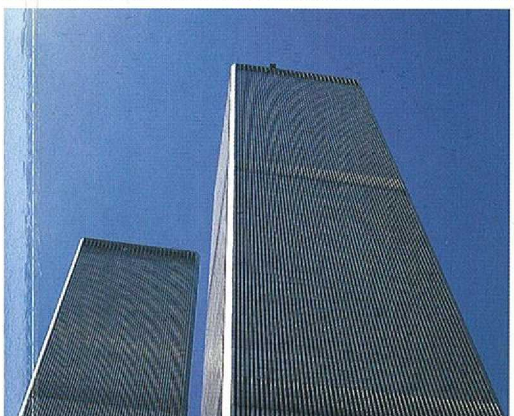



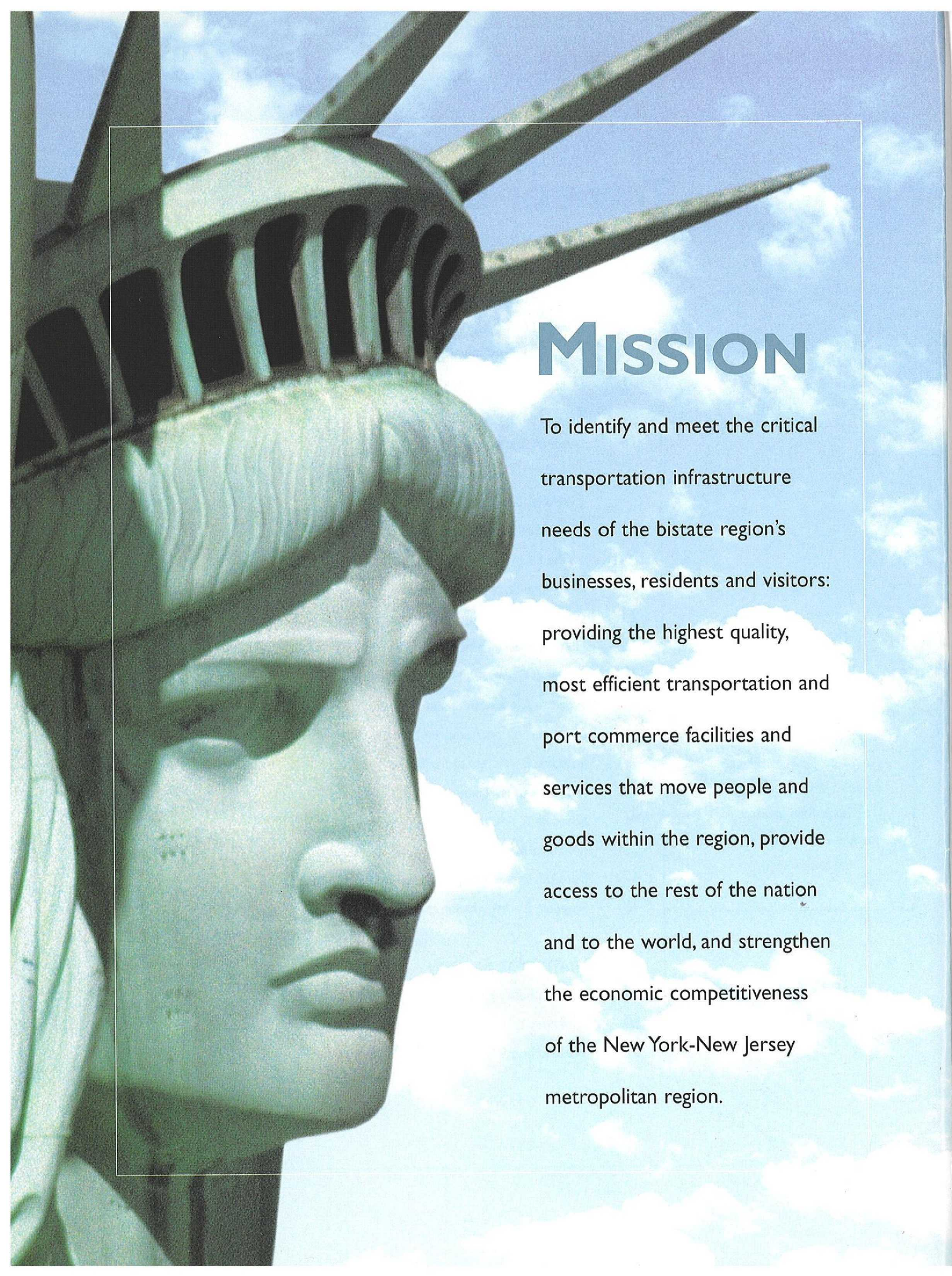
THE PORT AUTHORITY
OF NEW YORK & NEW JERSEY

Comprehensive Annual Financial Report for the Year Ended December 31, 1999

Nineteen 99

Table of Contents

The Port Authority of New York and New Jersey develops, operates and maintains vital transportation and trade facilities and services within the bistate region.



MISSION

To identify and meet the critical transportation infrastructure needs of the bistate region's businesses, residents and visitors: providing the highest quality, most efficient transportation and port commerce facilities and services that move people and goods within the region, provide access to the rest of the nation and to the world, and strengthen the economic competitiveness of the New York-New Jersey metropolitan region.


The Honorable George E. Pataki, Governor
State of New York

The Honorable Christine Todd Whitman, Governor
State of New Jersey

Dear Governors:

In accordance with the Port Compact of 1921, we are pleased to submit to you and to the legislatures of New York and New Jersey the 1999 Annual Report of The Port Authority of New York and New Jersey.

This Annual Report offers a review of a year marked by new levels of financial success, capital investment and productivity. Our capital investment in the region's transportation and trade infrastructure reached a new milestone — $992 million compared with $860 million in 1998. The year was also marked by our approval of two massive airport improvement projects undertaken by American and Continental airlines in partnership with the Port Authority.

As reflected in this Annual Report, the Port Authority recorded impressive gains in 1999. With the continued support of you, the Governors, we look forward to prosperity and progress for years to come.

Very truly yours,

Lewis M. Eisenberg
Chairman

Charles A. Gargano
Vice Chairman

May 25, 2000

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 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.

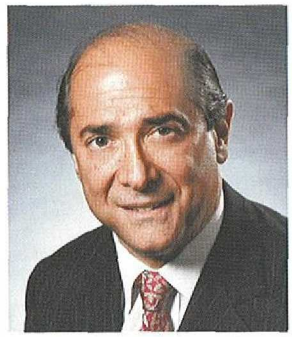
Governance of the Port Authority

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.

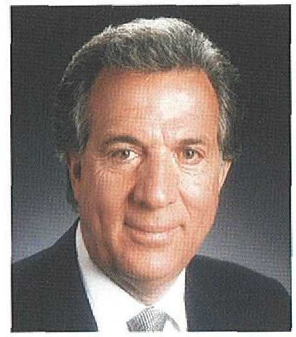
The twelve Commissioners serve as public officials without remuneration.

The Governors retain the right to veto the actions of the Commissioners. Within the Port District, the Port Authority undertakes projects and activities in accordance with the Port Compact of 1921 and amendatory and supplemental bistate legislation.

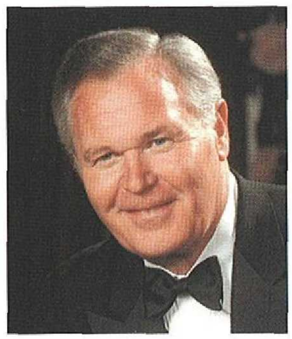
The Board of Commissioners appoints an Executive Director to effect its policies and manage day-to-day operations.



Lewis M. Eisenberg
Co-Chairman
Granite Capital International Group

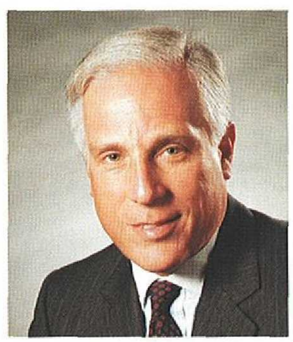


Charles A. Gargano
Chairman & CEO
Empire State Development Corp.

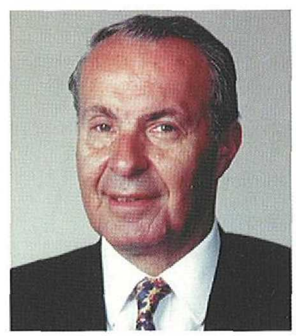


Michael J. Chasanoff
Managing Partner
Chasanoff Properties

Kathleen A. Donovan
County Clerk
Bergen County, New Jersey



Peter S. Kalikow
President
H. J. Kalikow & Co., LLC

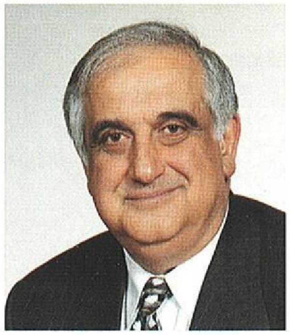


David S. Mack
Senior Partner
The Mack Company

William J. Martini
Attorney
Sills Cummis Radin Tischman
Epstein & Gross, PA

Alan G. Philibosian
Attorney-at-Law

Bradford J. Race Jr.
Secretary & Chief of Staff to the
Governor of the State of New York



Anthony J. Sartor
Co-Chairman
Paulus, Sokolowski and Sartor, Inc.

Anastasia M. Song
Director
Credit Suisse First Boston

James Weinstein
Commissioner
Department of Transportation
of the State of New Jersey

Robert E. Boyle
Executive Director

Board of Commissioners

Lewis M. Eisenberg, Chairman
Charles A. Gargano, Vice Chairman
Michael J. Chasanoff [1]
Kathleen A. Donovan
Peter S. Kalikow
David S. Mack
William J. Martini [2]
Alan G. Philibosian
Bradford J. Race Jr. [3]
Anthony J. Sartor [4]
Anastasia M. Song
James Weinstein [5]

1. Commissioner Chasanoff joined the Board on April 5, 1999, succeeding Commissioner George D. O'Neill.

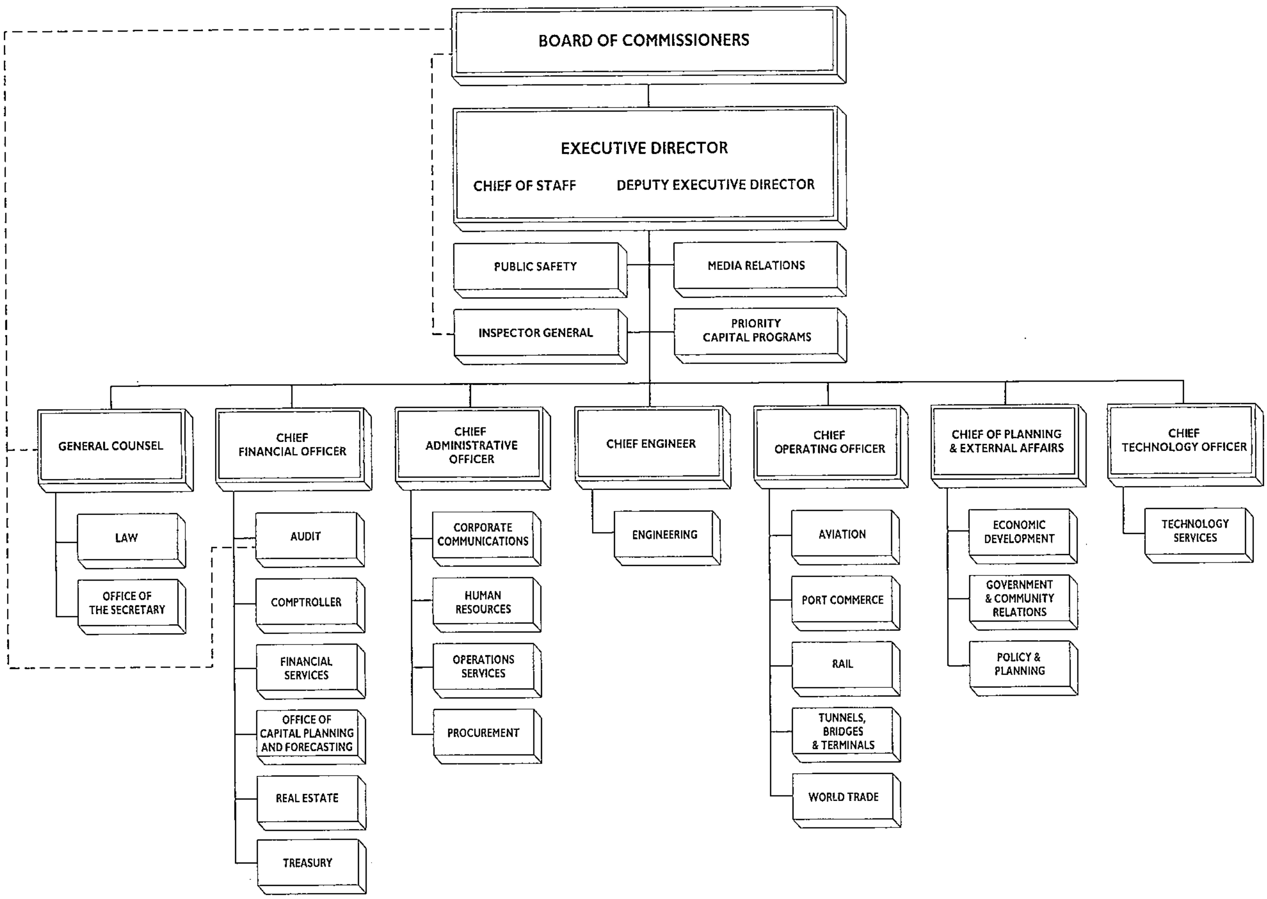
2. Commissioner Martini joined the Board on January 12, 1999, succeeding Commissioner John J. Haley Jr.

3. Commissioner Race joined the Board on August 5, 1999, succeeding Commissioner Melvin L. Schweitzer.

4. Commissioner Sartor joined the Board on March 25, 1999, succeeding Commissioner Aubrey C. Lewis.

5. Commissioner Weinstein joined the Board on March 1, 1999, succeeding Commissioner Robert C. Janiszewski.

ORGANIZATION CHART



OFFICERS AND DIRECTORS

Executive Director .... **Robert E. Boyle**
Deputy Executive Director .... **Ronald H. Shiftan**
Chief of Staff .... **Louis J. LaCapra**

Audit .... **John D. Brill**
Aviation .... **William R. DeCota**
Chief Administrative Officer .... **(Vacant)**
Chief Engineer .... **Francis J. Lombardi**
Chief Financial Officer .... **Charles F. McClafferty**
Chief Operating Officer .... **Ernesto L. Butcher**
Chief of Planning & External Affairs .... **Christopher O. Ward**
Chief Technology Officer .... **Gregory G. Burnham**
Comptroller .... **Margaret R. Zoch**
Corporate Communications .... **Carolyne Bowers**
Economic Development .... **A. Paul Blanco**
Financial Services .... **Edward L. Jackson**
General Counsel .... **Jeffrey S. Green**
Government & Community Relations .... **(Vacant)**

Human Resources .... **Paul D. Segalini**
Inspector General .... **Robert E. Van Etten**
Media Relations .... **Kayla M. Bergeron**
Office of Capital Planning & Forecasting .... **Douglas L. Smith**
Office of the Secretary .... **Daniel D. Bergstein**
Operations Services .... **Alan I. Rhome**
Policy & Planning .... **Cruz C. Russell**
Port Commerce .... **Lillian C. Borrone**
Priority Capital Programs .... **Anthony G. Cracchiolo**
Procurement .... **Charlotte Frank**
Public Safety .... **Fred V. Morrone**
Rail .... **Michael P. DePallo**
Real Estate .... **Cherrie L. Nanninga**
Treasury .... **Bruce D. Bohlen**
Tunnels, Bridges & Terminals .... **Kenneth P. Philmus**
World Trade .... **Alan L. Reiss**

Letter from the *Executive Director*

We are very pleased to report that 1999 was another record-setting year for The Port Authority of New York and New Jersey. Under the leadership of Governors Pataki and Whitman and our Board of Commissioners, the agency reached an all-time high in a number of key performance indicators: gross revenues, cash reserves, net income, capital plan expenditures and facility traffic.

