforts is the more than 3 percent increase in the traffic of our four bridges to a total of 87.2 million vehicles; a growth of 2.6 percent in the number of riders using our PATCO High Speed Line; and a 5 percent increase in the total waterborne international commerce moving through our regional ports.

While we will continue to be vigilant in maintaining the standards of these services, the Commission's concern and initiative has been directed to meeting the growing demands of the future. Initial measures have been taken to realign the structure of the Port Authority for a more responsive performance of individual assignments that conform to modern practices and available technology. We have acted in accord with the express concerns of the Chief Executives of our parent states for port unity and an improved competitive posture that is so essential to the economic well being of our entire region. In fact, they've been given our highest priority, and we've launched ambitious bi-state



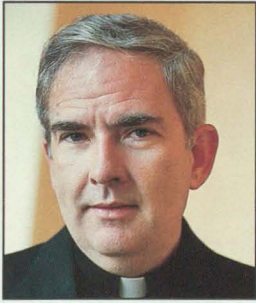
THE REV. NICHOLAS S. RASHFORD, CHAIRMAN (LEFT), AND WILLIAM K. DICKEY, VICE CHAIRMAN.

programs that demonstrate our determination to accomplish a goal which has been elusive in the past. And finally, we have moved to expand the Authority's participation in regional economic development.

We wish to express our gratitude for the constant support given our efforts by you, the two Governors of our parent states, and to all who have participated so diligently. We look forward in the period ahead to becoming a new entity with new vision, building on a tremendous past.

Yours Respectfully,

Nicholas S. Rashford, S.J. *Chairman*



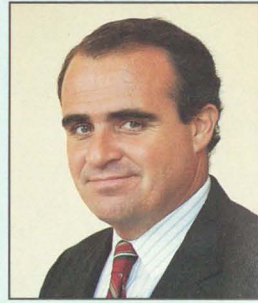
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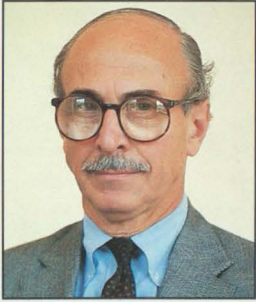
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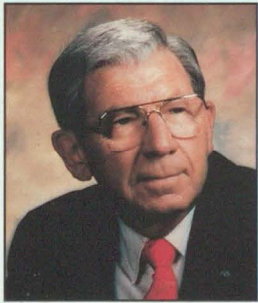
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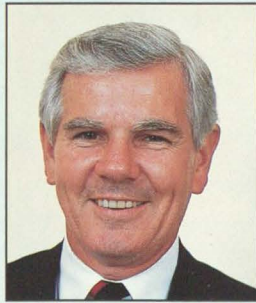
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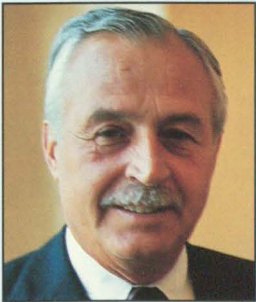
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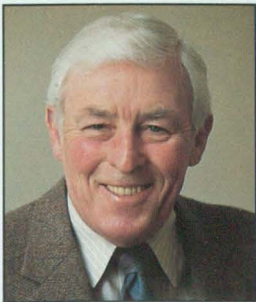
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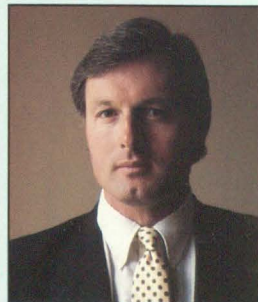
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T H E
C O M M I S S I O N E R S
 A N D
O F F I C E R S

COMMISSIONERS
 PENNSYLVANIA

1. Rev. Nicholas S. Rashford, S.J.,
 Chairman; President,
 St. Joseph's University
2. Honorable Don Bailey,
 Auditor General,
 Commonwealth of Pennsylvania
3. Honorable Lucien E. Blackwell
 Councilman, City of Philadelphia
4. G. Edward DeSeve, President,
 Newbold/American Capital
 Group
5. Honorable G. Davis Greene Jr.,
 State Treasurer,
 Commonwealth of Pennsylvania
6. Barbara G. Jones, Esquire,
 Hunt & Fineman
7. John P. LaRue, President,
 Philadelphia Port Corporation
8. James R. Lloyd,
 Special Assistant to the
 Governor,
 Commonwealth of Pennsylvania

NEW JERSEY

9. William K. Dickey, Esquire,
 Vice-Chairman,
 Counselor at Law
10. Harry Benn,
 International Ladies Garment
 Workers Union
11. Francis L. Bodine, President,
 Martin Manco & Company, Inc.
12. John C. Gilmour Jr., President,
 Holly Ravine Farm
13. A.D. Pistilli, Ph.D., President,
 Atlantic Marine Services, Inc.
14. Walter L. Smith Jr, Esquire,
 Smith & Smith
15. H. Donald Stewart, Owner,
 Harry F. Stewart Agency
16. Mary Ruth Talley,
 Restoration Consultant

OFFICERS

17. James R. Kelly, President
18. Alfred L. Griebing,
 Executive Vice President
19. Thomas J. Auchter, Treasurer
20. W. Steven Joachim, Secretary

O F T H E

D E L A W A R E

R I V E R P O R T

A U T H O R I T Y



ALFRED L. GRIEBLING

Total traffic crossing the Delaware River between southern New Jersey and southeastern Pennsylvania increased 3.26 percent in 1988 over the previous year to a new high of 87,160,350 vehicles. It was the 16th consecutive year the spans had registered an increase. Two of the four bridges, the Commodore Barry and the Betsy Ross, set new records.

The Betsy Ross had the highest growth with an increase of 1,195,111 vehicles, or 15.67 percent. Most of the surge in traffic volume followed when a ship struck the nearby Tacony-Palmyra Bridge on December 18, closing it to all traffic. Only the proximity of the Betsy Ross Bridge and the ready availability of its broad, eight-lane roadway averted what could have been major rush hour traffic congestion in that section of the two-state region. During the 14-day period in December that the Tacony-Palmyra Bridge remained closed, average daily traffic on the Betsy Ross Bridge increased by 163 percent. The Authority's rapid response to the emergency and the cooperation of personnel in the various areas of toll, police and highway avoided a transportation crisis and won many new patrons for the Authority.

BRIDGES

NEW ROAD CONNECTION BOOSTED
BETSY ROSS TRAFFIC.



Of the Authority's four bridges, only the Walt Whitman registered negative growth. This was because its traffic had been inflated while the work of redecking the Benjamin Franklin Bridge was in progress. With the reopening of the Benjamin Franklin, traffic on the Walt Whitman began to resume its normal pattern.

At the December meeting of the Authority the Commissioners adopted a resolution to undertake negotiations with Automatic Toll Systems, Inc. of Teterboro, N.J. to develop a long-term lease agreement for providing and

maintaining modernized computerized toll collection equipment at all four bridges. The ATS equipment was thoroughly tested at the Betsy Ross Bridge during 1988. This computerized toll collection system will enable the Authority to complete toll collection audits and provide traffic data on a much more timely basis than is currently possible. The new system will interface with closed circuit TV surveillance equipment which will provide a means to compare each toll recorded by a collector with a picture of the vehicle passing through the toll lanes. The system

highlights discrepancies on the video tape and provides an accurate visual record for subsequent analysis.

Patrons use of reduced-rate commuter stickers continued with an average monthly sale of 48,237 stickers per month, 896 per month more than in 1987. Car pool books are less popular. Purchases averaged 262 per month, 43 per month less than 1987. Conversely, average daily traffic for senior citizens using a special reduced toll program was 7,708, an increase of 6.4 percent over the previous year.

Port Authority police traveled 1,117,604 miles

while patrolling approximately 30 miles of bridges, roadways and ramps 24 hours per day. Their services to the public included no-charge pushing and towing assistance to 8,774 vehicles, and police transportation to local area hospitals for 563 persons injured in accidents.

