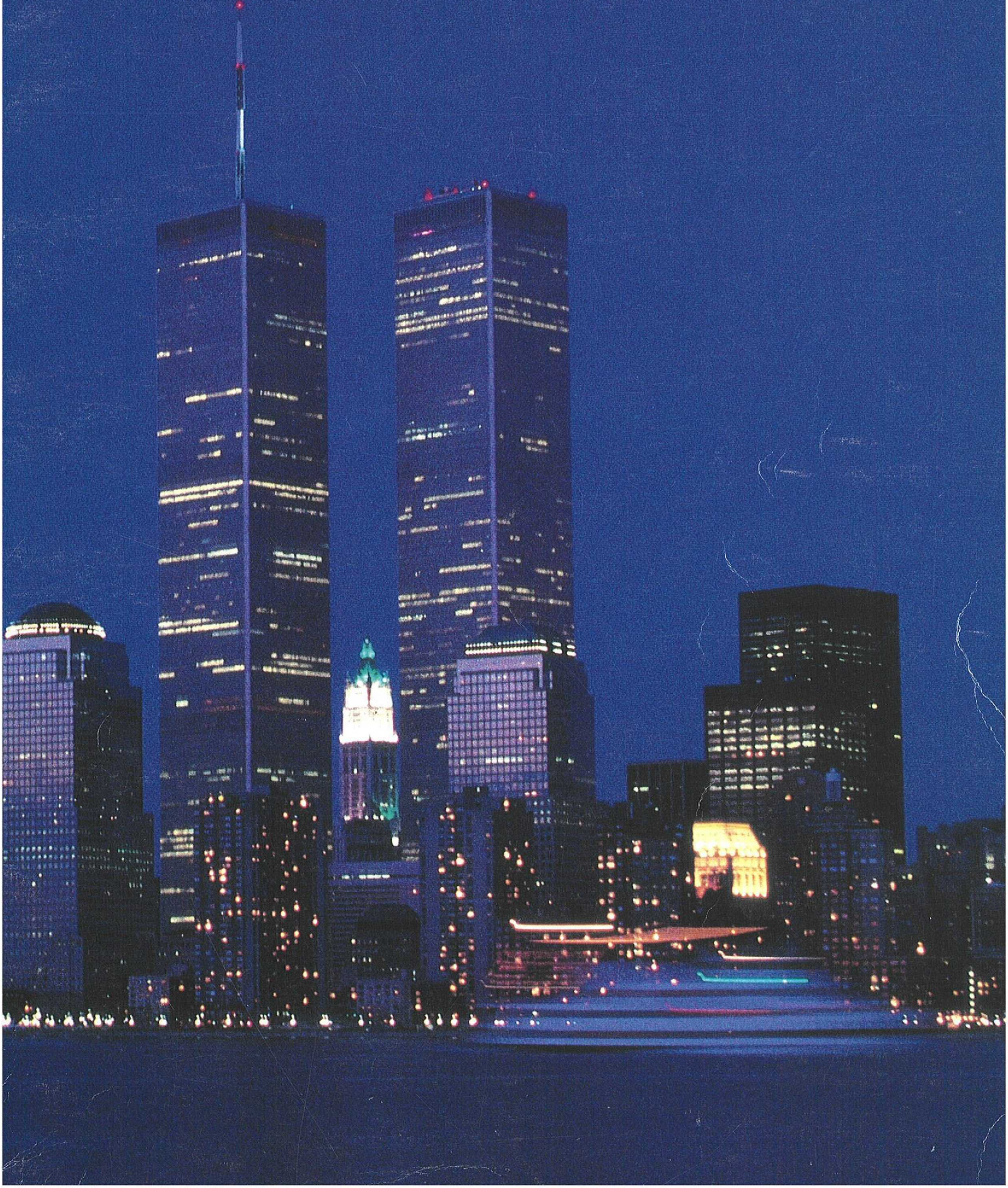
THE PORT AUTHORITY OF NY & NJ

Comprehensive Annual Financial Report for the Year Ended December 31, 1992



About the Cover

Early evening view of the World Trade Center and lower Manhattan skyline.

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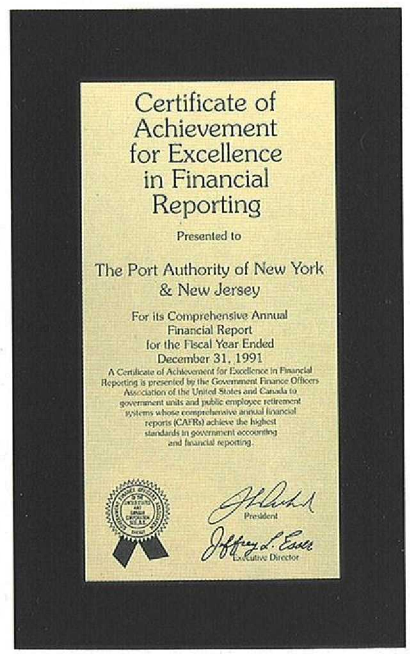
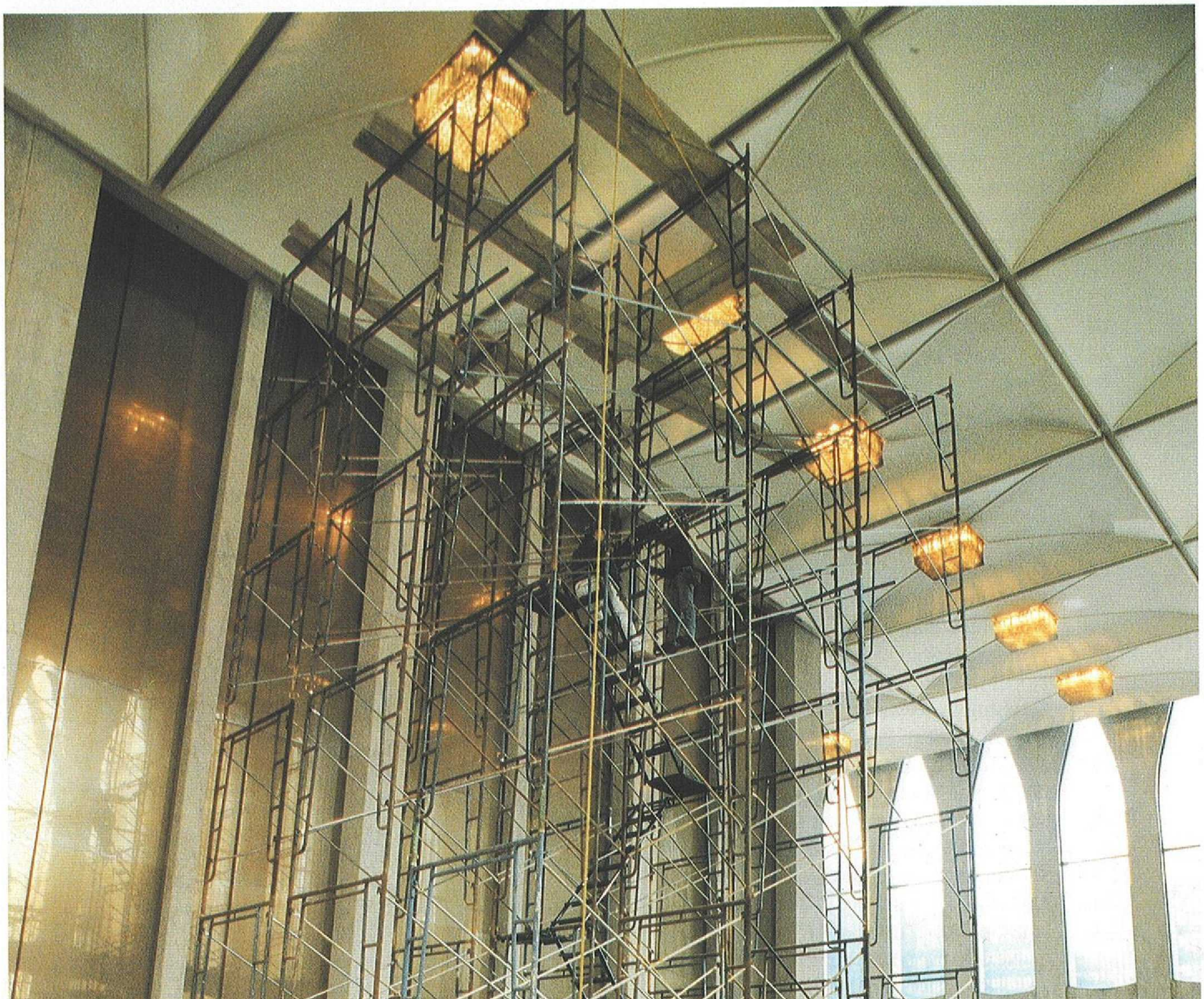


For the eighth consecutive year, The Port Authority of New York and New Jersey was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its 1991 Comprehensive Annual Financial Report.

The 1992 Port Authority of NY & NJ Annual Report is printed on recycled paper.



Work continued around the clock to restore the World Trade Center.

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 York and New Jersey this 1992 Annual Report of The Port Authority of New York and New Jersey, pursuant to the bistate Port Compact of 1921.

As we write this annual letter, the events of 1992 seem overshadowed by the World Trade Center bombing and recovery early in 1993. The blast, on February 26, killed six people, injured more than 1,000 and temporarily closed the Trade Center complex. If the terrorists counted on humbling this proud symbol of our region, however, they failed. Within hours of the explosion, the lights in the Twin Towers glowed brightly through the night, proof that normalcy would be restored and that America would not be cowed. In the weeks that followed, the men and women of the Port Authority provided a lesson in dedication, skill, and courage. Working around the clock, in sometimes dangerous and difficult situations, defying a major blizzard, they achieved in weeks a task that should have taken months. Tower Two reopened less than three weeks after the blast and Tower One before the end of March. Even the most optimistic could not have predicted such a feat.

The bombing, with its terrible toll and its aftermath, was a tragedy. But it led to restoration and recovery elements that came close to triumph. Work of such scale and complexity has almost never been accomplished under such time pressures -- certainly not in peacetime. In addition, the Port Authority leveraged its status as a public agency to aid tenants in the Towers, as well as merchants in the surrounding area. To preserve jobs and protect the economy of lower Manhattan, we established a $15 million TOWERS (Tenant-Owner-Worker-Economic Recovery Stimulus) program providing special rent relief, no-interest loans and marketing and promotion incentives to benefit tenants, their employees and nearby businesses. Recent weeks have been a reminder of the advantages of having an agency with depth and competence, and with a commitment to the public interest. As we return to our normal agenda, we bring this same commitment and this same competence to programs as important as any we have undertaken in our history.

In 1992, at all three major airports – John F. Kennedy International, LaGuardia, and Newark International – we began developing plans for rapid transit links that will offer fast and dependable access for millions of residents and visitors. At Newark, travelers could see work under way for an on-airport monorail, similar to one planned for JFK.

Also at JFK, we moved ahead with a major reconstruction that will bring what is essentially an airport of the Sixties into the 21st Century. New roadways and a new air traffic control tower were completed and we are working with our airline tenants on new and renovated terminals. At LaGuardia, we are nearing completion of a renovation package that includes new roadways, a modernized Central Terminal Building and a new USAir terminal. At Newark, we broke ground on an international terminal that recognizes the importance of the global economy, and began construction on a cargo complex needed to maintain the airport's growth as a cargo center.

Among the areas our planners are focusing on are the capacity problems and mobility needs likely to confront our Interstate Transportation Network, consisting of our bridges, tunnels and the PATH rail system. Increasing the network's capacity can further strengthen the economies of both states. So we are studying ways to add capacity to the Staten Island crossings, and are joining with other agencies to examine options for building additional rail capacity to midtown Manhattan.

You, the Governors, have also been moving ahead with ambitious construction programs. Governor Cuomo has proposed a bold "New, New York" program that could change the face of the state. In New Jersey, Governor Florio has presided over historic levels of investment in transportation and other essential infrastructure. These are the programs our region needs. Working together, we can overcome the formidable obstacles that stand in the way of public building. Our response to the February 26 bombing and its effects shows what we can achieve by pulling together in response to disaster. Our challenge in the years ahead is to bring that same spirit, unity, and sense of mission to all of the public investments that underpin our region's prosperity and competitiveness.

Sincerely,

Richard C. Leone
Chairman

Vincent Tese
Vice-Chairman
May 13, 1993

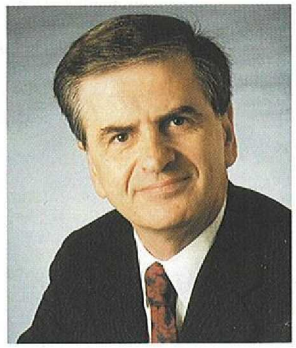
Board of Commissioners

Origins of the Port Authority

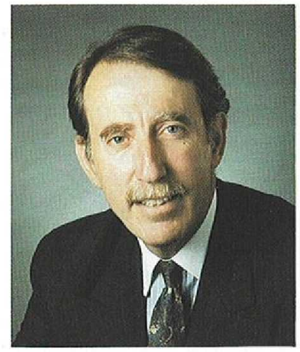
The Port Authority of New York and New Jersey was established on April 30, 1921. It was the first interstate agency ever created under a clause of the Constitution permitting compacts between states with Congressional consent.

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

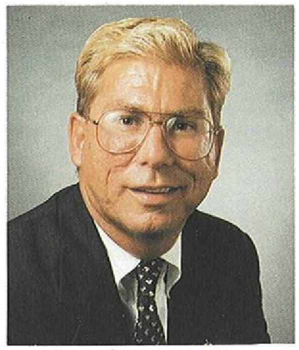
The mandate of the agency was to promote and protect the commerce of the bistate port and to undertake port and regional improvements not likely to be financed by private enterprise nor to be attempted by either state alone: a modern wharfage for the harbor shared by the two states, tunnel and bridge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



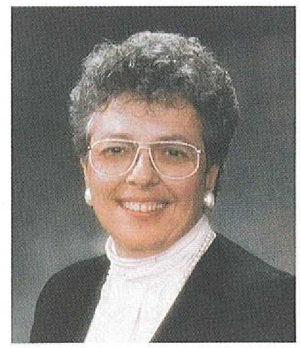
Richard C. Leone
President
The Twentieth Century Fund



Vincent Tese
Chairman & Chief Executive Officer
Urban Development Corp.

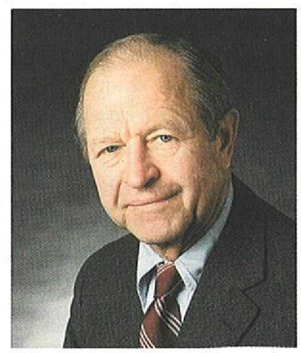


Tonio Burgos
President
Tonio Burgos & Assocs., Inc.

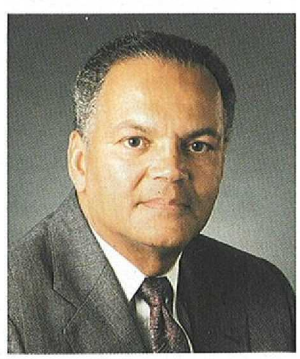


Hazel Frank Gluck
President
Public Policy Advisors, Inc.

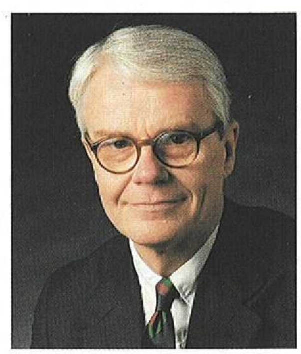
Arthur M. Goldberg
Chairman and Chief Executive Officer
Bally Manufacturing Corporation



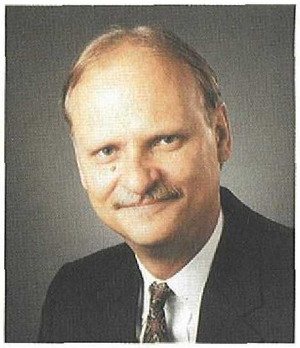
James G. Hellmuth
Consultant



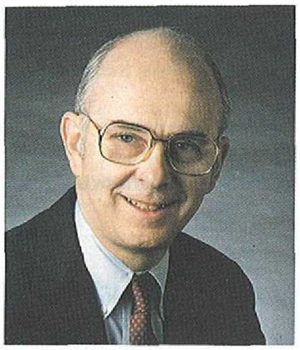
Henry F. Henderson, Jr.
President
H. F. Henderson Industries



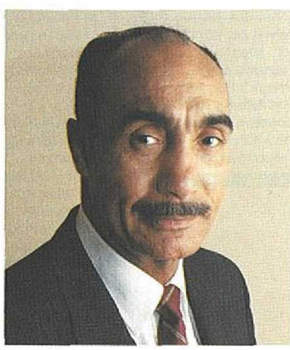
William K. Hutchison
Partner
Christenson & Hutchison



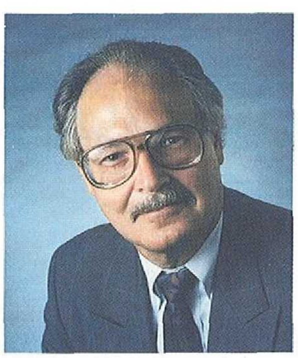
Robert C. Janiszewski
County Executive
Hudson County, New Jersey



John G. McGoldrick
Attorney
Schulte Roth & Zabel

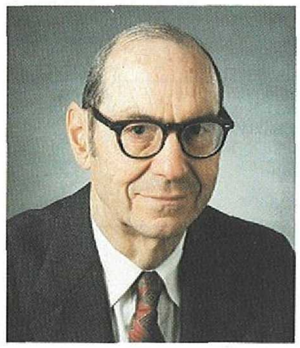


Basil A. Paterson
Attorney
Meyer, Suozzi, English & Klein, P.C.

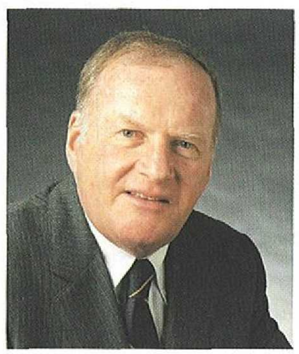


Stanley Brezenoff
Executive Director

Philip D. Kaltenbacher
Chairman and Chief Executive Officer
Seton Company



George D. O'Neill
President
Meriwether Capital Corporation



Robert Van Buren
Chairman
Financial Facilities
Management, Inc.

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, Interstate Transportation, World Trade, and Regional Development line departments as well as staff departments such as Engineering and Public Safety.

Board of Commissioners

Richard C. Leone, Chairman
Vincent Tese, Vice Chairman
Tonio Burgos
Hazel Frank Gluck
Arthur M. Goldberg[1]
James G. Hellmuth
Henry F. Henderson, Jr.
William K. Hutchison[1]
Robert C. Janiszewski[2]
Philip D. Kaltenbacher[3]
John G. McGoldrick
George D. O'Neill
Basil A. Paterson
Robert Van Buren[2]

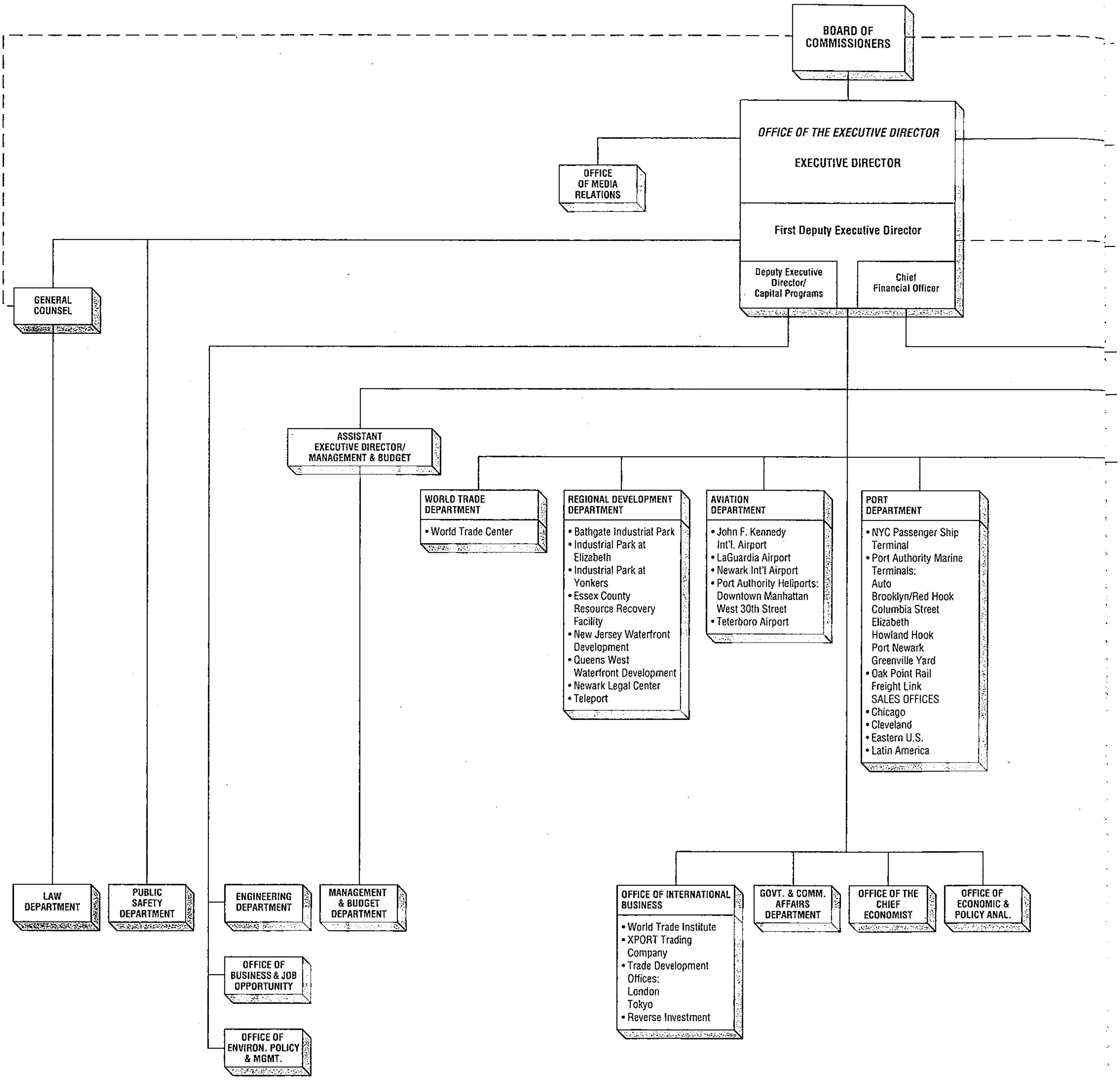
1 Commissioner Goldberg joined the Board on January 15, 1992, succeeding Commissioner Hutchison.

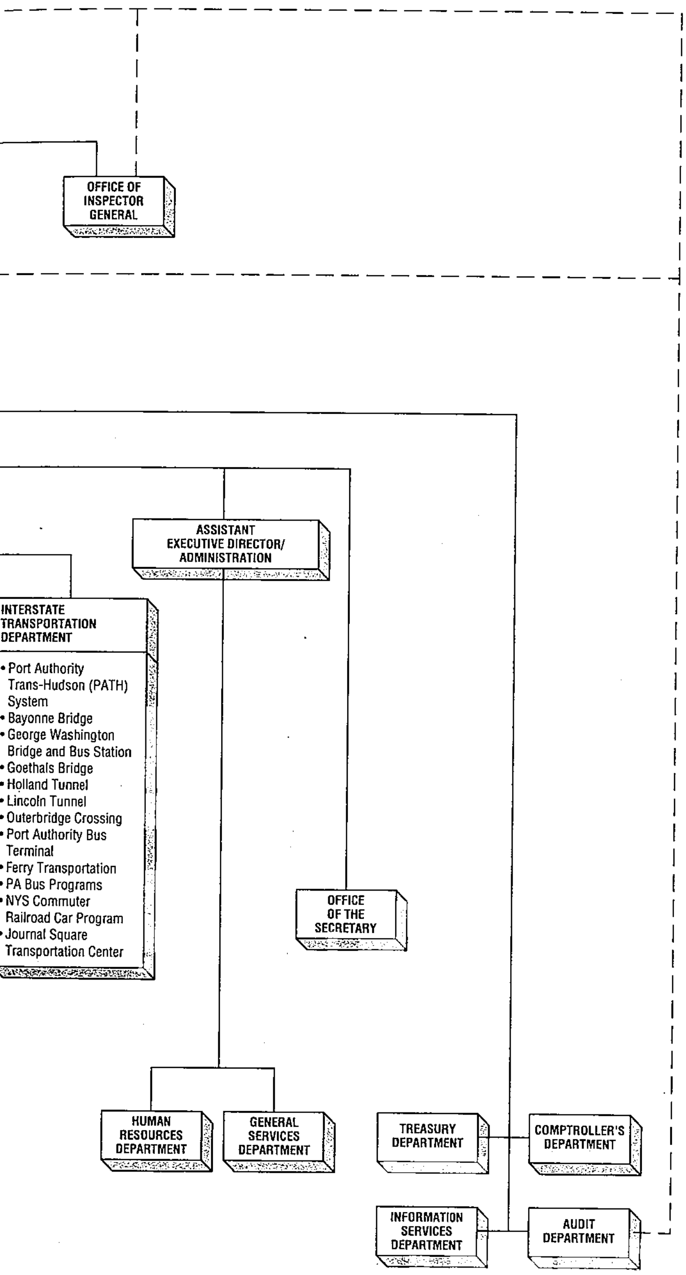
2 Commissioner Janiszewski joined the Board on October 15, 1992, succeeding Commissioner Van Buren.

