THE PORT AUTHORITY OF NY & NJ

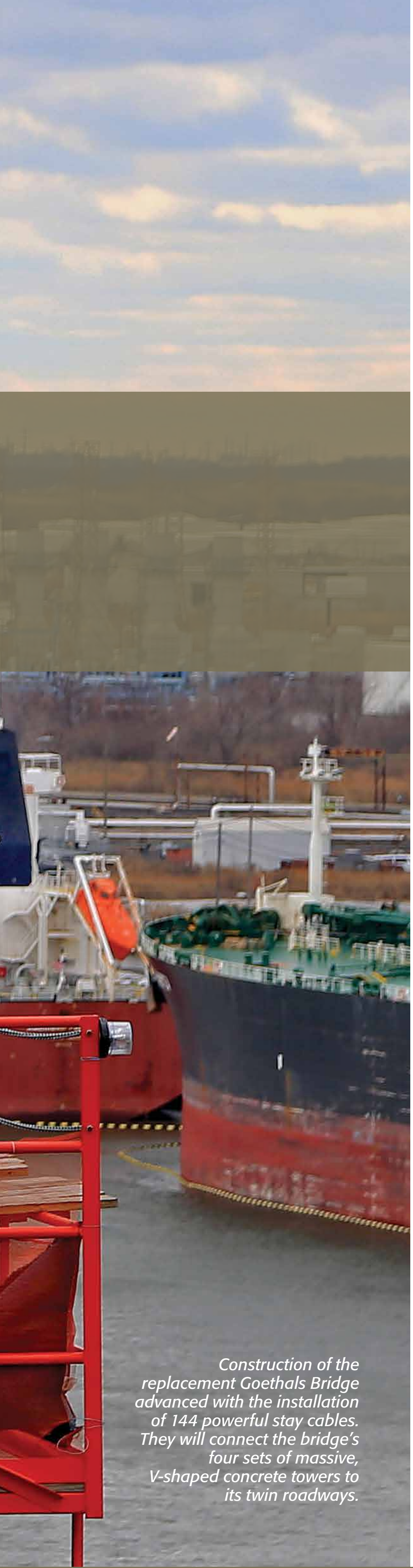
2016 Annual Report

The Foundation for a New Tomorrow

Comprehensive Annual Financial Report for the Year Ended December 31, 2016

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. **Our mission is simple: to keep the region moving.**



Construction of the replacement Goethals Bridge advanced with the installation of 144 powerful stay cables. They will connect the bridge's four sets of massive, V-shaped concrete towers to its twin roadways.

Table of Contents

The Port Authority of New York and New Jersey
Comprehensive Annual Financial Report for the Year Ended December 31, 2016

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

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 agency's mandate has developed to promote and protect the commerce of the bistate port region, as well as to undertake improvements to regional transportation not likely to be financed by private enterprise or to be attempted by either constituent 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 15-year 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 2016 Comprehensive Annual Report of The Port Authority of New York and New Jersey.

This Annual Report highlights the agency's continued execution of its core mission to ensure safe and efficient operations and the development of our region's critical transportation infrastructure.

Throughout 2016, the Port Authority has taken many innovative steps to continue to create and strengthen the foundation for moving people and goods throughout the region today, tomorrow, and for future generations. Each step reflects the forward thinking of committed agency planners, the hard and often unsung work of highly talented agency staff, and a firm understanding of how a thriving region such as ours must initiate bold plans in the present to prosper in the future, while demonstrating fiduciary and ethical prudence.

The facilities of the Port Authority are significant to the economic vitality of New York and New Jersey, and it is vital that we, as stewards of the public's infrastructure, operate, maintain, and build them to support the evolving needs of the region. As our bistate region continues to grow, we rely on infrastructure assets that were originally designed to support fewer commuters, tourists, businesses, and cargo. As an agency, we strive to meet this increased demand by renewing iconic structures, such as raising the Bayonne Bridge and "Restoring the George," strengthening our transportation network by implementing a 21st-century signal system for PATH, constructing a new Terminal A at Newark Liberty International Airport and a replacement Goethals Bridge, and planning for and developing a reimagined Port Authority Bus Terminal.

You will read how these projects and others were incorporated into the 10-year, $32.2 billion 2017-2026 Capital Plan approved by the Board of Commissioners in February 2017. This plan, the largest ever in Port Authority history, reveals a vision of admirable scope while highlighting the many difficult decisions good leaders must make to justly serve the public good.

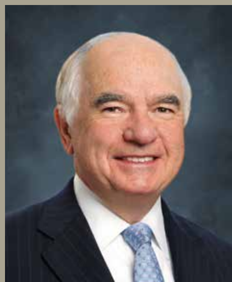
It is imperative that the Port Authority develop and operate its many responsibilities with the significant input and support of our regional stakeholders. Given the impact of our facilities and operations, this agency must coordinate with stakeholders to accomplish the goals of the region. As the agency plans for its second century, we intend to do so in an open and transparent manner, welcoming feedback from the public and our partners from early project planning to construction. The Goethals Bridge Replacement Program, the Gateway Program, and the LaGuardia Airport Redevelopment Program stand out as signature accomplishments of both urban and fiscal planning. Through strong collaboration with fellow stakeholders, the Port Authority now stands poised to achieve meaningful service growth across all lines of business.

For these and other reasons, it is my estimation that history will look back on 2016 as a year our agency not only redefined itself, but took first steps into a new era. Your leadership played a pivotal role in making those steps possible, and for that I thank you.

Sincerely,

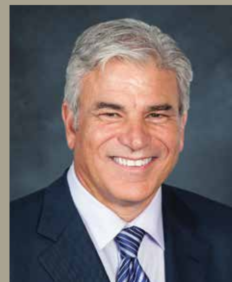
John J. Degnan
Chairman

April 27, 2017



CHAIRMAN
JOHN J. DEGNAN

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



MICHAEL D. FASCITELLI
Founder
MDF Capital

HAMILTON "TONY" E. JAMES
President
The Blackstone Group

KENNETH LIPPER
Chairman
Lipper & Co. LLC

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

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

WILLIAM "PAT" SCHUBER
Professor
Fairleigh Dickinson University

DAVID S. STEINER
Chairman
Steiner Equities Group LLC

CAREN Z. TURNER
Chief Executive Officer
Turner Government and
Public Affairs

Board of Commissioners

As of April 1, 2017

John J. Degnan, *Chairman*
Richard H. Bagger
Michael D. Fascitelli
Hamilton "Tony" E. James
Kenneth Lipper
Jeffrey H. Lynford
Raymond M. Pocino
William "Pat" Schuber
David S. Steiner
Caren Z. Turner[1]

[1]Caren Z. Turner joined the Board on March 17, 2017.

The following also served on the Board of Commissioners during 2016:

Steven M. Cohen, *Vice Chair*
George R. Laufenberg
Scott H. Rechler, *Vice Chair*

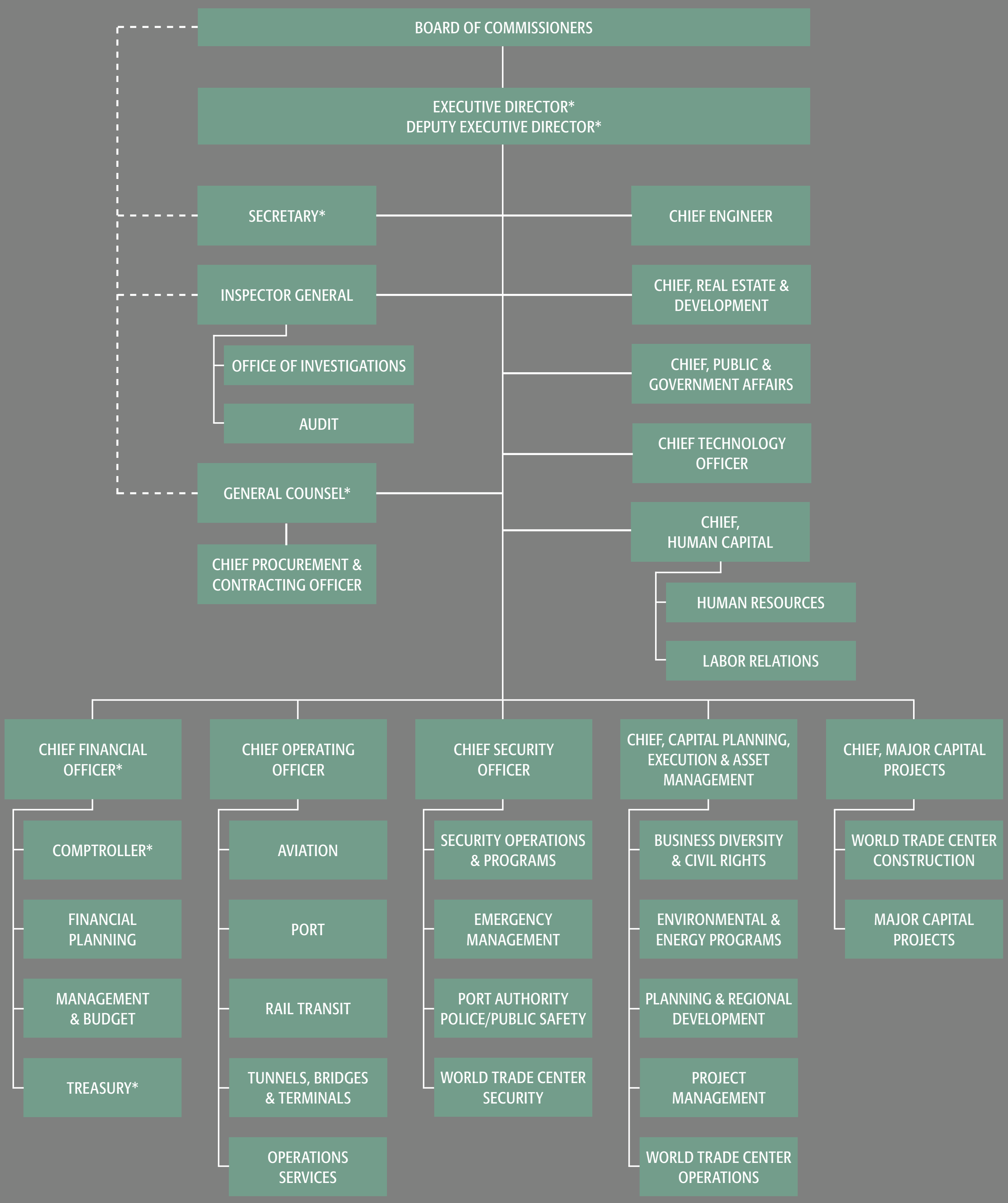
EXECUTIVE DIRECTOR
PATRICK J. FOYE

Leadership of the Port Authority

The Governor of each state appoints six members to 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 of their respective states, and without remuneration. The Governors retain the right to veto the actions of Commissioners from their respective states. An Executive Director* elected by the Board is responsible for managing the operation of the Port Authority in a manner consistent with the agency's policies, as established by the Board. The 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 December 31, 2016

Letter from the Executive Director

Dear Board of Commissioners:

In 2016, the Port Authority continued to maintain our focus on safely and efficiently moving the millions of travelers and commuters who pass through our facilities, while reaching major milestones on key projects, which are already underway, and embarking on new initiatives to ensure that our facilities continue to meet the region's transportation needs in the future.

Last year, we again saw consistent growth in passengers and travelers at our facilities, and set new operational records: our airports welcomed more than 129 million passengers for an increase of 5.1 percent over 2015, marking the fourth consecutive year of record-setting passenger numbers at our airports. The Port Authority Trans-Hudson (PATH) rail system moved more than 78 million riders, the highest ridership ever recorded and an increase of 2.6 percent over the previous year. Our six tunnels and bridges supported more than 118 million vehicle crossings in 2016 for an increase of 2.4 percent over 2015. Meanwhile, the Port of New York and New Jersey handled steady volumes in cargo, moving over 3 million containers in 2016 and maintaining its position as the largest and the busiest port on the East Coast.

In addition to our operational achievements, we worked together to develop a $32.2 billion 2017-2026 Capital Plan, which you unanimously adopted in February 2017 — the largest in the agency's history and one that truly provides a blueprint and foundation for a new tomorrow. Overall, the projects in this Capital Plan are expected to generate over 235,000 job years and contribute $56 billion in overall regional economic activity. The Plan represents a tremendous long-term investment in our region and in the transportation assets that connect people to jobs, support freight and cargo access to the region and the country, and keep the bistate region competitive in the global economy.

The Capital Plan commits to reinvesting in our existing infrastructure, while preparing our facilities for the future and our region's expected growth. We are making significant investments to keep our facilities in a state of good repair, including nearly $2 billion to rehabilitate and modernize the George Washington Bridge, the busiest bridge in the world. Our PATH system continues to be a regional leader in the installation of Positive Train Control (PTC), which is just one part of the larger $752 million PATH Forward Program to improve the system's operational reliability and efficiency while enhancing safety. This past September, with our partners at the U.S. Army Corps of Engineers, we marked the completion of a $2 billion project to deepen portions of the New York and New Jersey Harbor, to accommodate larger, modern vessels at our local ports. These are just a few of the projects that will ensure that our assets operate safely, securely, and efficiently for years to come.

We also reached significant milestones on projects that improve and upgrade our bridge facilities. At the Bayonne Bridge, we are completing an innovative feat of civil engineering by raising the roadway of the iconic structure 64 feet, to allow larger container ships to pass underneath. In February 2017, the first vehicles traveled across the Bayonne Bridge's new upper span, and demolition of the lower roadway is currently underway. Once demolition is completed, higher navigational clearance will be available for those larger ships. Nearby, we continue to make progress on the Goethals Bridge Replacement Project, through a public-private partnership (P3) — the first true surface transportation P3 in the Northeast region.

In addition to maintaining momentum on our existing portfolio of projects, we continue to lead the nation in pioneering innovative models to finance and deliver major infrastructure improvements, and leveraging private capital to make these developments happen. In 2016, the Port Authority advanced two significant projects to modernize LaGuardia Airport. LaGuardia Gateway Partners broke ground in June on the redevelopment of Terminal B — the largest P3 project in the U.S. — and has already made significant progress toward its construction milestones. Just next door, Delta Air Lines will be leading the redevelopment of Terminals C and D. Together, these projects will create a new LaGuardia for the 21st century, with a single, structurally unified terminal redesigned to provide a world-class passenger experience.

With our experience on the Goethals Bridge Replacement and LaGuardia Terminal B Redevelopment projects, we have established a leadership position nationally in public-private partnerships. These transactions have allowed us to leverage private capital and expertise, and transfer project risk to the private sector. In 2017, we look forward to the groundbreaking on Delta's new Terminal C at LaGuardia Airport, a project that similarly uses private sector funding and expertise to deliver new infrastructure. The Port Authority made a $600 million capped contribution to the project, with Delta bearing the risk of cost overruns and schedule delays, and financing the remainder of the project, estimated to be $4.5 billion overall. We will look to apply this approach to our other major projects going forward, where it makes sense both for the agency and the public that we serve.

In 2016, the Port Authority, working together with USDOT, Amtrak and NJ TRANSIT, made major commitments to advance and support the Gateway Program, the most critical and urgent rail infrastructure program in the country. The Program is focused on modernizing and improving a vital section of the Northeast Corridor between Newark, New Jersey, and Penn Station in New York City, starting with the replacement of the Portal Bridge and the 107-year-old Hudson River tunnels. In our 2017-2026 Capital Plan, the Port Authority allocated the largest funding of any partner in the program to date in the form of debt service support on up to $2.7 billion in low-interest federal loans for the Portal Bridge and Hudson River tunnels projects. Currently, the existing tunnels handle 450 trains carrying over 200,000 daily passengers each weekday, and are a vital trans-Hudson connection and an integral link to the region and the country.

All of our accomplishments in 2016 demonstrate the Port Authority's steadfast commitment to our region and its people. I am deeply proud of all that we achieved this past year, despite challenges and headwinds, and I am grateful to the skilled staff who work tirelessly to keep our facilities operating safely and smoothly, and keep our projects moving forward. Each and every one of our agency's staff members contributes to the safety and vitality of this region — from our operations staff, who clear airport runways and bridge crossings in a snowstorm, to the engineers guiding major capital projects; and from our PATH staff to the Port Authority police officers who keep us safe and protect us from harm each and every day. A vision as broad and sweeping as the one we advanced together this past year requires hard work, constant vigilance, and an unwavering commitment to our agency's core mission and values. The cornerstones have been laid, and now I look forward to working with you as we build for the future.

Pat Foye

Patrick J. Foye
Executive Director

April 27, 2017

The Foundation for a New Tomorrow

For nearly a hundred years, The Port Authority of New York and New Jersey has developed and stewarded some of the nation's most vital transportation infrastructure. These assets play a critical role in supporting the growth of our bistate region, while contributing substantially to the economy.

The agency's professional staff works to deliver projects that increase the region's connectivity and keep people and goods moving, as a means of fostering economic growth for everyone living and working within the New York and New Jersey metropolitan region. The Port Authority's facilities are widely recognized as marvels of engineering that further the agency's mission to promote trade and transportation.

Advancing the Agency's 2017-2026 Capital Plan

Developing and advancing the Port Authority's 2017-2026 Capital Plan became a signature achievement over the course of 2016. The $32.2 billion 2017-2026 Capital Plan, which was formally adopted by the Board of Commissioners in February 2017, is a blueprint by which our region will meet anticipated growth throughout the first half of the 21st century. It includes $29.5 billion of direct Port Authority investments spread over its broad portfolio of facilities to keep them operating in an efficient, safe, secure, and reliable manner for generations to come. The plan also includes up to $2.7 billion in debt service support for the Gateway Program, a critical regional transportation project to be advanced by the Gateway Program Development Corporation (GPDC), a non-profit corporation and separate entity from the Port Authority.

In developing the 2017-2026 Capital Plan, the agency continued to use a comprehensive, fiscally disciplined, risk-based approach to evaluating projects. The agency's engineering, capital planning and delivery, operations, and financial planning professionals conducted a comprehensive survey of the current and most pressing capital needs, as well as a thorough evaluation of the relative benefits and priorities these capital requests reflected. The resulting plan includes over 600 projects, each of which contributes to renewing, restoring, maintaining, expanding, or connecting assets vital to the region's transportation network.

The plan underwent extensive review and deliberation by the Port Authority's Board of Commissioners. Consistent with the Port Authority's efforts to reform how the agency conducts business, it held two public hearings to solicit and receive public feedback and input. Over 400 comments were received through this outreach effort, which the Board reviewed and discussed prior to finalizing the plan.

The balanced portfolio of critical infrastructure projects presented in the approved Capital Plan both affirms and supports the Port Authority's mission to meet the region's core transportation needs while continuing to act as good stewards of the public's resources in a fiscally responsible way, and ensuring the agency's ability to serve its stakeholders both today and tomorrow.

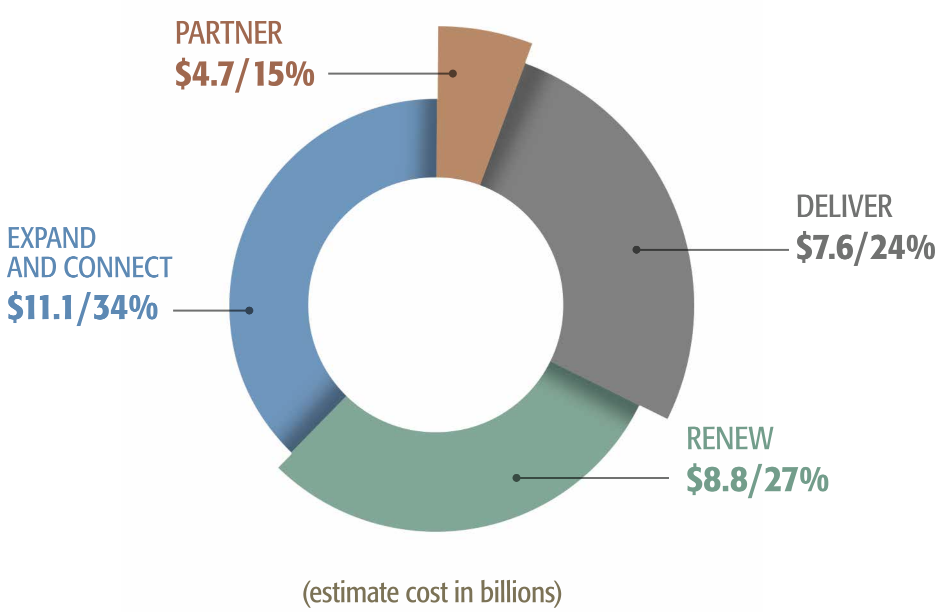
With the 2017-2026 Capital Plan, the Port Authority and its Board of Commissioners affirm a renewed focus of investment in our core transportation assets. Approximately $600 million in unallocated "regional development" funds has been deployed to transportation projects that align with the agency's core mission. This was a recommendation by the Special Panel on the Future of the Port Authority, a report that was endorsed by both Governors in December 2014.

In determining funding allocation, the first priority was to ensure that there were sufficient funds to deliver the projects that are currently in construction. Next, funds were allocated to maintain our assets in full operational capacity and provide for projects required by law or for security purposes. Finally, funds were allocated to provide for projects that will restore and fortify assets damaged by Superstorm Sandy, and to other high-priority projects that will expand and improve critical transportation assets.

This foundation for the future is built on our four main funding priorities and objectives.

RENEW	$8.8 billion for projects required to renew and maintain assets in a state of good repair and ensure efficient, safe, and secure operations. Physical condition, operational impact, risk assessment, and state/federal regulations are among the factors considered to determine criticality of renewal projects. (An additional $3.2 billion in Renew projects are currently in construction and included under the Deliver portion of the program).
EXPAND AND CONNECT	$11.1 billion to invest in projects that expand capacity, improve connectivity, support the region's growth, and advance the region's transportation needs. Projects are evaluated based on scale of impact to the agency and the region as well as potential to enhance revenue generation. (An additional $4.1 billion in Expand and Connect projects are currently in construction and included under the Deliver portion of the program).
PARTNER	$4.7 billion for projects where we partner with federal and regional stakeholders to complete Superstorm Sandy restoration, fortify and improve the resiliency of our assets, and build for the future, with $2 billion in direct Port Authority investment. In addition, the Plan also provides for the Port Authority's support of the Gateway Program, a critical trans-Hudson rail link and associated infrastructure. These funds, in the amount of $2.7 billion, would support debt service on a portion of the Gateway Program Development Corporation's (GPDC) low-cost borrowing. GPDC is not a subsidiary or component unit of the Port Authority. The agency would not be subject to project cost overrun or funding gap risk.
DELIVER	$7.6 billion to complete and deliver the projects that are currently under construction. Deliver projects in this capital plan include $3.2 billion in Renew projects, $4.1 billion in Expand and Connect projects, and $300,000 in Partner projects.

Capital Plan by Category



The plan adheres to three guiding principles:

- To apply the agency's financial capacity and full resources toward modernizing and expanding the region's aging airports, seaports, mass transit facilities, and other vital trans-Hudson transportation assets.
- To continue serving our customers efficiently, focusing on maintaining our facilities in a state of good repair, while ensuring safety, security, and resiliency.
- To allocate the agency's affordable capital to its highest-priority needs in a fiscally responsible manner so as to achieve a financially balanced plan.

The capital plan is a blueprint for future spending, and does not supplant the Port Authority Board's authorization process for specific projects and contracts. Accordingly, the capital plan and related questions of funding capacity will be monitored and adjusted as necessary in the future.

The Port Authority will continue to monitor capital expenditures and capital capacity on a quarterly basis. In addition, at least every two years, the Board will reassess the capital plan in light of then-current information as to capital capacity and the progress of capital projects, and determine whether there are sufficient resources.

Further, the Board has directed staff to enhance its "gates" management process, in order to determine when construction may begin on a given capital project. This process includes, among other things, consideration of the revenue-generating potential and capital capacity impact of the capital project; the relative priority of the project; and the overall capital capacity of the Port Authority.

For more information on the 2017-2026 Capital Plan and to view the document itself, please visit **http://www.panynj.gov/capitalplan/**.

Major Milestones of 2016

A rendering of LaGuardia's new Terminal B.

The Port Authority made tremendous strides after breaking ground on a new LaGuardia Airport in June 2016. Consistent with recommendations made by New York Governor Andrew Cuomo's Airport Advisory Panel, the transformation of LaGuardia is taking place through two major components. The first component is the redevelopment of Terminal B. LaGuardia Gateway Partners (LGP) is designing, building, financing, operating, and maintaining the new, 1.3-million-square-foot, state-of-the-art 35-gate terminal. This is the largest public-private partnership in the nation, and construction of the new Terminal B is well underway.

The second component, the redevelopment of Terminals C and D next door, was greenlighted in July 2016. The Port Authority's Board of Commissioners authorized a fixed $600 million in capital expenditures in July, and the lease of terminals C and D in early January 2017. Delta Air Lines will design, finance, construct, operate, and maintain a new Terminal C to replace the existing terminals C and D.

LaGuardia Airport plays a vital role in the regional airport system, welcoming more than 28 million passengers annually and generating nearly 130,000 jobs and $6.4 billion in annual wages.

The Terminal B Redevelopment by LGP and Terminal C Redevelopment by Delta Air Lines will transform LaGuardia Airport to meet the needs of the 21st century, creating a single, structurally unified terminal with improved transportation access, increased airside space to mitigate aircraft congestion and delays, and a world-class passenger experience. As part of the Terminal B project, there will be a new parking garage, supporting facilities, and a new Central Arrivals and Departures Hall that will connect to Terminal C. LGP's new terminal buildings will be located closer to the Grand Central Parkway, which frees up substantial airside space and will improve the efficiency of aircraft movements, thus reducing delays.

These projects will result in more than $8 billion in investment at the airport, 80 percent of which leverages private financing and utilizes existing passenger fees. The private partners will also bear the risk of schedule delays and cost overruns. Construction of the new Terminal B is advancing steadily with the facility's opening expected in 2021. Work on the new Terminal C is expected to begin in 2017, with anticipated completion in 2026.

New, separated GWB sidewalks will connect cyclists in New York City and New Jersey.

The Restoring the George program invests $1.8 billion in the crossing's structural health over the next decade.

Restoring the George

The George Washington Bridge (GWB) opened in 1931 and has since become known as the "World's Busiest Bridge." In 2016, the span carried more than 50.5 million eastbound automobiles, buses, and trucks. Despite its age, the GWB remains structurally sound and a critical trans-Hudson link, thanks to the agency's aggressive and ongoing investment in capital improvements and maintenance.

Ensuring the GWB's continued reliability and adherence to safe operation has been one of the hallmark initiatives in the Port Authority's efforts to steward the region's vital infrastructure assets.

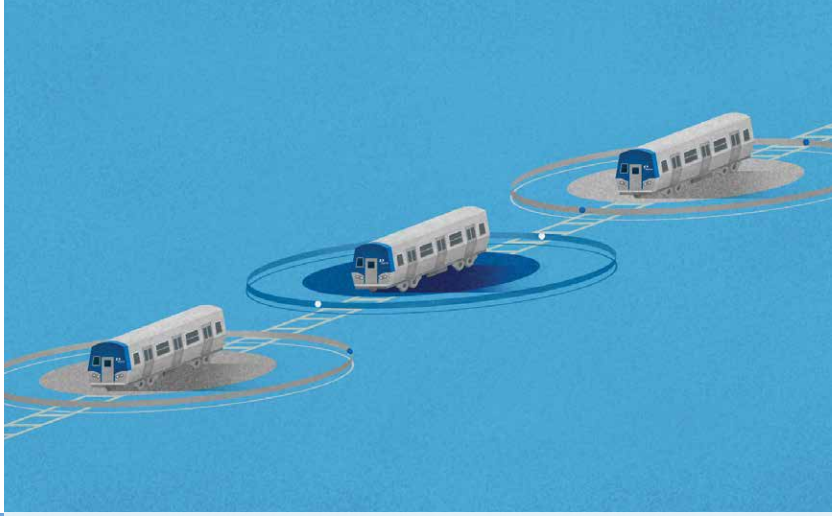
RESTORING THE GEORGE

In late March 2016, two major renewal projects were authorized by the agency within a larger, 10-year, $1.8 billion GWB rehabilitation investment program called "Restoring the George." The first project, at an estimated cost of $67.5 million, will replace the Palisades Interstate Parkway Helix in Fort Lee, New Jersey, while rehabilitating the bridge's New Jersey approach spans that pass over the Hudson Terrace and the New Jersey Anchorage. Construction began soon after the award was announced and is scheduled to continue into the fourth quarter of 2019. The second project, at an estimated cost of $91 million, will rehabilitate the Center Avenue and Lemoine Avenue bridges in Fort Lee, which pass over approach roadways to the GWB.

The full "Restoring the George" program constitutes 11 high-priority renewal projects. These projects include installing new suspender ropes that support the GWB's main span and, in response to public comment, providing modernized ADA-accessible sidewalk entrances and exits with separate access for bicyclists and pedestrians. They also cover rehabilitation of the main cables, the Trans-Manhattan Expressway median barriers and overpasses, the 178th Street and 179th Street ramps, structural steel on the upper-level and lower-level main spans, and pavement on the upper-level eastbound main span.

Overall, these projects are forecast to generate a total of 11,190 job years, $768 million in direct wages, and $3.3 billion in economic activity through 2024.

For more information, please visit **http://www.panynj.gov/restoringthegeorge/.**



PATH Forward is a series of system enhancements that are designed to improve the operational reliability and efficiency of the rail system.

A primary goal of the Harbor Deepening program was to provide improved ocean access to accommodate the demand for international cargo through the region.

Completing the Harbor Deepening Program

In September 2016, the Port Authority and U.S. Army Corps of Engineers announced the completion of a $2.1 billion project to deepen the major channels used to access the Port of New York and New Jersey to a depth of 50 feet. The Harbor Deepening Program was deemed pivotal to allow larger, neo-Panamax vessels to access the port's container terminals.

In the course of the project, 52 million cubic yards of silt, sand, till, clay, and six different types of bedrock were dredged from the harbor floor—enough material to fill a professional football stadium to a height of five miles. All dredged material was repurposed to serve the agency's sustainability objectives by creating fishing reefs, restoring marshes, and capping landfills and brownfields.

Thanks to the success of this program, the more than $203 billion in cargo that passes through the Port of New York and New Jersey each year will continue to do so. This, in turn, ensures that our region and nation remain competitive in the arena of global trade.

Moving PATH Forward

PATH has been a regional leader in the installation of Positive Train Control (PTC), a signal system upgrade mandated by the Federal Railroad Administration (FRA) to enhance and ensure the safety of all rail systems across the nation. As of the end of 2016, PATH is on target to meet the year-end 2018 federal deadline to have the system installed and operational. Installation of PTC is part of the PATH Signal System Replacement Program to replace the aging signal system with a Communications-based Train Control (CBTC) system. The new PATH CBTC/PTC system will integrate state-of-the-art hardware, software, and infrastructure elements to ensure safety and improve the PATH experience by allowing trains to run more closely together, especially during peak hours.

By the end of 2016, CBTC equipment had been installed on 216 of 230 PATH passenger cars, and 95 percent of PATH employees were trained in PTC.

PTC compliance and the PATH Signal System Replacement Program are parts of the agency's larger $752 million PATH Forward Program to improve the operational reliability and efficiency of the PATH system, which includes capital investments ranging from station redevelopment and improvements to system upgrades and storm resiliency (see "Partner," page 34).

For more information about this program, please visit **http://www.panynj.gov/pathforward/.**

PATH FORWARD

The nine teams of the Special Panel Implementation Office charted their progress and accomplishments using monthly dashboards posted to the agency's website.

Implementing Agency-Wide Efficiencies

In an effort to address the many transformative recommendations made by the Special Panel on the Future of the Port Authority, the agency launched its Special Panel Implementation Office (SPIO) in April 2015. Ninety agency professionals worked to develop improvements in nine teams specific to the agency's lines of business or operations: Asset Review Metric and Capital Planning, Aviation, Board Calendar and Metrics, Ethics and Transparency, Finance, PATH, Port, Real Estate Divestiture, and Trans-Hudson.

Each team worked with departments across the agency to complete its objectives. Their many accomplishments included recommending the creation of a new Chief Ethics and Compliance Officer position; exploring more flexible and innovative financing techniques; and devising a plan to enhance trans-Hudson transportation capacity. Together, the teams' efforts have further refocused the agency on its core mission and enhanced its commitment to transparency and integrity.

