

**THE PORT AUTHORITY** OF NY & NJ

## 2013 ANNUAL REPORT

*Comprehensive Annual Financial Report for the Year Ended December 31, 2013*



**FOCUS FORWARD**





## ABOUT THE PORT AUTHORITY

The Port Authority of New York and New Jersey builds, operates, and maintains many of the most important transportation and infrastructure assets in the country. The agency's network of aviation, rail, surface transportation, and seaport facilities moves hundreds of millions of people and goods throughout the region annually and supports more than 550,000 regional jobs, more than \$23 billion in annual wages, and \$80 billion in annual economic activity.



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*The Port Authority of New York and New Jersey*

*Comprehensive Annual Financial Report for the Year Ended December 31, 2013*

Prepared by the Marketing and Comptroller's departments of The Port Authority of New York and New Jersey

225 Park Avenue South, New York, NY 10003-1604

[www.panynj.gov](http://www.panynj.gov)





## SELECT FACILITIES

The Port Authority of New York and New Jersey's facilities include America's busiest airport system, the Port of New York and New Jersey, the PATH rail transit system, six tunnels and bridges connecting New York and New Jersey, and the Port Authority Bus Terminal in Manhattan. The Port Authority also owns and manages the 16-acre World Trade Center site, home to the iconic One World Trade Center, the tallest building in the Western Hemisphere. Each of these facilities plays a key role in supporting the region's transportation infrastructure and economic livelihood.

### AVIATION

John F. Kennedy International Airport  
LaGuardia Airport  
Newark Liberty International Airport  
Stewart International Airport  
Teterboro Airport  
Atlantic City International Airport<sup>1</sup>

### TUNNELS, BRIDGES & TERMINALS

Holland Tunnel  
Lincoln Tunnel  
  
Bayonne Bridge  
George Washington Bridge  
Goethals Bridge  
Outerbridge Crossing

George Washington Bridge Bus Station  
Port Authority Bus Terminal

### PORT COMMERCE

Brooklyn-Port Authority Marine Terminal  
Elizabeth-Port Authority Marine Terminal  
Greenville Yard-Port Authority Marine Terminal  
Howland Hook Marine Terminal  
Port Jersey-Port Authority Marine Terminal  
Port Newark  
Red Hook Container Terminal

### PORT AUTHORITY TRANS-HUDSON

PATH Rail Transit System  
Journal Square Transportation Center

### WORLD TRADE CENTER

*<sup>1</sup>In July 2013, The Port Authority of New York and New Jersey and the South Jersey Transportation Agency entered into a management agreement for the provision of general management services by the Port Authority at the airport.*



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



THE HONORABLE  
CHRIS CHRISTIE  
Governor, State of New Jersey

## LETTER OF TRANSMITTAL TO THE GOVERNORS

Dear Governors:

On behalf of the Board of Commissioners, I am pleased to present to you and to the Legislatures of New York and New Jersey, the 2013 Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey. The following pages highlight the agency's accomplishments in pursuing its mission of providing critical transportation, terminal and other facilities of commerce and economic development in the Port District, supporting the nation's largest regional economy.

In early 2014, as the culmination of significant planning efforts undertaken during 2013, the Board of Commissioners approved a \$27.6 Billion 10-year Capital Plan representing a return to this agency's core mission with a plan to invest billions of dollars in our facilities. In formulating this capital plan, under the Board of Commissioners' direction, agency staff conducted a new comprehensive, analytical scoring process to identify and evaluate "State of Good Repair" projects. As a result, the agency has dedicated nearly \$13 billion to critical State of Good Repair projects that will modernize and enhance the viability of the Port Authority's existing assets while lessening maintenance costs in the long term. Most importantly, we instituted a series of checks and balances to ensure that the capital plan is carried out in a disciplined, fiscally responsible manner. Each project will undergo a rigorous process as to its scope, design, and costs, as well as a thorough risk analysis before moving forward into construction. The ten-year plan will serve as a living document that will be continually reviewed and updated to reflect the changing needs of the region and the agency's financial capacity.

The importance of The Port Authority of New York and New Jersey to the region cannot be overstated. With this in mind, the Board of Commissioners created a Special Oversight Committee earlier this year to enhance the Board of Commissioners' oversight of the governance and operations of the agency and its performance of its statutory and mission responsibilities. In conjunction with the ongoing work of the Special Panel on the Future of the Port Authority, which you formed earlier this year, the Special Oversight Committee will examine a broad range of issues and make recommendations that will enable the agency to meet its responsibilities in an effective, open and transparent manner in the future.

I also sadly acknowledge the passing Commissioner Basil Paterson in April 2014. Commissioner Paterson had a long record of service to the City and State of New York. He brought a depth of experience and a unique perspective to the work he did on this Board and will be deeply missed.

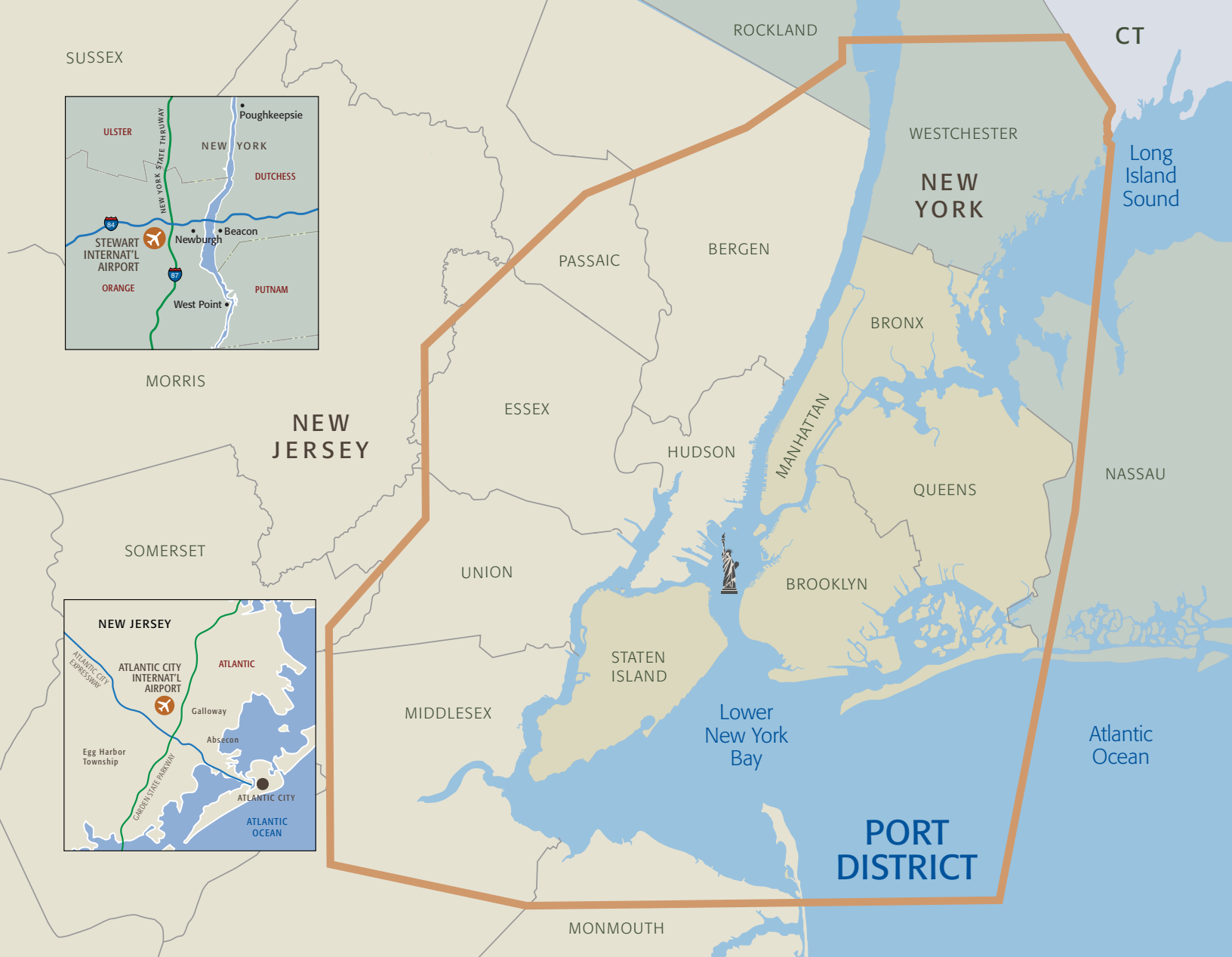
This in many ways is a new era at the agency. Since the beginning of 2011, the agency has seen 11 new Commissioners added to the Port Authority's 12 member Board. Under your leadership, this Board will continue to reshape the agency into one that meets the high standards that the public deserves and provides the critical transportation and other facilities that the entire region requires to flourish.

Yours most sincerely,



Scott Rechler  
Vice-Chairman

June 25, 2014



## THE PORT DISTRICT

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

This Port Compact established a bistate authority to provide transportation, terminal, and other facilities of commerce within the Port District. For such purposes, the states have from time to time authorized specific transportation and terminal facilities, and facilities of commerce and economic development. Legislation passed by the State of New York in 1967 authorized the Port Authority to establish one additional air terminal in New York and one additional air terminal in New Jersey outside the Port District with the site of each such terminal to be approved by the governor of the state in which the terminal is located; and in May 2007, the State of New Jersey enacted a statute identical in scope. Stewart International Airport, located in Orange County, New York, was approved by the Governor of the State of New York as the additional air terminal and is operated by the Port Authority. Atlantic City International Airport, located in Atlantic County, New Jersey, was approved by the Governor of the State of New Jersey; the Port Authority was authorized to enter into an agreement with South Jersey Transportation to perform certain general management services and functions for the airport.





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



**RICHARD H. BAGGER**  
 Sr. Vice President  
 Corporate Affairs and  
 Strategic Market Access  
 Celgene Corporation



**KENNETH LIPPER**  
 Chairman  
 Lipper & Co. LLC



**JEFFREY H. LYNFORD**  
 President and CEO  
 Educational Housing  
 Services, Inc.



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



**RAYMOND M. POCINO**  
 Vice President/Eastern  
 Regional Manager  
 Laborers International  
 Union of N.A.



**ROSSANA ROSADO**  
 Publisher and CEO  
 El Diario La Prensa



**WILLIAM "PAT" SCHUBER**  
 Professor  
 Fairleigh Dickinson  
 University



**DAVID S. STEINER**  
 Chairman  
 Steiner Equities  
 Group, LLC

## BOARD OF COMMISSIONERS

Scott H. Rechler, *Vice Chairman*  
 Richard H. Bagger  
 Kenneth Lipper<sup>1</sup>  
 Jeffrey H. Lynford  
 Jeffrey A. Moerdler  
 Raymond M. Pocino  
 Rossana Rosado  
 William "Pat" Schubert  
 David S. Steiner

<sup>1</sup>Kenneth Lipper joined the Board on June 21, 2013.

The following also served on  
 the Board of Commissioners during 2013:

David Samson, *Chairman*  
 H. Sidney Holmes III  
 Basil A. Paterson  
 James P. Rubin  
 Anthony J. Sartor

*As of June 25, 2014*





## LEADERSHIP OF THE PORT AUTHORITY

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

## GOVERNANCE INITIATIVES

The Port Authority is committed to the highest standards of accountability and transparency. The agency has opened public access to its Board of Commissioners' meetings by posting an advance listing of items on the agenda, opening up more meetings to the public, disclosing reasons for discussing or acting upon matters in executive session, webcasting all public meetings, and providing for public comment at the public Board meetings. The Board of Commissioners has approved an overhauled Freedom of Information Code to increase transparency by making it easier for individuals to obtain a wider range of Port Authority information and records. In February 2014, the Port Authority Board of Commissioners created a Special Oversight Committee to ensure that the agency continues to meet its core responsibilities while maintaining the agency with proper oversight and management. Additionally, in May 2014, Governors Cuomo and Christie created a bistate Special Panel on the Future of the Port Authority, to review and evaluate reforms of the Port Authority's mission, structure, management, operations, and overall governance for the betterment of the region.



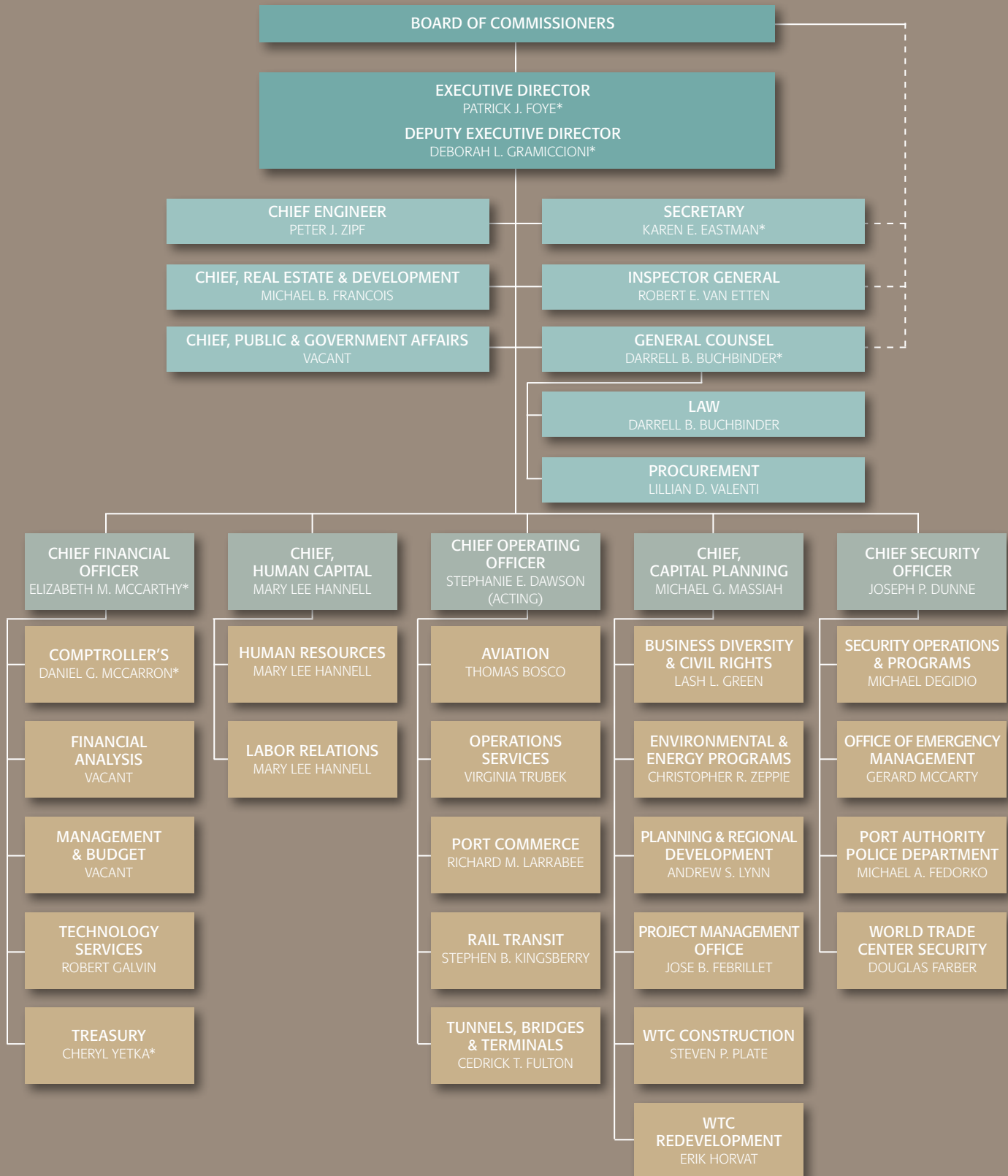
PATRICK J. FOYE  
Executive Director



DEBORAH L. GRAMICCIONI  
Deputy Executive  
Director



# OFFICERS AND EXECUTIVE MANAGEMENT



\*Officers of the Port Authority

## LETTER FROM THE EXECUTIVE DIRECTOR

Dear Board of Commissioners:

From the time the Port Authority of New York and New Jersey was established in 1921, we were charged with building and maintaining the nation's most diverse and robust transportation network. Over the past century, the Port Authority built engineering marvels that have fueled the economic growth and prosperity of our bistate region. Through significant steps we have taken over the last few years, we are rededicating ourselves to that core mission, as we focus our agency toward the future.

Today, the region's transportation demands are greater than ever. To keep over 400 million people and vehicles moving through our facilities each year, we are making significant investments in our airports, seaport, tunnels, bridges, terminals, and PATH system. Earlier this year, you approved a \$27.6 Billion 10-Year Capital Plan, following a rigorous agency-wide prioritization effort over the course of 2013 that has fundamentally changed the way the Port Authority does business and put us on a path to more effectively meet the region's vital infrastructure needs. Over \$12 billion of the capital plan is for critical state-of-good-repair projects, which will modernize assets and demonstrates our commitment to return to our core transportation mission. In total, the capital plan will create over 126,000 quality job years for the region and generate approximately \$29 billion in economic activity.

We have made significant progress in the use of innovative financing methods over the past year. I firmly believe our agency will continue to be a leader in the industry in the use of public-private partnerships (P3). In April 2013, the Port Authority awarded a contract for the Goethals Bridge Modernization Program P3. Active construction is now under way. Simultaneously, in May 2013, we broke ground on the Bayonne Bridge "Raise the Roadway" project, which the *New York Times* called "unprecedented in bridge engineering" that will improve our transportation infrastructure and help keep our port competitive for the next 100 years. For the first time in 80 years, our agency is building two bridges at the same time.

To pave the way for a 21st century airport system, the agency began active procurement for a P3 for the \$3.6 billion redevelopment of LaGuardia Airport. This project will create a brand-new Central Terminal Building and a realigned roadway network while replacing other essential infrastructure that will serve anticipated passenger growth over the coming decades. In 2013 alone, our airport system—the nation's largest—served a total of 112.5 million passengers, which is an almost 3 percent increase from 2012. The Port Authority is committed to modernizing John F. Kennedy, Newark Liberty International and LaGuardia airports and creating a "total experience" for passengers, from improved customer service and free Wi-Fi to better dining options and amenities.



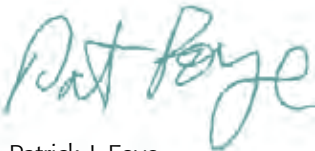
We are advancing these initiatives while continuing our post-Superstorm Sandy repair and resiliency efforts. Sandy inflicted an estimated \$2 billion worth of damage on PATH in 2012. To prepare for the 2013 hurricane season, we made tremendous progress in protecting our assets from flooding and storm surges, installing more than 15,000 feet of waterproof barriers and other protective measures. As we approached the first anniversary of Superstorm Sandy, we increased the resiliency of our infrastructure for the long run. With support from our state and federal partners, the Port Authority secured the commitment of over \$1.3 billion in Federal Transit Administration funding for reconstruction of PATH and repairs to the World Trade Center, as well as FEMA funds for other projects across the agency. In addition to repair and resiliency projects, PATH continues its focus on operational safety.

The Port Authority Bus Terminal is another transit asset that received additional investment in 2013. In June, we launched the start of a comprehensive Midtown Bus Master Plan to accommodate future growth in bus commuting.

Last but not least, we've reached remarkable milestones at the World Trade Center site as we complete our mission in Lower Manhattan. From the start of tenant fit-out at One World Trade Center to the opening of the West Concourse that connects the World Financial Center to the WTC Transportation Hub, we continue to make great progress toward completing those commitments. Our efforts throughout the year also culminated in the May 2014 opening of the National September 11 Memorial and Museum, attended by President Obama, Governor Cuomo, and Governor Christie. This moving event would not have happened without the focused, determined effort of Port Authority staff throughout the past year.

Events related to lane closures at the George Washington Bridge in early September 2013 led to introspection at the agency at all levels. You, the Board of Commissioners, established a Special Oversight Committee to enact governance and transparency reforms at the Port Authority. A Special Panel on the Future of the Port Authority, established by Governors Cuomo and Christie, is also reviewing the ways in which the agency can better carry out its mission. A focus on increased transparency and a return to our core transportation mission is essential to the Port Authority. Under the leadership of our Governors and the Board of Commissioners, I believe we can move the agency forward as we continue to address the needs of the New York and New Jersey region.

This is a new era of progress at the Port Authority. I am proud of what our agency and our people have accomplished in 2013. Our agency remains strong, due to the thousands of dedicated and professional staff who work to support our 24/7 operations and our ambitious capital plan. From the Port Authority Police Department, which keeps our customers and facilities safe every day, to critical operations staff who keep our facilities running in the face of any challenge, our employees' commitment to our mission is unrivaled. Together, we look forward to forging ahead to support our region and our mission in 2014 and beyond.



Patrick J. Foye  
Executive Director

July 2014



*The Port Authority of New York and New Jersey will invest \$27.6 billion over the next 10 years to increase the region's productivity and improve its transportation infrastructure.*



# FOCUS FORWARD

**In 2013, the Port Authority undertook a broad range of vital activities, including ongoing investments in regional mobility and improvements in customer experience and security. Each of these initiatives upheld the agency's core mission to invest in and operate key trade and transportation infrastructure within the New York/New Jersey region. In keeping with this mission, the Port Authority's actions have once again promoted economic development, generated jobs, and fostered regional growth. At the same time, the agency reached new heights of operational achievement across its broad portfolio of assets.**

## *Major Steps Forward*

In February 2014, the Board of Commissioners unveiled the most ambitious 10-year capital plan in the agency's history. Totaling \$27.6 billion, the 2014-2023 Capital Plan reaffirms the agency's mission to maintain and build infrastructure by providing projects that will have meaningful benefits to the millions of customers who use its airports, tunnels, bridges, port, and rail system.

Proposed expenditures include \$12.6 billion for state-of-good-repair projects (accounting for nearly half of all proposed expenditures) and \$11 billion for major new works, such as the reconstruction of LaGuardia Airport's Central Terminal Building and an extension of the PATH system to Newark Liberty International Airport, plus associated aeronautical support infrastructure.

Overall, the new 10-year capital plan will support the generation of more than 126,000 job years, \$7.3 billion in wages, and approximately \$29 billion in economic activity. The plan will also enhance the Port Authority's legacy of excellence in constructing, maintaining, and operating the New York/New Jersey region's transportation system.



*The new 10-year, \$27.6 billion capital plan serves as a regional economic engine and is expected to generate \$29 billion in economic activity.*





*The agency is planning today for the region's future transportation needs.*

## CAPITAL PLAN HIGHLIGHTS:

### *Aviation*

Proposed investments would contribute \$8 billion to the region's airports, including major initiatives to redevelop the **Central Terminal Building** at LaGuardia, Terminal A at Newark Liberty International, and several state-of-good-repair projects at JFK International.

### *Tunnels, Bridges, and Terminals*

The capital plan will invest \$7.9 billion in the agency's tunnels and bridges, including five major initiatives: **raising the Bayonne Bridge's roadway** to accommodate larger ships; **replacing the Goethals Bridge**; replacing the suspender ropes on the George Washington Bridge; continuing the Lincoln Tunnel Helix Replacement Program; and furthering the **Lincoln Tunnel Access Program**.

### *PATH*

The capital program calls for \$3.3 billion of investments in the PATH rail system. Among the program's major projects are the **replacement of the Harrison PATH Station**; modernization of the Grove Street PATH Station; and extension of the PATH system to Newark Liberty International Airport. In addition, PATH is implementing a Positive Train Control system to meet a federal safety mandate.

### *Port Commerce*

The plan for Port Commerce introduces **investments** worth \$1.5 billion, including a major project to design and build an upgraded Cross Harbor Car Float facility and a new on-dock rail facility at Greenville Yards that will serve the Global Container Terminal in Jersey City. The \$1.3 billion project to raise the Bayonne Bridge also figured heavily into Port Commerce's 10-year outlook.

### *World Trade Center Redevelopment*

**World Trade Center** capital projects will account for \$4.9 billion in spending, including completion of the transit Hub and other common infrastructure. Over the next five years, the Port Authority will complete its commitment to rebuild the site and revitalize Lower Manhattan.



# AIRPORT EXPANSION: THE SKY IS THE LIMIT

In 2013, the Port Authority's commercial airport system set an all-time record for passengers with a combined total of 112.5 million air travelers, a 2.9 percent increase over 2012's 109.4 million passengers. The previous record of 110 million passengers was set in 2007.

*Replacing the aging Central Terminal Building figures heavily into the Port Authority's plan to modernize LaGuardia Airport.*





*JFK International Airport is the busiest international air passenger gateway in the United States and services more international traffic than any other airport in North America.*

### **Rebuilding LaGuardia Airport**

Consistent with the agency's new direction to explore funding of major capital projects through public-private partnerships, the Port Authority is in the process of selecting a developer to replace LaGuardia's aging Central Terminal Building at a projected total cost of \$3.6 billion. The project ultimately will deliver a new 1.3-million-square-foot, 35-gate terminal building with modern amenities such as larger, more comfortable concourses and check-in areas; more efficient screening checkpoints and baggage handling; new concessions; improved roadways and traffic flow; and a host of other customer-friendly enhancements.

### **New Storm Mitigation and Resiliency Efforts at LGA**

Shortly after the one-year anniversary of Superstorm Sandy, New York Governor Andrew Cuomo announced five new storm mitigation and resiliency projects aimed at protecting LaGuardia Airport. Each project guards against future severe weather events by enhancing LaGuardia's drainage capacity, installing flood control measures, and improving the resilience of electrical power conveyance. Combined, these projects represent an investment of \$37.5 million, \$28.1 million of which will be paid using federal funds awarded to the Port Authority and earmarked for disaster recovery and mitigation.

### **Delta Expands with a Move into JFK Terminal 4**

Delta Air Lines' business at JFK has grown rapidly. In 2002, Delta's Terminals 2 and 3 serviced 5 million passengers. By 2007, that number had nearly doubled to 9 million. In 2011, passenger volume surged once again, this time hitting more than 11 million, a number that represents approximately one-quarter of JFK's current passenger market.

Accordingly, Delta invested \$1.4 billion in a major project to expand and renovate its presence at JFK. This renovation, performed in conjunction with the Port Authority and Terminal 4, relocated some of Delta's operations to new, modern facilities in an expanded Terminal 4 and demolished the outdated Terminal 3.

### **RECORDS SET IN 2013 INCLUDE:**

- > most international passengers ever for the Port Authority's airport system: 39.6 million;
- > most passengers, JFK: 50.4 million;
- > most international passengers, JFK: 26.5 million;
- > most passengers, LGA: 26.7 million;
- > most domestic passengers, LGA: 25 million;
- > most international passengers, LGA: 1.7 million.

### **INCREASED PASSENGER THROUGHPUT AT NEWARK LIBERTY**

- > Newark Liberty International recorded 35 million passengers in 2013, a 2.9 percent increase from the 33.9 million passengers it handled in 2012. Of these 35 million passengers, 11.3 million were international passengers.





*The Port Authority takes its role as a community leader very seriously. This includes everything from investing in the infrastructure that keeps the region moving to investing in the people and places that make it all work.*

A two-phase project, the Terminal 4 expansion, which added nine new and seven renovated gates, provides customers with an array of improvements designed to create an efficient and enjoyable airport experience. These include:

- > more kiosks and agent desks to speed up check-ins;
- > improved screening through a consolidated security checkpoint with 12 lanes for greater efficiency;
- > new shops and restaurants, including offerings from James Beard Award-winning chefs;
- > renovated baggage claims areas with more carousels to ease crowding and move bags quickly;
- > additional U.S. Customs and Border Protection inspection booths to reduce wait times;
- > a flagship, 24,000-square-foot Delta Sky Club with a stylish outdoor terrace, more than 400 seats, more than 50 work spaces, six showers, a relaxation room, and a private VIP room.

The Port Authority and Delta celebrated the opening of the revamped Terminal 4 in May 2013. Work on the Terminal 3 site, as well as other construction, is on track for completion in summer 2015.

### *Improvements Arrive at Newark Liberty International Airport*

Customers at Newark Airport enjoyed many improvements at Terminal B, as its \$347 million Modernization Program was completed in early 2014. The reconfigured and refurbished terminal has been completely transformed, with new and more efficient check-in areas including: self-serve kiosks to speed travelers to their gates, baggage handling, elevators and escalators, screening checkpoints, and a brand-new domestic arrivals hall with new baggage carousels, concessions, and airline lounges. Terminal B features a mix of international and domestic services.

Planning is under way for Terminal A redevelopment. The agency also finalized plans to reduce delays on the airfield in conjunction with the Federal Aviation Administration and our airline partners. Specifically, this led to coordinated efforts to rehabilitate Runway 4L-22R. Construction began in April 2014.



One vital aspect of the project is the installation of high-speed taxiways that will allow the FAA to utilize the airfield more efficiently and reduce delays. Completely financed by the Port Authority, the \$97.3 million rehabilitation project will generate 510 jobs, \$34 million in wages, and \$152 million in regional economic activity.

### *A Warm Welcome for Super Bowl XLVIII*

The Port Authority worked with the Super Bowl Host Committee and other regional transportation agencies to provide a “Gateway to the Game” for the National Football League’s Super Bowl XLVIII. In 2013, the agency’s multifaceted preparation campaign included adding PATH services, developing contingency plans for all transportation networks, creating a Super Bowl-branded SmarKLink card, and providing robust game-related information resources for visitors and regional residents alike. Agency staff also worked closely with the NFL to welcome customers arriving at our airports from around the world to attend the festivities. Super Bowl XLVIII was held on February 2, 2014, at MetLife Stadium in East Rutherford, N.J.

*The FanZone at Newark Liberty International Airport welcomed visitors from all over the world to celebrate Super Bowl XLVIII.*



*The Port Authority provides management services for Atlantic City International Airport. The terminal building is owned by the South Jersey Transportation Authority.*

### *A New Deal for Atlantic City International Airport*

The Port Authority entered into a management agreement with the South Jersey Transportation Authority for general management services for **Atlantic City International Airport** effective July 1, 2013. Incorporating Atlantic City International Airport into the Port Authority’s network will leverage the agency’s aviation industry expertise to create a more integrated system.


On November 14, 2013, New Jersey Governor Chris Christie and United Airlines announced the airline would begin offering nonstop service in April 2014 between Atlantic City and United’s two largest hubs: Houston’s George Bush Intercontinental and Chicago’s O’Hare International airports. The new service connects the seashore and resorts of Atlantic City to the two chief gateways for the Midwest and South-Central United States.

### *Allegiant Returns to Stewart International Airport*

The Port Authority continues to work on developing **Stewart International Airport** as the gateway to the thriving Hudson Valley region. Beginning October 31, 2013, Allegiant Air again began offering year-round, twice-a-week flight service from Stewart International Airport to St. Petersburg-Tampa-Clearwater International Airport.

# TUNNELS, BRIDGES, AND TERMINALS: BUILDING AND IMPROVING KEY INTERSTATE CONNECTIONS

Six vehicular crossings that connect New York and New Jersey and two major bus facilities in Manhattan serve as key elements of the Port Authority's interstate transportation network. In 2013, the Board of Commissioners authorized several major projects to ensure that this network continues to serve the transportation and commerce needs of the New York/New Jersey region for decades to come.



*The new road deck of the Bayonne Bridge will mitigate navigational clearance issues for larger, more sustainable cargo vessels.*





*Larger, more efficient ships calling on the Port of New York and New Jersey will improve the air quality for the people of the region.*

**In 2013, the Port Authority's Tunnels, Bridges & Terminals department began work on two major projects on bridges linking New Jersey to Staten Island. These projects, which will take several years to complete, represent a combined investment of \$2.8 billion. Together, they should generate approximately 5,000 job years, \$600 million in wages, and \$2.5 billion in economic activity throughout the region.**

### *The Bayonne Bridge "Raise the Roadway" Plan*

Spanning the Kill Van Kull, the Bayonne Bridge connects Bayonne, N.J., with Staten Island, N.Y. At present, the Bayonne Bridge features a road deck positioned 151 feet above the waterline; however, the expansion of the Panama Canal is expected to result in a shift to larger, cleaner, more efficient vessels servicing our region. The current road deck must be raised to ensure that new ships can reach the Port of New York and New Jersey.

