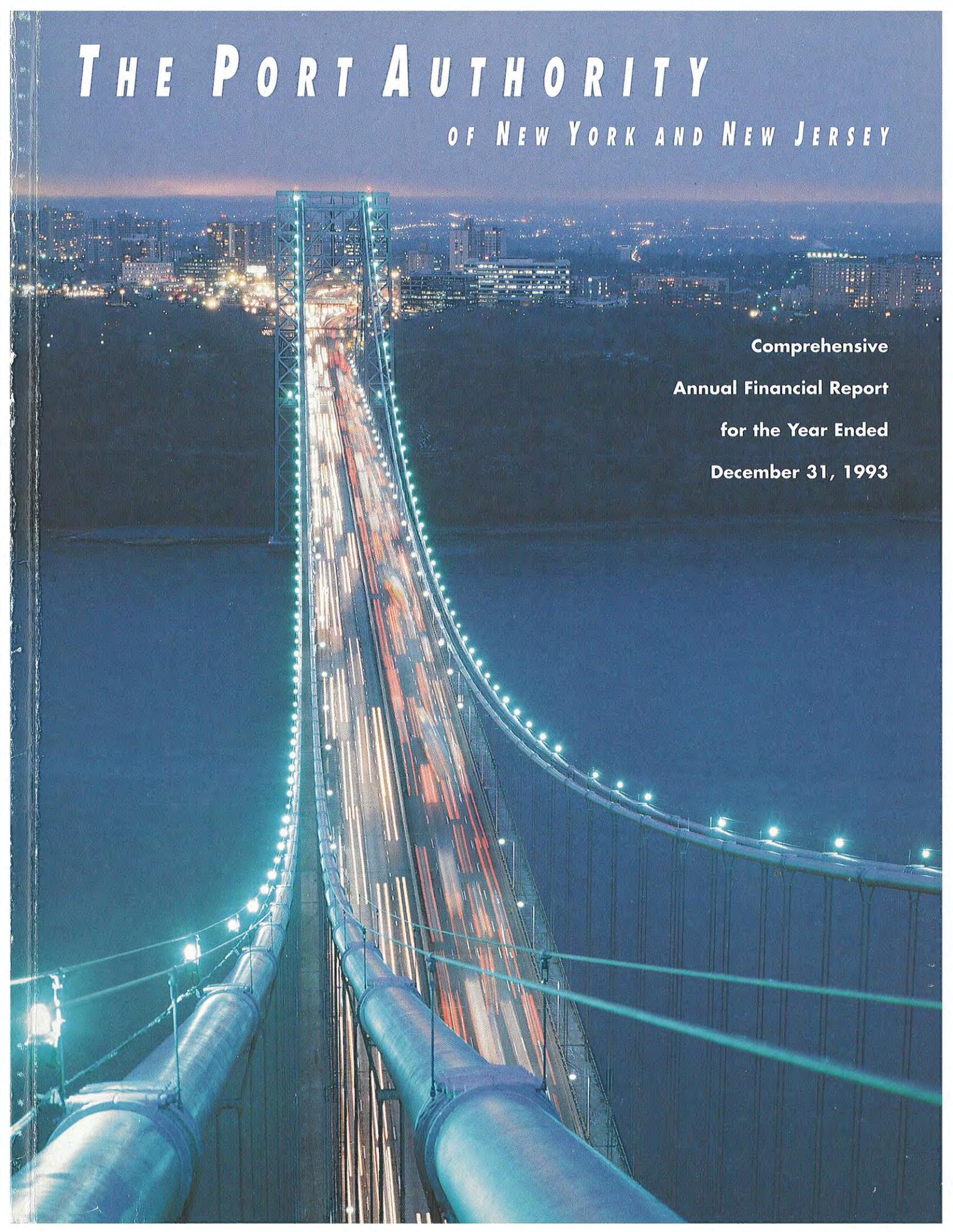


THE PORT AUTHORITY

OF NEW YORK AND NEW JERSEY

**Comprehensive
Annual Financial Report
for the Year Ended
December 31, 1993**



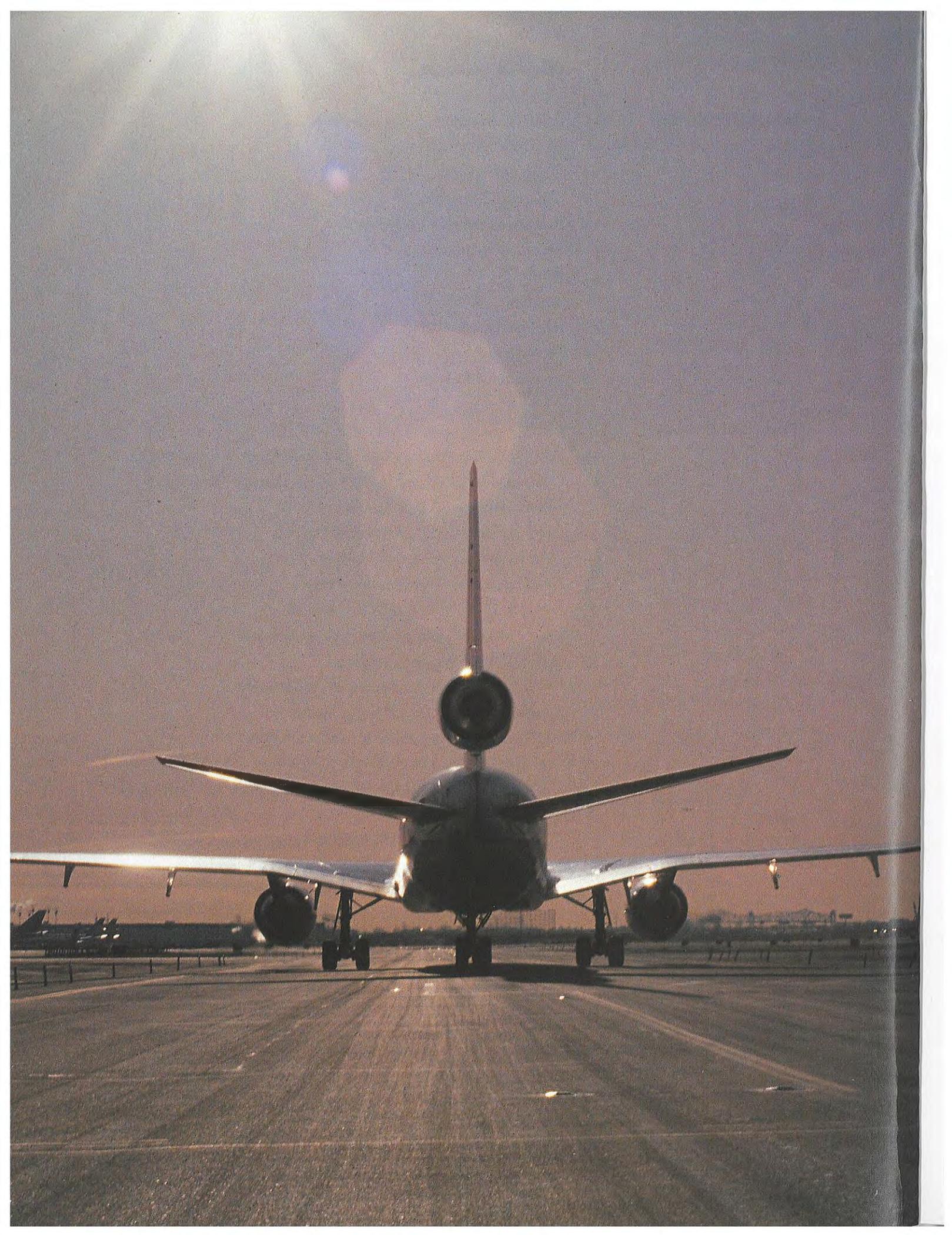
On the Cover

**The George Washington Bridge, the world's
busiest vehicular crossing — at sunset.**

Table of Contents

Introductory Section	3	Letter of Transmittal to the Governors
	4	Board of Commissioners
	6	Organization Chart
	7	Officers and Directors
	8	Executive Director's 1993 Overview
	14	Interstate Transportation
	20	Port
	24	Aviation
	28	Regional Development
	32	World Trade
	36	International Business
Financial Section	38	Letter of Transmittal
	46	Report of Independent Accountants on the System of Internal Control
	47	Opinion of Independent Auditors on the Financial Statements
	48	Combined Statements of Income
	49	Combined Statements of Financial Position
	50	Combined Statements of Cash Flows
	52	Notes to Combined Financial Statements
	75	Schedule A – Revenues and Reserves (Pursuant to Port Authority bond resolutions)
	76	Schedule B – Assets and Liabilities (Pursuant to Port Authority bond resolutions)
	77	Schedule C – Analysis of Reserve Funds (Pursuant to Port Authority bond resolutions)
78	Schedule D – The Port Authority of New York and New Jersey New York State Commuter Car Program-Assets and Liabilities	
Statistical Section	79	Schedule E – Selected Statistical Financial Data
	80	Schedule F – Information on Port Authority Operations
	81	The New York-New Jersey Metropolitan Region
	82	Employment
	83	Demographics and Unemployment
	84	Construction Activity and Inflation
	85	Regional Traffic Trends
	86	Regional Cargo Trends
	87	Facility Traffic
88	Regional Employment Map	





Honorable Mario M. Cuomo, Governor
State of New York

Honorable Christine Todd Whitman, Governor
State of New Jersey



Your Excellencies:

We are pleased to submit to you and to the legislatures of New York and New Jersey this 1993 Annual Report of The Port Authority of New York and New Jersey, pursuant to the bistate Port Compact of 1921.

It seems appropriate to reflect for a moment on the changes the organization has undergone in recent years. The Port Authority today is not only leaner, it is more cost-efficient, open, and accountable. At the same time, its commitment to the region has remained so strong that the Port Authority kept to its capital program despite the lingering recession of the last four years.

The past year was especially eventful. But more important than the terrorist bombing at the World Trade Center on February 26 was the heroic response by Executive Director Stanley Brezenoff and Port Authority staff, World Trade Center tenants, emergency personnel, and countless others who worked selflessly and professionally to evacuate and then rebuild the complex. We will always remember their dedication, and we will never forget the six people whose lives were lost in this senseless, shameful attack.

The timely and thorough recovery of the World Trade Center proved the futility of terrorism and the strength of our democratic society. It also demonstrated beyond a shadow of a doubt the commitment and excellence of those who work in the public sector. And for an agency focused on physical networks of transportation, trade, and development, it was a reminder that some of the most valuable infrastructure of the bistate area consists not of concrete and steel, but of the talents and abilities of its people.

We are proud that despite the emergency at the World Trade Center in 1993, the Port Authority moved forward with major capital projects at many facilities. In the vital area of airports and related services, which generate four percent of the region's Gross National Product, we advanced redevelopment projects at John F. Kennedy International and LaGuardia airports as well as the construction of a new international terminal and on-airport monorail at Newark International. And research continued into the creation of light rail links to all three airports that would service the more than 72 million passengers who use them annually.

Prominent among our future challenges is the need to increase the capacity and flexibility of the network of bridges, tunnels and rail services that link New York and New Jersey, enhancing the mobility of people, goods, and services. Investment in more efficient interstate connections can pay substantial dividends in improved regional productivity and reduced congestion and delays. We are preparing to offer electronic toll collection at our crossings in concert with other regional toll agencies. Longer range possibilities include expansion and modernization of the Goethals Bridge and development, with other agencies, of additional rail services across the commercial core of the region.

In other areas of endeavor, the region's many talents were further placed in the spotlight by "The Arts as an Industry: Their Economic Importance to the New York-New Jersey Metropolitan Region," a widely cited economic study conducted by the Port Authority in 1993. By documenting the robust growth in the arts over the past decade, and by demonstrating their significant economic impact on the New York-New Jersey metropolitan region, our research lent strength to efforts to protect and invest in this vital sector of our local economy. And a series of Regional Policy Roundtables helped us identify additional areas of economic strength.

As we recount past achievements and future goals, we are mindful that the support and leadership of the Governors of New York and New Jersey have been crucial to the mission of the Port Authority since its inception in 1921. We are confident that, with your continued assistance and guidance, the Port Authority will indeed balance its commitments and fulfill its expectations in the years to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard C. Leone".

Richard C. Leone
Chairman

A handwritten signature in black ink, appearing to read "Vincent Tese".

Vincent Tese
Vice Chairman

March 1994

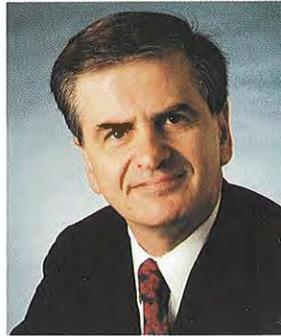
Board of Commissioners

Origins of the Port Authority

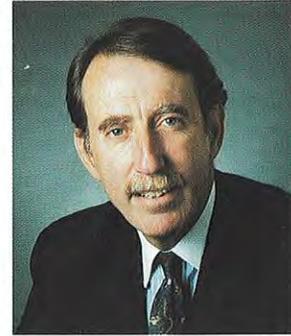
The Port Authority of New York and New Jersey was established on April 30, 1921. It was the first interstate agency ever created under a clause of the Constitution permitting compacts between states with Congressional consent.

The new agency's area of jurisdiction was called the "Port District," a 17-county bistate region generally within a 25-mile radius of the Statue of Liberty.

The mandate of the agency was to promote and protect the commerce of the bistate port and to undertake port and regional improvements not likely to be financed by private enterprise nor to be attempted by either state alone: a modern wharfage for the harbor shared by the two states, tunnel and bridge connections between the states and, in general, trade and transportation projects to promote the region's economic well-being.



Richard C. Leone
President
The Twentieth Century Fund



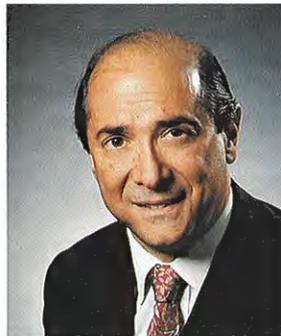
Vincent Tese
Chairman & Chief Executive Officer
Urban Development Corp.



Tonio Burgos
President
Tonio Burgos & Assocs., Inc.



Kathleen A. Donovan
County Clerk
Bergen County, New Jersey



Lewis M. Eisenberg
Co-Chairman
Granite Capital International Group



Hazel Frank Gluck
President
Public Policy Advisors, Inc.



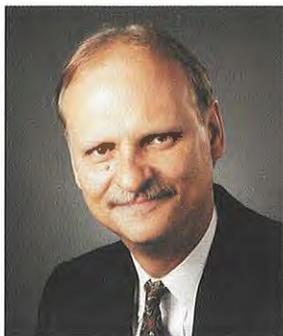
Arthur M. Goldberg
Chairman and Chief Executive Officer
Bally Manufacturing Corporation



James G. Hellmuth
Consultant



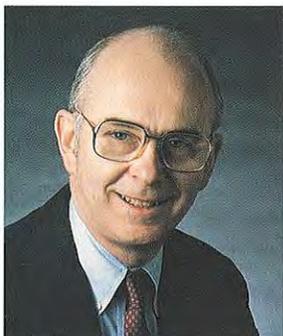
Henry F. Henderson, Jr.
President
H. F. Henderson Industries



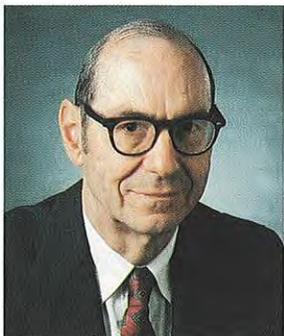
Robert C. Janiszewski
County Executive
Hudson County, New Jersey



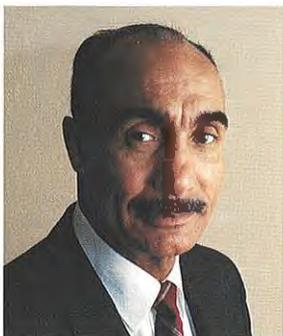
Philip D. Kaltenbacher
Chairman and Chief Executive Officer
Seton Company



John G. McGoldrick
Attorney
Schulte Roth & Zabel



George D. O'Neill
President
Meriwether Capital Corporation



Basil A. Paterson
Attorney
Meyer, Suozzi, English & Klein, P.C.



Melvin L. Schweitzer
Partner
Rogers & Wells



Stanley Brezenoff
Executive Director

Governance of the Port Authority

The Governor of each state appoints six Commissioners to the agency's Board of Commissioners, each appointment subject to the approval of the respective state senate.

The twelve Commissioners serve as public officials without remuneration.

The Governors retain the right to veto the actions of the Commissioners. The Port Authority may proceed only with those projects the two states authorize.

The Board of Commissioners appoints an Executive Director to effect its policies. The Executive Director manages day-to-day operations through the Aviation, Port, Interstate Transportation, World Trade, and Regional Development line departments as well as staff departments such as Engineering and Public Safety.

Board of Commissioners

Richard C. Leone, Chairman¹
Vincent Tese, Vice Chairman
Tonio Burgos
Kathleen A. Donovan²
Lewis M. Eisenberg³
Hazel Frank Gluck³
Arthur M. Goldberg
James G. Hellmuth
Henry F. Henderson, Jr.
Robert C. Janiszewski
Philip D. Kaltenbacher²
John G. McGoldrick⁴
George D. O'Neill
Basil A. Paterson
Melvin L. Schweitzer⁴

¹ Chairman Leone resigned from the Board on March 21, 1994.

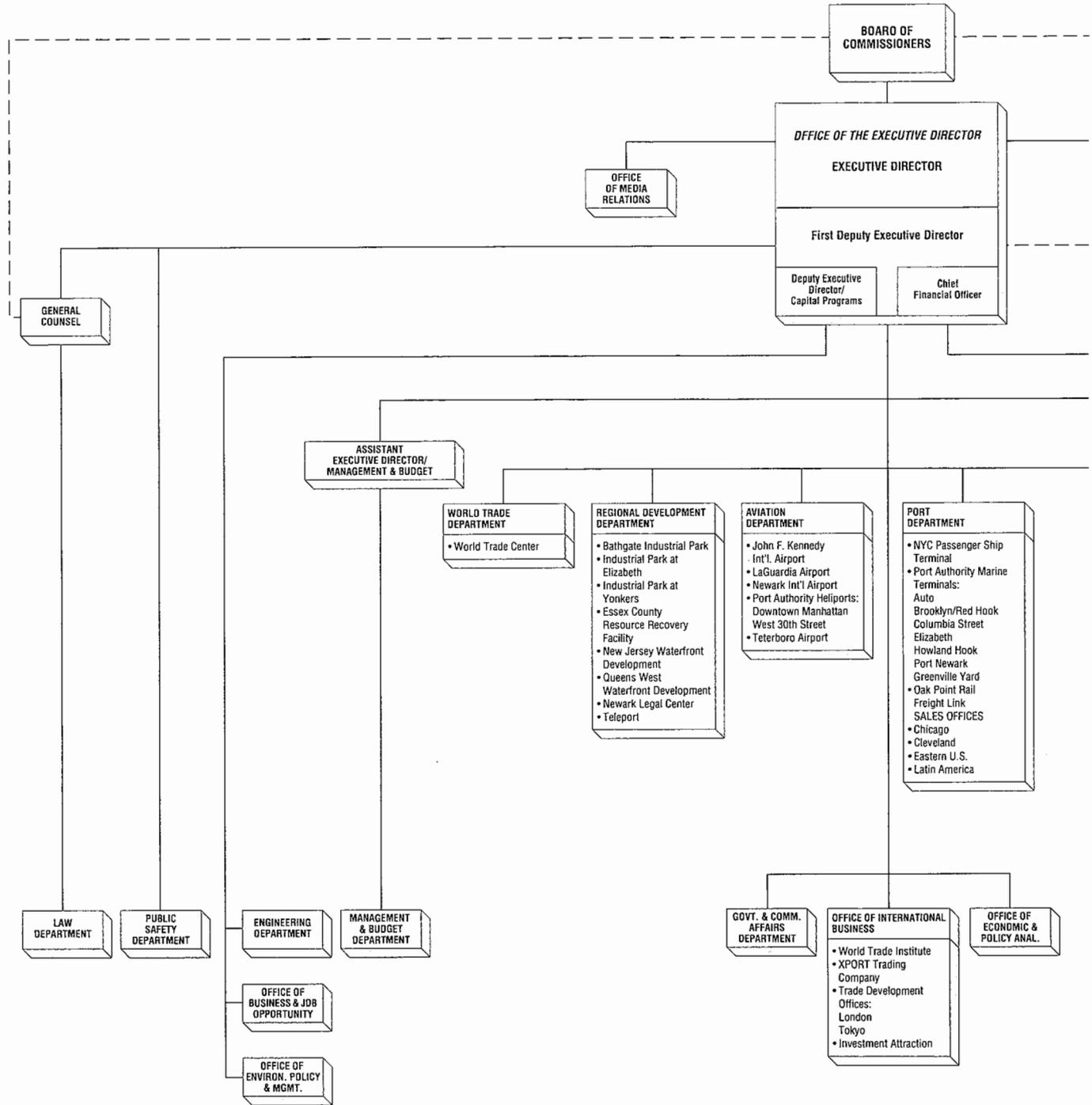
² Commissioner Donovan joined the Board on February 16, 1994, succeeding Commissioner Kaltenbacher who resigned from the Board on February 4, 1993.

³ Commissioner Eisenberg joined the Board on February 4, 1994, succeeding Commissioner Gluck.

⁴ Commissioner Schweitzer joined the Board on July 14, 1993, succeeding Commissioner McGoldrick.



Organization Chart



Current Officers and Directors

Stanley Brezenoff, *Executive Director*

Anthony E. Shorris, *First Deputy Executive Director*

William H. Goldstein, *Deputy Executive Director/
Capital Programs*

Barry Weintrob, *Chief Financial Officer*

Katy MacKay, *Assistant Executive Director/Administration*

John J. Collura, *Assistant Executive Director/
Management & Budget*

Jeffrey S. Green, *General Counsel*

Karen Antion, *Information Services*¹

Carol Ash, *Office of Environmental Policy & Management*

A. Paul Blanco, *Regional Development*²

Eugene J. Fasullo, *Engineering and Chief Engineer*

Gene C. Gill, *General Services*

John E. Hauptert, *Treasurer*

Alice Herman, *Secretary*

Albert Jackson, *Office of Inspector General*

Richard R. Kelly, *Interstate Transportation*

Charles Knox, *Public Safety*

Louis J. LaCapra, *Human Resources*

Donald R. Lee, *Audit*

Lillian C. Liburdi, *Port*

Charles Maikish, *World Trade*

Raymond Mannion, *Comptroller*³

Mark Marchese, *Office of Media Relations*

David Z. Plavin, *Aviation*

Richard W. Roper, *Office of Economic & Policy Analysis*

Lawrence G. Rosenshein, *Office of International Business*⁴

Kathy A. Stanwick, *Government & Community Affairs*⁵

Earle Walker, *Office of Business & Job Opportunity*⁶

Anthony J. Barber, *COO, Interstate Transportation Dept.,
retired February 26, 1994*

Rosemary Scanlon, *Chief Economist, resigned
September 17, 1993*

¹ Wilma Horne resigned September 17, 1993;
Joanne Paternoster appointed Acting Director
September 20, 1993; Karen Antion appointed April 4, 1994

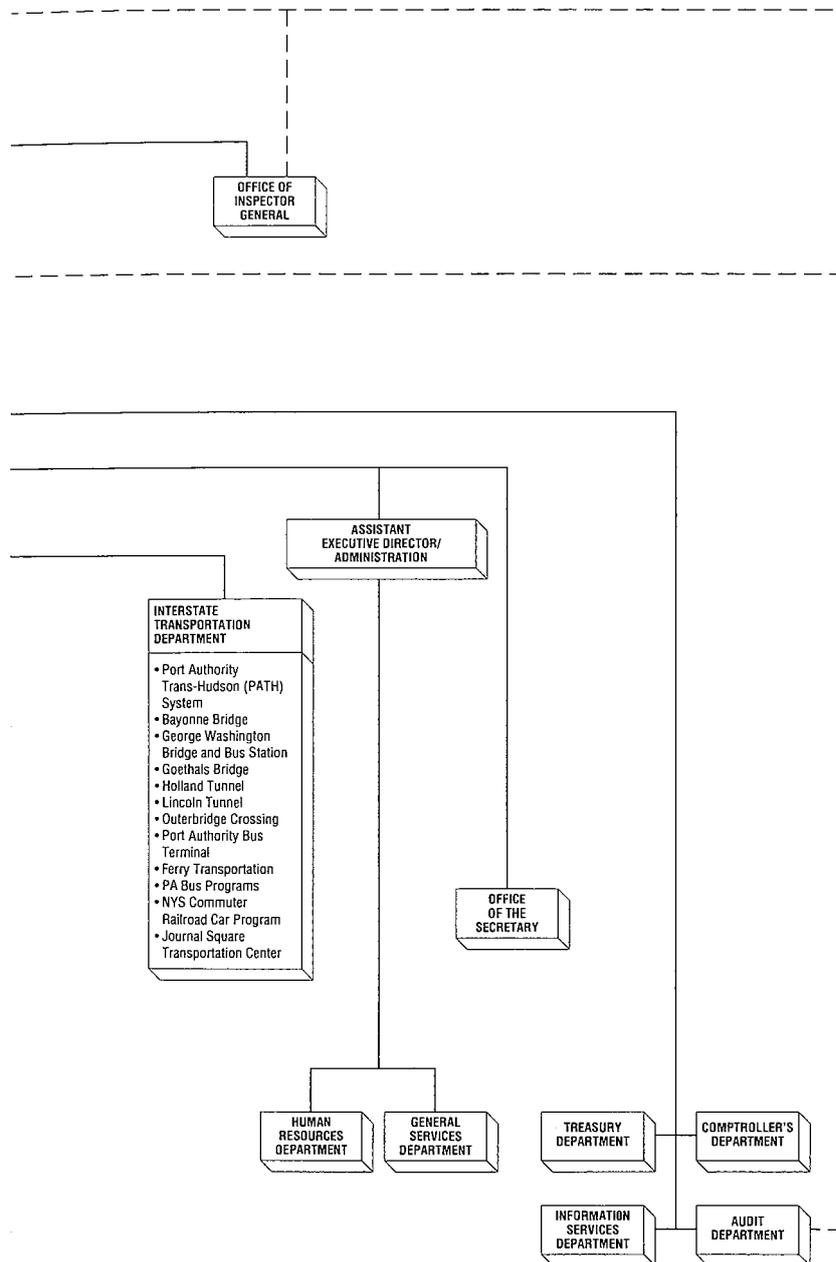
² Appointed July 12, 1993

³ Appointed August 16, 1993

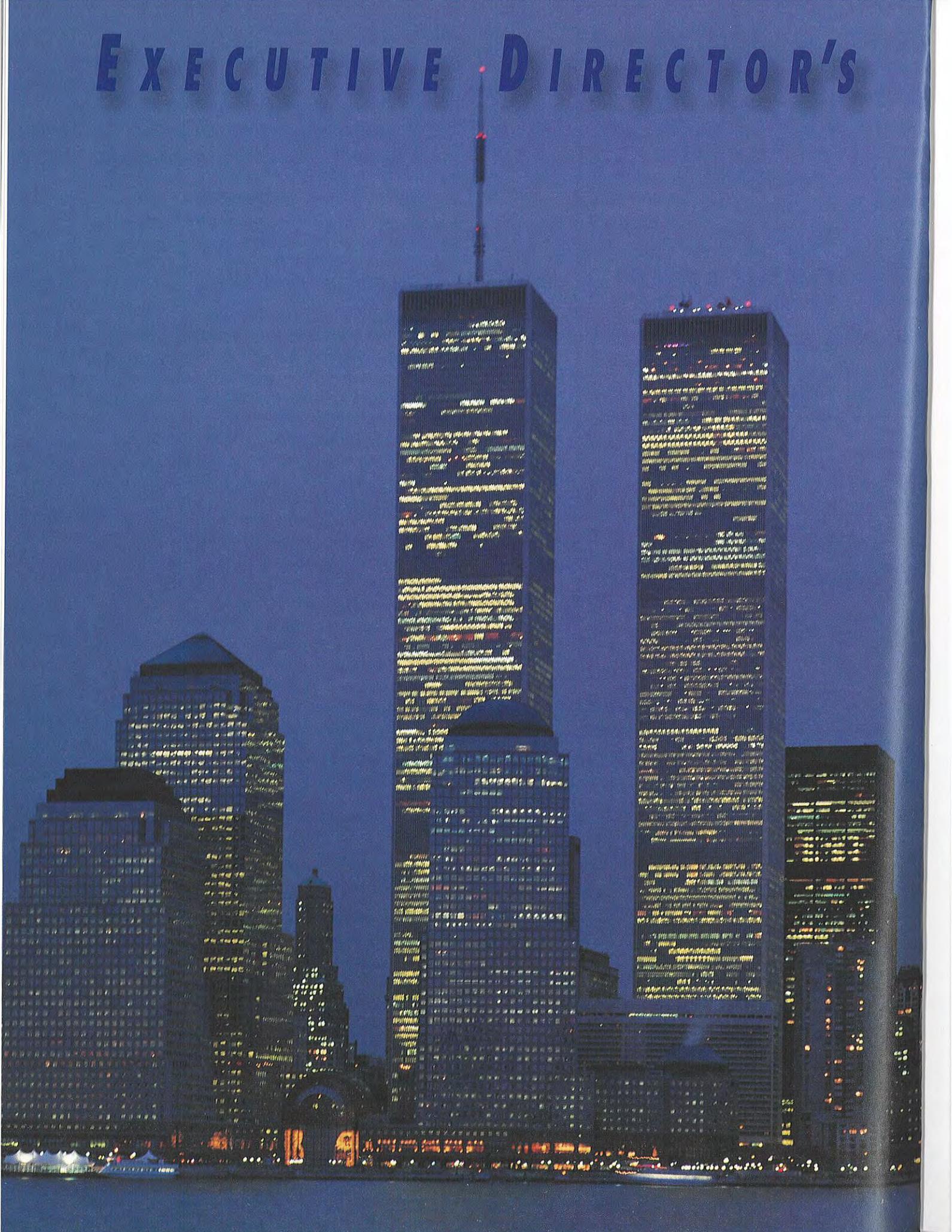
⁴ Karen S. de Bartolomé resigned January 6, 1994;
Lawrence G. Rosenshein appointed March 3, 1994

⁵ Appointed March 28, 1994

⁶ Rebecca Doggett on external mobility;
Earle Walker appointed Acting Director May 21, 1993



EXECUTIVE DIRECTOR'S



1993 OVERVIEW

MEETING THE CHALLENGE

The bombing at the World Trade Center on Friday, February 26 resulted in the death of six innocent people and injuries to hundreds more. It was one of the most devastating events in the history of The Port Authority of New York and New Jersey, and the nation. Our recovery was one of the most challenging.

