THE PORT AUTHORITY OF NY & NJ

BREAKING NEW GROUND

2017 Annual Report

Comprehensive Annual Financial Report
for the Year Ended December 31, 2017.

Our Mission

Meet the critical transportation infrastructure needs of the bi-state 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.

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The Port Authority of New York and New Jersey
Comprehensive Annual Financial Report for the Year Ended December 31, 2017
Prepared by the Marketing and Comptroller's departments of The Port Authority of New York and New Jersey
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www.panynj.gov

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

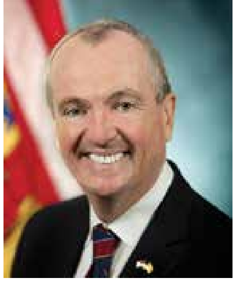
ORIGINS OF THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

The Port Authority was established by the Compact of April 30, 1921, between the States of New York and New Jersey as one of the first interstate agencies created under the clause of the United States Constitution permitting compacts between states with the consent of Congress. The Compact, designed to improve the region's economic health, also created the Port District, which comprises an area of about 1,500 square miles in both states, centered about New York Harbor.

In the nearly 100 years since then, the Port Authority's mandate has evolved to promote and protect the commerce of the bi-state port region, as well as to undertake improvements to regional transportation: modern wharfage for the harbor shared by the two states; tunnel and bridge connections between the states; airports; terminal and transportation facilities, such as the Port Authority Trans-Hudson (PATH) rail system; the World Trade Center; and, in general, trade and transportation projects to promote the region's well-being.

LETTER OF TRANSMITTAL TO THE GOVERNORS

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



THE HONORABLE PHIL MURPHY
Governor, State of New Jersey

Dear Governors Andrew M. Cuomo and Phil Murphy,

On behalf of the Board of Commissioners, we are pleased to present to you and to the legislatures of New York and New Jersey the 2017 Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey.

The title of this annual report — "Breaking New Ground" — reflects the agency's commitment not only to move its major infrastructure projects forward aggressively, but also to do things differently — with a renewed focus on customer service and global best practices in all areas, and with a stronger-than-ever commitment to the highest levels of ethics and integrity.

As you know, the Port Authority faces a pressing need to overhaul its infrastructure, while simultaneously expanding capacity to address the region's growth and continuing to protect the security of the traveling public. In 2017, the agency addressed these needs. Early in the year, the Port Authority adopted a $32.2 billion 10-year Capital Plan, the largest ever approved. And the agency then initiated several critical construction projects. In August, in partnership with Delta Air Lines, the agency broke ground on the eastern half of LaGuardia Airport's (LGA) $4 billion redevelopment in Delta's terminal area. The $4 billion Delta project added to work already underway on the western half of the airport, which means the $8 billion LGA rebuild is fully underway — the first entirely new airport in the U.S. in 20 years.

In June, the Port Authority announced the construction of a brand-new Terminal One at Newark Liberty International Airport (EWR). This $2.3 billion construction project will not only bring a state-of-art terminal to EWR but will also rebuild surrounding taxiways to bring the airport's infrastructure up to 21st-century standards. Earlier in the year, Governor Andrew M. Cuomo's Airport Advisory Panel presented a new vision for John F. Kennedy International Airport (JFK) as a unified, interconnected, world-class facility. And in July, the Port Authority initiated early-phase planning and engineering work expected to lead to an approximately $10 billion JFK redevelopment program, which leverages private investment.

Beyond the airports, a number of critical projects marked major milestones in 2017. Among them were achieving navigational clearance at the Bayonne Bridge and opening the eastbound span of the nearly completed new Goethals Bridge. The agency also took major steps forward in the Port Authority Bus Terminal redevelopment, including the identification of a new "build in place" alternative that attracted widespread support and interest. Intense consultations with stakeholders on both sides of the river accelerated the study of rail alternatives to expand trans-Hudson capacity for commuters.

PATH made significant progress toward completing installation of Positive Train Control technology (PTC) while demonstrating customer service commitment and flexibility in handling passenger overflow from regional rail networks. Work also continued on the new PATH Harrison Station in New Jersey.

Going forward, the Port Authority intends to approach its tasks within a basic framework that values integrity, diversity, global best practices, 21st-century technology, and speed of execution. Within this framework, the agency is committed to assessing its safety and security at all its facilities, delivering capital projects embodied in our Capital Plan, operating all our facilities at the highest standards of excellence, improving dramatically the customer experience at Port Authority facilities, and maximizing the environmental sustainability of our operations.

We look forward to building on the agency's 2017 accomplishments and working with you to address the critically needed improvement of the region's transportation infrastructure in 2018.

Sincerely,

Kevin J. O'Toole
Chairman

Richard Cotton
Executive Director

CHAIRMAN
KEVIN J. O'TOOLE
Managing Partner
O'Toole Scrivo Fernandez Weiner Van Lieu, LLC

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President
Building and Construction Trades Council Greater New York

KEVIN P. MCCABE
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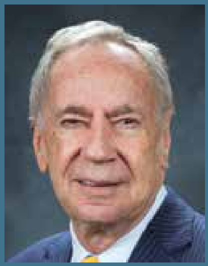
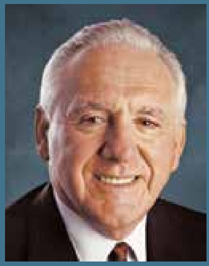
Carpenter Contractor Trust



GEORGE T. MCDONALD
Founder and President
The Doe Fund, Inc.



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

ROSSANA ROSADO
Secretary of State
State of New York

DAVID S. STEINER
Chairman
Steiner Equities Group, LLC

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Kevin P. McCabe
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Raymond M. Pocino
Rossana Rosado
David S. Steiner

The following also served on the Board of Commissioners during 2017:

John J. Degnan
Michael D. Fascitelli
Hamilton "Tony" E. James
George R. Laufenberg
Kenneth Lipper
William "Pat" Schuber
Caren Z. Turner

As of April 20, 2018

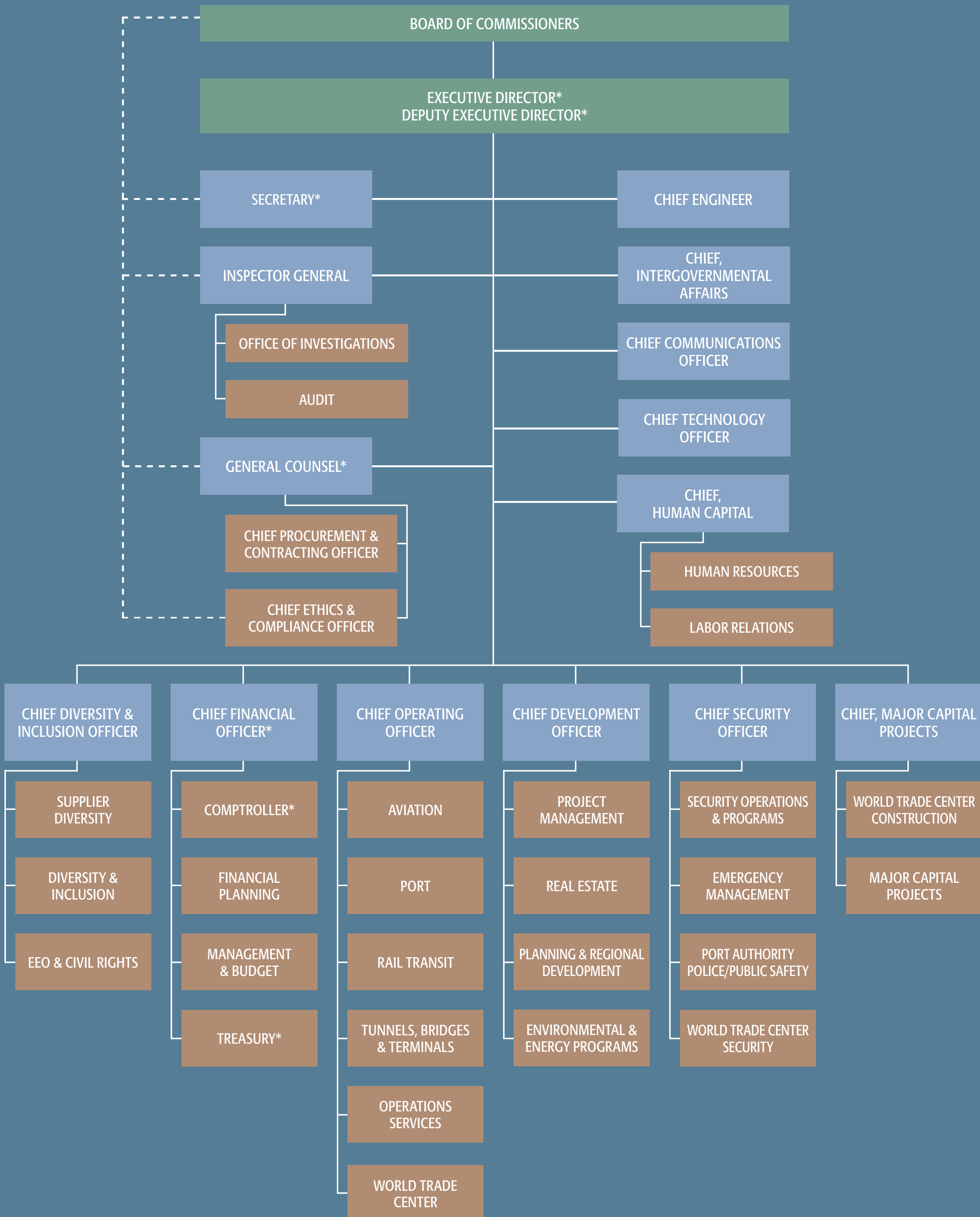
EXECUTIVE DIRECTOR
RICHARD COTTON

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 bi-state legislation.

One of the four PAPD officers who responded to the Port Authority Bus Terminal bombing receives commendation from the Board.

OFFICERS AND EXECUTIVE MANAGEMENT



Officers of the Port Authority

Organizational Chart as of April 25, 2018

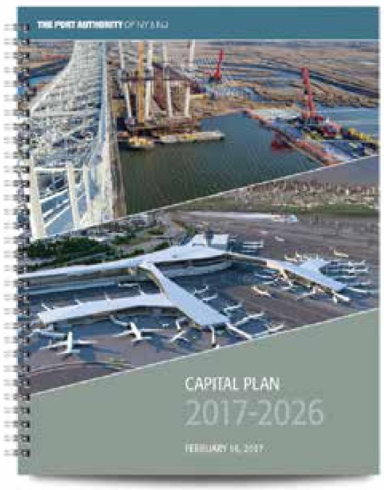
A view of One World Trade Center from Liberty State Park.

OUR CORE BUSINESS IMPERATIVES

INVESTMENT

Capital investment spans the agency's facilities including the seaports.

Following a period of public comment, in February 2017 the Board of Commissioners approved the $32.2 billion 2017-2026 Capital Plan, the agency's largest ever. Projects within the Capital Plan advance the Port Authority's core mission of moving people and goods throughout the bi-state region by building, enhancing, maintaining and protecting the agency's transportation infrastructure. The plan leverages private sector investment to provide design, risk transfer, and/or lower life cycle costs for rebuilding aging facilities while creating 235,400 jobs, $20 billion in total wages, and $56 billion in overall economic activity.



The 2017-2026 Capital Plan includes $29.5 billion of direct Port Authority investment plus $2.7 billion in debt service support for the Gateway Program. The Capital Plan prioritizes project funding across four categories that reflect the agency's current vision for the region:

RENEW: $8.8 billion for projects that revitalize and maintain mission-critical assets in a state of good repair.

EXPAND AND CONNECT: $11.1 billion allotted for projects that create greater customer and cargo capacity, improve connectivity, and increase the carrying capability of the agency's current transportation portfolio, in keeping with the region's growth.

PARTNER: $4.7 billion for projects where we partner with federal and regional stakeholders. Of this money, $2.7 billion will support debt service for the Gateway Program. The remaining $2 billion is to complete Superstorm Sandy-related projects.

DELIVER: $7.6 billion to complete projects currently under construction. Funds in this category include $3.2 billion for Renew projects, $4.1 billion for Expand and Connect projects, and $300 million in Partner projects.

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. The Port Authority will continue to monitor capital expenditures and capital capacity on a quarterly basis. Also, at least every two years, the Board will reassess the Capital Plan in light of then-current information relating to capital capacity and the progress of capital projects. The outcome of these reassessments may affect future commitment of capital funds.

SAFETY AND SECURITY

PAPD officers at the George Washington Bridge.

The Port Authority appointed a new Chief Security Officer (CSO) in 2017 who replaced the previous CSO. This position centralizes safety and security operations across the full portfolio of bistate transportation facilities including facility security operations, emergency management, cybersecurity, and airport rescue and firefighter training. Under the CSO's direction, the agency conducted emergency response exercises at the George Washington Bridge, Newark Liberty International Airport, the Lincoln Tunnel, and the World Trade Center campus in 2017. The CSO's office oversees the 1,800-member Port Authority Police Department (PAPD). The CSO launched a thorough expert review of the agency's practices against global best practice standards in the areas of facility security, cybersecurity, and emergency response.

The agency welcomed 83 new officers to the PAPD as part of the 115th graduating class of the Port Authority Police Academy. The 83 graduates included 73 college graduates, seven military veterans, and 36 officers with prior law enforcement experience. The new officers speak a total of 11 different languages. Twenty-nine percent of the new class consisted of Hispanic, African-American, and Asian-American officers. In their 26-week tenure at the academy, recruits received instruction in police procedure, firearms usage, counter-terrorism techniques, and first aid.