The agency's staff continues to explore how insights gleaned from SPIO can be incorporated into future efficiency-building efforts across the Port Authority's many departments.

There are over a dozen biodiesel snow removal trucks like this one in the Port Authority's fleet.

Winning the "Greenest Fleet" Award

The Port Authority had the "greenest fleet" of motor vehicles in North America among public agencies, according to the "100 Best Fleets in North America™" survey published by Government Green Fleet magazine. For the previous seven consecutive years, the Port Authority made the top 50 of the 100 Best Fleets list; 2016 was the first year it was recognized as number one, a clear testament to the agency's aggressive clean air strategy.

The agency's 2,000 on-road and off-road vehicles that use alternative fuels constitute 85 percent of the entire fleet. Combined, they eliminate more than 2,000 tons of carbon dioxide emissions from the air annually. The Port Authority continually replaces many of its older gasoline-powered cars and trucks with low-emission models, including SmartWay vehicles certified by the Environmental Protection Agency.

In addition to fleet maintenance, the agency's Central Automotive Division integrates green and efficient practices into daily operations through the use of green cleaning products and oil testing equipment, as well as experimenting with soy as an alternate cleaning lubricant.

A rendering of the forecast layout of ExpressRail Port Jersey at GCT Bayonne.

From l to r: Molly Campbell, Port Director for PANYNJ; John Atkins, President, GCT USA; Jimmy Davis, Mayor of Bayonne, at the December 19, 2016, groundbreaking for ExpressRail Port Jersey.

Breaking Ground for ExpressRail Port Jersey

On December 19, 2016, the Port Authority and Global Container Terminal (GCT) USA held a groundbreaking ceremony for the ExpressRail Port Jersey facility, which is being built directly adjacent to GCT in Bayonne, New Jersey. The ExpressRail system establishes direct access to on-dock rail service, linking the wharves and berths of the Port of New York and New Jersey with Norfolk Southern and CSX rail service providers. This service will complement investments the Port Authority is making to establish a barge- and rail-driven system for moving goods across New York harbor.

The facility will buttress the port's overall position as the third largest port in the nation and the largest port on the North American East Coast by offering an annual capacity of 250,000 container lifts, or 430,000 TEUs.

The Port Authority has committed $56 million to the construction of ExpressRail Port Jersey. This funding is drawn from monies collected through the Port Authority's Cargo Facility Charge, a per-container fee assessed on all cargo shipped through the Port of New York and New Jersey in order to defray costs for road, rail, and security infrastructure projects deemed mission critical to the port's continued success.

ExpressRail Port Jersey is designed to complement the Port of New York and New Jersey's capacity to handle neo-Panamax vessels. In keeping with the highest contemporary marine environmental standards, ExpressRail Port Jersey will feature 9,600 feet of track serviced by high-efficiency, electric, cantilevered, rail-mounted gantry cranes outfitted with LED lighting.

Completing ExpressRail Port Jersey will mean every major container terminal at the Port of New York and New Jersey has an on-dock/near-dock rail facility. In addition, the Port Authority's ExpressRail system offers major contributions to the Port of New York and New Jersey's Clean Air Strategy. Every container lifted onto a rail car at an ExpressRail facility obviates the need for 1.5 truck trips. ExpressRail Port Jersey is forecast to reduce carbon dioxide emissions at the Port of New York and New Jersey by 18,300 tons annually.

Construction proceeds on the new Goethals Bridge.

Achieving Milestones in the Goethals Bridge Replacement Public-Private Partnership

The Port Authority's $1.5 billion project to replace the Goethals Bridge was more than 70 percent complete by the end of 2016.

The agency is delivering the Goethals Bridge Replacement project—the agency's first new bridge in more than 80 years, and the first true surface transportation public-private partnership in the Northeast region—through a partnership with NYNJ Link. Construction on a new Goethals Bridge began in 2014. Once the bridge is complete, each roadway, eastbound and westbound, will offer three 12-foot travel lanes, plus shoulders. The new bridge will also include a 10-foot-wide shared-use path for bicycles and pedestrians, and a central channel to facilitate a possible future light rail system.

The new bridge will offer a state-of-the-art traveling experience over a 900-foot cable-stayed twin roadbed suspended from four sets of V-shaped concrete towers, each of which stands 272 feet tall.

In the early part of 2016, workers completed demolition of the entire eastbound approach to the original Goethals Bridge over the New Jersey Turnpike, even as the installation of bridge girders for the replacement New Jersey approach commenced. Construction on the bridge deck began in the spring while an identical process took place on the New York approach. In all, a total of 56 eastbound, pre-stressed, precast approach girders were erected, while approximately 150 precast, pre-stressed panels were constructed atop the girders. According to current estimates by agency staff, substantial completion of the replacement bridge is expected to occur in the first quarter of 2018, and project completion, including the demolition of the existing bridge, to occur in the fourth quarter of 2018.

Also in the spring, workers began to install the new bridge's 144 stay cables, which can measure up to 400 feet long and 13 inches in diameter. Connected to both the bridge's roadways like giant harp strings, the stays will channel the structural tension of vehicles traveling across the span into the V-shaped support towers.

For more information, please visit **http://www.panynj.gov/goethalsbridgereplacement/.**

Re-setting Records at Agency Airports

Port Authority's three major airports welcomed over 129 million passengers in 2016 for an increase of approximately 6 million passengers over totals recorded in 2015. The rise in passenger figures continues a trend and highlights the need to modernize Port Authority airports as addressed in the 2017-2026 Capital Plan.

John F. Kennedy International Airport (JFK)
58.9 million passengers overall
(includes 31.7 mil. international and 27.2 mil. domestic passengers).

Newark Liberty International Airport (EWR)
40.3 million passengers overall
(includes 12.3 mil. international and 28 mil. domestic passengers).

LaGuardia Airport (LGA)
29.8 million passengers overall
(includes 1.8 mil. international and 28 mil. domestic passengers).

Breaking Records for Intermodal Rail

Rail volumes continue to rise at the Port of New York and New Jersey. New vehicle import/export volumes to and from inland destinations are an important part of past and future economic growth.

3.4% increase over 2015.
Rail volumes rose 540,149 lifts at the Port of New York and New Jersey.

44% increase over 2015.
Auto rail volumes at Port Newark surpassed 100,000 vehicles.

Supporting Growth in Trans-Hudson Travel

The agency's tunnels and bridges are crucial links in the trans-Hudson transportation network. They continue to play a vital role in connecting commuters and travelers across the bistate region.

2.4% increase in vehicles over 2015.
Six tunnels and bridges supported 118,771,000 vehicles in 2016.

2.6% increase in PATH ridership over 2015.
PATH system transported 78,553,560 total passengers.

Creating Growth in Auto Trade

The Port Authority's Auto Incentive Program continues to draw positive interest from the Original Equipment Manufacturers (OEM) supporting the Port of New York and New Jersey. In 2016 we added the fifth OEM, which clearly shows the value and ability of the Auto Incentive Program to drive new volume.

2.9% increase in vehicle auto trade over 2015.
Aggregate total of 662,913 vehicles served.

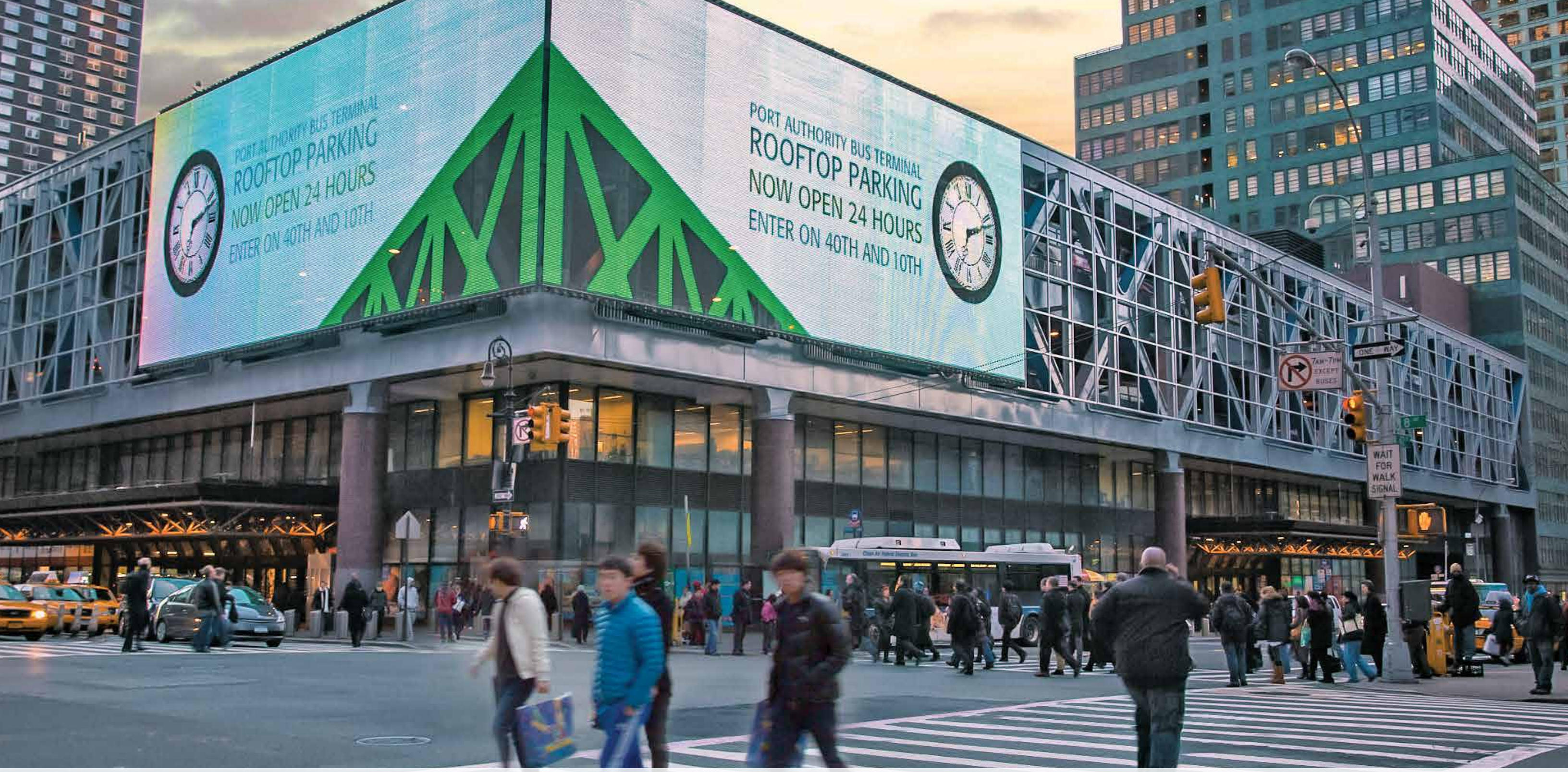
5.1% increase in vehicle imports trade over 2015.
Aggregate total of 433,777 vehicles served.

Note: Estimated data based on available year-end information.

Renew

As the Port Authority approaches its centennial, it is important to remember that many of the agency's facilities have aged, and some of their functional systems are reaching the end of their useful lives. Additionally, the region has grown significantly since these facilities were built, and in some cases current demand exceeds what was envisioned in their original designs. Renewal projects focus on maintaining assets to ensure efficient operations and reflect current security and storm resiliency needs, all of which are important priorities for the agency.

The latest breed of larger, neo-Panamax vessels is more environmentally friendly than its predecessors, but requires upgrades to wharves and berths.



The long-term effort to replace the Port Authority Bus Terminal is being supplemented by shorter-term improvements at the facility through the agency's Quality of Commute and Interim Improvement programs.

IMPROVING THE CURRENT PORT AUTHORITY BUS TERMINAL

The Port Authority Bus Terminal (PABT) is one of the busiest terminals in the world, serving approximately 230,000 passenger trips each weekday and approximately 600 bus movements during its peak traffic hour. However, due to the enormous burdens shouldered by aging infrastructure, compounded by ever-increasing ridership demand, the PABT struggles to maintain physical and operational efficiency. In 2014, the agency's Board of Commissioners approved the $90 million Quality of Commute program to improve conditions for customers at the existing bus terminal while planning continues for design and construction of the new PABT. This initiative includes communications and operational improvements to help reduce crowding and improve bus flow, and minimize impact on surrounding streets. It also helped reduce bus delays and included the addition of increased cellular and Wi-Fi connectivity within the terminal. Among other changes were the installation of new restrooms.

As approved by the agency in 2016, the Port Authority Bus Terminal Replacement Program (see "Expand and Connect," page 28) will build a brand new Port Authority Bus Terminal on the West Side of Manhattan. Meanwhile, the PABT Interim Improvement Program, approved in 2017, allocates $337 million to achieve the replacements or repairs necessary to preserve the existing facility, including $90 million previously authorized for the Quality of Commute program.

Projects featured in the Port Authority Bus Terminal Interim Improvement Program support PABT's operation through 2030, while the Port Authority Bus Terminal Replacement Program continues. Each project will be staged to minimize service disruptions to passengers, as well as to coordinate with all other infrastructure projects the agency has initiated and in close collaboration with community stakeholders.

Replacing the bus ramps and slabs is essential to maintaining the current Port Authority Bus Terminal in a safe and effective operational state.

The Port of New York and New Jersey has been a leader in cargo innovation. Developing a Master Plan will ensure a holistic outlook toward optimizing all port operations.

DEVELOPING A MASTER PLAN FOR THE PORT OF NEW YORK AND NEW JERSEY

The Port of New York and New Jersey is the busiest port on the East Coast of North America, and a critical link in the world's supply chain, facilitating the movement of millions of cargo containers each year.

The Port Authority took a major step toward ensuring that our port can successfully fulfill its regional duty in the decades to come by beginning the development of a Maritime Master Plan. In response to a Request for Proposals issued on April 11, 2016, the agency selected a consulting firm to design a plan that will guide the growth of the Port of New York and New Jersey during the next 30 years. The plan will be based upon information from various studies conducted by the agency during the past few years, including the 2014-2015 Land Use Plan and the 2015 Port Demand Capacity Study. The master planning team will also solicit ideas and collaborate with internal and external port stakeholders while exploring industry trends and developments that could impact the port; analyzing the ability of the existing complex to meet future demand while increasing revenues and regional economic activity; and conducting market analysis to identify emerging technologies appropriate for incorporation at the port.

The development of the Port Master Plan is expected to occur through 2018.

Going Above and Beyond What's Required

William Radinson is the Port Authority's Assistant Director for Capital Programs in the Aviation Department. Beyond his job requirements, Bill has served on research panels convened by the Transportation Research Board's Airport Cooperative Research Program (ACRP) to explore issues related to best practices in aviation capital planning and creating passenger value. In 2016, he facilitated an ACRP webinar on Developing and Maintaining Support for Airport Capacity Projects, and helped to create the publication "Handbook for Addressing Water Resource Issues Affecting Airport Development Planning."

Liberty Park features wood benches and a small amphitheater-like elevated space at the West Street end of the park.

OPENING LIBERTY PARK AT THE WORLD TRADE CENTER

The Port Authority proudly announced its opening of the World Trade Center's Liberty Park in late June. Liberty Park provides a tranquil "green" space atop the World Trade Center Vehicular Security Center.

The park can accommodate 750 people and contains 19 planters filled with trees, shrubs, and perennials, as well as a sapling grown from the original horse chestnut tree that grew outside Anne Frank's Netherlands home. One of the park's most striking features is its Living Wall, a creative vertical garden that runs along the north-facing façade of Liberty Street. The wall, 336 feet long and 25 feet high, is built with a total of 826 panels, which are filled with 22,356 plants of six different varieties. The entire park also functions as a green roof and has several other sustainable features, including reclaimed teakwood for the guardrails and benches, and LED lighting.

Directly adjacent to Liberty Park, the future St. Nicholas Greek Orthodox Church continued construction throughout 2016. The original St. Nicholas Church was destroyed in the attacks of 9/11. The Port Authority worked closely with the Greek Orthodox Archdiocese of America, which is privately funding the replacement of St. Nicholas as part of the redevelopment of the World Trade Center site.

In late 2016, the new church was "topped off" with a Justinian cross that will stand at the apex of St. Nicholas's 50-foot-high dome until a permanent cross is installed when it opens in 2018.

Beyond these developments, the agency's Board of Commissioners approved plans in July to relocate the iconic Koenig Sphere to the recently opened Liberty Park. The Sphere, named after its sculptor, German artist Fritz Koenig, was originally commissioned by the agency to adorn the original Trade Center's Austin J. Tobin Plaza. Returning the Sphere to the World Trade Center campus was heralded as a strong symbol of resilience on behalf of the region's workers and residents, as well as a hallowed memorial for the victim and heroes of 9/11.

PRODUCING DIRECT FISCAL SAVINGS BY GOING GREEN

For public projects, savings obtained through environmental initiatives reduce burdens on the public by lowering the overall costs for installation of energy-efficient equipment and systems over the lifetime of those systems.

By working with a tax consulting firm, Port Authority planners were able to save $660,000 to date, through either direct payments or credits on active projects. The savings stem from a federal Energy Policy tax incentive that encourages the installation of energy-efficient measures during design and construction of public and private buildings.

These measures were applied to Port Authority facilities, including One World Trade Center, the Port Authority Bus Terminal, Stewart International Airport, Newark Liberty International Airport, and LaGuardia Airport.

REDUCING GREENHOUSE GASES

As reviewed in 2016, the results of the 2015 Port Authority Greenhouse Gas (GHG) and Criteria Air Pollutant Inventory proved a verified, ongoing trend toward massive reductions in regional air toxins thanks to the direct actions of the agency and its sustainability experts.

The Port Authority established its current sustainability initiative in 2008 with the stated goal of reducing GHG emissions resulting from the agency's facilities and partners by 80 percent as compared to a 2006 baseline by the year 2050.

In 2016 the agency advanced many sustainability initiatives, including these seven:

Working with its valued partners to create a landmark Clean Air Strategy for the Port of New York and New Jersey that lays out practical, voluntary actions to reduce port-related diesel and GHG emissions. Actions under the Clean Air Strategy for the port have resulted in an average 41.5 percent reduction in air pollutants and 37.3 percent reduction in all pollutants since 2006, while supporting a 13 percent increase in cargo volume. In addition, ExpressRail, the Port's on-dock rail service, set a new record in 2015 by handling 522,244 containers, which is the equivalent of nearly 800,000 reduced truck trips.

Creating Sustainable Design Guidelines (established in 2006 and updated in 2017) for all structures built on Port Authority property. These guidelines align with the US Green Building Council's Leadership in Energy and Environmental Design (LEED) Standards.

Meeting the annual budget of $1.3 million for the Port of New York and New Jersey's Clean Vessel Incentive Program, which encourages operators of ocean going vessels to reduce their emissions.

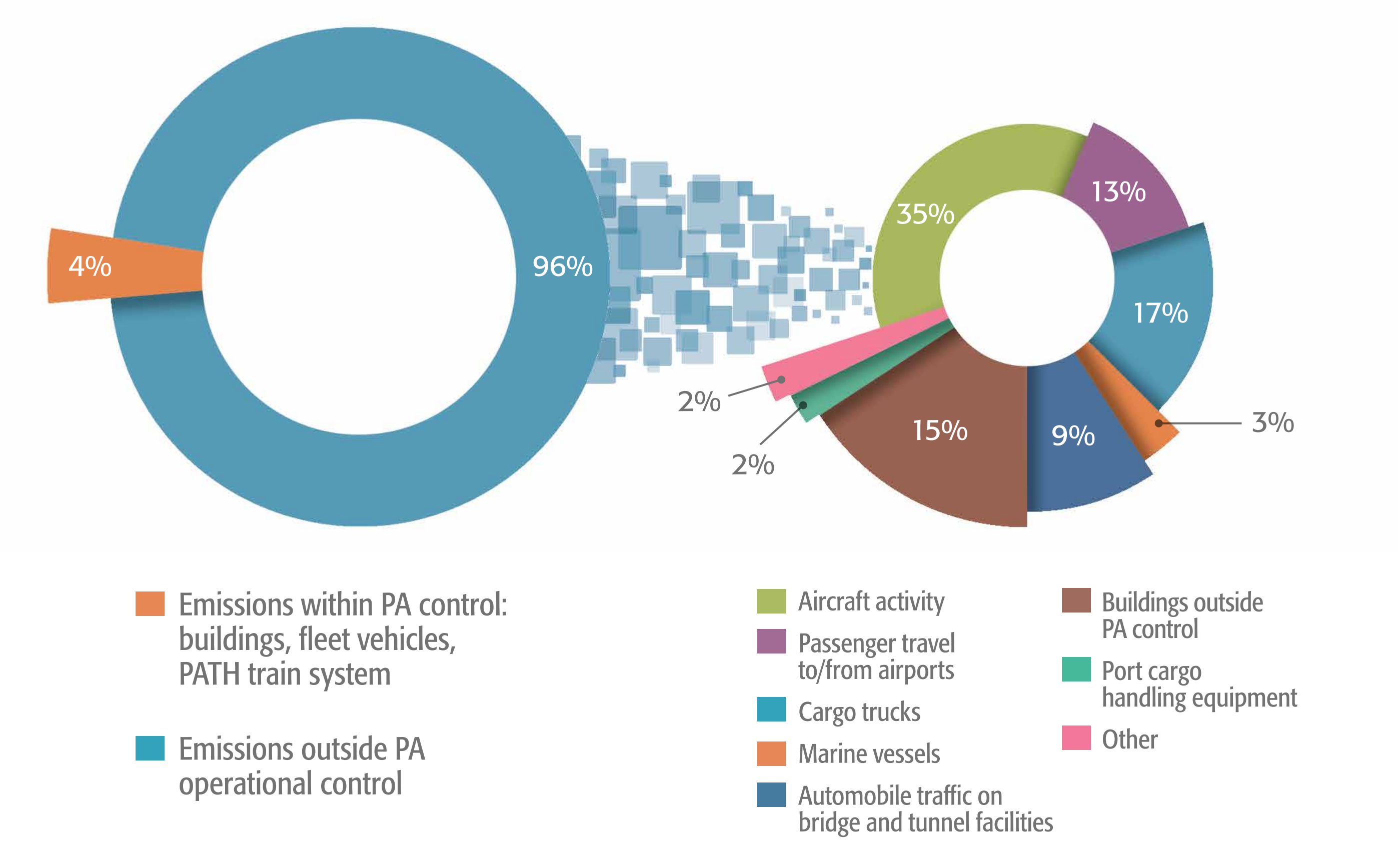
Pursuing energy efficiency, retrofitting, and renewable power generation projects aggressively throughout the agency. Energy efficiency projects completed in 2016 included extensive lighting retrofits at JFK and avoided emissions of 3,200 metric tons of carbon dioxide.

Creating Sustainable Management Plans for three Port Authority airports between the years 2012 and 2016, with extensive external stakeholder input and involvement. Reporting GHG gas emissions from its operations and some tenant operations to the Carbon Disclosure Project.

Creating Sustainable Infrastructure Guidelines (established in 2011) to impose sustainability requirements on all Port Authority-initiated infrastructure projects.

Installing extensive solar photovoltaic installations on several buildings at Newark Liberty International Airport to further reduce GHG emissions by 334 metric tons by generating 840 megawatts of clean energy in 2016 alone. In October 2016, a similar 82-kilowatt solar roof photovoltaic system came on line at Stewart International Airport and now produces up to 1.5 megawatt hours of clean, renewable power per week.

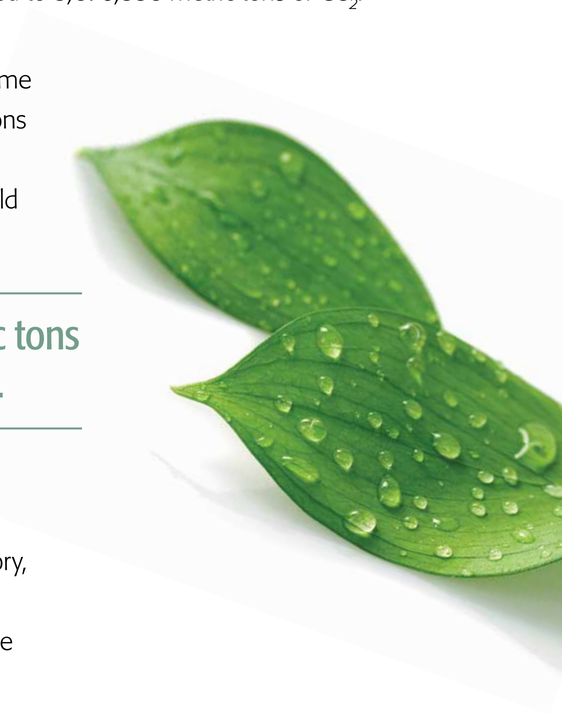
2015 GHG Emissions at Port Authority Facilities



**2015 is the latest data available for emissions. Total emissions for 2015 amounted to 5,870,338 metric tons of CO_2.*

Given the nature of the Port Authority's facilities, over 95 percent of emissions come from sources outside the Port Authority's operational control. Large sources of emissions from Port Authority operations include electricity for PATH trains as well as the Port Authority's buildings and infrastructure, such as the bridges and tunnels and airfield lighting at the airports.

Our projects reduce GHG emissions by about 25,000 metric tons annually, or the equivalent of taking 5,300 cars off the road.



A few large sources outside the Port Authority's operational control contribute to the majority of GHG emissions at Port Authority facilities. Aircraft takeoffs and landings at the Port Authority's airports constitute 35 percent of the agency's emissions inventory, and passenger travel to and from the airport constitutes another 13 percent of the emissions inventory. Cargo truck movements at airports and seaport facilities constitute an additional 17 percent of the agency's emissions inventory.

Expand and Connect

The Port Authority works constantly to expand its transportation network throughout the entire Port District while deepening the layers of connectivity that make this network invaluable to our regional economy. The programs listed below are timely in that they anticipate future needs and create the foundations for tomorrow today. The slate of work outlined below speaks highly of the agency's efforts in 2016. But it also supplies an overall brighter vision for our region and its future.

Recognizing the vital importance for our region's future, agency leadership is working closely with Port Authority Bus Terminal stakeholders to solicit input throughout project phases.

Under New York Governor Cuomo's vision, the agency will transform JFK into a unified, world-class airport as depicted in this rendering.

REDEVELOPING JOHN F. KENNEDY INTERNATIONAL AIRPORT

The transformation and redevelopment of the Port Authority's major airports extends to John F. Kennedy International Airport (JFK), the region's largest airport and the nation's busiest in terms of international passengers. In 2016, the airport welcomed an estimated 450,000 flights and served a record 59 million passengers. Demand is expected to continue increasing, with current forecasts estimating 100 million annual passengers by 2050.

Throughout 2016, the agency worked with New York Governor Andrew Cuomo's Airport Advisory Panel, expert consultants, and other local transportation agencies to reimagine a new JFK to meet the demands of the 21st century. These efforts culminated in a vision plan, which Governor Cuomo presented in early 2017. The plan details a new course that will transform JFK into a unified, world-class airport capable of accommodating passenger growth while keeping the region's economy moving forward through an estimated $7 billion in private investment.

It also includes plans for improved road access and expanded mass transit options to and from the airport.

The Port Authority is initiating efforts to develop a master plan, along with additional conceptual planning work to address the challenges highlighted in the vision plan. The 2017-2026 Capital Plan includes a $1 billion Port Authority commitment, which will support high-priority projects aimed at providing airport-wide infrastructure enhancements and help catalyze private terminal investment. Consistent with the New York Governor's nation-leading goal of 30 percent participation of minority and women-owned business enterprises (MWBE), the agency aspires to create significant MWBE contract opportunities.

Investments for John F. Kennedy International Airport, as depicted in this rendering, will help serve the region's growing population.

A rendering of the new Terminal A. The new facility will replace the existing Terminal Building at Newark Liberty International Airport that opened to the public in 1973.

The agency is planning opportunities for MWBEs to connect with the shortlisted design and construction firms for the new Terminal A at Newark Liberty International Airport. This image is a rendering.

REDEVELOPING TERMINAL A AT NEWARK LIBERTY INTERNATIONAL AIRPORT

In March 2016, the Board approved the expenditure of $2.3 billion for the Terminal A Redevelopment Program at Newark Liberty, a program expected to generate $3.3 billion in regional economic activity, create 9,000 job years, and provide $600 million in wages. A multi-phased development initiative, the Terminal A program addresses a new terminal building, a parking garage complex, and landside components, including roadway and utility upgrades. It also covers work on bridges and airside elements. Initial work authorized includes an estimated $196.3 million for continued program management and design of all program elements, as well as the construction of two bridges and associated civil, electrical, and paving elements.

Newark Liberty's Terminal A will be equipped to serve the forecasted increase in passengers while providing an open, modern terminal that offers a world-class customer experience. Importantly, the new terminal will, by design, adapt to increasing demands, including evolving requirements for air travel. The accompanying improved airfield layout will increase throughput of aircraft while also accommodating larger planes via dual taxi-lanes serving all gates.

The design-build process will allow the Port Authority to combine design and construction services into a single contract to expedite the Terminal A project.

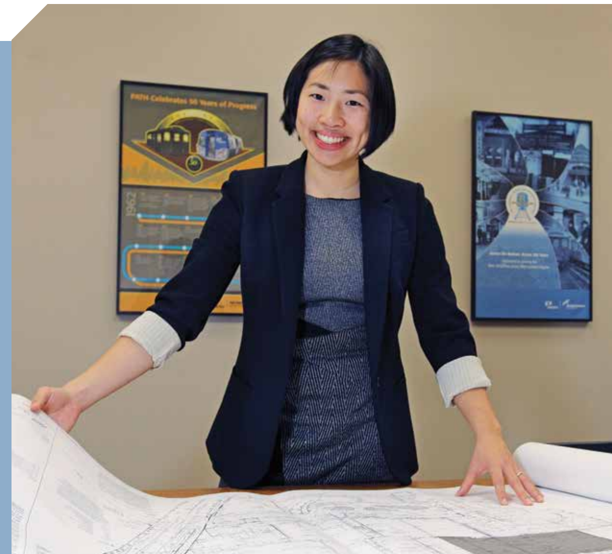
The Terminal A Redevelopment Program includes four key elements:

- A new, 1-million-square-foot common-use terminal with 33 gates that can accommodate 13.6 million annual passengers and future growth (the terminal could be expandable to 45 gates).
- Airfield paving on 140 acres contiguous with the new terminal, plus demolition of the existing Terminal A concourse.
- A new roadway network connecting the new terminal with the Central Terminal Area, including eight new bridges and frontage roads.
- An "open," naturally ventilated tiered garage and surface lot featuring approximately 3,000 parking spaces.

The program is currently in the planning and design stage, with an estimated partial opening of the new terminal in 2020 and full opening in 2022.

Forging Pivotal Relationships

Winnie Chang is a Project Manager in the agency's Rail Transit Department. Apart from performing her job requirements, Winnie liaises routinely with experts outside the agency in fields as diverse as railroad operations, engineering, law, real estate, and urban planning. She says: "With so many colleagues in the transportation sector, the Port Authority serves our region best by building strong working relationships with a diverse group of stakeholders. I make it a habit to seek out the research and leverage the lessons learned by our potential partners." Winnie is also active on the Transportation Research Board (TRB), attending its annual conference and contributing regularly to the TRB's publications.



Women across various career levels, with different ethnic backgrounds and family situations, joined together to inspire colleagues for International Women's Day.

FOSTERING A DIVERSE AND INCLUSIVE AGENCY

The Port Authority's Office of Human Capital (HC) advanced many initiatives in 2016, all focused on supporting the agency's thousands of dedicated and talented employees.

Topping the list were HC's efforts to foster a more diverse workforce and inclusive workplace—critical to employee engagement and innovation, as well as business performance—while expanding recruitment outreach to promote career opportunities to a wider array of job seekers.

Drawing from industry best practices, HC established the Diversity and Inclusion (D&I) Council—a steering committee of executives and members of Employee Resource Groups (ERGs) that helps direct our overarching D&I strategy. HC also supported the development of a performance metric that enhances the Port Authority's ability to measure progress in advancing its equal employment opportunity goals.

Additionally, the office was integral in organizing the Port Authority's inaugural International Women's Day event, which celebrated women role models in the agency with the newly formed Port Authority Women's Council ERG.

With respect to recruitment outreach, HC also launched the Talent Ambassadors Program, through which employees from across the agency volunteer at job fairs to provide job seekers with candid, in-depth insight into a Port Authority career. The program has enabled the agency to increase its recruitment outreach and more effectively network with a variety of job seekers, including students, tradespeople, and military veterans.

