THE PORT AUTHORITY OF NY & NJ

1976 Annual Report

Honorable Hugh L. Carey,
Governor of the State of New York

Honorable Brendan T. Byrne,
Governor of the State of New Jersey

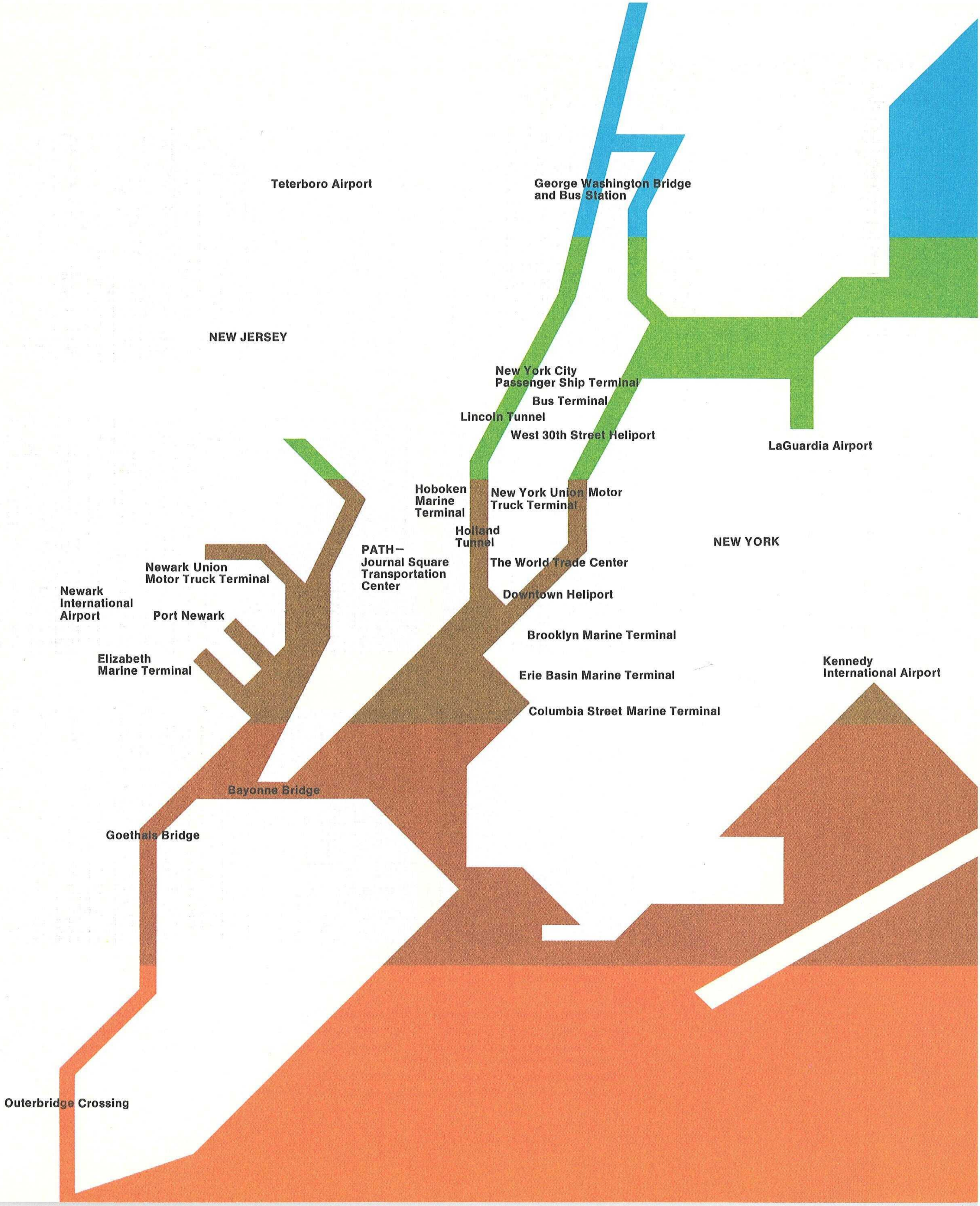
Honorable Hugh L. Carey, Governor,
State of New York
Honorable Brendan T. Byrne, Governor,
State of New Jersey

Your Excellencies:

In accordance with the Port Compact of 1921, I am pleased to submit to you and to the Legislatures of the States of New York and New Jersey the 1976 Annual Report of The Port Authority of New York and New Jersey.

Respectfully yours,

William J. Ronan
Chairman


Teterboro Airport
George Washington Bridge and Bus Station
NEW JERSEY
New York City Passenger Ship Terminal
Bus Terminal
Lincoln Tunnel
West 30th Street Heliport
LaGuardia Airport
Hoboken Marine Terminal
New York Union Motor Truck Terminal
Holland Tunnel
PATH—Journal Square Transportation Center
NEW YORK
Newark Union Motor Truck Terminal
The World Trade Center
Newark International Airport
Downtown Heliport
Port Newark
Brooklyn Marine Terminal
Elizabeth Marine Terminal
Erie Basin Marine Terminal
Kennedy International Airport
Columbia Street Marine Terminal
Bayonne Bridge
Goethals Bridge
Outerbridge Crossing

THE PORT AUTHORITY OF NY & NJ

Board of Commissioners

William J. Ronan, Chairman
W. Paul Stillman, Vice Chairman
Andrew C. Axtell[5]
George F. Berlinger[1]
Joseph F. Cullman 3rd[1]
Robert R. Douglass[2]
Milton A. Gilbert
Lewis L. Glucksman[3]
James G. Hellmuth
James C. Kellogg III
Gustave L. Levy[3]
Matthew Nimetz[4]
Alan Sagner
Robert F. Wagner[2]
Victor R. Yanitelli, S.J.

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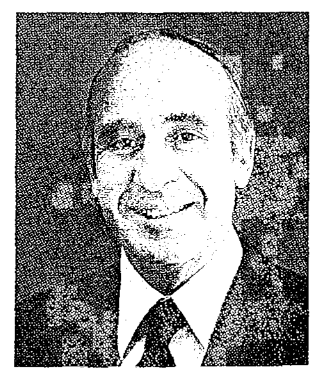


Alan Sagner

[1]Commissioner Berlinger was succeeded by Commissioner Cullman in August, 1976.

[2]Commissioner Douglass, who resigned in October, 1976, was succeeded by Commissioner Wagner in December, 1976.

[3]Commissioner Levy, whose untimely death in November, 1976 shocked and saddened the Board, was succeeded by Commissioner Glucksman in December, 1976.

[4]Commissioner Nimetz resigned from the Board in January, 1977.

[5]Commissioner Axtell was succeeded by Jane Engelhard, the Port Authority's first woman Commissioner, in February, 1977.


George F. Berlinger[1]


Joseph F. Cullman 3rd[1]


James G. Hellmuth


James C. Kellogg III


Robert F. Wagner[2]


Victor R. Yanitelli, S.J.


A. Gerdes Kuhbach
Executive Director

Officers and Department Directors

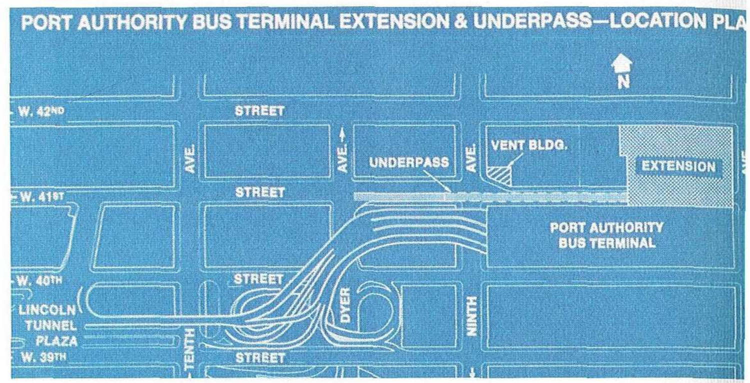
A. Gerdes Kuhbach, Executive Director

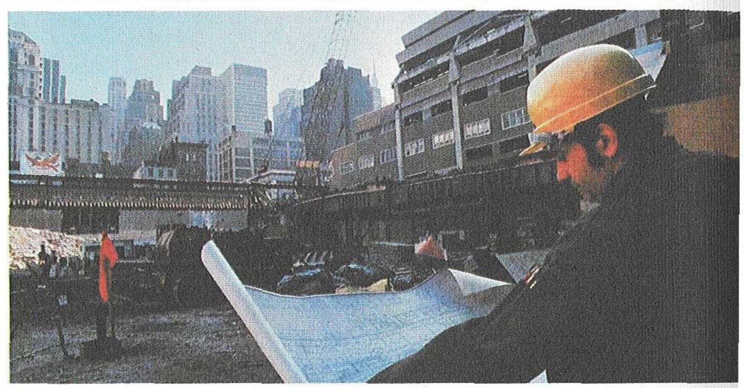
Robert F. Bennett, Comptroller
Patrick J. Falvey, General Counsel
Edward C. Gallas, Director of Personnel
Louis J. Gambaccini, Director of Rail Transportation
Roger H. Gilman, Assistant Executive Director
Daniel L. Kurshan, Director of Administration
Doris E. Landre, Secretary
Alexander Leslie, Treasurer
Albert F. Moncure, Director of General Services
Rino M. Monti, Chief Engineer
Edward S. Olcott, Director of Planning & Development
Caesar B. Pattarini, Director of Aviation
Jack Rosen, Director of Terminals
Dr. Bernard Schuman, Medical Director
Harvey Sherman, Director of Management Services
Charles H. Taylor, Director of Tunnels & Bridges
John Tillman, Director of Public Affairs
Anthony J. Tozzoli, Director of Marine Terminals
Guy F. Tozzoli, Director of World Trade
Carl M. Wahlberg, Director of Finance

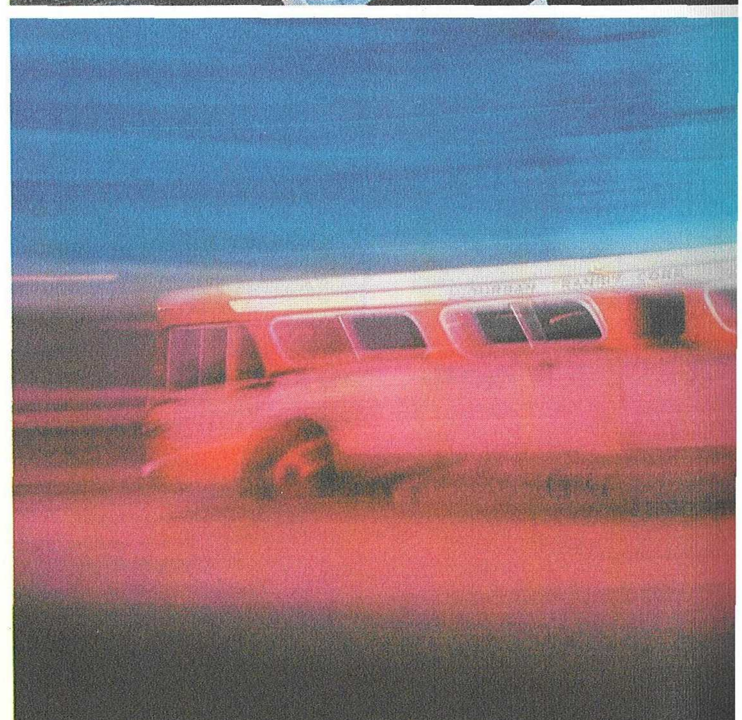
The Port Authority in the Bicentennial Year

Mass transportation, economic development and world trade were principal Port Authority concerns in building the port's historic and economic strengths, reaffirmed in the Bicentennial Year by Operation Sail, the nation's major celebration. In a framework of national concern over energy, the economy and the environment, the Port Authority, a major regional resource with 55 years of experience, worked more than ever in concert with the States of New York and New Jersey, their municipalities and their other public agencies to realize Port District goals.

In the field of mass transportation, the Port Authority began construction of its major project to extend and modernize the bus terminal and the tunnel approaches thereto in midtown New York City. The terminal is being extended, level for level, into the half of the block be-

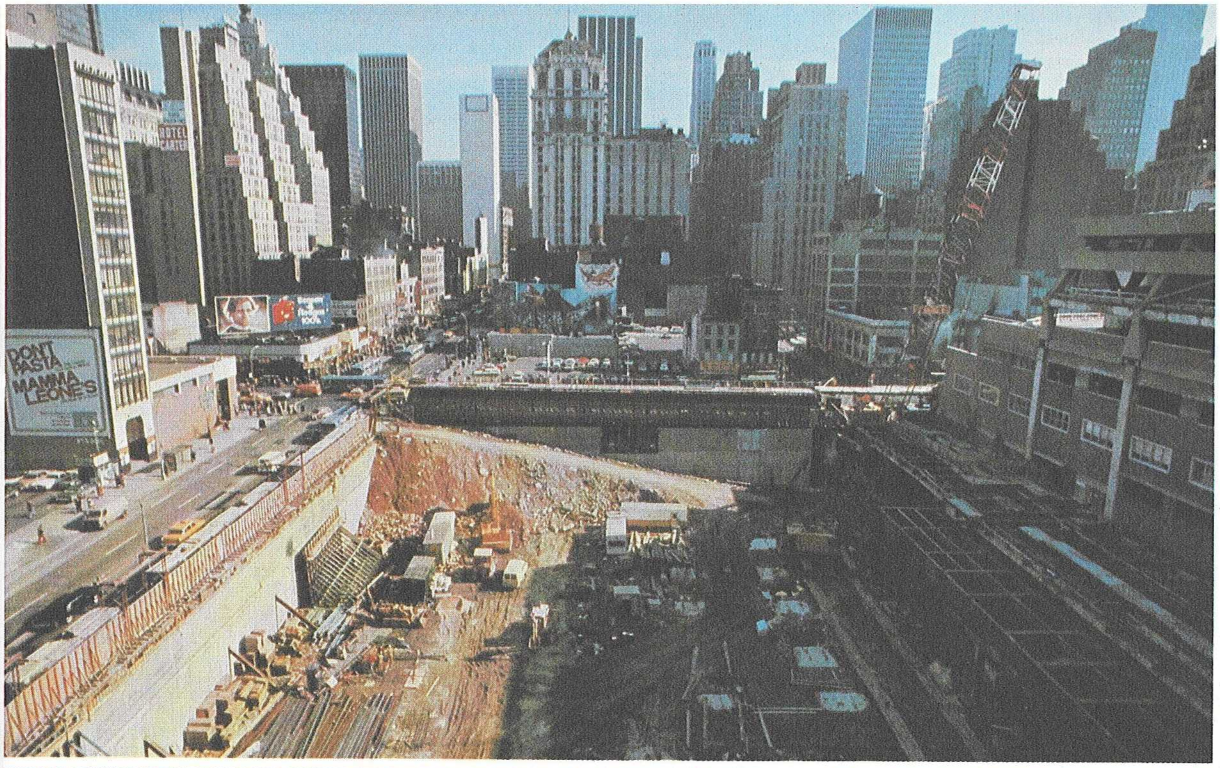




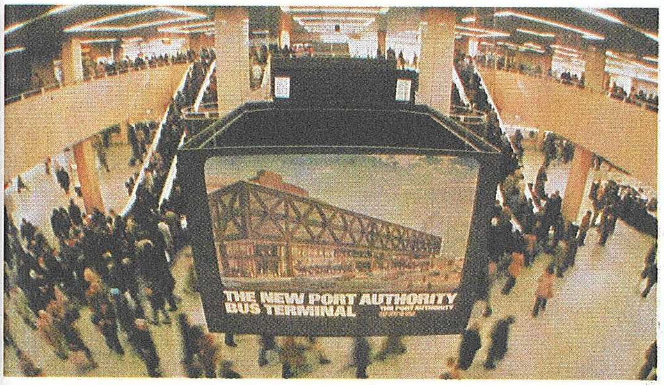


Terminals at a Glance

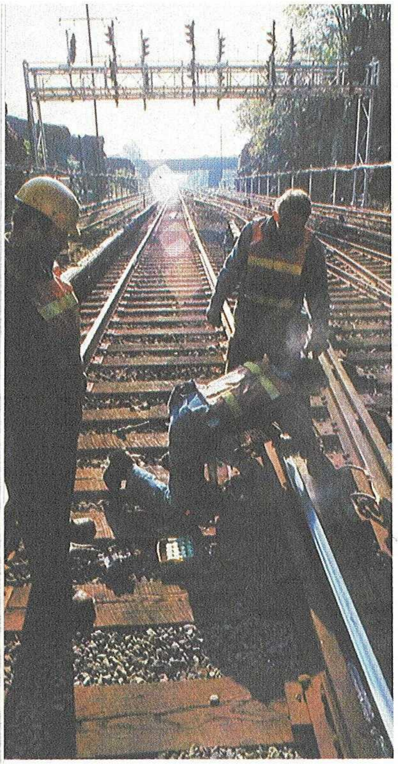
All Bus Facilities	
Passengers	78,000,000
Bus Movements	3,339,000
Total Employment	5,930
Port Authority Bus Terminal	
Passengers	58,000,000
Bus Movements	1,943,000
Total Employment	3,810
George Washington Bridge Bus Station	
Passengers	10,000,000
Bus Movements	388,000
Total Employment	560
PATH Journal Square Transportation Center Bus Station	
Passengers	10,000,000
Bus Movements	1,008,000
Total Employment	1,560
Cumulative PA Investment in Bus Terminal and Truck Terminals (In Thousands)	$102,000