Officers of the 115th graduating class of the Port Authority Police Academy.

The agency also increased the number of Emergency Services Units stationed along the crossing, and it worked with mental health care providers to offer counseling to those in need.

To assist people in crisis, the agency boosted the number and frequency of PAPD officers patrolling the public walkway spanning the George Washington Bridge (GWB). The agency also increased the number of Emergency Services Units stationed along the crossing, and it worked with mental health care providers to offer counseling to those in need. In December, the Port Authority announced the completion of a temporary 11-foot-tall pedestrian safety fence with netting along the GWB's south sidewalk. Work on the permanent safety fence is scheduled to commence in 2018.

The agency's commitment to protecting the traveling public was witnessed on December 11, 2017, when a device exploded in a passageway near the Port Authority Bus Terminal. Members of the PAPD took quick and decisive action to apprehend the bombing suspect and restore calm immediately following the incident.

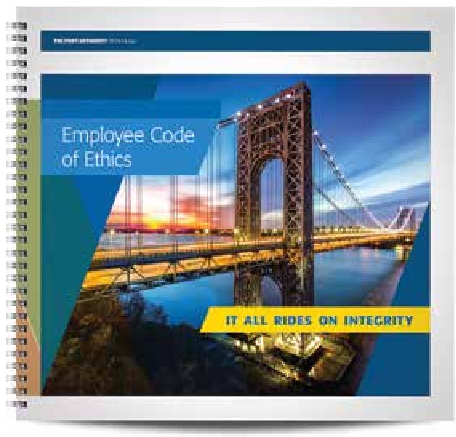
INTEGRITY

The lower Manhattan skyline from New Jersey.

In September 2017, the Board of Commissioners voted to adopt six new initiatives to augment the agency's Integrity Program.

The six integrity initiatives include the agency's adoption of a new Commissioner Code of Ethics; adoption and issuance of a Vendor Code of Ethics; creation of a new position, Chief Ethics and Compliance Officer; issuance of a False Claims Policy; launch of a new Employee Code of Ethics; and creation of an aggressive Mandatory Employee Integrity Training Program for both represented and non-represented staff. Each of the six initiatives interweave best-in-class modern, ethical standards with existing Port Authority protocols to reaffirm the agency's pledge that each project it engages in shall be aimed at the public good. Several of these initiatives are either new or replace or upgrade previous policies.

At the February 2018 Board meeting, the new Chief Ethics and Compliance Officer reported that each of the six initiatives had been completed or was underway. Additionally, a new Ethics Portal was launched on the agency's internal website to provide employees with quick reference to key rules, policies, and procedures, and it offers training program resources and contact information for ethics officers throughout the agency.



SIX INITIATIVES

1 Commissioner Code of Ethics
Outlines rules governing conflicts of interest, recusal procedures, financial disclosures, etc.

2 False Claims Policy
Detects and stops potential ethical misconduct; developed by the Executive Director's office.

3 Vendor Code of Ethics
Holds goods and services providers accountable to the highest integrity standards.

4 Employee Code of Ethics
Meets or exceeds the best practices of other leading private and public sector organizations.

5 New Chief Ethics and Compliance Officer Position
Recommended in the Governors' 2014 report detailing comprehensive overhaul of the agency's governance.

6 Mandatory Employee Integrity Training Program
Ensures that both represented and non-represented staff understand existing ethics resources, including the "Whistleblower" policy and "Voice of the Employee" hotline.

DIVERSITY AND INCLUSION

MWSBE event for the Newark Liberty Terminal One redevelopment.

The Port Authority's commitment to regional diversity and inclusion received two key boosts in 2017. The first came in June when the agency announced it had committed $491 million in contracts to minority, women-owned, and small business enterprises (MWSBEs) in 2016. This represents the highest such undertaking for the agency and contributes to an overall commitment of $1.8 billion for MWSBEs over the last five years.

The $491 million included $291 million in Port Authority MWSBE spending with an additional $200 million in MWSBE spending by the private consortium charged with modernizing LaGuardia Airport. Of the $291 million in Port Authority funds, approximately $77 million was spent to assist aviation tenants, while another $44 million involved World Trade Center construction projects. Through its contract with the Regional Alliance for Small Contractors, the Port Authority also developed and offered 19 courses in Construction Management, Occupational Safety and Health Administration (OSHA) safety, and technical/business software to approximately 381 MWSBE owners and their staff.

The Port Authority's Chief Diversity and Inclusion Officer discusses MWSBE subcontracting opportunities.

The agency marked the 15th anniversary of the Mentor-Protégé Program in 2017, which cultivates a strong pool of agency-qualified MWSBEs. The Port Authority increased its good faith goals for set-aside procurement contracts in all categories, from 12 percent for minority-owned business enterprises (MBEs) and 5 percent for women-owned business enterprises (WBEs) to 20 percent for MBEs and 10 percent for WBEs. The maximum dollar amount for agency set-aside contracts also was increased, from $1 million to $2.5 million. Agency experts expect these changes to provide new opportunities for the region's MWSBEs, thereby fostering more competition in the contracting process while creating new jobs in the region.

Support mechanisms were created to engage and retain veterans hired into the organization.

The second key boost to diversity and inclusion came when the Port Authority committed to having veterans represent 5 percent of the agency's workforce by 2020. To meet this goal, active military duty will be considered in place of certain education requirements. Waivers are now available to cover all test application fees for qualified job applicants who are veterans of the U.S. Armed Forces.

The Port Authority's presence within the veteran community was augmented by participating in five recruitment efforts throughout 2017. The agency also established strategic partnerships with at least eight firms, two of which specialize in staffing veterans in specific roles and six of which are nonprofits that train and support veterans.

Support mechanisms were created to engage and retain veterans hired into the organization. These include the formal launch of the Port Authority Veterans' Association (PAVA), with ongoing programs for networking, coaching, and mentoring available to all members of the agency's veteran population.

SUSTAINABILITY AND RESILIENCY

Solar panels at Newark Liberty International Airport.

The Port Authority maintains a comprehensive slate of sustainability and energy-saving programs to curb its primary sources of operational emissions. These primary sources include (in order of magnitude): electricity, heating and cooling for buildings; electricity for the PATH system; and the agency's automotive fleet.

Total GHG emissions for Port Authority facilities in 2016, the most recent totals available, were 1.1 percent lower than 2015 levels.

In 2017, the Port Authority's 10th annual inventory of greenhouse gas (GHG) and criteria air pollutant emissions showed downward trends. Total GHG emissions for Port Authority facilities in 2016, the most recent totals available, were 1.1 percent lower than 2015 levels. These decreases were achieved even as new facilities such as the World Trade Center Transportation Hub came online and contributed GHG emissions in 2016.

Conservation measures across agency facilities have removed a combined 25,000 tons of GHG emissions from the regional environment while achieving approximately $9 million in utility and materials savings per year.

Notable sustainability achievements include the Brooklyn Cruise Terminal (BCT) implementing the first operational Shore Power System (SPS) on the U.S. East Coast. This project alone has reduced greenhouse gas emissions by 1,500 tons, nitrogen oxide by 95 tons, sulfur dioxide by 93 tons, and particulate matter by 6.5 tons.

In November, the agency achieved Airport Carbon Accreditation (ACA) at all five of its airports. ACA is the only globally recognized environmental standard by which airports can reduce their CO_2 emissions. The Port Authority's certification was based on the agency's sustained commitment to environmental programs over many years. Examples include the agency's recent partnership with the New York Power Authority, the Federal Aviation Administration, and JetBlue to electrify ground support equipment at JFK's Terminal 5.

In the five years after Superstorm Sandy, the agency has invested more than $1 billion in storm mitigation and resiliency projects to speed recovery, rebuild certain assets, and bolster the resiliency of our facilities against future extreme weather events. By the close of 2017, the Port Authority had completed more than 90 flood mitigation and resiliency priority protective measures related to Sandy-related damages, with another 67 Sandy-related capital projects in progress across the agency's transportation assets.

Resiliency work continues to fortify PATH infrastructure post Superstorm Sandy.

MAJOR MILESTONES BY BUSINESS LINE

2017 at a Glance

SETTING RECORDS AT AGENCY AIRPORTS

Port Authority's airport system (JFK, EWR, LGA) welcomed a record of more than 132.2 million passengers (47.4 million international* and 84.8 million domestic*) in 2017, a 2.5 percent increase over totals recorded in 2016. The agency's overall aviation portfolio set 10 records in 2017.

John F. Kennedy International Airport (JFK)

59.3 million passengers*

(includes 32.4 million international passengers* and 26.9 million domestic passengers)

Newark Liberty International Airport (EWR)

43.4 million passengers*

(includes 12.9 million international passengers* and 30.5 million domestic passengers*)

LaGuardia Airport (LGA)

29.5 million passengers

(includes 2.1 million international passengers* and 27.4 million domestic passengers)

Stewart International Airport (SWF)

448,323 passengers

(includes 141,000 international passengers* and 307,323 domestic passengers)

SUPPORTING TRANS-HUDSON TRAVEL

Six tunnels and bridges saw 119.4 million autos, buses, and trucks, a 0.5 percent increase over 2016.

AUTOS	109.1 million
BUSES	3.0 million
TRUCKS	7.3 million

MILESTONE GROWTH IN PATH RIDERSHIP

PATH ridership in 2017 reached a record 82.8 million customers, a 5.4 percent increase over the previous ridership high of 78.5 million in 2016.

PATH Ridership

82.8 million passengers*

INNOVATION-FOSTERED RECORDS AT THE PORT OF NEW YORK AND NEW JERSEY

Port Authority investment in the Port of New York and New Jersey fostered the increase in cargo volumes and job and economic activity for the region.

Cargo Volume

3.8 million containers*

(6.8 percent increase in total containers over 2016)

ExpressRail

567,649 container lifts*

(5.1 percent increase over the previous record of 540,149 container lifts set in 2016)

Autos

577,223 autos imported*

(14.3 percent increase from 505,151 handled in 2016)

Cruise Ship Passengers

730,617 cruise passengers*

** indicates record number*

Aviation

The Port Authority operates the largest network of airports in the world, which collectively welcomed a record 132.2 million passengers in 2017. The full portfolio of the Port Authority's aviation facilities includes John F. Kennedy International Airport (JFK), Newark Liberty International Airport (EWR), LaGuardia Airport (LGA), Stewart International Airport (SWF), and Teterboro Airport (TEB).

Airport Redevelopment

In 2017, the agency progressed vital redevelopment initiatives at its airports. At a groundbreaking ceremony in August, New York Governor Andrew M. Cuomo joined Delta Air Lines' CEO Ed Bastian in commencing the second major component in the redevelopment of LGA. The comprehensive $8 billion plan will completely demolish LaGuardia's current Terminals B, C, and D and build an entirely new airport with vastly improved roadway systems. The rebuild will add brand-new terminals, expanded aircraft taxi lanes, new parking infrastructure, a central hall, and best-in-class passenger amenities. The first new gates are scheduled to open in 2018. LGA contributes more than $18.7 billion in economic activity to the New York-New Jersey metropolitan region, generating about 136,000 total jobs and $6.8 billion in annual wages.

The future Newark Liberty International Airport Terminal One.

Newark Liberty International Airport marked the commencement of the multistage project to build the future state-of-the-art Terminal One. The outdated Terminal A can no longer comfortably accommodate the record number of passengers traveling through EWR each year. Once completed, the new Terminal One will feature 33 gates, a parking garage complex with approximately 3,000 spaces, and related infrastructure improvements. Terminal One's design will increase capacity to accommodate 13.6 million passengers annually while retaining design flexibility for future growth and expansion. All work will be executed in a phased approach to minimize customer impacts. EWR contributes more than $27.2 billion in annual economic activity, generating about 188,000 total jobs and nearly $10 billion in annual wages.

Rendering of the redeveloped terminals at LaGuardia Airport.

Construction of a new airport roadway system to service the redeveloped LaGuardia Airport.

In September, following a competitive request for proposals process, the Port Authority selected a consulting team led by industry leaders Mott MacDonald and Grimshaw Architects to implement the vision plan to redevelop JFK Airport, as set forth by New York Governor Andrew M. Cuomo's Airport Advisory Panel. Specific goals of the vision plan include:

Rendering of the interconnected terminals at John F. Kennedy International Airport.

