THE PORT AUTHORITY
OF NY & NJ

1980 Annual Report

THE PORT AUTHORITY
OF NY & NJ

Kennedy International Airport

LaGuardia Airport

Newark International Airport

Teterboro Airport

Downtown Heliport

West 30th Street Heliport

PATH: Journal Square Transportation Center

Brooklyn Marine Terminal

Columbia Street Marine Terminal

Elizabeth Marine Terminal

Erie Basin Marine Terminal

Hoboken Marine Terminal

New York City Passenger Ship Terminal

Port Newark

Holland Tunnel

Lincoln Tunnel

Bayonne Bridge

George Washington Bridge and Bus Station

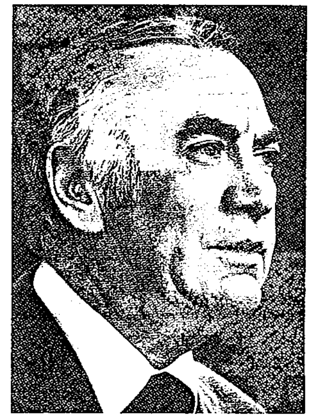
Goethals Bridge

Outerbridge Crossing

Bus Terminal

New York Union Motor Truck Terminal

The World Trade Center



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

April 9, 1981

Your Excellencies:

In accordance with the Port Compact of 1921, we are pleased to submit to you and to the legislatures of the states of New York and New Jersey the 1980 annual report of the Port Authority of New York and New Jersey.

The Board of Commissioners is pleased to report that 1980 was a year of job growth and economic development through the Port Authority's own construction contracts and expansion of facilities, as well as a year of dedication to finding solutions to regional concerns and facilitating the growth of the regional economy.

We also wish to call to your special attention that the Port Authority's net income of $104 million for 1980, as reported in the Consolidated Statement of Income, shows an increase over 1979 of $52 million. Of the $104 million, $21 million reflected in the financial statements is due to two accounting changes, reported to your offices January 15, 1981, which do not represent any real improvement in the Port Authority's financial condition. The revised procedures do, however, provide a clearer picture of the Port Authority's earning power. Of the remainder, income from operations increased by approximately $15 million due primarily to unanticipated additional revenues from rentals at the World Trade Center and the Port Authority's airports. The relatively high interest rates prevalent in 1980 increased the earnings of the security investment portfolio, contributing substantially to the increase in net income.

For additional detail, the Board of Commissioners respectfully directs your attention to the financial narrative and notes to the Consolidated Financial Statements.

Respectfully yours,

Alan Sagner
Chairman

Robert F. Wagner
Vice Chairman

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THE PORT AUTHORITY OF NY & NJ

Board of Commissioners

Alan Sagner, Chairman
Robert F. Wagner, Vice Chairman
Joseph F. Cullman 3rd
Jerry Fitzgerald English
Milton A. Gilbert[1]
Lewis L. Glucksman
James G. Hellmuth
James C. Kellogg III[2]
Frank R. Lautenberg
William J. Ronan
Howard Schulman
Robert V. Van Fossan
Victor R. Yanitelli, S.J.

Alan Sagner
Principal,
Alan Sagner Company

Robert F. Wagner
Attorney,
Finley, Kumble, Wagner,
Heine, Underberg & Casey

Joseph F. Cullman 3rd
Chairman of the Executive Committee
Philip Morris Incorporated

Lewis L. Glucksman
Chief Operating Officer
Lehman Brothers Kuhn Loeb
Incorporated

James G. Hellmuth
Vice President
Bankers Trust New York
Corporation

James C. Kellogg III
Senior Partner,
Spear, Leeds & Kellogg

Dr. William J. Ronan
Vice Chairman
Continental Copper &
Steel Industries, Inc.

Howard Schulman
Attorney,
Schulman & Abarbanel

Robert V. Van Fossan
Chairman and Chief Executive Officer
Mutual Benefit Life Insurance Company

[1]Commissioner Gilbert was succeeded by Commissioner Van Fossan July 1, 1980.

[2]Commissioner Kellogg, whose death in December was a cause of shock and mourning throughout the region, served as Chairman and Vice-Chairman of the Port Authority during his 25 years as a member of the Board.

Commissioner Kenneth D. McPherson joined the Board February 12, 1981

Jerry Fitzgerald English
Commissioner, Department of Environmental Protection, State of New Jersey

Milton A. Gilbert
Founder, former President and Chairman, Flexi-Van Corporation

Frank R. Lautenberg
Chairman, Automatic Data Processing, Inc.

Rev. Victor R. Yanitelli, S.J.
Chancellor, St. Peter's College

Officers and Department Directors

Peter C. Goldmark, Jr., Executive Director

Patrick J. Falvey, General Counsel
and Assistant Executive Director
Robert F. Bennett, Assistant Executive Director
Harvey Sherman, Assistant Executive Director
and Director of Administration

Sidney J. Frigand, Public Affairs
Francis A. Gorman, Rail Transportation
A. Gerdes Kuhbach, Senior Financial Advisor
Doris E. Landre, Secretary
Donald R. Lee, Audit
Katharine B. MacKay, Executive Assistant
to the Executive Director
John B. McAvey, Comptroller
Albert F. Moncure, General Services
Neal R. Montanus, Industrial Development
Rino M. Monti, Chief Engineer
Edward S. Olcott, Planning & Development
Edward J. O'Malley, Personnel
Caesar B. Pattarini, Aviation
Dr. Bernard J. Schuman, Medical
Victor T. Strom, Management Services
Anthony J. Tozzoli, Port
Guy F. Tozzoli, World Trade
Joseph L. Vanacore, Tunnels, Bridges & Terminals
Carl M. Wahlberg, Finance
Marshal L. Wilcox, Jr., Treasurer

Peter C. Goldmark, Jr.
Executive Director

Decorative banners fly in the spacious new extension of the midtown bus terminal.

The Port Authority and a New Decade

Advancing the Region

The Port Authority expanded its technical and financial investment in the New York-New Jersey Metropolitan Region in 1980, in keeping with its program to improve mass transportation and to contribute to the region's economic growth in the final decades of the century.

Under the regional mass transportation program suggested by the Port Authority in 1977 and enacted by New Jersey and New York in 1979, the Port Authority fully authorized $400 million for mass transportation purposes. The authorization makes $120 million available for bus and bus-related facilities in each state and more than $160 million for extending and modernizing the midtown bus terminal. The $240 million of the bus program is the local share for which almost $1 billion in federal funds is expected for mass transportation projects in the two states.

Under an accord with the New Jersey Department of Transportation and the New Jersey Turnpike Authority, the Port Authority authorized $37,250,000 as its share of funding the Route 81 Exit 13A Interchange, a project to improve public access and shorten travel times to and from Newark International Airport and the Port Newark-Elizabeth marine terminals.

With the authorization of $1.5 million as the local share, the Port Authority fulfilled its longstanding intent, tabled by the bankruptcy of the Penn Central Railroad, to aid in the rehabilitation of Penn Station Newark.

A sum of $38,750,000 was authorized for the Oak Point link, a critical part of New York State's Rail Freight Clearance Improvement Project from Albany to the Bronx and to Long Island and the Brooklyn waterfront.

Port Authority projects in progress due for completion by 1985 call for no less than 20,000 construction and construction-related jobs in the region, with estimates that the number of new direct permanent jobs the completed projects will create will exceed 4,500 at Port Authority facilities. Overall, the number of direct and indirect permanent jobs for New York and New Jersey residents related to Port Authority operations, and to transport operators and commercial tenants at its facilities, totals 265,000.

The regional concerns raised by its Committee on the Future and directives suggested by the ensuing Congress for Regional Recovery led the Port Authority to organize forces to help rehabilitate the region's infrastructure, generate a regional energy program and develop the urban waterfront, among other projects.

The Port Authority and various municipalities in the region are developing a program by which the Port

The Port Authority's Port Newark-Elizabeth marine terminals, known as the "Container Capital of America," and the World Trade Center, New York landmark, bracket the port.

Estimated Job Generation in the New York-New Jersey Metropolitan Region by Major Port Authority projects

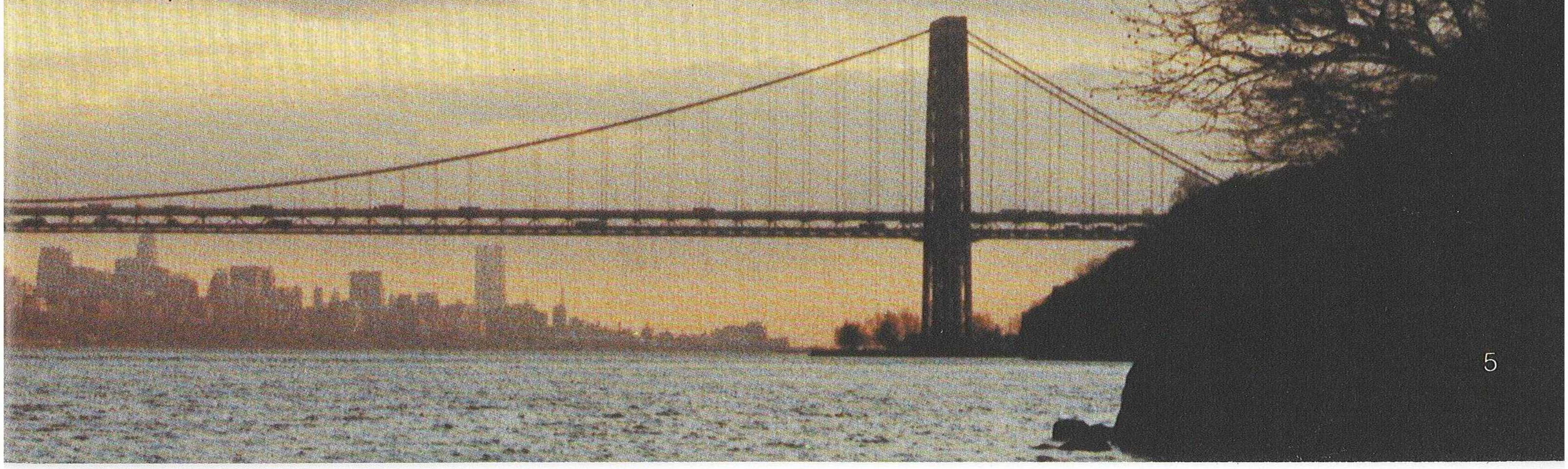
	Construction-Related	New Permanent	Project Amount (in millions)
Aviation			
Passenger	3,425	1,500	$ 121.8
Cargo	2,125	500	68.9
Public Aircraft	325	—	13.7
Airport Access	1,175	—	37.2
Airport Parking & Runways	500	—	22.4
Port			
Cargo Handling	875	525	52.9
Warehousing	1,650	225	62.2
Rail Freight Connector	1,350	125	38.0
Ground & Mass Transportation			
PATH System Rehabilitation	275	—	13.9
Bus Financing	—	—	240.0
Midtown Bus Terminal	5,700	500	182.0
George Washington Bridge Toll Plaza	550	—	17.0
World Trade Center			
Vista Hotel	1,875	800	60.0
Alexander's Dept. Store	250	350	8.5
Relocation of TV Broadcasters	325	—	12.9
Fire Safety Program	1,600	—	54.6
	22,000	4,525	$1,006.0

A 'construction-related' job is equivalent to the work done by a single person over one year.

