THE PORT AUTHORITY OF NY & NJ

2012 ANNUAL REPORT

MAPPING A NEW DIRECTION

ABOUT THE PORT AUTHORITY

The Port Authority of New York and New Jersey builds, operates, and maintains many of the most important transportation and trade infrastructure assets in the country. The agency's network of aviation, rail, surface transportation, and seaport facilities annually move hundreds of millions of people and goods throughout the region and supports more than 550,000 regional jobs, more than $23 billion in annual wages, and $80 billion in annual economic activity. The Port Authority also owns and manages the 16-acre World Trade Center site, home to the iconic One World Trade Center, the tallest building in the Western Hemisphere.

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The Port Authority of New York and New Jersey
Comprehensive Annual Financial Report for the Year Ended December 31, 2012

Prepared by the Public Affairs and Comptroller's departments of The Port Authority of New York and New Jersey, 225 Park Avenue South, New York, NY 10003-1604
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FACILITIES

The Port Authority of New York & New Jersey's facilities include America's busiest airport system, marine terminals and ports, the PATH rail transit system, six tunnels and bridges connecting New York and New Jersey, the Port Authority Bus Terminal in Manhattan, and the World Trade Center site. All play a key role in supporting the region's transportation infrastructure and economic livelihood.

AVIATION
John F. Kennedy International Airport
LaGuardia Airport
Newark Liberty International Airport
Stewart International Airport
Teterboro Airport

TUNNELS, BRIDGES & TERMINALS[1]
Holland Tunnel
Lincoln Tunnel

Bayonne Bridge
George Washington Bridge
Goethals Bridge
Outerbridge Crossing

George Washington Bridge Bus Station
Port Authority Bus Terminal

PORT COMMERCE
Brooklyn-Port Authority Marine Terminal/Red Hook Container Terminal
Howland Hook Marine Terminal

Elizabeth-Port Authority Marine Terminal
Greenville Yard-Port Authority Marine Terminal
Port Jersey-Port Authority Marine Terminal
Port Newark

PORT AUTHORITY TRANS-HUDSON[1]
PATH Rail Transit System
Journal Square Transportation Center

WORLD TRADE CENTER

[1] Facilities within Tunnels, Bridges & Terminals and Port Authority Trans-Hudson make up the Interstate Transportation Network.

THE HONORABLE
ANDREW M. CUOMO
Governor, State of New York

THE HONORABLE
CHRIS CHRISTIE
Governor, State of New Jersey

LETTER OF TRANSMITTAL TO THE GOVERNORS

Dear Governors:

In conformance with the Port Compact of 1921, I am pleased to present to you and to the Legislatures of New York and New Jersey, the 2012 Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey.

First, it is with sadness that I acknowledge the loss of Commissioner H. Sidney Holmes III, who passed away in April 2013. Commissioner Holmes was appointed to the Board in May 2008 where his vast knowledge and private-sector experience, particularly in the areas of public finance and economic industry, were a tremendous asset during one of the most ambitious and challenging periods in the Port Authority's history. His counsel and friendship will be greatly missed.

2012 was a year of significant challenges for the Port Authority including the devastation of Superstorm Sandy, which caused in excess of $2 billion in damage to Port Authority facilities, not to mention the severe disruption it caused to the agency's day-to-day operations and the regional economy. And while it also significantly depressed our fourth-quarter passenger and cargo volumes, the 109 million passengers who passed through our airports in 2012 was the highest level since 2007. It is with great pride though that I report of the extraordinary and often heroic actions which were taken by our management, staff and contractors in the wake of Sandy to reopen our facilities and restore full operation as quickly and safely as possible. Rest assured that the Port Authority's staff is hard at work developing operational disaster preparedness plans in anticipation of future weather events and building resilience into our capital investment strategy to ensure this does not happen again.

Continuing our focus on customer safety and security, the Port Authority hired Joseph P. Dunne, a former first deputy commissioner of the NYPD, as the agency's first-ever Chief Security Officer this past November. As the head of the agency's new, centralized safety department, Mr. Dunne will oversee security at the Port Authority's land, sea, air and rail facilities, which are policed by the Port Authority Police Department's nearly 1,600 uniformed officers. Less than six months into his tenure, Mr. Dunne has already made significant contributions to the agency including the development and execution of operational and cost-control measures.

We have also made great strides in our mission to increase institutional transparency and efficiency at the Port Authority. After conducting a top-to-bottom audit of the agency, we implemented more than 50 distinct initiatives ranging from addressing compensation and benefits to revamping the agency's organizational structure. Our progress was also recognized in two separate reports by leading consulting and financial advisory firms, Navigant Consulting Inc. and Rothschild Inc., which both concluded that the agency's leadership has moved quickly and aggressively to implement meaningful changes. Both firms also found that the Port Authority's toll and fare increases, the first of which took effect in September 2011, were indispensable to the success of our capital program and to keep the agency's more than 20 facilities — some of which date back more than 90 years — in a state of good repair.

Under your leadership, we have continued an aggressive program of capital investments in our core transportation assets, investing more than $3.3 billion in our infrastructure in 2012 alone. Recognizing the challenges that lay ahead to maintain and improve upon our aging infrastructure with historically limited resources, the Board of Commissioners directed management to devise innovative financing strategies in order to leverage the resources and expertise of the private sector. One extraordinary result of this mandate has been the utilization of public-private partnerships to meet some of our more pressing infrastructure needs, specifically the replacement of the Goethals Bridge and the rebuilding of the Central Terminal Building at LaGuardia Airport. I would also note that the Goethals Bridge will be the first surface-transportation project developed through a public-private partnership in the northeastern United States.

In 2012, we also saw several key projects that have been underway for years move closer to completion, including the Terminal B expansion at Newark Liberty International Airport, the comprehensive ExpressRail system at our ports, and the replacement of PATH's signal system. History was also made this past year when President Barack Obama joined both of you at the World Trade Center to sign the final beam that topped out One World Trade Center at 104 floors. Looking ahead to 2013, the Port Authority is continuing its ambitious agenda with the initiation of several vital improvements to the region's bridges and tunnels with projects like the Lincoln Tunnel Helix Fix, the raising of the roadway of the Bayonne Bridge, and the replacement of the suspender ropes at the George Washington Bridge.

As our agenda shows, the Board of Commissioners remains as committed as ever to the Port Authority's core mission of investing in transportation infrastructure and powering the region's economy. Guided by this purpose and the strong leadership you have provided, we are poised to make significant progress in 2013 and look forward to continuing to serve the region.

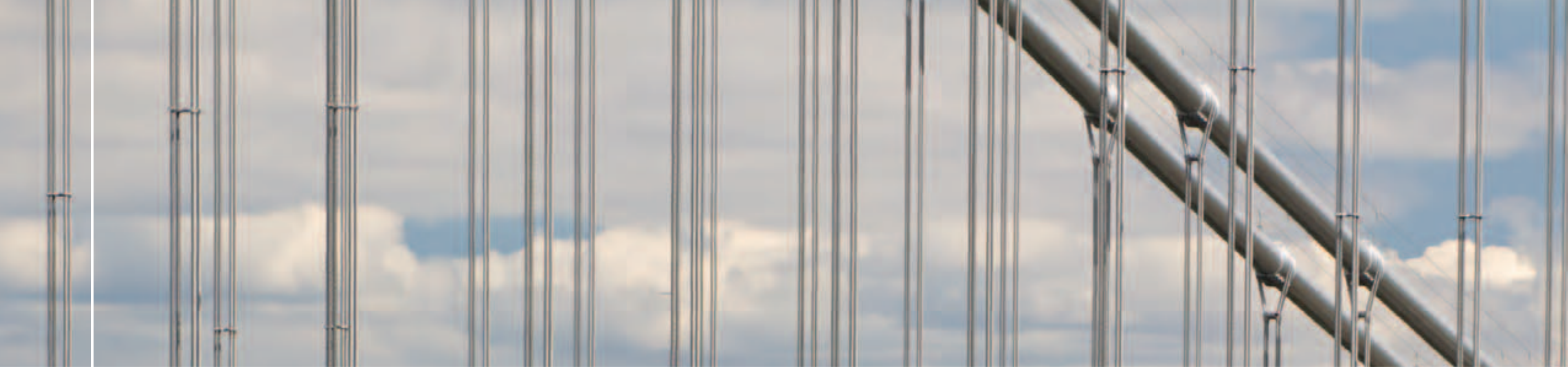
David Samson
Chairman

June 26, 2013

THE PORT DISTRICT

The Port Authority was established by the Compact of April 30, 1921, between the states of New York and New Jersey as one of the first interstate agencies created under a clause of the United States Constitution permitting compacts between states with the consent of Congress. The Compact also created the Port District, which comprises an area of about 1,500 square miles in both states, centering around New York Harbor. The Port District includes the cities of New York and Yonkers in New York State; the cities of Newark, Jersey City, Bayonne, Hoboken, and Elizabeth in the State of New Jersey; and more than 200 other municipalities, including all or part of 17 counties, in the two states.

This Port Compact established a bistate authority to provide transportation, terminal, and other facilities of commerce within the Port District. For such purposes, the states have from time to time authorized specific transportation and terminal facilities, and facilities of commerce and economic development. Stewart International Airport is located in Orange County, New York, and is operated by the Port Authority under a long-term lease. The Port Authority was authorized to enter into an agreement with South Jersey Transportation Authority to perform certain general management services and functions for Atlantic City International Airport located in Egg Harbor Township, New Jersey.



CHAIRMAN
DAVID SAMSON
Member
Wolff & Samson, PC

VICE CHAIRMAN
SCOTT H. RECHLER
Chief Executive Officer
and Chairman, RXR

RICHARD H. BAGGER
Sr. Vice President,
Corporate Affairs &
Strategic Market Access
Celgene Corporation

H. SIDNEY HOLMES III
Senior Counsel
Winston & Strawn LLP

JEFFREY H. LYNFORD
Co-Managing Member
Wellsford Strategic
Partners LLC

JEFFREY A. MOERDLER
Member
Mintz, Levin, Cohn,
Ferris, Glovsky and
Popeo, P.C.

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Regional Manager
Laborers International
Union of N.A.

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Publisher & CEO
El Diario La Prensa

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Counselor on
Competitiveness &
International Affairs
Empire State
Development

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Chairman &
Chief Executive Officer
Paulus, Sokolowski
& Sartor LLC

WILLIAM "PAT" SCHUBER
Professor
Fairleigh Dickinson
University

DAVID S. STEINER
Chairman
Steiner Equities
Group, LLC

BOARD OF COMMISSIONERS

David Samson, Chairman
Scott H. Rechler, Vice Chairman
Richard H. Bagger[1]
H. Sidney Holmes III[2]
Jeffrey H. Lynford
Jeffrey A. Moerdler
Raymond M. Pocino
Rossana Rosado[3]
James P. Rubin[4]
Anthony J. Sartor
William "Pat" Schuber
David S. Steiner

[1]Richard H. Bagger joined the Board on July 9, 2012, succeeding Virginia S. Bauer.

[2]Commissioner Holmes passed away on April 15, 2013.

[3]Rossana Rosado joined the Board on June 21, 2012.

[4]James P. Rubin joined the Board on June 21, 2012, succeeding Henry R. Silverman. Commissioner Rubin retired from the Board on June 1, 2013.

GOVERNANCE OF THE PORT AUTHORITY

The governor of each state appoints six members of the agency's Board of Commissioners for overlapping six-year terms; each appointment is subject to the approval of the respective state senate. Commissioners serve as public officials without remuneration. The governors retain the right to veto the actions of the commissioners from their respective state. An executive director, appointed by the governor of New York and confirmed by the Board of Commissioners, is responsible for managing the operation of the Port Authority in a manner consistent with the agency's policies, as established by the Board. The Port Authority undertakes projects and activities in accordance with the Port Compact of 1921, and amendatory and supplemental bistate legislation.

PATRICK J. FOYE
Executive Director

BILL BARONI
Deputy Executive Director

COMMITMENT TO TRANSPARENCY

The Port Authority is committed to the highest standards of accountability and transparency. The agency has opened public access to its Board of Commissioners meetings by posting an advance listing of items on the agenda, opening up more meetings to the public, disclosing reasons for discussing or acting upon matters in executive session, webcasting all public meetings, and providing for public comment at the public Board meetings. The Board of Commissioners has approved an overhauled Freedom of Information (FOI) Code to increase transparency by making it easier for individuals to obtain a wider range of Port Authority information and records. In early 2012, the agency posted thousands of pages of documents to its public website. The site also includes Port Authority/PATH payroll information—providing data from 2008 forward. This is believed to be one of the largest, voluntary online postings of government documents in the history of public entities in the New York and New Jersey region.

OFFICERS AND EXECUTIVE MANAGEMENT

OFFICERS OF THE BOARD OF COMMISSIONERS

Chairman	David Samson
Vice Chairman	Scott H. Rechler
Executive Director	Patrick J. Foye
Deputy Executive Director	Bill Baroni
Chief Financial Officer	Elizabeth M. McCarthy
Comptroller	Daniel G. McCarron
General Counsel	Darrell B. Buchbinder
Inspector General	Robert E. Van Etten
Secretary	Karen E. Eastman
Treasurer	Anne Marie Mulligan

CHIEFS

Chief of Capital Planning	David B. Tweedy
Chief Engineer	Peter J. Zipf
Chief, Human Capital	Mary Lee Hannell
Chief Operating Officer	Stephanie Dawson (Acting)
Chief of Public & Government Affairs	*Vacant*
Chief, Real Estate & Development	Michael B. Francois
Chief Security Officer	Joseph P. Dunne

LINE DEPARTMENT DIRECTORS

Aviation	Susan M. Baer
Port Commerce	Richard M. Larrabee
Rail Transit	Stephen Kingsberry
Tunnels, Bridges & Terminals	Cedrick T. Fulton

OTHER DEPARTMENT DIRECTORS

Audit	Robert A. Sudman
Financial Analysis	Gerald B. Stoughton
Government & Community Affairs, NJ	Tina Lado
Government & Community Affairs, NY	Brian W. Simon
Management & Budget	Michael G. Massiah
Marketing	Andrew T. Hawthorne
Media Relations	Lisa MacSpadden
Office of Business Diversity & Civil Rights	Lash L. Green
Office of Emergency Management	Gerard McCarty (Acting)
Office of Environmental Policy & Energy Programs	Christopher Zeppie
Office of Investigations	Michael Nestor
Operations Services	*Vacant*
Planning & Regional Development	Andrew S. Lynn
Procurement	Lillian D. Valenti
Public Safety	Michael A. Fedorko
Technology Services	Kirby King
WTC Construction	Steven P. Plate
WTC Redevelopment	Philippe B. Visser

Effective April 24, 2013

Chairman Samson, Vice Chairman Rechler, and members of the Board of Commissioners:

At this moment in the storied history of The Port Authority of New York and New Jersey, and a little more than 18 months into my tenure as executive director of this organization, I can firmly say that the Port Authority is mapping a new direction.

Under the guidance of our Governors and the steady leadership of the Board of Commissioners, we set out in 2012 to transform the Port Authority. We started by challenging assumptions that have long governed the ways the organization conducts its business, and by bringing the agency's focus back to its core mission as a provider of critical transportation infrastructure and as an engine of economic growth.

As we moved into 2013, we announced progress on several key initiatives put in place last year, including the announcement of the first true surface transportation public-private partnership in the Northeast region to replace the Goethals Bridge, the award of the construction contract for the raising of the roadway for the Bayonne Bridge, and the selection of a developer and operating partner for the new Observation Deck at the World Trade Center. Consistent with the new direction we are mapping for the agency, we are partnering with the private sector to bring in both capital and expertise and enhance the Port Authority's resources and assets.

As the owner and operator of some of the most significant transportation and trade facilities in the bistate region, we have a great responsibility to focus our investment and resources on those projects that will improve mobility, reduce congestion, and serve as catalysts for economic growth. The Port Authority is a major economic engine for the region, responsible for 550,000 jobs and $80 billion in annual economic activity. The report that follows provides an overview of the work we did in 2012, and the foundations we laid for 2013 and beyond. We are advancing several new and important transportation capital projects over the next decade, including the proposed replacement of the Central Terminal at LaGuardia Airport, rehabilitation of the Lincoln Tunnel Helix, and the replacement of the suspender ropes at the George Washington Bridge. At the same time we are also advancing our plans for additional improvements across our facilities including at John F. Kennedy and Newark Liberty international airports. One of my steadfast goals is to revitalize the region's aviation facilities for the 21st Century, which in many cases are in need of significant modernization and reinvestment.

Last year, we released the results of top-to-bottom reviews conducted by two independent outside firms, and we moved quickly to act upon those recommendations. We were able to immediately effect meaningful changes and establish a foundation for fiscal responsibility and reforms that will make the organization much more responsive and responsible in the years ahead. Change is never easy, but our organizational leadership demonstrated both the commitment and action necessary to putting much-needed reforms into motion.

We also lived through the difficult days of Superstorm Sandy, which temporarily brought the region's transportation systems to a halt in late October. In the days and weeks that followed, the governors of New York and New Jersey set the tone for the region's rapid response. I witnessed a herculean effort, and commitment to our mission by all of our Port Authority personnel to quickly restore our transportation operations after Superstorm Sandy made landfall. From our facility staff at the Holland Tunnel who dedicated themselves to reopening the flooded tubes, to police officers rescuing residents in Jersey City, to our PATH staff working around the clock to restore service, we mobilized the agency's assets to immediately respond to the crisis. Our diligent preparation and training, combined with this extraordinary effort and commitment by our staff, enabled us to surmount the impacts of the massive storm, even as we experienced costly and devastating damage to our facilities.

Despite the scope of the damage and unprecedented disruption caused by this 100-year storm, we were able to quickly bounce back. The Staten Island Bridges and George Washington Bridge reopened the very next day while the Lincoln Tunnel and Stewart International Airport remained open throughout the storm. Our other four airports opened within 24 hours and the port and the Holland Tunnel reopened within days. Restoring service to the people who depend on our PATH rail system was our most difficult challenge, however. Port Authority staff and contractors worked around the clock to restore service to PATH between Journal Square and 33rd Street and reopen that critical trans-Hudson link within a week. Five days later, we had service back in Newark, and we kept at it — station by station, tunnel by tunnel, inch by inch of track — until we were able to fully restore PATH service to pre-Sandy levels at all stations on January 29. Our recovery efforts are ongoing, and include a focus on mitigation measures: taking action now that will prevent or minimize damage to our transportation infrastructure in the future.

Organizational change and the response to a natural disaster certainly were among the most dramatic events of the year, but the often-overlooked story is the day-to-day impact the Port Authority has upon the New York-New Jersey region. Every day, our staff serves hundreds of thousands of air passengers, tunnel and bridge commuters, PATH customers, and bus terminal patrons traveling within the region. Goods move seamlessly through the seaport and the airports' cargo facilities, helping to support our regional economy and our standard of living. At the same time, our projects generate tens of thousands of direct, high-quality jobs.

It is for this vital mission that we worked so diligently in 2012 to map a new direction and prepare our organization to be able to meet the transportation and trade challenges of this region, both for today and tomorrow. It is for this vital mission that we will continue to do so in 2013 and beyond.

Patrick J. Foye
Executive Director
June 26, 2013

Rendering of Goethals Bridge replacement

Rendering of Bayonne Bridge raised roadway

REACHING MILESTONES
IN 2013

Much of the work that The Port Authority of New York and New Jersey accomplished in 2012 enabled the agency to reach significant milestones in the first few months of 2013 and provided the groundwork for additional progress in the months and years ahead.

Among these 2013 achievements was the advancement of projects that make up a historic bridge revitalization program, which includes the replacement of the Goethals Bridge, raising the roadway of the Bayonne Bridge and resurfacing of the Outerbridge Crossing. At the World Trade Center, the agency announced a significant private investment that will bring a world-class observation deck experience in 2015 to One World Trade Center, which reached its iconic peak of 1,776 feet when the final piece of spire was installed atop One World Trade Center in May. Also in May, Delta Air Lines unveiled $1.2 billion in expansion work and renovations to Terminal 4 at John F. Kennedy International Airport. The Port Authority also announced its intention to enter into an agreement to perform certain general management services and functions for South Jersey Transportation Authority at Atlantic City International Airport.

Besides these important investments in the agency's facilities, the Port Authority made key advances for the safety and security of its transportation systems and the customers who use them by opening recruitment to the Port Authority Police Department for the first time in six years under the leadership of the new Chief Security Officer, Joseph P. Dunne.

Historic Partnership for Goethals Replacement

In April 2013, the Port Authority Board of Commissioners approved a 40-year design-build-finance-maintain contract with NY/NJ Link Partnership, as part of a $1.5 billion public-private partnership (PPP) to replace the Goethals Bridge. This link between Staten Island, New York, and Elizabeth, New Jersey, is an important commuter and commercial corridor for the region. Part of a complex surface transportation network, the Goethals' strategic location places it at the center of one of the largest cargo gateways in the nation. The bridge is essential to moving cargo between airports and seaports and regional markets in the New York-New Jersey metropolitan area. Each year, more than 28 million vehicles and more than $33 billion worth of regional goods traverse the bridge.

The Port Authority is utilizing a PPP that allows the agency to maintain control of the bridge as an asset, offers access to private capital while transferring construction risk to the private sector and minimizes impact to the agency's debt capacity. The Goethals replacement project is the first surface transportation project to be built as a true PPP in the Northeast region.

The new, cable-stayed design bridge — the first all-new span that will be built by the Port Authority since it completed both the Bayonne and George Washington bridges in late 1931 — will include wider travel lanes and 12-foot shoulders that will ease congestion and accommodate future traffic growth. It will also feature "smart bridge" technology, including Roadway Weather Information Systems that collect environmental data such as wind speed, visibility, and pavement temperature, as well as a Traffic Detection System that uses sensors embedded in the roadway to provide alerts on traffic buildup so incident response plans may be quickly implemented. The new structure will restore pedestrian access to the Goethals Bridge with a pedestrian/bicycle pathway — a safe, scenic passageway for recreational enjoyment. The replacement Goethals Bridge will have a 100-year service life and will be built to include options for public transit in the future.

Construction on the replacement bridge is expected to begin in late 2013, with initial service commencing in late 2016 and substantial completion of the bridge occurring in late 2017. The project will create more than 2,250 direct construction jobs, $224 million in wages, and $872 million in economic activity for the region.

Raising the Roadway of the Bayonne Bridge

When the widening of the Panama Canal is completed by the middle of this decade, a new generation of larger cargo ships will be calling on East Coast ports. The Bayonne Bridge, which sits astride the busy Kill Van Kull waterway that provides access to both Howland Hook Marine Terminal in Staten Island, New York and the Port Newark/Elizabeth marine terminal complex in New Jersey, is too low to accommodate the passage of these larger ships.

Responding to the need for greater clearance under the Bayonne Bridge, the Port Authority has designed an innovative engineering approach that will allow the agency to raise the roadway of the bridge while keeping this connection between Hudson County, New Jersey, and Staten Island, New York, open during construction.

In April 2013, the Port Authority Board awarded a $743.3 million contract as part of a $1.29 billion program to increase the navigational clearance of the bridge, with work anticipated to begin in 2013. This vital project will create more than 2,500 construction jobs for the region, $380 million in wages and more than $1.6 billion in economic activity.

The project will raise the deck by 64 feet and provide drivers with a new, modern roadway with safer 12-foot lanes, shoulders, a median divider and a 12-foot bike and pedestrian walkway. It also will provide the capability for future mass transit options across the span.

This will be the first time in Port Authority history that engineers will construct a bridge roadway deck above the existing roadway, while traffic continues to flow on the deck below. One lane of traffic will operate in each direction throughout the life of the project.

'See Forever' at One WTC

In March 2013, Governor Andrew Cuomo and Governor Chris Christie announced the selection of nationally renowned Legends Hospitality, LLC (Legends), to develop and operate the observation deck at the top of One World Trade Center. The selection will provide the Port Authority with a projected $875 million in revenue over the term of the 15-year lease, without any Port Authority capital investment. Legends is among the most heralded and established companies in sports and entertainment, and is renowned for delivering a variety of services at premier venues including Yankee Stadium and Cowboys Stadium.

Legends' design for One World Observatory will take visitors on a dynamic journey that tells the story of New York City and the World Trade Center as guests ascend to the top of the iconic skyscraper to enter the observation deck. Visitors will enjoy spectacular views of the region from more than 1,250 feet high in the air. It is projected that the venue will draw an estimated 3.8 million annual visitors to the top of One World Trade Center.

Atlantic City International Airport

The Port Authority's Board of Commissioners authorized the agency to explore entering into an agreement with the South Jersey Transportation Authority (SJTA) relating to the general management of Atlantic City International Airport, which is owned and operated by the SJTA. As a result of the arrangement, the SJTA is expected to consult with the Port Authority on a variety of airport management issues for which the Port Authority has expertise, including air services development. The Federal Aviation Administration operating permit for Atlantic City International will remain with SJTA.

Rendering of One World Observatory

Installing the final section of the spire atop One WTC

The World Trade Center Reaches Iconic Heights

In May 2013, One World Trade Center became the tallest building in the Western Hemisphere. The iconic height of 1,776 feet was achieved when the final piece of a 408-foot spire was placed at the top of the building. The spire will serve a state-of-the-art facility that will provide unparalleled transmission services for the region's broadcast outlets.

2013 and Beyond

All of these achievements were the result of concerted efforts on the part of the agency's management and staff under the direction of Governor Cuomo, Governor Christie and the Board of Commissioners. ▣

Bayonne Bridge

2012: YEAR IN REVIEW

INVESTING IN THE REGION'S INFRASTRUCTURE

Solid leadership and fiscal discipline enable the Port Authority to fulfill its commitment to not only maintain and improve, but also revitalize and rebuild its facilities. We're investing in our infrastructure because the people and economy of the region depend on a strong and reliable transportation system to prosper and succeed.

Investing in the Region

For more than 90 years, the Port Authority has been a leader in the development of some of the New York-New Jersey region's most important trade and transportation infrastructure. These investments in our infrastructure — from the interstate vehicular crossings, to the region's airports and seaports, the PATH rail system and the World Trade Center — have enabled the region to grow and prosper through the rapid changes in transportation and commerce that have characterized the history of the past century.

In 2012, the Port Authority continued to fulfill this role by divesting unrelated businesses and returning to its core transportation mission: investing in a variety of critical infrastructure projects to modernize, improve, and expand facilities across the full spectrum of the agency's business lines. With more than $3 billion worth of projects in the planning or construction phases, 2012 was a key year in the Port Authority's program to invest upward of $25 billion in the region's infrastructure during the next decade.

In addition to jobs generated by Port Authority operations, capital-related projects create good-paying construction jobs. During the next decade, the Port Authority expects capital projects at its facilities will support more than 125,000 jobs.

The investments in our region's transportation system will prepare the region for the transportation challenges of tomorrow, fostering better regional mobility and enhancing opportunities for the movement of goods. These projects are vital in keeping our region competitive in the global marketplace and will foster economic growth in both the short and long term.

Improving the Airport Experience

Working to reduce airport delays is a top priority of the Port Authority in order to ensure the safe and efficient movement of people and goods. To that end, the Port Authority is investing millions of dollars to rehabilitate airport runways and construct high-speed taxiways, which enable aircraft to exit the runway faster. Runway and taxiway rehabilitation projects include John F. Kennedy International ($457 million); Newark Liberty International ($42 million plus $31.5 million for a new high-speed taxiway); LaGuardia (nearly $203 million) and Stewart International ($143.5 million).

Investing in airport infrastructure not only builds strong airports, it stimulates the economy. Kennedy's Terminal 5 expansion created 1,090 jobs, $74 million in wages, and $325 million in economic activity, and Newark Liberty's Terminal B expansion resulted in 2,300 direct and indirect jobs, $135 million in wages, and $575 million in economic activity.

The Port Authority is leading the way in the nationwide implementation of NextGen navigation technology. NextGen moves aircraft more quickly and efficiently using a satellite-based system of air traffic management, replacing the current radar system of air traffic control. In partnership with United Airlines, Newark Liberty now offers the first ground-based augmentation system (GBAS) at a U.S. airport. The GBAS — which uses global positioning data to pinpoint aircraft positions — was recognized earlier this year with a Laureate Award from *Aviation Week*, the largest information and services provider to the global commercial, defense, maintenance/repair/overhaul, space, and business aviation communities.

Focus on the Airport Customer

From advancing navigation technology to making new services available, our airports are focused on ways to improve the customer experience each year.

We have been seeking and listening to customers' suggestions for improvements in service at our airports. As a result, the Port Authority announced a $2.5 million investment for customer service improvements. This included the addition of 70 Customer Care agents at our airports during peak hours. The airport Customer Care agents were joined by our newest Customer Care Avatars, the first to be used in North America: "Libby" at Newark Liberty International; "Marie" at LaGuardia; and "Sara" at JFK. These helpful agents are virtual hologram-like images that provide automated information to the millions of passengers who travel through our airports each year.

Other customer service amenities recently added at our airports include: additional power poles to recharge electronic devices; cleaner restrooms; new upscale restaurants; more seating at food courts; and real-time flight notifications as a result of our partnership with FlySmart, a free mobile application for smartphones.

Terminal B at Newark Liberty

"Libby" greets customers at Newark Liberty Airport

PREPARING TO MEET FUTURE AIRPORT DEMAND

The Port Authority's regional airport system is one of the busiest networks in the world: 109 million passengers flew through the Port Authority's airports in 2012, with Kennedy and Newark Liberty together accommodating a record 37.7 million international passengers. By 2030, the number of passengers using our airports annually will soar to 150 million. To prepare, the Port Authority's 2012 capital investment in its airports exceeded $300 million, with $900 million of capital projects in the pipeline.

At Kennedy International, Delta Air Lines' $1.2 billion expansion of Terminal 4 adds nine new international gates. Under Phase II, Delta will construct an 11-gate extension at the end of Terminal 4's Concourse B. JetBlue Airways' $170 million expansion of Terminal 5 will include a new international arrivals hall and customs facility. Completion is set for 2015.

Consistent with the Port Authority's efforts to enhance the air cargo industry at and surrounding JFK Airport, the agency announced plans for a new $32 million animal care facility at JFK that will handle the transport of 70,000 domestic and wild animals, making it only the third such facility in the U.S.

To prepare LaGuardia Airport for future demand, replacement of the airport's aging Central Terminal Building (CTB) is closer to realization. Consistent with the agency's new direction for funding major capital projects, the Port Authority will seek to develop this project through a public-private partnership (PPP). A private developer will design, construct, operate, maintain, and partially fund the construction of a new $3.6 billion terminal and associated infrastructure.

The Port Authority expects to select a private developer for the project after a public bidding process. The project includes demolition of the existing CTB, the P2 garage, a hangar and frontage roads and construction of temporary facilities to support passenger services during construction of the replacement CTB.

Certain projects will be undertaken by the Port Authority including construction of a new East End Substation serving the new CTB and Terminals C and D, construction of airfield modifications to support the new terminal's ramp configuration, and construction of a new East Garage serving Terminals C and D and a new West Garage serving the new terminal.

At Newark Liberty, the Port Authority is tackling delays by installing high-speed taxiways as part of the rehabilitation of Runway 4R-22L. Asphalt resurfacing of the entire runway was completed in 2012. As part of the project, two new high-speed taxiways will be constructed and two additional taxiways will be realigned. When the new taxiways are completed later in 2013, aircraft that are landing at Newark Liberty will be able to exit the runway faster, allowing the Federal Aviation Administration to utilize the airfield more efficiently to reduce delays.

The airport's massive $347 million modernization of Terminal B will also conclude in 2013. Upgrades already delivered

Rendering of LaGuardia Central Terminal Building replacement

include a new third level, a new baggage claim arrivals hall, and a Welcome Center. Under consideration is construction of a new Terminal A to replace the existing one, built in 1973.