3 Commissioner Kaltenbacher resigned from the Board on February 4, 1993.

THE PORT AUTHORITY OF NY & NJ

Organization Chart





Current Officers and Directors

Stanley Brezenoff, *Executive Director*

Anthony E. Shorris, *First Deputy Executive Director*[1]

William H. Goldstein, *Deputy Executive Director/ Capital Programs*[2]

Barry Weintrob, *Chief Financial Officer*

Katy MacKay, *Assistant Executive Director/Administration*

John J. Collura, *Assistant Executive Director/ Management & Budget*[3]

Jeffrey S. Green, *General Counsel*

Carol Ash, *Office of Environmental Policy & Management*[4]
Anthony J. Barber, *Interstate Transportation/COO*
A. Paul Blanco, *Comptroller*
Karen S. de Bartolomé, *Office of International Business*[5]
Angelo DiNome, *Government & Community Affairs*[6]
Rebecca Doggett, *Office of Business & Job Opportunity*
Eugene J. Fasullo, *Engineering and Chief Engineer*
Gene C. Gill, *General Services*
Anthony Giordano, *Regional Development*[7]
John E. Haupert, *Treasurer*
Alice Herman, *Secretary*[8]
Wilma H. Horne, *Information Services*
Albert Jackson, *Office of Inspector General*[9]
Richard R. Kelly, *Interstate Transportation*
Charles Knox, *Public Safety*
Louis J. LaCapra, *Human Resources*
Donald R. Lee, *Audit*
Lillian C. Liburdi, *Port*
Charles Maikish, *World Trade*
Mark Marchese, *Office of Media Relations*
David Z. Plavin, *Aviation*
Richard W. Roper, *Office of Economic & Policy Analysis*
Rosemary Scanlon, *Office of the Chief Economist*
Deborah Schneekloth, *Regional Development*[7]

1. *Appointed June 1, 1992*
2. *Appointed August 24, 1992*
3. *Appointed August 25, 1992*
4. *Appointed December 14, 1992*
5. *Appointed August 3, 1992*
6. *Dorothy Dugger resigned July 27, 1992; Angelo DiNome appointed Acting Director July 27, 1992*
7. *Appointed Assistant Director January 2, 1992*
8. *Appointed Secretary August 3, 1992*
9. *Appointed August 13, 1992*

THE EXECUTIVE DIRECTOR'S 1992 OVERVIEW

The Port Authority develops, maintains and operates some of the region's most vital trade and transportation facilities.

During the preparation of this annual report an event occurred that sent shock waves throughout the nation and the world: the tragic and devastating bombing of the World Trade Center on February 26, 1993. Although this report generally covers the year 1992, some sections reflect recent initiatives to restore and enhance the Twin Towers and the entire complex following the bombing. Our response to the disaster, as well as the 1992 accomplishments chronicled on the following pages, attest to the fundamental strengths of The Port Authority of New York and New Jersey and the region we serve.

In 1992, we redoubled our commitment to providing high quality services for our patrons and the people of the region; we significantly advanced our capital development program; and we improved our spending structure through aggressive resource management and productivity gains.

These achievements were realized despite the continuing effects of a three-year-long economic recession in the region and the nation. By late 1992, some signs of recovery had emerged: the national and regional housing markets responded favorably to dramatically lowered interest and mortgage rates, which increased refinancing of mortgage and sales of single family housing. A resurgent Wall Street boosted wages and tax revenues in New York City and the metropolitan area. Activity levels at all Port Authority facilities similarly showed slow, but steady improvements as the year progressed, and most noticeably by the third and fourth quarters.

Productivity Improvements

For the year, the bistate agency's gross operating revenues totaled $1.9 billion, a 4.1 percent increase from 1991. Total operating expenses were virtually unchanged at $1.3 billion. Operating expenses were kept in check through more than 200 cost control and productivity improvements initiated over the past three years. In 1992, these included:

- reduction of 100 staff positions, with additional headcount cuts planned at an average rate of 1 percent per year through 1996, to be achieved through attrition and retirements;
- use of part-time toll collectors; and
- implementation of a new automated maintenance management information system designed to save money by improving maintenance routines.

The Port Authority also took an aggressive approach toward reducing costs through refinancing its debt and disposing of facilities that no longer served their original public purposes. As a result, we refunded $540 million in debt, which generated almost $63 million of present value savings to the agency. We also sold property, such as the New York Union Motor Truck Terminal in Manhattan and the Erie Basin marine terminal in Brooklyn, for a net gain of approximately $20 million.

In other efforts, we consolidated our European trade development offices, strengthened the agency's absence and overtime control procedures, and downsized and consolidated a number of other operations.

These savings enabled the Port Authority to close, at least through 1994, an annual net revenue gap previously forecast to total $150 million beginning in 1994. Had the gap not been eliminated, we would have been forced to seek revenue enhancements or make drastic cuts in services and capital investment during the next two years.

Instead, we marked 1992 with notable achievements in two critical and ongoing areas: improving the quality of our customer service and advancing our infrastructure renewal and modernization plan.

Putting Quality Service First

As developer, operator and maintainer of some of the region's most vital trade and transportation systems, the Port Authority serves one of the largest and most diverse customer bases in the world. In 1992, we concentrated our energies and attention on improving the services we deliver to these customers.

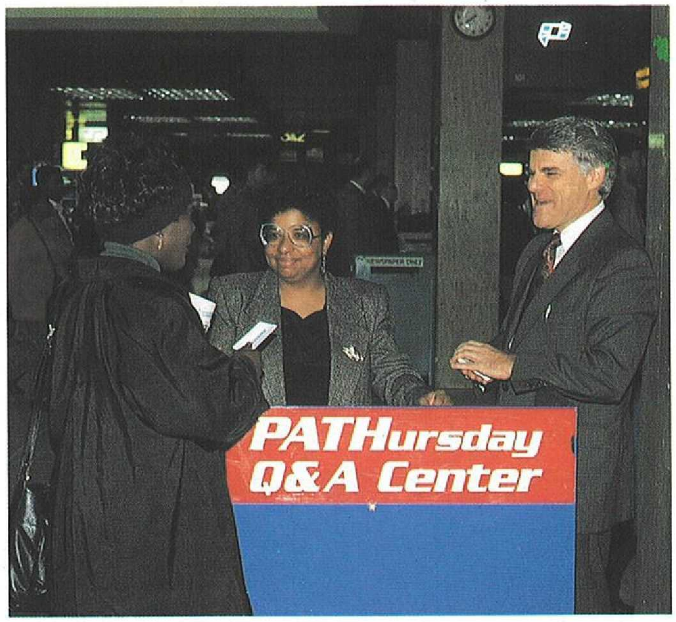
More than $20 million was devoted to new initiatives and service enhancements. At the Bus Terminal, for example, we marked the first full year of Operation Alternative, an effort launched to help staff and police connect homeless people with appropriate care and shelter, while strengthening enforcement of rules of conduct for everyone using the terminal. Similar enforcement programs were introduced at the World Trade Center and at some PATH stations.

At John F. Kennedy International, Newark International and LaGuardia airports, an aggressive anti-hustling enforcement initiative also resulted in noticeable improvements by helping to reduce illegal ground transportation practices. The anti-hustler program dovetailed with efforts of the Gateway America Committee to promote the region's $17 billion tourism industry.

Throughout the agency, our various departments implemented Total Quality Management practices and projects to improve specific services to both internal and external customers. This customer-driven approach is designed to achieve sustainable, visible and measurable improvements.

In another Port Authority service initiative, a program we call "Creative Concepts" was established which offers cash incentives to employees whose ideas help improve facility and main office operations. Among the ideas implemented as a result of this program are an improved operating system for PATH car doors and rail maintenance improvements at Port Newark. Thirty-three ideas were accepted in 1992, representing a first year savings of $125,000.

We consolidated our activities related to environmental quality and created a new Office of Environmental Policy and Management to oversee environmental issues and ensure that Port Authority and tenant operations and policies are carried out in an environmentally sound and responsible manner. During the year, we also continued discussions on proposed new aircraft noise rules that would require airlines to phase out use of noisier "Stage 2" jets at our three airports.



PATHursday gives the rail transit system's riders a direct communication line to PATH management every Thursday at the World Trade Center terminal.

Improving the Regional Infrastructure

Delivery of our capital program was one of our most challenging commitments. We renewed our focus on how the agency reviews and manages the capital program and instituted a value management process agency-wide to ensure that capital projects use available resources as efficiently and effectively as possible. A number of Port Authority projects valued at nearly $1 billion were analyzed and potential savings of $55 million were identified.

New York Governor Mario Cuomo dedicates container barge service between Brooklyn's Red Hook Marine Terminal and Port Newark to help offset the potential impact of the Gowanus Expressway construction project.

The Port Authority's total capital investment in 1992 was $687 million. These funds provided for the completion of some key projects, such as PATH's access improvements for elderly and disabled riders. Other projects were in varying stages of work at year-end, from Lincoln Tunnel South Tube rehabilitation to dredging of our main shipping channels.

Dredging of the Kill Van Kull and Newark Bay channels by the U.S. Army Corps of Engineers progressed, increasing the harbor's main shipping channels from their existing 35-foot depth to 40 feet. When completed in 1994, the deepened waterways will improve the port's competitiveness by accommodating the largest class of container vessels. The Port Authority is providing 35 percent of the $346 million dredging project cost.

Efforts also continued through year-end to secure the necessary federal permits for maintenance berth dredging. Delays in the approval process for the permits centered on environmental concerns about ocean dumping of dredged material containing trace elements of dioxin.

The Port Authority has remained committed to striking a balance between the environmental and economic aspects of the dredging issue — safeguarding 180,000 port industry jobs, nearly $20 billion in regional economic activity and some $5 billion in wages and salaries, while disposing of the dredged material in an environmentally sound manner.

The capital program also included about $75 million for transportation and economic development projects in New York and New Jersey, requested by each Governor and authorized through the Regional Development Facility and the Regional Economic Development Program.

Expanding Economic Opportunities

Port Authority projects continued to build upon our ongoing commitment to expand economic opportunities for women, minorities, small businesses and disadvantaged communities. We awarded 17 percent of our purchasing, construction and professional service contracts to businesses owned by women and minorities. We also participated in studies necessary to document the conditions that would permit minority set-asides.

Participating in the groundbreaking ceremony for Newark International's new international arrivals facility are (left to right) Newark Mayor Sharpe James; New Jersey Governor Jim Florio; Port Authority Chairman Richard C. Leone; Elizabeth Mayor Thomas Dunn; and Port Authority Aviation Department Director David Z. Plavin.

Marketing the region to attract more international business produced favorable results. The Port Authority's reverse investment program, administered by the newly established Office of International Business, helped bring 20 foreign firms to the region. In October, the World Trade Center hosted nearly 600 delegates from over 145 cities and 50 countries during the World Trade Centers Association (WTCA) 23rd General Assembly. In conjunction with the WTCA, the Port Authority and the New York Building Congress sponsored a three-day conference aimed at helping the region's construction industry participate in development projects planned by Taiwan.

The first subway cars ever to be exported from the U.S. rolled off the assembly line of Union Rail Car Partnership, the principal tenant at the Port Authority Industrial Park at Yonkers, NY. The subway cars, shipped via the Port of New York and New Jersey to Taipei, Taiwan, were part of a $170 million contract which the Port Authority helped its tenant win from the Taipei City Department of Rapid Transit.

In 1992, we also began a study of the economic impacts of tourism and the arts in the region. The study is being conducted in cooperation with the Alliance for the Arts and the New York City and New Jersey Partnerships.

Public Accountability

The agency continued to respond to increased public scrutiny of its policies and practices. Recognizing that our mission to serve the people of the New York-New Jersey region demands a commitment to the highest standard of public accountability, a variety of steps were implemented to increase public awareness of and information about agency activities, policies and programs.

The Board of Commissioners adopted new practices to open further its decision-making process and committee meetings to greater public scrutiny. The duties of the agency's independent auditor were extended to encompass a regular review of capital program performance in areas such as project management, financing status and construction implementation.

Our internal Audit Department continued to ensure that appropriate controls are in place to safeguard the organization's assets. We also established an independent Office of the Inspector General.

Finally, I am proud to note that the Government Finance Officers Association presented its Distinguished Budget Presentation Award to the Port Authority for our 1992 Budget Plan and its Certificate of Achievement for Excellence in Financial Reporting for our 1991 Comprehensive Annual Financial Report.

*****

The World Trade Center, like the Port Authority, is recognizable worldwide as a symbol of the United States and the global trading relationships that are shrinking the distance between people and cultures around the world. Our success in getting the Twin Towers back to normal operations quickly is a testament to the skill and dedication of government and private-sector workers who have made this region an unfailing source of renewal for the nation, and a symbol of freedom and opportunity.

Stanley Brezenoff

Stanley Brezenoff
Executive Director

A customer attitude survey showed patrons noticed a generally cleaner and safer Port Authority Bus Terminal.

The region's three major airports handled 72 million passengers in 1992.

Moderate rates of traffic growth and major realignment of airlines continued to set the theme for the air transportation business in 1992. At the New York-New Jersey region's three major airports, total passenger volume rose to 72 million, up 5 percent compared with 1991. Kennedy International and Newark International handled 27.8 million and 24.3 million passengers, respectively, both gains over the previous year. Traffic volume at LaGuardia Airport was flat at 19.6 million passengers. Total air cargo was up to 2 million tons against 1.8 million tons in 1991.

Aviation remains a key component of the regional economy, with the three airports generating more than 230,000 jobs, $22 billion in economic activity and $7 billion in wages and salaries. The Port Authority's air cargo facilities, collectively the largest air cargo complex in the world, account for 100,000 jobs, $9 billion in economic activity and $3 billion in wages and salaries.

To strengthen the region's share of the vital aviation industry, we invested more than $400 million in improvement projects and successfully introduced an array of service enhancements for airport patrons as well as tenant airlines and businesses.

Service and Productivity Improvements

In efforts to improve the quality of travelers' airport experiences, the Port Authority launched a program to strictly enforce rules against unauthorized limousine and baggage hustlers who preyed on unsuspecting travelers. The anti-hustling initiative at all three airports was carried out by a special detail of Port Authority police officers posing as tourists. By year-end, nearly 10,000 arrests and summonses had been issued and the environment for airport patrons had significantly improved. As one result, business increased for legitimate ground transportation providers.

Travelers' airport experiences were also improved through the Port Authority's Airport Ambassadors program, which stresses friendliness and hospitality by encouraging frontline employees such as bus drivers to put courtesy first.

A fleet of 40 low-floor buses began operating at Kennedy International and LaGuardia in February. With no steps at entry and exit points, the buses make it easier for elderly, disabled and other special-needs travelers to board. Access ramps and a second wheelchair position conform with the Americans with Disabilities Act. Newark International will get similar buses in mid-1993.

Passenger and cargo processing services were improved at Kennedy International. At the International Arrivals Building, eight more immigration inspection booths added 16 stations to the federal inspection area. On the cargo side, in conjunction with the U.S. Customs Service, we increased the number of carriers using the Automated Manifest System, which reduces processing time for inbound international shipments.

Curbside at Kennedy, work progressed on the central taxi hold. When finished in late 1993, the new system will improve amenities for taxi drivers and make the dispatch of taxis fairer and easier for airport patrons.

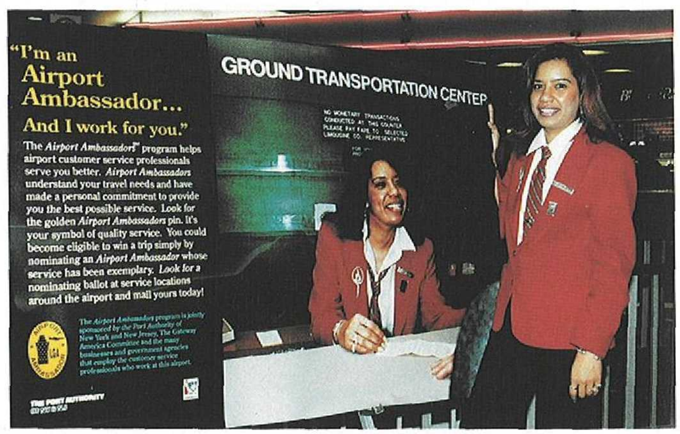
At LaGuardia, travelers bound for the World Trade Center, World Financial Center or other locations near Battery Park City may opt to take the Delta Ferry Shuttle, which also stops at Wall Street and midtown Manhattan. Direct bus service between LaGuardia and Harlem's 125th Street was inaugurated in October by the Metropolitan Transportation Authority. The new M60 bus service has been well-received by travelers as well as airport employees, who at year-end accounted for more than 50 percent of the increasing ridership.

A prototype airport video information system was installed at LaGuardia's Central Terminal Building (CTB) in October, allowing customers to select airport, airline and tourism information at the touch of a video screen. Installation at Kennedy and Newark is slated for summer 1993.

Building Now for Future Growth

The largest single element of Newark International's redevelopment program, a $378 million monorail, saw completion of all foundation work and guideway support columns in 1992. The system is scheduled to begin passenger service in 1995, providing direct transportation between the three passenger terminals, rental car facilities and long-term parking lots. It is also designed to be linked, eventually, to an off-airport transit system.

The Port Authority awarded a planning contract in December for "people mover" projects linking Kennedy International and LaGuardia. The automated guideway system would link the two airports to the New York commuter rail and subway systems. Expected to generate 8,000 construction jobs and stimulate $41.3 billion in added economic activity, it is part of the "New, New York" economic revitalization program. A portion of the $10



The Airport Ambassadors customer service training program stresses courtesy and hospitality.

million authorized will also be devoted to planning enhanced transit links to Newark International.

A new source of revenue to help fund airport redevelopment projects related to airport access became available with FAA approval of Passenger Facility Charges (PFCs) at the three airports. The Port Authority was authorized to collect up to $282 million in PFCs over a three-year period, of which $21 million can be used for planning, environmental and other studies for proposed ground access (including transit links) to the airports. FAA approval is required for additional spending.

Among other redevelopment projects at Newark, work began on a $110 million expansion of international passenger facilities in Terminal B. Included are a new international arrivals terminal area and the renovation of existing international facilities, including federal inspection areas. Completion of the arrivals facility is slated for 1995 and other project elements in 1996. The new facility will serve 3,000 arriving passengers per hour.

Among officials at the dedication of USAir's new terminal at LaGuardia Airport are New York Governor Mario Cuomo (standing); Queens Borough President Claire Shulman; Seth Schofield, USAir Chairman, President and CEO; and Donald Piser, Chairman and CEO of Morse Diesel International.

All guideway support columns were completed in 1992 for Newark International's monorail system.

A new multi-tenant air cargo complex and a new 1,100-foot taxiway at Newark International moved ahead on schedule. When both projects are completed by the end of 1993, the facility is expected to be fully leased.

At Kennedy International, a 200,000-square-foot cargo facility was opened in July to handle import and export perishables. Built by the Halmar Organization, the facility can handle virtually every commodity requiring climatized control and specialized service. Its 375,000-square-foot tarmac provides simultaneous ramp access for two 747s and a DC-10.

Improvements to the airport's power supply will be achieved when a Cogeneration Plant is completed in 1994. The plant will also help relieve the overburdened power systems of the local community. Equity for the project is being provided by KIAC Partners, a partnership of subsidiaries of the Brooklyn Union Gas Company of New York and Public Service Enterprise Group Incorporated of New Jersey.

In other Kennedy projects, two major carriers — Delta and American — announced plans for multimillion dollar renovations at their terminals; United Airlines signed a five-year lease for a portion of Hangar 19, the former Pan

American World Airways maintenance base; Nippon Cargo Airlines signed a lease for the development of a new 175,000-square-foot cargo facility; and several new roads were opened, as construction of a new roadway quadrant system designed to ease traffic flow continued. Kennedy's new air traffic control tower was completed and is expected to be fully operational by the end of 1993.

LaGuardia Airport was more than halfway through its overall redevelopment program at year-end. Among key projects completed, USAir's new $200 million terminal opened for business in September at the east end of the airport. The 12-gate terminal is connected to the USAir Shuttle Terminal and features approximately 300,000 square feet of floor space and a food and retail concessions court.

Also at LaGuardia, travelers enjoyed a brighter and roomier CTB arrivals area. The renovation of Concourse C and the west wing of the CTB by United Airlines and USAir was also completed, including modernization and expansion of baggage, ticketing and boarding gate areas.

Environmental Responsibility

A new Aircraft Noise Abatement Monitoring System was installed to extract aircraft identification and flight track data from the FAA Air Traffic Control radar system for nearly all landings and takeoffs at the region's airports. This system is a vital part of the Port Authority's program to monitor compliance with noise limits and to impose improved noise abatement procedures.

Our school soundproofing program was expanded to include six new school projects in New York and New Jersey. Work includes installation of mechanical ventilation, window soundproofing and, where necessary, soundproofing doors. Since the program began in 1983, the Port Authority has earmarked $50 million (including Federal funds) to soundproof schools near our airports.

Breaking ground for Kennedy International's Cogeneration Plant are (left to right) Nicholas G. Garaufis, Counsel to the Queens Borough President; Stanley Brezenoff, Port Authority Executive Director; Stan Lundine, New York Lieutenant Governor; Robert B. Catell, President and CEO of Brooklyn Union Gas; William F. Squadron, Commissioner, New York City Department of Telecommunications and Energy; and David Milne, President and CEO of Gas Energy, Inc.

At the Port Authority Industrial Park at Yonkers, Union Rail Car workers assemble subway cars for export to Taiwan.

A decade of business growth and community revitalization was marked at the Bathgate Industrial Park in the South Bronx. The Essex County Resource Recovery Facility reached its one-millionth-ton processing mark. The Teleport on Staten Island bolstered its position as an international communications center. Occupancy and jobs were up at the Legal Center in downtown Newark. These and a range of other regional development achievements in 1992 helped increase business investment, expand economic opportunity and promote employment growth in the region.

Business Development

At the Legal Center, the addition of three new tenants and one existing tenant's expansion increased the building's occupancy rate to 70 percent. Tenants — 9 law firms, a holding company, radio station, bank, business service firm, food service and newsstand — employed some 1,000 people by year-end. Occupancy and employment also rose at The Teleport, a 100-acre high-tech business park and communications center. New tenants moved into 45,800 square feet of space — increasing the total number of jobs by almost 40 percent, to 1,250.

In its continuing effort to promote the region as an international telecommunications center, The Teleport increased its regional fiber optic network to 325 miles and added a new earth station, bringing the total number of satellite dishes to 21. This satellite communications network was the primary U.S. broadcast receiver and distributor for all Winter Olympics events from Barcelona, Spain.

In response to flooding caused by the northeaster that swept across the region in December, The Teleport's disaster recovery facilities provided a temporary haven for the trading operations of a major regional bank. Exchange Resources, Inc., a new tenant in TELEHOUSE Center, activated a temporary trading room in less than 24 hours, permitting County NatWest Securities, a trading subsidiary of National Westminster Bank, to continue its operations around the world.

The three Port Authority industrial parks continued to bolster efforts to retain manufacturing jobs and plants in the region. At the Bathgate Industrial Park, Clay-Park Labs, a manufacturer of prescription and over-the-counter drugs, expanded its facilities by 50 percent. Further testimony to the industrial park's continuing commercial success came with the signing of an agreement with Continental Baking Company, a subsidiary of Ralston Purina.

The sleek, 20-story Legal Center is conveniently located in Newark's central business district.

At the Industrial Park at Elizabeth, NJ, a new 192,000-square-foot industrial building was completed. The first tenant, Cace, Inc., a warehouser and distributor of general merchandise, moved into 72,000 square feet of space. The Industrial Park at Yonkers also welcomed a new tenant, Mertech Industries, Inc.

Environmental Responsibility

In its second year of operation, the Essex County Resource Recovery Facility increased its volume, processing 878,200 tons of waste from Essex and Bergen counties. The mass-burn solid waste disposal facility produced more than 530 million kilowatt hours of electricity — enough power to run the facility and service approximately 38,000 homes in New Jersey. Environmental responsibility also was an important concern at the Elizabeth industrial park, where the oil mitigation system was significantly upgraded to improve its operating efficiency.

Community and Business Partnerships

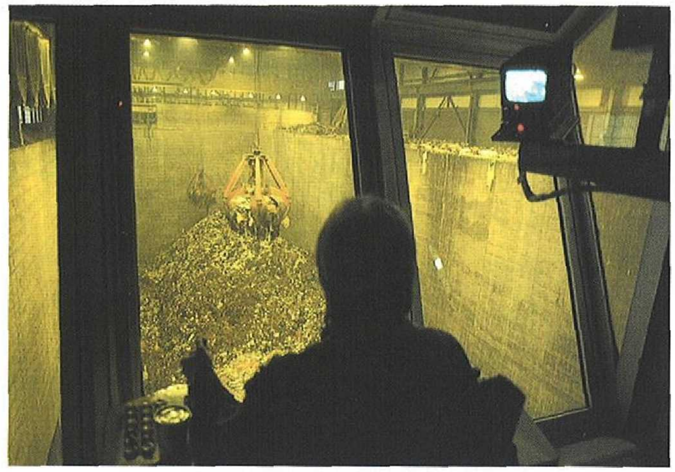
Work advanced on Queens West Waterfront Development, a joint project of the Port Authority, the New York State Urban Development Corporation and the New York City Economic Development Corporation. The Queens West Development Corporation, the organization which will be responsible for facilitating development of this 9-million-square-foot project, was formed. The municipal agreement was signed by all parties, and a Board of Directors and president were appointed.

As a next step in preparing for private investment in the project, work on design guidelines and infrastructure design contracts was begun. As one of the largest urban waterfront mixed-use developments in the U.S., the project will transform about 90 acres of underused Queens waterfront property along the East River into a commercial, residential and recreational area and provide about 9,000 permanent jobs.

Hoboken, NJ, residents voted down — by a margin of 231 votes — a revised waterfront development plan developed by the City that would have involved Port Authority implementation. In the absence of a City plan for development of the Hoboken Piers property, discussions were under way with Hoboken at year-end towards an agreement for surrender of the property and termination of the Port Authority's leasehold. Under such an agreement and pursuant to current law, Hoboken and the Port Authority would remain free to enter into a new arrangement for development of the property.

