THE PORT AUTHORITY OF NY & NJ

2014 ANNUAL REPORT

A clear path forward

Comprehensive Annual Financial Report for the Year Ended December 31, 2014

Mission

Meet the critical transportation infrastructure needs of the bistate region's people, businesses, and visitors by providing the highest-quality and most-efficient transportation and port commerce facilities and services to move people and goods within the region, provide access to the nation and the world, and promote the region's economic development.

INTRODUCTORY SECTION

2 Select Facilities
3 Chairman's Letter of Transmittal to the Governors
4 Board of Commissioners
4 Leadership of the Port Authority
5 Governance Initiatives
6 Officers and Executive Management
7 Letter from the Executive Director
9 The Port District
11 A Clear Path Forward

FINANCIAL SECTION

46 Chief Financial Officer's Letter of Transmittal to the Board of Commissioners
49 Index to Financial Section

CORPORATE INFORMATION

115 Selected Statistical, Demographic, and Economic Data
116 Top 20 Salaried Staff as of December 31, 2014

The Port Authority of New York and New Jersey Comprehensive Annual Financial Report for the Year Ended December 31, 2014

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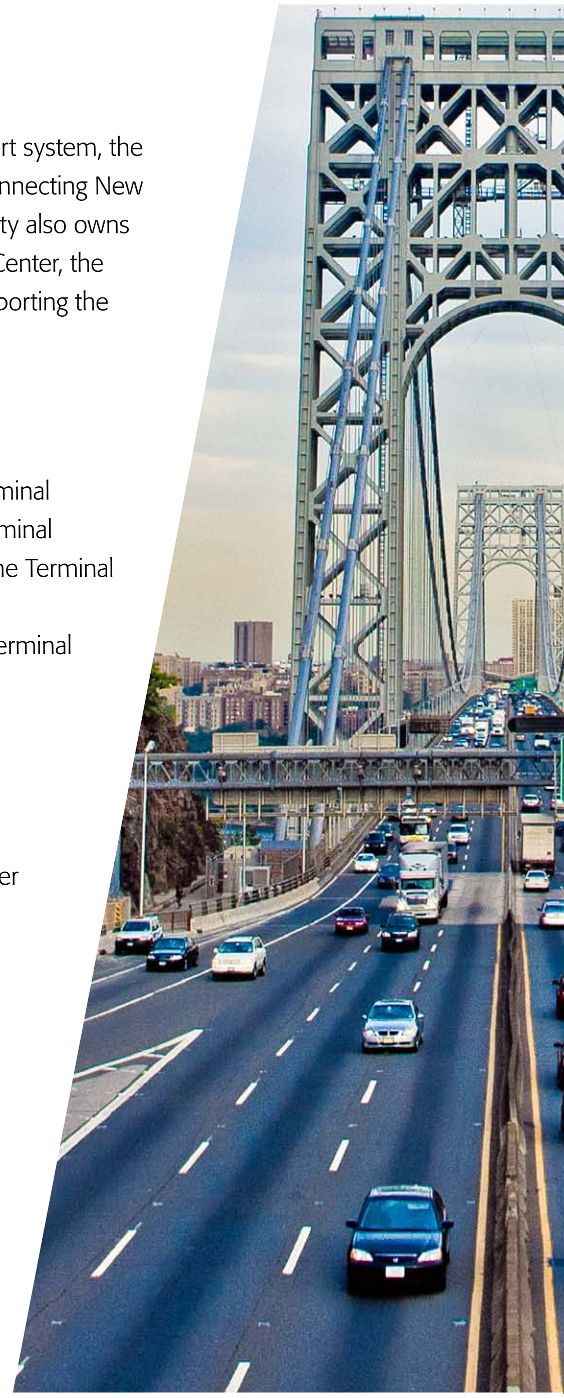
www.panynj.gov



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[1]

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

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

CHAIRMAN'S LETTER OF TRANSMITTAL TO THE GOVERNORS

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

THE HONORABLE
CHRIS CHRISTIE
Governor, State of New Jersey

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 2014 Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey.

This report highlights some of the agency's signature accomplishments achieved during 2014 in pursuing its core mission of supporting the region through investments in critical transportation infrastructure, terminals, and at the largest port on the East Coast.

The Board has begun to implement the recommendations of the Special Panel on the Future of the Port Authority, which you jointly appointed last year, to refocus the Port Authority on its core transportation mission and recommit the agency to the highest standards of ethics, accountability, and transparency.

Even before the Special Panel's recommendations were received, this Board acted in 2014 to increase transparency by restructuring our monthly meetings to encourage public comment on issues before the Board, minimizing the use of nonpublic executive sessions, and conducting roll-call votes on all Board actions. We also adopted a new Freedom of Information policy mandating the disclosure of any record that would be available from a public agency under the law of either New York or New Jersey, as well as establishing a two-tiered appeals process. We have also undertaken a comprehensive review and updating of the Port Authority's Code of Conduct for employees, Commissioners, and contractors, to ensure that we are observing the most stringent ethical standards in our operations.

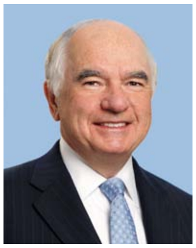
Of course, even as we address these important issues of governance, the Board remains focused on our key strategic and operational priorities, including modernization of our region's airports and port facilities, refurbishing and ultimately planning for replacing the obsolete Port Authority Bus Terminal, and ensuring that each part of our vital trans-Hudson transportation network, from the PATH system to our bridges and tunnels, operates as dependably and efficiently as possible.

While much work remains to be done, I am proud to be associated with the hardworking men and women of this agency, and can assure you that we will spare no effort to earn the trust and confidence of the public in the days ahead.

Sincerely,

John J. Degnan
Chairman

June 29, 2015



CHAIRMAN
JOHN J. DEGNAN

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

RICHARD H. BAGGER
Sr. Vice President
Corporate Affairs
Celgene Corporation

GEORGE R. LAUFENBERG
Administrative Manager
New Jersey Carpenters
Funds

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 Emeritus
El Diario-La Prensa

WILLIAM "PAT" SCHUBER
Professor
Fairleigh Dickinson
University

DAVID S. STEINER
Chairman
Steiner Equities
Group, LLC

Board Of Commissioners

John J. Degnan, *Chairman*[1]
Scott H. Rechler, *Vice Chairman*
Richard H. Bagger
George R. Laufenberg[2]
Kenneth Lipper
Jeffrey H. Lynford
Jeffrey A. Moerdler
Raymond M. Pocino
Rossana Rosado
William "Pat" Schuber
David S. Steiner

[1]John J. Degnan joined the Board on July 14, 2014, and became Chairman on July 23, 2014.

[2]George R. Laufenberg joined the Board on July 18, 2014.

The following also served on the Board of Commissioners during 2014:

Basil A. Paterson[†]
David Samson
Anthony J. Sartor

[†]Commissioner Paterson passed away April 16, 2014.

As of December 31, 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, 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 agency undertakes projects and activities in accordance with the Port Compact of 1921, and amendatory and supplemental bistate legislation.

* The report by the Special Panel on the Future of the Port Authority that was issued to the Governors on December 26, 2014, included a recommendation that the positions of Executive Director and Deputy Executive Director be replaced with a single "Chief Executive Officer" appointed by and accountable to the Board. A nationwide search for qualified candidates is currently in progress.

PATRICK J. FOYE
Executive Director

DEBORAH L. GRAMICCIONI*
Deputy Executive Director

*Resigned from the Port Authority on February 1, 2015

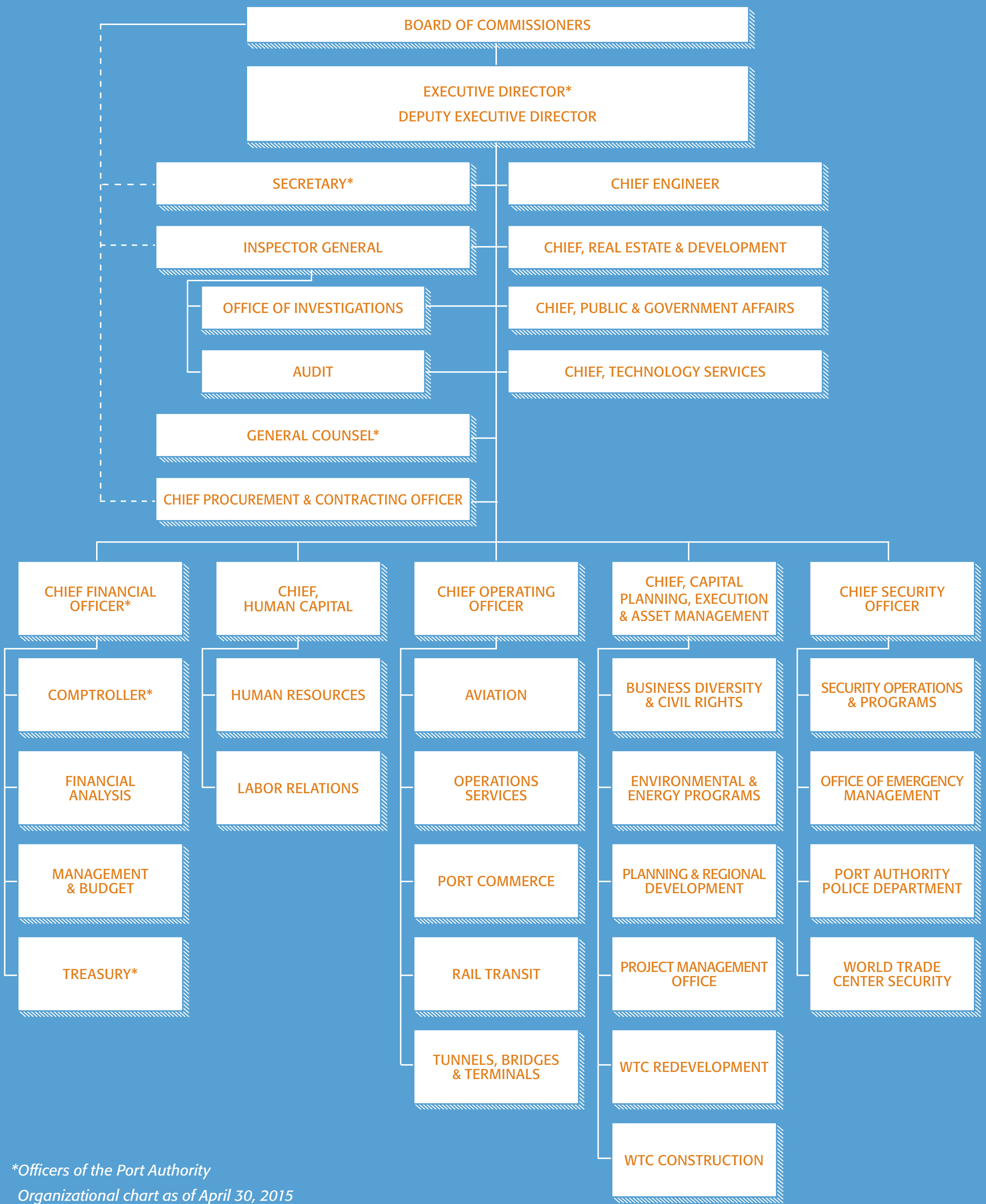
Governance Initiatives

The Port Authority is committed to the highest standards of accountability and transparency. In 2014, the agency made significant advancements to bring greater transparency to the manner in which it conducts business. Based on the recommendations of the Special Oversight Committee created by the Board of Commissioners in February 2014, the agency instituted the following reforms to enhance transparency in the conduct of Board meetings: (1) replaced the "consent calendar" method of voting with individual roll-call votes in public session; (2) modified the Commissioner recusal process to inform the public of recusals prior to Board action; (3) rearranged the schedules for Board and Committee meetings, so that public Committee meetings are held consecutive to public Board meetings; (4) scheduled the public comment period to be held prior to Board action on pending agenda items; and (5) limited nonpublic executive sessions of Board and Committee meetings strictly to exceptions recognized in the open public meetings laws of both states.

In May 2014, Governors Cuomo and Christie created a bistate Special Panel on the Future of the Port Authority ("Special Panel") to review and evaluate reforms of the agency's mission, structure, management, operations, and overall governance. The Special Panel's six core recommendations, organized into two categories, "Governance and Accountability" and "Mission and Stewardship of Assets," were presented to both Governors in a December 26, 2014, report titled Keeping the Region Moving (the "Report"). On December 27, 2014, the Governors issued a joint statement accepting the comprehensive and wholesale reforms recommended by the Special Panel. In February 2015, the Board of Commissioners endorsed in concept those recommendations. A Special Panel Implementation Office has been established, and the Board will continue to receive progress reports on the implementation of the recommendations.

In addition, in October 2014, the Board approved a revised Freedom of Information (FOI) Code to increase transparency by making it clearer to individuals how to obtain the range of Port Authority information and records available to them. The revised FOI Code provides for the disclosure of agency records to the same extent that comparable records are disclosed by either the State of New York or New Jersey, and includes a two-tiered appeals process to allow anyone whose FOI request is denied to appeal that decision to an agency review board and then to an independent third-party arbitrator.

Officers and Executive Management



**Officers of the Port Authority*

Organizational chart as of April 30, 2015

Dear Board of Commissioners:

In 2014, amid one of the most challenging and critical periods in the Port Authority's history, the agency continued to refocus on its core mission of facilitating transportation and investing in the region's infrastructure.

As we reflect on the year's events, I am proud that the agency blazed new and important trails on so many fronts. In the first quarter, we passed a $27.6 billion, 10-year capital plan, one of the most comprehensive efforts undertaken in a generation to identify and prioritize our critical state-of-good repair and long-term transportation needs.

With rebuilding efforts at the World Trade Center nearing completion, the Port Authority is set on a transformative cycle of reinvestment and modernization of its airports, seaport, bridges, tunnels, and transit facilities.

In 2014, the Port Authority airport system broke records by serving an all-time high of 117 million passengers across the region and outperforming the nation's passenger growth rate. The agency's three major airports set individual records, as did the region as a whole. Meanwhile, we continue to invest in revitalizing and modernizing our airports through more than 100 state-of-good repair projects aimed at terminals, runways, taxiways, and many other improvements. With over $8 billion allocated to aviation projects over the next 10 years, the prognosis for future growth is strong. The Board's approval in May 2015 of the selection of a preferred proposer for the replacement of LaGuardia Airport's Terminal B through a $3.6 billion public-private partnership is a cornerstone of this commitment. This first phase of redevelopment for LaGuardia will create a world-class facility that serves approximately 50 percent of the airport's passenger volume.

The Port of New York and New Jersey broke records as well by handling 5 percent more shipping containers than it did in 2013. The ExpressRail system beat its previous annual record by almost 10 percent. As global trade and shipping patterns continue to shift, we believe the port is well positioned competitively given the significant investments we have undertaken in harbor dredging, the Bayonne Bridge Navigational Clearance Project, port roadways, rail, and other infrastructure. We also continue our leadership effort to bring port stakeholders together to address congestion issues. I believe the volume growth the port is experiencing is a strong harbinger for the region's sustained economic health.

The agency is also in the midst of an unprecedented cycle of construction at our Hudson River crossings. We are in the process of raising the Bayonne Bridge in an effort the New York Times calls "an unprecedented feat of civil engineering" and replacing the Goethals Bridge in a public-private partnership; we are also starting work to replace the suspender ropes on a third bridge, the George Washington Bridge, the busiest bridge in the world. As transit across the region continues its strong resurgence, we are also making significant investments to modernize the PATH system including a Positive Train Control system as part of a comprehensive $580 million signals modernization program. This program will ensure safety and increase capacity, while continuing to refurbish critical segments of tunnel infrastructure – some of which continues to suffer the after-effects of Hurricane Sandy. Work continued on the new World Trade Center PATH Station with the opening of a new Platform A serving Hoboken, New Jersey. This station, when complete, will act as one of the component spokes in the new World Trade Center Transportation Hub, which is currently set to open in phases beginning in 2015. As part of our initiative to enhance public outreach, we established a PATH Riders' Council that meets regularly to discuss ways to improve the system further. In November 2014, One World Trade Center welcomed more than 170 Condé Nast employees, many who benefit from these PATH improvements.

With increasing focus and determination, we continued the effort begun in late 2013 to identify options for replacing the Port Authority Bus Terminal (PABT) that plays such a critical role in the growing use of bus transit in the region. The PABT was designed for a different era of bus travel, and given the growth in bus commutation, we are hard at work to improve conditions in the short and medium term, while planning for a long-term replacement. This past year, Port Authority staff demonstrated their resourcefulness and ingenuity by working with regional bus carriers to improve bus circulation within the terminal – leading to immediate improvements in bus throughput and travel times, and reductions in delays and lines. Bus commuters and surrounding neighborhoods benefitted from the reduced bus queuing. Our Quality of Commute program has also led to short-term improvements in the condition of the facility. We remain focused on the smartest long-term solution to this growing part of the regional transportation network.

Throughout 2014, the Port Authority received numerous awards for the environmental sustainability of our portfolio. These initiatives reduced the carbon footprint across the agency, which will have a positive impact for years to come. Key initiatives included continuing the agency's landmark Truck Replacement Program, expanding our green automotive fleet to achieve 85 percent alternative fuel use, and constructing a green roof at the Holland Tunnel's Administration Building.

In an age of multiple risks and uncertainty, we continue to prioritize the safety and security of our passengers and assets. We graduated one of the largest police recruit classes in PAPD history, and continue to make strides in coordinating and managing our overall approach to security.

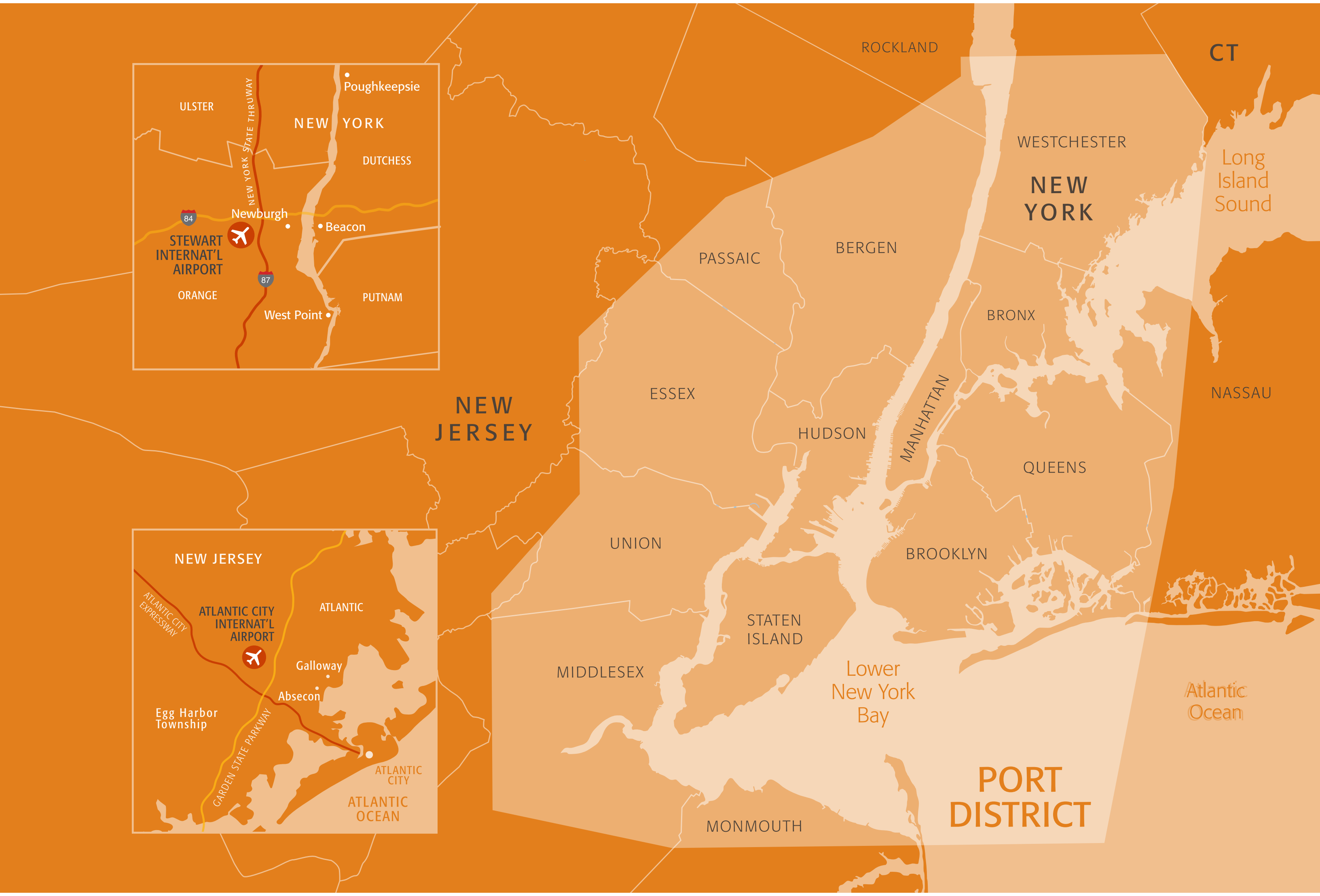
Perhaps nowhere is the Port Authority's reinvigorated energy more apparent than in the recent transition of our headquarters to 4 World Trade Center. One of the most state-of-the-art office buildings of the 21st century, 4 WTC now plays home to nearly 1,500 Port Authority employees who, together with our colleagues in facilities throughout the region, have begun to reassert the agency's leadership role in transportation while repositioning the Port Authority for long-term success.

I can assure you that no one at our agency takes the challenges ahead for granted. As our region continues to grow and change, we must grow and change too. In my view, the career employees of the Port Authority of New York and New Jersey will continue to distinguish themselves as premier professionals in the transportation industry. With your guidance, and by leveraging the remarkable experience of our staff, we will continue to uphold this agency's mission for the good of our region, our nation, and its people.

Pat Foye

Patrick J. Foye
Executive Director

June 29, 2015



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, centered on 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; in July 2013, the Port Authority was authorized to enter into an agreement with the South Jersey Transportation Authority to perform certain general management services and functions for the airport.

The bistate agency's area of jurisdiction is called the Port District, a region within an approximately 25-mile radius from the Statue of Liberty.

A clear path forward

During a year that began with The Port Authority of New York and New Jersey facing some of the most significant challenges of its nine-decade history, the organization took action across several fronts to build a new foundation for increased transparency and reform.

By the end of 2014, following recommendations from the Special Panel on the Future of the Port Authority endorsed by both Governors and the Board of Commissioners, the bistate agency had charted a clear path forward and now stands poised to implement meaningful and transformational changes in 2015.

CREATION OF A SPECIAL OVERSIGHT COMMITTEE

The most immediate actions taken in 2014 related to the operation of the Port Authority's Board. The establishment of a Special Oversight Committee of the Board by Vice Chairman Scott H. Rechler in February and the arrival of Chairman John J. Degnan in the middle of the year directly resulted in several key changes in Board operations.

In early 2014, the Board acted to replace the "consent calendar" method of voting with individual roll call votes in public sessions and modified the Commissioner recusal process to inform the public of any recusals prior to Board action. Furthermore, in summer 2014, the agency began publicly posting agenda items on its website to afford the public ample review time in advance of Board meetings, giving the public greater opportunity to comment more fully on the work of both the agency and the Board.

CREATION OF A SPECIAL PANEL ON THE FUTURE OF THE PORT AUTHORITY

In May, Governors Andrew Cuomo and Chris Christie created the 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.

By the end of December 2014, the Special Panel had completed its review and published a report offering a number of recommendations to reform the agency's governance and its mission. The Special Panel recommended that the Port Authority recommit to its core mission of facilitating the efficient movement of people and goods through the region, and apply the financial capacity and creative drive that helped the agency restore a national landmark at the World Trade Center toward the modernization and expansion of the region's aging airports, bus terminal facilities, and other vital transportation assets. In early 2015, the Board of Commissioners formally endorsed the recommendations of the Special Panel and began implementing some of the key elements of the reform plan.

The most immediate actions taken in 2014 related to the operation of the Port Authority's Board.

The governance and accountability recommendations included the creation of a single Chief Executive Officer (CEO) to replace the current positions of Executive Director and Deputy Executive Director; replacing the current Chairman and Vice Chairman roles with rotating chairs from each state; establishing an Office of the Chair comprising the Chair, Vice Chair, and CEO, to function as a senior operating committee; increasing the Board's focus on agency and departmental strategy, capital planning, risk mitigation, and significant long-range projects; creating ongoing initiatives to promote a culture of transparency and ethical conduct at the Port Authority; issuing a new Port Authority Code of Conduct; and creating a Chief Ethics and Compliance Officer position.

Recommendations related to the Port Authority's stewardship of assets include refocusing the Port Authority on its transportation mission by reinstating the agency's regional leadership role in delivering 21st century airports; addressing trans-Hudson transportation; planning for a new Port Authority Bus Terminal; improving the PATH system to make it more efficient; ensuring that our port remains the nation's gateway for freight; phasing out the Port Authority's role in real estate ownership and development unrelated to the agency's core transportation mission, including redeploying unallocated regional development funds; delivering a more efficient and modern organization; and eventually monetizing the World Trade Center; as well as employing innovative financing techniques to increase operational flexibility and financing capacity while maintaining the agency's high standing in the credit markets.

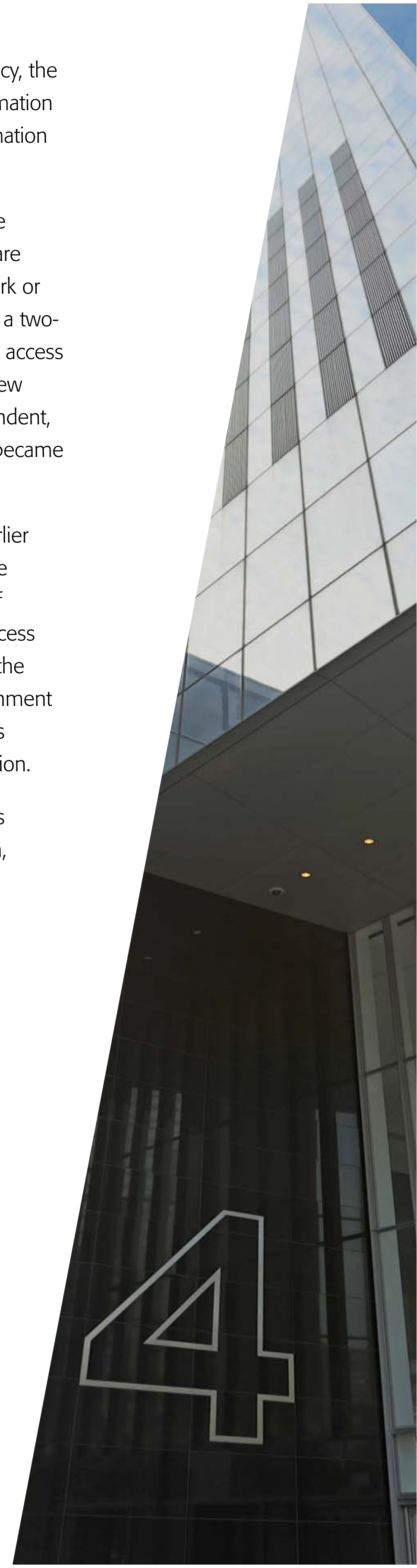
PROVIDING DATA TO THE PUBLIC

In another step toward greater transparency, the agency unveiled a new Freedom of Information (FOI) policy to improve the flow of information to the public.

The new policy provides for the disclosure of agency records if comparable records are available under the laws of either New York or New Jersey. The new policy also includes a two-tiered appeals process for anyone denied access to a record. The first tier is an agency review board, while the second tier is an independent, third-party arbitrator. The new FOI policy became effective on January 1, 2015.

These actions, taken in 2014, support earlier actions aimed at transparency, such as the agency's posting of thousands of pages of documents provided through the FOI process on its public website, constituting one of the largest voluntary online postings of government documents in the history of public entities throughout the New York/New Jersey region.

The agency's website also provides access to Port Authority/PATH payroll information, providing data from 2008 forward.

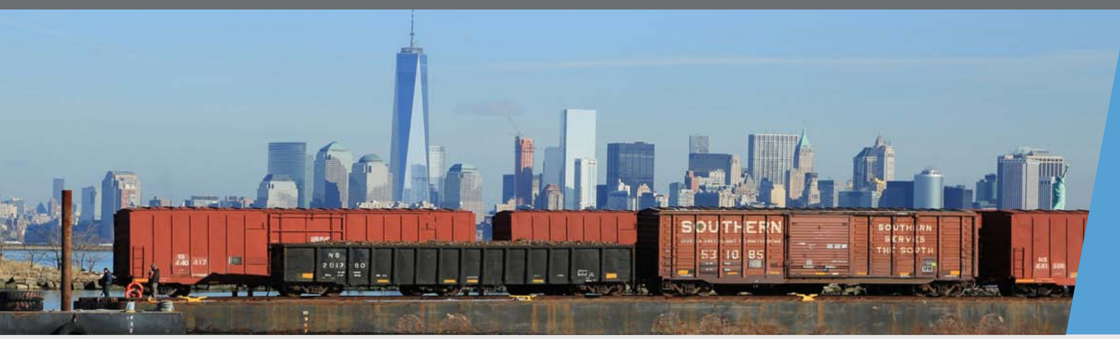


The Port Authority moved to its new headquarters at 4 WTC.

By the end of 2014, the Special Panel on the Future of the Port Authority published a report offering recommendations to reform the agency's governance and its mission. Under the direction of the New York and New Jersey governors, the agency's Chairman, John J. Degnan, and Vice Chairman, Scott H. Rechler, are spearheading this reform.

A YEAR IN REVIEW

In 2014, the Port Authority set itself on a clear path toward a new era of accountability and investment in facilities that support regional growth. In keeping with its fundamental transportation mission, the agency invested in regional mobility and infrastructure that supports the commerce that keeps the New York/New Jersey region moving.



ADOPTING A 10-YEAR CAPITAL PLAN

In the first quarter of 2014, the Port Authority Board of Commissioners approved a $27.6 billion, 10-year capital plan. This plan reflects one of the most comprehensive efforts ever undertaken to identify and prioritize the region's critical long-term transportation needs.

Covering the years 2014 through 2023, the capital plan is based upon a rigorous, data-driven process to identify and prioritize the most important capital projects, including significant investment in state-of-good-repair projects that strengthen the region's aging transportation infrastructure while enhancing transportation capacities and service to the agency's customers.

The $27.6 billion investment plan will ensure that the Port Authority remains a key economic engine by creating more than 126,000 job years, $7.3 billion in wages, and $29 billion in economic activity for the region.

FOSTERING JOB GROWTH

The agency's record $4.4 billion capital budget for 2014 funded investments that generated approximately 23,800 total job years, $626 million in wages, and $5.4 billion in regional economic activity. The 2014 budget allowed the agency's signature projects to proceed, including raising the Bayonne Bridge roadway, commencing construction of the Goethals Bridge replacement, redeveloping LaGuardia Airport, replacing the George Washington Bridge's steel deck, reconstructing airport runways and taxiways, and undertaking several other key projects.

