

THE PORT AUTHORITY OF NY & NJ

OUR REGION *REDEFINED*



2015 ANNUAL REPORT

Comprehensive Annual Financial Report for the Year Ended December 31, 2015



OUR 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.



Photo courtesy of HDR



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*The Port Authority of New York and New Jersey
Comprehensive Annual Financial Report for the Year Ended December 31, 2015*

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



The Port District includes the cities of New York and Yonkers in New York State; the cities of Newark, Jersey City, Bayonne, Hoboken, and Elizabeth in the State of New Jersey; and more than 200 other municipalities, including all or part of 17 counties, in the two states.

ORIGINS OF THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

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 the 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 the New York Harbor. Through the years, the mandate of the agency has developed to

promote and protect the commerce of the bistate port region and to undertake regional transportation improvements not likely to be financed by private enterprise or to be attempted by either state alone: modern wharfage for the harbor shared by the two states; tunnel and bridge connections between the states; terminal and transportation facilities; and, in general, trade and transportation projects to promote the region's well-being.

- (1) In 2007, The Port Authority of New York and New Jersey acquired Stewart International Airport (SWF), located in Orange County, New York, as an additional air terminal outside the Port District per legislation passed by the State of New York in 1967.
- (2) 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 Atlantic City International Airport (ACY).

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 2015 Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey.

This report highlights some of the agency's signature accomplishments during 2015, all of which I believe address the current and future transportation infrastructure needs of our region while demonstrating the fiduciary prudence entrusted to this agency by yourselves and the public at large.

Throughout its existence, the Port Authority has been called upon to provide vision and leadership to sustain and advance the transportation and trade needs of our bistate district while, in a larger sense, playing an integral role in the economic health of our nation. Consider how, in the 20th century, this agency constructed the George Washington Bridge and the Lincoln Tunnel—feats of engineering whose innovation and usefulness have persisted into modern times. The Port Authority also built a system of airports that connected the world, opened our seaport to global trade, and raised the Twin Towers as an invitation to global businesses so that they would conduct business within our region.

By doing all this and so much more, the Port Authority married the skills, the potential, the aims, and the hopes of two neighboring states into a single, powerful entity.

But our story did not end in the past. As our region confronts new transportation and commercial challenges, we have created an unparalleled slate of capital works projects—either proposed or advanced in 2015—to develop or strengthen the core transportation infrastructure required to meet and exceed the needs of our Port District for years to come. We are committed to doing our part in giving this vibrant region the transportation infrastructure it needs to adapt to unprecedented growth by building a modern interstate bus terminal; restoring the George Washington Bridge; and building an expanded, more reliable connection for trans-Hudson River commuters.

I need not point out that, while planning and investing in these vast projects, our agency has maintained its focus on operating the vast network we have been charged with shepherding both soundly and efficiently for the more than 300 million customers who use our facilities each year. We are strongly committed to exercising our fiduciary responsibility to carefully scrutinize every expenditure, capital and otherwise, to ensure they are strictly aligned with our mission. Across all levels, staff is working to increase transparency, streamline processes, and heighten the diversity of contractors we utilize for goods and services. At the same time, we continue to work toward a greener tomorrow, and to balance our environmental needs with the region's economic growth.

Our progress to date could not have been achieved without your support. I thank you in advance for your continued leadership as The Port Authority of New York and New Jersey continues to crystallize a vision for our region's bright future.

Yours sincerely,

A handwritten signature in gold ink that reads "John J. Degnan". The signature is fluid and cursive.

John J. Degnan
Chairman

April 28, 2016



CHAIRMAN
JOHN J. DEGNAN



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



RICHARD H. BAGGER
Executive Vice President,
Corporate Affairs and
Market Access
Celgene Corporation



STEVEN M. COHEN
Executive Vice President,
Chief Administrative Officer,
and General Counsel
MacAndrews & Forbes Inc.



EXECUTIVE DIRECTOR
PATRICK J. FOYE



MICHAEL D. FASCITELLI
Founder
MDF Capital



HAMILTON "TONY" E. JAMES
President
Blackstone



GEORGE R. LAUFENBERG
Funds Director
Northeast Carpenters Funds



KENNETH LIPPER
Chairman
Lipper & Co. LLC



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



RAYMOND M. POCINO
Vice President/Eastern
Regional Manager
Laborers International Union
of North America



WILLIAM "PAT" SCHUBER
Professor
Fairleigh Dickinson University



DAVID S. STEINER
Chairman
Steiner Equities Group LLC

BOARD OF COMMISSIONERS

John J. Degnan, Chairman
Scott H. Rechler, Vice Chairman
Richard H. Bagger
Steven M. Cohen¹
Michael D. Fascitelli²
Hamilton "Tony" E. James³
George R. Laufenberg
Kenneth Lipper
Jeffrey H. Lynford
Raymond M. Pocino
William "Pat" Schuber
David S. Steiner

¹Steven M. Cohen joined the Board on July 8, 2015.

²Michael D. Fascitelli joined the Board on July 6, 2015.

³Hamilton "Tony" E. James joined the Board on June 25, 2015.

The following also served on the Board of Commissioners during 2015:

Jeffrey A. Moerdler and Rossana Rosado

As of December 31, 2015

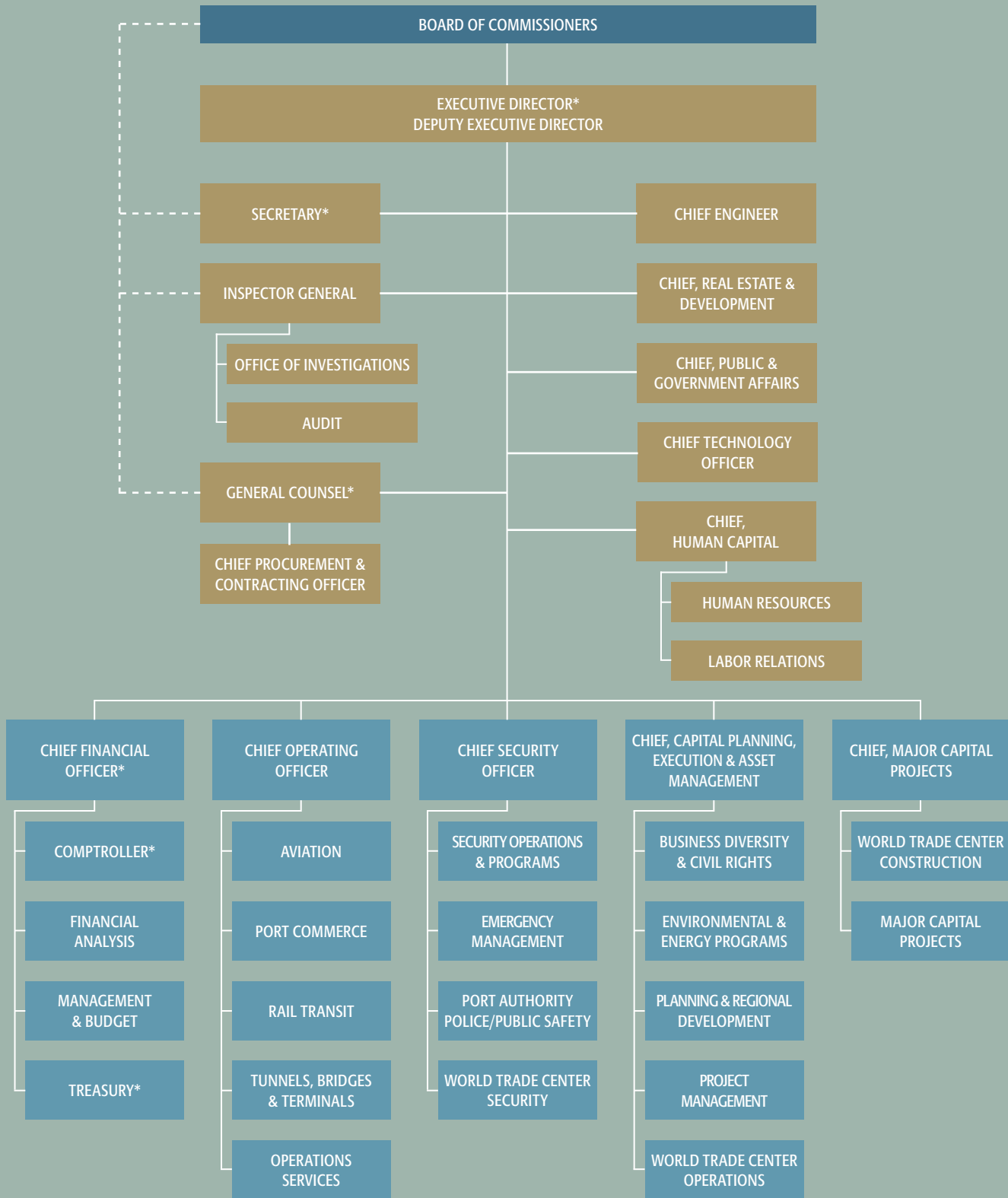
LEADERSHIP OF THE PORT AUTHORITY

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 a qualified candidate is currently in progress.*



OFFICERS AND EXECUTIVE MANAGEMENT



*Officers of the Port Authority

Organizational Chart as of April 28, 2016

LETTER FROM THE EXECUTIVE DIRECTOR:

Dear Board of Commissioners,

In 2015, we embarked upon several major projects that will be transformative for our region. These significant investments mark our renewed commitment to the agency's core mission of meeting the region's transportation infrastructure needs.

Over the past year, you authorized critical steps culminating this past March in approval of the first phase of redevelopment and modernization of LaGuardia Airport under an innovative \$4.0 billion public-private partnership. The existing Central Terminal Building, built in 1964, will be replaced by a modern new facility that will anchor a unified terminal complex, which will also create improved airside capacity. Together with the recent authorization for a \$2.3 billion redevelopment of Terminal A at Newark Liberty International Airport, this unprecedented cycle of investment in our airports will substantially improve the air travel experience for residents and visitors to our region. This investment cannot come soon enough, as our airports handled a record 124 million passengers last year—cementing our position as the busiest airport system in the Americas, generating over \$80 billion in regional economic activity, and supporting over 570,000 jobs.

In November, Governors Christie and Cuomo, joined by the U.S. Senators for New York and New Jersey, announced a framework to advance the Gateway Program, including a critically needed new rail tunnel connecting our states. Together with the U.S. Department of Transportation and Amtrak, the Port Authority was designated to lead the effort to develop a plan to get the Gateway Program done—and fast. We are proud to have been chosen for this role. In many ways, large, critical bistate transportation projects such as Gateway are why the Port Authority was created in 1921, proving why our agency remains as necessary and capable today as it did when we built the George Washington Bridge, Goethals Bridge, Bayonne Bridge, and Lincoln Tunnel in the 1920s and early 1930s. We are working closely with our partners at Amtrak, New Jersey Transit, and U.S. Department of Transportation to expedite the planning for this major undertaking.

In addition to Gateway, we are committed to addressing the growing demand for trans-Hudson capacity in other areas. During the course of the year, we advanced planning work, which we started in 2013, on a replacement for the aging Port Authority Bus Terminal. Out of that effort, under the direction of the Board of Commissioners, we have begun an international design and deliverability competition to replace the terminal, with the goal of selecting a preferred design concept in late 2016. In addition to these major trans-Hudson projects, work continues on not one, but two, new bridges between Staten Island and New Jersey. The replacement Goethals Bridge and the navigational clearance project for the Bayonne Bridge are well underway, with both projects approximately 50 percent complete. Not since the 1920s has the Port Authority had two new bridge projects underway at one time.

As transit ridership across the region continues its strong resurgence, we are also making significant investments to modernize the PATH system. Our investments include modernizing our signal system to ensure safety and increase capacity, while continuing to refurbish critical segments of tunnel infrastructure—some of which continue to suffer the after effects of Superstorm Sandy. These critical long-term investments will ensure the resiliency of a system that carried 77 million passengers last year safely and effectively across the Hudson. At PATH, we also continue to emphasize that safety is our top priority; in light of tragic accidents at other transit and commuter rail systems across the country, we must never lose sight of that fact.

Our port also enjoyed a record year. In 2015 our port handled nearly 6.4 million twenty-foot equivalent units (TEUs), 10.4 percent higher than the previous record, set in 2014. This record port volume has been an engine for jobs and economic activity across the entire bistate region. Our ExpressRail ship-to-rail system enjoyed particularly strong growth, providing tangible dividends on our \$600 million cumulative investment in the form of market share gains, efficiency, and reduced emissions.

I also want to commend the Port Authority Police Department for its work, day in and day out, in protecting the public and our facilities in a world of multiple threats. The Papal visit to the region this past September, starting at JFK Airport and including a visit to the World Trade Center site, posed an incredible challenge for PAPD and our security team, which they handled with competence and professionalism.

I note that with the LaGuardia Terminal B redevelopment approved and the Goethals Bridge Replacement Project well underway, the Port Authority has become a real leader in public-private partnerships in this country. The \$4.0 billion LaGuardia project will be the largest public-private partnership for transportation infrastructure in the country. These projects reflect our agency's spirit of innovation, partnership, and creativity in meeting our overall mission of building and operating the growing transportation necessary for our region. As our region continues to grow and evolve, we must grow and evolve with it.

Lastly, these accomplishments would not have been possible without sound financial management. The overall finances of the agency remain strong. Revenues grew 7.7 percent in 2015 primarily due to increased activity levels at transportation facilities, coupled with increased leasing activity at the World Trade Center. While the agency incurred additional operating expenses related to certain components of the World Trade Center becoming operational, overall operating expenses remained flat in 2015, which was primarily the result of lower overtime.

I am confident that the new Port Authority will lead responsibly and with integrity, upholding the mission of a historic agency that I am privileged to serve.



Patrick J. Foye
Executive Director

April 28, 2016

OUR REGION REDEFINED

Over the course of its nearly 100-year history, The Port Authority of New York and New Jersey has been called upon to develop, secure, and sustain projects vital to our region's infrastructure and economy.

The unparalleled slate of new capital projects that the agency is advancing simultaneously may cause future generations to look back on 2015 as the start of a new era for the Port Authority.

Without question, the unprecedented capital investments—either proposed or advanced in 2015—return the agency to its core mission and cement its standing as the nation's premier force in transportation infrastructure. These many projects will create or strengthen the core transportation infrastructure required to meet and exceed the needs of the Port District for generations to come. They include a modernized LaGuardia Airport, a revitalized Port Authority Bus Terminal, a raised Bayonne Bridge, a replacement Goethals Bridge, and a vital new rail tunnel between New York City and New Jersey.





BRINGING LAGUARDIA AIRPORT INTO THE 21ST CENTURY

On July 27, 2015, Governor Andrew M. Cuomo was joined by Vice President Joe Biden to unveil the vision for the comprehensive redesign of New York's iconic LaGuardia Airport. The project is expected to generate \$1.3 billion in wages and \$5.2 billion in regional economic activity.

The Port Authority of New York and New Jersey is embarking on a robust and multi-year procurement process for the redevelopment of LaGuardia Airport.

LaGuardia Airport's new Terminal B will offer best-in-class passenger amenities.

A resolution in March 2016 includes an authorization for project design and construction. The Board selected a private development team, LaGuardia Gateway Partners, to lead the redevelopment, following a competitive Request For Proposals. LaGuardia Gateway Partners will design, build, finance, operate, and maintain a new Terminal B.

The LaGuardia project reflects recommendations from Governor Cuomo's Airport Advisory Panel, including the new light-filled Central Entry Hall, which will connect Terminals B and C and unify the airport for the first time. The new Terminal B will be able to serve 50 percent more passengers than LaGuardia Airport's existing Terminal B current capacity, while providing world-class amenities such as first-class shopping and dining establishments and accommodating plans for a future AirTrain and people-mover connections to enhance access to and around the airport.



In a landmark announcement in 2015, the federal government and the states of New York and New Jersey committed to build a new commuter and intercity rail tunnel between the two states, along with other associated infrastructure improvements. The Gateway Program is a key to providing enhanced trans-Hudson transportation capacity for decades to come. Subsequently, the Port Authority, Amtrak, and the U.S. Department of Transportation, together with NJ TRANSIT, and with the support of U.S. Secretary of Transportation Anthony Foxx, Governors Chris Christie and Andrew Cuomo, and U.S. Senators Charles E. Schumer, Cory Booker, and Robert Menendez, announced tangible steps in March 2016. This included \$70 million in funding for critical preliminary engineering work, with \$35 million in federal funding coming from Amtrak

and \$35 million from the Port Authority. This funding will support the environmental and planning efforts for the tunnel project. The financial commitment will help build momentum and expedite environmental review and permitting for the Hudson Tunnel Project.

At present, both Amtrak and NJ TRANSIT's rail systems transport approximately 200,000 commuters each day via Amtrak's trans-Hudson tunnels. As such, they constitute a vital link in the region's economy. Experts estimate that if the tunnels were taken off-line the nation would suffer losses of approximately \$100 million in transportation-related impacts and productivity each day. Yet these same critical passageways are over 100 years old. They require significant rehabilitation, especially following damages sustained as a

result of Superstorm Sandy in 2012. A report produced by Amtrak warned that failure of one of the existing tunnel tubes could result in a 75 percent loss of capacity. The need for the Hudson Tunnel Project to replace the existing tunnels has never been greater.

The local agencies also announced their intent to apply for competitive federal grants. The project participants are taking steps toward finalizing the structure and form of a development corporation to oversee the entire Program.



A NEW TRANS-HUDSON PASSENGER RAIL TUNNEL





A REVITALIZED PORT AUTHORITY BUS TERMINAL

The Port Authority has collaboratively worked with the bus carriers serving the PABT to improve the flow of buses.



At its meeting in October 2015, the Port Authority's Board of Commissioners voted to hold an international design competition for a new Port Authority Bus Terminal (PABT), with the goal of selecting a winner by fall 2016. At its March 2016 meeting, the Board of Commissioners committed to keep plans for a new state-of-the-art bus terminal on Manhattan's West Side and voted to dedicate the funding necessary for completion of the project as part of the development of the 2017-2026 Capital Plan, which considers both revenues and expenditures.

In the interim, work progressed in 2015 to make improvements to the current PABT on Eighth Avenue in Midtown Manhattan. The facility serves an average of 110,000 passengers every weekday or approximately 66 million passengers annually, via 2.3 million bus trips. Without question, it is an asset that is vital to the region's economy.

The Board's actions in 2015 marked a new milestone in the agency's commitment to create a brighter experience and more welcoming atmosphere for travelers who visit the PABT. These actions include securing a leading retail agent at PABT, advancing the Quality of Commute program to open pivotal lines of communication between PABT customers and Port Authority planners, reducing commuter congestion through studied redirection of pedestrian and bus traffic flows, and authorizing key lease opportunities for upscale food vendors to rebrand PABT as a local destination site with dining opportunities.



A photograph of two construction workers at a site. The worker on the left is wearing a bright yellow high-visibility jacket, blue jeans, and a blue hard hat. The worker on the right is wearing a grey hoodie, an orange safety vest, and a tan hard hat. They are both looking down at a complex structure of steel rebar that has been laid out on the ground, likely for a concrete foundation. The background shows a cloudy sky and some industrial buildings.

A RENEWED COMMITMENT TO LEADERSHIP

The Port Authority commenced several bold initiatives aimed at redefining its vision of leadership in 2015. Ultimately, these changes will positively impact our regional transportation network and the customers it serves.



Thomas K. Wright, president of the Regional Plan Association, addresses the Trans-Hudson Transportation Summit hosted by the Port Authority at One World Trade Center on May 7, 2015.

HOSTING THE TRANS-HUDSON TRANSPORTATION SUMMIT

The agency proudly hosted a symposium in May 2015 of experts from the region's major transportation agencies, including Amtrak, the Metropolitan Transportation Authority, NJ TRANSIT, and the Regional Plan Association. Convening this gathering helped to publicize and advance the urgent dialogue that necessarily predates replacement of aging trans-Hudson infrastructure.

While trans-Hudson travel is expected to increase significantly over

the next 25 years, options for crossing the Hudson River have failed to keep pace with population growth. As an example, the last infrastructure project to add a vehicular lane or rail track across the Hudson occurred more than 50 years ago with construction of the lower deck of the George Washington Bridge.

If appropriate actions are not taken, and soon, considerable congestion may result at access roads, bridges, tunnels, and rail links between New York and New Jersey. The discussions at the May symposium highlighted: (i) the immediate and long-term crises, and the urgency to repair and expand this vital infrastructure to prevent major

disruptions and to meet future travel demand, (ii) the operational, financial, institutional, and regulatory challenges that must be addressed, and (iii) new ideas for overcoming these obstacles.

In keeping with its core mission, the Port Authority constantly explores a wide range of ongoing transit initiatives to meet or exceed future trans-Hudson demands. Issues discussed at the Trans-Hudson Transportation Summit included methods of bolstering bus and tunnel capacity, replacing the Port Authority Bus Terminal, advancing the Gateway Program, innovating funding sources and financing techniques, and fast-tracking infrastructure projects.



The new Capital Projects Dashboard creates transparency into the agency's operations and expenditures.

CREATING A CAPITAL PROJECTS DASHBOARD

Continuing its initiatives to enhance transparency, the Port Authority made it possible to track the progress of its many capital projects via the Internet. The Capital Projects Dashboard, featured on the Port Authority's website, provides cost and schedule information for each of the 372 projects active through the agency's 2015 Capital Budget. This includes the amount of money spent at departmental and facility levels as well as breakdowns on the kinds of work performed at each facility. The dashboard also lists original completion dates, the currently forecast cost and timeline of each project, and trending information.

The decision to create the Capital Projects Dashboard also stems directly from the report of the Special Panel on the Future of the Port Authority, as commissioned by Governors Cuomo and Christie in December 2014.



Members of the agency's trans-Hudson employee forum lend their opinions and expertise to brainstorm solutions to complex problems.

CONVENING SPECIAL PANEL IMPLEMENTATION TEAMS

Acting on recommendations offered in the report from the Special Panel on the Future of the Port Authority, the agency created its Special Panel Implementation Office (SPIO) to increase accountability and foster regional focus in day-to-day operations by following up on the recommendations set forth in this report.

The office is composed of two primary team types: governance teams and mission teams. Each team has a set implementation plan by which it will accomplish codified objectives and present packages of deliverables to agency leadership. The SPIO teams made tremendous headway in 2015 in pursuit of such goals as continuing reforms to promote a culture of transparency and ethical conduct, revitalizing core transportation assets, and developing innovative and flexible techniques to increase financing capacity.



The Agency Operations Center is a state-of-the-art facility that connects data and communications from each of the agency's cross-Hudson transportation assets.

AGENCY OPERATIONS CENTER OPENS

The agency launched the Port Authority's Agency Operations Center (AOC), located within the Ernesto L. Butcher Emergency Operations Center in Jersey City, to enhance traveler safety and reduce congestion by increasing the efficiency of operations and incident responses across the agency's entire Interstate Transportation Network.

The AOC's round-the-clock staff uses video feeds, travel-time detectors, and other modern equipment to monitor the flow of traffic and goods at all Port Authority tunnels, bridges, terminals, airports, seaports, and the PATH system. As incidents occur, AOC specialists can manage traffic with variable message signs and signals while working to speed incident response times. Their centrality also affords them the best position from which to orchestrate resolutions in tandem with staff from the impacted agency facility; regional partners; and city, state, and federal authorities.



The agency's Office of Business Diversity and Civil Rights hosts regular information and networking forums for MWBEs.

OPPORTUNITIES FOR MINORITY AND WOMEN-OWNED BUSINESSES

Minority, women-owned, small, and disadvantaged business enterprises (MWSDBEs) had a respectable 2015. In all, the total MWSDBE spend was \$387.5 million. Activity from World Trade Center construction projects and from tenants at our airports accounted for approximately \$315 million in direct and subcontract MWSBE awards, representing 24 percent of the total spend. In addition, Port Authority partners associated with Goethals Bridge Replacement Project and the George Washington Bridge Bus Station, as well as incoming WTC tenants, accounted for a total of \$72.5 million in MWDBE activity. The cumulative World Trade Center spend with MWBEs is approximately \$1.3 billion to date.

In partnership with the government of New York State, the Port Authority organized a groundbreaking series of networking events called the LaGuardia Airport (LGA) Redevelopment Business Forums. These events afforded minority and women-owned business enterprises (MWBEs) opportunities to network with prime architectural and engineering firms while helping them gain a broader understanding of how their businesses could involve themselves in future projects related to the LGA Redevelopment efforts. Adding to this noteworthy achievement, the agency announced its support of Governor Andrew Cuomo's new goal of 30 percent MWBE participation—the highest such pledge in the nation to date.

LAUNCHING A NEW BLOG

In April 2015, the agency launched a blog, featured prominently on the agency's website, to help the general public better understand the infrastructure needs of our region. In a nod toward the Port Authority's storied past, the blog is named "Portfolio"—the name of a celebrated quarterly journal that the agency published three decades ago as a forum for contemporary thinking on the economic impact of regional, national, and international transportation.

Portfolio spotlights stories that rarely make the mainstream news, including profiles of the unsung Port Authority employees who operate and maintain the facilities used by millions of consumers each day. Using vintage photos and historical perspectives, the blog takes a behind-the-scenes look at how the agency's airports, tunnels, bridges, seaport, PATH rail system, and World Trade Center complex have played such pivotal roles in our regional and national histories.



Information about the Port Authority is now available to a much wider audience via the agency's new Portfolio blog.

ADVANCING THE MOVEMENT OF REGIONAL FREIGHT

The agency launched an innovative partnership with the New York and New Jersey State Departments of Transportation, local governments, and private industry stakeholders to address the region's current and pressing challenges related to the movement of freighted goods. Called the Goods Movement Action Program (GMAP), this partnership will focus on creating solutions to the problems of aging infrastructure, chronic congestion, and fragmented transportation management that impede the safe and efficient

movement of goods throughout our region while simultaneously working to limit, if not decrease, the overall cost of freight movements as borne by area consumers.

The need for GMAP has never been greater. Experts predict that, over the next 20 years, the current regional freight network will have to accommodate a 38 percent increase in freight tonnage in order to meet the demands of our growing economy. Notably, GMAP places great focus on multi-modal action plans coupled with short- and long-term infrastructure and operational initiatives to improve the overall performance of the regional core freight network. These improvements should

also translate into our region's increased competitiveness in the overall global freight market.

Immediate GMAP priorities include: the use of weigh-in-motion technology to enforce overweight truck regulations and protect roadway investments; the development of apps that enable truck drivers to navigate our region efficiently and safely; support for our Aviation Department's opening of the JFK Airport truck stop, the first of its kind in New York City; the elimination of a rule restricting truck access to JFK Airport; and the implementation of various roadway improvements to address congested access to New Jersey's port facilities.



The new Goods Movement Action Program leverages the interests and expertise of various stakeholders invested in the efficient and profitable movement of cargo throughout our region.



A BLUEPRINT FOR A REVITALIZED REGION: THE 2015 DASHBOARD

The vision, vitality, and effort put forth by the Port Authority in 2015 paved the way for a revitalized region equipped to meet the future transportation needs of its constituency.



124.2 million

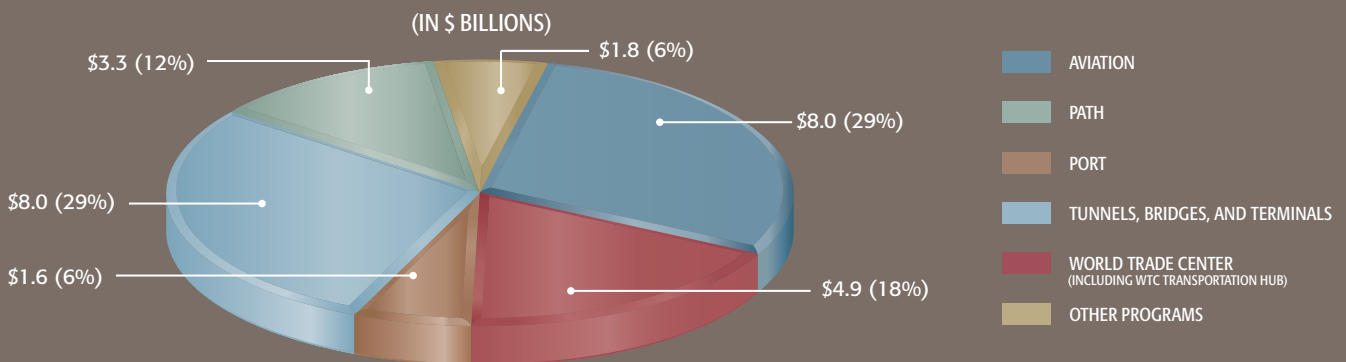
More than 124.2 million passengers* traveled through the Port Authority's airports in 2015, surpassing the recent record, set in 2014, by more than 7 million fliers.