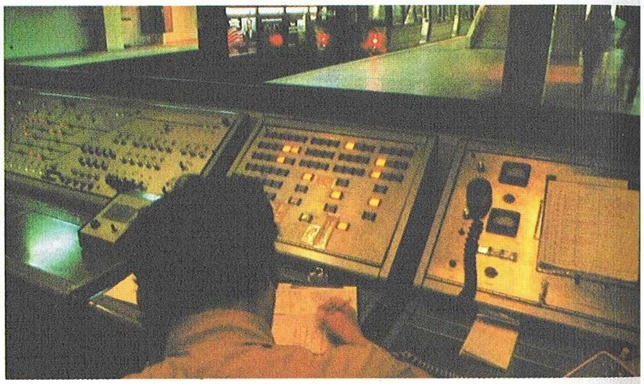

DONT PASTA
MAMMA LEONE'S

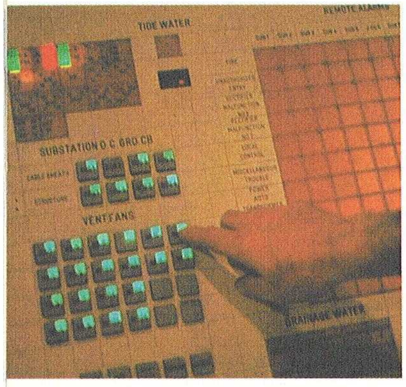

RINGFIELD BOST
RALEIGH NORFO
ATLANTA DALLA
PETERSBURG MIA
LOUIS LOS ANGE

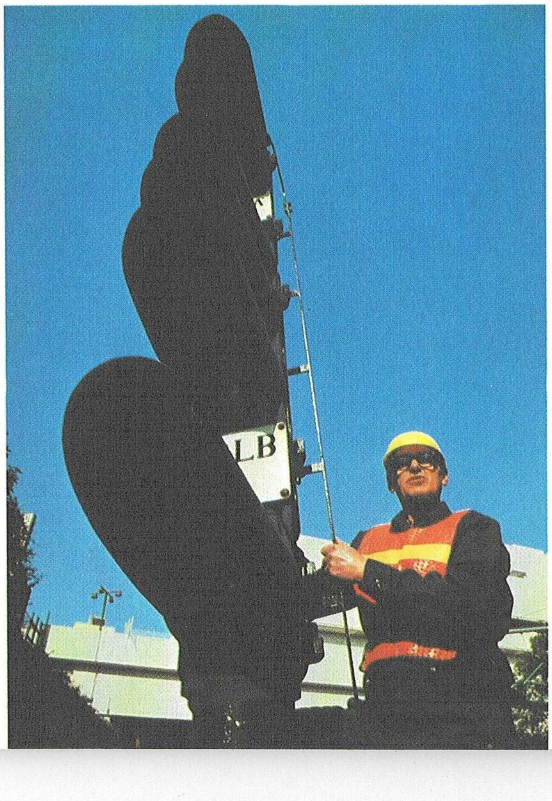

THE NEW PORT AUTHORITY
BUS TERMINAL


Patron
Assistance
POLICE
Dial 261
Dial 23
Luggage
ial 298






TIDE WATER
SUBSTATION D.C. GRD.CB
VENT FANS
DRAINAGE WATER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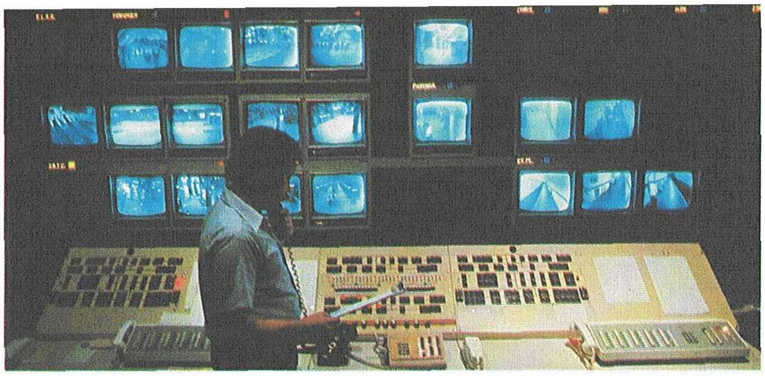
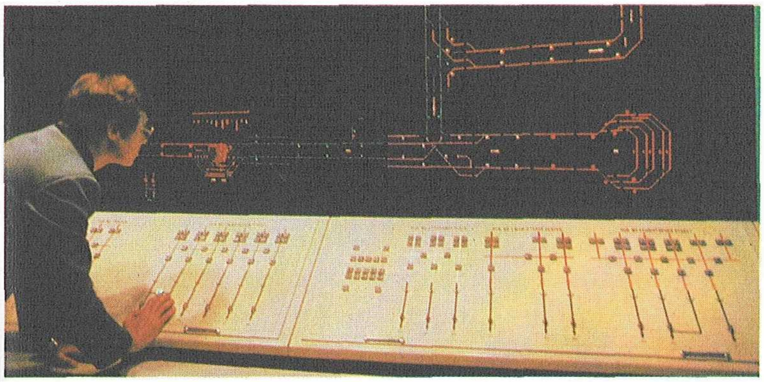
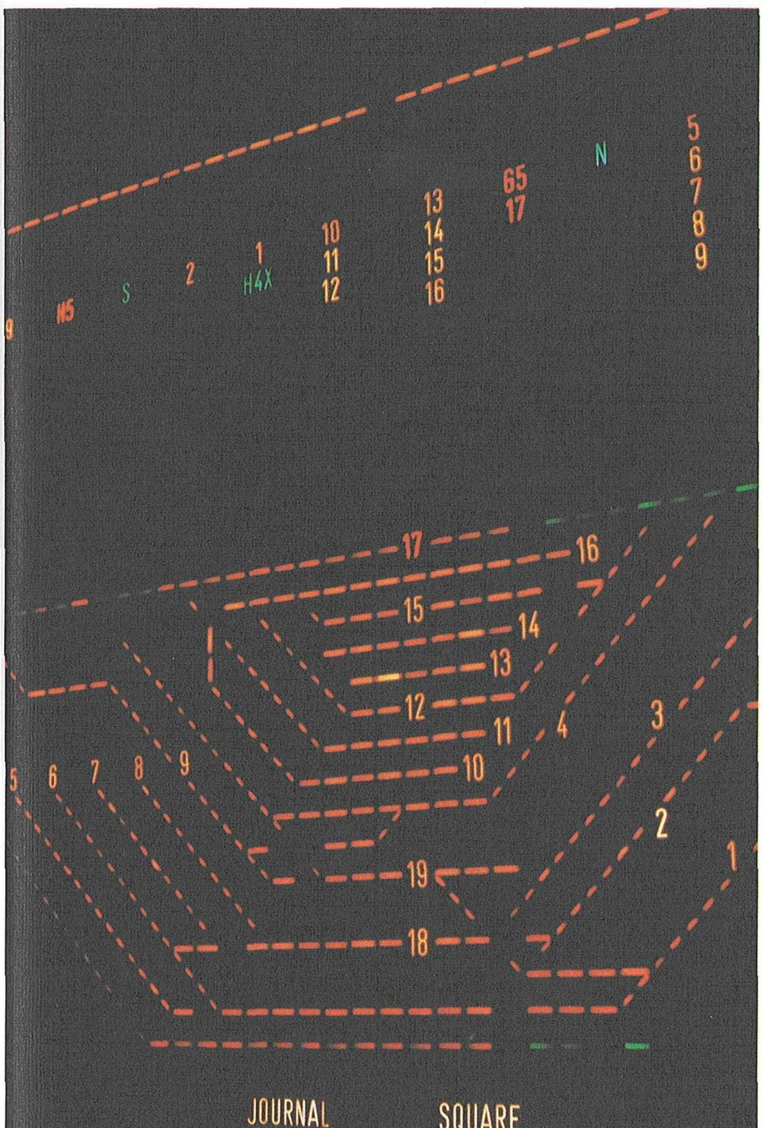






tween 41st and 42nd Street that fronts on Eighth Avenue, a two-acre site that has been excavated over the past year to a depth of almost 50 feet, to the bedrock of Manhattan. An underpass below 41st Street, to provide a new approach to the Lincoln Tunnel for long distance buses, was also excavated and its structure begun. The brick facade of the existing terminal was removed to permit the erection of a 460-foot-long exposed steel truss which will unify the old terminal and its extension. In the course of the four-year $160 million project, all facilities in the old section will be modernized to be compatible with those to be installed in the new, with new air conditioning for all patron areas and remodeled public waiting rooms, rest rooms and ticketing facilities. When completed in 1979, the terminal will have been expanded by some 40 percent to expedite the 200,000 bus passengers who arrive and depart on 7,000 buses on an average weekday.

The U.S. Urban Mass Transportation Administration gave its approval in September, 1976 to the major rail transportation project to extend the PATH system 17 miles from Newark to Plainfield with a station stop adjacent to Newark International Airport. UMTA stated that it would support either the PATH project or an upgrading of the Central Railroad of New Jersey, leaving the choice to the people and public officials of New Jersey. UMTA's approval of the PATH extension, on which a potential $157 million federal grant depends, was conditional upon a firm commitment of the local share, preparation of a revised environmental impact statement, a detailed plan and proposed financing for public transportation west of Plainfield, and a plan and proposed financing of station improvements, parking expansion and feeder bus services at PATH extension stations. At year-end, the State of New Jersey and the Port Authority were at work with the counties, local communities and the Tri-State Regional Planning Commission to provide the information required

PATH at a Glance
(In Thousands)

Total Passengers	40,668
Passenger Weekday Average	145
Deficit (1976)	$42,000
Cumulative Deficit	$262,000
Cumulative PA Investment in PATH	$258,000

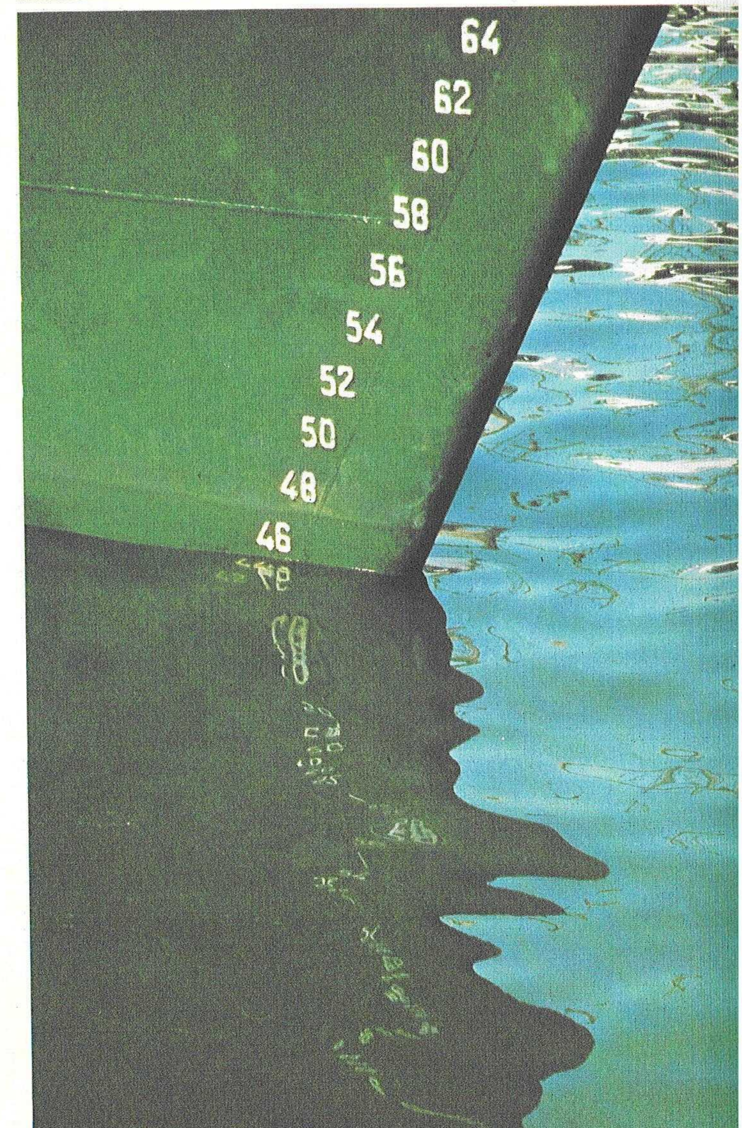
to satisfy the UMTA conditions. By December the Port Authority had begun meeting with the planning officials of counties and the mayors and civic officials of municipalities along the corridor, to present and discuss the planning, financial arrangements and scheduling for the basic project.

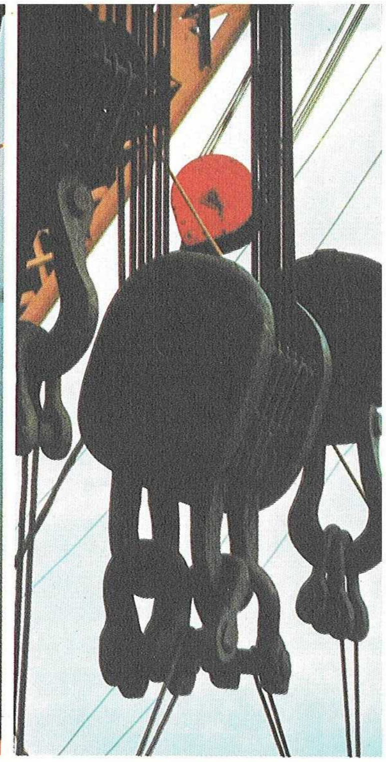
As the front-runner of the Staggered Work Hours Program, the Port Authority received a new federal grant to continue and expand its program to induce firms to alter their traditional nine-to-five work hours in an effort to reduce peak-hour congestion in the mass transportation systems of New York City, Newark and the region.