Authority may manage municipal infrastructure projects, such as the repair and rehabilitation of bridges. New York State and the Port Authority are jointly exploring the establishment of a state water authority and the financial mechanisms under which it might operate.

Final agreements with cities in the region on Port Authority investment in industrial development are expected in 1981. In the meantime, the Port Authority continues to explore regional uses of resource recovery systems, and standards and procedures for the operation and maintenance of industrial parks are nearing completion.

To help revitalize the waterfront, one of the region's great natural assets and most promising areas of



Sample urban waterfront site, where planners foresee marinas, new industry, residences and a restored environment.

Handling coal exports at the Port Newark bulk cargo center.

diverse investment, the Port Authority convened regional leadership for the first waterfront redevelopment conference. The conference laid down regional guidelines for financing, public-private partnerships and waterfront land use. Earlier, by agreement with New York City, Jersey City and Hoboken, the Port Authority embarked on planning and market analyses to stimulate private and public investments to create major mixed-use developments on the model of Ghirardelli Square in San Francisco and Quincy Market in Boston. The Port Authority also conceived and organized a reclamation project to build a waterfront park in Jersey City, with the required rebuilding of a PATH ventilation shaft as the practical starting point, and authorized $250,000 as the local share.

In the regional interest the Port Authority began exploring whether a modern coalport should be established in the harbor. The study involves land acquisition, federal commitment to dredging the deep channel to the sea necessary to modern colliers, and finding appropriate entrepreneurs. The coalport would process exports of American coal to meet the rapidly rising world demand and facilitate local distribution. At the same time, in cooperation with New York State, the Port Authority is testing the energy efficiency of electric vehicles, experimenting with mechanisms to fine-tune the amount of electric light needed hour by hour in commercial buildings and seeking other innovative uses and controls of energy.

In the belief that the modification, manufacture and storage of goods free of duty will become an important attraction to the oceanborne shipper and consignee, the Port Authority applied to the U.S. Department of Commerce to extend its foreign trade zone privilege, already granted for two buildings at Port Newark-Elizabeth, to include the entire marine terminal. The Port Authority and New York City expect to create a similar opportunity through a joint investment in Howland Hook on Staten Island.

In conjunction with COMSAT General Corporation, the Port Authority is investigating the value of establishing a regional "teleport," a central location to provide access to domestic satellite systems for those firms in the region that receive and transfer massive amounts of information by satellite.

The Port Authority and the two states have agreed to establish a permanent conference, with members drawn from both the public and private sectors, to develop operational, environmental and marketing efficiencies in the regional systems of handling freight, whether by truck, rail, ship or plane.

An input-output measure of the port's effect on the region's economy, as a sophisticated instrument useful

A sign of the repair and rehabilitation needed for the support systems of the region's cities.


A system of dialing the minimum light needed for office space, under experiment at the World Trade Center, can save up to 50 percent of the electrical energy used in a pre-1973-embargo commercial building.

to port planning and marketing, will be completed in 1981. The first such instrument, measuring the impact of the national economy of U.S. ports as a whole, was successfully pioneered by the Port Authority for the Federal Maritime Administration and published in 1978.

Organizing Regional Campaigns

The Port Authority was instrumental in founding and furthering the work of Save Our Port, a bistate coalition of business, government, industry and labor to undo the threat to the regional economy from delayed permission or outright prohibition of ocean dumping of dredged materials. The coalition was successful in obtaining concessions and extensions to keep the port's berths and channels at navigable depths until the federal process of issuing permits and defining acceptable standards of bioaccumulative pollution is resolved.

Widebody aircraft can accommodate the anticipated growth in the aviation industry in the air, and efficiencies and modifications, particularly in the redesign of roadways and traffic flow, should accommodate regional vehicular requirements within the airports. But the forecast growth of the industry will exhaust the capacity of present access roads to the region's three major airports. Lest traffic congestion on the ground strangle the growth of one of the region's key industries, government and the community are participating with the Port Authority in an attempt at working out environmentally sound airport access routes for the coming decade.

A new canopied frontage at Kennedy International Airport to help reduce traffic congestion in the central terminal area.

Scheduled air freight shuttles and passenger-cargo combos move air freight valued in billions through the Kennedy International Air Cargo Center every year.

Promotional campaigns to increase regional commerce both by ocean and air were intensified in cooperation with both states. A new advertising campaign was launched in overseas publications to capitalize on international tourism, and a number of new seminars were held with overseas travel arrangers. New tools, including computer-controlled lists of cargo shipments, were introduced in a stepped-up campaign to market the port to the world's shippers and consignees. At the same time, REAP, a regional export assistance program to match potential regional exporters with export management companies, was initiated under a grant from the U.S. Department of Commerce. The program involves overseas trade promotion and the participation of clients in trade fairs and missions abroad.

The Port Authority acted as the regional host of Harbor Festival in 1980, as it had in previous years. The Harbor Festival was established in the bicentennial year as an annual port celebration for resident and tourist alike over the Independence Day holidays.

A water conservation campaign was begun to save the most water possible, not only at the Port Authority's facilities but through public appeals to conserve water for the duration of the emergency.

The Port Authority continues to improve access to its facilities for those with disabilities. Included are such amenities as menus and airport guides in Braille, police officers trained in the basic sign language of the deaf and special parking privileges at various facilities for the mobility-restricted.

In 1980 some 12 percent of all construction contracts awarded were to minority-owned firms and, of all purchase orders placed, 9 percent were placed with minority-owned and -operated suppliers. The percentage of women and ethnic group representatives in Port Authority management ranks continued to increase.

Facilities for the disabled include a van to speed connections at Kennedy International Airport.

Port Authority posters used in its own water-saving campaign were donated for display in subways and buses around the region.

The Port Authority initiated the practice of preparing a federal agenda as a guide around which to organize regional forces for more effective legislation and federal actions to serve regional needs.

A constant of the Port Authority, in protecting the region's competitive position, is to monitor and intervene in relevant rate and route cases before the Federal Maritime and Interstate Commerce commissions and the Civil Aeronautics Board.

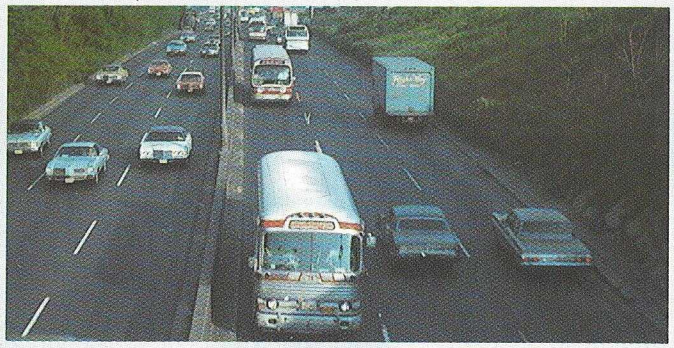
Improving Our Facilities

In the year approaching its 60th anniversary, the Port Authority contributed to the region's stability by strengthening and improving its own facilities.

Construction

The midtown bus terminal extension began limited operations in the early fall with expanded public

The Port Authority works with and in support of Conrail to improve the region's rail freight service.



The exclusive bus lane pioneered by the Port Authority to speed commuters celebrated its tenth anniversary with a Presidential Award for Energy Efficiency.

concourses and bus roadways and a new vehicular underpass to the Lincoln Tunnel. The modernization of the original terminal building continued. Designed as an integrated whole in both appearance and function, the new midtown bus terminal will provide some 170,000 daily bus passengers with spacious, all-weather accommodations and the shopping convenience of a 70-store mall.

The U.S. Postal Service completed the world's largest postal facility on a 21-acre site at Kennedy International Airport, where 2,400 will be employed. The old mail facility was put up for lease to new airport tenants. A new $3 million airport mail facility was nearing completion at LaGuardia Airport and a similar construction will begin in 1981 at Newark International.

The new Eastern Airlines shuttle terminal at LaGuardia Airport will handle three million passengers a year as a mass transportation intercity facility in the Northeast Corridor. Construction of the airline's new hangar for widebody aircraft at Kennedy International Airport neared the halfway mark. Delta Airlines advanced plans for the construction of a new terminal at LaGuardia. Two mergers, that of Pan American World Airways with National Airlines and of the Flying Tiger Line with Seaboard World Airlines, consolidated major air services in the region. The terminal at Kennedy International formerly occupied by National will be taken over by Trans World Airlines. Some ten airlines, commuter airlines among them, began serving Port Authority airports during the year.

To ease traffic congestion, some airline unit terminal area roadways at Kennedy International were redesigned before the 1980 peak summer season. When peak-hour congestion began to impede the flow of traffic fronting terminals A and B at Newark International, the Port Authority began construction of passenger canopies and bus shelters in the courtyards alongside

A section of the restored James Brooks' 235-foot mural, "Flight," lost since the 50's under layers of paint at the Marine Air Terminal at LaGuardia Airport.

Port programs for deeper channels and the demolition of the hazardous Newark Bay bridge open the way to the growth of container shipping at the Port Newark-Elizabeth marine terminals.

the terminals to extend the frontages. To relieve on-airport congestion at LaGuardia, a new exit was authorized to be built from the passenger parking garage directly to Grand Central Parkway.

The Port Authority acquired 236 acres of contiguous land to expand its Elizabeth Marine Terminal, the world's foremost containerport. A portion of the land is being considered for use in connection with industrial development projects. The property, formerly owned by the bankrupt Central Railroad of New Jersey, had been leased by the Port Authority and prepared for construction.

The Port Authority's joint venture with the city and state of New York to build a container terminal in the Red Hook section of Brooklyn was approved by the Federal Maritime Commission early in the year. The terminal operator to whom the facility has been leased will begin operation in mid-1981, when the erection of the first container-handling crane is completed.

With the increase in exports of coal and imports of salt, edible oils, soda ash and other dry bulk cargoes, the Port Authority made a 34-acre bulk cargo center available at Port Newark for expansion and growth. A temperature-controlled stripping terminal to handle two million pounds of frozen meat a day is now due for completion in 1981. The terminal has been leased to a major carrier importing frozen meat from New Zealand and Australia. In the same area of Port Newark the extension by 62,000 square feet of the adjacent refrigerated warehouse for the storage of frozen meat was completed in 1980.