All of these accomplishments would not have been possible without the dedicated efforts of the smallest number of Port Authority staff in more than 30 years. Each and every one of the Port Authority's 7,000 employees is committed to serving the region by providing the highest levels of customer service and regularly going above and beyond the normal requirements of the job to meet the needs of tenants and facility users.

Our commitment to the customer is evidenced by constant improvements in measured customer satisfaction levels. We take great pride that independent surveys show an increasingly higher level of satisfaction each year. As we move into the new millennium, we look forward to a journey of new challenges and opportunities for our agency and the bistate region we serve.

The support and dedication of our distinguished Board of Commissioners continued to provide the policy and oversight direction that enables the agency to flourish.

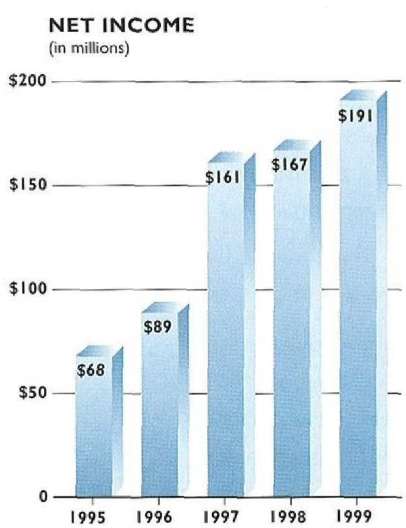
Sincerely,

Robert E. Boyle
Executive Director

1999 Overview

The Port Authority of New York and New Jersey began and ended 1999 in a position of exceptional financial strength — characterized by remarkable earnings, record traffic levels, historic capital investments and improved customer satisfaction.

Gross operating revenues totaled a record $2.5 billion, up from $2.4 billion in 1998. Net income, a key gauge of fiscal efficiency, reached an all-time high of $191 million, an increase of $24 million over the previous year. Current reserves at year-end were $1.6 billion, another all-time high, and net revenues available for debt service and reserves totaled $939 million. Total capital spending was $992 million, the highest outlay in agency history. New efficiencies and a vibrant economy generated record traffic and business activity that underpinned the agency's robust financial performance:



• The George Washington Bridge, Outerbridge Crossing, Goethals Bridge, Bayonne Bridge and Lincoln and Holland tunnels handled a record-setting 123.6 million eastbound vehicles, up 2.2 million over 1998.

• The nation's busiest Bus Terminal served 56.8 million customers, up from nearly 55.9 million in 1998. In a customer survey, the Port Authority Bus Terminal garnered high marks for security, services and social conditions. A similar survey was conducted at the George Washington Bridge Bus Station for the first time, and "very favorable" ratings were given to overall experience, including safety, ticket facilities and bus carrier service. Volume at the George Washington Bridge Bus Station increased from 4.4 million customers to 4.8 million.

A strong economy, station and service improvements and growing weekend usage pushed PATH's ridership to its highest level in more than half a century.

• The PATH rail transit system, a vital component of the Port Authority's interstate transportation network, achieved a ridership growth of 3.6 percent to 67.3 million passengers, the highest level in more than 50 years. PATH also received the American Public Transit Association's Outstanding Achievement Award for customer service for the second straight year.

• Record traffic levels led to higher revenues on the entire interstate transportation network — including tunnels, bridges, bus terminals and PATH in 1999. As a result, gross operating revenues on the network as a whole rose to $638 million, another all-time high, helping fund major service improvements, especially the E-ZPass electronic toll collection system. Total E-ZPass market share for Port Authority tunnels and bridges rose from 44 percent of all transactions in 1998 to approximately 50 percent at the end of 1999, concurrent with a 45 percent increase in the number of dedicated E-ZPass lanes during peak periods.

• Airport traffic continued to rise, thanks to expanding airline service, competitive fares and the strong domestic economy. A record 89.1 million air travelers used John F. Kennedy International, LaGuardia and Newark International in 1999, up 3 percent over 1998. Of the three airports, LaGuardia reported the largest percentage increase — up 4.2 percent to 23.8 million passengers. Passenger volume at Newark International was 33.9 million, compared to 32.6 million in 1998. International air travelers at Newark rose 15 percent to 7.8 million. At JFK, the number of passengers increased from 31 million in 1998 to 31.4 million in 1999. JFK again handled more international travelers than any other airport in the United States — 18.1 million, compared to 17.8 in 1998.

• The Port Authority's Port Commerce facilities handled a record 2 million containers (measured in 20-foot equivalent units, or TEUs), a rise of

The Port of New York and New Jersey is the leading East Coast gateway for containerized cargo.

nearly 8 percent over the previous year. Total oceanborne general cargo was a record 17.9 million long tons, representing a year-over-year increase of 7.3 percent. The overall value of general cargo was $72 billion, up 5.4 percent. Greater productivity, growing international trade and the strong economy are credited with the New York-New Jersey port's impressive gains in 1999.

• The economic boom also pushed office and retail leasing to new heights at the World Trade Center. The towering complex's year-end occupancy rate was 94 percent, and retail sales at the Mall topped $158 million, up 25 percent over 1998. Six new premium shops and services also opened, including Barami, Broadway New York, Johnston & Murphy, LensCrafters, Papyrus and Sephora. At other facilities, the Newark Legal Center's occupancy rate was 98.5 percent; one new lease and 8 renewals were transacted at the Journal Square Transportation Center, and the sale of the Industrial Park at Yonkers was completed in March.

Retail sales per square foot at the Mall at the World Trade Center were among the highest in the country.

Productivity

Well before and throughout 1999, most of the region and the world's attention was centered on the dawning of a new millennium — and the potential failure of critical computer systems to process dates into and beyond 2000. However, 1999 ended and 2000 arrived with no significant problems. Thanks to careful and concerted preparation, the Port Authority's computer systems made a smooth transition, so that our airports,

bridges, tunnels and other facilities delivered service throughout a nearly flawless Y2K rollover. As part of our preparations during 1999, we replaced several outdated systems with state-of-the-art programs and equipment to give the Port Authority modern and efficient computing capability.

Enhanced technologies and new management and operational efficiencies enabled the Port Authority to register gains in productivity and overall service delivery. In terms of employee resources, we continued to do more with less, operating with a staff reduced by 25 percent to levels the agency has not seen in almost 30 years. For the fifth year in a row, the Port Authority participated in the New York State Retirement Incentive program. A total of 123 employees took advantage of the program in December, and the agency achieved cost savings of approximately $4 million for position offsets. Additionally, for the first time in agency history, all outstanding labor contracts were ratified, resulting in collective bargaining agreements in place for all 20 Port Authority and PATH unions.

Crime Declines

Port Authority police reported a decrease in crime system-wide for the 10th straight year. Overall, criminal activity dropped 10.6 percent, primarily due to aggressive enforcement, increased vigilance and new initiatives such as bicycle patrols at airport terminals. The Port Authority also established an International School of Airport and Seaport Security, offering a three-week program on cargo crime, terrorism, money laundering, explosive detection and other areas vital to international law enforcement efforts.

Customer Service

Providing superior customer service remained the Port Authority's priority in 1999, with our most ambitious initiatives still focused on airport improvements.

Working with J.D. Power and Associates, we conducted terminal-by-terminal surveys to measure the key drivers of customer satisfaction at our airports. Customers told us that better signage was one of the most important improvements we could make. After analyzing signs in airports that earn high marks in passenger surveys, we designed an innovative, color-coded system tailored to the needs of passengers at JFK, Newark and LaGuardia — with clear, concisely worded signs that will give passengers a consistent guide to where they need to go.

Customer service improvements included opening the Lincoln Tunnel Exclusive Bus Lane earlier to accommodate morning commuters.

We also worked closely with our tenant airlines, terminal operators and service contractors to develop specific performance standards for such services as food and retail concessions and facility cleanliness.

Aircraft delays also adversely affect a customer's impression of airport services. In 1999, we redoubled our efforts with the Federal Aviation Administration (FAA) and the airlines to reduce aircraft delays and mitigate aircraft noise. We urged the FAA to accelerate the schedule for redesigning the region's airspace, speed the installation of modern air traffic control equipment and change the method of reporting delays to provide travelers more meaningful information.

Terminal 4, replacing the former International Arrivals Building at JFK, is scheduled for completion in 2001.

The Port Authority's commitment to customer service is a key component of our capital improvement program. A $9 billion public-private redevelopment program is well under way at JFK — the largest airport construction program in U.S. history. JFK redevelopment includes $1.6 billion for the AirTrain light rail system, which will provide fast, reliable on-airport travel in 2002 and connect to the Long Island Rail Road and New York City subway and bus lines in 2003; $1.8 billion for Port Authority infrastructure improvements throughout

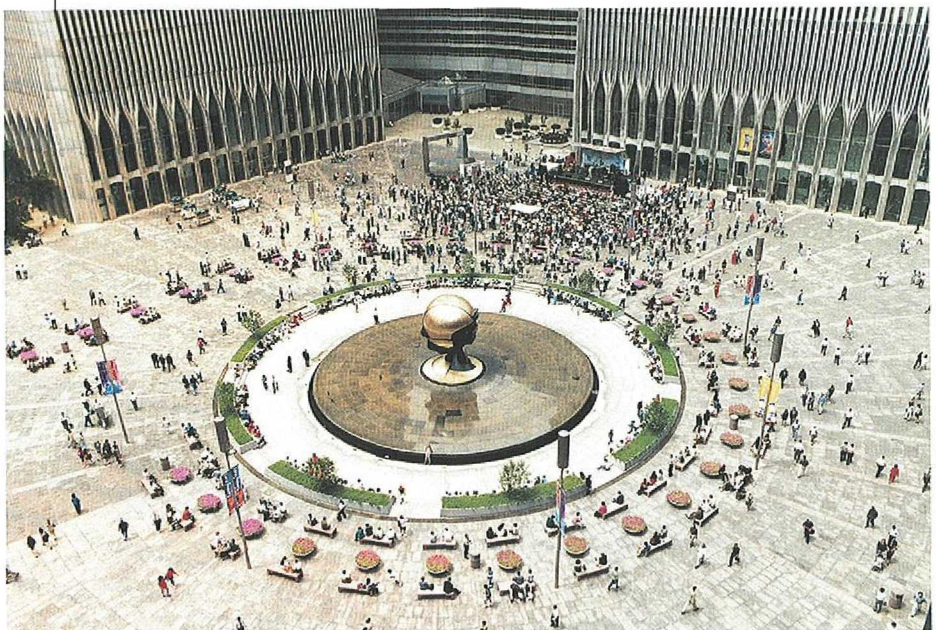
New information and directional signage was successfully tested at LaGuardia Airport's Central Terminal Building. Full installation at all three airports is slated for 2000.

Airport access projects progressed in 1999, including AirTrain (top) at John F. Kennedy International Airport and the monorail extension at Newark International Airport.

the airport, including new roadways and parking garages; and $5.1 billion in Port Authority and airline funds to redevelop each of JFK's nine passenger terminals. In June, American Airlines announced plans to begin construction of the airport's largest terminal — a $1.5 billion project.

The Port Authority and the private sector are investing $3.8 billion at Newark International — including $480 million for road improvements, $395 million to improve parking, $800 million for Continental Airlines' Global Gateway Program, which will make major improvements in and around Terminal C, and $415 million for a one-mile extension from the airport's monorail system to the Northeast Corridor rail lines, connecting to Amtrak and New Jersey Transit trains in 2001.

Among other key redevelopment projects, PATH's renovation of its stations reached the halfway mark in 1999, with improvements completed at Christopher, Ninth and Fourteenth street stations in Manhattan. The rail transit system's $11 million renovation of the Journal Square Transportation Center in Jersey City also progressed. Slated for completion in August 2000, the project includes ceiling, lighting, flooring and signage improvements — resulting in a modern, revitalized "hub" station for PATH's 235,000 daily riders.



The World Trade Center's Austin J. Tobin Plaza is a popular amenity for tenants and visitors alike, particularly during the summer. Total renovation of the plaza was completed in 1999, including the $12 million replacement of some 40,000 individual pieces of granite covering 130,000 square feet. Along with the new granite pavers to update the plaza's appearance and durability, new benches, planters, food kiosks, tables and chairs were also added. The beautifully renovated plaza reopened in June, just in time for an expanded summer entertainment program featuring more than 70 performances weekdays, weekends and evenings.

The newly renovated plaza at the World Trade Center reopened just in time for an expanded summer entertainment program.

Dancers entertain at the George Washington Bridge Bus Station in December.

In addition, various summer and seasonal entertainment programs were featured at the Port Authority Bus Terminal, George Washington Bridge Bus Station, Journal Square Transportation Center and Newark Legal Center.

As part of our $80 million investment in the mixed-use Hoboken South Waterfront Development project, the Port Authority completed a 5-acre park on Pier A, including water fountains, a pavilion, concession kiosks, landscaping, bikeways and waterways. The project received New Jersey's Golden Trowel Award (Best in Landscape) from the International Masonry Institute and an Honorable Mention from the American Concrete Institute.

The Port Authority's 1999 capital program continued to provide expanded opportunities to minority, women-owned, disadvantaged and small business enterprises. Contract awards totaled more than $188 million in competitive processes for construction, goods and services and architectural and engineering services. These contracts helped create 2,770 jobs in the bistate region, $108 million in wages and generated $292 million in regional economic activity.

Students learn about the aviation industry during career day at Newark International Airport.

Community Service

The Port Authority and staff also supported a broad range of social and community needs in 1999, including annual food and clothing drives for the homeless, daily Food Bank donations from facility cafeterias, the New Jersey Special Olympics and Toys for Tots, among others.

In mid-September, Port Authority police assisted in door-to-door rescue efforts in flooded areas of New Jersey in the aftermath of Hurricane Floyd. Additionally, food, clothing, cleaning supplies, toys and money were collected agency-wide for hurricane-ravaged areas in New York and New Jersey. Donations were also made by employees for the victims of natural disasters in Turkey and Venezuela.

THE PORT AUTHORITY OF NY & NJ

One World Trade Center
New York, NY 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, 1999, is enclosed. 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. The accompanying Schedules A, B, and C have been prepared pursuant to the requirements of law and Port Authority bond resolutions and are not intended to be a presentation in conformity with generally accepted accounting principles.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, the letter of transmittal to the Governors, the Executive Director's Letter, a listing of the Commissioners comprising the Board, the Port Authority's organization chart, including a listing of Officers and Directors, and a Port Authority overview. The Financial Section includes the combined financial statements, schedules and notes as well as the auditor's opinion. The Statistical Section includes selected facility and demographic information.