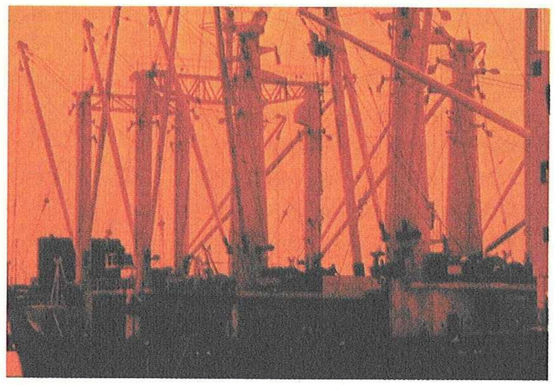
The Port Authority intensified its investigation of industrial development in the region's urban areas, based on the determination that reversing the erosion of manufacturing firms and jobs is basic to the regional economy. By the end of 1976, in response to requests from municipalities in both states, the Port Authority had submitted plans and cost estimates for industrial parks on sites in New York City, Jersey City and Newark. The conditions under which central city industrial parks would attract new industry were evaluated, including studies on the treatment of solid wastes as a feasible method of generating competitively priced energy for industrial tenants.

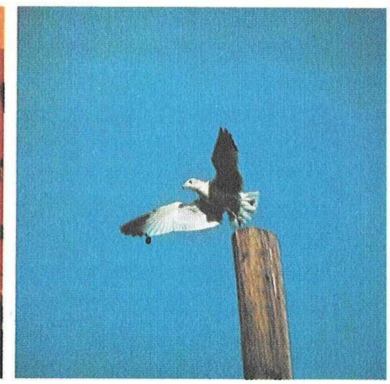
Marine Terminals at a Glance

All Terminals	
Ship Arrivals	3,416
General Cargo (Long Tons)	12,172,435
Total Employment	10,030
New Jersey Marine Terminals	
Ship Arrivals	2,313
General Cargo (Long Tons)	11,064,352
Total Employment	7,755
New York Marine Terminals	
Ship Arrivals	1,103
General Cargo (Long Tons)	1,108,083
Total Employment	2,275
Cumulative PA Investment in Marine Terminals (In Thousands)	$528,000



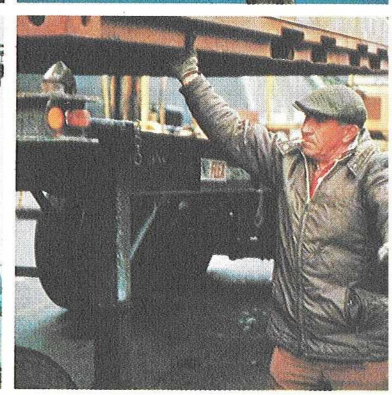







東米丸
TOHBEI MARU


AXEL MÆRSK
TROENSE



Locally, in the interest of industrial development, a firm about to relocate out of New Jersey was provided with rehabilitated quarters to maintain it in the Port District while, abroad, proposals were presented to Japanese automobile firms to locate their warehousing and American assembly facilities in the port area.

The cleanup of the waterfront, for which the Port Authority led the campaign for over a decade, began in fact when a dredge, at a ceremony held in August, hauled parts of a rotten hulk from the water behind the Statue of Liberty, at a site to become Liberty State Park. New Jersey is employing the Port Authority's planning and engineering skills to help in the park's design and construction.

The same skills were applied, at the request of New York City and the state, to determine the proper location for a new convention and exhibition center in Manhattan. The two most marketable sites were suggested, construction estimates were prepared and the economic benefits to the city, the state and the entire metropolitan region were forecast.

As one plan among many to increase cruise traffic through the New York City Passenger Ship Terminal, opened two years ago and operated on behalf of the city, the Port Authority conceived a promotion, undertaken by Thomas Cook Inc. in cooperation with an airline, the foremost Bermuda hotels and the Cunard Line, with the result that the new Cunard *Princess* will cruise from New York City instead of a southern port. Negotiations also led to a commitment from one of the nation's foremost cruise operators to begin testing the tourism and cruise market out of the Port District in the coming spring.

The Port Authority created a major tourist attraction within one of its own facilities. The World Trade Center Observation Deck celebrated its millionth visitor well in advance of its first anniversary, and "Windows on the World," both as a luncheon club for international businessmen and as a public dining facility, has achieved international renown.

The Port Authority organized a campaign among the shipping interests, longshoremen and truckers to reestablish the port as a major facility for the import and export of primary metals through a reduction in handling charges. Japan, as one of the world's major steel exporting countries, was the target chosen to test the campaign. At year-end, for the first time in six years, a shipload of Japanese steel products was en route to the New York-New Jersey port.

During the year, Port Authority trade development representatives called on thousands of importers, exporters, government officials and transportation executives around the world to promote and facilitate trade to and through the port.

Concern for the Port District's well-being led the Port Authority, in cooperation with appropriate agencies, to seek solutions to:

...the problem of rail delivery of both domestic and international freight traffic and provision of competitive rail service for Port District firms involved in rail, ocean and airborne trade, with particular attention to the unique problem of rail service to Brooklyn and Long Island.

...the problem of energy, its sources and distribution, and the potential impact on the region of its future energy needs.

...the problem of exploratory drilling for oil and natural gas on the Outer Continental Shelf, including the choice of possible sites and the port's role as a center for support and supply facilities if the findings lead to production.

...the problem of the cost and environmental effects of the collection and distribution of freight by truck in the Manhattan Central Business District, an issue of local, regional and even federal concern.

The Port Authority is an advisor in the work of an organization formed early in 1976 to redevelop the west end of 42nd Street in New York City, a commitment essential to upgrade the general area and to increase the patronage of the extended Port Authority Bus Terminal's transportation and consumer services. Attempts are in progress to convert the area to a performing arts mini-center, with off-off-Broadway theatre and dance groups, residences subsidized for performing artists, and an appropriate balance of retail establishments.

The Port Authority continued to develop recommendations sought by the Hackensack Meadowlands Development Commission in 1975, on the transportation facilities needed to connect the Meadowlands with Manhattan and other regional centers. The results will be ready in 1977, after coordination with the other agencies involved. A two-year study commissioned in late 1975 by the Federal Maritime Administration to determine the effect of the nation's ports on the nation's economy is also at the halfway mark, with the basic data ready for assessment in the coming year.

Early in the year, the U.S. Secretary of Transportation authorized trial operations at U.S. airports of British Airways and Air France's supersonic aircraft, the Concorde. The authorization, for daily operations over a 16-month test period, was limited to Dulles and Kennedy International airports. The uncertainty surrounding the supersonic aircraft's noise characteristics, however, and the high density of residents around Kennedy International Airport, led the Port Authority Board of Commissioners to ban Concorde operations until at least six months of its operations experience elsewhere had been evaluated. British Airways and Air France brought suit, not yet heard at year-end, to set the ban aside.

The Port Authority's pioneer program to prevent airport runoffs from polluting surrounding waters received approval by the U.S. Environmental Protection Administration as well as other appropriate governmental agencies. The program is the most effective and least costly devised.

Air passenger traffic through Port Authority airports was up 8 percent over last year's level. Newark International shared in this increase, exceeding both Kennedy and LaGuardia in percentage growth in domestic passenger volumes. It did not, however, attain the projected passenger volumes that had been forecast prior to the current recession. In the belief that improved ground transportation between Newark and Manhattan would help increase traffic through the airport, the Port Authority agreed to subsidize a one-year demonstration project known as Airlink, a mini-bus express service between the airport passenger terminals and the railroad and bus stations in downtown Newark, with convenient connections from there to Manhattan via PATH and Conrail. In addition, six month demonstration projects subsidized by the Port Authority provide for both group taxi rides to Manhattan at authorized reduced rates and official taxi starters at Terminals A and B.

The increase in air passenger traffic, a response in the Port District to the easing of the 1974-1975 recession, was matched by an increase of 5 percent in general cargo tonnages handled at the Port Authority's six marine terminals and by an appreciable growth in international air cargo handled at its airports. The conversion of waterborne cargo from breakbulk to containerization continued, a process the Port Authority pioneered in the 1960's with the construction of its New Jersey marine terminals on the marshes of Elizabeth and Newark. Reclamation and construction goes on. The Old Navy Area abutting Port Newark, for example, formerly under water and still under development, is the site at which Toyota Motor Sales U.S.A. has established a distribution center to accommodate over 50,000 automobiles a year.

The *Century,* a floating derrick with a 500-ton lift capacity owned by the Port Authority, was leased to an operator to ensure the lift of the port's heavy cargoes.

The improvement and extension of Port Authority facilities included the first steps, in 1976, of the monumental task of replacing the 45-year-old upper level roadway of the George Washington Bridge under conditions which would not impede peak-hour traffic. Certain approach roads to the bridge were improved and widened and two toll lanes are being added to improve the eastbound traffic flow on the lower level during the upper level construction.

The five-level 3,000-space parking garage and added curb frontage, adjacent to the central passenger terminal at LaGuardia Airport, was completed. Tenant construction continued on a central car rental facility on a 13-acre site at Newark International Airport, and design work was started on a new New Jersey Turnpike interchange in the vicinity of the airport and the Elizabeth Marine Terminal. At Kennedy International and LaGuardia airports, navigational aids were installed which, with new Port Authority runway lighting, will permit takeoffs with a forward visibility as low as 700 feet. At Kennedy International Airport ground was broken on a 20.7 acre site for the world's largest airport mail facility, and American Airlines opened its federal inspection facility, the airport's fifth terminal to incorporate federal inspection services.

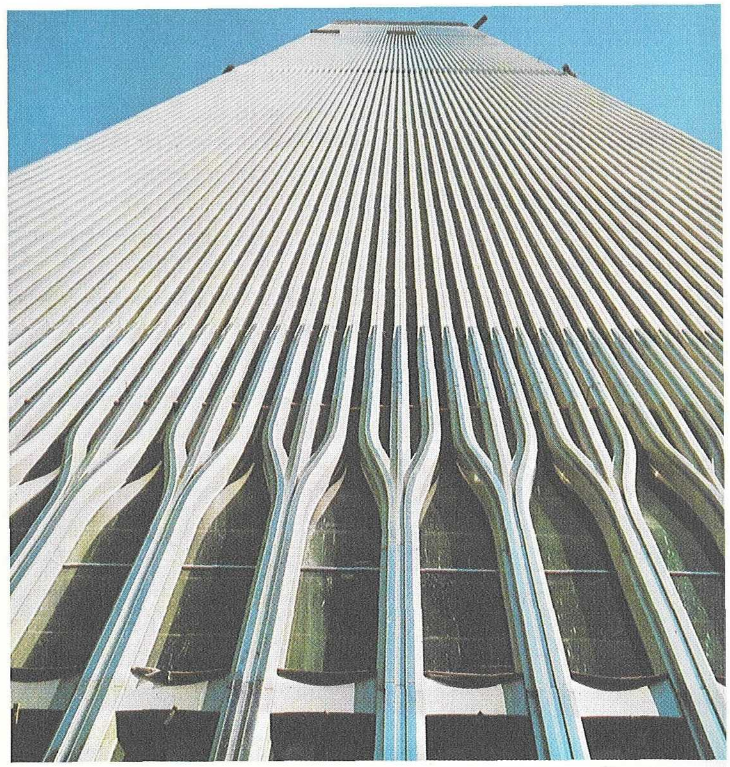
Construction at the World Trade Center brought the Southeast Plaza Building, to be known as Four World Trade Center, almost to completion. It will become the headquarters for commodities trading in the New York-New Jersey port. The Commodity Exchange, the New York Coffee and Sugar Exchange, the New York Cotton Exchange and the New York Mercantile Exchange will operate from a joint trading floor in the new building. Accesses to the World Trade Center complex were almost completed during the year. Church Street and other peripheral streets were graded and widened, and all major pedestrian passageways on the concourse level were opened, including entrances to the IRT and BMT subways and an underpass across Church Street.

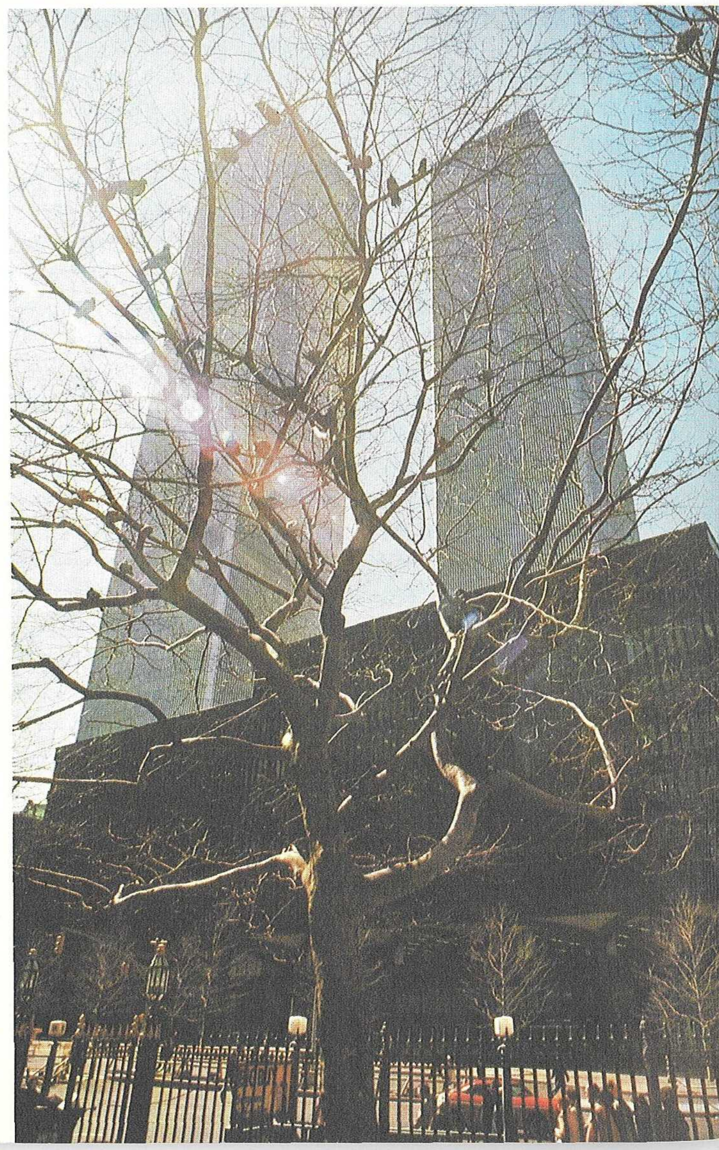
The World Trade Center now houses over 800 tenants in its growing international trade community.

