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DELAWARE RIVER PORT AUTHORITY



ANNUAL REPORT 1985

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C O N T E N T S

- 1 **Letter to the Governors . . .** contains a summary of the year's activities, both problems and successes, plus an indication of future direction.
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- 2 **Commissioners . . .** by State, and Officers, as of December 31, 1985.
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- 3 **Authority Overview . . .** in which the uniqueness of an authority compared to business or other government agency is examined.
-
- 4 **Bridges . . .** despite numerous construction projects in the region, total traffic for the four bridges again increased.
-
- 6 **World Trade . . .** The Ports of Philadelphia regained their number one position among North Atlantic ports in the total of international waterborne cargo handled.
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- 8 **Administration . . .** the needs of other Divisions of the Authority are met by Personnel, Purchasing, Public Information and Printing.
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- 9 **Engineering . . .** work on the PATCO track-bed was completed and the resurfacing of the Benjamin Franklin Bridge was begun.
-
- 10 **PATCO . . .** ridership on the Speed Line increased while operations achieved an on-schedule performance of 99.1 percent.
-
- 12 **Finance . . .** total operating revenues increased 2.1 percent, and a refinancing program was completed.
-
- 12 **The Commission . . .** while there were no changes in the New Jersey delegation, some changes took effect in the Pennsylvania delegation.
-
- 13 **Financial Statements**

TO:



The Honorable
Dick Thornburgh
Governor of the
Commonwealth of
Pennsylvania

and



The Honorable
Thomas H. Kean
Governor of the
State of New Jersey

The Port Authority's effectiveness is best demonstrated by its response to the needs of the region it was established to serve.

Its assigned responsibility is specific transportation services—bridges and rail transport between Southeastern Pennsylvania and the adjacent area of New Jersey. And it is also responsible for the economic vigor of the ports of the Delaware River.

All of this depends, however, on the requisite that the Authority be self supporting, using the income of its facilities to fund all of its functions. This was accomplished and positive results can be reported for all areas of operations in 1985.

Operating revenues from the Authority's four bridges increased 2.3 percent, or \$1.376 million to \$60.706 million. Combined traffic for the four spans rose 2.6 percent, or by 1.960 million vehicles to 77.659 million. And ridership on the Authority's Lindenwold High Speed Line gained, for the first time in five years, by 0.2 percent to 10.231 million rides.

It was also a year of achievement for the regional maritime industry and its facilities, known collectively as the Ports of Philadelphia. The region regained first place among major East Coast ports in the handling of international waterborne commerce. The World Trade Division of the Authority continued to exert considerable influence on the Port's growth, and had marked success in organizing unified marketing efforts among the diverse port elements. And work has begun on both a five-year marketing plan and a 20-year regional port master plan.

There is seldom progress without problems. The redecking of the 60-year-old, seven-lane Benjamin Franklin Bridge got underway, but materials delivery difficulties resulted in some delays. By year's end, most of these difficulties were solved but the project was several months behind schedule.

A great amount of time and effort were devoted to deciding the method of financing the redecking. Part of the problem was solved through a refunding of outstanding debt. The restructuring reduced debt service requirements which freed funds that could be used for the deck project. At the same time, consideration of a toll increase for the remainder of the funds needed and for other capital projects was delayed until 1986.

A full account of all the Authority's operations and of its financial structure are detailed in the following report.

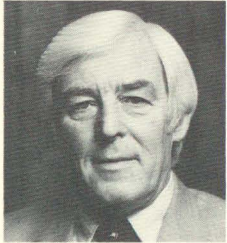
Yours respectfully,

William K. Dickey

William K. Dickey
Chairman

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President



Alfred L. Griebling
Executive Vice President



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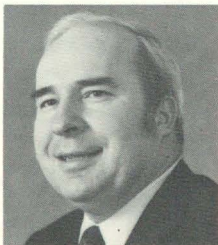
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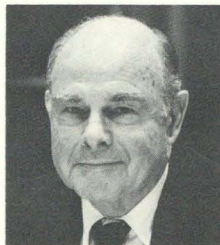
Perrin C. Hamilton
Attorney, Philadelphia



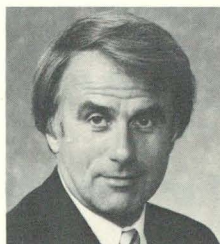
Alexander Talmadge
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Intl. Longshoremen's
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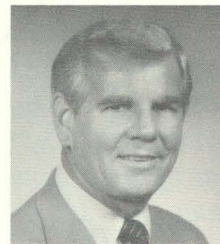


Dr. Frank Wright
Secretary of Policy and
Planning
Commonwealth of
Pennsylvania

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William K. Dickey, Esq.
Chairman,
Collingswood



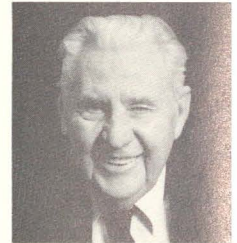
Francis L. Bodine
Executive Vice President
Marlac Electronics, Inc.



Harry Benn
Official, So. Jersey
Joint Board I.L.G.W.U.



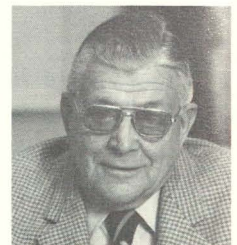
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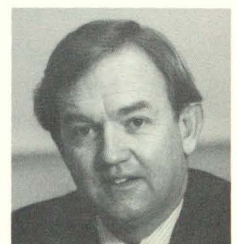
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Mrs. Mary Ruth Talley
Restoration Consultant



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Holly Ravine Farm Dairy



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Realtor

An Authority Is Unique



Bi-state agencies like the Delaware River Port Authority are unique among governmental units. They differ in fundamental ways including purpose, financing and territory. The region they serve is determined by function rather than historical boundaries in the way that municipalities and counties are encompassed.

The Compact which established the Delaware River Port Authority defined different territorial boundaries. These boundaries vary with the Authority's purposes, even though those purposes have the single objective of providing public services which either State would find difficult, or impossible, to accomplish alone.

The first, and original, purpose of the Delaware River Port Authority, is to provide river crossings, and the area defined for this purpose is Philadelphia and Delaware Counties on the Pennsylvania side of the river and the adjacent territory in New Jersey. Neither State could provide facilities by itself without invading the territorial integrity of the other. The problem is solved by having this function performed by a third party, mutually agreed to.

The arrangement has resulted in four large, multi-lane, fixed span bridges which provide daily for the free flow of materials and people between the two States.

The same reasoning applies to the Authority's second purpose. The Compact assigns to it the responsibility for providing a rapid transit system. The territory in this instance is defined as within points in New Jersey within a 35-mile radius of the City of Camden and points within

the City of Philadelphia. In carrying out this responsibility the Authority built, without federal financial assistance, one of the finest, most modern transit systems in the country. It daily serves the heavily populated New Jersey suburban corridor between Philadelphia and Lindenwold, N.J. And the system reduces pollution and eases both highway and parking congestion for the City of Philadelphia.