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 three wholly-owned subsidiaries, Port Authority Trans-Hudson Corporation, the Newark Legal and Communications Center Urban Renewal Corporation and the New York and New Jersey Railroad 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 during which the Governors have 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 its facilities generally upon the basis of its own credit. The Port Authority 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, as described and defined in the statutes creating the Port Authority, comprises an area of about 1,500 square miles in both States centering about New York Harbor.

Economic Condition and Outlook

The New York and New Jersey region registered another outstanding economic performance in 1999, adding 190,000 wage and salary jobs, a 2.5% gain over 1998. The region's inflation rate remained moderate even as petroleum prices headed upward by year-end. All geographic areas of the region contributed to the economic growth in 1999. New York City continued to set new records for job expansion, adding 89,000 jobs, a 2.5% growth rate. The eight-county Northern New Jersey region gained almost 44,000 jobs, a slowdown from the 49,000 job increase in 1998. The New York sub-region comprised of Long Island, Westchester and Rockland counties experienced accelerated growth, adding 58,000 jobs, a 3.5% gain over 1998 job totals.

The region's expansion continued to be led by the service sector of the economy. Jobs in services increased by 104,000, a 4% increase over 1998 levels. Contributing to the gain in services was growth in employment by advertising agencies, computer programming and processing firms, temporary help agencies, engineering and management consulting firms, health services, educational services and motion picture production. Other sectors contributing to employment gains include: wholesale and retail trade up 45,000 jobs; construction up 23,000 jobs; finance, insurance and real estate up 15,000 jobs; and transportation, communication and public utilities up 7,000 jobs.

The government sector of the economy gained almost 11,000 jobs as staffing for Census 2000 began. The manufacturing sector of the economy shed almost 15,000 jobs.

The national economy ended the year poised to have the longest economic expansion in United States history. The decade ended with the third consecutive year with real output growth of over 4% a year. In 1999, the national economy created 2.8 million new jobs, a 2.2% increase over 1998. Buoyed by the wealth effect of five consecutive years of strong growth in the stock market, the consumer continued to guide the economy as consumption expenditures advanced by 5.3% after adjustments for inflation. Foreign producers increasingly supplied the strong consumption push as imports climbed rapidly and exports lagged behind due to weaker economies abroad. The weakness of economies abroad helped to keep import prices down, thereby inhibiting inflation growth.

Additional 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 of the Port Authority are presented throughout the Introductory Section.

Financial Systems, Structure and Control:
The Port Authority's accounting records are maintained in accordance with generally accepted accounting principles and Port Authority bond resolutions. The Port Authority maintains an infrastructure of financial systems to record the financial operations and provide an audit trail to be used in a review of accountability. Commencing in 1999, information contained in the Financial Section has been presented in a classified format to distinguish between current and non-current assets and liabilities.

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 audits of the Port Authority's operations and report on management's performance to the Audit Committee of the Board of Commissioners. The Port Authority's budget provides an outline of estimated expenditures for the year. Approval of the budget by the Board of Commissioners does not in itself authorize any specific expenditures. The budget, upon approval, becomes a mechanism that facilitates the systematic review of program expenditures to ensure that 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.

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.

Results of Operations:
Gross operating revenues totaled $2.5 billion in 1999, an increase of $186 million from 1998. This increase was primarily attributable to higher flight fees, rentals and parking revenues at LaGuardia (LGA), John F. Kennedy International (JFK) and Newark International (EWR) Airports, increased toll revenues due to record vehicular activity at the Hudson River crossings, higher tipping and gate fees at the Essex County Resource Recovery Facility, higher rentals at Port Newark and Howland Hook marine terminals and increased passengers at PATH.

Operating expenses totaled $1.7 billion in 1999, an increase of $108 million over 1998. The increase was primarily the result of higher municipal rent payments and customer service enhancements at LGA, JFK and EWR Airports and increased expenses for the maintenance and administration of the E-ZPass℠ system at the tunnel and bridge facilities. At the World Trade Center, increased expenses were largely due to additional tenant preparation work while security expenses slightly decreased. There were also increased expenses related to technology enhancements and system replacements as part of Year 2000 compliance efforts.

Portfolio Management
The Port Authority's investments consist of United States Government securities (including securities held pursuant to repurchase agreements and reverse repurchase agreements), securities of United States government agencies and commercial paper. The Port Authority also employs interest rate exchange contracts in hedging strategies to minimize interest rate risk. The investment portfolio generated a return of $105 million in 1999, which includes unrealized gains and losses due to the fair valuation of investments held at year end.

Invested In Facilities
Invested in facilities, pursuant to Port Authority bond resolutions, totaled $14.9 billion at year-end 1999, which reflects a net increased investment of $981 million for the operating segments and $10 million for Regional and Other Programs. The additional investment in Port Authority operating segments and major projects is primarily comprised of:

Air Terminals — $649 million

- Roadways, runways and taxiways;
- Improvements to buildings, terminals and parking facilities;
- JFK AirTrain and Northeast Corridor Connection at Newark Airport.

Interstate Transportation Network — $186 million

- Roadway and toll plaza improvements;
- Mechanical, structural and electrical improvements;
- George Washington and Goethals Bridge painting;
- Security and safety improvements.

Port Commerce Facilities — $66 million

- Berth and wharf rehabilitation;
- Waterfront development programs;
- Roadway, utility and building improvements.

World Trade Center — $80 million

- Building improvement and modernization;
- Fire and security system enhancements;
- Electrical capacity and HVAC upgrades.

Passenger Facility Charge Program

In 1992, the Federal Aviation Administration (FAA) granted the Port Authority the right to impose a Passenger Facility Charge (PFC) at LGA, JFK and EWR Airports to be collected by the airlines on behalf of the Port Authority. The Port Authority has been authorized to collect an aggregate amount, including interest, up to $1.7 billion, net of air carrier handling charges. PFC eligible projects approved by the FAA include AirTrain (a light rail system linking the terminals in JFK with transit lines in Jamaica and Howard Beach, Queens), the implementation of the monorail and landside access at EWR, and the monorail extension linked to the northeast corridor rail line.

As of December 31, 1999, total cumulative gross investment provided by PFCs in connection with the ground access projects amounted to $636 million and the amount of PFCs available for and restricted to future PFC project payments was $186 million.

Risk Management

The Port Authority uses a combination of risk retention, risk transfer and structured safety management and loss control programs in an attempt to avoid losses resulting from property damage and personal injury. The Port Authority maintains insurance against physical loss, lost revenues and public liability in such amounts as it deems appropriate. These coverages are subject to self-insurance retentions, exceptions and the scope of insurable hazards.

Debt Management

As of December 31, 1999, outstanding obligations of the Port Authority pursuant to Port Authority bond resolutions totaled $6.9 billion which is comprised of Consolidated Bonds, Commercial Paper Notes, Variable Rate Master Notes, Versatile Structure Obligations (VSO) and Equipment Notes. The total amount of outstanding obligations in connection with Special Project Bonds as of December 31, 1999 was $1.5 billion. The total debt service pursuant to Port Authority bond resolutions was $462 million exclusive of amounts relating to the Equipment Notes and Special Project Bonds. Capitalized interest added to the cost of facilities totaled $44 million. In 1999, the Port Authority issued Consolidated Bonds, one hundred eighteenth and one hundred nineteenth series in an aggregate principal amount of $400 million while refunding and retiring $234 million of outstanding bonds.

The following is a summary of credit ratings that are assigned to the outstanding obligations of the Port Authority:

Obligation	S&P	Fitch	Moody's
Consolidated Bonds	AA–	AA-	A1
Commercial Paper*	A-1+	F-1+	P-1
VSO short term*	A-1+	F-1+	VMIG1
VSO long term	A–	A+	A2

These ratings reflect the views of the ratings service and are not a recommendation by the ratings service to buy or sell such investments. Credit ratings are not assigned to variable rate master notes and equipment notes.

*Ratings assigned to these financial instruments are the highest ratings for short term obligations given by each of the rating agencies.

In addition, the Port Authority had an outstanding obligation, as of December 31, 1999, to pay $414 million to the States of New York and New Jersey as a result of termination of the Fund for Regional Development.

Reserve Funds

At December 31, 1999, the General Reserve Fund balance was approximately $840 million, satisfying the General Reserve Fund statutes, and the Consolidated Bond Reserve Fund had a balance of approximately $781 million. 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.

Independent Audit

A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Port Authority in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. In planning and performing such audits, consideration is given to the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements. The auditors meet directly with the Audit Committee of the Board of Commissioners. The auditors' opinion is included in the Financial Section.

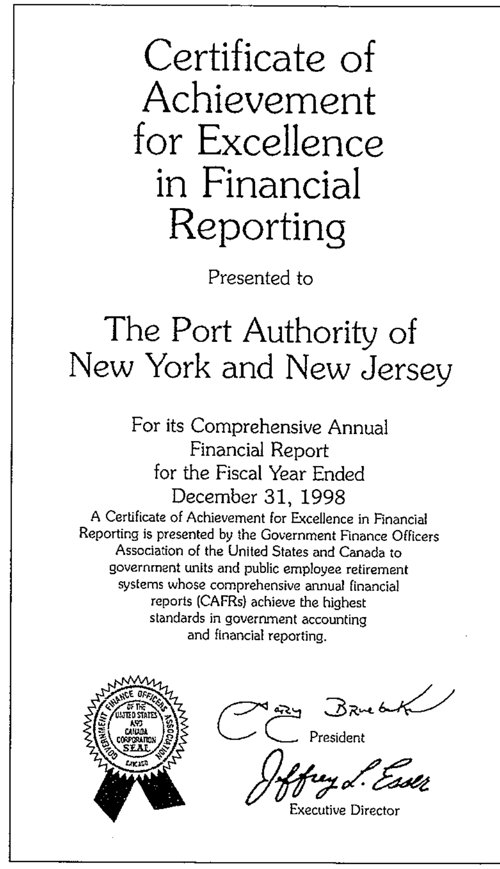
Certificate of Achievement

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, 1998. This was the fifteenth consecutive year that the Port Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

February 25, 2000

Chief Financial Officer


Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Port Authority of New York and New Jersey

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 1998

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.

President

Executive Director

For the fifteenth 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 1998 Comprehensive Annual Financial Report.

Financial Section

Prepared by
The Comptroller's Department

Deloitte & Touche

Deloitte & Touche LLP
Two Hilton Court
P.O. Box 319
Parsippany, New Jersey 07054-0319

Telephone: (973) 683-7000
Facsimile: (973) 683-7459

Opinion of Independent Auditors

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

We have audited the accompanying combined statements of financial position of The Port Authority of New York and New Jersey, which includes its wholly-owned subsidiaries, (the Port Authority) as of December 31, 1999 and 1998, 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, and C. 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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 as of December 31, 1999 and 1998, 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 and are not intended to be a presentation in conformity with generally accepted accounting principles. However, 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, 1999 and 1998, and the revenues and reserves for the years then ended in conformity with the accounting principles described in Note A-2.

Our audits were conducted for the purpose of forming opinions on the combined financial statements and Schedules A, B, and C taken as a whole. The supplemental information, which is the responsibility of the Port Authority's management, presented in Schedules D and E, is presented for purposes of additional analysis and is not a required part of the combined financial statements or schedules. Such information has been subjected to the auditing procedures applied in our audits of the combined financial statements and schedules, and in our opinion, is fairly stated in all material respects when considered in relation to the combined financial statements and schedules taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2000, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Deloitte & Touche LLP

February 25, 2000

Deloitte Touche
Tohmatsu

Combined Statements of Income

	Year Ended December 31, 1999			1998
	Port Authority Operations	PFC Program	Combined	Combined
	(In thousands)			
Gross operating revenues	$2,547,512	$ —	**$2,547,512**	$2,361,202
Operating expenses:				
Employee compensation, including benefits	621,900	—	**621,900**	608,192
Contract services	554,155	—	**554,155**	519,336
Materials, equipment and other	137,508	—	**137,508**	142,996
Rents and amounts in-lieu-of-taxes	133,452	—	**133,452**	71,810
Utilities	132,213	—	**132,213**	128,759
Interest on Special Project Bonds	98,036	—	**98,036**	98,165
Total operating expenses	1,677,264	—	**1,677,264**	1,569,258
Depreciation of facilities	394,506	5,597	**400,103**	375,126
Amortization of costs for Regional and Other Programs	19,468	—	**19,468**	20,612
Income from operations	456,274	(5,597)	**450,677**	396,206
Net PFC revenues	—	115,837	**115,837**	113,020
Financial income and expense:				
Income on investments	95,222	2,163	**97,385**	86,958
Net increase in fair value of investments	9,306	10,893	**20,199**	56,181
Interest expense in connection with bonds and other asset financing	(368,701)	—	**(368,701)**	(352,863)
Loss on disposition of assets	(1,377)	—	**(1,377)**	(172)
Net income	190,724	123,296	**314,020**	299,330
Add depreciation of assets acquired with capital funding provided by others	33,180	—	**33,180**	30,310
Net income invested in Port Authority facilities, operations and reserves	223,904	123,296	**347,200**	329,640
Retained earnings, January 1	3,120,528	680,045	**3,800,573**	3,470,933
Retained earnings invested in Port Authority facilities, operations and reserves, December 31	$3,344,432	$803,341	**$4,147,773**	$3,800,573

See Notes to Combined Financial Statements.

Combined Statements of Financial Position

	December 31, 1999			December 31, 1998
	Port Authority Operations	PFC Program	Combined	Combined
	(In thousands)			
Assets				
Current assets:				
Cash	$ 44,243	$ –	**$ 44,243**	$ 44,942
Investments	947,069	171,662	**1,118,731**	1,253,367
Current receivables, net	219,699	14,688	**234,387**	165,585
Other current assets	163,335	–	**163,335**	46,745
Total current assets	1,374,346	186,350	**1,560,696**	1,510,639
Noncurrent assets:				
Investments	1,373,416	–	**1,373,416**	1,354,426
Other amounts receivable, net	344,945	–	**344,945**	321,705
Deferred charges and other noncurrent assets	431,516	–	**431,516**	329,756
Unamortized costs for Fund buy-out	405,238	–	**405,238**	408,460
Amounts receivable – Special Project Bonds	1,457,559	–	**1,457,559**	1,459,570
Unamortized costs for regional and other programs	445,718	–	**445,718**	454,886
Facilities, net	7,669,378	616,991	**8,286,369**	7,720,794
Total noncurrent assets	12,127,770	616,991	**12,744,761**	12,049,597
Total assets	13,502,116	803,341	**14,305,457**	13,560,236
Liabilities				
Current liabilities:				
Accounts payable	433,591	–	**433,591**	335,546
Accrued interest and other current liabilities	208,959	–	**208,959**	157,605
Accrued payroll and other employee benefits	66,657	–	**66,657**	60,501
Current portion bonds and other asset financing obligations	628,033	–	**628,033**	507,188
Total current liabilities	1,337,240	–	**1,337,240**	1,060,840
Noncurrent liabilities:				
Accrued pension and other noncurrent employee benefits	322,361	–	**322,361**	274,758
Other noncurrent liabilities	85,253	–	**85,253**	82,274
Amounts payable – Special Project Bonds	1,457,559	–	**1,457,559**	1,459,570
Bonds and other asset financing obligations	6,548,067	–	**6,548,067**	6,497,611
Total noncurrent liabilities	8,413,240	–	**8,413,240**	8,314,213
Total liabilities	9,750,480	–	**9,750,480**	9,375,053
Net Assets	$ 3,751,636	$803,341	**$ 4,554,977**	$ 4,185,183
Net assets are composed of:				
Retained earnings invested in Port Authority facilities, operations and reserves	$ 3,344,432	$803,341	**$ 4,147,773**	$ 3,800,573
Capital funding provided by others	407,204	–	**407,204**	384,610
Net assets	$ 3,751,636	$803,341	**$ 4,554,977**	$ 4,185,183

See Notes to Combined Financial Statements.

