THE PORT AUTHORITY OF NY & NJ

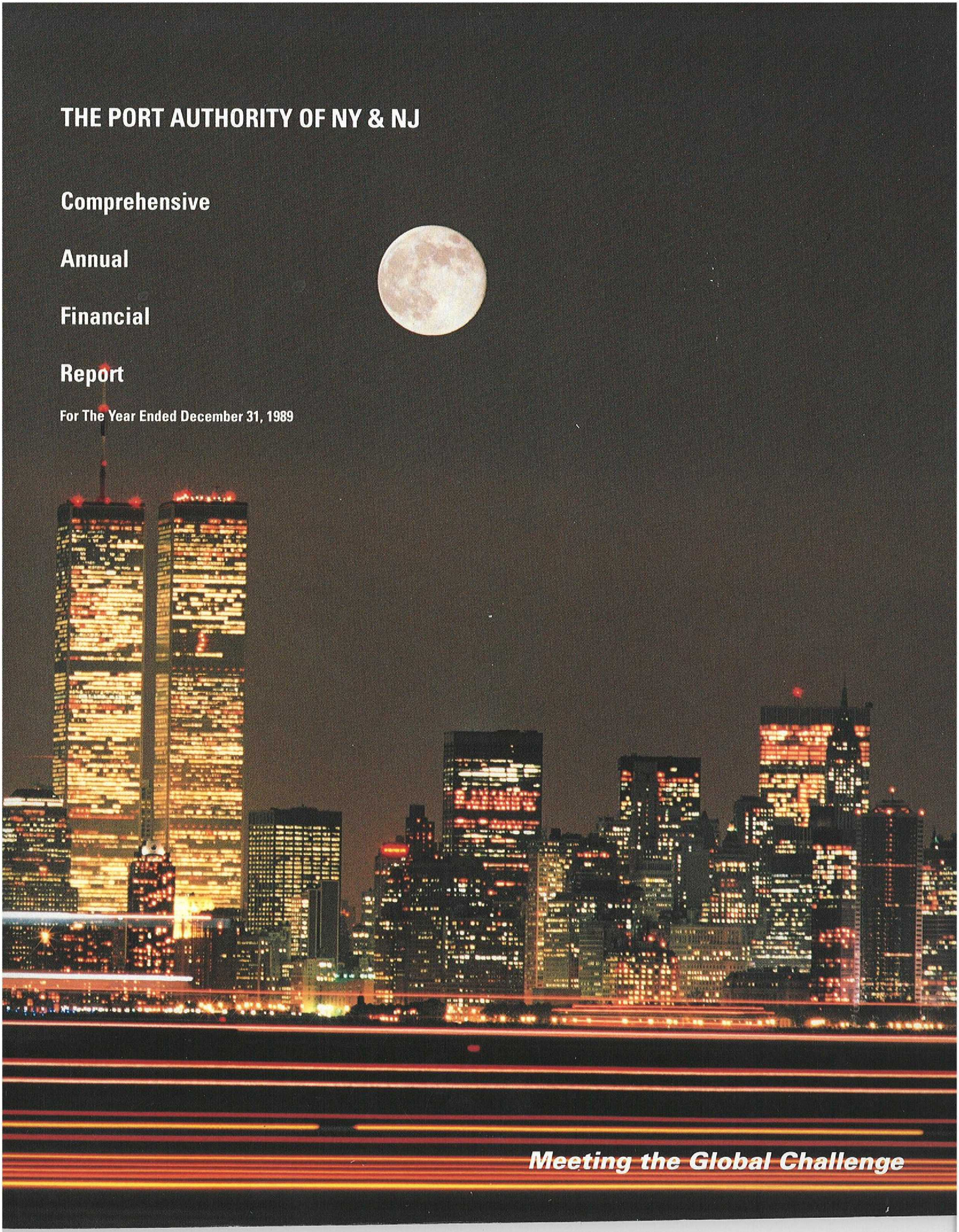
Comprehensive

Annual

Financial

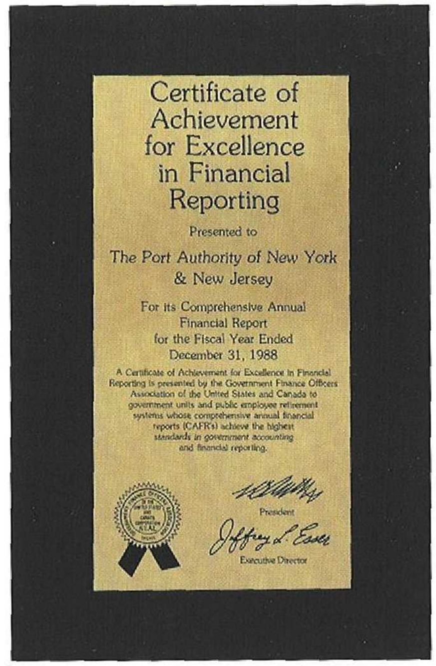
Report

For The Year Ended December 31, 1989



Meeting the Global Challenge

THE PORT AUTHORITY OF NY & NJ Comprehensive Annual Financial Report For the Year Ended December 31, 1989


Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Port Authority of New York & New Jersey

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 1988

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President

Jeffrey L. Esser

Executive Director

For the fifth consecutive year, The Port Authority of New York and New Jersey was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its 1988 Comprehensive Annual Financial Report.

About the Cover

Nighttime view of Manhattan skyline and Hudson River captures round-the-clock activity of the bistate port.

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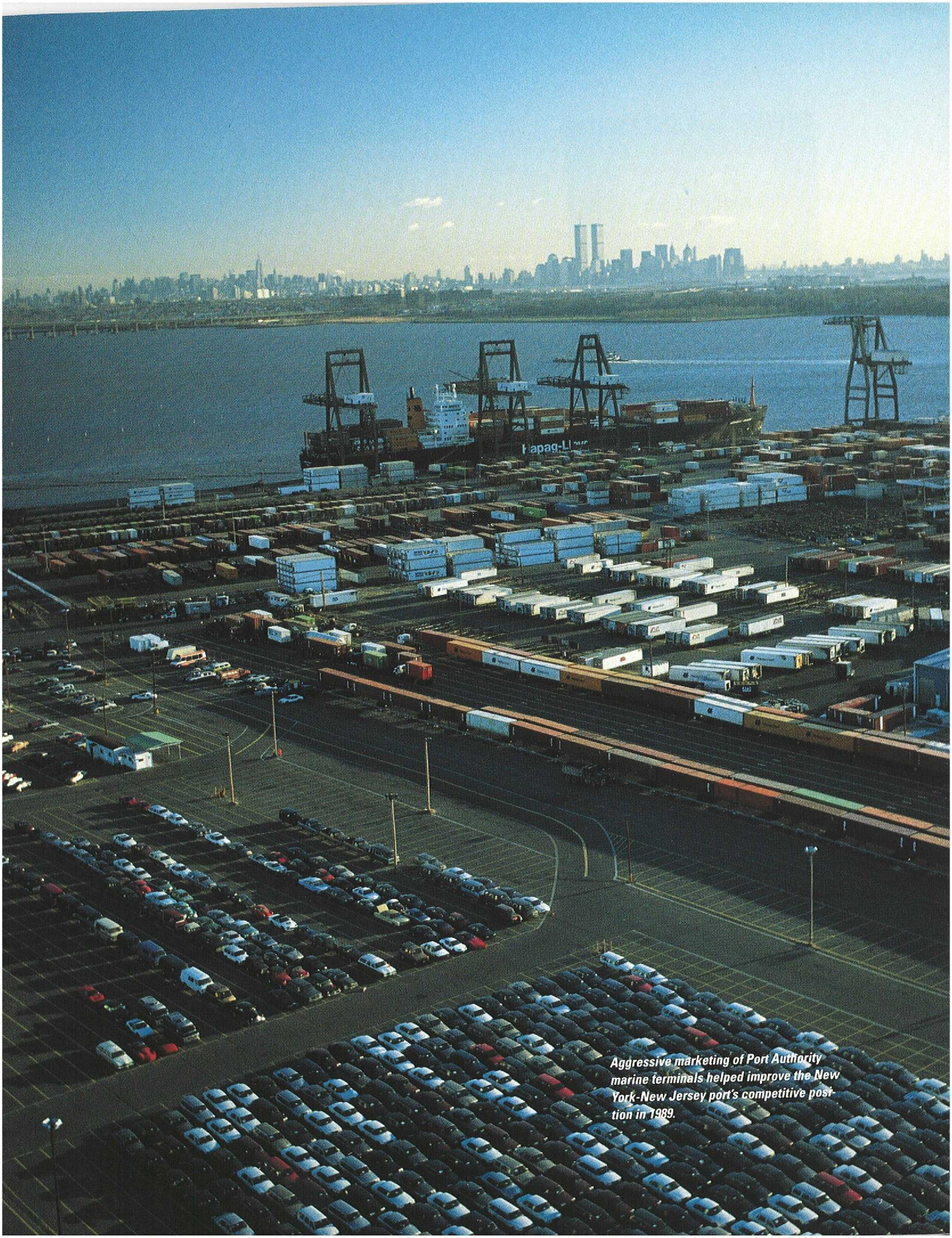


Aggressive marketing of Port Authority marine terminals helped improve the New York-New Jersey port's competitive position in 1989.

Honorable Mario M. Cuomo, Governor
State of New York

Honorable James J. Florio, Governor
State of New Jersey

Your Excellencies:

We are pleased to submit to you and to the legislatures of New York and New Jersey this 1989 Annual Report of The Port Authority of New York and New Jersey, pursuant to the bistate Port Compact of 1921.

The year 1989 saw a world in transition, and as the pace of change quickened it posed new opportunities and heightened competition for the metropolitan region of New York and New Jersey.

The market unification going forward in Western Europe and the tumultuous reordering of Eastern Europe foretell economic growth and greater transatlantic trade and travel, which could benefit this region.

The formidable strength of the Asian economies, especially that of Japan, now shapes many of America's major economic choices, profoundly affecting our region's prospects.

The Port Authority has a primary responsibility for ensuring that the region can meet this emerging competition. The four principal areas of Port Authority activity — aviation, port, world trade and economic development, and interstate transportation — form an interlinked regional network of facilities and services that expedite trade, commerce, travel and transportation in this increasingly globalized environment.

Clearly, our stiffest challenges, both domestically and internationally, come from those hungry rivals that are investing heavily to modernize and expand their basic infrastructure — the transportation and other systems essential to a healthy economy.

By tradition, the Port Authority has been committed to a program of continuous reinvestment in its facilities. This past year was remarkable for the number of projects and new facilities brought into service.

With regional economic growth rates leveling off in 1989 and likely to remain modest into the new decade, slowing the rate of infrastructure investment might be an easier course to adopt in the short-run. However, we believe such a course would erode our competitive position over the long-term, with severe, negative impacts on our economy and quality of life.

We firmly believe that sustaining our commitment to future generations will lead to a region capable of competing and prospering in a global economy — a region rich in opportunity for us, our children and grandchildren.

On behalf of the Port Authority, the Board of Commissioners expresses deep gratitude to the Governors of New York and New Jersey, as well as the region's governmental and community leadership, for their sustained commitment and support, which have made possible the many accomplishments outlined in this report.

Sincerely,

Philip D. Kaltenbacher
Chairman

Robert F. Wagner
Vice Chairman

April 12, 1990

Board of Commissioners

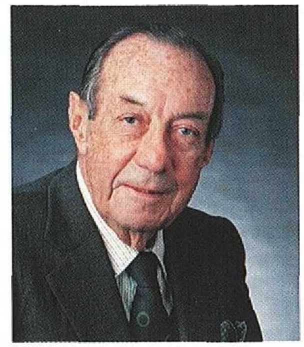
Origins of the Port Authority

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

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

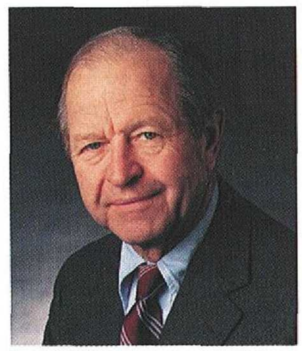
The mandate of the agency was to promote and protect the commerce of the bistate port and to undertake port and regional improvements not likely to be financed by private enterprise nor to be attempted by either state alone: a modern wharfage for the harbor shared by the two states, tunnel and bridge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

Philip D. Kaltenbacher
Chairman and Chief Executive Officer
Seton Company

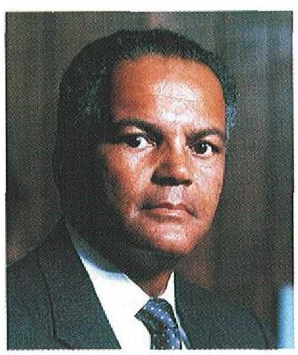


Robert F. Wagner
Former Mayor
City of New York

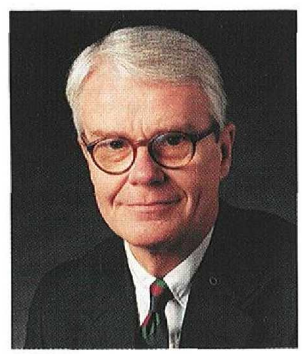
Hazel Frank Gluck
President
Public Policy Advisors, Inc.



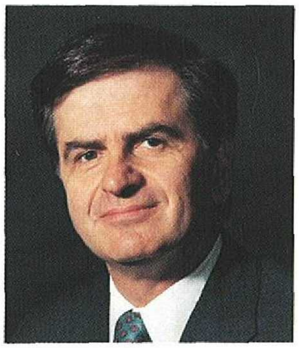
James G. Hellmuth
Consultant



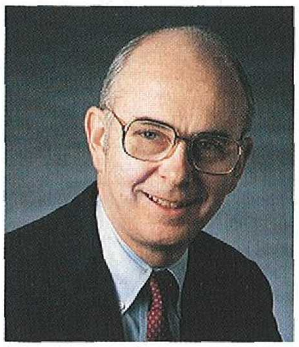
Henry F. Henderson, Jr.
President
H. F. Henderson Industries



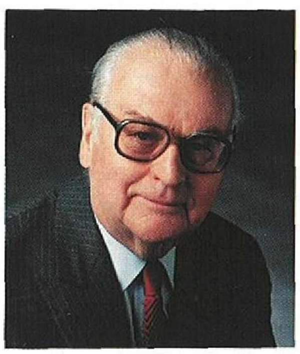
William K. Hutchison
Partner
Christenson & Hutchison



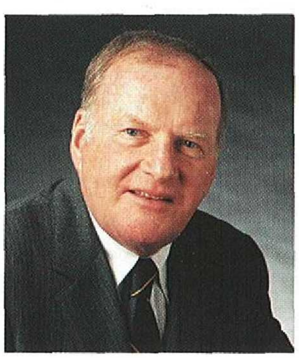
Richard C. Leone
Director
Twentieth Century Fund



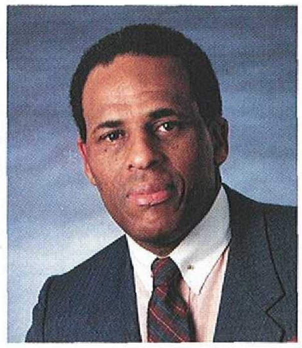
John G. McGoldrick
Attorney
Schulte Roth & Zabel



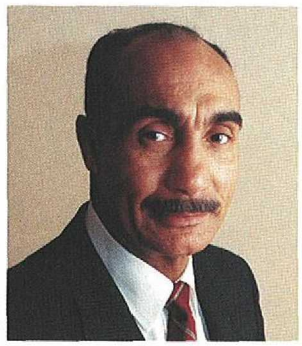
Dr. William J. Ronan
Chairman
UTDC Corporation



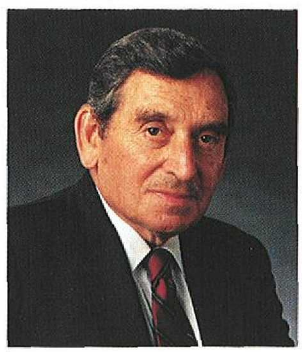
Robert Van Buren
Chairman of the Board and
Chief Executive Officer
Midlantic Corporation



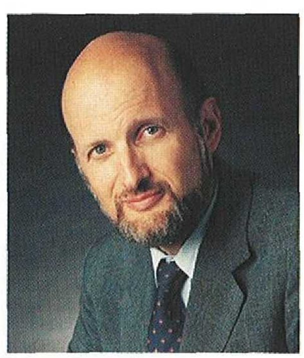
H. Carl McCall
Vice President
Citibank, N.A.



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



Howard Schulman
Attorney



Stephen Berger
Executive Director

Governance of the Port Authority

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

The twelve Commissioners serve as public officials without remuneration.

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

The Board of Commissioners appoints an Executive Director to effect its policies. The Executive Director manages day-to-day operations through the Aviation, Port, Rail Transportation, Tunnels, Bridges & Terminals, and World Trade & Economic Development line departments as well as staff departments such as Engineering and Human Resources.

Board of Commissioners

Philip D. Kaltenbacher, Chairman
Robert F. Wagner, Vice Chairman
Hazel Frank Gluck
James G. Hellmuth
Henry F. Henderson, Jr.
William K. Hutchison
Richard C. Leone
H. Carl McCall*
John G. McGoldrick
Basil A. Paterson*
William J. Ronan
Howard Schulman
Robert Van Buren

**Commissioner Paterson joined the Board on July 17, 1989, succeeding Commissioner McCall who resigned.*

Letter from the Executive Director

This annual report closes out a decade of startling transformation and growth for The Port Authority of New York and New Jersey and the bistate region it serves. It was a decade of new directions and notable accomplishments, of which 1989 claimed an ample share:

• Capital investment achieved a single-year record of $850 million under the Port Authority's continuing program of reinvestment in the region's vital infrastructure.

• A major administrative reorganization strengthened the agency's ability to respond quickly and effectively to our patrons, at the same time reducing staff, slashing red tape and holding administrative costs to 1988 levels.

• Cost-cutting initiatives and aggressive marketing of our marine terminals improved the port's competitive position.

• Creative new approaches were developed that enabled the agency to increase contracts awarded to minority-and women-owned businesses, reaching a record high for participation.

Despite these and many other achievements, the region enters the new decade with a measure of uncertainty. Vast changes are occurring: in the structure of the regional economy, in governmental leadership, in the complexities of social and intergroup relations, and above all, in the world in which we operate.

The regional expansion of more than a dozen years of uninterrupted growth has ended. The financial services industry can no longer be relied upon to serve as the region's primary generator of new economic activity. Yet what is to replace it remains unclear. In this environment it is crucial that we not permit the sense of uncertainty to serve as a rationale to postpone our investment for the future. More than ever, there is a need to sustain the regional efforts to create the modern physical infrastructure that will enable us to take advantage of new opportunities.

Of necessity, developing new infrastructure takes time to complete, and even longer before it works its benefits upon the economy it supports. Those metropolitan regions around the world that are aggressively making infrastructure investments today do so with their eyes fixed on the horizon of a new century.

New York and New Jersey must also keep the regional vision focused on that not-so-far-off future, even while we attend to today's pressing needs.

This challenge tested the creativity, efficiency and commitment of the Port Authority throughout 1989, and the many positive results of those efforts are reviewed in this annual report.

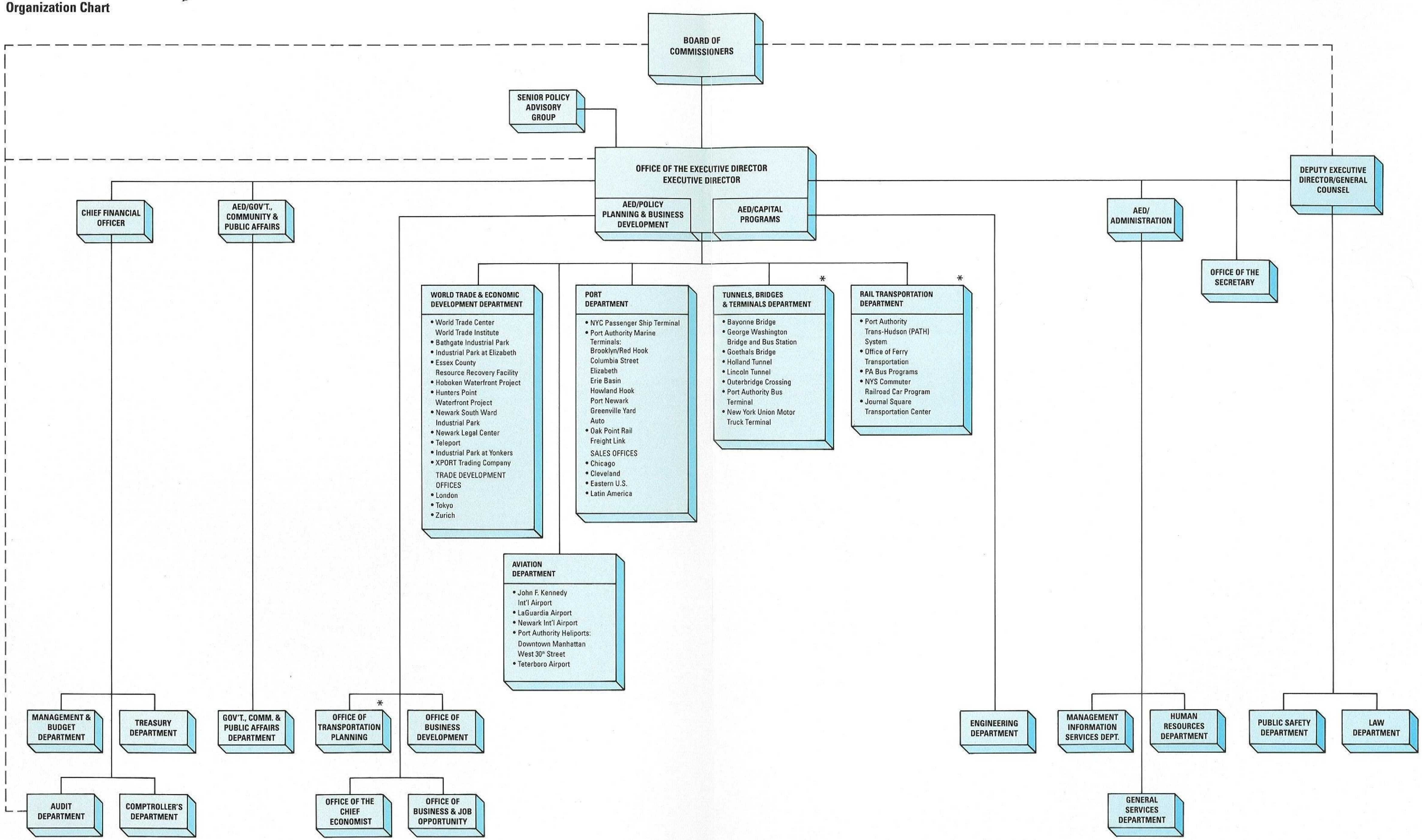
We remain deeply committed to the region's future by working side by side with all of our partners in international business, in state and local government, and in the hundreds of communities and neighborhoods that comprise this great world metropolis. Together, we can ensure that metropolitan New York and New Jersey and its people continue to thrive in the uncertain new world of competition and change that will mark the decade to come.

Stephen Berger   April 12, 1990

Dawn breaks over the helix of the Lincoln Tunnel, one of the most heavily used interstate transportation facilities in the country.

THE PORT AUTHORITY OF NY & NJ

Organization Chart



* On October 31, 1989, the consolidation of these three entities into a single department, Interstate Transportation, was announced. This will be implemented during 1990.

Officers and Directors

Stephen Berger, *Executive Director*
Patrick J. Falvey, *Deputy Executive Director and General Counsel*
Sidney J. Frigand, *Assistant Executive Director/Government, Community and Public Affairs*
Katy MacKay, *Assistant Executive Director/Administration*
Hugh O'Neill, *Assistant Executive Director/Policy Planning and Business Development*
Joseph L. Vanacore, *Assistant Executive Director/Capital Programs*
Barry Weintrob, *Chief Financial Officer*

Rebecca Doggett Andrade, *Office of Business & Job Opportunity*
Anthony J. Barber, *Tunnels, Bridges & Terminals*
A. Paul Blanco, *Comptroller*
John J. Collura, *Management & Budget*
Karen S. de Bartolomé, *Secretary*
Henry I. DeGeneste, *Public Safety*
Gene C. Gill, *General Services*
John E. Haupert, *Treasurer*
Wilma H. Horne, *Management Information Services*[1]
Christine Johnson, *Office of Transportation Planning*
Richard R. Kelly, *Rail Transportation*
Louis J. LaCapra, *Human Resources*
Phil LaRocco, *World Trade & Economic Development*
Donald R. Lee, *Audit*
Lillian C. Liburdi, *Port*
Emily Lloyd, *Office of Business Development*
Rino M. Monti, *Engineering and Chief Engineer*
David Z. Plavin, *Aviation*[2]
Rosemary Scanlon, *Office of The Chief Economist*
Morris Sloane, *Aviation Operations*

1. Robert J. Kelly appointed Acting Director July 24, 1989; Wilma H. Horne appointed March 5, 1990
2. Appointed June 19,1989

The Port Authority in 1989 — Meeting the Global Challenge

Change — swift and powerful, far-reaching and unpredictable. Change defined the decade of the eighties, and never more so than during 1989, for the intensity and the breadth with which the forces of political and economic change swept the world.

For the New York and New Jersey region, historically in the front ranks of international and domestic leadership, this world in transition both widens the horizons of opportunity and poses the challenge of stiffening competition. And for The Port Authority of New York and New Jersey, strengthening the bistate region to compete effectively in the global marketplace emerged as a central objective in 1989.