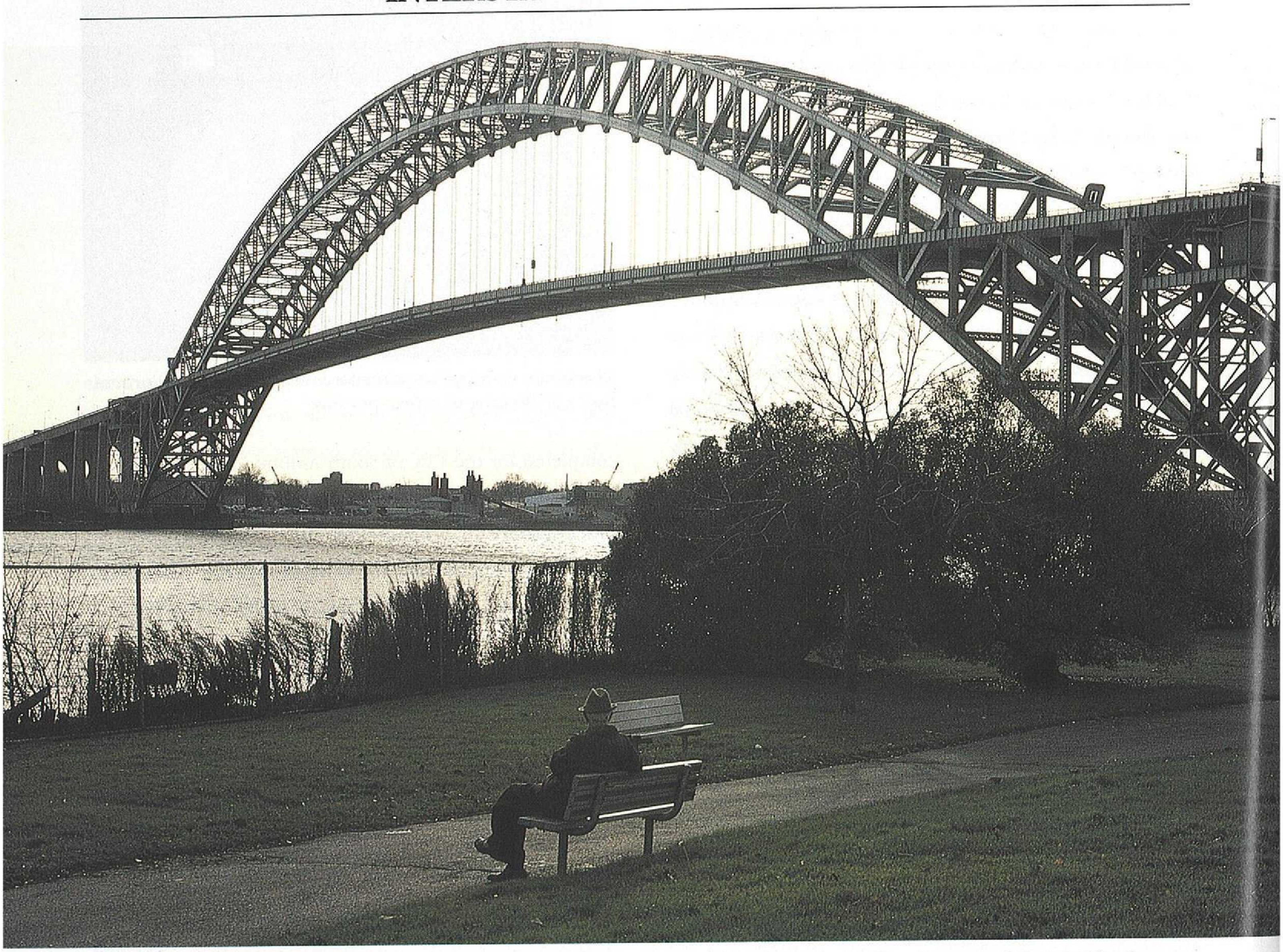
A number of regional development initiatives were completed under the Port Authority's Local Assistance Program (LAP), which helps older urban communities to self-initiate economic development projects. These included a marketing study and design of a promotional brochure to help the City of Yonkers attract new investment. A brochure was also designed to help an elementary school near the Bathgate Industrial Park inform new residents of educational opportunities available in the community.

In New Jersey, a transportation study on vehicular access to two planned development sites and a schematic proposal to develop a vacant industrial area were completed for the City of South Amboy. Work also began on identifying ways to revitalize Park Avenue, a major thoroughfare in Weehawken and Union City, and on initiatives to analyze and recommend uses for the development of six vacant parcels of land in Newark. Since its inception in 1983, LAP has helped create more than 2,000 permanent jobs and $53 million in public and private investments in targeted communities.



The Essex County Resource Recovery Facility can process up to 2,500 tons of refuse per day.

New York City Mayor David N. Dinkins marks the official opening of American Express' New York Payment Service Center at Teleport II. Joining him are (left to right) Marlina T. Lawrence, New York Payment Service Center Vice President; William Matthews, Port Authority Manager of The Teleport; Jerome X. O'Donovan, New York City Council Member from Staten Island; Barry Sullivan, Deputy Mayor; and Michael Benson, New York Payment Service Center Senior Manager.



The Bayonne Bridge, a National Historic Civil Engineering Landmark, connects New Jersey and Staten Island.

The Port Authority's interstate transportation facilities are among the most visible symbols of the agency. They are also the most vital transportation links between New York and New Jersey — handling more than 500,000 eastbound auto, rail, ferry and bus commuters and over 25,000 eastbound trucks on a typical weekday in 1992.

For the year, overall traffic volume on the network's two tunnels and four bridges rose less than 1 percent. On the PATH rail transit line, total passenger volume also was virtually unchanged at 55.4 million riders, with the total number of average weekday passengers down slightly. These PATH activity levels were in part the result of the December 11 northeaster that disrupted PATH service, particularly on the Hoboken-World Trade Center line, which was suspended for 10 days.

As a result, however, record passenger levels were achieved on the Hoboken-lower Manhattan ferry service. To accommodate commuters, emergency ferry service operated from 6:00 a.m. to midnight. Daily ridership soared to nearly 30,000 passengers, compared with 6,000 to 7,000 normally served at that time of the year. The operator, boat captains and

Ridership on the Hoboken-lower Manhattan ferry rose 20 percent in 1992 to 1.8 million passengers.

crews undertook an intensive effort to sustain reliable commuter service while PATH employees worked round the clock to restore rail service.

This commitment to customers reflected strategies carried out systemwide to enhance interstate transportation facilities and services during the year — from more effective security at the Port Authority Bus Terminal to improved approach roads at the George Washington Bridge.

Putting the Customer First

At the Bus Terminal, the first full year of the Operation Alternative enforcement program resulted in the virtual absence of "street people" on the Concourse floors, a generally cleaner and safer facility, and a dramatic decline in robberies, which dropped 37 percent. Luggage thefts were down 25 percent, pickpocketing decreased 26 percent, and assaults declined 14 percent. And a customer attitude survey showed patrons noticed the difference, as more people reported feeling safer.

Through innovation and perseverance, another enforcement initiative at the Bus Terminal eliminated a long-standing international telephone fraud that used stolen credit cards and other scams. By the end of the year, 250 public pay phones at the terminal were available once again for the legitimate use of our customers.

On PATH, service improvements addressed the special needs of some riders. In a $27 million construction project, the installation or modification of elevators at six key stations will provide full access to disabled and elderly people and other patrons with mobility impairments.

As part of a marketing effort to encourage greater use of PATH for work or leisure-time transportation, a direct mail campaign was launched in May to welcome new residents of neighborhoods near PATH stations.

Among ongoing customer service initiatives, PATH continued with its Advisory Boards of interested patrons and its Advisory Committee of Port Authority employees who volunteer to monitor PATH service during their regular commute.

Following completion earlier in the year of PATH's Morton Street emergency ventilation structure in Man-

New Jersey Governor Jim Florio (far right) answers reporters' questions at the dedication in May of a new elevator to improve access for disabled and elderly patrons at PATH's Journal Square Transportation Center terminal. Participants also included Port Authority Interstate Transportation Department Director Richard Kelly; Hudson County Freeholder William Braker; Port Authority Chairman Richard C. Leone; and Hudson County Executive Robert C. Janiszewski.

hattan, its landscaped public grounds officially opened on July 4 at a festive event enjoyed by the community. The design of the facility — which enhances safety through a modern ventilation system, additional emergency exits and new electrical substation — was widely praised for reinvigorating New York's heritage of great public works. A project once opposed by some was transformed into a landscaped waterfront enclave accessible to the public.

Improving Regional Mobility

Key strategies during the year also focused on improving services at our tunnels and bridges through projects and programs designed to reduce congestion, enhance capacity and strengthen the infrastructure.

Considerable progress was made in the planned implementation of a regional electronic toll collection (ETC) system by toll agencies in New York, New Jersey and Pennsylvania. By permitting vehicles to use a single identification tag at facilities operated by participating agencies in these three states, ETC will provide motorists with a convenient alternative to conventional toll payment and improve regional mobility and the environment by speeding traffic flow.

The interagency group selected "E-Z Pass" as the name for the compatible ETC system expected to be phased in throughout the region over the next few years. The tristate, seven-agency group collectively serves 37 percent of all toll traffic in the U.S. and registers more than 1.4 billion toll trips annually — which would make theirs the largest application of ETC technology in the nation.

Infrastructure investments on the interstate transportation network helped safeguard physical assets through rehabilitation and replacement — enhancing safety, reliability and service quality.

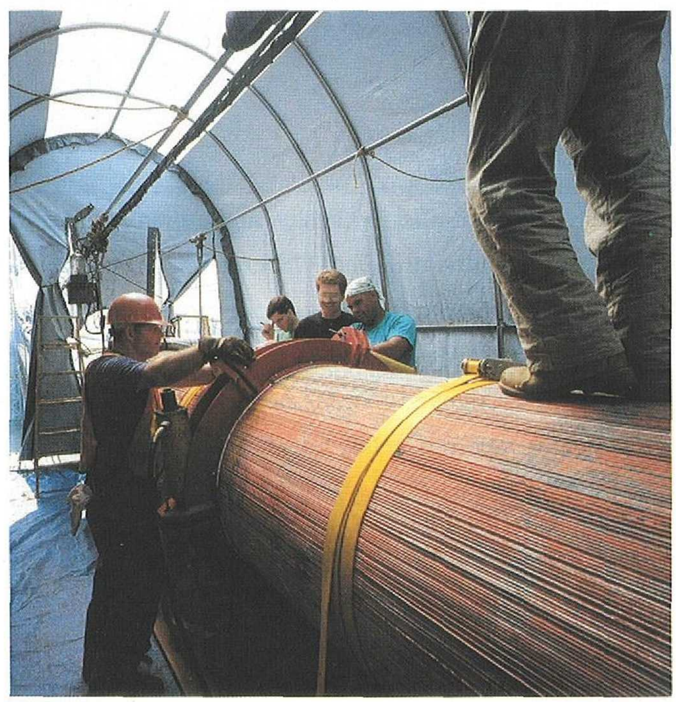
At the Hudson River crossings, the Lincoln Tunnel's $44 million North Tube rehabilitation was completed in the spring, and rehabilitation of the heavily used lower helix approach roadway was begun. North Tube rehabilitation included extensive replacement of ceiling and wall tiles and roadway and curb resurfacing. Similar work on the South Tube is expected to be completed in 1995.

To permit completion of more than 35 major construction and maintenance projects at the George Washington Bridge, the Lower Level was completely closed to traffic for an entire weekend in March — the only time since its opening in 1962. The principal project was the total rehabilitation of the ramps connecting the Lower Level of the bridge to the Trans-Manhattan Expressway. Similar work on the ramps connecting the Upper Level of the George Washington Bridge and Bus Station to the New York approach highways is scheduled for completion in 1995.

At the Port Authority Bus Terminal, a variety of improvement projects devoted to enhancing customer service were begun and slated for completion over the next three years, ranging from better information and directional signage to new retail shops and food services.

Transportation Planning

A comprehensive long-term strategy for improving interstate mobility was presented at the October planning



An in-depth condition survey of one of the main cables supporting the George Washington Bridge helps ensure structural integrity.

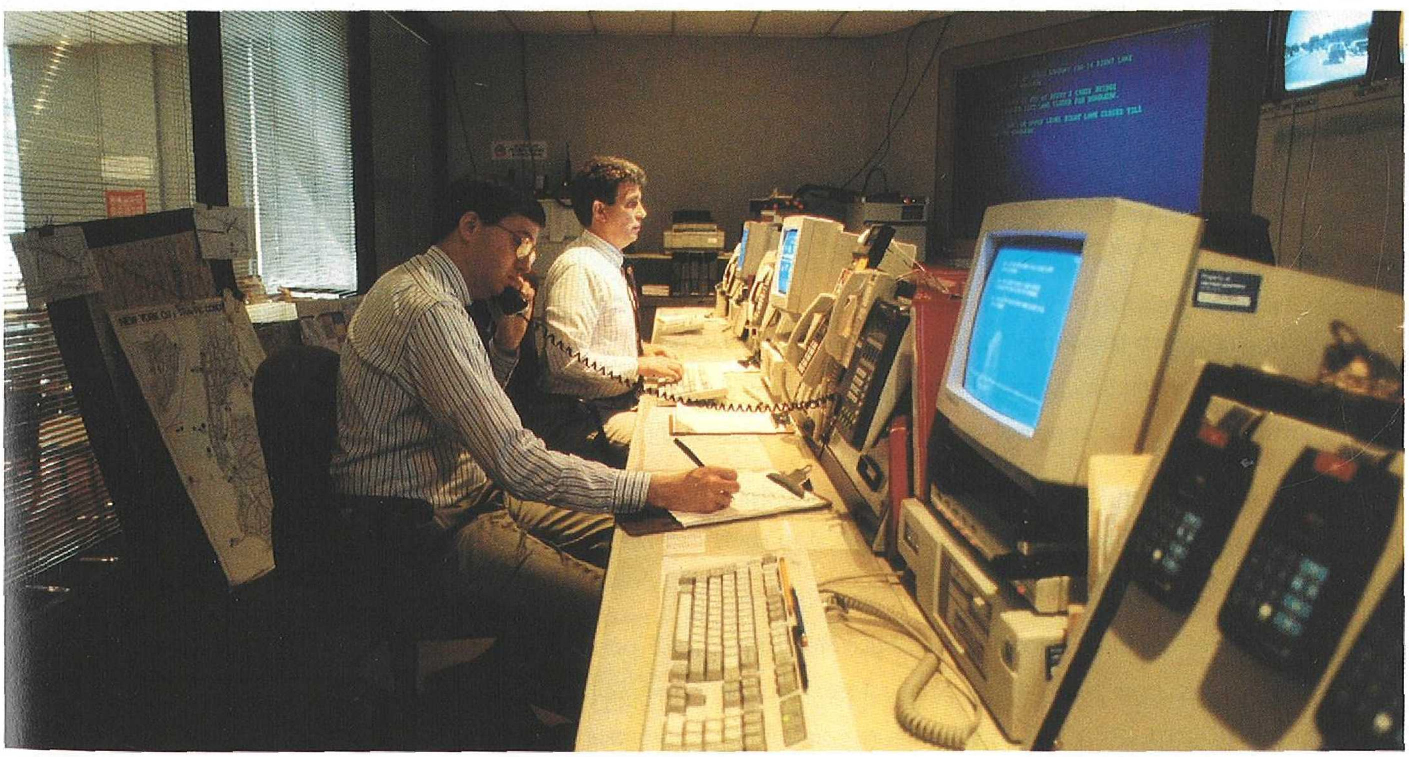
meeting of the Board of Commissioners. Commitments included helping fund improvements on the Cross Bronx Expressway serving George Washington Bridge users; further analysis of a possible twin span of the Goethals Bridge; and a proposal to organize a multi-agency assessment of options for creating a major new rail link across the core of the region. These investments, along with smaller projects to speed goods movement by truck and rail, are aimed at expanding transit options and reducing vehicular congestion on all the region's interstate travel corridors.

The Port Authority also continued to work cooperatively with other transportation planning and coordinating groups. These included efforts to advance regional interests in the development of regulations to implement the Federal Intermodal Surface Transportation Efficiency Act (ISTEA) and new initiatives to help complete New York State's plans for improved railroad freight access for New York City and Long Island.

We also continued our participation and support of the Bistate Transportation Forum to advance a transportation improvement agenda for the region in goods movement, Clean Air Act compliance and other issues. The Port Authority is playing an active role in the new I-95 Corridor Coalition, extending from Augusta, Maine to Norfolk, Virginia. The coalition's long range focus will be to apply a range of Intelligent Vehicle Highway System technologies to enhance inter-regional passenger and freight movements.

TRANSCOM, an interagency consortium whose administrative home is at the Port Authority, has been been designated as the communications center for the I-95 coalition. TRANSCOM also reached a major milestone in its coverage of the region with the addition of the Connecticut Department of Transportation to its membership.

To get commuters out of their cars and onto mass transit wherever practical, the Port Authority and a number of other regional transit operators were successful in their efforts to raise the monthly cap from $21 to $60 on Federal tax incentives to encourage the use of mass transit by employees. TransitChek, an employer-funded transit subsidy program, is administered by TransitCenter, a public-private alliance established to promote mass transit use.



TRANSCOM, a coalition of New York, New Jersey and Connecticut transportation agencies, is a key source of information on daily regional traffic activities.

The New York-New Jersey port handled 12.8 million long tons of general oceanborne cargo in 1992.

Initiatives to strengthen the competitive position of the New York-New Jersey port in 1992 led to significant improvements in customer service, facility infrastructure and business development, although the port continued to face challenges resulting from delays in the approval of permits to allow maintenance dredging of berths at Port Newark-Elizabeth.

Modest improvements in the nation's economy resulted in some cargo gains, with total oceanborne general cargo up 6.3 percent. Particularly impressive were gains in the auto trade — one of the most valuable commodities of global commerce and an important source of jobs for the region.

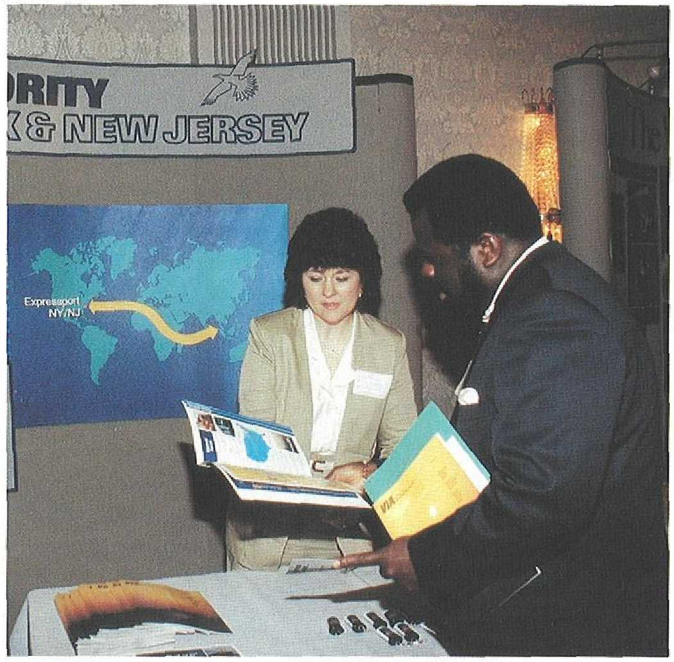
The port's share of the international automobile trade rose to 13.5 percent from 12 percent in 1991. Auto exports, which grew by 74 percent over 1991, drove much of the port's improvement in market share. This positive trend was directly related to a concerted effort by the entire port community to enhance customer service, improve facilities, and promote quality auto handling.

Business Development

In other business gains, the number of fully loaded containers moved by rail to and from the port rose from 18,000 four years ago to more than 62,000 in 1992, in part due to the establishment of an on-dock ExpressRail service at an interim facility in 1991.

A new, permanent ExpressRail facility that will be able to handle 100,000 containers is being planned. This expanded ExpressRail facility, combined with continuing improvements in intermodal access and cost structures, will help the port increase its share of the Midwest and Eastern Canadian cargo markets.

Other intermodal improvements during the year included the addition of double-stack trains on the joint Conrail/Canadian Pacific rail service to Montreal and Toronto. Conrail also introduced double-stack service and lower rates to virtually all Midwest ramps.



The Port Authority actively promotes maritime commerce between the New York-New Jersey port and international markets.

Productivity Gains

Over the past several years, tonnage assessment at the New York-New Jersey port has decreased significantly, from $8.90 per ton in the early 1980s to $1.85 per ton today for cargo traveling more than 260 miles to or from the port and $4.50 per ton for cargo within 260 miles of the port. Efficiency efforts in 1992 focused on labor force training, including on container cranes, and quality cargo handling.

The New York-New Jersey port linked its electronic data interchange system, ACES, with the German ports of Bremen/Bremerhaven's system, TELEPORT, in September. Port Authority Port Department Director Lillian C. Liburdi and Bremen's Senator for ports, shipping and foreign trade Uwe Beckmeyer were among participants at a ceremony announcing the linkage.

This effort was most visible in the auto trade. In cooperation with manufacturers, stevedores, port processors, steamship lines, the International Longshoremen's Association (ILA), the New York Shipping Association (NYSA) and auto marine surveyors, the Port Authority embarked on a major vehicle handling improvement program. It began in June with a "Quality Vehicle Handling Summit Meeting" at Port Newark.

In the fall, the ILA and the NYSA launched a Quality Car Team program which emphasized the training of longshoremen in quality handling techniques — all aimed at improving customer service and reducing handling damage.

Promoting International Commerce

The New York-New Jersey port continued its pivotal role in helping the bistate region compete in the rapidly changing global economy. Direct sales efforts in Europe, Asia and Latin America were among Port Authority efforts to build commerce between the New York-New Jersey area and international markets. We also helped link important customer services with various trading partners, including overseas ports. In September, for example, our Automated Cargo Expediting System (ACES) was linked with the ports of Bremen and Bremerhaven, Germany.

Infrastructure Improvements

Port capital spending in 1992 totaled $69 million for a range of projects that improved rail and road landside access; upgraded basic utilities infrastructure at port facilities; and rehabilitated warehouse and terminal facilities, including structural integrity of piers and wharves. In a key project, all dredging work by the U.S. Army Corps of Engineers in the northern half of the Kill Van Kull was completed and that portion of the channel was reopened.

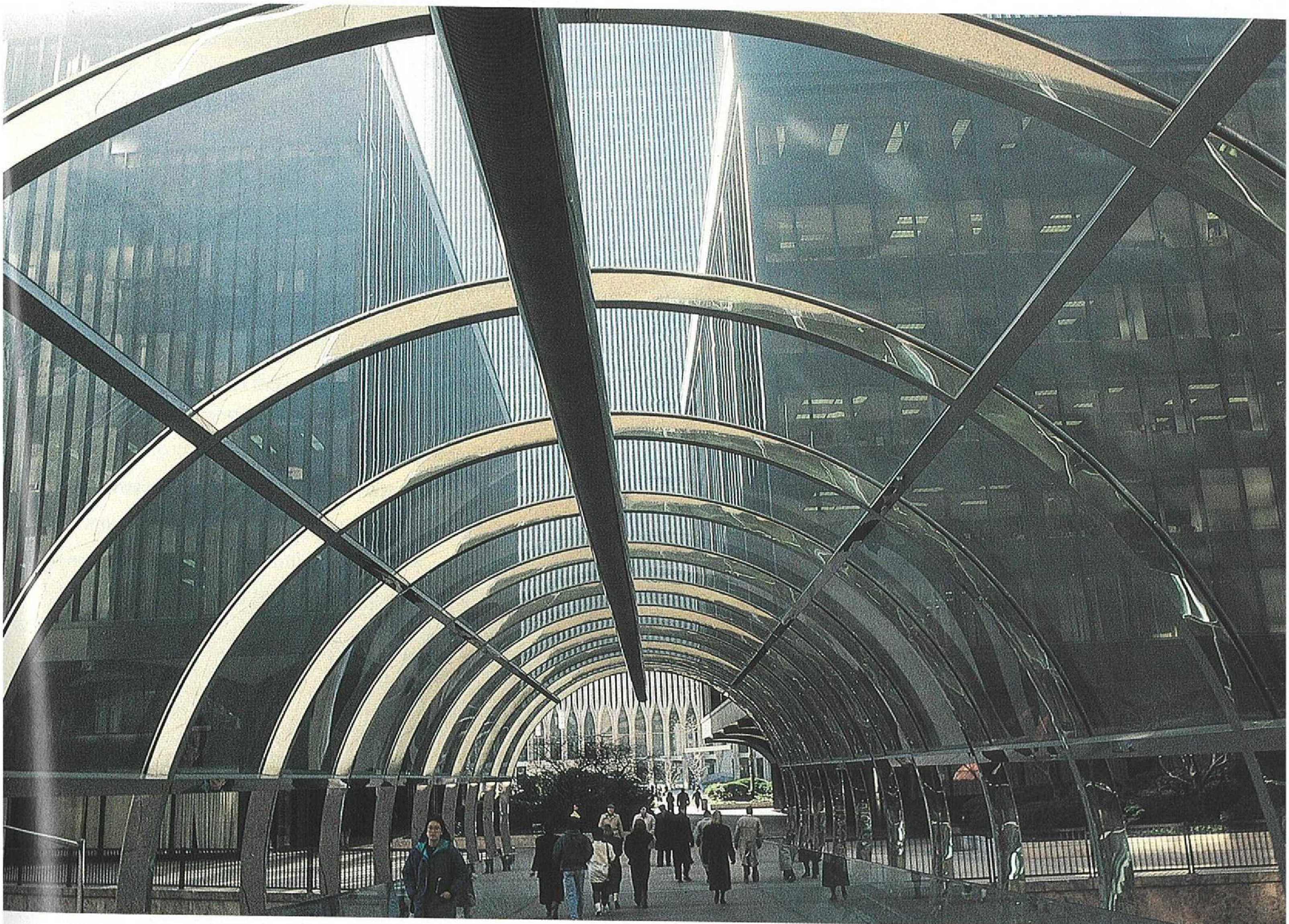
Environmental Responsibility

One of the key issues facing not only the port of New York and New Jersey, but the entire port industry, is the need to balance environmental concerns with the need for stable economic growth. This is particularly evident in the port's efforts to secure permits to dredge its berths and dispose of dredged material — a fundamental business operation if the port is to remain viable as an international gateway.

It has always been the objective of the Port Authority to dispose of dredged material in an environmentally acceptable manner. Currently, ocean dumping with capping is the only approved disposal option available.

The Port Authority has taken an active role in contributing to research about the environmental impact of dredged material disposal alternatives to ocean dumping, and remediation of harbor sediments. During the year, we conducted a public education/outreach program while simultaneously broadening our knowledge and expertise on these issues. Through the sponsorship of seminars on dredging disposal and decontamination, the agency worked with the public, environmentalists and the business community to help manage the harbor in an environmentally sensitive manner and provide economic benefits — jobs and international commerce — for our region.

The New York-New Jersey port strengthened its national market share of the auto trade in 1992.



The 16-acre World Trade Center complex encompasses seven buildings and an outdoor plaza.

The World Trade Department was restructured at the beginning of the year to focus exclusively on the World Trade Center, with the primary objective being to maintain its leading role in the Manhattan real estate marketplace. Facility modernization, new initiatives to maximize customer service, and aggressive marketing and sales efforts to attract tenants and visitors alike were among key strategies.

Facility Rehabilitation

Even before the February 26, 1993 blast, the Port Authority's ongoing plan for improving the World Trade Center included major projects to modernize and enhance base building operating systems and other services which improve safety, security and reliability. That plan has now been accelerated, with nearly half of the $300 million allocated for the complex over the next five years going to safety and security projects.

One project is a new operations control system which would employ a fiber optic network to connect key control points and mechanical and life-safety systems to an improved control center, as well as other decentralized stations within each building of the complex. This decentralized capability will add an extra measure of safety in responding to incidents in the future.

As a result of the explosion, the Vista Hotel was closed for subgrade repairs and other work. Room renovation and other refurbishment projects begun in 1992 are being accelerated. The hotel is scheduled to reopen in late summer 1993.

Business Development

At the end of 1992, approximately 90 percent of the entire World Trade Center complex's 9.5 million square feet of rentable office space was either occupied or under lease for occupancy. During the year, 31 new firms moved in, while 34 existing tenants renewed their leases. The largest new office space occupants, Continental Casualty Co. and Daiwa America Corporation, occupy 44,000 and 22,000 square feet, respectively, at Two World Trade Center. There was no indication following the February 26 bombing that the disaster would adversely affect World Trade Center leasing efforts.