We met the challenge swiftly and aggressively. PATH's World Trade Center service, forced to shut down in the aftermath of the blast, was back on track by Monday's morning rush hour through the efforts of repair crews working around the clock. Less than two months after the explosion, the World Trade Center was back in business — with our tenants and customers resuming their normal day-to-day activities.

We did it all through the extraordinary dedication, hard work and sheer willpower of exemplary Port Authority employees. The recovery also would have been impossible without equally committed efforts by our business partners and countless individuals from other agencies throughout the region. To all of these people, many of whom were recognized in a public tribute at year-end, my sincerest thanks for your invaluable contributions toward successful completion of a monumental task.

The recovery response, rebuilding efforts and additional safety and security measures implemented to deter future threats are covered more extensively in the World Trade section of this Annual Report.

Economic Pressures

The Port Authority faced other difficult challenges during the year, including, notably, a sluggish regional economy. While the national economy experienced a solid upturn, the New York-New Jersey region only began the process of recovering from a four-year long recession.

Initial gains in the region were led by Wall Street, followed by professional business service sectors. However, broad improvements in regional employment lagged. Total jobs in the 17-county region showed a small 0.2 percent gain, with competitive pressures and "cost containment" efforts holding them down. Although the region did emerge from the recession in the summer, layoff announcements remained in the news



The monumental task of World Trade Center recovery was at the forefront of Port Authority attention in 1993.

even as economic recovery became more widespread. The coming years will provide a range of additional challenges as we seek to implement plans and policies that promote not only the long-range growth and vitality of the region, but broad-based economic opportunities for our residents. In the midst of the slow economy, activity levels at most Port Authority facilities registered little or no growth, although weather related disruptions in the first quarter led to some declines in vehicular traffic.

Productivity Gains/Cost Containment

Port Authority revenues for 1993 totaled \$1.9 billion, a drop of only \$13 million from 1992, despite the damaging weather and the unprecedented conditions of the explosion. We were, however, able to hold our operating costs down. This was accomplished primarily through aggressive resource

management and productivity improvements in all operations, including a continued 1 percent annual reduction of staff headcount through attrition and retirements. This effort brought headcount down to 9,200 in 1993 and will result in a projected headcount of 8,900 by 1996.

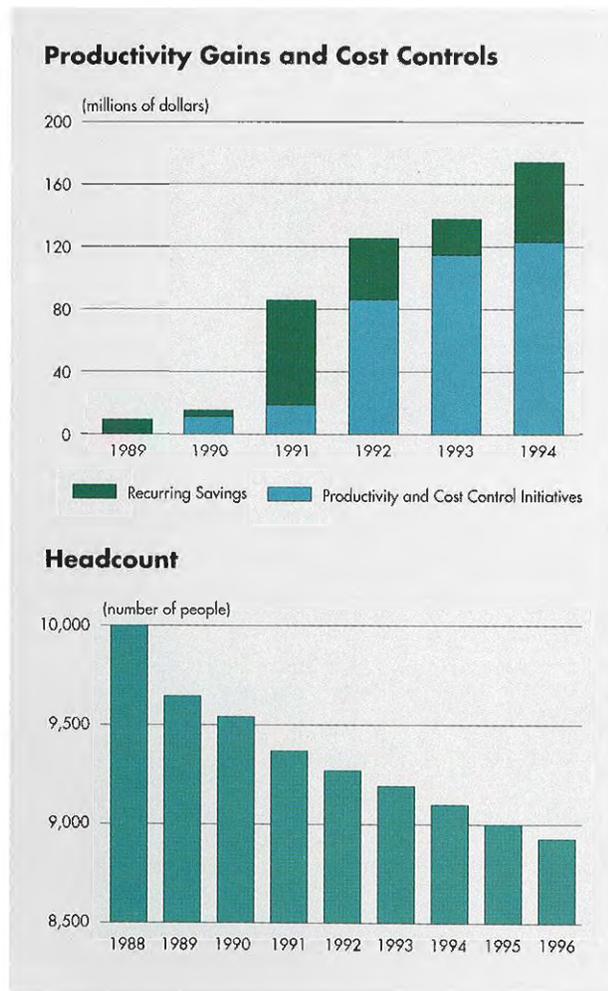
Productivity gains and cost controls saved the agency \$140 million in 1993. These savings are projected to grow to \$175 million in 1994.

We also took an aggressive approach toward reducing costs by refinancing our debt. Taking advantage of low long-term interest rates in 1993, we refunded more than \$1 billion in debt, which generated approximately \$113 million of present value savings for the agency. These 1993 savings enabled the Port Authority to present a 1994 budget that does not require any toll or fare increase.

Building Regional Competitiveness

We also sustained our ongoing program of capital investment. During 1993, construction-related spending totaled more than \$700 million for work ranging from major progress on the passenger monorail system at Newark International Airport to the first major renovation of the South Tube of the

Lincoln Tunnel since it was built. The total includes recovery-related construction spending at the World Trade Center, amounting to more than \$110 million, as well as an additional \$38 million for transportation and economic development projects in New York and New Jersey,



During the year, the Port Authority sponsored two Regional Policy Roundtables on the region's prospects and strategies for the next two to three decades. The roundtables brought together experts in economics, transportation and economic development. Among participants at the December roundtable — which focused on long-term regional mobility issues — were Port Authority Chairman Richard C. Leone (right) and Tony Hiss, staff writer for *The New Yorker* and author of several books on the impact of people's transportation choices and surroundings on their quality of life.



requested by each Governor through the Regional Development Facility and the Regional Economic Development Program.

Infrastructure improvements as well as our facility and service initiatives in 1993 focused primarily on improving regional mobility

and promoting the region's trade, commerce and economic development — all areas in which the Port Authority has made the most valuable contributions to the region's economic growth. In this Annual Report, these achievements are highlighted in individual sections for our prime business areas: Interstate Transportation, Port, Aviation, Regional Development and World Trade.

Featured are projects and programs that helped meet the capacity needs of our interstate transportation network; maintain market confidence in the World Trade Center; ready our airports for current and future demand; stimulate economic development; and ensure the competitiveness of our maritime facilities. Through international business services, we increased foreign investment in the region and helped local businesses enter overseas markets, including Japan.

THE PORT AUTHORITY
Building a Stronger Future

Newark International Airport

We're Building the Monorail

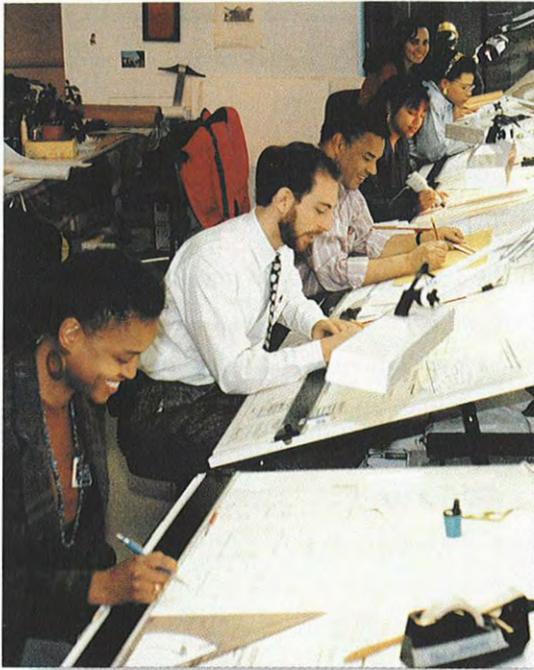
- Service to all terminals and Parking Lots D & E
- Seven stations • 24-hour operation
- Automatic train control
- Twelve 6-car trains

Capital development, improving regional mobility and promoting trade and economic growth were central to the Port Authority's 1993 activities.

Service A Priority

Service quality continued to be of paramount importance. Some of our service improvements in 1993 were measurable, such as a sharp drop in criminal activity at the Port Authority Bus Terminal. Others were more

intangible but as important, such as the emphasis on courtesy by airport customer service staff. The Gateway America Committee, administered by the Port Authority on behalf of participating organizations, continued to help improve services available to foreign and domestic visitors to our region.



Port Authority staff reflect a talented and diverse workforce.

Expanding Opportunities

Expanding business and job opportunities for women and minorities also remained a strong Port Authority commitment, as we re-established our set-aside program for contracting with minority- and women-owned business enterprises throughout the region. Our revised set-aside program replaces a prior one and encompasses contracts for construction, architectural/engineering, professional services, operational services and equipment/supply — areas where majority-owned firms historically have had an advantage.

In another ongoing initiative, minority- and women-owned companies participated in our sale of Consolidated Bonds, Eighty-sixth Series. The \$150 million issue was sold to an underwriting group that included 13 women- and minority-owned companies, with 17 other small regional firms as co-managers.

At the Port Authority, increased focus was also applied during the year to ensure that our workforce — at all levels of staff — is reflective of the region's diversity.

Environmental Responsibility/Community Partnerships

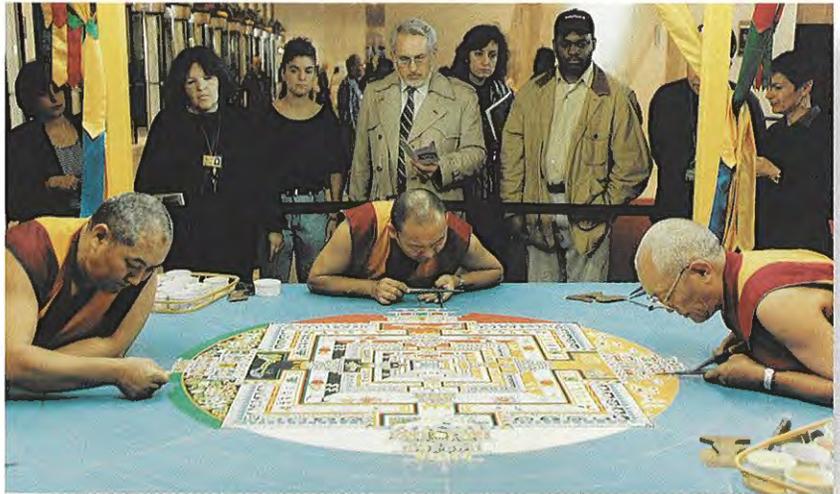
The Port Authority upgraded activities related to environmental quality. To establish an environmental baseline for our facilities, we began a comprehensive assessment of our facilities to verify our environmental compliance status, to establish a schedule for action should any be required and to identify best management practice on environmental issues.

During the year, we also initiated and maintained various educational, job development and community service programs. Through "Operation Alternative" at the Port Authority Bus Terminal, for example, the range of services offered to homeless people by various agencies was expanded. Combining police enforcement with social service outreach helped reduce the homeless population at both the Bus Terminal and PATH rail transit facilities.

Reaching out to the youth of our region, Port Authority Police participated in the Drug Abuse Resistance Education (DARE) program. Developed by the New Jersey State Police and the Hudson County Prosecutor's Office, DARE takes specially trained police officers into pre-kindergarten to 5th grade classrooms to talk to students about the dangers of drugs and alcohol.

Port Authority staff also participated in the New York State Mentoring Program, founded by New York State First Lady Matilda R. Cuomo to help motivate children to stay in school. Port Authority mentors meet with their students twice a month to help with academic and recreational projects — and to talk with them as friends.

Over a five-week period in October and November at the World Trade Center, Buddhist monks painted The Wheel of Time, a Tibetan peace "mandala" depicting the universe. Made entirely of colored sand, it measured six-and-a-half feet in diameter. A mandala is used as a meditative object to promote harmony and enlightenment.



Following the February 26 explosion and its tragic consequences, this agency's quick return to normal World Trade Center operations exceeded the most optimistic expectations. The experience demonstrated to the world something that has always been apparent to me — we count among Port Authority staff some of the most professional and accomplished individuals anywhere.

As we now address the pressing demands of the future, I am more confident than ever of our ability to achieve the Port Authority's essential missions: to improve regional mobility and to promote economic development and commerce.

Stanley Brezenoff
Executive Director

INTERSTATE



TRANSPORTATION

KEEPING THE REGION ON THE MOVE

The people of the New York-New Jersey region are served by an extensive Port Authority interstate transportation network. This network includes the Lincoln and Holland tunnels; the George Washington Bridge and three Staten Island Bridges — the Bayonne, Goethals and Outerbridge Crossing; PATH rail transit system; trans-Hudson ferry service; two Manhattan bus terminals; and the Journal Square Transportation Center in Jersey City.

On an average weekday, these Port Authority facilities accommodate close to one million customers traveling between New Jersey and Manhattan as well as other New York destinations. In addition, some 26,000 trucks head eastbound daily across the Hudson River and Staten Island vehicular crossings, carrying more than 250,000 tons of cargo. Keeping this vital network running smoothly and efficiently — while providing the best service possible to customers — is an ongoing challenge. Various capacity expansion and congestion relief projects, capital plan improvements and customer service programs helped meet this challenge in 1993.

Traffic Highlights

Traffic and ridership on the interstate network decreased 1.6 percent compared with 1992, affected primarily by severe winter weather during the first quarter and the lingering effects of the World Trade Center bombing.

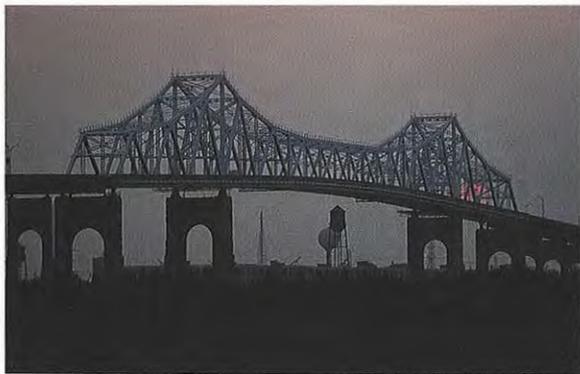
On PATH, ridership was up 1.5 percent year-over-year to 56.2 million passengers. Ferry service between Hoboken and Lower Manhattan continued to show major gains, up to 2.3 million passengers, a 27 percent increase over 1992. Weekday service hours were extended up to 11 p.m., and new weekend service was offered in conjunction with departures to Liberty State Park.

On our four bridges and two tunnels, overall traffic was down 0.9 percent compared with 1992 to 110 million vehicles. The Hudson River crossings accounted for most of the decline, while activity at the combined Staten Island Bridges remained virtually unchanged.



The Journal Square Transportation Center is one of the PATH rail transit service's busiest stations. In 1993, PATH's systemwide on-time performance was 92.8 percent, the highest in 13 years.

The George Washington Bridge and Bus Station are vital components of the Port Authority's interstate transportation network, which carries millions of people, vehicles and tons of cargo annually.



A proposal to "twin" the Goethals Bridge follows an intensive study of long-term transportation needs on the interstate transportation network.

Improving Regional Mobility

Although activity at the Staten Island Bridges was the same in 1993 as 1992, the long-term forecast is for an increased demand. To meet this growing demand, our Board of Commissioners in June approved further development of plans to modernize and expand the Goethals Bridge, which has uncomfortably narrow lanes for modern vehicle widths. Today's Goethals provides two lanes in each direction with no shoulders.

The recommended project includes construction of a new span parallel to the existing bridge. The "twinning" crossing would offer three wider

lanes in each direction. One would be reserved for buses and ridesharing vehicles during designated hours and a shoulder lane would help reduce delays due to breakdowns and accidents.

Successful completion of the mandated review and approval processes begun last fall could lead to completion of the improved Goethals by 2001.

The proposal follows an intensive study of long-term transportation needs for the Port Authority's

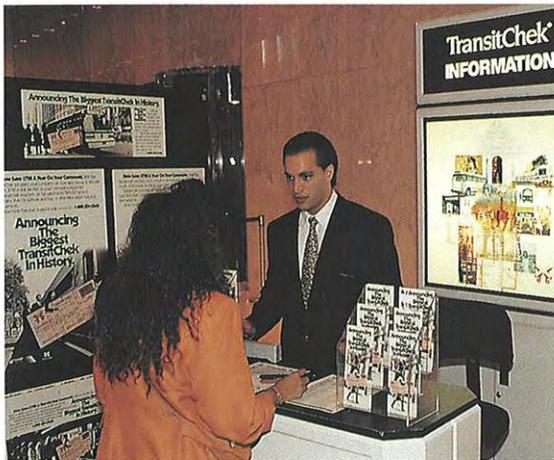
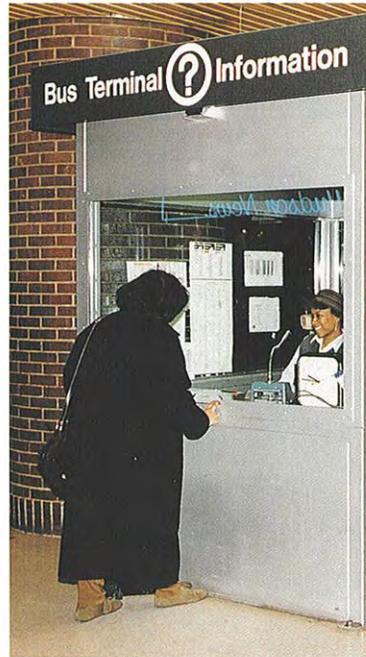
overall interstate network, including the Hudson River crossings, PATH, and the midtown Bus Terminal.

Anticipating the need to improve mobility well into the 21st century for all of our interstate markets, we also advanced proposals to reduce congestion and enhance transit and goods movement across the busy George Washington Bridge, as well as the midtown Manhattan traffic corridors.

Efforts also advanced during the year on a regional Electronic Toll Collection (ETC) system that will facilitate traffic flow on all of our crossings by eliminating the need for customers to lower their window or search for cash or coins. The system will enable vehicles to use a single identification tag on toll crossings and highways in New Jersey, New York and Pennsylvania, adding an improved level of service for our customers, many of whom use the facilities of more than one agency regularly. Phased implementation of the compatible ETC system, named E-ZPass, is anticipated over the next several years.

In other interagency regional mobility initiatives, TRANSCOM's System for Managing Incidents and Traffic (TRANSMIT) was approved

Two new information booths were opened at the Port Authority Bus Terminal in February.



TransitChek encourages the use of mass transit.

and will be operational by spring 1994. TRANSMIT will use electronic toll collection tags for traffic management along 19 miles of the New York Thruway and the Garden State Parkway. TRANSCOM is a coalition of 15 New York, New Jersey and Connecticut transportation agencies working to improve regional mobility.

Promoting Public Transit

Relieving highway congestion by getting commuters out of their automobiles and onto public transportation is the goal of TransitChek, a tax deductible employer-funded subsidy

program that provides up to \$60 a month tax free towards work commutation via mass transit. Enrollment of more than 1,500 companies in Manhattan's Central Business District contributed to an unprecedented 200 percent increase in sales.

TransitChek is administered by TransitCenter, a public-private alliance established by the Port Authority, the New York Metropolitan Transportation Authority and the New Jersey Transit Corporation to help encourage regional businesses to promote mass transit use by their employees. In July, TransitCenter launched "The Corporate Commuter," a quarterly newsletter covering regional

transportation issues affecting local businesses.

Daily commutation on PATH was also made easier when QuickCards went on sale at newsstands in the Journal Square Transportation Center and the World Trade Center. This supplemented QuickCard vending machines in the stations and also provided outlets for PATH riders to redeem TransitCheks. In addition, a monthly QuickCard ticket was introduced and offered through mail order.

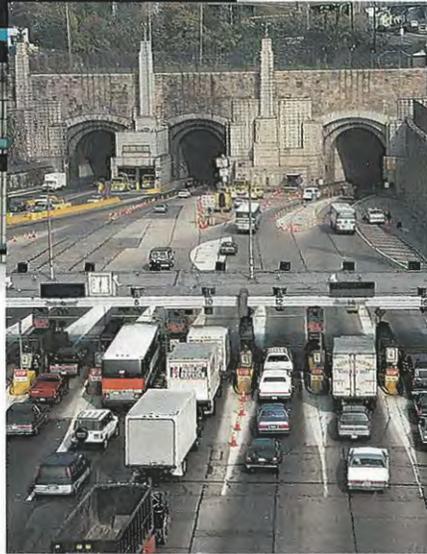
Intergovernmental Cooperation

Many regional mobility matters related to our transportation facilities and services involve constant cooperation and coordination with local, state and federal governmental agencies as well as private organizations.

One project, authorized by the Board of Commissioners in December, involves a joint study with the New York Metropolitan Transportation



The \$30 million renovation of the South Tube of the Lincoln Tunnel — the nation's busiest vehicular tunnel — is slated for completion in 1995.



Authority and the New Jersey Transit Corporation. Consistent with recommendations made by the Bi-State Forum, the study will analyze the long-term options for increasing rail transit and freight capacity across the commercial core of the bistate region, linking New Jersey, midtown Manhattan and Queens. The \$5 million, two-year study includes assessments of engineering feasibility, transportation system benefits and market potential.

The development of the core access initiative recognizes that the Lincoln Tunnel and the Exclusive Bus Lane leading to the tunnel have little capacity to absorb additional growth during peak periods. The Exclusive Bus Lane carries nearly 60,000 daily commuters to the Port Authority Bus Terminal.

The proposed study will also determine the feasibility of combining new rail transit capacity with direct freight linkages. Current rail freight links are either circuitous or require additional handling.

Transportation planning staff also worked through the New York

Metropolitan Transportation Council to secure federal funding for four Port Authority initiatives that will contribute to the region's clean air efforts. The four projects will promote the use of mass transit and multi-occupancy vehicles and are considered major efforts under the region's emissions reduction program.

Infrastructure Improvements

Capital spending for facility improvements in 1993 amounted to \$126 million on projects ranging from upgrades at the Port Authority Bus Terminal to a new \$11 million PATH car wash and enhancements to PATH's running repair facility in Jersey City.

Several major construction projects were undertaken during the summer on the George Washington Bridge. Work required nightly and occasionally weekend multiple-lane closures, which were carefully planned and coordinated with other significant regional highway construction projects to mitigate traffic impacts as much as possible. Public information campaigns kept motorists informed and offered alternate routes.

At the Lincoln Tunnel, the first major rehabilitation of the 7,500-foot-long South Tube since its construction in 1957 was begun in February. The \$30 million project, slated for completion in 1995, includes resurfacing and rehabilitation of roadway surfaces and curbing, replacement of missing ceiling and wall tiles as well as upgrading the tunnel's fire standpipe system. All of the 1.365 million square feet of tile in the world's only three tube vehicular tunnel are scheduled to be cleaned and restored to their original condition in 1994.

Serving Commuters and the Community

The year was also marked by enhanced customer service and community outreach efforts. Among these, PATH joined forces with Volunteers of America (VOA) to participate in the Person In Need program to help homeless people congregating around PATH's terminal at the World Trade Center. Similarly, PATH implemented Operation Secure in conjunction with VOA to provide transportation and referral services to the homeless at its Avenue of the Americas stations in Manhattan and in conjunction with Catholic Community Services at PATH's Jersey City stations.

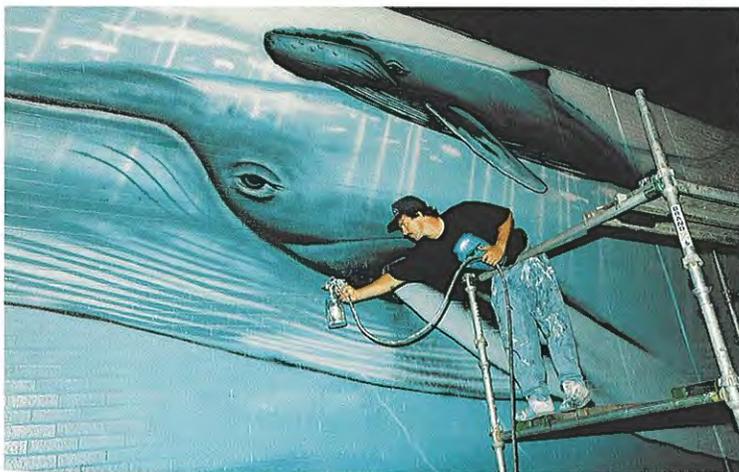
At the Port Authority Bus Terminal there was a renewed sense of safety and service. Operation Alternative, which began in 1991 with stricter law enforcement and greater availability of social services at the facility, continued to produce favorable results. There was a virtual absence of "street people" in the facility as close to 10,000 referrals were made to connect individuals in need with appropriate care and shelter.

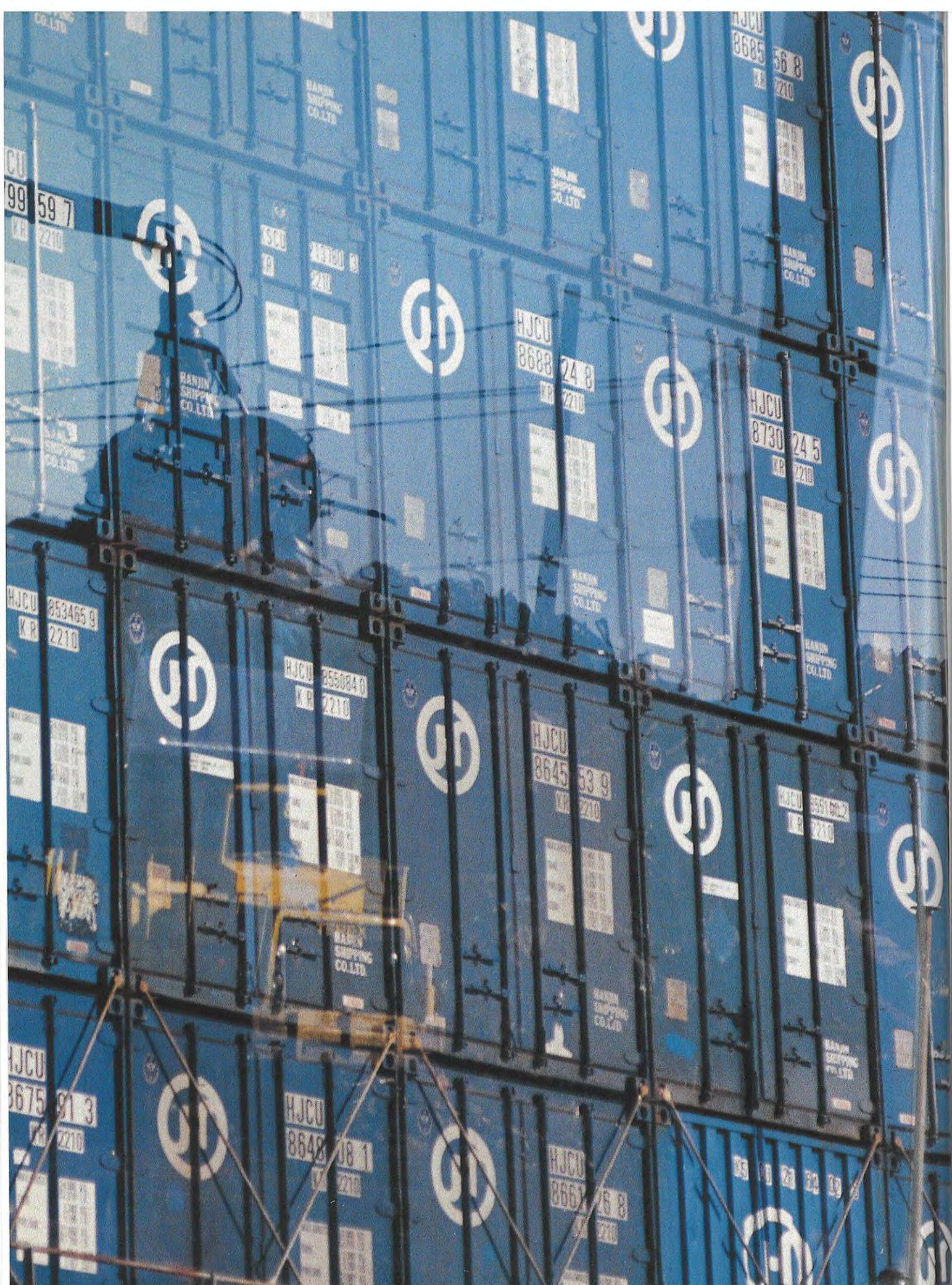
A comprehensive improvement program at the Bus Terminal has resulted in brighter entry ways, new information booths, better signs, attended restrooms, sparkling corridors, special late-night departure areas, vandal-proof phones, and bank machines on the way.

These improvements have attracted a number of new shops and services. Demonstrating their increased confidence in the facility, existing retailers have renewed their commitments to stay and invested in upgrading their physical

structures to make their space more attractive to the traveling public. An annual survey showed that customers have noticed the difference, as favorable ratings of social and security issues at the Bus Terminal increased significantly in all areas. At the same time, patrons continued to give the facility's transportation services high marks.

Wyland, a leading environmental artist, applies finishing touches to "The Whaling Wall," a mural dedicated at the Port Authority Bus Terminal in July.





PORT

MAINTAINING REGIONAL COMPETITIVENESS

The Port Authority took significant steps in 1993 to protect the competitive position of the New York-New Jersey port. We increased cargo levels by aggressively marketing services to targeted growth markets; invested in vital port infrastructure; maximized use of the harbor's facilities; and effectively built partnerships with our tenants by targeting and attracting new cargo for the port.

Overall, general cargo tonnage for 1993 totaled 12.9 million long tons, up 1.3 percent compared with 1992. Imports were up 5.1 percent while exports dropped nearly 6 percent. The export loss was due in part to the continuing recession in Europe and Japan, two of our leading trading partners.

Our total national share of the auto import trade market was up slightly, from 13.5 percent in 1992 to 15 percent in 1993. Our marine facilities reported a 3.7 percent gain in volume throughput for vehicles to 386,000 units in 1993. Vehicle imports rose to 330,000 units, while exports topped 56,000 — slightly less than 1992.

Business Development

Our retention of market share reflected a continuing emphasis on quality car handling and the positive national recognition of the "Quality Auto Handling Program," jointly sponsored by the New York Shipping Association, the International Longshoremen's Association and the Port Authority. Since its inception in September 1992, the program has trained more than 1,200 longshoremen in quality car handling procedures.

The port also sponsored two "Quality Handling" summits in 1993. The meetings brought together representatives of all port-related businesses involved in the auto trade to discuss areas of mutual concern with a focus on delivering factory-fresh vehicles to customers.

To attract cargo headed to or from inland markets in the Midwest and Eastern Canada, construction of a permanent, expanded ExpressRail on-dock transfer terminal at Port Newark-Elizabeth was authorized in



In the second half of the year, as consumer and business confidence grew in the Northeast and dredging of the berths at Port Newark/Elizabeth was completed, increased cargo levels boosted the New York-New Jersey port's overall performance.