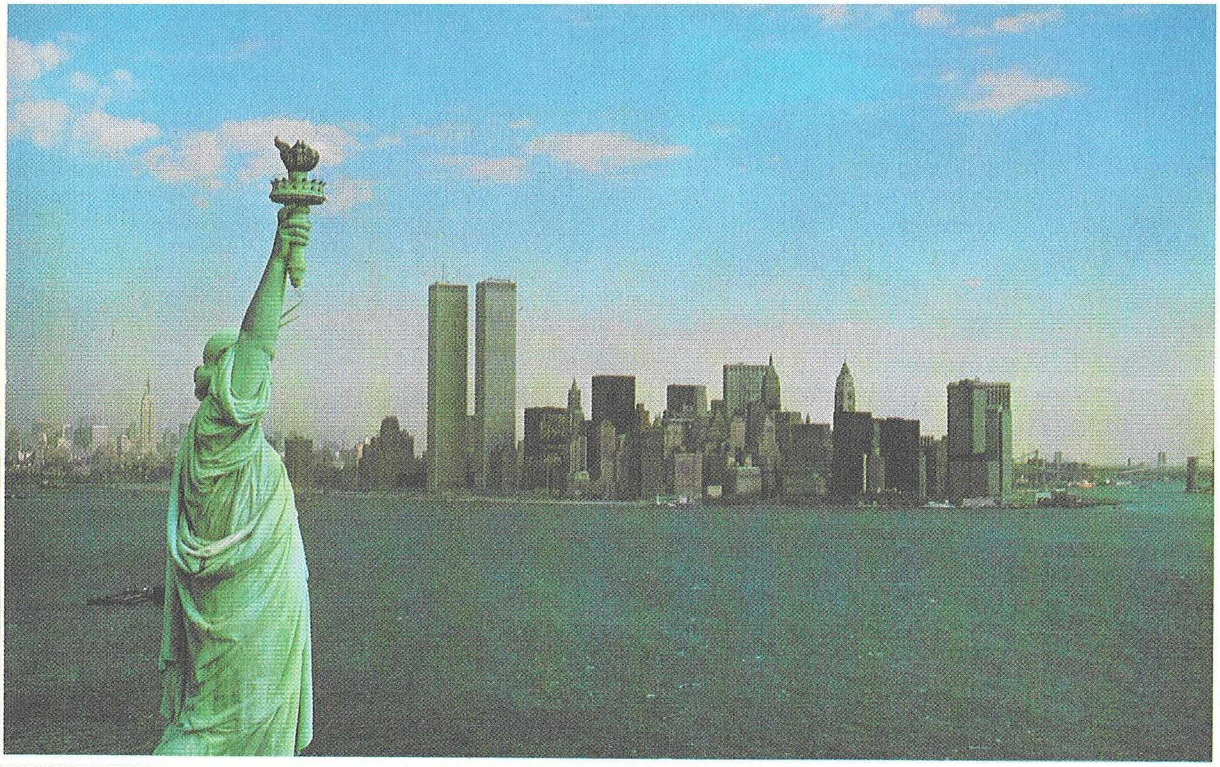
The World Trade Institute offered a wide variety of courses, conferences and seminars, both day and evening, for all levels of management in international trade, both at the World Trade Center and at trade centers around the nation. The World Trade Institute also offered special programs in export development and export marketing techniques, funded by the U.S. Agency for International Development. By year-end, 53 developing countries had participated in the program and special export promotion and marketing assistance contracts had been set up for 11 more.

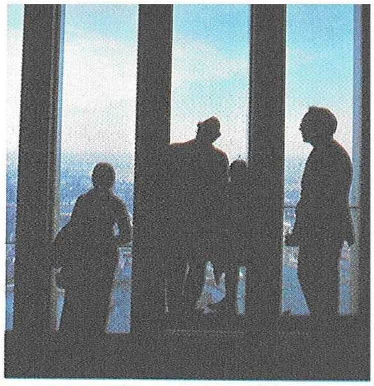
Through its electronic retrieval system, the World Trade Information Center continued to offer the inquirer information on materials, opportunities and regulations of world trade. A supplementary source of information to the international businessman is the Information Floor on the 86th floor, where offices are maintained by the Organization of American States, the Amtorg Trading Corporation and the *New York Times* Information Bank, among others. A typical activity of the Information Center was a highly successful Export Matchmaking Conference, where export specialists from 40 firms seeking a greater share of the overseas market met with manufacturers seeking to enter international trade for the first time. In addition, briefings were held periodically for World Trade Center tenants, on relevant topics affecting their participation in world trade.

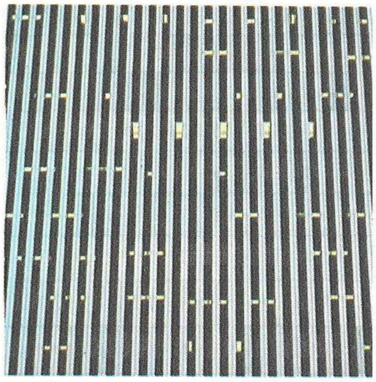
The World Trade Centers Association, with international headquarters at the World Trade Center, grew to 104 members in 42 countries during 1976. The membership includes 16 world trade centers in operation around the world. Seven other centers are under construction

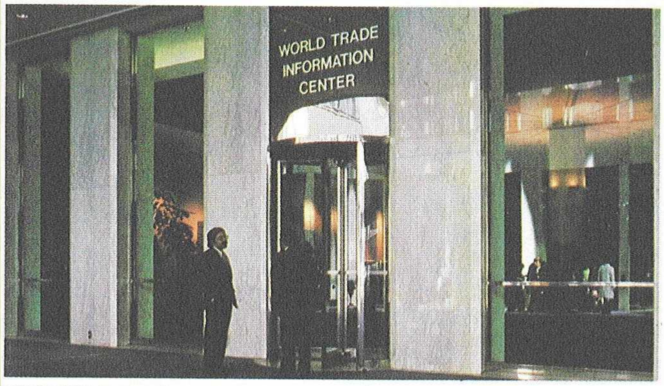


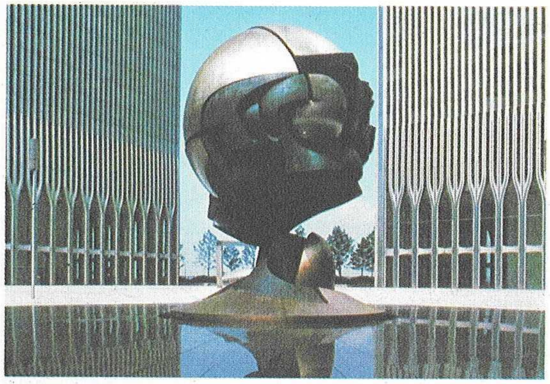


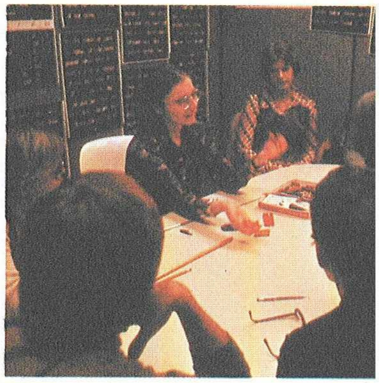


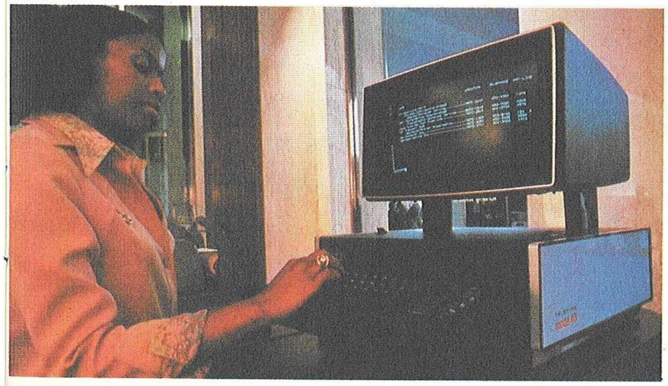


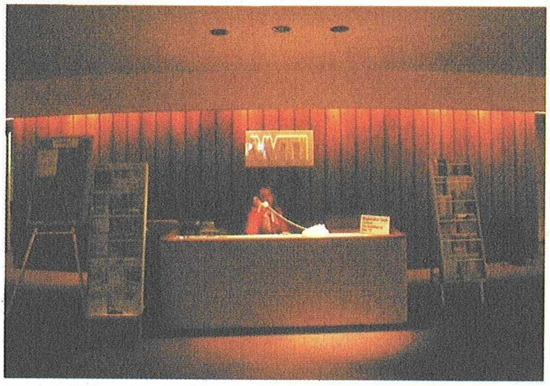


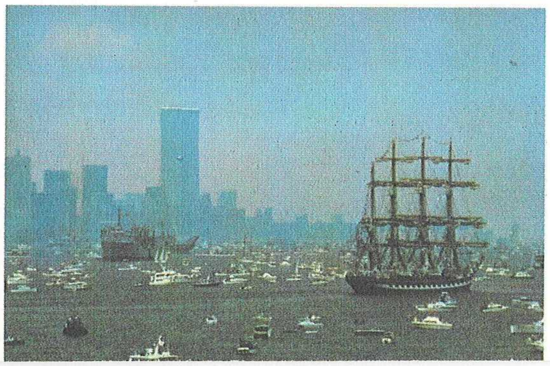

WORLD TRADE
INFORMATION
CENTER

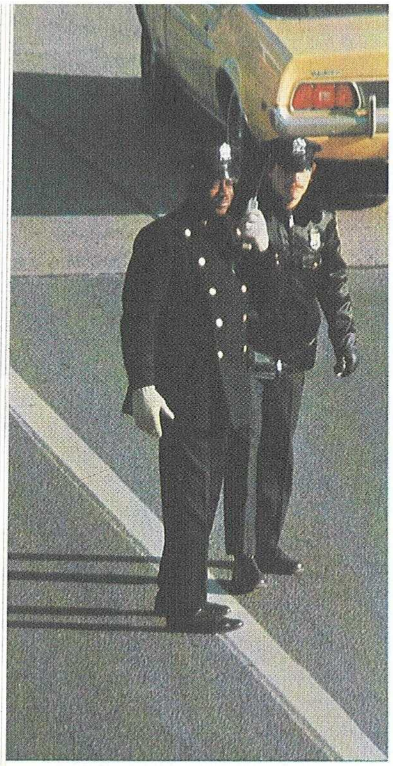


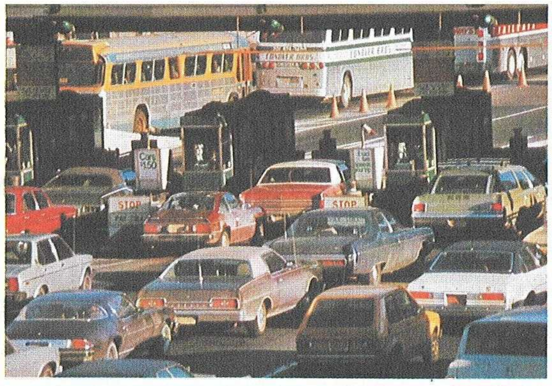












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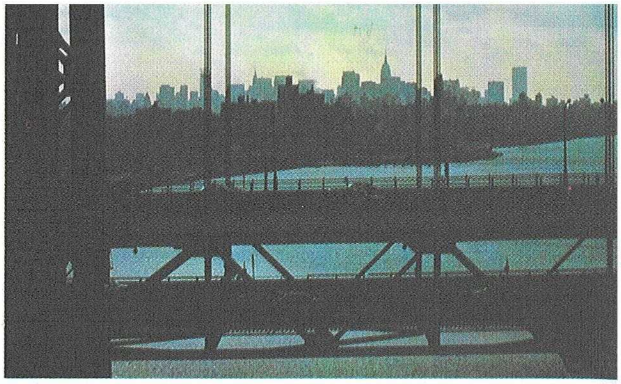
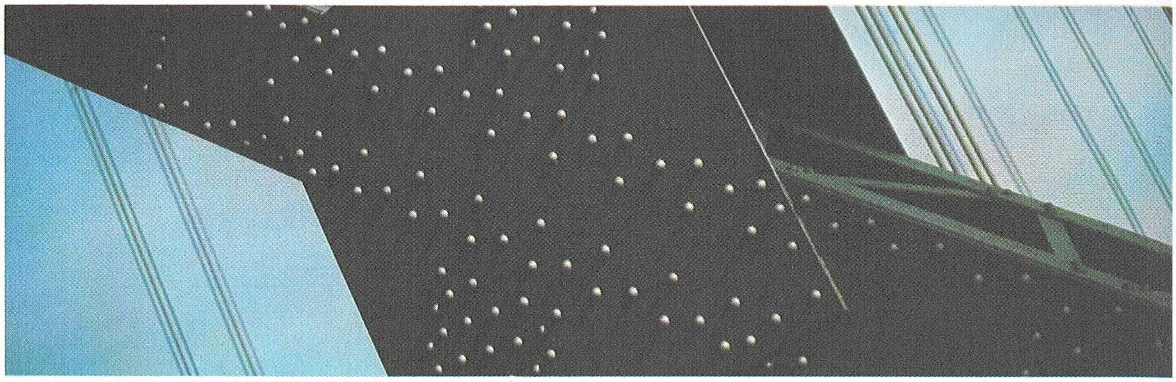
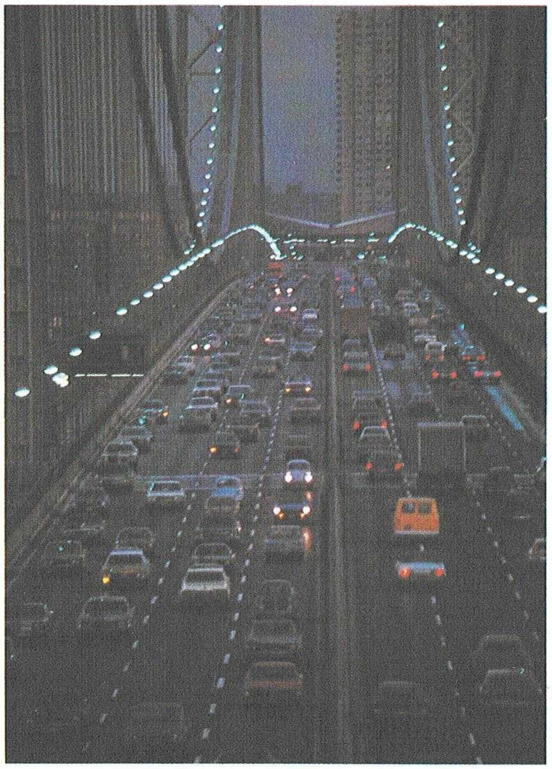
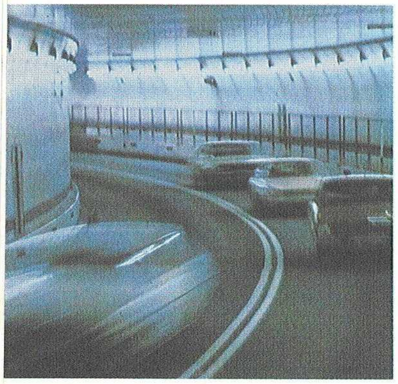
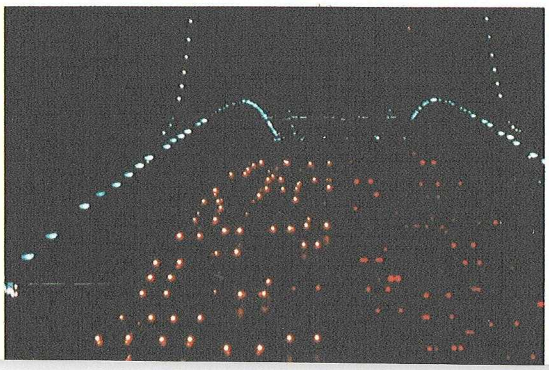
STOP

