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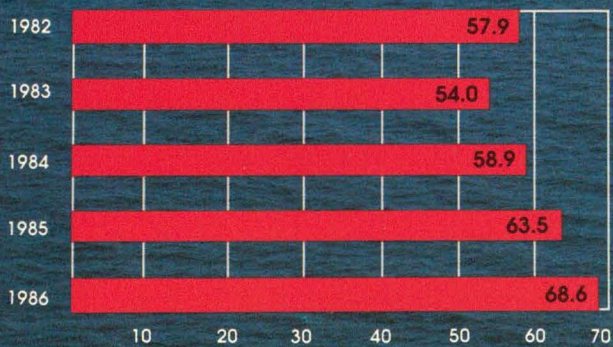
DELAWARE RIVER PORT AUTHORITY
1986 ANNUAL REPORT

ANNUAL
REPORT

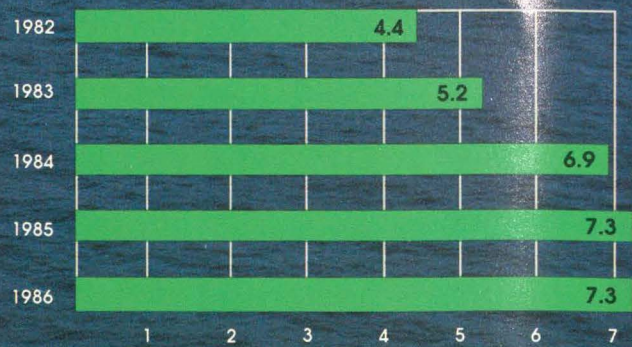
DELAWARE RIVER PORT AUTHORITY ANNUAL REPORT 1986



International
Waterborne Commerce
Total Cargo
(Millions of Short Tons)

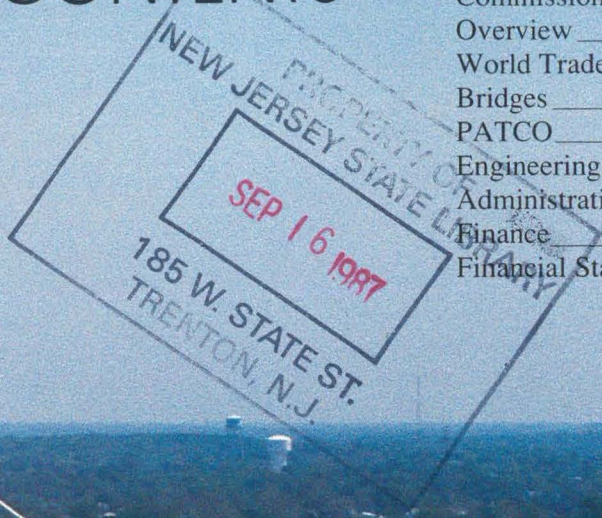


International
Waterborne Commerce
General Cargo
(Millions of Short Tons)



CONTENTS

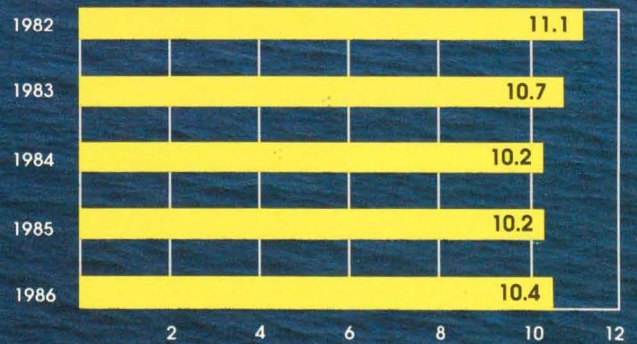
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Bridge Traffic Totals
(Millions of Vehicles)

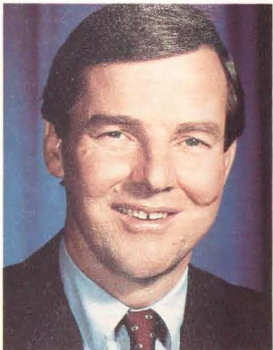


PATCO Passenger Totals
(Millions of Passengers)





THE 1986 REPORT OF THE DELAWARE RIVER PORT AUTHORITY



Governor Kean



Governor Thornburgh

To: The Honorable Thomas H. Kean
Governor of the State of New Jersey
and The Honorable Dick Thornburgh
Governor of the Commonwealth of Pennsylvania

I am pleased to report that the Delaware River Port Authority has completed one of the most productive years in its history. Gains were registered in both our bridge and transit services; our World Trade activities were expanded; all projects progressed in accord with their schedules; and financial results were the best we've ever experienced.

As a result of a toll increase from 75 to 90 cents which went into effect on July 1st, the Authority's operating revenues increased 13.3 percent over the previous year. Our enhanced earnings not only strengthened the Authority's fiscal stability, but helped to provide for an expanded scope of services to the bi-state region we serve.

Although traffic restrictions continued on the Benjamin Franklin Bridge during redecking operations, and major highway renovation projects were under way in the region, total traffic on the four Port Authority bridges registered a 3.9 percent increase over the previous year for a new high of 80,699,129 vehicles. And the Port Authority Transit Corporation also reported a gain in its annual traffic with an increase of 1.3 percent in ridership over 1985 for a total of 10,367,374.

Cargoes handled by the port increased 9 percent in 1986 for a total of 68,642,886 tons, the highest of any of the North Atlantic ports. The Authority's World Trade Division expanded its international network with a new trade office in Sydney, Australia which is expected to help reinforce the Ports of Philadelphia's dominance in the meat trade, and to initiate additional trade opportunities in the Australian/New Zealand territory.

At year's end, efforts to unify the Ports of Philadelphia under the leadership of the Port Authority gained considerable momentum. We look forward to vigorous pursuit of this objective as our single greatest challenge in 1987.

Yours respectfully,

A handwritten signature in black ink that reads "William K. Dickey".

William K. Dickey
Chairman

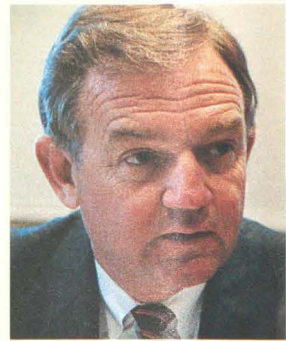
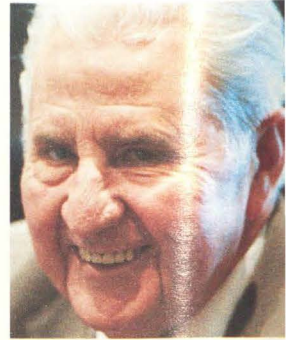
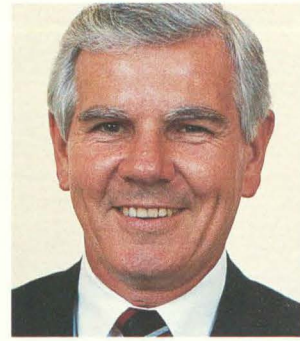
THE COMMISSIONERS AND OFFICERS OF THE DELAWARE RIVER PORT AUTHORITY

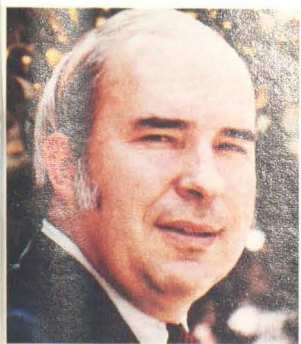
The Commission suffered the loss of a vigilant and veteran member with the passing on November 19th of Senator Joseph Cowgill, a member of the New Jersey delegation for the past ten years. Senator Cowgill joined the Board of Commissioners on January 13, 1976, following his appointment by Governor Brendan T. Byrne. During Commissioner Cowgill's tenure, he influenced many of the Authority policies and decisions, particularly in his position as Chairman of the Operations and Maintenance Committee and the Special Committee on Reorganization. His tenure at the Port Authority capped a lifetime career of dedicated public service.

At year's end, no appointment had been made to fill the vacancy in the New Jersey delegation left by the Senator's death.

There were two changes in the Pennsylvania membership of the Board during 1986. Fitz Eugene Dixon, a Philadelphia civic leader, was one of six new Commissioners named to the Board by Governor Dick Thornburgh on February 23, 1979. Almost immediately after his appointment, he was elected Chairman of the Board, and served two terms in that position. He also served one and a half terms as Vice Chairman. He fulfilled the duties of both offices with a dignity and ability that reflected favorably on himself and the Authority. Commissioner Dixon was succeeded on the Board by Craig Johnson, President of Lavino Shipping Company, who was appointed by Governor Thornburgh on March 6, 1986.

Malcolm Petrikin, Delaware County attorney and political leader, was one of the six appointed at the same time as Commissioner Dixon in 1979. He served until March 3rd. He was succeeded on March 11th, by Philadelphia Attorney Charles G. Kopp, a member of the law firm of Wolf, Block, Schorr & Solis-Cohen, maintaining the Pennsylvania delegation on the Board at its full complement of eight.





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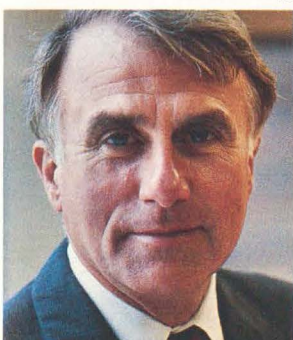
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COMMISSIONERS

NEW JERSEY

- 1. William K. Dickey, Esquire, Chairman, Counsellor at Law
- 2. Harry Benn, International Ladies Garment Workers Union
- 3. Francis L. Bodine, President, Martin Manco & Co., Inc.
- 4. Joseph W. Cowgill, Esquire, Counsellor at Law
- 5. John C. Gilmour, Jr., President, Holly Ravine Farm
- 6. Walter L. Smith, Jr., Esquire, Smith & Smith
- 7. H. Donald Stewart, Owner, Harry F. Stewart Agency
- 8. Mary Ruth Talley, Restoration Consultant

PENNSYLVANIA

- 9. Honorable Don Bailey, Auditor General, Commonwealth of Pennsylvania
- *10. Honorable R. Budd Dwyer, State Treasurer, Commonwealth of Pennsylvania
- 11. Perrin C. Hamilton, Esquire, Hepburn, Wilcox, Hamilton & Putnam
- 12. Craig Johnson, President, Laviño Shipping Company
- 13. Charles G. Kopp, Esquire, Wolf, Block, Schorr & Solis-Cohen
- 14. Robert S. Ross, Jr., Esquire, Vice Chairman Pepper, Hamilton & Scheetz
- 15. Alexander Talmadge, President, International Longshoremen's Association Local 1291
- 16. Dr. Frank Wright, Secretary of Policy and Planning, Commonwealth of Pennsylvania

OFFICERS

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

* Deceased: January 22, 1987

THE VALLEY'S TRANSPORTATION GIANT—AN OVERVIEW



The Delaware River Port Authority's jurisdiction extends over a 10-county region in two states, encompassing some 4,570 square miles with a population in excess of 4,172,000.