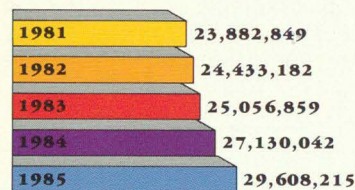
The third responsibility of the Authority is the promotion of commerce on the Delaware River. The 10-county territory assigned for this purpose includes Philadelphia and Delaware counties in Pennsylvania and all the counties from Burlington south to Cape May in New Jersey. In fulfilling this mandate the Authority conducts an aggressive marketing program that is international in scope through its field offices in this country, Europe, South America, Australia and Asia. This effort contributes importantly to the prosperity of the regional port and the hundreds of thousands of jobs the Port provides.

In all its operations, the Authority functions very much like private business. It has no access to public tax funds nor does it have access even to the credit of its parent states. It must raise its own capital funds, through public borrowing, and pay back those funds from the income of its operations. Unlike private businesses, it makes no profit. It exists solely to provide self-supporting public services. This, then, is the essence of its uniqueness.

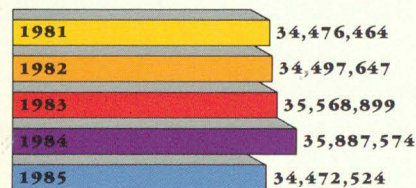
B R I D G E S

5-Year Bridge Traffic Volume

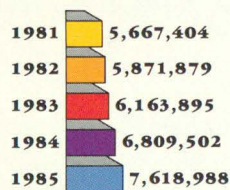
Benjamin Franklin Bridge



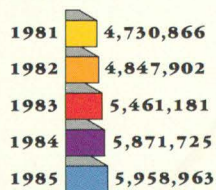
Walt Whitman Bridge



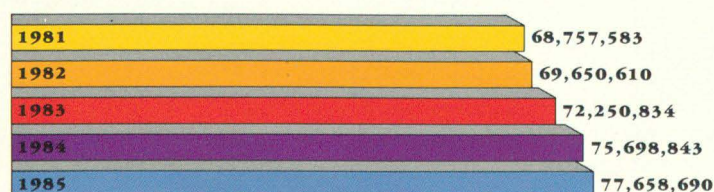
Commodore Barry Bridge



Betsy Ross Bridge



Traffic Totals



For the thirteenth consecutive year, total traffic on the Authority's bridges showed an increase over the previous year. Annual traffic for the four bridges was 77,658,690, an increase of 1,959,847 vehicles or 2.6 percent higher than 1984.

Two lanes on the Benjamin Franklin Bridge remained permanently closed throughout 1985, and trucks over 10 tons continued to be barred from using the bridge. An additional lane was closed when necessary during other than peak traffic hours to accommodate construction work on the bridge. Despite the curtailed capacity to handle traffic, the Benjamin Franklin Bridge carried 2,478,173 more vehicles during 1985 than in 1984. This was a particularly significant increase because the Benjamin Franklin carried 2,073,183 more vehicles in 1984 compared to 1983 under similarly reduced capacity. Total traffic was 29,608,215, the highest annual traffic for the Benjamin Franklin Bridge since the opening of the Walt Whitman Bridge in 1957.

Reconstruction on the Schuylkill Expressway and I-95 in Pennsylvania resulted in slow moving detours and caused significant diversions of traffic, other than trucks, from the Walt Whitman and Betsy Ross Bridges to the Benjamin Franklin Bridge. As a result of this diversion the Walt Whitman showed a decrease of 1,415,050 vehicles from 1984 traffic. However, the Betsy Ross Bridge showed an increase of 87,238 vehicles, which was less than would have been expected without diversion to the Benjamin Franklin Bridge.

Traffic on the Commodore Barry Bridge increased 809,486 over 1984. It was the first full year of operation for the new ramp leading from northbound I-95 to the Bridge at Chester, Pa., and this improved access is credited with providing much of the 11.89 percent increase.

Commuters purchased an average of 44,212 commuter stickers per month, 1,271 per month more than in 1984. Car pool book purchases averaged 409 per month, 101 per month less than 1984. Average daily traffic for senior citizens using the reduced toll program was 6,107, an increase of 8.4 percent over 1984.

Testing and evaluation continued of the Closed Circuit TV system interfaced with a small computer. It provides a capability for transaction verification and improved security of toll revenues. The equipment also proved its capability to improve collection efficiency and accuracy. The staff worked with Automatic Toll Systems Inc. to develop a proposed computerized toll collection, accounting, and security system for installation and testing at the Betsy Ross Bridge. One feature of the new system will be a new device for detecting foreign coins and slugs. Initial tests of this device at the Benjamin Franklin Bridge have been highly successful.



Aggressive enforcement of traffic regulations during 1985 resulted in an eight percent decrease in accidents in spite of high increases in traffic. The number of accidents dropped from 305 in 1984 to 281 in 1985. There were four fatalities compared to six in 1984.

Port Authority police traveled 1,216,389 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 9,209 disabled vehicles, an average of 25 per day, and police transported 260 injured persons to local hospitals. The police issued 7,961 citations for moving violations and 9,137 warnings for lesser infractions. Authority police assisted area police departments in apprehending 211 criminal suspects. Our police arrested 172 persons for of-

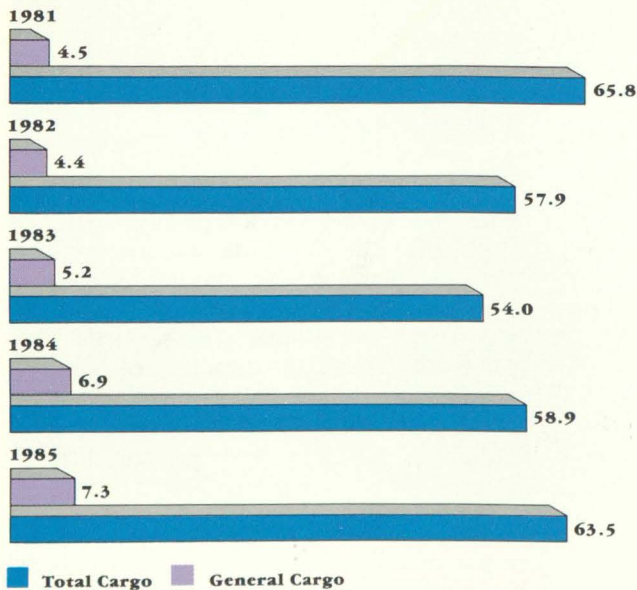
fenses committed on Port Authority property and successfully intervened in 29 suicide attempts. One death resulted from suicide compared to four deaths the previous year.

The Highway Department's high standards of maintenance continued to insure safe and attractive conditions of the Authority roadways, walkways, grounds and buildings. The Highway Department salted and sanded the bridges, ramps and expressways during the twelve snow and ice storms in 1985. The Department maintained all the roadways in excellent condition and battled 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.





Ports of Philadelphia International Waterborne Commerce Millions of Short Tons



The results of regional cooperation and coordination were reflected last year in the increased flow of international waterborne commerce through the Ports of Philadelphia, establishing new record highs.