As part of initiatives to strengthen the World Trade Center as an international business center, an aggressive series of marketing and sales activities were started in 1992. Special publications aimed at Europe and the Orient included "Establishing Business in New York: A World Trade Center Handbook" and a brochure informing the retail market about the Mall at the World Trade Center. A telemarketing campaign resulted in increased awareness of the World Trade Center as a place for international businesses to locate as well as a destination for the leisure traveler.

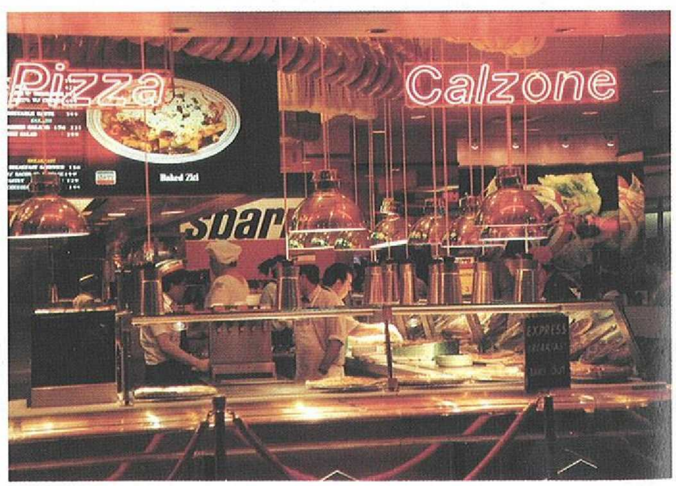
To promote the complex as an all-inclusive travel destination for leisure visitors, a number of other steps were taken during the year. These included the "Destination World Trade Center" tour package which promoted the World Trade Center in combination with other downtown Manhattan attractions such as the Statue of Liberty and South Street Seaport.

New shops on the Mall enhance retail choices.

Retail and Restaurant Services

Recognizing that the retail and restaurant businesses in the World Trade Center are integral elements of the complex's image and competitiveness, important gains were made in both areas in 1992. Pizza and sushi topped the menus at two new, highly popular eateries, Sbarro's and Sushi Tei, respectively. Plans call for full-service Japanese and Mediterranean-style restaurants and a deli.

Newly opened retail facilities include August Max, a women's clothing shop specializing in larger sizes; Perfumeria Milano, offering reduced-price perfume; and The Body Shop, a London-based natural cosmetics and toiletries store. Other shops were refurbished and expanded.



A popular new eatery at the World Trade Center specializes in Italian fast food.

Service Enhancements and Productivity

For new retail businesses and tenants of the entire World Trade Center, the complex's emphasis during the year was on providing quality customer services. To accomplish this, general management practices such as contract administration and compliance were strengthened, stressing increased efficiency and placing limits on the amount tenants could be charged for extra services.

In other areas, building maintenance services were improved. Under one program, special teams of plumbers, electricians, carpenters, locksmiths, painters, HVAC (heating, ventilation and air conditioning) specialists and others were designated to respond immediately — and solely — to tenant needs. Previously, the same building staff handled both tenant and non-tenant maintenance.

A recruitment and employment center dedicated exclusively to the needs of World Trade Center tenants was opened at year-end. The center is operated by the Labor Employment and Training Company in a cooperative venture with the Port Authority.

Musical entertainment on the Austin J. Tobin Plaza is a popular annual attraction throughout the summer.

World Trade Department Director Charles Maikish (far right) welcomes the World Trade Center Observation Deck's 25 millionth visitor, Marcus W. V. Wright, along with his sister, nephew and niece.

Operation Sail's parade of tall ships on the Fourth of July commemorated the Columbus Quincentenary.

From reverse investment initiatives to attract foreign firms to the region to improved contract opportunities for companies owned by women and minorities, a range of international business and community partnership programs and projects complemented the Port Authority's primary business areas in 1992.

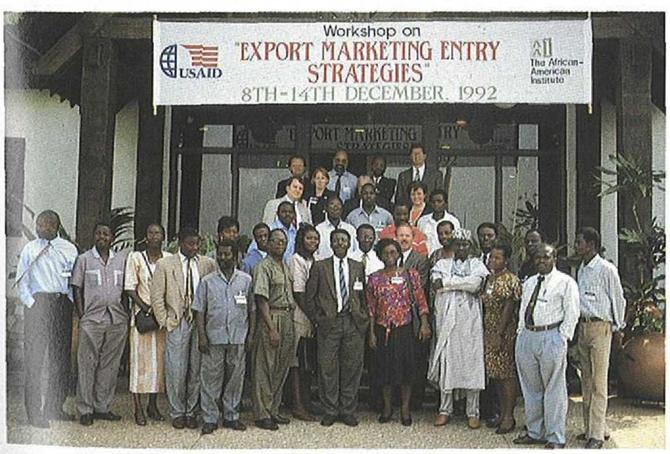
Building International Business

Reverse investment initiatives to attract international companies brought 20 new businesses to the New York and New Jersey region. These companies — including a food trading and distribution company from Sweden to Manhattan, a British plumbing distribution company to Totowa, NJ, and a fire prevention research services firm from England to Princeton, NJ — created 300 immediate new jobs. They are expected to generate approximately 700 jobs in about three years. Staff also supported a major expansion by a Japanese computer printing company in Jamaica, Queens, NY. Since 1988, the reverse investment program has attracted 90 international companies, employing more 2,500 people in the bistate region.

The XPORT Trading Company celebrated its 10th anniversary, during which time it has directly helped 150 companies achieve more than $200 million in export sales and has established a worldwide network of more than 300 agents and distributors. In 1992, XPORT staff traveled to 26 countries on behalf of 70 clients and generated $20 million in sales. XPORT also received a grant from the United States Department of Commerce to assist managers from the former Soviet Union obtain training in port and airport design, maintenance and operation.

With the downturn of the Japanese economy and ever-increasing economic activities in the rest of Asia, the Port Authority's Asia Pacific Trade Development Office in Tokyo expanded its effort to emphasize markets of Korea, Taiwan, Hong Kong, the People's Republic of China, Singapore, Thailand, Malaysia and other Southeast Asian countries. Establishment of a Singapore suboffice in July increased marketing and sales as well as trade, tourism and transportation development activities in Southeast Asia. Among these were joint programs with Singapore Airlines in conjunction with its inauguration of direct service from Singapore to Kennedy International Airport.

In 1992, the World Trade Institute (WTI), located at the World Trade Center, continued to be one of the country's leading providers of training programs in international trade and finance. More than 7,500 participants attended more than 300 WTI programs. WTI's international training programs were expanded to include in-country presentations in Ghana, Jamaica, Puerto Rico, and Tanzania. WTI's Evening School of World Trade offerings were expanded through ventures with Montclair State College and World Trade Centers in Portland, OR, Baltimore and Denver.



International training programs conducted by the World Trade Institute featured in-country presentations in Ghana and other nations in Africa and the Caribbean.

Construction Roundtables at Newark and Kennedy International airports provided valuable information for small contractors.

Expanding Economic Opportunities

Through its Office of Business and Job Opportunity, the Port Authority awarded over $90 million to minority and women-owned firms providing prime construction and subcontract work, equipment and supplies and other services in 1992. Additionally, non-minority Small Business Enterprises received $24 million in construction, service and vendor awards. Reflecting the Port Authority's commitment to provide new opportunities to local retailers, 10 minority and female business owners opened food and retail operations at our airports in 1992.

Construction contractors got a boost from a new bonding program sponsored by the Regional Alliance for Small Contractors and from contract information provided at Construction Roundtables at Newark and Kennedy International airports. The Newark event was cosponsored by the airport and the cities of Newark and Elizabeth. Kennedy International also established a Contract Information Center where firms can regularly get information and contract plans.

Also at Kennedy, the Port Authority received a $6 million grant from the U.S. Department of Labor for an 18-month training and employment program for more than 2,000 dislocated Pan Am employees. Called Career Connections, the program provided orientation, job search, retraining, relocation and workshop services. By the end of the year, some 517 former Pan Am employees had been placed in permanent, full time positions and nearly 700 had been approved for retraining. Pan Am had been the largest employer at Kennedy.

School Partnerships

The Port Authority continued its commitment to helping develop the Port District's labor force. Through an innovative and proactive approach administered by its Human Resources Department, the agency has developed partnerships with area high schools, trade schools and colleges.

On November 18, the Port Authority participated in New York's Citywide Shadow Day, offering public school students an opportunity to observe individuals performing a range of jobs. The 34 Brooklyn seventh graders who "shadowed" mentors at the Port Authority learned about job responsibilities and the educational path needed for various careers, from police officer to architect to executive director.

In another outreach effort to students, the Public Safety Department joined forces with local community law enforcement agencies to help counsel school children on the dangers of drugs. The Drug Abuse Resistance Education Program (DARE), conducted by the New Jersey State Police and the Hudson County Prosecutor's Office, brings Port Authority police officers into the classroom to talk to school children about alcohol and drugs, decision-making, resisting peer pressure and building self-esteem.

School children tour PATH's operations control center at the Journal Square Transportation Center in Jersey City.

FINANCIAL SECTION

THE PORT AUTHORITY OF NY & NJ

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

(212) 435-7000
(201) 961-6600

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, 1992, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Port Authority. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly 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. This report also briefly describes basic policies and major activities undertaken during the year ended December 31, 1992. 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. Actions taken by the Commissioners at Port Authority meetings are final upon the expiration of a statutorily provided gubernatorial review period. From time to time the Governors have exercised their power 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 38 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 action by the Commissioners becomes final as described above.

As a municipal corporate instrumentality and political subdivision 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 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. 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, as well as highlights of current and future initiatives and programs for each of the agency's major business areas, are presented in the Introductory

Section. Information with respect to the events of February 26, 1993 at the World Trade Center, when various building systems sustained damage as a result of an explosion in the parking garage under the hotel at the World Trade Center, is discussed in Note O on page 69. It is presently expected that physical loss or damage and loss of revenue sustained by the Port Authority resulting from this incident would be substantially covered by insurance carried by the Port Authority.

Accounting System and Budgetary Control

The Port Authority's combined 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 application 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 Combined Statements to the Schedules prepared pursuant to Port Authority bond resolutions are included in Note A of the Combined Financial Statements on page 48.

In conformance with the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity", the accounts of Port Authority Trans-Hudson Corporation (PATH) and the Newark Legal and Communications Center Urban Renewal Corporation are consolidated in the accompanying financial statements, while the assets and liabilities of the New York State Commuter Car Program are not included in the Port Authority's financial statements. In addition, the Port Authority accounts for the Passenger Facility Charge (PFC) Program as a separate enterprise fund because, pursuant to Federal law, the collection and expenditure of the PFCs are restricted to PFC eligible projects.

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 long-term 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 does not in itself constitute authorization of any specific projects. Each new capital project must be separately considered and approved. Upon approval, the budget becomes a means of achieving systematic review of program expenditures to ensure they are made consistent with statutory, contractual and other commitments of the Port Authority, the policies and financial decisions of the Board of Commissioners, and the requirements of the By-Laws of the Port Authority.

Results of Operations

Gross operating revenues totalled $1,933,512,000 in 1992, an increase of $76,617,000 or 4.1% over 1991. This growth is primarily attributable to the full year effect of the 1991 toll increase and increased airport revenues from higher flight fees, rental agreements, and overseas passenger volumes. Operating expenses totalled $1,348,392,000 in 1992, an increase of $10,986,000 or less than 1.0% over 1991, as a result of the Port Authority's continued management of its operating expenses.

Portfolio 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, determined pursuant to Port Authority bond resolutions, on long-term investments totalled $48,033,000.

Short-term investments consisted primarily of United States Government securities (including such securities held pursuant to repurchase agreements), securities of United States government agencies and in limited amounts of commercial paper. In addition, short-term investments were also made, in connection with certain interest rate exchange contracts with investment firms and banking institutions and, in connection with certain interest rate options contracts with primary dealers in United States Treasury securities. Earnings determined pursuant to Port Authority bond resolutions, on short-term investments totalled $23,254,000, which includes approximately $3,837,000 of earnings distributed to capital.

Combined earnings on such long-term and short-term investments decreased from 1991 by approximately 11.8%, primarily due to a declining interest rate environment.

Financial Position

During 1992 net capital expenditures, in accordance with generally accepted accounting principles, totalled $606,000,000. This amount is partially comprised of additional investment of $405,000,000 in Air Terminals primarily for new facilities at John F. Kennedy International (JFK) and Newark International Airports, a major passenger terminal at JFK, improvements and rehabilitation of roadways, taxiways and buildings at LaGuardia and JFK Airports and an automated people mover at Newark Airport. In addition, investment financed by PFCs in connection with the Airport Access Program amounted to $2,000,000. Investment in Interstate Transportation Network facilities increased by $116,000,000, primarily as a result of expenditures associated with PATH for safety programs, new car facilities, fare collection and communication systems, and work associated with conformance to the Americans with Disabilities Act on PATH facilities, and rehabilitation projects at the George Washington Bridge and Lincoln Tunnel. Capital expenditures for improvements at the World Trade Center increased by $24,000,000, primarily for elevator and escalator modernization, heating, ventilation, air conditioning and electrical capacity upgrades and an overall rehabilitation of facility systems and improvements. Additional investment in Regional Development facilities amounted to $8,000,000. Investment in Port facilities increased by $51,000,000, primarily for expenditures to dredge to increased depths in the Kill Van Kull area of Staten Island, New York and infrastructure and pier rehabilitation projects at Port Newark and Elizabeth-Port Authority Marine Terminal in New Jersey and Brooklyn-Port Authority Marine Terminal, the New York City Passenger Ship Terminal and Howland Hook Marine Terminal in New York.

Invested in facilities, pursuant to Port Authority bond resolutions, increased by $687,000,000 to $9,848,280,000 which, in addition to the investment discussed above, included an additional $81,000,000 for Regional and Other Programs. This additional amount primarily relates to expenditures for the purchase of a portion of Aqueduct Racetrack property in New York and capital improvements to sludge treatment facilities, the New Jersey Economic Development Authority loan guarantee program for development projects, laboratory renovations at the Stevens Institute of Technology and the relocation of Conrail transportation facilities in New Jersey.

Risk Management

The Port Authority presently carries insurance or requires such insurance to be carried on its facilities against direct physical loss or damage and loss of revenue resulting therefrom, in such amounts and against such hazards, if available, as it deems appropriate. The Port Authority also carries excess public liability insurance in connection with its facilities in such amounts and against such hazards, if available, as it deems appropriate. The Port Authority provides for uninsured potential losses through its self-insurance program by applications from and transfers to the Consolidated Bond Reserve Fund to the Operating Fund and provides for losses by charging operating expenses as incurred.

Debt Administration

During 1992, the Port Authority refunded approximately $540 million in debt, which generated approximately $63 million of present value savings to the Port Authority.

On December 31, 1992, outstanding obligations of the Port Authority pursuant to Port Authority bond resolutions totalled $5,364,363,000 as shown in Schedule B and as detailed in Note D of the Combined Financial Statements on pages 71 and 51 through 55, respectively. Outstanding Consolidated Bonds and Notes as of December 31, 1992, pursuant to Port Authority bond resolutions totalled $4,198,785,000. In 1992, the Port Authority issued Consolidated Bonds, Seventy-seventh, Seventy-eighth, Seventy-ninth, Eightieth, Eighty-first, Eighty-second and Eighty-third Series, for purposes of capital expenditures in connection with the facilities of the Port Authority and/or refunding certain bonds, notes or other obligations of the Port Authority; Consolidated Bonds, Seventy-second Series, had been issued in 1991 for forward delivery on October 1, 1992 for such purposes. In addition, Consolidated Bonds, Seventy-fifth Series, were issued in 1991 for forward delivery on March 3, 1994. The proceeds of this issue will be used to refund Consolidated Bonds, Fifty-first Series, which are first callable on June 1, 1994.

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 futures contracts are accounted for as interest income or interest expense over the life of the bond series on which exposure was managed.

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 (not including cars acquired under the New York State Commuter Car Program) 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 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 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).

As of year-end 1992, 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 by 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 1992, outstanding Commercial Paper Notes were rated A-1+ by Standard & Poor's, 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 Commercial Paper Program provides for Port Authority Commercial Paper Obligations to be issued, in an aggregate principal amount outstanding at any one time 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, 1992 was $170,492,000. The principal of and interest on Port Authority Commercial Paper Obligations are special obligations of the Port Authority, payable from the sources of payment and to the extent provided in the Port Authority Commercial Paper Resolution.

The Port Authority's Variable Rate Master Note Program provides for Variable Rate Master Notes to be issued, under agreements with selected banks, trust companies and financial institutions, in an aggregate amount outstanding at any one time originally not in excess of $250,000,000 and subsequently increased to $400,000,000. As of December 31, 1992, the total principal amount of Variable Rate Master Notes oustanding, which are subject to prepayment at the option of the Port Authority or upon demand of the noteholder, was $250,000,000. Variable Rate Master Notes issued in 1992 totalled $33,000,000. The proceeds of these notes were used to refund certain Port Authority Commercial Paper Obligations. The principal of and interest on Variable Rate Master Notes 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 Resolution.

The Port Authority's Operating Equipment-Lease Financing Program provides for lease-financing transactions with an aggregate principal amount oustanding at any one time not to exceed $75,000,000. As of December 31, 1992, the total principal amount outstanding under this program was $27,008,000. 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 of the Port Authority, 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.

On December 30, 1992, the Port Authority issued $96,500,000 of Special Project Bonds, Series 1R, Delta Air Lines, Inc. Project, in connection with the refunding of $96,500,000 Special Project Bonds, Series 1, Delta Air Lines, Inc. Project, which were issued for a project including the construction of a passenger terminal building at LaGuardia Airport to be leased to Delta Air Lines, Inc. The Series 1 Bonds were refunded on February 1, 1993, with the proceeds of the Series 1R Bonds and other amounts deposited by Delta Air Lines with The Bank of New York, as Trustee. The principal of and interest on each series of Special Project Bonds are special obligations of the Port Authority, payable from the sources of payment and to the extent provided in the resolutions establishing and authorizing the issuance of each series of Special Project Bonds.

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 on the Port Authority's debt charged to operations and reserves in 1992, determined pursuant to Port Authority bond resolutions, totalled $254,435,000. Bonded debt repayment through operations and reserves amounted to $60,051,000, which includes long-term bonds with a par value of $59,925,000 retired through mandatory sinking fund and maturity payments and repayment of commercial paper obligations of $126,000. Therefore, total debt service charged to net revenues and reserves was $314,486,000, which does not include amounts relating to New York State Guaranteed Commuter Car Bonds and Special Project Bonds. Capitalized interest for the year ended December 31, 1992 totalled $53,622,000.

Passenger Facility Charges

On July 23, 1992, the Federal Aviation Administration (FAA) granted the Port Authority the right to impose a $3 PFC per enplaned passenger at LaGuardia, JFK International and Newark International Airports, to be collected by the airlines on behalf of the Port Authority in an aggregate amount (including interest thereon) totalling up to $282,000,000 net of the airlines' handling charges.

Collection of the PFC began on October 1, 1992; the presently authorized amount is expected to be collected within 34 months from such date. The FAA also approved the expenditure of $21,000,000 attributable to amounts received from the PFC to fund studies associated with ground access projects pertaining to the airports. Future applications would be submitted by the Port Authority to the FAA for authority to continue the PFC at the airports and for approval of airport-related capital construction projects to be funded with the PFC, as appropriate.

Reserve Funds

At year-end 1992, the General Reserve Fund balance was $494,486,028 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, 1992, the Consolidated Bond Reserve Fund had a balance of $288,071,000 after application of $370,497,000 to direct investment in facilities, $126,000 for repayment of commercial paper obligations, $4,015,000 for payments in connection with a leasehold acquisition and an application of $865,000 from self-insurance. The sum of these reserve funds was $782,557,000 for the year ended December 31, 1992 which exceeded the next two years' mandatory debt service on bonds (not including payment of principal on Consolidated Notes, Series QQ, planned to be refunded at their maturity with the proceeds of Consolidated Bonds) secured by a pledge of the General Reserve Fund.

Bond covenants require that the reserve funds be maintained as cash or invested in certain government securities. At year-end, $781,557,000 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 eighth 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, 1991. 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.

In addition, we also received the GFOA's Award for Distinguished Budget Presentation for our annual budget for 1992. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

February 26, 1993

Stanley Brezenoff

Executive Director

Barry Weintrob

Chief Financial Officer

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
New York, New York

We have made a study and evaluation of the system of internal accounting control of The Port Authority of New York and New Jersey and its wholly-owned subsidiaries (the "Authority") in effect at October 31, 1992. 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 Authority's consolidated financial statements for the year ending December 31, 1992.

The management of the Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a 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 Authority's bond resolutions.

Because of inherent limitations in any system of internal accounting control, errors or irregularities nevertheless 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 effectiveness of the design and operation of policies and procedures may deteriorate.

In our opinion, the system of internal accounting control of the Authority in effect at October 31, 1992, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors and irregularities in amounts that would be material in relation to the consolidated financial statements.

Deloitte & Touche

November 25, 1992

Deloitte Touche Tohmatsu 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 combined statements of financial position of The Port Authority of New York and New Jersey (which includes its wholly-owned subsidiaries) as of December 31, 1992 and 1991, and the related combined statements of income and cash flows for the years then ended. We also audited the financial information included in Schedules A, B, C and 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Port Authority of New York and New Jersey as of December 31, 1992 and 1991, and the combined results of its operations and its combined cash flows for the years then ended in conformity with generally accepted accounting principles. The accompanying Schedules A, B and 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-14. In our opinion, Schedules A, B and C present fairly, in all material respects, the assets and liabilities of the Authority at December 31, 1992 and the revenues and reserves for the year then ended in conformity with the accounting principles described in Note A-14. Also 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, 1992 and 1991, in conformity with the basis of accounting described therein.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, which is the responsibility of the Authority's management, presented in Schedules D and E, selected statistical financial data for each of the years in the ten year period ended December 31, 1992 and information on Port Authority Operations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements, and in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

As discussed in Note O to the financial statements, on February 26, 1993 the World Trade Center sustained damage as a result of an explosion in a parking garage. In addition, as discussed in Notes A-13 and N to the financial statements, the Authority began collecting Passenger Facility Charges during 1992 which are reported in a separate fund.

Deloitte & Touche

February 26, 1993

Deloitte Touche Tohmatsu International

Combined Statements of Income

	Year ended December 31, 1992 Port Authority Operations	PFC Program	Combined	1991 Combined
	(In thousands)			
Gross operating revenues (Note L)	$1,933,512	$ —	**$1,933,512**	$1,856,895
Operating expenses:				
Employee compensation, including benefits	569,767	—	**569,767**	544,335
Materials, equipment, supplies and contract services	367,483	—	**367,483**	392,975
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	117,331	—	**117,331**	110,625
Heat, light and power	85,010	—	**85,010**	82,498
Other (Note K-4)	208,801	—	**208,801**	206,973
Total operating expenses	1,348,392	—	**1,348,392**	1,337,406
Amortization of Facilities, at cost (Note B-1)	233,803	—	**233,803**	217,343
Amortization of costs for Regional and Other Programs (Note I-3)	41,288	—	**41,288**	38,882
Loss on Fishport (Note K-6)	—	—	**—**	28,529
Income from operations	310,029	—	**310,029**	234,735
Net PFC revenues (Note N)	—	18,000	**18,000**	—
Financial income and expense:				
Income on investments	87,336	—	**87,336**	82,999
Gain on purchase of Port Authority bonds in connection with current sinking fund requirements	711	—	**711**	1,311
Interest expense in connection with bonds, notes and other capital asset financings, net of capitalized interest	(259,674)	—	**(259,674)**	(231,260)
Interest expense in connection with operating asset financings	(31,745)	—	**(31,745)**	(30,669)
Gain/(loss) on sale of assets (Note K-7)	19,684	—	**19,684**	(615)
Income before extraordinary item	126,341	18,000	**144,341**	56,501
Extraordinary item				
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements	13	—	**13**	3,477
Net income	126,354	18,000	**144,354**	59,978
Add: amortization of assets acquired with government contributions in aid of construction (Note G)	18,319	—	**18,319**	18,188
Less: net income restricted for PFC projects (Note N)	—	16,132	**16,132**	—
Increase in net income invested in Port Authority facilities, operations and reserves	144,673	1,868	**146,541**	78,166
Balance, January 1	2,260,169	—	**2,260,169**	2,182,003
Net income invested in Port Authority facilities, operations and reserves, December 31	$2,404,842	$ 1,868	**$2,406,710**	$2,260,169

See Notes to Combined Financial Statements.

Combined Statements of Financial Position

	December 31, 1992			December 31, 1991
	Port Authority Operations	PFC Program	Combined	Combined
	(In thousands)			
Assets				
Facilities, at cost (Note B-1)	$8,865,742	$ 1,934	**$8,867,676**	$8,308,720
Less accumulated amortization of facilities	2,923,150	—	**2,923,150**	2,736,977
Facilities, net	5,942,592	1,934	**5,944,526**	5,571,743
Cash (Note C)	31,972	—	**31,972**	51,318
Investments (Note C)	996,242	3,471	**999,713**	948,913
Accounts receivable (net of allowance for doubtful accounts of $67,258,000 in 1992 and $57,985,000 in 1991) (Note M-1)	72,539	—	**72,539**	78,913
Other amounts receivable (net of allowance for doubtful accounts of $12,860,000 in 1992 and $4,050,000 in 1991) (Note M-1)	308,683	12,661	**321,344**	324,924
Amounts receivable in connection with Special Project Bonds	287,967	—	**287,967**	284,656
Unamortized costs for Regional and Other Programs (Note I)	342,346	—	**342,346**	302,619
Unamortized costs for Fund buy-out (Note I)	424,087	—	**424,087**	426,282
Other assets	330,850	—	**330,850**	300,477
Total assets	8,737,278	18,066	**8,755,344**	8,289,845
Liabilities				
Consolidated Bonds and Notes (Note D-1)	4,120,679	—	**4,120,679**	3,991,775
Obligations in connection with other capital asset financing (Note D-2)	453,705	—	**453,705**	367,239
Obligations in connection with operating asset financing (Note D-3)	413,298	—	**413,298**	407,493
Amounts payable in connection with Special Project Bonds (Note D-4)	287,967	—	**287,967**	284,656
Accounts payable	244,239	66	**244,305**	228,602
Accrued pension, retirement and other employee benefits (Note J)	260,932	—	**260,932**	223,286
Accrued interest and other liabilities	229,543	—	**229,543**	241,889
Total liabilities	6,010,363	66	**6,010,429**	5,744,940
Net assets	$2,726,915	$18,000	**$2,744,915**	$2,544,905
Net assets are composed of:				
Net income invested in Port Authority facilities, operations and reserves	$2,404,842	$ 1,868	**$2,406,710**	$2,260,169
Net income restricted for PFC projects (Note N)	—	16,132	**16,132**	—
Government contributions in aid of construction (Note G)	322,073	—	**322,073**	284,736
Net assets	$2,726,915	$18,000	**$2,744,915**	$2,544,905

See Notes to Combined Financial Statements.

