The Port Authority of New York and New Jersey

Comprehensive Annual Financial Report for the Year Ended December 31, 1994

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About the Cover:

Illustration highlighting the World Trade Center and Lower Manhattan waterfront skyline is by Cindy Lee, a grand prize winner in the 1994 "Save Our Harbor" poster contest. Lee was an eighth grader at the East Brook Middle School in Paramus, NJ, at the time of the award.

The Port Newark-Elizabeth Marine Terminal

Honorable Christine Todd Whitman, Governor
State of New Jersey

Honorable George E. Pataki, Governor
State of New York

Dear Governors:

We are pleased to submit to you and to the legislatures of New Jersey and New York this 1994 Annual Report of The Port Authority of New York and New Jersey, pursuant to the bistate Port Compact of 1921.

In 1994, as regional economic growth lagged behind the national recovery, growth in Port Authority revenues slowed, increasing financial pressures on the agency. The Port Authority has responded by continuing efforts to make the agency leaner and more cost-effective, and also more accountable.

Over the past year, we have held the growth of base-line operations and maintenance expenses below the rate of inflation for the fourth consecutive year. We have reduced the number of Port Authority personnel by nearly 1,000 since 1988, cutting the administrative ranks by 20 percent over that period. These and other recurring productivity improvements and cost control measures implemented since 1989 yielded savings worth $175 million in 1994, a value we expect to reach $220 million with additional actions to be taken in 1995. As a result, we ended 1994 financially sound, while maintaining service quality and sustaining our investment in the regional transportation network.

Despite the difficult fiscal climate in 1994, the Port Authority continued its ambitious $4 billion multi-year capital program to enhance transportation, trade and economic development throughout the region. The opening of a new air traffic control tower at John F. Kennedy International Airport was an important part of our continuing effort to improve safety and service at our three major metropolitan airports. Use of ExpressRail service at the Elizabeth-Port Authority Marine Terminal has increased intermodal and rail activity through the Port of New York and New Jersey. Customer satisfaction at the Port Authority Bus Terminal has continued to rise as a result of a series of service improvements. Planned renovations at the World Trade Center also continued. At our industrial parks, tenants continued to expand, adding jobs for the region's residents.

As we adapt to a changing environment, the Port Authority will continue to look for new ways to meet the transportation, trade and economic development challenges of the bistate region. Your guidance will continue to be vital to us as we explore a wide range of strategies to improve the level of service we offer and the efficiency of our operations.

Working with our new Executive Director, George Marlin, and our top-notch staff, we look forward to continuing the Port Authority's tradition of fine service to the region. Both former Chairman Richard C. Leone and former Executive Director Stanley Brezenoff upheld that tradition while steering our agency through some of its most difficult times.

The Port Authority recognizes the importance of the continued support of the Governors of New Jersey and New York, as well as that of the region's governmental and community leaders, without which many of the accomplishments outlined in this Annual Report would not have been possible.

On behalf of the Board of Commissioners and our employees, thank you.

Very truly yours,

Kathleen A. Donovan
Chairperson

Vincent Tese
Vice Chairman

April 6, 1995

Board of Commissioners

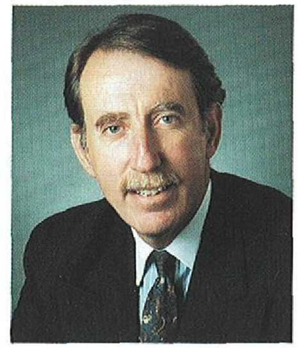
Origins of the Port Authority

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.

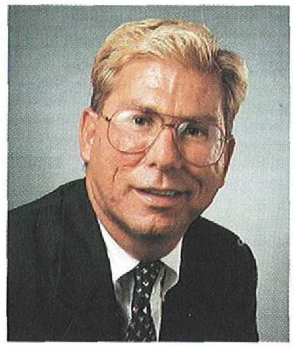
The new agency's area of jurisdiction was called the "Port District," a 17-county bistate region generally within a 25-mile radius of the Statue of Liberty.

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.

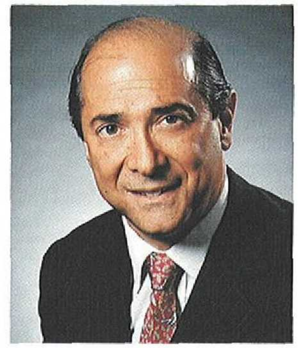
Kathleen A. Donovan
County Clerk
Bergen County, New Jersey



Vincent Tese
Director
The Bear Stearns Companies, Inc.



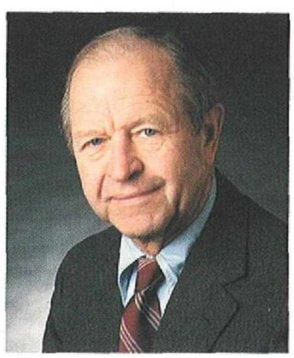
Tonio Burgos
President
Tonio Burgos & Assocs., Inc.



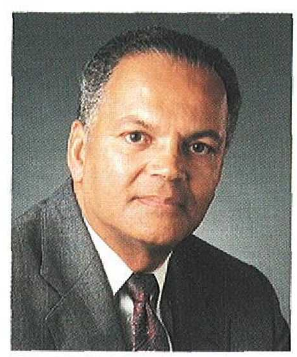
Lewis M. Eisenberg
Co-Chairman
Granite Capital International Group

Hazel Frank Gluck
President
Public Policy Advisors, Inc.

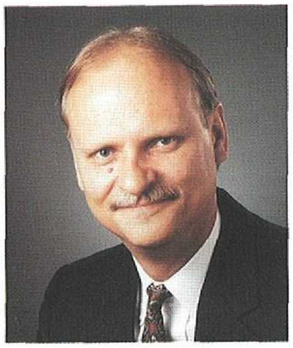
Arthur M. Goldberg
Chairman and Chief Executive Officer
Bally Manufacturing Corporation



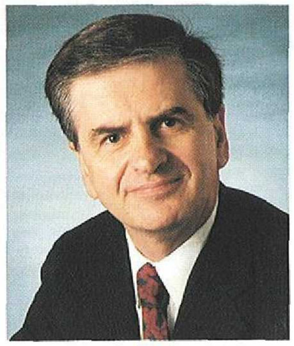
James G. Hellmuth
Consultant



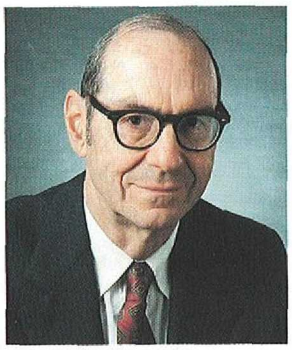
Henry F. Henderson, Jr.
President
H. F. Henderson Industries



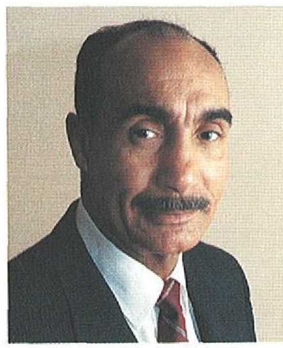
Robert C. Janiszewski
County Executive
Hudson County, New Jersey



Richard C. Leone
President
The Twentieth Century Fund



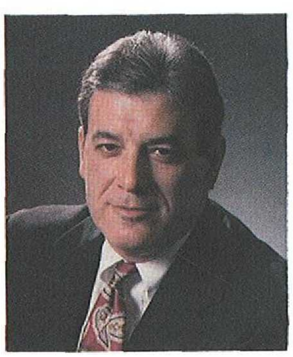
George D. O'Neill
President
Meriwether Capital Corporation



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

Alan G. Philibosian
Partner
Profita and Philibosian

Melvin L. Schweitzer
Partner
Rogers & Wells



Frank J. Wilson
Commissioner
Department of Transportation
of the State of New Jersey

George J. Marlin
Executive Director

Governance of the Port Authority

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

The twelve Commissioners serve as public officials without remuneration.

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

The Board of Commissioners appoints an Executive Director to effect its policies. The Executive Director manages day-to-day operations through the Aviation, Port, Interstate Transportation, World Trade, and Regional Development line departments as well as staff departments such as Engineering and Public Safety.

Board of Commissioners

Kathleen A. Donovan, Chairperson [1]
Vincent Tese, Vice Chairman
Tonio Burgos
Lewis M. Eisenberg [2]
Hazel Frank Gluck [2]
Arthur M. Goldberg [3]
James G. Hellmuth
Henry F. Henderson, Jr.
Robert C. Janiszewski
Richard C. Leone [1]
George D. O'Neill
Basil A. Paterson
Alan G. Philibosian [3]
Melvin L. Schweitzer
Frank J. Wilson [4]

1 *Commissioner Donovan, a member of the Board since February 16, 1994, was elected Chairperson on April 14, 1994, replacing Richard C. Leone, who had been at the Board's helm since April 12, 1990.*

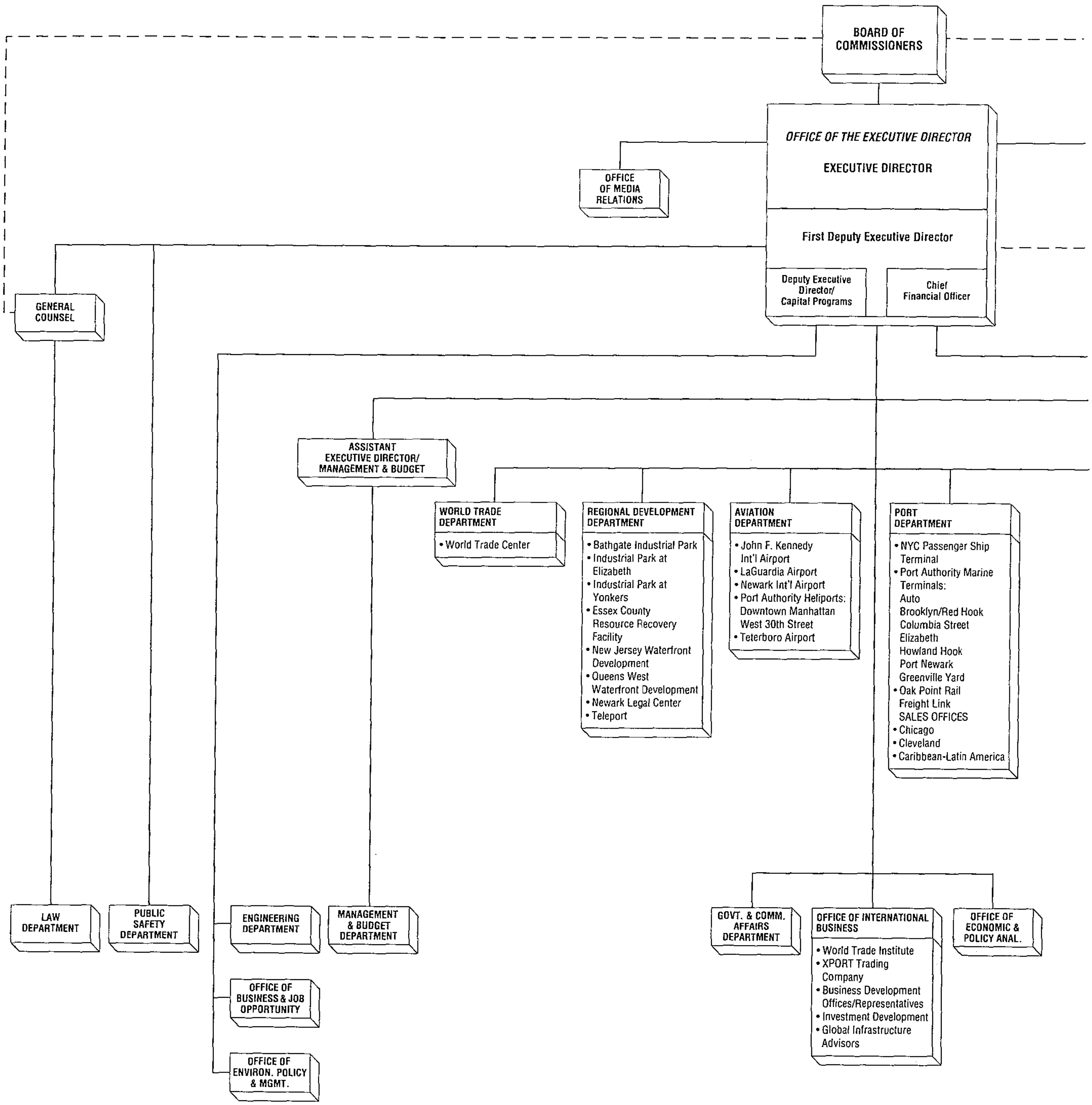
2 *Commissioner Eisenberg joined the Board on February 4, 1994, succeeding Commissioner Gluck.*

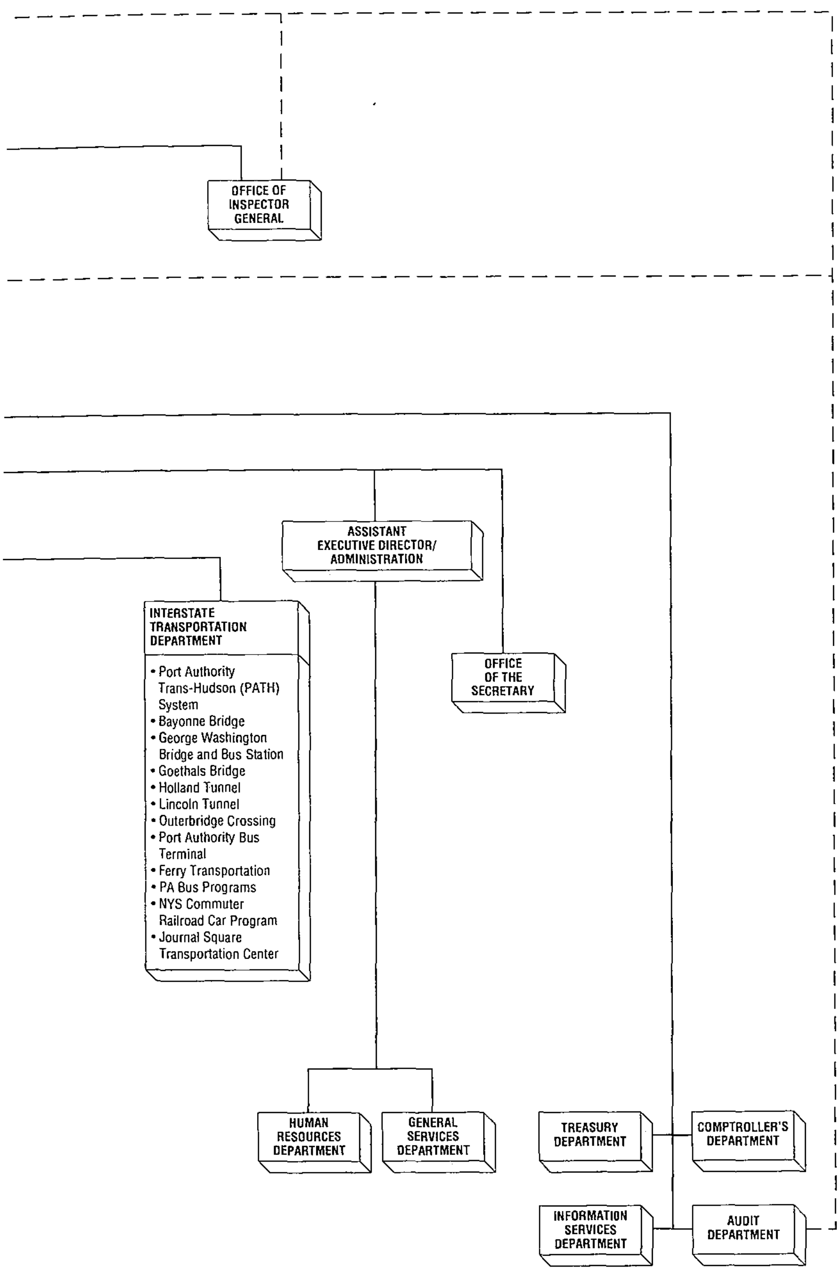
3 *Commissioner Philibosian joined the Board on January 13, 1995, succeeding Commissioner Goldberg, who resigned from the Board on May 31, 1994.*

4 *Commissioner Wilson joined the Board on April 12, 1994.*

THE PORT AUTHORITY OF NY & NJ

Organization Chart





Current Officers and Directors

George J. Marlin, *Executive Director* [1]

Anthony E. Shorris, *First Deputy Executive Director* [2]

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

Barry Weintrob, *Chief Financial Officer*

Katy MacKay, *Assistant Executive Director/Administration*

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

Jeffrey S. Green, *General Counsel*

Karen Antion, *Information Services*

A. Paul Blanco, *Regional Development*

Marcia Bystryn, *Office of Environmental Policy & Management* [3]

Rebecca Doggett, *Office of Business & Job Opportunity*

Eugene J. Fasullo, *Engineering and Chief Engineer*

John E. Haupert, *Treasurer*

Alice Herman, *General Services* [4]

Albert Jackson, *Office of Inspector General*

Richard R. Kelly, *Interstate Transportation*

Charles Knox, *Public Safety*

Louis J. LaCapra, *Human Resources*

Lillian C. Liburdi, *Port*

Charles Maikish, *World Trade*

Raymond Mannion, *Comptroller*

Mark Marchese, *Office of Media Relations*

Charles McClafferty, *Audit* [5]

David Z. Plavin, *Aviation*

Richard W. Roper, *Office of Economic & Policy Analysis*

Lawrence G. Rosenshein, *Office of International Business*

Cruz Russell, *Secretary* [6]

Kathy A. Stanwick, *Government & Community Affairs*

1 *Stanley Brezenoff resigned February 3, 1995; George J. Marlin appointed February 27, 1995*

2 *Anthony E. Shorris resigned March 17, 1995*

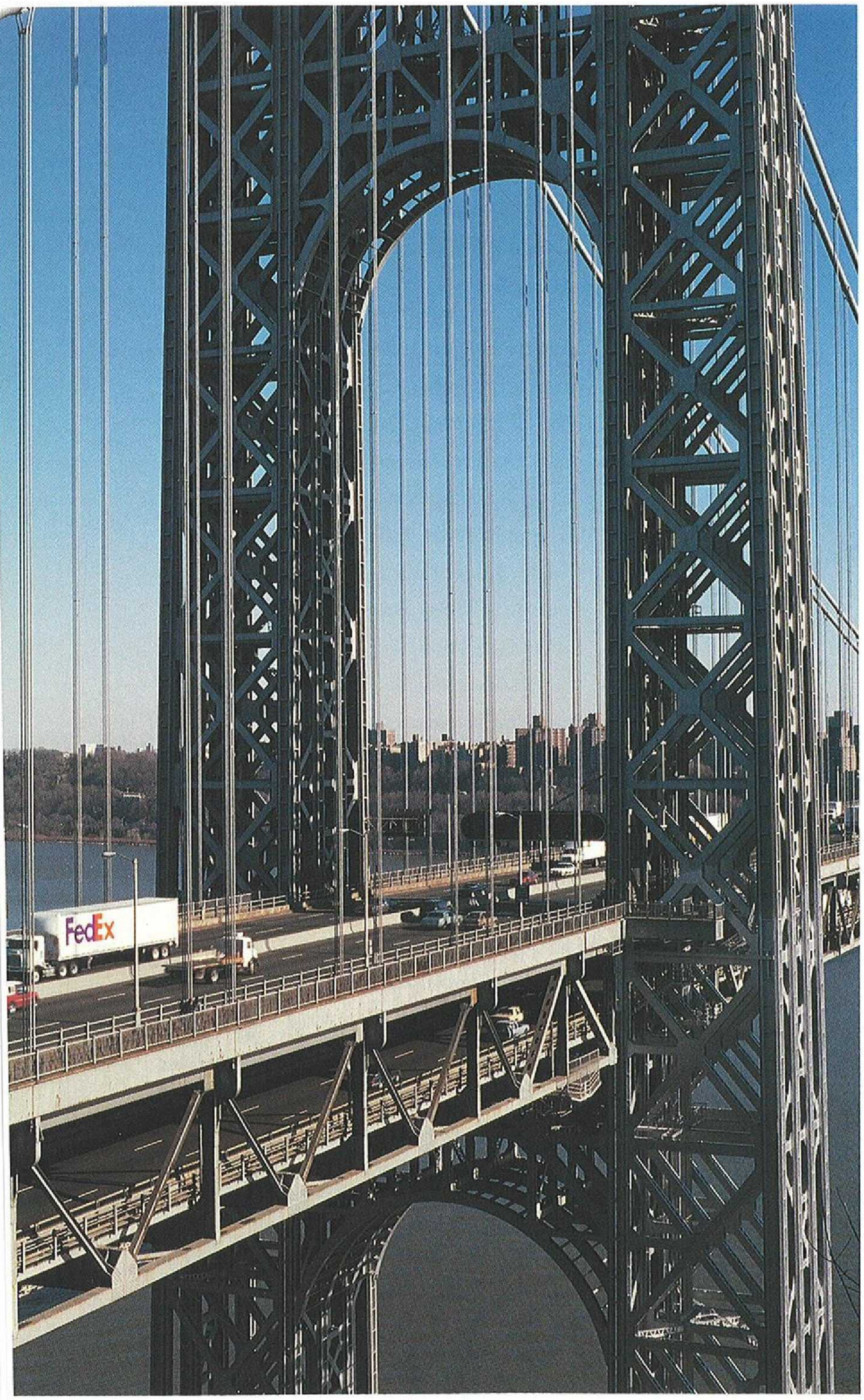
3 *Carol Ash resigned September 1, 1994; Marcia Bystryn appointed November 21, 1994*

4 *Gene Gill retired January 14, 1995; Alice Herman appointed January 3, 1995*

5 *Donald R. Lee retired April 16, 1994; Charles McClafferty appointed April 18, 1994*

6 *Cruz Russell appointed Acting Secretary January 3, 1995*

1994 Overview



The George Washington Bridge

This is my first opportunity as Executive Director to report on the accomplishments of The Port Authority of New York and New Jersey for 1994, a year during which the agency was under the direction of my predecessor, Stanley Brezenoff.