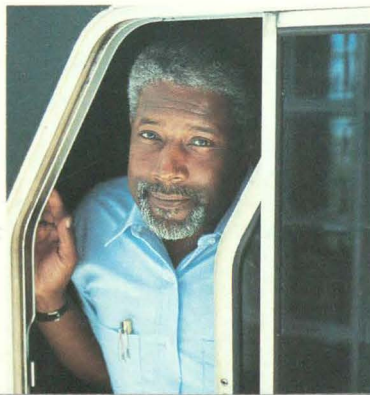
The Authority is the single, largest, diverse transportation organization in the region. Since its inception, its capital investment in transportation facilities has averaged more than \$25 million per year. The Authority has completed and placed in operation all of its authorized projects at a cost of more than \$700 million.

The Authority has financed, constructed and now operates four major bridges carrying 221,000 vehicles per day between southeastern Pennsylvania and the adjoining area in New Jersey.

It has financed, built and operates one of the nation's most sophisticated rail rapid transit systems which daily carries more than 40,000 commuters between center city Philadelphia and southern New Jersey.

It has established and operates one of the most extensive world-wide marketing systems of any port in the United States, or the world, today.

This complex requires a large, professional engineering and planning staff to



build, maintain and rehabilitate the bridges and rail system. It maintains, in house, a legal staff, a government relations staff, a public relations staff and planning expertise.

The Authority maintains 1,000 employees operating 24 hours a day, seven days a week, 365 days a year. This includes an extensive maintenance and security staff and the professional know-how to maintain any kind of transportation system, including marine facilities.

All of the Authority's projects are financed on a self-supporting basis. Its existing facilities, when taken together with its capital budget commitments for the next 12 years, represent a total self-supporting investment in regional transportation facilities of well over one billion dollars.

Over the past three decades, the Authority has expended more than \$50 million in port marketing and promotion, and is prepared to meet the ports' marketing needs into the future.

It has become increasingly evident in recent years that the Ports of Philadelphia suffer a mounting disadvantage with competing ports because of the fragmented nature of the Philadelphia region's operations and the lack of a single overall authority.

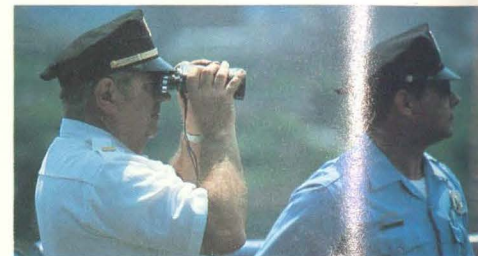
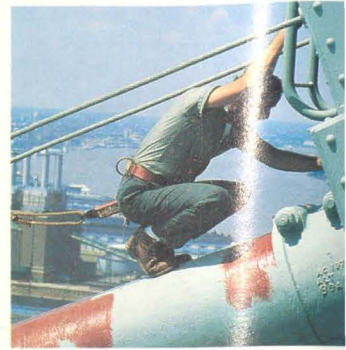
The Authority's Board of Commissioners addressed this problem in 1986, and while no conclusions were reached, there was general agreement on major important aspects of the problem.

It was agreed that a unified port organization can best combat the subsidy programs in competing ports. Such a program would rationalize the development and use of port terminals and equipment to minimize internal competition and maximize the ports' ability to compete externally.

It would provide a unified regional port master plan, and it would improve the marketing ability and operating system to accommodate existing cargo flow and to increase future cargo flow.

The Delaware River Port Authority is uniquely equipped to provide this service by reason of its experience, its organization, its staff, and, most importantly by its strong financial base needed to generate capital funds for the rehabilitation, expansion and development of the ports' infrastructure.

A foundation for productively exploring this consideration was firmly established in 1986 with the avowed intention that it be conclusively pursued in 1987.





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HOLD 7

WORLD TRADE



Raymond G. Heinzelmann, Ph.D.

Despite intense competition from North Atlantic neighbors, the Ports of Philadelphia continue to be number one in total volume of international waterborne cargo and second in general cargo.

The rankings, in a large measure, reflect the constant, concerted efforts of the Delaware River Port Authority's World Trade Division. Utilizing experience in international trade compiled over the past 35 years, the

Division provides a network of domestic and foreign field offices staffed by qualified experts trained in commerce and international transportation.

The Division operates the most extensive network of foreign offices of any port in the world. They cover the principal trade regions on nearly all the major continents. Operated in conjunction with the Division's U.S. trade offices, they provide the linkage for maintaining effective control of cargo movements at both origin and destination that is so essential to successful marketing.

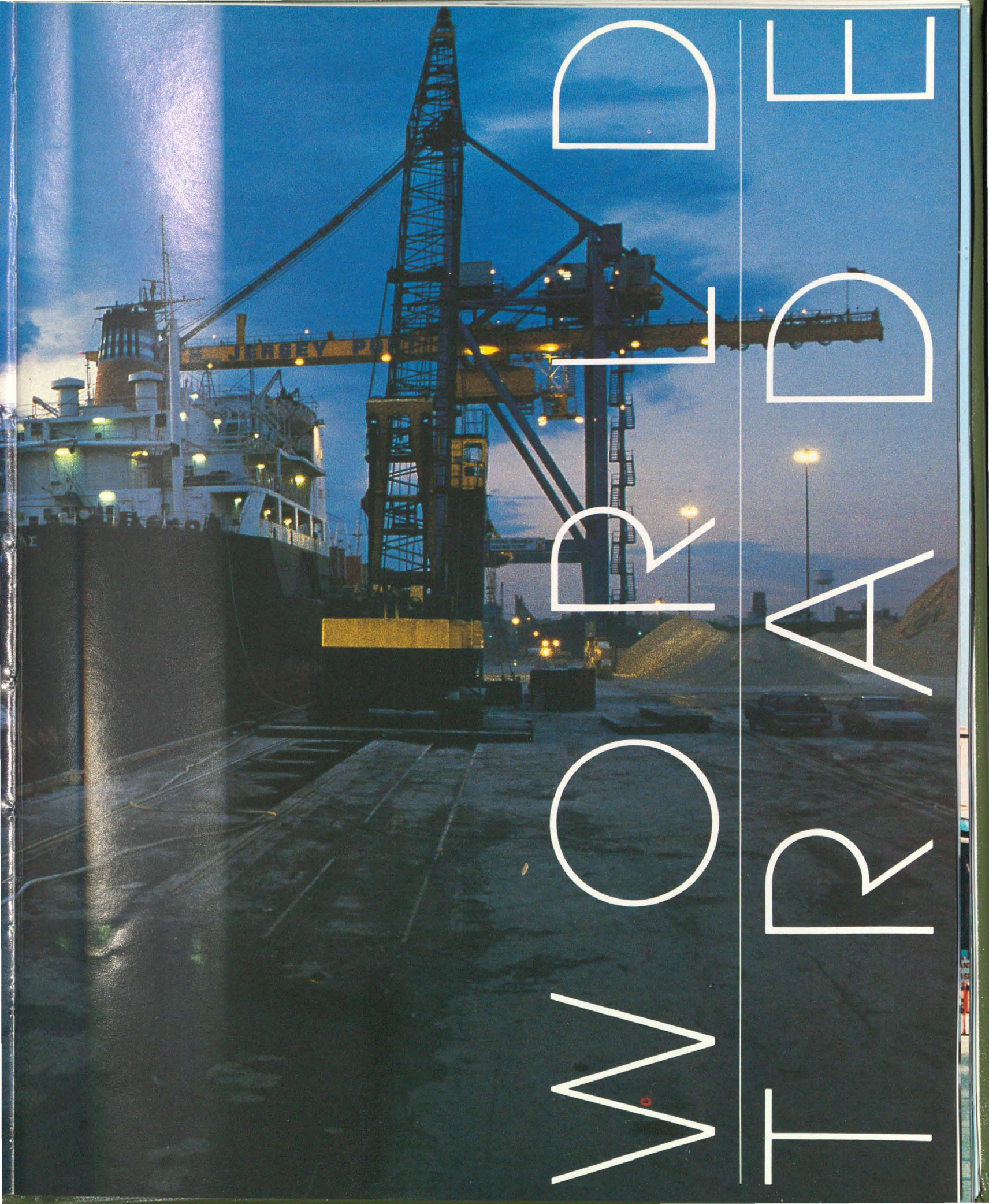
The activities of the field offices are supported and supplemented by the Division headquarters in Camden, N.J., where an extensive marketing data base is developed. This information is used by Division specialists in identifying potential cargo movements for the Ports of Philadelphia. When refined, it permits staff to target markets of opportunity and focus port resources.

As an important Division of a public agency established to serve the maritime community, the World Trade Division makes its data and expertise freely available. Steamship lines, banks, freight forwarders, custom house brokers, terminal operators and all others associated with maritime trades are provided the data needed to assist them in their marketing efforts. The services of the Division's network of field offices are also available to assist by identifying customer leads, introductions, literature and a host of other services.

In providing its services to the port community, the Division emphasizes using the team approach to marketing. In soliciting new business for the regional port, as many as possible of the diverse elements which make up the shipping community are brought together to make unified presentations. Steamship lines, labor, freight forwarders, pilots - all are joined together in a team to magnify impact.

This technique of regional cooperation and coordination was utilized in 1986 in launching trade





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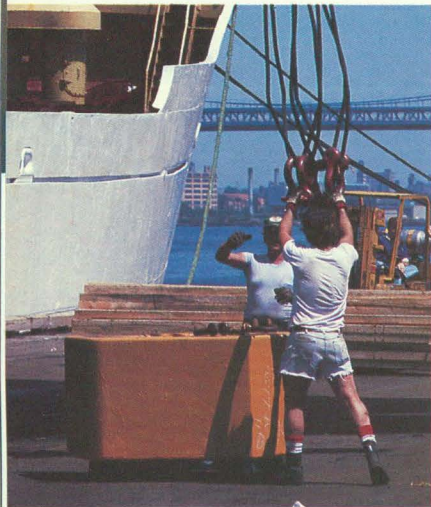
missions, seminars, regional marketing meetings, workshops and in the hosting of foreign visitors.