Combined Statements of Cash Flows

	Year ended December 31, 1992			1991
	Port Authority Operations	PFC Program	Combined	Combined
	(In thousands)			
1. Cash flows from operating activities:				
Cash received from operations	$1,927,604	$ —	**$1,927,604**	$1,834,970
Cash paid to or on behalf of employees	(557,824)	—	**(557,824)**	(517,198)
Cash paid to suppliers	(623,509)	—	**(623,509)**	(619,104)
Cash paid to municipalities	(110,966)	—	**(110,966)**	(107,366)
Net cash provided by operating activities	635,305	—	**635,305**	591,302
Cash flows from capital and related financing activities:				
Proceeds from sales of capital obligations	268,690	—	**268,690**	345,910
Proceeds from capital obligations issued for refunding purposes	1,969,561	—	**1,969,561**	2,115,735
Principal paid on capital obligations	(57,135)	—	**(57,135)**	(41,247)
Principal paid through capital obligations refundings	(1,969,561)	—	**(1,969,561)**	(2,115,735)
Interest paid on capital obligations	(307,131)	—	**(307,131)**	(286,819)
Investment in facilities and construction of capital assets	(564,621)	(1,868)	**(566,489)**	(568,442)
Investment in Regional and Other Programs	(95,005)	—	**(95,005)**	(46,940)
Proceeds from sale of facilities	27,250	—	**27,250**	8
Proceeds from financing the sale of assets	2,265	—	**2,265**	2,715
Proceeds from passenger facility charges	—	5,339	**5,339**	—
Financial income allocated to capital projects	3,837	—	**3,837**	6,123
Proceeds from sales of operating equipment-lease financing obligations	5,572	—	**5,572**	—
Principal paid on operating equipment-lease financing obligations	(2,624)	—	**(2,624)**	—
Interest paid on operating equipment-lease financing obligations	(909)	—	**(909)**	(996)
Payments for Fund buy-out obligation	(28,063)	—	**(28,063)**	—
Government contributions in aid of construction	55,656	—	**55,656**	53,803
Net cash (used for) provided by capital and related financing activities	(692,218)	3,471	**(688,747)**	(535,885)
Cash flows from investing activities:				
Purchase of investment securities	(2,331,804)	(5,339)	**(2,337,143)**	(3,317,480)
Proceeds from sale and maturity of investment securities	2,310,949	1,868	**2,312,817**	3,243,995
Interest received on investments	43,394	—	**43,394**	34,564
Miscellaneous financial income	15,028	—	**15,028**	15,254
Net cash provided by (used for) investing activities	37,567	(3,471)	**34,096**	(23,667)
Net (decrease) increase in cash	(19,346)	—	**(19,346)**	31,750
Cash at beginning of year	51,318	—	**51,318**	19,568
Cash at end of year	$ 31,972	$ —	**$ 31,972**	$ 51,318

(Combined Statements of Cash Flows continued on next page.)

See Notes to Combined Financial Statements.

Combined Statements of Cash Flows (continued)

	Year ended December 31, 1992			1991
	Port Authority Operations	PFC Program	Combined	Combined
		(In thousands)		
2. Reconciliation of income from operations to net cash provided by operating activities:				
Income from operations	$310,029	$ —	**$310,029**	$234,735
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Amortization of Facilities, at cost	233,803	—	**233,803**	217,343
Amortization of costs for Regional and Other Programs	41,288	—	**41,288**	38,882
Loss on Fishport	—	—	**—**	28,529
Amortization of other assets	39,534	—	**39,534**	51,367
Provision for uncollectible receivables	25,409	—	**25,409**	34,902
Change in operating assets and operating liabilities:				
(Increase) in receivables	(5,908)	—	**(5,908)**	(21,925)
(Increase) in prepaid expenses	(34,293)	—	**(34,293)**	(55,341)
Increase in payables	15,116	—	**15,116**	10,714
Increase in employee benefits	21,126	—	**21,126**	14,901
(Decrease) increase in other liabilities	(8,190)	—	**(8,190)**	39,249
(Decrease) in deferred income	(4,805)	—	**(4,805)**	(1,035)
Decrease in deferred costs	2,194	—	**2,194**	2,392
(Decrease) increase in other operating obligations	2	—	**2**	(3,411)
Total adjustments	325,276	—	**325,276**	356,567
Net cash provided by operating activities	$635,305	$ —	**$635,305**	$591,302

3. Capital obligations consist of Consolidated Bonds and Notes, other obligations in connection with capital asset financing and amounts payable in connection with Special Project Bonds.

See Notes to Combined Financial Statements.

Notes to Combined 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 Financial Reporting Entity". In accordance with the provisions of law, Port Authority resolutions and agreements with others, the nature of the legal and financial relationship between the New York State Commuter Car Program and the Port Authority is such that, in accordance with the Codification and GASB Statement No. 14, the assets and liabilities of the New York State Commuter Car Program are not included in the Port Authority's financial statements (see Note F-4).

The Port Authority of New York and New Jersey is accounting for the Passenger Facility Charge (PFC) Program as a separate enterprise fund of the Authority since pursuant to Federal law amounts attributable to collection and investment of PFCs are restricted and can only be used for PFC eligible projects (see Note N).

3. Facilities are carried at cost and include the expenditure of Federal and State grants, and amounts derived from Passenger Facility Charges, to acquire, construct, place in operation and improve the facilities of the Port Authority (see Note G and Note N). Facility capital costs include net interest expense incurred from the date of issuance of debt for purposes of a capital project until such project is completed and ready for its intended use (see Note B). "Facilities, at cost" does not include Regional and Other Programs, undertaken at the request of the respective Governor of the State of New Jersey or the State of New York (see Note I).

4. Inventories, which are included in "other assets" on the Combined Statements 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. (See Note C.) Interest expense and interest earnings relating to such Port Authority bonds so purchased are not included in "interest expense in connection with bonds, notes and other capital asset financings net of capitalized interest" 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 the date of purchase) are separately classified as an "extraordinary item".

6. "Amortization of Facilities, at cost" 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 amortization of assets acquired with government contributions is made against the related contributions accounts. (See Note B and Note G.)

7. Costs of the Regional and Other Programs are amortized on a straight-line basis; the buy-out of the Fund for Regional Development is amortized in proportion to its future expected revenue flow. (See Note I.)

8. Certain operating expenditures which provide benefits for periods exceeding one year are deferred and amortized over the period benefited. These unamortized deferred amounts are included in "other assets".

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

10. For purposes of the Combined Statements of Cash Flows, cash consists of cash on hand and demand deposits.

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

12. "Net income (loss)" presented by operating segment consists of "income (loss) from operations" less net interest expense, gain (loss) on sale of assets, and restricted non-operating revenues derived from the collection of PFCs (see Note L). Net interest expense (interest expense less financial income) that cannot be specifically identified with any particular operating segment is allocated to all operating segments on the basis of unamortized investment in use (completed construction less accumulated amortization). Financial income or interest expense which can be specifically identified with a particular facility within an operating segment is credited/charged directly to that segment. These amounts include interest income on funds advanced to the private vendor to construct the Essex County Resource Recovery facility and income on funds advanced to tenants at the Newark Legal and Communications Center. The components of interest expense specifically identified to a facility are amounts equal to those attributable to interest on notes secured by a leasehold mortgage on the Vista Hotel and interest on the buyout of the Fund for Regional Development (see Notes D-2-c and D-3-b). Gain or loss generated by the sale of assets is included in the calculation of net income (loss) for the operating segment from which the assets were sold.

13. Revenues derived from the collection of PFCs, net of the air carriers' handling charges, are recognized and reported as non-operating revenue in the year the fees are collected by the air carriers. Restricted PFCs are included in both "investments" and "other amounts receivable", and as a restricted component of net assets on the Combined Statements of Financial Position. PFC revenues applied to eligible projects are reflected as "Facilities, at cost". (See Note N.)

14. 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 (amortization of) facilities other than of ancillary equipment. Thus, depreciation (amortization) 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.

In accordance with Port Authority bond resolutions, Passenger Facility Charges are deferred until spent on approved project costs. A liability representing unspent PFCs is reflected as "Deferred income in connection with PFCs" on Schedule B.

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 Regional and Other 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 "Consolidated Bonds and Notes" until retirement (see Schedule B). 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 Combined Statements follows:

Combined Statements of Income to Schedule A, Revenues and Reserves

	Year Ended December 31, 1992	1991
	(In thousands)	
Net income reported on Combined Statements of Income	$144,354	$ 59,978
Add: Amortization of Facilities, at cost	233,803	217,343
Amortization of costs for Regional and Other Programs	41,288	38,882
Amortization of discount and premium	2,538	1,231
Loss on Fishport	—	28,529
(Gain)/loss on sale of assets	(19,684)	615
	402,299	346,578
Less: Debt maturities and retirements	59,925	63,185
Repayment of commercial paper obligations	126	520
Debt retirement acceleration	—	3,352
Principal payments pertaining to leasehold acquisition	596	540
Direct investment in facilities	370,497	187,305
Appropriations for self-insurance	(865)	1,218
Net PFC income	18,000	—
	448,279	256,120
Increase (decrease) in reserves reported on Schedule A, Revenues and Reserves (Pursuant to Port Authority bond resolutions)	($ 45,980)	$ 90,458

Combined Statements of Financial Position to Schedule B, Assets and Liabilities

	December 31, 1992	1991
	(In thousands)	
Net assets reported on Combined Statements of Financial Position	$2,744,915	$2,544,905
Add: Accumulated amortization of Facilities, at cost	2,923,150	2,736,977
Accumulated retirements and gains and losses on disposal of invested in facilities	202,163	174,217
Cumulative amortization of costs for Regional and Other Programs	350,628	309,340
Amortized discounts and premiums	10,550	8,012
Deferred income in connection with PFCs	(16,132)	—
Net assets reported on Schedule B, Assets and Liabilities (Pursuant to Port Authority bond resolutions)	$6,215,274	$ 5,773,451

A reconciliation of net income, PFCs to net income from sources other than operations (pursuant to Port Authority bond resolutions) follows:

		Year Ended December 31, 1992
		(In thousands)
PFC Program		
Net income, PFCs		$ 18,000
PFC facilities, at cost	$1,934	
Less: accrued expenditures	(66)	
Direct PFC project payments		1,868
Net income restricted for PFC projects		16,132
Transfer to PFC liability		(16,132)
Net income from sources other than operations (Pursuant to Port Authority bond resolutions)		$ 0

15. The 1991 financial statements contain certain reclassifications which have been made in order to conform to the classifications used in 1992.

Note B–Facilities

1. Cost of facilities (see Note A-3) is comprised of the following:

	December 31, 1992	1991
	(In thousands)	
Completed construction:		
Interstate Transportation Network	$2,483,678	$2,312,849
Air Terminals	3,124,966	2,685,550
Marine & Other Facilities	837,808	823,522
World Trade	1,244,906	1,231,372
Regional Development	265,748	260,301
	7,957,106	7,313,594
Construction in progress	910,570	995,126
Facilities, at cost	$8,867,676	$8,308,720

Asset lives used in the calculation of amortization 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 $50,247,000 in 1992 and $55,551,000 in 1991.

Note C–Combined Cash and Investments

1. The components of cash and investments are:

CASH	December 31, 1992	1991
	(In thousands)	
Cash on hand	$ 1,567	$ 1,795
Demand deposits	30,405	49,523
Total cash	$ 31,972	$51,318

INVESTMENTS	December 31, 1992 Principal Amount	Quoted Market	Book Value	1991 Book Value
	(In thousands)			
Short-term				
United States Treasury Bills	$ 301,365	$ 297,332	$ 297,204	$403,538
United States Treasury obligations held pursuant to repurchase agreements	85,535	85,535	85,535	36,700
Commercial paper notes	504	503	503	251
Total short-term	$ 387,404	$ 383,370	383,242	440,489
Long-term				
United States Treasury Bonds and Notes	$ 643,100	$ 618,835	608,056	500,967
Total long-term	$ 643,100	$ 618,835	608,056	500,967
Bonds of The Port Authority of New York and New Jersey	$ 3,188		3,188	6,011
Accrued interest receivable			8,415	7,457
Investments (pursuant to Port Authority bond resolutions)			1,002,901	954,924
Less: Bonds of The Port Authority of New York and New Jersey			3,188	6,011
Investments			$ 999,713	$948,913

2. Port Authority policy provides for funds of the Port Authority 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 do 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 targeted average daily balances in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation (FDIC). Actual daily balances may differ from the targeted daily balance. 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 actual bank balances were $26,925,000 as of December 31, 1992. In accordance with the aforementioned policy, $24,111,000 was either secured through the FDIC or was fully collateralized by collateral held by a third party financial institution acting as the Port Authority's agent and held by such institution in the Port Authority's name and $911,000 was fully collateralized by collateral held by a financial institution's trust department or the financial institution's agent in the Port Authority's name. The balance of $1,903,000 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 of America (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 of America, 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 of America 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.

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. Such transactions are reported on a periodic basis to the Committee on Finance. These investment transactions are executed with recognized and established securities dealers and commercial banks. Securities transactions, generally on a book-entry basis, are conducted in the open market at competitive prices. Transactions (including repurchase agreement transactions) are completed when the Port Authority's custodian, in the Port Authority's name, makes payment upon receipt of confirmation that the securities have been transferred for the Port Authority's benefit at the Federal Reserve Bank of New York or other repository.

In addition, consistent with the abovementioned agreements, authorizations and guidelines, the Treasurer has entered into master repurchase and reverse repurchase agreements with primary dealers in United States Treasury securities. During 1992, repurchase agreements ranged as high as $454,520,000 outstanding at any one time, and reverse repurchase agreements ranged as high as $219,606,000 outstanding at any one time. During 1992, interest income from repurchase agreements amounted to $8,174,000 and interest expense from reverse repurchase agreements amounted to $2,493,000. (See Note M-2.)

Investments, including interest receivable, in various types of securities totalled $999,713,000 and $948,913,000 at December 31, 1992 and 1991, respectively. Although no significant investments in commercial paper or Federal Farm Credit Bank Discount Notes were held at December 31, 1992, investment balances during the year ranged as high as $7,000,000 for commercial paper and $25,000,000 for Federal Farm Credit Bank Discount Notes.

Note D-Outstanding Obligations

The obligations noted with "(*)" on original issuance were subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended, with respect to individuals and corporations.

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

		Dec. 31, 1991	Issued	Accreted	Refunded/ Retired	Dec. 31, 1992
				(In thousands)		
A. Consolidated Bonds (a):						
Twentieth series	3 1/4% due 1993	$ 4,550	$ —	$ —	$ 2,275	$ 2,275
Twenty-first series	3.4% due 1993	3,250	—	—	1,625	1,625
Twenty-second series	3 3/8% due 1993	3,250	—	—	1,625	1,625
Twenty-third series	3 3/8% due 1994	4,875	—	—	1,625	3,250
Twenty-fourth series	3 1/2% due 1994	4,875	—	—	1,625	3,250
Twenty-sixth series	3 1/2% due 1995	9,100	—	—	2,275	6,825
Twenty-seventh series	3 3/8% due 1995	6,250	—	—	1,500	4,750
Twenty-eighth series	3 3/8% due 1996	8,125	—	—	1,625	6,500
Twenty-ninth series	3 1/2% due 1996	8,125	—	—	1,625	6,500
Thirtieth series	3 5/8% due 1998	9,000	—	—	1,250	7,750
Thirty-first series	4% due 2002	30,950	—	—	—	30,950
Thirty-second series	5% due 2003	60,000	—	—	5,000	55,000
Thirty-third series	4 3/4% due 2003	60,000	—	—	5,000	55,000
Thirty-fourth series	5 1/2% due 2003	75,000	—	—	5,000	70,000
Thirty-fifth series	6 5/8% due 2005	83,000	—	—	83,000	—
Thirty-sixth series	6.4% due 2005	41,500	—	—	41,500	—
Thirty-seventh series	6% due 2006	86,000	—	—	3,000	83,000
Thirty-eighth series	5 3/8% due 2006	86,000	—	—	3,000	83,000
Thirty-ninth series	5.8% due 2007	133,500	—	—	4,500	129,000
Fortieth series	6% due 2008	91,000	—	—	2,000	89,000
Forty-first series	5 1/2% due 2008	91,000	—	—	2,000	89,000
Forty-third series	7% due 2011	48,000	—	—	48,000	—
Forty-fifth series	6 1/2% due 2012	72,750	—	—	750	72,000
Forty-sixth series	6% due 2013	73,500	—	—	750	72,750
Forty-seventh series	6 1/2% due 2013	98,000	—	—	98,000	—
Forty-eighth series	6 3/4% due 2014	73,875	—	—	73,875	—
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	8.7% 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 1/2%-8 1/8% due 1992-2023	94,000	—	—	2,000	92,000
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 1992-2014	96,000	—	—	2,000	94,000
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% due 1992-2025 (f)	100,229	—	985	1,140	100,074
Seventieth series*	7%-7 1/4% due 2005-2025	100,000	—	—	—	100,000
Seventy-first series	(g) due 1992-2026	100,000	—	—	4,400	95,600
Seventy-second series	7.4% due 2012, 7.35% due 2027	—	100,000	—	—	100,000
Seventy-third series*	6 1/2%- 6 3/4% due 2006-2026	100,000	—	—	—	100,000
Seventy-fourth series	4.6%-6 3/4% due 1992-2026(h)	104,040	—	981	1,035	103,986
Seventy-fifth series	7.1% due 2014, 7.1% due 2019	(i)	—	—	—	—
Seventy-sixth series*	6.3%-6 1/2% due 2006-2026	100,000	—	—	—	100,000
Seventy-seventh series*	6 1/8%-6 1/4% due 2007-2027	—	100,000	—	—	100,000
Seventy-eighth series	5%-6 1/2% due 1995-2011	—	97,000	—	—	97,000
Seventy-ninth series	3%-6% due 1993-2005	—	82,785	—	—	82,785
Eightieth series	3%-6% due 1993-2005	—	41,440	—	—	41,440
Eighty-first series	2.7%-5.8% due 1993-2014	—	121,875	—	—	121,875
Eighty-second series	2.7%-5.8% due 1993-2013	—	97,475	—	—	97,475
Eighty-third series	(j) due 1993-2017	—	99,500	—	—	99,500
Total Consolidated Bonds pursuant to Port Authority bond resolutions		$3,859,744	$740,075	$ 1,966	$503,000	$4,098,785

1. Consolidated Bonds and Notes (continued)

	Dec. 31, 1991	Issued	Accreted	Refunded/ Retired	Dec. 31, 1992
			(In thousands)		
B. Consolidated Notes (a):					
Series QQ 6 1/4% due March 15, 1993	$ 100,000	$ —	$ —	$ —	$ 100,000
Series RR 5.2% due May 15, 1994	97,000	—	—	97,000	—
Total Consolidated Notes pursuant to Port Authority bond resolutions	197,000	—	—	97,000	100,000
Total Consolidated Bonds and Notes pursuant to Port Authority bond resolutions	4,056,744	$740,075	$ 1,966	$ 600,000	4,198,785
Less: Amortized cost of Port Authority bonds purchased by the Port Authority	6,011				3,188
Unamortized discount and premium (k)	58,958				74,918
Consolidated Bonds and Notes (l)	$3,991,775				$4,120,679

(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 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) Interest rate, 9% per annum, 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, set on each semi-annual interest payment date for the ensuing six months 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 payment date for the ensuing six months ranging from 5% to 10% per annum. As of December 31, 1992, $27,815,000 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 31, 1992, $120,885,000 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) Serial bonds with interest rates ranging from 5.7% to 12% per annum, due 1992-2012 and term bonds with interest rate of 6 1/2% per annum, due 2026.

(h) Includes $14,204,000 (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 2002 to 2014, in total aggregate maturity amounts of $44,555,000.

(i) Sold on September 30, 1991, on the basis that $85,760,000 in aggregate principal amount of such bonds will be delivered by the Port Authority and paid for on March 3, 1994, or on such other date as the Port Authority and purchaser may agree, pursuant to a contract of purchase pertaining to such bonds (for the purpose of refunding on June 1, 1994, $85,760,000 Consolidated Bonds, fifty-first series).

(j) Serial bonds with interest rates ranging from 4 3/4% to 6 3/8% per annum, due 1993-2012 and term bonds with interest rate of 6 3/8% per annum, due 2017.

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

(l) Debt-service on Consolidated Bonds and Notes outstanding on December 31, 1992 is:

Year Ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
1993	$ 175,584	$ 278,343	$ 453,927
1994	75,827	282,384	358,211
1995	82,046	275,697	357,743
1996	81,815	271,400	353,215
1997	86,245	267,168	353,413
1998-2027	3,749,965	4,005,109	7,755,074
Total	$4,251,482	$5,380,101	$9,631,583

Total principal of $4,251,482,000 shown above differs from the total consolidated bonds and notes pursuant to Port Authority bond resolutions of $4,198,785,000 because of differences in the par value at maturity of the capital appreciation bonds of $52,520,000 and because the above table includes call premiums of $177,000.

Consolidated Bonds and Notes outstanding as of February 26, 1993 (pursuant to Port Authority bond resolutions) totalled $4,299,127,000.

2. Obligations in Connection with Other Capital Asset Financing

The components of obligations in connection with other capital asset financing are:

	Dec. 31, 1991	(In thousands)	Dec. 31, 1992
Commercial paper obligations	$116,430		$170,492
Variable rate master notes	217,000		250,000
Leasehold acquisition obligation	33,809		33,213
	$367,239		$453,705

A. Commercial paper obligations (see Note E-2)	Dec. 31, 1991	Issued	Refunded/ Repaid	Dec. 31, 1992
		(In thousands)		
Series A*				
Commercial paper notes	$54,650	$ 700,535	$ 639,060	$116,125
Bank line of credit	3,675	84,810	87,276	1,209
Total series A	58,325	785,345	726,336	117,334
Series B				
Commercial paper notes	55,245	540,120	542,665	52,700
Bank line of credit	2,860	61,709	64,111	458
Total series B	58,105	601,829	606,776	53,158
Commercial paper obligations	$116,430	$1,387,174	$1,333,112	$170,492

Interest rates for all commercial paper obligations ranged in 1992 from 0.75% to 4.0% per annum.

As of February 26, 1993, commercial paper obligations outstanding totalled $117,533,000.

B. Variable rate master notes (see Note E-3)	Dec. 31, 1991	Issued	Refunded/ Retired	Dec. 31, 1992
		(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
Agreement 1991-1*	8,800	—	—	8,800
Agreement 1991-2*	6,400	—	—	6,400
Agreement 1991-3*	9,800	—	—	9,800
Agreement 1991-4*	6,000	—	—	6,000
Agreement 1991-5*	4,000	—	—	4,000
Agreement 1992-1	—	6,800	—	6,800
Agreement 1992-2	—	6,900	—	6,900
Agreement 1992-3	—	9,700	—	9,700
Agreement 1992-4	—	9,600	—	9,600
Variable rate master notes	$217,000	$ 33,000	$ —	$250,000

Interest rates, variable based upon specified indices, ranged in 1992 from 1.875% to 4.25%.

C. Leasehold acquisition obligation	Dec. 31, 1991	Additions	Payments	Dec. 31, 1992
		(In thousands)		
	$ 33,809	$ —	$ 596	$ 33,213

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 lease 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 operating indices, are for a term of 30 years ending 2011. The interest rate in 1992 was 10.2%.

As of February 26, 1993, the leasehold acquisition obligation outstanding totalled $33,108,000.

3. Obligations in Connection with Operating Asset Financing

The components of obligations in connection with operating asset financing are:

	Dec. 31, 1991		Dec. 31, 1992
		(In thousands)	
Operating equipment—lease financing obligations	$ 24,060		$ 27,008
Fund buy-out obligation	383,433		386,290
	$407,493		$413,298

A. Operating equipment—lease financing obligations (see Note E-4)

	Dec. 31, 1991	Additions	Payments	Dec. 31, 1992
			(In thousands)	
Master financing lease (dated as of 12/1/88)	$ 24,060	$ —	$ 2,470	$ 21,590
Master financing lease (dated as of 1/1/92)*	—	5,572	154	5,418
	$ 24,060	$ 5,572	$ 2,624	$ 27,008

Interest rates, variable based upon specified indices, ranged in 1992 from 1.85% to 4.6%.

B. Fund buy-out obligation

Dec. 31, 1991	Accretion (a)	Payments	Dec. 31, 1992
		(In thousands)	
$383,433	$ 30,920	$ 28,063	$386,290

(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.

Five-year payments of the Fund buy-out obligation outstanding on December 31, 1992 are:

Year Ending December 31:	Payments
	(In thousands)
1993	$ 28,063
1994	28,063
1995	28,063
1996	28,063
1997	28,063
	$140,315

As of February 26, 1993, the Fund buy-out obligation outstanding totalled $391,459,000.

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

	Dec. 31, 1991	Issued	Refunded/ Retired	Dec. 31, 1992
			(In thousands)	
Series 1, Delta Air Lines, Inc. Project (a) (b) (d)				
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	3,049	—	3,049	—
Total—Series 1	93,451	$ —	$ 93,451	—
Series 1R, Delta Air Lines, Inc. Project (a) (b) (d)				
6.95% term bonds, due 2008	—	$ 96,500	$ —	96,500
Total—Series 1R	—	$ 96,500	$ —	96,500
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	10,870			10,608
Total—Series 2	191,205			191,467
Grand total	$284,656			$287,967

(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 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.

(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 of the Series 1 Bonds.

(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. Continental Airlines, Inc. is operating under protection of Chapter 11 of the United States Bankruptcy Code and, in its bankruptcy proceedings, has affirmed the lease for the passenger terminal. Eastern Air Lines, Inc., the other airline tenant, ceased scheduled operations on January 18, 1991. By order dated January 8, 1992, the United States Bankruptcy Court for the District of Delaware approved the assignment by Continental to USAir, Inc. of Continental's leasehold interest in such passenger terminal (with Continental to remain liable under such lease).

(d) On November 23, 1992, the Port Authority established and authorized the issuance and sale of Special Project Bonds, Series 1R, Delta Air Lines, Inc. Project, in connection with the refunding of $96,500,000 Special Project Bonds, Series 1, Delta Air Lines, Inc. Project. The Series 1 Bonds were refunded on February 1, 1993 with the proceeds of the Series 1R Bonds and certain other moneys provided by Delta Air Lines, Inc. for such purpose. On December 30, 1992, the Port Authority issued $96,500,000 in principal amount of Series 1R Bonds. These moneys have been placed with an escrow agent in a trust to be used solely for satisfying the principal and interest of the defeased Series 1 debt. There will be no gain or loss to the Port Authority from refunding the Series 1 Special Project Bonds.