IMPLEMENTING A NEW LABOR POLICY

In late April, the Board of Commissioners adopted a minimum wage policy and guidelines for third-party nontrade labor service contracts at all Port Authority facilities and recommended that the Executive Director move forward with implementation of the policy at the three major airports. The policy provides for contractors to pay a minimum wage to their workers, with a dollar increase as soon as practicable for those earning $9 or less and an increase to $10.10 in 2015. The policy also calls for Martin Luther King Jr. Day to be a paid holiday, and calls on the employers to develop plans for enhanced wages and benefits. The new policy was hailed as a boost to the tens of thousands of dedicated contract workers at the three major airports, while promoting a more stable, better trained workforce.

2014

HIGHLIGHTS OF THE PORT AUTHORITY ACHIEVEMENTS IN 2014

RELOCATING TO THE WORLD TRADE CENTER

Toward the end of 2014, a new era began at the World Trade Center. In November, magazine publisher Condé Nast started moving into its new headquarters at One World Trade Center. At the same time, Port Authority staff members began transitioning to the agency's new headquarters at 4 World Trade Center. The return to the site following the terrorist attacks of September 11, 2001, testifies to the resiliency of Port Authority personnel, the region, and the nation.

More milestones in the completion of the entire World Trade Center complex are expected in the year ahead.

THE CLEAR PATH FORWARD

In 2014, the agency's work blazed a trail for the continued growth of our regional economy. Throughout the year, the Port Authority undertook a wide range of vital activities across its portfolio of assets. These activities included ongoing investments in regional mobility, customer service, and security.

The agency's 10-year capital plan calls for $8 billion in airport improvements over the next decade.

The regional airport network

In 2014, the Port Authority's airport network once again posted record passenger volumes, and the agency and its airport partners continued to invest in the region's aviation infrastructure to provide for continued growth in the future.

The Port Authority included more than 100 state-of-good-repair aviation projects as part of its 10-year capital plan unveiled in February 2014. The plan dedicates $8 billion to airport improvements during the next decade, a figure supplemented by billions of dollars more in planned investment by the airlines and our other airport partners.

PORT AUTHORITY AIRPORTS SET NEW TOTAL PASSENGER RECORD FOR SECOND YEAR IN A ROW

More than 117 million passengers traveled through John F. Kennedy International, Newark Liberty International, LaGuardia, Stewart International and Atlantic City International airports in 2014, surpassing the record set in the prior year by more than 3 million fliers – a 3.3 percent jump. This increase in passenger traffic fuels regional economic growth, with an estimated additional 4,000 job years and $700 million in economic benefits generated whenever an additional million fliers pass through the airports.

Passenger growth was driven primarily by international travel, which rose about 6 percent, while domestic growth showed a 1.9 percent increase. Systemwide, more than 75.4 million domestic fliers and 41.9 million international fliers traveled via the Port Authority's airports in 2014 – both numbers set new agency records. John F. Kennedy International Airport led the way with a record 53.2 million passengers, while LaGuardia also set an airport high with more than 26.9 million travelers. Newark Liberty set another record with 11.8 million international passengers.

On the air cargo side, 2014 marked a watershed year, as the network ended with 1.2 percent growth in tonnage. The network also experienced monthly cargo growth for all six months in the second half of 2014; this bodes well for continued growth.

Overall, the Port Authority airport system supports more than 550,000 job years, nearly $80 billion in annual economic activity, and more than $28 billion in yearly wages.

While noting the volume growth, Port Authority officials cautioned that continued passenger growth can be accommodated only with continued improvements. Although the region continues to attract interest for more passenger travel, current Federal Aviation Administration (FAA)-imposed slot limitations place an artificial cap on how many planes can use the three major airports per hour for most hours of the

117 million passengers

More than 117 million passengers traveled through the Port Authority's airports in 2014, surpassing the record set in the prior year by more than 3 million fliers.

In 2014, Governor Andrew Cuomo initiated a design competition for LaGuardia and JFK airports to provide a vision to transform them for the 21st century.

day. In order to better meet future demand and accomodate today's modern fleet of more efficient, quieter aircraft, the Port Authority is implementing a number of aeronautical improvements, such as widened runways that allow more efficient aircraft movements, which, in turn, will help accommodate more travelers. In particular, this includes widening runway 4L at JFK, which includes high-speed taxiways – saving aircraft several seconds on arrival; initiating the End-Around-Taxiway project at Newark Liberty, which will improve the efficiency and safety of the 4-22 runways; and upgrading and enhancing electrical power and distribution at LaGuardia, making the system more weather resilient. These are complementary to the FAA's NextGen programs.

JFK CONTINUES TO GROW

In mid-November, JetBlue Airways opened its international arrivals hall extension to JFK's Terminal 5, bringing federal inspection services in-house to create a more seamless experience for the one-third of all JFK passengers who fly internationally. Called Terminal 5 International, or T5i, the new facility includes six international arrivals gates – three new and three converted from Terminal 5 – as well as an international arrivals hall with full federal inspection services able to accommodate up to 1,400 customers per hour. It boasts 40 automated passport control machines and 10 Global Entry kiosks to expedite travelers through U.S. Customs and Border Protection. The T5i construction project was funded by private investment and created an estimated 1,090 job years, $74 million in wages, and $325 million in regional economic activity.

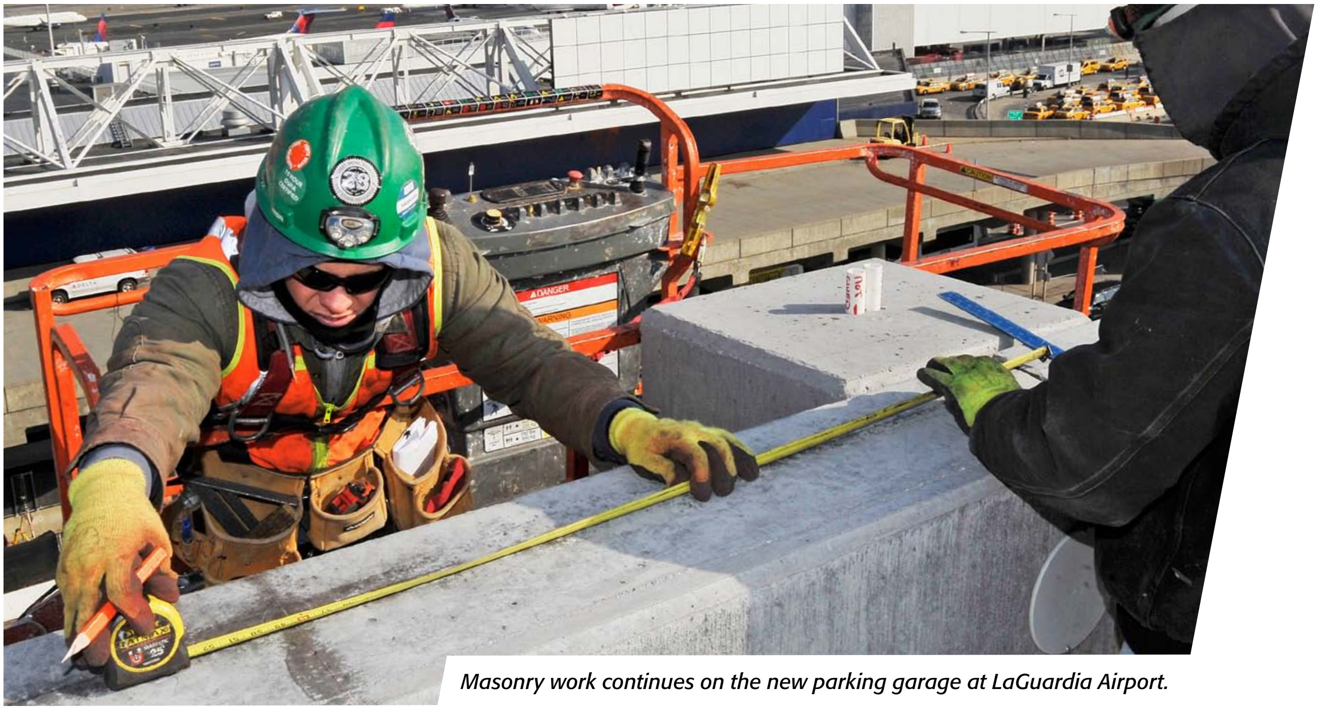
Development continued at JFK's new Airport Travel Plaza in the North Cargo Area at 147th Street and 147th Avenue. A multifuel service station replaced the former service station at Federal Circle and supplies gasoline as well as alternative fuel options such as electric car chargers, CNG, E-85, and biodiesel options. The Airport Plaza features a 180-seat food court with public access Wi-Fi, a flight information display system, quick-serve restaurants, and convenience stores.

JFK also introduced nine new international nonstop destinations, including Guangzhou, Quito, Curacao, and Grand Cayman, and welcomed four new carriers: China Southern, WestJet, Ukraine International, and Azerbaijan airlines.

INVESTING IN A REIMAGINED LAGUARDIA AIRPORT

In 2014, Governor Andrew Cuomo initiated a design competition for LaGuardia and JFK airports to provide a vision to transform them for the 21st century. Through the competition, designers, transportation planners, architects, and aviation experts were called upon to re-envision the airport experience and put forward concepts embracing world-class customer service and facilities while taking into account environmental impacts and community impact.

To create a more seamless experience for international travelers, JetBlue Airways opened its new international arrivals hall at JFK's Terminal 5 in November 2014.



Masonry work continues on the new parking garage at LaGuardia Airport.

An advisory panel selected by Governor Cuomo is making recommendations to the agency's Board of Commissioners with respect to the master plan design submissions.

Also in 2014, work began on a parking garage and electrical substation that will serve as preludes to a planned $3.6 billion public-private partnership to construct the first phase of redevelopment of LaGuardia, which includes demolishing the existing Terminal B and creating a new world-class facility, including a new central entry portal to the airport and unifying previously unconnected terminals.

NEWARK RUNWAY PROJECT COMPLETED AHEAD OF SCHEDULE

In late May 2014, the agency announced that it had finished the bulk of major repair work ahead of schedule on Newark Liberty International Airport's pivotal Runway 4L-22R. This standout accomplishment allowed the resumption of flights on typical patterns at New Jersey's busiest airport.

Work on Runway 4L-22R began on April 1, and was slated to run 60 days. The overall scope of the rehabilitation project included repaving, improving taxiways to get planes on and off the runway faster, and overhauling both the lighting and electrical systems. Runway 4L-22R was back in service by May 25, five days ahead of schedule. The project's final milestone – runway grooving and substantial completion of electrical work – was completed on September 30.

Overall, the $97.3 million project is expected to create 510 job years, $34 million in wages, and $152 million in regional economic activity.

Strong performances from new carriers Cathay Pacific and Austrian Airlines, along with United Airlines' extensive network and JetBlue's new service to Santiago, drove the airport's international numbers to new heights.

INITIATIVES TO IMPROVE THE ENVIRONMENT AND ADDRESS AIRPORT NOISE

The agency actively implements programs that benefit the environment and reduce emissions such as ground metering, solar power installations, and composting. The Port Authority in 2014 began hosting community noise roundtables to address aircraft noise issues at JFK, LaGuardia, and Newark Liberty airports, understanding that airline flights create noise impacts on surrounding communities (Teterboro Airport has an existing group of this type).

$97.3 million

The $97.3 million Newark Runway Project is expected to result in 510 job years.

Atlantic City International Airport welcomed the return of Spirit Airlines' seasonal services from Atlanta, Chicago, and Detroit in May 2014.

The Port Authority also reached agreements to conduct federal Part 150 airport noise compatibility planning studies for each of the four airports mentioned above to help find ways to alleviate some of these issues in cooperation with the Federal Aviation Administration.

Along with the roundtables and federal Part 150 airport noise compatibility planning studies, the agency implemented a flight tracking system on its website so residents can monitor aircraft and specific decibel levels along flight paths over their communities. To complement this initiative, the Port Authority increased staffing to handle noise complaints and committed to doubling the number of noise monitors in operation around the airports.

ATLANTIC CITY AIRPORT WELCOMES THE RETURN OF SPIRIT AIRLINES

In late May 2014, Atlantic City International Airport welcomed the return of Spirit Airlines' seasonal service from Atlanta, Chicago, and Detroit. Passengers arriving from these cities were greeted with a specially decorated terminal and gift bags with items donated by community partners.

The return of these flights brought Atlantic City's airline load factors higher than levels set prior to Superstorm Sandy in October 2012.

CELEBRATING THE BIRTH OF BEATLEMANIA

At a ceremony held on February 7, 2014, Port Authority Executive Director Pat Foye and then-Deputy Executive Director Deborah Gramiccioni commemorated the 50th anniversary of the Beatles' historic landing on U.S. soil. On February 7, 1964, John Lennon, Paul McCartney, George Harrison, and Ringo Starr stepped off Pan American World Airways Flight 101, where a throng of cheering fans had gathered to greet them. Pat Foye welcomed the ceremony's guests, who included Liverpool Lord Mayor Councilor Gary Millar, Liverpool Deputy Mayor Christopher Julian Brown, and H.M. Deputy Consul General Nick Astbury, as well as John Lennon's half-sister, Victoria, and a roster of current and former Pan Am flight attendants. As part of the proceedings, Pat Foye unveiled a template for the permanent plaque that will be installed to commemorate the day.

STEWART'S RUNWAY 9-27 REOPENS

In early December 2014, one of the nation's longest commercial airport runways returned to service as officials from the Port Authority reopened the full length of the 11,817-foot Runway 9-27 at Stewart International Airport. Runway 9-27, along with the airport's second, shorter runway, was completely repaved as part of a $100 million capital project – the largest in the airport's history.

With the runway work complete and efforts ongoing to add a Federal Inspection Services area in the terminal, Stewart is poised to handle future international commercial flights and grow its cargo business. Stewart's longest runway is capable of handling Air Force One, the A380 – the world's largest passenger aircraft – and large military transport planes. Stewart International Airport currently contributes roughly $450 million in economic activity to the Hudson Valley region, generating approximately 3,300 job years and more than $160 million in annual wages and salaries.

Executive Director Patrick J. Foye also launched a series of roundtable discussions with travel and tourism stakeholders in the Hudson Valley, with the goal of increasing air service and raising the airport's profile.

With the runway work complete and efforts ongoing to add a Federal Inspection Services area in the terminal, Stewart is poised to handle future international commercial flights and grow its cargo business.

Stewart International Airport contributes approximately $450 million in economic activity to the Hudson Valley region.

Located from 40th to 42nd streets, between Eighth and Ninth avenues, the Port Authority Bus Terminal is the largest bus station in the nation.

Interstate transportation: tunnels, bridges, and terminals

The Port Authority's interstate vehicular crossings and its bus terminals provide vital transportation connections between New York and New Jersey. In 2014, the agency continued several major projects designed to improve the capacity of the interstate vehicular transportation network while maintaining this system in a state of good repair.

PORT AUTHORITY BUS TERMINAL IMPLEMENTS QUALITY OF COMMUTE PROGRAM

In 2014, to address significant service issues at the Port Authority Bus Terminal in Midtown Manhattan, the Port Authority established a Quality of Commute (QoC) Improvement Program. Under one key QoC initiative, terminal operations personnel have joined forces with the Port Authority Police Department and agency bus carrier tenants to enforce "just on time" arrivals for buses.

The need for this intervention was clear: Early-arriving buses create congestion within the terminal and its approach ramps. This, in turn, created extensive queues in city streets in which buses idle for long periods and contribute to air pollution. Early-arriving buses are now directed out of the building, thereby improving bus movement, reducing idling, and improving on-time performance.

A number of current projects aim to improve the movement and flow of buses at the terminal. These projects include adding bus parking and staging areas, and installing a bus tracking system.

Early data on these improvement projects showed a 63 percent increase in throughput during the critical 4 p.m. to 5 p.m. time slot. The rise in throughput allowed 62 additional buses to access the terminal while decreasing bus travel times on Route 495 by 31 percent, saving 25 minutes per bus trip.

RENOVATIONS AT THE PORT AUTHORITY BUS TERMINAL

As part of this QoC effort, in July, the Port Authority Board of Commissioners authorized $90 million in capital funding to enhance customer experience and improve passenger commuting at the bus terminal. The priority capital projects funded by this initiative fit two primary categories: improvements to customer service and improvements to on-time performance.

Initial improvements to customer service were achieved in 2013 with the agency's installation of nine new self-service information kiosks at eight locations in the Port Authority Bus Terminal (PABT). The touch screen kiosks provide directions to gates and other amenities within the terminal, as well as searchable, real-time bus schedule information. The kiosks are expected to aid the 225,000 daily commuters who use the terminal by providing a modern approach to navigation and organization at one of the world's busiest bus terminals.

Early-arriving buses are now directed out of the building, thereby improving on-time performance.

The Bayonne Bridge project marks the first time in agency history that engineers are constructing a bridge roadway deck above an existing one while traffic continues to flow.

To improve on-time performance, Port Authority staff has begun to build a bypass lane for the terminal ramp system that will handle inbound bus traffic, providing direct access for buses destined for the terminal's fourth level so they can avoid queues for the third floor. The bypass lane also will improve service to both levels, which are the primary commuter levels.

Significant initiatives also include implementing a bus tracking system, which will provide the Port Authority with detailed data on bus operations within area terminals, and adding bus staging areas.

RAISE THE ROADWAY FORGES AHEAD AT THE BAYONNE BRIDGE

Work to advance the Raise the Roadway project continued diligently throughout 2014. When completed, the road deck will be elevated by 64 feet, allowing the Port of New York and New Jersey to welcome larger and more efficient vessels. Entering into 2015, construction is now 30 percent complete, with $230 million spent on construction and $370 million of the total $1.3 billion program budget spent to date. Construction activities over the previous year included 90 percent completion of drilled shafts, 100 percent completion of sheeting, 50 percent completion of foundations, and 95 percent completion of the New York and New Jersey abutments – all supporting construction of the bridge's new northbound roadway. In addition, 2014 saw the first delivery of precast segments for a port facility in Bayonne.

The project attained a major environmental milestone in 2014 with the completion of the lead-based paint removal and abatement program. Abrasive blasting and lead paint abatement on the arch is complete, and application of the new three-coat, nonhazardous paint system is 80 percent complete, with full completion scheduled for 2015. Lead paint remains on the steel framing of the main span roadway deck and approach roadways, but those sections will be removed after traffic is switched to the new higher roadway in 2016.

2,500
construction job years
will be created as a result of the Raise the Roadway project.

More than $33 billion in regional goods and millions of travelers pass over the Goethals Bridge each year.

Begun in the spring of 2012, the program was expedited to remove the original 1931 lead-based paint coating from the entire historic Bayonne Arch, the only structural element that will remain when the new higher roadway and approaches are fully completed.

The Raise the Roadway project will create more than 2,500 construction job years for the region, $380 million in wages, and more than $1.6 billion in economic activity.

CONSTRUCTION BEGINS ON THE NEW GOETHALS BRIDGE

In early May 2014, construction commenced on the $1.5 billion public-private partnership program to replace the nearly 90-year-old Goethals Bridge with a new state-of-the-art span. The replacement Goethals Bridge will be a cable-stayed span constructed at a site on the Arthur Kill due south of the existing bridge. Construction efforts include the installation of eastbound and westbound tower foundations. Preconstruction activities, such as geotechnical subsurface investigation and site preparation work, were completed in early 2015.

The Goethals Bridge spans the Arthur Kill, connecting Elizabeth, New Jersey, with Staten Island, New York, near the Howland Hook Marine Terminal. More than $33 billion in regional goods and millions of travelers pass over the Goethals Bridge each year. The bridge is essential to moving cargo between airports, the seaport, and regional markets throughout the New York/New Jersey metropolitan area.

Importantly, the replacement bridge will be the first bridge to be built by the Port Authority since 1931, when the George Washington Bridge opened to vehicular traffic. The project also marks the first true surface transportation public-private partnership in the Northeast.

Overall, the program to build the new bridge is expected to create 2,250 job years, $220 million in wages, and $872 million in regional economic activity over the life of the project.

REDEVELOPMENT AT THE GEORGE WASHINGTON BRIDGE BUS STATION

In late August 2014, the George Washington Bridge Bus Station (GWBBS) closed for about a year so a $183.2 million complete renovation of the building could commence. This project was approved by the Board of Commissioners in June 2011 and is expected to create 324 direct job years while producing direct payroll wages of $19 million and generating $31.7 million in total regional economic activity.

Construction of a replacement for the Goethals Bridge began in May 2014.

...the Board of Commissioners authorized the largest capital investment package in the George Washington Bridge's 83-year history.

Redevelopment of the George Washington Bridge Bus Station began in August 2014. The project is expected to generate $31.7 million in total regional economic activity.

The renovated GWBBS will feature an array of first-class national and local retailers while offering new bus loading/unloading areas and expanded passenger amenities as well as new Americans with Disabilities Act-compliant escalators and elevators from the subway and street to the bus level. A temporary trailer was installed on Fort Washington Avenue and 179th Street to serve as an interim climate-controlled passenger waiting area complete with public restrooms, ticketing, and information services.

RENOVATING THE GEORGE WASHINGTON BRIDGE

In late March, as one of the largest components of the agency's 10-year capital plan, the Board of Commissioners authorized the largest capital investment package in the George Washington Bridge's 83-year history. The estimated $1.03 billion state-of-good-repair and improvement project should create nearly 5,000 job years for the region, $365 million in wages, and $1.7 billion in regional economic activity.

Specifically, the projects will address:

- replacing the bridge's 592 suspender ropes,
- rehabilitating all of the main span's cables,
- replacing the north and south sidewalks while providing new sidewalk lighting across the main span,
- replacing roadway lighting on the main span,
- replacing the bridge's necklace lighting with a new energy-efficient, programmable LED light system, and
- reconstructing pedestrian and bicycle access ramps for ease of access as well as to ensure compliance with the Americans with Disabilities Act.

The $1.03 billion state-of-good-repair and improvement project dovetails with other renovation initiatives already commenced at the

Super Bowl XLVIII was the first Super Bowl hosted in the New York and New Jersey region. In January 2014, to support the game, electricians braved frigid temperatures and scaled the cables of the George Washington Bridge. Working several hundred feet above the Hudson River, they installed gels on the bridge's 156 LED necklace lights – orange for the Broncos and green for the Seahawks.

Port Authority traffic engineers developed an innovative detour plan that allowed the Lincoln Tunnel to remain open to customers in both directions during Helix construction while reducing delays and disruptions.

George Washington Bridge in 2014, including two projects, completed near the end of 2014's first quarter, to install a system of variable message signs (VMS) on approach roads to the George Washington Bridge from both New York and New Jersey. The VMS provides motorists with up-to-the-minute information on travel times, traffic conditions, alternate routes, and trip-planning options. This effort was the final component of a roadway construction and improvement program approved by the Port Authority Board of Commissioners in 2012.

THE HELIX FIX AT THE LINCOLN TUNNEL

On an average weekday, the Route 495 roadway approach structure carries more than 120,000 vehicles and 1,800 buses into the Lincoln Tunnel. Better known as the Helix, this piece of infrastructure provides critical commuter access to the thriving economic centers of Manhattan.

The Helix, however, is more than 70 years old and nearing the end of its useful life. Accordingly, in 2011 the Port Authority Board of Commissioners approved a three-year project to repair and extend the useful life of the iconic roadway.

The first phase of the project rehabilitated the Helix's eastbound lanes and was completed in 2013. Phase 2 began in late April 2014 and aims to rehabilitate the Helix's westbound lanes; it is estimated that Phase 2 will be completed in 2015.

Port Authority traffic engineers developed an innovative detour plan that allowed the tunnel to remain open in both directions during construction. Now planning is under way for a long-term solution to completely replace the Helix.

A top priority for PATH is mitigation and resilience projects aimed at hardening this essential transportation system against future extreme weather conditions.

Interstate transportation: the PATH rail system

The Port Authority Trans-Hudson Corporation (PATH) was established in 1962 as a subsidiary of The Port Authority of New York and New Jersey. The rail rapid transit system, which serves as the primary transit link between Manhattan and neighboring New Jersey urban communities and suburban commuter railroads, is experiencing strong ridership growth.

PATH PLATFORM A OPENS AT THE WORLD TRADE CENTER

In February 2014, PATH's new Platform A at the World Trade Center opened to the public. Platform A, which serves Hoboken, represents another major milestone in the construction of the new WTC PATH Station. Platform A features new lighting, speakers, illuminated signs, escalators, and elevators. The completed WTC PATH Station will be the "hub of the hub" – the center of the new WTC Transportation Hub, which will continue to open in phases through 2015, providing Lower Manhattan with even greater access to modern transit and retail spaces.

PATH FORWARD

PATH weekend service on the Newark-to-World Trade Center line resumed in December 2014 with the reopening of the World Trade Center and Exchange Place stations, following nearly a year's worth of intensive cleanup and upgraded signal work in two tunnels below the Hudson River. Beginning in February 2014, approximately 280,000 square feet of metal tunnel surfaces and equipment were power washed of salt residue left by Superstorm Sandy floodwaters. Corroded metal – the entire area along the line that was impacted by salt – was replaced. With the placement of thousands of feet of new cables, significant progress also occurred in installing new computerized signals for increased operational safety.

Some points regarding work being done on the PATH system:

- Superstorm Sandy's floodwaters left behind salt residue that rusts metal cables, equipment, and the shell of the tunnel itself. The corrosive salt required a painstaking, labor-intensive cleaning process beyond what occurred in the initial aftermath of the storm to return train service as quickly as possible.
- Floodwaters in Superstorm Sandy's aftermath destroyed some of the substantial work PATH had completed toward implementing a positive train control (PTC) system. (Please see the next section for more details on PTC.) This setback required replacement of damaged components.
- As PATH recovers, protects, and rebuilds transit assets damaged by Superstorm Sandy, the Federal Transit Administration (FTA) has been an essential funding partner. The FTA has awarded nearly $1.3 billion to PATH for repair and resiliency projects. Approximately $1.2 billion is being applied to permanent repair and local priority resiliency projects. Additionally, nearly $90 million has been

The completed WTC PATH Station will act as the center of the new WTC Transportation Hub.

The PATH Riders' Council was formed to ensure PATH riders have a voice in system design, customer service communications, and operations decision making.

allocated to support resiliency projects that will protect PATH stations, maintenance facilities, critical infrastructure and rail cars from future major weather and flood events.

- The 2014 weekend closures allowed PATH to continue with the installation of fiber-optic cable, compressed air lines and conduit material for signal and communications equipment, which will help meet the positive train control requirements. The work also included installation of communication antennas and signal junction boxes.
- Since Superstorm Sandy, infrastructure improvements have been numerous. Myriad utilities in the tunnel have been replaced, including power and communications equipment, rail, third rail, and track. Nearly two miles of corroded rail fasteners were replaced to better secure the track bed.

HARRISON STATION: FULL SPEED AHEAD

Work progressed throughout 2014 on the PATH Harrison Station Replacement Project. The $256 million effort features an innovative glass-and-steel design plus modern amenities, including widened stairs, elevators, escalator access to extended platforms, upgraded security and communications systems, and enhancements geared at environmental sustainability.

Work is nearing completion on the temporary platforms for both the Newark-bound and World Trade Center-bound trains. Once completed, these temporary platforms will accommodate continued uninterrupted service as construction continues. Pile caps and concrete are being installed on the northeast and southeast sections for the construction of two new station entrances that ultimately will result in a major expansion and modernization of the original 1930s station.

The new Harrison Station will feature an open public plaza and a new substation.

INSTALLATION OF POSITIVE TRAIN CONTROL SYSTEM

In an effort to comply with federal mandates, the Port Authority is installing a Positive Train Control (PTC) system on its PATH network. PTC is an updated safety system that automatically applies a train's brakes if a collision is imminent, preventing injuries and saving lives. Port Authority engineers consider the project vital to improving current and future service, as well as increasing passenger capacities. Using a phased installation approach, PTC will be available on the PATH's Newark-World Trade Center rail line by the end of 2016, followed by complete installation throughout the rest of the PATH system. The PTC improvements are part of a $580 million comprehensive signals modernization program that ultimately will improve service for PATH riders.

The new Harrison Station is being constructed alongside a broader redevelopment plan put forth by the Town of Harrison, which includes mixed-use commercial and residential development, the Red Bull Arena soccer stadium, and enhanced public spaces.

In February 2014, Platform A was opened. It features state-of-the-art lighting, speakers, illuminated signs, escalators, and elevators.

PATH RIDERS'COUNCIL

As part of our initiative to enhance public outreach, PATH created a one-year pilot program, the PATH Riders' Council (PRC), to garner feedback from riders and improve customer service. The PRC was formed to ensure PATH riders have a voice in system design, customer service communications, and operations decision making. The PRC consists of a cross section of riders from different geographical locations and demographics representing the PATH service area. Twenty-one volunteers serve as voting members and three volunteers serve as resource members (nonvoting members). PRC members met every other month, for a total of six meetings for the one-year pilot. The inaugural PRC meeting was held on July 16, 2014.

EXTENSION OF PATH SERVICE TO NEWARK LIBERTY INTERNATIONAL AIRPORT

As part of its Board-approved 10-year capital plan, the Port Authority hired a program manager for the project to extend PATH service to Newark Liberty International Airport. This project should provide an affordable, convenient travel option for tens of thousands of commuters and airport employees each day. It will run from PATH's current western terminus at Newark Penn Station to Newark Liberty International Airport.

June 18, 2014, marked the grand opening of the Global Container Terminal's multimillion-dollar expansion. Started in 2010 and costing $325 million dollars, the expansion program installed semiautomated operations designed to improve efficiencies and safety while reducing environmental impact.

The Port of New York and New Jersey

The Port of New York and New Jersey serves as the gateway to one of the most concentrated and affluent consumer markets in the world. It is the largest port on the East Coast and the third largest in the nation.

The Port Authority manages various marine terminals: Port Newark, the Elizabeth-Port Authority Marine Terminal, the Howland Hook Marine Terminal, the Brooklyn-Port Authority Marine Terminal, the Red Hook Container Terminal, and the Port Jersey-Port Authority Marine Terminal. The agency leases most of its terminal space to private terminal operators, which manage the daily loading and unloading of container ships.

CARGO VOLUMES BREAK RECORDS AT THE PORT OF NEW YORK AND NEW JERSEY

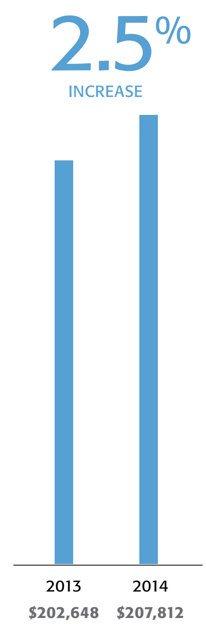
Cargo volumes at the Port of New York and New Jersey set records throughout 2014. Overall cargo volumes for the year surpassed the previous record set in 2012. The port handled 3,342,286 cargo containers, an increase of 5.4 percent over the volumes logged in 2013 and a 4.1 percent increase over the previous annual record established in 2012.