THEY

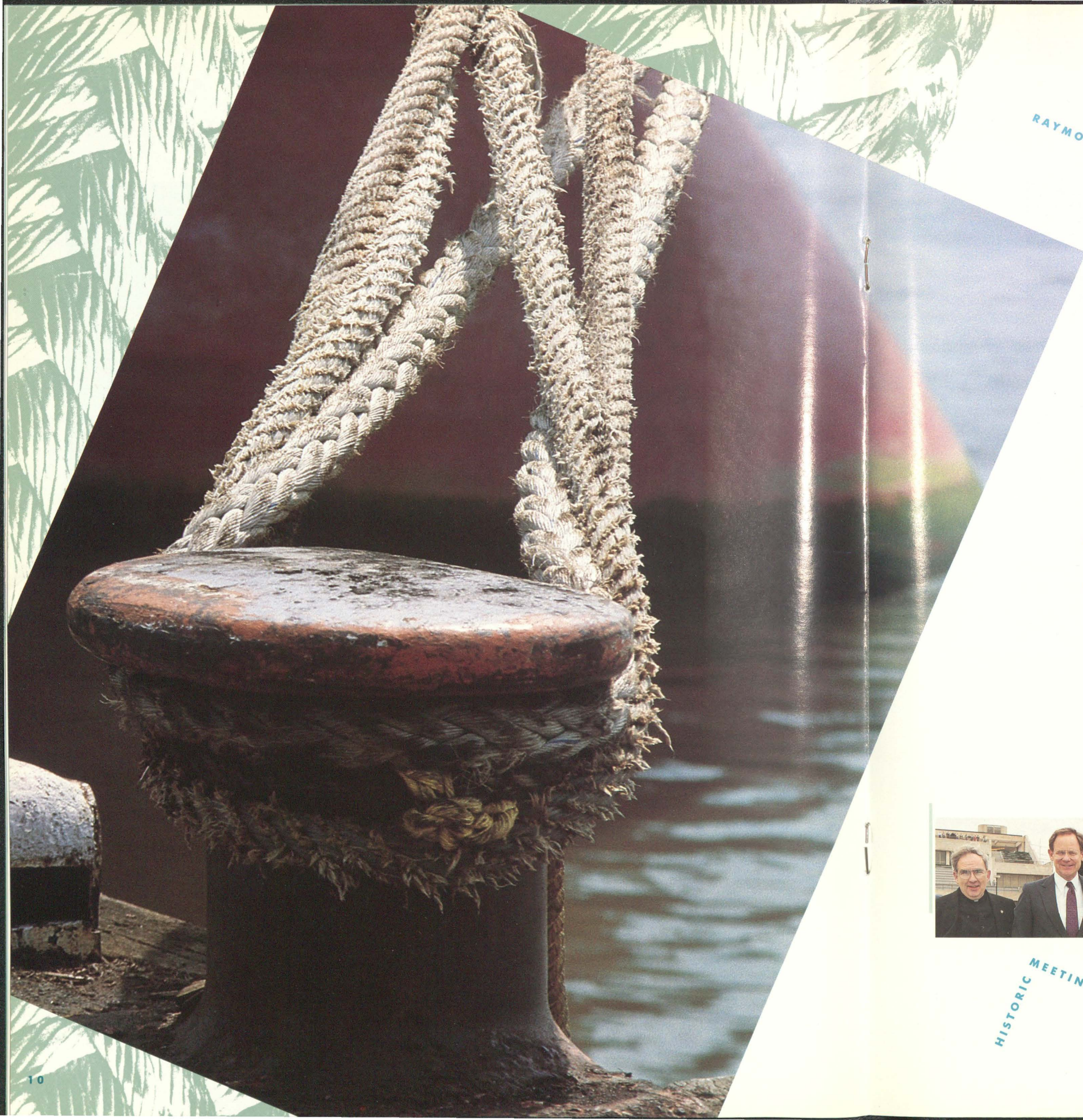
issued 14,542 citations for moving violations and 7,570 warnings for lesser infractions. Authority police arrested 388 persons for offenses committed on Port Authority property and assisted other area police departments in apprehending 288 criminal suspects. Authority police made 214 arrests of motorists for driving while intoxicated. There were 10 suicide attempts and three deaths resulted from persons jumping from Authority bridges compared to two deaths in 1987.

The Highway Department's high standards of maintenance continued to insure safe and attractive conditions at Authority bridges, roadways, walkways, buildings and grounds.

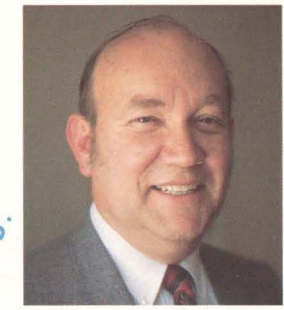
The snow removal operations of the Department during the eight winter storms of 1988 kept the bridges, ramps and expressways clear of snow and ice, providing safe driving conditions for the public.

5-YEAR BRIDGE TRAFFIC VOLUME





RAYMOND G. HEINZELMANN, PH.D.



WORLD TRADE



HISTORIC MEETING OF DRPA CHAIRMAN AND TRI-STATE GOVERNORS.

The past 12 months have been a transitional period both for the World Trade Division and the Philadelphia regional port. Changes are underway which will ultimately alter each.

The most immediate and substantial changes were initiated by the Authority's Board of Commissioners to achieve vitally needed tri-state port unity. The urgency has long been recognized, but progress has been glacially slow. The Authority's Board of Commissioners has become the catalyst for integrating the diverse interests of the region's maritime community. The Port will, as the plan develops, eliminate wasteful duplication and allocate its resources more efficiently.

To begin, the Board selected two projects which will have broad application in meeting regional needs. The first is an intermodal rail yard in South Philadelphia to give the port, for the first time, the capability to directly transfer ocean cargo to and from western destinations. The second project is an International Trade Center to be located on the Camden City waterfront, to efficiently centralize the many offices, both governmental and private, engaged in the maritime trade and peripheral businesses.

The World Trade Division is participating in both projects. It has under-

PORT DISTRIBUTES FRESH FRUIT THROUGHOUT NATION.



taken a market demand study for the intermodal railyard and is developing an occupancy profile for the International Trade Center.

While the port has problems to be solved, it has many areas of superior performance.

NCE

again, the Ports of Philadelphia were first among the major North Atlantic ports in the total of international waterborne cargo handled. The region's total of 71.8 million tons, an increase of 5 percent over the previous year, was well ahead of second place New York.

More significant, however, was the Philadelphia region's 17 percent gain in general cargo, the cargo category that produces the most economic benefits. The new total of 7.3 million tons was the highest ever achieved by the port complex. And it was the highest gain

reported for general cargo for any of the competing North Atlantic Ports.

Exports, long depressed by U.S. dollar fluctuations, scored a 60 percent gain, rising from 648,000 tons in 1987 to slightly over a million tons in 1988. No other North Atlantic port was as successful.

One other important indication of progress: the Ports of Philadelphia's share of the North Atlantic ports market rose from 20 percent in 1987 to 23 percent last year. That compares with a loss of 4 percent for New York (43 percent), no changes for Baltimore (17 percent) and a 1 percent increase for Norfolk (17 percent).

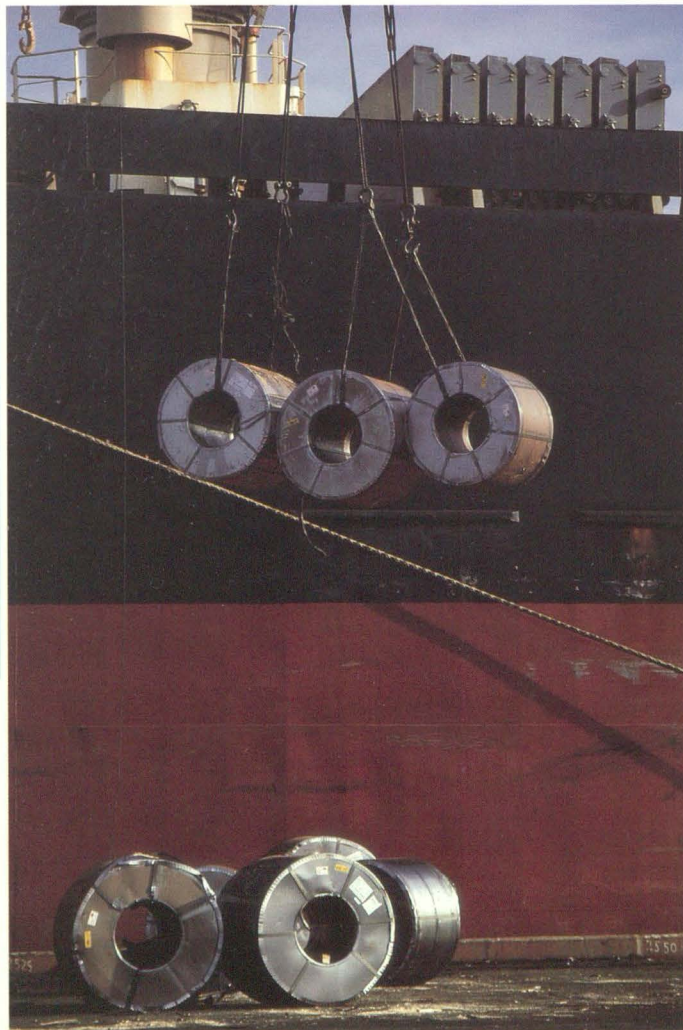
The port's progress directly reflects effective marketing and the efforts of the maritime community in the Ports of Philadelphia to provide superior service.

The World Trade Division has continued time-tested programs and techniques that have been productive in the past, but has also injected innovations.

