

World Trade Centers Association

WINDOWS ON THE WORLD

The Evening School of World

The Teleport

COMEX
NYMEX
New York Cotton & Exchange

XPORT
PORT AUTHORITY TRADING COMPANY

CHINA TEA

HARISSA

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Honorable Thomas H. Kean, Governor
State of New Jersey

Honorable Mario M. Cuomo, Governor
State of New York

Your Excellencies:



Honorable Thomas H. Kean
Governor, State of New Jersey



Honorable Mario M. Cuomo
Governor, State of New York

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 1984 annual report of The Port Authority of New York and New Jersey.

Plans of the two states to spur economic growth included an accord with the Port Authority to engage its unique capital-generating capacity. The 1984 annual report will reflect the ways in which the Port Authority has been strengthening and deploying its resources and seeking investment innovations to make the most forceful contribution to regional progress.

The Port Authority has in fact prepared itself to expand its capabilities to take advantage of the wave of national economic recovery, and now seeks new opportunities.

The report will also reflect the commitment of an enormous capital outlay to bring the Port Authority's facilities to the competitive state of the art needed to protect, serve and market the region on its approach to the 21st Century.

The challenges, manifest as before, and the future, uncertain as ever, can best be met by a strategy of building strong public foundations, both of policy and project, to ensure the region's attractiveness, to protect its economic health and to maintain its inimitable initiative.

The Board of Commissioners presents its 1984 annual report in the belief the accords have been forged to release the full energies of the Port Authority, in the keeping of the two states, to realize the strategy's success.

April 11, 1985

Sincerely,

A handwritten signature in cursive script, reading "Alan Sagner".

Alan Sagner
Chairman

A handwritten signature in cursive script, reading "Robert F. Wagner".

Robert F. Wagner
Vice Chairman

THE PORT AUTHORITY OF NY & NJ

Board of Commissioners

Alan Sagner, Chairman
Robert F. Wagner, Vice Chairman
Jerry Fitzgerald English
Lewis L. Glucksman¹
James G. Hellmuth
Henry F. Henderson, Jr.
William K. Hutchison
Philip D. Kaltenbacher
H. Carl McCall¹
John G. McGoldrick
William J. Ronan
Howard Schulman
Robert V. Van Fossan



Alan Sagner
Principal
Alan Sagner Company



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



Jerry Fitzgerald English
Attorney
Kerby, Cooper, Schaut & Garvin



Henry F. Henderson, Jr.
President and Chief Executive Officer
H. F. Henderson Industries



William K. Hutchison
Partner
Christenson and Montgomery



Philip D. Kaltenbacher
Chairman and Chief Executive Officer
Seton Company



Dr. William J. Ronan
Vice Chairman
CCX, Inc.



Howard Schulman
Attorney
Schulman & Abarbanel



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

¹Commissioner McCall joined the Board January 31, 1985, succeeding Commissioner Glucksman.



Lewis L. Glucksman
Executive Vice President
Fireman's Fund Insurance Companies



James G. Hellmuth
Vice President
Bankers Trust New York Corporation



I. Carl McCall
Vice President
Citibank, N.A.



John G. McGoldrick
Attorney
Schulte Roth & Zabel



Peter C. Goldmark, Jr.
Executive Director

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
and Chief Financial Officer**

Sidney J. Frigand, Assistant Executive Director
and Director of Public Affairs

Louis J. Gambaccini, Assistant Executive Director
and Director of Administration

Katharine B. MacKay, Assistant Executive Director
and Director of State Relations

Robert J. Aaronson, Aviation

Gene C. Gill, General Services

Francis A. Gorman, Rail Transportation

Doris E. Landre, Secretary

Phil LaRocco, Economic Development

Donald R. Lee, Audit

Lillian C. Liburdi, Management & Budget

John B. McAvey, Assistant Chief Financial Officer

Rino M. Monti, Engineering and Chief Engineer

Edward J. O'Malley, Personnel

Leonard J. Riley, Management Information Services

Martin E. Robins, Planning & Development

Victor T. Strom, Public Safety

Anthony J. Tozzoli, Port

Guy F. Tozzoli, World Trade

Joseph L. Vanacore, Tunnels, Bridges & Terminals

Barry Weintrob, Finance Department/Comptroller**

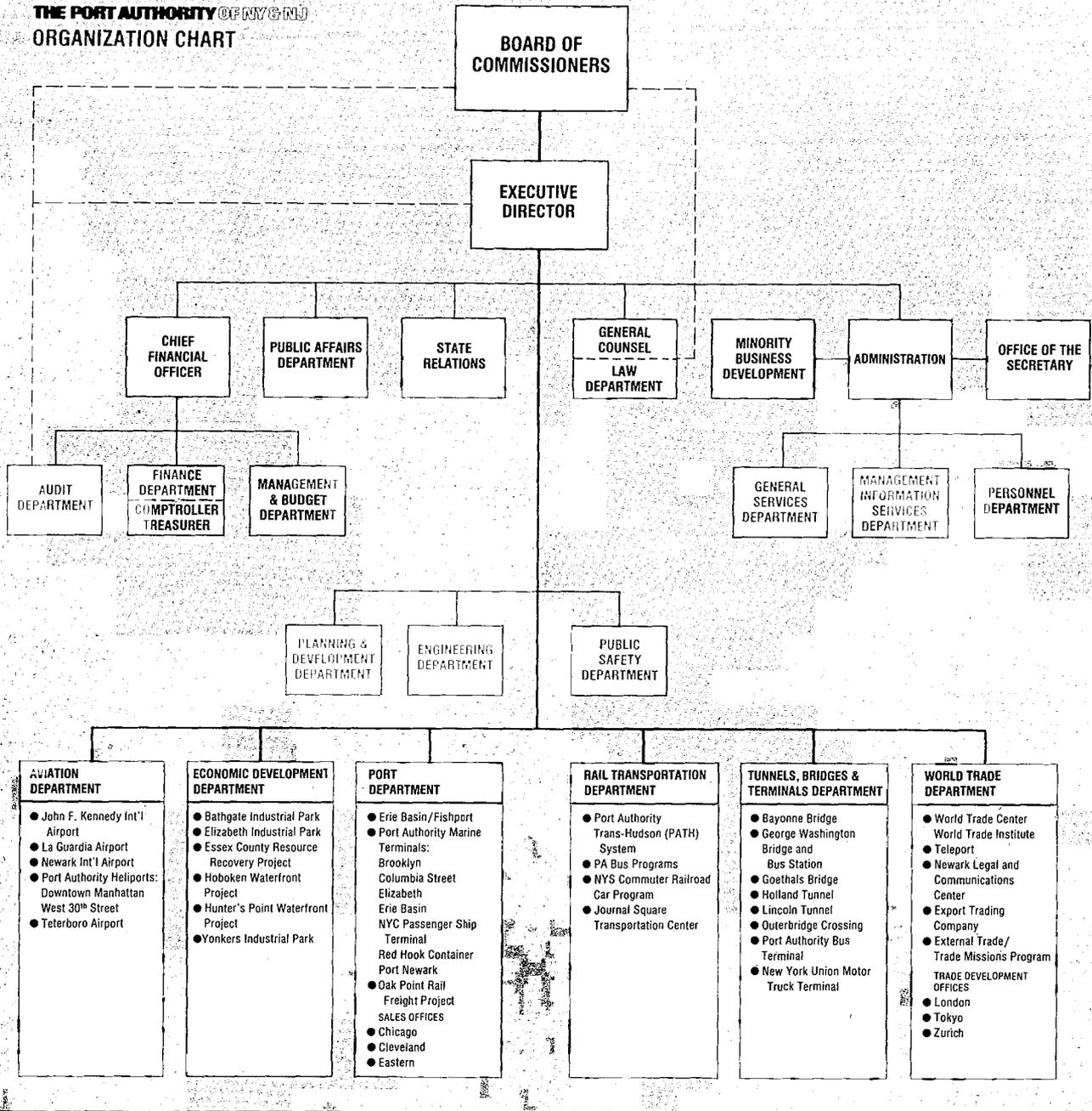
Marshal L. Wilcox, Jr., Treasurer

* Mr. Goldmark notified the Board of Commissioners that at the end of 1984 he would begin to explore other career possibilities. The Board, in consultation with the governors of New York and New Jersey, has set in motion a process to select a successor as Executive Director.

** Mr. Bennett retired January 26, 1985. Mr. Weintrob became Acting Chief Financial Officer.

Medical Director Bernard J. Schuman, M.D., retired in 1984.

THE PORT AUTHORITY OF NY & NJ
ORGANIZATION CHART



THE PORT AUTHORITY OF NY & NJ

One World Trade Center
New York, N.Y. 10048

Peter C. Goldmark, Jr.
Executive Director

Letter from the Executive Director

This is the last annual report during my service as Executive Director of the Port Authority. The pages of this report reflect fully and fairly where the Port Authority has been, what it is doing, and its strong financial condition. My last official words then will focus not on the past or present, but on the future.

We must continue to work during the years ahead to define and pursue policies which can strengthen the economy and commerce of this great region, and which will increase its competitiveness. The laws, covenants and traditions which govern the Port Authority require that this be done within the discipline of self-sufficiency; that all our operations taken together must be managed to a positive bottom line, with sufficient margin to generate the capital program which renews our existing facilities and finances our new investments. It is central to the genius of the Port Authority that it is so constituted that each generation of leadership can rethink and reshape the Port Authority's mission. As we assume new responsibilities and redefine existing ones, we should apply to our new undertakings two important tests we have evolved during this period of setting new directions for the Port Authority. The first is: will the private sector, or another public agency, do it better than we will? And the second is: does the new program or undertaking rely upon a comparative advantage of the Port Authority?

It is clear to me, as one who was born and grew up in the New York-New Jersey metropolitan area, that the Port Authority as an institution *is itself one of the great comparative advantages of this region*, now and for the future. Working in concert with the two states which created and oversee it, the Port Authority can be a provider of quality services, an engine of capital investment, an entrepreneur of innovative facilities, programs and policies, and a vehicle for regional cooperation and endeavor. And because the Port Authority does not draw tax funds or appropriations from the public fisc, and is required to be self-sufficient, the more of all these things that it does, the more it contributes to the soundness of the regional economy.

The vast resources and potential of the Port Authority can be mobilized and applied more productively and effectively if we in this region can recognize that in the Port Authority we have a tested institution that is the envy of other parts of the country, and if we can regard it as an asset, rather than a problem, that the Port Authority is flexible, entrepreneurial, disciplined and financially strong.

I thank the Board for its wise guidance and extraordinary support, and the staff for its dedicated work and extraordinary patience during my seven and one-half years here.



Peter C. Goldmark, Jr.
Executive Director

PORT AUTHORITY 1984 ANNUAL REPORT

The spectrum of Port Authority activity in the economic growth of the New York-New Jersey Metropolitan Region reached unprecedented dimensions in 1984.

With full support of Governors Kean and Cuomo, the bistate agency positioned itself firmly in the region as a major source of capital innovation and investment. These activities were launched at a time when the outlook for regional economic growth was increasingly optimistic. It was a time to venture and succeed.

The Capital Engine

Port Authority capital enterprises now in effect, or still emerging, comprise a formidable list:

- In August final legislative action authorized the Port Authority to proceed in the development of two waterfront projects: one in Hoboken, New Jersey, and one in Hunter's Point, New York. It is estimated that converting the shoreline into prime real estate for new mixed uses — including residential, commercial and recreational facilities — will generate \$1.2 billion in public and private sector investment. In 1984, the Port Authority authorized demolition of its Hoboken piers and other buildings and supervised construction of Hoboken's first waterfront park. Consultants were retained for urban design and other services for the Hunter's Point project, progressing in cooperation with the City of New York.

- In an important new approach to regional economic development, the Port Authority ordered 95 modern PATH cars with an agreement they be built in the port district. The Port Authority is acquiring an industrial facility in Yonkers to house the Japanese firm that will manufacture the PATH equipment and oversee refurbishment of 248 other cars at a plant in Brooklyn. The \$195 million project, to be completed by the end of 1987, is expected to generate 150 new production jobs. The new Port Authority facility, to be known as the Yonkers Industrial Park, is located on a 21-acre site of the former Otis Elevator Plant.

The Elizabeth Industrial Park received a go-ahead in late spring for construction. By fall, a lease had been approved with the park's first tenant. The leasing company will build, manage and maintain two 50,000 square foot buildings that will be sublet to job-intensive users approved by the Port Authority. The complete park will comprise 1.5 million square feet of buildings on a 125-acre tract within Foreign-Trade Zone Number 49. Total job projections are put at 1,500.

The success of the eight-block Bathgate Industrial Park in the South Bronx led to its expansion in 1984. The new

area will house a Business-Technology Center to provide basic business services — including security, secretarial and janitorial, along with data processing facilities and conference rooms — for South Bronx firms that apply. Bathgate, a joint venture with the City of New York, already has leased space to six firms and a hydroponic greenhouse.

- Teleport, a pioneering Port Authority concept to provide satellite transmission and reception for data-oriented businesses in New York and New Jersey, progressed steadily in 1984 at its Staten Island site. Utilities were put in place, the antenna infield took shape, and the 50-foot high radio frequency interference wall to protect Teleport's 17 earth stations, or "dishes," neared completion. Installation of fiber optic cable connections to Jersey City and the World Trade Center continued, and bids were requested for construction of the Telecenter Building.

Teleport partners are the Port Authority; the City of New York through its Public Development Corporation; and Teleport Communications, a joint venture of Merrill Lynch Telecommunications, Inc., and Western Union Communications Systems, Inc.

- The Newark Legal and Communications Center, undertaken in partnership with the Newark Economic Development Corporation, is an innovative concept in office buildings, providing law and communications-intensive firms with direct fiber optic connections to the Teleport. The inner city complex will include a 400,000 square foot office building with an elevated walkway connecting it to Newark's Penn Station/PATH, an underground garage, and other facilities geared to legal business needs and interests. Demolition of the site's existing structures began in November. Market acceptance of the new office building has been extremely successful so far.



Construction of a radio frequency interference shield wall and infield at Teleport, a satellite communications center in Staten Island.

- Fishport, launched to revitalize the Port District's long-dormant fishing industry, was dedicated in the fall at the Port Authority's Erie Basin Marine Terminal in Brooklyn. The facility will be renovated and converted into a fish processing, wholesaling, receiving and distribution center for varieties of fresh North Atlantic fish. All infrastructure work is expected to be completed by the end of 1985, generating an estimated 1,400 direct and indirect jobs.

- The Port Authority has been negotiating for construction of a mass-burning solid waste disposal facility in Essex County. Once authorized, the Essex County Resource Recovery Plant is expected to start operating in 1987. The region currently generates 30,000 tons of garbage daily and its landfills are exhausted. The new plant will reduce the overload by 2,250 tons a day.

- The Port Authority authorized an innovative fund of up to \$10 million for investment in venture capital businesses throughout the region. The region generates 25 percent of the nation's venture capital but less than 10 percent of the ventures are located here. The Port Authority fund, limited to no more than \$1 million per venture, operates under the strict condition that the ventures (including all jobs) be located in the region.

- The Fund for Regional Development was established by New York and New Jersey to undertake certain infrastructure renewal and economic development projects in the two states. Revenues of the fund come from leasing space formerly occupied by New York State in Two World Trade Center to higher paying tenants. About 25 percent of the fund's 2.1 million square feet of space have been vacated by the state and subleased. A companion entity, the Bank for Regional Development, still awaits approval by the two state legislatures.

- More than 2,300 buses have been purchased at a cost of \$400 million spent or committed, under the Port Authority's \$440 million mass transportation programs to provide new buses and bus-related facilities for use in the two states. In 1984, the Port Authority purchased 100 high-occupancy articulated buses, engineered for access to the Lincoln Tunnel and Port Authority Bus Terminal.

The Regional Advocate

While providing transportation and trade facilities and capital investment in the region's economic development, the Port Authority plays a key role in informing the public and pressing for action on issues affecting the regional future:

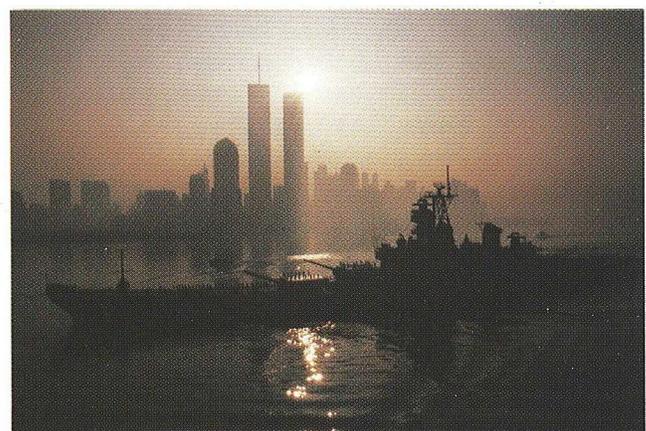
- Recognizing the region's potential loss from cargo diver-

ted to other ports, the Port Authority filed a complaint with the Federal Maritime Commission alleging discriminatory practices affecting New York and New Jersey. This action contested the local assessment standard for fringe benefit payments to longshoremen, as covered by a contract between the International Longshoremen's and New York Shipping associations. The formula for raising the funds, through 1984, was based locally on a tonnage assessment of \$8.90 per cargo ton. As a result, a steamship company could pay, for a container destined for through-shipment, about \$250 more in fringe benefits here than at competing ports.

A Federal Maritime Commission administrative law judge agreed with the Port Authority petition and called for changes, ruling the local assessment formula unfair, unlawful and discriminatory to the New York-New Jersey port. The full commission, in a decision dated February 27, 1985, affirmed the law judge's findings, with some modifications. Several parties have filed appeals from the commission's decision.



Viewing a model of a proposed plan for Hoboken's waterfront development



The USS IOWA comes home for first visit since 1943, in anticipation of a new homeport in Staten Island.

- The Port Authority initiated, advocated and coordinated a successful campaign to have the Navy homeport a seven-ship Surface Action Group at Stapleton, Staten Island. The bistate proposal to the Navy called for the Port Authority to provide up to \$15 million for marine-related improvements for the homeport. Construction of the base, permanent civilian jobs at the base and permanent jobs related to ship maintenance and repair are expected to contribute millions of dollars to the region's economy.

- To protect the future of the port and region in the federal government's sale of Conrail, the Port Authority waged a campaign to alert the U.S. Secretary of Transportation and Congress to the obligations the purchaser must assume as conditions of sale. Conrail is the only remaining railroad connecting the New York-New Jersey Metropolitan Region with the Midwest. Without such conditions, its sale could lead the port and region into a competitive disadvantage.

- For almost a decade the Port Authority has hosted the annual Harbor Festival, a cooperative regional effort to attract residents and tourists to an Independence Day weekend celebration. As part of the land and water festival, the Liberty Cup regatta was inaugurated. The cup race, hosted by the Port Authority, brings competitive yacht racing back to the New York-New Jersey harbor for the first time in 55 years.

AVIATION

The Port Authority's three major airports, handling nearly 74 million passengers in 1984, are being readied to meet the challenge of the year 2000. By then, total passenger traffic is expected to increase over 50 percent and air cargo to double.

To meet the demand, all aspects of operations at Kennedy International, Newark International and LaGuardia airports were reevaluated in 1984:

- A program was intensified for improved road access to reduce traffic congestion.
- Improved bus transportation from Manhattan added service to all three airports from a special departure lounge at the Port Authority Bus Terminal.
- Improvement of retail and restaurant service was under study at each facility.
- "Air Cargo Fast Flow," a computerized clearance program for air imports, progressed towards the first phase of implementation at Kennedy International. When fully operational, the system is expected to set the standard for

Estimated Job Generation in the New York-New Jersey Metropolitan Region through Major Port Authority Projects

Authorized or Under Way	Construction-Related*	Permanent	Project Amount (in millions)
Aviation			
Facility Improvements	8,900	1,575	\$ 412
Cargo/Airmail	1,400	300	66
Hotel at NIA	1,000	400	34
Butler Aviation	1,250	375	40
Downtown Heliport	125	—	6
Nassau Expressway/Southern Pkwy	700	—	31
Port			
Cargo Handling	625	25	28
Warehousing/Distribution	725	275	31
Oak Point Rail Freight	2,475	150	108
Fishport	475	450	30
Juice Facility	200	25	11
Other	325	50	20
Ground & Mass Transportation			
PATH Capital Improvement Program	9,600	—	750
Bus Programs	—	—	1,496
Bus Terminal	4,650	500	235
Trans-Hudson Crossings	2,950	—	129
Other	100	—	4
World Trade Center			
WTC New Construction and Improvements	6,600	100	322
Fire Safety Program	875	—	49
Teleport	2,300	3,400	113
Export Trading Company	—	50	1
Economic Development			
Bathgate Industrial Park	900	1,925	52
Elizabeth Industrial Park	1,650	1,500	90
Yonkers Industrial Park	300	1,500	27
Resource Recovery	2,750	50	260
Waterfront Development	14,150	1,600	1,200
TOTALS	65,025	14,250	\$5,545
			Port Authority Funds \$2,782
			Non-Port Authority Funds \$2,763

At the latest count New York and New Jersey residents hold a total of 275,000 direct and indirect permanent jobs related to Port Authority operations and to transport operators and tenants at Port Authority facilities.