I am pleased to note that 1994 was another proud year in this agency's history, a year in which the staff once again improved the efficiency of our operations while enhancing the quality of the services provided to the people of this region.

Stan Brezenoff's departure after four years marked the end of a period that included great tragedy, as well as extraordinary accomplishment for the agency. His leadership was an essential component of the Port Authority's remarkable recovery from the World Trade Center bombing of February 1993. For this, as well as his commitment to customer service, operational productivity and public service, all of us — his successor most of all — owe him our gratitude and respect.

Under the direction of Chairperson Kathleen A. Donovan and the members of the Board of Commissioners, I am committed to the task of advancing the mission of the Port Authority and, with the help of the agency's superb staff of professionals, building on the foundations laid by my predecessors.

In 1994, the Port Authority continued a strong tradition of investing in the agency's New York and New Jersey facilities and services, improving the regional transportation network and controlling expenditures and costs.

Cost Controls

Port Authority gross operating revenues for the year totaled nearly $2 billion, up almost $60 million from 1993. Total operating expenses of $1.4 billion rose by $68 million. Severe winter weather in the early part of the year affected revenues, particularly at the tunnels and bridges. The agency was able to stem losses through restrictions in staff overtime, travel, consultants, marketing, advertising, temporary staffing and purchases of equipment, materials and supplies.

The agency was also able to keep costs in line through an ongoing program to reduce headcount by an average of 1 percent a year through attrition and retirements. These efforts brought the year-end 1994 staff level down to 9,066. With the planned 1995 reductions, the agency will have eliminated 1,000 positions since 1988 — about 10 percent of the workforce — for a total headcount of under 9,000, the lowest level since 1986.

Other efforts include streamlined processes and procedures and improved management systems, particularly those focusing on our ability to manage and control the $4 billion in capital spending planned over the next five years. Additionally, a rigorous value planning and engineering program continued to use outside expert review to reduce costs and risks and increase the effectiveness of the delivery of all major capital projects. Projects valued at $1.8 billion were reviewed and significant savings were identified. In another advance, the Port Authority implemented an upgraded capital plan tracking system, which improves staff's ability to monitor and report on the success and progress of major capital projects.

A number of ideas to improve facility and office operations were also analyzed during the year as part of the Port Authority's employee suggestion program, Creative Concepts. Suggestions accepted in 1994 will generate first year savings in excess of $500,000, more than triple the value of 1993 concepts.

The Port Authority further reduced costs by continuing to take advantage of the relatively low interest rate environment to refinance about $186 million in outstanding debt, generating approximately $50 million in present value savings. The impact of recurring productivity improvements and cost control measures implemented since 1989 represents savings valued at $175 million in 1994. Most important, they enabled the bistate agency to close, through 1995, a net revenue gap of more than $100 million without increases in tolls or fares and to move forward with a range of business activities and capital improvements. The agency's initiatives focused on two key needs: improving regional mobility and promoting trade and economic development. The pages which follow describe how the Port Authority advanced these goals through *Investments*, *Partnerships* and our commitment to *The Region* and its *People* — the four principal themes of this 1994 Annual Report.

Testing began in November on the new two-mile-long passenger monorail system under construction at Newark International Airport.

The Essex County Resource Recovery Facility (top) and the Hoboken-Lower Manhattan ferry service are successful cooperative ventures between the Port Authority and private operators.

Investments and Partnerships

The Port Authority's multibillion dollar capital plan of infrastructure modernization and renewal is our primary vehicle of public investment. In 1994, we spent $687 million and began new contracts worth close to $400 million.

Projects ranged from construction progress on a new $117 million international passenger facility expansion at Newark International Airport to major ramp and roadway rebuilding at the George Washington Bridge. The agency also continued planning for a capacity expansion project at the Goethals Bridge, which connects Staten Island, NY, and Elizabeth, NJ.

A critical seven-year harbor dredging project neared completion, strengthening the New York-New Jersey port's competitive position by deepening channels to accommodate the large new containerships. The Port Authority also continued to work with elected officials, government agencies, the public, environmentalists and the business community to secure an agreement on the disposal of dredged material in an environmentally sensitive manner.

Capital spending in 1994 also included $68 million for transportation and economic development projects requested by each Governor through the Regional Development Facility and the Regional Economic Development Program.

Many construction projects at Port Authority facilities as well as initiatives in other business areas were planned or carried out with our partners in the private sector, state and local governments and community organizations.

Public-private partnerships are not new to agency efforts to ensure the most efficient and cost-effective delivery of services. The Essex County Resource Recovery Facility is an example.

Opened in 1990 and operated by American Ref-Fuel, the waste-to-energy facility is a financial success through disposal fees and the processing of electricity. The Essex County Resource Recovery Facility is an environmental success by helping meet the region's solid waste disposal needs.

Another successful cooperative venture is the Hoboken-Lower Manhattan ferry, operated by New York Waterway under an agreement with the Port Authority. Launched in 1989 to supplement capacity on the PATH rail transit system's World Trade Center line, the high-speed ferry service's passenger volume grew from an average 2,700 riders a day in the first two months to more than 5,000 a day by the end of its first year. Total passenger volume on the Hoboken-Lower Manhattan ferry has increased each year since, reaching 2.4 million in 1994.

Such partnerships will help the Port Authority address new needs in the future, and we will continue to give them careful consideration to ensure that regional goals and the public good are mutually served.

The Region and Its People

Our commitment to the region in 1994 was also manifest in projects and programs to help retain and create jobs at various facilities such as our industrial parks. For example, Clay Park Labs, the biggest tenant at the Bathgate Industrial Park in the Bronx, announced plans for a major expansion that will add 200 more employees. Throughout the bistate region, activities of the Port Authority support more than 400,000 direct and indirect jobs.

Increased contract awards to businesses owned by women and minorities and other small business enterprises; a range of international business initiatives to attract foreign trade and investments; and a commitment to environmental improvements were among other efforts devoted to regional growth and prosperity in 1994. As part of environmental efforts, the Port Authority launched a multi-year plan to conduct environmental audits of our facilities to ensure that they are operated in the most environmentally sound manner.

Central to the Port Authority's mission is our mandate to serve the people of the region. The agency does this by operating facilities critical to the region's economy and delivering high-quality customer service. Our service commitment is reflected in more cost-effective operations, new and improved facilities and special customer programs such as courtesy training initiatives for toll collectors at our interstate crossings and for front-line workers at our airports.

High customer approval ratings have also resulted from anti-hustler enforcement at the airports and programs to reduce the number of homeless people at the midtown Bus Terminal, World Trade Center, PATH stations and airports.

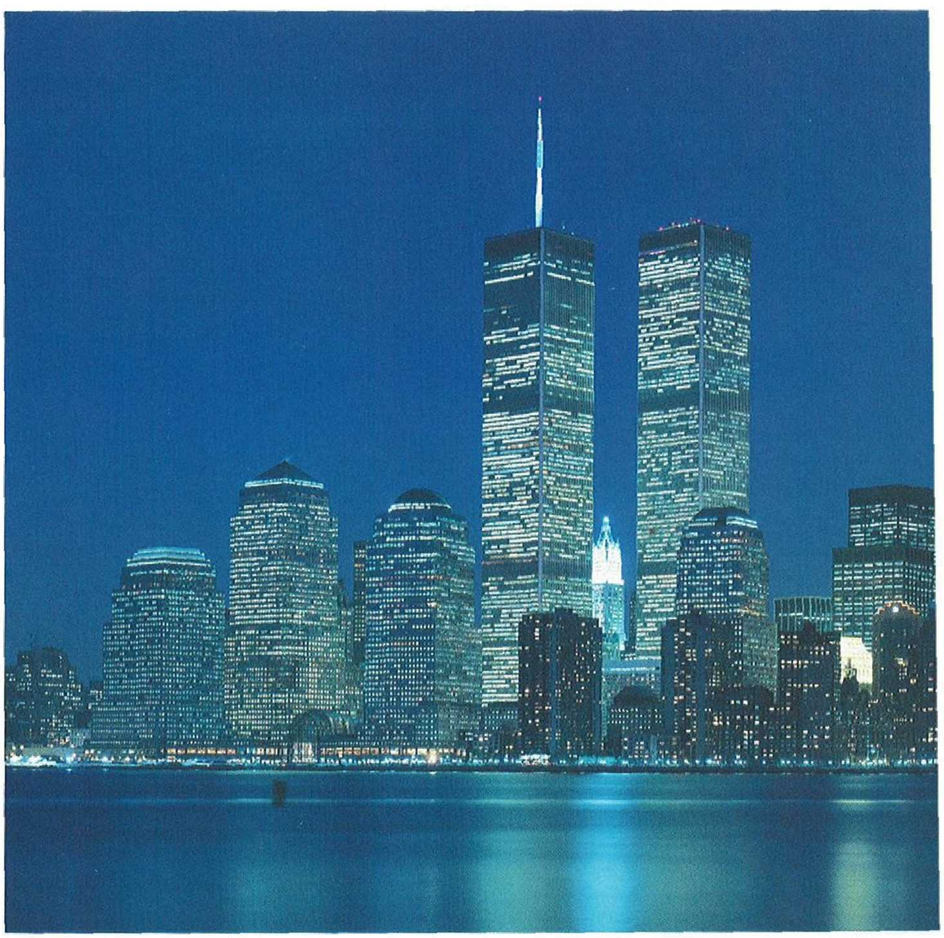
The Port Authority also serves the people of the region through a range of community outreach initiatives such as educational projects at schools in both states and special events at the World Trade Center.

Agenda for the Future

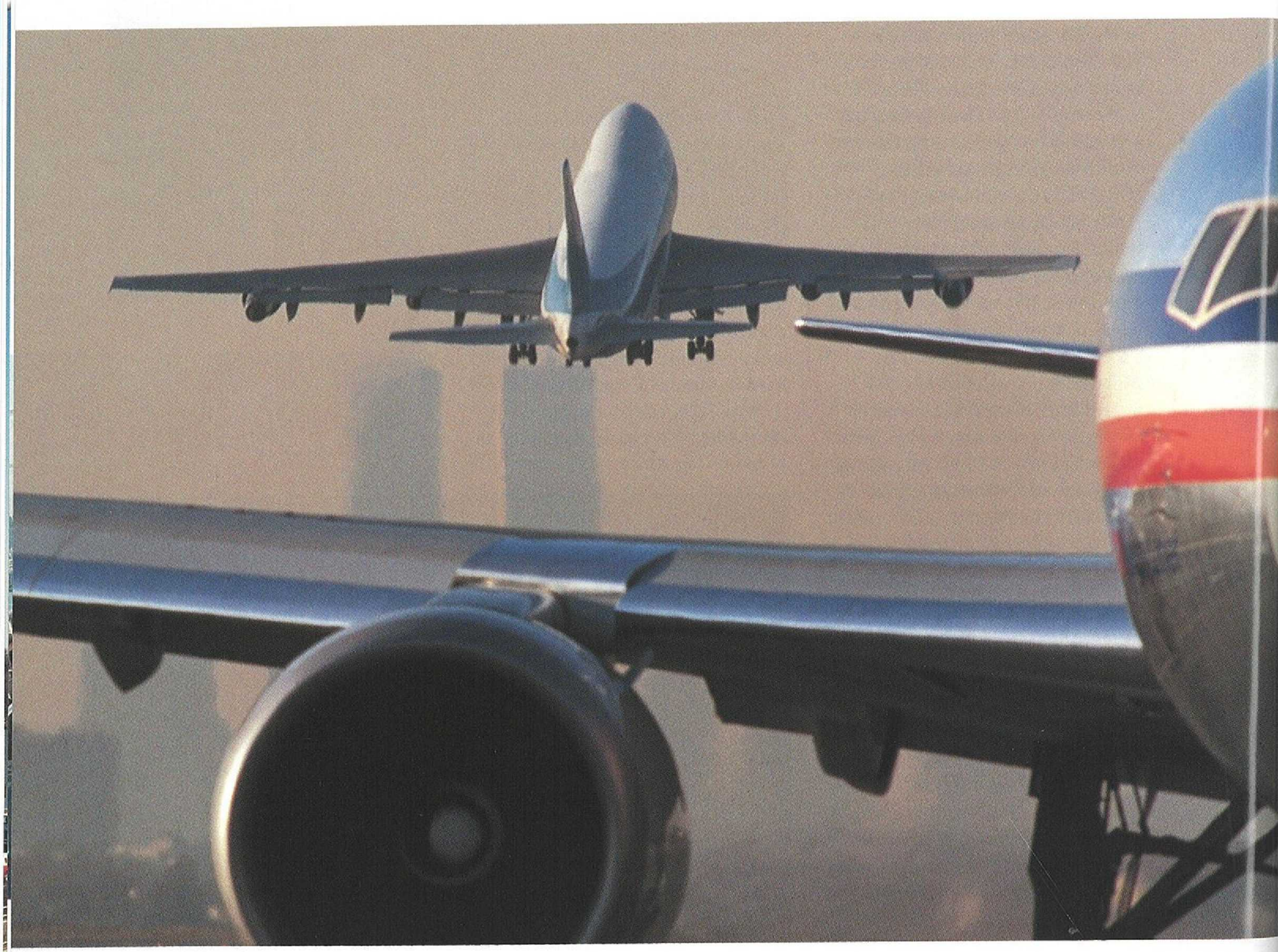
All Port Authority efforts in 1994 were realized through the hard work and diverse talents of a dedicated career staff. Achievements also would have been impossible without the support of the Governors of New York and New Jersey and the Port Authority Board of Commissioners. In assuming the leadership of this agency, I look forward to their continued cooperation to help meet the challenges we face now and in the years ahead, from continued financial pressures to growing national and global competition in key markets.

Our future also promises many opportunities that will enable us to continue to serve the New York-New Jersey region's transportation, trade and economic development needs creatively, progressively and successfully. Our goal today, and as we look to the future, is to do what we do best even better.

George J. Marlin
Executive Director



Investments



John F. Kennedy International Airport

Meeting the transportation and trade needs of today while building for tomorrow is a major goal of the Port Authority. The challenge is ongoing and, at times, formidable. It is also familiar to an agency whose history is marked by pioneering, innovation and accomplishment.

The Port Authority's principal tool for shaping the future is public investment in our regional infrastructure. A multibillion dollar capital redevelopment program launched in 1987 is updated annually with a new five-year plan, reflecting the completion of some projects, progress on others and the addition of new ones to meet the changing needs of the agency and the region. This capital investment — totaling

$687 million in 1994 — creates jobs, stimulates the regional economy and continues our program of improving services to the hundreds of thousands of people who rely on our facilities and services each day.

Preparing for the Future

John F. Kennedy International, Newark International and LaGuardia airports accounted for $349 million in capital spending to meet the air travel demands in the century ahead.

In 1994, volume at the three airports totaled nearly 78 million passengers, up 7 percent from 1993. Air cargo, valued at about $125 billion, totaled 2.4 million tons, up just over 11 percent from the previous year.

Kennedy handled close to 29 million passengers, including about 16 million international travelers. Some 40 percent of these passengers used the airport's International Arrivals Building (IAB), built in the 1950s and operating for years at levels far beyond its design capacity. In 1994, a plan to completely rebuild the IAB over the next five years began to take shape as planning and design got under way.

The bulk of construction work at Kennedy during the year involved private investment by tenant airlines and business partners. Nippon Cargo Airlines, for example, completed a new $40 million cargo facility in October.

Public-private aviation redevelopment projects and cooperative ventures in other Port Authority business and service areas are highlighted in the *Partnerships* section of this Annual Report.

Among Port Authority construction projects, all foundation and structural steel work was completed for Newark International Airport's new international facility at Terminal B. Scheduled to begin serving passengers in the fall of 1995, it is being built to better accommodate the airport's continued fast-paced growth in overseas traffic — up 6 percent in 1994 to 3.6 million passengers. Total volume at Newark was 28 million passengers.

International and domestic travelers alike will welcome the convenience of an automated passenger monorail system, scheduled to begin operation at Newark in the fall of 1995.

The $350 million monorail system will connect the airport's three main passenger terminals, on-airport car rental facilities and two long-term parking lots.

At LaGuardia, construction progressed on a new runway safety overrun. When completed in 1996, the overrun will be 460 feet long and 740 feet wide.

Major roadway improvements advanced at all three airports. The Port Authority also continued efforts to provide the traveling public with access to the airports via dependable rail transit networks.

Some of the most visible elements of the Port Authority's capital investment in 1994 can also be seen at the World Trade Center, including a major new pedestrian and retail corridor.

New Jersey Governor Christine Todd Whitman (center) helps dedicate a new multi-tenant cargo facility built by the Port Authority at Newark International Airport. Joining her are (left to right) Morris County, NJ, Assemblyman Alex DeCroce; Port Authority Chairperson Kathleen A. Donovan; former Port Authority Executive Director Stanley Brezenoff; and Middlesex County, NJ, Assemblyman Ernest L. Oros.

The World Trade Center

World Trade capital spending totaled $91 million in 1994. At the World Trade Center, a major new pedestrian and retail corridor in The Mall greatly improved pedestrian circulation and created additional retail space for several new stores.

The components and scope of the World Trade Center's capital program were re-evaluated following the bombing of February 1993. While the commitment to upgrade base building systems such as electrical, heating, ventilation and air conditioning, and elevators remains strong, special focus has been placed on more permanent security measures and on development of the complex's public spaces.

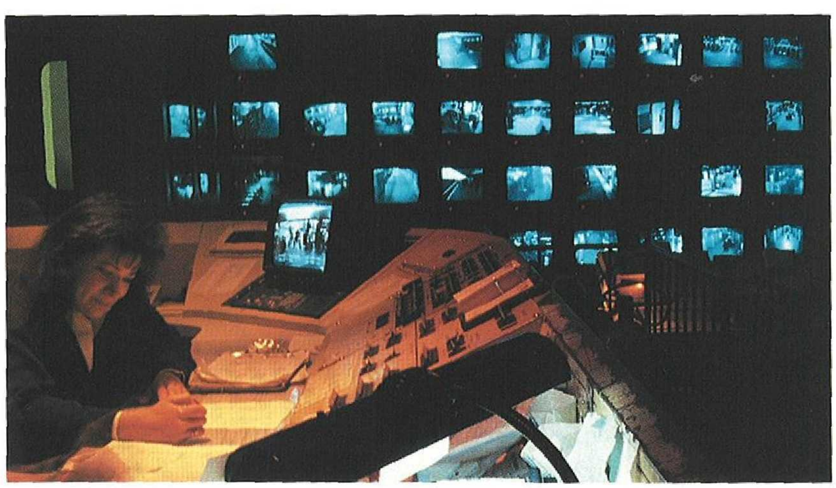
A Region on the Move

A major portion of Port Authority capital spending in 1994 involved projects to improve the mobility of people and goods on our interstate transportation network of tunnels and bridges, rail transit system, bus terminal and bus station.

Interstate transportation capital projects totaled $126 million and were carried out with minimal service disruptions. Rehabilitation of the Lincoln Tunnel's South Tube, for example, was done mostly at night and progressed steadily towards a 1995 completion date. A $53 million overhaul of the Center Tube was approved in July.

Other interstate transportation improvements included major progress on the installation of new traffic signal structures, roadway lighting and signage to improve traffic flow into and out of the Holland Tunnel and on local Jersey City streets. Opened in 1927, the Holland Tunnel was the Hudson River's first underwater vehicular crossing and the world's first mechanically ventilated tunnel. In 1994, the U.S. Department of the Interior declared the Holland Tunnel a National Historic Landmark.

Staff at PATH's Operations Control Center at the Journal Square Transportation Center in Jersey City monitor around-the-clock activity throughout the system.



A new $4.5 million entrance at PATH's Exchange Place station in Jersey City was completed, providing added convenience for many of the thousands of daily customers, as well as elevator access for customers who have difficulty using the station's stairs and escalators.

For meeting the Americans with Disabilities Act's accessibility requirements at key stations, PATH received an "Award of Excellence" from the Public Transportation Innovation Journal.

Ongoing rehabilitation to safeguard the structural integrity of the upper and lower levels of the George Washington Bridge's Henry Hudson Parkway approach ramps continued during the year.

Overall traffic volume on the network's tunnels and bridges was down just under 1 percent from 1993, primarily because of severe winter weather early in 1994. Traffic completely rebounded in the second half of the year.

PATH's total traffic was up 5 percent, averaging almost 207,000 passengers per weekday. On weekends, PATH's growth was up more than 10 percent, reflecting the expanding markets at New Jersey waterfront stations.

Maintaining Port Competitiveness

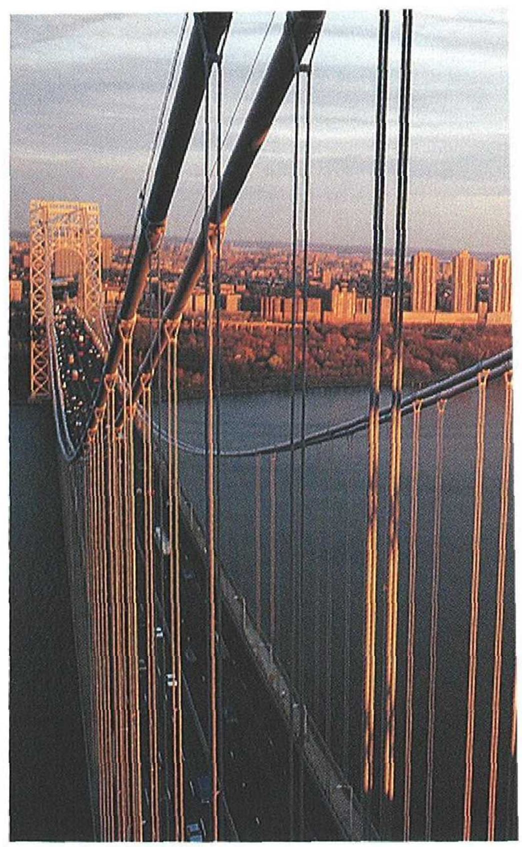
The Port of New York and New Jersey is the busiest on the East Coast. Each year more than 4,000 ships representing nearly 100 steamship lines from around the world call here. For the regional economy that translates into nearly $21 billion in economic activity.

