

## **SUMMARY STATEMENT**

**ITEM NO. DRPA-16-135**                      **SUBJECT:**    **Resolution in accordance with Sections 5.15 and 5.09 of the 1998 Indenture of Trust dated as of July 1, 1998 with TD Bank, N.A. as Trustee to adopt an Annual Budget of the Delaware River Port Authority for the 2017 Fiscal Year**

**COMMITTEE:**    **Finance**

**COMMITTEE MEETING DATE:**                      **November 30, 2016**

**BOARD ACTION DATE:**                              **December 7, 2016**

**PROPOSAL:**                      **That the Board of Commissioners adopts an Annual Budget in accordance with Section 5.15 of the 1998 Indenture of Trust dated as of July 1, 1998 with TD Bank, N.A. as successor Trustee to Commerce Bank, N.A.**

**PURPOSE:**                      **To fulfill the requirements pursuant to Section 5.15 of the 1998 Indenture of Trust dated as of July 1, 1998 with TD Bank, N.A. as Trustee.**

**BACKGROUND:**                      **Section 5.15 of the 1998 Indenture of Trust dated as of July 1, 1998 with TD Bank, N.A. as Trustee (1998 Indenture), as approved by the Board of Commissioners of the Delaware River Port Authority (Authority), provides in pertinent part:**

- (a) The Authority covenants that on or before December 31 in each Fiscal Year it will adopt a final budget (Annual Budget) for the ensuing Fiscal Year of (i) Operating Expenses, (ii) the PATCO Subsidy, (iii) the amount to be deposited to the credit of the 1998 Maintenance Reserve Fund and (iv) the estimated amounts to be deposited into (a) the 1998 Debt Service Fund, (b) the 1998 Debt Service Reserve Fund, and (c) the 1998 Rebate Fund and (v) the amounts to be deposited in any fund established under the 1998 Indenture (such budget being herein referred to as the Annual Budget. Each Annual Budget shall also contain the Authority's projections for Revenues for the ensuing Fiscal Year demonstrating compliance with the covenant as to Facility Charges as set forth in Section 5.09 of the 1998 Indenture. On or before December 31 in each Fiscal Year the Authority shall file a copy of the Annual Budget for the ensuing Fiscal Year with the Trustee.**

The attached 2017 Annual Budget provides the amount of funds required for each component, (i) through (v), of paragraph (a) of Section 5.15 of the 1998 Indenture and in addition provides revenue projections required to demonstrate compliance with the covenant as to Facility Charges set forth in Section 5.09 of the 1998 Indenture. The following provides a summary of the determination of each component of the Annual Budget and the determination of compliance with Section 5.09 of the 1998 Indenture.

**(i) Operating Expenses:**

As defined in the 1998 Indenture, Operating Expenses generally consist of all current expenses under Generally Accepted Accounting Principles (GAAP) in respect of the operation, maintenance and repair of or to the Facilities, properly attributable to the facilities except for non-cash items of expense and, as defined, exclude any costs of Capital Additions, any provisions for interest, depreciation or amortization, and any expenses relating to the Rapid Transit System (PATCO).

In accordance with the above, estimated 2017 Operating Expenses, as of December 31, 2017, include the following;

- (a) 2017 DRPA Operating Budget in the amount of \$97,555,036 (Includes E-ZPass Customer Service Center Expenses).
- (b) 2017 One Port Center Operating Expenses in the amount of \$1,989,015 (Includes 2017 OPC operating budget plus the 2017 Redevelopment Fee Payment, of \$363,333, to the City of Camden).
- (c) 2017 Biennial Inspection Expense in the amount of \$567,000 (The Biennial Inspection expense provides for engineering inspections of DRPA's bridge and transit system facilities which are required under the bond indenture. The last inspection was completed in 2016.)
- (d) 2017 Letter of Credit and remarketing fees of \$1,675,907 associated with the Authority's variable rate debt.