**Includes: EWR, JFK, LGA, SWF, and ACY.*

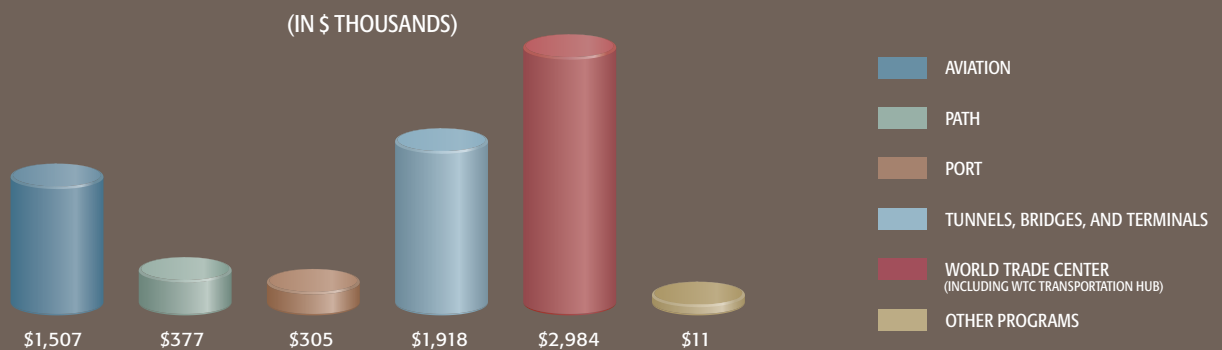
3.7 million

During the year, the port handled 3.7 million cargo containers, an increase of 9.6 percent over 2014, when a previous annual record had been established.

\$27.6 BILLION 2014-2023 CAPITAL PLAN BY BUSINESS SEGMENT



\$7.1 BILLION CAPITAL INVESTMENT* IN 2014-2015 BY BUSINESS SEGMENT



**Includes capital investment funded by capital contributions.*

115.9 million

In 2015, more than 115.9 million passengers relied on our tunnels and bridges, with our facilities serving various parts of the metropolitan area.

76.6 million

During the year, PATH served a total of 76.6 million passengers between New York and New Jersey.

FUNDING CRITICAL INVESTMENTS WITH THE 2016 OPERATING AND CAPITAL BUDGETS

In late 2015, the Port Authority Board of Commissioners approved a fiscally responsible \$3 billion Operating Budget and a \$3.5 billion Capital Budget.

The Operating Budget represents a modest 2.8 percent increase in expenses over the prior year's budget and includes incremental expenses associated with phasing in the final operating components of the World Trade Center site, in addition to funds aimed at enhancing the competitiveness of the agency's facilities. New and continued initiatives covered under the Operating Budget include programs to upgrade security at agency facilities,

improve the Port Authority Bus Terminal's Quality of Commute program, initiate strategic vision studies across the agency's aviation portfolio, and create a master plan for the Port of New York and New Jersey. The Operating Budget also supports the addition of 250 new police recruits to address staff turnover, officer retirements, and new workloads in 2016.

The \$3.5 billion Capital Budget provides funds to maintain mission-critical transportation assets, such as the region's airports, seaport, tunnels, bridges, terminals, and the PATH system, while advancing redevelopment of the World Trade Center site. The Capital Budget also includes major investments to: redevelop LaGuardia Airport's Terminal B; plan, design, and

replace Newark Liberty International Airport's Terminal A; advance the Goethals Bridge and Bayonne Bridge projects; improve access to the Lincoln Tunnel; rehabilitate the George Washington Bridge; and continue improvements to the Port Authority Bus Terminal while planning for that facility's eventual replacement.

The Capital Budget also covers redevelopment of Greenville Yard to support a new ship-to-rail intermodal facility for the Port of New York and New Jersey. The budget includes improvements to the PATH system, specifically by implementing positive train control safety measures, modernizing Harrison Station, and completing the World Trade Center PATH Station and WTC Transportation Hub.



The Port Authority opened the architecturally-striking World Trade Center Transportation Hub in March 2016.



BREAKING THE RECORD OF THE RAILS

The AirTrain Newark and AirTrain JFK systems set records in 2015.

AirTrain JFK cracked its monthly paid ridership record in August, with a tally of 687,556 paid rides. To sustain this momentum, AirTrain JFK deployed significant technology updates aimed at keeping the system robust.

AirTrain Newark experienced the highest one-day ridership level in the history of the system, with 14,359 riders on November 25.

Funds have been committed to study the replacement of AirTrain Newark.



AIRTRAIN JFK
687,556
MONTHLY RIDERSHIP
RECORD IN AUGUST



AIRTRAIN EWR
14,359
ONE-DAY RIDERSHIP
RECORD IN NOVEMBER

ACCEPTING AWARDS FOR SUPPORTING OUR COMMUNITIES

In March 2015, staff from the Urban Assembly New York Harbor School of the New York Harbor Foundation presented Port Authority officials with their Captain Award to honor the agency's support of hands-on maritime training.

In May 2014, the Port Authority announced that it would partner with regional maritime education institutions to launch Two States, One Port, a campaign to promote the study of regional harbor and port issues while restoring the Lettie G. Howard. Affectionately known as the Lettie G., the 19th-century fishing vessel serves as a hands-on school facility for high school maritime students from diverse backgrounds across the Port District.

The Harbor School opened in September 2003 as New York City's only maritime high school. It seeks to equip students with the skills, experience, and college-preparatory education to become tomorrow's port industry managers.

Graduates of New York Harbor School have continued their studies at top universities, including SUNY Maritime, Roger Williams, and Stony Brook University. Others have advanced to careers as officers in the U.S. Merchant Marines, commercial divers, and key members of New York's maritime community.



The Port Authority's Executive Director Patrick J. Foye accepts the New York Harbor Foundation's Captain Award on the agency's behalf.



A FOCUS ON PUBLIC-PRIVATE PARTNERSHIPS

By planning, setting priorities, and investing together, we can build high-quality transportation infrastructure that will serve our changing population and economy and ensure our future stature as one of the world's greatest metropolitan centers.

In keeping with its pioneering reputation, The Port Authority of New York and New Jersey is a leader in the nation with its groundbreaking adoption of public-private partnerships (P3) as a means of creating present and future projects vital to our region's stability and growth.

A relatively new concept in the overall landscape of developing U.S. infrastructure, P3 projects are rapidly garnering public acceptance. They are financed, built, operated, and maintained through the partnership of a public-sector authority and private-sector entities. For the region and its people, the benefits of such an arrangement can be many and far-reaching. P3s leverage private-sector expertise and capital.

Two of the P3s the Port Authority is advancing are the construction of a replacement Goethals Bridge (which is already underway), and the agency's



The Goethals Bridge Replacement Project is a \$1.5 billion public-private partnership.

commitment to retain LaGuardia Gateway Partners to design, construct, operate, and maintain a newly envisioned Terminal B at LaGuardia Airport.

Utilization of these P3s allows the Port Authority to capture private sector ingenuity while also transferring risk.



An artist's rendering of LaGuardia Airport's new Terminal B.

CONNECTING THE WORLD THROUGH OUR REGIONAL AIRPORT SYSTEM

In 2015, the Port Authority devoted hundreds of millions of dollars to JFK, Newark Liberty, and LaGuardia Airports. These funds advanced plans to modernize these facilities and the services they offer, to meet and exceed the needs of the region's travelers.



CONCEIVING A NEW VISION FOR LAGUARDIA AIRPORT

Underscoring a renewed commitment to its core transportation mission, at its March 2016 meeting, the Port Authority's Board of Commissioners authorized a new lease for the redevelopment of LaGuardia Airport's Terminal B.

Following a multi-year procurement process, the Board selected private development team LaGuardia Gateway Partners to design, build, finance, operate, and maintain a new Terminal B. The new Terminal B should service 50 percent more passengers than LaGuardia's current capacity while providing for world-class amenities such as first-class shopping and dining establishments and accommodating plans for a future AirTrain and people-mover connections to enhance access to and around the airport.

Project construction will be financed by a public-private partnership and will be a major economic generator for the region. Consistent with Governor Cuomo's nation-leading goal of 30 percent participation of minority and women-owned business enterprises (MWBE), this project will provide extensive MWBE contract opportunities.



The LGA Redevelopment reaffirms the agency's commitment to its core transportation mission.



Redevelopment of Terminal A should generate approximately 9,000 jobs years, \$600 million in wages, and \$3.3 billion in economic activity over the project's life span.

ADVANCING A NEW TERMINAL A AT NEWARK LIBERTY

Plans to replace Newark Liberty International Airport's Terminal A received a big boost in July 2015 when the Port Authority's Board of Commissioners authorized the expenditure for the project's program management, design plans, and early construction work. Subsequently, in March 2016, the Board approved the complete redevelopment of Terminal A, including a new terminal building; a parking garage complex; landside elements including roadway, utility, and bridge work; and airside elements inclusive of site clearance, utility work, and airside paving.

The current Terminal A was built in the early 1970s and has reached the end of its useful life. The redevelopment of Terminal A will be a major economic generator for the region.

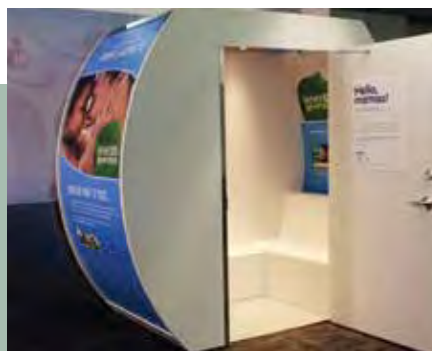
Authorization of these monies also clears the way for the Port Authority to submit applications to the Federal Aviation Administration (FAA) to recover the current expenditure through federal Passenger Facility Charges.

TO ALL MOTHERS, WITH LOVE

Based on responses from customer surveys, the agency installed three free private nursing suites at LaGuardia and Newark Liberty International Airports.

The installation of these areas was announced in early May—just in time for Mother's Day—and made each recipient airport among the nation's first to provide clean, comfortable, secure accommodations for women who need to use a breast pump or nurse in privacy.

The Port Authority plans to install additional units in the future.



The new AirTrain Newark will offer enhanced capacity, better service, and increased reliability for area commuters.

PLANNING THE REPLACEMENT OF AIRTRAIN NEWARK

In April 2015, the Board of Commissioners committed funds to study construction of a rail system to replace AirTrain Newark. Ridership of AirTrain has skyrocketed since the link opened in 1996. In 2015, the system transported more than 2.5 million paid passengers, or approximately 7,000 per day, along with thousands of other daily riders who use the system's free portions to travel between terminals and parking lots. Maintenance issues have required mounting upkeep of AirTrain, resulting in increasing frequency of temporary closures.

When completed, the new AirTrain system will offer enhanced capacity, better service, and increased reliability. Applications will be submitted to the FAA seeking recovery of the authorized expenditures through the use of Passenger Facility Charges.



Port Authority experts have worked closely with their FAA and JFK constituent airline counterparts throughout the mission-critical process of renovating Runway 4L-22R.

PROCEEDING APACE WITH RUNWAY RENOVATION AT JFK INTERNATIONAL

Late September saw the reopening of Runway 4 Left-22 Right (4L-22R), a major runway at John F. Kennedy International Airport (JFK) that stretches more than two miles and handles nearly 95,000 aircraft operations per year, or nearly half the landings at JFK.

This significant project to modernize the airport's runways is helping to reduce delays, enhance safety, and increase the life span of the runway's asphalt surface. The complex project also adds a high-speed taxiway to allow arriving aircraft to exit the runway faster, thereby reducing ground delays. Runway safety zones are being extended to provide additional overrun in cases of aircraft emergency in compliance with new FAA regulations. 4L-22R is also being widened from 150 feet to

200 feet to accommodate the newest classes of large passenger aircraft.

4L-22R is the third of the airport's four runways to undergo modernization since 2010.

Work on the project continues. In late October, the Board of Commissioners authorized future expenditures for modernization of 4R-22L. Agency staff will work closely with the FAA and JFK's constituent airlines to minimize potential delays over the course of the project.



Stewart International hosted a half-mile fun run for hundreds of local children from Braeside Camp in Middletown, New York.

MAINTAINING TRADITIONS OF SERVICE AT STEWART INTERNATIONAL

At Stewart International Airport (SWF), the ribbon was cut on a new, state-of-the-art crime lab built for the use of the New York State Police and local law enforcement agencies, in exchange for the state police force providing 10 years of security services at the airport.

Many other projects also came to fruition. For instance, a new airside perimeter road that will help mitigate potential runway incursions was completed. Stewart staff members worked closely with local civic and political organizations to rally support for the Aviation Jobs Act, which was incorporated in the 2016 Budget of the State of New York and should help SWF attract private aircraft by creating a tax exemption on par with that of neighboring states.

The airport also hosted two Honor Flights in 2015, the seventh and eighth overall to take place at Stewart. Each event attracted more than 100 veterans through the Honor Flight Network, a nonprofit organization that transports war veterans to Washington, D.C., where they can visit memorials constructed to honor the conflicts they participated in.

Stewart also hosted a half-mile fun run for hundreds of local children from Braeside Camp in Middletown, New York.



STEWART HOSTS NEW YORK AIR SHOW

Reprising a role formerly played in 2003, Stewart International Airport hosted the New York Air Show. The 2015 event was a huge success, drawing more than 20,000 attendees on each of the festival's two days. Port Authority airport personnel already have secured commitments from the show's organizers for Stewart International to host the show again in 2016. The U.S. Air Force Thunderbirds will appear at the 2016 event.

GARNERING HONORS AT TETERBORO

Teterboro Airport modestly increased its operations, as multiple industry publications cited it as the world's foremost business aviation center in 2015. The facility logged its highest single day of operations since 2007, with 807 planes handled on September 17, 2015.

Another honor was secured when MITRE, a research and development contractor for the federal government, chose Teterboro as the only airport in the country to test a low-cost ground surveillance system. The concept being developed should serve as a runway incursion mitigation tool that alerts controllers and airport operations staff to potential conflicts, similar to the multimillion-dollar ASDE-X systems.

The National Business Aviation Association (NBAA) held its regional forum at the airport in June, which attracted over 3,000 participants and 162 exhibitors, with more than 30 aircraft on static display.

Teterboro also hosted its annual Career Day, Wings and Wheels, and the United Way 5K run, and distributed 10 \$1,500 scholarships to local high school students through the TEB Community Benefit Fund.



Teterboro hosted its annual Wings and Wheels, a great family day to enjoy antique planes up close.



FACILITATING NEW WAYS TO FLY AT ACY

Atlantic City International Airport (ACY) welcomed two new airlines and three new routes in May 2015. Air Canada launched seasonal service to Toronto, and Choice Airlines began service to Nashville and Miami. Air Canada's Toronto flight achieved a respectable 50 percent load factor in its first season, with an estimated economic impact of \$1.4 million to Atlantic City alone. As advisers to South Jersey Transportation Authority (SJTA), Port Authority representatives met with air carriers to discuss potential air service at the airport. Staff secured a full-year extension to the Casino Reinvestment Development Authority's \$5 million air service development fund, an industry-leading incentive program to more than a dozen airlines annually, which permits the Port Authority to present on behalf of the SJTA. In 2015, other customer service initiatives led to an increase in net revenue for the airport by 6 percent. The team also implemented best business practices in customer service, including a "Meet the Manager" event and Customer Care programs.

IMPROVING THE QUALITY OF YOUR COMMUTE: TUNNELS, BRIDGES, AND TERMINALS

The Port Authority oversees several vital transportation connections between the states of New York and New Jersey. In 2015, the agency launched major initiatives to improve the capacity and customer experience of its network of interstate vehicular transportation while sustaining this critical system in a state of good repair.



IMPROVING RETAIL OPTIONS AT THE PORT AUTHORITY BUS TERMINAL

Early in 2015, the agency announced its selection of an exclusive handler for all forthcoming leasing opportunities at the Port Authority Bus Terminal (PABT) on Eighth Avenue in Midtown Manhattan. PABT boasts over 163,000 square feet of retail space. Nearly 6,000 square feet will be allocated for a new food court that will feature multiple diverse, high-end dining options for travelers and other bus terminal visitors. The agency will collaborate to create and implement plans that enhance retail commerce and revenues at PABT.



The Port Authority has partnered with a leader in leasing management to oversee retail services at the iconic Port Authority Bus Terminal.

REDUCING CONGESTION AT PABT

In order to improve the quality of commute and following a comprehensive customer outreach, about a third of PABT's afternoon and evening weekday commuters noticed that their buses were assigned new departure gates. Ambassadors from the Port Authority and carrier partners, such as NJ TRANSIT and Coach USA, were on hand to lend assistance and explain why the changes were necessary.

As forecast, the gate shifts helped reduce lines and crowded conditions while improving the flow of buses during the targeted time slots and on local city streets almost immediately. These actions, in turn, led to significant improvements in customer satisfaction.



The agency's Quality of Commute program has dramatically streamlined operations at the Port Authority Bus Terminal.

ADVANCING QUALITY OF COMMUTE

The Port Authority Bus Terminal typically serves an average of 110,000 passengers every weekday, or approximately 66 million passengers annually, via 2.3 million bus trips.

With funding authorized in 2014 by the Port Authority's Board of Commissioners, the bus terminal's Quality of Commute program aims to improve customer experience while streamlining overall throughput at the world's busiest bus terminal.

Quality of Commute also was able to improve cell connectivity throughout the bus terminal's South Wing, while paving the way for additional cell service upgrades and Wi-Fi connectivity in 2016. The program also led to the rehabilitation of two sets of restrooms on the facility's second floor, plus a third pair in the terminal's lower level of the South Wing. A fourth pair of restrooms is scheduled for rehabilitation on the fourth floor in 2016.

As another dimension to Quality of Commute, the agency now works more closely with current and prospective terminal tenants to improve the appearance of their establishments and enhance their customer services. For example, three Hudson News outlets were completely renovated in 2015; three more stores will complete renovations in early 2016.

Customers who want to receive up-to-the-minute messaging on conditions at the bus terminal and at other Port Authority facilities are encouraged to sign up for Port Authority alerts at <http://www.paalerts.com/>.

Please join us at our next...

CommuterChat

Port Authority Bus Terminal

OPENING WORTHWHILE COMMUNICATION WITH COMMUTER CHATS

The agency initiated its Commuter Chat series to facilitate and improve direct feedback between users and administrators. Held quarterly, each Commuter Chat session is held on-site in the Bus Terminal's North Wing, second floor. The meetings are an opportunity for commuters to stop in and speak one-to-one with agency representatives, as well as delegates from the terminal's various carriers, such as NJ TRANSIT and Coach USA. Commuters are encouraged to speak freely: to ask questions, provide comments, and suggest ways in which the Port Authority can improve the bus terminal experience.

Commuter Chat represents a novel, effective, and cost-efficient means of fostering invaluable communication between the agency and its huge body of bus-riding customers.



Port Authority staff members get opinions and suggestions straight from the mouths of consumers via the Commuter Chat series at PABT.



A Cake Boss Cafe, named after the hit TLC series featuring Buddy Valastro, opened at the Port Authority Bus Terminal.

CREATING OPTIONS FOR UPSCALE FOOD

As yet another initiative to improve the commuter experience at the Port Authority Bus Terminal, the Port Authority capitalized on its existing real estate portfolio by authorizing a 10-year lease with OHM Concession Group LLC to create an upscale food court at the PABT that will feature diverse, high-end dining options, making the main level, South Wing of the bus terminal a retail destination for travelers and other visitors.



The Goethals Bridge Replacement Project currently fields 35 apprentices working in eight different trades.

COMPLETING OPENING PHASES OF THE NEW GOETHALS BRIDGE

The Goethals Bridge Replacement Project was approximately 45 percent complete by year-end 2015. Tower foundations for the eastbound bridge were established in New York and New Jersey and reached the height of the existing roadway level of the current Goethals Bridge. The majority of columns that support the eastbound bridge approaches in both states also have been erected.

The construction team has begun to install foundations for the westbound bridge towers in both New York and New Jersey. Work on the Goethals Bridge replacement also continued off-site, with the fabrication of numerous superstructure elements, such as precast, pre-stressed concrete girders for the approaches; concrete bridge deck panels; and main bridge steel-edge girders.

REPLACING SIGNS AT THE GEORGE WASHINGTON BRIDGE

In late June, the agency approved a \$65.1 million project to replace the electronic highway signage system and related field devices that provide critical real-time travel information at the world's busiest bridge. In total, the project will replace 11 variable message signs with seven new ones; install new overhead sign structures; upgrade and replace fixed message signs; and replace variable message signs, vehicle detectors, traffic cameras, travel-time readers, and a weather information station that connects to the TRANSCOM regional network. TRANSCOM is a consortium that operates a regional traffic management system and provides information to all member agencies, to be used in radio reports, highway signs, traffic apps, and other broadcast venues. These improvements should positively affect the travel times, safety, and comfort of the George Washington Bridge's approximately 300,000 daily commuters. Installation of the new signs and related infrastructure is scheduled to begin in the fourth quarter of 2017 and the second quarter of 2020.



Electronic signage provides travel time information from given points on the GWB approach roads to the bridge.



The “Raise the Roadway” project at the Bayonne Bridge represents one of the most innovative feats of transportation engineering in the 21st century.

REACHING MILESTONES IN THE BAYONNE BRIDGE “RAISE THE ROADWAY” PROJECT

By the end of 2015, overall construction of the “Raise the Roadway” project at the Bayonne Bridge was approximately 44 percent complete.

Notably, the program made great strides toward its first major milestone, the removal of the existing bridge’s main span. Also in 2015, the project logged completion of the bridge’s New York and New Jersey abutments,

and 23 out of the 24 planned new pier columns in Bayonne and Staten Island were installed. Each of these structures will support the new, elevated northbound roadway. At year-end, the program reported that steel fabrication was 90 percent complete, while work on the New York and New Jersey towers was 95 percent complete, and steel strengthening was 70 percent complete.

Due to unforeseen challenges, including the harsh winter of 2014-2015 and the necessity for certain design modifications, the agency revised its initial timeline to achieve functional air draft of 215 feet above the Kill Van Kull by late 2017, with overall project completion in 2019.

CONCLUDING THE GWB UPPER-LEVEL STEEL DECK REPLACEMENT PROGRAM

In June 2015, the agency announced that its project to replace the steel deck panels of the George Washington Bridge’s upper level had been completed, thereby extending the life of the bridge’s roadway deck by 15 to 20 years. This effort began in 2012 and required nightly closings of three of the four upper-level bridge lanes, so that engineering teams could swap out 362 six-foot panels that had originally been installed in 1978. The project additionally covered resurfacing of the bridge’s westbound upper-level roadway, upgrading and rehabilitating the roadway drainage system, and rehabilitating the deck’s finger joints.



The \$82 million state-of-good-repair upper-level steel deck replacement will extend the bridge’s roadway deck life by 15 to 20 years.

ENHANCING THE PATH RAIL SYSTEM

The Port Authority Trans-Hudson heavy-rail rapid transit system (PATH) provides one of the region's most vital links between the states of New York and New Jersey. In 2015, the agency advanced several capital works projects deemed crucial to maintaining PATH and its stations in a state of good repair.



THE PATH RAIL SYSTEM

Established as an agency subsidiary in 1962, Port Authority Trans-Hudson Corporation (PATH) provides primary-link, heavy-rail rapid transit between points in Manhattan and New Jersey's urban/suburban communities and associated commuter railroads.

Of the many exciting advances achieved by PATH in 2015, the greatest by far is the commencement of a phased opening for the iconic World Trade Center Transportation Hub (WTC Hub).

The WTC Hub serves approximately 50,000 daily commuters and visitors from around the world. It will be a destination location, featuring hundreds of thousands of square feet of world-class retail and dining managed by Westfield. The WTC Hub will include the most integrated network of underground pedestrian walkways in New York City, a multi-modal transportation complex that seamlessly connects Lower Manhattan to multiple ferries, 11 MTA subway lines, the Fulton Street Transit Center, and PATH.



Juan Sanvicente, a second-grade student at Jersey City's P.S. 28, won first place in PATH's Annual Holiday Poster contest.



OPENING PLATFORM B

The PATH system achieved another major milestone in May with the opening of the fully modernized Platform B at the WTC Hub. Accessed after PATH riders pass through the turnstiles, Platform B serves the Newark to World Trade Center PATH line. The platform features new lighting, speakers, illuminated signs, escalators, and elevators. Its introduction followed the much-heralded opening of adjacent Platform A in 2014, as well as the West Concourse linking the WTC Transportation Hub and Brookfield Place.



At the corner of Liberty and Church streets, a new entrance to 4 WTC has opened. Commuters can now walk the full length of the passage to the Hub.

OPENING MORE WTC HUB ENTRANCES

This spring, two new entrances to the WTC Hub opened, providing customers with additional access options from points in Lower Manhattan. One entrance is located at 4 WTC, on the corner of Liberty and Church streets. The second will be located at 2 WTC, on Vesey Street near the corner of Church Street.

Following a brief transition period, the existing entrance on Vesey Street and West Broadway will close to allow construction to continue on underground infrastructure.

DEVELOPING HARRISON STATION

Throughout 2015, work progressed on the PATH Harrison Station Replacement Project. This effort features a modern glass-and-steel design with amenities, including widened stairs, elevators, escalator access to extended platforms, upgraded security and communications systems, and enhancements geared at environmental sustainability.

Work concluded on the temporary platforms for both the Newark-bound and World Trade Center-bound trains. These temporary platforms accommodate continued, uninterrupted service as overall 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 station, which was originally built in the 1930s.

The new Harrison Station will include an open public plaza, to be located in the same area where there currently is a substation.



Work is complete on the temporary platforms for both the Newark-bound and World Trade Center-bound PATH trains.

DELIVERING THE GOODS: THE PORT OF NEW YORK AND NEW JERSEY

As the largest seaport on the east coast of North America and the third-largest port in the United States, the Port of New York and New Jersey plays a vital role in the economic well-being of both our region and the nation.



BREAKING CARGO VOLUME RECORDS

Annual cargo volumes for 2015 at the Port of New York and New Jersey exceeded the previous record, set in 2014, by more than 10.4 percent. In all, the port handled 6.4 million twenty-foot equivalent units (TEUs)—or 3.7 million cargo containers—for the year. These record volumes allowed the Port of New York and New Jersey to maintain its position as the busiest on the East Coast, with nearly 30 percent of the nation's total market share.

Despite the increase in cargo volumes, the Port of New York and New Jersey has experienced a 41.5 percent reduction in criteria air pollutants since 2006. The reduced pollutant count stems from various environmental initiatives that the Port Authority has developed and implemented.

ExpressRail, the Port Authority's ship-to-rail system serving New York and New Jersey marine terminals, also set a new record, handling 522,244 containers—representing an increase of 12.2 percent over the previous annual record, set in 2014. The agency's investment in ExpressRail—and its upcoming plans to build a new ExpressRail facility in Greenville Yard in Jersey City—has been critical to addressing the need for on-dock rail to improve port efficiency and competitiveness and reduce emissions. The port's rail projects—along with road and security infrastructure work at the port—are funded by port-wide Cargo Facility Charges.

Two consecutive years of record volume growth at the port have resulted in substantial increases in jobs and economic activity associated with port activity. Currently, the port generates 336,600 full-time jobs in the region, an increase of 13 percent over 2012, according to a recent study by the New York Shipping Association. The study also found that the port contributes to \$21.2 billion in personal income, and nearly \$53.5 billion in business income.

Growth in the port led terminal operators and other tenants to increase their hiring in 2015: 181 new longshoremen, 44 checkers, and 62 mechanics. This supplements the 568 dockworkers hired in 2014.

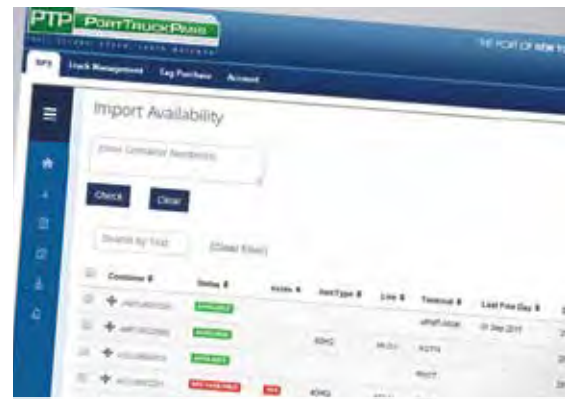
PUBLISHING A TRUCKERS' RESOURCE GUIDE

To address the special needs of one of the port's most pivotal constituencies, the agency created and published its Truckers' Resource Guide, available in English, Spanish, Polish, and Chinese. The Guide lists all protocols and related institutions germane to a trucker's safe and efficient functioning at the Port of New York and New Jersey. Copies are available at any time from the Truck Service Center (TSC) or online.

Publishing the Truckers' Resource Guide would not have been possible without support from the Council on Port Performance (CPP). Formed to provide oversight on the implementation of programs and initiatives that will improve efficiency and service reliability in the Port of New York and New Jersey, the Council works to implement the recommendations contained in the Port Performance Task Force (PPTF) Final Report, dated June 2014. Port Authority Port Commerce personnel chair the CPP, which also includes representatives from the various industry stakeholders.



The Atlantic Star arrived at New Jersey Marine Terminals on her maiden voyage in January 2016.



TIPS lets port customers create container watch lists and provides vessel schedules and other useful information.

LAUNCHING A TERMINAL INFORMATION PORTAL SYSTEM (TIPS)

The agency launched a new and innovative online tool called the Terminal Information Portal System, or TIPS. The first system of its kind in the United States, TIPS was developed by Sustainable Terminals Services Inc. (STS), a nonprofit company created by a consortium of port terminal operators. It offers an online "one-stop-shopping" point to simplify and streamline the shipper's customer experience.

The tool compiles information from all six container terminals and makes this data available to qualified users in real time over the Internet. Container availability, booking status, vessel schedule, and empty-container return-location information—all this and more—are available on a single online platform.

As with the Truckers' Resource Guide, creating and launching TIPS would not have been possible without invaluable support from the agency-led Council on Port Performance.