In 1994, our port registered the strongest gains in general cargo and bulk volume in half a decade. Total oceanborne cargo handled at the port was about 47 million long tons, up nearly 15 percent from 1993. General cargo imports rose by 8 percent, while general cargo exports were up close to 5 percent. In intermodal cargo business, the interim ExpressRail on-dock, ship-to-rail facility handled more than 72,000 containers, compared with about 56,000 in 1993. A permanent $12.5 million ExpressRail facility, slated for construction in 1995, is expected to significantly increase capacity.

Port capital spending totaled $46 million. Deepening the harbor to keep our seaport competitive with our rival ports continued as the primary project.

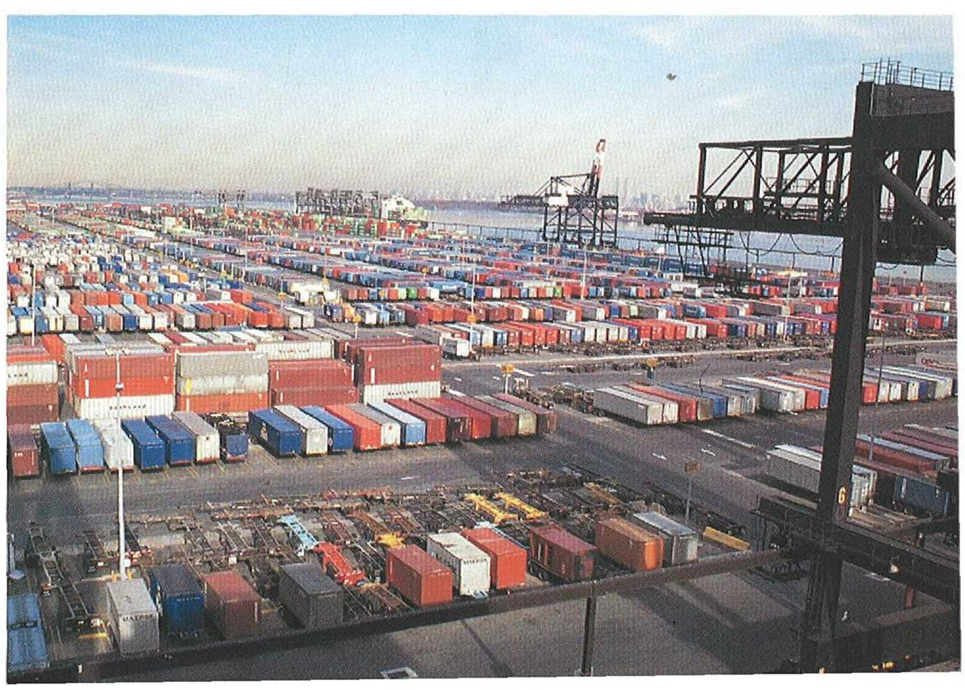
By year's end, most of the work required in a seven-year project to deepen the Kill Van Kull and Newark Bay channels from 35 to 40 feet by the U.S. Army Corps of Engineers had been completed. The Port Authority also completed the first dredging of the Brooklyn waterfront in five years. This included maintenance dredging of the berths at the Brooklyn piers and the Red Hook Container Terminal.

Considerable efforts were made in 1994 to resolve both environmental and regulatory issues related to the disposal of dredged material. The Port Authority continued to work cooperatively with a range of agencies, groups and associations concerned with the future of our port.



Improving the mobility of people and goods on the interstate transportation network is a major goal of the Port Authority's capital investment program.

The New York-New Jersey port registered strong gains in general cargo in 1994.



Partnerships

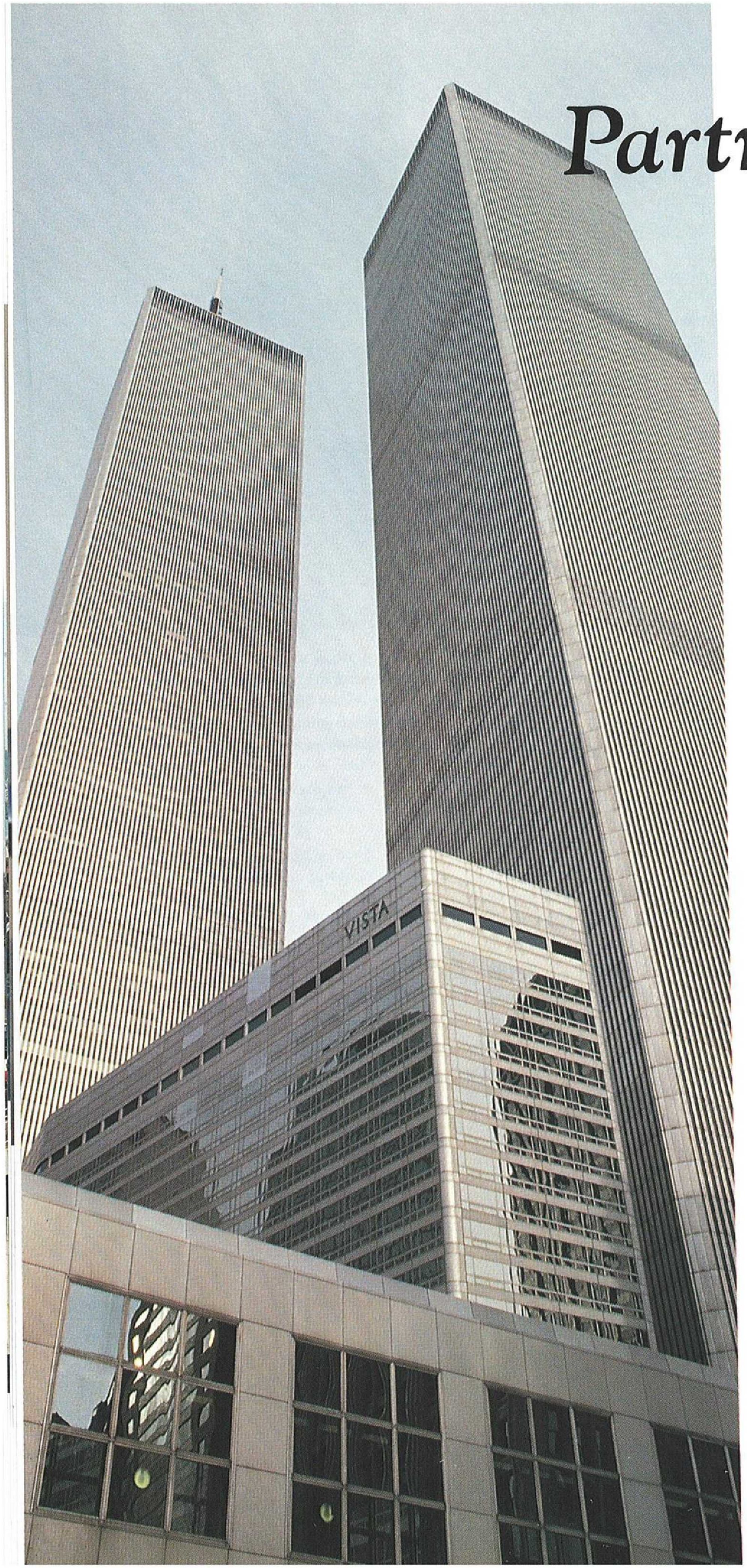
The Port Authority was established on April 30, 1921, as a cooperative venture between New York and New Jersey. Ever since then, partnerships have remained central to the agency's way of doing business in the public interest.

In 1994, a number of initiatives were launched or completed that reflect the agency's continuing commitment to private sector participation in delivering services as efficiently as possible.

At the World Trade Center, a number of privately operated dining and retail establishments opened during the year. New stores include The Limited, Express and Structure clothing establishments; Sunglass Hut International; Speedo Athletic Fitness; and Bath and Body Works and Crabtree and Evelyn fragrance shops. Restaurants, coffee bars and more shops — including a Warner Brothers Studio Store — are scheduled to open in 1995.

The World Trade Center's Mall is the most convenient enclosed shopping center in Lower Manhattan and one of the largest. To ensure that the full potential of the retail environment is achieved, the Port Authority announced plans in 1994 to privatize The Mall's operation. Future plans also call for modernizing the Observation Deck and reopening Windows on the World restaurant — both through private operators.

One of the year's biggest successes was the renovation and reopening November 1 of the New York Vista Hotel at the World Trade Center. The Vista's $30 million renovation, already under way at the time of the February 1993 bombing, includes an enlarged lobby with a three-story



The World Trade Center

glass atrium; winding grand staircase; 820 spacious, redecorated rooms and suites; a uniquely designed ballroom; remodeled restaurant and bar; and state-of-the-art meeting and conference facilities and a remodeled health club.

The quality and professionalism that marked the New York Vista Hotel rebuilding was recognized by the New York/New Jersey Metro Chapter of the Construction Management Association of America. In December, the association presented its "Project of the Year Award" to the Port Authority and to Hilton International and Turner Construction Company — our partners in the massive task.

Port Partners

Privatization is already the norm at the New York-New Jersey port where all marine terminals are privately operated. At the Red Hook Container Terminal on the Brooklyn waterfront, American Stevedoring, Inc. (ASI) celebrated its first anniversary as terminal operator. Through aggressive marketing efforts, a number of new steamship lines began calling at Red Hook in 1994, and ASI more than doubled the number of containers handled. ASI also brought Red Hook new cargo such as steel, plywood and road de-icing salt and also substantially improved the facility.

The result of another port partnership gives truckers speedier access to marine terminals when they pick up or deliver cargo at the New York-New Jersey port. The Bi-State Harbor Carriers Conference and marine terminal operators worked with the Port Authority to develop the SEALINK Trucker Identification System, which provides a single "universal" trucker photo identification card. The card triggers the electronic processing of documentation at each terminal, expediting cargo pickup and delivery. At year-end, about 65 trucking companies representing more than 1,000 drivers were registered in the program.

Airport Partners

From the first stage of our capital redevelopment program, the Port Authority has pursued partnerships with private enterprises to upgrade or expand facilities and services. This is particularly true at the agency's airports, where more than $1.7 billion in investments by our aviation partners have been made at Kennedy International Airport alone.

In 1994, Kennedy's Terminal One Group Association (TOGA) signed a lease committing $435 million for construction of a 600,000-square-foot terminal to serve the four TOGA member airlines. The new facility, expected to open in the fall of 1998, will be the first new passenger terminal at Kennedy in more than 20 years. TOGA is a partnership of Air France, Japan Airlines, Korean Air and Lufthansa.

Kennedy's utility system was upgraded by a new, privately con-

The World Trade Center's 107th floor Observation Deck — which attracted about 1.8 million visitors in 1994 — will undergo a $5.8 million modernization by a private operator.

structed and operated cogeneration facility. Developers of the more than $260 million project, KIAC Partners, include subsidiaries of the Brooklyn Union Gas Company of New York and Public Service Enterprise Group Incorporated of New Jersey.

At LaGuardia, a lease was signed in 1994 for the private development and management of retail and food concessions throughout the Central Terminal Building.

A collaborative effort between the Port Authority and tenant airlines is under way to modernize Terminals A and B at Newark International. Multimillion dollar renovations will improve the terminals' infrastructure and interiors and enhance shops and restaurants.

Economic Development

Partnerships figure prominently in a $2.3 billion development project at Hunters Point on the Long Island City, NY, waterfront. The Queens West Waterfront Development is a joint undertaking of the Port Authority, the New York State Urban Development Corporation and the New York City Economic Development Corporation. A groundbreaking in September marked the start of construction that will transform about 90 acres of underutilized waterfront property into a vital commercial, residential and recreational area and create about 9,000 permanent jobs.

Furthering Port Authority efforts to improve regional mobility and advance the Queens West project, New York Waterway, a private operator, launched ferry service between Hunters Point and Manhattan in October.

Another economic development partnership, the Teleport communications center and business park on Staten Island, continues to grow. At year-end 1994, existing space at the facility was almost fully leased and total employment was up to 1,400. Teleport Communications Group (TCG), the facility's biggest tenant, leased an additional 63,000 square feet, increasing its presence by 73 percent. Teleport is a joint undertaking of the Port Authority, TCG and the City of New York.

Meeting Workforce Needs

Several partnership programs provided regional residents training and job placement services to help tenants at Port Authority facilities as well as other regional businesses meet their personnel needs.

Among these, the Career Center at the World Trade Center, a partnership of the Port Authority and the Labor Employment and Training Company, provides on-site employment and training services for World Trade Center tenants. The JobsPORT Educational Institute, a partnership of Essex and Union County colleges and the Port Authority, provides on-site, industry-related training to businesses operating at the New Jersey marine terminals and their employees.

For businesses operating at Kennedy and Newark International and LaGuardia airports, the Council for Airport Opportunity (CAO), funded by airport businesses and

The New York Vista Hotel at the World Trade Center reopened with a bright new look.

LaGuardia Airport, the region's chief domestic and business traveler airport, handled nearly 21 million passengers in 1994, up 4.5 percent over 1993.

the Port Authority, refers local residents to jobs. During the year, CAO placed 759 people into permanent jobs, 773 into temporary positions and trained 141 others.

As amenities for tenants and neighborhood residents, the Port Authority supported the opening of two privately operated child care facilities: the Children's Discovery Center at the World Trade Center and JFKids Port at Kennedy International Airport. Vouchers for child care were provided to employees of more than 30 tenants at Newark International Airport.

Interagency Cooperation

Along with forging public-private business ventures and programs, the Port Authority continued to be an active participant in interagency transportation activities and associations. These include the Bistate Forum of the six major regional transportation agencies; the E-ZPass Interagency Group working to implement electronic toll collection in the region; and TRANSCOM, a consortium of regional highway operators, which provides timely information on traffic emergencies and helps agencies coordinate construction projects to minimize traffic impacts.

In another joint transportation project, Access to the Region's Core (ARC) was established between the Port Authority, the New Jersey Transit Corporation and the New York State Metropolitan Transportation Authority. ARC will work on plans to determine the best alternative for a new passenger and freight rail crossing between the Hudson and East rivers through Manhattan.

A new ferry service between Hunters Point and Manhattan places the Queens West Waterfront Development site within four minutes of midtown Manhattan and provides a critical transportation link that will substantially enhance the marketability of the mixed-use development.

The Region

In area, our region covers about 3,900 square miles stretching across 17 counties as far north as Westchester in upstate New York and south to Middlesex in central New Jersey. In economic potential, the region's dimensions are limitless.

Just consider how much we have to offer — a bold innovative legacy; a strategic location with spectacular natural resources; the most internationalized economy in the world; treasured cultural institutions; a diverse and diligent population; and an enormous supplier of and market for the world's goods and services.

The Port Authority's agenda is clear: to enhance the region's position as a center for trade and commerce. We have accomplished this over our history by investing the equivalent of more than $22 billion in the region's transportation and trade infrastructure. The agency also serves the region in a variety of other ways.

Building Regional Business
Our industrial and commercial properties and facilities in both states serve a vital regional need for business development, job creation and retention, and rejuvenation of disadvantaged urban areas. The 20-story Newark Legal Center, for example, has provided substantial economic benefit to New Jersey's largest city and serves as an anchor to its downtown renaissance.

In New York, the Bathgate Industrial Park in the Bronx has transformed an economically distressed area into a productive commercial center. Bathgate's 10 tenant companies employ more than 1,300 workers, most of them

The Newark Legal Center

local residents. And more jobs are expected. Bathgate tenant Clay Park Labs, a manufacturer of generic prescription and over-the-counter drugs, announced plans in October for a new 140,000-square-foot manufacturing and research facility. The new plant will enable the firm to expand its existing product line and to add 200 employees to its current labor force of 500 workers.

Port Authority industrial parks are also located in Yonkers, NY, providing employment for over 200 people, and in Elizabeth, NJ, where more than 530 people work and all available existing space was 100 percent occupied by year end.

Through various programs, the Port Authority has also fostered the growth and development of regional small businesses. In 1994, minority-owned, women-owned and other small businesses won more than $110 million in construction, service and supplier contracts.

Global Markets

International business development is also key to regional growth and prosperity. In 1994, more new leases were signed with foreign companies for offices at the World Trade Center than in any one year over the past decade, bolstering Lower Manhattan and the New York-New Jersey region as centers of international trade and commerce. This was achieved despite a continuing flat regional economy, depressed real estate market and corporate downsizing.

In all, commitments were made in 1994 for 60 new leases, totaling 233,195 rentable square feet. New tenant companies represent 16 foreign countries as well as 21 U.S. corporations. At year's end, more than 350 companies and organizations from some 30 countries were engaged in a range of international business activities at the World Trade Center.

To strengthen linkages to key global markets and create new business opportunities for the agency and the region, the Port Authority is developing ways to market internationally our professional and technical skills as an infrastructure and development advisory service to foreign governments.

The regional economy also benefited from the Port Authority's Investment Development Program which attracts international manufacturing and service companies to our area. Nineteen foreign-based companies, which plan to create 220 jobs, were located in the region in 1994, several setting up offices in the World Trade Center. More than 3,200 jobs have been created throughout the region through this program over the past several years.

In other international business initiatives, a trade mission to Beijing, Shanghai, Taipei, Hong Kong and Seoul resulted in lease agreements for offices in the World Trade Center. A trade mission to South Africa resulted in increased air and shipping service to the New York-New Jersey region.

Under a grant from the U.S. Department of Commerce to

At the Port Authority Industrial Park at Yonkers, NY, most employees of Mertech Industries are local residents. Mertech manufactures samples of roofing and ceiling materials.

The map above depicts the number of jobs supported by Port Authority activities.

strengthen trade relations with Russia, the Port Authority opened an office in St. Petersburg, Russia, to develop a training institute and trading company.

Regional companies recorded $17 million in export sales through the direct efforts of the Port Authority's XPORT Trading Company.

Through the World Trade Institute, the Port Authority's educational arm, more than 6,500 students received international business and language training in 665 courses at the institute's World Trade Center facility as well as 28 other locations around the world.

The Environment

Ongoing activities and operations in 1994 also included a range of environmental improvements.

Consistent with our commitment to protect the environment and operate in a cost-effective manner, the Port Authority embarked upon a more aggressive recycling and waste reduction program in 1994. In less than a year, recycling at all of the agency's facilities increased from 29 percent to 45 percent and disposal costs decreased by $3.5 million.

The Essex County Resource Recovery Facility, the largest waste-to-energy plant in New Jersey, received approximately 895,000 tons of waste from Essex, Bergen, Passaic and Hudson counties in New Jersey and parts of New York. Since its opening, the resource recovery facility has processed more than 3.6 million tons of waste and produced nearly 1.9 billion kilowatts of electricity, enough power to serve approximately 37,500 homes a year.

Reduced aircraft noise was achieved as the number of quieter Stage 3 aircraft using our airports continued to increase. At year end, Stage 3 operations accounted for 61 percent of aircraft movements at LaGuardia Airport, 82 percent at Kennedy International and 58 percent at Newark International.

Additionally, eight new schools in New York and New Jersey were added to the soundproofing program for schools near our airports. School soundproofing reduces aircraft noise interference in the classroom by about half. Extra benefits to schools often include reduced energy costs and improved appearance of school buildings.

The school soundproofing program is a joint effort of the Federal Aviation Administration, which provides up to 80 percent of the funding, and the Port Authority, which administers the program and provides the rest of the funding.

Meeting Long-Term Needs

The Port Authority also recognizes its responsibility to plan for the regional future and develop strategies to meet anticipated needs.

In early 1994, we concluded a series of three Regional Policy Roundtables, involving a broad range of public and private sector leaders who assessed the region's long-term economic prospects and key regional infrastructure needs for the 21st century.

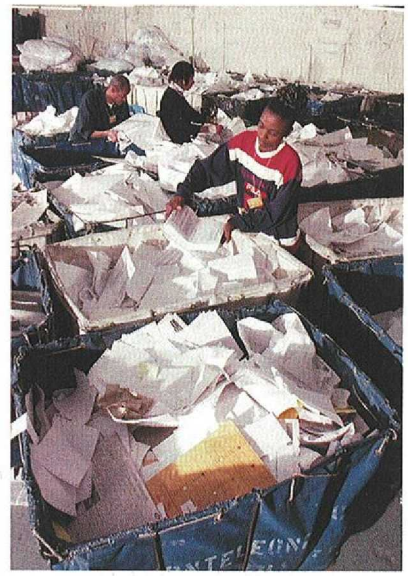
During the year, we also identified a broad array of activities for their impact on the long-term regional agenda. Among these were emerging technologies that are likely to affect core businesses and customers.

The report, "The Technology Review Study: Significant Emerging Technologies and Their Impacts on the Port Authority," analyzed the regional effects of seventeen technologies organized into five major technology groups.

We also completed studies on the implications of the GATT Uruguay Round Agreement for the New York/New Jersey regional economy, and on the $20 billion annual economic impact and untapped growth potential of travel and tourism activities in the New York-New Jersey region.

The tourism study, the first ever done for our entire metropolitan area, identified opportunities for new strategies to meet growing competition. The Port Authority conducted the study in cooperation with the Alliance for the Arts, the New York City Partnership and the Partnership for New Jersey.

The Port Authority also began a comprehensive assessment of the economic competitiveness of the biomedical, biotechnology and other health-related industries in the region.



In 1994, recycling at all Port Authority facilities increased from 29 percent to 45 percent.

In the New York-New Jersey region, travel and tourism represent a $20 billion industry.

People

The Austin J. Tobin Plaza at the World Trade Center

The Port Authority's mission is to serve the 16 million people who live and work in the New York-New Jersey region. We fulfill this mandate by providing a range of reliable and efficient trade and transportation facilities and services.

Economically, the people of the region benefit from the more than 400,000 direct and indirect jobs supported by Port Authority activities. We also work hard to improve the quality of the services provided to our customers — be they airline passengers, interstate commuters or facility tenants. Rounding out our agenda is our commitment to a range of community outreach efforts.

As developer, operator and maintainer of some of the region's most vital trade and transportation systems, we serve one of the largest and most diverse customer bases in the world. Providing quality service to these customers is paramount operating policy.