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



automated shipment clearance for both the air and marine cargo industries.

- Demolition began to prepare for the new Downtown Manhattan Heliport, in anticipation of increased traffic and larger helicopters. Selected by the Federal Aviation Administration for a National Demonstration Program, the new heliport will also feature state-of-the-art electronic and visual landing equipment.

Kennedy International, leading gateway for international air travel, handled nearly 30 million passengers in 1984, or over one-third of all international passengers arriving in the United States. The facility requires major modernization and expansion to accommodate the 45 million passengers projected by the turn of the century. "JFK 2000," designed to be the world's foremost air travel facility for the century ahead, will offer:

- A state-of-the-art passenger distribution system connecting all terminals and parking lots.
- A vast new air transportation center located in the heart of the central terminal area. Planned for the complex are restaurants, shops, a business service center, new heliport, new air traffic control tower, and possible hotel and conference facilities.
- A new federal inspection hall capable of handling 15 jumbo jet arrivals and nearly 6,000 arriving passengers in a one-hour peak period.
- An increase of 45 aircraft gate positions at unit terminals.

Newark International, among the nation's fastest growing airports, was the region's second busiest in 1984. Handling more passengers than LaGuardia for the first time in 20 years, Newark passenger volume jumped 36 percent to 23.7 million. Several projects paved the way for future growth:

- Terminal C, mothballed in 1974, was opened to new airlines, new federal inspection facilities were constructed, and a new international passenger departure area is scheduled to open in 1985. The Port Authority also reached agreement under which a major airline tenant will build 40 aircraft gate positions at Terminal C to handle all of the carrier's flights by 1987.
- A leading hotel chain completed construction of Newark's first on-airport hotel, located within walking distance of main terminals.
- Construction began on a new distribution hub for one of

the country's largest air package services, and on a general aviation repair center.

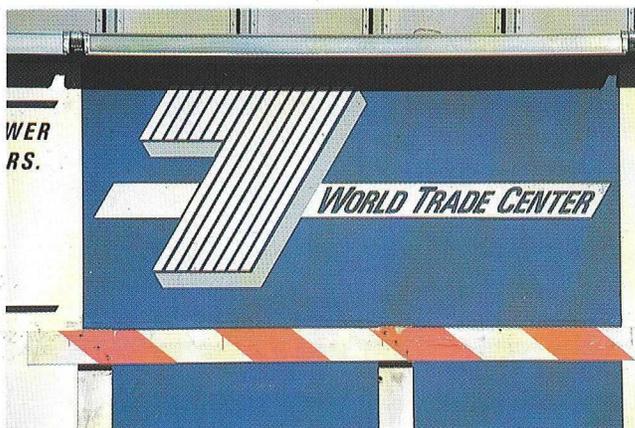
- The lease with the City of Newark for the airport and Port Newark was renegotiated.
- In connection with services to Newark International Airport, the cities of Elizabeth and Newark are each to receive a fund from the Port Authority of \$500,000 a year for the first three years and \$1 million a year thereafter.

LaGuardia Airport, handling 20.3 million passengers in 1984, anticipates approximately 25 million passengers by the year 2000. Modernization and expansion plans include:

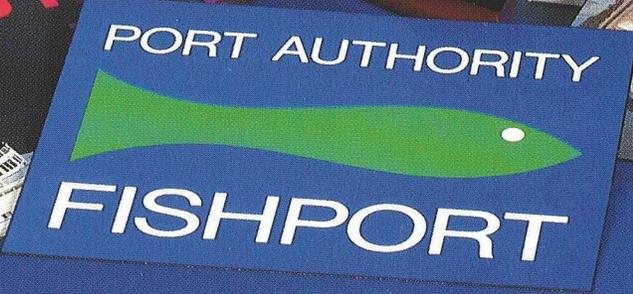
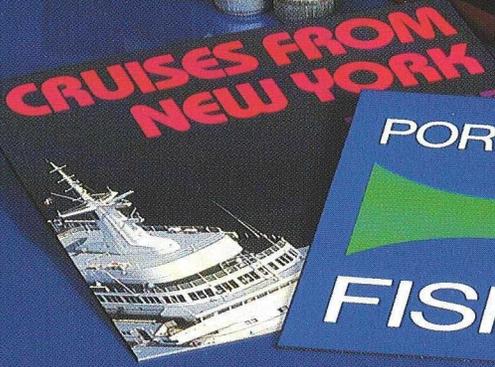
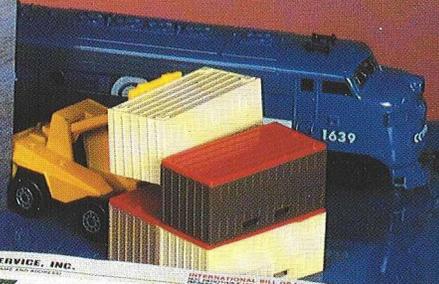
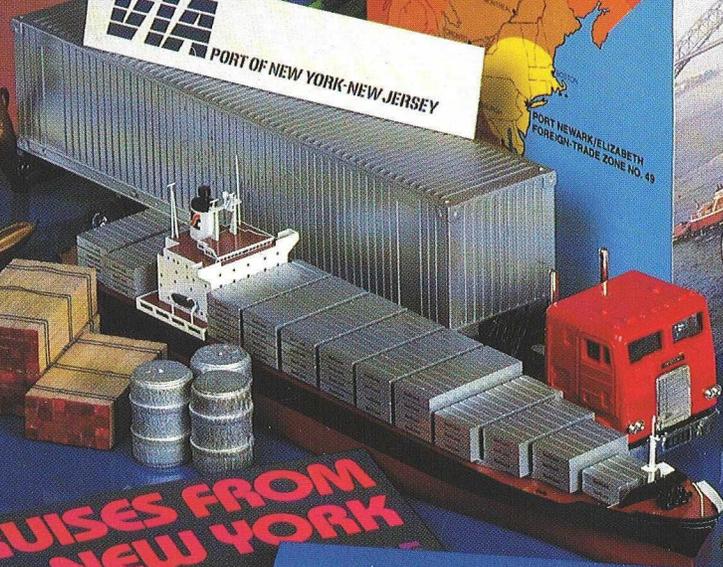
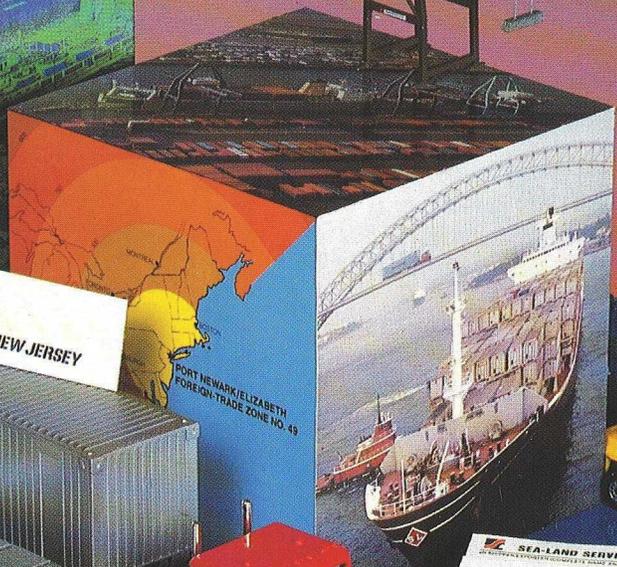
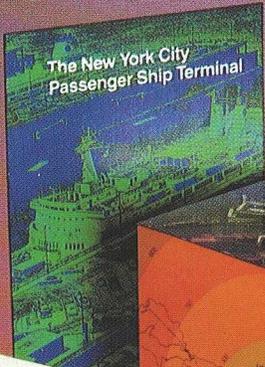
- Remodeling of the central terminal building's interior.
- A new unit terminal at the east end of the airport.



The first check of the renegotiated lease for Newark International Airport and Port Newark, (l. to r.) Newark City Council President Ralph Grant, Jr., New Jersey Governor Thomas H. Kean, Newark Mayor Kenneth Gibson, Port Authority Chairman Alan Sagner and Executive Director Peter C. Goldmark, Jr., and Newark Business Administrator Elton Hill.



Construction got under way for the World Trade Center's final structure, Seven World Trade Center, scheduled to open in 1987.



- Roadway improvements for better airport access.

PATH

PATH, the Port Authority's commuter railroad, which operates with an aging capital plant, also faces demands of modernization and capacity. Traffic has already reached nearly 200,000 passengers a day — and increased ridership is just around the bend with New Jersey waterfront development and real estate revitalization, matched by major development in lower Manhattan.

By the end of 1984, some \$415 million of a 10-year PATH capital improvement program had been authorized, with which:

- PATH will modernize its fleet with 95 new cars and refurbish 248 others.
- The PATH safety program will progress. New under-river standpipes will be installed, and six tunnel emergency ventilation shafts will be constructed with powerful fans in the event of the need to check and control smoke.
- The main car repair shop, now in its eighth decade and a source of delay to the rapid return of cars to service, will be replaced.
- Construction of a new satellite car repair shop, begun in 1984, will be used during off-peak periods to diagnose and repair minor problems within three hours without disassembling the trains.
- Older PATH stations will be upgraded and new station entrances will be built at some locations.

The PATH fare increased from 50 to 75 cents June 3, 1984. The first increase, from 30 to 50 cents on July 31, 1983, had been the only fare rise since the Port Authority acquired the former Hudson & Manhattan line in 1962.

PORT

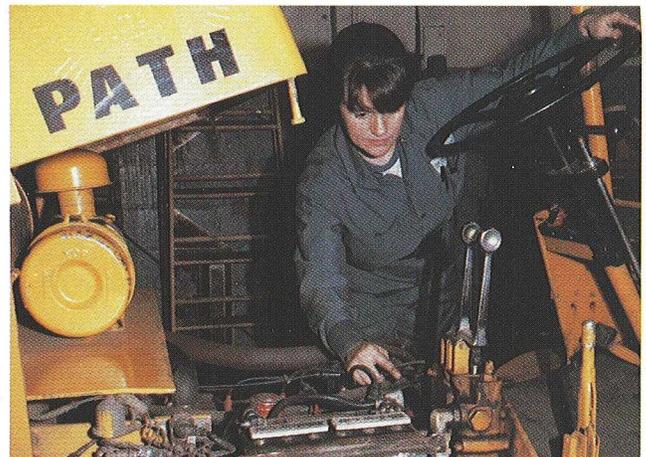
The advent of supercontainer ships and federal deregulation of shipping pose a major challenge if the New York-New Jersey port is to remain competitive. It could become a super port — a major load center — serving as a distribution point for much of the country, or be relegated to coastal traffic and feeder services. To confront this emerging problem, the Port Authority has developed a bistate plan designed to keep its preeminence in national port activity.

The plan calls for more than \$400 million to be invested in

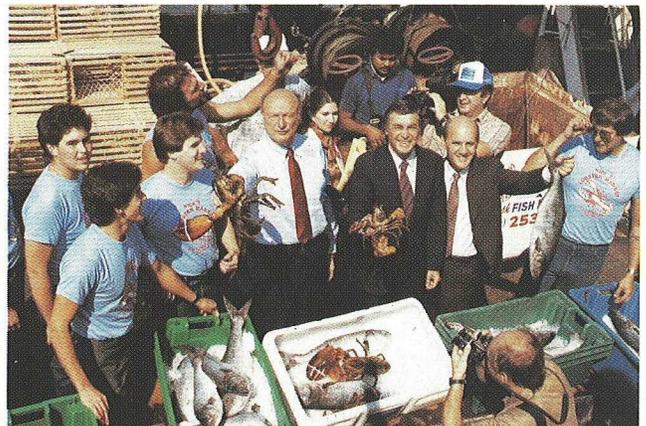
channel deepening, modernized and expanded facilities, and warehousing and processing capabilities.

In 1984, some of these efforts were under way:

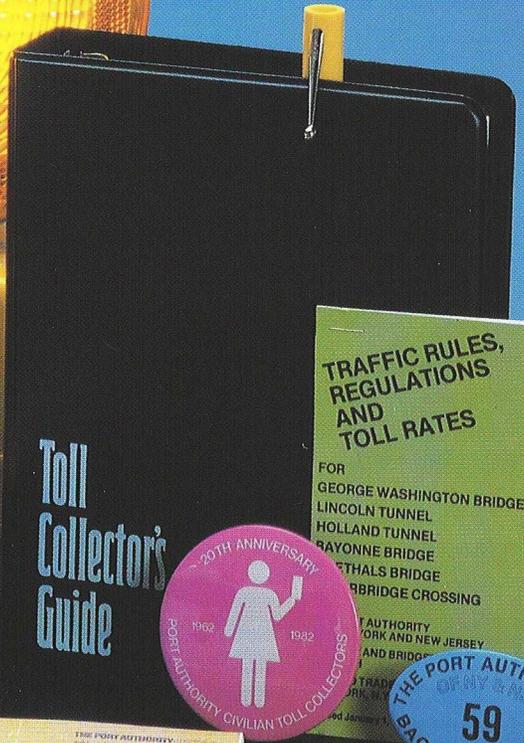
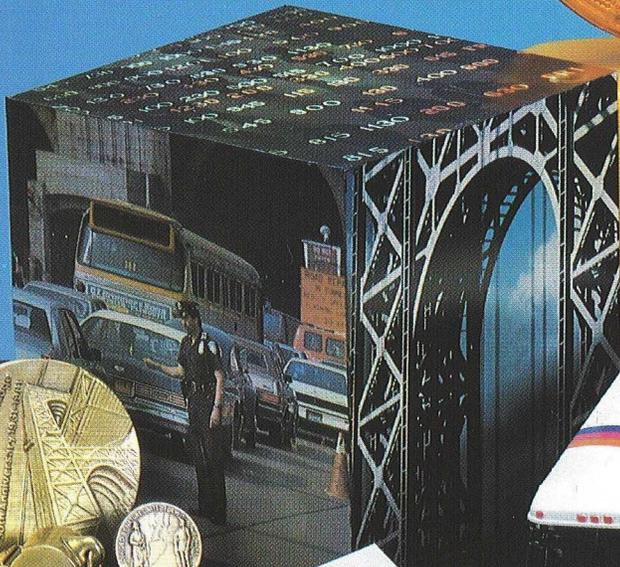
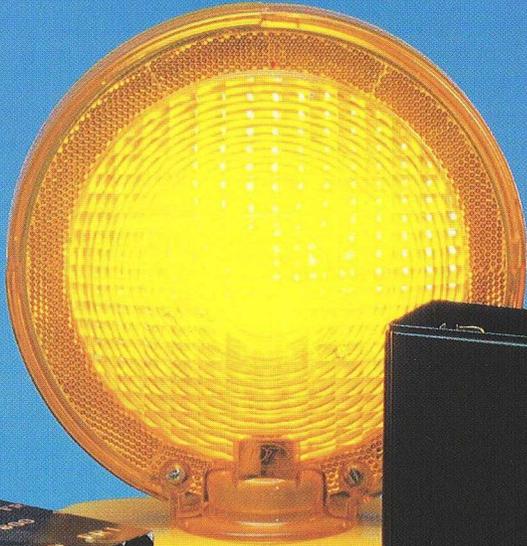
- The Red Hook Container Terminal, a joint project with the City and State of New York to revive the Brooklyn waterfront, is being expanded to accommodate additional steamship lines.
- The Port Authority arranged to have the entire Elizabeth-Port Newark containerport complex designated Foreign-Trade Zone Number 49, where imports may be stored, assembled and manufactured without payment of duty until the product goes to market. There is no payment of duty if the product is exported instead. The advantages to many manufacturers and assemblers were a major factor governing the location of several firms within the zone in



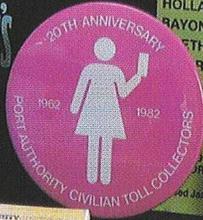
The Port Authority hires and trains women in nontraditional jobs as part of its policy of opening opportunities to all.



Marking the start of work on Fishport at ceremony attended by New York City Mayor Edward Koch, Brooklyn Borough President Howard Golden and New York City Comptroller Harrison Goldin.



TRAFFIC RULES, REGULATIONS AND TOLL RATES
 FOR
 GEORGE WASHINGTON BRIDGE
 LINCOLN TUNNEL
 HOLLAND TUNNEL
 BAYONNE BRIDGE
 PATHS BRIDGE
 BRIDGE CROSSING
 PORT AUTHORITY
 YORK AND NEW JERSEY
 AND BRIDGE
 TRADE
 1994 January 1



Information Inside
The Port Authority Bus Terminal

AID FOR DISABLED MOTORISTS

Exclusive Bus Lane
 On The New Jersey Turnpike
 In The Lincoln Tunnel

SAVE TIME & MONEY
 Use Discount Tickets



1984. These include a \$10 million high-technology copper rod manufacturing plant and an \$8 million unique blending, processing and storage plant for frozen Brazilian orange juice.

- By year end, Fishport had acquired its first two tenants.

TUNNELS, BRIDGES AND TERMINALS

Expansion of the Port Authority Bus Terminal, first opened to the public in the 1950s, has been completed. Additional improvements, special public entertainment, and the acquisition of art continue.

The ongoing enhancement program is designed to make the nation's largest bus terminal not only modern and functional but also visually attractive for its 170,000 daily patrons.

Other Tunnels, Bridges and Terminals projects in 1984 include:

- An AM rebroadcasting system was installed in one tube each of the Holland and Lincoln tunnels to enable operations personnel to override the system with traffic advisories. The system will be installed in all five of the tunnels' tubes.

A 50-cent tolls increase to \$2 a car roundtrip went into effect on the tunnels and bridges on January 1, 1984, and commercial vehicle tolls were increased as well. Tolls for car pools and buses remained unchanged. An allocation of funds from this increase is to be used for the proposed Bank for Regional Development.

- Rejuvenating the tunnel and bridge crossings continued in 1984, with the reconstruction of the structural concrete roadway slabs of the center tube of the Lincoln Tunnel, replacement of the sidewalks of the George Washington Bridge, rehabilitation of the Holland Tunnel's New York entrance plaza, and replacement of the Holland Tunnel ceiling, a \$70 million project.

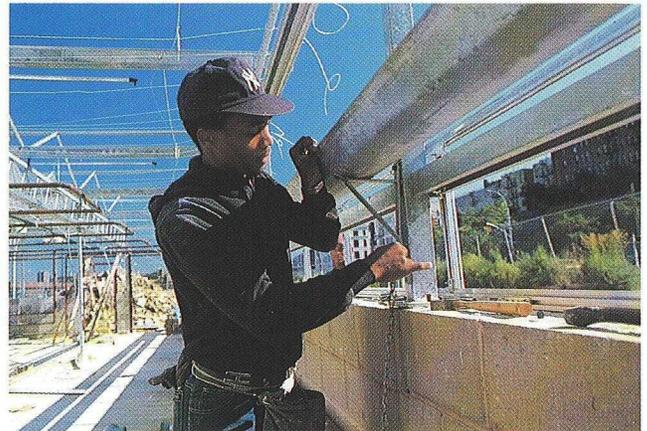
WORLD TRADE

The World Trade Center emerged as a major generator of revenues to fuel the "capital engine" for regional development. Recognizing this potential, the governors of both states agreed the World Trade Center should not be sold, but that its revenues be harnessed for bistate capital development through the Fund for Regional Development and the proposed Bank for Regional Development.

