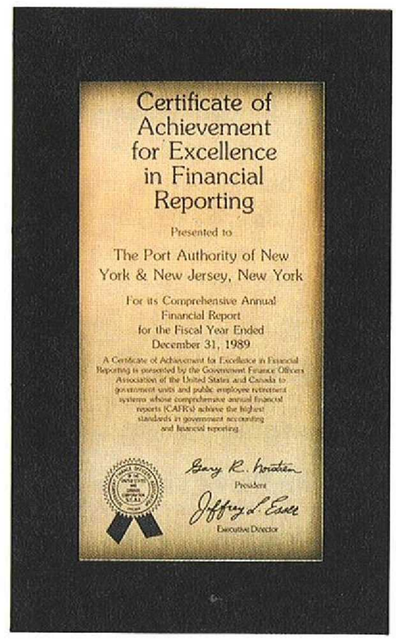
THE PORT AUTHORITY OF NY & NJ

Comprehensive Annual Financial Report For The Year Ended December 31, 1990

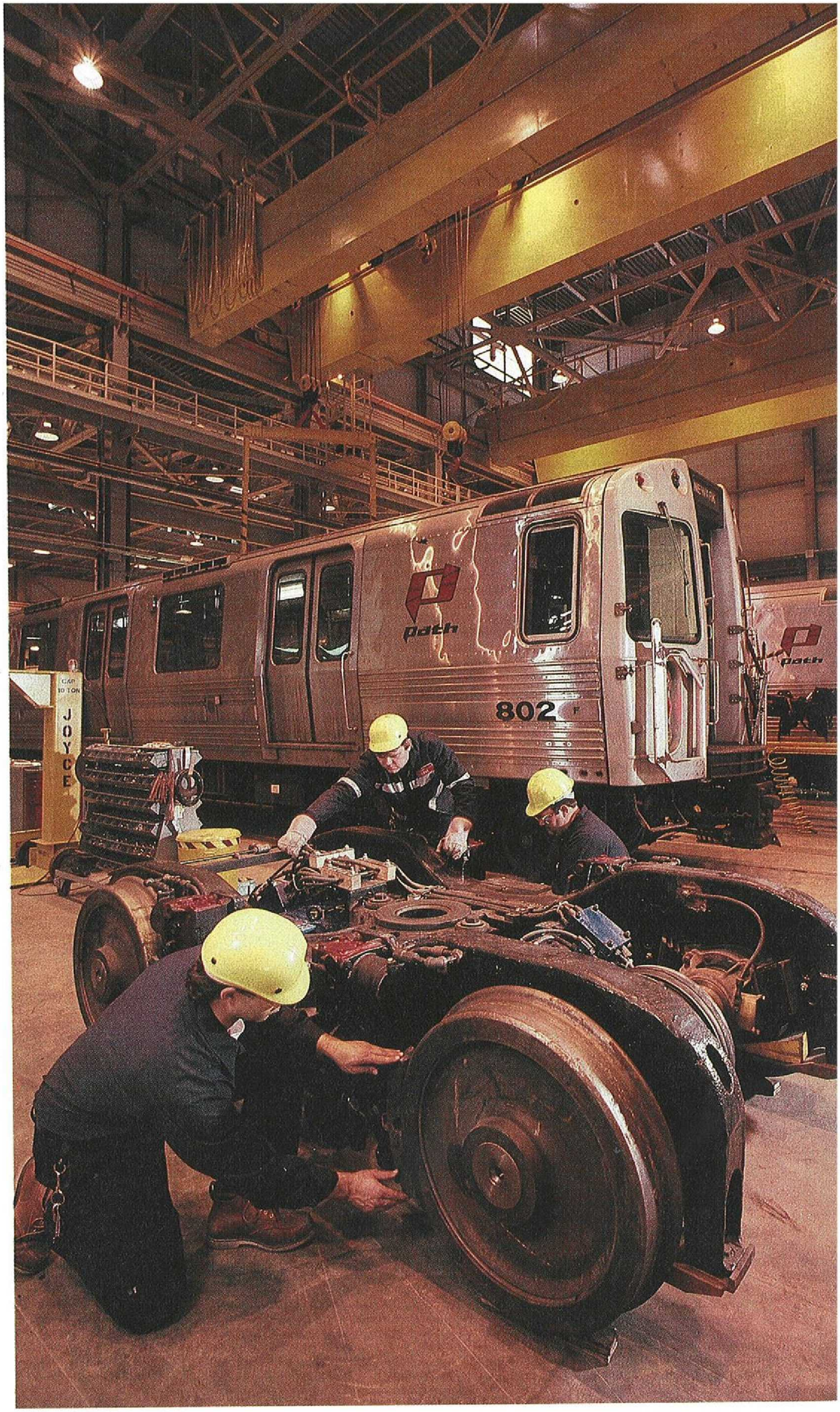
Cover: Electrician Douglas Faconi checks cable lighting on the George Washington Bridge, the world's busiest vehicular crossing — carrying more than 49 million eastbound vehicles in 1990.

Table of Contents

Introductory Section



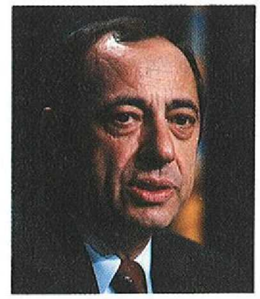
For the sixth consecutive year, The Port Authority of New York and New Jersey was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its 1989 Comprehensive Annual Financial Report.



▲ ***PATH's new Car Maintenance Facility helps improve service efficiency by allowing greater emphasis on preventive maintenance. Car repairmen at the Harrison, NJ, complex are (left to right) Anthony Bucci, Kevin McCormack and Ciro Gagliano.***

Honorable James J. Florio, Governor
State of New Jersey

Honorable Mario M. Cuomo, Governor
State of New York



Your Excellencies:

We are pleased to submit to you and to the legislatures of New Jersey and New York this 1990 Annual Report of The Port Authority of New York and New Jersey, pursuant to the bistate Port Compact of 1921.

The year 1990 was a difficult and uncertain one for the metropolitan region as the economic slowdown of recent years shifted unmistakably into a downturn. The Port Authority was directly affected by these general economic conditions, as well as by particular problems such as the softening of the commercial real estate market and the severe turmoil that struck the nation's aviation industry.

Although these difficulties undeniably constrained the Port Authority, we did manage to maintain our program of aggressive capital investment. We firmly believe that these investments will strengthen significantly the region's economic base over the long term. Thanks to your help, the immediate future of the Capital Program is now secure. Despite new revenues and expenditure reduction, the agency is subject to some of the same uncertainties currently affecting most public and private institutions in the region.

We are not immune to the business cycle nor is a degree of economizing necessarily bad. But it would be a serious setback for the region if the spending reductions now under way exceeded the level which is absolutely unavoidable. Indeed, there is good reason to feel confidence about the region's future. Excessive pessimism is as misplaced as the unrealistic optimism that permeated much of the previous decade. Despite the current sharp downturn, the economy will turn upward once again. When that happens it will be crucial that the region have in place the modern infrastructure essential to maintain its historic leadership in the competition for international commerce.

Although the region will continue to face difficult problems in the period immediately ahead, we should not waver in our public efforts to build a stronger future. Indeed, it is precisely in times such as these that public investment is most effective in fueling the region's economic engine and speeding its revival.

As we move forward, we shall miss our very special colleague and Vice-Chairman, Mayor Robert F. Wagner of New York. For nearly a decade-and-a-half, Mayor Wagner's wisdom and humor lighted this agency and guided it through many challenges. Above all, his extraordinary devotion to public service set a standard that will inspire future generations.

Finally, on behalf of the Port Authority, the Board of Commissioners recognizes the crucial importance of the continued commitment and support of the Governors of New Jersey and New York, as well as the region's governmental and community leadership, without which the many accomplishments outlined in this Annual Report would not have been possible.

Sincerely,

Richard C. Leone
Chairman

April 11, 1991

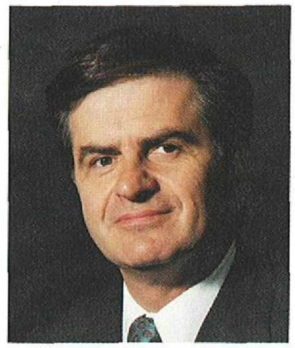
Board of Commissioners

Origins of the Port Authority

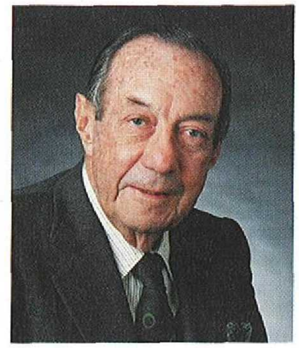
The Port Authority of New York and New Jersey was established on April 30, 1921. It was the first interstate agency ever created under a clause of the Constitution permitting compacts between states with Congressional consent.

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.

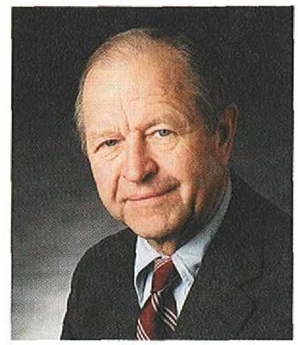


Richard C. Leone
Director
Twentieth Century Fund

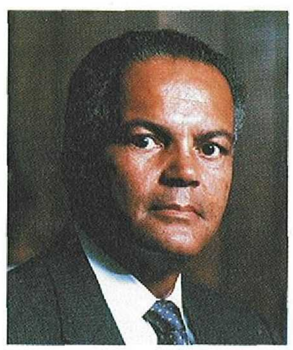


Robert F. Wagner
Attorney
Fischbein • Badillo • Wagner

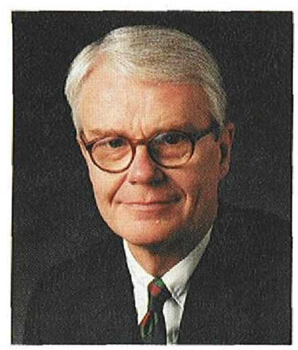
Hazel Frank Gluck
President
Public Policy Advisors, Inc.



James G. Hellmuth
Consultant

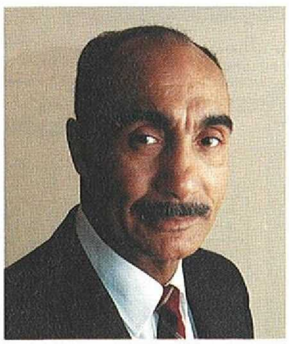


Henry F. Henderson, Jr.
President
H. F. Henderson Industries



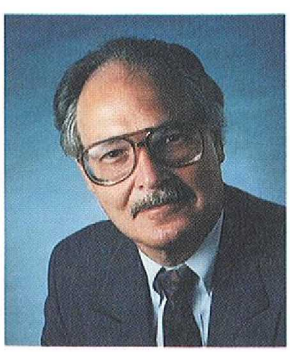
William K. Hutchison
Partner
Christenson & Hutchison

Philip D. Kaltenbacher
Chairman and Chief Executive Officer
Seton Company

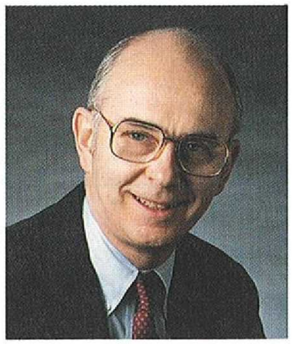


Basil A. Paterson
Attorney
Meyer, Suozzi, English & Klein, P.C.

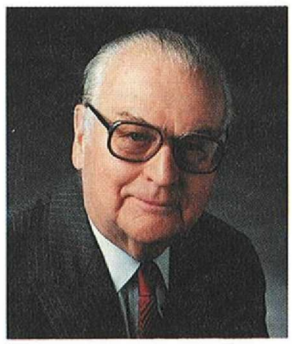
Howard Schulman
Attorney



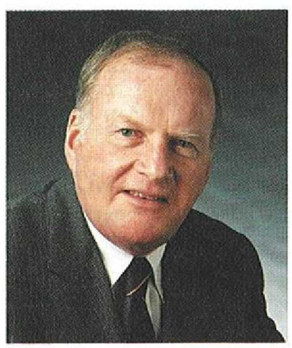
Stanley Brezenoff
Executive Director



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

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

Richard C. Leone, Chairman[1]
Robert F. Wagner, Vice Chairman[2]
Hazel Frank Gluck
James G. Hellmuth
Henry F. Henderson, Jr.
William K. Hutchison
Philip D. Kaltenbacher[1]
John G. McGoldrick
Basil A. Paterson
William J. Ronan[3]
Howard Schulman
Robert Van Buren

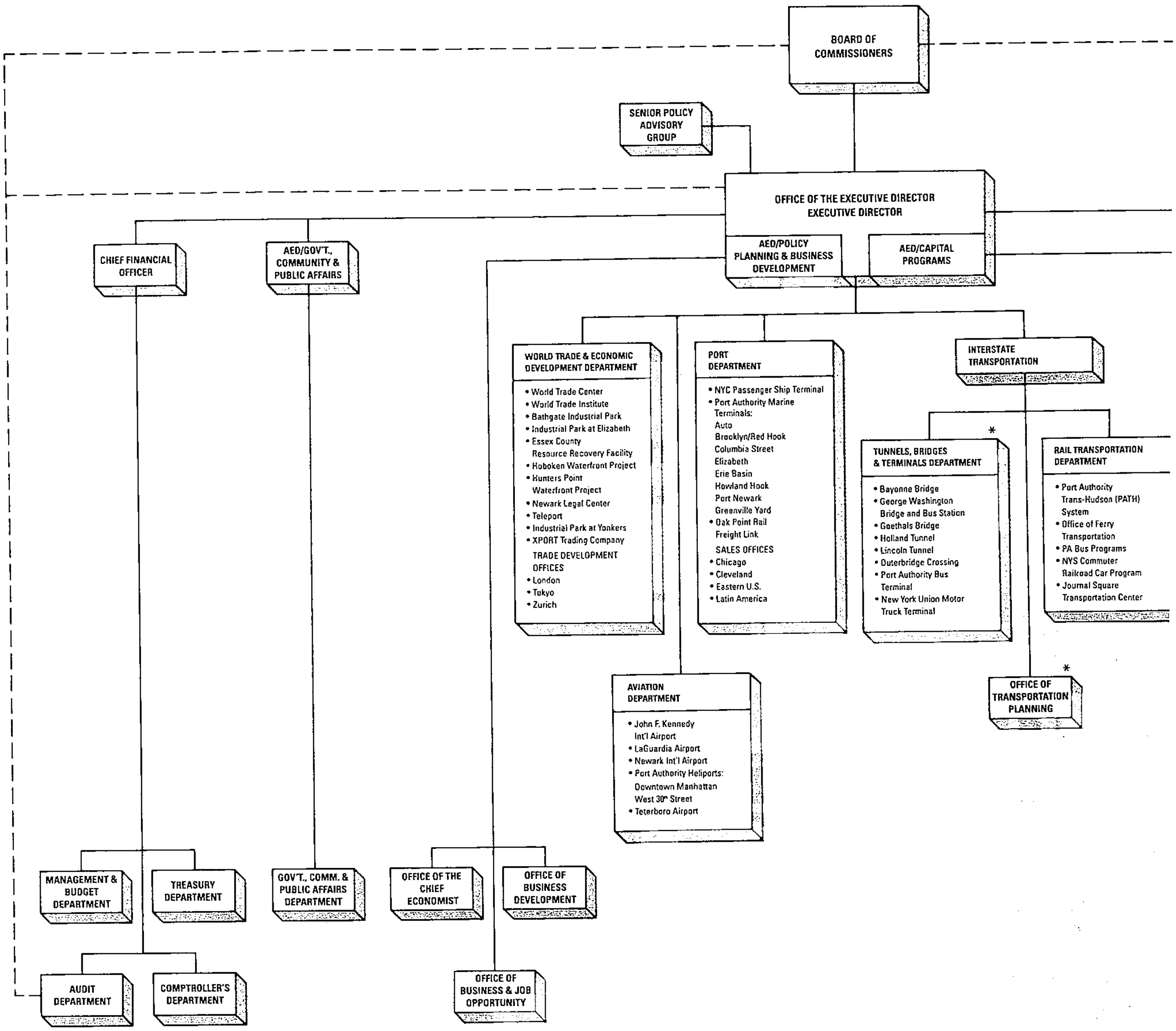
Commissioner Leone, a member of the Board since April 13, 1988 was elected Chairman on April 12, 1990, succeeding Commissioner Kaltenbacher, who had been at the Board's helm since September 13, 1985.

[2] Vice Chairman Wagner died on February 12, 1991.

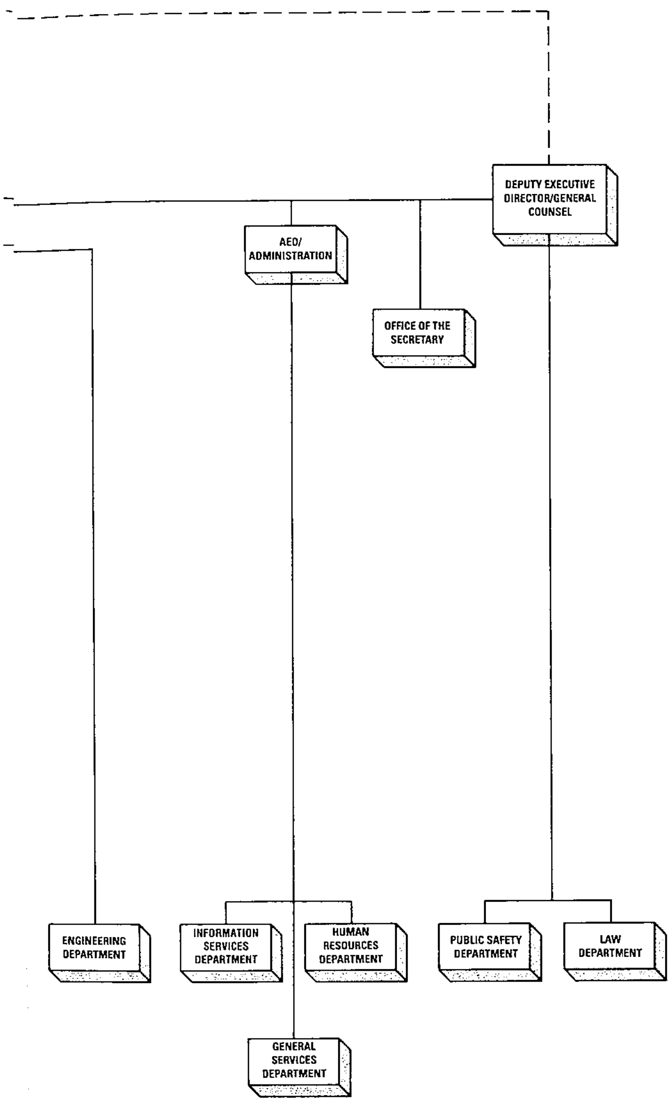
[3] Commissioner Ronan resigned from the Board on December 29, 1990.

THE PORT AUTHORITY OF NY & NJ

1990 Organization Chart



* Reflects consolidation of these three entities into a single department, Interstate Transportation, to be implemented during 1991.



Current Officers and Directors

Stanley Brezenoff, *Executive Director*[1]

Patrick J. Falvey, *Deputy Executive Director and General Counsel*

Sidney J. Frigand, *Assistant Executive Director/Government, Community and Public Affairs*[2]

Katy MacKay, *Assistant Executive Director/Administration*

Hugh O'Neill, *Assistant Executive Director/Policy Planning and Business Development*[3]

Joseph L. Vanacore, *Assistant Executive Director/ Capital Programs*

Barry Weintrob, *Chief Financial Officer*

Anthony J. Barber, *Tunnels, Bridges & Terminals*
A. Paul Blanco, *Comptroller*
John J. Collura, *Management & Budget*
Karen S. de Bartolomé, *Secretary*
Rebecca Doggett, *Office of Business & Job Opportunity*
Dorothy W. Dugger, *Government, Community & Public Affairs*[4]
Frank Garcia, *World Trade & Economic Development*[5]
Gene C. Gill, *General Services*
John E. Haupert, *Treasurer*
Wilma H. Horne, *Information Services*
John E. Jacobsen, *Audit*[6]
Richard R. Kelly, *Interstate Transportation*
Louis J. LaCapra, *Human Resources*
Donald R. Lee, *Public Safety*[7]
Lillian C. Liburdi, *Port*
Emily Lloyd, *Office of Business Development*
Rino M. Monti, *Engineering and Chief Engineer*
David Z. Plavin, *Aviation*
Richard T. Roberts, *Office of Transportation Planning*[8]
Rosemary Scanlon, *Office of The Chief Economist*
Morris Sloane, *Aviation Operations & Redevelopment*

1. *Stanley Brezenoff appointed effective September 17, 1990; Stephen Berger left office July 13, 1990*
2. *Retired January 15, 1991*
3. *Resigned March 21, 1991*
4. *Became Acting Director January 16, 1991*
5. *Became Acting Director May 7, 1990; Phil LaRocco resigned May 4, 1990*
6. *Became Acting Director October 4, 1990*
7. *Became Acting Director October 1, 1990; Henry I. DeGeneste resigned September 28, 1990*
8. *Became Director September 20, 1990; Christine Johnson resigned May 29, 1990*

Letter from the Executive Director

This is my first opportunity as Executive Director to report on the prior year's activities at the Port Authority. The year 1990 was one of transition for the Port Authority. After five years of outstanding service, Philip D. Kaltenbacher and Stephen Berger ended their tenures as Chairman of the Board of Commissioners and Executive Director, respectively.

Under the new leadership of Chairman Richard C. Leone and myself as Executive Director, the Port Authority looks ahead to the challenges of a new decade. To a large extent, our task will be to build on the solid foundations established by our predecessors. Our ability to do this will depend heavily on the availability of revenues.

This month we began implementation of a new round-trip toll structure at our tunnels and bridges. We recognize that these increases are difficult, but they are absolutely necessary in order to close the growing operating deficit on the Port Authority's interstate transportation network, consisting of our tunnels, bridges, bus terminals, PATH and ferries. Dealing with this deficit will enable us to redirect the surplus revenues generated by the airports and World Trade Center for capital investment to renew and expand the full gamut of Port Authority facilities, rather than having to continue to divert these revenues to cover the deficit on the interstate transportation network.

With this in mind, a key objective at the Port Authority during 1990 was to accelerate the on-going efforts to streamline the agency and manage daily operations as cost-effectively as possible. It has been through these management improvements that the Port Authority has been able in recent years to cut its administrative staff by about 10 percent, hold administrative costs to within the rate of inflation, and simultaneously expand our workload dramatically by nearly quadrupling the size of our Capital Program.

The principal job of the Port Authority is to move people and goods into and through the vast bistate metropolitan region. This will remain the agency's primary focus and, to the degree that resources are available, we intend to continue to enhance our capacity to fulfill this economically critical function. It is evident that the region's economic vitality depends on its international trade and tourism businesses. Not only do these activities represent a great strength of our region, they offer some of the best opportunities to pull the regional economy out of its present doldrums.