Travelers who use the region's three major airports, for example, appreciate a special Airport Ambassadors courtesy training program for frontline workers such as bus drivers and taxi dispatchers. For trans-Hudson commuters, PATHursday gives the rail transit system's riders a direct communication line to PATH management every Thursday morning at the World Trade Center terminal.

One of our most successful customer service programs, Operation Alternative at the Port Authority Bus Terminal, marked its third year. The enforcement effort helps facility staff and Port Authority Police connect homeless people with appropriate care and shelter. Its effect has been dramatic, greatly reducing criminal activity at the facility and providing assistance to more than 27,000 people in need over a three-year period. Similar enforcement programs, experiencing similar results, are in place at the World Trade Center and most PATH stations. Our surveys tell us that customers notice the difference.

In 1994, more than two-thirds of commuters at the Bus Terminal rated their overall experience at the facility as "good to very good." Part of this rating may also be attributable to other service enhancements, including a range of new stores and food establishments such as Au Bon Pain and Timothy's Coffee World. In a first for the Bus Terminal, National Westminster Bank installed three automated teller machines. These improvements served as the centerpiece of a public awareness campaign launched early in the year to encourage more of the public to travel through the Bus Terminal.

At the airports, aggressive anti-hustling enforcement has also resulted in noticeable improvements, thanks to new legislation enacted in New York and New Jersey in 1994. The legislation has dramatically improved the enforceability and increased the penalties for these crimes. Significant results were also realized in an outreach program at Newark International Airport to help homeless people access available shelter and other social services. Similar programs are planned for Kennedy International and LaGuardia. All airport improvements support efforts by the Gateway America Steering Committee to promote the region's vital travel and tourism industry.

Further enhancing service quality, each department within the Port Authority continued to pursue specific quality initiatives designed to improve service levels, responsiveness and reliability. Each of our facilities, as well, has adopted service quality as a leading priority for day-to-day operations and maintenance activities.

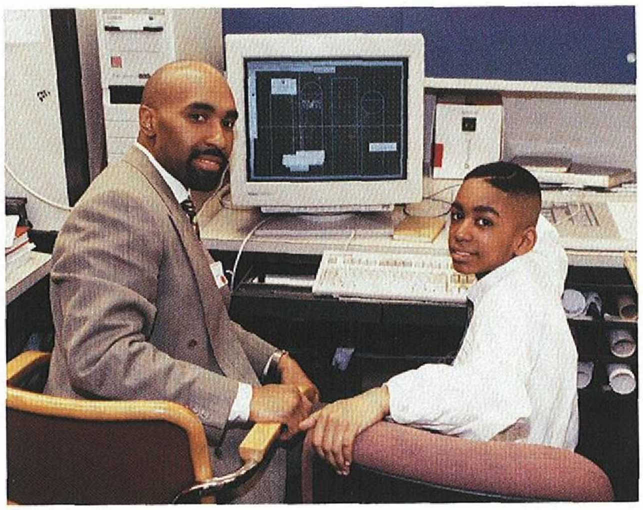
Community Outreach

The Port Authority continued to support a number of community needs in 1994.

We participated in the Working Toward Independence Program, an employment initiative which provides dislocated workers an opportunity to perform meaningful work assignments while on public assistance. In conjunction with the Human Resources Administration of New York City, the Port Authority provided on-the-job training and skills assessment in a variety of assignments throughout the agency.

We also helped develop the regional labor force through a number of programs with public

Among service improvements at the Port Authority Bus Terminal, National Westminster Bank installed three automated teller machines — a first for the bustling midtown Manhattan facility which handles some 180,000 commuters and long-haul travelers a day.



As part of New York's City Wide Shadow Day on March 10, seventh graders from Community School 200 in Manhattan spent time during the work day with Port Authority employees.

schools, trade schools and colleges. In one school outreach program, for example, high school seniors study a transportation curriculum provided by the Port Authority during their last semester. In return, the students get summer jobs at our facilities, gaining hands-on experience in a range of fields.

PATH cooperated with Jersey City officials in a number of events designed to revitalize the Journal Square area, a historic center of business and retail activity in the city. In one PATH-sponsored event, Port Authority Police photographed and fingerprinted 500 youngsters as important records for parents. PATH is headquartered at the Journal Square Transportation Center in Jersey City.

Port Authority Police participated in Hudson County, New Jersey's Drug Abuse Resistance Education (D.A.R.E.) program that takes specially trained police officers into the classroom to teach pre-teens about the dangers of alcohol and drugs.

For the second consecutive year, the World Trade Center sponsored Children's Day. Some 25,000 people attended the May 7 afternoon of multicultural festivities on the plaza, making it one of the most popular public events in World Trade Center history. Other special events and entertainment throughout the year featured the World Trade Center's traditional summer concert series and winter holiday performances.

At a special school assembly program, D.A.R.E. participants at Our Lady of Mount Carmel in Jersey City share some of the lessons learned.

Financial Section

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

The Port Authority of
New York & New Jersey

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1993

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

For the tenth 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 1993 Comprehensive Annual Financial Report.

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

The Port Authority of New York & New Jersey,
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For the Fiscal Year Beginning
January 1, 1994

President Executive Director

For the third consecutive year, The Port Authority of New York and New Jersey was awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association of the United States and Canada for its 1994 Annual Budget.

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, 1994, 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.

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. The Port Authority presently has two wholly-owned subsidiaries, the Port Authority Trans-Hudson Corporation and the Newark Legal and Communications Center Urban Renewal Corporation. The Governor of each State appoints six of the twelve members of the governing Board of Commissioners. Actions taken by the Commissioners at Port Authority meetings are subject to a gubernatorial review period. From time to time Governors have exercised their power to veto the actions of Commissioners from their respective State. The Compact envisions the Port Authority as being financially self-sustaining and, as such, it must raise the funds necessary for the improvement, 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. 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.

Non-Financial Information

Information concerning current and future economic conditions and how they may impact on operations and the future commitment of Port Authority resources, as well as highlights of current and future initiatives and programs for each of the Port Authority's major business areas, are presented in the Introductory Section.

Financial Systems, Structure and Control:

Accounting Systems — The Port Authority's Combined Financial Statements include the accounts of the Port Authority and those of its wholly owned subsidiaries, Port Authority Trans-Hudson Corporation (PATH) and the Newark Legal and Communications Center Urban Renewal Corporation. The Combined Financial Statements are prepared in accordance with generally accepted accounting principles, and include information on Port Authority operations by operating segment. 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 of Income to Schedule A, Revenues and Reserves, and the Combined Statements of Financial Position to Schedule B, Assets and Liabilities, are included in Note A of the Combined Financial Statements.

Internal Controls — 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.

Financial Planning Structure — The Port Authority's annual budget provides an outline of estimated expenditures for the year. Approval of the budget by the Board of Commissioners, based upon financial projection developed as a part of the Port Authority business planning process, does not in itself authorize any specific expenditures, which are authorized by other actions of the Board of Commissioners consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations. The budget, upon approval, becomes a mechanism which facilitates the 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 nearly $2.0 billion in 1994, an increase of $59 million or 3% from 1993. This increase was primarily attributable to higher flight fees and parking revenues at John F. Kennedy International Airport (JFK), Newark International Airport and LaGuardia Airport (LGA), increased hangar and cargo building rentals at JFK, and higher rentals at the New Jersey marine terminals, partially offset by lower rentals at the World Trade Center, lower revenues at the Vista International Hotel, a decrease in traffic volume at the George Washington Bridge and lower gate fees at the Essex County Resource Recovery Facility.

Operating expenses totalled $1.4 billion in 1994, an increase of $68 million or 5% from 1993. This increase was a result of increased costs for snow and ice removal due to the severe winter storms early in the year, higher security, maintenance and engineering costs at the World Trade Center, and other miscellaneous charges, partially offset by non-recurring 1993 expenditures for the Tenant/Owner/Worker Economic Recovery Stimulus (TOWERS) program established by the Port Authority to mitigate the negative impact of the February 26, 1993 explosion at the World Trade Center, lower payments-in-lieu-of-taxes attributable to the World Trade Center, and reduced ash removal expenses at the Essex County Resource Recovery Facility.

Aftermath of World Trade Center Explosion

Port Authority costs for expenses associated with the 1993 explosion in the World Trade Center including costs associated with the Vista International Hotel, net of anticipated insurance recoveries, continue to be estimated at $32.5 million. The Port Authority is vigorously pursuing its insurance claims for reimbursement, to the fullest possible extent, of various costs associated with the explosion.

Portfolio Management

The Port Authority's long-term investments are maintained in securities of or guaranteed by the United States Government and in Port Authority bonds. During 1994 earnings on long-term investments totalled $37.3 million.

Short-term investments consisted primarily of United States Government securities (including such securities held pursuant to repurchase agreements and reverse repurchase agreements), securities of United States government agencies, commercial paper, United States Treasury and municipal bond futures contracts, interest rate exchange contracts and interest rate options contracts. These investments include derivatives that are employed in hedging strategies to minimize interest rate risk. Earnings on short-term investments totalled $20.9 million, which includes earnings distributed to capital.

Combined earnings on such long-term and short-term investments decreased from 1993 by approximately 2%. The major reason for this decrease was due to the declining interest rate environment in 1993, which impacted on the average interest rate associated with 1994 long term investments.

Invested In Facilities

Invested in facilities, pursuant to Port Authority bond resolutions, totalled $11.1 billion at year-end 1994, which reflects an increased investment of $619 million for operating segments and $68 million for Regional and Other

Programs. The additional investment in Port Authority operating segments, and the major projects of each segment, is primarily comprised of:

Air Terminals — $349 million

- Newark International Airport (EWR) automated people mover;
- EWR international facility;
- JFK & LGA runway, taxiway and roadway rehabilitation;
- JFK building redevelopment and tenant financing.

Interstate Transportation Network — $126 million

- Lincoln Tunnel south and center tube rehabilitation;
- George Washington Bridge approach bridges, ramps and pavement rehabilitation;
- PATH safety program, station improvements, fare collection system;
- Staten Island bridges capacity study.

World Trade Center — $91 million

- Heating, ventilation and air conditioning capacity upgrading, elevator and escalator modernization, plaza and public space renovations;
- Vista International Hotel renovations.

Marine Facilities — $46 million

- Port Newark, Brooklyn Piers and Howland Hook Marine Terminal wharf and pier rehabilitation;
- Port Newark, Brooklyn Piers and NYC Passenger Ship Terminal infrastructure and shed improvements.

Passenger Facility Charges

The Federal Aviation Administration (FAA) granted the Port Authority the right, effective October 1, 1992, to impose a $3 Passenger Facility Charge (PFC) per enplaned passenger at LGA, JFK and EWR to be collected by the airlines on behalf of the Port Authority in an aggregate amount (including interest thereon) totalling up to $282 million, net of air carrier handling charges. The FAA also approved expenditures of $21 million attributable to amounts received from collection of PFCs to fund studies associated with ground access projects pertaining to the airports. Future applications are to be submitted 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 PFC amounts, as appropriate.

As of December 31, 1994, total cumulative investment provided by Passenger Facility Charges in connection with the ground access projects amounted to $20 million and the amount of PFCs available for and restricted to future PFC project payments was $187 million.

The Port Authority accounts for the Passenger Facility Charge Program as a separate enterprise fund because, pursuant to Federal law, amounts attributable to the collection and expenditure of the PFCs are restricted to PFC eligible projects.

Risk Management

The Port Authority presently maintains property damage and loss of revenue insurance in several discrete layers totaling $576 million for bridge and tunnel facilities and $586 million for "non-bridge and tunnel" facilities, in both instances against a total loss of up to $600 million per occurrence. The Port Authority presently co-insures approximately 4% of each loss at bridge and tunnel facilities and approximately 4% of each loss in excess of $250 million at "non-bridge and tunnel" facilities. The Port Authority also presently maintains public liability insurance totaling $1 billion for aviation facilities and $421 million for "non-aviation" facilities. In providing for uninsured potential losses, the Port Authority administers its self-insurance program by Consolidated Bond Reserve Fund applications and provides for losses by charging operating expenses as incurred.

Debt Management

As of December 31, 1994, outstanding obligations of the Port Authority pursuant to Port Authority bond resolutions totalled $6.2 billion. Components of these outstanding obligations include:

Consolidated Bonds and Notes

- $4.7 billion in bonds and notes were outstanding as of December 31, 1994.
- In 1994, the Port Authority issued Consolidated Bonds, ninety-second through ninety-sixth series in the aggregate principal amount of $500 million and Consolidated Notes Series with a principal amount of $150 million.
- Due to the temporary suspension of negotiations to extend the lease agreement, which expires in 2015 with the City of New York for JFK and LGA Airports, in 1994 the Port Authority initiated a program to accelerate the retirement

of outstanding Consolidated Bonds with maturities extending beyond 2015 and to limit to 20 years the maturity on its private activity Consolidated Bonds (the proceeds of which are used primarily at the airports).

- During 1994, the Port Authority refunded $186 million in obligations, which generated approximately $50 million in present value savings to the Port Authority.
- At December 31, 1994, 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.

Commercial Paper Program

- The total amount outstanding of Port Authority Commercial Paper Obligations at December 31, 1994 was $187 million.
- Commercial Paper Obligations may be issued in two separate series, in an aggregate principal amount outstanding at any one time not in excess of $300 million.
- Each of such series includes commercial paper notes; a bank line of credit in the amount of up to $30 million to provide for certain authorized expenditures and a bank stand-by revolving credit facility in the principal amount of up to $150 million to provide program liquidity in the event commercial paper notes cannot be refunded at their maturity due to market conditions.
- At December 31, 1994, outstanding Commercial Paper Notes were rated A-1+ by Standard & Poor's, F-1+ by Fitch, and P-1 by Moody's, the highest short-term ratings given by each of the rating agencies.

Versatile Structure Obligations

- In 1994, the Port Authority issued Versatile Structure Obligations, Series 2, in the amount of $86 million, increasing the total principal amount of Obligations outstanding to $186 million as of December 31, 1994.
- The Port Authority has entered into stand-by certificated purchase agreements with certain banks for each Series providing for the purchase of unremarketed certificates.
- Because Versatile Structure Obligations were issued on a "multi-modal" basis, initially paying interest on a daily rate, they received short-term credit ratings from each agency. Since these Obligations may be converted to a longer term at the option of the Port Authority, the rating agencies also issued long-term ratings. As of year-end 1994, the Obligations were rated A-1+ by Standard & Poor's, F-1+ by Fitch, and VMIG1 by Moody's, the highest short-term variable debt rating given by each of the rating agencies. Long-term ratings for these obligations were A-, A and A respectively.

Variable Rate Master Notes

- As of December 31, 1994, the total principal amount of Variable Rate Master Notes outstanding was $283 million.
- Variable Rate Master Notes may be issued in an aggregate principal amount outstanding at any one time not in excess of $400 million.
- Variable Rate Master Notes issued in 1994 totalled $13 million.
- Credit ratings are not assigned to Variable Rate Master Notes.

Operating Equipment-Lease Financing Program

- As of December 31, 1994, the total principal amount outstanding under this program was $14 million.
- Lease-financing transactions have an authorized aggregate principal amount outstanding at any one time not to exceed $75 million.
- Credit ratings are not assigned to the Operating Equipment-Lease Financing Program.

Special Project Bonds

- As of December 31, 1994, the total amount outstanding payable in connection with three separate Special Project Bond series, excluding unamortized discount and premium, was $474 million.
- The principal of and interest on 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 such series of Bonds.

Fund Buyout Obligation

- As of December 31, 1994, the Port Authority had an outstanding obligation to pay $393 million to the States of New York and New Jersey as a result of termination of the Fund for Regional Development.

During 1994, total debt service including amounts charged to net revenues and reserves was $363 million exclusive of interest expense relating to the Operating Equipment-Lease Financing Program, Special Project Bonds and the Fund Buyout Obligation. Capitalized interest for the year ended December 31, 1994 totalled $53 million.

Reserve Funds

At December 31, 1994, the General Reserve Fund balance was $579,329,300 and met the prescribed amount defined by the General Reserve Fund statutes. The Consolidated Bond Reserve Fund had a balance of $283,370,000. The sum of the reserve fund balances exceeded the next two years' mandatory debt service on bonds secured by a pledge of the General Reserve Fund, and they were invested in certain government securities or 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, including an evaluation of the system of internal accounting control, in accordance with generally accepted auditing standards. The firm meets directly with the Audit Committee of the Board of Commissioners. The audit report is 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 to The Port Authority of New York and New Jersey for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 1993. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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. The Port Authority of New York and New Jersey has received a Certificate of Achievement for the last ten consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

In addition, the Port Authority also received the GFOA's Award for Distinguished Budget Presentation for the third consecutive year, for its annual budget for 1994. 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 1995

George J. Marlin
Executive Director

Barry Weintrob
Chief Financial Officer

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Opinion of Independent Auditors

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

We have audited the accompanying 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, 1994 and 1993, 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 D. These financial statements and schedules are the responsibility of the Port 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, 1994 and 1993, 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-2. In our opinion, Schedules A, B and C present fairly, in all material respects, the assets and liabilities of the Port Authority at December 31, 1994 and the revenues and reserves for the year then ended in conformity with the accounting principles described in Note A-2. Also in our opinion, Schedule D presents fairly, in all material respects, the assets and liabilities of the New York State Commuter Car Program at December 31, 1994 and 1993, 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 supplemental information, which is the responsibility of the Port Authority's management, presented in Schedules E and F, 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.

Deloitte & Touche LLP

February 25, 1995

Deloitte Touche Tohmatsu International

Combined Statements of Income

	Year ended December 31, 1994			1993
	Port Authority Operations	PFC Program	Combined	Combined
		(In thousands)		
Gross operating revenues	$1,979,674	$ —	**$1,979,674**	$1,920,904
Operating expenses:				
Employee compensation, including benefits	612,722	—	**612,722**	598,663
Contract and consultant services	395,972	—	**395,972**	359,455
Heat, light and power	87,136	—	**87,136**	85,954
Material, equipment and supplies	81,290	—	**81,290**	94,548
Rents and amounts in-lieu of taxes	61,708	—	**61,708**	60,567
Other (Note J-3)	169,110	—	**169,110**	141,096
Total operating expenses	1,407,938	—	**1,407,938**	1,340,283
Amortization of Facilities (Note B-1)	267,976	—	**267,976**	267,324
Amortization of costs for Regional and Other Programs (Note H-2)	36,134	—	**36,134**	42,063
Income from operations	267,626	—	**267,626**	271,234
Net PFC revenues	—	94,540	**94,540**	88,288
Financial income and expense:				
Income on investments	73,686	5,227	**78,913**	77,453
Gain (loss) on purchase of Port Authority bonds in connection with current sinking fund requirements	50	—	**50**	(5)
Interest expense in connection with bonds, notes and other capital asset financings, net of capitalized interest	(261,756)	—	**(261,756)**	(258,896)
Interest expense in connection with operating asset financings	(32,103)	—	**(32,103)**	(32,774)
Gain (loss) on disposition of assets	526	—	**526**	(3,874)
Income before extraordinary items	48,029	99,767	**147,796**	141,426
Extraordinary items (Note J-6)	4,747	—	**4,747**	(33,837)
Net income	52,776	99,767	**152,543**	107,589
Add: amortization of assets acquired with government contributions in aid of construction (Note F)	23,589	—	**23,589**	20,512
Increase in net income invested in Port Authority facilities, operations and reserves	76,365	99,767	**176,132**	128,101
Balance, January 1	2,443,400	107,543	**2,550,943**	2,422,842
Net income invested in Port Authority facilities, operations and reserves, December 31	$2,519,765	$207,310	**$2,727,075**	$2,550,943

See Notes to Combined Financial Statements.

Combined Statements of Financial Position

	December 31, 1994			December 31, 1993
	Port Authority Operations	PFC Program	Combined	Combined
	(In thousands)			
Assets				
Facilities (Note B)	$9,921,129	$ 20,653	**$9,941,782**	$9,345,017
Less accumulated amortization of facilities	3,405,424	—	**3,405,424**	3,144,075
Facilities, net	6,515,705	20,653	**6,536,358**	6,200,942
Cash (Note C)	35,000	—	**35,000**	32,033
Investments (Note C)	1,153,806	172,810	**1,326,616**	1,028,085
Accounts receivable (net of allowance for doubtful accounts of $15,580,000 in 1994 and $27,300,000 in 1993	64,237	—	**64,237**	43,467
Other amounts receivable (net of allowance for doubtful accounts of $17,916,000 in 1994 and $11,337,000 in 1993)	432,639	14,200	**446,839**	453,932
Amounts receivable in connection with Special Project Bonds	463,571	—	**463,571**	463,255
Unamortized costs for Regional and Other Programs (Note H)	370,326	—	**370,326**	338,492
Unamortized costs for Fund buy-out (Note H)	418,912	—	**418,912**	421,630
Deferred compensation plan assets (Note I-3)	123,637	—	**123,637**	103,657
Other assets	279,424	—	**279,424**	284,384
Total assets	9,857,257	207,663	**10,064,920**	9,369,877
Liabilities				
Consolidated Bonds and Notes (Note D-1)	4,543,002	—	**4,543,002**	4,193,392
Obligations in connection with other capital asset financing (Note D-2)	655,806	—	**655,806**	559,963
Obligations in connection with operating asset financing (Note D-3)	406,285	—	**406,285**	409,269
Amounts payable in connection with Special Project Bonds (Note D-4)	463,571	—	**463,571**	463,255
Accounts payable	319,990	353	**320,343**	363,373
Accrued pension, retirement and other employee benefits (Note I)	175,595	—	**175,595**	148,042
Deferred compensation obligation (Note I-3)	123,637	—	**123,637**	103,657
Accrued interest and other liabilities	293,022	—	**293,022**	241,119
Total liabilities	6,980,908	353	**6,981,261**	6,482,070
Net assets	$2,876,349	$207,310	**$3,083,659**	$2,887,807
Net assets are composed of:				
Net income invested in Port Authority facilities, operations and reserves	$2,519,765	$207,310	**$2,727,075**	$2,550,943
Government contributions in aid of construction (Note F)	356,584	—	**356,584**	336,864
Net assets	$2,876,349	$207,310	**$3,083,659**	$2,887,807

See Notes to Combined Financial Statements.