In April 2013, the Port Authority awarded a major construction contract as part of its \$1.29 billion program to increase navigational clearance at the Bayonne Bridge through an extraordinary feat of engineering.

The Board of Commissioners awarded the contract to the team of Skanska Koch, Inc./Kiewit Infrastructure Co. On May 16, 2013, the Coast Guard issued a Finding of No Significant Impact, and on May 23, 2013, the Coast Guard issued an amended bridge permit to begin construction.

The agency's "Raise the Roadway" solution will elevate the existing road deck by 64 feet. Once complete, the new road deck will grant clearance to the new vessels traveling up the Kill Van Kull.

### *The new road deck will be safer for travelers than the existing span, and will feature:*

- > 12-foot lanes, shoulders, and a median divider;
- > a 12-foot bike and pedestrian walkway;
- > ramps replacing access stairs;
- > the capability for future mass transit options across the span.





*Opened in 1928, the current Goethals Bridge cost \$7.2 million to construct.*

### *Replacing the Goethals Bridge*

The Goethals Bridge spans the Arthur Kill, connecting Elizabeth, N.J. with Staten Island, N.Y., near the Howland Hook Marine Terminal. Its proximity to the marine terminal and its strategic position on the I-278 corridor makes the Goethals Bridge essential to moving cargo between the airports, seaport, and regional markets through the New York/New Jersey metropolitan area. In fact, more than \$33 billion in regional goods pass over the Goethals each year.

However, the Goethals Bridge is more than 85 years old and no longer meets current highway standards. Its narrow lanes and dated design cause congestion and will continue to hinder the movement of goods in the future if it is not replaced.

On April 24, 2013, the Port Authority awarded a 40-year design-build-finance-maintain contract to NYNJ Link Partnership as part of a \$1.5 billion public-private partnership to replace the current Goethals Bridge with a new state-of-the-art span.

This financing structure marks the first true surface transportation public-private partnership in the Northeast. The new bridge will be a cable-stayed structure over the Arthur Kill, constructed due south of the existing site, with substantial completion presently expected to occur in December 2017.

### *The new span will feature:*

- > six 12-foot-wide travel lanes (three lanes in each direction);
- > a 12-foot-wide outer shoulder and a five-foot-wide inner shoulder on each roadway;
- > a 10-foot-wide sidewalk/bikeway along the northern edge of the New Jersey bound roadway;
- > a space to accommodate possible future transit services.

The replacement Goethals Bridge will be the first bridge the Port Authority has built since 1931, when the George Washington and Bayonne bridges opened to vehicular traffic. The useful life of the replacement Goethals Bridge is expected to be 100 years.



*The Port Authority will replace the Goethals Bridge with a new, cable-stayed bridge over the Arthur Kill.*





*Newly milled and paved, the Outerbridge Crossing will serve as an alternate route for customers traveling between New Jersey and New York while work continues on the Bayonne and Goethals bridges over the next several years.*

## ***Revitalizing the Outerbridge Crossing***

The 85-year-old Outerbridge Crossing spans the Arthur Kill and connects Perth Amboy, N.J., to Staten Island, N.Y. Between July 9 and October 11, 2013, construction crews worked overnight on weekdays to repave the Outerbridge Crossing's east- and westbound spans, toll plaza, and approach roadways. The result is a smoother, safer riding surface that offers significant reductions in traffic resulting from routine roadway maintenance.

The Port Authority last repaved the Outerbridge Crossing in the early 2000s. Completing this phase of work ensures that the span will remain open 24/7 as the agency advances work on the two larger-scale (Bayonne and Goethals) bridge projects over the next several years.



*Construction crews worked overnight and on weekends to pave the Outerbridge Crossing in 2013.*



*The George Washington Bridge carries approximately 102 million vehicles per year, making it the world's busiest motor vehicle bridge.*

## ***Steel Deck Replacement at the George Washington Bridge***

The iconic George Washington Bridge is the busiest bridge in the world, with more than 49 million eastbound crossings in 2013. However, this aging structure must be rehabilitated in order to maintain a state of good repair. In June 2010, the Port Authority Board of Commissioners authorized a \$199 million **deck replacement program** to rehabilitate the George Washington Bridge's upper level structural steel deck; this work continued in 2013. This project is expected to create 320 direct job years and \$26 million in direct payroll wages.

The deck replacement work coincides with an effort to resurface the GWB's westbound upper level roadway while rehabilitating both the roadway's drainage system and finger joints. The steel deck replacement, a multiyear project, should conclude in 2015.

In March 2014, the Port Authority Board of Commissioners authorized a \$1.03 billion project to replace the bridge's 592 suspender ropes, rehabilitate all of the span's main cables, replace the north and south sidewalks, and provide enhanced pedestrian and bicycle access ramps.

This project is the largest capital investment in the George Washington Bridge's 82-year history and one of the largest projects in the Port Authority's 10-year capital plan. It will ensure the continued structural integrity of the bridge, minimize the potential need for future unplanned closures resulting from emergency repairs, and significantly improve access and safety for bicycles and pedestrians.

This construction will provide the region with 4,900 job years, \$365 million in wages, and \$1.7 billion in economic activity. Construction on the suspender ropes is expected to begin in 2017. The overall program is forecast to finish in 2024, with the project to replace all the existing suspender ropes substantially completed by the end of 2022.





*Work to repair and extend the life of the eastbound Lincoln Tunnel Helix was completed in late 2013.*





More than 225,000 people use the Port Authority Bus Terminal daily. Located in Times Square, the PABT serves as a primary transportation hub for commuters and tourists.

### *Fixing the Lincoln Tunnel Helix*

The iconic Lincoln Tunnel Helix is more than 70 years old and nearing the end of its useful life. As part of the Lincoln Tunnel Helix Rehabilitation Project, the Port Authority completed work on eastbound lanes heading into New York City in 2013. In 2014, work will move to the westbound lanes. On an average weekday, the Lincoln Tunnel Helix carries 85,000 vehicles and 8,000 buses. The Rehabilitation Project will extend the life of this critical infrastructure asset.

### *Planning for the Future of the Port Authority Bus Terminal*

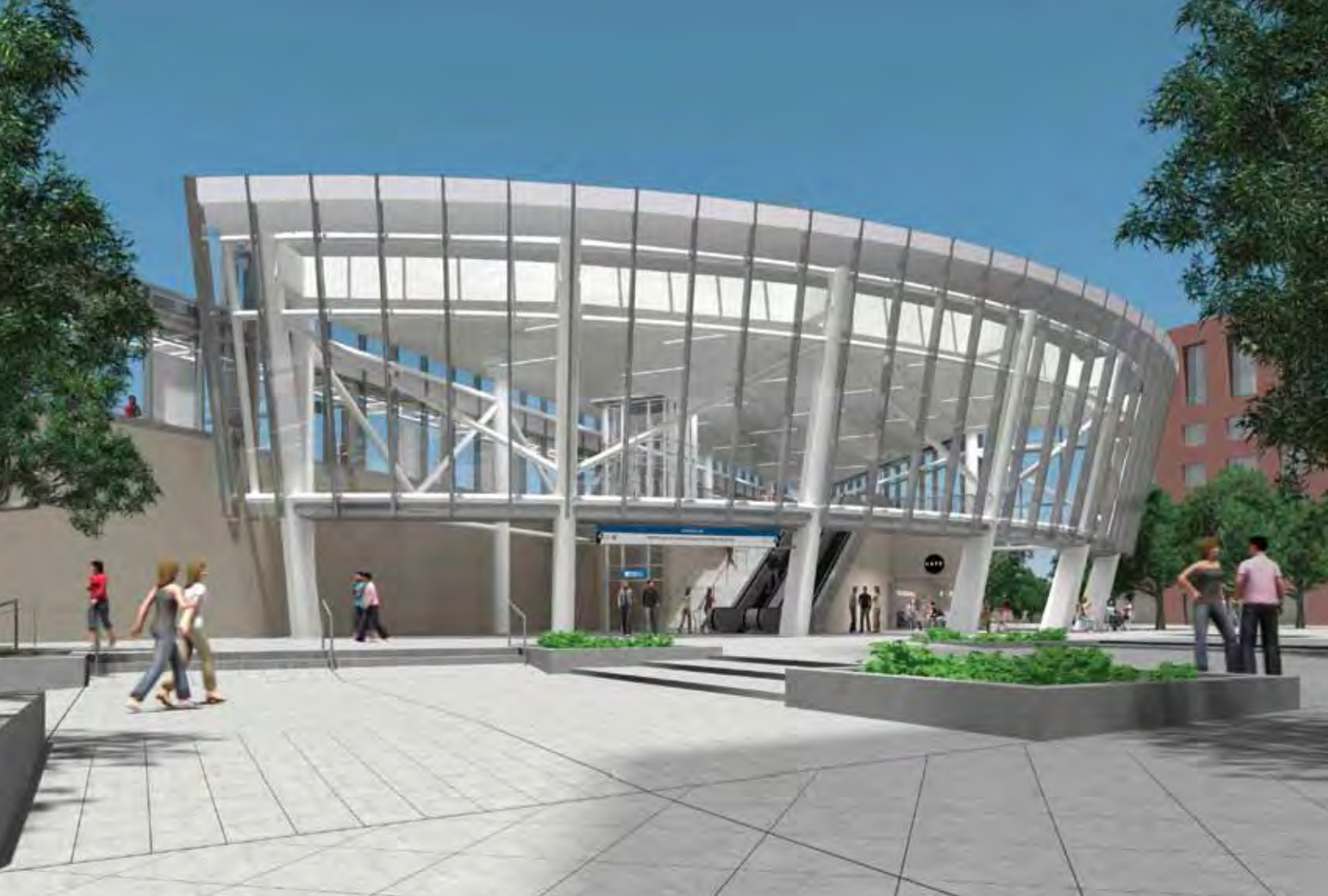
The Port Authority Bus Terminal is the largest bus terminal in the nation and one of the busiest bus terminals in the world. The facility, however, already operates at full capacity, is obsolete, and has passed its useful life. Demand is expected to rise steadily in the future. With this in mind, the Port Authority launched the Midtown Bus Master Plan in 2013. **The Master Plan** will study the existing PABT and its associated roadway infrastructure with an eye toward proposing alternatives for future rehabilitation or replacement. The agency is also taking steps to make near-term improvements to the facility and passenger experience, coordinating with partner agencies such as New Jersey Transit.

### *Touch Screen Kiosks Help Travelers Find Their Way*

In late 2013, the agency announced its installation of nine new self-service information kiosks at eight locations in the Port Authority Bus Terminal. The touch screen kiosks provide directions to gates and other amenities within the terminal, as well as searchable bus schedule information. This integration of way finding and scheduling into a single digital system marks the first time the Port Authority has synthesized information related to this facility and its two dozen bus carriers. The kiosks are expected to aid the 225,000 daily commuters who use PABT by providing a modern approach to navigation and organization at the world's busiest bus terminal.



Nine new self-service information kiosks were installed at locations throughout the PABT.



*PATH is in the process of replacing the 76-year-old Harrison Station in Harrison, N.J., with a new facility, featuring a glass-and-steel design and fully modernized amenities.*

## A PATH TO MODERNIZATION

**The Port Authority Trans-Hudson rail transit system connects Manhattan with communities in Hudson and Essex counties, N.J., and key commuter rail hubs at Newark Penn Station and Hoboken Terminal. PATH passenger trips in 2013 totaled 72.8 million.**

As detailed below, PATH is in the midst of a significant modernization program at Harrison Station designed to enhance safety, increase system capacity, and upgrade operational efficiency.

### *Harrison Station: Full Speed Ahead*

In August 2013, Governor Christie and the late Mayor Raymond McDonough hosted a groundbreaking ceremony for the PATH Harrison Station Replacement Project. Budgeted at over \$256 million, the new station features a cutting edge glass-and-steel design and modern amenities, including widened stairs, elevators, escalator access to extended platforms, upgraded security and communications systems, and enhancements geared toward environmental sustainability. Construction is already under way.





*The new West Concourse of the WTC will provide a critical transportation link for tens of thousands of daily commuters.*

### **West Concourse at WTC Transportation Hub Opens**

The World Trade Center West Concourse, a facility built by the Port Authority, was inaugurated in October 2013. A vital component of the World Trade Center Transportation Hub, the West Concourse provides a critical link for tens of thousands of daily commuters seeking to access the World Trade Center PATH Station, Brookfield Place (formerly the World Financial Center), and the Battery Park City Ferry Terminal. Once complete, the Hub will feature the most integrated network of underground pedestrian walkways in New York City and will seamlessly connect the WTC PATH station to multiple ferries, 11 MTA subway lines, and the Fulton Street Transit Center.



*Workers commuting to One World Trade Center will enjoy unprecedented access to mass transit service.*

### **A New PATH Train Control Center**

In August 2013, PATH transitioned to a new PATH Train Control Center in Jersey City, N.J. The new Control Center features a Centralized Train Control system using state-of-the-art microlock technology developed by a private corporation specifically for the PATH system. The facilities provide common spaces for all operating system staff under the same roof, including a Situation Room, locker rooms, and a break room. The new Control Center is now fully up and running as PATH's primary train control, security monitoring, and electrical, power, and communications center.



*Platform A features high-performance lighting and elegant finishes.*

### **WTC PATH Platform A Opens**

In 2013, work was completed to allow for the February 2014 opening of Platform A at the World Trade Center PATH Station. Serving the Hoboken-World Trade Center Line, the new platform features state-of-the-art lighting, speakers, illuminated signs, escalators, and elevators.



*Commitments from the Port Authority and its terminal-operating partners will ensure that the Port of New York and New Jersey is ready to handle the region's future cargo needs.*

## INCREASING CAPACITY, EFFICIENCY, AND SUSTAINABILITY AT THE PORT OF NY & NJ

**The Port Authority continued to invest in regional port infrastructure and programs designed to improve the flow of international cargo through the New York/New Jersey region. This includes the navigational clearance project at the Bayonne Bridge and continued work to deepen key channels in the harbor.**

### *Port Performance Task Force*

The Port of New York and New Jersey has made significant efficiency improvements since the summer of 2013. At that time, seasonal labor shortages and issues with a terminal's rollout of new technology caused severe congestion at maritime facilities.

On December 3, 2013, Executive Director Patrick Foye announced the creation of a **Port Performance Task Force**, which held its first meeting later that month. This body brings together a wide variety of industry stakeholders, including terminal operators, ocean carriers, truckers, the International Long Shoreman's Association, New York Shipping Association, and other concerned constituents. Task force discussions have already yielded unprecedented levels of collaboration and coordination. Working groups of the PPTF have developed interim reports and recommended process improvements aimed at keeping the Port of New York and New Jersey the preeminent East Coast port in the United States. A final report was issued on June 24, 2014, and is available on the Port Authority website.

*From left to right: Patrick Foye, Executive Director of the Port Authority; Richard Larrabee, Director of Port Commerce; and John Nardi, President, New York Shipping Association.*







*Now in its final stages, the port's Harbor Deepening Project will allow the next generation of larger, lower-emission ships to access the Upper Bay and Newark Bay.*

### ***Harbor Deepening Nearly Complete***

In anticipation of the new breed of larger, cleaner vessels plying global trade lanes, including those forecast to pass through the renovated Panama Canal to call on East Coast container ports, the U.S. Army Corps of Engineers has been working with the Port Authority on the Harbor Deepening Project. This program, now in its final stages, is deepening key channels in the harbor to 50 feet.

### ***Advances in Intermodal and Roadways Improve the Port's Landside Access***

The Port Authority continues to expand rail facilities by adding capacity and two tracks at both Howland Hook Marine Terminal and Port Newark. Simultaneously, the agency maintains its ongoing augmentation of Port Jersey Rail while continuing efforts to redevelop the Greenville Yard rail facility adjacent to Port Jersey-Port Authority Marine Terminal. In May 2013, the Port Authority's ExpressRail service surpassed 5 million containers handled since its first rail facility opened for business in 1991.

Work to realign, widen, and upgrade roads at the Port of New York and New Jersey is helping to reduce safety concerns at key thoroughfares and improve the flow of traffic. This project also allows freight vehicles to use critical turns at higher speed and with greater safety. The port's roadway plan is scheduled to be implemented in its entirety by 2019.

Advances in intermodal and roadway facilities further the agency's commitment to creating a healthier, more sustainable port environment both now and into the future.

### ***Flyover Completed at Port Newark***

The Port Authority spent \$26.5 million to construct a rail flyover bridge at Port Newark. The flyover complements Port Newark Container Terminal's current \$500 million expansion and upgrade plan, which includes an expansion of PNCT's site footprint from 188 to 287 acres.

Now complete, the flyover separates truck and rail traffic along Corbin Street in Port Newark. This valuable addition to the port's infrastructure increases throughput while reducing idling emissions.

Trucks used to cross both Corbin Street and a set of railroad tracks to transport containers from ship to rail. The new flyover eliminates this obstacle. Yard tractors use it to pull container trailers of varying lengths between PNCT and the railroad yard. This redistributes traffic along Corbin Street by approximately 700 trucks per day, while providing those vehicles with a dedicated conduit by which they can link marine and rail operations.



*A new flyover at Port Newark smooths the flow of truck and rail traffic along Corbin Street.*



# WTC: AN ICON REBORN, A SKYLINE REDEFINED

The World Trade Center has long stood as a symbol of prosperity, freedom, and resilience. Americans have watched with great anticipation as the new Trade Center has taken shape. Its surrounding campus stands as one of the most powerful landmarks in New York City and the world.



*The lights of One World Trade Center  
can be seen from distances up to 50 miles.*





*The eight-acre memorial consists of two reflecting pools, each nearly an acre in size, which feature the largest man-made waterfalls in North America.*

### **One World Trade Center**

The Port Authority, along with its private partners and various sister agencies, will proudly open the new One World Trade Center in 2014. At a symbolic height of 1,776 feet, One World Trade Center will stand as the tallest building in the Western Hemisphere while offering 3 million square feet of Class A office space.

At present, One WTC has attracted world-class tenants including Conde Nast, which has leased nearly 1.2 million square feet to house its global headquarters and will occupy the building in late 2014. Other prestigious tenants include Vantone China Center, the U.S. General Services Administration, and Legends Hospitality, a nationally

renowned firm, which the Port Authority selected to develop and operate the One World Observatory.

Additionally, the new World Trade Center presents a triumph of environmentally sustainable construction practices. With a LEED Gold Certification, the facility will carry an energy performance rating that exceeds code requirements by 20 percent while showcasing such innovations as cooling systems that make use of reclaimed rainwater and electricity generated by excess steam.





*The final two sections of the 408-foot steel spire that crowns One World Trade Center were hoisted into place in May 2013.*

### *A Beacon of Prosperity*

In May 2013, work crews installed the final two sections of the 408-foot steel spire that stands atop One World Trade Center. The spire allows the skyscraper to achieve its breathtaking full height of 1,776 feet while offering unparalleled transmission services to the region's broadcast outlets. The beacon atop the spire contains 288 50-watt LED modules that produce 288,000 lumens of light. The beacon is visible for up to 50 miles on a clear night.

### *One World Observatory*

In March 2013, the Port Authority announced the selection of nationally renowned Legends Hospitality, LLC to develop and operate the One World Trade Center observation deck. The Observatory will provide the Port Authority with a projected \$875 million in revenue over the term of the 15-year lease.

Legends' winning design for One World Observatory will take visitors on a dynamic journey that tells the story of New York City and One World Trade Center as guests ascend to the top of the skyscraper to experience the observation deck.





*Occupying floors 100 through 102 of the WTC, One World Observatory is projected to attract more than 3.5 million visitors annually.*

From a height of more than 1,250 feet, One World Observatory will offer spectacular views of New York City and the surrounding region. The observatory will occupy floors 100 through 102 of the WTC and is projected to draw an estimated 3.5 million annual visitors.

### *Marketing Center Showcases One World Trade Center*

As part of the effort to attract additional tenants to One World Trade Center, the Marketing Center was opened in October 2013 on the 63rd floor of the new building.

The center provides prospective tenants with a variety of office configurations and a preview of what it will be like to work at One World Trade Center via panoramic views visible from every desk location through each floor's full-height exterior glass.

The marketing venue also includes several furnished, built-out vignettes that demonstrate the property's remarkable efficiencies and unique ability to satisfy high-density office requirements.

The Marketing Center includes an approximately 10,000-square-foot area for broker events and presentations to tenant prospects.

### *Progress at the Transportation Hub*

On track to be completed in 2015, the state-of-the-art World Trade Center Transportation Hub will serve over 200,000 daily commuters and millions of annual visitors from around the world.

Designed by internationally acclaimed architect Santiago Calatrava, the WTC Hub will feature approximately 800,000 square feet, making it the third-largest transportation center in New York City. Its Oculus concourse will be a triumph of aesthetics featuring an iconic wing-like design.

With 225,000 square feet of exciting, multilevel retail and restaurant space within the WTC Hub, it promises to act as a destination location and a centerpiece for the entire Lower Manhattan district.



*On a daily basis, the WTC's Transportation Hub will connect some 200,000 commuters with the most integrated network of underground pedestrian connections in New York City.*

### *Vehicle Security Center*

The Vehicle Security Center and Tour Bus Parking Facility offers a security checkpoint for all buses, trucks, and cars accessing the 16-acre WTC site and its parking facilities. The completed structure will encompass five stories underground and feature ramps that lead to all below-grade facilities.



# LEARNING FROM SUPERSTORM SANDY

Superstorm Sandy was the deadliest, most destructive weather event to hit our region in recent history. Estimates have assessed the damages Sandy caused in excess of \$68 billion. Most Port Authority facilities sit along waterways that surround the New York/New Jersey harbor. These facilities bore the brunt of Sandy's high winds and monumental storm surge. Damages to agency assets amounted to more than \$2 billion.

*In the aftermath of the storm, permanent repairs, as well as mitigation and resilience projects aimed at preparing vital facilities against future storms, became one of the agency's top priorities.*





*During Superstorm Sandy, saltwater flooded the Hoboken tunnels, compromising the electrical system and other equipment. Repairing the system required complicated staging operations.*

### *Learning from Adversity*

In the storm's aftermath, the Port Authority sustained damage to facilities of approximately \$2.4 billion. In early 2013, the Port Authority worked closely with federal partners at FTA and FEMA to fund key repair and resiliency initiatives. The federal share of grants awarded to date to the Port Authority is approximately \$1.42 billion, with the expectation of additional awards as the agency and federal grantors move through the process. As a part of these commitments, the Port Authority advanced hurricane preparedness initiatives for the summer of 2013. The Port Authority's Board of Commissioners authorized \$58.5 million for Priority Protective Measures aimed at preparing for future weather events. Of that amount, \$34 million was spent in 2013, with the remainder planned for disbursement in 2014 and 2015. Specific categories addressed in this plan include actions to provide flood protection, the installation of pumps and backup power generators at multiple locations, and projects to replace or rebuild select infrastructure items, including the relocation of key electrical/mechanical equipment.

All of these efforts would not have been possible without the creation of the Storm Mitigation and Resilience Office, established in February 2013, which was charged with formulating and executing policies and procedures to ensure effective resilience efforts.

The Port Authority will utilize federal FEMA and FTA grants to repair, strengthen, and protect PATH, the World Trade Center, the Holland and Lincoln tunnels, the port facilities, and regional airports. The Port Authority's Office of Business Diversity and Civil Rights has established a goal that 15 percent of all resilience project work should be performed by qualified Disadvantaged Business Enterprise contractors.



*The Port Authority established a 15 percent goal for qualified Disadvantaged Business Enterprises. Projects include the installation of flood barriers, drainage systems, and structural protection for station infrastructure.*



Newly sworn officers of the PAPD include 16 U.S. military veterans. The new recruits will enhance the department's communication skill by offering fluency in 12 foreign languages in addition to American Sign Language.

## PUTTING PUBLIC SAFETY FIRST

**The approximately 1,600 officers of the Port Authority Police Department are responsible for ensuring safety and security at the agency's facilities.**

### *PAPD: Making a Difference*

Officers of the PAPD continue to serve the public good through remarkable deeds. Recent examples include:

- > four new recruits who saved the life of a 71-year-old woman suffering a heart attack in LaGuardia Airport's Central Terminal Building;
- > an officer who prevented a young woman from leaping to her death off the George Washington Bridge;
- > a member of the PAPD who stopped a purse snatching while off duty and vacationing in Boston;
- > three officers who delivered a baby for a woman who went into labor at the entrance to the Holland Tunnel.



## *Bolstering the Ranks*

Fifty-four PAPD officers were promoted to ranks ranging from assistant chief to detective. This includes two female PAPD inspectors who were promoted to assistant chief, the highest rank ever achieved by a female officer in the department's history. The addition of high-ranking staff will result in cost savings and increased efficiencies through better supervision of police personnel at the agency's facilities.

*Announced in October 2013, a new command structure for PAPD will enhance safety and security at facilities.*



## *New Recruits Added*

On January 10, 2014, the Port Authority graduated its **112th Police Academy class**, the second-largest class of recruits in the PAPD's history. The 195 new officers trained throughout 2013. Their ranks included 173 men and 22 women, nearly 10 percent of whom were veterans of the U.S. armed forces. This effort reflects a newly revised policy designed to encourage military veterans to join the PAPD.



*Members of the PAPD routinely coordinate with colleagues from other police departments and agencies, such as the U.S. Coast Guard.*

The 112th Police Academy class was trained to recognize and respond to potential terrorist acts in addition to more traditional policing functions. The new recruits also entered the standard, rigorous 26-week academy program whose course of study includes New York and New Jersey law, police procedures, evidence collection, and traditional police training. In addition, each officer has received specialized training in counterterrorism, firefighting, and first aid, including the use of defibrillators. Cooperation with other law enforcement departments and first responders comprises a large part of officer training, as do ongoing, regular, full-scale exercises and mutual aid drills at Port Authority facilities.

On March 10, 2014, the agency announced that it had welcomed 275 prospective officers to its 113th Police Academy class, the largest recruit class in Port Authority history.

*In April 2013, the agency announced plans to launch its first major recruitment effort for PAPD in six years.*





The Port Authority builds partnerships and connects MWSDBE businesses with other public and private organizations in the region.

## SUPPLIER DIVERSITY: AN ECONOMIC ENGINE FOR THE REGION

**The Port Authority works closely with community-based strategic partners to develop programs and initiatives that increase the region's skilled trade labor force and that support the growth of regional minority, women-owned, small, and disadvantaged business enterprises.**

In 2013, the Port Authority, assisted by its aviation tenants and construction programs at the World Trade Center site, awarded prime contracts and made subcontracting payments to MWSBE firms totaling \$419 million. From 2009-2013, the total MWSBE spend was \$2.03 billion, which created \$3.36 billion in regional economic activity and provided over \$1 billion in wages. Of this total spend, the cumulative MWBE spend on WTC projects alone has now reached approximately \$1.2 billion, with an overall participation rate of 17.5 percent. In 2013, the agency held events in Staten Island, N.Y., Hudson, Essex, and Union counties to promote its goal of 12 percent MBE and five percent WBE participation in the Bayonne Bridge "Raise the Roadway" project. The agency also unveiled its **new online interactive certification** and certification renewal application, which has been positively received by small businesses.

### *MWSDBE Partners Share Their Feedback and Success Stories*

*"My firm is currently participating in the historic redevelopment of the World Trade Center as a subcontractor on the Transportation Hub. I attribute our success to attending networking events and training courses given by the Regional Alliance for Small Contractors, the Port Authority's training partner. I market my company at these events, and I have made valuable contacts that have led to profitable jobs."*

**Antonio Ramirez**

Principal, D-Star Waterproofers, Inc.



*“MS3 Corp. is a woman-owned architectural consulting firm specializing in transit and transportation-related projects. We are currently participating in the Goethals Bridge Replacement Project as a subconsultant. I attribute our success to attending networking events hosted by the Port Authority and to our MWSDBE certification status. Since most large public projects have MWBE or DBE goals, smaller firms like ours are given the opportunity to team up with larger firms to grow their business.”*

**Mita Amin, AIA**

President, MS3 Corp.



*The Port Authority works with hundreds of minority, women-owned, small, and disadvantaged businesses each year, procuring goods and services, construction, architectural, and engineering work.*

*“We have been working with the Port Authority since 1988. The training programs sponsored by the agency have been a key factor to the success and growth of our company. We encourage other MWBE firms to become Port Authority certified, and to partake in their training and networking events. Why? Because, through these events, they will receive invaluable assistance and guidance toward achieving their goals.”*

**Kanti Bhanderi**

Neelam Construction Corp.

*“We have been involved in contracting work with the Port Authority for the last 20 years. Throughout these years, we took advantage of programs offered by the Port Authority to MBE and SBE contractors; these programs helped move our company forward. At this time, we have contracts at the Lincoln Tunnel, Staten Island bridges, and The Teleport.”*

**Al Salas**

VP, JG Salas & Sons, Inc.

*“Through [the agency’s] Mentor Protégé Program, I learn while I learn. The program prepares me to do business with the Port Authority as well as other public agencies. Training seminars and workshops helped us to become a winning bidder, and helped me to execute projects.”*

**Haresh P. Savalia**

PSP Construction Inc.



*The Port Authority’s Mentor-Protégé Program increases the number of Port Authority-certified MWBEs capable of bidding successfully on construction contracts with the Port Authority and other public and private organizations.*



*Arnold Manville, Vice President of Railroad Construction Company, Inc. (right), mentors Haresh P. Savalia, President of PSP Construction Inc. and a 2013 graduate of the Port Authority’s Mentor-Protégé Program.*



*With the help of federal grant money, the Port Authority implemented a program to sponsor the replacement of 429 older, inefficient trucks and replace them with cleaner, more fuel-efficient models.*

## ENVIRONMENTAL STEWARDSHIP IN ACTION

**The Port Authority has committed to protecting the environment while providing economic benefits to the region. The agency worked with its partners to develop a Clean Air Strategy for the Port of New York and New Jersey.**

The Clean Air Strategy lays out practical actions that the Port Authority and industry stakeholders can take to reduce emissions in advance of potential regulations. Examples of the Strategy in action include a truck replacement program; the retrofitting of two switcher locomotives serving the port's on-dock rail operations with GenSet systems; and the modernization of cargo handling equipment used by terminal operators leasing space from the Port Authority. The adoption of these and other actions has already begun to create significant reductions in nitrogen oxide and particulate matter pollution, as well as greenhouse gases.

In 2013, an Implementation Report tracked progress toward goals set forth in the 2009 Clean Air Strategy. Among other things, the report revealed that between 2006 and 2010, there was an average decrease from the 2006 baseline of 17 percent across criteria air pollutants associated with port operations, despite a 4.2 percent increase in cargo volume. Additionally, all criteria air pollutants decreased at a rate greater than or equal to the annual 3 percent goal set in the Clean Air Strategy.

### *A Cleaner Fleet of Trucks*

The agency's \$34 million truck replacement program provided truck owners a financial incentive to replace trucks that have engines made in 2003 or later. The Port Authority succeeded in disbursing more than \$8.5 million in federal grant monies it received to replace a total of 429 old, inefficient trucks. The old trucks were scrapped and permanently removed from the area's roadways.