The ExpressRail system also set a new annual record by handling 465,405 containers in 2014, up 9.3 percent over 2013 and beating the system's previous annual record of 433,481 containers handled set in 2012. The Port Authority has invested more than $600 million in ExpressRail. This, combined with its upcoming plans to build a new ExpressRail facility at Greenville Yard in Jersey City, has proven critical to improving port efficiency and competitiveness while reducing port emissions.

Directly and indirectly, the port supports some 296,000 job years, including 601 new longshoremen and checkers who, over the past year, have been certified by the Waterfront Commission of New York Harbor to work at the port.

Some other points worth noting in connection with port activity in 2014:

- During 2014, the Port of New York and New Jersey's top trading partner for imports to the United States was China, with 923,975 containers. Germany followed China with 179,715 import containers, then India with 176,621 import containers. The top import commodities in 2014 were furniture, beverages, and appliances.
- In 2014, the port received 2,432 vessel calls, down 2.3 percent from the 2,488 calls in 2013. The fewer vessel calls, combined with higher annual volume, illustrates that much of the cargo coming into the port arrives in larger ships, a trend that the port expects will continue.



Total dollar value in millions of U.S. dollars for cargo shipping through the Port of New York and New Jersey.

Source: U.S. Dept of Commerce, Bureau of Census

At the end of 2014, the Council on Port Performance unveiled the port's first-ever coordinated Winter Weather Plan, which resulted in improved port operations during the winter months for customers.

5.4%
INCREASE

Total Containers
(loads and empties)

In 2014, the Port of New York and New Jersey handled 3,342,286 containers, a 5.4 percent increase over 2013.

Source: PONYNJ Terminal Operator Data

COMPLETION OF PIVOTAL PORT ROAD UPGRADES

In early May, the agency announced its completion of a project to upgrade the eastern section of North Avenue and McLester Street, two major, heavily traveled roads at the Elizabeth-Port Authority Marine Terminal. The port's road, rail, and security projects are currently funded by portwide Cargo Facility Charges.

The $27 million road-widening project consisted of:

- adding a traffic lane in the northbound and southbound directions;
- improving paved surfaces, traffic signals, a center barrier, overhead signs, and jughandles to allow vehicles to turn around safely; and
- adding a storm drainage system.

This total package of roadway upgrades was designed to improve traffic flow, reduce fuel consumption and air pollution, and increase safety for trucks entering and exiting the port from North Avenue East and the southern end of McLester Street. The McLester Street project is part of a $101 million ongoing effort to upgrade the port road network.

A LANDMARK REPORT INAUGURATES A NEW ERA OF COOPERATION

After extensive collaboration and input from the community, the Port Performance Task Force (PPTF) produced 23 recommendations, which then were prioritized according to impact on long-term efficiency and service reliability as well as feasibility of implementation.

In August 2014, the PPTF handed its work off to the Council on Port Performance (CPP). This new group of stakeholders convened immediately to implement the task force's recommendations. The CPP's work produced a methodology to improve the availability of a chassis pool across the port and a plan to improve winter cargo flows in the event that severe weather impacts port terminal activity.

Composed of representatives from ocean carriers, marine terminal operators, railroads, motor carriers, equipment providers, shippers, and beneficial cargo owners, the CPP works collaboratively to effect change across a wide range of issues with the ultimate goal of boosting port productivity and performance.

A MILESTONE ACHIEVEMENT FOR THE CROSS-HARBOR FREIGHT PROJECT

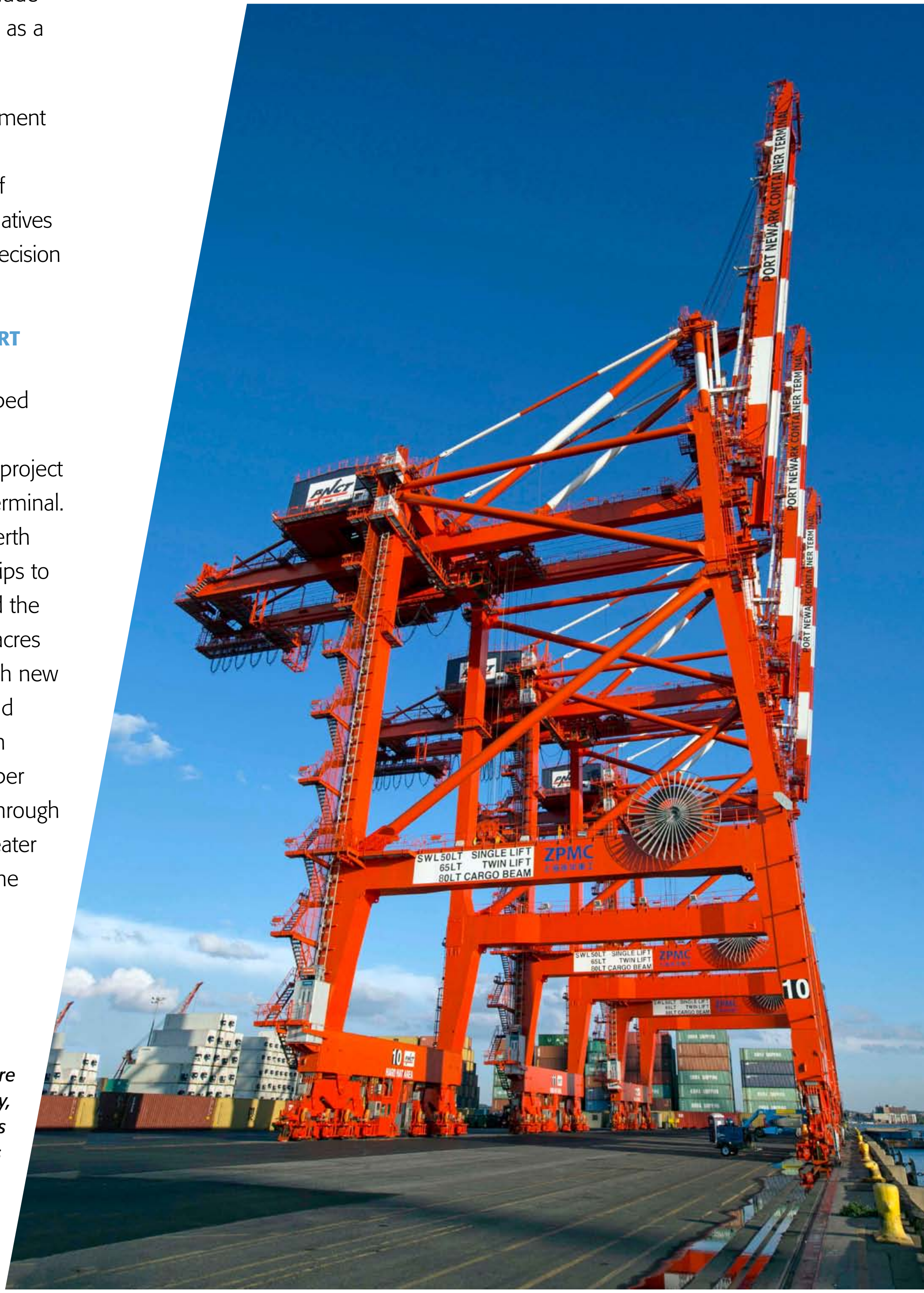
In mid-November, in conjunction with the Federal Highway Administration (FHWA), the Port Authority released a comprehensive Tier 1 Draft Environmental Impact Statement for the Cross-Harbor Freight Program. This document identifies alternatives to improve the movement of freight across the Hudson River and New York Harbor. The 11 alternatives it explores include waterborne and rail-based options as well as a "no action" alternative.

After receiving and considering public comment in the early months of 2015, the Federal Highway Administration will file a Record of Decision to identify the alternative or alternatives selected for further study. The Record of Decision is expected in the summer of 2015.

EMBRACING NEW, STATE-OF-THE-ART PORT OPERATIONS

In late June, Port Authority executives helped Global Container Terminal celebrate the completion of its $325 million expansion project at the Port Jersey-Port Authority Marine Terminal. Overall, this initiative increased Global's berth length to 2,700 feet, which allows two ships to berth simultaneously. Upgrades expanded the terminal's total footprint from about 100 acres to 170 acres and equipped the facility with new cranes, gantries and other tools that should boost processing capacity from fewer than 500,000 to about 1.1 million containers per year. Worker safety also should improve through the use of remote-control centers and greater automation. The Port Authority acquired the land adjoining Global's facility in 2010 to ensure that this crucial waterfront property would be available for port operations. Global's expansion project, which was funded by the agency and a federal grant, began that year.

In mid-October, Port Authority staff joined federal, state, and local officials at Port Newark Container Terminal's (PNCT) facility at Port



Representing one of the largest infrastructure projects currently under way in New Jersey, Port Newark Container Terminal (PNCT) has committed more than $500 million to its expansion before the year 2030. PNCT's three new ZMPC super-post-Panamax cranes are capable of handling 14,000+ TEU (twenty-foot equivalent unit) vessels, arriving at the Port of New York and New Jersey.

Newark to dedicate three super post-Panamax cranes, the largest modern container cranes in service at the Port of New York and New Jersey. The cranes were purchased as part of the $14.8 million federal TIGER grant toward construction of the Port Newark Container Terminal Access Improvement and Expansion Project. The new ship-to-shore cranes have 65-ton lifting capacities.

PNCT's expansion marks one of the largest infrastructure projects in New Jersey; over the next 15 years, PNCT will invest more than $500 million in its facility, with the Port Authority contributing an additional $100 million. Overall, the expansion project will include developing additional acreage, deepening the terminal's berths, strengthening the docks, expanding the queuing area, and upgrading the entire fleet of container-handling equipment.

PORT AUTHORITY LAUNCHES 'TWO STATES, ONE PORT' MARITIME STUDIES

In mid-May, the agency joined with regional maritime educational institutions to launch "Two States, One Port," a campaign to promote the study of harbor and port issues for regional maritime students. As part of its support, the Port Authority donated $50,000 to finance hands-on educational studies aboard the 121-year-old Lettie G. Howard fishing vessel.

The Lettie G. was purchased by the South Street Seaport Museum in 1968. She is a 125-foot-long Gloucester fishing schooner that was designated a National Historic Landmark in 1989 and previously served as a sail-training vessel throughout the port and along the East Coast. She now serves proudly under the auspices of Harbor School, New York City's only maritime high school, which seeks to graduate students equipped with the skills and experience to become tomorrow's port industry managers.

GREENING THE PORT ENVIRONMENT

By updating its landmark Clean Air Strategy in conjunction with other port stakeholders, the Authority has set in place the mechanisms by which to ensure a continued decline of emissions associated with port-related activities. The 2012 Air Emissions Inventory showed an average 33 percent decrease in tons per million twenty-foot equivalent units (MTEUs) from the baseline inventory established in 2006, which measured criteria air pollutants associated with port operations. Notably, this decrease occurred despite an 8.6 percent increase in cargo volume over the same period. This success would not have been possible without the support of the terminal operators and ocean carriers whose vessels call at the Port of New York and New Jersey.

33%
DECREASE

Air Emissions
in tons per million
Source: PONYNJ Terminal Operator Data

To maintain the efficacy of the port's Clean Vessel Incentive Program, agency officials continued to host quarterly meetings of the Environmental Ship Index (ESI) Work Group throughout 2014. The ESI is an internationally recognized way of scoring and ranking the cleanest oceangoing vessels. The work group's meetings focus on maintaining the program's integrity and adapting the ESI formula to accommodate new international maritime regulations. In 2013, its first full year of operation, clean ship calls achieved substantial annual emissions reductions at the port, totaling an estimated 190 tons of nitrogen oxide, 243 tons of sulfur dioxide, and 43 tons of particulate matter.

Finally, at its meeting on November 19, 2014, the Port Authority Board of Commissioners approved the expenditure of $2.42 million to continue the agency's landmark Truck Replacement Program (TRP). Part of the agency's Clean Air Strategy for the port, the TRP was initiated in 2010 and incentivizes truckers

Royal Caribbean Cruises Ltd. held a dedication ceremony in October 2014 for a new 125,000-square-foot terminal at Cape Liberty in Bayonne, New Jersey. The terminal serves as the passenger processing center for the Quantum of the Seas, which made its debut in New Jersey one month later.

to purchase newer, cleaner vehicles. The funds that the Board authorized in November will help to replace about 80 trucks with engines whose model year is 2007 or older. Projections say that the use of these newer trucks should reduce emissions by 42 tons of particulate matter and 708 tons of nitrogen oxide over the total lives of the replacement vehicles. The program is cofunded by a $2 million federal Congestion Mitigation and Air Quality grant that is jointly administered by the FHWA and the FTA.

ROYAL CARIBBEAN OPENS NEW CRUISE TERMINAL IN BAYONNE

On October 24, 2014, the Port Authority and Royal Caribbean Cruises Ltd. dedicated a new cruise terminal at Cape Liberty Cruise Port. This event represented the commencement of a new development phase for the Bayonne cruise port.

Located at 4 Port Terminal Boulevard, the new facility stands adjacent to the first cruise terminal, which opened in 2004. The second cruise terminal is a public-private partnership between Royal Caribbean and the Port Authority to develop the Bayonne waterfront for cruise tourism. The first phase of the $55 million port expansion includes a new, state-of-the-art guest terminal, with 125,000 square feet of check-in, customs/immigration, and luggage processing space, as well as a 950-car parking structure and pier improvements.

AGENCY WINS NATIONAL AWARD FOR PORT SECURITY

In mid-June, the Port Authority announced it had won a U.S. Coast Guard Rear Admiral Richard E. Bennis Award for its maritime security initiatives in the port since 9/11. The honor recognizes “exceptional commitment to the security of the U.S. and the maritime transportation system.” The award commended the agency’s effective investment against security risks at the largest port on the East Coast and the third-largest port in the nation.

One World Trade Center opened for business on November 3, 2014, with the move-in of Condé Nast.

The World Trade Center

The World Trade Center has long stood as an icon of prosperity, freedom, and resilience. The World Trade Center's story includes tragedy, and yet it endures and inspires. Understandably, people around the globe have watched with great anticipation as the new World Trade Center has taken shape. In 2014, their hopes were realized as one of the most powerful architectural symbols for hope and inclusion in modern history recommenced operations.

ONE WORLD TRADE CENTER OPENS FOR BUSINESS

On November 3, a forward group of more than 170 Condé Nast employees arrived to work at One World Trade Center. At long last, the new tower was open for business.

Also on that auspicious day, two more lease agreements for 6,000 square feet of space in One World Trade Center were signed, bringing the iconic 3 million-square-foot office tower to approximately 60 percent of the projected stabilized net operating income, with 1.76 million square feet leased.

The Port Authority, along with its private partners and various sister agencies, stands proudly behind the work done at the new One World Trade Center. At 1,776 feet and 104 floors, One World Trade Center holds the title of New York's tallest skyscraper facility, as well as the tallest building in the Western Hemisphere. The building offers 3 million square feet of Class A office space. Its safety systems were designed to present one of the most secure facilities in the world, exceeding all code requirements while implementing innovations such as elevators housed protectively in the building's core, dedicated staircases for use by firefighters, extra-wide pressurized staircases, and concrete-protected sprinkler systems.

One World Trade Center also presents a triumph of environmentally sustainable construction practices. Bearing a LEED Gold Certification, the facility's energy performance rating will exceed code requirements by 20 percent while showcasing such innovations as cooling systems that make use of reclaimed rainwater and electricity-generated waste steam.

DEDICATION OF NATIONAL SEPTEMBER 11 MEMORIAL & MUSEUM

On May 15, 2014, President Barack Obama helped dedicate the new National September 11 Memorial & Museum at the World Trade Center. Governors Andrew Cuomo and Chris Christie were among the many dignitaries to offer reflections at the ceremony.

Among those remembered: 47 Port Authority civilian employees and 37 Port Authority Police Department officers, including senior commanders, who died in the towers' collapse. On May 15, 2014, the Board of the National September 11 Memorial & Museum took out full-page advertisements in several of the region's newspapers to "express its deepest gratitude to the men and women of The

At 1,776 feet and 104 floors, One World Trade Center holds the title of New York's tallest skyscraper facility as well as the tallest building in the Western Hemisphere.

Port Authority of New York and New Jersey who constructed the National September 11 Memorial & Museum" and to all who devoted themselves to its cause.

PROGRESS AT THE WORLD TRADE CENTER TRANSPORTATION HUB

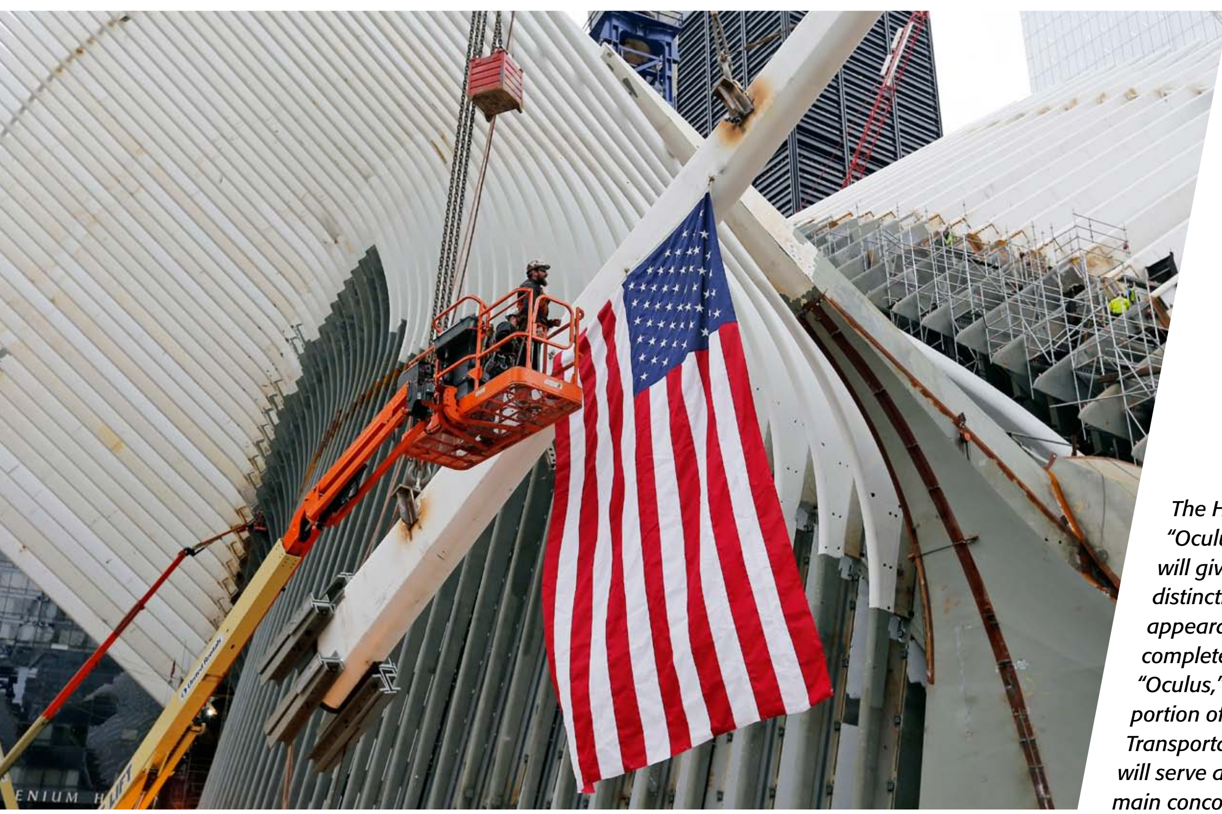
Soon to be completed in 2015, the state-of-the-art World Trade Center Transportation Hub will serve over 200,000 daily commuters and millions of annual visitors from around the world.

Designed by internationally acclaimed architect Santiago Calatrava, the 800,000-square-foot World Trade Center Transportation Hub will be the third-largest transportation center in New York City. Its iconic "Oculus" concourse will embody a triumph of aesthetics featuring a spectacular winglike design. The concourse will connect visitors to 11 subway lines, the PATH rail system, the Battery Park City Ferry Terminal, the World Trade Center Memorial site, One World Trade Center, 4 WTC, Brookfield Place and the soon-to-be-constructed 2 WTC and 3 WTC. This represents the most integrated network of underground pedestrian connections in New York City.

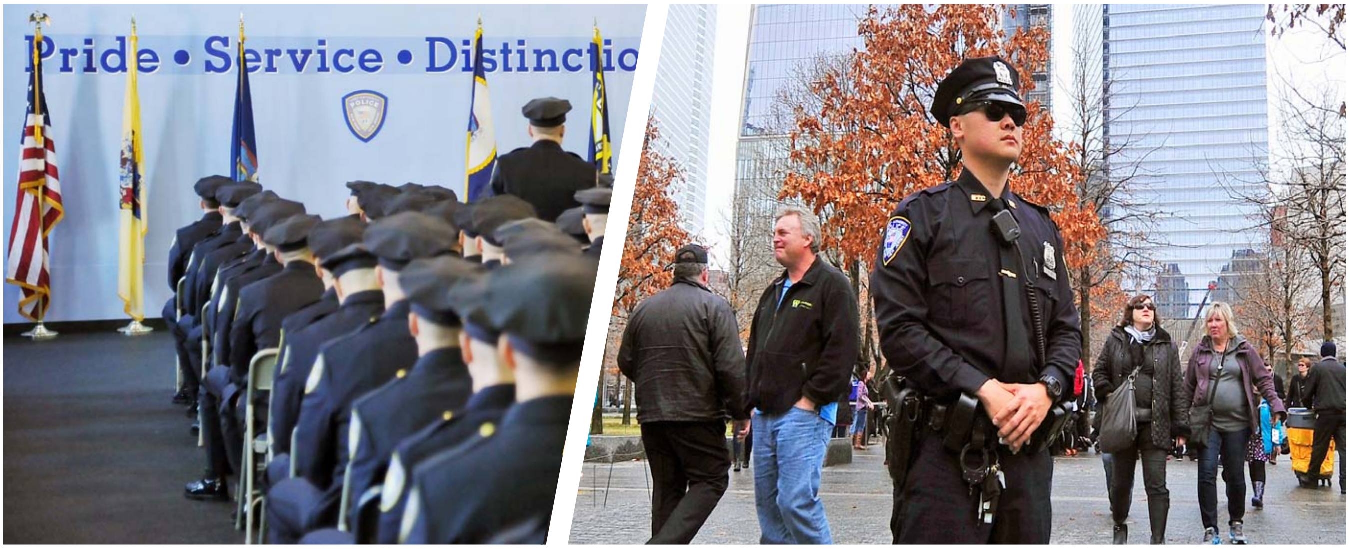
The Hub will also feature 225,000 square feet of exciting, multilevel retail and restaurant space. In other words, the Hub promises to serve as a destination location and a centerpiece for the entire district of Lower Manhattan.

3 WORLD TRADE CENTER

Designed by Pritzker Prize-winning architect Richard Rogers, 3 World Trade Center will ultimately soar 80 stories and boast 2.8 million square feet of office and retail space. This tower, currently well under construction, will have a reinforced concrete core surrounded by steel and clad in an external structural steel frame. Developer Silverstein Properties expects construction of 3 WTC to finish in 2018.



The Hub features an "Oculus" design, which will give the facility a distinctive, wing-like appearance. When completed, the "Oculus," the upper portion of the Transportation Hub, will serve as the main concourse.



Officers receive specialized training in counterterrorism, firefighting, and first aid before they graduate.

Putting safety and security first

The Port Authority Police Department (PAPD) is responsible for ensuring safety and security at all of the agency's land, sea, air and rail facilities. This includes four airports, four bistate bridges and two tunnels, the Port Authority Bus Terminal, the PATH rail system, the marine terminals in New York and New Jersey, and the World Trade Center.

A NEW CLASS ACCEPTS THE PLEDGES TO SERVE AND PROTECT

In January 2014, the PAPD welcomed 195 new police officers to the ranks at a graduation ceremony in Elizabeth, New Jersey. They were the first class to graduate and serve under the leadership of former Chief Security Officer Joseph Dunne. The officers completed a 26-week training program that included instruction in New York and New Jersey law, police procedures, firearms training, evidence collection, and traditional police training. Each officer also received specialized training in counterterrorism, firefighting, first aid, and the use of defibrillators.

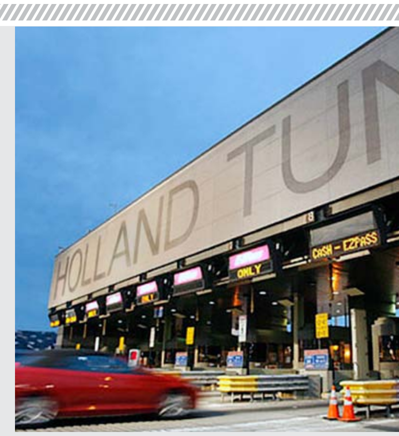
SAFETY IN NUMBERS

On August 22, 2014, the PAPD Academy graduated its largest class ever, 249 officers, at its 113th commencement. The group of 39 women and 210 men included 136 New Yorkers, 111 New Jerseyans, and one officer each from Connecticut and Pennsylvania. Twenty-six of the new officers are U.S. armed forces veterans. The 249 new officers brought the total strength of the PAPD to nearly 1,800.

Officers at the PAPD serve the public through remarkable deeds. In 2014, there were 74 interventions at the George Washington Bridge.

MAY DAY SURPRISE: PA OFFICERS DELIVER A BABY

Port Authority Police Officer Pasquale Carpentiere was assigned to red-light enforcement at the intersection of Hudson and Laight streets near the Holland Tunnel at about 11:30 p.m. on May 1 when a cab driver alerted him that his passenger was in labor. Officer Carpentiere called for an ambulance and began to assist the woman. Officer Jorge Negron arrived in short order, followed by Officer Agostinho Matias. The three delivered a 7.5-pound baby boy in the rear seat of the cab. Officer Matias, who is also a registered nurse, stabilized the mother and child until the arrival of New York City Fire Department EMS. At 11:55, the mother and child were transported to Bellevue Hospital Center.



(left) Solar panels installed at Newark Liberty International Airport offer an innovative way to reduce the agency's carbon footprint. (top) Now 85 percent of the agency's fleet is green and utilizes biodiesel, compressed natural gas, E-85, and hybrid-electric alternatives.

A place our children's children will call home

The Port Authority earned three prestigious awards in 2014 for its efforts to create a more sustainable region for our current and future generations.

JFK International Airport and the Port Authority's Office of Environmental and Energy Programs received the New York Power Authority (NYPA) Energy Conservation Excellence Award "in recognition and appreciation of contributions to energy conservation projects under NYPA's Energy Services Program." Also, the agency was honored to receive Empire Clean Cities' Green Fleet Award for creating one of the nation's greenest automotive fleets. Finally, the agency received an Innovation and Excellence in Energy Management Award from BuildSmart NY for its Guaranteed Energy Savings Project at the Port Authority Bus Terminal and the Lincoln Tunnel.

In 2014, the Port Authority's award-winning programs and other initiatives included:

LIGHTING UP THE LINCOLN TUNNEL WITH STATE OF THE ART LEDS

In mid-March, the agency announced its installation of 2,300 energy-efficient, light-emitting diode 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. The $2.1 million project began earlier in 2014 and was completed on time. The agency anticipates more than $1 million in additional energy savings annually over 15 years from lighting retrofits at the Port Authority Bus Terminal and on PATH's Journal Square platforms and concourse.

SOLAR POWER AT NEWARK AIRPORT

The Port Authority and Con Edison Solutions marked Earth Week 2014 by unveiling one of four new solar installations that will reduce emissions and produce clean energy at Newark Liberty International Airport. The installation features a 152-solar panel "farm" on the roof of Building 121, an AirTrain Newark electrical substation. The other three solar sites include a 312-panel project on Building 60, an AirTrain Newark maintenance building; a 585-panel installation on Building 79, a Port Authority maintenance building; and a 2,145-panel site on Building 157, a multitenant cargo building.

Solar panels positioned on rooftops are an innovative way to make use of little-used space to help reduce the agency's carbon footprint

In 2014, the Port Authority's automotive fleet ranked third greenest among 38,000 public agencies in an industry survey.

while also saving money and increasing resiliency. In all, the solar installations will supply Newark Liberty with about 817,000 kilowatt-hours of electricity annually, equivalent to powering 61 homes with electricity or removing 90 vehicles from the road each year. It is also equal to conserving 53,000 gallons of gasoline or 992 barrels of oil, or saving 3.5 acres of trees. And it will save the airport an estimated $60,000 per year in electricity costs.

EXPANDING ONE OF THE GREENEST AUTOMOTIVE FLEETS IN THE NATION

Early in 2014, the Board approved a $28 million investment for the purchase of more than 200 green vehicles. Putting these vehicles into service will mean that about 85 percent of the agency's fleet is environmentally responsible. The Port Authority's adoption of an alternative fuel strategy at many of its facilities has helped reduce its overall carbon output. This move, in turn, strikes a balance between protecting the region's environment and improving transportation infrastructure and creating economic growth. Last year, the Port Authority's fleet of roughly 2,000 on- and off-road vehicles ranked third greenest among 38,000 federal, state, and local agencies, according to an industry survey.

UP ON THE ROOF: HOLLAND TUNNEL'S ADMINISTRATION BUILDING GOES GREEN

In October and November, after several years of study and planning, the old roof of the Holland Tunnel's Administration Building was replaced by a new one topped with trays of sedum plants and monitoring equipment. The green roof project represented a collaboration of the Port Authority's Office of Environmental & Energy Programs and the Tunnels, Bridges & Terminals, Engineering, and Procurement Departments, and was the first such installation at an agency facility.

Green roofs can benefit a building by reducing "heat island" effects, improving the structure's longevity, improving air quality, and decreasing runoff, all of which boosts the building's resiliency. The monitoring equipment installed by Port Authority engineers will measure the roof's temperature profiles and other related environmental benefits. The data these instruments generate will be used to assess the roof as a pilot installation, with an eye toward replicating the project at other Port Authority facilities in the future.

HUDSON RARITAN ESTUARY RESOURCE PROGRAM

New York and New Jersey's extensive system of interconnected bays, rivers, estuaries and wetlands is one of the region's true natural treasures. As a dedicated steward of these critical ecosystems, the Port Authority works to protect these invaluable habitats through direct acts of preservation.

The green roof at the Holland Tunnel Administration Building covers 1,300 square feet and is the agency's first.

The Hudson-Raritan Estuary Resources Program, authorized by the Board in July 2001, provides for $60 million, $30 million in each state, for the acquisition of property in the Port District region of the Hudson-Raritan Estuary. In April 2014, the Port Authority Board of Commissioners unanimously approved an additional $30 million authorization each for the states of New York and New Jersey to preserve open space throughout the Hudson-Raritan Estuary area.

Since the program's launch, the Port Authority Board has approved close to $54 million for property transactions and improvements through funding agreements and reimbursements to preserve open spaces throughout the Hudson-Raritan Estuary. Through this program, the Port Authority has acquired 152 acres in New York and 242 acres in New Jersey.

The program provides the public with additional access to coastal resources, establishes new parkland in coastal and underserved communities, protects important wildlife, and provides ecological benefits that help reduce damage to property from major storm events. It serves as a counterweight to the impacts of the Port Authority's development in the region.