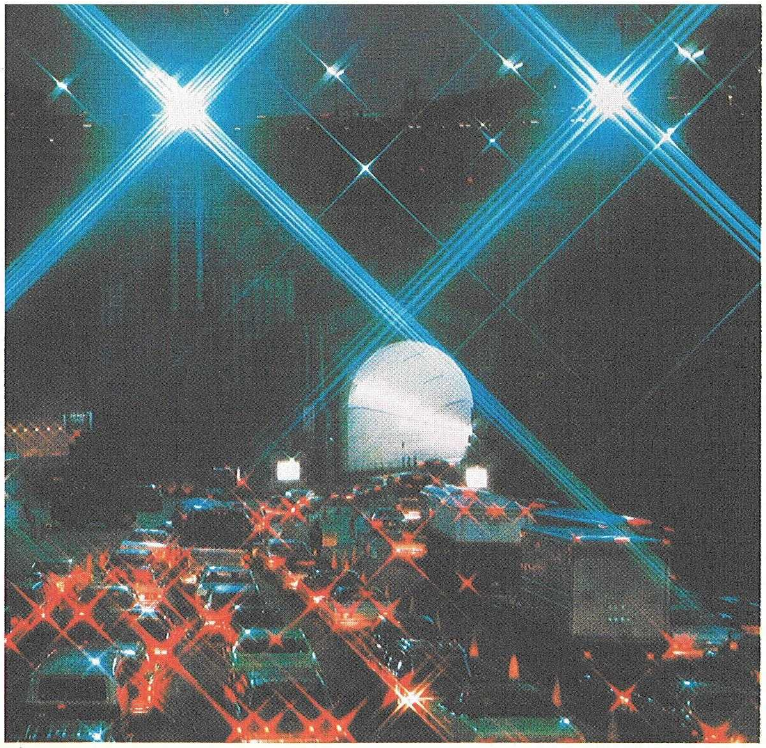


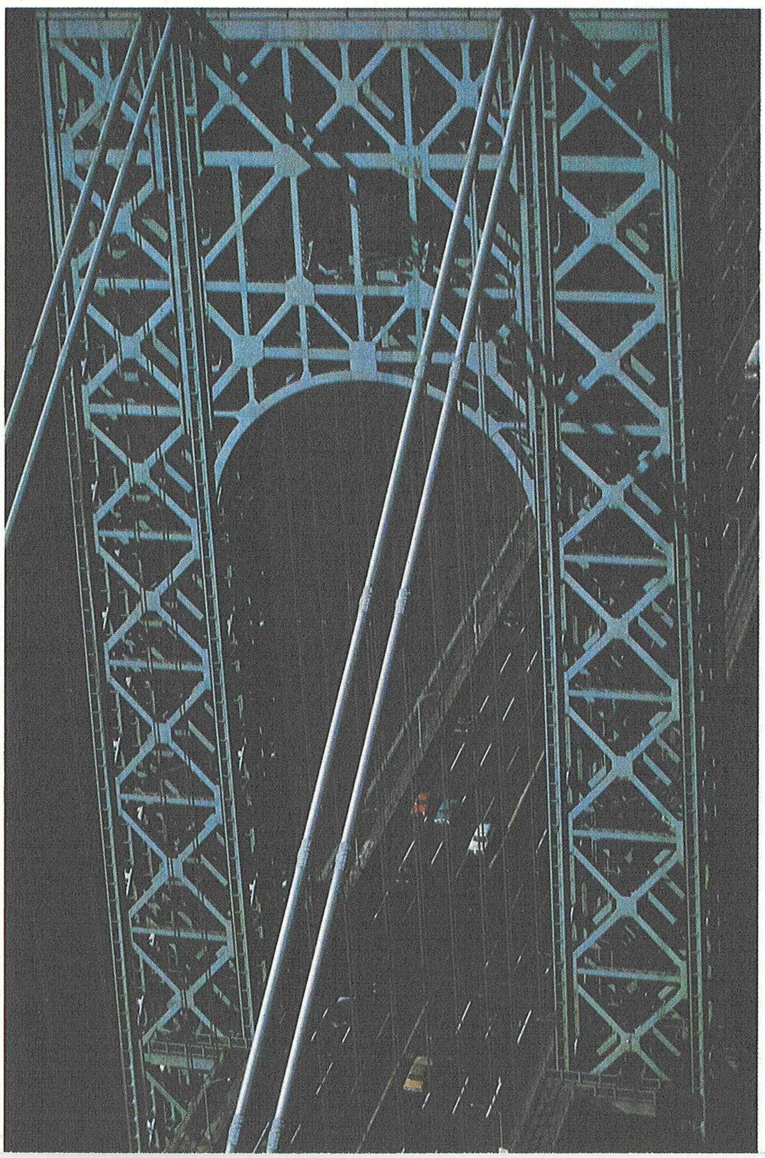












and at least 20 more are in various stages of planning.

The application of new techniques and energy-saving devices resulted in a reduction of over $2 million in the annual cost of energy at the World Trade Center alone. Conservation of energy is a major Port Authority concern at all facilities. PATH's electrical energy consumption for 1976, for example, was 65,933,000 kilowatt hours, as compared with more than 74,850,000 kilowatt hours in

Tunnels and Bridges at a Glance
(Eastbound Traffic in Thousands)

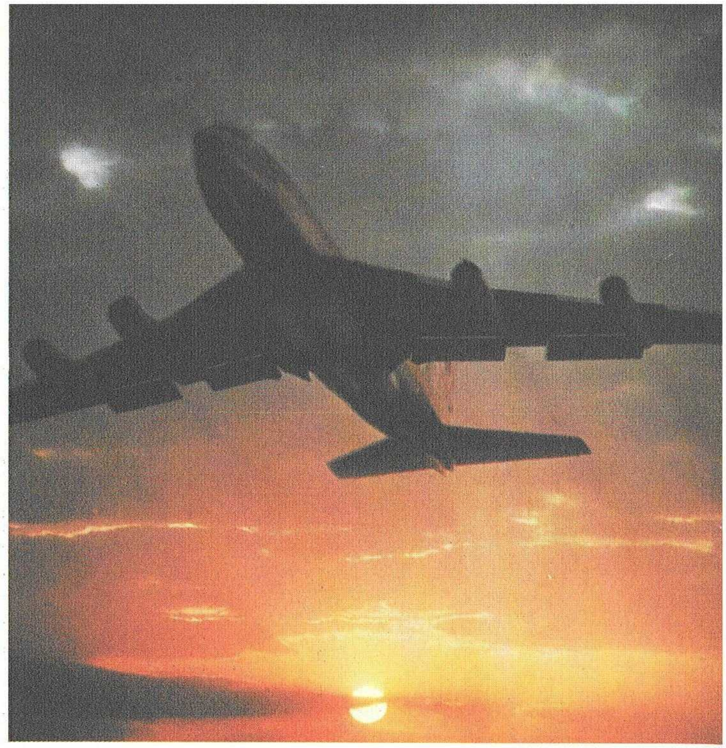
All Crossings	
Automobiles	71,719
Buses	1,528
Trucks	8,184
Total Vehicles	81,431
George Washington Bridge	
Automobiles	35,295
Buses	245
Trucks	3,353
Total Vehicles	38,893
Lincoln Tunnel	
Automobiles	13,906
Buses	1,164
Trucks	1,731
Total Vehicles	16,801
Holland Tunnel	
Automobiles	9,049
Buses	44
Trucks	1,756
Total Vehicles	10,849
Staten Island Bridges	
Automobiles	13,469
Buses	75
Trucks	1,344
Total Vehicles	14,888
Cumulative PA Investment in Tunnels and Bridges (In Thousands)	$571,000

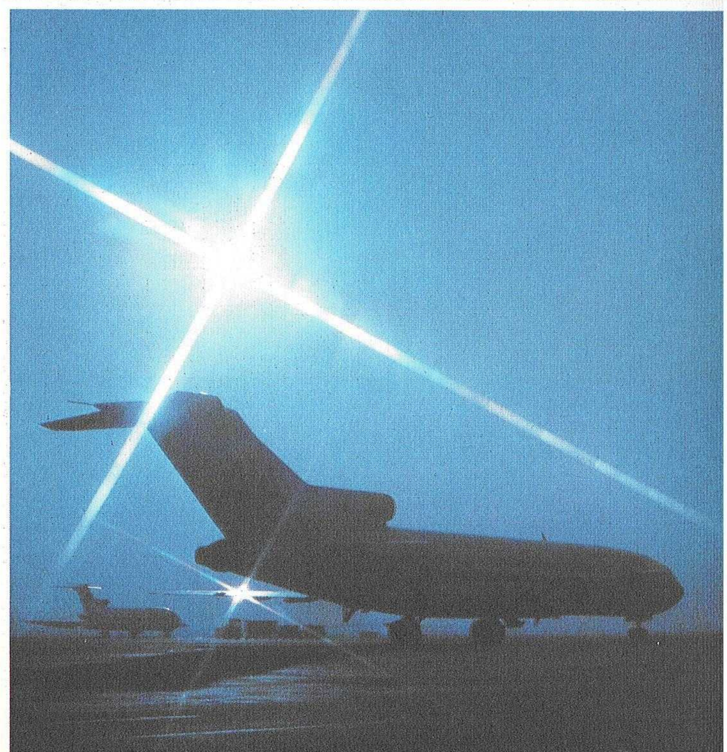
1973, when the energy crisis became manifest. In addition, a task force formed by the Executive Director to provide interdepartmental advice on conserving energy was empowered early in 1976 to investigate means of cutting energy use and its runaway costs on a broader spectrum. The task force helped effect a contract with the Power Authority of the State of New York, and intervened in rate cases involving utilities in both New York and New Jersey.

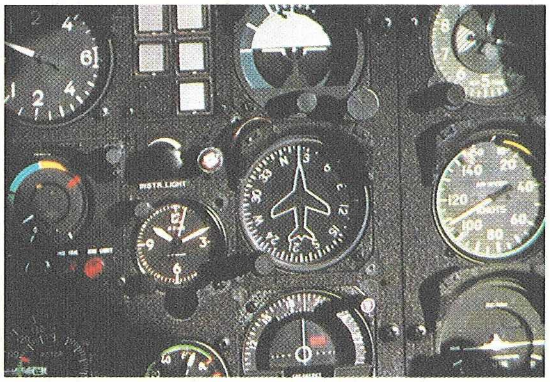
The Port Authority also participates in rate and route cases affecting surface carriers, steamship lines and airlines to promote and protect the port's competitive position. In 1976 the Port Authority participated in ten proceedings before the Federal Maritime Commission,

Air Terminals at a Glance

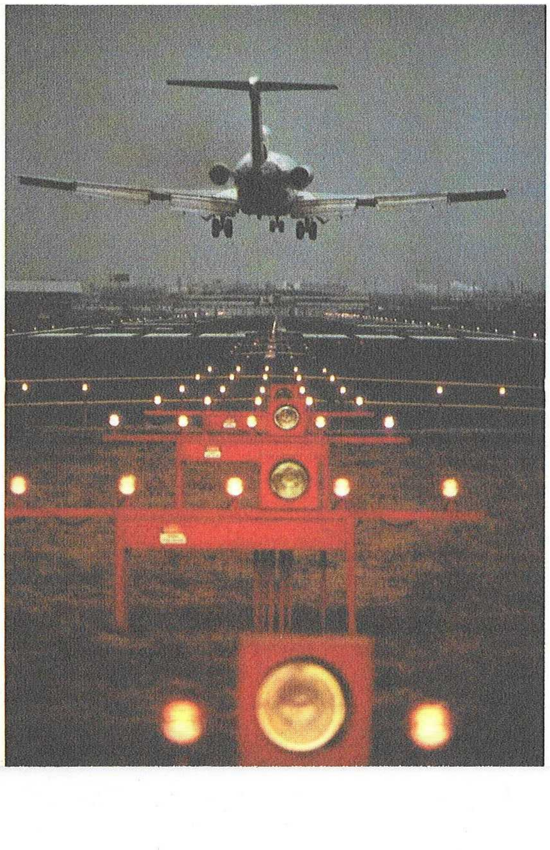
Totals at the Three Major Airports	
Plane Movements	791,000
Passenger Traffic	41,875,000
Cargo—Tons	1,200,000
Revenue Mail—Tons	214,000
Total Employment	55,559
Kennedy International Airport	
Plane Movements	305,000
Passenger Traffic (total)	21,033,000
Domestic	10,311,000
Overseas	10,722,000
Cargo—Tons	1,029,000
Total Employment	40,812
LaGuardia Airport	
Plane Movements	313,000
Passenger Traffic	14,089,000
Cargo—Tons	50,000
Total Employment	8,651
Newark International Airport	
Plane Movements	173,000
Passenger Traffic	6,753,000
Cargo—Tons	121,000
Total Employment	6,096
Cumulative PA Investment in Air Terminals (In Thousands)	$1,311,000

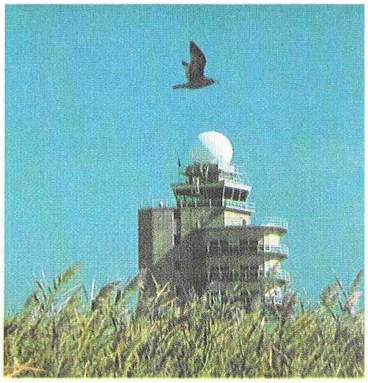







AIRLINE FLIGHT TIME GATE DESTINATION REMAR
BRANIFF 9032 1210A SYRACUSE
ICELANDIC 200 230A REYKJAVIK
T I A 0128 130P 23 ARUBA
LUFTHANSA 405 430P 19 HAMBURG BOARI
S A S 912 505P COPENHAGEN
LUFTHANSA 409 545P MUNICH
K L M 642 615P AMSTERDAM
SWISS AIR 101 630P 33 ZURICH
LUFTHANSA 401 645P FRANKFURT
AIRFRANCE 070 700P PARIS
IBERIA 952 700P MADRID
ALITALIA 611 730P ROME
ALITALIA 603 800P MILAN ROME
VARIG 861 800P RIO DE JANERO





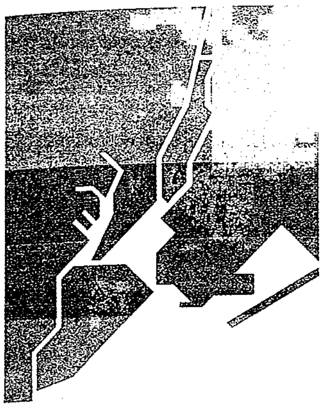
seven of which were still pending at year-end, six pending proceedings before the Interstate Commerce Commission, and seven air fare and route proceedings before the Civil Aeronautics Board, six of which were still pending at year-end. The Port Authority position on proposed air transportation regulatory reform legislation was submitted to congressional subcommittees, the Department of Transportation and the CAB.

The Federal Highway Administrator ordered a hearing, held in New York City in November, to inquire whether the Port Authority's May 5, 1975 bridge toll increase is "reasonable and just". At year-end a determination by the Administrative Law Judge who presided, and who must issue a recommended decision to the Federal Highway Administrator, was still pending. The increase in Port Authority vehicular tolls, the first in almost 50 years, was instituted to further federal and state energy, environmental and transportation policies and to provide the Port Authority with revenues needed to finance mass transportation projects.

PATH, the Port Authority's rail rapid transit system, carried over 70 percent of New Jersey passengers entering New York City by rail, operating on an on-time system record of 97.6 percent for the year. During the year, the fare modernization program was substantially completed, with all 13 stations converted to exact change facilities and with remote control and closed circuit television installed. Work continued on the new Operations Control Center in the Journal Square Transportation Center to provide consolidated power, signal and communications control for the entire PATH system.