### *New Energy-Efficient LED Lighting*

The Port Authority continues to lead the field of environmental sustainability and energy efficiency. The Holland Tunnel is the first vehicular tunnel to utilize light-emitting diode lamps for illumination that meet the IES standards for safe tunnel lighting. The new lighting





*According to the Illuminating Engineers Society, a lighting safety certification body, the Holland Tunnel is the first vehicular tunnel to adopt LED lighting technology.*

affords safer, cleaner, and more efficient travel through the tunnel. The agency replaced the existing 3,336 fluorescent lamps inside the north and south tubes of the Holland Tunnel. The agency's investment with the Lincoln Tunnel lighting upgrade is another example of the myriad efforts the Port Authority has undertaken to attain sustainability goals. The agency installed 2,300 energy-efficient LED lights in the Lincoln Tunnel. The lighting upgrade will provide more than \$283,000 in annual energy savings while enhancing the safety of the 42 million drivers who travel through the tunnel each year.

### ***Far-Reaching Results***

The Port Authority partnered with Toyota to test a fleet of prototype hydrogen fuel cell Highlander SUVs at New York's JFK Airport. The new Highlanders use specialty fuel cells to produce electricity by mixing oxygen from the air with hydrogen gas stored on board in four high-pressure tanks. The agency deployed its hydrogen-powered cars as part of the fleet it uses to patrol at the airport.

This airport was also the site of the first series of trans-Atlantic flights powered in part by advanced aviation biofuels made from used cooking oil.

Also at JFK, the agency initiated projects to upgrade boilers and lighting at Buildings 142 and 14; the Blue, Green, and Orange garages; and Buildings 254 and 255. Working in partnership with the New York Power Authority, these projects are helping the Port Authority save over 3.4 million kilowatt-hours in electricity per year. The reduction in annual greenhouse gas emissions these projects represent is the equivalent of taking over 500 cars off the road for a year. The reduction in annual JFK utility expenses should amount to over \$450,000. Air travelers can also enjoy five Customer EV charging stations at the JFK Yellow Garage and five at LGA Parking Lot 2.

### ***The Great Annual Migration***

Wildlife specialists from the agency and the U.S. Department of Agriculture oversaw the great annual migration of nesting diamondback terrapin turtles at JFK. The migration, which took place from mid-June to early July 2013, saw wayward turtles plodding out of Jamaica Bay and crawling toward sandy areas near a busy runway and taxiway to lay their eggs. Wildlife specialists rounded up the turtles by hand at the airport's southeastern end to keep them safe from departing and arriving aircraft.



*The Port Authority maintains 24 of these biodiesel-powered Airport Rescue Fire Fighter vehicles. Other vehicles in the agency's fleet are powered by compressed natural gas, electricity, solar, and propane.*

### **GREEN MEANS GO**

At present, nearly 85 percent of the Port Authority's on-road fleet is green. The vehicles' alternative fuel options include biodiesel, compressed natural gas, E-85, and hybrid electric.

Fully 80 percent of the agency's off-road fleet is green as well. In addition to the alt-fuels mentioned above, the off-road fleet includes electricity-, propane-, and solar-powered vehicles.

JFK Airport was host to several green flights, including the Solar Impulse, which completed its pioneering voyage as the first solar-powered aircraft to fly coast to coast.

*The Solar Impulse touched down at JFK International Airport on Saturday, July 6, 2013, at 11:09 p.m.*



## TO THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

The Consolidated Financial Statements (the "Financial Statements") of The Port Authority of New York and New Jersey (including its related entities (component units), collectively referred to herein as the "Port Authority") as of and for the years ended December 31, 2013 and December 31, 2012, are enclosed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in the Financial Statements rests with management of the Port Authority. The Management's Discussion and Analysis ("MD&A") and Required Supplementary Information sections of the Financial Statements provide a narrative introduction, overview, and analysis of the Port Authority's financial performance and are required by the Governmental Accounting Standards Board. Schedules A, B, and C have been prepared in accordance with Port Authority bond resolutions and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Schedules D, E, F, and G include other statistical information presented for purposes of additional analysis and are not a required part of the Financial Statements.

Port Authority management is also responsible for establishing and maintaining adequate internal controls over financial reporting for the Port Authority. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. The Port Authority has established a comprehensive framework of internal controls that includes maintaining records that accurately and fairly reflect the transactions of the Port Authority; provide reasonable assurance that transactions are recorded as necessary for financial statement preparation; and provide reasonable assurance that unauthorized use, acquisition or disposition of company assets that could have a material impact on the Port Authority's financial condition would be prevented or detected on a timely basis. Because of its inherent limitations, internal control

over financial reporting is not intended to provide absolute assurance that a misstatement of the financial statements would be prevented or detected.

As officers of the Port Authority, the Port Authority's Executive Director, Comptroller and I certified in connection with the release of the Financial Statements on March 6, 2014, that (a) to the best of our knowledge and belief, the financial and other information, including the summary of significant accounting policies described in the Financial Statements, was accurate in all material respects and was reported in a manner designed to present fairly the Port Authority's net position, changes in net position, and cash flows, in conformity with GAAP; and (b) on the basis that the cost of internal controls should not outweigh their benefits, the Port Authority has established a comprehensive framework of internal controls to protect its assets from loss, theft, or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the Financial Statements in conformity with GAAP.

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



designed to complement the MD&A and should be read in conjunction with the independent auditors' report and the audited Financial Statements.

### *Profile of the Port Authority*

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

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

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

The approved budget becomes a mechanism that facilitates the systematic review of program expenditures to ensure that they are made consistent with statutory, contractual, and other commitments of the agency, the

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

### *Regional Economic Condition and Outlook*

Regional economic conditions are trending ahead of the national economy's in terms of gains in productivity and employment. In the 18 counties comprising the Port District, increases in productivity totaled three (3) percent in 2013. In addition, as a result of increases in employment and record tourism in the Greater New York area, consumer spending remained strong in New York City and its surrounding counties.

Regional employment levels currently exceed pre-recession levels. These employment increases resulted from strong employment growth in New York City and New Jersey. Despite these positive trends, overall employment gains appear to be somewhat tempered by the fact that employment increases have occurred in sectors that are different from the ones that lost most of the jobs during the recession. Finance, insurance, brokerage and banking sectors, which traditionally have been major contributors to regional employment continue to show slower growth than other economic sectors, including leisure and hospitality, tourism and healthcare. These structural shifts in employment sectors have likely affected traffic volumes at Port Authority bridges and tunnels. Employment sectors such as finance, insurance and banking have traditionally comprised a significant portion of the regional bridge and tunnel vehicular activity.

Activity levels at Port Authority facilities, excluding aviation remained relatively flat when compared to 2012. Activity levels at Port Authority's Hudson River six (6) vehicular crossings totaled 116 million vehicles, a decrease of 0.5 percent from 2012. This slight decline in activity was primarily the result of structural changes to employment sectors that traverse Port Authority vehicular crossings and tolling rate increases that became effective in 2013 and 2012. The region's three major airports saw passenger levels increased 2.9 percent to an all time high of 112 million passengers. These increases in aviation passengers were due to positive economic growth that energized passenger travel throughout the year. PATH passenger volumes remained flat at 73 million passengers in 2013, primarily as a result of PATH system service disruptions resulting from Superstorm Sandy that carried forward into 2013 as well as service disruptions at other regional transportation entities that link to the PATH system. Containerized cargo levels at Port Authority Port facilities declined by 1.3% to 3.2 million containers in 2013 primarily resulting from a decline in East Coast market share and temporary disruptions in port operations.

The Port Authority has taken a variety of measures over the past years to mitigate the impacts of the region's slow economic recovery and will continue to do so in 2014. Going forward, the Port Authority will continue to monitor the economic environment and develop sound budgets that are fiscally sustainable and responsive to the economic needs of the region.

### *Certificate of Achievement*

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2012. The Port Authority has received this award since 1984, making this the 29th consecutive year that the Port Authority financial statements have achieved this prestigious award.

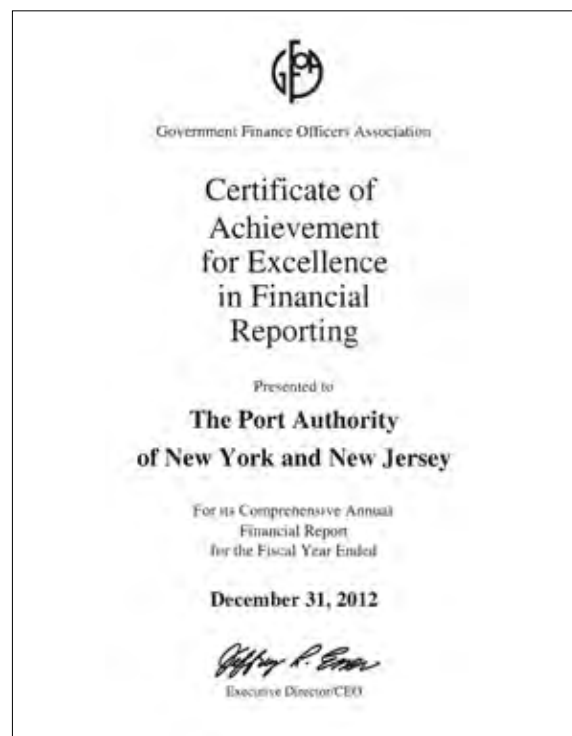
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must also satisfy both GAAP and applicable legal requirements.

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



Elizabeth M. McCarthy  
Chief Financial Officer

March 6, 2014





# FINANCIAL INFORMATION

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*The Port Authority of New York and New Jersey  
Annual Financial Report for the Year Ended December 31, 2013*

*Prepared by the Comptroller's Department*







**KPMG LLP**  
345 Park Avenue  
New York, NY 10154-0102

## **Independent Auditors' Report**

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated statements of net position of The Port Authority of New York and New Jersey (the "Port Authority") as of December 31, 2013 and 2012, and the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the net position of the Port Authority as of December 31, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### ***Emphasis of Matter***

As discussed in Note A.3.o to the consolidated financial statements, effective January 1, 2012, the Port Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audits for the years ended December 31, 2013 and 2012 were conducted for the purpose of forming an opinion on the Port Authority's consolidated financial statements. The supplementary information included in Schedules D-1, D-2, E and F, as listed in the table of contents, related to fiscal years 2013 and 2012 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements for the years ended December 31, 2013 and 2012, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules D-1, D-2, E and F related to fiscal years 2013 and 2012 is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.





The Port Authority's consolidated financial statements for the years ended December 31, 2004 through 2011 (not presented herein) were audited by other auditors whose reports thereon expressed unmodified opinions on those respective consolidated financial statements. The reports of the other auditors on these consolidated financial statements stated that the supplementary information included in Schedules D-1 and D-2 for fiscal years 2004 through 2011, was subjected to the auditing procedures applied in the audit of the respective consolidated financial statements and, in their opinion, was fairly stated in all material respects in relation to the respective consolidated financial statements.

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

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

We have audited the accompanying Schedules A, B and C of the Port Authority, which comprise financial statements that present the assets and liabilities as of December 31, 2013, and the revenues and reserves for the year then ended, prepared in accordance with the requirements of the Port Authority's bond resolutions.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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



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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Port Authority as of December 31, 2013, and its revenues and reserves for the year then ended in accordance with the requirements of the Port Authority's bond resolutions.

***Report on Summarized Comparative Information***

We have previously audited Schedules A, B and C prepared in accordance with the requirements of the Port Authority's bond resolutions as of and for the year ended December 31, 2012, and we expressed an unmodified audit opinion on them in our report dated February 25, 2013. In our opinion, the summarized comparative information presented on Schedules A, B, and C herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited Schedules A, B and C as of and for the year ended December 31, 2012 from which it has been derived.

***Emphasis of Matters***

***Basis of Accounting***

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

***Change in Accounting Principle***

As discussed in Note A.3.o to the consolidated financial statements, in 2013, the basis of accounting used in Schedules A, B and C referred to in the preceding paragraph incorporated the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Restriction on Use***

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

**KPMG LLP**

New York, New York  
March 6, 2014



## Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2013 and 2012

### Introduction

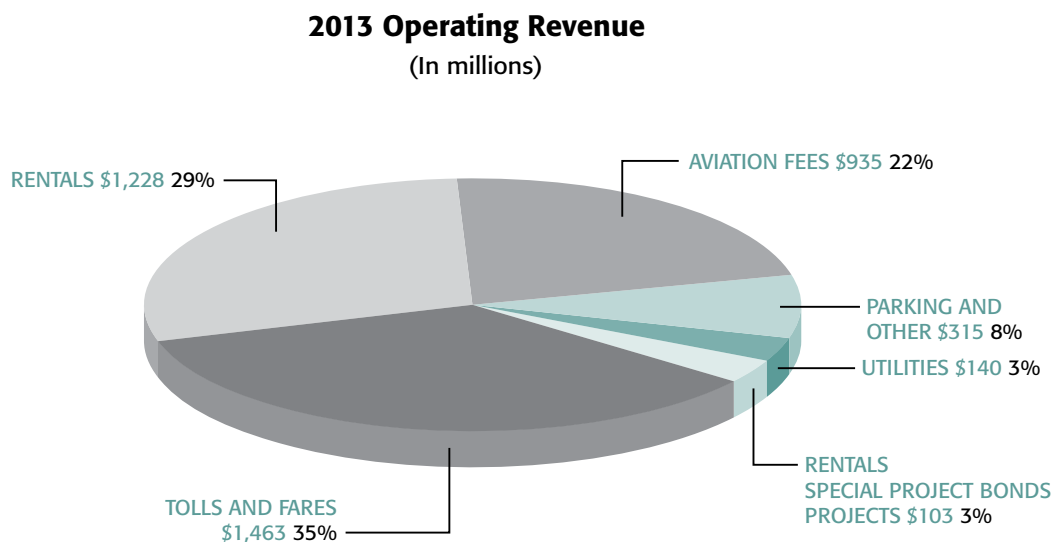
The following discussion and analysis of the financial performance and activity of The Port Authority of New York and New Jersey (The Port Authority) and certain of its related entities (component units) described herein (see Note A.1.d – *Nature of the Organization and Summary of Significant Accounting Policies*) is intended to provide an introduction to and understanding of the consolidated financial statements of the Port Authority for the year ended December 31, 2013, with selected comparative information for the years ended December 31, 2012 and December 31, 2011. This section has been prepared by management of the Port Authority and should be read in conjunction with the consolidated financial statements and appended note disclosures that follow this section.

### 2013 Financial Results

The Port Authority's net position totaled \$13.7 billion at December 31, 2013, representing an increase of \$1.0 billion when compared to December 31, 2012. The increase in net position is due to \$675.7 million in income from operations and \$352.1 million in income from non-operating activities.

Description	2013 (In thousands)
Gross operating revenues	\$ 4,184,039
Operating expenses	(2,596,268)
Depreciation and amortization	(940,254)
Net revenue related to Superstorm Sandy	28,229
Income from operations	675,746
Non-operating expenses	(562,101)
Capital contributions and Passenger Facility Charges (PFCs)	914,199
Income from non-operating activities	352,098
Increase in net position	\$ 1,027,844

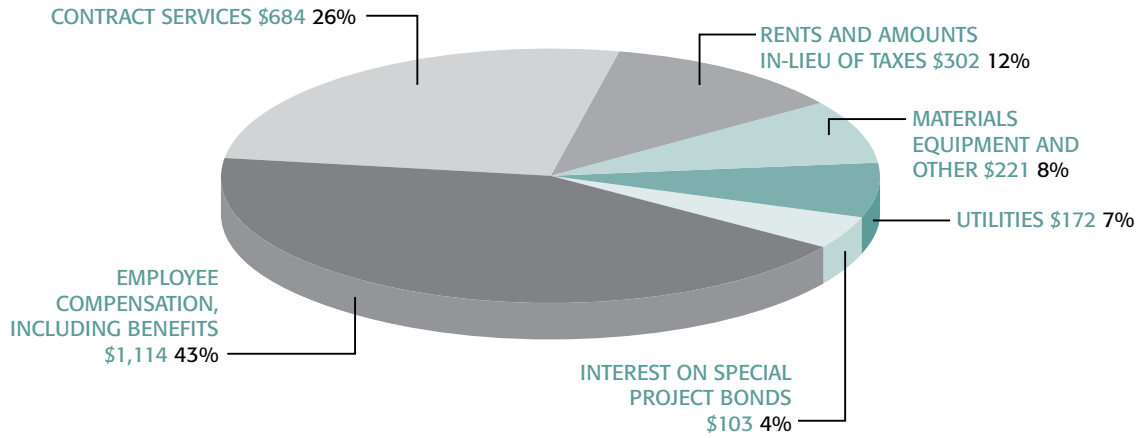
Gross operating revenues totaled \$4.2 billion in 2013, comprising:



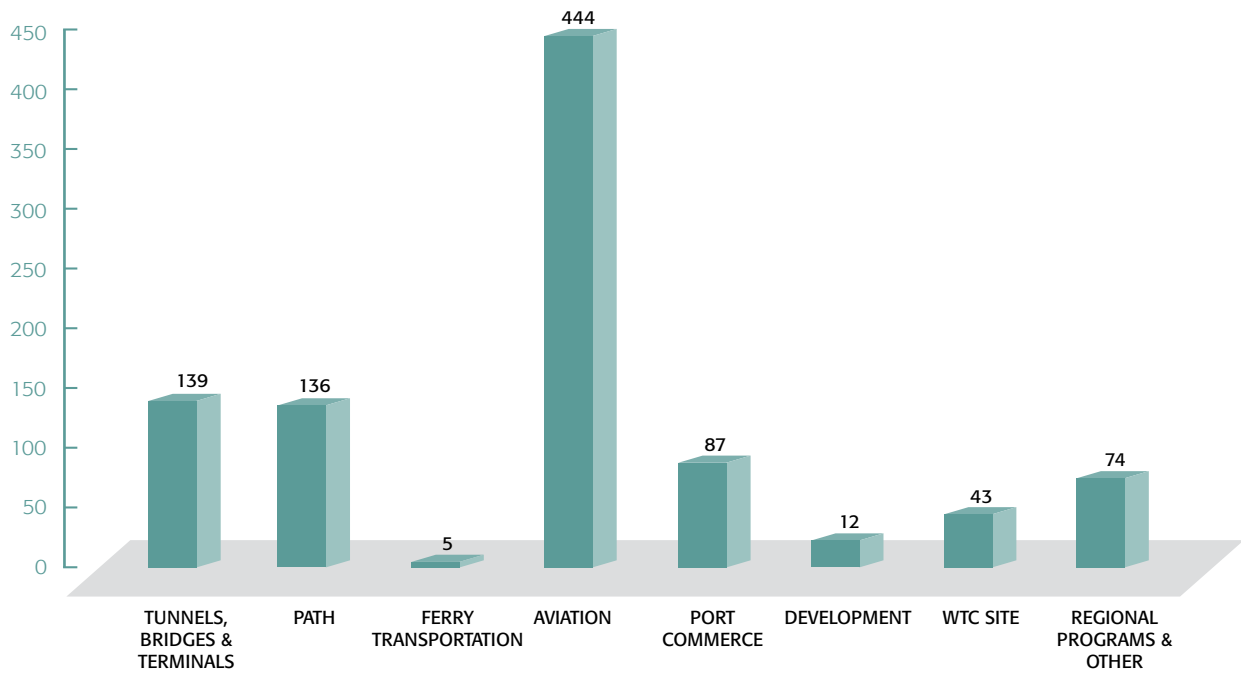
**Management's Discussion and Analysis (Unaudited)**  
(continued)

Operating and maintenance expenses totaled \$2.6 billion in 2013, comprising:

**2013 Operating Expenses**  
(In millions)



**Depreciation and Amortization**  
(In millions)





## Management's Discussion and Analysis (Unaudited)

(continued)

### Superstorm Sandy 2013 Net Position Impact

Net (revenue)/expense related to Superstorm Sandy totaled (\$28.2) million in 2013. Direct operating expenses incurred as a result of the storm totaled \$352 million, including \$232 million of write-offs relating to capital infrastructure assets that were destroyed and \$120 million in cost for immediate repairs to Port Authority facilities. Offsetting these amounts was \$380 million in insurance recoveries received from participating insurance carriers (see Note J.(9) – *Commitments and Certain Charges to Operations* for additional information regarding Superstorm Sandy).

In addition, the Port Authority recognized \$95.7 million in Grants associated with Superstorm Sandy recovery efforts, including \$12.4 million from Federal Emergency Management Agency (FEMA) and \$83.3 million from the Federal Transit Administration (FTA). These amounts are included as a component of Grants on the Port Authority Consolidated Statements of Revenues, Expenses and Changes in Net Position.

	2013	2012	Cumulative
		(In thousands)	
Immediate Repair Expenses	\$ 119,752	\$ 120,607	\$240,359
Write-off of Destroyed Assets	232,348	15,724	248,072
Insurance Recoveries	(380,329)	(106,331)	(486,660)
Net (Revenue)/Expense associated with Superstorm Sandy	(28,229)	30,000	1,771
Add:			
Grants associated with Superstorm Sandy	(95,678)	–	(95,678)
<b>Total Impact</b>	<b>\$(123,907)</b>	<b>\$ 30,000</b>	<b>\$ (93,907)</b>

Income from non-operating activities totaled \$352 million in 2013, comprising:

	(In millions)
Contributions in aid of construction, PFCs and pass-through amounts	\$ 738
Grants in connection with operating activities	188
Interest income, including decreases in fair value of investments	9
Net gain on disposition of assets	4
Interest expense in connection with bonds and other asset financing, including 4 World Trade Center (WTC) associated payments	(587)
<b>Income from non-operating activities</b>	<b>\$ 352</b>

### Other Activities

- Toll and fare schedules for the Port Authority's six (6) vehicular crossings and the PATH system were revised effective September 18, 2011. The toll for automobiles paying with cash was increased from \$8.00 to \$12.00 in 2011 and to \$13.00 in December 2012, with further increases of \$1.00 scheduled in December 2014 and 2015; the cash toll for truck classes 2-6 increased from \$15.00 per axle to \$17.00 per axle in December 2013, with further increases of \$2.00 per axle scheduled in December in 2014 and 2015; the cash toll for buses carrying 10 or more people was increased from \$21.00 to \$22.00 in December 2013, with further increases of \$1.00 scheduled in December each year in 2014 and 2015. Discounts are available for vehicles using the E-ZPass electronic toll collection system and certain designated user programs.
- The PATH base fare for a single trip increased from \$2.25 per trip to \$2.50 per trip on October 1, 2013, with a further increase of 25 cents scheduled for October 1, 2014. The cost of the multi-trip tickets and SmartLink passes increased on October 1, 2013, with a further increase scheduled for October 1, 2014 in a consistent manner with the base fare increase.
- In July 2012, the Port Authority and the private full service vendor operating the Essex County Resource Recovery Facility (ECRR) entered into certain supplemental agreements under which the private full service vendor assumed the Port Authority's obligations under the waste disposal contract with the City of New York. The supplemental agreements also required the private full service vendor to enter into an agreement with the New Jersey Department of Environmental Protection providing for the construction and maintenance of certain air emissions control technology at the plant, and restructured certain financial obligations of the Port Authority and the private full service vendor pertaining to the plant. Effective January 1, 2013, the private full service vendor retains all fees and assumes all costs relating to the facility (See *2013 vs. 2012 Operating Revenues and Operating Expenses* for financial statement impacts).

## ***Management's Discussion and Analysis (Unaudited)***

(continued)

- The Port Authority entered into a management agreement for a term of 15 years with South Jersey Transportation Authority (SJTA), effective July 1, 2013. Under the Management Agreement, the Port Authority will provide general management services to SJTA in connection with the Atlantic City Airport (ACY), which will be provided at the direction and under the supervision of SJTA until ACY is certified as an additional facility of the Port Authority. SJTA will remain the airport sponsor and will retain its obligations under the Federal Aviation Administration (FAA) airport operating certificate. The Port Authority will be paid a fee per month for the performance of its management services. At any time during the term of the Management Agreement, the Port Authority will have an option to buy SJTA's interest in ACY.
- On December 4, 2013, the Board of Commissioners of the Port Authority approved the Port Authority's sale of its interests in the New WTC Retail Owner, LLC to Westfield (See Note K – *Information with Respect to the Redevelopment of the World Trade Center Site*). As such, Westfield will acquire 100% of the Port Authority interests in the retail components of the WTC site for a total aggregate payment to the Port Authority of \$1.4 billion. After completion of the transaction, the Port Authority will continue as landlord of the retail components of the World Trade Center site, under a net lease providing for nominal annual rentals.
- On December 4, 2013, after determining that Newark Legal and Communications Center (NLCC) was no longer required for the purposes for which it was acquired, the Board of Directors of the Newark Legal and Communications Center Urban Renewal Corporation (NLCCURC) authorized the President of the NLCCURC to enter into an agreement providing for the phased transfer of the NLCCURC's interests in the Newark Legal and Communications Center to Matrix Affiliate, LLC in exchange for a total aggregate payment of approximately \$42 million, subject to certain adjustments.
- On February 19, 2014, the Board of Commissioners adopted a budget for calendar year 2014 and a ten-year capital plan for 2014 – 2023. Please refer to the following link (<http://www.panynj.gov/corporate-information>).

## ***Financial Statements for Years Ended December 31, 2013 and December 31, 2012 – Discussion and Analysis***

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



## Management's Discussion and Analysis (Unaudited)

(continued)

### Consolidated Statements of Net Position

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

	2013	2012	2011*
	(In thousands)		
<b>ASSETS</b>			
Current assets	<b>\$ 3,497,235</b>	\$ 4,691,874	\$ 4,044,368
Noncurrent assets:			
Facilities, net	<b>27,645,980</b>	25,525,926	23,134,288
Other noncurrent assets	<b>7,219,567</b>	6,910,884	6,739,065
<b>Total assets</b>	<b>38,362,782</b>	37,128,684	33,917,721
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Debt refunding costs	<b>108,657</b>	94,636	–
<b>Total deferred outflows of resources</b>	<b>108,657</b>	94,636	–
<b>LIABILITIES</b>			
Current liabilities	<b>3,113,486</b>	2,788,155	2,635,668
Noncurrent liabilities:			
Bonds and other asset financing obligations	<b>18,229,901</b>	18,139,807	15,751,041
Other noncurrent liabilities	<b>3,391,120</b>	3,590,377	3,805,121
<b>Total liabilities</b>	<b>24,734,507</b>	24,518,339	22,191,830
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Debt refunding costs	<b>8,605</b>	4,498	–
<b>Total deferred inflows of resources</b>	<b>8,605</b>	4,498	–
<b>NET POSITION</b>			
Net investment in capital assets	<b>10,093,713</b>	9,902,611	10,020,306
Restricted	<b>454,467</b>	392,389	294,460
Unrestricted	<b>3,180,147</b>	2,405,483	1,411,125
<b>Total net position</b>	<b>\$13,728,327</b>	\$12,700,483	\$ 11,725,891

\* December 31, 2011 amounts have not been restated to reflect the implementation of Government Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Port Authority assets totaled \$38.4 billion at December 31, 2013, an increase of \$1.2 billion from December 31, 2012. This increase was primarily due to:

- Facilities, net, including contributed capital amounts increased \$2.1 billion resulting from the continued capital investment in Port Authority facilities (see Schedule F – *Information on Port Authority Capital Program Components* for additional information on capital investment by business segment).
- Cash including restricted amounts decreased \$1.4 billion primarily due to a \$3.4 billion decrease in capital financing and investing activities which was offset by a \$2.0 billion increase in cash flows relating to operations.
- Current and noncurrent investments increased \$825 million primarily due to a \$355 million increase in U.S. Securities held for the scheduled refunding of consolidated bonds in January 2014 and a \$519 million increase in U.S. Securities related to Port Authority General and Consolidated Bond Reserve Funds.

## ***Management's Discussion and Analysis (Unaudited)***

(continued)

- Other amounts receivable decreased \$103 million primarily due to a \$107 million decrease associated with insurance proceeds received in connection with Superstorm Sandy.

Port Authority liabilities totaled \$24.7 billion at December 31, 2013, an increase of \$216 million from December 31, 2012. This increase was primarily due to:

- Bonds and other asset financing obligations increased \$186 million primarily due to the issuance of consolidated bonds in connection with the Port Authority's capital plan.
- Accounts payable increased \$143 million primarily due to the timing of payments associated with capital construction projects at the Bayonne Bridge, Port Jersey – Port Authority Marine Terminal facilities and WTC site.
- Accrued pension and other noncurrent employee benefits decreased \$91 million primarily due to contributions made to The Port Authority of New York and New Jersey Retiree Health Benefits Trust.



## Management's Discussion and Analysis (Unaudited)

(continued)

### Consolidated Statements of Revenues, Expenses and Changes in Net Position

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

	2013	2012	2011
		(In thousands)	
Gross operating revenues	\$ 4,184,039	\$ 4,050,016	\$ 3,800,480
Operating expenses	(2,596,268)	(2,589,447)	(2,564,969)
Depreciation and amortization	(940,254)	(961,958)	(930,264)
Net revenue/(expense) related to Superstorm Sandy	28,229	(30,000)	–
<b>Income from operations</b>	<b>675,746</b>	468,611	305,247
Non-operating expenses	(562,101)	(557,648)	(585,445)
Capital contributions and PFCs	914,199	1,223,580	981,466
<b>Increase in net position</b>	<b>\$ 1,027,844</b>	\$ 1,134,543	\$ 701,268

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

### Operating Revenues

A summary of gross operating revenues follows:

	2013	2012	2011
		(In thousands)	
<b>Gross operating revenues:</b>			
Tolls and fares	\$ 1,462,957	\$ 1,337,372	\$ 1,148,061
Rentals	1,228,491	1,208,730	1,150,569
Aviation fees	934,459	904,666	895,356
Parking and other	315,111	338,178	339,131
Utilities	139,835	152,945	154,810
Rentals – Special Project Bonds Projects	103,186	108,125	112,553
<b>Total</b>	<b>\$ 4,184,039</b>	\$ 4,050,016	\$ 3,800,480

### 2013 vs. 2012

Gross operating revenues totaled \$4.2 billion for the year ended December 31, 2013, a \$134 million or 3% increase from 2012. The overall increase in operating revenues was primarily due to:

- Toll revenues generated at the Port Authority's six (6) vehicular crossings increased \$109 million in 2013 primarily due to scheduled increases in tolling rates that became effective in December 2012 and December 2013, partially offset by a 0.5% decrease in vehicular activity.
- PATH fares increased \$16 million in 2013 primarily due to scheduled increases in PATH fares that became effective on October 1, 2012 and October 1, 2013, and a 0.3% increase in ridership levels.
- Aviation fees increased \$30 million in 2013 primarily reflecting an increase in fees derived from cost recovery agreements with airlines operating at Port Authority Aviation facilities.
- Fixed and activity based rentals increased \$20 million in 2013 primarily due to a \$17.3 million increase in activity based rentals at Port Authority Aviation facilities and Seven WTC.
- Utilities revenues declined \$13 million in 2013 primarily due to a \$14.6 million decrease in the sale of electricity at the ECRR.
- Parking and other revenues declined \$23 million in 2013 primarily due to a \$42.3 million decrease in ECRR gate and tipping fees. Partially offsetting this decrease was a \$12 million increase in Aviation facilities parking revenues due to a July 1, 2013 increase in on-airport public parking rates and the April 1, 2013 implementation of an airport access fee to off-airport parking lot operators.

## Management's Discussion and Analysis (Unaudited)

(continued)

- Rentals – Special Project Bonds Projects decreased \$5 million due to a decrease in the amount of outstanding Special Project Bond debt associated with certain aviation projects (See Note D-2. – *Amounts Payable – Special Project Bonds*).