Supplier diversity: enriching our region

The Port Authority consistently demonstrates strong commitment to economic development and job creation. The agency 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.

AGENCY MWSBE SPEND IS THE LARGEST OF ANY REGIONAL AGENCY

In 2014, the agency awarded $436 million to minority, women-owned, and small business enterprises (MWSBEs), the largest spend with MWSBEs of any regional agency. These contracts created an estimated 3,572 job-years, $220 million in wages, and approximately $748 million in economic activity throughout the region.

MWSBE activity from World Trade Center tenants and partners in both the Goethals Bridge Modernization Program and the George Washington Bridge Bus Station Renovation yielded an additional $114.5 million in awards.

As in years past, the agency's Mentor-Protégé Program led the overall initiative to build capacities among MWSBEs. The Mentor-Protégé Program matches qualified MWSBEs with some of the region's leading construction companies to

$436 million
Awarded to MWSBE firms in 2014.

The 2014 Business Summit was held at York College. Attendees learned about the agency's 10-year capital program and the benefits of becoming a certified business.

increase the MWSBEs' likelihood of successfully bidding on larger-scale contracts. Fifteen MWSBEs participated in the 2014 Mentor-Protégé Program. Three protégés were awarded three Port Authority prime contracts totaling approximately $2.1 million while seven protégés were awarded 13 subcontracts totaling $6.4 million. Subcontracts included work on some of the Port Authority's major capital projects.

A ROBUST COMMUNITY: THE MWSDBE BUSINESS SUMMIT

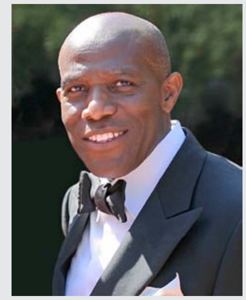
Approximately 150 people attended the Port Authority's MWSDBE Business Summit on February 28, at York College in Queens. The summit acquainted attendees with the proper methodology for becoming a Port Authority-certified MWSBE.

Staff from the agency's Aviation, Engineering, Government & Community Affairs, Business Diversity & Civil Rights, and Procurement departments collaborated on the program. Attendees learned about Port Authority goods and services contracts; the agency's 10-year, $27.6 billion capital plan; the current, wide slate of state-of-good-repair projects; and the agency's various strategies to increase opportunities for MWSDBE firms. Queens Borough President Melinda Katz was a featured speaker at the event. Ms. Katz encouraged local firms to take advantage of the opportunity to become certified.

EMBRACING LINGUISTIC DIVERSITY

As the recipient of federal funds, the Port Authority has adopted a framework to ensure that people with limited language skills have meaningful access to the agency's programs and services. This includes translating content posted on the agency's website into the Limited English Proficiency languages outlined in the related geographical program area. In addition, the agency translates notices for all public meetings as appropriate. Members of the public also have the option of requesting to have an interpreter present at the meeting, and meetings are held at Americans with Disabilities Act-compliant facilities.

Remembering excellence



Unveiling the plaque at the dedication ceremony at the Emergency Operations Center on December 8, 2014, are (from left) Ernesto L. Butcher's daughter, Mijha Godfrey; and his wife, Kristen Peck Butcher.

On December 8, 2014, the Port Authority dedicated its Emergency Operations Center to the late Ernesto L. Butcher as a tribute to his exemplary and inspiring leadership during his 41-year career at the agency.

During his many years of service, Butcher earned the high regard of all those with whom he worked. Past and current agency employees knew him as a dedicated, courageous, and compassionate leader – particularly in the days after 9/11.

Before stepping into the role of Chief Operating Officer, Butcher held numerous positions, including Manager of the George Washington Bridge, Manager of the Port Authority Bus Terminal, Deputy Director of the Interstate Transportation Department, and Director of the Tunnels, Bridges, & Terminals Department. He was a long-standing member of the Port Authority Ethics Board and known for the encouragement and sound career guidance he provided to agency staff.

Butcher was a recipient of the Howard S. Cullman Distinguished Service Medal, the highest award for service given by the Board to a Port Authority employee.

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, collectively referred to herein as the "Port Authority") as of and for the years ended December 31, 2014, and December 31, 2013, 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 13, 2015, 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 by the Port Authority Board of Commissioners' ("Board of Commissioners") Audit Committee 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 centered on New York Harbor. The Port Authority raises the funds necessary for the improvement, construction, or acquisition of its facilities primarily 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 financial planning process integrates an annual budget process with multiyear projections. Through the capital plan and budget process, staff identifies strategic, financial, and operational risks 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 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 Bylaws 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. 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 in the seventeen counties comprising the Port District are on par with the national economy in terms of gains in output and employment.

Total regional employment levels currently exceed pre-recession levels primarily due to gains in various New York City employment sectors. These overall employment gains appear to be tempered by the fact that employment increases have occurred in sectors different from the sectors that lost the majority of the jobs during the recession. Finance, insurance, brokerage, and banking sectors, which traditionally have been major contributors to regional employment, continue to achieve slower growth than other economic sectors, including leisure, hospitality, tourism, and health care. These structural shifts in employment sectors have likely affected traffic volumes at Port Authority tunnels and bridges.

Activity levels at Port Authority facilities, excluding tunnels and bridges, increased when compared to 2013. The region's three major airports saw passenger levels increase 3.3 percent in 2014 to an all time high of 115 million passengers. These increases in aviation passengers were primarily due to the continuing improvement in the U.S. economy that spurred international passenger travel throughout 2014. PATH passenger volumes increased 1.3 percent in 2014 to 74 million passengers. This increase in PATH ridership was primarily due to the full restoration of weekday PATH service to pre-Superstorm Sandy levels in the second quarter of 2013. Containerized cargo levels at Port Commerce facilities increased 5.4 percent to 3.3 million containers in 2014 primarily due to the continuing improvement in the U.S. economy and the diversion of cargo from West Coast ports. Vehicular activity levels at Port Authority Hudson River vehicular crossings totaled 114 million vehicles in 2014, a decrease of 1.4 percent when compared to 2013. This decline in vehicular activity was primarily the result of inclement weather conditions in the first quarter of 2014 and structural shifts in employment sectors that traverse Port Authority tunnel and bridge crossings.

The Port Authority continues to monitor the economic environment in order to develop budgets that are fiscally sustainable and responsive to the transportation and 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, 2013. The Port Authority has received this award since 1984, making this the 30th 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 13, 2015

Government Finance Officers Association

Certificate of
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for Excellence
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Presented to

**The Port Authority
of New York and New Jersey**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

Index to Financial Section

51 Independent Auditors' Report

55 Management's Discussion and Analysis (Unaudited)

BASIC FINANCIAL STATEMENTS

66 Consolidated Statements of Net Position

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

68 Consolidated Statements of Cash Flows

70 Notes to Consolidated Financial Statements

101 Required Supplementary Information (Unaudited)

FINANCIAL STATEMENTS PURSUANT TO PORT AUTHORITY BOND RESOLUTIONS

102 Schedule A – Revenues and Reserves

103 Schedule B – Assets and Liabilities

104 Schedule C – Analysis of Reserve Funds

STATISTICAL SECTION

105 Statistical Section Narrative

106 Schedule D-1 – Selected Statistical Financial Trends Data

108 Schedule D-2 – Selected Statistical Debt Capacity Data

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

112 Schedule E – Information on Port Authority Operations

113 Schedule F – Information on Capital Investment in Port Authority Facilities

114 Schedule G – Port Authority Facility Traffic (Unaudited)

The Port Authority of New York and New Jersey Comprehensive Annual Financial Report for the Year Ended December 31, 2014

Prepared by the Marketing and Comptroller's departments of The Port Authority of New York and New Jersey
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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, 2014 and 2013, 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, 2014 and 2013, 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.

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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits for the years ended December 31, 2014 and 2013 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 Index to Financial Section, related to the years ended December 31, 2014 and 2013 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, 2014 and 2013, 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 the years ended December 31, 2014 and 2013 is fairly stated, in all material respects, in relation to the 2014 and 2013 consolidated financial statements, respectively, as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of the Port Authority as of and for the year ended December 31, 2012 (not presented herein), and have issued our report thereon dated February 25, 2013, which contained an unmodified opinion on the consolidated financial statements. The supplementary information included in Schedules D-1 and D-2, as listed in the Index to Financial Section, for the year ended December 31, 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 2012 consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the 2012 consolidated financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those consolidated financial statements or to those 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 and D-2 related to the year ended December 31, 2012 is fairly stated, in all material respects, in relation to the 2012 consolidated financial statements as a whole.

The Port Authority's consolidated financial statements for the years ended December 31, 2005 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 2005 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 and the Corporate Information, as listed in the table of contents, and Schedules D-3 and G, as listed in the Index to Financial Section, 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 it.

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, 2014, 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; this includes 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.

KPMG

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, 2014, 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, 2013, and we expressed an unmodified audit opinion on them in our report dated March 6, 2014. In our opinion, the summarized comparative information presented on Schedules A, B, and C herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited Schedules A, B and C as of and for the year ended December 31, 2013 from which it has been derived.

Emphasis of Matter

Basis of Accounting

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

Restriction on Use

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

KPMG LLP

New York, New York
March 13, 2015

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 its 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, 2014, with selected comparative information for the years ended December 31, 2013 and December 31, 2012. 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.

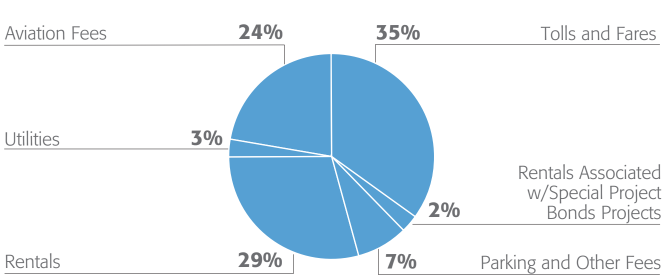
2014 Financial Results

The Port Authority's net position increased $1.05 billion in 2014, comprised of $615.4 million in income from operations and $430.8 million in income from non-operating activities.

Description	2014
	(In thousands)
Gross operating revenues	$ 4,481,812
Operating expenses	(2,923,254)
Depreciation and amortization	(996,633)
Net revenue related to Superstorm Sandy	53,530
Income from operations	615,455
Non-operating expenses, net	(502,681)
Capital contributions and Passenger Facility Charges (PFCs)	933,439
Income from non-operating activities	430,758
Increase in net position	$ 1,046,213

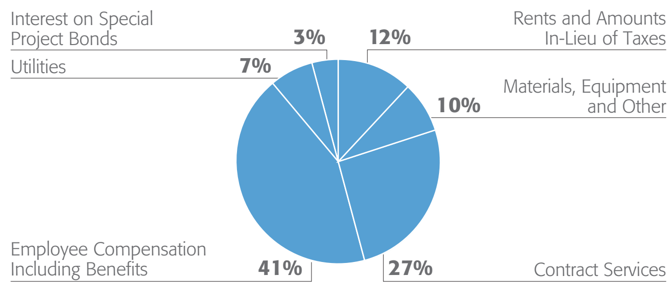
Gross operating revenues totaled $4.5 billion in 2014, comprised of:

2014 GROSS OPERATING REVENUE



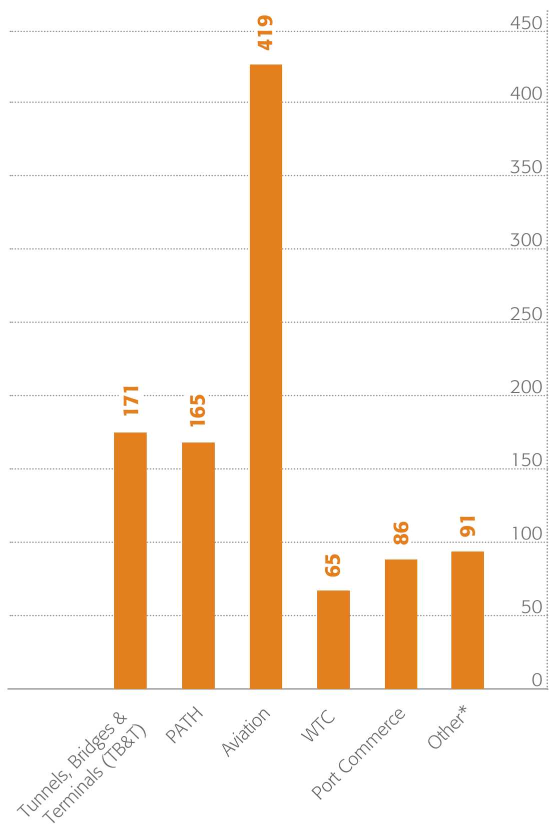
Operating expenses totaled $2.9 billion in 2014, comprised of:

2014 OPERATING EXPENSES



Depreciation and amortization totaled $997 million in 2014, comprised of:

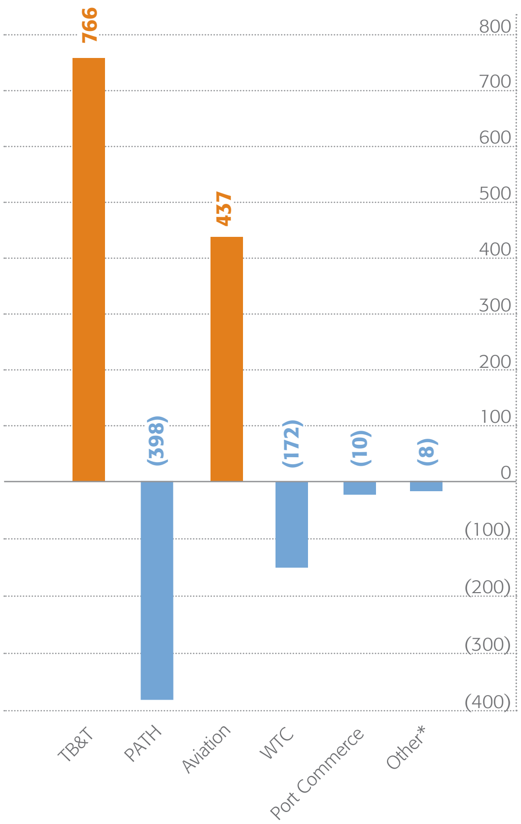
DEPRECIATION AND AMORTIZATION
(IN $ MILLIONS)



*Other includes Regional, Development, Access to the Regions Core and Ferry Transportation Facilities.

Income (Loss) from Operations totaled $615 million in 2014, comprised of:

2014 INCOME/(LOSS) FROM OPERATIONS
(IN $ MILLIONS)



*Other includes Regional, Development, Access to the Regions Core and Ferry Transportation Facilities; and Net revenues related to Superstorm Sandy.

Income from non-operating activities totaled $431 million in 2014, comprised of:

	(In millions)
Contributions in aid of construction, PFCs and pass-through amounts	$ 826
Grants in connection with operating activities	208
Interest income, including increases in fair value of investments	38
Net gain on disposition of assets	19
Interest expense in connection with bonds and other asset financing	(666)
4 World Trade Center (WTC) associated payments	6
Income from non-operating activities	**$ 431**

Other Activities

- Toll schedules for the Port Authority's six (6) vehicular crossings were revised effective September 18, 2011. The toll for automobiles paying with cash increased from $13.00 to $14.00 in December 2014, with a further increase of $1.00 scheduled in December 2015; the cash toll for truck classes 2-6 increased from $17.00 per axle to $19.00 per axle in December 2014, with a further increase of $2.00 per axle scheduled in December 2015; the cash toll for buses carrying 10 or more people increased from $22.00 to $23.00 in December 2014, with a further increase of $1.00 scheduled in December 2015. Discounts are available for vehicles using the E-ZPass electronic toll collection system and certain designated user programs.
- The PATH base fare schedule was revised effective September 18, 2011. The PATH base fare for a single trip increased from $2.50 per trip to $2.75 per trip on October 1, 2014. The cost of the multi-trip tickets and SmartLink passes increased on October 1, 2014 in a consistent manner with the base fare increase.
- On March 18, 2014, the Port Authority transferred its remaining interests in the World Trade Center Retail Joint Venture to Westfield America, Inc. (Westfield). As a result of the establishment of, and transfer of its interests in the joint venture to Westfield, the Port Authority presently expects, subject to the completion of construction of the premises covered by the retail net lease, to receive payments totaling up to approximately $1.4 billion from Westfield. The Port Authority will continue to be the landlord of the retail components of the World Trade Center site under the existing net lease which provides for nominal annual rentals. (See *Note K – Information with Respect to the Redevelopment of the World Trade Center Site).*
- On November 14, 2014, the Port Authority entered into a structured sale agreement with a third party for the sale of the Newark Legal and Communications Center Urban Renewal Corporation (NLCCURC) for $42 million.
- On December 10, 2014, the Board of Commissioners approved a combined operating & capital budget for 2015. To obtain a copy of the 2015 budget, please refer to the following link: http://www.panynj.gov/corporate-information/pdf/2015_Final_Budget_Book_010715.pdf.

Financial Statement Comparison for the Years Ended December 31, 2014, December 31, 2013 and December 31, 2012

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

Consolidated Statements of Net Position

The Consolidated Statements of Net Position present the financial position of the Port Authority at the end of the fiscal year and include all of its assets, deferred outflows of resources, liabilities, and deferred inflows of resources as applicable. 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:

	2014	2013	2012
		(In thousands)	
ASSETS			
Current assets	$ 2,845,980	$ 3,497,235	$ 4,691,874
Noncurrent assets:			
Facilities, net	30,773,475	27,645,980	25,525,926
Other noncurrent assets	7,974,599	7,219,567	6,910,884
Total assets	41,594,054	38,362,782	37,128,684
DEFERRED OUTFLOWS OF RESOURCES			
Loss on debt refundings	108,447	108,657	94,636
Total deferred outflows of resources	108,447	108,657	94,636
LIABILITIES			
Current liabilities	3,036,635	3,089,787	2,788,155
Noncurrent liabilities:			
Bonds and other asset financing obligations	19,920,820	18,253,600	18,139,807
Other noncurrent liabilities	3,963,585	3,391,120	3,590,377
Total liabilities	26,921,040	24,734,507	24,518,339
DEFERRED INFLOWS OF RESOURCES			
Gain on debt refundings	6,921	8,605	4,498
Total deferred inflows of resources	6,921	8,605	4,498
NET POSITION			
Net investment in capital assets	10,402,894	9,442,138	9,273,213
Restricted	470,857	454,467	392,389
Unrestricted	3,900,789	3,831,722	3,034,881
Total net position	$14,774,540	$13,728,327	$12,700,483

Port Authority assets totaled $41.6 billion at December 31, 2014, an increase of $3.2 billion from December 31, 2013. This increase was primarily due to:

- Facilities, net, including contributed capital amounts increased $3.1 billion resulting from the continued capital investment in Port Authority facilities (see *Schedule F – Information on Capital Investment in Port Authority Facilities* for additional information on capital investment by business segment).
- Cash balances, including restricted amounts decreased $555 million during 2014 primarily due to the reallocation of cash to U.S. Treasury notes and a $1.9 billion draw down of cash used for capital and financing activities. Offsetting these amounts was a $2.1 billion increase in cash flows from operations (for additional information see Consolidated Statements of Cash Flows).
- Current and noncurrent investments increased $792 million primarily due to the increases related to the purchases of U.S. Treasury Notes.

Port Authority liabilities totaled $26.9 billion at December 31, 2014, an increase of $2.2 billion from December 31, 2013. This increase was primarily due to:

- Bonds and other asset financing obligations, including discounts and premiums related to bond issuances increased $1.4 billion primarily due to the issuance of consolidated bonds in connection with the Port Authority's capital plan.
- Accounts payable increased $259 million primarily due to the increase in construction accruals relating to capital projects at the Lincoln Tunnel, George Washington Bridge and 4 World Trade Center for the construction of Port Authority office space.
- Other liabilities increased $645 million primarily due to unearned income related to the Port Authority's transfer of its remaining interests in the WTC Retail Joint Venture.
- Accrued pension and other noncurrent employee benefits decreased $89 million primarily due to advanced fundings made to The Port Authority of New York and New Jersey Retiree Health Benefits Trust.

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:

	2014	2013	2012
		(In thousands)	
Gross operating revenues	$ 4,481,812	$ 4,184,039	$ 4,050,016
Operating expenses	(2,923,254)	(2,596,268)	(2,589,447)
Depreciation and amortization	(996,633)	(940,254)	(961,958)
Net revenue/(expense) related to Superstorm Sandy	53,530	28,229	(30,000)
Income from operations	615,455	675,746	468,611
Non-operating expenses, net	(502,681)	(562,101)	(557,648)
Capital contributions and PFCs	933,439	914,199	1,223,580
Increase in net position	$ 1,046,213	$ 1,027,844	$ 1,134,543

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:

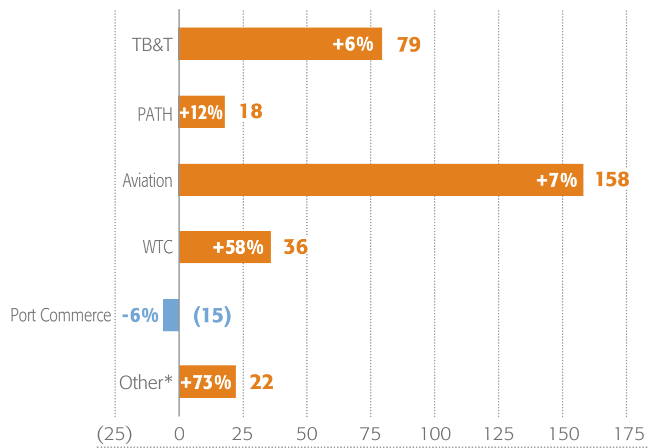
	2014	2013	2012
		(In thousands)	
Gross operating revenues:			
Tolls and fares	$ 1,553,625	$ 1,462,957	$ 1,337,372
Rentals	1,300,818	1,228,491	1,208,730
Aviation fees	1,058,416	934,459	904,666
Parking and other	321,760	315,111	338,178
Utilities	149,052	139,835	152,945
Rentals – Special Project Bonds Projects	98,141	103,186	108,125
Total	$ 4,481,812	$ 4,184,039	$ 4,050,016

2014 vs. 2013

Gross operating revenues of $4.5 billion increased $298 million or 7% from 2013. Tunnel and Bridge revenues generated at the Port Authority's six (6) vehicular crossings increased $74 million in 2014 due to increases in tolling rates that became effective in December 2013 and December 2014, respectively. Partially offsetting these toll rate increases was an overall decline in vehicular traffic of 1.4%. Aviation revenues increased $158 million in 2014 primarily due to an increase in Aviation Fees which are formulaically calculated based on capital investment and operating and maintenance expenses incurred by the Port Authority at certain aviation facilities. WTC revenues increased $36 million primarily due to rental income related to occupied office space in One WTC.

The following chart depicts the 2014 overall change in total gross operating revenues by business segment:

2014 CHANGE IN TOTAL GROSS OPERATING REVENUES
(IN $ MILLIONS)



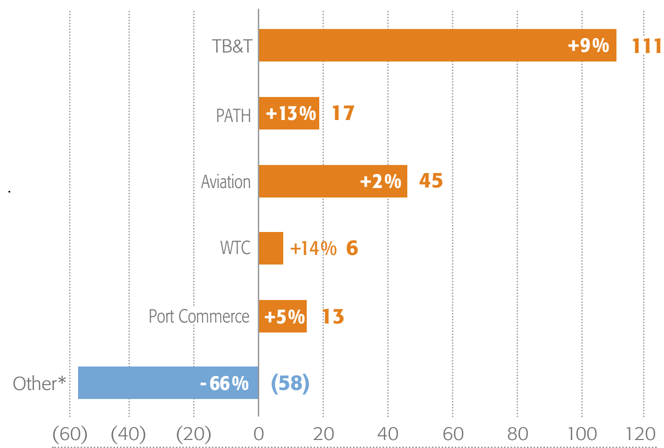
*Other includes Regional, Development and Ferry Transportation Facilities.

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. This overall increase in operating revenues was due to a $109 million increase in toll revenues generated at the Port Authority's six (6) vehicular crossings resulting from the scheduled increases in tolling rates that became effective in December 2012 and December 2013. This increase in tolling rates was partially offset by a 0.5% decrease in vehicular activity.

The following chart depicts the 2013 overall change in total gross operating revenues by business segment:

2013 CHANGE IN TOTAL GROSS OPERATING REVENUES
(IN $ MILLIONS)



*Other includes Regional, Development and Ferry Transportation Facilities.

Operating Expenses

A summary of operating expenses follows:

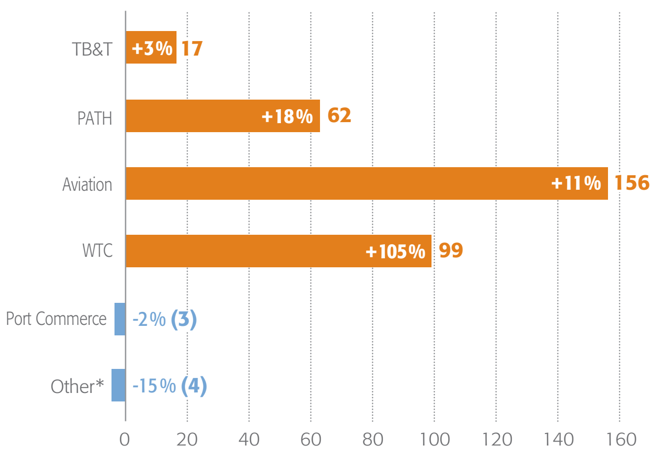
	2014	2013	2012
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	$1,187,877	$1,114,397	$1,038,243
Contract services	797,516	684,411	749,106
Rents and amounts in-lieu-of taxes	362,627	301,582	304,020
Materials, equipment and other	277,174	220,859	215,937
Utilities	199,919	171,833	174,016
Interest on Special Project Bonds	98,141	103,186	108,125
Total	$2,923,254	$2,596,268	$2,589,447

2014 vs. 2013

Operating expenses totaled $2.9 billion in 2014, a $327 million or 12.6% increase from 2013. This overall increase in operating expenses was primarily related to a $37 million increase in snow and ice removal operations at Port Authority facilities due to inclement weather conditions in the first quarter of 2014, a $55 million increase in aircraft rescue and fire fighting (ARFF) activities related to the creation of dedicated ARFF cadres at certain aviation facilities, a $99 million increase in expenses associated with transitioning certain components of the World Trade Center site to a fully operational status, a $20 million increase relating to self insured public liability and workers compensation loss reserves, a $39 million increase in PATH operating costs related to Super Bowl and Pulaski Skyway regional support activities and a $31 million increase from accelerated rental expense related to vacated temporary corporate offices. Offsetting these increases was a $35 million decrease in public safety expenditures.

The following chart depicts the 2014 overall change in total operating expenses by business segment:

2014 CHANGE IN TOTAL OPERATING EXPENSES
(IN $ MILLIONS)

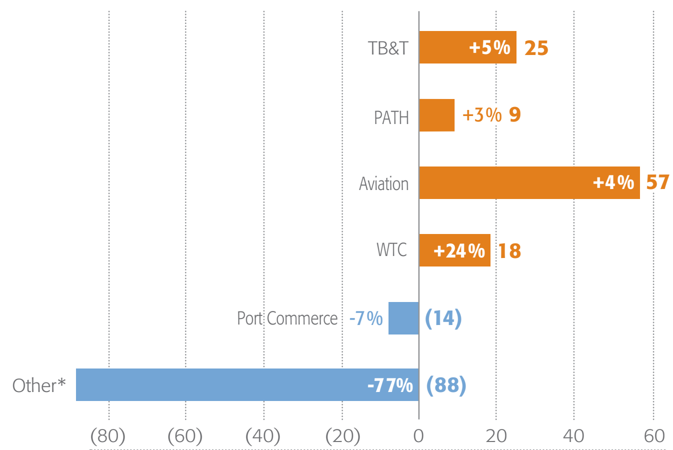


*Other includes Regional, Development, Access to the Regions Core and Ferry Transportation Facilities.

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 employee compensation increasing $76 million due to increases in policing activities, operation and maintenance activities, including snow & ice removal operations and Other Postemployment Employee Benefits (OPEB). Offsetting these increases was a $65 million decrease in contract services costs resulting from lower contractor payments due the private full service vendor operating the Essex County Resource Recovery Facility (ECRR) and the 2012 completion of the Port Authority financial commitments to Brooklyn Bridge Park Development Corporation.

2013 CHANGE IN TOTAL OPERATING EXPENSES
(IN $ MILLIONS)



*Other includes Regional, Development, Access to the Regions Core and Ferry Transportation Facilities.

Depreciation and Amortization

A summary of depreciation and amortization follows:

	2014	2013	2012
		(In thousands)	
Depreciation and amortization			
Depreciation of facilities	$932,149	$875,979	$884,239
Amortization of costs for regional programs	64,484	64,275	77,719
Total	$996,633	$940,254	$961,958

2014 vs. 2013

Depreciation and amortization increased $56 million primarily due to the impact of transferring $6.9 billion of capital investment to complete construction in 2014 that was primarily related to certain elements of the World Trade Center becoming ready for their intended use. These capital investments are now being depreciated over their estimated useful life on a straight line basis.

2013 vs. 2012

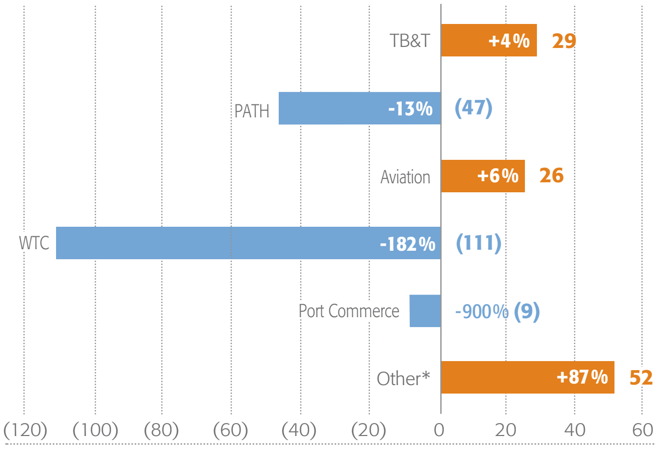
Depreciation and amortization decreased $22 million primarily due to decreases in amortization associated with the reclassification of certain regional programs and year-to-year decreases associated with fully depreciated capital assets at the WTC, Outerbridge Crossing and George Washington Bridge.

Income from Operations

2014 vs. 2013

Income from operations of $615 million declined $60 million in 2014 primarily due to increases in depreciation and operating expenses relating to the transition of certain components of the WTC site to an operational status.

