

**\$1,103,875,000**

**Puerto Rico Highway and Transportation Authority**  
**\$700,855,000 Transportation Revenue Bonds (Series D)**  
**\$284,405,000 Transportation Revenue Refunding Bonds (Series E)**  
**\$118,615,000 Transportation Revenue Refunding Bonds (Series F)**

**SUPPLEMENT TO OFFICIAL STATEMENT**  
**DATED MARCH 24, 2002**

This Supplement updates certain information appearing under the headings "Revenues" and "Operating Expenses and Capital Expenditures" under *Transportation System Revenues and Expenditures* in the Official Statement of Puerto Rico Highway and Transportation Authority, dated January 25, 2002, relating to the offering of the captioned bonds (the "Official Statement"). It also discusses a recent report issued by the Office of the Inspector General of the United States Department of Transportation concerning the Tren Urbano project. Capitalized terms used in this Supplement and not otherwise defined herein have the meanings ascribed to them in the Official Statement.

**Revenues**

*Historical Revenues*

The following table presents the Authority's revenues for each of the five fiscal years ended June 30, 1997 to June 30, 2001, inclusive and for the first six months of fiscal years 2001 and 2002. Under the 1998 Resolution, the Excess 1968 Resolution Revenues representing unencumbered funds in the 1968 Construction Fund must be deposited monthly in the 1998 Revenue Fund and are available for the payment of debt service on Transportation Revenue Bonds, for required deposits to the reserve accounts established thereunder and for other authorized purposes under the 1998 Resolution.

**HISTORICAL REVENUES**

	Fiscal Year Ended June 30					First Six Months of Fiscal Year	
	1997	1998	1999	2000 <sup>(1)</sup>	2001 <sup>(2)</sup>	2001	2002
	(dollars in thousands)						
Gasoline taxes <sup>(1)</sup> .....	\$163,580	\$174,632	\$168,397	\$176,737	\$169,782	\$ 82,289	\$ 85,265
Gas oil and diesel oil taxes <sup>(2)</sup> .....	16,552	17,888	20,711	22,520	20,491	11,011	10,057
<b>Subtotal</b> .....	<b>\$180,132</b>	<b>\$192,520</b>	<b>\$189,108</b>	<b>\$199,257</b>	<b>\$190,273</b>	<b>\$ 93,300</b>	<b>\$ 95,322</b>
Motor vehicle license fees .....	26,533	28,532	28,089	28,996	29,772	14,554	15,525
<b>Subtotal</b> .....	<b>\$206,665</b>	<b>\$221,052</b>	<b>\$217,197</b>	<b>\$228,253</b>	<b>\$220,045</b>	<b>\$107,854</b>	<b>\$110,847</b>
Toll receipts .....	103,708	108,803	116,030	120,524	125,695	62,205	64,806
Investment income .....	16,127	18,310	14,314	16,852	10,260	2,528	4,352
<b>Total 1968 Resolution Revenues</b> .....	<b>\$326,500</b>	<b>\$348,165</b>	<b>\$347,541</b>	<b>\$365,629</b>	<b>\$356,000</b>	<b>\$172,587</b>	<b>\$180,005</b>
Debt service on Highway Revenue Bonds .....	\$188,454	\$183,433	\$180,787	\$181,988	\$181,727	\$90,864	\$90,679
Excess 1968 Resolution Revenues <sup>(4)</sup> .....	\$138,046	\$164,732	\$166,754	\$183,641	\$174,273	\$81,723	\$89,326
Petroleum Products Tax .....	-	120,000	120,000	120,000	120,000	66,000	66,000
Investment income .....	-	900	3,840	5,069	7,456	3,492	5,319
<b>Total 1998 Resolution Revenues</b> .....	<b>-</b>	<b>\$285,632</b>	<b>\$290,594</b>	<b>\$308,710</b>	<b>\$301,729</b>	<b>\$151,215</b>	<b>\$160,645</b>

- (1) Excludes \$10.2 million, \$10.3 million and \$2.7 million for fiscal years 1999, 2000 and 2001, respectively, in delinquent taxes owed by one taxpayer.
- (2) Excludes \$1.4 million, \$1.5 million and \$28,000 for the fiscal years 1999, 2000 and 2001, respectively, in delinquent taxes owed by one taxpayer.
- (3) The amounts shown for fiscal years 2000 and 2001 include the collection of delinquent taxes from prior years.
- (4) Under the 1998 Resolution, the Authority has covenanted not to encumber or withdraw or pledge any Excess 1968 Resolution Revenues deposited in the 1968 Construction Fund (other than for transfer to the 1998 Revenue Fund) except in the limited circumstance of the Authority's taking over operation of the Teodoro Moscoso Bridge. See "Teodoro Moscoso Bridge" under *Transportation System Revenues and Expenditures* in the Official Statement.