Combined Statements of Cash Flows

	Year Ended December 31, 1999			1998
	Port Authority Operations	PFC Program	Combined	Combined
	(In thousands)			
1. Cash flows from operating activities:				
Cash received from operations	$2,343,816	$ —	**$2,343,816**	$2,231,934
Cash paid to suppliers	(850,565)	—	**(850,565)**	(831,882)
Cash paid to or on behalf of employees	(567,845)	—	**(567,845)**	(591,445)
Cash paid to municipalities	(87,120)	—	**(87,120)**	(85,427)
Net cash provided by operating activities	838,286	—	**838,286**	723,180
Cash flows from capital and related financing activities:				
Proceeds from sales of capital obligations	292,609	—	**292,609**	772,855
Principal paid on capital obligations	(238,397)	—	**(238,397)**	(120,352)
Proceeds from capital obligations issued for refunding purposes	857,023	—	**857,023**	811,930
Principal paid through capital obligations refundings	(857,023)	—	**(857,023)**	(811,930)
Interest paid on capital obligations	(361,772)	—	**(361,772)**	(343,917)
Investment in facilities and construction of capital assets	(609,205)	(284,778)	**(893,983)**	(749,249)
Investment in Regional and Other Programs	(10,786)	—	**(10,786)**	(17,215)
Proceeds from disposition of facilities	(635)	—	**(635)**	1,600
Proceeds from passenger facility charges	—	117,044	**117,044**	111,464
Financial income allocated to capital projects	5,551	—	**5,551**	2,435
Proceeds from sale of equipment notes	—	—	**—**	18,000
Interest paid on equipment notes	(2,807)	—	**(2,807)**	(2,905)
Principal paid on equipment notes	—	—	**—**	(5,688)
Payments for Fund buy-out obligation	(28,063)	—	**(28,063)**	(28,063)
Capital funding provided by others	45,608	—	**45,608**	36,990
Net cash used for capital and related financing activities	(907,897)	(167,734)	**(1,075,631)**	(324,045)
Cash flows from investing activities:				
Purchase of investment securities	(4,446,208)	(117,044)	**(4,563,252)**	(5,301,835)
Proceeds from maturity and sale of investment securities	4,422,934	282,798	**4,705,732**	4,836,501
Interest received on investment securities	71,534	1,980	**73,514**	51,432
Miscellaneous financial income	20,652	—	**20,652**	18,558
Net cash provided by (used for) investing activities	68,912	167,734	**236,646**	(395,344)
Net (decrease) increase in cash	(699)	—	**(699)**	3,791
Cash at beginning of year	44,942	—	**44,942**	41,151
Cash at end of year	$ 44,243	$ —	**$ 44,243**	$ 44,942

(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, 1999			1998
	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	$456,274	($5,597)	**$450,677**	$396,206
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation of facilities	394,506	5,597	**400,103**	375,126
Amortization of costs for Regional and Other Programs	19,468	—	**19,468**	20,612
Amortization of other assets	76,402	—	**76,402**	53,418
Change in operating assets and operating liabilities:				
(Increase) decrease in receivables	(95,491)	—	**(95,491)**	1,892
Increase in prepaid expenses	(172,480)	—	**(172,480)**	(148,558)
Decrease in deferred costs	3,222	—	**3,222**	3,133
Increase in payables	49,689	—	**49,689**	6,986
Increase in employee benefits	54,055	—	**54,055**	16,747
Increase in other liabilities	55,087	—	**55,087**	2,661
Decrease in deferred income	(2,446)	—	**(2,446)**	(5,043)
Total adjustments	382,012	5,597	**387,609**	326,974
Net cash provided by operating activities	$838,286	$ —	**$838,286**	$723,180

3. Capital obligations:

Consolidated Bonds, commercial paper, variable rate master notes and versatile structure obligations.

4. Noncash capital financing activity:

Noncash activity of $108,086,000 in 1999 and $106,620,000 in 1998 includes amortization of discount and premium on consolidated bonds, accretion associated with capital appreciation bonds 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 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), the Newark Legal and Communications Center Urban Renewal Corporation and the New York and New Jersey Railroad Corporation.

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

c. The Passenger Facility Charge (PFC) Program is accounted for 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 projects. Revenue derived from the collection of PFCs, net of the air carriers' handling charges, is recognized and reported as non-operating revenue in the year the fees are due from the air carriers. PFC revenue applied to eligible projects is reflected as a component of "Facilities, net" on the Combined Statements of Financial Position.

d. Facilities are carried at cost and include the expenditure of capital funding provided by federal, state and other entities to acquire, construct, place in operation and improve the facilities of the Port Authority (see Note F). Facilities do not include Regional and Other Programs, undertaken at the request of the Governor of the State of New Jersey or the Governor of the State of New York (see Note H-2). Capital costs for facilities 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-2).

e. Depreciation of facilities is computed on the straight-line method based on estimated useful lives of the related assets. In distributing net income to retained earnings, a charge representing depreciation of assets acquired with capital funding provided by federal, state and other entities is made against the related contributed capital accounts (see Note F). 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 costs which provide benefits for periods exceeding one year are deferred and amortized over the period benefited.

f. All Port Authority investments whose values are affected by interest rate changes have been reported at their fair value, using published market prices.

Port Authority Consolidated Bonds purchased by the Port Authority serve to reduce debt on Consolidated Bonds and are not included in "Investments". Interest expense and interest earnings relating to such Port Authority bonds so purchased are not included in "Interest expense in connection with bonds and other asset financing" and "Income on investments".

The Port Authority is authorized to use a variety of financial instruments to assist in the management of its financing and investment objectives. The Port Authority also employs hedging strategies to minimize interest rate risk and enters into various derivative instruments, including interest rate option contracts, repurchase and reverse repurchase (yield maintenance) agreements, United States Treasury and municipal bond futures contracts (see Note C-3) and interest rate exchange contracts ("swaps") (see Note D-4).

g. When issuing new debt for refunding purposes 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.

h. "Net income (loss) Port Authority operations" presented by operating segment consists of "Income from operations" less net interest expense and gain (loss) on disposition of assets. 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 depreciation). 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.

i. Inventories are valued at average cost.

j. Environmental contamination treatment costs, including costs associated with the Port Authority's comprehensive dredging and disposal plan, are generally charged as an operating expense. However, such costs, when they result in the construction of a new asset or the improvement of an existing asset compared with its condition when it was constructed or acquired, are capitalized. Improved asset conditions include the extension of the useful life, increased capacity, and improvement of safety or efficiency.

k. Cash consists of cash on hand and demand deposits.

l. Commencing with the 1999 Combined Financial Statements, financial information has been presented in a classified format to distinguish between current and noncurrent assets and liabilities. The 1998 financial statements contain the reclassification of certain amounts, which have been made in order to conform to the current and noncurrent format as well as other classifications used in 1999. The 1998 reclassifications have been made for presentation purposes only and have no effect on net income.

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

Schedules A, B, and C, which follow the notes to the combined financial statements, have been prepared in accordance with legal requirements 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 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 facilities other than of ancillary equipment. Thus, depreciation is not a significant factor in determining the net revenues and the reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions. Instead, facility capital costs are provided for through deductions from net revenues and reserves of amounts equal to principal payments on debt or through direct investment in facilities. These amounts are credited at par to "Debt retired through income" and to "Appropriated reserves invested in facilities", respectively.

Debt service in connection with operating asset obligations is paid in the same manner and out of the same revenues as operating expenses of the Port Authority.

Charges for Regional and Other Programs are included in "Invested in facilities" in accordance with Port Authority bond resolutions.

Consolidated Bonds are recorded as outstanding at their par value commencing on the date that the Port Authority is contractually obligated to issue and sell such obligations. Discounts and premiums are capitalized at issuance.

Port Authority bonds purchased by the Port Authority remain outstanding and are included in "Investments" and in "Bonds and other asset financing obligations" until retirement. Interest expense and interest earnings relating to such Port Authority bonds purchased are included as "Interest expense in connection with bonds and other asset financing" and "Income on investments".

Furthermore, to reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the cost of assets removed from service is not deducted from "Invested in facilities". 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 Combined Statements to Schedules A and B follows:

Combined Statements of Income to Schedule A, Revenues and Reserves

	Year ended December 31, 1999	1998
	(In thousands)	
Net income reported on Combined Statements of Income	$314,020	$299,330
Add: Depreciation of facilities	400,103	375,126
Amortization of costs for Regional and Other Programs	19,468	20,612
Amortization of discount and premium	8,919	8,217
Loss on disposition of assets	1,377	172
	743,887	703,457
Less: Debt maturities and retirements	138,225	123,395
Call premium on refunded bonds	—	907
Repayment of commercial paper obligations	172	757
Appropriations for self-insurance	4,247	3,785
Direct investment in facilities	233,260	242,311
Net PFC revenue	115,837	113,020
PFC income on investments (including net increase in fair value of investments)	13,056	24,936
	504,797	509,111
Increase in reserves reported on Schedule A, Revenues and Reserves (pursuant to Port Authority bond resolutions)	$239,090	$194,346

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

	December 31, 1999	1998
	(In thousands)	
Net assets reported on Combined Statements of Financial Position	$ 4,554,977	$4,185,183
Add: Accumulated depreciation of facilities	4,937,957	4,610,139
Accumulated retirements and gains and losses on disposal of invested in facilities	492,584	418,922
Cumulative amortization of costs for Regional and Other Programs (including retired assets)	555,475	536,007
Cumulative amortization of discount and premium	35,292	26,373
	10,576,285	9,776,624
Less: Deferred income in connection with PFCs	186,350	342,235
Net assets reported on Schedule B, Assets and Liabilities (pursuant to Port Authority bond resolutions)	$10,389,935	$9,434,389

Passenger Facility Charges are deferred until spent on approved project costs consistent with Port Authority bond resolutions. Unspent PFC program amounts are a Port Authority liability, which are reflected as "Deferred income in connection with PFCs". 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, 1999	1998
	(In thousands)	
Net income, PFC program	$123,296	$132,747
Add: Depreciation of PFC facilities	5,597	5,209
Less: Direct PFC project payments	(284,778)	(154,468)
Transfer from (to) deferred income in connection with PFCs	155,885	16,512
Net income from sources other than operations attributable to PFCs (pursuant to Port Authority bond resolutions)	$ 0	$ 0

Note B – Facilities

1. Facilities, net is comprised of the following:

	December 31, 1999	1998
	(In thousands)	
Completed construction:		
Interstate Transportation Network	$ 3,479,524	$ 3,334,326
Air Terminals (including PFC Program)	4,963,790	4,748,425
Port Commerce	1,260,712	1,190,704
Economic Development	314,192	296,704
World Trade	1,624,396	1,490,805
	11,642,614	11,060,964
Construction in progress	1,581,712	1,269,969
Facilities	13,224,326	12,330,933
Less accumulated depreciation	4,937,957	4,610,139
Facilities, net	$ 8,286,369	$ 7,720,794

Asset lives used in the calculation of depreciation are generally as follows:

Tunnels and bridges	100 years
Buildings	25 to 50 years
Runways and other paving	10 to 20 years
Machinery and equipment	5 to 35 years

Assets located at facilities leased by the Port Authority from others are depreciated over the remaining term of the facility lease or the asset life stated above, whichever is shorter.

2. Net interest expense added to the cost of facilities was $36,555,000 in 1999 and $38,909,000 in 1998.

3. During 1998, the Board of Commissioners authorized the sale of the Industrial Park at Yonkers and consequently the asset's book value was reduced by $19,200,000. Transfer of title took place on March 3, 1999.

Note C – Cash and Investments

1. The components of cash and investments are:

	December 31, 1999	December 31, 1998
CASH	(In thousands)	
Cash on hand	$ 1,168	$ 1,147
Demand deposits	43,075	43,795
Total cash	$44,243	$44,942

	December 31, 1999	December 31, 1998
INVESTMENTS	(In thousands)	
United States Treasury notes	$1,270,249	$1,092,059
United States Treasury bills	1,053,407	1,230,763
United States government agency obligations	99,481	99,811
United States Treasury obligations held pursuant to repurchase agreements	55,679	125,274
Commercial paper notes	–	49,904
Accrued interest receivable	13,331	9,982
Total investments	2,492,147	2,607,793
Less current investments	1,118,731	1,253,367
Noncurrent investments	$1,373,416	$1,354,426

2. Port Authority policy provides for funds of the Port Authority to be deposited in banks with offices located in the Port District, provided that the total funds on deposit in any bank do not exceed 50% of the bank's combined capital and permanent surplus. These funds must be fully secured by deposit of collateral having a minimum market value of 110% 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 in the Port District having combined capital and surplus in excess of $1,000,000.

Total actual bank balances were $35,050,000 as of December 31, 1999. In accordance with the aforementioned policy, $22,761,000 was either secured through the FDIC or was fully collateralized by collateral held by a bank acting as the Port Authority's agent and held by such bank in the Port Authority's name, and $11,114,000 was fully collateralized by collateral held by a bank's trust department or the bank's agent in the Port Authority's name. The balance of $1,175,000 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 its Committee on Finance. Individual investment transactions are executed with recognized and established securities dealers and commercial banks. Port Authority investments are maintained, generally on a book entry basis, by a third party financial institution in the Port Authority's name. Securities transactions 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 the Port Authority's instructions.

Proceeds of "Bonds and other asset financing obligations" are invested, on an interim basis, 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. The Consolidated Bond Reserve Fund and the General Reserve Fund amounts 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, certain interest rate exchange contracts with banks and investment firms, and certain interest rate options contracts with primary dealers in United States Treasury securities. The Board has from time to time authorized other investments of operating funds.

The Port Authority has entered into reverse repurchase agreements under which the Port Authority contracted to sell a specified United States Treasury 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. Although there were no investments in reverse repurchase agreements at December 31, 1999, during 1999 reverse repurchase (yield maintenance) agreements, in effect at any one time, ranged as high as $314,740,000.

During 1999, repurchase agreements in effect at any one time ranged as high as $637,035,000. Although there were no investments in commercial paper notes at December 31, 1999, during 1999 investments in commercial paper notes in effect at any one time ranged as high as $50,000,000.