As these opportunities have emerged, the Port Authority has placed greater emphasis on the quality and range of services provided to our patrons and the general public who use our facilities. In aviation, we witnessed the swift and exciting growth of Newark International Airport as a major new gateway for international air service. Exact-fare toll lanes were established on our bridges to ease congestion, and encouraging progress was made on the testing of an electronic toll collection system that in the future will speed vehicles through the toll plazas at our tunnels and bridges. In the world trade and economic development sphere, the Port Authority export trading company, XPORT, received national recognition for its innovative approach to help the region's small and mid-sized businesses break into foreign markets.

What links all these diverse Port Authority services and activities together is the central mission that the agency serves: to enhance the bistate region's economic competitiveness and help improve the quality of life for the millions of people who live, work and visit here. To the full extent of our capacity, we will continue to work toward the accomplishment of that mission during 1991.

The professionalism, energy and devotion of the Port Authority staff give me confidence that the agency will rise successfully to this challenge, as it has so often in the past.

Sincerely,

Stanley Brezenoff

Stanley Brezenoff

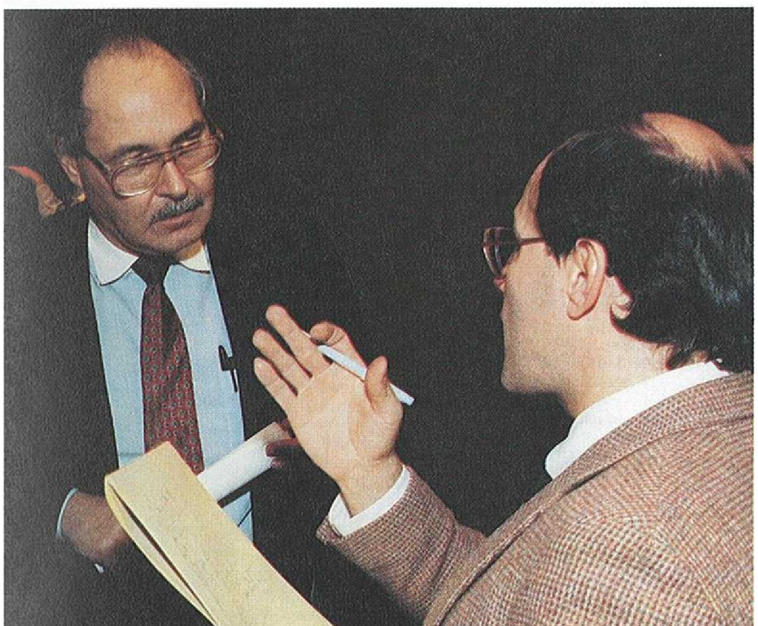
April 11, 1991

THE PORT AUTHORITY IN 1990

The Port Authority of New York and New Jersey marked 1990 with continued infrastructure investments and service improvements to help strengthen and expand regional resources during a year of economic uncertainty.

The downward forces of recession swept through the regional economy in 1990, causing a loss of 105,000 jobs, or 1.4 percent, in the 17-county metropolitan area, and bringing to a halt a decade of strong growth in jobs, in office and residential construction and in mass transportation use, both within and into the metropolitan area.

The region's economic downturn was led by an initial wave of cutbacks in the financial services industry in New York City and in the defense industries of Long Island. Conditions in the region were exacerbated by the weakening national economy during the summer months and by Iraq's August 2 invasion of Kuwait, which caused oil prices to surge and consumer confidence to plunge throughout the nation.



Port Authority Executive Director Stanley Brezenoff answers a reporter's question at a year-end news conference announcing the agency's 1991 budget proposal.

By year's end, sharp declines were noted in several of the region's major industries, including airlines, retail sales, construction, finance, banking and real estate. These problems, in turn, began to affect activity levels at many Port Authority facilities, with declines noted in the fourth quarter in air passenger volume and trans-Hudson vehicular and PATH traffic.

In addition, the aviation industry and Port Authority air terminals saw major airlines seek protection under Chapter 11 of the Bankruptcy Code. Eastern Air Lines, for example, surrendered its unit terminal at John F. Kennedy International Airport and, after year-end, ceased operation entirely.

Despite these difficulties, a number of projects were undertaken or brought on-line by the Port Authority to improve service levels, provide additional capacity for future growth and also to help generate jobs, private sector investment and business development in the region.

The agency moved forward with its capital improvement program, although at reduced levels after toll and fare increases proposed in November 1989 were not realized in 1990.

Capital spending reached $755 million—down from a one-year record high in 1989. Projects ranged from modernization and expansion of port and world trade facilities to airport redevelopment and tunnel, bridge and rail transit facility construction and rehabilitation.

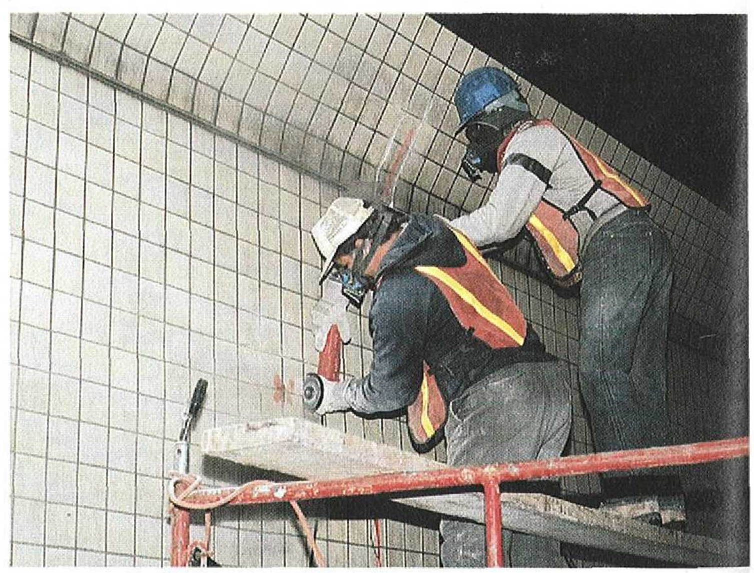
Among them, a major rehabilitation project was begun on the North Tube of the Lincoln Tunnel; modernization and infrastructure improvements progressed at the World Trade Center; major repair and rehabilitation projects continued at the George Washington Bridge to improve ramps and roadways; and an expansion and modernization program advanced at the Red Hook Container Terminal.

One of the agency's most massive projects, the redevelopment of John F. Kennedy International Airport, felt the impact of financial and operating problems plaguing many airlines that were unable or unwilling to commit financing for the undertaking. As a result, the Kennedy redevelopment plan was revised to focus on improving airport ground transportation traffic flow and modernizing and expanding areas of existing passenger terminals, including the International Arrivals Building. Capital projects moved forward at Newark International and LaGuardia Airports.

Other construction projects begun in past years were completed in 1990. Among these was the Essex County Resource Recovery Facility in Newark which began operations in November. Also brought on-line was a new PATH car maintenance shop and storage yard facility in Harrison, NJ, designed to keep the system's operating fleet of 342 air-conditioned passenger cars rolling at peak efficiency and assure greater reliability and improved service.

The service dividends of these capital projects as well as other improvement programs were manifest agency-wide in 1990—from international trade to interstate transportation. For example, new information booths at the Port Authority Bus Terminal gave patrons more immediate access to information; electronic toll collection at the Lincoln Tunnel continued to improve traffic flow; the new Hoboken-Battery Park City ferry service attracted more than one million passengers; and customer relations programs stressed courtesy.

On the international business side, XPORT—the Port Authority's export trading company—was recognized for helping the region's small and medium-sized companies enter the export market. XPORT



A $57 million rehabilitation project on the North Tube of the Lincoln Tunnel will help extend the service life of the facility's infrastructure.

In June at the World Trade Center, (left to right) Port Authority Chairman Richard C. Leone and New York City Partnership Chairman Preston Robert Tisch greet African National Congress Deputy President Nelson Mandela of South Africa, New York City Mayor David N. Dinkins and Winnie Mandela. Nelson Mandela brought his economic, social and political message to a business forum co-sponsored by the Port Authority and the New York City Partnership.

received the 1990 Innovations in State and Local Government Award for its unique approach to export business development. The award was presented by the Ford Foundation and the John F. Kennedy School of Government at Harvard University.

Trade missions promoting the New York-New Jersey port's facilities and services, business forums bringing together world leaders and the region's top corporate executives and civic leaders, and programs encouraging foreign firms to locate in the region were among other significant international business development activities.

Service to the community also figured prominently on the Port Authority's 1990 agenda. Among its efforts, the agency reached out to the region's youth through educational projects, advanced its soundproofing program at schools near airports and maintained programs responsive to concerns for the homeless who congregate in various transportation facilities. The agency also helped small, minority- and women-owned businesses through new intensive management training classes. Minority- and women-owned firms also participated in the Port Authority's sale of Consolidated Bonds, Series Sixty-nine, in June. This $100 million issue was sold on a negotiated basis to an underwriting group that included nine minority- and women-owned companies and 15 other small regional firms as co-managers.

In issues related to the environment, the agency increased cooperative efforts with concerned state and local agencies and also sought to educate patrons and business tenants about how they can help improve and safeguard the region's environment for present and future generations.

The projects, programs and achievements highlighted in this Annual Report were accomplished through the efforts of a dedicated staff of Port Authority and PATH employees. For them, the agency and indeed the entire region, 1990 posed many challenges. As will be seen on the following pages, the Port Authority endeavored to meet these challenges through innovation, enthusiasm and commitment to one of its primary missions—to deliver high quality, reliable service in all areas of agency activity.

▲ ***Skycap Jihad Yasin assists a traveler at Newark International Airport, which handled more than 22 million domestic and international passengers in 1990.***

AVIATION

Facility and service improvements progressed in 1990 at John F. Kennedy International, Newark International and LaGuardia Airports as the nation's busiest regional airport system prepared to meet air travel demands in the decade ahead.

Total passenger volume increased slightly to 74.8 million compared with 74.4 million in 1989, reflecting the impact of the recessionary national economy, financial and operating problems among major airlines serving the region and escalating fuel prices as the Persian Gulf crisis worsened. Also affected was total air cargo, which remained essentially unchanged from 1989 at just under 2 million tons.

At Newark International, however, air cargo rose 12 percent, while passenger traffic was up 6 percent over 1989 to more than 22 million. This compares to slight decreases at Kennedy International and LaGuardia, which handled close to 30 million and 23 million passengers, respectively.

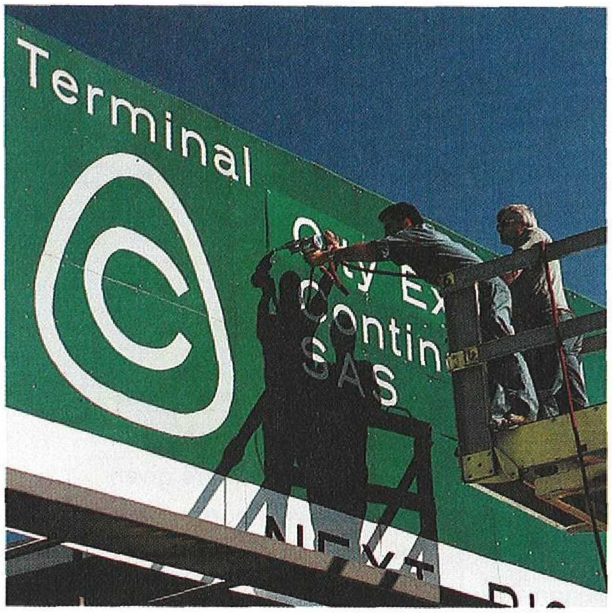
Kennedy remained the country's leading gateway for international travelers, handling more than 18 million people, but international traffic continued its unprecedented growth at Newark, rising 40 percent to just over 3 million passengers. This was due primarily to expanded international operations as 12 carriers added new foreign destinations ranging from Tokyo to Warsaw. At year's end, Newark served 42 cities in 24 foreign countries.

Airport redevelopment—benefiting international and domestic passenger and airfreight services and operations—proceeded at all three facilities, accounting for some $262 million in capital investments. Facility and service improvements included:

• Kennedy, Newark and LaGuardia introduced service improvements for parking lot patrons. In September, travelers were given an alternative means of paying parking fees without using cash when the Port Authority began accepting credit cards at parking lots. As an added convenience, machines were installed inside selected terminals so that drivers can prepay for parking. The program will be fully implemented by mid-1991.

• All three airports also unveiled plans to improve and upgrade retail services as construction was begun on some new shops and others were slated for renovation and expansion. Inn Boutique Distributors, Inc., for example, a duty free shop operator at Newark since 1978, will construct and operate new duty free shops at Terminals A and B, making the company the largest minority-owned airport concessionaire in the country.

• Newark's burgeoning international operations benefited from other service upgrades, notably at Terminal B's International Arrivals Center. A new moving walkway was built to speed arriving passengers from Immigration to Customs and baggage areas, while a new bypass corridor near Customs facilitates processing by allowing



New roadway signage goes up at Newark International Airport.

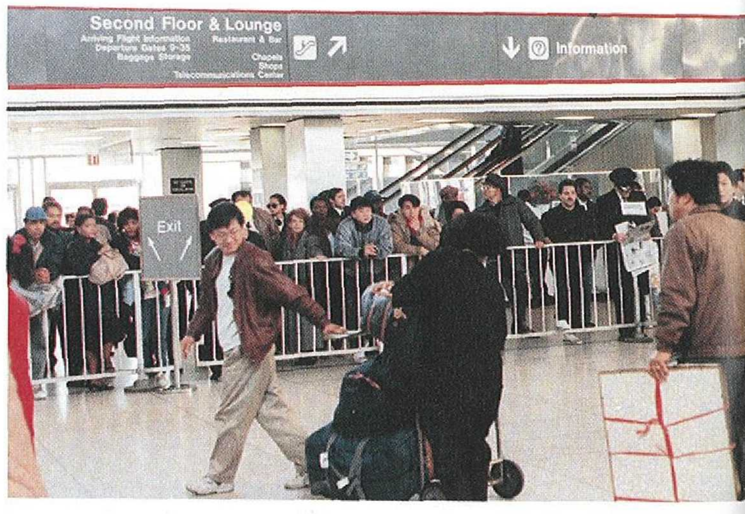
passengers to be cleared by roving Customs Inspectors.

• Putting courtesy and hospitality first, "Airport NICE" customer service training programs were conducted at Newark for airport bus drivers and others who deal directly with the public at ground transportation centers and parking lots. A proven success, "Airport NICE" will be expanded to Kennedy and LaGuardia in 1991.

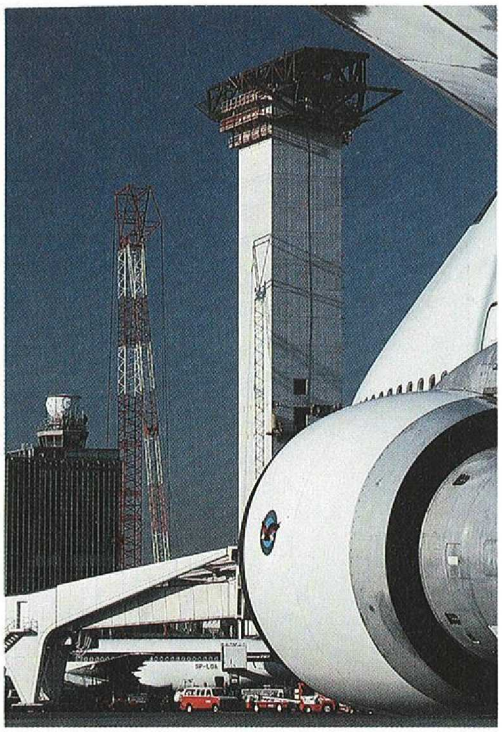
• The Port Authority Board authorized $378 million for Newark's automated "people mover" system, which will link the airport's three terminals, the long-term parking lots and rental car facilities. The system will also provide capability for a link between the airport and proposed off-airport transit systems.

• A $50 million modernization of Kennedy's International Arrivals Building gave passengers a variety of improvements, including new baggage facilities, a new waiting area for tour groups, expanded and brighter waiting areas for individual travelers, improved food services and better signage at airline service counters. The Customs Hall was also renovated and roving Customs Inspectors were added to expedite clearance of international arrivals during peak periods.

• At Kennedy, under its revised redevelopment plan, work focused on modernization of existing terminals—the International Arrivals Building, Terminal One (formerly used by Eastern Air Lines) and terminals operated by individual airlines. A new five-level 1,200-space public parking garage was completed in the Central Terminal Area. Progress was made on a new roadway system that will give buses, passenger vans and other high-occupancy vehicles priority access to each quadrant of the airport. In addition, the new roadway will provide faster connection to the Van Wyck Expressway.



Improvements at the International Arrivals Building at Kennedy International Airport help expedite the flow of passengers through the facility.



The new air traffic control tower under construction at Kennedy International Airport will be more than twice as high as the current tower (left) when completed in mid-1992.

• At Kennedy, a new air traffic control tower—that at 321 feet will be the tallest in the nation when finished—stood at 280 feet by year's end.

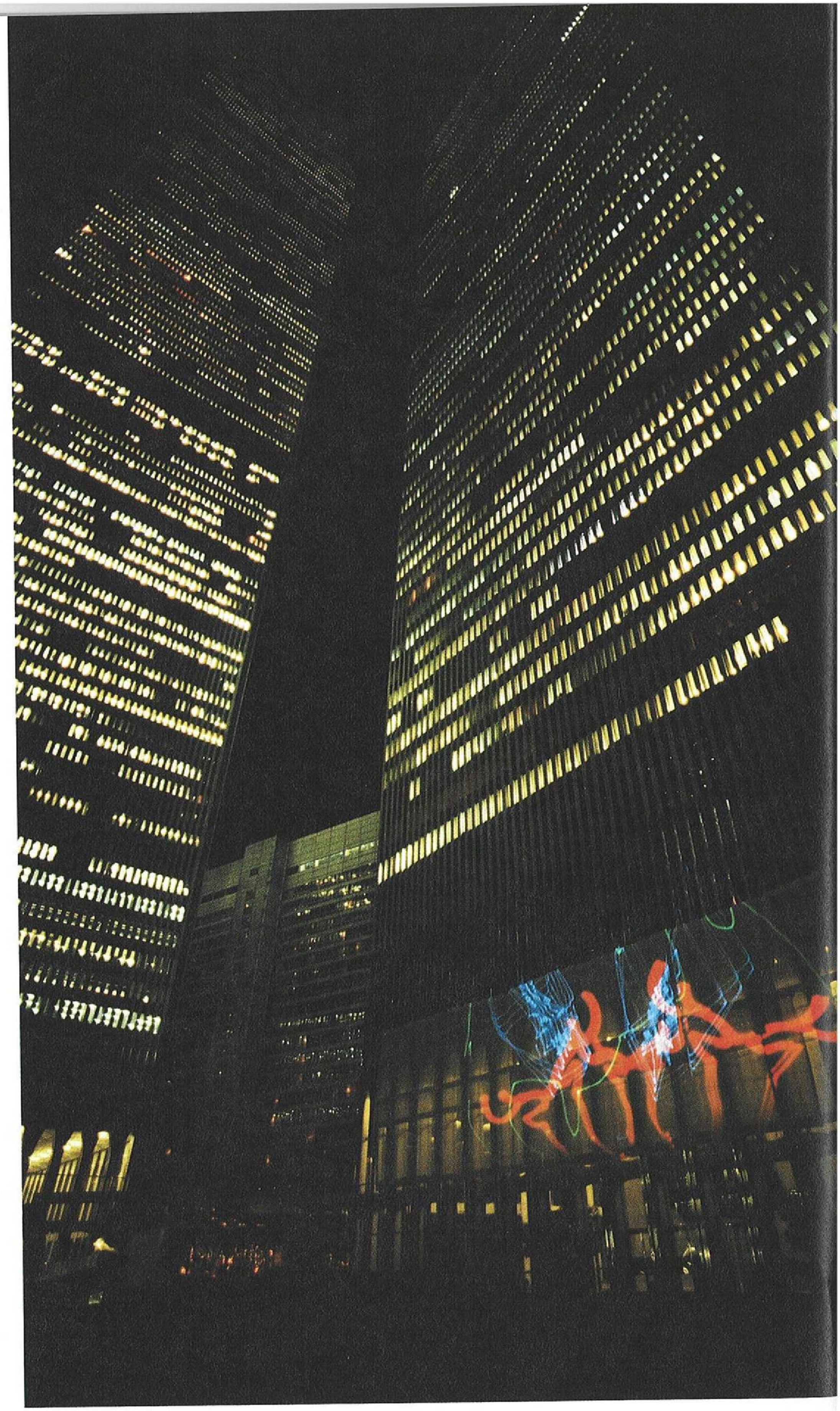
• The Port Authority Board authorized development of a cogeneration plant at Kennedy. Fueled by natural gas and environmentally clean, the plant will be able to supply the airport's electricity requirements well into the next century. The facility is called a cogeneration plant because it will generate both electric power and thermal energy. It will be operated by KIAC Partners, formed by subsidiaries of Brooklyn Union Gas Company and New Jersey's Public Service Enterprise Group, under an agreement with the Port Authority.

• LaGuardia Airport's redevelopment program moved ahead on renovation and expansion of the Central Terminal Building. Expected to be finished in early 1992, the expansion will create approximately 56,000 square feet of additional space for baggage claim, arrival waiting areas and ground transportation reservations. An expanded departure level roadway will be ready by mid-1991, and progress also continued on the new East End Terminal, scheduled to be finished in 1992.

• As required by the Federal Aviation Administration, the Port Authority began implementation of a new airport security plan at Kennedy, Newark and LaGuardia, including installation of a state-of-the-art system for monitoring and controlling access to restricted airport areas.

Also as part of airport safety and security, the purchase of 22 new rescue and fire fighting vehicles was completed during 1990, forming one of the world's largest fleets of airport emergency equipment.

At LaGuardia Airport, construction progressed on an expanded departure level roadway.



▲ ***The World Trade Center stands as both a focal point for international business and a popular attraction for visitors to the region.***

WORLD TRADE AND ECONOMIC DEVELOPMENT

World Trade and Economic Development activities in 1990 reflected the Port Authority's ongoing commitment to develop business opportunities at home and abroad, particularly during an economically depressed year.

The World Trade Center bustled as the region's focal point for international business, hosting a number of business forums with top corporate executives and visiting world leaders, including Greek Prime Minister Constantine Mitsotakis who discussed investment opportunities in Greece's newly emerging free market economy and Mexican President Carlos Salinas de Gortari, who promoted his country's commerce and culture. The World Trade Center also was the site of trade shows highlighting the culture, products and services of various foreign countries, including Hungary and Japan.

Projects also responded to the needs of today's information-intensive business environment, as facility and technical expansion continued at the Teleport satellite communications center on Staten Island.

Industrial development projects, trade missions and facility improvements and service initiatives were among other activities during the year—bolstered by $67 million in capital spending. They included:

• Modernization of the World Trade Center, which marked its 20th anniversary, continued with projects ranging from elevator rebuilding and repair to outdoor plaza refurbishing. Four new cleaning contracts were awarded that incorporated a number of provisions to assure quality service for tenants as well as increased opportunities for minority- and women-owned firms.