APPROVING CONSTRUCTION OF EXPRESSRAIL AT PORT JERSEY

In late October, the Board of Commissioners authorized an agreement that will allow construction to proceed on a major ship-to-rail facility adjacent to Global Container Terminal (GCT) in Bayonne, New Jersey. GCT will build, operate, and maintain the new ExpressRail Port Jersey facility in Greenville Yard, which is slated to open in 2018. The facility will promote more efficient and environmentally friendly movement of cargo, while ensuring that all marine terminals at the Port of New York and New Jersey have access to intermodal rail.

The Port Jersey facility is expected to reduce truck traffic and result in significant environmental benefits for the region as a whole. Specifically, ExpressRail Port Jersey should reduce nitrogen oxide emissions by 415 tons and particulate matter emissions by 108 tons during its lifetime. These totals are equivalent to taking more than 45,300 cars off the road. ExpressRail Port Jersey also should reduce carbon dioxide emissions by 331,161 tons, or the equivalent carbon emissions from 30,215 homes.

At present, cargo coming on and off ships at GCT Bayonne transports to and from its final destination by truck, or by truck to another ExpressRail facility. With an initial minimum capacity of 125,000 container lifts per year, ExpressRail Port Jersey will enable the transloading of containerized cargo from ship to rail, offering ocean carriers and their customers a more efficient and environmentally friendly option for movement of goods.



The Board of Commissioners' approval to build ExpressRail Port Jersey will ensure that all marine terminals at the Port of New York and New Jersey have access to intermodal rail.



The Cross Harbor Freight Project explores ways to reduce vehicle congestion, emissions, and infrastructure wear by proposing new options by which cargo can traverse New York Harbor.

PUBLISHING A CROSS HARBOR FREIGHT PROJECT FINAL ENVIRONMENTAL IMPACT STATEMENT

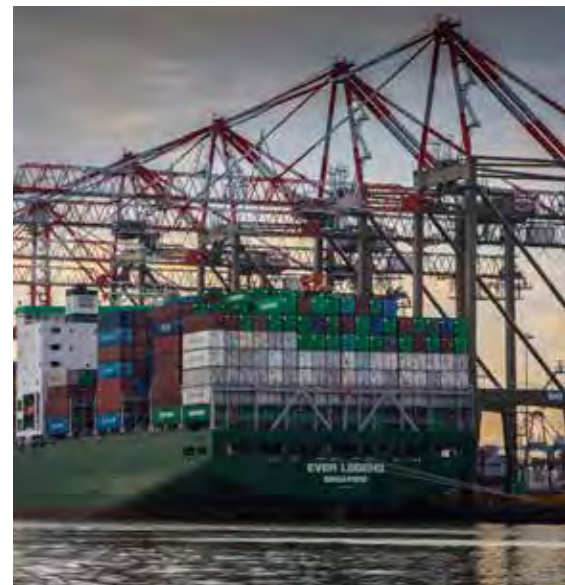
Also in the fall of 2015, the Port Authority reached a pivotal milestone in its Cross Harbor Freight Program, with the publication of its FEIS, or Final Environmental Impact Statement.

This document, prepared in conjunction with the Federal Highway Administration of the U.S. Department of Transportation, culminates several years of effort to identify alternative methods for improving the movement of freight across the Hudson River and New York Harbor. In total, 11 alternatives were explored, including waterborne and rail-based options, as well as a “no action” alternative.

After extensive outreach, the agencies received and considered public comments regarding the FEIS toward the end of 2015. In January 2016 a Record of Decision was received.

VALIDATING THE PORT'S IMPACT ON THE REGION'S ECONOMY

In September, an independent study released by the New York Shipping Association (NYSA) tracked the growth of jobs, incomes, and tax revenues created directly by operations at the Port of New York and New Jersey. The report cited that, between 2012 and 2014, port-related jobs increased by more than 13 percent (from 296,000 to 336,000). Personal income stemming from port activities increased to \$21.2 billion, while business income rose to nearly \$53.5 billion and federal, state, and local tax revenues were close to \$7.1 billion. Capital investment in roadways, terminals, and railways totaled nearly \$2.2 billion between 2010 and 2015; the NYSA study noted this as a primary factor contributing to growth.



NYSA's report "The Economic Impact of the New York-New Jersey Port Industry" highlights port growth surpassing 13 percent between 2012 and 2014.

THE NEW WORLD TRADE CENTER

The redesigned World Trade Center embodies a new era of hope and prosperity while paying just homage to the site's past.

The work to completely redevelop the iconic World Trade Center site now stands nearly complete. The World Trade Center Transportation Hub opened in 2016. Currently well under construction, 3 WTC is scheduled to come online in the near future.



RETURNING TO A VISTA OF LIMITLESS SKIES

On May 29, people around the world cheered the much-anticipated opening of One World Observatory. Located on levels 100 to 102 of One World Trade

Center, the Observatory offers unparalleled views of New York City and its surrounding environs from the pinnacle of the tallest building in the Western Hemisphere.

Visitors reach the Observatory via one of five "Sky Pod" elevators that whisk them all the way from ground

level to floor 102 in under 60 seconds. During the ride, they watch a floor-to-ceiling time-lapse presentation that tracks the evolution of New York City's skyline from the 17th century to the present.

The Main Observatory space on floor 100 offers an attraction called City Pulse: an interactive high-definition skyline. City Pulse monitors use gesture recognition technology to summon focused images of New York City landmarks from the "bird's eye" view of the Observatory. Another feature, called Sky Portal, delivers real-time, high-definition footage of the streets of Manhattan below One World Trade through a 14-foot-wide circular "eye."



At 1,776 feet and 104 floors, One World Trade Center holds the title of New York's tallest skyscraper. It also boasts a great attraction for tourists.



OPENING GREENWICH STREET TO PEDESTRIAN TRAFFIC

Like a boulevard of dreams reborn, Greenwich Street resumed pedestrian traffic in mid-summer 2015. Though it remains closed to vehicular traffic in order to facilitate construction of WTC 3, Greenwich Street offers a stately promenade that escorts strollers past such Lower Manhattan landmarks as the National 9/11 Memorial & Museum, 4 WTC, the World Trade Center Transportation Hub, and One World Trade Center.

STEMMING THE TIDE BEFORE FLOODWATERS RISE

In July, the Port Authority continued its aggressive approach toward protecting the region's vital infrastructure by approving a comprehensive series of street-level flood barriers that can be activated across the 16-acre World Trade Center site, with special focus on the World Trade Center's Transportation Hub. Seventy-five percent of the program's overall cost will be reimbursed to the agency through a grant from the Federal Transit Administration via its Emergency Relief Program.

The program's goal is to prevent the kind of extensive flooding and the resulting damages that incapacitated the region following Superstorm Sandy in 2012. Specific projects include the creation of a perimeter Bollard Protection System on the western end of the World Trade Center site and the installation of other street-level waterproof constructions called Water Intrusion Protection Systems, especially in facilities throughout the World Trade Center.

These systems include a wide array of special vehicle and pedestrian flood doors, gates, louvers, grates, and backflow preventers.



Commuters now have an indoor shortcut to avoid various weather conditions.



The agency has installed solar panel arrays on the roofs of several key facilities.

UPGRADING ENERGY CONSERVATION AT NEWARK LIBERTY

In April 2015, the Board of Commissioners authorized a \$14.3 million investment to finance a program of energy conservation upgrades at Newark Liberty International Airport. The program is forecast to eliminate more than 3,000 metric tons of greenhouse gas emissions annually, while delivering approximately \$27 million in savings over a 20-year period.

Specific work on this initiative includes the extensive upgrade of lighting instruments, the replacement of mechanical equipment, and the installation of new methods and appliances for water conservation.

GREENING THE REGION'S FUTURE

As it has in years past, the Port Authority asserted itself as a leader in creating and executing cutting-edge sustainability initiatives in 2015. Each initiative works as one piece of a broader strategy to maintain a healthy environment for the people of our region in perpetuity.

IMPLEMENTING A NEW "GREEN CLEANING PRODUCTS" PROGRAM

The agency has begun to phase in "green cleaning products" for use in all new cleaning/janitorial contracts. "Green cleaning products" are products certified by Green Seal, EcoLogo, or Design for the Environment, or are self-certified as meeting or exceeding the relevant third-party certifications. New contracts will require that contractors use "green cleaning products" for products related to hand washing, all-purpose use, window and glass cleaners, carpet cleaners, and bathroom cleaners.



Alt-fuel options in the Port Authority's fleet include biodiesel, compressed natural gas, E-85, and hybrid electric vehicles.

WINNING TOP HONORS FROM GOVERNMENT FLEET

The Port Authority's motor vehicle fleet made Government Fleet magazine's 2015 list of 50 Leading (Green) Fleets. Sponsored by the Ford Motor Company, the Leading Fleets list honors operations that perform at a high level, particularly in fleet leadership, competitiveness and efficiency, future planning, and overcoming challenges. Alternative-fuel, environmentally friendly cars and trucks currently make up approximately 85 percent of the Port Authority's entire fleet.



An engineer examines the impact of marine life on the structural integrity of a wharf at the Port of New York and New Jersey.

CREATING A MORE SUSTAINABLE PORT

The Port of New York and New Jersey continued to lead its industry by advancing its broad portfolio of environmental strategies.

In the spring, the port celebrated its seventh year of achieving the coveted ISO 14001 Certification for Environmental Management Systems by the International Organization for Standardization. Of the 360 seaports in the United States, fewer than 10 of them can boast of being ISO 14001 certified.

In midyear 2015, the Port Authority welcomed an update to its Clean Air Strategy for the Port of New York and New Jersey. The update redefined commitments made by the agency and its partners in the original Clean Air Strategy published in 2009. Through 27 voluntary actions cited across five sectors of maritime-related port operations, the Strategy seeks to ensure that air emissions generated by mobile sources associated with marine terminal operations and activities decline through 2020 despite anticipated port growth.

In October, the agency launched its 2015 Regional Truck Replacement Program (RTRP). The program continues the Port Authority's initiative to provide truck owners with financial incentives to replace their older vehicles with cleaner and safer units. This, in turn, should produce significant environmental benefits at the port. Specifically, the 2015 RTRP provides independent owner-operators and licensed motor carriers who own trucks with Model Year 1994-2006 engines an opportunity to receive a grant. The grant will cover up to 50 percent of the purchase price (up to \$25,000) for a replacement truck equipped with a Model Year 2007 or newer engine that complies with Environmental Protection Agency emissions standards.

In November 2015, the Board of Commissioners authorized a three-year extension of the agency's Ocean-Going Clean Vessel Incentive Program. Launched in 2013, the program encourages operators of ocean-going vessels to improve their engines, use cleaner fuels, and upgrade their technologies to reduce emissions, which are the largest source of air pollutants at the Port of New York and New Jersey.

Based on a forecast participation rate of more than 2,600 total vessel calls, the extension of the program is expected to provide emission reductions of 21,000 tons of carbon dioxide, 210 tons of nitrogen oxides, 10 tons of particulate matter, and 3 tons of sulfur oxides, the equivalent of taking 23,000 cars off the road.

So far, the actions mentioned above have reduced port-related air emissions by an average of 33 percent across all pollutants between 2006 and 2013. Notably, this reduction took place despite a 7 percent increase in cargo volumes over the same period.

ELIMINATING PROCUREMENT OF POLYSTYRENE PRODUCTS

For many years, goods made of polystyrene foam dominated consumer markets for cost-efficient, single-use products such as disposable coffee cups, bowls, ice coolers, and packaging peanuts.

But polystyrene takes about 500 years to decompose, and no feasible technologies exist to recycle it. This is why, in early 2015, the Port Authority's Office of Environmental and Energy Programs (OEEP) began working with Port Authority warehouse and cafeteria staff to phase out the procurement of single-use polystyrene products and transition to more environmentally friendly alternatives.





The PAPD is committed to diversity in its ranks.

REDUCING CRIME

The PAPD consists of 1,607 uniformed staff operating across 13 facilities and 282 uniformed staff assigned to the airports for the purpose of Airport Rescue and Fire Fighting. The force also includes a Criminal Investigations Bureau, the Police Academy, and the Special Operations Division.

The PAPD made enhancements to its crime reporting and analytical tools in 2015. These enhancements enabled more effective deployment of departmental resources. The PAPD saw a 16 percent decrease in the FBI's Unified Crime Reporting Part 1 offenses (murder, rape, robbery, aggravated assault, burglary, larceny, auto theft, arson) and increased its arrests by 13 percent.

SECURITY—FIRST AND ALWAYS

The Port Authority's Office of the Chief Security Officer (OCSO) performs the critical function of supervising six units: the Port Authority Police Department (PAPD); the Aircraft Rescue and Fire Fighting Rescue Training Center; Security Business Resource Management and Planning; the Security Operations and Programs Department; the World Trade Center Security Department; and the Office of Emergency Management. The more than 2,000 employees in these units under the direction of the OCSO ensure the safe movement of Port Authority customers, partners, employees, and stakeholders every day.



Pope Francis's historic visit also represented a historic opportunity for the PAPD to provide world-class security for a globally respected dignitary.

PROVIDING SECURITY AT SPECIAL EVENTS

The PAPD played a key role with security efforts related to the historic visit of Pope Francis during September 2015. They worked closely with various law enforcement entities, including the New York City Police Department and the United States Secret Service, to provide security for the Pope while His Holiness traveled through Port Authority airports and visited the World Trade Center Complex.

Also in 2015, the PAPD played a major role in security efforts for the 70th United Nations General Assembly. As part of this event, more than 176 visiting heads of state entered the United States through JFK Airport. This was an unprecedented event with high threat potential. It required all facets of the PAPD and its law enforcement partners to enact countermeasures that ensured the protection and safe travel of the dignitaries.

INITIATING A CYBERSECURITY PROGRAM

In 2013, the OCSO, in close cooperation with the agency's Chief Technology Office, initiated a cybersecurity program. To date, OCSO has taken several steps to protect the agency's computing resources and industrial control systems (ICS) from cyber threats. Also in 2015, the Cybersecurity Program defined roles and responsibilities for various agency stakeholders; established and staffed a Cybersecurity Operations Center; developed and implemented an online employee cyber awareness training module; enhanced and added cyber defense tools and monitoring services; and developed cyber policies with an eye toward increasing computing controls across the agency.

CONDUCTING OFFICE OF EMERGENCY MANAGEMENT (OEM) EXERCISES

During 2015, OEM provided training and exercises to approximately 7,500 first responders. The focus of OEM's full-scale exercise program is to bring internal and external stakeholders together to validate the procedures developed for initial emergency response to a wide variety of scenarios at the agency's various facilities.

A series of planning meetings was held, culminating in a live event that tested procedures pertaining to incident management; interoperable communications; and law enforcement, fire, rescue, medical, and fatality management operations. Each exercise allowed the agency to become more proficient in its responses while identifying areas where improvement is possible.



Approximately 7,500 first responders participated in training exercises in 2015.



The Port Authority Police Department actively safeguards facilities in the Port Authority's portfolio of transportation assets.



Chief Security Officer Thomas Belfiore (l) and Chief of Police Michael Fedorko (r) were on hand to promote 77 officers of the PAPD at the start of 2016.

PROMOTING OUR BEST IN BLUE

To bolster security at the agency's mission-critical transportation facilities, the Port Authority Police Department (PAPD) promoted 14 of its most exceptional officers. Ten police officers were elevated to the rank of sergeant, while four sergeants made the rank of lieutenant.

Each candidate underwent a rigorous screening process before receiving his or her promotion. Written tests, performance evaluations, disciplinary backgrounds, and command evaluations were factored into each candidate's overall viability for promotion.

**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 component units, collectively referred to herein as the "Port Authority") as of and for the years ended December 31, 2015 and December 31, 2014, 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.

Pursuant to Port Authority by-laws, the Port Authority's Executive Director, Comptroller and I certified the Financial Statements on March 7, 2016. The Financial Statements certificate is presented herein.

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 herein.

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; and sets forth an expenditure plan for the year that balances priorities across all agency lines of operation. 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 by-laws of the Port Authority. Forecasting models are used to assess the agency's projected long-range financial condition; determine the financial feasibility of future capital investment; and perform financial tests to measure fiscal risk. 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. Gains in regional employment are primarily the result of gains in New York City employment sectors, including leisure, hospitality, tourism, education and healthcare.

Activity levels at Port Authority facilities, increased when compared to 2014. The region's three major airports saw passenger levels increase 5.5 percent in 2015 to an all-time high of 122.2 million passengers. Increases in domestic and international aviation passengers were primarily due to the continuing improvement in the U.S. economy and a strong U.S. dollar. PATH passenger volumes increased 3.9 percent in 2015 to 76.6 million passengers. This increase in PATH ridership was primarily due to employment gains in New York City. Containerized cargo levels at Port Commerce facilities increased 9.6 percent to 3.7 million containers in 2015 primarily due to the continuing improvement in the U.S. economy, a strong U.S. dollar and the continuation of cargo diversion from West Coast Ports. Vehicular activity levels at Port Authority Hudson River vehicular crossings totaled 115.9 million vehicles in 2015, an increase of 1.7 percent when compared to 2014, representing the first increase in overall vehicular traffic since 2006. This rise in vehicular traffic was primarily the result of real wage gains and lower gasoline prices throughout the region.

The Port Authority continually monitors the economic environment in which it operates in order to develop budgets that are fiscally sustainable and responsive to the transportation and economic needs of the region.

CERTIFICATE OF ACHIEVEMENT

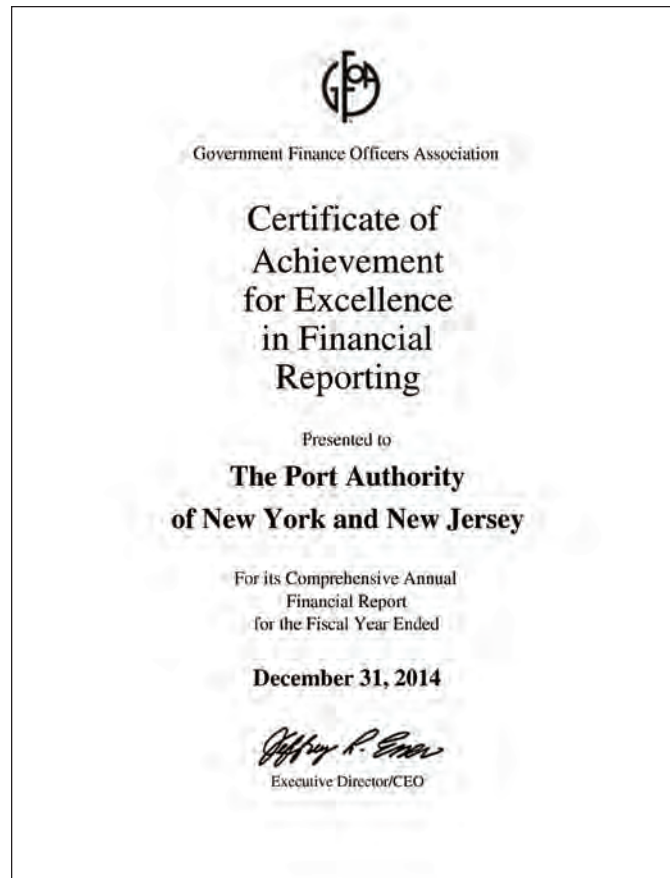
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2014. The Port Authority has received this award since 1984, making this the 31st 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 satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe the 2015 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 certificate.



Elizabeth M. McCarthy
Chief Financial Officer

March 7, 2016





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*The Port Authority of New York and New Jersey
Comprehensive Annual Financial Report for the Year Ended December 31, 2015*

Prepared by the Marketing and Comptroller's departments of The Port Authority of New York and New Jersey
4 World Trade Center, 150 Greenwich Street, 23rd Floor, New York, NY 10007
www.panynj.gov



CERTIFICATE WITH RESPECT TO 2015 CONSOLIDATED FINANCIAL STATEMENTS

We, the undersigned officers of The Port Authority of New York and New Jersey, hereby certify in connection with the release of the consolidated financial statements of The Port Authority of New York and New Jersey (the "Authority") and its component units for the years ended December 31, 2015 and December 31, 2014 (the "Financial Statements") on March 7, 2016 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 are accurate in all material respects and was reported in a manner designed to present fairly the Authority's net position, changes in net position, and cash flows, in conformity with accounting principles generally accepted in the United States of America; and (b) on the basis that the cost of internal controls should not outweigh their benefits, the 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 accounting principles generally accepted in the United States of America.

New York, New York
March 7, 2016



Patrick J. Foye
Executive Director



Elizabeth M. McCarthy
Chief Financial Officer



Daniel G. McCarron
Comptroller



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, 2015 and 2014, 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.

Auditors' 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, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in Note A.3.n to the financial statements, as of January 1, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the schedules listed under the heading Required Supplementary Information within 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, 2015 and 2014 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, D-3, E and F, as listed in the table of contents, related to the years ended December 31, 2015 and 2014 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, 2015 and 2014, 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, D-3, E and F related to the years ended December 31, 2015 and 2014 is fairly stated, in all material respects, in relation to the 2015 and 2014 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 years ended December 31, 2013 and 2012 (not presented herein), and have issued our report thereon dated March 6, 2014 and February 25, 2013, respectively, which contained an unmodified opinion on the respective consolidated financial statements. The supplementary information included in Schedules D-1 and D-2, as listed in the table of contents, for the years ended December 31, 2013 and 2012 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 and 2012 consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the 2013 and 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 years ended December 31, 2013 and 2012 is fairly stated, in all material respects, in relation to the 2013 and 2012 consolidated financial statements as a whole.

The Port Authority's consolidated financial statements for the years ended December 31, 2006 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 2006 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 Section, as listed in the table of contents, and the supplementary information included in Schedule D-3 for fiscal years 2006 through 2013 and Schedule 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, 2015, 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.

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, 2015, 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, 2014, and we expressed an unmodified audit opinion on them in our report dated March 13, 2015. In our opinion, the summarized comparative information presented on Schedules A, B, and C herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited Schedules A, B and C as of and for the year ended December 31, 2014 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 7, 2016

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2015 and 2014

Introduction

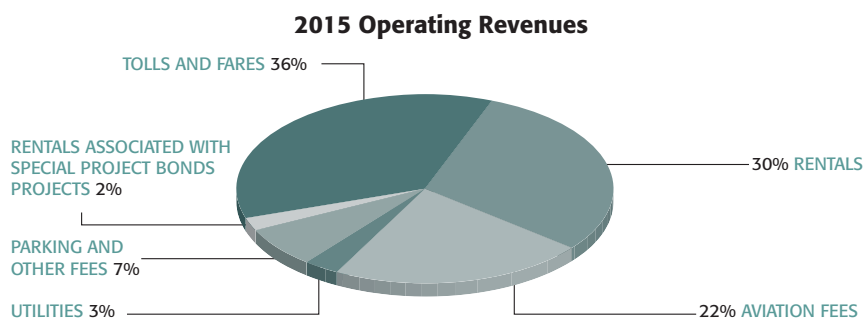
The following discussion and analysis of the financial activities of The Port Authority of New York and New Jersey (The Port Authority) and its component units described herein (see *Note A.1.d – Nature of the Organization and Summary of Significant Accounting Policies*) is intended to provide an introduction to and understanding of the consolidated financial statements of the Port Authority for the year ended December 31, 2015, with selected comparative information for the years ended December 31, 2014 and December 31, 2013. 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.

2015 Financial Results

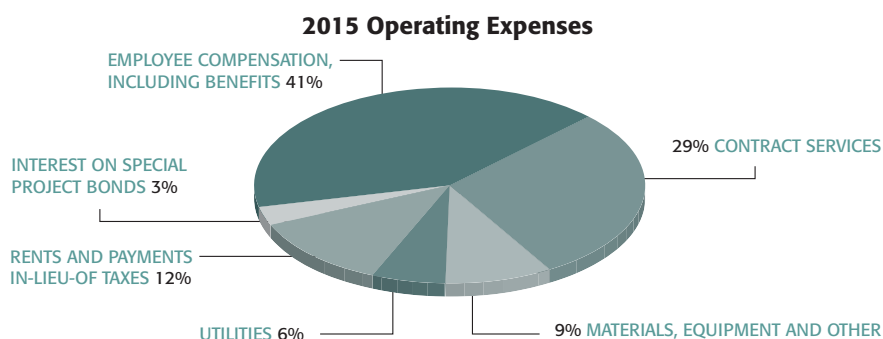
The Port Authority's increase in net position for the year ended December 31, 2015 totaled \$780 million, comprised of \$737 million in income from operations and \$43 million in income from non-operating activities.

Description	2015 (In thousands)
Gross operating revenues	\$ 4,826,582
Operating expenses	(2,900,652)
Depreciation and amortization	(1,189,048)
Net revenue related to Superstorm Sandy	123
Income from operations	737,005
Non-operating expenses, net	(792,214)
Capital contributions and Passenger Facility Charges (PFCs)	835,002
Income from non-operating activities	42,788
Increase in net position	\$ 779,793

Gross operating revenues totaled \$4.8 billion in 2015, comprised of:



Operating expenses totaled \$2.9 billion in 2015, comprised of:

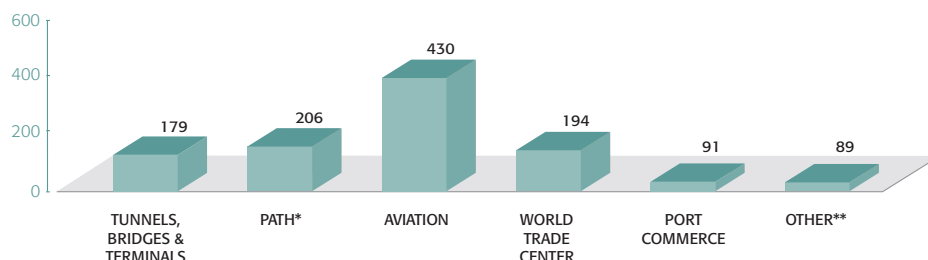


Management's Discussion and Analysis (Unaudited)

(continued)

Depreciation and amortization totaled \$1.2 billion in 2015, comprised of:

2015 Depreciation and Amortization
(In \$ Millions)

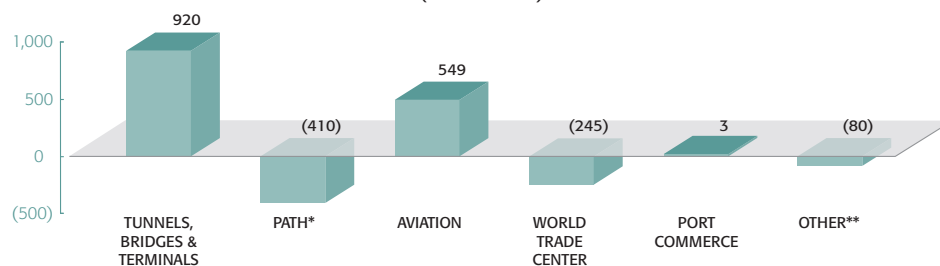


*PATH includes WTC Transportation Hub.

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

Income/(Loss) from operations totaled \$737 million in 2015, comprised of:

2015 Income/(Loss) from Operations
(In \$ Millions)



*PATH includes WTC Transportation Hub.

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

Income/(Loss) from non-operating activities totaled \$43 million in 2015, comprised of:

	2015
	(In millions)
Contributions in aid of construction, PFCs and pass-through amounts	\$ 784
Grants in connection with operating activities	101
Financial income, including increases in fair value of investments	31
Interest expense in connection with bonds and other asset financings, net*	(873)
Income/(Loss) from non-operating activities	\$ 43

*Net of \$37 million reimbursement related to Tower 4 Liberty Bonds debt service payments.

Management's Discussion and Analysis (Unaudited)

(continued)

Financial Statement Comparison for the Years Ended December 31, 2015, December 31, 2014 and December 31, 2013

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 the Port Authority's 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, 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:

	2015	2014*	2013*
		(In thousands)	
ASSETS			
Current assets	\$ 3,779,062	\$ 2,845,980	\$ 3,497,235
Noncurrent assets:			
Facilities, net	32,666,774	30,773,475	27,645,980
Other noncurrent assets	7,902,406	7,974,599	7,219,567
Total assets	44,348,242	41,594,054	38,362,782
DEFERRED OUTFLOWS OF RESOURCES			
Loss on debt refundings	97,337	108,447	108,657
Pension related amounts	155,259	—	—
Total deferred outflows of resources	252,596	108,447	108,657
LIABILITIES			
Current liabilities	3,546,341	3,036,635	3,089,787
Noncurrent liabilities:			
Bonds and other asset financing obligations	21,533,822	19,920,820	18,253,600
Other noncurrent liabilities	3,962,030	3,963,585	3,391,120
Total liabilities	29,042,193	26,921,040	24,734,507
DEFERRED INFLOWS OF RESOURCES			
Gain on debt refundings	21,527	6,921	8,605
Pension related amounts	7,555	—	—
Total deferred inflows of resources	29,082	6,921	8,605
NET POSITION			
Net investment in capital assets	11,810,573	10,402,894	9,442,138
Restricted	456,429	470,857	454,467
Unrestricted	3,262,561	3,900,789	3,831,722
Net position, December 31	\$15,529,563	\$14,774,540	\$13,728,327

* Amounts have not been restated for the effect of implementing GASB Statement No. 68 – Accounting and Financial Reporting for Pensions and other related pronouncements, as described in Note A.3.n - Nature of the Organization and Summary of Significant Accounting Policies).

