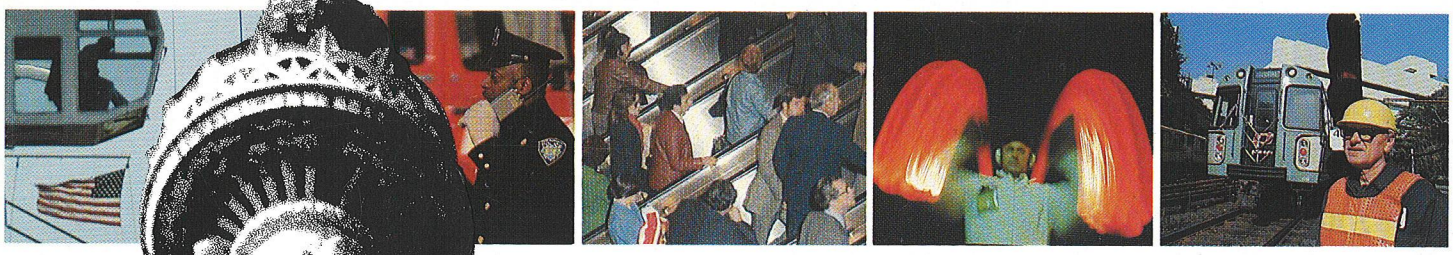
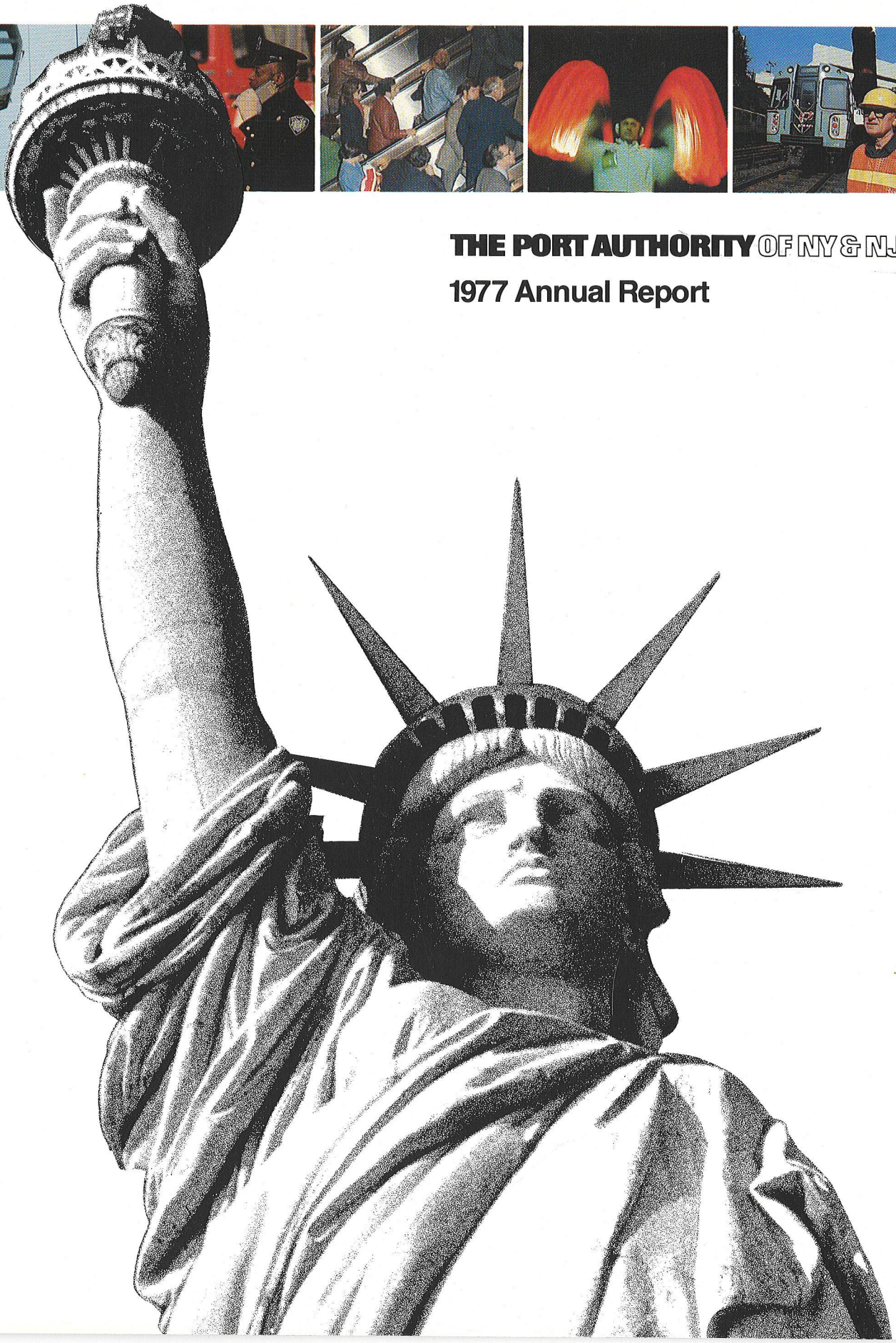


THE PORT AUTHORITY OF NY & NJ

1977 Annual Report



Honorable Brendan T. Byrne,
Governor of the State of New Jersey

Honorable Hugh L. Carey,
Governor of the State of New York

Honorable Brendan T. Byrne, Governor,
State of New Jersey
Honorable Hugh L. Carey, Governor,
State of New York

April 13, 1978

Your Excellencies:

In accordance with the Port Compact of 1921, we are pleased to submit to you and to the Legislatures of the States of New Jersey and New York the 1977 Annual Report of The Port Authority of New York and New Jersey.

Respectfully yours,

Alan Sagner
Chairman

Robert F. Wagner
Vice Chairman

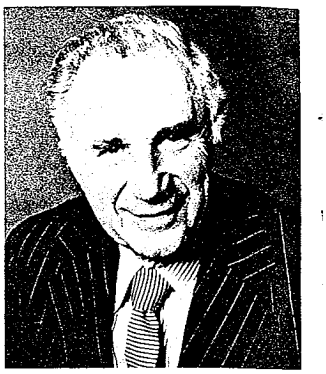
THE PORT AUTHORITY OF NY & NJ

Board of Commissioners

Alan Sagner, Chairman
Robert F. Wagner, Vice Chairman
Joseph F. Cullman 3rd
Milton A. Gilbert
Lewis L. Glucksman
James G. Hellmuth
James C. Kellogg III
Frank R. Lautenberg
William J. Ronan
Howard Schulman
Victor R. Yanitelli, S.J.

Alan Sagner
Principal,
Alan Sagner Corporation

Robert F. Wagner
Partner,
Finley, Kumble, Wagner,
Heine & Underberg

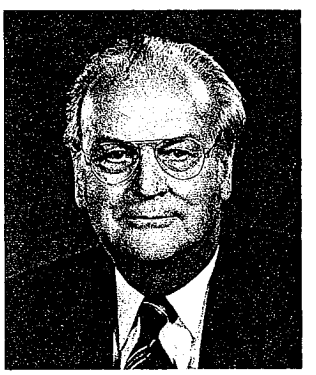


Joseph L. Cullman 3rd
Chairman of the Board and
Chief Executive Officer,
Philip Morris Incorporated

Lewis L. Glucksman
Executive Managing Director,
Lehman Brothers Incorporated

James G. Hellmuth
Vice President,
Bankers Trust New York Corporation

James C. Kellogg III
Senior Partner,
Spear, Leeds & Kellogg



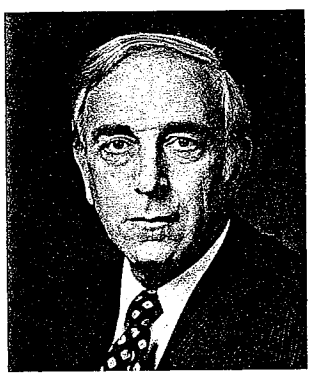
Dr. William J. Ronan
Senior Advisor,
Rockefeller Family

Howard Schulman
Partner,
Schulman, Abarbanel & Schlesinger

Rev. Victor R. Yanitelli, S.J.
President,
St. Peter's College

Commissioner Engelhard, who resigned in December, 1977,
was succeeded by Commissioner Lautenberg in February, 1978.
Commissioner Stillman, whose term expired June 30, 1977,
asked the Board to consider his seat vacated in July.

Milton A. Gilbert
Founder, former President
and Chairman,
Flexi-Van Corporation



Frank R. Lautenberg
Chairman of the Board and
Chief Executive Officer.
Automatic Data Processing, Inc.

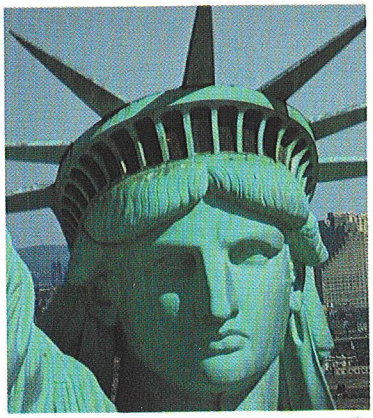
Officers and Department Directors

Peter C. Goldmark, Jr., Executive Director

Robert F. Bennett, Comptroller
Patrick J. Falvey, General Counsel
Sidney J. Frigand, Director of Public Affairs
Edward C. Gallas, Director of Personnel
Louis J. Gambaccini, Director of Rail Transportation
A. Gerdes Kuhbach, Senior Financial Advisor
Doris E. Landre, Secretary
Albert F. Moncure, Director of General Services
Rino M. Monti, Chief Engineer
Edward S. Olcott, Director of Planning & Development
Caesar B. Pattarini, Director of Aviation
Jack Rosen, Director of Terminals
Dr. Bernard J. Schuman, Medical Director
Harvey Sherman, Director of Administration
Victor T. Strom, Deputy Director of Management Services
Charles H. Taylor, Director of Tunnels and Bridges
Anthony J. Tozzoli, Director of Marine Terminals
Guy F. Tozzoli, Director of World Trade
Carl M. Wahlberg, Director of Finance
Marshal L. Wilcox, Jr., Assistant Treasurer

Roger H. Gilman, Acting Executive Director,
formerly Director of Planning and Development, retired in July, 1977.

Peter C. Goldmark, Jr.
Executive Director



A Year of Challenges and Changes

In a year of unusual challenges and changes, new leadership engaged the Port Authority in a search for new perspectives and strategies to help in the economic renaissance of the New York-New Jersey Port District over the coming decades.

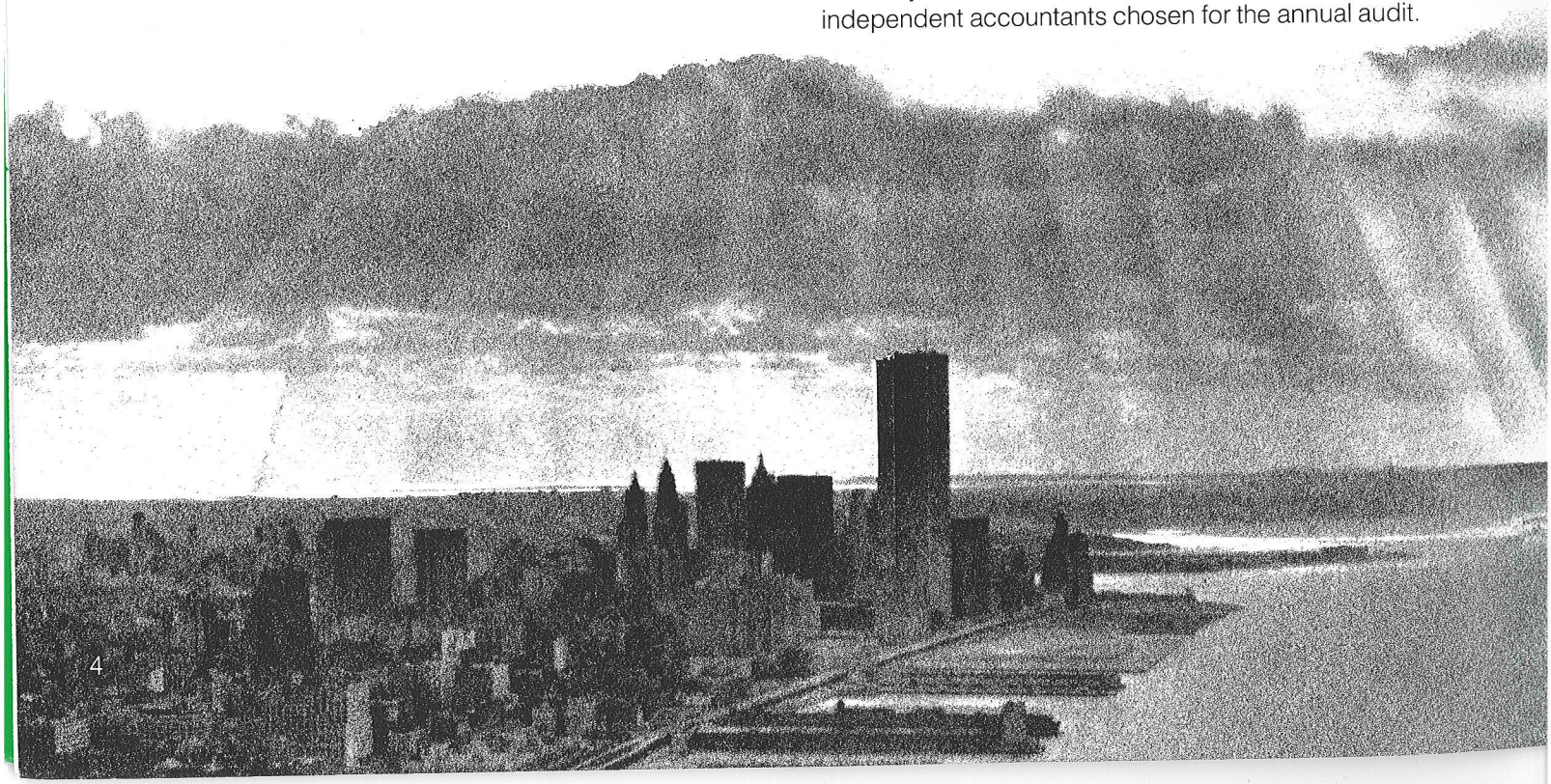
Chairman Alan Sagner, formerly New Jersey's Commissioner of Transportation, the Board of Commissioners and Executive Director Peter C. Goldmark, Jr., former New York State Budget Director, initiated a new era of Port Authority responses to the Port District in transition. As one of the region's major resources for over 55 years, the Port Authority prepared to relate to the major challenges facing the port area and the Northeast, and develop new programs under rigorous conditions of public accountability and in a spirit of partnership with the states and local governments it serves.

Significant changes with respect to Port Authority policies and procedures were made by the Board and the Executive Director during the year.

The Board adopted a Freedom of Information policy and specific procedures, patterned after the New York State Freedom of Information Act, for public access to Port Authority records and proceedings.

Certain items of expense in the Port Authority's operating budget were eliminated or reduced by the tightening of procedures. Administration of revenue investments was improved by discontinuing non-interest bearing bank deposits when possible.

The Board amended the by-laws to create a new Audit Committee which will have general supervision over the Port Authority's books and accounts, and review the work of the independent accountants chosen for the annual audit.



Travel and expense policies and procedures were tightened after an independent auditing firm was authorized to review the expense accounts of selected Port Authority staff as a follow-up to a sample audit initiated by the New York State Comptroller's office.

Industrial Parks and Regional Recovery

With the region's economic redevelopment as a paramount issue, the Port Authority readied its proposal to build industrial parks at three core-city sites. The proposal is premised on the fact that the Port District economy has been eroded through the loss, hidden under the region's magnitudes of wealth and commerce, of 15,000 manufacturing firms and half a million manufacturing jobs over the past two decades. The Port Authority's proposal is dedicated to the reversal of the trend and the recovery of the Port District economy. Industrial parks, offering tax, lease and operating conditions competitive enough to induce manufacturers to locate there, would be a nucleus of economic redevelopment. The proposal offers the states the Port Authority's historic ability to plan, manage and raise capital for business-like public enterprises as an initiative for a new partnership of the cities, states and federal government to attract investment capital to the region for manufacturing enterprises and the jobs they would create.