Marking the arrival of the 100,000th container at the ExpressRail on-dock terminal are (from left) M. Brian Maher, President, Maher Terminals, the operator of the rail transfer terminal; Tonio Burgos, Port Authority Commissioner; Lillian C. Liburdi, Port Authority Port Department Director; Al Cornadas, Executive Vice President, International Longshoremen's Association; and Evans van Riemsdyk, Vice President, Maher Terminals.



December. The \$8 million project is scheduled to be completed by December 1994. It will have an annual capacity of at least 100,000 containers and can be expanded to accommodate up to 200,000 containers to meet future market growth.

Throughout 1993, we also promoted steamship service between the New York-New Jersey port and emerging Southeast Asia manufacturing centers through all-water service via the Suez Canal. Neptune Orient Lines, in cooperation with Nippon Yusen Kaisha, added a stop at Colombo, Sri Lanka, in May to handle transshipments from the Indian subcontinent. This Southeast Asia-New York service has operated since 1991 and import volumes to our port have shown significant increases. At year's end, China Ocean Shipping Company said that it, too, would begin a Suez service linking our port with Singapore and Hong Kong.

Highlighting other business development activities, we selected a new operator for the Red Hook Container Terminal in Brooklyn at the end of the year. We were also in negotiations with a potential operator for the Howland Hook Marine Terminal, a 145-acre container terminal on the northwest corner of Staten Island.

Keeping the Port Competitive

In 1993, Port's capital spending totaled \$57 million, largely in marine terminal upgrades such as wharf rehabilitation, berth deepening, paving and other terminal improvements.

Capital spending also included deepening the federal channels in the Kill Van Kull and Newark Bay, in conjunction with the Army Corps of Engineers. It is expected that a complete 40-foot-deep channel will be available from the Upper New York Bay through the Kill Van Kull and into Newark Bay to the Elizabeth Marine Terminal by late 1994. The total project is scheduled for completion in 1995.

One of the most significant challenges faced by the New York-New Jersey port in 1993 was securing a permit for maintenance dredging and ocean disposal of the dredged material of the berths at the Port Newark/Elizabeth Marine



An American-made automobile heads for China.

Terminal complex. After nearly three years of regulatory review, it appeared that we would receive a dredging permit at the beginning of 1993. However, the permit was suspended for nearly six months for further regulatory review while the need to dredge the berths reached a critical stage. Inadequate depths at some berths led shipping lines to divert cargo to other ports, and ships changed their sailing schedules to avoid calling at the port fully laden.

While various legal actions challenging the dredging were being pursued, court orders permitted the dredging to begin in June, under strict new requirements which added significant costs to the project. The additional requirements, plus the delays in approval of the permit, increased the cost of the project from \$1 million to \$15 million.

Environmental Responsibility

Throughout the dredging project, the Port Authority has actively worked on various important related matters. We funded the first risk assessment study ever to evaluate the impact on the food chain of ocean disposal of dredged materials containing trace levels of dioxin; two seminars to assess remediation technology at the Institute of Marine and Coastal Science at Rutgers University; and a program sponsored by the Marine Sciences Consortium to discuss strategies to deal with non-point source pollution. We also participated in a federal long- and short-term management strategy program called the Dredging Forum.



Continuing uncertainties in the administration of federal regulatory standards for dredging and disposal of dredged material leave the future uncertain for both the Port Authority and other marine terminal dredging projects in the region.

Partnerships

In 1993, our partnership programs reached out to port tenants, steamship lines, shippers and overseas ports. We helped establish the first Shippers Council of the Port of New York and New Jersey; we continued to work with specific industry groups, such as ocean carriers, through formal and informal channels to identify areas where service improvements can be made; and we signed a sisterport agreement with the Port of Shanghai in November.



AVIATION

MEETING TOMORROW'S NEEDS TODAY

Modernizing the regional aviation system and providing the highest level of customer service remained at the forefront of aviation activities. Projects ranged from passenger terminal and roadway improvements to a special courtesy incentive program that teaches the value of "thank you."

Passenger traffic at the three major airports — Newark International, John F. Kennedy International and LaGuardia — was 72.4 million, compared with 71.7 million in 1992. At Kennedy, total passengers declined 3.5 percent to 26.8 million. Newark International handled 25.8 million passengers in 1993, up 6.2 percent over 1992. LaGuardia Airport, the region's domestic air travel center, held steady at 19.8 million passengers.

Trains to the Plane

Efforts to get the traveling public to the three airports on dependable rail transit networks made substantial headway during the year. For Kennedy International and LaGuardia, the Port Authority proposed an automated guideway transit system connecting the two airports with regional subway, commuter rail and bus stops and terminating in Manhattan in the vicinity of 59th Street after crossing the Queensboro Bridge. The link would connect with subway and commuter railroad stops. In advancing the project, a ridership survey was completed, discussions were held in the various communities, and preparation of environmental impact statements was begun by the Federal Aviation Administration.

The off-airport rail access project for Newark International would extend the facility's new monorail a short distance from Parking Lot E to a new rail transfer station on Amtrak's nearby Northeast Corridor, served by New Jersey Transit rail operations. In addition, New Jersey Transit's plans for a proposed 8-mile light rail/trolley between downtown Newark and Elizabeth could be linked to this new rail transfer station, providing another connection to the airport's monorail.

Airport access projects in both New York and New Jersey would be funded through the Passenger Facility Charge, collected from passengers departing from each of our airports.



The fully automated passenger monorail at Newark International Airport, the facility's biggest capital project, moved closer to reality in 1993 as most of the system's guideway beams were erected. Total capital spending at the Port Authority's three major airports was \$312 million in 1993.

Kennedy International Airport's new 321-foot-high air traffic control tower is scheduled to be fully operational by mid-1994.



Tower Air, based at Kennedy International Airport, opened its new terminal in November.

Newark International Airport

As work progressed on the monorail system, test runs were scheduled for early 1994, with full operation projected for early 1995. The monorail will whisk passengers quickly between all three airport passenger terminals, the long-term parking lots and on-airport car rental facilities.

Progress was made on the \$110 million International Facility. When opened in 1995, it will enable the airport to handle more international flights and allow passengers a quicker, more efficient trip through the federal inspection process. The Port Authority's modernization of Terminals A and B also progressed, as did Continental Airlines' construction of a new Terminal C extension to serve its fast-growing commuter traffic. Cargo services at Newark will benefit from a new, two-building multi-tenant air cargo complex completed in October.

John F. Kennedy International Airport

Much of the construction work at Kennedy during the year involved terminals operated by individual airlines. Delta Air Lines began work on the \$150 million renovation of its terminal; KLM Royal Dutch Airlines spent approximately \$1.5 million to renovate and modernize its space in the East Wing of the International Arrivals Building (IAB) to accommodate its new partnership with Northwest Airlines; work got under way by Nippon Cargo Airways on a \$40 million cargo building in the North Cargo Area; and Trans World Airlines reached a tentative agreement with the

Port Authority in June for a \$50 million rehabilitation and upgrading of its two terminals.

In roadway improvements, new ramps provide direct access to the IAB, both Trans World Airlines terminals and the British Airways terminal. Work also advanced steadily on new roadway access to the other terminals.

LaGuardia Airport

Redevelopment of the West Wing of LaGuardia's Central Terminal Building (CTB) was completed, featuring an expanded baggage claim area and increased roadway frontage capacity on both the departures and arrivals levels. Three arrivals-level roadways now provide

eight lanes for smoother traffic flow. The CTB's center section was closed during 1993 in preparation for its transformation into a multi-level shops and services atrium and food court — a \$47 million project. Total CTB development is targeted for completion in 1996.



Seven Video Information System kiosks and two viewing areas were added at LaGuardia Airport's CTB during 1993, along with one kiosk in the IAB at Kennedy International. Additional units are scheduled for installation at the IAB and in Newark International's Terminal B in 1994.

Customer Service

Meeting air travel demands at all three airports also means providing high levels of customer service. The "Airport Ambassadors" courtesy training program marked its fifth anniversary. Begun in 1988 as "Jersey Gents and Ladies, Too" for taxi drivers at Newark Airport, the program was resurrected in 1993 for the 400 taxi drivers who had joined the industry since the first round of training. In addition, more than 600 front-line staff in other customer service jobs were trained as Airport Ambassadors at the three airports during the year.

A terminal service benefiting passengers is a Video Information System featuring an interactive, touch-screen system that allows passengers to get quick information on airline locations, airport shops and services, ground transportation and tourist attractions.

Environmental Responsibility

As part of our Aircraft Noise Abatement Monitoring System, a new portable noise monitoring system was used in 1993 to quantify the impact of regional aircraft noise and to study the effect of alternative noise abatement procedures. The portable program has been made possible with the cooperation of the Queens Aviation

Advisory Council, Newark International Airport's Aviation Advisory Committee, and the Town Village Aircraft Safety and Noise Abatement Committee in Nassau County.

Additionally, the percentage of quieter Stage Three aircraft using the airports continued to grow: 48 percent of all operations at LaGuardia; 56 percent of all operations at Newark International; and 80 percent of operations at Kennedy International.

Community Partnerships

Highlighting community outreach efforts during the year were Aviation Career and Education Expos at both Newark International and Kennedy International airports on May 12 and 13. Sponsored by the Port Authority, tenant airlines and businesses, and the New Jersey Aviation Education Council, the Newark International Career Expo welcomed nearly 1,500 local students.

We co-sponsored the Kennedy International Career Expo with the New York City Board of Education and Host International. About 1,600 students from schools in all five boroughs attended.

REGIONAL

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DEVELOPMENT

EXPANDING ECONOMIC OPPORTUNITIES

Regional Development activities continued to promote business growth and commerce at expanded levels of activity — despite a slow economic recovery and a weak, highly competitive real estate market.

Occupancy rates and employment at our industrial parks and other properties increased; activity at the Essex County Resource Recovery Facility remained strong; and significant progress was made in moving forward the Queens West Waterfront Development and other new business initiatives.

Improving Business Growth

The Port Authority's industrial parks posted impressive measures of success in 1993. At the Bathgate Industrial Park, all 522,000 square feet of rentable light industrial, office, retail and educational space was fully occupied by year-end. New tenants at the 10-building South Bronx complex include a counseling and intervention service for families in crisis; a provider of prenatal and postpartum care for infants and their mothers; and a distribution center for a major national baked goods company. Bathgate provides employment for 1,500 workers, 70 percent of whom are local residents.

A new child care center provides parents attending Bathgate's Bronx Educational Opportunity Center (EOC) with a safe, convenient and tuition-free place to leave their children. The Bronx EOC is an adult education facility offering vocational, remedial and college preparatory courses. It is administered by the Bronx Community College of the City University of New York.

The new child care facility, just one block from EOC's main campus, is a modern, 7,000-square-foot building containing five age-appropriate classrooms, a parent education room and an indoor/outdoor playground. It serves 78 preschoolers ages six months to five years, five days a week and also offers child care worker training and afterschool programs.

The Industrial Park at Yonkers welcomed two new tenants, a charter bus company and a distributor of commercial kitchen equipment.

At the Industrial Park at Elizabeth, negotiations were close to finalization on the sale of 25 additional acres of land to IKEA, a Swedish home



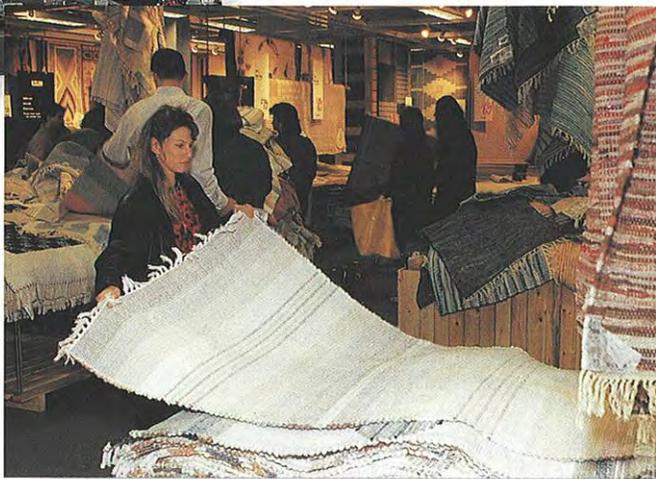
A child care center at the Bathgate Industrial Park opened in October.

furnishings retailer which opened its flagship U.S. store in 1990 on 21 acres of land in Elizabeth. Helping private industry retain and create jobs is at the forefront of the Port Authority's economic development goals, and IKEA's expansion will create 350 construction jobs and 500 permanent jobs for the region. The additional acreage being sold to IKEA will be developed as a shopping center. Located in an urban enterprise zone where sales taxes are 3 percent, it also will return the land to the tax rolls of the City of Elizabeth. IKEA ships all of its East Coast container traffic through Port Authority marine terminals.

The Legal Center in downtown Newark garnered growing market acceptance during the year. Three new office tenants — including two major law firms — and three new retail support operations increased the building's occupancy rate to nearly 80 percent. Employment at the Legal Center rose to 1,150.

Growth was also registered at The Teleport on Staten Island. The business park and satellite communications center welcomed two new tenants and accommodated the substantial expansion of an existing tenant — boosting occupancy by an additional 98,000 square feet. The Teleport also expanded its regional fiber optic network to 374 miles and added two new earth stations, bringing the total number of satellite dishes to 23. Jobs totaled approximately 1,500.

Development of a shopping center by IKEA, a Swedish home furnishings retailer adjoining the Industrial Park at Elizabeth, will create 500 permanent jobs for the region.



Business and Community Partnerships

In another important economic development area, work advanced during the year on a project that will transform about 90 acres of underutilized Queens waterfront property along the East River into a commercial, residential and recreational area. The project will create some 9,000 permanent jobs. Design guidelines for commercial and residential buildings were issued in November for public review and significant progress was made on infrastructure design.

The Queens West Development Corporation (QWDC), responsible for facilitating development of this 9 million-square-foot mixed-use project, is a subsidiary of the New York State Urban Development Corporation (UDC). Representatives of UDC, the City of New York and the Port Authority comprise QWDC's Board of Directors.

The Queens West Development Corporation (QWDC), responsible for facilitating development of this 9 million-square-foot mixed-use project, is a subsidiary of the New York State Urban Development Corporation (UDC). Representatives of UDC, the City of New York and the Port Authority comprise QWDC's Board of Directors.



Both the Industrial Park at Yonkers (top) and The Teleport on Staten Island welcomed new tenants in 1993.

As a component of New York Governor Mario Cuomo's "New, New York Program" to improve regional mobility and advance economic development in the state, the Port Authority began negotiations in the fall with a private operator to provide ferry service between the Queens West site and midtown Manhattan by mid-1994.

On the New Jersey waterfront, the Port Authority and the City of Hoboken agreed to terminate our leasehold on the Hoboken piers. Efforts to identify alternate self-sustaining development projects in New Jersey continued during the year.

Through the Port Authority's Local Assistance Program (LAP), we helped older urban communities with economic development projects. Among these, a study was completed and recommendations made to revitalize Park Avenue, a major thoroughfare in Weehawken and Union City, NJ, and an initiative to analyze and recommend uses for development of four vacant parcels of land in Newark neared completion.

One new LAP project provided marketing assistance to the Newark/Meadowlands Convention Center and Visitors Bureau in New Jersey and, in

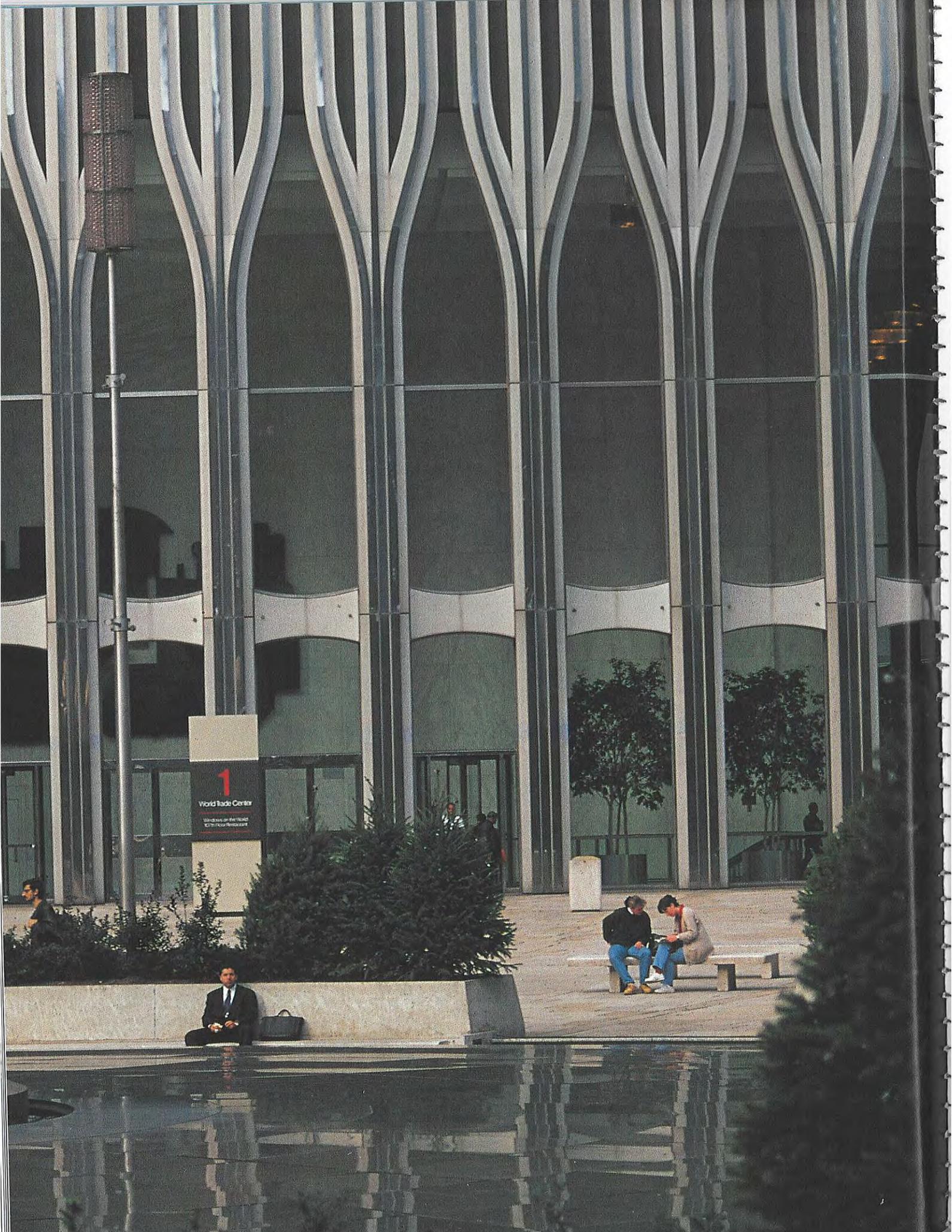
New York, a study was undertaken for the Heights and Hill Community Council of Brooklyn.

Since its inception 10 years ago, LAP has helped create 2,000 jobs and more than \$54 million in public and private investments in targeted communities in the region.

Environmental Responsibility

The Essex County Resource Recovery Facility marked its third full year of operation. In 1993, the resource recovery plant posted another increase in volume — receiving more than 890,000 tons of waste from Essex and Bergen counties. Since opening, it has processed more than 2.5 million tons of waste and produced nearly 1.4 billion kilowatts of electricity, enough power to serve approximately 37,500 homes each year.

As part of our Regional Economic Development Program, the Stevens Institute of Technology will explore the technical and economic feasibility of transforming the ash residue of the processing activity at the resource recovery plant into reusable material. Development of a viable approach to recycle the processing by-product, or fly ash, would help reduce operating costs.



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World Trade Center
Embassy on the World
1070 New York Street

WORLD TRADE

BACK IN BUSINESS AND BETTER

For the World Trade Department, 1993 will long be remembered as a year marked by the tragedy of the February 26 bombing at the World Trade Center. It forced the evacuation and temporary closing of the Twin Towers and other buildings and disrupted numerous businesses in the area. It also caused tremendous destruction in sub-grade areas of the World Trade Center and destroyed or temporarily disabled numerous key building systems.

In immediate response, World Trade worked with staff of other departments throughout the Port Authority to launch a number of initiatives benefiting World Trade Center tenants and neighboring businesses. Temporary relocation assistance, low-interest loans and other recovery assistance were arranged.

A \$15 million Tenant-Owner-Worker Economic Recovery Stimulus (TOWERS) program provided special rent relief, sales and promotion incentives, specialized security and safety training for tenants, TransitChek subsidies, and other benefits for returning tenants.

The beginning of the return to normalcy was marked on March 18 when New York Governor Mario M. Cuomo moved backed into his office on the 57th Floor of Two World Trade Center. Other tenants began a phased move-back the following week. Most tenants were back into their offices by mid-April.

The New York Vista Hotel, however, was more seriously damaged and remained closed throughout 1993. The hotel is expected to reopen in late 1994, offering a new look and level of luxury and convenience. Windows on the World Restaurant also remained closed. It is scheduled to reopen after a new restaurateur is selected and renovations are completed.

Meeting Future Challenges

State-of-the-art fire alarm and communication systems will ensure that the World Trade Center complex continues to be well-prepared for future emergencies. The new systems, including six separate fire command stations throughout the complex, will be able to identify the precise location of a particular smoke or fire condition.



The 825-room New York Vista Hotel will offer a new level of luxury and convenience when it reopens.



New York Governor Mario Cuomo moves back into his office just three weeks after the explosion at the World Trade Center.



Touring the Shanghai trade show "Expo '93" on the Mezzanine of the World Trade Center are Port Authority Executive Director Stanley Brezenoff and Dr. Francis F. S. Sun, Assistant Chairman of the Shanghai Municipal People's Government Foreign Economic Relations & Trade Commission.

To support the new fire protection system, added safety enhancements range from decentralized communications/control desks in each of the tower skylobbies to security patrols equipped with two-way radios and flashlights monitoring all stairwells in each zone of the buildings during normal business hours.

We also upgraded the emergency power supply. In addition to its main power source, the complex now has additional back-up emergency generators and

emergency battery-pack lighting in the elevators and stairwells. Other new security measures implemented during the year include a photographic identification program for all tenants, contractors and long-term visitors and a coded pass program for daily visitors. Public parking under the complex was permanently eliminated and a rigorous loading dock inspection program was put in place.

To enhance all of the new procedures and systems, we are also developing a Security Control Center to centralize coordination and monitoring for the entire complex.

End-of-the-Year Occupancy

Business confidence in the World Trade Center as a safe building and a premier office complex remained strong through 1993 — with occupancy at 90 percent. Leases representing a total of 1.2 million square feet of office space were up for renewal, and by year's end, lease agreements for the vast majority of this space — 980,000 square feet — had been renewed.

We welcomed several new tenants. The largest, BankAmerica Corporation, signed a 15-year lease for approximately 350,000 square feet in One World Trade Center in July. As the nation's second-largest bank, it consolidated a major part of its eastern offices into the World Trade Center space.

In December, the New York Society of Security Analysts, Inc. — the nation's largest society of investment professionals — signed a 15-year lease, for approximately 16,500 square feet in One World Trade Center.

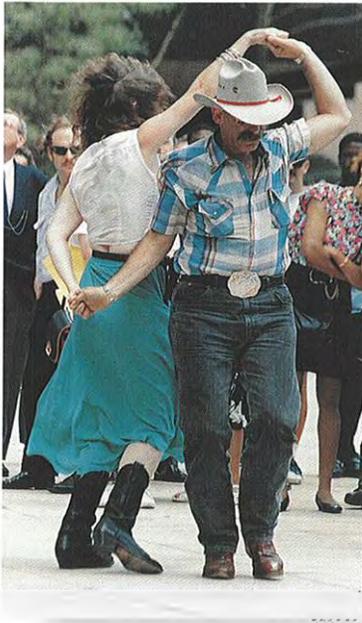
Plans were also finalized for an on-site child care facility, the Children's Discovery Center. Scheduled to open in mid-1994, the fully accredited center will provide child care services to parents working in the World Trade Center and the surrounding communities.

Capital Redevelopment Continued

To ensure that the World Trade Center provides an unparalleled range of facilities and services, a comprehensive capital program was accelerated as the rehabilitation necessitated by the February 26 bombing continued. Total capital spending in 1993 was \$58 million, augmented by \$114 million in recovery-related construction expenditures.



Devon & Blakely, which opened in December, specializes in gourmet take-out foods.



Visitors move to a country beat on the World Trade Center plaza.

Future plans for the Mall at the World Trade Center call for a new layout of corridors, escalators and stairs to the Plaza level to alleviate pedestrian congestion. Plans also envision increased lighting on the Mall, including natural light via skylights to the Plaza, and upgraded floor, wall and ceiling finishes throughout.

Two new retailers, 9 West Shoes and J&M Floral Co., opened in September. The Gap is scheduled to open an 8,500-square-foot-store in early 1994, and four new stores, The Limited, Express, Structures and Bath & Body Works, are scheduled to open by the summer. In food services, Au

Bon Pain moved into its permanent "French Bakery Cafe" in September. Work progressed on Menchanko Tei, offering Japanese cuisine, and Fine & Shapiro, a New York-style deli. Both are expected to open in 1994.

Food and shopping led the list of the World Trade Center's "Spring-back Celebration" in May. Part of the TOWERS recovery program, the event featured arts, crafts, entertainment, store discounts and food — lots of it! An extravaganza called "A Taste of Lower Manhattan" featured gastronomic specialties from 16 downtown restaurants.

Entertainment and special events continued through the year, featuring the World Trade Center's traditional summer concert series and winter holiday performances. Tenants and the public also enjoyed special cultural attractions, including a Japanese Folk Art Festival, Tibetan Peace Mandala and sculpture, Dominican Republic Trade Show and an exhibit featuring Chinese photographers' impressions of the United States.

Observation Deck Back on Top

The Observation Deck at the World Trade Center held a grand reopening on Saturday, April 17. By the end of 1993, the Deck was drawing more monthly visitors than it had at the end of 1992. In December, for example, the Deck welcomed 123,557 visitors — 9,000 more than December 1992.

The Deck also showcased a new exhibit — "Everything You Wanted To Know About The World Trade Center, And More." Through photographs and artists' renderings, the exhibit visually answers questions asked over the years about the World Trade Center and its lower Manhattan neighborhood.

INTERNATIONAL BUSINESS



Initiatives to attract and promote international business activity in the New York-New Jersey region further strengthened our competitiveness. These efforts were accomplished through an Investment Attraction Program, XPORT Trading Company, the World Trade Institute and Trade Development Offices in Europe and the Asia-Pacific region.

DEVELOPING GLOBAL MARKETS

Locating new manufacturing and service companies to the region from overseas is the mission of the Investment Attraction Program. In 1993, this effort helped 16 international companies establish new office, warehouse and manufacturing facilities in New York and New Jersey — expected to create some 300 jobs when all are fully operational.

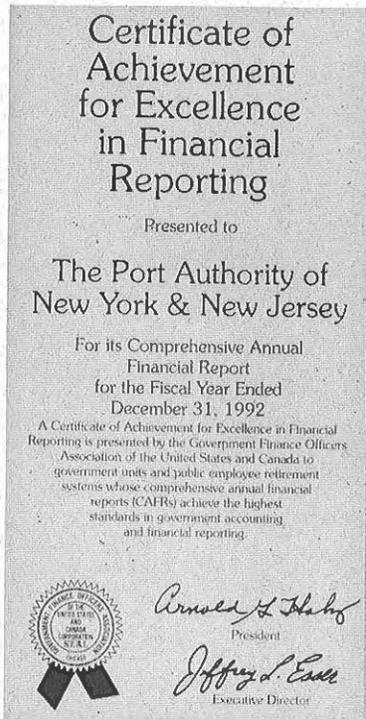
XPORT helps small and medium-sized regional companies enter international markets. In 1993, XPORT helped 50 client companies realize overseas sales, including a New Jersey-based manufacturer of security seals and locking devices that was awarded a contract from the Japanese government worth several million yen.

Our Trade Development Offices also increased business development activities on behalf of the Port Authority and the region, particularly in China, Hong Kong, Taiwan, Korea, the fast growing Southeast Asia markets, the Middle East and Spain.

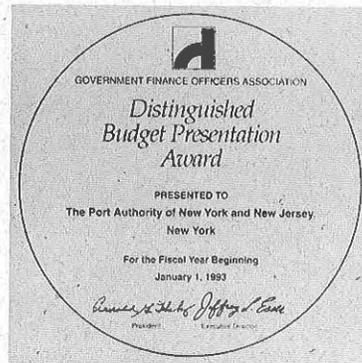
The World Trade Institute (WTI), located at the World Trade Center, conducted more than 580 seminars, courses and international training programs for 6,362 participants in the region, the nation and the world. Specially tailored courses were conducted for clients ranging from Fortune 500 companies to senior management from newly formed Mongolian trading companies and agribusiness managers from Belarus and Uzbekistan. WTI also developed an international business program for librarians of the New York Public Library system's new research facility devoted to science and international business.

Trade relations with Russia are expected to be strengthened through a grant awarded to the Port Authority by the U.S. Department of Commerce for the development of a training institute and trading company in St. Petersburg, Russia.

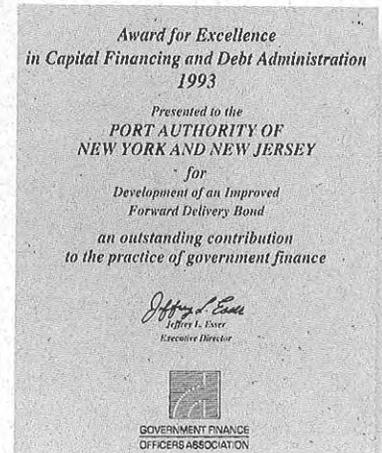
FINANCIAL SECTION



For the ninth consecutive year, The Port Authority of New York and New Jersey was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its 1992 Comprehensive Annual Financial Report.



For the second consecutive year, The Port Authority of New York and New Jersey was awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association of the United States and Canada for its 1993 Annual Budget.



The Port Authority of New York and New Jersey received an award for Excellence in Financial Management by the Government Finance Officers Association of the United States and Canada for its project, Development of an Improved Forward Delivery Bond.

**To The Board of Commissioners of
The Port Authority of New York and
New Jersey**

The Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey, including its wholly-owned subsidiaries, for the year ended December 31, 1993, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Port Authority. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the Port Authority's financial results of operations, financial position, and cash flows in accordance with the requirements of generally accepted accounting principles and Port Authority bond resolutions. This report also briefly describes basic policies and major activities undertaken during the year ended December 31, 1993. The purpose of this transmittal letter is to discuss the items listed below in a formal and comprehensive manner.