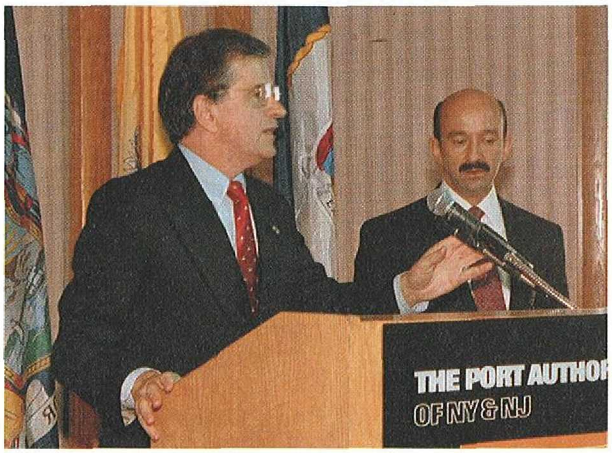
The occupancy rate at the World Trade Center continued to exceed 90 percent despite the depressed real estate market in lower Manhattan where the average occupancy rate was 84 percent. More than 40 percent of the World Trade Center's tenants are international firms, including new lease agreements in 1990 with two major Taiwanese banks.

• A refurbished World Trade Institute, the educational arm of the World Trade Center, provided 560 international business programs to more than 7,000 participants from 90 countries.

• XPORT, the Port Authority's pioneering export trading company, helped 70 small and medium-sized client companies realize overseas sales of $23 million.

• The region's international trade competitiveness was further advanced by a joint international agenda established between the Port Authority and the States of New York and New Jersey. Features of the innovative partnership range from toll-free export information lines for local businesses to increased reliance by the states on the Port Authority's Trade Development Offices in Europe and Asia.

• Through the Port Authority's reverse investment initiatives, 18 foreign companies agreed to locate operations in the New York-New Jersey region. This is expected to create more than 300 immediate new jobs and generate up to 900 jobs in about three years. Since 1988, some 58 foreign companies have opened businesses here, employing more than 2,000 people.



Port Authority Chairman Richard C. Leone introduces Carlos Salinas de Gortari, President of Mexico, who brought his country's economic message to business leaders at the World Trade Center in October.

IKEA, the Swedish home furnishing company, opened a major retail distribution center at the Port Authority Industrial Park at Elizabeth, NJ.

• At the 250-acre Teleport complex on Staten Island, Teleport Associates opened Teleport II in October. The new office building represented significant expansion of operations at the state-of-the-art communications complex. At year's end, Teleport consisted of five ultra-modern buildings supported by advanced telephone and satellite equipment and 18 earth stations providing a link-up with international and domestic satellites positioned over the Atlantic Ocean. Teleport is being developed by the Port Authority, Merrill Lynch & Company and the City of New York. More than 800 new jobs have been created at Teleport.

• Following completion of the 20-story Newark Legal Center in December 1989, over 75 percent of the available space was occupied or committed a year later through sale or lease agreements. Occupants—9 law firms, a bank, business service firm, food service and newsstand—employ an estimated 1,000 people.

• At the Industrial Park at Elizabeth, NJ, the Swedish home furnishing company—IKEA—opened a major retail distribution center on 21 acres it had purchased from the Port Authority. The facility created 350 permanent new jobs.

• The bulk of capital improvements at the Industrial Park at Yonkers, NY, were completed, including interior and exterior refurbishments. Among new tenants, Norman Lifton Co., a major commercial carpeting distributor, consolidated its operations by adding 90 new employees.

• At the Bathgate Industrial Park in the South Bronx, the Port Authority awarded a

Dorinda Salort (right), Assistant Product Manager of XPORT, confers with Dr. Judith Fitzpatrick, President of Serex, Inc., a biomedical firm in Tenafly, NJ, and one of 70 firms XPORT helped with overseas marketing in 1990. Serex research scientist Bhavna Modh tests a new product.

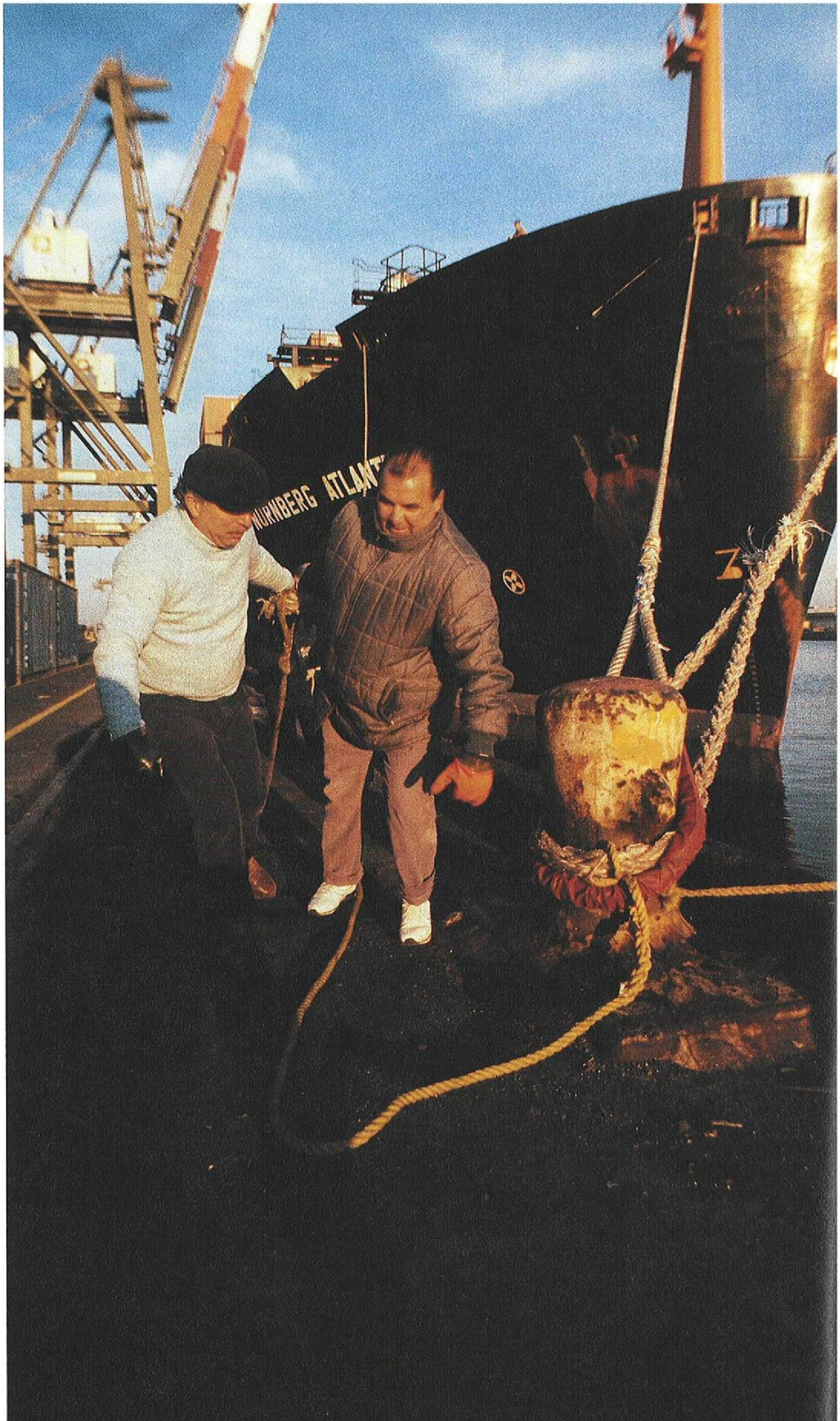
contract for the construction of a Bronx Educational Opportunity Center to help meet the job training needs of local residents, many of whom are under-employed or unemployed. Scheduled for completion in late 1991, the new facility will include classrooms, industrial and technical trade areas, mechanical science laboratories and other support facilities. The Bathgate Industrial Park provides employment for some 1,400 local residents.

• In waterfront development projects, the New York State Urban Development Corporation's (UDC) General Project Plan for the Hunters Point project in Long Island City was approved by the New York City Planning Commission and the Board of Estimate. The project, which is to be undertaken by the Port Authority, the New York City Public Development Corporation and UDC, will transform underutilized land into a vital commercial, residential and recreational development.

Conversely, on July 10, a Hoboken citywide referendum defeated, by 12 votes, the City-Port Authority plan for development of the Hoboken piers into commercial, residential and recreational space to help advance the City's urban revitalization. All work directly related to the Hoboken waterfront project was suspended, pending development of a modified proposal by the City.

• The Essex County Resource Recovery Facility began operations in November. At year's end, the mass-burn solid waste disposal facility was processing refuse from all municipalities in Essex County—including Newark, the state's largest city—and from two adjoining counties.

Teleport II, which opened in October, was built by Teleport Associates, a joint venture of Silverstein Properties, Inc. of New York City and Murray Construction Co., Inc. of Springfield, NJ. At a ceremony marking the opening are (left to right) Robert E. Catlin, Port Authority Manager of the Teleport complex; Jeffrey J. Siegel, Senior Vice President, Murray Construction Co., Maurice M. Weill, President, Murray Construction Co., and Guy Molinari, President, Borough of Staten Island.



▲ ***More than 5,000 ships call at the New York-New Jersey port annually, generating nearly $17 billion in regional economic activity and 180,000 jobs.***

PORT

During 1990, efforts to improve the New York-New Jersey port's competitive position focused on aggressive marketing, promotion and modernization of existing facilities and services—and the development of innovative new ones.

Following a strong turnaround in 1989, oceanborne general cargo declined 6.6 percent to 12.4 million long tons, reflecting the weakness of both the national and regional economies. Imports declined 9 percent to 8.5 million long tons, and general cargo exports were down 1 percent to just under 4 million long tons. The value of general cargo handled in 1990 was nearly $44 billion.

In the business development area, a special committee promoting the Red Hook Containerport conducted a trade mission to selected ports and shipping lines in the Soviet Union, Denmark, Norway and West Germany. The Red Hook Promotion Committee consisted of representatives from the State of New York, City of New York, the Port Authority and Universal Maritime Service Corporation, the terminal's operator. A $16 million Red Hook expansion and modernization project progressed during the year to double the container terminal's capacity. The project includes a wharf extension, lighting upgrade, new entrance complex and new fuel storage tanks.

Port Authority staff and business partners also targeted new opportunities through trade missions to other selected ports and shipping lines in Europe and Asia.

Port capital spending in 1990 totaled $66 million for a variety of projects, including deepening channels, strengthening intermodal connections and modernizing warehouse distribution facilities, while also supporting and promoting a number of new or improved customer services. Facility and service improvements included:

• The Container Incentive Program helped to more than double the volume of cargo moving by rail through the region during the year. Under the program, begun in 1988, the Port Authority provides cash incentives per container to shippers and steamship lines to attract marine cargo moving by rail to or from inland points 260 miles beyond the port.

• Cost-saving initiatives were also realized. As a result of a new contract between the New York Shipping Association and the International Longshoremen's Association, the tonnage assessment paid by steamship lines was reduced by $1 per ton.

• Several construction projects were completed on warehouse distribution buildings at Port Newark/Elizabeth. A third modular building was finished at the new Expressport Plaza complex, where 15 of 22 units were leased by year's end. Modernization and expansion of older distribution buildings also continued as three facilities were completely renovated and 400,000 square feet of space at these buildings was leased. A $10 million temperature-controlled facility to be used by East Coast Warehouse Corporation was also completed.

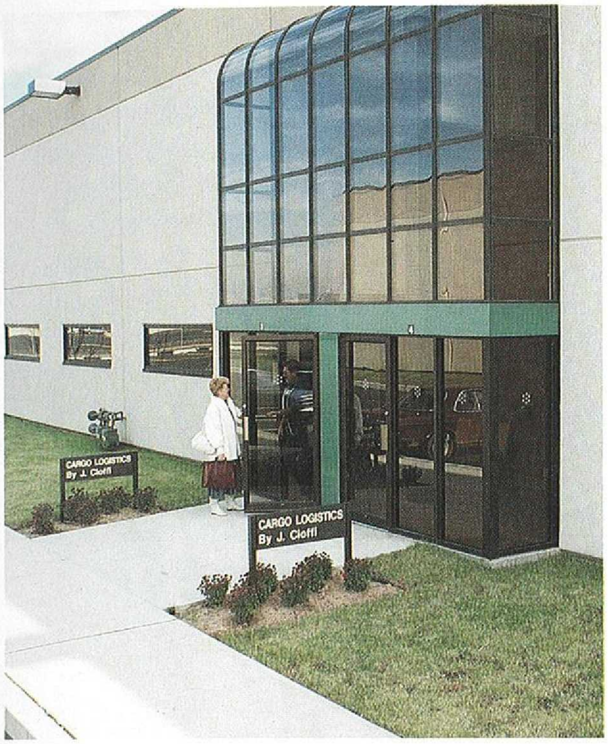
At a ceremony in May announcing the start of construction on a $16 million improvement program at the Red Hook Containerport on the Brooklyn waterfront are (left to right) Franklin White, Commissioner, New York State Department of Transportation; Barbara Fife, Deputy Mayor, City of New York; Stephen Berger, Executive Director, Port Authority; Lillian Liburdi, Director, Port Department, Port Authority; Howard Golden, President, Borough of Brooklyn; Reverend Lee Smith, Stella Maris Seamen's Center, Brooklyn; Robert E. Martin, President, Universal Maritime Service Corp.; (second row) Roy Jaeger, Assistant Director, Port Department, Port Authority; and Patricia Zedalis, Deputy Director, New York City Department of Ports and Trade.

• At the Maher Fleet Street Terminal, $21 million in general terminal improvements included the demolition of some unused buildings, repaving of the entire terminal and installation of a new floodlight system.

• Among new business ventures, a $15 million vegetable oil refinery was opened in Port Newark by Aarhus, Inc., a Danish importer and processor of vegetable oil. The vegetable oils are brought in by ship from plantations in Malaysia and the Philippines and processed at Port Newark for distribution throughout the East Coast to biscuit makers, chocolate companies and powdered milk producers.

• Also in the business development area, Foreign Trade Zone No. 49 was expanded by the U.S. Department of Commerce to include the Port Authority's Auto Marine Terminal, a modern facility for processing and distributing imported cars. The facility is located on the Jersey City-Bayonne border in Upper New York Bay. Intermodal connections improved when Conrail agreed to provide rail access to the Auto Marine Terminal — enhancing service available to customers at the facility.

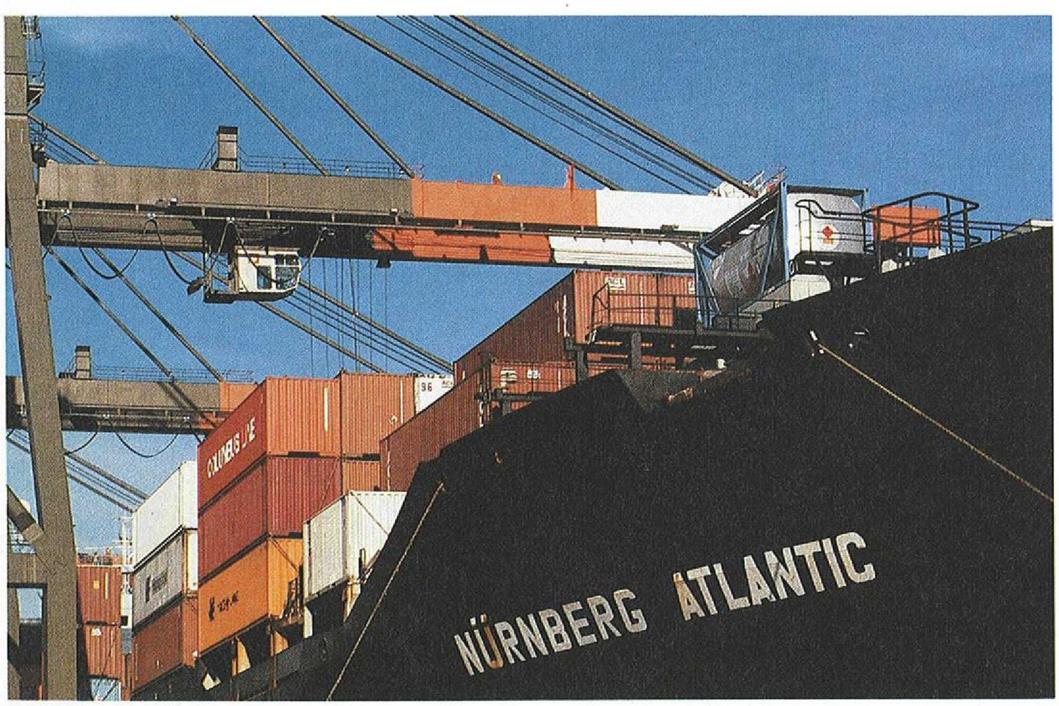
• A new agreement was signed in May with the City of New York for the Port Authority's long-term lease of the Howland Hook Marine Terminal on Staten Island. The agreement calls for a $25 million capital investment in the facility. At year's end, discussions with prospective new tenants were under way after Sea Terminals, the stevedore operating the container facility, ceased operations in October.



At the Expressport Plaza modular warehouse and office complex, 15 of 22 units were leased by year's end.

• In a joint undertaking with the U.S. Army Corps of Engineers, dredging progressed on the deepening and widening of the Kill Van Kull and Newark Bay channels. The project, scheduled for completion in the mid-1990s, will improve the port's future competitiveness by providing access for the largest class of containerships.

• Recognizing growing concerns about oil spills and their impact on the environment and the region's business, the Port Authority announced it will work with the U.S. Coast Guard to develop and conduct a port oil pollution minimization project, as mandated by the Oil Spill Pollution Act of 1990. The Port Authority and Coast Guard will examine integrated oil spill prevention and clean-up procedures. The project will help unite harbor-wide oil spill prevention efforts and serve as a model for other ports.



The New York-New Jersey port, the largest North Atlantic port in the U.S., handled 12.4 million long tons of general oceanborne cargo in 1990, valued at nearly $44 billion.

▲ ***High atop the George Washington Bridge, area school children from New York and New Jersey sing the National Anthem in celebration of Flag Day on June 14. The bridge's 60-by-90-foot flag is the largest free-flying flag in the world.***

INTERSTATE TRANSPORTATION

To facilitate the movement of people and goods on the agency's interstate transportation network in 1990—and into the next century—the Port Authority advanced or completed a number of facility improvements and service innovations.

The network registered nearly flat traffic growth during the year, as revenues at tunnels, bridges and terminal facilities rose by less than 1 percent, while PATH revenues decreased by 4 percent. As a result, the interstate system's deficit totaled $56 million in 1990, without allowance for interest on outstanding capital debt attributable to these facilities. Capital spending totaled $279 million.

TUNNELS, BRIDGES AND TERMINALS

At the Port Authority's interstate bridges, tunnels and bus terminal facilities, 1990 was a year of increased infrastructure renewal, noteworthy milestones and the introduction of new technology.

Capital spending for improvements to the system amounted to $115 million, and motorists and bus passengers witnessed firsthand the substantial progress made on important projects, such as the new entrance plaza under construction at the Holland Tunnel.

Customer service improvements helped reduce toll plaza delays, provided commuters with alternative payment methods and afforded bus passengers easier access to information. Among them:

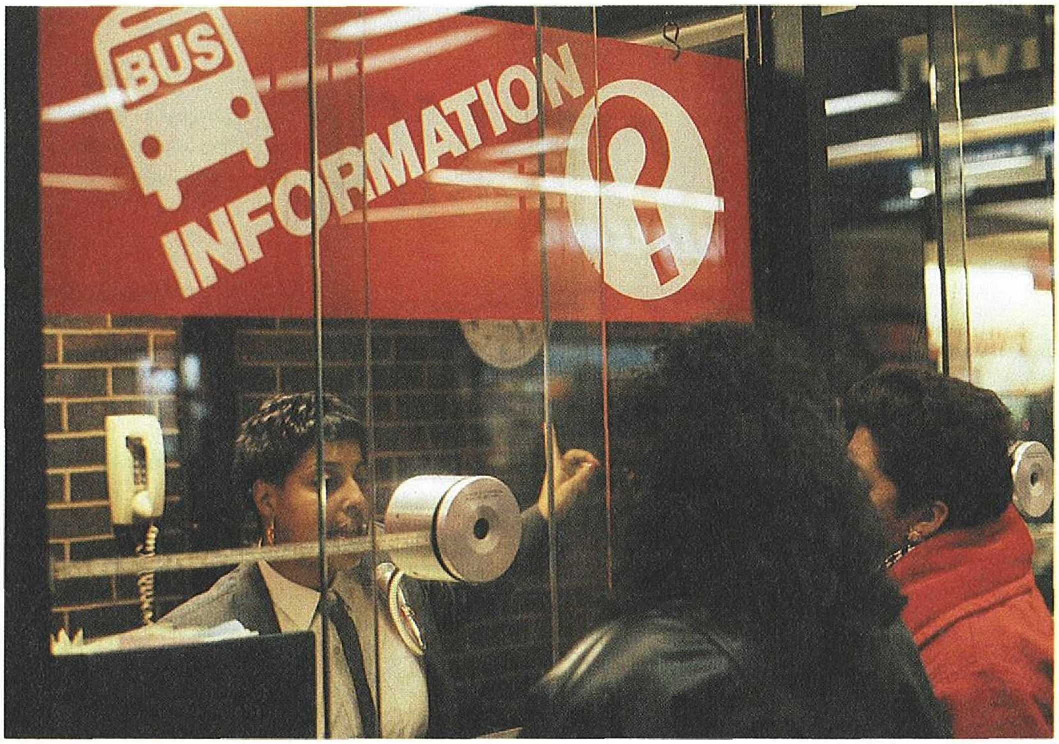
• At the Port Authority Bus Terminal, which marked its 40th anniversary, new information booths were installed to assist patrons at their point of entry to the mid-Manhattan facility. The booth in the North Wing Main Concourse lobby entrance is open 24 hours daily and the South Wing Main Concourse booth is staffed from 6 a.m.–10 p.m.

Bus Terminal capital improvements included service upgrades, better lighting at parking levels and security enhancements for elevators and stairways.

• Also at the Bus Terminal, taxi dispatch operations were expanded to provide service seven days a week from 7 a.m. to 11 p.m. The extension of this service on Eighth Avenue has effectively organized taxi and customer queuing, reduced baggage hustling and helped enforce New York City Taxi and Limousine Commission dispatch regulations.

• At the Goethals and George Washington Bridges and Outerbridge Crossing, exact-fare toll lanes were established to expedite passenger car traffic flow during peak periods. Due to positive feedback from motorists, exact toll lanes will be established at the Lincoln and Holland Tunnels in 1991.