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. Outstanding bonds and other asset financing obligations

	December 31, 1999		
	Current	Noncurrent	Total
		(In thousands)	
A. Consolidated Bonds	$252,835	$5,506,384	$5,759,219
B. Commercial paper note	123,595	–	123,595
C. Variable rate master notes	215,990	–	215,990
D. Versatile structure obligations	4,600	571,300	575,900
E. Port Authority equipment notes	2,950	84,200	87,150
F. Fund buy-out obligation	28,063	386,183	414,246
	$628,033	$6,548,067	$7,176,100

	December 31, 1998		
	Current	Noncurrent	Total
		(In thousands)	
A. Consolidated Bonds	$133,725	$5,453,405	$5,587,130
B. Commercial paper notes	124,910	–	124,910
C. Variable rate master notes	215,990	–	215,990
D. Versatile structure obligations	4,500	575,900	580,400
E. Port Authority equipment notes	–	87,150	87,150
F. Fund buy-out obligation	28,063	381,156	409,219
	$507,188	$6,497,611	$7,004,799

A. Consolidated Bonds

		Dec. 31, 1998	Issued/ Accreted	Refunded/ Retired	Dec. 31, 1999
			(In thousands)		
Thirty-first series	4% due 2002	$ 20,000	$ –	$ 5,000	$ 15,000
Thirty-second series	5% due 2003	25,000	–	5,000	20,000
Thirty-third series	4 3/4% due 2003	25,000	–	5,000	20,000
Fifty-second series	due 2014	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 (a)	6.7%-7 1/8% due 1999-2025	101,025	1,596	1,015	101,606
Seventieth series*	7%-7 1/4% due 2005-2025	100,000	–	–	100,000
Seventy-first series	6 1/2%-7% due 2006-2026	78,000	–	–	78,000
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 (b)	6%-6 3/4% due 1999-2026	103,992	1,546	1,495	104,043
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 3/4%-6 1/2% due 1999-2011	84,300	–	4,400	79,900
Seventy-ninth series	5 3/8%-6% due 1999-2005	47,505	–	6,250	41,255
Eightieth series	5 3/8%-6% due 1999-2005	23,920	–	3,125	20,795
Eighty-first series	4.8%-5.8% due 1999-2014	104,070	–	4,665	99,405
Eighty-second series	4.8%-5.8% due 1999-2013	83,300	–	3,500	79,800
Eighty-third series	5 1/4%-6 3/8% due 1999-2017	88,085	–	2,525	85,560
Eighty-fourth series*	5 3/4%-6% due 2008-2028	97,250	–	–	97,250
Eighty-fifth series	5%-5 3/8% due 2008-2028	98,000	–	–	98,000
Eighty-sixth series	4.2%-5.2% due 1999-2012	109,945	–	9,620	100,325
Eighty-seventh series	4 1/2%-7 1/2% due 1999-2021	94,650	–	1,940	92,710
Eighty-eighth series	4%-4 3/4% due 1999-2008	153,200	–	19,825	133,375
Eighty-ninth series	4 1/4%-5 1/8% due 2001-2021	94,000	–	–	94,000
Ninetieth series**	5.4%-6 1/8% due 1999-2005	49,220	–	5,920	43,300
Ninety-first series	4.1%-5.2% due 1999-2020	277,415	–	5,280	272,135
Ninety-second series	4 3/4%-5 5/8% due 2009-2029	90,680	–	–	90,680
Ninety-third series	6 1/8% due 2094	100,000	–	–	100,000
Ninety-fourth series	5.1%-6% due 2003-2017	100,000	–	–	100,000
Ninety-fifth series*	5 1/2%-6 1/8% due 2005-2029	95,000	–	–	95,000
Ninety-sixth series*	5.6%-6.6% due 2003-2023	100,000	–	–	100,000
Ninety-seventh series*	6%-7.1% due 2003-2023	100,000	–	–	100,000
Ninety-eighth series*	5.7%-6.2% due 2005-2015	100,000	–	–	100,000
Ninety-ninth series*	5 1/4%-7% due 2004-2015	86,000	–	–	86,000
One hundredth series	5 5/8%-5 3/4% due 2010-2030	135,000	–	–	135,000
One hundred first series*	5%-6% due 1999-2015	90,440	–	3,525	86,915
One hundred second series (c)	5.1%-5 7/8% due 2007-2027	120,000	–	–	120,000
One hundred third series	4.2%-5 1/4% due 1999-2014	78,500	–	3,500	75,000
One hundred fourth series	4 3/4%-5.2% due 2011-2026	150,000	–	–	150,000
One hundred fifth series*	5%-6 1/4% due 1999-2016	139,725	–	5,415	134,310
One hundred sixth series*	4.7%-6% due 1999-2016	93,900	–	3,200	90,700
One hundred seventh series*	4.9%-6% due 2004-2016	100,000	–	–	100,000
One hundred eighth series*	4 3/4%-6% due 1999-2017	145,310	–	4,875	140,435
One hundred ninth series	5 3/8%-5 1/2% due 2012-2032	150,000	–	–	150,000
One hundred tenth series*	4.25%-5.375% due 1999-2017	96,955	–	3,170	93,785
One hundred eleventh series	5% due 2012-2032	100,000	–	–	100,000
One hundred twelfth series*	4 1/2%-5 1/4% due 1999-2018	150,000	–	4,690	145,310
One hundred thirteenth series	3.8%-4 3/4% due 1999-2013	153,000	–	11,250	141,750
One hundred fourteenth series	4 3/4%-5 1/2% due 2013-2033	100,000	–	–	100,000
One hundred fifteenth series	3.6%-4 3/8% due 1999-2008	65,000	–	6,000	59,000
One hundred sixteenth series (d)	4 1/4%-5 1/4% due 2005-2033	450,000	–	–	450,000
One hundred seventeenth series*	4%-5 1/8% due 1999-2018	100,000	–	3,540	96,460
One hundred eighteenth series	3.75%-5.35% due 2000-2014	–	100,000	–	100,000
One hundred nineteenth series*	4.5%-5.875% due 2000-2019	–	300,000	–	300,000
Consolidated Bonds pursuant to Port Authority bond resolutions (e)		5,747,387	$403,142	$233,725	5,916,804
Less unamortized discount and premium (f)		160,257			157,585
Consolidated Bonds		$5,587,130			$5,759,219

A. Consolidated Bonds (continued)

(a) 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.

(b) 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.

(c) Approximately $110,000,000 of the proceeds of Consolidated Bonds, one hundred second series was allocated to the purchase of U.S. Treasury securities which are expected to provide for both the refunding on the first call date and the payment of interest through the first call date (October 1, 2002) on Consolidated Bonds, seventy-second series.

(d) Approximately $357,155,000 of the proceeds of Consolidated Bonds, one hundred sixteenth series was allocated to the purchase of U.S. Treasury securities which are expected to provide for both the refunding on the first call date and the payment of interest through the first call date on the following series of consolidated bonds:

Consolidated Bonds	Amount to be refunded (In thousands)	First call date
Sixty-seventh series	$100,000	Jan. 1, 2000
Sixty-ninth series (third installment)	$ 77,705	Jun. 1, 2000
Seventy-first series	$ 78,000	Jan. 15, 2001
Seventy-fourth series (third installment)	$ 76,215	Aug. 1, 2001

Consolidated Bonds, sixty-seventh series was refunded on January 1, 2000.

(e) Debt service on Consolidated Bonds outstanding on December 31, 1999 is:

Year Ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2000	$ 152,835	$ 321,559	$ 474,394
2001	162,095	314,458	476,553
2002	170,820	306,783	477,603
2003	180,365	298,731	479,096
2004	184,370	290,256	474,626
2005-2021	5,100,685	3,756,735	8,857,420
	$5,951,170	$5,288,522	$11,239,692

Total principal of $5,951,170 shown above differs from the total Consolidated Bonds pursuant to Port Authority bond resolutions of $5,916,804 because of differences in the par value at maturity of the capital appreciation bonds of $34,366.

(f) Amount includes the unamortized difference between acquisition price and carrying amount on refunded debt and gain or loss on futures contracts transactions, if any.

Consolidated bonds outstanding as of February 25, 2000 (pursuant to Port Authority bond resolutions) totalled $5,816,804,000.

The Board of Commissioners has authorized the issuance of Consolidated Bonds one hundred twentieth series through one hundred thirty-fourth 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.

The Port Authority operates John F. Kennedy International Airport and LaGuardia Airport under a lease agreement with the City of New York, which expires in 2015. During 1994, the City of New York suspended negotiations to extend the lease term. In this context, the Port Authority has continued a program to accelerate the retirement of certain Consolidated Bonds that were outstanding as of December 31, 1994, with maturities extending beyond 2015. If the lease agreement is not extended beyond 2015 and the program continues through the year 2015, all such Consolidated Bonds (with the exception of Consolidated Bonds, ninety-third series) outstanding as of December 31, 1994, with maturities beyond 2015 would be retired. Additionally, the Port

Authority is limiting the maturity on its future private activity Consolidated Bonds (proceeds of which are used primarily at the airports) to 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 change at the discretion of the Port Authority (See Note G-4).

B. Commercial paper notes

Port Authority commercial paper obligations may be issued until December 31, 2000, in an aggregate principal amount outstanding at any one time not in excess of $300,000,000 in two separate series. Each of such series includes a standby revolving credit facility and is limited to a maximum aggregate principal amount outstanding at any one time of $150,000,000.

	Dec. 31, 1998	Issued	Refunded/ Repaid	Dec. 31, 1999
		(In thousands)		
Series A*	$ 76,985	$432,600	$452,370	$ 57,215
Series B	47,925	323,280	304,825	66,380
	$124,910	$755,880	$757,195	$123,595

Interest rates for all commercial paper obligations ranged in 1999 from 2.1% to 3.85%.

As of February 25, 2000, commercial paper obligations outstanding totalled $150,255,000.

C. Variable rate master notes

Variable rate master notes may be issued in aggregate principal amounts outstanding at any one time not to exceed $400,000,000.

	Dec. 31, 1998	Dec. 31, 1999
	(In thousands)	
Agreements 1989-1995*	$ 94,900	$ 94,900
Agreements 1989-1998	121,090	121,090
	$215,990	$215,990

Interest rates, variable, ranged in 1999 from 2.84% to 4.75%.

Variable rate master notes are subject to prepayment at the option of the Port Authority or upon demand of the holders.

D. Versatile structure obligations

	Dec. 31, 1998	Issued	Refunded/ Repaid	Dec. 31, 1999
		(In thousands)		
Series 1R*, 4*, 6*	$296,700	$ –	$ 3,500	$293,200
Series 2, 3, 5	283,700	–	1,000	282,700
	$580,400	$ –	$ 4,500	$575,900

Interest rates, variable based upon contractual agreements, ranged in 1999 from 1.2% to 5.25%.

The Port Authority has entered into a separate standby certificate purchase agreement pertaining to each series of versatile structure obligations with certain banks, which provides that during the term of the banks' commitment (generally three years, subject to renewal), if the remarketing agent fails to remarket any obligations that are tendered by the holders, the bank may be required, 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 obligations within 90 business days after the purchase thereof by the bank. Bank commitment fees during 1999 in connection with the agreements were $685,000. No bank was required to purchase any of the obligations under the agreements in 1999.

E. Port Authority equipment notes

Equipment notes may be issued in aggregate principal amounts outstanding at any one time not to exceed $250,000,000.

	Dec. 31, 1998	Dec. 31, 1999
	(In thousands)	
Notes 1995-1998*	$15,850	$15,850
Notes 1995-1998	71,300	71,300
	$87,150	$87,150

Interest rates, variable, ranged in 1999 from 2.2% to 5.85%.

F. Fund buy-out obligation

	Dec. 31, 1998	Accretion (a)	Refunded/ Repaid	Dec. 31, 1999
		(In thousands)		
Obligation outstanding	$409,219	$33,090	$28,063	$414,246

(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, 1999 are:

Year Ending December 31:	Payments
	(In thousands)
2000	$ 28,063
2001	28,063
2002	35,215
2003	35,213
2004	35,211
2005-2021	809,000
	$970,765

As of February 25, 2000, the Fund buy-out obligation outstanding totalled $419,789,000.

2. Amounts Payable in Connection with Special Project Bonds

Neither the full faith and credit of the Port Authority, nor the General Reserve Fund, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal and interest on Special Project Bonds. Principal and interest on each series of Special Project Bonds are 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.

	Dec. 31, 1998	Issued	Refunded/ Repaid	Dec. 31, 1999
		(In thousands)		
Series 1R, Delta Air Lines, Inc. Project (a)				
6.95% term bonds, due 2008	$96,500	$ —	$ —	$96,500

2. Amounts Payable in Connection with Special Project Bonds (continued)

	Dec. 31, 1998	Issued	Refunded/ Repaid	Dec. 31, 1999
		(In thousands)		
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (b)*				
9%-9 1/8%, due 2006-2015	$ 202,075	$ –	$ –	$ 202,075
Less: unamortized discount and premium	8,390			7,881
Total—Series 2	193,685			194,194
Series 4, KIAC Partners Project (c)*				
6 1/4%-7%, due 1999-2019	247,300	$ –	$ 2,700	244,600
Less: unamortized discount and premium	3,923			3,746
Total—Series 4	243,377			240,854
Series 6, JFK International Air Terminal LLC Project (d)*				
5.125%-7%, due 2003-2025	934,100	$ –	$ –	934,100
Less: unamortized discount and premium	8,092			8,089
Total—Series 6	926,008			926,011
Amounts payable—Special Project Bonds	$1,459,570			$1,457,559

(a) 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 leased to Delta Air Lines, Inc.

(b) 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).

(c) Special Project Bonds, Series 4, KIAC Partners Project, were issued to refund the Series 3 Bonds, and 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.

(d) Special Project Bonds, Series 6, JFK International Air Terminal LLC Project, were issued in connection with a project that includes the development and construction of a new passenger terminal at John F. Kennedy International Airport.

3. Interest Rate Exchange Contracts ("Swaps")

The Port Authority records interest rate exchange contracts 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, 1999, 11 interest rate exchange contracts were in place with notional amounts aggregating $777,860,000, including offsetting swaps with aggregate notional amounts of $220,000,000.

Entering into interest rate exchange contracts subjects the Port Authority to the possibility of financial loss in the event of nonperformance by the counterparty to the swap and/or with respect to changes in market rates.

Note E - Reserves

The General Reserve Fund is pledged in support of Consolidated Bonds and Notes. Statutes which required the Port Authority to create the General Reserve Fund also established the principle of pooling revenues from facilities with established earning power to aid 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% of the par value of outstanding bonds legal for investment. At December 31, 1999, the General Reserve Fund balance was $839,671,000 and met the prescribed statutory amount.

The balance remaining of all net revenues of the Port Authority's existing facilities after deducting payments for debt service upon all Consolidated Bonds and Notes and the amount necessary to maintain the General Reserve Fund at its statutorily required amount, is to be paid into the Consolidated Bond Reserve Fund, which is pledged as additional security for all outstanding Consolidated Bonds and Notes. Consolidated Bonds and Notes 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.

Other capital asset obligations (versatile structure obligations, commercial paper obligations, and variable rate master notes), and the interest thereon, are not secured by or payable from the General Reserve Fund. Principal of, and interest on, other capital asset obligations are payable solely from the proceeds of obligations issued for such purposes or from net revenues paid into 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. Operating asset obligations (equipment notes and the fund buy-out obligation) are paid in the same manner and from the same sources as operating expenses. Special Project Bonds are not secured by or payable from the General Reserve Fund or the Consolidated Bond Reserve Fund.

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, 1999, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

Note F - Capital Funding Provided by Others

The Port Authority receives capital funding with respect to its facilities from federal, state and other entities. Federal funding (including amounts receivable) from the Airport Improvement Program was $37,428,000 in 1999 and $27,066,000 in 1998. Funding from other entities was $18,345,000 in 1999 and $9,924,000 in 1998.

Charges representing depreciation of assets relating to capital funding provided by others were $33,180,000 in 1999 and $30,310,000 in 1998.

	December 31, 1999	1998
	(In thousands)	
Cumulative capital funding provided by others	$791,967	$736,194
Less accumulated depreciation of assets acquired with capital funding provided by others	384,763	351,584
Capital funding provided by others	$407,204	$384,610

During 1999, the Federal Aviation Administration advised the Port Authority that failure to resolve an extension of the New York City lease may preclude the use of Airport Improvement Program grants for projects at LaGuardia Airport and John F. Kennedy International Airport in federal fiscal year 2000 and beyond. The Port Authority and the Federal Aviation Administration are discussing possible alternatives which would permit the continued issuance of grants for the New York airports.