Reporting Entity and its Services

The Port Authority of New York and New Jersey is a municipal corporate instrumentality and political subdivision of the States of New York and New Jersey, created in 1921 by Compact between the two States and thereafter consented to by the Congress of the United States, which undertakes only those projects authorized by the two States. It is authorized and directed to plan, develop, and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation, economic development, and world trade that contribute to promoting and protecting the commerce and economy of the Port District, which comprises an area of about 1,500 square miles in both States centering about New York Harbor.

The Governor of each State appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective State Senate. The Commissioners serve six-year overlapping terms as public officials without compensation. They establish Port Authority policy and appoint an Executive Director to implement it, and also appoint a General Counsel to act as legal advisor to the Board and to the Executive Director. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners; the actions taken by the Commissioners at Port Authority meetings are subject to a statutorily provided gubernatorial review period. From time to time Governors have exercised their power to veto the actions of Commissioners from their respective State.

The Executive Director is responsible for the management of the daily operations of the agency's 39 facilities through line and staff departments and guides proposals to the point of presentation to the Board of Commissioners. The Executive Director is also responsible for implementing actions authorized by the Board of Commissioners.

As a municipal corporate instrumentality and political subdivision serving the people of the New York-New Jersey metropolitan region, the Port Authority combines sound business and governmental principles and practices and is dedicated to providing high quality public service and operating efficiency. To assist in guiding the operation of each of the departments, detailed policies and procedures are published and communicated to employees.

The Compact envisions the Port Authority as being financially self-sustaining and, as such, it must raise the funds necessary for the construction or acquisition of facilities upon the basis of its own credit. The

agency has neither the power to pledge the credit of either State or any municipality nor to levy taxes or assessments.

Non-Financial Information

Information concerning current and future economic conditions and how they may impact on operations and the future commitment of the agency's resources, as well as highlights of current and future initiatives and programs for each of the agency's major business areas, are presented in the Introductory Section.

Information with Respect to the Events of February 26, 1993 at the World Trade Center

On February 26, 1993, various building systems sustained damage as a result of an explosion in the parking garage levels under the hotel at the World Trade Center, as discussed in Note N on page 74. Port Authority costs for expenses associated with the explosion (including costs associated with the Vista International Hotel), net of anticipated insurance recoveries, are presently estimated to be \$32,500,000. The Port Authority intends to pursue vigorously its insurance claims for reimbursement, to the fullest possible extent, of various costs associated with the explosion. Although the total amount of insurance proceeds that the Port Authority will receive pursuant to such claims is not presently known, the estimates of such proceeds made by management for financial reporting purposes, as well as the estimates of the total costs of the February 26, 1993 explosion, as reflected in the Combined Financial Statements, have been made consistent with the requirements of Financial Accounting Standards Board Statement No. 5.

Accounting System and Budgetary Control

The Port Authority's Combined Financial Statements are prepared in accordance with generally accepted accounting principles, include information on Port Authority operations by operating segment, and are prepared on the accrual basis of accounting. Where appropriate, statements and schedules reflect

amounts, including provisions for claims made against the Port Authority, based on estimates and judgments which the Port Authority believes to be sound. These financial statement presentations do not in any way change the net revenues or reserves of the Port Authority or their application as they are defined and governed by requirements of law and the Port Authority's bond resolutions and as they are reflected in Schedules A, B and C. The Port Authority conducts its operations in accordance with such resolutions and legal requirements. Reconciliations of the Combined Statements of Income to Schedule A, Revenues and Reserves, and the Combined Statements of Financial Position to Schedule B, Assets and Liabilities, are included in Note A of the Combined Financial Statements on page 54.

In conformance with the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity", the accounts of Port Authority Trans-Hudson Corporation (PATH) and the Newark Legal and Communications Center Urban Renewal Corporation are included in the accompanying financial statements, while the assets and liabilities of the New York State Commuter Car Program are not included in the Port Authority's financial statements. In addition, the Port Authority accounts for the Passenger Facility Charge (PFC) Program as a separate enterprise fund because, pursuant to Federal law, the collection and expenditure of the PFCs are restricted to PFC eligible projects.

To reasonably assure compliance with published policies and procedures and to protect the Port Authority's assets, a system of internal control, including budget guidelines, has been developed. This system is strengthened and supplemented by internal auditors who conduct examinations of the Port Authority's operations and report on management's performance to the Audit Committee of the Board of Commissioners. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. The concept of reasonable assurance is

based on the recognition that the cost of a system of internal control should not exceed the benefits derived and that the evaluation of those factors requires estimates and judgments by management.

The Port Authority's annual budget is a financial planning tool outlining the estimated expenditures for programs already authorized or to be considered by the Board of Commissioners. It is developed as part of a business planning process which includes a comprehensive review of the Port Authority's mission and long-term business strategies, programs, policies and projects, both operating and capital, required to carry out that mission. Approval of the budget by the Board of Commissioners does not in itself constitute authorization of any specific project. Each new project must be separately considered and approved by the Board of Commissioners. Upon approval, the budget becomes a mechanism which facilitates the systematic review of program expenditures to ensure they are made consistent with statutory, contractual and other commitments of the Port Authority, the policies and financial decisions of the Board of Commissioners and the requirements of the By-Laws of the Port Authority.

Results of Operations

Gross operating revenues totalled \$1,920,904,000 in 1993, a decrease of \$12,608,000 or .7% from 1992. This decline is primarily attributable to decreases in International Arrivals Building service costs at John F. Kennedy International Airport (JFK), flight fee revenues at JFK and LaGuardia Airport, and World Trade Center rental and miscellaneous revenues, partially offset by increases in miscellaneous revenues at Newark International Airport and an increase in fees and rentals at Regional Development and Port facilities. Operating expenses totalled \$1,340,283,000 in 1993, a decrease of \$8,109,000 or .6% from 1992, as a result of lower rents paid to the City of New York, and a reduction in bad debt expenses for all three major airports, and lower "payments-in-lieu-of-taxes" at the World Trade Center, offset partially by project related expenses originally charged to capital

accounts which were charged to operations in 1993, the World Trade Center TOWERS Program and increased major maintenance costs at PATH, the George Washington Bridge, the Outerbridge Crossing and the Goethals Bridge.

Portfolio Management

The Port Authority's long-term investments are in securities of or guaranteed by the United States Government and in Port Authority bonds. Earnings determined pursuant to Port Authority bond resolutions, on long-term investments totalled \$40,572,000.

Short-term investments consisted primarily of United States Government securities (including such securities held pursuant to repurchase agreements and reverse repurchase agreements), securities of United States government agencies and in limited amounts of commercial paper. In addition, short-term investments were also made, in connection with certain interest rate options contracts with primary dealers in United States Treasury securities. Earnings determined pursuant to Port Authority bond resolutions on short-term investments totalled \$18,955,000, which includes earnings distributed to capital. Combined earnings on such long-term and short-term investments decreased from 1992 by approximately 16.5%, primarily due to the declining interest rate environment and lower average daily balances invested.

Invested In Facilities

Invested In Facilities, pursuant to Port Authority bond resolutions, totalled \$10,432,103,000 in 1993, which reflects an increased investment of \$545,645,000 for operating segments and \$38,179,000 for Regional and Other Programs. The additional investment in Port Authority operating segments is comprised of \$288,416,000 in Air Terminals, primarily for new facilities at JFK and Newark International Airport, improvements and rehabilitation of roadways, taxiways and buildings at LaGuardia Airport and JFK, and an automated people mover at Newark International Airport. In addition, investment provided by PFCs in connection

with the Airport Access Program amounted to \$10,116,000. Investment in Interstate Transportation Network facilities increased by \$126,311,000, primarily as a result of expenditures associated with PATH for safety programs, communication systems, station improvements, and new car facilities; and rehabilitation projects at the Lincoln Tunnel, the George Washington Bridge and the Port Authority Bus Terminal. Capital expenditures for the World Trade Center of \$58,067,000, were primarily for heating, ventilation, air conditioning and electrical capacity upgrades, elevator and escalator modernization and a facility infrastructure rehabilitation and enhancement program. Additional investment in Regional Development facilities amounted to \$6,544,000 and investment in Port facilities increased by \$56,191,000, primarily for expenditures to dredge to increased depths in the Kill Van Kull area of Staten Island, New York, and at Elizabeth-Port Authority Marine Terminal and Port Newark in New Jersey and infrastructure and pier rehabilitation projects at those two facilities, as well as at the Brooklyn-Port Authority Marine Terminal and the New York City Passenger Ship Terminal.

Risk Management

The Port Authority carries insurance or requires such insurance to be carried on, or in connection with, its facilities to protect against direct physical loss or damage and loss of revenue resulting therefrom, and against liability in connection therewith, in such amounts, with such deductibles or exceptions, with such exclusions of portions of facilities, and against such hazards, if available, as it deems appropriate. The Port Authority presently maintains property damage and loss of revenue insurance with policy limits of \$570,000,000 for Bridge and Tunnel facilities and \$600,000,000 for non-Bridge and Tunnel facilities. The Port Authority presently maintains public liability insurance with policy limits of \$875,000,000 for Aviation facilities and \$421,000,000 for non-Aviation facilities. The Port Authority, in providing for uninsured potential losses, administers its self-insurance program by applications

from the Consolidated Bond Reserve Fund, and provides for losses by charging operating expenses as incurred.

Debt Management

On December 31, 1993, outstanding obligations of the Port Authority pursuant to Port Authority bond resolutions totalled \$5,729,475,000 as shown in Schedule B and as detailed in Note D of the Combined Financial Statements on pages 76 and 57 through 61, respectively.

To effectuate its programs, statutes which require the Port Authority to create the General Reserve Fund also established the principle of pooling revenues from facilities with established earning power to aid in the development of new projects. The statutes also require "surplus revenues" to be applied to the maintenance of the General Reserve Fund in an amount equal to 10% of the total par value of all outstanding bonds legal for investment as defined in the General Reserve Fund statutes (under the New York State Commuter Car Program, neither the principal amount of New York State Guaranteed Commuter Car Bonds nor any revenues derived from the Program are attributable to the General Reserve Fund).

At present, the General Reserve Fund is pledged in support of all outstanding Consolidated Bonds and Notes now or hereafter issued in the manner and to the extent specified in the Consolidated Bond Resolution and is not pledged in support of any other obligations of the Port Authority.

Before the Port Authority may finance an additional facility for the first time with Consolidated Bonds (including Consolidated Notes) or other bonds secured by a pledge of the General Reserve Fund, the Port Authority's Board of Commissioners must first certify its opinion that the issuance of such bonds will not materially impair the Port Authority's sound credit standing, the investment status of Consolidated Bonds or the Port Authority's ability to fulfill its commitments, including its undertakings to the holders of Consolidated Bonds. Unless such certification is

made, neither the General Reserve Fund nor the Consolidated Bond Reserve Fund may be applied for purposes in connection with the additional facility. In 1973 the legislatures of New York and New Jersey repealed, for bonds issued after Consolidated Bonds, Thirty-ninth Series, Due 2007, a statutory covenant adopted in 1962 by the States of New York and New Jersey, limiting the Port Authority's ability to apply pledged revenues and reserves to deficit passenger railroad facilities (other than the PATH System).

Outstanding Consolidated Bonds and Notes as of December 31, 1993, pursuant to Port Authority bond resolutions totalled \$4,286,668,000. In 1993, the Port Authority issued Consolidated Bonds, Eighty-fourth through the Ninety-first Series in the aggregate principal amount of \$1,162,730,000, for purposes of capital expenditures in connection with the facilities of the Port Authority and/or refunding certain bonds, notes or other obligations of the Port Authority. Consolidated Bonds (which includes Consolidated Notes) are direct and general obligations of the Port Authority and the full faith and credit of the Port Authority are pledged to the payment of debt service thereon. All Consolidated Bonds, including any which may hereafter be issued, are also equally and ratably secured by a pledge of the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities of the Port Authority (not including cars acquired under the New York State Commuter Car Program) and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds, in the manner and to the extent provided in the Consolidated Bond Resolution.

The Port Authority participates in the market for municipal bond futures contracts traded on the Chicago Board of Trade. These contracts are used to manage interest rate exposure on future bond issuance. Gains and losses on interest rate futures contracts are accounted for as interest income or interest expense over the life of the bond series on which exposure was managed.

The Port Authority Commercial Paper Program provides for Port Authority Commercial Paper Obligations to be issued, in an aggregate principal amount outstanding at any one time not in excess of \$300,000,000 in two separate series. Each of such series includes commercial paper notes; a bank line of credit in the amount of \$30,000,000 to provide for certain authorized expenditures which would periodically be reduced through the sale of commercial paper notes; and a bank stand-by revolving credit facility in the principal amount of up to \$150,000,000 to provide program liquidity in the event commercial paper notes cannot be refunded at their maturity due to market conditions, and is limited to a maximum aggregate principal amount outstanding at any one time of \$150,000,000. The principal of and interest on Port Authority Commercial Paper Obligations are special obligations of the Port Authority, payable from the sources of payment and to the extent provided in the Port Authority Commercial Paper Resolution. The total amount outstanding of Port Authority Commercial Paper Obligations at December 31, 1993 was \$189,963,000.

The Port Authority's Versatile Structure Obligations provide enhanced flexibility in structuring the Port Authority's obligations to meet changing market conditions and in accessing a broader segment of the financial markets. The principal of and interest on Port Authority Versatile Structure Obligations are special obligations of the Port Authority payable from the sources of payment and to the extent provided in the Port Authority Versatile Structure Obligations Resolution. In 1993, the Port Authority issued Versatile Structure Obligations, Series 1, in the amount of \$100,000,000, for purposes of capital expenditures in connection with Port Authority air and marine terminal facilities and/or for purposes of refunding obligations pertaining to such facilities. The Series 1 Obligations, which were issued on a "multi-modal" basis are presently subject to prepayment at the option of the Port Authority or upon demand of the holders. The Port Authority has

also entered into a stand-by purchase agreement pertaining to the Series 1 Obligations with certain banks. As of December 31, 1993, the total principal amount of Versatile Structure Obligations outstanding was \$100,000,000.

As of year-end 1993, outstanding Port Authority Consolidated Bonds were rated AA- by Standard & Poor's Corporation and Fitch Investors Service, Inc., and A1 by Moody's Investors Service; and outstanding Commercial Paper Notes were rated A-1+ by Standard & Poor's, F-1+ by Fitch, and P-1 by Moody's (the highest short-term ratings given by each of the rating agencies). Versatile Structure Obligations, Series 1, were issued on a "multi-modal" basis, initially paying interest on a daily rate and, therefore, received short-term ratings from each agency; since the Series 1 Obligations may be converted to a longer term at the option of the Port Authority the rating agencies also issued long-term ratings. As of year-end 1993, the Series 1 Obligations were rated A-1+ by Standard & Poor's, F-1+ by Fitch, and VMIG1 by Moody's, the highest short-term variable debt rating given by each of the rating agencies; long-term ratings for these obligations were A-, A+, and A, respectively.

The Port Authority's Variable Rate Master Note Program provides for Variable Rate Master Notes to be issued, under agreements with selected banks, trust companies and financial institutions, in an aggregate principal amount outstanding at any one time not in excess of \$400,000,000. Variable Rate Master Notes issued in 1993 totalled \$20,000,000, and were issued for the partial accelerated retirement of Consolidated Bonds, Thirty-third Series and for the refunding of certain Port Authority Commercial Paper Obligations. The principal of and interest on Variable Rate Master Notes are special obligations of the Port Authority, payable from the sources of payment and to the extent provided in the Port Authority Variable Rate Master Note Resolution. Variable Rate Master Notes are subject to prepayment at the option of the Port Authority or upon demand of the holders. As of December 31, 1993,

the total principal amount of Variable Rate Master Notes outstanding, was \$270,000,000.

The Port Authority's Operating Equipment-Lease Financing Program provides for lease-financing transactions with an aggregate principal amount outstanding at any one time not to exceed \$75,000,000. As of December 31, 1993, the total principal amount outstanding under this program was \$19,903,000. Expenses incurred with respect to each letting of equipment under the program are payable in the same manner and out of the same revenues as operating expenses of the Port Authority, with the principal amount of the transactions represented by such lettings subject to prepayment at the option of the Port Authority or upon demand of the participants in such transactions.

As of December 31, 1993 the total amount payable in connection with Special Project Bonds, excluding unamortized discount and premium, was \$473,575,000. The principal of and interest on each series of Special Project Bonds are special obligations of the Port Authority, payable from the sources of payment and to the extent provided in the resolutions establishing and authorizing the issuance of each such series of Special Project Bonds. The Port Authority established and authorized the issuance and sale of Special Project Bonds, Series 3, KIAC Partners Project, on June 11, 1992, in connection with a project at JFK which includes the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system. On May 4, 1993, the Port Authority issued a combined aggregate principal amount of \$175,000,000 of the Series 3 Bonds.

As of December 31, 1993 the Port Authority had an obligation to pay \$389,366,000 (including an annual implicit interest component) to the States of New York and New Jersey as a result of termination of the Fund for Regional Development.

During 1993, the Port Authority refunded approximately \$1,006,000,000 in obligations,

which generated approximately \$113,000,000 in present value savings to the Port Authority.

It is the Port Authority's policy to retire debt as rapidly as sound financial management permits and to maintain, at year-end, in its reserve funds, a combined amount equal to at least the amount of the next two years' mandatory debt service on bonds secured by a pledge of the General Reserve Fund.

The Port Authority enters into interest rate exchange contracts (swap agreements) for the purpose of managing its interest rate exposure. Each swap transaction involves the exchange of fixed and variable rate interest payment obligations calculated with respect to an agreed upon nominal principal amount called a notional amount. As of December 31, 1993, nine interest rate exchange contracts were in place with notional amounts aggregating \$580,760,000 including two partially offsetting contracts each with notional amounts of \$10,000,000. In the case of three of these interest rate exchange contracts with notional amounts aggregating \$285,760,000, the exchange of fixed and variable interest payments would commence at a future specified date subject to satisfaction of certain conditions.

Interest on the Port Authority's debt charged to operations and reserves in 1993, determined pursuant to Port Authority bond resolutions, totalled \$258,458,000. Bonded debt repayment through operations and reserves amounted to \$71,311,000, which includes long-term bonds with a par value of \$67,675,000 retired through mandatory sinking fund and maturity payments, repayment of commercial paper obligations of \$178,000 and long-term bonds with a par value of \$3,458,000 retired in anticipation of future requirements. Therefore, total debt service charged to net revenues and reserves was \$329,769,000, which does not include amounts relating to New York State Guaranteed Commuter Car Bonds and Special Project Bonds. Capitalized interest for the year ended December 31, 1993 totalled \$50,502,000.

Passenger Facility Charges

On July 23, 1992, the Federal Aviation Administration (FAA) granted the Port Authority the right to impose a \$3 PFC per enplaned passenger at LaGuardia, John F. Kennedy International and Newark International Airports, beginning on October 1, 1992, to be collected by the airlines on behalf of the Port Authority in an aggregate amount (including interest thereon) totalling up to \$282,000,000 net of air carrier handling charges. The FAA also approved expenditure of \$21,000,000 attributable to amounts received from collection of PFCs to fund studies associated with ground access projects pertaining to the airports. Future applications would be submitted by the Port Authority to the FAA for authority to continue the PFC at the airports and for approval of airport-related capital construction projects to be funded with the PFC, as appropriate. As of December 31, 1993 the amount of PFCs available for and restricted to future PFC project payments is \$98,712,000.

Reserve Funds

At year-end 1993, the General Reserve Fund balance was \$534,010,895 and met the prescribed statutory amount of 10% of the total par value of all outstanding obligations legal for investment as defined in the General Reserve Fund statutes. On December 31, 1993, the Consolidated Bond Reserve Fund had a balance of \$296,997,000 after application of \$185,071,000 to direct investment in facilities, \$178,000 for repayment of commercial paper obligations, \$3,458,000 for the retirement of Consolidated Bonds in anticipation of future requirements and \$35,687,000 for payments in connection with a leasehold acquisition, together with \$7,081,000 from self-insurance. The sum of these reserve funds was \$831,008,000 for the year ended December 31, 1993, which exceeded the next two years' mandatory debt service on bonds secured by a pledge of the General Reserve Fund.

Bond covenants require that the reserve funds be maintained as cash or invested in certain government

securities. At year-end, \$830,008,000 was invested in such securities and \$1,000,000 was maintained as cash.

Independent Audit

A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Port Authority in accordance with generally accepted auditing standards. The firm meets directly with the Audit Committee of the Board of Commissioners. A study and evaluation of the system of internal accounting control is also performed as part of the annual examination. Both reports are included in the Comprehensive Annual Financial Report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting, for the ninth consecutive year, to The Port Authority of New York and New Jersey for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 1992. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

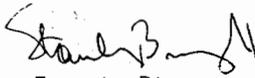
A Certificate of Achievement is valid for a period of one year only. The Port Authority uses two funds (both enterprise-type funds) to account for its activities: one fund for the Passenger Facility Charge program and the second for all other Port Authority operations. Since these are both of the same fund type, the Port Authority's Combined Statement of Financial Position contains a separate column for each enterprise fund in an effort to communicate clearly its financial picture, to enhance understanding and to address the needs of the users of its Comprehensive Annual Financial Report. It is hoped that, by demonstrating such full financial disclosures,

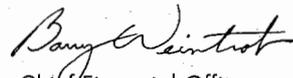
the Port Authority's 1993 Comprehensive Annual Financial Report will continue to qualify for the Certificate of Achievement for Excellence in Financial Reporting.

In addition, we also received the GFOA's Award for Distinguished Budget Presentation for the second consecutive year, for our annual budget for 1993. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

Finally, the Port Authority was selected to receive the GFOA's 1993 Award for Excellence in Financial Management. The GFOA Awards for Excellence program recognizes the most valuable contribution to the field of municipal finance, with particular focus upon transferability, creativity, technical significance and overall value to the profession. The Port Authority's project, Development of an Improved Forward Delivery Bond, was judged by the GFOA's panel of reviewers to be the most outstanding entry in the Capital Financing and Debt Administration category, Policies and Procedures subcategory.

February 25, 1994


Executive Director


Chief Financial Officer



Hon. Henry F. Henderson, Chair
and Members of the Audit Committee of
The Port Authority of New York and New Jersey
New York, New York

We have made a study and evaluation of the system of internal accounting control of The Port Authority of New York and New Jersey and its wholly-owned subsidiaries (the "Authority") in effect at October 31, 1993. Our study and evaluation was conducted in accordance with standards established by the American Institute of Certified Public Accountants.

The management of the Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and in accordance with the Authority's bond resolutions.

Because of inherent limitations in any system of internal accounting control, errors or irregularities nevertheless may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In our opinion, the system of internal accounting control of the Authority in effect at October 31, 1993, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors and irregularities in amounts that would be material in relation to the combined financial statements.

November 24, 1993

**Deloitte Touche
Tohmatsu
International**



Opinion of Independent Auditors

Board of Commissioners
The Port Authority of New York and New Jersey

We have audited the accompanying combined statements of financial position of The Port Authority of New York and New Jersey (which includes its wholly-owned subsidiaries) as of December 31, 1993 and 1992, and the related combined statements of income and cash flows for the years then ended. We also audited the financial information included in Schedules A, B, C, and D. These financial statements and schedules are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Port Authority of New York and New Jersey as of December 31, 1993 and 1992, and the combined results of its operations and its combined cash flows for the years then ended in conformity with generally accepted accounting principles. The accompanying Schedules A, B and C have been prepared pursuant to the requirements of law and Port Authority bond resolutions. The accounting principles followed in the preparation of these schedules differ in some respects from generally accepted accounting principles as described in Note A-15. In our opinion, Schedules A, B and C present fairly, in all material respects, the assets and liabilities of the Port Authority at December 31, 1993 and the revenues and reserves for the year then ended in conformity with the accounting principles described in Note A-15. Also in our opinion, Schedule D presents fairly, in all material respects, the assets and liabilities of the New York State Commuter Car Program at December 31, 1993 and 1992, in conformity with the basis of accounting described therein.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information, which is the responsibility of the Port Authority's management, presented in Schedules E and F, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the audit procedures applied in our audits of the financial statements, and in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

February 25, 1994

**Deloitte Touche
Tohmatsu
International**

Combined Statements of Income

	Year ended December 31,			1992
	Port Authority Operations	PFC Program	Combined	Combined
	(In thousands)			
Gross operating revenues (Note L)	\$1,920,904	\$ —	\$1,920,904	\$1,933,512
Operating expenses:				
Employee compensation, including benefits	598,663	—	598,663	569,767
Materials, equipment, supplies and contract services	392,392	—	392,392	367,483
Heat, light and power	85,954	—	85,954	85,010
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	60,567	—	60,567	117,331
Other (Note K-3)	202,707	—	202,707	208,801
Total operating expenses	1,340,283	—	1,340,283	1,348,392
Amortization of Facilities, at cost (Note B-1)	267,324	—	267,324	233,803
Amortization of costs for Regional and Other Programs (Note I-3)	42,063	—	42,063	41,288
Income from operations	271,234	—	271,234	310,029
Net PFC revenues (Note M)	—	88,288	88,288	18,000
Financial income and expense:				
Income on investments	76,198	1,255	77,453	87,336
(Loss) gain on purchase of Port Authority bonds in connection with current sinking fund requirements	(5)	—	(5)	711
Interest expense in connection with bonds, notes and other capital asset financings, net of capitalized interest	(258,896)	—	(258,896)	(259,674)
Interest expense in connection with operating asset financings	(32,774)	—	(32,774)	(31,745)
(Loss) gain on disposition of assets (Note K-6)	(3,874)	—	(3,874)	19,684
Income before extraordinary items	51,883	89,543	141,426	144,341
Extraordinary items (Note K-5)	(33,837)	—	(33,837)	13
Net income	18,046	89,543	107,589	144,354
Add: amortization of assets acquired with government contributions in aid of construction (Note G)	20,512	—	20,512	18,319
Increase in net income invested in Port Authority facilities, operations and reserves	38,558	89,543	128,101	162,673
Balance, January 1	2,404,842	18,000	2,422,842	2,260,169
Net income invested in Port Authority facilities, operations and reserves, December 31	\$2,443,400	\$107,543	\$2,550,943	\$2,422,842

See Notes to Combined Financial Statements.

Combined Statements of Financial Position

	December 31, 1993			December 31, 1992
	Port Authority Operations	PFC Program	Combined	Combined
	(In thousands)			
Assets				
Facilities, at cost (Note B)	\$9,332,967	\$ 12,050	\$9,345,017	\$8,867,676
Less accumulated amortization of facilities	3,144,075	—	3,144,075	2,923,150
Facilities, net	6,188,892	12,050	6,200,942	5,944,526
Cash (Note C)	32,033	—	32,033	31,972
Investments (Note C)	943,373	84,712	1,028,085	999,713
Accounts receivable (net of allowance for doubtful accounts of \$27,300,000 in 1993 and \$67,258,000 in 1992)	43,467	—	43,467	72,539
Other amounts receivable (net of allowance for doubtful accounts of \$11,337,000 in 1993 and \$12,860,000 in 1992)	439,932	14,000	453,932	321,344
Amounts receivable in connection with Special Project Bonds	463,255	—	463,255	287,967
Unamortized costs for Regional and Other Programs (Note I)	338,492	—	338,492	342,346
Unamortized costs for Fund buy-out (Note I)	421,630	—	421,630	424,087
Other assets	388,041	—	388,041	330,850
Total assets	9,259,115	110,762	9,369,877	8,755,344
Liabilities				
Consolidated Bonds and Notes (Note D-1)	4,193,392	—	4,193,392	4,120,679
Obligations in connection with other capital asset financing (Note D-2)	559,963	—	559,963	453,705
Obligations in connection with operating asset financing (Note D-3)	409,269	—	409,269	413,298
Amounts payable in connection with Special Project Bonds (Note D-4)	463,255	—	463,255	287,967
Accounts payable	360,154	3,219	363,373	244,305
Accrued pension, retirement and other employee benefits (Note J)	251,699	—	251,699	260,932
Accrued interest and other liabilities	241,119	—	241,119	229,543
Total liabilities	6,478,851	3,219	6,482,070	6,010,429
Net assets	\$2,780,264	\$107,543	\$2,887,807	\$2,744,915
Net assets are composed of:				
Net income invested in Port Authority facilities, operations and reserves	\$2,443,400	\$107,543	\$2,550,943	\$2,422,842
Government contributions in aid of construction (Note G)	336,864	—	336,864	322,073
Net assets	\$2,780,264	\$107,543	\$2,887,807	\$2,744,915

See Notes to Combined Financial Statements.

Combined Statements of Cash Flows

	Year ended December 31,			1992
	Port Authority Operations	PFC Program	Combined	Combined
				(In thousands)
1. Cash flows from operating activities:				
Cash received from operations	\$1,962,968	\$ —	\$1,962,968	\$1,927,604
Cash paid to or on behalf of employees	(640,339)	—	(640,339)	(557,824)
Cash paid to suppliers	(846,313)	—	(846,313)	(623,509)
Cash paid to municipalities	(72,734)	—	(72,734)	(110,966)
Cash received from insurance	93,737	—	93,737	—
Net cash provided by operating activities	497,319	—	497,319	635,305
Cash flows from capital and related financing activities:				
Proceeds from sales of capital obligations	447,273	—	447,273	268,690
Proceeds from capital obligations issued for refunding purposes	2,215,480	—	2,215,480	1,969,561
Principal paid on capital obligations	(101,259)	—	(101,259)	(57,135)
Principal paid through capital obligations refundings	(2,215,480)	—	(2,215,480)	(1,969,561)
Interest paid on capital obligations	(300,456)	—	(300,456)	(307,131)
Investment in facilities and construction of capital assets	(645,042)	(6,963)	(652,005)	(566,489)
Investment in Regional and Other Programs	(40,600)	—	(40,600)	(95,005)
Proceeds from disposition of facilities	13,250	—	13,250	27,250
Proceeds from financing the sale of assets	2,940	—	2,940	2,265
Proceeds from passenger facility charges	—	86,949	86,949	5,339
Financial income allocated to capital projects	4,474	—	4,474	3,837
Proceeds from sales of operating equipment-lease financing obligations	—	—	—	5,572
Principal paid on operating equipment-lease financing obligations	(7,105)	—	(7,105)	(2,624)
Interest paid on operating equipment-lease financing obligations	(1,666)	—	(1,666)	(909)
Payments for Fund buy-out obligation	(28,045)	—	(28,045)	(28,063)
Government contributions in aid of construction	33,003	—	33,003	55,656
Net cash (used for) provided by capital and related financing activities	(623,233)	79,986	(543,247)	(688,747)
Cash flows from investing activities:				
Purchase of investment securities	(2,050,673)	(86,949)	(2,137,622)	(2,337,143)
Proceeds from sale and maturity of investment securities	2,127,716	5,708	2,133,424	2,312,817
Interest received on investment securities	32,043	1,255	33,298	43,394
Miscellaneous financial income	16,889	—	16,889	15,028
Net cash provided by (used for) investing activities	125,975	(79,986)	45,989	34,096
Net increase (decrease) in cash	61	—	61	(19,346)
Cash at beginning of year	31,972	—	31,972	51,318
Cash at end of year	\$ 32,033	\$ —	\$ 32,033	\$ 31,972

(Combined Statements of Cash Flows continued on next page.)