• To increase the availability of commuter ticket books, satellite ticket sales outlets were opened at the Goethals and George Washington Bridges in October. In November, commuter ticket book sales outlets were also established at the Holland and Lincoln Tunnel Administration Buildings. The outlets supplement the mail sales system introduced



New information booths at the Port Authority Bus Terminal enable Lobby Agent Jill Shepard to assist patrons at their point of entry to the facility.

in 1989 by addressing the special needs of some customers.

• An Electronic Toll Collection (ETC) system test was initiated at the Goethals Bridge for cars, trucks and buses in an effort to provide customers with convenient alternatives to conventional toll payment and to improve the region's mobility and environment. Plans are under way to introduce the system at all Port Authority bridges and tunnels, while working with other toll agencies to establish a compatible regional ETC system.

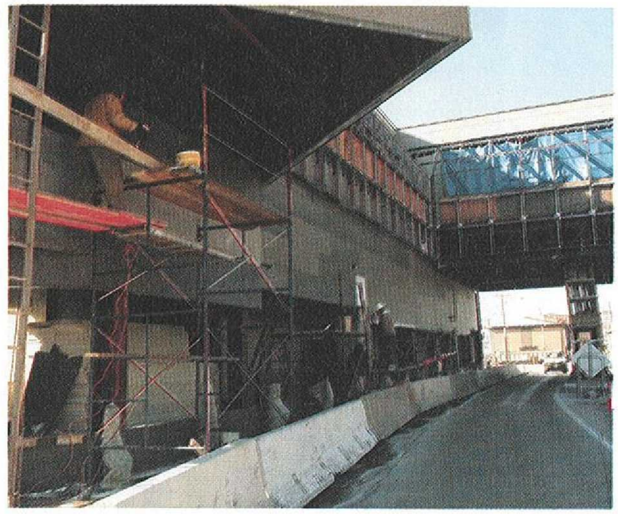
• Electronic Toll Collection, in use on the Exclusive Bus Lane (XBL) of the Lincoln Tunnel since 1987, reached 95 percent subscription of all commuter buses. In December the XBL also marked its 20th anniversary as the nation's first dedicated contra-flow bus lane. To date, more than six million buses and 244 million passengers have used the lane to cut their morning commuting time by 10 to 25 minutes. The region's transportation agencies joined in marking the anniversary of the XBL, a pioneering innovation that has been widely replicated to offer commuters a quicker, more reliable transit alternative in many U.S. metropolitan areas.

• On the New York side of the George Washington Bridge, major repair and rehabilitation of four of the five overpasses that carry local New York City traffic above the Trans-Manhattan Expressway was completed as part of a $30 million capital project. In a series of rehabilitation projects to extend the service life of ramps and roadways at the George Washington Bridge, work was started on the lower level New York approach roadway and is scheduled for completion in 1991.

• In contrast to the Hudson River crossings, traffic between Staten Island and New Jersey has continued to show strong growth. Proposed alternatives to accommodate this growth were discussed by the Port Authority with a wide range of local officials and community groups in both states. Preliminary analyses point to the Goethals Bridge where capacity could be nearly doubled by adding a new parallel structure or replacing the existing crossing. This would improve service at both the Goethals Bridge and Outerbridge Crossing.

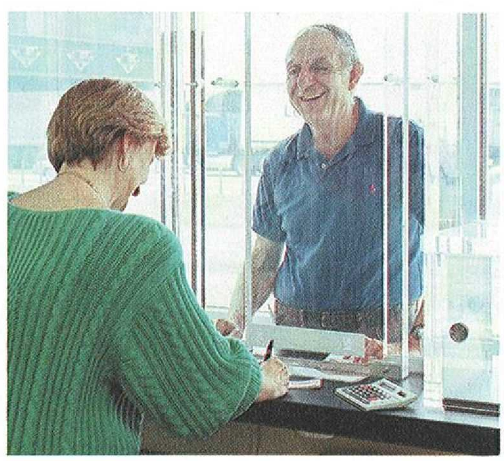
• Rehabilitation began on the North Tube of the Lincoln Tunnel, a $57 million project

Test of an electronic toll collection system was initiated at the Goethals Bridge to help improve traffic flow.



When completed in 1991, a $54 million renovation project at the Holland Tunnel will include a new toll house and entrance plaza with nine toll lanes — one more than the old plaza.

scheduled for completion in 1991 to help extend the service life of the tunnel's infrastructure and reduce the likelihood of system disruptions. Planning also got under way for a similar project on the South Tube. At the Lincoln Tunnel, rehabilitation of the New Jersey helix, or elevated roadway, was completed.



Supervising Clerk Jayrene O'Shaughnessy (left) assists patron at the new commuter ticket book sales outlet opened during the year at the Goethals Bridge.

▲ *PATH's new QuickCard is a magnetically encoded fare card system designed to make daily commuting faster and easier for the rail transit system's more than 100,000 daily roundtrip riders.*

PATH

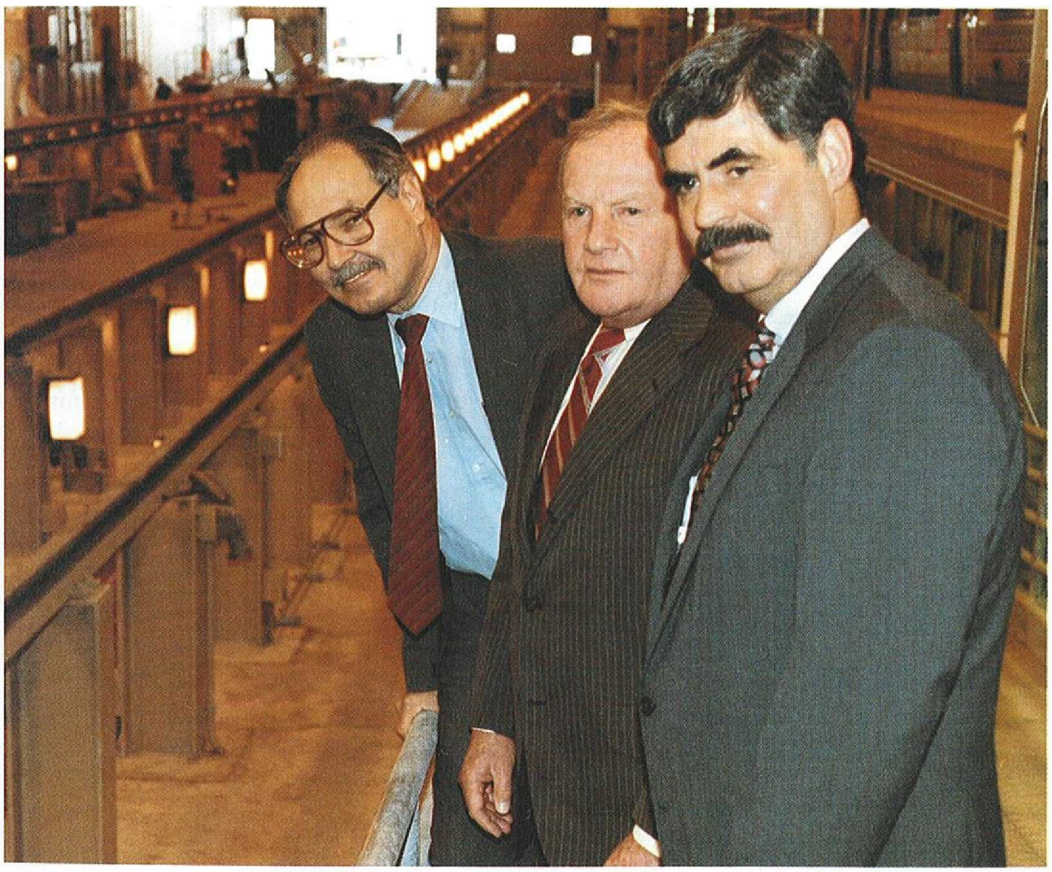
Capital projects, facility and service enhancements as well as customer relations programs resulted in system-wide benefits to improve current levels of service as well as meet expanded capacity demands in the future.

In 1990, PATH ridership, which experienced a diversion of 1.1 million passengers from its Hoboken-World Trade Center line to the Hoboken-Battery Park City ferry, nonetheless decreased only slightly to 56 million passengers, compared with 56.4 million the year before.

Recognizing the importance of customer relations, PATH continued its PATHursday and Patron Advisory Board programs to reach out to riders to get their views and suggestions on all facets of its operation. PATHursday gives riders an opportunity to meet face-to-face with the transit system's management every Thursday at the World Trade Center Terminal.

PATH's Patron Advisory Board series provides interested customers with a comprehensive orientation program on the PATH system, in-depth meetings with PATH's top management and inspection of PATH's facilities.

These programs help improve communications and provide a greater understanding of patron concerns.

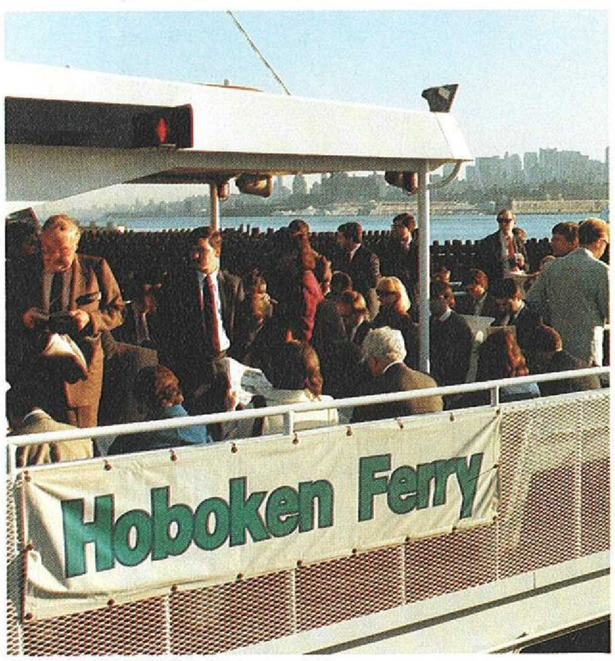


Port Authority Executive Director Stanley Brezenoff, Commissioner Robert Van Buren and Interstate Transportation Director Richard Kelly inspect one of 12 tracks leading directly into PATH's new car maintenance facility and storage yard, which was opened in October.

Facility and service improvements during the year included:

• PATH's newly renovated and modernized Pavonia/Newport station was dedicated in February. The rebuilt station features a sparkling new entrance pavilion, new escalators and stairways, brightly colored mosaic panels and newly designed finishes to enhance the station's original architecture.

• In June, PATH introduced QuickCard, its new magnetically encoded fare card system designed to make commuting more convenient by allowing a passenger to pass through the turnstile simply by inserting the card. By year's end, work had progressed on the installation of QuickCard turnstiles and ticket vending machines at all PATH stations. As an added convenience, a joint ticketing program with NJ Transit was introduced that allows passengers of both systems to take care of their monthly commuting requirements with one purchase.



Daily passenger volume on the modern commuter ferry service introduced in 1989 between Hoboken and Battery Park City in lower Manhattan increased over 80 percent during its first year of operation.

• As part of PATH's capital improvement program, a new car maintenance facility in Harrison, NJ, began operations in October. This $205 million state-of-the-art shop and storage yard complex replaces an outmoded car shop in Jersey City built in 1910 by PATH's predecessor, the Hudson and Manhattan Railroad. The new facility enables greater emphasis to be placed on preventive maintenance and significantly reduces the length of time a car is kept out of service for repairs. As many as 48 cars can be serviced simultaneously—more than twice as many as could be accommodated at the old car shop.

FERRY TRANSPORTATION

• The Hoboken-Battery Park City (lower Manhattan) ferry service celebrated its first anniversary on October 16 by honoring its one millionth passenger. Daily passenger volume during the first year grew from an average 2,700 riders in the first two months to over 5,000 by the end of 1990.

Interagency Cooperation

• The Port Authority continued to be an active participant in TRANSCOM, a coalition of 14 New York and New Jersey transportation agencies dedicated to improving the operation of the region's highway network and mitigating the impacts of major construction and traffic disruptions. The Port Authority administers the program on behalf of the member agencies. In May, TRANSCOM's Operations Information Center expanded to a 24-hour, 365 days a year operation. The number of incidents reported through TRANSCOM rose 60 percent over 1989, while the number of highway and transit facilities as well as police agencies on the TRANSCOM network increased to nearly 100. Also in 1990, TRANSCOM received another $3 million from the Federal Highway Administration for traffic management technology. Among plans is a "smart" highway project designed to automatically detect traffic delays or other incidents on the New Jersey — Staten Island corridor.

• The Port Authority also continued as an active member of the Bistate Forum, a cooperative effort of the region's "Big Six" transportation agencies. Other members are the New York and New Jersey State Departments of Transportation, New York City Department of Transportation, Metropolitan Transportation Authority and New Jersey Transit Corporation.

The Port Authority was among major transportation agencies named by New Jersey Governor Jim Florio to the newly formed Transportation Executive Council. The Council was established in 1990 to develop an integrated and strategic transportation investment plan for New Jersey. Port Authority staff helped prepare the Council's first report to the Governor on the improvements needed to support the state's economy in the decade ahead.

• TransitCenter, a public-private alliance established by the Port Authority, the Metropolitan Transportation Authority and New Jersey Transit Corporation to work with the region's businesses to promote mass transit among employees, noted a number of achievements in 1990. Among them, its employer-funded tax-free transit subsidy program, TransitChek, continued to grow and counted its enrollment at 1,200 companies at year's end. TransitCenter also received the U.S. Department of Energy's 1990 Best Energy Education and Promotion Award for its *Manhattan Traveler Portfolio*, the first transit guide for traveling into and around Manhattan without a car.

The TransitChek employer-funded transit subsidy program continued to expand in 1990.

COMMUNITY PARTNERSHIPS

From improved contract opportunities for small regional businesses to a paper recycling program at the World Trade Center, the Port Authority continued to develop and support a range of social, community and environmental initiatives in 1990. They included:

• Through various programs administered by the agency's Office of Business and Job Opportunity (OBJO), more than $60 million in new construction, purchasing and consulting contracts was awarded to minority- and women-owned businesses (M/WBEs). A new Small Business Enterprise Program was established to provide special bidding considerations to help small New York and New Jersey businesses compete for Port Authority contracts. Under the program, construction, janitorial maintenance and guard service contracts totaling more than $10 million were awarded to participating small businesses.

The Managing Growth classroom series provides intensive management training.

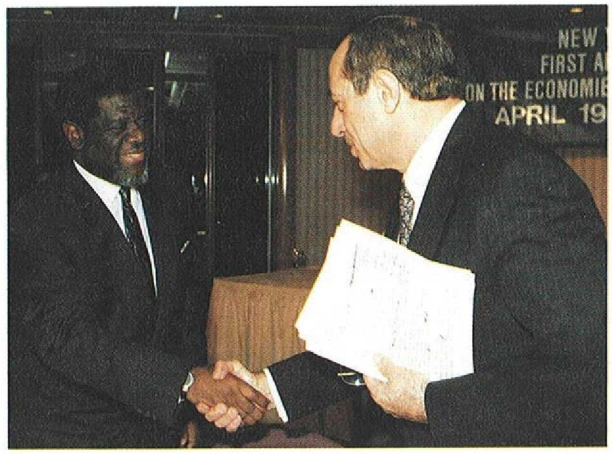
• Further promoting entrepreneurial growth and development among disadvantaged companies, the Port Authority's Managing Growth classroom series provided intensive management training to 275 individuals representing 227 small, minority- and women-owned construction firms. Top executives from some of the largest firms in construction and related fields served as instructors. In cooperation with several private banks, the agency also developed financial assistance programs that helped arrange more than $2.4 million in loans to small, minority- and women-owned firms.

To ensure the continued expansion of the business assistance programs, the Port Authority spearheaded the formation of the Regional Alliance for Small Contractors, Inc., a public-private consortium that will help fund, coordinate and develop new business assistance initiatives throughout the region.

• Through the Industrial Park at Yonkers, NY, the Port Authority chaired the Westchester County-Yonkers Private Industry Councils' Jobs for Youth Program. Office space and job training accommodations were provided to support the five-month program, which resulted in 265 disadvantaged youths being placed in summer and full-time jobs.

The Port Authority also continued efforts under its Local Assistance Program to assist older urban communities with economic development projects.

• The Port Authority co-sponsored the New York State First African Forum on the Economies of Southern Africa, held at the World Trade Center in April. Other sponsors were the New York State Department of Economic Development, the African-American Institute and the Harlem International Trade Center Corporation.



New York Governor Mario Cuomo welcomes Theo-Ben Gurirab, Foreign Minister of Namibia, at the forum on the economies of Southern Africa.

• In seeking input on the issue of aircraft noise, public forums were held in New York and New Jersey in October and November to assess the feasibility of banning older, noisier jet aircraft from Kennedy International, Newark International and LaGuardia Airports. The forums, held in communities around the three airports, were attended by Port Authority Commissioners and staff, public officials, concerned citizens and representatives of the airline industry.

In addition, Governor Jim Florio and U.S. Senators Bill Bradley and Frank Lautenberg of New Jersey joined Port Authority Chairman Richard C. Leone in December to announce formation of an aviation advisory committee for northern New Jersey and Staten Island. While the initial focus will be on aircraft noise, Governor Florio described the committee as "a valuable forum for public input into the many airport-related issues that affect the citizens of our state."

At Newark International Airport after announcing an aviation advisory committee are (left to right) Port Authority Chairman Richard C. Leone, U.S. Senator Bill Bradley, New Jersey Governor Jim Florio and U.S Senator Frank Lautenberg.

• "Transportation: Yesterday, Today and Tomorrow," a course developed by the Port Authority in cooperation with city educators, was taught on a pilot basis in the spring at five New York City public high schools. Based on evaluations by teachers, it was recommended that the course be included in curricula throughout the New York City school system. During the year, two high schools in New Jersey also taught the course, designed to introduce students to the wide range of trade and transportation career opportunities in the government and private sectors. It is anticipated that "Transportation: Yesterday, Today and Tomorrow" will be promoted as a curriculum option in high schools throughout the bistate region.

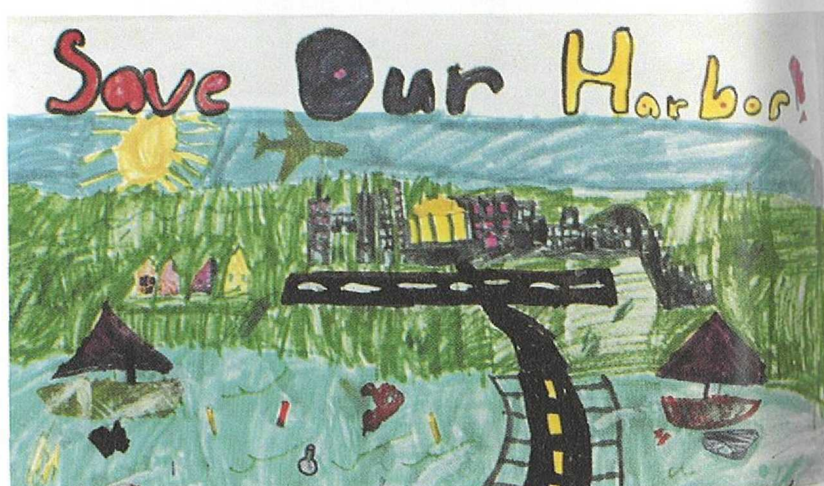
• By year's end, work had been completed at 20 of 30 schools in the agency's school soundproofing program, conducted in cooperation with the Federal Aviation Administration.

• Efforts to balance concerns for the homeless with service and safety needs of patrons and tenants at Port Authority facilities continued as a priority. As part of Port Authority-sponsored social service programs, for example, the City of Newark's Department of Human Services provides outreach and referral services to homeless people congregating at Newark International Airport. Similar assistance is provided by Volunteers of America at John F. Kennedy International and LaGuardia Airports, as well as the Port Authority Bus Terminal and World Trade Center. Social service agencies also assist the homeless at the Journal Square Transportation Center in Jersey City and the George Washington Bridge Bus Station in upper Manhattan.

• In March the World Trade Center began one of the largest workplace paper recycling programs in the U.S. The program was launched with 10,000 participants, including 3,000 Port Authority employees and 7,000 employees of 100 World Trade Center tenant companies. By year's end, most of the complex's 45,000 workers were participating in the program and recycling as much as 6.5 tons of paper per day.

• From April 16-22, the Port Authority joined hundreds of companies and organizations participating in Earth Week, a national environmental awareness campaign that culminated on the 20th anniversary of Earth Day. The Port Authority and other regional transportation agencies distributed coupons for free transportation on April 19, designated "Alternative Transportation Day" to draw attention to public transportation as a clean air alternative.

• The environment also was a major focus for the Harbor Festival Foundation, hosted by the Port Authority since 1977 to plan and coordinate summer events celebrating the historical, cultural and recreational benefits of the New York–New Jersey harbor. In 1990, an environmental public awareness campaign geared primarily to children featured a poster contest around the theme "Save Our Harbor" for youngsters in New York and New Jersey.



A winning entry in the "Save Our Harbor" poster contest sponsored by the Harbor Festival Foundation.

FINANCIAL SECTION

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, 1990, 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, 1990. 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. 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 49 and 50.

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 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 are not included in the Port Authority's financial statements since it does not meet 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.

Termination of Fund For Regional Development

The Port Authority and the States of New York and New Jersey entered into an agreement as of January 1, 1990 providing for the termination of the agreement creating the Fund for Regional Development (the "Fund"). Under this termination agreement, the Fund was terminated, the leasehold and any other interests of the Fund or of each of the States in certain space let to the Fund and in all revenues derived from such space were transferred to the Port Authority, all assets and liabilities of the Fund as reflected in its financial statements for 1989 became assets and liabilities of the Port Authority, all leases held by the Fund were acquired by the Port Authority, and all liabilities of the Fund owed to the Port Authority were deemed satisfied. In consideration of the foregoing, the Port Authority has agreed to make a series of fifty-nine semi-annual payments, to be equally divided between the States, commencing on March 1, 1992, at approximately $14,000,000 and increasing thereafter to approximately $26,600,000, with the last payment to be approximately $53,600,000 (see Note D-3). These payments by the Port Authority are to be made in the same manner and out of the same revenues as operating expenses of the Port Authority (see Note A-11). The cost to the Port Authority in connection with the termination of the Fund agreement is approximately $430,500,000, which includes the net present value of the payments to the States of $326,000,000, the assumption of the Fund's net liabilities of $101,000,000 (comprised of $130,000,000 due to the Port Authority which was deemed satisfied less Fund assets of $29,000,000) and additional liabilities of $3,500,000 to New York State as a result of the termination agreement.

Results of Operations

Gross operating revenues totalled $1,690,730,000 in 1990, an increase of $163,950,000 or 10.7% over 1989. This growth is primarily attributable to the full year of ownership of the Vista Hotel, rental revenues related to the former Fund for Regional Development space at the World Trade Center, higher flight fee revenues and increased service charges at the New York airports, and higher revenues from International Facility activity at Newark International Airport. Operating expenses totalled $1,282,298,000 in 1990, an increase of $158,080,000 or 14.1% over 1989, primarily a result of the full year of ownership of the Vista Hotel, and higher expenses incurred for labor, maintenance programs and janitorial services, equipment and materials purchases, insurance and bad debts. In addition, certain capital expenditures relating to the JFK Redevelopment project were re-evaluated and subsequently charged as an operating expense.