The port complex, encompassing both sides of the Delaware River, regained its number one ranking among North Atlantic ports with a volume of 63,452,718 tons of international cargo. It represented a 7.7 percent increase over the previous year. While petroleum imports of 44.7 million tons continued to account for the largest single portion of the total, a huge surge in coal exports restored the Port to its premier ranking.

Equally significant is the fact that for the second consecutive year the Ports of Philadelphia experienced a record breaking volume of general cargo handled. More than 7.3 million tons were processed by the region's marine terminals and associated services, contributing importantly to the region's prosperity. The total was a 7.8 percent increase over the 6.8 million tons of 1984.

Close attention is being given to servicing and maintaining important commodity cargoes which constitute a vital portion of the ports' total transactions. Among the most important of these commodities is Chilean fruit which arrives here in the period from December through May for distribution through Eastern and Midwestern United States. The volume of these fruit imports has approximately doubled in just three years and reached 23 million cases in 1985, arriving aboard 88 vessels. Additional growth of this business is anticipated. Other vital imports arriving in significant volume include frozen meats, cocoa beans and cocoa products.

Nationwide economic recovery combined with aggressive marketing to produce the positive results experienced in 1985. The World Trade Division has played a leading role in rallying the port community. Concerted action in areas of common interests has resulted, leading to such activities as domestic marketing missions to Chicago, Cleveland and Pittsburgh—all areas which generate considerable international cargoes; a European commercial trade mission to important maritime centers in the UK and on the continent; and meetings with Congressional delegations to gain support for legislative positions vital to the economic welfare of the Delaware River ports.

An essential element of the marketing effort is the ongoing work of the Division's field offices, foreign and domestic. They provide the vehicle for constant communication with the international maritime community as a fundamental element for continued growth.

While it is rewarding to report on progress and accomplishments, it is also necessary to record the problems. The threat of discriminatory users fees has been eased, but not totally eliminated. The growing use of double-stack container trains poses future difficulties because of clearance considerations. The ultimate resolution of the Conrail network dispute could have serious repercussions for the Port. And there are a series of unresolved concerns requiring constant monitoring and remedial initiatives, including: the continual state of flux in the



shipping industry load centers; slot charters; mergers; round-the-world service; the imbalance of service between certain trade routes; the Guaranteed Annual Income Assessment liability and the continual competitive problem of the landbridge service from the West Coast ports.

The World Trade Division continues to study and assess these situations and to seek solutions.

Progress of the recent past provides a valid basis for optimism about the future. The Division anticipates expansion of its regional cooperative promotions and advertising programs, domestic marketing missions and overseas commercial trade missions along with production of its various publications.

Two activities which will greatly influence the future prosperity of the Port are the World Trade Division's five-year marketing plan and its twenty-year regional port master plan.

The shorter range strategy will use a targets-of-opportunity approach to identify key accounts and commodities for the area's marine terminals, and marketing responsibility will be assigned. A vital part of the five-year marketing plan is the retention of steamship services presently calling at the Port, and the attraction of new services. Enthusiastic cooperation of all port components is essential to the success of this strategy.

The twenty-year plan will define the scope and direction of the development of the Delaware Valley port region during the ensuing two decades, particularly in terms of its position as a major international gateway to the United States. The plan will also involve the development of a diversified industrial base geared to international commerce; and the development of port facilities and an intermodal community transport system designed to meet the requirements of the maritime industry in the 21st century.

ADMINISTRATION DIVISION

The Administration Division provides the Authority with a broad range of services ranging from personnel, purchasing, printing and public information to toll auditing, toll accounting, mail service and telephone services.

That the Authority remains a highly attractive place of employment is attested to by the 8,000 applications processed by the Division's Personnel Relations Department last year. These resulted in 700 interviews and 43 new employees, although total employment remained relatively stable.

While most new employees were hired at the entry level of toll collector, there was an increase in professional recruitment for the special needs of World Trade and Engineering Divisions. Affirmative action policies were rigidly observed in all instances.

Assistance, including compensation studies, aided Divisions which are reorganizing to prepare for present and future activities. Salary studies also generated recommendations for salary actions for both graded and ungraded personnel. And they were used to help implement the Fair Labor Standards Act. Also, as part of that implementation the Department conducted informational and training activities for management personnel and introduced to the Unions policy changes that resulted.

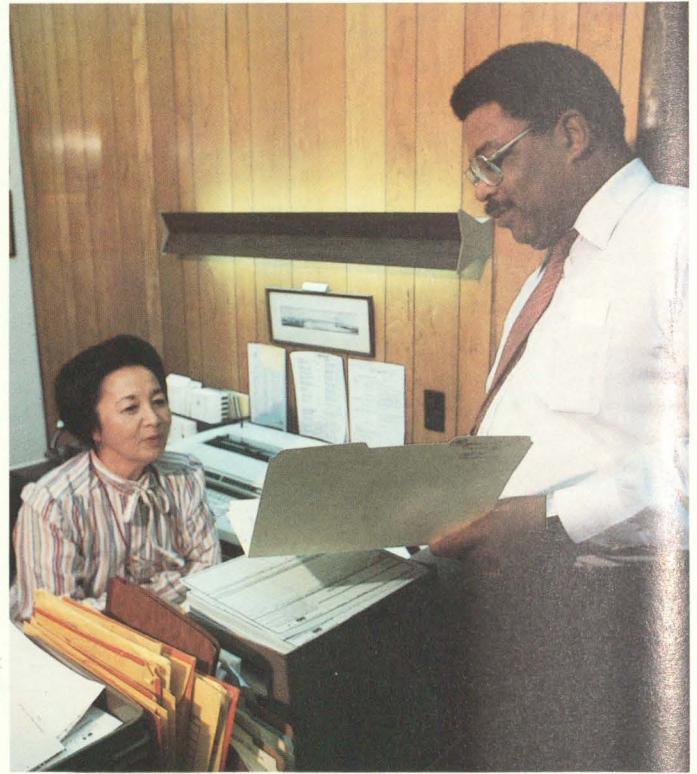
For the 17th consecutive year the Authority has assisted college students through its summer employment program. There were 85 young men and women productively employed in a variety of tasks, including freeing some regular employees who would otherwise be unable to schedule summer vacations.

Concern for the welfare of all employees is evidenced by the active safety program, fully supported by all levels of management. It has resulted in reducing on-the-job injuries by more than 10 percent through awareness programs, specific training activities, continuous accident investigation and recognition programs which have made the Authority a better and safer place to work.

The Personnel Department headed the annual combined United Way Campaign and received a Silver Award from Southeastern Pennsylvania and a Five-Year Gold Bar Award from Camden County (N.J.) for achieving 95 percent of our goal.

The increased activity of the Purchasing Department can be measured by the 7147 line items acquired, a rise of eight percent over the previous year. Their total value was \$3,120,459 and required the processing of 1861 requisitions. Sixteen percent of the total represented 117 purchases valued at \$501,524 placed under New Jersey State Contract. There were 122 purchase orders with a value of \$116,785 placed with local Minority vendors for goods and services required.

The Office of Public Information maintains close liaison with the media, both electronic and print, including the trade press, and particularly the international maritime publications. It requires constant contact, by phone and in person, the issuing of press releases and the preparation of special articles which reflect favorably on our operations or those of our regional port.