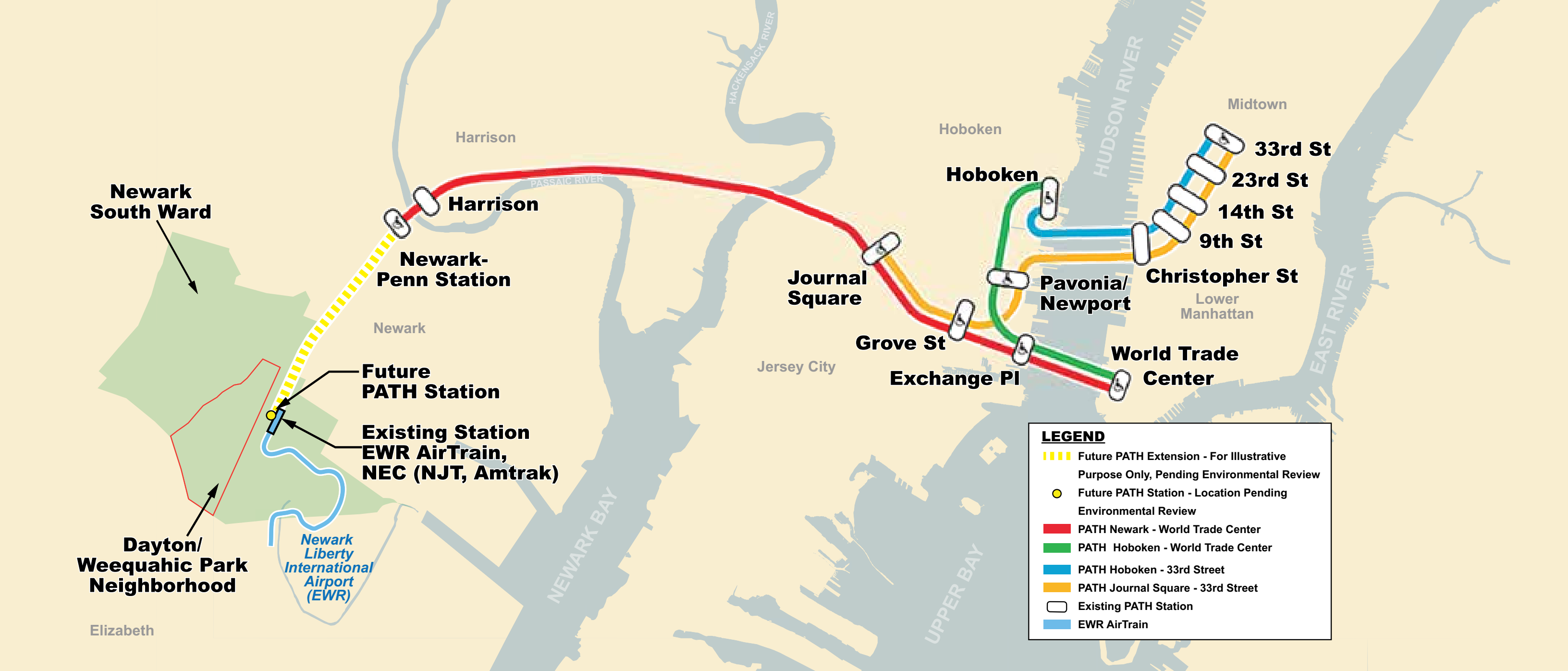
creation of a seamless, interconnected terminal system; integration of world-class customer service; vast overhauling of the airport's roadway access network to reduce time-consuming bottlenecks; enhancements to JFK Airport's AirTrain line, in concert with the expansion of rail mass transit focusing on the development of a one-seat ride to and from JFK Airport; and development of modern cargo facilities and improvements to aeronautical infrastructure.

The overall vision set forth by New York Governor's Airport Advisory Panel could potentially drive up to $10 billion in combined private and public investment to modernize the airport and fuel economic growth. Based on 2017 economic impact data, JFK Airport already provides $16.2 billion in wages and $45.7 billion in economic activity annually. The airport also supports more than 300,000 jobs.

In June, Stewart International launched transatlantic service to Dublin, Shannon, Belfast, Edinburgh, and Bergen. Its domestic service was boosted when new seasonal service was added to Punta Gorda and Orlando Sanford International Airport while expanding flights to Myrtle Beach. Also in 2017, SWF's air cargo tallies saw solid 10 percent growth as capacity was added. The new air service created an estimated 230 job years while generating some $36 million in economic activity.

In early 2018, the Port Authority announced that Stewart International will be renamed New York Stewart International, to ensure that foreign travelers understand that it is a NY-NJ metropolitan area gateway airport. Plans were also announced to add a $30 million permanent U.S. Customs and Border Protection inspection area that will handle the airport's rising number of international passengers.

Aerial photo of Stewart International Airport.



Airport Access

The Port Authority has committed funding and expertise to a variety of projects designed to enhance access to the agency's airports.

In April, the Board of Directors of Port Authority Trans-Hudson Corporation (PATH) authorized \$57 million in planning funds for the PATH to Newark Airport project, which would link Newark Liberty's rail link station with the agency's PATH rail rapid transit system. Such a connection would require extending PATH's Newark-to-World Trade Center line from its current western terminus at Newark Penn Station through Newark's South Ward to the new terminus at Newark Liberty rail link.

It would also include building a new rail yard facility. Planning efforts commissioned by PATH and the Port Authority will examine ridership data, cost, and applicable environmental and economic impacts. Preliminary forecasts suggest the cost of linking EWR with PATH could be approximately \$1.7 billion and that construction on the extension could begin in 2020, with full revenue service on the new line to commence in 2026.

The Port Authority's Board of Commissioners, in February 2017, authorized \$20 million in funding to cover early-stage technical planning, design, and development work for LaGuardia AirTrain. In support of these efforts, Parsons Brinckerhoff, Inc., renamed WSP, was selected in April 2017. An additional \$55 million was authorized by the Board in November 2017 to complete planning work and commence both the environmental review and the drafting of technical procurement documents. The proposed two-mile system would be capable of moving customers from LGA to Midtown Manhattan in 30 minutes or less, via a quick transfer at Willets Point. Planning work would include: construction of up to two new AirTrain stations at the new terminal buildings; construction of an AirTrain station at Willets Point; and construction related to the right-of-way for the train from LGA to Willets Point.

As part of New York Governor Andrew M. Cuomo's plan to transform JFK Airport into a unified, interconnected, world-class airport, the agency has partnered with the Metropolitan Transportation Authority (MTA) to explore the feasibility of a "one-seat" ride between JFK Airport and Manhattan. This initiative dovetails with the New York Governor's plan to upgrade the Grand Central Parkway and Van Wyck Expressway, which provide access to the airport.

Rendering of the future LaGuardia AirTrain East Station.

Creating an interconnected John F. Kennedy International Airport calls for improvements to airport access points.

Tunnels, Bridges & Terminals

The Port Authority operates six critical tunnels and bridges plus two major bus stations that facilitate trans-Hudson crossings between the states of New York and New Jersey. These assets include: the George Washington Bridge (GWB), considered the world's busiest span, and its corresponding bus station; the Bayonne Bridge; the Goethals Bridge; the Outerbridge Crossing; the Lincoln and Holland tunnels; and the Port Authority Bus Terminal (PABT) in midtown Manhattan.

Commuting Improvements

Located on Manhattan's West Side, the PABT serves as a critical hub for trans-Hudson commuting. It accommodates approximately 260,000 passenger trips and 7,900 bus movements each weekday. These volumes are forecast to increase 51 percent, to approximately 337,000 weekly passenger trips, by 2040.

In February 2017, the Port Authority initiated the next phase of a comprehensive planning process to replace the PABT.

These efforts have included:

- Hiring environmental and technical consultants to plan federal, state, and local review processes for the new bus terminal while also evaluating interim steps needed to bridge capabilities of the existing terminal to when the new terminal comes online;
- Identifying an optimal alternative for the new terminal based on ongoing engagement with New York and New Jersey stakeholders; and
- Evaluating the potential intermediate bus staging and storage facilities, plus other initiatives designed to meet and sustain bus and passenger capacity requirements and efficient operations of the interstate bus network.

The Port Authority Bus Terminal is a critical regional hub for trans-Hudson commuting.

Concurrently, the agency's $90 million Quality of Commute program delivered on several key initiatives throughout 2017. The Quality of Commute program has focused on improving on-time performance, enhancing the customer experience, and upgrading the overall condition of the existing PABT. In 2017, Quality of Commute completed construction of two bus parking and staging lots; upgraded Exclusive Bus Lane signals; provided Wi-Fi throughout the entire PABT; replaced the entrance doors facing 8th Avenue on the north wing of the building; replaced the north and south wing subway entrance doors; completed improvements to the south wing 8th Avenue main level ceiling and its associated lighting fixtures; and relocated the south wing main level newsstand from its place in the central corridor to a new storefront location.

Construction progresses on the Goethals Bridge Replacement.

In May 2017, the Port Authority opened its newly renovated George Washington Bridge Bus Station (GWBBS) for bus operations at its new permanent location on the facility's third level. First opened in 1963, the GWBBS required renovations that included a new bus pavilion with a heated and air-conditioned waiting area and seating for up to 125 customers, modernized ticket windows, public restrooms, and electronic passenger information boards. The tunnel connecting the terminal with MTA's A Line station at 175th Street has also reopened along with the GWB Marketplace Mercado, which hosts more than 120,000 square feet of new retail facilities.

New electronic passenger information boards at the renovated GWB Bus Station.

Achieving Milestones

In 2017, the agency marked four major milestones at key Port Authority bridge crossings.

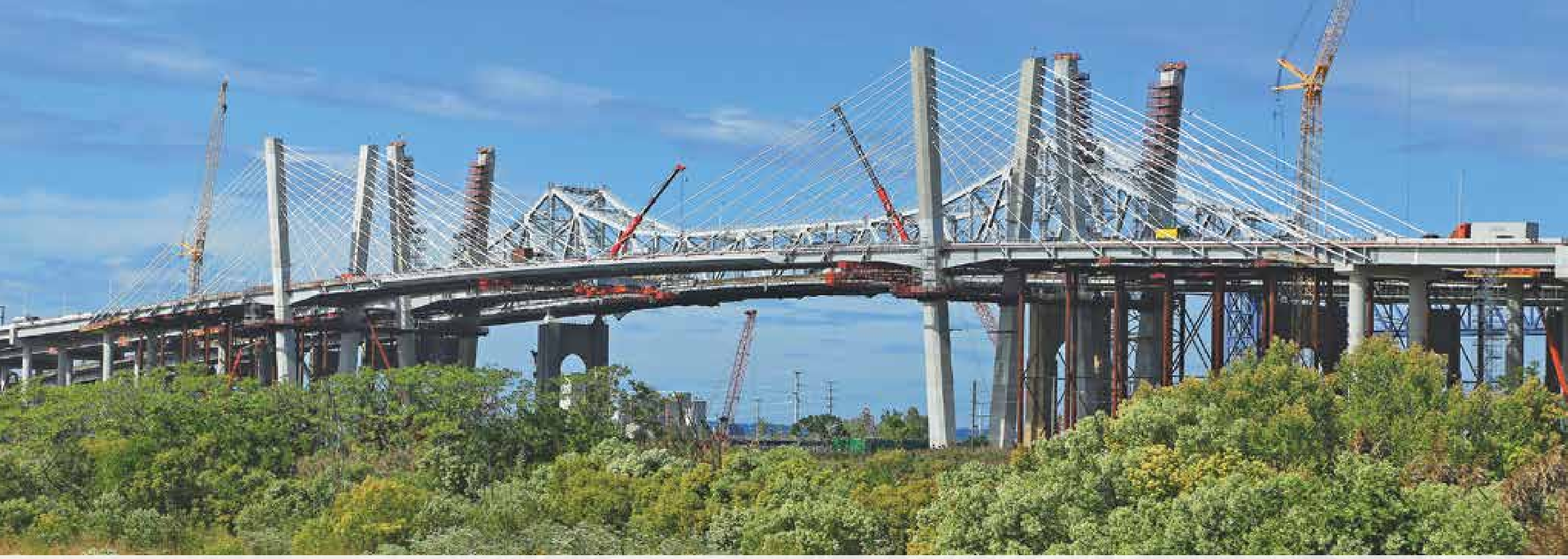
The first of these achievements occurred at the Bayonne Bridge. The Port Authority's Bayonne Bridge Navigational Clearance Project (BBNCP) raised the roadway of the Bayonne Bridge from its previous height of 151 feet to 215 feet as traffic continued across the span during construction. The bridge links Bayonne, New Jersey, with Staten Island, New York, above the Kill Van Kull, a waterway vital to cargo ships seeking berth at the Port of New York and New Jersey. Next-generation cargo vessels, or Ultra Large Container Vessels (ULCVs), could not traverse under the bridge at its previous height of 151 feet.

Prior to the BBNCP, the maximum size cargo vessel capable of passing under the bridge was approximately 9,800 twenty-foot equivalent units (TEUs). Due to the BBNCP's substantial completion in June, the Port of New York and New Jersey now handles cargo vessels up to 18,000 TEUs. The first of these next-generation vessels to pass under the Bayonne Bridge was the CMA CGM T. Roosevelt, rated at 14,414

Construction proceeds at the Bayonne Bridge after achieving navigational clearance of 215 feet.

TEUs, which arrived at the Port of New York and New Jersey on September 7. Apart from increasing regional economic growth, the new larger-class ships are more efficient and environmentally friendly vessels.

BBNCP construction associated with the new elevated roadway is expected to be completed in 2019. At that point, the bridge will reach its full width, providing motorists with a safer, wider roadway featuring 12-foot-wide lanes in each direction, plus inner and outer shoulders and a 10-foot-wide shared-use pedestrian-bicycle path.



The eastbound span of the new Goethals Bridge opened to traffic in both directions as construction continued on the westbound span.

A second key milestone was the initiation of cashless tolling at the Bayonne Bridge in 2017. The toll plaza was removed from service and replaced with an overhead gantry featuring electronic toll collection equipment. Drivers no longer need to slow down or stop at a toll booth to pay their toll. For vehicles without E-ZPass, the new cashless tolling equipment photographs a vehicle's license plate and sends a toll bill via mail for payment.

The benefits of cashless tolling include greater vehicular throughput, which speeds commuting for millions of regional travelers; reduced congestion, which impacts emissions; and fewer instances of service disruption for traffic-related incidents.