Leaders of the regional maritime community joined with Port Authority personnel and Commissioners last year in carrying the Ports' marketing message to European trade executives in Genoa, Milan, Rotterdam, Antwerp, Dusseldorf, Bremen and Gothenburg. Authority offices in Camden and

Antwerp provided complete logistics for the trip and arranged for some 450 exporters, importers, freight forwarders, shipping line executives and other influential transportation officials to meet with the Philadelphia regional contingent at various receptions and functions.

A new milestone set by the Division last year was the opening of a fifth overseas office located in Sydney, Australia and

covering Australia and New Zealand. Authority Chairman William K. Dickey headed a delegation of Port Authority officials in traveling to Australia/New

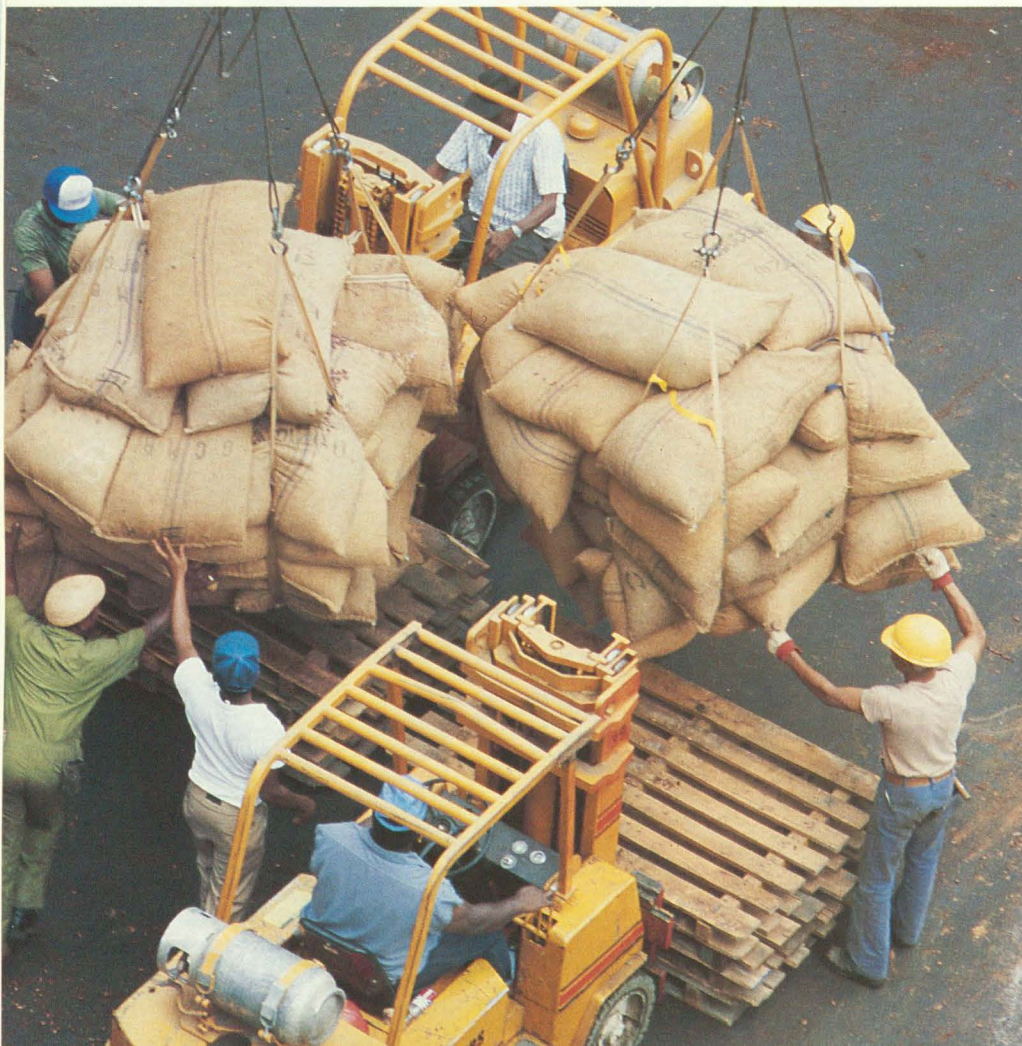


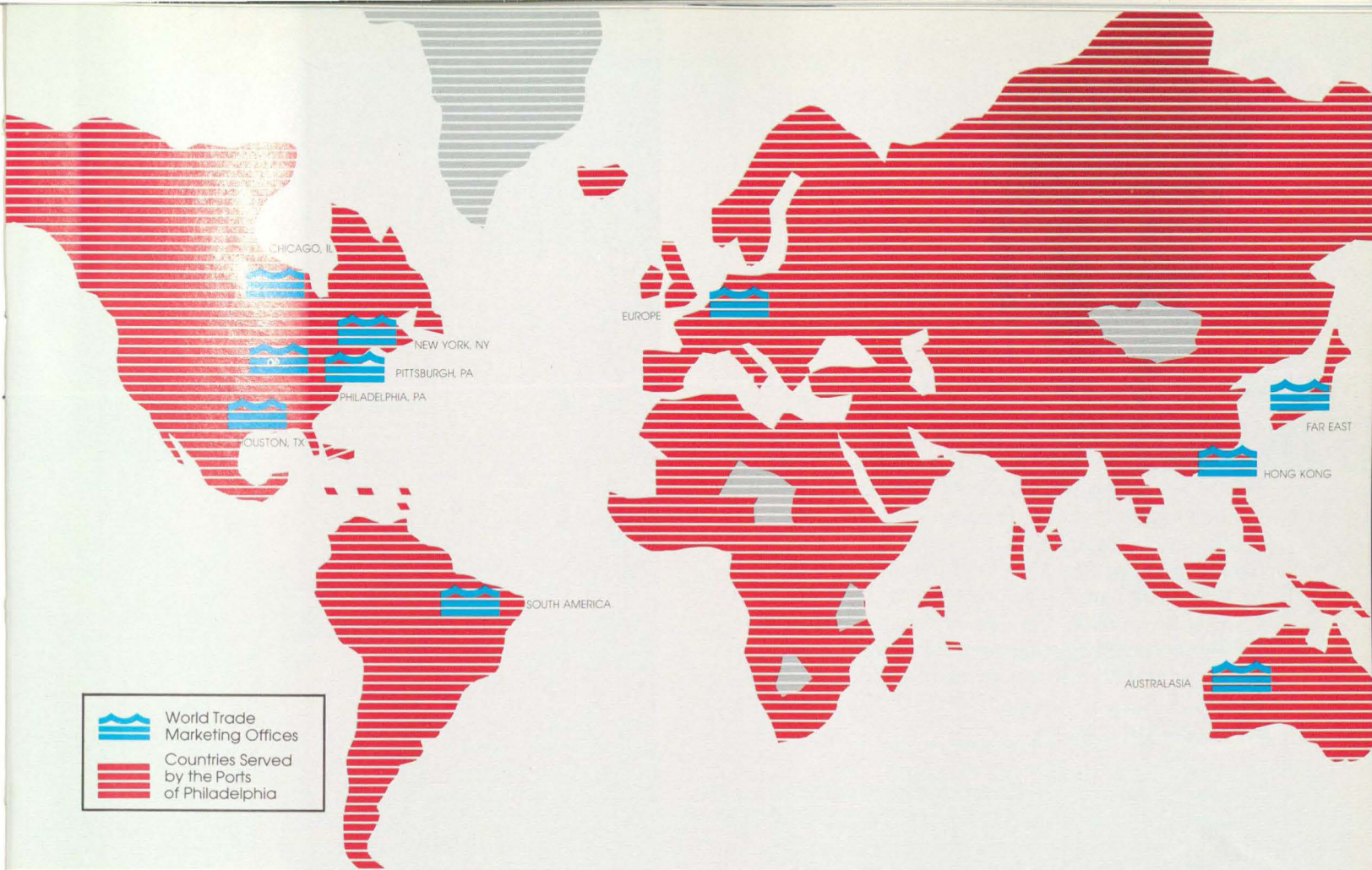
Zealand last year for ceremonies opening the new office and to meet with government dignitaries and business leaders. Both the trade missions and the visit to Australia have resulted in building better bridges of communications between the Ports of Philadelphia and its business counterparts abroad. The other overseas offices are in Antwerp, Tokyo, Latin America and Hong Kong.

A regional advertising program, initiated and coordinated by the World Trade Division, is conducted in both the national and international maritime media. Contributing financially to this program were the Philadelphia Port Corporation, the South Jersey Port Corporation, the Philadelphia MarineTrade Association, Northern Shipping Co., I.T.O. Corp., Independent Pier Co. and Holt Cargo Systems, Inc. Their contributions were matched, dollar for dollar, by the Delaware River Port Authority, establishing a pool of \$280,000 to fund the program.

By year's end, total international waterborne cargo handled at the Ports of Philadelphia reached 68.6 million tons, an increase of 8.0 percent over the previous year's 63.5 million tons. General cargo volume for the same period totaled 7.3 million tons, matching the record volume of the previous year.

Once again, a major component of the Ports' business was the importation of fresh fruits, particularly grapes from Chile, during the period from late December until May which, in 1986, totaled some 27 million cases.





This labor-intensive commodity accounted for approximately 25 percent of I.L.A. manhours for the year. It also resulted in some \$45.7 million in direct benefits to the Port and a total of direct and indirect benefits to the region of approximately \$114,450,000. In addition to the Chilean fruit and the Australian/New Zealand meat previously mentioned, the Ports of Philadelphia are one of the nation's leading ports for handling steel, bulk orange juice and bulk cement and the busiest port on the East Coast for the movement of plywood and cocoa beans.