REPLACING THE PORT AUTHORITY BUS TERMINAL

Throughout 2016, the Port Authority followed through on efforts to support planning for the design and construction of a new Bus Terminal. The new Bus Terminal is a critical element of the trans-Hudson transportation network's ability to offer reliability and capacity for the travel demand of the future.

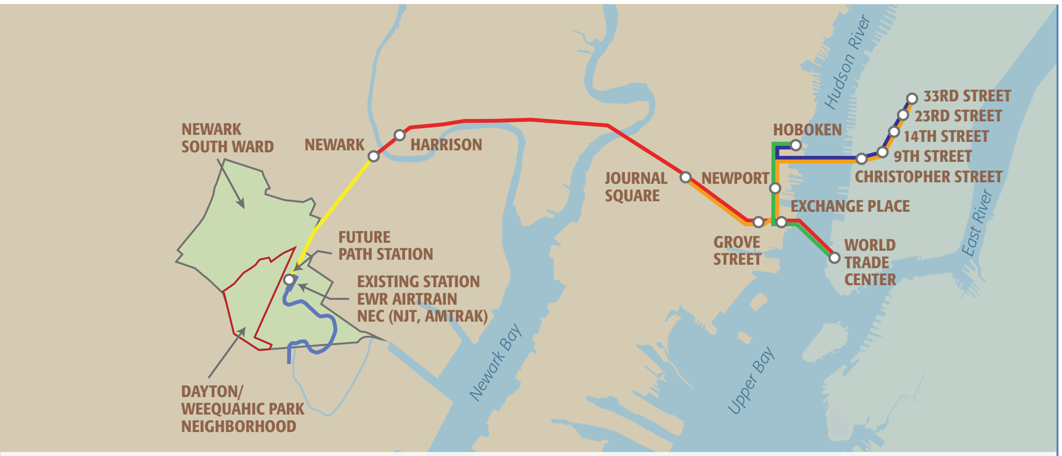
Following the Board's authorization, the Port Authority initiated the Port Authority International Design+Deliverability Competition and the Trans-Hudson Commuting Capacity Study. The purpose of these efforts was to solicit ideas for a replacement bus terminal and to evaluate the prospects for expanding multi-modal trans-Hudson commuting options prior to initiating the formal project planning and environmental review process.

The Design+Deliverability Competition was launched to supplement the planning efforts already undertaken by the Port Authority in its Midtown Bus Master Plan and other interstate bus transportation planning. The competition sought innovative concepts and creative ideas as added input to the transportation and urban design considerations for a replacement bus terminal in Midtown Manhattan. The competition sought multi-disciplinary teams with expertise and accomplishment in the planning, design, and delivery of large-scale, intermodal transportation projects within high-density urban environments. The submissions in the competition were evaluated by an international panel of experts from a broad array of disciplines, who provided the Port Authority Board of Commissioners with a comparative analysis of the submissions from five finalists. The competition results represent an increased contribution to the foundation of materials as the Port Authority begins the formal planning and public engagement on options for the future of the Bus Terminal and critical bus parking and staging facilities.

The PABT Interim Improvement Program aims to enhance the customer experience at the 64-year-old terminal.

The Trans-Hudson Commuting Capacity Study evaluated a range of strategies for meeting and managing anticipated increases in trans-Hudson commuter demand through 2040, to inform deliberations on conceptual planning for replacement of the Bus Terminal and supporting facilities. The study affirmed regional forecasts that all see strong growth in overall trans-Hudson commuting demand across all modes, and identified emerging constraints and potential remedies in a fresh analysis of the Interstate Bus Network—which relies on efficient integration of the Route 495 Corridor, Lincoln Tunnel, PABT, and bus parking and staging for reliable service. As the Bus Terminal is just one component of the trans-Hudson commuting system, the study provided key recommendations for interim and long-range operational and technological capacity improvements for consideration to improve the bus network and expand other trans-Hudson commuting options.

Since the completion of the Design+Deliverability Competition and Trans-Hudson Commuting Capacity Study, the Port Authority is committed to a collaborative approach with both New York and New Jersey communities and representatives. The agency aims to foster bistate dialogue and involvement in the planning, design, and construction of a new Bus Terminal as we evaluate a range of alternatives. In addition, the agency's 10-year Capital Plan has allocated $3.5 billion to undertake the applicable federal, state, and local planning and environmental reviews, public involvement and participation, design and permitting, and initial construction of a replacement terminal and supporting facilities.



A map of the proposed extension of the PATH system to the Northeast Corridor Rail Link Station.

LINKING PATH WITH NEWARK LIBERTY RAIL LINK STATION

Included in the 2017-2026 Capital Plan, which was approved by the agency's Board of Commissioners, is an extension of the PATH rail system from its current terminus at Newark-Penn Station to the Northeast Corridor Rail Link Station at Newark Liberty International Airport. Extending the PATH system would improve transit access for airport customers and commuters coming from many of the communities currently served by PATH, including Lower Manhattan and Bergen, Hudson, and Essex counties in New Jersey, as well as providing new access to transit for the Dayton Street neighborhood, within Newark's South Ward.

This program, which may include the construction of a new PATH station at the Newark Liberty Rail Link Station accessible to pedestrians and buses, will undertake further planning, environmental review, design, and public outreach and participation.

CONNECTING LAGUARDIA WITH AIRTRAIN

At its February 2017 meeting, the agency's Board of Commissioners authorized the expenditure of $20 million to begin feasibility planning for a new AirTrain system at LaGuardia. Currently, LaGuardia is the only major airport in the New York City/Northern New Jersey region without direct rail transit access. Providing train access to LaGuardia will reduce traffic congestion and travel time delays while offering improved route predictability to the 34 million passengers forecast to use LaGuardia Airport annually by 2030.

A rendering of the proposed LaGuardia AirTrain.

The 430-acre Cape Liberty Cruise Port site was created in Lower New York Harbor by private developers in the 1930s as a man-made peninsula off the eastern end of Bayonne, New Jersey.

GROWING THE CRUISE INDUSTRY AT CAPE LIBERTY CRUISE PORT

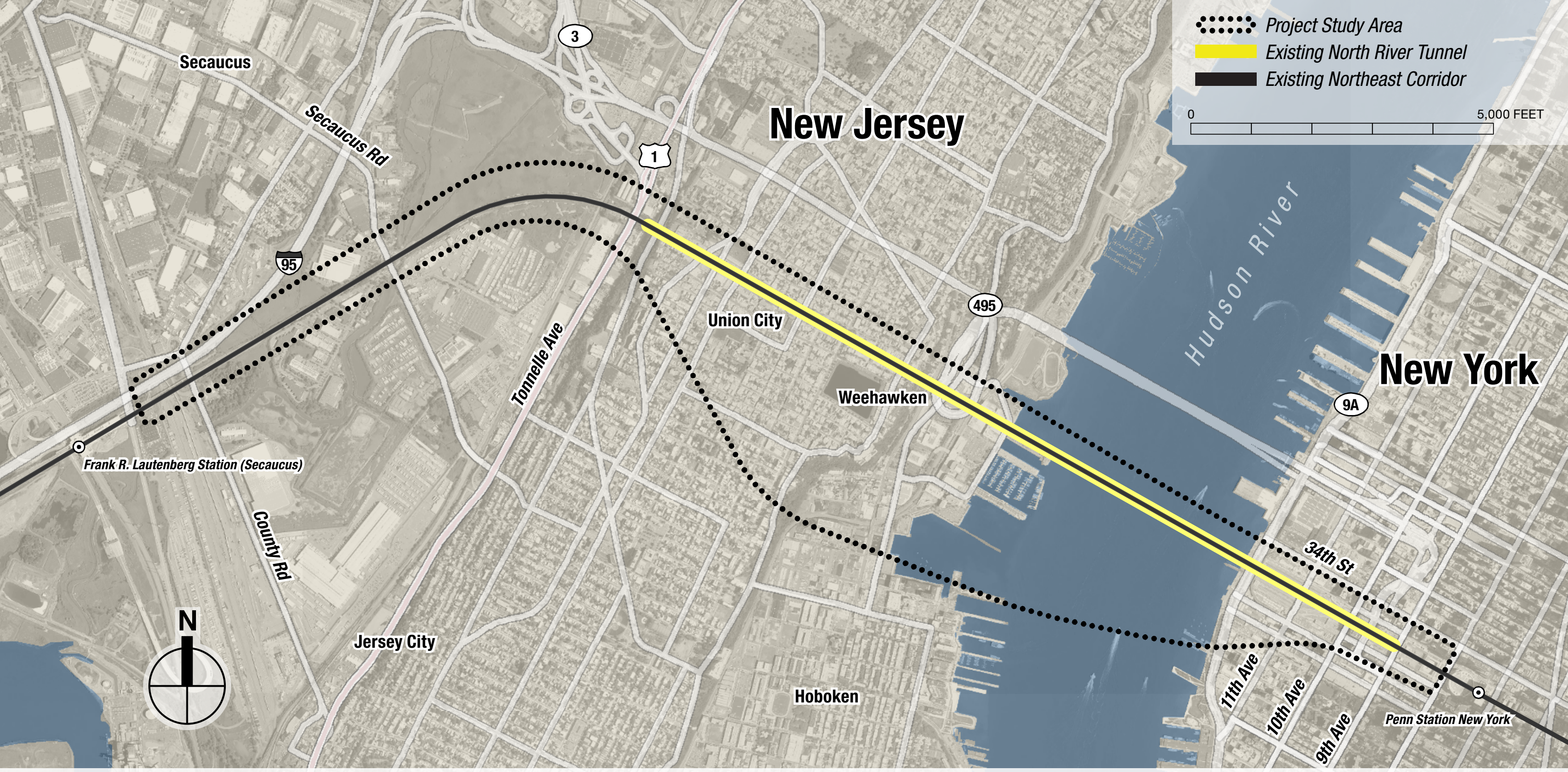
In 2016, the Cape Liberty Cruise Port (CLCP) in Bayonne, New Jersey, handled an aggregate of 509,609 passengers. This marked the first year that CLCP surpassed a half-million passengers in its nine-year history, an approximately 2.4 percent increase over the same count in 2015, and a healthy 59 percent increase in overall activity from CLCP's operational commencement in 2008.

The latest projections show continued growth for Cape Liberty, largely due to the terminal's addition of two new vessels to its current itinerary. Royal Caribbean Cruise Line (RCL) and the German-based TUI Cruises are adding two ships for the 2017 fall season. TUI Cruises' vessel will call CLCP following its first transatlantic sailing to North America, thereby realizing the potential for Cape Liberty to serve as a destination port with accommodations for overnight stays.

Partner

Large, complex infrastructure projects require increasingly careful planning and vital collaboration with external partners. But the agency's focus on partnerships also extends to working closely with agencies at both the state and federal levels and collaborating with regional stakeholders to create relationships that benefit all parties, and therefore the people who live and work in our region.

To prepare for the unprecedented capital work taking place at Port Authority facilities, agency leadership is working to increase its pool of certified minority- and women-owned businesses.



Phase 1 of the Gateway Program includes the Portal North Bridge Replacement Project, construction of two new rail tubes under the Hudson River, and the rehabilitation of the existing, damaged tunnel.

SUPPORTING THE GATEWAY PROGRAM

The Gateway Program is a comprehensive rail investment program that works to benefit the Northeast Corridor (NEC)—the most heavily used passenger rail line in the nation, in terms of both ridership and service frequencies. The Program focuses on improvements to the NEC between Newark, NJ and Pennsylvania Station in New York City, which carries over 200,000 NJ TRANSIT and Amtrak passengers a day. It relies on 107-year-old tunnels under the Hudson River, which sustained damage in Superstorm Sandy in 2012.

In 2016, the Port Authority continued to work with federal and local partners—including the United States Department of Transportation (USDOT), Amtrak, and NJ TRANSIT—to advance Phase 1 of this series of critical projects, in accordance with the framework announced in November 2015 by the Governors and U.S. Senators of New York and New Jersey. The Program's Phase 1 includes the Hudson Tunnel Project and the replacement of the existing Portal Bridge.

In its 2017-2026 Capital Plan, the Port Authority has included support for debt service on $2.7 billion in low-interest borrowing to be obtained by the Gateway Program Development Corporation (GPDC), a non-profit established in 2016 to advance the Gateway Program. GPDC is not a subsidiary or component unit of the Port Authority.

This is the largest commitment made by any project partner to date and will ensure that the region effectively meets future trans-Hudson travel needs. Included in this commitment is the Port Authority's debt service support on an anticipated $284 million federal loan to GPDC, plus up to $18 million in issuance costs, for the Portal North Bridge that was approved by the Board of Commissioners at the October 2016 meeting. On all Port Authority commitments to support the GPDC's low-interest federal loans, the Port Authority's commitment is capped at the agreed principal amount and it will not be the primary obligor, nor will it be liable for any construction completion, cost overrun, or project funding risk.

NJ TRANSIT The Way To Go.
AMTRAK
Department of Transportation United States of America
THE PORT AUTHORITY OF NY & NJ

Leading the Maritime Industry

BethAnn Rooney is the Assistant Director for Strategy and Innovation in the agency's Port Department. She serves on the Industry Advisory Board for SUNY Maritime College, the International Association of Maritime and Port Executives, the Science and Education Advisory Board for the U.S. Department of Homeland Security's Center of Excellence on Maritime Security, and the Advisory Board of the United States Maritime Resource Center, all of which, she says, informs her work as one of the Port Authority's foremost maritime experts. She also finds time to teach classes on port terminal management at both SUNY Maritime College and the U.S. Merchant Marine Academy. Beth brought her many talents to bear in developing the concept for the Council on Port Performance, which brings terminal operators, shippers, trucking firms, and warehousemen together to discuss important logistics issues. This routine and open dialogue has created port efficiencies that expedite cargo movement.

ENGAGING THE PUBLIC ON ENVIRONMENTAL STRATEGY

In December 2016, the Port Authority partnered with the U.S. EPA to host a listening session at which the public, port industry, environmental, and other stakeholders could provide comments and suggestions on ways to further reduce port-related air emissions and improve air quality at or around the Port of New York and New Jersey. Input gathered during the session helped to frame a collaborative plan for dealing with future environmental issues in our region.

Between 2006 and October 2015, the Port of New York and New Jersey achieved a 33 percent reduction in port pollutants.

The new TWA Hotel will have an observation deck, bars and restaurants, and a museum that showcases the story of TWA and the history of Queens, where the Jet Age was born.

PRESERVING AND REDEVELOPING THE TWA FLIGHT CENTER

The Port Authority entered into a lease to launch one of the most anticipated adaptive reuse projects in New York City—celebrating and preserving Eero Saarinen's iconic TWA Flight Center at JFK Airport, and transforming it into the new TWA Hotel. Groundbreaking on this project took place in December 2016, and construction is well underway, with an expected opening in 2019.

MCR Development will restore the landmarked facility, and transform the terminal into the centerpiece of a larger hotel, building two new wings with 505 rooms, a new meeting and event space, and an observation deck. MCR will also install a rebuilt historic Constellation aircraft adjacent to the hotel. The $265 million construction project is completely funded by the private sector, although the Port Authority has previously invested nearly $20 million to restore historic elements and stabilize the building, in order to prepare it for this type of investment and development.

Through networking events and outreach, the agency is striving to meet the Governor of New York's 30 percent MWBE goal, the highest such goal in the nation.

COLLABORATING WITH REGIONAL MWSDBEs

Opportunities for minority, women-owned, small, and disadvantaged business enterprises (MWSDBEs) to partner with the Port Authority or build collaborative relationships with its prime contractors and developers continued in 2016. The agency, including the tenants at its airports and the WTC construction projects, accounted for approximately $300 million in contracts and sub-contracts with MWSDBEs.

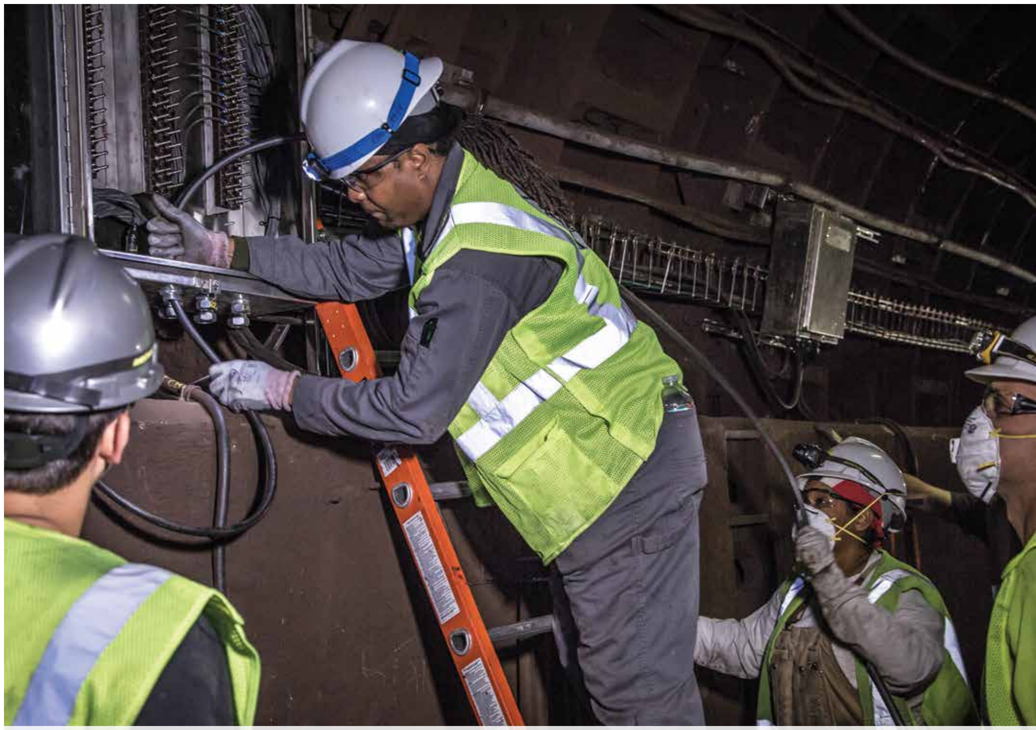
The contracts with MWSDBEs were augmented by another $200 million from activities related to the LaGuardia Terminal B Redevelopment Program. LaGuardia Gateway Partners (LGP) and its contractor, Skanska Walsh Joint Venture, working with the Port Authority and New York State, have been aggressively promoting the project and pursuing contracts with MWBEs, in support of Governor Andrew Cuomo's goal of 30 percent MWBE participation — the highest such pledge in the nation.

The agency's Office of Business Diversity and Civil Rights also sponsored or participated in more than 50 outreach and networking events in New York and New Jersey to promote the agency's robust capital program. Among the highlights, in September 2016, the Port Authority collaborated with Engineering News-Record to present its third annual MWSDBE-focused industry conference, "Building Relationships to Drive Success," which attracted over 500 attendees. Port Authority employees and project partners showcased the agency's major capital projects and the diversity and breadth of opportunities. The event consisted of panel discussions, presentations, and networking sessions facilitated by the Port Authority, LGP, and other partner organizations. The half-day event had record-breaking attendance for the third year in a row.

As a reflection of the strong interest in our programs, as well as Port Authority and partner opportunities, over 1,000 MWSDBE certification requests were received in 2016.

Concretizing Expertise in Materials Engineering

Casimir Bognacki is the agency's Chief of Materials Engineering. He manages and trains Port Authority employees who test and inspect construction materials used at all agency facilities. To deepen his technical knowledge, Casimir joined (and served as President of) both the New York City and New Jersey chapters of the American Concrete Institute. He serves as a voting member on several technical committees of the American Concrete Institute, while also serving on the research advisory committee for the RE-CAST University Transportation Center. In 2013, Casimir served as chairman of a technical committee of engineers tasked with updating the concrete section of the New York City Department of Buildings Code. The changes Casimir helped to invoke reduced the cost of concrete and made it possible to produce "greener," high-strength concrete in New York City.



Restoration and replacement work affects approximately two miles of direct fixation track, and nearly three miles of ballasted track in tunnels and open areas.

RECOVERY FROM SUPERSTORM SANDY

Superstorm Sandy caused billions of dollars in damages to Port Authority facilities. Agency staff at airports, marine terminals, tunnels, and the PATH rail system continue to recover, protect, rebuild, and add resiliency against future extreme weather events.

The scope and importance of such an undertaking have necessitated collaboration with the Federal Transit Administration (FTA) and the Federal Emergency Management Agency (FEMA). Through federal disaster recovery and resilience grants, these partners act as the primary sources of funding for the approximately $2 billion Superstorm Sandy Capital Program. In all, the program encompasses numerous separate projects geared at recovery and bolstering resilience against future extreme weather events and other natural disasters.

The Port Authority's Storm Mitigation and Resilience Office has led this program since 2013. Current estimates show that nearly 70 percent of the program's projects will be completed by 2021.

Deliver

One of the agency's primary goals is to deliver on projects where work has already begun. The initiatives outlined below represent the more prominent projects the agency shepherded toward completion, if not completion itself. The agency deems it pivotal to advance all projects and initiatives necessary to ensure the safe and efficient operation of Port Authority facilities, and to deliver these projects in a timely fashion.

The George Washington Bridge Bus Station will feature an array of first-class national and local retailers, new bus loading/unloading areas, passenger amenities, and new ADA-compliant escalators and elevators from the subway and street to the bus station level.

Once the newly elevated Bayonne Bridge opened to drivers, the project's work shifted to removing the old roadbed, thereby offering the proper clearance for larger neo-Panamax vessels.

RAISING THE ROADWAY OF THE BAYONNE BRIDGE

The iconic Bayonne Bridge spans the Kill Van Kull, a shipping lane that runs between Bayonne, New Jersey, and Staten Island, New York, and acts as a vital channel to access the Port of New York and New Jersey.

Next-generation cargo ships are so large that they cannot fit under the Bayonne Bridge's original roadbed, which traverses the Kill Van Kull 151 feet above the waterline. After carefully considering all options, the Port Authority commissioned a major project to "Raise the Roadway" of the Bayonne Bridge by 64 feet (achieving clearance at 215 feet above the waterline). Doing so will allow larger, modern container ships to pass under the bridge on their way to regional berths.

The full project entails preserving the bridge's existing arch to build a new main span, as well as approach structures and access ramps from both the New York and New Jersey sides. The new span will conform to current design standards by providing wider 12-foot lanes, a median safety barrier, and shoulders. It will also include amenities such as a bikeway and a walkway that extend the entire length of the bridge and allow for a future transit corridor. Higher navigational clearance will be available in late 2017, and the entire project is anticipated to be complete by mid-2019.

On February 20, 2017, the Bayonne Bridge's new upper roadway opened for automobile traffic, and launched a new system of cashless tolling. Demolition of the old, lower roadway began soon afterward.

The new roadbed for the Bayonne Bridge features a cashless tolling system that bills drivers heading into New York. Northbound to New Jersey is always free. Some restrictions apply.

The redevelopment of Greenville Yard is expected to produce 2,040 job years, $145 million in wages, and $482 million in economic activity.

REDEVELOPING GREENVILLE YARD AT THE PORT OF NEW YORK AND NEW JERSEY

Located in Jersey City, New Jersey, the Greenville Yard-Port Authority Marine Terminal connects Brooklyn, Queens, and Long Island to the national rail network via cross-harbor freight rail barge service. Traditionally, the facility has been used in part by the Port Authority's New York New Jersey Rail, LLC (NYNJR).

A redeveloped Greenville Yard will advance Port Authority objectives to increase both modal diversity and rail service capacity within the Port of New York and New Jersey. The new Greenville Yard will bolster the port's competitiveness by accommodating both NYNJR's cross-harbor traffic and international shipping containers loaded onto rail at the planned ExpressRail Port Jersey facility, otherwise known as Global Container Terminal (GCT) Bayonne Intermodal Container Transfer Facility (ICTF).

Overall, the new Greenville Yard will move goods through our region with greater efficiency while providing significant environmental benefits by reducing vehicular travel times, fuel consumption, and emissions.

The overall project is slated to cost $356 million, with costs split between the Port Authority, Conrail, and GCT Bayonne. The Port Authority's share is limited to $320 million, with Global Marine Terminals and Conrail contributing an additional combined $36 million. The overall scope of the program includes final design and construction of the upgraded cross-harbor barge service infrastructure; the purchase of new, ultra-low emissions locomotives (already in service); installation of support tracks; construction of two new higher-capacity rail car float barges; and reconstruction of Transfer Bridge #10.

Work is scheduled to begin in 2017 and is slated to follow two phases. In general, Phase 1 covers completion of all Cross-Harbor and ICTF support and working tracks while Phase 2 will cover the acquisition of key properties, as well as completion of design and construction access roads between GCT Bayonne's ICTF and the lead tracks to the west.

The new Harrison PATH station, a $256 million reconstruction, features glass-and-steel design and fully modernized amenities.

MODERNIZING PATH'S HARRISON STATION

Constructed in 1936, PATH's Harrison Station is approaching the end of its useful life. It no longer meets contemporary codes and standards, including ADA accessibility, and cannot accommodate PATH service demands in the transit-oriented town of Harrison, New Jersey.

The new station will be replaced and upgraded to accommodate ridership growth through modern steel and glass facility entrances. The new entrances will provide riders with weather-protected facilities, platform-level areas with increased visibility, and clear way-finding signage.

Building Bridges to a Better Region

Roger Prince is the Port Authority's General Manager of Staten Island Bridges. He oversees operations at the facilities under his charge, even as two major bridge capital projects are underway simultaneously — the Bayonne Bridge Navigational Clearance Program and the Goethals Bridge Replacement Project. But he still finds time to participate in the American Society of Civil Engineers and the Intelligent Transportation Societies of New York and New Jersey. Both organizations share information regarding project delivery and regional mobility. Roger also serves as the Port Authority's Line Department liaison to the agency's Office of Continuous Improvement. In this capacity, he works with agency stakeholders to improve productivity, reduce costs, generate revenue, and foster innovation.

The agency's fully staffed 24x7 Cybersecurity Operations Center (CSOC) responds to all alarms generated by its cybersecurity tools, and to alerts received from the agency partners and cybersecurity services.

AUGMENTING THE AGENCY'S CYBERSECURITY

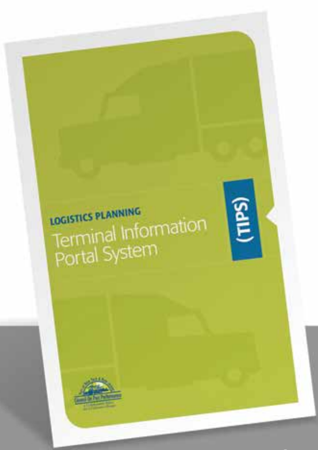
Throughout 2016, the Port Authority's Office of the Chief Security Officer collaborated with the Chief Technology Officer to advance the agency's cybersecurity program.

Cybersecurity awareness has increased in recent years. The agency has responded by releasing an online cybersecurity awareness training program, in which both represented and non-represented staff must participate. To promote further awareness, cybersecurity tips are now routinely included in agency employee newsletters.

The Port Authority also promotes October Cybersecurity Awareness Month by placing informational posters throughout its facilities. It has implemented cybersecurity requirements to secure how the agency procures, implements, and maintains its Information Technology and Industrial Control systems.

In 2016, the agency's first 24/7 Cybersecurity Operations Center became fully operational. The facility provides real-time responses to augment existing cybersecurity tools and monitoring services.

The new Truck Management System is just one measure to improve the flow of trucks and containers through the port. Other measures include extended terminal gate hours and a chassis pool.



The Council on Port Performance publishes free copies of the Truckers Resource Guide in Spanish, Chinese, and Polish.

IMPLEMENTING A TRUCK MANAGEMENT SYSTEM AT THE PORT OF NEW YORK AND NEW JERSEY

Throughout 2016, the Port Authority worked in conjunction with Sustainable Terminal Services, a consortium of the port's six marine terminal operators, to develop, test, and roll out a Truck Management System (TMS) at Global Container Terminals (GCT) Bayonne.

The TMS is essentially a reservation system that aims to meter truck arrival rates while keeping resources for all stakeholders operating at maximum levels, thereby decreasing truck turn times and adding a level of consistency for each trip. The system should also improve productivity and terminal capacity, reduce the number of trouble tickets/transactions, mitigate traffic impacts on surrounding roads, and decrease emissions. Implementation of the TMS fulfills a pivotal Tier One Recommendation of the Port of New York and New Jersey's Port Performance Task Force.

GCT rolled out the appointment system on a limited basis beginning Sunday, January 15, 2017. GCT Bayonne is the first of the Port of New York and New Jersey's six constituent marine terminals to implement the TMS. Other container terminals are expected to bring the TMS online in the future.

Reports from the TMS's pilot program in early 2017 showed promising results. GCT Bayonne reported the system reduced congestion and improved efficiency by cutting turn times.

GRADUATING THE 114th CLASS OF THE PORT AUTHORITY POLICE DEPARTMENT

On December 9, 2016, 80 cadets graduated from the Police Academy as part of the Port Authority Police Department's (PAPD) 114th class. As the most recent group to pass this pivotal test, the cadets received the most up-to-date, comprehensive, and specialized training in modern policing.

This graduating class is among the PAPD's most diverse. Thirty percent of the class was composed of officers who are African American, Hispanic, or of Asian descent. Nine graduates are military veterans. These men and women now join the front lines in carrying out the PAPD's mission to protect Port Authority customers and safeguard our critical transportation facilities.

The PAPD provides a mission-oriented sense of purpose through its fundamental dedication to public service.

Informing the Public Through Social Media

Russell Jordan is the agency's first Social Media and Website Specialist. He pioneered the Port Authority's various presences on Facebook, Twitter, and Instagram, and helps departments across the agency leverage social media to meet their business goals. Throughout 2016, he worked with agency partners to lay the foundation for the agency's "Crisis Communications Workbook," a set of policies and protocols that structure the Port Authority's social media response during emergencies. Beyond his normal job responsibilities, Russell contributes regularly to the weekly Tweetchat sessions (#gsmchat) sponsored by the Government Social Media Organization. As a working professional actor, he also teaches the effective use of social media to actors.

UPGRADING PATH'S GROVE STREET STATION

Located at the intersection of Grove Street, Marin Boulevard, and Christopher Columbus Drive in Jersey City, New Jersey, the PATH Grove Street Station was first opened in 1910 and last modified with the opening of the northeast entrance in 2005. The facility serves two busy commuter PATH services, the Newark to World Trade Center Line and the Journal Square to 33rd Street Line.

To make the station accessible under guidelines set forth by the Americans with Disabilities Act (ADA), the Port Authority embarked on a project to construct a new ADA-compliant elevator at the Grove Street Station's southwest entrance. This work is on schedule for completion in 2017.

Highlights of the work performed in 2016 included the construction of a street-to-mezzanine elevator and a mezzanine-to-platform elevator. The work completed included expanding, reinforcing, and waterproofing the elevator system, shaft, corresponding beams, and mechanical room.

Electrical panels were also installed. Simultaneously, the elevator access was advanced by opening the station's floors and installing steel framework and other essential forms on the station's platform and mezzanine levels. Electrical and plumbing work continued apace concurrently, and featured the installation of sprinkler systems and sump pumps.

By the end of 2016, construction for the Grove Street Station elevator was more than 80 percent complete.

The state-of-the-art World Trade Center Transportation Hub, completed in 2016, serves 250,000 PATH daily commuters and millions of annual visitors from around the world.

EXPANDING THE NEW WORLD TRADE CENTER CAMPUS

Long in the making, and considered by many a vital sign of the region's economic and spiritual resurgence in the wake of September 11, 2001, the World Trade Center received some final touches in 2016. Many of these accomplishments involved the World Trade Center Transportation Hub (the Hub), which includes the well-known Oculus, and officially opened in March.

In May, the Port Authority celebrated opening Platform B in the Hub's eastern portion. Doing so provided more than 100,000 PATH riders with immediate direct connections via a below-ground, climate-controlled passage to the MTA's Fulton Transit Center and its nine New York City subway routes. Access to the MTA's E subway line followed later in the year, and was noteworthy because the agency restored this entrance to its original pre-9/11 state. PATH riders who had previously used Platform C service to access Newark and Journal Square Stations were pleased by the convenient option Platform B offered their traditional commute, as well as the facility's state-of-the-art lighting, speakers, illuminated signs, and elevators.