### 2012 vs. 2011

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

- Toll revenues from the Port Authority's six vehicular crossings increased \$178 million in 2012 primarily due to the full year impact of the revised tolling schedule which became effective on September 18, 2011, partially offset by a 2.4% overall decline in vehicular activity. This overall decrease in activity includes approximately a 1% decrease in vehicular activity directly related to Superstorm Sandy.
- PATH fares increased \$11 million in 2012 primarily due to the full year impact of the revised PATH fare schedule which became effective on September 18, 2011, partially offset by a 5.2% overall decline in 2012 ridership levels directly attributable to Superstorm Sandy.
- Rental revenues increased \$58 million in 2012 primarily due to a \$52 million increase in fixed and activity based rentals from major tenants at Aviation and Port Commerce facilities.
- Aviation fees increased \$9 million year-to-year primarily reflecting higher revenues derived from cost recovery agreements with airlines operating at major airports.

### Operating Expenses

A summary of operating expenses follows:

	2013	2012	2011
	(In thousands)		
<b>Operating expenses:</b>			
Employee compensation, including benefits	<b>\$1,114,397</b>	\$1,038,243	\$ 1,037,681
Contract services	<b>684,411</b>	749,106	726,883
Rents and amounts in-lieu-of taxes	<b>301,582</b>	304,020	280,237
Materials, equipment and other	<b>220,859</b>	215,937	219,183
Utilities	<b>171,833</b>	174,016	188,432
Interest on Special Project Bonds	<b>103,186</b>	108,125	112,553
<b>Total</b>	<b>\$2,596,268</b>	\$2,589,447	\$2,564,969

### 2013 vs. 2012

Operating expenses totaling \$2.6 billion, excluding costs related to Superstorm Sandy, remained relatively flat when compared to 2012. The \$7 million increase in operating expenses was primarily due to the following:

- Employee compensation increased \$76 million in 2013 primarily due to a \$25 million increase in policing activities, a \$21 million increase in operation and maintenance activities including snow & ice removal, and a \$31 million increase in employee benefits primarily due to an increase in accrued amounts associated with Other Postemployment Employee Benefits (OPEB).
- Costs for materials, equipment and other increased \$5 million in 2013 primarily due to a \$9.5 million increase in property damage insurance premiums and an \$11 million increase associated with a 2012 WTC commercial rent tax settlement. Partially offsetting these increases was an \$18 million decrease in capital expenditure write-offs.
- Contract service costs decreased \$65 million in 2013 primarily due to a \$60 million decrease in contractor payments due the private full service vendor who operates the ECRR and a \$23 million decrease due to the 2012 completion of the Port Authority financial commitments to Brooklyn Bridge Park Development Corporation.
- Rents and amounts in-lieu-of taxes decreased \$2.4 million in 2013 primarily due to a \$4.5 million decrease in payments in-lieu-of taxes (PILOT) for the ECRR. Partially offsetting these amounts was a \$1.6 million increase in PILOT for the WTC site.
- Utilities expenditures decreased \$2.2 million in 2013 primarily due to a reduction in electricity consumption at Port Authority facilities.

## Management's Discussion and Analysis (Unaudited)

(continued)

### 2012 vs. 2011

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

- Rent and amounts in-lieu-of taxes increased \$24 million in 2012 primarily due to higher rental payments paid to the Cities of New York and Newark under lease agreements governing the operation of the New York City Air Terminals and Newark Air and Marine Terminals.
- Contract service costs increased \$22 million in 2012 primarily due to a \$26 million increase for interim terminal operating agreements at the Brooklyn-Port Authority Marine Terminal and Port Newark; and a \$12 million increase attributable to an accelerated payment to the Brooklyn Bridge Park Development Corporation. Partially offsetting these increases was a \$13 million decrease in snow and ice removal costs due to milder winter weather conditions in 2012.
- Utility expenses decreased \$14 million in 2012 primarily due to an \$11 million decrease attributable to lower electricity usage at Aviation facilities and PATH.
- Costs for materials, equipment and other items decreased \$3 million in 2012 primarily due to a \$13 million decrease in bad debt expense at Port Commerce facilities, which was offset by a \$9.2 million increase in self-insured public liability and workers compensation losses.

### Depreciation and Amortization

A summary of depreciation and amortization expenses follows:

	2013	2012	2011
		(In thousands)	
<b>Depreciation and amortization:</b>			
Depreciation of facilities	<b>\$875,979</b>	\$884,239	\$852,727
Amortization of costs for regional programs	<b>64,275</b>	77,719	77,537
<b>Total</b>	<b>\$940,254</b>	\$961,958	\$930,264

### 2013 vs. 2012

Depreciation and amortization expense decreased \$22 million primarily due to decreases in amortization associated with the reclassification of certain regional programs and year-to-year decreases associated with fully depreciated capital assets at the WTC, Outerbridge Crossing and George Washington Bridge.

### 2012 vs. 2011

Depreciation and amortization expense totaled \$962 million in 2012, an increase of \$32 million compared to 2011. The increase primarily reflects the full year impact of transferring \$2.1 billion of construction in progress to completed construction in 2011 and the transfer of an additional \$906 million in capital expenditures to completed construction in 2012.

### Non-Operating Revenues and Expenses

	2013	2012	2011
		(In thousands)	
<b>Non-operating revenues and (expenses):</b>			
Interest income	<b>\$ 35,036</b>	\$ 37,510	\$ 54,398
Net (decrease)/increase in fair value of investments	<b>(26,428)</b>	2,151	(101,296)
Interest expense in connection with bonds and other asset financing	<b>(623,353)</b>	(658,313)	(559,110)
Net gain/(loss) on disposition of assets	<b>4,423</b>	(4)	–
Pass-through grant program payments	<b>(176,848)</b>	(56,446)	(11,507)
4 WTC associated payments	<b>36,660</b>	65,293	8,343
Grants	<b>188,409</b>	52,161	23,727
<b>Net non-operating expenses</b>	<b>(\$562,101)</b>	(\$557,648)	(\$585,445)



## Management's Discussion and Analysis (Unaudited)

(continued)

### 2013 vs. 2012

Financial income, including interest income and changes to the fair value of investments decreased \$31 million in 2013 primarily due to a \$13.4 million year-to-year decrease in market valuation adjustments associated with the 2012 termination of three remaining Interest Rate Exchange Contracts (Swap Agreements) and a \$14 million decrease in the fair market valuation of United States Treasury securities due to rising interest rates.

Interest expense in connection with bonds and other asset financings, including 4 WTC associated payments relating to the reimbursement of interest expense associated with Tower 4 Liberty Bonds decreased \$6 million in 2013 primarily due to a \$21 million year-to-year decrease in payments associated with three remaining Swap Agreements that were terminated in 2012 and a \$3.4 million year-to-year decrease associated with interest payable in connection with a 2012 WTC site commercial rent occupancy tax settlement. Offsetting these amounts was an increase of \$22 million in operating interest expense associated with outstanding debt.

Net gain on disposition of assets increased \$4.4 million due to a sale of a parcel of land surrounding the Lincoln Tunnel.

Grants associated with operating activities increased \$136 million in 2013 primarily due to a \$96 million increase in FTA and FEMA grants associated with Superstorm Sandy recovery efforts and a \$36 million increase in the Department of Homeland Security (DHS) funding for port security related projects.

Pass-through grant program payments to sub-grantees increased \$120 million in 2013 primarily due to increased funding associated with baggage screening projects at Aviation facilities and security related projects sponsored by the Port Authority. Pass-through grant program payments are offset in their entirety by either Contributions in aid of construction or Grants.

### 2012 vs. 2011

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

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

## Capital Contributions and Passenger Facility Charges

	2013	2012	2011
		(In thousands)	
Contributions in aid of construction	\$689,898	\$ 997,441	\$767,010
Passenger Facility Charges	224,301	222,614	214,456
1 WTC LLC insurance proceeds	—	3,525	—
<b>Total</b>	<b>\$914,199</b>	<b>\$1,223,580</b>	<b>\$981,466</b>

### 2013 vs. 2012

Contributions in aid of construction, PFCs, and 1 World Trade Center LLC (1 WTC LLC) restricted insurance proceeds decreased \$309 million in 2013, primarily due to a \$164 million decrease in capital contributions from the Silverstein net lessees for the construction of WTC Towers 3 and 4, a \$157 million decrease in funding from the FTA for the construction of the WTC Transportation Hub, and a \$100 million decrease associated with the 2012 contribution from the WTC Retail Joint Venture, Westfield member to WTC Retail LLC for the further construction and development of retail space at the WTC site. Partially offsetting these amounts was a \$77 million increase in funding from the Transportation Security Administration (TSA) for the construction and enhancement of baggage screening systems at LaGuardia Airport (LGA), John F. Kennedy International Airport (JFK) and Newark Liberty International Airport (EWR).

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

(continued)

**2012 vs. 2011**

Contributions in aid of construction, PFCs, and 1 WTC LLC restricted insurance proceeds totaled \$1.2 billion in 2012, an increase of \$242 million. The year-to-year increase was primarily due to an increase of \$131 million received from the FTA in connection with the WTC PATH Transportation Hub; a \$100 million contribution from the WTC Retail Joint Venture, Westfield member to WTC Retail LLC for the further construction and development of retail space at the WTC site; an increase of \$50 million in contributed capital from Silverstein net lessees for the construction of WTC Towers 2, 3 and 4; and a \$20 million contribution from the Hugh L. Carey Battery Park City Authority for the construction of a Route 9A WTC site underpass. These increases were partially offset by a year-to-year decrease in Tower 1 Joint Venture LLC capital contributions from Durst made in 2011.

**Capital Construction Activities**

Port Authority capital investment including contributed capital amounts totaled \$3 billion in 2013, \$3.3 billion in 2012 and \$3.4 billion in 2011.

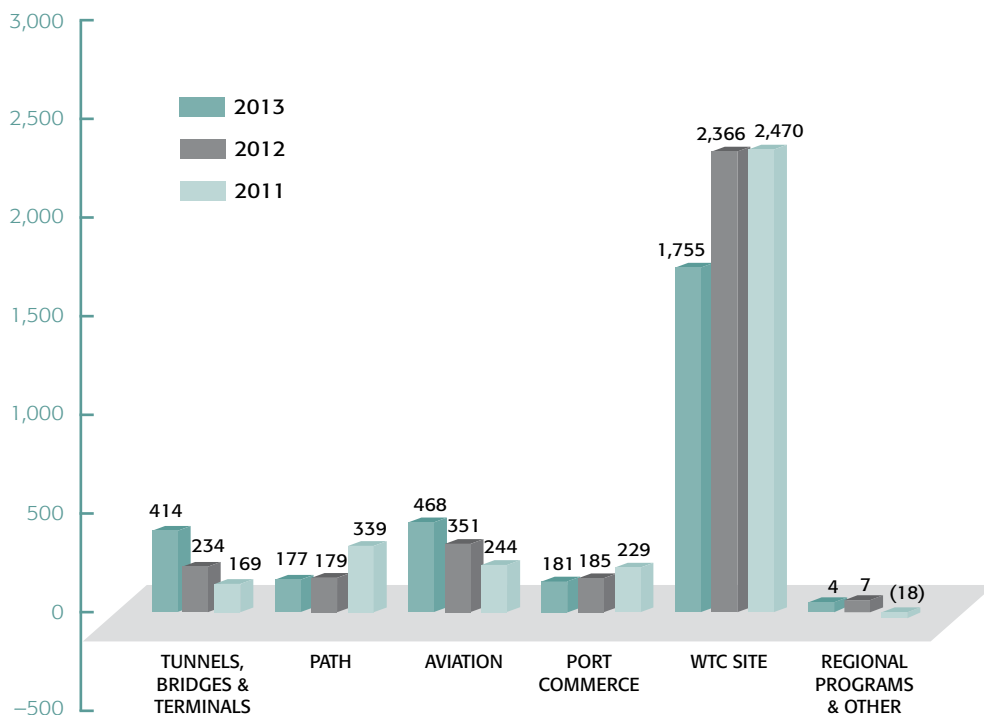
Funding sources for the \$3 billion of Port Authority capital investment in 2013 were:

	(In millions)
Capital Debt Obligations	\$ 1,772
FTA Contributions in aid of construction	418
Port Authority Consolidated Bond Reserve Funds	271
WTC Towers 3 and 4 net lessee capital contributions	190
Passenger Facility Charges	175
Other contributions in aid of construction	174
<b>Total</b>	<b>\$3,000</b>

The following chart depicts net capital investment for the last three years summarized by line of business:

**Capital Investment by Business Segment**

(In millions)



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

## Management's Discussion and Analysis (Unaudited)

(continued)

### Capital Financing and Debt Management

As of December 31, 2013, bonds and other asset financing obligations of the Port Authority totaled approximately \$19.4 billion, excluding \$1.2 billion associated with the Tower 4 Liberty Bonds for which the Port Authority is a co-borrower/obligor.

During 2013, the Port Authority issued \$1.85 billion of consolidated bonds. Of this amount, \$350 million was allocated to fund capital project expenditures and \$1.5 billion was allocated for the purpose of refunding existing outstanding obligations.

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. All ratings for outstanding obligations in 2013 remained the same when compared to 2012. During 2013, Standard and Poor's (S&P), Fitch Ratings and Moody's Investors Service considered the Port Authority's outlook as stable.

<b>OBLIGATION</b>	<b>S&amp;P</b>	<b>Fitch Ratings</b>	<b>Moody's Investors Service</b>
Consolidated Bonds	AA-	AA-	Aa3
Commercial Paper	A-1+	F1+	P-1

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



## Consolidated Statements of Net Position

	2013	December 31, 2012
		(In thousands)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 2,210,039	\$ 3,692,900
Restricted cash	183,487	131,925
Investments	410,018	100,777
Current receivables, net	451,644	447,562
Other current assets	194,754	283,233
Restricted receivables and other assets	47,293	35,477
<b>Total current assets</b>	<b>3,497,235</b>	4,691,874
<b>Noncurrent assets:</b>		
Restricted cash	6,583	6,472
Investments	2,342,391	1,835,720
Restricted investments – PAICE	172,064	162,630
Other amounts receivable, net	38,453	141,473
Other noncurrent assets	1,408,623	1,382,399
Restricted other noncurrent assets – PAICE	10,028	10,147
Amounts receivable – Special Project Bonds Projects	1,587,468	1,656,350
Amounts receivable – Tower 4 Liberty Bonds	1,248,697	1,249,309
Unamortized costs for regional programs	405,260	466,384
Facilities, net	27,645,980	25,525,926
<b>Total noncurrent assets</b>	<b>34,865,547</b>	32,436,810
<b>Total assets</b>	<b>38,362,782</b>	37,128,684
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Debt refunding costs	108,657	94,636
<b>Total deferred outflows of resources</b>	<b>108,657</b>	94,636
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	1,029,780	886,862
Accrued interest and other current liabilities	582,493	568,308
Restricted other liabilities – PAICE	3,746	852
Accrued payroll and other employee benefits	352,748	283,180
Current portion bonds and other asset financing obligations	1,144,719	1,048,953
<b>Total current liabilities</b>	<b>3,113,486</b>	2,788,155
<b>Noncurrent liabilities:</b>		
Accrued pension and other noncurrent employee benefits	279,220	369,951
Other noncurrent liabilities	229,884	267,829
Restricted other noncurrent liabilities – PAICE	45,851	46,938
Amounts payable – Special Project Bonds	1,587,468	1,656,350
Amounts payable – Tower 4 Liberty Bonds	1,248,697	1,249,309
Bonds and other asset financing obligations	18,229,901	18,139,807
<b>Total noncurrent liabilities</b>	<b>21,621,021</b>	21,730,184
<b>Total liabilities</b>	<b>24,734,507</b>	24,518,339
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Debt refunding costs	8,605	4,498
<b>Total deferred inflows of resources</b>	<b>8,605</b>	4,498
<b>NET POSITION</b>	<b>\$13,728,327</b>	\$12,700,483
<b>Net position is composed of:</b>		
Net investment in capital assets	\$10,093,713	\$ 9,902,611
Restricted:		
Passenger Facility Charges	181,358	132,228
Port Authority Insurance Captive Entity, LLC	173,109	160,161
Minority interest in Tower 1 Joint Venture LLC	100,000	100,000
Unrestricted	3,180,147	2,405,483
<b>NET POSITION</b>	<b>\$13,728,327</b>	\$12,700,483

See Notes to Consolidated Financial Statements

## Consolidated Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31,	
	2013	2012
	(In thousands)	
<b>Gross operating revenues:</b>		
Tolls and fares	\$ 1,462,957	\$ 1,337,372
Rentals	1,228,491	1,208,730
Aviation fees	934,459	904,666
Parking and other	315,111	338,178
Utilities	139,835	152,945
Rentals – Special Project Bonds Projects	103,186	108,125
Total gross operating revenues	<b>4,184,039</b>	4,050,016
<b>Operating expenses:</b>		
Employee compensation, including benefits	1,114,397	1,038,243
Contract services	684,411	749,106
Rents and amounts in-lieu-of taxes	301,582	304,020
Materials, equipment and other	220,859	215,937
Utilities	171,833	174,016
Interest on Special Project Bonds	103,186	108,125
Total operating expenses before depreciation, amortization and other operating expenses	<b>2,596,268</b>	2,589,447
Net (revenue)/expense related to Superstorm Sandy	<b>(28,229)</b>	30,000
Depreciation of facilities	875,979	884,239
Amortization of costs for regional programs	64,275	77,7197
Income from operations	<b>675,746</b>	468,611
<b>Non-operating revenues and (expenses):</b>		
Interest income	35,036	37,510
Net (decrease)/increase in fair value of investments	<b>(26,428)</b>	2,151
Interest expense in connection with bonds and other asset financing	<b>(623,353)</b>	(658,313)
Net gain/(loss) on disposition of assets	4,423	(4)
Pass-through grant program payments	<b>(176,848)</b>	(56,446)
4 WTC associated payments	36,660	65,293
Grants	188,409	52,161
Net non-operating expenses	<b>(562,101)</b>	(557,648)
Income before capital contributions and passenger facility charges	<b>113,645</b>	(89,037)
<b>Capital contributions and passenger facility charges:</b>		
Contributions in aid of construction	689,898	997,441
Passenger facility charges	224,301	222,614
1 WTC LLC insurance proceeds	–	3,525
Total capital contributions and passenger facility charges	<b>914,199</b>	1,223,580
Increase in net position	<b>1,027,844</b>	1,134,543
Net position, January 1	<b>12,700,483</b>	11,725,891
Cumulative effect of adopting GASB Statement No. 65 *	–	(159,951)
Restated net position, January 1	<b>12,700,483</b>	11,565,940
<b>Net position, December 31</b>	<b>\$13,728,327</b>	\$12,700,483

\* See Note A.3.(o) – Nature of the Organization and Summary of Significant Accounting Policies

See Notes to Consolidated Financial Statements

## Consolidated Statements of Cash Flows

	Year ended December 31,	
	2013	2012
	(In thousands)	
<b>1. Cash flows from operating activities:</b>		
Cash received from operations	<b>\$ 4,083,637</b>	\$ 3,914,471
Cash received related to Superstorm Sandy Insurance	<b>486,660</b>	–
Cash paid to suppliers	<b>(946,998)</b>	(1,031,043)
Cash paid to or on behalf of employees	<b>(1,135,562)</b>	(1,094,666)
Cash paid to municipalities	<b>(306,556)</b>	(313,511)
Cash payments related to Superstorm Sandy	<b>(160,999)</b>	(41,122)
Net cash provided by operating activities	<b>2,020,182</b>	1,434,129
<b>Cash flows from noncapital financing activities:</b>		
Principal paid on noncapital financing obligations	<b>(17,640)</b>	(18,595)
Payments for Fund for regional development buy-out obligation	<b>(51,212)</b>	(51,213)
Interest paid on noncapital financing obligations	<b>(71)</b>	(149)
Grants received related to operating activities	<b>74,069</b>	41,584
Grants received related to Superstorm Sandy	<b>57,180</b>	–
Pass-Through grant payments	<b>(176,848)</b>	(56,446)
Net cash (used for) noncapital financing activities	<b>(114,522)</b>	(84,819)
<b>Cash flows from capital and related financing activities:</b>		
Investment in facilities and construction of capital assets	<b>(2,676,463)</b>	(2,694,906)
Proceeds from capital obligations issued for refunding purposes	<b>2,528,981</b>	1,663,115
Principal paid through capital obligations refundings	<b>(2,477,115)</b>	(1,663,115)
Proceeds from sales of capital obligations allocated for construction	<b>405,689</b>	2,820,896
Principal paid on capital obligations	<b>(204,030)</b>	(224,425)
Interest paid on capital obligations	<b>(836,158)</b>	(815,373)
Payments for MOTBY obligation	<b>(30,000)</b>	(30,000)
Contributions in aid of construction	<b>537,056</b>	532,811
Proceeds from Passenger Facility Charges	<b>222,870</b>	222,197
Proceeds from disposition of assets	<b>4,444</b>	–
Financial income allocated to capital projects	<b>1,785</b>	1,596
Proceeds from WTC Retail Owner, LLC	<b>–</b>	93,885
Proceeds from insurance related to 1 WTC LLC	<b>–</b>	3,525
Net cash (used for) capital and related financing activities	<b>(2,522,941)</b>	(89,794)
<b>Cash flows from investing activities:</b>		
Purchase of investment securities	<b>(2,600,790)</b>	(1,706,458)
Proceeds from maturity and sale of investment securities	<b>1,749,169</b>	1,134,593
Payments for termination of swap agreements	<b>–</b>	(228,524)
Interest received on investment securities	<b>30,464</b>	32,977
Other interest income	<b>7,250</b>	8,591
Net cash (used for) investing activities	<b>(813,907)</b>	(758,821)
Net (decrease)/increase in cash	<b>(1,431,188)</b>	500,695
Cash at beginning of year	<b>3,831,297</b>	3,330,602
Cash at end of year	<b>\$ 2,400,109</b>	\$ 3,831,297

See Notes to Consolidated Financial Statements



## Consolidated Statements of Cash Flows

(continued)

	Year ended December 31,	
	2013	2012
	(In thousands)	
<b>2. Reconciliation of income from operations to net cash provided by operating activities</b>		
Income from operations	<b>\$ 675,746</b>	\$ 468,611
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	<b>875,979</b>	884,239
Amortization of costs for regional programs	<b>64,275</b>	77,719
Amortization of other assets, including write-offs	<b>288,221</b>	76,123
Change in operating assets and operating liabilities:		
Decrease/(increase) in receivables	<b>109,809</b>	(118,061)
Decrease/(increase) in other assets	<b>52,654</b>	(125,367)
Increase in payables	<b>5,017</b>	104,667
(Decrease)/increase in other liabilities	<b>(28,978)</b>	122,754
(Decrease) in accrued payroll, pension and other employee benefits	<b>(22,541)</b>	(56,556)
Total adjustments	<b>1,344,436</b>	965,518
Net cash provided by operating activities	<b>\$2,020,182</b>	\$1,434,129

### 3. Capital obligations:

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

### 4. Noncash Investing, capital and financing activities:

Noncash activity of \$23 million in 2013 and \$35 million in 2012 included amortization of discount and premium on outstanding debt obligations, accretion associated with capital appreciation bonds, and debt service in connection with Special Project Bonds.

Noncash capital financing did not include any activities that required a change in fair value. In 2013 and 2012, the Silverstein net lessees contributed \$161 million and \$325 million, respectively, towards construction of WTC Towers 3 and 4. In 2013 and 2012, preferred returns due the Tower 1 Joint Venture Durst member and the WTC Retail Joint Venture Westfield member totaled (\$14.5) million and (\$14) million, respectively.

Noncash capital asset write-offs totaled \$248 million in 2013 and \$50 million in 2012.

See Notes to Consolidated Financial Statements

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

### 1. Reporting Entity

a. The Port Authority of New York and New Jersey was created in 1921 by Compact between the States of New York and New Jersey with the consent of the United States Congress. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation generally upon the basis of its own credit. Cash derived from Port Authority operations and other cash received may be disbursed only for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily from operating revenue sources, including rentals, tolls, fares, aviation and port fees, and other charges.

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

c. The Audit Committee, which consists of four members of the Board of Commissioners other than the Chairman and Vice Chairman of the Port Authority, provides oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems and the accounting, auditing and financial reporting processes. The Audit Committee retains independent auditors and reviews their performance and independence. The independent auditors are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The Audit Committee meets directly, on a regular basis, with the independent auditors, a law firm retained to address certain Audit Committee matters, and management of the Port Authority. On June 24, 2013, the Audit Committee retained KPMG LLP as independent auditors to perform the independent audit for the year ending December 31, 2013.

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

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

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

### 2. Basis of Accounting

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

b. The Port Authority follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which requires the Port Authority to follow the pronouncements of the GASB in its accounting and financial reporting. Paragraphs 546 through 551 of GASB Statement No. 62 superseded previous guidance contained in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Funds Accounting*.

## Notes to Consolidated Financial Statements

(continued)

### 3. Significant Accounting Policies

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

**b.** Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets (see Note B – *Facilities, Net*). Useful lives are reviewed periodically for each specific type of asset class. Asset lives used in the calculation of depreciation are generally as follows:

Buildings, bridges, tunnels and other structures	25 to 100 years
Machinery and equipment	5 to 35 years
Runways, roadways and other paving	7 to 40 years
Utility infrastructure	10 to 100 years

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

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

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

**d.** Restricted cash is primarily comprised of insurance proceeds, which are restricted to business interruption and redevelopment expenditures, Passenger Facility Charges (PFCs) and operating cash restricted for use by The Port Authority Insurance Captive Entity, LLC (PAICE).

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

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

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

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

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

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

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

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

**j.** Contributed capital amounts for the further construction of One WTC (1 WTC), WTC retail premises and WTC Towers 2, 3 & 4, from Tower 1 Joint Venture LLC, New WTC Retail Owner LLC, Westfield member and the Silverstein net lessees, respectively are recognized as Contributions in aid of construction.

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



## Notes to Consolidated Financial Statements

(continued)

**l.** When issuing new debt for refunding purposes, the difference between the reacquisition price of the new debt and the net carrying amount of the refunded debt is recognized as either a deferred outflow of resources or deferred inflow of resources in accordance with GASB Statement No. 65 and amortized using the straight-line method as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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

**n.** GASB issued Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions* in June 2012 that are effective for financial statements for periods beginning after June 15, 2013 and June 15, 2014, respectively. The Port Authority is in the process of evaluating the impact, if any that will result from adopting GASB Statements No. 67 and No. 68.

**o.** In 2013, the Port Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of adopting such statement, certain prior year expenditures could no longer be capitalized as assets on the Port Authority's Consolidated Statements of Net Position. The cumulative effect of adopting GASB Statement No. 65 totaled approximately \$160 million and was recognized as a restatement of the Port Authority's 2012 beginning net position.

The table on the following page displays the effect of implementation of GASB Statement No. 65 on previously reported 2012 amounts:

	2012 Published	Restated Amount	2012 Restated
		(In thousands)	
<b>ASSETS</b>			
Other current assets	\$ 287,967	\$ (4,734)	\$ 283,233
Other noncurrent assets	1,429,262	(46,863)	1,382,399
Unamortized costs for regional programs	549,161	(82,777)	466,384
Facilities, net	25,551,503	(25,577)	25,525,926
Subtotal	27,817,893	(159,951)	27,657,942
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Debt refunding costs	–	94,636	94,636
Subtotal	–	94,636	94,636
<b>LIABILITIES</b>			
Bonds and other asset financing obligations	18,049,669	90,138	18,139,807
Subtotal	18,049,669	90,138	18,139,807
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Debt refunding costs	–	4,498	4,498
Subtotal	–	4,498	4,498
Total cumulative effect of adopting GASB Statement No. 65	\$ 9,768,224	\$(159,951)	\$ 9,608,273
Published net position, January 1, 2012			\$11,725,891
Total cumulative effect of adopting GASB Statement No. 65			(159,951)
Restated net position, January 1, 2012			\$11,565,940

In addition, the Port Authority evaluated the impact of adopting GASB Statement No. 65 on Schedule B – *Assets and Liabilities* which are prepared pursuant to Port Authority bond resolutions. The cumulative effect of adopting GASB Statement No. 65 on Schedule B – *Assets and Liabilities*, totaled approximately \$327 million, including a reduction in Invested in facilities of \$275 million, a \$47 million reduction in Other non-current assets associated with brokerage commissions and a \$5 million reduction in Other current assets.

## Notes to Consolidated Financial Statements

(continued)

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

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

- a. The revenues and expenses of facilities are accounted for in the operating fund. The financial resources expended for the construction or acquisition of major facilities or improvements are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds.
- b. Port Authority bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities other than the depreciation of ancillary equipment. Thus, depreciation is not a significant factor in determining the net revenues and the reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions. Instead, capital expenditures are provided for through deductions from net revenues or reserves in amounts equal to principal payments on debt outstanding or through the application of reserves for the purposes of direct capital investment in facilities, respectively. These amounts are credited at par to Facility infrastructure investment on Schedule B – *Assets and Liabilities*.
- c. Debt service in connection with operating asset obligations is paid from the same revenues and in the same manner as operating expenses of the Port Authority.
- d. Capital costs for regional programs are included in Invested in facilities in accordance with Port Authority bond resolutions.
- e. Consolidated bonds and notes are recorded as outstanding at their par value commencing on the date that the Port Authority is contractually obligated to issue and sell such obligations. Discounts and premiums associated with bonds issued in connection with capital investment are capitalized at issuance.
- f. To reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the cost of assets removed from service is not deducted from Invested in facilities. However, in the event of the sale of assets removed from service or recovery of amounts related to assets destroyed or damaged, the amount of proceeds received from such sale or recovery is deducted from Invested in facilities.
- g. Contributed capital amounts resulting from non-exchange transactions, including contributions in aid of construction where the Port Authority does not receive a cash reimbursement for prior cash outlays are included in Invested in Facilities and credited to Facility infrastructure investment at the capital asset's fair value.