Note G - Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to $848,114,000 in 1999 and $759,232,000 in 1998.

2. Property held for lease

The Port Authority, and/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, 1999 are:

Year ending December 31:	(In thousands)
2000	$ 681,009
2001	627,870
2002	603,031
2003	570,652
2004	563,335
Later years	4,982,852
Total minimum future rentals	$8,028,749

Investments in such facilities as of December 31, 1999 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 and Newark for various air terminals, marine terminals and other facilities, aggregated $111,845,000 in 1999 and $50,135,000 in 1998. The terms of such leases expire at various times from 2000 to 2031 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1999 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)
2000	$ 37,845
2001	38,176
2002	39,166
2003	38,530
2004	38,260
Later years	752,781
Total minimum future rent payments	$944,758

4. Information with respect to the suspension of lease negotiations relating to the New York City Airports and with respect to a dispute relating to the lease for Newark International Airport and Port Newark and certain agreements relating to other Port Authority facilities located within the City of Newark.

The City of New York has expressed its unwillingness to negotiate an extension of the lease, currently scheduled to expire in 2015, under which the Port Authority operates John F. Kennedy International and LaGuardia Airports. The City of New York, in December 1995, demanded arbitration of certain matters involved in the determination of the amount due the City as rent under the lease, requesting at that time that the City be awarded in excess of $400,000,000, which the City alleges represents underpayment of rent by the Port Authority. The Port Authority is disputing the City's allegations in such arbitration proceedings.

The members of the Newark Municipal Council have demanded arbitration, with which the Mayor of the City of Newark now concurs, regarding the determination of the amount due as rent under the lease between the City of Newark and the Port Authority dated October 22, 1947, pertaining to Newark International Airport and Port Newark. The demand for arbitration states that such amount may exceed $1 billion. Additionally, the members of the Municipal Council have commenced suit regarding payments under the aforementioned lease and the agreements with respect to the Essex County Resource Recovery Facility and the Newark Legal and Communications Center. In September 1999, the Mayor of the City of Newark was added as an additional plaintiff in the suit. The Port Authority is disputing the allegations in both the arbitration and the suit.

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. An agreement between the Port Authority and the States of New York and New Jersey with respect to the Fund provided that net revenues from the subleasing were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey. 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, 1998	Amortization	Dec. 31, 1999
		(In thousands)	
Unamortized costs for Fund buy-out	$408,460	$3,222	$405,238

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 be undertaken.

Regional Programs

Regional Development Facility – This facility was established in conjunction with a 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 the projects in this program have been associated with other existing Port Authority facilities. The balance of $139,479,000 is 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, 1999, $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 other existing Port Authority facilities.

Other Programs

Oak Point Rail Freight Link – The Port Authority has participated with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link. Approximately $62,900,000 of the $101,650,000 total project cost was allocated against moneys made available through the Regional Development Facility and the Regional Economic Development Program.

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

Bus Programs – In 1979, the States of New York and New Jersey adopted legislation which, as amended in 1982, authorized the Port Authority to acquire, develop, finance and transfer, subject to appropriate certifications, up to $440,000,000 of buses and ancillary bus facilities, with up to $220,000,000 allocated in each State, to any public authority, agency, commission, city or county thereof. As of June 30, 1998, title to all buses leased under such programs was transferred to the respective lessees thereof, and the costs of these programs have been fully amortized.

As of December 31, 1999, $1,149,750,000 was authorized for regional and other programs of which $1,123,286,000 has been expended. Costs for regional and other programs are deferred and amortized over the period benefited. As of December 31, 1999, the unamortized costs of the regional and other programs are as follows:

	Dec. 31, 1998	Additional Project Expenditures	Amortization	Dec. 31, 1999
		(In thousands)		
Unamortized cost of Regional Programs	$412,949	$10,021	$17,613	$405,357
Unamortized cost of Oak Point Rail Freight Link	28,272	–	1,274	26,998
Unamortized cost of New Jersey Marine Development Program	13,665	279	581	13,363
Unamortized cost of Regional and Other Programs	$454,886	$10,300	$19,468	$445,718

Note I – Pension Plans and Other Employee Benefits

1. Pension Plans

a. Generally, full-time Port Authority employees are required to join one of two cost-sharing multiple-employer defined benefit pension plans: the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS), collectively referred to as the "Retirement Systems". 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.

The Retirement Systems 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 five years), and optional methods of benefit payment. Depending upon the date of membership, retirement benefits differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance and the contributory or non-contributory nature of the plan. Contributions are not required from police personnel who are members of the PFRS or from those non-police employees who joined the ERS prior to July 27, 1976. Other ERS members are required to contribute 3% of their annual gross wages to the Retirement Systems.

The Port Authority's payroll expense for 1999 was $432,481,000 of which $308,777,000 and $116,647,000 represent the cost for employees covered by ERS and PFRS, respectively.

Port Authority contributions for the actuarially determined funding requirements of the Retirement Systems, including costs for participation in the retirement incentive programs, are as follows:

Year Ended	ERS	% of Covered Payroll	PFRS	% of Covered Payroll
		(In thousands)		
1999	$ 5,291	1.2%	$ 8,653	2.0%
1998	6,353	1.4%	6,083	1.4%
1997	16,807	4.2%	11,001	2.8%

Employee contributions of $7,132,000 to the ERS represented 1.7% of the total Port Authority covered payroll in 1999.

In 1998 and 1999, a total of 214 employees retired under New York State authorized retirement incentive programs. The cost for the Port Authority's participation in the retirement incentive programs was $3,661,000 for 1998 and has been estimated to be $4,781,000 for 1999, based on an ERS formula and without regard to the resulting savings.

The Annual Report of the New York State and Local Retirement Systems, which provides details on valuation methods and ten year historical trend information, is available from the Comptroller of the State of New York, Gov. Smith State Office Building, Albany NY, 12244.

b. Employees of Port Authority Trans-Hudson Corporation (PATH), a wholly-owned subsidiary of the Port Authority, are covered by several supplemental pension plans established or funded by PATH.

PATH exempt employees (those not covered by collective bargaining agreements) are covered by the PATH Exempt Employees' Supplemental Pension Plan (Plan). The Plan is a non-contributory, single-employer supplemental pension plan intended to make pension benefits provided to PATH exempt employees generally comparable to those available to Port Authority employees. As a matter of policy, the Plan provides an annual pension for covered retired 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 (generally five years), and optional methods of benefit payment. The PATH payroll expense for 1999 was $65,221,000, of which $8,193,000 represented the cost for exempt employees.

The Plan covers 101 active and 51 retired employees. The actuarially determined valuation of this unfunded pension benefit obligation was reviewed in 1998 for the purpose of adjusting the annual accruals and updating the valuation of the obligation based on the projected unit credit cost method. Actuarial assumptions utilized in the calculation of this liability include a salary scale adjustment of 4% per annum and interest at the rate of 7% per annum. The following is required information regarding the Plan:

Year Ended	(A) Actuarial plan valuation	(B) Unfunded actuarial accrued liability	(C) Annual covered payroll	Percentage (B)/(C)
		(In thousands)		
1999	$22,142	$15,728	$8,193	191.9
1998	20,983	14,617	8,128	179.8
1997	20,365	13,527	8,217	164.6

As of December 31, 1999 the actuarial plan valuation was $22,142,000, of which $12,320,000 and $9,822,000 represent the cost for active and retired employees, respectively. An annual pension cost of $2,551,000 was recognized in 1999, consisting of $1,528,000 for the annual required contribution plus $1,023,000 for interest in connection with the net pension obligation. The difference between the actuarial plan valuation and the unfunded accrued liability for retiree past service cost is being amortized over a seven year period, which commenced in 1994. Prior year annual pension costs were $2,441,000 in 1998 and $2,347,000 in 1997. There are no available plan assets to report since this is an unfunded, pay-as-you-go pension plan.

PATH has also entered into collective bargaining agreements with various unions under which PATH funds non-contributory supplemental pension plans for union employees. Eligibility for all benefits prior to normal retirement requires the completion of at least five years of vested service and depends upon years of credited service and monthly benefit rates in effect at the time of retirement. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. PATH payroll expense in 1999 for these employees was $57,028,000. For the year 1999, contributions made by PATH in accordance with the terms of various collective bargaining agreements totalled $3,563,000, which represented approximately 5.5% of the total PATH covered payroll for 1999.

2. Other Employee Benefits

The Port Authority and PATH provide certain health care, dental, vision 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. The actuarially determined valuation of these benefits was reviewed in 1998 for the purpose of estimating the present value of future benefits for prior service by active and retired employees and their dependents. As of December 31, 1999, the actuarially determined value of these benefits is $683,100,000, consisting of the following:

	Port Authority	PATH	Total
		(In millions)	
Retirees	$440.7	$38.5	$479.2
Active	169.7	34.2	203.9
Total	$610.4	$72.7	$683.1

The obligation accrued as of December 31, 1999 was $298,914,000. The difference between the actuarial present value of future benefits for prior service and the amount accrued as of December 31, 1999 is being amortized over a twenty year period, which commenced in 1998.

The cost of providing health care, dental, vision and life insurance benefits, not including the accrual for prior service costs, totalled $93,757,000 in 1999 and $92,025,000 in 1998. Providing these benefits for retired employees and their eligible dependents cost $33,198,000 in 1999 and $29,048,000 in 1998.

Note J — Commitments and Certain Charges to Operations

1. The Port Authority, pending adoption of the budget for 2000, will continue to make expenditures, undertake commitments and authorize projects and other activities, consistent with appropriate existing authorizations. Approval of the budget by the Board of Commissioners 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.

At December 31, 1999, the Port Authority has entered into various construction contracts totaling approximately $1,548,593,000, which are expected to be completed within the next three years.

It is expected that costs with respect to individual Port Authority facilities will continue to increase and that there will be an increasing need for capital investment for the 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 and operating revenues are subject to, among other things, the effects of national and regional economic conditions; Federal legislation and governmental regulations with respect to transportation, commerce, energy and environmental protection; and reductions in various Federal programs. Additionally, resolution of environmental matters and associated proceedings which may arise during the course of construction or operation of Port Authority facilities, including those pertaining to channel improvements and dredging, may result in substantial delays in such construction and may give rise to substantially increased costs to the Port Authority. It is also expected that increases from time to time will continue to be necessary in the Port Authority's tolls, fares, landing and dockage fees, rentals and other charges, or that either planned capital expenditures will be curtailed or reductions in services and associated expenditures will occur or both, so that the costs of operations, including expenses incurred with respect to obligations issued in connection with the acquisition of certain equipment by the Port Authority, the payment of debt service and the fulfillment of Port Authority statutory, contractual and other commitments will continue to be provided for in accordance with the requirements therefor and agreements with the holders of Port Authority obligations.

2. A private full service vendor, American Ref-Fuel Company of Essex County, is operating the resource recovery plant at the Port Authority's Essex County Resource Recovery Facility. As of December 31, 1999, the Port Authority had provided a net amount of $149.4 million to the vendor under a conditional sale agreement through which the vendor has financed a portion of the construction costs of the plant. This amount is to be repaid by the vendor with interest through October 1, 2010.

During 1999, settlement was reached with the Essex County Utilities Authority and Essex County with respect to certain Port Authority damage claims. The settlement generally consists of lump sum payments totalling $16.2 million, and an additional $5 million to be paid to the Port Authority over a 10 year period, at the rate of $500,000 per year, commencing in 2009. Additionally, during 1999, as a result of an amended electric power agreement, Public Service Electric & Gas Company made a one-time payment of $25 million to the American Ref-Fuel Company of which the Port Authority received approximately $18 million. These payments are included in gross operating revenues on the 1999 Combined Statement of Income.

3. On December 30, 1999, the City of New York commenced an action in the Supreme Court of the State of New York alleging that the Port Authority breached the 1962 agreement to make payments in-lieu of taxes (PILOT) relating to the World Trade Center and made false material representations to the City, which resulted in millions of dollars of underpayments of PILOT.

In October 1999, the Port Authority had received a "Notice of Claim", in which the City alleged that the Port Authority had breached the PILOT agreement and made material misrepresentations from 1987 to 1998, resulting in a substantial underpayment of PILOT to the City. The City also alleged in the Notice of Claim that while the amount of damages resulting from the underpayment was unknown, it was not less than $90 million.

The Port Authority believes that it has complied with the PILOT agreement, disputes the City's allegations and is vigorously defending the above-described action.

4. The Port Authority carries or requires insurance to be carried (if available) on or in connection with its facilities to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering self-insured retentions, exceptions, or exclusions of portions of facilities, and the scope of insurable hazards. As of December 31, 1999, the property damage and loss of revenue insurance on Port Authority facilities totalled $1 billion, and the public liability insurance totalled $1.25 billion for aviation facilities and $650 million for "non-aviation" facilities. In providing for uninsured potential losses, the Port Authority administers its self-insurance program by applications from the Consolidated Bond Reserve Fund and provides for losses by charging operating expense as liabilities are incurred.

A liability is recognized when it is probable that the Port Authority has incurred a loss and the amount of the loss can be reasonably estimated. The liability for unpaid claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses and estimated recoveries. Changes in the liability amounts in 1998 and 1999 were:

	Beginning Balance	Additions and Changes	Payments	Year-end Balance
		(In thousands)		
1998	$28,450	$8,305	$13,472	$23,283
1999	$23,283	$6,617	$9,047	$20,853

During each of the past three years, claims payments have not exceeded insurance coverage.

5. In 1999, following several years of administrative and judicial proceedings, the Federal Aviation Administration (FAA) approved the use of up to $1.148 billion of Passenger Facility Charges for a light rail system, linking the terminals in the central terminal area of John F. Kennedy International Airport with each other and with existing transit lines in Jamaica, Queens and Howard Beach, Queens. Subsequently the Southeast Queens Concerned Neighbors and the Committee for Better Transit petitioned the United States Court of Appeals for review of the FAA's decision. It is presently estimated that the cost of the light rail project, excluding debt service with respect to obligations issued for the project, would be $1.2 billion. Approximately 75% of the estimated project cost is expected to be provided from the application of PFC revenue and the balance is expected to be provided through other available capital funds of the Port Authority. It is anticipated that PFC collections would be applied directly to project capital costs and/or to the payment of debt service on PFC backed bonds or other obligations payable in whole or in part from PFCs.

6. During 1999, the Port Authority continued the process intended to lead to the net leasing of the World Trade Center and the Newark Legal and Communications Center.

7. In 1998, the New Jersey Turnpike Authority, as the lead agency of a regional consortium consisting of the Port Authority, the State of Delaware, the New Jersey Turnpike Authority, the South Jersey Transportation Authority and the New Jersey Highway Authority, entered into a project agreement with MFS Network Technologies, Inc. for the purpose of receiving services associated with the implementation of an integrated electronic toll collection system, a fiber optic system, a customer service center for processing tolls transactions and a related violations processing center.