The opening of Platform B dovetailed with the agency's opening of a new, ADA-accessible entrance linking the World Trade Center Transportation Hub to PATH service at the corner of Vesey and Church streets in Lower Manhattan one month later. Direct access from the Transportation Hub to the West Concourse that connects to Brookfield Place, Battery Park City, and ferries to New Jersey also opened in June. By August, the agency had opened entrances via Greenwich and Church streets, which were followed a month later by the final two platforms on the Hub's mezzanine level, which improved overall circulation for all regional transit customers.

Also in August, the Port Authority coordinated with Westfield Corporation to open various retail spaces in the Hub, solidifying this facility as a top shopping destination for travelers from around the world, and Lower Manhattan in general as a business district of enduring remembrance and cultural vitality.

The 'Oculus' (seen here from outside) serves as the centerpiece of the World Trade Center Transportation Hub, incorporating 78,000 square feet of multi-level, state-of-the-art retail and dining.

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, 2016 and December 31, 2015, 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 1, 2017. 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 slightly ahead of 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 professional business services, leisure and hospitality, tourism, education and healthcare.

Activity levels at the region's three major airports saw passenger levels increase 5.1 percent in 2016 to an all-time high of 129 million passengers. Increases in domestic and international aviation passengers were primarily due to increased seating capacity and an overall decline in ticket prices. PATH passenger volumes increased 2.6 percent in 2016 to 78.6 million passengers. This increase in PATH ridership was primarily due to continued employment growth in Manhattan and Hudson County New Jersey. Containerized cargo levels at Port Department facilities decreased 1.7 percent to 3.6 million containers in 2016, primarily due to the normalization of cargo distribution previously diverted from West Coast ports. Vehicular activity levels at the Port Authority's six (6) vehicular crossings totaled 118.8 million vehicles in 2016, an increase of 2.4 percent when compared to 2015. This rise in vehicular traffic continues the recent growth trends and the interrelated economics, such as improved recreational spending and a continuation of lower fuel 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, 2015. The Port Authority has received this award since 1984, making this the 32nd 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 2016 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 1, 2017

Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

The Port Authority of New York and New Jersey

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

INDEX TO FINANCIAL SECTION

The Port Authority of New York & New Jersey
Financial Statements and Appended Notes for the Year Ended December 31, 2016

Prepared by the Comptroller's department of the Port Authority of New York and New Jersey.
www.panynj.com

CERTIFICATE WITH RESPECT TO 2016 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, 2016 and December 31, 2015 (the "Financial Statements") 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 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 1, 2017

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 financial statements of The Port Authority of New York and New Jersey (the Port Authority), which comprise the consolidated statements of net position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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.p to the consolidated financial statements, as of January 1, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. 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 included in the Required Supplementary Information Section identified in the Index to Financial Section, be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits for the years ended December 31, 2016 and 2015 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 Index to Financial Section, related to the years ended December 31, 2016 and 2015 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, 2016 and 2015, 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, 2016 and 2015 is fairly stated, in all material respects, in relation to the 2016 and 2015 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, 2014, 2013, and 2012 (not presented herein), and have issued our report thereon dated March 13, 2015, 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 Index to Financial Section, for the years ended December 31, 2014, 2013, and 2012, and the supplementary information included in Schedule D-3, as listed in the Index to Financial Section, for the year ended December 31, 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 2014, 2013, and 2012 consolidated financial statements, as applicable. This information has been subjected to the auditing procedures applied in the audits of the 2014, 2013, and 2012 consolidated financial statements, as applicable, 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, 2014, 2013, and 2012, and the supplementary information included in Schedule D-3 related to the year ended December 31, 2014, is fairly stated, in all material respects, in relation to the 2014, 2013, and 2012 consolidated financial statements, as applicable, as a whole.

The Port Authority's consolidated financial statements for the years ended December 31, 2007 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 2007 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 as a whole.

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 2007 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, 2016, and the revenues and reserves for the year then ended, of the Port Authority 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.

KPMG

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

Emphasis of Matters

Basis of Accounting

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

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 1, 2017


37223
37213

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2016 and 2015

Introduction

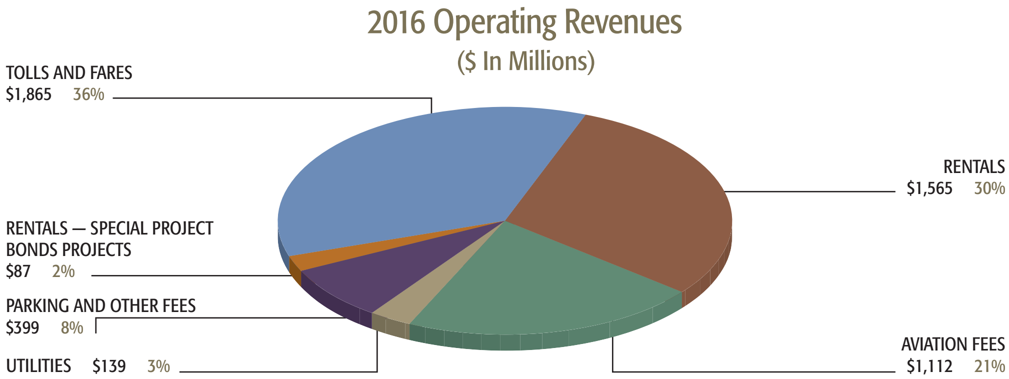
The following discussion and analysis of the financial activities of The Port Authority of New York and New Jersey (the Port Authority) and its component units described herein (See *Note A.1.d – Nature of the Organization and Summary of Significant Accounting Policies*) is intended to provide an introduction to and understanding of the consolidated financial statements of the Port Authority for the year ended December 31, 2016, with selected comparative information for the years ended December 31, 2015 and December 31, 2014. 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 the Management's Discussion and Analysis section of this report.

2016 Financial Results

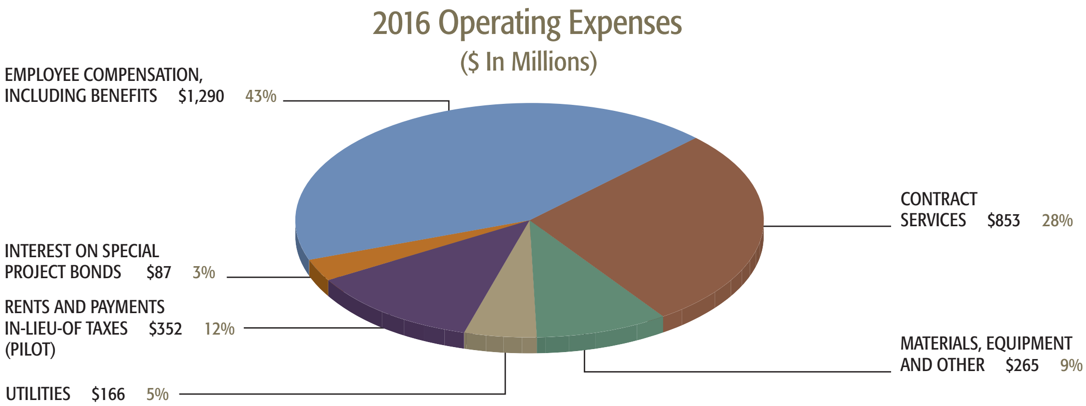
The Port Authority's increase in net position for the year ended December 31, 2016 totaled $1.0 billion, comprised of $916 million in income from operations and $130 million in income from non-operating activities.

Description	**2016**
	(In thousands)
Gross operating revenues	$ 5,167,364
Operating expenses	(3,013,087)
Depreciation and amortization	(1,238,512)
Income from operations	915,765
Non-operating expenses, net	(809,747)
Capital contributions and Passenger Facility Charges (PFCs)	939,313
Income from non-operating activities	129,566
Increase in net position	**$ 1,045,331**

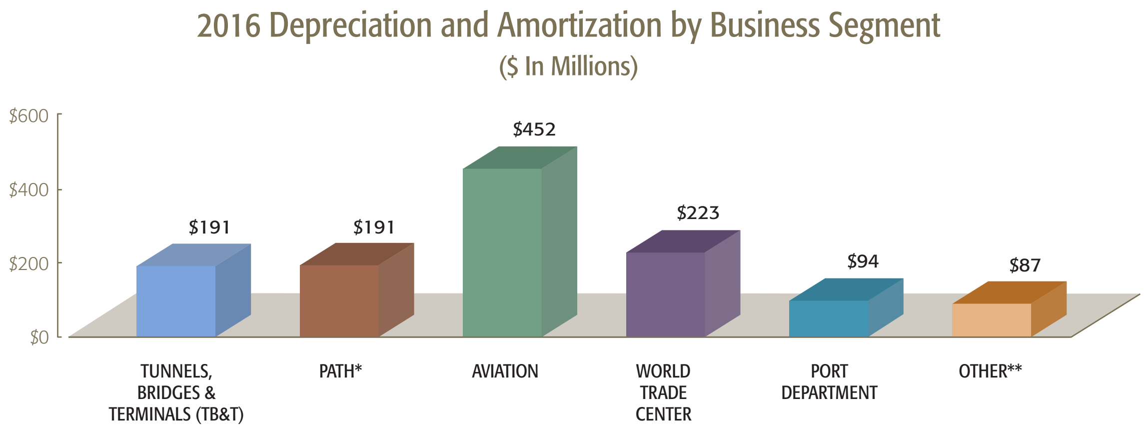
Gross operating revenues totaled $5.2 billion in 2016, comprised of:



Operating expenses totaled $3.0 billion in 2016, comprised of:



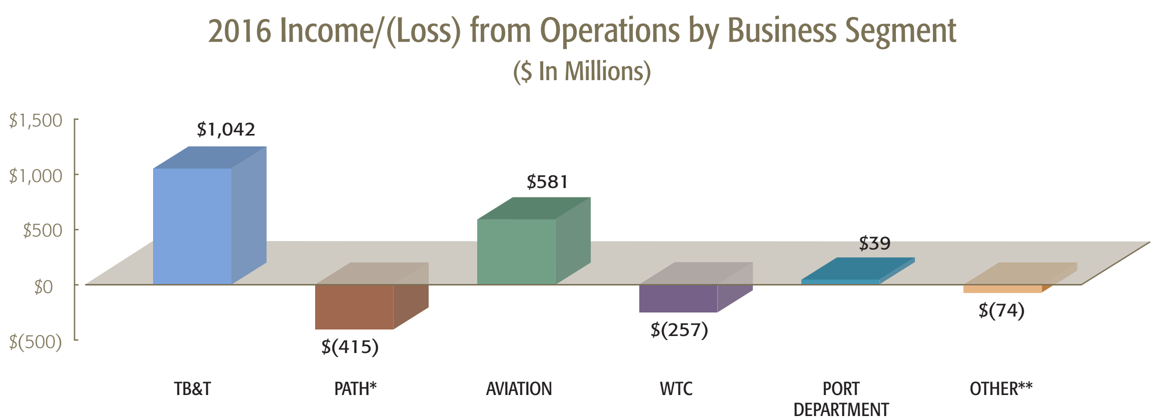
Depreciation and amortization totaled $1.2 billion in 2016, comprised of:



* Port Authority Trans Hudson Corporation (PATH) includes World Trade Center (WTC) Transportation Hub.

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

Income/(Loss) from operations totaled $916 million in 2016, comprised of:



* PATH includes WTC Transportation Hub.

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

Income/(Loss) from non-operating activities totaled $130 million in 2016, comprised of:

	2016
	(In millions)
Contributions in aid of construction, PFCs and pass-through grant program payments	$ 929
Grants, in connection with operating activities	64
Financial income, including decreases in fair value of investments	31
Interest expense in connection with bonds and other asset financings, net*	(894)
Income/(Loss) from non-operating activities	**$ 130**

* Includes $41.5 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, 2016, December 31, 2015 and December 31, 2014

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, and liabilities and deferred inflows of resources. A summarized comparison of the Port Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position follows:

	2016	2015	2014*
		(In thousands)	
ASSETS			
Current assets	**$ 2,683,308**	$ 3,779,062	$ 2,845,980
Noncurrent assets:			
Facilities, net	**34,693,691**	32,666,774	30,773,475
Other noncurrent assets	**7,884,673**	7,902,406	7,974,599
Total assets	**45,261,672**	44,348,242	41,594,054
DEFERRED OUTFLOWS OF RESOURCES			
Loss on debt refundings	**79,046**	97,337	108,447
Pension related amounts	**555,794**	155,259	—
Total deferred outflows of resources	**634,840**	252,596	108,447
LIABILITIES			
Current liabilities	**3,392,909**	3,546,341	3,036,635
Noncurrent liabilities:			
Bonds and other asset financing obligations	**21,533,071**	21,533,822	19,920,820
Other noncurrent liabilities	**4,288,389**	3,962,030	3,963,585
Total liabilities	**29,214,369**	29,042,193	26,921,040
DEFERRED INFLOWS OF RESOURCES			
Gain on debt refundings	**30,407**	21,527	6,921
Pension related amounts	**76,842**	7,555	—
Total deferred inflows of resources	**107,249**	29,082	6,921
NET POSITION			
Net investment in capital assets	**12,701,144**	11,810,573	10,402,894
Restricted	**567,443**	456,429	470,857
Unrestricted	**3,306,307**	3,262,561	3,900,789
Net position, December 31	**$16,574,894**	$15,529,563	$14,774,540

* Amounts have not been restated for the cumulative effect of implementing GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and other related pronouncements in 2015 totaling $24.7 million.

Management's Discussion and Analysis (Unaudited)

(continued)

2016 vs. 2015

Port Authority assets totaled $45.3 billion at December 31, 2016, an increase of $913 million from December 31, 2015. This overall increase was primarily a result of:

- Facilities, net, including contributed capital, increased $2.0 billion resulting from the continued capital investment in Port Authority facilities as outlined in the Port Authority's capital plan, less annual depreciation (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, of $738 million decreased $610 million from December 31, 2015 primarily due to the drawdown of consolidated bond proceeds received in 2015 to, refund certain outstanding consolidated bond debt obligations in 2016 to achieve savings on future debt service payments and to fund additional capital construction at Port Authority facilities. For additional information related to cash balances see Consolidated Statements of Cash Flows.
- Current and noncurrent investments, including restricted amounts, of $4.8 billion decreased $435 million primarily due to the maturity of certain investments comprised of consolidated bond proceeds received in 2015 and invested on an interim basis until they were utilized to refund certain outstanding consolidated bond debt obligations in 2016, to achieve savings on future debt service payments.

Port Authority deferred outflows of resources totaled $634.8 million at December 31, 2016, an increase of $382.2 million from December 31, 2015. This year-to-year increase was primarily due to an increase in certain actuarially determined pension costs related to the Port Authority's proportionate share of the New York State and Local Retirement System (NYSLRS) Net Pension Liability (NPL), including the impact of changes to certain actuarial assumptions and the difference between expected and actual earnings on plan investments. 2016 deferred outflows of resources will be amortized as additional pension expense on a straight-line basis over a closed period (see *Note I- Pension Plans* for additional information related to pensions).

Port Authority liabilities totaled $29.2 billion at December 31, 2016, an increase of $172 million from December 31, 2015. This increase was primarily due to:

- Accrued pension and other post-employment employee benefits increased $304 million primarily due to a $379 million increase in the Port Authority's proportionate share of the NPL of the NYSLRS, including the impact of changes to certain actuarial assumptions and the difference between expected and actual earnings on plan investments. Offsetting these increases was a $77 million decrease in the Other Postemployment Benefits (OPEB) obligation, primarily due to advanced funding of $100 million to The Port Authority of New York and New Jersey Retiree Health Benefits Trust for purposes of paying future OPEB payments. For additional information related to pension obligations and OPEB, see *Note I – Pension Plans* and *Note J – Other Postemployment Employee Benefits (OPEB)*.
- Unearned income related to the Port Authority's transfer of its interests in the WTC Retail Joint Venture increased $69 million primarily due to the receipt of additional funding in connection with the ongoing development of the retail components of the WTC retail premises. These amounts are being recognized as rental income over the term of the WTC retail net lease agreement.
- Bonds and other asset financing obligations, including Tower 4 Liberty Bonds, decreased $247 million primarily due to the refunding of certain outstanding consolidated bonds series in January 2016 and October 2016, respectively, with refunding bond proceeds received in October 2015. Offsetting these amounts was an increase in the Goethals Bridge Replacement Developer Financing Arrangement (DFA) obligation due to the completion of additional capital construction of the replacement bridge.

Port Authority deferred inflows of resources totaled $107.2 million at December 31, 2016, an increase of $78.2 million from December 31, 2015. This year-to-year increase was primarily due to a decrease in the Port Authority' proportionate share of pension amounts of the New York State and Local Police and Fire Retirement System. 2016 deferred inflows of resources will be amortized as a reduction to pension expense on a straight-line basis over a closed period (see Note I- Pension Plans for additional information related to pensions).

Management's Discussion and Analysis (Unaudited)

(continued)

2015 vs. 2014

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, less annual depreciation.
- 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 postemployment 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 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:

	2016	2015*	2014**
		(In thousands)	
Gross operating revenues	**$ 5,167,364**	$ 4,826,582	$ 4,481,812
Operating expenses	**(3,013,087)**	(2,900,652)	(2,923,254)
Depreciation and amortization	**(1,238,512)**	(1,189,048)	(996,633)
Net revenue related to Superstorm Sandy	**—**	123	53,530
Income from operations	**915,765**	737,005	615,455
Non-operating expenses, net	**(809,747)**	(792,214)	(502,681)
Capital contributions and PFCs	**939,313**	835,002	933,439
Increase in net position	**1,045,331**	779,793	1,046,213
Net position, January 1	**15,529,563**	14,749,770	13,728,327
Net position, December 31	**$ 16,574,894**	$ 15,529,563	$ 14,774,540

* January 1, 2015 net position has been restated to reflect the cumulative effect of implementing GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and other related pronouncements totaling $24.7 million.

** Amounts have not been restated for the cumulative effect of implementing GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and other related pronouncements in 2015 totaling $24.7 million.

Management's Discussion and Analysis (Unaudited)

(continued)

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.

Operating Revenues

A summary of gross operating revenues follows:

	2016	2015	2014
		(In thousands)	
Gross operating revenues:			
Tolls and fares	**$ 1,865,481**	$ 1,718,770	$ 1,553,625
Rentals	**1,564,527**	1,446,980	1,300,818
Aviation fees	**1,112,436**	1,063,902	1,058,416
Parking and other	**399,178**	359,631	321,760
Utilities	**138,987**	144,580	149,052
Rentals – Special Project Bonds Projects	**86,755**	92,719	98,141
Total	**$ 5,167,364**	$ 4,826,582	$ 4,481,812

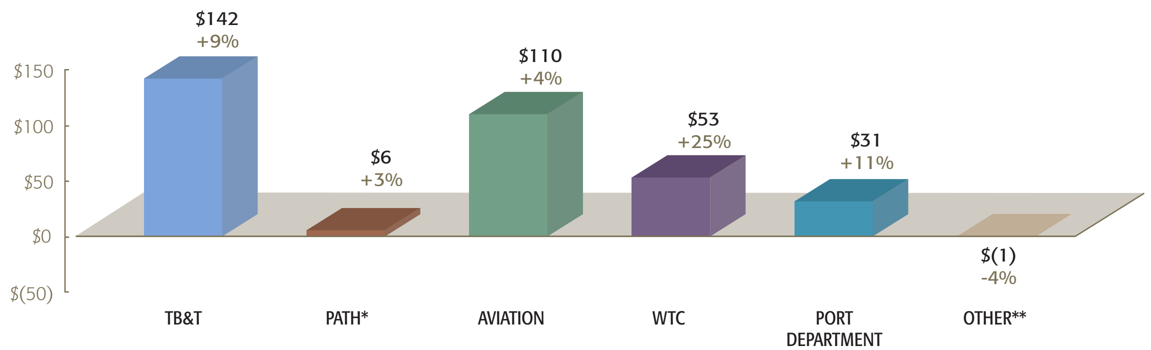
2016 vs. 2015

Gross operating revenues of $5.2 billion increased $341 million or 7.1% from 2015. Tolls revenue at the Port Authority's six (6) vehicular crossings increased $142 million or 9.2% from 2015, due to the final scheduled toll increase that became effective in December 2015 and an overall increase in vehicular traffic of 2.4%. PATH fares increased $5 million or 2.8% due to a 2.6% increase in passenger activity. Rental revenue increased $118 million or 8.1% primarily due to increases in fixed and percentage rentals at One World Trade Center (WTC) as a result of increased occupancy, and Aviation facilities, primarily due to scheduled rent increases in certain terminal lease agreements and increased percentage rentals at John F. Kennedy International Airport (JFK). Partially offsetting these increases was a decrease in certain fixed and percentage rentals at LaGuardia Airport (LGA) due to the execution of a lease agreement with LaGuardia Gateway Partners for the operation of the existing Terminal B pursuant to the public private partnership that is redeveloping the terminal. Formulaically determined Aviation fees, which provide for the recovery of certain Port Authority capital investments and operating expenses at its three major airports, increased $49 million or 4.6% primarily due to the recovery of increased policing and security related expenditures and aeronautical related capital investment.

The following chart depicts the 2016 change in total gross operating revenues by business segment when compared to 2015:

2016 vs. 2015 - Gross Operating Revenues

($ In Millions)



* PATH includes WTC Transportation Hub.

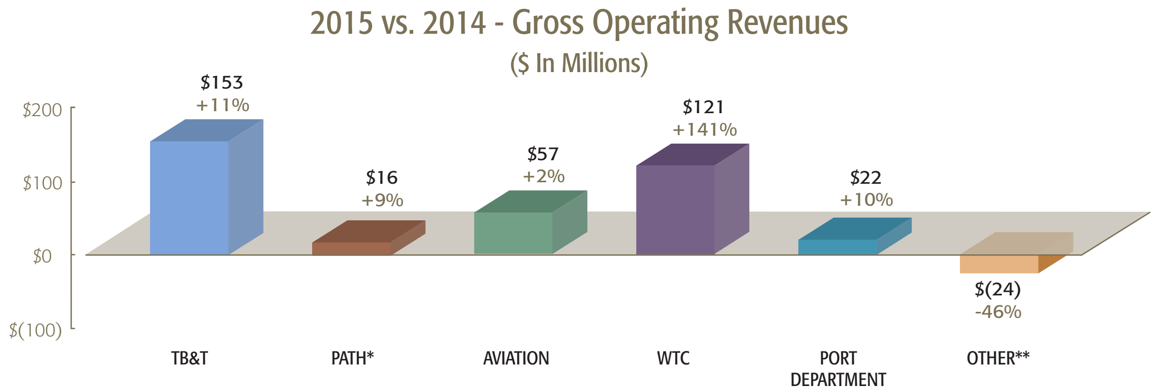
** Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation.

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

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%. 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 WTC, One WTC Observation Deck, which opened to the public in 2015, and Aviation facilities.

The following chart depicts the 2015 change in total gross operating revenues by business segment when compared to 2014:



* PATH includes WTC Transportation Hub.

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

Operating Expenses

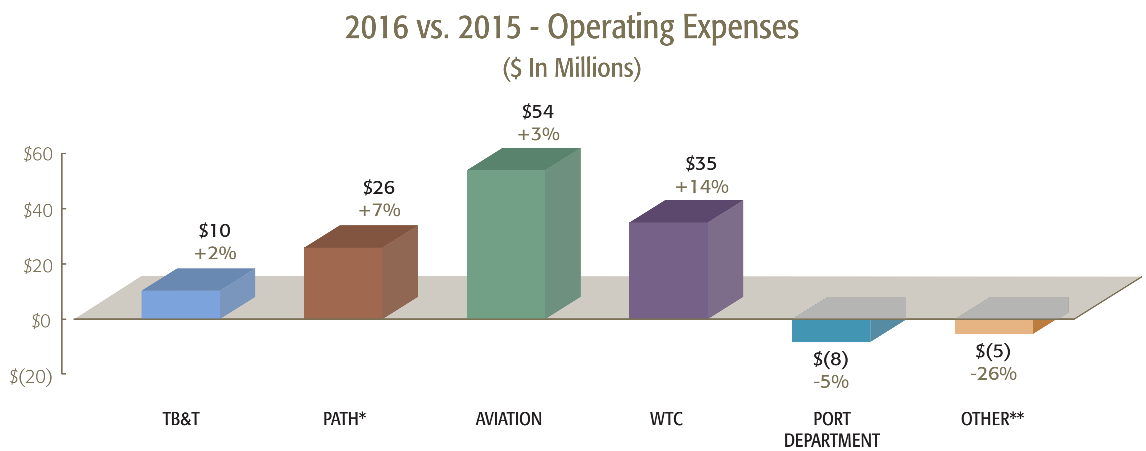
A summary of operating expenses follows:

	2016	2015	2014
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	**$ 1,290,334**	$ 1,178,967	$ 1,187,877
Contract services	**852,926**	833,903	797,516
Rents and payments in-lieu-of taxes (PILOT)	**352,293**	356,162	362,627
Materials, equipment and other	**264,977**	252,071	277,174
Utilities	**165,802**	186,830	199,919
Interest on Special Project Bonds	**86,755**	92,719	98,141
Total	**$ 3,013,087**	$ 2,900,652	$ 2,923,254

2016 vs. 2015

Operating expenses of $3.0 billion increased $112 million or 3.9% from 2015. Employee compensation of $1.3 billion increased $111 million from 2015 primarily due to increases in actuarially determined costs related to OPEB and pension benefits provided to employees as well as increases in employee compensation due to, heightened security at Aviation facilities, the WTC site and the training of additional police officers. In addition, payments to third-parties for maintenance, security, operational support, payments in-lieu-of-taxes (PILOT) to the City of New York, and insurance increased approximately $39 million due to the continued transitioning of the WTC to a fully operational facility, including the WTC Transportation Hub which opened to the public in March 2016. Partially offsetting these increases were decreases totaling approximately $18 million in material purchases, employee wages, and contractor payments related to snow and ice removal activities, primarily at Aviation facilities, as well as a $20 million decrease in electricity consumption and supply charges at Port Authority facilities due to milder weather conditions.

The following chart depicts the 2016 change in total operating expenses by business segment when compared to 2015:



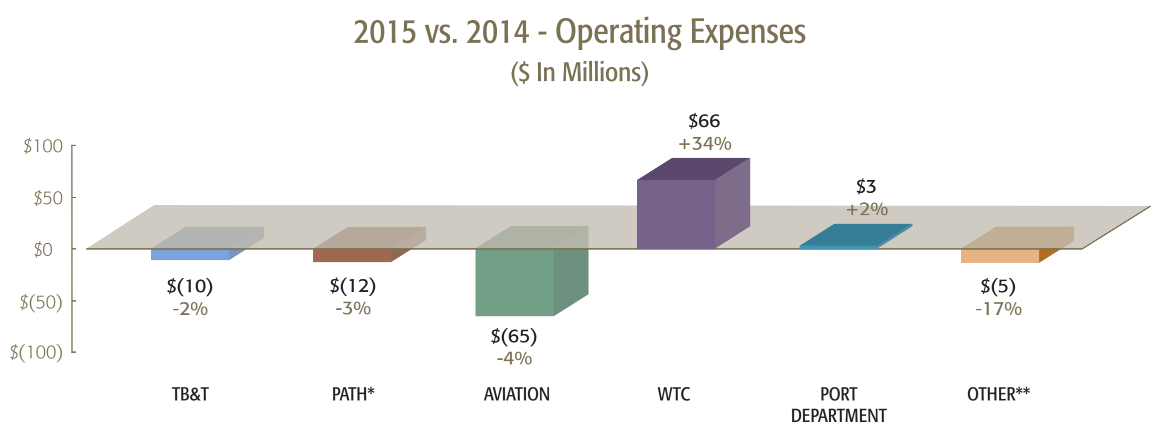
* PATH includes WTC Transportation Hub.

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

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.

The following chart depicts the 2015 change in total operating expenses by business segment when compared to 2014:



* PATH includes WTC Transportation Hub.

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

Depreciation and Amortization

A summary of depreciation and amortization follows:

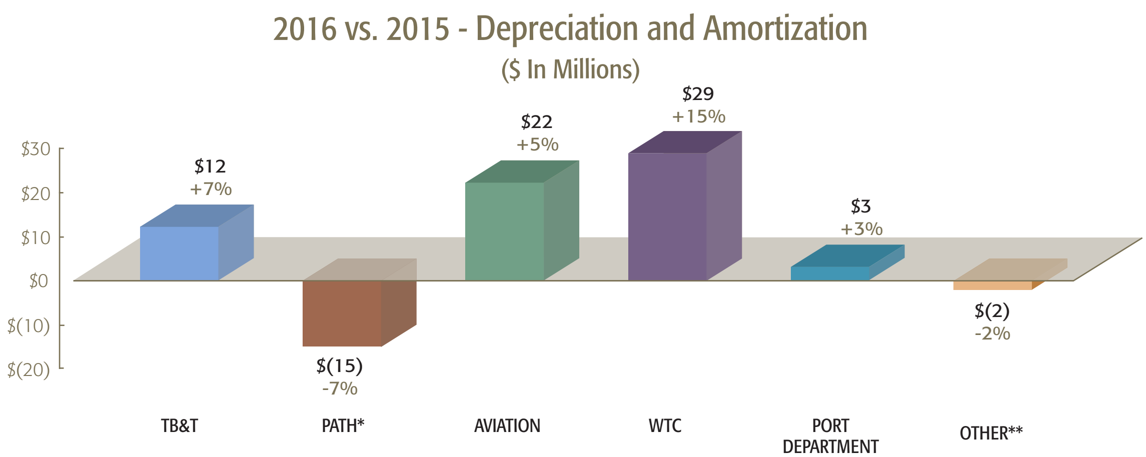
	2016	2015	2014
		(In thousands)	
Depreciation and amortization:			
Depreciation of facilities	**$ 1,173,747**	$ 1,124,383	$ 932,149
Amortization of costs for regional programs	**64,765**	64,665	64,484
Total	**$ 1,238,512**	$ 1,189,048	$ 996,633

2016 vs. 2015

Depreciation and amortization of $1.2 billion increased $49 million or 4.2% from 2015. This increase is primarily due to the placement of $2.9 billion of additional capital infrastructure into service during 2016. These capital infrastructure assets, primarily located at the WTC site, TB&T, and Aviation facilities are now being depreciated over their estimated useful life. In addition, the Port Authority accelerated depreciation of approximately $10 million for certain LGA Terminal B capital infrastructure assets which are expected to be taken out of service in 2021 due to the ongoing redevelopment of the terminal.

Additional information related to capital investment in Port Authority facilities can be found in appended *Note B – Facilities, net* to the 2016 consolidated financial statements, *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.

The following chart depicts the 2016 change in total depreciation by business segment when compared to 2015:



* PATH includes WTC Transportation Hub.

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

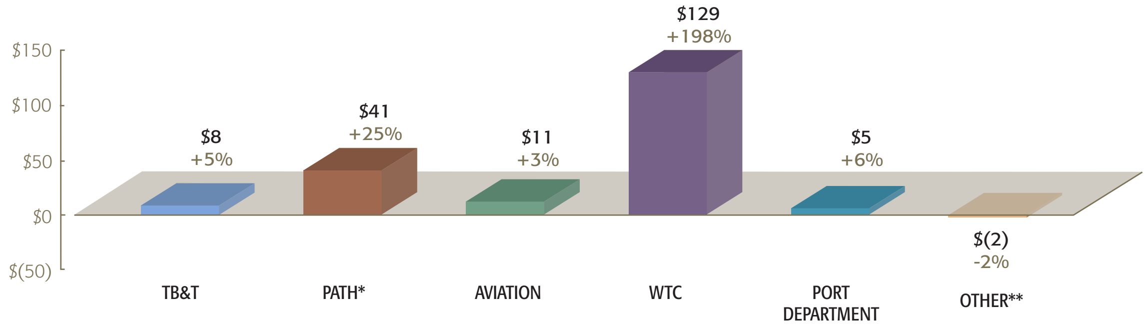
Management's Discussion and Analysis (Unaudited)
(continued)

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 site, are being depreciated over their estimated useful life on a straight-line basis.

The following chart depicts the 2015 change in total depreciation by business segment when compared to 2014:

2015 vs. 2014 - 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.

Net revenues related to Superstorm Sandy

2016 vs. 2015

Net revenues related to Superstorm Sandy decreased from 2015 due to the timing of insurance recoveries from participating insurance carriers. The Port Authority is engaged in discussions with participating insurers to settle the remaining WTC related insurance claims resulting from the events of Superstorm Sandy. As of December 31, 2016, the Port Authority has received approximately $563 million in insurance recoveries related to Superstorm Sandy.