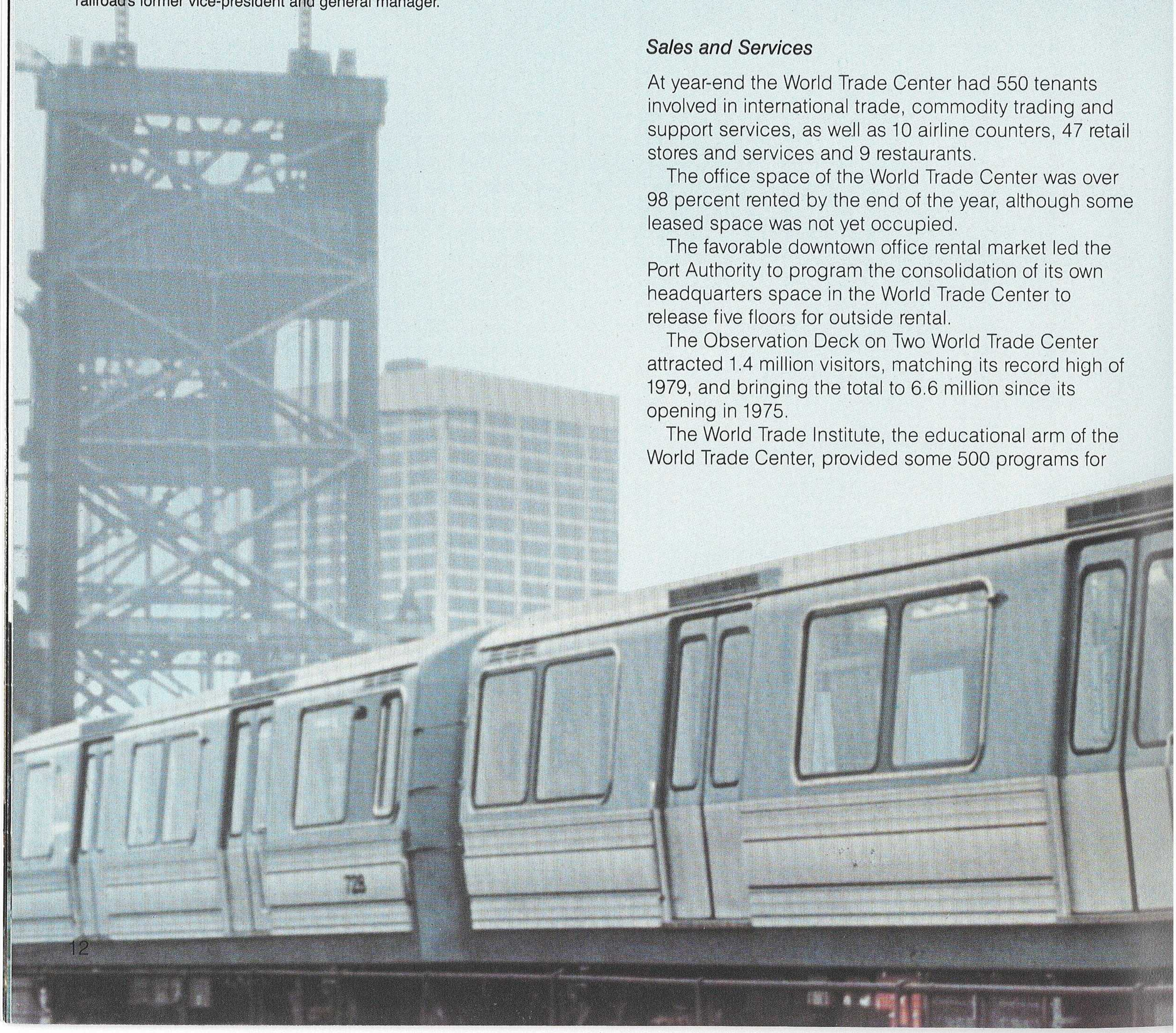
A new tolls plaza is under construction to improve service on the upper level of the George Washington Bridge. Eleven 25-year-old toll lanes will be replaced by 12 new ones and the toll operations building will be renovated to conform to the new design and style.

The expansion to the floor below of the highly successful Windows on the World club/restaurant in One World Trade Center continued through the year.

"Vista International New York," the 825-room hotel private industry is financing and constructing as the sixth building of the World Trade Center complex, is now due for completion in 1981.

At the Journal Square Transportation Center, PATH completed and dedicated the John F. Hoban Operations Control Center, the new consolidated electronic command post named in memory of the railroad's former vice-president and general manager.

PATH's overall on-time performance for 1980 was 91.6 percent. Ridership fell by 9 million due to an 80-day strike, offset by almost a million riders who used PATH during the New York City transit strike.



Sales and Services

At year-end the World Trade Center had 550 tenants involved in international trade, commodity trading and support services, as well as 10 airline counters, 47 retail stores and services and 9 restaurants.

The office space of the World Trade Center was over 98 percent rented by the end of the year, although some leased space was not yet occupied.

The favorable downtown office rental market led the Port Authority to program the consolidation of its own headquarters space in the World Trade Center to release five floors for outside rental.

The Observation Deck on Two World Trade Center attracted 1.4 million visitors, matching its record high of 1979, and bringing the total to 6.6 million since its opening in 1975.

The World Trade Institute, the educational arm of the World Trade Center, provided some 500 programs for

Federal legislative trends affecting the region are summarized in the *Diary,* the Port Authority newspaper.

The Statue of Liberty, legislated center of the Port District when the Port Authority was first created, backed by the World Trade Center and the New York City skyline.

7,500 participants, making 1980 one of its most successful years of operation. Under an agreement with the U.S. Agency for International Development, the institute also completed 29 consultant projects and conducted programs for export development.

At year-end a real estate developer signed a lease with the Port Authority for the air rights above the Consolidated Edison substation at the north end of the World Trade Center. The lease, with a potential term of 99 years, calls for the construction of an office tower of not less than a million square feet.

Governor Carey appointed a committee late in the year to advise him as to the desirability and feasibility of the sale of the World Trade Center.

The New Jersey Union Motor Truck Terminal, having outlived its original purpose, was sold by sealed bid to a neighboring commercial company.

Energy Saving

Since the oil embargo of 1973 the Port Authority has succeeded through conservational and technological improvements in reducing its total consumption of energy at all facilities by 50 percent and its consumption of heating oil by 80 percent.

Port Authority Finance

February 27, 1981

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

The Finance Section of the Annual Report which appears on pages 14 to 36 includes a summary of the Port Authority's basic policies and financial structure together with a general discussion of the principal financial activities which occurred during the year ended December 31, 1980. Also included are the Consolidated Statements of Income, Changes in Net Assets, Financial Position and Changes in Financial Position and the related notes all of which have been prepared by the Port Authority in accordance with generally accepted accounting principles.

Schedules A, B and C are prepared pursuant to Port Authority bond resolutions and legal requirements as described in Note A-7. The Port Authority conducts its operations in accordance with such resolutions and legal requirements. 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.

A firm of independent public accountants, retained by the Port Authority, conducts an examination in accordance with generally accepted auditing standards and meets with the Audit Committee of the Board of Commissioners. The report of the independent accountants on the Port Authority's Financial Statements appears on page 18 of the Annual Report.

Peter C. Goldmark
Executive Director

Carl M. Wallberg
Director of Finance

Highlights	**1980**	**1979**
Gross Operating Revenues	**$ 647,600,000**	$ 588,100,000
Net Operating Revenues	**210,400,000**	196,500,000
Net Revenues Available for Debt Service and Reserves	**299,500,000**	247,900,000
Debt Service Charged to Revenues and Reserves	**185,300,000**	182,300,000
Cumulative Invested in Facilities	**4,148,300,000**	3,985,400,000
Bonded Debt Outstanding, in accordance with Port Authority bond resolutions	**1,930,800,000**	1,981,000,000
Bank Loans Outstanding	**93,800,000**	125,000,000
General Reserve Fund	**210,600,000**	210,600,000
Consolidated Bond Reserve Fund	**287,800,000**	183,800,000
Reserve Funds in Trust	**6,100,000**	8,300,000

Basic Policies and Financial Structure

The Port Authority, a municipal corporate instrumentality of the States of New York and New Jersey, was created by compact between the two states in 1921 with the consent of the Congress of the United States 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.

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

The governor of each state appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective state senates. Each governor has from time to time exercised the statutory power to veto the actions of the commissioners from his state.

The commissioners serve six-year overlapping terms as public officials without compensation. They establish Port Authority policy, appoint an Executive Director to effect it, and also appoint a General Counsel to act as legal advisor to the board and to the Executive Director.

The Executive Director is responsible for the management of the daily operations of the agency's 24 facilities through line and staff departments comprising 7,700 career personnel. He also guides proposals to the point of presentation to the Board of Commissioners, including the planning and developing of recommendations to the two states and the federal government to increase and expedite Port District commerce.

As a public corporation combining sound business and governmental principles and practices, the Port Authority endeavors to provide high quality public service and employs and develops personnel to that end.

Detailed policies and procedures are promulgated and communicated to all employees to guide the operation of each department. To assure compliance with the Port Authority's standards and to protect the assets of the Port Authority, a system of internal controls has been developed. This system is reviewed periodically by a staff of internal auditors which conducts examinations of the Port Authority's operations and reports on management's performance to the Executive Director and the Audit Committee.

A budget incorporating limits on expenditures by each department is adopted annually and continuous planning is undertaken to prepare for future developments. The 1981 budget was prepared and approved by the Port Authority after stringent examination and determination of all proposed expenditures. It is designed to enable the Port Authority to continue in the most economical manner the construction and operation of its facilities to the maximum public benefit.

The Port Authority's financial affairs are administered by Carl M. Wahlberg, Director of Finance, John B. McAvey, Comptroller, Marshal L. Wilcox, Jr., Treasurer and A. Gerdes Kuhbach, Senior Financial Advisor.

The compact envisions the Port Authority as being financially self-sustaining; and, as such, it must obtain the funds necessary for the construction or acquisition of facilities upon the basis of its own credit, its reserve funds and its future revenues. The agency has neither the power to pledge the credit of either state or any municipality nor to levy taxes or assessments.

Since its creation, investors have purchased over $4.8 billion in obligations, of which over $2.0 billion was outstanding on December 31, 1980.

To effect its programs, statutes which required the Port Authority to create the General Reserve Fund also established the principle of pooling revenues from older facilities, with established earning power, to aid in the development of new projects. The statutes also provide for the utilization of available net revenues to maintain the General Reserve Fund at the prescribed amount of at least 10 percent of the total par value of the Port Authority's outstanding bonded debt, in accordance with Port Authority bond resolutions, secured by a pledge of such fund.

Currently, the General Reserve Fund is pledged in support of all the Port Authority's outstanding bonds other than New York State Guaranteed Commuter Car Bonds and the Port Authority's bank loans.

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 a pledge, will not materially impair the Port Authority's sound credit standing, the investment status of its bonds or its ability to fulfill its commitments and undertakings.

It is the Port Authority's long-established policy to retire debt as rapidly as sound financial management permits and to maintain, at year-end, in its reserve funds, including reserve funds in trust, a combined amount 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 by use of the General Reserve Fund only to the extent that available reserve funds exceed the ensuing two years' mandatory bonded debt service.

A statutory covenant with holders of affected Port Authority obligations, which was enacted in 1962 by the legislatures of New York and New Jersey, permits deficit financing of passenger railroad facilities in addition to the basic PATH system only within specified financial limits. The covenant was adopted as part of the statutes authorizing Port Authority acquisition of the interstate Hudson and Manhattan Railroad. In 1973, the legislatures of New York and New Jersey enacted legislation to preclude application of this covenant provision to Port Authority obligations issued after May 10, 1973.

The establishment of Consolidated Bonds, Series Forty-two R, due July 15, 2011, at a maximum interest rate not in excess of 6.50 percent, was authorized on February 14, 1980, for the purpose of refunding, on July 15, 1986, $100,000,000 in principal amount of Consolidated Bonds, Forty-second Series, First Installment, 8.20 percent, due July 15, 2011. The authorization provided for the issuance of a First Installment of $100,000,000 of such series. There are no present plans to refund any other obligations of the Port Authority although there had been substantial consideration of this possibility in the past.