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 $44,751,000 were recorded pursuant to Port Authority bond resolutions on long-term investments.

Short-term investments consisted primarily of United States Government securities (including such securities held pursuant to repurchase agreements) and money market instruments. In addition to government securities, short-term investments were also made in limited amounts of investment grade negotiable bankers' acceptances and commercial paper, 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 $33,944,000. The Port Authority also participated in the market for municipal bond futures contracts traded on the Chicago Board of Trade. These contracts are used to manage interest rate exposure on future bond issuance. Gains and losses on interest rate future contracts are accounted for as interest income or interest expense over the life of the bond series on which exposure was managed.

Combined income on such long-term and short-term investments decreased from 1989 by approximately 1.1%, primarily due to lower average investment balances and generally declining interest rates.

The balance of financial income credited to operations pursuant to Port Authority bond resolutions is principally interest on loans in connection with the Essex County Resource Recovery Facility and conditional installment sales of office units at the Newark Legal and Communications Center.

Financial Position

The total assets of the Port Authority as of December 31, 1990, were $7,760,191,000, an increase of 16.1% over 1989. Net capital expenditures, which exclude advances for the Essex County Resource Recovery Facility, amounted to $685,552,000. This increase is partially due to the additional investment of $255,456,000 in Air Terminals primarily for improvements and the rehabilitation of roadways, taxiways and buildings at LaGuardia and John F. Kennedy International Airports, and the JFK and Newark Redevelopment Programs. Investment in other facilities rose by $430,096,000, led by investment in Interstate Transportation Network facilities which increased by $272,964,000, primarily as a result of expenditures related to PATH's Harrison Maintenance Facility and safety projects, the Lincoln Tunnel North Tube Rehabilitation project, the Holland Tunnel Plaza Redevelopment project and expenditures at the George Washington Bridge. Capital expenditures for improvements at the World Trade Center and the continued construction at the Newark Legal and Communications Center were contributing factors to a $20,939,000 increase in investment in World Trade and Economic Development facilities. Investment in the remaining facilities increased by $136,193,000, mainly due to capital expenditures related to regional development programs, the Elizabeth-Port Authority Marine Terminal and Port Newark.

Debt Administration

On December 31, 1990, Outstanding Obligations of the Port Authority pursuant to Port Authority bond resolutions totalled $4,807,551,000 as shown in Schedule B and as detailed in Note D of the Consolidated Financial Statements on pages 72 and 52 through 55, respectively.

Outstanding Consolidated Bonds and Notes as of December 31, 1990, pursuant to Port Authority bond resolutions totalled $3,739,020,000. Interest rates shown below are the stated or coupon rate except for certain maturities of the Bonds of the Sixty-ninth Series issued on a capital appreciation basis. In 1990 the Port Authority issued four series of Consolidated Bonds. Consolidated Bonds, Sixty-seventh Series, in the principal amount of $100,000,000, issued for purposes of financing capital expenditures at certain facilities of the Port Authority, includes serial bonds maturing from 2005 to 2011 at interest rates ranging from 6.80% to 6.90% per annum and term bonds, bearing interest at the rate of 6 7/8% per annum due in 2025. Consolidated Bonds, Sixty-eighth Series, in the principal amount of $100,000,000, issued for purposes of financing capital expenditures at certain facilities of the Port Authority, includes serial bonds maturing from 2005 to 2011 at interest rates ranging from 7 1/8% to 7 1/4% per annum and term bonds, bearing interest at the rate of 7 1/4% per annum due in 2025. Consolidated Bonds, Sixty-ninth Series, which includes three installments, was issued for purposes of financing capital expenditures at certain facilities of the Port Authority. The first installment includes $9,915,000 in aggregate principal amount of serial bonds maturing from 1991 to 1999 at interest rates ranging from 5.90% to 6.70% per annum; the second installment includes $38,270,000 in aggregate amount at maturity of serial bonds on a capital appreciation basis maturing from 2000 to 2011 with yields at maturity ranging from 6.80% to 7.10%; the third installment includes $77,705,000 in aggregate principal amount of term bonds bearing interest at the rate of 7 1/8% per annum due in 2025. Consolidated Bonds, Seventieth Series, in the principal amount of $100,000,000, issued for purposes of refunding certain commercial paper obligations, includes serial bonds maturing from 2005 to 2011 at an interest rate of 7% per annum and term bonds, bearing interest at the rate of 7 1/4% per annum due in 2025.

The Port Authority also issued Consolidated Notes, Series QQ, in the principal amount of $100,000,000 due in 1993, bearing interest at the rate of 6 1/4% per annum, for the purpose of refunding maturing Consolidated Notes, Series PP, and certain commercial paper obligations.

On December 14, 1989, the Port Authority established and authorized the issuance and sale (as amended May 10, 1990) of Special Project Bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, in connection with a project including the construction of a passenger terminal at LaGuardia Airport leased to and to be occupied by Continental Airlines, Inc., and Eastern Air Lines, Inc. On June 12, 1990, the Port Authority issued a combined aggregate principal amount of $202,075,000 of the Series 2 Bonds (see Note M-1). Neither the full faith and credit of the Port Authority, nor the General Reserve Fund, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal and interest on Special Project Bonds. Principal and interest on each series of Special Project Bonds is to be secured solely by a mortgage by the Port Authority of facility rental (to the extent received by the Port Authority from a lessee) as set forth in a lease with respect to a project to be financed with the proceeds of the bonds of such series, by a mortgage by the lessee of its leasehold interest under the lease and by a security interest granted by the lessee to the Port Authority and mortgaged by the Port Authority in certain items of the lessee's personal property to be located at the project, and such other security in addition to the foregoing as may be required by the Port Authority from time to time as appropriate to the particular project.

Consolidated Bonds (which includes Consolidated Notes) are direct and general obligations of the Port Authority and the full faith and credit of the Port Authority are pledged to the payment of debt service thereon. All Consolidated Bonds, including any which may hereafter be issued, are also equally and ratably secured by a pledge of the net revenues of all existing facilities of the Port Authority 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).

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

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

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. Expenses incurred with respect to the acquisition of the assets and liabilities of the Fund for Regional Development are also payable in the same manner and out of the same revenues as operating expenses.

The Port Authority commercial paper program provides for Port Authority commercial paper obligations to be issued, in an aggregate principal amount at any one time outstanding not in excess of $300,000,000 in two separate series. Each of such series is limited to a maximum aggregate principal amount outstanding at any one time of $150,000,000. The total amount outstanding for both series at December 31, 1990 was $172,140,000. The principal of and interest on Port Authority commercial paper obligations are special obligations of the Authority, payable from the sources of payment and to the extent provided in the Port Authority Commercial Paper Resolution.

As of year-end 1990, 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, F-1+ by Fitch's, and MIG-1 by Moody's, the highest short-term debt rating given by each of the rating agencies. As of year-end 1990, 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 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 financial institutions aggregating up to $250,000,000 outstanding at any one time. As of December 31, 1990, 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 $182,000,000. These proceeds were used to refund certain commercial paper obligations and to refund Consolidated Notes, Series OO. The principal of and interest on loans under such Port Authority variable rate master note agreements are special obligations of the Authority, payable from the sources of payment and to the extent provided in the Port Authority Variable Rate Master Note Agreements Resolution.

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 1990, pursuant to Port Authority bond resolutions, totalled $195,176,000. Bonded debt repayment through operations and reserves amounted to $61,409,000 which includes long-term bonds with a par value of $59,675,000 retired through mandatory sinking fund and maturity payments, and repayment of commercial paper obligations of $1,734,000. Therefore, total debt service charged to net revenues and reserves was $256,585,000 which does not include amounts relating to New York State Guaranteed Commuter Car Bonds and Special Project Bonds. Capitalized interest for the year ended 1990 totalled $77,804,000. During the year, net assets pursuant to Port Authority bond resolution increased by 5.8% to a total of $5,373,067,000.

Reserve Funds

At year-end 1990, the General Reserve Fund balance was $441,613,450 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, 1990, the Consolidated Bond Reserve Fund had a balance of $296,465,000 after application of $235,984,000 to direct investment in facilities, $1,734,000 for repayment of commercial paper obligations, $4,097,000 for payments in connection with a leasehold acquisition and an appropriation of $351,000 to the Consolidated Bond Reserve Fund for self-insurance. The sum of these Reserve Funds was $738,079,000, which at year-end 1990 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, $737,079,000 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 sixth 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, 1989.

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.

Stanley Brezenoff — Executive Director

Barry Weintrob — Chief Financial Officer

February 28, 1991

Deloitte & Touche

Two Hilton Court
P.O. Box 319
Parsippany, New Jersey 07054-0319
Telephone: (201) 631-7000

Facsimile: (201) 631-7459

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

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, 1990. 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, 1990.

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, 1990, 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

November 21, 1990

Member
DRT International

Deloitte & Touche

Two Hilton Court
P.O. Box 319
Parsippany, New Jersey 07054-0319
Telephone: (201) 631-7000
Facsimile: (201) 631-7459

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, 1990 and 1989 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, 1990 and 1989, 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-11. 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, 1990 and the consolidated revenues and reserves for the year then ended in conformity with the accounting principles described in Note A-11.

Also, in our opinion, the supplementary information presented in Schedule D and the selected financial data for each of the years in the ten year period ended December 31, 1990 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, 1990 and 1989, in conformity with the basis of accounting described therein.

Deloitte & Touche

February 28, 1991

Member
DRT International

Consolidated Statement of Income

	Year Ended December 31, (In Thousands) 1990	1989
Gross Operating Revenues (Note L)	**$1,690,730**	$1,526,780
Operating Expenses:		
Employee compensation, including benefits	**521,705**	502,732
Materials, equipment, supplies and contract services	**323,044**	281,758
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	**120,144**	146,830
Heat, light and power	**79,253**	75,443
Other (Note K-4)	**238,152**	117,455
Total Operating Expenses	**1,282,298**	1,124,218
Depreciation on Facilities (Note B)	**193,173**	177,403
Amortization of Costs for Bus Programs (Note K-1)	**35,056**	34,964
Income from Operations	**180,203**	190,195
Financial Income and Expense:		
Income on investments	**84,051**	90,449
Gain on purchase of Port Authority bonds in connection with current sinking fund requirements	**1,931**	3,227
Interest Expense in connection with capital asset financing, net of capitalized interest	**(197,648)**	(176,228)
Interest Expense in connection with operating asset acquisitions	**(29,052)**	(1,533)
Gain (Loss) on Sale of Assets	**(8,953)**	142
Income Before Extraordinary Item	**30,532**	106,252
Extraordinary Item		
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements	**200**	1,644
Net Income	**30,732**	107,896
Add: Depreciation on Assets Acquired with Government Contributions in Aid of Construction	**14,884**	13,593
Increase in Net Income Invested in Port Authority Facilities, Operations and Reserves	**45,616**	121,489
Balance, January 1	**2,136,387**	2,014,898
Net Income Invested in Port Authority Facilities, Operations and Reserves, December 31	**$2,182,003**	$2,136,387

See Notes to Consolidated Financial Statements.

Consolidated Statement of Financial Position

	December 31, (In Thousands) 1990	1989
Assets		
Facilities, at Cost (Note B)	**$7,887,503**	$7,209,052
Less Accumulated Depreciation on Facilities	**2,509,286**	2,323,214
Facilities, Net	**5,378,217**	4,885,838
Cash (Note C)	**19,568**	32,385
Investments (Note C)	**845,144**	810,360
Accounts Receivable (net of allowance for doubtful accounts of $30,985,000 in 1990 and $13,391,000 in 1989) (Note M-1)	**84,586**	76,363
Other Amounts Receivable (net of allowance for doubtful accounts of $9,173,000 in 1990 and $5,107,000 in 1989) (Note M-1)	**308,346**	374,500
Amounts Receivable in connection with Special Project Bonds	**284,319**	93,139
Unamortized Costs for Bus Programs (Note K-1)	**169,134**	204,190
Unamortized Costs for Fund Buy-Out (Note I)	**428,674**	—
Other Assets	**242,203**	209,033
Total Assets	**7,760,191**	6,685,808
Liabilities		
Consolidated Bonds and Notes (Note D-1)	**3,667,772**	3,261,776
Obligations in connection with Capital Asset Financing (Note D-2)	**388,489**	331,376
Obligations in connection with Operating Asset Acquisitions (Note D-3)	**381,467**	26,476
Amounts Payable in connection with Special Project Bonds (Note D-4)	**284,319**	93,139
Accounts Payable	**217,037**	233,721
Accrued Pension, Retirement and Other Employee Benefits (Note J)	**189,491**	168,895
Accrued Interest and Other Liabilities	**200,491**	193,758
Total Liabilities	**5,329,066**	4,309,141
Net Assets	**$2,431,125**	$2,376,667
Net Assets are Composed of:		
Net Income Invested in Port Authority Facilities, Operations and Reserves	**$2,182,003**	$2,136,387
Government Contributions in Aid of Construction (Note G)	**249,122**	240,280
Net Assets	**$2,431,125**	$2,376,667

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Year Ended December 31, (In Thousands) 1990	1989
1. Cash Flows From Operating Activities:		
Cash received from operations	**$1,643,531**	$1,454,844
Cash paid to or on behalf of employees	**(493,819)**	(496,764)
Cash paid to suppliers	**(593,856)**	(408,226)
Cash paid to municipalities	**(132,858)**	(137,912)
Net cash provided by Operating Activities	**422,998**	411,942
Cash Flows From Noncapital Financing Activities:		
Net borrowing under operating equipment-lease financing obligations	**(2,045)**	660
Interest paid on operating equipment-lease financing obligations	**(1,485)**	(1,443)
Net cash used for Noncapital Financing Activities	**(3,530)**	(783)
Cash Flows From Capital and Related Financing Activities:		
Proceeds from sales of Capital Obligations	**697,068**	472,983
Proceeds from Capital Obligations Issued for Refunding Purposes	**2,233,700**	2,293,142
Principal paid on Capital Obligations	**(44,387)**	(126,440)
Principal paid through Capital Obligations Refundings	**(2,233,700)**	(2,293,142)
Interest paid on Capital Obligations	**(263,032)**	(225,575)
Investment in facilities and construction of capital assets	**(909,827)**	(747,016)
Proceeds from sale of facilities	**—**	1,466
Proceeds from financing the sale of assets	**1,079**	—
Financial income allocated to capital projects	**12,420**	10,526
Government Contributions in Aid of Construction	**23,726**	32,503
Net cash used for Capital and Related Financing Activities	**(482,953)**	(581,553)
Cash Flows From Investing Activities:		
Purchase of investment securities	**(4,954,735)**	(4,665,519)
Proceeds from sale and maturity of investment securities	**4,941,581**	4,766,874
Interest received on investments	**56,914**	52,388
Miscellaneous financial income	**6,908**	16,756
Net cash provided by Investing Activities	**50,668**	170,499
Net increase in cash	**(12,817)**	105
Cash at beginning of year	**32,385**	32,280
Cash at end of year	**$ 19,568**	$ 32,385

(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) 1990	1989
2. Reconciliation of Income From Operations To Net Cash Provided By Operating Activities:		
Income from Operations	**$180,203**	$190,195
Adjustments to reconcile Income from Operations to Net Cash provided by Operating Activities:		
Depreciation	**193,173**	177,403
Amortization of costs of Bus Programs	**35,056**	34,964
Amortization of certain other assets	**67,294**	31,726
Provision for uncollectible accounts receivable	**17,594**	4,130
Provision for other amounts receivable	**4,066**	3,283
	317,183	251,506
Change in Operating Assets and Operating Liabilities:		
(Increase) in accounts receivable	**(24,626)**	(17,617)
Decrease (Increase) in other amounts receivable	**112,449**	(46,154)
(Increase) in prepaid expenses	**(47,237)**	(53,419)
(Decrease) Increase in accounts payable	**(19,983)**	30,890
Increase in accrued pension and other employee benefits	**12,439**	11,233
(Decrease) Increase in interest and other liabilities	**(10,948)**	44,067
Increase in deferred income	**2,723**	1,241
(Increase) in deferred costs	**(428,674)**	—
Increase in other operating obligations	**329,469**	—
	(74,388)	(29,759)
Net Cash Provided by Operating Activities	**$422,998**	$411,942

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

On June 30, 1989 the Port Authority acquired the 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-2.)

In connection with the buy-out of the Fund for Regional Development, the outstanding obligation of the Fund to the Port Authority, totalling $129,670,000, previously included in Other Amounts Receivable, was deemed satisfied by the Port Authority. (See Note I.)

4. Capital Obligations consist of Consolidated Bonds and Notes, Obligations in connection with Capital Asset Financing and Amounts Payable in connection with Special Project Bonds.

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 New York State Commuter Car Program (see Note F-4) and, therefore, the assets and liabilities of 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. Certain operating expenditures which provide benefits for periods exceeding one year are deferred and amortized over the period benefited. The unamortized costs for the Bus Programs (see Note K-1) are classified separately on the Consolidated Statement of Financial Position; all other unamortized deferred amounts are included in Other Assets.

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

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

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

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

Expenditures for 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, 1990	1989
	(In Thousands)	
Net Income reported on Consolidated Statement of Income	$ 30,732	$107,896
Add: Depreciation on Facilities	193,173	177,403
Amortization of Costs for Bus Programs	35,056	34,964
Amortization of Discount and Premium	828	1,487
	259,789	321,750
Less: Debt Maturities and Retirements	59,675	52,425
Repayment of Commercial Paper Obligations	1,734	1,068
Payments pertaining to Leasehold Acquisition	490	228
Direct Investment in Facilities	235,984	262,844
Gain (Loss) on Sale of Assets	(8,953)	142
Appropriations for Self-Insurance	(351)	2,272
	288,579	318,979
Increase (Decrease) in Reserves reported on Schedule A, Revenues and Reserves (Pursuant to Port Authority bond resolutions)	($ 28,790)	$ 2,771

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

	December 31, 1990	1989
	(In Thousands)	
Net Assets reported on Consolidated Statement of Financial Position	$2,431,125	$2,376,667
Add: Accumulated Depreciation on Facilities	2,509,286	2,323,214
Accumulated Retirements and Gains and Losses on Disposal of Invested in Facilities	155,418	139,366
Cumulative Amortization of Costs for Bus Programs	270,457	235,401
Amortized Discounts and Premiums	6,781	5,953
Net Assets reported on Schedule B, Assets and Liabilities (Pursuant to Port Authority bond resolutions)	$5,373,067	$5,080,601

12. The 1989 financial statements contain certain reclassifications which have been made in order to conform to the classifications used in 1990.

Note B–Facilities:

1. Cost of facilities is comprised of the following:

	December 31, 1990	1989
	(In Thousands)	
Completed Construction:		
Interstate Transportation Network	$2,088,057	$1,785,647
Air Terminals	2,431,377	2,264,077
Marine & Other Facilities	787,013	777,662
World Trade & Economic Development Facilities	1,434,714	1,339,624
	6,741,161	6,167,010
Construction in Progress	1,146,342	1,042,042
Facilities, at Cost	$7,887,503	$7,209,052

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

2. Net interest expense added to cost of facilities was $66,191,000 in 1990 and $48,491,000 in 1989.

Note C – Cash and Investments:

1. The components of cash and investments are:

CASH	December 31, 1990	1989
	(In Thousands)	
Cash on hand	$ 1,543	$ 1,090
Demand Deposits	18,025	31,295
Total Cash	$19,568	$32,385

INVESTMENTS	December 31, 1990 Principal Amount	Quoted Market	Book Value	1989 Book Value
	(In Thousands)			
Short-Term				
United States Treasury Bills	$262,460	$256,108	$255,651	$121,588
United States Treasury Notes	20,000	20,013	19,997	62,598
United States Treasury obligations held pursuant to repurchase agreements	144,230	144,230	144,230	101,340
Security Valuation Allowance	—	—	—	(287)
Total Short-Term	$426,690	$420,351	419,878	285,239
Long-Term				
United States Treasury Bonds and Notes	462,570	424,767	417,836	511,416
Total Long-Term	$462,570	$424,767	417,836	511,416
Bonds of The Port Authority of New York and New Jersey	$ 27,909		27,909	45,421
Accrued Interest Receivable			7,430	13,705
Investments (pursuant to Port Authority bond resolutions)			873,053	855,781
Less: Bonds of The Port Authority of New York and New Jersey			27,909	45,421
Investments			$845,144	$810,360

2. According to Port Authority policy, 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, funds of the Port Authority must be fully secured by deposit of collateral having a minimum market value of 110 percent of the targeted average daily balances 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 $16,200,000 as of December 31, 1990. Of this amount, $12,953,000 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, $461,000 was fully collateralized by collateral held by the financial institutions or their agents not in the Port Authority's name and $2,786,000 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 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 in the Port Authority's name and payment for all transactions is upon receipt of the securities.

Investments, including interest receivable, in various types of securities totalled $845,144,000 and $810,360,000 at December 31, 1990 and 1989, respectively. Although no investments in commercial paper, Federal Farm Credit Bank Discount Notes or interest rate option contracts were held at December 31, 1990, investment balances during the year ranged as high as $37,700,000 for commercial paper, $10,000,000 for Federal Farm Credit Bank Discount Notes and as high as $96,000 for interest rate option contracts.

Note D—Outstanding Obligations:

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. Proceeds from obligations noted 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.