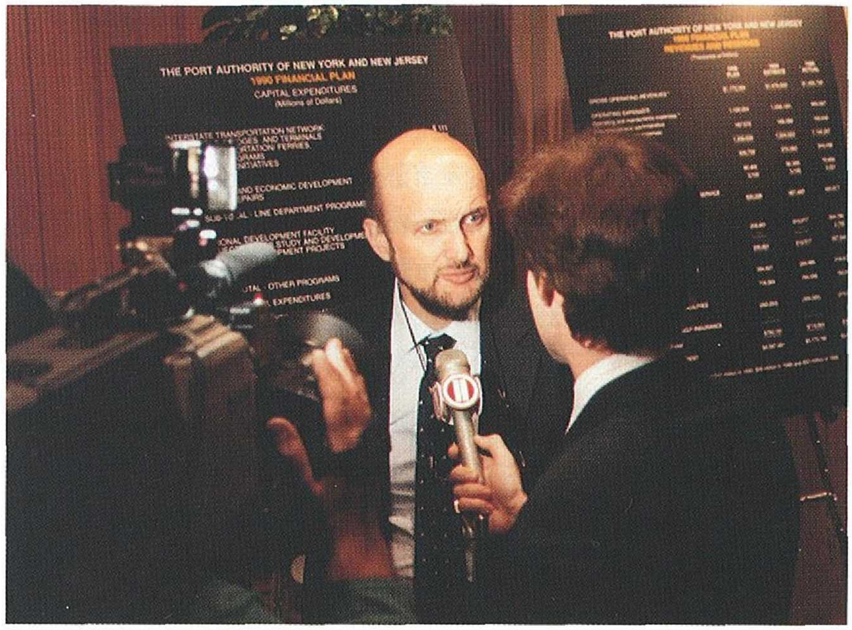
As the agency primarily responsible for operation of the region's air and sea gateways and its interstate transportation network, the Port Authority undertook a multi-faceted program of capital investments, expanded and upgraded services, and enhanced productivity — all with the aim of improving regional competitiveness in national and international trade, commerce, travel and transportation markets.

The Port Authority's capital program of renewal, modernization, and expansion of its transportation and trade facilities marked a banner year in 1989, as capital expenditures reached a record-setting $850 million. Ongoing projects made significant progress, and new ones were begun. Others were successfully completed and brought into service, resulting in direct benefits to the users and the region generally.

Major improvements were made during the year on the Port Authority's interstate transportation network of tunnels, bridges, bus terminals, PATH rail system and, the most recent addition, the Hoboken Ferry. Capital investment in this network totaled $264 million.

In combination with the longer trains now serving PATH's Newark-World Trade Center line, peak-period ferry service inaugurated in October constituted the largest increase in trans-Hudson passenger capacity in about a quarter-century.

The region's three major airports buzzed with construction activity, as multi-year redevelopment projects gathered momentum. Capital investment in aviation totaled $243 million in 1989. Work began on the massive modernization of John F. Kennedy International Airport — a project so big and so complex it has been described as the equivalent of building a whole new airport on top of an existing one. Expansion of LaGuardia Airport's Central Terminal Building also made great progress, along with improvements to the adjacent roadway and parking facilities. At Newark International's Terminal B, a new interim



At a year-end news conference, Port Authority Executive Director Stephen Berger unveils the bistate agency's 1990 budget proposals for capital improvements and operating expenditures.

Egyptian President Hosni Mubarak (second from right) tours his nation's trade exhibit at the World Trade Center during a visit in September. He also spoke before leaders of the fashion and business community at Windows on the World.

international arrivals facility, opened to accommodate the airport's growing international passenger volume.

These capital investments tell only part of the story for 1989. New or upgraded services were a characteristic feature of the past year throughout the range of Port Authority activities. PATH's on-time performance reached 90 percent, for example, reflecting the upgrading of its car fleet and signal and power systems, while efforts continued to reduce congestion at our network of tunnels and bridges.

The Port Authority's long-standing commitment to increase economic opportunities for communities and groups that have traditionally been excluded was severely tested and met the challenge. Following a U.S. Supreme Court decision in January affecting public contracting methods, the agency developed an array of creative approaches that helped push the 1989 volume of contract awards to minority-and women-owned enterprises to a record level.

Along with capital investments and enhanced services to our patrons and to the region, the third key focus for the Port Authority in 1989 involved strengthening the agency's operating efficiency. A comprehensive administrative reorganization was implemented to eliminate duplicative functions and red tape. Under this streamlining program, the agency held 1989 administrative expenses to 1988 levels, while delivering an unprecedented volume of capital commitments.

Scandinavian Airlines System (SAS) links New Jersey with Copenhagen and other Scandinavian capitals after launching service to Newark International Airport in May.

This effort to do more with less was aided by several partnerships and ventures with private businesses. The Hoboken Ferry was inaugurated under an agreement with the private developers Arcorp and Hartz Mountain Industries. A $100 million air cargo and airport operations facility expansion by Japan Air Lines at Kennedy International was approved, and agreement was reached for United Parcel Service to purchase and modernize the Union Motor Truck Terminal in Lower Manhattan.

The resources and expertise the private sector brought to these and other projects during the year have furnished crucial leverage to widen the range of the Port Authority's capital and operating capacity in the future.

Her Royal Highness Princess Astrid of Norway arrives at Newark International Airport on the SAS inaugural flight.

In 1989, the agency also looked to new technology to enhance staff productivity. A Video Teleconferencing System linking Port Authority police at the midtown

Bus Terminal with the Manhattan District Attorney's office has reduced the average time required to process an arrest from 13 hours to five hours, thus shifting more of an officer's time to his or her principal duty — patrol.

In its planning and operations, therefore, the Port Authority is endeavoring to respond to the changing needs of a rapidly changing world. With reorganization in 1989 came reordered priorities. New emphasis was placed on marketing the region's considerable assets to attract greater international business and investment and to stay ahead of the region's economic rivals.

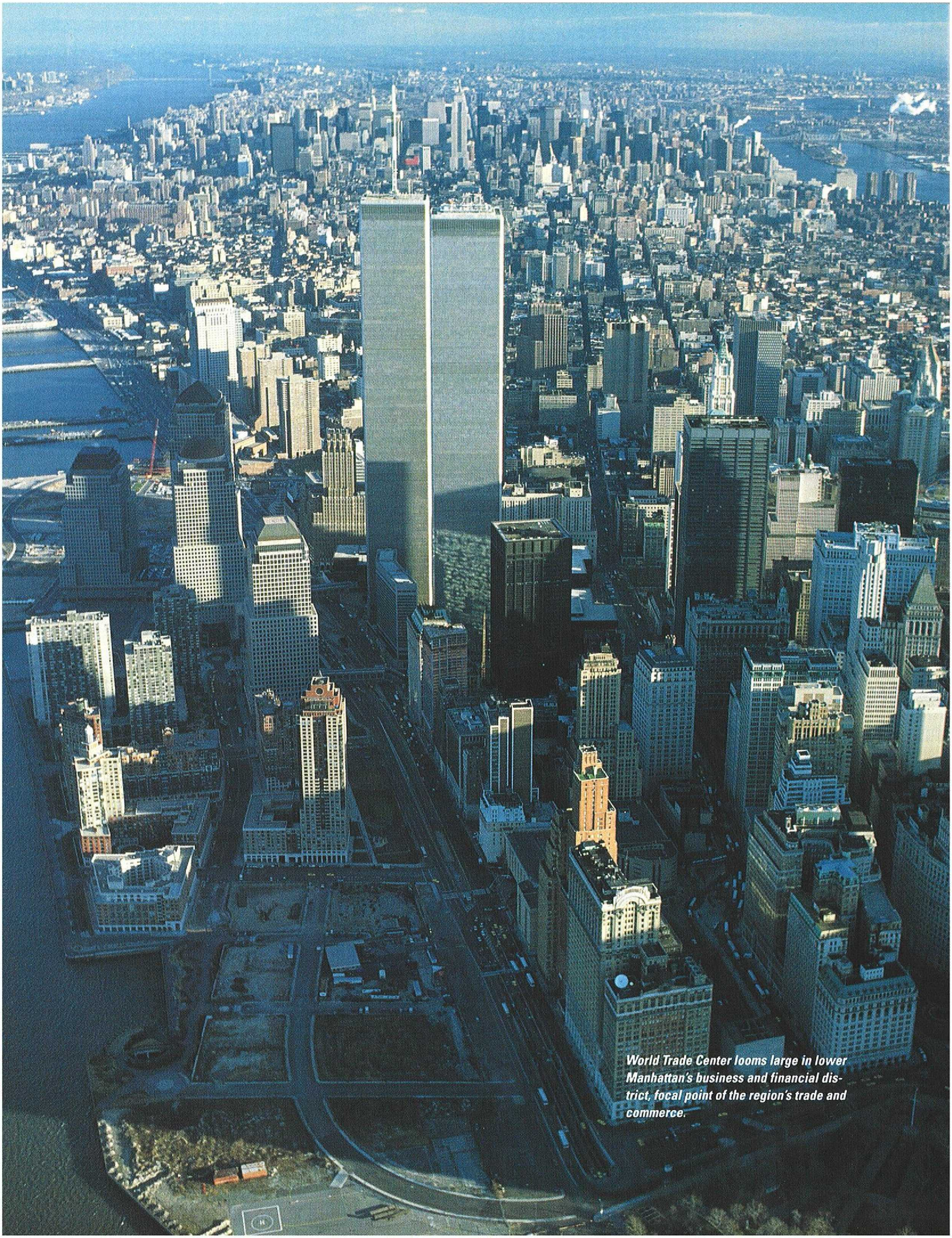
The Port Authority itself continues to look internationally for some of its financial needs. In 1989, the agency marked a long history of using global markets for part of its insurance needs — celebrating a 50-year relationship with Lloyd's of London. Capital financing transactions under the Port Authority's Commercial Paper Program were assisted during the year by a $150 million line of credit with Daiwa Trust Company of Japan.

Richard Pearson (center), Executive Director-Corporate of Hong Kong's International Terminal, and Wendy Lee (left), Assistant Public Relations Officer, meet with members of the Port Authority's Far East Trade and Investment Mission (left to right) Port Department Assistant Director-Facilities Management Frank Caggiano, Executive Director Stephen Berger and Port Department Director Lillian C. Liburdi. The Trade Mission also met with officials and business leaders in a number of cities, including Seoul and Tokyo.

International marketing and promotional efforts will unquestionably grow in importance in the next decade. They should prove particularly valuable in strengthening the regional economy in the years immediately ahead, when the rate of growth is expected to be slower than the sharp upswing experienced during the past decade.

The rate of change, however, is likely to accelerate, spinning out new opportunities and new competitive tests at a dizzying pace. Through its three-cornered approach of capital investment, expanded services, and heightened productivity, the Port Authority has focused its resources on the emerging demands of a complex and uncertain world order.

The bistate region enters this arena with several crucial advantages. By history and temperament, it is a region that thrives on challenge. Through disciplined adherence to the principles of reinvestment and commitment to the future — qualities that traditionally have propelled this metropolis to the front rank—New York and New Jersey can expect to thrive in the new global competition. At the Port Authority, 1989 was a year to renew and fulfill that commitment to the future.



World Trade Center looms large in lower Manhattan's business and financial district, focal point of the region's trade and commerce.

WORLD TRADE AND ECONOMIC DEVELOPMENT BOLSTERS GLOBAL BUSINESS

World trade and economic development efforts to promote the benefits of the New York-New Jersey region to foreign-owned businesses met with success in 1989. More than 375 overseas investment prospects were developed during the year through contacts made by staff of the Port Authority's Trade Development Offices in London, Zurich and Tokyo and the international business development unit in New York. As a result, 17 new overseas manufacturing, warehousing and sales offices were located in the region.

By year's end, this brought to 40 the number of foreign-owned firms that have either set up shop or expanded operations in the New York-New Jersey region since the beginning of 1988, accounting for more than 800 jobs.

XPORT, the Port Authority's trading company, had its best year ever, generating $20 million in sales for 70 small and medium-sized firms based in the region. XPORT also was designated by the Export-Import Bank to recruit new companies as applicants for working capital guarantees and other bank programs.

World trade and economic development activities in 1989 bolstered efforts to strengthen the region's competitive position in national and international markets. Activities reflected an increased volume of international trade and the increasingly competitive nature of the commercial and real estate sectors. Revenues from world trade and economic development operations rose 6 percent over 1988 to $343 million, while the capital investment amounted to $243 million.

State-of-the-art communication technology is vitally important for business growth in the emerging global economy. In 1989, expansion continued at the Teleport, which began operation on Staten Island in 1985. Linked to a regional fiber optic network, Teleport is the world's first high-tech office park and satellite communications center.

Among advances at Teleport during the year was a communication link to the U.S.S.R. That was accomplished by Teleport tenant IDB Communications Group, which installed a 15-meter earth station providing 24-hour voice, video and data service between the region and Minsviaz Teleport near Moscow.

TELEHOUSE International Corporation of America, a consortium of 19 Japanese companies, opened its 160,000 square foot building in May; the investment firm of Merrill Lynch relocated 250 employees to its capital markets computer center at Teleport in the fall, and six tenants moved into Teleport II as construction of the facility neared completion.

Other trade and economic development activities that helped improve our competitive position in 1989:

• The World Trade Center was 95 percent rented, including a majority of international tenants ranging from freight forwarders to trade associations and banks. Fuji Bank, Ltd. renewed its lease for expanded space on four full floors in Two World Trade Center to consolidate its operations, while Chang Hwa Commercial Bank Ltd. leased 9,000 square feet in One World Trade Center, becoming the center's first Taiwanese bank. The U.S. Government also leased an additional 96,000 square foot area in Seven World Trade Center for a five-year term, with an option for an additional five years. Some 60,000 people work in the World Trade Center, representing more than 1,200 firms and organizations around the world.

• Modernization of the World Trade Center continued, including renovation of 17 floors, expansion of the computer cooling system, and asbestos removal on four floors. The Port Authority also purchased the Vista International Hotel leasehold (Three World Trade Center) and began plans to upgrade the 22-story facility.

• Programs designed to help regional businesses compete successfully in foreign markets as well as courses on American management techniques were among 20 new programs developed by the World Trade Institute during the year. Included was a unique, two-month training program on the operation and management of a modern mass transit system, conducted for representatives of the Taipei, Taiwan Department of Rapid Transit Systems. In all, the World Trade Institute offered 261 seminars, courses and international training programs, attended by some 7,000 people from throughout the region, the country and the world, including a number of participants from developing countries. The Institute's Language Center offered more than 300 language classes, while the Institute also expanded its seminar programs to several overseas markets, including Argentina and Brazil.

• Providing New York and New Jersey businesses access to potential customers is the job of WTC NETWORK, a worldwide electronic messaging system. In 1989, more than 90 new companies joined WTC NETWORK, raising

Members of the Soviet Union's Red Army Chorus were among a record 1.8 million visitors to the World Trade Center Observation Deck in 1989. For the first time in its history, the Observation Deck extended its summer hours in 1989 — staying open until 11:30 p.m., an additional two hours.

Smashing a barrel of saki in a Japanese ceremony celebrating the May opening of TELEHOUSE International Corporation of America's new 160,000 square foot building at Teleport are (left to right) Robert Catlin, Port Authority General Manager of Teleport; Katsutoshi Tanigaki, Executive Vice President, Daiwa Computers; Mamoru Kai, General Manager, Kajima International; Ed Maloy, Chairman, Staten Island Chamber of Commerce; and Robert Annunziata, President, Teleport Communications Group, Inc.

In 1989, XPORT, the Port Authority trading company, located a new distributor in France for Finetex, its Elmwood Park, New Jersey, client that manufactures ingredients for cosmetics. Jean Francois Quarre (left), President of QuimDis, a Paris-based cosmetics distributor, and Michel Manalt (right), the company's Commercial Director, discuss sales and distribution of Finetex's products with Peter Zantal of the Port Authority's Trade Development Office in Zurich.

the total number of regional subscribers to 200. Worldwide subscribers total about 2,000.

Building for Business Growth

The region's economic competitiveness and growth at home and abroad benefited further in 1989 through various capital improvements:

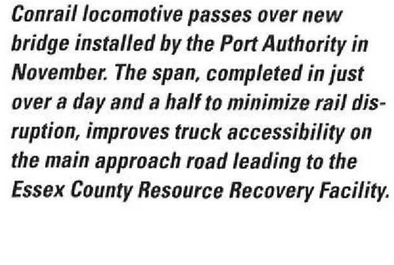
• The new 20-story Legal Center in downtown Newark was dedicated in December, providing a substantial economic boost to the downtown renaissance of New Jersey's largest city. The center is part of a joint project begun in October 1987 by the Port Authority with the City of Newark and the Newark Economic Development Corporation. By year's end, 14 of the new building's 18 office floors had been sold or leased. The center will provide on-site parking facilities for 500 vehicles as well as access to Penn Station, PATH, Amtrak and the Gateway hotel and office complex. The center will house about 1,500 workers when fully occupied.

• Construction advanced on the $300 million Essex County Resource Recovery Facility, which is expected to begin operations by the end of 1990. Located in Newark, the state-of-the-art, mass-burn facility will help reduce the county's solid waste disposal costs by an estimated 40 percent during its first year of service.

• Renovations at the Industrial Park at Yonkers on Buildings 2 and 4 and its electrical distribution system were completed. Alterations on a 61,000 square foot space at Building 7 also were begun to accommodate a packager and distributor of carpeting and floor tiles that employs 100 people. A minority-owned medical products manufacturer agreed to lease part of Building 4. New business was also gained in 1989 for one of the Yonkers facility's major tenants, which was awarded a $170 million order to build 132 subway cars for the Taipei Department of Rapid Transit Systems. Up to 250 skilled workers are expected to be employed in fulfilling the contract, which calls for delivery of the first cars in 1992.

• The Port Authority's Industrial Park at Elizabeth, New Jersey, strategically situated in the city's Urban Enterprise Zone, was officially dedicated in October. Construction was subsequently begun on new facilities for a lamp manufacturing firm expected to employ 500 workers. Construction also continued on a

The sparkling new Legal Center in Newark provides a substantial economic boost to the city's downtown renaissance.



Conrail locomotive passes over new bridge installed by the Port Authority in November. The span, completed in just over a day and a half to minimize rail disruption, improves truck accessibility on the main approach road leading to the Essex County Resource Recovery Facility.

Port Authority Chairman Philip D. Kaltenbacher (left) and Hoboken Mayor Patrick Pasculli sign a preliminary agreement in December for mixed-use development of the city's waterfront.

major retail distribution center for IKEA, a Swedish home furnishing company, which is expected to employ about 250 people. The center is being built on land sold to the firm by the Port Authority. Buildings for both firms are scheduled for completion by mid-1990.

• The Port Authority's Bathgate Industrial Park in the South Bronx became fully leased in 1989. The Bathgate facility, a 12-block complex built on a once devastated area of urban rubble, now provides about 1,500 jobs, most filled by local residents.

• The Port Authority and the City of Hoboken reached agreement in December on a 3.2 million square foot waterfront development of commercial, residential and recreational space. The agreement incorporates design guidelines prepared by Hoboken's planning consultant. Beginning in 1990, these guidelines will be used to solicit private sector investment. The project is expected to involve more than $600 million in both private and public funding, generate some 20,000 construction and permanent jobs, advance Hoboken's ongoing urban revitalization and help lay a solid foundation for the city's financial future.

• The approval process for a 9 million square foot waterfront development project at Hunters Point, Queens, will be facilitated by the New York State Urban Development Corporation (UDC), under a memorandum of agreement reached in 1989 by the Port Authority, the New York City Public Development Corporation and the UDC. Approval of the entire project — slated to include commercial, residential and recreational development — is expected in 1990.

Early morning tugboat eases fully loaded containership into its berth at the Port Newark / Elizabeth Marine Terminal.

INNOVATIVE STRATEGIES KEEP PORT COMPETITIVE

Innovative strategies and capital investments made by the Port Authority and the New York-New Jersey port's maritime industry in recent years to improve our competitive position began to show results in 1989, with promise of continuing gains in the future. The port's volume of oceanborne general cargo, which had declined during 1988, demonstrated a turnaround in 1989 — up 10 percent to 13.3 million tons, mostly from expanded exports.

Recognizing that the automobile trade is one of the most valuable categories of world commerce, the Port Authority dedicated a new $63 million, 145-acre Auto Marine Terminal in May. Situated on the Jersey City-Bayonne border on Upper New York Bay, the new automotive receiving and processing center was built to meet growth in the international auto trade, significantly expanding capacity over that previously provided at Port Newark. Completely leased during 1989, the major tenants are North East Auto Marine Terminal (NEAMT) and BMW of North America, Inc. BMW's 15-acre facility features a vehicle preparation center with a multi-level garage. NEAMT leases the remaining area, on which it built a vehicle preparation center. The Port Authority Auto Marine Terminal, expected to generate an additional $515 million annually in regional economic activity, will handle 50 percent of the half million cars shipped annually through the bistate port.

Efforts to improve the port's competitive position among American ports as well as promote greater export/import trade were enhanced by cost-cutting initiatives undertaken in 1989. Under a new plan, developed by shipping management and union agreement, approximately 1,500 dockworkers (25 percent of total longshoremen) opted to accept an innovative retirement program. The success of this program has resulted in a substantial reduction in the port's tonnage assessments paid by steamship operators.

Other activities that improved the port's competitive position in 1989:

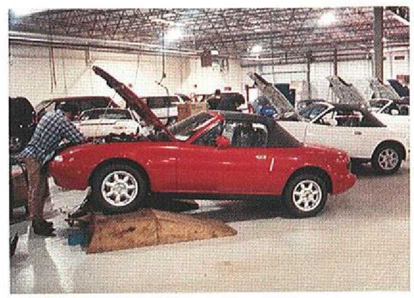
• Maher Terminals' Fleet Street Terminal at the Elizabeth-Port Authority Marine Terminal was officially dedicated in September, following a $50 million refurbishment. Hailed as "Tomorrow's Terminal Today," the state-of-the-art container terminal provides minimum turnaround time for ships and direct dockside connections for both rail and truck carriers.

• The Port Authority received Board approval to continue its Container Incentive Program begun in 1988. The program offers cash incentives to shippers and steamship lines moving long-haul cargo between regional rail ramps and local marine terminals. Under the plan, the Port Authority pays $25 per import container and $50 per export container when such containers move by rail to and from points more than 260 miles from the port.

• The new Automated Cargo Expediting System (ACES) became fully operational and available commercially to the organizations doing business at the port. ACES speeds the movement of cargo through the port by efficient electronic transmission of business documents among steamship lines, custom house brokers and terminal operators.

• A new rail container service was started in July between the port and Montreal. At year's end, the service had grown to 100 containers per week, the point at which a dedicated train would be warranted. Conrail's future plans are to open its own facility in Montreal. This facility will improve transit times and lead to lower rates.

• In its first full year of operation, a New York City facility devoted exclusively to the handling of cocoa imports increased the port's North Atlantic market share of cocoa beans from 10.4 percent in 1988 to nearly 30 percent in 1989, substantially increasing the tonnage of this commodity. The cocoa facility, located at the South Brooklyn Marine Terminal, has been promoted vigorously through Port Authority overseas marketing efforts.

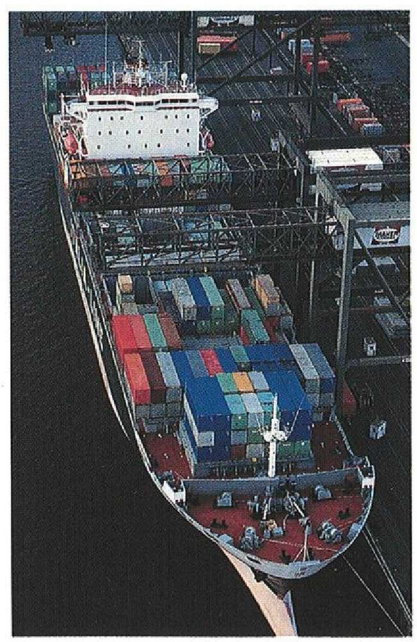


Workers check cars at the North East Auto Marine Terminal's vehicle preparation center at the Port Authority Auto Marine Terminal.

Building for Business Growth

The Port Authority increased its capital investment in port facilities by about $98 million during the year.

• In December, the Port Authority and the City and State of New York announced plans to expand the container handling capacity of Brooklyn's Red Hook Container Terminal with a $16.1 million terminal improvement program, including berth extension and the purchase of an additional container crane. These improvements will expand Red Hook's capacity by 50 percent.



Maher Terminals provides state-of-the-art container terminal facilities and direct dockside rail and truck connections.

• Fishport, located at the Port Authority's Erie Basin Marine Terminal in the Red Hook section of Brooklyn and intended to stimulate additional economic activity by reviving a once-thriving industry, was closed in early 1989. Changes in seafood distribution patterns and consolidation in the industry had led to lower than forecasted activity levels. The Port Authority is considering sale of the

A container is loaded for rail shipment at Conrail's Portside intermodal facility at the Elizabeth Port Authority Marine Terminal. In 1989, the Port Authority extended its incentive program for container shipments moved by rail to and from points more than 260 miles from the port.

property and surrounding areas and is evaluating proposals from outside interests.

• The deepening and widening of the Kill Van Kull and Newark Bay channels continued during the year. The $150 million project is a joint undertaking of the U.S. Army Corps of Engineers and the Port Authority, begun in 1987 to provide access for the largest class of containerships. When completed in 1994, the dredging will have widened the port's major shipping channels to a minimum of 500 feet and increased their depth from 35 to 40 feet. The Port Authority is bearing 35 percent of the dredging costs as the local share, with the Federal Government absorbing the remaining 65 percent.

• Expressport Plaza — a complex of three, 44,000 square foot modular warehouse buildings at Port Newark/Elizabeth — was completed in November. The buildings include 22 units that combine air conditioned office/showroom space and insulated, heated multipurpose space that is ideal for storage, assembly, distribution and other uses. Seven of the units were leased by year's end, with considerable interest in the remaining units.

Late-day operations viewed from Control Tower at Newark International Airport.

AVIATION BUILDS NOW FOR FUTURE GROWTH

The region's three major airports — John F. Kennedy International, Newark International and LaGuardia — marked the year with some notable service and facility improvements, mixed traffic results and sustained air cargo growth. The regional airport system also generated gross operating revenues of $687 million, up about 10 percent over 1988, despite a year-over-year decline in passenger volumes. The increase in revenues was primarily attributed to new capital investments coming on line, such as the opening of the interim international arrivals facility at Newark International.

The regional airports accommodated more than 74 million travelers and retained their status as the nation's leading gateway, although total passenger traffic was 4.5 percent below 1988. The decline was primarily in domestic traffic, due mainly to the extended Eastern Airlines strike, a lesser availability of discount tickets and other structural changes within the airline industry. LaGuardia, Kennedy and Newark International experienced domestic passenger traffic declines of about 5 , 5 and 10 percent, respectively.

International traffic rose 25 percent to almost 2.2 million passengers at Newark, while international passengers and air cargo movements at Kennedy International also remained strong, with air cargo surpassing its previous record.