The establishment of Consolidated Bonds, Forty-ninth Series, Fiftieth Series and Fifty-first Series, due January 15, 2016, July 15, 2016 and January 15, 2017, respectively, bearing interest at a rate for each such series not in excess of 12 percent per annum was authorized on October 29, 1980, for purposes of capital expenditures in connection with the Port Authority's facilities. The authorization provided for the issuance of a First Installment of up to $100,000,000 of each such series, provided that the total aggregate principal amount of all such series would not exceed $200,000,000.

Financial Presentation

The Port Authority's consolidated financial statements are prepared in accordance with generally accepted accounting principles. They include a provision for depreciation on facilities in accordance with recommendations made by the accounting profession for state and local governmental units and adopted by the Port Authority in 1974. The statements also include information on Port Authority operations by operating segment. These financial statement presentations do not in any way change the net revenues or reserves or their applications as they are defined and governed by the Port Authority's bond resolutions and reflected in Schedules A, B and C. 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 or appropriations to Invested in Facilities.

The following information refers to Schedules A through F:

Combined Operations in Brief

The current year's gross operating revenues totaled $647,647,000, an increase of 10.1 percent over 1979. This growth represents the continuing development and utilization of the Port Authority's facilities. The additional bus and bus related mass transportation projects and the Port Authority Bus Terminal extension and modernization, made possible by the 1975 increase in tunnel and bridge tolls, are described on page 4.

This year's operating expenses amounted to $437,199,000, an increase of 11.7 percent over 1979.

Prior to 1980, in accordance with generally accepted accounting principles, the Port Authority had consistently capitalized net interest expense on Port Authority debt incurred to finance construction of capital projects until the completion of construction. Effective January 1, 1980, consistent with Financial Accounting Standard No. 34, Capitalization of Interest, interest expense is capitalized only on construction in progress and interest income is not capitalized.

Financial income on securities held in the reserve, operating and capital funds was $89,054,000 which resulted from investment income of $90,519,000, including a $12,323,000 gain on the purchase of Port Authority bonds, a downward adjustment of $1,796,000 in the value of short-term government securities held in these funds and $331,000 of miscellaneous income.

Thus, net revenues available for debt service and reserves were $299,502,000.

Interest on the Port Authority's debt charged to operations and reserves totaled $103,909,000 and long-term bonded debt amortization amounted to $50,159,000. In addition, $31,250,000 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 $185,318,000.

Financial Position at Year-End

As of December 31, 1980, the total assets of the Port Authority, as represented by the cumulative amount invested in facilities and balances in construction, operating and reserve funds, were $4,993,380,000, an increase of 3.7 percent, or $179,551,000, over last year.

The amount invested in facilities rose by $162,977,000, including interest during construction of $10,898,000 on bonded debt and bank loans, to a cumulative total of $4,148,331,000 at year-end 1980.

This increase is represented by additional investment in:

Ground and Mass Transportation Facilities	$60,000,000
Air Terminals	59,000,000
The World Trade Center	32,000,000
Marine Terminals	12,000,000

Bonded debt decreased during the year by $50,159,000 to a total of $1,930,811,000. During the year, net assets increased by 8.6 percent to a total of $2,721,629,000, about 66 percent of the amount invested in facilities.

Reserve Funds

At year-end 1980, the General Reserve Fund balance was $210,597,000 and continued to meet the prescribed statutory amount of at least 10 percent of outstanding bonded debt, in accordance with Port

Authority bond resolutions, secured by a pledge of such Fund. Three bond issues in the aggregate principal amount of $125,000,000 issued by the Port Authority solely as additional security for the payment of three bank loans obtained in 1977 and held in trust for that purpose are included in determining such amount. On December 31, 1980, the Consolidated Bond Reserve Fund had a balance of $287,823,000, after application of $36,999,000 to meet interest and principal installments on bank loans, $20,000,000 to invested in facilities, $10,000,000 for the retirement of Consolidated Bonds in anticipation of future requirements, and $1,896,000 to self-insurance. The balance of the Special Reserve Fund in Trust, described on pages 17 and 18, totaled $6,103,000. The sum of these reserves was $504,523,000, which exceeded the next two years' mandatory bonded debt service.

Bond covenants require that the reserve funds be maintained in cash or invested in certain government securities. At year-end, $499,551,000 was invested in securities.

Financial Income

The Port Authority's long-term investment portfolio was invested in securities of or guaranteed by the United States Government and Port Authority bonds. Earnings of $40,179,000 were recorded on an average long-term portfolio of $318,619,000.

Short-term investments, primarily in government securities and money market instruments, resulted in earnings of $50,340,000 on an average investment of $405,102,000.

Prior to 1980, investments in securities, other than Port Authority bonds, were valued at the lower of their aggregate amortized cost or market value. Effective January 1, 1980, the Port Authority revised its method of valuing its investments in securities. Investments in long-term securities (those securities scheduled to mature more than a year after their purchase date), other than Port Authority bonds, are now valued at amortized cost. The effect of this accounting change is to increase 1980 income by $11,958,000 which when combined with its cumulative effect on prior years of $9,503,000 increases 1980 net income by $21,461,000.

Financing

During 1980, $50,159,000 par value of long-term bonds was retired. Long-term bonds with a par value of $40,159,000 were retired through mandatory sinking fund and maturity payments. Those, together with the following bonds with a par value of $10,000,000, which were retired in anticipation of future requirements, account for the total debt retired through revenues and reserves.

Series	Amount
Twenty-first Series	$ 700,000
Twenty-third Series	1,475,000
Twenty-ninth Series	2,150,000
Thirtieth Series	1,000,000
Thirty-fourth Series	3,125,000
Thirty-ninth Series	1,050,000
Forty-first Series	500,000
	$10,000,000

The December 20, 1980 annual installment payment of $31,250,000 was made on the 1977 bank loans as scheduled. The unpaid balance of the three bank loans still outstanding was $93,750,000 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. Furthermore, all Consolidated Bonds, including any which may hereafter be issued, are 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.

The only obligations of the Port Authority which were issued prior to the establishment in 1952 of the issue of Consolidated Bonds and were outstanding during 1980 were the 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 each reached a level sufficient to secure fully the payment of principal and interest to redemption on the outstanding bonds for which such Funds had been established. On December 31, 1970, the Port Authority placed amounts available from such Funds in trust with First National City Bank (now Citibank, N.A.), as Trustee, 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 such outstanding bonds. After the establishment and during the maintenance of these Reserve Funds in Trust, no further payments are required to be made into such Reserve Funds.

As of December 31, 1980, the Port Authority had fully satisfied all debt service requirements on Air Terminal and Marine Terminal Bonds and the Air Terminal and Marine Terminal Reserve Funds in Trust no longer exist. With the establishment and maintenance of these Trust Funds, and with the satisfaction of all outstanding Air Terminal and Marine Terminal Bonds in 1980, 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. 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 1977.

On December 31, 1980, outstanding Consolidated Bonds totaled $2,050,006,000. Since 1952, the Port Authority has issued $3,041,650,000 of Consolidated Bonds and Notes, exclusive of refundings.

Price Waterhouse & Co.

153 EAST 53RD STREET
NEW YORK, N.Y. 10022

February 27, 1981

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, 1980 and 1979, and the related consolidated statements of income, changes in net assets and changes in financial position for the years then ended. We also have examined the financial information included in Schedules A through F. 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, 1980 and 1979, 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 except for the changes, with which we concur, in the methods of accounting for interest and long-term investments as described in Notes A-3, A-4 and B-1. The accompanying Schedules A through C have been prepared pursuant to the requirements of law and Port Authority bond resolutions. The accounting practices followed in the preparation of these schedules differ in some respects from generally accepted accounting principles as described in Note A-7. In our opinion, Schedules A, B and C present fairly the consolidated assets and liabilities of the Authority at December 31, 1980, and the consolidated revenues and reserves for the year then ended, in conformity with the accounting principles described in Note A-7 consistently applied except for the changes, with which we concur, in the methods of accounting for interest and long-term investments as described in Notes A-3, A-4 and B-1. Also, in our opinion, the supplementary information presented in Schedule D is stated fairly in all material respects in relation to Schedules A, B and C taken as a whole and the selected financial data for each of the five years in the period ended December 31, 1980 included in Schedule E, which has been prepared from the applicable schedules covered by our opinions in each of those years, present fairly the financial information included therein. In our opinion, Schedule F presents fairly the assets and liabilities of the New York State Commuter Car Program at December 31, 1980, in conformity with the basis of accounting described thereon, which basis has been applied in a manner consistent with that of the preceding year.

Price Waterhouse & Co.

Consolidated Statement of Income

	Year Ended December 31, 1980	1979
	(In Thousands)	
Gross Operating Revenues	**$647,647**	$588,064
Operating Expenses:		
Employee compensation, including benefits	**223,450**	211,390
Materials, equipment, supplies and contract services	**92,665**	83,856
Heat, light and power	**57,580**	41,002
Rents (primarily related to airport leases) and amounts in-lieu-of-taxes	**39,980**	32,568
Other (Note K-3)	**23,524**	22,701
Total Operating Expenses	**437,199**	391,517
Depreciation on Facilities (Note B)	**100,973**	101,515
Income from Operations	**109,475**	95,032
Financial Income and Expense:		
Income on investments (Notes A-3 and A-4)	**75,989**	42,671
Gain on purchase of Port Authority bonds	**12,323**	10,067
Security valuation adjustment (Note A-4)	**(1,796)**	(3,664)
Interest expense (Notes A-3 and A-4)	**(101,371)**	(91,640)
Income Before Cumulative Effect of Change in Accounting Principle	**94,620**	52,466
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method (Note A-4)	**9,503**	—
Net Income	**$104,123**	$ 52,466

Consolidated Statement of Changes in Net Assets

	Year Ended December 31, 1980	1979
	(In Thousands)	
Balance at January 1	**$1,318,181**	$1,258,072
Net Income	**104,123**	52,466
Government Contributions in Aid of Construction (Note G)	**11,203**	7,643
Balance at December 31	**$1,433,507**	$1,318,181

See Notes to Consolidated Financial Statements.