Public Information is also responsible for supervisory control of the joint advertising campaign for the Ports of Philadelphia. The selection of a new agency and their indoctrination required considerable additional meetings and orientation sessions.

A new 11-minute, 16 mm port film "Ports of Philadelphia—Gateway U.S.A." was produced in-house by Public Information at considerable savings to the Authority, and is being distributed internationally in seven languages. New video equipment has also been obtained and is being used to record progress of the bridge redecking, among other purposes. Still photos, in black and white and in color, are taken for the Legal, Engineering and World Trade Divisions as required.

The Authority again experienced an increase in Health Benefit rates in 1985. The Office of Insurance Administration negotiated with our present carrier, Blue Cross/ Shield, to institute cost containment measures which should help to reduce costs to the individual.

The Division's Print Shop expanded its output to 700 print jobs and a total of 9,989,382 individual pieces. The exacting production of commuter stickers is now in its eighth year. Net savings of this program, after deducting the cost of equipment, have passed the half million dollar mark.

E N G I N E E R I N G

Several major projects were completed under the supervision of the Engineering Division in 1985, others were begun and studies were undertaken for still additional projects that lie in the future.

Of those that were completed, the largest in scope was the rehabilitation of the PATCO trackbed on the out-board side of the Benjamin Franklin Bridge. The work required approximately 13 months construction time and the expenditure of \$12.14 million.

The work of installing three movable maintenance platforms under the deck of the Benjamin Franklin Bridge was completed in 1985.

Also finished during the year was the complete rehabilitation of the antiquated electrical system on the Benjamin Franklin Bridge.

At the Walt Whitman Bridge, settled granite curbing and cracked, deteriorated and settled reinforced concrete roadway in portions of 16 of the 22 toll lanes were replaced. French drains were constructed and 12 treadle box frames replaced, all in the space of four months' time and at a cost of \$431,240.

The work of replacing false chord bearing angles in the cantilever truss superstructure of the Commodore Barry Bridge was finished in six months' time at a cost of \$222,035. The contract included lateral alignment of the trusses.

Lesser projects during the year included replacing the missing security fence on the Philadelphia side of the Betsy Ross Bridge; new boilers installed at the Walt Whitman Bridge; the Chester exit ramp at the Commodore Barry Bridge was overlaid with a latex modified concrete, and the protective barriers over the railroad in Chester, Pa. were reinforced and reinstalled.

The largest single project undertaken by the Authority in the past decade got underway in 1985 with the begin-

ning of field work on the deck replacement of the Benjamin Franklin Bridge. The major efforts included the demolition of the eastbound curb lane, the installation of some of the initial new floor beams, and the fabrication of the orthotropic steel deck sections. The first roadway deck panel was installed in December. Some delays were encountered in the delivery of materials and at year's end the project was some months behind schedule.

Also begun, with the award of a contract in November, was the rehabilitation of the unserviceable roadway lighting system on the New Jersey approach to the Walt Whitman Bridge.

Preparations for a number of new projects were initiated during the year. A study was conducted and recommendations made to replace the reinforced concrete deck of the westbound Moyamensing Ave. bridge on the Pennsylvania approach to the Walt Whitman Bridge.

Engineering Division studied the condition of 16 PATCO bridges in the city of Camden and compiled a report of the required rehabilitation work.

A consultant was retained and a study initiated to determine the cause of suspender rope wear at the Walt Whitman bridge. The study includes an investigation of all suspender elements of the Bridge.

The Division continued its support for additional work under UMTA Capital Grant Agreements including the design for reverse signal installation to assure safer single track operation of PATCO trains on the Benjamin Franklin Bridge; the contract for an additional storage facility at the PATCO Lindenwold Yard; increased lighting for New Jersey PATCO parking lots; the installation of closed circuit T.V. for 8-car train operation and the development of the scope of services required for the repairs to six PATCO station platforms.



PATCO

For the first year since 1980, there was an upward trend in PATCO ridership that carried through the entire year. Although the ridership of 10,230,659 for 1985 was only 0.2 percent higher than the total for 1984, the growth rate in the second half of the year was close to 2 percent.

There appeared to be three major external factors influencing the growth of PATCO's 1985 ridership: the doubling of Philadelphia's parking tax in July; an increase in center city Philadelphia's level of employment; and the traffic congestion caused by major highway reconstruction projects in and around the city.

Internal factors contributing to the ridership gains included: the stability of PATCO's fares (which have not been increased since March 1983); the availability of free parking spaces at key PATCO stations; an expanded and more diverse promotional advertising program; and a more aggressive and visible security program that provided a greater feeling of security for PATCO patrons.

The number of reportable crimes on PATCO decreased by 40 percent. The clearance ratio, or the percentage of crimes that were cleared through arrests, increased by a noteworthy 104 percent, compared to 1984.

Several major projects to rehabilitate and upgrade PATCO's plant and equipment were begun, continued, or completed in 1985.

The most significant accomplishment was the successful completion of the renewal of the entire 50-year-old rail trackage system on the Benjamin Franklin Bridge. The project, begun in 1984, and funded jointly by the Delaware River Port Authority and the Urban Mass Transportation Administration (UMTA) of the U.S. Department of Transportation (USDOT) was completed under budget

and without any major disruption to PATCO's rail service.

PATCO's Broadway Station in Camden remained closed throughout 1985 to facilitate the construction of the new Camden Transportation Center (CTC) by the City of Camden on the site. When completed in 1987, the CTC will house a four-story parking garage, a NJ Transit and Trailways bus terminal, a modernized PATCO station, space for PATCO's Police Headquarters, and other office space to be utilized by NJ Transit, the NJ Department of Transportation and City of Camden.

The program for the mid-life overhaul and upgrading of the 75 original PATCO I rail cars moved ahead smoothly in 1985. These 17-year-old rail cars have each accumulated close to 1,000,000 miles of revenue service.

In order to assure the continued safe and reliable operation of these cars for many years to come, it is essential that many of the electrical and mechanical components be either rebuilt or renewed. In addition, the nearly six miles of electrical wiring on each car is being replaced with modern insulated wiring that can better withstand the elevated temperatures that are present beneath the floor and above the ceiling. Seven cars were completed in 1985, bringing the total number of the overhauled and upgraded cars to fourteen.

The car overhaul and upgrading is partially funded by UMTA. It is being performed by PATCO labor at a cost that is estimated to be less than 50 percent of the cost to contract the work to an outside contractor. The performance and reliability of the overhauled PATCO I cars rivals that of the 46 extremely reliable PATCO II cars that were purchased in 1980.

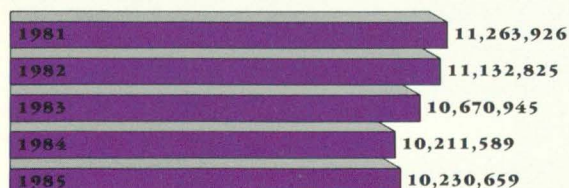
PATCO operating revenues of \$13,891,000 were offset by operating expenses of \$17,668,000 resulting in a net transit operating loss of \$3,777,000, exclusive of depreciation of \$2,470,000. The operating ratio of 79 percent continues to compare favorably with the transit industry average of less than 50 percent. The \$3.78 million loss was \$0.75 million less than had been budgeted for the year.