The third bridge milestone that took place, in June 2017, was the opening of the eastbound span of the new Goethals Bridge to traffic in both directions. A key component of the I-278 corridor, the Goethals Bridge is located near the Howland Hook Marine Terminal and provides access to airports, seaports, and markets throughout the region. More than $33 billion in regional goods pass over the Goethals Bridge annually. The Board, in 2013, authorized the project to replace the Goethals Bridge through a public-private partnership with NYNJ Link at an estimated total project cost of $1.5 billion. Built in 1928, the Goethals Bridge's narrow lanes had become unsuitable to handle the increased traffic of modern vehicles.

New cashless tolling system at the Bayonne Bridge.

The Goethals Bridge Replacement is the first major new bridge the Port Authority has built in more than 85 years and the first true surface transportation public-private partnership in the Northeast region. With its state-of-the-art, cable-stayed design, the new twin-crossing span reduces congestion, improves safety, and creates a stronger, more reliable transportation network across the entire New York metropolitan area.

Where the old Goethals featured four functionally obsolete 10-foot-wide lanes without shoulders, the new bridge boasts twin-span road decks, each with three, 12-foot-wide lanes running in either direction; 12-foot-wide outer shoulders and 5-foot inner shoulders; and a 10-foot-wide path designated for shared use by bicyclists and pedestrians. The new bridge also utilizes 144 stay cables, each up to 450 feet long and 14 inches in diameter. These cables unite the roadways with four sets of soaring, V-shaped, 272-foot-tall concrete towers. The right of way between the twin spans has been preserved for future mass transit options. Construction of the new bridge, including the opening of the westbound span, is expected to be complete in 2018.

Approaches leading to the George Washington Bridge.

The fourth milestone took place at the George Washington Bridge (GWB) with the 2017 Board authorization of vital projects associated with the agency's $1.8 billion "Restoring the George" initiative, a comprehensive program of 11 major capital improvements, all aimed at ensuring the GWB's state of good repair.

In April, the agency authorized approximately $124 million toward the rehabilitation of structural elements in the GWB's upper level, near the span's New York and New Jersey towers. The scope of work includes a more robust, state-of-the-art design for the replacement of the steel finger joints, the supporting steel adjacent to the finger joints, and 32 sections of deck panel. This phase of restoring the GWB will be staged over five years, beginning in 2018, to minimize traffic impacts. Lane closures during off-peak and overnight hours will be coordinated with other "Restoring the George" projects. Overall, this portion of GWB steel rehabilitation will generate an estimated 840 job years, $71 million in wages, and $174 million in economic activity.

In service to another "Restoring the George" initiative, the agency in May awarded a construction contract of $422.5 million that covers the replacement of the GWB's suspender ropes and rehabilitation of the bridge's main cables. The scope of work also covers acoustical monitoring and dehumidification systems plus the installation of new ADA-accessible pedestrian and bicycle ramps. Work will begin on the north side and is forecast to reach completion in 2021, at which point, the contractor will commence work on the south side, forecast for completion in 2025.

In September 2017, the agency opened the temporary Helix Roadway Ramp to the traveling public, which is a part of the work to replace the Palisades Interstate Parkway helix and rehabilitate the upper level spans over the NJ Anchorage and Hudson Terrace. Demolition of the existing helix ramp promptly commenced. The new ramp is under construction and forecast to be completed in 2019. The base contract amount is $56.9 million.

Work at the GWB continued in December 2017, when the Port Authority awarded a contract of $132.3 million to rehabilitate the 178th and 179th Street ramps, bus ramps, and bus turnaround. This work will be closely coordinated with the ongoing bridge suspender rope replacement and main cable rehabilitation. Milestone completion dates will effectuate the opening of the north sidewalk of the GWB to the general public.

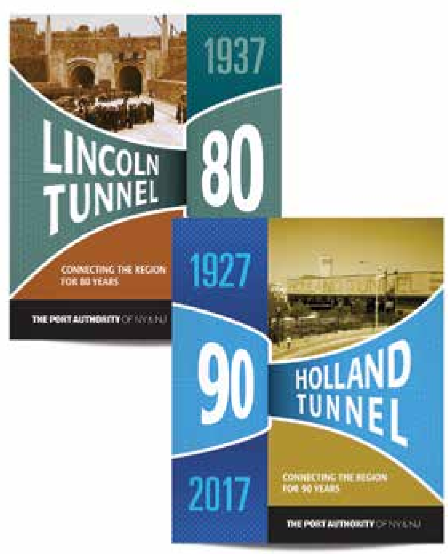
Celebrating Anniversaries

The agency celebrated both the 90th anniversary of the Holland Tunnel and the 80th anniversary of the Lincoln Tunnel in 2017.

Opened for operation on November 13, 1927, the Holland Tunnel was the Port Authority's first trans-Hudson vehicle crossing linking New York and New Jersey and the first mechanically ventilated underwater tunnel in the world.

In 1993, it was designated a National Historic Landmark by the U.S. Department of the Interior. The Holland Tunnel handles approximately 30 million vehicles each year in both directions.

The first tube of the Lincoln Tunnel opened on December 22, 1937. A second tube followed on February 1, 1945. A third tube was opened on May 25, 1957, south of the original pair, due to growing traffic volumes. The Lincoln Tunnel now handles nearly 40 million vehicles each year in both directions.



Posters commemorating the anniversaries of the Lincoln and Holland tunnels.

Port of New York and New Jersey

The Port of New York and New Jersey is the third-largest port by volume in the United States. The Port Authority owns and leases Port land to six major marine container terminals: Global Container Terminal Bayonne, Global Container Terminal Staten Island, Maher Terminals, APM Terminals, Port Newark Container Terminal, and Red Hook Container Terminal. The Port Authority also built, owns, and operates its own intermodal rail cargo system, ExpressRail, which interfaces directly with the Port's two Class I railroad partners, CSX and Norfolk Southern.

Welcoming NEO-Panamax Container Vessels

On September 7, 2017, the Port of New York and New Jersey welcomed the largest cargo vessel to call any port on the East Coast of North America, the CMA CGM T. Roosevelt. With a maximum cargo capacity of 14,414 TEUs, the Roosevelt marks a new age of increasing calls from Ultra Large Container Vessels (ULCV) and the coming worldwide economic prosperity that many transportation experts believe these vessels represent. The Roosevelt's arrival was made possible by two key Port initiatives: the approximately $1.6 billion Bayonne Bridge Navigational Clearance Project (BBNCP), which was planned, financed, and executed by the Port Authority, and the Harbor Deepening Project (HDP), a joint venture between the Port Authority, U.S. Coast Guard, and U.S. Army Corps of Engineers.

Begun in 1989, the HDP was a massive, multiyear project wherein 38 miles of federal maritime navigation channels in New York Harbor were deepened to 50 feet. The HDP was substantially completed in 2016. These two projects have played pivotal roles in enabling the volume of cargo moving through the Port of New York and New Jersey to rise consistently over the past few years. The ability to attract and handle larger vessels enables the Port of New York and New Jersey to attract new business opportunities and to maintain its competitive position as the premier port on the East Coast.

Bayonne Bridge achieved navigational clearance of 215 feet allowing larger cargo vessels to call the Port of New York and New Jersey.

The Port of New York and New Jersey plans for continued landside infrastructure improvements and investments to meet the needs of the shipping industry.

Landside Improvements

Since completion of the BBNCP and HDP, the Port Authority has placed increased focus on landside assets and efficiencies for expediting cargo. Throughout 2017, the agency continued construction on ExpressRail Port Jersey, the fourth ExpressRail facility. ExpressRail Port Jersey will offer full on-dock rail capability servicing the Global Container Terminals (GCT)-Bayonne marine terminal. Services offered will complement those offered by ExpressRail Newark, ExpressRail Elizabeth, and ExpressRail Staten Island. Overall, the agency has invested more than $600 million to develop and build the ExpressRail system.

In 2017, ExpressRail accounted for 14.8 percent of all container lifts at the port. The Port Authority's goal for ExpressRail is for the system to handle 20 percent of total container lifts by 2020, thereby increasing growth of its East Coast market share. Once ExpressRail Port Jersey becomes operational, the Port of New York and New Jersey will feature capacity to handle 1.5 million container lifts a year, far greater capacity than any other East Coast port. These lifts will eliminate 2.25 million annual truck trips from local highways. ExpressRail Port Jersey will be operational in December 2018 through a partnership with Global Container Terminals GCT USA.

Rendering of the future ExpressRail Port Jersey facility at GCT Bayonne.

The Port of New York and New Jersey's new Truck Management System (TMS) launched in January 2017 following extensive development, testing, and outreach with the drayage community. TMS was jointly funded and developed by Sustainable Terminal Services, Inc., a consortium of the Port of New York and New Jersey's six marine terminal operators. Commenced at GCT Bayonne, TMS is now available between the hours of 6 a.m. and 1 p.m. daily.

The system allows truckers with an appointment to reduce their turn times by up to 45 percent, thus allowing them to make a double move in under an hour. These efforts make the throughput of cargo more efficient, thereby saving time and money while reducing port emissions by minimizing truck wait times. TMS is expected to be rolled out in at least two more terminals in 2018.

The agency's Truck Replacement Program (TRP) leverages federal grants to help truckers comply with the Port of New York and New Jersey's ban against engines from the model year 1995 and older. The current phase of the TRP (running December 2015 to the present) has facilitated the removal of 253 older model trucks from service. A total of 184 of the 253 trucks removed were switched out in 2017, effecting a 300 percent increase over the 62 trucks the TRP removed in 2016. This, in turn, has resulted in significant reductions in overall greenhouse gas emissions equivalent to the removal of at least 23,563 passenger cars from Port thoroughfares annually. TRP facilitates grants of up to $25,000 for qualified truckers looking to replace their vehicles with those featuring newer model engines that produce less emissions, which in turn creates a more sustainable environment for the Port and its adjacent communities.

The new Truck Management System launched in early 2017 at GCT Bayonne. The system aims to improve truck and container efficiency at the Port of New York and New Jersey.

New York New Jersey Rail, LLC railcar float allows for cross-harbor rail freight movement, an alternative to the use of regional highways.

Cross Harbor Freight Project

The Cross Harbor Freight Program (CHFP) has studied non-highway alternatives to move freight either over or under the New York/New Jersey Harbor. This reduces wear and tear on highway roadways while increasing the reliability and resiliency of our regional transportation networks.

On May 5, 2017, the Port Authority issued its Request for Proposals seeking consultants to conduct the Tier II Environmental Impact Study (EIS) required to advance the CHFP. The Tier II EIS will provide in-depth analysis of findings from the earlier Tier I EIS. The earlier studies found that two preferred solutions exist to move goods across the harbor: constructing a cross harbor freight tunnel or expanding the Port Authority's existing railcar float operation. The rail tunnel alternative calls for construction of a four-mile freight tunnel running from Jersey City, New Jersey to Brooklyn, New York under New York Harbor.

The railcar float alternative would expand the existing car float system currently operated by New York New Jersey Rail, LLC, a wholly owned entity of the Port Authority since 2008, and would include new transfer bridges, car floats, locomotives, and tracks.

In February 2018, the agency announced its award of a $23.7 million agreement to Cross Harbor Partners (CHP), a joint venture of STV Incorporated and AKRF Inc. CHP's Tier II review is expected to take up to three years. It will include extensive outreach to all stakeholders, including elected officials and the public. It will also provide the Port Authority and other regional agencies with a cost-benefit analysis of each explored alternative. If chosen, the recommended alternative or alternatives would require additional funding for the next phase of development, which entails preliminary engineering.

30-Year Port Master Plan

The Port Authority's Port staff worked throughout 2017 on the initial analysis and draft of a Port Master Plan (PMP) that will guide the Port's growth over the next 30 years. The PMP will examine options for future development with an eye on increased operational efficiencies, optimized land utilization, business planning, capital requirements, customer relations strategies, reductions in impacts to the environment, and enhancements of opportunities to produce revenues.

The PMP process will engage the Port's various stakeholders in developing options intended to capitalize on earlier investments made by the Port Authority and its port tenants. Stakeholders include representatives from maritime, transportation, logistics, and distribution organizations throughout the entire supply chain, as well as planning organizations, regulatory agencies, host communities, and elected officials. The agency's Port staff considers transparency, inclusivity, and feedback from all of these entities paramount to the PMP's success.

The Port Master Plan provides guidance on future Port investment and innovation.

PATH

The Port Authority Trans-Hudson (PATH) rapid transit system has 13.8 miles of revenue track and operates 24 hours a day, seven days a week to move customers to and from 13 stations throughout New Jersey and New York City.

Upgrading, Fortifying, And Growing PATH's Infrastructure

The Port Authority spent $156 million in 2017 to maintain the PATH system in a state of good repair. As one of the year's signature initiatives, the Signal Overhaul Program allowed PATH to continue to install a federally mandated Positive Train Control (PTC) system, with all of its associated safety enhancements, including software testing, additional signal cables in tunnel areas, and wiring in tunnel signal relay rooms.

PTC provides automatic overrides to control a train's speed and movements when required. The substantial body of work completed on PTC infrastructure in 2017 brought the overall project to 80 percent completion. By year's end, the project was on track to be fully operational in time for the mandated federal deadline in 2018. When paired with elements of Automatic Train Control and other capital investments, the PTC system increases network-wide capacity, thereby enhancing passenger safety and comfort while allowing trains to run more frequently and efficiently.

Another advancement for PATH arrived in 2017 with the Board of Directors of PATH authorizing $376 million to cover a broad slate of expenditures aimed at enhancing PATH service, equipment, and facilities systemwide. This package included funds to progress the PATH rail extension to Newark Liberty Airport Rail Link Station, the purchase of 50 new rail cars, the overhaul of the current fleet, and various security projects.