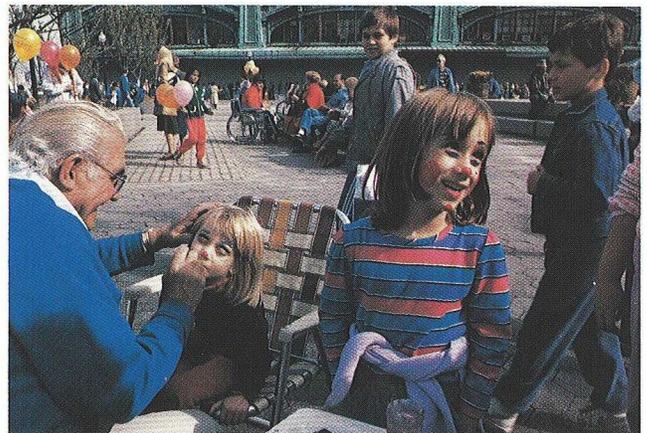
By the end of 1984, the World Trade Center was 98 percent rented. Twelve floors vacated by the State of New York were already leased to private tenants.

World Trade activities, however, comprised more than the twin towers:

- XPORT, the Port Authority's export trading company, has now transacted business and made sales on every continent. XPORT was created to help small and medium-sized regional firms enter the export field and to help with their financing and marketing.
- The Port Authority Trade Mission Program sponsored a trade mission to Switzerland, Hungary and Austria for six regional firms in 1984. Since its inception, the trade mission program has realized some \$4 million in sales for small and medium-sized companies.
- Construction began on Seven World Trade Center, under a lease to a private developer who is providing the financing. The 47-story office building will complete the World Trade Center complex.



A new Business-Technology Center under construction at Bathgate Industrial Park in the South Bronx.



Children enjoy Hoboken's first waterfront public park.

- The World Trade Institute, educational arm of the World Trade Center, conducted more than 500 programs for 7,000 executives. The Evening School of World Trade continued to give job-related courses, and the Language School offered business communications courses in 15 languages. The institute, in cooperation with the World Trade Centers Association, also launched "NETWORK," a low-cost instantaneous communications information system enabling subscribing businesses to send messages to trading partners and to publicize products and services in eight countries, with more to come.

The Broader Spectrum

The year 1984 was also a time for in depth evaluation of the regional future and for planning strategies to solve anticipated problems. Surveys and forecasts were conducted in almost all aspects of relevant regional activity, the problems of trans-Hudson congestion being foremost among them.

Traffic on the George Washington Bridge and Lincoln and Holland tunnels has been steadily increasing in the 80s to the point of peak-hour capacity. To find both short- and long-term solutions for the 215,000 daily trans-Hudson tunnel and bridge commuters and to coordinate with other public agencies to reduce delays, the Port Authority organized the Trans-Hudson Task Force.

Seeking to alleviate congestion in every quarter, task force improvements in 1984 included special lanes at both tunnels for buses and other high-occupancy vehicles, public awareness campaigns to encourage use of mass transit, and a recommendation to Congress to allow nontaxable employer subsidies for employees using mass transit.

The Trans-Hudson Task Force also initiated a study in 1984 on the possible revival of ferry service between Hoboken and lower Manhattan. The ferry study was part of an overall survey of trans-Hudson commuting patterns.

Other activities evaluated for their impact on the regional future include:

- Potential inducements to revive economic activity in the region's "inner ring" of municipalities and communities around Manhattan whose manufacturing base was fragmented by recession and relocation.

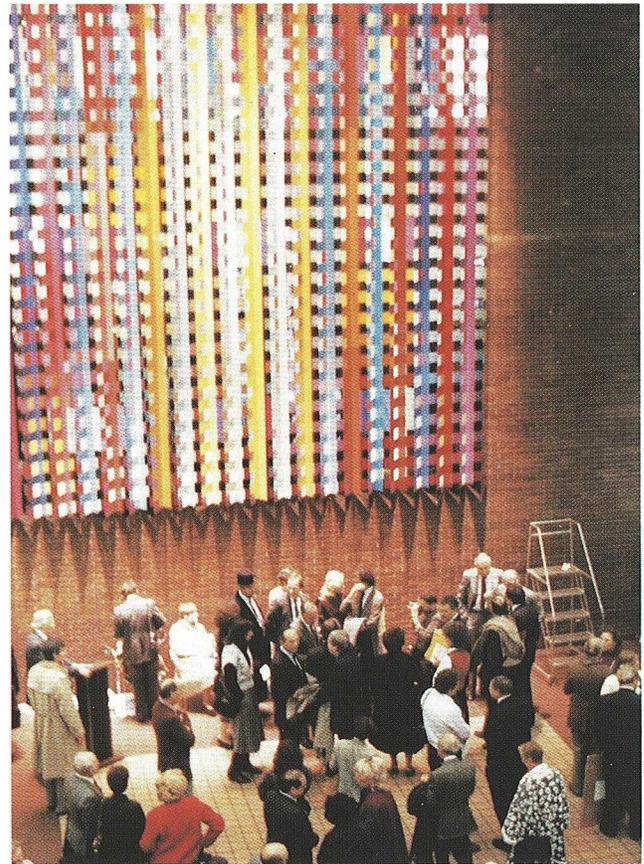
- The Gateway Improvement Task Force, organized by the Port Authority and comprised of local business and government representatives concerned with improved tourism services for the region's visitors. The task force issued its first report in 1984, endorsing several Port Authority on-airport improvement programs and recommending additional conveniences such as more foreign currency

exchange centers, information points, and language translation facilities.

- International Trade Task Force, established in 1984 to evaluate the Port Authority's position and contribution to the development of international trade and services. A survey of 100 public, nonprofit and private sector regional organizations enabled the task force to recommend several new areas for the Port Authority to consider in developing the region's international trade activities. The recommendations covered trade promotion, investment and representation, trade data and market analysis, trade finance and international project development, and international affairs.

- Port Authority promotion, advertising and marketing programs have been intensified to sharpen the region's competitive edge, both at home and abroad.

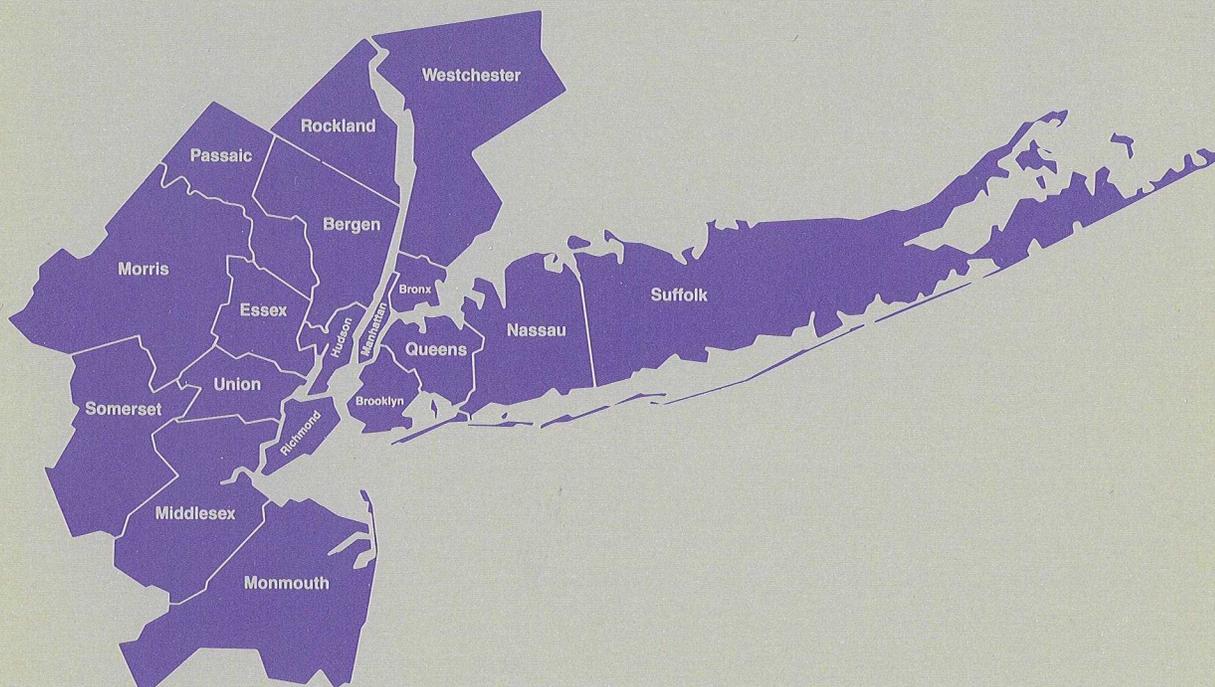
The New York-New Jersey Metropolitan Region, toughened by the sobering lessons of the 1970s, has emerged as a vigorous and innovative competitor in the mid-80s. It, indeed, stands ready to venture — and to succeed.



A colorful "kinetic" wall sculpture by Yaacov Agam became the fourth permanent work of art installed at the Port Authority Bus Terminal.

The New York-New Jersey Metropolitan Regional Almanac

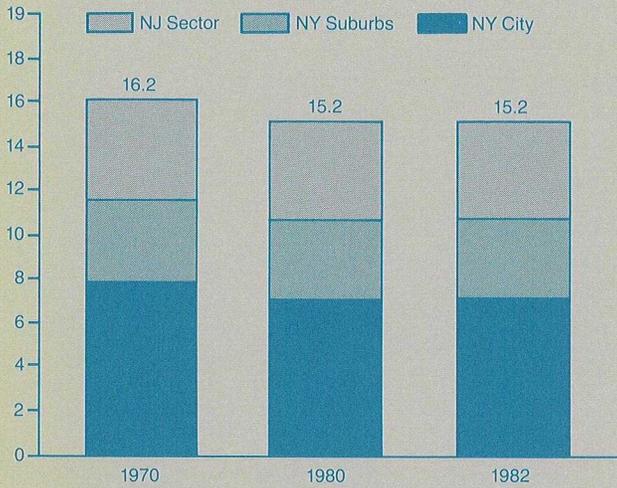
The New York-New Jersey Metropolitan Region, the largest and most diversified metropolitan region in the nation, consists of New York City, the four suburban New York counties of Nassau, Rockland, Suffolk and Westchester, and the eight counties of northern New Jersey, Bergen, Essex, Hudson, Middlesex,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



Area	3,900 Square Miles
Population 1982	15.2 Million
Households 1980	5.5 Million
Civilian Labor Force 1984	7.4 Million
Total Personal Income 1982	\$209.5 Billion
Retail Sales 1984 Estimate	\$80 Billion
Total Wage and Salary Jobs—1984	7.1 Million

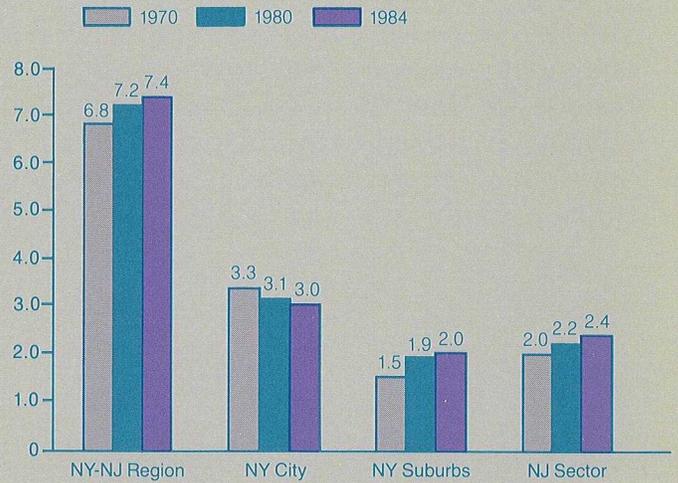
Demographics

Population
N.Y.-N.J. Metropolitan Region
1970, 1980 and 1982
(in millions)



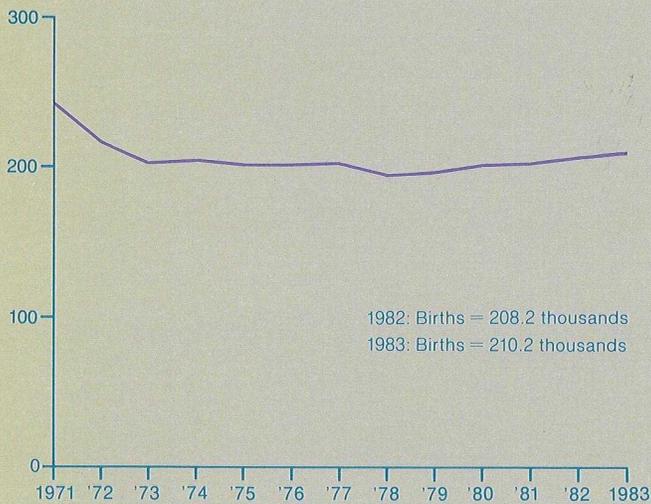
Source: U.S. Bureau of the Census, N.Y. State Dept. of Commerce, N.J. State Dept. of Labor

Total Labor Force
N.Y.-N.J. Metropolitan Region
1970, 1980 and 1984
(in millions)



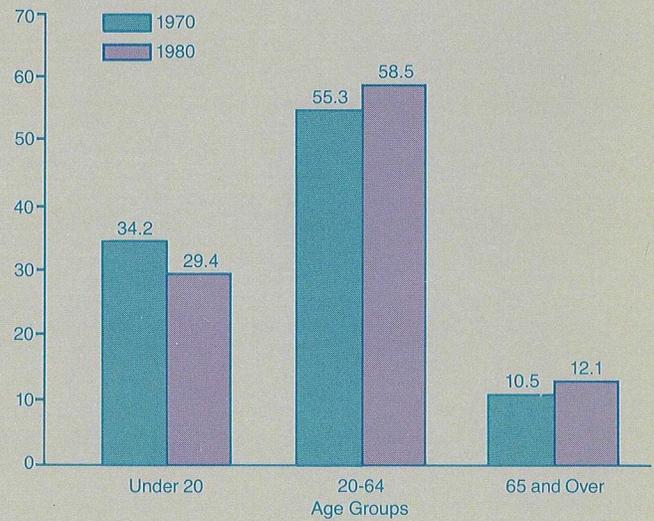
Source: N.Y. and N.J. State Depts. of Labor

Number of Births
N.Y.-N.J. Metropolitan Region
1971-1983
(in thousands)



Source: N.Y. and N.J. State Depts. of Health

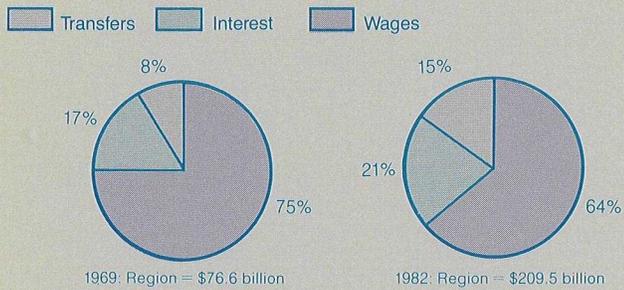
Changes in Age Distribution
New York-New Jersey Region
1970, 1980
(percent)



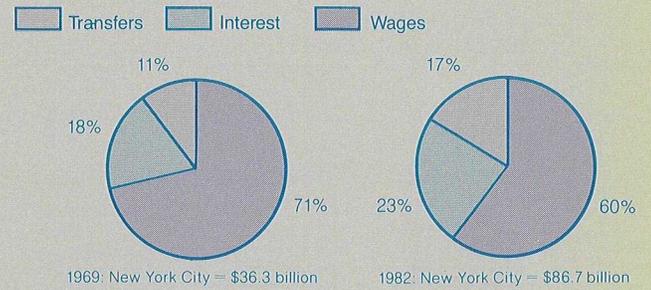
Source: U.S. Bureau of the Census, Census of Population, 1970 and 1980

Income

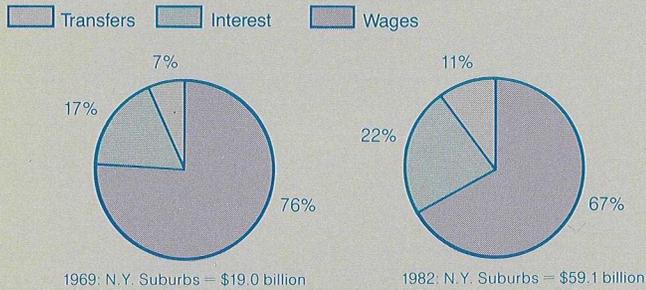
**Total Personal Income by Type
N.Y.-N.J. Metropolitan Region**
(percent)



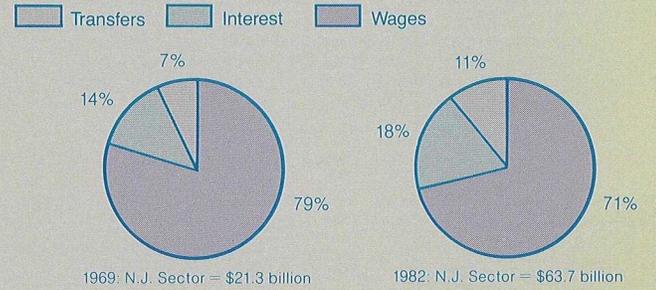
**Total Personal Income by Type
New York City**
(percent)



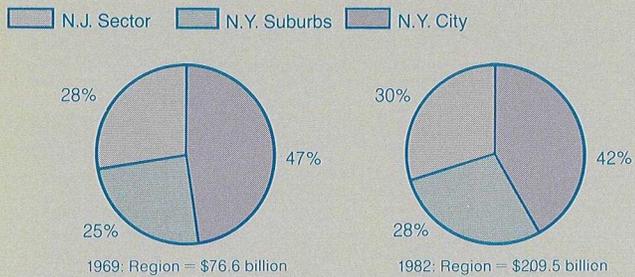
**Total Personal Income by Type
N.Y. Suburbs**
(percent)



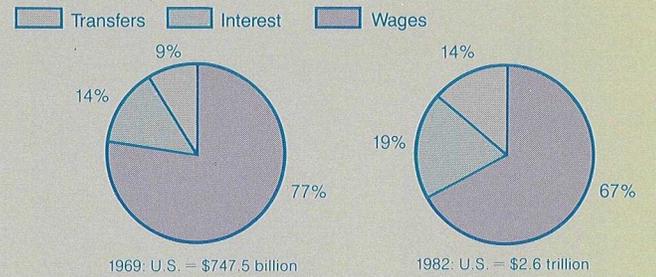
**Total Personal Income by Type
N.J. Sector**
(percent)



**Total Personal Income
N.Y.-N.J. Metropolitan Region**
(percent)



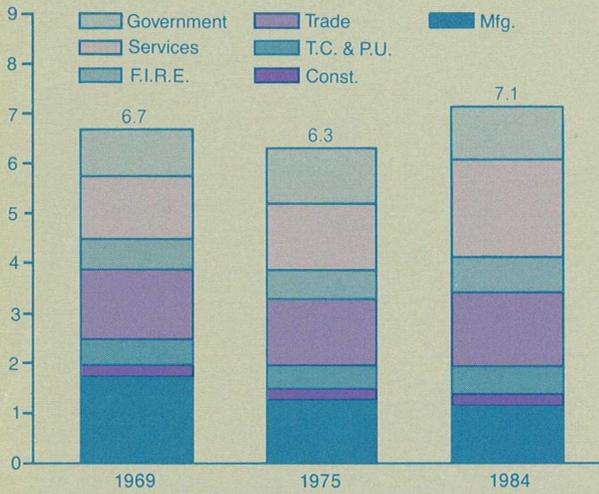
**Total Personal Income by Type
United States**
(percent)



Source: U.S. Bureau of Economic Analysis
 Wages = Net Labor and Proprietors Income
 Interest = Dividends, Interest and Rent
 Transfers = Transfer Payments