Consolidated Statement of Financial Position

	December 31, 1980	December 31, 1979
	(In Thousands)	
Assets		
Facilities, at Cost (Note B)	**$4,080,091**	$3,923,696
Less Accumulated Depreciation on Facilities	**1,219,882**	1,125,491
Facilities, Net	**2,860,209**	2,798,205
Investments (excluding $55,092,000 in 1980 and $61,136,000 in 1979 of Port Authority Bonds Purchased by the Port Authority (Notes A-4 and C))	**682,373**	678,696
Cash	**15,656**	4,948
Other Assets	**91,928**	83,695
Total Assets	**3,650,166**	3,565,544
Liabilities		
Bonded Debt (Notes A-4 and D)	**1,930,811**	1,980,970
Port Authority Bonds Purchased by the Port Authority	**(55,092)**	(61,136)
Bank Loans Payable (Note E-1)	**93,750**	125,000
Accounts Payable and Other Liabilities	**242,567**	198,198
Deferred Credits to Income	**4,623**	4,331
Total Liabilities	**2,216,659**	2,247,363
Net Assets	**$1,433,507**	$1,318,181
Net Assets are Composed of:		
Net Income Invested in Port Authority Facilities, Operations and Reserves	**$1,285,956**	$1,173,287
Government Contributions in Aid of Construction (Note G)	**147,551**	144,894
Net Assets	**$1,433,507**	$1,318,181

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Financial Position

	Year Ended December 31, 1980	1979
	(In Thousands)	
Funds Provided from:		
Net Income	**$104,123**	$ 52,466
Add-Income charges not affecting funds in the period:		
Depreciation on facilities	**100,973**	101,515
Amortization of certain other assets	**6,679**	7,965
Funds provided by operations	**211,775**	161,946
Consolidated bonds	—	75,000
Government contributions in aid of:		
Current construction	**11,203**	6,725
Prior construction	—	918
Net increase in accounts payable and other liabilities	**44,369**	23,657
Net change related to Port Authority bonds purchased by the Port Authority	**6,044**	—
Sale of Newark Union Motor Truck Terminal	**3,050**	—
Total Funds Provided	**276,441**	268,246
Funds Applied to:		
Cost of facilities	**166,027**	102,401
Retirement of bonded debt	**50,159**	49,261
Repayment of bank loans	**31,250**	40,000
Net change related to Port Authority bonds purchased by the Port Authority	—	4,342
Other net changes in other assets and deferred credits	**14,620**	16,649
Total Funds Applied	**262,056**	212,653
Net Increase in Cash and Investments	**$ 14,385**	$ 55,593

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; 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 bonds and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily in the form of fares, fees, tolls, rents and other user charges (see Note H-1).

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 pledged as additional security for bondholders (see Note F).

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 F.

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 (see Note G). Facility capital costs prior to 1980 include net interest expense incurred from the date of issuance of the debt to finance construction until completion of the capital project. Consistent with Financial Accounting Standard No. 34, Capitalization of Interest, facility capital costs only include the interest expense incurred on such debt after 1979 relating to construction in progress. (See Note B-1.)

Expenditures for repairs and maintenance are charged to operating expenses as incurred.

4. Prior to 1980, investments in securities, other than Port Authority bonds, were valued at the lower of their aggregate amortized cost or market value. Effective January 1, 1980, the Port Authority revised its method of valuing its investments in securities. Investments in long-term securities (those securities scheduled to mature more than a year after their purchase date), other than Port Authority bonds, are now valued at amortized cost. The change in accounting for investments in long-term securities which the Authority intends to maintain until maturity eliminates fluctuations in earnings attributable to changes in market value of long-term securities. The effect of this accounting change is to increase 1980 income by $11,958,000 which when combined with its cumulative effect on prior years of $9,503,000 increases 1980 net income by $21,461,000. The effect on 1979 net income and net increase in reserves with the 1980 accounting change retroactively applied on a pro forma basis is not considered significant.

Port Authority bonds purchased by the Port Authority serve to reduce bonded debt and are not included in investments. Interest expense and interest earnings relating to such Port Authority bonds purchased are not included in interest on bonded debt and income on investments (see Note A-7).

Investments in short-term securities other than Port Authority bonds are valued at the lower of their aggregate amortized cost or market value.

5. 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 operating expenses as incurred.

6. Depreciation is computed on the straight-line method based on estimated useful lives of the related assets including those financed by government contributions (see Note G). In distributing net income to net assets, a charge representing depreciation on assets acquired with contributions is made against the related contributions accounts. The cost and accumulated depreciation related to assets removed from service are eliminated from the accounts (see Note A-7 and Note B-1).

7. Schedules A, B and C have been prepared in accordance with generally accepted accounting principles, except that these schedules also take into account the requirements of law and Port Authority bond resolutions. Accordingly, these schedules are not intended to present the financial information shown therein in conformity with generally accepted accounting principles.

The Port Authority's bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities. Thus, depreciation is not a 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 appropriations Invested in

Facilities. These deductions are credited at par to Debt Retired Through Income and also credited to Appropriated Reserves Invested in Facilities.

Port Authority bonds purchased by the Port Authority remain outstanding and are included in Investments and Bonded Debt until retirement. Interest expense and interest earnings relating to such Port Authority bonds purchased are included in interest on bonded debt and income on investments.

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.

Note B–Facilities:

1. Cost of facilities is composed of the following:

	December 31,	
	1980	**1979***
	(In Thousands)	
Completed Construction:		
Air Terminals	$1,338,237	$1,313,966
World Trade Center	1,022,206	974,852
Tunnels & Bridges	588,323	564,727
Marine Terminals	544,543	546,402
Rail Facilities	260,070	251,788
Bus Terminal & Bus Program	157,147	49,205
	3,910,526	3,700,940
Construction in Progress	169,565	222,756
	$4,080,091	$3,923,696

*Reclassified for comparative purposes. Marine Terminals includes an amount for Truck Terminals which was previously included with the Bus Terminal. This reclassification is consistent with information shown on Note L.

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

The undepreciated value of the cost of assets removed from service, primarily related to capital improvements, maintenance, and the retirement of obsolete property at various Port Authority facilities amounting to approximately $347,000 and $5,600,000 was charged to depreciation expense in 1980 and 1979, respectively (see Note A-6 and A-7). Interest expense added to cost of facilities was $10,898,000 in 1980, and net interest of $2,591,000 was added to cost of facilities in 1979.

Prior to 1980, in accordance with generally accepted accounting principles, the Port Authority had consistently capitalized net interest expense on Port Authority debt incurred to finance construction of capital projects until the completion of construction. Effective January 1, 1980, consistent with Financial Accounting Standard No. 34, Capitalization of Interest, interest expense is capitalized only on construction in progress and interest income is not capitalized (see Note A-3). As a result of this change in accounting, 1980 net income has been increased by $11,059,000.

2. 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. Construction of the interior finishes of a portion of the third terminal by the airlines is presently scheduled to begin in January, 1983. The Port Authority's net investment in this terminal amounted to $45,604,000 at December 31, 1980, and depreciation expense charged to income amounted to $1,531,000 in 1980 and $1,517,300 in 1979.

3. Invested in Facilities at December 31, 1980 includes an amount of $18,604,000 for 175 Advance Design Buses which are being leased to the New York City Transit Authority pursuant to the Port Authority Bus Program (see Note K-1).

Note C–Investments:

	December 31, 1980			December 31, 1979
	Principal Amount	Quoted Market Value	Book Value	Book Value
		(In Thousands)		
Short-Term				
United States Treasury Bills	$293,000	$282,393	$283,655	$255,481
United States Treasury Notes	—	—	—	38,124
Bankers' Acceptances	65,000	63,268	63,141	48,095
Farmers Home Administration (Department of Agriculture) Insured Notes	—	—	—	17,995
Security Valuation Allowance (Note A-4)	—	—	(1,135)	(191)
Total Short-Term	$358,000	$345,661	345,661	359,504
Long-Term (Note A-4)				
Farmers Home Adminstration (Department of Agriculture) Insured Notes	$ 58,500	$ 47,033	58,433	58,422
United States Treasury Notes	246,920	236,099	245,690	105,722
Government National Mortgage Association (G.N.M.A.) Participation Certificates	2,000	1,530	2,000	2,000
Security Valuation Allowance (Note A-4)	—	—	—	(9,503)
Total Long-Term	$307,420	$284,662	306,123	156,641
Time Deposits with Banks	$ 7,282		7,282	108,940
United States Treasury Bills and Notes and G.N.M.A. Participation Certificates held under agreement to repurchase	$ 10,970		9,875	40,705
Accrued Interest Receivable			13,432	12,906
Investments (not including Bonds of The Port Authority of New York and New Jersey)			682,373	678,696
Bonds of The Port Authority of New York and New Jersey	$ 55,092		55,092	61,136
Total Investments (including Bonds of The Port Authority of New York and New Jersey)			$737,465	$739,832

Note D—Bonded Debt:

1. The following table shows the amount of Port Authority bonds outstanding in accordance with Port Authority bond resolutions as of December 31, 1980 and December 31, 1979.

		December 31, 1979	Issued	Retired	December 31, 1980
			(In Thousands)		
General and Refunding Bonds					
Ninth Series	1½% due 1985	$ 2,074	$ —	$ 402	$ 1,672
Tenth Series	1¾% due 1985	1,240	—	240	1,000
Eleventh Series	1¼% due 1986	3,737	—	604	3,133
		7,051	—	1,246	5,805
Air Terminal Bonds					
Third Series	2.20% due 1980	667	—	667	—
		667	—	667	—
Marine Terminal Bonds					
Second Series	2.20% due 1980	154	—	154	—
		154	—	154	—
Consolidated Bonds					
First Series	3% due 1982	5,008	—	1,632	3,376
Second Series	2¾% due 1984	8,820	—	1,600	7,220
Fourth Series	2¾% due 1985	11,700	—	1,800	9,900
Fifth Series	2.90% due 1983	7,500	—	1,400	6,100
Sixth Series	3% due 1986	15,000	—	1,200	13,800
Seventh Series	3.40% due 1986	12,500	—	1,000	11,500
Eighth Series	3.40% due 1987	26,000	—	3,000	23,000
Tenth Series	3¾% due 1987	17,700	—	1,800	15,900
Twelfth Series	3⅜% due 1988	21,000	—	2,100	18,900
Fourteenth Series	3⅝% due 1989	28,270	—	3,135	25,135
Sixteenth Series	4¼% due 1989	12,850	—	1,425	11,425
Seventeenth Series	1% due 1980	1,500	—	1,500	—
Eighteenth Series	3½% due 1980-1981	4,200	—	2,100	2,100
Nineteenth Series	3½% due 1991	16,000	—	750	15,250
Twentieth Series	3¼% due 1993	26,600	—	1,225	25,375
Twenty-first Series	3.40% due 1993	16,250	—	700	15,550
Twenty-second Series	3⅜% due 1993	19,000	—	875	18,125
Twenty-third Series	3⅜% due 1994	18,125	—	1,475	16,650
Twenty-fourth Series	3½% due 1994	19,750	—	750	19,000
Twenty-fifth Series	Various due 1980-1984	7,500	—	1,500	6,000
Twenty-sixth Series	3½% due 1995	29,575	—	1,050	28,525
Twenty-seventh Series	3⅜% due 1995	22,000	—	1,000	21,000
Twenty-eighth Series	3⅜% due 1996	23,500	—	750	22,750
Twenty-ninth Series	3½% due 1996	23,500	—	2,900	20,600
Thirtieth Series	3⅝% due 1998	18,750	—	1,000	17,750
Thirty-first Series	4% due 2002	94,500	—	1,500	93,000
Thirty-second Series	5% due 2003	96,000	—	1,500	94,500
Thirty-third Series	4¾% due 2003	96,000	—	1,500	94,500
Thirty-fourth Series	5½% due 2003	99,000	—	3,625	95,375
Thirty-fifth Series	6⅝% due 2005	100,000	—	500	99,500
Thirty-sixth Series	6.40% due 2005	50,000	—	250	49,750
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	—	1,050	148,950
Fortieth Series	6% due 2008	100,000	—	—	100,000
Forty-first Series	5½% due 2008	100,000	—	500	99,500
Forty-second Series	8.20% due 2011	100,000	—	—	100,000
Forty-third Series	7% due 2011	50,000	—	—	50,000
Series Forty-four	7½% due 2011 (See Note on Schedule D)	—	—	—	—
Forty-fifth Series	6½% due 2012	75,000	—	—	75,000
Forty-sixth Series	6% due 2013	75,000	—	—	75,000
Forty-seventh Series	6½% due 2013	100,000	—	—	100,000
Forty-eighth Series	6¾% due 2014	75,000	—	—	75,000
		1,973,098	—	48,092	1,925,006
Total Bonded Debt in accordance with Port Authority bond resolutions		$1,980,970	$ —	$50,159	$1,930,811

	December 31, 1979	December 31, 1980
2. Total Bonded Debt in accordance with Port Authority bond resolutions	$1,980,970	$1,930,811
Less: Amortized cost of Port Authority bonds purchased by the Port Authority	61,136	55,092
	$1,919,834	$1,875,719

Note E–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 described in Note D and Schedule D.