The Port Authority and its partners are also investing $70 million to improve amenities and air service at Newark Liberty in advance of the Super Bowl™ on February 2, 2014 at MetLife Stadium. Projects include a new $25 million United Airlines wide-body aircraft maintenance hangar, $11 million in enhancements by the private flight service provider, Signature Flight Support Corp., and a $34 million renovation of the airport's Marriott Hotel.

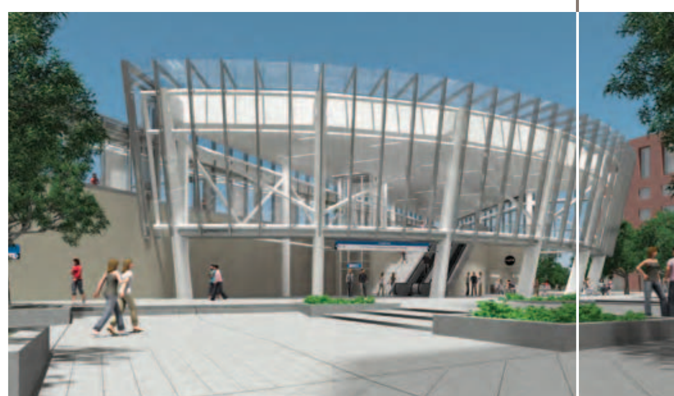
Investments in the World's Busiest Bridge

To maintain its renowned Hudson River bridge in a state-of-good-repair, the Port Authority approved more than $460 million for a series of projects designed to rehabilitate the 81-year-old George Washington Bridge (GWB). This important investment represents the largest effort to date on the world's busiest bridge. Each year, more than 100 million vehicles use this critical crossing between upper Manhattan and northern New Jersey.

The intensive project comprises several components, including improvements to bus ramps and rehabilitation of the Center Avenue and Lemoine Avenue bridges. Together, these GWB projects will result in more than 2,000 jobs. The Port Authority's Board of Commissioners also authorized $20 million in planning work to replace the bridge's steel suspender ropes.

The George Washington Bridge

Lincoln Tunnel Helix



Rendering of the new Harrison Station

In addition to work at the bridge, the GWB's Bus Station will undergo a $180 million renovation to consolidate bus operations, offer transit-oriented retail, an improved waiting area, and direct vertical circulation from the subway and street levels. The renovation will include new technology for arrival and departure information, add five new gates, and be fully ADA compliant with way finding and signage. More than 500 construction jobs and 700 permanent jobs will be created as a result of the project.

New Amenities at Bus Terminal

In 2012, the Port Authority announced several agreements with various retailers to set up shop at the Port Authority Bus Terminal. The Port Authority Board of Commissioners approved long-term leases with Duane Reade, Starbucks and PNC Bank for space at the world's busiest bus terminal. These agreements are the result of the Port Authority's efforts to improve the terminal and create a more welcoming environment.

In addition to the long-term retail leases, the Board also approved a three-year lease with Discovery LLC for a retail facility featuring the Cake Boss Cafe, an offshoot of the famed Carlo's Bakery in Hoboken, the setting of the Discovery Channel's popular Cake Boss television show.

The Helix Fix

A three-year project to rehabilitate the aging, 70-year-old Lincoln Tunnel Helix, the elevated roadway on the New Jersey side of the tunnel, commenced in August 2012. An estimated 40 million vehicles per year use the Helix, therefore, all construction is being performed at night to diminish traffic disruption. Construction on the eastbound roadway began in 2012 and will continue throughout 2013. Construction of the westbound roadway is expected to be completed in 2014.

PATH System Enhancements

In 2012, the Port Authority Trans-Hudson railroad celebrated its 50th anniversary of Port Authority operation. The Port Authority has been undertaking a multi-year effort to modernize the 13-mile rail transit system that carried more than 72.5 million passengers in 2012.

This includes the construction of a new Train Control Center, a state-of-the-art system that will enable PATH to operate, control, and monitor service and enhance emergency response in the event of serious incidents. The new Train Control Center will include a new $580 million computerized signal system, which will speed ridership by allowing PATH trains to run at reduced headways.

The Board of Commissioners also authorized a new glass-and-steel PATH rail station to replace the current, 76-year-old Harrison Station. The new station will accommodate increased ridership in Harrison and

Governor Andrew Cuomo, President Barack Obama, First Lady Michelle Obama, and Governor Chris Christie sign a beam at One World Trade Center

Moving goods at Port Newark Container Terminal

eventually all along the Newark-World Trade Center PATH line. More than 1,000 jobs and $344 million in economic activity are expected to be generated from the Harrison Station construction project.

Elevating Our Port's Competitive Edge

The Port of New York and New Jersey is the third largest port in the U.S. and the largest port on the East Coast. It is a major economic engine for the region, supporting more than 279,000 jobs, representing nearly $12 billion in annual wages, and generating more than $5.2 billion in annual tax revenues to state and local governments.

Over the past 10 years, the Port Authority has invested more than $2 billion to ensure our ports maintain their competitive edge. Projects include: a 50-foot harbor-deepening project to enable the entry of larger, more environmentally friendly ships; a $600 million on-dock ExpressRail system at Howland Hook and Port Newark/Port Elizabeth that results in approximately 525,000 fewer trucks on the highways; and construction of the Corbin Street bridge to link the Port Newark Container Terminal and the Corbin Street rail line.

Additional means of reducing freight trucks on bridges, highways, and local roads are being advanced by the Cross-Harbor Freight Program. The initiative targets more efficient ways to move freight across New York Harbor to the east-of-Hudson region by floating railcars on barges across the Harbor and maximizing the region's underutilized waterborne and rail transportation assets.

The Port of New York and New Jersey has developed extensive environmental programs, ranging from strategies to reduce air emissions from shipping to efforts to reduce the impact of facilities' operations. Among these is bringing Radio Frequency Identification technology to the port, encouraging the replacement of older trucks by offering financial incentives via the Truck Replacement Program and providing connections to electrical shore power while cruise ships are at port.

World Trade Center Continues to Take Shape

Throughout 2012, the Port Authority reached important milestones in the construction of the new World Trade Center site. In April, One World Trade Center surpassed the Empire State Building to become the tallest structure in New York. On June 14 — Flag Day — President Barack Obama joined Governors Cuomo and Christie in signing one of the last beams that was placed atop One World Trade Center to bring the building to its final height of 104 stories.

Earlier in the year, the Port Authority Board approved a joint venture with the Westfield Group, a worldwide operator of major retail centers, to develop, lease and operate more than 450,000 square feet of shopping and dining space at the World Trade Center site. The agreement will bring Westfield's expertise in operating large-scale retail developments and will also bring more than $600 million in private sector investment to the World Trade Center.

Also, in 2012, the Port Authority announced that the Durst Organization, the agency's equity partner in One World Trade Center, will construct and operate a state-of-the-art broadcast facility atop the tower. The installation will offer television and FM radio unparalleled broadcast capabilities. The facility is expected to attract several prestigious broadcast partners, while generating significant revenue for the One World Trade Center project.

By the end of 2012, the 18 sections of One World Trade Center's iconic spire traveled from Quebec, where they were manufactured, by barge to Pier 25 in Manhattan. Crews then transported the sections of steel to the World Trade Center site.

The World Trade Center Transportation Hub also progressed with the installation of structural steel and metal decking in the Oculus area. The Hub will provide indoor pedestrian access to the World Financial Center, PATH, and New York City subways. Upon completion, it will serve 250,000 people a day, millions of annual visitors and will be the third largest transportation center in New York City.

Also in 2012, construction of the museum at the 9/11 Memorial resumed to full pace following an agreement between the Port Authority and the National September 11 Memorial & Museum. In addition, the Memorial & Museum and the Port Authority will jointly seek federal government funding for the future operations of the Memorial & Museum. ▣

A REGIONAL VISION FOR FREIGHT TRANSPORT

Support for the safe and efficient movement of goods is at the core of the Port Authority's responsibilities to the states and is a priority for planning and investment. In 2013, the agency will complete a multimodal regional Goods Movement Plan in concert with the New Jersey and New York State departments of transportation. Its overarching goal is to create a more effective, reliable, and sustainable system for freight transportation in the metropolitan area to serve local consumer markets and respond to growing competition from other maritime and air-cargo gateways.

The plan envisions a shared framework for managing and improving the flow of critical goods within and beyond the bistate region. The Port Authority's Board of Commissioners authorized this comprehensive effort several years ago. This action was taken in conjunction with the Board's commitment to complete the environmental review of opportunities for expanded east-of-Hudson rail freight service. This plan positions the states to leverage growing federal attention to national freight needs and build the necessary partnerships with both the private sector and local communities to sustain this abiding contributor to the region's economy.

As the second largest employer in Queens, Kennedy Airport is a key factor in the economic growth of New York City. To address cargo and logistics business needs and concerns related to facilities, infrastructure, access, and business development, the Port Authority partnered with New York City Economic Development Corporation to study the air cargo industry and plan for its future at JFK.

Kennedy Airport serves as a prominent port of entry or departure for air cargo transiting through the U.S. and offers unparalleled access to regional, national, and international markets. The airport has seen increased air cargo competition in recent years and is moving aggressively to bolster the competitive position of its services. The study produced an action plan designed to ensure that future development accommodates growth in cargo tonnage. The stakes are high. In addition to supporting 80,000 jobs, the air cargo industry provides $4 billion in wages and nearly $12 billion in sales in the New York-New Jersey metropolitan area alone. Several initiatives that are in development include focusing on JFK air cargo branding, airport capacity, and off-airport infrastructure.

Global Terminal at Port Jersey in Jersey City, New Jersey

Cargo on the move at JFK

Vice Chairman Scott Rechler and Governor Cuomo visit the World Trade Center

Governor Christie visiting storm-damaged areas

AN UNPRECEDENTED EVENT: SUPERSTORM SANDY

The devastation caused by Sandy in late October 2012 had a widespread impact on the Port Authority's facilities, affecting operations at our airports, bridges and tunnels, seaports, the World Trade Center site and especially the PATH rail system.

To prepare for major weather events, the Port Authority conducts major coastal storm exercises in addition to routine full-scale drills at all of its major facilities. Even with comprehensive preparedness, Superstorm Sandy was historically devastating.

The agency went on high alert on October 26 once it became clear that Sandy would strike the East Coast. Employees at the agency's facilities urgently began taking the necessary precautions to preserve agency assets and prepare customers for potential service disruptions. In close coordination with Governors Cuomo and Christie, the agency's leadership was ready to take necessary precautions, and to coordinate with other regional and state agencies.

During the course of the storm on October 29, all Port Authority facilities were closed except for the Lincoln Tunnel and Stewart International Airport. The storm delivered heavy rain, wind speeds up to 98 mph, and storm surges of 14 feet. Most of the Port Authority's facilities are located in the low-lying areas surrounding the New York-New Jersey harbor, and all were affected to one degree or another by the winds and storm surge. Staff at the Holland Tunnel — vulnerable since its western entrance and exits sit in low-lying areas — put into place sandbags, Jersey barriers, and pumps equipment but the tunnel was ultimately overwhelmed by an estimated 20 million gallons of water from the record level storm surge.

All Port Authority bridges reopened on October 30, the day after the storm. Massive pumping and cleanup efforts by teams of Port Authority professionals allowed the Port Authority to reopen JFK and Newark Liberty airports on October 31. LaGuardia and Teterboro Airports reopened a day later. On November 2, one tube of the Holland Tunnel reopened to bus traffic, with the tunnel becoming fully operational five days later. At the Port of New York and New Jersey, containerships began calling on the terminals on November 5.

PATH, affected by tens of millions of gallons of salt water that flooded the system, resumed service on November 6 between Journal Square in Jersey City, New Jersey and 33rd Street in Manhattan. On November 12, service resumed between Newark

Cleanup at the
World Trade Center

Port Authority leadership monitors Sandy's
effects at the Emergency Operations Center

PATH resumes service after the storm

and 33rd Street. Operations staff continued working around the clock to restore service for most of the PATH system, including the World Trade Center, prior to the Thanksgiving holiday. By January 30, 2013, limited service was restored to all four lines. On March 1, 2013, PATH service was fully restored to pre-Sandy levels.

On November 5, Governor Cuomo announced that construction work at the World Trade Center site resumed after more than 95 percent of the storm surge at the 16-acre site had been pumped out. On the same day, the massive dewatering operation that had been underway at the National September 11 Memorial & Museum was completed. Crews from the Port Authority, their contractors and the U.S. Army Corps of Engineers worked around the clock pumping approximately 16 million gallons or seven feet of water from the Museum.

The Port Authority estimates that damage caused by Sandy to its facilities is in excess of $2 billion. PATH alone sustained damage estimated at more than $850 million. With insurance, self-insurance, and grant assistance from the Federal Transit Administration and the Federal Emergency Management Agency, the Port Authority expects to recover the majority of the cost with little financial impact.

Superstorm Sandy will go down in history as one of the most destructive weather events in the New York and New Jersey region. The storm further emphasized the ongoing need for operational disaster preparedness and building resilience into our facilities when making capital investments.

The Port Authority continues to be actively engaged in mitigation measures to prevent or minimize damage to transportation assets and to enable facilities to resume normal operations as quickly as possible following a flood or other event.

Our mitigation efforts include protecting tracks, stations, rolling stock and electrical infrastructure; modernizing the pump system and upgrading pump capacity at the agency's tunnels; and installing tide gates and drainage check valves at LaGuardia and Kennedy, which are on Flushing Bay and Jamaica Bay, respectively. ▣

The Port Authority works with certified M/W/S/DBEs

PROSPEROUS AND SUSTAINABLE: STRENGTHENING OUR REGION

The Port Authority's core mission is to construct and operate transportation systems that move people and goods through the region. As we manage our facilities, we never lose sight of the fact that by supporting the creation of thousands of jobs, investing in the region, and safeguarding the environment for generations to come, we are fundamentally linked to the people, businesses, and communities we serve.

Spurring Job Growth

Every facility the Port Authority operates creates jobs. For example, the Port Authority's four commercial airports —Kennedy International, LaGuardia, Newark Liberty International and Stewart International — support nearly 500,000 jobs, paying more than $20 billion in wages and generating more than $60 billion in annual economic activity. At the Port of New York and New Jersey, 279,000 jobs are supported, representing nearly $12 billion in annual wages.

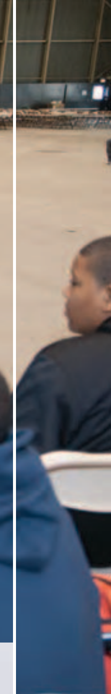
Investments Keep the Region Moving

Capital infrastructure investments improve regional mobility, reduce congestion, and drive economic growth. In 2012, the Port Authority invested $3.3 billion in capital projects that enhanced operations at virtually every one of the agency's facilities. They include: $318 million spent on aviation facilities, which includes $115 million spent on runway and taxiway improvements; $215 million spent on projects designed to maintain the safety and security of the agency's operating facilities; $194 million spent on tunnels, bridges, and terminals, including $27 million for the structural rehabilitation of the upper level of the GWB; $172 million spent on Port Commerce facilities, including $58 million on channel improvement projects; $113 million spent on PATH, including $50 million for the PATH signal replacement project; and $2.2 billion for the redevelopment of the World Trade Center site.

To reduce Port Authority involvement in areas outside of its core transportation mission and consistent with its commitment to identifying environmentally sound, economical solutions to the New York-New Jersey region's waste disposal needs, a long-term lease was executed in 2012 for the Essex County Resource Recovery Center. The private operator is an internationally recognized owner/operator of infrastructure for the conversion of waste-to-energy.

Greenmarket brightens the Port Authority Bus Terminal

Career Day at JFK



Helping Businesses Succeed

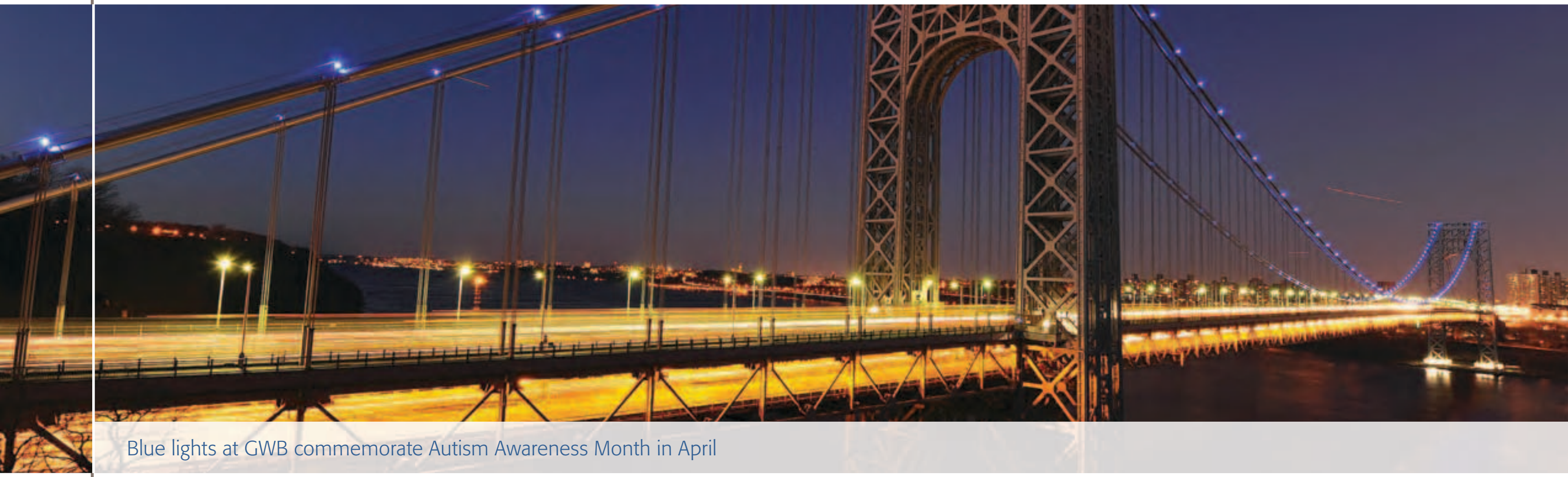
Each year hundreds of certified minority, women-owned, small, and disadvantaged business enterprises (M/W/S/DBEs) play a major role in delivering the services and products the Port Authority needs to operate one of the world's largest transportation systems. The Port Authority has set a goal to award 12 percent of contracts to certified minority businesses and 5 percent to women-owned businesses. In 2012, M/W/S/DBEs received more than $332 million in contracts for goods and services, including those in the architectural and engineering, and construction procurement categories. Additionally, $96.6 million in direct World Trade Center contracts were awarded to minority and women-owned business enterprises in 2012. Over the last five years, a cumulative total of nearly $1.1 billion in M/W/S/DBE contracts have been awarded for work at the WTC.

Keeping a Pulse on the Region

The Port Authority also launched PA Pulse, a monthly index that tracks and reports activity at the agency's facilities. Developed in consultation with leading economists, it is a broad-based and seasonally adjusted indicator designed to provide a timely and comprehensive picture of activity on the regional transportation system. It has two components: a PA Freight Pulse based on data from Port Authority facilities and operations, including air cargo, port, and interstate truck activity; and a PA Passenger Pulse, based on travel and ridership data for the region's airports and interstate passenger transportation facilities. The PA Pulse is part of the Port Authority's effort to make transportation activity data more accessible and useful.

Community Partnerships

The Port Authority embraces meaningful partnerships with the people, businesses, and communities in the New York-New Jersey region. From holding aviation job fairs and community contests to conducting emergency response exercises with local groups and offering our airports' runways for benefit marathons, the Port Authority is proud of the connections it has with neighboring communities.



Blue lights at GWB commemorate Autism Awareness Month in April

Safeguarding Our Natural Resources

The Port Authority's $60 million Hudson-Raritan Estuary Resources Program preserves, protects, and renews land in New York and New Jersey. Since its initiation in 2001, eight properties in New York City and 10 in New Jersey, totaling more than 390 acres, have been protected, creating important public spaces and protecting critical wildlife habitat, including woodlands and wetlands.

Last year, the Port Authority approved the provision of a $1.3 million contribution to Essex County for the development of the Riverbank Park Extension in Newark, New Jersey. The site includes more than 12 acres of public open space and waterfront access along the banks of the Passaic River. This action completes the purchase of the waterfront land at this site and brings the agency's total investment in the Riverbank Park Extension project to $9 million.

In a move that protects one of Staten Island's last remaining large swaths of open space from potential future development, the Port Authority's Board of Commissioners approved a contribution of up to $4 million to help protect an easement that is part of the 113.6-acre William H. Pouch Scout Camp. The action will for the first time enable public access to the land and ensure continued use by the region's Boy Scouts for generations to come.

Airports Pursue Green Initiatives

Electric vehicles can now get a free charge at one of 10 charging stations at Kennedy International and LaGuardia airports. The stations are connected to the nationwide ChargePoint Network. Our efforts to make Stewart International a sustainable, energy-efficient facility continued with a new terminal roof that reflects heat from the sun and the installation of smart energy and water meters. In addition, sustainable management plans for Newark Liberty and Teterboro were initiated as part of a Federal Aviation Administration Sustainability Pilot Program.

Comprehensive Environmental Stewardship

The Port Authority is committed to safeguarding our region's air, land, and water. Nowhere is this commitment more evident than at the Port of New York and New Jersey, where vessels from around the world and national and regional railways, roads, and trucks converge to deliver goods to our shores and to the people who live here.

Last year the agency launched a new initiative, the Ocean-Going Vessel Clean-Vessel Incentive Program, to reduce emissions from ocean vessels. This three-year, $4.9 million program is designed to encourage ship operators to improve their engines, use cleaner fuels, and upgrade their technology to reduce emissions. Up to 600 vessels a year will participate, and the program is expected to provide annual emission reductions of 182.2 tons of nitrogen oxide, 38.3 tons of particulate matter, and 264.1 tons of sulfur dioxide.

Additional environmental benefits will be achieved when the Port of New York and New Jersey becomes the first port on the East Coast to offer cruise ships electric shore power. Shore power enables ships to shut down their diesel engines and plug into cleaner electricity while loading and unloading passengers and supplies. Shore power at the Brooklyn Cruise Terminal, where the Queen Mary 2 and Caribbean Princess dock, will reduce 1,500 tons of carbon dioxide, 95 tons of nitrous oxide, and 6.5 tons of particulate matter annually from the environment.

Funding for the electric shore power project includes $12.1 million from the Port Authority, a $2.9 million grant from the U.S. Environmental Protection Agency, and a $4.3 million allocation from the Empire State Development Corporation. In addition, Cunard and Princess, the owners of the Queen Mary 2 and the Caribbean Princess, respectively, will invest up to $4 million to retrofit their ships.

The project, which will result in 30 jobs and $22 million in economic activity, will be operational in the fall of 2014.

To reduce diesel emissions from older trucks and improve local and regional air quality while also improving public health, the Port Authority created the Truck Replacement Program, which provides financing to eligible truck owners to help them purchase newer, cleaner and more environmentally friendly trucks that serve its marine terminals.

Today, because of our goal to be faithful stewards of the environment and the voluntary dedication of our industry partners, our ports are cleaner and more environmentally friendly than ever before. ▣

The Queen Mary 2 docks at Brooklyn Cruise Terminal where shore power will be provided

Charging an electric vehicle

Young guests enjoy the arrival of space shuttle Enterprise at JFK

Iron workers on the job at the World Trade Center

Taking flight

STRAIGHTFORWARD, FAIR, AND OPEN: FULFILLING OUR MISSION RESPONSIBLY

As operators of one of the largest transportation networks in the world and a driver of economic development for the region, the Port Authority is entrusted by its customers to deliver the highest quality of service in the most responsible way.

Embracing Accountability

In 2012, the Board of Commissioners and executive management implemented a wide range of initiatives to infuse new values into the organization. Governor Cuomo and Governor Christie directed the Port Authority in 2011 to conduct a top-to-bottom audit of its operations after the agency voted to increase tolls and fares. This assessment, conducted by two independent consulting and financial advisory firms, recommended improvements to the agency's management structure, employee compensation, and prioritization of capital projects. The consultants' reports also concluded that the Port Authority's 2012 toll and fare increases were necessary to finance infrastructure improvements.

More Than 50 Initiatives Make Us Work Better

The agency implemented a series of changes in compensation and organizational structure that provided immediate results and will continue to benefit Port Authority finances for years to come. The Board of Commissioners approved more than 50 distinct initiatives that will improve our business practices. The top three changes, which will save the agency more than $41 million through 2013, include requiring non-represented employees to contribute to health care coverage, eliminating certain add-on compensation, and implementing changes to vacation policies. These changes, some of which were implemented immediately, will continue to be phased in during 2013, and will save tens of millions of dollars each year thereafter.

Public Access to Information

Among the values the Port Authority embraced in light of the audits was a greater commitment to transparency. As a result, the agency revamped its Freedom of Information (FOI) Code in 2012. The new FOI Code requires information, data, and documents to be released immediately to the public

PATH customers


Bayonne Bridge

via the agency's website. This new code sets the Port Authority apart as a leader in offering one of the largest, most comprehensive, voluntary online public access systems for public agencies in New York and New Jersey.

A New Approach to Safety and Security

Every day, millions of people from throughout the region rely on the Port Authority's vast network of facilities to reach their destinations. Last year, we brought a singular focus to customer safety and security with the establishment of a new Port Authority Security Department. After an independent assessment, the agency followed through on a key recommendation of the study by creating the post of chief security officer and consolidated safety and security in a single, centralized department. The Security Department will streamline security operations, enhance security efforts at the agency's facilities, coordinate with other law enforcement entities, and formalize lines of responsibilities.

2012: A Year to Remember

The Port Authority underwent serious change and experienced significant challenges in 2012. Through it all, the Port Authority continued to fulfill its mission of operating and maintaining many of the most important transportation and trade infrastructure assets in the bistate region, thereby supporting more than half a million jobs, and generating billions in annual economic activity. With the launch of several major new capital initiatives at its bridges and airports, and with vital work in progress at the ports, the World Trade Center and PATH, the Port Authority is mapping a new direction. ▣

The Consolidated Financial Statements (the "Financial Statements") of The Port Authority of New York and New Jersey (including its related entities, collectively referred to herein as the "Port Authority") as of and for the years ended December 31, 2012 and December 31, 2011, are enclosed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in the Financial Statements rests with management of the Port Authority. The Management's Discussion and Analysis ("MD&A") and Required Supplementary Information sections of the Financial Statements provide a narrative introduction, overview, and analysis of the Port Authority's financial performance and are required by the Governmental Accounting Standards Board. Schedules A, B, and C have been prepared in accordance with Port Authority bond resolutions and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Schedules D, E, F, and G include other statistical information presented for purposes of additional analysis and are not a required part of the Financial Statements.

Port Authority management is also responsible for establishing and maintaining adequate internal controls over financial reporting for the Port Authority. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. The Port Authority has established a comprehensive framework of internal controls that includes maintaining records that accurately and fairly reflect the transactions of the Port Authority; provide reasonable assurance that transactions are recorded as necessary for financial statement preparation; and provide reasonable assurance that unauthorized use, acquisition or disposition of company assets that could have a material impact on the Port Authority's financial condition would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the financial statements would be prevented or detected.

As officers of the Port Authority, the Port Authority's executive director and I certified in connection with the release of the Financial Statements on February 25, 2013, that (a) to the best of our knowledge and belief, the financial and other information, including the summary of significant accounting policies described in the Financial Statements, was accurate in all material respects and was reported in a manner designed to present fairly the Port Authority's net position, changes in net position, and cash flows, in conformity with GAAP; and (b) on the basis that the cost of internal controls should not outweigh their benefits, the Port Authority has established a comprehensive framework of internal controls to protect its assets from loss, theft, or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the Financial Statements in conformity with GAAP.

A firm of independent auditors is retained annually to conduct an audit of the Financial Statements in accordance with auditing standards generally accepted in the United States of America. The goal of the independent audit is to provide reasonable assurance that these Financial Statements are free of material misstatement. The audit includes an examination, on a test basis, of the evidence supporting the amounts and disclosures in the Financial Statements, an assessment of the accounting principles used and significant estimates made by management, as well as the overall presentation of the Financial Statements. In planning and performing their audit, the independent auditors considered the Port Authority's comprehensive framework of internal controls in order to determine auditing procedures for purposes of expressing an opinion on the Financial Statements. The independent auditors' report is presented as the first component in the financial section following this letter. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the independent auditors' report and the audited Financial Statements.

PROFILE OF THE PORT AUTHORITY

The Port Authority is a municipal corporate instrumentality and political subdivision of the states of New York and New Jersey, established in 1921 to provide transportation, terminal, and other facilities of commerce within the Port District, an area of about 1,500 square miles in both states centering about New York Harbor. The Port Authority raises the funds necessary for the improvement, construction, or acquisition of its facilities generally upon the basis of its own credit. The Port Authority has no power to pledge the credit of either state or any municipality, or to levy taxes or assessments.

The Port Authority maintains an infrastructure of financial systems to record the financial results of operations and provide an audit trail to be used in a review of accountability.

The financial planning process integrates an annual budget process with multiyear forecasting projections. Through the capital plan and budget process, staff identifies strategic, financial, and operational issues that affect resource allocations; sets forth an expenditure plan for the year that balances priorities across all agency lines of operation; and provides alternate financial scenarios of proposed operating and financial arrangements and their impact on the agency's financial position. Each new budget is separately considered and approved by the Port Authority's Board of Commissioners ("Board of Commissioners"), although such approval does not in itself authorize specific expenditures, which are authorized from time to time by, or as contemplated by, other specific actions of the Board of Commissioners.

The approved budget 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 agency, the policies and financial decisions of the Board of Commissioners, and the requirements of the By-Laws of the Port Authority. Forecasting models are used to assess the agency's projected long-range financial condition; determine the financial feasibility of future capital investment; and perform financial tests to measure fiscal risk and to ensure the organization's integrity in the credit markets. This comprehensive approach to planning, budgeting, and forecasting enables the agency to identify, track, and take corrective action with respect to the funding requirements needed to deliver the projects and services that the Port Authority provides.

REGIONAL ECONOMIC CONDITION AND OUTLOOK

Regionally, Port District economic growth was in line with the overall U.S. economy. Regional economic growth in 2012 was approximately 1.7 percent. However, there remains a discrepancy between economic expansion in New York vs. New Jersey. Growth in New York counties has been fueled by a recovery in the financial sector, leisure and tourism, and spending on education and health care. Construction spending and manufacturing activity remain depressed. New Jersey counties have also seen growth in these areas but at a slower rate than their New York counterparts.

In terms of employment, the region is still below pre-recession levels. New York counties continue to see moderate gains and are close to regaining pre-recession employment levels. New Jersey counties have also seen gains in their overall employment condition but at a slower rate than New York counties. At the current pace of expansion, New Jersey counties are expected to regain their pre-recession employment levels by the end of 2016. In contrast, aggregate employment for New York counties is expected to reach pre-recession levels in 2013.

In 2012, activity levels at Port Authority facilities had mixed results. The region's major airports saw passenger levels reach 109 million passengers, an increase of 3.4 percent from 2011. These increases in aviation passengers were due to milder winter weather conditions in 2012 and positive U.S. economic growth that energized passenger travel in the first half of 2012. Overall activity levels at the Port Authority's six Hudson River vehicular crossings totaled 116.3 million vehicles, a decrease of 2.4 percent from 2011. These declines were the result of the region's slow employment growth, September 2011 toll increases at Port Authority Hudson River vehicular crossings and service disruptions caused by Superstorm Sandy. PATH passenger volumes totaled 72.6 million passengers in 2012, a decrease of 5.2 percent from 2011. This expected temporary decrease in passenger levels was the direct result of service disruptions resulting from Sandy. Containerized cargo levels at Port Authority Port Commerce facilities remained relatively flat at 3.2 million containers in 2012 despite service disruptions resulting from Sandy.