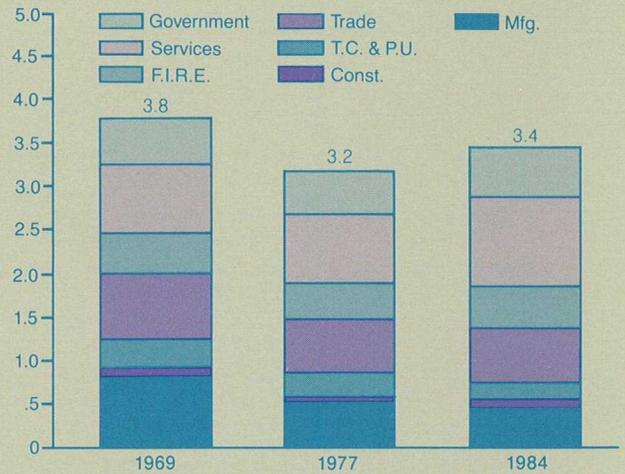
Employment

N.Y.-N.J. Metropolitan Region Wage & Salary Employment in Millions by Major Industry 1969, 1975 and 1984



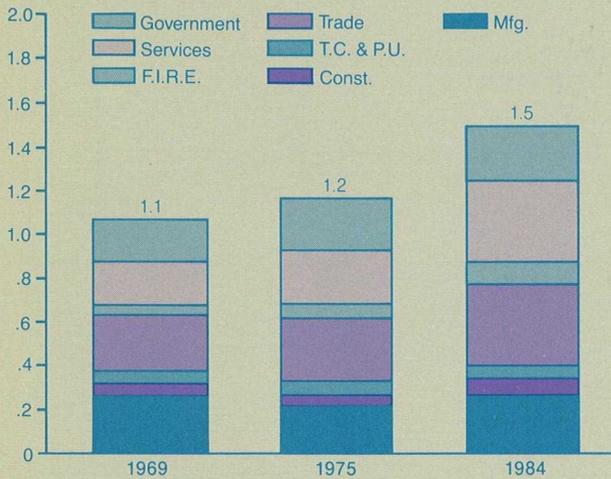
Source: N.Y. and N.J. State Depts. of Labor
 F.I.R.E. = Finance, Insurance & Real Estate
 T.C. & P.U. = Transportation, Communications & Public Utilities

New York City Wage & Salary Employment in Millions by Major Industry 1969, 1977 and 1984



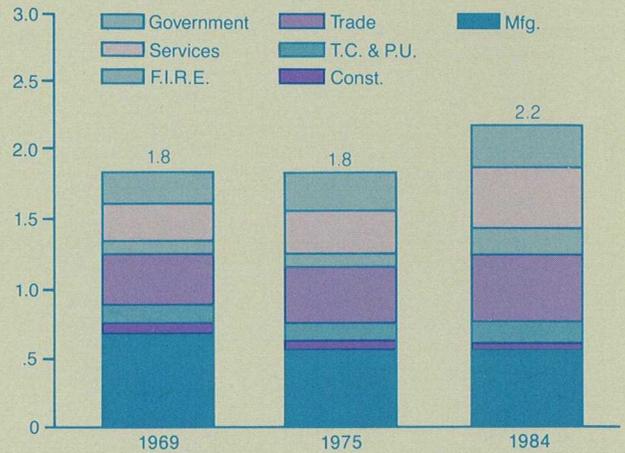
Source: New York State Dept. of Labor
 F.I.R.E. = Finance, Insurance & Real Estate
 T.C. & P.U. = Transportation, Communications & Public Utilities

New York Suburbs Wage & Salary Employment in Millions by Major Industry 1969, 1975 and 1984



Source: New York State Dept. of Labor
 F.I.R.E. = Finance, Insurance & Real Estate
 T.C. & P.U. = Transportation, Communications & Public Utilities

New Jersey Sector Wage & Salary Employment in Millions by Major Industry 1969, 1975 and 1984

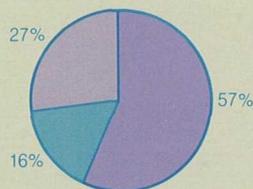


Source: New Jersey State Dept. of Labor
 F.I.R.E. = Finance, Insurance & Real Estate
 T.C. & P.U. = Transportation, Communications & Public Utilities

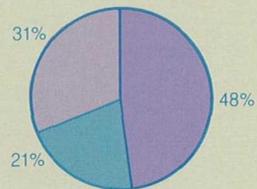
Unemployment

Wages & Salary Employment in the N.Y.-N.J. Metropolitan Region by Major Geographic Area

■ N.J. Sector ■ N.Y. Suburbs ■ N.Y. City



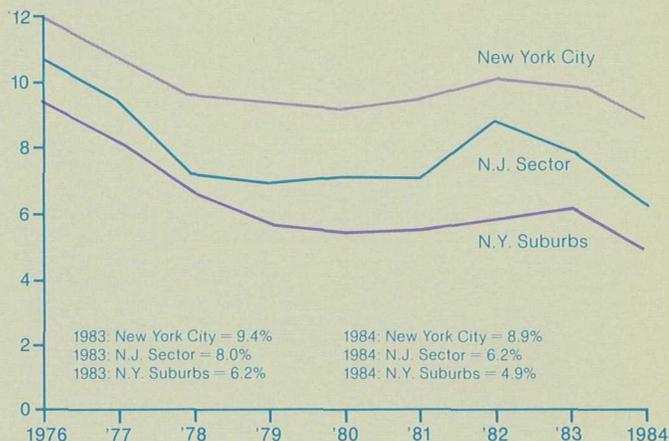
1969: Region = 6.7 million



1984: Region = 7.1 million

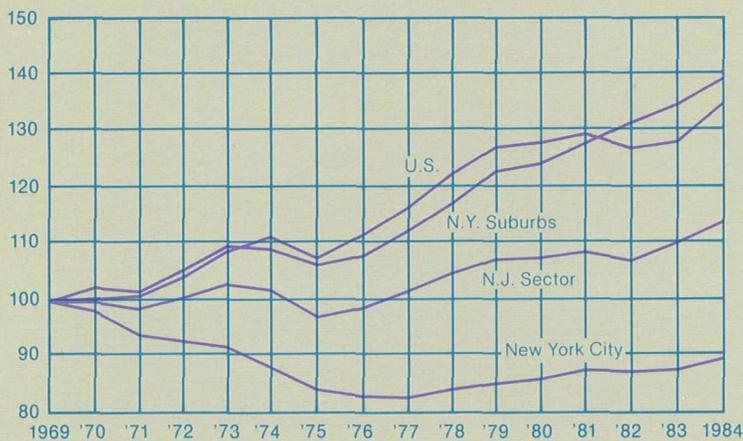
Source: N.Y. State Dept. of Labor
N.J. State Dept. of Labor

Unemployment Rates N.Y.-N.J. Metropolitan Region 1976-1984 (percent)



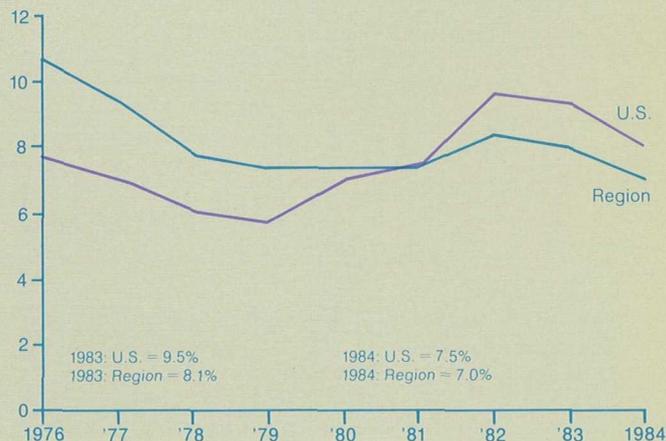
Source: N.Y. State Dept. of Labor
N.J. State Dept. of Labor

Index of Private Wage and Salary Employment U.S. and N.Y.-N.J. Metropolitan Region 1969-1984 (index number: 1969 = 100)



Source: U.S. Bureau of Labor Statistics
N.Y. State Dept. of Labor
N.J. State Dept. of Labor

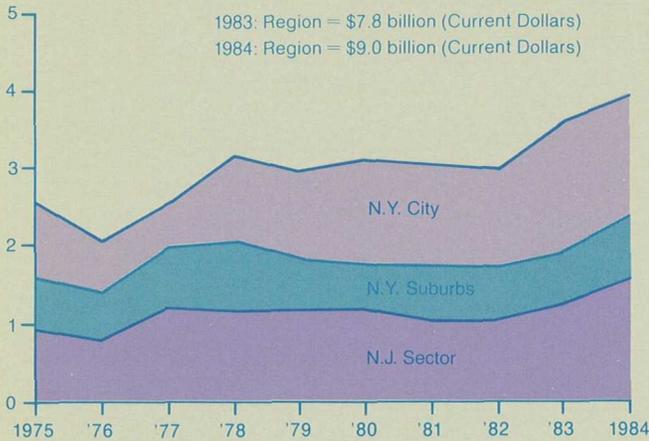
Unemployment Rates U.S. and N.Y.-N.J. Metropolitan Region 1976-1984 (percent)



Source: U.S. Dept. of Labor, Bureau of Labor Statistics
N.Y. State Dept. of Labor
N.J. State Dept. of Labor

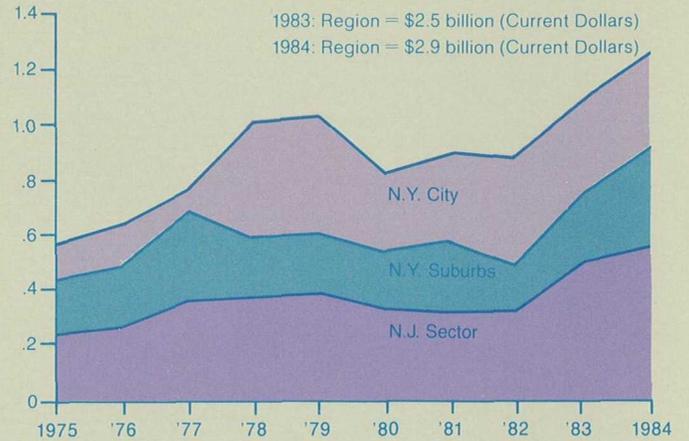
Construction

Total Construction Contract Awards
N.Y.-N.J. Metropolitan Region
1975-1984
(billions of 1972 dollars)



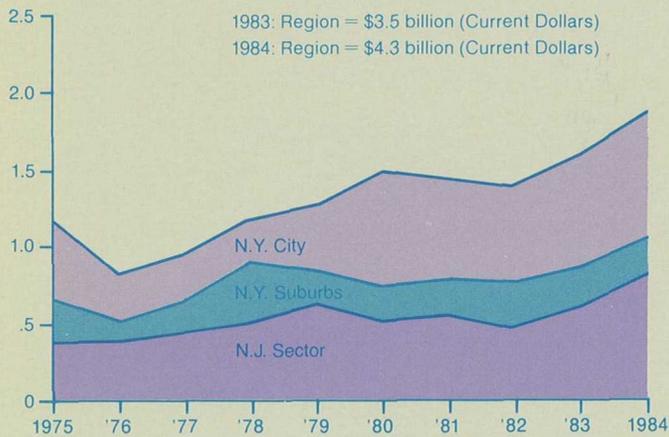
Source: F.W. Dodge

Residential Building Construction Contract Awards
N.Y.-N.J. Metropolitan Region
1975-1984
(billions of 1972 dollars)



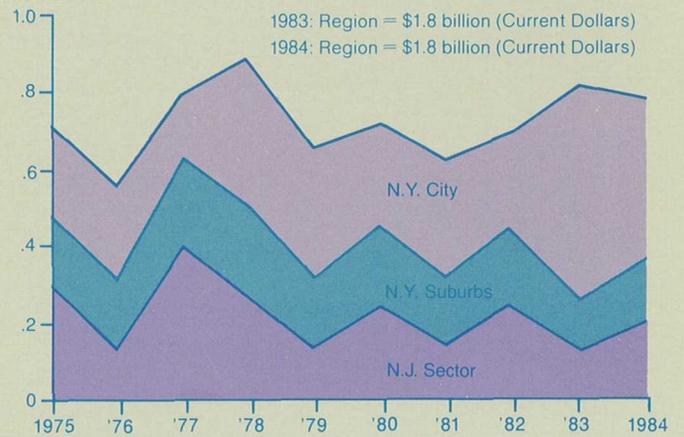
Source: F.W. Dodge

Commercial and Industrial Building Construction Contract Awards
N.Y.-N.J. Metropolitan Region 1975-1984
(billions of 1972 dollars)



Source: F.W. Dodge

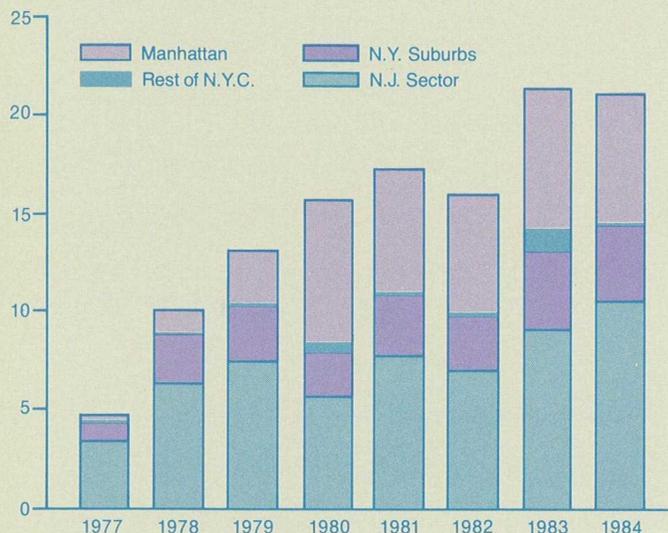
Infrastructure Construction Contract Awards
N.Y.-N.J. Metropolitan Region
1975-1984
(billions of 1972 dollars)



Source: F.W. Dodge

Inflation

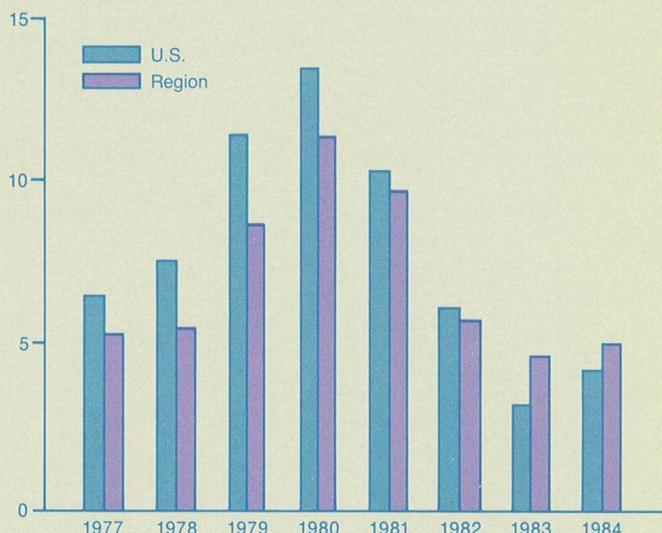
**Contract Awards for Office Buildings
in the New York-New Jersey Metropolitan Region
1977-1984**
(millions of square feet)



Source: F.W. Dodge

1983: Region = 21.3 million
1984: Region = 21.1 million

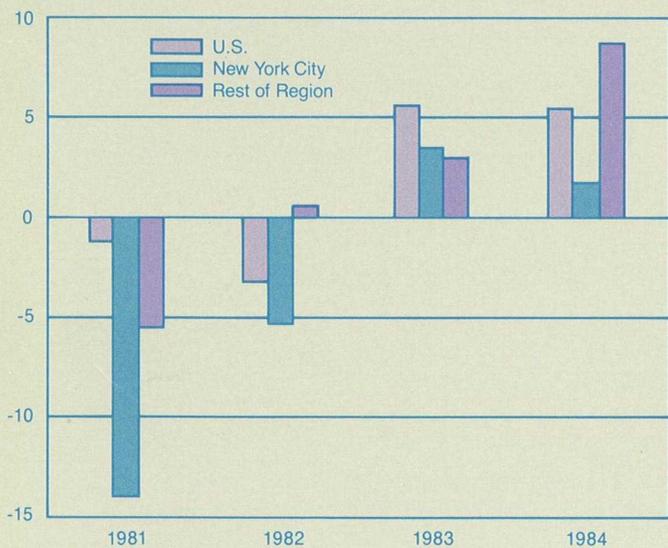
**Percent Change in Consumer Price Index/All Items
U.S. and N.Y.-N.J. Metropolitan Region
1977-1984**
(percent)



Source: U.S. Bureau of Labor Statistics

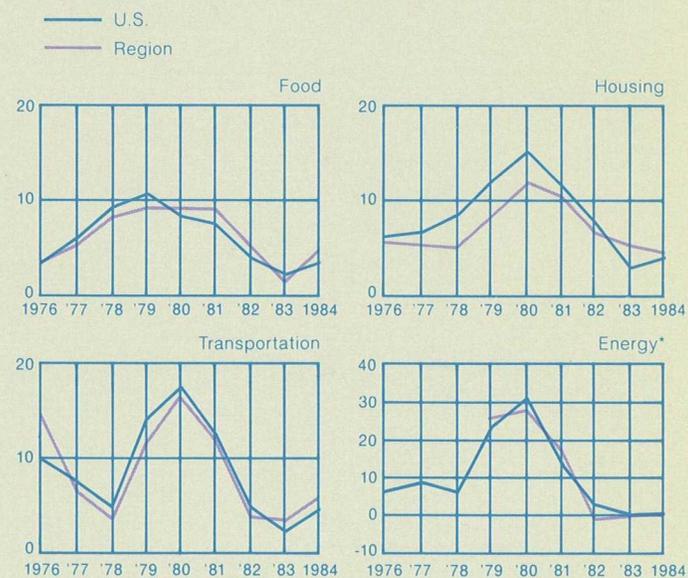
1984: U.S. = 4.3% 1983: U.S. = 3.2%
1984: Region = 5.0% 1983: Region = 4.7%

**Percent Change in Retail Sales
U.S., New York City, and Rest of Region
1981-1984**
(retail sales in million of 1972 dollars)



Source: U.S. Bureau of the Census

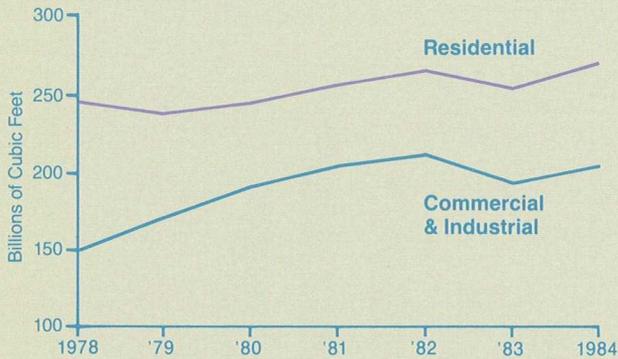
**Components of the Consumer Price Index
1976-1984**
(percent)



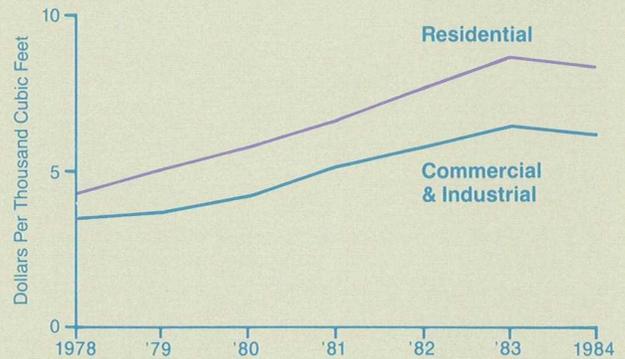
*Energy data for region unavailable prior to 1978
Source: U.S. Bureau of Labor Statistics

Energy

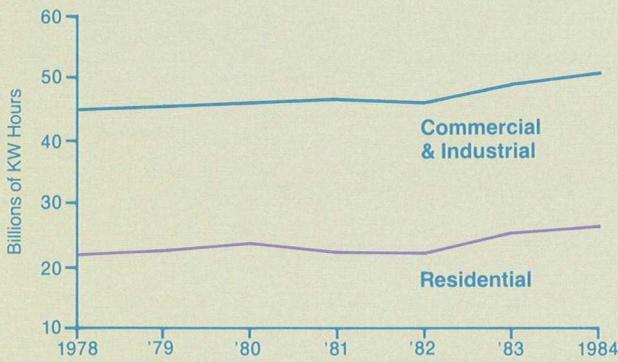
Natural Gas Consumption
N.Y.-N.J. Metropolitan Region 1978-1984