PATH annual ridership in 2017 reached a record 82.8 million.

The Board of Directors of PATH also authorized $29.9 million to replace the interlocking and associated tracks at Hoboken Station. Interlocking track work components are considered critical to maintaining operational flexibility and the ability for trains to maneuver between two and three tunnel track stations in Hoboken. Work to replace the Hoboken interlocking and associated tracks is expected to start in 2019. Additional funding for these projects comes from Federal Transit Administration (FTA) grants that cover up to 90 percent of eligible project costs.

In 2017, PATH advanced its resiliency and recovery program to address the impacts of Superstorm Sandy. The Board of Directors of PATH authorized a total of $259.1 million to replace and upgrade power substations damaged during the storm in Jersey City and Harrison, New Jersey.

In 2017, work progressed on replacing the 80-year-old PATH Harrison Station with a reconstructed facility featuring a glass-and-steel

Construction continues at the new PATH Harrison Station.

design and fully modernized amenities. This $256 million project will feature new glass-enclosed, weather-protected station entrances; modern elevators; widened stairways; escalator access to both platforms; and extended platforms to accommodate, in the future, longer, 10-car trains on the Newark – World Trade Center line.

By early 2018, all structural work for the northeast entrance was complete, while interior and exterior finish work on the northeast entrance progressed. Southeast entrance foundations had been completed and structural steel for the stationhouse was constructed. Construction of the station's east side entrances was approximately 70 percent complete. West side entrances were being designed, with construction expected to begin by the second quarter of 2019.

Eleven new mobile device-charging kiosks were installed at six of the PATH system's highest-volume stations. Each kiosk allows customers on the go to rent or buy small portable battery packs capable of charging any smartphone or tablet for a 24-hour rental price of $4.99. Three of the new kiosks are located at PATH's Newark Penn Station facility, with two more installed at PATH's Journal Square, Hoboken, and 33rd Street stations. The Exchange Place and Newport Stations have one kiosk each.

Enhanced Service During Amtrak's Repair Program

In the summer of 2017, Amtrak's Infrastructure Renewal Program at New York Penn Station threatened to complicate commuter schedules. During this work cycle, PATH handled an average weekday increase of more than 23,000 riders, for an approximate total of 930,000 additional riders while continuing to maintain an overall on-time performance rate of 98.6 percent for 2017.

To prepare for the overflow, PATH increased train frequency and customer service. On the Hoboken-33rd Street line, four trains per hour were added during the morning and evening rush hours. More than 100 PATH "ambassadors" were assigned to the Hoboken, 33rd Street, and World Trade Center stations to provide information and assist with ridership flow. Maintenance staff also were strategically stationed systemwide to quickly mitigate any service issues. Security was enhanced by the increased presence of police personnel.

PATH Riders' Council

The PATH Riders' Council (PRC) filled seven vacancies, ensuring the public's continued participation. The PRC is a standing advisory group whose mission is to ensure that PATH riders and PATH management exchange ideas concerning customer service communications and operations decision-making. Special emphasis is placed on feedback from PATH riders to improve the system's overall customer service. The PRC consists of 15 riders from a cross-section of backgrounds and geographical locations covered by the PATH service area.

The PATH system saw 930,000 additional riders during Amtrak's Infrastructure Renewal Program at New York Penn Station in summer 2017.

World Trade Center

The World Trade Center (WTC) 16-acre site is home to the World Trade Center Transportation Hub, One World Trade Center, Tower Two (2 WTC), Tower Three (3 WTC), and Tower Four (4 WTC), the future World Trade Center Performing Arts Center (PAC), the 9/11 Memorial and Museum, Liberty Park, and thousands of square feet of retail space.

Coming Into Its Own

Years after reconstruction began, the 16-acre World Trade Center (WTC) campus has matured into an active center of connection, business, culture and remembrance, with development and construction continuing in 2017.

Negotiations that took place in 2017 aided in the 2018 lease execution with The World Trade Center Performing Arts Center, Inc. d/b/a The Performing Arts Center at the World Trade Center (PAC). The Port Authority recouped $48 million in payments for work the Board authorized in 2010 and which was performed on behalf of the Lower Manhattan Development Corporation (LMDC) for the PAC below-grade infrastructure. With a new design in place through REX Architecture, the PAC began its construction documentation phase. Using computerized 3D models, Port Authority engineers have begun to coordinate the placement of conduits, pipes, and ductwork so that agency

Rendering showing the future World Trade Center Performing Arts Center.

An aerial of the World Trade Center campus.

systems can be installed, along with those of the PAC, to create the most integrated WTC environment possible.

The agency demolished PATH's old north temporary access station and began erecting the first steel structures for the West Bathtub Vehicular Access (WBVA) that will serve as the base for the PAC.

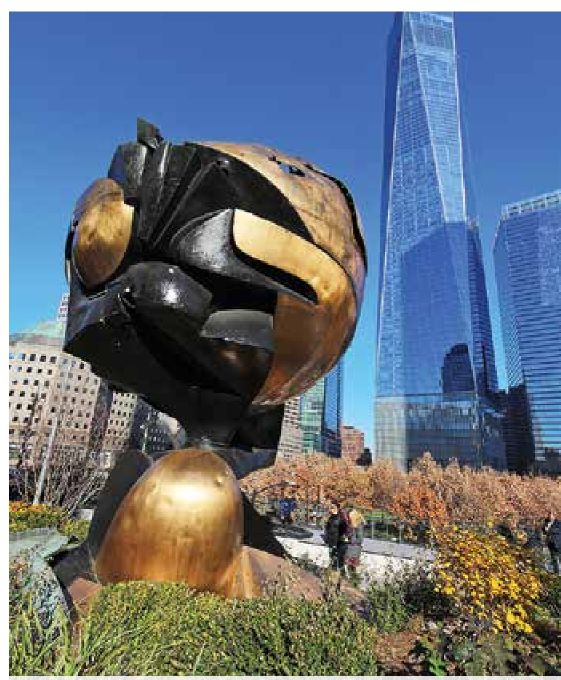
In late 2017, the World Trade Center Transportation Hub (the Hub) benefited from the MTA's opening of Church Street access to the R/W subway line at multiple points; through the 4 WTC transit hall lobby and through One Liberty Plaza via an underpass. Connections to the R/W line opened from the upper level of the Oculus, as well as through multiple entrances to the E/A/C and 2/3 lines, accessible through the Oculus and 2 WTC. Also during the year, a free transfer access between the E train and R/W lines was constructed and opened to the public.

While 2016 saw the construction on 3 WTC progress to achieving maximum height, work on the building shifted in 2017 to installing the tower's mechanical, electrical, plumbing, emergency, and vertical transportation systems. This work continued apace throughout 2017, progressing sufficiently that a major tower tenant began outfitting office space in preparation for occupancy. The grand opening of 3 WTC is slated to take place in 2018.

In September, the agency relocated the Koenig Sphere to Liberty Park, overlooking the 9/11 Memorial. Sculpted in metal, the Sphere once adorned the Austin J. Tobin Plaza, which was located at the feet of the original twin towers. It was recovered from Ground Zero and placed on display in Battery Park, where it came to symbolize hope and resilience.

Continued progress was seen in 2017 at the WTC campus. Remaining projects include Site 2, the future PAC, Site 5, the current PAPD Command Center, and the completion of the St. Nicholas Greek Orthodox Church.

In 2018, we anticipate a major milestone with the opening of 3 WTC. The final stages of building out the WTC campus are in sight.



The Koenig Sphere at its new permanent home in WTC's Liberty Park.

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, 2017 and December 31, 2016, are enclosed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in the Financial Statements rests with management of the Port Authority. The Management's Discussion and Analysis ("MD&A") and Required Supplementary Information sections of the Financial Statements provide a narrative introduction, overview, and analysis of the Port Authority's financial performance and are required by the Governmental Accounting Standards Board. Schedules A, B, and C have been prepared in accordance with Port Authority bond resolutions and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Schedules D, E, F, and G include other statistical information presented for purposes of additional analysis and are not a required part of the Financial Statements.

Port Authority management is also responsible for establishing and maintaining adequate internal controls over financial reporting for the Port Authority. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. The Port Authority has established a comprehensive framework of internal controls that includes maintaining records that accurately and fairly reflect the transactions of the Port Authority; provide reasonable assurance that transactions are recorded as necessary for financial statement preparation; and provide reasonable assurance that unauthorized use, acquisition or disposition of company assets that could have a material impact on the Port Authority's financial condition would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the financial statements would be prevented or detected.

Pursuant to Port Authority by-laws, the Port Authority's Executive Director, Comptroller and I certified the Financial Statements on March 7, 2018. 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 2.5 percent in 2017 to an all-time high of 132.2 million passengers. Increases in domestic and international aviation passengers were primarily due to the synchronization of developed and emerging economies worldwide resulting in increases in real income and corporate earnings. PATH passenger volumes increased 5.4 percent in 2017 to 82.8 million passengers. This increase in PATH ridership was primarily due to continued economic growth in Manhattan and Hudson County, New Jersey as well as the accommodation of approximately 930,000 New Jersey Transit (NJT) passengers due to Amtrak construction activity at Penn Station that resulted in NJT service disruptions. Containerized cargo levels at Port Authority marine terminals increased 6.8 percent to a record high of 3.8 million containers in 2017, primarily due to an overall increase in United States freight movements resulting from strong demand for imported goods, facilitated in part by the completion of the Bayonne Bridge Navigational Clearance Project, which allowed for access of larger, more efficient ships to certain marine ports. Vehicular activity levels at the Port Authority's six (6) vehicular crossings totaled 119.4 million vehicles in 2017, an increase of 0.5 percent when compared to 2016. This rise in vehicular traffic continues the recent growth trends in New York City employment and real income gains 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, 2016. The Port Authority has received this award since 1984, making this the 33rd 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 2017 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 20, 2018

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

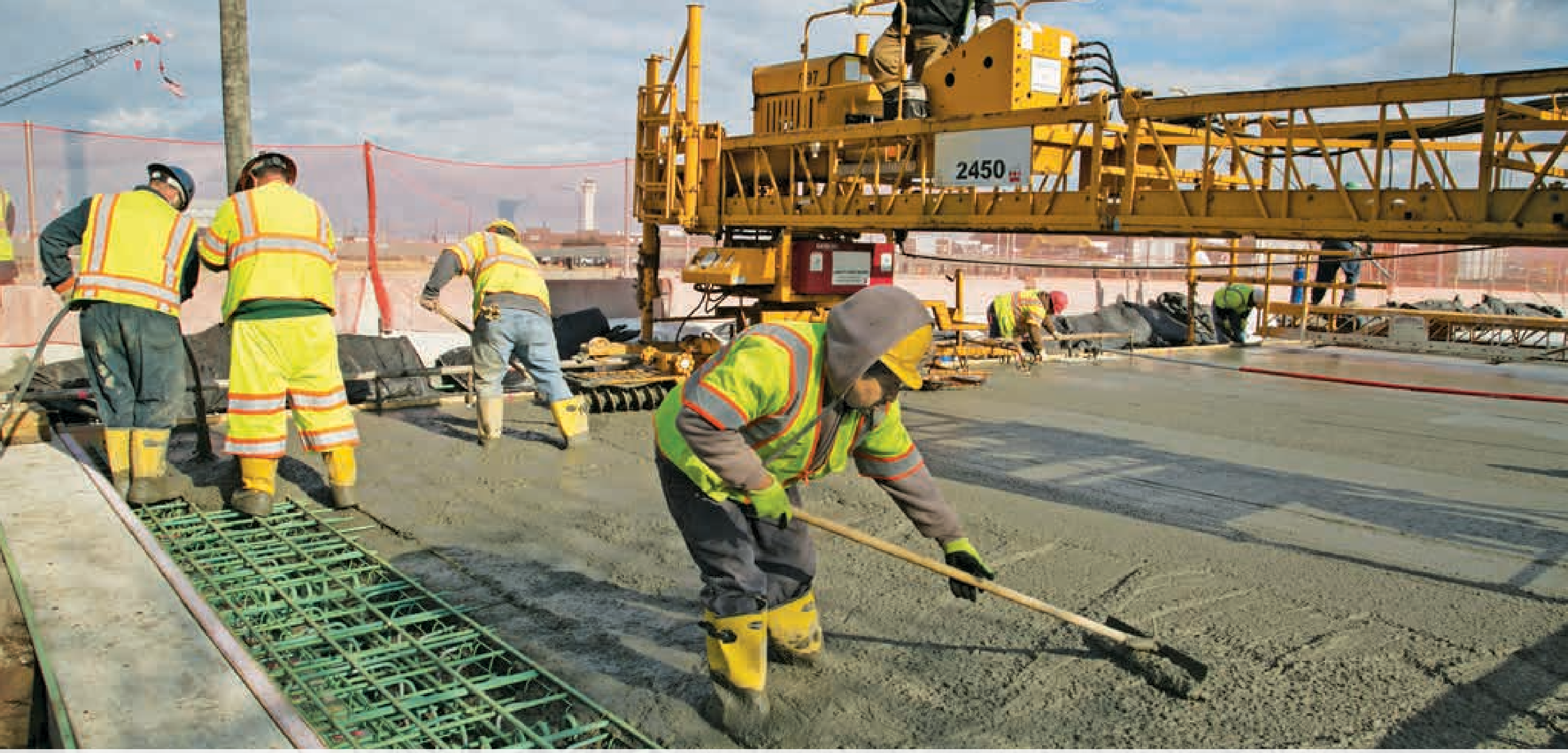
Presented to

The Port Authority of New York and New Jersey

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2016

Executive Director/CEO



Construction progresses on roadway bridges at Newark Liberty International Airport, designed to reduce congestion and connect the airport's central roadway network to a new Terminal A.