## Operating Expenses and Capital Expenditures

### *Operation and Maintenance - Tren Urbano*

The table below shows the Authority's most recent estimate of the annual operating and maintenance expenses of the Tren Urbano for the first ten years of service. These estimates are based upon the terms of the STTT Contract and include an inflation adjustment and the Authority's revised estimate of the cost of insurance and electricity.

<u>Year of Service*</u>	<u>Estimated Annual Operation and Maintenance Cost (in millions)</u>
1	\$68.3
2	71.9
3	74.0
4	77.3
5	83.4
<u>Option Period</u>	
6	86.4
7	89.4
8	93.3
9	96.9
10	99.8

\*Based on twelve full months of operation starting from the date when the system opens for service.

The Authority projects that the annual net operating costs of the Tren Urbano, after deducting expected operating revenues from operating and maintenance costs, will increase gradually during the first ten years of operation from \$45.7 million to \$66.6 million per year. This estimate is based, among other factors, on an annual average daily ridership of 113,300 passengers by the year 2010, and an initial ridership in the first full year of operation of 64% of the ridership expected for 2010, which ridership growing for each year of operation. The costs of operating Tren Urbano will be covered by available moneys in the 1998 Construction Fund.

*Construction Improvement Program*

The following table presents the Authority's current Construction Improvement Program for the five fiscal years ending June 30, 2006 and the sources of funds required to finance such program. The Construction Improvement Program is subject to various changing factors, including cost increases, variations in availability of internal and external funds, availability of qualified construction resources, the need for emergency repairs and changing traffic patterns. The Authority's projections assume no changes in the statutory taxes and license fees currently allocated to the Authority, see the table entitled "Projected Revenues and Debt Service Coverage" above, and that the Authority will not be required to assume the payment of the Special Facility Revenue Bonds relating to the Teodoro Moscoso Bridge. See "Teodoro Moscoso Bridge" below.

**CONSTRUCTION IMPROVEMENT PROGRAM**

	Fiscal Year Ending June 30					Total
	(in thousands)					
	2002	2003	2004	2005	2006	
<b>Sources of Funds:</b>						
Internally generated funds <sup>(1)</sup> . . .	\$150,933	\$158,057	\$ 98,111	\$110,496	\$114,216	\$ 631,813
Federal aid for highways . . . . .	50,000	50,000	60,000	110,000	110,000	380,000
Federal aid for Tren Urbano <sup>(2)</sup> . . .	265,693	120,000	123,446	38,409	50,500	598,048
External financing <sup>(3)</sup> . . . . .	<u>192,727</u>	<u>379,875</u>	<u>376,335</u>	<u>110,405</u>	<u>63,908</u>	<u>1,123,250</u>
<b>Total</b> . . . . .	<b><u>\$659,353</u></b>	<b><u>\$707,932</u></b>	<b><u>\$657,892</u></b>	<b><u>\$369,310</u></b>	<b><u>\$338,624</u></b>	<b><u>\$2,733,111</u></b>
<b>Uses of Funds:</b>						
Design . . . . .	\$ 38,459	\$ 20,335	\$ 9,688	\$ 111	\$ 16,077	\$ 84,670
Rights of way . . . . .	50,153	45,116	26,650	7,640	18,560	148,119
Construction . . . . .	202,819	292,110	377,895	243,150	183,487	1,299,461
Capitalized expenditures	101,000	101,000	101,000	80,000	70,000	453,000
Tren Urbano <sup>(4)</sup> . . . . .	<u>266,922</u>	<u>249,371</u>	<u>142,659</u>	<u>38,409</u>	<u>50,500</u>	<u>747,861</u>
<b>Total</b> . . . . .	<b><u>\$659,353</u></b>	<b><u>\$707,932</u></b>	<b><u>\$657,892</u></b>	<b><u>\$369,310</u></b>	<b><u>\$338,624</u></b>	<b><u>\$2,733,111</u></b>