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

**Notes to Consolidated Financial Statements**

(continued)

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

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	(In thousands)	
Net position reported on Consolidated Statements of Net Position	<b>\$13,728,327</b>	\$12,700,483
Add: Accumulated depreciation of facilities	<b>12,324,757</b>	11,473,543
Accumulated retirements and gains and losses on disposal of invested in facilities	<b>2,343,472</b>	2,053,086
Cumulative amortization of costs for regional programs	<b>1,126,221</b>	1,223,636
Cumulative amounts associated with discount and premium	<b>230,970</b>	67,842
Subtotal	<b>16,025,420</b>	14,818,107
Less: Cumulative effect of adopting GASB Statement No. 65 *	<b>275,539</b>	(159,951)
Restricted Net Revenues - PAICE	<b>(5,068)</b>	(764)
Deferred income in connection with PFCs	<b>181,358</b>	132,228
Subtotal	<b>451,829</b>	(28,487)
<b>Total</b>	<b>\$29,301,918</b>	\$27,547,077
Net assets reported on Schedule B - Assets and Liabilities (pursuant to Port Authority bond resolutions)	<b>\$29,301,918</b>	\$27,547,077

\* See Note A. 3.(o) – *Nature of the Organization and Summary of Significant Accounting Policies*



**Notes to Consolidated Financial Statements**

(continued)

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

	Year ended December 31,	
	2013	2012
	(In thousands)	
Increase in net position reported on Consolidated Statements of Revenues, Expenses and Changes in Net Position	<b>\$1,027,844</b>	\$1,134,543
Add: Depreciation of facilities	<b>875,979</b>	884,239
Application of 1 WTC LLC/WTC Retail LLC insurance proceeds	–	17,962
Application of PFCs	<b>175,421</b>	110,015
Amortization of costs for regional programs	<b>64,275</b>	77,719
Amortization of discount and premium	<b>(9,389)</b>	(7,342)
Restricted net revenues - PAICE	<b>4,305</b>	2,710
Decrease in appropriations for self-insurance	<b>10,414</b>	37,547
Accelerated depreciation of brokerage commissions*	<b>(46,863)</b>	–
Subtotal	<b>1,074,142</b>	1,122,850
Less: Debt maturities and retirements	<b>204,000</b>	169,770
Debt retirement acceleration	–	54,635
Repayment of asset financing obligations	<b>15,701</b>	16,514
Non-cash capital contributions	<b>160,713</b>	327,179
Direct investment in facilities	<b>1,059,756</b>	691,079
PFCs	<b>224,301</b>	222,614
1 WTC LLC/WTC Retail LLC insurance proceeds	–	3,525
1 WTC LLC/WTC Retail LLC interest income	–	3
Capital contribution from New WTC Retail Owner, LLC	–	100,000
PFC interest income/Fair Value Adjustment	<b>251</b>	39
Net gain/(loss) on disposition of assets	<b>4,423</b>	(4)
Subtotal	<b>1,669,145</b>	1,585,354
<b>Total</b>	<b>\$ 432,841</b>	\$ 672,039
Increase in reserves reported on Schedule A - Revenues and Reserves (pursuant to Port Authority bond resolutions)	<b>\$ 432,841</b>	\$ 672,039

\* See Note A. 3.(o) – *Nature of the Organization and Summary of Significant Accounting Policies*

## Notes to Consolidated Financial Statements

(continued)

### Note B – Facilities, Net

#### 1. Facilities, net is comprised of the following:

	Beginning of Year	Additions*	Transfers to Completed Construction	Depreciation	Retirements/ Dispositions	End of Year
(In thousands)						
<b>2013</b>						
<b>Capital assets not being depreciated:</b>						
Land	\$ 1,083,114	\$ –	\$ 59,137	\$ –	\$ (21)	\$ 1,142,230
Construction in progress	10,863,339	2,996,054	(1,784,341)	–	–	12,075,052
Total capital assets not being depreciated	11,946,453	2,996,054	(1,725,204)	–	(21)	13,217,282
<b>Other capital assets:</b>						
Buildings, bridges, tunnels, other structures	8,899,917	–	1,198,478	–	(3,145)	10,095,250
Machinery and equipment	7,880,823	–	254,802	–	(6,221)	8,129,404
Runways, roadways and other paving	4,556,550	–	79,930	–	(6,488)	4,629,992
Utility infrastructure	3,710,233	–	191,994	–	(3,418)	3,898,809
Total other capital assets being depreciated	25,047,523	–	1,725,204	–	(19,272)	26,753,455
<b>Accumulated depreciation:</b>						
Buildings, bridges, tunnels, other structures	(3,676,054)	–	–	(231,812)	3,145	(3,904,721)
Machinery and equipment	(3,582,253)	–	–	(305,931)	6,221	(3,881,963)
Runways, roadways and other paving	(2,470,346)	–	–	(190,453)	6,488	(2,654,311)
Utility infrastructure	(1,739,397)	–	–	(147,783)	3,418	(1,883,762)
Total accumulated depreciation	(11,468,050)	–	–	(875,979)	19,272	(12,324,757)
Facilities, net	\$ 25,525,926	\$ 2,996,054	\$ –	\$(875,979)	\$ (21)	\$ 27,645,980
<b>2012</b>						
<b>Capital assets not being depreciated:</b>						
Land	\$ 1,060,160	\$ –	\$ 23,358	\$ –	\$ (404)	\$ 1,083,114
Construction in progress	8,471,807	3,315,277	(923,745)	–	–	10,863,339
Total capital assets not being depreciated	9,531,967	3,315,277	(900,387)	–	(404)	11,946,453
<b>Other capital assets:</b>						
Buildings, bridges, tunnels, other structures	8,609,275	–	304,244	–	(13,602)	8,899,917
Machinery and equipment	7,805,462	–	144,393	–	(69,032)	7,880,823
Runways, roadways and other paving	4,269,928	–	288,208	–	(1,586)	4,556,550
Utility infrastructure	3,560,029	–	163,542	–	(13,338)	3,710,233
Total other capital assets being depreciated	24,244,694	–	900,387	–	(97,558)	25,047,523
<b>Accumulated depreciation:</b>						
Buildings, bridges, tunnels, other structures	(3,465,016)	–	–	(224,190)	13,152	(3,676,054)
Machinery and equipment	(3,344,046)	–	–	(302,162)	63,955	(3,582,253)
Runways, roadways and other paving	(2,259,721)	–	–	(212,211)	1,586	(2,470,346)
Utility infrastructure	(1,599,167)	–	–	(145,676)	5,446	(1,739,397)
Total accumulated depreciation	(10,667,950)	–	–	(884,239)	84,139	(11,468,050)
Facilities, net	\$ 23,108,711	\$ 3,315,277	\$ –	\$(884,239)	\$(13,823)	\$ 25,525,926

\* Additions include write-offs of \$248 million in 2013 and \$50 million in 2012.

2. Net interest expense added to the cost of facilities was \$322 million in 2013 and \$280 million in 2012.

3. Projects that have been suspended pending determination of their continued viability totaled \$18.1 million in 2013 and \$17.6 million in 2012.

4. The impact on depreciation accelerated for buildings, bridges, tunnels, and other structures was \$11.6 million in 2013 and \$2 million in 2012.

5. "Beginning of Year" 2012 amounts include adjustments of \$25.6 million associated with the adoption of GASB Statement No. 65.

6. Retirements and Dispositions include the book value associated with the sale of capital assets.

## Notes to Consolidated Financial Statements

(continued)

### Note C – Cash and Investments

#### 1. The components of cash and investments are:

	December 31,	
	2013	2012
	(In thousands)	
<b>CASH</b>		
Cash on hand	\$ 1,780	\$ 1,730
Cash equivalents	2,398,329	3,829,567
Total cash	2,400,109	3,831,297
Less restricted cash	190,070	138,397
Unrestricted cash	\$2,210,039	\$3,692,900

			December 31,	
			2013	2012
	(In thousands)			
<b>PORT AUTHORITY INVESTMENTS, AT FAIR VALUE</b>	<b>Port Authority</b>	<b>PAICE</b>	<b>Total</b>	<b>Total</b>
United States Treasury notes	\$2,214,736	\$108,922	\$2,323,658	\$1,815,254
United States Treasury bonds	–	–	–	4,245
United States Treasury bills	55,000	–	55,000	100,777
United States government agency obligations	–	62,133	62,133	47,595
Treasury Securities–State and Local Government Series (SLGS)	355,001	–	355,001	–
JFK International Air Terminal LLC obligations	105,658	–	105,658	118,029
Other governmental obligations	16,740	–	16,740	7,097
Accrued interest receivable	5,274	1,009	6,283	6,130
Total investments	2,752,409	172,064	2,924,473	2,099,127
Less current investments	410,018	–	410,018	100,777
Noncurrent investments	\$2,342,391	\$172,064	\$2,514,455	\$1,998,350

2. Port Authority policy provides for funds of the Port Authority to be deposited in banks with offices located in the Port District, provided that the total funds on deposit in any bank do not exceed 50% of the bank's combined capital and permanent surplus. These funds must be fully secured by deposit of collateral having a minimum market value of 110% of actual daily balances in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation (FDIC). The collateral must consist of obligations of the United States of America, the Port Authority, the State of New York or the State of New Jersey held in custodial bank accounts in banks in the Port District having combined capital and surplus in excess of \$1 million.

Total actual bank balances excluding amounts held by third party trustees were \$2.371 billion at December 31, 2013. Of that amount, \$10 million was secured through the basic FDIC deposit insurance coverage. The balance of \$2.361 billion was fully collateralized with collateral held by a third party custodian acting as the Port Authority's agent and held by such custodian in the Port Authority's name.

3. The investment policies of the Port Authority are established in conformity with its agreements with the holders of its obligations, generally through resolutions of the Board of Commissioners or its Committee on Finance. For the Port Authority, but not necessarily its related entities, individual investment transactions are executed with recognized and established securities dealers and commercial banks. Investment securities are maintained, in the Port Authority's name, by a third party financial institution acting as the Port Authority's agent. Securities transactions are conducted in the open market at competitive prices. Transactions (including repurchase and reverse repurchase agreement transactions) are completed when the Port Authority's securities custodian, in the Port Authority's name, makes or receives payment upon receipt of confirmation that the securities have been transferred at the Federal Reserve Bank of New York or other repository in accordance with the Port Authority's instructions.



## Notes to Consolidated Financial Statements

(continued)

Proceeds of Bonds and other asset financing obligations may be invested, on an interim basis, in conformance with applicable Federal laws and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time deposit accounts. Consolidated Bond Reserve Fund and General Reserve Fund amounts may be invested in obligations of (or fully guaranteed by) the United States of America. Additionally, amounts in the Consolidated Bond Reserve Fund and the General Reserve Fund (subject to certain limitations) may be invested in obligations of the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and secured by a pledge of the General Reserve Fund. Operating funds may be invested in various items including (a) direct obligations of the United States of America, obligations of United States government agencies, and sponsored enterprises that have the highest short-term ratings by two nationally recognized firms; (b) investment grade negotiable certificates of deposit and negotiable Bankers' Acceptances with banks having AA or better long-term debt rating, premier status and with issues actively traded in secondary markets; (c) commercial paper having only the highest short-term ratings separately issued by two nationally recognized rating agencies; (d) United States Treasury and municipal bond futures contracts; (e) certain interest rate exchange contracts with banks and investment firms; (f) certain interest rate options contracts that are limited to \$50 million of underlying securities with a maturity of no greater than five years with primary dealers in United States Treasury securities; and (g) certain unrated obligations of JFKIAT LLC (presently comprising approximately 3.8% of total Port Authority investments at December 31, 2013) for certain costs attributable to the construction of Terminal 4 (JFKIAT) completed in 2001. The Board has from time to time authorized other investments of operating funds.

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

The following is the fair value and weighted average maturity of investments held by the Port Authority, excluding PAICE, at December 31, 2013:

PA Investment Type	Fair Value (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	\$2,214,736	782
United States Treasury bills	55,000	3
SLGS	355,001	16
JFK International Air Terminal LLC obligations	105,658	4,311
Other governmental obligations	16,740	337
Total fair value of investments*	<u>\$2,747,135</u>	
Investments weighted average maturity		800

\* Excludes accrued interest receivable amounts of \$5.3 million.

The Port Authority has, from time to time, entered into reverse repurchase (yield maintenance) agreements under which the Port Authority contracted to sell a specified United States Treasury security to a counterparty and simultaneously agreed to purchase it back from that party at a predetermined price and future date. All reverse repurchase agreements sold are matched to repurchase agreements bought, thereby minimizing market risk. The credit risk is managed by a daily evaluation of the market value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. There were no investments in reverse repurchase agreements at December 31, 2013.

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

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

## Notes to Consolidated Financial Statements

(continued)

The following is the fair value and weighted average maturity of investments held by PAICE at December 31, 2013:

PAICE Investment Type	Fair Value (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	\$108,922	712
United States government agency obligations	62,133	719
Total fair value of investments*	<u>\$171,055</u>	
Investments weighted average maturity		715

\* Excludes accrued interest receivable amounts of \$1 million.

### Note D – Outstanding Obligations and Financing

Obligations noted with (\*) throughout Note D-1 and D-2 are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended, with respect to individuals and corporations. Obligations noted with (\*\*) are subject to federal taxation.

#### D-1. Outstanding bonds and other asset financing obligations

	Current	December 31, 2013	
		Noncurrent	Total
(In thousands)			
A. Consolidated Bonds and Notes	\$ 616,495	\$17,921,784	\$18,538,279
B. Commercial Paper Notes	348,110	–	348,110
C. Variable Rate Master Notes	77,900	–	77,900
D. Port Authority Equipment Notes	46,925	–	46,925
E. Fund for Regional Development Buy-Out Obligation	51,214	259,863	311,077
F. MOTBY Obligation	4,075	48,254	52,329
G. Tower 4 Liberty Bonds	–	1,248,697	1,248,697
	<u>\$1,144,719</u>	<u>\$19,478,598</u>	<u>\$20,623,317</u>

	Current	December 31, 2012	
		Noncurrent	Total
(In thousands)			
A. Consolidated Bonds and Notes	\$ 459,920	\$17,802,237	\$18,262,157
B. Commercial Paper Notes	384,625	–	384,625
C. Variable Rate Master Notes	77,900	–	77,900
D. Port Authority Equipment Notes	49,565	–	49,565
E. Fund for Regional Development Buy-Out Obligation	51,212	285,241	336,453
F. MOTBY Obligation	25,731	52,329	78,060
G. Tower 4 Liberty Bonds	–	1,249,309	1,249,309
	<u>\$1,048,953</u>	<u>\$19,389,116</u>	<u>\$20,438,069</u>

## Notes to Consolidated Financial Statements

(continued)

### Note D – Outstanding Obligations and Financing (continued)

#### A. Consolidated Bonds and Notes

		December 31, 2013			
	Dec. 31, 2012	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2013	
	(In thousands)				
<b>Consolidated bonds and notes</b>					
Seventy-fourth series (a)	Due 2014	\$ 8,032	\$ 201	\$ (4,155)	\$ 4,078
Eighty-fifth series	5.2%-5.375% due 2014-2028	83,800		(3,300)	80,500
Ninety-third series	6.125% due 2094	100,000		–	100,000
One hundred sixteenth series	4.25%-5.25% due 2013-2033	379,870		(379,870)	–
One hundred twenty-fourth series*	4.75%-5% due 2013-2036	190,240		(190,240)	–
One hundred twenty-eighth series	4.75%-5% due 2013-2032	228,135		(228,135)	–
One hundred twenty-ninth series	3.875%-4% due 2014-2015	23,415		(7,540)	15,875
One hundred thirtieth series	3.75% due 2014-2015	23,710		(7,630)	16,080
One hundred thirty-first series*	4.625%-5% due 2013-2033	422,405		(422,405)	–
One hundred thirty-second series	5% due 2024-2038	300,000		(300,000)	–
One hundred thirty-third series	3.6%-4.4% due 2014-2021	136,180		(16,000)	120,180
One hundred thirty-fourth series	4%-5% due 2014-2039	238,405		(3,295)	235,110
One hundred thirty-fifth series	4.5%-5% due 2024-2039	400,000		–	400,000
One hundred thirty-sixth series*	5%-5.5% due 2014-2034	336,995		(2,885)	334,110
One hundred thirty-seventh series*	5%-5.5% due 2014-2034	222,470		(4,435)	218,035
One hundred thirty-eighth series*	4.25%-5% due 2014-2034	319,655		(8,370)	311,285
One hundred thirty-ninth series*	4.5%-5% due 2014-2025	143,640		(9,240)	134,400
One hundred fortieth series	4.125%-5% due 2016-2035	400,000		–	400,000
One hundred forty-first series*	4.5%-5% due 2016-2035	350,000		–	350,000
One hundred forty-second series	4%-5% due 2015-2036	350,000		–	350,000
One hundred forty-third series*	5% due 2016-2036	500,000		–	500,000
One hundred forty-fourth series	4.25%-5% due 2026-2035	300,000		–	300,000
One hundred forty-sixth series*	4.25%-5% due 2016-2036	500,000		–	500,000
One hundred forty-seventh series*	4.75%-5% due 2017-2037	450,000		–	450,000
One hundred forty-eighth series	5% due 2015-2037	500,000		–	500,000
One hundred forty-ninth series	4%-5% due 2017-2037	400,000		–	400,000
One hundred fiftieth series**	4.35%-6.4% due 2014-2027	350,000		(15,000)	335,000
One hundred fifty-first series*	5.25%, 6% & 5.75% due 2023, 2028 & 2035	350,000		–	350,000
One hundred fifty-second series*	4.75%-5.75% due 2018-2038	400,000		–	400,000
One hundred fifty-third series	4%-5% due 2018-2038	500,000		–	500,000
One hundred fifty-fourth series	3%-5% due 2014-2029	88,410		(4,000)	84,410
One hundred fifty-fifth series	2.5%-3.5% due 2014-2019	49,700		(12,000)	37,700
One hundred fifty-sixth series	4%-5% due 2025-2039	100,000		–	100,000
One hundred fifty-seventh series**	5.309% due 2019	150,000		–	150,000
One hundred fifty-eighth series**	5.859% due 2024	250,000		–	250,000
One hundred fifty-ninth series**	6.04% due 2029	350,000		–	350,000
One hundred sixtieth series	4%-5% due 2030-2039	300,000		–	300,000
One hundred sixty-first series	4.25%-5% due 2030-2039	300,000		–	300,000
One hundred sixty-second series	2%-3.3% due 2014-2020	69,050		(18,020)	51,030
One hundred sixty-third series	2.375%-5% due 2017-2040	400,000		–	400,000
One hundred sixty-fourth series**	5.647% due 2040	425,000		–	425,000
One hundred sixty-fifth series**	5.647% due 2040	425,000		–	425,000
One hundred sixty-sixth series	5%-5.25% due 2030-2041	300,000		–	300,000
One hundred sixty-seventh series*	5%-5.50% due 2014-2028	212,810		(12,690)	200,120
One hundred sixty-eighth series**	4.926% due 2051	1,000,000		–	1,000,000
One hundred sixty-ninth series*	4.5%-5% due 2014-2041	382,095		(18,770)	363,325
One hundred seventieth series (b)	5%-5.25% due 2041 & 2043	672,480		–	672,480
One hundred seventy-first series	4%-5% due 2030-2042	400,000		–	400,000
One hundred seventy-second series*	3%-5% due 2014-2037	400,000		(25,315)	374,685
One hundred seventy-third series	3%-5% due 2018-2032	300,000		–	300,000
One hundred seventy-fourth series**	4.458% due 2062	2,000,000		–	2,000,000
One hundred seventy-fifth series	3%-5% due 2014-2042	425,000		(4,340)	420,660
One hundred seventy-sixth series**	0.5%-2.5% due 2014-2022	170,000		(17,000)	153,000
One hundred seventy-seventh series*	3%-5% due 2014-2043	–	350,000	–	350,000
One hundred seventy-eighth series*	3%-5% due 2014-2043	–	475,675	–	475,675
One hundred seventy-ninth series	3%-5% due 2014-2043	–	915,175	–	915,175
One hundred eightieth series	3%-5% due 2014-2021	–	109,150	–	109,150
Consolidated bonds and notes pursuant to Port Authority bond resolutions	18,076,497	1,850,201	(1,714,635)	18,212,063	
Add unamortized premium and (discount) (c)	185,660	148,644	(8,088)	326,216	
Consolidated bonds and notes (d)	<u>\$18,262,157</u>	<u>\$1,998,845</u>	<u>\$(1,722,723)</u>	<u>\$18,538,279</u>	

NOTE: See page 80 for explanations of footnotes (a-d) concerning Consolidated Bonds and Notes.



## Notes to Consolidated Financial Statements

(continued)

### Note D – Outstanding Obligations and Financing (continued)

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

	December 31, 2012			
	Dec. 31, 2011	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2012
Consolidated bonds and notes pursuant to Port Authority bond resolutions	\$15,550,039	\$3,995,343	\$(1,468,885)	\$18,076,497
Add unamortized premium and (discount) (c)	106,554	86,448	(7,342)	185,660
Consolidated bonds and notes	\$15,656,593	\$4,081,791	\$(1,476,227)	\$18,262,157

- (a) Includes \$904,575 serial bonds Seventy-Fourth series issued on a capital appreciation basis.
- (b) The entire series was acquired by the New York Liberty Development Corporation in connection with its issuance of the New York Liberty Development Corporation Liberty Revenue Bonds, Series 1WTC-2011 (Secured by Port Authority Consolidated Bonds).
- (c) In accordance with GASB Statement No. 65, the restated December 31, 2011 amounts exclude \$90.1 million of unamortized costs associated with debt refundings that were reclassified to either deferred outflows of resources or deferred inflows of resources.
- (d) Debt service requirements to maturity for Consolidated Bonds outstanding at December 31, 2013 are as follows:

Year ending December 31:	Principal	Interest (In thousands)	Debt Service
2014	\$ 616,495	\$ 858,978	\$ 1,475,473
2015	282,395	848,269	1,130,664
2016	309,490	836,451	1,145,941
2017	331,725	822,407	1,154,132
2018	374,365	806,354	1,180,719
2019-2023	2,207,185	3,726,858	5,934,043
2024-2028	2,710,265	3,112,604	5,822,869
2029-2033	3,642,270	2,340,693	5,982,963
2034-2038	2,975,935	1,498,170	4,474,105
2039-2043	1,662,010	917,819	2,579,829
2044-2048	400,000	707,947	1,107,947
2049-2053	800,000	525,919	1,325,919
2054-2058	1,000,000	331,540	1,331,540
2059-2063	800,000	110,869	910,869
2064-2094***	100,000	161,496	261,496
	\$18,212,135	\$17,606,374	\$35,818,509

\*\*\* Debt service for the years 2064-2094 reflects principal and interest payments associated with Consolidated Bonds Ninety-third Series. Total principal of \$18,212,135,000 shown above differs from the total consolidated bonds pursuant to Port Authority bond resolutions of \$18,212,063,000 because of differences in the par value at maturity of the capital appreciation bonds Seventy-fourth Series of \$72,000.

Consolidated bonds outstanding as of March 6, 2014 totaled \$18.9 billion.

On August 1, 2012, the Board of Commissioners had authorized the issuance of Consolidated Bonds, One Hundred Seventy-fourth Series through One Hundred Ninety-third Series, in the aggregate principal amount of up to \$500 million of each series, and Consolidated Notes, Series AAA, BBB, CCC, DDD and EEE, of up to \$300 million in aggregate principal amount of each series. To the extent any of Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-third Series were issued and sold solely for purposes of capital expenditures in connection with the redevelopment of the WTC site or for refunding prior debt issued for such purposes, such series may be issued and sold without limit as to principal amounts and term to maturity, provided that the total aggregate principal amount of all of such series (regardless of the purpose for issuance) shall not be in excess of \$10 billion.

On October 16, 2013, the Board of Commissioners amended the August 1, 2012 resolution as it pertains to the establishment and issuance and sale of Consolidated Bonds, One Hundred Seventy-eighth Series through One Hundred Ninety-third Series to provide (i) for the issuance and sale of each

## Notes to Consolidated Financial Statements

(continued)

### Note D – Outstanding Obligations and Financing (continued)

of such series without limit as to principal amount, provided that the total aggregate principal amount of Consolidated Bonds, One Hundred Seventy-fourth Series through One Hundred Ninety-third Series (regardless of the purpose for issuance) shall not be issued and sold under this resolution in a total aggregate principal amount in excess of \$10 billion; (ii) for the issuance and sale of each of such series with a term to maturity not in excess of 120 percent of the weighted average reasonably expected economic life of the Port Authority facilities to be provided with the proceeds of such series, determined as of the date of issuance of such series; and (iii) that an Authorized Officer would be authorized to take any and all action which the Committee on Finance has been authorized to take in connection with the issuance and sale of such series on either a competitive or negotiated basis, provided that actions to be taken by an Authorized Officer in connection therewith shall be subject to prior approval of the Committee on Finance.

During 2013, the Port Authority allocated the proceeds of consolidated bonds, including premiums to refund \$1.6 billion of consolidated bonds and \$50 million of commercial paper notes. The Port Authority decreased its aggregate debt service payments by approximately \$209 million over the life of the refunded consolidated bonds, and the economic gain resulting from the debt refunding (the difference between the present value of the cash flows required to service the old debt and the present value of the cash flows required to service the new debt) totaled approximately \$120 million in present value savings to the Port Authority.

#### B. Commercial Paper Notes

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

<b>December 31, 2013</b>				
	<b>Dec. 31, 2012</b>	<b>Issued</b>	<b>Refunded/ Repaid</b>	<b>Dec. 31, 2013</b>
(In thousands)				
Series A*	\$226,770	\$ 556,780	\$ 591,135	\$192,415
Series B	157,855	388,215	390,375	155,695
	\$384,625	\$ 944,995	\$ 981,510	\$348,110

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

Interest rates for all commercial paper notes ranged from 0.10% to 0.18% in 2013.

#### C. Variable Rate Master Notes

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

<b>December 31, 2013</b>				
	<b>Dec. 31, 2012</b>	<b>Issued</b>	<b>Refunded/ Repaid</b>	<b>Dec. 31, 2013</b>
(In thousands)				
Agreements 1989 -1995*	\$ 44,900	\$ –	\$ –	\$44,900
Agreements 1989 -1998	33,000	–	–	33,000
	\$ 77,900	\$ –	\$ –	\$77,900

## Notes to Consolidated Financial Statements

(continued)

### Note D – Outstanding Obligations and Financing (continued)

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

Interest rates are determined weekly, based upon a spread added to a specific industry index (the Securities Industry and Financial Markets Association rate) as stated in each master note agreement, and ranged from 0.10% to 0.31% in 2013.

Annual debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect at December 31, 2013, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
(In thousands)			
2014	\$ –	\$ 99	\$ 99
2015	–	99	99
2016	–	99	99
2017	–	99	99
2018	–	99	99
2019-2023	58,000	340	58,340
2024-2025	19,900	48	19,948
	\$77,900	\$ 883	\$ 78,783

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

#### D. Port Authority Equipment Notes

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

December 31, 2013				
	Dec. 31, 2012	Issued	Refunded/ Repaid	Dec. 31, 2013
(In thousands)				
Notes 2004, 2006, 2008*	\$ 1,615	\$ –	\$ –	\$ 1,615
Notes 2004, 2006, 2008	47,950	–	2,640	45,310
	\$ 49,565	\$ –	\$ 2,640	\$46,925

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

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.10% to 0.36% in 2013.



## Notes to Consolidated Financial Statements

(continued)

### Note D – Outstanding Obligations and Financing (continued)

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect at December 31, 2013, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2014	\$15,425	\$ 38	\$15,463
2015	31,500	7	31,507
	\$46,925	\$ 45	\$46,970

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

### E. Fund for Regional Development Buy-Out Obligation

December 31, 2013				
	Dec. 31, 2012	Accretion (a)	Refunded/ Repaid	Dec. 31, 2013
				(In thousands)
Obligation outstanding	\$336,453	\$25,836	\$51,212	\$311,077

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

(a) Represents the annual implicit interest cost (8.25%) contained in the present value of amounts due to the States of New York and New Jersey upon the termination, in 1990, of the Fund for Regional Development.

Payment requirements of the fund for regional development buy-out obligation outstanding, including the implicit interest cost, at December 31, 2013 are as follows:

Year ending December 31:	Payments
	(In thousands)
2014	\$ 51,214
2015	51,212
2016	51,211
2017	53,213
2018	53,214
2019-2021	160,027
	\$420,091

For additional information associated with the fund for regional development buy-out obligation, refer to Note H.3 – Regional Programs.

**Notes to Consolidated Financial Statements**

(continued)

**Note D – Outstanding Obligations and Financing** (continued)

**F. Marine Ocean Terminal at Bayonne Peninsula Obligation (MOTBY)**

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

<b>December 31, 2013</b>				
	<b>Dec. 31, 2012</b>	<b>Accretion (a)</b>	<b>Refunded/ Repaid</b>	<b>Dec. 31, 2013</b>
	(In thousands)			
Obligation outstanding	\$ 78,060	\$4,269	\$30,000	\$52,329

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

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

Payment requirements for the MOTBY obligation outstanding, including the implicit interest cost, at December 31, 2013 are as follows:

<b>Year ending December 31:</b>	<b>Payments</b>
	(In thousands)
2014	\$ 5,000
2015	5,000
2016	5,000
2017	5,000
2018	5,000
2019-2023	25,000
2024-2028	25,000
2029-2033	25,000
	<b>\$100,000</b>

## Notes to Consolidated Financial Statements

(continued)

### Note D – Outstanding Obligations and Financing (continued)

#### G. Tower 4 Liberty Bonds

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

#### December 31, 2013

	Dec. 31, 2012	Issued	Repaid/ Amortized	Dec. 31, 2013
(In thousands)				
Series 2011	\$1,225,520	\$ –	\$ –	\$1,225,520
Add: unamortized premium	23,789	–	612	23,177
Total Tower 4 Liberty Bonds	\$1,249,309	\$ –	\$ 612	\$1,248,697

#### December 31, 2012

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

Annual debt service payment requirements on outstanding Tower 4 Liberty Bonds at December 31, 2013, would be as follows:

Year ending December 31:	Principal	Interest (a)	Debt Service
(In thousands)			
2014	\$ –	\$ 65,293	\$ 65,293
2015	–	65,293	65,293
2016	–	65,293	65,293
2017	–	65,293	65,293
2018	–	65,293	65,293
2019-2023	–	326,467	326,467
2024-2028	52,005	325,198	377,203
2029-2033	154,560	298,753	453,313
2034-2038	197,495	255,815	453,310
2039-2043	252,455	200,860	453,315
2044-2048	325,535	127,777	453,312
2049-2051	243,470	28,521	271,991
	\$1,225,520	\$1,889,856	\$3,115,376

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



## Notes to Consolidated Financial Statements

(continued)

### Note D – Outstanding Obligations and Financing (continued)

#### D-2. Amounts Payable – Special Project Bonds

Neither the full faith and credit of the Port Authority, nor the General Reserve Fund, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal and interest on special project bonds. Principal and interest on each series of special project bonds are secured solely by a mortgage by the Port Authority of facility rental (to the extent received by the Port Authority from a lessee) as set forth in a lease with respect to a project to be financed with the proceeds of the bonds of such series, by a mortgage by the lessee of its leasehold interest under the lease and by a security interest granted by the lessee to the Port Authority and mortgaged by the Port Authority in certain items of the lessee's personal property to be located at the project, and such other security in addition to the foregoing as may be required by the Port Authority from time to time as appropriate to the particular project.

	December 31, 2013			
	Dec. 31, 2012	Issued	Repaid/ Amortized	Dec. 31, 2013
	(In thousands)			
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2014–2015	\$ 61,740	\$ –	\$ 18,810	\$ 42,930
Less: unamortized discount and premium	1,419	–	486	933
Total – Series 2	60,321	–	18,324	41,997
Series 4, KIAC Partners Project (b)*				
6.75% due 2014–2019	123,100	–	14,600	108,500
Less: unamortized discount and premium	1,292	–	191	1,101
Total – Series 4	121,808	–	14,409	107,399
Series 6, JFKIAT Project (c)*				
5.75%–6.25% due 2014–2025	694,705	–	36,900	657,805
Less: unamortized discount and premium	4,335	–	336	3,999
Total – Series 6	690,370	–	36,564	653,806
Series 8, JFKIAT Project (d)				
5%–6.5% due 2018–2042	796,280	–	–	796,280
Less: unamortized discount and premium	12,429	–	415	12,014
Total – Series 8	783,851	–	(415)	784,266
Amounts payable – Special Project Bonds	\$1,656,350	\$ –	\$ 68,882	\$1,587,468

- (a) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued in 1990 in connection with a project that included the construction of a passenger terminal at LGA leased to and to be occupied by Continental and Eastern. The leasehold interest of Eastern was assigned to Continental. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern, was subsequently assigned to USAir, Inc. and, then, subsequently assigned to Delta Airlines, Inc. (with Continental and USAir, Inc. to remain liable under both underlying leases).
- (b) Special project bonds, Series 4, KIAC Partners Project, were issued in 1996 to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.
- (c) Special project bonds, Series 6, JFKIAT Project, were issued in 1997 in connection with a project that included the development and construction of a new passenger terminal at JFK.
- (d) Special project bonds, Series 8, JFKIAT Project, were issued in 2010 in connection with a project that included the expansion of Terminal 4 at JFK.