BRIDGES

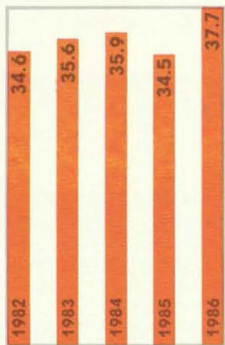


Alfred L. Griebling

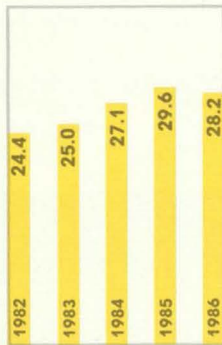
For the fourteenth consecutive year, total traffic on the Authority's bridges showed an increase over the previous year. Annual traffic for the four bridges was 80,699,129, an increase of 3,040,439 vehicles or 3.92 percent higher than 1985.

The completion of portions of the reconstruction of the Schuylkill Expressway in Philadelphia resulted in motorists, who normally crossed the Walt Whitman Bridge and who had diverted to the Benjamin Franklin Bridge to avoid delays during construction, returning to the Walt Whitman Bridge. As a result of this shift in traffic the Walt Whitman Bridge processed 37,719,224 vehicles, an increase of 3,246,700 compared to 1985 and a new Authority annual record. Traffic on the Benjamin Franklin Bridge decreased during 1986 as a result of traffic returning to the Walt Whitman and Betsy Ross Bridges.

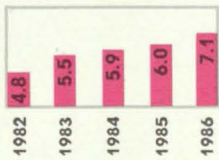
5-Year Bridge Traffic Volume (Millions of Vehicles)



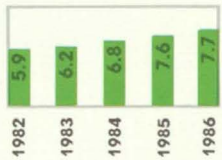
Walt Whitman Bridge



Benjamin Franklin Bridge



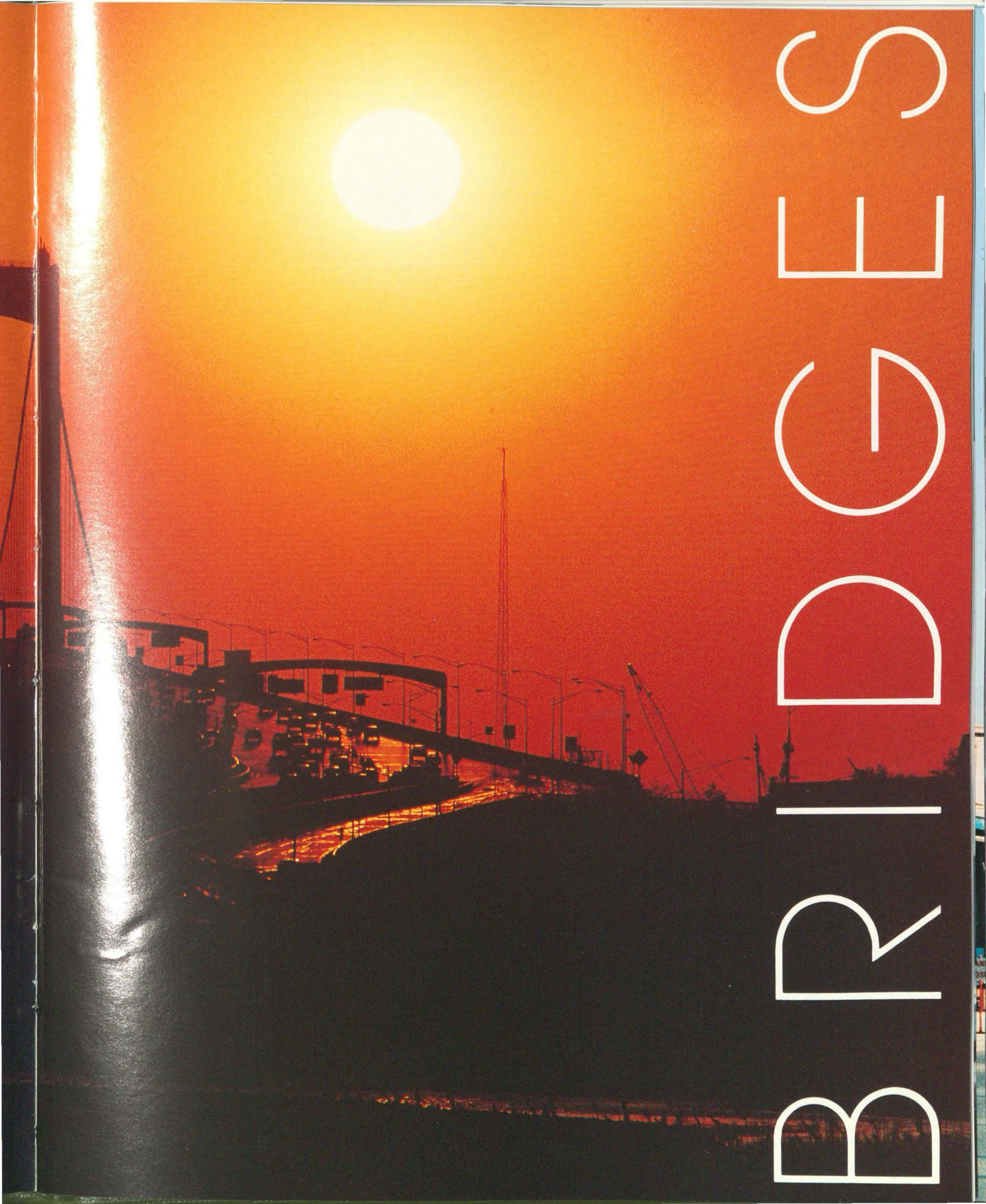
Betsy Ross Bridge



Commodore Barry Bridge

The highest percentage increase in traffic on the Authority's bridges during 1986 occurred at the Betsy Ross Bridge where 7,159,387 vehicles crossed the span, an increase of 1,200,424 vehicles or 20.14 percent compared to 1985.

Commuters purchased an average of 46,069 commuter stickers per month, 1,857 per month more than in 1985. Car pool book purchases averaged 351 per month, 58 per month less than 1985. Average daily traffic for senior citizens using the reduced toll program was 6,774, an increase of 11 percent over 1985.



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An agreement was signed in June with Automatic Toll Systems, Inc. to install a prototype computerized toll collection system at the Betsy Ross Bridge. If the prototype system receives a favorable evaluation, a recommendation will be made to install the system at all Authority bridges. A major feature of this state-of-the-art system will be the ability to provide a preliminary audit of a collector's toll collection recordings at the completion of a tour of duty, which is five or six days sooner than is currently possible.

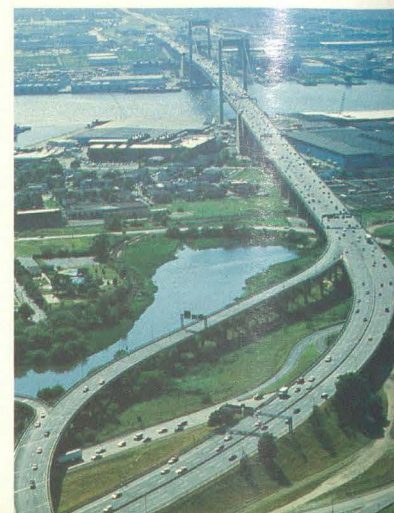
In November, the Authority completed negotiations with Local 716, International Union of Operating Engineers, who represent the Authority's Toll Collection, Toll Accounting and Maintenance employees. A new three-year contract was signed providing the union members with increased wages and fringe benefits. One of the provisions of the new contract is to change the working schedules for toll bureau personnel from a platoon-type assignment

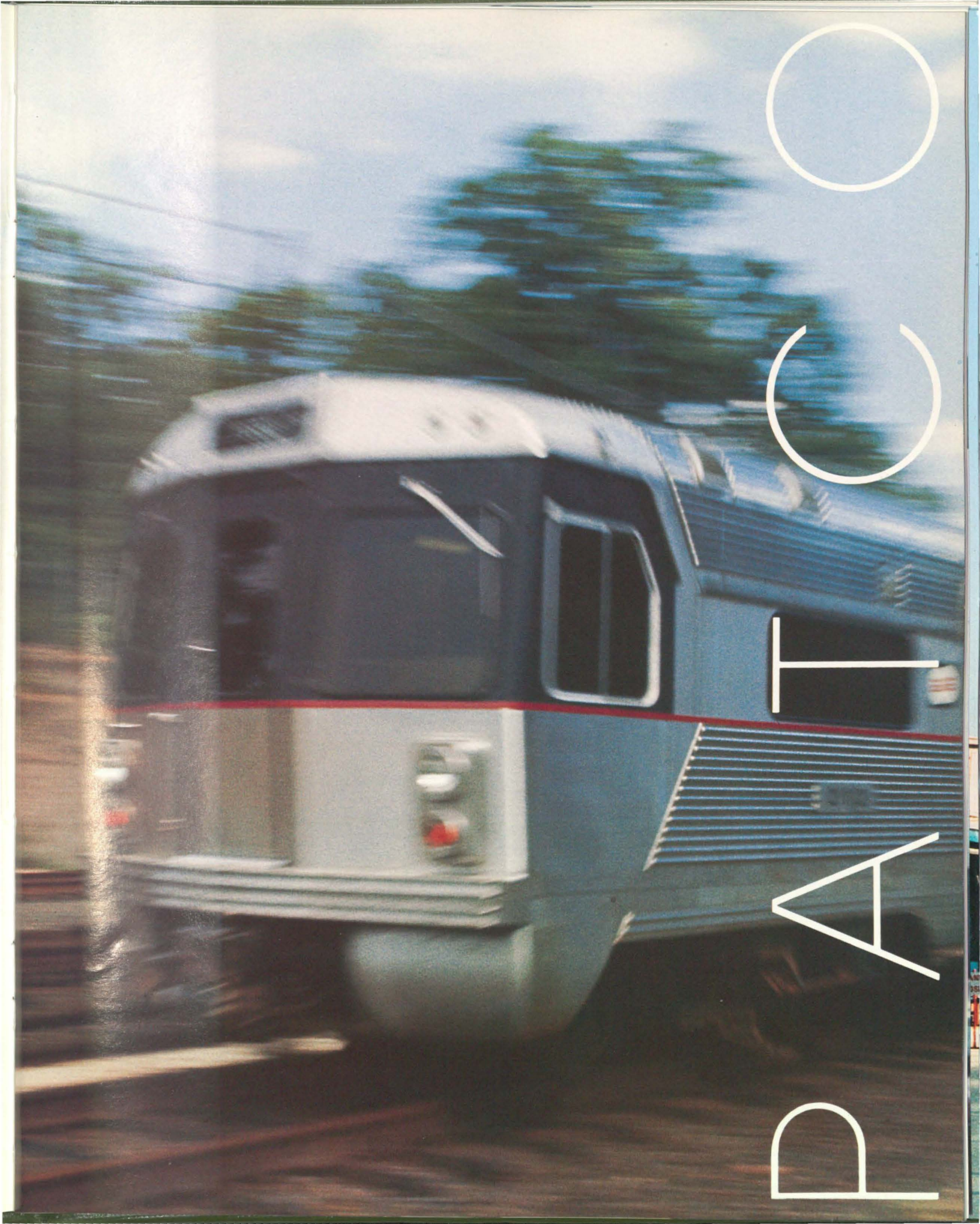
with rotating shifts to a permanent shift assignment. Toll collectors have been assigned to the new permanent shifts effective in January 1987.