2015 vs. 2014

Net revenues related to Superstorm Sandy decreased $53 million in 2015 due to a decrease in insurance recoveries from participating insurance carriers related to the events of Superstorm Sandy.

Income from Operations

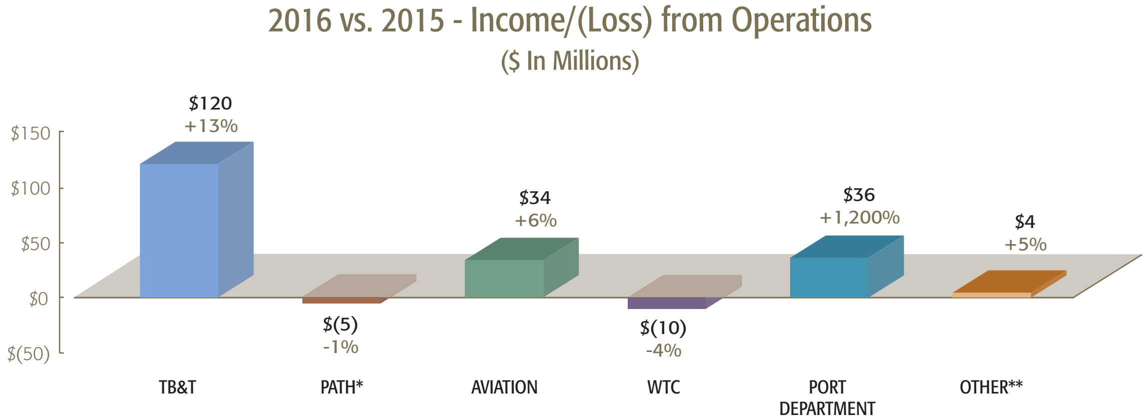
Income from operations represents the difference between gross operating revenues, and the sum of operating expenses, depreciation and amortization and net revenues related to Superstorm Sandy.

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

2016 vs. 2015

Income from operations of $916 million increased $179 million from 2015 primarily due to increases in tolls at the Port Authority's six (6) vehicular crossings and fixed and activity-based rentals at the WTC and Aviation facilities.

The following chart depicts 2016 change in income from operations by business segment when compared to 2015:



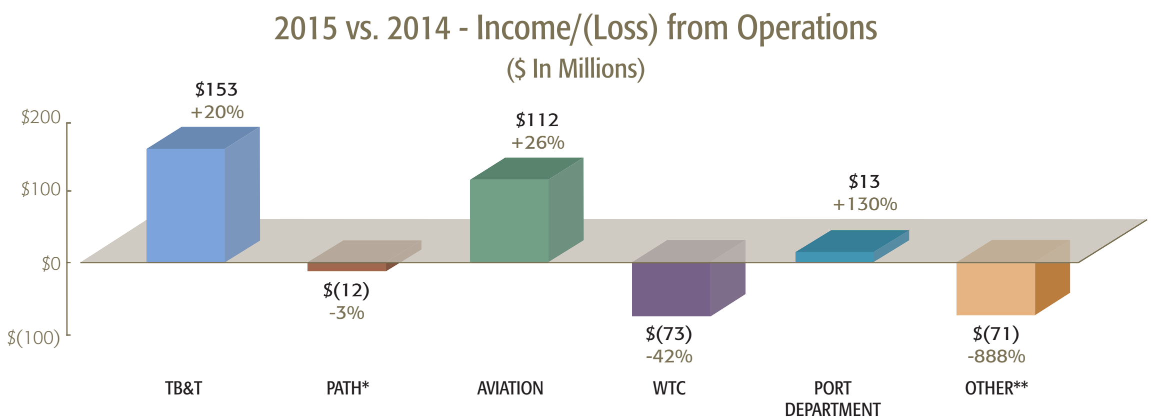
* PATH includes WTC Transportation Hub.

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

The following chart depicts 2015 change in income from operations by business segment when compared to 2014:



* PATH includes WTC Transportation Hub.

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

	2016	2015	2014
		(In thousands)	
Non-operating revenues and (expenses):			
Financial income	**$ 42,047**	$ 45,268	$ 41,050
Net (decrease) in fair value of investments	**(11,493)**	(14,290)	(2,950)
Interest expense in connection with bonds and other asset financings, net*	**(893,921)**	(872,837)	(660,116)
Net gain on disposition of assets	**—**	—	19,043
Pass-through grant program payments	**(10,695)**	(51,429)	(107,606)
Grants, in connection with operating activities	**64,315**	101,074	207,898
Non-operating expenses, net	**$ (809,747)**	$ (792,214)	$ (502,681)

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

2016 vs. 2015

- Financial income, comprised of interest income and changes in the fair value of investments of $31 million remained flat when compared to 2015. Financial income related to the Port Authority's $4.8 billion investment portfolio, comprised primarily of U.S. securities, decreased $3 million. Offsetting this decrease was a $3 million increase in market valuation adjustments associated with the fluctuation of interest rates and the resulting impact these fluctuations had on the fair value of the Port Authority's investment portfolio.
- Interest expense in connection with bonds and other asset financings of $894 million increased $21 million from 2015 primarily related to certain consolidated bond series that were issued in October 2015 for purposes of refunding certain outstanding consolidated debt obligations in 2016 and 2017 respectively. As the outstanding debt to be refunded was not defeased for financial reporting purposes in 2015, interest accrued on both the refunding bonds issued in 2015 for such purposes and the outstanding debt obligations to be refunded were recognized until such bonds were refunded.
- Pass-through grant program payments to sub-grantees of $11 million decreased $41 million in 2016 primarily due to decreased federal funding associated with baggage screening projects at Aviation facilities and Port security 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.*
- Grants, in connection with operating activities of $64 million decreased $37 million in 2016 primarily due to a $26 million decrease in grants related to Superstorm Sandy recovery efforts and a $26 million decrease in security related programs from the Transportation Security Administration (TSA) for baggage screening at LGA, JFK, and Newark Liberty International Airport (EWR) and Urban Area Security Initiative (UASI). Offsetting these amounts was a $9.5 million increase in Airport Improvement Program (AIP) primarily related to certain studies and operating activities at Port Authority Aviation facilities.

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. 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.*

Capital Contributions and Passenger Facility Charges

A summary of Capital Contributions and Passenger Facility Charges follows:

	2016	2015	2014
		(In thousands)	
Contributions in aid of construction	**$ 674,950**	$ 586,295	$ 700,267
PFCs	**264,363**	248,707	233,172
Total	**$ 939,313**	$ 835,002	$ 933,439

2016 vs. 2015

Contributions in aid of construction and PFCs of $939 million increased $104 million from 2015 primarily due to increases in contributed capital amounts due from the Three WTC net lessee related to the continued construction of WTC Tower 3, the Metropolitan Transportation Authority (MTA) for the redevelopment of certain areas of the WTC site and the Federal Highway Administration (FHWA) related to the Cross Harbor Freight Movement Program at Greenville Yard. Offsetting these increases were decreases in AIP funding primarily related to the rehabilitation of certain runways at the Port Authority's three major airports that were substantially completed in 2015.

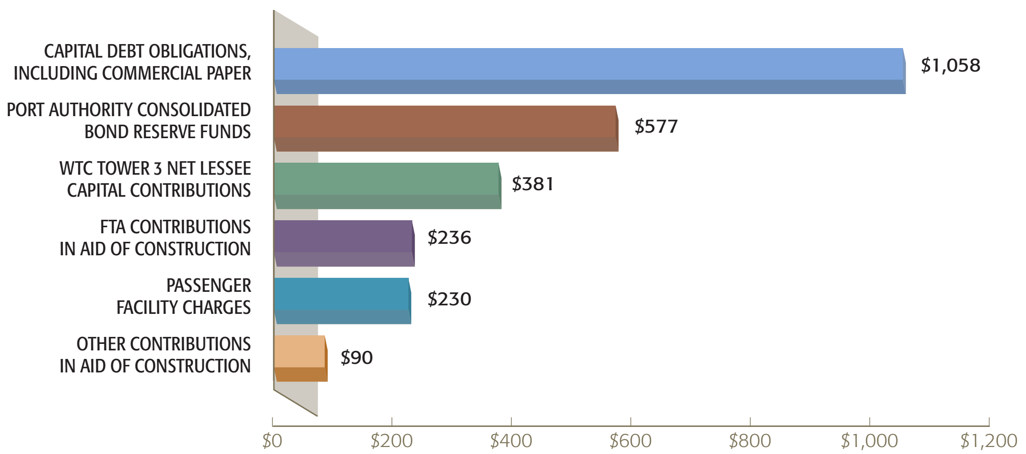
2015 vs. 2014

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 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.

Capital Construction Activities

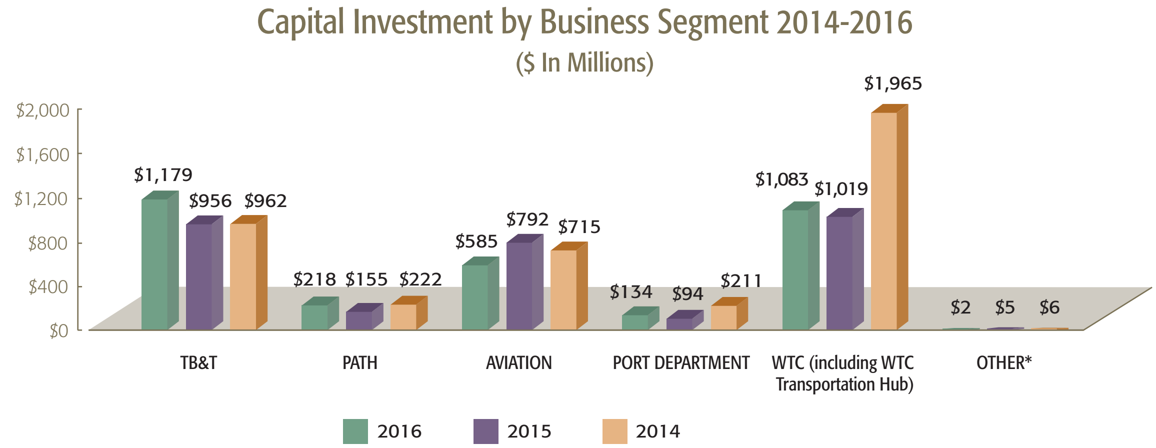
Port Authority capital investment including contributed capital and accrued amounts relating to capital construction totaled $3.2 billion in 2016, $3.0 billion in 2015 and $4.1 billion in 2014.

Capital Funding Sources 2016*
($ In Millions)



* Capital funding sources exclude approximately $629 million related to accrued amounts in connection with capital construction activities, including the Goethals Bridge Replacement Program.

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.

Additional information related to capital investment in Port Authority facilities can be found in appended *Note B – Facilities, net* to the 2016 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, 2016, bonds and other asset financing obligations of the Port Authority totaled approximately $24.0 billion, including $1.2 billion associated with the Tower 4 Liberty Bonds for which the Port Authority is a co-borrower/obligor.

During 2016, the Port Authority issued $1.4 billion of consolidated bonds and received $139 million in bond premiums at the time of issuance. Of this amount, $394 million was allocated to fund capital construction and $1.1 billion was allocated for purposes of refunding outstanding consolidated bonds to achieve savings on future debt service payments and the pay down of commercial paper. In addition, the Port Authority issued commercial paper obligations totaling $1.8 billion. Of this amount, $1.7 billion was allocated for the purpose of refunding existing commercial paper obligations and $61 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 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 needed for purposes of refunding Consolidated Bonds, One Hundred Forty-fourth (144th) Series and Consolidated Bonds, One Hundred Forty-eighth (148th) Series in 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. The invested bond proceeds, along with $5.2 million of fixed income earned on these investments 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 in August 2017 have not been substantively defeased for financial reporting purposes.

Consolidated Bond	Period	Total Debt Service owed as of 12/31/2015	Principal paid in 2016	Interest paid in 2016	Total Debt Service owed as of 12/31/2016
One Hundred Forty-fourth Series	10/9/15 to 10/1/16	$ 314,621,344	$ 300,000,000	$ 14,621,344	$ —
One Hundred Forty-eighth Series*	10/9/15 to 8/15/17	434,038,000	–	19,729,000	414,309,000
Total		$ 748,659,344	$ 300,000,000	$ 34,350,344	$ 414,309,000

* Total Debt Service owed as of 12/31/2015 excludes $15.1 million of principal paid in 2016 from Net Operating Revenues.

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 2016 remained the same when compared to 2015. During 2016, 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 debt obligations can be found in *Note D - Outstanding Obligations and Financing* of this report.

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.

- 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.

- On March 24, 2016, the Board authorized a Memorandum of Understanding with the United States Department of Transportation (USDOT), Amtrak and New Jersey Transit Corporation to set forth a framework for the parties' activities, prior to the commencement of operations under a development corporation to advance the first phase of the Gateway Program – whose elements include the Gateway Tunnel Project, the construction of concrete casing on the West side of Manhattan leading to New York Pennsylvania Station to preserve the tunnel right-of-way and the replacement of the Sawtooth and Portal Bridges in New Jersey. The Board also authorized the Port Authority to enter into an agreement with Amtrak to reimburse Amtrak up to $35 million of preliminary engineering and planning costs incurred by Amtrak for design, development and construction of the Gateway Tunnel Project to advance environmental review and permitting for that project, as an element of the Gateway Program. The development of such information will assist the Port Authority to understand and evaluate the scope and elements of the Gateway Tunnel Project as part of the Gateway Program.

  On October 20, 2016, in support of a portion of the funding of the Portal North Bridge project component of the Gateway Program, the Board authorized the Port Authority to enter into an agreement with Gateway Program Development Corporation (GPDC) that would provide for payment by the Port Authority to GPDC of amounts equal to the scheduled annual debt service, when due without acceleration, and any fees, costs, or expenses on $284 million of low-interest federal Railroad Rehabilitation and Improvement Financing (RRIF) or Transportation Infrastructure Finance and Innovation Act (TIFIA) loan or loans to be obtained by the GPDC.

  Port Authority's participation in the Gateway Program, is subject to approval by the Board of Commissioners, consistent with statutory, contractual and other commitments of the Port Authority, including agreements between the Port Authority and the holders of its obligations.

- On December 8, 2016, the Board of Commissioners approved a 2017 budget that provides for capital and operating expenditures during calendar year 2017 totaling $7.4 billion. To obtain a copy of the 2017 budget, please refer to the following link:
  http://corpinfo.panynj.gov/documents/2017-Budget-Book/

- On February 16, 2017, the Board of Commissioners approved a ten-year capital plan covering 2017-2026, totaling $32.2 billion. To obtain a copy of the capital plan, please refer to the following link:
  http://corpinfo.panynj.gov/documents/Capital-Plan-2017-2026/

Consolidated Statements of Net Position

	December 31, 2016	December 31, 2015
	(In thousands)	
ASSETS		
Current assets:		
Cash	**$ 390,809**	$ 1,171,781
Restricted cash	**342,262**	171,286
Investments	**1,231,303**	1,766,989
Restricted investments - PFC	**72,275**	—
Current receivables, net	**460,145**	468,707
Other current assets	**116,955**	127,193
Restricted receivables and other assets	**69,559**	73,106
Total current assets	**2,683,308**	3,779,062
Noncurrent assets:		
Restricted cash	**4,964**	4,631
Investments	**3,245,288**	3,252,429
Restricted investments - PAICE	**220,462**	184,633
Other amounts receivable, net	**62,089**	52,474
Other noncurrent assets	**1,510,086**	1,439,303
Restricted noncurrent assets - PAICE	**1,932**	4,649
Amounts receivable - Special Project Bonds	**1,376,882**	1,435,940
Amounts receivable - Tower 4 Liberty Bonds	**1,246,861**	1,247,473
Unamortized costs for regional programs	**216,109**	280,874
Facilities, net	**34,693,691**	32,666,774
Total noncurrent assets	**42,578,364**	40,569,180
Total assets	**45,261,672**	44,348,242
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refundings	**79,046**	97,337
Pension related amounts	**555,794**	155,259
Total deferred outflows of resources	**634,840**	252,596
LIABILITIES		
Current liabilities:		
Accounts payable	**1,072,412**	1,071,047
Accrued interest and other current liabilities	**539,966**	542,700
Restricted other liabilities - PAICE	**12,492**	9,446
Accrued payroll and other employee benefits	**527,897**	436,576
Current portion bonds and other asset financing obligations	**1,240,142**	1,486,572
Total current liabilities	**3,392,909**	3,546,341
Noncurrent liabilities:		
Accrued pension and other postemployment employee benefits	**533,835**	229,892
Other noncurrent liabilities	**307,642**	293,645
Unearned income related to WTC Retail Joint Venture	**773,998**	704,697
Restricted other noncurrent liabilities - PAICE	**49,171**	50,383
Amounts payable - Special Project Bonds	**1,376,882**	1,435,940
Amounts payable - Tower 4 Liberty Bonds	**1,246,861**	1,247,473
Bonds and other asset financing obligations	**21,533,071**	21,533,822
Total noncurrent liabilities	**25,821,460**	25,495,852
Total liabilities	**29,214,369**	29,042,193
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	**30,407**	21,527
Pension related amounts	**76,842**	7,555
Total deferred inflows of resources	**107,249**	29,082
NET POSITION	**$ 16,574,894**	$ 15,529,563
Net position is comprised of:		
Net investment in capital assets	**$ 12,746,144**	$ 11,810,573
Restricted:		
Passenger Facility Charges	**204,053**	168,801
Port Authority Insurance Captive Entity, LLC	**263,390**	187,628
Minority Interest in Tower 1 Joint Venture	**100,000**	100,000
Unrestricted	**3,261,307**	3,262,561
NET POSITION	**$ 16,574,894**	$ 15,529,563

See Notes to Consolidated Financial Statements

Consolidated Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31, 2016	2015
	(In thousands)	
Gross operating revenues:		
Tolls and fares	**$ 1,865,481**	$ 1,718,770
Rentals	**1,564,527**	1,446,980
Aviation fees	**1,112,436**	1,063,902
Parking and other	**399,178**	359,631
Utilities	**138,987**	144,580
Rentals - Special Project Bonds Projects	**86,755**	92,719
Total gross operating revenues	**5,167,364**	4,826,582
Operating expenses:		
Employee compensation, including benefits	**1,290,334**	1,178,967
Contract services	**852,926**	833,903
Rents and payments in-lieu-of taxes (PILOT)	**352,293**	356,162
Materials, equipment and other	**264,977**	252,071
Utilities	**165,802**	186,830
Interest on Special Project Bonds	**86,755**	92,719
Total operating expenses before depreciation, amortization and other operating expenses	**3,013,087**	2,900,652
Net (revenues) related to Superstorm Sandy	**—**	(123)
Depreciation of facilities	**1,173,747**	1,124,383
Amortization of costs for regional programs	**64,765**	64,665
Income from operations	**915,765**	737,005
Non-operating revenues and (expenses):		
Financial income	**42,047**	45,268
Net (decrease) in fair value of investments	**(11,493)**	(14,290)
Interest expense in connection with bonds and other asset financing	**(935,442)**	(909,603)
Pass-through grant program payments	**(10,695)**	(51,429)
4 WTC associated payments	**41,521**	36,766
Grants, in connection with operating activities	**64,315**	101,074
Non-operating expenses, net	**(809,747)**	(792,214)
Income / (Loss) before capital contributions and Passenger Facility Charges	**106,018**	(55,209)
Capital contributions and Passenger Facility Charges:		
Contributions in aid of construction	**674,950**	586,295
Passenger Facility Charges	**264,363**	248,707
Total capital contributions and Passenger Facility Charges	**939,313**	835,002
Increase in net position	**1,045,331**	779,793
Net position, January 1	**15,529,563**	14,749,770
Net position, December 31	**$ 16,574,894**	$15,529,563

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

	Year ended December 31, 2016	2015
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	**$ 5,070,688**	$ 4,678,760
Cash received related to WTC Retail Joint Venture	**89,819**	53,438
Cash received related to SuperStorm Sandy Insurance	**—**	123
Cash paid to or on behalf of employees	**(1,226,262)**	(1,280,133)
Cash paid to suppliers	**(1,377,503)**	(1,314,202)
Cash paid to municipalities	**(345,623)**	(349,125)
Net cash provided by operating activities	**2,211,119**	1,788,861
Cash flows from noncapital financing activities:		
Principal paid on noncapital financing obligations	**(45,000)**	(66,500)
Payments for Fund for regional development buy-out obligation	**(51,211)**	(51,212)
Interest paid on noncapital financing obligations	**—**	(4)
Grants received in connection with operating activities	**64,892**	108,750
Pass-through grant payments	**(10,695)**	(51,138)
Net cash (used for) noncapital financing activities	**(42,014)**	(60,104)
Cash flows from capital and related financing activities:		
Investment in facilities and construction of capital assets	**(2,332,562)**	(2,453,602)
Proceeds from capital obligations issued for refunding purposes	**2,823,108**	3,709,257
Principal paid through capital obligations refundings	**(3,459,073)**	(2,592,095)
Proceeds from sales of capital obligations allocated for construction	**460,722**	1,329,958
Principal paid on capital obligations	**(268,520)**	(308,885)
Interest paid on capital obligations	**(1,040,223)**	(990,746)
Payments for MOTBY obligation	**(5,000)**	(5,000)
Contributions in aid of construction	**301,723**	298,692
Proceeds from Passenger Facility Charges	**259,513**	245,688
Financial income allocated to capital projects	**2,922**	750
Net cash (used for) capital and related financing activities	**(3,257,390)**	(765,983)
Cash flows from investing activities:		
Purchase of investment securities	**(3,131,539)**	(2,746,903)
Proceeds from maturity and sale of investment securities	**3,555,732**	1,242,899
Interest received on investment securities	**50,271**	39,287
Other interest income	**4,158**	4,150
Net cash provided by/(used for) investing activities	**478,622**	(1,460,567)
Net (decrease) in cash	**(609,663)**	(497,793)
Cash at beginning of year	**1,347,698**	1,845,491
Cash at end of year	**$ 738,035**	$ 1,347,698

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(continued)

	Year ended December 31,	
	2016	2015
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$ 915,765**	$ 737,005
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	**1,173,747**	1,124,383
Amortization of costs for regional programs	**64,765**	64,665
Amortization of other assets	**60,460**	47,684
Change in operating assets and operating liabilities:		
Decrease/ (increase) in receivables	**11,163**	(57,303)
(Increase) in other assets	**(132,560)**	(61,813)
Increase/(decrease) in payables	**25,190**	(33,554)
(Decrease) in other liabilities	**(40,728)**	(21,002)
Increase in unearned income related to WTC Retail Joint Venture	**69,301**	59,213
Increase/(decrease) in accrued payroll, pension and other employee benefits	**64,016**	(70,417)
Total adjustments	**1,295,354**	1,051,856
Net cash provided by operating activities	**$ 2,211,119**	$ 1,788,861

3. Capital obligations:

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

4. Noncash investing, capital and financing activities:

Noncash activity of $122 million in 2016 and $151 million in 2015 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 2016 and 2015, the Silverstein net lessees contributed $381 million and $314 million, respectively, towards construction of WTC Tower 3. In 2016 and 2015, preferred returns due to the Tower 1 Joint Venture, Durst Member and the WTC Retail Joint Venture, Westfield member totaled ($48) million and ($27.5) million, respectively. As of December 31, 2016, the Goethals Bridge Replacement Developer Financing Arrangement totaled $744 million, including accrued amounts of $314 million in 2016 and $221 million in 2015.

Noncash capital asset write-offs totaled $18.8 million in 2016 and $5.5 million in 2015.

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. In accordance with Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*", for financial reporting purposes The Port Authority of New York and New Jersey is a joint venture between the States of New York and New Jersey.

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 26, 2016, 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, 2016.

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.

Notes to Consolidated Financial Statements
(continued)

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, and 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).

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*). Estimated useful lives are reviewed periodically for each 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 at facilities leased by the Port Authority from others are depreciated over the lesser of, the remaining term of the facility lease or the estimated useful life of the asset 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, which provide benefits for periods exceeding one year are reported as a component of *Other noncurrent* assets and amortized over the period benefited, generally 3 to 15 years depending on the type of equipment.

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 and investments are 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. 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 in connection with operating activities, 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 capital contributions due the Port Authority from the WTC Tower 2, 3 and 4 net lessees related to the replacement of the net leased premises destroyed on September 11, 2001, which are owned by the Port Authority, are recognized as a component of *Facilities, net* on the Consolidated Statements of Net Position and as *Contributions in aid of construction* on the Consolidated Statements of Revenues, Expenses and Changes in Net Position as the construction occurs. Subsequent to becoming ready for their intended use, World Trade Center Towers 2, 3 and 4 will be depreciated over their estimated useful life. World Trade Center Tower 4 was placed into service in November 2014.

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. The Port Authority may enter into various derivative instruments, including options on United States Treasury securities, repurchase and reverse repurchase (yield maintenance) agreements, United States Treasury and municipal bond futures contracts (See *Note C – Cash and Investments*).

l. In accordance with GASB Statement No. 23, "*Accounting and Financial Reporting for Refundings of Debt Reporting by Proprietary Activities*," when issuing new debt for refunding purposes, the difference between the reacquisition price 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. Bond premiums received or discounts provided at issuance are deferred and amortized on a straight-line basis as a component of net interest expense (Interest expense less financial income) over the term of the bond as this approximates the effective interest of the bond issuance. Unamortized amounts are presented as either a reduction of (discounts) or additions to (premiums) the face value of the bond payable.

n. 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.

o. For presentation purposes, certain amounts in the fiscal year 2015 financial statements have been reclassified to conform to the fiscal year 2016 financial statements herein. These reclassifications have no impact on the overall change in net position or cash flows.

p. In February 2015, GASB issued Statement No. 72, "*Fair Value Measurement and Application*." The requirements of GASB Statement No. 72 are effective for financial statements for periods beginning after June 15, 2015. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance and enhancing disclosures about fair value measurements. Adoption of this statement resulted in additional disclosures contained in *Note C- Cash and Investments*.

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 facilities and 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 or to retire existing debt obligations 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 and investment 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 – Revenues 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 Port Authority bond resolutions, 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

	December 31, 2016	December 31, 2015
	(In thousands)	
Net position reported on Consolidated Statements of Net Position	**$ 16,574,894**	$ 15,529,563
Add: Accumulated depreciation of facilities	**15,143,016**	14,011,193
Accumulated retirements and gains and losses on disposition of assets	**2,462,021**	2,420,096
Application of WTC Retail Joint Venture Payments	**796,936**	719,067
Cumulative amortization of costs for regional programs	**1,320,135**	1,255,370
Cumulative unamortized discount and premium	**816,131**	701,234
Subtotal	**20,538,239**	19,106,960
Less: Deferred income – PFCs	**204,053**	168,801
Income related to WTC Retail Joint Venture	**22,938**	14,370
Operating and maintenance contingencies	**50,000**	50,000
Subtotal	**276,991**	233,171
Total	**$36,836,142**	$34,403,352
Net position reported on Schedule B - Assets and Liabilities (pursuant to Port Authority bond resolutions)	**$ 36,836,142**	$ 34,403,352

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, 2016	2015
	(In thousands)	
Increase in Net Position reported on Consolidated Statements of Revenues, Expenses and Changes in Net Position	**$ 1,045,331**	$ 779,793
Add: Depreciation of facilities	**1,173,747**	1,124,383
Application of PFCs	**229,921**	273,721
Amortization of costs for regional programs	**64,765**	64,665
Amortization of discount and premium	**(24,181)**	(15,363)
Application of WTC Retail Joint Venture Payments	**77,869**	66,963
Subtotal	**1,522,121**	1,514,369
Less: Debt maturities and retirements	**268,520**	259,315
Repayment of asset financing obligations	**(6,669)**	51,928
WTC Towers 2,3,4 Net Lessee capital contributions	**381,181**	313,960
Direct investment in facilities	**1,132,915**	1,949,785
Operating and maintenance contingencies	**—**	50,000
Collection of Passenger Facility Charges	**264,363**	248,707
Income related to WTC Retail Joint Venture	**8,568**	7,751
PFC interest income/fair value adjustment	**774**	136
Subtotal	**2,049,652**	2,881,582
Total	**$ 517,800**	$ (587,420)
Increase/(Decrease) in Reserves reported on Schedule A – Revenues and Reserves (pursuant to Port Authority Bond Resolutions)	**$ 517,800**	$ (587,420)

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
2016			(In thousands)			
Capital assets not being depreciated:						
Land	$ 1,227,334	$ —	$ 146,451	$ —	$ —	$ 1,373,785
Construction in progress*	8,767,406	3,200,664	(2,998,634)	—	—	8,969,436
Total capital assets not being depreciated	9,994,740	3,200,664	(2,852,183)	—	—	10,343,221
Depreciable capital assets:						
Buildings, bridges, tunnels, other structures	16,483,447	—	1 ,534,157	—	(27,512)	17,990,092
Machinery and equipment	9,386,919	—	410,888	—	(12,997)	9,784,810
Runways, roadways and other paving	5,510,019	—	360,286	—	(1,089)	5,869,216
Utility infrastructure	5,302,842	—	546,852	—	(326)	5,849,368
Total other capital assets being depreciated	36,683,227	—	2 ,852,183	—	(41,924)	39,493,486
Accumulated depreciation:						
Buildings, bridges, tunnels, other structures	(4,474,711)	—	—	(402,693)	27,512	(4,849,892)
Machinery and equipment	(4,274,159)	—	—	(340,377)	12,997	(4,601,539)
Runways, roadways and other paving	(3,047,766)	—	—	(223,789)	1,089	(3,270,466)
Utility infrastructure	(2,214,557)	—	—	(206,888)	326	(2,421,119)
Total accumulated depreciation	(14,011,193)	—	—	(1,173,747)	41,924	(15,143,016)
Facilities, net	**$ 32,666,774**	**$ 3,200,664**	**$ —**	**$ (1,173,747)**	**$ —**	**$ 34,693,691**

	Beginning of Year	Additions	Transfers to Completed Construction	Depreciation	Retirements/ Dispositions	End of Year
2015			(In thousands)			
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**

* Construction in progress additions include the impact of capital write-offs totaling $19 million in 2016 and $5 million in 2015.
1. Net interest expense added to the cost of facilities was $173 million in 2016 and $163 million in 2015.
2. Projects that have been suspended pending determination of their continued viability totaled $43.5 million in 2016 and $61.6 million in 2015.
3. The impact on accelerated depreciation for buildings, bridges, tunnels, and other structures was $20.6 million in 2016 and $18.6 million in 2015.
4. Retirements and Dispositions include the carrying value associated with the sale of capital assets.

Note C – Cash and Investments

1. The components of cash and investments are:

CASH	December 31, 2016	2015
	(In thousands)	
Cash on hand	**$ 1,624**	$ 1,127
Cash equivalents	**736,411**	1,346,571
Total cash	**738,035**	1,347,698
Less restricted cash	**347,226**	175,917
Unrestricted cash	**$ 390,809**	$ 1,171,781

INVESTMENTS, AT FAIR VALUE				December 31, 2016	2015
				(In thousands)	
	Fair Value Hierarchy Levels*	**Port Authority**	**PAICE**	**Total**	Total
United States Treasury notes	**Level 1**	**$ 3,318,934**	**$ 43,237**	**$ 3,362,171**	$ 3,975,409
United States Treasury bonds	**Level 1**	**—**	**—**	**—**	12,878
United States Treasury bills	**Level 1**	**404,002**	**—**	**404,002**	140,022
United States government agency obligations	**Level 2**	**36,286**	**25,237**	**61,523**	41,921
United States Treasury obligations held pursuant to repurchase agreements**	**—**	**677,014**	**—**	**677,014**	891,267
JFK International Air Terminal LLC obligations (JFKIAT)**	**—**	**71,746**	**—**	**71,746**	79,718
Other governmental obligations	**Level 2**	**31,286**	**—**	**31,286**	33,958
Corporate bonds	**Level 2**	**—**	**150,701**	**150,701**	18,315
Accrued interest receivable		**9,598**	**1,287**	**10,885**	10,563
Total investments		**4,548,866**	**220,462**	**4,769,328**	5,204,051
Less current investments***		**1,303,578**	**—**	**1,303,578**	1,766,989
Noncurrent investments		**$ 3,245,288**	**$ 220,462**	**$ 3,465,750**	$ 3,437,062

* Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation.
Level 3 inputs are unobservable inputs for the asset; they should be used only when relevant Level 1 and Level 2 inputs are unavailable.
Port Authority investments are valued at the closing price or last trade reported on the major market exchange on which the individual securities are traded.
** Investments are valued at unamortized cost.
*** Includes PFC restricted investments of $72 million.