2017 Operating Expenses totaling \$101,786,958 are included in the 2017 Annual Budget.

**(ii) PATCO Subsidy:**

**As defined in the 1998 Revenue Bond Indenture, the PATCO Subsidy generally includes (a) the amount of any operating subsidy paid or payable by the Authority to or for the account of PATCO with respect to the Rapid Transit System, plus (b) the amount of rent and other payment obligations paid or payable by the Authority under the Locust Street Subway Lease, including payments into the Community Impact Fund.**

**The Authority's operating subsidy to PATCO for 2017 is estimated to be \$29,701,624 (Estimated PATCO operating revenues of \$27,024,853 less 2017 PATCO Operating Budget expenses of \$56,726,477). Under the terms of the Locust Street Subway Lease, amended December 12, 1995, the Authority will pay, in 2017 approximately \$3,291,444 to the City of Philadelphia and \$500,000 in Community Impact Funds.**

**The PATCO Subsidy (including the payments under the Locust Street Subway Lease) is estimated to be \$33,493,068 in 2017 and such funds are included in the 2017 Annual Budget.**

**(iii) Amount to be deposited to the 1998 Maintenance Reserve Fund:**

**In accordance with the terms of the 1998 Indenture, the Authority is not required to deposit any funds to the credit of the 1998 Maintenance Reserve Fund until the Defeasance of the 1995 Indenture. With the defeasance of the 1995 Revenue Bonds, the 1995 Maintenance Reserve Fund has been closed and any balance has been transferred to the 1998 Maintenance Reserve Fund. No deposits are required for 2017.**

**(iv) Amounts to be deposited to**

**(a)      1998 Debt Service Fund:**

**No monies are required to be deposited into the 1998 Debt Service Fund for the Fiscal Year 2017, as the last portion of the outstanding 1998 Revenue Refunding Bonds matured on January 1, 2011.**

**(b)      1998 Debt Service Reserve Fund:**

**In accordance with the terms of the 1998 Indenture, the 1998 Debt Service Reserve Fund is required to be funded at all times in an amount equal to the 1998 Debt Service Reserve Requirement. No additional monies are required to be deposited in 2017.**

**(c)      1998 Rebate Fund:**

**In accordance with Section 6.07 of the 1998 Indenture no deposits are expected to be made to the 1998 Account or the 1999 Account of the 1998 Rebate Fund for the 2017 Fiscal Year.**

**(d)      1999 Debt Service Account of the 1998 Debt Service Fund:**

**In accordance with the terms of the 1998 Indenture (and its Supplemental Indenture), no deposit is required for the 1999 Revenue Bonds were fully redeemed in April of 2012.**

**(e)      2008 Debt Service Account of the 1998 Debt Service Fund:**

**In accordance with the terms of the 1998 Indenture (and its Supplemental Indentures) the amount of \$34,029,221 representing estimated debt service payments on the 2008 Revenue Refunding Bonds and net payments to the swap counterparty on the 1995 Revenue Bond swap, are required to be deposited into the 2017 Account of the Debt Service Fund for the 2017 Fiscal Year and such amount is included in the 2017 Annual Budget.**

**(f)      2010 Debt Service Account of the 1998 Debt Service Fund:**

**In accordance with the terms of the 1998 Indenture the amount of \$40,722,084 represents the estimated debt service payments on the 2010 Revenue Refunding Bonds (Series A, B, and C), and any net payments to the swap counterparty of the 1999 Revenue Bond swap, required to be deposited into the 2017 Account of the Debt Service Fund for the 2017 Fiscal Year and such amount is included in the 2017 Annual Budget.**

**(g) 2010 Debt Service Account of the 1998 Debt Service Fund:**

**In accordance with the terms of the 1998 Indenture (and its Supplemental Indentures) the amount of \$15,428,918, representing the estimated debt service payments on the 2010 Revenue Bonds (Series D), is required to be deposited into the 2017 Account of the Debt Service Fund for the 2017 Fiscal Year and such amount is included in the 2017 Annual Budget.**

**(h) 2013 Debt Service Account of the 1998 Debt Service Fund:**

**In accordance with the terms of the 1998 Indenture (and its Supplemental Indentures), the amount of \$23,654,794 representing the estimated debt service payments on the new bonds, is required to be deposited in the 2017 Account of the Debt Service Fund for the 2017 Fiscal Year and such amount is included in the 2017 Annual Budget.**

**Projection of Revenues for 2017 Demonstrating Compliance With The Covenant As To Facility Charges Set Forth In Section 5.09 of the 1998 Indenture:**

**Section 5.09 Maintenance of Facility Charges, paragraph (a), provides in pertinent part:**

**(a) The Authority covenants that it shall fix, charge and collect such Facility Charges with respect to the Facilities as shall be required in order that, in each Fiscal Year, Net Revenues shall at least equal the Net Revenue Requirement for such Fiscal Year.**