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

A. Consolidated Bonds (a):		Dec. 31, 1989	Issued	Accreted (f) (In Thousands)	Refunded	Retired	Dec. 31, 1990
Nineteenth Series	3 1/2% due 1991	$ 4,000	$ —	$ —	$ —	$ 2,000	$ 2,000
Twentieth Series	3 1/4% due 1993	9,100	—	—	—	2,275	6,825
Twenty-first Series	3.40% due 1993	6,500	—	—	—	1,625	4,875
Twenty-second Series	3 3/8% due 1993	6,500	—	—	—	1,625	4,875
Twenty-third Series	3 3/8% due 1994	8,125	—	—	—	1,625	6,500
Twenty-fourth Series	3 1/2% due 1994	8,125	—	—	—	1,625	6,500
Twenty-sixth Series	3 1/2% due 1995	13,650	—	—	—	2,275	11,375
Twenty-seventh Series	3 3/8% due 1995	9,250	—	—	—	1,500	7,750
Twenty-eighth Series	3 3/8% due 1996	11,375	—	—	—	1,625	9,750
Twenty-ninth Series	3 1/2% due 1996	11,375	—	—	—	1,625	9,750
Thirtieth Series	3 5/8% due 1998	11,500	—	—	—	1,250	10,250
Thirty-first Series	4% due 2002	65,000	—	—	—	5,000	60,000
Thirty-second Series	5% due 2003	70,000	—	—	—	5,000	65,000
Thirty-third Series	4 3/4% due 2003	70,000	—	—	—	5,000	65,000
Thirty-fourth Series	5 1/2% due 2003	83,000	—	—	—	4,000	79,000
Thirty-fifth Series	6 5/8% due 2005	89,000	—	—	—	3,000	86,000
Thirty-sixth Series	6.40% due 2005	44,500	—	—	—	1,500	43,000
Thirty-seventh Series	6% due 2006	91,000	—	—	—	2,000	89,000
Thirty-eighth Series	5 3/8% due 2006	91,000	—	—	—	2,000	89,000
Thirty-ninth Series	5.80% due 2007	139,500	—	—	—	3,000	136,500
Fortieth Series	6% due 2008	94,500	—	—	—	1,500	93,000
Forty-first Series	5 1/2% due 2008	94,500	—	—	—	1,500	93,000
Forty-second Series	8.20% due 2011	98,000	—	—	—	1,000	97,000
Forty-third Series	7% due 2011	49,000	—	—	—	500	48,500
Forty-fifth Series	6 1/2% due 2012	73,875	—	—	—	375	73,500
Forty-sixth Series	6% due 2013	74,250	—	—	—	375	73,875
Forty-seventh Series	6 1/2% due 2013	99,000	—	—	—	500	98,500
Forty-eighth Series	6 3/4% due 2014	74,625	—	—	—	375	74,250
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*	6%–8 1/8% due 1989–2023	98,000	—	—	—	2,000	96,000
Sixty-second Series*	7 3/4% –8% due 2004–2023	100,000	—	—	—	—	100,000
Sixty-third Series*	7 5/8%–7 7/8% due 2004–2024	100,000	—	—	—	—	100,000
Sixty-fourth Series	7%–7 3/8% due 1990–2014	100,000	—	—	—	2,000	98,000
Sixty-fifth Series	7%–7 1/8% due 2004–2024	100,000	—	—	—	—	100,000
Sixty-sixth Series*	7%–7 1/4% due 2004–2024	100,000	—	—	—	—	100,000
Sixty-seventh Series	6.8%–6.9% due 2005–2025	—	100,000	—	—	—	100,000
Sixty-eighth Series*	7 1/8%–7 1/4% due 2005–2025	—	100,000	—	—	—	100,000
Sixty-ninth Series	5.9%–7 1/8% (f) due 1991–2025	—	100,008	437	—	—	100,445
Seventieth Series*	7%–7 1/4% due 2005–2025	—	100,000	—	—	—	100,000
Total Consolidated Bonds pursuant to Port Authority bond resolutions		$3,298,250	$400,008	$437	$ —	$ 59,675	$3,639,020

1. Consolidated Bonds and Notes (Continued)

B. Consolidated Notes (a):		Dec. 31, 1989	Issued	Accreted (f)	Refunded	Retired	Dec. 31, 1990
				(In Thousands)			
Series PP	5 3/4% due October 1, 1990	$ 40,000	$ —	$ —	$ 40,000	$ —	$ —
Series QQ	6 1/4% due March 15, 1993	—	100,000	—	—	—	100,000
Total Consolidated Notes pursuant to Port Authority bond resolutions		40,000	100,000	—	40,000	—	100,000
Total Consolidated Bonds and Notes pursuant to Port Authority bond resolutions		3,338,250	$500,008	$ 437	$ 40,000	$59,675	3,739,020
Less: Amortized cost of Port Authority bonds purchased by the Port Authority		45,421					27,909
Unamortized discount and premium (g)		31,053					43,339
Consolidated Bonds and Notes (h)		$3,261,776					$3,667,772

(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 media of Consolidated Bonds and Notes (see Note F), in the manner and to the extent provided in the Consolidated Bond Resolution.

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

(c) 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, 1990, $27,690,000 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, 1990, $120,875,000 of this series was so converted.

(f) Includes $12,388,000 (initial amounts) serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2000 to 2011, in total aggregate maturity amounts of $38,270,000.

(g) Gain or loss on futures contracts transactions have been classified as premium or discount, respectively. (See Note M-2.)

(h) Five-year amortization of Consolidated Bonds and Notes outstanding on December 31, 1990 is:

Year Ending December 31:	Principal (In Thousands)
1991	$ 64,288
1992	68,388
1993	173,129
1994	73,847
1995	77,311
	$456,963

Consolidated Bonds and Notes outstanding as of February 28, 1991 (pursuant to Port Authority bond resolutions) totalled $3,839,169,000.

2. Obligations in Connection with Capital Asset Financing

The components of Obligations in Connection with Capital Asset Financing are:

	(In Thousands)
Commercial Paper Obligations	$172,140
Variable Rate Master Notes	182,000
Leasehold Acquisition Obligation	34,349
	$388,489

2. Obligations in Connection with Capital Asset Financing (continued)

A. Commercial Paper Obligations (See Note E-2)

	Dec. 31, 1989	Issued	Refundings/ Repayments	Dec. 31, 1990
		(In Thousands)		
Series A*				
Commercial Paper Notes	$ 51,850	$ 982,355	$ 946,930	$ 87,275
Bank Line of Credit	4,708	149,029	151,721	2,016
Total Series A	56,558	1,131,384	1,098,651	89,291
Series B				
Commercial Paper Notes	97,800	1,001,700	1,019,130	80,370
Bank Line of Credit	7,179	72,953	77,653	2,479
Total Series B	104,979	1,074,653	1,096,783	82,849
Commercial Paper Obligations	$161,537	$2,206,037	$ 2,195,434	$172,140

Interest rates for all commercial paper obligations ranged in 1990 form 3% to 7.1% per annum.

As of February 28, 1991 Commercial Paper Obligations outstanding totalled $161,650,000.

B. Variable Rate Master Notes (See Notes E-3)

	Dec. 31, 1989	Issued	Refunded	Dec. 31, 1990
		(In Thousands)		
Variable Rate Master Notes				
Agreement 1989-2R*	$ 15,000	$ —	$ —	$ 15,000
Agreement 1989-3/4R	15,000	—	—	15,000
Agreement 1989-5	30,000	—	—	30,000
Agreement 1989-6	75,000	—	—	75,000
Agreement 1990-1	—	10,000	—	10,000
Agreement 1990-2	—	12,000	—	12,000
Agreement 1990-3*	—	25,000	—	25,000
Variable Rate Master Notes	$135,000	$ 47,000	$ —	$182,000

Interest rates, variable based upon specified indices, ranged in 1990 from 5.25% to 9.25%.

C. Leashold Acquisition Obligation

Dec. 31, 1989	Additions	Payments	Dec. 31, 1990
	(In Thousands)		
$ 34,839	$ —	$ 490	$ 34,349

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 a minimum rate of 9.8% per annum plus a variable amount based on specified indices, are for a term of 30 years ending 2011. The interest rate in 1990 was 10.4%.

As of February 28, 1991, the Leasehold Acquisition Obligation outstanding totalled $34,262,000.

3. Obligations in Connection with Operating Asset Acquisitions

The components of Obligations in Connection with Operating Asset Acquisitions are:

	(In Thousands)
Operating Equipment—Lease Financing Obligations	$ 24,400
Fund Buy-Out Obligation	357,067
	$ 381,467

3. Obligations in Connection with Operating Asset Acquisitions (continued)

A. Operating Equipment—Lease Financing Obligations (See Note E-4)

	Dec. 31, 1989	Additions	Payments	Dec. 31, 1990
		(In Thousands)		
Master financing lease (dated as of 12/1/88)	$ 26,476	$ 1,454	$ 3,530	$ 24,400

Interest rates, variable based upon specified indices, ranged in 1990 from 5% to 6.65%.

As of February 28, 1991, Operating Equipment—Lease Financing Obligations outstanding totalled $24,554,000.

B. Fund Buy-Out Obligation (See Note I)

Dec. 31, 1989	Principal	Additions (a)	Payments	Dec. 31, 1990
		(In Thousands)		
$ —	$329,469	$27,598	$ —	$357,067

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

As of February 28, 1991, Fund Buy-Out Obligation outstanding totalled $358,998,000.

4. Amounts Payable in Connection with Special Project Bonds (See Note E-5)

	Dec. 31, 1989	Issued	Refunded and Retired	Dec. 31, 1990
Series 1, Delta Air Lines, Inc. Project (a) (b)		(In Thousands)		
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	3,361			3,148
Total—Series 1	93,139			93,352
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a) (c)*				
First Installment, 9% due 2006	—	$ 51,180	$ —	51,180
Second Installment, 9% due 2010	—	30,000	—	30,000
Third Installment, 9 1/8% due 2015	—	120,895	—	120,895
	—	$ 202,075	$ —	202,075
Less: Unamortized discount and premium	—			11,108
Total—Series 2	—			190,967
Grand Total	$ 93,139			$284,319

(a) Neither the full faith and credit of the Port Authority, nor the General Reserve Fund, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal and interest on Special Project Bonds. Principal and interest on each series of Special Project Bonds is to be secured solely by a mortgage by the Port Authority of facility rental (to the extent received by the Port Authority from a lessee) as set forth in a lease with respect to a project to be financed with the proceeds of the bonds of such series, by a mortgage by the lessee of its leasehold 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.

(b) 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 combined aggregate principal amount of $96,500,000.

(c) On December 14, 1989, the Port Authority established and authorized the issuance and sale (as amended May 10, 1990) of Special Project Bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, in connection with a project including the construction of a passenger terminal at LaGuardia Airport leased to and to be occupied by Continental Airlines, Inc., and Eastern Air Lines, Inc. On June 12, 1990, the Port Authority issued a combined aggregate principal amount of $202,075,000 of the Series 2 Bonds. (See Note M-1.)

Note E-Financing:

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

1. On June 14, 1990, the Board of Commissioners established and authorized the issuance and sale of Consolidated Bonds and Notes in the series described below:

Series	Due Date	Amount Authorized
70th (Bonds)	September 1, 2025	$200,000,000
71st (Bonds)	January 1, 2026	200,000,000
72nd (Bonds)	March 1, 2026	200,000,000
73rd (Bonds)	June 1, 2026	200,000,000
74th (Bonds)	September 1, 2026	200,000,000
75th (Bonds)	November 1, 2026	200,000,000
76th (Bonds)	January 1, 2027	200,000,000
77th (Bonds)	March 1, 2027	200,000,000
78th (Bonds)	June 1, 2027	200,000,000
79th (Bonds)	September 1, 2027	200,000,000
QQ (Notes)	August 1, 1993	100,000,000
RR (Notes)	February 1, 1994	100,000,000
SS (Notes)	July 1, 1994	100,000,000
TT (Notes)	February 1, 1995	100,000,000

(See Note D-1 for Consolidated Bonds and Notes described above which have been issued as of December 31, 1990.)

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 $200,000,000. The maximum interest rate which each series of bonds or notes may bear is 12% per annum. Among other items in connection with the sale of each series of bonds and notes, the above maturity dates may be adjusted.

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

Under the terms of the commercial paper program and the agreements entered into thereunder, the payment of the principal of and interest on Port Authority Commercial Paper Obligations of each series are payable from the proceeds of the commercial paper notes of such series or other obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purpose or from net revenues (as defined for purposes of the Commercial Paper Obligations), and, in the event such proceeds or net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. Payment of the principal of and interest on Commercial Paper Obligations is subject in all respects to the payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond

Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain such Fund at the amount specified in the General Reserve Fund statutes.

Commercial Paper Obligations, and the interest thereon, are not secured by or payable from the General Reserve Fund.

3. The Board of Commissioners of the Port Authority has authorized the Committee on Finance to establish terms and conditions for, and to approve, variable rate master note agreements with selected banks, trust companies and financial institutions providing for an aggregate principal amount of loans under such agreements not to exceed $250,000,000 outstanding at any one time. The Committee has, in turn, 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. Presently 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-2.)

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. Under such variable rate master note agreements, payment of the principal of and interest on such loans (and any notes issued in evidence thereof) 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) under such variable rate master note agreements, and the interest thereon, are not secured by or payable from the General Reserve Fund.

4. The Port Authority has established a program of lease-financing transactions to facilitate the purchase of a portion of the operating equipment used at its facilities. The program, which has been amended and supplemented from time to time, presently provides for lease-financing transactions with an aggregate principal amount outstanding at any one time not to exceed $75,000,000. Lease-financing transactions under the program may be entered into on and prior to December 31, 1993. (See Note D-3.) Expenses incurred with respect to each letting of equipment under the program are payable in the same manner and out of the same revenues as operating expenses, with the principal amount of the transactions represented by such lettings subject to prepayment at the option of the Port Authority or upon demand of the participants in such transactions.

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

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

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 31,1990, the General Reserve Fund balance was $441,613,450 and met the prescribed statutory amount. The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' debt service on outstanding debt secured by a pledge of the General Reserve Fund.

At December 31,1990, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and specified marketable securities. (See Note C-3.)

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

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

4. New York State Guaranteed Commuter Car Bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars by the Port Authority to railroads in New York. Commuter Car Bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority (see Note A-2). In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of debt service is fully and unconditionally guaranteed by the State of New York. New York State Guaranteed Commuter Car Bonds outstanding at December 31,1990 totalled $65,880,000 (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 $23,726,000 in 1990 and $32,455,000 in 1989. Federal funding received through others totalled $48,000 in 1989.

Charges representing depreciation on assets relating to government contributions were $14,884,000 in 1990 and $13,593,000 in 1989.

	December 31, 1990	December 31, 1989
	(In Thousands)	
Cumulative Government Contributions:	$404,713	$380,987
Less: Accumulated Depreciation on Assets Acquired With Government Contributions	155,591	140,707
Government Contributions in Aid of Construction	$249,122	$240,280

Note H–Lease Commitments:

1. Operating Lease Revenues

Gross operating revenues attributable to minimum rentals associated with operating leases amounted to approximately $548,899,000 in 1990 and approximately $489,241,000 in 1989.

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

Gross operating revenues include rental income of $7,399,000 in 1990 and $11,156,000 in 1989 from the State of New York for office and other space in the World Trade Center, and $24,007,000 in 1989 of rental income from the Fund for Regional Development for office and other space vacated by the State of New York.

3. Property Held for Lease

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

Minimum future rentals scheduled to be received on operating leases in effect on December 31, 1990 are:

Year Ending December 31:	(In Thousands)
1991	$ 383,641
1992	350,814
1993	334,654
1994	310,880
1995	295,454
Later Years	2,407,247
Total Minimum Future Rentals	$4,082,690

Investments in such facilities as of December 31, 1990 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 $80,365,000 in 1990 and $110,729,000 in 1989. The terms of such leases expire at various times from 1991 to 2031 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1990 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)
1991	$ 29,208
1992	28,266
1993	27,556
1994	27,214
1995	25,428
Later Years	737,777
Total Minimum Future Rentals	$875,449

Note I-Fund For Regional Development:

In connection with the development of the World Trade Center, commencing in 1970, the Port Authority leased approximately 2.14 million square feet in the south tower building to the State of New York under a five-year lease with renewal options. The State of New York did not exercise its options in 1975 to renew its lease for the next successive rental period and since 1983 has vacated approximately 2 million square feet of its original lease.

Pursuant to an agreement between the Port Authority and the State of New York and the State of New Jersey, the Fund for Regional Development (Fund) was established in 1983 to accomplish the subleasing of the space, as vacated, held by the State of New York as tenant. The Fund's gross revenues resulted from subleasing that space to tenants at market rates and its net revenues were the difference between rents paid by new tenants of the space and amounts paid by the Fund to the Port Authority under certain agreements. The Fund's assets and liabilities, revenues, expenses and reserves were not consolidated with those of the Port Authority and were excluded from all Port Authority financial statements. Net revenues of the Fund were not pledged under the General Reserve Fund statutes or the resolutions with respect to the Port Authority's various obligations (see Note F-3).

The Port Authority and the States of New York and New Jersey entered into an agreement as of January 1, 1990 providing for the termination of the agreement creating the Fund. Under this termination agreement, the Fund was terminated, the leasehold and any other interests of the Fund or of each of the States in certain space let to the Fund and in all revenues derived from such space were transferred to the Port Authority, all assets and liabilities of the Fund as reflected in its financial statements for 1989 became assets and liabilities of the Port Authority, all leases held by the Fund were acquired by the Port Authority, and all liabilities of the Fund owed to the Port Authority were deemed satisfied. In consideration of the foregoing, the Port Authority has agreed to make a series of fifty-nine semiannual payments, to be equally divided between the States, commencing on March 1, 1992, at approximately $14,000,000 and increasing thereafter to approximately $26,600,000, with the last payment to be approximately $53,600,000 (see Note D-3). These payments by the Port Authority are to be made in the same manner and out of the same revenues as operating expenses of the Port Authority (see Note A-11). The cost to the Port Authority in connection with the termination of the Fund agreement is approximately $430,500,000, which includes the net present value of the payments to the States of $326,000,000, the assumption of the Fund's net liabilities of $101,000,000 (comprised of $130,000,000 due to the Port Authority which was deemed satisfied less Fund assets of $29,000,000) and additional liabilities of $3,500,000 to New York State as a result of the termination agreement.

The Fund's assets and liabilities, revenues, expenses and reserves were consolidated with those of the Port Authority under the purchase method of accounting.

Had the Fund agreement terminated as of January 1, 1989, the Port Authority's Consolidated Statement of Income for the year ended December 31, 1989 would have shown gross operating revenues of $1,555,851,000, income before extraordinary item of $92,146,000 and net income of $93,790,000.

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 Port Authority 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 PFRS provide retirement benefits related to years of service and final average salary, death and disability benefits, vesting of benefits after a set period of credited service, and optional methods of benefit payment. There are four ERS "tiers" of membership and two PFRS "tiers" related to date of initial membership; provisions for each tier differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance, the date of membership and the contributory or non-contributory nature of the plan. Generally, an employee has the right to a vested benefit after ten years of credited 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 1990 was $411,114,000 of which $312,893,000 and $91,492,000 represent the cost for employees covered by ERS and PFRS, respectively. 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. Amortization payments in 1990 to the two retirement systems totalled $2,171,000. The balance of $53,089,000 representing 1988 and 1989 Port Authority contributions remaining to be amortized is included in Accrued Pension, Retirement and Other Employee Benefits. 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. The prepayment of $2,080,000 for the first three months of

1991 is included in Other Assets. In 1990, Port Authority contributions to the two retirement systems, excluding the amortization payment, totalled $3,052,000, consisting of $767,000 and $2,285,000 for ERS and PFRS, respectively. These contributions represented approximately 0.19% and 0.57%, for the ERS and PFRS, respectively, of the total Port Authority covered payroll for 1990. The Port Authority's contributions to the two systems amounted to approximately 0.14% and 0.41%, for the ERS and PFRS, respectively, 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, 1990, the assets in excess of pension benefit obligation were as follows:

	ERS	PFRS (In Millions)	TOTAL
Total pension benefit obligation	$36,974	$7,313	$44,287
Net assets available for pension benefits	40,078	7,069	47,147
Assets in excess of (unfunded) pension benefit obligation	$ 3,104	($ 244)	$ 2,860

The Retirement Systems report that changes in the actuarial assumptions for the interest rate and salary scale which became effective April 1, 1989 increased pension benefit obligations by $3,400,000,000 and $600,000,000 for ERS and PFRS, respectively, for the year ended March 31, 1990. The pension benefit obligation includes approximately $2,500,000,000 for expected supplemental increases and $1,100,000,000 of accrued death and disability benefit costs. Furthermore, the "Net Assets Available for Benefits" as reported in the supplement to the 1990 Annual Report of the New York State and Local Retirement Systems, includes $1,611,000,000 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, 1990, but which are to be received over the next 16 years.

In addition, in Note 5, Funding Policy, of the Supplement, it was disclosed that the actuarial funding method used "to determine the annual employer contributions for the fiscal year ended March 30, 1990 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.

The Systems adopted a beginning of the year valuation for the year ended March 31, 1990. The result of this change was that employer contribution rates for 1990 were the same as in 1989. Therefore, the change in contributions for 1990 from 1989 was due to salary changes, interest adjustments, and a required change in the actuarial smoothing method. Legislation required a retroactive change in the actuarial smoothing method, for the years ended March 31, 1989 and March 31, 1990, from a four year smoothing to a five year smoothing. This retroactively reduced required contributions for those years by $306,000,000.

Contributions for fiscal year ending March 31, 1991, due on December 15, 1990, were significantly reduced primarily as a result of a change in the method of funding, mandated by legislation. Effective with the year ending March 31, 1991, the Systems will change from the aggregate cost method to a modified projected unit credit funding method. This new method utilizes a rolling amortization period for any difference between actuarial assets and actuarial accrued liabilities. Approximately 17% of such differences is recognized each year. The legislation also allows the reduction of the annual amortization payment by any yearly surplus resulting from the rolling amortization. The anticipated effect of these legislated changes for the year ending March 31, 1991 is that the ERS contributions will generally be zero, while the PFRS contributions will generally be lower. The anticipated long-term effect is that this sharp initial decline in employer contributions will undoubtedly be followed by contribution increases in future years.

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, 1990, the balance of this liability was $5,645,000 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 1990, payments made by PATH in accordance with the terms of various collective bargaining agreements totalled $1,765,000. 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 also includes an annual accrual for prior service costs of these benefits for retired and active employees and their dependents. These accruals are to be made each year, on a consistent basis, until this prior service cost is fully recognized. The actuarially determined valuation, last completed in 1989, is reviewed periodically for the purpose of adjusting the annual accruals. Based on that study, the actuarially determined present value of future benefits for prior service by active and retired employees and their dependents, to be paid after retirement, has been estimated to be $257,800,000 as of December 31, 1990, and consists of the following:

	Port Authority	PATH (In Millions)	TOTAL
Retirees	$132.6	$ 5.7	$138.3
Actives	113.0	6.5	119.5
TOTAL	$245.6	$12.2	$257.8

The obligation accrued to date is $69,120,000.

The cost of providing health care, dental and life insurance benefits, not including the accrual for prior service costs, totalled approximately $61,622,000 in 1990 and $49,454,000 in 1989. The cost of providing these benefits for retired employees, who comprise approximately 31 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 offer eligible employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code of 1986, as amended. The plan permits participants to defer a portion of their salary until future years. Amounts deferred are generally not available to employees until termination of employment, retirement, death, or unforeseeable emergency.

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

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

Deferred compensation plan assets of approximately $44,378,000 in 1990 and $36,221,000 in 1989 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 bi-state legislation, up to $440,000,000 for mass transportation projects consisting of buses and other bus related facilities, with up to $220,000,000 to be allocated in each of the States of New York and New Jersey. The appropriate certifications were made by the Authority in 1979 and 1982. As of December 31, 1990, the Port Authority had provided $439,591,000 for 2,907 buses and related spare parts (which had 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 of the Port Authority against any liability by reason of the programs, subject to appropriations or other funds which are or become legally available for this purpose.

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 1991 predicated in part on certain tolls and fare increases and the related 1991–1995 capital plan are under review by the Board of Commissioners and the States of New York and New Jersey. Approval of the budget by the Board of Commissioners of the Port Authority, based on a financial plan developed as part of the Port Authority business planning process, does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions of the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations. Until an annual budget for 1991 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 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, redevelopment and rehabilitation of the Holland and Lincoln Tunnels, and a major rehabilitation program at marine terminals in Brooklyn, 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, 1990, pursuant to various contracts entered into by the Port Authority, approximately $855,950,000 of construction was expected to be completed within the next three years.