Aviation activities that helped improve our competitive position in 1989:

• In June, a new $11 million interim International Arrivals Facility was opened at Newark International Airport's Terminal B following a construction period of only 114 days. By year's end, 10 airlines were providing international service and several others were planning to introduce scheduled overseas flights in the spring of 1990.

• The Port Authority also authorized an agreement with Continental Airlines for the construction and operation of a 150,000 square foot, $21 million flight kitchen at Newark International, providing 300 new permanent jobs. It is expected to be operational in early 1990.

• Efforts continued to improve transportation between the suburbs and airports as well as intra-airport traffic flow. This included continued assistance for the first satellite ground transportation ("park-and-fly") service between the Ridgewood, N.J. terminal and Newark International, which began operations in 1988. The Port Authority also established the JFK E-Z Rider program, a carpool and transit information service for airport employees, to reduce roadway congestion on-airport and in the immediate vicinity of Kennedy International.

• The Port Authority also authorized $126 million in contracts for an automated "people mover" system at Kennedy International. The passenger cars for the system will be assembled at the Port Authority's Industrial Park at Yonkers. The Kennedy International "people mover" will allow travelers to reach any airline terminal at the airport within minutes via automated, self-propelled cars moving on an elevated guideway.

• An agreement was reached with Japan Air Lines under which the carrier will lease and expand Kennedy International's Building 14 at a cost of $100 million, thereby increasing the carrier's already large air cargo capacity at the airport. The agreement will also allow the Port Authority to consolidate many of its own airport operations at the enlarged building.

• Expansion of the U.S. Customs Hall in the International Arrivals Building at Kennedy International began early in the year. When completed in mid-1990, the expansion will further reduce the time required for travelers to clear Customs.

• In a national "first" during the year, Trans World Airlines began using a Thermal Neutron Scanner on a test basis at its passenger terminal at Kennedy International. Intended to foil terrorists, the scanner was installed in September and is the first detection system for explosives to receive Federal Aviation Administration approval.

• At LaGuardia Airport, the Trump Shuttle, formerly the Eastern Shuttle, began operations. By year's end, the Trump Shuttle had added connecting helicopter service to the Port Authority's Downtown Manhattan Heliport adjacent to the Wall Street financial district and had become well established in the competition with the Pan Am Shuttle to Boston and Washington, D.C.

Building for Business Growth

Substantial progress was made on a number of redevelopment projects and service improvements at all three airports to meet the increased traffic demands of the 1990's and beyond. Capital expenditures during 1989 totaled about $243 million.

• In March, the Board of Commissioners authorized work to begin on "JFK 2000," a major redevelopment program at John F. Kennedy International. Construction projects under way include new roadways and the airport's new $55 million control tower. Ground was also broken for the East Parking Garage, which will support a future hotel.

Air cargo at John F. Kennedy International Airport set a new record of 1.4 million tons in 1989.

Marking the completion of a new interim international passenger arrivals facility at Newark International Airport's Terminal B are (left to right) Elizabeth Mayor Thomas G. Dunn, Newark Mayor Sharpe James, Port Authority Executive Director Stephen Berger, Chairman Philip D. Kaltenbacher, and New Jersey Governor Thomas H. Kean.

• Authorizations were made during 1989 to improve aircraft taxiways at both Kennedy and Newark International airports. These included a $54 million project to relocate two taxiways at Kennedy to expedite aircraft ground movement and provide more space for aircraft parking. The Port Authority also authorized the construction of a new taxiway at Newark to reduce runway occupancy time.

• LaGuardia Airport's redevelopment program — "LaGuardia Now" — advanced significantly when the Port Authority awarded a $46 million contract in February for expansion of the airport's Central Terminal Building. Preliminary roadway, infrastructure and utility relocation work began during the year. Agreement was also reached with Continental and Eastern Airlines under which they will construct a new East End Terminal. LaGuardia also marked its 50th anniversary in October at a celebration that featured the presentation of a commemorative plaque by the Federal Aviation Administration.

LaGuardia Airport redevelopment in 1989 included work on roadways, infrastructure and utility relocation.

At the end of a work day, commuters board a New Jersey-bound PATH train at the World Trade Center terminal.

INTERSTATE TRANSPORTATION NETWORK KEY TO ECONOMIC STRENGTH

The New York-New Jersey region has the most extensive and heavily used public transportation network in the United States. The availability of this network is the key to the region's economic strength. In 1989, the Port Authority took initial steps to combine and reorganize the agency's tunnels, bridges, bus terminals, PATH, ferry operations and transportation planning groups into one department representing all of its interstate transportation services. Along with these efforts during the year to improve management efficiency, the bistate agency also invested about $264 million in capital construction and major maintenance and service improvements. Considerable construction progress was made with minimal disruption for the tens of millions of travelers, commuters and transporters of goods who used these facilities throughout the year.

The PATH interstate rail system is a major component of the region's transportation network. More than 56 million passengers, mostly commuters, traveled via PATH in 1989. PATH's performance continued to improve during the year, with 90 percent of PATH's trains on time compared with 87 percent in 1988. These results reflect the new and refurbished car fleet as well as extensive capital improvements to the power, signal and other key utility systems. PATH traffic declined by some 500,000 riders from 1988 levels, chiefly as a result of the continued reduction of jobs on Wall Street due to the regional economic slowdown. The start-up of the new Hoboken Ferry service in October also diverted some of PATH's Hoboken-World Trade Center traffic.

PATH service improvements in 1989 included:

• In September, PATH's totally renovated, ultra-modern Exchange Place station was opened in Jersey City at a dedication attended by government, civic, community and business leaders. The $66 million project features a glass-walled station entrance building, a spectacular neon light sculpture over the six-story, 150-foot escalators leading to the platform level, and a new electrical substation. The project also provides two new ventilation fans to supplement a system-wide safety upgrade that includes a new tunnel emergency ventilation system. Facilities for the elderly and disabled, including new elevators, are also being installed at the station's former entrance.

• A contract was awarded for development and installation of PATH's new automated fare collection system, which will accept either cash or magnetic tickets. The new system will make it possible to introduce special fare categories in the future as well as joint ticketing arrangements with New Jersey Transit Corporation and Metropolitan Transportation Authority commuting lines.

Building for Business Growth

Major investments were made during the year on a variety of PATH service, safety and maintenance projects:

• The region's first transit video passenger information system — Metro Vision — was introduced at no cost to the Port Authority at selected PATH stations in December. The monitors offer up-to-the-minute PATH service information, late news, sports and weather, interspersed with ads. Installation will continue throughout the PATH system in 1990.

• Modernization of PATH's Pavonia/Newport station, which serves about 3,100 daily travelers in Jersey City's growing business and residential development area, neared completion in 1989. The $23 million station project is slated for dedication early in 1990 and will include facilities for improved access for the elderly and disabled. Some $5 million for the project's cost is being provided by the Newport Associates Development Company as part of a joint development agreement with the Port Authority.

• Construction progressed steadily on PATH's $205 million state-of-the-art Harrison Car Maintenance Facility, designed to ensure effective maintenance of PATH's fleet of 342 cars. The Harrison facility, which will include car storage yards, is scheduled for completion in late 1990.

• Construction also was begun in late 1989 on additional stairs and escalators leading to Newark-bound train platforms at PATH's World Trade Center terminal. The project will cost about $7.8 million and is slated for completion in mid-l990.

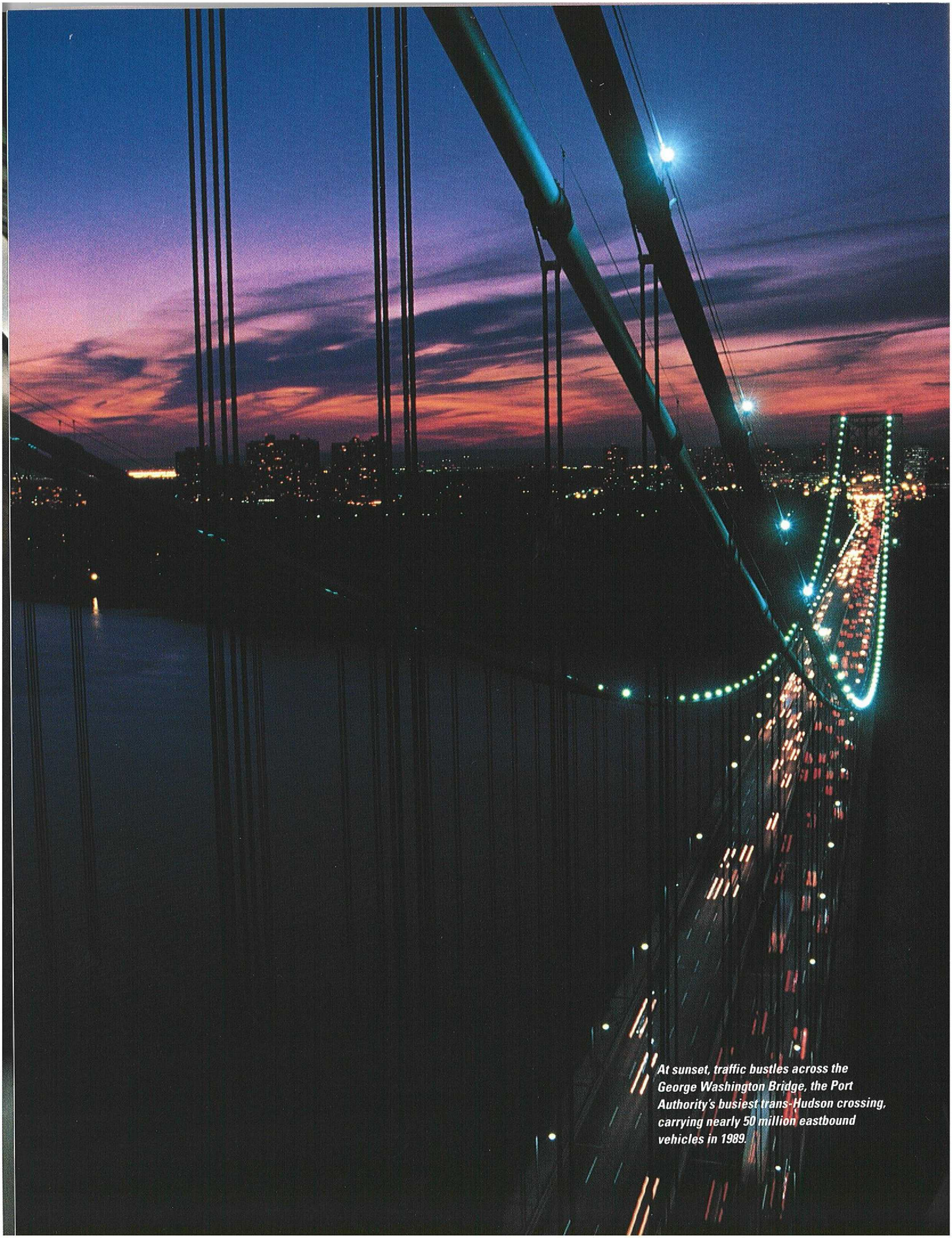
• To improve PATH's 33rd Street Station in Manhattan, the Port Authority entered into a preliminary agreement in March with owners of the nearby former Gimbel Brothers building. When completed in 1991, PATH's renovated 33rd Street terminal will provide a rebuilt stairway and an elevator to serve elderly and disabled passengers.

FERRY TRANSPORTATION

• After a 22-year absence, Hoboken-lower Manhattan ferry service was inaugurated in October. Operated by Arcorp/Hartz under an agreement with the Port Authority, the passenger-only service is provided by four new, 399-passenger, 20-knot ferries, making morning and evening peak-period crossings between Hoboken and Battery Park City near the World Trade Center. Through year's end, the new Hoboken Ferry service carried more than 170,000 commuters across the Hudson, supplementing capacity on the Hoboken to lower Manhattan PATH line.

Colorful, geometric neon ceiling lights brighten the new escalators leading to platforms at PATH's totally renovated Exchange Place Station in Jersey City.

The ferry "George Washington" departs Hoboken for Battery Park City in October, inaugurating Hoboken-lower Manhattan ferry service for commuters.



At sunset, traffic bustles across the George Washington Bridge, the Port Authority's busiest trans-Hudson crossing, carrying nearly 50 million eastbound vehicles in 1989.

TUNNELS, BRIDGES & TERMINALS

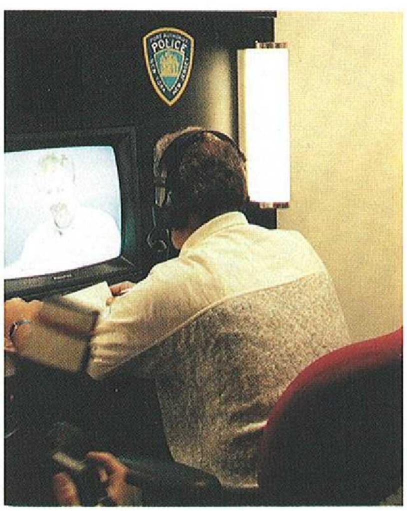
Eastbound traffic on the Port Authority's two tunnels and four bridges rose less than half a percent during 1989 to almost 112 million vehicles. The bulk of this growth occurred at the Staten Island facilities, which grew by 1.8 percent while the three Hudson River crossings stabilized at already congested levels, showing a slight decrease of 0.1 percent.

Service and operating improvements in 1989 at Port Authority tunnels, bridges and terminals included:

• The first phase of a new $9.3 million Toll Registration System that will be installed at all tunnels and bridges by 1991 began operation during the year at the Bayonne Bridge. The system simplifies the processing procedure and reduces the time required to collect and record toll and vehicle data.

• An Automatic Vehicle Identification System (AVI) was installed in July to provide speedier and more efficient processing of toll transactions for buses using the Lincoln Tunnel's exclusive bus lane. Through this innovation, bus companies are billed monthly based on the recorded trips their buses make. The system helps reduce toll transaction time, congestion, fuel consumption and air pollution. Currently, 23 bus carriers are participating in the program, with some 1,500 buses using AVI equipment at the Lincoln Tunnel on a typical weekday morning.

• Work advanced on development of an Automated Information Retrieval System (AIRS) to provide bus schedule information. Currently, staff at the Port Authority Bus Terminal must refer manually to about 200 different printed bus schedules. AIRS will provide the information through a digital voice response, although live operators will remain the patron's first contact. Following testing, the new system is expected to go on-line in late 1990.



A Video Teleconferencing System connecting Port Authority Bus Terminal police to the Manhattan District Attorney's Office enables police to process arrests without leaving the terminal and cuts arraignment time in half.

• To increase police presence at the Port Authority Bus Terminal by reducing arrest processing time, the Port Authority, in collaboration with the Manhattan District Attorney's Office, initiated a Video Teleconferencing System (VTS). Using video monitors and FAX machines, VTS links Port Authority police directly to the District Attorney's Office, enabling police officers to process arrests in about half the time without leaving the terminal. Officers return to patrol quicker, thereby providing extra security within the facility. The system's success has generated considerable interest among other law enforcement agencies in the metropolitan area and other parts of the country.

Building for Business Growth

Capital investments and planning activities at tunnel, bridge and terminal facilities in 1989 included:

• Major renovation of the Holland Tunnel's entrance roadway and toll plaza in Jersey City continued, while the tunnel remained in full service during peak periods. When completed in 1992, the $54 million capital project will provide an enlarged toll lanes approach area, an entirely regraded and repaved entrance area, toll booth improvements and a new toll operations building.

• The construction contract for rehabilitation of the north tube of the Lincoln Tunnel, a $57 million project, was awarded in late 1989. The work is scheduled for completion in 1992. The project includes substantial replacement of the tunnel's roadway slab, installation of new stainless steel niche doors, replacement of missing ceiling and wall tiles and installation of a new concrete slab at the north tube's entrance plaza, among other essential repairs.

• Progress continued on major repair and rehabilitation of the main approachways leading to the George Washington Bridge, roads that rank among the world's most heavily traveled. Rehabilitation of the ramps connecting the lower and upper levels of the bridge to New York City highways is also being planned. The entire approachway project will cost some $40 million.

• An alternatives analysis was initiated during the year to assess options for improving the capacity of the Staten Island Bridges system. Extensive public outreach was also undertaken to discuss various short-term and long-range expansion alternatives to handle current and projected traffic growth.

Bistate Transportation Forum

• In May, the Bistate Transportation Forum issued "Regional Transportation: Current Conditions and Future Prospects," the first interagency assessment of the interstate network. The Forum is composed of leaders of the region's "Big Six" transportation agencies: the New York and New Jersey State Departments of Transportation, New York City Department of Transportation, Metropolitan Transportation Authority, New Jersey Transit Corporation and the Port Authority.

Major work continued during the year to rebuild and expand the Holland Tunnel's Jersey City entrance roadway area and toll plaza.

PORT AUTHORITY COMMUNITY PARTNERSHIPS

The Port Authority continued its diverse efforts to provide practical support for social and community needs, within its legislative mandate. Agency strategies focused on improving conditions for the region's economically disadvantaged, including expenditures at selected facilities to revitalize central business districts and generate jobs through enhanced industrial growth. The Port Authority also worked with other organizations and various community groups to improve conditions for the homeless.

As part of the Port Authority's long-standing commitment to ensuring full business opportunities for the broad range of regional enterprises, practical efforts continued to help minorities and women improve their share in the agency's business opportunities.

Through its Office of Business and Job Opportunity, the Port Authority developed innovative business assistance programs that helped small, minority-and women-owned businesses compete for contracts. New training programs were developed to help small firms improve management skills important to support growth in their industry. Financial assistance programs in conjunction with private lenders helped provide working capital loans.

These partnerships between private and public organizations, leaders in the fields of financial services and construction management have helped firms gain a foothold in many new markets and thereby strengthened our regional economy and overall competitiveness.

Other activities in 1989 included:

• Efforts continued to expand the region's pool of skilled workers and enhance job opportunities for the economically disadvantaged. The Port Authority announced plans to lease 40,000 square feet of space at the Bathgate Industrial Park to the Bronx Educational Opportunity Center. The center will use its leasehold as a training center for up to 1,000 local residents, many of whom are underemployed or unemployed and are likely to benefit from essential training required for industrial job opportunities within their immediate neighborhoods.

• To promote continued progress in the Bathgate area, the Port Authority also provided funding to help a group of local businesses establish the Bathgate Local Development Corporation. The corporation's objectives include improving the area's appearance and security and promoting its continued revitalization and industrial growth.

• Working with the social services organizations, community groups and other agencies with primary responsibility for addressing the homeless issue, the Port Authority continued to provide financial and technical assistance toward easing the plight of the homeless congregating in and near its various transportation facilities. These efforts were balanced with the agency's primary responsibility for providing clean, secure and well-run transportation facilities for its hundreds of thousands of daily patrons.

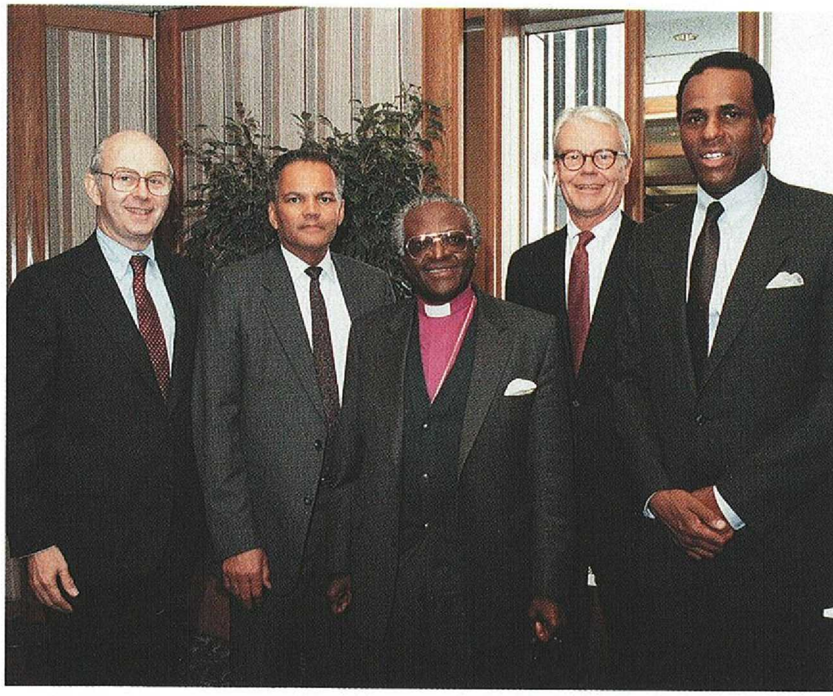
• Under the Port Authority's asbestos abatement, removal and control program, a baseline survey was completed to determine the presence of asbestos-containing materials in Port Authority structures. An awareness training program was implemented for over 1,500 facility-based staff, and organization-wide asbestos policies, practices and procedures were developed and put into effect. By year's end, approximately $13.5 million had been contracted for 90 asbestos removal projects.

• The Port Authority's school soundproofing program, conducted in cooperation with the Federal Aviation Administration, was expanded to include 10 more projects at schools in the vicinity of Kennedy and Newark International and LaGuardia airports. Since the program's inception in 1983, the Port Authority has authorized over $35 million for soundproofing schools near its airports.

• Job Fairs were held in various communities. Working with the Washington Heights-Inwood Development Corporation, the Port Authority co-sponsored "Job Fair '89" in June at the George Washington Bridge Bus Station. Among others, the Port Authority teamed up with the Staten Island Chamber of Commerce and the Triborough Bridge & Tunnel Authority to co-sponsor a Job Fair on Staten Island attended by some 5,000 high school youths in April.

• In cooperation with city educators, the Port Authority completed a special pilot curriculum project for the New York City Board of Education focusing on "Transportation — Yesterday, Today and Tomorrow." The curriculum, prepared as a supplement to the "Participation in Government" module of the State Regents Curriculum for high school seniors, will be used initially at six New York City high schools starting in the spring of 1990. It is designed to help increase student awareness of the region's unique role in trade and transportation as well as underscore the many career opportunities available in trade, transportation and related fields.

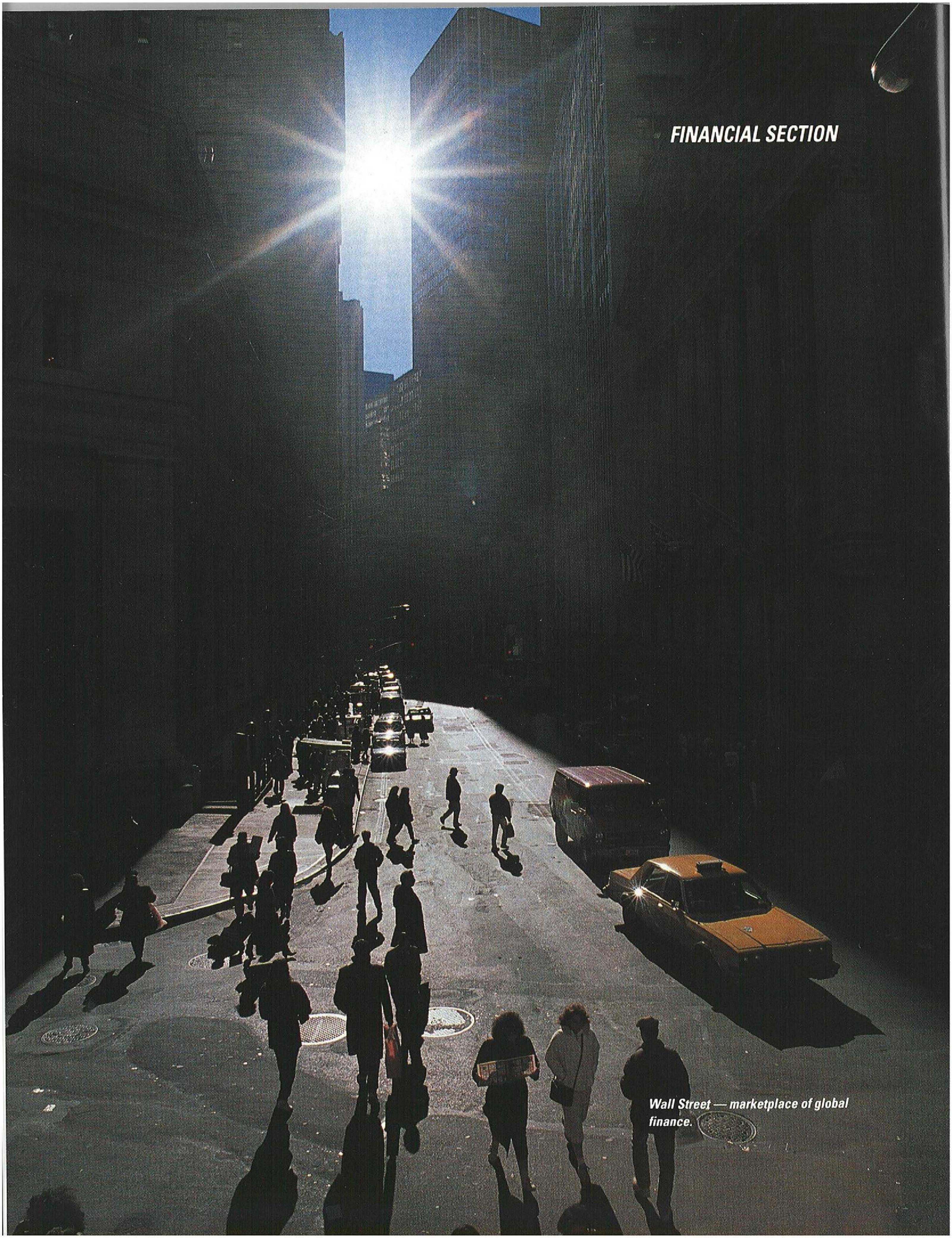
Port Authority senior graphic designer Van Carney discusses career opportunities at the bistate agency during the New York State Career Expo '90 at the Jacob K. Javits Convention Center in Manhattan. The Port Authority was a co-sponsor of the October event attended by more than 25,000 high school students.



The Right Reverend Desmond Tutu (center), Anglican Archbishop of Capetown, South Africa, meets Port Authority Commissioners (left to right) John G. McGoldrick, Henry F. Henderson, Jr., William K. Hutchison and H. Carl McCall at a January reception at the World Trade Center. The Port Authority announced it will provide management internships for refugee South African students attending colleges and universities in the U.S.

New Jersey Special Olympics athlete Alex Nylen, 19, of Brick Township, NJ, completes final leg of Law Enforcement Torch run at Princeton University in June. Port Authority Police annually coordinate the event involving more than 1,000 law enforcement officers from 200 municipalities. The officers secure pledges for each mile run to raise funds for the NJ Special Olympics held for children and adults with mental retardation.