The Port Authority has taken a variety of measures over the past years to mitigate the impacts of the region's slow economic recovery and will continue to do so in 2013. Going forward, the Port Authority will continue to monitor the economic environment and develop sound budgets that are fiscally sustainable and responsive to the economic needs of the region.

CERTIFICATE OF ACHIEVEMENT

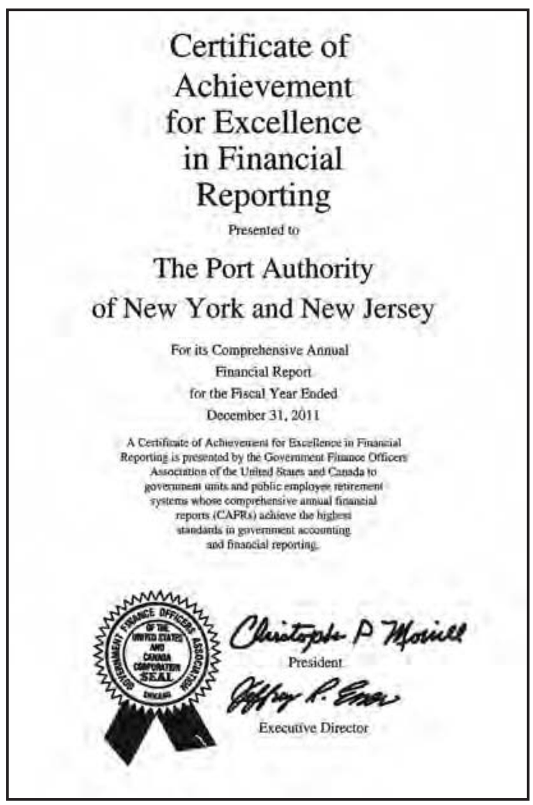
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2011. The Port Authority has received this award since 1984, making this the 28th consecutive year that the Port Authority financial statements have 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 also satisfy both GAAP 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.

M. Fabiano

Michael G. Fabiano
Chief Financial Officer

February 25, 2013



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, 2011

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.

Christopher P Morrill
President

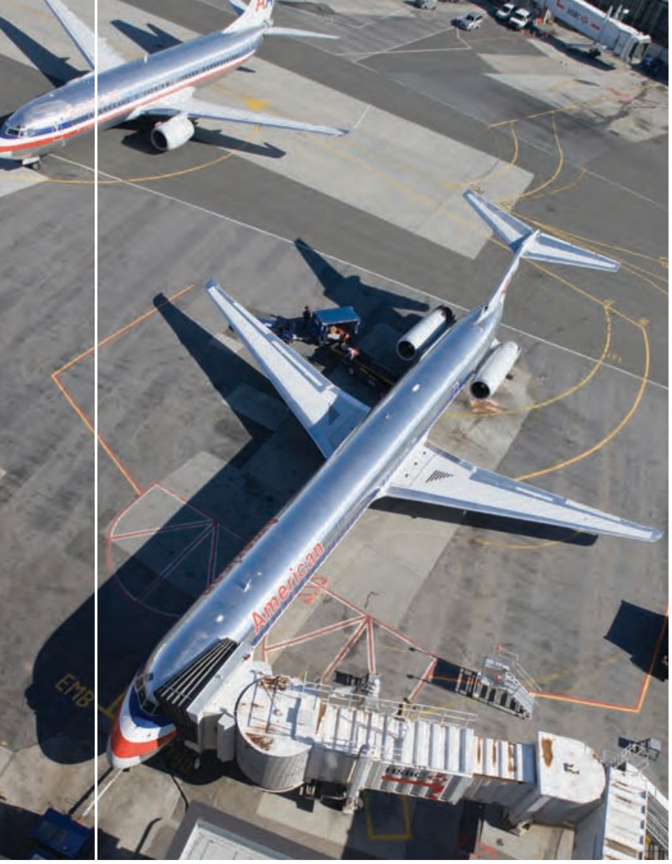
Jeffrey R. Esser
Executive Director

Financial Information

The Port Authority of New York and New Jersey

ANNUAL FINANCIAL REPORT
for the Year Ended December 31, 2012

Prepared by the Comptroller's Department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KPMG LLP
345 Park Avenue
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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of net position of The Port Authority of New York and New Jersey (the "Port Authority") as of December 31, 2012, and the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the net position of the Port Authority as of December 31, 2012, and the changes in its net position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Predecessor Auditor's Opinion

The accompanying consolidated financial statements of the Port Authority as of and for the year ended December 31, 2011, were audited by other auditors whose report thereon dated February 24, 2012, expressed an unmodified opinion on those consolidated financial statements.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis and the Schedules of Funding Progress, as listed in the table of contents, be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit for the year ended December 31, 2012 was conducted for the purpose of forming an opinion on the Port Authority's consolidated financial statements. The supplementary information included in Schedules D-1, D-2, E and F related to fiscal year 2012 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting records and other records used to prepare the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements for the year ended December 31, 2012, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules D-1, D-2, E and F related to fiscal year 2012 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The report of the other auditors on the consolidated financial statements of the Port Authority as of and for the year ended December 31, 2011, referred to in the Predecessor Auditor's Opinion section above, stated that the supplementary information included in Schedules D-1, D-2, E and F related to fiscal year 2011 was subjected to the auditing procedures applied in the audit of the 2011 consolidated financial statements and, in their opinion, was fairly stated in all material respects in relation to the consolidated financial statements as a whole for the year ended December 31, 2011.

The Port Authority's consolidated financial statements for the years ended December 31, 2003 through 2010 (not presented herein) were audited by other auditors whose reports thereon expressed unmodified opinions on those respective consolidated financial statements. The reports of the other auditors on these consolidated financial statements stated that the supplementary information included in Schedules D-1 and D-2 for fiscal years 2003 through 2010, was subjected to the auditing procedures applied in the audit of the respective consolidated financial statements and, in their opinion, was fairly stated in all material respects in relation to the respective consolidated financial statements.

The Introductory Section, Schedules D-3 and G, the Selected Statistical Demographic and Economic Data, and the Corporate Information are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Financial Statements Prepared in Accordance with Port Authority Bond Resolutions

We have audited the accompanying Schedules A, B and C of the Port Authority, which comprise financial statements that present the assets and liabilities as of December 31, 2012, and the revenues and reserves for the year then ended, prepared in accordance with the requirements of the Port Authority's bond resolutions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Port Authority's bond resolutions. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Port Authority as of December 31, 2012, and its revenues and reserves for the year then ended in accordance with the requirements of the Port Authority's bond resolutions.

Basis of Accounting

We draw attention to Note A-4 of the consolidated financial statements, which describes the basis of accounting used in Schedules A, B and C. Schedules A, B and C are prepared by the Port Authority based on the requirements present in its bond resolutions, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report on Schedules A, B, and C is intended solely for the information and use of the Port Authority and those who are a party to the Port Authority's bond resolutions, and is not intended to be and should not be used by anyone other than these specified parties.

Other Matter

Summarized Comparative Information

The prior year summarized comparative information in Schedules A, B and C has been derived from the Port Authority's 2011 financial statements prepared in accordance with the requirements of the Port Authority's bond resolutions, which were audited by other auditors. The report of the other auditors on these financial statements, dated February 24, 2012, expressed an unmodified opinion on these financial statements prepared in accordance with the requirements of the Port Authority bond resolutions.

KPMG LLP

New York, New York
February 25, 2013

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2012 and 2011

Introduction

The following discussion and analysis of the financial performance and activity of The Port Authority of New York and New Jersey (The Port Authority) and certain of its related entities (component units) described herein (see Note A.1.d – Nature of the Organization and Summary of Significant Accounting Policies) is intended to provide an introduction to and understanding of the consolidated financial statements of the Port Authority for the year ended December 31, 2012, with selected comparative information for the years ended December 31, 2011 and December 31, 2010. This section has been prepared by management of the Port Authority and should be read in conjunction with the consolidated financial statements and appended note disclosures that follow this section.

Overview of 2012 Financial Results

Net position of the Port Authority increased $1.1 billion in 2012, compared to an increase of $701 million in 2011.

Gross operating revenues totaled $4.1 billion in 2012, representing a $250 million increase from 2011. This increase was primarily due to a $189 million increase in toll and fare revenue at the Port Authority's six vehicular crossings and the Port Authority Trans-Hudson Corporation (PATH) system, resulting from the full year impact of revised toll and fare schedules which became effective on September 18, 2011; and a $58 million increase in fixed and activity based rentals from major tenants at Aviation and Port Commerce facilities.

Operating and maintenance expenses totaled $2.6 billion in 2012, a $24 million increase when compared to 2011. This increase was primarily due to higher costs relating to interim terminal operating agreements at Port Commerce facilities, increased rental payments to the Cities of New York and Newark, and higher employer pension contributions. Offsetting these increases were decreased snow and ice costs as a result of milder winter weather conditions, a reduction in bad debt expense at Port Commerce facilities, and lower other postemployment benefits (OPEB).

Depreciation and amortization expense increased by $32 million in 2012 compared to 2011 primarily reflecting the full year impact of transferring $2.1 billion of construction in progress to completed construction in 2011 and the transfer of an additional $906 million of construction in progress to completed construction in 2012.

Financial income increased by $87 million in 2012 compared to 2011 primarily due to a $107 million increase in year-to-year market valuation adjustments associated with three unhedged interest rate exchange contracts (swap agreements) that were terminated in 2012. Partially offsetting this increase was a $14 million loss for guaranteed returns due World Trade Center (WTC) joint venture members. These guaranteed amounts earned on capital contributions made by The Durst Organization (Durst) to the Tower 1 Joint Venture and Westfield America, Inc. (Westfield) to the WTC Retail Joint Venture are recognized in accordance with their respective joint venture agreements.

Interest expense increased by $99 million in 2012 primarily reflecting higher outstanding principal amounts in connection with consolidated bonds and other asset financings.

Net expenses/(recoverables) related to Hurricane Sandy totaled $30 million in 2012. Direct expenses for the ongoing restoration and repair to Port Authority facilities including; $78 million in contract services; $32 million in employee compensation; $11 million in materials and equipment; and losses of $16 million recognized on assets that were destroyed, totaled $136 million in 2012. Offsetting these amounts is a $106 million receivable, representing the estimated amount of insurance recoveries to be received for costs incurred through December 31, 2012 (see Note J.11 for additional information regarding Hurricane Sandy).

Capital contributions and Passenger Facility Charges (PFCs) increased by $239 million in 2012 compared to 2011 primarily due to higher contributions associated with capital projects eligible for federal funding, and contributed capital amounts of $100 million from the WTC Retail Joint Venture, Westfield member to WTC Retail LLC for the further construction and development of retail space at the WTC site (see Note K – Information with Respect to the Redevelopment of World Trade Center Site).

Other Activities

- Capital spending by the Port Authority reached $3.3 billion in 2012 with $2.2 billion spent on the redevelopment of the WTC site; $318 million spent on Aviation facilities, including $115 million on runway and taxiway improvements; $215 million spent on projects designed to maintain the safety and security of the agency's operating facilities; $194 million spent on Tunnels, Bridges & Terminals (TB&T) facilities, including $27 million for the structural rehabilitation of the upper level of the George Washington Bridge; $172 million spent on Port Commerce facilities, including $58 million on channel improvement projects; and $113 million spent on PATH, including $50 million for the PATH signal replacement project (excluding costs attributable to Hurricane Sandy).

- On December 6, 2012, the Board of Commissioners approved the operating budget for calendar year 2013. The budget keeps administrative expenses virtually flat for a fifth straight year and maintains agency headcount at the lowest levels in 40 years. It is presently expected that in early 2013, the Board of Commissioners will consider the adoption of a capital budget for calendar year 2013, in part addressing certain recommendations resulting from the Authority-wide review by a Special Committee of the Board of Commissioners and the impacts of Hurricane Sandy.

- Toll and fare schedules for the Port Authority's six vehicular crossings and the PATH system were revised effective September 18, 2011. The toll for automobiles paying with cash was increased from $8.00 to $12.00 in 2011 and to $13.00 in December 2012, with further increases of $1.00 scheduled in December 2014 and 2015; the cash toll for truck classes 2-6 was increased from $8.00 to $13.00 per axle in 2011 and to $15.00 per axle in December 2012, with further increases of $2.00 per axle scheduled in December each year from 2013 through 2015; the cash toll for buses carrying 10 or more people was increased from $6.00 to $20.00 in 2011 and to $21.00 in December 2012, with further increases of $1.00 scheduled in December each year from 2013 through 2015. Discounts are available for vehicles using the E-ZPass electronic toll collection system and certain designated user programs. The PATH base fare for a single trip increased from $1.75 to $2.00 per trip in 2011 and to $2.25 per trip on October 1st, 2012, with further increases of 25 cents scheduled on October 1st in 2013 and in 2014. The cost of the multi-trip tickets and SmartLink passes increased on October 1st, 2012, with further increases on October 1st in 2013 and in 2014 in a consistent manner with the base fare increase.

As a condition of the toll and fare increases, a Special Committee of the Board of Commissioners (Special Committee) was formed on September 30, 2011, as directed by the Governors of the States of New York and New Jersey, to immediately commence a comprehensive audit of the Port Authority focusing on both a financial audit of the Port Authority's ten-year capital plan to reduce its size and cost and a review of the Port Authority's management and operations to find ways to lower costs and increase efficiencies. On January 31, 2012, the Special Committee issued a Phase I Interim Report to the Governors. In response to the Interim Report, the Special Committee directed Port Authority executive staff to review and examine the findings of the report and identify measures for improvement to be presented to the Board of Commissioners and the Board of PATH for consideration and appropriate action. On September 19, 2012, the Special Committee released the Phase II Report, which reviewed, in more detail, potential initiatives and improvements to enhance productivity and efficiency. The Phase II Report does recognize that the Port Authority has already completed or has numerous initiatives underway that relate to revenue enhancements, monetization of asset value and cost savings opportunities. The Phase II Report also indicates that the 2011 toll increases and those scheduled to go into effect over the next three years are necessary to the funding requirements of the Port Authority's preliminary 2011-2020 capital plan for projects related to the interstate transportation network. Additionally, the Special Committee submitted another report to the Governors in September 2012. The report focused on the Port Authority's financing strategy and consideration related to the long-term funding of the capital investment needs identified by the Port Authority.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the Port Authority's consolidated financial statements, including the notes to the consolidated financial statements, required supplementary information, financial schedules pursuant to Port Authority bond resolutions, and statistical and other supplemental information. The consolidated financial statements comprise the following: the Consolidated Statements of Net Position, the Consolidated Statements of Revenues, Expenses and Changes in Net Position, the Consolidated Statements of Cash Flows, and the Notes to the Consolidated Financial Statements.

Consolidated Statements of Net Position

The Consolidated Statements of Net Position present the financial position of the Port Authority at the end of the fiscal year and include all of its assets, deferred outflows of resources, liabilities, and deferred inflows of resources as applicable (see Note A.3.n). Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. A summarized comparison of the Port Authority's assets, liabilities, and net position follows:

	2012	2011	2010
		(In thousands)	
ASSETS			
Current assets	**$ 4,696,608**	$ 4,044,368	$ 3,348,508
Noncurrent assets:			
Facilities, net	**25,551,503**	23,134,288	20,557,400
Other noncurrent assets	**7,040,524**	6,739,065	5,649,662
Total assets	**37,288,635**	33,917,721	29,555,570
LIABILITIES			
Current liabilities	**2,788,155**	2,635,668	2,456,529
Noncurrent liabilities:			
Bonds and other asset financing obligations	**18,049,669**	15,751,041	13,554,884
Other noncurrent liabilities	**3,590,377**	3,805,121	2,519,534
Total liabilities	**24,428,201**	22,191,830	18,530,947
NET POSITION			
Net investment in capital assets	**10,010,965**	10,020,306	9,200,077
Restricted	**392,389**	294,460	222,871
Unrestricted	**2,457,080**	1,411,125	1,601,675
Total net position	**$12,860,434**	$11,725,891	$11,024,623

Port Authority assets totaled $37.3 billion at December 31, 2012, an increase of $3.4 billion from December 31, 2011. This increase was primarily due to a $2.4 billion increase in "Facilities, net," which includes both completed capital construction and capital construction in progress at Port Authority facilities; and a $1.1 billion increase in cash and investments primarily due to an increase in available bond proceeds received in connection with the issuance of capital obligations and an increase in Port Authority reserve funds.

Port Authority liabilities totaled $24.4 billion at December 31, 2012, an increase of $2.2 billion from December 31, 2011. This increase was primarily due to a $2.3 billion increase in "Bonds and other asset financing obligations" resulting from the issuance of consolidated bonds in connection with the Port Authority's capital plan. Partially offsetting this increase was a $191 million decrease in "Accrued interest and other current liabilities" primarily due to the termination of three unhedged swap agreements in 2012.

Net position totaled $12.9 billion at December 31, 2012, an increase of $1.1 billion from December 31, 2011. "Net investment in capital assets" totaling $10 billion at December 31, 2012, represents the largest of the three components of the Port Authority's Net Position and is comprised of investment in capital assets (such as land, buildings, improvements and equipment), less the related outstanding indebtedness used to acquire those capital assets. Net position reported as restricted due to constraints imposed by agreements or legislation totaled $392 million and is comprised of, $160 million for Port Authority Insurance Captive Entity, LLC (PAICE); $132 million in PFCs restricted for use on projects expenditures eligible for the application of PFCs; and $100 million for a minority equity interest in Tower 1 Joint Venture LLC. The balance of net position at December 31, 2012 totaling $2.5 billion is unrestricted and may be used to meet ongoing Port Authority obligations.

Consolidated Statements of Revenues, Expenses and Changes in Net Position

Change in net position is an indicator of whether the overall fiscal condition of an organization has improved or worsened during the year. Following is a summary of the Consolidated Statements of Revenues, Expenses and Changes in Net Position:

	2012	2011	2010
		(In thousands)	
Gross operating revenues	**$ 4,050,016**	$ 3,800,480	$ 3,634,023
Operating expenses	**(2,589,447)**	(2,564,969)	(2,598,557)
Depreciation and amortization	**(961,958)**	(930,264)	(865,515)
Net recoverables/(expenses) related to the events of September 11, 2001	**–**	–	53,051
Net recoverables/(expenses) related to Hurricane Sandy	**(30,000)**	–	–
Income from operations	**468,611**	305,247	223,002
Net non-operating expenses*	**(557,648)**	(585,445)	(487,630)
Capital contributions and PFCs*	**1,223,580**	981,466	611,469
Increase in net position	**$ 1,134,543**	$ 701,268	$ 346,841

* Grants were reclassified to "Non-operating revenues" from "Capital contributions and PFCs" in 2012.

Additional information on facility operating results can be found in Schedule E – Information on Port Authority Operations located in the Statistical and Other Supplemental Information section of this report.

Revenues

A summary of gross operating revenues follows:

	2012	2011	2010
		(In thousands)	
Gross operating revenues:			
Tolls and fares	**$ 1,337,372**	$ 1,148,061	$ 1,069,785
Rentals	**1,208,730**	1,150,569	1,144,709
Aviation fees	**904,666**	895,356	872,774
Parking and other	**338,178**	339,131	321,257
Utilities	**152,945**	154,810	154,041
Rentals – Special Project Bonds Projects	**108,125**	112,553	71,457
Total	**$ 4,050,016**	$ 3,800,480	$ 3,634,023

2012 vs. 2011

Gross operating revenues totaled $4.1 billion for the year ended December 31, 2012, a $250 million increase from 2011. The increase in operating revenues was primarily due to:

- Toll revenues from the Port Authority's six vehicular crossings increased by $178 million in 2012 compared to 2011 primarily due to the full year impact of the revised tolling schedule which became effective on September 18, 2011. Partially offsetting this increase was a 2.4% overall decline in vehicular activity at the Port Authority's six vehicular crossings in 2012 when compared to 2011. This overall decrease in activity includes approximately a 1% decrease in vehicular activity directly related to Hurricane Sandy.

  PATH fares increased by $11 million in 2012 compared to 2011 primarily due to the full year impact of the revised PATH fare schedule which became effective on September 18, 2011. Partially offsetting this increase was a 5.2% overall decline in 2012 ridership levels compared to 2011 directly attributable to Hurricane Sandy.

- Rental revenues increased by $58 million in 2012 compared to 2011 primarily due to a $52 million increase in fixed and activity based rentals from major tenants at Aviation and Port Commerce facilities.

- Aviation fees increased by $9 million year-to-year primarily reflecting higher revenues derived from cost recovery agreements with the airlines operating at major airports.

2011 vs. 2010

Gross operating revenues totaled $3.8 billion for the year ended December 31, 2011, a $166 million increase from 2010. The increase in operating revenues was primarily due to:

- Toll revenues from the Port Authority's six vehicular crossings increased by $68 million in 2011 compared to 2010. The increase was primarily due to the partial year impact of revised tolls which became effective on September 18, 2011; partially offsetting this increase was a 1.7% overall decline in vehicular activity at the Port Authority's six vehicular crossings in 2011 when compared to 2010.

  PATH fares increased by $10 million in 2011 compared to 2010 primarily due to the partial year impact of revised fares which became effective on September 18, 2011; this increase was furthered by an increase in overall ridership levels of 3.6% in 2011 when compared to 2010.

- Rentals – Special Project Bonds Projects revenue increased by $41 million due to the full year impact of the December 2010 issuance of Special Project Bonds, Series 8, John F. Kennedy International Air Terminal LLC (JFKIAT) Project obligations in connection with the expansion of Terminal 4 at John F. Kennedy International Airport (JFK).

- Aviation fees increased by $23 million year-to-year primarily reflecting higher revenues derived from cost recovery agreements with the airlines operating at LaGuardia Airport (LGA), JFK and Newark Liberty International Airport (EWR).

- Parking and other revenues increased by $18 million in 2011 compared with 2010 primarily due to a $7 million net increase related to the establishment of the Cargo Facility Charge, a cargo activity based port infrastructure and security fee, in March 2011; and a $6 million increase for the sale of development rights at Queens West Waterfront Development Facility.

- Rental revenues increased by $6 million in 2011 compared to 2010 primarily due to a $41 million increase in fixed and activity based rentals from major tenants at Aviation and Port Commerce facilities. Partially offsetting these increases was a $33 million decrease under the net leases for WTC Towers 2 and 3, resulting from the full year impact of the 2010 net lease amendments in connection with the implementation of the 2010 World Trade Center Eastside Development Plan.

Expenses

A summary of operating expenses follows:

	2012	2011	2010
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	**$1,038,243**	$1,037,681	$1,022,195
Contract services	**749,106**	726,883	630,438
Rents and amounts in-lieu-of taxes	**304,020**	280,237	272,002
Materials, equipment and other	**215,937**	219,183	418,639
Utilities	**174,016**	188,432	183,826
Interest on Special Project Bonds	**108,125**	112,553	71,457
Total	**$2,589,447**	$2,564,969	$2,598,557

2012 vs. 2011

Operating expenses, before consideration of Hurricane Sandy related costs, totaled $2.6 billion in 2012, a $24 million increase from 2011. The year-to-year increase was primarily due to the following:

- Rent and amounts in lieu of taxes increased by $24 million in 2012 compared to 2011 primarily due to higher rental payments paid to the Cities of New York and Newark under lease agreements governing the operation of the New York City Air Terminals and Newark Air and Marine Terminals.

- Contract service costs increased by $22 million in 2012 from 2011 primarily due to a $26 million increase for interim terminal operating agreements at the Brooklyn-Port Authority Marine Terminal and Port Newark; and a $12 million increase attributable to an accelerated payment to the Brooklyn Bridge Park Development Corporation. Partially offsetting these increases was a $13 million decrease in snow and ice removal costs due to milder winter weather conditions in 2012.

- Employee compensation costs remained flat in 2012 compared to 2011. A $20 million increase in employer pension contributions was offset by a $6 million decrease in OPEB, and a $15 million decrease in agency labor costs, exclusive of employee benefits.

- Utility expenses decreased by $14 million in 2012 compared to 2011 primarily due to an $11 million decrease attributable to lower electricity usage at Aviation facilities and PATH.

- Costs for materials, equipment and other items decreased by $3 million in 2012 from 2011 primarily due to a $13 million decrease in bad debt expense at Port Commerce facilities, which was offset by a $9.2 million increase in self-insured public liability and workers compensation losses.

2011 vs. 2010

Operating expenses totaled $2.6 billion in 2011, a $34 million decrease from 2010. The year-to-year decrease was primarily due to the following:

- Costs for materials, equipment and other items decreased by $199 million in 2011 from 2010 primarily due to a $214 million decrease in non-recurring capital expenditure write-offs to operating expense accounts. 2010 write-offs included alternative design work performed in conjunction with the redevelopment of the WTC site, the terminated Access to the Region's Core Project (ARC Project), and $28 million associated with the 2010 purchase of a portion of the former Marine Ocean Terminal at Bayonne Peninsula (MOTBY). Partially offsetting these decreases were a $10 million increase in the write-off of bad debt at Port Authority facilities, and a $7 million increase in the actuarially determined incurred but not reported (IBNR) loss provision for PAICE.
- Contract service costs increased by $96 million in 2011 from 2010 primarily due to a $24 million increase in the use of outside legal services, a $15 million increase in costs for the demolition of Terminal 6 and Hangar 12 at JFK, and a $12 million increase in costs for interim terminal operating agreements at the Brooklyn-Port Authority Marine Terminal and Port Newark.
- Interest expenses associated with Special Project Bonds increased by $41 million due to the full year impact of the December 2010 issuance of JFKIAT Project obligations in connection with the expansion of Terminal 4 at JFK.
- Employee compensation costs increased by $15 million in 2011 compared to 2010 primarily due to an increase of $25 million in labor charges, including a $21 million increase in policing costs resulting from the continued heightened security levels at Port Authority facilities; partially offsetting these increases was a $10 million decrease in overall benefit expenses, primarily due to lower OPEB.

Depreciation and Amortization

A summary of depreciation and amortization expenses follows:

	2012	2011	2010
		(In thousands)	
Depreciation and amortization:			
Depreciation of facilities	**$884,239**	$852,727	$789,011
Amortization of costs for regional programs	**77,719**	77,537	76,504
Total	**$961,958**	$930,264	$865,515

2012 vs. 2011

Depreciation and amortization expense totaled $962 million in 2012, an increase of $32 million compared to 2011. The increase primarily reflects the full year impact of transferring $2.1 billion of construction in progress to completed construction in 2011 and the transfer of an additional $906 million in capital expenditures to completed construction in 2012, including $281 million of investment at Port Authority aviation facilities, including approximately $91 million for runway and taxiways improvements; $243 million of WTC site infrastructure including the WTC Transportation Hub; and approximately $103 million for capital projects designed to maintain security at Port Authority facilities.

2011 vs. 2010

Depreciation and amortization expense totaled $930 million in 2011, an increase of $65 million compared to 2010. The increase primarily reflects the full year impact of transferring $1.8 billion of construction in progress to completed construction in 2010 and the transfer of an additional $2.1 billion in capital expenditures to completed construction in 2011. 2011 transfers of $2.1 billion were comprised of $983 million for the construction of WTC site infrastructure; $386 million of aviation related investment including $200 million for runway and taxiway improvements; $203 million for capital projects designed to maintain security at Port Authority facilities; and $193 million for 130 new PATH rail cars.

Non-operating Revenues and Expenses

	2012	2011	2010
		(In thousands)	
Non-operating revenues and (expenses):			
Interest income	**$ 37,510**	$ 54,398	$ 61,168
Net increase/(decrease) in fair value of investments	**2,151**	(101,296)	(56,733)
Interest expense in connection with bonds and other asset financing	**(658,313)**	(559,110)	(501,607)
Net gain/(loss) on disposition of assets	**(4)**	–	–
Pass-through grant program payments	**(56,446)**	(11,507)	(2,166)
4 WTC associated payments	**65,293**	8,343	–
Grants*	**52,161**	23,727	11,708
Net non-operating expenses	**$ (557,648)**	$(585,445)	$(487,630)

* Reclassified from "Capital Contributions and Passenger Facility Charges" in 2012.

2012 vs. 2011

Financial income, including interest income and changes to the fair value of investments increased by $87 million in 2012 compared with 2011, primarily due to a $107 million year-to-year increase in market valuation adjustments associated with three unhedged swap agreements that were terminated in 2012. Partially offsetting this increase was a $6 million decrease in earnings on investment securities due to the lower interest rate environment associated with United States Treasury securities, and a $14 million loss for guaranteed returns due WTC joint venture members. These guaranteed amounts earned on capital contributions made by Durst to the Tower 1 Joint Venture and Westfield to the WTC Retail Joint Venture are recognized in accordance with their respective joint venture agreements.

Interest expense in connection with bonds and other financing obligations totaled $658 million in 2012, an increase of $99 million from 2011, primarily due to a $2.5 billion increase in outstanding debt obligations and a $57 million year-to-year increase in interest expense associated with Tower 4 Liberty Bonds issued in November 2011 for the continued construction of WTC Tower 4. Partially offsetting these amounts was a $57 million increase in "4 WTC associated payments" reflecting the reimbursement of interest expense associated with Tower 4 Liberty Bonds.

2011 vs. 2010

Financial income, including interest income and changes to the fair value of investments decreased by $51 million in 2011 compared with 2010, primarily due to a $45 million decrease in the fair value of investments, including a $41 million year-to-year decrease in market valuation adjustments associated with three unhedged swap agreements, and a $7 million decrease in earnings on investment securities due to a lower interest rate environment. Financial expense in connection with bonds and other financing obligations of $559 million increased by $58 million in 2011 from 2010, primarily reflecting higher average principal balances of outstanding debt obligations in 2011 compared to 2010, including $8 million of accrued interest expense associated with Tower 4 Liberty Bonds issued in November 2011 for the continued construction of WTC Tower 4. Partially offsetting these amounts was an $8 million increase in "4 WTC associated payments" reflecting the reimbursement from the WTC Tower 4 net lessee for accrued interest expense associated with Tower 4 Liberty Bonds.