The aggressive enforcement of traffic regulations during 1986 resulted in a two percent decrease in accidents in spite of high increases in traffic. The number of accidents decreased from 281 in 1985 to 275 in 1986. There were three fatalities compared to four in 1985.

Port Authority Police traveled 1,224,515 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 service to 9,492 disabled vehicles, an average of 26 per day, and Police transported 225 persons injured in accidents to local hospitals. The Police issued 10,946 citations for moving violations and 8,432 warnings were also issued to motorists for lesser infractions. Authority Police assisted area police departments in apprehending 241 criminal suspects. Authority Police arrested 232 persons for offenses committed on Port Authority property. There were 117 arrests for driving while intoxicated. There were 24 suicide attempts and three deaths resulted from persons jumping from Port Authority bridges.

The Highway Department's high standards of maintenance continued to insure safe and attractive conditions of the Authority roadways, walkways, grounds and buildings. New traffic lane painting equipment and the use of non-toxic water base paint have improved the appearance of bridges and roadways. The Highway Department salted and sanded the bridges, ramps and expressways during the 15 snow and ice storms in 1986. The Department maintained all the roadways in excellent condition and battled the storms in a highly efficient manner. The Highway Department also maintained a high standard of automotive repair and maintenance for all Port Authority vehicles and equipment throughout the year.





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PORT AUTHORITY TRANSIT CORPORATION



Robert C. Schwab

The Port Authority Transit Corporation established new parameters for the industry when it was established some 17 years ago, an innovative, advanced form of mass transit.

The tradition of excellence and leadership has persisted. In 1986, PATCO, a wholly-owned subsidiary of the Delaware River Port Authority, attained the heavy rail industry's highest operating ratio (revenues to

expenses) of 78.91 percent, compared to 78.62 percent in 1985, and the industry's highest on-time record at 99.06 percent. It was the second consecutive year that 99 percent was exceeded.

The on-time record is a direct result of plant and equipment upgrading, and of vigilant operation. In 17 years of operation, PATCO has achieved an industry-leading average of 98.48 percent.

For the second year since 1980, PATCO ridership increased over the previous year. Its total of 10,367,374 in 1986 was 1.3 percent more than the 10,230,659 rides made in 1985.

While PATCO ended its fourth year without a fare increase, financial results continued to be among the best in the American transit industry. Operating revenues were \$14,232,921, an increase of 2.46 percent over the previous year while expenses increased only 2.09 percent. Operating expenses for 1986 were \$18,037,263 leaving a deficit of \$3,804,342, or \$477,552 less than the anticipated loss, reflecting careful control of expenses.

Also reflected in PATCO's increased revenues and savings in expenses are the careful adjustment of car-miles and train-miles to meet traffic needs accurately. PATCO continues to schedule an average of one seat per passenger in the prevailing direction of rush hour traffic, and slightly more than one seat per passenger in the off-peak. Car miles operated in 1986 were 3,912,121 compared with 3,859,140 in 1985, an increase of 52,981 or 1.37 percent.

The gains in passengers, revenues and operating ratio were encouraging since gasoline prices in southern New Jersey remained among the lowest in the nation. Determining factors continue to be: stable PATCO fares, availability of free parking at

most stations, continued promotional advertising and an aggressive and visible security program.

Growth of ridership at Woodcrest Station, linked directly by ramps with Interstate Route 295, has been dramatic since the start of an advertising program in 1983 that is targeted specifically to that station. In particular, seven "Park-and-Ride" signs provided by PATCO were installed by NJ DOT along I-295 approaching Woodcrest Exit 31, and had an immediate impact by attracting additional users to that station.

Average daily passenger entries at Woodcrest Station have grown from 1,630 in 1983 to over 2,600 in late 1986. The Woodcrest Station parking lot is regularly filled to an average of 75 to 80 percent of its 2,600-car capacity, and its rate of growth indicates saturation within a year or two.

Upgrading, improvement, rehabilitation and renovation of the plant and equipment used by PATCO continues, supported in part by grants from the Urban Mass Transportation Administration. Seven of the 1968 Budd-built cars were upgraded by PATCO forces, and returned to service. They are operating two to three times as reliably as before, and are comparable to the 1980 Vickers cars. The program continues.

All parking lot lighting that had been installed in 1968 was replaced by high pressure sodium lighting which provides more light while using less power. This has contributed to security as well as to reduced expenses for purchased power. All switch movements at the 11th & Locust St. interlocking were rebuilt.

The first full cycle of the Track Signal Relay program begun in 1980 was completed in October 1986. The program will continue indefinitely, and is designed to assure safe and reliable operation of the train control signal system.

Overhaul and upgrading of parking lot gates and controls was begun in 1986, with resultant reduction in claims received for money lost in coin-operated parking gates.

The new Way & Power Division Rail Maintenance Vehicle Storage Building was completed in late 1986, and is now in use for the protected storage of maintenance of way vehicles. Indoor storage can be expected to extend their service life.

The effectiveness of PATCO's improved security program was indicated by a 22.6 percent decrease in major crime on PATCO property, in contrast to a slight increase in crimes committed in the municipalities served by PATCO. Improvement since 1983 has been dramatic, with a decrease of 66 percent in crimes committed on PATCO property.



ENGINEERING & PLANNING



John R. Woodruff

The Engineering and Planning Division completed six major construction contracts in 1986 with a combined construction cost of nearly \$2.5 million. In addition, four Delaware River Port Authority funded Engineering Agreements valued at \$755,000, along with four Urban Mass Transportation Administration funded Capital Grant Agreements worth an additional \$1,336,000, were awarded. Together they represented a total of nearly \$4.6 million contributed to the regional economy.

However, the major project in 1986, as measured in scope and DRPA expenditures, was the continuing work on the deck replacement of the Benjamin Franklin Bridge. The contract was awarded in December of 1984 to the joint venture of Cornell, Hegarty and Koch, Woodbury, N.J., in the amount of \$56,362,000. As of December, 1986 approximately 712 of the 1,070 deck panels - equivalent to five of the seven operating lanes - had been installed. Completion of the deck replacement project is scheduled for late summer 1987.

The largest contract awarded in 1986 was to Neshaminy Constructors, Inc., Feasterville, Pennsylvania for \$1,346,702 to replace the Moyamensing Avenue overpass bridge deck on the Pennsylvania approach to the Walt Whitman Bridge. Started in June, the contract was completed in November.

The second largest contract was the Lindenwold Yard Storage Building constructed on the premises of the Port Authority Transit Corporation, Lindenwold, N.J. The contract was awarded to Capri Construction Co., Inc. of Vineland, N. J., in the amount of \$391,647. The facility will be used to provide shelter for rail maintenance equipment thereby prolonging the equipment's life.

The other major construction contracts completed in 1986 include: the replacement of the existing roadway lighting system of the New Jersey approach to the Walt Whitman Bridge, awarded to Carr and Duff, Inc., Huntingdon Valley, PA, for \$289,777; the roof replacement of the Administration and Maintenance Building at the Betsy Ross Bridge, including the gasoline station and paint storage building roofs, awarded to E.J. Fleming Roofing, Inc., Philadelphia, PA, for \$174,474; the asbestos abatement program in the toll tunnels and over the toll booths at the Benjamin Franklin and Walt

Whitman Bridges, awarded to BCM Engineers of Plymouth Meeting, PA, and Diversified Energy Group, Inc. of Malvern, PA, at a total cost of \$169,153; and the erection of a security fence around the DRPA Administration Building Parking Lot in Camden, awarded to Anchor Fence of South Jersey, Palmyra, N.J., for \$99,641.

The engineering design required for the four DRPA-funded Engineering Agreements and the four funded by UMTA were in various stages of completion. All were expected to be completed in 1987.

The four DRPA-funded Engineering Agreements include:

- Investigation of electrosag and electrogas welds on the Commodore Barry Bridge.
- The suspender rope study on the Walt Whitman Bridge.
- A sewage disposal system at the Commodore Barry Bridge involving both design and construction of a sewer force main with pumping station.
- A traffic-revenue feasibility study of a Pennsylvania connector between the Betsy Ross Bridge and Aramingo Avenue in Philadelphia.

The four UMTA funded Capital Grant Agreements include:

- The reverse signaling and double cross-over on that portion of the PATCO system extending from Broadway Station to Ferry Avenue Station in Camden. It will provide for single track operation of PATCO trains on the Benjamin Franklin Bridge.
- The PATCO parking and repaving study, which includes the preparation of contract drawings and specifications for repaving the six New Jersey parking facilities.
- The rehabilitation of sixteen PATCO bridges located between Broadway and Ferry Avenue Stations in Camden that were designed and constructed in the early 1900's.
- Repairs to six PATCO station platforms located on the New Jersey portion of the High Speed Line.

Also in 1986, Engineering and Planning Division Personnel began extensive modifications to the Administration Annex Building in Camden. Included in the modifications were the heating and air conditioning system, the electrical system, lighting fixtures and painting. The modifications are to be completed in 1987.

ADMINISTRATION

The Administration Division serves both the internal and external needs of all the various divisions, bureaus and departments of the Authority. Its operations include Personnel, Insurance, Public Information, Printing, Toll Auditing, Toll Accounting, Mail Distribution, Safety, Telephone Service and Purchasing.

Administration Division's operations recruit, screen and qualify new employees to maintain the

Authority's workforce at levels of optimum efficiency; it obtains the tools and supplies required for a broad diversity of functions at all Authority operational locations; it maintains employee records and administers employee benefit programs; and it facilitates communications both within the Authority and with the organizations and individuals involved in its day-to-day operations outside.