Expenses, which were \$0.82 million under budget, were reduced by three factors: careful control of car mileage to match the loading requirements; reductions in the fuel adjustment charge portion of the cost of purchased electric power; and a modest reduction in staffing that was accomplished through productivity gains and normal attrition.

A 5.2 percent reduction in total car mileage was achieved when compared to the previous year. This reduction was accomplished without deviating from management's goal of scheduling an average of one seat per passenger during the rush hours, and by minimizing the number of empty seats at other times.

During 1985, PATCO operations achieved an on-schedule performance ratio of 99.1 percent vs. 98.6 percent in 1984. This is an extremely high level of reliability.

Patco Passenger Totals





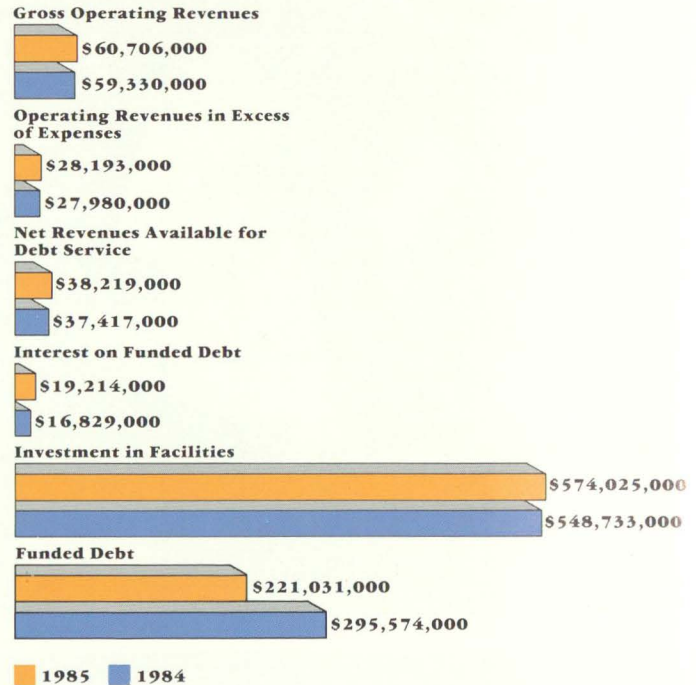
F I N A N C E

For the year 1985, total operating revenues increased \$1,502,000 or 2.1 percent over comparable 1984 figures due primarily to the overall increase in bridge traffic. Total operating and administrative expenses, including depreciation of \$7,766,000 were \$57,947,000 which resulted in operating revenues in excess of expenses of \$16,650,000 as compared to \$17,563,000 for 1984. The PATCO net operating loss in 1985, including depreciation of \$2,470,000 was \$6,247,000 as compared to \$5,532,000 in 1984.

Despite generally lower interest rates during 1985, investment income in the Revenue, Bond Service and Bond Reserve Funds increased from \$9,437,000 to \$10,026,000 principally as a result of additional funds available for investment being held in anticipation of the bridge redecking work as described elsewhere in this report. All investments of the Authority were in accordance with applicable Bond Resolutions and reflect the continued prudent investment management by the Finance Committee.

After deduction for interest on "Outstanding" Funded Debt of \$19,214,000, there remained net revenues of \$7,462,000 available for other Port Authority expenditures such as World Trade Division and necessary capital expenditures compared to \$10,171,000 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. The Authority's refunding program was undertaken to restructure its debt with 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



Financial Highlights in accordance with Port Authority Bond Resolutions. See Note 8.

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.

T H E C O M M I S S I O N

While there were no changes in the membership of the eight-member New Jersey delegation in 1985, two new members were named to the Pennsylvania delegation to succeed incumbents.

Commissioner William H. Combs, of Villanova, Pa., Chairman of the Tamaqua Cable Products Co., served on the Board from February 1979 until March of 1985.

He was succeeded by Philadelphia Attorney Perrin C. Hamilton on March 6, 1985.

The Hon. James O. Pickard, Secretary of Commerce for the Commonwealth of Pennsylvania, served as a member of the Board of Commissioners from June 1, 1983 until March 15, 1985.

He was succeeded by Frank Wright, Ph.D., Secretary of Policy and Planning for the Commonwealth of Pennsylvania. Dr. Wright's appointment was effective on March 15, 1985.

F I N A N C I A L S T A T E M E N T S

C O N T E N T S

YEAR ENDED DECEMBER 31, 1985

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Peat, Marwick, Mitchell & Co.
Certified Public Accountants
1600 Market Street
Philadelphia, Pennsylvania 19103

Commissioners
Delaware River Port Authority:

We have examined 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. 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, 1985 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, 1984 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 22, 1985, we expressed an unqualified opinion on those financial statements. In our opinion, the accompanying financial information for 1984, 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, Mitchell & Co.

February 28, 1986

DELAWARE RIVER PORT AUTHORITY
 Balance Sheet
 December 31, 1985
 with comparative figures for 1984
 (Thousands of dollars)

<u>Assets</u>	<u>Capital fund</u>	<u>Revenue fund</u>
Cash (note 5)	\$ -	449
Investment in securities (notes 4 and 5)	-	76,980
Accrued interest receivable	-	670
Accounts receivable (note 2)	-	151
Transit system inventory	-	-
Prepaid expenses	-	437
Investment in facilities (note 3)	549,107	-
Less accumulated depreciation	<u>120,024</u>	-
	429,083	-
Debt issuance costs, net of amortization	<u>9,620</u>	-
	<u>\$ 438,703</u>	<u>78,687</u>
<u>Liabilities and Fund Equities</u>		
Accounts payable:		
Contracts	\$ -	-
Retained amounts on contracts	-	-
Other (note 4)	-	726
	<u>-</u>	<u>726</u>
Accrued liabilities:		
Interest	-	-
Pension (note 4)	-	823
Sick and vacation leave benefits	-	6,229
Other	-	1,615
	<u>-</u>	<u>8,667</u>
Deferred income on truck tickets	-	1,217
Reserves:		
Replacement and repainting	-	13,276
Other	-	1,342
	<u>-</u>	<u>14,618</u>
Funded debt (note 5)	221,031	-
Commitments and contingencies (notes 6 and 9)		
Fund equities (notes 5, 6 and 7)	<u>217,672</u>	<u>53,459</u>
	<u>\$ 438,703</u>	<u>78,687</u>

See accompanying notes to financial statements.