Capital Contributions and Passenger Facility Charges

	2012	2011	2010
		(In thousands)	
Contributions in aid of construction	**$ 997,441**	$ 767,010	$ 358,268
Passenger Facility Charges	**222,614**	214,456	210,387
1 WTC LLC insurance proceeds	**3,525**	–	42,814
Total	**$1,223,580**	$ 981,466	$ 611,469

2012 vs. 2011

Contributions in aid of construction, PFCs, and 1 World Trade Center LLC (1 WTC LLC) restricted insurance proceeds totaled $1.2 billion in 2012, an increase of $242 million when compared to 2011. The year-to-year increase was primarily due to an increase of $131 million received from the Federal Transit Administration (FTA) in connection with the WTC PATH Transportation Hub; a $100 million contribution from the WTC Retail Joint Venture, Westfield member to WTC Retail LLC for the further construction and development of retail space at the WTC site; an increase of $50 million in contributed capital from Silverstein net lessees for the construction of WTC Towers 2, 3 and 4; and a $20 million contribution from the Hugh L. Carey

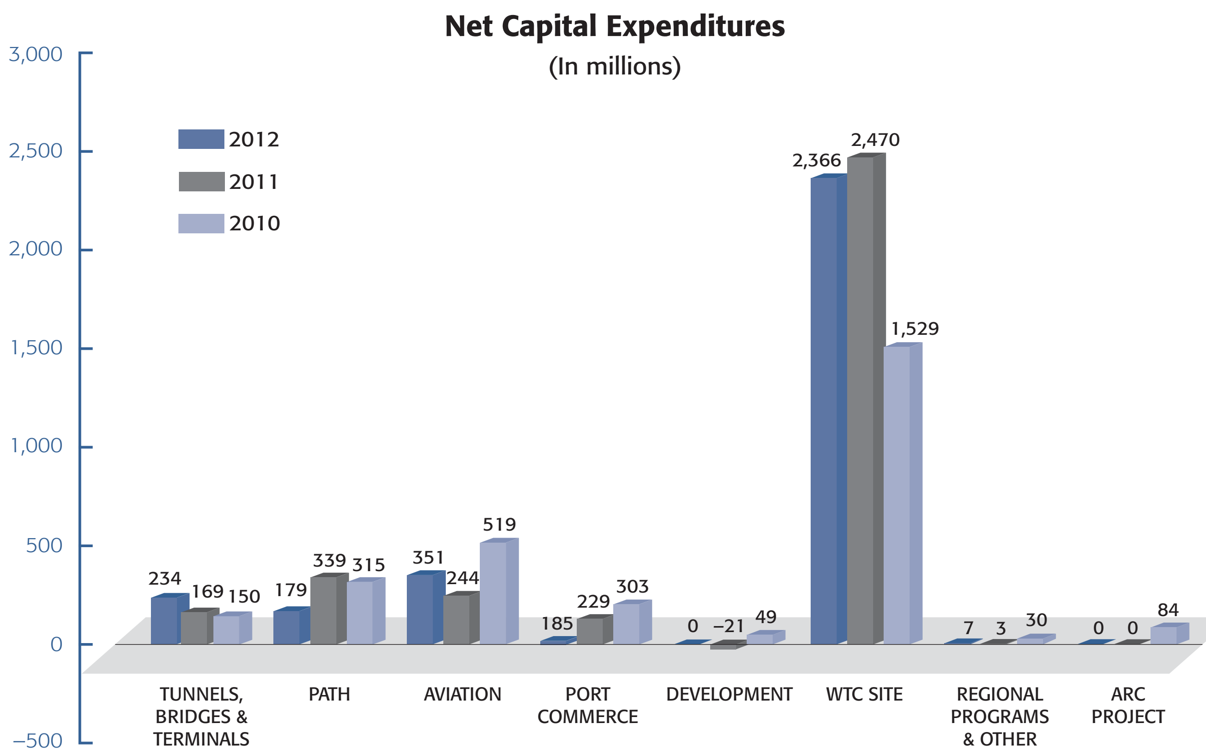
Battery Park City Authority for the construction of a Route 9A WTC site underpass. These increases were partially offset by a year-to-year decrease in Tower 1 Joint Venture LLC capital contributions from Durst made in 2011.

2011 vs. 2010

PFCs, 1 WTC LLC/WTC Retail LLC restricted insurance proceeds, and other contributions in aid of construction totaled $981 million in 2011, representing a $370 million increase from 2010. The total year-to-year increase was primarily due to contributed capital amounts of $275 million from Silverstein net lessees for the construction of WTC Towers 2, 3 and 4, and a $100 million capital contribution by Durst for a minority equity interest in Tower 1 Joint Venture LLC. These increases were partially offset by a decrease of $43 million in insurance proceeds received in connection with the November 2006 global settlement of 1 WTC LLC and WTC Retail LLC allocated amounts of September 11, 2001 property damage and business interruption claims.

Capital Construction Activities

Port Authority expenditures for capital construction projects, including contributed capital amounts, totaled $3.3 billion in 2012, $3.4 billion in 2011 and $3.0 billion in 2010. The following chart depicts net capital expenditures for the last three years summarized by line of business:



Funding sources for the $3.3 billion of Port Authority capital investment in 2012 were; $2.1 billion funded with proceeds received from the issuance of capital debt obligations, $395 million funded with FTA contributions in aid of construction for the WTC Transportation Hub, $354 million funded from WTC Towers 2, 3 and 4 net lessee capital contributions, $106 million applied from the Port Authority Consolidated Bond Reserve Fund, $102 million funded with PFCs, $100 million funded with WTC Retail Joint Venture capital contributions, $76 million funded with other contributions in aid of construction, $13 million funded with 1 WTC LLC and WTC Retail LLC insurance proceeds, and the balance funded through other sources.

Additional Port Authority capital investment information is contained in "Note B – Facilities, Net" to the consolidated financial statements and "Schedule F – Information on Port Authority Capital Program Components" located in the Statistical and Other Supplemental Information section of this report.

2013 Planned Capital Expenditures

Pending adoption of the capital budget for the calendar year 2013 by the Board of the Commissioners of the Port Authority, the Port Authority will continue to make capital expenditures, undertake contractual commitments, and continue planning, design and construction consistent with applicable authorization.

Capital Financing and Debt Management

As of December 31, 2012, bonds and other asset financing obligations of the Port Authority totaled approximately $19.1 billion, excluding $1.2 billion associated with the issuance of Tower 4 Liberty Bonds.

During 2012, the Port Authority issued $4 billion of consolidated bonds and notes. Of this amount, $2.3 billion was allocated to fund capital project expenditures and $1.7 billion was allocated for the purpose of refunding existing outstanding obligations.

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. On September 24, 2012, Moody's Investors Service changed its rating of the Port Authority's outstanding consolidated bonds to Aa3 from Aa2, with its overall economic outlook revised to stable from negative. All other ratings for the obligations outstanding in 2011 have remained the same for 2012. During 2012, Standard and Poor's (S&P) and Fitch Ratings considered the Port Authority's outlook as stable.

OBLIGATION	S&P	Fitch Ratings	Moody's Investors Service
Consolidated Bonds	AA-	AA-	Aa3
Commercial Paper	A-1+	F1+	P-1

Each rating reflects only the view of the ratings service issuing such rating and is not a recommendation by such ratings service to purchase, sell or hold any maturity of Port Authority obligations or as to market price or suitability of any maturity of the obligations for a particular investor. An explanation of the significance of a rating may be obtained from the ratings service issuing such rating. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on market price. Additional information on Port Authority obligations can be found in "Note D – Outstanding Obligations and Financing" to the consolidated financial statements.

Consolidated Statements of Net Position

	December 31, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Current assets:		
Cash	**$ 3,692,900**	$ 3,297,365
Restricted cash	**131,925**	25,472
Investments	**100,777**	26,290
Current receivables, net	**447,562**	362,875
Other current assets	**287,967**	285,938
Restricted receivables and other assets	**35,477**	46,428
Total current assets	**4,696,608**	4,044,368
Noncurrent assets:		
Restricted cash	**6,472**	7,765
Investments	**1,835,720**	1,356,269
Restricted investments – PAICE	**162,630**	156,356
Other amounts receivable, net	**141,473**	106,989
Deferred charges and other noncurrent assets	**1,429,262**	1,507,637
Restricted deferred/other noncurrent assets – PAICE	**10,147**	13,409
Amounts receivable – Special Project Bonds	**1,656,350**	1,720,536
Amounts receivable – Tower 4 Liberty Bonds	**1,249,309**	1,249,921
Unamortized costs for regional programs	**549,161**	620,183
Facilities, net	**25,551,503**	23,134,288
Total noncurrent assets	**32,592,027**	29,873,353
Total assets	**37,288,635**	33,917,721
LIABILITIES		
Current liabilities:		
Accounts payable	**886,862**	818,149
Accrued interest and other current liabilities	**568,308**	759,127
Restricted other liabilities – PAICE	**852**	816
Accrued payroll and other employee benefits	**283,180**	231,657
Current portion bonds and other asset financing obligations	**1,048,953**	825,919
Total current liabilities	**2,788,155**	2,635,668
Noncurrent liabilities:		
Accrued pension and other noncurrent employee benefits	**369,951**	476,879
Other noncurrent liabilities	**267,829**	311,396
Restricted other noncurrent liabilities – PAICE	**46,938**	46,389
Amounts payable – Special Project Bonds	**1,656,350**	1,720,536
Amounts payable – Tower 4 Liberty Bonds	**1,249,309**	1,249,921
Bonds and other asset financing obligations	**18,049,669**	15,751,041
Total noncurrent liabilities	**21,640,046**	19,556,162
Total liabilities	**24,428,201**	22,191,830
NET POSITION	**$12,860,434**	$11,725,891
Net position is composed of:		
Net investment in capital assets	**$10,010,965**	$10,020,306
Restricted:		
1 WTC LLC/WTC Retail LLC insurance proceeds	**–**	14,434
Passenger Facility Charges	**132,228**	19,590
Port Authority Insurance Captive Entity, LLC	**160,161**	160,436
Minority interest in Tower 1 Joint Venture LLC	**100,000**	100,000
Unrestricted	**2,457,080**	1,411,125
NET POSITION	**$12,860,434**	$11,725,891

See Notes to Consolidated Financial Statements

Consolidated Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31, 2012	2011
	(In thousands)	
Gross operating revenues:		
Tolls and fares	**$ 1,337,372**	$ 1,148,061
Rentals	**1,208,730**	1,150,569
Aviation fees	**904,666**	895,356
Parking and other	**338,178**	339,131
Utilities	**152,945**	154,810
Rentals – Special Project Bonds Projects	**108,125**	112,553
Total gross operating revenues	**4,050,016**	3,800,480
Operating expenses:		
Employee compensation, including benefits	**1,038,243**	1,037,681
Contract services	**749,106**	726,883
Rents and amounts in-lieu-of taxes	**304,020**	280,237
Materials, equipment and other	**215,937**	219,183
Utilities	**174,016**	188,432
Interest on Special Project Bonds	**108,125**	112,553
Total operating expenses before depreciation, amortization and other operating expenses	**2,589,447**	2,564,969
Net expenses/(recoverables) related to Hurricane Sandy	**30,000**	–
Depreciation of facilities	**884,239**	852,727
Amortization of costs for regional programs	**77,719**	77,537
Income from operations	**468,611**	305,247
Non-operating revenues and (expenses):		
Interest income	**37,510**	54,398
Net increase/(decrease) in fair value of investments	**2,151**	(101,296)
Interest expense in connection with bonds and other asset financing	**(658,313)**	(559,110)
Net gain/(loss) on disposition of assets	**(4)**	–
Pass-through grant program payments	**(56,446)**	(11,507)
4 WTC associated payments	**65,293**	8,343
Grants	**52,161**	23,727
Net non-operating revenues and (expenses)	**(557,648)**	(585,445)
Income before capital contributions and passenger facility charges	**(89,037)**	(280,198)
Capital contributions and Passenger Facility Charges:		
Contributions in aid of construction	**997,441**	767,010
Passenger Facility Charges	**222,614**	214,456
1 WTC LLC insurance proceeds	**3,525**	–
Total capital contributions and passenger facility charges	**1,223,580**	981,466
Increase in net position	**1,134,543**	701,268
Net position, January 1	**11,725,891**	11,024,623
Net position, December 31	**$12,860,434**	$11,725,891

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

	Year ended December 31, 2012	2011
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	**$ 3,914,471**	$ 3,788,114
Cash paid to suppliers	**(1,040,440)**	(1,067,026)
Cash paid to or on behalf of employees	**(1,126,391)**	(1,097,311)
Cash paid to municipalities	**(313,511)**	(271,706)
Net cash provided by/(used for) operating activities	**1,434,129**	1,352,071
Cash flows from noncapital financing activities:		
Principal paid on noncapital financing obligations	**(18,595)**	(30,485)
Payments for Fund for regional development buy-out obligation	**(51,213)**	(43,211)
Interest paid on noncapital financing obligations	**(149)**	(217)
Grants	**41,584**	20,742
Net cash provided by/(used for) noncapital financing activities	**(28,373)**	(53,171)
Cash flows from capital and related financing activities:		
Proceeds from sales of capital obligations	**2,820,896**	2,337,635
Contribution for Tower 1 Joint Venture LLC minority equity interest	**–**	100,000
Proceeds from insurance related to 1 WTC LLC	**3,525**	–
Proceeds from WTC Retail Owner, LLC	**93,885**	–
Principal paid on capital obligations	**(224,425)**	(216,748)
Proceeds from capital obligations issued for refunding purposes	**1,663,115**	1,132,865
Principal paid through capital obligations refundings	**(1,663,115)**	(1,132,865)
Interest paid on capital obligations	**(815,373)**	(697,184)
Investment in facilities and construction of capital assets	**(2,688,209)**	(2,858,190)
Payments for MOTBY obligation	**(30,000)**	(35,000)
Financial income allocated to capital projects	**1,597**	2,212
Investment in regional programs	**(6,697)**	(3,332)
Proceeds from Passenger Facility Charges	**222,197**	215,645
Contributions in aid of construction	**476,364**	420,671
Net cash provided by/(used for) capital and related financing activities	**(146,240)**	(734,291)
Cash flows from investing activities:		
Purchase of investment securities	**(1,706,458)**	(748,818)
Proceeds from maturity and sale of investment securities	**1,134,593**	930,332
Payments for termination of swap agreements	**(228,524)**	–
Interest received on investment securities	**32,977**	40,420
Other interest income	**8,591**	9,224
Net cash provided by/(used for) investing activities	**(758,821)**	231,158
Net increase in cash	**500,695**	795,767
Cash at beginning of year	**3,330,602**	2,534,835
Cash at end of year	**$ 3,831,297**	$ 3,330,602

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows
(continued)

	Year ended December 31, 2012	2011
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$ 468,611**	$ 305,247
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	**884,239**	852,727
Amortization of costs for regional programs	**77,719**	77,537
Amortization of ancillary equipment	**76,123**	81,462
Change in operating assets and operating liabilities:		
Decrease/(increase) in receivables	**(118,061)**	113,308
Decrease/(increase) in deferred charges and other assets	**(125,367)**	(83,332)
Increase/(decrease) in payables	**104,667**	31,998
Increase/(decrease) in other liabilities	**122,754**	33,816
Increase/(decrease) in accrued payroll, pension and other employee benefits	**(56,556)**	(60,692)
Total adjustments	**965,518**	1,046,824
Net cash provided by operating activities	**$1,434,129**	$1,352,071

3. Capital obligations:

Consolidated bonds and notes, commercial paper, and variable rate master notes.

4. Noncash Investing, capital and financing activities:

Noncash activity of $34,898,000 in 2012 and $1,316,035,000 in 2011 included amortization of discount and premium on consolidated bonds and notes, accretion associated with capital appreciation bonds, and debt service in connection with Special Project Bonds and Tower 4 Liberty Bonds.

Noncash capital financing did not include any activities that required a change in fair value. In 2012, the Silverstein net lessees contributed $325 million towards construction of WTC Towers 2, 3 and 4, and financial income due Tower 1 Joint Venture Durst member and WTC Retail Joint Venture Westfield member totaled negative ($14) million.

See Notes to Consolidated Financial Statements

Note A – Nature of the Organization and Summary of Significant Accounting Policies

1. Reporting Entity

a. The Port Authority of New York and New Jersey was created in 1921 by Compact between the States of New York and New Jersey with the consent of the United States Congress. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation generally upon the basis of its own credit. 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 from operating revenue sources, including rentals, tolls, fares, aviation and port fees, and other charges.

b. The Governor of each State, with the consent of the respective State Senate, appoints six of the twelve members of the governing Board of Commissioners. The Commissioners serve without remuneration for six-year overlapping terms. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners. The actions taken by the Commissioners at Port Authority meetings are subject to gubernatorial review and may be vetoed by the Governor of their respective State.

c. The Audit Committee, which consists of four members of the Board of Commissioners other than the Chairman and Vice Chairman of the Port Authority, provides oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems and the accounting, auditing and financial reporting processes. The Audit Committee retains independent auditors and reviews their performance and independence. The independent auditors are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The Audit Committee meets directly, on a regular basis, with the independent auditors, a law firm retained to address certain Audit Committee matters, and management of the Port Authority. For the year ending December 31, 2011, Deloitte & Touche LLP served as independent auditors. On December 8, 2011, the Audit Committee selected KPMG LLP as independent auditors to perform the audit for the year ending December 31, 2012.

d. The consolidated financial statements and schedules include the accounts of The Port Authority of New York and New Jersey and its component units including:

Port Authority Blended Component Units*	Establishment or Acquisition Date
Port Authority Trans-Hudson Corporation	May 10, 1962
Newark Legal and Communications Center Urban Renewal Corporation	May 12, 1988
New York and New Jersey Railroad Corporation	April 30, 1998
WTC Retail LLC	November 20, 2003
Port District Capital Projects LLC	July 28, 2005
Tower 5 LLC (formerly known as 1 WTC LLC)	September 21, 2006
Port Authority Insurance Captive Entity, LLC	October 16, 2006
New York New Jersey Rail, LLC	September 18, 2008
Tower 1 Member LLC	April 19, 2011
Tower 1 Joint Venture LLC	April 19, 2011
Tower 1 Holdings LLC	April 19, 2011
WTC Tower 1 LLC	April 19, 2011
PA Retail Newco LLC	May 7, 2012
Tower 1 Rooftop Holdings LLC	June 8, 2012

* The blended component units listed above are included as part of the Port Authority's reporting entity because the Port Authority's Board of Commissioners serves as the overall governing body of these related entities.

2. Basis of Accounting

a. The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

b. The Port Authority follows Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which requires the Port Authority to follow the pronouncements of the GASB in its accounting and financial reporting. GASB Statement No. 62 superseded previous guidance contained in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Funds Accounting.*

3. Significant Accounting Policies

a. Facilities are carried at cost. The costs for facilities include net interest expense incurred from the date of issuance of the debt to finance construction until the capital project is completed and ready for its intended use. Generally, projects in excess of $100,000 for additions, asset replacements and/or asset improvements that benefit future accounting periods or are expected to prolong the service lives of assets beyond their originally assigned lives are capitalized (see Note B). Facilities do not include regional 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).

b. Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets (see Note B). The useful lives of assets are developed by the various related disciplines in the Port Authority's Engineering Department utilizing past experience, standard industrial expectations, and external sources such as consultants, manufacturers and contractors. Useful lives are reviewed periodically for each specific type of asset class. Asset lives used in the calculation of depreciation are generally as follows:

Buildings, bridges, tunnels and other structures	25 to 100 years
Machinery and equipment	5 to 35 years
Runways, roadways and other paving	7 to 40 years
Utility infrastructure	20 to 40 years

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

Costs of regional programs are deferred and amortized on a straight-line basis over the period benefited up to a maximum of 15 years (see Note H). In addition, certain operating costs, which provide benefits for periods exceeding one year, are deferred as a component of deferred charges and amortized over the period benefited.

c. Cash consists of cash on hand and short term cash equivalents. Cash equivalents are made up of negotiable order of withdrawal (NOW) accounts, collateralized time deposits, and money market accounts.

d. Restricted cash is primarily comprised of insurance proceeds, which are restricted to business interruption and redevelopment expenditures, PFCs and operating cash restricted for use by PAICE.

e. Net position is displayed in three components as follows:

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net resources that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Port Authority's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted – This consists of net resources that do not meet the definition of "Restricted" or "Net investment in capital assets."

f. Statutory reserves held by PAICE are restricted for purposes of insuring certain risk exposures.

g. Inventories are valued using an average cost method which prices items on the basis of the average cost of all similar goods remaining in stock. Inventory is reported as a component of "Deferred charges and other noncurrent assets" on the Consolidated Statements of Net Position.

h. Operating revenues are derived principally from rentals, tolls, fares, aviation and port fees, and other charges for the use of, and privileges at Port Authority facilities, and amounts reimbursed for operating activities. Operating expenses include those costs incurred for the operation, maintenance and security of Port Authority facilities. All other revenues, including financial income, PFCs, contributions in aid of construction, grants, insurance proceeds and gains resulting from the disposition of assets, if any, are reported as non-operating revenues, and all other expenses, such as interest expense, losses resulting from the disposition of assets, and pass-through grant program payment costs are reported as non-operating expenses.

i. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration (FAA) approved airport-related projects. Revenue derived from the collection of PFCs, net of the air carriers' handling charges, is recognized and accrued as non-operating revenue when the passenger activity occurs and the fees are due from the air carriers. PFC revenue applied to eligible capital projects is reflected as a component of "Facilities, net."

j. Contributed capital amounts for the further construction of the WTC retail premises from the New WTC Retail Owner LLC, Westfield member are included as a component of contributions in aid of construction.

k. All Port Authority investment values that are affected by interest rate changes have been reported at their fair value, using published market prices. The Port Authority uses a variety of financial instruments to assist in the management of its financing and investment objectives, and may also employ hedging strategies to minimize interest rate risk and enters into various derivative instruments, including options on United States Treasury securities, repurchase and reverse repurchase (yield maintenance) agreements, United States Treasury and municipal bond futures contracts (see Note C) and swap agreements (see Note D-3).

l. 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 using the straight-line method as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

m. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions are subject to various uncertainties, the occurrence of which may cause differences between those estimates and assumptions and actual results.

n. In 2012, The Port Authority implemented guidance provided in GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As of December 31, 2012, the Port Authority was not engaged in hedging derivative instruments applicable under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* or service concession agreements prescribed under GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* that would require the recognition of deferred outflows of resources or deferred inflows of resources in 2012. However, in accordance with GASB Statement No. 63 the term "Net Assets" has been replaced with "Net Position" on the Port Authority's Consolidated Statements of Net Position, and Consolidated Statements of Revenues, Expenses and Changes in Net Position.

o. GASB issued Statement No. 61, *The Financial Reporting Entity*, in November 2010, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in March 2012 that are effective for financial statements for periods beginning after December 15, 2012. The Port Authority has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 61 and No. 65 and, therefore, is unable to disclose the impact that adopting these statements will have on its financial position and results of operations.

4. Reconciliation of the Consolidated Financial Statements Prepared in Accordance with Accounting Principles Generally Accepted in the United States of America to Schedules Prepared Pursuant to Port Authority Bond Resolutions

Schedules A, B and C, which follow the Required Supplementary Information section of this report, have been prepared in accordance with Port Authority bond resolutions which differ in some respects from accounting principles that are generally accepted in the United States of America, as follows:

a. 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.

b. Port Authority bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities other than the depreciation 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 "Facility infrastructure investment" on Schedule B – Assets and Liabilities.

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

d. Capital costs for regional programs are included in "Invested in facilities" in accordance with Port Authority bond resolutions.

e. Consolidated bonds and notes 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 associated with bonds issued in connection with capital investment are capitalized at issuance and are included in "Invested in facilities."

f. 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 or recovery of amounts related to assets destroyed or damaged, the amount of proceeds received from such sale or recovery is deducted from "Invested in facilities."

g. Contributed capital amounts resulting from non-monetary voluntary non-exchange transactions are included in "Invested in facilities" and credited to "Facility infrastructure investment" at the capital asset's fair value.

Notes to Consolidated Financial Statements
(continued)

A reconciliation of the Consolidated Statements of Net Position to Schedule B and the Consolidated Statements of Revenues, Expenses and Changes in Net Position to Schedule A follows:

Consolidated Statements of Net Position to Schedule B – Assets and Liabilities

		December 31, 2012	December 31, 2011
		(In thousands)	
Net position reported on Consolidated Statements of Net Position		**$12,860,434**	$11,725,891
Add:	Accumulated depreciation of facilities	**11,473,543**	10,673,443
	Accumulated retirements and gains and losses on disposal of invested in facilities	**2,053,086**	1,968,943
	Cumulative amortization of costs for regional programs	**1,223,636**	1,145,917
	Cumulative amortization of discount and premium	**67,842**	75,184
	Subtotal	**14,818,107**	13,863,487
Less:	Deferred income – 1 WTC LLC/WTC Retail LLC insurance proceeds	**–**	14,434
	Restricted Net Revenues — PAICE	**(764)**	1,946
	Deferred income in connection with PFCs	**132,228**	19,590
	Subtotal	**131,464**	35,970
	Total	**$27,547,077**	$25,553,408
Net position reported on Schedule B – Assets and Liabilities (pursuant to Port Authority bond resolutions)		**$27,547,077**	$25,553,408

Consolidated Statements of Revenues, Expenses and Changes in Net Position to Schedule A – Revenues and Reserves

		Year ended December 31,	
		2012	2011
		(In thousands)	
Increase in net position reported on Consolidated Statements of Revenues, Expenses and Changes in Net Position		**$1,134,543**	$ 701,268
Add:	Depreciation of facilities	**884,239**	852,727
	Application of 1 WTC LLC/WTC Retail LLC insurance proceeds	**17,962**	57,340
	Application of PFCs	**110,015**	215,645
	Amortization of costs for regional programs	**77,719**	77,537
	Amortization of discount and premium	**(7,342)**	4,876
	Restricted Net Revenues – PAICE	**2,710**	644
	Loss on disposition of assets	**4**	–
	Decrease in appropriations for self-insurance	**37,547**	1,949
	Subtotal	**1,122,854**	1,210,718
Less:	Debt maturities and retirements	**169,770**	140,390
	Debt retirement acceleration	**54,635**	6,100
	Repayment of asset financing obligations	**16,514**	20,258
	Non-monetary capital contributions	**327,179**	279,714
	Direct investment in facilities	**691,079**	742,001
	PFCs	**222,614**	214,456
	1 WTC LLC insurance proceeds	**3,525**	–
	1 WTC LLC/WTC Retail LLC interest income	**3**	43
	PFC interest income/Fair Value Adjustment	**39**	–
	Contribution from New WTC Retail Owner LLC	**100,000**	–
	Subtotal	**1,585,358**	1,402,962
	Total	**$ 672,039**	$ 509,024
Increase/(decrease) in reserves reported on Schedule A – Revenues and Reserves (pursuant to Port Authority bond resolutions)		**$ 672,039**	$ 509,024

Notes to Consolidated Financial Statements
(continued)

Note B – Facilities, Net

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions/ (Dispositions)	Transfers	Retirements	End of Year
			(In thousands)		
2012					
Capital assets not being depreciated:					
Land	$ 1,060,160	$ –	$ 23,358	$ (404)	$ 1,083,114
Construction in progress	8,471,807	3,315,277	(923,745)	–	10,863,339
Total capital assets not being depreciated	9,531,967	3,315,277	(900,387)	(404)	11,946,453
Other capital assets:					
Buildings, bridges, tunnels, other structures	8,616,850	–	304,244	(13,602)	8,907,492
Machinery and equipment	7,811,193	–	144,393	(69,032)	7,886,554
Runways, roadways and other paving	4,270,143	–	288,208	(1,586)	4,556,765
Utility infrastructure	3,577,578	–	163,542	(13,338)	3,727,782
Other capital assets being depreciated	24,275,764	–	900,387	(97,558)	25,078,593
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	3,466,550	224,190	–	(13,152)	3,677,588
Machinery and equipment	3,345,998	302,162	–	(63,955)	3,584,205
Runways, roadways and other paving	2,259,755	212,211	–	(1,586)	2,470,380
Utility infrastructure	1,601,140	145,675	–	(5,445)	1,741,370
Accumulated depreciation	10,673,443	884,238	–	(84,138)	11,473,543
Total other capital assets, net	13,602,321	(884,238)	900,387	(13,420)	13,605,050
Facilities, net	$23,134,288	$2,431,039	$ –	$(13,824)	$25,551,503
2011					
Capital assets not being depreciated:					
Land	$ 1,108,399	$ –	$ (48,239)	$ –	$ 1,060,160
Construction in progress	7,099,813	3,429,615	(2,057,621)	–	8,471,807
Total capital assets not being depreciated	8,208,212	3,429,615	(2,105,860)	–	9,531,967
Other capital assets:					
Buildings, bridges, tunnels, other structures	7,958,041	–	660,026	(1,217)	8,616,850
Machinery and equipment	6,814,568	–	1,068,009	(71,384)	7,811,193
Runways, roadways and other paving	4,153,343	–	118,725	(1,925)	4,270,143
Utility infrastructure	3,329,336	–	259,100	(10,858)	3,577,578
Other capital assets being depreciated	22,255,288	–	2,105,860	(85,384)	24,275,764
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	3,257,439	210,328	–	(1,217)	3,466,550
Machinery and equipment	3,071,637	345,745	–	(71,384)	3,345,998
Runways, roadways and other paving	2,099,119	162,561	–	(1,925)	2,259,755
Utility infrastructure	1,477,905	134,093	–	(10,858)	1,601,140
Accumulated depreciation	9,906,100	852,727	–	(85,384)	10,673,443
Total other capital assets, net	12,349,188	(852,727)	2,105,860	–	13,602,321
Facilities, net	$20,557,400	$2,576,888	$ –	$ –	$23,134,288

2. Net interest expense added to the cost of facilities was $280 million in 2012 and $217 million in 2011.

3. Projects that have been suspended pending determination of their continued viability totaled $17.6 million in 2012 and $54.4 million in 2011.

4. The impact on accelerated depreciation associated with Port Authority capital assets was $2 million in 2012 and $3.2 million in 2011.

Note C – Cash and Investments

1. The components of cash and investments are:

	December 31, 2012	2011
	(In thousands)	
CASH		
Cash on hand	**$ 1,730**	$ 2,331
Cash equivalents	**3,829,567**	3,328,271
Total cash	**3,831,297**	3,330,602
Less restricted cash	**138,397**	33,237
Unrestricted cash	**$3,692,900**	$3,297,365

			December 31, 2012	2011
			(In thousands)	
PORT AUTHORITY INVESTMENTS AT FAIR VALUE	**Port Authority**	**PAICE**	**Total**	Total
United States Treasury notes	**$1,705,622**	**$109,632**	**$1,815,254**	$1,027,774
United States Treasury bonds	**–**	**4,245**	**4,245**	32,624
United States Treasury bills	**100,777**	**–**	**100,777**	26,290
United States government agency obligations	**–**	**47,595**	**47,595**	42,100
Corporate Bonds *	**–**	**–**	**–**	267,223
JFK International Air Terminal LLC obligations	**118,029**	**–**	**118,029**	129,274
Other governmental obligations	**7,097**	**–**	**7,097**	7,084
Accrued interest receivable	**4,972**	**1,158**	**6,130**	6,546
Total investments	**1,936,497**	**162,630**	**2,099,127**	1,538,915
Less current investments	**100,777**	**–**	**100,777**	26,290
Noncurrent investments	**$1,835,720**	**$162,630**	**$1,998,350**	$1,512,625

* Guaranteed by the Federal Deposit Insurance Corporation under the Temporary Liquidity Guarantee Program, rated Aaa by Moody's Investors Service and AA+ by Standard & Poors.

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 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 average daily balances. 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 million.

Total actual bank balances excluding amounts held by third party trustees were $3.7 billion as of December 31, 2012. Of that amount, $348 million was secured through the basic FDIC deposit insurance coverage for interest bearing accounts or was secured through the FDIC unlimited deposit insurance coverage for "non-interest bearing transaction accounts." The balance of $3.4 billion was fully collateralized with collateral held by a third party custodian acting as the Port Authority's agent and held by such custodian in the Port Authority's name.

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. For the Port Authority, but not necessarily its related entities, individual investment transactions are executed with recognized and established securities dealers and commercial banks. Investment securities are maintained, in the Port Authority's name, by a third party financial institution acting as the Port Authority's agent. 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 securities 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" may be invested, on an interim basis, in conformance with applicable Federal laws 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 deposit accounts. Consolidated Bond Reserve Fund and General Reserve Fund amounts may be invested in obligations of (or fully guaranteed by) the United States of America. Additionally, amounts in the Consolidated Bond Reserve Fund and the General Reserve Fund (subject to certain limitations) may be invested in obligations of 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 be invested in various items including (a) direct obligations of the United States of America, obligations of United States government agencies, and sponsored enterprises that have the highest short-term ratings by two nationally recognized firms; (b) investment grade negotiable certificates of deposit and negotiable Bankers' Acceptances with banks having AA or better long-term debt rating, premier status and with issues actively traded in secondary markets; (c) commercial paper having only the highest short-term ratings separately issued by two nationally recognized rating agencies; (d) United States Treasury and municipal bond futures contracts; (e) certain interest rate exchange contracts with banks and investment firms; (f) certain interest rate options contracts that are limited to $50 million of underlying securities with a maturity of no greater than five years with primary dealers in United States Treasury securities; and (g) certain unrated obligations of JFKIAT LLC (presently comprising approximately 6.1% of total Port Authority investments at December 31, 2012) for certain costs attributable to the completion of Terminal 4 (JFKIAT). The Board has from time to time authorized other investments of operating funds.