FINANCIAL SECTION



Wall Street — marketplace of global finance.

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

The Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey, including its wholly-owned subsidiaries, for the year ended December 31, 1989, is submitted herewith. This report fairly presents and fully discloses the Port Authority's financial results of operations, financial position, and cash flows in accordance with the requirements of generally accepted accounting principles and Port Authority bond resolutions, and briefly describes basic policies and major activities undertaken during the year ended December 31, 1989. The purpose of this transmittal letter is to discuss the items listed below in a formal and comprehensive manner.

Reporting Entity and its Services

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

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

The Executive Director is responsible for the management of the daily operations of the agency's 40 facilities through line and staff departments and guides proposals to the point of presentation to the Board of Commissioners. The Executive Director is also responsible for implementing such proposals after presentation to and approval by the Board.

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

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

Non-Financial Information

Information concerning current and future economic conditions and how they may impact on operations and the future commitment of the agency's resources are presented as part of the Introductory Section and in the Regional Almanac in the Statistical Section. Highlights of current and future initiatives and programs for each of the agency's major business areas are also presented in the Introductory Section.

Accounting System and Budgetary Control

The Port Authority's consolidated financial statements are prepared in accordance with generally accepted accounting principles, include information on Port Authority operations by operating segment, and are prepared on the accrual basis of accounting. Where appropriate, statements and schedules reflect amounts, including provisions for claims made against the Port Authority, based on estimates and judgments which the

Port Authority believes to be sound. These financial statement presentations do not in any way change the net revenues or reserves of the Port Authority or their 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. Reconciliations of the Consolidated Statement of Income to Schedule A, Revenues and Reserves, and the Consolidated Statement of Financial Position to Schedule B, Assets and Liabilities, are included in Note A of the Consolidated Financial Statements on pages 51 and 52.

In conformance with the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Reporting Entity", the accounts of Port Authority Trans-Hudson Corporation (PATH) and the Newark Legal and Communications Center Urban Renewal Corporation are consolidated in the accompanying financial statements, while the assets and liabilities of the New York State Commuter Car Program and the Fund for Regional Development are not included in the Port Authority's financial statements since neither meets the criteria for inclusion as part of the reporting entity.

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

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

Results of Operations

Gross operating revenues totalled $1,526,780,000 in 1989, an increase of $89,840,000 or 6.3% over 1988. This growth is primarily attributable to higher revenues at Newark International Airport, mainly due to a full year of rental revenues from Terminal C operations, and at LaGuardia and John F. Kennedy International Airports, and at the World Trade Center. Operating expenses totalled $1,124,218,000 in 1989, an increase of $31,716,000 or 2.9% over 1988, primarily as a result of higher costs incurred for labor, rent payments, payments in-lieu-of taxes, and payments for heat, light and power.

Cash Management

The Port Authority's long-term investments are in securities of or guaranteed by the United States Government and in Port Authority bonds. Earnings of $47,997,000 were recorded pursuant to Port Authority bond resolutions on average long-term investments of $500,325,000.

Short-term investments, consisting primarily of United States Government securities (including such securities held pursuant to repurchase agreements) and money market instruments, averaged $362,878,000 during the year. In addition to government securities, short-term investments were also made in limited amounts of investment grade negotiable bankers' acceptances and commercial paper, and United States Treasury and municipal bond futures contracts traded on the Chicago Board of Trade and in connection with certain interest rate options contracts with primary dealers in United States Treasury securities. Income on short-term investments pursuant to Port Authority bond resolutions totalled $31,539,000.

Combined income on such long-term and short-term investments increased from 1988 by approximately 24%, primarily due to higher average investable balances and the introduction of new investment strategies and instruments to increase yields. The balance of financial income credited to operations pursuant to Port Authority bond resolutions is principally interest on advances in connection with the Fund for Regional Development and loans in connection with the Essex County Resource Recovery Facility.

Financial Position

The total assets of the Port Authority as of December 31, 1989, were $6,685,808,000, an increase of 10.7% over 1988. Net capital expenditures, which exclude advances for the Essex County Resource Recovery Facility, amounted to $760,411,000. This increase is partially due to the additional investment of $237,252,000 in Air Terminals for various improvements and rehabilitations to roadways, taxiways and terminals at the regional airports and the JFK Redevelopment Project. Investment in other facilities rose by $523,158,000 led by Interstate Transportation Network facilities which increased by $257,562,000, primarily as a result of expenditures related to PATH's Harrison Maintenance Facility and safety projects, the Holland Tunnel Plaza Redevelopment and expenditures related to the George Washington Bridge and Port Authority Bus Terminal. Capital expenditures at the World Trade Center, including the acquisition of a leasehold for the hotel at the World Trade Center and continued construction at the Newark Legal and Communications Center, were contributing factors to a $167,708,000 increase in investment in World Trade and Economic Development facilities. Investment in the remaining facilities increased by $97,888,000, mainly due to capital expenditures for the Elizabeth-Port Authority Marine Terminal and the Port Authority Auto Marine Terminal in New Jersey.

Debt Administration

On December 31, 1989, outstanding Bonds, Notes and Other Obligations of the Port Authority pursuant to Port Authority bond resolutions totalled $3,792,602,000, as shown in Schedule B and as detailed in Note D of the Consolidated Financial Statements on pages 70 and 54 through 57, respectively.

Consolidated Bonds and Notes pursuant to Port Authority bond resolutions outstanding as of December 31, 1989, which are included in Bonds, Notes and Other Obligations totalled $3,338,250,000. In 1989, the Port Authority issued four series of Consolidated Bonds. Each series included both serial and term bonds in the aggregate principal amount of $100,000,000. The Sixty-third Series, issued for purposes of refunding certain commercial paper obligations, includes serial bonds maturing from 2004 to 2010 at interest rates ranging from 7 5/8% to 7.80% per annum and term bonds, bearing interest at the rate of 7 7/8% per annum, due in 2024. The Sixty-fourth Series, issued for purposes of refunding Consolidated Notes, Series KK, includes serial bonds maturing from 1990 to 2010 at interest rates ranging from 7% to 7 3/8% per annum and term bonds, bearing interest at the rate of 7 1/4% per annum, due in 2014. The Sixty-fifth Series, issued for purposes of refunding certain commercial paper obligations, includes serial bonds maturing from 2004 to 2010 at interest rates ranging from 7% to 7 1/8% per annum and term bonds, bearing interest at the rate of 7% per annum, due 2024. The Sixty-sixth Series was also issued for purposes of refunding certain commercial paper obligations and includes serial bonds maturing from 2004 to 2010 at an interest rate of 7% per annum and term bonds, bearing interest at the rate of 7 1/4%, due in 2024.

The Port Authority Commercial Paper Program consists of two separate series of commercial paper obligations, each with a maximum aggregate principal amount outstanding at any one time of $150,000,000. The total amount outstanding for both series at December 31, 1989 was $161,537,000.

As of year-end 1989, outstanding Port Authority Consolidated Bonds were rated AA- by Standard & Poor's Corporation and Fitch Investors Service, Inc., and A1 by Moody's Investors Service. Outstanding Consolidated Notes were rated SP-1+ by Standard & Poor's, FIN-1+ by Fitch's, and MIG-1 by Moody's, the highest short-term debt rating given by each of the bond rating agencies. As of year-end 1989, outstanding Commercial Paper Notes were rated A-1+ by Standard & Poor's Corporation, F-1+ by Fitch's, and P-1 by Moody's, the highest rating given by each of the bond rating agencies. A rating is an evaluation of credit-worthiness performed from time to time by an independent service.

The Port Authority's Variable Rate Master Note Program provides for variable rate master note agreements with selected banks, trust companies and other financial institutions aggregating up to $250,000,000 outstanding at any one time. As of December 31, 1989, the total principal amount outstanding under these agreements, evidenced by notes which are subject to prepayment at the option of the Port Authority or upon demand of the lender, was $135,000,000. The proceeds were used to refund certain commercial paper obligations and to refund Consolidated Notes, Series OO.

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.

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% of the total par value of all 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 the manner and to the extent provided in the Consolidated Bond Resolution in support of all the Port Authority's outstanding bonds and notes other than New York State Guaranteed Commuter Car Bonds, Special Project Bonds or the special obligations established and issued in connection with the commercial paper program and under variable rate master note agreements. Expenses incurred with respect to each letting of equipment under the Port Authority's Operating Equipment-Lease Financing Program are payable in the same manner and out of the same revenues as operating expenses, with the principal amount of the transactions represented by such lettings subject to prepayment at the option of the Port Authority or upon demand of the participants in such transactions.

Before the Port Authority may finance an additional facility for the first time with Consolidated Bonds (including Consolidated Notes) or other bonds secured by a pledge of the General Reserve Fund, the Port Authority's Board of Commissioners must first certify its opinion that the issuance of such bonds will not materially impair the Port Authority's sound credit standing, the investment status of Consolidated Bonds or the Port Authority's ability to fulfill its commitments, including its undertakings to the holders of Consolidated Bonds. Unless such certification is made, neither the General Reserve Fund nor the Consolidated Bond Reserve Fund may be applied for purposes in connection with the additional facility. In addition, in 1962, the States of New York and New Jersey adopted a statutory covenant limiting the Port Authority's ability to apply pledged revenues and reserves to deficit passenger railroad facilities (other than the PATH System). In 1973 the legislatures of New York and New Jersey repealed, for bonds issued after Consolidated Bonds, Thirty-ninth Series, due 2007, such statutory covenant.

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

Interest recorded on the Port Authority's debt charged to operations and reserves in 1989, pursuant to Port Authority bond resolutions, totalled $176,206,000. Bonded debt repayment through operations and reserves amounted to $53,493,000 which includes long-term bonds with a par value of $52,425,000 retired through mandatory sinking fund and maturity payments, and repayment of commercial paper obligations of $1,068,000. Therefore, total debt service charged to net revenues and reserves was $229,699,000, which does not include amounts relating to New York State Guaranteed Commuter Car Bonds and Special Project Bonds. Capitalized interest for the year ended 1989 totalled $60,248,000. During the year, net assets pursuant to Port Authority bond resolutions increased by 7.5% to a total of $5,080,601,000.

Reserve Funds

At year-end 1989, the General Reserve Fund balance was $373,129,000 and met the prescribed statutory amount of 10% of the total par value of all outstanding bonds legal for investment as defined in the General Reserve Fund statutes. On December 31, 1989, the Consolidated Bond Reserve Fund had a balance of $393,740,000, after application of $262,844,000 to direct investment in facilities, $1,068,000 for repayment of commercial paper obligations, $1,941,000 for payments in connection with a leasehold acquisition and $2,272,000 to self-insurance. The sum of these Reserve Funds was $766,869,000, 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, $765,869,000 was invested in such securities and $1,000,000 was maintained as cash.

Independent Audit

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting, for the fifth consecutive year, to The Port Authority of New York and New Jersey for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 1988.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Executive Director

Chief Financial Officer

February 22, 1990

Deloitte & Touche

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Hon. John G. McGoldrick, Chair
and Members of the Audit Committee of
The Port Authority of New York and New Jersey
New York, New York

We have made a study and evaluation of the system of internal accounting control of The Port Authority of New York and New Jersey in effect at October 31, 1989. 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 audit of the Port Authority's financial statements for the year ending December 31, 1989.

Management of the Port Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements 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 loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and, 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, 1989, 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.

Deloitte & Touche

February 22, 1990

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OPINION OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated statements of financial position of The Port Authority of New York and New Jersey and its wholly-owned subsidiaries as of December 31, 1989 and 1988 and the related consolidated statements of income and cash flows for the years then ended. We also audited the financial information included in Schedules A through F. These financial statements and schedules are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Port Authority of New York and New Jersey and its wholly-owned subsidiaries as of December 31, 1989 and 1988, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles. The accompanying Schedules A through C have been prepared pursuant to the requirements of law and Port Authority bond resolutions. The accounting principles followed in the preparation of these schedules differ in some respects from generally accepted accounting principles as described in Note A-12. In our opinion, Schedules A, B and C present fairly, in all material respects, the consolidated assets and liabilities of the Authority at December 31, 1989 and the consolidated revenues and reserves for the year then ended in conformity with the accounting principles described in Note A-12.

Also, in our opinion, the supplementary information presented in Schedule D and the selected financial data for each of the years in the nine year period ended December 31, 1989 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, in all material respects, the assets and liabilities of the New York State Commuter Car Program at December 31, 1989 and 1988, in conformity with the basis of accounting described therein.

Deloitte & Touche

February 22, 1990

Consolidated Statement of Income

	Year Ended December 31, (In Thousands) 1989	1988
Gross Operating Revenues (Note L)	**$1,526,780**	$1,436,940
Operating Expenses:		
Employee compensation, including benefits	**502,732**	485,841
Materials, equipment, supplies and contract services	**281,758**	286,809
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	**146,830**	131,702
Heat, light and power	**75,443**	66,389
Other (Note K-4)	**117,455**	121,761
Total Operating Expenses	**1,124,218**	1,092,502
Depreciation on Facilities (Note B)	**177,403**	163,415
Amortization of Costs for Bus Programs	**34,964**	34,681
Income from Operations	**190,195**	146,342
Financial Income and Expense:		
Income on investments	**90,449**	75,250
Gain on purchase of Port Authority bonds in connection with current sinking fund requirements	**3,227**	2,245
Interest expense	**(177,761)**	(153,729)
Gain on Sale of Assets	**142**	2,830
Income Before Extraordinary Item	**106,252**	72,938
Extraordinary Item		
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements	**1,644**	976
Net Income	**107,896**	73,914
Add: Depreciation on Assets Acquired with Government Contributions in Aid of Construction	**13,593**	12,285
Increase in Net Income Invested in Port Authority Facilities, Operations and Reserves	**121,489**	86,199
Balance, January 1	**2,014,898**	1,928,699
Net Income Invested in Port Authority Facilities, Operations and Reserves, December 31	**$2,136,387**	$2,014,898

See Notes to Consolidated Financial Statements.

Consolidated Statement of Financial Position

	December 31, (In Thousands) 1989	1988
Assets		
Facilities, at Cost (Note B)	**$7,209,052**	$6,453,479
Less Accumulated Depreciation on Facilities	**2,323,214**	2,150,648
Facilities, Net	**4,885,838**	4,302,831
Cash (Note C)	**32,385**	32,280
Investments (Note C)	**810,360**	885,275
Accounts Receivable (net of allowance for doubtful accounts of $13,391,000 in 1989 and $9,261,000 in 1988)	**76,363**	62,876
Other Amounts Receivable (net of allowance for doubtful accounts of $5,107,000 in 1989 and $1,824,000 in 1988)	**467,639**	348,526
Unamortized Costs for Bus Programs (Note K-1)	**204,190**	237,498
Other Assets	**209,033**	168,742
Total Assets	**6,685,808**	6,038,028
Liabilities		
Bonds, Notes and Other Obligations (Note D)	**3,712,767**	3,328,865
Accounts Payable	**233,721**	187,178
Accrued Pension, Retirement and Other Employee Benefits (Note J)	**168,895**	144,732
Accrued Interest and Other Liabilities	**178,581**	127,049
Deferred Income	**15,177**	13,936
Total Liabilities	**4,309,141**	3,801,760
Net Assets	**$2,376,667**	$2,236,268
Net Assets are Composed of:		
Net Income Invested in Port Authority Facilities, Operations and Reserves	**$2,136,387**	$2,014,898
Government Contributions in Aid of Construction (Note G)	**240,280**	221,370
Net Assets	**$2,376,667**	$2,236,268

See Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows

	Year Ended December 31, (In Thousands) 1989	1988
1. Cash Flows From Operating Activities:		
Cash received from operations	**$1,454,844**	$1,401,818
Cash paid to suppliers and employees	**(904,990)**	(966,254)
Cash paid to municipalities	**(137,912)**	(139,368)
Net cash provided by operating activities	**411,942**	296,196
Cash Flows From Noncapital Financing Activities:		
Net borrowing under operating equipment-lease financing obligations	**660**	1,109
Interest paid on operating equipment-lease financing obligations	**(1,443)**	(1,154)
Net cash used for noncapital financing	**(783)**	(45)
Cash Flows From Capital and Related Financing Activities:		
Proceeds from sales of Bonds, Notes and Other Obligations	**2,766,125**	2,916,404
Principal paid on Bonds, Notes and Other Obligations	**(2,419,582)**	(2,490,549)
Interest paid on Bonds, Notes and Other Obligations	**(225,575)**	(188,554)
Investment in facilities and construction of capital assets	**(747,016)**	(598,343)
Proceeds from sale of facilities	**1,466**	6,859
Financial income allocated to capital projects	**10,526**	6,524
Government Contributions in Aid of Construction	**32,503**	32,393
Net cash used for capital and related financing activities	**(581,553)**	(315,266)
Cash Flows From Investing Activities:		
Purchase of investment securities	**(19,795,875)**	(4,823,357)
Proceeds from sale and maturities of investment securities	**19,897,230**	4,787,116
Interest received on investments	**52,388**	40,727
Miscellaneous financial income	**16,756**	17,533
Net cash provided by investing activities	**170,499**	22,019
Net increase in cash	**105**	2,904
Cash at beginning of year	**32,280**	29,376
Cash at end of year	**$ 32,385**	$ 32,280

(Consolidated Statement of Cash Flows continued on next page.)

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Year Ended December 31, (In Thousands) 1989	1988
2. Reconciliation of Income From Operations To Net Cash Provided By Operating Activities:		
Income from Operations	**$190,195**	$146,342
Adjustments to reconcile Income from Operations to Net Cash provided by Operating Activities:		
Depreciation	**177,403**	163,415
Amortization of costs of Bus Programs	**34,964**	34,681
Amortization of certain other assets	**31,671**	45,454
Amortization of discount on Special Project Bonds	**55**	49
Provision for uncollectible accounts receivable	**4,130**	(1,763)
Provision for other amounts receivable	**3,283**	(2,991)
	251,506	238,845
Change in Operating Assets and Operating Liabilities:		
(Increase) Decrease in accounts receivable	**(17,617)**	8,459
(Increase) in other amounts receivable	**(46,154)**	(26,138)
(Increase) in prepaid expenses	**(53,419)**	(51,282)
Increase (Decrease) in accounts payable	**30,890**	(11,298)
Increase in accrued pension and other employee benefits	**11,233**	6,475
Increase (Decrease) in interest and other liabilities	**44,067**	(16,820)
Increase in deferred income	**1,241**	1,613
	(29,759)	(88,991)
Net Cash Provided by Operating Activities	**$411,942**	$296,196

3. Non-Cash Investing, Capital and Financing Activities:

On June 30, 1989 the Port Authority acquired a leasehold for the hotel at the World Trade Center, valued at $78,067,000, for a cash payment of $43,000,000 and payment of amounts equal to those due to the leasehold mortgagee on notes secured by a pre-existing mortgage (which was not assumed by the Port Authority) on such leasehold valued at $35,067,000. (See Note D-7.)

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

2. The financial statements and schedules include the accounts of the Port Authority and its wholly-owned subsidiaries, Port Authority Trans-Hudson Corporation (PATH) and the Newark Legal and Communications Center Urban Renewal Corporation, consistent with the criteria set forth in the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Reporting Entity." In accordance with the provisions of law, Port Authority resolutions and agreements with others, and based upon the criteria contained in the Codification, the Port Authority does not have the ability to exercise oversight responsibility (as defined in the Codification) with respect to the Fund for Regional Development (see Note I) or the New York State Commuter Car Program (see Note F-4) and, therefore, the assets and liabilities of the Fund for Regional Development and the New York State Commuter Car Program are not included in the Port Authority's financial statements.

3. Facilities are carried at cost and include the expenditure of Federal and State grants to acquire, construct, place in operation and improve the facilities of the Port Authority (see Note G). Facility capital costs include net interest expense incurred from the date of issuance of debt for purposes of a capital project until completion of such project. (See Note B.)

4. Inventories, which are included in Other Assets on the Consolidated Statement of Financial Position, are valued at the lower of average cost or market value.

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

Port Authority Consolidated Bonds purchased by the Port Authority serve to reduce debt on Consolidated Bonds and Notes and are not included in investments. Interest expense and interest earnings relating to such Port Authority bonds so purchased are not included in interest expense and income on investments. Gains on purchase of such Port Authority bonds in connection with future sinking fund requirements (those scheduled to occur more than one year from date of purchase) are separately classified as an extraordinary item. (See Note C.)

6. Depreciation is computed on the straight-line method based on estimated useful lives of the related assets including those paid for by government contributions. In distributing net income to net assets, a charge representing depreciation on assets acquired with contributions is made against the related contributions accounts. (See Note B and Note G.)

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

8. 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.

9. Gross operating revenues generated from operating leases are recognized and recorded in accordance with the provisions stipulated in the leases. (See Note H-1.)

10. Other Amounts Receivable on the Consolidated Statement of Financial Position consist primarily of amounts due from the private full service vendor constructing the resource recovery plant at the Port Authority's Essex County Resource Recovery Facility (see Note K-5), from the Fund for Regional Development (see Note I) and from Delta Air Lines, Inc. in connection with the LaGuardia Airport passenger terminal building project. (See Notes D-3 and E-2.)

11. The Consolidated Statement of Cash Flows reflects the provisions of the Governmental Accounting Standards Board Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." The provisions of this statement have been incorporated into the 1989 financial statements together with the comparative 1988 financial information.

For purposes of the Consolidated Statement of Cash Flows, cash consists of cash on hand and demand deposits.

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

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

The Port Authority's bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities other than of ancillary equipment. Thus, depreciation is not a significant factor in determining the net revenues and the reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions. Instead, facility capital costs are provided for through deductions from net revenues and reserves of amounts equal to principal payments on debt or direct investment 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 in 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. Consolidated Bonds and Notes are recorded at par value. Discounts and premiums are capitalized at time of issuance.

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

A reconciliation of Schedules A and B to the Consolidated Statements follows:

Consolidated Statement of Income to Schedule A, Revenues and Reserves

	Year Ended December 31, (In Thousands)	
	1989	**1988**
Net Income reported on Consolidated Statement of Income	$107,896	$ 73,914
Add: Depreciation on Facilities	177,403	163,415
Amortization of Costs for Bus Programs	34,964	34,681
Amortization of Discount and Premium	1,487	194
	321,750	272,204
Less: Debt Maturities and Retirements	52,425	49,125
Repayment of Commercial Paper Obligations	1,068	522
Debt Retirement Acceleration	–	2,750
Payments Pertaining to Leasehold Acquisition	228	–
Direct Investment in Facilities	262,844	215,854
Gain on Sale of Assets	142	2,830
Appropriations for Self-Insurance	2,272	(2,139)
	318,979	268,942
Increase in Reserves reported on Schedule A, Revenues and Reserves (Pursuant to Port Authority bond resolutions)	$ 2,771	$ 3,262

Consolidated Statement of Financial Position To Schedule B, Assets and Liabilities

	December 31, (In Thousands) 1989	1988
Net Assets reported on Consolidated Statement of Financial Position	$2,376,667	$2,236,268
Add: Accumulated Depreciation on Facilities	2,323,214	2,150,648
Accumulated Retirements and Gains and Losses on Disposal of Invested in Facilities	139,366	134,670
Cumulative Amortization of Costs for Bus Programs	235,401	200,437
Amortized Discount and Premium	5,953	4,466
Net Assets reported on Schedule B, Assets and Liabilities (Pursuant to Port Authority bond resolutions)	$5,080,601	$4,726,489

Note B–Facilities:

Cost of facilities is comprised of the following:

	December 31, (In Thousands) 1989	1988
Completed Construction:		
Interstate Transportation Network	$1,785,647	$1,672,041
Air Terminals	2,264,077	2,153,739
Marine & Other Facilities	777,662	698,879
World Trade & Economic Development Facilities	1,339,624	1,197,081
	6,167,010	5,721,740
Construction in Progress	1,042,042	731,739
Facilities, at Cost	$7,209,052	$6,453,479

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 $48,491,000 in 1989 and $38,676,000 in 1988.

Note C–Cash and Investments:

1. The components of cash and investments are:

	December 31, (In Thousands) 1989	1988
CASH		
Cash on hand	$ 1,090	$ 1,108
Demand Deposits	31,295	31,172
Total Cash	$32,385	$32,280

	December 31, (In Thousands) 1989 Principal Amount	Quoted Market	Book Value	1988 Book Value
INVESTMENTS				
Short-Term				
United States Treasury Bills	$126,100	$121,585	$121,588	$342,795
United States Treasury Notes	62,186	62,314	62,598	30,129
United States Treasury obligations held pursuant to repurchase agreements	101,340	101,340	101,340	49,254
Commercial Paper	—	—	—	8,993
Security Valuation Allowance	—	—	(287)	(1,148)
Total Short-Term	$289,626	$285,239	285,239	430,023
Long-Term				
Farmers' Home Administration (Department of Agriculture) Insured Notes	$ —	$ —	—	5,001
United States Treasury Bonds and Notes	513,055	514,767	511,416	438,743
Total Long-Term	$513,055	$514,767	511,416	443,744
Bonds of The Port Authority of New York and New Jersey	$ 45,421		45,421	32,702
Accrued Interest Receivable			13,705	11,508
Investments (pursuant to Port Authority bond resolutions)			855,781	917,977
Less: Bonds of The Port Authority of New York and New Jersey			45,421	32,702
Investments			$810,360	$885,275

2. Funds of the Port Authority are to be deposited in banks or banking institutions with offices located in the Port District provided that the total funds on deposit in any bank does not exceed 50 percent of the bank's combined capital and permanent surplus. Also, targeted average daily balances must be fully secured to 110 percent of their amount by deposit of collateral for the amounts in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation. The collateral must consist of obligations of the United States of America, the Port Authority, the State of

New York or the State of New Jersey held in custodial bank accounts in banks or banking institutions in the Port District having combined capital and surplus in excess of $1,000,000.

Total bank balances were $18,495,000 as of December 31, 1989. Of this amount, $7,781,000 was either secured through the Federal Deposit Insurance Corporation or was fully collateralized by collateral held in the Port Authority's name either by the financial institutions or their agents, $920,000 was fully collateralized by collateral held by the financial institutions or their agents not in the Port Authority's name and $9,794,000 was not collateralized.