- <sup>(1)</sup> Includes funds on hand, current revenues available after provision for debt service and reserve requirements for Bonds and tollway maintenance and operating expenses and investment income. To the extent such funds are held in the 1968 Construction Fund, the holders of the special facility revenue bonds issued by the Authority to finance the Teodoro Moscoso Bridge have a claim on such funds in certain circumstances. See "Teodoro Moscoso Bridge" in the Official Statement.
- <sup>(2)</sup> See the discussion of the Authority's Full Funding Grant Agreement with the United States Department of Transportation in "Tren Urbano" in the Official Statement.
- <sup>(3)</sup> Includes short term financing, net proceeds of borrowing.
- <sup>(4)</sup> Includes \$88.9 million of the cost of the Minillas Extension (as defined below), the construction of which is contingent upon the commitment of federal funds for this project.

*Tren Urbano - Recent Developments*

Please refer to the discussion of the Tren Urbano project appearing in "Operating Expenses and Capital Expenditures-Construction Improvement Program-Tren Urbano" under *Transportation System Revenues and Expenditures*, commencing on page 32 of the Official Statement.

On March 5, 2002 the Office of the Inspector General of the United States Department of Transportation (the "OIG") issued a report on its audit of the Tren Urbano project (the "Report"). The audit was conducted during the period from August 2001 through January 2002 at the direction of the House of Representatives' Committee on Appropriations and focused on determining whether: (1) the project's schedule is achievable; (2) the project's cost estimate is reliable; (3) the Authority has the financial capacity to complete the project; and (4) the project's outstanding construction quality problems have been corrected.

The Report expresses the following OIG findings:

1. Based on the track work installation rate observed by OIG during the audit period, the Authority's scheduled completion date of September 2003 is unlikely to be achieved. The OIG estimates that, unless the track work installation rate is accelerated, the project may not be completed until as late as September 2004.
2. Based on the OIG's estimated completion date of September 2004, the Authority's total cost estimate of \$2.036 billion is unrealistic. The OIG estimates that if the completion of the project is delayed until September 2004, the delays may represent additional costs of \$154 million, for a total project cost of about \$2.19 billion. Also, unanticipated change orders could further increase project costs.
3. The project's cost increases and construction delays have forced the Authority to increase funding for the Tren Urbano and reduce funding for other transportation projects. If the costs to complete the Tren Urbano exceed \$2.036 billion, the Authority will have to delay some of its highway construction projects.
4. While recognizing that the Authority has made progress correcting most of the construction quality problems, the long term safety and operability of the project remain at risk until all quality problems are corrected. The Authority is addressing the remaining significant construction quality problems but has not established a timetable to complete them. The project can begin operations without correcting these problems but the long term safety and quality of the project could be jeopardized.

The Authority disagrees with the OIG findings in the Report concerning the delay in the completion date and the increase in estimated total construction costs. Since January 2002 the track work installation rate has accelerated significantly and may be accelerated even further if necessary to achieve the September 2003 completion date. Thus, the Authority believes that the rate of track work installation will not delay completion of the project beyond September 2003 or result in further increases in construction costs.

On March 2002 the Federal Transit Administration ("FTA") released to the Authority \$165.7 million in federal funds which had been withheld pending resolution by the Authority of certain FTA concerns about the management, construction quality and schedule of the project. The release was made as a result of the Authority making significant progress in implementing a recovery plan that addressed the FTA's concerns.

The Commonwealth has released its general purpose financial statements for the fiscal year ended June 30, 2001, together with the independent auditor's report thereon, dated January 21, 2002, of KPMG LLP, certified public accountants. The Commonwealth expects to file such financial statements with each NRMSIR in the near future.

This Supplement will be filed with each NRMSIR and with the MSRB.

**PUERTO RICO HIGHWAY AND  
TRANSPORTATION AUTHORITY**

By:           /s/ Fernando E. Fagundo            
*Executive Director*