It is the general policy of the Port Authority to limit exposure to declines in fair market values by limiting the weighted average maturity of the investment portfolio to less than two years. Extending the weighted average maturity beyond two years requires explicit written approval of the Chief Financial Officer. Committee on Finance authorization is required to extend the weighted average maturity beyond five years.

The following is the fair value and weighted average maturity of investments held by the Port Authority, excluding PAICE, at December 31, 2012:

PA Investment Type	**Fair Value (In thousands)**	**Weighted Average Maturity (In days)**
United States Treasury notes	$1,705,622	847
United States Treasury bills	100,777	5
Corporate Bonds	–	–
JFK International Air Terminal LLC obligations	118,029	4,642
Other governmental obligations	7,097	593
Total fair value of investments*	$1,931,525	
Investments weighted average maturity		1,034

* Excludes accrued interest receivable amounts of $5 million.

The Port Authority has, from time to time, entered into reverse repurchase (yield maintenance) 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. There were no investments in reverse repurchase agreements at December 31, 2012.

4. The investment policies of PAICE have been established and approved by the PAICE Board of Directors, which is comprised of Port Authority executive staff. Consistent with the Port Authority Board of Commissioners' authorization with respect to the establishment of PAICE as a wholly owned entity of the Port Authority, PAICE provides the Port Authority Board of Commissioners' Committee on Finance with periodic updates on PAICE's investment activities.

Under PAICE's investment policies, eligible investments include money market demand accounts of commercial banks, not to exceed bank deposit insurance limits, and/or taxable or tax-exempt money market mutual funds that offer daily purchase and redemption while maintaining a constant share price and whose fund assets are primarily United States Treasury notes and bonds and whose assets are at least $500 million. Other investments include: United States Treasury securities and United States government agency obligations, AAA rated tax-exempt general obligation issues of states, and U.S. dollar denominated corporate debt rated AA or above.

The following is the fair value and weighted average maturity of investments held by PAICE at December 31, 2012:

PAICE Investment Type	Fair Value (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	$109,632	820
United States Treasury bonds	4,245	316
United States government agency obligations	47,595	638
Total fair value of investments*	$161,472	
Investments weighted average maturity		761

* Excludes accrued interest receivable amounts of $1.2 million.

Note D – Outstanding Obligations and Financing

Obligations noted with (*) throughout Note D-1 and D-2 are 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.

D-1. Outstanding bonds and other asset financing obligations

		December 31, 2012		
		Current	Noncurrent	Total
			(In thousands)	
A.	Consolidated Bonds and Notes	$ 459,920	$17,712,099	$18,172,019
B.	Commercial Paper Notes	384,625	–	384,625
C.	Variable Rate Master Notes	77,900	–	77,900
D.	Versatile Structure Obligations	–	–	–
E.	Port Authority Equipment Notes	49,565	–	49,565
F.	Fund for Regional Development Buy-Out Obligation	51,212	285,241	336,453
G.	MOTBY Obligation	25,731	52,329	78,060
H.	Tower 4 Liberty Bonds	–	1,249,309	1,249,309
		$1,048,953	$19,298,978	$20,347,931

		December 31, 2011		
		Current	Noncurrent	Total
			(In thousands)	
A.	Consolidated Bonds and Notes	$ 205,410	$15,364,335	$15,569,745
B.	Commercial Paper Notes	396,155	–	396,155
C.	Variable Rate Master Notes	77,900	–	77,900
D.	Versatile Structure Obligations	–	–	–
E.	Port Authority Equipment Notes	68,160	–	68,160
F.	Fund for Regional Development Buy-Out Obligation	51,213	308,646	359,859
G.	MOTBY Obligation	27,081	78,060	105,141
H.	Tower 4 Liberty Bonds	–	1,249,921	1,249,921
		$ 825,919	$17,000,962	$17,826,881

Note D – Outstanding Obligations and Financing (continued)

A. Consolidated Bonds and Notes

			December 31, 2012		
		Dec. 31, 2011	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2012
		(In thousands)			
Consolidated bonds and notes					
Seventy-fourth series (a)	Due 2013-2014	$ 11,849	$ 343	$ 4,160	$ 8,032
Eighty-fifth series	5.2%-5.375% due 2013-2028	87,000	–	3,200	83,800
Eighty-sixth series	5.2% due 2012	3,855	–	3,855	–
Ninety-third series	6.125% due 2085-2094	100,000	–	–	100,000
One hundred third series	5.25% due 2012-2014	19,895	–	19,895	–
One hundred thirteenth series	4.75% due 2012-2013	10,500	–	10,500	–
One hundred sixteenth series	4.25%-5.25% due 2013-2033	392,150	–	12,280	379,870
One hundred twenty-fourth series*	4.75%-5% due 2013-2036	202,460	–	12,220	190,240
One hundred twenty-fifth series	5% due 2018-2032	300,000	–	300,000	–
One hundred twenty-sixth series*	5%-5.5% due 2012-2037	198,415	–	198,415	–
One hundred twenty-seventh series*	5%-5.5% due 2012-2037	220,305	–	220,305	–
One hundred twenty-eighth series	4.75%-5% due 2013-2032	232,275	–	4,140	228,135
One hundred twenty-ninth series	3.75%-4% due 2013-2015	29,715	–	6,300	23,415
One hundred thirtieth series	3.625%-3.75% due 2013-2015	31,085	–	7,375	23,710
One hundred thirty-first series*	4.625%-5% due 2013-2033	431,895	–	9,490	422,405
One hundred thirty-second series	5% due 2024-2038	300,000	–	–	300,000
One hundred thirty-third series	3.4%-4.4% due 2013-2021	152,180	–	16,000	136,180
One hundred thirty-fourth series	4%-5% due 2013-2039	241,530	–	3,125	238,405
One hundred thirty-fifth series	4.5%-5% due 2024-2039	400,000	–	–	400,000
One hundred thirty-sixth series*	5%-5.5% due 2013-2034	339,720	–	2,725	336,995
One hundred thirty-seventh series*	4.125%-5.5% due 2013-2034	226,650	–	4,180	222,470
One hundred thirty-eighth series*	4.25%-5% due 2013-2034	327,440	–	7,785	319,655
One hundred thirty-ninth series*	4.5%-5% due 2013-2025	152,535	–	8,895	143,640
One hundred fortieth series	4.125%-5% due 2016-2035	400,000	–	–	400,000
One hundred forty-first series*	4.5%-5% due 2016-2035	350,000	–	–	350,000
One hundred forty-second series	4%-5% due 2015-2036	350,000	–	–	350,000
One hundred forty-third series*	5% due 2016-2036	500,000	–	–	500,000
One hundred forty-fourth series	4.25%-5% due 2026-2035	300,000	–	–	300,000
One hundred forty-fifth series**	5.75% due 2027-2032	250,000	–	250,000	–
One hundred forty-sixth series*	4.25%-5% due 2016-2036	500,000	–	–	500,000
One hundred forty-seventh series*	4.75%-5% due 2017-2037	450,000	–	–	450,000
One hundred forty-eighth series	5% due 2015-2037	500,000	–	–	500,000
One hundred forty-ninth series	4%-5% due 2017-2037	400,000	–	–	400,000
One hundred fiftieth series**	4.125%-6.4% due 2013-2027	350,000	–	–	350,000
One hundred fifty-first series*	5.25%-6% due 2019-2035	350,000	–	–	350,000
One hundred fifty-second series*	4.75%-5.75% due 2018-2038	400,000	–	–	400,000
One hundred fifty-third series	4%-5% due 2018-2038	500,000	–	–	500,000
One hundred fifty-fourth series	3%-5% due 2013-2029	92,335	–	3,925	88,410
One hundred fifty-fifth series	2%-3.5% due 2013-2019	61,700	–	12,000	49,700
One hundred fifty-sixth series	4%-5% due 2025-2039	100,000	–	–	100,000
One hundred fifty-seventh series**	5.309% due 2019	150,000	–	–	150,000
One hundred fifty-eighth series**	5.859% due 2024	250,000	–	–	250,000
One hundred fifty-ninth series**	6.04% due 2029	350,000	–	–	350,000
One hundred sixtieth series	4%-5% due 2030-2039	300,000	–	–	300,000
One hundred sixty-first series	4.25%-5% due 2030-2039	300,000	–	–	300,000
One hundred sixty-second series	1.75%-3.3% due 2013-2020	87,070	–	18,020	69,050
One hundred sixty-third series	2.5%-5% due 2017-2040	400,000	–	–	400,000
One hundred sixty-fourth series**	5.647% due 2035-2040	425,000	–	–	425,000
One hundred sixty-fifth series**	5.647% due 2035-2040	425,000	–	–	425,000
One hundred sixty-sixth series	5%-5.25% due 2030-2041	300,000	–	–	300,000
One hundred sixty-seventh series*	4%-5.50% due 2013-2028	225,000	–	12,190	212,810
One hundred sixty-eighth series**	4.926% due 2047-2051	1,000,000	–	–	1,000,000
One hundred sixty-ninth series*	4%-5% due 2013-2041	400,000	–	17,905	382,095
One hundred seventieth series (b)	5%-5.25% due 2039-2043	672,480	–	–	672,480
One hundred seventy-first series	4%-5% due 2030-2042	–	400,000	–	400,000
One hundred seventy-second series*	3%-5% due 2013-2037	–	400,000	–	400,000
One hundred seventy-third series	3%-5% due 2018-2032	–	300,000	–	300,000
Series ZZ	1% due 2012	–	300,000	300,000	–
One hundred seventy-fourth series**	4.458% due 2053-2062	–	2,000,000	–	2,000,000
One hundred seventy-fifth series	3%-5% due 2013-2042	–	425,000	–	425,000
One hundred seventy-sixth series**	0.4%-2.5% due 2013-2022	–	170,000	–	170,000
Consolidated bonds and notes pursuant to Port Authority bond resolutions		15,550,039	$3,995,343	$1,468,885	18,076,497
Less unamortized discount and (premium) (c)		(19,706)			(95,522)
Consolidated bonds and notes (d)		$15,569,745			$18,172,019

NOTE: See page 60 for explanations of footnotes (a-d) concerning Consolidated Bonds and Notes.

Note D – Outstanding Obligations and Financing (continued)

A. Consolidated Bonds and Notes (continued from previous page)

	December 31, 2011			
	Dec. 31, 2010	**Issued/ Accreted**	**Refunded/ Retired**	**Dec. 31, 2011**
Consolidated bonds and notes pursuant to Port Authority bond resolutions	$13,340,378	$2,598,096	$388,435	$15,550,039
Less unamortized discount and (premium) (c)	30,742			(19,706)
Consolidated bonds and notes	$13,309,636			$15,569,745

(a) Includes $1,872,000 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 2013 to 2014, in the total maturity amount of $8,305,000.

(b) The entire series was acquired by the New York Liberty Development Corporation in connection with its issuance of the New York Liberty Development Corporation Liberty Revenue Bonds, Series 1WTC-2011 (Secured by Port Authority Consolidated Bonds).

(c) Amount includes the unamortized difference between acquisition price and carrying amount on refunded debt.

(d) Debt service requirements to maturity for Consolidated Bonds outstanding on December 31, 2012 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2013	$ 459,920	$ 856,990	$ 1,316,910
2014	258,840	847,945	1,106,785
2015	279,945	837,027	1,116,972
2016	307,355	824,831	1,132,186
2017	329,620	810,880	1,140,500
2018-2022	2,152,355	3,769,937	5,922,292
2023-2027	2,633,340	3,186,016	5,819,356
2028-2032	3,474,775	2,454,955	5,929,730
2033-2037	3,131,425	1,603,968	4,735,393
2038-2042	1,762,715	983,113	2,745,828
2043-2047	386,480	729,644	1,116,124
2048-2052	800,000	565,093	1,365,093
2053-2057	1,000,000	376,120	1,376,120
2058-2062	1,000,000	153,220	1,153,220
2063-2094***	100,000	167,621	267,621
	$18,076,770	$18,167,360	$36,244,130

*** Debt service for the years 2063-2094 reflects principal and interest payments associated with Consolidated Bonds Ninety-third Series.

Total principal of $18,076,770,000 shown above differs from the total consolidated bonds pursuant to Port Authority bond resolutions of $18,076,497,000 because of differences in the par value at maturity of the capital appreciation bonds Seventy-fourth Series of $273,000.

As of December 31, 2012, the Board of Commissioners had authorized the issuance of Consolidated Bonds, One Hundred Seventy-fourth Series through One Hundred Ninety-third Series, in the aggregate principal amount of up to $500 million of each series, and Consolidated Notes, Series AAA, BBB, CCC, DDD and EEE, of up to $300 million in aggregate principal amount of each series. To the extent any of Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-third Series are issued and sold solely for purposes of capital expenditures in connection with the redevelopment of the WTC site or for refunding prior debt issued for such purposes, such series may be issued and sold without limit as to principal amounts and term to maturity, provided that the total aggregate principal amount of all of such series (regardless of the purpose for issuance) shall not be in excess of $10 billion.

During 2012, the Port Authority allocated the proceeds of consolidated bonds to refund $1.5 billion of consolidated bonds and notes and $218.5 million of commercial paper notes. While the Port Authority increased its aggregate debt service payments by approximately $145 million over the life of the refunded consolidated bonds, the economic gain resulting from the debt refunding (the difference between the present value of the cash

Note D – Outstanding Obligations and Financing (continued)

flows required to service the old debt and the present value of the cash flows required to service the new debt) totaled approximately $112 million in present value savings to the Port Authority.

Consolidated bonds outstanding as of February 25, 2013 (pursuant to Port Authority bond resolutions) totaled $18,198,635,000.

B. Commercial Paper Notes

Commercial paper obligations are issued to provide interim financing for authorized projects at Port Authority facilities and may be outstanding until December 31, 2015. The maximum aggregate principal amount that may be outstanding at any one time is $300 million for Series A and $200 million for Series B. Commercial paper obligations are issued without third party provider support for payment at their maturity dates.

		December 31, 2012		
	Dec. 31, 2011	**Issued**	**Refunded/ Repaid**	**Dec. 31, 2012**
		(In thousands)		
Series A*	$207,735	$ 708,610	$ 689,575	$226,770
Series B	188,420	436,565	467,130	157,855
	$396,155	$1,145,175	$1,156,705	$384,625

		December 31, 2011		
	Dec. 31, 2010	**Issued**	**Refunded/ Repaid**	**Dec. 31, 2011**
		(In thousands)		
Series A*	$208,815	$ 563,740	$ 564,820	$207,735
Series B	145,465	412,960	370,005	188,420
	$354,280	$ 976,700	$ 934,825	$396,155

Interest rates for all commercial paper notes ranged from 0.09% to 0.22% in 2012.

As of February 25, 2013, commercial paper notes outstanding totaled $342,630,000.

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 million.

		December 31, 2012		
	Dec. 31, 2011	**Issued**	**Refunded/ Repaid**	**Dec. 31, 2012**
		(In thousands)		
Agreements 1989 -1995*	$ 44,900	$ –	$ –	$ 44,900
Agreements 1989 -1998	33,000	–	–	33,000
	$ 77,900	$ –	$ –	$ 77,900

		December 31, 2011		
	Dec. 31, 2010	**Issued**	**Refunded/ Repaid**	**Dec. 31, 2011**
		(In thousands)		
Agreements 1989 -1995*	$ 44,900	$ –	$ –	$ 44,900
Agreements 1989 -1998	33,000	–	–	33,000
	$ 77,900	$ –	$ –	$ 77,900

Interest rates are determined weekly, based upon a spread added to a specific industry index (the Securities Industry and Financial Markets Association rate) as stated in each master note agreement, and ranged from 0.11% to 0.34% in 2012.

Note D – Outstanding Obligations and Financing (continued)

Annual debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect on December 31, 2012, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2013	$ –	$ 154	$ 154
2014	–	154	154
2015	–	154	154
2016	–	154	154
2017	–	154	154
2018-2022	58,000	637	58,637
2023-2025	19,900	114	20,014
	$77,900	$ 1,521	$ 79,421

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

There were no outstanding Versatile Structure Obligations in 2012.

Versatile Structure Obligations Series 1R and 4 were refunded in their entirety on April 29, 2011 through a combination of Consolidated Bond proceeds and net revenues deposited into the Consolidated Bond Reserve Fund.

	December 31, 2011			
	Dec. 31, 2010	Issued	Refunded/ Repaid	Dec. 31, 2011
		(In thousands)		
Series 1R*	$ 92,800	$ –	$ 92,800	$ –
Series 4*	82,400	–	82,400	–
	$175,200	$ –	$175,200	$ –

E. Port Authority Equipment Notes

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

	December 31, 2012			
	Dec. 31, 2011	Issued	Refunded/ Repaid	Dec. 31, 2012
		(In thousands)		
Notes 2004, 2006, 2008*	$ 2,635	$ –	$ 1,020	$ 1,615
Notes 2004, 2006, 2008	65,525	–	17,575	47,950
	$ 68,160	$ –	$ 18,595	$49,565

	December 31, 2011			
	Dec. 31, 2010	Issued	Refunded/ Repaid	Dec. 31, 2011
		(In thousands)		
Notes 2004, 2006, 2008*	$ 4,380	$ –	$ 1,745	$ 2,635
Notes 2004, 2006, 2008	94,265	–	28,740	65,525
	$ 98,645	$ –	$ 30,485	$68,160

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.12% to 0.40% in 2012.

Notes to Consolidated Financial Statements
(continued)

Note D – Outstanding Obligations and Financing (continued)

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect on December 31, 2012, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2013	$ 2,640	$ 90	$ 2,730
2014	15,425	62	15,487
2015	31,500	11	31,511
	$49,565	$ 163	$49,728

The Port Authority has entered into agreements with the purchasers of the notes stating that on seven days notice on any business day during the term of the agreements, the Port Authority may prepay in whole, or, from time to time, in part, without penalty or premium, the outstanding principal amount of the notes. Also, the purchasers can tender the notes back to the remarketing agent on seven days notice, in whole and not in part. In the event that the remarketing agent cannot resell the notes, notice shall be given by the remarketing agent to the Port Authority requesting the Port Authority to pay the purchase price of the notes.

F. Fund for Regional Development Buy-Out Obligation

	December 31, 2012			
	Dec. 31, 2011	Accretion (a)	Refunded/ Repaid	Dec. 31, 2012
		(In thousands)		
Obligation outstanding	$359,859	$27,807	$51,213	$336,453

	December 31, 2011			
	Dec. 31, 2010	Accretion (a)	Refunded/ Repaid	Dec. 31, 2011
		(In thousands)		
Obligation outstanding	$373,707	$29,363	$43,211	$359,859

(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 the termination, in 1990, of the Fund for Regional Development.

Payment requirements of the fund for regional development buy-out obligation outstanding, including the implicit interest cost, on December 31, 2012 are as follows:

Year ending December 31:	Payments
	(In thousands)
2013	$ 51,212
2014	51,214
2015	51,212
2016	51,211
2017	53,213
2018-2021	213,240
	$471,302

As of February 25, 2013, the fund for regional development buy-out obligation outstanding totaled $340,714,304. For additional information associated with the fund for regional development buy-out obligation, refer to Note H.3.

G. MOTBY Obligation

On August 3, 2010, the Port Authority acquired approximately 131 acres of the former MOTBY from the Bayonne Local Redevelopment Authority (BLRA) for $235 million. The acquired property is comprised of three parcels on the southern side of the peninsula and has been incorporated into the Port Jersey – Port Authority Marine Terminal for future marine terminal purposes. The $235 million total purchase price is payable to the BLRA in twenty-four annual installment payments (2010-2033). Accordingly, the total purchase price of $235 million was discounted to a present value of $178.4 million at an implicit interest rate of 5.25% and recognized as an asset financing obligation in 2010.

	December 31, 2012			
	Dec. 31, 2011	**Accretion (a)**	**Refunded/ Repaid**	**Dec. 31, 2012**
		(In thousands)		
Obligation outstanding	$105,141	$2,919	$30,000	$ 78,060

	December 31, 2011			
	Dec. 31, 2010	**Accretion (a)**	**Refunded/ Repaid**	**Dec. 31, 2011**
		(In thousands)		
Obligation outstanding	$138,396	$1,745	$35,000	$105,141

(a) Represents the annual implicit interest cost (5.25%) contained in the present value of amounts due the BLRA.

Payment requirements for the MOTBY obligation outstanding, including the implicit interest cost, on December 31, 2012 are as follows: Year ending December 31:

	Payments
	(In thousands)
2013	$ 30,000
2014	5,000
2015	5,000
2016	5,000
2017	5,000
2018-2022	25,000
2023-2027	25,000
2028-2032	25,000
2033	5,000
	$130,000

H. Tower 4 Liberty Bonds

Notes to Consolidated Financial Statements
(continued)

Note D – Outstanding Obligations and Financing (continued)

In connection with the issuance of the Tower 4 Liberty Bonds by the New York Liberty Development Corporation on November 15, 2011, the Port Authority entered into a Tower 4 Bond Payment Agreement with Tower 4 Trustee to make, as a co-borrower/obligor with respect to the New York Liberty Development Corporation, Liberty Revenue Bonds, Series 2011 (4 World Trade Center Project), debt service payments of principal and interest under the bonds as a special obligation of the Port Authority to the trustee during the term of the agreement, from May 11, 2012 through November 15, 2051.

	December 31, 2012			
	Dec. 31, 2011	**Issued**	**Repaid/ Amortized**	**Dec. 31, 2012**
		(In thousands)		
Series 2011	$1,225,520	$ –	$ –	$1,225,520
Add: unamortized premium	24,401	–	612	23,789
Total Tower 4 Liberty Bonds	$1,249,921	$ –	$ 612	$1,249,309

	December 31, 2011			
	Dec. 31, 2010	**Issued**	**Repaid/ Amortized**	**Dec. 31, 2011**
		(In thousands)		
Series 2011	$ –	$1,225,520	$ –	$1,225,520
Add: unamortized premium	–	24,479	78	24,401
Total Tower 4 Liberty Bonds	$ –	$1,249,999	$ 78	$1,249,921

Annual debt service payment requirements on outstanding Tower 4 Liberty Bonds on December 31, 2012, would be as follows:

Year ending December 31:	**Principal**	**Interest (a)**	**Debt Service**
		(In thousands)	
2013	$ –	$ 65,293	$ 65,293
2014	–	65,293	65,293
2015	–	65,293	65,293
2016	–	65,293	65,293
2017	–	65,293	65,293
2018-2022	–	326,467	326,467
2023-2027	25,370	326,467	351,837
2028-2032	147,190	306,123	453,313
2033-2037	188,030	265,277	453,307
2038-2042	240,360	212,956	453,316
2043-2047	308,605	144,705	453,310
2048-2051	315,965	46,690	362,655
	$1,225,520	$1,955,150	$3,180,670

(a) Excludes estimated fixed rent payments of $576.6 million by the City of New York directly payable to the Tower 4 Liberty Bond trustee pursuant to the City of New York's Tower 4 space lease.

D-2. Amounts Payable – Special Project Bonds

Note D – Outstanding Obligations and Financing (continued)

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.

	December 31, 2012			
	Dec. 31, 2011	**Issued**	**Repaid/ Amortized**	**Dec. 31, 2012**
		(In thousands)		
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2013-2015	$ 78,980	$ –	$17,240	$ 61,740
Less: unamortized discount and premium	1,906	–	487	1,419
Total — Series 2	77,074	–	16,753	60,321
Series 4, KIAC Partners Project (b)*				
6.75% due 2013-2019	137,000	–	13,900	123,100
Less: unamortized discount and premium	1,484	–	192	1,292
Total — Series 4	135,516	–	13,708	121,808
Series 6, JFKIAT Project (c)*				
5.75%-6.25% due 2013-2025	729,180	–	34,475	694,705
Less: unamortized discount and premium	4,670	–	335	4,335
Total — Series 6	724,510	–	34,140	690,370
Series 8, JFKIAT Project (d)				
5%-6.5% due 2018-2042	796,280	–	–	796,280
Less: unamortized discount and premium	12,844	–	415	12,429
Total — Series 8	783,436	–	(415)	783,851
Amounts payable — Special Project Bonds	$1,720,536	$ –	$64,186	$1,656,350

(a) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued in connection with a project that included the construction of a passenger terminal at LGA leased to and to be occupied by Continental and Eastern. The leasehold interest of Eastern was assigned to Continental. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern, was subsequently assigned to USAir, Inc. and, then, subsequently assigned to Delta Airlines, Inc. (with Continental and USAir, Inc. to remain liable under both underlying leases).

(b) Special project bonds, Series 4, KIAC Partners Project, were issued to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included 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.

(c) Special project bonds, Series 6, JFKIAT Project, were issued in connection with a project that included the development and construction of a new passenger terminal at JFK.

(d) Special project bonds, Series 8, JFKIAT Project, were issued in connection with a project that included the expansion of Terminal 4 at JFK.

December 31, 2011

Note D – Outstanding Obligations and Financing (continued)

	Dec. 31, 2010	Issued	Repaid/ Amortized	Dec. 31, 2011
		(In thousands)		
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2012-2015	$ 94,775	$ –	$15,795	$ 78,980
Less: unamortized discount and premium	2,392	–	486	1,906
Total — Series 2	92,383	–	15,309	77,074
Series 4, KIAC Partners Project (b)*				
6.75% due 2012-2019	150,500	–	13,500	137,000
Less: unamortized discount and premium	1,675	–	191	1,484
Total — Series 4	148,825	–	13,309	135,516
Series 6, JFKIAT Project (c)*				
5.75%-7% due 2012-2025	761,590	–	32,410	729,180
Less: unamortized discount and premium	5,006	–	336	4,670
Total — Series 6	756,584	–	32,074	724,510
Series 8, JFKIAT Project (d)				
5%-6.5% due 2018-2042	796,280	–	–	796,280
Less: unamortized discount and premium	13,259	–	415	12,844
Total — Series 8	783,021	–	(415)	783,436
Amounts payable — Special Project Bonds	$1,780,813	$ –	$60,277	$1,720,536

(a) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued in connection with a project that included the construction of a passenger terminal at LGA leased to and to be occupied by Continental and Eastern. The leasehold interest of Eastern was assigned to Continental. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern, was subsequently assigned to USAir, Inc. and, then, subsequently assigned to Delta Airlines, Inc. (with Continental and USAir, Inc. to remain liable under both underlying leases).

(b) Special project bonds, Series 4, KIAC Partners Project, were issued to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included 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.

(c) Special project bonds, Series 6, JFKIAT Project, were issued in connection with a project that included the development and construction of a new passenger terminal at JFK.

(d) Special project bonds, Series 8, JFKIAT Project, were issued in connection with a project that included the expansion of Terminal 4 at JFK.

D-3. Interest Rate Exchange Contracts (Swap agreements)

At December 31, 2011, the Port Authority had three pay-fixed, receive-variable rate interest rate swap agreements with a negative fair value totaling $241.9 million. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivatives,* changes in the fair value of these investment derivative instruments (unhedged), have been recognized as a change to investment income on the Consolidated Statement of Revenues, Expenses and Changes in Net Position.

Two of these unhedged swap agreements were entered into in anticipation of the issuance of future variable interest rate versatile structure obligations in July and August 2008, respectively; however, due to unfavorable market conditions, these obligations were not issued. The third remaining swap agreement became unhedged when the corresponding variable rate obligation was refunded in 2008 (Versatile Structure Obligations, Series 8).
To mitigate the impacts of unfavorable market conditions, in the second quarter of 2009, the Port Authority amended the three unhedged swap agreements to defer periodic interest rate exchange contract payments until the last quarter of 2010. Periodic interest rate exchange contract payments resumed on these three unhedged swap agreements in October and November 2010, respectively.

During 2012, the three unhedged swap agreements were terminated, either by the Port Authority or the swap counterparty, resulting in total aggregate termination payments made by the Port Authority of $228.5 million. The difference between the negative fair value of $241.9 million and the termination payments of $228.5 million increased the change in fair value of investments by $13.4 million in 2012. As of December 31, 2012, the Port Authority had no interest rate swap agreements outstanding.

Note E – General and Consolidated Bond Reserve Funds

The General Reserve Fund is pledged in support of Consolidated Bonds and Notes. Statutes which require the Port Authority to create and maintain the General Reserve Fund established the principle of pooling revenues from all facilities and 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, 2012, the General Reserve Fund balance was $2,026,605,437 and met the prescribed statutory amount (see Schedule C – Analysis of Reserve Funds).

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 asset obligations (commercial paper obligations, variable rate master notes, MOTBY obligation and Tower 4 Liberty Bonds), and the interest thereon, are not secured by or payable from the General Reserve Fund. Principal of, and interest on, other 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 for regional development buy-out obligation) are payable 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. The moneys in the reserve funds may be accumulated or applied only to purposes set forth in legislation and the agreements with the holders of the Port Authority's obligations pertaining thereto. At December 31, 2012, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

Note F – Funding Provided by Others

During 2012 and 2011, the Port Authority received federal and state grants and contributions from other entities for various programs as summarized below:

1. Operating programs

a. K-9 Program – The FAA and the Transportation Security Administration (TSA) provided funding for operating costs associated with the training and care of explosive detection dogs. Amounts received in connection with this program were approximately $1,315,000 in 2012 and $1,336,000 in 2011.

b. Airport Screening Program – The TSA provided approximately $413,000 in 2012 and $459,000 in 2011 to fund operating costs incurred by Port Authority police personnel involved with airport screening programs at JFK and EWR.

c. U.S. Department of State (USDOS) – The Port Authority received $646,000 in 2012 and $1,310,000 in 2011 from the USDOS to fund operating security costs incurred by Port Authority police personnel for the United Nations General Assembly.

Amounts in connection with operating activities are recorded as operating revenues on the Consolidated Statements of Revenues, Expenses and Changes in Net Position and on Schedule A – Revenues and Reserves.

2. Grants and Contributions in Aid of Construction

a. Subsequent to September 11, 2001, the Port Authority entered into various agreements with federal and state agencies for programs associated with security related projects through which the Port Authority would be reimbursed for eligible expenses. Amounts provided in connection with security projects totaled $35 million in 2012 and $39 million in 2011.

b. The Port Authority receives contributions in aid of construction with respect to its facilities from federal, state and other entities. Amounts from the FTA for the construction of the WTC Transportation Hub totaled $446 million in 2012 and $315 million in 2011, respectively. Amounts from the FAA under the Airport Improvement Program in 2012 and 2011 were approximately $52 million and $40 million, respectively. Other contributions in aid of construction, including $325 million in contributed capital from the Silverstein net lessees for the construction of WTC Towers 2, 3 and 4, and $100 million in contributed capital from the WTC Retail Joint Venture, Westfield member to WTC Retail LLC for the further construction and development of retail space at the WTC site totaled $460 million in 2012 and $386 million in 2011.

Note G – Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately $1.1 billion in 2012 and $1.0 billion in 2011.

2. Property held for lease

The Port Authority has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Teleport, the WTC and the Newark Legal and Communications Center. Investments in such facilities, as of December 31, 2012, include property associated with minimum rentals derived from the 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.

Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. Future minimum rentals scheduled to be received on operating leases in effect on December 31, 2012 are as follows:

Year ending December 31:

	(In thousands)
2013	$ 946,511
2014	1,001,716
2015	989,202
2016	862,167
2017	847,724
2018-2100 (a)	21,666,411
Total future minimum rentals (b and c)	$26,313,731

(a) Includes future minimum rentals of approximately $14 billion attributable to the Silverstein net leases for WTC Towers 2, 3 and 4.