The proposal also offers a potential solution to the major Port District problem of disposing of municipal solid waste. The Port District is within a very few years of exhausting areas for landfill. An essential feature of the Port Authority proposal is to burn and recycle municipal solid waste as competitively priced electrical power directly available to industrial park tenants.

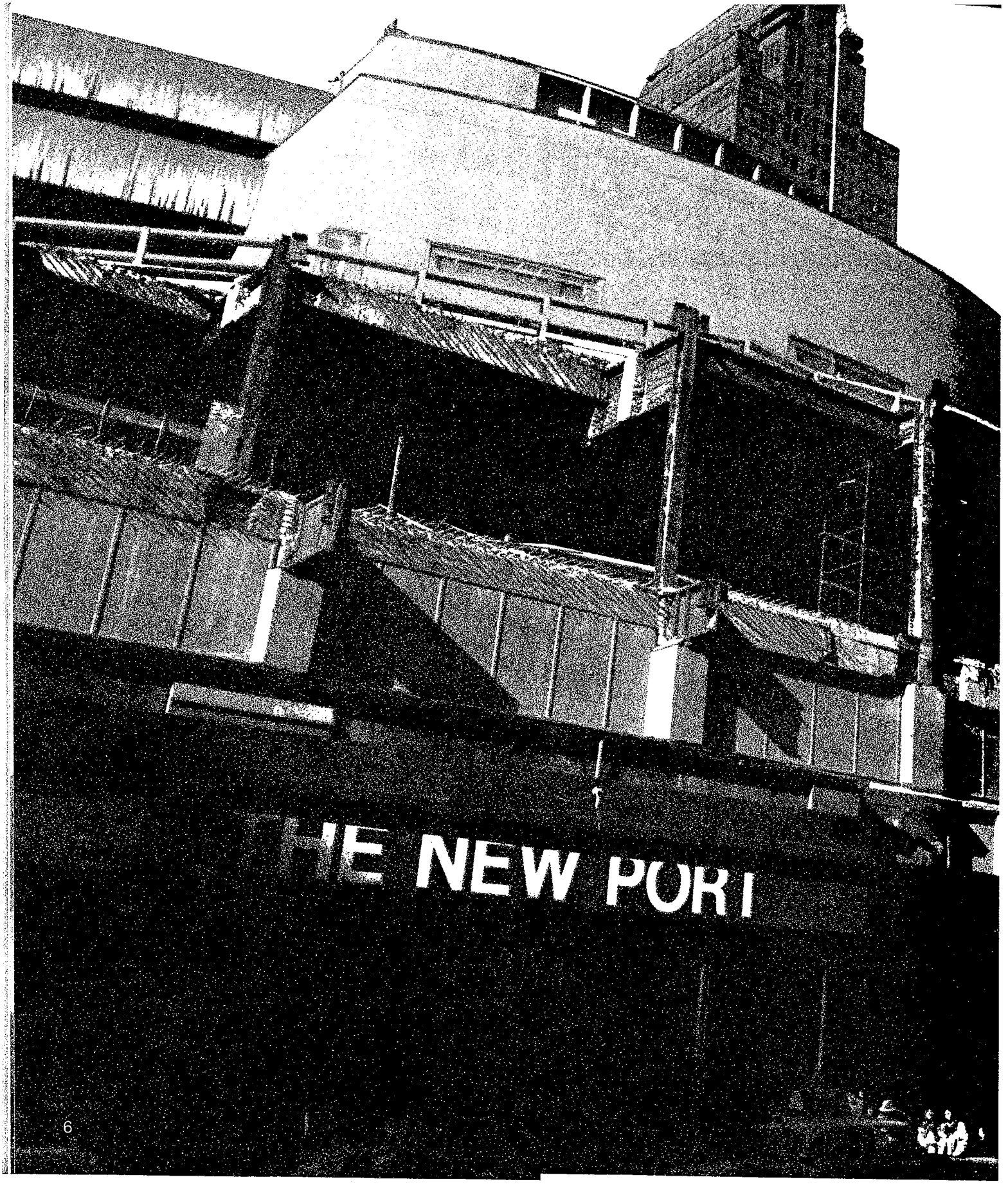
Legislation to authorize the industrial park program has been drafted and is under review by the governors' offices.

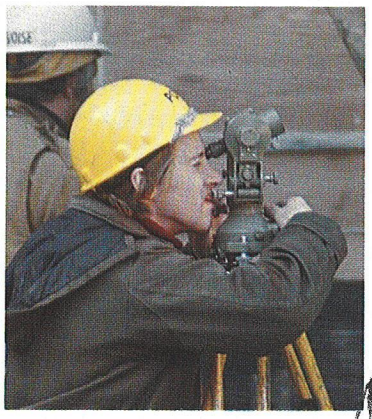
Energy Saved and Energy Earned

Sources and conservation of energy are a prime concern to the Port Authority, especially in view of the extent to which the northeastern United States, with the Port District as its economic center, differs in patterns of supply and consumption from the rest of the nation. The Port Authority is engaged in studies in cooperation with other state agencies on the control of sources and costs of energy in the coming decades, as it becomes increasingly critical here to the development and maintenance of more favorable rates of industrial and economic growth.

The Port Authority has been reducing its own energy consumption and costs as well as experimenting on its own initiative with measures of wider application, among them the use of solar energy and the creation of low-cost energy from the containment of gases from decomposing landfill.

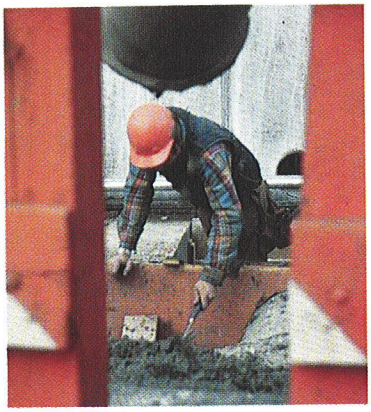
Despite the expansion of some of its facilities, the Port Authority reduced its use of energy to 70 percent of its 1973 consumption. Its conservation program has produced an absolute saving of 2,000 billion BTU's, or the equivalent of 350,000 barrels of oil, per year. In the meantime, with energy costs escalating faster than reductions in consumption can absorb, the Port Authority has continued to monitor utility rate proceedings in New York and New Jersey, and has intervened as necessary, with the result of substantial savings in the cost of energy.


HE NEW PORT



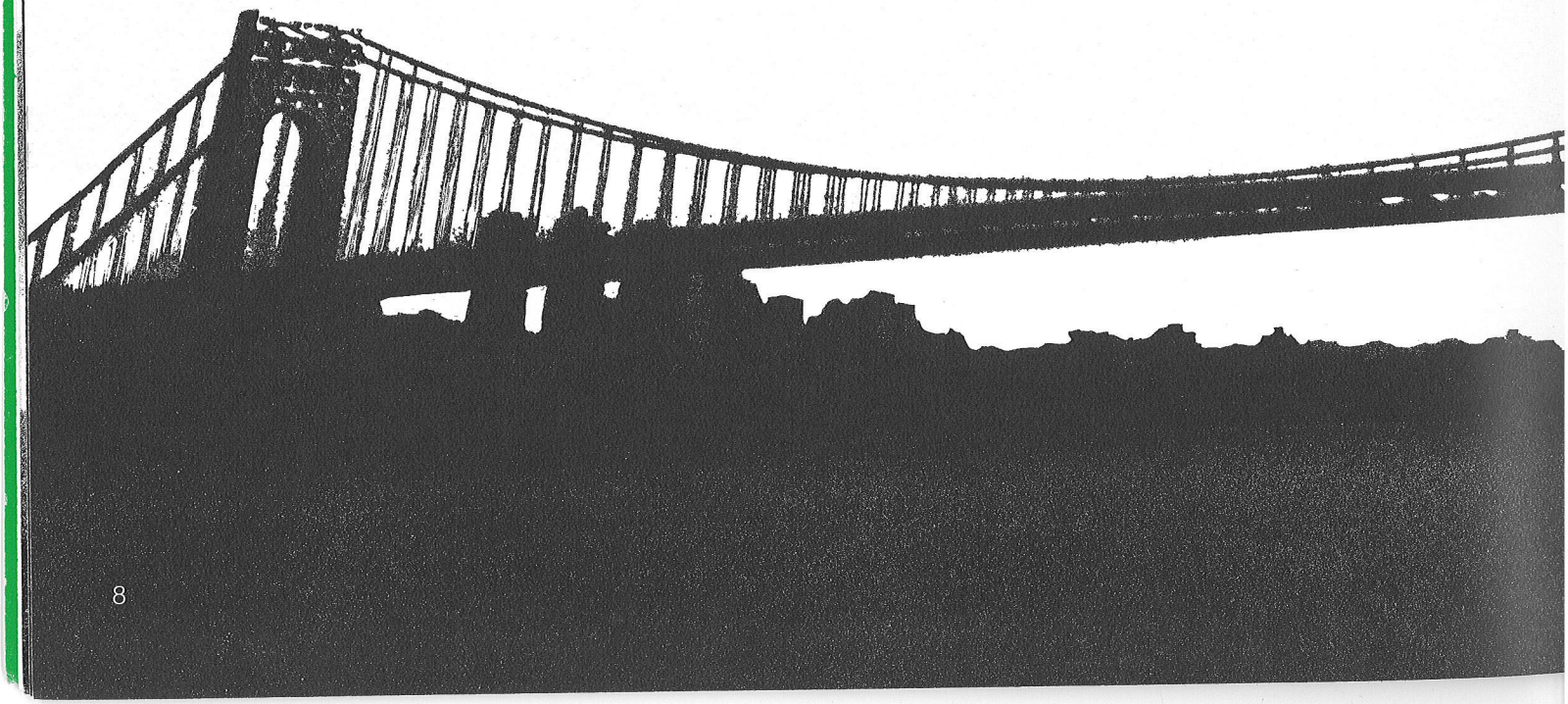
Construction

The Port Authority's $160 million expansion and modernization of its midtown bus terminal was on schedule at year-end. Extended north to 42nd Street, level for level over and under 41st Street, the new terminal will ultimately offer over 75 new bus loading platforms. Among its patron services will be a unique landscaped weather-controlled mall, with more than 70 retail stores for the convenience of the bus terminal patron. The terminal itself, moreover, in addition to serving over 200,000 passengers a day, will be one of the major elements in the rehabilitation of 42nd Street west of Eighth Avenue.



High above the Hudson River, in an engineering feat that maintained unbroken service even to peak-hour traffic, the Port Authority began the replacement of the 46-year-old upper level roadways of the George Washington Bridge. Every weekday over 100,000 eastbound motorists traversed an additional 60 feet of brand new four-lane prepaved orthotropic steel roadway, inserted each night after concrete sections of the old road had been broken away from the supporting beams. The eastbound roadways were completed ahead of schedule, before the onset of winter in 1977. The westbound roadways, and the entire project, will be completed in 1978.

Four World Trade Center, the next to last of six buildings planned for the World Trade Center complex, opened its doors in April, 1977. Four of New York's major commodity exchanges began operating from their new consolidated two-story trading floor in the new building in July, making the World Trade Center the port headquarters for commodity trading. At year-end, negotiations were under way for the private financing and construction of an international hotel, the sixth and last building planned, to serve the World Trade Center's growing tenant and visitor population and to help in the revitalization of the lower Manhattan area.



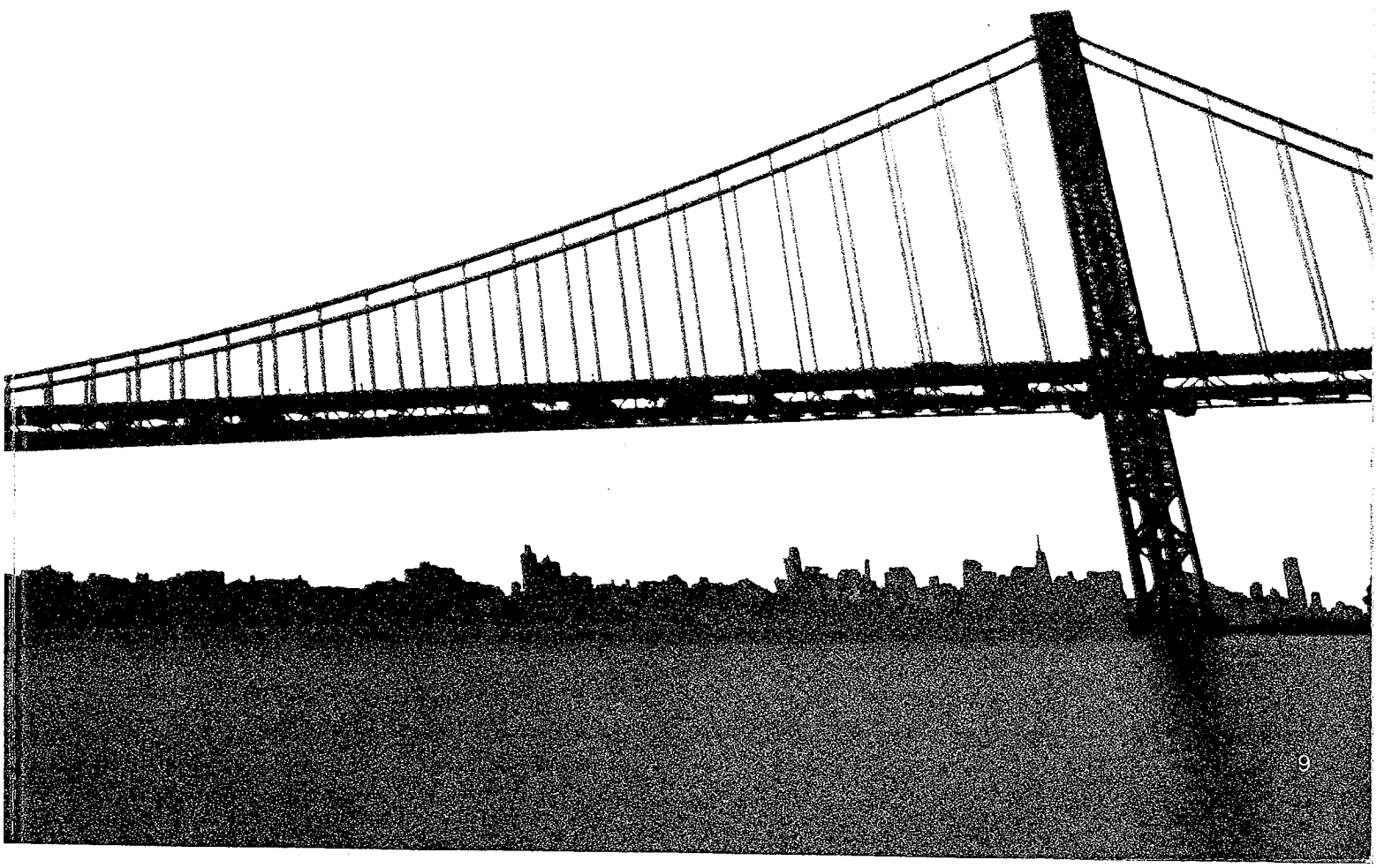
A new $25 million terminal designed and to be constructed by the Port Authority at LaGuardia Airport will help accommodate Northeast Corridor passenger traffic. Scheduled for completion in 1980, the new structure will be leased to Eastern Air Lines for 25 years for its Boston and Washington air shuttle service.

The Port Authority is planning to spend $400 million for new mass transit capital improvements, $120 million for facilities in each state and $160 million for the Port Authority Bus Terminal expansion now under way.