1. The scheduled repayment of the Port Authority's loans obtained from banks and trust companies is as follows:

Bank Loans	Amount of Bank Loans Outstanding at December 31, 1980	1979
Payable $12,500,000 annually 1981-1983 at 5¾%	$37,500,000	$ 50,000,000
Payable in 1981 at a rate per annum equal to the lesser of (i) 70% of prime interest rate as defined in the loan agreement or (ii) 7¾%	12,500,000	25,000,000
Payable $6,250,000 in 1981 and $18,750,000 annually in 1982 and 1983 at a rate per annum equal to the lesser of (i) 70% of prime interest rate as defined in the loan agreement or (ii) 7¾%	43,750,000	50,000,000
	$93,750,000	$125,000,000

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 F-2), 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 General and Refunding 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. The establishment of Consolidated Bonds, Series Forty-two R, due July 15, 2011, at a maximum interest rate not in excess of 6.50 percent, was authorized on February 14, 1980, for the purpose of refunding, on July 15, 1986, $100,000,000 in principal amount of Consolidated Bonds, Forty-second Series, First Installment, 8.20 percent, due July 15, 2011. The authorization provided for the issuance of a First Installment of $100,000,000 of such Series. There are no present plans to refund any other obligations of the Port Authority although there had been substantial consideration of this possibility in the past.

3. The establishment of Consolidated Bonds, Forty-ninth Series, Fiftieth Series and Fifty-first Series, due January 15, 2016, July 15, 2016, and January 15, 2017, respectively, bearing interest at a rate for each such series not in excess of 12 percent per annum was authorized on October 29, 1980, for purposes of capital expenditures in connection with the Port Authority's facilities. The authorization provided for the issuance of a First Installment of up to $100,000,000 of each such Series, provided that the total aggregate principal amount of all such Series would not exceed $200,000,000.

Note F–Reserves:

1. 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, in accordance with Port Authority bond resolutions, which is secured by a pledge of the Fund. At December 31, 1980, the General Reserve Fund balance was $210,597,000 and continued to meet the prescribed statutory amount. 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 such outstanding bonded debt. Consolidated Bonds, Forty-fourth Series, Consolidated Bonds, Series Forty-four-A and Consolidated Bonds, Series Forty-four-B are included in determining these amounts (see Note on Schedule D). The bank loans described in Note E-1 are not so included.

At December 31, 1980, the Port Authority met the requirements of its bond resolutions to maintain total reserve funds in cash and specified marketable securities. Such amount included $6,103,000 held in trust for repayment of principal and interest on General and Refunding Bonds (see Note F-3).

2. In accordance with the provisions of the bank loan agreements (see Note E-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 would 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. As of December 31, 1980, the Port Authority had fully satisfied all debt service requirements on Air Terminal and Marine Terminal Bonds and the Air Terminal and Marine Terminal Reserve Funds in Trust no longer exist.

Under the terms of the Agreement of Trust, the remaining General and Refunding Bonds are not required to be paid or redeemed in advance of their scheduled redemption by operation of the sinking fund therefor.

With the establishment and maintenance of these Trust Funds, and with the satisfaction of all outstanding Air Terminal and Marine Terminal Bonds in 1980, 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.

3. The balance of all net revenues upon which Consolidated Bonds have a first lien, after deducting payments for debt service upon all Consolidated Bonds 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 of all existing facilities of the Port Authority (not including cars acquired under New York State's Commuter Car Program) and any additional facility financed by Consolidated Bonds. The prior liens and pledges with respect to certain net revenues in favor of General and Refunding Bonds of the Port Authority have been satisfied by the establishment and maintenance of the Special Reserve Fund in Trust as discussed in Note F-1.

Note G—Government Contributions in Aid of Construction:

At December 31, 1980, the Port Authority had received contributions in aid of construction for capital purposes from government agencies aggregating $200,669,000, including $11,203,000 of federal funding received from the Airport Development Aid Program in 1980. Charges representing depreciation on assets relating to these contributions were $8,546,000 in 1980 and $6,168,000 in 1979 (see Note A-6).

Funding of the Airport Development Aid Program terminated on September 30, 1980, and has not yet been renewed by the Congress of the United States.

	December 31, 1980	December 31, 1979
Contributions	$200,669,000	$189,466,000
Less: Accumulated Charges (depreciation on assets acquired with contributions)	53,118,000	44,572,000
	$147,551,000	$144,894,000

Note H—Operating Revenues and Lease Commitments:

1. Gross operating revenues of the Port Authority, obtained primarily from fares, fees, tolls and other user charges, and from certain operating leases and other agreements, amounted to $647,647,000 in 1980 and $588,064,000 in 1979. Gross operating revenues attributable to minimum rentals associated with operating leases amounted to approximately $185,000,000 in 1980 and approximately $163,000,000 in 1979. It is expected that costs of construction and operation of Port Authority facilities will continue to increase and that increases from time to time will continue to be necessary in the Port Authority's fares, fees, tolls, rentals and other charges, or that reductions in services and associated expenditures will occur, so that the cost of Port Authority operations and debt service and reserves will continue to be provided for in accordance with financial requirements and agreements with holders of Port Authority bonds.

2. Property Held for Lease

The Port Authority 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 airports, marine terminals, bus and truck terminals and the World Trade Center.

Minimum future rentals scheduled to be received on operating leases in effect on December 31, 1980 are:

Year Ending December 31:	
1981	$ 158,903,000
1982	146,413,000
1983	139,031,000
1984	132,567,000
1985	121,123,000
Later Years	1,229,092,000
Total Minimum Future Rentals	$1,927,129,000

Investments in airports, World Trade Center, marine terminals and the bus terminal as of December 31 include property associated with minimum rentals derived from operating leases (see Note B-1). 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, Newark and Hoboken for various air and marine terminals, aggregated $33,900,000 in 1980 and $28,100,000 in 1979. The lease terms expire at various times from 2002 to 2018 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1980 are detailed below and additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year Ending December 31:	
1981	$ 6,200,000
1982	6,100,000
1983	6,100,000
1984	6,000,000
1985	6,800,000
Later Years	155,600,000
Total Minimum Future Rentals	$186,800,000

Note I–World Trade Center:

1. Gross operating revenues include rental income of $24,200,000 in 1980 and $23,800,000 in 1979 from New York State for office space which the state occupies in a substantial portion of one of the tower buildings of the Port Authority's World Trade Center facility pursuant to a lease agreement renewable for successive five-year terms totaling 100 years. In 1975 the state did not formally exercise its option to renew the lease. The state is presently discussing revised lease terms with the Port Authority.

2. From time to time the Port Authority has received inquiries with respect to the sale of the World Trade Center. The Port Authority has cooperated with each of the parties, who have expressed serious interest and demonstrated adequate resources, and has provided information on the World Trade Center to such potential purchasers. It has also provided information on an extensive list of questions asked by the Task Force named by the Governor of the State of New York to study and to report on the feasibility and desirability of selling the World Trade Center.

While no decision has been made to sell the World Trade Center, the Port Authority is actively considering the ramifications of a sale and has engaged a real estate consultant primarily to assist it in evaluating the worth of the World Trade Center to the Port Authority and to potential private investors.

Note J–Pension and Retirement Plans:

Employees of the Port Authority are covered by one of two public employees' retirement systems: the New York State Employees' Retirement System or the New York State Policemen's and Firemen's Retirement System. PATH employees are covered by the provisions of the Railroad Retirement Act and certain PATH employees are also covered by supplemental plans administered by PATH. The Port Authority's contributions to the public employees' retirement systems are based primarily on billings from these systems (and PATH's contributions are based on federal regulations pursuant to the Railroad Retirement Act). For the years 1980 and 1979, the Port Authority and PATH provided a total of approximately $41,500,000 and $37,700,000, respectively, as employer contributions to these pension and retirement plans.

The two public employees' retirement systems covering Port Authority employees do not require contributions from police personnel or from those non-police employees who joined the system prior to July 1, 1976. Non-police personnel who became members of the system on July 1, 1976 and thereafter are presently required by statute to contribute three percent of their annual wages, with the Port Authority contributing the balance required by the system for these employees. Contributions to these public employees' retirement systems for 1980 and 1979 by the Port Authority and

Port Authority employees represented approximately three percent of the total contributions to the systems in each of these years. No information is available from these retirement systems as to the amount of any excess of the actuarially computed value of vested benefits over the systems' assets specifically related to employees of the Port Authority. However, if these public employees' retirement systems were to have terminated as of March 31, 1980, the latest date for which information is available, the actuarial value of vested benefits for all of the employees covered by such systems (including the small percentage that are Port Authority employees) would exceed the assets of such systems by approximately seven percent.

Note K–Commitments and Certain Charges to Operations:

1. At December 31, 1980, approximately $178,000,000 of construction was expected to be completed within the next three years pursuant to various contracts entered into by the Port Authority.

In connection with the revisions to the Port Authority bridge and tunnel toll schedules which were effective May 5, 1975, the Port Authority has allocated $160,000,000 to the extension of the Port Authority Bus Terminal and is authorized to allocate up to $240,000,000 of proceeds of Consolidated Bonds to be issued during the next several years for mass transportation projects consisting of buses and other bus related facilities, $120,000,000 in each of the States of New York and New Jersey.

The buses and other bus related facilities are to be leased to the two states or to their designated agencies pursuant to legislation effective March 1, 1979, in accordance with priorities established by responsible state officials and the commissioners of the Port Authority acting consistent with commitments to the holders of Port Authority obligations. Under the terms of the legislation the Port Authority is not permitted to incur operating or maintenance expenses in connection with its capital program to provide buses and bus related facilities and the Port Authority does not expect to derive any revenue from this capital investment in these Port Authority facilities (see Note B-3).

Capital expenditures during the year 1981 are budgeted in the amount of $250,578,000 including a portion of the allocations related to the contracts and programs noted above as well as the other ongoing capital construction programs of the Port Authority. Capital expenditures have consistently underrun the budget during the last five years largely because of delays in construction and required authorizations.