(b) Future minimum rentals decreased in 2012 by approximately $19 billion primarily in connection with the net lease for WTC Retail, resulting from the Port Authority and Westfield entering into various agreements related to the establishment of a joint venture with respect to the construction, financing, development, leasing, management and operation of the retail space at the WTC site.

(c) Not included in the future minimum rentals is approximately $2.1 billion attributable to lease agreements at One World Trade Center entered into with Vantone Industrial Co., Ltd for 191,000 square feet of office space and Advance Magazine Publishers Inc d/b/a Conde Nast for approximately 1.2 million square feet of office and related space. Rentals from these leases are contingent upon specific events commencing upon completion of the building.

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 and the cost of temporary office space due to the destruction of the WTC, aggregated $302 million in 2012 and $278 million in 2011.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2012 are detailed below. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year ending December 31:

	(In thousands)
2013	$ 270,044
2014	234,948
2015	234,099
2016	230,170
2017	191,770
2018-2022	899,148
2023-2027	880,131
2028-2032	870,000
2033-2037	870,000
2038-2065*	3,387,000
Total future minimum rent payments	$8,067,310

* Future minimum rent payments for the years 2038-2065 reflect payments associated with the Cities of New York and Newark lease commitments.

Note H – Regional Programs

1. At the request of the Governors of the States of New York and New Jersey, the Port Authority participates in certain programs that are deemed essential to the continued economic viability of the two states and the region. These programs, which are generally non-revenue producing to the Port Authority, are addressed by the Port Authority in its budget and business planning process in the context of the Port Authority's overall financial capacity. To the extent not otherwise a part of existing Port Authority facilities, these projects are effectuated through additional Port Authority facilities established solely for these purposes. The Port Authority does not expect to derive any revenues from regional development facilities described below.

- **Regional Development Facility** – This facility is a centralized program of certain economic development and infrastructure renewal projects. It was expected that $250 million of capital funds would be made available in connection with the Governors' Program of June 1983. As of December 31, 2012, approximately $248 million has been expended under this program.
- **Regional Economic Development Program** – This facility is to be comprised of up to $400 million for certain transportation, economic development and infrastructure renewal projects. Net expenditures on projects authorized under this program totaled approximately $395 million as of December 31, 2012.
- **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. As of December 31, 2012, the Port Authority has provided approximately $102 million for this rail project, of which approximately $63 million was made available through the Regional Development Facility and the Regional Economic Development Program.
- **New Jersey Marine Development Program** – This program was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey at a total cost not to exceed $27 million. All funds under this program have been fully allocated and expended.
- **New York Transportation, Economic Development and Infrastructure Renewal Program** – This facility was established to provide up to $250 million for certain transportation, economic development and infrastructure renewal projects in the State of New York. As of December 31, 2012, $245 million has been spent on projects associated with this program.
- **Regional Transportation Program** – This facility was established in conjunction with a program to provide up to $500 million for regional transportation initiatives. As of December 31, 2012, all funds under this program have been fully expended.
- **Hudson-Raritan Estuary Resources Program** – This facility was established to acquire certain real property in the Port District area of the Hudson-Raritan Estuary for environmental enhancement/ancillary economic development purposes, in support of the Port Authority's capital program. The cost of real property acquired under this program is not to exceed $60 million. As of December 31, 2012, approximately $52 million has been expended under this program.
- **Regional Rail Freight Program** – This facility provides for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of certain regional rail freight projects to provide for increased rail freight capacity. The Port Authority is authorized to provide up to $50 million. As of December 31, 2012, all funds under this program have been fully expended.
- **Meadowlands Passenger Rail Facility** – This facility, which links New Jersey Transit's (NJT) Pascack Valley Rail Line to the Meadowlands Sports Complex, encourages greater use of PATH service since NJT runs shuttle bus service at peak times to Hoboken. The improved level of passenger rail service provided by the facility also serves to ease traffic congestion on the Port Authority's interstate tunnel and bridge crossings. The Port Authority is authorized to provide up to $150 million towards the project's capital costs. As of December 31, 2012, all funds under this program have been fully expended.

As of December 31, 2012, a total of approximately $2.1 billion has been expended for regional programs. Costs for these programs that are not otherwise recognized as part of an existing Port Authority facility, are deferred and amortized over the period benefited, up to a maximum of 15 years. The unamortized costs of the regional programs are as follows:

	Dec. 31, 2011	Project Expenditures	Amortization	Dec. 31, 2012
		(In thousands)		
Regional Development Facility	$ 34,393	$ –	$ 6,423	$ 27,970
Regional Economic Development Program	102,354	–	19,884	82,470
Oak Point Rail Freight Link	8,149	–	1,630	6,519
New Jersey Marine Development Program	4,194	–	834	3,360
New York Transportation, Economic Development and Infrastructure Renewal Program	142,172	–	15,891	126,281
Regional Transportation Program	160,054	–	16,667	143,387
Hudson-Raritan Estuary Resources Program	35,977	6,697	3,057	39,617
Regional Rail Freight Program	25,495	–	3,333	22,162
Meadowlands Passenger Rail Facility	107,395	–	10,000	97,395
Total unamortized costs of regional programs	$620,183	$6,697	$77,719	$549,161

2. Bi-State Initiatives – From time to time, the Port Authority makes payments to assist various bi-state regional operating initiatives. During 2012, the Port Authority expended approximately $30 million on regional initiatives, bringing the total amount spent to date to approximately $170 million.

3. Buy-Out of Fund for Regional Development – In 1983, the Fund for Regional Development (Fund) was established to sublease space in the WTC that was previously held by the State of New York as tenant. An agreement among 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. The assets, liabilities, revenues and expenses of the Fund were not consolidated with those of the Port Authority. In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the Fund. 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 WTC subleased space was approximately $431 million. The liability for payments to the States of New York and New Jersey attributable to the Fund for regional development buy-out obligation is further described in Note D-1 (F).

Note I – Pension Plans and Other Employee Benefits

1. Pension Plans

a. Generally, full-time employees of the Port Authority (but not its related entities) 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 System." 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 System provides 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, 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.

Employer contributions to the Retirement System are determined based on an actuarial valuation of the present value of future benefits for active and retired members. When the actuarially determined value of benefits is greater than the assets to be used for the payment of benefits, the difference must be made up through employer contributions. That difference is amortized over the working lives of current members to determine the required annual contribution. Separate calculations are done for each plan, since each plan allows for different benefits. However, in no case will the employer's annual contribution to the Retirement System be less than 4.5% of covered payroll, including years in which the investment performance of the New York State Common Retirement Fund would make a lower contribution possible.

The Port Authority's covered ERS and PFRS payroll expense for 2012 was approximately $392 million and $226 million, respectively.

Required Port Authority contributions to the Retirement System, including costs for participation in retirement incentive programs, are as follows:

Year Ended	ERS	% of Covered Payroll	PFRS	% of Covered Payroll
		($ In thousands)		
2012	$76,321	19.5%	$61,687	27.4%
2011	$77,549	19.6%	$41,789	19.0%
2010	$46,181	11.1%	$35,220	17.0%

These contributions cover the entire funding requirements for the current year and each of the two preceding years.

In 2012, employee contributions of approximately $9.3 million to the ERS represented 2.4% of the payroll for employees covered by ERS.

The Annual Report of the Retirement System, which provides details on valuation methods and ten-year historical trend information, is available from the Comptroller of the State of New York, 110 State Street, Albany, New York 12236.

b. Employees of PATH are not eligible to participate in New York State's Retirement System. For most employees represented by unions, PATH contributes to supplemental pension plans that are administered by trustees, appointed by union members. Annual PATH contributions to these plans are defined in the various collective bargaining agreements; no employee contributions are required. PATH payroll expense in 2012 for these employees was approximately $85 million. For the year 2012, contributions made by PATH in accordance with the terms of various collective bargaining agreements totaled approximately $6 million, which represented approximately 7.4% of the total PATH covered payroll for 2012. Contributions were approximately $6 million for both 2011 and 2010.

c. Employees of PATH who are not covered by collective bargaining agreements (sometimes referred to as PATH Exempt Employees) are members of the PATH Corporation Exempt Employees Supplemental Pension Plan, amended and restated as of January 1, 2011 (the Plan). The Plan is a non-contributory, single employer, qualified defined benefit governmental pension plan administered by PATH.

The Plan provides retirement benefits related to years of service as a PATH Exempt Employee and final average salary, death benefits for active PATH Exempt Employees, vesting of retirement benefits after a set period of credited service as a PATH Exempt Employee, and optional methods of retirement benefit payment. Depending upon the date of membership, retirement benefits differ as to the qualifying age or years-of-service requirement and the benefit formula used in calculating retirement benefits.

As of January 1, 2012, Plan participants included 97 retired PATH Exempt Employees (or their beneficiaries), 77 active PATH Exempt Employees, and 31 terminated but vested employees who were not receiving benefits.

On January 31, 2011, PATH requested a determination letter from the Internal Revenue Service to recognize the amended and restated Plan as a qualified plan under section 401(a) of the Internal Revenue Code. In May 2012, the IRS issued a favorable determination letter confirming the Plan's status as a qualified governmental plan.

Actuarial Methods and Assumptions

The actuarially determined valuation of the unfunded Net Pension Obligation (NPO) of the Plan was reviewed in 2012 for purposes of recognizing an actuarially determined annual required contribution operating expense provision and the change in the NPO liability for the Plan in the Port Authority consolidated financial statements.

The actuarial valuation was performed in accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27).* The Plan does not issue separate stand-alone financial statements.

Projections of benefits for financial reporting purposes are based on the terms of the Plan as described by PATH to participants, and include the types of benefits provided at the time of each valuation.

In the January 1, 2012 actuarial valuation, the projected unit credit cost method was employed for all participants. Actuarial assumptions used to project pension benefits included a 5.25% investment rate of return, representing the estimated long term yield on investments expected to be used for the payment of pension benefits and a salary scale adjustment of 3% per annum (including 2.5% inflation factor).

The annual required contribution represents the actuarially determined level of funding that, if paid on an ongoing basis, is projected to cover annual benefit costs and the 30-year open amortization amounts, which represents the difference between the actuarial accrued liability and amounts previously recognized. The following reflects the components of the 2012 annual pension cost, benefits paid and changes to the NPO.

Annual Pension Cost and NPO for 2012

	(In thousands)
Service Cost	$ 1,267
Amortization Cost	1,287
Interest on NPO	1,413
Annual Pension Cost	3,967
Benefits Paid in 2012	(2,947)
Increase in NPO in 2012	1,020
NPO Beginning of Year	26,904
NPO End of Year	$27,924

The year-to-year change in the NPO consists of the difference between the 2012 annual pension cost and 2012 pension benefits paid to Plan participants. As of January 1, 2012, the actuarial accrued liability for pension benefits totaled $53.9 million. The difference between the actuarial accrued liability of $53.9 million and the $26.9 million previously recognized is being amortized as a level dollar amount over an open amortization period of 30 years.

Annual Pension Cost and NPO for 2010–2012

Year	Annual Pension Cost	Ratio of Benefit Payments to Annual Pension Cost	NPO Year-End Balance
		($ In thousands)	
2012	$3,967	74.29 %	$27,924
2011	$3,934	73.14 %	$26,904
2010	$3,976	84.64 %	$25,847

Funding Status

PATH (the employer) does not currently fund the Plan; therefore, there are no Plan assets. Retirement benefit payments are on a pay-as-you-go basis from available Port Authority operating funds.

The Schedule of Funding Progress for the plan covering 2012 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Payroll
			($ In thousands)			
1/1/12	$0	$53,903	$53,903	0%	$9,391	574%

The schedule of funding progress for the current year and the two preceding years is presented as required supplementary information immediately following the notes to the financial statements, and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

2. Other Employee Benefits

Benefit Plans

The Port Authority and PATH provide, pursuant to Board action or as contemplated thereby, certain group health care, prescription, dental, vision and term life insurance benefits for active and retired employees of the Port Authority and PATH (and for eligible dependents and survivors of active and retired employees). Collectively, these covered individuals are referred to as "participants." Contributions toward the costs of some of these benefits are required of certain participants. These contributions generally range from 10% to 50% of the Port Authority or PATH's cost of the benefit and depend on a number of factors, including status of the participants, type of benefit, hire date, years of service, and retirement date. 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 by service providers on behalf of the Port Authority or PATH. The actuarially determined valuation of postemployment benefits is reviewed annually for the purpose of estimating the present value of future benefits for participants.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the benefit plans as described by the Port Authority and PATH to participants, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future, including future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2012 actuarial valuation, the projected unit credit cost method was used for all participants. The actuarial assumptions used to project future costs included a 6% investment rate of return, representing the estimated yield on investments expected to be used for the payment of benefits; a medical healthcare cost trend rate of 7% in 2012, declining to an ultimate rate of 5% in 2016 (including 2.5% inflation factor); a pharmacy benefit cost trend rate of 5% in 2012; and a dental benefit cost trend rate of 4.5% per year. The actuarial value of assets is based on the market value of assets. In addition, the unfunded, unrecognized actuarial accrued liability is amortized as a level dollar amount over a period of 30 years.

Other Postemployment Benefit Costs and Obligations

The annual non-pension postemployment benefit cost is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* which also forms the basis for calculating the annual required contribution for the Port Authority and PATH. The annual required contribution represents the actuarially determined level of funding that, if paid on an ongoing basis, is projected to cover annual benefit costs and the 30-year open amortization of the difference between the actuarial accrued liability and amounts previously recognized. The Port Authority has been recognizing OPEB costs since 1985. The following reflects the components of the 2012 annual OPEB costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2012 actuarial valuation:

	(In millions)
Normal actuarial cost	$ 31.2
Amortization cost	82.0
Interest on excess contribution	(12.1)
Annual OPEB Cost	101.1
OPEB payments	(108.7)
Increase/(decrease) in net OPEB obligation	(7.6)
Net accrued OPEB obligation as of 12/31/11	449.3
OPEB obligation as of 12/31/12	441.7
Trust contributions	(100.0)
Net accrued OPEB obligation as of 12/31/12	$ 341.7

As of January 1, 2012, the actuarially accrued liability for OPEB totaled approximately $2 billion. The difference between the actuarial accrued liability of $2 billion and the sum of the $449.3 million liability previously recognized and the $376.6 million in trust assets is being amortized using an open amortization approach over a 30-year period.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a new prescription drug benefit commonly known as Medicare Part D. The Port Authority's application to the Centers for Medicare and Medicaid Services (CMS) within the Department of Health and Human Services to sponsor a Part D Plan for retirees was approved effective January 1, 2006. Effective January 1, 2009, the Port Authority contracted with Express Scripts, Inc. for an Employee Group Waiver Plan (CMS approved series 800 plan) covering its retirees. Under the contract, Express Scripts, Inc. assumed responsibility for the administrative and compliance obligations imposed by CMS. In 2012, CMS payments to Express Scripts, Inc., on behalf of the Port Authority, totaled approximately $3.8 million. These amounts were considered in calculating the actuarial valuation of the OPEB liability.

The Port Authority and PATH's combined annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net accrued OPEB obligation for 2012 and the two preceding years, were as follows:

Year	Annual OPEB Cost	OPEB Payments as a % of Annual OPEB Cost	Net Accrued OPEB Obligation
	($ In thousands)		
2012	$101,128	206%	$341,702
2011	$113,078	180%	$449,299
2010	$130,942	127%	$539,979

Funding Status

On December 14, 2006, the Port Authority established a restricted fund to provide funding for postemployment benefits. Effective December 2010, the Port Authority's quarterly contribution to The Port Authority of New York and New Jersey Retiree Health Benefits Trust (Trust), with Wells Fargo Bank, N.A-Institutional Trust Services serving as the Trustee totals $25 million. In 2012 and 2011, contributions to the Trust totaled $100 million annually.

OPEB Trust assets, the actuarial accrued liability, the unfunded actuarial accrued liability for benefits, the annual payroll amounts for active employees covered by the plans and the ratio of the unfunded actuarial liability to covered payroll for 2012 were as follows:

Actuarial Valuation Date	Actuarial Value of OPEB Trust Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Payroll
			($ In millions)			
1/1/12	$377	$1,963	$1,586	19%	$714	222%

The schedule of funding progress for the current year and the two preceding years is presented as required supplementary information immediately following the notes to the financial statements, and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Following are the Condensed Statements of Trust Net Position and Changes in Trust Net Position held in trust for OPEB for 2012 and 2011. The activities are accounted for using the accrual basis of accounting and all investments are recorded at their fair value.

Statement of Trust Net Position

	December 31, 2012	2011
	(In thousands)	
ASSETS		
Cash	**$ 138**	$ 6,425
Investments, at fair value:		
Bond/Equity Funds	**524,901**	370,126
Total Investments	**524,901**	370,126
Total assets	**525,039**	376,551
LIABILITIES		
Total liabilities	**–**	–
NET POSITION HELD IN TRUST FOR OPEB	**$ 525,039**	$376,551

Statements of Changes in Trust Net Position

	Year ended December 31, 2012	2011
	(In thousands)	
Additions		
Contributions*	**$ 208,725**	$ 203,758
Total contributions	**208,725**	203,758
Investment Income:		
Net change in fair value of investments	**36,360**	(6,450)
Interest income	**12,432**	9,060
Total net investment income	**48,792**	2,610
Deductions		
Benefit payments, administrative expenses and fees*	**(109,029)**	(103,913)
Total deductions	**(109,029)**	(103,913)
Net Increase	**148,488**	102,455
Trust net position, January 1	**376,551**	274,096
NET POSITION HELD IN TRUST FOR OPEB	**$ 525,039**	$ 376,551

* Include Port Authority's payments totaling $108.7 million in 2012 and $103.8 million in 2011 that were paid to OPEB plan members or their beneficiaries out of available Port Authority operating funds. These direct benefit payments were not included as part of the Trust's activities.

The audited financial statements for the years ended December 31, 2012 and December 31, 2011 of the Trust, which provides additional information concerning trust assets, are available from the Comptroller's Department of The Port Authority of New York and New Jersey, 1 PATH Plaza, Jersey City, New Jersey 07306.

Note J – Commitments and Certain Charges to Operations

1. On December 6, 2012, the Board of Commissioners of the Port Authority adopted the operating budget for 2013. Approval of a 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 consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

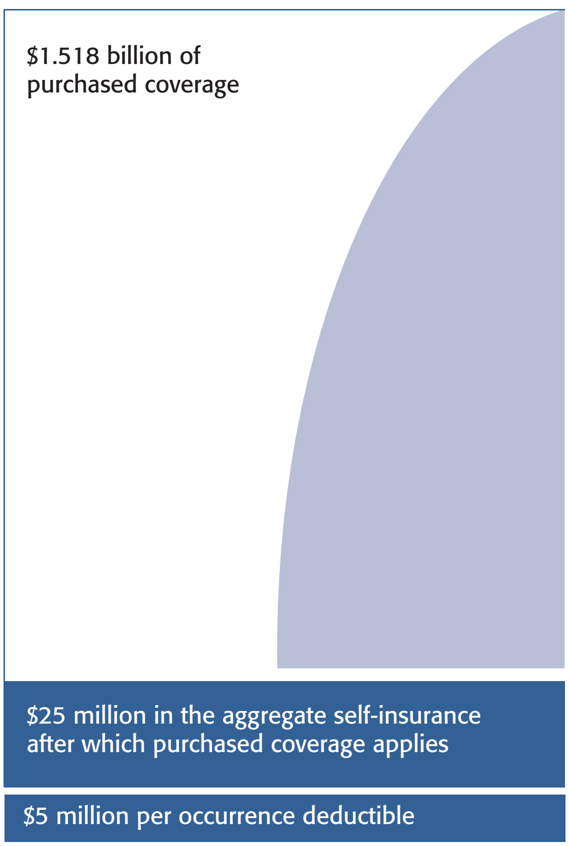
2. At December 31, 2012, the Port Authority had entered into various construction contracts totaling approximately $4.4 billion, which are expected to be completed within the next three years.

3. The Port Authority carries insurance 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, purchase of insurance through its captive insurance entity, PAICE, exceptions, or exclusions of portions of facilities, and the scope of insurable hazards. In view of the current state of the insurance industry, availability of coverage may be constrained and premium costs may increase for available coverage in connection with the Port Authority's periodic renewal of its insurance programs.

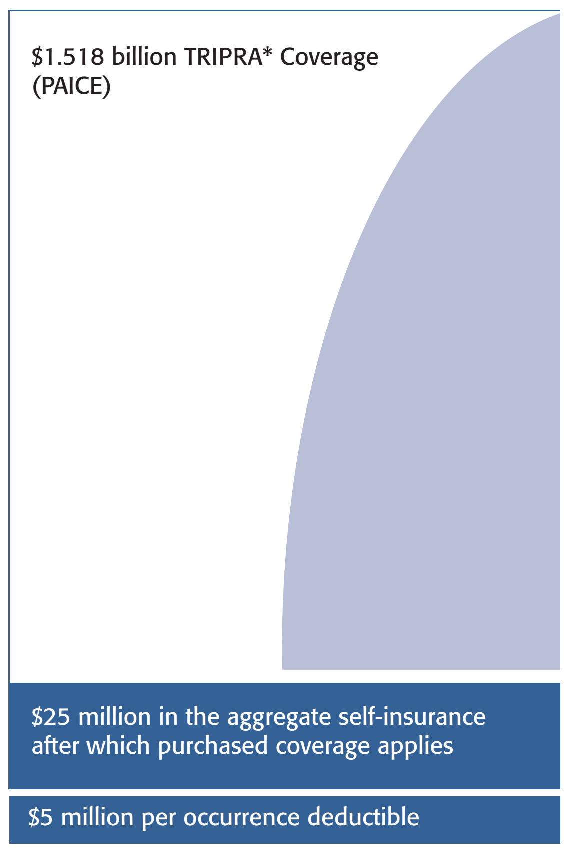
a. Property damage and loss of revenue insurance program:

The Port Authority's property damage and loss of revenue insurance program (which was renewed effective June 1, 2012 and expires on June 1, 2013) provides for coverage as follows:

General Coverage (Excluding Terrorism)

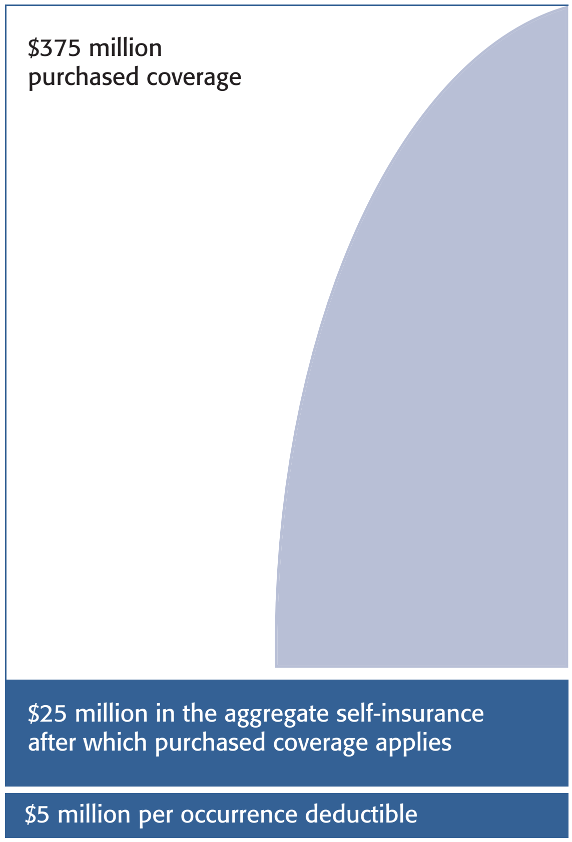


Terrorism Coverage



* On December 26, 2007, the Federal government enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), which replaced the Federal reinsurance provisions of the Terrorism Risk Insurance Act of 2002 (TRIA) and added reinsurance for acts of domestic terrorism in addition to acts of foreign terrorism through December 31, 2014. Under TRIPRA, the Federal government reinsures 85% of certified terrorism losses, subject to a $100 million deductible and a 20% insurance carrier/captive deductible, in an amount not to exceed an annual cap on all such losses payable under TRIPRA of $100 billion. No federal payments are made under this program until the aggregate industry insured losses from acts of terrorism exceed $100 million.

Wind Coverage
(Sub-limit to General Coverage)



b. Public liability insurance program:

(1-b) Aviation facilities

The Port Authority's public liability insurance program for aviation facilities (which was renewed effective October 27, 2012 and expires on October 27, 2013) provides for coverage as follows:

General Coverage (Excluding Terrorism)

$1.25 billion per occurrence and in the aggregate of purchased coverage

$3 million per occurrence deductible

Terrorism Coverage

$1.25 billion aviation war risk** per occurrence and in the aggregate of purchased coverage

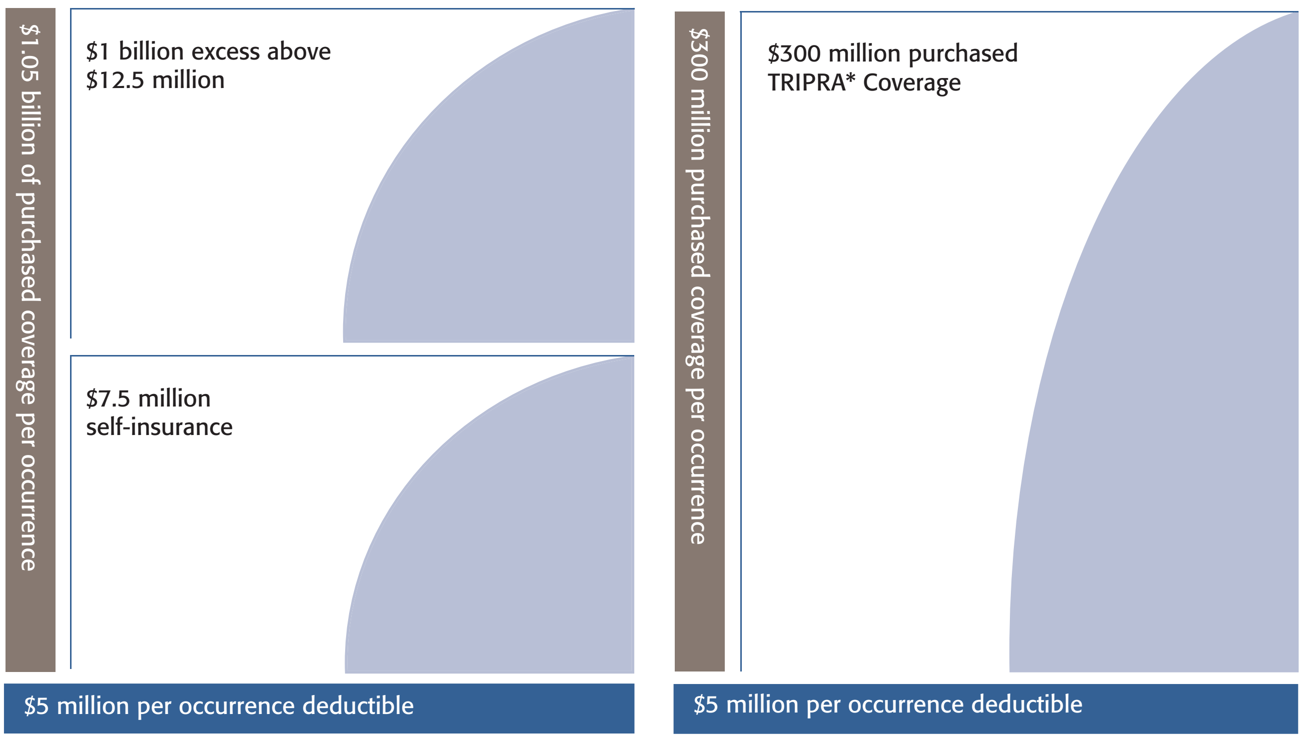
** Aviation war risk generally includes war, hijacking and other perils, both domestically and internationally.

(2-b) Non-Aviation facilities

The Port Authority's public liability insurance program for "non-aviation" facilities (which was renewed effective October 27, 2012 and expires on October 27, 2013) provides for coverage as follows:

General Coverage (Excluding Terrorism)

Terrorism Coverage



* See footnote on page 77.

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

4. 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. As of December 31, 2012, there was approximately $39 million for the payment of self-insured claims.

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for accrued self-insurable claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses, estimated recoveries and a provision for IBNR claims. Changes in the liability amounts in 2012 and 2011 were:

Year	Beginning Balance	Additions and Changes	Payments	Year-end Balance
		(In thousands)		
2012	$45,602	$19,466	$11,871	$53,197
2011	$39,557	$12,347	$ 6,302	$45,602

5. On October 16, 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the Port Authority Insurance Captive Entity, LLC, for the purpose of insuring certain risk exposures of the Port Authority and its related entities. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business, in connection with Workers' Compensation, general liability, builders risk, property and terrorism insurance coverage for the Port Authority and its related entities. With the passage of TRIPRA, PAICE assumed coverage for acts of domestic terrorism with respect to the Port Authority's public liability and property damage and loss of revenue insurance programs in addition to the previously provided coverage for acts of foreign terrorism. In addition, as of December 31, 2012, PAICE has continued to provide the first $1,000,000 in coverage under the Workers' Compensation portion, the first $500,000 in coverage under the general liability aspect of the Port Authority's Contractor's Insurance Program, and $1 billion of Builders Risk and Terrorism coverage for the WTC Transportation Hub Owner Controlled Insurance Program, which is 100% reinsured through the commercial insurance marketplace and TRIPRA.

Any changes in the lines of insurance being provided by PAICE or its capitalization are subject to prior approval by the Port Authority Board of Commissioners' Committee on Finance. PAICE also provides periodic reports with respect to its general operations to the Port Authority's Board of Commissioners.

The financial results for PAICE for the year ended December 31, 2012 are set forth below. Amounts associated with PAICE recorded on the Port Authority's consolidated financial statements have been adjusted to reflect intercompany transfers between the Port Authority and PAICE (see Schedule E).

	(In thousands)
Financial Position	
Total Assets	$232,597
Total Liabilities	103,719
Net Position	$128,878
Operating Results	
Revenues	$ 25,180
Expenses	10,535
Net Income	$ 14,645
Changes in Net Position	
Net Position at January 1, 2012	$121,383
Member's Distribution	7,150
Net Income	14,645
Net Position at December 31, 2012	$128,878

6. "Other amounts receivable, net" recognized on the Consolidated Statement of Net Position totaled $141 million at December 31, 2012, and is comprised of the following:

	Dec. 31, 2011	Additions	Deductions	Dec. 31, 2012
	(In thousands)			
Long-term receivables from tenants	$ 24,423	$ 16,123	$ 21,560	$ 18,986
Installment due from the Essex County Resource Recovery Facility operator	1,738	155	311	1,582
Insurance receivable – Hurricane Sandy	–	106,331	–	106,331
Advances for construction projects	72,166	47,239	113,493	5,912
Interest due from Tower 4 net lessee	8,343	65,293	65,293	8,343
Other	319	–	–	319
Total other amounts receivable, net	$106,989	$235,141	$200,657	$141,473

7. The 2012 balance of "Other noncurrent liabilities" consists of the following:

	Dec. 31, 2011	Additions	Deductions	Dec. 31, 2012
	(In thousands)			
Workers' Compensation liability	$ 45,388	$25,346	$ 22,660	$ 48,074
Claims liability	45,602	19,466	11,871	53,197
Pollution remediation	31,832	2,895	6,780	27,947
Asset forfeiture	10,648	1,965	2,574	10,039
Contractors Insurance Program-WTC	122,701	3,822	67,277	59,246
Surety and security deposits	8,121	2,341	3,634	6,828
Other	62,660	14,815	82	77,393
Gross other liabilities	$326,952	$70,650	$114,878	282,724
Less current portion:				
Workers' Compensation liability				14,895
Total other noncurrent liabilities				$267,829

8. During 2012, approximately $35 million in capital expenditures primarily associated with preliminary and alternative design analysis for the construction of a new ramp connecting the southbound Palisades Interstate Parkway to the eastbound lower level of the George Washington Bridge, PATH Newport station improvements, Christopher and 9th Street station entrances, and alternative designs associated with the ongoing PATH signal system replacement project that were previously included as a component of "Facilities, net" and no longer considered viable were written off to operating expense accounts in 2012.