2014 CHANGE IN INCOME/(LOSS) FROM OPERATIONS
(IN $ MILLIONS)

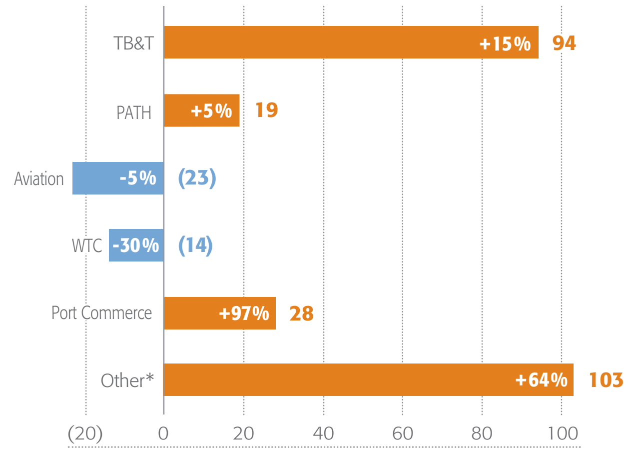


*Other includes Regional, Development, Access to the Regions Core and Ferry Transportation Facilities; and Net revenues related to Superstorm Sandy.

2013 vs. 2012

The 2013 change in Income/(Loss) from operations totaled $207 million, comprised of:

2013 CHANGE IN INCOME/(LOSS) FROM OPERATIONS
(IN $ MILLIONS)



*Other includes Regional, Development, Access to the Regions Core and Ferry Transportation Facilities; and Net revenues related to Superstorm Sandy.

Non-Operating Revenues and Expenses

A summary of Non-Operating Revenues and Expenses follows:

	2014	2013	2012
		(In thousands)	
Non-operating revenues and (expenses):			
Interest income	$ 41,050	$ 35,036	$ 37,510
Net (decrease)/increase in fair value of investments	(2,950)	(26,428)	2,151
Interest expense in connection with bonds and other asset financing	(666,244)	(623,353)	(658,313)
Net gain/(loss) on disposition of assets	19,043	4,423	(4)
Pass-through grant program payments	(107,606)	(176,848)	(56,446)
4 WTC associated payments	6,128	36,660	65,293
Grants	207,898	188,409	52,161
Non-operating expenses, net	$(502,681)	$(562,101)	$(557,648)

2014 vs. 2013

- Financial income, including interest income and changes to the fair value of investments increased $29.4 million in 2014 primarily due to a $23.4 million year-to-year increase in market valuation adjustments associated with the fluctuation of interest rates and their impact on the Port Authority's $5.2 billion investment portfolio, which is primarily comprised of U.S. Treasury Notes.
- Interest expense in connection with bonds and other asset financings increased $43 million in 2014 primarily due to lower capitalized interest related to ongoing construction projects.
- Gains and losses related to the disposition of assets increased $14.6 million due to the structured sale agreement of the Newark Legal Communications Center (NLCC).
- Grants in connection with operating activities increased $19 million in 2014 primarily due to a $66 million increase in Department of Homeland Security (DHS) funding for port security related projects. Offsetting these amounts was a decrease in grants relating to Superstorm Sandy immediate repairs.
- Pass–through grant program payments to sub-grantees decreased $69 million in 2014 primarily due to decreased funding associated with baggage screening projects at aviation facilities and port 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.

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 market valuation adjustments related to United States Treasury securities and the impact of 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 Federal Transit Administration (FTA) and Federal Emergency Management Agency (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.

Capital Contributions and Passenger Facility Charges

Summary of Capital Contributions and Passenger Facility Charges follows:

	2014	2013	2012
		(In thousands)	
Contributions in aid of construction	$700,267	$689,898	$ 997,441
Passenger Facility Charges	233,172	224,301	222,614
1 WTC LLC insurance proceeds	–	–	3,525
Total	$933,439	$914,199	$1,223,580

2014 vs. 2013

Contributions in aid of construction and PFCs increased $19 million primarily due to a $74 million increase in capital contributions from the Silverstein net lessees for the continued construction of WTC Towers 3 and 4, a $9 million increase in Passenger Facility Charges due to increased passenger activity at aviation facilities and a $10 million increase in FEMA reimbursements related to Superstorm Sandy permanent repairs. These increases were offset by a $38 million decrease in FTA contributions relating to the construction of the WTC Transportation Hub. In addition, an $80 million contribution in aid of construction was applied from New York State related to the construction of WTC Tower 3.

2013 vs. 2012

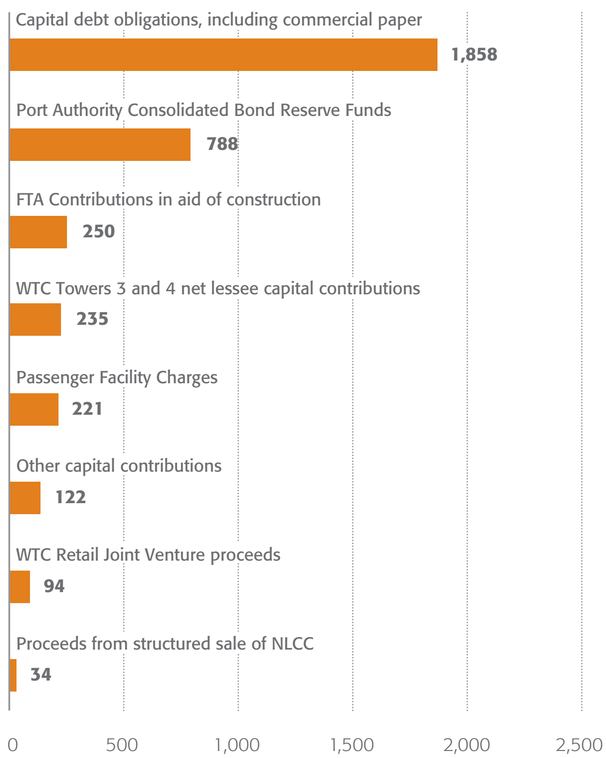
Contributions in aid of construction, PFCs, and 1 WTC LLC restricted insurance proceeds decreased $309 million in 2013, primarily due to a $164 million decrease in capital contributions from the Silverstein net lessees for the construction of WTC Towers 3 and 4, a $157 million decrease in funding from the FTA for the construction of the WTC Transportation Hub, and a $100 million decrease associated with a 2012 contribution from the WTC Retail Joint Venture, Westfield member 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).

Capital Construction Activities

Port Authority capital investment including contributed capital and accrued amounts relating to capital construction totaled $4.1 billion in 2014, $3.0 billion in 2013 and $3.3 billion in 2012.

CAPITAL FUNDING SOURCES 2014*

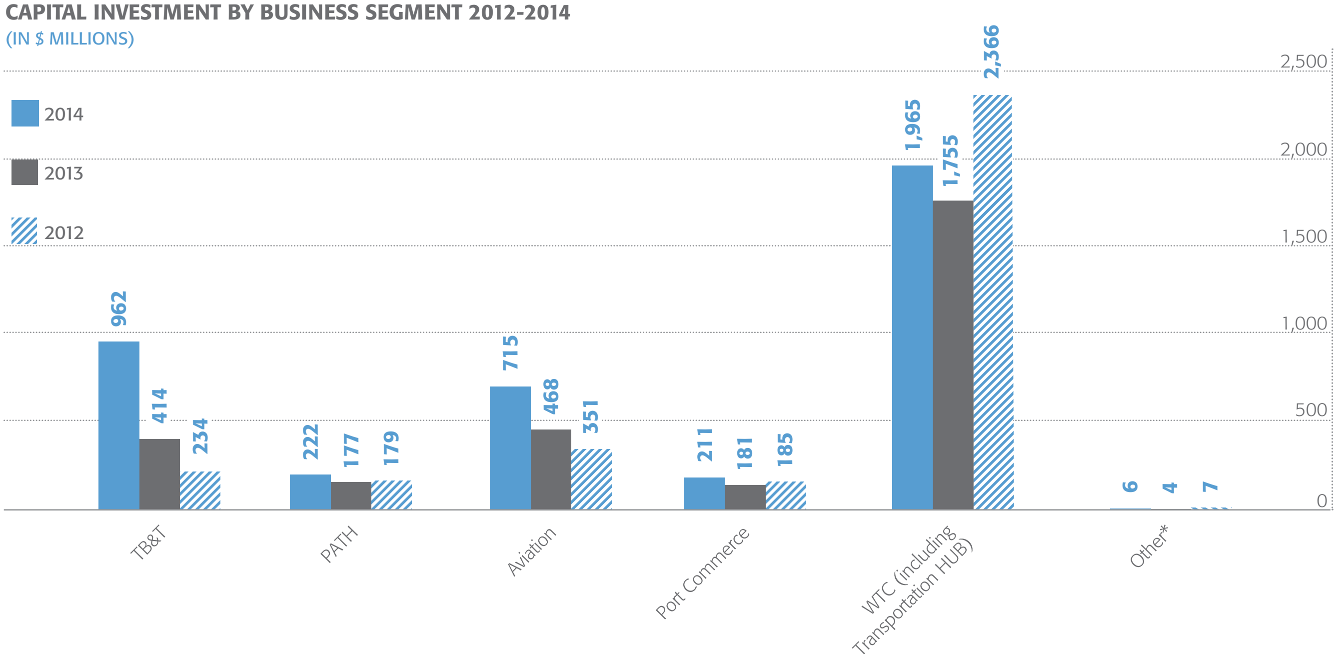
(IN $ MILLIONS)



*Capital funding sources exclude $479 million related to accrued amounts in connection with capital construction.

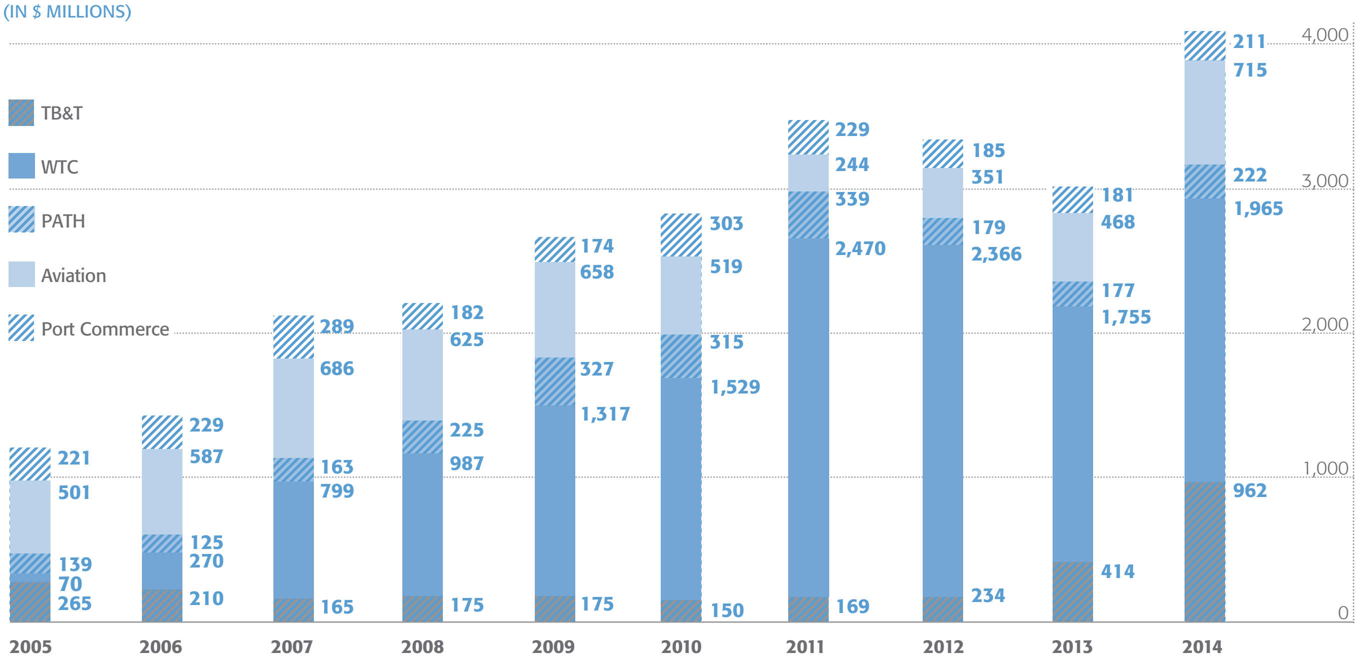
The following chart depicts capital investment for the last three years summarized by business segment:

CAPITAL INVESTMENT BY BUSINESS SEGMENT 2012-2014
(IN $ MILLIONS)



*Other includes Regional, Development and Ferry Transportation Facilities.

CAPITAL INVESTMENT 2005 -2014*
(IN $ MILLIONS)



*Capital Investment excludes Regional, Development, Access to the Regions Core and Ferry Transportation Facilities.

On February 19, 2014, the Board of Commissioners adopted a ten-year, 2014-2023 capital plan (the "2014-2023 Capital Plan"). The 2014-2023 Capital Plan, which totals approximately $27.6 billion, includes a planned spending program of $15.8 billion in the first five years, developed using a comprehensive planning process and risk-based prioritization that considered asset condition, operational and revenue impact, threat assessment, customer service, regional benefit, and regulatory or statutory requirements. To obtain a copy of the 2014-2023 Capital Plan please refer to the following link: **http://www.panynj.gov/corporate-information/pdf/2014-public-capital-plan.pdf**

On July 25, 2014 as an interim measure, the Board of Commissioners of the Port Authority authorized the implementation of a "Quality of Commute" improvement program to provide for short-term improvements at the Port Authority Bus Terminal, consisting of projects to improve on-time performance and customer service with a total capital program cost of $90 million, with appropriate 2014-2023 Capital Plan reallocations to support this program.

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

Capital Financing and Debt Management

As of December 31, 2014, bonds and other asset financing obligations of the Port Authority totaled approximately $20.8 billion, excluding $1.2 billion associated with the Tower 4 Liberty Bonds for which the Port Authority is a co-borrower/obligor.

During 2014, the Port Authority issued $2.9 billion of consolidated bonds. Of this amount, $1.8 billion was allocated to fund capital project expenditures and $1.1 billion was allocated for the purpose of refunding existing outstanding obligations. In addition, the Port Authority issued commercial paper notes totaling $1.2 billion. Of this amount, $1.0 billion was allocated for the purpose of refunding existing commercial paper notes and $253 million was issued to fund capital construction or project expenditures.

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. All ratings for outstanding obligations in 2014 remained the same when compared to 2013. During 2014, Standard and Poor's (S&P), Fitch Ratings and Moody's Investors Service considered the Port Authority's outlook stable.

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

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

	December 31, 2014	2013
	(In thousands)	
ASSETS		
Current assets:		
Cash	$ 1,624,605	$ 2,210,039
Restricted cash	213,799	183,487
Investments	353,491	410,018
Current receivables, net	482,297	451,644
Other current assets	141,131	194,754
Restricted receivables and other assets	30,657	47,293
Total current assets	2,845,980	3,497,235
Noncurrent assets:		
Restricted cash	7,087	6,583
Investments	3,180,386	2,342,391
Restricted investments – PAICE	182,585	172,064
Other amounts receivable, net	56,640	38,453
Other noncurrent assets	1,434,828	1,408,623
Restricted noncurrent assets – PAICE	8,109	10,028
Amounts receivable – Special Project Bonds	1,513,892	1,587,468
Amounts receivable – Tower 4 Liberty Bonds	1,248,085	1,248,697
Unamortized costs for regional programs	342,987	405,260
Facilities, net	30,773,475	27,645,980
Total noncurrent assets	38,748,074	34,865,547
Total assets	41,594,054	38,362,782
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refundings	108,447	108,657
Total deferred outflows of resources	108,447	108,657
LIABILITIES		
Current liabilities:		
Accounts payable	1,289,162	1,029,780
Accrued interest and other current liabilities	448,060	582,493
Restricted other liabilities – PAICE	7,580	3,746
Accrued payroll and employee benefits	404,998	352,748
Current portion bonds and other asset financing obligations	886,835	1,121,020
Total current liabilities	3,036,635	3,089,787
Noncurrent liabilities:		
Accrued pension and other postemployment employee benefits	190,286	279,220
Other noncurrent liabilities	315,716	229,884
Unearned income related to WTC Retail Joint Venture	645,485	–
Restricted other noncurrent liabilities – PAICE	50,121	45,851
Amounts payable – Special Project Bonds	1,513,892	1,587,468
Amounts payable – Tower 4 Liberty Bonds	1,248,085	1,248,697
Bonds and other asset financing obligations	19,920,820	18,253,600
Total noncurrent liabilities	23,884,405	21,644,720
Total liabilities	26,921,040	24,734,507
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	6,921	8,605
Total deferred inflows of resources	6,921	8,605
NET POSITION	$14,774,540	$13,728,327
Net position is composed of:		
Net investment in capital assets	$10,402,894	$ 9,442,138
Restricted:		
Passenger Facility Charges	193,678	181,358
Port Authority Insurance Captive Entity, LLC	177,179	173,109
Minority Interest in Tower 1 Joint Venture LLC	100,000	100,000
Unrestricted	3,900,789	3,831,722
NET POSITION	$14,774,540	$13,728,327

See Notes to Consolidated Financial Statements

	Year ended December 31, 2014	2013
	(In thousands)	
Gross operating revenues:		
Tolls and fares	$ 1,553,625	$ 1,462,957
Rentals	1,300,818	1,228,491
Aviation fees	1,058,416	934,459
Parking and other	321,760	315,111
Utilities	149,052	139,835
Rentals – Special Project Bonds Projects	98,141	103,186
Total gross operating revenues	4,481,812	4,184,039
Operating expenses:		
Employee compensation, including benefits	1,187,877	1,114,397
Contract services	797,516	684,411
Rents and amounts in-lieu-of taxes	362,627	301,582
Materials, equipment and other	277,174	220,859
Utilities	199,919	171,833
Interest on Special Project Bonds	98,141	103,186
Total operating expenses before depreciation, amortization and other operating expenses	2,923,254	2,596,268
Net (revenues) related to Superstorm Sandy	(53,530)	(28,229)
Depreciation of facilities	932,149	875,979
Amortization of costs for regional programs	64,484	64,275
Income from operations	615,455	675,746
Non-operating revenues and (expenses):		
Interest income	41,050	35,036
Net (decrease) in fair value of investments	(2,950)	(26,428)
Interest expense in connection with bonds and other asset financing	(666,244)	(623,353)
Gain on disposition of assets	19,043	4,423
Pass-through grant program payments	(107,606)	(176,848)
4 WTC associated payments	6,128	36,660
Grants	207,898	188,409
Non-operating expenses, net	(502,681)	(562,101)
Income before capital contributions and passenger facility charges	112,774	113,645
Capital contributions and Passenger Facility Charges:		
Contributions in aid of construction	700,267	689,898
Passenger Facility Charges	233,172	224,301
Total capital contributions and passenger facility charges	933,439	914,199
Increase in net position	1,046,213	1,027,844
Net position, January 1	13,728,327	12,700,483
Net position, December 31	$14,774,540	$13,728,327

See Notes to Consolidated Financial Statements

	2014	2013
	(In thousands)	
1. *Cash flows from operating activities:*		
Cash received from operations	$4,364,086	$4,083,637
Cash received related to WTC Retail Joint Venture	652,104	–
Cash received related to Superstorm Sandy insurance	74,657	486,660
Cash paid to or on behalf of employees	(1,224,562)	(1,135,562)
Cash paid to suppliers	(1,398,624)	(1,107,997)
Cash paid to municipalities	(350,144)	(306,556)
Net cash provided by operating activities	2,117,517	2,020,182
Cash flows from noncapital financing activities:		
Principal paid on noncapital financing obligations	(50,425)	(17,640)
Payments for Fund for regional development buy-out obligation	(51,214)	(51,212)
Interest paid on noncapital financing obligations	(36)	(71)
Grants received related to operating activities	171,300	80,071
Grants received related to Superstorm Sandy	52,585	57,180
Pass-through grant payments	(107,606)	(176,848)
Net cash provided by (used for) noncapital financing activities	14,604	(108,520)
Cash flows from capital and related financing activities:		
Investment in facilities and construction of capital assets	(3,032,734)	(2,676,463)
Proceeds from capital obligations issued for refunding purposes	2,307,220	2,528,981
Principal paid through capital obligations refundings	(2,662,510)	(2,477,115)
Proceeds from sales of capital obligations allocated for construction	2,009,742	405,689
Principal paid on capital obligations	(329,285)	(204,030)
Interest paid on capital obligations	(920,891)	(836,158)
Payments for MOTBY obligation	(5,000)	(30,000)
Contributions in aid of construction	431,173	531,054
Proceeds from Passenger Facility Charges	235,836	222,870
Proceeds from disposition of assets	33,328	4,444
Financial income allocated to capital projects	941	1,785
Net cash (used for) capital and related financing activities	(1,932,180)	(2,528,943)
Cash flows from investing activities:		
Purchase of investment securities	(2,659,230)	(2,600,790)
Proceeds from maturity and sale of investment securities	1,866,231	1,749,169
Interest received on investment securities	33,106	30,464
Other interest income	5,334	7,250
Net cash (used for) investing activities	(754,559)	(813,907)
Net (decrease) in cash	(554,618)	(1,431,188)
Cash at beginning of year	2,400,109	3,831,297
Cash at end of year	$1,845,491	$2,400,109

See Notes to Consolidated Financial Statements

	Year ended December 31, 2014	2013
	(In thousands)	
2. *Reconciliation of income from operations to net cash provided by operating activities:*		
Income from operations	$ 615,455	$ 675,746
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	932,149	875,979
Amortization of costs for regional programs	64,484	64,275
Amortization of other assets	48,106	288,221
Change in operating assets and operating liabilities:		
(Increase)/decrease in receivables	(13,299)	109,809
(Increase)/decrease in other assets	(94,214)	52,654
(Decrease)/increase in payables	(4,129)	5,017
(Decrease) in other liabilities	(38,523)	(28,978)
Increase in unearned income related to WTC Retail Joint Venture	645,485	–
(Decrease) in accrued payroll, pension and other employee benefits	(37,997)	(22,541)
Total adjustments	1,502,062	1,344,436
Net cash provided by operating activities	$2,117,517	$2,020,182

3. *Capital Obligations:*

Consolidated bonds and notes, commercial paper, variable rate master notes, Marine Ocean Terminal at Bayonne Peninsula Obligation (MOTBY), and the Goethals Bridge replacement capital asset obligation.

4. *Noncash investing, capital and financing activities:*

Noncash activity of $150 million in 2014 and $164 million in 2013 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 2014 and 2013, the Silverstein net lessees contributed $235 million and $161 million, respectively, towards construction of WTC Towers 3 and 4. In 2014 and 2013, preferred returns due the Tower 1 Joint Venture Durst member and the WTC Retail Joint Venture Westfield member totaled ($28.3) million and ($28.9) million, respectively. As of December 31, 2014, the Goethals Bridge replacement capital asset obligation totaled $210 million.

Noncash capital asset write-offs totaled $11 million in 2014 and $248 million in 2013. The 2013 amounts were primarily related to Superstorm Sandy.

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 May 6, 2014, the Audit Committee retained KPMG LLP as independent auditors to perform the independent audit for the year ending December 31, 2014.

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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

3. *Significant Accounting Policies*

a. Facilities, net are carried at cost. The cost of facilities includes interest incurred during the period that relates to the construction or production of the capital asset. The amount of capitalized interest is calculated by offsetting interest expense incurred with financial income earned on invested debt proceeds, from the date of the borrowing until the project is ready for its intended use. Generally, projects in excess of $100,000 for additions, asset replacements and/or asset improvements that benefit future periods or are expected to prolong the service life of the asset are capitalized (see *Note B – Facilities, Net*). Facilities, net does 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 PFCs, operating cash restricted for use by The Port Authority Insurance Captive Entity, LLC (PAICE) and insurance proceeds, which are restricted to business interruption and redevelopment expenditures.

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 related to payables, bonds, notes, or other liabilities 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. Revenues derived from the collection of PFCs, net of the air carriers' handling charges, are recognized as capital contributions 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 from WTC net lessees for the redevelopment of the World Trade Center Tower 2, 3 and 4 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*).

l. In accordance with GASB Statement No. 23, *"Accounting and Financial Reporting for Refundings of Debt Reporting by Proprietary Activities,"* 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 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. 68, *Accounting and Financial Reporting for Pensions* in June 2012 that is effective for financial statements for periods beginning after June 15, 2014. The objective of this statement is to improve the information provided in government financial reports about pension benefits provided to employees. The Port Authority is currently evaluating the impact the adoption of this Statement will have on its 2015 Consolidated Financial Statements.

o. For presentation purposes, certain amounts in the fiscal year 2013 financial statements have been reclassified to conform to the fiscal year 2014 financial statements herein. These reclassifications have no impact on the overall change in net position or cash flows.

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, C and D-2 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. These amounts are credited at par to Facility infrastructure investment in the capital fund 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.

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 in the Capital Fund at the capital asset's fair value.

h. Amounts received in connection with the March 18, 2014 transfer of the Port Authority's interests in the WTC Retail Joint Venture to Westfield are recognized in their entirety when they are received, and are recorded on that basis on *Schedule A – Revenue and Reserves.*

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

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

		December 31, 2014	2013
		(In thousands)	
Net position reported on Consolidated Statements of Net Position		$14,774,540	$13,728,327
Add:	Accumulated depreciation of facilities	13,173,338	12,324,757
	Accumulated retirements and gains and losses on disposition of assets	2,409,107	2,348,540
	Application of WTC Retail Joint Venture Payments	652,104	–
	Cumulative amortization of costs for regional programs	1,190,706	1,126,221
	Cumulative amortization of discount and premium	381,842	230,970
	Subtotal	17,807,097	16,030,488
Less:	Cumulative effect of adopting new accounting standards	275,539	275,539
	Deferred income – PFCs	193,678	181,358
	Income related to WTC Retail Joint Venture	6,619	–
	Subtotal	475,836	456,897
	Total	$32,105,801	$29,301,918
	Net assets reported on Schedule B – Assets and Liabilities (pursuant to Port Authority bond resolutions)	$32,105,801	$29,301,918

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

		December 31,	
		2014	2013
		(In thousands)	
Increase in Net Position reported on Consolidated Statements of Revenues, Expenses and Changes in Net Position		$1,046,213	$1,027,844
Add:	Depreciation of facilities	932,149	875,979
	Application of PFCs	221,156	175,421
	Amortization of costs for regional programs	64,484	64,275
	Amortization of discount and premium	(22,334)	(9,389)
	Restricted Financial Income – PAICE	(5,068)	4,305
	Application of WTC Retail Joint Venture Payments	652,104	–
	Appropriations for self-insurance	28,100	10,414
	Accelerated depreciation of brokerage commissions	–	(46,863)
	Subtotal	1,870,591	1,074,142
Less:	Debt maturities and retirements	226,205	204,000
	Repayment of asset financing obligations	105,562	15,701
	WTC T2 – T4 Net Lessee capital contributions	235,115	160,713
	Direct investment in facilities	1,473,432	1,059,756
	PFCs	233,172	224,301
	Income related to WTC Retail Joint Venture	6,619	–
	PFC interest income/Fair Value Adjustment	305	251
	Gain on disposition of assets	19,043	4,423
	Subtotal	2,299,453	1,669,145
	Total	$ 617,351	$ 432,841
	Increase in reserves reported on Schedule A – Revenues and Reserves (pursuant to Port Authority bond resolutions)	$ 617,351	$ 432,841

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)			
2014						
Capital assets not being depreciated:						
Land	$ 1,142,230	$ –	$ 60,033	$ –	$ (4,393)	$ 1,197,870
Construction in progress*	12,075,052	4,077,839	(6,986,237)	–	–	9,166,654
Total capital assets not being depreciated	13,217,282	4,077,839	(6,926,204)	–	(4,393)	10,364,524
Other capital assets:						
Buildings, bridges, tunnels, other structures	10,095,250	–	4,512,392	–	(84,570)	14,523,072
Machinery and equipment	8,129,404	–	907,909	–	(5,401)	9,031,912
Runways, roadways and other paving	4,629,992	–	449,170	–	(6,693)	5,072,469
Utility infrastructure	3,898,809	–	1,056,733	–	(706)	4,954,836
Total other capital assets being depreciated	26,753,455	–	6,926,204	–	(97,370)	33,582,289
Accumulated depreciation:						
Buildings, bridges, tunnels, other structures	(3,904,721)	–	–	(282,350)	71,057	(4,116,014)
Machinery and equipment	(3,881,963)	–	–	(294,337)	5,401	(4,170,899)
Runways, roadways and other paving	(2,654,311)	–	–	(193,430)	6,548	(2,841,193)
Utility infrastructure	(1,883,762)	–	–	(162,032)	562	(2,045,232)
Total accumulated depreciation	(12,324,757)	–	–	(932,149)	83,568	(13,173,338)
Facilities, net	$27,645,980	$4,077,839	$ –	$(932,149)	$(18,195)	$ 30,773,475

	Beginning of Year	Additions	Transfers to Completed Construction	Depreciation	Retirements/ Dispositions	End of Year
			(in thousands)			
2013						
Capital assets not being depreciated:						
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
Other capital assets:						
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
Accumulated depreciation:						
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

* Construction in progress includes the impact of capital write-offs totaling $11 million in 2014 and $248 million in 2013. The 2013 capital write-offs were primarily related to Superstorm Sandy.

1. Net interest expense added to the cost of facilities was $302 million in 2014 and $322 million in 2013.
2. Projects that have been suspended pending determination of their continued viability totaled $37.7 million in 2014 and $18.1 million in 2013.
3. The impact on depreciation accelerated for buildings, bridges, tunnels, and other structures was $29 million in 2014 and $11.6 million in 2013.
4. Retirements and Dispositions include the book value associated with the sale of capital assets.

Note C – Cash and Investments

1. The components of cash and investments are:

CASH	December 31, 2014	2013
	(In thousands)	
Cash on hand	$ 1,816	$ 1,780
Cash equivalents	1,843,675	2,398,329
Total cash	1,845,491	2,400,109
Less restricted cash	220,886	190,070
Unrestricted cash	$1,624,605	$2,210,039

PORT AUTHORITY INVESTMENTS, AT FAIR VALUE			December 31, 2014	2013
			(In thousands)	
	Port Authority	PAICE	Total	Total
United States Treasury notes	$ 3,036,036	$113,025	$3,149,061	$2,323,658
United States Treasury bonds	–	10,997	10,997	–
United States Treasury bills	68,000	–	68,000	55,000
United States government agency obligations	–	39,565	39,565	62,133
Treasury Securities – State and Local Government Series (SLGS)	–	–	–	355,001
United States Treasury obligations held pursuant to repurchase agreements	274,900	–	274,900	–
JFK International Air Terminal LLC obligations	92,716	–	92,716	105,658
Other governmental obligations	55,317	–	55,317	16,740
Corporate bonds	–	17,810	17,810	–
Accrued interest receivable	6,908	1,188	8,096	6,283
Total investments	3,533,877	182,585	3,716,462	2,924,473
Less current investments	353,491	–	353,491	410,018
Noncurrent investments	$3,180,386	$182,585	$3,362,971	$2,514,455

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 $1.835 billion at December 31, 2014. Of that amount, $12 million was secured through the basic FDIC deposit insurance coverage. The balance of $1.823 billion was fully collateralized with collateral held by a third party custodian acting as the Port Authority's agent and held by such custodian in the Port Authority's name.

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

Proceeds of Bonds and other asset financing obligations may be invested, on an interim basis, in conformance with applicable Federal laws and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time deposit accounts.