The U.S. Supreme Court held in April, 1977 that the states' 1962 statutory covenant with affected bondholders, limiting the Port Authority's investment in deficit passenger rail transportation, was valid, and that the legislation enacted by the two states to repeal it retroactively was unconstitutional. The prospective repeal of the covenant as to bonds issued after May 10, 1973 was not challenged in the litigation.

The Port Authority has explored ways in which the covenant may be modified to assist the states in making additional capital investment in deficit passenger rail facilities. Governor Byrne suggested in September that refunding affected Port Authority bonds might prove to be the most promising and expeditious method. Financial and legal advisers of the State of New Jersey and of the Port Authority, as well as expert consultants engaged from the private sector, examined the concept in detail. The study was nearing completion in December when the U.S. Treasury proposed new regulations, designed to discourage refunding of certain industrial development bonds, which blocked the proposed refunding. Governor Byrne and the Port Authority have urged the U.S. Treasury Department to revise its regulations.

The Port Authority will continue to present the two states with options for rapid and effective use of the proposed $120 million each. The options include programs of purchase of urgently needed commuter bus equipment, the development of exclusive bus roadways and other non-rail mass transportation programs to meet the region's needs.



The prospect of providing capital for mass transportation in each state was enhanced when the Federal Highway Administrator of the U.S. Department of Transportation, in August, 1977, upheld the 1975 toll increases on the Port Authority's four bridges. In response to the request for a review by opponents of the toll revision, the Federal Highway Administrator reaffirmed his position that the bridges, the facilities over which he has jurisdiction, are part of a network of Port Authority transportation facilities between the two states, all of whose earnings and deficits may be considered in determining a just and reasonable bridge toll, pursuant to the Federal Bridge Act of 1906. The automobile clubs of New York and New Jersey sued in federal court to reverse the administrator's decision. The suit was dismissed on the merits by the Federal District Court in early 1978 and plaintiffs have indicated their intention to appeal the decision.

Promoting the Port Through World Trade...

The Port Authority intensified its drive to improve the port's competitive position, deteriorated in part since the advent of the Conrail monopoly with its policy to maintain freight rates on container traffic that favor Baltimore over other North Atlantic ports. In the absence of competitive rail services, explicitly called for in the Railroad Reorganization Act, the Port Authority has been pressing Conrail to fulfill the congressional intent by equalizing rail rates on import-export container traffic between North Atlantic ports and the midwest. The attack on discriminatory rail rates is the beginning of a new alliance of governmental, business, labor and other forces for a concerted drive to reestablish the competitive position of the port.

In the same vein, the Port Authority spearheaded a move to reduce to competitive levels the charges levied on the transfer of containers from rail ramps to the port's marine terminals. When a major terminal operating company reduced its drayage charges to equal those in Baltimore, the promise of increased rail container traffic was sufficient to convince Conrail to institute daily trailer-on-flat-car service to and from Chicago. By year-end, six major terminal operating companies, all served through the Conrail rail ramp adjacent to the Elizabeth Marine Terminal, had instituted competitive drayage charges and the trailer-on-flat-car traffic was increasing rapidly.

The Port Authority's day-to-day promotion and protection of the port's competitive position, through these and other relevant measures here and abroad, include intervention in rate and route cases before the Interstate Commerce and Federal Maritime commissions and the Civil Aeronautics Board.

From the centralization of world trade functions in the World Trade Center to its trade development offices in the Orient, Europe and the American midwest, the Port Authority is engaged in the generation of new world trade and in increasing the port's world share. Service directories, corporate advertising and information bulletins to simplify the work of the shipper, carrier and consignee are compiled and distributed to all the trading markets of the world. A recent example is a newsletter alerting the port's terminal operators and export packers to future movements of "project cargo" in the hope of encouraging the formation of consolidation centers to handle it. "Project cargo," usually heavy tonnage, includes the machinery, parts and construction items exported to build a plant abroad.

Throughout the year the World Trade Institute, the educational arm of the World Trade Center, offered more than 300 programs on every aspect of international business, and its Language School continued to provide American and overseas business personnel with skills in over a dozen languages. The institute has also developed training programs and consultative services, highly praised and repeatedly funded by the U.S. Agency for International Development, to provide developing nations with export management and marketing assistance, often within the foreign country itself. The programs have been so successful so far, for the 14 developing nations involved, that other foreign agencies have begun contracting at their own full expense, without U.S. funding, for the export programs the institute tailors to their needs. The institute also conducted special seminars booked by other business learning centers throughout the nation.

The World Trade Center maintains a unique electronic retrieval system known as Interfile, from which can be obtained accurate data to facilitate international business transactions. Interfile is one of the functions of the World Trade Information Center, which draws on a data bank developed by the World Trade Centers Association, a worldwide organization with members in 45 countries.

...Through Tourism

The Port Authority also produces films and promotional materials and conducts surveys designed to encourage tourism to the Port District. The latest film, "Destination: Big Apple," primarily aimed at the tourist who flies, has been promised overseas distribution in English and foreign languages under the auspices of the U.S. Department of Commerce, along with a grant to defray the initial costs of production. The film has been adjudged of such promotional value that its distribution domestically, as a short feature in the nation's movie houses, will be underwritten by the Aviation Development Council, a regional association of scheduled airlines.

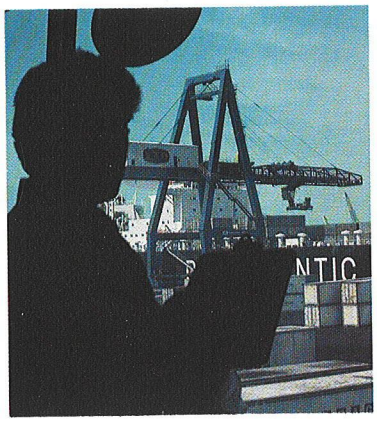
By year-end the Port Authority was ready to launch its largest inflight survey. More than 200,000 air passengers will be queried in flight during 1978 to provide data on the air passenger market and the information needed to capture more of it. More than 50 airlines will cooperate in taking samplings on some 200 selected flights a month in the domestic, Latin American and transatlantic markets.

A survey of 6,000 travel agents and 10,000 potential cruise travelers, conducted by the Port Authority as part of a continuing promotional program to increase cruise traffic through the port, showed sufficient acceptance of Sunday departures, instead of the traditional Saturday, that Holland America Cruises decided to commit the *S S Volendam* to one-week Bermuda cruises in 1978 to explore the untapped market.

...And Marine Improvements

The Port Authority assumed the leadership, as it has in the past, for organizing civic, trade and corporate agencies to obtain congressional appropriations for harbor and channel improvements needed for shipping and other port-related industries. This year the Congress responded with appropriations of almost $7 million, substantially the amount of the Port District request, to deepen channels and anchorages and to continue the waterfront cleanup program to restore the port's shoreline as an environmental and economic asset.

The first major clearance of the waterfront, in an area behind the Statue of Liberty, dovetailed with the construction of Liberty State Park, for which the State of New Jersey commissioned the Port Authority to provide highly varied and complex engineering services.



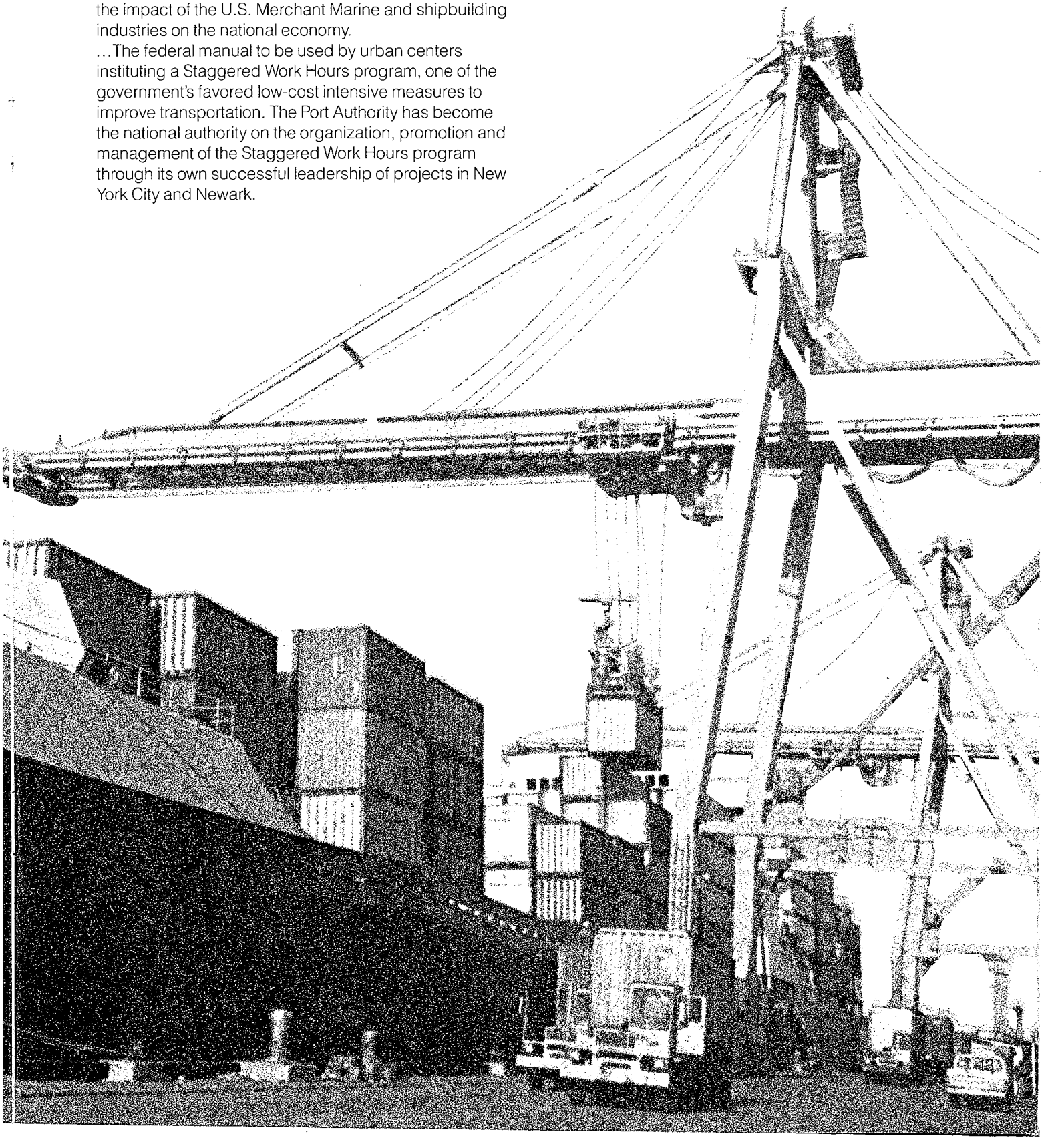
Problem Solving and Trouble Shooting

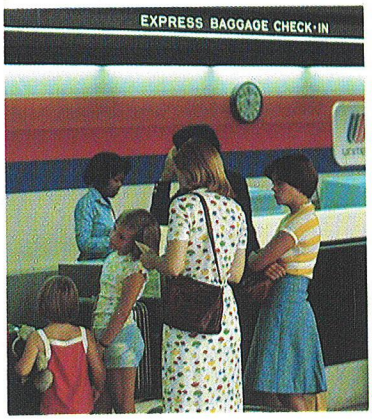
The accomplishments of the Port Authority's career staff in research, innovation, planning and development in and for one of the world's most complex urban environments has become a resource on which federal, state and municipal agencies draw more and more for their own projects. Among other studies and technical assistance the Port Authority provided in 1977 were:

...Research and preparation for the New York State Department of Environmental Conservation of its report on the potential of the New York-New Jersey port to develop support bases for offshore oil drilling.

...A two-year input-output analysis, for the Maritime Administration of the U.S. Department of Commerce, of the impact of the U.S. Merchant Marine and shipbuilding industries on the national economy.

...The federal manual to be used by urban centers instituting a Staggered Work Hours program, one of the government's favored low-cost intensive measures to improve transportation. The Port Authority has become the national authority on the organization, promotion and management of the Staggered Work Hours program through its own successful leadership of projects in New York City and Newark.



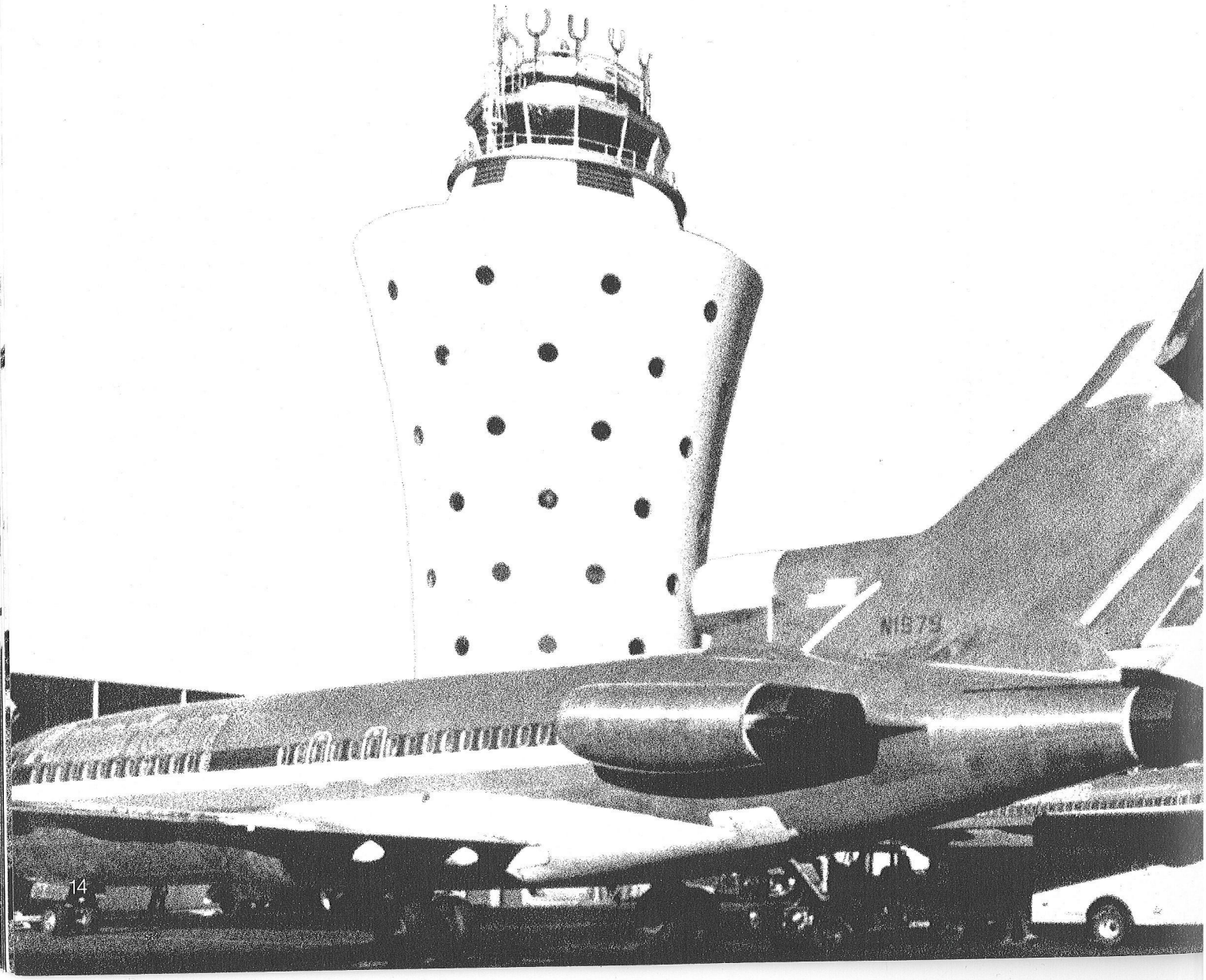


The Urban Mass Transportation Administration awarded grants to the Port Authority to make five studies as prototypes for broader application, on subjects ranging from ways to reduce PATH car wheel wear and noise to the development of service improvements at the George Washington Bridge Bus Station.