Combined Statements of Cash Flows

	Year ended December 31, 1994			1993
	Port Authority Operations	**PFC Program**	**Combined**	Combined
	(In thousands)			
1. Cash flows from operating activities:				
Cash received from operations	$1,935,243	$ —	**$1,935,243**	$1,962,968
Cash paid to or on behalf of employees	(591,604)	—	**(591,604)**	(640,339)
Cash paid to suppliers	(719,885)	—	**(719,885)**	(846,313)
Cash paid to municipalities	(55,998)	—	**(55,998)**	(72,734)
Cash received from insurance	24,281	—	**24,281**	93,737
Net cash provided by operating activities	592,037	—	**592,037**	497,319
Cash flows from capital and related financing activities:				
Proceeds from sales of capital obligations	540,287	—	**540,287**	447,273
Proceeds from capital obligations issued for refunding purposes	1,347,181	—	**1,347,181**	2,215,480
Principal paid on capital obligations	(99,233)	—	**(99,233)**	(101,259)
Principal paid through capital obligations refundings	(1,347,181)	—	**(1,347,181)**	(2,215,480)
Interest paid on capital obligations	(296,560)	—	**(296,560)**	(300,456)
Investment in facilities and construction of capital assets	(545,987)	(11,469)	**(557,456)**	(652,005)
Investment in Regional and Other Programs	(63,975)	—	**(63,975)**	(40,600)
Proceeds from disposition of facilities	1,034	—	**1,034**	13,250
Proceeds from financing the sale of assets	2,808	—	**2,808**	2,940
Proceeds from passenger facility charges	—	94,339	**94,339**	86,949
Financial income allocated to capital projects	4,641	—	**4,641**	4,474
Principal paid on operating equipment-lease financing obligations	(6,340)	—	**(6,340)**	(7,105)
Interest paid on operating equipment-lease financing obligations	(688)	—	**(688)**	(1,666)
Payments for Fund buy-out obligation	(28,063)	—	**(28,063)**	(28,045)
Government contributions in aid of construction	42,989	—	**42,989**	33,003
Net cash (used for) provided by capital and related financing activities	(449,087)	82,870	**(366,217)**	(543,247)
Cash flows from investing activities:				
Purchase of investment securities	(1,253,720)	(94,339)	**(1,348,059)**	(2,137,622)
Proceeds from sale and maturity of investment securities	1,055,811	6,065	**1,061,876**	2,133,424
Interest received on investment securities	31,709	5,404	**37,113**	33,298
Miscellaneous financial income	26,217	—	**26,217**	16,889
Net cash (used for) provided by investing activities	(139,983)	(82,870)	**(222,853)**	45,989
Net increase in cash	2,967	—	**2,967**	61
Cash at beginning of year	32,033	—	**32,033**	31,972
Cash at end of year	$ 35,000	$ —	**$ 35,000**	$ 32,033

(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, 1994			1993
	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	$267,626	$ —	**$267,626**	$271,234
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Amortization of Facilities	267,976	—	**267,976**	267,324
Amortization of costs for Regional and Other Programs	36,134	—	**36,134**	42,063
Amortization of other assets	41,297	—	**41,297**	56,050
Provision for uncollectible receivables	3,083	—	**3,083**	(13,249)
Net loss on WTC explosion	—	—	**—**	(32,500)
Change in operating assets and operating liabilities:				
(Increase) in receivables	(20,150)	—	**(20,150)**	(92,552)
(Increase) in prepaid expenses	(41,417)	—	**(41,417)**	(54,914)
Decrease in deferred costs	2,718	—	**2,718**	2,457
(Decrease) increase in payables	(36,282)	—	**(36,282)**	75,510
Increase (decrease) in employee benefits	27,553	—	**27,553**	(33,098)
Increase (decrease) in other liabilities	48,522	—	**48,522**	(1,778)
(Decrease) increase in deferred income	(5,023)	—	**(5,023)**	10,790
(Decrease) in other operating obligations	—	—	**—**	(18)
Total adjustments	324,411	—	**324,411**	226,085
Net cash provided by operating activities	$592,037	$ —	**$592,037**	$497,319

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. Accounting Policies

a. The Port Authority of New York and New Jersey was created in 1921 by Compact between the two States and thereafter consented to by the Congress of the United States. Cash derived from Port Authority operations and other cash received may be disbursed only 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.

b. 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 Governmental Accounting Standards Board (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 E and Schedule D).

In its accounting and financial reporting, the Port Authority follows the pronouncements of GASB. In addition, the Port Authority follows the pronouncements of all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

c. The Port Authority is accounting for the Passenger Facility Charge (PFC) Program as a separate enterprise fund of the Port Authority, since pursuant to Federal law amounts attributable to collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration approved airport related PFC eligible projects pertaining to safety, capacity, security, noise reduction or enhancement of air carrier competition. 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. PFCs are included in both "Investments" and "Other amounts receivable" and are included in net assets on the Combined Statements of Financial Position. PFC revenues applied to eligible projects are reflected as a component of "Facilities" on the Combined Statements of Financial Position.

d. Facilities are carried at cost and include the expenditure of Federal and State grants, and amounts derived from PFCs, to acquire, construct, place in operation and improve the facilities of the Port Authority (see Note F). 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" 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 H).

e. "Amortization of facilities" 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 contribution accounts. Costs of 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 H). Certain operating expenditures which provide benefits for periods exceeding one year are deferred and amortized over the period benefited. These unamortized deferred operating expenditures are included in "Other assets".

f. 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 in the category of "Extraordinary items" (see Note J-6).

The Port Authority uses a variety of financial instruments including derivatives to assist in the management of its financing and investment objectives, employing hedging strategies to minimize interest rate risk. To enhance interest earnings, the Port Authority enters into interest rate options contracts, repurchase and reverse repurchase agreements (see Note C-3). To reduce the impact of interest rate fluctuations, the Port Authority enters into United States Treasury and municipal bond futures contracts (see Note C-3) and into interest rate swap agreements (see Note D-5).

g. 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 expenses as incurred.

h. When issuing new debt, the proceeds of which are used to repay previously issued debt, the difference between the acquisition price of the new debt and the net carrying amount of the refunded debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter (see Note D-1).

i. "Net income (loss) Port Authority operations" presented by operating segment consists of "Income (loss) from operations" less net interest expense and gain (loss) on disposition of assets (see Note K). 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. Gain or loss generated by the disposition of assets is included in the calculation of net income (loss) for the operating segment from which the assets were included.

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

k. 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.

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

m. The 1993 financial statements contain certain reclassifications which have been made in order to conform to the classifications used in 1994.

2. Reconciliation of Schedules Prepared Pursuant to Bond Resolutions to Combined Statements

Schedules A, B and C, which follow the notes to combined financial statements, 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.

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".

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. Interest expense and interest earnings relating to such Port Authority bonds purchased are included as "Interest on bonds and notes and other capital obligations" 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, 1994	1993
	(In thousands)	
Net income reported on Combined Statements of Income	$152,543	$107,589
Add: Amortization of facilities	267,976	267,324
Amortization of costs for Regional and Other Programs	36,134	42,063
Appropriations for self-insurance	710	7,081
Amortization of discount and premium	6,966	5,945
(Gain) loss on disposition of assets	(526)	3,874
	463,803	433,876
Less: Debt maturities and retirements	75,745	67,675
Repayment of commercial paper obligations	343	178
Debt retirement acceleration	27,062	3,458
Principal payments pertaining to leasehold acquisition	—	33,213
Direct investment in facilities	224,622	185,071
Net PFC income	99,767	89,543
Call premium on refunded bonds	4,573	6,287
	432,112	385,425
Increase in reserves reported on Schedule A, Revenues and Reserves (pursuant to Port Authority bond resolutions)	$ 31,691	$ 48,451

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

	December 31, 1994	1993
	(In thousands)	
Net assets reported on Combined Statements of Financial Position	$3,083,659	$2,887,807
Add: Accumulated amortization of facilities	3,405,424	3,144,075
Accumulated retirements and gains and losses on disposal of invested in facilities	309,693	252,433
Cumulative amortization of costs for Regional and Other Programs	377,666	392,691
Amortized discounts and premiums	12,601	10,208
Deferred income in connection with PFCs	(187,010)	(98,712)
Net assets reported on Schedule B, Assets and Liabilities (pursuant to Port Authority bond resolutions)	$7,002,033	$6,588,502

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

	Year Ended December 31, 1994	1993
	(In thousands)	
Net income PFC program	$ 99,767	$ 89,543
Less direct PFC project payments	(12,394)	(6,963)
Transfer to deferred income in connection with PFCs	(87,373)	(82,580)
Net income from sources other than operations attributable to PFCs (pursuant to Port Authority bond resolutions)	$ 0	$ 0

Note B–Facilities

1. Cost of facilities is comprised of the following:

	December 31, 1994	1993
	(In thousands)	
Completed construction:		
Interstate Transportation Network	$2,685,550	$2,619,000
Air Terminals	3,486,774	3,188,294
Marine Facilities	961,286	882,218
World Trade	1,351,371	1,282,404
Regional Development	283,665	279,727
	8,768,646	8,251,643
Construction in progress	1,173,136	1,093,374
Facilities	$9,941,782	$9,345,017

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 $47,982,000 in 1994 and $46,784,000 in 1993.

Note C–Combined Cash and Investments

1. The components of cash and investments are:

CASH	December 31, 1994	1993
	(In thousands)	
Cash on hand	$ 1,632	$ 1,506
Demand deposits	33,368	30,527
Total cash	$35,000	$32,033

INVESTMENTS	December 31, 1994 Principal Amount	Quoted Market	Book Value	1993 Book Value
	(In thousands)			
Short-term				
United States Treasury Bills	$ 249,084	$ 242,288	$ 242,288	$ 333,063
United States Treasury obligations held pursuant to repurchase agreements	300,680	300,680	300,680	91,209
United States Treasury obligations held pursuant to reverse repurchase agreements	—	—	—	(32,213)
Total short-term	$ 549,764	$ 542,968	542,968	392,059
Long-term				
United States Treasury Bonds and Notes	$ 775,000	$ 744,364	773,087	627,846
Total long-term	$ 775,000	$ 744,364	773,087	627,846
Bonds of The Port Authority of New York and New Jersey			914	15
Accrued interest receivable			10,561	8,180
Investments (pursuant to Port Authority bond resolutions)			1,327,530	1,028,100
Less: Bonds of The Port Authority of New York and New Jersey			914	15
Total Investments			$1,326,616	$1,028,085

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 $30,244,000 as of December 31, 1994. In accordance with the aforementioned policy, $24,883,000 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 $3,801,000 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 $1,560,000 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 Treasurer, consistent with authorizations of the Board of Commissioners or the Committee on Finance and established guidelines, executes individual investment transactions and reports 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 and reverse repurchase agreement transactions) are completed when the Port Authority's custodian, in the Port Authority's name, makes or receives payment upon receipt of confirmation that the securities have been transferred at the Federal Reserve Bank of New York or other repository in accordance with Port Authority instructions.

Proceeds of Port Authority obligations are invested, on an interim basis, pursuant to the above mentioned agreements, authorizations and guidelines 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 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, investment grade negotiable certificates of deposit, negotiable bankers' acceptances, commercial paper, United States Treasury and municipal bond futures contracts 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 Port Authority has entered into reverse repurchase agreements 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. The credit risk is managed by a daily evaluation of the market value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. During 1994, repurchase agreements ranged as high as $524,134,000 outstanding at any one time, and reverse repurchase agreements ranged as high as $170,548,000 outstanding at any one time.

Although no investments in commercial paper were held at December 31, 1994, commercial paper investment balances during the year ranged as high as $27,000,000. During 1994 interest rate option contracts, written on underlying securities of $50,000,000, ranged as high as $402,000. (see Note A-1).

Note D–Outstanding Obligations and Financing

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. Obligations noted with "(**)" are subject to Federal taxation.

1. Consolidated Bonds and Notes

The Port Authority issues Consolidated Bonds and Notes for purposes of capital expenditures in connection with Port Authority facilities and/or refunding bonds, notes or other obligations.

		Dec. 31, 1993	Issued/ Accreted	Refunded/ Retired	Dec. 31, 1994
			(In thousands)		
A. Consolidated Bonds:					
Twenty-sixth series	3 1/2% due 1995	$ 4,550	$ —	$ 2,275	$ 2,275
Twenty-seventh series	3 3/8% due 1995	3,250	—	1,625	1,625
Twenty-eighth series	3 3/8% due 1996	4,875	—	1,625	3,250
Twenty-ninth series	3 1/2% due 1996	4,875	—	1,625	3,250
Thirtieth series	3 5/8% due 1998	6,500	—	2,922	3,578
Thirty-first series	4% due 2002	30,950	—	—	30,950
Thirty-second series	5% due 2003	50,000	—	5,000	45,000
Thirty-third series	4 3/4% due 2003	31,705	—	—	31,705
Thirty-ninth series	5.8% due 2007	124,500	—	6,000	118,500
Forty-first series	5 1/2% due 2008	86,000	—	3,000	83,000
Forty-sixth series	6% due 2013	72,000	—	1,125	70,875
Fifty-first series	11% due 2019	85,760	—	85,760	—
Series fifty-one E	(a) due 2014	14,240	—	—	14,240
Fifty-second series	(b) due 2014	100,000	—	—	100,000
Fifty-third series	8.7% due 2020	100,000	—	—	100,000
Fifty-eighth series	7 1/2% due 2017	100,000	—	100,000	—
Fifty-ninth series*	(c) 7 3/4% due 2023	100,000	—	—	100,000
Sixtieth series*	(d) 8 1/4% due 2023	100,000	—	—	100,000
Sixty-first series*	7.1%–8 1/8% due 1994–2023	90,000	—	2,000	88,000
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 1993–2014	92,000	—	2,500	89,500
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	(e) 6.2%–7 1/8% due 1994–2025	99,995	1,131	1,130	99,996
Seventieth series*	7%–7 1/4% due 2005–2025	100,000	—	—	100,000
Seventy-first series	5.7%–8% due 1994–2026	91,200	—	4,400	86,800
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	(f) 5.2%–6 3/4% due 1994–2026	103,948	1,118	1,140	103,926
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	4.1%–6% due 1994–2005	77,985	—	5,680	72,305
Eightieth series	4.1%–6% due 1994–2005	39,070	—	2,810	36,260
Eighty-first series	3.6%–5.8% due 1994–2014	119,735	—	2,350	117,385
Eighty-second series	3.6%–5.8% due 1994–2013	95,875	—	2,300	93,575
Eighty-third series	4 3/4%–6 3/8% due 1994–2017	97,925	—	1,570	96,355
Eighty-fourth series*	5 3/4%–6% due 2008–2028	100,000	—	2,500	97,500
Eighty-fifth series	5%–5 3/8% due 2008–2028	100,000	—	2,000	98,000
Eighty-sixth series	2.4%–5.2% due 1994–2012	149,875	—	6,490	143,385
Eighty-seventh series	4%–7 1/2% due 1996–2021	100,000	—	—	100,000
Eighty-eighth series	2.7%–4 3/4% due 1994–2008	237,855	—	15,100	222,755
Eighty-ninth series	4 1/4%–5 1/8% due 2001–2021	100,000	—	6,000	94,000
Ninetieth series**	3 5/8%–6 1/8% due 1994–2005	75,000	—	4,750	70,250
Ninety-first series	3 1/4%–5.2% due 1995–2020	300,000	—	8,000	292,000
Ninety-second series	4 3/4%–5% due 2009-2029	—	100,000	6,890	93,110
Ninety-third series	6 1/8% due 2094	—	100,000	—	100,000
Ninety-fourth series	5.15%–6% due 2003-2017	—	100,000	—	100,000
Ninety-fifth series*	5 1/2%–6.35% due 2005-2029	—	100,000	—	100,000
Ninety-sixth series*	(c) 5.6%–6.6% due 2003-2023	—	100,000	—	100,000
Ninety-seventh series	6%–7.1% due 2003-2023	(d)	—	—	—
Total Consolidated Bonds pursuant to Port Authority bond resolutions		4,286,668	502,249	288,567	4,500,350

1. Consolidated Bonds and Notes (continued)

		Dec. 31, 1993	Issued/ Accreted	Refunded/ Retired	Dec. 31, 1994
			(In thousands)		
B. Consolidated Notes:					
Series SS	4.9% due September 1, 1997	—	150,000	—	150,000
Total Consolidated Notes pursuant to Port Authority bond resolutions			150,000	—	150,000
Total Consolidated Bonds and Notes pursuant to Port Authority bond resolutions		4,286,668	$652,249	$ 288,567	4,650,350
Less: Amortized cost of Port Authority bonds purchased by the Port Authority		15			914
Unamortized discount and premium (g)		93,261			106,434
Consolidated Bonds and Notes (h)		$4,193,392			$4,543,002

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

(b) 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.

(c) Consolidated Bonds, ninety-sixth series were issued for the purpose of refunding Consolidated Bonds, fifty-ninth series on January 15, 1995.

(d) Consolidated Bonds, ninety-seventh series were sold on September 26, 1994, on the basis that $100,000,000 in aggregate principal amount of such bonds would be delivered by the Port Authority and paid for on January 18, 1995, or on such date as the Port Authority and purchaser may agree, pursuant to a contract of purchase pertaining to such bonds, for the purpose of refunding Consolidated Bonds, sixtieth series.

(e) 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.

(f) 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.

(g) Gain or loss on futures contracts transactions have been classified as premium or discount, respectively. Amount also includes unamortized difference between acquisition price and carrying amount on refunded debt.

(h) Debt-service on Consolidated Bonds and Notes outstanding on December 31, 1994 is:

Year Ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
1995	$ 85,751	$ 286,652	$ 372,403
1996	86,663	282,750	369,413
1997	243,140	276,298	519,438
1998	101,805	266,821	368,626
1999	107,410	261,745	369,155
2000-2094	4,073,775	4,160,762	8,234,537
Total	$4,698,544	$5,535,028	$10,233,572

Total principal of $4,698,544,000 shown above differs from the total consolidated bonds and notes pursuant to Port Authority bond resolutions of $4,650,350,000 because of differences in the par value at maturity of the capital appreciation bonds of $48,168,000 and because the above table includes call premiums of $26,000.

Consolidated Bonds and Notes outstanding as of February 24, 1995 (pursuant to Port Authority bond resolutions) totalled $4,743,059,000.

The Board of Commissioners has authorized the issuance of Consolidated Bonds ninety-eighth series through one hundred tenth series, in aggregate principal amount of up to $300 million of each series, and Consolidated Notes, Series TT, UU, VV, WW and XX of up to $200 million in aggregate principal amount of each series.

1. Consolidated Bonds and Notes (continued)

The Port Authority operates John F. Kennedy International Airport and LaGuardia Airport under a lease agreement with the City of New York. The lease agreement expires in 2015 and the Port Authority and the City have been involved in negotiations to extend its term. Those negotiations have been temporarily suspended. In this context, the Port Authority initiated a program to accelerate the retirement of presently outstanding Consolidated Bonds with maturities extending beyond 2015. During 1994 the retirement of $25,390,000 of a planned $40,000,000 of debt was accomplished, with the balance to be completed early in 1995. If the program continues through year 2015, all Consolidated Bonds (with the exception of $100,000,000 Consolidated Bonds, ninety-third series) outstanding as of December 31, 1994, with maturities beyond 2015 would be retired. The Port Authority also announced its intention to begin limiting the maturity on its private activity Consolidated Bonds (proceeds of which are used primarily at the airports) so that the bond maturities will not extend beyond twenty years from the date of issue. The continuation of the program of accelerated retirements and the maturity limitations, in each case, is subject to review by the Port Authority.

During 1994, the Port Authority refunded $185,760,000 of outstanding consolidated bonds and notes. Although the refundings resulted in an additional cash outlay (for expenses consisting primarily of call premiums and underwriting fees) of $4,573,000, the Port Authority in effect reduced its aggregate debt service payments by approximately $95,367,000 over the life (up to 35 years) of the refunded issues. The economic gain resulting from the debt refunding (the difference between the present value of the cash flows required to service the old debt and the present value of the cash flows required to service the new debt), including the gain on interest rate futures contracts, is worth approximately $49,816,000 in present value savings to the Port Authority.

2. Obligations in Connection with Other Capital Asset Financing

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

	Dec. 31, 1993	(In thousands)	Dec. 31, 1994
Commercial paper obligations	$189,963		$187,106
Variable rate master notes	270,000		283,000
Versatile structure obligations	100,000		185,700
	$559,963		$655,806

A. Commercial paper obligations

The Port Authority's commercial paper program provides for obligations to be issued until December 31, 1995, in two separate series, in an aggregate principal amount outstanding at any one time not in excess of $300,000,000. Each of such series includes commercial paper notes; a bank line of credit in the amount of $30,000,000 to provide for 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 maturity due to market conditions, and is limited to a maximum aggregate principal amount outstanding at any one time of $150,000,000.

	Dec. 31, 1993	Issued	Refunded/ Repaid	Dec. 31, 1994
		(In thousands)		
Series A*				
Commercial paper notes	$ 86,160	$ 678,205	$ 643,525	$120,840
Bank line of credit	1,306	99,586	94,316	6,576
Total series A	87,466	777,791	737,841	127,416
Series B				
Commercial paper notes	102,205	337,820	382,320	57,705
Bank line of credit	292	38,722	37,029	1,985
Total series B	102,497	376,542	419,349	59,690
Total Commercial paper obligations	$189,963	$ 1,154,333	$1,157,190	$187,106

Interest rates for all commercial paper obligations ranged in 1994 from 1.15% to 5.0% per annum.

As of February 24,1995, commercial paper obligations outstanding totalled $183,800,000.

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

B. Variable rate master notes

	Dec. 31, 1993	Issued	Refunded/ Repaid	Dec. 31, 1994
		(In thousands)		
Agreement 1989-1991*	$ 75,000	$ —	$ —	$ 75,000
Agreement 1989-1994	195,000	13,000	—	208,000
Variable rate master notes	$270,000	$ 13,000	$ —	$283,000

Interest rates, variable, ranged in 1994 from 1.5% to 5.25%.