Management's Discussion and Analysis (Unaudited)

(continued)

Port Authority assets totaled \$44.3 billion at December 31, 2015, an increase of \$2.8 billion from December 31, 2014. This increase was primarily due to:

- Facilities, net, including contributed capital amounts, increased \$1.9 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 \$498 million during 2015 primarily due to \$2.5 billion in cash used for capital construction, \$1.3 billion related to debt service on outstanding debt obligations and the reallocation of approximately \$400 million in cash equivalents to higher yielding United States (U.S.) securities. Offsetting these amounts was a \$1.8 billion increase in cash from operations, \$1.5 billion net increase in cash related to consolidated bond proceeds issued for purposes of funding capital construction or refunding existing debt obligations and \$545 million related to the receipt of capital contributions and Passenger Facility Charges (for additional information see Consolidated Statements of Cash Flows).
- Current and noncurrent investments increased \$1.5 billion primarily due to a \$1.1 billion increase in securities purchased with consolidated bond proceeds that are being invested on an interim basis until they are needed for their intended purpose of funding capital construction or refunding outstanding debt obligations and the reallocation of approximately \$400 million of cash equivalents to higher yielding U.S. securities.

Port Authority liabilities totaled \$29 billion at December 31, 2015, an increase of \$2.1 billion from December 31, 2014. This increase was primarily due to:

- Bonds and other asset financing obligations, including discounts and premiums related to bond issuances, increased \$2.2 billion primarily due to the issuance of consolidated bonds in connection with expected capital construction funding requirements or for purposes of refunding certain outstanding consolidated bonds.
- Accounts payable decreased \$218 million primarily due to the decrease in construction accruals relating to capital projects at the Lincoln Tunnel and George Washington Bridge.
- Accrued pension and other post employment employee benefits increased \$40 million primarily due to the recognition of the Port Authority's proportionate share of the net pension liability of the New York State and Local Employees Retirement System and the New York State and Local Police and Fire Retirement System, along with the net pension liability related to the PATH Exempt Employees Supplemental Pension Plan recognized in accordance with *GASB Statement No. 68 – Accounting and Reporting for Pensions*, which became effective in 2015. Offsetting these increases was an \$83 million net decrease in Other Post Employment Benefits (OPEB) obligations, primarily due to advanced fundings made to The Port Authority of New York and New Jersey Retiree Health Benefits Trust. For additional information related to pension obligations and OPEB, see *Note I – Pension Plans* and *Note J – Other Postemployment Employee Benefits*.

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:

	2015	2014*	2013*
		(In thousands)	
Gross operating revenues	\$ 4,826,582	\$ 4,481,812	\$ 4,184,039
Operating expenses	(2,900,652)	(2,923,254)	(2,596,268)
Depreciation and amortization	(1,189,048)	(996,633)	(940,254)
Net revenue related to Superstorm Sandy	123	53,530	28,229
Income from operations	737,005	615,455	675,746
Non-operating expenses, net	(792,214)	(502,681)	(562,101)
Capital contributions and PFCs	835,002	933,439	914,199
Increase in net position	\$ 779,793	\$ 1,046,213	\$ 1,027,844

* Amounts have not been restated for the effect of implementing GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and other related pronouncements, as described in *Note A.3.n - Nature of the Organization and Summary of Significant Accounting Policies*.

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

Management's Discussion and Analysis (Unaudited)

(continued)

Operating Revenues

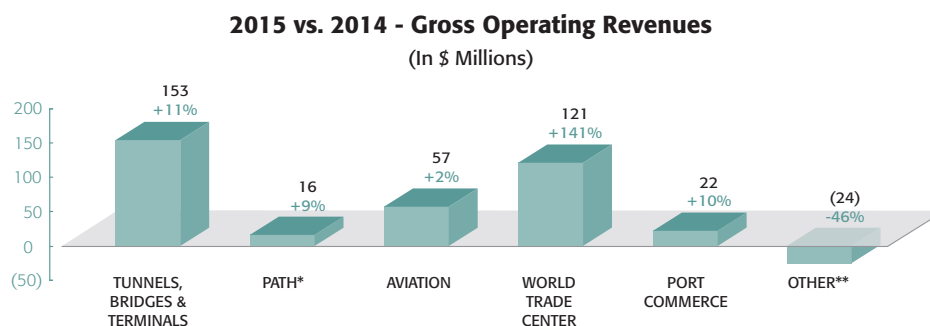
A summary of gross operating revenues follows:

	2015	2014	2013
	(In thousands)		
Gross operating revenues:			
Tolls and fares	\$1,718,770	\$1,553,625	\$1,462,957
Rentals	1,446,980	1,300,818	1,228,491
Aviation fees	1,063,902	1,058,416	934,459
Parking and other	359,631	321,760	315,111
Utilities	144,580	149,052	139,835
Rentals – Special Project Bonds Projects	92,719	98,141	103,186
Total	\$4,826,582	\$4,481,812	\$4,184,039

2015 vs. 2014

Gross operating revenues of \$4.8 billion increased \$345 million or 7.7% from 2014. Toll revenue at the Port Authority's six (6) vehicular crossings increased \$149 million, primarily due to scheduled increases in tolling rates that became effective in December 2014 and December 2015, respectively, and an overall increase in vehicular traffic of 1.7%. Port Authority Trans-Hudson Corporation (PATH) fares increased \$16 million, primarily due to scheduled increases in PATH fares that became effective in October 2014 and a 3.9% increase in ridership levels. Rental income increased \$146 million primarily due to increases in fixed and percentage rentals related to One World Trade Center (WTC), One WTC Observation Deck, which opened to the public in 2015, and Aviation facilities.

The following chart depicts the 2015 overall change in total gross operating revenues by business segment:



*PATH includes WTC Transportation Hub.

**Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation Facilities.

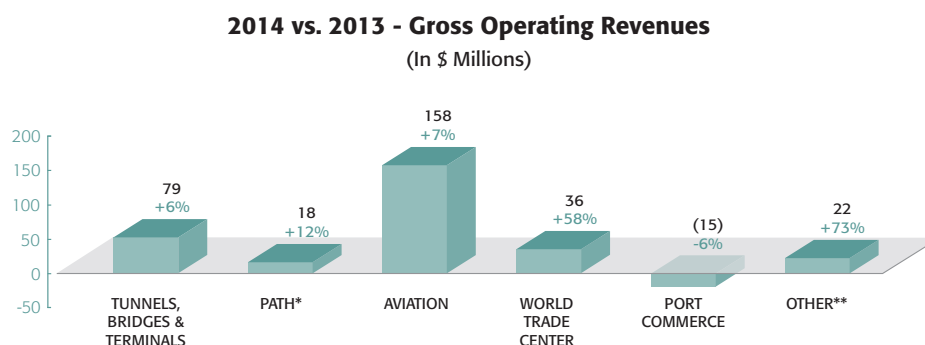
2014 vs. 2013

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.

Management's Discussion and Analysis (Unaudited)

(continued)

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



*PATH includes WTC Transportation Hub.

**Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation Facilities.

Operating Expenses

A summary of operating expenses follows:

	2015	2014	2013
	(In thousands)		
Operating expenses:			
Employee compensation, including benefits	\$1,178,967	\$1,187,877	\$1,114,397
Contract services	833,903	797,516	684,411
Rents and amounts in-lieu-of taxes (PILOT)	356,162	362,627	301,582
Materials, equipment and other	252,071	277,174	220,859
Utilities	186,830	199,919	171,833
Interest on Special Project Bonds	92,719	98,141	103,186
Total	\$2,900,652	\$2,923,254	\$2,596,268

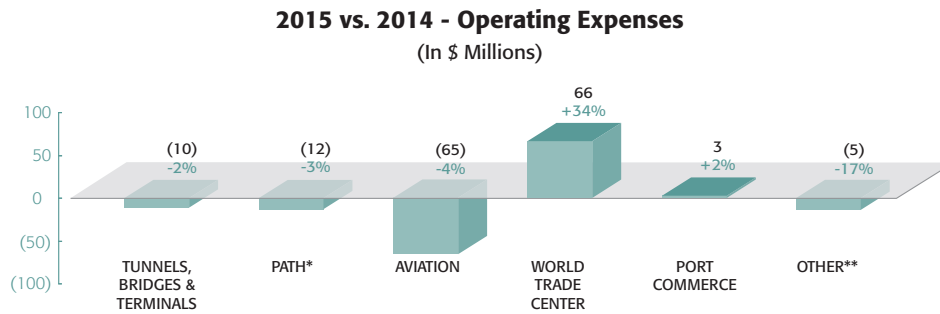
2015 vs. 2014

Operating expenses totaled \$2.9 billion in 2015, a decrease of \$23 million or 1% from 2014. Operating expenses at Aviation, Tunnels, Bridges and Terminals (TB&T), Development Facilities and PATH decreased approximately \$89 million from 2014, primarily due to lower self-insured public liability and workers compensation loss reserves, lower overtime related to policing activities due to the addition of new police officers, lower employee compensation and third party contractor payments related to snow removal activities due to less severe winter weather conditions throughout 2015, and lower corporate overhead related to rent for vacated corporate offices. Offsetting these decreases was a \$66 million increase in WTC operating expenses, including PILOT to the City of New York, primarily related to the continued transitioning of the World Trade Center to a fully operational facility.

Management's Discussion and Analysis (Unaudited)

(continued)

The following chart depicts the 2015 overall change in total operating expenses by business segment:



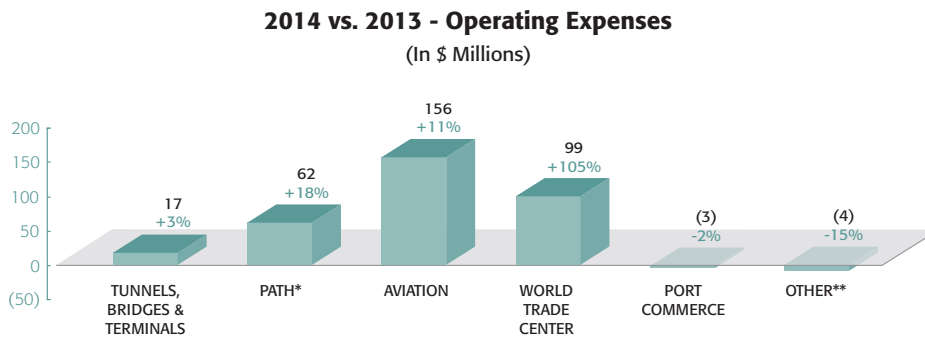
*PATH includes WTC Transportation Hub.

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

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:



*PATH includes WTC Transportation Hub.

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

Management's Discussion and Analysis (Unaudited)

(continued)

Depreciation and Amortization

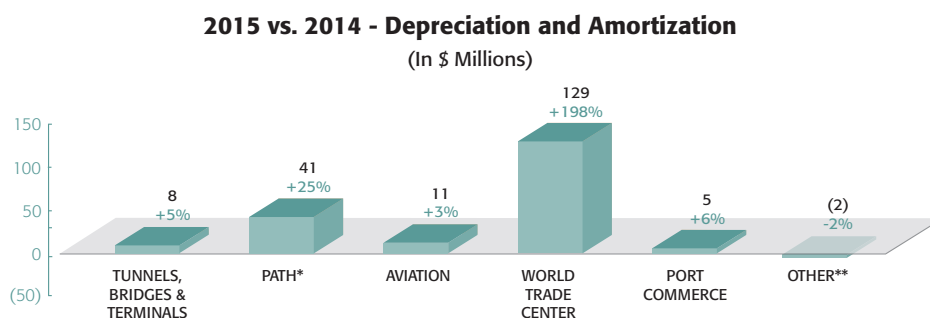
A summary of depreciation and amortization follows:

	2015	2014	2013
		(In thousands)	
Depreciation and amortization:			
Depreciation of facilities	\$1,124,383	\$932,149	\$875,979
Amortization of costs for regional programs	64,665	64,484	64,275
Total	\$1,189,048	\$996,633	\$940,254

2015 vs. 2014

Depreciation and amortization of \$1.2 billion increased \$192 million primarily due to the completion of \$3.4 billion in 2015 and \$6.9 billion in 2014, of capital investments that are ready for their intended use. These completed capital projects, primarily located at the WTC, are being depreciated over their estimated useful life on a straight-line basis.

The following chart depicts the 2015 overall change in total depreciation by business segment:



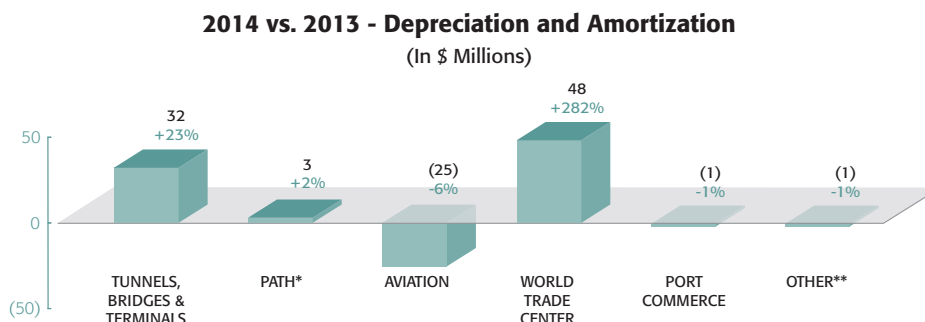
*PATH includes WTC Transportation Hub.

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

2014 vs. 2013

Depreciation and amortization of \$997 million increased \$56 million primarily due to the impact of transferring \$6.9 billion of capital investment to completed construction in 2014 that were primarily related to certain elements of the World Trade Center becoming ready for their intended use. These capital investments are being depreciated over their estimated useful life on a straight-line basis.

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



*PATH includes WTC Transportation Hub.

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

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

Net revenues related to Superstorm Sandy

2015 vs. 2014

Net revenues related to Superstorm Sandy decreased \$53.4 million in 2015 due to a decrease in insurance recoveries from participating insurance carriers related to the events of Superstorm Sandy. The Port Authority is currently engaged in discussions with participating insurers to close out WTC related insurance claims resulting from the events of Superstorm Sandy. As of December 31, 2015, the Port Authority has received approximately \$563 million in insurance recoveries related to Superstorm Sandy (see Note K.6 – Commitments and Certain Charges to Operations).

2014 vs. 2013

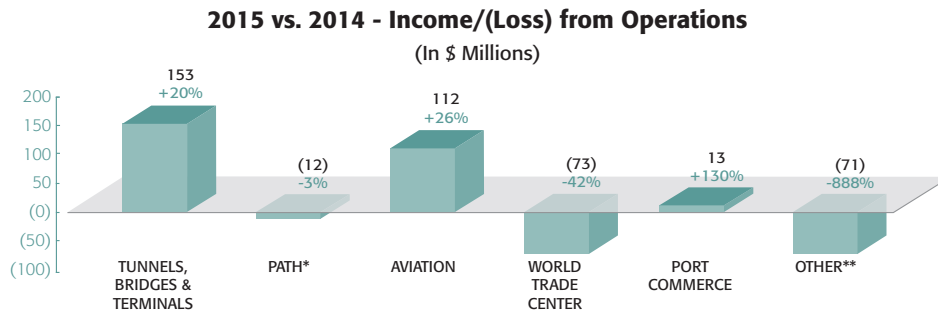
Net revenues related to Superstorm Sandy increased \$25.3 million in 2014 due to lower write-offs related to capital investment that was destroyed or impaired as a result of Superstorm Sandy, partially offset by a decrease in insurance recoveries (see Note K.6 – Commitments and Certain Charges to Operations).

Income from Operations

Income from operations represents the difference between gross operating revenues, and the sum of operating expenses, depreciation and amortization and net revenues related to Superstorm Sandy.

2015 vs. 2014

Income from operations of \$737 million increased \$122 million in 2015 primarily due to increases in tolls at the Port Authority's six (6) vehicular crossings, PATH fares and fixed and activity-based rentals at the WTC and Aviation facilities. Offsetting these amounts were increases in depreciation expense, primarily related to completed WTC capital assets and lower insurance recoveries related to Superstorm Sandy.

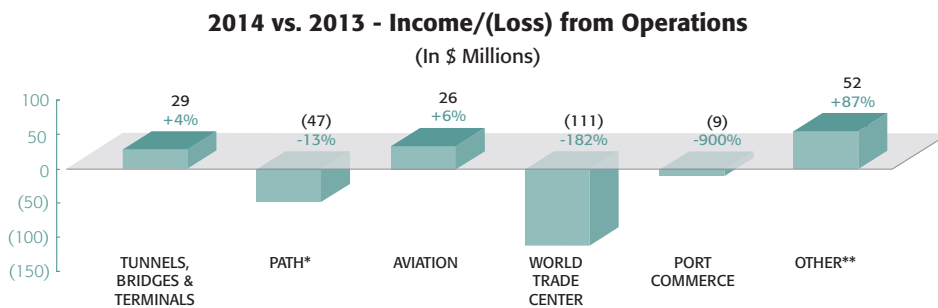


*PATH includes WTC Transportation Hub.

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

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.



*PATH includes WTC Transportation Hub.

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

Management's Discussion and Analysis (Unaudited)

(continued)

Non-Operating Revenues and Expenses

A summary of non-operating revenues and expenses follows:

	2015	2014	2013
		(In thousands)	
Non-operating revenues and (expenses):			
Financial income	\$ 45,268	\$ 41,050	\$ 35,036
Net (decrease) in fair value of investments	(14,290)	(2,950)	(26,428)
Interest expense in connection with bonds and other asset financings, net*	(872,837)	(660,116)	(586,693)
Net gain on disposition of assets	-	19,043	4,423
Pass-through grant program payments	(51,429)	(107,606)	(176,848)
Grants	101,074	207,898	188,409
Non-operating expenses, net	\$(792,214)	\$(502,681)	\$(562,101)

*Net of reimbursements received by the Port Authority related to Tower 4 Liberty Bond debt service payments.

2015 vs. 2014

- Financial income, comprised of interest income and changes in the fair value of investments decreased \$7.1 million, primarily due to a \$11.3 million decrease in market valuation adjustments associated with the fluctuation of interest rates and their impact on the fair value of the Port Authority's investment portfolio. Offsetting this decrease was a \$4.2 million increase in financial income related to the Port Authority's \$5 billion investment portfolio, which is primarily comprised of U.S. securities.
- Operating interest expense in connection with bonds and other asset financings increased \$213 million in 2015 primarily due to lower interest being allocated to capital projects still under construction, primarily at the WTC site.
- Grants in connection with operating activities decreased \$107 million in 2015 primarily due to a \$113 million decrease in U.S. Department of Homeland Security (DHS) funding for port security related projects and a \$19 million decrease in grants related to Superstorm Sandy recovery efforts.
- Pass-through grant program payments to sub-grantees decreased \$56 million in 2015 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 in connection with operating activities.

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 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 in connection with operating activities.

Management's Discussion and Analysis (Unaudited)

(continued)

Capital Contributions and Passenger Facility Charges

A summary of Capital Contributions and Passenger Facility Charges follows:

	2015	2014	2013
		(In thousands)	
Contributions in aid of construction	\$586,295	\$700,267	\$689,898
Passenger Facility Charges (PFC)	248,707	233,172	224,301
Total	\$835,002	\$933,439	\$ 914,199

2015 vs. 2014

Contributions in aid of construction and PFCs of \$835 million decreased \$98 million, primarily due to a decrease of \$80 million in New York State capital contributions related to the construction of WTC Tower 3 applied in 2014 and a \$71 million decrease in Federal Transit Administration (FTA) funding related to the construction of the WTC Transportation Hub. Offsetting these decreases was a \$79 million increase in Silverstein WTC net lessee capital contributions related to the construction of WTC Tower 3 and an \$18 million increase in Federal Emergency Management Agency (FEMA) contributions related to Superstorm Sandy permanent repair capital projects at PATH.

2014 vs. 2013

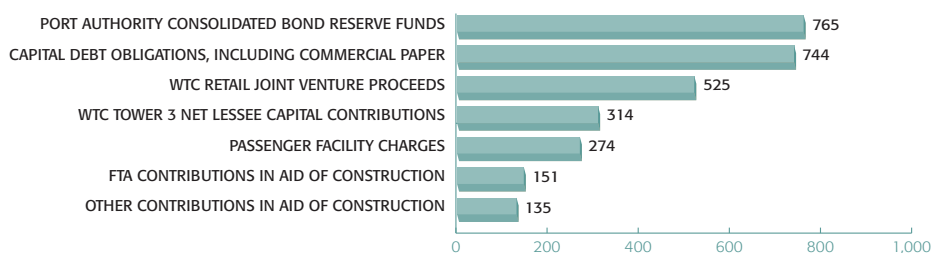
Contributions in aid of construction and PFCs of \$933 million increased \$19 million primarily due to a \$74 million increase in capital contributions from the Silverstein net lessees for the continued construction of WTC Towers 3 and 4, a \$9 million increase in Passenger Facility Charges due to increased 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.

Capital Construction Activities

Port Authority capital investment including contributed capital and accrued amounts relating to capital construction totaled \$3.0 billion in 2015, \$4.1 billion in 2014, and \$3.0 billion in 2013.

Capital Funding Sources 2015*

(In \$ Millions)

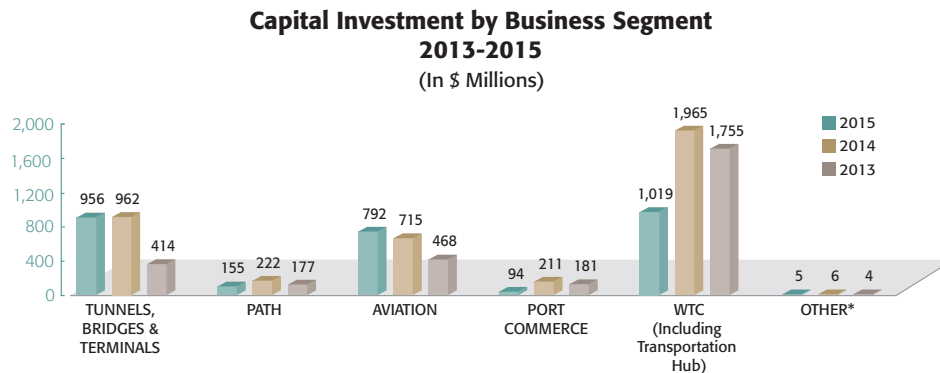


*Capital funding sources exclude approximately \$110 million related to net accrued amounts in connection with capital construction.

Management's Discussion and Analysis (Unaudited)

(continued)

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



*Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation Facilities.

Additional information related to capital investment can be found in appended *Note B – Facilities, net* to the 2015 consolidated financial statements, and *Schedule D-3 – Selected Statistical Financial Data by Business Segment* 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, 2015, bonds and other financing obligations of the Port Authority totaled approximately \$24.3 billion, including \$1.2 billion associated with the Tower 4 Liberty Bonds for which the Port Authority is a co-borrower/obligor.

During 2015, the Port Authority received \$3.3 billion of consolidated bond proceeds, including \$335 million in premiums received at the time of issuance. Of this amount, \$1.3 billion was allocated to fund capital project expenditures and \$2 billion was allocated for purposes of refunding outstanding consolidated bonds. In addition, the Port Authority issued commercial paper obligations totaling \$1.68 billion. Of this amount, \$1.64 billion was allocated for the purpose of refunding existing commercial paper obligations and \$36 million was issued to fund capital construction project expenditures.

On October 9, 2015, the Port Authority issued Consolidated Bonds One Hundred Ninety-fourth (194th) Series for purposes of funding \$216 million of capital project expenditures at certain Port Authority Facilities, to refund \$68.5 million of certain Consolidated Bonds One Hundred Forty-eighth (148th) Series maturities in October 2015 and to refund \$335.9 million of Consolidated Bonds One Hundred Forty-second (142nd) Series obligations in January 2016. In addition, \$743.4 million of Consolidated Bonds One Hundred Ninety-fourth (194th) Series bond proceeds were deposited in Port Authority controlled custodial accounts and invested in U.S. securities on an interim basis until they are needed for purposes of refunding Consolidated Bond Series One Hundred Forty-fourth (144th) Series and Consolidated Bonds One Hundred Forty-eighth (148th) Series by October 1, 2016 and August 15, 2017, respectively. The maturity dates of the investments coincide with refunding dates of the respective consolidated bond series to be refunded. It is expected that the invested bond proceeds, along with \$5.2 million of expected fixed income earned on these investments will provide for the complete refunding of Consolidated Bonds One Hundred Forty-fourth (144th) Series and One Hundred Forty-eighth (148th) Series. Because the invested bond proceeds are deposited in Port Authority controlled custodial accounts that are not irrevocable, the outstanding debt obligations to be refunded by October 2016 and August 2017 have not been substantively defeased for financial reporting purposes.

Consolidated Bond	Period	Total Debt Service
One Hundred Forty-fourth Series	October 9, 2015 to October 1, 2016	\$314,621,344
One Hundred Forty-eighth Series	October 9, 2015 to August 15, 2017	434,038,000
Total		\$748,659,344

Management's Discussion and Analysis (Unaudited)

(continued)

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. All ratings for outstanding obligations in 2015 remained the same when compared to 2014. During 2015, 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.

Other Activities

- Toll schedules for the Port Authority's six (6) vehicular crossings were authorized and revised effective September 18, 2011. The last scheduled toll increase for automobiles paying with cash increased from \$14.00 to \$15.00 in December 2015; the cash toll for truck classes 2-6 increased from \$19.00 per axle to \$21.00 per axle in December 2015; the cash toll for buses carrying 10 or more people increased from \$23.00 to \$24.00 in December 2015. Discounts are available for vehicles using the E-ZPass electronic toll collection system and certain designated user programs. No further increases to toll rates at the six (6) vehicular crossings are currently scheduled.
- The PATH base fare schedule was authorized and revised effective September 18, 2011. The last scheduled 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 were also increased at that time in a consistent manner with the base fare increase. No further increases to PATH fares are currently scheduled.
- The Port Authority is currently engaged in various activities pertaining to the redevelopment of LaGuardia Airport to address its short and long-term infrastructure needs, including a request for proposals (RFP) process for the replacement of Terminal B and related facilities through a public-private partnership, a new east garage, an east-end substation, and various other site, building and utility modernization projects. On May 28, 2015, after conducting a RFP selection process, the Board of Commissioners of the Port Authority authorized management to enter into an exclusive negotiating period with a private developer consortium and to agree to the terms of a final proposal for the redevelopment of Terminal B. The exclusive negotiations process with the private developer consortium is ongoing.
- The Port Authority is undertaking a bus planning study to assess options for replacing the Port Authority Bus Terminal (PABT) to meet the growing demand for the terminal gates and bus parking facilities. The study will also evaluate funding options, including the sale of unused Port Authority development rights at the PABT and on the roadways that connect to the Lincoln Tunnel. As an interim measure, on July 25, 2014, 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 PABT, consisting of projects to improve on-time performance and customer service with a total program cost of \$90 million, with appropriate 2014-2023 Capital Plan reallocations to support this program. The Port Authority is in the process of further assessing the replacement of the PABT by soliciting input from the international community, and re-evaluating the trans-Hudson commuter demand forecast. The purpose of the effort is to validate and/or explore options for the replacement identified during the previous PABT Master Plan process. The study will also evaluate funding strategies, including but not limited to, Public-Private-Partnerships and availability of government grants. Board authorization to undertake these measures was obtained in October 2015 and \$15 million has been budgeted for 2016 to support this effort.
- On December 10, 2015, the Board authorized the establishment and development of a new corporation to oversee the construction and execution of the Gateway Tunnel Project. The Gateway Tunnel Project is proposed to include a new Hudson River Tunnel together with rail, bridge and station expansions to improve rail passenger service in the congested rail corridor between Newark, New Jersey and Pennsylvania Station, New York, which is an essential portion of the National Railroad Passenger Corporation (Amtrak) Northeast Corridor (NEC). The federal government, working through the United States Department of Transportation (USDOT) and Amtrak have agreed to cover half of the project costs through a combination of grants, Amtrak funding sources, and low interest federal loans for which Amtrak and/or their federal partners would take responsibility for debt service. In furtherance of these efforts, it was recommended that the Port Authority partner with the federal government and take a lead role in the development of the Gateway Tunnel Project. It is proposed that the Port Authority's role would be structured through a development corporation under the Port Authority, which could oversee the construction and execution of the Gateway Tunnel Project, in partnership with Amtrak and USDOT. At this time, the Port Authority has made no funding commitment to the Gateway Tunnel Project and any such future commitment, as well as the scope of the Port Authority participation in the construction, operation and maintenance of the Gateway Tunnel Project, have yet to be determined.
- On December 10, 2015, the Board of Commissioners approved a 2016 budget that provides for capital and operating expenditures during calendar year 2016. To obtain a copy of the 2016 budget, please refer to the following link: <http://www.panynj.gov/corporate-information/pdf/2016-budget-book.pdf>