Chilean fruit, one of the port's most lucrative commodities, accounting for nearly 25 percent of long-shoremen's man hours in the region, has received special attention. A Chilean/American Chamber of Commerce was organized with the Director of the World Trade Division as its first President. The Chamber's goals are to promote the Chilean fruit industry, improve communications between the two countries and help, as quickly as possible, to resolve problems or difficulties that arise in the fruit business.

The World Trade Division cooperated with the Office of Public Information in producing a motion pic-

STEEL EXPORTS INCREASED DRAMATICALLY IN 1988.



ture tracing Chilean fruit production from the farms in Chile to the marketplace in America. The film received an enthusiastic reception in both countries.

Delays were encountered in clearing cocoa bean imports. All parties involved in the trade, including government agencies, were brought together by the DRPA, the problem isolated and solutions determined, significantly reducing the port clearance time for the beans. A follow-up program was also instituted.

And a successful campaign was mounted to protest a U.S. Department of Agriculture proposed change in procedures for the inspection of meat imports. Some 300 jobs would have been affected by the change.

Meetings were held with Malaysian officials, and planning undertaken for the future development of a distribution center for Malaysian cargoes.

Two Commissioners and the Director of World Trade joined with representatives of Duncan Fox Ltd., the Authority's new World Trade representative for Brazil and Argentina, in meeting with the press, major exporters/importers and officials of steamship lines in Buenos Aires, Sao Paulo and Rio to introduce the new representatives to persons influential in the maritime trade between South America and the U.S.

Twenty representatives of various port businesses joined in a Ports of Philadelphia European Trade Mission. Receptions were held in strategic cities and direct contacts made with some 300 European representatives of exporters, importers, shipping lines and freight forwarders.

All arrangements were made through our Far East representatives for the DRPA Chairman to meet with senior Chinese officials.

Two other regularly scheduled activities which should be noted are: the spring Marketing Meeting where Division staff reviews for the entire port community the progress made in the previous year and provides a forecast of what is anticipated in the year ahead; and the fall meeting in Pittsburgh attended by some 120 of that region's leading exporters, importers and transportation officials with 26 representatives of Ports of Philadelphia businesses serving as hosts.

A study, by our Port Planning Section, is now nearing completion which will provide an organized and systematic approach to much of our future marketing efforts. It provides a detailed analysis of cargo potentials based on 10-year cargo forecasts. It will enable our organization to focus its resources on those areas and items promising the highest ratio of return.

ROBERT G. SCHWAB



In February 15, 1988, the Port Authority Transit Corp., a wholly-owned subsidiary of the Delaware River Port Authority, began its 20th year as one of the most modern and advanced of the nation's rail transportation systems. It earned its international reputation by providing fast, clean, safe, reliable, low-cost public rail transportation between Southern New Jersey and Philadelphia.

1988 was the fourth consecutive year of ridership growth from a low point of 10,211,589 in 1984 following a fare increase in 1983. The total of 11,102,478 riders in 1988 was 2.6 percent higher than in 1987.

Even though there has been no fare increase for six years, it is expected that fares will again remain stable in 1989 as a result of productivity improvements, only modest inflation and increased revenues from higher ridership.

Revenues last year rose 3.8 percent to \$15,363,000 while operating expenses rose 2.6 percent to \$19,808,000. The resulting net operating revenue to expense ratio of 77.6 percent maintained PATCO's position as the most cost effective system of any heavy rail transit operator in the United States.

Car mileage, which is

PATCO



ENGINEERING

Engineering and Planning Division, responsible for the maintenance and improvement of all DRPA-owned facilities, awarded contracts in 1988 totaling \$11.6 million.

Among projects completed was a \$1.3 million contract awarded to Tony De Paul & Sons, Philadelphia, for concrete sound barriers on the parapets on the east and westbound roadways serving the Walt Whitman Bridge in Philadelphia. Residents adjacent to the construction area frequently expressed their approval and appreciation.

A**NOTHER** project that received favorable public response was the \$1.7 million contract to Weeks Marine, Inc. of Cranford, N.J. for the disposal of deck slabs and waste materials removed during the redecking of the Benjamin Franklin Bridge. They were used to build a reef off Cape May for an improved breeding area and habitat for fish.

The Division coordinated with the New Jersey Department of Transportation in their \$22.7 million contract for the construction of Rt. 90 connecting the Besty Ross Bridge directly with Rt. 73. DRPA contributed \$9 million to the project.

Replacement of the PATCO signal power supply system between

Broadway and Market St. was completed. It provides reverse signaling capability between Ferry Ave., Camden and 16th St., Philadelphia.

New projects include the design for replacing the toll-free, popular pedestrian walkway across the Benjamin Franklin Bridge; and the completion of a license agreement with Eastern Telelogic Corp. to construct and operate a fiber optics communications system along the PATCO operating property from 16th St., Phila., to Camden.

While both Benjamin Franklin pedestrian walks have deteriorated, only one walk will be rehabilitated because of budgetary considerations.

Replacement of the 30-year-old concrete deck on the Walt Whitman Bridge now faces the Port Authority. Greiner Engineering Sciences, Inc., has completed a two-volume study on the deck's condition. The report is being evaluated and a plan for addressing the deteriorating deck will be developed.

The same firm won the contract to design the interchange to connect the Betsy Ross Bridge and I-95 with the Philadelphia street system at both Torresdale and Aramingo Avenues. The Authority has the lead role in the project, jointly funded by the Federal Highway Administration, the Commonwealth of

Pennsylvania and DRPA, beginning in 1990. Improved access to the bridge should considerably increase bridge patronage.

Several PATCO projects funded by UMTA are underway with contracts awarded in 1988 totaling \$8.4 million. One is the rehabilitation of 17 bridges in Camden. A contract was awarded to Kaufman Construction Company for \$1.6 million to repair the sub-structures of all the bridges. It should be completed in February 1989. A contract to rehabilitate the superstructures will be awarded in 1989.

A contract in the amount of \$6.4 million was awarded to Joseph Paolino & Sons, Inc. for the rehabilitation and improvement of the 20-year-old parking facilities at six PATCO stations. The changes will improve traffic circulation, parking, signing and access.

The Division's newest undertaking is a project to rehabilitate the Benjamin Franklin Bridge toll plaza to improve its efficiency for processing traffic and to provide for the modernization of the toll collecting equipment.

The Division's Maintenance, Electrical and Control Bureaus successfully completed a demanding array of in-house projects for replacement and repair requirements at all DRPA facilities.

JOHN R. WOODRUFF



ADMINISTRATION

ACTING DIRECTOR
JAMES C. KENDIG

The Administration Division serves, primarily, the internal needs of the Authority through its sections for Personnel, Safety, Insurance, Toll Accounting, Toll Auditing, Telecommunications, Purchasing and Materials Management, Printing and Mail and Messenger Service. Its Office of Public Information's activities are mostly directed outside to the Authority's patrons and to media relations.

Personnel is the alpha and omega of the Authority in that it is responsible for bringing new people into the organization, administering the many benefit programs and, finally, assisting employees in retirement. In 1988, Personnel processed 1,351 employment applications. Selecting the most qualified candidates and adhering to the Commission's affirmative action policies and goals, 45 individuals were hired. Also, 116 college students were hired for summer employment replacing vacationing regular employees in selected areas.

Retirement preparations and retirement programs were provided for 51 employees, and supervisory training programs for 35 foremen, supervisors and managers. Two meetings of the Five State Survey Group, representing public agencies with related

interests, were hosted. Sixty Authority employees were enrolled in one or more computer training programs.

Assistant Personnel Manager Gladys S. Kamihira was honored by the YWCA of Camden County as an Outstanding Woman in Industry. She is the third DRPA employee so honored.

The Office of Public Information wrote, photographed and produced, at a significant saving to the Authority, a film on the importation of Chilean fruit through our port. The 20-minute film entitled "Fruits Port of Preference" was narrated in English and Spanish and transferred to video. Copies are greatly in demand both in this country and Chile.

Public Information also prepared the annual report; helped coordinate the port's advertising program; provided photographs of events significant to the Port Authority and prepared presentations.

The Division's Safety section conducted 10 workshops for 797 workers and gave a safety orientation for summer employees. Special physical examinations were arranged for 178 employees, and 108 on-the-job accidents were investigated. Monthly supervisor safety committee meetings were held at each bridge.

The Office of Insurance administers health, life and accident insurance programs for all DRPA employees, and coordinates with the Safety Manager in monitoring medical services for the Workers' Compensation Program.

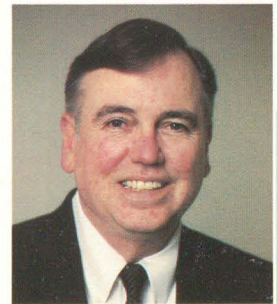
Purchasing and Materials Management instituted new computerized and control systems to provide a more cost effective response to requisitioners and vendors and to generate more timely reports and statistical data.

Requisitions processed during the year increased 16 percent to 3,405 for the purchase of goods and services valued at \$4,580,072. Most procurement was from local firms thereby helping to stimulate the economy of the region.