1985

Bond service fund	Bond reserve fund	Construction fund	General fund	Combined	1984 Combined
-	-	2	148	599	623
10,098	24,594	13,857	12,964	138,493	143,678
-	712	-	18	1,400	1,972
-	-	-	538	689	1,820
-	-	-	1,602	1,602	1,590
-	-	-	346	783	554
-	-	-	24,918	574,025	548,733
-	-	-	287	120,311	113,781
-	-	-	24,631	453,714	434,952
-	-	-	-	9,620	-
<u>10,098</u>	<u>25,306</u>	<u>13,859</u>	<u>40,247</u>	<u>606,900</u>	<u>585,189</u>
-	-	5,674	1,304	6,978	5,224
-	-	-	1,211	1,211	1,048
-	-	-	1,012	1,738	1,578
-	-	<u>5,674</u>	<u>3,527</u>	<u>9,927</u>	<u>7,850</u>
10,093	-	-	-	10,093	8,287
-	-	-	272	1,095	1,072
-	-	-	1,647	7,876	7,191
-	-	-	-	1,615	-
<u>10,093</u>	<u>-</u>	<u>-</u>	<u>1,919</u>	<u>20,679</u>	<u>16,550</u>
-	-	-	-	1,217	1,089
-	-	-	-	13,276	10,828
-	-	-	958	2,300	1,904
-	-	-	<u>958</u>	<u>15,576</u>	<u>12,732</u>
-	-	-	-	221,031	295,574
<u>5</u>	<u>25,306</u>	<u>8,185</u>	<u>33,843</u>	<u>338,470</u>	<u>251,394</u>
<u>10,098</u>	<u>25,306</u>	<u>13,859</u>	<u>40,247</u>	<u>606,900</u>	<u>585,189</u>

DELAWARE RIVER PORT AUTHORITY
Statement of Revenues and Expenses
Year ended December 31, 1985
with comparative figures for 1984
(Thousands of dollars)

	<u>1985</u>	<u>1984</u>
Operating revenues and expenses (note 5):		
Bridge:		
Tolls	\$ 60,585	59,303
Other operating revenues	<u>121</u> \$ 60,706	<u>27</u> 59,330
Operating expenses	26,372	25,494
Depreciation	<u>5,296</u> <u>31,668</u>	<u>4,885</u> <u>30,379</u>
	<u>29,038</u>	<u>28,951</u>
Transit system:		
Passenger fares	13,435	13,308
Other operating revenues	<u>456</u> 13,891	<u>457</u> 13,765
Operating expenses	17,668	16,869
Depreciation	<u>2,470</u> <u>20,138</u>	<u>2,428</u> <u>19,297</u>
	<u>(6,247)</u>	<u>(5,532)</u>
	22,791	23,419
General administration expenses	<u>6,141</u>	<u>5,856</u>
Operating revenues in excess of expenses	16,650	17,563
Interest income	10,026	9,437
Interest on funded debt, including issues refunded in 1985 (note 5):		
Revenue bonds, series 1985	(12,950)	-
1969 first series revenue bonds	(2,094)	(5,625)
Series 1972 revenue bonds	(2,438)	(6,550)
Series 1972 refunding revenue bonds	<u>(1,732)</u> <u>(19,214)</u>	<u>(4,654)</u> <u>(16,829)</u>
Excess of revenues over expenses before other income (expenses)	<u>7,462</u>	<u>10,171</u>

DELAWARE RIVER PORT AUTHORITY
Statement of Revenues and Expenses, Continued

	<u>1985</u>	<u>1984</u>
Other income (expenses):		
Interest on funded debt - issues refunded prior to 1985 (note 5):		
1969 first series revenue bonds	\$ (15)	(365)
Series 1974 special revenue refunding bonds	(321)	(1,010)
Series 1974 special obligation refunding bonds	<u>(1)</u>	<u>(22)</u>
	(337)	(1,397)
Other interest income	1,490	3,256
Gain on sale of property and air rights	-	420
World trade development expenses	(2,454)	(2,237)
Loss on early retirement of facilities	(929)	(602)
Other	<u>-</u>	<u>12</u>
	<u>(2,230)</u>	<u>(548)</u>
Net income before extraordinary item	5,232	9,623
Extraordinary item:		
Gain from bond refunding (note 5)	<u>76,615</u>	<u>-</u>
Net income	\$ <u>81,847</u>	<u>9,623</u>

See accompanying notes to financial statements.

DELAWARE RIVER PORT AUTHORITY
Statement of Changes in Fund Equities
Year ended December 31, 1985
with comparative figures for 1984
(Thousands of dollars)

	Funds established under 1969 General Bond Resolution and 1974 Special Revenue Bond Resolution																
	Capital fund	Revenue fund	Bond service fund	Bond reserve fund	Construction fund	General fund	Revenue fund	Bond service fund	Bond reserve fund	Debt service fund	Debt service reserve fund	1974 escrow deposit fund	1974 bond fund	Construction fund	General fund	Combined	1984 Combined
Fund equities (deficiencies) January 1, 1985	\$ 111,473	-	-	-	-	-	47,242	3,248	312	1,459	3,672	(6,174)	(6)	64,849	25,319	251,394	232,128
Revenues and expenses:																	
Operating revenues	-	39,759	-	-	-	9,671	20,947	-	-	-	-	-	-	-	4,220	74,597	73,095
Operating expenses	(6,582)	(17,036)	-	-	-	(12,473)	(9,337)	-	-	-	-	-	-	(1,005)	(5,373)	(51,806)	(49,676)
General administration expenses	-	(3,987)	-	-	-	-	(2,154)	-	-	-	-	-	-	-	-	(6,141)	(5,856)
Interest income	-	3,815	219	1,530	-	936	2,411	184	931	-	-	-	-	-	-	10,026	9,437
Interest on funded debt	(278)	-	(12,672)	-	-	-	-	(6,242)	-	-	-	-	-	(22)	-	(19,214)	(16,829)
Other income (expenses)	(943)	-	-	-	448	(1,689)	-	-	-	(295)	166	17	(1)	251	(184)	(2,230)	(548)
Gain from bond refunding	51,880	(1,622)	-	-	-	(4)	-	5,543	24,187	273	(3,642)	-	-	-	-	76,615	-
	44,077	20,929	(12,453)	1,530	448	(3,559)	11,867	(515)	25,118	(22)	(3,476)	17	(1)	(776)	(1,337)	81,847	9,623
Government contributions for capital improvements and additions (note 7)	5,229	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,229	9,643
Interfund transfers and payments:																	
Bond service	-	(12,458)	12,458	-	-	-	(5,347)	5,347	-	-	-	-	-	-	-	-	-
Funds in excess of Bond Reserve requirement	-	778	-	(778)	-	-	241	-	(241)	-	-	-	-	-	-	-	-
Debt service fund requirement	-	-	-	-	-	-	-	-	-	978	-	-	-	-	(978)	-	-
Funds in excess of Debt Service Reserve Fund requirement	-	-	-	-	-	-	50	-	-	-	(50)	-	-	-	-	-	-
Excess funds free of lien or pledge	-	(4,369)	-	-	-	4,369	(5,474)	-	-	-	-	-	-	-	5,474	-	-
Funds in excess of escrow requirement	-	-	-	-	-	-	-	-	-	-	-	(572)	572	-	-	-	-
Excess funds re: escrow trust restructuring program	-	-	-	-	-	-	-	-	-	-	-	-	(325)	-	325	-	-
Completed capital additions	5,381	-	-	-	-	(5,376)	-	-	-	-	-	-	-	-	(5)	-	-
Retirement of bonds:																	
1969 first series revenue serial bonds	6,500	-	-	-	-	-	-	-	-	-	-	(6,500)	-	-	-	-	-
Series 1974 special obligation refunding serial bonds	-	-	-	-	-	-	-	-	-	-	-	240	(240)	-	-	-	-
Series 1974 special revenue refunding bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Series 1974 special revenue refunding bonds issue	(11,324)	-	-	-	-	-	-	-	-	(1,665)	-	1,665	-	-	-	-	-
Closing of funds balances:																	
Revenue Fund	-	48,579	-	-	-	-	(48,579)	-	-	-	-	-	-	-	-	-	-
Bond Service Fund	-	-	-	-	-	8,080	-	(8,080)	-	-	-	-	-	-	-	-	-
Bond Reserve Fund	-	-	-	24,408	-	781	-	-	(25,189)	-	-	-	-	-	-	-	-
Debt Service Fund	-	-	-	-	-	750	-	-	-	(750)	-	-	-	-	-	-	-
Debt Service Reserve Fund	-	-	-	146	-	-	-	-	-	-	(146)	-	-	-	-	-	-
Construction Fund	56,336	-	-	-	7,737	-	-	-	-	-	-	-	-	(64,073)	-	-	-
General Fund	-	-	-	-	-	28,798	-	-	-	-	-	-	-	-	(28,798)	-	-
Fund equities at December 31, 1985 (notes 5, 6 and 7)	\$ 217,672	53,459	5	25,306	8,185	33,843	-	-	-	-	-	-	-	-	-	338,470	251,394