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The Port Authority of New York & New Jersey
Financial Statements and Appended Notes for the Year Ended December 31, 2017
Prepared by the Comptroller's department of the Port Authority of New York and New Jersey.
www.panynj.com

The CMA CGM T. Roosevelt approaches the Bayonne Bridge, whose new span has been elevated from 151 feet to 215 feet, enabling the newest class of container ships to pass beneath en route to Port of New York and New Jersey.

CERTIFICATE WITH RESPECT TO 2017 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, 2017 and December 31, 2016 (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 7, 2018

Richard Cotton

Executive Director

Elizabeth M. McCarthy

Chief Financial Officer

Daniel G. McCarron

Comptroller

KPMG

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, 2017 and 2016, 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 from 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, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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, 2017 and 2016 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, 2017 and 2016 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, 2017 and 2016, 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, 2017 and 2016 is fairly stated, in all material respects, in relation to the 2017 and 2016 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, 2015, 2014, 2013, and 2012 (not presented herein), and have issued our report thereon dated March 7, 2016, 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, 2015, 2014, 2013 and 2012, and the supplementary information included in Schedule D-3, as listed in the Index to Financial Section, for the years ended December 31, 2015 and 2014, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015, 2014, 2013, and 2012 consolidated financial statements, as applicable. This information has been subjected to the auditing procedures applied in the audits of the 2015, 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, 2015, 2014, 2013, and 2012 and the supplementary information included in Schedule D-3 related to the years ended December 31, 2015 and 2014, is fairly stated, in all material respects, in relation to the 2015, 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, 2008 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 2008 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 2008 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 consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated 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, 2017, 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.

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, 2017, 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, 2016, and we expressed an unmodified audit opinion on them in our report dated March 1, 2017. In our opinion, the summarized comparative information presented on Schedules A, B, and C herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited Schedules A, B and C as of and for the year ended December 31, 2016 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 20, 2018

PATH train to Newark boarding customers at World Trade Center.

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2017 and 2016

Introduction

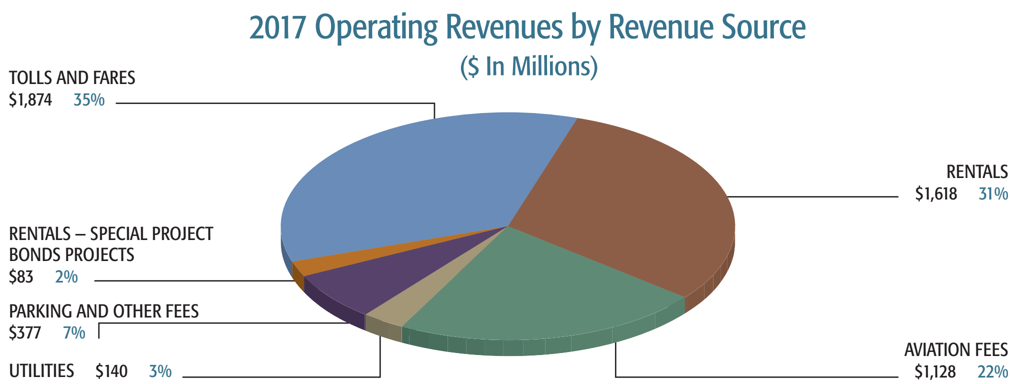
The following discussion and analysis of the financial activities of The Port Authority of New York and New Jersey (the Port Authority) and its component units described herein (see *Note A.1.d – Nature of the Organization and Summary of Significant Accounting Policies*) is intended to provide an introduction to and understanding of the consolidated financial statements of the Port Authority for the year ended December 31, 2017, with selected comparative information for the years ended December 31, 2016 and December 31, 2015. 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.

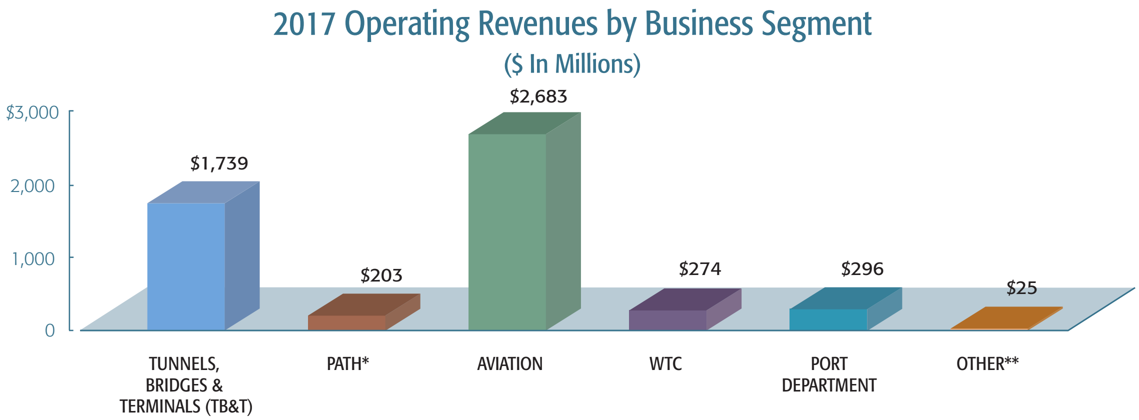
2017 Financial Results

The Port Authority's Net position increased $506 million from December 31, 2016, comprised of $830 million in Income from operations, partially offset by $324 million in Non-operating activities.

Description	**2017**
	(In thousands)
Gross operating revenues	**$ 5,220,389**
Operating expenses	**(3,132,918)**
Depreciation and amortization	**(1,275,303)**
Net revenue related to Superstorm Sandy	**18,323**
Income from operations	**830,491**
Non-operating expenses, net	**(787,596)**
Capital contributions and Passenger Facility Charges (PFCs)	**463,258**
Decrease related to non-operating activities	**(324,338)**
Increase in net position	**$ 506,153**

Gross operating revenues totaled $5.2 billion in 2017, comprised of:

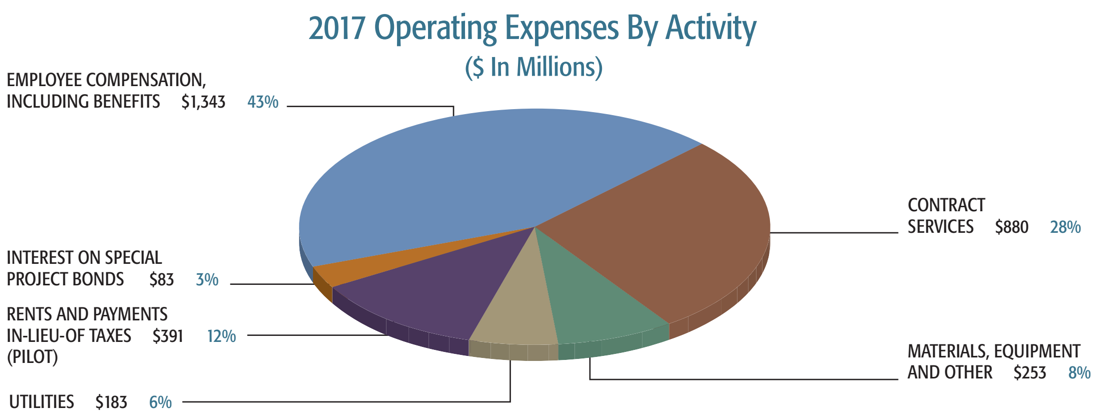


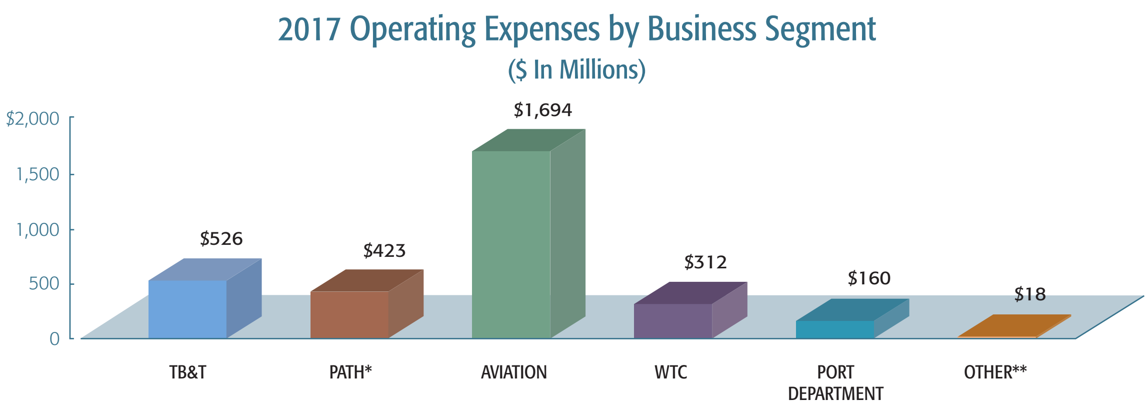


* Port Authority Trans-Hudson Corporation (PATH) includes World Trade Center (WTC) Transportation Hub.

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

Operating expenses totaled $3.1 billion in 2017, comprised of:



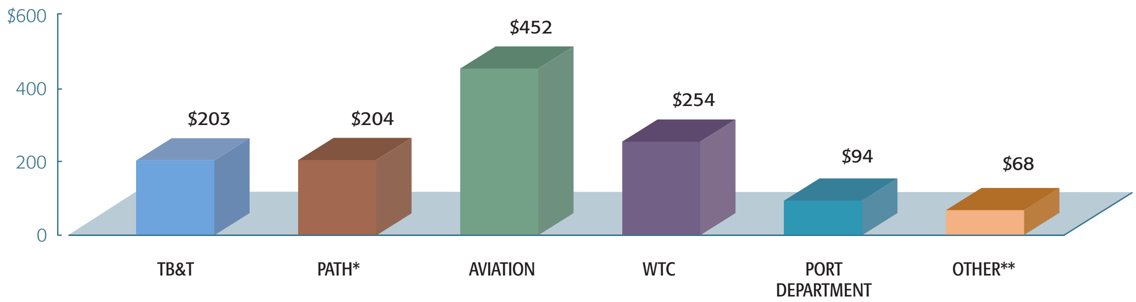


* PATH includes WTC Transportation Hub.

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

Depreciation and amortization totaled $1.3 billion in 2017, comprised of:

2017 Depreciation and Amortization by Business Segment
($ In Millions)

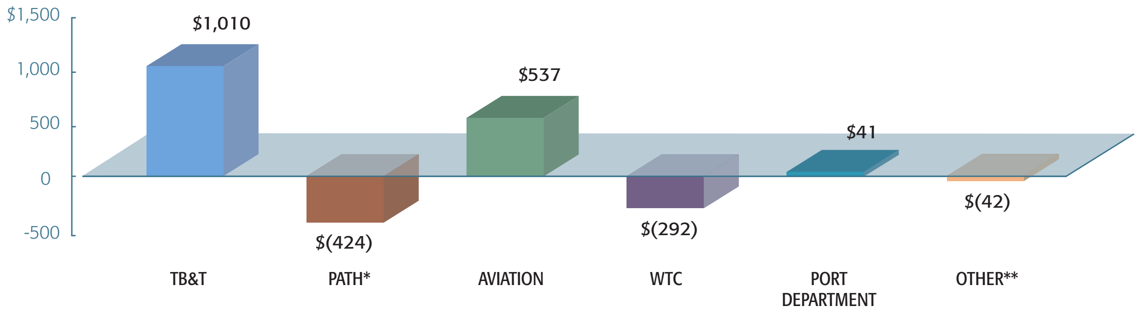


* PATH includes WTC Transportation Hub.

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

Income/(Loss) from operations totaled $830 million in 2017, comprised of:

2017 Income/(Loss) from Operations by Business Segment
($ In Millions)



* PATH includes WTC Transportation Hub.

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

Non-operating activities decreased Net position by $324 million in 2017, comprised of:

	2017
	(In millions)
Contributions in aid of construction and Passenger Facility Charges (PFCs)	**$ 463**
Grants, in connection with operating activities and pass-through grant program payments	**20**
Financial income, including changes in fair value of investments	**35**
Interest expense in connection with bonds and other asset financings, net*	**(842)**
Increase/(Decrease) from non-operating activities	**$ (324)**

* Includes $65.3 million related to Tower 4 Liberty Bonds debt service payments due the Port Authority from the WTC Tower 4 net lessee.