2. The Port Authority is now engaged in providing various capital improvements to certain of its existing facilities, and has undertaken studies for other such improvements and for other new construction and acquisitions, which may require the issuance of bonds by the Port Authority. These include, but are not limited to, waterfront redevelopment, redevelopment of the central terminal area roadway system at John F. Kennedy International Airport, industrial development projects and facilities and the development of the former Central Railroad of New Jersey property at the Elizabeth-Port Authority Marine Terminal. The Port Authority can only undertake capital projects, including those noted above, consistent with Port Authority bond covenants and appropriate legislative authorization and as such no Port Authority capital funds are committed to capital projects without appropriate certifications and authorizations.

3. Other expenses of $23,524,000 in 1980 and $22,701,000 in 1979 include amounts for insurance, telephone, and certain other operating, development and administrative expenses.

Note L—Information on Port Authority Operations by Operating Segment:

1. Operating Results

Gross operating revenues by operating segment exclude interdepartmental revenues primarily relating to the World Trade Center of $15,141,000 in 1980, and $14,738,000 in 1979. In the table below, gross operating income (loss) consists of gross operating revenues less operating and maintenance expenses and depreciation. General administrative and development expenses, financial income, interest on debt and interdepartmental revenues and expenses are not considered in calculating gross operating income (loss).

	Ground and Mass Transportation				Port Commerce and Economic Development				Combined	
	Tunnels & Bridges	Bus Terminal and Bus Program	Rail	Total	Air Terminals	Marine Terminals*	World Trade Center	Total	1980	1979
					(In Thousands)					
1980										
Gross Operating Revenues	$142,825	$ 17,309	$12,397	$172,531	$313,927	$ 51,151	$110,038	$ 475,116	$ 647,647	
Gross Operating Income (Loss)	76,988	(2,606)	(37,452)	36,930	87,194	10,771	31,202	129,167	$ 166,097	
1979										
Gross Operating Revenues	137,321	15,366	14,717	167,404	290,066	47,839	82,755	420,660		$ 588,064
Gross Operating Income (Loss)	74,944	(1,648)	(38,448)	34,848	87,835	6,807	18,920	113,562		$ 148,410
General Administrative and Development Expenses									(56,622)	(53,378)
Income from Operations									109,475	95,032
Financial Income									86,516	49,074
Interest on Debt									(101,371)	(91,640)
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method (Note A-4)									9,503	—
Net Income									$ 104,123	$ 52,466

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 depreciation.

	Ground and Mass Transportation				Port Commerce and Economic Development				
	Tunnels & Bridges	Bus Terminal and Bus Program	Rail	Total	Air Terminals	Marine Terminals*	World Trade Center	Total	Total Assets
					(In Thousands)				
1980 Assets									
Facilities, net—beginning of year	$428,929	$131,460	$216,888	$777,277	$751,949	$367,570	$901,409	$2,020,928	$2,798,205
Net capital expenditures	10,149	42,883	6,620	59,652	59,220	12,214	31,891	103,325	162,977
Depreciation	(8,885)	(1,341)	(5,696)	(15,922)	(50,858)	(15,014)	(19,179)	(85,051)	(100,973)
Facilities, net—end of year	$430,193	$173,002	$217,812	$821,007	$760,311	$364,770	$914,121	$2,039,202	2,860,209
Cash, investments and other assets									789,957
Total Assets									$3,650,166
1979 Assets									
Facilities, net—beginning of year	$421,777	$103,327	$221,591	$746,695	$778,626	$377,522	$894,476	$2,050,624	$2,797,319
Net capital expenditures	15,522	28,942	5,445	49,909	22,326	5,388	24,778	52,492	102,401
Depreciation	(8,370)	(809)	(10,148)	(19,327)	(49,003)	(15,340)	(17,845)	(82,188)	(101,515)
Facilities, net—end of year	$428,929	$131,460	$216,888	$777,277	$751,949	$367,570	$901,409	$2,020,928	2,798,205
Cash, investments and other assets									767,339
Total Assets									$3,565,544

*See Note B-1

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

	Year Ended December 31,			
	1980			1979
	Operating Fund	Reserve Funds (Schedule C)	**Combined Total**	Combined Total
	(In Thousands)			
Gross Operating Revenues	$647,647	$ —	**$647,647**	$588,064
Operating Expenses:				
Employee compensation, including benefits	223,450	—	**223,450**	211,390
Materials, equipment, supplies and contract services	92,665	—	**92,665**	83,856
Heat, light and power	57,580	—	**57,580**	41,002
Rents (primarily related to airport leases) and amounts in-lieu-of-taxes	39,980	—	**39,980**	32,568
Other (Note K-3)	23,524	—	**23,524**	22,701
Total Operating Expenses	437,199	—	**437,199**	391,517
Net Operating Revenues	210,448	—	**210,448**	196,547
Financial Income				
Income on investments (includes gain of $12,323,000 in 1980 and $10,067,000 in 1979 on purchase of Port Authority bonds (Notes A-3 and A-4))	38,439	52,411	**90,850**	55,024
Security valuation adjustment (Note A-4)	(1,064)	(732)	**(1,796)**	(3,664)
Net Revenues Available for Debt Service and Reserves	247,823	51,679	**299,502**	247,907
Debt Service				
Interest on bonded debt (Note A-3)	98,040	120	**98,160**	87,556
Serial maturities and sinking fund retirements	38,092	2,067	**40,159**	40,843
Debt retirement acceleration	—	10,000	**10,000**	7,500
Interest on bank loans (Note A-3)	—	5,749	**5,749**	6,370
Repayment of bank loans	—	31,250	**31,250**	40,000
Total Debt Service	136,132	49,186	**185,318**	182,269
Direct Investment in Facilities	—	20,000	**20,000**	25,000
Appropriation for Self-Insurance	—	1,896	**1,896**	3,444
Transfers to Reserves	($111,691)	111,691	**—**	—
Increase in Reserves Before Cumulative Effect of Change in Accounting Principle		92,288	**92,288**	37,194
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method (Note A-4)		9,503	**9,503**	—
Net Increase in Reserves		101,791	**101,791**	37,194
Reserve Balances—Beginning of Year		402,732	**402,732**	365,538
Reserve Balances—End of Year		$504,523	**$504,523**	$402,732

See Notes to Consolidated Financial Statements.

Schedule B **Assets and Liabilities** (Pursuant to Port Authority bond resolutions)

	December 31, 1980				December 31, 1979
	Operating Fund	Capital Fund	Reserve Funds	**Combined Total**	Combined Total
			(In Thousands)		
Assets					
Invested in Facilities	$ —	$4,148,331	$ —	**$4,148,331**	$3,985,354
Investments (Note C)	139,513	98,401	499,551	**737,465**	739,832
Cash	6,253	4,431	4,972	**15,656**	4,948
Other Assets	85,804	6,124	—	**91,928**	83,695
Total Assets	231,570	4,257,287	504,523	**4,993,380**	4,813,829
Liabilities					
Bonded Debt (Note D)	—	1,930,811	—	**1,930,811**	1,980,970
Bank Loans Payable (Note E-1)	—	93,750	—	**93,750**	125,000
Accounts Payable and Other Liabilities	194,417	48,150	—	**242,567**	198,198
Deferred Credits to Income	4,623	—	—	**4,623**	4,331
Total Liabilities	199,040	2,072,711	—	**2,271,751**	2,308,499
Net Assets	$ 32,530	$2,184,576	$ 504,523	**$2,721,629**	$2,505,330
Net Assets are Composed of:					
Debt Retired Through Income	$ —	$1,851,076	$ —	**$1,851,076**	$1,769,667
Reserves (Schedule C)	—	—	504,523	**504,523**	402,732
Government Contributions in Aid of Construction (Note G)	—	200,669	—	**200,669**	189,466
Appropriated Reserves Invested in Facilities	—	132,831	—	**132,831**	112,831
Appropriated Reserves for Self-Insurance	32,530	—	—	**32,530**	30,634
Net Assets	$ 32,530	$2,184,576	$ 504,523	**$2,721,629**	$2,505,330

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,						
	1980						1979
			Reserve Funds in Trust For				
	General Reserve Fund	Consolidated Bond Reserve Fund	General & Refunding Bonds	Air Terminal Bonds	Marine Terminal Bonds	**Combined Total**	Combined Total
				(In Thousands)			
Balance at market value—January 1 (Notes A-4 and F)	$210,597	$183,830	$7,466	$682	$157	**$402,732**	$365,538
Income on investments (includes gain on purchase of Port Authority bonds)	28,465	22,829	1,003	92	22	**52,411**	40,620
Security valuation adjustment	(380)	(338)	(13)	(1)	—	**(732)**	(3,484)
Reserve fund transfers	(28,085)	29,203	(1,006)	(90)	(22)	**—**	—
Transfers from operating fund	—	111,691	—	—	—	**111,691**	86,531
	210,597	347,215	7,450	683	157	**566,102**	489,205
Applications:							
Interest on bonded debt	—	—	101	16	3	**120**	260
Serial maturities and sinking fund retirements	—	—	1,246	667	154	**2,067**	3,899
Debt retirement acceleration	—	10,000	—	—	—	**10,000**	7,500
Interest on bank loans	—	5,749	—	—	—	**5,749**	6,370
Repayment of bank loans	—	31,250	—	—	—	**31,250**	40,000
Invested in facilities	—	20,000	—	—	—	**20,000**	25,000
Self-insurance	—	1,896	—	—	—	**1,896**	3,444
Total Applications	—	68,895	1,347	683	157	**71,082**	86,473
Total reserves at December 31, before cumulative effect of change in accounting principle	210,597	278,320	6,103	—	—	**495,020**	$402,732
Cumulative effect on prior years of changing to a different security valuation method (Note A-4)	—	9,503	—	—	—	**9,503**	
Balance, December 31 (Note F)	$210,597	$287,823	$6,103	$—	$—	**$504,523**	

NOTE: The above schedule reflects the valuation of securities in accordance with the accounting principles stated in Note A-4. Had the market value of securities at December 31, 1980 been used, the respective Reserve Fund balances at December 31, 1980 would be:

General Reserve Fund	Consolidated Bond Reserve Fund	General & Refunding Bonds
$210,597	$266,362	$6,103

See Notes to Consolidated Financial Statements.