The constant concern of the Personnel Department is the selection of employees with the highest possible qualifications to fill new positions and vacancies brought about by promotions, retirements, deaths and departures to other employment. This process is conducted in strict accord with the Authority's Affirmative Action policies. In 1986, this required the processing of some 6,000 applications, followed by some 800 interviews and the employment of 58 candidates. During the same period, Personnel provided extensive guidance in benefits and options to 34 veteran employees who retired.

The number hired did not include the 116 young college men and women employed in the summer to assist in financing their education, to provide help with summertime housekeeping chores and to relieve regular employees during prime vacation time.

Other Personnel Department activities included heading the Authority's annual United Way Campaign, and the implementation of a Deferred Compensation Program for all DRPA employees.

The Purchasing Bureau, following carefully prescribed procedures to insure the best quality at the best price, secured materials and services valued at \$3,200,745, or 8,367 separate line items during 1986. This required the processing of 2,433 requisitions, an increase of 31 percent over 1985. Nineteen percent of the total representing 154 items valued at \$611,024 was purchased under the New Jersey State Contract system.

A total of 126 purchase orders for goods and services with a value of \$62,681 were placed with local minority vendors.

The Office of Public Information completed its first full year of producing the new employee publication, "DRPA Dateline." The publication has enjoyed wide acceptance at all levels and is also very popular with retirees who submit material about their activities regularly.

Several developments during the year required special activities on the part of the Office of Public Information. The increase in bridge tolls on July 1 generated considerable interest on the part of both the public and press. Full and frequent explanations of the need for the change helped prevent adverse reactions.

Other special events included the opening of a new World Trade office in Australia; the foreign trade mission to Europe; the Domestic marketing meetings; and the election of Director of Engineering John R. Woodruff to President of the International Bridge, Tunnel and Turnpike Association.

The Office of Public Information participated closely with the Port advertising agency in the production of impressive, new, full-color maps and brochures to be used for port promotion.

The Office of Insurance guided changes proposed in health benefits to be offered in the future. A Health Maintenance Organization plan will make



available alternative health insurance to non-represented employees, members of the I.U.O.E., and retirees. Also, the present Blue Cross/Blue Shield plan was modified to include mandatory second surgical opinions, and pre-admissions review programs. These two programs are expected to help control costs and enhance health care.

The Division's Print Shop continues to increase its output which in 1986 exceeded 700 jobs amounting to nearly 11,600,000 pieces. New savings from in-house production of commuter stickers continues to mount. In the eight years since the program was begun, net savings, exclusive of the cost of equipment, are computed to be \$596,776.



Martin E. Jenkins

FINANCE



Thomas J. Auchter

Total operating revenues in 1986 increased \$9,929,000 or 13.3 percent to \$84,526,000 over comparable 1985 figures of \$74,597,000 due primarily to the increase in tolls as outlined elsewhere in this report.

Total operating and administrative expenses, including depreciation of \$8,581,000, were \$61,824,000 which resulted in operating revenues exceeding

expenses by \$22,702,000 as compared to \$16,650,000 for 1985.

The PATCO operating loss in 1986, including depreciation of \$2,857,000, was \$6,661,000 as compared to \$6,247,000 in 1985 or an increase of 6.6 percent.

Generally lower interest rates, coupled with fewer funds available for investment as reserves were expended for the bridge redecking project, resulted in investment income in the Revenue, Bond Service, Bond Reserve and General Funds, decreasing from \$10,026,000 in 1985 to \$8,237,000 in 1986. All investments of the Authority were in accordance with applicable Bond Resolutions and reflect continued prudent investment management by the Finance Committee.

After the deduction for interest on "Outstanding" Funded Debt of \$20,630,000, there remained revenues of \$10,309,000 available for other Port Authority expenditures such as World Trade Division and necessary capital expenditures compared to \$7,462,000 one year earlier.

On May 15, 1985, the Authority issued \$222,235,000 Revenue Bonds, Series 1985, dated April 15, 1985. The 1985 Bond 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 are authorized as an issue of Subordinate Bonds to (1) refund all of the Authority's then outstanding bonds and (2) pay certain costs incurred in connection with the issuance of the 1985 Bonds. This refunding program was undertaken to restructure the Authority's debt to meet the objective of reducing debt service requirements during the years 1985 through 1989, although the Authority's aggregate debt service requirements while the 1985 Bonds are outstanding will remain approximately the same as the aggregate debt service requirements prior to the refunding.

The General Bond Resolutions do not recognize the inclusion of depreciation as an "Operating

Expense" and Statements of Revenues and Expenses calculated in accordance with these Bond Resolutions are shown as Note 8 to the Financial Statements.

Gross Operating Revenues
(Millions of Dollars)



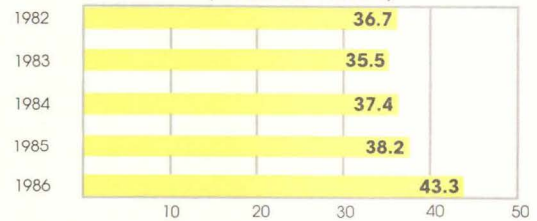
Operating Revenues in Excess of Expenses
(Millions of Dollars)



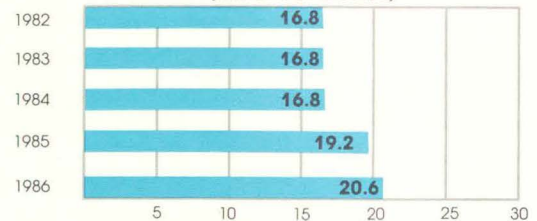
Investment in Facilities
(Millions of Dollars)



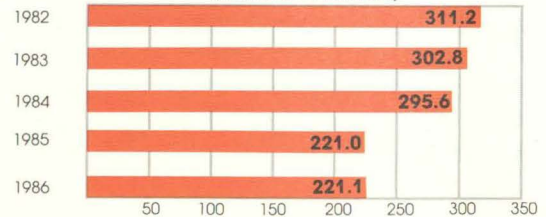
Net Revenues Available for Debt Service
(Millions of Dollars)



Interest on Funded Debt
(Millions of Dollars)



Funded Debt
(Millions of Dollars)



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FINANCIAL

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Commissioners
Delaware River Port Authority:

We have examined the balance sheet of the various funds of Delaware River Port Authority as of December 31, 1986 and the related statements of revenues and expenses, changes in fund equities, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the various funds of Delaware River Port Authority at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also previously examined, in accordance with generally accepted auditing standards, the balance sheet of the various funds of Delaware River Port Authority as of December 31, 1985 and the related statements of revenues and expenses, changes in fund equities, and changes in financial position for the year then ended, and in our report dated February 28, 1986, we expressed an unqualified opinion on those financial statements. In our opinion, the accompanying financial information for 1985, presented for comparative purposes, is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Peat Marwick Main & Co.

March 6, 1987



DELAWARE RIVER PORT AUTHORITY

Balance Sheet

December 31, 1986
with comparative figures for 1985
(thousands of dollars)

Assets	1986							1985 Combined
	Capital fund	Revenue fund	Bond service fund	Bond reserve fund	Construction fund	General fund	Combined	
Cash (note 5)	\$ —	522	4	—	4	187	717	599
Investment in securities (notes 4, 5, and 6)	—	66,299	10,089	24,727	14,432	3,068	118,615	138,493
Accrued interest receivable	—	—	—	712	392	—	1,104	1,400
Accounts receivable (note 2)	—	121	—	—	—	302	423	689
Transit system inventory	—	—	—	—	—	1,830	1,830	1,602
Prepaid expenses	—	619	—	—	—	359	978	783
Investment in facilities (note 3)	556,297	—	—	—	—	65,350	621,647	574,025
Less accumulated depreciation	<u>128,066</u>	—	—	—	—	<u>353</u>	<u>128,419</u>	<u>120,311</u>
	428,231	—	—	—	—	64,997	493,228	453,714
Debt issuance costs, net of amortization	<u>9,235</u>	—	—	—	—	—	<u>9,235</u>	<u>9,620</u>
	\$ <u>437,466</u>	<u>67,561</u>	<u>10,093</u>	<u>25,439</u>	<u>14,828</u>	<u>70,743</u>	<u>626,130</u>	<u>606,900</u>
Liabilities and Fund Equities								
Accounts payable:								
Contracts (note 6)	\$ —	—	—	—	6,046	4,123	10,169	6,978
Retained amounts on contracts	—	—	—	—	—	3,866	3,866	1,211
Other (note 4)	—	<u>707</u>	—	—	—	<u>2,081</u>	<u>2,788</u>	<u>1,738</u>
	—	<u>707</u>	—	—	<u>6,046</u>	<u>10,070</u>	<u>16,823</u>	<u>9,927</u>
Accrued liabilities:								
Interest	—	—	10,093	—	—	—	10,093	10,093
Pension (note 4)	—	648	—	—	—	223	871	1,095
Sick and vacation leave benefits	—	6,720	—	—	—	1,893	8,613	7,876
Other	—	<u>1,584</u>	—	—	—	—	<u>1,584</u>	<u>1,615</u>
	—	<u>8,952</u>	<u>10,093</u>	—	—	<u>2,116</u>	<u>21,161</u>	<u>20,679</u>
Deferred income on truck tickets	—	1,133	—	—	—	—	1,133	1,217
Reserves:								
Replacement and repainting	—	15,997	—	—	—	—	15,997	13,276
Other	—	<u>1,545</u>	—	—	—	<u>983</u>	<u>2,528</u>	<u>2,300</u>
	—	<u>17,542</u>	—	—	—	<u>983</u>	<u>18,525</u>	<u>15,576</u>
Funded debt (note 5)	221,090	—	—	—	—	—	221,090	221,031
Commitments and contingencies (notes 6 and 9)	—	—	—	—	—	—	—	—
Fund equities (notes 5, 6, and 7)	<u>216,376</u>	<u>39,227</u>	—	<u>25,439</u>	<u>8,782</u>	<u>57,574</u>	<u>347,398</u>	<u>338,470</u>
	\$ <u>437,466</u>	<u>67,561</u>	<u>10,093</u>	<u>25,439</u>	<u>14,828</u>	<u>70,743</u>	<u>626,130</u>	<u>606,900</u>

See accompanying notes to financial statements.