C. Versatile structure obligations

	Dec. 31, 1993	Issued	Refunded/ Retired	Dec. 31, 1994
		(In thousands)		
Series 1*	$100,000	$ —	$ —	$100,000
Series 2	—	85,700	—	85,700
	$100,000	$ 85,700	$ —	$185,700

Interest rate, variable based upon contractual agreements, ranged in 1994 from 0.90% to 5.5%.

Versatile structure obligations are subject to prepayment at the option of the Port Authority or upon demand of the holders.

The Port Authority has entered into standby certificate purchase agreements pertaining to the Series 1 and Series 2 versatile structure obligations with certain banks, which provide that during the term of the banks' commitment, if the remarketing entity fails to remarket any obligations that are tendered by the holders, the Port Authority may require the banks, subject to certain conditions, to purchase such unremarketed portion of the obligations. If not purchased prior thereto at the Port Authority's option, the Port Authority has agreed to purchase such portion of the Series 1 obligations within five business days, and such portion of the Series 2 obligations within 90 business days after the purchase thereof by the banks. Under the Series 1 agreements, neither the holder of the obligations, the tender agent, the paying agent nor the remarketing entity has any right to require the banks to make such purchase. Under the Series 2 agreements, however, the tender agent shall deliver a Notice of Purchase to the bank, requesting such a purchase be made. The Series 1 agreements expire August 9, 1995, unless earlier terminated or extended. The period in which the bank would be obligated to make Series 2 purchases would expire on the earlier of May 19, 1997 or the date on which no certificates are outstanding. Series 2 fees of $76,000, including legal fees paid to the banks, were paid in connection with the agreement. The banks did not purchase any of the Series 1 or Series 2 obligations under the agreements in 1994.

3. Obligations in Connection with Operating Asset Financing

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

	Dec. 31, 1993		Dec. 31, 1994
		(In thousands)	
Operating equipment–lease financing obligations	$ 19,903		$ 13,563
Fund buy-out obligation	389,366		392,722
	$409,269		$406,285

A. Operating equipment-lease financing obligations

The Port Authority's lease financing program provides for the purchase of operating equipment 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. The principal amount of the transactions represented by such lettings are subject to prepayment at the option of the Port Authority or upon demand of the participants in such transactions.

	Dec. 31, 1993	Additions	Payments	Dec. 31, 1994
			(In thousands)	
Master financing lease (dated as of 12/1/88)	$ 15,309	$ —	$ 5,516	$ 9,793
Master financing lease (dated as of 1/1/92)*	4,594	—	824	3,770
	$ 19,903	$ —	$ 6,340	$ 13,563

Interest rates, variable, ranged in 1994 from 1.60% to 5.45%.

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

B. Fund buy-out obligation

Dec. 31, 1993	Accretion (a)	Payments	Dec. 31, 1994
		(In thousands)	
$389,366	$ 31,419	$ 28,063	$392,722

(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.

Payment requirements of the Fund buy-out obligation outstanding on December 31, 1994 are:

Year Ending December 31:	Payments
	(In thousands)
1995	$ 28,063
1996	28,063
1997	28,063
1998	28,063
1999	28,063
2000-2021	970,765
	$1,111,080

As of February 24, 1995, the Fund buy-out obligation outstanding totalled $397,977,000.

4. Amounts Payable in Connection with Special Project Bonds

	Dec. 31, 1993	Issued	Refunded/ Retired	Dec. 31, 1994
			(In thousands)	
Series 1R, Delta Air Lines, Inc. Project (a)(b)				
6.95% term bonds, due 2008	$ 96,500	$ —	$ —	$ 96,500
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)(c)*				
9%-9 1/8%, due 2006-2015	202,075	$ —	$ —	202,075
Less: unamortized discount and premium	10,320			10,004
Total - Series 2	191,755			192,071
Series 3, KIAC Partners Project (a)(d)*				
Due 2014	175,000	$ —	$ —	175,000
Interest rates, variable, ranged in 1994 from 1.6% to 3.05%.				
Grand total	$463,255			$463,571

(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 are 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) Special Project Bonds, Series 1R Delta Air Lines, Inc. Project, were issued in connection with a project including the construction of a passenger terminal building at LaGuardia Airport to be leased to Delta Air Lines, Inc.

(c) Special Project Bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued 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. The leasehold interest of Eastern Air Lines, Inc. was assigned to Continental Airlines, Inc. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern, was subsequently assigned to USAir, Inc. (with Continental to remain liable under both underlying leases).

(d) Special Project Bonds, Series 3, KIAC Partners Project, were issued in connection with a project at John F. Kennedy International Airport which includes the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.

5. Financing

A. Interest Rate Swap Agreements

The Port Authority records interest rate swap agreements pursuant to the settlement method of accounting whereby cash paid or received under the terms of the swap is charged or credited to the related interest expense account for the purpose of managing interest rate exposure. Each swap transaction involves the exchange of fixed and variable rate interest payment obligations calculated with respect to an agreed upon nominal principal amount called a "notional amount." As of December 31, 1994, nine interest rate swap agreements were in place with notional amounts aggregating $580,000,000, including offsetting swap agreements with aggregate notional amounts of $220,000,000 (see Note A-1).

In the case of one interest rate swap agreement, with a notional amount of $100,000,000, the exchange of fixed and variable interest payments would commence at a future specified date.

Entering into interest rate swap agreements subjects 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.

B. Port Authority Equipment Notes

The Port Authority has established an issue of special obligations known as Port Authority Equipment Notes with an aggregate principal amount outstanding at any one time not to exceed $100,000,000. As of December 31, 1994 no Port Authority Equipment Notes had been issued.

Note E - Reserves

1. The General Reserve Fund is pledged in support of all outstanding Consolidated Bonds and Notes and all Consolidated Bonds and Notes now or hereafter issued and is not pledged in support of any other obligation of the Port Authority. Statutes which require the Port Authority to create the General Reserve Fund also established the principle of pooling revenues from facilities with established earning power to aid the development of new projects. The statutes also require that the Port Authority apply surplus revenues from all of its existing facilities to maintain the General Reserve Fund in an amount at least equal to 10 percent of the par value of outstanding bonds legal for investment. (Under the legislation pertaining to the New York State Commuter Car Program neither the principal amount of New York State Guaranteed Commuter Car Bonds nor any revenues derived from the New York State Commuter Car Program are attributable to the General Reserve Fund.) At December 31, 1994, the General Reserve Fund balance was $579,329,000 and met the prescribed statutory amount.

The balance remaining of all net revenues of the Port Authority's existing facilities (other than net revenues derived from cars acquired under the New York State Commuter Car Program) 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 all existing facilities of the Port Authority and any additional facility financed by Consolidated Bonds.

The payment of the principal of, and interest on, other capital asset financing obligations (versatile structure obligations, commercial paper obligations, variable rate master notes) of the Port Authority is payable solely from the proceeds of obligations issued for such purposes or from net revenues 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. Payment of the principal of, and interest on, other capital asset financings is subject in all respects to the payment of debt service on Consolidated Bonds and Notes and to the payment into the General Reserve Fund of the amount necessary to maintain the fund at the amount specified in the General Reserve Fund statutes. Other capital asset financing obligations, and the interest thereon, are not secured by or payable from the General Reserve Fund. Payment of principal of, and interest on, operating asset financing is payable out of the same revenues as operating expenses. Expenses associated with operating asset financing (lease financing obligations, equipment notes) are payable in the same manner and out of the same revenues as operating expenses.

The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund.

At December 31, 1994, 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).

2. 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-1-b). 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, 1994 totalled $22,695,000 (see Schedule D).

Note F - Government Contributions in Aid of Construction

The Port Authority receives contributions in aid of construction for capital purposes from government agencies. Federal funding (including amounts receivable) from the Airport Improvement and the Airport Development Aid Programs was $43,309,000 in 1994 and $35,303,000 in 1993.

Charges representing amortization of assets relating to government contributions were $23,589,000 in 1994 and $20,512,000 in 1993.

	December 31, 1994	December 31, 1993
	(In thousands)	
Cumulative government contributions	$592,784	$549,475
Less: Accumulated amortization of assets acquired with government contributions	236,200	212,611
Government contributions in aid of construction	$356,584	$336,864

Note G - Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to $622,822,000 in 1994 and $606,964,000 in 1993.

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, bus terminals, rail facilities, industrial parks, the Newark Legal and Communications Center, the Teleport, and the World Trade Center.

Minimum future rentals scheduled to be received on operating leases in effect on December 31, 1994 are:

Year Ending December 31:	(In thousands)
1995	$ 520,339
1996	445,266
1997	410,728
1998	401,537
1999	350,620
Later years	3,535,822
Total minimum future rentals	$5,664,312

Investments in such facilities as of December 31, 1994 include property associated with minimum rentals derived from operating leases. 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 (see Note D-1) and Newark for various air terminals, marine terminals and other facilities, aggregated $44,677,000 in 1994 and $39,647,000 in 1993. The terms of such leases expire at various times from 1994 to 2031 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1994 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)
1995	$ 34,651
1996	34,403
1997	34,327
1998	33,718
1999	34,183
Later years	818,751
Total minimum future rentals	$990,033

Note H - 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 Fund agreement 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. In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the Fund. The present value (calculated at the time of the termination agreement) of the cost to the Port Authority of its purchase of the Fund's interest in the World Trade Center subleased space was approximately $430,500,000, including semi-annual payments to the States to be made over a period of years ending in 2021.

	Dec. 31, 1993	Amortization	Dec. 31, 1994
		(In thousands)	
Unamortized costs for Fund buy-out	$421,630	$ 2,718	$418,912

2. Regional and Other Programs

Pursuant to recommendations outlined by the Governors of New York and New Jersey and to existing legislation, the Port Authority has certified several facilities described briefly below under which certain projects, not otherwise a part of Port Authority facilities, have been and/or will in the future be undertaken.

Regional Programs

Regional Development Facility. This facility was established in conjunction with a centralized program of up to $250,000,000 for transportation, economic development and infrastructure renewal projects authorized in connection with the Governors' Program of June 1983. Some of these Program projects have been associated with existing Port Authority facilities. The balance of $139,479,000 was associated with the Regional Development Facility.

Regional Economic Development Program. This facility was established in conjunction with a centralized program of up to $400,000,000 for transportation, economic development and infrastructure renewal projects authorized pursuant to Gubernatorial request. As of December 31, 1994, $394,000,000 had been authorized of which $325,650,000 was associated with the Regional Economic Development Program facility and the balance has been associated with existing Port Authority facilities.

Other Programs

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. 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 $103,450,000.

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.

Bus Programs. The Port Authority has substantially completed provision of bus and ancillary bus facilities in each State in an authorized amount of up to $440,000,000 approximately $220,000,000 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 Port Authority is not permitted to incur operating or maintenance expenses under the Port Authority Bus Programs and does not expect to derive any revenue from this capital investment. Further, the bus or ancillary bus facility lessees are 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.

As of December 31, 1994, $1,149,750,000 was authorized for Regional and Other Programs of which $917,310,000 has been expended. Costs for regional and other programs (as well as costs associated with existing Port Authority facilities) are deferred and amortized over the period benefited. As of December 31, 1994, the unamortized costs of the regional and other programs are as follows:

	Dec. 31, 1993	Additional Project Expenditures	Amortiz-ation	Dec. 31, 1994
		(In thousands)		
Unamortized cost of regional programs	$222,993	$67,650	$8,991	$281,652
Unamortized cost of Oak Point Freight Link	34,644	—	1,274	33,370
Unamoritzed cost of New Jersey Marine Development	14,887	318	529	14,676
Unamortized cost of Bus Programs	65,968	—	25,340	40,628
Unamortized cost of Regional and Other Programs	$338,492	$67,968	$36,134	$370,326

Note I - Pension and Retirement Plans and Other Employee 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), collectively termed as the "Retirement Systems". 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 public service (generally ten years), 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.

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 1994 was $477,274,000 of which $355,725,000 and $115,966,000 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. In November of each year, the ERS and PFRS bill participating employers for their share of total estimated contributions due for the Retirement Systems' fiscal year ending March 31 of the succeeding year. The prepayment of $5,539,000 for the first three months of 1995 is included in "Other assets".

Effective April 1, 1990, the funding policy for the Retirement Systems changed from the aggregated cost method to the modified projected unit credit method. As a result of this legislated change, employer contributions were generally lower than would have been the case under the aggregate cost funding method. However, over the long-term, employer contributions were expected to be higher under the modified projected unit credit funding method than under the aggregate cost funding method. On November 16, 1993, the New York Court of Appeals held that the change to the unit credit actuarial method was unconstitutional. Consequently, the Retirement Systems returned to the aggregate method on April 1, 1994, using a four year phase-in for ERS and immediate application for PFRS. Employer contributions to ERS will be capped at a percentage of payroll that increases each year during the phase-in. The percentages, which apply to the year the contributions are required and not the ERS fiscal year are as follows:

1994	0%
1995	1.5%
1996	3.0%
1997	4.5%
Thereafter	Full Aggregate Cost

In 1994, Port Authority contributions to the two retirement systems totalled $28,612,000 consisting of payments of $715,000 and $27,897,000 for ERS and PFRS, respectively, which were the actuarially determined funding requirements. The return to the aggregate cost method and the Port Authority's election to adopt an improved benefit plan pursuant to a union agreement contributed to the increase in funding for PFRS. These contributions for the ERS and PFRS represented approximately 0.2% and 5.9%, respectively, of the total Port Authority covered payroll for 1994. The Port Authority's contribution for the ERS and PFRS amounted to approximately 0.1% and 5.3%, respectively, of the total amount billed by the Retirement Systems to participating employers. Employee contributions of $6,637,000 to the ERS represented 1.4% of the total Port Authority covered payroll in 1994.

Based on information disclosed by the Retirement Systems in their annual report, 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, 1994, the assets in excess of pension benefit obligation were as follows:

	ERS	PFRS	Total
		(In millions)	
Total pension benefit obligation	$49,879	$10,267	$60,146
Net assets available for benefits	50,835	9,287	60,122
Assets in excess of/ (unfunded) pension benefit obligation	$ 956	($ 980)	($ 24)

The "Net Assets Available for Benefits" as reported in the supplement to the 1994 Annual Report of the New York State and Local Retirement Systems, includes $1,100,000,000 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, 1994, but which are to be received over the next 11 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, by PATH on August 6, 1964, and has been amended from time to time thereafter. The PATH Exempt Employees' Supplemental Pension Plan (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 1994 was $63,235,000 of which $8,343,000 represented the cost for exempt employees. The "Pension benefit obligation" of the Plan shown below is based on the actuarial present value of credited projected benefit 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 120 active and 36 retired employees covered under this Plan. The actuarially determined valuation of this unfunded pension benefit obligation liability was reviewed in 1993 for the purpose of adjusting the annual accruals and updating the valuation of the pension benefit liability obligation. At December 31, 1993 the pension benefit obligation, based on the projected unit credit cost method, was estimated to be $14,392,000 of which $11,201,000 and $3,191,000 represent the cost for active and retired employees, respectively. Significant actuarial assumptions utilized in the calculation of this liability include a salary scale adjustment of 4% per annum (based on 3.5% cost of living and 0.5% for merit) and interest at the rate of 7% per annum. These assumptions which were revised from those utilized in the last valuation completed in 1989 have contributed to the increase in the pension benefit obligation. In 1994 PATH recognized $2,061,000 of expense representing 3.3% 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, 1994, the amount of this obligation that was accrued was $9,709,000 and is included in "Accrued pension, retirement and other employee benefits" on the Combined Statements of Financial Position.

The following is required supplementary information (unaudited). The value identified as "Pension benefit obligation" is provided 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
1993	$14,392	$ 7,671	187.6
1994	$14,392	$ 8,343	172.5

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 1994 for these employees was $54,893,000. For the year 1994, contributions made by PATH in accordance with the terms of various collective bargaining agreements totalled $2,969,000, which represented approximately 4.7% of the total PATH covered payroll for 1994. 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. That study estimated the actuarial 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 $306,800,000 as of December 31, 1994, and consisting of the following:

	Port Authority	PATH	Total
		(In millions)	
Retirees	$158.0	$ 6.6	$164.6
Active	134.8	7.4	142.2
TOTAL	$292.8	$14.0	$306.8

The obligation accrued to date is $142,703,000.

The cost of providing health care, dental and life insurance benefits, not including the accrual for prior service costs, totalled approximately $74,222,000 in 1994 and $65,411,000 in 1993. Retired employees constitute 34 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.

Note J - Commitments and Certain Charges to Operations

1. At December 31, 1994, pursuant to various contracts entered into by the Port Authority, approximately $778,721,000 of construction was expected to be completed within the next three years.

2. On December 15, 1994, the Board of Commissioners adopted the annual budget for 1995. 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.

The 1995 budget anticipates gross capital expenditures for the year 1995 to be approximately $668,669,000 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.

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. Port Authority construction costs are subject to, among other things, 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 and associated proceedings which may arise during the course of construction 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.

3. Other operating expenses of $169,110,000 in 1994 and $141,096,000 in 1993 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.

4. 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, 1994, the Port Authority had provided a net amount of $182,956,151 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.

5. On February 26, 1993, various building systems at the World Trade Center (WTC) sustained damage as a result of an explosion in the parking garage levels under the hotel at the WTC. By mid-April 1993, all areas of the WTC, except certain below grade areas, the Vista International Hotel and the Windows on the World restaurant, were reopened. A phase-in of underground parking limited to World Trade Center tenants commenced on March 30, 1994. The nature and scope of future parking operations at the World Trade Center will be dependent upon the recommendations resulting from the continuing review of this matter. Due to unforeseen construction delays, the Vista International Hotel was only able to partially reopen in November 1994, with approximately half of the hotel rooms renovated. It is presently expected that the hotel will be completely reopened in Spring 1995.

6. Events or transactions that are unusual and unrelated to the Port Authority's ordinary activities have been separately stated on the Combined Statements of Income as "Extraordinary items". During 1994 and 1993 extraordinary items consisted of the following items and amounts:

a. gains on the purchase of Port Authority bonds in connection with future sinking fund requirements of $4,747,000 in 1994 and $151,000 in 1993;

b. a penalty of $1,488,000 incurred in 1993 in connection with the accelerated retirement of the leasehold mortgage pertaining to the Vista International Hotel at the World Trade Center and

c. expenses in 1993 associated with the explosion at the World Trade Center, including an estimate for unasserted claims arising from the event, net of anticipated insurance recoveries, estimated to be $32,500,000.

Note K–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 (loss) gain on disposition of assets less net interest expense (interest expense less financial income).

1994	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade (b)	Regional Development	Combined Total
				(In thousands)		
Gross operating revenues	$ 572,054	$ 931,059	$ 96,675	$287,826	$ 92,060	$1,979,674
Interdepartmental revenues	3,460	—	897	53,439	1,503	
Revenues from operations	$ 575,514	$ 931,059	$ 97,572	$341,265	$ 93,563	
Gross operating income (loss)	$ 69,818	$ 282,354	($ 13,138)	$ 72,401	$ 476	$ 411,911
General administrative and development expenses	(69,499)	(55,539)	(6,887)	(10,770)	(1,590)	(144,285)
Income (loss) from operations	$ 319	$ 226,815	($ 20,025)	$ 61,631	($ 1,114)	$ 267,626
Net income (loss) Port Authority operations	($ 77,131)	$ 168,862	($ 38,068)	$ (943)	$ 56	$ 52,776
Net income PFC program						99,767
Combined net income						$ 152,543

1993	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade (b)	Regional Development	Combined Total
Gross operating revenues	$ 572,792	$ 838,618	$ 92,424	$323,494	$ 93,576	$1,920,904
Interdepartmental revenues	3,493	—	821	42,340	933	
Revenues from operations	$ 576,285	$ 838,618	$ 93,245	$365,834	$ 94,509	
Gross operating income (loss)	$ 78,211	$ 240,484	($ 19,120)	$115,358	($ 6,728)	$ 408,205
General administrative and development expenses	(65,718)	(49,803)	(6,475)	(13,320)	(1,655)	(136,971)
Income (loss) from operations	$ 12,493	$ 190,681	($ 25,595)	$102,038	($ 8,383)	$ 271,234
Net income (loss) by operating segment	($ 66,101)	$ 130,744	($ 43,891)	$ 36,718	($ 6,924)	$ 50,546
Net loss on WTC explosion						(32,500)
Net income Port Authority operations						18,046
Net income PFC program						89,543
Combined net income						$ 107,589

(a) See Schedule F for detailed information on Port Authority operations for each segment.
(b) See Note J-5.

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.