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) and New Jersey Governmental Unit Deposit Protection Act (GUDPA). 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 $660.4 million at December 31, 2016. Of that amount, $2.7 million was secured through the basic FDIC deposit insurance and/or pursuant to the GUDPA. The balance of $657.7 million 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.

Notes to Consolidated Financial Statements

(continued)

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 component units, 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 the Port Authority's account in exchange for investment funds.

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 (comprising approximately 1.5% of total Port Authority investments at December 31, 2016) 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, 2016, follows:

Port Authority Investment Type	**Fair Value**	**Weighted Average Maturity**
	(In thousands)	(In days)
United States Treasury notes	$ 3,318,934	479
United States Treasury bills	404,002	50
United States government agency obligations	36,286	21
United States REPO	677,014	5
JFKIAT obligations	71,746	3,273
Other government obligations	31,286	205
Total fair value of investments*	$ 4,539,268	
Investments weighted average maturity		409

*Excludes accrued interest receivable amounts of $9.6 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, 2016 and 2015, respectively.

Notes to Consolidated Financial Statements

(continued)

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

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

The fair value and weighted average maturity of investments held by PAICE at December 31, 2016, follows:

PAICE Investment Type	Fair Value	Weighted Average Maturity
	(In thousands)	(In days)
United States Treasury notes	$ 43,237	1,038
United States government agency obligations	25,237	628
Corporate bonds	150,701	1,096
Total fair value of investments*	$ 219,175	
Investments weighted average maturity		1,031

* Excludes accrued interest receivable amounts of $1.3 million.

Note D – Outstanding Obligations and Financing

Outstanding bonds and other asset financing obligations

	December 31, 2016		
	Current	Noncurrent	Total
		(In thousands)	
A. Consolidated Bonds and Notes	$ 734,670	$ 20,551,202	$ 21,285,872
B. Commercial Paper Obligations	388,315	—	388,315
C. Variable Rate Master Notes	77,900	—	77,900
D. Port Authority Equipment Notes	–	—	—
E. Fund for Regional Development Buy-Out Obligation	37,162	184,231	221,393
F. MOTBY Obligation	2,095	53,237	55,332
G. Tower 4 Liberty Bonds	—	1,246,861	1,246,861
H. Goethals Bridge Replacement Developer Financing Arrangement (DFA)	—	744,401	744,401
	$ 1,240,142	$ 22,779,932	$ 24,020,074

	December 31, 2015		
	Current	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 Developer Financing Arrangement (DFA)	—	430,800	430,800
	$ 1,486,572	$ 22,781,295	$ 24,267,867

Note D - Outstanding Obligations and Financing (continued)

A. Consolidated Bonds and Notes

		Dec. 31, 2015	Issued	Refunded/ Retired	Dec. 31, 2016
			(In thousands)		
Eighty-fifth series	5.2%-5.375% due 2017-2028	$ 73,200	$ —	$ 2,000	$ 71,200
Ninety-third series	6.125% due 2094	100,000	—	—	100,000
One hundred forty-second series	4%-5% due 2016-2036	335,965	—	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 2017-2037	420,595	—	15,130	405,465
One hundred forty-ninth series	4%-5% due 2017-2037	400,000	—	—	400,000
One hundred fiftieth series**	4.75%-6.4% due 2017-2027	265,000	—	45,000	220,000
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	4%-5% due 2017-2029	76,160	—	4,275	71,885
One hundred fifty-fifth series	3%-3.5% due 2017-2019	18,600	—	6,600	12,000
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	2.90%-3.3% due 2017-2020	25,000	—	7,000	18,000
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 2017-2028	173,040	—	14,390	158,650
One hundred sixty-eighth series**	4.926% due 2051	1,000,000	—	—	1,000,000
One hundred sixty-ninth series*	4.5%-5% due 2017-2041	322,950	—	13,285	309,665
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 2017-2037	320,520	—	7,965	312,555
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 2017-2042	411,170	—	5,040	406,130
One hundred seventy-sixth series**	1.05%-2.5% due 2017-2022	119,000	—	17,000	102,000
One hundred seventy-seventh series*	3%-5% due 2017-2043	322,545	—	4,070	318,475
One hundred seventy-eighth series*	5% due 2017-2043	453,385	—	15,785	437,600
One hundred seventy-ninth series	4%-5% due 2017-2043	866,750	—	28,075	838,675
One hundred eightieth series	3%-5% due 2017-2021	78,070	—	15,450	62,620
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 2017-2039	346,705	—	285	346,420
One hundred eighty-fifth series*	4%-5% due 2017-2034	470,835	—	22,875	447,960
One hundred eighty-sixth series*	5% due 2017-2044	381,735	—	20,850	360,885
One hundred eighty-seventh series**	2.529%-4.426% due 2020-2034	250,000	—	—	250,000
One hundred eighty-eighth series*	3%-5% due 2017-2035	116,220	—	9,470	106,750
One hundred eighty-ninth series	3%-5% due 2017-2045	490,000	—	13,015	476,985
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*	4%-5% due 2017-2035	305,440	—	10,295	295,145
One hundred ninety-fourth series[(b)]	4%-5.25% due 2017-2055	1,194,560	—	4,405	1,190,155
One hundred ninety-fifth series*	1.45%-5% due 2017-2036	—	312,620	9,090	303,530
One hundred ninety-sixth series*	2.125%-2.625% due 2027-2034	—	200,000	—	200,000
One hundred ninety-seventh series*	4%-5% due 2017-2041	—	237,930	—	237,930
One hundred ninety-eighth series	5%-5.25% due 2027-2056	—	350,000	—	350,000
One hundred ninety-ninth series*	1.58%-3.05% due 2022-2031	—	236,405	—	236,405
Consolidated bonds and notes– at par value		$21,019,925	$1,336,955	$1,927,315	$20,429,565
Add unamortized premium and (discount)		767,894	139,042	50,629	856,307
Consolidated bonds and notes		$21,787,819	$1,475,997	$1,977,944	$21,285,872

(a) The One Hundred Seventieth series was acquired by the New York Liberty Development Corporation in connection with it's issuance of 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-eighth in 2016 and 2017, respectively.

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

** Obligations noted with an "(**)", are subject to federal taxation.

Note D - Outstanding Obligations and Financing (continued)

Debt service requirements to maturity for Consolidated Bonds and Notes outstanding at December 31, 2016 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2017[(a)]	$ 734,670	$ 966,544	$ 1,701,214
2018	361,370	938,739	1,300,109
2019	400,950	922,018	1,322,968
2020	420,725	901,252	1,321,977
2021	444,100	880,907	1,325,007
2022–2026	2,504,160	4,072,816	6,576,976
2027–2031	3,187,050	3,414,407	6,601,457
2032–2036	3,645,125	2,581,011	6,226,136
2037–2041	2,805,965	1,783,591	4,589,556
2042–2046	2,123,800	1,152,508	3,276,308
2047–2051	1,224,190	761,756	1,985,946
2052–2056	1,049,600	504,466	1,554,066
2057–2061	1,114,685	240,935	1,355,620
2062–2066	313,175	50,105	363,280
2067–2094[(b)]	100,000	143,121	243,121
	$ 20,429,565	$ 19,314,176	$ 39,743,741

(a) Amount includes the expected refunding of Consolidated Bonds, One hundred Forty-eighth Series.

(b) Debt service for the years 2067-2094 reflects principal and interest payments associated with Consolidated Bonds, Ninety-third Series.

Consolidated Bonds & Notes Outstanding as of December 31, 2015

	Dec. 31, 2014	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2015
		(In thousands)		
Cumulative amounts prior to 2015	$19,229,020	$ —	$ 1,234,095	$ 17,994,925
2015 Activity:				
One hundred eighty-eight series*	–	125,000	–	125,000
One hundred eighty-nine series	–	490,000	–	490,000
One hundred ninetieth series	–	160,000	–	160,000
One hundred ninety-first series**	–	250,000	–	250,000
One hundred ninety-second series**	–	500,000	–	500,000
One hundred ninety-third series*	–	305,440	–	305,440
One hundred ninety-fourth series	–	1,194,560	–	1,194,560
Consolidated Bonds & Notes- at par value	**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
Total Consolidated Bonds and Notes	**$ 19,707,938**	**$ 3,359,755**	**$ 1,279,874**	**$ 21,787,819**

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

** Obligations noted with an "(**)", are subject to federal taxation.

Note D - Outstanding Obligations and Financing (continued)

Consolidated bonds outstanding as of March 1, 2017 totaled $20.4 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 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 2016, the Port Authority allocated the proceeds from the sale of consolidated bonds, including bond issuance premiums, to refund $1.1 billion of consolidated bonds and commercial paper notes. As a result of these refundings, the Port Authority decreased its aggregate debt service payments by approximately $282 million over the life of the refunded consolidated bonds. The economic gain resulting from the 2016 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 $207 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. For additional information related to the payment of special obligations of the Port Authority, see *Note E – General and Consolidated Bond Reserve Funds*.

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, 2015	Issued	Refunded/ Repaid	Dec. 31, 2016
		(In thousands)		
Series A*	$ 240,120	$ 859,675	$ 894,595	$ 205,200
Series B	185,640	945,525	948,050	183,115
Series C**	—	—	—	—
	$ 425,760	$ 1,805,200	$ 1,842,645	$ 388,315

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

** Obligations noted with an "(**)", are subject to federal taxation.

	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

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

** Obligations noted with an "(**)", are subject to federal taxation.

Interest rates for all commercial paper notes ranged from 0.01% to 0.96% in 2016.

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, 2015	Issued	Refunded/ Repaid	Dec. 31, 2016
		(In thousands)		
Agreements 1989 -1995*	$ 44,900	$ —	$ —	$ 44,900
Agreements 1989 -1998	33,000	—	—	33,000
	$ 77,900	$ —	$ —	$ 77,900

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

	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

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

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 0.95% in 2016.

Annual debt service requirements on outstanding variable rate master notes, determined for presentation purposes at the rate in effect at December 31, 2016, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2017	$ —	$ 613	$ 613
2018	—	613	613
2019	—	613	613
2020	—	615	615
2021	25,000	506	25,506
2022–2025	52,900	626	53,526
	$ 77,900	$ 3,586	$ 81,486

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 special obligations to the Port Authority and are payable in the same manner and from the same sources as operating expenses. For additional information related to the payment of obligations of the Port Authority, see *Note E – General and Consolidated Bond Reserve Funds*.

There are no outstanding Port Authority Equipment Notes as of December 31, 2016 and 2015.

Note D - Outstanding Obligations and Financing (continued)

E. Fund for Regional Development Buy-Out Obligation

In 1983, the Fund for Regional Development (The Fund) was established to sublease space in the WTC 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 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. In consideration for purchasing the State of New York and the State of New Jersey interests in The Fund, the Port Authority is obligated to pay each State $597.6 million, in semi-annual payments over a thirty-year period through 2021. The aggregate purchase price of $1.2 billion was discounted to a present value of $431 million at an implicit interest rate of 8.25% and recognized as a special obligation to the Port Authority in 1990. Payments related to The Fund obligation are payable in the same manner and from the same sources as operating expenses. For additional information related to the payment of obligations of the Port Authority, see *Note E – General and Consolidated Bond Reserve* Funds.

	Dec. 31, 2015	**Accretion**	**Amortization**	**Dec. 31, 2016**
		(In thousands)		
Obligation outstanding	$ 253,732	$ —	$ 32,339	$ 221,393

	Dec. 31, 2014	**Accretion**	**Amortization**	**Dec. 31, 2015**
		(In thousands)		
Obligation outstanding	$ 283,562	$ —	$ 29,830	$ 253,732

Payment requirements related to the Port Authority's purchase of The Fund's interests at December 31, 2016 are as follows:

Year ending December 31:	**Amortization**	**Implicit Interest**	**Total**
		(In thousands)	
2017	$ 37,162	$ 16,051	$ 53,213
2018	40,292	12,922	53,214
2019	43,682	9,529	53,211
2020	47,359	5,851	53,210
2021	52,898	708	53,606
	$ 221,393	$ 45,061	$ 266,454

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 through 2033.

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, 2015	**Accretion**	**Amortization**	**Dec. 31, 2016**
		(In thousands)		
Obligation outstanding	$ 44,383	$ 12,940	$ 1,991	$ 55,332

	Dec. 31, 2014	**Accretion**	**Amortization**	**Dec. 31, 2015**
		(In thousands)		
Obligation outstanding	$ 48,254	$ —	$ 3,871	$ 44,383

Note D - Outstanding Obligations and Financing (continued)

Payment requirements for the MOTBY obligation outstanding, at December 31, 2016 are as follows:

Year ending December 31:	Amortization	Implicit Interest	Total
		(In thousands)	
2017	$ 2,095	$ 2,905	$ 5,000
2018	2,205	2,795	5,000
2019	2,321	2,679	5,000
2020	2,443	2,557	5,000
2021	2,571	2,429	5,000
2022–2026	15,026	9,974	25,000
2027–2031	19,407	5,593	25,000
2032–2033	9,264	736	10,000
	$ 55,332	$ 29,668	$ 85,000

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, 2015	Issued	Repaid/ Amortized	Dec. 31, 2016
		(In thousands)		
Series 2011	$ 1,225,520	$ —	$ —	$ 1,225,520
Add: unamortized premium	21,953	—	612	21,341
Total Tower 4 Liberty Bonds	$ 1,247,473	$ —	$ 612	$ 1,246,861

	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

Note D - Outstanding Obligations and Financing (continued)

Annual debt service payment requirements on outstanding Tower 4 Liberty Bonds at December 31, 2016 would be as follows:

Year ending December 31:	Principal	Interest	Debt Service[(a)]
		(In thousands)	
2017	$ —	$ 65,293	$ 65,293
2018	—	65,293	65,293
2019	—	65,293	65,293
2020	—	65,293	65,293
2021	—	65,293	65,293
2022–2026	—	326,467	326,467
2027–2031	140,180	313,132	453,312
2032–2036	179,025	274,287	453,312
2037–2041	228,840	224,472	453,312
2042–2046	292,955	160,354	453,309
2047–2051	384,520	68,798	453,318
Total	$ 1,225,520	$ 1,693,975	$ 2,919,495

(a) Debt Service excludes rent payments of approximately $510.3 million payable by the City of New York directly to the Tower 4 Liberty Bond trustee pursuant to the City of New York WTC Tower 4 space lease.

H. Goethals Bridge Replacement Developer Financing Arrangement (DFA)

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, after the replacement bridge becomes operational, the private developer will perform certain operation and maintenance work. The Port Authority will retain control over all tolling activities. Port Authority staff presently expects substantial completion of the Replacement Bridge to occur in the first quarter of 2018, and project completion, including the demolition of the existing bridge, to occur in the fourth quarter of 2018.

Pursuant to the Project Agreement, upon 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 to the developer. 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.

Construction activities commenced in December 2013. The Port Authority, as owner of the Replacement Bridge currently being constructed has accrued to date $744 million of the total $1.02 billion DFA obligation based on the percentage of construction completed as of December 31, 2016.

	Dec. 31, 2015	Accretion	Amortization	Dec. 31, 2016
		(In thousands)		
Goethals Bridge Replacement Developer Financing Arrangement	$ 430,800	$ 313,601	$ —	$ 744,401

	Dec. 31, 2014	Accretion	Amortization	Dec. 31, 2015
		(In thousands)		
Goethals Bridge Replacement Developer Financing Arrangement	$ 210,316	$ 220,484	$ —	$ 430,800

Note D - Outstanding Obligations and Financing (continued)

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.

A summary of December 31, 2016 and December 31, 2015 Special Project Bonds outstanding follows:

	Dec. 31, 2015	**Issued**	**Repaid/ Amortized**	**Dec. 31, 2016**
		(In thousands)		
Series 4, KIAC Partners Project[(a)]*				
6.75% due 2016-2019	$ 77,900	$ —	$ 15,800	$ 62,100
Less: unamortized discount	719	—	191	528
Total - Series 4	77,181	—	15,609	61,572
Series 6, JFKIAT Project[(b)]*				
5.75%-6.25% due 2016-2025	576,990	—	44,200	532,790
Less: unamortized discount	3,327	—	336	2,991
Total - Series 6	573,663	—	43,864	529,799
Series 8, JFKIAT Project[(c)]				
5%-6.5% due 2018-2042	796,280	—	—	796,280
Less: unamortized discount	11,184	—	415	10,769
Total - Series 8	785,096	—	(415)	785,511
Amounts payable - Special Project Bonds	$ 1,435,940	$ —	$ 59,058	$ 1,376,882

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

(a) 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.

(b) 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.

(c) Special project bonds, Series 8, JFKIAT Project, were issued in 2010 in connection with a project that included the expansion of Terminal 4 at JFK.

Note D - Outstanding Obligations and Financing (continued)

	Dec. 31, 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

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

(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. (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, 2016, 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.

Commercial paper obligations, Variable rate master notes, MOTBY obligation, Tower 4 Liberty Bonds and the Goethals Bridge Replacement Developer Financing Arrangement (DFA) 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 of the Port Authority 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 obligation are special obligations to the Port Authority and 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, 2016, 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 2016 and 2015, the Port Authority received certain reimbursements related to certain policing activities as well as federal and state funding for operating and capital construction activities:

1. Policing programs

a. K-9 Program – The FAA and the TSA provided funding for operating costs associated with the training and care of explosive detection dogs. Amounts received in connection with this program were approximately $1.4 million in 2016 and $1 million in 2015.

b. Airport Screening Program – The TSA provided $209,972 in 2016 and $306,600 in 2015 to fund operating costs incurred by Port Authority police personnel involved with passenger screening at JFK and EWR.

c. U.S. Department of State (USDOS) – The Port Authority received $768,597 in 2016 and $604,432 in 2015 from the USDOS to fund operating security costs incurred by Port Authority police personnel for the United Nations General Assembly (UNGA).

Amounts received in connection with the Port Authority Police Department providing services to an unrelated third-party are 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 Programs – In 2016 and 2015, the Port Authority recognized approximately $42.5 million and $68.3 million, respectively, for security related programs from the TSA for baggage screening at LGA, JFK and EWR and UASI programs.

b. Superstorm Sandy – The Port Authority recognized $7.5 million in 2016 and $33.3 million in 2015 for FTA grants associated with Superstorm Sandy recovery efforts primarily at PATH.

c. AIP – The Port Authority recognized $9.5 million in AIP funding in 2016 primarily related to certain studies and operating activities at Port Authority aviation facilities.

3. Contributions in Aid of Capital Construction

a. WTC Tower 3 - The Port Authority recognized $381 million in 2016 and $314 million in 2015 in capital contributions due from the Silverstein net lessees for the construction of WTC Tower 3.

b. WTC Transportation Hub – The Port Authority recognized $178 million in 2016 and $179 million in 2015 from the FTA for the construction of the WTC Transportation Hub. As of December 31, 2016, the Port Authority has received $2.8 billion from the FTA for the WTC Transportation Hub.

c. AIP – The Port Authority recognized $22 million in 2016 and $35 million in 2015 in AIP funding primarily related to Rehabilitation of runways at LGA and JFK and School Soundproofing at EWR.

d. Superstorm Sandy – In 2016 and 2015, the Port Authority recognized $29.7 million and $40.7 million, respectively, in FTA and FEMA capital contributions related to Superstorm Sandy permanent repairs primarily at PATH.

e. Federal Highway Administration (FHWA) – In 2016 and 2015, the Port Authority recognized $16 million and $5 million, respectively, in FHWA funding for the Cross Harbor Freight Movement Program at Greenville Yard.

f. Other – In 2016, the Port Authority recognized $27 million from the Metropolitan Transportation Authority (MTA) for the redevelopment of certain locations at the WTC site.

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 2016 and 2015.

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, 2016, 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, 2016 are as follows:

Year ending December 31:	**Minimum Rentals**
	(In thousands)
2017[a]	$ 1,037,826
2018[a]	925,032
2019[a]	808,626
2020	768,071
2021	722,044
2022–2100[b]	24,138,783
Total future minimum rentals[c]	$ 28,400,381

(a) Includes $17 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.

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 premises, including rent related to the Port Authority's WTC Tower 4 corporate headquarters leased space. Rent payments totaled $300 million in 2016 and $325 million in 2015, respectively. Rental payments exclude PILOT payments to municipalities.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2016 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)
2017	$ 284,650
2018	284,395
2019	282,008
2020	282,740
2021	279,198
2022–2026	1,379,098
2027–2031	1,389,993
2032–2036	1,416,231
2037–2041	1,379,370
2042–2046	1,262,525
2047-2099*	2,156,803
Total future minimum rent payments	$ 10,397,011

* Future minimum rent payments for the years 2047-2099 consist of expected rent 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, 2016, 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, 2016.
- **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, 2016, 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, 2016, $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, 2016, approximately $54 million has been expended under this program.
- **Regional Rail Freight Program** (certified in 2002) – This facility provides for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of certain regional rail freight projects to provide for increased rail freight capacity. The Port Authority is authorized to provide up to $50 million. All funds under this program have been fully allocated and expended.
- **Meadowlands Passenger Rail Facility** (certified in 2006) – This facility, which links New Jersey Transit's (NJT) Pascack Valley Rail Line to the Meadowlands Sports Complex, encourages greater use of PATH service since NJT runs shuttle bus service at peak times to Hoboken. The improved level of passenger rail service provided by the facility also serves to ease traffic congestion on the Port Authority's interstate tunnel and bridge crossings. The Port Authority is authorized to provide up to $150 million towards the project's capital costs. All funds under this program have been fully allocated and expended.

As of December 31, 2016, 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, 2015	Project Expenditures	Amortization	Dec. 31, 2016
		(In thousands)		
Regional Development Facility	$ 7,483	$ —	$ 5,491	$ 1,992
Regional Economic Development Program	16,936	—	13,674	3,262
Oak Point Rail Freight Link	1,629	—	1,629	—
New Jersey Marine Development Program	858	—	834	24
New York Transportation, Economic Development and Infrastructure Renewal Program	50,512	—	9,537	40,975
Regional Transportation Program	93,386	—	16,667	76,719
Hudson-Raritan Estuary Resources Program	30,512	—	3,600	26,912
Regional Rail Freight Program	12,163	—	3,333	8,830
Meadowlands Passenger Rail Facility	67,395	—	10,000	57,395
Total unamortized costs of regional programs	$ 280,874	$ —	$ 64,765	$ 216,109

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 (NYSLRS). 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.

NYSLRS Plan Benefits

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

	ERS Membership		PFRS Membership	
Tier	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 State Comptroller of New York. The average contribution rate for ERS for the fiscal years ended March 31, 2016 and March 31, 2015 were approximately 18.2 percent and 20.1 percent of payroll, respectively. The average contribution rate for PFRS for the fiscal years ended March 31, 2016 and March 31, 2015 were approximately 24.7 percent and 27.6 percent of payroll, respectively.

Notes to Consolidated Financial Statements

(continued)

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 greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent greater than 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 greater than 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 greater than 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.

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 contributions to NYSLRS in 2016 totaled $115.3 million including, $57.5 million to ERS and $57.8 million to PFRS.

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 years ended March 31, 2016 and March 31, 2015, which is publically available at the following web address: http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php

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

NYSLRS Net Pension Liability — 2016 and 2015

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.

The Port Authority's proportionate share of the NYSLRS plans' NPLs totaled:

NPL	December 31, 2016	December 31, 2015
	(In millions)	
ERS	$ 212.6	$ 44.9
PFRS	236.0	24.5
Total Net Pension Liability	**$ 448.6**	**$ 69.4**

The NPLs at December 31, 2016 and 2015 were measured as of March 31, 2016 and 2015, based on actuarial valuations as of April 1, 2015 and 2014, with update procedures used to roll forward the TPL to March 31, 2016 and 2015, respectively.

The Port Authority's proportion of the NYSLRS plans' NPL totaled:

	March 31, 2016	March 31, 2015
ERS	1.3%	1.3%
PFRS	8.0%	8.9%

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.

NYSLRS Pension Expense -2016 and 2015

For the twelve months ended December 31, 2016, pension expense related to NYSLRS totaled $161.8 million, including $78.3 million related to ERS and $83.5 million related to PFRS.

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- 2016 and 2015

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.

The Port Authority reported deferred outflows of resources and deferred inflows of resources related to NYSLRS from the following sources at December 31, 2016:

Deferred Outflows of Resources	ERS	PFRS	Total
		(In thousands)	
Differences between expected and actual experience	$ 1,074	$ 2,117	$ 3,191
Changes in actuarial assumptions	56,682	101,741	158,423
Net difference between projected and actual earnings on pension plan investments	126,099	132,261	258,360
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	8,326	—	8,326
Port Authority contributions subsequent to the measurement date*	57,530	57,807	115,337
Total Deferred Outflows of Resources	**$ 249,711**	**$ 293,926**	**$ 543,637**

* 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)	
Differences between expected and actual experience	$ 25,195	$ 35,681	$ 60,876
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	107	15,136	15,243
Total Deferred Inflows of Resources	**$ 25,302**	**$ 50,817**	**$ 76,119**

The amount 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, 2017. 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	Total
		(In thousands)	
2017	$ 42,623	$ 43,937	$ 86,560
2018	42,623	43,937	86,560
2019	42,623	43,937	86,560
2020	39,010	42,097	81,107
2021	—	11,394	11,394
Total	$ 166,879	$ 185,302	$ 352,181

The Port Authority reported deferred outflows of resources and deferred inflows of resources related to NYSLRS from the following sources at December 31, 2015:

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

(continued)

NYSLRS Actuarial Assumptions - 2016 and 2015

The TPL for each plan was determined using an actuarial valuation as of April 1, 2015 for fiscal year 2016 and April 1, 2014 for fiscal year 2015, with update procedures used to roll forward the TPL to the measurement dates of March 31, 2016 and March 31, 2015 respectively. These actuarial valuations used the following actuarial assumptions:

ERS	2016	2015
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation	7.5% compounded annually, net of investment expenses, including inflation
Salary Scale	3.8%, indexed by service	4.9%, indexed by service
Inflation	2.5%	2.7%
Cost of living adjustment	1.3%	1.4%

PFRS	2016	2015
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation	7.5% compounded annually, net of investment expenses, including inflation
Salary Scale	4.5%, indexed by service	6.0%, indexed by service
Inflation	2.5%	2.7%
Cost of living adjustment	1.3%	1.4%

Mortality rates for the fiscal year 2016 actuarial valuation are based on each Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015, with adjustments for mortality improvement based on the Society of Actuaries' Scale MP-2014.

Mortality rates for the fiscal year 2015 actuarial valuation 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 for each actuarial valuation for ERS and PFRS was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the determination of the investment rate of return for each actuarial valuation are summarized in the following table:

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 Analysis-2016 and 2015

The discount rate used to calculate the TPL for ERS and PFRS was 7.0% for 2016 and 7.5% for 2015, respectively. 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.

The following tables present the Port Authority's proportionate share of the NPL for ERS and PFRS calculated for 2016 and 2015 using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the discount rate actually used.

2016	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
		(In thousands)	
ERS - Port Authority's proportionate share of the NPL	$ 479,295	$ 212,555	$ (12,830)
PFRS - Port Authority's proportionate share of the NPL	527,139	236,004	(8,031)
Total	$ 1,006,434	$ 448,559	$ (20,861)

2015	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)

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 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 RSSL.

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 2016 and 2015, 131 and 90 employees, respectively were enrolled in the VDC program since inception. The following table shows employee and employer contributions (reported as pension expense):

	2016	2015
Employer Contributions	**$ 900,994**	$ 559,028
Employee Contributions	**664,349**	449,134
Total	**$ 1,565,343**	$ 1,008,162

Notes to Consolidated Financial Statements
(continued)

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 2016 and 2015, 1,242 and 1,204 PATH employees, respectively, participated in the Federal Railroad Retirement Program.

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)		
2016	7.65%	$ 8,086	7.65%	$ 8,086	$ 16,172
2015	7.65%	7,747	7.65%	7,747	15,494

Railroad Retirement Tier II	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
			($ In thousands)		
2016	4.9%	$ 4,475	13.1%	$ 11,964	$ 16,439
2015	4.9%	4,379	13.1%	11,707	16,086

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 publically available at the following web address: http://www.rrb.gov/pdf/oig/reports/1601.pdf

PATH Employees Supplemental Pension Plans

In addition to pension benefits provided under the Federal Railroad Retirement Program, PATH employees are eligible to participate in certain supplemental pension plans.

PATH Represented Employees

For PATH employees covered under collective bargaining agreements, PATH makes defined contributions to supplemental pension plans 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 funding deficiencies or entitled to funding surpluses related to these supplemental pension plans. PATH's sole responsibility related to these supplemental pension plans are contributions defined in various collective bargaining agreements. Contributions by PATH to these supplemental pension plans totaled approximately $6.7 million in 2016 and $6.4 million in 2015.

PATH Exempt Employee Supplemental Pension Plan

Employees of PATH who are not covered by collective bargaining agreements (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, 2016, no amounts have been deposited into the trust to prefund future pension obligations.

Notes to Consolidated Financial Statements
(continued)

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 - 2016 and 2015

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 unfunded and has no plan assets, the TPL and NPL are of equal amounts. The Plan's TPL reported at December 31, 2016, was measured as of January 1, 2016, based on an actuarial valuation as of the same date. The plan's TPL for the year ended December 31, 2016, was $83.4 million. Changes in the TPL from the previous measurement date are as follows:

	Total Pension Liability - 2016
	(In thousands)
Balance as of 12/31/2015 (based on 1/1/2015 Measurement Date)	$ 81,095
Changes recognized for the fiscal year:	
Service cost	1,280
Interest on the total pension liability	2,850
Differences between expected and actual experience	(945)
Changes in assumptions	3,809
Benefit payments (1/1/15 -12/31/15)	(4,701)
Net change in TPL	2,293
Balance recognized at 12/31/2016 (based on 1/1/2016 Measurement Date)	$ 83,388

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.

	Total Pension Liability - 2015
	(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

PATH Exempt Employee Supplemental Pension Plan Pension Expense- 2016 and 2015

For the twelve months ended December 31, 2016 and December 31, 2015, pension expense related to the Plan totaled $7.3 million and $6.7 million, respectively.

PATH Exempt Employee Supplemental Pension Plan Deferred Outflows/Inflows of Resources - 2016 and 2015

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, 2016 and December 31, 2015, the Port Authority reported deferred outflows of resources totaling:

	Deferred Outflows 12/31/2016	Deferred Outflows 12/31/2015
	(In thousands)	
Differences between actual and expected experience	$ 27	$ 39
Changes in actuarial assumptions	8,567	8,143
Contributions subsequent to the measurement date*	3,563	4,702
Total	$ 12,157	$ 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.

At December 31, 2016 and December 31, 2015, the Port Authority reported deferred inflows of resources totaling:

	Deferred Inflows 12/31/2016	Deferred Inflows 12/31/2015
	(In thousands)	
Differences between actual and expected experience	$ 723	$ —
Total	$ 723	$ —

The amounts of deferred outflows of resources at December 31, 2016 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, 2017. The remaining deferred outflows of resources and deferred inflows of resources at December 31, 2016 related to the PATH Exempt Employee Supplemental Pension Plan to be recognized in future years pension expense are as follows:

Year ended December 31,	Total Amortization
	(In thousands)
2017	$ 3,175
2018	3,175
2019	1,352
2020	169
Total	$ 7,871

PATH Exempt Employee Supplemental Pension Plan Actuarial Assumptions- 2016 and 2015

The TPL measured as of January 1, 2016 and 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, 2016 valuation were based on the results of an actuarial experience study for the period of January 1, 2015 to December 31, 2015. 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 2016 valuation were based on RP-2014 Combined Healthy Mortality Table projected on a generational basis with Scale MP-2015 from the central year. Mortality rates used in the 2015 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, 2016 and January 1, 2015 valuation date, Plan participants comprised:

	2016	2015
Retired PATH Exempt Employees (or their beneficiaries)	104	93
Active PATH Exempt Employees	89	92
Terminated but vested employees who are not currently receiving benefits	21	25
Total participants	214	210

PATH Exempt Employee Supplemental Pension Plan Discount Rate Analysis- 2016 and 2015

Because the plan is unfunded, the discount rate used in the actuarial valuation is based on the 20-year municipal Bond Buyer Index for general obligations which equaled 3.57% as of the January 1, 2016 measurement date and 3.56% as of the January 1, 2015 measurement date.