Consolidated Statements of Net Position

	2015	December 31, 2014
ASSETS		
(In thousands)		
Current assets:		
Cash	\$ 1,171,781	\$ 1,624,605
Restricted cash	171,286	213,799
Investments	1,766,989	353,491
Current receivables, net	468,707	482,297
Other current assets	127,193	141,131
Restricted receivables and other assets	73,106	30,657
Total current assets	3,779,062	2,845,980
Noncurrent assets:		
Restricted cash	4,631	7,087
Investments	3,252,429	3,180,386
Restricted investments - PAICE	184,633	182,585
Other amounts receivable, net	52,474	56,640
Other noncurrent assets	1,439,303	1,434,828
Restricted noncurrent assets - PAICE	4,649	8,109
Amounts receivable - Special Project Bonds	1,435,940	1,513,892
Amounts receivable - Tower 4 Liberty Bonds	1,247,473	1,248,085
Unamortized costs for regional programs	280,874	342,987
Facilities, net	32,666,774	30,773,475
Total noncurrent assets	40,569,180	38,748,074
Total assets	44,348,242	41,594,054
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refundings	97,337	108,447
Pension related amounts	155,259	-
Total deferred outflows of resources	252,596	108,447
LIABILITIES		
Current liabilities:		
Accounts payable	1,071,047	1,289,162
Accrued interest and other current liabilities	542,700	448,060
Restricted other liabilities - PAICE	9,446	7,580
Accrued payroll and other employee benefits	436,576	404,998
Current portion bonds and other asset financing obligations	1,486,572	886,835
Total current liabilities	3,546,341	3,036,635
Noncurrent liabilities:		
Accrued pension and other postemployment employee benefits	229,892	190,286
Other noncurrent liabilities	293,645	315,716
Unearned income related to WTC Retail Joint Venture	704,697	645,485
Restricted other noncurrent liabilities - PAICE	50,383	50,121
Amounts payable - Special Project Bonds	1,435,940	1,513,892
Amounts payable - Tower 4 Liberty Bonds	1,247,473	1,248,085
Bonds and other asset financing obligations	21,533,822	19,920,820
Total noncurrent liabilities	25,495,852	23,884,405
Total liabilities	29,042,193	26,921,040
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	21,527	6,921
Pension related amounts	7,555	-
Total deferred inflows of resources	29,082	6,921
NET POSITION	\$15,529,563	\$14,774,540
Net position is comprised of:		
Net investment in capital assets	\$11,810,573	\$10,402,894
Restricted:		
Passenger Facility Charges	168,801	193,678
Port Authority Insurance Captive Entity, LLC	187,628	177,179
Minority Interest in Tower 1 Joint Venture	100,000	100,000
Unrestricted	3,262,561	3,900,789
NET POSITION	\$15,529,563	\$14,774,540

See Notes to Consolidated Financial Statements

Consolidated Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31,	
	2015	2014
	(In thousands)	
Gross operating revenues:		
Tolls and fares	\$ 1,718,770	\$ 1,553,625
Rentals	1,446,980	1,300,818
Aviation fees	1,063,902	1,058,416
Parking and other	359,631	321,760
Utilities	144,580	149,052
Rentals - Special Project Bonds Projects	92,719	98,141
Total gross operating revenues	4,826,582	4,481,812
Operating expenses:		
Employee compensation, including benefits	1,178,967	1,187,877
Contract services	833,903	797,516
Rents and payments in-lieu-of taxes (PILOT)	356,162	362,627
Materials, equipment and other	252,071	277,174
Utilities	186,830	199,919
Interest on Special Project Bonds	92,719	98,141
Total operating expenses before depreciation, amortization and other operating expenses	2,900,652	2,923,254
Net (revenues) related to Superstorm Sandy	(123)	(53,530)
Depreciation of facilities	1,124,383	932,149
Amortization of costs for regional programs	64,665	64,484
Income from operations	737,005	615,455
Non-operating revenues and (expenses):		
Financial income	45,268	41,050
Net (decrease) in fair value of investments	(14,290)	(2,950)
Interest expense in connection with bonds and other asset financing	(909,603)	(666,244)
Gain on disposition of assets	–	19,043
Pass-through grant program payments	(51,429)	(107,606)
4 WTC associated payments	36,766	6,128
Grants, in connection with operating activities	101,074	207,898
Non-operating expenses, net	(792,214)	(502,681)
Income / (Loss) before capital contributions and Passenger Facility Charges	(55,209)	112,774
Capital contributions and Passenger Facility Charges:		
Contributions in aid of construction	586,295	700,267
Passenger Facility Charges	248,707	233,172
Total capital contributions and Passenger Facility Charges	835,002	933,439
Increase in net position	779,793	1,046,213
Net position, January 1	14,774,540	13,728,327
Cumulative effect of change in accounting principles (Note A.3.n)	(24,770)	–
Restated net position, January 1	14,749,770	–
Net position, December 31	\$15,529,563	\$14,774,540

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

	Year ended December 31,	
	2015	2014
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	\$ 4,678,760	\$ 4,364,086
Cash received related to WTC Retail Joint Venture	53,438	652,104
Cash received related to SuperStorm Sandy Insurance	123	74,657
Cash paid to or on behalf of employees	(1,280,133)	(1,224,562)
Cash paid to suppliers	(1,314,202)	(1,398,624)
Cash paid to municipalities	(349,125)	(350,144)
Net cash provided by operating activities	1,788,861	2,117,517
Cash flows from noncapital financing activities:		
Principal paid on noncapital financing obligations	(66,500)	(50,425)
Payments for Fund for regional development buy-out obligation	(51,212)	(51,214)
Interest paid on noncapital financing obligations	(4)	(36)
Grants received in connection with operating activities	71,773	171,300
Grants received related to SuperStorm Sandy	36,977	52,585
Pass-through grant payments	(51,138)	(107,606)
Net cash (used for) provided by noncapital financing activities	(60,104)	14,604
Cash flows from capital and related financing activities:		
Investment in facilities and construction of capital assets	(2,453,602)	(3,032,734)
Proceeds from capital obligations issued for refunding purposes	3,709,257	2,307,220
Principal paid through capital obligations refundings	(2,592,095)	(2,662,510)
Proceeds from sales of capital obligations allocated for construction	1,329,958	2,009,742
Principal paid on capital obligations	(308,885)	(329,285)
Interest paid on capital obligations	(990,746)	(920,891)
Payments for MOTBY obligation	(5,000)	(5,000)
Contributions in aid of construction	298,692	431,173
Proceeds from Passenger Facility Charges	245,688	235,836
Proceeds from disposition of assets	—	33,328
Financial income allocated to capital projects	750	941
Net cash (used for) capital and related financing activities	(765,983)	(1,932,180)
Cash flows from investing activities:		
Purchase of investment securities	(2,746,903)	(2,659,230)
Proceeds from maturity and sale of investment securities	1,242,899	1,866,231
Interest received on investment securities	39,287	33,106
Other interest income	4,150	5,334
Net cash (used for) investing activities	(1,460,567)	(754,559)
Net (decrease) in cash	(497,793)	(554,618)
Cash at beginning of year	1,845,491	2,400,109
Cash at end of year	\$ 1,347,698	\$ 1,845,491

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(continued)

	Year ended December 31,	
	2015	2014
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 737,005	\$ 615,455
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	1,124,383	932,149
Amortization of costs for regional programs	64,665	64,484
Amortization of other assets	47,684	48,106
Change in operating assets and operating liabilities:		
(Increase) in receivables	(57,303)	(13,299)
(Increase) in other assets	(61,813)	(94,214)
(Increase) in payables	(33,554)	(4,129)
(Decrease) in other liabilities	(21,002)	(38,523)
Increase in unearned income related to WTC Retail Joint Venture	59,213	645,485
(Decrease) in accrued payroll, pension and other employee benefits	(70,417)	(37,997)
Total adjustments	1,051,856	1,502,062
Net cash provided by operating activities	\$1,788,861	\$2,117,517

3. Capital obligations:

Consolidated bonds and notes, commercial paper, and variable rate master notes and Marine Ocean Terminal at Bayonne Peninsula Obligation (MOTBY).

4. Noncash investing, capital and financing activities:

Noncash activity of \$151 million in 2015 and \$150 million in 2014 includes amortization of discount and premium on outstanding debt obligations 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 2015 and 2014, the Silverstein net lessees contributed \$314 million and \$235 million, respectively, towards construction of WTC Towers 3 and 4. In 2015 and 2014, preferred returns due the Tower 1 Joint Venture, Durst Member and the WTC Retail Joint Venture, Westfield member totaled (\$27.5) million and (\$28.3) million, respectively. As of December 31, 2015, the Goethals Bridge replacement capital asset obligation totaled \$431 million, comprising accrued amounts of \$221 million in 2015 and \$210 million in 2014.

Noncash capital asset write-offs totaled \$5.5 million in 2015 and \$11 million in 2014.

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, 2015, the Audit Committee retained KPMG LLP as independent auditors to perform the independent audit of the Port Authority's consolidated financial statements for the year ending December 31, 2015.

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 (a) the Port Authority's Board of Commissioners serves as the overall governing body of these related entities and (b) there is a financial benefit or burden relationship between the Port Authority and the respective component unit listed above.

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, including 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).

Notes to Consolidated Financial Statements

(continued)

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 Facilities and 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 facilities and programs are amortized on a straight-line basis over the period benefited up to a maximum of 15 years (see *Note H – Regional Facilities and Programs*).

Costs related to the purchase of ancillary equipment, including operating and maintenance vehicles and corporate information technology hardware and software, 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, cash restricted for use by the Port Authority Insurance Captive Entity, LLC (PAICE) and insurance proceeds that 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. Statutorily mandated 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. Required contributed capital amounts due from the WTC net lessees related to the redevelopment of World Trade Center Towers 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,

Notes to Consolidated Financial Statements

(continued)

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 Statement No. 68 "Accounting and Financial Reporting for Pensions," as amended by GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68," GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," and GASB Statement No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" were implemented by the Port Authority as of January 1, 2015. The objective of these statements is to improve the information provided in government financial reports about pension benefits provided to employees.

Adoption of these standards resulted in the Port Authority recording a net pension liability and associated deferred outflows of resources and deferred inflows of resources related to its participation in the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System, as well as the PATH Exempt Employees Supplemental Pension Plan.

For additional information related to pension plans through which pension benefits are provided to Port Authority and PATH employees, see *Note I – Pension Plans*.

The cumulative effect of adopting GASB Statement No. 68 and the amendments described above is summarized below:

Cumulative effect of adopting GASB Statement No. 68	(In thousands)
Net Position, January 1, 2015	\$14,774,540
Increases in Net position:	
Deferred outflows of resources	146,425
Current liabilities	3,157
Noncurrent liabilities	27,590
Decreases in Net position:	
Accrued pension and other postemployment benefits	(166,737)
Current assets	(35,205)
Cumulative effect of change in accounting principles	(24,770)
Net Position, January 1, 2015, (as restated)	\$14,749,770

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. Revenues and expenses of facilities are accounted for in the operating fund. The financial resources received and 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 depreciation of ancillary equipment. Thus, depreciation is not a significant factor in determining the net revenues and reserves of the Port Authority or their application as provided for 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.

Notes to Consolidated Financial Statements

(continued)

- 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 historical cost of capital assets removed from service due to retirement is not deducted from Invested in facilities. However, if a capital asset is sold, the proceeds received from the sale are deposited in the capital fund for purposes of funding future capital investment and deducted from cumulative Invested in facilities at the time of the sale.
- 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.
- h.** 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 initially deferred as Unapplied Passenger Facility Charges on *Schedule B – Assets and Liabilities* and applied as revenue on *Schedule A – Revenues and Reserves* after the payment for the capital investment occurs. Capital investment funded by PFCs is reflected as a component of Invested in facilities.
- i.** 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 as revenue in their entirety when they are received, and are recorded on that basis on *Schedule A – Revenue and Reserves*.
- j.** The cumulative impact of adopting a new accounting standard, which necessitates the restatement of a prior year's beginning or ending Net position is recognized as either an increase or decrease to the operating fund's Net position.
- k.** In accordance with the Port Authority Bond Resolution, operating expenses provide for contingencies related to future operating and maintenance expenses.

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

	2015	December 31, 2014
		(In thousands)
Net position reported on Consolidated Statements of Net Position	\$15,529,563	\$14,774,540
Add: Accumulated depreciation of facilities	14,011,193	13,173,338
Accumulated retirements and gains and losses on disposition of assets	2,420,096	2,378,037
Application of WTC Retail Joint Venture Payments	719,067	652,104
Cumulative amortization of costs for regional programs	1,255,370	946,237
Cumulative unamortized discount and premium	701,234	381,842
Subtotal	19,106,960	17,531,558
Less: Deferred income – PFCs	168,801	193,678
Income related to WTC Retail Joint Venture	14,370	6,619
Operating and maintenance contingencies	50,000	–
Subtotal	233,171	200,297
Total	\$34,403,352	\$32,105,801
Net position reported on Schedule B - Assets and Liabilities (pursuant to Port Authority bond resolutions)	\$34,403,352	\$32,105,801

Notes to Consolidated Financial Statements

(continued)

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

	Year ended December 31,	
	2015	2014
	(In thousands)	
Increase in Net Position reported on Consolidated Statements of Revenues, Expenses and Changes in Net Position	\$ 779,793	\$1,046,213
Add: Depreciation of facilities	1,124,383	932,149
Application of PFCs	273,721	221,156
Amortization of costs for regional programs	64,665	64,484
Amortization of discount and premium	(15,363)	(22,334)
Restricted Financial Income – PAICE	–	(5,068)
Application of WTC Retail Joint Venture Payments	66,963	652,104
Appropriations for self-insurance	–	28,100
Subtotal	1,514,369	1,870,591
Less: Debt maturities and retirements	259,315	226,205
Repayment of asset financing obligations	51,928	105,562
WTC T2 – T4 Net Lessee capital contributions	313,960	235,115
Direct investment in facilities	1,949,785	1,473,432
Operating and maintenance contingencies	50,000	–
Collection of Passenger Facility Charges	248,707	233,172
Income related to WTC Retail Joint Venture	7,751	6,619
PFC interest income/fair value adjustment	136	305
Gain on disposition of assets	–	19,043
Subtotal	2,881,582	2,299,453
Total	\$ (587,420)	\$ 617,351
(Decrease)/Increase in Reserves reported on Schedule A – Revenues and Reserves (pursuant to Port Authority Bond Resolutions)	\$ (587,420)	\$ 617,351

Notes to Consolidated Financial Statements

(continued)

Note B – Facilities, Net

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions	Transfers to Completed Construction	Depreciation	Retirements/ Dispositions	End of Year
(In thousands)						
2015						
Capital assets not being depreciated:						
Land	\$ 1,197,870	\$ –	\$ 29,464	\$ –	\$ –	\$ 1,227,334
Construction in progress*	9,166,654	3,017,682	(3,416,930)	–	–	8,767,406
Total capital assets not being depreciated	10,364,524	3,017,682	(3,387,466)	–	–	9,994,740
Depreciable capital assets:						
Buildings, bridges, tunnels, other structures	14,523,072	–	1,970,158	–	(9,783)	16,483,447
Machinery and equipment	9,031,912	–	600,533	–	(245,526)	9,386,919
Runways, roadways and other paving	5,072,469	–	441,402	–	(3,852)	5,510,019
Utility infrastructure	4,954,836	–	375,373	–	(27,367)	5,302,842
Total other capital assets being depreciated	33,582,289	–	3,387,466	–	(286,528)	36,683,227
Accumulated depreciation:						
Buildings, bridges, tunnels, other structures	(4,116,014)	–	–	(368,480)	9,783	(4,474,711)
Machinery and equipment	(4,170,899)	–	–	(348,786)	245,526	(4,274,159)
Runways, roadways and other paving	(2,841,193)	–	–	(210,425)	3,852	(3,047,766)
Utility infrastructure	(2,045,232)	–	–	(196,692)	27,367	(2,214,557)
Total accumulated depreciation	(13,173,338)	–	–	(1,124,383)	286,528	(14,011,193)
Facilities, net	\$30,773,475	\$3,017,682	\$ –	\$(1,124,383)	\$ –	\$ 32,666,774
(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
Depreciable 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

* Construction in progress includes the impact of capital write-offs totalling \$5 million in 2015 and \$11 million in 2014.

1. Net interest expense added to the cost of facilities was \$163 million in 2015 and \$356 million in 2014.

2. Projects that have been suspended pending determination of their continued viability totaled \$61.6 million in 2015 and \$37.7 million in 2014.

3. The impact on accelerated depreciation related to buildings, bridges, tunnels, and other structures was \$18.6 million in 2015 and \$29 million in 2014.

4. Retirements and Dispositions include the remaining book value, if any, of a capital asset that is sold or disposed of.

Notes to Consolidated Financial Statements

(continued)

Note C – Cash and Investments

1. The components of cash and investments are:

CASH	December 31,	
	2015	2014
	(In thousands)	
Cash on hand	\$ 1,127	\$ 1,816
Cash equivalents	1,346,571	1,843,675
Total cash	1,347,698	1,845,491
Less restricted cash	175,917	220,886
Unrestricted cash	\$ 1,171,781	\$1,624,605

INVESTMENTS, AT FAIR VALUE	December 31,			
	2015			2014
	(In thousands)			
	Port Authority	PAICE	Total	Total
United States Treasury notes	\$3,865,193	\$110,216	\$3,975,409	\$3,149,061
United States Treasury bonds	–	12,878	12,878	10,997
United States Treasury bills	140,022	–	140,022	68,000
United States government agency obligations	–	41,921	41,921	39,565
United States Treasury obligations held pursuant to repurchase agreements	891,267	–	891,267	274,900
JFK International Air Terminal LLC obligations (JFKIAT)	79,718	–	79,718	92,716
Other governmental obligations	33,958	–	33,958	55,317
Corporate bonds	–	18,315	18,315	17,810
Accrued interest receivable	9,260	1,303	10,563	8,096
Total investments	5,019,418	184,633	5,204,051	3,716,462
Less current investments	1,766,989	–	1,766,989	353,491
Noncurrent investments	\$3,252,429	\$184,633	\$3,437,062	\$3,362,971

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 \$1.292 billion at December 31, 2015. Of that amount, \$16 million was secured through the basic FDIC deposit insurance and/or pursuant to the NJ Governmental Unit Deposit Protection Act (GUDPA). The balance of \$1.276 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 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. The notable exception is the execution of Tri-Party Repurchase agreements. These transactions are completed when the Tri-Party custodian posts collateral to our account in exchange for our investment funds.

Notes to Consolidated Financial Statements

(continued)

Proceeds received in connection with consolidated bonds and other asset financing obligation issuances 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 1.6% of total Port Authority investments at December 31, 2015) 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 fair value and weighted average maturity of investments held by the Port Authority, excluding PAICE, at December 31, 2015, follows:

Port Authority Investment Type	Fair Value	Weighted Average Maturity
	(In thousands)	(In days)
United States Treasury notes	\$3,865,193	505
United States Treasury bills	140,022	95
United States REPO	891,267	9
JFK International Air Terminal LLC obligations	79,718	3,624
Other government obligations	33,958	341
Total fair value of investments*	\$5,010,158	
Investments weighted average maturity		454

*Excludes accrued interest receivable amounts of \$9.2 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) 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, 2015 and 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.

Notes to Consolidated Financial Statements

(continued)

The fair value and weighted average maturity of investments held by PAICE at December 31, 2015, follows:

PAICE Investment Type	Fair Value	Weighted Average Maturity
	(In thousands)	(In days)
United States Treasury notes	\$110,216	601
United States Treasury bonds	12,878	893
United States government agency obligations	41,921	730
Corporate bonds	18,315	983
Total fair value of investments*	\$183,330	
Investments weighted average maturity		689

* Excludes accrued interest receivable amounts of \$1.3 million.

Note D – Outstanding Obligations and Financing

Introduction

Throughout *Note D – Outstanding Obligations and Financing*, obligations noted with (*) are subject to the Alternative Minimum Tax (AMT) 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:

	Current	December 31, 2015	
		Noncurrent	Total
(In thousands)			
A. Consolidated Bonds and Notes	\$ 946,895	\$20,840,924	\$21,787,819
B. Commercial Paper Obligations	425,760	–	425,760
C. Variable Rate Master Notes	77,900	–	77,900
D. Port Authority Equipment Notes	–	–	–
E. Fund for Regional Development Buy–Out Obligation	32,339	221,393	253,732
F. MOTBY Obligation	3,678	40,705	44,383
G. Tower 4 Liberty Bonds	–	1,247,473	1,247,473
H. Goethals Bridge Replacement Capital Asset Obligation	–	430,800	430,800
	\$1,486,572	\$22,781,295	\$24,267,867

	Current	December 31, 2014	
		Noncurrent	Total
(In thousands)			
A. Consolidated Bonds and Notes	\$ 295,550	\$19,412,388	\$19,707,938
B. Commercial Paper Obligations	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

Notes to Consolidated Financial Statements

(continued)

Note D – Outstanding Obligations and Financing (continued)

A. Consolidated Bonds and Notes

		Dec. 31, 2014	Issued	Refunded/ Retired	Dec. 31, 2015
(In thousands)					
Eighty-fifth series	5.2%–5.375% due 2016–2028	\$ 77,000	\$ –	\$ 3,800	\$ 73,200
Ninety-third series	6.125% due 2094	100,000	–	–	100,000
One hundred twenty-ninth series	4% due 2015	8,075	–	8,075	–
One hundred thirtieth series	3.75% due 2015	8,185	–	8,185	–
One hundred thirty-ninth series*	4.5%–5% due 2015–2025	124,780	–	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 2016–2036	350,000	–	14,035	335,965
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 2016–2037	500,000	–	79,405	420,595
One hundred forty-ninth series	4%–5% due 2017–2037	400,000	–	–	400,000
One hundred fiftieth series**	4.75%–6.4% due 2016–2027	300,000	–	35,000	265,000
One hundred fifty-first series*	5.25%, 6% & 5.75% due 2023, 2028 & 2035	350,000	–	–	350,000
One hundred fifty-second series*	4.75%–5.75% due 2018–2038	400,000	–	–	400,000
One hundred fifty-third series	4%–5% due 2018–2038	500,000	–	–	500,000
One hundred fifty-fourth series	3%–5% due 2016–2029	80,330	–	4,170	76,160
One hundred fifty-fifth series	3%–3.5% due 2016–2019	25,700	–	7,100	18,600
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	2.375%–3.3% due 2016–2020	33,000	–	8,000	25,000
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%–5.5% due 2016–2028	186,830	–	13,790	173,040
One hundred sixty-eighth series**	4.926% due 2051	1,000,000	–	–	1,000,000
One hundred sixty-ninth series*	4.5%–5% due 2016–2041	343,630	–	20,680	322,950
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 2016–2037	348,220	–	27,700	320,520
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 2016–2042	416,015	–	4,845	411,170
One hundred seventy-sixth series**	0.85%–2.5% due 2016–2022	136,000	–	17,000	119,000
One hundred seventy-seventh series*	3%–5% due 2016–2043	336,600	–	14,055	322,545
One hundred seventy-eighth series*	5% due 2016–2043	464,725	–	11,340	453,385
One hundred seventy-ninth series	4%–5% due 2016–2043	893,705	–	26,955	866,750
One hundred eightieth series	3%–5% due 2016–2021	93,580	–	15,510	78,070
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*	4%–5% due 2016–2034	483,460	–	12,625	470,835
One hundred eighty-sixth series*	4%–5% due 2016–2044	400,000	–	18,265	381,735
One hundred eighty-seventh series**	2.529%–4.426% due 2020–2034	250,000	–	–	250,000
One hundred eighty-eighth series*	3%–5% due 2016–2035	–	125,000	8,780	116,220
One hundred eighty-ninth series	2%–5% due 2016–2045	–	490,000	–	490,000
One hundred ninetieth series	5% due 2026–2038	–	160,000	–	160,000
One hundred ninety-first series**	4.823% due 2045	–	250,000	–	250,000
One hundred ninety-second series**	4.81% due 2065	–	500,000	–	500,000
One hundred ninety-third series*	1.5%–5% due 2016–2035	–	305,440	–	305,440
One hundred ninety-fourth series (b)	1.5%–5.25% due 2016–2055	–	1,194,560	–	1,194,560
Consolidated bonds and notes pursuant to Port Authority bond resolutions		\$19,229,020	\$3,025,000	\$1,234,095	\$21,019,925
Add unamortized premium and (discount)		478,918	334,755	45,779	767,894
Consolidated bonds and notes		\$19,707,938	\$3,359,755	\$1,279,874	\$21,787,819

(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).

(b) Includes amounts issued for the purpose of refunding Consolidated Bond Series One Hundred Forty-second, One Hundred Forty-fourth, and One Hundred Forty-eighth.

Notes to Consolidated Financial Statements

(continued)

Note D – Outstanding Obligations and Financing (continued)

Debt service requirements to maturity for Consolidated Bonds and Notes outstanding at December 31, 2015 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2016 (a)	\$ 946,895	\$ 993,770	\$ 1,940,665
2017 (a)	726,385	961,591	1,687,976
2018	353,090	933,893	1,286,983
2019	403,450	917,463	1,320,913
2020	412,155	896,665	1,308,820
2021–2025	2,390,745	4,161,945	6,552,690
2026–2030	2,999,700	3,505,838	6,505,538
2031–2035	3,702,795	2,669,377	6,372,172
2036–2040	2,925,145	1,849,308	4,774,453
2041–2045	2,305,220	1,205,173	3,510,393
2046–2050	1,153,835	777,157	1,930,992
2051–2055	952,760	532,033	1,484,793
2056–2060	1,109,440	290,831	1,400,271
2061–2065	538,310	72,109	610,419
2066–2094(b)	100,000	149,246	249,246
	\$21,019,925	\$19,916,399	\$40,936,324

(a) Amounts include the expected refunding of Consolidated Bonds Series One hundred Forty–second, One hundred Forty–fourth, and One Hundred Forty–eighth.

(b) Debt service for the years 2066–2094 reflects principal and interest payments associated with Consolidated Bonds Ninety–third Series.

Consolidated Bonds & Notes Outstanding

	Dec. 31, 2013	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2014
		(In thousands)		
Cumulative amounts prior to 2014	\$18,212,063	\$ 72	\$1,863,280	\$16,348,855
2014 Activity:				
One hundred eighty–first series**	–	500,000	–	500,000
One hundred eighty–second series**	–	500,000	–	500,000
One hundred eighty–third series	–	400,000	–	400,000
One hundred eighty–fourth series	–	346,705	–	346,705
One hundred eighty–fifth series*	–	483,460	–	483,460
One hundred eighty–sixth series*	–	400,000	–	400,000
One hundred eighty–seventh series**	–	250,000	–	250,000
Consolidated Bonds & Notes– Principal	18,212,063	2,880,237	1,863,280	19,229,020
Add: unamortized premium and (discount)	326,216	173,206	20,504	478,918
Total Consolidated Bonds and Notes	\$18,538,279	\$3,053,443	\$1,883,784	\$19,707,938

Consolidated bonds outstanding as of March 7, 2016 totaled \$20.7 billion.

On July 23, 2015, the Board of Commissioners established Consolidated Bonds, One Hundred Ninety–second Series through Consolidated Bonds, Two Hundred Eleventh Series, and authorized the issuance and sale of each series at a true interest cost to the Authority not in excess of 8 percent, for a term to maturity not in excess of one hundred twenty percent (120%) of the weighted average reasonably expected economic life of the facilities to be provided with the proceeds of such series. The Board also established Consolidated Notes, Series AAA, Series BBB, Series CCC, Series DDD and Series EEE, and authorized the issuance and sale of each series at a true interest cost to the Port Authority not in excess of 8 percent for a term not in excess of 3 years. The total aggregate principal amount of Consolidated Bonds, One Hundred Ninety–second Series through Consolidated Bonds, Two Hundred Eleventh Series, Consolidated Notes, Series AAA, Series BBB, Series CCC, Series DDD and Series EEE, and Versatile Structure Obligations issued and sold shall not exceed \$10 billion. The Committee on Finance would be authorized to sell and to deliver all or any part of each of such series with such terms and at such time or times as it deems appropriate, at public or private sale, and would also be authorized to take, and to delegate

Notes to Consolidated Financial Statements

(continued)

Note D – Outstanding Obligations and Financing (continued)

authority for, certain actions with respect to each of such series. An Authorized Officer of the Authority would be authorized to take any and all action that could be taken by the Committee on Finance in connection with each of such series, provided, however, that such actions in connection with the decision to sell such series shall be subject to prior approval of the Committee on Finance.

During 2015, the Port Authority allocated the proceeds from the sale of consolidated bonds, including bond issuance premiums, to refund \$2 billion of consolidated bonds and \$9 million of commercial paper notes. As a result of these refundings, the Port Authority decreased its aggregate debt service payments by approximately \$150 million over the life of the refunded consolidated bonds. The economic gain resulting from the 2015 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 \$202 million in net present value savings.

B. Commercial Paper Obligations

Commercial paper obligations are special obligations of the Port Authority generally issued, to provide interim financing for authorized capital projects. Commercial paper obligations may be outstanding until December 31, 2020 pursuant to the July 2015 resolution authorizing their issuance. In July 2015, the Port Authority established a taxable commercial paper program, Series C (see Note E – General and Consolidated Bond Reserve Funds for additional information related to the payment of special obligations of the Port Authority).

Under the current program, the maximum aggregate principal amount that may be outstanding at any one time is \$250 million for Series A, \$250 million for Series B and \$250 million for Series C. Commercial paper obligations are issued without third party provider support for payment at their maturity dates.

	Dec. 31, 2014	Issued	Refunded/ Repaid	Dec. 31, 2015
(In thousands)				
Series A*	\$269,695	\$ 987,930	\$1,017,505	\$240,120
Series B	178,490	688,020	680,870	185,640
Series C**	–	–	–	–
	\$448,185	\$1,675,950	\$1,698,375	\$425,760

	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

Interest rates for all commercial paper notes ranged from 0.01% to 0.11% in 2015.

Notes to Consolidated Financial Statements

(continued)

Note D – Outstanding Obligations and Financing (continued)

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).

	Dec. 31, 2014	Issued	Refunded/ Repaid	Dec. 31, 2015
(In thousands)				
Agreements 1989 – 1995*	\$44,900	\$ –	\$ –	\$ 44,900
Agreements 1989 – 1998	33,000	–	–	33,000
	\$77,900	\$ –	\$ –	\$ 77,900

	Dec. 31, 2013	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

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 0.06% to 0.19% in 2015.