Consolidated Bond Reserve Fund and General Reserve Fund amounts may be invested in obligations of (or fully guaranteed by) the United States of America. Additionally, amounts in the Consolidated Bond Reserve Fund and the General Reserve Fund (subject to certain limitations) may be invested in obligations of the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and secured by a pledge of the General Reserve Fund.

Operating funds may be invested in various items including (a) direct obligations of the United States of America, obligations of United States government agencies, and sponsored enterprises that have the highest short-term ratings by two nationally recognized firms; (b) investment grade negotiable certificates of deposit and negotiable Bankers' Acceptances with banks having AA or better long-term debt rating, premier status and with issues actively traded in secondary markets; (c) commercial paper having only the highest short-term ratings separately issued by two nationally recognized rating agencies; (d) United States Treasury and municipal bond futures contracts; (e) certain interest rate exchange contracts with banks and investment firms; (f) certain interest rate options contracts that are limited to $50 million of underlying securities with a maturity of no greater than five years with primary dealers in United States Treasury securities; and (g) certain unrated obligations of JFKIAT LLC (presently comprising approximately 2.6% of total Port Authority investments at December 31, 2014) 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, 2014:

PA Investment Type	Fair Value	Weighted Average Maturity
	(In thousands)	(In days)
United States Treasury notes	$3,036,036	637
United States Treasury bills	68,000	3
United States REPO's	274,900	3
JFK International Air Terminal LLC obligations	92,716	3,989
Other government obligations	55,317	498
Total fair value of investments*	$3,526,969	
Investment weighted average maturity		661

*Excludes accrued interest receivable amounts of $6.9 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 (REPO's) 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, 2014.

4. The investment policies of PAICE have been established and approved by the PAICE Board of Directors, which is comprised of Port Authority executive staff. Consistent with the Port Authority Board of Commissioners' authorization with respect to the establishment of

PAICE as a wholly owned entity of the Port Authority, PAICE provides the Port Authority Board of Commissioners' Committee on Finance with periodic updates on PAICE's investment activities.

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

The following is the fair value and weighted average maturity of investments held by PAICE at December 31, 2014:

PAICE Investment Type	Fair Value	Weighted Average Maturity
	(In thousands)	(In days)
United States Treasury notes	$113,025	763
United States Treasury bonds	10,997	1,252
United States government agency obligations	39,565	657
Corporate bonds	17,810	770
Total fair value of investments*	$181,397	
Investment weighted average maturity		860

*Excludes accrued interest receivable amounts of $1.2 million.

Note D – Outstanding Obligations and Financing

Introduction

Throughout Note D obligations noted with (*) 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.

Outstanding bonds and other asset financing obligations

	December 31, 2014		
	Current	Noncurrent	Total
		(In thousands)	
A. Consolidated Bonds and Notes	$ 295,550	$19,412,388	$19,707,938
B. Commercial Paper Notes	448,185	–	448,185
C. Variable Rate Master Notes	77,900	–	77,900
D. Port Authority Equipment Notes	31,500	–	31,500
E. Fund for Regional Development Buy-Out Obligation	29,829	253,733	283,562
F. MOTBY Obligation	3,871	44,383	48,254
G. Tower 4 Liberty Bonds	–	1,248,085	1,248,085
H. Goethals Bridge Replacement Capital Asset Obligation	–	210,316	210,316
	$ 886,835	$21,168,905	$22,055,740

	December 31, 2013		
	Current	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	27,515	283,562	311,077
F. MOTBY Obligation	4,075	48,254	52,329
G. Tower 4 Liberty Bonds	–	1,248,697	1,248,697
	$1,121,020	$19,502,297	$20,623,317

Note D – Outstanding Obligations and Financing (continued)

A. Consolidated Bonds and Notes

		Dec. 31, 2013	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2014
			(In thousands)		
Seventy-fourth series	Due 2014	$ 4,078	$ 72	$ (4,150)	$ –
Eighty-fifth series	5.2%-5.375% due 2015-2028	80,500	–	(3,500)	77,000
Ninety-third series	6.125% due 2094	100,000	–	–	100,000
One hundred twenty-ninth series	4% due 2015	15,875	–	(7,800)	8,075
One hundred thirtieth series	3.75% due 2015	16,080	–	(7,895)	8,185
One hundred thirty-third series	3.6%-4.4% due 2014-2021	120,180	–	(120,180)	–
One hundred thirty-fourth series	4%-5% due 2014-2039	235,110	–	(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	334,110	–	(334,110)	–
One hundred thirty-seventh series*	5%-5.5% due 2014-2034	218,035	–	(218,035)	–
One hundred thirty-eighth series*	4.25%-5% due 2014-2034	311,285	–	(311,285)	–
One hundred thirty-ninth series*	4.5%-5% due 2015-2025	134,400	–	(9,620)	124,780
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**	4.5%-6.4% due 2015-2027	335,000	–	(35,000)	300,000
One hundred fifty-first series*	5.25%, 6% and 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 2015-2029	84,410	–	(4,080)	80,330
One hundred fifty-fifth series	2.75%-3.5% due 2015-2019	37,700	–	(12,000)	25,700
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 2015-2020	51,030	–	(18,030)	33,000
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 2015-2028	200,120	–	(13,290)	186,830
One hundred sixty-eighth series**	4.926% due 2051	1,000,000	–	–	1,000,000
One hundred sixty-ninth series*	4.5%-5% due 2015-2041	363,325	–	(19,695)	343,630
One hundred seventieth series (a)	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 2015-2037	374,685	–	(26,465)	348,220
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 2015-2042	420,660	–	(4,645)	416,015
One hundred seventy-sixth series**	0.6%-2.5% due 2015-2022	153,000	–	(17,000)	136,000
One hundred seventy-seventh series*	3%-5% due 2015-2043	350,000	–	(13,400)	336,600
One hundred seventy-eighth series*	4%-5% due 2015-2043	475,675	–	(10,950)	464,725
One hundred seventy-ninth series	4%-5% due 2015-2043	915,175	–	(21,470)	893,705
One hundred eightieth series	3%-5% due 2015-2021	109,150	–	(15,570)	93,580
One hundred eighty-first series**	4.96% due 2046	–	500,000	–	500,000
One hundred eighty-second series**	5.31% due 2046	–	500,000	–	500,000
One hundred eighty-third series	3%-5% due 2025-2044	–	400,000	–	400,000
One hundred eighty-fourth series	3%-5% due 2016-2039	–	346,705	–	346,705
One hundred eighty-fifth series*	3%-5% due 2015-2034	–	483,460	–	483,460
One hundred eighty-sixth series*	3%-5% due 2015-2044	–	400,000	–	400,000
One hundred eighty-seventh series**	2.529%-4.426% due 2020-2034	–	250,000	–	250,000
Consolidated bonds and notes pursuant to Port Authority bond resolutions		$18,212,063	$2,880,237	$(1,863,280)	$19,229,020
Add unamortized premium and (discount)		326,216	152,702	–	478,918
Consolidated bonds and notes		$18,538,279	$3,032,939	$(1,863,280)	$19,707,938

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

Note D – Outstanding Obligations and Financing (continued)

Debt service requirements to maturity for Consolidated Bonds and Notes outstanding at December 31, 2014 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2015	$ 295,550	$ 923,091	$ 1,218,641
2016	323,265	911,049	1,234,314
2017	345,920	896,530	1,242,450
2018	368,830	880,159	1,248,989
2019	420,095	862,841	1,282,936
2020-2024	2,388,250	3,991,791	6,380,041
2025-2029	2,915,950	3,344,008	6,259,958
2030-2034	3,742,445	2,514,775	6,257,220
2035-2039	2,955,710	1,675,373	4,631,083
2040-2044	1,973,005	1,075,840	3,048,845
2045-2049	1,000,000	708,032	1,708,032
2050-2054	800,000	487,681	1,287,681
2055-2059	1,000,000	286,960	1,286,960
2060-2064	600,000	77,434	677,434
2065-2094***	100,000	155,371	255,371
	$19,229,020	$18,790,935	$38,019,955

*** Debt service for the years 2065-2094 reflects principal and interest payments associated with Consoldated Bonds Ninety-third Series.

Consolidated Bonds & Notes Outstanding

	Dec. 31, 2012	December 31, 2013 Issued/Accreted	December 31, 2013 Refunded/Retired	Dec. 31, 2013
		(In thousands)		
Cumulative amounts prior to 2013	**$18,076,497**	**$ 201**	**$(1,714,635)**	**$16,362,063**
2013 Activity:				
One hundred seventy-seventh series*	–	350,000	–	350,000
One hundred seventy-eighth series*	–	475,675	–	475,675
One hundred seventy-ninth series	–	915,175	–	915,175
One hundred eightieth series	–	109,150	–	109,150
Consolidated Bonds & Notes - Principal	**18,076,497**	**1,850,201**	**(1,714,635)**	**18,212,063**
Add: unamortized premium and (discount)	185,660	140,556	–	326,216
Total Consolidated Bonds and Notes	**$18,262,157**	**$1,990,757**	**$(1,714,635)**	**$18,538,279**

Note D – Outstanding Obligations and Financing (continued)

Consolidated bonds outstanding as of March 13, 2015 totaled $19.2 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 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 2014, the Port Authority allocated the proceeds from the sale of consolidated bonds, including bond issuance premiums to refund $1.2 billion of consolidated bonds and $50 million of commercial paper notes. As a result of these refundings, the Port Authority decreased its aggregate debt service payments by approximately $280 million over the life of the refunded consolidated bonds. The economic gain resulting from the 2014 debt refundings (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 $171 million in net present value savings.

B. *Commercial Paper Notes*

Commercial paper obligations are special obligations of the Port Authority issued to provide interim financing for authorized projects at Port Authority facilities and may be outstanding until December 31, 2015 (see *Note E – General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority).

The maximum aggregate principal amount that may be outstanding at any one time is $300 million for Series A and $200 million for Series B. Commercial paper obligations are issued without third party provider support for payment at their maturity dates.

		December 31, 2014		
	Dec. 31, 2013	Issued	Refunded/ Repaid	Dec. 31, 2014
		(In thousands)		
Series A*	$192,415	$ 751,000	$ 673,720	$269,695
Series B	155,695	512,590	489,795	178,490
	$348,110	$1,263,590	$1,163,515	$448,185

		December 31, 2013		
	Dec. 31, 2012	Issued	Refunded/ Repaid	Dec. 31, 2013
		(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

Interest rates for all commercial paper notes ranged from 0.06% to 0.11% in 2014.

C. *Variable Rate Master Notes*

Variable rate master notes are special obligations of the Port Authority and may be issued in aggregate principal amounts outstanding at any one time not to exceed $400 million (see *Note E – General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority).

Note D – Outstanding Obligations and Financing (continued)

	Dec. 31, 2013	December 31, 2014 Issued	Refunded/ Repaid	Dec. 31, 2014
		(In thousands)		
Agreements 1989-1995*	$44,900	$ –	$ –	$44,900
Agreements 1989 -1998	33,000	–	–	33,000
	$ 77,900	$ –	$ –	$77,900

	Dec. 31, 2012	December 31, 2013 Issued	Refunded/ Repaid	Dec. 31, 2013
		(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 0.08% to 0.20% in 2014.

Annual debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect at December 31, 2014, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2015	$ –	$ 84	$ 84
2016	–	84	84
2017	–	84	84
2018	–	84	84
2019	–	84	84
2020-2025	77,900	244	78,144
	$77,900	$664	$78,564

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*

Port Authority equipment notes may be issued in aggregate principal amounts outstanding at any one time not to exceed $250 million. Equipment notes are payable in the same manner and from the same sources as operating expenses.

	Dec. 31, 2013	December 31, 2014 Issued	Refunded/ Repaid	Dec. 31, 2014
		(In thousands)		
Notes 2008*	$ 1,615	$ –	$ 1,615	$ –
Notes 2008	45,310	–	13,810	31,500
	$ 46,925	$ –	$15,425	$31,500

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

Note D – Outstanding Obligations and Financing (continued)

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.08% to 0.17% in 2014.

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect at December 31, 2014, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2015	$31,500	$6	$31,506

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, 2014		
	Dec. 31, 2013	Accretion (a)	Total Payment	Dec. 31, 2014
		(In thousands)		
Obligation outstanding	$311,077	$23,699	$51,214	$283,562

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

(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.

Payments related to the Fund for Regional Development Buy-Out Obligation are payable in the same manner and from the same sources as operating expenses.

Payment requirements of the fund for regional development buy-out obligation outstanding, including the implicit interest cost, at December 31, 2014 are as follows:

Year ending December 31:	Payments
	(In thousands)
2015	$ 51,212
2016	51,211
2017	53,213
2018	53,214
2019	53,211
2020-2021	106,816
	$368,877

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

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 a special obligation of the Port Authority in 2010 (see *Note E – General and Consolidated Bond Reserve Funds,* for additional information related to the payment of special obligations of the Port Authority).

Note D – Outstanding Obligations and Financing (continued)

	Dec. 31, 2013	December 31, 2014 Accretion[a]	December 31, 2014 Refunded/ Repaid	Dec. 31, 2014
		(In thousands)		
Obligation Outstanding	$ 52,329	$ 925	$ 5,000	$ 48,254

	Dec. 31, 2012	December 31, 2013 Accretion[a]	December 31, 2013 Refunded/ Repaid	Dec. 31, 2013
		(In thousands)		
Obligation Outstanding	$ 78,060	$4,269	$30,000	$ 52,329

(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 implicit interest cost, at December 31, 2014 are as follows:

Year ending December 31:	Payments
	(In thousands)
2015	$ 5,000
2016	5,000
2017	5,000
2018	5,000
2019	5,000
2020-2024	25,000
2025-2029	25,000
2030-2033	20,000
	$95,000

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 (see *Note E – General and Consolidated Bond Reserve Funds,* for additional information related to the payment of special obligations of the Port Authority).

	Dec. 31, 2013	December 31, 2014 Issued	December 31, 2014 Repaid/ Amortized	Dec. 31, 2014
		(In thousands)		
Series 2011	$ 1,225,520	$ –	$ –	$1,225,520
Add: unamortized premium	23,177	–	(612)	22,565
Total Tower 4 Liberty Bonds	$1,248,697	$ –	$ (612)	$1,248,085

	Dec. 31, 2012	December 31, 2013 Issued	December 31, 2013 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

Note D – Outstanding Obligations and Financing (continued)

Annual debt service payment requirements on outstanding Tower 4 Liberty Bonds at December 31, 2014, would be as follows:

Year ending December 31:	Principal	Interest (a)	Debt Service
		(In thousands)	
2015	$ –	$ 65,293	$ 65,293
2016	–	65,293	65,293
2017	–	65,293	65,293
2018	–	65,293	65,293
2019	–	65,293	65,293
2020-2024	–	326,467	326,467
2025-2029	79,975	322,598	402,573
2030-2034	162,310	291,003	453,313
2035-2039	207,435	245,876	453,311
2040-2044	265,155	188,155	453,310
2045-2049	343,840	109,477	453,317
2050-2051	166,805	14,521	181,326
Total	$1,225,520	$1,824,562	$3,050,082

(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.

H. *Goethals Bridge Replacement Capital Asset Obligation*

On August 30, 2013, the Port Authority and a private developer entered into an agreement (the "Project Agreement") for the design, construction, financing and maintenance of a replacement Goethals Bridge (the "Replacement Bridge"). 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 $460.9 million in tax-exempt private activity bonds, and a Transportation Infrastructure Finance and Innovation Act (TIFIA) direct loan in the amount of $473.7 million (excluding capitalized interest) from the United States Department of Transportation, acting by and through the Federal Highway Administration. It is currently expected that substantial completion of the replacement bridge will occur in late 2017.

Pursuant to the Project Agreement, the Port Authority will make milestone payments to the private developer in the aggregate amount of $150.0 million upon satisfactory achievement of certain milestones during construction of the Replacement Bridge. Upon the substantial completion of the Replacement Bridge, the Port Authority is required to make a payment to the private developer in the amount of $1.02 billion, subject to certain adjustments for the construction of the replacement bridge. 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"). DFA Payments are a special obligation of the Port Authority, payable 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 (see *Note E – General and Consolidated Bond Reserve Funds,* for additional information related to the payment of special obligations of the Port Authority). The DFA Payments are subject to certain deductions for non-compliance by the private developer with the terms of the Project Agreement.

Substantial construction activities commenced in May 2014. The Port Authority, as owner of the replacement bridge currently being constructed has accrued to date $210 million of the total $1.02 billion capital asset financing obligation based on the percentage of construction completed as of December 31, 2014.

DFA Payments expected to be made to the private developer after substantial completion of the replacement bridge are as follows:

Year ending December 31:	DFA Payments
	(In thousands)
2018	$ 56,476
2019	57,323
2020	58,183
2021	59,056
2022	59,942
2023-2027	313,469
2028-2032	337,696
2033-2037	363,794
2038-2042	391,910
2043-2047	422,198
2048-2052	454,827
Total	$2,574,874

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.

Note D – Outstanding Obligations and Financing (continued)

		Dec. 31, 2013	December 31, 2014 Issued	Repaid/ Amortized	Dec. 31, 2014
			(In thousands)		
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*					
	9.125% due 2014-2015	$ 42,930	$ –	$(20,530)	$ 22,400
Add:	unamortized discount	(933)	–	487	(446)
	Total – Series 2	41,997	–	(20,043)	21,954
Series 4, KIAC Partners Project (b)*					
	6.75% due 2014-2019	108,500	–	(15,300)	93,200
Add:	unamortized discount	(1,101)	–	191	(910)
	Total – Series 4	107,399	–	(15,109)	92,290
Series 6, JFKIAT Project (c)*					
	5.75%-6.25% due 2014-2025	657,805	–	(39,175)	618,630
Add:	unamortized discount	(3,999)	–	336	(3,663)
	Total – Series 6	653,806	–	(38,839)	614,967
Series 8, JFKIAT Project (d)					
	5%-6.5% due 2018-2042	796,280	–	–	796,280
Add:	unamortized discount	(12,014)	–	415	(11,599)
	Total – Series 8	784,266	–	415	784,681
Amounts payable – Special Project Bonds		$1,587,468	$ –	$(73,576)	$1,513,892

(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.

Note D – Outstanding Obligations and Financing (continued)

	Dec. 31, 2012	December 31, 2013 Issued	December 31, 2013 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
Add: unamortized discount	(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
Add: unamortized discount	(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
Add: unamortized discount	(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
Add: unamortized discount	(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.

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, 2014, the General Reserve Fund balance was $2,131,711,500 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.

Commercial paper notes, Variable rate master notes, MOTBY obligation, Tower 4 Liberty Bonds and the Goethals Bridge Replacement Capital Asset Obligation are special obligations of the Port Authority. The Port Authority is also a special limited co-obligor on the senior debt issued for WTC Tower 3, with a capped amount of debt service shortfalls payable as a special obligation of the Port Authority (see *Note K-Information* *with Respect to the Redevelopment of the World Trade Center Site,* for additional information related to certain contingent obligations of the Port Authority with respect to the development of WTC Tower 3).

Special obligations of the Port Authority are payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes, or from net revenues (as defined below) deposited to the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due.

Net revenues for purposes of special obligations are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution, and remaining after, (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to the authorized purposes under Section 7 of the Consolidated Bond Resolution.

Special obligations of the Port Authority are subject in all respects to payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund statutes.

Special obligations of the Port Authority are not secured by or payable from the General Reserve Fund. Additionally, special obligations of the Port Authority do not create any lien on, pledge of or security interest in any revenues, reserve funds or other property of the Port Authority.

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, 2014, 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 2014 and 2013, 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 Transportation Security Administration (TSA) provided funding for operating costs associated with the training and care of explosive detection dogs. Amounts received in connection with this program were approximately $1.4 million in both 2014 and 2013.

b. Airport Screening Program – The TSA provided approximately $306,600 in each 2014 and 2013 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 $734,523 in 2014 and $573,500 in 2013 from the USDOS to fund operating security costs incurred by Port Authority police personnel for the United Nations General Assembly.

2. *Grants in connection with operating activities*

a. Security Grant Programs – In 2014 and 2013, the Port Authority recognized approximately $154 million and $88 million, respectively, for various security related grant programs from the TSA for baggage screening at LGA, JFK and EWR and The New York State Office of Homeland Security.

b. Superstorm Sandy – In 2014 and 2013, the Port Authority recognized $50.5 million and $95.7 million in FTA grants associated with Superstorm Sandy recovery efforts (For additional information on Superstorm Sandy see *Note J.6 – Commitments and Certain Charges to Operations*).

3. *Contributions in Aid of Capital Construction*

a. WTC Towers 2, 3 and 4 – The Port Authority recognized $235 million in 2014 and $161 million in 2013 in capital contributions from the Silverstein net lessees for the construction of WTC Towers 2, 3 and 4. In addition, in 2014, an $80 million Contribution in aid of construction was applied from New York State related to the construction of WTC Tower 3.

b. WTC Transportation Hub – The Port Authority recognized $250 million in 2014 and $288 million in 2013 from the FTA for the construction of the WTC Transportation Hub. As of December 31, 2014, the Port Authority has received $2.4 billion from the FTA for the WTC Transportation Hub.

c. Airport Improvement Program (AIP) – The Port Authority recognized $39 million in 2014 and $54 million in 2013 in AIP funding primarily related to School Soundproofing at LGA, JFK, EWR and Teterboro Airport.

d. Other – The Port Authority recognized $14 million in capital contributions from the Lower Manhattan Development Corporation (LMDC) for the WTC Cultural Project and $1.4 million from the Battery Park City Authority for the World Financial Center Route 9-A Underpass in 2014.

e. Superstorm Sandy – In 2014, the Port Authority recognized $10 million in FTA capital contributions related to Superstorm Sandy permanent repairs primarily at PATH (For additional information on Superstorm Sandy see *Note J.6 – Commitments and Certain Charges to Operations*).

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 2014 and 2013.

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 and the WTC. Investments in such facilities, as of December 31, 2014, 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, 2014 are as follows:

Year ending December 31:	Minimum Rentals
	(In thousands)
2015 (a)	$ 1,459,530
2016	833,317
2017	816,179
2018	779,271
2019	670,880
2020-2100 (b)	24,251,346
Total future minimum rentals (c)	$28,810,523

(a) Includes $506 million related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture to Westfield.

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

(c) Not included in the future minimum rentals is approximately $837 million attributable to lease agreements at One World Trade Center entered into with China Center New York LLC for 202,746 square feet of office space, General Services Administration for 273,004 square feet of office space, Legends Hospitality, LLC for 120,377 square feet for the development and operation of the Observation Deck, and eight other lease agreements total of 197,159 square feet. Rentals from these leases are contingent upon specific events occurring.

3. *Property leased from others*

Rental payments, including payments to the Cities of New York and Newark for various air terminals, marine terminals and other leased facilities and the cost of temporary office space due to the destruction of the WTC, aggregated $312 million in 2014 and $305 million in 2013. Rental payments exclude PILOT payments to municipalities.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2014 are detailed below. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year ending December 31:	Minimum Rentals
	(In thousands)
2015	$ 323,189
2016	292,945
2017	276,880
2018	276,978
2019	275,996
2020-2024	1,353,172
2025-2029	1,333,270
2030-2034	1,326,516
2035-2039	1,289,016
2040-2044	1,264,016
2045-2099*	2,611,163
Total future minimum rent payments	$10,623,141

* Future minimum rent payments for the years 2045-2099 consist of future payments relating to leased Marine and Air Terminals, including the operating lease related to Stewart International Airport, which expires in 2099.

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, 2014, 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, 2014.
- **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, 2014, 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, 2014, $247 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.
- **Hudson-Raritan Estuary Resource Programs** (certified in 2002 and 2014) – These facilities were 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 these programs are not to exceed $120 million. As of December 31, 2014, 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, 2014, 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, 2013	Project Expenditures	Amortization	Dec. 31, 2014
			(In thousands)	
Regional Development Facility	$ 18,464	$ –	$ 5,491	$ 12,973
Regional Economic Development Program	44,285	–	13,674	30,611
Oak Point Rail Freight Link	4,889	–	1,630	3,259
New Jersey Marine Development Program	2,526	–	834	1,692
New York Transportation, Economic Development and Infrastructure Renewal Program	64,829	1,833	9,266	57,396
Regional Transportation Program	126,720	–	16,667	110,053
Hudson-Raritan Estuary Resources Program	37,323	378	3,589	34,112
Regional Rail Freight Program	18,829	–	3,333	15,496
Meadowlands Passenger Rail Facility	87,395	–	10,000	77,395
Total unamortized costs of regional programs	$405,260	$2,211	$64,484	$342,987

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 2014, the Port Authority expended approximately $2 million on bi-state initiatives, bringing the total amount spent to date to approximately $175 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 a 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 (E) – Outstanding Obligations and Financing*.

Note I – Pension Plans and Other Postemployment 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 for 2014 was approximately $391 million and $253 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)			
2014	$ 71,588	18.3%	$ 71,443	28.2%	$143,031	22.2%
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%
Total	$221,684		$196,053		$417,737	

In 2014, employee contributions to the ERS totaled approximately $10.7 million or 2.7% 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.

48 Port Authority employees are currently enrolled in the VDC program. Employee contributions totaled $178,254 in 2014 and $12,030 in 2013. Employer contributions totaled $240,933 in 2014 and $16,410 in 2013, respectively.

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 2014 for these employees was approximately $96 million. Contributions made by PATH in 2014 in accordance with the terms of various collective bargaining agreements totaled approximately $6 million, which represented approximately 6.7% of the total PATH covered payroll for 2014. Contributions in 2013 totaled approximately $6 million.

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, unfunded, 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, 2014, Plan participants included 87 retired PATH Exempt Employees (or their beneficiaries), 90 active PATH Exempt Employees, and 26 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. As of December 31, 2014 no amounts have been deposited into the trust to prefund future pension obligations.

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, 2014 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 $60.4 million as of January 1, 2014. There were no plan assets as of January 1, 2014, thus the unfunded AAL also totaled $60.4 million.

The following reflects the components of the 2014 annual pension cost, benefits paid and changes to the NPO.

Annual Pension Cost and NPO for 2014 and 2013

	2014	2013
	(In thousands)	
Service Cost	$ 1,599	$ 1,435
Amortization of Unfunded AAL	3,033	2,860
Total Annual Required Contribution (ARC)	4,632	4,295
Amortization of Previously Recognized NPO	(1,477)	(1,401)
Interest on NPO	1,545	1,466
Annual Pension Cost	4,700	4,360
Benefits Paid in the Year	(3,388)	(2,847)
Increase in NPO in the Year	1,312	1,513
NPO Beginning of Year	29,437	27,924
NPO End of Year	$30,749	$29,437

The year-to-year change in the NPO consists of the difference between the 2014 annual pension cost of $4.7 million and 2014 pension benefits paid to Plan participants totaling $3.4 million.

The service cost of $1.6 million represents the amount of pension benefits earned by plan participants in the current period.

The $3.0 million amortization associated with the $60.4 million unfunded AAL was calculated using a level percentage of projected payroll amortization method.

Amortization associated with the previously recognized NPO of $29.4 million totaled ($1.5) million in 2014.

Annual Pension Cost and NPO for 2012 – 2014

Year	Annual Pension Cost	Ratio of Benefit Payments to Annual Pension Cost	NPO Year-End Balance
		($ In thousands)	
2014	$4,700	72.09%	$30,749
2013	$4,360	78.30%	$29,437
2012	$3,967	74.29%	$27,924

In 2014, 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 2014 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)			
1/1/14	$0	$60,451	$60,451	0%	$10,746	563%

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 retired employees of the Port Authority and PATH (includes eligible dependents and survivors of retired employees). Collectively, these covered individuals are referred to as "participants." Contributions toward the costs of these benefits are required of certain non-represented participants. Retiree contributions for certain non-represented participants generally range from 3% to 100% of the Port Authority's or PATH's cost of providing retiree benefits and are dependent on a number of factors including, type of benefit, hire date, years of service, pension earnings 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 3% 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.

Included in the January 1, 2014 actuarial valuation of the Port Authority and PATH OPEB obligation were 14,374 participants (7,159 active, 5,723 retirees and 1,492 surviving spouses). The actuarial assumptions used to project and discount future OPEB payments include, a 6.75% investment rate of return (discount rate), representing the expected long term rate of return on plan assets to be used for the payment of benefits; medical healthcare cost trend rates of 8.25% 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; a dental benefit cost trend rate of 5% per year for all years; and an Employer Group Waiver Plan (EGWP) savings of 5% per year for all years. For purposes of allocating the present value of OPEB benefits, the projected unit credit cost method was employed for participants. In addition, the Unfunded AAL is being amortized as a level dollar amount over an open period of 30 years.

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 $2.4 billion as of January 1, 2014. The unfunded AAL, totaling $1.7 billion, represents the difference between the AAL of $2.4 billion and the amount of plan assets of $708 million.

The following reflects the components of the 2014 and 2013 annual OPEB costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2014 and 2013 actuarial valuations:

	2014	2013
	(In millions)	
Annual OPEB cost:		
Annual required contribution (ARC):		
Normal cost	$ 40.8	$ 35.5
Amortization cost	131.4	132.5
Total ARC	172.2	168.0
Adjustments to ARC	(40.3)	(47.5)
Annual OPEB cost	$131.9	$120.5

	2014	2013
	(In millions)	
Net OPEB Obligation:		
Net OPEB obligation at the beginning of fiscal year	$250.4	$341.7
Annual OPEB Cost	131.9	120.5
Employer Contributions :		
OPEB payments	(121.9)	(111.8)
Trust contributions	(100.0)	(100.0)
Total employer contributions	(221.9)	(211.8)
Net accrued OPEB obligation as of December 31st	$160.4	$250.4

The normal cost of $40.8 million represents the amount of OPEB benefits earned by plan participants in the current period.

Amortization of the unfunded AAL totaling $131.4 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.

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 2014, CMS payments to Express Scripts, Inc., on behalf of the Port Authority, totaled approximately $2.6 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 2014 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)	
2014	$131,943	168%	$160,430
2013	$120,494	176%	$250,441
2012	$101,128	206%	$341,702

Funding Status

On December 14, 2006, the Port Authority established a restricted fund to provide funding for postemployment employee benefits. Effective December 2010, the Port Authority's quarterly contributions 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 totaled $25 million. In 2014 and 2013, annual contributions to the Trust totaled $100 million respectively.

OPEB Trust assets (at fair value), 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 2014 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)			
1/1/14	$708	$2,394	$1,686	30%	$753	224%

*OPEB trust assets totaled $859 million as of December 31, 2014.

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 2014 and 2013. The activities of the trust are accounted for using the accrual basis of accounting and all investments are recorded at their fair value.