Financial Statement Comparison for the Years Ended December 31, 2017, December 31, 2016 and December 31, 2015

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:

	2017	**2016**	**2015**
		(In thousands)	
ASSETS			
Current assets	**$ 2,767,697**	$ 2,683,308	$ 3,779,062
Noncurrent assets:			
Facilities, net	**35,963,576**	34,693,691	32,666,774
Other noncurrent assets	**7,751,457**	7,884,673	7,902,406
Net OPEB asset	**98,948**	—	—
Total assets	**46,581,678**	45,261,672	44,348,242
DEFERRED OUTFLOWS OF RESOURCES			
Loss on debt refundings	**73,148**	79,046	97,337
Pension related amounts	**328,602**	555,794	155,259
Total deferred outflows of resources	**401,750**	634,840	252,596
LIABILITIES			
Current liabilities	**3,375,701**	3,392,909	3,546,341
Noncurrent liabilities:			
Bonds and other asset financing obligations	**22,464,963**	21,533,071	21,533,822
Other noncurrent liabilities	**3,946,243**	4,288,389	3,962,030
Total liabilities	**29,786,907**	29,214,369	29,042,193
DEFERRED INFLOWS OF RESOURCES			
Gain on debt refundings	**47,237**	30,407	21,527
Pension related amounts	**68,237**	76,842	7,555
Total deferred inflows of resources	**115,474**	107,249	29,082
NET POSITION			
Net investment in capital assets	**13,179,105**	12,746,144	11,810,573
Restricted	**760,912**	567,443	456,429
Unrestricted	**3,141,030**	3,261,307	3,262,561
Net position, December 31	**$ 17,081,047**	$ 16,574,894	$ 15,529,563

2017 vs. 2016

Port Authority assets totaled $46.6 billion at December 31, 2017, an increase of $1.3 billion from December 31, 2016. This overall increase was primarily a result of:

- Facilities, net, including contributed capital, of $35.9 billion, increased $1.3 billion from December 31, 2016 due to the continued capital investment in core transportation facilities as outlined in the 2017–2026 ten-year 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 $859 million increased $121 million from December 31, 2016, primarily due to $1.9 billion in cash provided by operations, $1.3 billion from consolidated bond proceeds and commercial paper obligations issued for purposes of funding capital construction projects and the receipt of $460 million in Federal Transit Authority (FTA) capital contributions and Passenger Facility Charges (PFCs). Partially offsetting these increases was $2.2 billion in capital construction contractor payments, $1.3 billion in debt service payments on outstanding debt obligations and the reallocation of available PFCs and reserves from cash equivalents to United States Treasury securities.
- Current and noncurrent investments, including restricted amounts, of $4.3 billion decreased $459 million primarily due to the use of certain investments to refund outstanding consolidated bond debt obligations or fund capital construction projects in 2017. Partially offsetting this decrease was the investment of available PFCs in United States Treasury securities.
- Receivables, including restricted amounts, of $674 million increased $83 million from December 31, 2016, primarily due to timing differences in receiving aviation fees and rents from airlines, amounts due from other tolling agencies for E-ZPass® tolls collected on behalf of the Port Authority and amounts due from the WTC Towers 3 and 4 net lessees who exercised their right under 2010 tenant support agreements to defer the payment of certain net lease rental and debt service payments.

Deferred outflows of resources totaled $402 million at December 31, 2017, a decrease of $233 million from December 31, 2016. This decrease was primarily due to a decrease in the Port Authority's proportionate share of actuarially determined deferred pension costs related to the Port Authority's participation in the New York State and Local Retirement System (NYSLRS). Deferred outflows of resources related to NYSLRS will be amortized as additional pension expense on a straight-line basis over closed periods of five to six years (see *Note I – Pension Plans* for additional information related to pensions).

Port Authority liabilities totaled $29.8 billion at December 31, 2017, an increase of $573 million from December 31, 2016. This increase was primarily due to:

- Bonds and other asset financing obligations, including Tower 4 Liberty Bonds, increased $637 million primarily due to the issuance of $2.0 billion additional consolidated bonds for purposes of funding capital construction and refunding existing debt obligations and a $190 million increase in accrued amounts related to the Goethals Bridge Replacement Project (GBRP) Developer Financing Arrangement (DFA) due to the completion of additional capital construction of the replacement bridge. These increases were partially offset by a $1.6 billion decrease in consolidated bonds related to the retirement and refunding of existing debt obligations and a $37 million decrease in amounts payable related to the Fund for Regional Development Buy-Out Obligation.
- Accrued pension and other post employment employee benefits decreased $175 million primarily due to a decrease in the Port Authority's proportionate share of the Net Pension Liability (NPL) of NYSLRS, including the impact related to the difference between expected and actual earnings on plan investments.
- Accounts payable increased $157 million primarily due to increases in capital construction accruals.

Deferred inflows of resources totaled $115 million at December 31, 2017, an increase of $8 million from December 31, 2016. This increase was primarily due to a $16 million increase in deferred gains related to the refunding of outstanding debt obligations in 2017. Partially offsetting this increase was a $8 million decrease in the Port Authority's proportionate share of actuarially determined deferred pension costs related to the Port Authority's participation in NYSLRS. Deferred inflows of resources related to NYSLRS will be amortized as a reduction to future pension expense on a straight-line basis over closed periods of five to six years (see *Note I – Pension Plans* for additional information related to pensions).

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 the Consolidated Statements of Cash Flows.
- Current and noncurrent investments, including restricted amounts, of $4.8 billion decreased $435 million primarily due to the use of certain investments 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 increase was primarily due to an increase in certain actuarially determined pension costs related to the Port Authority's proportionate share of the NYSLRS NPL, including the impact of changes to certain actuarial assumptions and the difference between expected and actual earnings on plan investments. 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 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 Post-Employment 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's proportionate share of pension amounts of NYSLRS. 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).

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:

	2017	2016	2015
		(In thousands)	
Gross operating revenues	**$ 5,220,389**	$ 5,167,364	$ 4,826,582
Operating expenses	**(3,132,918)**	(3,013,087)	(2,900,652)
Depreciation and amortization	**(1,275,303)**	(1,238,512)	(1,189,048)
Net revenue related to Superstorm Sandy	**18,323**	—	123
Income from operations	**830,491**	915,765	737,005
Non-operating expenses, net	**(787,596)**	(809,747)	(792,214)
Capital contributions and PFCs	**463,258**	939,313	835,002
Increase in net position	**506,153**	1,045,331	779,793
Net position, January 1	**16,574,894**	15,529,563	14,749,770
Net position, December 31	**$ 17,081,047**	$ 16,574,894	$ 15,529,563

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.

Gross Operating Revenues

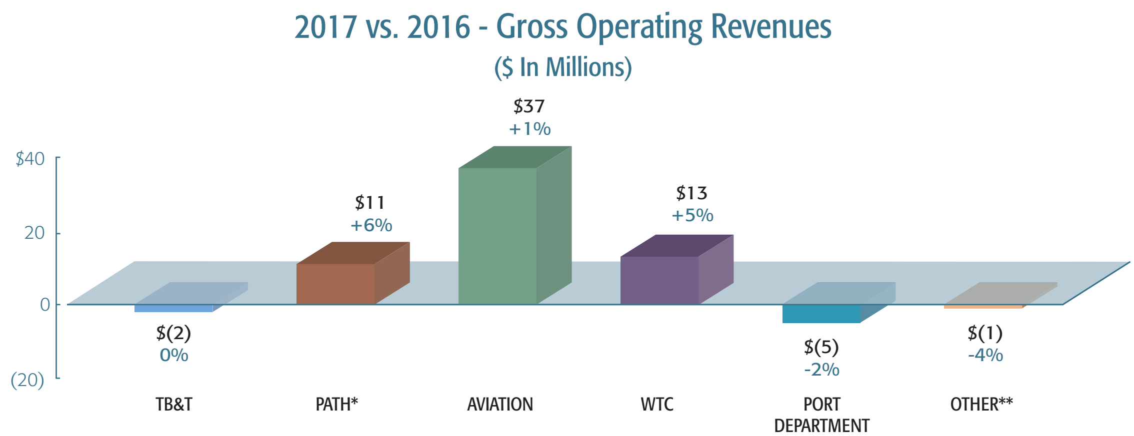
A summary of gross operating revenues follows:

	2017	2016	2015
		(In thousands)	
Gross operating revenues:			
Tolls and fares	**$ 1,873,622**	$ 1,865,481	$ 1,718,770
Rentals	**1,618,439**	1,564,527	1,446,980
Aviation fees	**1,128,352**	1,112,436	1,063,902
Parking and other	**377,421**	399,178	359,631
Utilities	**139,502**	138,987	144,580
Rentals – Special Project Bonds Projects	**83,053**	86,755	92,719
Total	**$ 5,220,389**	$ 5,167,364	$ 4,826,582

2017 vs. 2016

Gross operating revenues of $5.2 billion increased $53 million or 1% from 2016. Rentals increased $54 million primarily due to increases in fixed rentals at One World Trade Center due to higher occupancy, scheduled increases in terminal rents at Port Authority Marine Terminals and Aviation facilities and percentage rentals related to John F. Kennedy International Arrivals Terminal 4 (JFKIAT). Partially offsetting these increases was a decrease in certain fixed and percentage rentals at LaGuardia Airport (LGA) for the operation, on an interim basis, of the existing Terminal B due to the execution of a lease agreement with LaGuardia Gateway Partners (LGP) in June 2016 for the replacement of the existing terminal. Aviation fees, which provide for the recovery of certain Port Authority capital investments and operating expenses at the Port Authority's three major airports increased $16 million, primarily due to the recovery of additional aeronautical related capital investment and policing costs. PATH fares increased $12.4 million primarily due to a 5.4% increase in passenger activity driven in part by the accommodation of approximately 930,000 New Jersey Transit (NJT) passengers due to Amtrak construction activity at Penn Station that resulted in NJT service disruptions. Toll revenue at the Port Authority's six (6) vehicular crossings decreased by $4.3 million primarily due to one less work day in February 2017 when compared to February 2016 (a leap year), and increased discounts resulting from higher E-ZPass® usage. This decrease was partially offset by a 0.5% increase in overall vehicular traffic. Parking and other fees decreased $22 million primarily due to a non-recurring Elizabeth Port Authority Marine Terminal consent fee received in 2016. Partially offsetting this decrease was an increase in Container Facility Charges (CFC) and Wharfage fees at Port Authority Marine Terminals due to a 6.8% increase in container activity.

The following chart depicts the 2017 change in total gross operating revenues by business segment when compared to 2016:



* PATH includes WTC Transportation Hub.

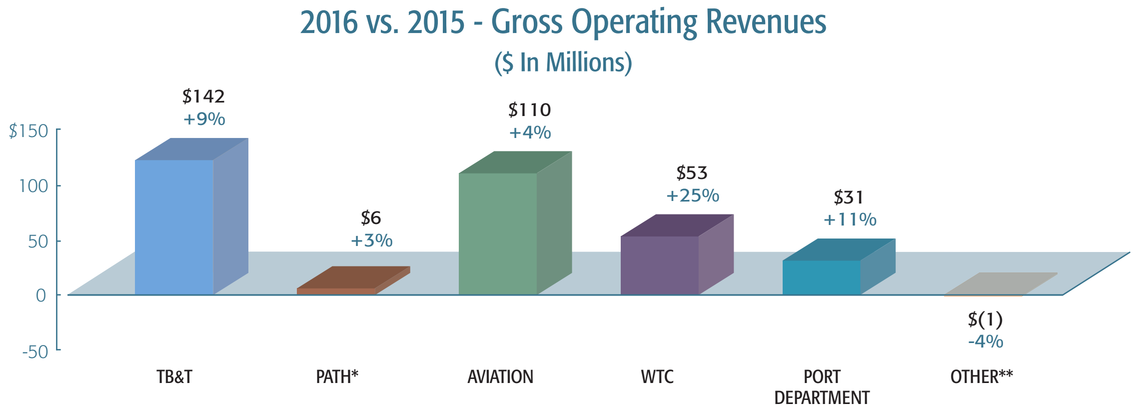
** Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation.

2016 vs. 2015

Gross operating revenues of $5.2 billion increased $341 million or 7.1% from 2015. Toll 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 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 LGA due to the execution of a lease agreement with LGP for the operation of the existing Terminal B pursuant to the public private partnership that is redeveloping the terminal. 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.

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

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



* PATH includes WTC Transportation Hub.

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

Operating Expenses

A summary of operating expenses follows:

	2017	2016	2015
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	**$ 1,342,943**	$ 1,290,334	$ 1,178,967
Contract services	**880,331**	852,926	833,903
Rents and payments in-lieu-of taxes (PILOT)	**390,576**	352,293	356,162
Materials, equipment and other	**252,533**	264,977	252,071
Utilities	**183,482**	165,802	186,830
Interest on Special Project Bonds	**83,053**	86,755	92,719
Total	**$ 3,132,918**	$ 3,013,087	$ 2,900,652

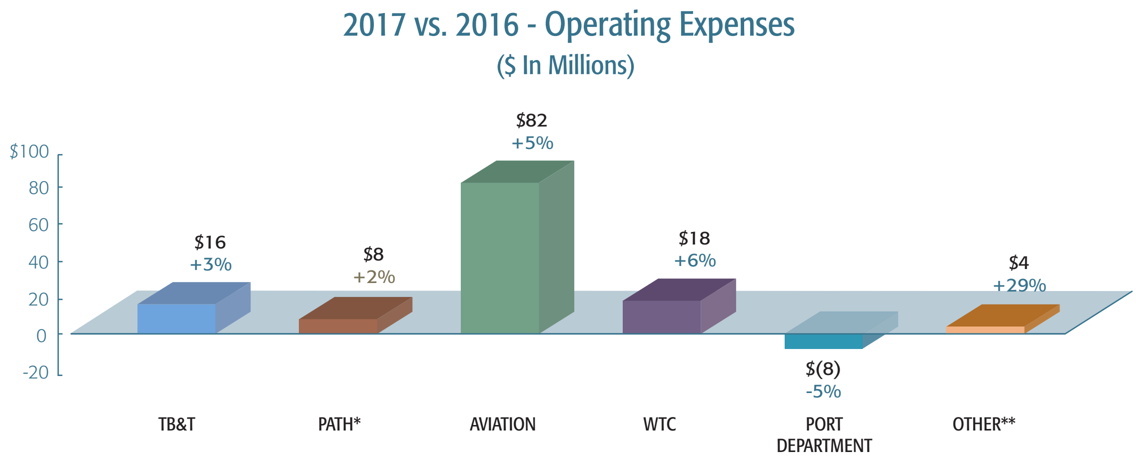
2017 vs. 2016

Operating expenses totaled $3.1 billion in 2017, an increase of $120 million or 4.0% from 2016.