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

Pursuant to master repurchase agreements entered into by the Port Authority with certain banking and financial institutions, the Port Authority purchases and sells obligations of (or fully guaranteed by) the United States.

The Treasurer of the Port Authority, consistent with the abovementioned agreements, authorizations of the Board of Commissioners of the Port Authority or the Committee on Finance, and guidelines established from time to time, executes individual investment transactions which are reported on a monthly basis. These investment transactions are presently executed with recognized and established securities dealers and commercial banks. Securities transactions are conducted in the open market at competitive prices. The securities (including securities held pursuant to repurchase agreements) are held by the Port Authority's custodian and payment for all transactions is upon receipt of the securities.

Investments, including interest receivable, in various types of securities totalled $810,360,000 and $885,275,000 for the years ended December 31, 1989 and 1988, respectively. Although no investments in bankers' acceptances, commercial paper, Farmers' Home Administration Insured Notes and Federal Farm Credit Bank Discount Notes were held at December 31, 1989, investment balances during the year ranged as high as $78,408,000 for bankers' acceptances, $36,490,000 for commercial paper, $5,000,000 for Farmers' Home Administration Insured Notes and $13,780,000 for Federal Farm Credit Bank Discount Notes.

Note D–Bonds, Notes and Other Obligations:

1. The components of Bonds, Notes and Other Obligations are:

	December 31, (In Thousands) 1989	1988
Consolidated Bonds and Notes	$3,261,776	$3,053,371
Special Project Bonds	93,139	93,084
Commercial Paper Obligations	161,537	131,684
Variable Rate Master Notes	135,000	25,000
Operating Equipment - Lease Financing Obligations	26,476	25,726
Leasehold Acquisition Obligations	34,839	—
Bonds, Notes and Other Obligations	$3,712,767	$3,328,865

2. Consolidated Bonds and Notes (See Note E-1)

		December 31, 1988	Issued	Refunded (In Thousands)	Retired	December 31, 1989
Consolidated Bonds (A) (N):						
Sixteenth Series	4 1/4% due 1989	$ 1,250	$ —	$ —	$ 1,250	$ —
Nineteenth Series	3 1/2% due 1991	5,500	—	—	1,500	4,000
Twentieth Series	3 1/4% due 1993	11,375	—	—	2,275	9,100
Twenty-first Series	3.40% due 1993	8,125	—	—	1,625	6,500
Twenty-second Series	3 3/8% due 1993	8,125	—	—	1,625	6,500
Twenty-third Series	3 3/8% due 1994	9,750	—	—	1,625	8,125
Twenty-fourth Series	3 1/2% due 1994	9,750	—	—	1,625	8,125
Twenty-sixth Series	3 1/2% due 1995	15,925	—	—	2,275	13,650
Twenty-seventh Series	3 3/8% due 1995	10,750	—	—	1,500	9,250
Twenty-eighth Series	3 3/8% due 1996	13,000	—	—	1,625	11,375
Twenty-ninth Series	3 1/2% due 1996	13,000	—	—	1,625	11,375
Thirtieth Series	3 5/8% due 1998	12,750	—	—	1,250	11,500
Thirty-first Series	4% due 2002	70,000	—	—	5,000	65,000
Thirty-second Series	5% due 2003	74,000	—	—	4,000	70,000
Thirty-third Series	4 3/4% due 2003	74,000	—	—	4,000	70,000
Thirty-fourth Series	5 1/2% due 2003	86,000	—	—	3,000	83,000
Thirty-fifth Series	6 5/8% due 2005	91,000	—	—	2,000	89,000
Thirty-sixth Series	6.40% due 2005	45,500	—	—	1,000	44,500
Thirty-seventh Series	6% due 2006	93,000	—	—	2,000	91,000
Thirty-eighth Series	5 3/8% due 2006	93,000	—	—	2,000	91,000
Thirty-ninth Series	5.80% due 2007	141,750	—	—	2,250	139,500
Fortieth Series	6% due 2008	96,000	—	—	1,500	94,500
Forty-first Series	5 1/2% due 2008	96,000	—	—	1,500	94,500
Forty-second Series	8.20% due 2011	98,500	—	—	500	98,000
Forty-third Series	7% due 2011	49,250	—	—	250	49,000
Forty-fifth Series	6 1/2% due 2012	74,250	—	—	375	73,875
Forty-sixth Series	6% due 2013	74,625	—	—	375	74,250
Forty-seventh Series	6 1/2% due 2013	99,500	—	—	500	99,000
Forty-eighth Series	6 3/4% due 2014	75,000	—	—	375	74,625
Fiftieth Series	10 1/8% due 2017	100,000	—	—	—	100,000
Fifty-first Series	11% due 2019	85,760	—	—	—	85,760
Series Fifty-one E	(B) due 2014	14,240	—	—	—	14,240
Fifty-second Series	(C) due 2014	100,000	—	—	—	100,000
Fifty-third Series	8.70% due 2020	100,000	—	—	—	100,000
Fifty-fourth Series	(D) due 2020	100,000	—	—	—	100,000
Fifty-fifth Series	(E) due 2020	200,000	—	—	—	200,000
Fifty-sixth Series	7 1/8% due 2021	100,000	—	—	—	100,000
Fifty-seventh Series	6 3/4% due 2021	100,000	—	—	—	100,000
Fifty-eighth Series	7 1/2% due 2017	100,000	—	—	—	100,000
Fifty-ninth Series	7 3/4% due 2023*	100,000	—	—	—	100,000
Sixtieth Series	8 1/4% due 2023*	100,000	—	—	—	100,000
Sixty-first Series	(F) due 1989-2023*	100,000	—	—	2,000	98,000
Sixty-second Series	(G) due 2004-2023*	100,000	—	—	—	100,000
Sixty-third Series	(H) due 2004-2024*	—	100,000	—	—	100,000
Sixty-fourth Series	(I) due 1990-2014	—	100,000	—	—	100,000
Sixty-fifth Series	(J) due 2004-2024	—	100,000	—	—	100,000
Sixty-sixth Series	(K) due 2004-2024*	—	100,000	—	—	100,000
Total Consolidated Bonds pursuant to Port Authority bond resolutions		$2,950,675	$400,000	$ —	$52,425	$3,298,250

2. Consolidated Bonds and Notes (Continued)

		December 31, 1989	Issued	Refunded	Retired	December 31, 1988
				(In Thousands)		
Consolidated Notes (A) (N):						
Series KK	5.2% due May 1, 1989	$ 100,000	$ —	$100,000	$ —	$ —
Series OO	6% due June 15, 1989	15,000	—	15,000	—	—
Series PP	5 3/4% due October 1, 1990	40,000	—	—	—	40,000
Total Consolidated Notes pursuant to Port Authority bond resolutions		155,000	—	115,000	—	40,000
Total Consolidated Bonds and Notes pursuant to Port Authority bond resolutions		3,105,675	$400,000	$115,000	$52,425	3,338,250
Less: Amortized cost of Port Authority bonds purchased by the Port Authority		32,702				45,421
Unamortized discount and premium (L)		19,602				31,053
Consolidated Bonds and Notes (M)		$3,053,371				$3,261,776

(A) All Consolidated Bonds and Notes are equally and ratably secured by a pledge of the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities and any additional facilities which may be financed or refinanced in whole or in part through the medium of Consolidated Bonds (see Note F), in the manner and to the extent provided in the Consolidated Bond Resolution.

(B) Interest rate, 12% per annum, until June 1, 1994, and 7% per annum thereafter until maturity or prior redemption.

(C) Subject to an annual option, commencing on November 1, 1994, and on each November 1 thereafter, of the registered holder to exercise a one-time election to convert to a variable interest rate, ranging from 8% to 12% per annum.

(D) Interest rate, 7% per annum, subject to a semi-annual option, commencing on December 1, 1988, and on each June 1 and December 1 thereafter, of the registered holder to exercise a one-time election to convert to a variable interest rate, set on each semi-annual interest payment date for the ensuing six months ranging from 5% to 10% per annum. As of December 1, 1989, $29,015,000 of this series was so converted.

(E) Interest rate, 6 3/4% per annum, subject to a semi-annual option, commencing on December 1, 1988, and on each June 1 and December 1 thereafter, of the registered holder to exercise a one-time election to convert to a variable interest rate, set on each semi-annual interest payment date for the ensuing six months ranging from 5% to 9 1/2% per annum. As of December 1, 1989, $100,810,000 of this series was so converted.

(F) Interest rates range from 6% to $8^1/_8$% per annum.

(G) Interest rates range from $7^3/_4$% to 8% per annum.

(H) Interest rates range from $7^5/_8$% to $7^7/_8$% per annum.

(I) Interest rates range from 7% to $7^3/_8$% per annum.

(J) Interest rates range from 7% to $7^1/_8$% per annum.

(K) Interest rates range from 7% to $7^1/_4$% per annum.

(L) Gain or loss on futures contracts transactions has been classified as premium or discount, respectively.

(M) Five-year amortization of Consolidated Bonds and Notes outstanding on December 31, 1989 is:

Year Ending December 31:	Principal
	(In Thousands)
1990	$ 99,799
1991	63,153
1992	67,248
1993	71,994
1994	72,717
Total	$374,911

(N) Various provisions of Federal, state and local laws provide for certain tax consequences in connection with the ownership or sale of state and local government obligations. Consolidated Bonds noted above with "(*)" are authorized to be used for purposes consistent with Federal tax law provisions applicable to obligations the interest on which is treated as a preference item in calculating the "Alternative Minimum Tax."

Consolidated Bonds and Notes outstanding as of February 22, 1990 (pursuant to Port Authority bond resolutions) totalled $3,438,250,000.

3. Special Project Bonds (See Note E-2)

		December 31, 1988	Issued	Refunded	Retired	December 31, 1989
				(In Thousands)		
Series 1, 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
		96,500	$ –	$ –	$ –	96,500
Less: Unamortized discount and premium		3,416				3,361
Special Project Bonds		$93,084				$93,139

4. Commercial Paper Obligations (See Note E-3)

	December 31, 1988	Issued	Refundings and Repayments	December 31, 1989
		(In Thousands)		
Series A				
Commercial Paper Notes	$ 93,975	$1,040,115	$1,082,240	$ 51,850
Bank Line of Credit	3,682	164,844	163,818	4,708
Total Series A	97,657	1,204,959	1,246,058	56,558
Series B				
Commercial Paper Notes	31,850	767,035	701,085	97,800
Bank Line of Credit	2,177	237,069	232,067	7,179
Total Series B	34,027	1,004,104	933,152	104,979
Commercial Paper Obligations	$131,684	$2,209,063	$2,179,210	$161,537

Interest rates in 1989 ranged from 3.8% to 8.0% per annum.
As of February 22, 1990, Commercial Paper Obligations outstanding totalled $175,892,000.

5. Variable Rate Master Notes (See Note E-4)

	December 31, 1988	Issued	Retired	December 31, 1989
		(In Thousands)		
Variable Rate Master Notes				
Agreement 1988-1	$25,000	$ –	$25,000	$ –
Agreement 1989-1	–	25,000	25,000	–
Agreement 1989-2	–	15,000	15,000	–
Agreement 1989-2R	–	15,000	–	15,000
Agreement 1989-3	–	5,000	5,000	–
Agreement 1989-4	–	10,000	10,000	–
Agreement 1989-3/4R	–	15,000	–	15,000
Agreement 1989-5	–	30,000	–	30,000
Agreement 1989-6	–	75,000	–	75,000
	$25,000	$190,000	$80,000	$135,000

Interest rates, variable based upon specified indices, ranged from 5.726% to 7.375% in 1989.

6. Operating Equipment - Lease Financing Obligations (See Note E-5)

	December 31, 1988	Additions	Payments	December 31, 1989
		(In Thousands)		
Master financing lease (dated as of 6/15/85)				
Principal	$19,003	$ –	$19,003	$ –
Interest	277	361	638	–
	19,280	361	19,641	–
Master financing lease (dated as of 12/1/88)				
Principal	6,442	19,673	10	26,105
Interest	4	1,172	805	371
	6,446	20,845	815	26,476
Total	$25,726	$21,206	$20,456	$26,476

Interest rates, variable based upon specified indices, ranged from 5.45% to 7.25% in 1989.
As of February 22, 1990, Operating Equipment - Lease Financing Obligations outstanding totalled $26,602,000.

7. Leasehold Acquisition Obligations

December 31, 1988	Additions	Payments	December 31, 1989
	(In Thousands)		
$ –	$35,067	$228	$34,839

The World Trade Center includes a hotel which was constructed by private interests and which was, until June 30, 1989, operated pursuant to certain lease agreements with a private tenant. On June 30, 1989, the Port Authority acquired such tenant's leasehold, subject to a pre-existing leasehold mortgage which was not assumed by the Port Authority. The Port Authority pays amounts equal to those due to the leasehold mortgagee on notes secured by such mortgage. The notes, which bear interest at the rate of 9.8% per annum, are for a term of 30 years (October 1, 1981 to September 3, 2011).

As of February 22, 1990, the Leasehold Acquisition Obligations outstanding totalled $34,761,000.

Note E-Financing:

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

1. On July 14, 1988, the Board of Commissioners established and authorized the issuance and sale by the Committee on Finance of Consolidated Bonds and Notes in the series described below:

Series		Due Date	Amount Authorized
62nd	(Bonds)	October 1, 2023	$200,000,000
63rd	(Bonds)	November 1, 2023	200,000,000
64th	(Bonds)	December 1, 2023	200,000,000
65th	(Bonds)	February 1, 2024	200,000,000
66th	(Bonds)	May 1, 2024	200,000,000
67th	(Bonds)	August 1, 2024	200,000,000
68th	(Bonds)	October 1, 2024	200,000,000
69th	(Bonds)	February 1, 2025	200,000,000
QQ	(Notes)	October 1, 1991	100,000,000
RR	(Notes)	November 1, 1991	100,000,000
SS	(Notes)	April 1, 1992	100,000,000
TT	(Notes)	May 1, 1992	100,000,000
UU	(Notes)	August 1, 1992	100,000,000
VV	(Notes)	September 1, 1992	100,000,000
WW	(Notes)	April 1, 1993	100,000,000
XX	(Notes)	June 1, 1993	100,000,000

(See Note D-2 for Consolidated Bonds and Notes described above which have been issued as of December 31, 1989.)

The maximum aggregate principal amount of bonds of these series which may be sold is $1,000,000,000 and the maximum aggregate principal amount of notes of these series which may be sold is $300,000,000. The maximum interest rate which each series of bonds or notes may bear is 12% per annum. Among other actions, the Committee on Finance is authorized to adjust the maturity date of each series of bonds and notes prior to their issuance.

2. In June 1983, the Board of Commissioners 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, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal of and interest on Special Project Bonds. (See Note F-3.)

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 of such series, 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.

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

On June 9, 1983, the Port Authority established and authorized the issuance and sale of Special Project Bonds, Series 1, Delta Air Lines, Inc. Project, in connection with a project including the construction of a passenger terminal building at LaGuardia Airport to be leased to Delta Air Lines, Inc. On August 11, 1983, the Port Authority issued a total aggregate principal amount of $96,500,000. Amounts due from Delta Air Lines, Inc. in connection with the aggregate principal amount of Special Project Bonds issued for this project are included in Other Amounts Receivable on the Consolidated Statement of Financial Position (see Note D-3).

On December 14, 1989, the Port Authority established and authorized the issuance and sale of Special Project Bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, in total aggregate principal amount of up to $225,000,000 in connection with a project including the construction of a passenger terminal at LaGuardia Airport leased to and to be occupied by Continental Airlines, Inc., and Eastern Air Lines, Inc.

3. On September 9, 1982, the Port Authority established an issue of special obligations known as Port Authority Commercial Paper. Presently, under the Port Authority's commercial paper program, which has been amended and supplemented from time to time, Port Authority Commercial Paper Notes (and other obligations issued under this program) may be issued until December 31, 1990, in an aggregate principal amount of such obligations which may be outstanding at any one time not in excess of $300,000,000. The program presently provides for the issuance of two separate series of commercial paper obligations, each including Commercial Paper Notes, a bank line of credit in the amount of $15,000,000 to provide for capital expenditures under the program which would periodically be refunded by Commercial Paper Notes, and a bank stand-by revolving credit facility in the principal amount of up to $150,000,000 to provide program liquidity in the event Commercial Paper Notes cannot be refunded at maturity due to market conditions. Each such series is limited to a maximum aggregate principal amount outstanding at any one time of $150,000,000. (See Note D-4.)

Under the terms of the commercial paper program, the payment of the principal of and interest on Commercial Paper Notes (not paid by subsequently issued Commercial Paper Notes) and advances under the stand-by revolving credit facilities and under the bank lines of credit is to be made from the proceeds of obligations issued for such purpose, including Consolidated Bonds issued in whole or in part for such purpose or from net revenues (as defined for purposes of the commercial paper program), and, in the event such proceeds or net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. Additionally, payment of the principal of and interest on these special obligations is not payable from the General Reserve Fund and is subject in all respects to the payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain such Fund at the amount specified in the General Reserve Fund statutes.

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

4. On July 14, 1988, the Board of Commissioners of the Port Authority authorized the Committee on Finance to establish terms and conditions for, and to approve, variable rate master note agreements with selected banks and trust companies providing for an aggregate principal amount of loans under such agreements not to exceed $250,000,000 outstanding at any one time. On March 9, 1989, the Board expanded this authorization to apply to selected financial institutions, as well, and on May 11, 1989, the Committee on Finance authorized the Executive Director, Chief Financial Officer, Treasurer or Assistant Treasurer of the Port Authority to establish terms and conditions for, and to approve, any such variable rate master note agreements. Amounts outstanding under variable rate master note agreements are evidenced by notes which are subject to prepayment, in whole or in part, at the option of the Port Authority or upon demand of the lender, with interest to be calculated weekly on the basis of certain specified indices. (See Note D-5.)

The payment of the principal of and interest on such loans under variable rate master note agreements is a special obligation of the Port Authority payable solely from the proceeds of obligations of the Port Authority issued for such purpose, including Consolidated Bonds issued in whole or in part for such purpose or from net revenues (as defined for purposes of variable rate master note agreements), and, in the event such proceeds or net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. Additionally, such payment of principal and interest is not payable from the General Reserve Fund and is subject in all respects to the payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain such Fund at the amount specified in the General Reserve Fund statutes.

Such loans (and any notes issued in evidence thereof), and the interest thereon, are not secured by or payable from the General Reserve Fund.

5. On April 11, 1985, the Port Authority established a program of lease-financing transactions to facilitate the purchase of a portion of the operating equipment used at its facilities. The program, which has been amended and supplemented from time to time, presently provides for lease-financing transactions with an aggregate principal amount outstanding at any one time not to exceed $75,000,000. Lease-financing transactions under the program may be entered into on and prior to December 31, 1993. Expenses incurred with respect to each letting of equipment under the program are payable in the same manner and out of the same revenues as operating expenses, with the principal amount of the transactions represented by such lettings subject to prepayment at the option of the Port Authority or upon demand of the participants in such transactions. (See Note D-6.)

Note F–Reserves:

1. General Reserve Fund statutes provide for the Port Authority to utilize surplus revenues, as defined in the statutes, from facilities financed by bonds legal for investment, as defined in the applicable statutes, to maintain the General Reserve Fund in an amount equal to at least 10 percent of outstanding bonds legal for investment, except for New York State Guaranteed Commuter Car Bonds. At December 31,1989, the General Reserve Fund balance was $373,129,000 and met the prescribed statutory amount. The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' debt service on outstanding debt secured by a pledge of the General Reserve Fund. (See Note C-3.)

At December 31,1989, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and specified marketable securities.

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

3. At present time, the General Reserve Fund is pledged in support of all outstanding Consolidated Bonds and Consolidated Notes and all Consolidated Bonds and Consolidated Notes now or hereafter issued in the manner and to the extent specified in the Consolidated Bond Resolution. The General Reserve Fund is not pledged in support of New York State Guaranteed Commuter Car Bonds, Special Project Bonds, or the special obligations established and issued in connection with the commercial paper program, and under variable rate master note agreements.

4. New York State Guaranteed Commuter Car Bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars by the Port Authority to railroads in New York. Commuter Car Bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority (see Note A-2). In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of debt service is fully and unconditionally guaranteed by the State of New York. New York State Guaranteed Commuter Car Bonds outstanding at December 31,1989 totalled $73,190,000. (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 from the Airport Improvement and the Airport Development Aid Programs was $32,455,000 in 1989 and $32,361,000 in 1988. Federal funding received through others totalled $48,000 in 1989 and $32,000 in 1988.

Charges representing depreciation on assets relating to government contributions were $13,593,000 in 1989 and $12,285,000 in 1988.

	December 31, (In Thousands) 1989	1988
Cumulative Government Contributions:	$380,987	$348,483
Less: Accumulated Depreciation on Assets Acquired With Government Contributions	140,707	127,113
Government Contributions in Aid of Construction	$240,280	$221,370

Note H–Lease Commitments:

1. Operating Lease Revenues

Gross operating revenues attributable to minimum rentals associated with operating leases amounted to approximately $489,241,000 in 1989 and approximately $450,951,000 in 1988. (See Note A-9.)

2. Lease Transactions with the State of New York and the Fund for Regional Development

Gross operating revenues include rental income of $11,156,000 in 1989 and $11,556,000 in 1988 from the State of New York for office and other space in the World Trade Center, and $24,007,000 in 1989 and $21,476,000 in 1988 of rental income from the Fund for Regional Development for office and other space vacated by the State of New York (see Note I).

3. 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 air terminals, marine terminals, bus and truck terminals, rail facilities, industrial parks, the Newark Legal and Communication Center, the Teleport and the World Trade Center.

Minimum future rentals scheduled to be received on operating leases in effect on December 31, 1989 are:

Year Ending December 31:	(In Thousands)
1990	$ 374,168
1991	335,563
1992	317,253
1993	300,721
1994	278,886
Later Years	1,945,478
Total Minimum Future Rentals	$3,552,069

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

4. Property Leased from Others

Rental expenses under leases, including payments to the cities of New York and Newark for various air terminals, marine terminals and other facilities, aggregated $110,729,000 in 1989 and $95,785,000 in 1988. The terms of such leases expire at various times from 1990 to 2044 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1989 are detailed below and additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year Ending December 31:	(In Thousands)
1990	$ 29,824
1991	27,255
1992	26,991
1993	26,997
1994	26,883
Later Years	781,462
Total Minimum Future Rentals	$919,412

Note I-Fund For Regional Development:

In connection with the development of the World Trade Center, commencing in 1970, the Port Authority leased approximately two million square feet in the south tower building to the State of New York under a five-year lease with renewal options.

As of January 1,1983, following the decision of the State of New York to move out of its space in Two World Trade Center and to relocate elsewhere, the States of New York and New Jersey and the Port Authority entered into a tripartite agreement which created the Fund for Regional Development (Fund).

Under the tripartite agreement, as space is vacated, it is leased to the Fund. The Fund's gross revenues result from subleasing that space to tenants at market rates. Net revenues of the Fund are the difference between market rents paid by new tenants of the space and a lower base rent and common costs which would have been paid to the Port Authority by the State of New York for said space after deduction of certain agreed-to costs, including the Fund's payments to the Port Authority for amounts which the Port Authority would have received from the State of New York had the State continued to occupy the space under its lease agreement. The tripartite agreement provides that expenditures from the Fund shall not be made without the express consent of the Governors of both States or their designees.

The Fund's assets and liabilities, revenues, expenses and reserves are not consolidated with those of the Port Authority and are excluded from all Port Authority financial statements (see Note A-2). Net revenues of the Fund are not pledged under the General Reserve Fund statutes, the Consolidated Bond Resolution or the resolutions creating various special limited obligations of the Port Authority (see Note F-1). Net revenues of the Fund are accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey for purposes authorized pursuant to the 1962 World Trade Center-PATH legislation. In addition, Fund resources can be used for any other purposes authorized for such resources in future bistate legislation.

As of December 31,1989, the State of New York had vacated 1,850,000 square feet of its original lease and is expected to vacate the remaining 285,000 square feet over the next several years. The Fund, as of December 31,1989, has signed subleases with tenants committing 45 floors in the south tower building and 65,000 square feet of sub-grade space, totalling approximately 1,885,000 square feet.

The Fund for Regional Development remitted $24,007,000 in 1989 and $21,476,000 in 1988 to the Port Authority for rental of space that had been vacated by the State of New York (see note H-2). From time to time, the Port Authority has advanced moneys to the Fund for payment of certain of the Fund's obligations. The Port Authority expects to continue to make these advances in the future. It is expected that the future revenues of the Fund will be more than sufficient to repay these advances as provided in the tripartite agreement and enable the Fund to meet its obligations without Port Authority advances. The outstanding balance of advances to the Fund was $129,959,000 as of December 31, 1989, and $110,748,000 as of December 31, 1988 and is included in Other Amounts Receivable on the Port Authority's Consolidated Statement of Financial Position.

The following is a summary of the operations and financial position of the Fund for Regional Development at December 31, 1989, and December 31, 1988:

Fund for Regional Development
Statement of Income

	Year Ended December 31, (In Thousands) 1989	1988
Revenues	$68,785	$63,650
Operating Expenses	49,304	48,666
Income from Operations	19,481	14,984
Financial Income	2,434	987
Financial Expense	(14,065)	(10,057)
Net Income	$ 7,850	$ 5,914

Statement of Financial Position

	December 31, (In Thousands) 1989	1988
Assets	$166,564	$171,320
Liabilities	145,204	157,810
Net Assets	$ 21,360	$ 13,510

Note J-Pension and Retirement Plans and Related Benefits:

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

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

Contributions are not required from police personnel or from those non-police employees who joined the ERS prior to July 27, 1976. Non-police personnel who became members of the ERS on July 27, 1976 and thereafter are presently required to contribute three percent of their annual gross wages. The Port Authority's payroll expense for 1989 was $397,769,000, of which $387,468,000 represents the cost for employees covered by ERS and PFRS. Under a 1989 amendment of the Retirement Law, participating employers are required to fund the contributions to the Retirement Systems on a current basis. Contributions for periods of service in the fiscal years ending March 31, 1988 and 1989 are to be amortized over 17 years. In November of each year, the ERS and PFRS bill participating employers for their share of total estimated contributions due for the fiscal year ended March 31 of the succeeding year. In 1989, Port Authority contributions to the two retirement systems totalled $31,304,000, consisting of the annual amortization installment of $6,969,000 for fiscal years ended March 31, 1988 and 1989 and $24,335,000 for estimated contributions due for fiscal year ended March 31, 1990. The amount of 1988 and 1989 contributions remaining to be amortized and the prepayment of retirement contributions, $58,833,000 and $6,084,000 respectively, are included in Accrued Pension, Retirement and Other Employee Benefits and Other Assets on the Consolidated Statement of Financial Position. These contributions represented approximately 6.3% of the Port Authority covered payroll for the retirement systems' fiscal year ending March 31, 1989. The Port Authority's contributions to the two systems amounted to approximately 2.7% of the total amount billed by the two systems to participating employers.