On behalf of New York City, the Port Authority is researching an overland rail route to Long Island for trailer-on-flat-car traffic, in order to reduce the pollution and cost of trucking freight through the city from New Jersey railheads.

In cooperation with the two states, the Port Authority has been engaged in developing techniques for the management of the states' waterfront and water-oriented land areas, in response to federal and state requests for plans to develop state coastal zones under appropriate safeguards.

The police officer-social worker pairs of the Youth Services Unit at the Bus Terminal identified and helped more than 3,500 runaway, truant and other youths found in need



of assistance in 1977. The unit, federally funded in part last year, is to be continued by the Port Authority without federal assistance.

The Port Authority is engaged in a joint search, at the request of the New Jersey Department of Transportation, for a more effective means by which New Jersey may administer its subsidy of bus companies, under an incentive system of monetary rewards and penalties tied to the quality of service, rather than on a policy of reimbursement of reported losses. The new system, originated as a Port Authority suggestion and now under test in a prototype area between Lakewood and Raritan Bay, will be subject to the consideration and approval of the New Jersey Legislature thereafter.

Facility Facts

Historic records were set in both domestic and international air travel in 1977, with an all-time high of 45 million passengers and 1.3 million tons of air cargo handled at the three major airports. The increases were readily absorbed with only a moderate rise in the number of flights because of the addition of more widebody aircraft to the carrier fleets, among them the A300 Airbus, introduced to the United States this year at Newark International Airport.

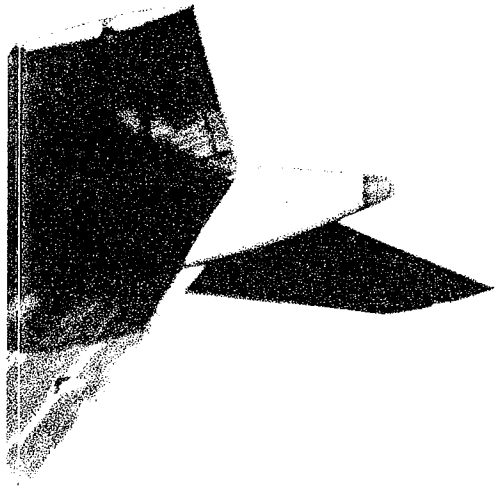
The promotional measures of both the carriers and the Port Authority were reflected in the increase of almost 4 percent in total airline flights at Newark International, and the announcement of scheduled Newark-London flights to begin in the spring of 1978. To promote air passenger traffic through Newark International, the Port Authority renewed its subsidy of "Airlink," a mini-coach service to the major bus and railroad stations in downtown Newark that provides a direct connection between the airport and Manhattan via PATH. "Airlink" has fostered sufficient ridership, both air passengers and airport employees, to warrant larger buses in the coming year. The Port Authority also extended its subsidy of taxi dispatcher service and group taxi rides to Manhattan at authorized reduced rates. The subsidies were undertaken when the air carriers of Newark International specified ground transportation services and their high cost as a major obstacle to the increase of passenger interest in the airport. The carriers have been participating in the airport's promotion, responding, for example, to a Port Authority plea to have their offices include Newark International schedules when offering information on flights to New York.

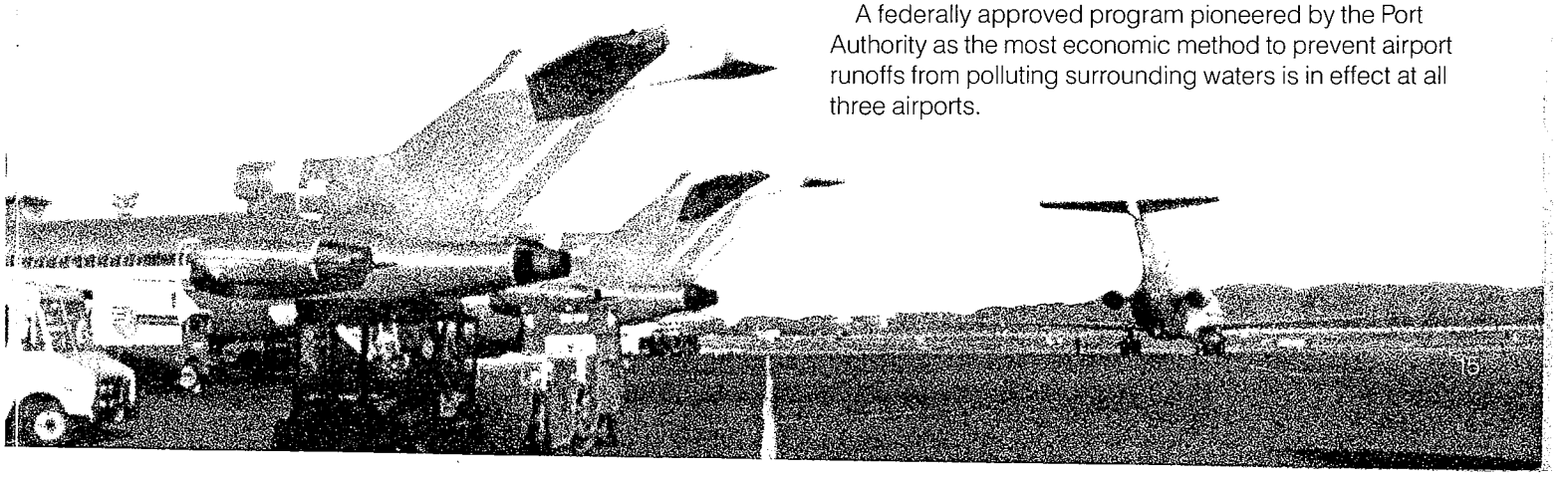
The growth of Newark International was also reflected in tenant construction. Three major car rental agencies began to build a centralized check-in and maintenance facility, Allied Aviation completed a facility for fuel trucks and carts, and the U.S. Postal Service began an expansion of its quarters.

Kennedy International Airport saw the introduction of Concorde supersonic service for a test period initiated under a ruling by the U.S. Secretary of Transportation backed by a court order. The Port Authority had withheld its authorization pending further studies, in view of its concern for airport neighbors and its potential liability.

The U.S. Postal Service began construction at Kennedy International of a centralized airport mail complex that will be the largest in the nation, and one of the airlines completed a $6 million flight kitchen building.

A federally approved program pioneered by the Port Authority as the most economic method to prevent airport runoffs from polluting surrounding waters is in effect at all three airports.





The intricate settlement of a two-month longshoremen's strike at all Atlantic and Gulf ports, reducing the New York-New Jersey ports' tonnage for the year and accelerating, by diversion, the year's growth in air cargo, was under evaluation at year-end, with every indication that the port's competitive position had measurably improved relative to the other North Atlantic and Gulf ports.

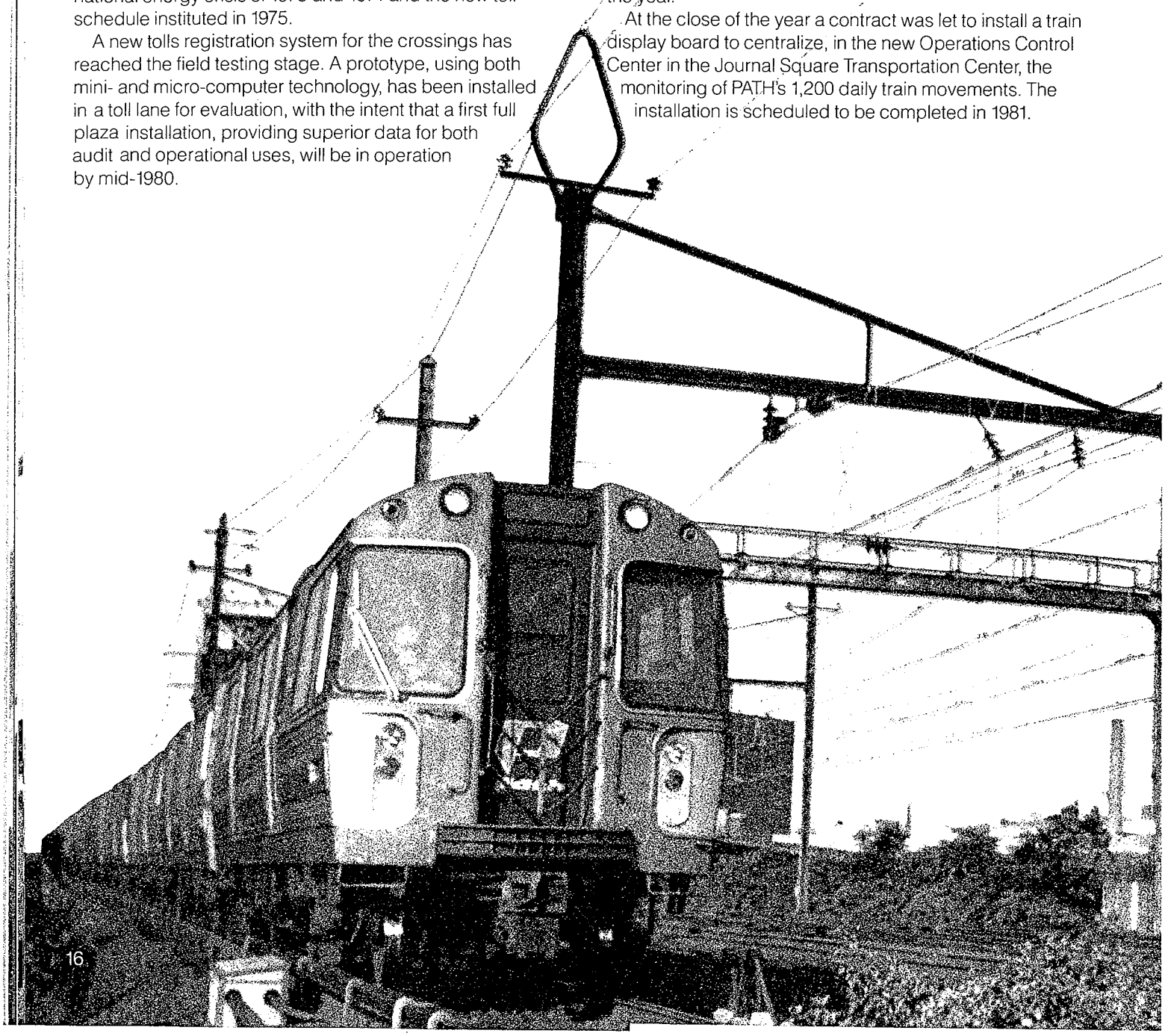
Modest growth in traffic volumes continued at the Port Authority's six tunnels and bridges in 1977. Total traffic regained 1973 levels after weathering the effects of the national energy crisis of 1973 and 1974 and the new toll schedule instituted in 1975.

A new tolls registration system for the crossings has reached the field testing stage. A prototype, using both mini- and micro-computer technology, has been installed in a toll lane for evaluation, with the intent that a first full plaza installation, providing superior data for both audit and operational uses, will be in operation by mid-1980.

Some 5,000 motorists a day have switched to the Outerbridge Crossing now that the West Shore Expressway is open on the Staten Island side. For travelers to and from southern and western New Jersey, the route to and from Brooklyn and Long Island is shorter and less congested than via the Goethals Bridge.

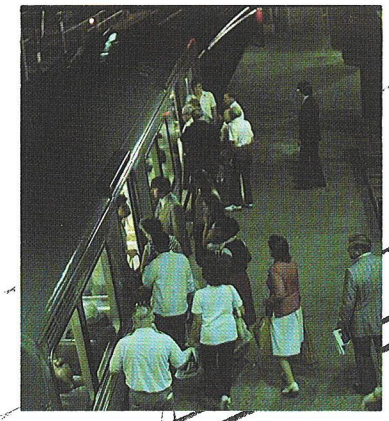
PATH, the Port Authority's rail rapid transit system now in its 16th year of operation, continued to carry over 70 percent of New Jersey passengers entering New York City by rail, and operated on an on-time record of 97.2 percent for the year.

At the close of the year a contract was let to install a train display board to centralize, in the new Operations Control Center in the Journal Square Transportation Center, the monitoring of PATH's 1,200 daily train movements. The installation is scheduled to be completed in 1981.

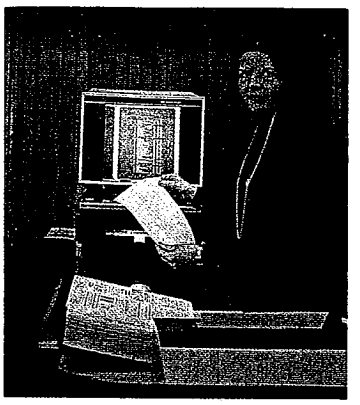


The World Trade Center now houses more than 800 firms and organizations involved in every facet of international business, with a working population of some 35,000. Of the 40 banks and securities firms located in the center, the newest is the Swiss Bank Corporation, one of the world's most important financial institutions, which established its main U.S. office in Four World Trade Center.

The World Trade Center's services and retail stores reached a total of 60 during 1977, an increase of 18 in the year, with innovative public dining facilities operated by Inhilco, a subsidiary of Hilton International. A new snack bar opened to serve the 107th floor Observation Deck atop Two World Trade Center, an increasingly renowned Port District attraction visited by well over one million tourists in the past year. The success of the World Trade Center Club/Restaurant continued unabated. As a public restaurant at night and over the weekend, Windows on the World has been markedly successful in attracting Port District residents and tourists to downtown Manhattan.



VOL. PTS.
SILVER
H8--K8 1 670
H9--N9 4 1580
K8--N8 20 750
K8--N8 40 750
COPPER
H8--U8 2 300
K8--N8 2 100
K8--N8 9 100
GOLD CMX
J9--M9 40 290
U8--Z8 1 280
M8--M9 6 1670
EST HOURLY SALES 11 AM SI-1500
CU-1400 GC-3000 ZN-0 PT-529 PL-963
PA-70 SPRDS SI-134 CU-138 GC-174 ZN-0
VOL. PTS.
POTS
H8 EFP 7
H8 EFP 1
PLATI
J8--N8 3 410
N8--U8 1 410
J8--N8 6 410
COINS
N8 EFP 12
PALLA
OCT DEC
4TH 19360 19600
3RD 19370 19620
2ND 19340 19640
LAST 19350 19660
OPEN
HIGH
LOW 19370 19600
LOW 19300 19570
VOL 1 5
OCT DEC
SETTL PR 19190 19460
LIMIT UP 20190 20460
LIMIT DN 18190 18460