**Net Revenues for the Fiscal Year 2017 are projected to be \$229,875,065 and the Net Revenue Requirement at 105% (of the total revenue bond debt service plus PATCO subsidy) is projected to be \$154,694,488. For 2017 Net Revenues are therefore projected to at least equal the Net Revenue Requirement in compliance with Section 2.01 of the Second Supplement to the 1998 Indenture of Trust dated July 1, 1998 with TD Bank, N.A. as Trustee.**

**SUMMARY STATEMENT**  
**Finance 11/30/16**

-6-      **Resolution in accordance with Sections  
5.15 and 5.09 of the 1998 Indenture of  
Trust dated as of July 1, 1998 with  
TD Bank, N.A. as Trustee to adopt an  
Annual Budget of the Delaware River Port  
Authority for the 2017 Fiscal Year**

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|                 |                                |                                   |
|-----------------|--------------------------------|-----------------------------------|
| <b>SUMMARY:</b> | <b>Amount:</b>                 | <b>\$249,115,042</b>              |
|                 | <b>Source of Funds:</b>        | <b>Revenue Fund, General Fund</b> |
|                 | <b>Capital Project #:</b>      | <b>N/A</b>                        |
|                 | <b>Operating Budget:</b>       | <b>N/A</b>                        |
|                 | <b>Master Plan Status:</b>     | <b>N/A</b>                        |
|                 | <b>Other Fund Sources:</b>     | <b>N/A</b>                        |
|                 | <b>Duration of Contract:</b>   | <b>N/A</b>                        |
|                 | <b>Other Parties Involved:</b> | <b>N/A</b>                        |

**DRPA-16-135**  
**Finance: November 30, 2015**  
**Board: December 7, 2015**  
**Resolution in accordance with Sections**  
**5.15 and 5.09 of the 1998 Indenture of**  
**Trust dated as of July 1, 1998 with**  
**TD Bank, N.A. as Trustee to adopt an**  
**Annual Budget of the Delaware River Port**  
**Authority for the 2017 Fiscal Year**

**RESOLUTION**

**RESOLVED:** That the accompanying 2017 Annual Budget, as defined in the 1998 Indenture of Trust dated as of July 1, 1998 with TD Bank, N.A. as Trustee between the Delaware River Port Authority, is hereby adopted; and be it further

**RESOLVED:** That the adoption of this Budget is deemed and intended to satisfy the requirements of Sections 5.15 and 5.09 of the 1998 Indenture of Trust.

**RESOLVED:** The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer and if thereafter either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of DRPA.

|                 |                                |                                   |
|-----------------|--------------------------------|-----------------------------------|
| <b>SUMMARY:</b> | <b>Amount:</b>                 | <b>\$249,115,042</b>              |
|                 | <b>Source of Funds:</b>        | <b>Revenue Fund, General Fund</b> |
|                 | <b>Capital Project #:</b>      | <b>N/A</b>                        |
|                 | <b>Operating Budget:</b>       | <b>N/A</b>                        |
|                 | <b>Master Plan Status:</b>     | <b>N/A</b>                        |
|                 | <b>Other Fund Sources:</b>     | <b>N/A</b>                        |
|                 | <b>Duration of Contract:</b>   | <b>N/A</b>                        |
|                 | <b>Other Parties Involved:</b> | <b>N/A</b>                        |