Schedule D **Bonded Debt Amortization 1981-2014** December 31, 1980 (In Thousands)

	Debt Service Total All Issues Par Value $1,930,811			Amortization	
Year	Total	Interest	Amortization	Consolidated Bonds	General and Refunding Bonds
1981	$ 143,205	$ 104,494	$ 38,711	$ 37,447	$1,264
1982	140,698	103,186	37,512	36,230	1,282
1983	143,202	101,809	41,393	40,093	1,300
1984	148,300	100,216	48,084	46,767	1,317
1985	148,821	98,374	50,447	49,805	642
1986	151,787	96,281	55,506	55,506	—
1987	148,607	93,975	54,632	54,632	—
1988	143,815	91,708	52,107	52,107	—
1989	142,664	89,345	53,319	53,319	—
1990	142,693	86,894	55,799	55,799	—
1991	143,342	84,189	59,153	59,153	—
1992	143,991	81,243	62,748	62,748	—
1993	145,500	78,006	67,494	67,494	—
1994	142,250	74,533	67,717	67,717	—
1995	140,083	70,892	69,191	69,191	—
1996	137,676	67,016	70,660	70,660	—
1997	135,548	63,048	72,500	72,500	—
1998	136,271	58,771	77,500	77,500	—
1999	134,742	54,242	80,500	80,500	—
2000	133,216	49,466	83,750	83,750	—
2001	131,222	44,472	86,750	86,750	—
2002	131,137	39,137	92,000	92,000	—
2003	123,643	33,643	90,000	90,000	—
2004	105,260	28,510	76,750	76,750	—
2005	101,191	23,691	77,500	77,500	—
2006	85,856	18,856	67,000	67,000	—
2007	69,287	14,787	54,500	54,500	—
2008	56,376	11,626	44,750	44,750	—
2009	41,507	9,007	32,500	32,500	—
2010	40,010	6,760	33,250	33,250	—
2011	37,725	4,475	33,250	33,250	—
2012	25,074	2,324	22,750	22,750	—
2013	18,514	1,014	17,500	17,500	—
2014	5,338	88	5,250	5,250	—
Total	$3,818,551	$1,886,078	$1,932,473	$1,926,668	$5,805

NOTE: Includes all mandatory payments (including sinking fund requirements, applicable call premiums and serial maturities) whether payable from revenues or other sources upon 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; (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 assumption that amortization payments will be made each year on the latest permissible date. The above table does not include payments on the bank loans (See Note E-1 to Consolidated Financial Statements). Not included are $50,000,000 Consolidated Bonds, Forty-fourth Series, dated December 20, 1976, due December 20, 2011, $25,000,000 Consolidated Bonds, Series Forty-four A, dated December 20, 1977, due December 20, 2011 and $50,000,000 Consolidated Bonds, Series Forty-four B, dated December 20, 1977, due December 20, 2011, each of which was issued by the Port Authority solely as additional security for the respective payment of the Port Authority's $50,000,000 bank loan of January, 1977, $25,000,000 bank loan of November, 1977, and $50,000,000 additional bank loan of November, 1977, and are held in trust for these purposes (without payment of the interest on such bonds while held in trust). Amortization and interest applicable to General and Refunding Bonds are secured by a trust as outlined in Note F-2 to Consolidated Financial Statements.

See Notes to Consolidated Financial Statements.

Schedule E **Selected Financial Data**

	1980	1979	1978	1977	1976
			(In Thousands)		
REVENUES AND EXPENSES					
Gross Operating Revenues	**$ 647,647**	$ 588,064	$ 543,810	$ 524,325	$ 496,413
Operating Expenses	**437,199**	391,517	367,794	327,047	310,701
Net Operating Revenues	**210,448**	196,547	176,016	197,278	185,712
Income on Investments	**78,527**	44,957	30,150	24,695	22,211
Gain on Purchase of Port Authority Bonds	**12,323**	10,067	9,321	3,670	6,446
Security Valuation Adjustment	**(1,796)**	(3,664)	(9,981)	(127)	1,381
Net Revenues Available for Debt Service and Reserves	**299,502**	247,907	205,506	225,516	215,750
DEBT SERVICE-OPERATIONS					
Interest on Bonded Debt	**(98,040)**	(87,296)	(85,456)	(83,354)	(78,195)
Times, Interest Earned	**3.05**	2.84	2.40	2.71	2.76
Serial Maturities and Sinking Fund Retirements	**(38,092)**	(36,944)	(21,023)	(30,173)	(29,204)
Times, Debt Service Earned	**2.20**	2.00	1.93	1.99	2.01
DEBT SERVICE-RESERVES					
Debt Service on Bonds Secured by Trusts	**(2,187)**	(4,159)	(6,354)	(5,088)	(4,253)
Interest on Bank Loans	**(5,749)**	(6,370)	(7,562)	(8,329)	(9,213)
Bank Loan Payments	**(31,250)**	(40,000)	(40,000)	(60,000)	(60,000)
Debt Retirement Acceleration	**(10,000)**	(7,500)	—	—	—
Direct Investment in Facilities-Reserves	**(20,000)**	(25,000)	—	(5,000)	(3,000)
Appropriation for Self-Insurance-Reserves	**(1,896)**	(3,444)	(3,955)	(4,636)	(3,405)
Net Increase in Reserves Before Cumulative Effect of Change in Accounting Principle	**92,288**	37,194	41,156	28,936	28,480
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method (Note A-4)	**9,503**	—	—	—	—
Net Increase in Reserves*	**101,791**	37,194	41,156	28,936	28,480
RESERVE BALANCES					
Beginning of Year	**402,732**	365,538	324,382	295,446	266,966
End of Year	**$ 504,523**	$ 402,732	$ 365,538	$ 324,382	$ 295,446
Represented By:					
General Reserve	**$ 210,597**	$ 210,597	$ 208,023	$ 194,692	$ 188,168
Special Reserve (A)	**6,103**	7,466	8,829	10,192	11,554
Air Terminal Reserve (A)	**—**	682	3,283	7,766	10,925
Marine Terminal Reserve (A)	**—**	157	310	795	1,333
Consolidated Bond Reserve	**287,823**	183,830	145,093	110,937	83,466
Total	**$ 504,523**	$ 402,732	$ 365,538	$ 324,382	$ 295,446
DEBT–AT YEAR-END					
General and Refunding Bonds	**$ 5,805**	$ 7,051	$ 8,279	$ 9,490	$ 10,684
Air Terminal Bonds	**—**	667	3,192	7,514	10,395
Marine Terminal Bonds	**—**	154	300	767	1,273
Consolidated Bonds and Notes	**1,925,006**	1,973,098	1,943,460	1,804,152	1,859,325
Total Bonded Debt	**1,930,811**	1,980,970	1,955,231	1,821,923	1,881,677
Bank Loans	**93,750**	125,000	165,000	205,000	140,000
Total	**$2,024,561**	$2,105,970	$2,120,231	$2,026,923	$2,021,677
INVESTED IN FACILITIES–AT YEAR-END	**$4,148,331**	$3,985,354	$3,882,953	$3,792,776	$3,697,423
DEBT RETIRED THROUGH INCOME					
Annual	**$ 81,409**	$ 88,343	$ 67,023	$ 94,754	$ 92,897
Cumulative	**$1,851,076**	$1,769,667	$1,681,324	$1,614,301	$1,519,547

(A) Reserve Funds maintained in Trust since December 31, 1970. See Note F-2 to Consolidated Financial Statements.

* Net Increase in Reserves with the 1980 change in accounting principle retroactively applied on a pro forma basis would be as follows:

1979	1978	1977	1976
$36,881	$50,964	$29,044	$27,079

NOTE: This selected financial data is prepared from information contained on 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.

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, 1980			December 31, 1979
	Related to Cars			
	Leased to Metropolitan Transportation Authority	Leased to Consolidated Rail Corporation (Conrail)	**Combined Total**	Combined Total
		(In Thousands)		
Assets				
Invested in Commuter Cars, at Cost	$ 63,000	$ 37,491	**$ 100,491**	$ 100,491
Cash and Investment in U.S. Government Securities, at Cost (which approximates market)	—	3,818	**3,818**	3,608
Other Assets	195	361	**556**	558
Total Assets	63,195	41,670	**104,865**	104,657
Liabilities				
State Guaranteed Commuter Car Bonds	46,590	22,730	**69,320**	72,465
Other Liabilities	195	3,920	**4,115**	3,907
Total Liabilities	46,785	26,650	**73,435**	76,372
Debt Retired	$ 16,410	$ 15,020	**$ 31,430**	$ 28,285

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. 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
Facility Traffic

Tunnels and Bridges

(Eastbound Traffic in Thousands)	1980	1979
All Crossings		
Automobiles	**77,372**	73,968
Buses	**1,702**	1,570
Trucks	**8,884**	8,919
Total Vehicles	**87,958**	84,457
George Washington Bridge		
Automobiles	**37,312**	35,930
Buses	**253**	247
Trucks	**3,831**	3,847
Total Vehicles	**41,396**	40,024
Lincoln Tunnel		
Automobiles	**14,470**	13,913
Buses	**1,259**	1,202
Trucks	**1,862**	1,851
Total Vehicles	**17,591**	16,966
Holland Tunnel		
Automobiles	**9,359**	9,064
Buses	**87**	40
Trucks	**1,618**	1,662
Total Vehicles	**11,064**	10,766
Staten Island Bridges		
Automobiles	**16,231**	15,061
Buses	**103**	81
Trucks	**1,573**	1,559
Total Vehicles	**17,907**	16,701
Cumulative PA Investment in Tunnels and Bridges (In Thousands)	**$635,800**	$625,600

Terminals

	1980	1979
All Bus Facilities		
Passengers	**74,200,000**	73,500,000
Bus Movements	**3,183,000**	3,158,000
Port Authority Bus Terminal		
Passengers	**56,500,000**	56,000,000
Bus Movements	**1,950,000**	1,925,000
George Washington Bridge Bus Station		
Passengers	**8,000,000**	8,000,000
Bus Movements	**327,000**	339,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**9,700,000**	9,500,000
Bus Movements	**906,000**	894,000
Cumulative PA Investment in Bus Terminals and Truck Terminals (In Thousands)	**$186,800**	$171,000

Air Terminals

	1980	1979
Totals at the Three Major Airports		
Plane Movements	**821,100**	849,000
Passenger Traffic	**53,479,800**	54,665,000
Cargo-Tons	**1,310,700**	1,371,400
Revenue Mail–Tons	**228,300**	224,300
Kennedy International Airport		
Plane Movements	**307,500**	314,100
Passenger Traffic		
Total	**26,796,000**	26,977,000
Domestic	**13,767,000**	13,639,000
Overseas	**13,029,000**	13,338,000
Cargo–Tons	**1,168,200**	1,209,500
LaGuardia Airport		
Plane Movements	**316,800**	335,800
Passenger Traffic	**17,460,000**	18,391,000
Cargo–Tons	**35,300**	43,500
Newark International Airport		
Plane Movements	**196,800**	199,100
Passenger Traffic	**9,223,800**	9,297,000
Cargo–Tons	**107,200**	118,400
Cumulative PA Investment in Air Terminals (In Thousands)	**$1,434,800**	$1,375,600

Marine Terminals

	1980	1979
All Terminals		
Ship Arrivals	**3,255**	3,236
General Cargo (Long Tons)	**12,181,897**	11,723,925
New Jersey Marine Terminals		
Ship Arrivals	**2,326**	2,307
General Cargo (Long Tons)	**10,920,315**	10,450,864
New York Marine Terminals		
Ship Arrivals	**929**	929
General Cargo (Long Tons)	**1,261,082**	1,273,061
Cumulative PA Investment in Marine Terminals (In Thousands)	**$559,800**	$544,500

PATH

	1980	1979
Total Passengers	**35,865,426**	44,273,000
Passenger Weekday Average	**163,552**	158,000
Cumulative PA Investment in PATH (In Thousands)	**$279,000**	$272,400

1980 Annual Report

Publications Editor:
William Munroe

Editor For Finance:
Abraham S. Friedman

Design:
Jerome Press

Photography:
Livingston Johns
Jerry Rosen
Randolph R. Waterman

Production:
Joseph Cuciniello

The Port Authority
of New York and New Jersey
Public Affairs Department 68W
One World Trade Center
New York, N.Y. 10048

Printed in U.S.A.

DONALD C BAEDER
1 W.T.C. 68S

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OF NY & NJ