Note E-Financing

1. The Port Authority finances construction and acquisition of its facilities primarily by issuing bonds, notes and other obligations and through application of its reserve funds. Details of outstanding obligations are described in Note D.

On November 14, 1991, the Board of Commissioners authorized, among other obligations, Consolidated Bonds, Seventy-seventh Series through Eighty-sixth Series, inclusive, at a principal amount of up to $200,000,000 each; and Consolidated Notes, Series SS, Series TT, Series UU, and Series VV at a principal amount of up to $200,000,000 each. The maximum aggregate principal amount of such bonds which may be sold is $1,000,000,000; the maximum aggregate principal amount of such notes which may be sold is $300,000,000. The maximum interest rate which each series of bonds or notes may bear is 12% per annum.

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 outstanding at any one time 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 shall be 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 purposes or from net revenues (as defined for purposes of commercial paper obligations) deposited to the Consolidated Bond Reserve Fund 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 Port Authority has established an issue of special obligations now known as Port Authority Variable Rate Master Notes. The Port Authority's variable rate master note program, which has been amended from time to time, presently provides for Port Authority Variable Rate Master Notes to be issued, under agreements to be entered into with selected banks, trust companies and financial institutions, in an aggregate principal amount outstanding at any one time not in excess of $250,000,000. (See Note D-2.)

The payment of the principal and interest on Port Authority Variable Rate Master Notes is a special obligation of the Port Authority payable solely from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues (as defined for purposes of Port Authority Variable Rate Master Notes) deposited to the Consolidated Bond Reserve Fund 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 Port Authority Variable Rate Master Notes 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. Port Authority Variable Rate Master Notes, 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, 1996 (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 Port Authority 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.)

6. The Port Authority has established an issue of special obligations known as Versatile Structure Obligations, which are to be payable from the same sources and to the same extent set forth above for Commercial Paper Obligations and Variable Rate Master Notes. As of December 31, 1992, no Port Authority Versatile Structure Obligations had been issued.

7. The Port Authority provides for certain capital expenditures by making temporary applications of moneys available in the capital fund (other than proceeds of its obligations), subject to reimbursement through the issuance of Port Authority obligations. Such reimbursed amounts are then available for use consistent with Port Authority budget and capital program projections for the original purposes intended.

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 31,1992, the General Reserve Fund balance was $494,486,000 and met the prescribed statutory amount. The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' debt service on outstanding debt secured by a pledge of the General Reserve Fund.

At December 31,1992, 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, 1992 totalled $43,340,000 (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 $55,656,000 in 1992 and $53,803,000 in 1991.

Charges representing amortization of assets relating to government contributions were $18,319,000 in 1992 and $18,188,000 in 1991.

	December 31, 1992	1991
	(In thousands)	
Cumulative government contributions	$514,172	$458,516
Less: Accumulated amortization of assets acquired with government contributions	192,099	173,780
Government contributions in aid of construction	$322,073	$284,736

Note H–Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately $599,893,000 in 1992 and approximately $582,593,000 in 1991.

2. 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, a bus terminal, 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, 1992 are:

Year Ending December 31:	(In thousands)
1993	$ 433,085
1994	389,541
1995	372,289
1996	351,620
1997	361,814
Later years	3,311,864
Total minimum future rentals	$5,220,213

Investments in such facilities as of December 31, 1992 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.

3. 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 $80,955,000 in 1992 and $69,987,000 in 1991. The terms of such leases expire at various times from 1993 to 2031 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1992 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)
1993	$ 38,012
1994	35,688
1995	33,946
1996	33,993
1997	33,919
Later years	884,738
Total minimum future rentals	$1,060,296

Note I—Deferred Costs

1. Buy-out of Fund for Regional Development

In 1983, the Fund for Regional Development (Fund) was established to sublease space in the World Trade Center that was previously held by the State of New York as tenant. The agreement among the States of New York and New Jersey and the Port Authority which established the Fund provided that net revenues from the subleasing were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey. The Fund's assets, liabilities, revenues, expenses and reserves were not consolidated with those of the Port Authority. In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the Fund. In consideration of the Fund's interest in the subleased space in the World Trade Center, the Port Authority agreed to make a series of fifty-nine semi-annual payments to the States, beginning March 1992. The cost to the Port Authority in connection with the termination of the Fund agreement was approximately $430,500,000, which included 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 and additional liabilities of $3,500,000 to New York State as a result of the termination agreement.

2. Regional and Other Programs

Pursuant to recommendations outlined by the Governors of New York and New Jersey in June 1983, March 1987 and March 1991 and to existing legislation, subject to necessary and appropriate authorizations, the Port Authority has certified several facilities described briefly below under which certain economic development, transportation and infrastructure renewal projects, not otherwise a part of Port Authority facilities, have been and/or will in the future be undertaken:

a. Regional Development Facility. The Governors' Program of June 1983 provided for a Port Authority commitment of up to $250,000,000 for economic development and infrastructure renewal projects, $137,500,000 for projects in the State of New Jersey and $112,500,000 for projects in the State of New York. The Regional Development Facility was established in 1987 to undertake such projects not otherwise a part of other Port Authority facilities. Projects authorized in connection with the Governors' Program include improvement of Conrail's Northern Branch rail freight line in New Jersey; Port Authority participation in the Harlem International Trade Center in upper Manhattan, New York, and assisting in the development of the Metropolitan Technology Center in Brooklyn, New York. As of December 31, 1992, $250,000,000 had been authorized, of which $139,479,000 was associated with the Regional Development Facility and $110,521,000 was associated with other Port Authority facilities.

b. The New Jersey Marine Development Program. This Program was undertaken to fund certain fishery, marine, or port development projects, with a total capital cost of $27,000,000, in the State of New Jersey.

c. The Regional Economic Development Program. Pursuant to the Governors' recommendations of March 1987 and March 1991 it is anticipated that the Port Authority will provide up to $400,000,000 for transportation and economic development projects, of which $200,000,000 is to be allocated for projects for each State. The facility known as the Regional Economic Development Program was established for projects requested by the Governors not otherwise associated with other Port Authority facilities. This Program has provided additional funds for the development of the Metropolitan Technology Center in Brooklyn, New York; Port Authority participation in the development of the Liberty Science Center in Jersey City, New Jersey; capital improvements in connection with certain sludge treatment facilities in New Jersey; engineering laboratory renovation at the Stevens Institute of Technology in Hoboken, New Jersey; the New Jersey Economic Development Authority loan guarantee program for certain economic and industrial development projects in the State of New Jersey; the purchase of approximately 23 acres constituting a portion of the Aqueduct Racetrack in Queens, New York and certain other property rights; the acquisition of ticket vending machines for New Jersey Transit rail operations; and transportation related projects in the State of New Jersey, including bridge, viaduct and other improvements on Routes 1 & 9 and Route 169. As of December 31, 1992, $290,769,000 had been authorized, of which $221,819,000 was associated with the Regional Economic Development Program facility and $68,950,000 was associated with other Port Authority facilities. It is anticipated that additional projects within the specified parameters will be authorized in the future.

d. Oak Point Rail Freight Link. The Port Authority is participating with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link in the Bronx, New York. This project was originally authorized in December 1980 for $38,750,000. Subsequent authorizations under the Regional Development Facility and the Regional Economic Development Program, have increased the Port Authority's total commitment to this project to $106,250,000.

The Port Authority was authorized, pursuant to legislation to acquire, develop and finance, 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 ancillary bus facilities, with up to $220,000,000 to be allocated in each State, for the purpose of leasing, selling or transferring such buses and ancillary bus facilities to either State or to any public authority, agency, commission, city or county thereof. The appropriate certifications were made in 1979 and 1982.

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 bus or ancillary bus facility 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.

3. Costs for the Fund buy-out, Regional and Other Programs are deferred and amortized over the period benefited. As of December 31, 1992, the unamortized costs and annual amortization are as follows:

	Unamortized Costs	1992 Amortization
	(In thousands)	
Buy-out of Fund for Regional Development	$424,087	$ 2,608
Regional and Other Programs:		
Regional Programs		
Harlem International Trade Center	$ 46,665	$ 1,667
Aqueduct	40,107	—
SludgeTreatment Facilities	32,993	810
Conrail Freight Line	17,271	496
Metropolitan Technology Center	16,447	583
Oak Point Freight Link	12,146	354
NJEDA Loan Guarantee Program	7,346	134
Stevens Institute	7,062	140
Liberty Science Center	5,783	200
Miscellaneous other projects	6,552	142
Subtotal	192,372	4,526
Other Programs		
Oak Point Freight Link	36,455	1,269
New Jersey Marine Development	14,280	397
Bus Program New York	32,069	16,839
Bus Program New Jersey	67,170	18,257
Subtotal	149,974	36,762
Total Regional and Other Programs	$342,346	$41,288

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 as a separate entity 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 on the basis of employment with New York State or public entities in the state) join one of these two public employees' retirement systems.

The ERS and the PFRS provide retirement benefits related to years of service and final average salary, death and disability benefits, vesting of benefits after a set period of credited service, and optional methods of benefit payment. There are four ERS "tiers" of membership and two PFRS "tiers" related to date of initial membership; provisions for each tier differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance, the date of membership and the contributory or non-contributory nature of the plan. Generally, an employee has the right to a vested benefit after ten years of credited public 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 1992 was $442,756,000 of which $333,974,000 and $100,440,000 represent the cost for employees covered by ERS and PFRS, respectively. Participating employers are required to pay for funding the Retirement Systems on a current basis. Contributions for periods of service in the fiscal years ending March 31, 1988 and 1989 are being amortized with interest over 17 years commencing in 1989. Amortization payments excluding $1,675,000 of interest in 1992 to the two Retirement Systems totalled $1,984,000. The remaining liability for 1988 and 1989 Port Authority contributions amounting to $48,719,000 is included in "accrued pension, retirement and other employee benefits" on the Combined Statements of Financial Position. In November of each year, the ERS and PFRS bill participating employers for their share of total estimated contributions due for the fiscal year ending March 31 of the succeeding year. The prepayment of

$3,467,000 for the first three months of 1993 is included in "other assets".

Effective April 1, 1990, the funding policy for the Retirement Systems changed from the aggregated cost funding method to a modified projected unit credit funding method. The unit credit approach attributes costs by crediting each employee in each year with a distinct unit of pension cost. This new method uses a rolling amortization period for differences between actuarial assets and actuarial accrued liabilities, of which approximately 17% of such differences are recognized each year in determining the funding amount.

In 1992, Port Authority contributions to the two retirement systems, including the amortization payment, totalled $15,628,000, consisting of payments of $601,000 and $15,027,000 for ERS and PFRS, respectively. These contributions for the ERS and PFRS represented approximately 0.1% and 3.5%, respectively of the total Port Authority covered payroll for 1992. The Port Authority's contribution for the ERS and PFRS amounted to approximately 0.2% and 4.2%, respectively of the total amount billed by the 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 and any step-rate benefits, 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, 1992, the assets in excess of pension benefit obligation were as follows:

	ERS	PFRS (In millions)	TOTAL
Total pension benefit obligation	$44,034	$9,076	$53,110
Net assets available for benefits	45,503	8,208	53,711
Assets in excess of/(unfunded) pension benefit obligation	$ 1,469	($ 868)	$ 601

The "Net Assets Available for Benefits" as reported in the supplement to the 1992 Annual Report of the New York State and Local Retirement Systems, includes $1,234,000,000 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, 1992, but which are to be received over the next 14 years.

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

Employees of Port Authority Trans-Hudson Corporation (PATH), a wholly-owned subsidiary of the Port Authority, are covered by the provisions of the Railroad Retirement Act administered by the United States Railroad Retirement Board and by single-employer 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, as a matter of policy, by PATH on August 6, 1964, and has been amended from time to time thereafter. The PATH Exempt Employees' Supplemental Pension Plan currently provides, as a matter of policy, 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. The PATH payroll expense for 1992 was $55,579,000 of which

$7,492,000 represented the cost for exempt employees. The "total pension benefit obligation" of the PATH Exempt Employees' Supplemental Pension Plan shown below is based on the actuarial present value of credited projected benefits obligations assuming no change in present policy in relation to the Plan. It is the standardized disclosure measure, namely the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in future years as a result of employee service to date.

There are a total of 118 active and 31 retired employees covered under this plan. The actuarially determined valuation of this unfunded pension benefit obligation liability, last completed in 1989, is reviewed periodically for the purpose of adjusting the annual accruals. The Port Authority is in the process of retaining an actuary to update the valuation of the pension benefit liability obligation. At the time of the last valuation, the pension benefit obligation was evaluated in the aggregate; detailed information for current employees, vested and non-vested, and retirees, beneficiaries and inactive members is unavailable. In 1992 PATH recognized $1,111,000 of expense representing 2.0% of the total PATH covered payroll. 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. Since this is an unfunded plan there are no available plan assets to be reported. As of December 31, 1992, the balance of this unfunded liability was $7,038,000 and is included in "accrued pension, retirement and other employee benefits" on the Combined Statements of Financial Position.

The following is supplementary information required by GASB Statement No. 5. The purpose of this chart, and particularly the use of the value identified as Pension Benefit Obligation, is to establish a consistent method for analyzing and making comparisons among different public employee retirement systems and different public employers.

Fiscal year	(A) Pension benefit obligation	(B) Annual covered payroll	Percentage (A)/(B)
	(In thousands)		
1990	$5,645	$6,773	83.3
1991	$6,307	$7,021	89.8
1992	$7,038	$7,492	93.9

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. PATH payroll expense in 1992 for these employees was $48,087,000. For the year 1992, contributions made by PATH in accordance with the terms of various collective bargaining agreements totalled $1,780,000, which represented approximately 3.2% of the total PATH covered payroll for 1992. 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 $280,700,000 as of December 31, 1992, and consists of the following:

	Port Authority	PATH (In millions)	TOTAL
Retirees	$144.4	$ 6.1	$150.5
Active	123.3	6.9	130.2
TOTAL	$267.7	$13.0	$280.7

The obligation accrued to date is $103,086,000.

The cost of providing health care, dental and life insurance benefits, not including the accrual for prior service costs, totalled approximately $71,475,000 in 1992 and $65,875,000 in 1991. Retired employees constitute 33 percent of the total of employees and retired employees of the Port Authority and PATH covered by one or more of these plans. The cost of providing these benefits for such retired employees (and their eligible dependents) is not separable from the cost of providing similar benefits for active employees (and their eligible dependents).

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 $79,792,000 in 1992 and $63,272,000 in 1991 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 Combined Statements of Financial Position.

Note K–Commitments and Certain Charges to Operations

1. Effective April 7, 1991, passenger automobile tolls at the Port Authority's six Hudson River vehicular crossings were increased from $3.00 to $4.00 and truck tolls from $3.00 per axle to $4.00 per axle.

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.

On December 10, 1992, the Board of Commissioners adopted the annual budget for 1993. The related 1993-1997 business plan was also reviewed by the Board of Commissioners at that time. Approval of the budget by the Board of Commissioners of the Port Authority, based on financial projections 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.

Major projects under way include, but are not limited to, major roadway redevelopment work at John F. Kennedy International Airport, rehabilitation of the Central Terminal Building at LaGuardia Airport, construction of an automated people mover and a new air cargo facility at Newark International Airport, safety and maintenance improvements to the PATH system, rehabilitation of the Lincoln Tunnel and approach ramps to the George Washington Bridge, channel dredging, improved intermodal access and other rehabilitation work for marine terminals, improvements to the elevator, electrical and HVAC systems at the World Trade Center, and improvements to certain other facilities, as well as projects related to Regional and Other Programs (see Note I).

The Port Authority presently also has under study a number of additional projects or facilities. In this connection, the Port Authority presently is participating 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; activities to ease the burdens on and improve access to Trans-Hudson transportation facilities; and projects to improve landside access to the airports, as well as a number of other regional initiatives.

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, 1992, pursuant to various contracts entered into by the Port Authority, approximately $767,057,000 of construction was expected to be completed within the next three years.

The 1993 budget anticipates gross capital expenditures for the year 1993 to be approximately $775,621,000 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. Operating revenues and construction costs in connection with Port Authority facilities are subject to the effects of national and regional economic conditions and the nature of governmental regulations with respect to transportation, commerce, energy and environmental permits and approvals and environmental impact analyses. Additionally, resolution of environmental matters which may arise during the course of construction, the costs for which are not presently quantifiable, may result in substantial delays in such construction and may give rise to substantially increased costs to the Port Authority. It is also expected that increases from time to time will continue to be necessary in the Port Authority's tolls, fares, landing and dockage fees, rentals and other charges, or that either planned capital expenditures will be curtailed or reductions in services and associated expenditures will occur, or both, so that the 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 $208,801,000 in 1992 and $206,973,000 in 1991 include amounts for insurance, telephone, payment of interest on Special Project Bonds, the expensing of certain capital costs that no longer provide future economic benefit, and certain other operating, development and administrative expenses.

5. The Port Authority's Essex County Resource Recovery Facility is being operated by a private full service vendor that provides municipal solid waste disposal services. As of December 31, 1992, the Port Authority had provided a net amount of $194,279,000 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 Combined Statements of Financial Position and is to be repaid by the vendor with interest through October 1, 2010 (see Note M-1).

6. In 1991 the Board of Commissioners authorized the sale of the "Fishport" portion of the Erie Basin-Port Authority Marine Terminal for a purchase price of $2,350,000. At that time, the unamortized cost of this property was approximately $30,879,000. The difference in these amounts was reflected as an expense in the 1991 Consolidated Statement of Income.

7. On June 11, 1992, the Board of Commissioners determined that the New York Union Motor Truck Terminal was no longer required for the purpose for which it was originally acquired, and authorized its sale. This facility was sold on December 29, 1992 at a gain of $21,062,000.

On July 16, 1992, the Board of Commissioners determined that the remaining portion of the Erie Basin-Port Authority Marine Terminal was no longer required for the purpose for which it was orginally acquired, and authorized its sale. The remaining portion of this facility was sold on September 1, 1992 at a loss of $909,000.

Sales of office space at the Newark Legal and Communications Center, resulted in a loss of $469,000.

Note L-Information on Port Authority Operations by Operating Segment

1. Operating Results (A)

Gross operating income (loss) consists of revenues from operations less operating and maintenance expenses and amortization. Net income Port Authority operations consists of income (loss) from operations and gain (loss) on sale of assets less net interest expense (interest expense less financial income).

1992	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade	Regional Development	Combined Total
			(In thousands)			
Gross operating revenues	$ 574,689	$ 850,216	$ 89,955	$329,288	$ 89,364	$1,933,512
Interdepartmental revenues	3,377	—	766	48,474	651	
Revenues from operations	$ 578,066	$ 850,216	$ 90,721	$377,762	$ 90,015	
Gross operating income (loss)	$ 112,338	$ 228,390	($ 1,489)	$125,744	($ 6,777)	$ 458,206
General administrative and development expenses	(74,071)	(53,516)	(7,131)	(11,680)	(1,779)	(148,177)
Income (loss) from operations	$ 38,267	$ 174,874	($ 8,620)	$114,064	($ 8,556)	$ 310,029
Net income Port Authority operations	($ 35,421)	$ 127,011	($ 5,080)	$ 48,049	($ 8,205)	$ 126,354
Net income PFC program						18,000
Combined net income (loss)						$ 144,354

1991	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade	Regional Development	Combined Total
Gross operating revenues	$ 539,694	$ 793,973	$ 95,817	$338,750	$ 88,661	$1,856,895
Interdepartmental revenues	3,606	—	856	55,538	107	
Revenues from operations	$ 543,300	$ 793,973	$ 96,673	$394,288	88,768	
Gross operating income (loss)	$ 88,897	$ 201,397	($ 1,241)	$124,463	($ 7,763)	$ 405,753
General administrative and development expenses	(74,139)	(48,216)	(7,041)	(11,288)	(1,805)	(142,489)
Loss on Fishport	—	—	(28,529)	—	—	(28,529)
Income (loss) from operations	$ 14,758	$ 153,181	($ 36,811)	$113,175	($ 9,568)	$ 234,735
Net income (loss)	($ 44,579)	$ 113,657	($ 51,738)	$ 50,266	($ 7,628)	$ 59,978

(A) See Schedule E for detailed information on Port Authority operations for each segment.

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 amortization.

1992 Assets	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade	Regional Development	PFC Program	Combined Total
				(In thousands)			
Facilities, net-beginning of year	$2,055,524	$1,708,055	$635,397	$918,364	$254,403	$ —	$5,571,743
Net capital expenditures	115,815	404,855	50,852	24,747	8,383	1,934	606,586
Amortization	(61,989)	(112,827)	(22,383)	(26,495)	(10,109)	—	(233,803)
Facilities, net-end of year	2,109,350	2,000,083	663,866	916,616	252,677	1,934	5,944,526
Unamortized costs for Regional and Other Programs	291,612	—	50,734	—	—	—	342,346
Total	$2,400,962	$2,000,083	$714,600	$916,616	$252,677	$1,934	6,286,872
Cash, investments, accounts receivable, other amounts receivable, unamortized costs for Fund buy-out and other assets							2,468,472
Total assets							$8,755,344

1991 Assets	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade	Regional Development	PFC Program	Combined Total
Facilities, net-beginning of year	$1,931,363	$1,536,958	$638,276	$914,817	$252,924		$5,274,338
Net capital expenditures	183,237	272,280	47,552	29,683	10,525		543,277
Amortization (including loss on Fishport)	(59,076)	(101,183)	(50,431)	(26,136)	(9,046)		(245,872)
Facilities, net-end of year	2,055,524	1,708,055	635,397	918,364	254,403		5,571,743
Unamortized costs for Regional and Other Programs	264,895	—	37,724	—	—		302,619
Total	$2,320,419	$1,708,055	$673,121	$918,364	$254,403		5,874,362
Cash, investments, accounts receivable, other amounts receivable, unamortized costs for Fund buy-out and other assets							2,415,483
Total assets							$8,289,845

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 of America, the Port Authority, 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, 1992, the total amount of security in cash and marketable securities held by the Port Authority was $8,684,000. In addition the Port Authority was holding letters of credit totalling $17,930,000.

Accounts receivable balance at December 31, 1992 was $72,539,000. Of that amount, accounts receivable for aviation facilities amounted to $39,946,000. This concentration is significant, as airline carriers and related services are affected by airline industry market conditions and other factors.

The Port Authority owns or operates four airports and has developed two commercial heliports to serve the Port District. The Port Authority's airport revenues come from a variety of sources, including cost-recovery based agreements, facility rentals and commercial activities at the airports. Certain of these sources are related to passenger and cargo volume at the airports and may fluctuate with trends in the airline industry and national economic conditions. A number of air carriers operating at one or more of the Authority's airports are involved in federal bankruptcy proceedings under the United States Bankruptcy Code. Notwithstanding certain financial, operating and regulatory matters affecting the airline industry, in 1992, the Port Authority's three major airports handled approximately 72 million passengers, an increase of roughly 5% over 1991.

The other amounts receivable balance (net) at December 31, 1992 consists primarily of:

	(In thousands)
Resource recovery installments receivable (see Note K-5)	$194,279
Accrued revenue receivable	58,595
Installments sales contracts receivable	20,106
Deferred amounts receivable	22,970
Other	25,394
	$321,344

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 Combined Statements of Financial Position.

2. Financial instruments

The Port Authority presently uses the off-balance sheet financial instruments described below 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.

The Port Authority enters into interest rate swap agreements for the purpose of reducing its overall cost of debt. Each swap transaction involves the exchange of fixed and variable rate interest payment obligations without the exchange of the underlying principal amounts. As of December 31, 1992, four interest rate swap agreements were in place with notional amounts aggregating $95,000,000 including two offsetting swap agreements each with notional amounts of $10,000,000. The settlement of the fixed to variable interest rate exchange occurs quarterly, with the net difference between interest paid and interest received reflected as a decrease (or increase) to interest expense in connection with capital asset financing. Entering into interest rate swap agreements does subject the Port Authority to the possibility of financial loss in the event of nonperformance by the counterparty to the swap agreements and/or with respect to changes in market rates.

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 177 and 317 during 1992 and 1991, respectively.

In 1992 the Port Authority entered into reverse repurchase agreements (see Note C-3) whereby the Port Authority contracted to sell a security to a counterparty and simultaneously agreed to purchase it back from that party at a predetermined price and future date. All reverse repurchase agreements sold are matched to repurchase agreements bought, thereby minimizing market risk. Securities sold under reverse repurchase agreements are sold at market value, which minimizes the possibility of financial loss (credit risk) should the counterparty default on its obligation to resell the securities back to the Port Authority.

Note N-Passenger Facility Charge Program

Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, the United States Secretary of Transportation (through the FAA) is authorized to approve local imposition of airport passenger facility charges (PFCs) at commercial service airports controlled by public agencies. PFCs are to be used to finance airport-related projects which are approved in advance by the FAA and which are related to safety, capacity, security, noise reduction or enhancement of air carrier competition.

On July 23, 1992, the FAA granted the Port Authority the right to impose a $3 PFC per enplaned passenger at LaGuardia, John F. Kennedy International and Newark International Airports, beginning on October 1, 1992, to be collected by the airlines on behalf of the Port Authority in an aggregate amount (including interest on such proceeds earned by the Port Authority until spent by the Authority) totalling $282,000,000 net of the air carriers' handling charges. The FAA also approved expenditure of $21,000,000 attributable to amounts received from the collection of PFCs to fund studies associated with ground access projects pertaining to the airports. Applications to the FAA for authority to expend the remaining $261,000,000 will be made in the future for various airport-related projects. These projects are presently anticipated to include, but are not limited to, the eastbound flyover ramp at LaGuardia Airport, on-airport people mover system at John F. Kennedy International Airport, on-airport monorail and Interstate 78 flyover ramp at Newark International Airport. Applications to the FAA for the Authority to continue to collect PFCs in excess of the amounts already approved and to expend such proceeds on other airport-related projects are also anticipated in the future.

Note O-Information with Respect to the Events of February 26, 1993 at the World Trade Center

On February 26, 1993, various building systems at the WTC sustained damaged as a result of an explosion in the parking garage under the hotel at the WTC. The structural integrity of the WTC was not significantly affected by such explosion. It is presently anticipated that the WTC would be fully operational within the next several weeks. It is presently expected that physical loss or damage and loss of revenue sustained by the Port Authority resulting from this incident would be covered by insurance carried by the Port Authority. At the present time, any Port Authority liability for potential claims arising from this incident is not reasonably estimable.