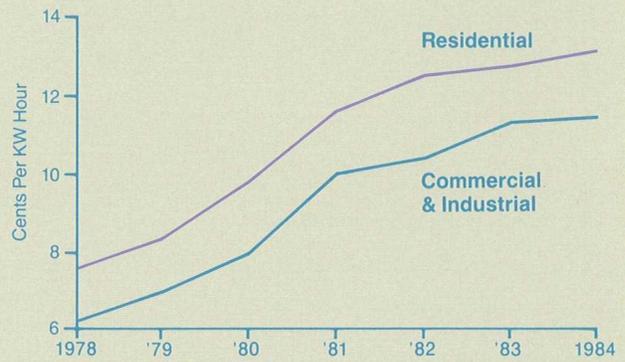
Natural Gas Prices
N.Y.-N.J. Metropolitan Region 1978-1984



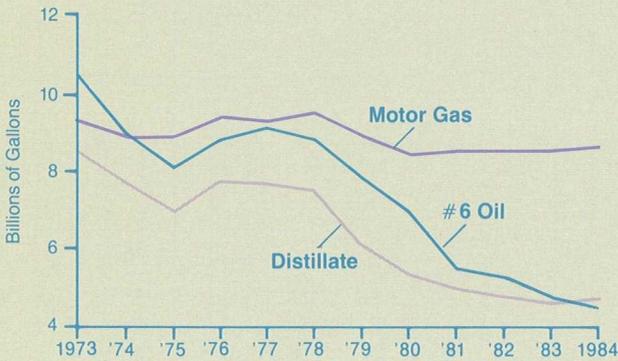
Electricity Consumption
N.Y.-N.J. Metropolitan Region 1978-1984



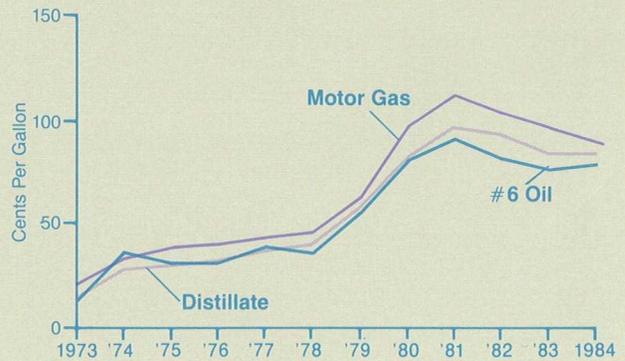
Electricity Prices
N.Y.-N.J. Metropolitan Region 1978-1984



Petroleum Consumption
States of New Jersey and New York 1973-1984

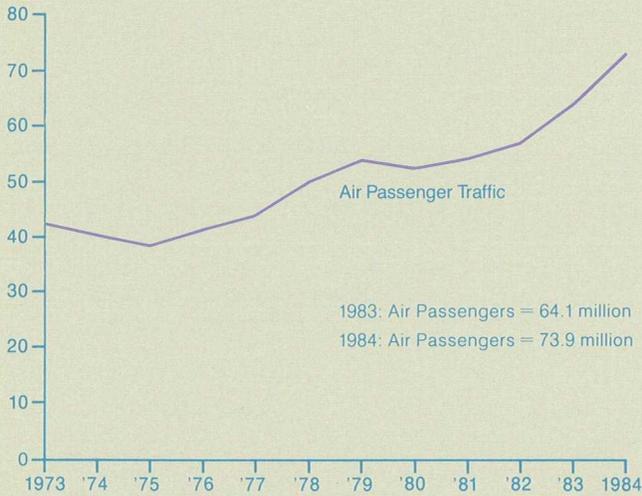


Petroleum Prices
States of New Jersey and New York 1973-1984



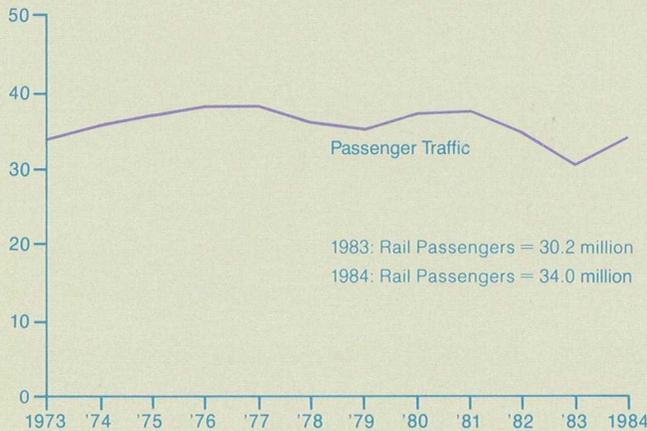
Regional Traffic Trends

**Domestic and Overseas Air Passenger Traffic
N.Y.-N.J. Metropolitan Region
1973-1984
(in millions)**



Source: The Port Authority of N.Y.-N.J.

**New Jersey Transit Rail Passenger Traffic
1973-1984
(in millions)**

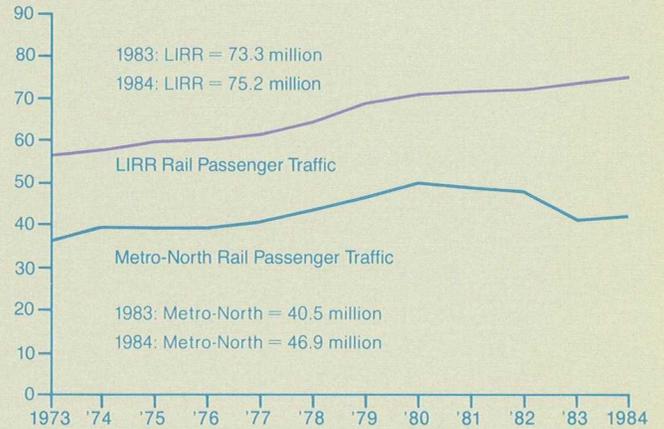


Source: Tri-State Regional Planning Commission, 1972-1978
New Jersey Transit, 1979-1984

Note: New Jersey Transit's rail operations include the former Hoboken and New Jersey Divisions of Conrail. Excludes MTA ridership on Mainline Bergen but it includes MTA Pascack Valley and N.J. Transit ridership utilizing Amtrak's Northeast Corridor service

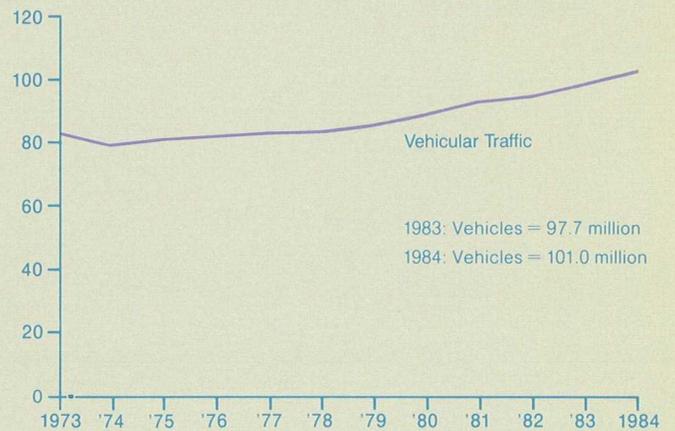
Note: 34 day strike in 1983

**Metropolitan Transportation Authority
Commuter Rail Revenue Passenger Traffic
1973-1984
(in millions)**



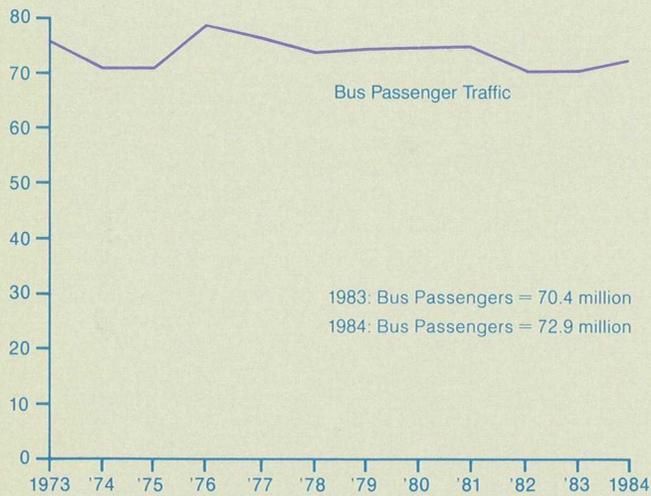
Source: Metropolitan Transportation Authority
Note: Metro-North includes the former New Haven, Harlem and Hudson lines of Conrail
Note: 6 week Metro-North strike in 1983

**Port Authority Tunnels and Bridges
Annual Eastbound Vehicular Traffic
1973-1984
(in millions)**



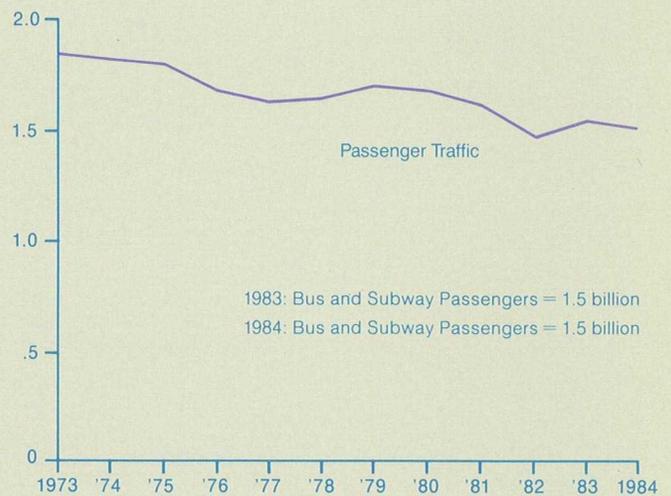
Source: The Port Authority of N.Y.-N.J.

**Bus Passenger Traffic: through Port Authority terminals
N.Y.-N.J. Metropolitan Region
1973-1984
(in millions)**



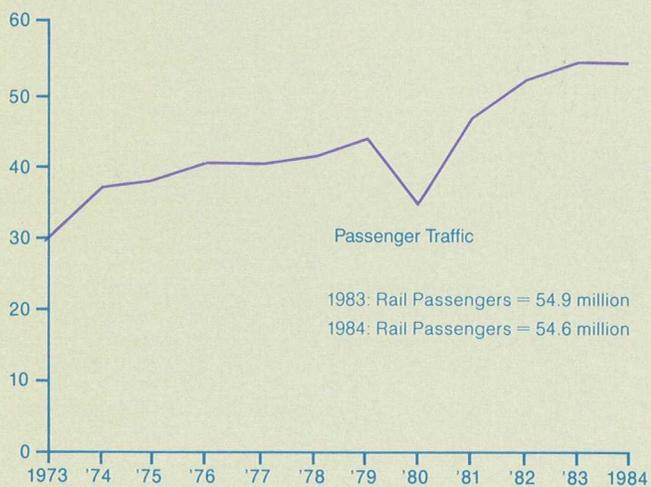
Source: The Port Authority of N.Y.-N.J.
Note: Journal Square Transportation Center opened in 1976

**New York City Transit Authority
Bus and Subway Revenue Passenger Traffic
1973-1984
(in billions)**



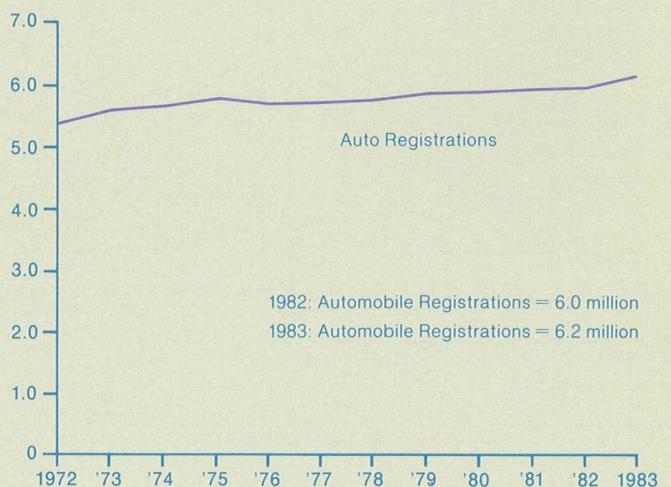
Source: New York City Transit Authority

**Port Authority Trans-Hudson Rail Passenger Traffic
1973-1984
(in millions)**



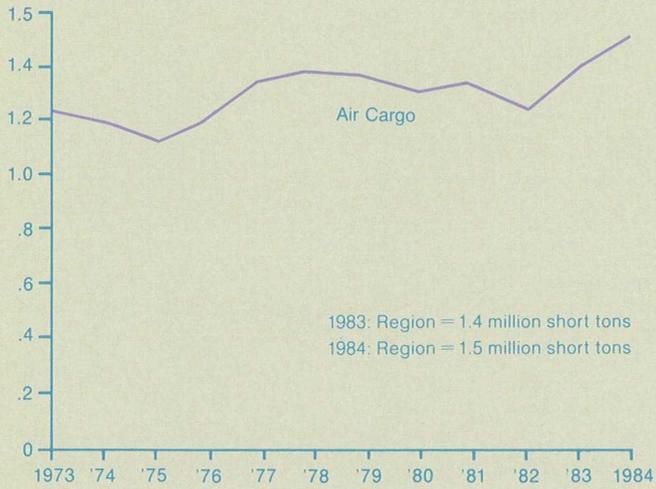
Source: The Port Authority of N.Y.-N.J.
Note: New York City transit strike, April 1 to April 13, 1980
PATH strike, June 12 to August 31, 1980
PATH strike, April 1 to June 3, 1973

**Passenger Automobile Registrations
N.Y.-N.J. Metropolitan Region
1972-1983
(in millions)**



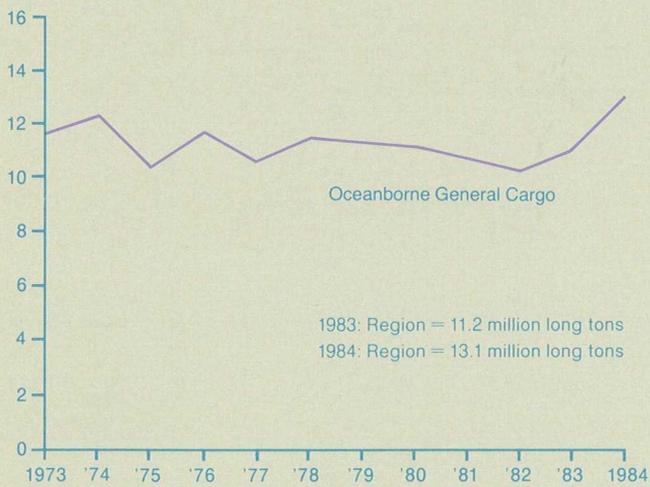
Source: State of New Jersey, State of New York, Departments of Motor Vehicles
Note: New Jersey reports automobile registrations on a fiscal year. Calendar year data were imputed by interpolation

Air Cargo Traffic
N.Y.-N.J. Metropolitan Region
1973-1984
(in millions of short tons)



Source: The Port Authority of N.Y.-N.J.

Oceanborne General Cargo
The Port of N.Y.-N.J.
1973-1984
(in millions of long tons)



Source: The Port Authority of N.Y.-N.J.

THE PORT AUTHORITY OF NY & NJ

Facility Traffic

Tunnels and Bridges		
(Eastbound Traffic in Thousands)	1984	1983*
All Crossings		
Automobiles	91,798	89,116
Buses	1,810	1,728
Trucks	7,346	6,827
Total Vehicles	100,954	97,671
George Washington Bridge		
Automobiles	42,086	41,085
Buses	255	252
Trucks	3,695	3,390
Total Vehicles	46,036	44,727
Lincoln Tunnel		
Automobiles	17,113	16,544
Buses	1,327	1,271
Trucks	1,037	963
Total Vehicles	19,477	18,778
Holland Tunnel		
Automobiles	12,184	12,090
Buses	78	60
Trucks	1,084	1,064
Total Vehicles	13,346	13,214
Staten Island Bridges		
Automobiles	20,415	19,397
Buses	150	145
Trucks	1,530	1,410
Total Vehicles	22,095	20,952
Cumulative PA Investment In Tunnels and Bridges		
(In Thousands)	\$720,200	\$684,800
Air Terminals		
	1984	1983
Totals at the Three Major Airports		
Plane Movements	995,000	896,700
Passenger Traffic	73,891,000	64,129,000
Cargo-Tons	1,510,600	1,363,900
Revenue Mail-Tons	253,400	230,100
Kennedy International Airport		
Plane Movements	306,700	304,300
Passenger Traffic		
- Total	29,935,000	27,905,000
- Domestic	13,601,000	13,238,000
- Overseas	16,334,000	14,667,000
Cargo-Tons	1,235,600	1,145,800
LaGuardia Airport		
Plane Movements	343,100	324,200
Passenger Traffic	20,302,000	18,813,000
Cargo-Tons	47,000	38,900
Newark International Airport		
Plane Movements	345,200	268,200
Passenger Traffic	23,654,000	17,411,000
Cargo-Tons	228,000	179,200
Cumulative PA Investment In Air Terminals		
(In Thousands)	\$ 1,638,600	\$ 1,575,000

Terminals		
	1984	1983
All Bus Facilities		
Passengers	72,948,000	70,350,000
Bus Movements	3,069,000	3,041,000
Port Authority Bus Terminal		
Passengers	56,000,000	53,150,000
Bus Movements	1,946,000	1,908,000
George Washington Bridge Bus Station		
Passengers	6,046,000	6,400,000
Bus Movements	270,000	291,000
PATH Journal Square Transportation Center Bus Station		
Passengers	10,902,000	10,800,000
Bus Movements	853,000	842,000
Cumulative PA Investment In Bus Facilities		
(In Thousands)	\$248,900	\$232,800
Marine Terminals		
	1984	1983
All Terminals		
Ship Arrivals	2,977	2,790
General Cargo (Long Tons)	16,436,113	13,294,864
New Jersey Marine Terminals		
Ship Arrivals	2,692	2,367
General Cargo (Long Tons)	15,936,529	12,774,532
New York Marine Terminals		
Ship Arrivals	285	423
General Cargo (Long Tons)	499,584	520,332
Cumulative PA Investment In Marine Terminals		
(In Thousands)	\$626,600	\$615,900
PATH		
	1984	1983
Total Passengers	54,628,000	54,933,000
Passenger Weekday Average	192,800	193,500
Cumulative PA Investment in PATH		
(In Thousands)	\$317,500	\$298,700
	1984	1983
Total Port Authority Cumulative Invested in Facilities, Including the Above		
(In Thousands)	\$5,050,800	\$4,838,400

* For comparative purposes the Tunnels and Bridges 1983 facility traffic statistics have been adjusted to reflect the January 1, 1984 toll vehicle classification change.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1984



February 22, 1985

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

The Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey, including its subsidiary Port Authority Trans-Hudson Corporation (PATH), for the year ended December 31, 1984, is submitted herewith. This report fairly presents and fully discloses the Port Authority's financial results and financial position, briefly describes basic policies, and gives a general discussion of the activities undertaken during the year ended December 31, 1984. The purpose and format of this transmittal letter is to discuss the items listed below in a formal and comprehensive manner.

Reporting Entity and its Services

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

The governor of each State appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective State Senate. Governors from either State have from time to time exercised the statutory power to veto the actions of Commissioners from their respective State. The Commissioners serve six-year overlapping terms as public officials without compensation. They establish Port Authority policy, appoint an Executive Director to implement it, and also appoint a General Counsel to act as legal advisor to the Board and to the Executive Director.

The Executive Director is responsible for the management of the daily operations of the agency's 32 facilities

through line and staff departments comprising approximately 8,100 career personnel and guides proposals to the point of presentation to the Board of Commissioners.

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

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.

Accounting System and Budgetary Control

The Port Authority's consolidated financial statements are prepared in accordance with generally accepted accounting principles and include information on Port Authority operations by operating segment, prepared on a full accrual basis. Where appropriate, statements and schedules reflect amounts, including provisions for claims made against the Port Authority, based on estimates and judgments which the Port Authority believes to be sound. These financial statement presentations do not in any way change the net revenues or reserves of the Port Authority or their applications as they are defined and governed by requirements of law and the Port Authority's bond resolutions and as they are reflected in Schedules A, B and C. The Port Authority conducts its operations in accordance with such resolutions and legal requirements.