1994 Assets	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade	Regional Development	PFC Program	Combined Total
				(In thousands)			
Facilities, net-beginning of year	$2,163,937	$2,150,492	$679,859	$ 945,801	$248,803	$12,050	$ 6,200,942
Net capital expenditures	121,691	333,484	42,210	89,962	7,442	8,603	603,392
Amortization	(69,746)	(130,492)	(27,978)	(29,145)	(10,615)	—	(267,976)
Facilities, net-end of year	2,215,882	2,353,484	694,091	1,006,618	245,630	20,653	6,536,358
Unamortized costs for Regional and Other Programs	322,280	—	48,046	—	—	—	370,326
Total	$2,538,162	$2,353,484	$742,137	$1,006,618	$245,630	$20,653	6,906,684
Cash, investments, accounts receivable, other amounts receivable, unamortized costs for Fund buy-out and other assets							3,158,236
Total assets							$10,064,920

1993 Assets	Interstate Transportation Network	Air Terminals	Marine & Other Facilities	World Trade	Regional Development	PFC Program	Combined Total
Facilities, net-beginning of year	$2,109,350	$2,000,083	$663,866	$916,616	$252,677	$ 1,934	$ 5,944,526
Net capital expenditures	121,055	279,309	50,308	56,671	6,281	10,116	523,740
Amortization	(66,468)	(128,900)	(34,315)	(27,486)	(10,155)	—	(267,324)
Facilities, net-end of year	2,163,937	2,150,492	679,859	945,801	248,803	12,050	6,200,942
Unamortized costs for Regional and Other Programs	288,961	—	49,531	—	—	—	338,492
Total	$2,452,898	$2,150,492	$729,390	$945,801	$248,803	$12,050	6,539,434
Cash, investments, accounts receivable, other amounts receivable, unamortized costs for Fund buy-out and other assets							2,830,443
Total assets							$ 9,369,877

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

	Year Ended December 31, 1994			1993
	Operating Fund	**Reserve Funds**	**Combined Total**	Combined Total
		(In thousands)		
Gross operating revenues	$1,979,674	$ —	**$1,979,674**	$1,920,904
Operating expenses:				
Employee compensation, including benefits	612,722	—	**612,722**	598,663
Contract and consultant services	395,972	—	**395,972**	359,455
Heat, light and power	87,136	—	**87,136**	85,954
Materials, equipment and supplies	81,290	—	**81,290**	94,548
Rents and amounts in-lieu of taxes	61,708	—	**61,708**	60,567
Other (Note J-3)	169,110	—	**169,110**	141,096
Total operating expenses	1,407,938	—	**1,407,938**	1,340,283
Amounts in connection with operating asset financings	32,103	—	**32,103**	32,774
Net operating revenues	539,633	—	**539,633**	547,847
Financial income				
Income on investments (includes gain of $4,797,000 in 1994 and $146,000 in 1993 on purchase of Port Authority bonds)	37,631	40,889	**78,520**	76,550
Net loss on WTC explosion	—	—	**—**	(32,500)
Net revenues available for debt service and reserves	577,264	40,889	**618,153**	591,897
Debt service				
Interest on bonds, notes and other capital obligations	259,400	—	**259,400**	258,458
Debt maturities and retirements	75,745	—	**75,745**	67,675
Repayment of commercial paper obligations	—	343	**343**	178
Debt retirement acceleration	—	27,062	**27,062**	3,458
Total debt service	335,145	27,405	**362,550**	329,769
Payments in connection with leasehold acquisition obligation	—	—	**—**	35,687
Transfers to reserves	($ 242,119)	242,119	**—**	—
Revenues after debt service and transfers to reserves		255,603	**255,603**	226,441
Direct investment in facilities		(224,622)	**(224,622)**	(185,071)
Appropriations for self-insurance		710	**710**	7,081
Increase (decrease) in reserves		31,691	**31,691**	48,451
Reserve balances, January 1		831,008	**831,008**	782,557
Reserve balances, December 31 (Schedule C)		$862,699	**$ 862,699**	$ 831,008

See Notes to Combined Financial Statements.

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

	December 31, 1994				1993
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	Combined Total
			(In thousands)		
Assets					
Invested in facilities	$ —	$11,118,503	$ —	**$11,118,503**	$10,432,103
Cash (Note C)	34,901	(901)	1,000	**35,000**	32,033
Investments (Note C)	238,159	227,672	861,699	**1,327,530**	1,028,100
Accounts receivable (net of allowance for doubtful accounts of $15,580,000 in 1994 and $27,300,000 in 1993)	63,237	1,000	—	**64,237**	43,467
Other amounts receivable (net of allowance for doubtful accounts of $17,916,000 in 1994 and $11,337,000 in 1993)	230,232	216,607	—	**446,839**	453,932
Amounts receivable in connection with Special Project Bonds	—	463,571	—	**463,571**	463,255
Unamortized costs for Fund buy-out (Note H)	418,912	—	—	**418,912**	421,630
Deferred compensation plan assets (Note I-3)	123,637	—	—	**123,637**	103,657
Other assets	256,075	33,352	—	**289,427**	294,703
Total assets	1,365,153	12,059,804	862,699	**14,287,656**	13,272,880
Liabilities					
Consolidated Bonds and Notes (Note D-1)	—	4,650,350	—	**4,650,350**	4,286,668
Obligations in connection with other capital asset financing (Note D-2)	—	655,806	—	**655,806**	559,963
Obligations in connection with operating asset financing (Note D-3)	406,285	—	—	**406,285**	409,269
Amounts payable in connection with Special Project Bonds (Note D-4)	—	473,575	—	**473,575**	473,575
Accounts payable	147,893	172,450	—	**320,343**	363,373
Accrued pension, retirement and other employee benefits (Note I)	175,595	—	—	**175,595**	148,042
Deferred compensation obligation (Note I-3)	123,637	—	—	**123,637**	103,657
Accrued interest and other liabilities	290,592	2,430	—	**293,022**	241,119
Deferred income in connection with PFCs	187,010	—	—	**187,010**	98,712
Total liabilities	1,331,012	5,954,611	—	**7,285,623**	6,684,378
Net assets	$ 34,141	$ 6,105,193	$862,699	**$ 7,002,033**	$6,588,502
Net assets are composed of:					
Debt retired through income	$ —	$ 3,091.062	$ —	**$3,091,062**	$2,987,912
Reserves (Schedule C)	—	—	862,699	**862,699**	831,008
Government contributions in aid of construction (Note F)	—	592,782	—	**592,782**	549,473
PFCs invested in facilities	—	20,300	—	**20,300**	8,831
Appropriated reserves invested in facilities	—	2,401,049	—	**2,401,049**	2,176,427
Appropriated reserves for self-insurance	34,141	—	—	**34,141**	34,851
Net assets	$ 34,141	$ 6,105,193	$862,699	**$ 7,002,033**	$6,588,502

See Notes to Combined Financial Statements.

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

	Year Ended December 31, 1994			1993
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
		(In thousands)		
Balance, January 1	$534,011	$296,997	**$831,008**	$782,557
Income on investments (includes gain on purchase of Port Authority bonds)	27,573	13,316	**40,889**	46,879
Transfers from operating fund	17,745	224,374	**242,119**	218,885
	579,329	534,687	**1,114,016**	1,048,321
Applications:				
Repayment of commercial paper obligations	—	343	**343**	178
Debt retirement acceleration	—	27,062	**27,062**	3,458
Payments in connection with leasehold acquisition obligation	—	—	**—**	35,687
Direct investment in facilities	—	224,622	**224,622**	185,071
Self-insurance	—	(710)	**(710)**	(7,081)
Total applications	—	251,317	**251,317**	217,313
Balance, December 31 (Note E)	$579,329	$283,370	**$862,699**	$831,008

NOTE: The above schedule reflects the valuation of securities in accordance with the accounting principles stated in Note A-1. Had the market value of securities at December 31, 1994 been used, the respective reserve fund balances at December 31, 1994 would be:

General Reserve Fund	Consolidated Bond Reserve Fund
$579,329	$253,906

See Notes to Combined Financial Statements.

Schedule D

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

	December 31, 1994	1993
	(In thousands)	
Assets		
Invested in commuter cars, at cost (a)	**$156,401**	$156,374
Cash and investments in U.S. Government securities, at cost (which approximates market)	**1,013**	1,009
Other assets	**191**	298
Total assets	**157,605**	157,681
Liabilities		
State Guaranteed Commuter Car Bonds (due 1995–1996)	**22,695**	33,365
Other liabilities	**8,445**	8,521
Total liabilities	**31,140**	41,886
Debt retired (a)	**$126,465**	$115,795

(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 E-2.)

See Notes to Combined Financial Statements.

Schedule E **Selected Statistical Financial Data**

	Year Ended December 31,									
	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
					(In thousands)					
REVENUES AND EXPENSES										
Gross operating revenues (a)	**$ 1,979,674**	$ 1,920,904	$1,933,512	$1,856,895	$1,690,730	$1,526,780	$1,436,940	$1,331,438	$1,169,586	$1,100,840
Operating expenses	**1,407,938**	1,340,283	1,348,392	1,337,406	1,282,298	1,124,218	1,092,502	993,256	937,820	859,843
Amounts in connection with operating asset financings	**32,103**	32,774	31,745	30,669	29,052	1,533	—	—	—	—
Net operating revenues	**539,633**	547,847	553,375	488,820	379,380	401,029	344,438	338,182	231,766	240,997
Income on investments	**73,723**	76,404	88,054	84,054	86,014	92,094	76,858	59,613	76,998	85,644
Gain on purchase of Port Authority bonds	**4,797**	146	724	4,788	2,131	4,871	3,221	5,235	3,571	6,077
Net loss on WTC explosion	**—**	(32,500)	—	—	—	—	—	—	—	—
Net revenues available for debt service and reserves	**618,153**	591,897	642,153	577,662	467,525	497,994	424,517	403,030	312,335	332,718
DEBT SERVICE-OPERATIONS										
Interest on bonds, notes and commercial paper obligations	**(259,400)**	(258,458)	(254,435)	(227,619)	(195,176)	(174,673)	(155,143)	(135,678)	(116,980)	(109,972)
Times, interest earned (b)	**2.38**	2.29	2.52	2.54	2.40	2.85	2.74	2.97	2.67	3.02
Debt maturities and retirements	**(75,745)**	(67,675)	(59,925)	(66,537)	(59,675)	(52,425)	(49,125)	(54,475)	(55,350)	(48,074)
Times, debt service earned (b)	**1.83**	1.81	2.04	1.96	1.83	2.19	2.08	2.12	1.81	2.08
DEBT SERVICE-RESERVES										
Direct investment in facilities–reserves	**(224,622)**	(185,071)	(370,497)	(187,305)	(235,984)	(262,844)	(215,854)	(176,656)	(80,656)	(87,359)
Payments in connection with leasehold acquisition	**—**	(35,687)	(4,015)	(4,005)	(4,097)	(1,941)	—	—	—	—
Debt retirement acceleration	**(27,062)**	(3,458)	—	—	—	—	(2,750)	(2,800)	—	—
Appropriations for self-insurance–reserves	**710**	7,081	865	(1,218)	351	(2,272)	2,139	(2,929)	(4,260)	(4,063)
Repayment of commercial paper obligations	**(343)**	(178)	(126)	(520)	(1,734)	(1,068)	(522)	—	(13,178)	(55,964)
Debt service on bonds secured by trusts	**—**	—	—	—	—	—	—	—	(649)	(1,343)
Net increase (decrease) in reserves	**$ 31,691**	$ 48,451	($ 45,980)	$ 90,458	($ 28,790)	$ 2,771	$ 3,262	$ 30,492	$ 41,262	$ 25,943
RESERVE BALANCES										
January 1	**831,008**	782,557	828,537	738,079	766,869	764,098	760,836	730,344	689,082	663,139
December 31	**$ 862,699**	$ 831,008	$ 782,557	$ 828,537	$ 738,079	$ 766,869	$ 764,098	$ 760,836	$ 730,344	$ 689,082
Reserve fund balances represented by:										
General Reserve	**$ 579,329**	$ 534,011	$ 494,486	$ 471,281	$ 441,614	$ 373,129	$ 335,886	$ 293,294	$ 287,357	$ 271,232
Consolidated Bond Reserve	**283,370**	296,997	288,071	357,256	296,465	393,740	428,212	467,542	442,987	417,204
Special Reserve (c)	**—**	—	—	—	—	—	—	—	—	646
Total	**$ 862,699**	$ 831,008	$ 782,557	$ 828,537	$ 738,079	$ 766,869	$ 764,098	$ 760,836	$ 730,344	$ 689,082
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	**$ 4,650,350**	$ 4,286,668	$ 4,198,785	$ 4,056,744	$ 3,739,020	$ 3,338,250	$ 3,105,675	$ 2,718,550	$ 2,759,825	$ 2,615,175
Fund buy-out obligation	**392,722**	389,366	366,290	383,433	357,067	—	—	—	—	—
Amounts payable in connection with Special Project Bonds	**473,575**	473,575	298,575	298,575	298,575	96,500	96,500	96,500	96,500	96,500
Variable rate master notes	**283,000**	270,000	250,000	217,000	182,000	135,000	25,000	—	—	—
Commercial paper obligations	**187,106**	189,963	170,492	116,430	172,140	161,537	131,684	117,883	17,240	37,870
Versatile structure obligations	**185,700**	100,000	—	—	—	—	—	—	—	—
Leasehold acquisition obligation	**—**	—	33,213	33,809	34,349	34,839	—	—	—	—
Operating equipment-lease financing obligations	**13,563**	19,903	27,008	24,060	24,060	26,476	25,726	24,608	9,882	2,512
General and Refunding Bonds (d)	**—**	—	—	—	—	—	—	—	—	642
Total obligations	**$ 6,186,016**	$ 5,729,475	$ 5,364,363	$ 5,130,051	$ 4,807,211	$ 3,792,602	$ 3,384,585	$ 2,957,541	$ 2,883,447	$ 2,752,699
INVESTED IN FACILITIES AT DECEMBER 31	**$11,118,503**	$10,432,103	$ 9,848,280	$ 9,161,865	$ 8,532,632	$7,825,014	$7,050,152	$6,547,044	$5,876,771	$5,396,493
DEBT RETIRED THROUGH INCOME:										
Annual	**$ 103,150**	$ 104,523	$ 60,647	$ 67,599	$ 61,897	$ 53,719	$ 52,399	$ 57,275	$ 69,170	$ 105,310
Cumulative	**$ 3,091,062**	$ 2,987,912	$ 2,883,389	$2,822,742	$2,755,143	$2,693,246	$2,639,527	$2,587,128	$2,529,853	$2,460,683

(a) Gross operating revenues reflect increased tolls adopted in 1991 and 1987 and increased PATH fares adopted in 1987.

(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 follow:

1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
($3,250)	$3,458	—	$3,352	—	($2,750)	($2,800)	—	—	($1,560)

(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.

Schedule F **Information on Port Authority Operations**

	Gross Operating Revenues	Operating & Maintenance Expenses	Allocated Expenses	Amortiz-ation	Income (Loss) from Operations	Net Interest Expense (a)	Net Income (Loss)	1993 Net Income (Loss)
	Year Ended December 31, 1994							1993
	(In thousands)							
INTERSTATE TRANSPORTATION								
G.W. Bridge & Bus Station	$ 217,535	$ 50,110	$ 12,521	$ 6,411	$148,493	$ 9,226	**$139,267**	$144,540
Holland Tunnel	67,849	35,345	60,012	6,889	19,603	6,281	**13,322**	12,114
Lincoln Tunnel	81,750	47,930	7,850	6,456	19,514	7,697	**11,817**	15,421
Bayonne Bridge	9,959	7,275	1,086	2,160	(562)	1,999	**(2,561)**	(2,533)
Goethals Bridge	51,130	23,087	3,254	708	24,081	541	**23,540**	32,709
Outerbridge Crossing	54,912	9,738	2,930	1,372	40,872	1,042	**39,830**	38,959
P.A. Bus Terminal	22,813	60,633	7,522	6,246	(51,588)	7,579	**(59,167)**	(58,923)
PATH	63,989	155,810	27,287	36,202	(155,311)	31,735	**(187,046)**	(186,409)
Journal Square Transportation Center	2,117	7,936	982	3,127	(9,927)	2,150	**(12,077)**	(11,782)
Ferry Service	—	298	55	173	(526)	16	**(542)**	(502)
Bus Programs	—	—	—	25,340	(25,340)	1,996	**(27,336)**	(36,460)
Regional & Other Programs	—	—	—	8,990	(8,990)	7,188	**(16,178)**	(13,235)
Total Interstate Transportation	572,054	398,162	69,499	104,074	319	77,450	**(77,131)**	(66,101)
AIR TERMINALS								
LaGuardia	186,163	117,024	11,751	22,265	35,123	10,450	**24,673**	25,124
JFK International	445,915	239,822	25,825	67,150	113,118	29,177	**83,941**	51,699
Newark International	297,377	159,760	17,733	39,895	79,989	17,680	**62,309**	56,429
Teterboro	898	198	34	480	186	298	**(112)**	(265)
Heliports	706	1,409	196	702	(1,601)	348	**(1,949)**	(2,243)
Total Air Terminals	931,059	518,213	55,539	130,492	226,815	57,953	**168,862**	130,744
MARINE AND OTHER FACILITIES								
Columbia Street	1	219	15	36	(269)	40	**(309)**	252
Port Newark	34,156	29,075	2,710	8,370	(5,999)	4,930	**(10,929)**	(6,142)
Elizabeth	38,672	13,193	2,117	7,886	15,476	6,345	**9,131**	481
Brooklyn	4,200	12,796	1,049	1,292	(10,937)	1,390	**(12,327)**	(10,013)
Red Hook	2,543	4,471	138	1,754	(3,820)	1,220	**(5,040)**	(4,123)
N.Y.C. Passenger Ship Terminal	10,182	13,336	656	5,057	(8,867)	262	**(9,129)**	(15,696)
Howland Hook	58	5,440	154	1,440	(6,976)	780	**(7,756)**	(6,119)
Greenville Yard	217	40	—	—	177	—	**177**	181
Auto Marine	6,646	1,459	48	2,146	2,993	1,282	**1,711**	942
Oak Point	—	—	—	1,274	(1,274)	1,270	**(2,544)**	(2,634)
N.J. Fisheries	—	—	—	529	(529)	524	**(1,053)**	(1,020)
Total Marine and Other Facilities	96,675	80,029	6,887	29,784	(20,025)	18,043	**(38,068)**	(43,891)
WORLD TRADE								
World Trade Center	264,238	158,230	10,769	27,338	67,901	59,908	**7,993**	39,696
Vista Hotel(b)	23,588	28,050	1	1,807	(6,270)	2,666	**(8,936)**	(2,978)
Total World Trade	287,826	186,280	10,770	29,145	61,631	62,574	**(943)**	36,718
REGIONAL DEVELOPMENT								
Essex County Resource Recovery	65,603	59,574	157	1,428	4,444	(5,942)	**10,386**	4,696
Industrial Park at Elizabeth	566	937	93	828	(1,292)	989	**(2,281)**	(2,302)
Bathgate	3,204	1,963	142	2,013	(914)	1,198	**(2,112)**	(1,802)
Yonkers	2,448	5,200	568	1,184	(4,504)	1,220	**(5,724)**	(5,119)
Teleport	13,764	7,569	328	2,565	3,302	1,891	**1,411**	421
Newark Legal & Communications Center	6,475	5,726	302	2,597	(2,150)	(526)	**(1,624)**	(2,818)
Total Regional Development	92,060	80,969	1,590	10,615	(1,114)	(1,170)	**56**	(6,924)
Total Operations	$1,979,674	$1,263,653	$144,285	$304,110	$267,626	$214,850	**52,776**	50,546
Net Loss on WTC Explosion							**—**	(32,500)
Total Port Authority Operations							**52,776**	18,046
PFC Program							**99,767**	89,543
Combined Total							**$152,543**	$107,589

(a) 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 disposition of assets is included in the net interest expense column.

(b) Vista International Hotel partially reopened November 1994 (see Note J-5).

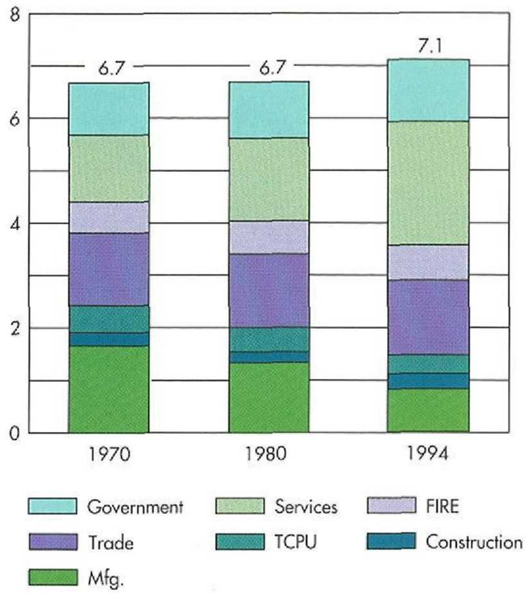
The New York-New Jersey Metropolitan Region

Area	3,900 Square Miles
Population 1994	15.7 Million
Total Labor Force 1994	7.5 Million
Retail Sales 1994	$145 Billion
Total Wage and Salary Jobs	7.1 Million
Total Personal Income (est)	$461 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.