**2017 ANNUAL BUDGET  
IN ACCORDANCE WITH SECTION 5.15  
OF THE 1998 INDENTURE OF TRUST  
(In thousands)**

|   |  |                             |
|---|--|-----------------------------|
| (i) Operating Expenses:                                 |  | <b>2017</b>                 |
| DRPA operating expenses (1)                             |  | \$97,555                    |
| One Port Center operating expense (2)                   |  | 1,989                       |
| Biennial Inspection expense (3)                         |  | 567                         |
| Letter of Credit and Remarketing Fees                   |  | 1,676                       |
| Total   |  | <u>101,787</u>              |
| <br>(ii) PATCO Subsidy                                  |  |                             |
| Operating revenues                                      |  | 27,025                      |
| Operating expenses                                      |  | <u>56,726</u>               |
| Operating loss  |  | 29,702                      |
| Locust Street Subway Lease                              |  | <u>3,791</u>                |
| Total   |  | <u>33,493</u>               |
| <br>(iii) Deposit to 1998 Reserve Maintenance Fund      |  | 0                           |
| <br>(vi) Deposit to                                     |  |                             |
| (a) 1998 Debt Service Fund                              |  | 0                           |
| (b) 1998 Debt Service Reserve Fund                      |  | 0                           |
| (c) 1998 Rebate Fund                                    |  | 0                           |
| (d) 1999 Debt Service (1998 Debt Service Fund)          |  | 0                           |
| (e) 2008 Debt Service (1998 Debt Service Fund) (4)      |  | 34,029                      |
| (f) 2010 Debt Service (1998 Debt Service Fund) (4)      |  | 40,722                      |
| (g) 2010 Debt Service Series D (1998 Debt Service Fund) |  | 15,429                      |
| (h) 2013 Debt Service (1998 Debt Service Fund)          |  | <u>23,655</u>               |
| Total   |  | <u>113,835</u>              |
| <br>TOTAL ANNUAL BUDGET                                 |  | <br><u><u>\$249,115</u></u> |

- (1) DRPA 2017 Operating Budget (includes E-ZPass Expenses).
- (2) One Port Center 2017 Operating Budget plus Redevelopment payment to the City of Camden.
- (3) Cost for engineering inspections of DRPA/PATCO facilities which are incurred every second year.
- (4) Debt Service for the 2008 and 2010 Revenue Refunding Bonds consists of the scheduled principal payments on the variable rate bonds as defined in the Indenture, plus the annual fixed rate payments (payable by the DRPA to the counterparty) under the 1995 and 1999 Revenue Bond swap agreements.



**2017 ANNUAL BUDGET  
IN ACCORDANCE WITH SECTION 5.15  
OF THE 1998 INDENTURE OF TRUST  
(In thousands)**

Projection of 2017 Revenues demonstrating compliance with the covenant as to Facility Charges set forth in Section 5.09 on the 1998 Indenture of Trust.

Section 5.09 Requires that Net Revenues shall at least equal the Net Revenue Requirement.

|   | <b>2017<br/>Projected</b> |
|---|---------------------------|
| <b>NET REVENUES:</b>  |                           |
| Operating revenues:   |                           |
| Bridge tolls (1)  | \$320,957                 |
| Interest and other income (2)                                   | 10,705                    |
| Total operating revenues  | 331,662                   |
| Operating expenses (3)  | 101,787                   |
| <b>NET REVENUES</b>   | <b>\$229,875</b>          |
| <b>NET REVENUE REQUIREMENT (greater of A or B shown below):</b> |                           |
| A) Debt Service Requirement:                                    |                           |
| 2008 Revenue Refunding Bonds (4)                                | 34,029                    |
| 2010 Revenue Refunding Bonds Series A, B, C (4)                 | 40,722                    |
| 2010 Revenue Bonds Series D                                     | 15,429                    |
| 2013 Revenue Bonds  | 23,655                    |
| Total Debt Service Requirement                                  | 113,835                   |
| Deposit to 1998 Debt Reserve Fund                               | 0                         |
| Deposit to 1998 Debt Service Reserve Fund                       | 0                         |
| Deposit to 1998 Maintenance Reserve Fund                        | 0                         |
| Deposit to 1998 Rebate Fund                                     | 0                         |
| PATCO Subsidy:  |                           |
| Operating subsidy   | 29,702                    |
| Locust Street Subway Lease                                      | 3,791                     |
| Total PATCO Subsidy   | 33,493                    |
| Net Revenue Requirement   | 147,328                   |
| Net Revenue Requirement @ 105%                                  | <b>\$154,694</b>          |
| B) 120% of the Debt Service Requirement                         | <b>\$136,602</b>          |
| <b>NET REVENUE REQUIREMENT (greater of A or B)</b>              | <b>\$154,694</b>          |

(1) Includes E-ZPass Customer Service Center Revenue

(2) Includes DRPA interest income and rental income on One Port Center operations.

(3) Includes DRPA Annual Operating Budget Expenses, E-ZPass expenses, One Port Center Operating Expenses, Biennial Inspection Expense, Letter of Credit and Remarketing Fees.

(4) Debt Service for the 2008 and 2010 Revenue Refunding Bonds consists of the scheduled principal payments on the variable rate bonds as defined in the Indenture, plus the annual fixed rate payments (payable by the DRPA to the counterparty) under the 1995 and 1999 Revenue Bond swap agreements.