## Notes to Consolidated Financial Statements

(continued)

### Note D – Outstanding Obligations and Financing (continued)

	December 31, 2012			
	Dec. 31, 2011	Issued	Repaid/ Amortized	Dec. 31, 2012
	(In thousands)			
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2013–2015	\$ 78,980	\$ –	\$ 17,240	\$ 61,740
Less: unamortized discount and premium	1,906	–	487	1,419
Total – Series 2	77,074	–	16,753	60,321
Series 4, KIAC Partners Project (b)*				
6.75% due 2013–2019	137,000	–	13,900	123,100
Less: unamortized discount and premium	1,484	–	192	1,292
Total – Series 4	135,516	–	13,708	121,808
Series 6, JFKIAT Project (c)*				
5.75%–7% due 2013–2025	729,180	–	34,475	694,705
Less: unamortized discount and premium	4,670	–	335	4,335
Total – Series 6	724,510	–	34,140	690,370
Series 8, JFKIAT Project (d)				
5%–6.5% due 2018–2042	796,280	–	–	796,280
Less: unamortized discount and premium	12,844	–	415	12,429
Total – Series 8	783,436	–	(415)	783,851
Amounts payable – Special Project Bonds	\$1,720,536	\$ –	\$ 64,186	\$1,656,350

- (a) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued in 1990 in connection with a project that included the construction of a passenger terminal at LGA leased to and to be occupied by Continental and Eastern. The leasehold interest of Eastern was assigned to Continental. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern, was subsequently assigned to USAir, Inc. and, then, subsequently assigned to Delta Airlines, Inc. (with Continental and USAir, Inc. to remain liable under both underlying leases).
- (b) Special project bonds, Series 4, KIAC Partners Project, were issued in 1996 to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.
- (c) Special project bonds, Series 6, JFKIAT Project, were issued in 1997 in connection with a project that included the development and construction of a new passenger terminal at JFK.
- (d) Special project bonds, Series 8, JFKIAT Project, were issued in 2010 in connection with a project that included the expansion of Terminal 4 at JFK.

#### D-3. Interest Rate Exchange Contracts (Swap Agreements)

During 2012 the Port Authority terminated three Swap Agreements by making \$228.5 million in payments to counterparties. The difference between the negative fair value of \$241.9 million as of December 31, 2011 and the 2012 termination payments of \$228.5 million increased the change in fair value of investments by \$13.4 million in 2012. As of December 31, 2013 and 2012, the Port Authority had no Swap Agreements.

## **Note E – General and Consolidated Bond Reserve Funds**

### **(Pursuant to Port Authority Bond Resolutions)**

The General Reserve Fund is pledged in support of Consolidated Bonds and Notes. Statutes which require the Port Authority to create and maintain the General Reserve Fund established the principle of pooling revenues from all facilities and require that the Port Authority apply surplus revenues from all of its existing facilities to maintain the General Reserve Fund in an amount at least equal to 10% of the par value of outstanding bonds legal for investment. At December 31, 2013, the General Reserve Fund balance was \$2,029,051,322 and met the prescribed statutory amount (see Schedule C – *Analysis of Reserve Funds*).

The balance remaining of all net revenues of the Port Authority's existing facilities after deducting payments for debt service upon all Consolidated Bonds and Notes and the amount necessary to maintain the General Reserve Fund at its statutorily required amount is to be paid into the Consolidated Bond Reserve Fund, which is pledged as additional security for all outstanding Consolidated Bonds and Notes. Consolidated Bonds and Notes have a first lien upon the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities of the Port Authority and any additional facility financed by Consolidated Bonds.

Other asset obligations (commercial paper obligations, variable rate master notes, MOTBY obligation and Tower 4 Liberty Bonds), and the interest thereon, are not secured by or payable from the General Reserve Fund. Principal of, and interest on, other asset obligations are payable solely from the proceeds of obligations issued for such purposes or from net revenues paid into the Consolidated Bond Reserve Fund and, in the event such proceeds or net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments. Operating asset obligations (equipment notes and the fund for regional development buy-out obligation) are payable in the same manner and from the same sources as operating expenses. Special project bonds are not secured by or payable from the General Reserve Fund or the Consolidated Bond Reserve Fund.

The moneys in the reserve funds may be accumulated or applied only to purposes set forth in legislation and the agreements with the holders of the Port Authority's obligations pertaining thereto. At December 31, 2013, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

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

## **Note F – Funding Provided by Others**

During 2013 and 2012, the Port Authority received certain reimbursements related to certain policing programs as well as federal and state funding for operating and capital activities:

### **1. Policing programs**

- a. K-9 Program – The FAA and the TSA provide reimbursements for operating costs associated with the training and care of explosive detection dogs. Amounts received in connection with this program were approximately \$1,401,500 in 2013 and \$1,315,000 in 2012.
- b. Airport Screening Program – The TSA provided approximately \$306,600 in 2013 and \$413,000 in 2012 to fund operating costs incurred by Port Authority police personnel involved with airport screening programs at JFK and EWR.
- c. U.S. Department of State (USDOS) – The Port Authority received \$573,500 in 2013 and \$646,000 in 2012 from the USDOS to fund operating security costs incurred by Port Authority police personnel for the United Nations General Assembly.

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

### **2. Grants in connection with operating activities**

- a. Security Grant Programs – In 2013 and 2012, the Port Authority recognized approximately \$88 million and \$47 million, respectively, for various security related grant programs from the TSA and New York State Office of Homeland Security.
- b. Superstorm Sandy – In 2013, the Port Authority recognized \$12.4 million in FEMA and \$83.3 million in FTA grants associated with Superstorm Sandy recovery efforts (See Note J.9 – *Commitments and Certain Charges to Operations*).

### **3. Contributions in Aid of Capital Construction**

- a. WTC Transportation Hub – The Port Authority recognized \$288 million in 2013 and \$446 million in 2012 from the FTA for the construction of the WTC Transportation Hub. As of December 31, 2013, the Port Authority has received \$2.1 billion from the FTA for the WTC Transportation Hub.
- b. Airport Improvement Program (AIP) – The Port Authority recognized \$54 million in 2013 and \$52 million in 2012 in AIP funding primarily related to School Soundproofing at LGA, JFK, EWR and Teterboro Airport.



## Notes to Consolidated Financial Statements

(continued)

- c. WTC Towers 2, 3 and 4 – The Port Authority recognized \$161 million in 2013 and \$325 million in 2012 in capital contributions from the Silverstein net lessees for the construction of WTC Towers 2, 3 and 4.
- d. Baggage Screening Projects – The Port Authority recognized \$98 million in 2013 and \$21 million in 2012 from the TSA for the construction and enhancement of baggage screening systems at LGA, JFK and EWR.
- e. Other – The Port Authority recognized \$31 million in capital contributions from the Lower Manhattan Development Corporation (LMDC) for the WTC Cultural Project and \$5.9 million from the Battery Park City Authority for the World Financial Center Route 9-A Underpass in 2013.

### Note G – Lease Commitments

#### 1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately \$1.1 billion in each of 2013 and 2012.

#### 2. Property held for lease

The Port Authority has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Teleport, the WTC and the NLCC. Investments in such facilities, as of December 31, 2013, include property associated with minimum rentals derived from the leases. It is not reasonably practicable to segregate the value of assets associated with producing minimum rental revenue from the value of assets associated with an entire facility.

Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. Future minimum rentals scheduled to be received on operating leases in effect on December 31, 2013 are as follows:

#### Year ending December 31:

	(In thousands)
2014	\$ 889,810
2015	856,526
2016	733,649
2017	716,539
2018	626,814
2019-2100 (a)	22,191,966
Total future minimum rentals (b)	\$26,015,304

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

(b) Not included in the future minimum rentals is approximately \$3.1 billion attributable to lease agreements at One World Trade Center entered into with China Center New York LLC for 191,000 square feet of office space, Advance Magazine Publishers Inc d/b/a Conde Nast for approximately 1.2 million square feet of office and related space, and General Services Administration for 273,004 square feet of office space, and Legends Hospitality, LLC for 115,578 square feet for the development and operation of the Observation Deck. Rentals from these leases are contingent upon specific events commencing upon completion of the building.

## Notes to Consolidated Financial Statements

(continued)

### 3. Property leased from others

Rental expenses under leases, including payments to the Cities of New York and Newark for various air terminals, marine terminals and other facilities and the cost of temporary office space due to the destruction of the WTC, aggregated \$305 million in 2013 and \$302 million in 2012.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2013 are detailed below. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

#### Year ending December 31(a):

	(In thousands)
2014	\$ 285,429
2015	281,782
2016	236,625
2017	235,680
2018	235,039
2019-2023	1,157,297
2024-2028	1,139,396
2029-2033	1,129,265
2034-2038	1,104,265
2039-2065*	3,831,400
Total future minimum rent payments	\$9,636,178

\* Future minimum rent payments for the years 2039-2065 reflect payments associated with the Cities of New York and Newark lease commitments.

(a) Future minimum rent payments for the years 2013 through 2043 do not include \$1.5 billion associated with the Port Authority's WTC Tower 4 office space lease. Future minimum rent payments exclude up to \$200 million associated with the 1 WTC Conde Nast lease obligations. Rental payments from these leases are contingent upon specific events commencing upon completion of the building.

## Note H – Regional Programs

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

- **Regional Development Facility** (certified in 1987) – This facility is a centralized program of certain economic development and infrastructure renewal projects. It was expected that \$250 million of capital funds would be made available in connection with the Governors' Program of June 1983. As of December 31, 2013, approximately \$249 million has been expended under this program.
- **Regional Economic Development Program** (certified in 1989) – This facility is to be comprised of up to \$400 million for certain transportation, economic development and infrastructure renewal projects. Net expenditures on projects authorized under this program totaled approximately \$397 million as of December 31, 2013.
- **Oak Point Rail Freight Link** (certified in 1981) – The Port Authority has participated with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link. As of December 31, 2013, the Port Authority has provided approximately \$102 million for this rail project, of which approximately \$63 million was made available through the Regional Development Facility and the Regional Economic Development Program.
- **New Jersey Marine Development Program** (certified in 1989) – This program was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey at a total cost not to exceed \$27 million. All funds under this program have been fully allocated and expended.
- **New York Transportation, Economic Development and Infrastructure Renewal Program** (certified in 2002) – This facility was established to provide up to \$250 million for certain transportation, economic development and infrastructure renewal projects in the State of New York. As of December 31, 2013, \$245 million has been spent on projects associated with this program.
- **Regional Transportation Program** (certified in 2002) – This facility was established in conjunction with a program to provide up to \$500 million for regional transportation initiatives. All funds under this program have been fully allocated and expended.

## Notes to Consolidated Financial Statements

(continued)

- **Hudson-Raritan Estuary Resources Program** (certified in 2002) – This facility was established to acquire certain real property in the Port District area of the Hudson-Raritan Estuary for environmental enhancement/ancillary economic development purposes, in support of the Port Authority's capital program. The cost of real property acquired under this program is not to exceed \$60 million. As of December 31, 2013, approximately \$54 million has been expended under this program.
- **Regional Rail Freight Program** (certified in 2002) – This facility provides for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of certain regional rail freight projects to provide for increased rail freight capacity. The Port Authority is authorized to provide up to \$50 million. All funds under this program have been fully allocated and expended.
- **Meadowlands Passenger Rail Facility** (certified in 2006) – This facility, which links New Jersey Transit's (NJT) Pascack Valley Rail Line to the Meadowlands Sports Complex, encourages greater use of PATH service since NJT runs shuttle bus service at peak times to Hoboken. The improved level of passenger rail service provided by the facility also serves to ease traffic congestion on the Port Authority's interstate tunnel and bridge crossings. The Port Authority is authorized to provide up to \$150 million towards the project's capital costs. All funds under this program have been fully allocated and expended.

As of December 31, 2013, approximately \$2.1 billion has been expended for regional programs. Costs for these programs that are not otherwise recognized as part of an existing Port Authority facility, are deferred and amortized over the period benefited, up to a maximum of 15 years. The unamortized costs of the regional programs are as follows:

	Dec. 31, 2012*	Project Expenditures	Amortization	Dec. 31, 2013
			(In thousands)	
Regional Development Facility	\$ 23,955	\$ –	\$ 5,491	\$ 18,464
Regional Economic Development Program	55,916	1,925	13,556	44,285
Oak Point Rail Freight Link	6,519	–	1,630	4,889
New Jersey Marine Development Program	3,360	–	834	2,526
New York Transportation, Economic Development and Infrastructure Renewal Program	74,073	–	9,244	64,829
Regional Transportation Program	143,387	–	16,667	126,720
Hudson-Raritan Estuary Resources Program	39,617	1,226	3,520	37,323
Regional Rail Freight Program	22,162	–	3,333	18,829
Meadowlands Passenger Rail Facility	97,395	–	10,000	87,395
Total unamortized costs of regional programs	\$466,384	\$3,151	\$64,275	\$405,260

\* Includes a reduction of \$83 million associated with the adoption of GASB Statement No. 65.

**2. Bi-State Initiatives** – From time to time, the Port Authority makes payments to assist various bi-state initiatives that are charged to operation. During 2013, the Port Authority expended approximately \$3 million on bi-state initiatives, bringing the total amount spent to date to approximately \$173 million.

**3. Buy-Out of Fund for Regional Development** – In 1983, the Fund for Regional Development (Fund) was established to sublease space in the WTC that was previously held by the State of New York as tenant. An agreement among the Port Authority and the States of New York and New Jersey with respect to the Fund provided that net revenues from the subleasing were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey. The assets, liabilities, revenues and expenses of the Fund were not consolidated with those of the Port Authority. In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the Fund. The present value (calculated at the time of the termination agreement) of the cost to the Port Authority of its purchase of the Fund's interest in the WTC subleased space was approximately \$431 million. The liability for payments to the States of New York and New Jersey attributable to the Fund for regional development buy-out obligation is further described in Note D-1 (E) – *Outstanding Obligations and Financing*.



## Notes to Consolidated Financial Statements

(continued)

### Note I – Pension Plans and Other Employee Benefits

#### 1. Pension Plans

##### a. New York State Retirement System

Generally, full-time employees of the Port Authority (but not its related entities) are required to join one of two cost-sharing multiple-employer defined benefit pension plans, the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS), collectively referred to as the "Retirement System." The New York State Constitution provides that membership in a pension or retirement system of the State or of a civil division thereof is a contractual relationship, the benefits of which may not be diminished or impaired.

The Retirement System provides retirement benefits related to years of service and final average salary, death and disability benefits, vesting of benefits after a set period of credited public service, and optional methods of benefit payment. Depending upon the date of membership, retirement benefits differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance and the contributory or non-contributory nature of the plan.

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

The Port Authority's covered ERS and PFRS payroll expense for 2013 was approximately \$386 million and \$241 million, respectively.

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

Year Ended	ERS Contribution	% of Covered Payroll	PFRS Contribution	% of Covered Payroll	Total Contribution	Total % of Covered Payroll
(\$ In thousands)						
2013	\$ 73,775	19.2%	\$ 62,923	26.1%	\$136,698	21.8%
2012	\$ 76,321	19.5%	\$ 61,687	27.4%	\$138,008	22.3%
2011	\$ 77,549	19.6%	\$ 41,789	19.0%	\$119,338	19.4%
Total	\$227,645		\$166,399		\$394,044	

In 2013, employee contributions to the ERS totaled approximately \$9.7 million or 2.5% of ERS covered payroll.

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

##### b. New York State Voluntary Defined Contribution Program (VDC)

Non-represented New York State public employees hired on or after July 1, 2013 with estimated annual wages of \$75,000 or more are eligible to participate in the VDC by electing out of the ERS defined benefit pension plan.

An electing employee contributes up to six percent (6%) of their annual gross wages with an additional employer contribution of eight percent (8%) of the employee's annual gross wages.

Eight (8) Port Authority employees have enrolled in the VDC. Employee contributions to the VDC totaled \$12,030 and the employer contribution totaled \$16,410 in 2013.

##### c. PATH Represented Employee Pension Plans

Employees of PATH are not eligible to participate in New York State's Retirement System. For most PATH employees represented by unions, PATH contributes to supplemental pension plans that are administered by trustees, appointed by union members. Annual PATH contributions to these plans are defined in the various collective bargaining agreements; no employee contributions are required. PATH payroll expense in 2013 for these employees was approximately \$87 million. Contributions made by PATH in 2013 in accordance with the terms of various collective bargaining agreements totaled approximately \$6 million, which represented approximately 7.3% of the total PATH covered payroll for 2013. Contributions in 2012 totaled approximately \$6 million.

## Notes to Consolidated Financial Statements

(continued)

### d. PATH Non-represented Employee Pension Plan

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

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

As of January 1, 2013, Plan participants included 88 retired PATH Exempt Employees (or their beneficiaries), 88 active PATH Exempt Employees, and 23 terminated but vested employees who are currently not receiving benefits.

On August 22, 2013, The Port Authority established the PATH Exempt Employees Supplemental Pension Plan Trust with Wells Fargo Institutional Retirement Trust services as Trustee.

The actuarially determined valuation of pension benefits is reviewed annually for the purpose of estimating the present value of pension benefits earned by Plan participants as of the valuation date.

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

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

In the January 1, 2013 actuarial valuation, the projected unit credit cost method was employed for all participants. Actuarial assumptions used to project pension benefits included a 5.25% discount rate, representing the estimated long term yield on investments expected to be used for the payment of pension benefits, and a salary scale adjustment of 3% per annum (including 2.5% inflation factor). In addition, a level percentage of projected payroll authorization method, using a thirty-year open amortization period, 5.25% interest rate and 2.5% inflation factor was used to amortize the unfunded Actuarial Accrued Liability (AAL) and previously recognized Net Pension Obligation (NPO).

The AAL, representing the amount of pension benefits earned by plan participants in *prior periods* totaled \$57 million as of January 1, 2013. There were no plan assets as of January 1, 2013, thus the unfunded AAL also totaled \$57 million.

The following reflects the components of the 2013 annual pension cost, benefits paid and changes to the NPO.

### Annual Pension Cost and NPO for 2013 and 2012

	2013	2012
	(In thousands)	
Service Cost	<b>\$ 1,435</b>	\$ 1,267
Amortization of Unfunded AAL	<b>2,860</b>	2,570
Total Annual Required Contribution (ARC)	<b>4,295</b>	3,837
Amortization of Previously Recognized NPO	<b>(1,401)</b>	(1,283)
Interest on NPO	<b>1,466</b>	1,413
Annual Pension Cost	<b>4,360</b>	3,967
Benefits Paid in the Year	<b>(2,847)</b>	(2,947)
Increase in NPO in the Year	<b>1,513</b>	1,020
NPO Beginning of Year	<b>27,924</b>	26,904
NPO End of Year	<b>\$29,437</b>	\$27,924

The year-to-year change in the NPO consists of the difference between the 2013 annual pension cost of \$4.4 million and 2013 pension benefits paid to Plan participants totaling \$2.8 million.

The service cost of \$1.4 million represents the amount of pension benefits earned by plan participants in the *current period*.

The \$2.8 million amortization associated with the \$57 million unfunded AAL was calculated using a level percentage of projected payroll amortization method.

## Notes to Consolidated Financial Statements

(continued)

Amortization associated with the previously recognized NPO of \$27.9 million totaled (\$1.4) million in 2013.

### Annual Pension Cost and NPO for 2013–2011

Year	Annual Pension Cost	Ratio of Benefit Payments to Annual Pension Cost	NPO Year-End Balance
(\$ In thousands)			
2013	\$4,360	78.30 %	\$29,437
2012	\$3,967	74.29 %	\$27,924
2011	\$3,934	73.14 %	\$26,904

In 2013, PATH (the employer) continued to make retirement benefit payments on a pay-as-you-go basis from available Port Authority operating funds.

The Schedule of Funding Progress for the plan covering 2013 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	AAL	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a % of Payroll
(\$ In thousands)						
1/1/13	\$0	\$57,010	\$57,010	0%	\$10,750	530%

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

## 2. Other Postemployment Employee Benefits (OPEB)

### Benefit Plans

The Port Authority and PATH provide, pursuant to Board action or as contemplated thereby, certain group health care, prescription, dental, vision and term life insurance benefits for active and retired employees of the Port Authority and PATH (and for eligible dependents and survivors of active and retired employees). Collectively, these covered individuals are referred to as “participants.” Contributions toward the costs of some of these benefits are required of certain participants. These contributions generally range from 10% to 50% of the Port Authority or PATH’s cost of the benefit and depend on a number of factors, including status of the participants, type of benefit, hire date, years of service, and retirement date. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid by service providers on behalf of the Port Authority or PATH.

### OPEB Actuarial Methods and Assumptions

The actuarially determined valuation of OPEB is reviewed annually for the purpose of estimating the present value of postemployment benefits earned by plan participants as of the valuation date.

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

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future, including future employment with a salary scale at a rate of 4.5% per year, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2013 actuarial valuation of the Port Authority and PATH OPEB obligation, the projected unit credit cost method was used for all 14,173 participants (6,907 active, 5,774 retirees and 1,492 surviving spouses). The actuarial assumptions used to project future costs included a 6.75% investment rate of return (discount rate), representing the estimated yield on investments expected to be used for the payment of benefits; medical healthcare cost trend rates of 8.5% for Pre-65 year-old participants and 7% for Post-65 year-old participants, declining to an ultimate medical healthcare cost trend rate of 5% in 2022 (including 2.5% inflation factor), a pharmacy benefit cost trend rate of 7%, decreasing to 5% in 2021; and a dental benefit cost trend rate of 5% per year for all years. In addition, the unfunded, unrecognized AAL is being amortized as a level dollar amount over an open period of 30 years.



## Notes to Consolidated Financial Statements

(continued)

### OPEB Costs and Obligations

OPEB benefit costs and obligations are actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The AAL, representing the amount of OPEB benefits earned by plan participants in *prior periods*, totaled \$2.2 billion as of January 1, 2013. The unfunded AAL, totaling \$1.7 billion, represents the difference between the AAL of \$2.2 billion and the amount of plan assets of \$525 million.

The following reflects the components of the 2013 and 2012 annual OPEB costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2013 and 2012 actuarial valuations:

	2013	2012
	(In millions)	
Normal cost	\$ 35.5	\$ 31.2
Amortization of Unfunded AAL	132.5	114.4
Total ARC	168.0	145.6
Amortization of Net OPEB Obligation	(26.7)	(32.4)
Interest on Excess Contributions	(20.8)	(12.1)
Annual OPEB cost	120.5	101.1
OPEB payments	(111.8)	(108.7)
Increase/(decrease) in net OPEB obligation	8.7	(7.6)
Net accrued OPEB obligation as of January 1st	341.7	449.3
OPEB obligation as of December 31st	350.4	441.7
Trust contributions	(100.0)	(100.0)
Net accrued OPEB obligation as of December 31st	\$ 250.4	\$341.7

The normal cost of \$35.5 million represents the amount of OPEB benefits earned by plan participants in the *current period*.

Amortization of the unfunded AAL totaling \$132.5 million represents the annual funding requirement that if paid quarterly over a thirty-year period at 6.75% is projected to satisfy the unfunded AAL of \$1.7 billion.

Amortization associated with the previously recognized net OPEB obligation of \$341.7 million totaled (\$26.7) million in 2013.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a new prescription drug benefit commonly known as Medicare Part D. The Port Authority's application to the Centers for Medicare and Medicaid Services (CMS) within the Department of Health and Human Services to sponsor a Part D Plan for retirees was approved effective January 1, 2006. Effective January 1, 2009, the Port Authority contracted with Express Scripts, Inc. for an Employee Group Waiver Plan (CMS approved series 800 plan) covering its retirees. Under the contract, Express Scripts, Inc. assumed responsibility for the administrative and compliance obligations imposed by CMS. In 2013, CMS payments to Express Scripts, Inc., on behalf of the Port Authority, totaled approximately \$3.4 million. These amounts were considered in calculating the actuarial valuation of the OPEB liability.

The Port Authority and PATH's combined annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net accrued OPEB obligation for 2013 and the two preceding years, were as follows:

Year	Annual OPEB Cost	OPEB Payments as a % of Annual OPEB Cost	Net Accrued OPEB Obligation
(\$ In thousands)			
2013	\$120,494	176%	\$250,441
2012	\$101,128	206%	\$341,702
2011	\$113,078	180%	\$449,299

### Funding Status

On December 14, 2006, the Port Authority established a restricted fund to provide funding for postemployment benefits. Effective December 2010, the Port Authority's quarterly contribution to The Port Authority of New York and New Jersey Retiree Health Benefits Trust (Trust), with Wells Fargo Bank, N.A.-Institutional Trust Services serving as the Trustee totals \$25 million. In 2013 and 2012, annual contributions to the Trust totaled \$100 million.

## Notes to Consolidated Financial Statements

(continued)

OPEB Trust assets, the AAL, the unfunded AAL for benefits, the annual payroll amounts for active employees covered by the plans and the ratio of the unfunded AAL to covered payroll for 2013 were as follows:

Actuarial Valuation Date	Actuarial Value of OPEB Trust Assets	AAL	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a % of Payroll
(\$ In millions)						
1/1/13	\$525	\$2,224	\$1,699	24%	\$724	235%

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

Following are the Condensed Statements of Trust Net Position and Changes in Trust Net Position held in trust for OPEB for 2013 and 2012. The activities are accounted for using the accrual basis of accounting and all investments are recorded at their fair value.

### Statement of Trust Net Position

	December 31,	
	2013	2012
(In thousands)		
<b>ASSETS</b>		
Cash	\$ 70,415	\$ 138
Investments, at fair value	687,116	524,901
Accounts receivable	2,630	-
Total assets	760,161	525,039
<b>LIABILITIES</b>		
Accounts payable	52,479	-
Total liabilities	52,479	-
<b>NET POSITION HELD IN TRUST FOR OPEB</b>	<b>\$ 707,682</b>	<b>\$ 525,039</b>

### Statements of Changes in Trust Net Position

	Year ended December 31,	
	2013	2012
(In thousands)		
<b>Additions</b>		
Contributions*	\$ 211,756	\$ 208,725
Investment income:		
Net change in fair value of investments	66,824	36,360
Interest income	16,146	12,432
Total net investment income	82,970	48,792
<b>Deductions</b>		
Benefit payments, administrative expenses and fees*	(112,083)	(109,029)
Total deductions	(112,083)	(109,029)
<b>Net Increase</b>	<b>182,643</b>	<b>148,488</b>
Trust net position, January 1	525,039	376,551
<b>NET POSITION HELD IN TRUST FOR OPEB</b>	<b>\$ 707,682</b>	<b>\$ 525,039</b>

\* Include Port Authority's payments totaling \$111.8 million in 2013 and \$108.7 million in 2012 that were paid to OPEB plan members or their beneficiaries out of available Port Authority operating funds. These direct benefit payments were not included as part of the Trusts activities.

## Notes to Consolidated Financial Statements

(continued)

The audited financial statements for the years ended December 31, 2013 and December 31, 2012 of the Trust, which provides additional information concerning trust assets, are available from the Comptroller's Department of The Port Authority of New York and New Jersey, 1 PATH Plaza, Jersey City, New Jersey 07306.

### **Note J – Commitments and Certain Charges to Operations**

1. Approval of a budget by the Board of Commissioners does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions by the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.
2. At December 31, 2013, the Port Authority had entered into various construction contracts totaling approximately \$5.1 billion, which are expected to be completed within the next three years.
3. The Port Authority carries insurance or requires insurance to be carried (if available) on or in connection with its facilities to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering self-insured retentions, purchase of insurance through its captive insurance entity, PAICE, exceptions, or exclusions of portions of facilities, and the scope of insurable hazards. Availability of coverage varies and may be constrained depending on the state of the insurance industry. As a result, insurance premiums may increase for available coverage in connection with the Port Authority's periodic renewal of its insurance programs.

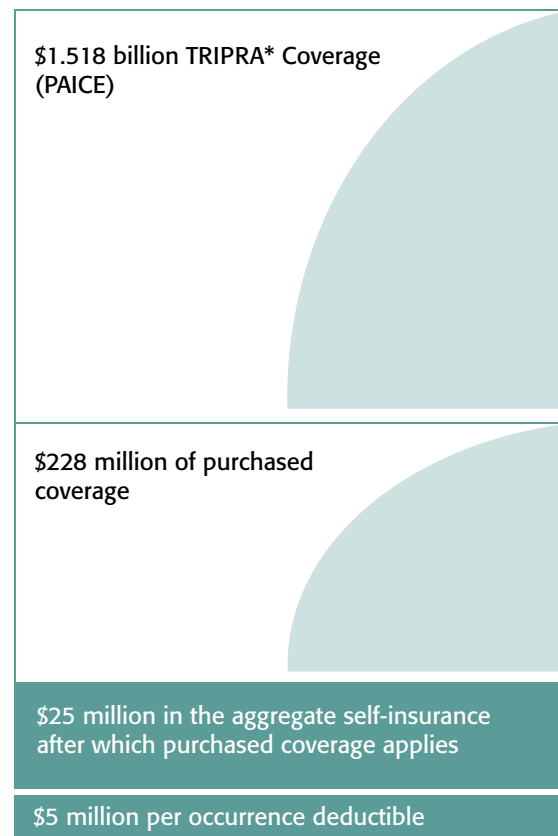
**a. Property damage and loss of revenue insurance program:**

The Port Authority's property damage and loss of revenue insurance program (which was renewed effective June 1, 2013 and expires on June 1, 2014) provides for coverage as follows:

#### **General Coverage (Excluding Terrorism)**



#### **Terrorism Coverage**



\* On December 26, 2007, the Federal government enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), which replaced the Federal reinsurance provisions of the Terrorism Risk Insurance Act of 2002 (TRIA) and added reinsurance for acts of domestic terrorism in addition to acts of foreign terrorism through December 31, 2014. Under TRIPRA, the Federal government reinsures 85% of certified terrorism

**Notes to Consolidated Financial Statements**

(continued)

losses, subject to a \$100 million deductible and a 20% insurance carrier/captive deductible, in an amount not to exceed an annual cap on all such losses payable under TRIPRA of \$100 billion. No federal payments are made under this program until the aggregate industry insured losses from acts of terrorism exceed \$100 million.

**Wind Coverage  
(Sub-limit to General Coverage)**

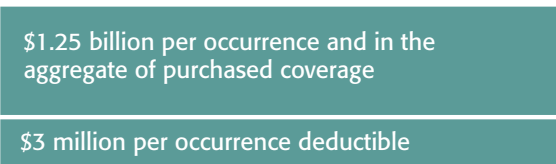


b. Public liability insurance program:

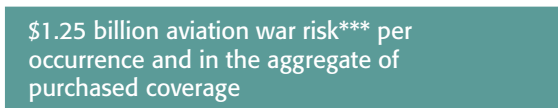
**Aviation facilities**

The Port Authority's public liability insurance program for aviation facilities (which was renewed effective October 27, 2013 and expires on October 27, 2014) provides for coverage as follows:

**General Coverage  
(Excluding Terrorism)\*\***



**Terrorism Coverage**



\*\* Aviation General Coverage also provides \$100 million of excess liability coverage over the Port Authority's Master Contractor's Insurance Program general liability limit of \$50 million for airport construction projects.