Minority vendors are actively solicited to participate in the Authority's bid process. This program resulted in the award of 229 purchase orders valued at \$362,272.

Toll Accounting operations at all four bridges have been equipped with the latest state-of-the art micro-processor cash settlement systems to enhance the speed and accuracy essential to counting the coins, currency and tickets received as tolls. The system will enable Toll Accounting to interface with Toll Collection and Toll Audit.

Toll Audit provides the audit process to verify dis-



crepancies which may result from Toll Collection and Toll Accounting activities. It also plays a key role in the ongoing computer system integration and implementation programs.

The Printing Department, which produces some 99 percent of all DRPA printed matter, completed 732 jobs consisting of 12,529,000 individual pieces in 1988, representing a significant saving to the Authority. The production of commuter stickers continues to generate savings which, in the decade since it began, total \$765,782.

A new computerized AT&T telephone system was installed at a cost of \$370,000 which, it is projected, will be recovered by savings over the previous system in less than four years.

FINANCE

THOMAS J. AUCHTER



1987. The PATCO operating loss in 1988, including depreciation of \$3,280,000, was \$7,725,000 as compared to \$7,670,000 in 1987.

Generally higher interest rates during 1988, coupled with a modest increase of funds available for investment resulted in investment income in the Revenue, Bond Service, Bond Reserve and General Funds, increasing from \$6,224,000 to \$7,371,000. All investments of the Authority were in accordance with the General Bond Resolution adopted April 15, 1985 and reflect the continued prudent investment management by the Finance Committee.

After the deduction for interest on "Outstanding" Funded Debt of \$20,607,000, there remained revenues of \$15,968,000 available for other Port Authority expenditures such as World Trade Division and necessary capital expenditures compared to \$15,379,000 one year earlier.

By resolution dated February 27, 1989 the Board of Commissioners authorized the issuance of \$179,464,000 Refunding Revenue Bonds, Series 1989. The 1989 Bonds are being issued to provide funds to (a) refund a portion of the principal and interest of the Authority's \$218,150,000 Revenue Bonds, Series 1985,

For the year 1988, total operating revenues increased \$3,518,000 or 3.7 percent over comparable 1987 figures due primarily to the continued increase in bridge traffic as outlined elsewhere in this report. Total operating and administrative expenses, including depreciation of \$10,137,000 were \$69,151,000 which resulted in operating revenues exceeding expenses by \$29,204,000 as compared to \$29,785,000 for

GROSS OPERATING REVENUES

(Millions of Dollars)

Year	Revenue (Millions of Dollars)
1984	59.3
1985	60.7
1986	70.3
1987	80.0
1988	83.0

OPERATING REVENUES IN EXCESS OF EXPENSES

(Millions of Dollars)

Year	Revenue (Millions of Dollars)
1984	28.0
1985	28.2
1986	35.1
1987	43.7
1988	43.8

INVESTMENT IN FACILITIES

(Millions of Dollars)

Year	Investment (Millions of Dollars)
1984	548.7
1985	570.4
1986	621.6
1987	642.5
1988	663.5

NET REVENUES AVAILABLE FOR DEBT SERVICE

(Millions of Dollars)

Year	Revenue (Millions of Dollars)
1984	37.4
1985	38.2
1986	43.3
1987	49.9
1988	51.2

INTEREST ON FUNDED DEBT

(Millions of Dollars)

Year	Interest (Millions of Dollars)
1984	16.8
1985	19.2
1986	20.6
1987	20.6
1988	20.6

FUNDED DEBT

(Millions of Dollars)

Year	Debt (Millions of Dollars)
1984	295.6
1985	221.0
1986	221.1
1987	221.1
1988	220.8

(b) make an additional deposit to the Bond Reserve Fund, and (c) pay certain costs incurred in connection with the issuance of the 1989 Bonds. The 1989 Bonds are payable solely from and secured by a pledge of the Net Revenues of the Authority and were delivered to the Depository Trust Company, New York, New York, on March 7, 1989.

Details of the refunding are shown on Note 12 to the Financial Statements.

The General Bond Resolution doesn't recognize the inclusion of depreciation as an "Operating Expense." Statements of Revenues and Expenses calculated in accordance with this Bond Resolution are shown as Note 10 to the Financial Statements.

DELAWARE RIVER PORT AUTHORITY



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
 DECEMBER 31, 1988 AND 1987 (In Thousands)

	<u>NOTES</u>	<u>1988</u>	<u>1987</u>
ASSETS			
Cash	2	\$ 921	\$ 658
Investment in securities	1, 2, 5	81,011	73,614
Accrued interest receivable		750	392
Accounts receivable	3	1,865	930
Transit system inventory	1	2,371	1,804
Prepaid expenses		999	1,147
Total		<u>87,917</u>	<u>78,545</u>
RESTRICTED ASSETS:			
Cash		5	4
Investment in securities	1, 2, 7	54,122	50,358
Accrued interest receivable		1,203	786
Total restricted assets		<u>55,330</u>	<u>51,148</u>
INVESTMENT IN FACILITIES			
Less accumulated depreciation	4	663,505	642,537
Investment in facilities—net		<u>(145,093)</u>	<u>(135,405)</u>
		518,412	507,132
DEBT ISSUANCE COSTS, NET OF AMORTIZATION			
	7	8,466	8,850
TOTAL ASSETS		<u>\$670,125</u>	<u>\$645,675</u>

See notes to consolidated financial statements.

	<u>NOTES</u>	<u>1988</u>	<u>1987</u>
LIABILITIES AND NET ASSETS			
ACCOUNTS PAYABLE:			
Contracts		\$ 9,223	\$ 9,179
Retained amounts on contracts		2,142	4,767
Other	5	<u>3,743</u>	<u>2,682</u>
Total accounts payable		<u>15,108</u>	<u>16,628</u>
ACCRUED LIABILITIES:			
Pension	6	1,003	1,005
Sick and vacation leave benefits		9,952	9,469
Other		<u>1,491</u>	<u>1,515</u>
Total accrued liabilities		<u>12,446</u>	<u>11,989</u>
DEFERRED INCOME ON TRUCK TICKETS		<u>1,827</u>	<u>1,521</u>
ACCRUED INTEREST PAYABLE FROM RESTRICTED ASSETS	7	<u>10,082</u>	<u>10,093</u>
FUNDED DEBT	7	<u>220,844</u>	<u>221,149</u>
Total liabilities		<u>260,307</u>	<u>261,380</u>
RESERVES:			
Replacement and repainting	1	19,379	16,880
Other	11	<u>4,261</u>	<u>3,965</u>
Total reserves		<u>23,640</u>	<u>20,845</u>
NET ASSETS:			
From contributed capital	9	<u>29,889</u>	<u>21,605</u>
From operations:			
Designated for capital		271,523	264,269
Reserved for:			
Revenue bonds		24,648	24,893
Revenue bond service		3,735	366
Construction		10,109	9,357
Working capital and maintenance		19,603	18,169
Unreserved	8, 11	<u>26,671</u>	<u>24,791</u>
Total net assets from operations		<u>356,289</u>	<u>341,845</u>
Total net assets		<u>386,178</u>	<u>363,450</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$670,125</u>	<u>\$645,675</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987 (In Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations—The Delaware River Port Authority (the "Authority") is a public corporate instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and the State of New Jersey (the "State") created with the consent of Congress by compact legislation between the Commonwealth and the State. The Authority has no stockholders or equity holders and, among other powers, is vested with the control, operation and collection of tolls and revenues of certain bridges spanning the Delaware River (Benjamin Franklin, Walt Whitman, Commodore Barry and Betsy Ross bridges). The Authority has also constructed and operates a high-speed transit facility known as the Port Authority Transit Corporation (PATCO). The facility, a wholly-owned subsidiary, operates between Philadelphia, Pennsylvania, and Lindenwold, New Jersey. Through its World Trade Division, the Authority promotes the development and use of the Delaware River as a highway of commerce. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily in the form of tolls and fares.

Basis of Presentation—The financial statements include the accounts of the Authority and PATCO. Material balances and transactions between the entities have been eliminated.

Investment in Securities—Investment in securities is stated at amortized cost (which approximates market), because it is the Authority's intention to hold these investments until maturity. Certain investments are required as reserves in connection with the Authority's funded debt (Notes 2 and 7).

Transit System Inventory—Transit system inventory, consisting principally of spare parts for maintenance of transit system facilities, is stated at cost (first-in, first-out method).

Investment in Facilities—Investment in facilities is stated at cost, which generally includes expenses in connection with the offering, selling and issuance of bonds as well as interest expenses and administrative and legal expenses incurred during the construction period. Investment in facilities also includes the cost of improvements, enlargements and betterments to the original facility. Replacements of existing facilities (except police and other vehicles whose estimated useful life is two years or less) are also recorded at cost. The related costs and accumulated depreciation of the property replaced are removed from the respective accounts and any gain or loss on disposition is credited or charged to income.

Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, including those financed by Federal contributions (Note 9). A charge representing depreciation on assets acquired with contributions is made directly to the related contribution accounts.

The Route 90 Freeway connections to the Betsy Ross Bridge were completed and opened to traffic on October 25, 1988. The Authority has agreed to reimburse the State a maximum sum of \$9,000 for the Authority's share of the construction of the roadway connections. As of December 31, 1988, the Authority has paid \$6,500 and accrued the remaining balance of \$2,500. The next annual payment of \$1,250 is due June 30, 1989.

Assets lives used in the calculation of depreciation are generally as follows:

Bridges, freeways and tunnels	100 years
Buildings, stations and certain bridge components	35–40 years
Electrification, signals and communication systems	30–40 years
Transit cars, machinery and equipment	10–25 years

The bridge facilities are stated at cost, net of contributions by the New Jersey Department of Transportation. The PATCO system first phase capital improvement program is stated at cost, net of reimbursements prior to 1981 from the Urban Mass Transportation Administration and other governmental agencies (Note 4). The PATCO system includes expenditures of Federal grants for capital improvements and additions (Note 9).

Reserve for Replacement and Repainting—Maintenance and repair costs considered necessary to maintain bridge facilities in good operating condition are charged to operations as incurred. Reserves sufficient to meet the estimated cost to repair the bridges and replace road surfaces and fenders of bridge facilities are provided by periodic charges to operations.

Debt Issuance Cost and Bond Discount—Debt issuance costs and the discount arising from the issuance of the Revenue Bonds are amortized by the straight-line method from the issue date to maturity.

Insurance Expense—The Authority provides for the uninsured portion of potential public liability and workers' compensation claims through self-insurance programs and charges current operations for estimated claims to be paid (Note 11).

Reclassification—Certain balances as of December 31, 1987 have been reclassified for 1988 comparative report purposes.

2. CASH AND INVESTMENTS

The Authority maintains cash and investments for all funds. The investments in various securities are maintained for specified funds in accordance with the general bond resolution adopted on April 17, 1985.

At December 31, 1988 and 1987 cash balances were \$926 and \$662, respectively, of which \$785 and \$549, respectively, was cash on hand. Balances of \$141 at December 31, 1988 and \$113 at December 31, 1987 were insured by federal depository insurance.

Investments are purchased in accordance with the General Bond Resolution of April 17, 1985. They include U.S. Government obligations, obligations of U.S. agencies or instrumentalities, and obligations of public agencies or municipalities rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Investors Service.

Investments also include the assets of the Authority's deferred compensation plan. As indicated in Note 5, the Authority does not make contributions to the plan. The Authority considers the assets to be property of the Authority until disbursed.

The Authority's investments are categorized below to give an indication of the credit risk assumed by the Authority at December 31, 1988. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by its bank's trust department or agent, but not in the Authority's name (the Authority had no Category 1 or Category 2 investments at December 31, 1988).

	1988			1987	
	Category 3	Carrying Amount	Market Value	Carrying Amount	Market Value
U.S. Government securities	\$ 52,617	\$ 52,617	\$ 52,556	\$ 56,227	\$ 56,228
U.S. agency securities	81,513	81,513	81,258	67,182	67,141
Total	134,130	134,130	133,814	123,409	123,369
Cash on hand		785	785	549	549
Demand deposits		141	141	113	113
Mutual funds (deferred compensation)		1,003	1,003	563	563
Total	\$134,130	\$136,059	\$135,743	\$124,634	\$124,594

Reported as:	1988			1987		
	Restricted	Unrestricted	Total	Restricted	Unrestricted	Total
Cash	\$ 5	\$ 921	\$ 926	\$ 4	\$ 658	\$ 662
Investments	54,122	81,011	135,133	50,358	73,614	123,972
Total	\$54,127	\$81,932	\$136,059	\$50,362	\$74,272	\$124,634

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued
FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987 (In Thousands)

3. ACCOUNTS RECEIVABLE

Accounts receivable include the following:

	<u>1988</u>	<u>1987</u>
Reimbursements from governmental agencies — capital improvements to the PATCO system due from the Urban Mass Transportation Administration	\$1,473	\$558
Other:		
Deposits with insurance companies	109	87
Miscellaneous	<u>283</u>	<u>295</u>
Total	<u>\$1,865</u>	<u>\$930</u>

Construction costs and accounts receivable relative thereto are generally subject to approval and audit by the applicable governmental agency.

4. INVESTMENT IN FACILITIES

Investment in facilities is composed of the following:

	<u>1988</u>	<u>1987</u>
Bridges:		
Benjamin Franklin	\$134,666	\$130,901
Walt Whitman	101,450	99,968
Commodore Barry (a)	141,146	141,031
Betsy Ross (a)	<u>138,472</u>	<u>135,832</u>
Total	515,734	507,732
Less accumulated depreciation	<u>101,004</u>	<u>94,452</u>
Net book value	<u>414,730</u>	<u>413,280</u>
Transit system:		
PATCO system (b) (Note 9)	145,833	132,867
PATCO system first phase capital improvement program (c)	<u>1,938</u>	<u>1,938</u>
Total	147,771	134,805
Less accumulated depreciation	<u>44,089</u>	<u>40,953</u>
Net book value	<u>103,682</u>	<u>93,852</u>
TOTAL INVESTMENT IN FACILITIES — NET	<u>\$518,412</u>	<u>\$507,132</u>

The following costs of facilities have not been included in the Authority's investment in facilities at December 31, 1988, since title to the respective assets has been retained by the participating agency.

(a) Commodore Barry Bridge, \$4,431 and Betsy Ross Bridge, \$5,472 — construction, engineering, land and utility relocation costs by the New Jersey Department of Transportation.	
(b) \$1,700 by the New Jersey Transit Corporation.	
(c) \$59,610 at December 31, 1988 by the following participating agencies:	
Urban Mass Transportation Administration	\$44,531
State of New Jersey	13,165
Commonwealth of Pennsylvania	1,189
City of Philadelphia	<u>725</u>
Total	<u>\$59,610</u>

5. DEFERRED COMPENSATION PLAN

Both the Authority and PATCO have a deferred compensation plan which was established in 1985. All hourly and salaried employees are eligible to participate in the plan, which permits the participants to defer annually a portion of their salaries. The Authority and PATCO do not make any contributions to the plan. At December 31, 1988 the plan assets were \$715 and \$288 for the Authority and PATCO, respectively. These assets are included in the accompanying financial statements in investments in securities as they are considered to be assets of the Authority and therefore are subject to the Authority's creditors until disbursement (see Note 2). The liability to employees is included in accounts payable—other.

6. PENSION PLANS

All full-time and part-time employees of the Authority and nonrepresented employees of PATCO are covered by the Pennsylvania State Employees Retirement System, which is a cost-sharing multiple-employer Public Employees Retirement System (PERS). PATCO represented employees are covered by the Teamsters Pension Plan of Philadelphia and Vicinity which is a cost-sharing, multiple employer plan.

A. *Plan Description and Provisions*

Pennsylvania State Employees Retirement System.

All permanent full-time and part-time employees are eligible and required to participate in the Pennsylvania State PERS. The PERS provides pension, death and disability benefits. A member may retire after completing three years of service and after reaching normal retirement age (the age of sixty or the age at which thirty-five years of service has been completed, whichever occurs first). Benefits vest after ten years of service. If an employee terminates his or her employment after at least ten years of service but before the normal retirement age, he or she may receive pension benefits immediately or defer pension benefits until reaching retirement age. Employees who retire after reaching the normal retirement age with at least three years of credited service are entitled to receive pension benefits for the rest of their lives equal to 2% of their final average compensation (average of the three highest years in earnings) times the number of years for which they were employed by a participant in the State PERS. The pension benefits received by an employee who retires after ten years of credited service but before normal retirement age are reduced for the number of years that person is under normal retirement age.

Pension provisions include death benefits, under which the surviving beneficiary may be entitled to receive the employee's accumulated deductions less the amount of pension payments that the employee received, the present value of the employee's account at retirement less the amount of pension benefits received by the employee, the same pension benefits formerly received by the employee, or one-half of the monthly pension formerly received by the employee. The maximum pension benefit to the employee previously described may be reduced depending on the benefits elected for the surviving beneficiary.

The Authority's 1988 covered payroll and total payroll was \$26,929 and \$33,572, respectively.

Teamsters Pension Plan of Philadelphia and Vicinity

All PATCO union employees are eligible and required to participate in the Teamsters Pension Plan of Philadelphia and Vicinity. The plan provides pension, death and disability benefits. A member may retire at the later of (a) the date the employee reaches age 65 or (b) the tenth anniversary of the employee's commencement of participation in the plan. Additionally, employees are eligible for early retirement after 10 years of participation in the plan and (a) completion of 30 years vested service or (b) attainment of age 50 and completion of 10 years of vested service. Benefits vest after 10 years of service. An employee who retires on or after his or her normal retirement age is entitled to receive benefits based on his or her credited years of service multiplied by a monthly benefit rate, which is determined based

on the employer's daily contributions. The benefits are subject to maximum rates which vary according to employer daily contribution rates. Members may also receive benefits after early retirement at reduced rates depending on age of retirement.