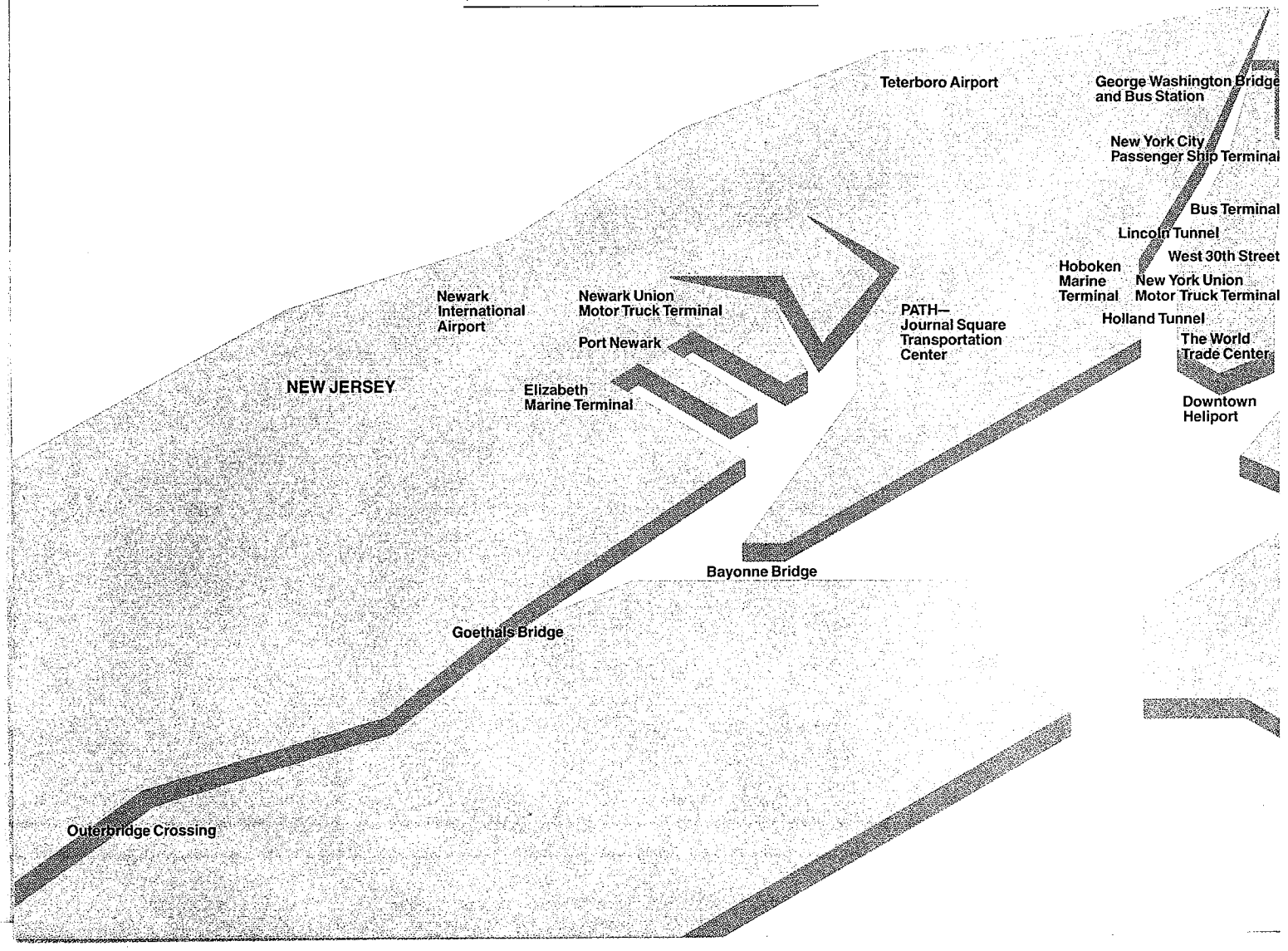
The World Trade Center contains approximately 9.5 million square feet of rentable office space. At the end of the year, 7.4 million square feet were rented, and an additional 600,000 square feet were under negotiation.

By late 1978, the Port Authority will have installed its own $2.6 million telephone system in the World Trade Center to reduce costs and increase efficiencies not only in local phone communications but also in toll call traffic through the use of foreign exchanges, WATS, tie lines and microwave transmission.

Port Authority Terminals and Transportation Facilities At a Glance

Terminals	1977	1976
All Bus Facilities		
Passengers	**76,500,000**	78,000,000
Bus Movements	**3,365,000**	3,339,000
Total Employment	**5,650**	5,930
Port Authority Bus Terminal		
Passengers	**57,000,000**	58,000,000
Bus Movements	**2,000,000**	1,943,000
Total Employment	**3,800**	3,810
George Washington Bridge Bus Station		
Passengers	**9,000,000**	10,000,000
Bus Movements	**378,000**	388,000
Total Employment	**350**	560
PATH Journal Square Transportation Center Bus Station		
Passengers	**10,500,000**	10,000,000
Bus Movements	**987,000**	1,008,000
Total Employment	**1,500**	1,560
Cumulative PA Investment in Bus Terminal and Truck Terminals (In Thousands)	**$118,700**	$102,000

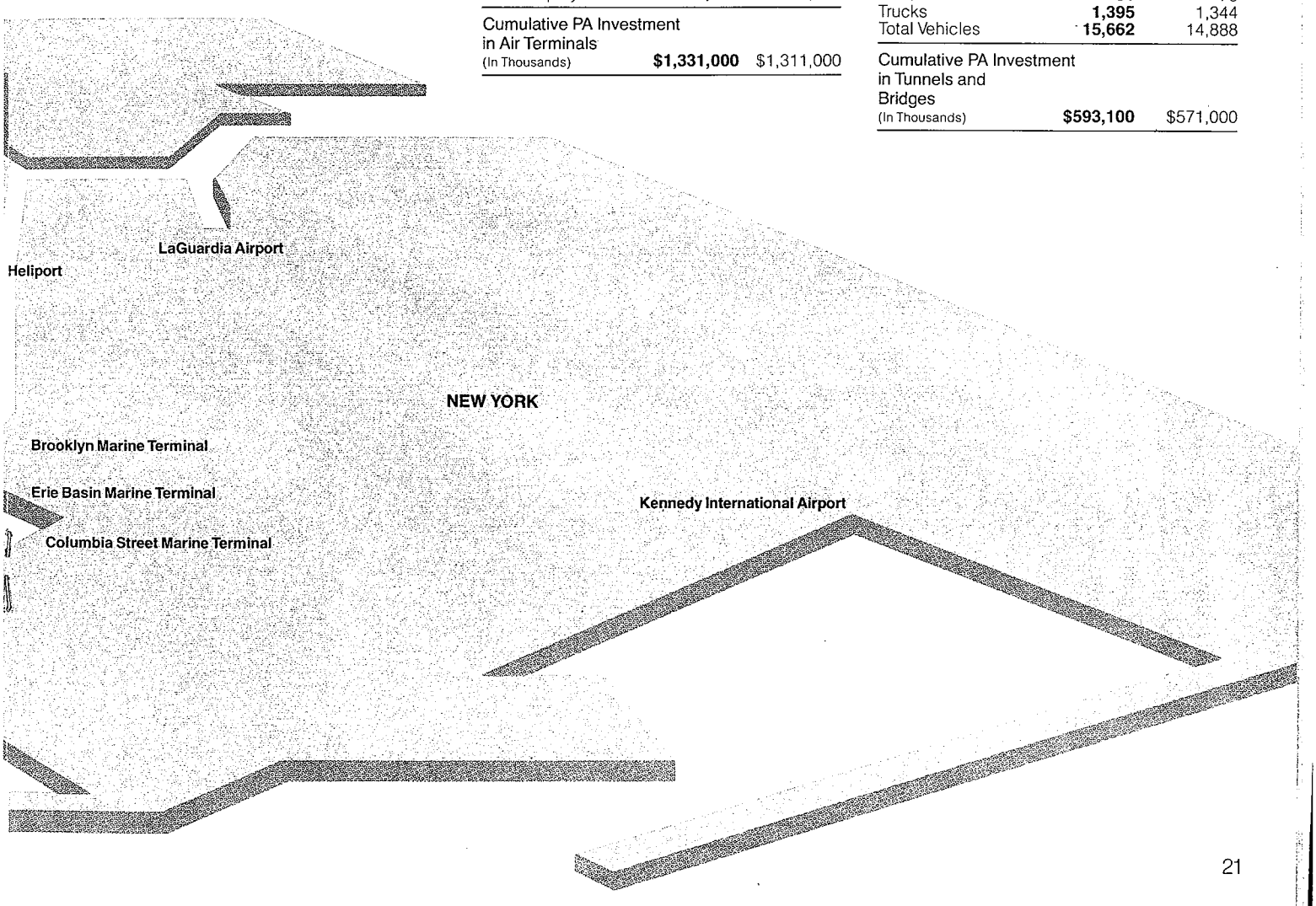
Marine Terminals	1977	1976
All Terminals		
Ship Arrivals	**3,087**	3,416
General Cargo (Long Tons)	**10,990,792**	12,172,435
Total Employment	**9,879**	10,030
New Jersey Marine Terminals		
Ship Arrivals	**1,977**	2,313
General Cargo (Long Tons)	**9,782,048**	11,064,352
Total Employment	**7,524**	7,755
New York Marine Terminals		
Ship Arrivals	**1,110**	1,103
General Cargo (Long Tons)	**1,208,744**	1,108,083
Total Employment	**2,355**	2,275
Cumulative PA Investment in Marine Terminals (In Thousands)	**$534,000**	$528,000



PATH	1977	1976
Total Passengers	**40,477,000**	40,668,000
Passenger Weekday Average	**145,000**	145,000
Cumulative PA Investment in PATH (In Thousands)	**$262,000**	$258,000

Air Terminals	1977	1976
Totals at the Three Major Airports		
Plane Movements	**822,000**	791,000
Passenger Traffic	**44,937,000**	41,875,000
Cargo—Tons	**1,349,000**	1,200,000
Revenue Mail—Tons	**220,000**	214,000
Total Employment	**52,606**	55,559
Kennedy International Airport		
Plane Movements	**316,000**	305,000
Passenger Traffic (Total)	**22,546,000**	21,033,000
Domestic	**11,057,000**	10,311,000
Overseas	**11,489,000**	10,722,000
Cargo—Tons	**1,191,000**	1,029,000
Total Employment	**39,446**	40,812
LaGuardia Airport		
Plane Movements	**327,000**	313,000
Passenger Traffic	**15,087,000**	14,089,000
Cargo—Tons	**49,000**	50,000
Total Employment	**8,078**	8,651
Newark International Airport		
Plane Movements	**179,000**	173,000
Passenger Traffic	**7,304,000**	6,753,000
Cargo—Tons	**109,000**	121,000
Total Employment	**5,082**	6,096
Cumulative PA Investment in Air Terminals (In Thousands)	**$1,331,000**	$1,311,000

Tunnels and Bridges (Eastbound Traffic in Thousands)	1977	1976
All Crossings		
Automobiles	**72,835**	71,719
Buses	**1,587**	1,528
Trucks	**8,357**	8,184
Total Vehicles	**82,779**	81,431
George Washington Bridge		
Automobiles	**35,535**	35,295
Buses	**244**	245
Trucks	**3,473**	3,353
Total Vehicles	**39,252**	38,893
Lincoln Tunnel		
Automobiles	**13,993**	13,906
Buses	**1,221**	1,164
Trucks	**1,766**	1,731
Total Vehicles	**16,980**	16,801
Holland Tunnel		
Automobiles	**9,121**	9,049
Buses	**41**	44
Trucks	**1,723**	1,756
Total Vehicles	**10,885**	10,849
Staten Island Bridges		
Automobiles	**14,186**	13,469
Buses	**81**	75
Trucks	**1,395**	1,344
Total Vehicles	**15,662**	14,888
Cumulative PA Investment in Tunnels and Bridges (In Thousands)	**$593,100**	$571,000



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Highlights	1977	1976
Gross Operating Revenues	**$ 524,300,000**	$ 496,400,000
Net Operating Revenues	**197,300,000**	185,700,000
Net Revenues Available for Debt Service and Reserves	**225,500,000**	215,800,000
Debt Service Charged to Revenues and Reserves	**186,900,000**	180,900,000
Cumulative Invested in Facilities	**3,792,800,000**	3,697,400,000
Bonded Debt Outstanding	**1,821,900,000**	1,881,700,000
Bank Loans Outstanding	**205,000,000**	140,000,000
General Reserve Fund	**194,700,000**	188,200,000
Consolidated Bond Reserve Fund	**110,900,000**	83,500,000
Reserve Funds in Trust	**18,800,000**	23,800,000

Basic Policies and Financial Structure

The Port Authority of New York and New Jersey was created in 1921 by compact between the two states to plan, develop and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation and world trade that contribute to promoting and protecting the commerce of the Port District.

The Port Authority undertakes only those projects authorized by the two states.

The governor of each state appoints six of the twelve commissioners of the Port Authority's governing Board of Commissioners, subject to confirmation by the respective state senates. Each governor has from time to time exercised the statutory power to veto the actions of the commissioners from his state.

The commissioners, serving overlapping six-year terms as public officials without compensation, set Port Authority policy and appoint an Executive Director to effect it. The board also appoints a General Counsel as legal adviser to the board and to the Executive Director.

The Executive Director manages the day-to-day operations of the agency's 24 facilities through line and staff departments, composed of nearly 7,700 career personnel. He also guides proposals to the point of presentation to the Board of Commissioners, including the planning and developing of recommendations to the two states and the federal government to increase and expedite Port District commerce.

The Port Authority's financial affairs are administered by Carl M. Wahlberg, Director of Finance, Robert F. Bennett, Comptroller, Marshal L. Wilcox, Jr., Assistant Treasurer and A. Gerdes Kuhbach, Senior Financial Advisor.

The compact envisions the Port Authority as financially self-sustaining. The agency has neither the power to pledge the credit of either state or any municipality nor to levy taxes or assessments.

Over the years more than $4.6 billion of Port Authority obligations have been purchased by investors, of which over $2 billion was outstanding at December 31, 1977.

To effect its programs, the Port Authority created a General Reserve Fund under statutes which provide for the pooling of revenues from older facilities with established earning power to aid in the development of new projects. These statutes also provide for the utilization of available net revenues to maintain the General Reserve Fund at the prescribed amount of 10 percent of the total par value of the Port Authority's outstanding bonds secured by a pledge of such fund.

At the present time the General Reserve Fund is pledged in support of all outstanding bonds and notes of the Port Authority other than New York State Guaranteed Commuter Car Bonds and the Port Authority's bank loans.

Bonds for an additional facility cannot be issued with a pledge of the General Reserve Fund unless the Port Authority commissioners certify to investors that the issuance of the bonds, or that such pledge, will not materially impair the sound credit standing of the Port Authority, the investment status of its bonds or its ability to fulfill its commitments and undertakings.

The Port Authority's long-established policy is to retire debt as rapidly as sound financial management permits and to maintain, at year-end, a combined amount in its reserve funds, including reserve funds in trust, equal to at least the amount of the next two years' mandatory bonded debt service. Acceleration of debt retirement before mandatory dates may be accomplished out of the General Reserve Fund only to the extent that available reserve funds exceed the ensuing two years' mandatory bonded debt service.

In 1973, the legislatures of New York and New Jersey enacted legislation to preclude application to Port Authority obligations issued after May 10, 1973, of a statutory covenant with holders of affected Port Authority obligations which permitted deficit financings of passenger railroad facilities in addition to the basic PATH system only within specified financial limits. The covenant was originally adopted in 1962 as part of the statutes authorizing Port Authority acquisition of the interstate Hudson and Manhattan Railroad. On April 27, 1977, the Supreme Court of the United States held that the retroactive repeal of the covenant by the two states in 1974 was invalid as a violation of the U.S. Constitution.

On September 28, 1977, the Committee on Finance of the Port Authority approved a priority study of a refinancing concept designed to lead to the replacement of the 1962 statutory covenant to permit the Port Authority to proceed with plans for capital investment in mass transit, including authorized passenger rail transit projects. The refinancing concept envisions the advance refunding of those bonds affected by the 1962 covenant through the issuance of new bonds, so that the provisions of the 1962 covenant would no longer be effective. However, the concept does not include further Port Authority responsibility for passenger rail transit operating deficits. The proceeds of the new bonds would be utilized to purchase special U.S. Treasury obligations, the interest and principal of which would secure and be used to pay the advance refunded bonds as they become due and payable. The study was nearing completion, in December, 1977, when a proposed regulation of the U.S. Treasury Department with respect to refunding of certain industrial development bonds on a tax exempt basis impeded the progress of the proposed refunding.

Statement and Schedule Presentation

The Port Authority's consolidated financial statements are prepared in accordance with generally accepted accounting principles. They include a provision for depreciation of facilities in accordance with recommendations for state and local governmental units adopted by the accounting profession. The statements also include information on Port Authority operations by operating segment. The financial statement presentations do not in any way change the net revenues or reserves or their applications as they are defined and governed by the Port Authority's bond resolutions. These resolutions provide that net operating revenues be calculated without allowance for depreciation. Rather, recovery of facility costs is accomplished through deductions from revenues and reserves of amounts equal to principal payments on debt and reserves appropriated to invested in facilities. Accordingly, the Port Authority has prepared, in addition to consolidated financial statements reflecting depreciation, Schedules A through C pursuant to its bond resolutions.