See Notes to Combined Financial Statements.

Combined Statements of Cash Flows (continued)

	Year ended December 31,			1992
	1993			
	Port Authority Operations	PFC Program	Combined	Combined
	(In thousands)			
2. Reconciliation of income from operations to net cash provided by operating activities:				
Income from operations	\$271,234	\$ —	\$271,234	\$310,029
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Amortization of Facilities, at cost	267,324	—	267,324	233,803
Amortization of costs for Regional and Other Programs	42,063	—	42,063	41,288
Amortization of other assets	56,050	—	56,050	39,534
Provision for uncollectible receivables	(13,249)	—	(13,249)	25,409
Net loss on WTC explosion	(32,500)	—	(32,500)	—
Change in operating assets and operating liabilities:				
(Increase) in receivables	(92,552)	—	(92,552)	(5,908)
(Increase) in prepaid expenses	(54,914)	—	(54,914)	(34,293)
Increase in payables	75,510	—	75,510	15,116
(Decrease) increase in employee benefits	(33,098)	—	(33,098)	21,126
(Decrease) in other liabilities	(1,778)	—	(1,778)	(8,190)
Increase (decrease) in deferred income	10,790	—	10,790	(4,805)
Decrease in deferred costs	2,457	—	2,457	2,194
(Decrease) increase in other operating obligations	(18)	—	(18)	2
Total adjustments	226,085	—	226,085	325,276
Net cash provided by operating activities	\$497,319	\$ —	\$497,319	\$635,305

3. Capital obligations consist of Consolidated Bonds and Notes, other obligations in connection with capital asset financing and amounts payable in connection with Special Project Bonds.

See Notes to Combined Financial Statements.

Notes to Combined Financial Statements

Note A—Summary of Significant Accounting Policies

1. The Port Authority of New York and New Jersey, created in 1921 by Compact between the two States and thereafter consented to by the Congress of the United States, has no stockholders or equity holders; cash derived from operations and other cash received must be disbursed for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily in the form of tolls, fares, fees, rentals and other user charges.

2. The financial statements and schedules include the accounts of the Port Authority and its wholly-owned subsidiaries, Port Authority Trans-Hudson Corporation (PATH) and the Newark Legal and Communications Center Urban Renewal Corporation, consistent with the criteria set forth in the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity". In accordance with the provisions of law, Port Authority resolutions and agreements with others, the nature of the legal and financial relationship between the New York State Commuter Car Program and the Port Authority is such that, in accordance with the Codification and Governmental Accounting Standards Board (GASB) Statement No. 14, the assets and liabilities of the New York State Commuter Car Program are not included in the Port Authority's financial statements (see Note F-4 and Schedule D).

In its accounting and financial reporting, the Port Authority follows the pronouncements of GASB. In addition, the Port Authority follows the pronouncements of all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

The Port Authority is accounting for the Passenger Facility Charge (PFC) Program as a separate enterprise fund of the Port Authority since pursuant to Federal law amounts attributable to collection and investment of PFCs are restricted and can only be used for PFC eligible projects (see Note M).

3. Facilities are carried at cost and include the expenditure of Federal and State grants, and amounts derived from PFCs, to acquire, construct, place in operation and improve the facilities of the Port Authority (see Note G and Note M). Facility capital costs include net interest expense incurred from the date of issuance of debt for purposes of a capital project until such project is completed and ready for its intended use (see Note B). "Facilities, at cost" does not include Regional and Other Programs, undertaken at the request of the respective Governor of the State of New Jersey or the State of New York (see Note I).

4. Inventories, which are included in "Other assets" on the Combined Statements of Financial Position, are valued at the lower of average cost or market value.

5. Investments in long-term securities, other than the Port Authority's Consolidated Bonds, are valued at amortized cost. Investments in short-term securities, other than such Port Authority bonds, are valued at the lower of their aggregate amortized cost or market value.

Port Authority Consolidated Bonds purchased by the Port Authority serve to reduce debt on Consolidated Bonds and Notes and are not included in investments. (See Note C.) Interest expense and interest earnings relating to such Port Authority bonds so purchased are not included in "Interest expense in connection with bonds, notes and other capital asset financings, net of capitalized interest" and "Income on investments". Gains on purchase of such Port Authority bonds in connection with future sinking fund requirements (those scheduled to occur more than one year from the date of purchase) are separately classified in the category of "Extraordinary items" (see Note K-5).

6. "Amortization of Facilities, at cost" is computed on the straight-line method based on estimated useful lives of the related assets including those paid for by government

contributions. In distributing net income to net assets, a charge representing amortization of assets acquired with government contributions is made against the related contributions accounts. (See Note B and Note G.)

7. Costs of Regional and Other Programs are amortized on a straight-line basis; the buy-out of the Fund for Regional Development is amortized in proportion to its future expected revenue flow. (See Note I.)

8. Certain operating expenditures which provide benefits for periods exceeding one year are deferred and amortized over the period benefited. These unamortized deferred amounts are included in "Other assets".

9. The Port Authority provides for uninsured potential losses through its self-insurance program by appropriations from the Consolidated Bond Reserve Fund to the operating fund and provides for losses by charging expenses as incurred.

10. For purposes of the Combined Statements of Cash Flows, cash consists of cash on hand and demand deposits.

11. The sale of office-space units at the Newark Legal and Communications Center is accounted for pursuant to the installment method of accounting.

12. The Port Authority implemented Governmental Accounting Standards Board Statement No. 23, effective for the year ended December 31, 1993. This Statement requires that when issuing new debt the proceeds of which are used to repay previously issued debt, the difference between the acquisition price of the new debt and the net carrying amount of the refunded debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, (see Note D-1).

13. "Net income (loss) Port Authority operations" presented by operating segment consists of "Income (loss) from operations" less net interest expense, (loss) gain on disposition of assets and the net loss on the WTC explosion (see Note L). Net interest expense (interest expense less financial income) that cannot be specifically identified with any particular operating segment is

allocated to all operating segments on the basis of unamortized investment in use (completed construction less accumulated amortization). Financial income or interest expense which can be specifically identified with a particular facility within an operating segment is credited/charged directly to that segment. These amounts include interest income on funds advanced to the private vendor to construct the Essex County Resource Recovery facility and income on funds advanced to tenants at the Newark Legal and Communications Center. The components of interest expense specifically identified to a facility are amounts equal to those attributable to interest on notes secured by a leasehold mortgage on the Vista International Hotel and interest on the buy-out of the Fund for Regional Development (see Notes D-2 and D-3). Gain or loss generated by the disposition of assets is included in the calculation of net income (loss) for the operating segment from which the assets were included.

14. Revenues derived from the collection of PFCs, net of the air carriers' handling charges, are recognized and reported as non-operating revenue in the year the fees are collected by the air carriers. Restricted PFCs are included in both "Investments" and "Other amounts receivable", and are included in net assets on the Combined Statements of Financial Position. PFC revenues applied to eligible projects are reflected as "Facilities, at cost".

15. Schedules A, B and C have been prepared in accordance with the requirements of law and Port Authority bond resolutions which differ in some respects from generally accepted accounting principles, as follows:

The revenues and expenses of facilities are accounted for in the operating fund. The financial resources expended for the construction or acquisition of major facilities or improvements thereto are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds (see Note F).

The Port Authority's bond resolutions provide that net operating revenues shall not include an allowance for depreciation on (amortization of) facilities other than of ancillary equipment. Thus, depreciation (amortization) is

not a significant factor in determining the net revenues and the reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions. Instead, facility capital costs are provided for through deductions from net revenues and reserves of amounts equal to principal payments on debt or through direct investment in facilities. These amounts are credited at par to "Debt retired through income" and to "Appropriated reserves invested in facilities", respectively.

In accordance with Port Authority bond resolutions, Passenger Facility Charges are deferred until spent on approved project costs. A liability representing unspent PFCs is reflected as "Deferred income in connection with PFCs" on Schedule B.

Costs incurred in connection with financing the acquisition of operating assets are paid in the same manner and out of the same revenues as operating expenses of the Port Authority.

Expenditures for Regional and Other Programs are included in "Invested in facilities" in accordance with Port Authority bond resolutions.

Port Authority bonds purchased by the Port Authority remain outstanding and are included in "Investments" and in "Consolidated Bonds and Notes" until retirement (see Schedule B). Interest expense and interest earnings relating to such Port Authority bonds purchased are included as interest on bonds and notes and income on investments. Consolidated Bonds and Notes are recorded at par value. Discounts and premiums are capitalized at time of issuance.

Furthermore, to reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the cost of assets removed from service is not deducted from "Invested in facilities". However, in the event of the sale of assets removed from service, the amount of proceeds received from such sale is deducted from "Invested in facilities".

A reconciliation of schedules A and B to the Combined Statements follows:

Combined Statements of Income to Schedule A, Revenues and Reserves

	Year Ended December 31,	
	1993	1992
	(In thousands)	
Net income reported on Combined Statements of Income	\$107,589	\$144,354
Add: Amortization of Facilities, at cost	267,324	233,803
Amortization of costs for Regional and Other Programs	42,063	41,288
Appropriations for self-insurance	7,081	865
Amortization of discount and premium	5,945	2,538
(Gain) loss on disposition of assets	3,874	(19,684)
	<u>433,876</u>	<u>403,164</u>
Less: Debt maturities and retirements	67,675	59,925
Repayment of commercial paper obligations	178	126
Debt retirement acceleration	3,458	—
Principal payments pertaining to leasehold acquisition	33,213	596
Direct investment in facilities	185,071	370,497
Net PFC income	89,543	18,000
Call premium on refunded bonds	6,287	—
	<u>385,425</u>	<u>449,144</u>
Increase (decrease) in reserves reported on Schedule A, Revenues and Reserves (Pursuant to Port Authority bond resolutions)	\$ 48,451	(\$ 45,980)

Combined Statements of Financial Position to Schedule B, Assets and Liabilities

	December 31,	
	1993	1992
	(In thousands)	
Net assets reported on Combined Statements of Financial Position	\$2,887,807	\$2,744,915
Add: Accumulated amortization of Facilities, at cost	3,144,075	2,923,150
Accumulated retirements and gains and losses on disposal of invested in facilities	252,433	202,163
Cumulative amortization of costs for Regional and Other Programs	392,691	350,628
Amortized discounts and premiums	10,208	10,550
Deferred income in connection with PFCs	(98,712)	(16,132)
Net assets reported on Schedule B, Assets and Liabilities (Pursuant to Port Authority bond resolutions)	<u>\$6,588,502</u>	<u>\$6,215,274</u>

A reconciliation of net income, PFCs to net income from sources other than operations attributable to PFCs (pursuant to Port Authority bond resolutions) follows:

PFC Program	Year Ended December 31,	
	1993	1992
	(In thousands)	
Net income, PFCs	\$ 89,543	\$ 18,000
Less direct PFC project payments	(6,963)	(1,868)
Transfer to PFC liability	(82,580)	(16,132)
Net income from sources other than operations attributable to PFCs (Pursuant to Port Authority bond resolutions)	\$ 0	\$ 0

16. The 1992 financial statements contain certain reclassifications which have been made in order to conform to the classifications used in 1993.

Note B-Facilities

1. Cost of facilities (see Note A-3) is comprised of the following:

	December 31,	
	1993	1992
	(In thousands)	
Completed construction:		
Interstate Transportation Network	\$2,619,000	\$2,483,678
Air Terminals	3,188,294	3,124,966
Marine & Other Facilities	882,218	837,808
World Trade	1,282,404	1,244,906
Regional Development	279,727	265,748
	8,251,643	7,957,106
Construction in progress	1,093,374	910,570
Facilities, at cost	\$9,345,017	\$8,867,676

Asset lives used in the calculation of amortization are generally as follows:

Tunnels and bridges	100 years
Buildings	25 to 50 years
Runways and other paving	15 to 25 years
Machinery and equipment	5 to 35 years

2. Net interest expense added to cost of facilities was \$46,784,000 in 1993 and \$50,247,000 in 1992.

Note C-Combined Cash and Investments

1. The components of cash and investments are:

CASH	December 31,	
	1993	1992
	(In thousands)	
Cash on hand	\$ 1,506	\$ 1,567
Demand deposits	30,527	30,405
Total cash	\$32,033	\$31,972

INVESTMENTS	December 31,			
	Principal Amount	Quoted Market	Book Value	Book Value
	(In thousands)			
Short-term				
United States Treasury Bills	\$ 338,681	\$ 333,116	\$ 333,063	\$ 297,204
United States Treasury obligations held pursuant to repurchase agreements	91,209	91,209	91,209	85,535
United States Treasury obligations held pursuant to reverse repurchase agreements	(32,213)	(32,213)	(32,213)	—
Commercial paper notes	—	—	—	503
Total short-term	\$ 397,677	\$ 392,112	392,059	383,242

INVESTMENTS	December 31,			
	Principal Amount	Quoted Market	Book Value	Book Value
	(In thousands)			
Long-term				
United States Treasury Bonds and Notes	\$ 628,000	\$ 632,338	627,846	608,056
Total long-term	\$ 628,000	\$ 632,338	627,846	608,056
Bonds of The Port Authority of New York and New Jersey	\$ 15	—	15	3,188
Accrued interest receivable	—	—	8,180	8,415
Investments (pursuant to Part Authority bond resolutions)	—	—	1,028,100	1,002,901
Less: Bonds of The Port Authority of New York and New Jersey	—	—	15	3,188
Investments	—	—	\$1,028,085	\$ 999,713

2. Port Authority policy provides for funds of the Port Authority to be deposited in banks or banking institutions with offices located in the Port District provided that the total funds on deposit in any bank do not exceed 50 percent of the bank's combined capital and permanent surplus. Also, funds of the Port Authority must be fully secured by deposit of collateral having a minimum market value of 110 percent of targeted average daily balances in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation (FDIC). Actual daily balances may differ from the targeted daily balance. The

collateral must consist of obligations of the United States of America, the Port Authority, the State of New York or the State of New Jersey held in custodial bank accounts in banks or banking institutions in the Port District having combined capital and surplus in excess of \$1,000,000.

Total actual bank balances were \$35,259,000 as of December 31, 1993. In accordance with the aforementioned policy, \$26,048,000 was either secured through the FDIC or was fully collateralized by collateral held by a third party financial institution acting as the Port Authority's agent and held by such institution in the Port Authority's name and \$5,274,000 was fully collateralized by collateral held by a financial institution's trust department or the financial institution's agent in the Port Authority's name. The balance of \$3,937,000 was not collateralized.

3. The investment policies of the Port Authority are established in conformity with its agreements with the holders of its obligations generally through resolutions of the Board of Commissioners or the Committee on Finance. The Port Authority invests the proceeds of its obligations, on an interim basis, pursuant to the abovementioned agreements and in conformance with applicable Federal law and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase and reverse repurchase agreements) and collateralized time accounts. Reserve funds may be invested in obligations of (or fully guaranteed by) the United States of America, the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and negotiated and secured by a pledge of the General Reserve Fund. Operating funds may presently be invested in direct obligations of the United States of America and obligations of United States government agencies and sponsored enterprises and in limited amounts of investment grade negotiable certificates of deposit, negotiable bankers' acceptances and commercial paper and United States Treasury and municipal bond futures contracts traded on the Chicago Board of Trade and in connection with certain interest rate exchange contracts with investment firms and banking institutions and certain interest rate options contracts with primary dealers in United States Treasury securities. Operating funds may also be invested in the amounts required by and in the

instruments provided for under the New York State Deferred Compensation Plan for Employees of the State of New York and Other Participating Public Jurisdictions. The Board of Commissioners of the Port Authority has from time to time authorized certain other investments of operating funds.

The Treasurer of the Port Authority, consistent with the abovementioned agreements, authorizations of the Board of Commissioners of the Port Authority or the Committee on Finance, and guidelines established from time to time, executes individual investment transactions. Such transactions are reported on a periodic basis to the Committee on Finance. These investment transactions are executed with recognized and established securities dealers and commercial banks. Securities transactions, generally on a book-entry basis, are conducted in the open market at competitive prices. Transactions (including repurchase and reverse repurchase agreement transactions) are completed when the Port Authority's custodian, in the Port Authority's name, makes payment upon receipt of confirmation that the securities have been transferred for the Port Authority's benefit at the Federal Reserve Bank of New York or other repository.

In addition, consistent with the abovementioned agreements, authorizations and guidelines, the Treasurer has entered into master repurchase and reverse repurchase agreements with primary dealers in United States Treasury securities. During 1993, repurchase agreements ranged as high as \$746,014,000 outstanding at any one time, and reverse repurchase agreements ranged as high as \$241,784,000 outstanding at any one time. During 1993, interest income from repurchase agreements amounted to \$7,597,000 and interest expense from reverse repurchase agreements amounted to \$1,544,000.

Investments, including interest receivable, in various types of securities totalled \$1,028,085,000 and \$999,713,000 at December 31, 1993 and 1992, respectively. Although no investments in commercial paper or Federal Farm Credit Bank Discount Notes were held at December 31, 1993, investment balances during the year ranged as high as \$5,000,000 for commercial paper and \$25,000,000 for Federal Farm Credit Bank Discount Notes.

Note D—Outstanding Obligations

The obligations noted with "(*)" on original issuance were subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended, with respect to individuals and corporations. Obligations noted with "(**)" are subject to Federal taxation.

1. Consolidated Bonds and Notes (see Note E-1)

		Dec. 31, 1992	Issued	Accreted	Refunded/ Retired	Dec. 31, 1993
				(In thousands)		
A. Consolidated Bonds (a):						
Twentieth series	3 1/4% due 1993	\$ 2,275	\$ —	\$ —	\$ 2,275	\$ —
Twenty-first series	3.4% due 1993	1,625	—	—	1,625	—
Twenty-second series	3 3/8% due 1993	1,625	—	—	1,625	—
Twenty-third series	3 3/8% due 1994	3,250	—	—	3,250	—
Twenty-fourth series	3 1/2% due 1994	3,250	—	—	3,250	—
Twenty-sixth series	3 1/2% due 1995	6,825	—	—	2,275	4,550
Twenty-seventh series	3 3/8% due 1995	4,750	—	—	1,500	3,250
Twenty-eighth series	3 3/8% due 1996	6,500	—	—	1,625	4,875
Twenty-ninth series	3 1/2% due 1996	6,500	—	—	1,625	4,875
Thirtieth series	3 5/8% due 1998	7,750	—	—	1,250	6,500
Thirty-first series	4% due 2002	30,950	—	—	—	30,950
Thirty-second series	5% due 2003	55,000	—	—	5,000	50,000
Thirty-third series	4 3/4% due 2003	55,000	—	—	23,295	31,705
Thirty-fourth series	5 1/2% due 2003	70,000	—	—	70,000	—
Thirty-seventh series	6% due 2006	83,000	—	—	83,000	—
Thirty-eighth series	5 3/8% due 2006	83,000	—	—	83,000	—
Thirty-ninth series	5.8% due 2007	129,000	—	—	4,500	124,500
Fortieth series	6% due 2008	89,000	—	—	89,000	—
Forty-first series	5 1/2% due 2008	89,000	—	—	3,000	86,000
Forty-fifth series	6 1/2% due 2012	72,000	—	—	72,000	—
Forty-sixth series	6% due 2013	72,750	—	—	750	72,000
Fifty-first series	11% due 2019	85,760	—	—	—	85,760
Series fifty-one E	(b) due 2014	14,240	—	—	—	14,240
Fifty-second series	(c) due 2014	100,000	—	—	—	100,000
Fifty-third series	8.7% due 2020	100,000	—	—	—	100,000
Fifty-fourth series	due 2020	100,000	—	—	100,000	—
Fifty-fifth series	due 2020	200,000	—	—	200,000	—
Fifty-sixth series	7 1/8% due 2021	100,000	—	—	100,000	—
Fifty-seventh series	6 3/4% due 2021	100,000	—	—	100,000	—
Fifty-eighth series	7 1/2% due 2017	100,000	—	—	—	100,000
Fifty-ninth series*	7 3/4% due 2023	100,000	—	—	—	100,000
Sixtieth series*	8 1/4% due 2023	100,000	—	—	—	100,000
Sixty-first series*	6 1/2%–8 1/8% due 1993–2023	92,000	—	—	2,000	90,000
Sixty-second series*	7 3/4%–8% due 2004–2023	100,000	—	—	—	100,000
Sixty-third series*	7 5/8%–7 7/8% due 2004–2024	100,000	—	—	—	100,000
Sixty-fourth series	7%–7 3/8% due 1993–2014	94,000	—	—	2,000	92,000
Sixty-fifth series	7%–7 1/8% due 2004–2024	100,000	—	—	—	100,000
Sixty-sixth series*	7%–7 1/4% due 2004–2024	100,000	—	—	—	100,000
Sixty-seventh series	6.8%–6.9% due 2005–2025	100,000	—	—	—	100,000
Sixty-eighth series*	7 1/8%–7 1/4% due 2005–2025	100,000	—	—	—	100,000
Sixty-ninth series	5.9%–7 1/8% due 1993–2025 (d)	100,074	—	1,056	1,135	99,995
Seventieth series*	7%–7 1/4% due 2005–2025	100,000	—	—	—	100,000
Seventy-first series	5.7%–8% due 1994–2026	95,600	—	—	4,400	91,200
Seventy-second series	7.4% due 2012, 7.35% due 2027	100,000	—	—	—	100,000
Seventy-third series*	6 1/2%–6 3/4% due 2006–2026	100,000	—	—	—	100,000
Seventy-fourth series	4.6%–6 3/4% due 1993–2026(e)	103,986	—	1,047	1,085	103,948
Seventy-fifth series	7.1% due 2014, 7.1% due 2019	(f)	—	—	—	—
Seventy-sixth series*	6.3%–6 1/2% due 2006–2026	100,000	—	—	—	100,000
Seventy-seventh series*	6 1/8%–6 1/4% due 2007–2027	100,000	—	—	—	100,000
Seventy-eighth series	5%–6 1/2% due 1995–2011	97,000	—	—	—	97,000
Seventy-ninth series	3%–6% due 1993–2005	82,785	—	—	4,800	77,985
Eightieth series	3%–6% due 1993–2005	41,440	—	—	2,370	39,070
Eighty-first series	2.7%–5.8% due 1993–2014	121,875	—	—	2,140	119,735
Eighty-second series	2.7%–5.8% due 1993–2013	97,475	—	—	1,600	95,875
Eighty-third series	4 3/4%–6 3/8% due 1993–2017	99,500	—	—	1,575	97,925
Eighty-fourth series*	5 3/4%–6% due 2008–2028	—	100,000	—	—	100,000
Eighty-fifth series	5%–5 3/8% due 2008–2028	—	100,000	—	—	100,000
Eighty-sixth series	2.4%–5.2% due 1994–2012	—	149,875	—	—	149,875
Eighty-seventh series	4%–7 1/2% due 1996–2021	—	100,000	—	—	100,000
Eighty-eighth series	2.7%–4 3/4% due 1994–2008	—	237,855	—	—	237,855
Eighty-ninth series	4 1/4%–5 1/8% due 2001–2021	—	100,000	—	—	100,000
Ninetieth series**	3 5/8%–6 1/8% due 1994–2005	—	75,000	—	—	75,000
Ninety-first series	3 1/4%–5.2% due 1995–2020	—	300,000	—	—	300,000
Total Consolidated Bonds pursuant to Port Authority bond resolutions		\$4,098,785	\$1,162,730	\$2,103	\$976,950	\$4,286,668

1. Consolidated Bonds and Notes (continued)

	Dec. 31, 1992	Issued	Accreted	Refunded/ Retired	Dec. 31, 1993
	(In thousands)				
B. Consolidated Notes (a):					
Series QQ 6 1/4% due March 15, 1993	\$ 100,000	\$ —	\$ —	\$ 100,000	\$ —
Total Consolidated Notes pursuant to Port Authority bond resolutions	100,000	—	—	100,000	—
Total Consolidated Bonds and Notes pursuant to Port Authority bond resolutions	4,198,785	<u>\$1,162,730</u>	<u>\$ 2,103</u>	<u>\$1,076,950</u>	4,286,668
Less: Amortized cost of Port Authority bonds purchased by the Port Authority	3,188				15
Unamortized discount and premium (g)	74,918				93,261
Consolidated Bonds and Notes (h)	<u>\$4,120,679</u>				<u>\$4,193,392</u>

- (a) All Consolidated Bonds and Notes are equally and ratably secured by a pledge of the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities and any additional facilities which may be financed in whole or in part through the medium of Consolidated Bonds and Notes (see Note F), in the manner and to the extent provided in the Consolidated Bond Resolution.
- (b) Interest rate, 12% per annum, until June 1, 1994, and 7% per annum thereafter until maturity or prior redemption.
- (c) Interest rate, 9% per annum, subject to an annual option, commencing on November 1, 1994, and on each November 1 thereafter, of the registered holder to exercise a one-time election to convert to a variable interest rate, set on each semi-annual interest payment date for the ensuing six months ranging from 8% to 12% per annum.
- (d) Includes \$12,388,000 (initial amounts) serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2000 to 2011, in total aggregate maturity amounts of \$38,270,000.
- (e) Includes \$14,204,000 (initial amounts) serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2002 to 2014, in total aggregate maturity amounts of \$44,555,000.
- (f) Sold on September 30, 1991, on the basis that \$85,760,000 in aggregate principal amount of such bonds would be delivered by the Port Authority and paid for on March 3, 1994, or on such other date as the Port Authority and purchaser may agree, pursuant to a contract of purchase pertaining to such bonds (for the purpose of refunding on June 1, 1994, \$85,760,000 Consolidated Bonds, fifty-first series). Contract of purchase terminated upon mutual agreement of the Port Authority and the purchaser on October 13, 1993.
- (g) Gain or loss on futures contracts transactions have been classified as premium or discount, respectively. Amount also includes unamortized difference between acquisition price and carrying amount on refunded debt (see Note A-12).
- (h) Debt-service on Consolidated Bonds and Notes outstanding on December 31, 1993 is:

Year Ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
1994	\$ 75,756	\$ 269,538	\$ 345,294
1995	87,001	268,374	355,375
1996	87,085	264,434	351,519
1997	93,140	260,419	353,559
1998	101,805	255,844	357,649
1999-2028	<u>3,892,335</u>	<u>3,700,952</u>	<u>7,593,287</u>
Total	<u>\$4,337,122</u>	<u>\$5,019,561</u>	<u>\$9,356,683</u>

Total principal of \$4,337,122,000 shown above differs from the total consolidated bonds and notes pursuant to Port Authority bond resolutions of \$4,286,668,000 because of differences in the par value at maturity of the capital appreciation bonds of \$50,417,000 and because the above table includes call premiums of \$37,000.

Consolidated Bonds and Notes outstanding as of February 25, 1994 (pursuant to Port Authority bond resolutions) totalled \$4,387,033,000.

2. Obligations in Connection with Other Capital Asset Financing

The components of obligations in connection with other capital asset financing are:

	Dec. 31, 1992	(In thousands)	Dec. 31, 1993
Commercial paper obligations	\$ 170,492		\$ 189,963
Variable rate master notes	250,000		270,000
Leasehold acquisition obligation	33,213		—
Versatile structure obligations	—		100,000
	<u>\$ 453,705</u>		<u>\$ 559,963</u>

A. Commercial paper obligations (see Note E-2)	Dec. 31, 1992	Issued	Refunded/ Repaid	Dec. 31, 1993
		(In thousands)		
Series A*				
Commercial paper notes	\$ 116,125	\$ 454,920	\$ 484,885	\$ 86,160
Bank line of credit	1,209	48,463	48,366	1,306
Total series A	<u>117,334</u>	<u>503,383</u>	<u>533,251</u>	<u>87,466</u>
Series B				
Commercial paper notes	52,700	669,715	620,210	102,205
Bank line of credit	458	49,927	50,093	292
Total series B	<u>53,158</u>	<u>719,642</u>	<u>670,303</u>	<u>102,497</u>
Commercial paper obligations	<u>\$ 170,492</u>	<u>\$ 1,223,025</u>	<u>\$ 1,203,554</u>	<u>\$ 189,963</u>

Interest rates for all commercial paper obligations ranged in 1993 from 1.25% to 3.3% per annum.

As of February 25, 1994, commercial paper obligations outstanding totalled \$143,655,000.

B. Variable rate master notes (see Note E-3)	Dec. 31, 1992	Issued	Refunded/ Retired	Dec. 31, 1993
		(In thousands)		
Agreement 1989-2R*	\$ 15,000	\$ —	\$ —	\$ 15,000
Agreement 1989-3/4R	15,000	—	—	15,000
Agreement 1989-5	30,000	—	—	30,000
Agreement 1989-6	75,000	—	—	75,000
Agreement 1990-1	10,000	—	—	10,000
Agreement 1990-2	12,000	—	—	12,000
Agreement 1990-3*	25,000	—	—	25,000
Agreement 1991-1*	8,800	—	—	8,800
Agreement 1991-2*	6,400	—	—	6,400
Agreement 1991-3*	9,800	—	—	9,800
Agreement 1991-4*	6,000	—	—	6,000
Agreement 1991-5*	4,000	—	—	4,000
Agreement 1992-1	6,800	—	—	6,800
Agreement 1992-2	6,900	—	—	6,900
Agreement 1992-3	9,700	—	—	9,700
Agreement 1992-4	9,600	—	—	9,600
Agreement 1993-1	—	12,000	—	12,000
Agreement 1993-2	—	8,000	—	8,000
Variable rate master notes	<u>\$ 250,000</u>	<u>\$ 20,000</u>	<u>\$ —</u>	<u>\$ 270,000</u>

Interest rates, variable, ranged in 1993 from 2.25% to 4%.