To finance certain of the costs of this project, the New Jersey Economic Development Authority issued $300 million of taxable economic development transportation bonds ("EDA bonds"). The EDA bonds are payable from certain amounts other than tolls, including amounts received by the consortium members principally consisting of administrative fees resulting from toll violations and rents from the leasing of portions of the fiber optic system developed as a part of the project and, subject to the requirements of each of such consortium member's bond covenants, paid to a project fund. To the extent that amounts in the project fund are not sufficient to pay approved expenses relating to principal and interest on the EDA bonds, each consortium member has agreed, under a true-up agreement with the New Jersey Economic Development Authority, generally, subject to the requirements of such member's bond covenants, to pay its allocated share of the amount of such deficiency at the maturity of the EDA bonds, March 7, 2008, or earlier in connection with the occurrence of certain events of default. The true-up agreement provides for a proportional allocation of liability for the payment of true-up amounts amongst the consortium members, initially, on the following basis: the Port Authority – 13%, the State of Delaware – 4%, the New Jersey Turnpike Authority – 48%, the South Jersey Transportation Authority – 3%, and the New Jersey Highway Authority – 32%. This proportional allocation of liability amongst the consortium members is subject to adjustment under the true-up agreement.

Generally, when the EDA bonds are discharged, other reimbursements to the consortium members have been made and an operating reserve established, the contractor is entitled to additional payments of net project fund balances to be determined on a formula basis, with the remainder of the net project fund balances to be disbursed to the consortium members.

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, depreciation and amortization of Regional and Other Programs. "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).

	Interstate Transportation Network	Air Terminals	Port Commerce	Economic Development (In thousands)	World Trade	Combined Total
1999						
Gross operating revenues	$ 638,051	$1,360,223	$111,581	$113,213	$ 324,444	$ 2,547,512
Interdepartmental revenues	2,239	–	815	400	27,911	
Revenues from operations	$ 640,290	$1,360,223	$112,396	$113,613	$ 352,355	
Gross operating income	$ 81,739	$ 394,862	$ 8,084	$ 23,708	$ 101,495	$ 609,888
General administrative and development expenses	(78,764)	(61,209)	(5,010)	(912)	(7,719)	(153,614)
Income from operations	$ 2,975	$ 333,653	$ 3,074	$ 22,796	$ 93,776	$ 456,274
Net income (loss) Port Authority operations	($ 90,344)	$ 253,239	($ 22,197)	$ 22,337	$ 27,689	$ 190,724
Net income PFC program						123,296
Combined net income						$ 314,020
1998						
Gross operating revenues	$ 626,249	$1,230,504	$110,927	$ 73,740	$ 319,782	$ 2,361,202
Interdepartmental revenues	2,024	–	818	985	27,710	
Revenues from operations	$ 628,273	$1,230,504	$111,745	$ 74,725	$ 347,492	
Gross operating income (loss)	$ 96,375	$389,448	($ 1,094)	($ 36,048)	$ 97,865	$ 546,546
General administrative and development expenses	(72,606)	(59,338)	(5,681)	(836)	(6,670)	(145,131)
Income (loss) from operations	$ 23,769	$ 330,110	($ 6,775)	($ 36,884)	$ 91,195	$ 401,415
Net income (loss) Port Authority operations	($ 56,148)	$ 257,117	($ 29,811)	($ 35,747)	$ 31,172	$ 166,583
Net income PFC program						132,747
Combined net income						$ 299,330

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

2. Asset Information

The table below contains a summary of information on the Port Authority's assets. "Facilities, net" consists of facilities at cost less accumulated depreciation.

	Interstate Transportation Network	Air Terminals	Port Commerce	Economic Development (In thousands)	World Trade	PFC Program	Combined Total
1999 Assets							
Facilities, net-beginning of year	$2,528,311	$2,719,776	$860,020	$185,792	$1,089,085	$337,810	$ 7,720,794
Net capital expenditures	184,578	360,115	65,164	2,275	79,145	284,778	976,055
Disposition of assets	–	–	–	(10,377)	–	–	(10,377)
Depreciation	(110,272)	(194,247)	(33,380)	(10,262)	(46,345)	(5,597)	(400,103)
Facilities, net-end of year	2,602,617	2,885,644	891,804	167,428	1,121,885	616,991	8,286,369
Unamortized costs for Regional and Other Programs	405,357	–	40,361	–	–	–	445,718
Total	$3,007,974	$2,885,644	$932,165	$167,428	$1,121,885	$616,991	8,732,087
Cash, investments, receivables and other assets							5,573,370
Total assets							$14,305,457
1998 Assets							
Facilities, net-beginning of year	$2,463,895	$2,572,311	$804,364	$212,021	$1,035,886	$188,551	$ 7,277,028
Net capital expenditures	163,074	319,023	86,640	4,150	93,309	154,468	820,664
Disposition of assets	(1,772)	–	–	–	–	–	(1,772)
Depreciation	(96,886)	(171,558)	(30,984)	(30,379)	(40,110)	(5,209)	(375,126)
Facilities, net-end of year	2,528,311	2,719,776	860,020	185,792	1,089,085	337,810	7,720,794
Unamortized costs for Regional and Other Programs	412,949	–	41,937	–	–	–	454,886
Total	$2,941,260	$2,719,776	$901,957	$185,792	$1,089,085	$337,810	$ 8,175,680
Cash, investments, receivables and other assets							5,384,556
Total assets							$13,560,236

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

	Year ended December 31, 1999 Operating Fund	Reserve Funds	Combined Total	1998 Combined Total
	(In thousands)			
Gross operating revenues	$2,547,512	$ –	**$2,547,512**	$2,361,202
Operating expenses:				
Employee compensation, including benefits	621,900	–	**621,900**	608,192
Contract services	554,155	–	**554,155**	519,336
Materials, equipment and other	137,508	–	**137,508**	142,996
Rents and amounts in-lieu-of-taxes	133,452	–	**133,452**	71,810
Utilities	132,213	–	**132,213**	128,759
Interest on Special Project Bonds	98,036	–	**98,036**	98,165
Total operating expenses	1,677,264	–	**1,677,264**	1,569,258
Amounts in connection with operating asset obligations	35,957	–	**35,957**	35,605
Net operating revenues	834,291	–	**834,291**	756,339
Financial income				
Income on investments	52,280	43,071	**95,351**	80,602
Net increase in fair value of investments	1,807	7,499	**9,306**	37,760
Net revenues available for debt service and reserves	888,378	50,570	**938,948**	874,701
Debt service				
Interest on bonds and other capital asset obligations	323,954	–	**323,954**	310,107
Debt maturities and retirements	138,225	–	**138,225**	123,395
Repayment of commercial paper obligations	–	172	**172**	757
Total debt service	462,179	172	**462,351**	434,259
Transfers to reserves	($ 426,199)	426,199	**—**	–
Revenues after debt service and transfers to reserves		476,597	**476,597**	440,442
Direct investment in facilities		(233,260)	**(233,260)**	(242,311)
Appropriations for self-insurance		(4,247)	**(4,247)**	(3,785)
Increase in reserves		239,090	**239,090**	194,346
Reserve balances, January 1		1,381,541	**1,381,541**	1,187,195
Reserve balances, December 31		$1,620,631	**$1,620,631**	$1,381,541

See Notes to Combined Financial Statements.

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

	December 31, 1999				December 31, 1998
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	Combined Total
			(In thousands)		
Assets					
Current assets:					
Cash	$ 41,907	$ 1,336	$ 1,000	**$ 44,243**	$ 44,942
Investments	407,950	214,761	496,020	**1,118,731**	1,253,367
Current receivables, net	224,202	10,185	–	**234,387**	165,585
Other current assets	38,459	124,876	–	**163,335**	46,745
Total current assets	712,518	351,158	497,020	**1,560,696**	1,510,639
Noncurrent assets:					
Investments	–	249,805	1,123,611	**1,373,416**	1,354,426
Other amounts receivable, net	83,836	261,109	–	**344,945**	321,705
Deferred charges and other noncurrent assets	429,573	21,659	–	**451,232**	350,161
Unamortized costs for Fund buy-out	405,237	–	–	**405,237**	408,460
Amounts receivable - Special Project Bonds	–	1,457,559	–	**1,457,559**	1,459,570
Invested in facilities	–	14,910,982	–	**14,910,982**	13,927,378
Total noncurrent assets	918,646	16,901,114	1,123,611	**18,943,371**	17,821,700
Total assets	1,631,164	17,252,272	1,620,631	**20,504,067**	19,332,339
Liabilities					
Current liabilities:					
Accounts payable	218,830	214,761	–	**433,591**	335,546
Accrued interest and other current liabilities	208,959	–	–	**208,959**	157,605
Accrued payroll and other employee benefits	66,657	–	–	**66,657**	60,501
Deferred income in connection with PFCs	186,350	–	–	**186,350**	342,235
Current portion bonds and other asset financing obligations	31,013	597,020	–	**628,033**	507,188
Total current liabilities	711,809	811,781	–	**1,523,590**	1,403,075
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	322,361	–	–	**322,361**	274,758
Other noncurrent liabilities	82,300	2,953	–	**85,253**	82,274
Amounts payable – Special Project Bonds	–	1,477,275	–	**1,477,275**	1,479,975
Bonds and other asset financing obligations	470,384	6,235,269	–	**6,705,653**	6,657,868
Total noncurrent liabilities	875,045	7,715,497	–	**8,590,542**	8,494,875
Total liabilities	1,586,854	8,527,278	–	**10,114,132**	9,897,950
Net Assets	$ 44,310	$ 8,724,994	$1,620,631	**$10,389,935**	$ 9,434,389
Net assets are composed of:					
Debt retired through income	$ –	$ 3,743,102	$ –	**$ 3,743,102**	$ 3,604,706
Reserves	–	–	1,620,631	**1,620,631**	1,381,541
Capital funding provided by others	–	791,967	–	**791,967**	736,194
PFCs invested in facilities	–	635,892	–	**635,892**	351,113
Appropriated reserves invested in facilities	–	3,554,033	–	**3,554,033**	3,320,773
Appropriated reserves for self-insurance	44,310	–	–	**44,310**	40,062
Net assets	$ 44,310	$ 8,724,994	$1,620,631	**$10,389,935**	$ 9,434,389

See Notes to Combined Financial Statements.

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

	Year ended December 31, 1999			1998
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
		(In thousands)		
Balance, January 1	$823,581	$ 557,960	**$1,381,541**	$1,187,195
Income on investments	31,775	11,296	**43,071**	50,152
Net increase in fair value of investments	(224)	7,723	**7,499**	3,699
Transfers from operating fund	—	426,199	**426,199**	387,348
Reserve fund transfers	(15,461)	15,461	**—**	—
	839,671	1,018,639	**1,858,310**	1,628,394
Applications:				
Repayment of commercial paper obligations	—	172	**172**	757
Direct investment in facilities	—	233,260	**233,260**	242,311
Self-insurance	—	4,247	**4,247**	3,785
Total applications	—	237,679	**237,679**	246,853
Balance, December 31	$839,671	$ 780,960	**$1,620,631**	$1,381,541

See Notes to Combined Financial Statements.

Schedule D – Selected Statistical Financial Data

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
REVENUES AND EXPENSES										
Gross operating revenues (a)	$ 2,547,512	$ 2,361,202	$ 2,205,647	$ 2,154,120	$ 2,082,624	$ 1,979,674	$ 1,920,904	$1,933,512	$1,856,895	$1,690,730
Operating expenses	1,677,264	1,569,258	1,461,264	1,469,309	1,469,881	1,407,938	1,340,283	1,348,392	1,337,406	1,282,298
Amounts in connection with operating asset obligations	35,957	35,605	34,675	33,126	32,254	32,103	32,774	31,745	30,669	29,052
Net operating revenues	834,291	756,339	709,708	651,685	580,489	539,633	547,847	553,375	488,820	379,380
Income on investments	104,657	118,362	103,873	98,707	70,830	73,723	76,404	88,054	84,054	86,014
Gain on purchase of Port Authority bonds	–	–	11	–	439	4,797	146	724	4,788	2,131
Net gain (loss) on WTC explosion	–	–	29,450	–	–	–	(32,500)	–	–	–
Net revenues available for debt service and reserves	938,948	874,701	843,042	750,392	651,758	618,153	591,897	642,153	577,662	467,525
DEBT SERVICE–OPERATIONS										
Interest on bonds and other capital asset obligations	(323,954)	(310,107)	(291,765)	(292,987)	(266,903)	(259,400)	(258,458)	(254,435)	(227,619)	(195,176)
Times, interest earned	2.90	2.82	2.89	2.56	2.44	2.38	2.29	2.52	2.54	2.40
Debt maturities and retirements	(138,225)	(123,395)	(105,450)	(87,443)	(86,865)	(75,745)	(67,675)	(59,925)	(66,537)	(59,675)
Times, debt service earned (b)	2.03	2.02	2.12	1.95	1.84	1.83	1.81	2.04	1.99	1.83
DEBT SERVICE–RESERVES										
Direct investment in facilities	(233,260)	(242,311)	(246,232)	(162,471)	(268,711)	(224,622)	(185,071)	(370,497)	(187,305)	(235,984)
Payments in connection with leasehold acquisition	–	–	–	–	–	–	(35,687)	(4,015)	(4,005)	(4,097)
Debt retirement acceleration	–	–	–	(100,000)	(112,680)	(27,062)	(3,458)	–	–	–
Application from PFC program	–	–	–	–	105,000	–	–	–	–	–
Appropriations for self-insurance	(4,247)	(3,785)	(3,749)	5,057	(3,444)	710	7,081	865	(1,218)	351
Repayment of commercial paper obligations	(172)	(757)	(395)	(780)	(878)	(343)	(178)	(126)	(520)	(1,734)
Net increase (decrease) in reserves	239,090	194,346	195,451	111,768	17,277	31,691	48,451	(45,980)	90,458	(28,790)
RESERVE BALANCES										
January 1	1,381,541	1,187,195	991,744	879,976	862,699	831,008	782,557	828,537	738,079	766,869
December 31	$ 1,620,631	$ 1,381,541	$ 1,187,195	$ 991,744	$ 879,976	$ 862,699	$ 831,008	$ 782,557	$ 828,537	$ 738,079
Reserve fund balances represented by:										
General Reserve	$ 839,671	$ 823,581	$ 754,619	$ 618,960	$ 605,167	$ 579,329	$ 534,011	$ 494,486	$ 471,281	$ 441,614
Consolidated Bond Reserve	780,960	557,960	432,576	372,784	274,809	283,370	296,997	288,071	357,256	296,465
Total	$ 1,620,631	$ 1,381,541	$ 1,187,195	$ 991,744	$ 879,976	$ 862,699	$ 831,008	$ 782,557	$ 828,537	$ 738,079
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	$ 5,916,804	$ 5,747,387	$ 5,077,133	$ 4,723,335	$ 4,795,207	$ 4,650,350	$ 4,286,668	$4,198,785	$4,056,744	$3,739,020
Fund buy-out obligation	414,246	409,219	404,582	400,305	396,360	392,722	389,366	386,290	383,433	357,067
Amounts payable — Special Project Bonds	1,477,275	1,479,975	1,482,675	548,575	472,675	473,575	473,575	298,575	298,575	298,575
Variable rate master notes	215,990	215,990	202,900	233,000	308,000	283,000	270,000	250,000	217,000	182,000
Commercial paper obligations	123,595	124,910	124,445	163,850	176,955	187,106	189,963	170,492	116,430	172,140
Versatile structure obligations	575,900	580,400	584,200	484,700	285,200	185,700	100,000	–	–	–
Leasehold acquisition obligation	–	–	–	–	–	–	–	33,213	33,809	34,349
Operating equipment-lease financing obligations	–	–	–	–	–	13,563	19,903	27,008	24,060	24,060
Port Authority equipment notes	87,150	87,150	74,838	36,138	13,638	–	–	–	–	–
Total obligations	$ 8,810,960	$ 8,645,031	$ 7,950,773	$ 6,589,903	$ 6,448,035	$ 6,186,016	$ 5,729,475	$5,364,363	$5,130,051	$4,807,211
INVESTED IN FACILITIES AT DECEMBER 31	$14,910,982	$13,927,378	$13,069,084	$12,370,806	$11,752,783	$11,118,503	$10,432,103	$9,848,280	$9,161,865	$8,532,632
DEBT RETIRED THROUGH INCOME:										
Annual	$ 138,396	$ 124,153	$ 105,845	$ 188,223	$ 95,423	$ 103,150	$ 104,523	$ 60,647	$ 67,599	$ 61,897
Cumulative	$ 3,743,102	$ 3,604,706	$ 3,480,553	$ 3,374,708	$ 3,186,485	$ 3,091,062	$ 2,987,912	$2,883,389	$2,822,742	$2,755,143

(a) Gross operating revenues reflect increased tolls adopted in 1991.