The following information refers to Schedules A through G:

Combined Operations in Brief

Gross operating revenues of the Port Authority for the year 1977 totaled $524,325,000, an increase of 5.6 percent over 1976. This growth reflects the continuing increase in the development and utilization of the Port Authority's facilities. Gross operating revenues include increased tolls on tunnels and bridges instituted on May 5, 1975. The revisions, which were approved by the U.S. Department of Transportation which has jurisdiction over the reasonableness of bridge tolls, were challenged in litigation commenced in November, 1977 in the Federal courts. This litigation is discussed on page 10.

Operating expenses increased 5.3 percent to reach $327,047,000.

Financial income on securities held in the reserve and operating funds was $28,238,000, which resulted from investment income of $28,365,000, including a $3,670,000 gain on the purchase of Port Authority bonds, and a downward adjustment of $127,000 in the value of the securities held in these funds at year-end.

Thus, net revenues available for debt service and reserves were $225,516,000.

Interest on the Port Authority's debt charged to operations and reserves totaled $92,190,000 and long-term bonded debt amortization amounted to $34,754,000. In addition, $60,000,000 in principal payments was made to reduce outstanding bank loans in accordance with agreements with the banks. Total debt service charged to revenues and reserves, including reserve funds in trust, therefore, was $186,944,000.

Financial Position at Year-End

On December 31, 1977, the total assets of the Port Authority, represented by the cumulative amount invested in facilities and balances in construction, operating and reserve funds were $4,396,559,000, an increase of 3.6 percent, or $154,151,000, over last year.

The amount invested in facilities rose by $95,353,000, including net interest during construction of $9,603,000 on bonded debt and bank loans, to a cumulative total of $3,792,776,000 at year-end 1977. This increase is represented by additional investment at:

Land Transportation Facilities	$42,000,000
The World Trade Center	27,000,000
Air Terminals	20,000,000
Marine Terminals	6,000,000

Bonded debt decreased during the year by $59,754,000 to a total of $1,821,923,000. At year-end, net assets increased by 6.8 percent to a total of $2,208,164,000, about 58 percent of the amount invested in facilities.

Reserve Funds

At year-end 1977, the General Reserve Fund balance was $194,692,000 and continued to meet the prescribed statutory amount of 10 percent of outstanding bonded debt secured by a pledge of such Fund. Three bond issues in the aggregate principal amount of $125,000,000 issued by the Port Authority solely as additional security for the payment of three bank loans obtained in 1977 and held in trust for that purpose are included in determining such amount. The Consolidated Bond Reserve Fund had a balance on December 31, 1977, of $110,937,000 after application of $68,329,000 to meet interest and principal installments on bank loans, $5,000,000 to invested-in-facilities, and $4,636,000 to self-insurance. Other reserve fund balances in trust, described on page 26, totaled $18,753,000.

The sum of these reserves was $324,382,000, which exceeded the next two years' mandatory bonded debt service.

Bond covenants require that the reserve funds be maintained in cash or invested in certain government securities. At year-end, $321,138,000 was invested in securities. Income from investment of reserve funds, including reserve funds in trust, totaled $22,208,000 in 1977.

Financial Income

The Port Authority's long-term investment portfolio, averaging about $218,201,000 and representing principally the investment of reserve funds, was invested in securities of or guaranteed by the U.S. Government and Port Authority bonds. Long-term investment earnings amounted to $18,594,000.

Investment in short-term government securities and bank time deposits averaged approximately $257,981,000 during the year. Income from these short-term investments was $14,215,000.

Investment income attributed to the operating fund amounted to $6,157,000 (including $164,000 miscellaneous income). The amount of $22,208,000 was attributed to reserve funds and $4,608,000 was attributed to the capital fund thereby reducing construction cost.

Financing

The Port Authority obtained a $50,000,000 bank loan in January, 1977, bearing interest at 5¾% per annum, maturing December 20, 1983 and payable in annual installments of $12,500,000 in 1980-1983.

On March 10, 1977, $75,000,000 Consolidated Bonds, Forty-fifth Series, 6½ percent, due February 1, 2012, was sold at a bid price of 99.30 to an investment group headed by Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Two additional bank loans were obtained by the Port Authority in November, 1977 in aggregate amounts of $25,000,000 and $50,000,000, each bearing interest at a rate per annum equal to 7¾% or 70% of the prime interest rate as defined in the loan agreements, whichever is less. The $25,000,000 loan is to mature on December 20, 1981 and is payable in annual installments of $12,500,000 in 1980 and 1981. The $50,000,000 loan is to mature on December 20, 1983 and is payable in annual installments of $6,250,000 in 1980 and 1981 and of $18,750,000 in 1982 and 1983.

Consolidated Bonds, Forty-fourth Series, Consolidated Bonds, Series Forty-four-A and Consolidated Bonds, Series Forty-four-B, all due in 2011, in the respective principal amounts of $50,000,000, $25,000,000 and $50,000,000 were issued by the Port Authority solely as additional security for the respective payments of the three bank loans obtained in 1977 and are held in trust for that purpose (without payment of the 7½% interest thereon during the period in which they are held in trust) to be cancelled and destroyed upon the respective payment of the three bank loans obtained in 1977.

During the year, $34,754,000 par value of long-term bonds was retired through mandatory sinking fund and maturity payments. On December 20, 1977, the Port Authority made scheduled annual installment payments of $20,000,000 on the 1970 bank loan, $35,000,000 on the 1971 bank loan, and $5,000,000 on the 1973 bank loan.

With these payments, the 1970 and 1971 bank loans were fully repaid as scheduled. The unpaid balance of the four bank loans still outstanding was $205,000,000 at year-end.

Additional Information for Bondholders

Consolidated Bonds are direct and general obligations of the Port Authority and its full faith and credit are pledged to the payment of debt service thereon.

All Consolidated Bonds are further secured by a pledge of the monies in the Consolidated Bond Reserve Fund, as provided in the Consolidated Bond Resolution.

The only obligations of the Port Authority which were issued prior to the establishment in 1952 of the issue of Consolidated Bonds and which presently remain outstanding are General and Refunding, Air Terminal and Marine Terminal Bonds. In the Consolidated Bond Resolution of 1952, the Port Authority covenanted that no additional General and Refunding, Air Terminal or Marine Terminal Bonds would be issued.

By year-end 1970, the Special Reserve Fund (for General and Refunding Bonds), the Air Terminal Reserve Fund and the Marine Terminal Reserve Fund reached a level sufficient to secure fully the payment of principal and interest to redemption on the outstanding bonds for which such Funds had been established. On December 31, 1970, the Port Authority placed amounts available from such funds in trust with First National City Bank (now Citibank, N.A.), as Trustee, to secure fully, unconditionally and absolutely the Port Authority's obligation to provide for the redemption as scheduled and the payment of interest until redemption on such outstanding bonds. After the establishment and during the maintenance of these trust funds, no further payments are required to be made into such Reserve Funds. Furthermore, all Consolidated Bonds of the Port Authority, including any which may hereafter be issued, are now equally and ratably secured by a pledge of the net revenues of all its existing facilities and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds.

The establishment and maintenance of the Reserve Funds in Trust permit the application of all net revenues of the Port Authority to the payment of debt service on Consolidated Bonds, with all remaining balances, except such amounts as may be necessary to maintain the General Reserve Fund in the amount specified by the General Reserve Fund statutes, to be paid into the Consolidated Bond Reserve Fund. The net revenues accumulated in the Consolidated Bond Reserve Fund are available to meet debt service on the bank loans obtained by the Port Authority in 1973 and January, 1977 and the two bank loans obtained in November, 1977.

On December 31, 1977, outstanding Consolidated Bonds and Notes totaled $1,929,152,000. Over the years, the Port Authority has issued $2,791,650,000 of Consolidated Bonds and Notes, exclusive of refundings.

Price Waterhouse & Co.

153 EAST 53RD STREET
NEW YORK, N.Y. 10022
212-371-2000

February 21, 1978,
except for Note L as to which
the date is March 16, 1978

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

We have examined the consolidated statement of financial position of The Port Authority of New York and New Jersey and its subsidiary, Port Authority Trans-Hudson Corporation, as of December 31, 1977 and 1976, and the related consolidated statements of income, changes in financial position and changes in net assets for the years then ended. We also have examined the accompanying Schedules A through H. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of The Port Authority of New York and New Jersey and its subsidiary at December 31, 1977 and 1976, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Also, in our opinion, Schedules A through G present fairly the consolidated assets and liabilities of the Authority at December 31, 1977, the consolidated revenues and reserves for the year and the five-year financial data included therein, and Schedule H presents fairly the assets and liabilities of the New York State Commuter Car Program at December 31, 1977, all in conformity with the accounting principles described in Note I, applied on a consistent basis.

Price Waterhouse & Co.

Consolidated Statement of Income

	Year Ended December 31,	
	1977	1976
	(In Thousands)	
Gross Operating Revenues	**$524,325**	$496,413
Operating Expenses	**(327,047)**	(310,701)
Depreciation	**(94,753)**	(90,571)
Income from Operations	**102,525**	95,141
Financial Income and Expense:		
Income on investments	**24,695**	22,211
Gain on purchase of Port Authority bonds	**3,670**	6,446
Security valuation adjustment	**(127)**	1,381
Interest on bonded debt	**(83,861)**	(78,755)
Interest on bank loans	**(8,329)**	(9,213)
Net Income	**$ 38,573**	$ 37,211

Consolidated Statement of Financial Position

	December 31,	
	1977	1976
	(In Thousands)	
Assets		
Facilities, at Cost (Note B)	**$3,738,715**	$3,643,598
Less Accumulated Depreciation	**935,872**	841,355
Facilities, Net	**2,802,843**	2,802,243
Investment in Securities (Schedule D)	**460,341**	396,491
Cash and Time Deposits	**46,403**	53,718
Other Assets	**97,039**	94,776
Total Assets	**3,406,626**	3,347,228
Liabilities		
Bonded Debt (Schedule E)	**1,821,923**	1,881,677
Bank Loans Payable (Note C)	**205,000**	140,000
Accounts Payable and Other Liabilities	**156,861**	150,462
Deferred Credits to Income	**4,611**	2,247
Total Liabilities	**2,188,395**	2,174,386
Net Assets	**$1,218,231**	$1,172,842

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Financial Position and Changes in Net Assets

	Year Ended December 31,	
	1977	1976
	(In Thousands)	
Changes in Financial Position		
Funds Provided from:		
Net Income	**$ 38,573**	$ 37,211
Depreciation	**94,753**	90,571
Funds provided by operations	**133,326**	127,782
Consolidated bonds	**75,000**	150,000
Bank loans	**125,000**	—
Government contributions in aid of construction	**6,816**	4,713
Net increase in accounts payable and other liabilities	**6,399**	4,846
Net change in other assets and deferred credits	**101**	—
Total Funds Provided	**346,642**	287,341
Funds Applied to:		
Cost of facilities	**95,353**	116,386
Retirement of bonded debt	**34,754**	32,897
Repayment of bank loans	**60,000**	60,000
Refunding of consolidated notes	**100,000**	—
Net change in other assets and deferred credits	**—**	6,769
Total Funds Applied	**290,107**	216,052
Net Increase in Cash and Investments	**56,535**	71,289
Changes in Net Assets		
Balance at January 1	**1,172,842**	1,130,918
Net Income	**38,573**	37,211
Government Contributions in Aid of Construction	**6,816**	4,713
Balance at December 31	**$1,218,231**	$1,172,842

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note A—Accounting Policies:

1. The Port Authority of New York and New Jersey, created in 1921 by compact between the two states, with the consent of Congress, has no stockholders or equity holders; all revenues or other cash received must be disbursed for specific purposes in accordance with provisions of various statutes and agreements with holders of its bonds and others.

2. The accounts of the Port Authority Trans-Hudson Corporation (PATH), a subsidiary of the Port Authority, are consolidated in the accompanying financial statements and schedules. The assets and liabilities of the New York State Commuter Car Program are not included in the Port Authority's financial statements for the reasons set forth in the Note on Schedule H.

3. Facilities are carried at cost and include the expenditure of Federal and State grants, to acquire, construct, place in operation and improve the facilities of the Port Authority and include net interest expense during the period of construction.

Expenditures for repairs and maintenance are charged to operating expenses as incurred. Planning costs relating to potential new facilities are generally deferred pending authorization of construction.

4. Depreciation is computed on the straight-line method based on estimated useful lives of the related assets including those financed by government contributions. In distributing net income to fund balances, a charge representing depreciation on assets acquired with contributions is made against the related contributions account. The cost and accumulated depreciation related to assets removed from service are eliminated from the accounts. Depreciation is not a factor in determining the net revenues and reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions (see Note A-1 and Note I).

5. Investments in long-term and short-term United States securities are stated at the lower of their respective aggregate amortized cost or market value. Investments in Port Authority bonds acquired in 1973 and subsequently are stated at par; the excess of par value over the purchase price of the bonds is credited to income. Port Authority bonds acquired prior to 1973 are stated at their cost plus amortization of discount to maturity.

6. The Port Authority provides for potential losses under its self-insurance program by appropriation from the Consolidated Bond Reserve Fund to the operating fund and charges actual losses to operating expenses as incurred.

Note B—Facilities, Depreciation and Government Contributions in Aid of Construction:

Cost of facilities is composed of the following:

	December 31,	
	1977	1976
	(In Thousands)	
Completed Construction:		
Airports	$1,277,204	$1,242,277
World Trade Center	949,047	887,970
Tunnels & Bridges	535,713	533,962
Marine Terminals	514,778	502,867
Rail Facilities	254,678	252,791
Bus & Truck Terminals	67,398	67,364
	3,598,818	3,487,231
Construction in Progress	139,897	156,367
	$3,738,715	$3,643,598

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

Tunnels and bridges	100 years
Buildings	25 to 50 years
Runways and other paving	15 to 25 years
Machinery and equipment	5 to 35 years

At December 31, 1977, the Port Authority had received gross contributions in aid of construction from federal and state agencies aggregating $158,415,000. Depreciation on assets relating to these contributions was $4,575,000 in 1977 and $4,288,000 in 1976. Net interest added to cost of facilities was $9,603,000 and $9,328,000 for the years 1977 and 1976, respectively (see Note A-3).

Two new passenger terminals at Newark International Airport were opened in 1973. The superstructure of a third terminal was substantially completed in 1976 and is to be put into operation when additional terminal capacity is required. Net income for 1977 and 1976 includes amounts of $1,647,900 and $1,222,400, respectively, for depreciation on the Port Authority's investment which was $47,312,200 at December 31, 1977, and $46,225,900 at December 31, 1976, related to the third terminal.

Note C—Financing:

The Port Authority finances construction of its facilities primarily by issuing bonded debt and through bank loans. Details of bonded debt and amortization are included on Schedules E and F.

1. The scheduled repayment of the Authority's loans obtained from banks and trust companies is as follows:

	December 31,	
Bank Loans	**1977**	**1976**
Payable in 1977 at 5¼ %	$ —	$ 20,000,000
Payable in 1977 at 5¼%	—	35,000,000
Payable $5,000,000 at 5.45% in 1977 and $40,000,000 annually in 1978 and 1979 at 5.45%	80,000,000	85,000,000
Payable $12,500,000 annually 1980-1983 at 5¾%	50,000,000	—
Payable $12,500,000 annually in 1980 and 1981 at a rate per annum equal to the lesser of (i) 70% of prime interest rate as defined in the loan agreement or (ii) 7¾%	25,000,000	—
Payable $6,250,000 annually in 1980 and 1981 and $18,750,000 annually in 1982 and 1983 at a rate per annum equal to the lesser of (i) 70% of prime interest rate as defined in the loan agreement or (ii) 7¾%	50,000,000	—
	$205,000,000	$140,000,000

The loans may be prepaid in whole or in part on interest payment dates. Under the terms of the loan agreements, and as a result of the establishment and maintenance in trust of the Special Reserve Fund, Air Terminal Reserve Fund and Marine Terminal Reserve Fund (see Note G), annual installment payments on the bank loans are being made exclusively from net revenues available therefor in the Consolidated Bond Reserve Fund. Payment of the loans and interest thereon is subject in all respects to the payment of debt service on the General and Refunding Bonds, Air Terminal Bonds, Marine Terminal Bonds and Consolidated Bonds, as required by the applicable provisions of the Port Authority's bond resolutions, and to the payment into the General Reserve Fund of the amount necessary so as to maintain such Fund at the amount specified in the General Reserve Fund statutes. Neither the loans nor the interest thereon are secured by or payable from the General Reserve Fund.