See accompanying notes to financial statements.

DELAWARE RIVER PORT AUTHORITY
Statement of Changes in Financial Position
Year ended December 31, 1985
with comparative figures for 1984
(Thousands of dollars)

	<u>1985</u>	<u>1984</u>
Source of funds:		
Operations:		
Net income before extraordinary item	\$ 5,232	9,623
Noncash expenses:		
Depreciation	7,766	7,312
Provision for maintenance of facilities	2,448	2,443
Provision for self-insurance	1,331	2,109
Amortization of bond discount	69	92
Deferred income on truck tickets	128	93
Amortization of debt issuance costs	240	-
Loss on early retirement of facilities	<u>929</u>	<u>602</u>
Funds provided by operations, exclusive of extraordinary item	18,143	22,274
Extraordinary item - gain from bond refunding	<u>76,615</u>	<u>-</u>
Funds provided by extraordinary item	<u>76,615</u>	<u>-</u>
	94,758	22,274
Increase in accounts payable	2,077	1,405
Increase in accrued liabilities	4,129	582
Government contributions for capital improvements and additions	5,229	9,643
Issuance of bonds	<u>220,993</u>	<u>-</u>
	<u>327,186</u>	<u>33,904</u>
Application of funds:		
Retirement of bonds	8,405	7,275
Additions to facilities, net	27,456	15,766
Maintenance of facilities	-	33
Increase (decrease) in accounts receivable and accrued interest receivable	(1,703)	2
Payment of self-insurance claims	936	1,608
Other	241	156
Debt issuance costs	9,860	-
Defeasance of bonds	<u>287,200</u>	<u>-</u>
	<u>332,395</u>	<u>24,840</u>
Increase (decrease) in cash and investments	(5,209)	9,064
Cash and investments:		
Beginning of year	<u>144,301</u>	<u>135,237</u>
End of year	<u>\$ 139,092</u>	<u>144,301</u>

See accompanying notes to financial statements.

(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 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 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.

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

(1), Continued

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 year 1985, the Authority has accelerated its annual depreciation expense by \$301. In addition, the Authority has recognized a \$849 loss for a portion of an asset, Lane #7, that was removed in 1985.

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).

Funded Debt Discount

The discount arising from the issuance of funded debt is amortized by the straight-line method from the issue date to maturity.

Insurance Expense

The Authority provides for the uninsured portion of potential general liability and workers' compensation claims through self-insurance programs and charges current operations for estimated claims to be paid (note 9).

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

(2) Accounts Receivable

General fund accounts receivable is composed of the following:

	<u>1985</u>	<u>1984</u>
Reimbursements from governmental authorities for:		
Extension of PATCO platforms at six passenger stations due from New Jersey Transit Corp.	\$ -	413
Capital improvements to the PATCO system due from Urban Mass Transportation Administration	35	595
Mass Transit Capital Improvement Grant, the PATCO System first phase capital improvement program due from Urban Mass Transportation Administration and State of New Jersey	-	61
Advance for right-of-way acquisition, Woodcrest Station due from New Jersey Department of Transportation	-	181
Update Analysis Study Grant due from Delaware Valley Regional Planning Commission	-	52
PATCO Research and Development Grants due from Urban Mass Transportation Administration	32	51
PATCO costs for temporary relocation of Broadway Station facilities due from City of Camden	-	91
Authority staff engineering services for construction of Camden transportation terminal due from the City of Camden, New Jersey	<u>43</u>	<u>-</u>
	110	1,444
Other:		
Authority vs. S.S. Santa Rosa regarding ship collision with Benjamin Franklin Bridge	211	-
Deposits with insurance company	68	-
Miscellaneous	<u>300</u>	<u>376</u>
	<u>\$ 689</u>	<u>1,820</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) Investment in Facilities

	<u>1985</u>	<u>1984</u>
Bridges:		
Benjamin Franklin	\$ 78,211	60,545
Walt Whitman	97,970	97,324
Commodore Barry (a)	141,201	140,647
Betsy Ross (a)	<u>129,020</u>	<u>128,932</u>
	446,402	427,448
Less accumulated depreciation	<u>85,154</u>	<u>80,497</u>
	<u>361,248</u>	<u>346,951</u>
Transit system:		
PATCO System (b) (note 7)	125,685	119,379
PATCO System first phase capital improvement program (c)	<u>1,938</u>	<u>1,906</u>
	127,623	121,285
Less accumulated depreciation	<u>35,157</u>	<u>33,284</u>
	<u>92,466</u>	<u>88,001</u>
	<u>\$ 453,714</u>	<u>434,952</u>

(a) Commodore Barry Bridge, net of \$4,431 and Betsy Ross Bridge, net of \$5,472 at December 31, 1985 of construction, engineering, land and utility relocation costs contributed by New Jersey Department of Transportation.

(b) Net of \$1,700 at December 31, 1985 contributed by New Jersey Transit Corp.

(c) Net of \$59,609 at December 31, 1985 contributed by the participating agencies under the first phase capital improvement program (note 6).

(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 \$4,014 and \$3,685 in 1985 and 1984, respectively.

(4), Continued

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 totalled \$314 and \$318 in 1985 and 1984, respectively. Under 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 \$502 for 1985 and \$382 for 1984.

In 1985, the Authority and PATCO established a Deferred Compensation Plan. 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, 1985, the plan assets were \$17 and \$6 for the Authority and PATCO, respectively.

Such 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. On May 15, 1985, the Authority issued \$222,235 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 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

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

(5), Continued

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.