The bond resolutions provide that net operating revenues be calculated without allowance for depreciation. Rather, facility capital costs are provided for through deductions from net revenues and reserves of amounts equal to principal payments on debt or appropriations to Invested in Facilities. A reconciliation of the Consolidated Statement of Income to Schedule A and the Consolidated

Statement of Financial Position to Schedule B appears on page 21.

The accounts of PATH are consolidated in the accompanying financial statements.

To reasonably assure compliance with published policies and procedures and to protect the Port Authority's assets, a system of internal controls including budget guidelines, has been developed. This system is strengthened and supplemented by a staff of internal auditors which conducts examinations of the Port Authority's operations and reports to the Audit Committee of the Board of Commissioners on management's performance. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived and that the evaluation of those factors requires estimates and judgments by management.

The Port Authority's annual budget is a financial planning tool outlining the estimated expenditures for programs already authorized or to be considered by the Board of Commissioners. It is not an authorization allocation, and approval of the Budget based on the financial plan does not in itself authorize projects. Each capital project must be separately considered and approved by the Commissioners. Upon approval, the financial plan becomes a means of achieving systematic control of program expenditures to ensure that they are made in accordance with the policies and financial decisions of the Board, and the requirements of the By-Laws of the Port Authority.

Results of Operations

The current year's gross operating revenues totalled \$1,000,060,000, an increase of \$151,476,000, or 17.9 percent, over 1983. This growth is primarily due to an increase in flight fee revenues and service charges at the airports, higher rentals at The World Trade Center, a tolls schedule revision effective January 1, 1984, and a PATH fare increase effective June 3, 1984. Operating expenses increased by \$96,608,000, or 15.8 percent, over 1983, to \$706,895,000, primarily due to higher costs for labor and materials and increased rents to the Cities of New York and Newark.

Cash Management

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 \$44,551,600 were recorded on an average long-term portfolio of \$399,853,000. The result was an average earnings rate of 11.1%.

Short-term investments, primarily in government securities and money market instruments, averaged \$494,260,000 during the year. The short-term portfolio represented principally the investment of construction funds awaiting disbursement and operating revenues. Income on these investments totalled \$52,623,600 or an average earnings rate of about 10.6%. Income on investments increased by approximately \$9,400,000, or 10.7 percent, primarily due to higher interest rates.

Financial Position

As of December 31, 1984, the total assets of the Port Authority were \$4,456,952,000, an increase of 7.7 percent, or \$317,495,000, over last year. Facilities, at Cost, rose by \$198,653,000 to \$4,608,062,000.

The increase in Facilities, at Cost, is represented by additional investment in ground and mass transportation facilities of \$71,586,000 with the Bus Terminal extension and modernization project, the Holland Tunnel ceiling project, and PATH's safety projects accounting for a major portion of the increase. Investment in other facilities increased by \$127,067,000, led by air terminals which increased by \$62,471,000, primarily as a result of various improvements and rehabilitations to roadways and buildings at the three major metropolitan airports. The World Trade Center's fire safety program was a contributing factor toward a \$13,024,000 increase in investment in that facility and investment in the remaining facilities increased by \$51,572,000, mainly due to activity at the Bathgate Industrial Park and the Teleport.

Debt Administration

The Port Authority has issued over \$5,642,649,000 in obligations since its creation, of which \$2,361,664,000 was outstanding as of December 31, 1984. The Port Authority has issued \$3,563,650,000 of Consolidated Bonds and Notes (exclusive of refundings) since 1952, of which \$2,263,249,000 was outstanding as of December 31, 1984.

Consolidated Bonds (which includes Consolidated Notes) are a direct and general obligation of the Port Authority and its full faith and credit are pledged to the payment of debt service thereon. All Consolidated Bonds, including any which may hereafter be issued, are also equally and ratably secured by a pledge of the net revenues of all existing facilities and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated 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. The only obligations of the Port Authority which

were issued prior to 1952 and which were outstanding through December 31, 1984 are the General and Refunding Bonds in the amount of \$1,915,000. Amounts available from the Special Reserve Fund, which was established by the Port Authority in connection with the General and Refunding Bonds, have been held in trust since December 31, 1970, as described on page 33.

To effectuate its programs, statutes which required the Port Authority to create the General Reserve Fund also established the principle of pooling revenues from facilities with established earning power to aid in the development of new projects. The statutes also provide for the utilization of available net revenues to maintain the General Reserve Fund at the prescribed amount of 10 percent of the total par value of the outstanding bonds legal for investment as defined in the General Reserve Fund statutes (except for New York State Guaranteed Commuter Car Bonds).

Currently, the General Reserve Fund and the Consolidated Bond Reserve Fund are pledged in support of all the Port Authority's outstanding bonds and notes other than New York State Guaranteed Commuter Car Bonds, obligations issued under the Port Authority Commercial Paper Program, and Special Project Bonds.

Bonds for an additional facility cannot be issued with a pledge of the General Reserve Fund unless the Port Authority Commissioners certify 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 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 debt service on bonds secured by a pledge of the General Reserve Fund.

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 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.

Interest recorded on the Port Authority's debt charged to operations and reserves in 1984 totalled \$116,474,000. Bonded debt repayment through revenues and reserves amounted to \$19,675,000, which includes long-term bonds

with a par value of \$18,675,000 retired through mandatory sinking fund and maturity payments and \$1,000,000 par value of notes retired as scheduled. Repayment of commercial paper obligations not refunded by Commercial Paper Notes amounted to \$85,389,000 and all commercial paper obligations were repaid as required prior to December 31, 1984. Total debt service charged to net revenues and reserves, including reserve funds in trust, therefore, was \$221,538,000, which does not include amounts relating to New York State Guaranteed Commuter Car Bonds and Special Project Bonds.

Bonds and Notes increased during the year by \$186,325,000 to a total of \$2,361,664,000. During the year, net assets increased by 8.2 percent to a total of \$3,663,912,000, which represents approximately 73 percent of the amount invested in Port Authority facilities.

Reserve Funds

At year-end 1984, the General Reserve Fund balance was \$236,166,000 and continued to meet the prescribed statutory amount of at least 10 percent of outstanding bonds legal for investment as defined in the General Reserve Fund statutes. On December 31, 1984, the Consolidated Bond Reserve Fund had a balance of \$425,033,000, after application of \$85,389,000 for the repayment of commercial paper obligations, \$71,527,000 to direct investment in facilities, and \$489,000 to self-insurance. The balance of the Special Reserve Fund in Trust, described on page 33, totalled \$1,940,000. The sum of these reserves was \$663,139,000, which exceeded the next two years' mandatory debt service on bonds secured by a pledge of the General Reserve Fund.

Bond covenants require that the reserve funds be maintained in cash or invested in certain government securities. At year-end, \$656,507,000 was invested in such securities.

Independent Audit

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



Executive Director



Acting Chief Financial Officer

**Reconciliation of Consolidated Statement of Income
To Revenues and Reserves (Schedule A)**

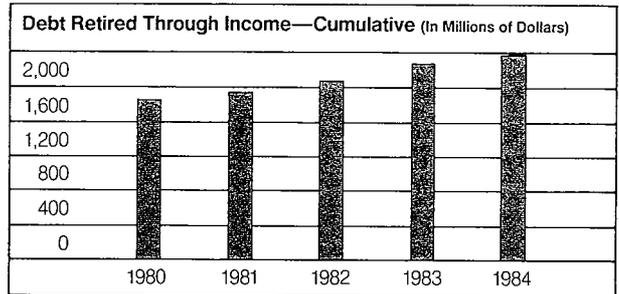
	Year Ended December 31, 1984 (In Thousands)
Net Income (Consolidated Statement of Income)	\$129,942
Add: Depreciation	115,953
Amortization of buses	29,186
Less: Direct Investment in Facilities	71,527
Gain on Insurance Proceeds	7,072
Appropriation for Self-Insurance	489
Debt Retired - Consolidated Bonds and Notes	19,675
- Commercial Paper Obligations	<u>85,389</u>
Increase in Reserves (Pursuant to Port Authority bond resolutions)	<u>\$ 90,929</u>

**Reconciliation of Consolidated Statement of Financial
Position To Assets and Liabilities (Schedule B)**

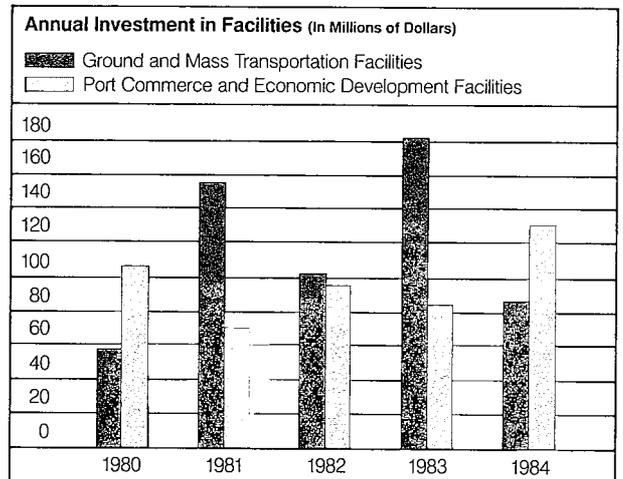
	Year Ended December 31, 1984 (In Thousands)
Net Assets (Consolidated Statement of Financial Position)	\$1,868,547
Add: Accumulated Depreciation on Facilities	1,640,763
Accumulated retirements	87,321
Cumulative amortization of buses	<u>67,281</u>
Net Assets (Pursuant to Port Authority bond resolutions)	<u>\$3,663,912</u>

Selected Financial Information

Highlights	1984	1983
Gross Operating Revenues	(In Thousands) \$1,000,100	\$ 848,600
Net Operating Revenues	293,200	238,300
Net Revenues Available for Debt Service and Reserves	384,500	318,500
Debt Service Charged to Revenues and Reserves	221,500	297,200
Cumulative Invested in Facilities	5,050,800	4,838,400
Bonded Debt Outstanding, in accordance with Port Authority bond resolutions	2,361,700	2,175,300
General Reserve Fund	236,200	223,100
Consolidated Bond Reserve Fund	425,100	346,100
Special Reserve Fund in Trust	1,900	3,100



The Port Authority is a self-supporting agency which funds its operations and retires its debt through fares, fees, tolls and other charges.



Annual Port Authority investment has increased by more than \$1 billion over the past five years. For the same period, outstanding debt increased by only \$337 million.

Touche Ross & Co.

November 28, 1984

Mr. Robert V. Van Fossan, Chairman
and Members of the Audit Committee of
The Port Authority of New York and New Jersey
New York, New York

We have made a study and evaluation of the system of internal accounting control of The Port Authority of New York and New Jersey in effect at October 31, 1984. Our study and evaluation was conducted in accordance with standards established by the American Institute of Certified Public Accountants and was performed concurrently with our examination of the Port Authority's financial statements for the year ending December 31, 1984.

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

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

In our opinion, the Port Authority's system of internal accounting control in effect at October 31, 1984, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the Port Authority's financial statements.

Touche Ross & Co.

Certified Public Accountants

GATEWAY 1-NEWARK, NEW JERSEY 07102-(201) 622-7100

Touche Ross & Co.

February 22, 1985

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

We have examined the consolidated statements 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, 1984 and 1983, 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 referred to above present fairly the financial position of The Port Authority of New York and New Jersey and its subsidiary as of December 31, 1984 and 1983, 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 applied on a consistent basis. 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-8. In our opinion, Schedules A, B and C present fairly the consolidated assets and liabilities of the Authority at December 31, 1984 and the consolidated revenues and reserves for the year then ended in conformity with the accounting principles described in Note A-8 applied on a basis consistent with that of the preceding year.

Also, in our opinion, the supplementary information presented in Schedule D and the selected financial data for the years ended December 31, 1984, 1983, 1982 and 1981, appearing in Schedule E, are fairly stated in all material respects in relation to the financial statements taken as a whole. In our opinion, Schedule F presents fairly the assets and liabilities of the New York State Commuter Car Program at December 31, 1984 and 1983, in conformity with the basis of accounting described therein, applied on a consistent basis.

Touche Ross & Co.

Certified Public Accountants

GATEWAY 1-NEWARK, NEW JERSEY 07102-(201) 622-7100

Consolidated Statement of Income

	Year Ended December 31,	
	1984	1983
	(In Thousands)	
Gross Operating Revenues (Note L)	\$1,000,060	\$848,584
Operating Expenses:		
Employee compensation, including benefits	343,376	316,085
Materials, equipment, supplies and contract services	164,670	133,665
Heat, light and power	67,562	74,764
Rents (primarily related to airport leases) and amounts in-lieu-of-taxes	80,186	51,688
Other (Note K-4)	51,101	34,085
Total Operating Expenses	706,895	610,287
Depreciation on Facilities (Note B)	115,953	112,152
Amortization of Costs for Bus Programs	29,186	21,996
Income from Operations	148,026	104,149
Financial Income and Expense:		
Income on investments	84,263	69,894
Gain on purchase of Port Authority bonds in connection with current sinking fund requirements	1,680	1,357
Interest expense	(114,920)	(111,164)
Income Before Extraordinary Items	119,049	64,236
Extraordinary Items		
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements	3,821	7,239
Gain on insurance proceeds (Note B)	7,072	—
Net Income	\$ 129,942	\$ 71,475

Consolidated Statement of Changes in Net Assets

	Year Ended December 31,	
	1984	1983
	(In Thousands)	
Balance at January 1	\$1,727,685	\$1,645,049
Net Income	129,942	71,475
Government Contributions in Aid of Construction (Note G)	10,920	11,161
Balance at December 31	\$1,868,547	\$1,727,685

See Notes to Consolidated Financial Statements.

Consolidated Statement of Financial Position

	December 31,	
	1984	1983
	(In Thousands)	
Assets		
Facilities, at Cost (Note B)	\$4,608,062	\$4,409,409
Less Accumulated Depreciation on Facilities	1,640,763	1,530,011
Facilities, Net	2,967,299	2,879,398
Investments (Note C)	938,531	706,930
Cash	20,398	12,804
Accounts Receivable (net of Allowance for Doubtful Accounts of \$9,049,000 in 1984 and \$11,112,000 in 1983)	77,851	78,922
Unamortized Costs for Bus Programs	288,111	301,654
Other Assets	164,762	159,749
Total Assets	4,456,952	4,139,457
Liabilities		
Bonds and Notes (Note D)	2,309,563	2,141,823
Accounts Payable and Other Liabilities	266,024	264,627
Deferred Income	12,818	5,322
Total Liabilities	2,588,405	2,411,772
Net Assets	\$1,868,547	\$1,727,685
Net Assets are Composed of:		
Net Income Invested in Port Authority Facilities, Operations and Reserves	\$1,713,041	\$1,574,658
Government Contributions in Aid of Construction (Note G)	155,506	153,027
Net Assets	\$1,868,547	\$1,727,685

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Financial Position

	Year Ended December 31,	
	1984	1983
	(In Thousands)	
Funds Provided from:		
Net Income	\$129,942	\$ 71,475
Add-Income charges not affecting funds in the period:		
Depreciation on facilities	115,953	112,152
Amortization of costs for Bus Programs	29,186	21,996
Amortization of certain other assets	9,102	9,480
	<u>284,183</u>	<u>215,103</u>
Funds provided by operations	284,183	215,103
Bonds, notes and commercial paper obligations	291,389	197,589
Port Authority bonds retired	12,586	33,891
Government contributions in aid of construction	10,920	11,161
Decrease in accounts receivable	1,071	—
Increase in accounts payable and other liabilities	1,397	26,431
	<u>601,546</u>	<u>484,175</u>
Total Funds Provided	601,546	484,175
Funds Applied to:		
Cost of facilities	203,854	128,467
Retirement or repayment of bonds, notes and commercial paper obligations	109,152	156,221
Port Authority bonds purchased by the Port Authority	27,083	29,185
Cost for Bus Programs	15,643	135,301
Other net changes in other assets and deferred credits	6,619	111,263
Increase in accounts receivable	—	7,596
Repayment of bank loans	—	31,250
	<u>362,351</u>	<u>599,283</u>
Total Funds Applied	362,351	599,283
Net Increase (Decrease) in Cash and Investments	<u>\$239,195</u>	<u>(\$115,108)</u>

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note A—Summary of

Significant Accounting Policies:

1. The Port Authority of New York and New Jersey, created in 1921 by compact between the two States, 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).

2. The financial statements and schedules include the accounts of the Port Authority and its wholly-owned subsidiary, Port Authority Trans-Hudson Corporation (PATH). The assets and liabilities of the New York State Commuter Car Program are not included in the Port Authority's financial statements (see Note F-4 and Schedule 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. Facility capital costs include net interest expense incurred from the date of issuance of the debt to finance construction until completion of the capital project. (See Note B-1 and Note G.)

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

Port Authority bonds purchased by the Port Authority serve to reduce debt on Bonds and Notes and are not

included in investments. Interest expense and interest earnings relating to such Port Authority bonds purchased are not included in interest expense and income on investments. Bonds and Notes are shown net of unamortized discount. Consistent with Financial Accounting Standard No. 64, Extinguishments of Debt Made to Satisfy Sinking Fund Requirements, gains on purchase of Port Authority bonds in connection with future sinking fund requirements (those scheduled to occur more than one year from date of purchase) are separately classified as an extraordinary item.

5. 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. (See Note B-1.)

6. All expenditures for the Bus Programs are recorded as deferred charges and amortized over the estimated useful life of the buses (see Note K-1).

7. 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).

8. 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 as follows:

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 to Invested in Facilities. These amounts are credited at par to Debt Retired Through Income and to Appropriated Reserves Invested in Facilities, respectively.

Expenditures for the Bus Programs are included in Invested in Facilities in accordance with Port Authority bond resolutions.

Port Authority bonds purchased by the Port Authority remain outstanding and are included in Investments and Bonds and Notes until retirement. Interest expense and interest earnings relating to such Port Authority bonds purchased are included as interest on bonds and notes 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.

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

10. The 1983 financial statements contain certain reclassifications which have been made in order to conform to the classifications used in 1984.

Note B—Facilities:

1. Cost of facilities is composed of the following:

	December 31,	
	1984	1983
	(In Thousands)	
Completed Construction:		
Air Terminals	\$1,540,135	\$1,488,365
World Trade Center	1,048,613	1,045,724
Marine & Other Facilities	605,519	608,042
Tunnels & Bridges	631,854	605,589
Rail Facilities	266,639	270,700
Bus Terminal	226,563	180,260
	<u>4,319,323</u>	<u>4,198,680</u>
Construction in Progress	288,739	210,729
	<u>\$4,608,062</u>	<u>\$4,409,409</u>

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

Net interest expense added to cost of facilities was \$14,510,000 in 1984 and \$11,140,000 in 1983.

2. In 1980, a fire destroyed Pier B at the Hoboken-Port Authority Marine Terminal. Substantially all assets destroyed by the fire were insured for their replacement value. The insurance proceeds received in 1984 exceed the remaining unamortized value of Pier B by \$7,072,000, an amount which has been included as an extraordinary item on the Consolidated Statement of Income.