2. The Authority obtained a bank loan in January, 1977, in the principal amount of $50,000,000 at an interest cost of 5¾% per annum payable $12,500,000 annually 1980-1983. The proceeds of the loan were used for the purpose of refunding on June 1, 1977, the Port Authority's $50,000,000 Consolidated Notes, Series CC, 6¾%, due June 1, 1978.

On March 10, 1977, the Authority sold $75,000,000 Consolidated Bonds, Forty-fifth Series, due 2012, at an average annual net interest cost of 6.5253%. $50,000,000 of the proceeds of this Series was used for the purpose of refunding on June 1, 1977, the Port Authority's $50,000,000 Consolidated Notes, Series BB, 6¾%, due June 1, 1978.

The Port Authority obtained two additional bank loans in November, 1977 in the respective principal amounts of $25,000,000 and $50,000,000, each bearing interest at a rate per annum equal to the lesser of (i) 70% of prime interest rate as defined in the loan agreements or (ii) 7¾%. The $25,000,000 loan is to mature in 1981 and is payable in annual installments of $12,500,000 in 1980 and 1981. The $50,000,000 loan is to mature in 1983 and is payable in annual installments of $6,250,000 in 1980 and 1981 and of $18,750,000 in 1982 and 1983. Consolidated Bonds, Forty-fourth Series, Consolidated Bonds, Series Forty-four-A and Consolidated Bonds, Series Forty-four-B, all due 2011, in the respective principal amounts of $50,000,000, $25,000,000 and $50,000,000 were issued by the Port Authority solely as additional security for the payment of the three bank loans obtained in 1977 and are held in trust for that purpose (without payment of the 7½% interest thereon during the period in which they are held in trust) to be cancelled and destroyed upon the respective payment of the three bank loans obtained in 1977 as described in paragraph 1 of this note.

Note D—Reserves:

The General Reserve Fund statutes provide for the Port Authority to maintain the General Reserve Fund in an amount equal to at least 10 percent of the outstanding bonded debt which is secured by a pledge of the Fund. The specified statutory amount was $194,692,300 at December 31, 1977. The Port Authority has established the policy of maintaining total reserve funds in an amount equal to at least the next two years' mandatory debt service on outstanding bonded debt. The bank loans described in Note C are not included in determining this outstanding debt. Consolidated Bonds, Forty-fourth Series, Consolidated Bonds, Series Forty-four-A and Consolidated Bonds, Series Forty-four-B also described in Note C are so included.

At December 31, 1977, the Port Authority met the requirements of its bond resolutions to maintain total reserve funds in cash and specified marketable securities. Such amount included $18,752,700, held in trust for repayment of principal and interest on General and Refunding, Air Terminal and Marine Terminal Bonds (see Note G).

Note E—Pension and Retirement Plans:

Employees of the Port Authority are covered by the New York State Employees' Retirement System or the New York State Policemen's and Firemen's Retirement System or, in the case of PATH employees, by the provisions of the Railroad Retirement Act and for certain PATH employees, by a supplemental plan. The Port Authority's contributions to these plans are based primarily on billings from the two New York State retirement systems and federal regulations governing employer contributions to the Railroad Retirement Board. For the years 1977 and 1976, the Port Authority provided $32,500,000 and $33,100,000, respectively, as its contribution to these plans. No information is available from these retirement systems as to any excess of the actuarially computed value of vested benefits over pension fund assets related to the Port Authority's participation in these plans.

Note F—Leases:

Rental expenses under leases with the cities of New York, Newark and Hoboken for various air and marine terminals aggregated $14,100,000 in 1977 and $9,800,000 in 1976. The lease terms expire at various times from 2002 to 2018 and may be renewed for additional periods. Aggregate annual minimum rentals are approximately $6,500,000. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

Note G—Special, Air Terminal and Marine Terminal Reserve Funds in Trust:

In accordance with the provisions of the bank loan agreements (see Note C-1), the Port Authority, on December 31, 1970, placed into trust amounts available from the Port Authority's Special Reserve Fund, Air Terminal Reserve Fund and Marine Terminal Reserve Fund so that such Funds shall be maintained in amounts sufficient to secure fully, unconditionally and absolutely the Port Authority's obligation to provide for the redemption as scheduled and the payment of interest until redemption on the outstanding General and Refunding, Air Terminal and Marine Terminal Bonds. Under the terms of the Agreements of Trust, such bonds are not required to be paid or redeemed in advance of their scheduled redemption by operation of the sinking funds therefor.

Upon the establishment and maintenance of these Trust Funds, net revenues of the Port Authority's existing facilities are applicable to debt service on Consolidated Bonds and Notes and all remaining balances, except such amounts as may be necessary to maintain the General Reserve Fund in the prescribed amount, are payable into the Consolidated Bond Reserve Fund.

Note H—Commitments and Deferrals:

At December 31, 1977, the Port Authority was committed under various contracts to the completion within the next three years of approximately $83,000,000 of construction.

At December 31, 1977, approximately $8,000,000 of planning costs relating primarily to potential new rail mass transportation facilities were deferred (see Note A-3 and Note K). This amount does not include planning costs, which amounted to approximately $9,000,000 for a plan to provide rail access to John F. Kennedy International Airport, which were charged to operations in 1977. This charge resulted in a reduction of approximately $3,000,000 in net income, the balance being attributed to adjustments pursuant to lease agreements. In connection with the revisions to the Port Authority bridge and tunnel toll schedules which were effective May 5, 1975, the Port Authority has allocated $160,000,000 to the extension of the Port Authority Bus Terminal and has undertaken planning to allocate $240,000,000 for mass transportation projects, $120,000,000 in each of the States of New York and New Jersey in accordance with priorities established by responsible state officials and the commissioners of the Port Authority acting pursuant to legislative authorizations and commitments to the holders of Port Authority obligations (see Note L).

Note I—Basis of Preparation of Schedules A Through H:

Schedules A through H have been prepared in accordance with generally accepted accounting principles, except that the Port Authority's bond resolutions provide that net operating revenues shall not include an allowance for depreciation of facilities. Instead, recovery of facility capital costs is accomplished through deductions from revenues and reserves of amounts equal to principal payments on debt and reserves appropriated to Invested in Facilities. These deductions are credited at par to the accounts Debt Retired Through Income and Appropriated Reserves Invested in Facilities.

Invested in Facilities is compiled as described in Note A-3; the cost of assets removed from service is not deducted.

Note J—New York State's World Trade Center Offices:

Gross operating revenues include $22,500,000 in 1977 and $23,000,000 in 1976 related to office space which New York State occupies in a substantial portion of one of the tower buildings of the Port Authority's World Trade Center facility pursuant to a lease renewable for successive five-year terms totaling 100 years. The State is discussing the terms of the renewal of the lease with the Port Authority and it did not formally exercise its option in 1975 to renew for the next successive rental period.

Note K—Replacement of Statutory Covenant:

On September 28, 1977, the Committee on Finance of the Port Authority approved a study of a refinancing concept designed to lead to the replacement of the 1962 statutory covenant which limited the Port Authority's financial participation in additional deficit passenger railroad facilities. The refinancing would permit the Port Authority to proceed with plans for capital investment in mass transit including authorized passenger rail transit projects. The refinancing concept envisions the advance refunding of those bonds affected by the 1962 covenant through the issuance of new bonds, so that the provisions of the 1962 covenant would no longer be effective. However, the concept does not include further Port Authority responsibility for passenger rail transit operating deficits. The proceeds of the new bonds would be utilized to purchase special U.S. Treasury obligations, the interest and principal of which would secure and be used to pay the advance refunded bonds as they become due and payable. The study was nearing completion in December, 1977, when a proposed regulation of the U.S. Treasury Department with respect to refunding of certain industrial development bonds on a tax exempt basis impeded the progress of the proposed refunding.

Note L—Toll Increases:

In May, 1975, the Port Authority revised its toll schedules for its six interstate vehicular crossings resulting in additional tolls of about $40,000,000 for the year 1977. Litigation instituted in 1977 challenging the decision of the Federal Highway Administrator of the U.S. Department of Transportation which upheld the toll increase is presently pending. On February 2, 1978, plaintiffs' complaint was dismissed against the Federal Highway Administrator and the Secretary of Transportation and on March 16, 1978, the suit against the Port Authority was also dismissed. Plaintiffs sought to invalidate the toll increase and in the interim to enjoin the Port Authority from disbursing funds received pursuant to the toll increase and to impound such revenues in a trust fund administered by the court to be used to reduce tolls in the event the court finds the toll increase invalid. The plaintiffs have indicated their intention to appeal the court's decision.

Note M—Information On Port Authority Operations By Operating Segment:

Gross operating revenues by operating segment include revenues from operations but exclude interdepartmental revenues of $11,682,000 in 1977, and $11,114,000 in 1976. In the table below, gross operating income (loss) consists of gross operating revenues less operating and maintenance expenses and depreciation. Central expenses, financial income, interest on debt and interdepartmental revenues and expenses are not considered in calculating gross operating income (loss).

	Tunnels & Bridges	Rail Facilities	Bus & Truck Terminals	Airports	Marine Terminals	World Trade Center	Combined 1977	Combined 1976
				(In Thousands)				
1977								
Gross Operating Revenues	$133,027	$13,506	$14,735	$251,536	$44,671	$66,850	$524,325	
Gross Operating Income (Loss)	78,552	(29,485)	1,741	73,929	8,984	11,594	145,315	
1976								
Gross Operating Revenues	130,235	13,485	16,283	232,704	42,509	61,197		$496,413
Gross Operating Income (Loss)	75,985	(27,422)	1,278	69,347	8,741	8,658		136,587
Central Expenses							(42,790)	(41,446)
Income from Operations							102,525	95,141
Financial Income							28,238	30,038
Interest on Debt							(92,190)	(87,968)
Net Income							$ 38,573	$ 37,211

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

	Tunnels & Bridges	Rail Facilities	Bus & Truck Terminals	Airports	Marine Terminals	World Trade Center	Total Assets
				(In Thousands)			
1977 Assets							
Facilities, net—beginning of year	$398,748	$224,071	$ 74,255	$834,952	$386,777	$883,440	$2,802,243
Net capital expenditures	21,650	3,834	16,676	20,046	6,035	27,112	95,353
Depreciation	(7,661)	(5,658)	(1,148)	(49,411)	(14,148)	(16,727)	(94,753)
Facilities, net—end of year	412,737	222,247	89,783	805,587	378,664	893,825	2,802,843
Cash, investments and other assets							603,783
Total Assets							3,406,626
1976 Assets							
Facilities, net—beginning of year	395,295	222,593	59,751	862,046	388,212	848,531	2,776,428
Net capital expenditures	11,066	7,128	15,641	20,763	11,820	49,968	116,386
Depreciation	(7,613)	(5,650)	(1,137)	(47,857)	(13,255)	(15,059)	(90,571)
Facilities, net—end of year	$398,748	$224,071	$ 74,255	$834,952	$386,777	$883,440	2,802,243
Cash, investments and other assets							544,985
Total Assets							$3,347,228

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

	Year Ended December 31,			
	1977			1976
	Operating Fund	Reserve Funds (Schedule C)	**Combined Total**	Combined Total
		(In Thousands)		
Gross Operating Revenues	$524,325	$ —	**$524,325**	$496,413
Operating Expenses	327,047	—	**327,047**	310,701
Net Operating Revenues	197,278	—	**197,278**	185,712
Financial Income				
Income on investments (includes gain of $3,670,000 in 1977 and $6,446,000 in 1976 on purchase of Port Authority bonds)	6,157	22,208	**28,365**	28,657
Security valuation adjustment	(92)	(35)	**(127)**	1,381
Net Revenues Available for Debt Service and Reserves	203,343	22,173	**225,516**	215,750
Debt Service				
Interest on bonded debt	83,354	507	**83,861**	78,755
Serial maturities and sinking fund retirements	30,173	4,581	**34,754**	32,897
Interest on bank loans	—	8,329	**8,329**	9,213
Payment of bank loans	—	60,000	**60,000**	60,000
Total Debt Service	113,527	73,417	**186,944**	180,865
Direct Investment in Facilities	—	5,000	**5,000**	3,000
Appropriation for Self-Insurance	—	4,636	**4,636**	3,405
Transfers to Reserves	$(89,816)	89,816	**—**	—
Net Increase in Reserves		28,936	**28,936**	28,480
Reserve Balances—Beginning of Year		295,446	**295,446**	266,966
Reserve Balances—End of Year (Schedule C)		$324,382	**$324,382**	$295,446

See Notes to Consolidated Financial Statements.

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

	December 31, 1977				December 31, 1976
	Operating Fund	Capital Fund	Reserve Funds	**Combined Total**	Combined Total
			(In Thousands)		
Assets					
Invested in Facilities	$ —	$3,792,776	$ —	**$3,792,776**	$3,697,423
Investment in Securities (Schedule D)	50,308	88,895	321,138	**460,341**	396,491
Cash and Time Deposits	15,594	27,565	3,244	**46,403**	53,718
Other Assets	92,441	4,598	—	**97,039**	94,776
Total Assets	158,343	3,913,834	324,382	**4,396,559**	4,242,408
Liabilities					
Bonded Debt (Schedule E)	—	1,821,923	—	**1,821,923**	1,881,677
Bank Loans Payable (Note C)	—	205,000	—	**205,000**	140,000
Accounts Payable and Other Liabilities	130,497	26,364	—	**156,861**	150,462
Deferred Credits to Income	4,611	—	—	**4,611**	2,247
Total Liabilities	135,108	2,053,287	—	**2,188,395**	2,174,386
Net Assets	23,235	1,860,547	324,382	**2,208,164**	2,068,022
Net Assets are Composed of:					
Debt Retired Through Income	—	1,614,301	—	**1,614,301**	1,519,547
Reserves (Schedule C)	—	—	324,382	**324,382**	295,446
Contributions from Federal and State Agencies in Aid of Construction	—	158,415	—	**158,415**	151,599
Appropriated Reserves Invested in Facilities	—	87,831	—	**87,831**	82,831
Appropriated Reserves for Self-Insurance	23,235	—	—	**23,235**	18,599
Net Assets	$ 23,235	$1,860,547	$324,382	**$2,208,164**	$2,068,022

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31, 1977					
			Reserve Funds in Trust For			
	General Reserve Fund	Consolidated Bond Reserve Fund	General & Refunding Bonds	Air Terminal Bonds	Marine Terminal Bonds	**Combined Total**
			(In Thousands)			
Balance—January 1	$188,168	$ 83,466	$11,554	$10,925	$1,333	**$295,446**
Income on investments (includes gain on purchase of Port Authority bonds)	14,332	6,084	875	817	100	**22,208**
Security valuation adjustment	(23)	(10)	(1)	(1)	—	**(35)**
Reserve fund transfers	(7,785)	9,546	(888)	(790)	(83)	**—**
Transfers from operating fund	—	89,816	—	—	—	**89,816**
	194,692	188,902	11,540	10,951	1,350	**407,435**
Applications:						
Interest on bonded debt	—	—	154	304	49	**507**
Serial maturities and sinking fund retirements	—	—	1,194	2,881	506	**4,581**
Interest on bank loans	—	8,329	—	—	—	**8,329**
Payment of bank loans	—	60,000	—	—	—	**60,000**
Invested in facilities	—	5,000	—	—	—	**5,000**
Self-insurance	—	4,636	—	—	—	**4,636**
Total Applications	—	77,965	1,348	3,185	555	**83,053**
Balance—December 31 (Note D)	$194,692	$110,937	$10,192	$ 7,766(A)	$ 795(B)	**$324,382**

(A) Includes Sinking Fund balance of $4,317,000 related to Air Terminal Bonds.
(B) Includes Sinking Fund balance of $462,000 related to Marine Terminal Bonds.