C. Leasehold acquisition obligation	Dec. 31, 1992	Additions	Payments	Dec. 31, 1993
		(In thousands)		
	<u>\$ 33,213</u>	<u>\$ —</u>	<u>\$ 33,213</u>	<u>\$ —</u>

The World Trade Center includes a hotel which was constructed by private interests and which was, until June 30, 1989, operated pursuant to certain lease agreements with a private tenant. On June 30, 1989, the Port Authority acquired such tenant's leasehold interest, subject to a pre-existing leasehold mortgage which was not assumed by the Port Authority. The Port Authority paid amounts equal to those due to the leasehold mortgagee on notes secured by such mortgage. On April 16, 1993, the Port Authority retired the leasehold mortgage by payment of the accelerated amount thereof, including a prepayment penalty, to the holder of such mortgage (see Note K-5).

D. Versatile structure obligations (see Note E-4)

	Dec. 31, 1992	Issued	Refunded Retired	Dec. 31, 1993
Series 1*	\$ —	\$100,000	\$ —	\$100,000

(In thousands)

Interest rate, variable based upon contractual agreement, ranged in 1993 from 1.1% to 4.25%.

The Port Authority has entered into a standby certificate purchase agreement pertaining to the Series 1 obligations with certain banks, which provides that during the term of the banks' commitment, if the remarketing entity fails to remarket any Series 1 obligations that are tendered by the holders, the Port Authority may require the banks subject to certain conditions to purchase such unremarketed portion of the Series 1 obligations. If not purchased prior thereto at the Port Authority's option, the Port Authority has agreed to purchase such portion of the Series 1 obligations from the banks five business days after the purchase thereof by the banks. Neither any holder of the Series 1 obligations, the tender agent, the paying agent nor the remarketing entity has any right under the agreement to require the banks to make such purchase. This agreement expires 364 days after the date of issuance of the Series 1 obligations, unless earlier terminated or extended. Fees of \$175,000, including legal fees paid to the banks, were paid in connection with the agreement. The banks did not purchase any of the Series 1 obligations under the agreement in 1993.

3. Obligations in Connection with Operating Asset Financing

The components of obligations in connection with operating asset financing are:

	Dec. 31, 1992	Dec. 31, 1993
Operating equipment-lease financing obligations	\$ 27,008	\$ 19,903
Fund buy-out obligation	386,290	389,366
	<u>\$413,298</u>	<u>\$409,269</u>

(In thousands)

A. Operating equipment-lease financing obligations (see Note E-5)

	Dec. 31, 1992	Additions	Payments	Dec. 31, 1993
Master financing lease (dated as of 12/1/88)	\$ 21,590	\$ —	\$ 6,281	\$ 15,309
Master financing lease (dated as of 1/1/92)*	5,418	—	824	4,594
	<u>\$ 27,008</u>	<u>\$ —</u>	<u>\$ 7,105</u>	<u>\$ 19,903</u>

(In thousands)

Interest rates, variable, ranged in 1993 from 1.55% to 3.55%.

B. Fund buy-out obligation

	Dec. 31, 1992	Accretion (a)	Payments	Dec. 31, 1993
	\$386,290	\$ 31,158	\$ 28,082	\$389,366

(In thousands)

(a) Represents the annual implicit interest cost (8.25%) contained in the present value of amounts due to the States of New York and New Jersey upon termination of the Fund for Regional Development.

Payment requirements of the Fund buy-out obligation outstanding on December 31, 1993 are:

Year Ending December 31:	Payments
	(In thousands)
1994	\$ 28,063
1995	28,063
1996	28,063
1997	28,063
1998	28,063
1999-2021	998,828
	<u>\$1,139,143</u>

As of February 25, 1994, the Fund buy-out obligation outstanding totalled \$394,576,000.

4. Amounts Payable in Connection with Special Project Bonds (see Note E-7)

	Dec. 31, 1992	Issued	Refunded/ Retired	Dec. 31, 1993
(In thousands)				
Series 1R, Delta Air Lines, Inc. Project (a)(b) 6.95% term bonds, due 2008	\$ 96,500	\$ —	\$ —	\$ 96,500
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)(c)*				
First installment, 9% due 2006	51,180	\$ —	\$ —	51,180
Second installment, 9% due 2010	30,000	—	—	30,000
Third installment, 9 1/8% due 2015	120,895	—	—	120,895
	<u>202,075</u>	<u>\$ —</u>	<u>\$ —</u>	<u>202,075</u>
Less: unamortized discount and premium	10,608			10,320
Total - Series 2	<u>191,467</u>			<u>191,755</u>
Series 3, KIAC Partners Project (a)(d)*				
First installment, due 2014	—	\$ 49,000	\$ —	49,000
Second installment, due 2014	—	63,000	—	63,000
Third installment, due 2014	—	63,000	—	63,000
Total - Series 3	—	<u>\$175,000</u>	<u>\$ —</u>	<u>175,000</u>
Grand total	<u>\$287,967</u>			<u>\$463,255</u>

- (a) Neither the full faith and credit of the Port Authority, nor the General Reserve Fund, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal and interest on Special Project Bonds. Principal and interest on each series of Special Project Bonds is to be secured solely by a mortgage by the Port Authority of facility rental (to the extent received by the Port Authority from a lessee) as set forth in a lease with respect to a project to be financed with the proceeds of the bonds of such series, by a mortgage by the lessee of its leasehold interest under the lease and by a security interest granted by the lessee to the Port Authority and mortgaged by the Port Authority in certain items of the lessee's personal property to be located at the project, and such other security in addition to the foregoing as may be required by the Port Authority from time to time as appropriate to the particular project.
- (b) On November 23, 1992, the Port Authority established and authorized the issuance and sale of Special Project Bonds, Series 1R Delta Air Lines, Inc. Project, in connection with the refunding of \$96,500,000 Special Project Bonds, Series 1, Delta Air Lines, Inc. Project (issued on August 11, 1983 in connection with a project including the construction of a passenger terminal building at LaGuardia Airport to be leased to Delta Air Lines, Inc.). On December 30, 1992, the Port Authority issued \$96,500,000 in principal amount of Series 1R Bonds, and placed these moneys with an escrow agent in a trust to be used solely for satisfying the defeased Series 1 debt. The moneys placed with the escrow agent together with certain other moneys provided by Delta Air Lines, Inc., were used to refund the Series 1 Bonds on February 1, 1993.
- (c) On December 14, 1989, the Port Authority established and authorized the issuance and sale (as amended May 10, 1990) of Special Project Bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, in connection with a project including the construction of a passenger terminal at LaGuardia Airport leased to and to be occupied by Continental Airlines, Inc., and Eastern Air Lines, Inc. On June 12, 1990, the Port Authority issued a combined aggregate principal amount of \$202,075,000 of the Series 2 Bonds. Continental's leasehold interest in such passenger terminal was subsequently assigned to USAir, Inc. (with Continental to remain liable under such lease).
- (d) On June 11, 1992, the Port Authority established and authorized the issuance and sale of Special Project Bonds, Series 3, KIAC Partners Project, in connection with a project at John F. Kennedy International Airport which includes the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system. On May 4, 1993, the Port Authority issued a combined aggregate principal amount of \$175,000,000 of the Series 3 Bonds. Concurrently with the delivery upon original issuance of the Series 3 Bonds, an irrevocable direct-pay letter of credit was issued to the trustee for bondholders by Deutsche Bank AG, New York Branch.

5. Cash Flow and Economic Gain (Loss) Resulting From Debt Refunding

During 1993, the Port Authority refunded \$1,006,000,000 of outstanding consolidated bonds and notes. Although the refundings resulted in an additional cash outlay (for expenses consisting primarily of call premiums and underwriting fees) of \$19,000,000, the Port Authority in effect reduced its aggregate debt service payments by approximately \$94,000,000 over the 35 year life of the refunded issues. The economic gain resulting from the debt refunding (the difference between the present value of the cash flows required to service the old debt and the present value of the cash flows required to service the new debt), including the gain on interest rate futures contracts, will generate approximately \$113,000,000 in present value savings to the Port Authority.

Note E-Financing

1. The Port Authority finances construction and acquisition of its facilities primarily by issuing bonds, notes and other obligations and through application of its reserve funds. Details of outstanding obligations are described in Note D.

On June 10, 1993, the Board of Commissioners authorized, among other obligations, Consolidated Bonds, Eighty-seventh Series through One Hundredth Series, inclusive, at a principal amount of up to \$300,000,000 each; and Consolidated Notes, Series SS, Series TT, Series UU, Series VV, and Series WW at a principal amount of up to \$200,000,000 each.

2. The Port Authority has established an issue of special obligations now known as Port Authority Commercial Paper Obligations. The Port Authority's commercial paper program, which has been amended and supplemented from time to time, presently provides for Port Authority commercial paper obligations to be issued until December 31, 1995, in an aggregate principal amount outstanding at any one time not in excess of \$300,000,000 in two separate series. Each of such series includes commercial paper notes; a bank line of credit in the amount of \$30,000,000 to provide for certain authorized expenditures which would periodically be reduced through the sale of commercial paper notes; and a bank stand-by revolving credit facility in the principal amount of up to \$150,000,000 to provide program liquidity in the event commercial paper notes cannot be refunded at their maturity due to market conditions, and is limited to a maximum aggregate principal amount outstanding at any one time of \$150,000,000. (See Note D-2.)

Under the terms of the commercial paper program and the agreements entered into thereunder, the payment of the principal of and interest on Port Authority commercial paper obligations of each series shall be payable from the proceeds of the commercial paper notes of such series or other obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues (as defined for purposes of commercial paper obligations) deposited to the Consolidated Bond Reserve Fund and, in the event such

proceeds or net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. Payment of the principal of and interest on commercial paper obligations is subject in all respects to the payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain such Fund at the amount specified in the General Reserve Fund statutes. Commercial paper obligations, and the interest thereon, are not secured by or payable from the General Reserve Fund.

3. The Port Authority has established an issue of special obligations now known as Port Authority Variable Rate Master Notes. The Port Authority's variable rate master note program, which has been amended from time to time, presently provides for Port Authority Variable Rate Master Notes to be issued, under agreements to be entered into with selected banks, trust companies and financial institutions, in an aggregate principal amount outstanding at any one time not in excess of \$400,000,000. (See Note D-2.)

The payment of the principal of and interest on Port Authority Variable Rate Master Notes is a special obligation of the Port Authority payable solely from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues (as defined for purposes of Port Authority Variable Rate Master Notes) deposited to the Consolidated Bond Reserve Fund and, in the event such proceeds or net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. Payment of the principal of and interest on Port Authority Variable Rate Master Notes is subject in all respects to the payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain such Fund at the amount specified in the General Reserve Fund statutes. Port Authority Variable Rate Master Notes, and the interest thereon, are not secured by or payable from the General Reserve Fund. Variable Rate Master Notes are subject to prepayment at the option of the Port Authority or upon demand of the holders.

4. The Port Authority has established an issue of special obligations known as Versatile Structure Obligations. The payment of the principal of and interest on Port Authority Versatile Structure Obligations is a special obligation of the Port Authority payable solely from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues (as defined for purposes of Port Authority Versatile Structure Obligations) deposited to the Consolidated Bond Reserve Fund and, in the event such proceeds or net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. Payment of the principal of and interest on Port Authority Versatile Structure Obligations is subject in all respects to the payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain such Fund at the amount specified in the General Reserve Fund statutes. Port Authority Versatile Structure Obligations, and the interest thereon, are not secured by or payable from the General Reserve Fund. Versatile Structure Obligations are subject to prepayment at the option of the Port Authority or upon demand of the holders. (See Note D-2.)

5. The Port Authority has established a program of lease-financing transactions to facilitate the purchase of a portion of the operating equipment used at its facilities. The program, which has been amended and supplemented from time to time, presently provides for lease-financing transactions with an aggregate principal amount outstanding at any one time not to exceed \$75,000,000. Lease-financing transactions under the program may be entered into on and prior to December 31, 1996 (see Note D-3). Expenses incurred with respect to each letting of equipment under the program are payable in the same manner and out of the same revenues as operating expenses, with the principal amount of the transactions represented by such lettings subject to prepayment at the option of the Port Authority or upon demand of the participants in such transactions.

6. The Port Authority has established an issue of special obligations known as Port Authority Equipment Notes, which are to be payable from the proceeds of obligations of the

Port Authority issued for such purposes or in the same manner and out of the same revenues as operating expenses. As of December 31, 1993, no Port Authority Equipment Notes had been issued.

7. The Port Authority has established an issue of special limited obligations known as Special Project Bonds which are secured in the manner and payable to the extent provided solely in the resolutions applicable to such bonds. Neither the full faith and credit of the Port Authority, nor the General Reserve Fund, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal of and interest on Special Project Bonds.

Special Project Bonds of any particular series may be issued only for the purpose of providing a single project for a lessee or for the purpose of refunding all or any part of a prior series of Special Project Bonds, or a combination of such purposes. Each series of Special Project Bonds is to be issued under separate resolution and may be issued in one or more installments as the Port Authority may determine. (See Note D-4.)

8. The Port Authority enters into interest rate swap agreements which are recorded pursuant to the settlement method of accounting whereby cash paid or received under the terms of the swap is charged or credited to the related interest expense account for the purpose of managing interest rate exposure. Each swap transaction involves the exchange of fixed and variable rate interest payment obligations calculated with respect to an agreed upon nominal principal amount called a notional amount. As of December 31, 1993, nine interest rate swap agreements were in place with notional amounts aggregating \$580,760,000 including two offsetting swap agreements each with notional amounts of \$10,000,000.

In the case of three of these agreements, with notional amounts aggregating \$285,760,000, the exchange of fixed and variable interest payments would commence at a future specified date.

9. The Port Authority's annual budget and business planning process provides for temporary applications of available moneys (other than proceeds of its obligations) for certain capital expenditures, subject to reimbursement through the

issuance of Port Authority obligations. Such reimbursed amounts are then available for permanent application for authorized purposes.

Note F-Reserves

1. Under the General Reserve Fund statutes the Port Authority applies surplus revenues, as defined in the statutes, from all of the Port Authority's existing facilities to maintain the General Reserve Fund in an amount at least equal to 10 percent of the par value of outstanding bonds legal for investment. (Under the legislation pertaining to the New York State Commuter Car Program neither the principal amount of New York State Guaranteed Commuter Car Bonds nor any revenues derived from the New York State Commuter Car Program are attributable to the General Reserve Fund.) At December 31, 1993, the General Reserve Fund balance was \$534,011,000 and met the prescribed statutory amount. The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' debt service on outstanding debt secured by a pledge of the General Reserve Fund.

At December 31, 1993, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and specified marketable securities. (See Note C-3.)

2. All net revenues of the Port Authority's existing facilities (cars acquired under the New York State Commuter Car Program are not included in "facilities of the Port Authority" for these purposes, see Note A-2), after deducting payments for debt service upon all Consolidated Bonds and Notes and such amounts as may be required to maintain the General Reserve Fund at its statutory amount, are to be paid into the Consolidated Bond Reserve Fund. Consolidated Bonds have a first lien upon the net revenues (as defined in the Consolidated Bond Resolution) of said facilities of the Port Authority and any additional facility financed by Consolidated Bonds. The moneys in the Consolidated Bond Reserve Fund may be applied only to the purposes stated in the Consolidated Bond Resolution.

3. At present, the General Reserve Fund is pledged in support of all outstanding Consolidated Bonds and Notes now or hereafter issued in the manner and to the extent

specified in the Consolidated Bond Resolution and is not pledged in support of any other obligations of the Port Authority.

4. New York State Guaranteed Commuter Car Bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars by the Port Authority to railroads in New York. Commuter Car Bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority (see Note A-2). In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of debt service is fully and unconditionally guaranteed by the State of New York. New York State Guaranteed Commuter Car Bonds outstanding at December 31, 1993 totalled \$33,365,000 (see Schedule D).

Note G-Government Contributions in Aid of Construction

The Port Authority receives contributions in aid of construction for capital purposes from government agencies. Federal funding from the Airport Improvement and the Airport Development Aid Programs was \$35,303,000 in 1993 and \$55,656,000 in 1992.

Charges representing amortization of assets relating to government contributions were \$20,512,000 in 1993 and \$18,319,000 in 1992.

	<u>December 31,</u> <u>1993</u>	<u>1992</u>
	(in thousands)	
Cumulative government contributions	\$549,475	\$514,172
Less: Accumulated amortization of assets acquired with government contributions	<u>212,611</u>	<u>192,099</u>
Government contributions in aid of construction	<u>\$336,864</u>	<u>\$322,073</u>

Note H-Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to \$606,964,000 in 1993 and \$599,893,000 in 1992.

2. Property held for lease

The Port Authority (or one of its subsidiaries) has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Newark Legal and Communications Center, the Teleport, and the World Trade Center.

Minimum future rentals scheduled to be received on operating leases in effect on December 31, 1993 are:

Year Ending December 31:	(In thousands)
1994	\$483,197
1995	440,031
1996	384,283
1997	351,442
1998	465,259
Later years	<u>2,615,528</u>
Total minimum future rentals	<u>\$4,739,740</u>

Investments in such facilities as of December 31, 1993 include property associated with minimum rentals derived from operating leases (see Note B). It is not reasonably practicable to segregate the value of assets associated with producing minimum rental revenue from the value of assets associated with an entire facility.

3. Property leased from others

Rental expenses under leases, including payments to the cities of New York and Newark for various air terminals, marine terminals and other facilities, aggregated \$39,647,000 in 1993 and \$80,955,000 in 1992. The terms of such leases expire at various times from 1994 to 2031 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1993 are detailed below and additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year Ending December 31:	(In thousands)
1994	\$ 36,375
1995	34,280
1996	34,180
1997	34,106
1998	33,902
Later years	<u>852,117</u>
Total minimum future rentals	<u>\$1,024,960</u>

Note I-Deferred Costs

1. Buy-out of Fund for Regional Development

In 1983, the Fund for Regional Development (Fund) was established to sublease space in the World Trade Center that was previously held by the State of New York as tenant. The agreement among the States of New York and New Jersey and the Port Authority which established the Fund provided that net revenues from the subleasing were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey. The Fund's assets, liabilities, revenues, expenses and reserves were not consolidated with those of the Port Authority. In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the Fund. In consideration of the Fund's interest in the subleased space in the World Trade Center, the Port Authority agreed to make a series of fifty-nine semi-annual payments to the States, beginning March 1992. The cost to the Port Authority in connection with the termination of the Fund agreement was approximately \$430,500,000, which included the net present value of the payments to the States of \$326,000,000, the assumption of the Fund's net liabilities of \$101,000,000 and additional liabilities of \$3,500,000 to New York State as a result of the termination agreement.

2. Regional and Other Programs

Pursuant to recommendations outlined by the Governors of New York and New Jersey in June 1983, March 1987 and March 1991 and to existing legislation, subject to necessary and appropriate authorizations, the Port Authority has certified several facilities described briefly below under which certain economic development, transportation and infrastructure renewal projects, not otherwise a part of Port Authority facilities, have been and/or will in the future be undertaken:

a. Regional Development Facility. The Governors' Program of June 1983 provided for a Port Authority commitment of up to \$250,000,000 for economic development and infrastructure renewal projects, \$137,500,000 for projects in the State of New Jersey and \$112,500,000 for projects in the State of New York. The Regional Development Facility was established in 1987 to undertake such projects not

otherwise a part of other Port Authority facilities. Projects effectuated or to be effectuated through this facility include provision of additional funds in connection with the Oak Point Rail Freight Link in the Bronx, N.Y.; improvement of Conrail's Northern Branch rail freight line in New Jersey; Port Authority participation in the Harlem International Trade Center and development of a Columbia University biotechnology research center in New York, N.Y. and assisting in the development of the Metropolitan Technology Center in Brooklyn, N.Y. As of December 31, 1993, \$250,000,000 had been authorized, of which \$139,479,000 was associated with the Regional Development Facility and \$110,521,000 was associated with other Port Authority facilities.

b. The Regional Economic Development Program. This facility is authorized to be comprised of up to \$400,000,000 for transportation, economic development and infrastructure renewal projects, of which \$200,000,000 is to be allocated for projects for each State, requested by the Governors and not otherwise associated with other Port Authority facilities. Projects associated with this Facility include the Metropolitan Technology Center in Brooklyn, N.Y.; the Oak Point Rail Freight Link in the Bronx, N.Y.; the Liberty Science Center in Jersey City, N.J.; construction of the Center for Urban Policy Research and School of Planning and Public Policy at Rutgers University in New Brunswick, N.J.; renovation and building construction at the New Jersey Institute of Technology in Newark, N.J.; capital improvements in connection with certain sludge treatment facilities in New Jersey; engineering laboratory renovation at the Stevens Institute of Technology in Hoboken, N.J.; the New Jersey Economic Development Authority loan guarantee program for certain economic and industrial development projects in the State of New Jersey; the purchase of approximately 23 acres constituting a portion of the Aqueduct Racetrack in Queens, N.Y. and certain other property rights; planning and design work for development of a library of science and technology in New York, N.Y.; the expansion of marine storage and handling facilities at the City of New York's South Brooklyn Marine Terminal; engineering design analysis for renovations at Pennsylvania

Station in New York, N.Y.; the acquisition of ticket vending machines for New Jersey Transit Corp. rail operations; and transportation related projects in the State of New Jersey, including bridge, viaduct and other improvements on Routes 1 & 9 and Route 169 and engineering and design work for the Secaucus Rail Transfer Station in Secaucus, N.J. As of December 31, 1993, \$329,319,000 had been authorized, of which \$258,969,000 was associated with the Regional Economic Development Program facility and \$70,350,000 was associated with other Port Authority facilities. It is anticipated that additional projects within the specified parameters will be authorized in the future.

c. Oak Point Rail Freight Link. The Port Authority is participating with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link in the Bronx, N.Y. This project was originally authorized in December 1980 for \$38,750,000. Subsequent authorizations under the Regional Development Facility and the Regional Economic Development Program, have increased the Port Authority's total commitment to this project to \$106,250,000.

d. The New Jersey Marine Development Program. This Program was undertaken to fund certain fishery, marine or port development projects, with a total capital cost of \$27,000,000, in the State of New Jersey.

The Port Authority has substantially completed provision of bus and ancillary bus facilities in each State in an authorized amount of up to \$440,000,000, approximately \$220,000,000 in each State, for the purpose of leasing, selling or transferring such buses and ancillary bus facilities to either State or to any public authority, agency, commission, city or county thereof. The Port Authority is not permitted to incur operating or maintenance expenses under the Port Authority Bus Programs and does not expect to derive any revenue from this capital investment. Further, the bus or ancillary bus facility lessee is required to defend and to provide for indemnification of the Port Authority against any liability by reason of the programs, subject to appropriations or other funds which are or become legally available for this purpose.

3. Costs for the Fund buy-out, Regional and Other Programs are deferred and amortized over the period benefited. As of December 31, 1993, the unamortized costs and annual amortization are as follows:

	<u>Unamortized Costs</u>	<u>1993 Amortization</u>
	(In thousands)	
Buy-out of Fund for Regional Development	<u>\$421,630</u>	<u>\$ 2,457</u>
Regional and Other Programs		
Regional Programs		
Harlem International Trade Center	\$ 44,998	\$ 1,666
Aqueduct	38,892	1,341
Sludge Treatment Facilities	32,678	1,134
Conrail Freight Line	29,295	665
Oak Point Rail Freight Link	20,223	517
NJEDA Loan Guarantee Program	17,311	400
Metropolitan Technology Center	15,881	580
Stevens Institute	10,718	280
Liberty Science Center	5,583	200
Miscellaneous other projects	<u>7,414</u>	<u>208</u>
Subtotal	<u>222,993</u>	<u>6,991</u>
Other Programs		
Oak Point Freight Link	34,644	1,292
New Jersey Marine Development	14,887	509
Bus Program New York	17,047	15,022
Bus Program New Jersey	<u>48,921</u>	<u>18,249</u>
Subtotal	<u>115,499</u>	<u>35,072</u>
Total Regional and Other Programs	<u>\$338,492</u>	<u>\$42,063</u>

Note J-Pension and Retirement Plans and Other Employee Benefits

1. Employees of the Port Authority are covered by the Social Security Act administered by the Social Security Administration and by one of two cost-sharing multiple-employer public employees' retirement systems: the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS). The ERS was established in 1921 while the PFRS was established as a separate entity in 1967, and the systems are governed by the New York Retirement and Social Security Law (the Retirement Law). The New York State Constitution provides that membership in a pension or retirement system of the State or of a civil division thereof is a contractual relationship, the benefits of which may not be diminished or impaired. As a general rule, all full-time Port

Authority employees (except those individuals who are currently receiving a pension on the basis of employment with New York State or public entities in the state) join one of these two public employees' retirement systems.

The ERS and the PFRS provide retirement benefits related to years of service and final average salary, death and disability benefits, vesting of benefits after a set period of credited service, and optional methods of benefit payment. There are four ERS "tiers" of membership and two PFRS "tiers" related to date of initial membership; provisions for each tier differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance, the date of membership and the contributory or non-contributory nature of the plan. Generally, an employee has the right to a vested benefit after ten years of credited public service.

Contributions are not required from police personnel or from those non-police employees who joined the ERS prior to July 27, 1976. Non-police personnel who became members of the ERS on July 27, 1976 and thereafter are presently required to contribute three percent of their annual gross wages. The Port Authority's payroll expense for 1993 was \$465,239,000 of which \$346,460,000 and \$113,462,000 represent the cost for employees covered by ERS and PFRS, respectively. Participating employers are required to pay for funding the Retirement Systems on a current basis. Contributions for periods of service in the fiscal years ending March 31, 1988 and 1989 were scheduled to be amortized with interest over 17 years commencing in 1989. On October 13, 1993, the Port Authority accelerated payment to liquidate the remaining 1988 and 1989 liability of \$51,180,000, including interest of \$2,461,000 to the two Retirement Systems. In November of each year, the ERS and PFRS bill participating employers for their share of total estimated contributions due for the Retirement Systems' fiscal year ending March 31 of the succeeding year. The prepayment of \$2,507,000 for the first three months of 1994 is included in "Other assets".

Effective April 1, 1990, the funding policy for the Retirement Systems changed from the aggregated cost funding method to a modified projected unit credit funding method. The unit

credit approach attributes costs by crediting each employee in each year with a distinct unit of pension cost. This new method uses a rolling amortization period for differences between actuarial assets and actuarial accrued liabilities, of which approximately 17% of such differences are recognized each year in determining the funding amount. On November 16, 1993, the New York Court of Appeals held that the change to the unit credit actuarial method was unconstitutional. At the present time, Port Authority liability for and method of payment of additional 1990-1993 contributions (if any) as a result of this decision have not been determined.

In 1993, Port Authority contributions to the two retirement systems, excluding the accelerated payment for the 1988-1989 fiscal years' liability, totalled \$9,229,000, consisting of payments of \$838,000 and \$8,391,000 for ERS and PFRS, respectively, which were the actuarially determined funding requirements. These contributions for the ERS and PFRS represented approximately 0.2% and 1.8%, respectively, of the total Port Authority covered payroll for 1993. The Port Authority's contribution for the ERS and PFRS amounted to approximately 0.2% and 2.3%, respectively, of the total amount billed by the Retirement Systems to participating employers. Employee contributions of \$6,291,000 to the ERS represented 1.4% of the total Port Authority covered payroll in 1993.

Governmental Accounting Standards Board Statement No. 5 requires employers participating in a cost-sharing multiple-employer public employee retirement system to disclose certain information which the standard requires the system itself to disclose. Based on information supplied by the Retirement Systems, the "total pension benefit obligation" shown below is the actuarial present value of credited projected benefits. It is the standardized disclosure measure, namely the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in future years as a result of employee service to date.

Also disclosed by the Retirement Systems, as of March 31, 1993, the assets in excess of pension benefit obligation were as follows:

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
		(In millions)	
Total pension benefit obligation	\$46,481	\$9,571	\$56,052
Net assets available for benefits	<u>49,084</u>	<u>8,966</u>	<u>58,050</u>
Assets in excess of/ (unfunded) pension benefit obligation	<u>\$ 2,603</u>	<u>(\$ 605)</u>	<u>\$ 1,998</u>

The "Net Assets Available for Benefits" as reported in the supplement to the 1993 Annual Report of the New York State and Local Retirement Systems, includes \$1,100,000,000 of accrued employer contributions related to periods prior to the statement date that have not been paid to the retirement systems as of March 31, 1993, but which are to be received over the next 13 years.

Calculations of total pension benefit obligation, valuation methods, and ten year historical trend information are available from the Comptroller of the State of New York, Albany, N.Y.

Employees of Port Authority Trans-Hudson Corporation (PATH), a wholly-owned subsidiary of the Port Authority, are covered by the provisions of the Railroad Retirement Act administered by the United States Railroad Retirement Board and by single-employer supplemental pension plans established by PATH.

In order to make pension benefits provided for PATH exempt employees (those not covered by collective bargaining agreements) generally comparable to those available to Port Authority employees, a non-contributory, supplemental pension plan was authorized, as a matter of policy, by PATH on August 6, 1964, and has been amended from time to time thereafter. The PATH Exempt Employees' Supplemental Pension Plan (Plan) currently provides, as a matter of policy, an annual pension (for covered exempt employees) related to years of credited service and final average salary, death benefits, vesting of the service retirement benefit after a set period of credited service, and optional methods of benefit payment. The PATH payroll expense for 1993 was \$61,623,000 of which \$7,671,000 represented the cost for exempt employees. The "Pension benefit obligation" of the Plan shown below is based on the actuarial present value of credited projected benefit obligations assuming no change in present policy in relation to the Plan. It is the standardized

disclosure measure, namely the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in future years as a result of employee service to date.

There are a total of 117 active and 30 retired employees covered under this Plan. The actuarially determined valuation of this unfunded pension benefit obligation liability was reviewed in 1993 for the purpose of adjusting the annual accruals and updating the valuation of the pension benefit liability obligation. At December 31, 1993 the pension benefit obligation, based on the projected unit credit cost method, was estimated to be \$14,392,000 of which \$11,201,000 and \$3,191,000 represent the cost for active and retired employees, respectively. Significant actuarial assumptions utilized in the calculation of this liability include a salary scale adjustment of 4% per annum (based on 3.5% cost of living and 0.5% for merit) and interest at the rate of 7% per annum. These assumptions which were revised from those utilized in the last valuation completed in 1989 have contributed to the increase in the pension benefit obligation. In 1993 PATH recognized \$1,543,000 of expense representing 2.5% of the total PATH covered payroll. A liability account has been established by the Port Authority with respect to the payment of future pension benefits for the PATH Exempt Employees' Supplemental Pension Plan. Since this is an unfunded plan there are no available plan assets to be reported. As of December 31, 1993, the amount of this obligation that was accrued was \$8,231,000 and is included in "Accrued pension, retirement and other employee benefits" on the Combined Statements of Financial Position.

The following is supplementary information required by GASB Statement No. 5. The purpose of this chart, and particularly the use of the value identified as "Pension benefit obligation", is to establish a consistent method for analyzing and making comparisons among different public employee retirement systems and different public employers.