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

	Year Ended December 31, 1992 Operating Fund	1992 Reserve Funds (Schedule C)	1992 Combined Total	1991 Combined Total
		(In thousands)		
Gross operating revenues	$1,933,512	$ —	**$1,933,512**	$1,856,895
Operating expenses:				
Employee compensation, including benefits	569,767	—	**569,767**	544,335
Materials, equipment, supplies and contract services	367,483	—	**367,483**	392,975
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	117,331	—	**117,331**	110,625
Heat, light and power	85,010	—	**85,010**	82,498
Other (Note K-4)	208,801	—	**208,801**	206,973
Total operating expenses	1,348,392	—	**1,348,392**	1,337,406
Amounts in connection with operating asset financings	31,745	—	**31,745**	30,669
Net operating revenues	553,375	—	**553,375**	488,820
Financial income				
Income on investments (includes gain of $724,000 in 1992 and $4,788,000 in 1991 on purchase of Port Authority bonds)	33,535	55,243	**88,778**	88,842
Net revenues available for debt service and reserves	586,910	55,243	**642,153**	577,662
Debt service				
Interest on bonds, notes and commercial paper obligations	254,435	—	**254,435**	227,619
Debt maturities and retirements	59,925	—	**59,925**	63,185
Repayment of commercial paper obligations	—	126	**126**	520
Debt retirement acceleration	—	—	**—**	3,352
Total debt service	314,360	126	**314,486**	294,676
Payments in connection with leasehold acquisition obligation	—	4,015	**4,015**	4,005
Transfers to reserves	($ 272,550)	272,550	**—**	—
Revenues after debt service and transfers to reserves		323,652	**323,652**	278,981
Direct investment in facilities		(370,497)	**(370,497)**	(187,305)
Appropriations for self-insurance		865	**865**	(1,218)
Increase (decrease) in reserves		(45,980)	**(45,980)**	90,458
Reserve balances, January 1		828,537	**828,537**	738,079
Reserve balances, December 31 (Schedule C)		$782,557	**$ 782,557**	$ 828,537

See Notes to Combined Financial Statements.

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

	December 31, 1992 Operating Fund	Capital Fund	Reserve Funds	Combined Total	1991 Combined Total
	(In thousands)				
Assets					
Invested in facilities	$ —	$ 9,848,280	$ —	**$ 9,848,280**	$ 9,161,865
Cash (Note C)	31,363	(391)	1,000	**31,972**	51,318
Investments (Note C)	136,637	84,707	781,557	**1,002,901**	954,924
Accounts receivable (net of allowance for doubtful accounts of $67,258,000 in 1992 and $57,985,000 in 1991) (Note M-1)	70,664	1,875	—	**72,539**	78,913
Other amounts receivable (net of allowance for doubtful accounts of $12,860,000 in 1992 and $4,050,000 in 1991) (Note M-1)	95,780	225,564	—	**321,344**	324,924
Amounts receivable in connection with Special Project Bonds	—	287,967	—	**287,967**	284,656
Unamortized costs for Fund buy-out (Note I)	424,087	—	—	**424,087**	426,282
Other assets	308,515	32,944	—	**341,459**	314,397
Total assets	1,067,046	10,480,946	782,557	**12,330,549**	11,597,279
Liabilities					
Consolidated Bonds and Notes (Note D-1)	—	4,198,785	—	**4,198,785**	4,056,744
Obligations in connection with other capital asset financing (Note D-2)	—	453,705	—	**453,705**	367,239
Obligations in connection with operating asset financing (Note D-3)	413,298	—	—	**413,298**	407,493
Amounts payable in connection with Special Project Bonds (Note D-4)	—	298,575	—	**298,575**	298,575
Accounts payable	108,601	135,704	—	**244,305**	228,602
Accrued pension, retirement and other employee benefits (Note J)	260,932	—	—	**260,932**	223,286
Accrued interest and other liabilities	226,151	3,392	—	**229,543**	241,889
Deferred income in connection with PFCs	16,132	—	—	**16,132**	—
Total liabilities	1,025,114	5,090,161	—	**6,115,275**	5,823,828
Net assets	$ 41,932	$ 5,390,785	$782,557	**$ 6,215,274**	$ 5,773,451
Net assets are composed of:					
Debt retired through income	$ —	$ 2,883,389	$ —	**$ 2,883,389**	$ 2,822,742
Reserves (Schedule C)	—	—	782,557	**782,557**	828,537
Government contributions in aid of construction (Note G)	—	514,172	—	**514,172**	458,516
PFCs invested in facilities	—	1,868	—	**1,868**	—
Appropriated reserves invested in facilities	—	1,991,356	—	**1,991,356**	1,620,859
Appropriated reserves for self-insurance	41,932	—	—	**41,932**	42,797
Net assets	$ 41,932	$ 5,390,785	$782,557	**$ 6,215,274**	$ 5,773,451

See Notes to Combined Financial Statements.

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

	Year Ended December 31, 1992			1991
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
		(In thousands)		
Balance, January 1 (Note F)	$471,281	$357,256	**$ 828,537**	$ 738,079
Income on investments (includes gain on purchase of Port Authority bonds)	35,576	19,667	**55,243**	60,143
Transfers from operating fund	—	272,550	**272,550**	223,363
Reserve fund transfers	(12,371)	12,371	**—**	—
	494,486	661,844	**1,156,330**	1,021,585
Applications:				
Repayment of commercial paper obligations	—	126	**126**	520
Payments in connection with leasehold acquisition obligation	—	4,015	**4,015**	4,005
Direct investment in facilities	—	370,497	**370,497**	187,305
Self-insurance	—	(865)	**(865)**	1,218
Total applications	—	373,773	**373,773**	193,048
Balance, December 31 (Note F)	$494,486	$288,071	**$ 782,557**	$ 828,537

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, 1992 been used, the respective reserve fund balances at December 31, 1992 would be:

General Reserve Fund	Consolidated Bond Reserve Fund
$494,486	$298,849

See Notes to Combined Financial Statements.

Schedule D **Selected Statistical Financial Data**

	Year Ended December 31,									
	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
					(In thousands)					
REVENUES AND EXPENSES										
Gross operating revenues (A)	**$1,933,512**	$1,856,895	$1,690,730	$1,526,780	$1,436,940	$1,331,438	$1,169,586	$1,100,840	$1,000,060	$ 848,584
Operating expenses	**1,348,392**	1,337,406	1,282,298	1,124,218	1,092,502	993,256	937,820	859,843	706,895	610,287
Amounts in connection with operating asset financings	**31,745**	30,669	29,052	1,533	—	—	—	—	—	—
Net operating revenues	**553,375**	488,820	379,380	401,029	344,438	338,182	231,766	240,997	293,165	238,297
Income on investments	**88,054**	84,054	86,014	92,094	76,858	59,613	76,998	85,644	85,836	71,626
Gain on purchase of Port Authority bonds	**724**	4,788	2,131	4,871	3,221	5,235	3,571	6,077	5,501	8,596
Security valuation adjustment	**—**	—	—	—	—	—	—	—	(19)	11
Net revenues available for debt service and reserves	**642,153**	577,662	467,525	497,994	424,517	403,030	312,335	332,718	384,483	318,530
DEBT SERVICE-OPERATIONS										
Interest on bonds, notes and commercial paper obligations	**(254,435)**	(227,619)	(195,176)	(174,673)	(155,143)	(135,678)	(116,980)	(109,972)	(116,352)	(110,024)
Times, interest earned (B)	**2.52**	2.54	2.40	2.85	2.74	2.97	2.67	3.02	3.30	2.87
Debt maturities and retirements	**(59,925)**	(66,537)	(59,675)	(52,425)	(49,125)	(54,475)	(55,350)	(48,074)	(18,593)	(32,433)
Times, debt service earned (B)	**2.04**	1.96	1.83	2.19	2.08	2.12	1.81	2.08	2.33	2.05
DEBT SERVICE-RESERVES										
Direct investment in facilities–reserves	**(370,497)**	(187,305)	(235,984)	(262,844)	(215,854)	(176,656)	(80,656)	(87,359)	(71,527)	(19,221)
Payments in connection with leasehold acquisition	**(4,015)**	(4,005)	(4,097)	(1,941)	—	—	—	—	—	—
Debt retirement acceleration	**—**	—	—	—	(2,750)	(2,800)	—	—	—	(20,000)
Appropriations for self-insurance-reserves	**865**	(1,218)	351	(2,272)	2,139	(2,929)	(4,260)	(4,063)	(489)	537
Repayment of commercial paper obligations	**(126)**	(520)	(1,734)	(1,068)	(522)	—	(13,178)	(55,964)	(85,389)	(100,089)
Debt service on bonds secured by trusts	**—**	—	—	—	—	—	(649)	(1,343)	(1,204)	(637)
Debt service on bank loans	**—**	—	—	—	—	—	—	—	—	(34,027)
Net increase (decrease) in reserves	**($ 45,980)**	$ 90,458	($ 28,790)	$ 2,771	$ 3,262	$ 30,492	$ 41,262	$ 25,943	$ 90,929	$ 2,636
RESERVE BALANCES										
January 1	**828,537**	738,079	766,869	764,098	760,836	730,344	689,082	663,139	572,210	569,574
December 31	**$ 782,557**	$ 828,537	$ 738,079	$ 766,869	$ 764,098	$ 760,836	$ 730,344	$ 689,082	$ 663,139	572,210
Reserve fund balances represented by:										
General Reserve	**$ 494,486**	$ 471,281	$ 441,614	$ 373,129	$ 335,886	$ 293,294	$ 287,357	$ 271,232	$ 236,166	$ 223,080
Consolidated Bond Reserve	**288,071**	357,256	296,465	393,740	428,212	467,542	442,987	417,204	425,033	346,066
Special Reserve (C)	**—**	—	—	—	—	—	—	646	1,940	3,064
Total	**$ 782,557**	$ 828,537	$ 738,079	$ 766,869	$ 764,098	$ 760,836	$ 730,344	$ 689,082	$ 663,139	$ 572,210
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	**$4,198,785**	$4,056,744	$ 3,739,020	$ 3,338,250	$3,105,675	$2,718,550	$2,759,825	$2,615,175	$2,263,249	$2,075,842
Fund buy-out obligation	**386,290**	383,433	357,067	—	—	—	—	—	—	—
Amounts payable in connection with Special Project Bonds	**298,575**	298,575	298,575	96,500	96,500	96,500	96,500	96,500	96,500	96,500
Variable rate master notes	**250,000**	217,000	182,000	135,000	25,000	—	—	—	—	—
Commercial paper obligations	**170,492**	116,430	172,140	161,537	131,684	117,883	17,240	37,870	—	—
Leasehold acquisition obligation	**33,213**	33,809	34,349	34,839	—	—	—	—	—	—
Operating equipment-lease financing obligations	**27,008**	24,060	24,060	26,476	25,726	24,608	9,882	2,512	—	—
General and Refunding Bonds (D)	**—**	—	—	—	—	—	—	642	1,915	2,997
Total obligations	**$5,364,363**	$5,130,051	$4,807,211	$3,792,602	$3,384,585	$2,957,541	$2,883,447	$2,752,699	$2,361,664	$2,175,339
INVESTED IN FACILITIES AT DECEMBER 31	**$9,848,280**	$9,161,865	$ 8,532,632	$7,825,014	$7,050,152	$6,547,044	$5,876,771	$5,396,493	$5,050,775	$4,838,351
DEBT RETIRED THROUGH INCOME:										
Annual	**$ 60,647**	$ 67,599	$ 61,897	$ 53,719	$ 52,399	$ 57,275	$ 69,170	$ 105,310	$ 105,064	$ 184,303
Cumulative	**$2,883,389**	$2,822,742	$ 2,755,143	$2,693,246	$2,639,527	$2,587,128	$2,529,853	$2,460,683	$2,355,373	$2,250,309

(A) Gross operating revenues reflect increased tolls adopted in 1991, 1987 and 1984 and increased PATH fares adopted in 1987, 1984 and 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 debt retirement accelerations from operations, and to include scheduled retirement of debt previously accelerated as follows:

1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
—	$3,352	—	($2,750)	($2,800)	—	—	($1,560)	($29,731)	($12,193)

(C) 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.

(D) 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 Combined Financial Statements.

Schedule E **Information on Port Authority Operations**

	Year Ended December 31, 1992							1991
	Gross Operating Revenues	**Operating & Maintenance Expenses**	**Allocated Expenses**	**Amortization**	**Income/ (Loss) from Operations**	**Net Interest Expense (A)**	**Net Income/ (Loss)**	**Net Income/ (Loss)**
	(In thousands)							
INTERSTATE TRANSPORTATION								
G.W. Bridge & Bus Station	$ 224,873	$ 47,555	$ 13,921	$ 6,759	$156,638	$ 9,399	$147,239	$131,738
Holland Tunnel	65,953	33,387	6,280	6,872	19,414	6,423	12,991	9,877
Lincoln Tunnel	82,550	42,188	8,230	5,481	26,651	7,581	19,070	13,203
Bayonne Bridge	8,890	6,713	1,243	2,119	(1,185)	1,693	(2,878)	(5,154)
Goethals Bridge	53,002	11,972	3,429	688	36,913	610	36,303	35,712
Outerbridge Crossing	55,917	8,913	3,202	1,746	42,056	1,194	40,862	35,803
P.A. Bus Terminal	22,547	61,500	9,121	6,256	(54,330)	7,898	(62,228)	(58,157)
PATH	58,869	142,173	27,758	29,766	(140,828)	27,783	(168,611)	(157,430)
Journal Square Transportation Center	2,088	5,933	807	2,268	(6,920)	2,274	(9,194)	(6,603)
Ferry Service	—	406	80	35	(521)	25	(546)	(410)
Bus Programs (See Note I)	—	—	—	35,096	(35,096)	4,427	(39,523)	(40,404)
Regional & Other Programs (See Note I)	—	—	—	4,525	(4,525)	4,381	(8,906)	(2,754)
Total Interstate Transportation	574,689	360,740	74,071	101,611	38,267	73,688	(35,421)	(44,579)
AIR TERMINALS								
LaGuardia	187,417	131,653	11,413	20,933	23,418	8,158	15,260	11,257
JFK International	405,953	245,747	25,433	52,635	82,138	20,318	61,820	52,447
Newark International	255,313	130,135	16,427	38,060	70,691	18,657	52,034	52,470
Teterboro	876	(23)	70	496	333	336	(3)	(673)
Heliports	657	1,487	173	703	(1,706)	394	(2,100)	(1,844)
Total Air Terminals	850,216	508,999	53,516	112,827	174,874	47,863	127,011	113,657
MARINE AND OTHER								
Columbia Street	1	55	7	36	(97)	42	(139)	(166)
Port Newark	31,671	24,128	2,851	7,222	(2,530)	3,726	(6,256)	(10,599)
Erie Basin	47	576	58	25	(612)	1,009	(1,621)	(3,621)
Elizabeth	36,397	11,746	1,869	9,006	13,776	6,225	7,551	11,121
Brooklyn	3,939	7,387	1,027	1,364	(5,839)	1,482	(7,321)	(7,755)
Red Hook	1,489	3,188	206	1,292	(3,197)	680	(3,877)	(1,076)
N.Y.C. Passenger Ship Terminal	8,287	13,968	811	652	(7,144)	492	(7,636)	(8,325)
Howland Hook	180	4,887	139	804	(5,650)	400	(6,050)	(5,056)
Greenville Yard	200	30	6	—	164	—	164	203
Auto Marine	6,322	1,267	117	1,819	3,119	1,894	1,225	2,088
Fishport	—	—	—	—	—	—	—	(28,529)
Oak Point (See Note I)	—	—	—	1,270	(1,270)	1,228	(2,498)	(1,026)
N.J. Fisheries (See Note I)	—	—	—	397	(397)	235	(632)	—
N.Y. Truck Terminal	1,422	163	40	162	1,057	(20,953)	22,010	1,003
Total Marine and Other	89,955	67,395	7,131	24,049	(8,620)	(3,540)	(5,080)	(51,738)
WORLD TRADE								
World Trade Center	292,187	143,723	11,517	24,875	112,072	60,874	51,198	54,509
Vista Hotel	37,101	33,326	163	1,620	1,992	5,141	(3,149)	(4,243)
Total World Trade	329,288	177,049	11,680	26,495	114,064	66,015	48,049	50,266
REGIONAL DEVELOPMENT								
Essex County Resource Recovery	67,967	67,818	198	1,410	(1,459)	(6,328)	4,869	10,023
Industrial Park at Elizabeth	79	956	155	401	(1,433)	653	(2,086)	(2,524)
Bathgate	2,533	1,338	120	2,294	(1,219)	1,181	(2,400)	(5,318)
Yonkers	2,631	4,144	490	1,130	(3,133)	1,390	(4,523)	(3,961)
Teleport	11,160	6,466	406	2,560	1,728	2,060	(332)	34
Newark Legal	4,994	5,310	410	2,314	(3,040)	693	(3,733)	(5,882)
Total Regional Development	89,364	86,032	1,779	10,109	(8,556)	(351)	(8,205)	(7,628)
Total Port Authority Operations	1,933,512	1,200,215	148,177	275,091	310,029	183,675	126,354	59,978
PFC Program	—	—	—	—	—	—	18,000	—
Combined Total	$1,933,512	$1,200,215	$148,177	$275,091	$310,029	$183,675	$144,354	$ 59,978

(A) As disclosed in Note A-12, net interest expense (interest expense less financial income) that cannot be specifically identified with any particular operating segment is allocated to all operating segments on the basis of unamortized investment in use (completed construction less accumulated amortization). Financial income or interest expense which can be specifically identified with a particular facility within a segment is credited/charged directly to that segment. For purposes of this schedule, gain or loss generated by the sale of assets (see Note K-7) is included in the net interest expense column.

See Note A-14 for a reconciliation of net income to increase (decrease) in reserves (pursuant to Port Authority bond resolutions).

See Notes to Combined Financial Statements.

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

	December 31, 1992	December 31, 1991
	(In thousands)	
Assets		
Invested in commuter cars, at cost (A)	**$156,349**	$156,314
Cash and investments in U.S. Government securities, at cost (which approximates market)	**1,002**	977
Other assets	**397**	522
Total assets	**157,748**	157,813
Liabilities		
State Guaranteed Commuter Car Bonds (due 1993–1996)	**43,340**	58,115
Other liabilities	**8,588**	8,653
Total liabilities	**51,928**	66,768
Debt retired (A)	**$ 105,820**	$ 91,045

(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 Combined Financial Statements.

Facility Traffic

TUNNELS AND BRIDGES (Eastbound Traffic in thousands)	1992	1991
All Crossings		
Automobiles	**101,736**	101,061
Buses	**2,080**	2,050
Trucks	**7,062**	7,071
Total vehicles	**110,878**	110,182
George Washington Bridge		
Automobiles	**43,886**	44,109
Buses	**247**	249
Trucks	**3,632**	3,595
Total vehicles	**47,765**	47,953
Lincoln Tunnel		
Automobiles	**17,602**	17,251
Buses	**1,524**	1,502
Trucks	**854**	872
Total vehicles	**19,980**	19,625
Holland Tunnel		
Automobiles	**14,321**	14,146
Buses	**119**	113
Trucks	**878**	878
Total vehicles	**15,318**	15,137
Staten Island Bridges		
Automobiles	**25,927**	25,555
Buses	**190**	187
Trucks	**1,698**	1,726
Total vehicles	**27,815**	27,468
Cumulative PA Investment in Tunnels and Bridges (In thousands)	**$1,234,400**	$1,185,000

AIR TERMINALS	1992	1991
Totals at the Three Major Airports		
Plane movements	**1,058,000**	983,000
Passenger traffic	**71,712,000**	68,298,000
Cargo-tons	**1,987,000**	1,823,000
Revenue mail-tons	**236,000**	217,000
Kennedy International Airport		
Plane movements	**322,000**	277,000
Passenger traffic		
Total	**27,767,000**	26,335,000
Domestic	**12,657,000**	11,667,000
Overseas	**15,110,000**	14,668,000
Cargo-tons	**1,355,000**	1,288,000
LaGuardia Airport		
Plane movements	**325,000**	327,000
Passenger traffic	**19,660,000**	19,686,000
Cargo-tons	**55,000**	66,000
Newark International Airport		
Plane movements	**411,000**	379,000
Passenger traffic	**24,285,000**	22,277,000
Cargo-tons	**577,000**	469,000
Cumulative PA Investment in Air Terminals (In thousands)	**$3,583,800**	$3,168,400

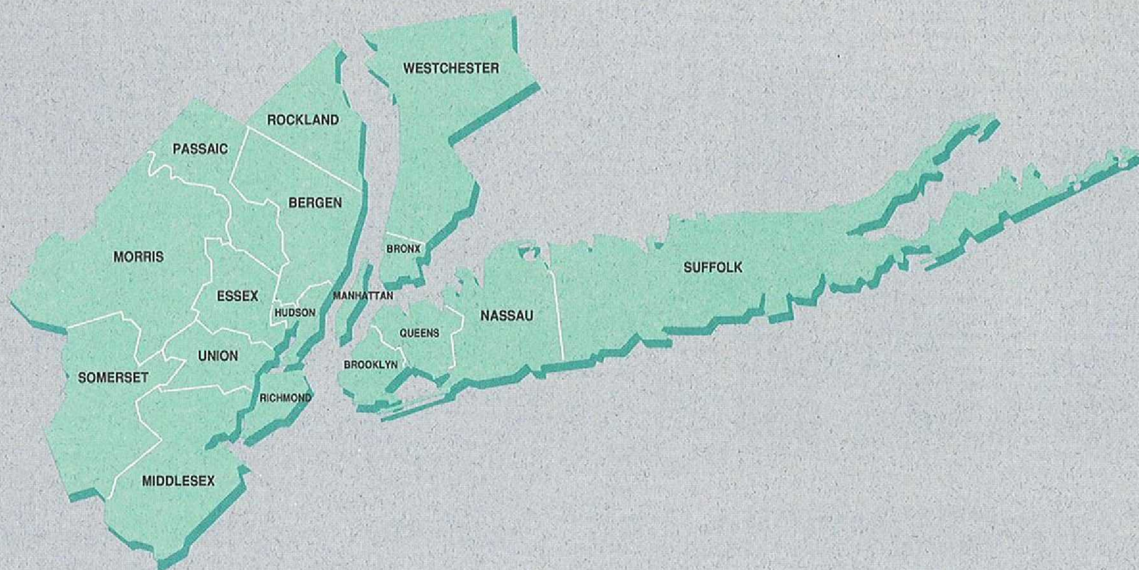
TERMINALS	1992	1991
All Bus Facilities		
Passengers	**67,480,000**	67,100,000
Bus movements	**3,151,000**	3,067,000
Port Authority Bus Terminal		
Passengers	**54,533,000**	53,400,000
Bus movements	**2,164,000**	2,067,000
George Washington Bridge Bus Station		
Passengers	**4,142,000**	4,900,000
Bus movements	**218,000**	230,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**8,805,000**	8,800,000
Bus movements	**769,000**	770,000
Cumulative PA Investment in Bus Facilities (In thousands)	**$447,200**	$445,800

MARINE TERMINALS	1992	1991
All Terminals		
Ship arrivals	**3,341**	2,910
General cargo (A) (Long tons)	**12,800,600**	11,985,600
New Jersey Marine Terminals		
Ship arrivals	**2,869**	2,394
New York Marine Terminals		
Ship arrivals	**283**	331
Passenger Ship Terminal		
Ship arrivals	**189**	187
Passengers	**310,969**	315,778
Cumulative PA Investment in Marine Terminals (In thousands)	**$1,113,700**	$1,048,000

PATH	1992	1991
Total passengers	**55,391,000**	55,366,000
Passenger weekday Average	**195,700**	196,500
Cumulative PA Investment in PATH (In thousands)	**$1,153,700**	$1,094,500

	1992	1991
Total Port Authority Cumulative Invested in Facilities, including the above (In thousands)	**$9,848,300**	$9,161,900

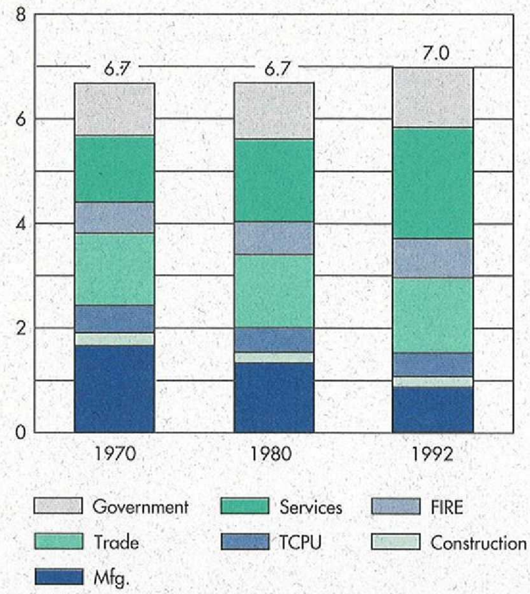
(A) International oceanborne general cargo as recorded in the New York-New Jersey Customs District.



Area	3,900 Square Miles
Population 1992	15.7 Million
Total Labor Force 1992	7.6 Million
Retail Sales 1992	$111 Billion
Total Wage and Salary Jobs	7.0 Million
Total Personal Income	$388 Billion

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.