Statements of Trust Net Position

	December 31, 2014	2013
	(In thousands)	
ASSETS		
Cash	$ 58,024	$ 70,415
Investments, at fair value	854,798	687,116
Accounts receivable	2,645	2,630
Total assets	915,467	760,161
LIABILITIES		
Accounts payable	56,089	52,479
Total liabilities	56,089	52,479
Net Position Held In Trust For OPEB	$859,378	$707,682

Statements of Changes in Trust Net Position

	December 31, 2014	2013
	(In thousands)	
Additions		
Contributions*	$221,953	$211,756
Investment income:		
Net change in fair value of investments	32,830	66,824
Interest income	19,759	16,146
Total net investment income	52,589	82,970
Deductions		
Benefit payments, administrative expenses and fees*	(122,846)	(112,083)
Total deductions	(122,846)	(112,083)
Net Increase	151,696	182,643
Trust net position, January 1	707,682	525,039
Net Position Held In Trust For OPEB	$859,378	$707,682

* Include Port Authority's payments totaling $121.9 million in 2014 and $111.8 million in 2013 that were paid to OPEB plan members or their beneficiaries out of available Port Authority operating funds. These direct benefit payments were not included as part of the Trust's activities.

The audited financial statements for the years ended December 31, 2014 and December 31, 2013 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, 2014, the Port Authority had entered into various construction contracts totaling approximately $6.5 billion, which are expected to be completed within the next three years.

3. Other amounts receivable, net recognized on the Consolidated Statements of Net Position totaled $56.6 million at December 31, 2014, and is comprised of the following:

	Dec. 31, 2013	Additions	Deductions	Dec. 31, 2014
		(In thousands)		
Long-term receivables from tenants	$ 19,784	$ 26,314	$ 16,150	$29,948
Installment due from the ECRR operator	1,418	–	173	1,245
Insurance receivable – Superstorm Sandy	–	76,028	74,824	1,204
Advances for construction projects	8,759	2,292	10,051	1,000
Amounts due from Tower 4 Liberty Bonds	–	6,128	–	6,128
Other	8,492	8,623	–	17,115
Total other amounts receivable, net	$38,453	$119,385	$101,198	$56,640

4. The 2014 balance of Other noncurrent liabilities consists of the following:

	Dec. 31, 2013	Additions	Deductions	Dec. 31, 2014
		(In thousands)		
Workers' Compensation liability	$ 48,074	$ 36,770	$20,929	$ 63,915
Self Insured Outstanding Claims	62,570	30,327	15,601	77,296
Pollution remediation	21,819	3,737	4,141	21,415
Asset forfeiture	24,454	2,170	3,114	23,510
Surety and security deposits	6,940	816	730	7,026
WTC Joint Ventures Preferred Returns	28,949	17,732	18,396	28,285
Unearned gain on sale of NLCC	–	4,761	–	4,761
Vacated temporary offices exit obligation	–	42,813	–	42,813
Goethals Bridge Replacement milestones	–	22,684	–	22,684
Other	55,793	3,453	17,998	41,248
Gross other liabilities	$248,599	$165,263	$80,909	$332,953
Less current portion:				
Workers' Compensation liability				17,237
Total other noncurrent liabilities				$315,716

Unearned income related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture is (For additional information see *Note K-Information with Respect to the Redevelopment of the World Trade Center Site*):

	Dec. 31, 2013	Additions	Deductions	Dec. 31, 2014
Unearned Income related to WTC Retail Joint Venture	$ 0	$652,104	$ 6,619	$645,485

5. 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 2014, the Port Authority recognized $4 million in pollution remediation obligations primarily related to asbestos abatements at aviation facilities. As of December 31, 2014, the cumulative remediation provision under GASB Statement No. 49 totaled $66 million, net of $2.1 million in expected recoveries.

As of December 31, 2014, the outstanding pollution remediation liability totaled $21.4 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.

6. 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.

Net (revenue)/expense associated with Superstorm Sandy totaled ($53.5) million in 2014. In 2014, the Port Authority recognized approximately $22.5 million of operating expenses resulting from Superstorm Sandy. Offsetting these amounts were $76 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 $562.7 million in insurance recoveries associated with Superstorm Sandy.

In addition, the Port Authority recognized $50.5 million in grants ($40.4 from FTA and $10.1 million from FEMA) associated with Superstorm Sandy immediate repairs and $10 million in FTA capital contributions for permanent repairs primarily at PATH. These amounts are included as a component of Grants and Contributions in aid of construction on the Port Authority Consolidated Statements of Revenues, Expenses and Changes in Net Position.

	2014	2013	2012	Cumulative
		(In thousands)		
Immediate Repair Expenses	$ 22,498	$ 119,752	$120,607	$ 262,857
Write-off of Destroyed Assets	–	232,348	15,724	248,072
Insurance Recoveries	(76,028)	(380,329)	(106,331)	(562,688)
Net (Revenue)/Expense associated with Superstorm Sandy	(53,530)	(28,229)	30,000	(51,759)
Add:				
Capital contributions associated with Superstorm Sandy	(10,030)	–	–	(10,030)
Grants associated with Superstorm Sandy	(50,508)	(95,678)	–	(146,186)
Total Impact	$(114,068)	$(123,907)	$ 30,000	$(207,975)

7. As a direct result of the destruction of the World Trade Center on September 11, 2001, the Port Authority entered into certain lease agreements for temporary office space, which expire in 2015 and 2016. In November 2014, the Port Authority began vacating its temporary office space in order to occupy its leased office space at 4 WTC. The complete transition to 4 WTC is expected to be completed in the first quarter of 2015. In 2014, $42.8 million in obligations related to future rental payments for vacated temporary office space was accrued.

8. On November 14, 2014, a structured sale agreement was entered into with a third party relating to the sale of the Newark Legal Communications Center for a total purchase price of approximately $42.0 million. The $42.0 million purchase price is to be paid in installments, with $33.6 million being received in 2014 and the remaining balance of $8.4 million being due no later than 2030. As a result, in 2014 the Port Authority recognized a $19.0 million gain relating to the disposition of a capital asset. In addition the Port Authority recognized an unearned gain totaling $4.7 million, which will be earned and recognized once the final payment of $8.4 million is received.

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

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

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 redevelopment of the WTC provides for 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. 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.

Future minimum rentals (see *Note G – Lease Commitments)* include rentals of approximately $14 billion relating to the net leases for WTC Towers 2, 3 and 4. 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 The Durst Organization entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, leasing, management and operation of One World Trade Center. In June 2011, The Durst Organization contributed $100 million for a minority equity interest in the joint venture related to One World Trade Center. One World Trade Center contains 3.0 million square feet of space, comprised of commercial office space and an indoor observation deck. One World Trade Center received its certificate of temporary occupancy from the Office of the Chief Engineer of the Port Authority in March 2014. As of December 31, 2014 the Port Authority has leased, (i) approximately 1.9 million square feet of office space at One World Trade Center, representing approximately 62% of the leasable office space, (ii) certain portions of the One World Trade Center rooftop, together with ancillary space, for a broadcasting and communications facility, and (iii) the 100th through 102nd floors of One World Trade Center for an observation deck.

With the commencement of commercial tenants occupying portions of their leased space in November 2014, One World Trade Center began its transition to a fully operational facility.

World Trade Center Tower 3

To assist the Silverstein net lessee of Tower 3 in the construction of the Tower 3 office tower following satisfaction of certain private real estate and capital markets triggers, the Port Authority entered into a Tower 3 Tenant Support Agreement in 2010 (the "2010 Tower 3 Tenant Support Agreement") providing for the investment of Port Authority funds towards 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 triggers included the Silverstein Tower 3 net lessee raising $300 million of private equity or mezzanine financing, pre-leasing 400,000 square feet of the office tower, and obtaining private financing for the remaining cost of the office tower. Under separate agreements, The State of New York and the City of New York have each agreed to reimburse the Port Authority for $200 million of the $600 million to be provided under the 2010 Tower 3 Tenant Support Agreement for a total reimbursement of $400 million. Under the 2010 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 order to maintain the World Trade Center site's redevelopment progress and continue to balance private sector development with public sector support, on June 25, 2014, the Board of Commissioners of the Port Authority authorized certain amendments to the 2010 Tower 3 Tenant Support Agreement. Under the amended 2010 Tower 3 Tenant Support Agreement, the Port Authority would provide $210 million for the construction of Tower 3 as a landlord capital improvement. The backstop funding of $390 million would be provided for (i) construction overruns and certain leasing cost overruns through landlord capital improvements, (ii) operating expense deficits and certain leasing cost overruns through the Tower 3 net lessee's right to defer payments of rent to the Port Authority under the net lease with respect to Tower 3, and (iii) senior debt service shortfalls, by the Port Authority as a special limited co-obligor on the senior debt issued for Tower 3, with such senior debt service shortfalls payable as a special obligation of the Port Authority, subject in each case to the overall limit of $390 million for the backstop (see *Note E – General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority).

In December 2014, the Silverstein net lessee of Tower 3 net lessee issued Tower 3 Liberty bonds in the total aggregate principal amount of $1.6 billion. In accordance with the amended Tower 3 Tenant Support Agreement, in December 2014, the Port Authority made a $210 million landlord capital improvement payment towards the construction of Tower 3. Under a separate Public Support Agreement with the State of New York, the Port Authority applied $80 million of previously received funds as a capital contribution for the partial reimbursement of this landlord capital improvement. Additionally, under a Public Support Agreement with the City of New York, the Port Authority will receive $130 million in future WTC PILOT credits as reimbursement for the remaining share of the Port Authority's landlord capital improvement payment.

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, in December 2010, the Port Authority entered into certain agreements with the Silverstein net lessee of Tower 4, providing for the Port Authority's participation in the financing for Tower 4 construction. Additionally, the Silverstein net lessee of Tower 4 has the right to, defer certain rent payments payable to the Port Authority under the Tower 4 net lease, defer certain free rent periods available to the Port Authority under its Tower 4 space lease, receive funding related to certain operating expense deficits upon completion of Tower 4 and receive a limited amount of funding related to construction and leasing cost overruns.

Tower 4 Liberty Bonds were issued on November 15, 2011, in the total aggregate principal amount of $1.2 billion. The Port Authority is a co-borrower/obligor with respect to the Liberty Bonds issued by the New York Liberty Development Corporation in November 2011 to finance construction of WTC Tower 4. The Port Authority's payment of debt service on the Tower 4 Liberty Bonds is a special obligation of the Port Authority, evidenced by a separate Tower 4 Bond Payment Agreement between the Port Authority and the Tower 4 Liberty Bond trustee (see *Note E – General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority). Port Authority debt service payments related to Tower 4 Liberty Bonds, deferred rent payable to the Port Authority under the Tower 4 net lease, deferred rent relating to free rent periods available to the Port Authority under its Tower 4 space lease and funding provided to the Silverstein net lessee related to certain operating expense deficits, construction and leasing overruns is reimbursable to the Port Authority from Tower 4 cash flow and to the extent Tower 4 cash flow is not sufficient, would accrue interest until reimbursed or paid with an overall term for such reimbursement or payment of not in excess of 40 years.

WTC Tower 4 was substantially completed in October 2013 by the Silverstein net lessee of Tower 4 and is available for tenant fit-out. In November 2014, Port Authority corporate staff began occupying certain portions of its leased space in Tower 4.

The World Trade Center Transportation Hub

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. It is presently expected that the Port Authority will receive up to $2.872 billion from the FTA towards the construction of the WTC Transportation Hub. To date, the Port Authority has received $2.4 billion from the FTA related to the construction of the WTC Transportation Hub.

World Trade Center Infrastructure Projects

In addition to the WTC Transportation Hub, the Port Authority continues to construct various WTC site infrastructure projects toward full build out of the WTC site. In 2014, certain portions of these infrastructure projects, including portions of the vehicular security center for cars, tour buses, and delivery vehicles to access subgrade loading facilities became operational to support commercial activities throughout the WTC site. Other infrastructure work includes streets and utilities, a central chiller plant, and electrical infrastructure that 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." 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 certain retail space at the World Trade Center site. On March 18, 2014, the Port Authority transferred its remaining interest in the joint venture to Westfield. As a result of the establishment of, and transfer of its interests in, the joint venture to Westfield, the Port Authority presently expects, subject to the completion of construction of the premises covered by the retail net lease, to receive payments totaling up to $1.4 billion from Westfield. In the event that retail space is built at Tower 2, Westfield would have the option to pay an additional amount to be determined at such time to add such space to its net leased retail premises. The Port Authority continues to be the landlord of the retail components of the World Trade Center site under a net lease which provides for nominal annual rentals. The Port Authority also continues to be responsible for the construction of the retail premises at the World Trade Center site, and is obligated to fund the remaining project costs for its construction.

As of December 31, 2014, excluding Westfield's initial joint venture membership capital contribution of $100 million, the Port Authority has received $652 million for the transfer of its interests in the WTC retail joint venture to Westfield. This $652 million will be recognized as revenue over the remaining term of the existing WTC Retail net lease.

The Memorial

The Port Authority does not have any responsibility for the operation and maintenance of the Memorial, the Memorial/Museum or the Visitor Orientation and Education Center ("VOEC"). The Memorial Plaza was substantially completed and opened for public access on September 11, 2011. The museum and VOEC opened to the public on May 21, 2014.

Note L – Insurance Activities

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.

1. *Purchased Insurance*

Property damage and loss of revenue insurance program

The property damage and loss of revenue insurance program on Port Authority facilities applies to all Port Authority facilities, excluding the non-operating portions of the World Trade Center*, with program limits of $1.5 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and sub-limits for certain hazards. Coverage under the property damage and loss of revenue insurance program on the operating portions of the World Trade Center and related infrastructure applies to those assets with program limits of $2 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and sub-limits for certain hazards.

The Port Authority also purchased terrorism insurance with respect to its facilities, excluding the World Trade Center, with limits of $1.518 billion per occurrence and in the aggregate, subject to certain deductibles, retentions and exclusions for certain hazards, and for the operating portions of the World Trade Center, with limits of $3 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and exclusions for certain hazards. The terrorism coverage is insured through PAICE and reinsured through the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA)** and commercial reinsurance.

Public liability insurance program

The public liability insurance program for Port Authority aviation facilities applies to such facilities with program limits of $1.25 billion per occurrence and in the aggregate, subject to certain deductibles and retentions, and insurance for aviation war risk, which includes terrorism, and which has no deductible.

The public liability insurance program for "non-aviation" facilities applies to such facilities including certain components of WTC which have transitioned to operational with program limits of $1.0 billion per occurrence and in the aggregate, subject to certain deductibles and retentions. PAICE insures a portion of the coverage of this policy. Terrorism insurance with respect thereto totals $300 million, which is insured through PAICE and reinsured through TRIPRA**. On December 19, 2014, PAICE reinsured this risk through a commercial insurer backed by TRIPRA**.

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

2. Construction Insurance Programs

The Port Authority's World Trade Center Owner Controlled Insurance Program applies to such facility with program limits for builders' risk of $1 billion per occurrence, subject to certain deductibles, retentions, and sub-limits of certain hazards, annual aggregate limits, and with program limits of $1 billion per occurrence for terrorism insurance, both of which are insured through PAICE and reinsured through TRIPRA**, and commercial reinsurance and construction liability coverage which applies to the portions of the World Trade Center under construction with program limits of $500 million per occurrence.

The Port Authority maintains an ongoing wrap-up contractors' insurance program for all other Port Authority facilities under construction with program limits for builders' risk of $50 million per occurrence, subject to certain deductibles, retentions, and sub-limits on certain hazards, construction general liability insurance with program limits of $50 million per occurrence, and statutory workers' compensation coverage, which do not have a deductible. PAICE provides portions of the construction general liability and statutory workers' compensation insurance. The Port Authority also maintains builders' risk and terrorism coverage, with respect to the Bayonne Bridge Navigational Clearance Program, each with a program limit of $743 million per occurrence and comprehensive general liability insurance with program limits of $50 million per occurrence and in the aggregate in excess of the $50 million coverage described above.

3. Port Authority Insurance Captive Entity, LLC

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, 2014, 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, 2014, 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**.

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, 2014 are set forth below. Restricted amounts associated with PAICE recorded on the Port Authority's consolidated financial statements have been adjusted to eliminate intercompany transfers related to captive insurance premiums from the Port Authority to PAICE.

Financial Position	**Amounts**
	(In thousands)
Total Assets	$292,997
Total Liabilities	131,724
Net Position	$161,273
Operating Results	
Revenues	$ 33,109
Expenses	12,079
Change in Net Postion	$ 21,030
Changes in Net Position	
Net Position at January 1, 2014	$140,243
Change in Net Position	21,030
Net Position at December 31, 2014	$161,273

* The Port Authority's insurance programs do not provide coverage for World Trade Center Towers 2, 3, 4 (except for the Port Authority's Tower 4 leased space), Tower 5, the Memorial/Museum and the net leased retail components of the World Trade Center site.

** Under the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), enacted by the Federal government on December 26, 2007 and expired on December 31, 2014, the Federal government reinsures 85% of certified terrorism losses, subject to aggregate industry insured losses of at least $100 million 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. In the event of a certified act of terrorism, the law allows the United States Treasury to recoup 133% of the amount of federal payments for insured losses during that calendar year. On January 12, 2015, US President Barack Obama signed into law a six-year reauthorization of the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2015.

4. *Self Insurance*

Prior to 2014, the Port Authority provided for expected uninsured losses through applications from the Consolidated Bond Reserve Fund. In 2014, it was determined that these funds were no longer needed for their originally intended use and were deposited into the Consolidated Bond Reserve Fund.

Year	Beginning Balance	Reserves Appropriated	Recognized Losses	Year-end Balance
		(In thousands)		
2014	$28,100	$(28,100)	$ –	$ –
2013	$38,514	$ 15,602	$26,016	$ 28,100

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 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 public liability loss reserve were as follows.

Year	Beginning Balance	Additions and Changes	Payments	Year-end Balance
		(In thousands)		
2014	$62,570	$ 30,327	$15,601	$77,296
2013	$53,197	$ 26,016	$16,643	$62,570

Schedule of Funding Progress (Unaudited) PATH Exempt Employees Supplemental Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	AAL (b)	Unfunded AAL (c) = (b–a)	Funded Ratio (a) / (b)	Covered Payroll (d)	Unfunded AAL as a % of Payroll (c) / (d)
			($ In thousands)			
1/1/14	$ 0	$60,451	$60,451	0%	$10,746	563%
1/1/13	$ 0	$57,010	$57,010	0%	$10,750	530%
1/1/12	$ 0	$53,903	$53,903	0%	$ 9,391	574%

Schedule of Funding Progress (Unaudited) Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of OPEB Trust Assets* (a)	AAL (b)	Unfunded AAL (c) = (b–a)	Funded Ratio (a) / (b)	Covered Payroll (d)	Unfunded AAL as a % of Payroll (c) / (d)
			($ In millions)			
1/1/14	$708	$ 2,394	$ 1,686	30%	$ 753	224%
1/1/13	$525	$ 2,224	$ 1,699	24%	$ 724	235%
1/1/12	$377	$ 1,963	$ 1,586	19%	$ 714	222%

*As of December 31, 2014 OPEB trust assets totaled $859 million.

	Year ended December 31, 2014			2013
	Operating Fund	Reserve Funds	Combined Total	Combined Total
		(In thousands)		
Gross operating revenues:				
Tolls and fees	$ 1,553,625	$ –	$ 1,553,625	$ 1,462,957
Rentals	1,294,199	–	1,294,199	1,228,491
Aviation fees	1,058,416	–	1,058,416	934,459
Parking and other	321,760	–	321,760	315,111
Utilities	149,052	–	149,052	139,835
Rentals – Special Project Bonds Projects	98,141	–	98,141	103,186
Total gross operating revenues	4,475,193	–	4,475,193	4,184,039
Operating expenses:				
Employee compensation, including benefits	1,187,877	–	1,187,877	1,114,397
Contract services	797,516	–	797,516	684,411
Rents and amounts in–lieu–of taxes	362,627	–	362,627	301,582
Materials, equipment and other	277,174	–	277,174	220,859
Utilities	199,919	–	199,919	171,833
Interest on Special Project Bonds	98,141	–	98,141	103,186
Total operating expenses	2,923,254	–	2,923,254	2,596,268
Amounts in connection with operating asset obligations	23,734	–	23,734	25,908
Net (revenue)/expense related to Superstorm Sandy	(53,530)	–	(53,530)	(28,229)
Net operating revenues	1,581,735	–	1,581,735	1,590,092
Financial income:				
Interest income	(9,752)	27,389	17,637	27,769
Net (decrease)/increase in fair value of investments	(3,127)	177	(2,950)	(26,428)
Contributions in aid of construction	465,152	–	465,152	529,185
Application of WTC Retail Joint Venture Payments	652,104	–	652,104	–
Application of Passenger Facility Charges	221,156	–	221,156	175,421
Application of 4 WTC associated payments	6,128	–	6,128	36,660
Grants	207,898	–	207,898	188,409
Pass–through grant program payments	(107,606)	–	(107,606)	(176,848)
Net revenues available for debt service and reserves	3,013,688	27,566	3,041,254	2,344,260
Debt service:				
Interest on bonds and other asset financing obligations	635,262	11,542	646,804	595,513
Debt maturities and retirements	226,205	–	226,205	204,000
Repayment of asset financing obligations	–	105,562	105,562	15,701
Total debt service	861,467	117,104	978,571	815,214
Transfers to reserves	$(2,152,221)	2,152,221	–	–
Revenues after debt service and transfers to reserves		2,062,683	2,062,683	1,529,046
Direct investment in facilities		(1,473,432)	(1,473,432)	(1,059,756)
Change in appropriations for self–insurance		28,100	28,100	10,414
Acceleration of unamortized brokerage commissions		–	–	(46,863)
Increase in reserves		617,351	617,351	432,841
Reserve balances, January 1		3,809,916	3,809,916	3,377,075
Reserve balances, December 31		$ 4,427,267	$ 4,427,267	$ 3,809,916

See Notes to Consolidated Financial Statements

	December 31, 2014				2013
	Operating Fund	Capital Fund	Reserved Funds	Combined Total	Combined Total
			(In thousands)		
ASSETS					
Current assets:					
Cash	$ 11,280	$ 283,802	$ 1,329,523	$ 1,624,605	$ 2,210,039
Restricted cash:					
Passenger Facility Charges	194,059	–	–	194,059	168,751
Port Authority Insurance Captive Entity, LLC	19,740	–	–	19,740	14,736
Investments	–	342,925	10,566	353,491	410,018
Current receivables, net	476,686	5,611	–	482,297	451,644
Other current assets	106,556	34,575	–	141,131	194,754
Restricted receivables and other assets	30,657	–	–	30,657	47,293
Total current assets	838,978	666,913	1,340,089	2,845,980	3,497,235
Noncurrent assets:					
Restricted cash	7,087	–	–	7,087	6,583
Investments	93,208	–	3,087,178	3,180,386	2,342,391
Restricted Investments – PAICE	182,585	–	–	182,585	172,064
Other amounts receivable, net	39,244	17,396	–	56,640	38,453
Other noncurrent assets	1,395,649	43,629	–	1,439,278	1,413,429
Restricted other noncurrent assets – PAICE	8,109	–	–	8,109	15,096
Amounts receivable – Special Project Bonds Projects	–	1,530,510	–	1,530,510	1,605,515
Amounts receivable – Tower 4 Liberty Bonds	–	1,225,520	–	1,225,520	1,225,520
Invested in facilities	–	47,609,312	–	47,609,312	43,570,151
Total noncurrent assets	1,725,882	50,426,367	3,087,178	55,239,427	50,389,202
Total assets	2,564,860	51,093,280	4,427,267	58,085,407	53,886,437
LIABILITIES					
Current liabilities:					
Accounts payable	305,893	983,269	–	1,289,162	1,029,780
Accrued interest and other current liabilities	436,804	11,256	–	448,060	582,493
Restricted other liabilities – PAICE	7,580	–	–	7,580	3,746
Accrued payroll and other employee benefits	404,998	–	–	404,998	352,748
Unapplied Passenger Facility Charges	193,678	–	–	193,678	181,358
Current portion bonds and other asset financing obligations	62,044	824,791	–	886,835	1,121,020
Total current liabilities	1,410,997	1,819,316	–	3,230,313	3,271,145
Noncurrent liabilities:					
Accrued pension and other postemployment employee benefits	190,286	–	–	190,286	279,220
Other noncurrent liabilities	266,573	44,381	–	310,954	229,884
Restricted other noncurrent liabilities – PAICE	50,121	–	–	50,121	45,851
Amounts payable – Special Project Bonds	–	1,530,510	–	1,530,510	1,605,515
Amounts payable – Tower 4 Liberty Bonds	–	1,225,520	–	1,225,520	1,225,520
Bonds and other asset financing obligations	646,883	18,795,019	–	19,441,902	17,927,384
Total noncurrent liabilities	1,153,863	21,595,430	–	22,749,293	21,313,374
Total liabilities	2,564,860	23,414,746	–	25,979,606	24,584,519
NET POSITION	$ –	$27,678,534	$4,427,267	$32,105,801	$29,301,918
Net position is composed of:					
Facility infrastructure investment	$ –	$27,678,534	$ –	$27,678,534	$25,463,901
Reserves	–	–	4,427,267	4,427,267	3,809,916
Appropriated reserves for self–insurance	–	–	–	–	28,101
NET POSITION	$ –	$27,678,534	$4,427,267	$32,105,801	$29,301,918

See Notes to Consolidated Financial Statements

	Year ended December 31, 2014			2013
	General Reserve Fund	Consolidated Bond Reserve Fund	Combined Total	Combined Total
	(In thousands)			
Balance, January 1	$ 2,029,051	$1,780,865	$3,809,916	$3,377,075
Increase in reserve funds *	102,660	2,077,127	2,179,787	1,583,436
	2,131,711	3,857,992	5,989,703	4,960,511
Applications:				
Repayment of asset financing obligations	–	105,562	105,562	15,701
Interest on asset financing obligations	–	11,542	11,542	38,689
Direct investment in facilities	–	1,473,432	1,473,432	1,059,756
Self–insurance	–	(28,100)	(28,100)	(10,414)
Acceleration of unamortized brokerage commissions	–	–	–	46,863
Total applications	–	1,562,436	1,562,436	1,150,595
Balance, December 31	$2,131,711	$2,295,556	$4,427,267	$3,809,916

* Combined increase in reserve funds consists of "Transfers to reserves" from the operating fund totaling $2.15 billion, plus "financial income" generated on Reserve funds of $27.6 million in 2014.

See Notes to Consolidated Financial Statements

Statistical & Other Supplemental Information

For the year ended December 31, 2014

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 (PURSUANT TO GAAP)

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 (PURSUANT TO PORT AUTHORITY BOND RESOLUTIONS)

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 reserve funds are described in Note E to the consolidated financial statements). 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 a Port Authority operating facility level.

INFORMATION ON CAPITAL INVESTMENT IN PORT AUTHORITY FACILITIES – SCHEDULE F

This schedule provides information on capital investment summarized by Port Authority operating facilities, including current year capital investment and depreciation.

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.

	2014	2013	2012
		(In thousands)	
Net position is composed of			
Net investment in capital assets	$10,402,894	$ 9,442,138	$ 9,273,213
Restricted	470,857	454,467	392,389
Unrestricted	3,900,789	3,831,722	3,034,881
Net Position	$14,774,540	$13,728,327	$12,700,483
Revenues, Expenses and Changes in Net Position:			
Gross operating revenues:			
Tolls and fares	$ 1,553,625	$ 1,462,957	$ 1,337,372
Rentals	1,300,818	1,228,491	1,208,730
Aviation fees	1,058,416	934,459	904,666
Parking and other	321,760	315,111	338,178
Utilities	149,052	139,835	152,945
Rentals – Special Project Bonds Projects	98,141	103,186	108,125
Gross operating revenues	4,481,812	4,184,039	4,050,016
Operating expenses:			
Employee compensation, including benefits	1,187,877	1,114,397	1,038,243
Contract services	797,516	684,411	749,106
Rents and amounts in–lieu–of taxes	362,627	301,582	304,020
Materials, equipment and other	277,174	220,859	215,937
Utilities	199,919	171,833	174,016
Interest on Special Project Bonds	98,141	103,186	108,125
Operating expenses	2,923,254	2,596,268	2,589,447
Net revenue/(expense) related to the events of September 11, 2001	–	–	–
Net revenue/(expense) related to the events of Superstorm Sandy	53,530	28,229	(30,000)
Depreciation of facilities	(932,149)	(875,979)	(884,239)
Amortization of costs for regional programs	(64,484)	(64,275)	(77,719)
Income from operations	615,455	675,746	468,611
Income on investments (including fair value adjustment)	38,100	8,608	39,661
Interest expense on bonds and other asset financing	(666,244)	(623,353)	(658,313)
Net gain/(loss) on disposition of assets	19,043	4,423	(4)
Pass–through grant program payments	(107,606)	(176,848)	(56,446)
4 WTC associated payments	6,128	36,660	65,293
Grants	207,898	188,409	52,161
Contributions in aid of construction	700,267	689,898	997,441
Passenger facility charges	233,172	224,301	222,614
1 WTC LLC/WTC Retail LLC insurance proceeds	–	–	3,525
Increase in net position December 31,	$ 1,046,213	$ 1,027,844	$ 1,134,543

Note: Schedule is prepared in accordance with the generally accepted accounting principles (GAAP) of the United States of America.