(b) In computing "Times, debt service earned", "Debt maturities and retirements" has been adjusted to exclude the retirement of Consolidated Bonds and debt retirement accelerations from operations, and to include scheduled retirement of debt previously accelerated as follows:

1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
–	–	($208)	($3,774)	($1,250)	($3,250)	–	–	$3,352	–

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 E – Information on Port Authority Operations

	Year ended December 31, 1999							1998
	Gross Operating Revenues	Operating & Maintenance Expenses	Allocated Expenses	Depreciation & Amortization	Income (Loss) from Operations	Net Interest & Other Expense (a)	Net Income (Loss)	Net Income (Loss)
	(In thousands)							
INTERSTATE TRANSPORTATION NETWORK								
G.W. Bridge & Bus Station	$ 243,954	$ 66,007	$ 14,828	$ 15,415	$147,704	$ 13,057	**$134,647**	$141,353
Holland Tunnel	72,959	44,318	7,439	9,255	11,947	7,010	**4,937**	9,753
Lincoln Tunnel	84,732	57,541	8,956	15,386	2,849	11,771	**(8,922)**	2,955
Bayonne Bridge	12,235	10,233	911	3,898	(2,807)	2,329	**(5,136)**	(5,753)
Goethals Bridge	57,231	15,626	3,124	5,418	33,063	1,873	**31,190**	29,446
Outerbridge Crossing	59,903	16,258	2,973	5,321	35,351	2,497	**32,854**	33,149
P. A. Bus Terminal	33,426	59,499	8,653	9,556	(44,282)	8,632	**(52,914)**	(49,394)
Bus Programs	–	–	–	–	–	–	**—**	(1,670)
Regional and Other Programs	–	–	–	17,613	(17,613)	14,408	**(32,021)**	(30,163)
Subtotal – Tunnels, Bridges & Terminals	564,440	269,482	46,884	81,862	166,212	61,577	**104,635**	129,676
PATH	71,560	149,775	30,969	42,588	(151,772)	29,406	**(181,178)**	(172,705)
Journal Square Transportation Center	2,051	4,929	759	3,274	(6,911)	2,151	**(9,062)**	(12,049)
Subtotal – PATH	73,611	154,704	31,728	45,862	(158,683)	31,557	**(190,240)**	(184,754)
Ferry Service	–	4,241	152	161	(4,554)	185	**(4,739)**	(1,070)
Total Interstate Transportation Network	638,051	428,427	78,764	127,885	2,975	93,319	**(90,344)**	(56,148)
AIR TERMINALS								
LaGuardia	245,921	154,421	13,767	39,612	38,121	12,530	**25,591**	29,990
JFK International	624,537	348,858	27,610	95,326	152,743	36,317	**116,426**	117,153
Newark International	487,362	265,131	19,680	57,665	144,886	30,926	**113,960**	112,945
Teterboro	1,246	1,460	–	943	(1,157)	438	**(1,595)**	(1,120)
Heliport	1,157	1,244	152	701	(940)	203	**(1,143)**	(1,851)
Total Air Terminals	1,360,223	771,114	61,209	194,247	333,653	80,414	**253,239**	257,117
PORT COMMERCE								
Port Newark	44,854	34,154	2,429	12,898	(4,627)	7,591	**(12,218)**	(12,608)
Elizabeth Marine Terminal	47,895	10,526	1,366	10,789	25,214	8,894	**16,320**	14,136
Brooklyn	3,697	8,551	759	2,919	(8,532)	4,015	**(12,547)**	(7,701)
Red Hook	2,213	7,753	152	1,760	(7,452)	–	**(7,452)**	(9,872)
N.Y.C. Passenger Ship Terminal	–	–	–	–	–	–	**—**	(6,900)
Howland Hook	5,298	4,433	152	2,185	(1,472)	1,254	**(2,726)**	(5,309)
Greenville Yard	242	3	–	1	238	–	**238**	226
Auto Marine	7,382	2,842	152	2,114	2,274	1,944	**330**	1,462
Queens West	–	–	–	66	(66)	81	**(147)**	–
Hoboken South	–	–	–	648	(648)	469	**(1,117)**	–
Oak Point	–	–	–	1,274	(1,274)	957	**(2,231)**	(2,227)
N.J. Fisheries	–	–	–	581	(581)	66	**(647)**	(1,018)
Total Port Commerce	111,581	68,262	5,010	35,235	3,074	25,271	**(22,197)**	(29,811)
ECONOMIC DEVELOPMENT								
Essex County Resource Recovery	83,730	62,032	152	1,430	20,116	(5,058)	**25,174**	(13,963)
Industrial Park at Elizabeth	737	382	103	348	(96)	346	**(442)**	(867)
Bathgate	3,472	1,514	152	1,950	(144)	830	**(974)**	(804)
Industrial Park at Yonkers	538	695	49	–	(206)	1,434	**(1,640)**	(20,763)
Teleport	16,310	8,213	304	2,783	5,010	1,416	**3,594**	3,860
Newark Legal & Communications Center	8,426	6,407	152	3,751	(1,884)	1,491	**(3,375)**	(3,210)
Total Economic Development	113,213	79,243	912	10,262	22,796	459	**22,337**	(35,747)
WORLD TRADE CENTER	324,444	176,604	7,719	46,345	93,776	66,087	**27,689**	31,172
Total Port Authority Operations	$2,547,512	$1,523,650	$153,614	$413,974	$456,274	$265,550	**190,724**	166,583
PFC Program							**123,296**	132,747
Combined Total							**$314,020**	$299,330

(a) Amounts include net interest (interest expense less financial income) expense and gain or loss generated by the disposition of assets.

Facility Traffic*

TUNNELS AND BRIDGES

(Eastbound Traffic)	1999	1998
All Crossings		
Automobiles	**112,781,000**	110,981,000
Buses	**2,652,000**	2,510,000
Trucks	**8,178,000**	7,933,000
Total vehicles	**123,611,000**	121,424,000
George Washington Bridge		
Automobiles	**49,008,000**	48,141,000
Buses	**326,000**	301,000
Trucks	**4,084,000**	3,911,000
Total vehicles	**53,418,000**	52,353,000
Lincoln Tunnel		
Automobiles	**18,578,000**	18,385,000
Buses	**2,020,000**	1,890,000
Trucks	**879,000**	887,000
Total vehicles	**21,477,000**	21,162,000
Holland Tunnel		
Automobiles	**16,223,000**	16,125,000
Buses	**117,000**	117,000
Trucks	**1,068,000**	1,066,000
Total vehicles	**17,408,000**	17,308,000
Staten Island Bridges		
Automobiles	**28,972,000**	28,330,000
Buses	**189,000**	202,000
Trucks	**2,147,000**	2,069,000
Total vehicles	**31,308,000**	30,601,000
Cumulative PA Investment in Tunnels and Bridges (In thousands)	**$1,964,660**	$1,845,978

PATH

	1999	1998
Total passengers	**67,332,000**	64,992,000
Passenger weekday average	**232,400**	223,200
Cumulative PA Investment in PATH (In thousands)	**$1,406,158**	$1,361,092

MARINE TERMINALS

	1999	1998
All Terminals		
Ship arrivals	**3,259**	3,075
General cargo (a) (Long tons)	**17,895,452**	16,676,778
New Jersey Marine Terminals		
Ship arrivals	**2,600**	2,331
New York Marine Terminals		
Ship arrivals	**659**	744
Cumulative PA Investment in Marine Terminals (In thousands)	**$1,431,383**	$1,372,455

AIR TERMINALS

	1999	1998
Totals at the Three Major Airports		
Plane movements	**1,177,000**	1,157,300
Passenger traffic	**89,100,000**	86,525,000
Cargo-tons	**2,732,100**	2,730,800
Revenue mail-tons	**333,100**	320,313
Kennedy International Airport		
Plane movements	**345,000**	343,400
Passenger traffic		
Domestic	**13,350,000**	13,294,000
International	**18,050,000**	17,750,000
Cargo-tons	**1,589,000**	1,621,000
LaGuardia Airport		
Plane movements	**371,000**	358,100
Passenger traffic		
Domestic	**22,600,000**	21,690,000
International	**1,200,000**	1,160,000
Cargo-tons	**21,300**	23,800
Newark International Airport		
Plane movements	**461,000**	455,800
Passenger traffic		
Domestic	**26,100,000**	25,857,000
International	**7,800,000**	6,774,000
Cargo-tons	**1,121,800**	1,086,000
Cumulative PA Investment in Air Terminals (In thousands)	**$6,243,694**	$5,595,057

TERMINALS

	1999	1998
All Bus Facilities		
Passengers	**70,204,000**	68,895,000
Bus movements	**3,595,000**	3,533,000
Port Authority Bus Terminal		
Passengers	**56,750,000**	55,875,000
Bus movements	**2,270,000**	2,235,000
George Washington Bridge Bus Station		
Passengers	**4,800,000**	4,370,000
Bus movements	**230,000**	204,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**8,654,000**	8,650,000
Bus movements	**1,095,000**	1,094,000
Cumulative PA Investment in Bus Facilities (In thousands)	**$571,179**	$547,105

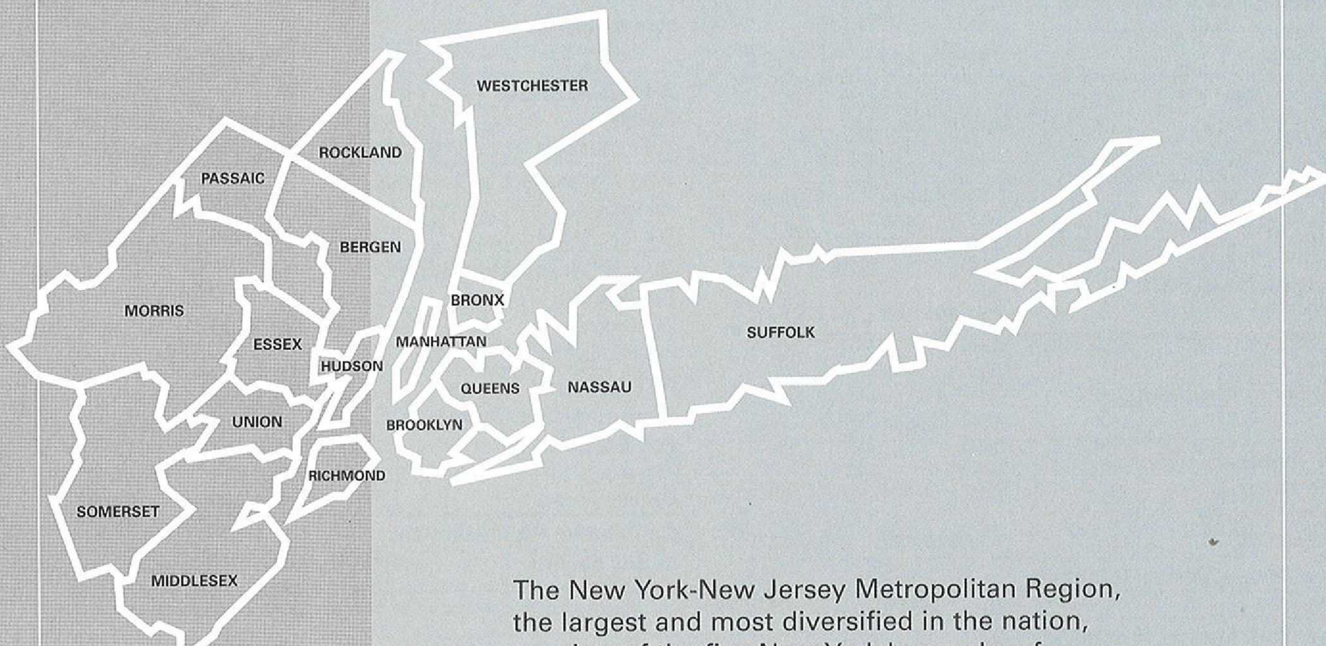
	1999	1998
Total Port Authority Cumulative Invested in Facilities, including the above (In thousands)	**$14,910,982**	$13,927,378

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

* Some 1998 numbers reflect revised data.

NY-NJ Metropolitan Region

Area	3,900 Square Miles
Population	16 Million
Total Labor Force	7.8 Million
Total Wage and Salary Jobs	7.7 Million
Total Personal Income	$630 Billion (est.)



The New York-New Jersey Metropolitan Region, the largest and most diversified in the nation, consists of the five New York boroughs of Manhattan, Brooklyn, Queens, Richmond (Staten Island), and the Bronx; 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.

Port Authority Facilities and Services

Aviation
- John F. Kennedy International Airport
- LaGuardia Airport
- Newark International Airport
- Downtown Manhattan Heliport
- Teterboro Airport

Tunnels, Bridges & Terminals
- Bayonne Bridge
- George Washington Bridge
- George Washington Bridge Bus Station
- Goethals Bridge
- Holland Tunnel
- Lincoln Tunnel
- Outerbridge Crossing
- Port Authority Bus Terminal

Economic Development
- Essex County Resource Recovery Facility
- Industrial Parks:
  - Bathgate
  - Elizabeth
- Newark Legal Center
- The Teleport
- Ferry Transportation

Port Commerce
- Port Authority Marine Terminals:
  - Auto
  - Brooklyn/Red Hook
  - Elizabeth
  - Howland Hook
  - Port Newark
- Greenville Yard
- Oak Point Rail Freight Link
- Queens West Waterfront Development
- The South Waterfront at Hoboken
- Business Development Offices:
  London, Tokyo; representatives in Belgium, Germany, Hong Kong, Seoul, Shanghai and Singapore

Port Authority Trans-Hudson
- PATH Rail Transit System
- Journal Square Transportation Center

World Trade
- World Trade Center

1999 Annual Report

Managing Editor
Carolyne Bowers

Editor for Finance
Michael Shannon

Financial Section
Rosemary Chiricolo
Antoinette Dickenson

Contributing Editor
Kevin Kirchman

Art Director
Flory Danish

Photography
Evan Auster
Jerry Casciano
Elizabeth Felicella
Media Photo Group, Inc.

Prepared by the Corporate Communications and Comptroller's departments of The Port Authority of New York and New Jersey One World Trade Center, New York, NY 10048 (212) 435-2000; www.panynj.gov

Printed in the U.S.A.
entirely on recycled paper.

Pier A Park — The South Waterfront at Hoboken.

THE PORT AUTHORITY OF NY & NJ
On the move for you since 1921