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

Also disclosed by the Retirement Systems, as of March 31, 1989, the assets in excess of pension benefit obligation were as follows:

	ERS	PFRS (In Millions)	TOTAL
Total pension benefit obligation	$27,630	$5,660	$33,290
Net assets available for pension benefits	36,390	6,478	42,868
Assets in excess of pension benefit obligation	$ 8,760	$ 818	$ 9,578

The Retirement Systems report that changes in the actuarial assumptions for the interest rate and salary scale which became effective April 1, 1988, reduced pension benefit obligations by $3,237,000,000 and $500,000,000 for ERS and PFRS, respectively, for the year ended March 31, 1989. The pension benefit obligation excludes approximately $2,000,000,000 for expected supplemental increases. Furthermore, the "Net Assets Available for Benefits" as reported in the supplement to the 1989 Annual Report of the New York State and Local Retirement Systems, includes $2,398,000,000 of accrued employer contributions related to periods prior to the statement date that have not been paid to the retirement systems as of March 31, 1989, but which are to be received over the next 17 years.

In addition, in Note 5, Funding Policy, of the Supplement, it was disclosed that the actuarial cost method used "to determine the annual contributions from employers is the aggregate cost method. Under this method, the Actuarial Value of Assets and the Actuarial Present Value of Projected Benefits (actuarial liabilities) are determined by the actuary. The excess of the actuarial liabilities over the actuarial assets is funded by employers as a level percentage of salary over the current members' future working lifetimes."

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

Port Authority Trans-Hudson Corporation (PATH) employees are covered by the provisions of the Railroad Retirement Act administered by the United States Railroad Retirement Board and by supplemental pension plans established by PATH.

In order to make pension benefits provided for PATH exempt employees (those not covered by collective bargaining agreements) generally comparable to those available to Port Authority employees, a non-contributory, supplemental pension plan was authorized by PATH on August 6, 1964, and amended from time to time thereafter. The PATH Exempt Employees' Supplemental Pension Plan provides an annual pension (for covered exempt employees) related to years of credited service and final average salary, death benefits, vesting of the service retirement benefit after a set period of credited service, and optional methods of benefit payment. A liability account has been established by the Port Authority with respect to the payment of future pension benefits for the PATH Exempt Employees' Supplemental Pension Plan. Review of the level of this unfunded pension liability is performed annually. As of December 31,1989, the balance of this liability was $4,952,000 and is included in Accrued Pension, Retirement and Other Employee Benefits on the Consolidated Statement of Financial Position.

PATH has also entered into collective bargaining agreements with various unions under which PATH funds non-contributory supplemental pension plans for union employees. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. For the year 1989, payments made by PATH in accordance with the terms of various collective bargaining agreements totalled $1,666,000. PATH employees active on or after March 1, 1982, who are members of a recognized collective bargaining unit are automatically plan members of these defined contribution plans. Newly hired employees become plan participants after a 60 day probationary period. Eligibility for all benefits prior to normal retirement requires the completion of at least ten years of vested service. The pension amount depends on the employee's years of credited service (up to a maximum of 30) and the monthly benefit rate in effect at the time of retirement.

2. The Port Authority and PATH provide certain health care, dental and life insurance benefits for active employees and for employees who have retired from the Port Authority or PATH (and for eligible dependents and survivors of active and retired employees). Contributions towards the costs of some of these benefits are required of certain active and/or retired employees. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid directly by the Port Authority or PATH. Prior to 1985, the cost of these benefits was recognized as an expense of the period in which such premiums or benefit claims were paid. Beginning in 1985, the cost of these benefits includes an annual accrual for prior service costs of these benefits for retired and active employees and their dependents. These accruals are to be made each year, on a consistent basis, until this prior service cost is fully recognized. As of December 31, 1989, the actuarially determined present value of future benefits for prior service by active and retired employees and their dependents, to be paid after retirement, totalled $246,900,000, and consisted of the following:

	Port Authority	PATH	TOTAL
		(In Millions)	
Retirees	$126.8	$ 5.6	$132.4
Actives	108.2	6.3	114.5
TOTAL	$235.0	$11.9	$246.9

The obligation accrued to date is $54,000,000. The actuarially determined valuation is reviewed periodically for the purpose of adjusting the annual accruals.

The cost of providing health care, dental and life insurance benefits, not including the accrual for prior service costs, totalled approximately $49,454,000 in 1989 and $47,564,000 in 1988. The cost of providing these benefits for retired employees, who comprise approximately 32 percent of those covered by one or more of these plans, is not separable from the cost of providing similar benefits for active employees of the Port Authority and PATH.

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

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

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

Deferred compensation plan assets of approximately $36,221,000 in 1989 and $23,290,000 in 1988 are included at market value in Other Assets and the liability to participants is included in Accrued Pension, Retirement and Other Employee Benefits on the Consolidated Statement of Financial Position.

Note K-Commitments and Certain Charges to Operations:

1. The Port Authority was 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 bistate 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 1982. As of December 31,1989, the Port Authority had provided $438,189,000 for 2,899 buses and related spare parts (which have been delivered) to be used under the Bus Programs in the States of New York and New Jersey. The balance of the $440,000,000 programs is expected to be completed in accordance with schedules 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 capital 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. Each year, as part of the Authority's business planning process, and in conjunction with the development of its annual budget, Port Authority staff prepare a capital plan for the next five-year period, reflecting the degree of completion under the prior year's five-year plan and the current assessment of the potential need for capital expenditures for the modernization, renovation, rehabilitation, expansion or acquisition of existing and additional facilities in order to continue to maintain appropriate levels of service. The first year of the plan is incorporated into the annual budget of the Port Authority, which is adopted by the Board of Commissioners of the Port Authority.

The proposed annual budget for 1990 and the related 1990-1994 capital plan is under review by the Board of Commissioners and the States of New York and New Jersey. Until an annual budget for 1990 is adopted by the Board of Commissioners, consistent with the appropriate authorizations the Authority is continuing to make expenditures, undertake commitments and authorize projects and other activities. In the event the proposed budget with recommended tolls and fare increases and other revenue enhancements is not approved, a revised budget and a revised five-year capital plan based on a significantly lower level of expenditures would be developed.

Major projects underway include, but are not limited to, redevelopment at Newark and Kennedy International Airports, roadway and taxiway modifications at Kennedy International Airport, central terminal building and roadway modifications at LaGuardia Airport, capital improvements related to safety, maintenance, rehabilitation and improvement of the PATH system, industrial development projects and facilities including Industrial Parks in Elizabeth, New Jersey and Yonkers, New York, the Essex County Resource Recovery Facility, the Newark Legal and Communications Center, redevelopment and rehabilitation of the Holland and Lincoln Tunnels, the Port Authority Auto Marine Terminal, and a major rehabilitation program at marine terminals in Brooklyn and Manhattan, New York, and Newark and Elizabeth, New Jersey.

The Port Authority presently also has under study a number of additional projects or facilities. In this connection, the Port Authority presently is participating, either directly or with the assistance of outside consultants, in evaluating, with appropriate government officials and agencies in both States, certain port, airport and mixed-use waterfront development projects; development of foreign trade zones and distribution centers; diverse projects involving regional development facilities; expansion of capacity at the Staten Island bridges; and activities to ease the burdens on and improve access to trans-Hudson transportation facilities.

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

At December 31,1989, approximately $692,073,000 of construction was expected to be completed within the next three years pursuant to various contracts entered into by the Port Authority.

The proposed 1990 budget anticipates capital expenditures for the year 1990 to be approximately $1,274,000,000, 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.

3. It is expected that costs of construction and operation of Port Authority facilities will continue to increase and that there will be an increasing need for capital investment for the modernization, renovation or rehabilitation of existing and additional facilities in order for the Port Authority to continue to maintain appropriate levels of service. Construction costs in connection with Port Authority facilities are also subject to the effects of national and regional economic conditions and the nature of governmental regulations with respect to transportation, commerce, energy and environmental permits and approvals and environmental impact analyses. Additionally, resolution of environmental matters which may arise during the course of construction, the costs for which are not presently quantifiable, may result in substantial delays in such construction and may give rise to substantially increased costs to the Port Authority. It is also expected that increases from time to time will continue to be necessary in the Port Authority's tolls, fares, landing and dockage fees, rentals and other charges, or that either planned capital expenditures will be curtailed or reductions in services and associated expenditures will occur, or both, so that the costs of operations, including expenses incurred with respect to operating equipment-lease financing transactions, the payment of debt service and the fulfillment of Port Authority statutory, contractual and other commitments, will continue to be provided for in accordance with the requirements therefor and agreements with the holders of Port Authority obligations.

4. Other Expenses of $117,455,000 in 1989 and $121,761,000 in 1988 include amounts for insurance, telephone, payment of interest on Special Project Bonds, write-offs and certain other operating, development and administrative expenses.

5. The Port Authority has entered into agreements with a private full service vendor with respect to the design, construction, start-up and acceptance testing of a resource recovery plant at the Port Authority's Essex County Resource Recovery Facility, located in the City of Newark, New Jersey. In this connection, the Board of Commissioners at its meeting of April 11, 1985 authorized the Port Authority to provide amounts not to exceed $236 million of the approximately $343 million of cost with respect to the Facility. Additionally, an estimated amount of approximately $61 million (in 1985 dollars) was authorized for capital costs which might arise as a result of the occurrence of unforeseen circumstances. Construction of the plant by the private full service vendor began in February 1988. As of December 31, 1989, the Port Authority had provided $149,519,000 to such private full service vendor under a conditional sale agreement through which such vendor is financing a portion of the construction costs of the plant. This amount provided by the Port Authority is included in Other Amounts Receivable on the Consolidated Statement of Financial Position.

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, depreciation and amortization on Bus Programs. General Administrative and Development Expenses, Financial Income, and Interest Expense are not considered in calculating Gross Operating Income (Loss).

	Interstate Transportation Network	Air Terminals	Marine & Other Facilities (In Thousands)	World Trade & Econ. Dev. Facilities	Combined 1989	Combined 1988
1989						
Gross Operating Revenues	$ 461,690	$ 687,410	$ 87,202	$ 290,478	$1,526,780	
Interdepartmental Revenues	3,010	-	822	52,919		
Revenues from Operations	$ 464,700	$ 687,410	$ 88,024	$ 343,397		
Gross Operating Income (Loss)	$ 66,412	$ 162,532	$ 4,013	$ 118,396	$ 351,353	
General Administrative and Development Expenses	(85,197)	(51,739)	(6,478)	(17,744)	(161,158)	
Income (Loss) from Operations	($ 18,785)	$ 110,793	($ 2,465)	$ 100,652	190,195	
1988						
Gross Operating Revenues	$ 454,605	$ 622,580	$ 82,185	$ 277,570		$1,436,940
Interdepartmental Revenues	2,751	—	1,156	47,888		
Revenues from Operations	$ 457,356	$ 622,580	$ 83,341	$ 325,458		
Gross Operating Income (Loss)	$ 79,984	$ 122,649	($ 658)	$ 104,997		$ 306,972
General Administrative and Development Expenses	(89,849)	(46,006)	(5,875)	(18,900)		(160,630)
Income (Loss) from Operations	($ 9,865)	$ 76,643	($ 6,533)	$ 86,097		146,342
Financial Income					93,676	77,495
Interest Expense					(177,761)	(153,729)
Gain on Sale of Assets					142	2,830
Income Before Extraordinary Item					106,252	72,938
Extraordinary Item						
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements					1,644	976
Net Income					$ 107,896	$ 73,914

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.

	Interstate Transportation Network	Air Terminals	Marine & Other Facilities (In Thousands)	World Trade & Econ. Dev. Facilities	Total Assets
1989 Assets					
Facilities, net-beginning of year	$1,490,356	$1,225,274	$549,409	$1,037,792	$4,302,831
Net Capital Expenditures	257,562	237,252	97,888	167,708	760,410
Depreciation	(41,186)	(88,860)	(20,346)	(27,011)	(177,403)
Facilities, net-end of year	1,706,732	$1,373,666	$626,951	$1,178,489	4,885,838
Unamortized Costs for Bus Programs	204,190				204,190
Total	$1,910,922				5,090,028
Cash, investments, accounts receivable, other amounts receivable and other assets					1,595,780
Total Assets					$6,685,808
1988 Assets					
Facilities, net-beginning of year	$1,348,901	$1,120,075	$494,973	$1,010,469	$3,974,418
Net Capital Expenditures	179,461	185,605	73,656	53,106	491,828
Depreciation	(38,006)	(80,406)	(19,220)	(25,783)	(163,415)
Facilities, net-end of year	1,490,356	$1,225,274	$549,409	$1,037,792	4,302,831
Unamortized Costs for Bus Programs	237,498				237,498
Total	$1,727,854				4,540,329
Cash, investments, accounts receivable, other amounts receivable and other assets					1,497,699
Total Assets					$6,038,028

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

	1989 Operating Fund	1989 Reserve Funds (Schedule C)	1989 Combined Total	1988 Combined Total
	Year Ended December 31, (In Thousands)			
Gross Operating Revenues	$1,526,780	$ —	**$1,526,780**	$1,436,940
Operating Expenses:				
Employee compensation, including benefits	502,732	—	**502,732**	485,841
Materials, equipment, supplies and contract services	281,758	—	**281,758**	286,809
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	146,830	—	**146,830**	131,702
Heat, light and power	75,443	—	**75,443**	66,389
Other (Note K-4)	117,455	—	**117,455**	121,761
Total Operating Expenses	1,124,218	—	**1,124,218**	1,092,502
Net Operating Revenues	402,562	—	**402,562**	344,438
Financial Income				
Income on investments (includes gain of $4,871,000 in 1989 and $3,221,000 in 1988 on purchase of Port Authority Bonds)	36,358	60,607	**96,965**	80,079
Net Revenues Available for Debt Service and Reserves	438,920	60,607	**499,527**	424,517
Debt Service				
Interest on bonds, notes and other obligations	176,206	—	**176,206**	155,143
Debt maturities and retirements	52,425	—	**52,425**	49,125
Repayment of commercial paper obligations	—	1,068	**1,068**	522
Debt retirement acceleration	—	—	—	2,750
Total Debt Service	228,631	1,068	**229,699**	207,540
Payments in connection with Leasehold Acquisition	—	1,941	**1,941**	—
Transfers to Reserves	($ 210,289)	210,289	—	—
Revenues After Debt Service and Transfers to Reserves		267,887	**267,887**	216,977
Direct Investment in Facilities		(262,844)	**(262,844)**	(215,854)
Appropriations for Self-Insurance		(2,272)	**(2,272)**	2,139
Increase in Reserves		2,771	**2,771**	3,262
Reserve Balances, January 1		764,098	**764,098**	760,836
Reserve Balances, December 31 (Schedule C)		$766,869	**$ 766,869**	$ 764,098

See Notes to Consolidated Financial Statements

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

	1989				1988
December 31, (In Thousands)	Operating Fund	Capital Fund	Reserve Funds	Combined Total	Combined Total
Assets					
Invested in Facilities	$ —	$7,825,014	$ —	**$7,825,014**	$7,050,152
Cash (Note C)	7,263	24,122	1,000	**32,385**	32,280
Investments (Note C)	20,804	69,108	765,869	**855,781**	917,977
Accounts Receivable (net of allowance for doubtful accounts of $13,391,000 in 1989 and $9,261,0000 in 1988)	76,363	—	—	**76,363**	62,876
Other Amounts Receivable (net of allowance for doubtful accounts of $5,107,000 in 1989 and $1,824,000 in 1988)	219,383	248,256	—	**467,639**	348,526
Other Assets	208,223	4,172	—	**212,395**	172,158
Total Assets	532,036	8,170,672	$766,869	**$9,469,577**	8,583,969
Liabilities					
Bonds, Notes, and Other Obligations (Note D)	26,476	3,766,126	—	**3,792,602**	3,384,585
Accounts Payable	102,820	130,901	—	**233,721**	187,178
Accrued Pension, Retirement and Other Employee Benefits (Note J)	168,895	—	—	**168,895**	144,732
Accrued Interest and Other Liabilities	176,738	1,843	—	**178,581**	127,049
Deferred Income	15,177	—	—	**15,177**	13,936
Total Liabilities	490,106	3,898,870	—	**4,388,976**	3,857,480
Net Assets	$ 41,930	$4,271,802	$766,869	**$5,080,601**	$4,726,489
Net Assets are Composed of:					
Debt Retired Through Income	$ —	$2,693,246	$ —	**$2,693,246**	$2,639,525
Reserves (Schedule C)	—	—	766,869	**766,869**	764,098
Government Contributions in Aid of Construction (Note G)	—	380,987	—	**380,987**	348,483
Appropriated Reserves Invested in Facilities	—	1,197,569	—	**1,197,569**	934,725
Appropriated Reserves for Self-Insurance	41,930	—	—	**41,930**	39,658
Net Assets	$ 41,930	$4,271,802	$766,869	**$5,080,601**	$4,726,489

See Notes to Consolidated Financial Statements.

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

	1989			1988
Year Ended December 31, (In Thousands)	General Reserve Fund	Consolidated Bond Reserve Fund	Combined Total	Combined Total
Balance, January 1 (Note F)	$335,886	$428,212	**$764,098**	$760,836
Income on investments (includes gain on purchase of Port Authority bonds)	30,495	30,112	**60,607**	51,410
Transfers from operating fund	6,748	203,541	**210,289**	168,839
	373,129	661,865	**1,034,994**	981,085
Applications:				
Repayment of commercial paper obligations	—	1,068	**1,068**	522
Debt retirement acceleration	—	—	—	2,750
Payments in connection with Leasehold Acquisition	—	1,941	**1,941**	—
Direct investment in facilities	—	262,844	**262,844**	215,854
Self-insurance	—	2,272	**2,272**	(2,139)
Total Applications	—	268,125	**268,125**	216,987
Balance, December 31 (Note F)	$373,129	$393,740	**$766,869**	$764,098

NOTE: The above schedule reflects the valuation of securities in accordance with the accounting principles stated in Note A-5. Had the market value of securities at December 31, 1989 been used, the respective Reserve Fund balances at December 31, 1989 would be:

General Reserve Fund	Consolidated Bond Reserve Fund
$373,129	$397,110

See Notes to Consolidated Financial Statements.

Schedule D **Amortization of Consolidated Bonds and Consolidated Notes 1990–2024**

Year Ended December 31,1989 (In Thousands)

Total Debt Service Par Value $3,338,250

Year	Total	Interest	Amortization
1990	$338,736	$238,937	$99,799
1991	297,393	234,240	63,153
1992	298,266	231,018	67,248
1993	299,450	227,456	71,994
1994	296,444	223,727	72,717
1995	298,080	221,889	76,191
1996	294,827	217,467	77,360
1997	293,880	212,930	80,950
1998	294,523	207,973	86,550
1999	294,767	202,667	92,100
2000	299,241	196,791	102,450
2001	299,387	189,937	109,450
2002	299,048	182,448	116,600
2003	299,489	174,489	125,000
2004	290,826	165,976	124,850
2005	291,101	156,891	134,210
2006	274,775	147,025	127,750
2007	259,339	137,489	121,850
2008	244,646	128,346	116,300
2009	229,569	119,319	110,250
2010	224,619	110,179	114,440
2011	223,010	100,610	122,400
2012	205,680	90,580	115,100
2013	196,371	81,121	115,250
2014	177,981	71,381	106,600
2015	155,065	62,965	92,100
2016	155,204	55,004	100,200
2017	150,705	46,005	104,700
2018	128,563	37,563	91,000
2019	124,542	29,442	95,100
2020	114,538	21,838	92,700
2021	83,561	14,661	68,900
2022	65,606	9,706	55,900
2023	65,392	4,492	60,900
2024	27,648	948	26,700
Total	$7,892,272	$4,553,510	$3,338,762

NOTE: Total Amortization of $3,338,762,000 shown above differs from the Par Value of $3,338,250,000 because the above table includes call premiums of $512,000. Interest shown under "Total Debt Service" is accrued on the assumption that amortization payments will be made each year on the latest permissible date. Neither the above table nor Par Value include amounts for accelerated mandatory retirements, if any, in connection with Consolidated Bonds, Fifty-second Series, Due 2014, which have been converted to a variable rate of interest (see Note E-1 and Note F-3). Both the above table and Par Value include 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 Consolidated 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. The above table also includes, for those series of Consolidated Bonds which may be converted to a variable rate of interest, the maximum amount of such interest permissible.

See Notes to Consolidated Financial Statements.

Schedule E **Selected Statistical Financial Data**

	Year Ended December 31, (In Thousands)									
	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
REVENUES AND EXPENSES										
Gross Operating Revenues (A)	$1,526,780	$1,436,940	$1,331,438	$1,169,586	$1,100,840	$1,000,060	$ 848,584	$ 779,744	$ 699,113	$ 647,647
Operating Expenses	1,124,218	1,092,502	993,256	937,820	859,843	706,895	610,287	557,303	487,758	437,199
Net Operating Revenues	402,562	344,438	338,182	231,766	240,997	293,165	238,297	222,441	211,355	210,448
Income on Investments	92,094	76,858	59,613	76,998	85,644	85,836	71,626	88,664	90,688	77,675
Gain on Purchase of Port Authority Bonds	4,871	3,221	5,235	3,571	6,077	5,501	8,596	13,533	13,116	12,323
Security Valuation Adjustment	—	—	—	—	—	(19)	11	—	1,135	(944)
Net Revenues Available for Debt Service and Reserves	499,527	424,517	403,030	312,335	332,718	384,483	318,530	324,638	316,294	299,502
DEBT SERVICE-OPERATIONS										
Interest on Bonds, Notes and Other Obligations	(176,206)	(155,143)	(135,678)	(116,980)	(109,972)	(116,352)	(110,024)	(101,818)	(99,542)	(98,040)
Times, Interest Earned (B)	2.83	2.74	2.97	2.67	3.02	3.30	2.87	3.16	3.16	3.05
Debt Maturities and Retirements	(52,425)	(49,125)	(54,475)	(55,350)	(48,074)	(18,593)	(32,433)	(30,387)	(42,344)	(38,092)
Times, Debt Service Earned (B)	2.18	2.08	2.12	1.81	2.08	2.33	2.05	2.26	2.24	2.16
DEBT SERVICE-RESERVES										
Debt Service on Bonds Secured by Trusts	—	—	—	(649)	(1,343)	(1,204)	(637)	(1,129)	(1,298)	(2,187)
Debt Service on Bank Loans	—	—	—	—	—	—	(34,027)	(35,550)	(37,706)	(36,999)
Repayment of Commercial Paper Obligations	(1,068)	(522)	—	(13,178)	(55,964)	(85,389)	(100,089)	(37,422)	—	—
Debt Retirement Acceleration	—	(2,750)	(2,800)	—	—	—	(20,000)	(20,000)	(20,000)	(10,000)
Payments in connection with Leasehold Acquisition	(1,941)	—	—	—	—	—	—	—	—	—
Direct Investment in Facilities-Reserves	(262,844)	(215,854)	(176,656)	(80,656)	(87,359)	(71,527)	(19,221)	(75,621)	(75,000)	(20,000)
Appropriations for Self-Insurance-Reserves	(2,272)	2,139	(2,929)	(4,260)	(4,063)	(489)	537	1,329	607	(1,896)
Net Increase in Reserves Before Cumulative Effect of Change in Accounting Principle	2,771	3,262	30,492	41,262	25,943	90,929	2,636	24,040	41,011	92,288
Cumulative Effect on Prior Years of Changing to a Different Security Valuation Method	—	—	—	—	—	—	—	—	—	9,503
Net Increase in Reserves (C)	2,771	3,262	30,492	41,262	25,943	90,929	2,636	24,040	41,011	101,791
RESERVE BALANCES										
January 1	764,098	760,836	730,344	689,082	663,139	572,210	569,574	545,534	504,523	402,732
December 31	$ 766,869	$ 764,098	$ 760,836	$ 730,344	$ 689,082	$ 663,139	$ 572,210	$ 569,574	$ 545,534	$ 504,523
Represented by:										
General Reserve	$ 373,129	$ 335,886	$ 293,294	$ 287,357	$ 271,232	$ 236,166	$ 223,080	$ 223,080	$ 210,597	$ 210,597
Special Reserve (D)	—	—	—	—	646	1,940	3,064	3,649	4,788	6,103
Consolidated Bond Reserve	393,740	428,212	467,542	442,987	417,204	425,033	346,066	342,845	330,149	287,823
Total	$ 766,869	$ 764,098	$ 760,836	$ 730,344	$ 689,082	$ 663,139	$ 572,210	$ 569,574	$ 545,534	$ 504,523
OBLIGATIONS AT DECEMBER 31										
General and Refunding Bonds (E)	$ —	$ —	$ —	$ —	$ 642	$ 1,915	$ 2,997	$ 3,528	$ 4,589	$ 5,805
Consolidated Bonds and Notes	3,338,250	3,105,675	2,718,550	2,759,825	2,615,175	2,263,249	2,075,842	2,127,275	1,967,662	1,925,006
Special Project Bonds	96,500	96,500	96,500	96,500	96,500	96,500	96,500	—	—	—
Commercial Paper Obligations	161,537	131,684	117,883	17,240	37,870	—	—	—	—	—
Variable Rate Master Notes	135,000	25,000	—	—	—	—	—	—	—	—
Operating Equipment-Lease Financing Obligations	26,476	25,726	24,608	9,882	2,512	—	—	—	—	—
Leasehold Acquisition Obligation	34,839	—	—	—	—	—	—	—	—	—
Bank Loans (E)	—	—	—	—	—	—	—	31,250	62,500	93,750
Total Bonds, Notes and Other Obligations	$3,792,602	$3,384,585	$2,957,541	$2,883,447	$2,752,699	$2,361,664	$2,175,339	$2,162,053	$2,034,751	$2,024,561
INVESTED IN FACILITIES AT DECEMBER 31	$7,825,014	$7,050,152	$6,547,044	$5,876,771	$5,396,493	$5,050,775	$4,838,351	$4,574,583	$4,375,490	$4,148,331
DEBT RETIRED THROUGH INCOME										
Annual	$ 53,719	$ 52,399	$ 57,275	$ 69,170	$ 105,310	$ 105,064	$ 184,303	$ 120,120	$ 94,810	$ 81,409
Cumulative	$2,693,246	$2,639,527	$2,587,128	$2,529,853	$2,460,683	$2,355,373	$2,250,309	$2,066,006	$1,945,886	$1,851,076

(A) Gross Operating Revenues for years 1984 and 1987 reflect increased tolls and PATH fares; Gross Operating Revenues for year 1983 reflect increased PATH fare.