Annual debt service requirements on outstanding variable rate master notes, determined for presentation purposes at the rate in effect at December 31, 2015, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
(In thousands)			
2016	\$ –	\$ 60	\$ 60
2017	–	60	60
2018	–	60	60
2019	–	60	60
2020	–	60	60
2021–2025	77,900	117	78,017
	\$ 77,900	\$417	\$78,317

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

	Dec. 31, 2014	Issued	Refunded/ Repaid	Dec. 31, 2015
(In thousands)				
Notes 2008	\$31,500	\$ –	\$31,500	\$ –
	\$31,500	\$ –	\$31,500	\$ –

Notes to Consolidated Financial Statements

(continued)

Note D – Outstanding Obligations and Financing (continued)

	Dec. 31, 2013	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

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.07% to 0.08% in 2015.

There are no outstanding Port Authority Equipment Notes as of December 31, 2015.

E. Fund for Regional Development Buy-Out Obligation

	Dec. 31, 2014	Accretion (a)	Total Payment	Dec. 31, 2015
	(In thousands)			
Obligation outstanding	\$283,562	\$21,382	\$ 51,212	\$253,732

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

(a) Represents the annual implicit interest cost of 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 (see Note E – General and Consolidated Bond Reserve Funds for additional information related to the payment of obligations of the Port Authority).

Payment requirements of the fund for regional development buy-out obligation outstanding, including the implicit interest cost, at December 31, 2015 are as follows:

Year ending December 31:	Payments (In thousands)
2016	\$ 51,211
2017	53,213
2018	53,214
2019	53,211
2020	53,210
2021	53,606
	\$317,665

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

Notes to Consolidated Financial Statements

(continued)

Note D – Outstanding Obligations and Financing (continued)

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).

	Dec. 31, 2014	Accretion (a)	Refunded/ Repaid	Dec. 31, 2015
	(In thousands)			
Obligation Outstanding	\$48,254	\$1,129	\$5,000	\$44,383

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

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

Payment requirements for the MOTBY obligation outstanding, including the implicit interest cost, at December 31, 2015 are as follows:

Year ending December 31:	Payments (In thousands)
2016	\$ 5,000
2017	5,000
2018	5,000
2019	5,000
2020	5,000
2021–2025	25,000
2026–2030	25,000
2031–2033	15,000
	\$90,000

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).

Certain Port Authority debt service payments related to Tower 4 Liberty Bonds are 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 not in excess of 40 years (see Note L – Information with Respect to the Redevelopment of the World Trade Center Site for additional information related to the redevelopment of WTC Tower 4).

	Dec. 31, 2014	Issued	Repaid/ Amortized	Dec. 31, 2015
	(In thousands)			
Series 2011	\$1,225,520	\$ –	\$ –	\$1,225,520
Add: unamortized premium	22,565	–	612	21,953
Total Tower 4 Liberty Bonds	\$1,248,085	\$ –	\$ 612	\$1,247,473

Notes to Consolidated Financial Statements

(continued)

Note D – Outstanding Obligations and Financing (continued)

	Dec. 31, 2013	Issued	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

Annual debt service payment requirements on outstanding Tower 4 Liberty Bonds at December 31, 2015 would be as follows:

Year ending December 31:	Principal	Interest (a)	Debt Service
(In thousands)			
2016	\$ –	\$ 65,293	\$ 65,293
2017	–	65,293	65,293
2018	–	65,293	65,293
2019	–	65,293	65,293
2020	–	65,293	65,293
2021–2025	–	326,467	326,467
2026–2030	109,345	318,599	427,944
2031–2035	170,455	282,855	453,310
2036–2040	217,875	235,437	453,312
2041–2045	278,500	174,810	453,310
2046–2050	363,610	89,706	453,316
2051	85,735	4,930	90,665
Total	\$1,225,520	\$1,759,269	\$2,984,789

(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 December 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 (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). 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 \$431 million of the total \$1.02 billion capital asset financing obligation based on the percentage of construction completed as of December 31, 2015.

Notes to Consolidated Financial Statements

(continued)

Note D – Outstanding Obligations and Financing (continued)

	Dec. 31, 2014	Additions	Deductions	Dec. 31, 2015
			(In thousands)	
Goethals Bridge Replacement				
Capital Asset Obligation	\$210,316	\$220,484	\$ –	\$ 430,800

DFA Payments, including implicit interest, 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

*Total DFA payments include the repayment of the \$1.02 billion developer loan and \$1.55 billion in implicit interest.

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.

Notes to Consolidated Financial Statements

(continued)

Note D – Outstanding Obligations and Financing (continued)

A summary of December 31, 2015 and December 31, 2014 Special Project Bonds follows:

	Dec. 31, 2014	Issued	Repaid/ Amortized	Dec. 31, 2015
(In thousands)				
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2015	\$ 22,400	\$ –	\$22,400	\$ –
Less: unamortized discount	446	–	446	–
Total – Series 2	21,954	–	21,954	–
Series 4, KIAC Partners Project (b)*				
6.75% due 2015–2019	93,200	–	15,300	77,900
Less: unamortized discount	910	–	191	719
Total – Series 4	92,290	–	15,109	77,181
Series 6, JFKIAT Project (c)*				
5.75%–6.25% due 2015–2025	618,630	–	41,640	576,990
Less: unamortized discount	3,663	–	336	3,327
Total – Series 6	614,967	–	41,304	573,663
Series 8, JFKIAT Project (d)				
5%–6.5% due 2018–2042	796,280	–	–	796,280
Less: unamortized discount	11,599	–	415	11,184
Total – Series 8	784,681	–	(415)	785,096
Amounts payable – Special Project Bonds	\$1,513,892	\$ –	\$77,952	\$1,435,940

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

Notes to Consolidated Financial Statements

(continued)

Note D – Outstanding Obligations and Financing (continued)

	Dec. 31, 2013	Issued	Repaid/ Amortized	Dec. 31, 2014
(In thousands)				
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2015	\$ 42,930	\$ –	\$20,530	\$ 22,400
Less: 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
Less: 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
Less: 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
Less: 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 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, 2015, the General Reserve Fund balance was \$2,297,475,500 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 and Notes.

Notes to Consolidated Financial Statements

(continued)

Commercial paper obligations, 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 L – 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 into the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefore, 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, 2015, 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 – Grants and Contributions in Aid of Construction

During 2015 and 2014, the Port Authority received certain reimbursements related to certain policing programs as well as federal and state funding for operating and capital construction 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 million in 2015 and \$1.4 million in 2014.
- b. Airport Screening Program – The TSA provided approximately \$306,600 in each 2015 and 2014 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 \$604,432 in 2015 and \$734,523 in 2014 from the USDOS to fund operating security costs incurred by Port Authority police personnel for the United Nations General Assembly.

Amounts received in connection with the Port Authority Police Department providing services to an unrelated third party are considered exchange transactions and recognized as operating revenues on the Consolidated Statements of Revenues, Expenses and Changes in Net Position.

2. Grants in connection with operating activities

- a. Security Grant Programs – In 2015 and 2014, the Port Authority recognized approximately \$68.3 million and \$154 million, respectively, for security related programs from the TSA for baggage screening at LGA, JFK and EWR and The New York State Office of Homeland Security grants.
- b. Superstorm Sandy – The Port Authority recognized \$33.3 million in 2015 and \$50.5 million in 2014 for FTA grants associated with Superstorm Sandy recovery efforts (for additional information on Superstorm Sandy see *Note K.6 – Commitments and Certain Charges to Operations*).

Notes to Consolidated Financial Statements

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3. Contributions in Aid of Capital Construction

- a. WTC Tower 3 and 4 – The Port Authority recognized \$314 million in 2015 and \$235 million in 2014 in capital contributions from the Silverstein net lessees for the construction of WTC Towers 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 \$179 million in 2015 and \$250 million in 2014 from the FTA for the construction of the WTC Transportation Hub. As of December 31, 2015, the Port Authority has received \$2.6 billion from the FTA for the WTC Transportation Hub.
- c. Airport Improvement Program (AIP) – The Port Authority recognized \$35 million in 2015 and \$39 million in 2014 in AIP funding primarily related to School Soundproofing at LGA, JFK, EWR and Teterboro Airport.
- d. Superstorm Sandy – In 2015 and 2014, the Port Authority recognized \$40.7 million and \$10 million respectively, in FTA and FEMA capital contributions related to Superstorm Sandy permanent repairs primarily at PATH (For additional information on Superstorm Sandy see *Note K.6 – Commitments and Certain Charges to Operations*).
- e. Other – In 2015, the Port Authority recognized \$323 thousand from the Lower Manhattan Development Corporation (LMDC) for the WTC Cultural Project and \$520 thousand from the Battery Park City Authority related to the construction of the World Financial Center Route 9–A Underpass.

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 2015 and 2014.

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, 2015, 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, 2015 are as follows:

Year ending December 31:	Minimum Rentals (In thousands)
2016 (a)	\$ 1,159,062
2017	989,971
2018	889,036
2019	777,071
2020	750,197
2021–2100 (b)	24,348,353
Total future minimum rentals (c)	\$ 28,913,690

- (a) Includes \$126 million related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture.
- (b) Includes future minimum rentals of approximately \$14 billion attributable to the Silverstein net leases for WTC Towers 2, 3 and 4.
- (c) Future minimum rentals exclude approximately \$223 million attributable to the transfer of the Port Authority's interests in the WTC Retail Joint Venture that are contingent upon the construction of retail space located within WTC Towers 2 and 3. In addition, \$165 million in contingent rentals related to certain lease agreements at One WTC are excluded from minimum rentals until such time, as specific events occur related to the construction of the leased space.

3. Property leased from others

Rental payments include, payments to the Cities of New York and Newark related to Air and Marine terminals and other leased facilities, including rent related to the Port Authority's WTC Tower 4 corporate headquarters leased space. Rent payments totaled \$325 million in 2015 and \$299 million in 2014, respectively. Rental payments exclude PILOT payments to municipalities.

Notes to Consolidated Financial Statements

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Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2015 are detailed below. Additional rents may be payable based on operating net revenues or gross operating revenues of specified facilities.

Year ending December 31:	Minimum Rentals
	(In thousands)
2016	\$ 344,121
2017	326,181
2018	325,397
2019	296,909
2020	278,477
2021–2025	1,375,636
2026–2030	1,382,168
2031–2035	1,407,568
2036–2040	1,387,379
2041–2045	1,325,456
2046–2099*	2,371,651
Total future minimum rent payments	\$10,820,943

* Future minimum rent payments for the years 2046–2099 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 Facilities and Programs

- 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, 2015, 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, 2015.
 - 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, 2015, 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, 2015, \$249 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, 2015, 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

Notes to Consolidated Financial Statements

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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, 2015, 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, 2014	Project Expenditures	Amortization	Dec. 31, 2015
		(In thousands)		
Regional Development Facility	\$ 12,973	\$ –	\$ 5,490	\$ 7,483
Regional Economic Development Program	30,611	–	13,675	16,936
Oak Point Rail Freight Link	3,259	–	1,630	1,629
New Jersey Marine Development Program	1,692	–	834	858
New York Transportation, Economic Development and Infrastructure Renewal Program	57,396	2,552	9,436	50,512
Regional Transportation Program	110,053	–	16,667	93,386
Hudson–Raritan Estuary Resources Program	34,112	–	3,600	30,512
Regional Rail Freight Program	15,496	–	3,333	12,163
Meadowlands Passenger Rail Facility	77,395	–	10,000	67,395
Total unamortized costs of regional programs	\$342,987	\$2,552	\$64,665	\$280,874

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 2015, the Port Authority expended approximately \$2.1 million on bi-state initiatives, bringing the total amount spent to date to approximately \$177 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

Port Authority Employees

Generally, full-time employees of the Port Authority (but not its component units) are required to join one of two cost-sharing multiple-employer defined benefit pension plans administered by the New York State Comptroller’s Office; 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 New York State and Local Retirement System (NYSRLRS). The New York State Constitution provides that membership in a pension plan 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.

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Classes of employees covered under the NYSLRS range from Tiers 1–6. Date ranges determining tier membership follows:

Tier	ERS Membership		PFRS Membership	
	On or After:	Before:	On or After:	Before:
1	–	July 1, 1973	–	July 31, 1973
2	July 1, 1973	July 27, 1976	July 31, 1973	July 1, 2009
3	July 27, 1976	September 1, 1983	July 1, 2009	January 9, 2010
4	September 1, 1983	January 1, 2010	N/A	N/A
5	January 1, 2010	April 1, 2012	January 9, 2010	April 1, 2012
6	April 1, 2012	Present	April 1, 2012	Present

Members in Tiers 1–4 need five (5) years of service to be 100 percent vested. Tiers 5–6 members require ten (10) years of service credit to be 100 percent vested.

Participating employers are required under the provisions of the New York State Retirement and Social Security Law (RSSL) to contribute to the NYSLRS at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2015 was approximately 20.1 percent of payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2015 was approximately 27.6 percent of payroll.

Generally, Tier 3, 4, and 5 members must contribute 3 percent of their salary to the respective NYSLRS plans. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten (10) or more years of membership or credited service with the NYSLRS, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Benefits for each NYSLRS plan are established and may be amended under the provisions contained in the New York State RSSL.

Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62. Generally, the benefit for Tier 1 and Tier 2 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months. Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year used in the final average salary calculation is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62. Generally, the benefit for Tier 3, Tier 4 and Tier 5 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. Final average salary is the average of the wages earned in the three highest consecutive years of employment. For ERS Tier 3, 4 and 5 members, each year used in the final average salary calculation is limited to no more than 10 percent of the average of the previous two years. For PFRS Tier 5 (there are no Port Authority members enrolled in PFRS Tier 3 and 4), each year used in the final average salary calculation is limited to no more than 20 percent of the average of the previous two years.

Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members. Generally, the benefit for Tier 6 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits. Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

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Certain Port Authority PFRS members belong to 25-Year Plans, which allows for retirement after 25 years of service with a benefit of one-half of final average salary or 20-Year Plans, which allows for retirement after 20 years of service with a benefit of one-half of final average salary.

Port Authority 2015 contributions to the NYSLRS totaled \$116.7 million including, \$63.1 million to ERS and \$53.6 million to PFRS.

NYSLRS – Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

NYSLRS – Net Pension Liability (NPL)

GASB Statement No. 68 defines the Net Pension Liability (NPL) as the difference between the Total Pension Liability (TPL) and the pension plan's fiduciary net position determined as of a measurement date established by the employer. For purposes of measuring the NPL, the plan's fiduciary net position has been determined on the same basis as they are reported for ERS and PFRS. Benefit payments are recognized when due and payable in accordance with the benefit terms and investments are measured at their fair value.

At December 31, 2015, the Port Authority's NPL totaled \$69.4 million related to its proportionate share of each of the NYSLRS plans, including a \$44.9 million NPL related to ERS and a \$24.5 million NPL related to PFRS. These NPLs were measured as of March 31, 2015, based on an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the TPL to March 31, 2015. The Port Authority's proportionate share of the ERS and PFRS NPLs were actuarially determined based on the projection of the Port Authority's long-term share of contributions to each respective plan relative to the projected long-term contributions of all participating employers of each plan. At March 31, 2015, the Port Authority's proportionate share of the ERS NPL was 1.3% and PFRS NPL was 8.9%.

NYSLRS – Pension Expense

For the twelve months ended December 31, 2015, pension expense related to NYSLRS totaled \$97.2 million, including \$41.9 million related to ERS and \$55.3 million related to PFRS.

NYSLRS – Deferred Inflows/Outflows of Resources

GASB Statement No. 68 requires certain changes in the NPL to be recognized as deferred inflows of resources or deferred outflows of resources. These deferred outflows and deferred inflows of resources are amortized as either an increase or decrease to future years pension expense, using a systematic and rational method over a closed period.

At December 31, 2015, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

Deferred Outflows of Resources	ERS	PFRS	TOTAL
		(In thousands)	
Differences between expected and actual experience	\$ 1,438	\$ 2,952	\$ 4,390
Net difference between projected and actual earnings on pension plan investments	7,800	8,222	16,022
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	5,239	–	5,239
Port Authority contributions subsequent to the measurement date*	63,072	53,652	116,724
Total Deferred Outflows of Resources	\$ 77,549	\$64,826	\$ 142,375

*Contributions made by participating employers to pension plans after the measurement date to satisfy the pension plan's Net Pension Liability, but before the end of the financial statement period for the employer, are recognized as deferred outflows of resources.

Deferred Inflows of Resources	ERS	PFRS	TOTAL
		(In thousands)	
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	\$ –	\$ 7,555	\$ 7,555
Total Deferred Inflows of Resources	\$ –	\$ 7,555	\$ 7,555

Notes to Consolidated Financial Statements

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The amounts of deferred outflows of resources associated with contributions made subsequent to the measurement date will be recognized as a reduction to the ERS and PFRS NPL for the fiscal year ended December 31, 2016. The remaining deferred outflows and deferred inflows of resources related to NYSLRS plans to be recognized in future years' pension expense are as follows:

Year ended December 31:	ERS	PFRS
	(In thousands)	
2016	\$ 3,619	\$1,135
2017	3,619	1,135
2018	3,619	1,135
2019	3,620	1,134
2020	–	(920)
Total	\$14,477	\$3,619

NYSLRS – Actuarial Assumptions

The TPL for each plan was determined using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the TPL to the measurement date of March 31, 2015. These actuarial valuations used the following actuarial assumptions:

	ERS	PFRS
Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation	7.5% compounded annually, net of investment expenses, including inflation
Salary Scale	4.9%, indexed by service	6.0%, indexed by service
Inflation	2.7%	2.7%

Mortality rates are based on each Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010, with adjustments for mortality improvement based on the Society of Actuaries' Scale MP–2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pensions Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 for both ERS and PFRS are summarized in the following table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38%	7.30%
International equity	13%	8.55%
Private equity	10%	11.00%
Real estate	8%	8.25%
Absolute return strategies	3%	6.75%
Opportunistic portfolio	3%	8.60%
Real assets	3%	8.65%
Bonds and mortgages	18%	4.00%
Cash	2%	2.25%
Inflation-indexed bonds	2%	4.00%
Total	100%	

NYSLRS – Discount Rate

The discount rate used to calculate the TPL of each NYSLRS plan was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rates and that employer contributions will be made at their contractually required rates, as actuarially determined.

Based upon these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for both ERS and PFRS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL for each plan.

Notes to Consolidated Financial Statements

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The following table presents the Port Authority's proportionate share of the NPL for ERS and PFRS calculated using the discount rate of 7.5 percent, as well as what the Port Authority's proportionate share of the NPL for ERS and PFRS would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current (7.5%).

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
(In thousands)			
ERS – Port Authority's proportionate share of the NPL	\$299,320	\$44,906	\$(169,882)
PFRS – Port Authority's proportionate share of the NPL	326,073	24,490	(228,254)
Total	\$625,393	\$69,396	\$(398,136)

Detailed information about the fiduciary net position and valuation methods related to ERS and PFRS can be found in the NYSLRS Annual Report as of and for the year ended March 31, 2015, which is publicly available at the following web address: http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php#financial

Additional information related to the Port Authority's proportionate share of the net pension liability for ERS and PFRS and the Port Authority's contributions to ERS and PFRS can be found in the Required Supplementary Information (RSI) section of this report following the appended notes.

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. The VDC plan is administered by TIAA–CREF. System benefits and contribution requirements are established and may be amended under provisions of the New York State Retirement and Social Security Law.

An electing VDC 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.

As of December 2015, 90 employees were enrolled in the VDC program since inception. The following table shows employee and employer contributions (reported as pension expense):

	2015	2014
Employer Contributions	\$ 559,028	\$240,933
Employee Contributions	449,134	178,254
Total	\$1,008,162	\$419,187

Port Authority Trans–Hudson Corporation (PATH) Employees

Federal Railroad Retirement Program

Employees of PATH are not eligible to participate in NYSLRS. In accordance with Federal Railroad Retirement legislation enacted in 1935, and amended thereafter, all PATH employees are members of the two tiered Federal Railroad Retirement Program administered by the U.S. Railroad Retirement Board. The Federal Railroad Retirement Program is a cost sharing defined benefit pension plan, providing benefits to employees of governmental and private sector railroad entities. Program benefits are established and may be amended by federal legislation. Under the Federal Railroad Retirement Program, employees are entitled to retirement benefits related to years of railroad service, age and salary. Survivor and disability benefits are also available to members based on program eligibility requirements. Vesting of benefits is determined after a set period of credited railroad service. Funding of the Federal Railroad Retirement Program is legislatively determined through the collection of employer and employee Railroad Retirement Taxes. In 2015, 1,204 PATH employees participated in the Federal Railroad Retirement Program.

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Employer and employee contributions to the Federal Railroad Retirement Program were as follows:

Railroad Retirement Tier I	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
(\$ In thousands)					
2015	7.65%	\$7,747	7.65%	\$ 7,747	\$15,494
2014	7.65%	8,119	7.65%	8,119	16,238
Railroad Retirement Tier II	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
(\$ In thousands)					
2015	4.9%	\$4,379	13.1%	\$11,707	\$16,086
2014	4.4%	3,971	12.6%	11,371	15,342

Detailed information about the Federal Railroad Retirement Program can be found in the U.S. Federal Railroad Retirement Board Performance and Accountability Report, which is publicly available at the following web address: <http://www.rrb.gov/pdf/oig/reports/1601.pdf>

PATH Represented Employees

For PATH employees covered under collective bargaining agreements, PATH makes defined contributions to supplemental pension plans that are administered exclusively by trustees comprised of and appointed by union members. Benefits are established and may be amended at the sole discretion of the trustees. PATH is not responsible for any funding deficiencies related to these supplemental pension plans. PATH's sole responsibility related to these supplemental pension plans are contributions defined in the various collective bargaining agreements. Contributions by PATH to these supplemental pension plans totaled approximately \$6.4 million in 2015 and \$6.4 million in 2014.

PATH Exempt Employee Supplemental 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 Exempt Employees Supplemental Pension Plan, amended and restated as of January 1, 2011 (the Plan). The Plan is a non-contributory, unfunded, single-employer, defined benefit, qualified 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.

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, 2015, no amounts have been deposited into the trust to prefund future pension obligations.

PATH Exempt Employee Supplemental Pension Plan – Total Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

PATH Exempt Employee Supplemental Pension Plan – Total Pension Liability

GASB Statement No. 68 defines the Net Pension Liability (NPL) as the difference between the Total Pension Liability (TPL) and the pension plan's fiduciary net position. As the Plan is currently unfunded and has no plan assets, the TPL and NPL are of equal amounts. The Plan's TPL reported at December 31, 2015 was measured as of January 1, 2015 based on an actuarial valuation as of the same date. The plan's TPL for the year ended December 31, 2015 was \$81.1 million. Changes in the TPL from the previous measurement date are as follows:

	Total Pension Liability
	(In thousands)
Balance as of 12/31/2014 (based on 1/1/2014 Measurement Date)	\$69,630
Changes recognized for the fiscal year:	
Service cost	900
Interest on the total pension liability	3,271
Differences between expected and actual experience	51
Changes in assumptions	10,632
Benefit payments (1/1/14 – 12/31/14)	(3,389)
Net change in TPL	11,465
Balance recognized at 12/31/2015 (based on 1/1/2015 Measurement Date)	\$81,095

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PATH Exempt Employee Supplemental Pension Plan – Pension Expense

For the twelve months ended December 31, 2015, pension expense related to the Plan totaled \$6.7 million.

PATH Exempt Employee Supplemental Pension Plan – Deferred Outflows of Resources

At December 31, 2015, the Port Authority reported deferred outflows of resources:

	Deferred Outflows (In thousands)
Differences between actual and expected experience	\$ 39
Assumption changes	8,143
Contributions subsequent to the measurement date*	4,702
Total	\$12,884

* Contributions made by participating employers to pension plans after the measurement date to satisfy the pension plan's Net Pension Liability, but before the end of the financial statement period for the employer, are recognized as deferred outflows of resources.

GASB Statement No. 68 requires certain changes in the TPL to be recognized as deferred inflows of resources or deferred outflows of resources. These deferred outflows and deferred inflows of resources, are amortized as either an increase or decrease to future years pension expense using a systematic and rational method over a closed period.

The amounts of deferred outflows of resources associated with contributions made subsequent to the measurement date will be recognized as a reduction to the TPL for the fiscal year ended December 31, 2016. The remaining deferred outflows of resources and deferred inflows of resources related to the PATH Exempt Employee Supplemental Pension Plan to be recognized in future years pension expense are as follows:

Year ended December 31,

	(In thousands)
2016	\$2,501
2017	2,501
2018	2,501
2019	679
Total	\$8,182

PATH Exempt Employee Supplemental Pension Plan – Actuarial Assumptions

The TPL measured as of January 1, 2015, based on an actuarial valuation as of the same date was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.0%
Investment rate of return	N/A

Actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period of January 1, 2014 to December 31, 2014. Mortality rates used in the valuation were based on RP-2000 Fully Generational Scale AA Combined Healthy Mortality Table. 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.

As of the January 1, 2015 valuation date, Plan participants comprised:

Retired PATH Exempt Employees (or their beneficiaries)	93
Active PATH Exempt Employees	92
Terminated but vested employees who are not currently receiving benefits	25
Total participants	210

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PATH Exempt Employee Supplemental Pension Plan – Discount Rate

Because the plan is unfunded, the discount rate used for the actuarial valuation is based on the 20-year municipal Bond Buyer Index for general obligations, which totaled 3.56% as of the January 1, 2015 measurement date. The discount rate applied in the valuation at the prior measurement date of January 1, 2014 was 4.75%.

The following table presents the Plan's TPL calculated using the discount rate of 3.56 percent, as well a discount rate that is 1 percentage-point lower (2.56 percent) or 1 percentage-point higher (4.56 percent) than the current rate used.

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
		(In thousands)	
Total Pension Liability	\$91,982	\$81,095	\$72,015

Note J – 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 post employment benefits earned by plan participants as of the valuation.

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.

In the January 1, 2015 actuarial valuation of the Port Authority and PATH OPEB obligation, the projected unit credit cost method was used for all 14,800 participants (7,487 active, 5,773 retirees, and 1,540 surviving spouses). The actuarial assumptions used to project future costs included a 6.75% investment rate of return (discount rate), representing the estimated yield on investments expected to be used for the payment of benefits; medical healthcare cost trend rates of 8% for Pre-65 year old participants and 6.5% 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%, increasing to 10% in 2016 and decreasing to 5% in 2022; 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. The unfunded Actuarial Accrued Liability (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 \$2.6 billion as of January 1, 2015. The unfunded AAL, totaling \$1.8 billion represents the difference between the AAL of \$2.6 billion and the amount of plan assets of \$859 million.

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The following reflects the components of the 2015 and 2014 annual OPEB costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2015 and 2014 actuarial valuations:

	2015	2014
	(In millions)	
Annual OPEB cost:		
Annual required contribution (ARC):		
Normal cost	\$ 40.5	\$ 40.8
Amortization cost	139.0	131.4
Total ARC	179.5	172.2
Adjustments to ARC	(33.3)	(40.3)
Annual OPEB cost	\$ 146.2	\$ 131.9
	(In millions)	
Net OPEB Obligation:		
Net OPEB obligation at the beginning of fiscal year	\$ 160.4	\$ 250.4
Annual OPEB cost	146.2	131.9
Employer contributions:		
OPEB payments	(129.2)	(121.9)
Trust contributions	(100.0)	(100.0)
Total employer contributions	(229.2)	(221.9)
Net accrued OPEB obligation as of December 31,	\$ 77.4	\$ 160.4

The normal cost of \$40.5 million represents the amount of OPEB benefits earned by plan participants in the current period.

Amortization of the unfunded AAL totaling \$139 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 \$1.8 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 2015, CMS payments to Express Scripts, Inc., on behalf of the Port Authority, totaled approximately \$2.5 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 2015 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)		
2015	\$146,154	158%	\$ 77,424
2014	131,943	168%	160,430
2013	120,494	176%	250,441

Funding Status

On December 14, 2006, the Port Authority established a restricted fund to provide funding for postemployment employee benefits. Port Authority 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 currently total \$25 million. In 2015 and 2014, annual contributions to the Trust totaled \$100 million respectively.

Notes to Consolidated Financial Statements

(continued)

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 2015 were as follows:

Actuarial Valuation Date	OPEB Trust Assets*	AAL	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a % of Payroll
(\$ In millions)						
1/1/15	\$859	\$2,642	\$1,783	33%	\$739	241%

*OPEB trust net position totaled \$955.6 million as of December 31, 2015.

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 2015 and 2014. 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,	
	2015	2014
	(In thousands)	
Assets		
Cash	\$ 32,035	\$ 58,024
Investments, at fair value	957,098	854,798
Accounts receivable	160	2,645
Total assets	989,293	915,467
Liabilities		
Accounts payable	33,706	56,089
Total liabilities	33,706	56,089
Net Position Held In Trust For OPEB	\$955,587	\$859,378

Statements of Changes in Trust Net Position

	Year ended December 31,	
	2015	2014
	(In thousands)	
Additions		
Contributions*	\$229,159	\$221,953
Investment income:		
Net change in fair value of investments	(24,896)	32,830
Interest income	22,527	19,759
Total net investment income (loss)	(2,369)	52,589
Deductions		
Benefit payments, administrative expenses and fees*	(130,581)	(122,846)
Total deductions	(130,581)	(122,846)
Net Increase	96,209	151,696
Trust net position, January 1	859,378	707,682
Net Position Held In Trust For OPEB	\$955,587	\$859,378

* Includes Port Authority payments totaling \$129.2 million in 2015 and \$121.9 million in 2014 that were paid to OPEB plan members or their beneficiaries out of available Port Authority operating funds. These direct benefit payments are not included as part of the Trust's activities.