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

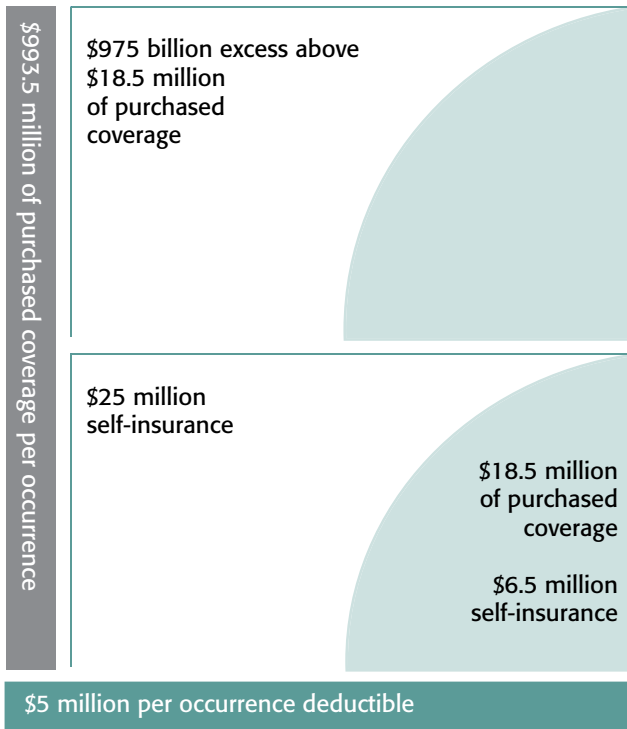


**Notes to Consolidated Financial Statements**  
(continued)

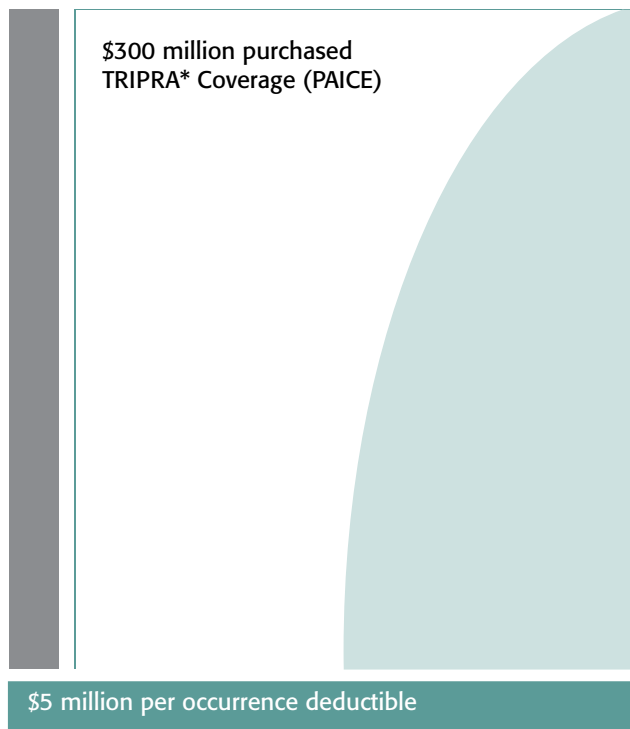
**Non-Aviation facilities**

The Port Authority's public liability insurance program for "non-aviation" facilities (which was renewed effective October 27, 2013 and expires on October 27, 2014) provides for coverage as follows:

**General Coverage  
(Excluding Terrorism)**



**Terrorism Coverage**



\* See footnote on page 81.

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

4. In providing for uninsured losses, the Port Authority administers its self-insurance program by applications from the Consolidated Bond Reserve Fund and provides for losses as a charge to operations.

As of December 31, 2013, there was approximately \$28.1 million available for future self-insured claims.

Year	Beginning Balance	Reserves Appropriated	Recognized Losses*	Year-end Balance
(In thousands)				
2013	\$38,514	\$15,602	\$26,016	\$28,100
2012	\$76,061	\$18,933	\$56,480	\$38,514

\* 2012 recognized losses include \$30 million associated with Superstorm Sandy.

## Notes to Consolidated Financial Statements

(continued)

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for accrued self-insured claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses, estimated recoveries and a provision for incurred but not reported (IBNR) claims. Changes in the self-insured liability amounts in 2013 and 2012 were:

Year	Beginning Balance	Additions and Changes*	Payments	Year-end Balance
		(In thousands)		
2013	\$53,197	\$26,016	\$16,643	\$62,570
2012	\$45,602	\$56,480	\$48,885	\$53,197

\* 2012 recognized losses include \$30 million associated with Superstorm Sandy.

5. On October 16, 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the Port Authority Insurance Captive Entity, LLC, for the purpose of insuring certain risk exposures of the Port Authority and its related entities. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business, in connection with Workers' Compensation, general liability, builders risk, property and terrorism insurance coverage for the Port Authority and its related entities. With the passage of TRIPRA, PAICE assumed coverage for acts of domestic terrorism with respect to the Port Authority's public liability and property damage and loss of revenue insurance programs in addition to the previously provided coverage for acts of foreign terrorism. In addition, as of December 31, 2013, PAICE continues to provide the first \$1,000,000 in coverage under the Workers' Compensation portion, and the first \$500,000 in coverage under the general liability aspect of the Port Authority's contractor's insurance program. As of December 31, 2013, PAICE continues to provide \$1 billion of Builders Risk and Terrorism coverage for the WTC Owner Controlled Insurance Program, which is 100% reinsured through the commercial insurance marketplace and TRIPRA. As of October 27, 2013, PAICE is providing \$2,000,000 of the first \$50 million in coverage under the Port Authority's general coverage (excluding terrorism) public liability insurance program for "non-aviation" facilities.

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

The financial results for PAICE for the year ended December 31, 2013 are set forth below. Amounts associated with PAICE recorded on the Port Authority's consolidated financial statements have been adjusted to reflect intercompany transfers between the Port Authority and PAICE (see Schedule E – *Information on Port Authority Operations*).

	(In thousands)
<b>Financial Position</b>	
Total Assets	\$230,802
Total Liabilities	90,559
Net Position	<u>\$140,243</u>
<b>Operating Results</b>	
Revenues	\$ 24,639
Expenses	9,261
Net Income	<u>\$ 15,378</u>
<b>Changes in Net Position</b>	
Net Position at January 1, 2013	\$124,761
Member's Distribution	104
Net Income	15,378
Net Position at December 31, 2013	<u>\$140,243</u>

## Notes to Consolidated Financial Statements

(continued)

6. Other amounts receivable, net recognized on the Consolidated Statement of Net Position totaled \$38 million at December 31, 2013, and is comprised of the following:

	Dec. 31, 2012	Additions	Deductions	Dec. 31, 2013
(In thousands)				
Long-term receivables from tenants	\$ 18,986	\$33,183	\$ 32,385	\$ 19,784
Installment due from the ECRR operator	1,582	–	164	1,418
Insurance receivable – Superstorm Sandy	106,331	–	106,331	–
Advances for construction projects	5,912	6,694	3,847	8,759
Interest due from Tower 4 net lessee	8,343	36,660	45,003	–
Other	319	8,173	–	8,492
<b>Total other amounts receivable, net</b>	<b>\$141,473</b>	<b>\$84,710</b>	<b>\$187,730</b>	<b>\$ 38,453</b>

7. The 2013 balance of Other noncurrent liabilities consists of the following:

	Dec. 31, 2012	Additions	Deductions	Dec. 31, 2013
(In thousands)				
Workers' Compensation liability	\$ 48,074	\$26,329	\$ 26,329	\$ 48,074
Self Insured Outstanding Claims	53,197	26,016	16,643	62,570
Pollution remediation	27,947	1,762	7,890	21,819
Asset forfeiture	10,084	18,622	4,252	24,454
Contractors Insurance Program Premiums	59,246	–	41,291	17,955
Surety and security deposits	6,828	393	281	6,940
WTC Joint Ventures Preferred Returns	14,366	14,583	–	28,949
Other	62,982	7,224	32,368	37,838
<b>Gross other liabilities</b>	<b>\$282,724</b>	<b>\$94,929</b>	<b>\$129,054</b>	<b>248,599</b>
Less current portion:				
Workers' Compensation liability				18,715
<b>Total other noncurrent liabilities</b>				<b>\$229,884</b>

8. In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, an operating expense provision and corresponding liability measured at its current value using the expected cash flow method is recognized when an obligating event occurs. In 2013, the Port Authority recognized \$2 million in pollution remediation obligations, thus increasing the cumulative expense provision to \$62 million in 2013, net of \$2.1 million in expected recoveries.

As of December 31, 2013, the outstanding pollution remediation liability totaled \$21.8 million, primarily consisting of future remediation activities associated with asbestos removal, lead abatement, ground water contamination, soil contamination, and arsenic contamination at Port Authority facilities.

	Dec. 31, 2012	Expense Provision	Payment	Dec. 31, 2013
(In thousands)				
Pollution remediation obligation	\$27,947	\$1,762	\$7,890	\$21,819

9. In October 2012, Superstorm Sandy disrupted Port Authority activities at the airports, bridges and tunnels, marine terminals, the WTC site and the PATH system. Most of the Port Authority's facilities are located in low-lying areas surrounding the New York-New Jersey harbor, and all were affected to one degree or another by winds, storm surge and power outages. The PATH system sustained the greatest damage, with significant flooding at several stations, under-river tunnels, tracks and substations. All of the Port Authority's facilities returned to full operation, with the disruption in service for the most part lasting less than a week.

## Notes to Consolidated Financial Statements

(continued)

The current estimate of the Port Authority's economic loss due to Superstorm Sandy is approximately \$2.4 billion. Studies are currently underway at affected facilities to fully ascertain any latent damage caused by salt water intrusion at Port Authority facilities, which may lead to an increase in the current loss estimate. It is presently anticipated that available insurance coverage and federal disaster relief funds will substantially cover the Port Authority's currently estimated economic loss from Superstorm Sandy.

Net (revenue)/expense associated with Superstorm Sandy totaled (\$28.2) million in 2013. The Port Authority recognized approximately \$352 million of operating expenses resulting from Superstorm Sandy, including \$120 million in immediate repair costs incurred primarily at PATH and \$232 million in write-offs associated with assets, primarily at the WTC site that were destroyed as a result of Superstorm Sandy. Offsetting these amounts were \$380 million in realized insurance recoveries associated with losses sustained by the Port Authority as a result of Superstorm Sandy. To date, the Port Authority has received \$486.7 million in insurance recoveries associated with Superstorm Sandy.

In addition, the Port Authority recognized \$12.4 million from FEMA and \$83.3 million from the FTA in grants associated with Superstorm Sandy recovery efforts. These amounts are included as a component of Grants on the Port Authority Consolidated Statements of Revenues, Expenses and Changes in Net Position.

	2013	2012	Cumulative
		(In thousands)	
Immediate Repair Expenses	\$ 119,752	\$ 120,607	\$ 240,359
Write-off of Destroyed Assets	232,348	15,724	248,072
Insurance Recoveries	(380,329)	(106,331)	(486,660)
Net (Revenue)/Expense associated with Superstorm Sandy	(28,229)	30,000	1,771
Add:			
Grants associated with Superstorm Sandy	(95,678)	-	(95,678)
Total Impact	\$(123,907)	\$ 30,000	\$ (93,907)

**10.** On August 30, 2013, the Port Authority and a private developer entered into an agreement (the Project Agreement) for a public-private partnership for the design, construction, financing and maintenance of a replacement Goethals Bridge (the Replacement Bridge), a cable-stayed bridge with six twelve-foot wide travel lanes, twelve-foot wide outer shoulders, and five-foot wide inner shoulders, that will improve safety, alleviate congestion, and accommodate future traffic growth. Pursuant to the Project Agreement, the private developer will perform certain operation and maintenance work, and the Port Authority will retain control over the toll collection system, including its operation and maintenance. On November 8, 2013, the private developer obtained certain financing for the construction of the Replacement Bridge through the issuance by the New Jersey Economic Development Authority of \$460,915,000 in tax-exempt private activity bonds, and a Transportation Infrastructure Finance and Innovation Act (TIFIA) direct loan in the amount of \$473,673,740 (excluding capitalized interest) from the United States Department of Transportation, acting by and through the Federal Highway Administration.

Pursuant to the Project Agreement, the Port Authority will make milestone payments to the private developer in the aggregate amount of \$150,000,000 upon satisfactory achievement of certain milestones during the construction of the Replacement Bridge. Upon the substantial completion of the Replacement Bridge, presently expected to occur in December 2017, the Port Authority is required to make a payment to the private developer in the amount of \$1,019,867,421, subject to certain adjustments. In lieu of a cash payment at that time, the developer will extend a loan in that principal amount to the Port Authority, to be repaid in monthly payments of principal and interest (the DFA Payments) over the term of the Project Agreement, which has a scheduled expiration date on the thirty-fifth anniversary of the substantial completion date of the Replacement Bridge. The DFA Payments are subject to certain deductions for noncompliance by the private developer with the terms of the Project Agreement.

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

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



## Notes to Consolidated Financial Statements

(continued)

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

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

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

### One World Trade Center

In November 2006, as part of the continuing redevelopment of the WTC, the Port Authority acquired from Silverstein Properties 100% of the membership interests in 1 WTC LLC, the then-net lessee of One World Trade Center and Tower 5, which will comprise, in the aggregate, approximately 4.2 million square feet of office space. On June 13, 2011, the Port Authority and Durst entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, leasing, management and operation of the One World Trade Center building. Durst contributed \$100 million for a minority equity interest in Tower 1 Joint Venture LLC. One World Trade Center will contain 3.0 million square feet of space, comprised of commercial office space and an indoor observation deck. It is presently expected that One World Trade Center will be substantially completed by early 2014, at a cost of approximately \$3.1 billion.

On April 8, 2013, WTC Tower 1 LLC entered into a 15-year lease agreement with a wholly-owned subsidiary of Legends Hospitality, LLC for approximately 120,000 gross square feet of space in One World Trade Center, for the development and operation of the observation deck at the top of One World Trade Center. The observation deck facility, called One World Observatory, will occupy floors 100-102 of One World Trade Center.

### World Trade Center Tower 2, Tower 3 and Tower 4

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

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

Tower 4 was substantially completed in October 2013 by the Silverstein net lessee of Tower 4 and is available for tenant fit-out, and the Tower 3 podium was substantially completed to the extent required under the MDA in December 2013 by the Silverstein net lessee of Tower 3.

### World Trade Center Tower 4

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

## **Notes to Consolidated Financial Statements**

(continued)

of Tower 4; will grant a first priority leasehold mortgage on the net lease for Tower 4 to the Port Authority; and will assign all Tower 4 space leases and rents (other than the space lease with the City of New York) to the Port Authority.

### **World Trade Center Tower 3**

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

In December 2013, Silverstein Properties announced that GroupM, a media investment management group, had signed a lease for approximately 516,000 square feet on nine floors at the base of Tower 3, and that with this lease Silverstein Properties will now move forward to complete the financing and construction of Tower 3.

### **The World Trade Center Transportation Hub**

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

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

### **World Trade Center Infrastructure Projects**

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

### **WTC Retail**

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

The retail project at the WTC site includes certain retail space to be located in the WTC Transportation Hub, One World Trade Center, Tower 2, Tower 3, and Tower 4 (collectively the "Retail Premises").

On May 16, 2012, the Port Authority and Westfield entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, development, leasing, management and operation of the Retail Premises through its current net lessee New WTC Retail Owner LLC, a bankruptcy remote single purpose entity. New WTC Retail Owner LLC is indirectly owned by affiliated entities of the Port Authority and Westfield. Each party will be a 50% participant in the joint venture and contribute \$612.5 million to the joint venture during the course of construction and initial lease-up of the Retail Premises. As part of this overall obligation, in 2012, the Port Authority and Westfield contributed \$100 million of initial capital contributions which was subsequently redistributed to New WTC Retail Owner LLC and WTC Retail LLC for the further construction of the Retail Premises.

## **Notes to Consolidated Financial Statements**

(continued)

On December 4, 2013, the Board of Commissioners of the Port Authority approved the Port Authority's sale of its interests in the joint venture to Westfield. As such, Westfield will acquire 100% of the Port Authority interests in the retail components of the WTC site for a total aggregate payment to the Port Authority of \$1.4 billion. After completion of the transaction, the Port Authority will continue as landlord of the retail components of the WTC site, under a net lease providing for nominal annual rentals.

### **The Memorial**

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

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

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

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

*Required Supplementary Information (Unaudited)*

**Schedule of Funding Progress (Unaudited)**

**PATH Exempt Employees Supplemental Pension Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>AAL (b)</b>	<b>Unfunded AAL (c) = (b-a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (d)</b>	<b>Unfunded AAL as a % of Payroll (c)/(d)</b>
(\$ In thousands)						
1/1/13	\$ 0	\$57,010	\$57,010	0%	\$10,750	530%
1/1/12	\$ 0	\$53,903	\$53,903	0%	\$ 9,391	574%
1/1/11	\$ 0	\$53,977	\$53,977	0%	\$ 9,185	588%

**Schedule of Funding Progress (Unaudited)**

**Other Postemployment Benefits Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of OPEB Trust Assets (a)</b>	<b>AAL (b)</b>	<b>Unfunded AAL (c) = (b-a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (d)</b>	<b>Unfunded AAL as a % of Payroll (c)/(d)</b>
(\$ In millions)						
1/1/13	\$525	\$ 2,224	\$ 1,699	24%	\$ 724	235%
1/1/12	\$377	\$ 1,963	\$ 1,586	19%	\$ 714	222%
1/1/11	\$274	\$ 1,978	\$ 1,704	14%	\$ 712	239%



## Schedule A – Revenues and Reserves

(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2013			2012
	Operating Fund	Reserve Funds	Combined Total	Combined Total
(In thousands)				
<b>Gross operating revenues:</b>				
Tolls and fares	\$ 1,462,957	\$ –	<b>\$1,462,957</b>	\$1,337,372
Rentals	1,228,491	–	<b>1,228,491</b>	1,208,730
Aviation fees	934,459	–	<b>934,459</b>	904,666
Parking and other	315,111	–	<b>315,111</b>	338,178
Utilities	139,835	–	<b>139,835</b>	152,945
Rentals – Special Project Bonds Projects	103,186	–	<b>103,186</b>	108,125
Total gross operating revenues	4,184,039	–	<b>4,184,039</b>	4,050,016
<b>Operating expenses:</b>				
Employee compensation, including benefits	1,114,397	–	<b>1,114,397</b>	1,038,243
Contract services	684,411	–	<b>684,411</b>	749,106
Rents and amounts in-lieu-of taxes	301,582	–	<b>301,582</b>	304,020
Materials, equipment and other	220,859	–	<b>220,859</b>	215,937
Utilities	171,833	–	<b>171,833</b>	174,016
Interest on Special Project Bonds	103,186	–	<b>103,186</b>	108,125
Total operating expenses	2,596,268	–	<b>2,596,268</b>	2,589,447
Amounts in connection with operating asset obligations	25,908	–	<b>25,908</b>	27,956
Net (revenue)/expense related to Superstorm Sandy	(28,229)	–	<b>(28,229)</b>	30,000
Net operating revenues	1,590,092	–	<b>1,590,092</b>	1,402,613
<b>Financial income:</b>				
Interest income	(591)	24,055	<b>23,464</b>	26,970
Net (decrease)/increase in fair value of investments	(4,211)	(22,217)	<b>(26,428)</b>	2,151
Contributions in aid of construction	529,185	–	<b>529,185</b>	570,261
Application of Passenger Facility Charges	175,421	–	<b>175,421</b>	110,015
Application of 1WTC LLC/WTC Retail LLC insurance proceeds	–	–	<b>–</b>	17,962
Application of 4 WTC associated payments	36,660	–	<b>36,660</b>	65,293
Restricted Net Revenues – PAICE	4,305	–	<b>4,305</b>	2,710
Grants	188,409	–	<b>188,409</b>	52,161
Pass-through grant program payments	(176,848)	–	<b>(176,848)</b>	(56,446)
Net revenues available for debt service and reserves	2,342,422	1,838	<b>2,344,260</b>	2,193,690
<b>Debt service:</b>				
Interest on bonds and other asset financing obligations	556,824	38,689	<b>595,513</b>	627,200
Debt maturities and retirements	204,000	–	<b>204,000</b>	169,770
Debt retirement acceleration	–	–	<b>–</b>	54,635
Repayment of asset financing obligations	–	15,701	<b>15,701</b>	16,514
Total debt service	760,824	54,390	<b>815,214</b>	868,119
Transfers to reserves	<u>\$(1,581,598)</u>	1,581,598	<b>–</b>	–
Revenues after debt service and transfers to reserves		1,529,046	<b>1,529,046</b>	1,325,571
Direct investment in facilities		(1,059,756)	<b>(1,059,756)</b>	(691,079)
Change in appropriations for self-insurance		10,414	<b>10,414</b>	37,547
Acceleration of unamortized brokerage commissions *		(46,863)	<b>(46,863)</b>	–
Increase in reserves		432,841	<b>432,841</b>	672,039
Reserve balances, January 1		3,377,075	<b>3,377,075</b>	2,705,036
Reserve balances, December 31		\$3,809,916	<b>\$3,809,916</b>	\$3,377,075

\* See Note A.3.(o) – Nature of the Organization and Summary of Significant Accounting Policies

**See Notes to Consolidated Financial Statements**

## Schedule B – Assets and Liabilities

(Pursuant to Port Authority bond resolutions)

	December 31, 2013			2012	
	Operating Fund	Capital Fund	Reserve Funds	Combined Total	Combined Total
	(In thousands)				
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash	\$ 333,985	\$ 302,308	\$ 1,573,746	\$ 2,210,039	\$ 3,692,900
Restricted cash					
Passenger Facility Charges	168,751	–	–	168,751	120,795
Port Authority Insurance Captive Entity, LLC	14,736	–	–	14,736	11,130
Investments	–	410,018	–	410,018	100,777
Current receivables, net	380,436	71,208	–	451,644	447,562
Other current assets	69,978	124,776	–	194,754	287,967
Restricted receivables and other assets	47,293	–	–	47,293	35,477
Total current assets	1,015,179	908,310	1,573,746	3,497,235	4,696,608
<b>Noncurrent assets:</b>					
Restricted cash	6,583	–	–	6,583	6,472
Investments	106,221	–	2,236,170	2,342,391	1,835,720
Restricted Investments – PAICE	172,064	–	–	172,064	162,630
Other amounts receivable, net	21,526	16,927	–	38,453	141,473
Other noncurrent assets	1,369,797	43,632	–	1,413,429	1,434,424
Restricted other noncurrent assets – PAICE	15,096	–	–	15,096	10,911
Amounts receivable – Special Project Bonds Projects	–	1,605,515	–	1,605,515	1,675,825
Amounts receivable – Tower 4 Liberty Bonds	–	1,225,520	–	1,225,520	1,225,520
Invested in facilities	–	43,570,151	–	43,570,151	40,818,087
Total noncurrent assets	1,691,287	46,461,745	2,236,170	50,389,202	47,311,062
Total assets	2,706,466	47,370,055	3,809,916	53,886,437	52,007,670
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	310,023	719,757	–	1,029,780	886,862
Accrued interest and other current liabilities	524,395	58,098	–	582,493	568,308
Restricted other liabilities – PAICE	3,746	–	–	3,746	852
Accrued payroll and other employee benefits	352,748	–	–	352,748	283,180
Deferred income:					
Passenger Facility Charges	181,358	–	–	181,358	132,228
Current portion bonds and other asset financing obligations	99,732	1,044,987	–	1,144,719	1,048,953
Total current liabilities	1,472,002	1,822,842	–	3,294,844	2,920,383
<b>Noncurrent liabilities:</b>					
Accrued pension and other noncurrent employee benefits	279,220	–	–	279,220	369,951
Other noncurrent liabilities	192,564	37,320	–	229,884	267,829
Restricted other noncurrent liabilities – PAICE	45,851	–	–	45,851	46,938
Amounts payable – Special Project Bonds	–	1,605,515	–	1,605,515	1,675,825
Amounts payable – Tower 4 Liberty Bonds	–	1,225,520	–	1,225,520	1,225,520
Bonds and other asset financing obligations	688,728	17,214,957	–	17,903,685	17,954,147
Total noncurrent liabilities	1,206,363	20,083,312	–	21,289,675	21,540,210
Total liabilities	2,678,365	21,906,154	–	24,584,519	24,460,593
<b>NET POSITION</b>	\$ 28,101	\$25,463,901	\$3,809,916	\$29,301,918	\$27,547,077
<b>Net position is composed of:</b>					
Facility infrastructure investment	\$ –	\$25,463,901	\$ –	\$25,463,901	\$24,131,488
Reserves	–	–	3,809,916	3,809,916	3,377,075
Appropriated reserves for self-insurance	28,101	–	–	28,101	38,514
<b>NET POSITION</b>	\$ 28,101	\$25,463,901	\$3,809,916	\$29,301,918	\$27,547,077

See Notes to Consolidated Financial Statements

### Schedule C – Analysis of Reserve Funds

(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2013			2012
	General Reserve Fund	Consolidated Bond Reserve Fund	Combined Total	Combined Total
	(In thousands)			
Balance, January 1	\$2,026,606	\$1,350,469	<b>\$3,377,075</b>	\$2,705,036
Increase in reserve funds *	2,445	1,580,991	<b>1,583,436</b>	1,484,484
	2,029,051	2,931,460	<b>4,960,511</b>	4,189,520
<b>Applications:</b>				
Repayment of asset financing obligations	–	15,701	<b>15,701</b>	16,514
Interest on asset financing obligations	–	38,689	<b>38,689</b>	87,764
Debt retirement acceleration	–	–	–	54,635
Direct investment in facilities	–	1,059,756	<b>1,059,756</b>	691,079
Self-insurance	–	(10,414)	<b>(10,414)</b>	(37,547)
Acceleration of unamortized brokerage commissions**	–	46,863	<b>46,863</b>	–
Total applications	–	1,150,595	<b>1,150,595</b>	812,445
<b>Balance, December 31</b>	\$2,029,051	\$1,780,865	<b>\$3,809,916</b>	\$3,377,075

\* Consists of "Transfers to reserves" from the operating fund totaling \$1.58 billion, plus "financial income" generated on Reserve funds of \$2 million in 2013.

\*\* See Note A.3.(o) – *Nature of the Organization and Summary of Significant Accounting Policies*

See Notes to Consolidated Financial Statements





# STATISTICAL & OTHER SUPPLEMENTAL INFORMATION

*For the Year Ended December 31, 2013*

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

## **Financial Trends – Schedule D-1**

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

## **Debt Capacity – Schedule D-2**

The Port Authority has several forms of outstanding obligations.

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

## **Operating Information – Schedule D-3 (Unaudited)**

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

## **Information on Port Authority Operations – Schedule E**

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

## **Information on Port Authority Capital Program Components – Schedule F**

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

## **Facility Traffic – Schedule G (Unaudited)**

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

**Schedule D-1 – Selected Statistical Financial Trends Data**

	2013	2012	2011	2010
	(In thousands)			
<b>Net position is composed of</b>				
Net investment in capital assets	<b>\$10,093,713</b>	\$ 9,902,611	\$10,020,306	\$ 9,200,077
Restricted	<b>454,467</b>	392,389	294,460	222,871
Unrestricted	<b>3,180,147</b>	2,405,483	1,411,125	1,601,675
Net Position	<b>\$13,728,327</b>	\$12,700,483	\$11,725,891	\$11,024,623
<b>Revenues, Expenses and Changes in Net Position:</b>				
Gross operating revenues:				
Tolls and fares	<b>\$ 1,462,957</b>	\$ 1,337,372	\$ 1,148,061	\$ 1,069,785
Rentals	<b>1,228,491</b>	1,208,730	1,150,569	1,144,709
Aviation fees	<b>934,459</b>	904,666	895,356	872,774
Parking and other	<b>315,111</b>	338,178	339,131	321,257
Utilities	<b>139,835</b>	152,945	154,810	154,041
Rentals – Special Project Bonds Projects	<b>103,186</b>	108,125	112,553	71,457
Gross operating revenues	<b>4,184,039</b>	4,050,016	3,800,480	3,634,023
Operating expenses:				
Employee compensation, including benefits	<b>1,114,397</b>	1,038,243	1,037,681	1,022,195
Contract services	<b>684,411</b>	749,106	726,883	630,438
Rents and amounts in-lieu-of taxes	<b>301,582</b>	304,020	280,237	272,002
Materials, equipment and other	<b>220,859</b>	215,937	219,183	418,639
Utilities	<b>171,833</b>	174,016	188,432	183,826
Interest on Special Project Bonds	<b>103,186</b>	108,125	112,553	71,457
Operating expenses	<b>2,596,268</b>	2,589,447	2,564,969	2,598,557
Net revenues/(expenses) related to the events of September 11, 2001	–	–	–	53,051
Net revenue/(expense) related to the events of Superstorm Sandy	<b>28,229</b>	(30,000)	–	–
Depreciation of facilities	<b>(875,979)</b>	(884,239)	(852,727)	(789,011)
Amortization of costs for regional programs	<b>(64,275)</b>	(77,719)	(77,537)	(76,504)
Income from operations	<b>675,746</b>	468,611	305,247	223,002
Income on investments (including fair value adjustment)	<b>8,608</b>	39,661	(46,898)	4,435
Interest expense on bonds and other asset financing	<b>(623,353)</b>	(658,313)	(559,110)	(501,607)
Net gain/(loss) on disposition of assets	<b>4,423</b>	(4)	–	–
Pass-through grant program payments	<b>(176,848)</b>	(56,446)	(11,507)	(2,166)
4 WTC associated payments	<b>36,660</b>	65,293	8,343	–
Grants	<b>188,409</b>	52,161	23,727	11,708
Contributions in aid of construction	<b>689,898</b>	997,441	767,010	358,268
Passenger facility charges	<b>224,301</b>	222,614	214,456	210,387
1 WTC LLC/WTC Retail LLC insurance proceeds	–	3,525	–	42,814
Increase in net position December 31,	<b>\$ 1,027,844</b>	\$ 1,134,543	\$ 701,268	\$ 346,841

	2009	2008	2007	2006	2005	2004
	\$ 8,415,993	\$7,526,446	\$6,609,691	\$5,872,518	\$5,725,929	\$5,563,683
	211,725	409,800	719,306	208,771	17,916	14,651
	2,050,064	1,895,118	1,608,284	1,553,114	1,371,928	1,375,533
	\$10,677,782	\$9,831,364	\$8,937,281	\$7,634,403	\$7,115,773	\$6,953,867
	\$ 1,068,105	\$1,054,801	\$ 800,244	\$ 798,682	\$ 787,381	\$ 788,333
	1,115,652	1,079,634	986,663	952,431	928,395	877,306
	839,327	816,628	781,355	716,700	748,811	714,766
	316,005	328,220	387,966	335,019	296,663	269,413
	140,817	169,576	149,537	146,822	147,795	121,436
	72,337	78,693	85,861	88,884	91,648	93,570
	3,552,243	3,527,552	3,191,626	3,038,538	3,000,693	2,864,824
	974,154	941,289	922,671	840,640	870,784	806,890
	683,418	670,489	587,730	590,197	564,332	545,404
	276,830	274,916	271,073	254,178	243,411	252,658
	263,682	314,722	212,147	187,996	168,139	141,367
	168,249	183,583	167,912	150,729	149,604	141,476
	72,337	78,693	85,861	88,884	91,648	93,570
	2,438,670	2,463,692	2,247,394	2,112,624	2,087,918	1,981,365
	202,978	457,918	(4,563)	(2,069)	(3,358)	(4,985)
	-	-	-	-	-	-
	(712,331)	(644,620)	(632,553)	(674,940)	(643,732)	(575,539)
	(74,617)	(70,840)	(59,316)	(49,319)	(42,996)	(38,677)
	529,603	806,318	247,800	199,586	222,689	264,258
	146,561	(4,976)	229,812	137,968	105,579	59,047
	(501,892)	(488,463)	(493,689)	(454,134)	(422,334)	(391,870)
	27,125	7	17,011	(3,741)	(55)	-
	(1,120)	(3,130)	(4,717)	(6,832)	-	-
	-	-	-	-	-	-
	10,613	9,811	11,310	17,469	14,336	13,396
	382,978	313,078	313,504	250,904	107,262	81,173
	201,737	211,667	221,380	192,509	134,429	125,532
	50,813	49,771	760,467	184,901	-	-
	\$ 846,418	\$ 894,083	\$1,302,878	\$ 518,630	\$ 161,906	\$ 151,536