(B) In computing Times, Interest Earned and Times, Debt Service Earned, insignificant amounts of interest income and interest expense on debt previously accelerated have been included in Net Revenues Available for Debt Service and Reserves and Interest on Bonds, Notes and Other Obligations, respectively. In addition, Debt Maturities and Retirements has been adjusted to exclude the retirement of Consolidated Notes and to include scheduled retirement of debt previously accelerated as follows:

1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
$2,750	$2,800	—	—	($1,560)	($29,731)	($12,193)	($11,016)	$1,250	($2,250)

(C) Net Increase in Reserves with 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
$34,390	$90,732

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

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

NOTE: This selected financial data is prepared from information contained in Schedules A, B, and C and is presented for general information purposes only and is not intended to reflect specific applications of the revenues and reserves of the Port Authority which are governed by statutes and its bond resolutions. The data for the year ended 1980 is derived from financial statements examined by another independent auditor.

See Notes to Consolidated Financial Statements.

Schedule F

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

	December 31, (In Thousands) 1989	1988
Assets		
Invested in Commuter Cars, at Cost (A)	**$156,261**	$156,015
Cash and Investments in U.S. Government Securities, at Cost (which approximates market)	**2,061**	3,157
Other Assets	**675**	752
Total Assets	**158,997**	159,924
Liabilities		
State Guaranteed Commuter Car Bonds	**73,190**	81,610
Other Liabilities	**9,837**	10,764
Total Liabilities	**83,027**	92,374
Debt Retired (A)	**$ 75,970**	$ 67,550

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

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

See Notes to Consolidated Financial Statements.

Facility Traffic

TUNNELS AND BRIDGES (Eastbound Traffic in Thousands)	1989	1988
All Crossings		
Automobiles	**102,298**	101,861
Buses	**1,989**	1,958
Trucks	**7,534**	7,587
Total Vehicles	**111,820**	111,406
George Washington Bridge		
Automobiles	**45,494**	45,906
Buses	**261**	262
Trucks	**3,913**	3,965
Total Vehicles	**49,668**	50,133
Lincoln Tunnel		
Automobiles	**17,877**	17,742
Buses	**1,454**	1,421
Trucks	**960**	991
Total Vehicles	**20,292**	20,154
Holland Tunnel		
Automobiles	**13,828**	13,587
Buses	**113**	116
Trucks	**922**	891
Total Vehicles	**14,864**	14,594
Staten Island Bridges		
Automobiles	**25,098**	24,626
Buses	**161**	159
Trucks	**1,738**	1,740
Total Vehicles	**26,997**	26,525
Cumulative PA Investment In Tunnels and Bridges (In Thousands)	**$1,066,600**	$928,500

AIR TERMINALS	1989	1988
Totals at the Three Major Airports		
Plane Movements	**1,019,300**	1,036,900
Passenger Traffic	**74,409,300**	77,820,000
Cargo-Tons	**1,892,700**	1,807,200
Revenue Mail-Tons	**233,200**	243,500
Kennedy International Airport		
Plane Movements	**305,100**	304,500
Passenger Traffic		
Total	**30,323,100**	31,166,000
Domestic	**12,027,800**	12,861,000
Overseas	**18,295,300**	18,305,000
Cargo-Tons	**1,387,800**	1,300,900
LaGuardia Airport		
Plane Movements	**349,100**	362,100
Passenger Traffic	**23,158,300**	24,159,000
Cargo-Tons	**63,500**	56,500
Newark International Airport		
Plane Movements	**365,100**	370,300
Passenger Traffic	**20,927,900**	22,495,000
Cargo-Tons	**441,400**	449,800
Cumulative PA Investment In Air Terminals (In Thousands)	**$2,626,500**	$2,383,500

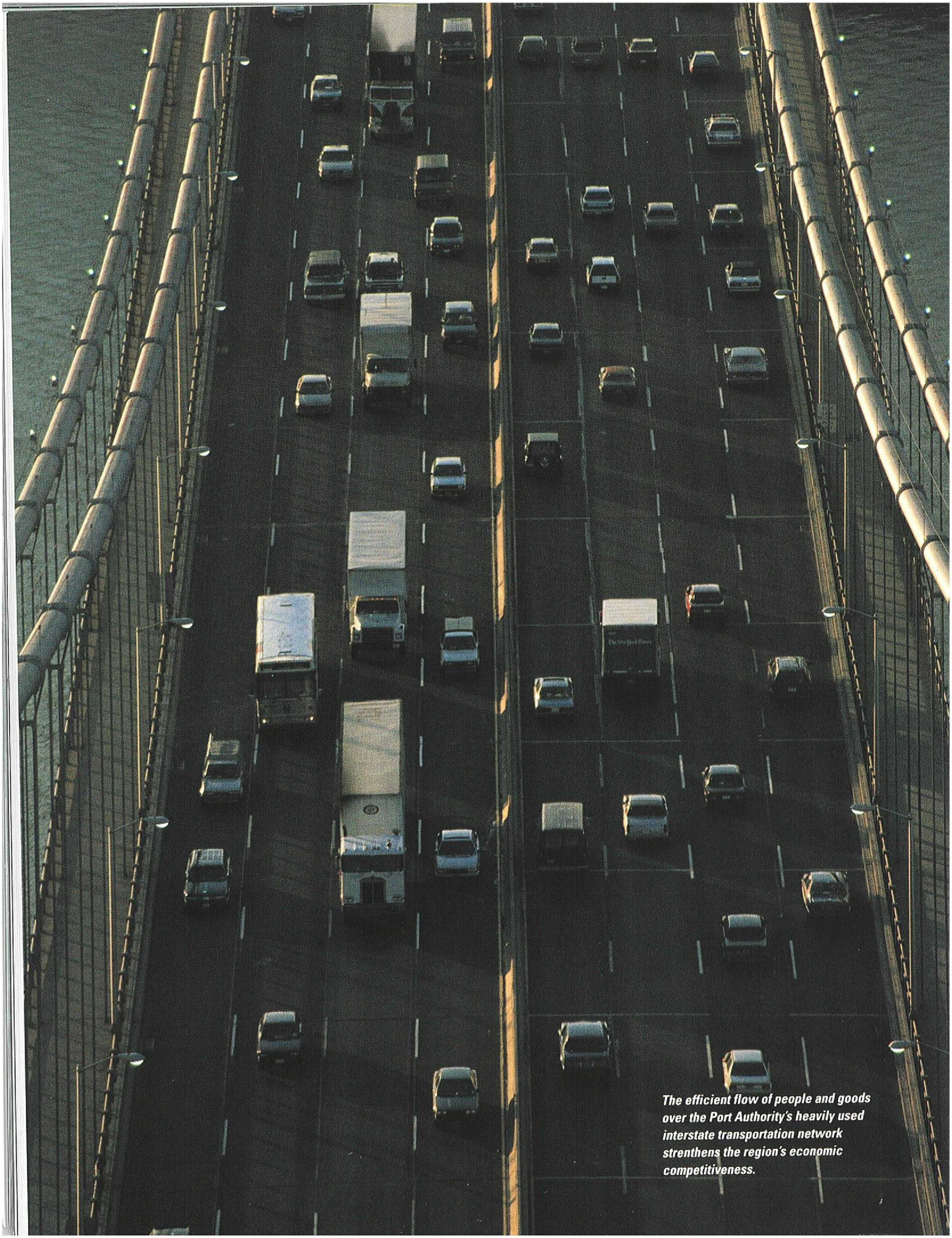
TERMINALS	1989	1988
All Bus Facilities		
Passengers	**71,898,776**	73,114,950
Bus Movements	**3,044,053**	3,100,439
Port Authority Bus Terminal		
Passengers	**58,000,000**	58,500,000
Bus Movements	**2,016,000**	2,030,000
George Washington Bridge Bus Station		
Passengers	**5,100,000**	4,800,000
Bus Movements	**222,000**	228,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**8,798,776**	9,814,950
Bus Movements	**806,053**	842,439
Cumulative PA Investment In Bus Facilities (In Thousands)	**$423,700**	$409,500

MARINE TERMINALS	1989	1988
All Terminals		
Ship Arrivals	**2,756**	2,945
General Cargo **(A)** (Long Tons)	**13,262,000**	12,081,000
New Jersey Marine Terminals		
Ship Arrivals	**2,224**	2,369
New York Marine Terminals		
Ship Arrivals	**320**	348
Passenger Ship Terminal		
Ship Arrivals	**212**	228
Passengers	**331,762**	403,153
Cumulative PA Investment In Marine Terminals (In Thousands)	**$961,100**	$839,700

PATH	1989	1988
Total Passengers	**56,360,000**	56,868,000
Passenger Weekday Average	**201,200**	202,300
Cumulative PA Investment in PATH (In Thousands)	**$826,300**	$659,500

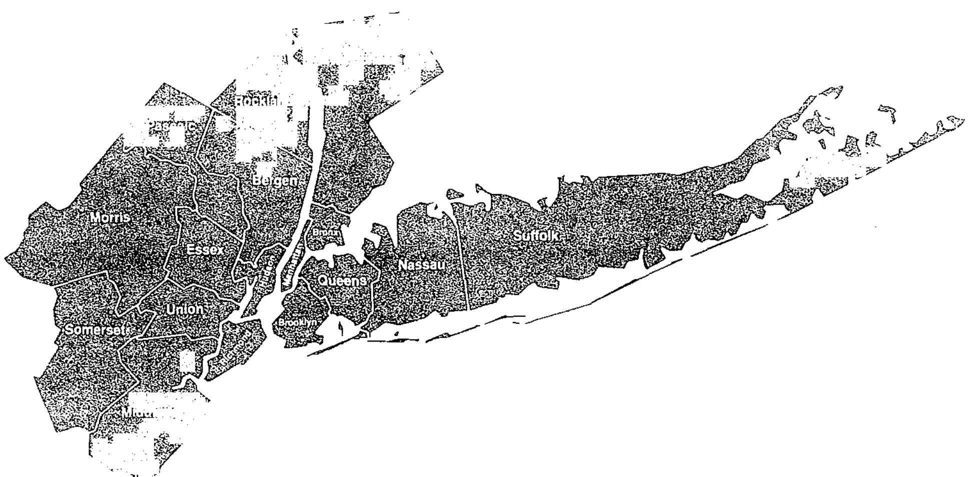
	1989	1988
Total Port Authority Cumulative Invested in Facilities, Including the Above (In Thousands)	**$7,825,000**	$7,050,000

(A) International oceanborne general cargo as recorded in the New York-New Jersey Customs District.



The efficient flow of people and goods over the Port Authority's heavily used interstate transportation network strenthens the region's economic competitiveness.

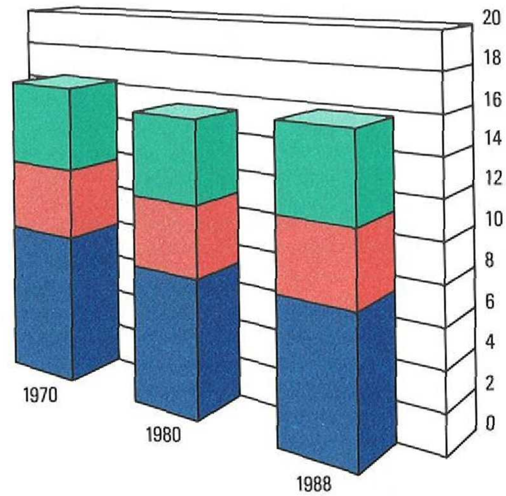
Area	3,900 Square Miles
Population 1988	15.6 Million
Households 1980	5.5 Million
Total Labor Force 1989	7.8 Million
Total Personal Income 1987	314.9 Billion
Retail Sales 1989	111 Billion
Total Wage and Salary Jobs – 1989	7.6 Million



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.

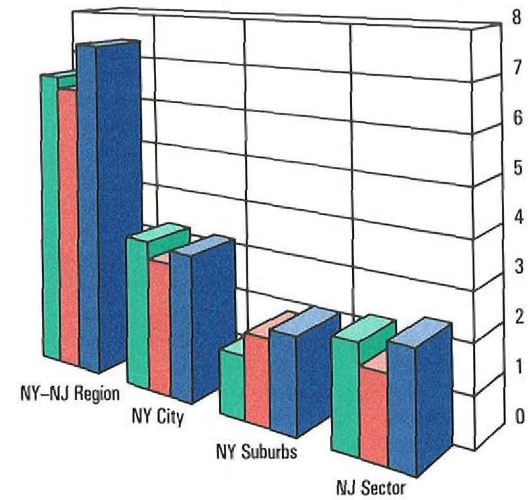
Demographics

Population
NY–NJ Metropolitan Region
1970, 1980, 1988
(in millions)



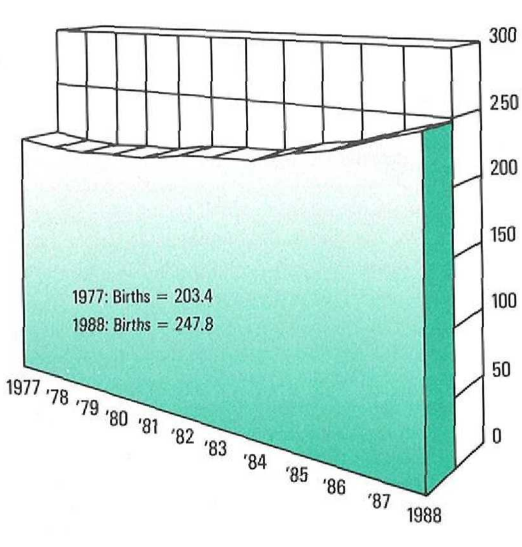
Sources: US Bureau of the Census, NY State Dept. of Commerce, NJ State Dept. of Labor

Employed Labor Force
NY–NJ Metropolitan Region
1970, 1980, 1989
(in millions)



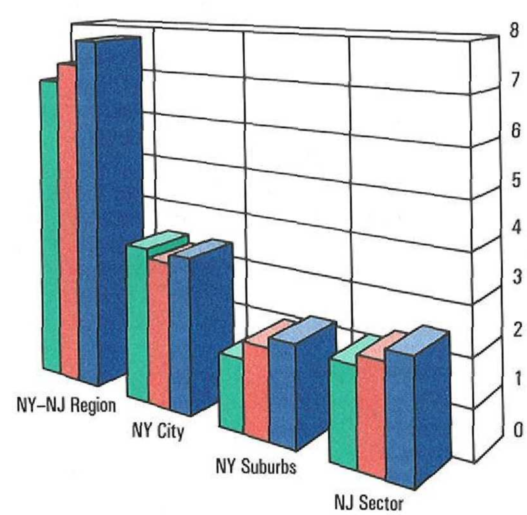
Sources: NY and NJ State Depts. of Labor

Number of Births
NY–NJ Metropolitan Region
1977–1988
(in thousands)



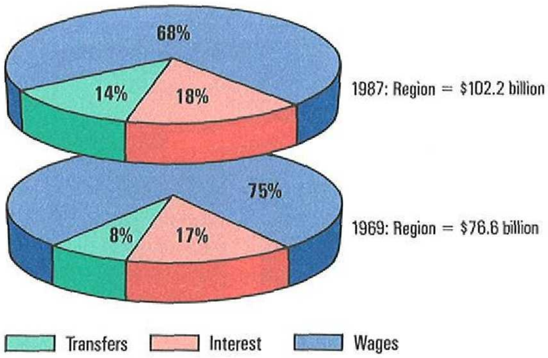
Sources: NY and NJ State Depts. of Health

Total Labor Force
NY–NJ Metropolitan Region
1970, 1980, 1989
(in millions)

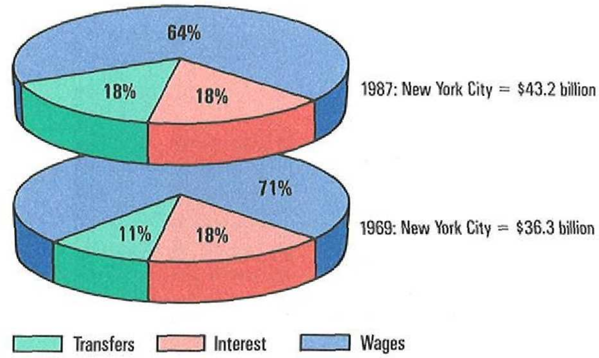


Sources: NY and NJ State Depts. of Labor

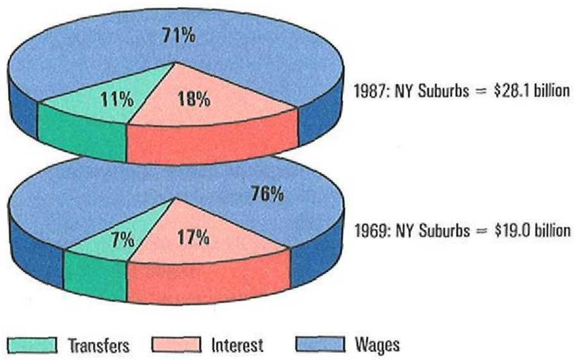
Total Personal Income in Constant Dollars (1969) by Type
NY–NJ Metropolitan Region (percent)



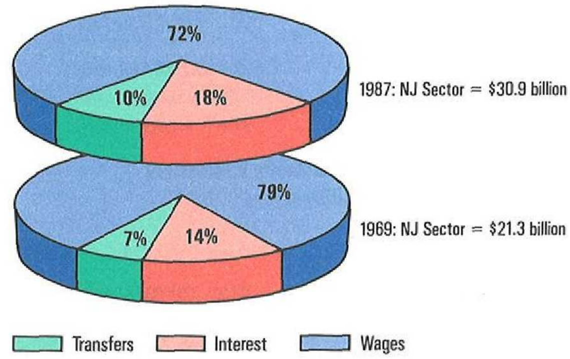
Total Personal Income in Constant Dollars (1969) by Type
New York City (percent)



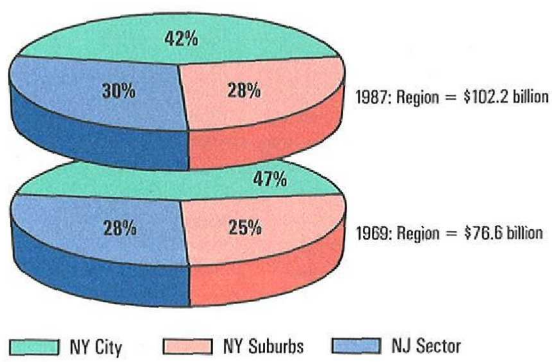
Total Personal Income in Constant Dollars (1969) by Type
NY Suburbs (percent)



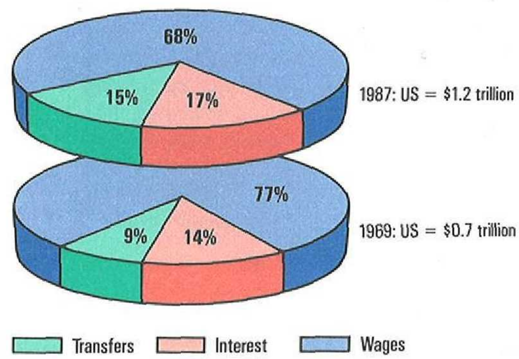
Total Personal Income in Constant Dollars (1969) by Type
NJ Sector (percent)



Total Personal Income in Constant Dollars (1969)
NY–NJ Metropolitan Region (percent)



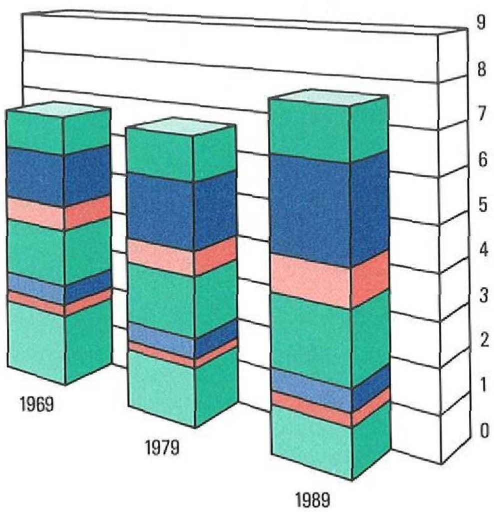
Total Personal Income in Constant Dollars (1969) by Type
United States (percent)



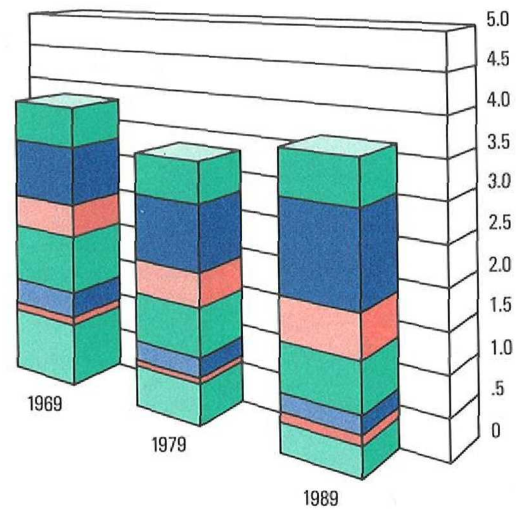
Source: US Bureau of Economic Analysis
Wages = Net Labor and Proprietors Income
Interest = Dividends, Interest, and Rent
Transfers = Transfer Payments

Note: National data deflated by National Consumer Price Index and regional data deflated by Regional Consumer Price Index

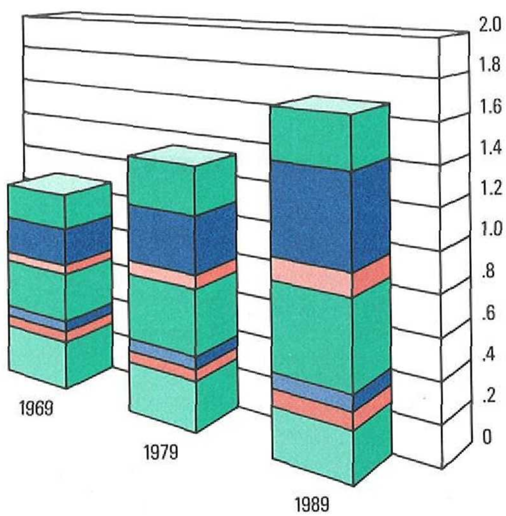
NY–NJ Metropolitan Region Wage & Salary Employment by Major Industry (in millions) 1969, 1979, and 1989



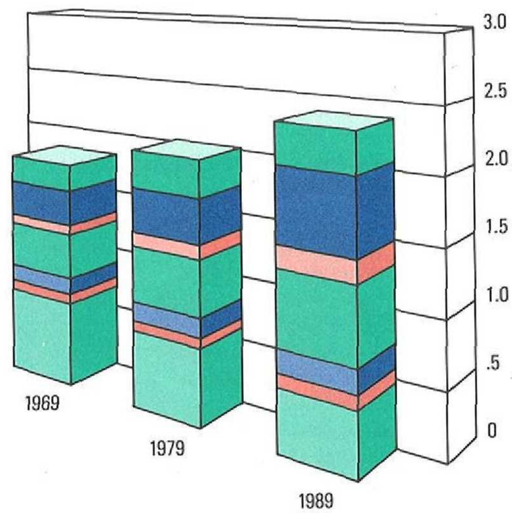
New York City Wage and Salary Employment by Major Industry (in millions) 1969, 1979, and 1989

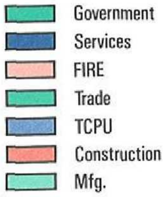


New York Suburbs Wage & Salary Employment by Major Industry (in millions) 1969, 1979, and 1989



New Jersey Sector Wage and Salary Employment by Major Industry (in millions) 1969, 1979, and 1989

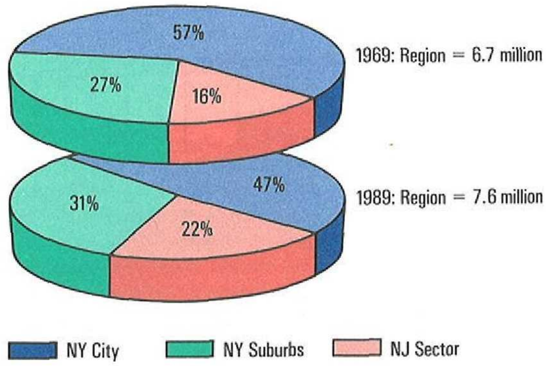




Sources: NY and NJ State Departments of Labor
FIRE = Finance, Insurance, and Real Estate
TCPU = Transportation, Communications, & Public Utilities

Unemployment

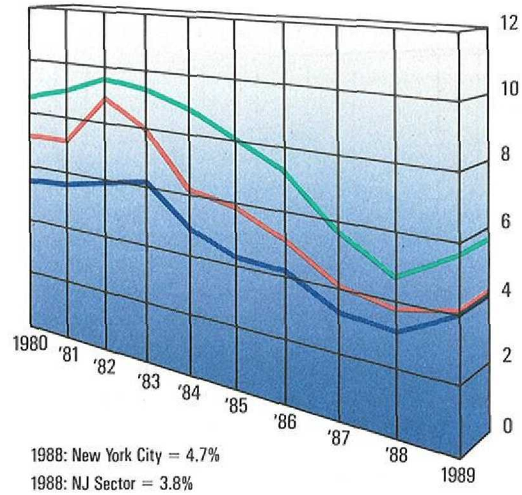
Wage and Salary Employment in the NY–NJ Metropolitan Region by Major Geographic Area



Sources: NY State Dept. of Labor
NJ State Dept. of Labor

Unemployment Rates
NY–NJ Metropolitan Region
1980–1989 (percent)