NY-NJ Metropolitan Region Wage & Salary Employment by Major Industry 1970, 1980, 1992
(millions)



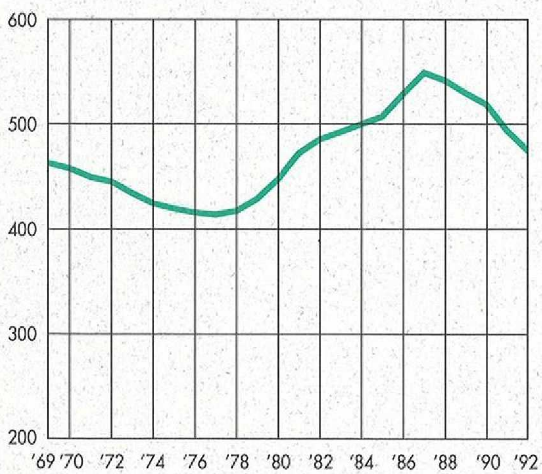
FIRE = Finance, Insurance, & Real Estate
TCPU = Transportation, Communications & Public Utilities

Sources: NY and NJ State Depts. of Labor

Index of Private Employment U.S. and NY-NJ Region 1969-1992
(index: 1969 = 100)

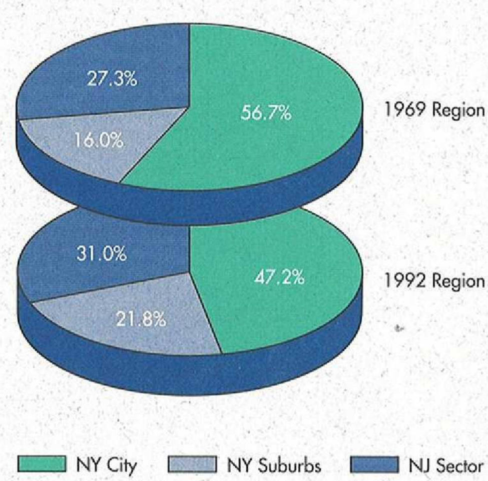
Sources: U.S. Bureau of Labor Statistics
NY and NJ State Depts. of Labor

Employment Trends in Finance, Insurance and Real Estate New York City, 1969-1992
(thousands)



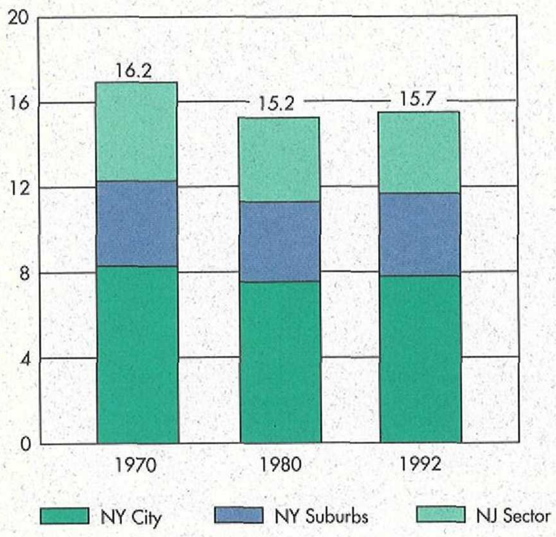
Sources: NY & NJ State Depts. of Labor

Wage and Salary Employment in the NY-NJ Metropolitan Region by Major Geographic Area
(thousands)



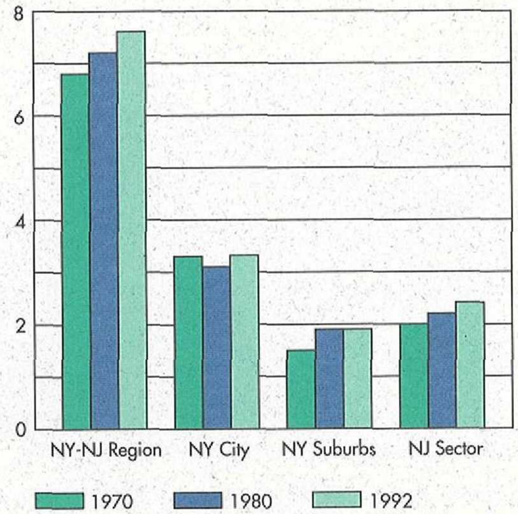
Sources: NY & NJ State Depts. of Labor

Population
NY-NJ Metropolitan Region
1970, 1980, 1992
(in millions)



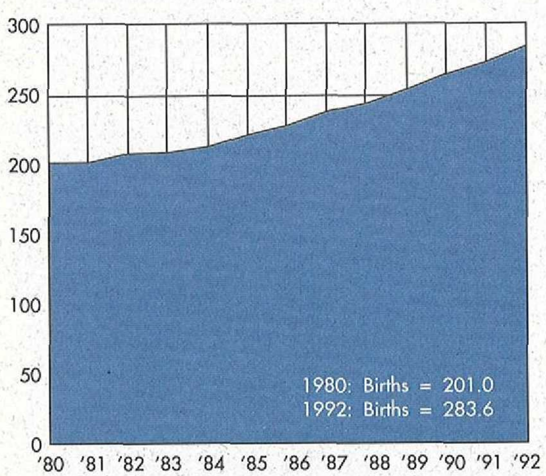
Source: U.S. Bureau of the Census

Total Labor Force
NY-NJ Metropolitan Region
1970, 1980, 1992
(millions)



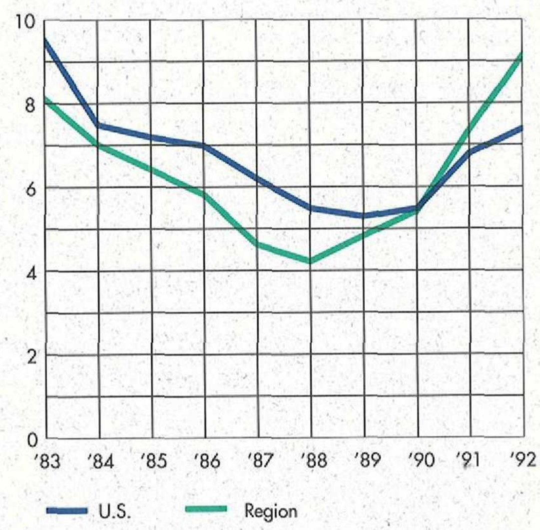
Sources: NY and NJ State Depts. of Labor

Number of Births
NY-NJ Metropolitan Region
1980-1992
(in thousands)



Sources: NY and NJ State Depts. of Health

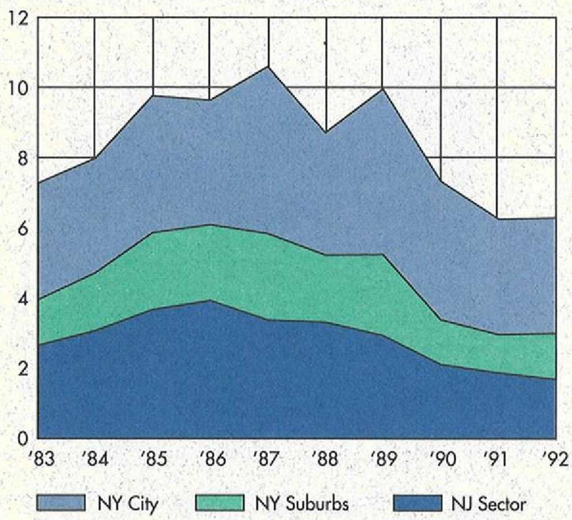
Unemployment Rates
U.S. and NY-NJ Region
1983-1992
(percent)



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
1983-1992
(billions of 1982 dollars)

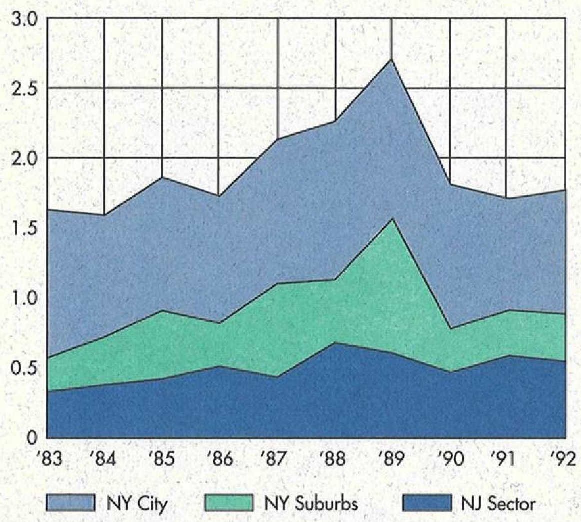


1991: Region = $6.151   1992: Region = $6.130

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
1983-1992
(billions of 1982 dollars)

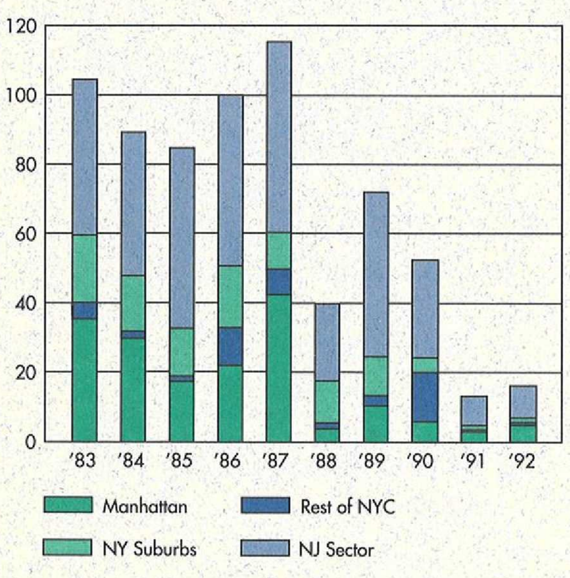


1991: Region = $1.772   1992: Region = $1.782

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
1983-1992
(index of square feet 1986 = 100)



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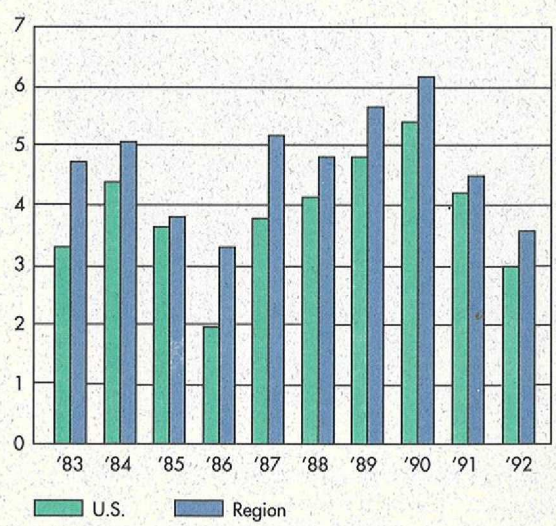
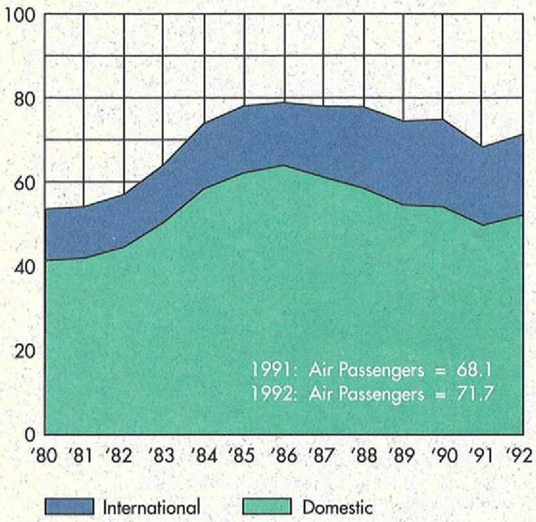
Percent Change in Consumer Price Index
U.S. and NY-NJ Metropolitan Region
1983-1992
(percent)



Source: U.S. Bureau of Labor Statistics

Regional Traffic Trends

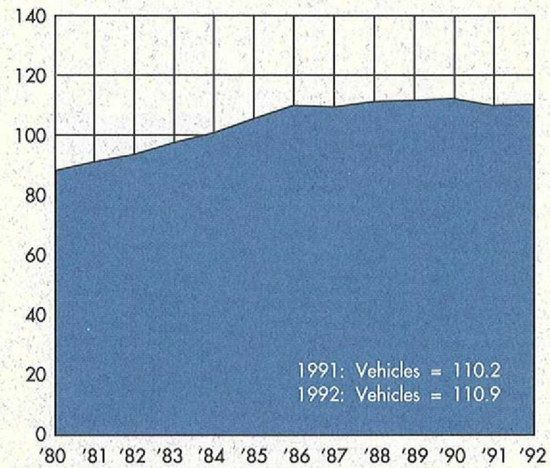
Domestic and International Air Passenger Traffic
NY-NJ Metropolitan Region
1980-1992
(millions)



Note: Data were revised to reflect reclassification of Puerto Rico from an international to a domestic market. Also, prior to 1988, Canadian and Mexican passengers were included in domestic traffic data.

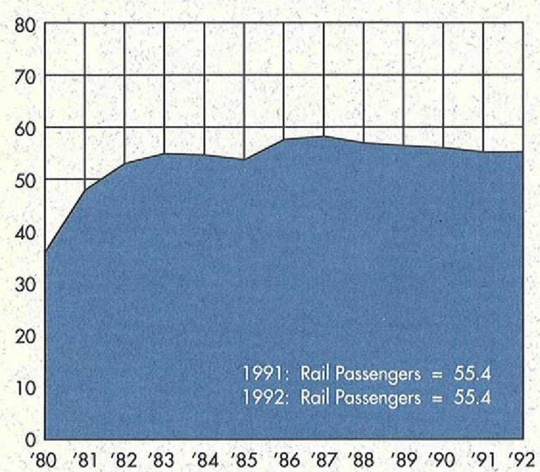
Source: The Port Authority of NY & NJ

Port Authority Tunnels and Bridges
Annual Eastbound Vehicular Traffic
1980-1992
(millions)



Source: The Port Authority of NY & NJ

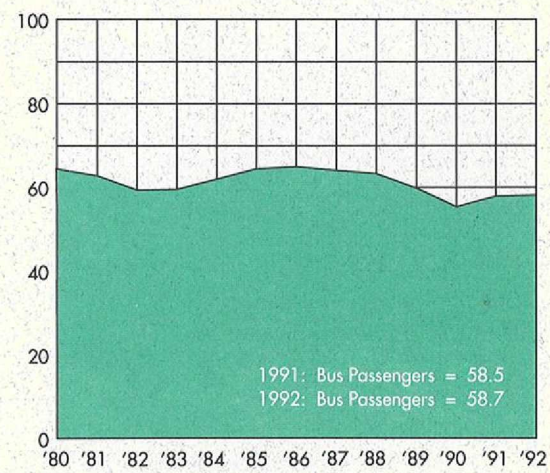
Port Authority Trans-Hudson
Rail Passenger Traffic
1980-1992
(millions)



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

Source: The Port Authority of NY & NJ

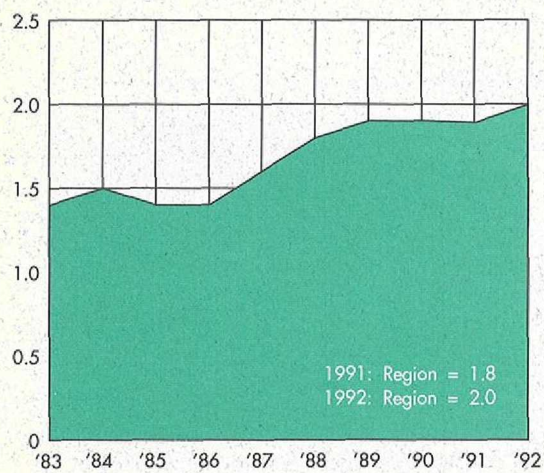
Bus Passenger Traffic
through Port Authority Terminals
1980-1992
(millions)



Note: Information excluded for the Journal Square Transportation Center

Source: The Port Authority of NY & NJ

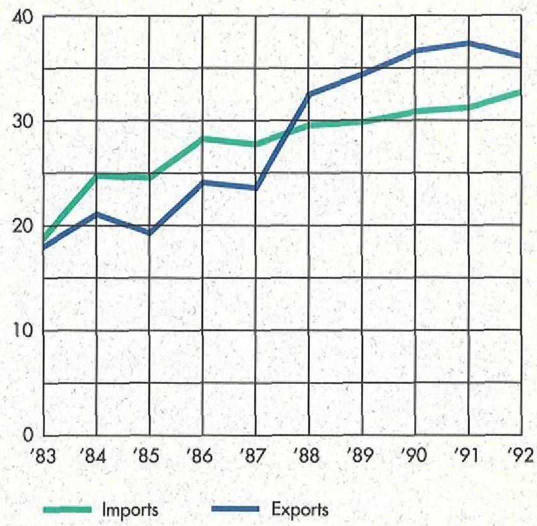
Air Cargo Traffic
NY-NJ Metropolitan Region
1983-1992
(millions of short tons)



Source: The Port Authority of NY & NJ

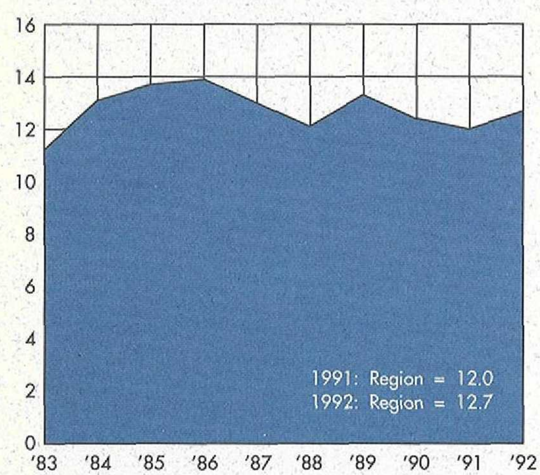
Value of the Port's Airborne Foreign Trade
1983-1992

(billions of dollars)



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

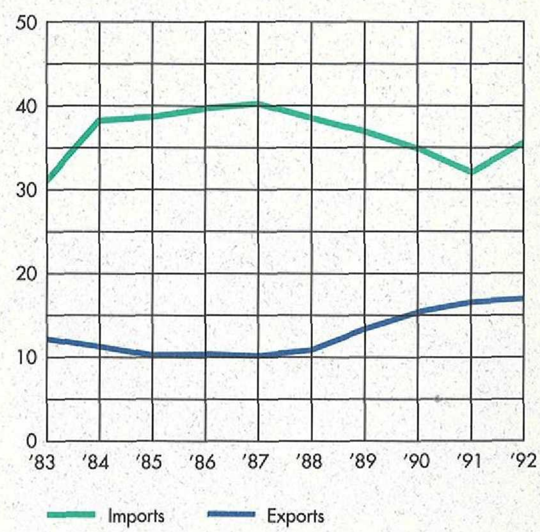
Oceanborne General Cargo
The Port of NY & NJ
1983-1992
(millions of long tons)



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

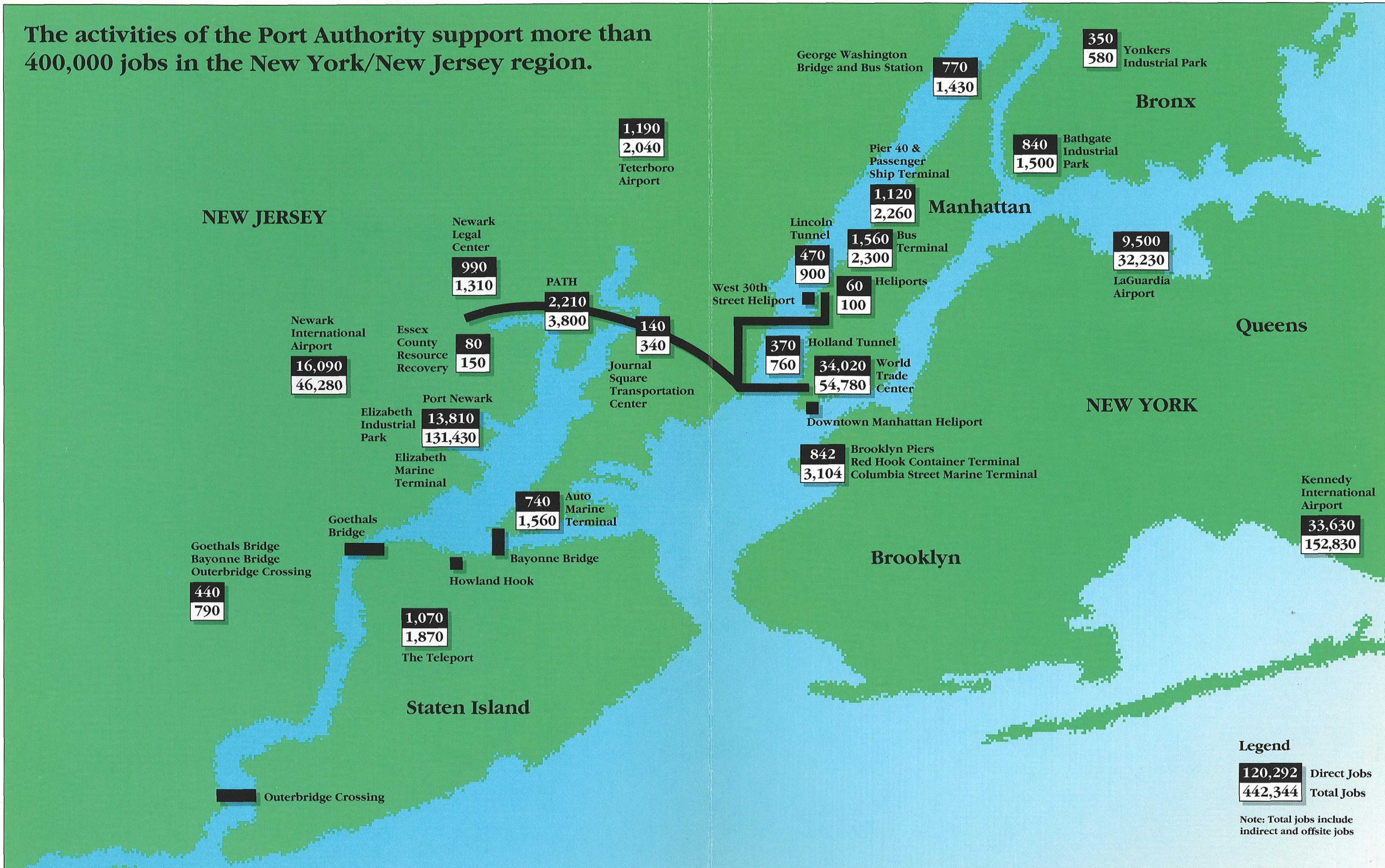
Value of the Port's Oceanborne Foreign Trade
1983-1992

(billions of dollars)



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

The activities of the Port Authority support more than 400,000 jobs in the New York/New Jersey region.



Port Authority Facilities and Business Programs

AVIATION DEPARTMENT

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

INTERSTATE TRANSPORTATION DEPARTMENT

- Bayonne Bridge
- George Washington Bridge and Bus Station
- Goethals Bridge
- Holland Tunnel
- Lincoln Tunnel
- Outerbridge Crossing
- Port Authority Bus Terminal
- Port Authority Trans-Hudson (PATH) System/ Journal Square Transportation Center
- Port Authority Bus Programs
- New York State Commuter Railroad Car Program
- Ferry Transportation

WORLD TRADE DEPARTMENT

- World Trade Center

OFFICE OF INTERNATIONAL BUSINESS

- World Trade Institute
- XPORT Trading Company
- Trade Development Offices:
  - London
  - Tokyo
- Reverse Investment

REGIONAL DEVELOPMENT DEPARTMENT

- Bathgate Industrial Park
- Industrial Park at Elizabeth
- Industrial Park at Yonkers
- Essex County Resource Recovery Facility
- New Jersey Waterfront Development
- Queens West Waterfront Development
- Newark Legal Center
- The Teleport

PORT DEPARTMENT

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

Sales Offices

- Chicago
- Cleveland
- Eastern United States
- Latin America

1992 Annual Report

Acting Director/Government and Community Affairs:
Angelo DiNome

Manager, Corporate Communications/Editor:
Carolyne Bowers

Editor for Finance:
Geraldine Zarrillo

Financial Section:
Charles McClafferty
Michael Fabiano

Contributing Editors:
Jacqueline D. Cancro
Peter Yerkes

Statistical Section:
Chief Economist:
Rosemary Scanlon

Gregory Phillips
Phil Wendrow

Cover Photograph:
Randolph R. Waterman

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Graphics Coordinator:
Joseph Cuciniello

Design:
Van Carney

Production Supervisor:
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Computer Page Composition:
Lucille Lacey
Pamela McGill

Computer Chart Production:
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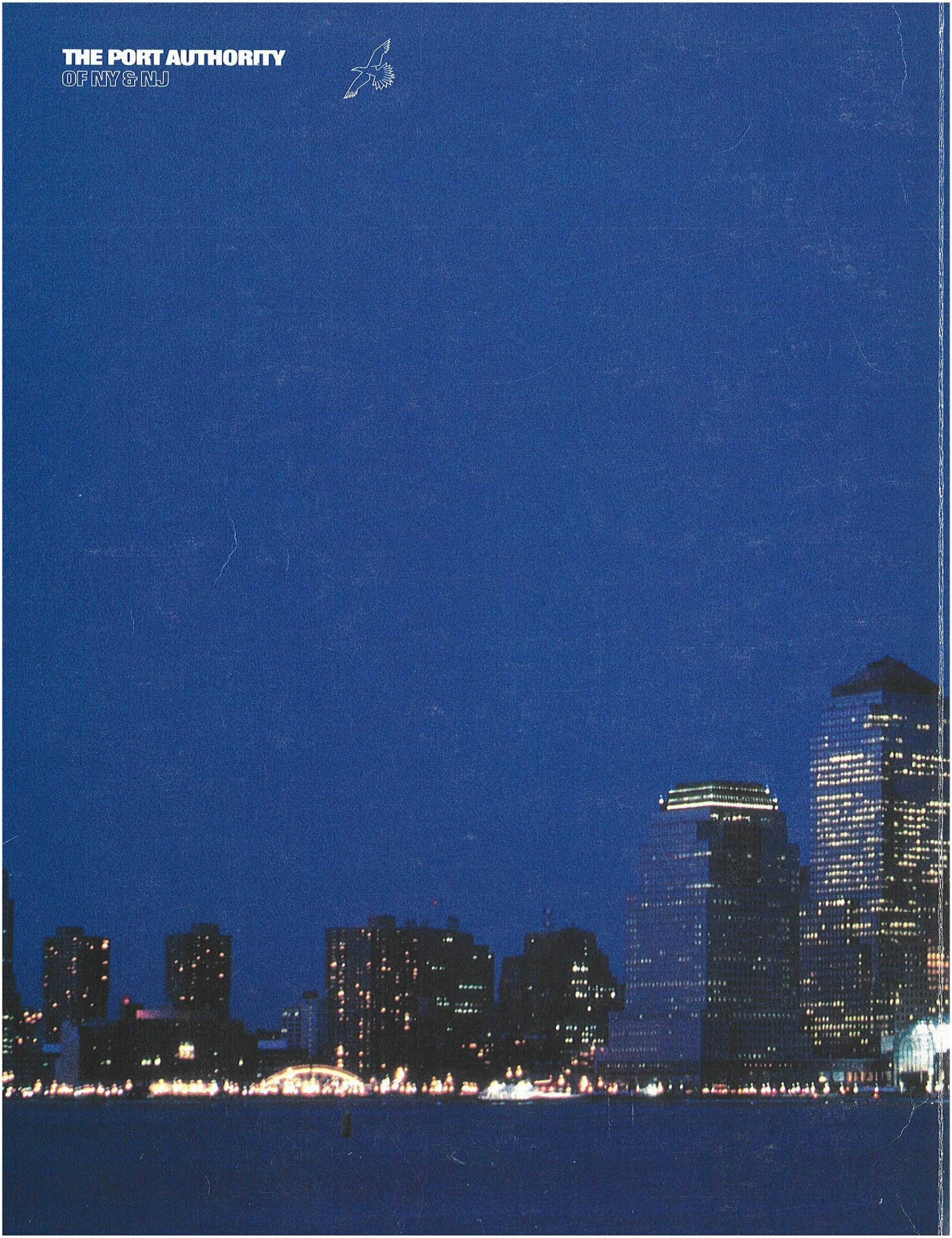
THE PORT AUTHORITY
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