Fiscal year	(A) Pension benefit obligation	(B) Annual covered payroll	Percentage (A)/(B)
		(In thousands)	
1990	\$ 5,645	\$6,773	83.3
1991	\$ 6,307	\$7,021	89.8
1992	\$ 7,038	\$7,492	93.9
1993	\$14,392	\$7,671	187.6

PATH has also entered into collective bargaining agreements with various unions under which PATH funds non-contributory supplemental pension plans for union employees. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. PATH payroll expense in 1993 for these employees was \$53,952,000. For the year 1993, contributions made by PATH in accordance with the terms of various collective bargaining agreements totalled \$2,439,000, which represented approximately 4.0% of the total PATH covered payroll for 1993. PATH employees active on or after March 1, 1982, who are members of a recognized collective bargaining unit are automatically plan members of these defined contribution plans. Newly hired employees become plan participants after a 60 day probationary period. Eligibility for all benefits prior to normal retirement requires the completion of at least ten years of vested service. The pension amount depends on the employee's years of credited service (up to a maximum of 30) and the monthly benefit rate in effect at the time of retirement.

2. The Port Authority and PATH provide certain health care, dental and life insurance benefits for active employees and for employees who have retired from the Port Authority or PATH (and for eligible dependents and survivors of active and retired employees). Contributions towards the costs of some of these benefits are required of certain active and/or retired employees. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid directly by the Port Authority or PATH. Prior to 1985, the cost of these benefits was recognized as an expense of the period in which such premiums or benefit claims were paid. Beginning in 1985, the cost of these benefits also includes an annual accrual for prior service costs of these benefits for retired and active employees and their dependents. These accruals are to be made each year, on a consistent basis, until this prior service cost is fully recognized. The actuarially determined valuation, last completed in 1989, is reviewed periodically for the purpose of adjusting the annual accruals. Based on that study, the actuarially determined present value of future benefits for prior service by active and retired employees and their

dependents, to be paid after retirement, has been estimated to be \$293,300,000 as of December 31, 1993, and consists of the following:

	<u>Port Authority</u>	<u>PATH</u> (In millions)	<u>Total</u>
Retirees	\$151.0	\$ 6.4	\$157.4
Active	<u>128.8</u>	<u>7.1</u>	<u>135.9</u>
TOTAL	<u>\$279.8</u>	<u>\$13.5</u>	<u>\$293.3</u>

The obligation accrued to date is \$122,132,000.

The cost of providing health care, dental and life insurance benefits, not including the accrual for prior service costs, totalled approximately \$65,411,000 in 1993 and \$68,044,000 in 1992. Retired employees constitute 34 percent of the total of employees and retired employees of the Port Authority and PATH covered by one or more of these plans. The cost of providing these benefits for such retired employees (and their eligible dependents) is not separable from the cost of providing similar benefits for active employees (and their eligible dependents).

3. The Port Authority and PATH offer eligible employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code of 1986, as amended. The plan permits participants to defer a portion of their salary until future years. Amounts deferred are generally not available to employees until termination of employment, retirement, death, or unforeseeable emergency.

The Port Authority has appointed the New York State Deferred Compensation Board as the exclusive agent for the Port Authority and PATH, to exercise on its behalf the powers conferred by the deferred compensation plan.

All amounts deferred under the plan, all property and rights purchased with these amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the participating employee or other beneficiary) solely the property and rights of the Port Authority or PATH (without being restricted to the provisions of benefits under the plan), subject to claims of the general creditors of either. Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of each participant's account.

Deferred compensation plan assets of approximately \$103,657,000 in 1993 and \$79,792,000 in 1992 are included at market value in "Other assets" and the liability to participants is included in "Accrued pension, retirement and other employee benefits" on the Combined Statements of Financial Position.

Note K—Commitments and Certain Charges to Operations

1. Each year, in conjunction with the development of its annual budget, Port Authority staff prepares a business plan for the next five-year period, reflecting the degree of capital project completion under the prior year's five-year plan and the current assessment of the potential need for capital expenditures for modernization, renovation, rehabilitation, expansion or acquisition of existing and additional facilities in order to continue to maintain appropriate levels of service. The first year of the plan is incorporated into the annual budget of the Port Authority, which is adopted by the Board of Commissioners of the Port Authority.

On December 16, 1993, the Board of Commissioners adopted the annual budget for 1994. The related 1994-1998 business plan was also reviewed by the Board of Commissioners at that time. Approval of the budget by the Board of Commissioners of the Port Authority, based on financial projections developed as part of the Port Authority business planning process, does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions of the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

Major projects under way include, but are not limited to, major roadway redevelopment work at John F. Kennedy International Airport, rehabilitation of the Central Terminal Building at LaGuardia Airport, construction of an automated people mover and a new international facility at Newark International Airport, safety and maintenance improvements to the PATH system, rehabilitation of the south and center tubes of the Lincoln Tunnel, traffic improvements leading to and from the Holland Tunnel in Jersey City, channel dredging of the Kill Van Kull, improvements to the elevator, electrical

and HVAC systems at the World Trade Center, and improvements to certain other facilities, as well as projects related to Regional and Other Programs (see Note I).

The Port Authority presently also has under study a number of additional projects or facilities. In this connection, the Port Authority presently is participating in evaluating, with appropriate government officials and agencies in both States, certain port, airport and mixed-use waterfront development projects; development of foreign trade zones and distribution centers; diverse projects involving regional development facilities, including expansion of processing capacity at the Essex County Resource Recovery Facility; expansion of capacity at the Staten Island bridges; activities to ease the burdens on and improve access to Trans-Hudson transportation facilities; and projects to improve landside access to the airports, as well as a number of other regional initiatives.

In order for the Port Authority to undertake some of the additional projects currently under study, appropriate legislative authorization would be required and such projects could, if undertaken, involve capital expenditures by the Port Authority; in the case of additional facilities, moreover, no Port Authority capital funds are committed to capital projects without appropriate certifications and authorizations.

At December 31, 1993, pursuant to various contracts entered into by the Port Authority, approximately \$767,963,000 of construction was expected to be completed within the next three years.

The 1994 budget anticipates gross capital expenditures for the year 1994 to be approximately \$727,893,000 including a portion of the allocations related to the contracts and programs described above, as well as the other ongoing capital construction programs of the Port Authority.

2. It is expected that costs of construction and operation of Port Authority facilities will continue to increase and that there will be an increasing need for capital investment for the modernization, renovation or rehabilitation of existing and additional facilities in order for the Port Authority to continue to maintain appropriate levels of service. Construction costs in connection with Port Authority facilities are subject, among other things, to the effects of national and regional economic

conditions and the nature of governmental regulations with respect to transportation, commerce, energy and environmental permits and approvals and environmental impact analyses. Additionally, resolution of environmental matters and associated proceedings which may arise during the course of construction, the costs for which are not presently quantifiable, may result in substantial delays in such construction and may give rise to substantially increased costs to the Port Authority. Port Authority operating revenues are also subject to the effects of national and regional economic conditions, including fuel availability and costs, labor and equipment costs and the nature of governmental regulations and judicial proceedings with respect to transportation, commerce, energy and environmental protection. Port Authority operating revenues and capital requirements may also be affected by enacted or proposed substantial reductions in various Federal programs. It is also expected that increases from time to time will continue to be necessary in the Port Authority's tolls, fares, landing and dockage fees, rentals and other charges, or that either planned capital expenditures will be curtailed or reductions in services and associated expenditures will occur, or both, so that the cost of operations and other expenses payable from gross operating revenues, the payment of debt service and the fulfillment of Port Authority statutory, contractual and other commitments, will continue to be provided for in accordance with the requirements therefor and agreements with the holders of Port Authority obligations.

3. Other operating expenses of \$202,707,000 in 1993 and \$208,801,000 in 1992 include amounts for insurance, telephone, payment of interest on Special Project Bonds, the expensing of certain capital costs that no longer provide future economic benefit, and certain other operating, development and administrative expenses.

4. The Port Authority's Essex County Resource Recovery Facility is being operated by a private full service vendor that provides municipal solid waste disposal services. As of December 31, 1993, the Port Authority had provided a net amount of \$188,822,000 to such private full service vendor under a conditional sale agreement through which such vendor is financing a portion of the construction costs of the plant. This amount provided by the Port Authority is included

in "Other amounts receivable" on the Combined Statements of Financial Position and is to be repaid by the vendor with interest through October 1, 2010.

5. Events or transactions that are unusual and unrelated to the Port Authority's ordinary activities have been separately stated on the Combined Statements of Income as "Extraordinary items". During 1993 and 1992 extraordinary items consisted of the following items and amounts:

- a.** gains on the purchase of Port Authority bonds in connection with future sinking fund requirements of \$151,000 in 1993 and \$13,000 in 1992;
- b.** a penalty of \$1,488,000 incurred in connection with the accelerated retirement of the leasehold mortgage pertaining to the hotel at the World Trade Center (see Note D-2); and
- c.** expenses associated with the February 26, 1993 explosion at the World Trade Center, including an estimate for unasserted claims arising from the event, net of anticipated insurance recoveries, estimated to be \$32,500,000 (see Note N).

6. On June 11, 1992, the Board of Commissioners determined that the New York Union Motor Truck Terminal was no longer required for the purpose for which it was originally acquired, and authorized its sale. This facility was sold on December 29, 1992 at a gain of \$21,062,000.

On July 16, 1992 the Board of Commissioners determined that the remaining portion of the Erie Basin-Port Authority Marine Terminal was no longer required for the purpose for which it was originally acquired, and authorized its sale. The remaining portion of this facility was sold on September 1, 1992 at a loss of \$909,000.

Sales of office space at the Newark Legal and Communications Center resulted in a loss of \$469,000.

Note L-Information on Port Authority Operations by Operating Segment

1. Operating Results (A)

Gross operating income (loss) consists of revenues from operations less operating and maintenance expenses and amortization. Net income Port Authority operations consists of income (loss) from operations and (loss) gain on disposition of assets less net interest expense (interest expense less financial income) and net loss on WTC explosion.

	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade	Regional Development	Combined Total
1993						
				(In thousands)		
Gross operating revenues	\$ 572,792	\$ 838,618	\$ 92,424	\$323,494	\$ 93,576	\$ 1,920,904
Interdepartmental revenues	3,493	—	821	42,340	933	
Revenues from operations	<u>\$ 576,285</u>	<u>\$ 838,618</u>	<u>\$ 93,245</u>	<u>\$365,834</u>	<u>\$ 94,509</u>	
Gross operating income (loss)	\$ 78,211	\$ 240,484	(\$ 19,120)	\$115,358	(\$ 6,728)	\$ 408,205
General administrative and development expenses	(65,718)	(49,803)	(6,475)	(13,320)	(1,655)	(136,971)
Income (loss) from operations	<u>\$ 12,493</u>	<u>\$ 190,681</u>	<u>(\$ 25,595)</u>	<u>\$102,038</u>	<u>(\$ 8,383)</u>	<u>\$ 271,234</u>
Net income (loss) by operating segment	(\$ 66,101)	\$ 130,744	(\$ 43,891)	\$ 36,718	(\$ 6,924)	\$ 50,546
Net loss on WTC explosion						(32,500)
Net income Part Authority operations						18,046
Net income PFC program						89,543
Combined net income						<u>\$ 107,589</u>
1992						
				(In thousands)		
Gross operating revenues	\$ 574,689	\$ 850,216	\$ 89,955	\$329,288	\$ 89,364	\$ 1,933,512
Interdepartmental revenues	3,377	—	766	48,474	651	
Revenues from operations	<u>\$ 578,066</u>	<u>\$ 850,216</u>	<u>\$ 90,721</u>	<u>\$377,762</u>	<u>\$ 90,015</u>	
Gross operating income (loss)	\$ 112,338	\$ 228,390	(\$ 1,489)	\$125,744	(\$ 6,777)	\$ 458,206
General administrative and development expenses	(74,071)	(53,516)	(7,131)	(11,680)	(1,779)	(148,177)
Income (loss) from operations	<u>\$ 38,267</u>	<u>\$ 174,874</u>	<u>(\$ 8,620)</u>	<u>\$114,064</u>	<u>(\$ 8,556)</u>	<u>\$ 310,029</u>
Net income (loss) Part Authority operations	(\$ 35,421)	\$ 127,011	(\$ 5,080)	\$ 48,049	(\$ 8,205)	\$ 126,354
Net income PFC program						18,000
Combined net income						<u>\$ 144,354</u>

(A) See Schedule F for detailed information on Port Authority operations for each segment.

2. Asset Information

The table below contains a summary of information on the Port Authority's assets. Facilities, net consists of facilities at cost less accumulated amortization.

	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade	Regional Development	PFC Program	Combined Total
1993 Assets							
				(In thousands)			
Facilities, net-beginning of year	\$2,109,350	\$2,000,083	\$663,866	\$916,616	\$252,677	\$ 1,934	\$5,944,526
Net capital expenditures	121,055	279,309	50,308	56,671	6,281	10,116	523,740
Amortization	(66,468)	(128,900)	(34,315)	(27,486)	(10,155)	—	(267,324)
Facilities, net-end of year	<u>2,163,937</u>	<u>2,150,492</u>	<u>679,859</u>	<u>945,801</u>	<u>248,803</u>	<u>12,050</u>	<u>6,200,942</u>
Unamortized costs for Regional and Other Programs	288,961	—	49,531	—	—	—	338,492
Total	<u>\$2,452,898</u>	<u>\$2,150,492</u>	<u>\$729,390</u>	<u>\$945,801</u>	<u>\$248,803</u>	<u>\$12,050</u>	<u>6,539,434</u>
Cash, investments, accounts receivable, other amounts receivable, unamortized costs for Fund buy-out, amounts receivable for Special Project Bonds and other assets							2,830,443
Total assets							<u>\$9,369,877</u>
1992 Assets							
				(In thousands)			
Facilities, net-beginning of year	\$2,055,524	\$1,708,055	\$635,397	\$918,364	\$254,403	\$ —	\$5,571,743
Net capital expenditures	115,815	404,855	50,852	24,747	8,383	1,934	606,586
Amortization	(61,989)	(112,827)	(22,383)	(26,495)	(10,109)	—	(233,803)
Facilities, net-end of year	<u>2,109,350</u>	<u>2,000,083</u>	<u>663,866</u>	<u>916,616</u>	<u>252,677</u>	<u>1,934</u>	<u>5,944,526</u>
Unamortized costs for Regional and Other Programs	291,612	—	50,734	—	—	—	342,346
Total	<u>\$2,400,962</u>	<u>\$2,000,083</u>	<u>\$714,600</u>	<u>\$916,616</u>	<u>\$252,677</u>	<u>\$ 1,934</u>	<u>6,286,872</u>
Cash, investments, accounts receivable, other amounts receivable, unamortized costs for Fund buy-out, amounts receivable for Special Project Bonds and other assets							2,468,472
Total assets							<u>\$8,755,344</u>

Note M—Passenger Facility Charge Program

Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, the United States Secretary of Transportation (through the FAA) is authorized to approve local imposition of airport passenger facility charges (PFCs) at commercial service airports controlled by public agencies. PFCs are to be used to finance airport-related projects which are approved in advance by the FAA and which are related to safety, capacity, security, noise reduction or enhancement of air carrier competition.

On July 23, 1992, the FAA granted the Port Authority the right to impose a \$3 PFC per enplaned passenger at LaGuardia, John F. Kennedy International and Newark International Airports, beginning on October 1, 1992, to be collected by the airlines on behalf of the Port Authority in an aggregate amount (including interest thereon) totalling up to \$282,000,000 net of air carrier handling charges. The FAA also approved expenditure of \$21,000,000 attributable to amounts received from the collection of PFCs to fund studies associated with ground access projects pertaining to the airports. Future applications would be submitted by the Port Authority to the FAA for authority to continue the PFC at the airports and for approval of airport-related capital construction projects to be funded with the PFC, as appropriate.

The amount of PFC net income invested in Port Authority facilities, operations and reserves that is restricted for future PFC project payments is as follows:

	December 31, 1993
	(In thousands)
Net assets, PFCs	\$107,543
PFC Facilities, at cost	(12,050)
Accrued expenditures	<u>3,219</u>
PFC funds expended on approved projects	<u>(8,831)</u>
PFCs restricted but not yet expended, December 31	<u>\$ 98,712</u>

Note N—Information with Respect to the Events of February 26, 1993 at the World Trade Center

On February 26, 1993, various building systems at the World Trade Center (WTC) sustained damage as a result of an explosion in the parking garage levels under the hotel at the WTC. The structural integrity of the WTC was not significantly affected by such explosion and PATH service to the WTC, as well as certain building operations, recommenced on March 1, 1993. By mid-April 1993, all areas of the WTC, except certain below grade areas, the Vista International Hotel and the Windows on the World restaurant, were reopened. The nature and scope of parking facilities at the World Trade Center has been under review. Limited parking (Federal, state government and law enforcement vehicles) resumed on a test basis in September 1993. A phase-in of underground parking for WTC tenants is scheduled to commence March 1994. The nature and scope of future parking operations at the WTC will be dependent upon the recommendations resulting from the continuing review of this matter. Port Authority costs for expenses associated with the explosion (including costs associated with the Vista International Hotel), net of anticipated insurance recoveries, is estimated to be \$32,500,000.

Schedule A **Revenues and Reserves** (Pursuant to Port Authority bond resolutions)

	Year Ended December 31,			1992
	1993			
	Operating Fund	Reserve Funds (Schedule C)	Combined Total	Combined Total
	(In thousands)			
Gross operating revenues	\$1,920,904	\$ —	\$1,920,904	\$1,933,512
Operating expenses:				
Employee compensation, including benefits	598,663	—	598,663	569,767
Materials, equipment, supplies and contract services	392,392	—	392,392	367,483
Heat, light and power	85,954	—	85,954	85,010
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	60,567	—	60,567	117,331
Other (Note K-3)	202,707	—	202,707	208,801
Total operating expenses	1,340,283	—	1,340,283	1,348,392
Amounts in connection with operating asset financings	32,774	—	32,774	31,745
Net operating revenues	547,847	—	547,847	553,375
Financial income				
Income on investments (includes gain of \$146,000 in 1993 and \$724,000 in 1992 on purchase of Port Authority bonds)	29,671	46,879	76,550	88,778
Net Loss on WTC explosion (Note N)	(32,500)	—	(32,500)	—
Net revenues available for debt service and reserves	545,018	46,879	591,897	642,153
Debt service				
Interest on bonds, notes and commercial paper obligations	258,458	—	258,458	254,435
Debt maturities and retirements	67,675	—	67,675	59,925
Repayment of commercial paper obligations	—	178	178	126
Debt retirement acceleration	—	3,458	3,458	—
Total debt service	326,133	3,636	329,769	314,486
Payments in connection with leasehold acquisition obligation	—	35,687	35,687	4,015
Transfers to reserves	(\$ 218,885)	218,885	—	—
Revenues after debt service and transfers to reserves		226,441	226,441	323,652
Direct investment in facilities		(185,071)	(185,071)	(370,497)
Appropriations for self-insurance		7,081	7,081	865
Increase (decrease) in reserves		48,451	48,451	(45,980)
Reserve balances, January 1		782,557	782,557	828,537
Reserve balances, December 31 (Schedule C)		\$831,008	\$ 831,008	\$ 782,557

See Notes to Combined Financial Statements.

Schedule C **Analysis of Reserve Funds** (Pursuant to Port Authority bond resolutions)

	Year Ended December 31, 1993			1992
	General Reserve Fund	Consolidated Bond Reserve Fund	Combined Total <small>(In thousands)</small>	Combined Total
Balance, January 1 (Note F)	\$494,486	\$288,071	\$782,557	\$828,537
Income on investments (includes gain on purchase of Port Authority bonds)	29,168	17,711	46,879	55,243
Transfers from operating fund	10,357	208,528	218,885	272,550
	<u>534,011</u>	<u>514,310</u>	<u>1,048,321</u>	<u>1,156,330</u>
Applications:				
Repayment of commercial paper obligations	—	178	178	126
Debt retirement acceleration	—	3,458	3,458	—
Payments in connection with leasehold acquisition obligation	—	35,687	35,687	4,015
Direct investment in facilities	—	185,071	185,071	370,497
Self-insurance	—	(7,081)	(7,081)	(865)
Total applications	—	<u>217,313</u>	<u>217,313</u>	<u>373,773</u>
Balance, December 31 (Note F)	\$534,011	\$296,997	\$831,008	\$782,557

NOTE: The above schedule reflects the valuation of securities in accordance with the accounting principles stated in Note A-5. Had the market value of securities at December 31, 1993 been used, the respective reserve fund balances at December 31, 1993 would be:

General Reserve Fund	Consolidated Bond Reserve Fund
\$534,011	\$301,543

See Notes to Combined Financial Statements.

The Port Authority of New York and New Jersey
New York State Commuter Car Program
Assets and Liabilities

	December 31,	
	1993	1992
	(In thousands)	
Assets		
Invested in commuter cars, at cost (A)	\$156,374	\$156,349
Cash and investments in U.S. Government securities, at cost (which approximates market)	1,009	1,002
Other assets	298	397
Total assets	157,681	157,748
Liabilities		
State Guaranteed Commuter Car Bonds (due 1994-1996)	33,365	43,340
Other liabilities	8,521	8,588
Total liabilities	41,886	51,928
Debt retired (A)	\$115,795	\$105,820

(A) Does not include \$5,475,000 New York State Guaranteed Commuter Bonds, First Series, due 1962-1966, \$8,250,000 New York State Guaranteed Commuter Bonds, Second Series, due 1963-1987, \$6,000,000 New York State Guaranteed Commuter Bonds, Third Series, due 1964-1989, all of which have been retired, or the commuter cars associated with these series.

NOTE: Pursuant to legislation of the States of New York and New Jersey, the Port Authority is authorized and empowered, upon the election of either state, to purchase and lease railroad cars to commuter railroads of the electing state, and to borrow money for such purpose or for the repayment of advances from the electing state if such state has made itself liable for the repayment of the money so borrowed. By resolution dated April 12, 1962, the Port Authority established an issue of New York State Guaranteed Commuter Car Bonds. The information contained in this schedule has been prepared pursuant to such bond resolution and legislation. Such car bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars. The Metropolitan Transportation Authority currently leases railroad cars acquired under this program, in its own right and in connection with the assumption of equipment obligations of Consolidated Rail Corporation (ConRail) and of the Penn Central Transportation Company (and its successor, ConRail). Car bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority. In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of such debt service is fully and unconditionally guaranteed by New York State. Title to the cars is to be relinquished by the Port Authority after retirement of all obligations issued in connection with such cars. (See Note F-4.)

See Notes to Combined Financial Statements.

Schedule E Selected Statistical Financial Data

	Year Ended December 31,									
	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
	(In thousands)									
REVENUES AND EXPENSES										
Gross operating revenues (A)	\$ 1,920,904	\$ 1,933,512	\$ 1,856,895	\$ 1,690,730	\$ 1,526,780	\$ 1,436,940	\$ 1,331,438	\$ 1,169,586	\$ 1,100,840	\$ 1,000,060
Operating expenses	1,340,283	1,348,392	1,337,406	1,282,298	1,124,218	1,092,502	993,256	937,820	859,843	706,895
Amounts in connection with operating asset financings	32,774	31,745	30,669	29,052	1,533	—	—	—	—	—
Net operating revenues	547,847	553,375	488,820	379,380	401,029	344,438	338,182	231,766	240,997	293,165
Income on investments	76,404	88,054	84,054	86,014	92,094	76,858	59,613	76,998	85,644	85,836
Gain on purchase of Port Authority bonds	146	724	4,788	2,131	4,871	3,221	5,235	3,571	6,077	5,501
Security valuation adjustment	—	—	—	—	—	—	—	—	—	(19)
Net loss on WTC explosion	(32,500)	—	—	—	—	—	—	—	—	—
Net revenues available for debt service and reserves	591,897	642,153	577,662	467,525	497,994	424,517	403,030	312,335	332,718	384,483
DEBT SERVICE-OPERATIONS										
Interest on bonds, notes and commercial paper obligations	(258,458)	(254,435)	(227,619)	(195,176)	(174,673)	(155,143)	(135,678)	(116,980)	(109,972)	(116,352)
Times, interest earned (B)	2.29	2.52	2.54	2.40	2.85	2.74	2.97	2.67	3.02	3.30
Debt maturities and retirements	(71,133)	(59,925)	(66,537)	(59,675)	(52,425)	(49,125)	(54,475)	(55,350)	(48,074)	(18,593)
Times, debt service earned (B)	1.80	2.04	1.96	1.83	2.19	2.08	2.12	1.81	2.08	2.33
DEBT SERVICE-RESERVES										
Direct investment in facilities-reserves	(185,071)	(370,497)	(187,305)	(235,984)	(262,844)	(215,854)	(176,656)	(80,656)	(87,359)	(71,527)
Payments in connection with leasehold acquisition	(35,687)	(4,015)	(4,005)	(4,097)	(1,941)	—	—	—	—	—
Debt retirement acceleration	—	—	—	—	—	(2,750)	(2,800)	—	—	—
Appropriations for self-insurance-reserves	7,081	865	(1,218)	351	(2,272)	2,139	(2,929)	(4,260)	(4,063)	(489)
Repayment of commercial paper obligations	(178)	(126)	(520)	(1,734)	(1,068)	(522)	—	(13,178)	(55,964)	(85,389)
Debt service on bonds secured by trusts	—	—	—	—	—	—	—	(649)	(1,343)	(1,204)
Net increase (decrease) in reserves	\$ 48,451	(\$ 45,980)	\$ 90,458	(\$ 28,790)	\$ 2,771	\$ 3,262	\$ 30,492	\$ 41,262	\$ 25,943	\$ 90,929
RESERVE BALANCES										
January 1	782,557	828,537	738,079	766,869	764,098	760,836	730,344	689,082	663,139	572,210
December 31	\$ 831,008	\$ 782,557	\$ 828,537	\$ 738,079	\$ 766,869	\$ 764,098	\$ 760,836	\$ 730,344	\$ 689,082	\$ 663,139
Reserve fund balances represented by:										
General Reserve	\$ 534,011	\$ 494,486	\$ 471,281	\$ 441,614	\$ 373,129	\$ 335,886	\$ 293,294	\$ 287,357	\$ 271,232	\$ 236,166
Consolidated Bond Reserve	296,997	288,071	357,256	296,465	393,740	428,212	467,542	442,987	417,204	425,033
Special Reserve (C)	—	—	—	—	—	—	—	—	646	1,940
Total	\$ 831,008	\$ 782,557	\$ 828,537	\$ 738,079	\$ 766,869	\$ 764,098	\$ 760,836	\$ 730,344	\$ 689,082	\$ 663,139
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	\$ 4,286,668	\$ 4,198,785	\$ 4,056,744	\$ 3,739,020	\$ 3,338,250	\$ 3,105,675	\$ 2,718,550	\$ 2,759,825	\$ 2,615,175	\$ 2,263,249
Fund buy-out obligation	389,366	386,290	383,433	357,067	—	—	—	—	—	—
Amounts payable in connection with:										
Special Project Bonds	473,575	298,575	298,575	298,575	96,500	96,500	96,500	96,500	96,500	96,500
Variable rate master notes	270,000	250,000	217,000	182,000	135,000	25,000	—	—	—	—
Commercial paper obligations	189,963	170,492	116,430	172,140	161,537	131,684	117,883	17,240	37,870	—
Versatile structure obligations	100,000	—	—	—	—	—	—	—	—	—
Leasehold acquisition obligation	—	33,213	33,809	34,349	34,839	—	—	—	—	—
Operating equipment-lease financing obligations	19,903	27,008	24,060	24,060	26,476	25,726	24,608	9,882	2,512	—
General and Refunding Bonds (D)	—	—	—	—	—	—	—	—	642	1,915
Total obligations	\$ 5,729,475	\$ 5,364,363	\$ 5,130,051	\$ 4,807,211	\$ 3,792,602	\$ 3,384,585	\$ 2,957,541	\$ 2,883,447	\$ 2,752,699	\$ 2,361,664
INVESTED IN FACILITIES AT DECEMBER 31										
DEBT RETIRED THROUGH INCOME:	\$ 10,432,103	\$ 9,848,280	\$ 9,161,865	\$ 8,532,632	\$ 7,825,014	\$ 7,050,152	\$ 6,547,044	\$ 5,876,771	\$ 5,396,493	\$ 5,050,775
Annual	\$ 104,523	\$ 60,647	\$ 67,599	\$ 61,897	\$ 53,719	\$ 52,399	\$ 57,275	\$ 69,170	\$ 105,310	\$ 105,064
Cumulative	\$ 2,987,912	\$ 2,883,389	\$ 2,822,742	\$ 2,755,143	\$ 2,693,246	\$ 2,693,527	\$ 2,587,128	\$ 2,529,853	\$ 2,460,683	\$ 2,355,373

(A) Gross operating revenues reflect increased tolls adopted in 1991, 1987 and 1984 and increased PATH fares adopted in 1987 and 1984.

(B) In computing "times, interest earned" and "times, debt service earned", insignificant amounts of interest income and interest expense on debt previously accelerated have been included in "net revenues available for debt service and reserves" and "interest on bonds, notes and commercial paper obligations", respectively. In addition, "debt maturities and retirements" has been adjusted to exclude the retirement of Consolidated Notes and debt retirement accelerations from operations, and to include scheduled retirement of debt previously accelerated as follow:

	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
	\$3,458	—	\$3,352	—	(\$2,750)	(\$2,800)	—	—	(\$1,560)	(\$29,731)

(C) Special Reserve Fund established in connection with prior lien bonds maintained in trust from December 31, 1970 through the retirement of General and Refunding Bonds.

(D) The Port Authority has fully satisfied, when due, as scheduled, all debt service requirements on all such obligations.

NOTE: This selected financial data is prepared from information contained in Schedules A, B and C and is presented for general information purposes only and is not intended to reflect specific applications of the revenues and reserves of the Port Authority which are governed by statutes and its bond resolutions.