**Schedule D-2 – Selected Statistical Debt Capacity Data**

	2013	2012	2011	2010
	(In thousands)			
Gross Operating Revenues	\$ 4,184,039	\$ 4,050,016	\$ 3,800,480	\$ 3,634,023
Operating expenses	(2,596,268)	(2,589,447)	(2,564,969)	(2,598,557)
Net revenue/(expense) related to the events of September 11, 2001 (a)	–	–	–	53,051
Net revenue/(expense) related to Superstorm Sandy (a)	28,229	(30,000)	–	–
Amounts in connection with operating asset obligations	(25,908)	(27,956)	(29,580)	(46,561)
Net operating revenues	1,590,092	1,402,613	1,205,931	1,041,956
Financial income	(2,964)	29,121	(53,270)	(900)
Grants and contributions in aid of construction, net	540,746	565,976	499,516	367,810
Application of Passenger Facility Charges	175,421	110,015	215,645	207,122
Application of 4 WTC associated payments	36,660	65,293	8,343	–
Application of 1WTC LLC/WTC LLC Retail insurance proceeds	–	17,962	57,340	61,468
Restricted Net Revenues – PAICE	4,305	2,710	644	(102)
Net Revenues available for debt service and reserves (b)	2,344,260	2,193,690	1,934,149	1,677,354
<b>DEBT SERVICE – OPERATIONS</b>				
Interest on bonds and other asset financing obligations (c)	(556,824)	(539,436)	(480,623)	(436,622)
Times, interest earned (b/c)	4.21	4.07	4.02	3.84
Debt maturities and retirements (d)	(204,000)	(169,770)	(140,390)	(178,095)
Times, debt service earned [b/(c+d)]	3.08	3.09	3.11	2.73
<b>APPLICATION OF RESERVES</b>				
Direct investment in facilities	(1,059,756)	(691,079)	(742,001)	(1,375,008)
Debt retirement acceleration	–	(54,635)	(6,100)	–
Change in appropriations for self-insurance	10,414	37,547	1,949	(3,971)
Interest on bonds and other asset financing obligations	(38,689)	(87,764)	(37,702)	(7,580)
Repayment of asset financing obligations	(15,701)	(16,514)	(20,258)	(30,062)
Acceleration of unamortized brokerage commissions	(46,863)	–	–	–
Net increase/(decrease) in reserves	432,841	672,039	509,024	(353,984)
<b>RESERVE BALANCES</b>				
January 1	3,377,075	2,705,036	2,196,012	2,549,996
December 31	\$ 3,809,916	\$ 3,377,075	\$ 2,705,036	\$ 2,196,012
Reserve funds balances represented by:				
General Reserve	2,029,051	2,026,605	1,783,370	1,584,955
Consolidated Bond Reserve	1,780,865	1,350,470	921,666	611,057
Total	\$ 3,809,916	\$ 3,377,075	\$ 2,705,036	\$ 2,196,012
<b>OBLIGATIONS AT DECEMBER 31</b>				
Consolidated Bonds and Notes	\$18,212,063	\$18,076,497	\$15,550,039	\$13,340,378
Fund for regional development buy-out obligation	311,077	336,453	359,859	373,707
MOTBY obligation	52,329	78,060	105,141	138,396
Amounts payable – Special Project Bonds	1,605,515	1,675,825	1,741,440	1,803,145
Variable rate master notes	77,900	77,900	77,900	77,900
Commercial paper notes	348,110	384,625	396,155	354,280
Versatile structure obligations	–	–	–	175,200
Port Authority equipment notes	46,925	49,565	68,160	98,645
Tower 4 Liberty Bonds	1,225,520	1,225,520	1,225,520	–
Total obligations	\$21,879,439	\$21,904,445	\$19,524,214	\$16,361,651
<b>DEBT RETIRED THROUGH INCOME:</b>				
Annual	219,701	240,919	166,748	208,157
Cumulative	\$ 7,953,926	\$ 7,734,225	\$ 7,493,306	\$ 7,326,558

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



2009	2008	2007	2006	2005	2004
\$ 3,552,243	\$ 3,527,552	\$ 3,191,626	\$ 3,038,538	\$ 3,000,693	\$ 2,864,824
(2,438,670)	(2,463,692)	(2,247,394)	(2,112,624)	(2,087,918)	(1,981,365)
202,978	457,918	(4,563)	(2,069)	(3,358)	(4,985)
-	-	-	-	-	-
(55,058)	(41,301)	(40,787)	(42,391)	(48,008)	(34,609)
1,261,493	1,480,477	898,882	881,454	861,409	843,865
141,136	(19,537)	208,274	134,806	103,572	57,403
392,471	319,759	320,097	261,541	121,598	94,569
205,164	215,407	220,583	186,555	113,649	-
-	-	-	-	-	-
266,676	411,278	305,532	-	-	-
3,177	(4,311)	(1,354)	-	-	-
2,270,117	2,403,073	1,952,014	1,464,356	1,200,228	995,837
(427,384)	(409,175)	(417,209)	(379,361)	(355,068)	(345,129)
5.31	5.87	4.68	3.86	3.38	2.89
(147,370)	(152,275)	(177,160)	(254,210)	(205,220)	(211,870)
3.95	4.28	3.28	2.31	2.14	1.79
(1,522,096)	(1,514,369)	(808,694)	(490,750)	(626,813)	(285,441)
-	-	-	-	-	(110,075)
6,463	2,123	(3,220)	(4,968)	(5,325)	249
(8,938)	(28,797)	(36,077)	(26,587)	(17,645)	(8,684)
(13,525)	(80,775)	(110,424)	(109,934)	(12,205)	(10,737)
-	-	-	-	-	-
157,267	219,805	399,230	198,546	(22,048)	24,150
2,392,729	2,172,924	1,773,694	1,575,148	1,597,196	1,573,046
\$ 2,549,996	\$ 2,392,729	\$ 2,172,924	\$ 1,773,694	\$ 1,575,148	\$ 1,597,196
1,412,221	1,270,215	1,238,915	1,198,499	1,068,790	1,068,790
1,137,775	1,122,514	934,009	575,195	506,358	528,406
\$ 2,549,996	\$ 2,392,729	\$ 2,172,924	\$ 1,773,694	\$ 1,575,148	\$ 1,597,196
\$12,284,449	\$10,794,831	\$ 9,495,419	\$ 9,659,104	\$ 8,328,644	\$ 8,273,573
386,480	398,262	409,128	419,155	420,660	422,050
-	-	-	-	-	-
1,064,380	1,118,105	1,264,735	1,311,100	1,354,425	1,393,920
90,990	90,990	90,990	130,990	130,990	130,990
321,010	186,040	238,950	270,740	282,095	280,315
250,900	399,700	1,205,600	519,600	532,100	544,000
110,485	112,485	93,460	93,460	47,105	65,105
-	-	-	-	-	-
\$14,508,694	\$13,100,413	\$12,798,282	\$12,404,149	\$11,096,019	\$11,109,953
160,895	233,050	287,584	364,144	217,425	332,682
\$ 7,118,401	\$ 6,957,506	\$ 6,724,456	\$ 6,436,872	\$ 6,072,728	\$ 5,855,303

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Authorized Port Authority staffing levels:</b>										
Tunnels, Bridges and Terminals	873	881	881	911	911	940	910	938	1,010	1,039
PATH	1,070	1,070	1,070	1,081	1,081	1,088	1,075	1,080	1,089	1,092
Port Commerce facilities	169	170	170	172	172	179	168	175	183	187
Air Terminal facilities	933	926	926	958	958	978	918	953	989	999
Development (a)	50	50	52	82	82	86	77	–	–	–
Other operational and support activities (b)	1,986	1,968	1,957	2,030	2,030	2,082	2,208	2,259	2,382	2,403
Subtotal	5,081	5,065	5,056	5,234	5,234	5,353	5,356	5,405	5,653	5,720
Public Safety and Security	1,696	1,712	1,721	1,743	1,743	1,774	1,772	1,776	1,541	1,547
Total	6,777	6,777	6,777	6,977	6,977	7,127	7,128	7,181	7,194	7,267
<b>Facility Traffic and Other Indicators (c):</b>										
(In thousands)										
INTERSTATE TRANSPORTATION NETWORK										
Tunnels and Bridges (Total Eastbound Traffic)										
George Washington Bridge	49,402	49,111	50,397	51,231	52,126	52,947	53,956	54,265	53,612	54,202
Lincoln Tunnel	18,746	19,015	19,829	20,214	20,248	20,937	21,842	21,933	21,794	21,733
Holland Tunnel	16,158	16,118	16,590	17,037	16,609	16,871	17,349	17,365	16,982	16,963
Staten Island Bridges	31,382	32,009	32,334	32,724	32,517	32,970	33,857	33,457	33,479	33,649
Total vehicles	115,688	116,253	119,150	121,206	121,500	123,725	127,004	127,020	125,867	126,547
Automobiles	105,452	105,895	108,428	110,482	110,755	112,176	115,349	115,506	114,481	115,219
Buses	2,948	2,957	3,111	3,122	3,119	3,158	3,139	3,140	3,137	3,123
Trucks	7,288	7,401	7,611	7,602	7,626	8,391	8,516	8,374	8,249	8,205
Total vehicles	115,688	116,253	119,150	121,206	121,500	123,725	127,004	127,020	125,867	126,547
Bus Facility Terminals										
Bus facilities passengers	81,498	77,100	76,403	75,378	75,769	76,236	71,540	72,731	69,060	69,871
Bus movements	3,563	3,414	3,385	3,338	3,386	3,375	3,361	3,394	3,346	3,426
PATH										
Total Passengers	72,803	72,563	76,556	73,911	72,277	74,956	71,592	66,966	60,787	57,725
Passenger weekday average	244	242	256	247	243	253	242	227	206	194
Total Interstate Transportation Network										
Net Capital Expenditures	\$973,120	\$976,843	\$895,688	\$1,005,891	\$935,147	\$834,742	\$660,620	\$491,269	\$471,306	\$463,652
PORT COMMERCE										
Containers in twenty foot equivalent units (TEU) (in thousands)	5,467	5,530	5,503	5,292	4,562	5,249	5,298	5,015	4,793	4,478
International waterborne vehicles (in thousands)	453	429	388	493	440	724	790	725	625	670
Waterborne bulk commodities (in metric tons) (in millions)	4	3	4	3	5	5	7	6	5	5
Total Port Commerce Net Capital Expenditures	\$180,760	\$184,750	\$228,747	\$302,858	\$174,459	\$181,772	\$288,677	\$228,873	\$220,545	\$258,669
THREE MAJOR AIR TERMINALS										
John F. Kennedy International Airport total passengers	50,424	49,293	47,644	46,514	45,878	47,790	47,717	42,630	40,892	37,517
LaGuardia Airport total passengers	26,739	25,708	24,122	23,983	23,163	23,077	24,985	25,810	25,889	24,452
Newark Liberty International Airport total passengers	35,016	34,014	33,700	33,194	33,429	35,347	36,367	35,692	33,078	31,908
Total passengers	112,179	109,015	105,466	103,691	102,470	106,214	109,069	104,132	99,859	93,877
Domestic passengers	72,595	71,328	69,034	68,071	68,956	71,579	75,546	73,163	70,223	66,329
International passengers	39,584	37,687	36,432	35,620	33,514	34,635	33,523	30,969	29,636	27,548
Total passengers	112,179	109,015	105,466	103,691	102,470	106,214	109,069	104,132	99,859	93,877
Total Cargo—tons	1,987	2,067	2,203	2,261	1,925	2,343	2,620	2,697	2,695	2,799
Revenue Mail—tons	159	174	185	186	205	237	227	194	180	194
Total Plane Movements	1,191	1,186	1,185	1,168	1,181	1,249	1,271	1,222	1,191	1,156
Total Air Terminals Net Capital Expenditures	\$468,319	\$351,535	\$243,995	\$518,545	\$658,292	\$624,700	\$685,787	\$587,265	\$501,476	\$410,581

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

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

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

## Schedule E – Information on Port Authority Operations

	Year ended December 31, 2013							2012
	Gross Operating Revenues	Operating Expenses (a)	Depreciation & Amortization	Income (Loss) from Operations	Interest Grants & Other Expenses (b)	Capital Contributions & PFCs	Net Income (Loss)	Net Income (Loss)
(In thousands)								
<b>INTERSTATE TRANSPORTATION NETWORK</b>								
G.W. Bridge & Bus Station	\$ 612,640	\$ 126,434	\$ 35,800	\$450,406	\$ 27,356	\$ –	\$ 423,050	\$ 359,985
Holland Tunnel	170,116	81,398	16,689	72,029	9,277	–	62,752	58,890
Lincoln Tunnel	213,241	100,063	34,505	78,673	11,230	–	67,443	48,915
Bayonne Bridge	34,901	23,376	4,985	6,540	7,117	–	(577)	(3,301)
Goethals Bridge	165,660	25,540	17,961	122,159	7,125	2,800	117,834	104,553
Outerbridge Crossing	133,936	25,137	4,869	103,930	2,551	–	101,379	96,515
P. A. Bus Terminal	39,065	111,481	24,342	(96,758)	17,186	2,693	(111,251)	(105,350)
Subtotal – Tunnels, Bridges & Terminals	1,369,559	493,429	139,151	736,979	81,842	5,493	660,630	560,207
PATH	146,656	328,558	139,175	(321,077)	28,615	29,045	(320,647)	(403,570)
Permanent WTC PATH Terminal	–	2	17,330	(17,332)	–	288,384	271,052	416,937
Journal Square Transportation Center	3,948	10,366	5,892	(12,310)	3,326	–	(15,636)	(20,617)
Subtotal – PATH	150,604	338,926	162,397	(350,719)	31,941	317,429	(65,231)	(7,250)
Ferry Transportation	263	2,977	5,318	(8,032)	4,825	–	(12,857)	(10,213)
Access to the Regions Core	–	605	10,115	(10,720)	4,290	–	(15,010)	(15,338)
Total Interstate Transportation Network	1,520,426	835,937	316,981	367,508	122,898	322,922	567,532	527,406
<b>AIR TERMINALS</b>								
LaGuardia	347,024	266,802	50,896	29,326	41,993	31,907	19,240	30,936
JFK International	1,127,474	714,965	159,823	252,686	149,166	66,911	170,431	190,391
Newark Liberty International	799,553	440,522	119,108	239,923	105,039	42,006	176,890	178,654
Teterboro	38,901	26,426	15,443	(2,968)	8,205	18,155	6,982	267
Stewart International	8,348	17,890	1,111	(10,653)	722	4,080	(7,295)	(5,445)
Heliport	–	–	–	–	–	–	–	(4)
PFC Program	–	87	97,447	(97,534)	(250)	224,301	127,017	118,896
Total Air Terminals	2,321,300	1,466,692	443,828	410,780	304,875	387,360	493,265	513,695
<b>PORT COMMERCE</b>								
Port Newark	86,292	73,023	28,102	(14,833)	16,148	3,092	(27,889)	(51,301)
Elizabeth Marine Terminal	124,106	30,846	37,866	55,394	38,987	–	16,407	18,577
Brooklyn	3,392	9,530	491	(6,629)	1,394	–	(8,023)	(2,327)
Red Hook	11,193	22,842	547	(12,196)	–	–	(12,196)	(14,281)
Howland Hook	13,890	10,787	17,440	(14,337)	15,777	–	(30,114)	(32,236)
Greenville Yard	480	5	–	475	(120)	–	595	348
NYNJ Rail LLC	2,657	5,066	330	(2,739)	(2,171)	(927)	(1,495)	1,447
Port Jersey – Port Authority Marine Terminal	20,516	24,360	2,062	(5,906)	10,725	–	(16,631)	(20,405)
Total Port Commerce	262,526	176,459	86,838	(771)	80,740	2,165	(79,346)	(100,178)
<b>DEVELOPMENT</b>								
Essex County Resource Recovery	457	448	1,407	(1,398)	464	–	(1,862)	(9,652)
Industrial Park at Elizabeth	1,077	(61)	286	852	315	–	537	354
Bathgate	4,846	2,173	1,385	1,288	284	–	1,004	1,267
Teleport	12,640	12,392	2,125	(1,877)	514	–	(2,391)	(1,302)
Newark Legal & Communications Center	2,509	(64)	2,970	(397)	965	–	(1,362)	(1,748)
Queens West	789	–	605	184	1,638	–	(1,454)	(1,925)
Hoboken South	7,174	609	2,841	3,724	3,066	–	658	1,745
Total Development	29,492	15,497	11,619	2,376	7,246	–	(4,870)	(11,261)
<b>WORLD TRADE CENTER</b>								
WTC Site	20,185	83,287	13,293	(76,395)	(16,593)	41,039	(18,763)	(42,731)
One World Trade Center	43	9,007	1,266	(10,230)	9,720	–	(19,950)	(7,617)
WTC Towers 2, 3 & 4	29,859	295	–	29,564	–	160,713	190,277	353,931
WTC Retail LLC	–	1,723	2,154	(3,877)	7,416	–	(11,293)	93,313
Total World Trade Center	50,087	94,312	16,713	(60,938)	543	201,752	140,271	396,896
Port Authority Insurance Captive Entity, LLC	–	4,518	–	(4,518)	(213)	–	(4,305)	(2,711)
Regional Programs	208	2,853	64,275	(66,920)	46,012	–	(112,932)	(159,304)
Revenue/(expense) related to Superstorm Sandy	–	–	–	28,229	–	–	28,229	(30,000)
<b>Total Port Authority</b>	<b>\$4,184,039</b>	<b>\$2,596,268</b>	<b>\$940,254</b>	<b>\$675,746</b>	<b>\$562,101</b>	<b>\$914,199</b>	<b>\$1,027,844</b>	<b>\$1,134,543</b>

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

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

**Schedule F – Information on Port Authority Capital Program Components**

	Facilities, net Dec. 31, 2012	Net Capital Expenditures	Depreciation	Dispositions	Facilities, net Dec. 31, 2013
(In thousands)					
<b>INTERSTATE TRANSPORTATION NETWORK</b>					
G.W. Bridge & Bus Station	\$ 819,578	\$ 62,933	\$ 35,800	\$ –	\$ 846,711
Holland Tunnel	369,608	15,480	16,689	–	368,399
Lincoln Tunnel	501,401	139,521	34,505	(21)	606,396
Bayonne Bridge	231,207	100,343	4,985	–	326,565
Goethals Bridge	266,690	53,485	17,961	–	302,214
Outerbridge Crossing	71,368	14,500	4,869	–	80,999
P. A. Bus Terminal	479,788	27,684	24,342	–	483,130
Subtotal – Tunnels, Bridges & Terminals	2,739,640	413,946	139,151	(21)	3,014,414
PATH	2,004,759	171,531	130,551	–	2,045,739
Temporary WTC PATH Station	295,234	–	8,624	–	286,610
WTC Transportation Hub	2,641,533	381,304	17,330	–	3,005,507
Journal Square Transportation Center	90,272	6,269	5,892	–	90,649
Subtotal – PATH	5,031,798	559,104	162,397	–	5,428,505
Ferry Transportation	120,354	70	5,318	–	115,106
Access to the Region's Core	108,618	–	10,115	–	98,503
Total Interstate Transportation Network	8,000,410	973,120	316,981	(21)	8,656,528
<b>AIR TERMINALS</b>					
LaGuardia	761,574	91,470	50,896	–	802,148
JFK International	2,330,539	92,044	159,823	–	2,262,760
Newark Liberty International	1,868,191	37,616	119,108	–	1,786,699
Teterboro	228,114	39,408	15,443	–	252,079
Stewart International	68,560	32,447	1,111	–	99,896
PFC Program	2,042,558	175,334	97,447	–	2,120,445
Total Air Terminals	7,299,536	468,319	443,828	–	7,324,027
<b>PORT COMMERCE</b>					
Port Newark	716,184	52,670	28,102	–	740,752
Elizabeth Marine Terminal	1,102,490	9,614	37,866	–	1,074,238
Brooklyn	45,248	7,012	491	–	51,769
Red Hook	363	–	547	–	(184)
Howland Hook	504,994	8,261	17,440	–	495,815
Greenville Yard / NYNJ Rail LLC	16,795	2,633	330	–	19,098
Port Jersey–Port Authority Marine Terminal	208,267	100,570	2,062	–	306,775
Total Port Commerce	2,594,341	180,760	86,838	–	2,688,263
<b>DEVELOPMENT</b>					
Essex County Resource Recovery	9,883	–	1,407	–	8,476
Industrial Park at Elizabeth	6,942	–	286	–	6,656
Bathgate	6,802	231	1,385	–	5,648
Teleport	14,890	296	2,125	–	13,061
Newark Legal & Communications Center	23,405	–	2,970	–	20,435
Queens West	87,826	–	605	–	87,221
Hoboken South	77,083	–	2,841	–	74,242
Total Development	226,831	527	11,619	–	215,739
<b>WORLD TRADE CENTER</b>					
WTC Site	2,193,815	342,394	13,293	–	2,522,916
One World Trade Center	2,507,577	429,593	1,266	–	2,935,904
WTC Towers 2, 3 & 4	1,461,083	247,237	–	–	1,708,320
WTC Memorial	335,588	93,907	–	–	429,495
WTC Retail LLC	906,745	260,197	2,154	–	1,164,788
Total World Trade Center	7,404,808	1,373,328	16,713	–	8,761,423
<b>FACILITIES, NET</b>	<b>\$25,525,926</b>	<b>\$2,996,054</b>	<b>\$875,979</b>	<b>\$ (21)</b>	<b>\$27,645,980</b>
<b>REGIONAL PROGRAMS</b>	<b>\$ 466,384</b>	<b>\$ 3,151</b>	<b>\$ 64,275</b>	<b>\$ –</b>	<b>\$ 405,260</b>



**Schedule G – Port Authority Facility Traffic\* (Unaudited)**

**TUNNELS AND BRIDGES**

(Eastbound Traffic)	2013	2012
<b>All Crossings</b>		
Automobiles	105,452,000	105,895,000
Buses	2,948,000	2,957,000
Trucks	7,288,000	7,401,000
Total vehicles	115,688,000	116,253,000
<b>George Washington Bridge</b>		
Automobiles	45,364,000	45,042,000
Buses	429,000	430,000
Trucks	3,609,000	3,639,000
Total vehicles	49,402,000	49,111,000
<b>Lincoln Tunnel</b>		
Automobiles	15,580,000	15,909,000
Buses	2,128,000	2,106,000
Trucks	1,038,000	1,000,000
Total vehicles	18,746,000	19,015,000
<b>Holland Tunnel</b>		
Automobiles	15,511,000	15,489,000
Buses	220,000	234,000
Trucks	427,000	395,000
Total vehicles	16,158,000	16,118,000
<b>Staten Island Bridges</b>		
Automobiles	28,997,000	29,455,000
Buses	171,000	187,000
Trucks	2,214,000	2,367,000
Total vehicles	31,382,000	32,009,000

**PATH**

	2013	2012
Total passengers	72,802,576	72,563,052
Passenger weekday average	244,484	241,725

**MARINE TERMINALS**

	2013	2012
<b>All Terminals</b>		
Containers	3,169,835	3,210,809
General cargo (a) (Metric tons)	34,204,732	34,322,209
Containers in twenty foot equivalent units	5,467,347	5,529,908
International waterborne vehicles	452,778	426,943
Waterborne bulk commodities (in metric tons)	3,732,292	3,240,189
<b>New Jersey Marine Terminals</b>		
Containers	2,895,769	2,782,059
<b>New York Marine Terminals</b>		
Containers	274,066	428,750

**AIR TERMINALS**

	2013	2012
<b>Totals at the Major Airports</b>		
Plane movements	1,191,230	1,185,844
Passengers	112,178,767	108,965,987
Cargo-tons	1,986,620	2,069,133
Revenue mail-tons	158,778	174,242
<b>John F. Kennedy International Airport</b>		
Plane movements	406,140	401,728
Passengers	50,423,559	49,274,176
Domestic	23,883,096	24,217,083
International	26,540,463	25,057,093
Cargo-tons	1,317,757	1,319,226
<b>LaGuardia Airport</b>		
Plane movements	371,565	369,989
Passengers	26,739,036	25,707,784
Domestic	24,994,771	24,274,029
International	1,744,265	1,433,755
Cargo-tons	7,002	7,009
<b>Newark Liberty International Airport</b>		
Plane movements	413,525	414,127
Passengers	35,016,172	33,984,027
Domestic	23,716,837	22,836,683
International	11,299,335	11,147,344
Cargo-tons	661,861	742,898

**TERMINALS**

	2013	2012
<b>All Bus Facilities</b>		
Passengers	81,497,500	81,432,600
Bus movements	3,562,800	3,520,608
<b>Port Authority Bus Terminal</b>		
Passengers	65,000,000	65,000,000
Bus movements	2,288,000	2,255,000
<b>George Washington Bridge Bus Station</b>		
Passengers	4,750,000	4,700,000
Bus movements	335,000	327,000
<b>PATH Journal Square Transportation Center Bus Station</b>		
Passengers	11,747,500	11,732,600
Bus movements	939,800	938,608

\* Some 2013 and 2012 numbers reflect estimated data based on available year-end volumes and revised data, respectively.

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

## Selected Statistical, Demographic, and Economic Data

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

	Population	Total Personal Income	Per-Capita Personal Income	Employment	Unemployment Rate
	(In thousands)				
<b>2013</b>	<b>18,207</b>	<b>1,100,674,199</b>	<b>\$60.45</b>	<b>8,409</b>	<b>7.9%</b>
2012	18,148	1,077,873,968	\$59.39	8,278	8.8%
2011	18,044	1,044,939,620	\$57.91	8,136	8.6%
2010	17,915	989,759,247	\$55.25	8,026	9.0%
2009	17,792	955,020,670	\$53.68	8,036	8.6%
2008	17,667	986,147,013	\$55.82	8,311	5.3%
2007	17,572	970,128,385	\$55.21	8,283	4.4%
2006	17,543	899,405,486	\$51.27	8,160	4.6%
2005	17,581	828,758,339	\$47.14	8,067	4.9%
2004	17,617	785,573,639	\$44.59	8,012	5.8%

### Leading Employment by Major Industries (% of Total) (1)

	2013	2004
Education & Health Services	<b>18.7%</b>	16.4%
Government	<b>14.1%</b>	15.2%
Retail Trade	<b>16.0%</b>	15.0%
Financial Activities	<b>18.7%</b>	16.4%
Professional & Business Services	<b>8.6%</b>	9.4%
Leisure & Hospitality	<b>8.8%</b>	7.2%
Manufacturing	<b>4.1%</b>	6.1%
Wholesale Trade	<b>4.7%</b>	5.3%
Other Services	<b>4.4%</b>	4.2%
TWU*	<b>3.6%</b>	3.8%
Construction	<b>3.5%</b>	3.9%
Information	<b>3.2%</b>	3.5%

Source – Moody's Analytics

Data presented in the above schedules is subject to revision.

(1) Industry definitions can be found at the U.S. Department of Labor Statistics website at [www.bls.gov/bls/naics.htm](http://www.bls.gov/bls/naics.htm).

\* Transportation, Warehousing, and Utilities

## TOP 20 SALARIED STAFF\*

### PATRICK J. FOYE

*Executive Director*

Base salary: \$289,667

2013 total compensation: \$289,667

J.D., Fordham Law School

B.A., Fordham College

*More than 30 years of private sector, legal, and public sector management experience.*

### DEBORAH L. GRAMICCIONI

*Deputy Executive Director*

Base salary: \$289,667

2013 total compensation: \$0

J.D., University of Virginia School of Law

B.A., University of Pennsylvania

*More than 15 years of legal, law enforcement, and public policy experience.*

### DARRELL B. BUCHBINDER

*General Counsel*

Base salary: \$276,926

2013 total compensation: \$276,926

J.D., New York University

B.A., New York University

*More than 35 years of experience in both private and public practice of law.*

### DAVID B. TWEEDY

*Chief, Capital Planning*

Base salary: \$251,758

2013 total compensation: \$251,758

MBA, Columbia University

B.A., Yale University

*More than 30 years of experience in the public and private sectors.*

### STEVEN P. PLATE

*Director, WTC Construction/*

*Deputy Chief of Capital Planning*

Base salary: \$238,004

2013 total compensation: \$238,004

B.S., Manhattan College

*More than 30 years of experience in program management in the private and public sectors.*

### MICHAEL B. FRANCOIS

*Chief, Real Estate & Development*

Base salary: \$236,340

2013 total compensation: \$236,340

M.A., St. Louis University

B.A., St. Louis University

*More than 30 years of experience in real estate and economic development.*

### JOSEPH P. DUNNE

*Chief Security Officer*

Base Salary: \$235,014

2013 total compensation: \$231,942

M.A., Columbia University

B.A., St. Francis College

*More than 30 years of experience in public security and police management.*

### PETER J. ZIPF

*Chief Engineer*

Base salary: \$235,014

2013 total compensation: \$230,102

M.S., Polytechnic Institute of NY

B.S., Manhattan College

*More than 30 years of engineering experience in the public and private sector.*

### ELIZABETH M. MCCARTHY

*Chief Financial Officer*

Base salary: \$235,014

2013 total compensation: \$203,378

B.S., St. Louis University

*More than 30 years of financial experience in the public and private sector.*

### ALAN L. REISS

*Director, WTC Construction*

Base salary: \$230,022

2013 total compensation: \$223,785

B.S., Northeastern University

*More than 30 years of engineering, project management, and executive management experience.*

### ROBERT GALVIN

*Chief Technology Officer*

Base salary: \$230,022

2013 total compensation: \$2,654

B.S., Central Michigan University

*More than 25 years of information technology experience in the public and private sector.*

### THOMAS O'CONNOR

*Deputy Director, WTC Construction*

Base salary: \$225,004

2013 total compensation: \$200,210

M.E., Stevens Institute of Technology

B.E., Stevens Institute of Technology

*More than 30 years of professional engineering experience in the public and private sector.*

### MARY LEE HANNELL

*Chief, Human Capital*

Base salary: \$225,004

2013 total compensation: \$211,666

B.A., Drew University

*More than 25 years of public sector experience.*

### RICHARD M. LARRABEE

*Director, Port Commerce*

Base salary: \$216,320

2013 total compensation: \$216,320

M.S., University of Rhode Island

B.S., U.S. Coast Guard Academy

*More than 35 years of public sector experience in maritime operations.*

### MICHAEL A. FEDORKO

*Director, Public Safety/*

*Superintendent of Police*

Base salary: \$215,098

2013 total compensation: \$215,098

B.S., Trenton State College

*More than 40 years of public safety and public management experience.*

### MICHAEL G. MASSIAH

*Director, Management & Budget*

Base salary: \$215,020

2013 total compensation: \$215,020

MPA, SUNY Albany

B.A., LeMoyné College

*More than 30 years of public sector experience in human resources and financial services.*

### ANDREW S. LYNN

*Director, Planning & Regional Development*

Base salary: \$215,020

2013 total compensation: \$215,020

J.D., Harvard University

B.A., Harvard University

*More than 25 years of public and private sector experience in planning and development.*

### PHILLIP H. KWON

*First Deputy General Counsel*

Base salary: \$215,020

2013 total compensation: \$215,020

J.D., Rutgers University

B.A., Georgetown University

*More than 15 years of private and public sector legal experience.*

### MARK D. HOFFER

*Director, New Port Initiatives*

Base salary: \$210,652

2013 total compensation: \$210,652

J.D., Yale University

B.A., Queens College

*More than 30 years of public and private legal and management experience.*

### ROBERT E. VAN ETTEN

*Inspector General*

Base salary: \$208,468

2013 total compensation: \$208,468

Sr. Executive Fellows Program, Harvard University

John F. Kennedy School of Government

B.A., Manhattan College

*More than 30 years of public sector experience with the U.S. Department of Treasury.*

\*As of December 31, 2013

**THE PORT AUTHORITY** OF NY & NJ

225 Park Avenue South, New York, NY 10003

[www.panynj.gov](http://www.panynj.gov)