9. During 2012, the Port Authority provided voluntary termination benefits, consisting of severance payments to 2 employees. Port Authority costs totaled $190,684 in 2012 for these severance programs.

10. In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, an operating expense provision and corresponding liability measured at its current value using the expected cash flow method have been recognized for certain pollution remediation obligations that previously may not have been required to be recognized, have been recognized earlier than in the past or are no longer able to be capitalized as a component of a capital project. The Port Authority recognized an additional $3 million in pollution remediation obligations, thus increasing the cumulative amounts recognized to date from $57 million in 2011 to $60 million in 2012, net of $2.1 million in expected recoveries. A corresponding liability, measured at its current value utilizing the prescribed expected cash flow method, has been recognized on the Consolidated Statements of Net Position.

As of December 31, 2012, the outstanding pollution remediation liability totaled $27.9 million, primarily consisting of future remediation activities associated with asbestos removal, lead abatement, ground water contamination, soil contamination, and arsenic contamination at Port Authority facilities.

11. On October 29-30, 2012, Hurricane Sandy, a category 1 hurricane, came onshore in the mid-Atlantic region, as a post-tropical cyclone, causing intense wind gusts and storm surges in the New York and New Jersey region. Port Authority operations were significantly disrupted and certain Port Authority facilities sustained significant damage due in large part to wind and water damage and power outages because of Hurricane Sandy. By Thursday, November 1, 2012, service at the Port Authority's aviation and TB&T facilities had been largely restored, and the Port Authority continued to work with other appropriate federal, state and local agencies to restore service to the PATH rail transit system and the Port Authority's marine terminal facilities, and to resume its full construction activities at the WTC site. In addition, with its financial and business systems remaining operational during this period, the Port Authority met all of its immediate payment requirements and other financial obligations. It is presently anticipated that available insurance coverage and federal disaster relief funds will substantially cover the economic loss sustained by the Port Authority as a result of the effects of Hurricane Sandy. In view of anticipated revenues from Port Authority operations, income from sources other than operations, and the availability of substantial reserve funds, it is presently expected that the costs of operations, 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.

Net expenses/(recoverables) associated with Hurricane Sandy totaled $30 million in 2012, which represents the Port Authority's self-insurance retention amounts associated with this event. In 2012, the Port Authority incurred approximately $120.6 million in repair and response costs, including direct labor and third-party contractor costs at Port Authority facilities that are directly attributable to Hurricane Sandy. In addition, approximately $15.7 million of unamortized investment (book value) associated with capital assets that were permanently destroyed as a result of Hurricane Sandy were written off in 2012. It is presently anticipated that available insurance coverage will cover the economic losses of $106.3 million that have been recognized to date. As such, a receivable for this amount was recognized in 2012. Net expenses/(recoverables) associated with Hurricane Sandy is comprised of the following:

	(In thousands)
Total Repair and Response Expenditures	$ 120,607
Losses on Destroyed Assets	15,724
Insurance Receivable	(106,331)
Net Expenses	$ 30,000

Note K – Information with Respect to the Redevelopment of the World Trade Center Site

The terms of the original July 2001 net leases established both an obligation and concomitant right for the net lessees, at their sole cost and expense, to restore their net leased premises following a casualty whether or not the damage is covered by insurance proceeds in accordance, to the extent feasible, prudent and commercially reasonable, with the plans and specifications as they existed before the casualty or as otherwise agreed to with the Port Authority. The net lessees obtained property damage and business interruption insurance in a combined single limit of approximately $3.5 billion per occurrence. The net lessees recovered approximately $4.57 billion against available policy limits of approximately $4.68 billion. Approximately $2.3 billion of these funds has been used for the net lessees' business interruption expenses, including the payment of rent to the Port Authority, the prepayment of the mortgage loan entered into on July 24, 2001 by the Silverstein net lessees with GMAC Commercial Mortgage Corporation in the amount of approximately $562 million, and the purchase by the Port Authority on December 23, 2003 of the retail net lessee from Westfield for $140 million as well as certain of their WTC redevelopment expenses.

Conceptual Framework for the Redevelopment of the Office, Retail and Other Components of the World Trade Center

The redevelopment of the WTC will provide approximately 10 million square feet of above-grade office space with associated storage, mechanical, loading, below-grade parking, and other non-office space, and consist of One World Trade Center, Tower 2, Tower 3, Tower 4, Tower 5, approximately 450,000 square feet of retail space, a WTC Transportation Hub, a memorial and interpretive museum (Memorial/Museum) and cultural facilities and certain related infrastructure.

Future minimum rentals (see Note G) include rentals of approximately $14 billion attributable to WTC net leases. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the WTC Towers 2, 3 and 4, and WTC Retail will continue to meet their contractual commitments pertaining to their net leased properties, including those with respect to the payment of rent and the restoration of their net leased properties. The net lessees' ability to meet these contractual commitments may be affected by the nature of the downtown Manhattan real estate market, and coordination among various public and private sector entities involved in the redevelopment of downtown Manhattan.

One World Trade Center

In November 2006, as part of the continuing redevelopment of the WTC, the Port Authority acquired from Silverstein Properties 100% of the membership interests in 1 WTC LLC, the then-net lessee of One World Trade Center and Tower 5, which will comprise, in the aggregate, approximately 4.2 million square feet of office space. On June 13, 2011, the Port Authority and Durst entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, leasing, management and operation of the One World Trade Center building. Durst contributed $100 million for a minority equity interest in Tower 1 Joint Venture LLC. One World Trade Center will contain 3.0 million square feet of space, comprised of commercial office space and an indoor observation deck. It is presently expected that One World Trade Center will be substantially completed by late 2013, at a cost of approximately $3.1 billion.

World Trade Center Tower 2, Tower 3 and Tower 4

A December 2010 World Trade Center Amended and Restated Master Development Agreement (MDA), among the Port Authority, PATH, 1 WTC LLC, WTC Retail LLC, and the Silverstein net lessees, sets forth the respective rights and obligations of the parties thereto with respect to construction on the WTC site, including the allocation of construction responsibilities and costs between the parties to the MDA.

The Silverstein net lessees are required to construct Tower 4, the Tower 3 podium and certain subgrade and foundation work required for Tower 2, to be located on the eastern portion of the WTC site, along the Church Street corridor, comprising, in the aggregate, approximately 6.2 million square feet of office space, as well as contribute an aggregate of $140,000,000 toward specified common infrastructure costs. The MDA also provides for the implementation of a construction coordination and cooperation plan among the respective parties' construction teams in order to provide for cooperation and coordination to achieve reasonable certainty of timely project completion.

World Trade Center Tower 4

For the continued development and construction of Tower 4, with approximately 600,000 of its 2 million square feet of office space preleased to the Port Authority, and approximately 580,000 square feet preleased to the City of New York, the Port Authority, as a co-borrower/obligor with respect to the Liberty Bonds issued on November 15, 2011 under a Tower 4 Tenant Repayment Agreement, has provided tenant support payments for the benefit of the Silverstein net lessee of Tower 4. The Port Authority's obligations with respect to the payment of debt service on the Tower 4 Liberty Bonds are evidenced by a separate Tower 4 Bond Payment Agreement between the Port Authority and the bond trustee. Tenant Support payments would be reimbursed to the Port Authority from Tower 4 cash flow and to the extent Tower 4 cash flow is not sufficient, would accrue interest until repaid with an overall term of the investment not in excess of 40 years. As security for the repayment to the Port Authority under the Tower 4 Tenant Support Agreement, the Silverstein net lessee of Tower 4, the Port Authority and a third party banking institution have entered into an account control agreement pursuant to which the revenues derived from the operation of Tower 4 (excluding the rents payable under the space lease with the City of New York which have been assigned by the Silverstein net lessee of Tower 4 directly to the bond trustee for the Tower 4 Liberty Bonds) will be deposited into a segregated lockbox account, in which the Port Authority has a security interest, and will be administered and disbursed by such banking institution in accordance with the Tower 4 Tenant Repayment Agreement. To provide additional security for the repayment to the Port Authority, the Silverstein net lessee of Tower 4 will assign to the Port Authority various contracts with architects, engineers and other persons in connection with the development and construction of Tower 4, together with all licenses, permits, approvals, easements and other rights of the Silverstein net lessee of Tower 4; will grant a first priority leasehold mortgage on the net lease for Tower 4 to the Port Authority; and will assign all Tower 4 space leases and rents (other than the space lease with the City of New York) to the Port Authority.

World Trade Center Tower 3

The Silverstein net lessee of Tower 3 would construct the Tower 3 podium, with the construction of the office tower to follow. To assist the Silverstein net lessee of Tower 3 in the construction of the Tower 3 office tower following satisfaction of certain private-marketing triggers, the Port Authority has entered into a Tower 3 Tenant Support Agreement providing for the investment of Port Authority operating funds of $210 million for the construction of the tower and a backstop of $390 million for certain construction and leasing overruns, senior debt service shortfalls and operating expense deficits. These private-market triggers include the Silverstein Tower 3 net lessee raising $300 million of private equity, preleasing 400,000 square feet of the office tower, and obtaining private financing for the remaining cost of the office tower. The State of New York and the City of New York have agreed to reimburse the Port Authority for $200 million each of the $600 million to be provided under the Tower 3 Tenant Support Agreement for a total reimbursement of $400 million. Under the Tower 3 Tenant Support Agreement, the Silverstein net lessee of Tower 3 is responsible for the repayment of the $390 million backstop on a subordinated basis, without interest, from Tower 3 revenues. All repayments of the Tower 3 backstop received by the Port Authority would in turn be distributed among the Port Authority, the State of New York and the City of New York in accordance with their respective shares of the $390 million backstop payments.

The World Trade Center Transportation Hub

Immediately following the terrorist attacks of September 11, 2001, the Governors of the States of New York and New Jersey and the Board of Commissioners of the Port Authority made rapid restoration of PATH service a priority on the Port Authority's agenda. PATH service recommenced at the Exchange Place station (which was rendered unusable as a result of the events of September 11, 2001) on June 29, 2003, and PATH service to the WTC site recommenced on November 23, 2003 at the temporary PATH station at the WTC site.

On July 28, 2005, the Board of Commissioners of the Port Authority authorized the WTC Transportation Hub project. Construction of the WTC Transportation Hub commenced on September 6, 2005 and is presently expected to be substantially completed in 2015, at an estimated total project cost range of approximately $3.74 billion to $3.995 billion consistent with the range of cost estimates identified both in a project risk assessment performed by the FTA and an independent assessment conducted by Navigant Consulting, Inc. as part of its comprehensive review and assessment of the Port Authority.

World Trade Center Infrastructure Projects

In addition to the WTC Transportation Hub, the Port Authority continues to advance planning and design for various infrastructure projects toward full build out of the WTC site. A vehicular security center for cars, tour buses, and delivery vehicles to access subgrade loading facilities is presently expected to be operational in time to support the commercial development throughout the WTC site at a cost of approximately $670 million. Other infrastructure work to be implemented includes streets and utilities, a central chiller plant, and electrical infrastructure that will support the operations of the WTC site.

WTC Retail

In December 2003, as part of the redevelopment of the WTC, the Port Authority acquired 100% of the membership interest in the net lessee of the retail components of the WTC from Westfield for $140 million, and is the sole managing member of this bankruptcy remote single purpose entity, which was renamed "WTC Retail LLC." In such capacity, the Port Authority has been involved in the planning for the restoration of the retail components of the WTC.

The retail project at the WTC site includes certain retail space to be located in the WTC Transportation Hub, One World Trade Center, Tower 2, Tower 3, and Tower 4 (collectively the "Retail Premises"). On May 16, 2012, the Port Authority and Westfield entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, development, leasing, management and operation of the Retail Premises through its current net lessee New WTC Retail Owner LLC, a bankruptcy remote single purpose entity. New WTC Retail Owner LLC is indirectly owned by affiliated entities of the Port Authority and Westfield. Each party will be a 50% participant in the joint venture and contribute $612.5 million to the joint venture during the course of construction and initial lease-up of the Retail Premises. As part of this overall obligation, in 2012, the Port Authority and Westfield contributed $100 million of initial capital contributions which was subsequently redistributed to New WTC Retail Owner LLC for the further construction of the Retail Premises.

The Memorial

On July 6, 2006, the Board of Commissioners authorized the Port Authority to enter into an agreement with the Lower Manhattan Development Corporation (LMDC), the National September 11 Memorial and Memorial Museum at the WTC (Memorial Foundation), the City of New York and the State of New York for the construction by the Port Authority of the WTC memorial and cultural project. The agreement establishes the general areas of responsibility of the parties for the design, development, construction, financing and operation of the project, which will include the Memorial/Museum, the Visitor Orientation and Education Center (VOEC), and the related common and exclusive infrastructure (Infrastructure).

In connection with the funding of the costs of the construction of the project, under the July 6, 2006 agreement, the Memorial Foundation and the LMDC were responsible for providing $280 million and $250 million, respectively, for the Memorial/Museum; the State of New York was responsible for providing $80 million for the VOEC; and the Port Authority was responsible for providing up to $150 million for the Infrastructure.

On October 19, 2012, the Port Authority and the Memorial Foundation entered into an agreement resolving certain issues pertaining to the continuing construction of the museum portion of the Memorial/Museum. The LMDC will pay the next $45 million of any additional construction funding and the Port Authority's total responsibility for any additional construction funding will be reduced to $38 million after the expenditure of the LMDC's $45 million commitment. The Memorial/Museum and the Port Authority will each contribute additional amounts to ensure completion of the Memorial/Museum based on a revised construction budget, which is now estimated by the Memorial/Museum at approximately $718 million, excluding the $150 million of Infrastructure costs.

The Port Authority does not have any responsibility for the operation and maintenance of the Memorial, the Memorial/Museum or the VOEC. The Memorial Plaza was substantially completed and opened for public access on September 11, 2011.

Accounting

In connection with the events of September 11, 2001, the Port Authority reclassified and recognized as an operating expense the $1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprised the components of the WTC complex destroyed as a result of the September 11, 2001 terrorist attacks. A receivable in an amount equal to such net book value was recorded in 2001. In connection with the recovery for and redevelopment of certain assets comprising the WTC, the receivable has been fully satisfied on the Port Authority's consolidated financial statements as of December 31, 2011. Contributed capital amounts provided by the Silverstein net lessees totaling $1.4 billion for the construction of WTC Towers 2, 3 and 4 have been recognized as a component of "Facilities, net". Of these amounts, $800 million was applied against the 2001 receivable and $600 million was recorded as contributions in aid of construction.

Required Supplementary Information (Unaudited)

Schedule of Funding Progress (Unaudited)

PATH Exempt Employees Supplemental Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (c) = (b–a)	Funded Ratio (a)/(b)	Covered Payroll (d)	Unfunded Actuarial Accrued Liability as a % of Payroll (c)/(d)
			($ In thousands)			
1/1/12	$ 0	$53,903	$53,903	0%	$ 9,391	574%
1/1/11	$ 0	$53,977	$53,977	0%	$ 9,185	588%
1/1/10	$ 0	$53,382	$53,382	0%	$10,456	511%

Schedule of Funding Progress (Unaudited)

Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of OPEB Trust Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (c) = (b–a)	Funded Ratio (a)/(b)	Covered Payroll (d)	Unfunded Actuarial Accrued Liability as a % of Payroll (c)/(d)
			($ In millions)			
1/1/12	$377	$ 1,963	$ 1,586	19%	$ 714	222%
1/1/11	$274	$ 1,978	$ 1,704	14%	$ 712	239%
1/1/10	$180	$ 2,120	$ 1,940	9%	$ 722	269%

Schedule A – Revenues and Reserves

(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2012			2011
	Operating Fund	**Reserve Funds**	**Combined Total**	Combined Total
		(In thousands)		
Gross operating revenues:				
Tolls and fares	$ 1,337,372	$ –	**$1,337,372**	$1,148,061
Rentals	1,208,730	–	**1,208,730**	1,150,569
Aviation fees	904,666	–	**904,666**	895,356
Parking and other	338,178	–	**338,178**	339,131
Utilities	152,945	–	**152,945**	154,810
Rentals – Special Project Bonds Projects	108,125	–	**108,125**	112,553
Total gross operating revenues	4,050,016	–	**4,050,016**	3,800,480
Operating expenses:				
Employee compensation, including benefits	1,038,243	–	**1,038,243**	1,037,681
Contract services	749,106	–	**749,106**	726,883
Rents and amounts in-lieu-of taxes	304,020	–	**304,020**	280,237
Materials, equipment and other	215,937	–	**215,937**	219,183
Utilities	174,016	–	**174,016**	188,432
Interest on Special Project Bonds	108,125	–	**108,125**	112,553
Total operating expenses	2,589,447	–	**2,589,447**	2,564,969
Amounts in connection with operating asset obligations	27,956	–	**27,956**	29,580
Net expenses/(recoverables) related to Hurricane Sandy	30,000	–	**30,000**	–
Net operating revenues	1,402,613	–	**1,402,613**	1,205,931
Financial income:				
Interest income	1,488	25,482	**26,970**	48,026
Net increase/(decrease) in fair value of investments	(3,048)	5,199	**2,151**	(101,296)
Contributions in aid of construction	570,261	–	**570,261**	487,296
Application of Passenger Facility Charges	110,015	–	**110,015**	215,645
Application of 1WTC LLC/WTC Retail LLC insurance proceeds	17,962	–	**17,962**	57,340
Application of 4 WTC associated payments	65,293	–	**65,293**	8,343
Restricted Net Revenues – PAICE	2,710	–	**2,710**	644
Grants	52,161	–	**52,161**	23,727
Pass–through grant program payments	(56,446)	–	**(56,446)**	(11,507)
Net revenues available for debt service and reserves	2,163,009	30,681	**2,193,690**	1,934,149
Debt service:				
Interest on bonds and other asset financing obligations	539,436	87,764	**627,200**	518,325
Debt maturities and retirements	169,770	–	**169,770**	140,390
Debt retirement acceleration	–	54,635	**54,635**	6,100
Repayment of asset financing obligations	–	16,514	**16,514**	20,258
Total debt service	709,206	158,913	**868,119**	685,073
Transfers to reserves	$(1,453,803)	1,453,803	**–**	–
Revenues after debt service and transfers to reserves		1,325,571	**1,325,571**	1,249,076
Direct investment in facilities		(691,079)	**(691,079)**	(742,001)
Change in appropriations for self-insurance		37,547	**37,547**	1,949
Increase in reserves		672,039	**672,039**	509,024
Reserve balances, January 1		2,705,036	**2,705,036**	2,196,012
Reserve balances, December 31		$3,377,075	**$3,377,075**	$2,705,036

See Notes to Consolidated Financial Statements

Schedule B – Assets and Liabilities

(Pursuant to Port Authority bond resolutions)

	December 31, 2012				2011
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	Combined Total
			(In thousands)		
ASSETS					
Current assets:					
Cash	$ 259,928	$ 1,772,956	$1,660,016	**$ 3,692,900**	$ 3,297,365
Restricted cash:					
1 WTC LLC/WTC Retail LLC insurance proceeds	–	–	–	–	14,434
Passenger Facility Charges	120,795	–	–	**120,795**	–
Port Authority Insurance Captive Entity, LLC	11,130	–	–	**11,130**	11,038
Investments	777	100,000	–	**100,777**	26,290
Current receivables, net	369,846	77,716	–	**447,562**	362,875
Other current assets	82,259	205,708	–	**287,967**	285,938
Restricted receivables and other assets	41,250	(5,773)	–	**35,477**	46,428
Total current assets	885,985	2,150,607	1,660,016	**4,696,608**	4,044,368
Noncurrent assets:					
Restricted cash	6,472	–	–	**6,472**	7,765
Investments	118,661	–	1,717,059	**1,835,720**	1,356,269
Restricted Investments – PAICE	162,630	–	–	**162,630**	156,356
Other amounts receivable, net	120,560	20,913	–	**141,473**	106,989
Deferred charges and other noncurrent assets	1,382,736	51,688	–	**1,434,424**	1,514,071
Restricted deferred/other noncurrent assets – PAICE	10,147	–	–	**10,147**	13,409
Amounts receivable – Special Project Bonds Projects	–	1,675,825	–	**1,675,825**	1,741,440
Amounts receivable – Tower 4 Liberty Bonds	–	1,225,520	–	**1,225,520**	1,225,520
Invested in facilities	–	40,818,087	–	**40,818,087**	37,591,818
Total noncurrent assets	1,801,206	43,792,033	1,717,059	**47,310,298**	43,713,637
Total assets	2,687,191	45,942,640	3,377,075	**52,006,906**	47,758,005
LIABILITIES					
Current liabilities:					
Accounts payable	305,006	581,856	–	**886,862**	818,149
Accrued interest and other current liabilities	507,629	60,679	–	**568,308**	759,127
Restricted other liabilities – PAICE	852	–	–	**852**	816
Accrued payroll and other employee benefits	283,180	–	–	**283,180**	231,657
Deferred income:					
1 WTC LLC/WTC Retail LLC insurance proceeds	–	–	–	**–**	14,434
Passenger Facility Charges	132,228	–	–	**132,228**	19,590
Restricted Net Revenues – PAICE	(764)	–	–	**(764)**	1,946
Current portion bonds and other asset financing obligations	110,837	938,116	–	**1,048,953**	825,919
Total current liabilities	1,338,968	1,580,651	–	**2,919,619**	2,671,638
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	369,951	–	–	**369,951**	476,879
Other noncurrent liabilities	162,121	105,708	–	**267,829**	311,396
Restricted other noncurrent liabilities – PAICE	46,938	–	–	**46,938**	46,389
Amounts payable – Special Project Bonds	–	1,675,825	–	**1,675,825**	1,741,440
Amounts payable – Tower 4 Liberty Bonds	–	1,225,520	–	**1,225,520**	1,225,520
Bonds and other asset financing obligations	730,699	17,223,448	–	**17,954,147**	15,731,335
Total noncurrent liabilities	1,309,709	20,230,501	–	**21,540,210**	19,532,959
Total liabilities	2,648,677	21,811,152	–	**24,459,829**	22,204,597
NET POSITION	$ 38,514	$24,131,488	$3,377,075	**$27,547,077**	$25,553,408
Net position is composed of:					
Facility infrastructure investment	$ –	$24,131,488	$ –	**$24,131,488**	$22,772,311
Reserves	–	–	3,377,075	**3,377,075**	2,705,036
Appropriated reserves for self-insurance	38,514	–	–	**38,514**	76,061
NET POSITION	$ 38,514	$24,131,488	$3,377,075	**$27,547,077**	$25,553,408

See Notes to Consolidated Financial Statements

Schedule C – Analysis of Reserve Funds

(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2012			2011
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
		(In thousands)		
Balance, January 1	$1,783,370	$ 921,666	**$2,705,036**	$2,196,012
Increase in reserve funds *	243,235	1,241,249	**1,484,484**	1,313,136
	2,026,605	2,162,915	**4,189,520**	3,509,148
Applications:				
Repayment of asset financing obligations	–	16,514	**16,514**	20,258
Interest on asset financing obligations	–	87,764	**87,764**	37,702
Debt retirement acceleration	–	54,635	**54,635**	6,100
Direct investment in facilities	–	691,079	**691,079**	742,001
Self-insurance	–	(37,547)	**(37,547)**	(1,949)
Total applications	–	812,445	**812,445**	804,112
Balance, December 31	$2,026,605	$1,350,470	**$3,377,075**	$2,705,036

* Consists of "Transfers to reserves" from the operating fund totaling $1.5 billion, plus "financial income" generated on Reserve funds of $30.7 million in 2012.

See Notes to Consolidated Financial Statements

STATISTICAL & OTHER SUPPLEMENTAL INFORMATION

For the Year Ended December 31, 2012

The Statistical and Other Supplemental Information section presents additional information as context for further understanding the information in the financial statements, note disclosures and schedules.

Financial Trends — Schedule D-1

Trend information is provided to help the reader understand how the Port Authority's financial performance and fiscal health has changed over time.

Debt Capacity — Schedule D-2

The Port Authority has several forms of outstanding obligations.

Information on Port Authority revenues, outstanding obligations, debt service, and reserves is included here for statistical purposes (more detailed information about the various kinds of debt instruments used by the Port Authority can be found in Note D, and the reserve funds are described in Note E). Debt limitations, including in some cases limits on total authorized amounts or requirements for the issuance of additional bonds, may be found in the various resolutions establishing and authorizing such obligations.

Operating Information — Schedule D-3 (Unaudited)

Operating and service data is provided to help the reader understand how information in the Port Authority's fi nancial report relates to the services it provides and activities it performs.

Information on Port Authority Operations — Schedule E

Detailed information on Port Authority's operating results including income from operations, non-operating expenses and contributions, and net income is provided on Port Authority operating facility level.

Information on Port Authority Capital Program Components — Schedule F

This schedule provides information on capital investment summarized by Port Authority operating facilities, which includes net capital expenditures and depreciation expenses.

Facility Traffic — Schedule G (Unaudited)

This schedule provides comparative information on Port Authority facility traffic relative to vehicles, passengers, containers, cargo, waterborne vehicles and plane movements.

Schedule D-1 – Selected Statistical Financial Trends Data

	2012	2011	2010	2009
		(In thousands)		
Net position is composed of				
Net investment in capital assets	**$10,010,965**	$10,020,306	$ 9,200,077	$ 8,415,993
Restricted	**392,389**	294,460	222,871	211,725
Unrestricted	**2,457,080**	1,411,125	1,601,675	2,050,064
Net Position	**12,860,434**	11,725,891	11,024,623	10,677,782
Revenues, Expenses and Changes in Net Position:				
Gross operating revenues:				
Tolls and Fares	**$ 1,337,372**	$ 1,148,061	$ 1,069,785	$ 1,068,105
Rentals	**1,208,730**	1,150,569	1,144,709	1,115,652
Aviation Fees	**904,666**	895,356	872,774	839,327
Parking and other fees	**338,178**	339,131	321,257	316,005
Utilities	**152,945**	154,810	154,041	140,817
Rentals associated with Special Project Bonds	**108,125**	112,553	71,457	72,337
Gross operating revenues	**4,050,016**	3,800,480	3,634,023	3,552,243
Operating expenses:				
Employee compensation, including benefits	**1,038,243**	1,037,681	1,022,195	974,154
Contract services	**749,106**	726,883	630,438	683,418
Rents and amounts in-lieu-of taxes	**304,020**	280,237	272,002	276,830
Utilities	**215,937**	188,432	183,826	168,249
Interest on Special Project Bonds	**174,016**	112,553	71,457	72,337
Materials, equipment and other	**108,125**	219,183	418,639	263,682
Operating expenses	**2,589,447**	2,564,969	2,598,557	2,438,670
Net recoverables/(expenses) related to the events of September 11, 2001	**–**	–	53,051	202,978
Net recoverables/(expenses) related to the events of Hurricane Sandy	**(30,000)**	–	–	–
Depreciation of facilities	**(884,239)**	(852,727)	(789,011)	(712,331)
Amortization of costs for regional programs	**(77,719)**	(77,537)	(76,504)	(74,617)
Income from operations	**468,611**	305,247	223,002	529,603
Income on investments (including fair value adjustment)	**39,661**	(46,898)	4,435	146,561
Interest expense on bonds and other asset financing	**(658,313)**	(559,110)	(501,607)	(501,892)
Gain/(loss) on disposition of assets	**(4)**	–	–	27,125
Pass-through grant program payments	**(56,446)**	(11,507)	(2,166)	(1,120)
4 WTC associated payments	**65,293**	8,343	–	–
Grants	**52,161**	23,727	11,708	10,613
Contributions in aid of construction	**997,441**	767,010	358,268	382,978
Passenger Facility Charges	**222,614**	214,456	210,387	201,737
1 WTC LLC/WTC Retail LLC insurance proceeds	**3,525**	–	42,814	50,813
Increase in net position December 31,	**$ 1,134,543**	$ 701,268	$ 346,841	$ 846,418

Management's Discussion and Analysis (Unaudited)
(continued)

2008	2007	2006	2005	2004	2003
$7,526,446	$6,609,691	$5,872,518	$5,725,929	$5,563,683	$5,397,959
409,800	719,306	208,771	17,916	14,651	15,153
1,895,118	1,608,284	1,553,114	1,371,928	1,375,533	1,389,219
$9,831,364	$8,937,281	$7,634,403	$7,115,773	$6,953,867	$6,802,331
$1,054,801	$ 800,244	$ 798,682	$ 787,381	$ 788,333	$ 758,326
1,079,634	986,663	952,431	928,395	877,306	858,414
816,628	781,355	716,700	748,811	714,766	705,302
328,220	387,966	335,019	296,663	269,413	234,261
169,576	149,537	146,822	147,795	121,436	112,555
78,693	85,861	88,884	91,648	93,570	95,193
3,527,552	3,191,626	3,038,538	3,000,693	2,864,824	2,764,051
941,289	922,671	840,640	870,784	806,890	769,711
670,489	587,730	590,197	564,332	545,404	543,927
274,916	271,073	254,178	243,411	252,658	237,014
183,583	167,912	150,729	149,604	141,476	122,445
78,693	85,861	88,884	91,648	93,570	95,193
314,722	212,147	187,996	168,139	141,367	150,961
2,463,692	2,247,394	2,112,624	2,087,918	1,981,365	1,919,251
457,918	(4,563)	(2,069)	(3,358)	(4,985)	664,211
–	–	–	–	–	–
(644,620)	(632,553)	(674,940)	(643,732)	(575,539)	(488,986)
(70,840)	(59,316)	(49,319)	(42,996)	(38,677)	(32,112)
806,318	247,800	199,586	222,689	264,258	987,913
(4,976)	229,812	137,968	105,579	59,047	66,148
(488,463)	(493,689)	(454,134)	(422,334)	(391,870)	(344,755)
7	17,011	(3,741)	(55)	–	787
(3,130)	(4,717)	(6,832)	–	–	(28,237)
–	–	–	–	–	–
9,811	11,310	17,469	14,336	13,396	34,501
313,078	313,504	250,904	107,262	81,173	57,568
211,667	221,380	192,509	134,429	125,532	109,111
49,771	760,467	184,901	–	–	–
$ 894,083	$1,302,878	$ 518,630	$ 161,906	$ 151,536	$ 883,036

Schedule D-2 – Selected Statistical Debt Capacity Data

	2012	2011	2010	2009
	(In thousands)			
Gross Operating Revenues	**$ 4,050,016**	$ 3,800,480	$ 3,634,023	$ 3,552,243
Operating expenses	**(2,589,447)**	(2,564,969)	(2,598,557)	(2,438,670)
Net recoverables/(expenses) related to the events of September 11, 2001 (a)	**–**	–	53,051	202,978
Net recoverables/(expenses) related to Hurricane Sandy (a)	**(30,000)**	–	–	–
Amounts in connection with operating asset obligations	**(27,956)**	(29,580)	(46,561)	(55,058)
Net operating revenues	**1,402,613**	1,205,931	1,041,956	1,261,493
Financial income	**29,121**	(53,270)	(900)	141,136
Grants and contributions in aid of construction, net	**565,976**	499,516	367,810	392,471
Application of Passenger Facility Charges	**110,015**	215,645	207,122	205,164
Application of 4 WTC associated payments	**65,293**	8,343	–	–
Application of 1WTC LLC/WTC LLC Retail insurance proceeds	**17,962**	57,340	61,468	266,676
Restricted Net Revenues – PAICE	**2,710**	644	(102)	3,177
Net Revenues available for debt service and reserves (b)	**2,193,690**	1,934,149	1,677,354	2,270,117
DEBT SERVICE – OPERATIONS				
Interest on bonds and other asset financing obligations (c)	**(539,436)**	(480,623)	(436,622)	(427,384)
Times, interest earned* (b/c)	**4.07**	4.02	3.84	5.31
Debt maturities and retirements (d)	**(169,770)**	(140,390)	(178,095)	(147,370)
Times, debt service earned* [b/(c+d)]	**3.09**	3.11	2.73	3.95
APPLICATION OF RESERVES				
Direct investment in facilities	**(691,079)**	(742,001)	(1,375,008)	(1,522,096)
Debt retirement acceleration	**(54,635)**	(6,100)	–	–
Change in appropriations for self-insurance	**37,547**	1,949	(3,971)	6,463
Interest on bonds and other asset financing obligations	**(87,764)**	(37,702)	(7,580)	(8,938)
Repayment of asset financing obligations	**(16,514)**	(20,258)	(30,062)	(13,525)
Net increase/(decrease) in reserves	**672,039**	509,024	(353,984)	157,267
RESERVE BALANCES				
January 1	**2,705,036**	2,196,012	2,549,996	2,392,729
December 31	**$ 3,377,075**	$ 2,705,036	$ 2,196,012	$ 2,549,996
Reserve funds balances represented by:				
General Reserve	**2,026,605**	1,783,370	1,584,955	1,412,221
Consolidated Bond Reserve	**1,350,470**	921,666	611,057	1,137,775
Total	**$ 3,377,075**	$ 2,705,036	$ 2,196,012	$ 2,549,996
OBLIGATIONS AT DECEMBER 31				
Consolidated Bonds and Notes	**$18,076,497**	$15,550,039	$13,340,378	$12,284,449
Fund for regional development buy-out obligation	**336,453**	359,859	373,707	386,480
MOTBY obligation	**78,060**	105,141	138,396	–
Amounts payable – Special Project Bonds	**1,675,825**	1,741,440	1,803,145	1,064,380
Variable rate master notes	**77,900**	77,900	77,900	90,990
Commercial paper notes	**384,625**	396,155	354,280	321,010
Versatile structure obligations	**–**	–	175,200	250,900
Port Authority equipment notes	**49,565**	68,160	98,645	110,485
Tower 4 Liberty Bonds	**1,225,520**	1,225,520	–	–
Total obligations	**$21,904,445**	$19,524,214	$16,361,651	$14,508,694
DEBT RETIRED THROUGH INCOME:				
Annual	**240,919**	166,748	208,157	160,895
Cumulative	**$ 7,734,225**	$ 7,493,306	$ 7,326,558	$ 7,118,401

* Debt service ratios excluding net recoverables/(expenses) related to the events of September 11, 2001 and Hurricane Sandy are as follows:

	2012	2011	2010	2009
Times, interest earned [(b-a)/c]	**4.12**	4.02	3.72	4.84
Times, debt service earned [(b-a)/(c+d)]	**3.14**	3.11	2.64	3.60

Note: This selected financial data is prepared primarily from information contained in Schedules A, B and C and is presented for general information only and is not intended to reflect the specific applications of the revenues and reserves of the Port Authority, which are governed by statutes and its bond resolutions.