An employee who qualifies for disability retirement benefits (total and permanent disability with 10 years of vested service, 5 years of service under a collective bargaining agreement and at least 300 covered days of contributions) is entitled to receive \$200 per month until retirement age, when retirement benefits would commence.

Provisions include surviving spouse death benefits, under which the surviving spouse is entitled to a 50% survivor annuity in certain cases.

PATCO's 1988 covered payroll and total payroll was \$5,356 and \$10,308, respectively.

B. *Contributions Required and Made*

Pennsylvania State Employees Retirement System

Employees of the Authority who were employed prior to July 22, 1983 and on or subsequent to July 22, 1983 are required to pay 5% and 6.25%, respectively, of their gross earnings to the pension plan. During 1988, the Authority was required to contribute 12.72% of covered payroll to the plan.

Total contributions made during 1988 amounted to \$5,025, of which \$3,598 and \$1,427 were made by the Authority and its employees respectively.

Teamsters Pension Plan of Philadelphia and Vicinity

PATCO contributes \$8 per day per participating union employee. The employees make no contributions to the plan. During 1988, PATCO contributed \$385, which is approximately 7% of covered payroll to the plan.

C. *Funding Status and Progress*

The amount of the total pension benefit obligation is based on a standardized measurement established by Governmental Accounting Standards Board Statement No. 5 (GASB 5) that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Pennsylvania State Employees Retirement System

Total unfunded benefit obligation of the State PERS as of December 31, 1987 (the most

recent plan information available) was as follows:

I. Projected benefit obligation:	
Retirees and beneficiaries:	
Superannuation retirements	\$2,064,153
Early retirements	588,664
Disabled	141,670
Beneficiaries	127,440
Total	<u>2,921,927</u>
Inactive participants	<u>58,180</u>
Active members:	
Employee contributions and interest	1,491,286
Employer-financed liability—vested	2,612,733
Employer-financed liability—nonvested	300,181
Total	<u>4,404,200</u>
Total obligation for all members	<u>\$7,384,307</u>
II. Market value of assets available for benefits	<u>\$7,367,042</u>
III. Unfunded projected benefit obligation	<u>\$ 17,265</u>

The Authority's required contribution to the State PERS represents approximately .9% of the total current year actuarially determined contribution requirements for all employers covered by the pension plan.

Ten-year historical trend information is presented in the 1987 Pennsylvania State Public Employees Retirement System Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

Teamsters Pension Plan of Philadelphia and Vicinity

Total unfunded benefit obligation of the Teamsters Pension Plan of Philadelphia and Vicinity as of January 1, 1987 (the most recent plan information available) was as follows:

1. Accrued liability:	
(a) Active members:	
Retirement benefits	\$212,315
Termination benefits	65,557
Death benefits	10,033
Disability benefits	1,171
Total	<u>289,076</u>
(b) Retired members and beneficiaries	284,929
(c) Terminated vested members	75,389
Total	<u>649,394</u>
2. Actuarial value of assets	<u>300,568</u>
3. Unfunded accrued liability as of January 1, 1987	<u>\$348,826</u>

PATCO'S required contribution to the Teamsters Pension Plan of Philadelphia and Vicinity represents less than .8% of total employer contributions to the plan. Ten-year historical trend information regarding this plan is not available.

D. *Related Party Investments*

During 1988, neither the State PERS or the Teamsters Pension Plan of Philadelphia and Vicinity held any securities issued by the Authority or other related parties.

In addition to providing pension benefits, the Authority provides certain health care and life insurance benefits for retired employees. Substantially all of the Authority's employees may become eligible for those benefits if they reach normal retirement age (the age of sixty or the age at which thirty-five years of service has been completed, whichever occurs first) while working for the Authority. These, and similar benefits for active employees, are provided through an insurance company whose premiums are based on the benefits paid during the year. The Authority recognizes the cost of providing these benefits by expensing annual insurance premiums, which were \$671 and \$523 for 1988 and 1987, respectively. The cost of providing these benefits for approximately 330 retirees is not separable from the cost of providing benefits for the approximate 1,000 active employees.

7. FUNDED DEBT

In 1985, the Authority issued \$222,235 of Revenue Bonds. Such issue was established and authorized by the Authority pursuant to the General Bond Resolution and First Supplemental Resolution adopted April 17, 1985. The 1985 bonds were authorized and issued as an issue of Subordinate Bonds, to refund all of the Authority's then outstanding bonds and to pay certain costs incurred in connection with the issuance of the 1985 bonds. The Authority's refunding program was undertaken to restructure the Authority's debt with the objective of reducing its debt service requirements during the years 1985 through 1989, although the Authority's aggregate debt service requirements while the 1985 bonds are outstanding remains approximately the same as the aggregate debt service requirements prior to the refunding.

The 1985 bonds outstanding at December 31, 1988 are as follows:

Maturity Date <u>January 1</u>	Interest <u>Rate</u>	Principal <u>Amount</u>
1989	6.75%	\$ 3,720
1990	7.25	3,815
1991	7.50	4,500
1992	7.75	4,885
1993	8.00	5,290
1994	8.25	5,735
1995	8.50	6,245
1996	8.60	6,800
1997	8.70	<u>7,410</u>
Total serial bonds		48,400
2002	9.375 (term bonds)	49,305
2011	9.375 (term bonds)	<u>124,165</u>
Total par value of 1985 outstanding bonds		221,870
Less unamortized discount on term bonds due January 1, 2011		<u>1,026</u>
Total funded debt		<u>\$220,844</u>

Interest on the 1985 bonds is payable semi-annually on January 1 and July 1 in each year. Interest expense includes interest on the bonds plus amortization of debt issuance costs and discount from the issuance of the funded debt.

The 1985 term bonds maturing on January 1, 2002 and January 1, 2011 are subject to mandatory redemption prior to maturity at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption on January 1 in the years and the amounts specified below:

Term Bonds Due January 1, 2002		Term Bonds Due January 1, 2011	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
1998	\$ 8,100	2003	\$ 12,790
1999	8,910	2004	14,050
2000	9,775	2005	15,360
2001	10,725	2006	16,810
Total	37,510	2007	18,375
At maturity, 2002	11,795	2008	20,100
Total	<u>\$49,305</u>	2009	21,950
		2010	2,260
		Total	121,695
		At maturity, 2011	2,470
		Total	<u>\$124,165</u>

The 1985 bonds maturing on or after January 1, 1996 are subject to optional redemption prior to maturity on or after January 1, 1995, as a whole at any time, or in part on any interest payment date on or after January 1, 1995, in inverse order of maturity at the respective redemption prices set forth below, in each case together with accrued interest to the redemption date:

<u>Redemption Dates (Inclusive)</u>	<u>Redemption Price</u>
January 1, 1995 to December 31, 1995	103%
January 1, 1996 to December 31, 1996	102
January 1, 1997 to December 31, 1997	101
January 1, 1998 and thereafter	100

The 1985 bonds are payable solely from and secured by a pledge of (1) net revenues of the Authority and (2) all moneys and securities deposited in the funds and accounts established by the General Bond Resolution, except the General Fund.

The Bond Service Requirement of \$13,802 and the Bond Reserve Requirement of \$24,541, established by and defined in the General Bond Resolution, adopted by the Authority on April 17, 1985, were met by the Authority.

Maturities on the Authority's outstanding long-term debt during the next five years is presented in conjunction with maturities of debt issued subsequent to year-end in Note 12.

To accomplish the 1985 refunding, the Authority deposited proceeds from the 1985 bond sale, together with U.S. Treasury obligations transferred from its 1974 Debt Service Reserve Fund, into a separate irrevocable trust fund pursuant to an Escrow Deposit Agreement dated May 15, 1985.

The investment 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 following outstanding debt has been defeased and therefore removed as a liability from the Authority's balance sheet:

- \$100,000, 5.625%, 1969 First Series Revenue Bonds, maturing January 15, 2009
- \$100,000, 6.50%, Series 1972 Revenue Bonds, maturing January 15, 2011.
- \$77,400, 6.00%, Series 1972 Refunding Revenue Bonds, maturing January 15, 2010.
- \$11,395, 7.25%, Series 1974 Special Revenue Refunding Bonds, maturing January 15, 1990.