The proposed 1991 budget anticipates gross capital expenditures for the year 1991 to be approximately $940,000,000 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 that reductions in services and associated expenditures will occur, or both, so that the expenses payable from gross operating revenues, the payment of debt service and the fulfillment of Port Authority statutory, contractual and other commitments, will continue to be provided for in accordance with the requirements therefor and agreements with the holders of Port Authority obligations.

4. Other Expenses of $238,152,000 in 1990 and $117,455,000 in 1989 include amounts for insurance, telephone, payment of interest on Special Project Bonds, write-offs and certain other operating, development and administrative expenses. Write-offs in 1990 primarily consisted of $37,326,000 in connection with certain administrative and engineering costs under the J.F.K. International Airport Redevelopment Program.

5. The Port Authority has entered into agreements with a private full service vendor with respect to 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. The Board of Commissioners has 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 and was substantially completed and the plant became operational in December 1990. As of December 31, 1990, the Port Authority had provided $176,383,000 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 (see Note M-1). The Port Authority will additionally provide an approximate $19,000,000 in anticipation of or upon successful completion of acceptance testing.

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	World Trade & Econ. Dev. Facilities	Combined 1990	Combined 1989
	(In Thousands)					
1990						
Gross Operating Revenues	$ 461,884	$ 764,450	$ 92,043	$ 372,353	$1,690,730	
Interdepartmental Revenues	3,572	—	819	61,430		
Revenues from Operations	$ 465,456	$ 764,450	$ 92,862	$ 433,783		
Gross Operating Income (Loss)	$ 35,694	$ 187,415	$ 8,060	$ 128,361	$ 359,530	
General Administrative and Development Expenses	(91,348)	(58,283)	(7,119)	(22,577)	(179,327)	
Income (Loss) from Operations	($ 55,654)	$ 129,132	$ 941	$ 105,784	180,203	
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
Financial Income					85,982	93,676
Interest Expense in connection with capital asset financing					(197,648)	(176,228)
Interest Expense in connection with operating asset acquisitions					(29,052)	(1,533)
Gain (Loss) on Sale of Assets					(8,953)	142
Income Before Extraordinary Item					30,532	106,252
Extraordinary Item						
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements					200	1,644
Net Income					$ 30,732	$ 107,896

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	World Trade & Econ. Dev. Facilities	Total Assets
	(In Thousands)				
1990 Assets					
Facilities, net-beginning of year	$1,706,732	$1,373,666	$626,951	$1,178,489	$4,885,838
Net Capital Expenditures	272,964	255,456	136,193	20,939	685,552
Depreciation	(48,313)	(92,164)	(21,009)	(31,687)	(193,173)
Facilities, net-end of year	1,931,383	$1,536,958	$742,135	$1,167,741	5,378,217
Unamortized Costs for Bus Programs	169,134				169,134
Total	$2,100,517				5,547,351
Cash, investments, accounts receivable, other amounts receivable and other assets					2,212,840
Total Assets					$7,760,191
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

Note M-Receivables and Off-Balance-Sheet Risk:

1. ACCOUNTS RECEIVABLE AND OTHER AMOUNTS RECEIVABLE

The Port Authority evaluates the financial capacity of its prospective tenants (customers) to determine their ability to pay their bills on a timely basis. When it is deemed necessary, security deposits in the form of cash, marketable securities issued by either the United States Treasury Department, the Port Authority of New York and New Jersey, or the States of New York and New Jersey, or irrevocable letters of credit, are obtained from such tenants at the time of entering into agreements with them. At December 31, 1990, the total amount of security in cash and marketable securities held by the Port Authority was $7,158,000. In addition the Port Authority was holding letters of credit totalling $3,062,000.

Accounts Receivable balance at December 31, 1990 amounted to $84,586,000. Of that amount, accounts receivable for Aviation facilities amounted to $58 million. This concentration is significant, as airline carriers and related services are all affected by airline industry market conditions and other factors.

The Port Authority owns and/or operates four airports and two commercial heliports to serve the Port District. National economic conditions have historically had a significant impact on fiscal conditions in the air traffic industry. In 1990, industry-wide air traffic was adversely affected by a number of factors including the national and regional economies, the conflict in the Middle East, higher costs for security and fuel, and increasing ticket prices by airlines seeking to recover increasing operating costs. At present Eastern Air Lines, Inc., Continental Airlines, Inc. and Pan American World Airways, Inc., have filed for protection under Chapter 11 of the United States Bankruptcy Code. On January 22, 1991, Eastern Air Lines, Inc. advised the Port Authority that Eastern had ceased scheduled operations permanently at midnight on Friday, January 18, 1991, and that Eastern was continuing to evaluate the alternatives and timing for the disposal of its facilities including Eastern's airport lease. (See Note D-4.)

Other Amounts Receivable balance at December 31, 1990 consists primarily of:

	(In Thousands)
Resource Recovery Installments Receivable (See Note K-5.)	$176,383
Accrued Revenue Receivable	87,789
Installments Sales Contracts Receivable	19,135
Deferred Amounts Receivable	16,818
Other	8,221
	$308,346

The Port Authority is participating in the development and construction of a legal and communications center and its related infrastructure in Newark, New Jersey in cooperation with other agencies of government. Accordingly, the Newark Legal and Communications Center Urban Renewal Corporation was formed by the Port Authority to effectuate this project. Office space units within the building are being leased or sold pursuant to installment sales contracts to law and other private firms. As of December 31, 1990, agreements were executed with respect to the sale or lease of approximately 275,000 of the 362,000 available net usable square feet.

All accounts receivable and other amounts receivable balances are monitored and analyzed. The Port Authority establishes a reserve for estimated uncollectibles. The potential accounting loss for accounts receivable due to non-payment would be limited to the amounts shown on the Consolidated Statement of Financial Position less the amount of security stated above.

2. FINANCIAL INSTRUMENTS

The Port Authority uses various off-balance sheet financial instruments including interest rate options contracts pertaining to United States Treasury Securities and futures contracts pertaining to the United States Treasury and certain municipal obligations to manage its financing and investment objectives. The notional or contractual amounts used to express the volume of these transactions do not necessarily represent the amounts potentially subject to risk.

Interest rate options contracts are limited to primary dealers in United States Treasury securities. It is anticipated that if securities are required to be delivered by the Port Authority through the exercise of interest rate options contracts, such securities would be available in the Consolidated Bond Reserve Fund and could be transferred to the Operating Fund at their then current market price. Therefore, it is anticipated that the maximum risk to the Port Authority from entering options contracts which will require the Port Authority to deliver a security is that the Port Authority would not be able to take advantage of a favorable change in the price of the financial instrument underlying the option were that option exercised. The maximum risk to the Port Authority from entering options contracts which will require the Port Authority to accept a security is the difference between the price of the security under the option and the security's market price. The maximum interest rate options contracts outstanding during 1990 was $96,000 on underlying securities of $35,000,000; the maximum outstanding during 1989 was $55,000 on underlying securities of $25,000,000.

The Port Authority enters into municipal and United States Treasury bond futures contracts traded on the Chicago Board of Trade in a total aggregate amount not to exceed 1300 contracts, each with a principal amount of $100,000 outstanding at any one time. These contracts are used to manage interest rate exposure on future bond issuance or refunding. Gains and losses on interest rate futures contracts are recognized as interest income or interest expense over the life of the bond series hedged. The maximum number of contracts outstanding were 220 and 345 during 1990 and 1989 respectively.

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

	1990 Operating Fund	1990 Reserve Funds (Schedule C)	1990 Combined Total	1989 Combined Total
			Year Ended December 31, (In Thousands)	
Gross Operating Revenues	$1,690,730	$ —	**$1,690,730**	$1,526,780
Operating Expenses:				
Employee compensation, including benefits	521,705	—	**521,705**	502,732
Materials, equipment, supplies and contract services	323,044	—	**323,044**	281,758
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	120,144	—	**120,144**	146,830
Heat, light and power	79,253	—	**79,253**	75,443
Other (Note K-4)	238,152	—	**238,152**	117,455
Total Operating Expenses	1,282,298	—	**1,282,298**	1,124,218
Amounts in connection with operating asset acquisitions	29,052	—	**29,052**	1,533
Net Operating Revenues	379,380	—	**379,380**	401,029
Financial Income				
Income on investments (includes gain of $2,131,000 in 1990 and $4,871,000 in 1989 on purchase of Port Authority bonds)	29,757	58,388	**88,145**	96,965
Net Revenues Available for Debt Service and Reserves	409,137	58,388	**467,525**	497,994
Debt Service				
Interest on bonds, notes and commercial paper obligations	195,176	—	**195,176**	174,673
Debt maturities and retirements	59,675	—	**59,675**	52,425
Repayment of commercial paper obligations	—	1,734	**1,734**	1,068
Total Debt Service	254,851	1,734	**256,585**	228,166
Payments in connection with Leasehold Acquisition Obligation	—	4,097	**4,097**	1,941
Transfers to Reserves	($ 154,286)	154,286	—	—
Revenues After Debt Service and Transfers to Reserves		206,843	**206,843**	267,887
Direct Investment in Facilities		(235,984)	**(235,984)**	(262,844)
Appropriations for Self-Insurance		351	**351**	(2,272)
Increase (Decrease) in Reserves		(28,790)	**(28,790)**	2,771
Reserve Balances, January 1		766,869	**766,869**	764,098
Reserve Balances, December 31 (Schedule C)		$738,079	**$ 738,079**	$ 766,869

See Notes to Consolidated Financial Statements.

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

	1990 Operating Fund	1990 Capital Fund	1990 Reserve Funds	December 31, (In Thousands) 1990 Combined Total	1989 Combined Total
Assets					
Invested in Facilities	$ —	$8,532,632	$ —	**$ 8,532,632**	$7,825,014
Cash (Note C)	4,716	13,852	1,000	**19,568**	32,385
Investments (Note C)	34,534	101,440	737,079	**873,053**	855,781
Accounts Receivable (net of allowance for doubtful accounts of $30,985,000 in 1990 and $13,391,000 in 1989) (Note M-1)	83,395	1,191	—	**84,586**	76,363
Other Amounts Receivable (net of allowance for doubtful accounts of $9,173,000 in 1990 and $5,107,000 in 1989) (Note M-1)	102,867	205,479	—	**308,346**	374,500
Amounts Receivable in connection with Special Project Bonds	—	284,319	—	**284,319**	93,139
Unamortized Costs for Fund Buy-Out (Note I)	428,674	—	—	**428,674**	—
Other Assets	236,702	19,757	—	**256,459**	212,395
Total Assets	890,888	9,158,670	738,079	**10,787,637**	9,469,577
Liabilities					
Consolidated Bonds and Notes (Note D-1)	—	3,739,020	—	**3,739,020**	3,338,250
Obligations in connection with Capital Asset Financing (Note D-2)	—	388,489	—	**388,489**	331,376
Obligations in connection with Operating Asset Acquisitions (Note D-3)	381,467	—	—	**381,467**	26,476
Amounts Payable in connection with Special Project Bonds (Note D-4)	—	298,575	—	**298,575**	96,500
Accounts Payable	82,835	134,202	—	**217,037**	233,721
Accrued Pension, Retirement and Other Employee Benefits (Note J)	189,491	—	—	**189,491**	168,895
Accrued Interest and Other Liabilities	195,516	4,975	—	**200,491**	193,758
Total Liabilities	849,309	4,565,261	—	**5,414,570**	4,388,976
Net Assets	$ 41,579	$4,593,409	$738,079	**$ 5,373,067**	$5,080,601
Net Assets are Composed of:					
Debt Retired Through Income	$ —	$2,755,143	$ —	**$ 2,755,143**	$2,693,246
Reserves (Schedule C)	—	—	738,079	**738,079**	766,869
Government Contributions in Aid of Construction (Note G)	—	404,713	—	**404,713**	380,987
Appropriated Reserves Invested in Facilities	—	1,433,553	—	**1,433,553**	1,197,569
Appropriated Reserves for Self-Insurance	41,579	—	—	**41,579**	41,930
Net Assets	$ 41,579	$4,593,409	$738,079	**$ 5,373,067**	$5,080,601

See Notes to Consolidated Financial Statements.

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

	1990			1989
Year Ended December 31, (In Thousands)	**General Reserve Fund**	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
Balance, January 1 (Note F)	$373,129	$393,740	**$766,869**	$ 764,098
Income on investments (includes gain on purchase of Port Authority bonds)	32,735	25,653	**58,388**	60,607
Transfers from operating fund	35,750	118,536	**154,286**	210,289
	441,614	537,929	**979,543**	1,034,994
Applications:				
Repayment of commercial paper obligations	—	1,734	**1,734**	1,068
Payments in connection with Leasehold Acquisition Obligation	—	4,097	**4,097**	1,941
Direct investment in facilities	—	235,984	**235,984**	262,844
Self-insurance	—	(351)	**(351)**	2,272
Total Applications	—	241,464	**241,464**	268,125
Balance, December 31 (Note F)	$441,614	$296,465	**$738,079**	$ 766,869

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, 1990 been used, the respective Reserve Fund balances at December 31, 1990 would be:

General Reserve Fund	Consolidated Bond Reserve Fund
$441,614	$303,818

See Notes to Consolidated Financial Statements.

Schedule D **Amortization of Consolidated Bonds and Consolidated Notes 1991-2025**

December 31,1990 (In Thousands)
Total Debt Service
Par Value at Maturity $3,764,465

Year	Total	Interest	Amortization
1991	$ 332,258	$ 267,970	$ 64,288
1992	333,069	264,681	68,388
1993	429,231	256,102	173,129
1994	324,849	251,002	73,847
1995	326,405	249,094	77,311
1996	323,066	244,601	78,465
1997	322,024	239,994	82,030
1998	322,572	234,967	87,605
1999	322,706	229,591	93,115
2000	328,068	223,653	104,415
2001	328,404	216,799	111,605
2002	328,305	209,310	118,995
2003	329,071	201,351	127,720
2004	320,818	192,838	127,980
2005	327,404	183,559	143,845
2006	311,610	173,210	138,400
2007	296,655	163,145	133,510
2008	282,192	153,432	128,760
2009	267,565	143,775	123,790
2010	262,900	133,940	128,960
2011	261,548	123,608	137,940
2012	241,551	112,726	128,825
2013	232,263	102,263	130,000
2014	213,739	91,449	122,290
2015	190,831	81,886	108,945
2016	191,111	72,691	118,420
2017	186,485	62,365	124,120
2018	164,435	52,500	111,935
2019	160,327	42,852	117,475
2020	150,255	33,615	116,640
2021	119,409	24,684	94,725
2022	101,389	17,844	83,545
2023	101,106	10,611	90,495
2024	63,470	4,900	58,570
2025	35,469	699	34,770
Total	$8,832,560	$5,067,707	$3,764,853

NOTE: Total Amortization of $3,764,853,000 shown above differs from the Par Value at maturity (including Capital Appreciation Bonds) of $3,764,465,000 because the above table includes call premiums of $388,000. 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. 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)

REVENUES AND EXPENSES	**1990**	1989	1988	1987	1986	1985	1984	1983	1982	1981
Gross Operating Revenues (A)	**$1,690,730**	$1,526,780	$1,436,940	$1,331,438	$1,169,586	$1,100,840	$1,000,060	$ 848,584	$ 779,744	$ 699,113
Operating Expenses	**1,282,298**	1,124,218	1,092,502	993,256	937,820	859,843	706,895	610,287	557,303	487,758
Amounts in connection with operating asset acquisitions	**29,052**	1,533	—	—	—	—	—	—	—	—
Net Operating Revenues	**379,380**	401,029	344,438	338,182	231,766	240,997	293,165	238,297	222,441	211,355
Income on Investments	**86,014**	92,094	76,858	59,613	76,998	85,644	85,836	71,626	88,664	90,688
Gain on Purchase of Port Authority Bonds	**2,131**	4,871	3,221	5,235	3,571	6,077	5,501	8,596	13,533	13,116
Security Valuation Adjustment	**—**	—	—	—	—	—	(19)	11	—	1,135
Net Revenues Available for Debt Service and Reserves	**467,525**	497,994	424,517	403,030	312,335	332,718	384,483	318,530	324,638	316,294
DEBT SERVICE-OPERATIONS										
Interest on Bonds, Notes and Commercial Paper Obligations	**(195,176)**	(174,673)	(155,143)	(135,678)	(116,980)	(109,972)	(116,352)	(110,024)	(101,818)	(99,542)
Times, Interest Earned (B)	**2.40**	2.85	2.74	2.97	2.67	3.02	3.30	2.87	3.16	3.16
Debt Maturities and Retirements	**(59,675)**	(52,425)	(49,125)	(54,475)	(55,350)	(48,074)	(18,593)	(32,433)	(30,387)	(42,344)
Times, Debt Service Earned (B)	**1.83**	2.19	2.08	2.12	1.81	2.08	2.33	2.05	2.26	2.24
DEBT SERVICE-RESERVES										
Debt Service on Bonds Secured by Trusts	**—**	—	—	—	(649)	(1,343)	(1,204)	(637)	(1,129)	(1,298)
Debt Service on Bank Loans	**—**	—	—	—	—	—	—	(34,027)	(35,550)	(37,706)
Repayment of Commercial Paper Obligations	**(1,734)**	(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)
Payments in connection with Leasehold Acquisition	**(4,097)**	(1,941)	—	—	—	—	—	—	—	—
Direct Investment in Facilities-Reserves	**(235,984)**	(262,844)	(215,854)	(176,656)	(80,656)	(87,359)	(71,527)	(19,221)	(75,621)	(75,000)
Appropriations for Self-Insurance-Reserves	**351**	(2,272)	2,139	(2,929)	(4,260)	(4,063)	(489)	537	1,329	607
Net Increase (Decrease) in Reserves (C)	**($ 28,790)**	$ 2,771	$ 3,262	$ 30,492	$ 41,262	$ 25,943	$ 90,929	$ 2,636	$ 24,040	$ 41,011
RESERVE BALANCES										
January 1	**766,869**	764,098	760,836	730,344	689,082	663,139	572,210	569,574	545,534	504,523
December 31	**$ 738,079**	$ 766,869	$ 764,098	$ 760,836	$ 730,344	$ 689,082	$ 663,139	$ 572,210	$ 569,574	$ 545,534
Reserve Fund Balances Represented by:										
General Reserve	**$ 441,614**	$ 373,129	$ 335,886	$ 293,294	$ 287,357	$ 271,232	$ 236,166	$ 223,080	$ 223,080	$ 210,597
Consolidated Bond Reserve	**296,465**	393,740	428,212	467,542	442,987	417,204	425,033	346,066	342,845	330,149
Special Reserve (D)	**—**	—	—	—	—	646	1,940	3,064	3,649	4,788
Total	**$ 738,079**	$ 766,869	$ 764,098	$ 760,836	$ 730,344	$ 689,082	$ 663,139	$ 572,210	$ 569,574	$ 545,534
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	**$3,739,020**	$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
Commercial Paper Obligations	**172,140**	161,537	131,684	117,883	17,240	37,870	—	—	—	—
Operating Equipment-Lease Financing Obligations	**24,400**	26,476	25,726	24,608	9,882	2,512	—	—	—	—
Variable Rate Master Notes	**182,000**	135,000	25,000	—	—	—	—	—	—	—
Leasehold Acquisition Obligation	**34,349**	34,839	—	—	—	—	—	—	—	—
Fund Buy-out Obligation	**357,067**	—	—	—	—	—	—	—	—	—
Amounts Payable in Connection with Special Project Bonds	**298,575**	96,500	96,500	96,500	96,500	96,500	96,500	96,500	—	—
General and Refunding Bonds (E)	**—**	—	—	—	—	642	1,915	2,997	3,528	4,589
Bank Loans (E)	**—**	—	—	—	—	—	—	—	31,250	62,500
Total Obligations	**$4,807,551**	$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
INVESTED IN FACILITIES AT DECEMBER 31	**$8,532,632**	$7,825,014	$7,050,152	$6,547,044	$5,876,771	$5,396,493	$5,050,775	$4,838,351	$4,574,583	$4,375,490
DEBT RETIRED THROUGH INCOME:										
Annual	**$ 61,897**	$ 53,719	$ 52,399	$ 57,275	$ 69,170	$ 105,310	$ 105,064	$ 184,303	$ 120,120	$ 94,810
Cumulative	**$2,755,143**	$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

(A) Gross Operating Revenues reflect increased tolls and PATH fares adopted in 1984 and 1987 and increased PATH fare adopted in 1983.

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

1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
—	$2,750	$2,800	—	—	($1,560)	($29,731)	($12,193)	($11,016)	$1,250

(C) Net Increase in Reserves with 1982 changes in accounting principles relating to the security valuation method and capitalization of interest retroactively applied would be as follows:

1981
$34,390

(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.

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) 1990	1989
Assets		
Invested in Commuter Cars, at Cost (A)	**$156,282**	$156,261
Cash and Investments in U.S. Government Securities, at Cost (which approximates market)	**2,183**	2,061
Other Assets	**601**	675
Total Assets	**159,066**	158,997
Liabilities		
State Guaranteed Commuter Car Bonds (Due 1991–1996)	**65,880**	73,190
Other Liabilities	**9,906**	9,837
Total Liabilities	**75,786**	83,027
Debt Retired (A)	**$ 83,280**	$ 75,970

(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.)

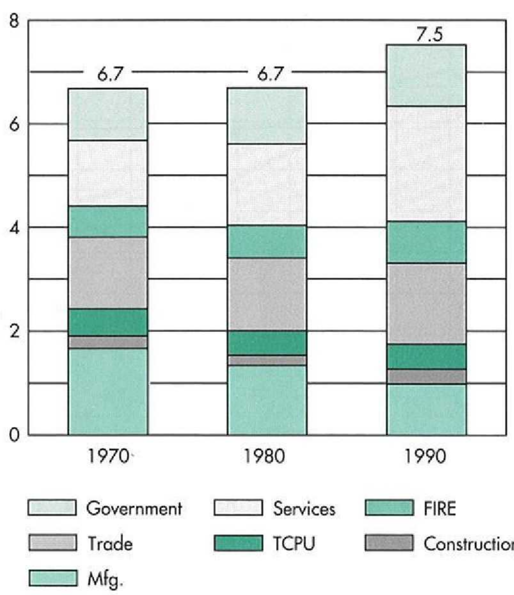
See Notes to Consolidated Financial Statements.