- b. The 1985 Bonds dated April 15, 1985 and outstanding at December 31, 1985 are as follows:

<u>Maturity date</u> <u>(January 1,)</u>	<u>Interest rate</u>	<u>Principal</u> <u>amount</u>
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 January 1, 2011		<u>1,204</u>
Total funded debt at December 31, 1985		\$ <u><u>221,031</u></u>

- c. Interest on the 1985 Bonds is payable semiannually on July 1 and January 1 in each year, commencing July 1, 1985.

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

(5), Continued

- 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
At maturity,		2008	20,100
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>

- 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>

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

(5), Continued

- 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 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 extraordinary item, gain from bond refunding is composed of the following:
1. Defeasance of the principal and the accrued interest due on the Authority's outstanding refunded bonds:

Principal	\$ 287,200
Accrued interest	<u>5,817</u>
 Total principal and accrued interest	 <u><u>\$ 293,017</u></u>

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

(5), Continued

Total principal and accrued interest	\$ 293,017
2. Deposits of moneys and investments with Citibank, N.A., Escrow Agent, on May 15, 1985 under an Escrow Deposit Agreement:	
Bond proceeds from the sale of \$222,235 Revenue Bonds, Series 1985	(211,093)
Costs of \$51,620 U.S. Treasury Obligations	(3,643)
3. Bond financing costs applicable to refunded bonds	(40)
4. Trustee, registrar, paying agent, and escrow agent fees applicable to refunded bonds	<u>(1,626)</u>
	<u>(216,402)</u>
Gain from bond refunding	\$ <u>76,615</u>
i. 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 Auth- ority.	
j. Current maturities on the Authority's outstanding long-term debt are as follows:	
1986	\$ -
1987	-
1988	365
1989	3,720
1990	<u>3,815</u>
k. The following Bond issues matured or became due on January 15, 1985:	
The 1969 First Series Revenue Bonds of \$6,500 with related interest expense of \$15, the Series 1974 Special Obligation Refunding Bonds of \$240 with related interest expense of \$1, and \$1,665 of the Series 1974 Special Revenue Refunding Bonds with related interest expense of \$5 were paid on January 15, 1985. The interest expense on these three bond issues are included in other income (expenses).	

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

(6) Commitments

As of December 31, 1985, the Authority had contractual commitments as follows:

	<u>General fund</u>
Benjamin Franklin Bridge:	
Roadway deck replacement (a)	\$ 48,584
PATCO trackbed rehabilitation	96
Moveable maintenance platforms	2
Security fence - administration building parking lot	100
Computer implementation services	15
Replace frames and glazing on four anchorage towers	28
Roadway connections (b)	500
Walt Whitman Bridge:	
High voltage cable replacement	30
Data base security system	4
Boiler replacement	3
Inspection services - suspender ropes and cable support systems	188
Cable and luminaire replacement, electrical modifications	247
Commodore Barry Bridge:	
False chord bearing angles replacement	4
Engineering services for design and construction of sewer force main and pumping station	31
Betsy Ross Bridge:	
Traffic revenue feasibility study	50
Freeway connections (c)	9,000
PATCO Transit System:	
Platform extensions, New Jersey stations	52
Lindenwold yard storage building	393
Other	2
World trade development	<u>84</u>
	<u>\$ 59,413</u>

(6), 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 \$67,500. The Authority has entered into contracts which have remaining committed balances of \$48,584 as of December 31, 1985. The cost of this project will be funded from available reserves of the Authority, restructuring 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 the sum of \$9,000 for its share of the construction of the Route 90 Freeway connections. The initial payment of \$4,000 is due on or before June 30, 1986, and the remaining \$5,000 balance will be paid annually over a number of years beginning June 30, 1987.

The Authority has a lease agreement for the rental of toll collection equipment for 65 toll lanes. The agreement expires April 29, 1987. If the Authority installs additional equipment pursuant to the provisions of the lease agreement, the terms of the lease shall be automatically extended for a period of two years. The lease contains an option-to-purchase clause.

Certain subway properties are leased from the City of Philadelphia. The lease expires December 31, 1997 and provides for rental payments of \$1 per year plus 9.6% of net profits of the Transit System. For the years ended December 31, 1985 and 1984, 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 \$1 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).

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

(6), Continued

Minimum lease commitments are as follows:

1986	\$ 846
1987	328
1988	<u>78</u>

Rent expense for the years ended December 31, 1985 and 1984 amounted to \$1,128 and \$1,129, respectively.

(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 \$5,229 were received in 1985 and \$9,643 in 1984. Charges representing depreciation on assets relating to these contributions were \$505 in 1985 and \$256 in 1984.

	<u>1985</u>	<u>1984</u>
Contributions	\$ 18,293	13,063
Less accumulated charges (depreciation on assets acquired with contributions)	<u>953</u>	<u>448</u>
	<u>\$ 17,340</u>	<u>12,615</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 \$85,154 as a result of excluding all accumulated depreciation through December 31, 1985.

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

(8), Continued

	<u>1985</u>	<u>1984</u>
Operating revenues and expenses:		
Bridge tolls	\$ 60,585	59,303
Other operating revenues	<u>121</u>	<u>27</u>
	60,706	59,330
Bridge operating expenses	<u>26,372</u>	<u>25,494</u>
	34,334	33,836
General administration expenses	<u>6,141</u>	<u>5,856</u>
Operating revenues in excess of expenses	28,193	27,980
Interest income	<u>10,026</u>	<u>9,437</u>
	<u>38,219</u>	<u>37,417</u>
Interest on funded debt - including issues refunded in 1985:		
Revenue bonds, series 1985	12,950	-
1969 first series revenue bonds	2,094	5,625
Series 1972 revenue bonds	2,438	6,550
Series 1972 refunding revenue bonds	<u>1,732</u>	<u>4,654</u>
	19,214	16,829
	<u>19,005</u>	<u>20,588</u>
Other income (expenses):		
Interest on funded debt - issues refunded prior to 1985:		
1969 first series revenue bonds	(15)	(365)
Series 1974 special revenue refunding bonds	(322)	(1,010)
Series 1974 special obligation refunding bonds	-	(22)
	<u>(337)</u>	<u>(1,397)</u>
Other interest income	1,490	3,256
World trade development expenses	(2,454)	(2,237)
Transit system operating loss (includes depreciation of \$2,470 in 1985 and \$2,428 in 1984)	(6,247)	(5,532)
Discount on bonds purchased, Series 1974 special revenue refunding bonds	-	11
Gain on sale of property and air rights	-	420
Loss on early retirement of facilities	<u>(1,445)</u>	<u>(688)</u>
	<u>(8,993)</u>	<u>(6,167)</u>
Net income before extraordinary item	<u>10,012</u>	<u>14,421</u>

DELAWARE RIVER PORT AUTHORITY
Notes to Financial Statements, Continued

(8), Continued

	<u>1985</u>	<u>1984</u>
Net income before extraordinary item	10,012	14,421
Extraordinary item:		
Gain from bond refunding	<u>76,615</u>	<u>-</u>
Net income	<u>\$ 86,627</u>	<u>14,421</u>

(9) Contingencies

The Authority is self-insured for the initial \$1,500 and \$250 of public liability and workers' compensation insurance, respectively. PATCO is self-insured for the initial \$1,500 of public liability and workers' compensation insurance.

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.



Delaware River Port Authority