Subsequent to December 31, 1988, the Authority issued \$179,464 of Refunding Revenue Bonds, Series 1989. See Note 12.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued
 FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987 (In Thousands)

8. COMMITMENTS

As of December 31, 1988 the Authority had contractual commitments as follows:

	<u>Total</u>
Benjamin Franklin Bridge:	
Roadway connections (a)	\$ 500
AT&T System, including maintenance and service	214
Maintenance services for communication system	75
Engineering services—inspection roadway deck	30
Consulting services for installation of computer systems	33
Convert payroll/personnel system	12
Engineering services—biennial inspection	3
Services to review the financial policies and procedures of DRPA/PATCO	2
Services to conduct the 1988 audit of the books and records of DRPA/PATCO	30
Walt Whitman Bridge:	
Engineering services—biennial inspection	2
Commodore Barry Bridge:	
Engineering services—biennial inspection	2
Engineering services—design and construction of a sewer force main and pumping station	9
Betsy Ross Bridge:	
Engineering services—biennial inspection	2
Engineering services—preliminary and final design for the connection of Torresdale and Aramingo Avenues to the Betsy Ross Bridge and I-95	2,321
Engineering services—air conditioning system	2
PATCO System:	
Procurement of wired housings, relay racks and apparatus for signal and control	913
Installation of signal and control apparatus	1,849
Engineering services—PATCO bridge rehabilitation Newton Avenue to Crescent Boulevard	675
Double crossover and storage tract Ferry Avenue Station	2
Engineering services—reverse signalization	34
Engineering services—station platform concrete repairs and surface treatment	17
Parking lot rehabilitation—N.J. Stations	4,230
Engineering services—rehabilitation of Camden County bridges	25
Engineering services—biennial inspection	5
Engineering services—parking facilities at six passenger stations	13
World trade development	92
Total	<u>\$11,092</u>

(a) The Authority has agreed to contribute funds to the Commonwealth for roadway connections between the Benjamin Franklin Bridge, the Vine Street Expressway and I-95 in an amount not-to-exceed \$500.

The Authority has a lease agreement for the rental of toll collection equipment for sixty-five toll lanes. Under an agreement dated June 12, 1986, the lease period expires April 29, 1990. In addition, the agreement provides for the installation and testing of a new computerized toll audit and collection system at the Betsy Ross Bridge. The testing period for the new computerized system was concluded on December 31, 1988. By a resolution, dated December 21, 1988, the Authority authorized proper officers to undertake negotiations with the supplier to develop a long-term lease agreement for providing and maintaining modernized computerized toll collection equipment, of the type installed and tested at the Betsy Ross Bridge, for all of the Delaware River Port Authority Bridges.

Certain subway properties are leased from the City of Philadelphia. The lease expires December 31, 1997 and provides for rental payments of one dollar per year plus 9.6% of net profits of the Transit System. For the year ended December 31, 1988, no additional rent is payable since operations of the Transit System resulted in a loss when computed in accordance with terms of the lease agreement.

Under the terms of the Authority's agreements with the Pennsylvania and New Jersey Departments of Transportation and the City of Philadelphia, the Authority leases, for the annual rental of one dollar, certain of the facilities constructed or acquired under the PATCO System first phase capital improvement program. Title to the facilities will vest in the several agencies participating in the project, but the Authority is required to provide the insurance and maintenance of the lease property (Note 4).

The Authority has reached an agreement with the Pennsylvania Department of Transportation for highway and roadway connections between Interstate 95, Aramingo-Torresdale Avenues and the Betsy Ross Bridge. The project cost estimate has not been finalized but is expected to significantly exceed an earlier estimate of \$28,500 which was preliminary in scope and based on construction costs now several years old. The Authority has engaged consulting engineers to prepare a formal cost estimate for the project. The Authority is responsible for the payment of the construction costs, of which Federal Highway Administrative funds for approximately one-half of the cost will be sought. Of the Authority's cost, approximately \$6,723 held in escrow by the Authority, is an obligation of the Authority to the Commonwealth. Should Federal Aid Highway Funds not be available, the Authority has the option to cancel the project, but the escrow money must still be remitted to the Commonwealth.

Minimum lease commitments are as follows:

1989	\$800
1990	245

Rent expense for the years ended December 31, 1988 and 1987 amounted to \$969 and \$1,197, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued
FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987 (In Thousands)

9. GOVERNMENT CONTRIBUTIONS FOR CAPITAL IMPROVEMENTS AND ADDITIONS

The Authority receives contributions in aid for financing capital improvements and additions to the rapid transit system from the Urban Mass Transportation Administration. Capital improvements grant funds of \$9,132 and \$4,104 were received in 1988 and 1987, respectively. Charges representing depreciation on assets relating to these contributions were \$848 in 1988 and \$754 in 1987.

	<u>1988</u>	<u>1987</u>
Cumulative contributions	\$33,109	\$23,977
Less accumulated depreciation on assets acquired with contributions	3,220	2,372
Total contributed capital	<u>\$29,889</u>	<u>\$21,605</u>

**10. STATEMENTS OF REVENUES AND EXPENSES
IN ACCORDANCE WITH AUTHORITY BOND RESOLUTION**

The following statements of revenues and expenses have been prepared in accordance with the provisions of the Authority's Bond Resolution which does not provide for depreciation as an operating expense except for the PATCO System. The Authority's total net assets and fund equities would be increased by \$101,003 as a result of excluding all such accumulated depreciation through December 31, 1988.

	<u>1988</u>	<u>1987</u>
Operating revenues and expenses:		
Bridge tolls	\$82,967	\$79,982
Other operating revenues	25	50
Total	<u>82,992</u>	<u>80,032</u>
Bridge operating expenses	31,177	29,460
Total	<u>51,815</u>	<u>50,572</u>
General administration expenses	8,029	6,877
Operating revenues in excess of expenses	43,786	43,695
Interest income (expense):		
Interest income	7,371	6,224
Interest on funded debt—Revenue Bonds, Series 1985	(20,607)	(20,630)
Total	<u>30,550</u>	<u>29,289</u>
Other revenues (expenses):		
Other interest income	752	575
World trade development expenses	(2,886)	(2,946)
Port engineering, planning and development expenses	(104)	
Transit system operating loss	(7,725)	(7,670)
Loss on early retirement of facilities	(375)	(2,590)
Bridge deck, suspender rope and weld studies	(76)	(1,079)
Granting of trackage rights		325
Total	<u>(10,414)</u>	<u>(13,385)</u>
Net revenues	<u>\$20,136</u>	<u>\$15,904</u>

11. CONTINGENCIES

The Authority is self-insured for the initial \$5,000 and \$300, per occurrence, of public liability and workers' compensation insurance, respectively. PATCO is self-insured for the initial \$5,000, per occurrence, of public liability insurance and is totally self-insured for workers' compensation.

The Authority and PATCO are involved in various actions arising in the ordinary course of business and from workers' compensation claims. In the opinion of management, the ultimate outcome of these actions will not have a material adverse effect on the consolidated financial position.

12. SUBSEQUENT EVENTS

Bond Issue—On March 7, 1989 the Authority issued \$179,464 of Refunding Revenue Bonds, Series 1989. The issue, dated February 1, 1989, was established and authorized by the Authority pursuant to the General Bond Resolution and to the Second Supplemental Resolution, dated February 27, 1989, which authorized the 1989 Bonds as Subordinate Bonds to 1) provide for the payment for all interest and the redemption price of the 1985 Term Bonds due January 1, 2011 (par value \$124,165); 2) provide payment for all interest on 1985 Term Bonds due 2002 and the redemption price of \$10,865 of such bonds (total par value \$49,305); 3) provide for payment on a portion of the interest for the 1985 Serial Bonds; 4) deposit moneys to the bond reserve fund; and 5) pay costs and expenses incurred in connection with the issuance of the 1989 Bonds.

The 1989 Refunding Revenue Bond net proceeds and the balance in the 1985 Bond Reserve Fund were used to purchase U.S. Government securities which were placed in irrevocable trust accounts with a trustee to provide serial bond interest payments and debt service payments as described above until the term bonds are called on January 1, 1995 at 103%. The debt to be serviced from the irrevocable trusts are considered defeased and thus will be removed from the Authority's balance sheet as of March 7, 1989.