Rental of 11 additional consumer services shops brought the total operating in the Journal Square Transportation Center to 15. On the World Trade Center concourse, the principal pedestrian circulation level, there are 22 shops and services, and a large food complex was opened, ranging from fast food counters to restaurant dining. A campaign to provide additional appropriate shops and services at the extended midtown bus terminal was inaugurated.

Rentals at the Port Authority motor truck terminals improved during the year. At the New York Motor Truck Terminal, United Parcel Service, the principal tenant, continued its multimillion-dollar rehabilitation and modernization.



Port Authority Finance

Basic Policies and Financial Structure

The Port Authority of New York and New Jersey was created in 1921 by a compact between the two states to plan, develop and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation and world trade that contribute to promoting and protecting the commerce of the New York-New Jersey Port District.

The Port Authority undertakes only those projects authorized by the two states.

The governor of each state appoints six of the twelve commissioners of the Port Authority's governing Board of Commissioners, subject to confirmation by the respective state senates. Each governor has the power to veto the actions of the commissioners from his state.

The commissioners, serving overlapping six-year terms as public officials without compensation, set Port Authority policy and appoint an Executive Director to effect it. The board also appoints a General Counsel as legal adviser to the board and to the Executive Director.

The Executive Director manages the day-to-day operations of the agency's 24 facilities and guides proposals to the point of presentation to the Board of Commissioners. He also directs the line and staff departments, composed of nearly 7,700 career personnel, to plan and develop recommendations to the two states and the federal government to increase and expedite Port District commerce.

The Port Authority's financial affairs are administered by Carl M. Wahlberg, Director of Finance, Robert F. Bennett, Comptroller, and Alexander Leslie, Treasurer.

The compact envisions the Port Authority as financially self-sustaining. The agency has neither the power to pledge the credit of either state or any municipality nor to levy taxes or assessments.

Over the years more than $4 billion of Port Authority obligations have been purchased by investors, of which over $2 billion was outstanding at December 31, 1976.

To effect its program, the Port Authority created a General Reserve Fund under statutes which provide for the pooling of revenues from older facilities with established earning power to aid in the development of new projects. These statutes also provide for the utilization of available net revenues to maintain the General Reserve Fund at the prescribed amount of 10 percent of the total par value of the Port Authority's outstanding bonds.

Bonds for an additional facility cannot be issued with a pledge of the General Reserve Fund unless the Port Authority commissioners certify to investors that the issuance of the bonds or that such pledge will not materially impair the sound credit standing of the Port Authority, the investment status of its bonds or its ability to fulfill its commitments and undertakings.

The Port Authority's long-established policy is to retire debt as rapidly as sound financial management permits and to maintain, at year-end, a combined amount in its reserve funds, including reserve funds in trust, equal to at least the amount of the next two years' mandatory bonded debt service. Acceleration of debt retirement before mandatory dates may be accomplished out of the General Reserve Fund only to the extent that available reserve funds exceed the ensuing two years' mandatory bonded debt service.

In 1974, the Legislatures of New York and New Jersey repealed a statutory covenant with holders of affected Port Authority bonds which permitted deficit financing of passenger railroad facilities in addition to the basic PATH system only within specified financial limits. The covenant was originally adopted in 1962 as part of the statutes authorizing Port Authority acquisition of the interstate Hudson and Manhattan Railroad. In 1973, the two states had enacted legislation to preclude application of the statutory covenant to the holders of obligations issued by the Port Authority after May 10, 1973.

In April 1974, the United States Trust Company of New York instituted litigation in New Jersey as Trustee for the 40th and 41st Series of the Port Authority's Consolidated Bonds, as the holder of a significant amount of outstanding obligations of the Port Authority and as a class representative on behalf of the holders of all outstanding Consolidated Bonds and all others similarly situated, against the State of New Jersey and its governor and attorney general, seeking a declaratory judgment that the action taken by the states in 1974 to repeal the 1962 statutory covenant violates the federal and state constitutions. This action was consolidated with another pending action in New Jersey instituted by private parties seeking to invalidate the statutory covenant.

On February 25, 1976, the New Jersey Supreme Court affirmed the decision of the New Jersey Superior Court rendered in May 1975, which had decided that the repeal was a valid exercise of the police power of the states and not a violation of the contract clauses of the United States Constitution or the Constitution of the State of New Jersey. The United States Trust Company has appealed to the United States Supreme Court from the decision of the Supreme Court of New Jersey. A brief supporting the Trust Company's position was filed by the Securities Industry Association. Argument was heard by the United States Supreme Court in November 1976.

Statement and Schedule Presentation

The Port Authority's consolidated financial statements include a provision for depreciation of facilities in accordance with recommendations for state and local governmental units adopted by the accounting profession. This results in no change in net revenues or reserves or their application which are defined and governed by the Port Authority's bond resolutions. These resolutions provide that net operating revenues be calculated without allowance for depreciation. Rather, recovery of facility costs is accomplished through deductions from revenues and reserves of amounts equal to principal payments on debt and reserves appropriated to invested in facilities. Accordingly, the Port Authority has prepared, in addition to consolidated financial statements reflecting depreciation, Schedules A through G in conformity with its bond resolutions. The following information refers to Schedules A through G.

Highlights	**1976**	**1975**
Gross Operating Revenues	**$ 496,400,000**	$ 458,400,000
Net Operating Revenues	**185,700,000**	169,300,000
Net Revenues Available for Debt Service and Reserves	**215,800,000**	201,000,000
Debt Service Charged to Revenues and Reserves	**180,900,000**	171,600,000
Cumulative Invested in Facilities	**3,697,400,000**	3,581,000,000
Bonded Debt Outstanding	**1,881,700,000**	1,764,600,000
Bank Loans Outstanding	**140,000,000**	200,000,000
General Reserve Fund	**188,200,000**	176,500,000
Consolidated Bond Reserve Fund	**83,500,000**	62,400,000
Reserve Funds in Trust	**23,800,000**	28,100,000

Combined Operations in Brief

Gross operating revenues of the Port Authority for the year 1976 totaled $496,413,000, an increase of 8.3 percent over 1975. This growth reflects the continuing increase in the development of the Port Authority's facilities and also the full year effect of increased tolls on tunnels and bridges instituted May 5, 1975. The new rates are currently being reviewed by the U.S. Department of Transportation which has jurisdiction over the reasonableness of bridge tolls.

Operating expenses increased 7.5 percent to reach $310,701,000.

Financial income on securities held in the reserve and operating funds was $30,038,000, which resulted from investment income of $28,657,000, including $6,446,000 gain on purchase of Port Authority Bonds, and an upward adjustment of $1,381,000 in the value of the securities held in these funds during the year. Thus, net revenues available for debt service and reserves were $215,750,000.

Interest on the Port Authority's debt charged to operations and reserves totaled $87,968,000 and long-term bonded debt amortization amounted to $32,897,000. In addition, $60,000,000 in principal payments was made to reduce outstanding bank loans in accordance with agreements with the banks. Total debt service charged to revenues and reserves, including reserve funds in trust, therefore, was $180,865,000.

Financial Position at Year-End

On December 31, 1976, the total assets of the Port Authority, represented by the cumulative amount invested in facilities and balances in construction, operating and reserve funds were $4,242,408,000, an increase of 4.7 percent, or $188,852,000, over last year.

The amount invested in facilities rose by $116,386,000, including interest during construction of $12,450,000 on bonded debt and bank loans, to a cumulative total of $3,697,423,000 at year-end 1976. This increase is represented by additional investment at:

The World Trade Center	$50,000,000
Land Transportation Facilities	33,000,000
Air Terminals	21,000,000
Marine Terminals	12,000,000

Bonded debt increased during the year by $117,103,000 to a total of $1,881,677,000. At year-end, net assets increased by 6.8 percent to a total of $2,068,022,000, which is about 56 percent of the amount invested in facilities.

Reserve Funds

At year-end 1976, the General Reserve Fund balance was $188,168,000 and continued to meet the prescribed statutory amount of 10 percent of outstanding bonded debt. The Consolidated Bond Reserve Fund had a balance on December 31, 1976 of $83,466,000 after application of $69,213,000 to meet principal and interest installments on bank loans, $3,000,000 to invested in facilities, and $3,405,000 to self-insurance. Other reserve fund balances in trust totaled $23,812,000.

The sum of these reserves was $295,446,000, which exceeded the next two years' mandatory bonded debt service not including payment of principal on Consolidated Notes, which was provided for as follows: $50 million in principal amount of Consolidated Notes, Series BB, due June 1, 1978 are planned to be refunded on June 1, 1977 with the proceeds of Consolidated Bonds, and $50 million in principal amount of Consolidated Notes, Series CC, due June 1, 1978 are planned to be refunded on June 1, 1977 with the proceeds of a bank loan obtained in January, 1977 in the principal amount of $50 million.

Bond covenants require that the reserve funds be maintained in cash or invested in certain government securities. At year-end, $292,492,000 was invested in securities. Income from investment of reserve funds, including reserve funds in trust, totaled $23,708,000 in 1976.

Financial Income

The Port Authority's long-term investment portfolio, averaging about $216,141,000 and representing principally the investment of reserve funds, was invested in securities of or guaranteed by the United States Government and Port Authority bonds. Long-term investment earnings amounted to $21,051,000.

Investment in short-term government securities and bank time deposits averaged approximately $180,348,000 during the year. Income from these short-term investments was $10,653,000.

Investment income attributed to the operating fund amounted to $4,949,000 (including $75,000 miscellaneous income). The amount attributed to reserve funds was $23,708,000 and $3,122,000 was attributed to the capital fund thereby reducing construction cost.

Financing

On July 22, 1976, $100,000,000 Consolidated Bonds, Forty-second Series, 8.20 percent due July 15, 2011, was sold at a bid price of 98.01 to an investment group headed by Bache Halsey Stuart Inc.

On November 10, 1976, $50,000,000 Consolidated Bonds, Forty-third Series, 7 percent due November 1, 2011, was sold to an investment group headed by Bache Halsey Stuart Inc. at a bid price of 99.21.

During the year $32,897,000 par value of long-term bonds was retired through mandatory sinking fund and maturity payments. On December 20, 1976 the Port Authority made scheduled annual installment payments of $20,000,000 on the 1970 bank loan, $35,000,000 on the

1971 bank loan, and $5,000,000 on the 1973 bank loan. The unpaid balance of the three bank loans was $140,000,000 at year-end.

Additional Information for Bondholders

Consolidated Bonds are direct and general obligations of the Port Authority and its full faith and credit are pledged to the payment of debt service thereon.

All Consolidated Bonds are further secured by a pledge of the monies in the Consolidated Bond Reserve Fund, as provided in the Consolidated Bond Resolution.

The only obligations of the Port Authority which were issued prior to the establishment in 1952 of the issue of Consolidated Bonds and which presently remain outstanding are General and Refunding, Air Terminal and Marine Terminal Bonds. In the Consolidated Bond Resolution of 1952, the Port Authority covenanted that no additional General and Refunding, Air Terminal or Marine Terminal Bonds would be issued.

By year-end 1970, the Special Reserve Fund (for General and Refunding Bonds), the Air Terminal Reserve Fund and the Marine Terminal Reserve Fund reached a level sufficient to secure fully the payment of principal of and interest to redemption on the outstanding bonds for which such Funds had been established. On December 31, 1970, pursuant to the bank loan agreements of 1968 and 1970, the Port Authority placed in trust with First National City Bank (now Citibank N.A.), as Trustee, $60,749,000 from its Special Reserve Fund, Air Terminal Reserve Fund and Marine Terminal Reserve Fund to secure fully, unconditionally and absolutely the Port Authority's obligation to provide for the redemption as scheduled and the payment of interest until redemption on the Port Authority's outstanding General and Refunding Bonds, Air Terminal Bonds and Marine Terminal Bonds. These bonds bear annual interest rates ranging from 1¼ percent to 3 percent. The Trust Agreements do not require the payment or redemption of any such bonds in advance of their scheduled redemption by operation of the sinking funds therefor. After the establishment and during the maintenance of these trust funds, no further payments are required to be made into such Reserve Funds. Furthermore, all Consolidated Bonds of the Port Authority, including any which may hereafter be issued, are now equally and ratably secured by a pledge of the net revenues of all its existing facilities and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds. Such net revenues are no longer subject to the prior liens or pledges to which certain of these net revenues had previously been subject in favor of General and Refunding, Air Terminal and Marine Terminal Bonds.

The establishment and maintenance of the Reserve Funds in Trust permit the application of all net revenues of the Port Authority to the payment of debt service on Consolidated Bonds, with all remaining balances, except such amounts as may be necessary to maintain the General Reserve Fund in the amount specified by the General Reserve Fund statutes, to be paid into the Consolidated Bond Reserve Fund. The net revenues accumulated in the Consolidated Bond Reserve Fund are available to meet debt service on the bank loans obtained by the Port Authority in 1970, 1971, 1973 and 1977.

On December 31, 1976, outstanding Consolidated Bonds and Notes totaled $1,859,325,000. Over the years, the Port Authority has issued $2,691,650,000 of Consolidated Bonds and Notes, exclusive of refundings.

Price Waterhouse & Co.

SIXTY BROAD STREET
NEW YORK, NEW YORK 10004
212-422-6000

February 10, 1977

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

We have examined the consolidated statement of financial position of The Port Authority of New York and New Jersey and its subsidiary, Port Authority Trans-Hudson Corporation, as of December 31, 1976 and 1975, and the related consolidated statements of income, changes in financial position and changes in net assets for the years then ended. We also have examined Schedules A through H included herein. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of The Port Authority of New York and New Jersey and its subsidiary at December 31, 1976 and 1975, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Also, in our opinion, Schedules A through G present fairly the consolidated assets and liabilities of the Authority at December 31, 1976, the consolidated revenues and reserves for the year and the five-year financial data included therein, and Schedule H presents fairly the assets and liabilities of the New York State Commuter Car Program at December 31, 1976, all in conformity with the accounting principles described in Note I, applied on a consistent basis.

Price Waterhouse & Co.

Consolidated Statement of Income

	Year Ended December 31, 1976	1975
	(In Thousands)	
Gross Operating Revenues	**$496,413**	$458,406
Operating Expenses	**(310,701)**	(289,138)
Depreciation	**(90,571)**	(83,281)
Income from Operations	**95,141**	85,987
Financial Income and Expense:		
Income on investments	**22,211**	20,965
Gain on purchase of Port Authority bonds	**6,446**	8,283
Security valuation adjustment	**1,381**	2,453
Interest on bonded debt	**(78,755)**	(72,249)
Interest on bank loans	**(9,213)**	(8,464)
Net Income	**$ 37,211**	$ 36,975

Consolidated Statement of Changes in Financial Position

	Year Ended December 31, 1976	1975
	(In Thousands)	
Funds Provided from:		
Net Income	**$ 37,211**	$ 36,975
Depreciation	**90,571**	83,281
Funds provided by operations	**127,782**	120,256
Consolidated bonds	**150,000**	—
Consolidated notes	**—**	100,000
Government contributions in aid of construction	**4,713**	19,105
Net increase in accounts payable and other liabilities	**4,846**	—
Net change in other assets and deferred credits	**—**	21,753
Total Funds Provided	**287,341**	261,114
Funds Applied to:		
Cost of facilities	**116,386**	138,548
Retirement of bonded debt	**32,897**	35,930
Repayment of bank loans	**60,000**	55,000
Net change in other assets and deferred credits	**5,543**	—
Planning expenditures applicable to future years	**1,226**	2,493
Net reduction in accounts payable and other liabilities	**—**	3,912
Total Funds Applied	**216,052**	235,883
Net Increase in Cash and Investments	**$ 71,289**	$ 25,231

See Notes to Consolidated Financial Statements.