Schedule D **Investment in Securities** December 31, 1977

	Principal Amount	Quoted Market Value	Amortized Cost
		(In Thousands)	
Short-Term			
United States Treasury Bills	$222,958	$219,603	$219,610
United States Treasury Notes	35,500	35,304	35,462
Farmers Home Administration Insured Notes	4,909	4,903	4,902
G.N.M.A. Participation Certificates	1,390	1,359	1,377
Security Valuation Adjustment	—	—	(182)
Total Short-Term	264,757	261,169	261,169
Long-Term			
Farmers Home Administration Insured Notes	76,401	77,822	76,280
United States Treasury Notes	68,000	67,819	68,161
G.N.M.A. Participation Certificates	15,760	14,564	15,668
Export-Import Bank Participation Certificates	865	785	870
Total Long-Term United States Securities	161,026	$160,990	160,979
Bonds of The Port Authority of New York and New Jersey	30,736		30,512
Total Long-Term	$191,762		191,491
Accrued Interest Receivable			7,681
Total Investment in Securities			$460,341

See Notes to Consolidated Financial Statements.

Schedule E **Bonded Debt** Year Ended December 31, 1977

		January 1, 1977	Issued	Retired	December 31, 1977
			(In Thousands)		
General and Refunding Bonds					
Ninth Series	1½% due 1985	$ 3,247	$ —	$ 385	$ 2,862
Tenth Series	1¾% due 1985	1,934	—	228	1,706
Eleventh Series	1¼% due 1986	5,503	—	581	4,922
		10,684	—	1,194	9,490
Air Terminal Bonds					
First Series	3% due 1978	3,980	—	1,931	2,049
Second Series	2½% due 1979	4,241	—	718	3,523
Third Series	2.20% due 1980	2,174	—	232	1,942
		10,395	—	2,881	7,514
Marine Terminal Bonds					
First Series	2½% due 1978	732	—	366	366
Second Series	2.20% due 1980	541	—	140	401
		1,273	—	506	767
Consolidated Bonds					
First Series	3% due 1982	9,695	—	1,528	8,167
Second Series	2¾% due 1984	12,440	—	900	11,540
Fourth Series	2¾% due 1985	16,500	—	1,500	15,000
Fifth Series	2.90% due 1983	10,380	—	680	9,700
Sixth Series	3% due 1986	18,000	—	600	17,400
Seventh Series	3.40% due 1986	15,100	—	600	14,500
Eighth Series	3.40% due 1987	32,000	—	1,000	31,000
Tenth Series	3¾% due 1987	21,300	—	900	20,400
Eleventh Series	3% due 1977-1978	4,000	—	2,000	2,000
Twelfth Series	3⅜% due 1988	25,900	—	1,400	24,500
Thirteenth Series	Various due 1977-1978	2,500	—	1,250	1,250
Fourteenth Series	3⅝% due 1989	36,135	—	2,365	33,770
Fifteenth Series	4.10% due 1977-1979	5,250	—	1,750	3,500
Sixteenth Series	4¼% due 1989	16,425	—	1,075	15,350
Seventeenth Series	Various due 1977-1980	6,000	—	1,500	4,500
Eighteenth Series	3½% due 1977-1981	10,500	—	2,100	8,400
Nineteenth Series	3½% due 1991	18,250	—	750	17,500
Twentieth Series	3¼% due 1993	29,400	—	700	28,700
Twenty-first Series	3.40% due 1993	21,000	—	500	20,500
Twenty-second Series	3⅜% due 1993	21,000	—	500	20,500
Twenty-third Series	3⅜% due 1994	21,500	—	500	21,000
Twenty-fourth Series	3½% due 1994	21,500	—	500	21,000
Twenty-fifth Series	Various due 1977-1984	12,000	—	1,500	10,500
Twenty-sixth Series	3½% due 1995	31,675	—	700	30,975
Twenty-seventh Series	3⅛% due 1995	23,875	—	375	23,500
Twenty-eighth Series	3⅜% due 1996	24,250	—	250	24,000
Twenty-ninth Series	3½% due 1996	24,250	—	250	24,000
Thirtieth Series	3⅝% due 1998	23,500	—	500	23,000
Thirty-first Series	4% due 2002	98,000	—	1,000	97,000
Thirty-second Series	5% due 2003	98,500	—	500	98,000
Thirty-third Series	4¾% due 2003	98,500	—	500	98,000
Thirty-fourth Series	5½% due 2003	100,000	—	—	100,000
Thirty-fifth Series	6⅝% due 2005	100,000	—	—	100,000
Thirty-sixth Series	6.40% due 2005	50,000	—	—	50,000
Thirty-seventh Series	6% due 2006	100,000	—	—	100,000
Thirty-eighth Series	5⅜% due 2006	100,000	—	—	100,000
Thirty-ninth Series	5.80% due 2007	150,000	—	—	150,000
Fortieth Series	6% due 2008	100,000	—	—	100,000
Forty-first Series	5½% due 2008	100,000	—	—	100,000
Forty-second Series	8.20% due 2011	100,000	—	—	100,000
Forty-third Series	7% due 2011	50,000	—	—	50,000
Series Forty-four	7½% due 2011 (See Note C)	—	—	—	—
Forty-fifth Series	6½% due 2012	—	75,000	—	75,000
Consolidated Notes					
Series BB	6¾% due 1978	50,000	—	—	—
Refunded		—	(50,000)	—	—
Series CC	6¾% due 1978	50,000	—	—	—
Refunded		—	(50,000)	—	—
		1,859,325	(25,000)	30,173	1,804,152
Total Bonded Debt		$1,881,677	$(25,000)	$34,754	$1,821,923

See Notes to Consolidated Financial Statements.

Schedule F **Bonded Debt Amortization 1978-2012** December 31, 1977 (In Thousands)

	Debt Service Total All Issues			Amortization			
	Par Value $1,821,923						
Year	Total	Interest	Amortization	Consolidated Bonds	General and Refunding Bonds	Air Terminal Bonds	Marine Terminal Bonds
1978	$ 137,720	$ 93,256	$ 44,464	$ 35,793	$ 1,211	$ 6,847	$ 613
1979	131,885	91,892	39,993	37,944	1,228	667	154
1980	132,178	90,507	41,671	40,425	1,246	—	—
1981	131,521	89,050	42,471	41,207	1,264	—	—
1982	130,496	87,566	42,930	41,648	1,282	—	—
1983	131,911	85,973	45,938	44,638	1,300	—	—
1984	133,928	84,213	49,715	48,398	1,317	—	—
1985	132,758	82,311	50,447	49,805	642	—	—
1986	135,725	80,219	55,506	55,506	—	—	—
1987	132,544	77,912	54,632	54,632	—	—	—
1988	126,867	75,661	51,206	51,206	—	—	—
1989	125,403	73,360	52,043	52,043	—	—	—
1990	125,512	70,989	54,523	54,523	—	—	—
1991	126,249	68,364	57,885	57,885	—	—	—
1992	126,102	65,514	60,588	60,588	—	—	—
1993	127,378	62,419	64,959	64,959	—	—	—
1994	123,438	59,122	64,316	64,316	—	—	—
1995	121,118	55,703	65,415	65,415	—	—	—
1996	118,083	52,083	66,000	66,000	—	—	—
1997	115,917	48,417	67,500	67,500	—	—	—
1998	115,243	44,493	70,750	70,750	—	—	—
1999	113,408	40,408	73,000	73,000	—	—	—
2000	110,645	36,145	74,500	74,500	—	—	—
2001	108,506	31,756	76,750	76,750	—	—	—
2002	107,345	27,095	80,250	80,250	—	—	—
2003	99,866	22,366	77,500	77,500	—	—	—
2004	80,567	18,067	62,500	62,500	—	—	—
2005	76,674	14,174	62,500	62,500	—	—	—
2006	62,302	10,302	52,000	52,000	—	—	—
2007	46,697	7,197	39,500	39,500	—	—	—
2008	34,750	5,000	29,750	29,750	—	—	—
2009	19,126	3,376	15,750	15,750	—	—	—
2010	17,966	2,216	15,750	15,750	—	—	—
2011	16,805	1,055	15,750	15,750	—	—	—
2012	5,278	28	5,250	5,250	—	—	—
Total	$3,581,911	$1,758,209	$1,823,702	$1,805,931	$9,490	$7,514	$767

NOTE: Includes all mandatory payments (including sinking fund requirements, applicable call premiums and serial maturities) whether payable from revenues or other sources upon assumptions that: (1)—the presently outstanding bonds will not be retired prior to maturity except in accordance with the mandatory retirement provisions of the resolutions establishing the series of which such bonds form a part; (2)—the payment into each sinking fund will be made on the latest permissible date of each year for which such sinking fund payment is required to be made; (3)—such payments will be in the amounts scheduled to be made for such year. Interest shown under "Debt Service Total All Issues" is computed on the assumption that amortization payments will be made each year on the latest permissible date. The above table does not include payments on the bank loans (See Note C to Consolidated Financial Statements). Not included are $50,000,000 Consolidated Bonds, Forty-fourth Series, dated December 20, 1976, due December 20, 2011, $25,000,000 Consolidated Bonds, Series Forty-four-A, dated December 20, 1977, due December 20, 2011, and $50,000,000 Consolidated Bonds, Series Forty-four-B, dated December 20, 1977, due December 20, 2011, each of which was issued by the Port Authority solely as additional security for the respective payment of the Port Authority's $50,000,000 bank loan of January, 1977, $25,000,000 bank loan of November, 1977, and $50,000,000 additional bank loan of November, 1977, and are held in Trust for these purposes (without payment of the interest on such bonds while held in trust). Amortization and interest applicable to General and Refunding, Air Terminal and Marine Terminal Bonds are secured by trusts as outlined in Note G to Consolidated Financial Statements.

See Notes to Consolidated Financial Statements.

Schedule G **Selected Financial Data**

	1977	1976	1975	1974*	1973*
			(In Thousands)		
REVENUES AND EXPENSES					
Gross Operating Revenues	**$ 524,325**	$ 496,413	$ 458,406	$ 410,412	$ 373,497
Operating Expenses	**327,047**	310,701	289,138	252,037	234,475
Net Operating Revenues	**197,278**	185,712	169,268	158,375	139,022
Income on Investments	**24,695**	22,211	20,965	21,228	16,806
Gain on Purchase of Port Authority Bonds	**3,670**	6,446	8,283	4,880	6,809
Security Valuation Adjustment	**(127)**	1,381	2,453	(3,061)	(3,591)
Net Revenues Available for Debt Service and Reserves	**225,516**	215,750	200,969	181,422	159,046
DEBT SERVICE—OPERATIONS					
Interest on Bonded Debt	**(83,354)**	(78,195)	(71,552)	(65,562)	(49,729)
Times, Interest Earned	**2.71**	2.76	2.81	2.77	3.20
Serial Maturities and Sinking Fund Retirements	**(30,173)**	(29,204)	(30,055)	(28,703)	(26,047)
Times, Debt Service Earned	**1.99**	2.01	1.98	1.92	2.10
DEBT SERVICE—RESERVES					
Debt Service on Bonds Secured by Trusts	**(5,088)**	(4,253)	(6,572)	(6,488)	(6,874)
Interest on Bank Loans	**(8,329)**	(9,213)	(8,464)	(9,119)	(6,775)
Bank Loan Payments	**(60,000)**	(60,000)	(55,000)	(40,000)	(35,000)
Direct Investment in Facilities—Reserves	**(5,000)**	(3,000)	(15,000)	(11,000)	(8,000)
Appropriation for Self-Insurance—Reserves	**(4,636)**	(3,405)	(2,417)	(2,257)	(1,959)
Net Increase in Reserves	**28,936**	28,480	11,909	18,293	24,662
RESERVE BALANCES					
Beginning of Year	**295,446**	266,966	255,057	236,764	212,102
End of Year	**324,382**	295,446	266,966	255,057	236,764
Represented By:					
General Reserve	**194,692**	188,168	176,457	173,487	173,487
Special Reserve (A)	**10,192**	11,554	12,767	13,898	16,047
Air Terminal Reserve (A)	**7,766**	10,925	13,576	18,660	22,664
Marine Terminal Reserve (A)	**795**	1,333	1,757	2,212	2,634
Consolidated Bond Reserve	**110,937**	83,466	62,409	46,800	21,932
Total	**324,382**	295,446	266,966	255,057	236,764
DEBT—AT YEAR-END					
General and Refunding Bonds	**9,490**	10,684	11,717	12,658	14,586
Air Terminal Bonds	**7,514**	10,395	12,671	17,203	20,577
Marine Terminal Bonds	**767**	1,273	1,657	2,059	2,417
Consolidated Bonds and Notes	**1,804,152**	1,859,325	1,738,529	1,668,584	1,697,287
Total Bonded Debt	**1,821,923**	1,881,677	1,764,574	1,700,504	1,734,867
Bank Loans	**205,000**	140,000	200,000	255,000	295,000
Total	**$2,026,923**	$2,021,677	$1,964,574	$1,955,504	$2,029,867
INVESTED IN FACILITIES—AT YEAR-END	**$3,792,776**	$3,697,423	$3,581,037	$3,442,489	$3,268,381
DEBT RETIREMENT THROUGH INCOME					
Annual	**$ 94,754**	$ 92,897	$ 90,930	$ 74,363	$ 66,943
Cumulative	**$1,614,301**	$1,519,547	$1,426,650	$1,335,720	$1,261,357

NOTE: These combined totals are presented for general information purposes only and are not intended to reflect specific applications of the revenues and reserves of the Port Authority, which are governed by statutes and its bond resolutions.

(A) Reserve Funds maintained in Trust since December 31, 1970. See Note G of Notes to Consolidated Financial Statements.

*Restated, in accordance with a Standard of the Financial Accounting Standards Board, *Accounting for Contingencies*, adopted in 1975.

See Notes to Consolidated Financial Statements.

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

	December 31, 1977			December 31, 1976
	Related to Cars			
	Leased to Metropolitan Transportation Authority	Leased to Consolidated Rail Corporation (Conrail)	**Combined Total**	Combined Total
	(In Thousands)			
Assets				
Invested in Commuter Cars, at Cost	$63,000	$37,490	**$100,490**	$100,490
Cash and Investment in U.S. Government Securities, at Cost (which approximates market)	—	3,092	**3,092**	2,635
Other Assets	222	383	**605**	596
Total Assets	63,222	40,965	**104,187**	103,721
Liabilities				
State Guaranteed Commuter Car Bonds	51,960	26,420	**78,380**	80,925
Accounts Payable and Other Liabilities	222	3,215	**3,437**	2,971
Total Liabilities	52,182	29,635	**81,817**	83,896
Net Assets	$11,040	$11,330	**$ 22,370**	$ 19,825

NOTE: Pursuant to legislation of the States of New York and New Jersey, the Port Authority is authorized and empowered, upon the election of either state, to purchase and lease railroad cars to commuter railroads of the electing state, and to borrow money for such purpose or for the repayment of advances from the electing state if such state has made itself liable for the repayment of the money so borrowed. By resolution dated April 12, 1962, the Port Authority established an issue of New York State Guaranteed Commuter Car Bonds. Such Car Bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars. Car Bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority. In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of such debt service is fully and unconditionally guaranteed by New York State. Title to the cars is to be relinquished by the Port Authority after retirement of all obligations issued in connection with such cars.

See Notes to Consolidated Financial Statements.

THE PORT AUTHORITY OF NY & NJ

1977 Annual Report

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