2011	2010	2009	2008	2007	2006	2005
$10,020,306	$ 9,200,077	$ 8,415,993	$7,526,446	$6,609,691	$5,872,518	$5,725,929
294,460	222,871	211,725	409,800	719,306	208,771	17,916
1,411,125	1,601,675	2,050,064	1,895,118	1,608,284	1,553,114	1,371,928
$11,725,891	$11,024,623	$10,677,782	$9,831,364	$8,937,281	$7,634,403	$7,115,773
$ 1,148,061	$ 1,069,785	$ 1,068,105	$1,054,801	$ 800,244	$ 798,682	$ 787,381
1,150,569	1,144,709	1,115,652	1,079,634	986,663	952,431	928,395
895,356	872,774	839,327	816,628	781,355	716,700	748,811
339,131	321,257	316,005	328,220	387,966	335,019	296,663
154,810	154,041	140,817	169,576	149,537	146,822	147,795
112,553	71,457	72,337	78,693	85,861	88,884	91,648
3,800,480	3,634,023	3,552,243	3,527,552	3,191,626	3,038,538	3,000,693
1,037,681	1,022,195	974,154	941,289	922,671	840,640	870,784
726,883	630,438	683,418	670,489	587,730	590,197	564,332
280,237	272,002	276,830	274,916	271,073	254,178	243,411
219,183	418,639	263,682	314,722	212,147	187,996	168,139
188,432	183,826	168,249	183,583	167,912	150,729	149,604
112,553	71,457	72,337	78,693	85,861	88,884	91,648
2,564,969	2,598,557	2,438,670	2,463,692	2,247,394	2,112,624	2,087,918
–	53,051	202,978	457,918	(4,563)	(2,069)	(3,358)
–	–	–	–	–	–	–
(852,727)	(789,011)	(712,331)	(644,620)	(632,553)	(674,940)	(643,732)
(77,537)	(76,504)	(74,617)	(70,840)	(59,316)	(49,319)	(42,996)
305,247	223,002	529,603	806,318	247,800	199,586	222,689
(46,898)	4,435	146,561	(4,976)	229,812	137,968	105,579
(559,110)	(501,607)	(501,892)	(488,463)	(493,689)	(454,134)	(422,334)
–	–	27,125	7	17,011	(3,741)	(55)
(11,507)	(2,166)	(1,120)	(3,130)	(4,717)	(6,832)	–
8,343	–	–	–	–	–	–
23,727	11,708	10,613	9,811	11,310	17,469	14,336
767,010	358,268	382,978	313,078	313,504	250,904	107,262
214,456	210,387	201,737	211,667	221,380	192,509	134,429
–	42,814	50,813	49,771	760,467	184,901	–
$ 701,268	$ 346,841	$ 846,418	$ 894,083	$1,302,878	$ 518,630	$ 161,906

	2014	2013	2012
		(In thousands)	
Gross Operating Revenues	$ 4,475,193	$ 4,184,039	$ 4,050,016
Operating expenses	(2,923,254)	(2,596,268)	(2,589,447)
Net revenue/(expense) related to the events of September 11, 2001	–	–	–
Net revenue/(expense) related to Superstorm Sandy	53,530	28,229	(30,000)
Amounts in connection with operating asset obligations	(23,734)	(25,908)	(27,956)
Net operating revenues	1,581,735	1,590,092	1,402,613
Financial income	14,687	(2,964)	29,121
Grants and contributions in aid of construction, net	565,444	540,746	565,976
Application of WTC Retail Joint Venture Payments	652,104	–	–
Application of Passenger Facility Charges	221,156	175,421	110,015
Application of 4 WTC associated payments	6,128	36,660	65,293
Application of 1WTC LLC/WTC LLC Retail insurance proceeds	–	–	17,962
Restricted Net Revenues - PAICE	–	4,305	2,710
Net Revenues available for debt service and reserves(a)	3,041,254	2,344,260	2,193,690
DEBT SERVICE – OPERATIONS			
Interest on bonds and other asset financing obligations (b)	(635,262)	(556,824)	(539,436)
Times, interest earned (a/b)	4.79	4.21	4.07
Debt maturities and retirements (c)	(226,205)	(204,000)	(169,770)
Times, debt service earned [a/(b+c)]	3.53	3.08	3.09
APPLICATION OF RESERVES			
Direct investment in facilities	(1,473,432)	(1,059,756)	(691,079)
Debt retirement acceleration	–	–	(54,635)
Change in appropriations for self-insurance	28,100	10,414	37,547
Interest on bonds and other asset financing obligations	(11,542)	(38,689)	(87,764)
Repayment of asset financing obligations	(105,562)	(15,701)	(16,514)
Acceleration of unamortized brokerage commissions	–	(46,863)	–
Net increase/(decrease) in reserves	617,351	432,841	672,039
RESERVE BALANCES			
January 1	3,809,916	3,377,075	2,705,036
December 31	$ 4,427,267	$ 3,809,916	$ 3,377,075
Reserve funds balances represented by:			
General Reserve	2,131,711	2,029,051	2,026,605
Consolidated Bond Reserve	2,295,556	1,780,865	1,350,470
Total	$ 4,427,267	$ 3,809,916	$ 3,377,075
OBLIGATIONS AT DECEMBER 31 *(at par value)*			
Consolidated Bonds and Notes	$19,229,020	$ 18,212,063	$18,076,497
Fund for regional development buy-out obligation	283,562	311,077	336,453
MOTBY obligation	48,254	52,329	78,060
Amounts payable - Special Project Bonds	1,530,510	1,605,515	1,675,825
Variable rate master notes	77,900	77,900	77,900
Commercial paper notes	448,185	348,110	384,625
Versatile structure obligations	–	–	–
Port Authority equipment notes	31,500	46,925	49,565
Tower 4 Liberty Bonds	1,225,520	1,225,520	1,225,520
Goethals Bridge Replacement Capital Asset obligation	210,316	–	–
Total obligations	$23,084,767	$ 21,879,439	$21,904,445
DEBT RETIRED THROUGH INCOME:			
Annual	331,767	219,701	240,919
Cumulative	$ 8,285,693	$ 7,953,926	$ 7,734,225

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.

2011	2010	2009	2008	2007	2006	2005
$ 3,800,480	$ 3,634,023	$ 3,552,243	$ 3,527,552	$ 3,191,626	$ 3,038,538	$ 3,000,693
(2,564,969)	(2,598,557)	(2,438,670)	(2,463,692)	(2,247,394)	(2,112,624)	(2,087,918)
–	53,051	202,978	457,918	(4,563)	(2,069)	(3,358)
–	–	–	–	–	–	–
(29,580)	(46,561)	(55,058)	(41,301)	(40,787)	(42,391)	(48,008)
1,205,931	1,041,956	1,261,493	1,480,477	898,882	881,454	861,409
(53,270)	(900)	141,136	(19,537)	208,274	134,806	103,572
499,516	367,810	392,471	319,759	320,097	261,541	121,598
–	–	–	–	–	–	–
215,645	207,122	205,164	215,407	220,583	186,555	113,649
8,343	–	–	–	–	–	–
57,340	61,468	266,676	411,278	305,532	–	–
644	(102)	3,177	(4,311)	(1,354)	–	–
1,934,149	1,677,354	2,270,117	2,403,073	1,952,014	1,464,356	1,200,228
(480,623)	(436,622)	(427,384)	(409,175)	(417,209)	(379,361)	(355,068)
4.02	3.84	5.31	5.87	4.68	3.86	3.38
(140,390)	(178,095)	(147,370)	(152,275)	(177,160)	(254,210)	(205,220)
3.11	2.73	3.95	4.28	3.28	2.31	2.14
(742,001)	(1,375,008)	(1,522,096)	(1,514,369)	(808,694)	(490,750)	(626,813)
(6,100)	–	–	–	–	–	–
1,949	(3,971)	6,463	2,123	(3,220)	(4,968)	(5,325)
(37,702)	(7,580)	(8,938)	(28,797)	(36,077)	(26,587)	(17,645)
(20,258)	(30,062)	(13,525)	(80,775)	(110,424)	(109,934)	(12,205)
–	–	–	–	–	–	–
509,024	(353,984)	157,267	219,805	399,230	198,546	(22,048)
2,196,012	2,549,996	2,392,729	2,172,924	1,773,694	1,575,148	1,597,196
$ 2,705,036	$ 2,196,012	$ 2,549,996	$ 2,392,729	$ 2,172,924	$ 1,773,694	$ 1,575,148
1,783,370	1,584,955	1,412,221	1,270,215	1,238,915	1,198,499	1,068,790
921,666	611,057	1,137,775	1,122,514	934,009	575,195	506,358
$ 2,705,036	$ 2,196,012	$ 2,549,996	$ 2,392,729	$ 2,172,924	$ 1,773,694	$ 1,575,148
$15,550,039	$13,340,378	$12,284,449	$10,794,831	$9,495,419	$ 9,659,104	$ 8,328,644
359,859	373,707	386,480	398,262	409,128	419,155	420,660
105,141	138,396	–	–	–	–	–
1,741,440	1,803,145	1,064,380	1,118,105	1,264,735	1,311,100	1,354,425
77,900	77,900	90,990	90,990	90,990	130,990	130,990
396,155	354,280	321,010	186,040	238,950	270,740	282,095
–	175,200	250,900	399,700	1,205,600	519,600	532,100
68,160	98,645	110,485	112,485	93,460	93,460	47,105
1,225,520	–	–	–	–	–	–
–	–	–	–	–	–	–
$19,524,214	$16,361,651	$14,508,694	$13,100,413	$12,798,282	$12,404,149	$11,096,019
166,748	208,157	160,895	233,050	287,584	364,144	217,425
$ 7,493,306	$ 7,326,558	$ 7,118,401	$ 6,957,506	$ 6,724,456	$ 6,436,872	$ 6,072,728

Schedule D-3 Selected Statistical Operating Data (Unaudited)

	2014	2013	2012
AUTHORIZED PORT AUTHORITY STAFFING LEVELS:			
Tunnels, Bridges and Terminals	873	873	881
PATH	1,073	1,070	1,070
Port Commerce facilities	169	169	170
Air Terminal facilities(a)	1,217	933	926
Development (b)	50	50	50
Other operational and support activities (c)	1,965	1,986	1,968
Subtotal	5,347	5,081	5,065
Public Safety and Security(a)	1,631	1,696	1,712
Total	6,978	6,777	6,777
FACILITY TRAFFIC AND OTHER INDICATORS (D):		(In thousands)	
Interstate Transportation Network			
Tunnels and Bridges (Total Eastbound Traffic)			
George Washington Bridge	49,037	49,402	49,111
Lincoln Tunnel	18,791	18,746	19,015
Holland Tunnel	15,570	16,158	16,118
Staten Island Bridges	30,620	31,382	32,009
Total vehicles	114,018	115,688	116,253
Automobiles	103,965	105,452	105,895
Buses	2,958	2,948	2,957
Trucks	7,095	7,288	7,401
Total vehicles	114,018	115,688	116,253
Bus Facility Terminals			
Bus facilities passengers	82,452	81,498	81,433
Bus movements	3,597	3,563	3,521
PATH			
Total Passengers	73,679	72,748	72,563
Passenger weekday average	250	244	242
Total Interstate Transportation Network Net Capital Expenditures	$1,475,880	$973,120	$976,843
Port Commerce			
Containers in twenty foot equivalent units (TEU) (in thousands)	5,772	5,467	5,530
International waterborne vehicles (in thousands)	393	453	427
Waterborne bulk commodities (in metric tons) (in millions)	5	4	3
Total Port Commerce Net Capital Expenditures	$ 210,496	$180,760	$184,750
Three Major Air Terminals			
John F. Kennedy International Airport total passengers	53,254	50,455	49,274
LaGuardia Airport total passengers	26,955	26,681	25,708
Newark Liberty International Airport total passengers	35,600	35,016	33,984
Total passengers	115,809	112,152	108,966
Domestic passengers	73,909	72,584	71,328
International passengers	41,900	39,568	37,638
Total passengers	115,809	112,152	108,966
Total Cargo–tons	2,017	1,991	2,069
Revenue Mail–tons	128	159	174
Total Plane Movements	1,179	1,191	1,186
Total Air Terminals Net Capital Expenditures	$ 715,456	$468,319	$351,535

(a) Changes in authorized positions reflect the creation of stand alone ARFF Cadres at certain airports in 2014.

(b) The Development business segment was reorganized in 2007.

(c) 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.

(d) Some 2014, 2013 and 2012 numbers reflect estimated data based on available year-end volumes and revised data, respectfully.

2011	2010	2009	2008	2007	2006	2005
881	911	911	940	910	938	1,010
1,070	1,081	1,081	1,088	1,075	1,080	1,089
170	172	172	179	168	175	183
926	958	958	978	918	953	989
52	82	82	86	77	–	–
1,957	2,030	2,030	2,082	2,208	2,259	2,382
5,056	5,234	5,234	5,353	5,356	5,405	5,653
1,721	1,743	1,743	1,774	1,772	1,776	1,541
6,777	6,977	6,977	7,127	7,128	7,181	7,194
50,397	51,231	52,126	52,947	53,956	54,265	53,612
19,829	20,214	20,248	20,937	21,842	21,933	21,794
16,590	17,037	16,609	16,871	17,349	17,365	16,982
32,334	32,724	32,517	32,970	33,857	33,457	33,479
119,150	121,206	121,500	123,725	127,004	127,020	125,867
108,428	110,482	110,755	112,176	115,349	115,506	114,481
3,111	3,122	3,119	3,158	3,139	3,140	3,137
7,611	7,602	7,626	8,391	8,516	8,374	8,249
119,150	121,206	121,500	123,725	127,004	127,020	125,867
76,403	75,378	75,769	76,236	71,540	72,731	69,060
3,385	3,338	3,386	3,375	3,361	3,394	3,346
76,556	73,911	72,277	74,956	71,592	66,966	60,787
256	247	243	253	242	227	206
$895,688	$1,005,891	$935,147	$834,742	$660,620	$491,269	$471,306
5,503	5,292	4,562	5,249	5,298	5,015	4,793
388	493	440	724	790	725	625
4	3	5	5	7	6	5
$228,747	$ 302,858	$174,459	$181,772	$288,677	$228,873	$220,545
47,644	46,514	45,878	47,790	47,717	42,630	40,892
24,122	23,983	23,163	23,077	24,985	25,810	25,889
33,700	33,194	33,429	35,347	36,367	35,692	33,078
105,466	103,691	102,470	106,214	109,069	104,132	99,859
69,034	68,071	68,956	71,579	75,546	73,163	70,223
36,432	35,620	33,514	34,635	33,523	30,969	29,636
105,466	103,691	102,470	106,214	109,069	104,132	99,859
2,203	2,261	1,925	2,343	2,620	2,697	2,695
185	186	205	237	227	194	180
1,185	1,168	1,181	1,249	1,271	1,222	1,191
$243,995	$ 518,545	$658,292	$624,700	$685,787	$587,265	$501,476

	Year ended December 31, 2014							2013
	Gross Operating Revenues	Operating Expenses(a)	Depreciation & Amortization	Income (Loss) from Operations	Interest, Grants & Other Expenses(b)	Capital Contributions & PFCs	Increase/ (Decrease) in Net Position	Increase/ (Decrease) in Net Position
	(In thousands)							
INTERSTATE TRANSPORTATION NETWORK								
George Washington Bridge & Bus Station	$ 653,848	$ 129,606	$ 32,007	$492,235	$ 23,523	$ –	$ 468,712	$ 423,050
Holland Tunnel	175,272	82,926	26,601	65,745	7,590	–	58,155	62,752
Lincoln Tunnel	229,145	102,922	43,611	82,612	19,021	–	63,591	67,443
Bayonne Bridge	29,601	20,584	5,186	3,831	6,455	–	(2,624)	(577)
Goethals Bridge	172,137	30,669	34,879	106,589	7,089	–	99,500	117,834
Outerbridge Crossing	145,070	27,046	5,048	112,976	1,843	–	111,133	101,379
Port Authority Bus Terminal	42,823	116,630	23,832	(97,639)	15,004	4,404	(108,239)	(111,251)
Subtotal – Tunnels, Bridges & Terminals	1,447,896	510,383	171,164	766,349	80,525	4,404	690,228	660,630
PATH General	163,250	385,395	140,031	(362,176)	68,164	30,558	(399,782)	(320,647)
WTC Transportation HUB	–	1,502	18,597	(20,099)	–	250,030	229,931	271,052
Journal Square Transportation Center	5,418	14,376	6,287	(15,245)	3,061	–	(18,306)	(15,636)
Subtotal – PATH	168,668	401,273	164,915	(397,520)	71,225	280,588	(188,157)	(65,231)
Ferry Transportation	167	1,164	5,291	(6,288)	4,631	–	(10,919)	(12,857)
Access to the Regions Core (ARC)	–	721	10,115	(10,836)	3,733	–	(14,569)	(15,010)
Total Interstate Transportation Network	1,616,731	913,541	351,485	351,705	160,114	284,992	476,583	567,532
AVIATION								
LaGuardia	367,123	287,598	48,927	30,598	19,884	9,069	19,783	19,240
JFK International	1,168,812	784,671	141,945	242,196	64,092	9,680	187,784	170,431
Newark Liberty International	894,017	501,046	114,148	278,823	57,617	(2,252)	218,954	176,890
Teterboro	40,920	29,399	15,668	(4,147)	8,149	5,678	(6,618)	6,982
Stewart International	8,234	20,218	1,260	(13,244)	1,040	2,184	(12,100)	(7,295)
PFC Program	–	258	97,042	(97,300)	(304)	233,172	136,176	127,017
Total Aviation	2,479,106	1,623,190	418,990	436,926	150,478	257,531	543,979	493,265
PORT COMMERCE								
Port Newark	79,983	94,469	29,129	(43,615)	33,277	–	(76,892)	(27,889)
Elizabeth Port Authority Marine Terminal	126,091	18,004	36,474	71,613	36,445	–	35,168	16,407
Brooklyn Port Authority Marine Terminal	4,273	10,809	1,016	(7,552)	1,211	–	(8,763)	(8,023)
Red Hook	1,476	7,455	–	(5,979)	–	–	(5,979)	(12,196)
Howland Hook Marine Terminal	10,880	11,115	17,023	(17,258)	14,603	15,750	(16,111)	(30,114)
Greenville Yard – Port Authority Marine Terminal	821	5	341	475	(69)	–	544	595
NYNJ Rail LLC	2,638	5,286	–	(2,648)	(7,556)	437	5,345	(1,495)
Port Jersey – Port Authority Marine Terminal	22,281	25,402	2,292	(5,413)	7,899	–	(13,312)	(16,631)
Total Port Commerce	248,443	172,545	86,275	(10,377)	85,810	16,187	(80,000)	(79,346)
DEVELOPMENT								
Essex County Resource Recovery Facility	1,611	93	1,405	113	385	–	(272)	(1,862)
Industrial Park at Elizabeth	1,140	9	286	845	291	–	554	537
Bathgate Industrial Park	4,925	2,689	1,301	935	230	–	705	1,004
Teleport	12,549	12,788	1,870	(2,109)	514	–	(2,623)	(2,391)
Newark Legal & Communications Center	23,092	53	2,398	20,641	(18,366)	–	39,007	(1,362)
Queens West Waterfront Development	711	–	605	106	1,537	–	(1,431)	(1,454)
Hoboken South Waterfront Development	7,049	105	2,844	4,100	2,831	–	1,269	658
Total Development	51,077	15,737	10,709	24,631	(12,578)	–	37,209	(4,870)
WORLD TRADE CENTER								
WTC Site	28,366	109,960	23,151	(104,745)	(4,635)	35,582	(64,528)	(18,763)
One World Trade Center	20,444	56,113	28,538	(64,207)	70,525	–	(134,732)	(19,950)
WTC Towers 2, 3 & 4	30,307	17,450	8,892	3,965	4,755	339,147	338,357	190,277
WTC Retail LLC	6,825	9,266	4,109	(6,550)	10,119	–	(16,669)	(11,293)
Total World Trade Center	85,942	192,789	64,690	(171,537)	80,764	374,729	122,428	140,271
Port Authority Insurance Captive Entity, LLC	–	2,481	–	(2,481)	(1,389)	–	(1,092)	(4,305)
Regional Programs	513	2,971	64,484	(66,942)	39,482	–	(106,424)	(112,932)
Revenues related to Superstorm Sandy	–	–	–	53,530	–	–	53,530	28,229
Total Port Authority	$4,481,812	$2,923,254	$996,633	$615,455	$502,681	$933,439	$1,046,213	$1,027,844

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

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

	Facilities, net Dec, 31, 2013	Capital Investment (a)	Depreciation	Dispositions	Facitilities, net Dec. 31, 2014
			(In thousands)		
INTERSTATE TRANSPORTATION NETWORK					
George Washington Bridge & Bus Station	$ 846,711	$ 92,072	$ 32,007	$ –	$ 906,776
Holland Tunnel	368,399	20,376	26,601	–	362,174
Lincoln Tunnel	606,396	320,147	43,611	–	882,932
Bayonne Bridge	326,565	225,560	5,186	–	546,939
Goethals Bridge	302,214	268,947	34,879	–	536,282
Outerbridge Crossing	80,999	14,246	5,048	–	90,197
Port Authority Bus Terminal	483,130	20,506	23,832	–	479,804
Subtotal – Tunnels, Bridges & Terminals	3,014,414	961,854	171,164	–	3,805,104
PATH General	2,332,349	218,066	140,031	–	2,410,384
WTC Transportation HUB	3,005,507	290,365	18,597	–	3,277,275
Journal Square Transportation Center	90,649	3,984	6,287	–	88,346
Subtotal – PATH	5,428,505	512,415	164,915	–	5,776,005
Ferry Transportation	115,106	1,611	5,291	–	111,426
Access to the Region's Core (ARC)	98,503	–	10,115	–	88,388
Total Interstate Transportation Network	8,656,528	1,475,880	351,485	–	9,780,923
AVIATION					
LaGuardia	802,148	216,538	48,927	–	969,759
JFK International	2,262,760	142,600	141,945	–	2,263,415
Newark Liberty International	1,786,699	73,449	114,148	–	1,746,000
Teterboro	252,079	14,424	15,668	–	250,835
Stewart International	99,896	47,548	1,260	–	146,184
PFC Program	2,120,445	220,897	97,042	–	2,244,300
Total Aviation	7,324,027	715,456	418,990	–	7,620,493
PORT COMMERCE					
Port Newark	740,752	62,935	29,129	–	774,558
Elizabeth Port Authority Marine Terminal	1,074,238	36,063	36,474	–	1,073,827
Brooklyn Port Authority Marine Terminal	51,585	6,981	1,016	–	57,550
Howland Hook Marine Terminal	495,815	18,063	17,023	–	496,855
Greenville Yards / NYNJ Rail LLC	19,098	8,546	341	–	27,303
Port Jersey–Port Authority Marine Terminal	306,775	77,908	2,292	–	382,391
Total Port Commerce	2,688,263	210,496	86,275	–	2,812,484
DEVELOPMENT					
Essex County Resource Recovery Facility	8,476	–	1,405	–	7,071
Industrial Park at Elizabeth	6,656	–	286	–	6,370
Bathgate Industrial Park	5,648	–	1,301	–	4,347
Teleport	13,061	1,249	1,870	–	12,440
Newark Legal & Communications Center	20,435	158	2,398	(18,195)	–
Queens West Waterfront Development	87,221	–	605	–	86,616
Hoboken South Waterfront Development	74,242	570	2,844	–	71,968
Total Development	215,739	1,977	10,709	(18,195)	188,812
WORLD TRADE CENTER					
WTC Site	2,522,916	375,306	23,151	–	2,875,071
One World Trade Center	2,935,904	389,203	28,538	–	3,296,569
WTC Towers 2, 3 & 4 (b)	1,708,320	572,148	8,892	–	2,271,576
WTC Memorial	429,495	56,761	–	–	486,256
WTC Retail LLC	1,164,788	280,612	4,109	–	1,441,291
Total World Trade Center	8,761,423	1,674,030	64,690	–	10,370,763
FACILITIES, net	$27,645,980	$4,077,839	$932,149	$(18,195)	$30,773,475
REGIONAL PROGRAMS	$ 405,260	$ 2,211	$ 64,484	$ –	$ 342,987

(a) Capital Investment includes Contributed Capital Amounts and write–offs related to Capital Construction.

(b) Includes WTC net lessee contributed capital amounts related to the replacement of Tower 2, 3 and 4.

TUNNELS AND BRIDGES

(Eastbound Traffic)	2014	2013
All Crossings		
Automobiles	103,965,000	105,452,000
Buses	2,958,000	2,948,000
Trucks	7,095,000	7,288,000
Total vehicles	114,018,000	115,688,000
George Washington Bridge		
Automobiles	45,136,000	45,364,000
Buses	426,000	429,000
Trucks	3,475,000	3,609,000
Total vehicles	49,037,000	49,402,000
Lincoln Tunnel		
Automobiles	15,597,000	15,580,000
Buses	2,151,000	2,128,000
Trucks	1,043,000	1,038,000
Total vehicles	18,791,000	18,746,000
Holland Tunnel		
Automobiles	14,915,000	15,511,000
Buses	209,000	220,000
Trucks	446,000	427,000
Total vehicles	15,570,000	16,158,000
Staten Island Bridges		
Automobiles	28,317,000	28,997,000
Buses	172,000	171,000
Trucks	2,131,000	2,214,000
Total vehicles	30,620,000	31,382,000

AVIATION

	2014	2013
Totals at the Major Airports		
Plane movements	1,178,829	1,190,816
Passengers	115,809,058	112,151,615
Domestic	73,908,654	72,583,505
International	41,900,404	39,568,110
Cargo-tons	2,016,536	1,990,910
Revenue mail-tons	127,621	158,778
John F. Kennedy International Airport		
Plane movements	422,509	406,181
Passengers	53,254,362	50,454,279
Domestic	25,006,280	23,913,096
International	28,248,082	26,541,183
Cargo-tons	1,343,198	1,321,035
LaGuardia Airport		
Plane movements	360,834	370,861
Passengers	26,954,588	26,681,100
Domestic	25,139,695	24,953,572
International	1,814,893	1,727,528
Cargo-tons	7,140	6,720
Newark Liberty International Airport		
Plane movements	395,486	413,774
Passengers	35,600,108	35,016,236
Domestic	23,762,679	23,716,837
International	11,837,429	11,299,399
Cargo-tons	666,198	663,155

PATH

	2014	2013
Total passengers	73,679,425	72,748,429
Passenger weekday average	250,071	244,484

MARINE TERMINALS

	2014	2013
All Terminals		
Containers	3,342,286	3,169,835
General cargo (a) (metric tons)	35,361,350	34,059,540
Containers in twenty foot equivalent units	5,772,303	5,467,347
International waterborne vehicles	393,391	452,778
Waterborne bulk & break-bulk commodities (metric tons)	5,259,607	3,732,292
New Jersey Marine Terminals		
Containers	3,098,049	2,895,769
New York Marine Terminals		
Containers	244,237	274,066

TERMINALS

	2014	2013
All Bus Facilities		
Passengers	82,451,500	81,497,500
Bus movements	3,597,120	3,562,800
Port Authority Bus Terminal		
Passengers	66,000,000	65,000,000
Bus movements	2,320,000	2,288,000
George Washington Bridge Bus Station		
Passengers	4,700,000	4,750,000
Bus movements	337,000	335,000
PATH Journal Square Transportation Center Bus Station		
Passengers	11,751,500	11,747,500
Bus movements	940,120	939,800

* Some 2014 and 2013 numbers reflect estimated data based on available year-end volumes and revised data, respectively.

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

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 eighteen county region that comprises approximately 4,500 square miles.

	Population	Total Personal Income	Per-capita Personal Income	Employment	Unemployment Rate
		(In thousands)			
2014 (1)	**18,412**	**1,143,336,373**	**$62.10**	**8,525**	**6.5%**
2013	18,301	1,100,178,921	$60.12	8,409	7.9%
2012	18,180	1,087,886,065	$59.84	8,272	8.7%
2011	18,063	1,043,919,133	$57.79	8,136	8.6%
2010	17,916	988,958,580	$55.20	8,023	9.0%
2009	17,792	954,367,218	$53.64	8,032	8.6%
2008	17,667	985,933,254	$55.81	8,309	5.3%
2007	17,572	969,763,090	$55.19	8,282	4.4%
2006	17,543	899,093,335	$51.25	8,157	4.6%
2005	17,581	828,401,157	$47.12	8,064	4.9%

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

	2014	2005
Education & Health Services	18.8%	16.5%
Government	13.9%	15.2%
Retail Trade	16.2%	15.1%
Financial Activities	10.2%	9.9%
Professional & Business Services	8.5%	9.5%
Leisure & Hospitality	8.9%	7.2%
Manufacturing	4.0%	5.8%
Wholesale Trade	4.7%	5.2%
Other Services	4.4%	4.3%
TWU*	3.6%	3.8%
Construction	3.5%	3.9%
Information	3.2%	3.5%

Source - Moody's Analytics

(1) Data for 2014 is preliminary and subject to revision

(2) Industry definitions can be found at the US Department of Labor Statistics website at www.bls.gov/bls/naics.htm.

* Transportation, Warehousing, and Utilities

TOP 20 SALARIED STAFF AS OF DECEMBER 31, 2014

PATRICK J. FOYE
Executive Director
Annual salary: $289,667
2014 total compensation: $294,420
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
Annual Salary: $289,667
2014 total compensation: $278,145
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/Senior Financial Advisor
Annual salary: $276,926
2014 total compensation: $293,856
J.D., New York University
B.A., New York University
More than 35 years of experience in both private and public practice of law.

STEVEN P. PLATE
Director, WTC Construction/ Deputy Chief of Capital Planning
Annual salary: $238,004
2014 total compensation: $245,347
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
Annual salary: $236,340
2014 total compensation: $240,887
M.A., St. Louis University
B.A., St. Louis University
More than 30 years of public experience in real estate and economic development.

THOMAS L. BOSCO
Director, Aviation
Annual salary: $235,014
2014 total compensation: $264,202
M.A., Webster University
B.S., United States Military Academy
More than 30 years of aviation leadership experience.

JOSEPH P. DUNNE
Chief Security Officer
Annual Salary: $235,014
2014 total compensation: $243,064
M.A., Columbia University
B.A., St. Francis College
More than 30 years of experience in public security and police management.

ELIZABETH M. MCCARTHY
Chief Financial Officer
Annual salary: $235,014
2014 total compensation: $236,974
B.S., St. Louis University
More than 30 years of financial experience in the public and private sectors.

PETER J. ZIPF
Chief Engineer
Annual salary: $235,014
2014 total compensation: $242,355
M.S., Polytechnic Institute of New York University
B.S., Manhattan College
More than 30 years of engineering experience in the public and private sectors.

MICHAEL G. MASSIAH
Chief, Capital Planning
Annual salary: $235,014
2014 total compensation: $233,328
M.P.A., SUNY Albany
B.A., LeMoyne College
More than 30 years of public experience in human resources and financial services.

ROBERT E. GALVIN
Chief Technology Officer
Annual salary: $230,022
2014 total compensation: $234,186
B.S., Central Michigan University
More than 25 years of information technology experience in the public and private sectors.

ALAN L. REISS
Director, WTC Construction
Annual salary: $230,022
2014 total compensation: $235,115
B.S., Northeastern University
More than 30 years of engineering, project management, and executive management experience.

MARY LEE HANNELL
Chief, Human Capital
Annual salary: $225,004
2014 total compensation: $230,202
B.A., Drew University
More than 30 years of professional experience in human resources in the private and public sectors.

THOMAS J. O'CONNOR
Deputy Director, WTC Construction
Annual salary: $225,004
2014 total compensation: $228,244
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 sectors.

STEPHANIE E. DAWSON
Acting Chief Operating Officer
Annual salary: $225,004
2014 total compensation: $226,579
M.S., U.S. Army War College
B.A., Cornell University
More than 30 years of experience in logistics, security, and operations management.

MICHAEL NESTOR
Inspector General
Annual Salary: $225,004
2014 total compensation: $193,083
More than 40 years of public sector experience in law enforcement.

RICHARD M. LARRABEE
Director, Port Commerce
Annual salary: $216,320
2014 total compensation: $223,438
M.S., University of Rhode Island
B.S., United States Coast Guard Academy
More than 35 years of public experience in maritime operations.

MICHAEL A. FEDORKO
Director, Public Safety/ Superintendent of Police
Annual salary: $215,098
2014 total compensation: $219,202
B.S., Trenton State College
More than 40 years of public safety and public management experience.

ANDREW S. LYNN
Director, Planning & Regional Development
Annual salary: $215,020
2014 total compensation: $217,722
J.D., Harvard University
B.A., Harvard University
More than 25 years of public and private experience in planning and development.

PHILLIP H. KWON
First Deputy General Counsel
Annual Salary: $215,020
2014 total compensation: $215,319
J.D., Rutgers University
B.A., Georgetown University
More than 15 years of private and public legal experience.

Note: Total Compensation includes cash and imputed amounts earned during calendar year 2014.
Note: Total Compensation includes cash and imputed amounts earned during calendar year 2014.

*As of December 31, 2014

**Resigned from the Port Authority February 1, 2015

THE PORT AUTHORITY OF NY & NJ

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