Consolidated Statement of Financial Position

	December 31, 1976				December 31, 1975
	Operating Fund	Capital Fund	Reserve Funds	**Combined Total**	Combined Total
		(In Thousands)			
Assets					
Facilities, at Cost (Note B)	$ —	$3,643,598	$ —	**$3,643,598**	$3,527,430
Less Accumulated Depreciation	—	841,355	—	**841,355**	751,002
Facilities, Net	—	2,802,243	—	**2,802,243**	2,776,428
Investment in Securities (Schedule D)	33,602	70,397	292,492	**396,491**	312,382
Cash and Time Deposits	16,400	34,364	2,954	**53,718**	66,538
Other Assets	92,063	2,713	—	**94,776**	93,599
Total Assets	142,065	2,909,717	295,446	**3,347,228**	3,248,947
Liabilities					
Bonded Debt (Schedule E)	—	1,881,677	—	**1,881,677**	1,764,574
Bank Loans Payable (Note C)	—	140,000	—	**140,000**	200,000
Accounts Payable and Other Liabilities	121,219	29,243	—	**150,462**	145,616
Deferred Credits to Income	2,247	—	—	**2,247**	7,839
Total Liabilities	123,466	2,050,920	—	**2,174,386**	2,118,029
Net Assets	$ 18,599	$ 858,797	$295,446	**$1,172,842**	$1,130,918

Consolidated Statement of Changes in Net Assets

	Year Ended December 31, 1976				Year Ended December 31, 1975
	Operating Fund	Capital Fund	Reserve Funds	**Combined Total**	Combined Total
		(In Thousands)			
Balance at January 1	$15,194	$848,758	$266,966	**$1,130,918**	$1,074,838
Contributions from Federal and State Agencies in Aid of Construction	—	4,713	—	**4,713**	19,105
Distribution of Net Income:					
Capital Fund Balance	—	9,614	—	—	—
Less Depreciation on Assets Acquired with Government Contributions	—	(4,288)	—	**5,326**	22,649
Self-Insurance	3,405	—	—	**3,405**	2,417
Reserves	—	—	28,480	**28,480**	11,909
Net Income				**37,211**	36,975
Balance at December 31	$18,599	$858,797	$295,446	**$1,172,842**	$1,130,918

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note A—Accounting Policies:

1. The Port Authority of New York and New Jersey, created in 1921 by compact between the two states, with the consent of Congress, has no stockholders or equity holders; all revenues or other cash received must be disbursed for specific purposes in accordance with provisions of various statutes and agreements with holders of its bonds and others.

2. The accounts of the Port Authority Trans-Hudson Corporation (PATH), a subsidiary of the Port Authority, are consolidated in the accompanying financial statements and schedules.

The assets and liabilities of the New York State Commuter Car Program are not included in the Port Authority's financial statements for the reasons set forth in the Note on Schedule H.

3. Facilities are carried at cost and include the expenditure of Federal and State grants, to acquire, construct, place in operation and improve the facilities of the Port Authority and include net interest expense during the period of construction.

Expenditures for repairs and maintenance are charged to operating expenses as incurred. Planning costs relating to potential new facilities are deferred pending authorization of construction.

4. Depreciation is computed on the straight-line method based on estimated useful lives of the related assets including those financed by government contributions. In distributing net income to fund balances, a charge representing depreciation on assets acquired with contributions is made against the related contributions account. The cost and accumulated depreciation related to assets removed from service are eliminated from the accounts. Depreciation is not a factor in determining the net revenues and reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions (see Note A-1).

5. Investments in long-term and short-term United States securities are stated at the lower of their respective aggregate amortized cost or market value. Investments in Port Authority bonds acquired in 1973 and subsequently are stated at par; the excess of par value over the purchase price of the bonds is credited to income. Port Authority bonds acquired prior to 1973 are stated at their cost plus amortization of discount to maturity.

6. The Port Authority provides for potential losses under its self-insurance program by appropriation from the Consolidated Bond Reserve Fund to the operating fund and charges actual losses to operating expenses as incurred.

Note B—Facilities, Depreciation and Government Contributions in Aid of Construction:

Cost of facilities is composed of the following:

	December 31 1976	December 31 1975
	(In Thousands)	
Completed Construction:		
Airports	$1,242,277	$1,186,639
World Trade Center	887,970	741,299
Tunnels & Bridges	533,962	531,605
Marine Terminals	502,867	480,005
Rail Facilities	252,791	243,523
Bus & Truck Terminals	67,364	66,527
	3,487,231	3,249,598
Construction in Progress	156,367	277,832
	$3,643,598	$3,527,430

Asset lives used in the calculation of depreciation 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

At December 31, 1976 the Port Authority had received gross contributions for construction from federal and state agencies aggregating $151,599,000. The change in net contributions, included in capital funds on the Consolidated Statement of Financial Position, is detailed below.

	1976	1975
	(In Thousands)	
Balance at January 1	$122,672	$107,262
Contributions received during the year	4,713	19,105
Less depreciation for the year on assets acquired with contributions	(4,288)	(3,695)
Balance at December 31	$123,097	$122,672

Two new passenger terminals at Newark International Airport were opened in 1973. The superstructure of a third terminal was substantially completed in 1976 and is to be put into operation when additional terminal capacity is required. Net income for 1976 includes a charge of $1,222,400 for depreciation on the Port Authority's $46,225,900 investment related to the third terminal. There was no charge for depreciation on this terminal in net income for 1975.

Note C—Financing:

The Port Authority finances construction of its facilities primarily by issuing bonded debt and through bank loans. Details of bonded debt and amortization are included on Schedules E and F.

1. At December 31, 1976 and 1975, the Port Authority had obligations under loans obtained from banks and trust companies as detailed herein.

Bank Loans	December 31, 1976	December 31, 1975
5¼ % payable $20,000,000 annually in 1976 and 1977	$ 20,000,000	$ 40,000,000
5¼ % payable $35,000,000 annually in 1976 and 1977	35,000,000	70,000,000
5.45% payable $5,000,000 annually 1976-1977 and $40,000,000 annually in 1978 and 1979	85,000,000	90,000,000
	$140,000,000	$200,000,000

The loans may be prepaid in whole or in part on interest payment dates. Under the terms of the loan agreements, and as a result of the establishment and maintenance in trust of the Special Reserve Fund, Air Terminal Reserve Fund and Marine Terminal Reserve Fund (see Note G), annual installment payments on the bank loans are being made exclusively from net revenues available therefor in the Consolidated Bond Reserve Fund. Payment of the loans and interest thereon is subject in all respects to the payment of debt service on the General and Refunding Bonds, Air Terminal Bonds, Marine Terminal Bonds and Consolidated Bonds, as required by the applicable provisions of the Port Authority's bond resolutions, and to the payment into the General Reserve Fund of the amount necessary so as to maintain such Fund at the amount specified in the General Reserve Fund statutes. Neither the loans nor the interest thereon are secured by or payable from the General Reserve Fund.

2. For the purpose of refunding on June 1, 1977 the Authority's $50,000,000 Consolidated Notes, Series CC, 6¾%, due June 1, 1978, the Authority obtained a bank loan (1977 Bank Loan) in January, 1977 in the principal amount of $50,000,000 at an interest cost of 5¾% per annum payable $12,500,000 annually 1980-1983. Consolidated Bonds, Forty-fourth Series, due 2011, in the principal amount of $50,000,000 were issued by the Authority solely as additional security for the payment of the 1977 Bank Loan and are held in trust for that purpose (without payment of the 7½% per annum interest on the bonds during the trust period) to be cancelled and destroyed upon payment of the 1977 Bank Loan from net revenues available therefor as described in paragraph 1 of this Note. The Authority plans to refund on June 1, 1977, with the proceeds of Consolidated Bonds, its $50,000,000 Consolidated Notes, Series BB, 6¾%, due June 1, 1978.

Note D—Reserves:

The General Reserve Fund statutes provide for the Port Authority to maintain the General Reserve Fund in an amount equal to at least 10 percent of the outstanding bonded debt which is secured by a pledge of the Fund.

The specified statutory amount was $188,168,000 at December 31, 1976. The Port Authority has established the policy of maintaining total reserve funds in an amount equal to at least the next two years' mandatory debt service on outstanding bonded debt. The bank loans described in Note C are not included in determining this outstanding bonded debt. The total amount of reserve funds at December 31, 1976 exceeded such next two years' mandatory debt service not including debt service on Consolidated Notes to be refunded as stated in Note C-2.

At December 31, 1976, the Port Authority met the requirements of its bond resolutions to maintain total reserve funds in cash and specified marketable securities. Such amount included $23,812,000 held in trust for repayment of principal and interest on General and Refunding, Air Terminal and Marine Terminal Bonds (see Note G).

Note E—Pension and Retirement Plans:

Employees of the Port Authority are covered by the New York State Employees' Retirement System or the New York State Policemen's and Firemen's Retirement System or, in the case of PATH employees, by the provisions of the Railroad Retirement Act and for certain PATH employees, by a supplemental plan. The Port Authority's contributions to these plans are based primarily on billings from the two New York State retirement systems and federal regulations governing employer contributions to the Railroad Retirement Board. For the years 1976 and 1975, the Port Authority provided $33,100,000 and $35,500,000, respectively, as its contribution to these plans.

Note F—Leases:

Rental expenses under leases with the cities of New York, Newark and Hoboken for various air and marine terminals aggregated $9,800,000 in 1976 and $10,500,000 in 1975. The lease terms expire at various times from 2002 to 2018 and may be renewed for additional periods. Aggregate annual minimum rentals are approximately $6,600,000. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

Note G—Special, Air Terminal and Marine Terminal Reserve Funds in Trust:

In accordance with the provisions of the bank loan agreements (see Note C-1), the Port Authority, on December 31, 1970, placed into trust amounts available from the Port Authority's Special Reserve Fund, Air Terminal Reserve Fund and Marine Terminal Reserve Fund so that such Funds shall be maintained in amounts sufficient to secure fully, unconditionally and absolutely the Port Authority's obligation to provide for the redemption as scheduled and the payment of interest until redemption on the outstanding General and Refunding, Air Terminal and Marine Terminal Bonds. Under the terms of the Agreements of Trust, such bonds are not required to be paid or redeemed in advance of their scheduled redemption by operation of the sinking funds therefor.

Upon the establishment and maintenance of these Trust Funds, net revenues of the Port Authority's existing facilities are applicable to debt service on Consolidated Bonds and Notes and all remaining balances, except such amounts as may be necessary to maintain the General Reserve Fund in the prescribed amount, are payable into the Consolidated Bond Reserve Fund.

Note H—Commitments:

At December 31, 1976, the Port Authority was committed under various contracts to the completion within the next three years of approximately $60,000,000 of construction.

Note I—Basis of Preparation of Schedules A through H:

Schedules A through H have been prepared in accordance with generally accepted accounting principles, except that the Port Authority's bond resolutions provide that net operating revenues shall not include an allowance for depreciation of facilities. Instead, recovery of facility capital costs is accomplished through deductions from revenues and reserves of amounts equal to principal payments on debt and reserves appropriated to Invested in Facilities. These deductions are credited at par to the accounts Debt Retired Through Income and Appropriated Reserves Invested in Facilities.

Invested in Facilities is compiled as described in Note A-3; the cost of assets removed from service is not deducted.

Note J—New York State's World Trade Center Offices:

Included in gross operating revenues of 1976 and 1975 is $23 million in each year related to New York State's occupancy of office space in a substantial portion of one of the tower buildings of the Authority's World Trade Center facility pursuant to a lease renewable for successive five-year terms totaling 100 years. The State is discussing the renewal of the lease with the Authority, and it has not exercised its option in 1975 to renew for the next successive rental period.

Schedule A **Revenues and Reserves** (In accordance with Port Authority bond resolutions)

	Year Ended December 31,			
	1976			1975
	Operating Fund	Reserve Funds (Schedule C)	**Combined Total**	Combined Total
	(In Thousands)			
Gross Operating Revenues	$496,413	$ —	**$496,413**	$458,406
Operating Expenses	310,701	—	**310,701**	289,138
Net Operating Revenues	185,712	—	**185,712**	169,268
Financial Income				
Income on investments (includes gain of $6,446,000 in 1976 and $8,283,000 in 1975 on purchase of Port Authority bonds)	4,949	23,708	**28,657**	29,248
Security valuation adjustment	3	1,378	**1,381**	2,453
Net Revenues Available for Debt Service and Reserves	190,664	25,086	**215,750**	200,969
Debt Service				
Interest on bonded debt	78,195	560	**78,755**	72,249
Serial maturities and sinking fund retirements	29,204	3,693	**32,897**	35,930
Interest on bank loans	—	9,213	**9,213**	8,464
Payment of bank loans	—	60,000	**60,000**	55,000
Total Debt Service	107,399	73,466	**180,865**	171,643
Appropriation to Invested in Facilities	—	3,000	**3,000**	15,000
Appropriation to Self-Insurance	—	3,405	**3,405**	2,417
Transfers to Reserves	$ (83,265)	83,265	**—**	—
Net Increase in Reserves		28,480	**28,480**	11,909
Reserve Balances—Beginning of Year		266,966	**266,966**	255,057
Reserve Balances—End of Year (Schedule C)		$295,446	**$295,446**	$266,966

See Notes to Consolidated Financial Statements.

Schedule B **Assets and Liabilities** (In accordance with Port Authority bond resolutions)

	December 31, 1976				December 31, 1975
	Operating Fund	Capital Fund	Reserve Funds	**Combined Total**	Combined Total
			(In Thousands)		
Assets					
Invested in Facilities	$ —	$3,697,423	$ —	**$3,697,423**	$3,581,037
Investment in Securities (Schedule D)	33,602	70,397	292,492	**396,491**	312,382
Cash and Time Deposits	16,400	34,364	2,954	**53,718**	66,538
Other Assets	92,063	2,713	—	**94,776**	93,599
Total Assets	142,065	3,804,897	295,446	**4,242,408**	4,053,556
Liabilities					
Bonded Debt (Schedule E)	—	1,881,677	—	**1,881,677**	1,764,574
Bank Loans Payable (Note C)	—	140,000	—	**140,000**	200,000
Accounts Payable and Other Liabilities	121,219	29,243	—	**150,462**	145,616
Deferred Credits to Income	2,247	—	—	**2,247**	7,839
Total Liabilities	123,466	2,050,920	—	**2,174,386**	2,118,029
Net Assets	18,599	1,753,977	295,446	**2,068,022**	1,935,527
Net Assets are Composed of:					
Debt Retired Through Income	—	1,519,547	—	**1,519,547**	1,426,650
Reserves (Schedule C)	—	—	295,446	**295,446**	266,966
Contributions from Federal and State Agencies in Aid of Construction	—	151,599	—	**151,599**	146,886
Appropriated Reserves Invested in Facilities	—	82,831	—	**82,831**	79,831
Appropriated Reserves for Self-Insurance	18,599	—	—	**18,599**	15,194
Net Assets	$ 18,599	$1,753,977	$295,446	**$2,068,022**	$1,935,527

See Notes to Consolidated Financial Statements.