Note C—Investments:

	December 31, 1984			December 31, 1983
	Principal Amount	Quoted Market	Book Value	Book Value
	(In Thousands)			
Short-Term				
United States Treasury Bills	\$463,000	\$448,422	\$445,568	\$375,064
United States Treasury Notes	10,000	10,031	10,016	—
Bankers' Acceptances	—	—	—	30,719
Certificates of Deposit	2,902	2,902	2,902	—
Commercial Paper	600	600	600	—
Total Short-Term	<u>\$476,502</u>	<u>\$461,955</u>	<u>459,086</u>	<u>405,783</u>
Long-Term				
Farmers' Home Administration (Department of Agriculture) Insured Notes	\$ 57,000	\$ 55,614	56,988	56,974
United States Treasury Bonds and Notes	404,000	408,799	403,836	230,781
Government National Mortgage Association Participation Certificates	2,000	1,720	2,000	2,000
Total Long-Term	<u>\$463,000</u>	<u>\$466,133</u>	<u>462,824</u>	<u>289,755</u>
Bonds of The Port Authority of New York and New Jersey	<u>\$ 40,592</u>		40,592	26,095
Accrued Interest Receivable			16,621	11,392
Total Investments			979,123	733,025
Less: Bonds of The Port Authority of New York and New Jersey			40,592	26,095
Investments			<u>\$938,531</u>	<u>\$706,930</u>

Note D—Bonds and Notes:

		December 31, 1983	Issued	Retired	December 31, 1984
		(In Thousands)			
General and Refunding Bonds					
Ninth Series	1 1/2% due 1985	\$ 848	\$ —	\$ 421	\$ 427
Tenth Series	1 3/4% due 1985	505	—	249	256
Eleventh Series	1 1/4% due 1986	1,644	—	412	1,232
		<u>2,997</u>	<u>—</u>	<u>1,082</u>	<u>1,915</u>
Consolidated Bonds					
Second Series	2 3/4% due 1984	1,980	—	1,980	—
Fourth Series	2 3/4% due 1985	3,983	—	1,983	2,000
Sixth Series	3% due 1986	10,091	—	2,291	7,800
Eighth Series	3.40% due 1986	8,075	—	1,575	6,500
Tenth Series	3.40% due 1987	13,950	—	2,950	11,000
Twelfth Series	3 3/8% due 1988	10,251	—	1,251	9,000
Fourteenth Series	3 3/8% due 1988	10,500	—	—	10,500
Sixteenth Series	3 3/8% due 1989	15,213	—	1,463	13,750
Nineteenth Series	4 1/4% due 1989	7,314	—	1,064	6,250
Twentieth Series	3 1/2% due 1991	11,100	—	—	11,100
Twenty-first Series	3 1/4% due 1993	19,950	—	525	19,425
Twenty-second Series	3 3/8% due 1993	13,875	—	—	13,875
Twenty-third Series	3 3/8% due 1994	13,875	—	—	13,875
Twenty-fourth Series	3 1/2% due 1994	15,241	—	116	15,125
Twenty-fifth Series	3 1/2% due 1994	15,125	—	—	15,125
Twenty-sixth Series	3.20% due 1984	1,500	—	1,500	—
Twenty-seventh Series	3 1/2% due 1995	23,625	—	—	23,625
Twenty-eighth Series	3 3/8% due 1995	16,995	—	495	16,500
Twenty-ninth Series	3 3/8% due 1996	18,750	—	—	18,750
Thirtieth Series	3 1/2% due 1996	18,750	—	—	18,750
Thirty-first Series	3 3/8% due 1998	17,269	—	—	17,269
Thirty-second Series	4% due 2002	81,000	—	—	81,000
Thirty-third Series	5% due 2003	86,500	—	—	86,500
Thirty-fourth Series	4 3/4% due 2003	86,400	—	—	86,400
Thirty-fifth Series	5 1/2% due 2003	93,000	—	—	93,000
Thirty-sixth Series	6 3/8% due 2005	97,000	—	—	97,000
Thirty-seventh Series	6.40% due 2005	48,000	—	—	48,000
Thirty-eighth Series	6% due 2006	98,200	—	200	98,000
Thirty-ninth Series	5 3/8% due 2006	97,000	—	—	97,000
Fortieth Series	5.80% due 2007	147,630	—	—	147,630
Forty-first Series	6% due 2008	99,200	—	200	99,000
Forty-second Series	5 1/2% due 2008	98,500	—	—	98,500
Forty-third Series	8.20% due 2011	100,000	—	—	100,000
Forty-fourth Series	7% due 2011	50,000	—	—	50,000
Forty-fifth Series	6 1/2% due 2012	75,000	—	—	75,000
Forty-sixth Series	6% due 2013	75,000	—	—	75,000
Forty-seventh Series	6 1/2% due 2013	100,000	—	—	100,000
Forty-eighth Series	6 3/4% due 2014	75,000	—	—	75,000
Forty-ninth Series	10 1/4% due 2017	100,000	—	—	100,000
Fiftieth Series	10 1/8% due 2017	100,000	—	—	100,000
Fifty-first Series	11% due 2019	—	100,000	—	100,000
Fifty-second Series (A)	9% due 2014	—	100,000	—	100,000
		<u>1,974,842</u>	<u>200,000</u>	<u>17,593</u>	<u>2,157,249</u>
Consolidated Notes					
Series EE	9 1/4% due December 1, 1984	100,000	—	—	—
Refunded		—	(100,000)	—	—
Series GG	5.4% due August 15, 1984	1,000	—	1,000	—
Series HH	7 3/4% due June 1, 1987	—	100,000	—	100,000
Series II	5.99% due January 15, 1985	—	1,000	—	1,000
Series JJ	5.8% due December 17, 1985	—	5,000	—	5,000
		<u>101,000</u>	<u>6,000</u>	<u>1,000</u>	<u>106,000</u>
Special Project Bonds					
Series I, Delta Air Lines, Inc. Project:					
First Installment	10 1/2% due 2002	10,015	—	—	10,015
Second Installment	10 1/2% due 2008	86,485	—	—	86,485
		<u>96,500</u>	<u>—</u>	<u>—</u>	<u>96,500</u>
Total Bonds and Notes in accordance with Port Authority bond resolutions		<u>2,175,339</u>	<u>\$206,000</u>	<u>\$19,675</u>	<u>2,361,664</u>
Less: Amortized cost of Port Authority bonds purchased by the Port Authority		26,095	—	—	40,592
Unamortized discount		7,421	—	—	11,509
Bonds and Notes		<u>\$2,141,823</u>	<u>—</u>	<u>—</u>	<u>\$2,309,563</u>

(A) Subject to an annual option, commencing in 1994, of the registered holder to exercise a one-time election to convert to a variable interest rate, ranging from 8% to 12% per annum.

2. Five-year amortization of Bonds and Notes (see Note D-1) outstanding on December 31, 1984 is:

Year Ending December 31:	Principal (In Thousands)
1985	\$ 48,784
1986	55,506
1987	155,132
1988	52,607
1989	53,819
Total	<u>\$365,848</u>

Amortization and interest applicable to General and Refunding Bonds are secured by a trust (see Note F-2).

Note E—Financing:

The Port Authority finances construction of its facilities primarily by issuing bonds, notes and other obligations. Details of Bonds and Notes and their amortization are described in Note D and Schedule D.

1. Commercial Paper Notes are special obligations of the Port Authority authorized to be issued for purposes of payment for capital expenditures in connection with the facilities of the Port Authority specified in the Commercial Paper Resolution and for the refunding of Commercial Paper Notes. No Commercial Paper Notes may have a maturity date later than the last business day of the calendar year of issue. To assist in providing program liquidity in the event the Commercial Paper Notes cannot be refunded at maturity due to market conditions, a stand-by revolving credit facility in the principal amount of up to \$150,000,000 is provided by six banks and trust companies. This stand-by revolving credit facility, subject to the fulfillment of certain conditions and unless sooner revoked or terminated in accordance with its provisions, expires on December 31, 1985. In addition, a bank line of credit in the amount of \$15,000,000 permits accumulation of the capital expenditures to be funded by the issuance of Commercial Paper Notes. The total aggregate principal amount of Commercial Paper Notes and advances under the credit facilities described above which may be outstanding at any one time may not be in excess of \$150,000,000.

Under the terms of the Port Authority Commercial Paper Resolution and the agreements entered into thereunder, the payment of the principal of and interest on Commercial Paper Notes, not refunded by subsequently issued Commercial Paper Notes, and advances under the stand-by credit facility and under the line of credit are to be special obligations of the Port Authority payable solely from net revenues deposited to the Port Authority's Consolidated Bond Reserve Fund and remaining after applications authorized by the Consolidated Bond Resolution, and from other moneys legally available therefor. Payment of the principal of and interest on these special obligations was during 1984 and continues to be subject in all respects to the payment of debt service on the Port Authority's General and Refunding Bonds and Consolidated Bonds, as required by the applicable provisions of the Port Authority's bond resolutions, to the payment into the General Reserve Fund of the amount necessary to maintain such Fund at the amount specified in the General Reserve Fund statutes, and to applications to purposes authorized by the Consolidated Bond Resolution.

The Commercial Paper Notes, and the interest thereon, and advances under the stand-by credit facility and under the line of credit, and the interest thereon, are not secured by or payable from the General Reserve Fund.

During the period January 1, 1984 through December 31, 1984, sales of Commercial Paper Notes, exclusive of refundings, totalled \$82,414,000, all of which were repaid as scheduled.

During the period January 1, 1985 through February 22, 1985, sales of Commercial Paper Notes, exclusive of refundings, totalled \$15,020,000.

2. On June 9, 1983, the Port Authority established an issue of special limited obligations known as Special Project Bonds. Neither the full faith and credit of the Port Authority nor the General Reserve Fund or the Consolidated Bond Reserve Fund are pledged to the payment of the principal of and interest on Special Project Bonds.

Each series of Special Project Bonds is to be secured solely by a mortgage by the Port Authority of facility rental as set forth in a lease with respect to a project to be financed with the proceeds of the bonds, by a mortgage by the lessee of its leasehold interests under the lease and by a security interest granted by the lessee to the Port Authority and mortgaged by the Port Authority in certain items of the lessee's personal property to be located at the project, and such other security in addition to the foregoing as may be required by the Port Authority from time to time as appropriate to the particular project.

On August 11, 1983, the Port Authority sold \$96,500,000 Special Project Bonds, Series 1, Delta Air Lines, Inc. Project in connection with the construction of a passenger terminal building at LaGuardia Airport to be leased to Delta Air Lines, Inc. In addition to the agreements which were entered into between the Port Authority, Delta and The Bank of New York, as Trustee, consistent with the above, Delta has also agreed in the lease of the passenger terminal premises that it shall pay the debt service on the Series 1 Bonds as a separate and independent covenant from Delta's obligation to pay facility rental. Amounts receivable from Delta as of December 31, 1984, in connection with repayment of Series 1 Bonds, are included in Other Assets. (See Note D-1.)

3. As of December 31, 1984, the Board of Commissioners had established and authorized the issuance and had authorized the sale by the Committee on Finance, of the following series of Consolidated Bonds and Notes for various purposes, including, in the case of Series Forty-

two R, the refunding, on July 15, 1986, of Consolidated Bonds, Forty-second Series.

Series	Author- ization Expires	Maximum Interest Rate Per Annum	Due Date	Authorized Amount
42 R(Bonds)	July 15, 1986	6.50%	July 15, 2011	\$100,000,000
53rd(Bonds)	Oct. 15, 1986	15%	July 15, 2020	100,000,000
54th(Bonds)	Oct. 15, 1986	12%	Jan. 15, 2021	100,000,000
KK(Notes)	Oct. 15, 1986	12%	July 15, 1988	25,000,000
LL(Notes)	Oct. 15, 1986	12%	Jan. 15, 1989	25,000,000
MM(Notes)	Oct. 15, 1986	12%	July 15, 1989	25,000,000

4. On October 11, 1984, the Board of Commissioners established and authorized a series of special limited obligations known as the "Bank Loan of 1985", for various purposes, in an aggregate principal amount of up to \$100,000,000, at a maximum interest rate per annum of 12 percent. Payment of the bank loan and interest thereon is to be subject in all respects to the payment of debt service on General and Refunding Bonds and Consolidated Bonds and Notes, 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 bank loan nor the interest thereon is to be secured by or payable from the General Reserve Fund.

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 outstanding bonds legal for investment as defined in the statutes (see Note D-1), except for New York State Guaranteed Commuter Car Bonds described in Note F-4. At December 31, 1984, the General Reserve Fund balance was \$236,166,000 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' debt service on outstanding debt secured by a pledge of the General Reserve Fund.

At December 31, 1984, the Port Authority met the requirements of its bond resolutions to maintain total reserve funds in cash and specified marketable securities. Such amount included \$1,940,000 held in trust for repayment of principal and interest on General and Refunding Bonds (see Note F-2).

2. In accordance with the provisions of bank loan agreements, 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 thereof.

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 (cars acquired under the New York State Commuter Car Program are not included in "facilities of the Port Authority") 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.

4. New York State Guaranteed Commuter Car Bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars by the Port Authority to railroads in New York. 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 debt service

is fully and unconditionally guaranteed by the State of New York. New York State Guaranteed Commuter Car Bonds outstanding at December 31, 1984 totalled \$93,935,000. (See Schedule F.)

Note G—Government Contributions in Aid of Construction:

The Port Authority receives contributions in aid of construction for capital purposes from government agencies. Federal funding received from the Airport Improvement and the Airport Development Aid Programs was \$9,627,000 in 1984 and \$11,161,000 in 1983. Federal funding received through the New York City Public Development Corporation for the Bathgate Industrial Park was \$1,293,000 in 1984.

Charges representing depreciation on assets relating to contributions were \$8,441,000 in 1984 and \$7,715,000 in 1983.

	December 31,	
	1984	1983
Cumulative Contributions	\$240,655,000	\$229,735,000
Less: Accumulated		
Charges (depreciation on assets acquired with contributions)	85,149,000	76,708,000
	<u>\$155,506,000</u>	<u>\$153,027,000</u>

Note H—Operating Revenues and Lease Commitments:

1. Gross operating revenues of the Port Authority amounted to \$1,000,060,000 in 1984 and \$848,584,000 in 1983 (see Note L). Gross operating revenues attributable to minimum rentals associated with operating leases amounted to approximately \$284,000,000 in 1984 and approximately \$260,000,000 in 1983. 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.

The PATH fare was increased from 30 cents per passenger trip to 50 cents per trip, effective July 31, 1983 and from 50 cents per passenger trip to 75 cents per trip, effective June 3, 1984. The tunnels and bridges tolls schedules were revised and adjusted effective January 1, 1984. Tolls, which are collected in one direction only, were

increased for automobile users who do not purchase commuter discount books, to \$2.00 from the prior toll of \$1.50, and for commercial vehicles (other than buses) and trucks. (See Note K-2.) The bridge tolls increase is presently under review by an investigative team appointed by the Federal Highway Administrator who received four complaints about the bridge tolls increase.

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, an industrial park and The World Trade Center.

Minimum future rentals scheduled to be received on operating leases in effect on December 31, 1984 are:

Year Ending December 31:	
1985	\$ 263,389,000
1986	242,443,000
1987	228,283,000
1988	213,535,000
1989	199,063,000
Later Years	<u>1,486,326,000</u>
Total Minimum Future Rentals	<u>\$2,633,039,000</u>

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 \$66,436,000 in 1984 and \$39,400,000 in 1983. The lease terms expire at various times from 2002 to 2031 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1984 are detailed below and additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year Ending December 31:	
1985	\$ 15,230,000
1986	16,559,000
1987	17,846,000
1988	19,242,000
1989	20,596,000
Later Years	<u>860,793,000</u>
Total Minimum Future Rentals	<u>\$950,266,000</u>

Note I--World Trade Center:

1. Gross operating revenues include rental income of \$25,600,000 in 1984 and \$24,500,000 in 1983 from New York State for office and other space in the World Trade Center. The State, at December 31, 1984, occupied approximately 1,800,000 square feet in a portion of one of the tower buildings, pursuant to a lease agreement, renewable for successive five-year terms totalling 100 years, which covered approximately 2,400,000 square feet. The State did not exercise its option in 1975 to renew its lease for the next successive rental period.

The Fund for Regional Development, an entity created separately by agreement among the Port Authority, the State of New York and the State of New Jersey, leases from the Port Authority space vacated by the State and subleases such space to others. The Fund presently leases nine floors in the south tower building and 19,000 square feet of sub-grade space, totalling approximately 386,000 square feet. In connection with Fund subleases, any amounts received by the Fund are to be in excess of those amounts which would have been receivable by the Port Authority for the space occupied by the State of New York and such excess amounts are not pledged under the General Reserve Fund statutes or the Consolidated Bond Resolution. The Fund may make capital expenditures in connection with projects authorized by the 1962 World Trade Center - Hudson Tubes legislation.

2. At the request of the States of New York and New Jersey the Port Authority retained a financial consultant with respect to the sale of the World Trade Center. The consultant's report, completed in June, 1984, concluded that the Port Authority and the two States can derive the greatest value from the World Trade Center if it is retained by the Port Authority rather than sold to a private buyer. The Port Authority and the Governors of the two States have agreed with this conclusion.

Note J--Pension and Retirement Plans and Related Benefits:

1. 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 established by PATH. The Port Authority's contributions to the two public employees' retirement systems are based primarily on billings from these systems. PATH's contributions to the

Railroad Retirement System are based on federal regulations pursuant to the Railroad Retirement Act. For the years 1984 and 1983, the Port Authority and PATH provided a total of approximately \$52,600,000 and \$52,400,000, 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 that 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 1984 and 1983 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, 1984, the latest date for which information is available, the actuarial present value of accumulated plan benefits for all of the employees covered by such systems (including the small percentage that are Port Authority employees) would exceed the net assets available for benefits of such systems by approximately three percent.

2. The Port Authority and PATH provide certain health care and life insurance benefits for active employees and for employees who have retired from the Port Authority or PATH (and for eligible dependents and survivors of active and retired employees). Contributions towards the cost of some of these benefits are required of certain active and/or retired employees. Those benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid directly by the Port Authority or PATH. The cost of these benefits is recognized as an expense of the period in which such premiums or benefit claims are paid. The cost of providing these benefits for approximately 3,700 retired employees who may be covered by one or more of these plans is not separable from the cost of providing similar benefits for the approximately 8,100 active employees of the Port Authority and PATH. The cost of providing health care and life insurance benefits totalled approximately \$23,495,000 for 1984, and \$23,755,000 for 1983.

Note K—Commitments and Certain Charges to Operations:

1. In connection with the revisions to the Port Authority bridge and tunnel toll schedules which were effective May 5, 1975, the Port Authority allocated \$160,000,000 to the extension, improvement and modernization of the Port Authority Bus Terminal. The Bus Terminal project is presently expected to be completed at a total cost to the Port Authority of approximately \$235,300,000, of which approximately \$200,000,000 had been spent as of December 31, 1984. The Port Authority was also authorized, pursuant to legislation effective March 1, 1979, as amended effective January 7, 1982, to allocate, subject to appropriate certifications pursuant to Port Authority bond resolutions and to bi-state legislation, up to \$440,000,000 for mass transportation projects consisting of buses and other bus related facilities, with up to \$220,000,000 to be allocated in each of the States of New York and New Jersey. The appropriate certifications were made by the Authority in 1979, and in May 1982. As of December 31, 1984, the Port Authority had agreed to purchase 2,455 buses and related spare parts to be used under the Bus Programs in the States of New York and New Jersey at a cost of approximately \$381,300,000. A total of 2,355 buses were delivered by that date. In February 1984, the New York City Transit Authority (NYCTA) removed certain of the buses in its fleet from passenger transportation service. Included among these buses are 174, with an unamortized cost of \$12,100,000, provided under lease to the NYCTA pursuant to the Bus Programs. The ultimate effect of this action, if any, on the unamortized cost remaining on the financial statements and of related litigation cannot now be determined. The balance of the \$440,000,000 programs is expected to be completed in accordance with a schedule established at the request of the two States.

The Port Authority is not permitted to incur operating or maintenance expenses in connection with its programs to provide buses and bus related facilities and the Port Authority does not expect to derive any revenue from this investment. Further, the lessee is required to defend and to provide for indemnification, subject to appropriations or other funds which are or become legally available for this purpose, of the Port Authority against any liability by reason of the programs.

2. The revenues generated by the PATH fare increases of 1983 and 1984, together with other available Port Authority funds, are expected to be used in connection with a \$200,000,000 portion of PATH's capital improvement program. It is also expected that the 1984 tolls increase would support a capital program of approximately \$250,000,000, including a portion thereof which would enable the Port Authority immediately to undertake the upgrading of the tunnels and bridges and their approaches. (See Note H-1.)

3. 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 are expected to require additional financing, including the issuance of bonds by the Port Authority. These include, but are not limited to, additional improvements to the Port Authority Bus Terminal, redevelopment of the central terminal area roadway system at John F. Kennedy International Airport, the PATH Safety Program, the Oak Point Rail Freight Link, industrial development projects and facilities including the Elizabeth and Yonkers Industrial Parks, a center for commercial fishing at the Erie-Basin Port Authority Marine Terminal, and the Newark Legal and Communications Center. The Port Authority is presently participating, either directly or with the assistance of outside consultants, in evaluating,

with appropriate government officials and agencies in both States, the feasibility and economic viability of establishing resource recovery projects; mixed-use waterfront development projects; a regional development "bank" to be used as a vehicle for the authorization and effectuation of capital improvement projects, including the possible future use of certain revenues derived from the space occupied by the State of New York in the World Trade Center; and the development of foreign trade zones and distributions centers.