DELAWARE RIVER PORT AUTHORITY
Statement of Revenues and Expenses

Year ended December 31, 1986
with comparative figures for 1985

(thousands of dollars)

	<u>1986</u>	<u>1985</u>
Operating revenues and expenses (note 5):		
Bridge:		
Tolls	\$ 70,244	60,585
Other operating revenues	<u>49</u>	<u>121</u>
	70,293	60,706
Operating expenses	27,909	26,372
Depreciation	<u>5,724</u>	<u>5,296</u>
	<u>33,633</u>	<u>31,668</u>
	<u>36,660</u>	<u>29,038</u>
Transit system:		
Passenger fares	13,782	13,435
Other operating revenues	<u>451</u>	<u>456</u>
	14,233	13,891
Operating expenses	18,037	17,668
Depreciation	<u>2,857</u>	<u>2,470</u>
	<u>20,894</u>	<u>20,138</u>
	<u>(6,661)</u>	<u>(6,247)</u>
	29,999	22,791
General administration expenses	<u>7,297</u>	<u>6,141</u>
Operating revenues in excess of expenses	22,702	16,650
Interest income	8,237	10,026
Interest on funded debt, including issues refunded in 1985 (note 5):		
Revenue bonds, series 1985	(20,630)	(12,950)
1969 first series revenue bonds	—	(2,094)
Series 1972 revenue bonds	—	(2,438)
Series 1972 refunding revenue bonds	<u>—</u>	<u>(1,732)</u>
	<u>(20,630)</u>	<u>(19,214)</u>
Excess of revenues over expenses before other income (expenses)	<u>10,309</u>	<u>7,462</u>
Other income (expenses):		
Interest on funded debt - issues refunded prior to 1985 (note 5):		
1969 first series revenue bonds	—	(15)
Series 1974 special revenue refunding bonds	—	(321)
Series 1974 special obligation refunding bonds	<u>—</u>	<u>(1)</u>
	<u>—</u>	<u>(337)</u>
Other interest income	597	1,490
World trade development expenses	(2,692)	(2,454)
Loss on early retirement of facilities	(504)	(929)
Bridge suspender rope and weld studies	<u>(362)</u>	<u>—</u>
	<u>(2,961)</u>	<u>(2,230)</u>
Net income before extraordinary item	7,348	5,232
Extraordinary item:		
Gain from bond refunding	—	<u>76,615</u>
Net income	<u>\$ 7,348</u>	<u>81,847</u>



DELAWARE RIVER PORT AUTHORITY

Statement of Changes in Fund Equities

Year ended December 31, 1986
with comparative figures for 1985

(thousands of dollars)

1986

	Capital fund	Revenue fund	Bond service fund	Bond reserve fund	Construction fund	General fund	Combined	1985 Combined
Fund equities at January 1, 1986	\$ 217,672	53,459	5	25,306	8,185	33,843	338,470	251,394
Revenues and expenses:								
Operating revenues	—	70,293	—	—	—	14,233	84,526	74,597
Operating expenses	(8,436)	(27,910)	—	—	—	(18,181)	(54,527)	(51,806)
General administration expenses	—	(7,297)	—	—	—	—	(7,297)	(6,141)
Interest income	—	5,197	343	2,376	—	321	8,237	10,026
Interest on funded debt	(443)	—	(20,186)	—	—	—	(20,629)	(19,214)
Other income (expenses)	(500)	(8)	—	—	597	(3,050)	(2,961)	(2,230)
Gain from bond refunding	—	—	—	—	—	—	—	76,615
	(9,379)	40,275	(19,843)	2,376	597	(6,677)	7,349	81,847
Government contributions for capital improvements and additions (note 7)	1,579	—	—	—	—	—	1,579	5,229
Interfund transfers and payments:								
Bond service	—	(19,838)	19,838	—	—	—	—	—
Funds in excess of Bond Reserve requirement	—	2,243	—	(2,243)	—	—	—	—
Funds free and clear of any lien or pledge	—	(36,912)	—	—	—	36,912	—	—
Completed capital additions	6,504	—	—	—	—	(6,504)	—	—
Fund equities at December 31, 1986 (notes 5, 6, and 7)	\$ <u>216,376</u>	<u>39,227</u>	<u>—</u>	<u>25,439</u>	<u>8,782</u>	<u>57,574</u>	<u>347,398</u>	<u>338,470</u>

DELAWARE RIVER PORT AUTHORITY
Statement of Changes in Financial Position

Year ended December 31, 1986
with comparative figures for 1985

(thousands of dollars)

	<u>1986</u>	<u>1985</u>
Source of funds:		
Operations:		
Net income before extraordinary item	\$ 7,348	5,232
Noncash expenses:		
Depreciation	8,581	7,766
Provision for maintenance of facilities	2,721	2,448
Provision for self-insurance	1,684	1,331
Amortization of bond discount	59	69
Deferred income on truck tickets	(84)	128
Amortization of debt issuance costs	385	240
Loss on early retirement of facilities	<u>504</u>	<u>929</u>
Funds provided by operations, exclusive of extraordinary item	21,198	18,143
Extraordinary item—gain from bond refunding	<u>—</u>	<u>76,615</u>
Funds provided by operations and extraordinary item	21,198	94,758
Increase in accounts payable	6,896	2,077
Increase in accrued liabilities	482	4,129
Government contributions for capital improvements and additions	1,579	5,229
Issuance of bonds	<u>—</u>	<u>220,993</u>
	<u>30,155</u>	<u>327,186</u>
Application of funds:		
Retirement of bonds	—	8,405
Additions to facilities, net	48,598	27,456
Decrease in accounts receivable and accrued interest receivable	(562)	(1,703)
Payment of self-insurance claims	1,456	936
Other	423	241
Debt issuance costs	—	9,860
Defeasance of bonds	<u>—</u>	<u>287,200</u>
	<u>49,915</u>	<u>332,395</u>
Decrease in cash and investments	(19,760)	(5,209)
Cash and investments:		
Beginning of year	<u>139,092</u>	<u>144,301</u>
End of year	<u>\$ 119,332</u>	<u>139,092</u>



DELAWARE RIVER PORT AUTHORITY

Notes to Financial Statements

December 31, 1986

(thousands of dollars)

(1) Summary of Significant Accounting Policies

Description of Business

The Delaware River Port Authority (the Authority) is a public corporate instrumentality of the Commonwealth of Pennsylvania and the State of New Jersey 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, Pa., 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.

Basis of Presentation

The financial statements include the accounts of the Delaware River Port Authority and PATCO. Material balances and transactions between the entities have been eliminated.

Investment in Securities

Investment in securities, consisting principally of short-term obligations of the U.S. Government and the Federal Home Loan Bank, 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 (note 5).

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 and Reserves for Replacement and Repainting

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 expense 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 7). In distributing net income to equity, a charge representing depreciation on assets acquired with contributions is made against the related contribution accounts.

In connection with the investment in the Benjamin Franklin Bridge roadway deck, for the original construction and subsequent widening costs, the Authority has elected to accelerate the write-off of this asset over the present construction period of the roadway deck replacement. For the year 1986, the Authority has accelerated its annual depreciation expense by \$603.

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

Asset lives used in calculation of depreciation are generally as follows:

Bridges, freeway connections, and tunnels	100 years
Buildings, stations, and certain bridge components	35-50 years
Electrification, signals, and communication systems	30-40 years
Transit cars, machinery, and equipment	10-25 years

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 repaint the bridges and replace road surfaces and fenders of bridge facilities are provided by periodic charges to operations.

The bridge facilities are stated at cost, net of contributions by 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 3). The PATCO System includes the expenditures of Federal grants for capital improvements and additions (note 7).

Debt Issuance Costs and Funded Debt Discount

Debt issuance costs and the discount arising from the issuance of the funded debt 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 9).

(2) Accounts Receivable

Revenue and general fund accounts receivable include the following:

	<u>1986</u>	<u>1985</u>
Reimbursements from governmental authorities for:		
Capital improvements to the PATCO System due from		
Urban Mass Transportation Administration	\$ 32	35
PATCO Research and Development Grants due from Urban		
Mass Transportation Administration	—	32
Authority staff engineering services for construction of		
Camden transportation terminal due from the City of		
Camden, New Jersey	—	43
	<u>32</u>	<u>110</u>
Other		
Authority vs. S.S. Santa Rosa regarding ship collision		
with Benjamin Franklin Bridge	—	211
Deposits with insurance companies	83	68
Miscellaneous	308	300
	<u>\$ 423</u>	<u>689</u>

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

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued



(3) Investments in Facilities

	<u>1986</u>	<u>1985</u>
Bridges:		
Benjamin Franklin	\$ 116,908	78,211
Walt Whitman	99,661	97,970
Commodore Barry (a)	141,035	141,201
Betsy Ross (a)	<u>134,410</u>	<u>129,020</u>
	492,014	446,402
Less accumulated depreciation	<u>90,506</u>	<u>85,154</u>
	<u>401,508</u>	<u>361,248</u>
Transit system:		
PATCO System (b) (note 7)	127,695	125,685
PATCO System first phase capital improvement program (c)	<u>1,938</u>	<u>1,938</u>
	129,633	127,623
Less accumulated depreciation	<u>37,913</u>	<u>35,157</u>
	<u>91,720</u>	<u>92,466</u>
	<u>\$ 493,228</u>	<u>453,714</u>

(a) Commodore Barry Bridge, net of \$4,431 and Betsy Ross Bridge, net of \$5,472 at December 31, 1986 of construction, engineering, land, and utility relocation costs contributed by New Jersey Department of Transportation.

(b) Net of \$1,700 at December 31, 1986 contributed by New Jersey Transit Corporation.

(c) This program, net of \$59,610 at December 31, 1986 contributed by the participating agencies, was completed in 1986 (note 6).

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

(4) Pension and Deferred Compensation Plans

The Authority participates in a money purchase pension plan administered by an agency of the Commonwealth of Pennsylvania which covers all permanent employees of the Authority. The nonrepresented employees of PATCO are also covered by this plan. Pension expense related to the plan amounted to \$3,582 and \$4,014 in 1986 and 1985, respectively. Information pertaining to the actuarial present value of vested and nonvested accumulated benefits and net assets was not available from the administrator of the plan.

With respect to represented employees, PATCO is required under union contract to contribute to the Teamsters Pension Plan of Philadelphia and Vicinity (the Plan). Pension expense related to the Plan totaled \$352 and \$314 in 1986 and 1985, respectively. Under the Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Multiemployer Pension Plan Amendment Act of 1980 (the Act), a contributor to a multiemployer defined benefit plan is liable, upon termination of the Plan or its withdrawal from the Plan, for its share of the Plan's unfunded vested liabilities. Management has no intention of making any changes which would subject PATCO to the withdrawal obligations under the Act.