Schedule F **Information on Port Authority Operations**

Year Ended December 31,
1993

	Gross Operating Revenues	Operating & Maintenance Expenses	Allocated Expenses	Amortization	Income (Loss) from Operations	Net Interest Expense (A)	Net Income (Loss)	Net Income (Loss)
(In thousands)								
INTERSTATE TRANSPORTATION								
G.W. Bridge & Bus Station	\$ 223,126	\$ 51,451	\$ 11,150	\$ 6,392	\$ 154,133	\$ 9,593	\$144,540	\$147,239
Holland Tunnel	66,424	35,215	5,900	6,873	18,436	6,322	12,114	12,991
Lincoln Tunnel	81,161	45,243	7,154	5,490	23,274	7,853	15,421	19,070
Bayonne Bridge	9,796	7,155	1,050	2,126	(535)	1,998	(2,533)	(2,878)
Goethals Bridge	51,568	14,639	2,921	710	33,298	589	32,709	36,303
Outerbridge Crossing	55,955	11,585	2,641	1,621	40,108	1,149	38,959	40,862
P.A. Bus Terminal	21,236	58,769	7,545	5,951	(51,029)	7,894	(58,923)	(62,228)
PATH	61,464	155,044	26,385	34,971	(154,936)	31,473	(186,409)	(168,611)
Journal Square Transportation Center	2,062	8,376	899	2,300	(9,513)	2,269	(11,782)	(9,194)
Ferry Service	—	373	73	35	(481)	21	(502)	(546)
Bus Programs	—	—	—	33,271	(33,271)	3,189	(36,460)	(39,523)
Regional & Other Programs	—	—	—	6,991	(6,991)	6,244	(13,235)	(8,906)
Total Interstate Transportation	572,792	387,850	65,718	106,731	12,493	78,594	(66,101)	(35,421)
AIR TERMINALS								
LaGuardia	177,427	108,370	10,822	22,514	35,721	10,597	25,124	15,260
JFK International	393,725	221,903	23,201	66,501	82,120	30,421	51,699	61,820
Newark International	266,020	137,103	15,564	38,711	74,642	18,213	56,429	52,034
Teterboro	764	198	36	471	59	324	(265)	(3)
Heliparts	682	1,660	180	703	(1,861)	382	(2,243)	(2,100)
Total Air Terminals	838,618	469,234	49,803	128,900	190,681	59,937	130,744	127,011
MARINE AND OTHER								
Columbia Street	—	(341)	11	36	294	42	252	(139)
Port Newark	33,553	24,993	2,546	7,503	(1,489)	4,653	(6,142)	(6,256)
Erie Basin	—	—	—	—	—	—	—	(1,621)
Elizabeth	35,597	18,115	1,710	8,814	6,958	6,477	481	7,551
Brooklyn	4,124	10,220	1,043	1,399	(8,538)	1,475	(10,013)	(7,321)
Red Hook	2,144	3,650	132	1,529	(3,167)	956	(4,123)	(3,877)
N.Y.C. Passenger Ship Terminal	10,670	12,694	744	12,463	(15,231)	465	(15,696)	(7,636)
Howland Hook	88	4,725	149	967	(5,753)	366	(6,119)	(6,050)
Greenville Yard	207	22	4	—	181	—	181	164
Auto Marine	6,041	1,351	136	1,603	2,951	2,009	942	1,225
Oak Point	—	—	—	1,292	(1,292)	1,342	(2,634)	(2,498)
N.J. Fisheries	—	—	—	509	(509)	511	(1,020)	(632)
N.Y. Truck Terminal	—	—	—	—	—	—	—	22,010
Total Marine and Other	92,424	75,429	6,475	36,115	(25,595)	18,296	(43,891)	(5,080)
WORLD TRADE								
World Trade Center	286,908	147,448	13,237	25,866	100,357	60,661	39,696	51,198
Vista Hotel	36,586	33,202	83	1,620	1,681	4,659	(2,978)	(3,149)
Total World Trade	323,494	180,650	13,320	27,486	102,038	65,320	36,718	48,049
REGIONAL DEVELOPMENT								
Essex County Resource Recovery	69,359	69,377	156	1,413	(1,587)	(6,283)	4,696	4,869
Industrial Park at Elizabeth	469	1,134	110	737	(1,512)	790	(2,302)	(2,086)
Bathgate	2,482	965	112	1,946	(541)	1,261	(1,802)	(2,400)
Yonkers	3,042	5,288	460	1,185	(3,891)	1,228	(5,119)	(4,523)
Teleport	12,425	6,990	417	2,560	2,458	2,037	421	(332)
Newark Legal & Communications	5,799	6,395	400	2,314	(3,310)	(492)	(2,818)	(3,733)
Total Regional Development	93,576	90,149	1,655	10,155	(8,383)	(1,459)	(6,924)	(8,205)
Total Operations	\$1,920,904	\$1,203,312	\$136,971	\$309,387	\$271,234	\$220,688	50,546	126,354
Net Loss on WTC Explosion							(32,500)	—
Total Port Authority Operations							18,046	126,354
PFC Program							89,543	18,000
Combined Total							\$107,589	\$144,354

(A) Net interest expense (interest expense less financial income) that cannot be specifically identified with any particular operating segment is allocated to all operating segments on the basis of unamortized investment in use (completed construction less accumulated amortization). Financial income or interest expense which can be specifically identified with a particular facility within a segment is credited/charged directly to that segment. For purposes of this schedule, gain or loss generated by the disposition of assets is included in the net interest expense column.

The New York-New Jersey Metropolitan Region

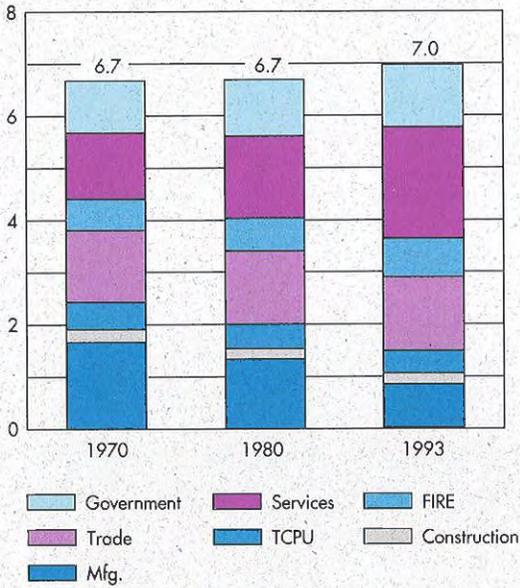


Area	3,900 Square Miles
Population 1993	15.7 Million
Total Labor Force 1993	7.5 Million
Retail Sales 1993	\$113 Billion
Total Wage and Salary Jobs	7.0 Million
Total Personal Income (est)	\$418 Billion

The New York-New Jersey Metropolitan Region, the largest and most diversified in the nation, consists of New York City, the four suburban New York counties of Nassau, Rockland, Suffolk and Westchester, and the eight northern New Jersey counties of Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset and Union.

Employment

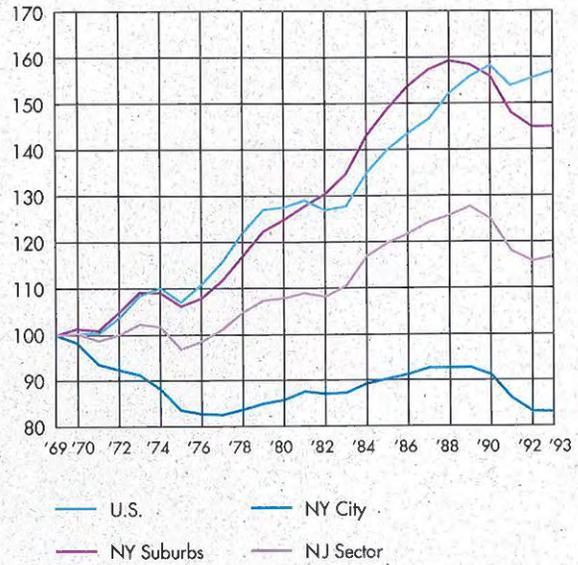
NY-NJ Metropolitan Region Wage & Salary Employment by Major Industry 1970, 1980, 1993
(millions)



FIRE = Finance, Insurance & Real Estate
 TCPU = Transportation, Communications & Public Utilities

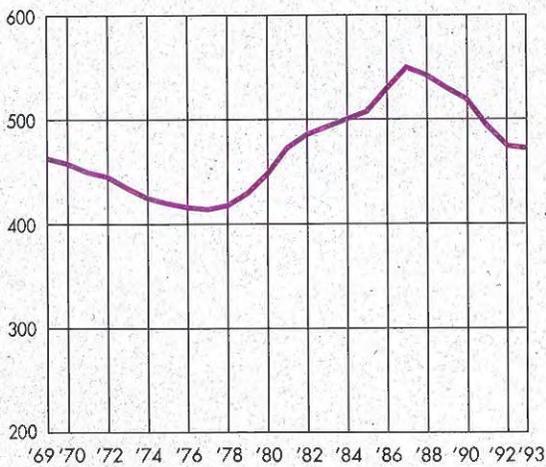
Sources: NY and NJ State Depts. of Labor

Index of Private Employment U.S. and NY-NJ Region 1969-1993
(index: 1969 = 100)



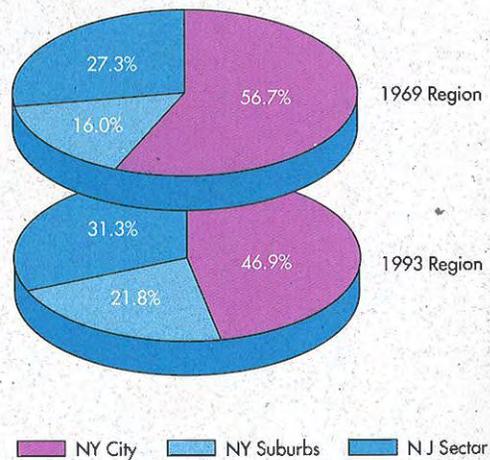
Sources: U.S. Bureau of Labor Statistics
 NY and NJ State Depts. of Labor

Employment Trends in Finance, Insurance and Real Estate New York City, 1969-1993
(thousands)



Sources: NY & NJ State Depts. of Labor

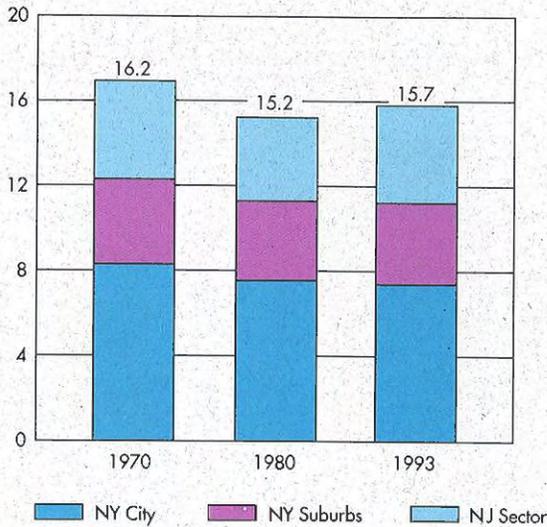
Wage and Salary Employment in the NY-NJ Metropolitan Region by Major Geographic Area
(thousands)



Sources: NY & NJ State Depts. of Labor

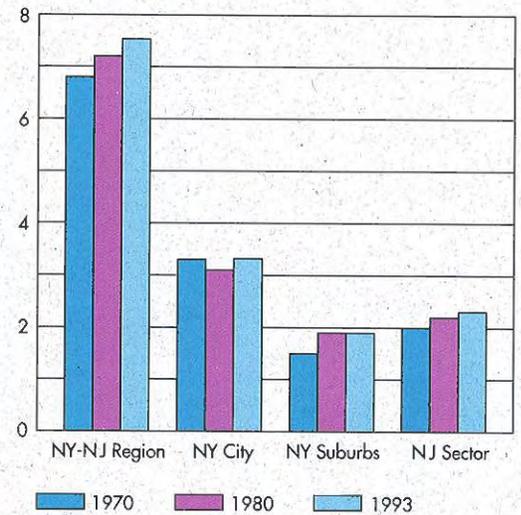
Demographics and Unemployment

Population
NY-NJ Metropolitan Region
1970, 1980, 1993
 (in millions)



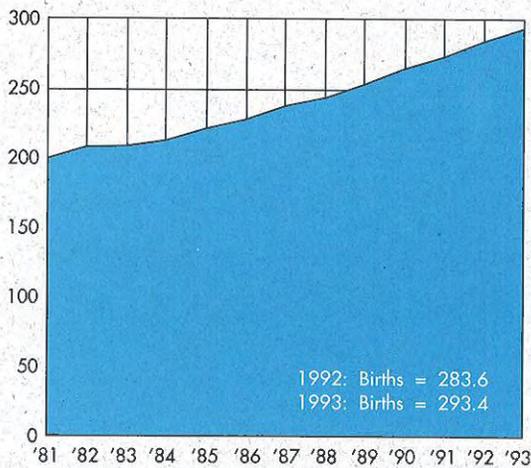
Source: U.S. Bureau of the Census

Total Labor Force
NY-NJ Metropolitan Region
1970, 1980, 1993
 (millions)



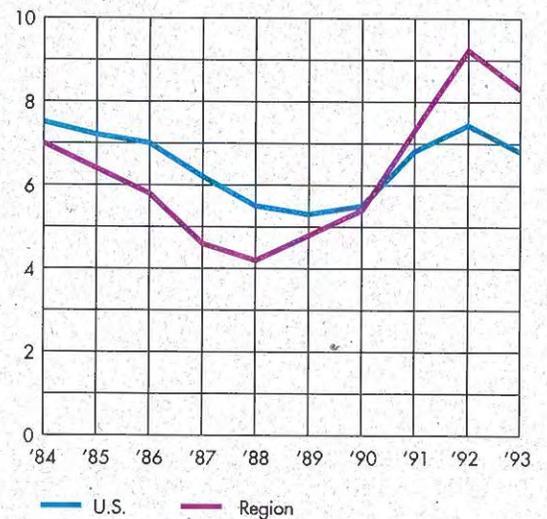
Sources: NY and NJ State Depts. of Labor

Number of Births
NY-NJ Metropolitan Region
1981-1993
 (in thousands)



Sources: NY and NJ State Depts. of Health

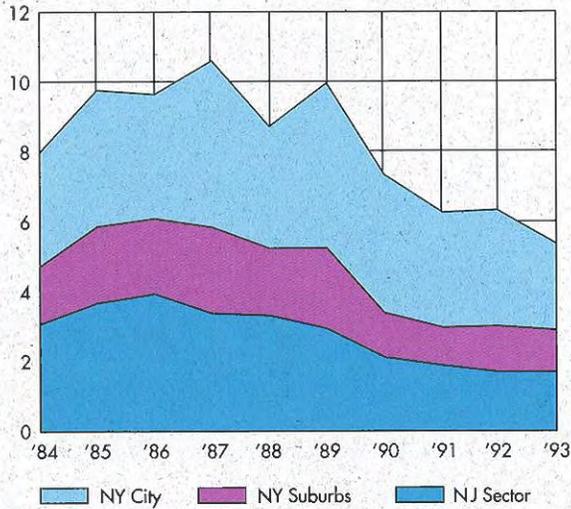
Unemployment Rates
U.S. and NY-NJ Region
1984-1993
 (percent)



Sources: U.S. Bureau of Labor Statistics
 NY and NJ State Depts. of Labor

Construction Activity and Inflation

**Total Construction Contract Awards
NY-NJ Metropolitan Region
1984-1993**
(billions of 1982 dollars)

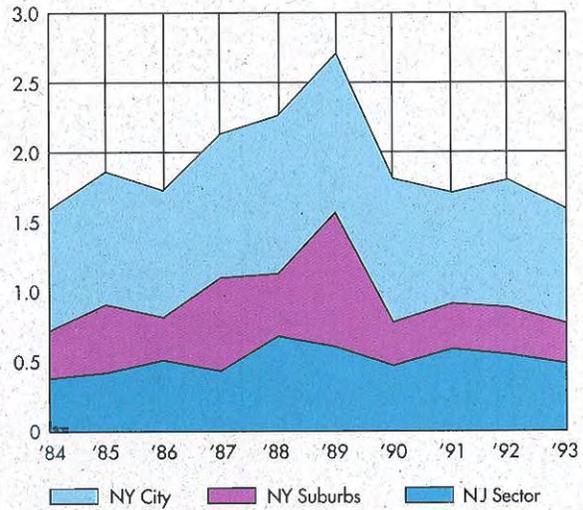


1992: Region = \$6.254 1993: Region = \$5.369

Note: Construction awards in 1982 dollars deflated by Engineering News Record's Building Cost Index

Source: FW Dodge. Reproduction not permitted without permission from FW Dodge

**Infrastructure Construction Contract Awards
NY-NJ Metropolitan Region
1984-1993**
(billions of 1982 dollars)

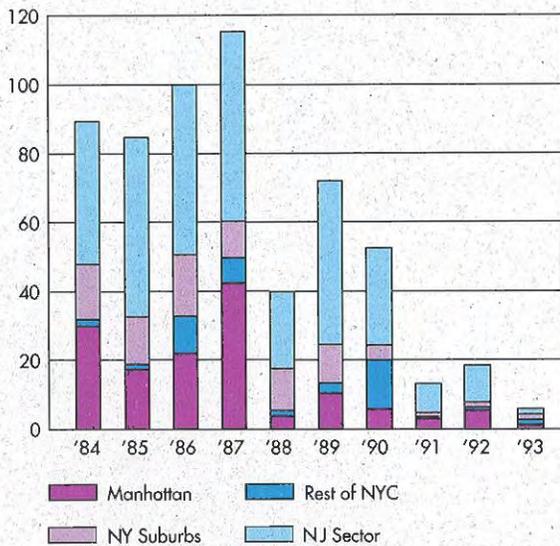


1992: Region = \$1.803 1993: Region = \$1.593

Note: Construction awards in 1982 dollars deflated by Engineering News Record's Building Cost Index

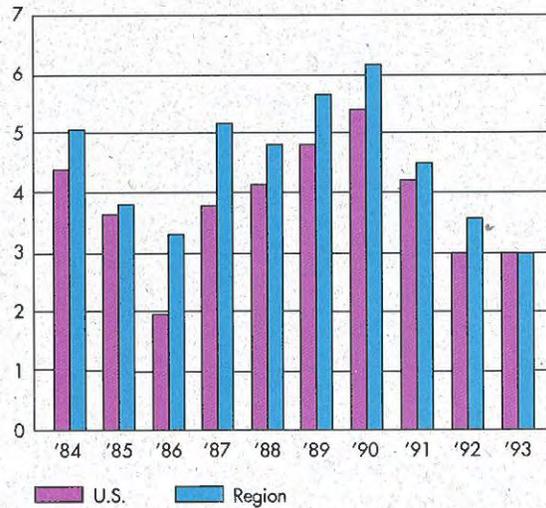
Source: FW Dodge. Reproduction not permitted without permission from FW Dodge

**Office Building Contract Awards
NY-NJ Metropolitan Region
1984-1993**
(index of square feet 1986 = 100)



Source: FW Dodge. Reproduction not permitted without permission from FW Dodge

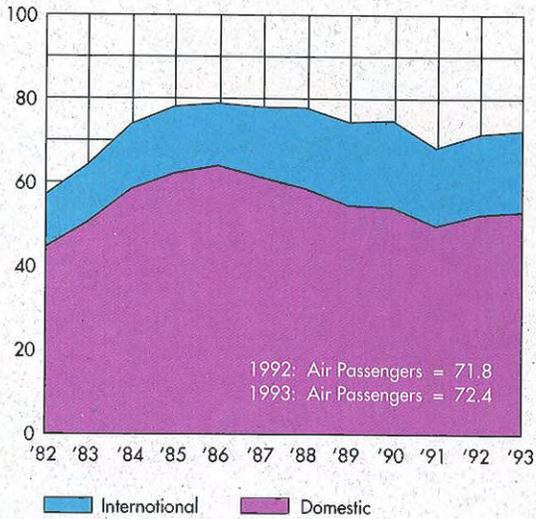
**Percent Change in Consumer Price Index
U.S. and NY-NJ Metropolitan Region
1984-1993**
(percent)



Source: U.S. Bureau of Labor Statistics

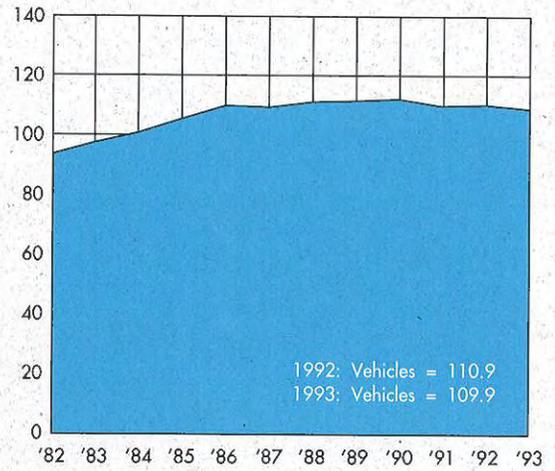
Regional Traffic Trends

**Domestic and International Air Passenger Traffic
NY-NJ Metropolitan Region
1982-1993**
(millions)



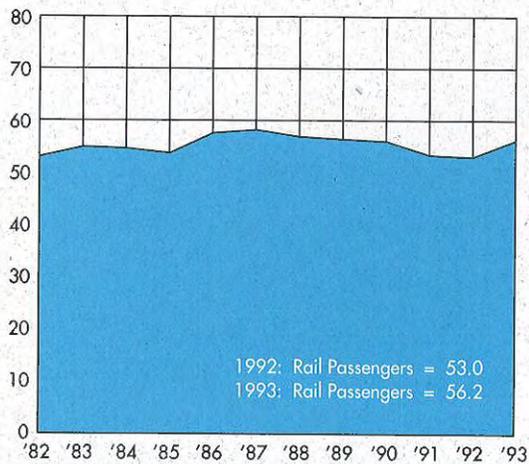
Note: Data were revised to reflect reclassification of Puerto Rico from an international to a domestic market. Also, prior to 1988, Canadian and Mexican passengers were included in domestic traffic data.
Source: The Port Authority of NY & NJ

**Port Authority Tunnels and Bridges
Annual Eastbound Vehicular Traffic
1982-1993**
(millions)



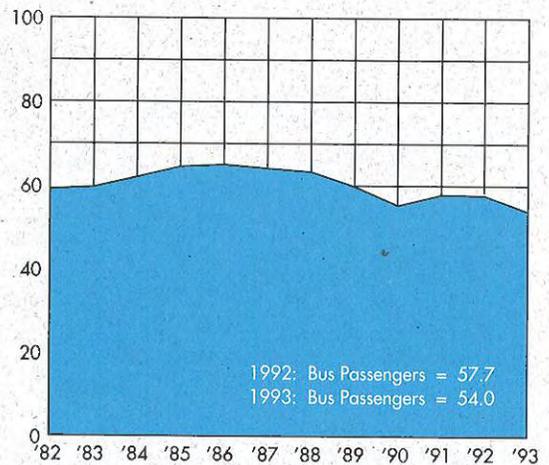
Source: The Port Authority of NY & NJ

**Port Authority Trans-Hudson
Rail Passenger Traffic
1982-1993**
(millions)



Source: The Port Authority of NY & NJ

**Bus Passenger Traffic
through Port Authority Terminals
1982-1993**
(millions)



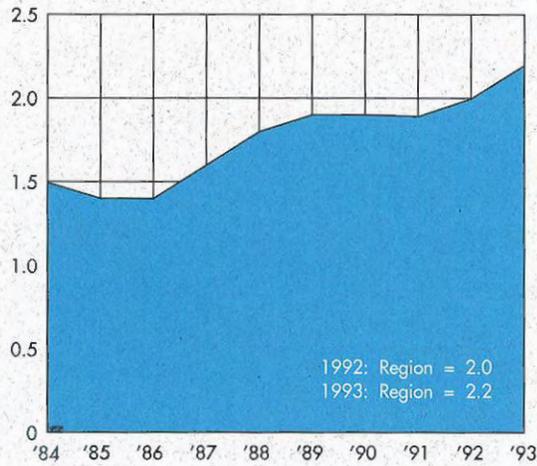
Note: Information excluded for the Journal Square Transportation Center

Source: The Port Authority of NY & NJ

Regional Cargo Trends

Air Cargo Traffic
NY-NJ Metropolitan Region
1984-1993

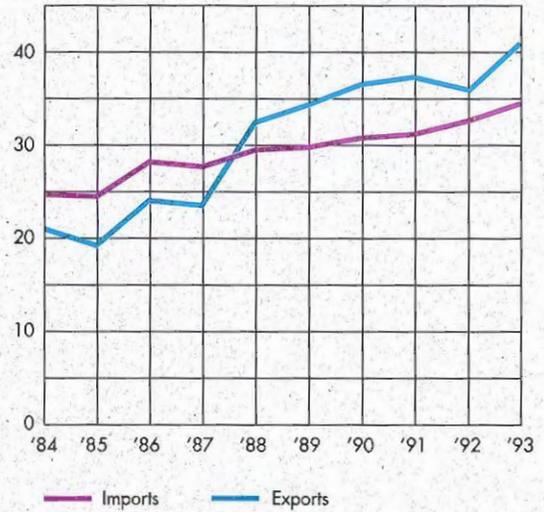
(millions of short tons)



Source: The Port Authority of NY & NJ

Value of the Port's Airborne Foreign Trade
1984-1993

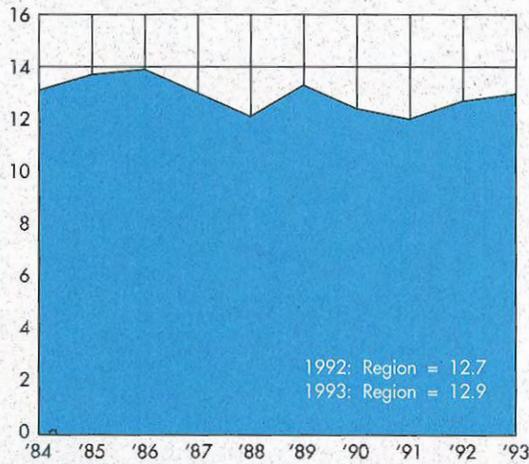
(billions of dollars)



Sources: U.S. Bureau of the Census
 The Port Authority of NY & NJ

Oceanborne General Cargo
The Port of NY & NJ
1984-1993

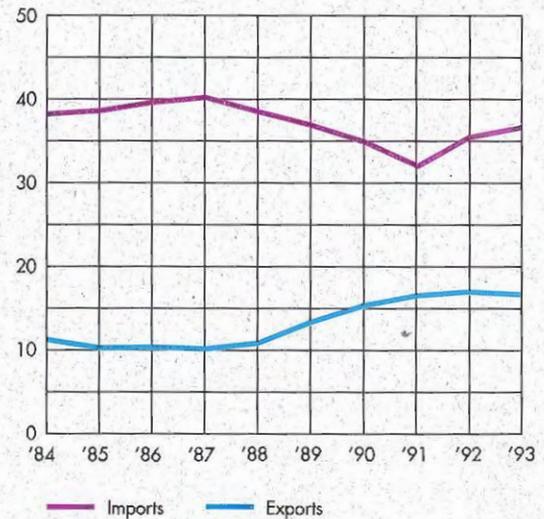
(millions of long tons)



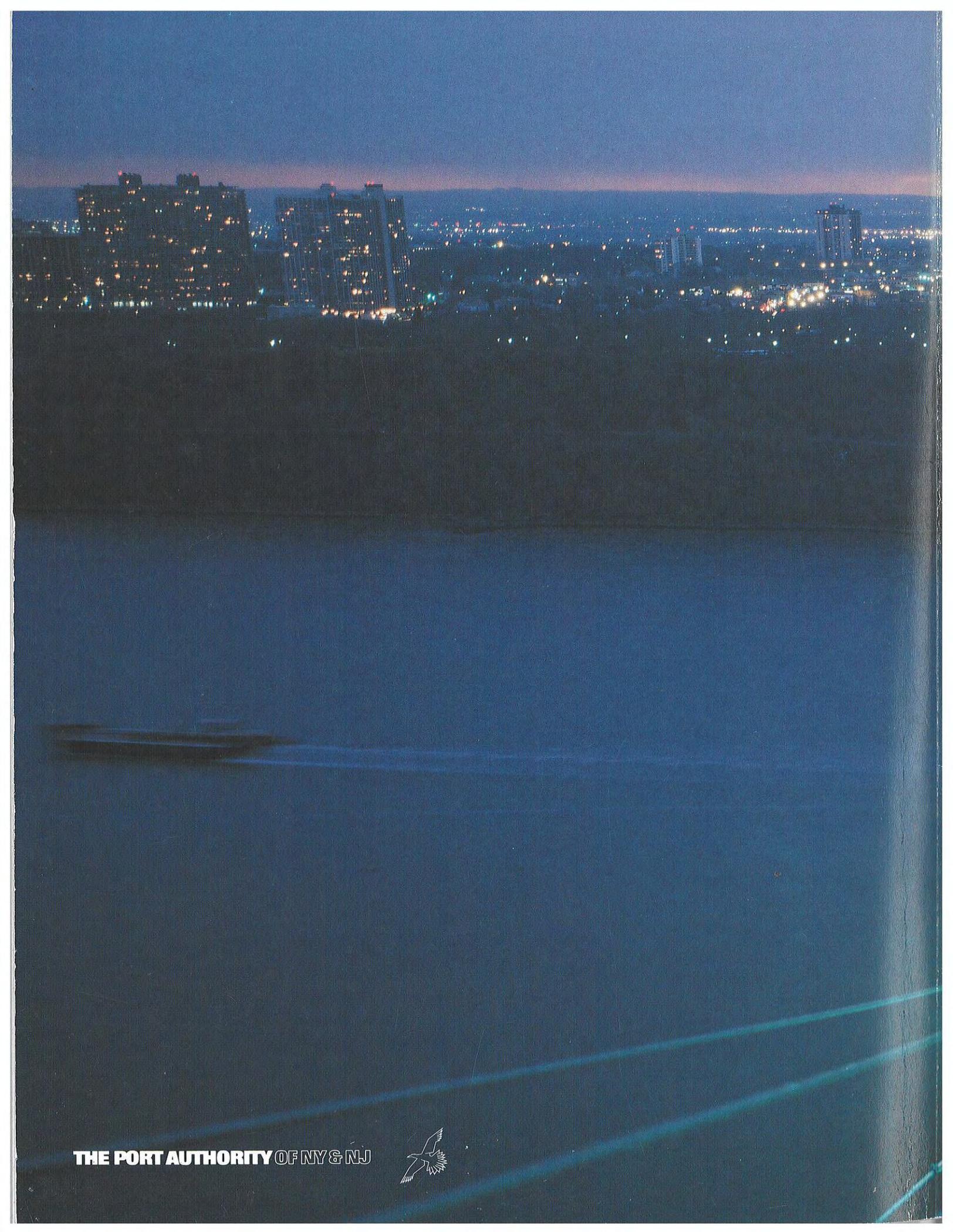
Sources: U.S. Bureau of the Census
 The Port Authority of NY & NJ

Value of the Port's Oceanborne Foreign Trade
1984-1993

(billions of dollars)



Sources: U.S. Bureau of the Census
 The Port Authority of NY & NJ



THE PORT AUTHORITY OF NY & NJ