Schedule C **Analysis of Reserve Funds** (In accordance with Port Authority bond resolutions)

	Year Ended December 31, 1976					
			Reserve Funds in Trust For			
	General Reserve Fund	Consolidated Bond Reserve Fund	General & Refunding Bonds	Air Terminal Bonds	Marine Terminal Bonds	**Combined Total**
			(In Thousands)			
Balance—January 1	$176,457	$ 62,409	$12,767	$13,576	$1,757	**$266,966**
Income on investments (includes gain on purchase of Port Authority bonds)	15,956	5,236	1,149	1,213	154	**23,708**
Security valuation adjustment	924	307	67	70	10	**1,378**
Reserve fund transfers	(5,169)	7,867	(1,227)	(1,316)	(155)	**—**
Transfers from operating fund	—	83,265	—	—	—	**83,265**
	188,168	159,084	12,756	13,543	1,766	**375,317**
Applications:						
Interest on bonded debt	—	—	169	342	49	**560**
Serial maturities and sinking fund retirements	—	—	1,033	2,276	384	**3,693**
Interest on bank loans	—	9,213	—	—	—	**9,213**
Payment of bank loans	—	60,000	—	—	—	**60,000**
Invested in facilities	—	3,000	—	—	—	**3,000**
Self-insurance	—	3,405	—	—	—	**3,405**
Total Applications	—	75,618	1,202	2,618	433	**79,871**
Balance—December 31 (Note D)	$188,168	$ 83,466	$11,554	$10,925(A)	$1,333(B)	**$295,446**

(A) Includes Sinking Fund balance of $2,679,000 related to Air Terminal Bonds.
(B) Includes Sinking Fund balance of $451,000 related to Marine Terminal Bonds.

Schedule D **Investment in Securities** December 31, 1976

	Principal Amount	Quoted Market Value	Amortized Cost
		(In Thousands)	
Short-Term			
United States Treasury Bills	$154,615	$152,330	$151,798
Long-Term			
United States Treasury Notes	102,000	104,374	101,934
Farmers Home Administration Insured Notes	76,378	80,645	76,221
G.N.M.A. Participation Certificates	23,100	22,435	22,937
Export-Import Bank Participation Certificates	5,865	5,926	5,881
Total Long-Term United States Securities	207,343	$213,380	206,973
Bonds of The Port Authority of New York and New Jersey	29,677		29,263
Total Long-Term	$237,020		236,236
Accrued Interest Receivable			8,457
Total Investment in Securities			$396,491

See Notes to Consolidated Financial Statements.

Schedule E **Bonded Debt** Year Ended December 31, 1976

		January 1, 1976	Issued	Retired	December 31, 1976
			(In Thousands)		
General and Refunding Bonds					
Ninth Series	1½% due 1985	$ 3,626	$ —	$ 379	$ 3,247
Tenth Series	1¾% due 1985	2,014	—	80	1,934
Eleventh Series	1¼% due 1986	6,077	—	574	5,503
		11,717	—	1,033	10,684
Air Terminal Bonds					
First Series	3% due 1978	4,592	—	612	3,980
Second Series	2½% due 1979	5,496	—	1,255	4,241
Third Series	2.20% due 1980	2,583	—	409	2,174
		12,671	—	2,276	10,395
Marine Terminal Bonds					
First Series	2½% due 1978	1,061	—	329	732
Second Series	2.20% due 1980	596	—	55	541
		1,657	—	384	1,273
Consolidated Bonds					
First Series	3% due 1982	11,189	—	1,494	9,695
Second Series	2¾% due 1984	13,300	—	860	12,440
Fourth Series	2¾% due 1985	18,000	—	1,500	16,500
Fifth Series	2.90% due 1983	11,040	—	660	10,380
Sixth Series	3% due 1986	18,600	—	600	18,000
Seventh Series	3.40% due 1986	15,700	—	600	15,100
Eighth Series	3.40% due 1987	33,000	—	1,000	32,000
Tenth Series	3¾% due 1987	22,200	—	900	21,300
Eleventh Series	3% due 1976-1978	6,000	—	2,000	4,000
Twelfth Series	3⅜% due 1988	27,300	—	1,400	25,900
Thirteenth Series	Various due 1976-1978	3,750	—	1,250	2,500
Fourteenth Series	3⅝% due 1989	38,500	—	2,365	36,135
Fifteenth Series	4.10% due 1976-1979	7,000	—	1,750	5,250
Sixteenth Series	4¼% due 1989	17,500	—	1,075	16,425
Seventeenth Series	Various due 1976-1980	7,500	—	1,500	6,000
Eighteenth Series	3½% due 1976-1981	12,600	—	2,100	10,500
Nineteenth Series	3½% due 1991	19,000	—	750	18,250
Twentieth Series	3¼% due 1993	30,100	—	700	29,400
Twenty-first Series	3.40% due 1993	21,500	—	500	21,000
Twenty-second Series	3⅜% due 1993	21,500	—	500	21,000
Twenty-third Series	3⅜% due 1994	22,000	—	500	21,500
Twenty-fourth Series	3½% due 1994	22,000	—	500	21,500
Twenty-fifth Series	Various due 1976-1984	13,500	—	1,500	12,000
Twenty-sixth Series	3½% due 1995	32,375	—	700	31,675
Twenty-seventh Series	3⅜% due 1995	24,250	—	375	23,875
Twenty-eighth Series	3⅜% due 1996	24,375	—	125	24,250
Twenty-ninth Series	3½% due 1996	24,375	—	125	24,250
Thirtieth Series	3⅝% due 1998	23,875	—	375	23,500
Thirty-first Series	4% due 2002	98,500	—	500	98,000
Thirty-second Series	5% due 2003	99,000	—	500	98,500
Thirty-third Series	4¾% due 2003	99,000	—	500	98,500
Thirty-fourth Series	5½% due 2003	100,000	—	—	100,000
Thirty-fifth Series	6⅝% due 2005	100,000	—	—	100,000
Thirty-sixth Series	6.40% due 2005	50,000	—	—	50,000
Thirty-seventh Series	6% due 2006	100,000	—	—	100,000
Thirty-eighth Series	5⅜% due 2006	100,000	—	—	100,000
Thirty-ninth Series	5.80% due 2007	150,000	—	—	150,000
Fortieth Series	6% due 2008	100,000	—	—	100,000
Forty-first Series	5½% due 2008	100,000	—	—	100,000
Forty-second Series	8.20% due 2011	—	100,000	—	100,000
Forty-third Series	7% due 2011	—	50,000	—	50,000
Consolidated Notes					
Series BB	6¾% due 1978	50,000	—	—	50,000
Series CC	6¾% due 1978	50,000	—	—	50,000
		1,738,529	150,000	29,204	1,859,325
Total Bonded Debt		$1,764,574	$150,000	$32,897	$1,881,677

See Notes to Consolidated Financial Statements.

Schedule F **Bonded Debt Amortization 1977-2011** December 31, 1976 (In Thousands)

	Debt Service Total All Issues			Amortization			
	Par Value $1,881,677						
Year	Total	Interest	Amortization	Consolidated Bonds	General and Refunding Bonds	Air Terminal Bonds	Marine Terminal Bonds
1977	$ 135,984	$ 96,379	$ 39,605	$ 30,245	$ 1,194	$ 7,198	$ 968
1978	230,896	91,211	139,685	135,793	1,211	2,530	151
1979	127,010	87,017	39,993	37,944	1,228	667	154
1980	127,303	85,632	41,671	40,425	1,246	—	—
1981	126,646	84,175	42,471	41,207	1,264	—	—
1982	125,621	82,691	42,930	41,648	1,282	—	—
1983	127,036	81,098	45,938	44,638	1,300	—	—
1984	129,053	79,338	49,715	48,398	1,317	—	—
1985	127,883	77,436	50,447	49,805	642	—	—
1986	130,850	75,344	55,506	55,506	—	—	—
1987	127,293	73,047	54,246	54,246	—	—	—
1988	121,641	70,821	50,820	50,820	—	—	—
1989	120,200	68,543	51,657	51,657	—	—	—
1990	120,337	66,197	54,140	54,140	—	—	—
1991	120,727	63,607	57,120	57,120	—	—	—
1992	120,628	60,805	59,823	59,823	—	—	—
1993	121,593	57,770	63,823	63,823	—	—	—
1994	117,725	54,545	63,180	63,180	—	—	—
1995	115,109	51,209	63,900	63,900	—	—	—
1996	112,188	47,688	64,500	64,500	—	—	—
1997	109,390	44,140	65,250	65,250	—	—	—
1998	108,862	40,362	68,500	68,500	—	—	—
1999	106,443	36,443	70,000	70,000	—	—	—
2000	103,875	32,375	71,500	71,500	—	—	—
2001	101,201	28,201	73,000	73,000	—	—	—
2002	100,284	23,784	76,500	76,500	—	—	—
2003	92,319	19,319	73,000	73,000	—	—	—
2004	73,312	15,312	58,000	58,000	—	—	—
2005	69,712	11,712	58,000	58,000	—	—	—
2006	55,633	8,133	47,500	47,500	—	—	—
2007	40,321	5,321	35,000	35,000	—	—	—
2008	27,936	3,436	24,500	24,500	—	—	—
2009	12,653	2,153	10,500	10,500	—	—	—
2010	11,834	1,334	10,500	10,500	—	—	—
2011	11,015	515	10,500	10,500	—	—	—
Total	$3,610,513	$1,727,093	$1,883,420	$1,861,068	$10,684	$10,395	$1,273

NOTE: Includes all mandatory payments (including sinking fund requirements, applicable call premiums and serial maturities) whether payable from revenues or other sources upon the assumptions that: (1)—the presently outstanding bonds will not be retired prior to maturity except in accordance with the mandatory retirement provisions of the resolutions establishing the series of which such bonds form a part; (2)—the payment into each sinking fund will be made on the latest permissible date of each year for which such sinking fund payment is required to be made; and (3)—such payments will be in the amounts scheduled to be made for such year. Interest shown under "Debt Service Total All Issues" is computed on the same assumption that amortization payments will be made each year on the latest permissible date. The amortization amount shown above for the year 1978 includes $100,000,000 for Consolidated Notes which the Port Authority intends to refund as described in Note C-2 to the Consolidated Financial Statements. The above table does not include payments on the bank loans. (See Note C to Consolidated Financial Statements.) Amortization and interest applicable to General and Refunding, Air Terminal and Marine Terminal Bonds are secured by trusts as outlined in Note G to Consolidated Financial Statements.

See Notes to Consolidated Financial Statements.

Schedule G **Selected Financial Data**

	1976	1975	1974*	1973*	1972*
			(In Thousands)		
REVENUES AND EXPENSES					
Gross Operating Revenues	**$ 496,413**	$ 458,406	$ 410,412	$ 373,497	$ 319,835
Operating Expenses	**310,701**	289,138	252,037	234,475	197,694
Net Operating Revenues	**185,712**	169,268	158,375	139,022	122,141
Income on Investments	**22,211**	20,965	21,228	16,806	15,429
Gain on Purchase of Port Authority Bonds	**6,446**	8,283	4,880	6,809	4,354
Security Valuation Adjustment	**1,381**	2,453	(3,061)	(3,591)	—
Net Revenues Available for Debt Service and Reserves	**215,750**	200,969	181,422	159,046	141,924
DEBT SERVICE—OPERATIONS					
Interest on Bonded Debt	**(78,195)**	(71,552)	(65,562)	(49,729)	(38,856)
Times, Interest Earned	**2.76**	2.81	2.77	3.20	3.65
Serial Maturities and Sinking Fund Retirements	**(29,204)**	(30,055)	(28,703)	(26,047)	(24,502)
Times, Debt Service Earned	**2.01**	1.98	1.92	2.10	2.24
DEBT SERVICE—RESERVES					
Debt Service on Bonds Secured by Trusts	**(4,253)**	(6,572)	(6,488)	(6,874)	(6,116)
Interest on Bank Loans	**(9,213)**	(8,464)	(9,119)	(6,775)	(3,552)
Bank Loan Payments	**(60,000)**	(55,000)	(40,000)	(35,000)	(35,000)
Appropriation to Invested in Facilities—Reserves	**(3,000)**	(15,000)	(11,000)	(8,000)	(20,000)
Appropriation to Self-Insurance—Reserves	**(3,405)**	(2,417)	(2,257)	(1,959)	(1,467)
Net Increase in Reserves	**28,480**	11,909	18,293	24,662	12,431
RESERVE BALANCES					
Beginning of Year	**266,966**	255,057	236,764	212,102	199,671
End of Year	**$ 295,446**	$ 266,966	$ 255,057	$ 236,764	$ 212,102
Represented By:					
General Reserve	**$ 188,168**	$ 176,457	$ 173,487	$ 173,487	$ 156,681
Special Reserve (A)	**11,554**	12,767	13,898	16,047	17,551
Air Terminal Reserve (A)	**10,925**	13,576	18,660	22,664	27,489
Marine Terminal Reserve (A)	**1,333**	1,757	2,212	2,634	3,280
Consolidated Bond Reserve	**83,466**	62,409	46,800	21,932	7,101
Total	**$ 295,446**	$ 266,966	$ 255,057	$ 236,764	$ 212,102
DEBT—AT YEAR-END					
General and Refunding Bonds	**$ 10,684**	$ 11,717	$ 12,658	$ 14,586	$ 15,852
Air Terminal Bonds	**10,395**	12,671	17,203	20,577	24,641
Marine Terminal Bonds	**1,273**	1,657	2,059	2,417	2,983
Consolidated Bonds and Notes	**1,859,325**	1,738,529	1,668,584	1,697,287	1,523,334
Total Bonded Debt	**1,881,677**	1,764,574	1,700,504	1,734,867	1,566,810
Bank Loans	**140,000**	200,000	255,000	295,000	230,000
Total	**$2,021,677**	$1,964,574	$1,955,504	$2,029,867	$1,796,810
INVESTED IN FACILITIES—AT YEAR-END	**$3,697,423**	$3,581,037	$3,442,489	$3,268,381	$3,043,197
DEBT RETIREMENT THROUGH REVENUES AND RESERVES					
Annual	**$ 92,897**	$ 90,930	$ 74,363	$ 66,943	$ 64,938
Cumulative	**$1,519,547**	$1,426,650	$1,335,720	$1,261,357	$1,194,414

NOTE: These combined totals are presented for general information purposes only and are not intended to reflect specific applications of the revenues and reserves of the Port Authority, which are governed by statutes and its bond resolutions.

(A) Reserve Funds maintained in Trust since December 31, 1970. See Note G of Notes to Consolidated Financial Statements.

*Restated, in accordance with a Standard of the Financial Accounting Standards Board, *Accounting for Contingencies,* adopted in 1975.

See Notes to Consolidated Financial Statements.

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

	December 31, 1976			December 31, 1975
	Related to Cars			
	Leased to Metropolitan Transportation Authority	Leased to Penn Central Transportation Company	**Combined Total**	Combined Total
	(In Thousands)			
Assets				
Invested in Commuter Cars, at Cost	$63,000	$37,490	**$100,490**	$100,489
Cash and Investment in U.S. Government Securities, at Cost (which approximates market)	—	2,635	**2,635**	2,462
Other Assets	230	366	**596**	620
Total Assets	63,230	40,491	**103,721**	103,571
Liabilities				
State Guaranteed Commuter Car Bonds	53,585	27,340	**80,925**	83,595
Accounts Payable and Other Liabilities	230	2,741	**2,971**	2,821
Total Liabilities	53,815	30,081	**83,896**	86,416
Net Assets	$ 9,415	$10,410	**$ 19,825**	$ 17,155

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. Such Car Bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars. 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 Notes to Consolidated Financial Statements.

THE PORT AUTHORITY OF NY & NJ

1976 Annual Report

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