The following tables present the 2016 and 2015 Plan's TPL calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the discount rate actually used.

2016	1% Decrease (2.57%)	Discount Rate (3.57%)	1% Increase (4.57%)
		(In thousands)	
Total Pension Liability	$ 94,940	$ 83,388	$ 73,845

2015	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)

OPEB Plan Benefits

The Port Authority and PATH provide, pursuant to Board action or as contemplated thereby, certain group health care, prescription, dental, vision and term life insurance benefits for retired employees of the Port Authority and PATH (includes eligible dependents and survivors of retired employees). Collectively, these covered individuals are referred to as "participants." Contributions toward the costs of these benefits are required of certain non-represented participants. Retiree contributions for certain non-represented participants generally range from 3% to 100% of the Port Authority's or PATH's cost of providing retiree benefits and are dependent on a number of factors including, type of benefit, hire date, years of service, pension earnings and retirement date. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid by service providers on behalf of the Port Authority or PATH.

OPEB Actuarial Methods and Assumptions

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

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, 2016 actuarial valuation of the Port Authority and PATH OPEB obligation, the projected unit credit cost method was used for all 14,930 participants (7,483 active, 5,881 retirees, and 1,566 surviving spouses). The actuarial assumptions used to project future costs included a 7% 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 7.25% for Pre 65 year old participants and 6.25% 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 10% 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 $2.9 billion as of January 1, 2016. The 2016 unfunded AAL, totaling $1.9 billion represents the difference between the AAL of $2.9 billion and the amount of plan assets of $956 million.

The following reflects the components of the 2016 and 2015 annual OPEB costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2016 and 2015 actuarial valuations:

	2016	2015
	(In millions)	
Annual OPEB cost:		
Annual required contribution (ARC):		
Normal cost	**$ 43.8**	$ 40.5
Amortization cost	**152.9**	139.0
Total ARC	**196.7**	179.5
Adjustments to ARC	**(27.7)**	(33.3)
Annual OPEB cost	**$ 169.0**	$ 146.2

	2016	2015
	(In millions)	
Net OPEB Obligation:		
Net OPEB obligation at the beginning of fiscal year	**$ 77.4**	$ 160.4
Annual OPEB cost	**169.0**	146.2
Employer contributions:		
OPEB payments	**(145.8)**	(129.2)
Trust contributions	**(100.0)**	(100.0)
Total employer contributions	**(245.8)**	(229.2)
Net accrued OPEB obligation as of December 31st,	**$ 0.6**	$ 77.4

The normal cost of $43.8 million represents the amount of OPEB benefits earned by plan participants in the current period.

Amortization of the unfunded AAL totaling $152.9 million represents the annual funding requirement that if paid quarterly over a thirty-year period at an interest rate of 7% would satisfy the unfunded AAL of $1.9 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 2016, CMS payments to Express Scripts, Inc., on behalf of the Port Authority, totaled approximately $1.4 million. These amounts were considered in calculating the actuarial valuation of the OPEB liability.

The Port Authority and PATH's combined annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net accrued OPEB obligation for 2016 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)		
2016	$ 168,979	145%	$ 654
2015	146,154	158%	77,424
2014	131,943	168%	160,430

Funding Status

On December 14, 2006, the Port Authority established a restricted fund to provide funding for future postemployment employee benefit payments. 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 2016 and 2015, annual contributions to the Trust totaled $100 million respectively.

OPEB Trust assets (at fair value), the AAL, the unfunded AAL for benefits, the annual payroll amounts for active employees covered by the plans and the ratio of the unfunded AAL to covered payroll for 2016 were as follows:

Actuarial Valuation Date	OPEB Trust Assets*	AAL	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a % of Payroll
			($ In millions)			
1/1/2016	$ 956	$ 2,868	$ 1,912	33%	$756	253%

* OPEB trust net position totaled $1.124 billion as of December 31, 2016.

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 2016 and 2015. 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, 2016	December 31, 2015
	(In thousands)	
Assets		
Cash	**$ 15,173**	$ 32,035
Investments, at fair value	**1,158,847**	957,098
Accounts receivable	**1,135**	160
Total assets	**1,175,155**	989,293
Liabilities		
Accounts payable	**50,752**	33,706
Total liabilities	**50,752**	33,706
Net Position Held In Trust For OPEB	**$ 1,124,403**	$ 955,587

Statements of Changes in Trust Net Position

	Year ended December 31, 2016	2015
	(In thousands)	
Additions		
Contributions*	**$ 245,751**	$ 229,159
Investment income:		
Net change in fair value of investments	**42,032**	(24,896)
Interest income	**27,780**	22,527
Total net investment income (loss)	**69,812**	(2,369)
Deductions		
Benefit payments, administrative expenses and fees*	**(146,747)**	(130,581)
Total deductions	**(146,747)**	(130,581)
Net Increase	**168,816**	96,209
Trust net position, January 1	**955,587**	859,378
Net Position Held In Trust For OPEB	**$ 1,124,403**	$ 955,587

* Includes Port Authority payments totaling $145.8 million in 2016 and $129.2 million in 2015 that were paid on behalf of 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.

The audited financial statements for the years ended December 31, 2016 and December 31, 2015 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

1. Approval of a budget by the Board of Commissioners does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions by the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

2. At December 31, 2016, the Port Authority had entered into various construction contracts totaling approximately $5.9 billion, which are expected to be completed within the next three years.

3. Other amounts receivable, net recognized on the Consolidated Statements of Net Position totaled $62.1 million at December 31, 2016, and is comprised of the following:

	Dec. 31, 2015	**Additions**	**Deductions**	**Dec. 31, 2016**
			(In thousands)	
Long-term receivables from tenants	$ 28,118	$ 41,775	$ 36,676	$ 33,217
Installment due from the ECRR operator	1,063	—	191	872
Insurance receivable - Superstorm Sandy	1,371	—	—	1,371
Advances for construction projects	220	500	220	500
Amounts due from Tower 4 Liberty Bonds	6,128	41,520	36,766	10,882
Other	15,574	—	327	15,247
Total other amounts receivable, net	$ 52,474	$ 83,795	$ 74,180	$ 62,089

4. The 2016 balance of Other noncurrent liabilities consists of the following:

	Dec. 31, 2015	Additions	Deductions	Dec. 31, 2016
			(In thousands)	
Self-Insured Worker's Compensation Claims	$ 61,422	$ 22,376	$ 20,639	$ 63,159
Self-Insured Public Liability Claims	58,900	15,832	6,701	68,031
Pollution remediation obligation	18,493	6,564	2,862	22,195
Asset forfeiture program	25,932	1,796	4,350	23,378
Surety and security deposits	4,570	440	107	4,903
WTC Joint Venture Preferred Returns	37,707	48,014	43,107	42,614
Vacated temporary offices exit obligations	14,145	407	13,093	1,459
Goethals Bridge Replacement milestones	47,182	62,303	25,000	84,485
Deferred Gain/Loss on NLCC	4,761	-	-	4,761
Other	36,623	3,721	5,608	34,736
Total Liabilities	$ 309,735	$ 161,453	$ 121,467	$ 349,721
Less: Current worker's compensation liability	16,090			17,079
Current Goethals Bridge milestones	—			25,000
Total other non-current liabilities	$ 293,645			$ 307,642

Unearned income related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture is:

	Dec. 31, 2015	Additions	Deductions	Dec. 31, 2016
			(In thousands)	
Unearned Income related to WTC Retail Joint Venture	$ 704,697	$ 77,869	$ 8,568	$ 773,998

For additional information See *Note L- Information with Respect to the Redevelopment of the World Trade Center Site*.

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 2016, the Port Authority recognized an additional $6.6 million in pollution remediation obligations, primarily related to asbestos abatement at certain Aviation and Port facilities. Cumulative operating expense remediation provisions through December 31, 2016 totaled $78 million, net of $2.1 million in expected recoveries.

As of December 31, 2016, the outstanding pollution remediation liability totaled $22.2 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.

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, for the years 2021-2100, 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.

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, 2016 the Port Authority has leased, (i) approximately 2.06 million square feet of office space at One World Trade Center, representing approximately 69% 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. The 4 WTC net lessee has exercised its right to defer certain Tower 4 net lease rent payments to the Port Authority effective November 2016.

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

WTC Tower 4 was substantially completed in October 2013 by the Silverstein net lessee of Tower 4 and is available for tenant fit-out. In November 2014, Port Authority corporate staff began occupying certain portions of its leased space in Tower 4, 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, 2016, the Port Authority has received $2.8 billion from the FTA related to the construction of the WTC Transportation Hub. On March 3, 2016, the World Trade Center Transportation Hub Oculus and underground pedestrian connections to certain mass transit lines opened to the public and on August 16, 2016, the retail portions opened to the public.

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 August 16, 2016, retail portions of the WTC Transportation Hub opened to the public.

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, 2016, excluding Westfield's initial joint venture membership capital contribution of $100 million recognized in 2011, the

Port Authority has received $797 million for the transfer of its interests in the WTC retail joint venture to Westfield. The $797 million is reported as Unearned income and subsequently recognized as rental income over the remaining term of the existing WTC Retail net lease. As of December 31, 2016, $23 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.

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 (renewed effective June 1, 2016 and expiring on June 1, 2017) 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 (renewed March 31, 2016 and expiring on June 1, 2017) applies to those assets with program limits of $2.5 billion per occurrence and in the aggregate for Tower One, and $2 billion per occurrence and in aggregate for WTC Transportation Hub and WTC Vehicular Security Center, 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 $5 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 (renewed effective October 27, 2016 and expiring October 27, 2017) applies to such facilities with program limits of $1.25 billion per occurrence and in the aggregate, subject to certain retentions, and insurance for aviation war risk, which includes terrorism, and which has no deductible.

The public liability insurance program for "non-aviation" facilities (renewed effective October 27, 2016 and expiring October 27, 2017) applies to such facilities including WTC* 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.

See "" footnote on page 119.

See "" footnote on page 119.

Notes to Consolidated Financial Statements

(continued)

2. Construction Insurance Programs

The Port Authority's World Trade Center Owner Controlled Insurance Program applies to such facility with program limits of $150 million per occurrence, subject to certain deductibles, retentions, and sub-limits of certain hazards, annual aggregate limits, and with program limits of $150 million per occurrence for terrorism insurance, effective November 30, 2015 and expires November 30, 2017.

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

3. Port Authority Insurance Captive Entity, LLC

On October 16, 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the Port Authority Insurance Captive Entity, LLC, for the purpose of insuring certain risk exposures of the Port Authority and its related entities. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business, in connection with Workers' Compensation, general liability, builders risk, property and terrorism insurance coverage for the Port Authority and its component units. 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, 2016, 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.

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, 2016 are set forth on the following page of this report. Restricted amounts associated with PAICE recorded on the Port Authority's consolidated financial statements have been adjusted to eliminate intercompany transfers related to insurance premiums paid to PAICE from the Port Authority.

Financial Position	**Amounts**
	(In thousands)
Total Assets	$ 378,733
Total Liabilities	156,820
Net Position	$ 221,913
Operating Results	
Revenues	$ 42,009
Expenses	10,034
Change in Net Position	$ 31,975
Changes in Net Position	
Net Position at January 1, 2016	$ 189,938
Change in Net Position	31,975
Net Position at December 31, 2016	$ 221,913

* 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 84% of certified terrorism losses in 2016 (and decreases its reinsurance incrementally by 1% per year for the next five (5) years), subject to aggregate industry insured losses of at least $120 million in 2016 (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 $120 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, 2016 and December 31, 2015 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.

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 an actuarial 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	Changes in Loss Reserves	Payments	Year-End Balance*
		(In thousands)		
2016	$ 58,900	$ 15,832	$ 6,701	$ 68,031
2015	77,296	(2,099)	16,297	58,900

* Loss reserves exclude loss adjustment expenditures.

Self-insured worker's compensation loss reserves:

Year	Beginning Balance	Changes in Loss Reserves	Payments	Year-End Balance
		(In thousands)		
2016	$ 61,422	$ 22,376	$ 20,639	$ 63,159
2015	63,915	17,383	19,876	61,422

Required Supplementary Information (Unaudited)

NEW YORK STATE AND LOCAL EMPLOYEES RETIREMENT SYSTEM

Schedule of Proportionate Share of Net Pension Liability*:

	2016	2015
	($ In thousands)	
Port Authority's proportion of the net pension liability	1.3%	1.3%
Port Authority's proportionate share of the net pension liability	$ 212,555	$ 44,906
Covered-employee payroll (April 1st – March 31st)	$ 392,529	$ 390,571
Port Authority's proportionate share of the net pension liability, as a percentage of its covered-employee payroll	54.2%	11.5%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	97.9%

Schedule of Employer Contributions*:

	2016	2015
	($ In thousands)	
Contractually required contribution	$ 57,530	$ 63,072
Contributions in relation to the contractually required contribution	$ 57,530	$ 63,072
Contribution deficiency (excess)	$ —	$ —
Port Authority's covered-employee payroll (January 1st – December 31st)	$ 395,725	$ 409,234
Contributions as a percentage of covered-employee payroll	14.5%	15.4%

NEW YORK STATE AND LOCAL POLICE AND FIRE RETIREMENT SYSTEM

Schedule of Proportionate Share of Net Pension Liability*:

	2016	2015
	($ In thousands)	
Port Authority's proportion of the net pension liability	8.0%	8.9%
Port Authority's proportionate share of the net pension liability	$ 236,004	$ 24,490
Covered-employee payroll (April 1st – March 31st)	$ 246,060	$ 248,631
Port Authority's proportionate share of the net pension liability, as a percentage of its covered-employee payroll	95.9%	9.8%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	99.0%

Schedule of Employer Contributions*:

	2016	2015
	($ In thousands)	
Contractually required contribution	$ 57,807	$ 53,652
Contributions in relation to the contractually required contribution	$ 57,807	$ 53,652
Contribution deficiency (excess)	$ —	$ —
Port Authority's covered-employee payroll (January 1st – December 31st)	$ 253,096	$ 253,597
Contributions as a percentage of covered-employee payroll	22.8%	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)		
2016	7.65%	$ 8,086	7.65%	$ 8,086	$ 16,172
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		$ 31,503		$ 31,503	$ 63,006

Railroad Retirement Tier II	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
			($ In thousands)		
2016	4.9%	$ 4,475	13.1%	$ 11,964	$ 16,439
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		$ 16,539		$ 45,678	$ 62,217

*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*

	2016	2015
	($ In thousands)	
Total Pension Liability		
Service cost	$ 1,280	$ 900
Interest cost	2,850	3,271
Differences between expected and actual experience	(945)	51
Changes of assumptions	3,809	10,632
Benefit payments, including refunds of member contributions	(4,701)	(3,389)
Net change in total pension liability	2,293	11,465
Total Pension Liability (Beginning)	81,095	69,630
Total Pension Liability (Ending)	**$ 83,388**	**$ 81,095**
Covered-Employee Payroll	$ 13,187	$ 12,356
Total Pension Liability as a % of Payroll	632.4%	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, 2016, there are no plan assets accumulated in a trust for purposes of making future pension payments to members.

OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) PLAN

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)			
1/1/16	$ 956	$ 2,868	$ 1,912	33%	$ 756	253%
1/1/15	859	2,642	1,783	33%	739	241%
1/1/14	708	2,394	1,686	30%	753	224%

*As of December 31, 2016 OPEB trust net position totaled $1.124 billion.

Schedule A – Revenues and Reserves

(pursuant to Port Authority bond resolutions)

	Year ended December 31, 2016			2015
	Operating Fund	**Reserve Funds**	**Combined Total**	Combined Total
		(In thousands)		
Gross operating revenues:				
Tolls and fares	$ 1,865,481	$ —	**$ 1,865,481**	$ 1,718,770
Rentals	1,555,958	—	**1,555,958**	1,439,229
Aviation fees	1,112,436	—	**1,112,436**	1,063,902
Parking and other	399,178	—	**399,178**	359,631
Utilities	138,987	—	**138,987**	144,580
Rentals – Special Project Bonds Projects	86,755	—	**86,755**	92,719
Total gross operating revenues	5,158,795	—	**5,158,795**	4,818,831
Operating expenses:				
Employee compensation, including benefits	1,290,334	—	**1,290,334**	1,178,967
Contract services	852,926	—	**852,926**	833,903
Rents and payments in-lieu-of taxes (PILOT)	352,293	—	**352,293**	356,162
Materials, equipment and other	264,977	—	**264,977**	252,071
Utilities	165,802	—	**165,802**	186,830
Interest on Special Project Bonds	86,755	—	**86,755**	92,719
Total operating expenses	3,013,087	—	**3,013,087**	2,900,652
Operating and maintenance contingencies	—	—	**—**	50,000
Amounts in connection with operating asset obligations	18,871	—	**18,871**	21,387
Net (revenue)/expense related to Superstorm Sandy	—	—	**—**	(123)
Net operating revenues	2,126,837	—	**2,126,837**	1,846,915
Financial income:				
Interest income	(29,026)	35,772	**6,746**	18,370
Net (decrease) in fair value of investments	(4,135)	(7,395)	**(11,530)**	(14,290)
Contributions in aid of construction	293,770	—	**293,770**	272,335
Application of WTC Retail Joint Venture Payments	77,869	—	**77,869**	66,963
Application of Passenger Facility Charges	229,921	—	**229,921**	273,721
Application of 4 WTC associated payments	41,520	—	**41,520**	36,766
Grants, in connection with operating activities	64,315	—	**64,315**	101,074
Pass–through grant program payments	(10,695)	—	**(10,695)**	(51,429)
Net revenues available for debt service and reserves	2,790,376	28,377	**2,818,753**	2,550,425
Debt service:				
Interest on bonds and other asset financing obligations	824,586	81,601	**906,187**	876,817
Debt maturities and retirements	268,520	—	**268,520**	259,315
Repayment of asset financing obligations	—	(6,669)	**(6,669)**	51,928
Total debt service	1,093,106	74,932	**1,168,038**	1,188,060
Transfers to reserves	$ (1,697,270)	1,697,270	**—**	—
Revenues after debt service and transfers to reserves		1,650,715	**1,650,715**	1,362,365
Direct investment in facilities		(1,132,915)	**(1,132,915)**	(1,949,785)
Increase/(Decrease) in reserves		517,800	**517,800**	(587,420)
Reserve balances, January 1		3,839,847	**3,839,847**	4,427,267
Reserve balances, December 31		$ 4,357,647	**$ 4,357,647**	$ 3,839,847

See Notes to Consolidated Financial Statements

Schedule B - Assets and Liabilities

(pursuant to Port Authority bond resolutions)

	December 31, 2016				2015
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	Combined Total
ASSETS			(In thousands)		
Current assets:					
Cash	$ 180,166	$ 20,679	$ 189,964	**$ 390,809**	$ 1,171,781
Restricted cash:					
Passenger Facility Charges	262,238	—	—	**262,238**	130,751
Port Authority Insurance Captive Entity, LLC	80,024	—	—	**80,024**	40,535
Investments	—	443,128	788,173	**1,231,301**	1,766,989
Restricted investments - PFC	72,275	—	—	**72,275**	—
Interfund balances	(532,205)	(85,640)	617,845	**—**	—
Current receivables, net	459,517	628	—	**460,145**	468,707
Other current assets	94,122	22,833	—	**116,955**	127,193
Restricted receivables and other assets	69,559	—	—	**69,559**	73,106
Total current assets	685,696	401,628	1,595,982	**2,683,306**	3,779,062
Noncurrent assets:					
Restricted cash	4,964	—	—	**4,964**	4,631
Investments	72,126	411,497	2,761,665	**3,245,288**	3,252,429
Restricted investments - PAICE	220,462	—	—	**220,462**	184,633
Other amounts receivable, net	45,566	16,523	—	**62,089**	52,474
Other noncurrent assets	1,516,750	1,801	—	**1,518,551**	1,448,452
Restricted other noncurrent assets - PAICE	1,932	—	—	**1,932**	4,649
Amounts receivable - Special Project Bonds Projects	—	1,391,170	—	**1,391,170**	1,451,170
Amounts receivable - Tower 4 Liberty Bonds	—	1,225,520	—	**1,225,520**	1,225,520
Invested in facilities	—	53,830,211	—	**53,830,211**	50,629,546
Total noncurrent assets	1,861,800	56,876,722	2,761,665	**61,500,187**	58,253,504
Total assets	2,547,496	57,278,350	4,357,647	**64,183,493**	62,032,566
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	555,794	—	—	**555,794**	155,259
LIABILITIES					
Current liabilities:					
Accounts payable	297,529	774,883	—	**1,072,412**	1,071,047
Accrued interest and other current liabilities	564,226	25,740	—	**589,966**	592,700
Restricted other liabilities - PAICE	12,492	—	—	**12,492**	9,446
Accrued payroll and other employee benefits	527,897	—	—	**527,897**	436,576
Unapplied Passenger Facility Charges	204,053	—	—	**204,053**	168,801
Current portion bonds and other asset financing obligations	37,981	1,202,161	—	**1,240,142**	1,486,572
Total current liabilities	1,644,178	2,002,784	—	**3,646,962**	3,765,142
Noncurrent liabilities:					
Accrued pension and other postemployment employee benefits	533,835	—-	—	**533,835**	229,892
Other noncurrent liabilities	230,331	72,550	—	**302,881**	288,883
Restricted other noncurrent liabilities - PAICE	49,171	—-	—	**49,171**	50,383
Amounts payable - Special Project Bonds	—	1,391,170	—	**1,391,170**	1,451,170
Amounts payable - Tower 4 Liberty Bonds	—	1,225,520	—	**1,225,520**	1,225,520
Bonds and other asset financing obligations	593,703	20,083,061	—	**20,676,764**	20,765,928
Total noncurrent liabilities	1,407,040	22,772,301	—	**24,179,341**	24,011,776
Total liabilities	3,051,218	24,775,085	—	**27,826,303**	27,776,918
DEFERRED INFLOWS OF RESOURCES					
Pension related amounts	76,842	—	—	**76,842**	7,555
NET POSITION	$ (24,770)	$ 32,503,265	$ 4,357,647	**$ 36,836,142**	$ 34,403,352
Net position is comprised of:					
Facility infrastructure investment	$ —	$ 32,503,265	$ —	**$ 32,503,265**	$ 30,588,275
Cumulative effect of change in accounting principles	(24,770)	—	—	**(24,770)**	(24,770)
Reserves	—	—	4,357,647	**4,357,647**	3,839,847
NET POSITION	$ (24,770)	$ 32,503,265	$ 4,357,647	**$ 36,836,142**	$ 34,403,352

See Notes to Consolidated Financial Statements

Schedule C - Analysis of Reserve Funds

(pursuant to Port Authority bond resolutions)

	Year ended December 31, 2016			2015
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
			(In thousands)	
Balance, January 1	$ 2,297,475	$ 1,542,372	**$ 3,839,847**	$ 4,427,267
Increase in reserve funds *	—	1,725,647	**1,725,647**	1,480,754
	2,297,475	3,268,019	**5,565,494**	5,908,021
Applications:				
Repayment of asset financing obligations	—	(6,669)	**(6,669)**	51,928
Interest on asset financing obligations	—	81,601	**81,601**	66,461
Direct investment in facilities	—	1,132,915	**1,132,915**	1,949,785
Total applications	—	1,207,847	**1,207,847**	2,068,174
Balance, December 31	$ 2,297,475	$ 2,060,172	**$ 4,357,647**	$ 3,839,847

* Combined increase in reserve funds consists of "Transfers to reserves" from the operating fund totaling $1.7 billion, plus financial income generated on reserve funds of $28.4 million in 2016.

See Notes to Consolidated Financial Statements

STATISTICAL AND OTHER SUPPLEMENTAL INFORMATION

For the Year Ended December 31, 2016

The Statistical and Other Supplemental Information section presents additional information as a means to provide context to the information contained 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)

	2016	2015	2014	2013
			(In thousands)	
Revenues, Expenses and Changes in Net Position:				
Gross operating revenues:				
Tolls and fares	**$ 1,865,481**	$ 1,718,770	$ 1,553,625	$ 1,462,957
Rentals[(a)]	**1,564,527**	1,446,980	1,300,818	1,228,491
Aviation fees	**1,112,436**	1,063,902	1,058,416	934,459
Parking and other	**399,178**	359,631	321,760	315,111
Utilities	**138,987**	144,580	149,052	139,835
Rentals - Special Project Bonds Projects	**86,755**	92,719	98,141	103,186
Gross operating revenues	**5,167,364**	4,826,582	4,481,812	4,184,039
Operating expenses:				
Employee compensation, including benefits	**1,290,334**	1,178,967	1,187,877	1,114,397
Contract services	**852,926**	833,903	797,516	684,411
Rents and amounts in-lieu-of taxes (PILOT)	**352,293**	356,162	362,627	301,582
Materials, equipment and other	**264,977**	252,071	277,174	220,859
Utilities	**165,802**	186,830	199,919	171,833
Interest on Special Project Bonds	**86,755**	92,719	98,141	103,186
Operating expenses	**3,013,087**	2,900,652	2,923,254	2,596,268
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
Depreciation of facilities	**(1,173,747)**	(1,124,383)	(932,149)	(875,979)
Amortization of costs for regional programs	**(64,765)**	(64,665)	(64,484)	(64,275)
Income from operations	**915,765**	737,005	615,455	675,746
Income on investments (including fair value adjustment)	**30,554**	30,978	38,100	8,608
Interest expense on bonds and other asset financing	**(935,442)**	(909,603)	(666,244)	(623,353)
Net gain/(loss) on disposition of assets	**—**	—	19,043	4,423
Pass-through grant program payments	**(10,695)**	(51,429)	(107,606)	(176,848)
4 WTC associated payments	**41,521**	36,766	6,128	36,660
Grants in connection with operating activities	**64,315**	101,074	207,898	188,409
Contributions in aid of construction	**674,950**	586,295	700,267	689,898
Passenger facility charges	**264,363**	248,707	233,172	224,301
1 WTC LLC/WTC Retail LLC insurance proceeds	**—**	—	—	—
Increase in net position December 31,	**$ 1,045,331**	$ 779,793	$ 1,046,213	$ 1,027,844
Net position is comprised of				
Net investment in capital assets	**$ 12,746,144**	$ 11,810,573	$ 10,402,894	$ 9,442,138
Restricted	**567,443**	456,429	470,857	454,467
Unrestricted	**3,261,307**	3,262,561	3,900,789	3,831,722
Net Position, December 31,	**$ 16,574,894**	$ 15,529,563	$ 14,774,540	$ 13,728,327

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

2012	2011	2010	2009	2008	2007
$ 1,337,372	$ 1,148,061	$ 1,069,785	$ 1,068,105	$ 1,054,801	$ 800,244
1,208,730	1,150,569	1,144,709	1,115,652	1,079,634	986,663
904,666	895,356	872,774	839,327	816,628	781,355
338,178	339,131	321,257	316,005	328,220	387,966
152,945	154,810	154,041	140,817	169,576	149,537
108,125	112,553	71,457	72,337	78,693	85,861
4,050,016	3,800,480	3,634,023	3,552,243	3,527,552	3,191,626
1,038,243	1,037,681	1,022,195	974,154	941,289	922,671
749,106	726,883	630,438	683,418	670,489	587,730
304,020	280,237	272,002	276,830	274,916	271,073
215,937	219,183	418,639	263,682	314,722	212,147
174,016	188,432	183,826	168,249	183,583	167,912
108,125	112,553	71,457	72,337	78,693	85,861
2,589,447	2,564,969	2,598,557	2,438,670	2,463,692	2,247,394
—	—	53,051	202,978	457,918	(4,563)
(30,000)	—	—	—	—	—
(884,239)	(852,727)	(789,011)	(712,331)	(644,620)	(632,553)
(77,719)	(77,537)	(76,504)	(74,617)	(70,840)	(59,316)
468,611	305,247	223,002	529,603	806,318	247,800
39,661	(46,898)	4,435	146,561	(4,976)	229,812
(658,313)	(559,110)	(501,607)	(501,892)	(488,463)	(493,689)
(4)	—	—	27,125	7	17,011
(56,446)	(11,507)	(2,166)	(1,120)	(3,130)	(4,717)
65,293	8,343	—	—	—	—
52,161	23,727	11,708	10,613	9,811	11,310
997,441	767,010	358,268	382,978	313,078	313,504
222,614	214,456	210,387	201,737	211,667	221,380
3,525	—	42,814	50,813	49,771	760,467
$ 1,134,543	$ 701,268	$ 346,841	$ 846,418	$ 894,083	$ 1,302,878
$ 9,273,213	$ 10,020,306	$ 9,200,077	$ 8,415,993	$ 7,526,446	$ 6,609,691
392,389	294,460	222,871	211,725	409,800	719,306
3,034,881	1,411,125	1,601,675	2,050,064	1,895,118	1,608,284
$ 12,700,483	$ 11,725,891	$ 11,024,623	$ 10,677,782	$ 9,831,364	$ 8,937,281

Schedule D-2 - Selected Statistical Debt Capacity Data

(Pursuant to Port Authority bond resolutions)

	2016	2015	2014	2013
		(In thousands)		
Gross Operating Revenues*	**$ 5,158,795**	$ 4,818,831	$ 4,475,193	$ 4,184,039
Operating expenses	**(3,013,087)**	(2,900,652)	(2,923,254)	(2,596,268)
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
Amounts in connection with operating asset obligations	**(18,871)**	(21,387)	(23,734)	(25,908)
Net operating revenues	**2,126,837**	1,846,915	1,581,735	1,590,092
Financial income	**(4,784)**	4,080	14,687	(2,964)
Grants and contributions in aid of construction, net	**347,390**	321,980	565,444	540,746
Application of WTC Retail Joint Venture Payments*	**77,869**	66,963	652,104	—
Application of Passenger Facility Charges	**229,921**	273,721	221,156	175,421
Application of 4 WTC associated payments	**41,520**	36,766	6,128	36,660
Application of 1WTC LLC/WTC LLC Retail insurance proceeds	**—**	—	—	—
Restricted Net Revenues - PAICE	**—**	—	—	4,305
Net revenues available for debt service and reserves (a)	**2,818,753**	2,550,425	3,041,254	2,344,260
DEBT SERVICE - OPERATIONS				
Interest on bonds and other asset financing obligations (b)	**(824,586)**	(810,356)	(635,262)	(556,824)
Times, interest earned (a/b)	**3.42**	3.15	4.79	4.21
Debt maturities and retirements (c)	**(268,520)**	(259,315)	(226,205)	(204,000)
Times, debt service earned [a/(b+c)]	**2.58**	2.38	3.53	3.08
APPLICATION OF RESERVES				
Direct investment in facilities	**(1,132,915)**	(1,949,785)	(1,473,432)	(1,059,756)
Debt retirement acceleration	**—**	—	—	—
Change in appropriations for self-insurance	**—**	—	28,100	10,414
Interest on bonds and other asset financing obligations	**(81,601)**	(66,461)	(11,542)	(38,689)
Repayment of asset financing obligations	**6,669**	(51,928)	(105,562)	(15,701)
Acceleration of unamortized brokerage commissions	**—**	—	—	(46,863)
Net increase/(decrease) in reserves	**517,800**	(587,420)	617,351	432,841
RESERVE BALANCES				
January 1	**3,839,847**	4,427,267	3,809,916	3,377,075
December 31	**4,357,647**	3,839,847	4,427,267	3,809,916
Reserve funds balances represented by:				
General Reserve	**2,297,475**	2,297,475	2,131,711	2,029,051
Consolidated Bond Reserve	**2,060,172**	1,542,372	2,295,556	1,780,865
Total	**$ 4,357,647**	$ 3,839,847	$ 4,427,267	$ 3,809,916
OBLIGATIONS AT DECEMBER 31 (at par value)				
Consolidated Bonds and Notes	**$ 20,429,565**	$ 21,019,925	$ 19,229,020	$ 18,212,063
Fund for regional development buy-out obligation	**221,393**	253,732	283,562	311,077
MOTBY obligation	**55,332**	44,383	48,254	52,329
Amounts payable - Special Project Bonds	**1,391,170**	1,451,170	1,530,510	1,605,515
Variable rate master notes	**77,900**	77,900	77,900	77,900
Commercial paper obligations	**388,315**	425,760	448,185	348,110
Versatile structure obligations	**—**	—	—	—
Port Authority equipment notes	**—**	—	31,500	46,925
Tower 4 Liberty Bonds	**1,225,520**	1,225,520	1,225,520	1,225,520
Goethals Bridge Replacement Developer Financing Arrangement	**744,401**	430,800	210,316	—
Total obligations	**$ 24,533,596**	$ 24,929,190	$ 23,084,767	$ 21,879,439

* Commencing in 2014, Gross operating revenues exclude the recognition of unearned income related to the March 2014 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.