Employment

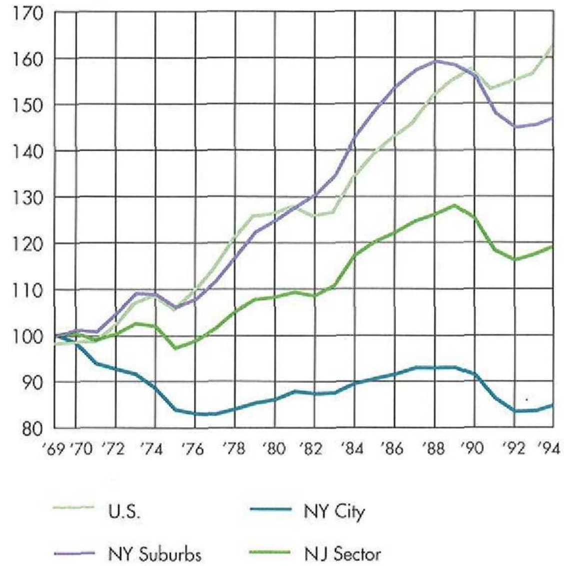
NY-NJ Metropolitan Region Wage & Salary Employment by Major Industry 1970, 1980, 1994
(millions)



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

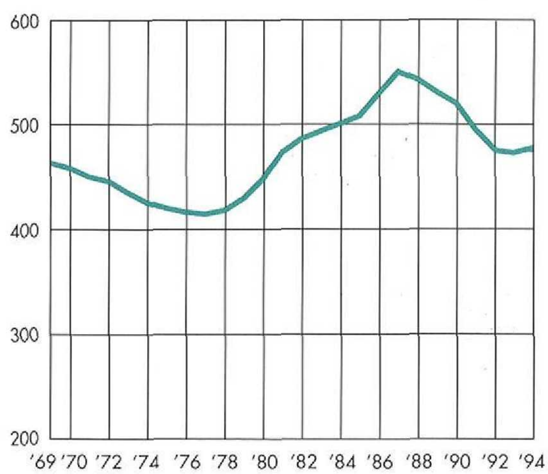
Sources: NY and NJ State Depts. of Labor

Index of Private Employment U.S. and NY-NJ Region 1969-1994
(index: 1969 = 100)



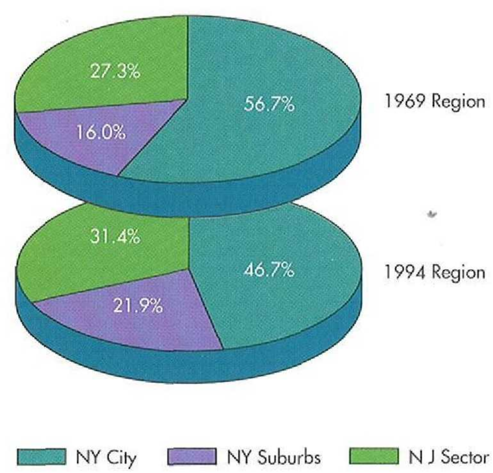
Sources: U.S. Bureau of Labor Statistics
NY and NJ State Depts. of Labor

Employment Trends in Finance, Insurance and Real Estate New York City, 1969-1994
(thousands)



Sources: NY & NJ State Depts. of Labor

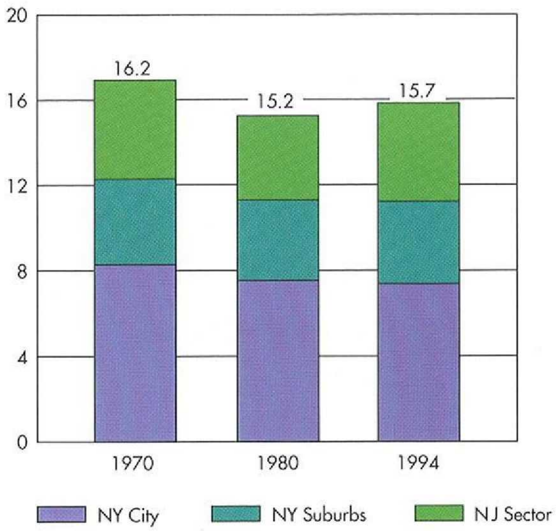
Wage and Salary Employment in the NY-NJ Metropolitan Region by Major Geographic Area
(thousands)



Sources: NY & NJ State Depts. of Labor

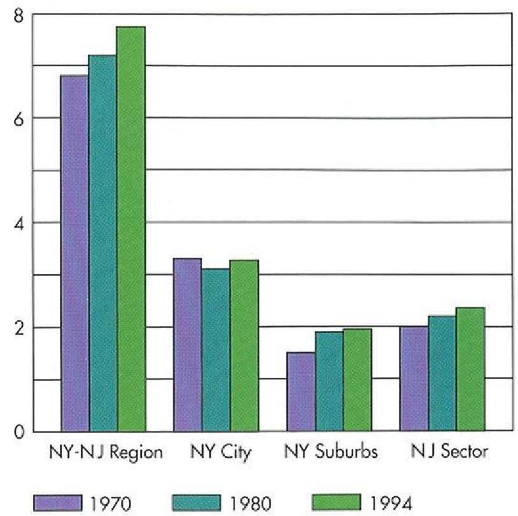
Demographics and Unemployment

Population
NY-NJ Metropolitan Region
1970, 1980, 1994
(in millions)



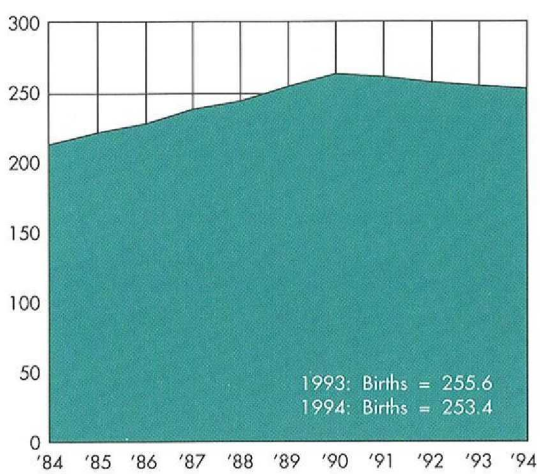
Source: U.S. Bureau of the Census

Total Labor Force
NY-NJ Metropolitan Region
1970, 1980, 1994
(millions)



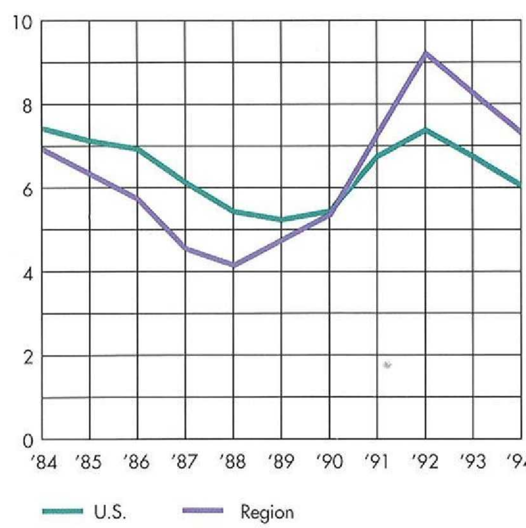
Sources: NY and NJ State Depts. of Labor

Number of Births
NY-NJ Metropolitan Region
1984 -1994
(in thousands)



Sources: NY and NJ State Depts. of Health

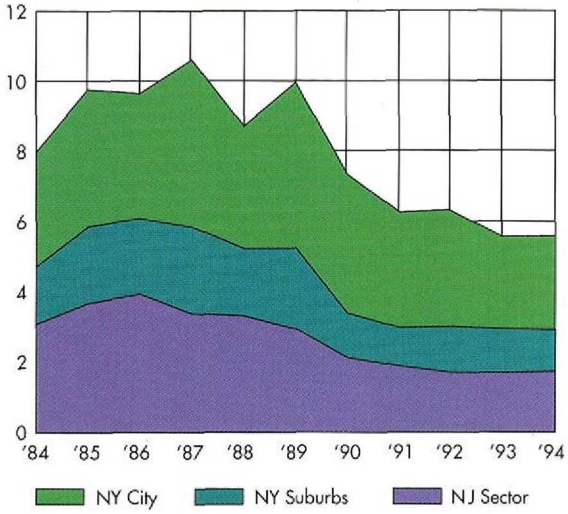
Unemployment Rates
U.S. and NY-NJ Region
1984-1994
(percent)



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
1984-1994
(billions of 1982 dollars)

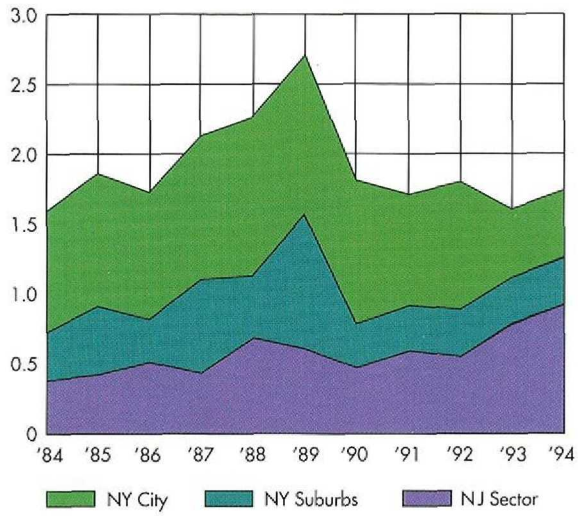


1993: Region = $5.663   1994: Region = $5.608

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
1984-1994
(billions of 1982 dollars)

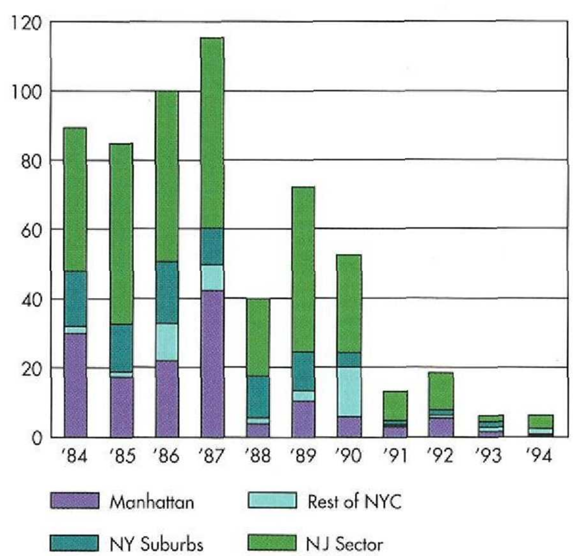


1993: Region = $1.596   1994: Region = $1.747

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 Construction
NY-NJ Metropolitan Region
1984-1994
(index of square feet 1986 = 100)



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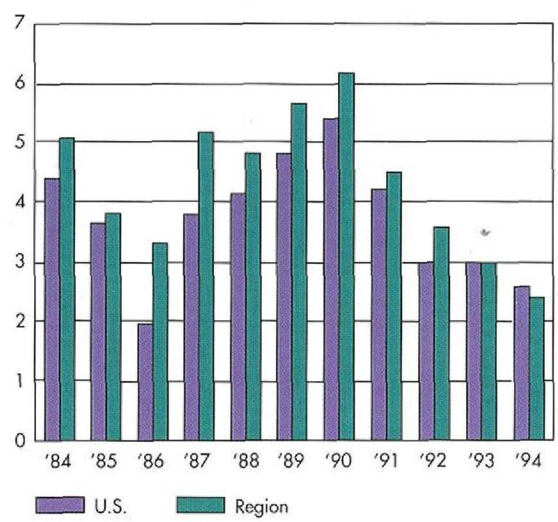
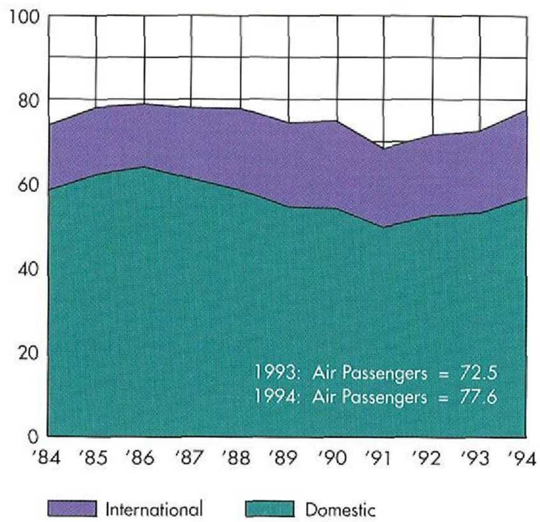
Percent Change in Consumer Price Index
U.S. and NY-NJ Metropolitan Region
1984-1994
(percent)



Source: U.S. Bureau of Labor Statistics

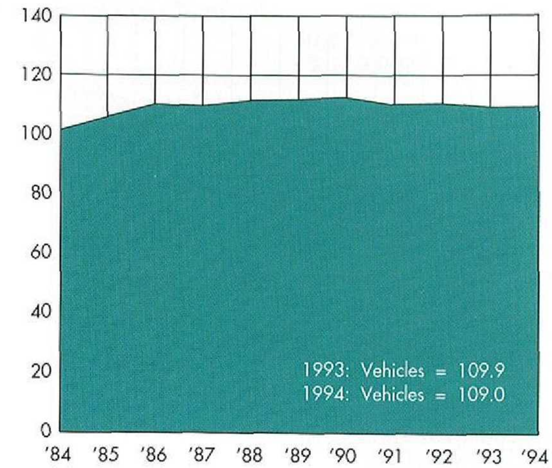
Regional Traffic Trends

Domestic and International Air Passenger Traffic
NY-NJ Metropolitan Region
1984-1994
(millions)



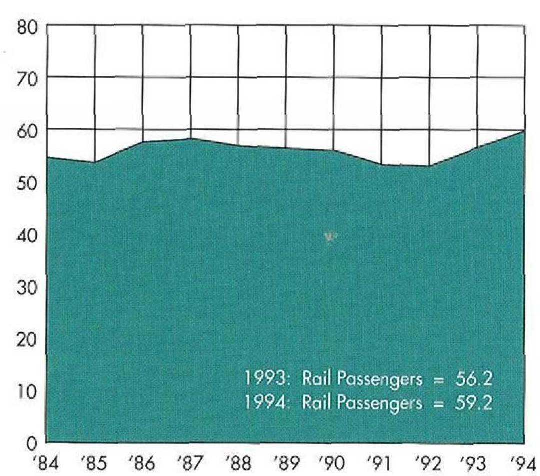
Note: Data were revised to reflect reclassification of Puerto Rico from an international to a domestic market. Also, prior to 1988, Canadian and Mexican passengers were included in domestic traffic data.
Source: The Port Authority of NY & NJ

Port Authority Tunnels and Bridges
Annual Eastbound Vehicular Traffic
1984-1994
(millions)



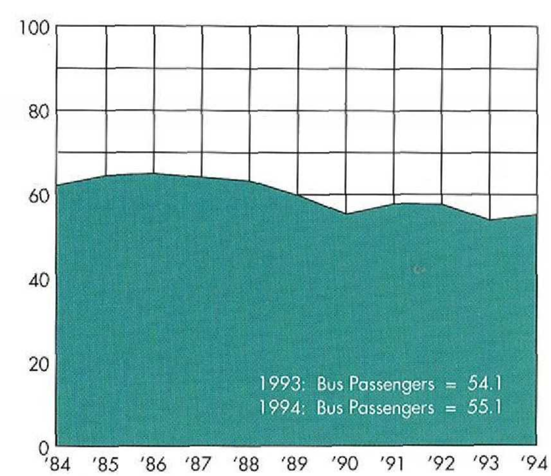
Source: The Port Authority of NY & NJ

Port Authority Trans-Hudson
Rail Passenger Traffic
1984-1994
(millions)



Source: The Port Authority of NY & NJ

Bus Passenger Traffic
through Port Authority Terminals
1984-1994
(millions)

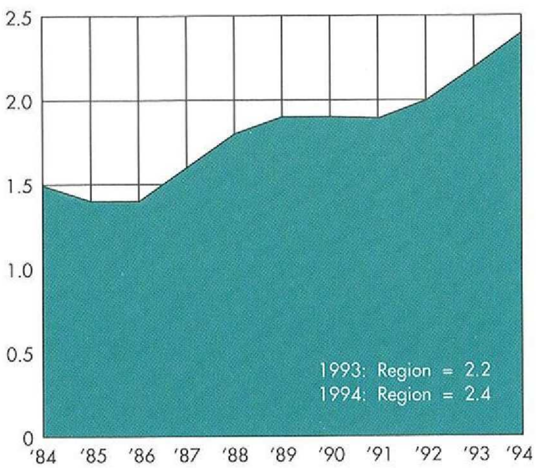


Note: Information excluded for the Journal Square Transportation Center

Source: The Port Authority of NY & NJ

Regional Cargo Trends

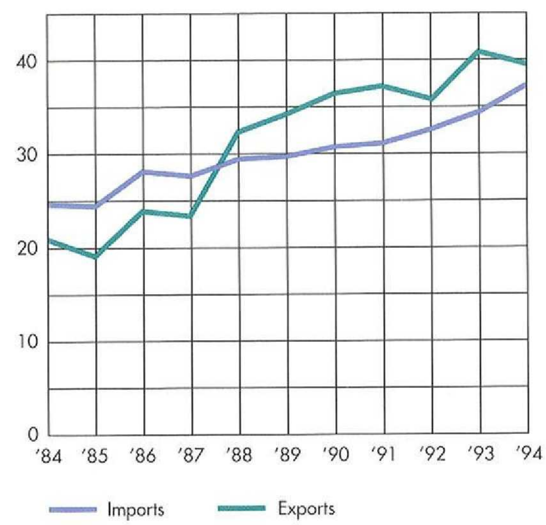
Air Cargo Traffic
NY-NJ Metropolitan Region
1984-1994
(millions of short tons)



Source: The Port Authority of NY & NJ

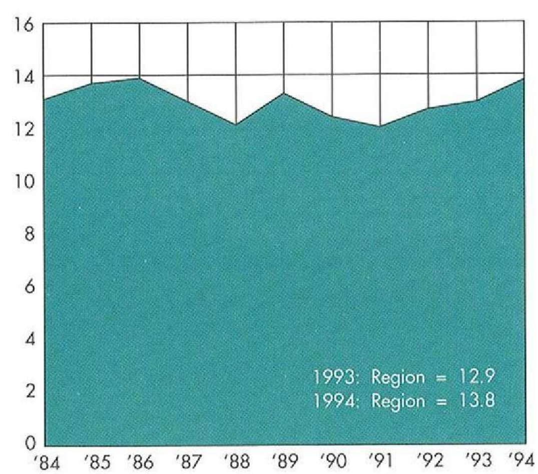
Value of the Port's Airborne Foreign Trade
1984-1994

(billions of dollars)



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

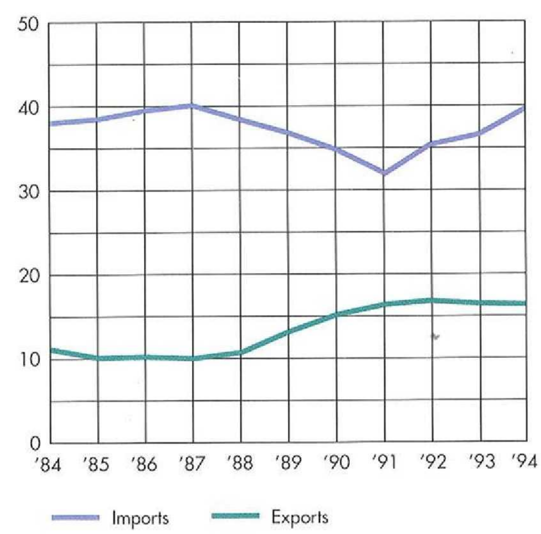
Oceanborne General Cargo
The Port of NY & NJ
1984-1994
(millions of long tons)



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

Value of the Port's Oceanborne Foreign Trade
1984-1994

(billions of dollars)



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

Facility Traffic

TUNNELS AND BRIDGES

(Eastbound Traffic in thousands)	1994	1993
All Crossings		
Automobiles	**99,843**	100,691
Buses	**2,142**	2,085
Trucks	**7,011**	7,111
Total vehicles	**108,996**	109,887
George Washington Bridge		
Automobiles	**42,329**	43,241
Buses	**244**	242
Trucks	**3,547**	3,652
Total vehicles	**46,120**	47,135
Lincoln Tunnel		
Automobiles	**17,238**	17,260
Buses	**1,586**	1,526
Trucks	**833**	838
Total vehicles	**19,657**	19,624
Holland Tunnel		
Automobiles	**14,634**	14,375
Buses	**124**	119
Trucks	**923**	892
Total vehicles	**15,681**	15,386
Staten Island Bridges		
Automobiles	**25,642**	25,815
Buses	**188**	198
Trucks	**1,708**	1,729
Total vehicles	**27,538**	27,742
Cumulative PA Investment in Tunnels and Bridges (In thousands)	**$1,366,700**	$1,296,200

AIR TERMINALS

	1994	1993
Totals at the Three Major Airports		
Plane movements	**1,117,700**	1,108,000
Passenger traffic	**77,560,000**	72,387,000
Cargo-tons	**2,399,200**	2,154,000
Revenue mail-tons	**252,400**	247,000
Kennedy International Airport		
Plane movements	**343,300**	333,000
Passenger traffic		
Total	**28,810,000**	26,790,000
Domestic	**12,909,000**	11,781,000
Overseas	**15,901,000**	15,009,000
Cargo-tons	**1,486,200**	1,414,000
LaGuardia Airport		
Plane movements	**337,700**	337,000
Passenger traffic	**20,730,000**	19,804,000
Cargo-tons	**40,400**	46,000
Newark International Airport		
Plane movements	**436,700**	438,000
Passenger traffic	**28,020,000**	25,793,000
Cargo-tons	**872,600**	694,000
Cumulative PA Investment in Air Terminals (In thousands)	**$4,201,000**	$3,852,600

TERMINALS

	1994	1993
All Bus Facilities		
Passengers	**64,155,720**	62,182,400
Bus movements	**3,167,600**	3,044,000
Port Authority Bus Terminal		
Passengers	**50,877,600**	49,680,000
Bus movements	**2,119,900**	2,070,000
George Washington Bridge Bus Station		
Passengers	**4,266,000**	4,276,800
Bus movements	**197,500**	198,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**9,012,120**	8,225,600
Bus movements	**850,200**	776,000
Cumulative PA Investment in Bus Facilities (In thousands)	**$481,900**	$463,800

MARINE TERMINALS

	1994	1993
All Terminals		
Ship arrivals	**2,910**	3,152
General cargo (a) (Long tons)	**13,800,000**	12,902,676
New Jersey Marine Terminals		
Ship arrivals	**2,482**	2,744
New York Marine Terminals		
Ship arrivals	**199**	189
Passenger Ship Terminal		
Ship arrivals	**229**	219
Passengers	**463,160**	437,203
Cumulative PA Investment in Marine Terminals (In thousands)	**$1,199,000**	$1,152,300

PATH

	1994	1993
Total passengers	**59,236,000**	56,243,000
Passenger weekday average	**206,900**	197,900
Cumulative PA Investment in PATH (In thousands)	**$1,238,700**	$1,200,900

	1994	1993
Total Port Authority Cumulative Invested in Facilities, including the above (In thousands)	**$11,118,500**	$10,432,100

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

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
- Business Development Offices:
  - London
  - Tokyo

  Representatives in Belgium, Germany, Hong Kong, Russia, Seoul, Singapore, South Africa
- Investment Development
- Global Infrastructure Advisors

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
- Caribbean-Latin America

1994 Annual Report

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Some photographs were taken by the following students as part of a photo contest sponsored by the Port Authority:

Andre Costantini, Cook College, Rutgers, The State University of New Jersey; page 14, bottom.

Koichiro Kamoji, Parsons School of Design, New School for Social Research, page 11 and signature noted above.

Elaine Roake, Jersey City State College, signature noted above.

Michael Schmelling, Tisch School of the Arts, New York University, page 15, bottom.

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