Notes to Consolidated Financial Statements

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The audited financial statements for the years ended December 31, 2015 and December 31, 2014 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, 2 Montgomery Street, Jersey City, New Jersey 07302.

Note K – Commitments and Certain Charges to Operations

- 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.
- At December 31, 2015, the Port Authority had entered into various construction contracts totaling approximately \$5.4 billion, which are expected to be completed within the next three years.
- Other amounts receivable, net recognized on the Consolidated Statements of Net Position totaled \$52.5 million at December 31, 2015, and is comprised of the following:

	Dec. 31, 2014	Additions	Deductions	Dec. 31, 2015
		(In thousands)		
Long-term receivables from tenants	\$29,948	\$39,587	\$ 41,417	\$ 28,118
Installment due from the ECR operator	1,245	–	182	1,063
Insurance receivable – Superstorm Sandy	1,204	290	123	1,371
Advances for construction projects	1,000	–	780	220
Amounts due from Tower 4 Liberty Bonds	6,128	36,766	36,766	6,128
Other	17,115	–	1,541	15,574
Total other amounts receivable, net	\$56,640	\$76,643	\$ 80,809	\$ 52,474

- The 2015 balance of Other noncurrent liabilities consists of the following:

	Dec. 31, 2014	Additions	Deductions	Dec. 31, 2015
		(In thousands)		
Self Insured Worker's Compensation Claims	\$ 63,915	\$17,383	\$ 19,876	\$ 61,422
Self Insured Public Liability Claims	77,296	3,117	21,513	58,900
Pollution remediation obligation	21,415	5,858	8,780	18,493
Asset forfeiture program	23,510	3,921	1,499	25,932
Surety and security deposits	7,026	193	2,649	4,570
WTC Joint Venture Preferred Returns	28,285	27,533	18,111	37,707
Vacated temporary offices exit obligations	42,813	–	28,668	14,145
Goethals Bridge replacement milestones	22,684	24,498	–	47,182
Deferred Gain/Loss on NLCC	4,761	–	–	4,761
Other	41,248	416	5,041	36,623
Total Liabilities	\$332,953	\$82,919	\$106,137	\$309,735
Less current worker's compensation liability	17,237			16,090
Total other non-current liabilities	\$315,716			\$293,645

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, 2014	Additions	Deductions	Dec. 31, 2015
		(In thousands)		
Unearned Income related to WTC Retail Joint Venture	\$645,485	\$66,963	\$7,751	\$ 704,697

Notes to Consolidated Financial Statements

(continued)

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 2015, the Port Authority recognized an additional \$5.8 million in pollution remediation obligations, primarily related to asbestos abatement at certain Aviation facilities. Cumulative operating expense remediation provisions through December 31, 2015 totaled \$72 million, net of \$2.1 million in expected recoveries.

As of December 31, 2015, the outstanding pollution remediation liability totaled \$18.5 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 associated with Superstorm Sandy totaled \$123,000 in 2015 due to the receipt of additional insurance recoveries.

In addition, the Port Authority recognized approximately \$33.3 million in grants from the FTA associated with Superstorm Sandy immediate repairs and \$40.7 million in contributions in aid of construction for permanent repairs and resiliency projects at PATH. These amounts are included as a component of Grants in connection with operating activities or Contributions in aid of construction on the Port Authority's Consolidated Statements of Revenues, Expenses and Changes in Net Position.

	2015	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	(123)	(76,028)	(380,329)	(106,331)	(562,811)
Net (Revenue)/Expense associated with Superstorm Sandy	(123)	(53,530)	(28,229)	30,000	(51,882)
Add:					
Contributions in aid of construction associated with Superstorm Sandy	(40,748)	(10,030)	–	–	(50,778)
Grants associated with Superstorm Sandy	(33,268)	(50,508)	(95,678)	–	(179,454)
Total Impact	\$(74,139)	\$(114,068)	\$(123,907)	\$ 30,000	\$(282,114)

Note L – 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 consists 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 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.

Notes to Consolidated Financial Statements

(continued)

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. As of December 31, 2015 the Port Authority has leased, (i) approximately 1.92 million square feet of office space at One World Trade Center, representing approximately 63% 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, which opened to the public in 2015.

World Trade Center Tower 3

Under agreements between the Port Authority and the Silverstein net lessee of Tower 3, the Silverstein net lessee of Tower 3 is required to construct the Tower 3 podium, with the construction of the office tower to follow. To assist the Silverstein net lessee of Tower 3 in the construction of the Tower 3 office tower following satisfaction of certain private 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, (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 improvements.

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*

Notes to Consolidated Financial Statements

(continued)

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, with remaining space being occupied in 2015.

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, at an estimated total project cost range of approximately \$3.74 billion to \$3.995 billion. 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. As of December 31, 2015, the Port Authority has received \$2.6 billion from the FTA related to the construction of the WTC Transportation Hub. The WTC Transportation Hub, excluding certain retail related space, is presently expected to be opened to the public in March 2016.

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 street configurations, utilities, a central chiller plant and related electrical distribution systems that support 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, 2015, excluding Westfield's initial joint venture membership capital contribution of \$100 million recognized in 2011, the Port Authority has received \$719 million for the transfer of its interests in the WTC retail joint venture to Westfield. The \$719 million is reported as Unearned income and recognized as rental income over the remaining term of the existing WTC Retail net lease. As of December 31, 2015, \$14.4 million has been cumulatively recognized as rental income.

WTC Memorial and Museum

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.

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Note M – Risk Financing 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 (which was renewed effective June 1, 2015 and expires on June 1, 2016) applies to all Port Authority facilities, excluding the World Trade Center*, with program limits of \$1.6 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 (which was renewed March 31, 2015 and expires on March 31, 2016) applies to those assets with program limits of \$2.5 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 \$1.6 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 (effective December 31, 2015, WTC assets under construction were added to this program and limits were increased to \$4 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 2015 (TRIPRA)** and commercial reinsurance.

Public liability insurance program

The public liability insurance program for Port Authority aviation facilities (which was renewed effective October 27, 2015 and expires October 27, 2016) 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 (which was renewed effective October 27, 2015 and expires October 27, 2016) applies to such facilities including certain components of WTC* upon completion of construction and transfer to operations, with program limits of \$1.0 billion per occurrence and in the aggregate, subject to certain deductibles and retentions. Terrorism insurance with respect thereto totals \$300 million, which is insured through PAICE and reinsured through TRIPRA** and commercial insurers.

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 (effective December 31, 2015, the terrorism insurance coverage expired and the assets were added to the WTC operational terrorism program with limits of \$4 billion per occurrence) and construction liability coverage which applies to the portions of the World Trade Center under construction with program limits of \$500 million per occurrence (effective December 31, 2015, these limits were reduced to \$150 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.

See "" footnote on page 111.

See "" footnote on page 111.

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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, 2015, 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, 2015, 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, 2015 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 paid to PAICE from the Port Authority.

Financial Position	Amounts
	(In thousands)
Total Assets	\$341,403
Total Liabilities	151,465
Net Position	\$189,938
Operating Results	
Revenues	\$ 36,632
Expenses	7,967
Change in Net Position	\$ 28,665
Changes in Net Position	
Net Position at January 1, 2015	\$161,273
Change in Net Position	28,665
Net Position at December 31, 2015	\$189,938

* 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 WTC Memorial/Museum and the net leased retail components (except for certain retail infrastructure) of the World Trade Center site.

** Under TRIPRA, the Federal government reinsures 85% of certified terrorism losses in 2015 (and decreases its reinsurance incrementally by 1% per year for the next five (5) years), subject to aggregate industry insured losses of at least \$100 million in 2015 (which increases incrementally \$20 million per year for the next five years) 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 140% of the amount of federal payments for insured losses during that calendar year.

The audited financial statements for the years ended December 31, 2015 and December 31, 2014 of the PAICE, which provides additional information concerning PAICE assets and liabilities, are available from the Comptroller's Department of The Port Authority of New York and New Jersey, 2 Montgomery Street, Jersey City, New Jersey 07302.

Notes to Consolidated Financial Statements

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4. Self Insurance

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 self insured public liability loss reserves and self insured worker's compensation loss reserves are as follows:

Self insured public liability loss reserves:

Year	Beginning Balance	Additions and Changes	Payments	Year-End Balance
		(In thousands)		
2015	\$77,296	\$ 3,117	\$21,513	\$58,900
2014	62,570	30,327	15,601	77,296

Self insured worker's compensation loss reserves:

Year	Beginning Balance	Additions and Changes	Payments	Year-End Balance
		(In thousands)		
2015	\$63,915	\$17,383	\$19,876	\$61,422
2014	48,074	36,770	20,929	63,915

Required Supplementary Information (Unaudited)

NEW YORK STATE AND LOCAL EMPLOYEES RETIREMENT SYSTEM

Schedule of Proportionate Share of Net Pension Liability*:

	2015
	(\$ In thousands)
Port Authority's proportion of the net pension liability	1.3%
Port Authority's proportionate share of the net pension liability	\$ 44,906
Covered-employee payroll (4/1/2014-3/31/2015)	\$390,571
Port Authority's proportionate share of the net pension liability, as a percentage of its covered-employee payroll	11.5%
Plan fiduciary net position as a percentage of the total pension liability	97.9%

Schedule of Employer Contributions*:

	2015
	(\$ In thousands)
Contractually required contribution	\$ 63,072
Contributions in relation to the contractually required contribution	\$ 63,072
Contribution deficiency (excess)	\$ -
Port Authority's covered-employee payroll (1/1/2015-12/31/2015)	\$409,234
Contributions as a percentage of covered-employee payroll	15.4%

NEW YORK STATE AND LOCAL POLICE AND FIRE RETIREMENT SYSTEM

Schedule of Proportionate Share of Net Pension Liability*:

	2015
	(\$ In thousands)
Port Authority's proportion of the net pension liability	8.9%
Port Authority's proportionate share of the net pension liability	\$ 24,490
Covered-employee payroll (4/1/2014-3/31/2015)	\$248,631
Port Authority's proportionate share of the net pension liability, as a percentage of its covered-employee payroll	9.8%
Plan fiduciary net position as a percentage of the total pension liability	99.0%

Schedule of Employer Contributions*:

	2015
	(\$ In thousands)
Contractually required contribution	\$ 53,652
Contributions in relation to the contractually required contribution	\$ 53,652
Contribution deficiency (excess)	-
Port Authority's covered-employee payroll (1/1/2015-12/31/2015)	\$253,597
Contributions as a percentage of covered-employee payroll	21.2%

* Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

Required Supplementary Information (Unaudited)

FEDERAL RAILROAD RETIREMENT PROGRAM

Schedule of Employee and Employer Railroad Contributions*

Railroad Retirement Tier I	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
(\$ In thousands)					
2015	7.65%	\$ 7,747	7.65%	\$ 7,747	\$15,494
2014	7.65%	8,119	7.65%	8,119	16,238
2013	7.65%	7,551	7.65%	7,551	15,102
Total Taxes		\$23,417		\$23,417	\$46,834

Railroad Retirement Tier II	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
(\$ In thousands)					
2015	4.9%	\$ 4,379	13.1%	\$11,707	\$16,086
2014	4.4%	3,971	12.6%	11,371	15,342
2013	4.4%	3,714	12.6%	10,636	14,350
Total Taxes		\$12,064		\$33,714	\$45,778

* Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

PATH EXEMPT EMPLOYEES SUPPLEMENTAL PENSION PLAN

Schedule of Changes to Total Pension Liability and Related Ratios*

	2015
	(\$ In thousands)
Total Pension Liability	
Service cost	\$ 900
Interest cost	3,271
Differences between expected and actual experience	51
Changes of assumptions	10,632
Benefit payments, including refunds of member contributions	(3,389)
Net change in total pension liability	11,465
Total Pension Liability (Beginning)	69,630
Total Pension Liability (Ending)	\$81,095
Covered—Employee Payroll (1/1/2014–12/31/2014)	\$12,356
Total Pension Liability as a % of Payroll	656.3%

* Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

Note: As of December 31, 2015, there are no plan assets accumulated in a trust for purposes of making future pension payments.

Required Supplementary Information (Unaudited)

OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) PLANS

Schedule of Funding Progress

Actuarial Valuation Date	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)						
1/1/15	\$859	\$2,642	\$1,783	33%	\$739	241%
1/1/14	708	2,394	1,686	30%	753	224%
1/1/13	525	2,224	1,699	24%	724	235%

*As of December 31, 2015 OPEB trust net position totaled \$955.6 million.

Schedule A – Revenues and Reserves

(pursuant to Port Authority bond resolutions)

	Year ended December 31, 2015			2014
	Operating Fund	Reserve Funds	Combined Total	Combined Total
(In thousands)				
Gross operating revenues:				
Tolls and fares	\$ 1,718,770	\$ –	\$1,718,770	\$1,553,625
Rentals	1,439,229	–	1,439,229	1,294,199
Aviation fees	1,063,902	–	1,063,902	1,058,416
Parking and other	359,631	–	359,631	321,760
Utilities	144,580	–	144,580	149,052
Rentals – Special Project Bonds Projects	92,719	–	92,719	98,141
Total gross operating revenues	4,818,831	–	4,818,831	4,475,193
Operating expenses:				
Employee compensation, including benefits	1,178,967	–	1,178,967	1,187,877
Contract services	833,903	–	833,903	797,516
Rents and payments in-lieu-of taxes (PILOT)	356,162	–	356,162	362,627
Materials, equipment and other	252,071	–	252,071	277,174
Utilities	186,830	–	186,830	199,919
Interest on Special Project Bonds	92,719	–	92,719	98,141
Total operating expenses	2,900,652	–	2,900,652	2,923,254
Operating and maintenance contingencies	50,000	–	50,000	–
Amounts in connection with operating asset obligations	21,387	–	21,387	23,734
Net (revenue)/expense related to Superstorm Sandy	(123)	–	(123)	(53,530)
Net operating revenues	1,846,915	–	1,846,915	1,581,735
Financial income:				
Interest income	(13,333)	31,703	18,370	17,637
Net (decrease)/increase in fair value of investments	(3,529)	(10,761)	(14,290)	(2,950)
Contributions in aid of construction	272,335	–	272,335	465,152
Application of WTC Retail Joint Venture Payments	66,963	–	66,963	652,104
Application of Passenger Facility Charges	273,721	–	273,721	221,156
Application of 4 WTC associated payments	36,766	–	36,766	6,128
Grants, in connection with operating activities	101,074	–	101,074	207,898
Pass-through grant program payments	(51,429)	–	(51,429)	(107,606)
Net revenues available for debt service and reserves	2,529,483	20,942	2,550,425	3,041,254
Debt service:				
Interest on bonds and other asset financing obligations	810,356	66,461	876,817	646,804
Debt maturities and retirements	259,315	–	259,315	226,205
Repayment of asset financing obligations	–	51,928	51,928	105,562
Total debt service	1,069,671	118,389	1,188,060	978,571
Transfers to reserves	<u>\$ (1,459,812)</u>	1,459,812	–	–
Revenues after debt service and transfers to reserves		1,362,365	1,362,365	2,062,683
Direct investment in facilities		(1,949,785)	(1,949,785)	(1,473,432)
Change in appropriations for self-insurance		–	–	28,100
(Decrease)/Increase in reserves		(587,420)	(587,420)	617,351
Reserve balances, January 1		4,427,267	4,427,267	3,809,916
Reserve balances, December 31		\$ 3,839,847	\$3,839,847	\$4,427,267

See Notes to Consolidated Financial Statements

Schedule B – Assets and Liabilities

(pursuant to Port Authority bond resolutions)

	December 31, 2015				2014
	Operating Fund	Capital Fund	Reserve Funds	Combined Total	Combined Total
(In thousands)					
ASSETS					
Current assets:					
Cash	\$ 147,529	\$ 601,431	\$ 422,821	\$ 1,171,781	\$ 1,624,605
Restricted cash:					
Passenger Facility Charges	130,751	–	–	130,751	194,059
Port Authority Insurance Captive Entity, LLC	40,535	–	–	40,535	19,740
Investments	–	1,071,275	695,714	1,766,989	353,491
Interfund balances	(269,131)	310,150	(41,019)	–	–
Current receivables, net	467,447	1,260	–	468,707	482,297
Other current assets	79,363	47,830	–	127,193	141,131
Restricted receivables and other assets	73,106	–	–	73,106	30,657
Total current assets	669,600	2,031,946	1,077,516	3,779,062	2,845,980
Noncurrent assets:					
Restricted cash	4,631	–	–	4,631	7,087
Investments	80,142	409,956	2,762,331	3,252,429	3,180,386
Restricted investments – PAICE	184,633	–	–	184,633	182,585
Other amounts receivable, net	36,040	16,434	–	52,474	56,640
Other noncurrent assets	1,446,650	1,802	–	1,448,452	1,439,278
Restricted other noncurrent assets – PAICE	4,649	–	–	4,649	8,109
Amounts receivable – Special Project Bonds Projects	–	1,451,170	–	1,451,170	1,530,510
Amounts receivable – Tower 4 Liberty Bonds	–	1,225,520	–	1,225,520	1,225,520
Invested in facilities	–	50,629,546	–	50,629,546	47,609,312
Total noncurrent assets	1,756,745	53,734,428	2,762,331	58,253,504	55,239,427
Total assets	2,426,345	55,766,374	3,839,847	62,032,566	58,085,407
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	155,259	–	–	155,259	–
LIABILITIES					
Current liabilities:					
Accounts payable	272,340	798,707	–	1,071,047	1,289,162
Accrued interest and other current liabilities	576,471	16,229	–	592,700	448,060
Restricted other liabilities – PAICE	9,446	–	–	9,446	7,580
Accrued payroll and other employee benefits	436,576	–	–	436,576	404,998
Unapplied Passenger Facility Charges	168,801	–	–	168,801	193,678
Current portion bonds and other asset financing obligations	33,777	1,452,795	–	1,486,572	886,835
Total current liabilities	1,497,411	2,267,731	–	3,765,142	3,230,313
Noncurrent liabilities:					
Accrued pension and other postemployment employee benefits	229,892	–	–	229,892	190,286
Other noncurrent liabilities	224,298	64,585	–	288,883	310,954
Restricted other noncurrent liabilities – PAICE	50,383	–	–	50,383	50,121
Amounts payable – Special Project Bonds	–	1,451,170	–	1,451,170	1,530,510
Amounts payable – Tower 4 Liberty Bonds	–	1,225,520	–	1,225,520	1,225,520
Bonds and other asset financing obligations	596,835	20,169,093	–	20,765,928	19,441,902
Total noncurrent liabilities	1,101,408	22,910,368	–	24,011,776	22,749,293
Total liabilities	2,598,819	25,178,099	–	27,776,918	25,979,606
DEFERRED INFLOWS OF RESOURCES					
Pension related amounts	7,555	–	–	7,555	–
NET POSITION	\$ (24,770)	\$30,588,275	\$3,839,847	\$34,403,352	\$32,105,801
Net position is comprised of:					
Facility infrastructure investment	\$ –	\$30,588,275	\$ –	\$30,588,275	\$27,678,534
Cumulative effect of change in accounting principles	(24,770)	–	–	(24,770)	–
Reserves	–	–	3,839,847	3,839,847	4,427,267
NET POSITION	\$ (24,770)	\$30,588,275	\$3,839,847	\$34,403,352	\$32,105,801

See Notes to Consolidated Financial Statements

Schedule C – Analysis of Reserve Funds

(pursuant to Port Authority bond resolutions)

	Year ended December 31, 2015			2014
	General Reserve Fund	Consolidated Bond Reserve Fund	Combined Total	Combined Total
	(In thousands)			
Balance, January 1	\$2,131,711	\$2,295,556	\$4,427,267	\$3,809,916
Increase in reserve funds *	165,764	1,314,990	1,480,754	2,179,787
	2,297,475	3,610,546	5,908,021	5,989,703
Applications:				
Repayment of asset financing obligations	–	51,928	51,928	105,562
Interest on asset financing obligations	–	66,461	66,461	11,542
Direct investment in facilities	–	1,949,785	1,949,785	1,473,432
Self-insurance	–	–	–	(28,100)
Total applications	–	2,068,174	2,068,174	1,562,436
Balance, December 31	\$2,297,475	\$1,542,372	\$3,839,847	\$4,427,267

* Combined increase in reserve funds consists of "Transfers to reserves" from the operating fund totaling \$1.46 billion, plus financial income generated on reserve funds of \$20.9 million in 2015.

See Notes to Consolidated Financial Statements

STATISTICAL AND OTHER SUPPLEMENTAL INFORMATION

For the Year Ended December 31, 2015

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.

Selected Statistical Financial Trends Data – 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.

Selected Statistical 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 – Outstanding Obligations and Financing*, and reserve funds are described in *Note E – General and Consolidated Bond Reserve Funds* 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.

Selected Statistical Financial Data by Business Segment – Schedule D–3

Schedule provides information on gross operating revenues, operating expenses and capital investment, summarized by Port Authority business segments.

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

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

Port Authority Facility Traffic – Schedule G (Unaudited)

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

Schedule D-1 – Selected Statistical Financial Trends Data

(Pursuant to GAAP)

	2015	2014	2013	2012
	(In thousands)			
Revenues, Expenses and Changes in Net Position:				
Gross operating revenues:				
Tolls and fares	\$ 1,718,770	\$ 1,553,625	\$ 1,462,957	\$ 1,337,372
Rentals ^(a)	1,446,980	1,300,818	1,228,491	1,208,730
Aviation fees	1,063,902	1,058,416	934,459	904,666
Parking and other	359,631	321,760	315,111	338,178
Utilities	144,580	149,052	139,835	152,945
Rentals – Special Project Bonds Projects	92,719	98,141	103,186	108,125
Gross operating revenues	4,826,582	4,481,812	4,184,039	4,050,016
Operating expenses:				
Employee compensation, including benefits	1,178,967	1,187,877	1,114,397	1,038,243
Contract services	833,903	797,516	684,411	749,106
Rents and amounts in-lieu-of taxes (PILOT)	356,162	362,627	301,582	304,020
Materials, equipment and other	252,071	277,174	220,859	215,937
Utilities	186,830	199,919	171,833	174,016
Interest on Special Project Bonds	92,719	98,141	103,186	108,125
Operating expenses	2,900,652	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				
	123	53,530	28,229	(30,000)
Depreciation of facilities	(1,124,383)	(932,149)	(875,979)	(884,239)
Amortization of costs for regional programs	(64,665)	(64,484)	(64,275)	(77,719)
Income from operations	737,005	615,455	675,746	468,611
Income on investments (including fair value adjustment)				
	30,978	38,100	8,608	39,661
Interest expense on bonds and other asset financing	(909,603)	(666,244)	(623,353)	(658,313)
Net gain/(loss) on disposition of assets	-	19,043	4,423	(4)
Pass-through grant program payments	(51,429)	(107,606)	(176,848)	(56,446)
4 WTC associated payments	36,766	6,128	36,660	65,293
Grants in connection with operating activities	101,074	207,898	188,409	52,161
Contributions in aid of construction	586,295	700,267	689,898	997,441
Passenger facility charges	248,707	233,172	224,301	222,614
1 WTC LLC/WTC Retail LLC insurance proceeds	-	-	-	3,525
Increase in net position December 31,	\$ 779,793	\$ 1,046,213	\$ 1,027,844	\$ 1,134,543
Net position is comprised of				
Net investment in capital assets	\$11,810,573	\$10,402,894	\$ 9,442,138	\$ 9,273,213
Restricted	456,429	470,857	454,467	392,389
Unrestricted	3,262,561	3,900,789	3,831,722	3,034,881
Net Position, December 31,	\$15,529,563	\$14,774,540	\$13,728,327	\$12,700,483

(a) Commencing in 2014, Rentals include the recognition of unearned income related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture.

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

Schedule D-2 – Selected Statistical Debt Capacity Data

(pursuant to Port Authority Bond Resolutions)

	2015	2014	2013	2012
	(In thousands)			
Gross Operating Revenues*	\$ 4,818,831	\$ 4,475,193	\$ 4,184,039	\$ 4,050,016
Operating expenses	(2,900,652)	(2,923,254)	(2,596,268)	(2,589,447)
Net revenue/(expense) related to the events of September 11, 2001	–	–	–	–
Operating and maintenance contingencies	(50,000)	–	–	–
Net revenue/(expense) related to Superstorm Sandy	123	53,530	28,229	(30,000)
Amounts in connection with operating asset obligations	(21,387)	(23,734)	(25,908)	(27,956)
Net operating revenues	1,846,915	1,581,735	1,590,092	1,402,613
Financial income	4,080	14,687	(2,964)	29,121
Grants and contributions in aid of construction, net	321,980	565,444	540,746	565,976
Application of WTC Retail Joint Venture Payments*	66,963	652,104	–	–
Application of Passenger Facility Charges	273,721	221,156	175,421	110,015
Application of 4 WTC associated payments	36,766	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)	2,550,425	3,041,254	2,344,260	2,193,690
DEBT SERVICE – OPERATIONS				
Interest on bonds and other asset financing obligations (b)	(810,356)	(635,262)	(556,824)	(539,436)
Times, interest earned (a/b)	3.15	4.79	4.21	4.07
Debt maturities and retirements (c)	(259,315)	(226,205)	(204,000)	(169,770)
Times, debt service earned [a/(b+c)]	2.38	3.53	3.08	3.09
APPLICATION OF RESERVES				
Direct investment in facilities	(1,949,785)	(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	(66,461)	(11,542)	(38,689)	(87,764)
Repayment of asset financing obligations	(51,928)	(105,562)	(15,701)	(16,514)
Acceleration of unamortized brokerage commissions	–	–	(46,863)	–
Net increase/(decrease) in reserves	(587,420)	617,351	432,841	672,039
RESERVE BALANCES				
January 1	4,427,267	3,809,916	3,377,075	2,705,036
December 31	\$ 3,839,847	\$ 4,427,267	\$ 3,809,916	\$ 3,377,075
Reserve funds balances represented by:				
General Reserve	2,297,475	2,131,711	2,029,051	2,026,605
Consolidated Bond Reserve	1,542,372	2,295,556	1,780,865	1,350,470
Total	\$ 3,839,847	\$ 4,427,267	\$ 3,809,916	\$ 3,377,075
OBLIGATIONS AT DECEMBER 31 (at par value)				
Consolidated Bonds and Notes	\$21,019,925	\$19,229,020	\$18,212,063	\$18,076,497
Fund for regional development buy-out obligation	253,732	283,562	311,077	336,453
MOTBY obligation	44,383	48,254	52,329	78,060
Amounts payable – Special Project Bonds	1,451,170	1,530,510	1,605,515	1,675,825
Variable rate master notes	77,900	77,900	77,900	77,900
Commercial paper obligations	425,760	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	1,225,520
Goethals Bridge Replacement Capital Asset Obligation	430,800	210,316	–	–
Total obligations	\$24,929,190	\$23,084,767	\$21,879,439	\$21,904,445

* Commencing in 2014, Gross operating revenues exclude the recognition of unearned income related to the transfer of the Port Authority interests in the WTC Retail Joint Venture. Amounts related to this transfer are recognized in their entirety in the year in which they are received.