New York City
NJ Sector
NY Suburbs

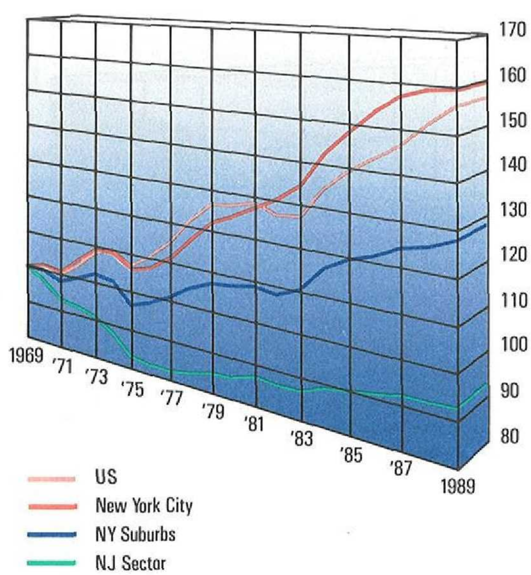


1988: New York City = 4.7%
1988: NJ Sector = 3.8%
1988: NY Suburbs = 3.1%

1989: New York City = 5.7%
1989: NJ Sector = 4.1%
1989: NY Suburbs = 4.0%

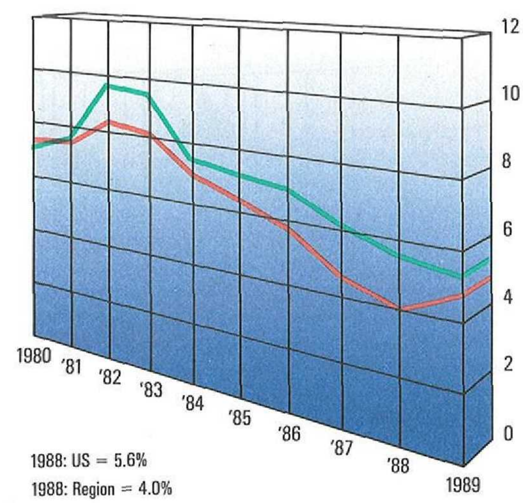
Sources: NY State Dept. of Labor
NJ State Dept. of Labor

Index of Private Wage and Salary Employment
US and NY–NJ Region
1969–1989
(Index: 1969 = 100)



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

Unemployment Rates
US and NY–NJ Region



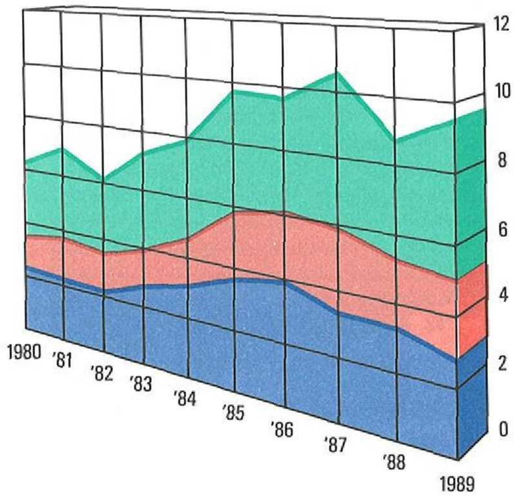
1988: US = 5.6%
1988: Region = 4.0%

1989: US = 5.3%
1989: Region = 4.8%

Region
US

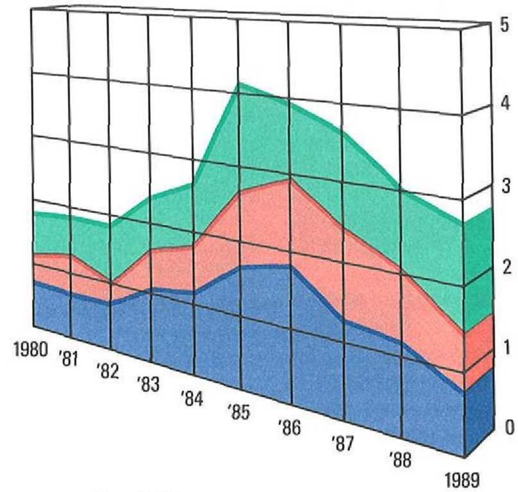
Sources: US Bureau of Labor Statistics
NY and NJ State Depts. of Labor

Total Construction Contract Awards
NY–NJ Metropolitan Region
1980–1989
(billions of 1982 dollars)



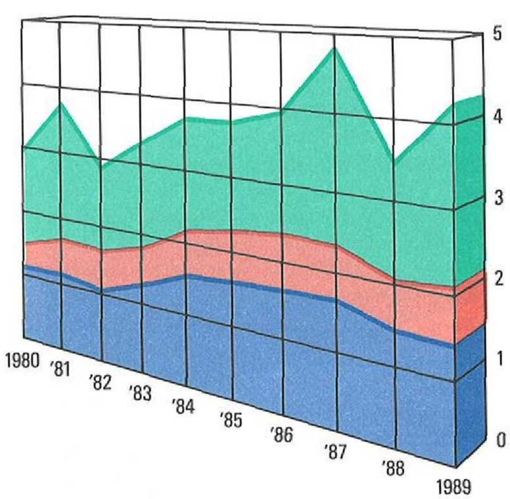
1988: Region = $8.692
1989: Region = $9.485
Source: F.W. Dodge

Residential Building Construction Contract Award
NY–NJ Metropolitan Region
1980–1989
(billions of 1982 dollars)



1988: Region = $3.010
1989: Region = $2.703
Source: F.W. Dodge

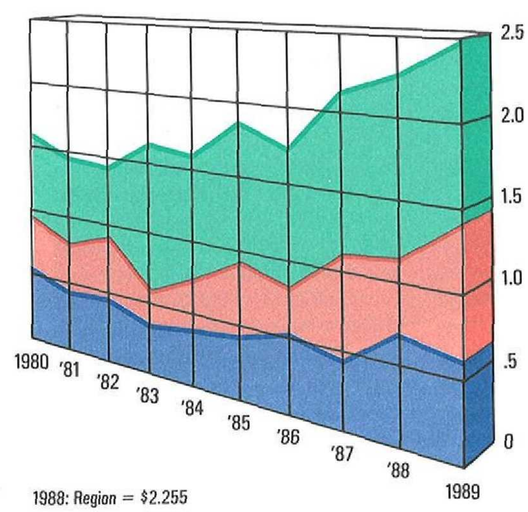
Commercial and Industrial Building Construction Contract Awards
NY–NJ Metropolitan Region
1980–1989
(billions of 1982 dollars)



1988: Region = $3.453
1989: Region = $4.225
Source: F.W. Dodge

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

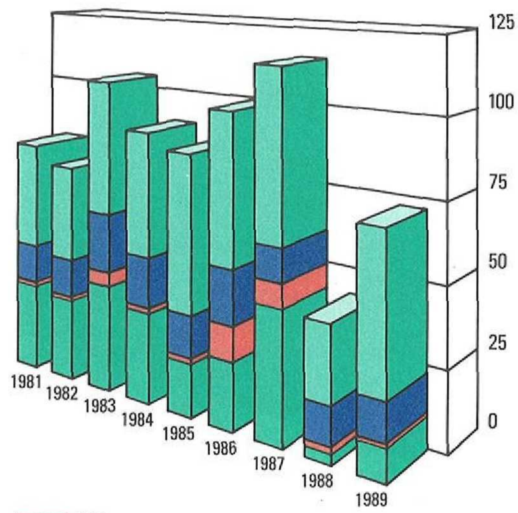
Infrastructure Construction Contract Awards
NY–NJ Metropolitan Region
1980–1989
(billions of 1982 dollars)



1988: Region = $2.255
1989: Region = $2.494
Source: F.W. Dodge

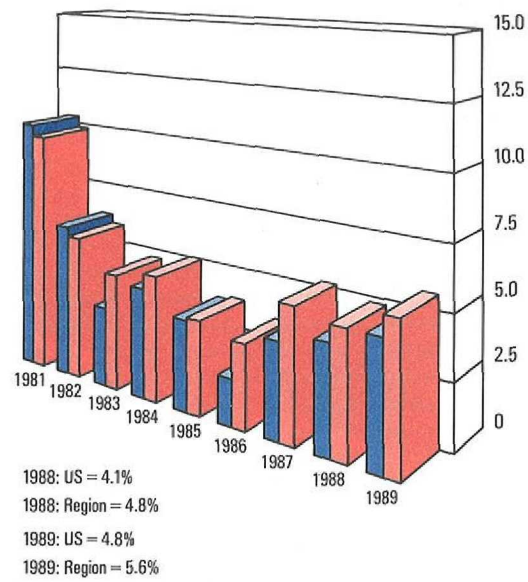
NY City
NY Suburbs
NJ Sector

Office Building Contract Awards in the NY–NJ Metropolitan Region 1981-1989 Index of square feet: 1986 = 100 (millions of square feet)



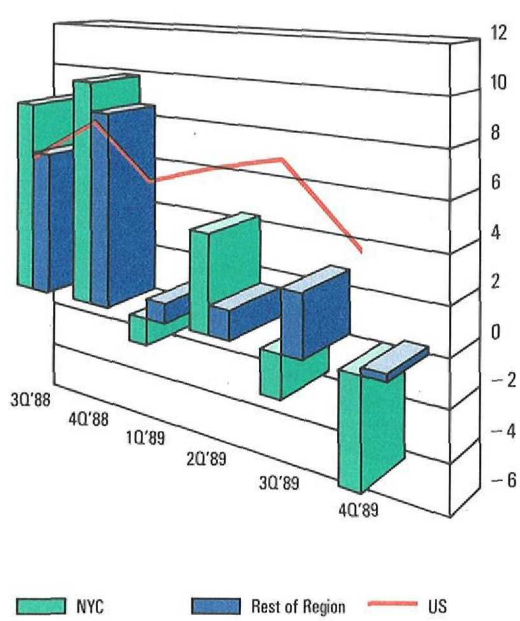
Source: F.W. Dodge Construction Awards Reproduction not permitted without permission from F.W. Dodge

Percent Change in Consumer Price Index/All Items US and NY–NJ Metropolitan Region 1981-1989 (percent)



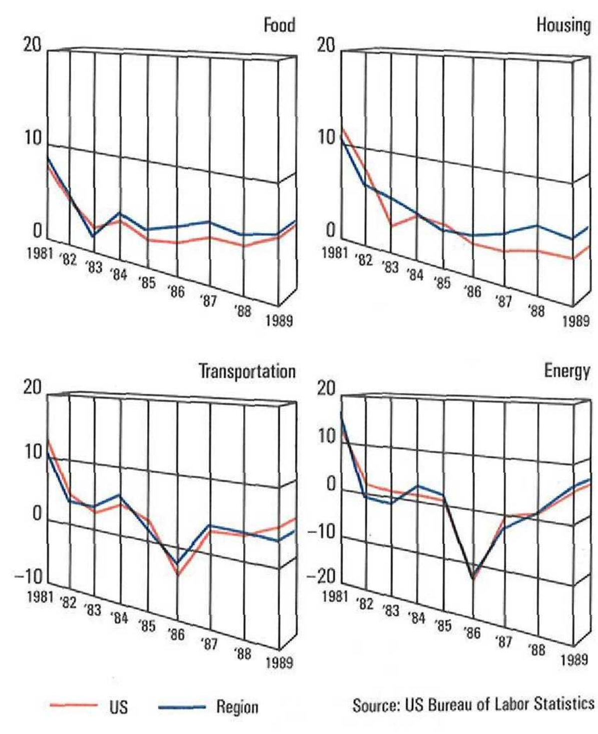
Source: US Bureau of Labor Statistics

Percent Change in Retail Sales in the NY–NJ Metropolitan Region and the US by Quarter: 1989 Over 1988 (percent)



Source: US Dept. of Commerce

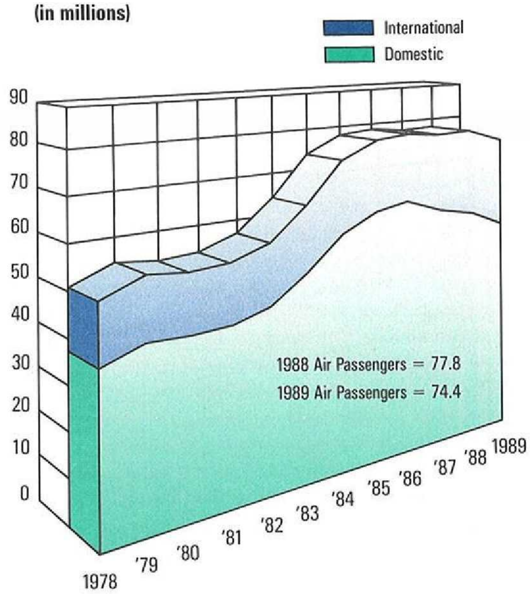
Components of the Consumer Price Index 1981–1989 (percent)



Source: US Bureau of Labor Statistics

Regional Traffic trends

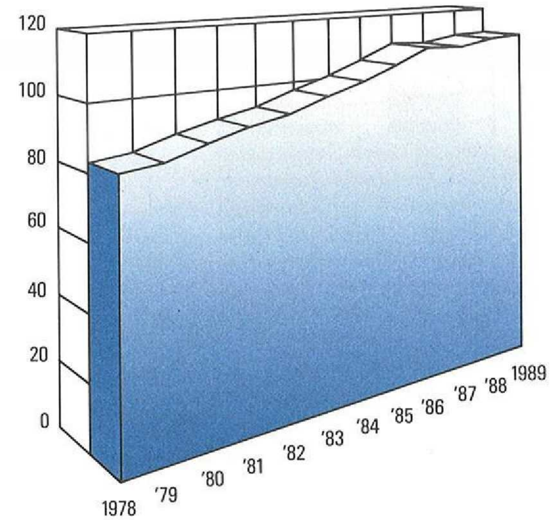
Domestic and International Air Passenger Traffic
NY–NJ Metropolitan Region
1978–1989
(in millions)



Source: The Port Authority of New York & New Jersey

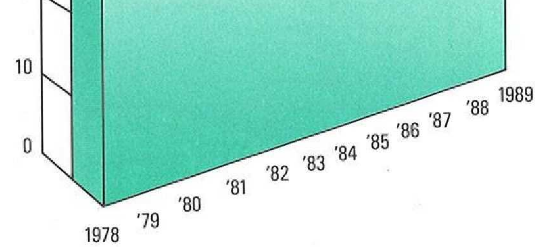
Note: Prior to 1988, Canadian and Mexican passengers were included in domestic traffic data

Port Authority Tunnels and Bridges
Annual Eastbound Vehicular Traffic
1978–1989
(in millions)



Source: The Port Authority of New York & New Jersey

New Jersey Transit Rail Passenger Traffic
1978–1989
(in millions)

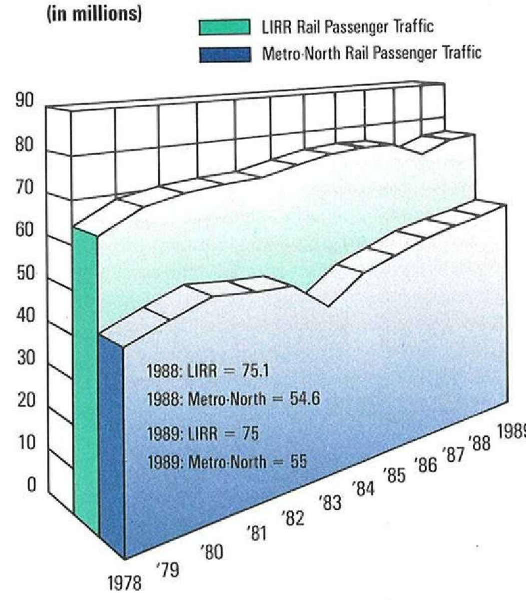


Source: Tri-State Regional Planning Commission, 1978
New Jersey Transit, 1979–1989

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 NJ Transit ridership utilizing Amtrak's Northeast Corridor service

Note: 34 day strike in 1983

Metropolitan Transportation Authority
Commuter Rail Revenue Passenger Traffic
1978–1989
(in millions)

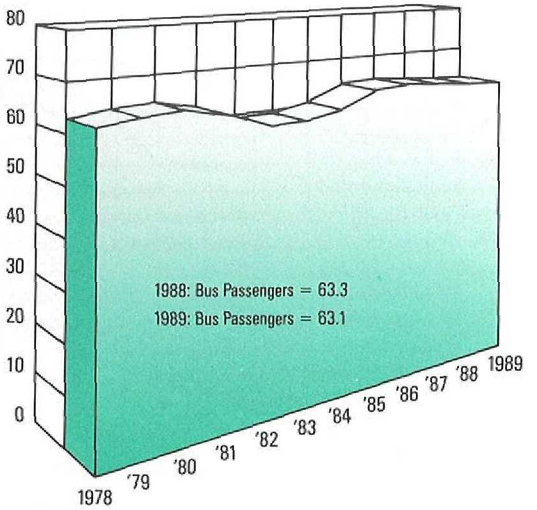


Source: Metropolitan Transportation Authority

Note: Metro-North includes the former New Haven, Harlem and Hudson lines of Conrail

Note: 6 week Metro-North strike in 1983 and 11-day LIRR strike in January, 1987

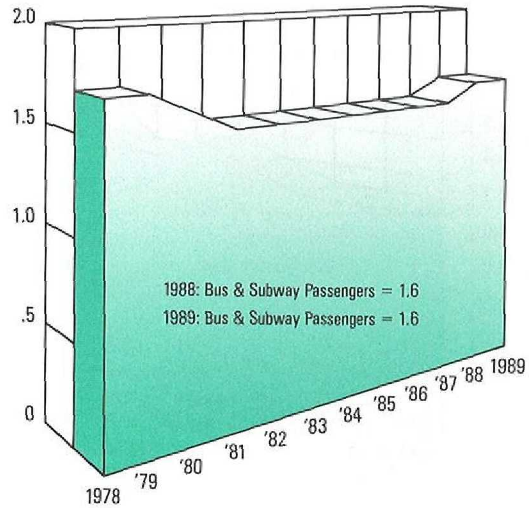
Bus Passenger Traffic through Port Authority Terminals
NY–NJ Metropolitan Region
1978–1989
(in millions)



Source: The Port Authority of New York & New Jersey

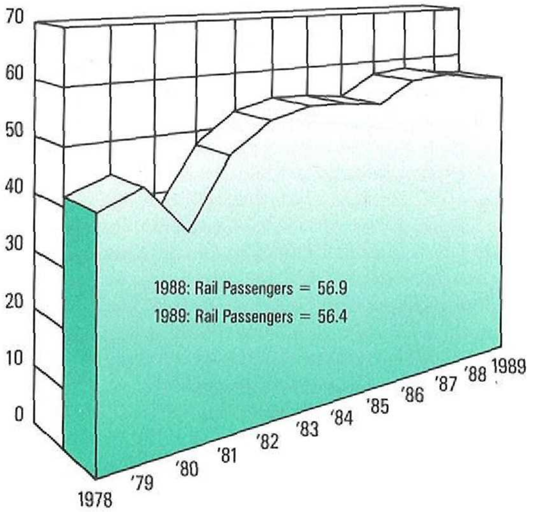
Note: Information excluded for the Journal Square Transportation Center

New York City Transit Authority
Bus and Subway Revenue Passenger Traffic
1978–1989
(in billions)



Source: New York City Transit Authority

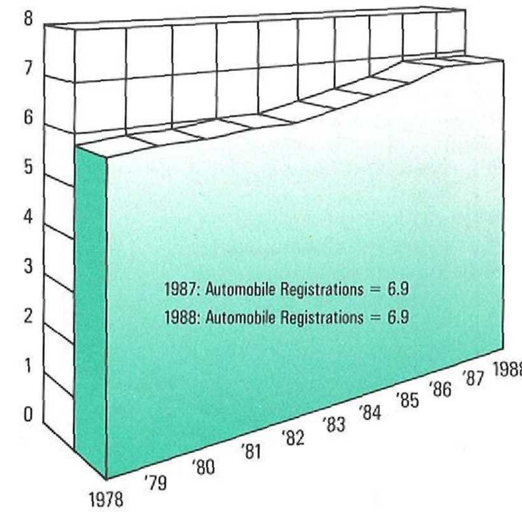
Port Authority Trans-Hudson Rail Passenger Traffic
1978–1989
(in millions)



Source: The Port Authority of New York & New Jersey

Note: New York City transit strike, April 1 to April 13, 1980
PATH strike, June 12 to August 31, 1980

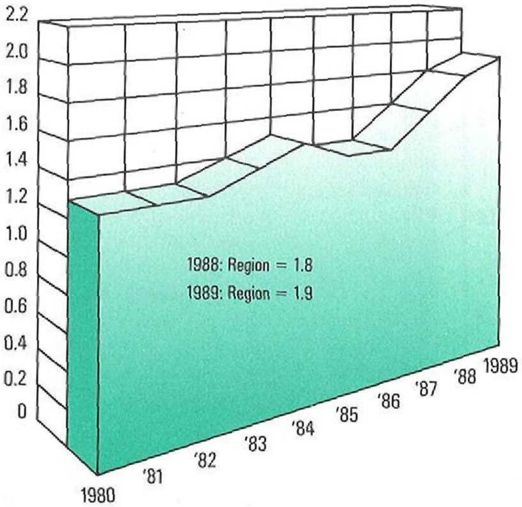
Passenger Automobile Registrations
NY–NJ Metropolitan Region
1978–1988
(in millions)



Source: NY & NJ State Departments of Motor Vehicles

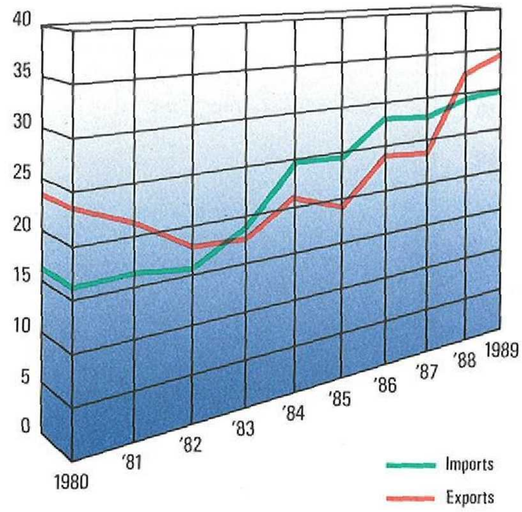
Note: New Jersey reports automobile registrations on a fiscal year basis. Calendar year data were computed by interpolation.

Air Cargo Traffic
NY–NJ Metropolitan Region
1980–1989
(in millions of short tons)



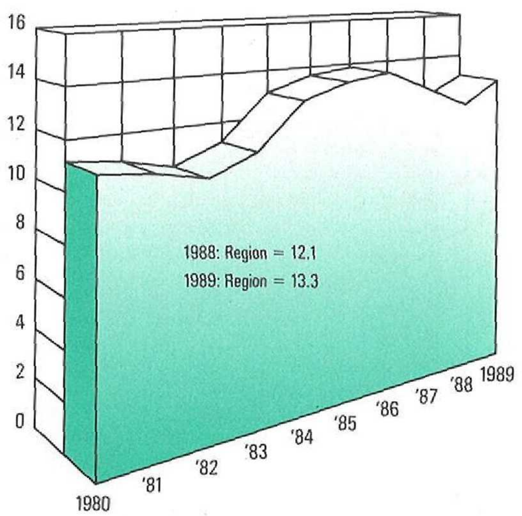
Source: The Port Authority of New York & New Jersey

Value of the Port's Airborne Foreign Trade
1980–1989
(in billions of dollars)



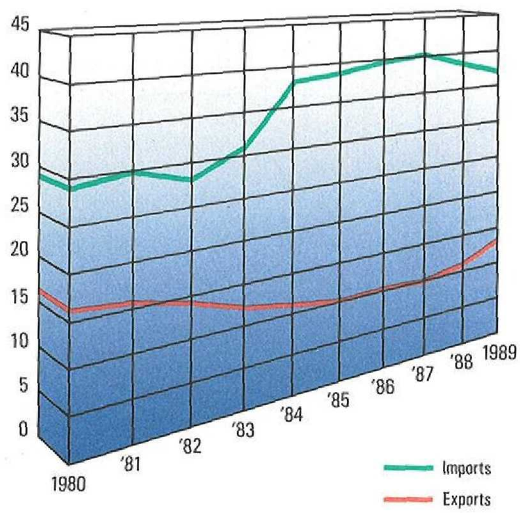
Sources: US Bureau of the Census
The Port Authority of New York & New Jersey

Oceanborne General Cargo
The Port of NY–NJ
1980–1989
(in millions of long tons)



Sources: US Bureau of the Census
The Port Authority of New York & New Jersey

Value of the Port's Oceanborne Foreign Trade
1980–1989
(in billions of dollars)



Sources: US Bureau of the Census
The Port Authority of New York & New Jersey

TUNNELS, BRIDGES & TERMINALS DEPARTMENT
- Bayonne Bridge
- George Washington Bridge and Bus Station
- Goethals Bridge
- Holland Tunnel
- Lincoln Tunnel
- Outerbridge Crossing
- Port Authority Bus Terminal
- New York Union Motor Truck Terminal

RAIL TRANSPORTATION DEPARTMENT
- Port Authority Trans-Hudson (PATH) System/ Journal Square Transportation Center
- P.A. Bus Programs
- New York State Commuter Railroad Car Program
- Ferry Transportation

AVIATION DEPARTMENT
- John F. Kennedy International Airport
- LaGuardia Airport
- Newark International Airport
- Port Authority Heliports:
  - Downtown Manhattan
  - West 30th Street
- Teterboro Airport

WORLD TRADE & ECONOMIC DEVELOPMENT DEPARTMENT
- World Trade Center
  World Trade Institute
- Bathgate Industrial Park
- Industrial Park at Elizabeth
- Essex County Resource Recovery Facility
- Hoboken Waterfront Project
- Hunters Point Waterfront Project
- Newark South Ward Industrial Park
- Newark Legal Center
- Teleport
- Industrial Park at Yonkers
- XPORT Trading Company

Trade Development Offices
- London
- Tokyo
- Zurich

PORT DEPARTMENT
- New York City Passenger Ship Terminal
- Port Authority Marine Terminals:
  - Brooklyn/Red Hook
  - Columbia Street
  - Elizabeth
  - Erie Basin
  - Howland Hook
  - Port Newark
  - Greenville Yard
  - Auto
- Oak Point Rail Freight Link

Sales Offices
- Chicago
- Cleveland
- Eastern United States
- Latin America

1989 Annual Report

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