2008	2007	2006	2005	2004	2003
$ 3,527,552	$ 3,191,626	$ 3,038,538	$ 3,000,693	$ 2,864,824	$ 2,764,051
(2,463,692)	(2,247,394)	(2,112,624)	(2,087,918)	(1,981,365)	(1,919,251)
457,918	(4,563)	(2,069)	(3,358)	(4,985)	664,211
–	–	–	–	–	–
(41,301)	(40,787)	(42,391)	(48,008)	(34,609)	(35,113)
1,480,477	898,882	881,454	861,409	843,865	1,473,898
(19,537)	208,274	134,806	103,572	57,403	61,765
319,759	320,097	261,541	121,598	94,569	63,832
215,407	220,583	186,555	113,649	–	–
–	–	–	–	–	–
411,278	305,532	–	–	–	–
(4,311)	(1,354)	–	–	–	–
2,403,073	1,952,014	1,464,356	1,200,228	995,837	1,599,495
(409,175)	(417,209)	(379,361)	(355,068)	(345,129)	(291,514)
5.87	4.68	3.86	3.38	2.89	5.49
(152,275)	(177,160)	(254,210)	(205,220)	(211,870)	(698,280)
4.28	3.28	2.31	2.14	1.79	1.62
(1,514,369)	(808,694)	(490,750)	(626,813)	(285,441)	(542,260)
–	–	–	–	(110,075)	(183,120)
2,123	(3,220)	(4,968)	(5,325)	249	(15,201)
(28,797)	(36,077)	(26,587)	(17,645)	(8,684)	(6,860)
(80,775)	(110,424)	(109,934)	(12,205)	(10,737)	(6,329)
219,805	399,230	198,546	(22,048)	24,150	(144,069)
2,172,924	1,773,694	1,575,148	1,597,196	1,573,046	1,717,115
$ 2,392,729	$ 2,172,924	$ 1,773,694	$ 1,575,148	$ 1,597,196	$ 1,573,046
1,270,215	1,238,915	1,198,499	1,068,790	1,068,790	948,902
1,122,514	934,009	575,195	506,358	528,406	624,144
$ 2,392,729	$ 2,172,924	$ 1,773,694	$ 1,575,148	$ 1,597,196	$ 1,573,046
$10,794,831	$ 9,495,419	$ 9,659,104	$ 8,328,644	$ 8,273,573	$ 7,053,296
398,262	409,128	419,155	420,660	422,050	423,330
–	–	–	–	–	–
1,118,105	1,264,735	1,311,100	1,354,425	1,393,920	1,420,240
90,990	90,990	130,990	130,990	130,990	149,990
186,040	238,950	270,740	282,095	280,315	249,200
399,700	1,205,600	519,600	532,100	544,000	554,500
112,485	93,460	93,460	47,105	65,105	61,800
–	–	–	–	–	–
$13,100,413	$12,798,282	$12,404,149	$11,096,019	$11,109,953	$ 9,912,356
233,050	287,584	364,144	217,425	332,682	887,729
$ 6,957,506	$ 6,724,456	$ 6,436,872	$ 6,072,728	$ 5,855,303	$ 5,522,621
4.75	4.69	3.87	3.39	2.90	3.21
3.46	3.29	2.31	2.15	1.80	0.94

Schedule D-3 – Selected Statistical Operating Data (Unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Authorized Port Authority staffing levels:										
Tunnels, Bridges and Terminals	**881**	881	911	911	940	910	938	1,010	1,039	1,023
PATH	**1,070**	1,070	1,081	1,081	1,088	1,075	1,080	1,089	1,092	1,093
Port Commerce facilities	**170**	170	172	172	179	168	175	183	187	191
Air Terminal facilities	**926**	926	958	958	978	918	953	989	999	999
Development (a)	**50**	52	82	82	86	77	–	–	–	–
Other operational and support activities (b)	**1,968**	1,957	2,030	2,030	2,082	2,208	2,259	2,382	2,403	2,409
Subtotal	**5,065**	5,056	5,234	5,234	5,353	5,356	5,405	5,653	5,720	5,715
Public Safety and Security	**1,712**	1,721	1,743	1,743	1,774	1,772	1,776	1,541	1,547	1,519
Total	**6,777**	6,777	6,977	6,977	7,127	7,128	7,181	7,194	7,267	7,234
Facility Traffic and Other Indicators (c):					(In thousands)					
INTERSTATE TRANSPORTATION NETWORK										
Tunnels and Bridges (Total Eastbound Traffic)										
George Washington Bridge	**49,111**	50,397	51,231	52,126	52,947	53,956	54,265	53,612	54,202	52,971
Lincoln Tunnel	**19,015**	19,829	20,214	20,248	20,937	21,842	21,933	21,794	21,733	21,078
Holland Tunnel	**16,118**	16,590	17,037	16,609	16,871	17,349	17,365	16,982	16,963	16,566
Staten Island Bridges	**32,009**	32,334	32,724	32,517	32,970	33,857	33,457	33,479	33,649	33,205
Total vehicles	**116,253**	119,150	121,206	121,500	123,725	127,004	127,020	125,867	126,547	123,820
Automobiles	**105,895**	108,428	110,482	110,755	112,176	115,349	115,506	114,481	115,219	112,869
Buses	**2,957**	3,111	3,122	3,119	3,158	3,139	3,140	3,137	3,123	3,041
Trucks	**7,401**	7,611	7,602	7,626	8,391	8,516	8,374	8,249	8,205	7,910
Total vehicles	**116,253**	119,150	121,206	121,500	123,725	127,004	127,020	125,867	126,547	123,820
Bus Facility Terminals										
Bus facilities passengers	**77,100**	76,403	75,378	75,769	76,236	71,540	72,731	69,060	69,871	69,428
Bus movements	**3,414**	3,385	3,338	3,386	3,375	3,361	3,394	3,346	3,426	3,447
PATH										
Total Passengers	**72,563**	76,556	73,911	72,277	74,956	71,592	66,966	60,787	57,725	47,920
Passenger weekday average	**242**	256	247	243	253	242	227	206	194	160
Total Interstate Transportation Network										
Net Capital Expenditures	**$976,843**	$895,688	$1,005,891	$935,147	$834,742	$660,620	$491,269	$471,306	$463,652	$751,509
PORT COMMERCE										
Containers in twenty foot equivalent units (TEU) (in thousands)	**5,530**	5,503	5,292	4,562	5,249	5,298	5,015	4,793	4,478	4,068
International waterborne vehicles (in thousands)	**429**	388	493	440	724	790	725	625	670	608
Waterborne bulk commodities (in metric tons) (in millions)	**3**	4	3	5	5	7	6	5	5	3
Total Port Commerce Net Capital Expenditures	**$184,750**	$228,747	$ 302,858	$174,459	$181,772	$288,677	$228,873	$220,545	$258,669	$298,162
THREE MAJOR AIR TERMINALS										
John F. Kennedy International Airport total passengers	**49,293**	47,644	46,514	45,878	47,790	47,717	42,630	40,892	37,517	31,737
LaGuardia Airport total passengers	**25,708**	24,122	23,983	23,163	23,077	24,985	25,810	25,889	24,452	22,483
Newark Liberty International Airport total passengers	**34,014**	33,700	33,194	33,429	35,347	36,367	35,692	33,078	31,908	29,451
Total passengers	**109,015**	105,466	103,691	102,470	106,214	109,069	104,132	99,859	93,877	83,671
Domestic passengers	**71,328**	69,034	68,071	68,956	71,579	75,546	73,163	70,223	66,329	59,655
International passengers	**37,687**	36,432	35,620	33,514	34,635	33,523	30,969	29,636	27,548	24,016
Total passengers	**109,015**	105,466	103,691	102,470	106,214	109,069	104,132	99,859	93,877	83,671
Total Cargo-tons	**2,067**	2,203	2,261	1,925	2,343	2,620	2,697	2,695	2,799	2,723
Revenue Mail-tons	**174**	185	186	205	237	227	194	180	194	188
Total Plane Movements	**1,186**	1,185	1,168	1,181	1,249	1,271	1,222	1,191	1,156	1,020
Total Air Terminals Net Capital Expenditures	**$351,535**	$243,995	$ 518,545	$658,292	$624,700	$685,787	$587,265	$501,476	$410,581	$560,695

(a) Reflects reorganization of Development Department in 2011. The Development Department was established in early 2007.

(b) Includes staff such as engineering, finance, human resources, legal, technical services and other activities that provide support to the different Port Authority lines of business.

(c) Some 2012 and 2011 numbers reflect estimated data based on available year-end volumes and revised data, respectively.

Schedule E – Information on Port Authority Operations

	Year ended December 31, 2012							2011
	Gross Operating Revenues	Operating Expenses (a)	Depreciation & Amortization	Income (Loss) from Operations	Interest Grants & Other Expenses (b)	Capital Contributions & PFCs	Net Income (Loss)	Net Income (Loss)
				(In thousands)				
INTERSTATE TRANSPORTATION NETWORK								
G.W. Bridge & Bus Station	$ 550,086	$ 123,981	$ 39,456	$ 386,649	$ 26,701	$ 37	**$ 359,985**	$ 282,104
Holland Tunnel	157,184	72,054	17,207	67,923	9,033	–	**58,890**	32,148
Lincoln Tunnel	196,885	97,875	34,621	64,389	15,474	–	**48,915**	17,983
Bayonne Bridge	33,333	24,629	5,199	3,505	6,806	–	**(3,301)**	(4,099)
Goethals Bridge	151,170	23,074	17,203	110,893	6,340	–	**104,553**	86,386
Outerbridge Crossing	132,143	23,896	9,027	99,220	2,705	–	**96,515**	75,166
P. A. Bus Terminal	37,324	102,754	24,273	(89,703)	16,975	1,328	**(105,350)**	(112,556)
Subtotal – Tunnels, Bridges & Terminals	1,258,125	468,263	146,986	642,876	84,034	1,365	**560,207**	377,132
PATH	130,604	315,474	138,975	(323,845)	96,148	16,423	**(403,570)**	(395,934)
Permanent WTC PATH Terminal	–	–	28,546	(28,546)	–	445,483	**416,937**	291,122
Journal Square Transportation Center	3,778	14,189	7,322	(17,733)	2,884	–	**(20,617)**	(17,886)
Subtotal – PATH	134,382	329,663	174,843	(370,124)	99,032	461,906	**(7,250)**	(122,698)
Ferry Transportation	254	252	5,320	(5,318)	4,895	–	**(10,213)**	(8,038)
Access to the Regions Core (ARC)	–	782	10,115	(10,897)	4,441	–	**(15,338)**	(17,980)
Total Interstate Transportation Network	1,392,761	798,960	337,264	256,537	192,402	463,271	**527,406**	228,416
AIR TERMINALS								
LaGuardia	334,828	240,387	49,384	45,057	27,125	13,004	**30,936**	29,466
JFK International	1,115,567	707,116	152,222	256,229	95,695	29,857	**190,391**	130,933
Newark Liberty International	780,081	418,635	119,774	241,672	82,662	19,644	**178,654**	174,134
Teterboro	37,100	24,087	14,430	(1,417)	7,545	9,229	**267**	14,195
Stewart International	8,442	14,806	1,006	(7,370)	738	2,663	**(5,445)**	(7,471)
Heliport	–	4	–	(4)	–	–	**(4)**	(158)
PFC Program	–	5,035	95,383	(100,418)	3,300	222,614	**118,896**	105,426
Total Air Terminals	2,276,018	1,410,070	432,199	433,749	217,065	297,011	**513,695**	446,525
PORT COMMERCE								
Port Newark	78,928	84,850	27,211	(33,133)	21,765	3,597	**(51,301)**	(54,916)
Elizabeth Marine Terminal	117,869	23,342	38,948	55,579	37,002	–	**18,577**	(3,595)
Brooklyn	6,450	9,619	546	(3,715)	1,246	2,634	**(2,327)**	(6,061)
Red Hook	15,690	30,966	1,385	(16,661)	–	2,380	**(14,281)**	(9,936)
Howland Hook	13,210	12,695	17,503	(16,988)	15,248	–	**(32,236)**	(28,578)
Greenville Yard	351	3	–	348	–	–	**348**	426
NYNJ Rail LLC	1,784	4,178	398	(2,792)	(1,938)	2,301	**1,447**	(1,248)
Port Jersey – Port Authority Marine Terminal	15,327	24,390	2,269	(11,332)	9,073	–	**(20,405)**	(19,630)
Total Port Commerce	249,609	190,043	88,260	(28,694)	82,396	10,912	**(100,178)**	(123,538)
DEVELOPMENT								
Essex County Resource Recovery	57,110	64,873	1,408	(9,171)	481	–	**(9,652)**	(3,983)
Industrial Park at Elizabeth	1,070	123	286	661	307	–	**354**	156
Bathgate	4,624	1,583	1,455	1,586	319	–	**1,267**	743
Teleport	14,438	12,913	2,176	(651)	651	–	**(1,302)**	(2,204)
Newark Legal & Communications Center	2,171	(114)	3,007	(722)	1,026	–	**(1,748)**	(1,958)
Queens West	268	–	605	(337)	1,588	–	**(1,925)**	4,132
Hoboken South	7,840	242	2,841	4,757	3,012	–	**1,745**	320
Total Development	87,521	79,620	11,778	(3,877)	7,384	–	**(11,261)**	(2,794)
WORLD TRADE CENTER								
WTC Site	14,897	79,306	12,380	(76,789)	(8,868)	25,190	**(42,731)**	(43,052)
One World Trade Center	–	(3,448)	690	2,758	12,772	2,397	**(7,617)**	78,417
WTC Towers 2, 3 & 4	29,210	78	–	29,132	–	324,799	**353,931**	274,739
WTC Retail LLC	–	213	1,668	(1,881)	4,806	100,000	**93,313**	(3,691)
Total World Trade Center	44,107	76,149	14,738	(46,780)	8,710	452,386	**396,896**	306,413
Port Authority Insurance Captive Entity, LLC	–	4,238	–	(4,238)	(1,527)	–	**(2,711)**	(644)
Regional Programs	–	30,367	77,719	(108,086)	51,218	–	**(159,304)**	(153,110)
Recoverables/(expenses) related to Hurricane Sandy	–	–	–	(30,000)	–	–	**(30,000)**	–
Total Port Authority	$4,050,016	$2,589,447	$961,958	$ 468,611	$557,648	$1,223,580	**$1,134,543**	$ 701,268

(a) Amounts include all direct operating expenses and allocated expenses.

(b) Amounts include net interest expense (interest expense less financial income), 4 WTC associated payments, pass-through grant program payments and gain or loss generated by the disposition of assets, if any.

Schedule F – Information on Port Authority Capital Program Components

	Facilities, net Dec. 31, 2011	Net Capital Expenditures*	Depreciation	Facilities, net Dec. 31, 2012
		(In thousands)		
INTERSTATE TRANSPORTATION NETWORK				
G.W. Bridge & Bus Station	$ 815,210	$ 44,725	$ 39,456	$ 820,479
Holland Tunnel	368,348	18,891	17,207	370,032
Lincoln Tunnel	460,049	76,561	34,621	501,989
Bayonne Bridge	192,006	44,699	5,199	231,506
Goethals Bridge	258,843	25,454	17,203	267,094
Outerbridge Crossing	77,943	2,545	9,027	71,461
P. A. Bus Terminal	483,725	20,762	24,273	480,214
Subtotal - Tunnels, Bridges & Terminals	2,656,124	233,637	146,986	2,742,775
PATH	1,973,748	173,747	139,958	2,007,537
Temporary WTC PATH Station	304,248	–	8,634	295,614
WTC Transportation Hub	2,106,993	563,756	28,546	2,642,203
Journal Square Transportation Center	91,974	5,633	7,322	90,285
Subtotal - PATH	4,476,963	743,136	184,460	5,035,639
Ferry Transportation	125,635	70	5,320	120,385
Access to the Region's Core (ARC)	118,733	–	10,115	108,618
Total Interstate Transportation Network	7,377,455	976,843	346,881	8,007,417
AIR TERMINALS				
LaGuardia	800,166	11,487	49,384	762,269
JFK International	2,408,149	77,169	152,222	2,333,096
Newark Liberty International	1,853,635	135,201	119,773	1,869,063
Teterboro	226,817	15,753	14,430	228,140
Stewart International	59,327	10,284	1,006	68,605
PFC Program	2,036,300	101,641	95,383	2,042,558
Total Air Terminals	7,384,394	351,535	432,198	7,303,731
PORT COMMERCE				
Port Newark	674,079	70,065	27,211	716,933
Elizabeth Marine Terminal	1,090,894	52,371	39,352	1,103,913
Brooklyn	38,926	6,935	546	45,315
Red Hook	158	1,590	1,385	363
Howland Hook	513,771	9,339	17,503	505,607
Greenville Yard/NYNJ Rail LLC	13,134	7,868	4,201	16,801
Port Jersey-Port Authority Marine Terminal	174,036	36,582	2,269	208,349
Total Port Commerce	2,504,998	184,750	92,467	2,597,281
DEVELOPMENT				
Essex County Resource Recovery	11,291	–	1,408	9,883
Industrial Park at Elizabeth	7,228	–	286	6,942
Bathgate	8,151	106	1,455	6,802
Teleport	17,033	34	2,176	14,891
Newark Legal & Communications Center	26,412	–	3,007	23,405
Queens West	88,457	–	606	87,851
Hoboken South	79,934	–	2,841	77,093
Total Development	238,506	140	11,779	226,867
WORLD TRADE CENTER				
WTC Site	1,726,225	491,369	12,380	2,205,214
One World Trade Center	1,921,379	586,887	689	2,507,577
WTC Towers 2, 3 & 4	1,059,790	401,293	–	1,461,083
WTC Memorial	286,087	49,501	–	335,588
WTC Retail LLC	635,454	272,959	1,668	906,745
Total World Trade Center	5,628,935	1,802,009	14,737	7,416,207
FACILITIES, NET	$23,134,288	$3,315,277	$898,062	$25,551,503
REGIONAL PROGRAMS	$ 620,183	$ 6,697	$ 77,719	$ 549,161

* Excludes premium and discount on debt issuances.

Schedule G – Port Authority Facility Traffic (Unaudited)*

TUNNELS AND BRIDGES

(Eastbound Traffic)	2012	2011
All Crossings		
Automobiles	**105,895,000**	108,428,000
Buses	**2,957,000**	3,111,000
Trucks	**7,401,000**	7,611,000
Total vehicles	**116,253,000**	119,150,000
George Washington Bridge		
Automobiles	**45,042,000**	46,116,000
Buses	**430,000**	487,000
Trucks	**3,639,000**	3,794,000
Total vehicles	**49,111,000**	50,397,000
Lincoln Tunnel		
Automobiles	**15,909,000**	16,644,000
Buses	**2,106,000**	2,156,000
Trucks	**1,000,000**	1,029,000
Total vehicles	**19,015,000**	19,829,000
Holland Tunnel		
Automobiles	**15,489,000**	15,968,000
Buses	**234,000**	268,000
Trucks	**395,000**	354,000
Total vehicles	**16,118,000**	16,590,000
Staten Island Bridges		
Automobiles	**29,455,000**	29,700,000
Buses	**187,000**	200,000
Trucks	**2,367,000**	2,434,000
Total vehicles	**32,009,000**	32,334,000

PATH

	2012	2011
Total passengers	**72,563,052**	76,555,644
Passenger weekday average	**241,725**	256,186

MARINE TERMINALS

	2012	2011
All Terminals		
Containers	**3,210,809**	3,197,016
General cargo (a) (Metric tons)	**34,380,850**	33,896,217
Containers in twenty foot equivalent units	**5,529,908**	5,503,485
International waterborne vehicles	**428,616**	387,656
Waterborne bulk commodities (in metric tons)	**3,240,189**	3,885,614
New Jersey Marine Terminals		
Containers	**2,782,059**	2,652,744
New York Marine Terminals		
Containers	**428,750**	544,272

AIR TERMINALS

	2012	2011
Totals at the Major Airports		
Plane movements	**1,185,730**	1,184,624
Passengers	**109,014,544**	105,466,030
Cargo-tons	**2,067,120**	2,202,680
Revenue mail-tons	**174,242**	184,696
John F. Kennedy International Airport		
Plane movements	**401,680**	408,730
Passengers	**49,292,733**	47,644,060
Domestic	**24,217,083**	23,757,976
International	**25,075,650**	23,886,084
Cargo-tons	**1,318,834**	1,382,949
LaGuardia Airport		
Plane movements	**369,989**	365,870
Passengers	**25,707,784**	24,122,478
Domestic	**24,274,029**	23,086,756
International	**1,433,755**	1,035,722
Cargo-tons	**7,009**	7,390
Newark Liberty International Airport		
Plane movements	**414,061**	410,024
Passengers	**34,014,027**	33,699,492
Domestic	**22,836,683**	22,189,669
International	**11,177,344**	11,509,823
Cargo-tons	**741,277**	812,341

TERMINALS

	2012	2011
All Bus Facilities		
Passengers	**77,100,350**	76,403,160
Bus movements	**3,413,500**	3,384,900
Port Authority Bus Terminal		
Passengers	**65,000,000**	64,550,000
Bus movements	**2,255,000**	2,263,500
George Washington Bridge Bus Station		
Passengers	**4,700,000**	4,605,000
Bus movements	**327,000**	307,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**7,400,350**	7,248,160
Bus movements	**831,500**	814,400

* Some 2012 and 2011 numbers reflect estimated data based on available year-end volumes and revised data, respectively.

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

Selected Statistical Demographic and Economic Data (Unaudited)

The New York-New Jersey Metropolitan Region, one of the largest and most diversified in the nation, consists of the five New York boroughs of Manhattan, Brooklyn, Queens, Staten Island and the Bronx; the four suburban counties of Nassau, Rockland, Suffolk and Westchester; and the nine northern New Jersey counties of Bergen, Essex, Hudson, Middlesex, Morris, Monmouth, Passaic, Somerset and Union. The following demographic information is provided for this 18 county region that comprises approximately 4,500 square miles.

	Population	**Total Personal Income**	**Per-capita Personal Income**	**Employment**	**Unemployment Rate**
		(In thousands)			
2012 (1)	**18,130**	**$1,057,011,454**	**$58.30**	**8,235.2**	**8.8%**
2011	18,035	$ 1,032,482,009	$57.25	8,118.7	8.6%
2010	17,912	$ 987,407,078	$55.13	8,025.9	9.0%
2009	17,792	$ 938,240,513	$52.74	8,034.9	8.6%
2008	17,667	$ 998,357,515	$56.51	8,312.8	5.3%
2007	17,572	$ 967,244,931	$55.05	8,284.3	4.4%
2006	17,543	$ 900,306,917	$51.32	8,160.3	4.6%
2005	17,581	$ 824,397,278	$46.89	8,067.4	4.9%
2004	17,617	$ 776,770,567	$44.09	8,012.0	5.8%
2003	17,628	$ 728,905,195	$41.35	7,981.4	6.7%

Leading employment by major industries (% of total) (2)

	2012	2003
Education & Health Services	**18.5%**	16.2%
Government	**14.4%**	15.3%
Retail Trade	**15.9%**	15.0%
Financial Activities	**10.0%**	9.9%
Professional & Business Services	**8.8%**	9.4%
Leisure & Hospitality	**8.6%**	7.0%
Manufacturing	**4.2%**	6.3%
Wholesale Trade	**4.8%**	5.3%
Other Services	**4.4%**	4.2%
TWU*	**3.7%**	3.9%
Construction	**3.5%**	3.9%
Information	**3.3%**	3.7%

Source — Moody's Analytics
(1) Data for 2012 is preliminary and subject to revision.
(2) Industry definitions can be found at the U.S. Department of Labor Statistics website at www.bls.gov/bls/naics.htm.

* Transportation, Warehousing and Utilities

PATRICK J. FOYE
Executive Director
Base salary: $289,667
2012 total compensation: $289,667
J.D., Fordham Law School B.A., Fordham College
More than 30 years of private sector, legal and public sector management experience.

BILL BARONI
Deputy Executive Director
Base salary: $289,667
2012 total compensation: $289,667
J.D., University of Virginia
B.A., George Washington University
More than 15 years of legal and legislative experience.

DARRELL B. BUCHBINDER
General Counsel/Senior Financial Advisor
Base salary: $276,926
2012 total compensation: $310,477
J.D., New York University
B.A., New York University
More than 35 years of experience in both private and public practice of law.

MICHAEL G. FABIANO
Chief Financial Officer
Base salary: $265,876
2012 total compensation: $271,421
B.S., St. Peter's College
More than 30 years of experience in financial services.

DAVID B. TWEEDY
Chief, Capital Planning
Base salary: $251,758
2012 total compensation: $261,441
MBA, Columbia University
B.A., Yale University
More than 30 years of experience in the public and private sectors.

STEVEN P. PLATE
Director, WTC Construction/ Deputy Chief of Capital Planning
Base salary: $238,004
2012 total compensation: $259,973
B.S., Manhattan College
More than 30 years of experience in program management in the private and public sectors.

MICHAEL B. FRANCOIS
Chief, Real Estate & Development
Base salary: $236,340
2012 total compensation: $249,975
M.A., St. Louis University
B.A., St. Louis University
More than 30 years of public experience in real estate and economic development.

SUSAN M. BAER
Director, Aviation
Base salary: $230,022
2012 total compensation: $258,332
MBA, New York University
B.A., Barnard College
More than 30 years of public experience in transportation operations.

JOSEPH P. DUNNE
Chief Security Officer
Base Salary: $230,022
2012 total compensation: $16,809
M.A., Columbia University
B.A., St. Francis College
More than 30 years of experience in public security and police management.

JOHN F. RYAN
Public Safety, Chief of Department (Acting)
Base Salary: $227,058
2012 total compensation: $245,393
B.S., City University of New York
More than 35 years of police experience.

PETER J. ZIPF
Chief Engineer
Base salary: $219,050
2012 total compensation: $244,326
M.S., Polytechnic Institute of NY
B.S., Manhattan College
More than 30 years of engineering experience in the public and private sector.

RICHARD M. LARRABEE
Director, Port Commerce
Base salary: $216,320
2012 total compensation: $226,304
M.S., University of Rhode Island
B.S., U.S. Coast Guard Academy
More than 35 years of public experience in maritime operations.

ALAN L. REISS
Deputy Director, WTC Construction
Base salary: $215,280
2012 total compensation: $235,980
B.S., Northeastern University
More than 30 years of engineering, project management, and executive management experience.

MICHAEL A. FEDORKO
Director, Public Safety/ Superintendent of Police
Base salary: $215,098
2012 total compensation: $229,162
B.S., Trenton State College
More than 40 years of public safety and public management experience.

ANNE MARIE C. MULLIGAN
Treasurer
Base salary: $215,020
2012 total compensation: $235,282
B.S., St. Peter's College
More than 30 years of public experience in financial services.

MICHAEL G. MASSIAH
Director, Management & Budget
Base salary: $215,020
2012 total compensation: $227,012
MPA, SUNY Albany
B.A., LeMoyne College
More than 30 years of public experience in human resources and financial services.

ANDREW S. LYNN
Director, Planning & Regional Development
Base salary: $215,020
2012 total compensation: $215,020
J.D., Harvard University
B.A., Harvard University
More than 25 years of public and private experience in planning and development.

PHILLIP H. KWON
First Deputy General Counsel
Base Salary: $215,020
2012 total compensation: $78,565
J.D., Rutgers University
B.A., Georgetown University
More than 15 years of private and public legal experience.

MARK D. HOFFER
Director, New Port Initiatives
Base salary: $210,652
2012 total compensation: $210,652
J.D., Yale University
B.A., Queens College
More than 30 years of public and private legal and management experience.

PHILIPPE B. VISSER
Director, World Trade Center Redevelopment
Base salary: $210,002
2012 total compensation: $210,002
MBA., Columbia Business School
M.S., London School of Economics
B.A., University of Pennsylvania
Over 15 years of experience in real estate development and finance in the private and public sectors.

RICHARD D. GLADSTONE
Senior Advisor to the Director of Planning and Regional Development
Base salary: $210,002
2012 total compensation: $210,002
MBA., The Wharton School, University of Pennsylvania
M.Arch, School of Architecture, Princeton University
B.A., in Architecture, Princeton University
More than 25 years of experience in real estate development, design and construction management.

**As of December 31, 2012*

The entirety of this year's Annual Report has been printed on recycled materials and certified by the Forest Stewardship Council.
The Port Authority of New York and New Jersey is committed to preserving the environment and reducing its environmental impact.
The Port Authority's green initiatives include promotion of clean air, alternative fuel vehicles, mass transit and energy conservation efforts.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