In order for the Port Authority to undertake some of the projects noted above, appropriate legislative authorization would be required and such projects could, if undertaken, involve capital expenditures by the Port Authority; however, no Port Authority capital funds are committed to capital projects without appropriate certifications and authorizations.

At December 31, 1984, approximately \$390,320,000 of construction was expected to be completed within the next three years pursuant to various contracts entered into by the Port Authority.

Capital expenditures during the year 1985 are anticipated to be approximately \$438,000,000, including a portion of the allocations related to the contracts and programs described above as well as the other ongoing capital construction programs of the Port Authority.

4. Other expenses of \$51,101,000 in 1984 and \$34,085,000 in 1983 include amounts for insurance, telephone, payment of interest on Special Project Bonds, and certain other operating, development and administrative expenses.

5. Under the agreements between the City of New York and the Port Authority with respect to the World Trade Center, after the World Trade Center space becomes available for occupancy the Port Authority is to make additional annual payments to the City in-lieu-of-taxes

with respect to certain space occupied by private tenants within the World Trade Center. On December 30, 1981, the City instituted a suit seeking a declaratory judgment interpreting the payment-in-lieu-of-taxes agreement which, if ultimately successful, could possibly result in additional payments by the Port Authority of as much as \$33,000,000. On February 8, 1985, an order granting the City's cross-motion and denying the Port Authority's motion for summary judgment was signed by the court and the Port Authority is preparing an appeal. It is not expected that this suit will have any material impact on the financial condition of the Port Authority or on the operations of the Port Authority as a whole.

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

1. Operating Results

Gross Operating Income (Loss) consists of Revenues from Operations less operating and maintenance expenses and depreciation. General Administrative and Development Expenses, Financial Income, and Interest Expense are not considered in calculating Gross Operating Income (Loss). Allocated general administrative and development expenses for the Ground and Mass Transportation group are \$47,500,000 in 1984 and \$41,088,000 in 1983, and for the Port Commerce and Economic Development group are \$55,229,000 in 1984 and \$49,834,000 in 1983.

	Ground and Mass Transportation				Port Commerce and Economic Development				Combined	
	Tunnels & Bridges	Bus Terminal and Bus Programs	Rail	Total	Air Terminals (In Thousands)	Marine & Other Facilities	World Trade Center	Total	1984	1983
1984										
Gross Operating Revenues	\$204,365	\$ 20,515	\$ 38,090	\$ 262,970	\$480,641	\$ 60,009	\$196,440	\$ 737,090	<u>\$1,000,060</u>	
Interdepartmental Revenues		73	1,318	1,391		849	32,677	33,526		
Revenues from Operations	204,365	20,588	39,408	264,361	480,641	60,858	229,117	770,616		
Gross Operating Income (Loss)	105,453	(43,982)	(53,421)	8,050	140,463	9,410	92,832	242,705	\$250,755	
1983										
Gross Operating Revenues	156,689	20,404	24,227	201,320	415,547	58,247	173,470	647,264		<u>\$ 848,584</u>
Interdepartmental Revenues		168	972	1,140		752	30,368	31,120		
Revenues from Operations	156,689	20,572	25,199	202,460	415,547	58,999	203,838	678,384		
Gross Operating Income (Loss)	66,115	(35,468)	(56,303)	(25,656)	124,334	10,401	85,992	220,727		\$ 195,071
General Administrative and Development Expenses									(102,729)	(90,922)
Income from Operations									148,026	104,149
Financial Income									85,943	71,251
Interest Expense									(114,920)	(111,164)
Income Before Extraordinary Items									119,049	64,236
Extraordinary Items										
Gain on purchase of Port Authority bonds in connection with future sinking-fund requirements									3,821	7,239
Gain on insurance proceeds (Note B)									<u>7,072</u>	<u>—</u>
Net Income									<u>\$129,942</u>	<u>\$ 71,475</u>

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				Total Assets
	Tunnels & Bridges	Bus Terminal and Bus Programs	Rail	Total	Air Terminals (In Thousands)	Marine & Other Facilities	World Trade Center	Total	
1984 Assets									
Facilities, net-beginning of year	\$450,818	\$192,424	\$215,398	\$ 858,640	\$743,268	\$379,293	\$898,197	\$2,020,758	\$2,879,398
Net capital expenditures	35,436	18,771	18,843	73,050	63,070	44,717	23,017	130,804	203,854
Depreciation	(10,818)	(3,459)	(8,153)	(22,430)	(54,386)	(18,099)	(21,038)	(93,523)	(115,953)
Facilities, net-end of year	<u>\$475,436</u>	207,736	<u>\$226,088</u>	909,260	<u>\$751,952</u>	<u>\$405,911</u>	<u>\$900,176</u>	2,058,039	2,967,299
Unamortized Cost-Bus Programs		288,111		288,111				—	288,111
Total		<u>\$495,847</u>		<u>\$1,197,371</u>				<u>\$2,058,039</u>	3,255,410
Cash, investments, accounts receivable and other assets									<u>1,201,542</u>
Total Assets									<u>\$4,456,952</u>
1983 Assets									
Facilities, net-beginning of year	\$438,627	\$182,188	\$213,260	\$ 834,075	\$736,480	\$388,522	\$904,006	\$2,029,008	\$2,863,083
Net capital expenditures	21,598	13,604	9,726	44,928	59,481	9,005	15,053	83,539	128,467
Depreciation	(9,407)	(3,368)	(7,588)	(20,363)	(52,693)	(18,234)	(20,862)	(91,789)	(112,152)
Facilities, net-end of year	<u>\$450,818</u>	192,424	<u>\$215,398</u>	858,640	<u>\$743,268</u>	<u>\$379,293</u>	<u>\$898,197</u>	2,020,758	2,879,398
Unamortized Cost-Bus Programs		301,654		301,654				—	301,654
Total		<u>\$494,078</u>		<u>\$1,160,294</u>				<u>\$2,020,758</u>	3,181,052
Cash, investments, accounts receivable and other assets									<u>958,405</u>
Total Assets									<u>\$4,139,457</u>

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

	December 31, 1984			Combined Total	December 31, 1983
	Operating Fund	Capital Fund	Reserve Funds (In Thousands)		Combined Total
Assets					
Invested in Facilities	\$ —	\$5,050,775	\$ —	\$5,050,775	\$4,838,351
Investments (Note C)	113,238	209,378	656,507	979,123	733,025
Cash	4,833	8,933	6,632	20,398	12,804
Accounts Receivable (net of Allowance for Doubtful Accounts of \$9,049,000 in 1984 and \$11,112,000 in 1983)	76,315	1,536	—	77,851	78,922
Other Assets	68,925	107,346	—	176,271	167,170
Total Assets	<u>263,311</u>	<u>5,377,968</u>	<u>663,139</u>	<u>6,304,418</u>	<u>5,830,272</u>
Liabilities					
Bonds and Notes (Note D)	—	2,361,664	—	2,361,664	2,175,339
Accounts Payable and Other Liabilities	219,947	46,077	—	266,024	264,627
Deferred Income	12,818	—	—	12,818	5,322
Total Liabilities	<u>232,765</u>	<u>2,407,741</u>	<u>—</u>	<u>2,640,506</u>	<u>2,445,288</u>
Net Assets	<u>\$ 30,546</u>	<u>\$2,970,227</u>	<u>\$663,139</u>	<u>\$3,663,912</u>	<u>\$3,384,984</u>
Net Assets are Composed of:					
Debt Retired Through Income	\$ —	\$2,355,373	\$ —	\$2,355,373	\$2,250,309
Reserves (Schedule C)	—	—	663,139	663,139	572,210
Government Contributions in Aid of Construction (Note G)	—	240,654	—	240,654	229,735
Appropriated Reserves Invested in Facilities	—	374,200	—	374,200	302,673
Appropriated Reserves for Self-Insurance	30,546	—	—	30,546	30,057
Net Assets	<u>\$ 30,546</u>	<u>\$2,970,227</u>	<u>\$663,139</u>	<u>\$3,663,912</u>	<u>\$3,384,984</u>

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,				1983
	1984	1984	1984	1984	
	General Reserve Fund	Consolidated Bond Reserve Fund	Special Reserve Fund in Trust for General & Refunding Bonds	Combined Total	Combined Total
	(In Thousands)				
Balance, January 1 (Note F)	\$223,080	\$346,066	\$3,064	\$572,210	\$569,574
Income on investments (includes gain on purchase of Port Authority bonds)	24,793	36,425	312	61,530	63,464
Security valuation adjustment	(50)	(82)	(1)	(133)	16
Reserve fund transfers	(11,657)	11,888	(231)	—	—
Transfers from operating fund	—	188,141	—	188,141	112,593
	<u>236,166</u>	<u>582,438</u>	<u>3,144</u>	<u>821,748</u>	<u>745,647</u>
Applications:					
Interest on bonds and notes	—	—	122	122	106
Serial maturities and sinking fund retirements	—	—	1,082	1,082	531
Debt retirement acceleration	—	—	—	—	20,000
Interest on bank loans	—	—	—	—	2,777
Repayment of bank loans	—	—	—	—	31,250
Repayment of commercial paper obligations	—	85,389	—	85,389	100,089
Invested in facilities	—	71,527	—	71,527	19,221
Self-insurance	—	489	—	489	(537)
Total Applications	—	157,405	1,204	158,609	173,437
Balance, December 31 (Note F)	<u>\$236,166</u>	<u>\$425,033</u>	<u>\$1,940</u>	<u>\$663,139</u>	<u>\$572,210</u>

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, 1984 been used, the respective Reserve Fund balances at December 31, 1984 would be:

General Reserve Fund	Consolidated Bond Reserve Fund	General & Refunding Bonds
\$236,166	\$431,211	\$1,940

See Notes to Consolidated Financial Statements.

Schedule D **Amortization of Consolidated Bonds, General and Refunding Bonds and Consolidated Notes 1985-2019**
December 31, 1984 (In Thousands)

Year	Total Debt Service Par Value \$2,265,164			Amortization	
	Total	Interest	Amortization	Consolidated Bonds and Notes	General and Refunding Bonds
1985	\$ 195,290	\$ 146,506	\$ 48,784	\$ 48,142	\$642
1986	199,915	144,409	55,506	55,506	—
1987	292,698	137,566	155,132	155,132	—
1988	184,626	132,019	52,607	52,607	—
1989	183,424	129,605	53,819	53,819	—
1990	183,401	127,102	56,299	56,299	—
1991	183,999	124,346	59,653	59,653	—
1992	185,337	121,339	63,998	63,998	—
1993	186,718	117,974	68,744	68,744	—
1994	183,836	114,369	69,467	69,467	—
1995	184,486	113,545	70,941	70,941	—
1996	182,879	109,469	73,410	73,410	—
1997	180,467	105,217	75,250	75,250	—
1998	182,141	100,641	81,500	81,500	—
1999	180,196	95,696	84,500	84,500	—
2000	186,102	90,352	95,750	95,750	—
2001	182,756	84,006	98,750	98,750	—
2002	183,781	77,281	106,500	106,500	—
2003	174,675	70,175	104,500	104,500	—
2004	157,638	63,388	94,250	94,250	—
2005	151,889	56,639	95,250	95,250	—
2006	136,581	49,831	86,750	86,750	—
2007	118,819	43,569	75,250	75,250	—
2008	105,622	38,122	67,500	67,500	—
2009	88,273	33,023	55,250	55,250	—
2010	86,262	28,262	58,000	58,000	—
2011	81,284	23,284	58,000	58,000	—
2012	65,941	18,441	47,500	47,500	—
2013	57,680	14,430	43,250	43,250	—
2014	42,685	10,685	32,000	32,000	—
2015	28,826	7,826	21,000	21,000	—
2016	26,630	5,630	21,000	21,000	—
2017	24,434	3,434	21,000	21,000	—
2018	8,476	1,476	7,000	7,000	—
2019	7,321	321	7,000	7,000	—
Total	<u>\$4,805,088</u>	<u>\$2,539,978</u>	<u>\$2,265,110</u>	<u>\$2,264,468</u>	<u>\$642</u>

NOTE: Total Amortization of \$2,265,110,000, shown above, differs from the Par Value of \$2,265,164,000 because the above table includes call premiums of \$1,219,000, but does not include \$1,273,000 General and Refunding Bonds to be retired in 1985 for which sinking fund payments were made, in accordance with resolutions establishing such Bonds, on December 31, 1984. The above table does not include amounts for special obligations which may be outstanding from time to time, including those established under the Commercial Paper Program and \$96,500,000 Special Project Bonds, Series 1, which are not secured by or payable from the General Reserve Fund (see Note E-1 and Note E-2). The above table 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 or notes 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 or notes 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 "Total Debt Service" is computed on the assumption that amortization payments will be made each year on the latest permissible date. 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 Statistical Financial Data

	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
	(In Thousands)									
REVENUES AND EXPENSES										
Gross Operating Revenues	\$1,000,060	\$ 848,584	\$ 779,744	\$ 699,113	\$ 647,647	\$ 588,064	\$ 543,810	\$ 524,325	\$ 496,413	\$ 458,406
Operating Expenses	706,895	610,287	557,303	487,758	437,199	391,517	367,794	327,047	310,701	289,138
Net Operating Revenues	293,165	238,297	222,441	211,355	210,448	196,547	176,016	197,278	185,712	169,268
Income on Investments	85,836	71,626	88,664	90,688	77,675	44,957	30,150	24,695	22,211	20,965
Gain on Purchase of Port Authority Bonds	5,501	8,596	13,533	13,116	12,323	10,067	9,321	3,670	6,446	8,283
Security Valuation Adjustment	(19)	11	--	1,135	(944)	(3,664)	(9,981)	(127)	1,381	2,453
Net Revenues Available for Debt Service and Reserves	384,483	318,530	324,638	316,294	299,502	247,907	205,506	225,516	215,750	200,969
DEBT SERVICE-OPERATIONS										
Interest on Bonds and Notes (Note B)	(116,352)	(110,024)	(101,818)	(99,542)	(98,040)	(87,296)	(85,456)	(83,354)	(78,195)	(71,552)
Times, Interest Earned (A)	3.30	2.87	3.16	3.16	3.05	2.84	2.40	2.71	2.76	2.81
Serial Maturities and Sinking Fund Retirements	(18,593)	(32,433)	(30,387)	(42,344)	(38,092)	(36,944)	(21,023)	(30,173)	(29,204)	(30,055)
Times, Debt Service Earned (A)	2.33	2.05	2.26	2.24	2.16	2.00	1.93	1.99	2.01	1.98
DEBT SERVICE-RESERVES										
Debt Service on Bonds Secured by Trusts	(1,204)	(637)	(1,129)	(1,298)	(2,187)	(4,159)	(6,354)	(5,088)	(4,253)	(6,572)
Interest on Bank Loans	--	(2,777)	(4,300)	(6,456)	(5,749)	(6,370)	(7,562)	(8,329)	(9,213)	(8,464)
Repayment of Bank Loans	--	(31,250)	(31,250)	(31,250)	(31,250)	(40,000)	(40,000)	(60,000)	(60,000)	(55,000)
Repayment of Commercial Paper Obligations	(85,389)	(100,089)	(37,422)	--	--	--	--	--	--	--
Debt Retirement Acceleration	--	(20,000)	(20,000)	(20,000)	(10,000)	(7,500)	--	--	--	--
Direct Investment in Facilities-Reserves	(71,527)	(19,221)	(75,621)	(75,000)	(20,000)	(25,000)	--	(5,000)	(3,000)	(15,000)
Appropriation for Self-Insurance Reserves	(489)	537	1,329	607	(1,896)	(3,444)	(3,955)	(4,636)	(3,405)	(2,417)
Net Increase in Reserves Before Cumulative Effect of Change in Accounting Principle	90,929	2,636	24,040	41,011	92,288	37,194	41,156	28,936	28,480	11,909
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method	--	--	--	--	9,503	--	--	--	--	--
Net Increase in Reserves (B)	90,929	2,636	24,040	41,011	101,791	37,194	41,156	28,936	28,480	11,909
RESERVE BALANCES										
Beginning of Year	572,210	569,574	545,534	504,523	402,732	365,536	324,382	295,446	266,966	255,057
End of Year	663,139	572,210	569,574	545,534	504,523	402,732	365,538	324,382	295,446	266,966
Represented by:										
General Reserve Fund	\$ 236,166	\$ 223,080	\$ 223,080	\$ 210,597	\$ 210,597	\$ 210,597	\$ 208,023	\$ 194,692	\$ 188,168	\$ 176,457
Special Reserve (C)	1,940	3,064	3,649	4,788	6,103	7,466	8,829	10,192	11,554	12,671
Air Terminal Reserve (C)	--	--	--	--	--	682	3,283	7,766	10,925	13,576
Marine Terminal Reserve (C)	--	--	--	--	--	157	310	795	1,333	1,757
Consolidated Bond Reserve	425,033	346,066	342,845	330,149	287,823	183,830	145,093	110,937	83,466	62,409
Total	\$ 663,139	\$ 572,210	\$ 569,574	\$ 545,534	\$ 504,523	\$ 402,732	\$ 365,538	\$ 324,382	\$ 295,446	\$ 266,966
DEBT-AT YEAR-END										
General and Refunding Bonds	\$ 1,915	\$ 2,997	\$ 3,528	\$ 4,589	\$ 5,805	\$ 7,051	\$ 8,279	\$ 9,490	\$ 10,684	\$ 11,717
Air Terminal Bonds	--	--	--	--	--	667	3,192	7,514	10,395	12,671
Marine Terminal Bonds	--	--	--	--	--	154	300	767	1,273	1,657
Consolidated Bonds and Notes	2,263,249	2,075,842	2,127,275	1,967,662	1,925,006	1,973,098	1,943,460	1,804,152	1,859,325	1,738,529
Special Project Bonds	96,500	96,500	--	--	--	--	--	--	--	--
Total Bonds and Notes	2,361,664	2,175,339	2,130,803	1,972,251	1,930,811	1,980,970	1,955,231	1,821,923	1,861,677	1,764,574
Bank Loans	--	--	31,250	62,500	93,750	125,000	165,000	205,000	140,000	200,000
Total	\$2,361,664	\$2,175,339	\$2,162,053	\$2,034,751	\$2,024,561	\$2,106,970	\$2,120,231	\$2,026,923	\$2,021,677	\$1,964,574
INVESTED IN FACILITIES-AT YEAR-END	\$5,050,775	\$4,838,351	\$4,574,583	\$4,375,490	\$4,148,331	\$3,985,354	\$3,882,953	\$3,792,776	\$3,697,423	\$3,581,037
DEBT RETIRED THROUGH INCOME										
Annual	\$ 105,064	\$ 184,303	\$ 120,120	\$ 94,810	\$ 81,409	\$ 88,343	\$ 67,023	\$ 94,754	\$ 92,897	\$ 90,930
Cumulative	\$2,355,373	\$2,250,309	\$2,066,006	\$1,945,886	\$1,851,076	\$1,769,667	\$1,681,324	\$1,614,301	\$1,519,547	\$1,426,650
(A) In computing Times, Interest Earned and Times, Debt Service Earned, insignificant amounts of interest income and interest expense on debt previously accelerated have been included in Net Revenues Available for Debt Service and Reserves and Interest on Bonds and Notes, respectively. In addition, Serial Maturities and Sinking Fund Retirements has been adjusted to exclude the retirement of Consolidated Notes and to include scheduled retirement of debt previously accelerated as follows:										
	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
	(\$29,731)	(\$12,193)	(\$11,016)	\$1,250	(\$2,250)	--	--	--	--	--
(B) Net Increase in Reserves with the 1980 and 1982 changes in accounting principles relating to the security valuation method and capitalization of interest retroactively applied would be as follows:										
	1981	1980	1979	1978	1977	1976	1975			
	\$ 34,390	\$ 90,732	\$ 36,881	\$ 50,964	\$ 29,044	\$ 27,079	\$ 15,335			
(C) Reserve Funds maintained in Trust since December 31, 1970. See Note F-2 to Consolidated Financial Statements.										

NOTE: This selected statistical 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. The data for the years ended December 31, 1975-1980 are derived from financial statements examined by another independent auditor.

See Notes to Consolidated Financial Statements.

1984 Annual Report

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