THE NEW YORK-NEW JERSEY METROPOLITAN REGION

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

Area	3,900 Square Miles
Population 1990	15.5 Million
Total Labor Force 1990	7.8 Million
Retail Sales 1990	$112 Billion
Total Wage and Salary Jobs 1990	7.5 Million
Total Personal Income 1988	$340 Billion

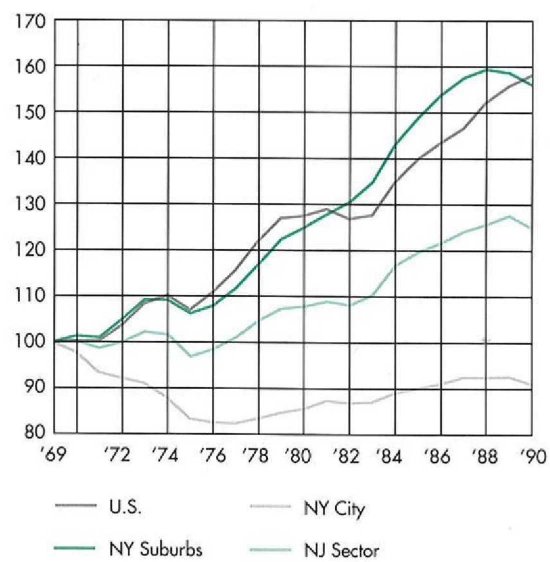
NY-NJ Metropolitan Region Wage & Salary Employment by Major Industry 1970, 1980, 1990
(millions)



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

Sources: NY and NJ State Depts. of Labor

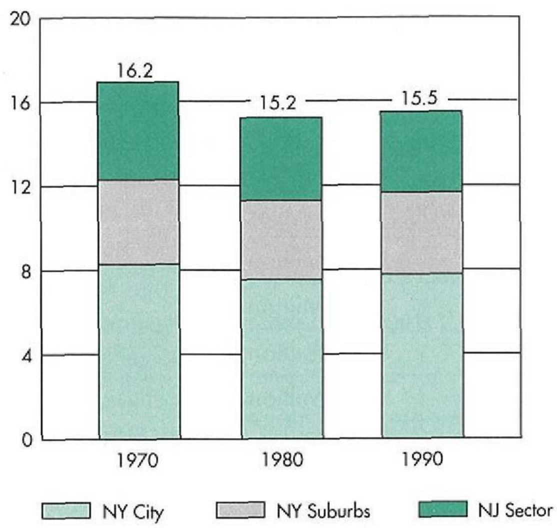
Index of Private Wage & Salary Employment U.S. and NY-NJ Region 1969-1990
(index: 1969 = 100)



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

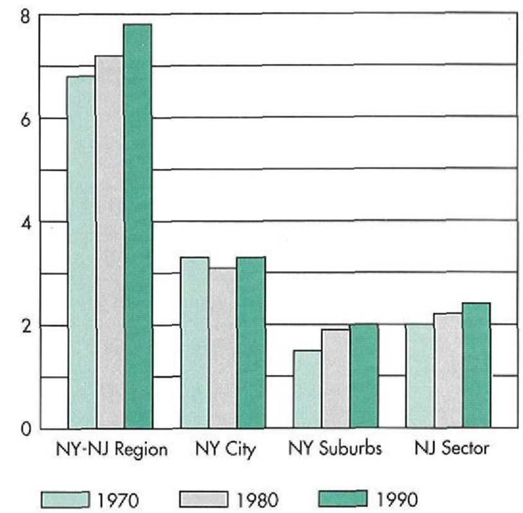
Demographics and Unemployment

Population
NY-NJ Metropolitan Region
1970, 1980, 1990
(millions)



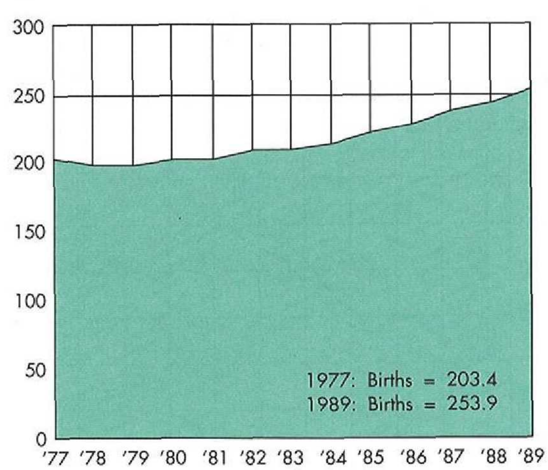
Source: U.S. Bureau of the Census

Total Labor Force
NY-NJ Metropolitan Region
1970, 1980, 1990
(millions)



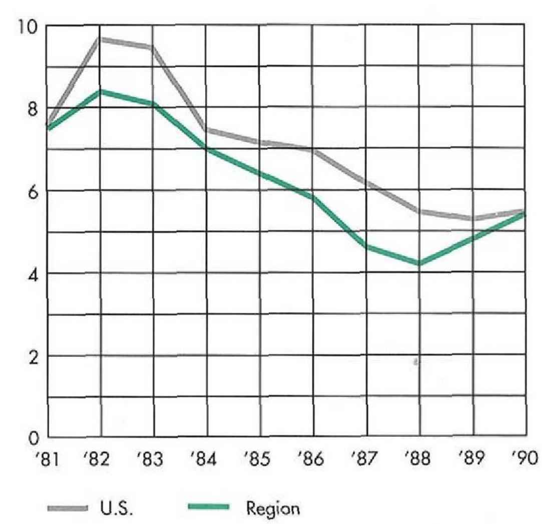
Sources: NY and NJ State Depts. of Labor

Number of Births
NY-NJ Metropolitan Region
1977-1989
(thousands)



Sources: NY and NJ State Depts. of Health

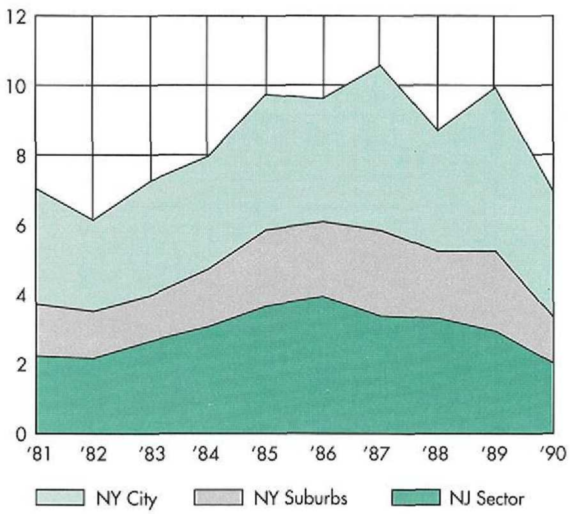
Unemployment Rates
U.S. and NY-NJ Region
1981-1990
(percent)



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

Construction Activity and Inflation

Total Construction Contract Awards
NY-NJ Metropolitan Region
1981-1990
(billions of 1982 dollars)

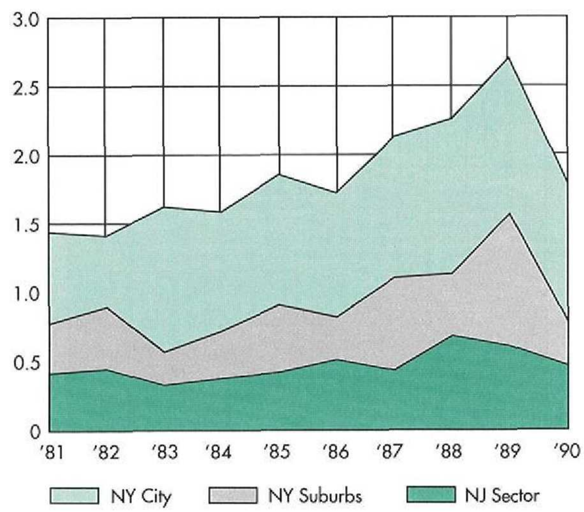


1989: Region = \$9.931 1990: Region = \$6.955

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

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

Infrastructure Construction Contract Awards
NY-NJ Metropolitan Region
1981-1990
(billions of 1982 dollars)

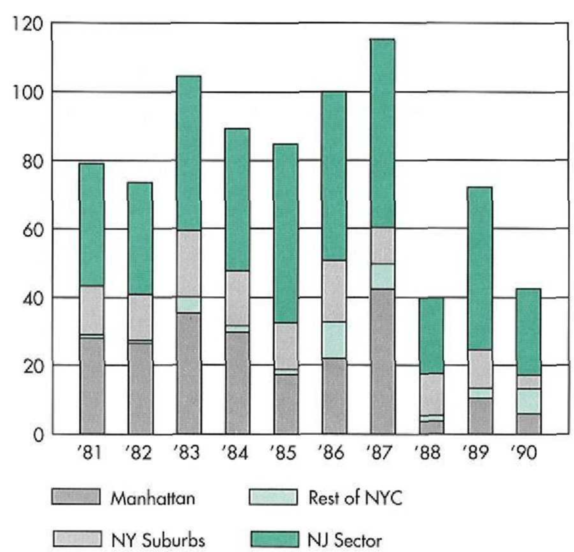


1989: Region = \$2.700 1990: Region = \$1.786

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

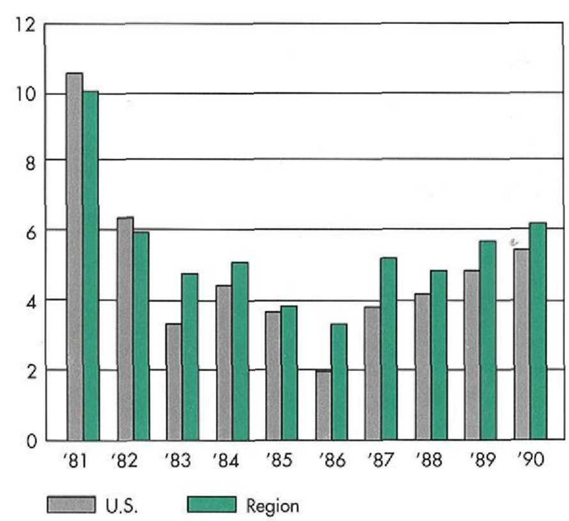
Source: FW Dodge. Reproduction not permitted without permission from FW Dodge

Office Building Contract Awards
NY-NJ Metropolitan Region
1981-1990
(index of square feet 1986 = 100)



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

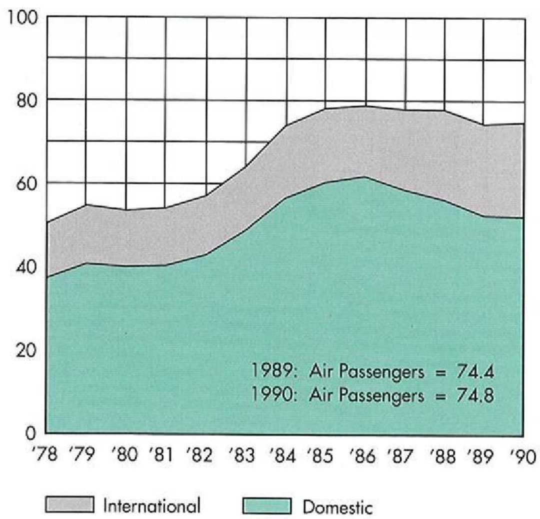
Percent Change in Consumer Price Index
U.S. and NY-NJ Metropolitan Region
1981-1990
(percent)



Source: U.S. Bureau of Labor Statistics

Regional Traffic Trends

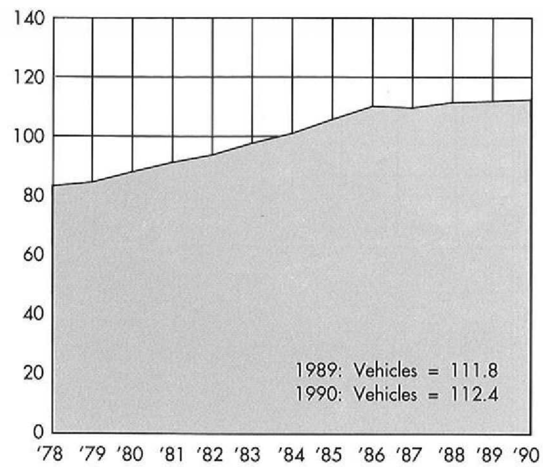
Domestic and International Air Passenger Traffic
NY-NJ Metropolitan Region
1978-1990
(millions)



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

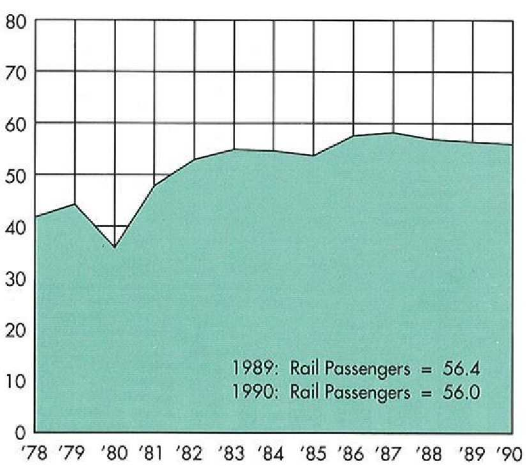
Source: The Port Authority of NY & NJ

Port Authority Tunnels and Bridges
Annual Eastbound Vehicular Traffic
1978-1990
(millions)



Source: The Port Authority of NY & NJ

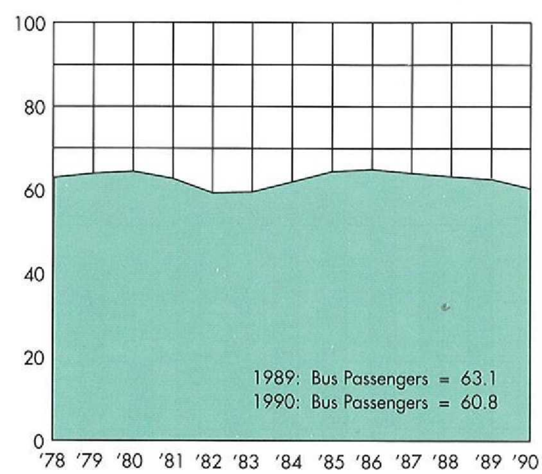
Port Authority Trans-Hudson
Rail Passenger Traffic
1978-1990
(millions)



Note: NY City Transit strike, April 1-13, 1980
PATH strike, June 12-August 31, 1980

Source: The Port Authority of NY & NJ

Bus Passenger Traffic
through Port Authority Terminals
1978-1990
(millions)

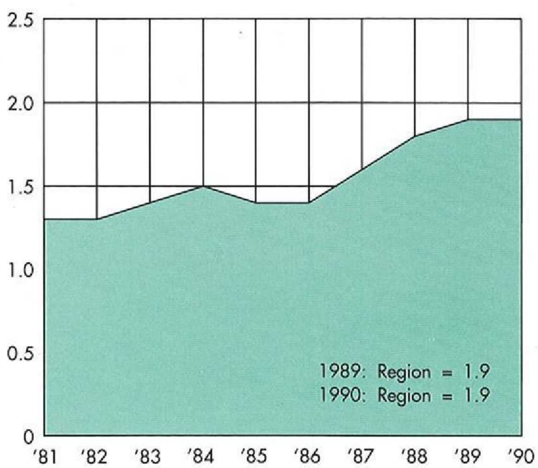


Note: Information excluded for the Journal Square Transportation Center

Source: The Port Authority of NY & NJ

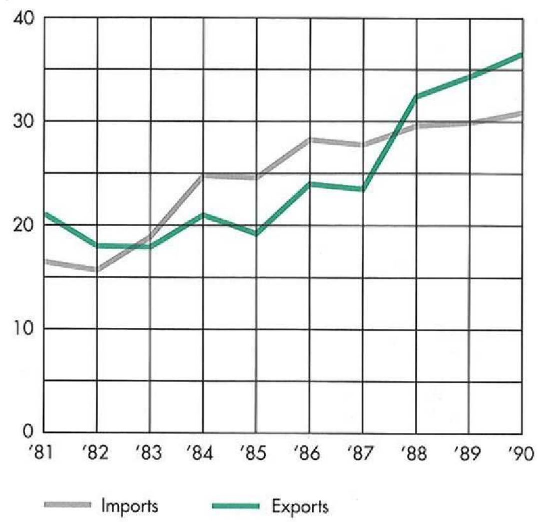
Regional Cargo Trends

Air Cargo Traffic
NY-NJ Metropolitan Region
1981-1990
(millions of short tons)



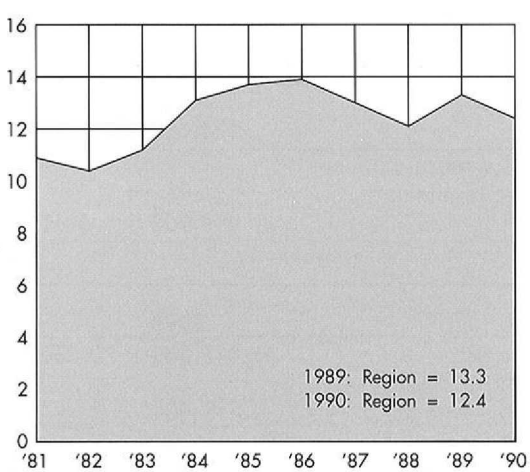
Source: The Port Authority of NY & NJ

Value of the Port's Airborne Foreign Trade
1981-1990
(billions of dollars)



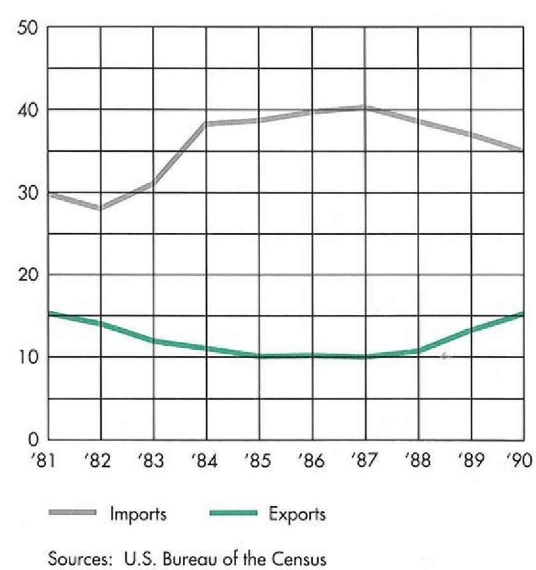
Sources: U.S. Bureau of the Census
The Port Authority of NY & NJ

Oceanborne General Cargo
The Port of NY & NJ
1981-1990
(millions of long tons)



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

Value of the Port's Oceanborne Foreign Trade
1981-1990
(billions of dollars)



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

Facility Traffic

TUNNELS AND BRIDGES (Eastbound Traffic in Thousands)	1990	1989
All Crossings		
Automobiles	**102,908**	102,297
Buses	**2,041**	1,989
Trucks	**7,445**	7,533
Total Vehicles	**112,394**	111,819
George Washington Bridge		
Automobiles	**45,252**	45,494
Buses	**253**	261
Trucks	**3,844**	3,913
Total Vehicles	**49,349**	49,668
Lincoln Tunnel		
Automobiles	**17,717**	17,877
Buses	**1,501**	1,454
Trucks	**926**	960
Total Vehicles	**20,144**	20,291
Holland Tunnel		
Automobiles	**14,234**	13,828
Buses	**109**	113
Trucks	**936**	922
Total Vehicles	**15,279**	14,863
Staten Island Bridges		
Automobiles	**25,705**	25,098
Buses	**178**	161
Trucks	**1,739**	1,738
Total Vehicles	**27,622**	26,997
Cumulative PA Investment In Tunnels and Bridges (In Thousands)	**$1,112,300**	$1,006,600

AIR TERMINALS	1990	1989
Totals at the Three Major Airports		
Plane Movements	**1,031,900**	1,012,700
Passenger Traffic	**74,796,000**	74,409,000
Cargo-Tons	**1,897,300**	1,892,900
Revenue Mail-Tons	**246,200**	233,200
Kennedy International Airport		
Plane Movements	**299,700**	301,600
Passenger Traffic		
Total	**29,787,000**	30,323,000
Domestic	**11,541,000**	12,028,000
Overseas	**18,246,000**	18,295,000
Cargo-Tons	**1,331,100**	1,388,000
LaGuardia Airport		
Plane Movements	**353,800**	347,000
Passenger Traffic	**22,754,000**	23,158,000
Cargo-Tons	**70,800**	63,500
Newark International Airport		
Plane Movements	**378,400**	364,100
Passenger Traffic	**22,255,000**	20,928,000
Cargo-Tons	**495,400**	441,400
Cumulative PA Investment In Air Terminals (In Thousands)	**$2,888,100**	$2,626,500

TERMINALS	1990	1989
All Bus Facilities		
Passengers	**69,639,934**	71,898,776
Bus Movements	**3,051,925**	3,044,053
Port Authority Bus Terminal		
Passengers	**56,000,000**	58,000,000
Bus Movements	**2,013,000**	2,016,000
George Washington Bridge Bus Station		
Passengers	**4,800,000**	5,100,000
Bus Movements	**222,000**	222,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**8,839,934**	8,798,776
Bus Movements	**816,925**	806,053
Cumulative PA Investment In Bus Facilities (In Thousands)	**$435,300**	$423,700

MARINE TERMINALS	1990	1989
All Terminals		
Ship Arrivals	**3,152**	2,756
General Cargo (A) (Long Tons)	**12,381,000**	13,262,000
New Jersey Marine Terminals		
Ship Arrivals	**2,635**	2,224
New York Marine Terminals		
Ship Arrivals	**366**	320
Passenger Ship Terminal		
Ship Arrivals	**151**	212
Passengers	**271,157**	331,762
Cumulative PA Investment In Marine Terminals (In Thousands)	**$ 995,900**	$961,100

PATH	1990	1989
Total Passengers	**56,018,000**	56,360,000
Passenger Weekday Average	**199,300**	201,200
Cumulative PA Investment in PATH (In Thousands)	**$ 986,900**	$826,300

	1990	1989
Total Port Authority Cumulative Invested in Facilities, Including the Above (In Thousands)	**$8,532,600**	$7,825,000

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

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 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:
  - Auto
  - Brooklyn/Red Hook
  - Columbia Street
  - Elizabeth
  - Erie Basin
  - Howland Hook
  - Greenville Yard
  - Port Newark
- Oak Point Rail Freight Link

Sales Offices

- Chicago
- Cleveland
- Eastern United States
- Latin America

1990 Annual Report

Acting Director/Government, Community and Public Affairs:
Dorothy W. Dugger

Assistant Director/Information Services:
Mark Marchese

Manager, Corporate Communications/Editor:
Carolyne Bowers

Editor for Finance:
Kathleen Tomko

Financial Section:
Charles McClafferty
Michael Fabiano

Contributing Editor:
Roger Cohen

Statistical Section:
Chief Economist:
Rosemary Scanlon

Oren Weisberg
Phil Wendrow
Seth Adjei
Gregory Phillips

Signature photographs and others by Port Authority staff photographers Jerry Rosen and Randolph R. Waterman; other photographs by Media Photo Group, Inc., Peter Eckel, and TransitCenter.

Cover Photograph:
Jerry Rosen

Photo Coordination:
Ruth Singer
Albert Belva

Graphics Coordinator:
Joseph Cuciniello

Design:
Van Carney

Production Supervisor:
Eileen Parisi

Computer Page Composition:
Pamela McGill

Computer Chart Production:
Flory Danish

Prepared by the Government, Community and Public Affairs, and Comptroller's Departments of The Port Authority of New York and New Jersey

One World Trade Center
New York, NY 10048
Printed in U.S.A.

The 1990 Port Authority of NY & NJ Annual Report is printed on recycled paper.