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
\$ 3,800,480	\$ 3,634,023	\$ 3,552,243	\$ 3,527,552	\$ 3,191,626	\$ 3,038,538
(2,564,969)	(2,598,557)	(2,438,670)	(2,463,692)	(2,247,394)	(2,112,624)
-	53,051	202,978	457,918	(4,563)	(2,069)
-	-	-	-	-	-
-	-	-	-	-	-
(29,580)	(46,561)	(55,058)	(41,301)	(40,787)	(42,391)
1,205,931	1,041,956	1,261,493	1,480,477	898,882	881,454
(53,270)	(900)	141,136	(19,537)	208,274	134,806
499,516	367,810	392,471	319,759	320,097	261,541
-	-	-	-	-	-
215,645	207,122	205,164	215,407	220,583	186,555
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
(480,623)	(436,622)	(427,384)	(409,175)	(417,209)	(379,361)
4.02	3.84	5.31	5.87	4.68	3.86
(140,390)	(178,095)	(147,370)	(152,275)	(177,160)	(254,210)
3.11	2.73	3.95	4.28	3.28	2.31
(742,001)	(1,375,008)	(1,522,096)	(1,514,369)	(808,694)	(490,750)
(6,100)	-	-	-	-	-
1,949	(3,971)	6,463	2,123	(3,220)	(4,968)
(37,702)	(7,580)	(8,938)	(28,797)	(36,077)	(26,587)
(20,258)	(30,062)	(13,525)	(80,775)	(110,424)	(109,934)
-	-	-	-	-	-
509,024	(353,984)	157,267	219,805	399,230	198,546
2,196,012	2,549,996	2,392,729	2,172,924	1,773,694	1,575,148
\$ 2,705,036	\$ 2,196,012	\$ 2,549,996	\$ 2,392,729	\$ 2,172,924	\$ 1,773,694
1,783,370	1,584,955	1,412,221	1,270,215	1,238,915	1,198,499
921,666	611,057	1,137,775	1,122,514	934,009	575,195
\$ 2,705,036	\$ 2,196,012	\$ 2,549,996	\$ 2,392,729	\$ 2,172,924	\$ 1,773,694
\$15,550,039	\$13,340,378	\$12,284,449	\$10,794,831	\$ 9,495,419	\$ 9,659,104
359,859	373,707	386,480	398,262	409,128	419,155
105,141	138,396	-	-	-	-
1,741,440	1,803,145	1,064,380	1,118,105	1,264,735	1,311,100
77,900	77,900	90,990	90,990	90,990	130,990
396,155	354,280	321,010	186,040	238,950	270,740
-	175,200	250,900	399,700	1,205,600	519,600
68,160	98,645	110,485	112,485	93,460	93,460
1,225,520	-	-	-	-	-
-	-	-	-	-	-
\$19,524,214	\$16,361,651	\$14,508,694	\$13,100,413	\$12,798,282	\$12,404,149

Schedule D-3 – Selected Statistical Financial Data by Business Segment

(pursuant to GAAP)

	2015	2014	2013	2012
	(In thousands)			
Gross Operating Revenues:				
Tunnels, Bridges and Terminals	\$1,599,575	\$1,447,896	\$1,369,559	\$1,258,125
PATH	184,560	168,668	150,604	134,382
Port Commerce	270,263	248,443	262,526	249,609
Aviation	2,537,233	2,479,106	2,321,300	2,276,018
Development	26,561	51,077	29,492	87,521
World Trade Center	207,634	85,942	50,087	44,107
Other (a)	756	680	471	254
Total	\$4,826,582	\$4,481,812	\$4,184,039	\$4,050,016
Operating Expenses: (b)				
Tunnels, Bridges and Terminals	\$ 499,873	\$ 510,383	\$ 493,429	\$ 468,263
PATH	389,276	401,273	338,926	329,663
Port Commerce	175,976	172,545	176,459	190,043
Aviation	1,557,926	1,623,190	1,466,692	1,410,070
Development	13,659	15,737	15,497	79,620
World Trade Center	258,748	192,789	94,312	76,149
Other (c)	5,194	7,337	10,953	35,639
Total	\$2,900,652	\$2,923,254	\$2,596,268	\$2,589,447
Capital Investment: (d)				
Tunnels, Bridges and Terminals	\$ 956,231	\$ 961,854	\$ 413,946	\$ 233,637
PATH (including WTC Transportation Hub)	268,428	512,415	559,104	743,136
Port Commerce	93,729	210,496	180,760	184,750
Aviation	791,805	715,456	468,319	351,535
Development	2,110	1,977	527	140
World Trade Center	904,787	1,674,030	1,373,328	1,802,009
Other (a)	3,144	3,822	3,221	6,767
Total	\$3,020,234	\$4,080,050	\$2,999,205	\$3,321,974

(a) Includes Ferry Transportation Facilities, Access to the Regions Core, and Regional Facilities and Programs.

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

(c) Includes Ferry Transportation Facilities, Access to the Regions Core, Regional Facilities and Programs and administrative expenses related to PAICE.

(d) Capital investment includes contributed capital amounts and write-offs related to capital construction.

2011	2010	2009	2008	2007	2006
\$1,078,977	\$1,009,891	\$1,009,313	\$ 991,364	\$ 750,634	\$ 750,195
121,102	109,704	106,063	111,119	99,400	92,449
236,461	223,095	205,861	201,269	236,002	170,617
2,221,157	2,124,955	2,043,091	2,025,881	1,917,998	1,777,054
100,800	89,457	98,603	108,594	103,603	99,414
41,816	76,704	89,189	89,152	83,738	148,138
167	217	123	173	251	671
\$3,800,480	\$3,634,023	\$3,552,243	\$3,527,552	\$3,191,626	\$3,038,538
\$ 460,960	\$ 437,775	\$ 436,796	\$ 436,565	\$ 435,835	\$ 418,596
322,133	385,686	300,874	290,309	266,886	232,991
185,053	163,424	127,240	143,523	112,607	109,371
1,385,582	1,317,749	1,306,078	1,346,197	1,244,954	1,183,636
82,637	77,200	85,246	83,024	78,461	73,627
106,277	116,797	158,348	144,470	88,647	71,680
22,327	99,926	24,088	19,604	20,004	22,723
\$2,564,969	\$2,598,557	\$2,438,670	\$2,463,692	\$2,247,394	\$2,112,624
\$ 168,759	\$ 149,803	\$ 175,392	\$ 174,680	\$ 164,846	\$ 210,345
720,797	752,486	741,002	609,464	463,796	255,254
228,747	302,858	174,459	181,772	288,677	228,873
243,995	518,545	658,292	624,700	685,787	587,265
(26,556)	29,297	23,237	22,037	14,593	12,332
2,087,741	1,091,464	903,220	602,042	498,041	139,472
9,464	133,229	44,953	145,792	205,432	193,981
\$3,432,947	\$2,977,682	\$2,720,555	\$2,360,487	\$2,321,172	\$1,627,522

Schedule E – Information on Port Authority Operations

Year ended December 31, 2015

2014

	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	\$ 738,973	\$ 125,668	\$ 33,574	\$ 579,731	\$ 26,598	\$ –	\$ 553,133	\$ 468,712
Holland Tunnel	187,224	80,368	18,359	88,497	9,367	–	79,130	58,155
Lincoln Tunnel	250,021	102,854	43,338	103,829	31,674	1,621	73,776	63,591
Bayonne Bridge	22,540	22,405	19,333	(19,198)	7,024	–	(26,222)	(2,624)
Goethals Bridge	195,665	25,540	34,937	135,188	7,400	–	127,788	99,500
Outerbridge Crossing	162,429	24,695	4,762	132,972	2,199	–	130,773	111,133
Port Authority Bus Terminal	42,723	118,343	24,961	(100,581)	16,545	305	(116,821)	(108,239)
Subtotal – Tunnels, Bridges & Terminals	1,599,575	499,873	179,264	920,438	100,807	1,926	821,557	690,228
PATH	178,839	369,324	163,634	(354,119)	130,021	21,190	(462,950)	(399,782)
WTC Transportation Hub	–	3,155	35,087	(38,242)	–	178,636	140,394	229,931
Journal Square Transportation Center	5,721	16,797	7,014	(18,090)	3,582	–	(21,672)	(18,306)
Subtotal – PATH	184,560	389,276	205,735	(410,451)	133,603	199,826	(344,228)	(188,157)
Ferry Transportation	183	917	5,289	(6,023)	4,837	–	(10,860)	(10,919)
Access to the Regions Core (ARC)	–	934	10,115	(11,049)	3,665	–	(14,714)	(14,569)
Total Interstate Transportation Network	1,784,318	891,000	400,403	492,915	242,912	201,752	451,755	476,583
AVIATION								
LaGuardia (c)	376,811	282,789	59,498	34,524	32,443	70,876	72,957	66,133
JFK International (c)	1,203,464	751,250	196,482	255,732	100,084	144,269	299,917	241,003
Newark Liberty International (c)	907,719	474,822	151,961	280,936	73,581	83,695	291,050	254,879
Teterboro	41,039	30,246	16,101	(5,308)	6,363	2,157	(9,514)	(6,618)
Stewart International (c)	8,200	18,819	6,258	(16,877)	2,537	2,551	(16,863)	(11,418)
Total Aviation	2,537,233	1,557,926	430,300	549,007	215,008	303,548	637,547	543,979
PORT COMMERCE								
Port Newark	87,835	95,365	30,742	(38,272)	28,139	–	(66,411)	(76,892)
Elizabeth Port Authority Marine Terminal	130,134	22,875	35,772	71,487	39,286	–	32,201	35,168
Brooklyn Port Authority Marine Terminal	5,467	11,481	838	(6,852)	1,640	–	(8,492)	(8,763)
Red Hook	1,694	6,773	227	(5,306)	(428)	–	(4,878)	(5,979)
Howland Hook Marine Terminal	13,586	11,246	17,196	(14,856)	15,197	–	(30,053)	(16,111)
Greenville Yard Port Authority Marine Terminal	896	3	–	893	–	–	893	544
NYNJ Rail LLC	3,855	6,267	309	(2,721)	(593)	5,928	3,800	5,345
Port Jersey – Port Authority Marine Terminal	26,796	21,966	6,070	(1,240)	11,679	–	(12,919)	(13,312)
Total Port Commerce	270,263	175,976	91,154	3,133	94,920	5,928	(85,859)	(80,000)
DEVELOPMENT								
Essex County Resource Recovery	26	952	1,261	(2,187)	363	–	(2,550)	(272)
Industrial Park at Elizabeth	1,144	37	279	828	308	–	520	554
Bathgate Industrial Park	4,082	1,848	1,323	911	210	–	701	705
Teleport	11,150	10,434	1,842	(1,126)	481	–	(1,607)	(2,623)
Newark Legal & Communications Center	8	194	–	(186)	–	–	(186)	39,007
Queens West Waterfront Development	1,251	1	605	645	1,652	–	(1,007)	(1,431)
Hoboken South Waterfront Development	8,900	193	2,862	5,845	3,027	–	2,818	1,269
Total Development	26,561	13,659	8,172	4,730	6,041	–	(1,311)	37,209
WORLD TRADE CENTER								
WTC Site	3,686	95,421	54,815	(146,550)	(5,902)	–	(140,648)	(64,528)
One World Trade Center	133,602	121,143	85,229	(72,770)	156,447	9,815	(219,402)	(134,732)
WTC Towers 2, 3 & 4	37,815	20,444	38,369	(20,998)	28,509	313,959	264,452	338,357
WTC Tower 7	23,511	19,200	–	4,311	–	–	4,311	–
WTC Retail LLC	9,020	2,540	15,941	(9,461)	19,382	–	(28,843)	(16,669)
Total World Trade Center	207,634	258,748	194,354	(245,468)	198,436	323,774	(120,130)	122,428
Port Authority Insurance Captive Entity, LLC	–	433	–	(433)	(1,236)	–	803	(1,092)
Regional Facilities and Programs	573	2,910	64,665	(67,002)	36,133	–	(103,135)	(106,424)
Net Revenues related to Superstorm Sandy	–	–	–	123	–	–	123	53,530
Total Port Authority	\$4,826,582	\$2,900,652	\$1,189,048	\$ 737,005	\$792,214	\$835,002	\$ 779,793	\$1,046,213

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

(b) Amounts include net interest expense (interest expense less financial income), 4 WTC Liberty Bond debt service reimbursements, Pass-through grant program payments, Grants in connection with operating activities and gains or losses generated by the disposition of assets, if any.

(c) Facility amounts include Passenger Facility Charge activities.

Schedule F – Information on Capital Investment in Port Authority Facilities

	Facilities, net Dec. 31, 2014	Capital Investment(a)	Depreciation	Dispositions	Facilities, net Dec. 31, 2015
(In thousands)					
INTERSTATE TRANSPORTATION NETWORK					
George Washington Bridge & Bus Station	\$ 906,776	\$ 80,763	\$ 33,574	\$ –	\$ 953,965
Holland Tunnel	362,174	35,703	18,359	–	379,518
Lincoln Tunnel	882,932	200,562	43,338	–	1,040,156
Bayonne Bridge	546,939	332,548	19,333	–	860,154
Goethals Bridge	536,282	272,785	34,937	–	774,130
Outerbridge Crossing	90,197	4,582	4,762	–	90,017
Port Authority Bus Terminal	479,804	29,288	24,961	–	484,131
Subtotal – Tunnels, Bridges & Terminals	3,805,104	956,231	179,264	–	4,582,071
PATH	2,410,384	154,670	163,634	–	2,401,420
WTC Transportation Hub	3,277,275	113,724	35,087	–	3,355,912
Journal Square Transportation Center	88,346	34	7,014	–	81,366
Subtotal – PATH	5,776,005	268,428	205,735	–	5,838,698
Ferry Transportation	111,426	592	5,289	–	106,729
Access to the Region's Core (ARC)	88,388	–	10,115	–	78,273
Total Interstate Transportation Network	9,780,923	1,225,251	400,403	–	10,605,771
AVIATION (b)					
LaGuardia	1,157,041	356,631	59,498	–	1,454,174
JFK International	3,634,027	305,738	196,482	–	3,743,283
Newark Liberty International	2,432,406	98,791	151,961	–	2,379,236
Teterboro	250,835	6,164	16,101	–	240,898
Stewart International	146,184	24,481	6,258	–	164,407
Total Aviation	7,620,493	791,805	430,300	–	7,981,998
PORT COMMERCE					
Port Newark	774,558	55,983	30,742	–	799,799
Elizabeth Port Authority Marine Terminal	1,073,827	4,248	35,772	–	1,042,303
Brooklyn Port Authority Marine Terminal	57,550	5,337	1,065	–	61,822
Howland Hook Marine Terminal	496,855	4,921	17,196	–	484,580
Greenville Yard / NYNJ Rail LLC	27,303	10,069	309	–	37,063
Port Jersey–Port Authority Marine Terminal	382,391	13,171	6,070	–	389,492
Total Port Commerce	2,812,484	93,729	91,154	–	2,815,059
DEVELOPMENT					
Essex County Resource Recovery Facility	7,071	–	1,261	–	5,810
Industrial Park at Elizabeth	6,370	–	279	–	6,091
Bathgate Industrial Park	4,347	1,238	1,323	–	4,262
Teleport	12,440	872	1,842	–	11,470
Queens West Waterfront Development	86,616	–	605	–	86,011
Hoboken South Waterfront Development	71,968	–	2,862	–	69,106
Total Development	188,812	2,110	8,172	–	182,750
WORLD TRADE CENTER					
WTC Site(c)	3,361,327	305,749	54,815	–	3,612,261
One World Trade Center	3,296,569	139,188	85,229	–	3,350,528
WTC Towers 2, 3 & 4(d)	2,271,576	328,968	38,369	–	2,562,175
WTC Retail LLC	1,441,291	130,882	15,941	–	1,556,232
Total World Trade Center	10,370,763	904,787	194,354	–	11,081,196
FACILITIES, NET	\$30,773,475	\$3,017,682	\$1,124,383	\$ –	\$32,666,774
REGIONAL PROGRAMS	\$ 342,987	\$ 2,552	\$ 64,665	\$ –	\$ 280,874

(a) Capital investment includes contributed capital amounts and write-offs related to capital construction.

(b) Facility capital investment amounts include projects that were funded with Passenger Facility Charges.

(c) Capital investment includes site infrastructure primarily related to the WTC Memorial, WTC Vehicular Security Center and the WTC Chiller Plant.

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

Schedule G – Port Authority Facility Traffic (Unaudited)*

	2015	2014	2013	2012
TUNNELS AND BRIDGES (Eastbound Traffic)				
AUTOMOBILES				
George Washington Bridge	46,361,000	45,136,000	45,364,000	45,042,000
Lincoln Tunnel	15,706,000	15,597,000	15,580,000	15,909,000
Holland Tunnel	14,763,000	14,915,000	15,511,000	15,489,000
Staten Island Bridges	28,883,000	28,317,000	28,997,000	29,455,000
Subtotal Automobiles	105,713,000	103,965,000	105,452,000	105,895,000
BUSES				
George Washington Bridge	429,000	426,000	429,000	430,000
Lincoln Tunnel	2,165,000	2,151,000	2,128,000	2,106,000
Holland Tunnel	199,000	209,000	220,000	234,000
Staten Island Bridges	176,000	172,000	171,000	187,000
Subtotal Buses	2,969,000	2,958,000	2,948,000	2,957,000
TRUCKS				
George Washington Bridge	3,666,000	3,475,000	3,609,000	3,639,000
Lincoln Tunnel	1,061,000	1,043,000	1,038,000	1,000,000
Holland Tunnel	447,000	446,000	427,000	395,000
Staten Island Bridges	2,091,000	2,131,000	2,214,000	2,367,000
Subtotal Trucks	7,265,000	7,095,000	7,288,000	7,401,000
TOTAL VEHICLES				
George Washington Bridge	50,456,000	49,037,000	49,402,000	49,111,000
Lincoln Tunnel	18,932,000	18,791,000	18,746,000	19,015,000
Holland Tunnel	15,409,000	15,570,000	16,158,000	16,118,000
Staten Island Bridges	31,150,000	30,620,000	31,382,000	32,009,000
Subtotal Vehicles	115,947,000	114,018,000	115,688,000	116,253,000
PATH				
Total passengers	76,565,451	73,679,425	72,748,729	72,563,052
Passenger weekday average	257,867	250,071	244,484	241,725
MARINE TERMINALS				
General cargo (a) (Metric tons)	38,000,000	35,361,350	34,059,540	34,322,209
Containers (in twenty foot equivalent units)	6,200,000	5,772,303	5,467,347	5,529,908
International waterborne vehicles	477,170	393,391	452,778	426,943
Waterborne bulk commodities (in metric tons)	5,050,000	5,259,607	3,732,292	3,240,189
CONTAINERS				
New Jersey Marine Terminals	3,427,000	3,098,049	2,895,769	2,782,059
New York Marine Terminals	237,000	244,237	274,066	428,750
Subtotal Containers	3,664,000	3,342,286	3,169,835	3,210,809
BUS TERMINALS				
PASSENGERS				
Port Authority Bus Terminal	66,700,000	66,000,000	65,000,000	65,000,000
George Washington Bridge Bus Station	5,000,000	4,700,000	4,750,000	4,700,000
PATH Journal Square Transportation Center Bus Station	11,940,000	11,751,500	11,747,500	11,732,600
Subtotal Passengers	83,640,000	82,451,500	81,497,500	81,432,600
BUS MOVEMENTS				
Port Authority Bus Terminal	2,350,000	2,320,000	2,288,000	2,255,000
George Washington Bridge Bus Station	340,000	337,000	335,000	327,000
PATH Journal Square Transportation Center Bus Station	957,120	940,120	939,800	938,608
Subtotal Bus Movements	3,647,120	3,597,120	3,562,800	3,520,608
AVIATION				
PLANE MOVEMENTS				
John F. Kennedy International Airport	433,193	423,356	406,181	401,728
LaGuardia Airport	358,609	360,834	370,861	369,989
Newark Liberty International Airport	409,708	397,260	413,774	414,127
Subtotal Plane Movements	1,201,510	1,181,450	1,190,816	1,185,844
DOMESTIC PASSENGERS				
John F. Kennedy International Airport	26,811,992	25,011,187	23,913,096	24,217,083
LaGuardia Airport	26,522,378	25,139,695	24,953,572	24,274,029
Newark Liberty International Airport	25,449,774	23,762,627	23,716,837	22,836,683
Subtotal Domestic Passengers	78,784,144	73,913,509	72,583,505	71,327,795
INTERNATIONAL PASSENGERS				
John F. Kennedy International Airport	29,796,307	28,189,505	26,541,183	25,057,093
LaGuardia Airport	1,778,595	1,814,893	1,727,528	1,433,755
Newark Liberty International Airport	11,824,364	11,848,060	11,299,399	11,147,344
Subtotal International Passengers	43,399,266	41,852,458	39,568,110	37,638,192
TOTAL PASSENGERS				
John F. Kennedy International Airport	56,608,299	53,200,692	50,454,279	49,274,176
LaGuardia Airport	28,300,973	26,954,588	26,681,100	25,707,784
Newark Liberty International Airport	37,274,138	35,610,687	35,016,236	33,984,027
Subtotal Passengers	122,183,410	115,765,967	112,151,615	108,965,987
CARGO-TONS				
John F. Kennedy International Airport	1,334,266	1,342,017	1,321,035	1,319,226
LaGuardia Airport	7,753	7,140	6,720	7,009
Newark Liberty International Airport	707,593	666,840	663,155	742,898
Subtotal Cargo-tons	2,049,612	2,015,997	1,990,910	2,069,133
Revenue mail-tons	126,026	112,524	158,778	174,242

* Some 2015 and 2014 numbers reflect estimated data based on available year-end information.

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

2011	2010	2009	2008	2007	2006
46,116,000	46,954,000	47,686,000	48,112,000	49,025,000	49,342,000
16,644,000	17,034,000	16,879,000	17,402,000	18,311,000	18,481,000
15,968,000	16,460,000	16,269,000	16,521,000	17,006,000	17,026,000
29,700,000	30,034,000	29,921,000	30,141,000	31,007,000	30,657,000
108,428,000	110,482,000	110,755,000	112,176,000	115,349,000	115,506,000
487,000	514,000	520,000	550,000	576,000	588,000
2,156,000	2,139,000	2,128,000	2,122,000	2,091,000	2,069,000
268,000	265,000	254,000	253,000	245,000	244,000
200,000	204,000	217,000	233,000	227,000	239,000
3,111,000	3,122,000	3,119,000	3,158,000	3,139,000	3,140,000
3,794,000	3,763,000	3,920,000	4,285,000	4,355,000	4,335,000
1,029,000	1,041,000	1,241,000	1,413,000	1,440,000	1,383,000
354,000	312,000	86,000	97,000	98,000	95,000
2,434,000	2,486,000	2,379,000	2,596,000	2,623,000	2,561,000
7,611,000	7,602,000	7,626,000	8,391,000	8,516,000	8,374,000
50,397,000	51,231,000	52,126,000	52,947,000	53,956,000	54,265,000
19,829,000	20,214,000	20,248,000	20,937,000	21,842,000	21,933,000
16,590,000	17,037,000	16,609,000	16,871,000	17,349,000	17,365,000
32,334,000	32,724,000	32,517,000	32,970,000	33,857,000	33,457,000
119,150,000	121,206,000	121,500,000	123,725,000	127,004,000	127,020,000
76,555,644	73,911,000	72,277,000	74,956,000	71,592,000	66,966,000
256,186	246,890	243,413	253,000	242,000	227,000
33,896,217	32,170,041	28,240,770	33,633,613	32,732,000	31,194,421
5,503,485	5,292,020	4,561,527	5,265,053	5,298,000	5,093,000
387,656	493,245	440,463	723,550	790,000	732,000
3,885,614	3,192,132	4,605,609	4,549,572	7,000,000	6,000,000
2,652,744	2,500,503	2,156,961	2,499,054	2,630,849	2,611,608
544,272	575,892	495,248	569,881	468,190	379,476
3,197,016	3,076,395	2,652,209	3,068,935	3,099,039	2,991,084
64,550,000	63,585,000	64,585,000	64,390,000	57,346,000	59,187,000
4,605,000	4,510,000	4,425,000	5,288,000	5,144,000	5,222,000
7,248,160	7,282,900	6,758,800	6,558,000	9,050,000	8,322,000
76,403,160	75,377,900	75,768,800	76,236,000	71,540,000	72,731,000
2,263,500	2,220,000	2,240,000	2,225,000	2,169,000	2,192,000
307,000	300,000	295,000	324,000	305,000	309,000
814,400	818,300	850,800	825,590	887,000	893,000
3,384,900	3,338,300	3,385,800	3,374,590	3,361,000	3,394,000
408,730	396,912	415,044	437,969	443,750	378,329
365,870	361,616	354,008	378,402	390,765	399,821
410,024	409,321	412,041	432,941	436,113	444,242
1,184,624	1,167,849	1,181,093	1,249,312	1,270,628	1,222,392
23,757,976	23,404,277	24,021,233	25,405,948	26,173,650	23,003,499
23,086,756	22,950,115	22,153,236	21,945,239	23,758,362	24,496,831
22,189,669	21,716,886	22,782,126	24,227,815	25,614,140	25,662,797
69,034,401	68,071,278	68,956,595	71,579,002	75,546,152	73,163,127
23,886,084	23,109,877	21,856,709	22,383,907	21,543,251	19,625,911
1,035,722	1,032,967	1,010,223	1,131,664	1,226,902	1,313,621
11,509,823	11,477,304	10,646,771	11,119,078	10,753,100	10,029,090
36,431,629	35,620,148	33,513,703	34,634,649	33,523,253	30,968,622
47,644,060	46,514,154	45,877,942	47,789,855	47,716,901	42,629,410
24,122,478	23,983,082	23,163,459	23,076,903	24,985,264	25,810,452
33,699,492	33,194,190	33,428,897	35,346,893	36,367,240	35,691,887
105,466,030	103,691,426	102,470,298	106,213,651	109,069,405	104,131,749
1,382,949	1,392,866	1,156,040	1,473,809	1,656,431	1,704,200
7,390	7,516	6,712	8,889	9,595	13,998
812,341	860,970	761,920	860,717	953,556	978,343
2,202,680	2,261,352	1,924,672	2,343,415	2,619,582	2,696,541
184,696	185,681	204,511	237,087	226,512	194,099

Selected Statistical Demographic and Economic Data

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

Year	Population	Total Personal Income	Per-Capita Personal Income	Employment	Unemployment Rate
(In thousands)					
2015	18,503	\$1,204,023,249	\$ 65.07	8,728	5.5%
2014	18,409	\$1,152,328,260	\$ 62.60	8,587	6.5%
2013	18,312	\$1,101,961,641	\$ 60.18	8,420	7.9%
2012	18,192	\$1,094,854,424	\$ 60.18	8,280	8.7%
2011	18,073	\$1,050,503,626	\$ 58.13	8,147	8.6%
2010	17,919	\$ 994,816,212	\$ 55.52	8,034	8.9%
2009	17,792	\$ 958,113,124	\$ 53.85	8,043	8.6%
2008	17,667	\$ 993,946,060	\$ 56.26	8,320	5.3%
2007	17,572	\$ 970,002,546	\$ 55.20	8,291	4.4%
2006	17,543	\$ 901,726,768	\$ 51.40	8,171	4.6%

Note: All data is subject to revision.

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

	2015	2006
Education & Health Services	19.0%	16.6%
Retail Trade	16.1%	15.3%
Government	13.7%	15.0%
Financial Activities	10.1%	9.8%
Leisure & Hospitality	9.2%	7.4%
Professional & Business Services	8.4%	9.5%
Wholesale Trade	4.6%	5.2%
Other Services	4.5%	4.2%
Manufacturing	3.9%	5.4%
Construction	3.8%	4.0%
TWU*	3.6%	3.8%
Information	3.2%	3.5%

Source – Moody's Analytics

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

* Transportation, Warehousing, and Utilities

TOP 20 SALARIED STAFF AS OF DECEMBER 31, 2015

PATRICK J. FOYE

Executive Director

2015 total compensation: \$305,111

J.D., Fordham Law School

B.A., Fordham College

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

STEVEN P. PLATE

Chief, Major Capital Projects

2015 total compensation: \$263,947

B.S., Manhattan College

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

ELIZABETH M. MCCARTHY

Chief Financial Officer

2015 total compensation: \$252,898

B.S., St. Louis University

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

MICHAEL G. MASSIAH

Chief, Capital Planning,

Execution & Asset Management

2015 total compensation: \$255,566

M.P.A., SUNY Albany

B.A., LeMoyne College

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

THOMAS L. BOSCO

Director, Aviation

2015 total compensation: \$254,769

M.A., Webster University

B.S., United States Military Academy

More than 30 years of aviation leadership experience.

THOMAS E. BELFIORE

Chief Security Officer

2015 total compensation: \$247,895

M.A., John Jay College of Criminal Justice

B.A., John Jay College of Criminal Justice

More than 35 years of law enforcement, public safety, and security management.

ROBERT E. GALVIN

Chief Technology Officer

2015 total compensation: \$250,398

B.S., Central Michigan University

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

STEPHANIE E. DAWSON

Acting Chief Operating Officer

2015 total compensation: \$245,563

M.S., U.S. Army War College

B.A., Cornell University

More than 30 years of experience in logistics, security, and operations management.

JAMES STARACE, P.E.

Chief Engineer

2015 total compensation: \$230,482

M.S., Stevens Institute of Technology

B.S., State University of New York

Maritime College

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

ALAN L. REISS

Director, World Trade Center Construction

2015 total compensation: \$251,108

B.S., Northeastern University

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

MARY LEE HANNELL

Chief, Human Capital

2015 total compensation: \$243,651

B.A., Drew University

More than 30 years of professional experience in human resources in the private and public sectors.

MICHAEL NESTOR

Inspector General

2015 total compensation: \$239,347

More than 45 years of public sector experience in law enforcement.

MOLLY C. CAMPBELL

Director, Port Commerce

2015 total compensation: \$103,302*

M.A., Georgetown University

B.A., University of California, Los Angeles

More than 15 years of public experience in maritime operations.

PHILLIP H. KWON

First Deputy General Counsel

2015 total compensation: \$230,877

J.D., Rutgers University

B.A., Georgetown University

More than 20 years of private and public legal experience.

**Molly C. Campbell joined the Port Authority on July 27, 2015.*

LILLIAN D. VALENTI

Chief Procurement & Contracting Officer

2015 total compensation: \$225,325

M.A., Columbia University

B.A., Lafayette College

More than 15 years of public sector leadership and management experience.

ANDREW S. LYNN

Director, Planning & Regional Development

2015 total compensation: \$231,893

J.D., Harvard University

B.A., Harvard University

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

MARK D. HOFFER

Director, New Port Initiatives

2015 total compensation: \$225,830

J.D., Yale University

B.A., Queens College

More than 40 years of public and private legal and management experience.

MICHAEL A. FEDORKO

Director, Public Safety/

Superintendent of Police

2015 total compensation: \$227,474

M.G.A., University of Pennsylvania

B.S., Trenton State College

More than 45 years of public safety and public management experience.

MICHAEL P. MARINO

Director/General Manager,

Port Authority Trans-Hudson (PATH)

2015 total compensation: \$212,061

More than 20 years of public and private sector railroad construction and logistics experience.

JAMES R. KLEEMAN

Deputy Director,

World Trade Center Redevelopment

2015 total compensation: \$221,936

B.S., Kean University

More than 30 years of private sector real estate and management experience.

Note: Total compensation includes cash and imputed amounts earned during calendar year 2015.