2012	2011	2010	2009	2008	2007
$ 4,050,016	$ 3,800,480	$ 3,634,023	$ 3,552,243	$ 3,527,552	$ 3,191,626
(2,589,447)	(2,564,969)	(2,598,557)	(2,438,670)	(2,463,692)	(2,247,394)
—	—	53,051	202,978	457,918	(4,563)
—	—	—	—	—	—
(30,000)	—	—	—	—	—
(27,956)	(29,580)	(46,561)	(55,058)	(41,301)	(40,787)
1,402,613	1,205,931	1,041,956	1,261,493	1,480,477	898,882
29,121	(53,270)	(900)	141,136	(19,537)	208,274
565,976	499,516	367,810	392,471	319,759	320,097
—	—	—	—	—	—
110,015	215,645	207,122	205,164	215,407	220,583
65,293	8,343	—	—	—	—
17,962	57,340	61,468	266,676	411,278	305,532
2,710	644	(102)	3,177	(4,311)	(1,354)
2,193,690	1,934,149	1,677,354	2,270,117	2,403,073	1,952,014
(539,436)	(480,623)	(436,622)	(427,384)	(409,175)	(417,209)
4.07	4.02	3.84	5.31	5.87	4.68
(169,770)	(140,390)	(178,095)	(147,370)	(152,275)	(177,160)
3.09	3.11	2.73	3.95	4.28	3.28
(691,079)	(742,001)	(1,375,008)	(1,522,096)	(1,514,369)	(808,694)
(54,635)	(6,100)	—	—	—	—
37,547	1,949	(3,971)	6,463	2,123	(3,220)
(87,764)	(37,702)	(7,580)	(8,938)	(28,797)	(36,077)
(16,514)	(20,258)	(30,062)	(13,525)	(80,775)	(110,424)
—	—	—	—	—	—
672,039	509,024	(353,984)	157,267	219,805	399,230
2,705,036	2,196,012	2,549,996	2,392,729	2,172,924	1,773,694
3,377,075	2,705,036	2,196,012	2,549,996	2,392,729	2,172,924
2,026,605	1,783,370	1,584,955	1,412,221	1,270,215	1,238,915
1,350,470	921,666	611,057	1,137,775	1,122,514	934,009
$ 3,377,075	$ 2,705,036	$ 2,196,012	$ 2,549,996	$ 2,392,729	$ 2,172,924
$ 18,076,497	$ 15,550,039	$ 13,340,378	$ 12,284,449	$ 10,794,831	$ 9,495,419
336,453	359,859	373,707	386,480	398,262	409,128
78,060	105,141	138,396	—	—	—
1,675,825	1,741,440	1,803,145	1,064,380	1,118,105	1,264,735
77,900	77,900	77,900	90,990	90,990	90,990
384,625	396,155	354,280	321,010	186,040	238,950
—	—	175,200	250,900	399,700	1,205,600
49,565	68,160	98,645	110,485	112,485	93,460
1,225,520	1,225,520	—	—	—	—
—	—	—	—	—	—
$ 21,904,445	$ 19,524,214	$ 16,361,651	$ 14,508,694	$ 13,100,413	$ 12,798,282

Schedule D-3 Selected Statistical Financial Data by Business Segment

(pursuant to GAAP)

	2016	2015	2014	2013
		(In thousands)		
Gross Operating Revenues:				
Tunnels, Bridges and Terminals	**$ 1,742,028**	$ 1,599,575	$ 1,447,896	$ 1,369,559
PATH	**191,261**	184,560	168,668	150,604
Port Department	**300,569**	270,263	248,443	262,526
Aviation	**2,646,213**	2,537,233	2,479,106	2,321,300
Development	**25,956**	26,561	51,077	29,492
World Trade Center	**260,655**	207,634	85,942	50,087
Other[a]	**682**	756	680	471
Total	**$ 5,167,364**	$ 4,826,582	$ 4,481,812	$ 4,184,039
Operating Expenses:[b]				
Tunnels, Bridges and Terminals	**$ 509,529**	$ 499,873	$ 510,383	$ 493,429
PATH	**415,251**	389,276	401,273	338,926
Port Department	**167,724**	175,976	172,545	176,459
Aviation	**1,612,470**	1,557,926	1,623,190	1,466,692
Development	**10,853**	13,659	15,737	15,497
World Trade Center	**293,864**	258,748	192,789	94,312
Other[c]	**3,396**	5,194	7,337	10,953
Total	**$ 3,013,087**	$ 2,900,652	$ 2,923,254	$ 2,596,268
Capital Investment:[d]				
Tunnels, Bridges and Terminals	**$ 1,179,307**	$ 956,231	$ 961,854	$ 413,946
PATH (including WTC Transportation Hub)	**454,031**	268,428	512,415	559,104
Port Department	**133,874**	93,729	210,496	180,760
Aviation	**584,996**	791,805	715,456	468,319
Development	**1,569**	2,110	1,977	527
World Trade Center	**846,597**	904,787	1,674,030	1,373,328
Other[a]	**290**	3,144	3,822	3,221
Total	**$ 3,200,664**	$ 3,020,234	$ 4,080,050	$ 2,999,205

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

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

(c) Includes Ferry Transportation, 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.

2012	2011	2010	2009	2008	2007
$ 1,258,125	$ 1,078,977	$ 1,009,891	$ 1,009,313	$ 991,364	$ 750,634
134,382	121,102	109,704	106,063	111,119	99,400
249,609	236,461	223,095	205,861	201,269	236,002
2,276,018	2,221,157	2,124,955	2,043,091	2,025,881	1,917,998
87,521	100,800	89,457	98,603	108,594	103,603
44,107	41,816	76,704	89,189	89,152	83,738
254	167	217	123	173	251
$ 4,050,016	$ 3,800,480	$ 3,634,023	$ 3,552,243	$ 3,527,552	$ 3,191,626
$ 468,263	$ 460,960	$ 437,775	$ 436,796	$ 436,565	$ 435,835
329,663	322,133	385,686	300,874	290,309	266,886
190,043	185,053	163,424	127,240	143,523	112,607
1,410,070	1,385,582	1,317,749	1,306,078	1,346,197	1,244,954
79,620	82,637	77,200	85,246	83,024	78,461
76,149	106,277	116,797	158,348	144,470	88,647
35,639	22,327	99,926	24,088	19,604	20,004
$ 2,589,447	$ 2,564,969	$ 2,598,557	$ 2,438,670	$ 2,463,692	$ 2,247,394
$ 233,637	$ 168,759	$ 149,803	$ 175,392	$ 174,680	$ 164,846
743,136	720,797	752,486	741,002	609,464	463,796
184,750	228,747	302,858	174,459	181,772	288,677
351,535	243,995	518,545	658,292	624,700	685,787
140	(26,556)	29,297	23,237	22,037	14,593
1,802,009	2,087,741	1,091,464	903,220	602,042	498,041
6,767	9,464	133,229	44,953	145,792	205,432
$ 3,321,974	$ 3,432,947	$ 2,977,682	$ 2,720,555	$ 2,360,487	$ 2,321,172

Schedule E - Information on Port Authority Operations

	Year ended December 31, 2016							2015
	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	$ 808,126	$ 130,172	$ 38,750	$ 639,204	$ 28,767	$ —	**$ 610,437**	$ 553,133
Holland Tunnel	198,822	80,505	17,002	101,315	9,459	657	**92,513**	79,130
Lincoln Tunnel	273,667	104,591	52,081	116,995	39,369	34	**77,660**	73,776
Bayonne Bridge	18,682	25,421	18,977	(25,716)	6,518	—	**(32,234)**	(26,222)
Goethals Bridge	219,448	26,303	35,042	158,103	5,882	—	**152,221**	127,788
Outerbridge Crossing	180,961	28,794	4,567	147,600	1,872	—	**145,728**	130,773
Port Authority Bus Terminal	42,322	113,743	24,517	(95,938)	12,893	2,589	**(106,242)**	(116,821)
Subtotal – Tunnels, Bridges & Terminals	1,742,028	509,529	190,936	1,041,563	104,760	3,280	**940,083**	821,557
PATH	186,525	386,574	127,324	(327,373)	171,836	23,618	**(475,591)**	(462,950)
WTC Transportation Hub	—	7,965	56,910	(64,875)	—	178,072	**113,197**	140,394
Journal Square Transportation Center	4,736	20,712	6,544	(22,520)	3,184	—	**(25,704)**	(21,672)
Subtotal – PATH	191,261	415,251	190,778	(414,768)	175,020	201,690	**(388,098)**	(344,228)
Ferry Transportation	169	374	5,289	(5,494)	4,381	—	**(9,875)**	(10,860)
Access to the Regions Core (ARC)	—	1,717	10,115	(11,832)	2,913	—	**(14,745)**	(14,714)
Total Interstate Transportation Network	1,933,458	926,871	397,118	609,469	287,074	204,970	**527,365**	451,755
AVIATION								
LaGuardia[c]	391,312	307,976	78,723	4,613	30,363	78,584	**52,834**	72,957
JFK International[c]	1,261,577	765,152	195,974	300,451	76,580	129,277	**353,148**	299,917
Newark Liberty International[c]	939,329	489,045	153,057	297,227	63,094	86,784	**320,917**	291,050
Teterboro	45,188	31,313	15,605	(1,730)	5,649	1,249	**(6,130)**	(9,514)
Stewart International[c]	8,807	18,984	9,027	(19,204)	6,051	2,293	**(22,962)**	(16,863)
Total Aviation	2,646,213	1,612,470	452,386	581,357	181,737	298,187	**697,807**	637,547
PORT DEPARTMENT								
Port Newark	83,495	92,335	32,611	(41,451)	26,873	1,000	**(67,324)**	(66,411)
Elizabeth Marine Terminal	164,356	30,077	35,320	98,959	34,657	—	**64,302**	32,201
Brooklyn Port Authority Marine Terminal	5,585	11,392	1,454	(7,261)	818	—	**(8,079)**	(8,492)
Red Hook	1,841	5,498	62	(3,719)	—	—	**(3,719)**	(4,878)
Howland Hook Marine Terminal	12,335	7,844	17,068	(12,577)	13,862	—	**(26,439)**	(30,053)
Greenville Yard Port Authority Marine Terminal	912	10	—	902	—	—	**902**	893
NYNJ Rail LLC	4,455	4,848	468	(861)	763	16,546	**14,922**	3,800
Port Jersey - Port Authority Marine Terminal	27,590	15,720	6,897	4,973	28,141	—	**(23,168)**	(12,919)
Total Port Department	300,569	167,724	93,880	38,965	105,114	17,546	**(48,603)**	(85,859)
DEVELOPMENT								
Essex County Resource Recovery	23	193	2	(172)	299	—	**(471)**	(2,550)
Industrial Park at Elizabeth	1,151	8	275	868	269	—	**599**	520
Bathgate Industrial Park	3,917	2,084	1,362	471	174	—	**297**	701
Teleport	10,392	8,236	1,897	259	411	—	**(152)**	(1,607)
Newark Legal & Communications Center	—	—	—	—	—	—	**—**	(186)
Queens West Waterfront Development	1,103	—	605	498	1,464	—	**(966)**	(1,007)
Hoboken South Waterfront Development	9,370	332	2,862	6,176	2,641	—	**3,535**	2,818
Total Development	25,956	10,853	7,003	8,100	5,258	—	**2,842**	(1,311)
WORLD TRADE CENTER								
WTC Site	2,619	130,977	62,618	(190,976)	(8,549)	2,000	**(180,427)**	(140,648)
One World Trade Center	180,899	115,372	100,667	(35,140)	146,679	7,997	**(173,822)**	(219,402)
WTC Towers 2, 3 & 4	39,793	20,475	40,319	(21,001)	23,773	408,613	**363,839**	264,452
WTC Tower 7	22,704	20,196	—	2,508	-	—	**2,508**	4,311
WTC Retail LLC	14,640	6,844	19,756	(11,960)	39,358	—	**(51,318)**	(28,843)
Total World Trade Center	260,655	293,864	223,360	(256,569)	201,261	418,610	**(39,220)**	(120,130)
Port Authority Insurance Captive Entity, LLC	—	(297)	—	297	(447)	—	**744**	803
Regional Facilities and Programs	513	1,602	64,765	(65,854)	29,750	—	**(95,604)**	(103,135)
Net Revenues related to Superstorm Sandy	—	—	—	—	—	—	**—**	123
Total Port Authority	$5,167,364	$3,013,087	$1,238,512	$ 915,765	$ 809,747	$939,313	**$ 1,045,331**	$ 779,793

(a) Amounts include all direct and allocated operating 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, 2015	Capital Investment[(a)]	Depreciation	Dispositions	Facilities, net Dec. 31, 2016
			(In thousands)		
INTERSTATE TRANSPORTATION NETWORK					
George Washington Bridge & Bus Station	$ 953,965	$ 78,265	$ 38,750	$ —	$ 993,480
Holland Tunnel	379,518	44,457	17,002	—	406,973
Lincoln Tunnel	1,040,156	267,604	52,081	—	1,255,679
Bayonne Bridge	860,154	327,328	18,977	—	1,168,505
Goethals Bridge	774,130	427,108	35,042	—	1,166,196
Outerbridge Crossing	90,017	3,125	4,567	—	88,575
Port Authority Bus Terminal	484,131	31,420	24,517	—	491,034
Subtotal - Tunnels, Bridges & Terminals	4,582,071	1,179,307	190,936	—	5,570,442
PATH	2,401,420	217,957	127,324	—	2,492,053
WTC Transportation HUB	3,355,912	236,072	56,910	—	3,535,074
Journal Square Transportation Center	81,366	2	6,544	—	74,824
Subtotal – PATH	5,838,698	454,031	190,778	—	6,101,951
Ferry Transportation	106,729	290	5,289	—	101,730
Access to the Region's Core (ARC)	78,273	—	10,115	—	68,158
Total Interstate Transportation Network	10,605,771	1,633,628	397,118	—	11,842,281
AVIATION[(b)]					
LaGuardia	1,454,174	365,640	78,723	—	1,741,091
JFK International	3,743,283	89,800	195,974	—	3,637,109
Newark Liberty International	2,379,236	119,125	153,057	—	2,345,304
Teterboro	240,898	2,354	15,605	—	227,647
Stewart International	164,407	8,077	9,027	—	163,457
Total Aviation	7,981,998	584,996	452,386	—	8,114,608
PORT DEPARTMENT					
Port Newark	799,799	56,064	32,611	—	823,252
Elizabeth Port Authority Marine Terminal	1,042,303	17,810	35,320	—	1,024,793
Brooklyn Port Authority Marine Terminal	61,822	1,897	1,516	—	62,203
Howland Hook Marine Terminal	484,580	22,607	17,068	—	490,119
Greenville Yard / NYNJ Rail LLC	37,063	25,203	468	—	61,798
Port Jersey-Port Authority Marine Terminal	389,492	10,293	6,897	—	392,888
Total Port Department	2,815,059	133,874	93,880	—	2,855,053
DEVELOPMENT					
Essex County Resource Recovery Facility	5,810	—	2	—	5,808
Industrial Park at Elizabeth	6,091	—	275	—	5,816
Bathgate Industrial Park	4,262	—	1,362	—	2,900
Teleport	11,470	1,569	1,897	—	11,142
Queens West Waterfront Development	86,011	—	605	—	85,406
Hoboken South Waterfront Development	69,106	—	2,862	—	66,244
Total Development	182,750	1,569	7,003	—	177,316
WORLD TRADE CENTER					
WTC Site[(c)]	3,612,261	201,576	62,618	—	3,751,219
One World Trade Center	3,350,528	136,750	100,667	—	3,386,611
WTC Towers 2, 3 & 4[(d)]	2,562,175	386,980	40,319	—	2,908,836
WTC Retail LLC	1,556,232	121,291	19,756	—	1,657,767
Total World Trade Center	11,081,196	846,597	223,360	—	11,704,433
FACILITIES, net	$ 32,666,774	$ 3,200,664	$ 1,173,747	$ —	$ 34,693,691
REGIONAL PROGRAMS	$ 280,874	$ —	$ 64,765	$ —	$ 216,109

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

(b) Facility capital investment amounts include projects 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 WTC Tower 2, 3 and 4.

*Schedule G - Port Authority Facility Traffic (Unaudited)**

	2016	2015	2014	2013
TUNNELS AND BRIDGES (Eastbound Traffic)				
AUTOMOBILES				
George Washington Bridge	**47,497,000**	46,361,000	45,136,000	45,364,000
Lincoln Tunnel	**15,993,000**	15,706,000	15,597,000	15,580,000
Holland Tunnel	**14,727,000**	14,763,000	14,915,000	15,511,000
Staten Island Bridges	**30,303,000**	28,883,000	28,317,000	28,997,000
Subtotal Automobiles	**108,520,000**	105,713,000	103,965,000	105,452,000
BUSES				
George Washington Bridge	**440,000**	429,000	426,000	429,000
Lincoln Tunnel	**2,164,000**	2,165,000	2,151,000	2,128,000
Holland Tunnel	**191,000**	199,000	209,000	220,000
Staten Island Bridges	**177,000**	176,000	172,000	171,000
Subtotal Buses	**2,972,000**	2,969,000	2,958,000	2,948,000
TRUCKS				
George Washington Bridge	**3,692,000**	3,666,000	3,475,000	3,609,000
Lincoln Tunnel	**1,055,000**	1,061,000	1,043,000	1,038,000
Holland Tunnel	**447,000**	447,000	446,000	427,000
Staten Island Bridges	**2,085,000**	2,091,000	2,131,000	2,214,000
Subtotal Trucks	**7,279,000**	7,265,000	7,095,000	7,288,000
TOTAL VEHICLES				
George Washington Bridge	**51,629,000**	50,456,000	49,037,000	49,402,000
Lincoln Tunnel	**19,212,000**	18,932,000	18,791,000	18,746,000
Holland Tunnel	**15,365,000**	15,409,000	15,570,000	16,158,000
Staten Island Bridges	**32,565,000**	31,150,000	30,620,000	31,382,000
Subtotal Vehicles	**118,771,000**	115,947,000	114,018,000	115,688,000
PATH				
Total passengers	**78,553,560**	76,541,453	73,679,425	72,748,729
Passenger weekday average	**269,081**	258,425	250,071	244,484
MARINE TERMINALS				
General cargo[(a)] (Metric tons)	**32,556,203**	36,781,069	35,370,355	34,059,540
Containers (in twenty foot equivalent units)	**6,251,953**	6,371,720	5,772,303	5,467,347
International waterborne vehicles	**505,150**	477,170	393,391	452,778
Waterborne bulk commodities (in metric tons)	**3,212,603**	5,050,519	5,042,690	3,732,292
CONTAINERS				
New Jersey Marine Terminals	**3,416,144**	3,427,226	3,098,049	2,895,769
New York Marine Terminals	**186,364**	236,787	244,237	274,066
Subtotal Containers	**3,602,508**	3,664,013	3,342,286	3,169,835
BUS TERMINALS				
PASSENGERS				
Port Authority Bus Terminal	**75,800,000**	74,500,000	66,000,000	65,000,000
George Washington Bridge Bus Station	**5,000,000**	4,900,000	4,700,000	4,750,000
PATH Journal SquareTransportation Center Bus Station	**11,966,000**	11,940,000	11,751,500	11,747,500
Subtotal Passengers	**92,766,000**	91,340,000	82,451,500	81,497,500
BUS MOVEMENTS				
Port Authority Bus Terminal	**2,380,000**	2,350,000	2,320,000	2,288,000
George Washington Bridge Bus Station	**345,000**	340,000	337,000	335,000
PATH Journal SquareTransportation Center Bus Station	**957,280**	957,120	940,120	939,800
Subtotal Bus Movements	**3,682,280**	3,647,120	3,597,120	3,562,800
AVIATION				
PLANE MOVEMENTS				
John F. Kennedy International Airport	**448,753**	439,298	423,421	406,181
LaGuardia Airport	**369,987**	358,609	360,834	370,861
Newark Liberty International Airport	**431,594**	413,873	396,386	413,774
Subtotal Plane Movements	**1,250,334**	1,211,780	1,180,641	1,190,816
DOMESTIC PASSENGERS				
John F. Kennedy International Airport	**27,245,463**	26,806,854	25,021,432	23,913,096
LaGuardia Airport	**27,996,763**	26,684,923	25,157,202	24,953,572
Newark Liberty International Airport	**27,995,353**	25,693,128	23,762,627	23,716,837
Subtotal Domestic Passengers	**83,237,579**	79,184,905	73,941,261	72,583,505
INTERNATIONAL PASSENGERS				
John F. Kennedy International Airport	**31,693,184**	30,079,898	28,198,994	26,541,183
LaGuardia Airport	**1,790,006**	1,752,745	1,814,893	1,727,528
Newark Liberty International Airport	**12,324,428**	11,805,317	11,848,060	11,299,399
Subtotal International Passengers	**45,807,618**	43,637,960	41,861,947	39,568,110
TOTAL PASSENGERS				
John F. Kennedy International Airport	**58,938,647**	56,886,752	53,220,426	50,454,279
LaGuardia Airport	**29,786,769**	28,437,668	26,972,095	26,681,100
Newark Liberty International Airport	**40,319,781**	37,498,445	35,610,687	35,016,236
Subtotal Passengers	**129,045,197**	122,822,865	115,803,208	112,151,615
CARGO-TONS				
John F. Kennedy International Airport	**1,311,191**	1,332,091	1,343,855	1,321,035
LaGuardia Airport	**7,586**	7,721	7,140	6,720
Newark Liberty International Airport	**746,770**	405,214	666,840	663,155
Subtotal Cargo-tons	**2,065,547**	1,745,026	2,017,835	1,990,910
Revenue mail-tons	**140,418**	126,026	112,524	158,778

* Some 2016 and 2015 numbers reflect estimated data based on available year-end information.

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

2012	2011	2010	2009	2008	2007
45,042,000	46,116,000	46,954,000	47,686,000	48,112,000	49,025,000
15,909,000	16,644,000	17,034,000	16,879,000	17,402,000	18,311,000
15,489,000	15,968,000	16,460,000	16,269,000	16,521,000	17,006,000
29,455,000	29,700,000	30,034,000	29,921,000	30,141,000	31,007,000
105,895,000	108,428,000	110,482,000	110,755,000	112,176,000	115,349,000
430,000	487,000	514,000	520,000	550,000	576,000
2,106,000	2,156,000	2,139,000	2,128,000	2,122,000	2,091,000
234,000	268,000	265,000	254,000	253,000	245,000
187,000	200,000	204,000	217,000	233,000	227,000
2,957,000	3,111,000	3,122,000	3,119,000	3,158,000	3,139,000
3,639,000	3,794,000	3,763,000	3,920,000	4,285,000	4,355,000
1,000,000	1,029,000	1,041,000	1,241,000	1,413,000	1,440,000
395,000	354,000	312,000	86,000	97,000	98,000
2,367,000	2,434,000	2,486,000	2,379,000	2,596,000	2,623,000
7,401,000	7,611,000	7,602,000	7,626,000	8,391,000	8,516,000
49,111,000	50,397,000	51,231,000	52,126,000	52,947,000	53,956,000
19,015,000	19,829,000	20,214,000	20,248,000	20,937,000	21,842,000
16,118,000	16,590,000	17,037,000	16,609,000	16,871,000	17,349,000
32,009,000	32,334,000	32,724,000	32,517,000	32,970,000	33,857,000
116,253,000	119,150,000	121,206,000	121,500,000	123,725,000	127,004,000
72,563,052	76,555,644	73,911,000	72,277,000	74,956,000	71,592,000
241,725	256,186	246,890	243,413	253,000	242,000
34,322,209	33,896,217	32,170,041	28,240,770	33,633,613	32,732,000
5,529,908	5,503,485	5,292,020	4,561,527	5,265,053	5,298,000
426,943	387,656	493,245	440,463	723,550	790,000
3,240,189	3,885,614	3,192,132	4,605,609	4,549,572	7,000,000
2,782,059	2,652,744	2,500,503	2,156,961	2,499,054	2,630,849
428,750	544,272	575,892	495,248	569,881	468,190
3,210,809	3,197,016	3,076,395	2,652,209	3,068,935	3,099,039
65,000,000	64,550,000	63,585,000	64,585,000	64,390,000	57,346,000
4,700,000	4,605,000	4,510,000	4,425,000	5,288,000	5,144,000
11,732,600	7,248,160	7,282,900	6,758,800	6,558,000	9,050,000
81,432,600	76,403,160	75,377,900	75,768,800	76,236,000	71,540,000
2,255,000	2,263,500	2,220,000	2,240,000	2,225,000	2,169,000
327,000	307,000	300,000	295,000	324,000	305,000
938,608	814,400	818,300	850,800	825,590	887,000
3,520,608	3,384,900	3,338,300	3,385,800	3,374,590	3,361,000
401,728	408,730	396,912	415,044	437,969	443,750
369,989	365,870	361,616	354,008	378,402	390,765
414,127	410,024	409,321	412,041	432,941	436,113
1,185,844	1,184,624	1,167,849	1,181,093	1,249,312	1,270,628
24,217,083	23,757,976	23,404,277	24,021,233	25,405,948	26,173,650
24,274,029	23,086,756	22,950,115	22,153,236	21,945,239	23,758,362
22,836,683	22,189,669	21,716,886	22,782,126	24,227,815	25,614,140
71,327,795	69,034,401	68,071,278	68,956,595	71,579,002	75,546,152
25,057,093	23,886,084	23,109,877	21,856,709	22,383,907	21,543,251
1,433,755	1,035,722	1,032,967	1,010,223	1,131,664	1,226,902
11,147,344	11,509,823	11,477,304	10,646,771	11,119,078	10,753,100
37,638,192	36,431,629	35,620,148	33,513,703	34,634,649	33,523,253
49,274,176	47,644,060	46,514,154	45,877,942	47,789,855	47,716,901
25,707,784	24,122,478	23,983,082	23,163,459	23,076,903	24,985,264
33,984,027	33,699,492	33,194,190	33,428,897	35,346,893	36,367,240
108,965,987	105,466,030	103,691,426	102,470,298	106,213,651	109,069,405
1,319,226	1,382,949	1,392,866	1,156,040	1,473,809	1,656,431
7,009	7,390	7,516	6,712	8,889	9,595
742,898	812,341	860,970	761,920	860,717	953,556
2,069,133	2,202,680	2,261,352	1,924,672	2,343,415	2,619,582
174,242	184,696	185,681	204,511	237,087	226,512

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 which comprises approximately 4,500 square miles.

Year	Population	Personal Disposable Income	Per-Capita Personal Disposable Income	Employment	Unemployment Rate
		(In thousands)			
2016[1]	**18,607**	**1,020,362**	**$ 54.84**	**8,758**	**NA**
2015	18,489	981,727	$ 53.10	8,636	5.5%
2014	18,397	960,243	$ 52.20	8,455	6.5%
2013	18,294	921,650	$ 50.38	8,294	7.9%
2012	18,175	934,424	$ 51.41	8,154	8.7%
2011	18,051	892,021	$ 49.42	8,021	8.6%
2010	17,903	857,435	$ 47.89	7,922	8.9%
2009	17,772	830,791	$ 46.75	7,941	8.6%
2008	17,681	825,074	$ 46.66	8,196	5.3%
2007	17,627	801,792	$ 45.49	8,196	4.4%

Note: All data is subject to revision.

Leading Employment by Major Industries (% of Total)[2]

	2016[3]	2007
Education & Health Services	**17.5%**	15.4%
Trade Transportation and Utilities	**15.5%**	16.1%
Professional & Business Services	**14.3%**	13.5%
Government	**11.9%**	13.3%
Leisure & Hospitality	**8.6%**	6.9%
Retail Trade	**8.5%**	8.5%
Financial Activities	**7.9%**	9.0%
Other Services	**3.9%**	3.7%
Wholesale Trade	**3.8%**	4.3%
Manufacturing	**2.8%**	3.7%
Information	**3.2%**	3.3%
Construction	**2.1%**	2.3%

Source: Oxford Economics and BLS

(1) Data is preliminary and subject to revision

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

(3) BLS Data is preliminary and subject to revision

TOP 20 SALARIED STAFF AS OF DECEMBER 31, 2016

MICHAEL E. FARBIARZ[1]
General Counsel
2016 total compensation: $85,277
J.D., Yale Law School
A.B., Harvard College
Extensive legal experience, including in senior public sector posts.

PATRICK J. FOYE
Executive Director
2016 total compensation: $293,745
J.D., Fordham Law School
B.A., Fordham College
More than 30 years of private sector, legal, and public sector management experience.

ELIZABETH M. MCCARTHY
Chief Financial Officer
2016 total compensation: $274,958
B.S., St. Louis University
More than 30 years of financial experience in the public and private sectors.

STEVEN P. PLATE
Chief, Major Capital Projects
2016 total compensation: $292,784
B.S., Manhattan College
More than 30 years of experience in program management in the private and public sectors.

STEPHANIE E. DAWSON
Chief Operating Officer
2016 total compensation: $346,875
M.S., U.S. Army War College
B.A., Cornell University
More than 30 years of experience in logistics, security, and operations management.

MICHAEL G. MASSIAH
Chief, Capital Planning, Execution & Asset Management
2016 total compensation: $264,635
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[2]
Director, Aviation
2016 total compensation: $253,080
M.A., Webster University
B.S., United States Military Academy
More than 30 years of aviation leadership experience.

THOMAS E. BELFIORE[3]
Chief Security Officer
2016 total compensation: $249,644
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
2016 total compensation: $247,843
B.S., Central Michigan University
More than 25 years of information technology experience in the public and private sectors.

ALAN L. REISS
Director, World Trade Center Construction
2016 total compensation: $258,602
B.S., Northeastern University
More than 30 years of engineering, project management, and executive management experience.

JAMES O. STARACE
Chief Engineer
2016 total compensation: $253,954
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.

MARY LEE HANNELL
Chief, Human Capital
2016 total compensation: $247,201
B.A., Drew University
More than 30 years of professional experience in human resources in the private and public sectors.

MICHAEL NESTOR
Inspector General
2016 total compensation: $235,978
More than 45 years of public sector experience in law enforcement.

MOLLY C. CAMPBELL
Director, Port
2016 total compensation: $232,083
M.A., Georgetown University
B.A., University of California, Los Angeles
More than 15 years of public experience in maritime operations.

CEDRICK T. FULTON
Director, Tunnels, Bridges & Terminals
2016 total compensation: $229,526
J.D., Seton Hall University
B.A., Saint Leo University
More than 35 years of public sector operations, transportation, and leadership experience.

LILLIAN D. VALENTI
Chief Procurement & Contracting Officer
2016 total compensation: $234,711
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
2016 total compensation: $227,804
J.D., Harvard University
B.A., Harvard University
More than 25 years of public and private experience in planning and development.

MICHAEL P. MARINO
Director/General Manager, Port Authority Trans-Hudson (PATH)
2016 total compensation; $227,965
Brooklyn College 2 years Business Administration
Penn State Project Management (Amtrak)
Old Dominion University Business Management courses, while serving in U.S. Navy
U.S. Navy Public Affairs training.
More than 20 years of public and private sector railroad construction and logistics experience.

HUNTLEY A. LAWRENCE[4]
Director, Aviation
2016 total compensation: $221,100
M.B.A., Dowling College
B.S., Florida Institute of Technology
More than 30 years of aviation leadership experience.

MICHAEL A. FEDORKO
Director, Public Safety/ Superintendent of Police
2016 total compensation: $219,202
M.G.A., University of Pennsylvania
B.S., Trenton State College
More than 45 years of public safety and public management experience.

[1]Mr. Farbiarz joined the Port Authority on September 6, 2016.
[2]Mr. Bosco retired from the agency effective February 1, 2017.
[3]Mr. Belfiore left the agency effective December 31, 2016.
[4]Mr. Lawrence became Director of Aviation on December 13, 2016.

Note: Total compensation includes paid wages and imputed income related to taxable employee benefits earned prior to or during calendar year 2016.

4 World Trade Center
150 Greenwich Street
New York, NY 10007
www.panynj.gov