The defeasance of debt resulted in an extraordinary loss of approximately \$24,000, which will be recognized in 1989. However, on an economic basis, such extraordinary loss will be more than recovered over the original term of the defeased debt. As a result of this advance refunding, the Authority expects to reduce its total debt service requirements over the original period that the 1985 Term Bonds would have been outstanding by approximately \$16,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Concluded
 FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987 (In Thousands)

The extraordinary loss from the bond refunding is determined as follows:

1989 bonds issued	\$179,464
1985 debt—defeased	<u>(135,030)</u>
Difference	44,434
Increased by:	
1985 Bond Reserve Fund transferred	24,941
Unamortized costs of 1985 defeased debt	6,212
Other	128
Decreased by:	
Funded interest on undefeased 1985 debt	(21,024)
Accrued interest on 1985 bonds	(2,321)
1989 bonds:	
Reserve Fund	(17,194)
Discount	(6,337)
Insurance premiums	(2,284)
Underwriter's discount	(2,108)
Other costs	<u>(358)</u>
Extraordinary loss	<u>\$ 24,089</u>

The 1989 Bonds outstanding at March 7, 1989 are as follows:

<u>Maturity Date</u> (January 1)	<u>Interest</u> <u>Rate/Yield</u>	<u>Principal</u> <u>Amount</u>
1995	Serial Bonds 6.80%	\$ 4,105
1996	6.90	<u>7,295</u>
		11,310
	Capital Appreciation Bonds	
1997	7.05%	4,538
1998	7.10	8,595
1999	7.15	8,003
2000	7.20	7,435
2001	7.25	6,901
2002	7.30	6,413
2003	7.35	<u>5,889</u>
		47,774
	Term Bonds	
2007	7.375%	<u>71,535</u>
	Serial Bonds	
2008	6.50%	21,295
2009	6.50%	22,645
2010	7.00%	2,370
2011	6.50%	<u>2,535</u>
		48,845
Total par value of 1989 bonds		179,464
Less unamortized bond discount		<u>6,337</u>
Total—net		<u>\$173,127</u>

The 1989 Bonds (other than the Capital Appreciation Bonds) bear interest from the issue date, February 1, 1989, and the 1989 Capital Appreciation Bonds bear interest from the initial date of issuance and delivery, March 7, 1989.

Interest is payable semi-annually on January 1 and July 1 of each year except for the Capital Appreciation Bonds, for which interest will be compounded on January 1 and July 1 of each year and will be payable only at maturity.

The 1989 Bonds maturing January 1, 2007 are subject to redemption prior to maturity at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption on January 1, as follows:

<u>Date</u>	<u>Amount</u>
<u>January 1:</u>	
2004	\$16,025
2005	17,200
2006	18,480
2007	19,830

The 1989 Bonds maturing on and after January 1, 2000 (other than the Capital Appreciation Bonds which are not subject to redemption prior to maturity) are subject to redemption prior to maturity as a whole at any time or in part on any interest payment date on or after January 1, 1999, at the respective redemption prices expressed as percentages of the principal amount of the 1989 Bonds or portions thereof to be redeemed set forth below, in each case with accrued interest to the redemption date:

<u>Period During Which Redeemed (Dates Inclusive)</u>	<u>Redemption Price</u>
January 1, 1999 through December 31, 1999	102 %
January 1, 2000 through December 31, 2000	101½
January 1, 2001 through December 31, 2001	101
January 1, 2002 through December 31, 2002	100½
January 1, 2003 and thereafter	100

The 1989 Bonds are payable solely from and secured by a pledge of (1) net revenues of the Authority and (2) all moneys and securities deposited in the funds and accounts established by the General Bond Resolution except the General Fund.

The Bond Reserve Requirement of \$34,600, established by and defined in the General Bond Resolution, adopted by the Authority on February 27, 1989, was met by the Authority. The Authority authorized the purchase of a surety bond for the purpose of funding approximately one-half of the Bond Reserve Fund.

Maturities on the Authority's outstanding long-term debt during the next five years are as follows:

	<u>1985 Bonds</u>	<u>1989 Bonds</u>
1990	3,815	0
1991	4,500	0
1992	4,885	0
1993	5,290	0
1994	5,735	0

SUPPLEMENTAL BALANCE SHEET BY FUNDS AND COMBINED TOTALS
 DECEMBER 31, 1988 WITH 1987 COMBINED TOTALS (In Thousands)

	RESTRICTED							1987 Combined Totals
	Capital Fund	Revenue Fund	Bond Service Fund	Bond Reserve Fund	Construction Fund	General Fund	Combined Totals	
ASSETS								
Cash		\$ 714				\$ 207	\$ 921	\$ 658
Investment in securities		76,672				4,339	81,011	73,614
Accrued interest receivable		750					750	392
Accounts receivable		156				1,709	1,865	930
Transit system inventory						2,371	2,371	1,804
Prepaid expenses		553				446	999	1,147
Total		<u>78,845</u>				<u>9,072</u>	<u>87,917</u>	<u>78,545</u>
RESTRICTED ASSETS:								
Cash					\$ 5		5	4
Investment in securities			\$13,542	\$24,083	16,497		54,122	50,358
Accrued interest receivable			275	565	363		1,203	786
Total restricted assets			<u>13,817</u>	<u>24,648</u>	<u>16,865</u>		<u>55,330</u>	<u>51,148</u>
INVESTMENT IN FACILITIES	\$658,610					4,895	663,505	642,537
Less accumulated depreciation	<u>144,820</u>					<u>273</u>	<u>145,093</u>	<u>135,405</u>
Investment in facilities—net	513,790					4,622	518,412	507,132
DEBT ISSUANCE COSTS, NET OF AMORTIZATION	8,466						8,466	8,850
TOTAL ASSETS	<u>\$522,256</u>	<u>\$78,845</u>	<u>\$13,817</u>	<u>\$24,648</u>	<u>\$16,865</u>	<u>\$13,694</u>	<u>\$670,125</u>	<u>\$645,675</u>

LIABILITIES AND NET ASSETS	Capital Fund	Revenue Fund	RESTRICTED			General Fund	Combined Totals	1987 Combined Totals
			Bond Service Fund	Bond Reserve Fund	Construction Fund			
ACCOUNTS PAYABLE:								
Contracts					\$ 6,723	\$ 2,500	\$ 9,223	\$ 9,179
Retained amounts on contracts					19	2,123	2,142	4,767
Other		\$ 1,033			14	2,696	3,743	2,682
Total accounts payable		1,033			6,756	7,319	15,108	16,628
ACCRUED LIABILITIES:								
Pension		748				255	1,003	1,005
Sick and vacation leave benefits		7,668				2,284	9,952	9,469
Other		1,491					1,491	1,515
Total accrued liabilities		9,907				2,539	12,446	11,989
DEFERRED INCOME ON TRUCK TICKETS		1,827					1,827	1,521
ACCRUED INTEREST PAYABLE FROM RESTRICTED ASSETS			\$10,082				10,082	10,093
FUNDED DEBT	\$220,844						220,844	221,149
Total liabilities	220,844	12,767	10,082		6,756	9,858	260,307	261,380
RESERVES:								
Replacement and repainting		19,379					19,379	16,880
Other		2,210				2,051	4,261	3,965
Total reserves		21,589				2,051	23,640	20,845
NET ASSETS:								
From contributed capital	29,889						29,889	21,605
From operations:								
Designated for capital	271,523						271,523	264,269
Reserved for:								
Revenue bonds				\$24,648			24,648	24,893
Revenue bond service			3,735				3,735	366
Construction					10,109		10,109	9,357
Working capital and maintenance		19,603					19,603	18,169
Unreserved		24,886				1,785	26,671	24,791
Total net assets from operations	271,523	44,489	3,735	24,648	10,109	1,785	356,289	341,845
Total net assets	301,412	44,489	3,735	24,648	10,109	1,785	386,178	363,450
TOTAL LIABILITIES AND NET ASSETS	\$522,256	\$78,845	\$13,817	\$24,648	\$16,865	\$13,694	\$670,125	\$645,675

**SUPPLEMENTAL STATEMENT OF CHANGES IN NET ASSETS - BY FUNDS
AND COMBINED TOTALS**
FOR THE YEAR ENDED DECEMBER 31, 1988 WITH 1987 COMBINED TOTALS
(In Thousands)



	RESTRICTED							1987 Combined Totals
	Capital Fund	Revenue Fund	Bond Service Fund	Bond Reserve Fund	Construction Fund	General Fund	Combined Totals	
NET ASSETS AT BEGINNING OF YEAR	\$285,874	\$41,438	\$ 366	\$24,893	\$ 9,357	\$ 1,522	\$363,450	\$347,398
Revenues and expenses:								
Operating revenues		82,992				15,363	98,355	94,837
Operating expenses	(10,130)	(31,177)				(19,815)	(61,122)	(58,174)
General administration expenses		(8,029)					(8,029)	(6,877)
Interest income		5,159	505	1,661		46	7,371	6,224
Interest on funded debt	(444)		(20,163)				(20,607)	(20,630)
Other income (expenses)	(47)	(17)			752	(3,060)	(2,372)	(3,432)
Total	(10,621)	48,928	(19,658)	1,661	752	(7,466)	13,596	11,948
Government contributions for capital improvements and additions	9,132						9,132	4,104
Interfund transfers and payments:								
Bond Service		(23,392)	23,392					
Funds in excess of Bond Reserve requirement		1,906		(1,906)				
Funds free and clear of any lien or pledge		(24,391)				24,391		
Retirement of bonds—Revenue Bonds Series 1985	365		(365)					
Completed capital additions	16,662					(16,662)		
NET ASSETS AT END OF YEAR	<u>\$301,412</u>	<u>\$44,489</u>	<u>\$ 3,735</u>	<u>\$24,648</u>	<u>\$10,109</u>	<u>\$ 1,785</u>	<u>\$386,178</u>	<u>\$363,450</u>

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