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 while working for the Authority. 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 those benefits for retired employees by expensing the annual insurance premiums, which were \$644 for 1986 and \$502 for 1985.

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, 1986, the plan assets (cash value) were \$170 and \$85 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 PATCO until disbursement. The liability to employees is included in accounts payable - other.

(5) Funded Debt

- (a) In 1985, the Authority issued \$222,235 Revenue Bonds, Series 1985. The 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 are authorized and issued as an issue of Subordinate Bonds to (1) refund all of the Authority's outstanding bonds and (2) 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 will remain approximately the same as the aggregate debt service requirements prior to the refunding.

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued



(b) The 1985 Bonds outstanding at December 31, 1986 are as follows:

Maturity date (January 1)	Interest rate	Principal amount
1988	6.25 %	\$ 365
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		48,765
2002	9.375 (term bonds)	49,305
2011	9.375 (term bonds)	<u>124,165</u>
Total par value of outstanding bonds		222,235
Less unamortized bond discount on term bonds due on January 1, 2011		<u>1,145</u>
Total funded debt		\$ <u>221,090</u>

(c) Interest on the 1985 Bonds is payable semiannually on January 1 and July 1 in each year. Interest expense includes interest on the bonds, amortization of debt issuance costs, and discount from the issuance of the funded debt.

(d) The 1985 term Bonds maturing on January 1, 2002 and January 1, 2011 shall be 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:

<u>Term bonds due January 1, 2002</u>		<u>Term bonds due January 1, 2011</u>	
<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	<u>10,725</u>	2006	16,810
	37,510	2007	18,375
		2008	20,100
At maturity, 2002	<u>11,795</u>	2009	21,950
	\$ <u>49,305</u>	2010	<u>2,260</u>
			121,695
		At maturity, 2011	<u>2,470</u>
			<u>\$ 124,165</u>

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

- (e) 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	<u>100</u>

- (f) 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.
- (g) To accomplish this refunding, the Authority on May 15, 1985 deposited with Citibank, N.A., as Escrow Agent, \$211,093 of proceeds from the sale of the \$222,235 Revenue Bonds, Series 1985, together with \$51,620 of U.S. Treasury Obligations (cost \$3,643) transferred from its 1974 Debt Service Reserve Fund, into a special and irrevocable trust fund pursuant to an Escrow Deposit Agreement dated May 15, 1985. These amounts, together with the interest earnings thereon, will be sufficient to provide for the payment, when due, of principal and interest on the following outstanding bonds at maturity or prior to maturity by sinking fund redemption:
1. \$100,000, 5.625%, 1969 First Series Revenue Bonds, maturing January 15, 2009.
 2. \$100,000, 6.50%, Series 1972 Revenue Bonds, maturing January 15, 2011.
 3. \$77,400, 6.00%, Series 1972 Refunding Revenue Bonds, maturing January 15, 2010.
 4. \$11,395, 7.25%, Series 1974 Special Revenue Refunding Bonds, maturing January 15, 1990.

Upon deposit of the above moneys and investments under the escrow agreement, the 1969 First Series Revenue Bonds, the 1972 Revenue Bonds, the 1972 Refunding Revenue Bonds, and the 1974 Special Revenue Refunding Bonds shall be deemed no longer outstanding under the terms of the General Bond Resolution dated April 23, 1969 and the Special Revenue Bond Resolution dated June 19, 1974, and the pledge of any revenues, moneys, and securities under these bond resolutions and all other rights granted thereunder shall be satisfied and discharged.

- (h) The Bond Service of \$10,093 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.
- (i) Current maturities on the Authority's outstanding long-term debt are as follows:

1987	\$ —
1988	365
1989	3,720
1990	3,815
1991	<u>4,500</u>

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued



(6) Commitments

As of December 31, 1986, the Authority had contractual commitments as follows:

	<u>Revenue fund</u>	<u>General fund</u>	<u>Total</u>
Benjamin Franklin Bridge:			
Roadway deck replacement (a)	\$ —	11,917	11,917
Convert payroll/personnel system	—	19	19
Operational safety study of all bridge facilities	—	95	95
Security fence - administration building parking lot	—	2	2
Maintenance services for communication systems	248	—	248
Replace frames and glazing on four anchorage towers	—	12	12
Roadway connections (b)	—	500	500
Asbestos management program	—	5	5
Toll plaza rehabilitation	—	1	1
Walt Whitman Bridge:			
High voltage cable replacement	—	30	30
Data base security system	—	4	4
Asbestos management program	—	8	8
Inspection services - suspender ropes and cable support systems	—	57	57
Commodore Barry Bridge:			
Engineering services - electroslag and electrogas weld investigation	—	255	255
Engineering services for design and construction of sewer force main and pumping station	—	21	21
Betsy Ross Bridge:			
Traffic revenue feasibility study	—	3	3
Freeway connections (c)	—	3,750	3,750
Computerized toll audit and collection system	—	274	274
PATCO System:			
Engineering services - reverse signalization	—	424	424
Lindenwold yard storage building	—	46	46
Engineering services - station platform concrete repairs and surface treatment	—	230	230
Engineering services in connection with rehabilitation of Camden County bridges	—	182	182
Engineering services - parking facilities at six passenger stations	—	197	197
Biennial inspection of the facility	26	—	26
World Trade Development	—	174	174
	<u>\$ 274</u>	<u>18,206</u>	<u>18,480</u>

DELAWARE RIVER PORT AUTHORITY

Notes to Financial Statements, Continued

- (a) Engineering studies have determined that the Benjamin Franklin Bridge roadway deck must be replaced. Total estimated cost of replacing the roadway deck amounts to approximately \$68,901 of which \$56,984 has been expended to December 31, 1986. The Authority has entered into contracts which have remaining committed balances of \$11,917 as of December 31, 1986. The cost of this project will be funded from available reserves of the Authority, from the deferral of principal payments on the Authority's debt through the refunding (note 5), and through operations.
- (b) The Authority has agreed to contribute funds to the Commonwealth of Pennsylvania for roadway connections between the Benjamin Franklin Bridge, the Vine Street Expressway, and I-95 in an amount not to exceed \$500.
- (c) The Authority has also agreed to reimburse the State of New Jersey a maximum sum of \$9,000 for its share of the construction of the Route 90 Freeway connections. The initial payment of \$4,000 was paid by the Authority on June 30, 1986, with the balance to be paid in four annual payments beginning June 30, 1987 not to exceed \$1,250 per year based on traffic volume. Of the total commitment, \$5,250 has been paid and/or accrued as of December 31, 1986.

The Authority has a lease agreement for the rental of toll collection equipment for 65 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 computerized toll audit and collection system at the Betsy Ross Bridge. In the event the Authority elects to proceed with a total installation of the new system at all four bridges, a new lease-purchase agreement will be negotiated.

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 years ended December 31, 1986 and 1985, 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 leased property (note 3).

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 costs are estimated at \$28,500. The Authority is to contribute approximately \$10,000 to the project. Of this amount, \$6,046 held in escrow by the Authority is an obligation of the Authority to the Commonwealth of Pennsylvania. Federal Aid Highway funds of \$18,000 are anticipated for use in the project. 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 of Pennsylvania.

Minimum lease commitments are as follows:

1987	\$ 857
1988	859
1989	780
1990	<u>254</u>

Rent expense for the years ended December 31, 1986 and 1985 amounted to \$1,137 and \$1,128, respectively.

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued



(7) 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 improvement grant funds of \$1,579 were received in 1986 and \$5,229 in 1985. Charges representing depreciation on assets relating to these contributions were \$626 in 1986 and \$505 in 1985.

	<u>1986</u>	<u>1985</u>
Contributions	\$ 19,872	18,293
Less accumulated charges (depreciation on assets acquired with contributions)	<u>1,579</u>	<u>953</u>
	\$ <u>18,293</u>	<u>17,340</u>

(8) Statements of Revenues and Expenses in Accordance with Authority Bond Resolutions

The following statements of revenues and expenses have been prepared in accordance with the provisions of the Authority's Bond Resolutions which do not provide for depreciation as an operating expense, except for the PATCO System, as would be required by generally accepted accounting principles. The Authority's total net assets and fund equities would be increased by \$90,506 as a result of excluding all accumulated depreciation through December 31, 1986.

	<u>1986</u>	<u>1985</u>
Operating revenues and expenses:		
Bridge tolls	\$ 70,244	60,585
Other operating revenues	<u>49</u>	<u>121</u>
	70,293	60,706
Bridge operating expenses	<u>27,909</u>	<u>26,372</u>
	42,384	34,334
General administration expenses	<u>7,297</u>	<u>6,141</u>
Operating revenues in excess of expenses	35,087	28,193
Interest income	<u>8,237</u>	<u>10,026</u>
	43,324	38,219
Interest on funded debt -- including issues refunded in 1985:		
Revenue bonds, series 1985	20,630	12,950
1969 first series revenue bonds	—	2,094
Series 1972 revenue bonds	—	2,438
Series 1972 refunding revenue bonds	<u>—</u>	<u>1,732</u>
	<u>20,630</u>	<u>19,214</u>
Excess of revenues over expenses before other income (expenses)	\$ <u>22,694</u>	<u>19,005</u>

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

Excess of revenues over expenses before other income (expenses)	\$ 22,694	19,005
Other income (expenses):		
Interest on funded debt - issues refunded prior to 1986:		
1969 first series revenue bonds	—	(15)
Series 1974 special revenue refunding bonds	—	(322)
Series 1974 special obligation refunding bonds	—	—
	—	(337)
Other interest income	597	1,490
World trade development expenses	(2,692)	(2,454)
Transit system operating loss (includes depreciation of \$2,857 in 1986 and \$2,470 in 1985)	(6,661)	(6,247)
Bridge suspender rope and weld studies	(362)	—
Loss on early retirement of facilities	(876)	(1,445)
	(9,994)	(8,993)
Net income before extraordinary item	12,700	10,012
Extraordinary item:		
Gain from bond refunding	—	76,615
Net income	\$ 12,700	86,627

(9) Contingencies

The Authority is self-insured for the initial \$5,000 and \$250 of public liability and workers' compensation insurance, respectively. PATCO is self-insured for the initial \$5,000 of public liability insurance and 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 Authority's financial position.

The Authority has executed an irrevocable letter of credit of \$3,000 related to its insurance coverage on the bridge redecking.

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