Employee compensation, including employer provided healthcare and retirement benefits totaled $1.3 billion in 2017, an increase of $53 million or 4.0% from 2016 primarily due to increased wages, the hiring of additional police officers, heightened security at Port Authority facilities and increased operational support for construction activities at Aviation facilities. Partially offsetting these increases were decreases in actuarially determined costs related to OPEB and the Port Authority's proportionate share of NYSLRS pension expense.

Operating expenditures relating to material and equipment purchases, utility consumption, rent payable, professional consulting services and contractor payments for operational and maintenance support services totaled $1.8 billion in 2017, an increase of $67 million or 4.0% from 2016 primarily due to scheduled rent escalations at certain Port Authority Aviation facilities, increased property management services and electricity consumption at the WTC site resulting from increases in operational assets under management, increased ground transportation and taxi dispatch services at Aviation facilities to provide additional traffic and parking management in support of construction activities, increased snow and ice removal chemicals and materials, increased federal inspection services at New York Stewart International Airport due to increased air service, and increased consulting services for master planning activities related to Port Authority Marine Terminals. Partially offsetting these increases were decreases in maintenance dredging at Port Authority Marine Terminals, lower capital write-offs related to the Port Authority's 2017–2026 capital plan and lower public liability insurance premiums and self-insured loss reserves, primarily at John F. Kennedy International Airport (JFK) and PATH.

The following chart depicts the 2017 change in total operating expenses by business segment when compared to 2016:



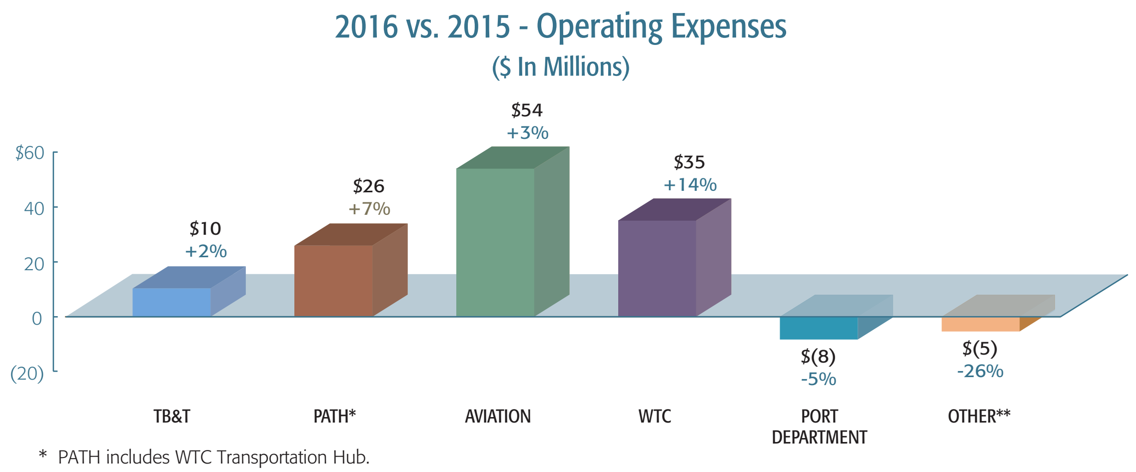
* PATH includes WTC Transportation Hub.

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

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 and the WTC site, and the training of additional police officers. In addition, payments to third-parties for maintenance, security, operational support, 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.

Depreciation and Amortization

A summary of depreciation and amortization follows:

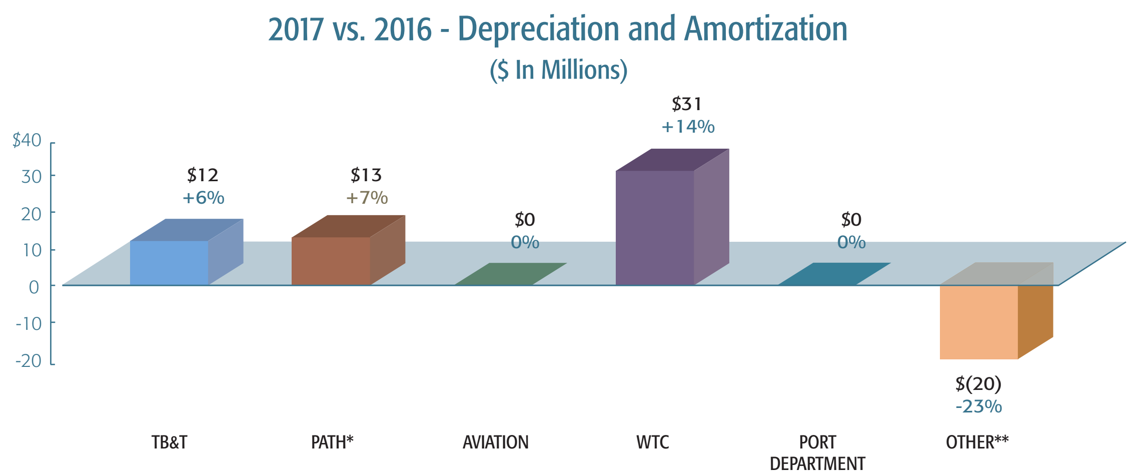
	2017	2016	2015
		(In thousands)	
Depreciation and amortization:			
Depreciation of facilities	**$ 1,231,139**	$ 1,173,747	$ 1,124,383
Amortization of costs for regional programs	**44,164**	64,765	64,665
Total	**$ 1,275,303**	$ 1,238,512	$ 1,189,048

2017 vs. 2016

Depreciation and amortization of $1.3 billion increased $36 million or 3.0% from 2016 resulting from the scheduled completion of $2.9 billion of capital construction in both 2016 and 2017. These capital infrastructure assets, primarily located at the WTC, PATH, Goethals Bridge and Bayonne Bridge are ready for their intended use and are being depreciated over their estimated useful lives. Partially offsetting these increases was a $20.6 million decrease in amortization related to certain Regional facilities and programs that were fully amortized during 2016 and 2017, respectively. For additional information related to regional facilities, see *Note H – Regional Facilities and Programs*.

Additional information related to capital investment in Port Authority facilities can be found *in Note B – Facilities*, *net* to the 2017 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 2017 change in total depreciation by business segment when compared to 2016:



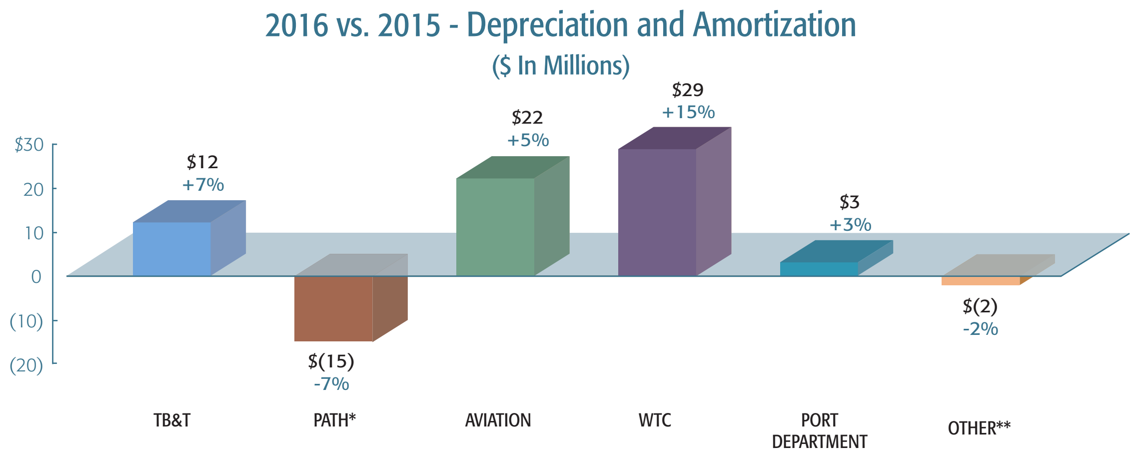
* PATH includes WTC Transportation Hub.

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

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.

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.

Net revenues related to Superstorm Sandy

2017 vs. 2016

Net revenues related to Superstorm Sandy increased $18.3 million from 2016 due to the receipt of additional insurance proceeds related to Port Authority WTC Superstorm Sandy related insurance claims. As of December 31, 2017, the Port Authority has received approximately $581 million in insurance recoveries 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. As of December 31, 2016, the Port Authority has received approximately $563 million in insurance recoveries related to 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 revenue related to Superstorm Sandy.

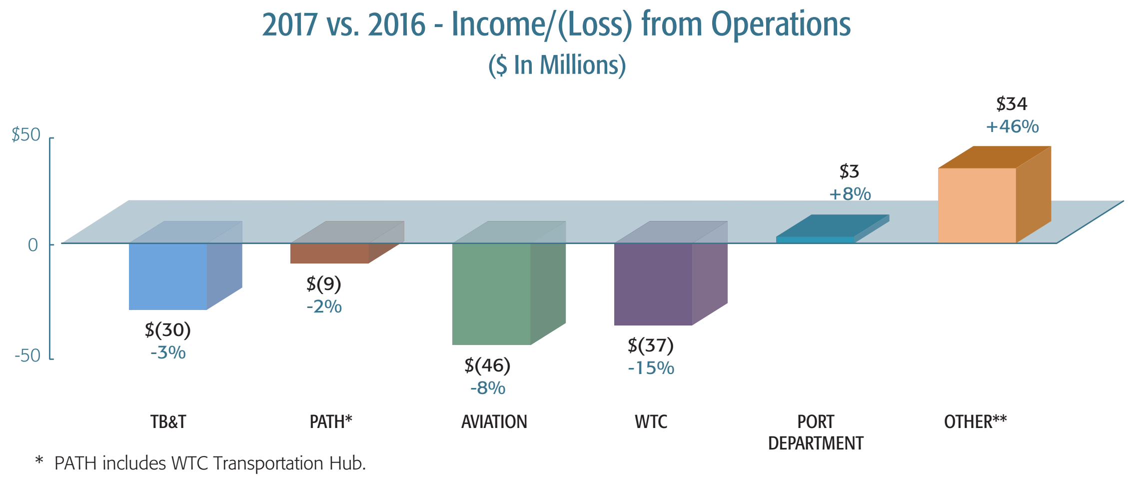
2017 vs. 2016

Income from operations of $830 million declined $85 million from 2016 primarily due to increases in depreciation relating to the completion of additional capital construction projects located at the WTC, PATH, Goethals Bridge and Bayonne Bridge and increased operating expenses resulting from increased employee wages, rents due to municipalities, and contractor payments at the WTC site and Aviation facilities.

Management's Discussion and Analysis (Unaudited)

(continued)

The following chart depicts 2017 change in income from operations by business segment when compared to 2016:



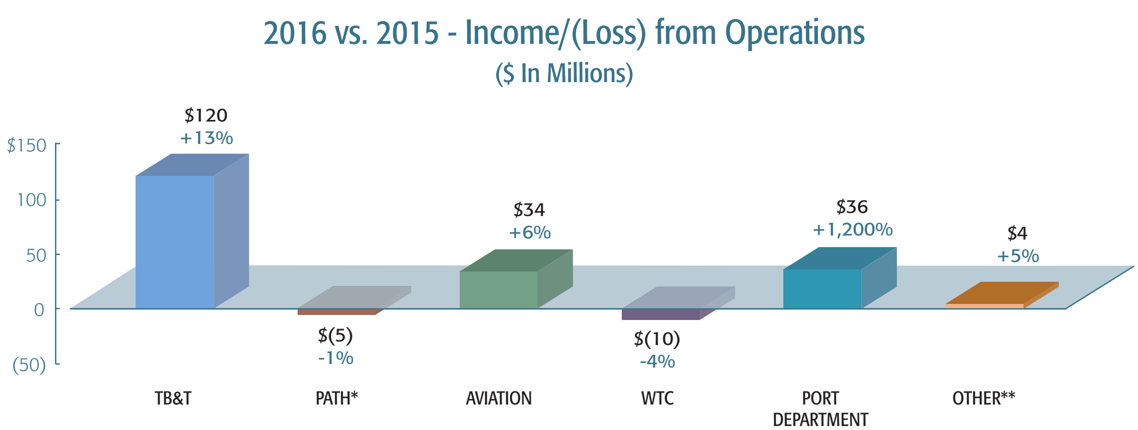
* PATH includes WTC Transportation Hub.

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

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.

Non-Operating Revenues and Expenses

A summary of non-operating revenues and expenses follows:

	2017	2016**	2015**
		(In thousands)	
Non-operating revenues and (expenses):			
Financial income	**$ 48,077**	$ 7,519	$ 18,505
Net (decrease) in fair value of investments	**(12,751)**	(11,493)	(14,290)
Interest expense in connection with bonds and other asset financings, net*	**(843,050)**	(859,393)	(846,074)
Pass-through grant program payments	**(19,717)**	(10,695)	(51,429)
Grants, in connection with operating activities	**39,845**	64,315	101,074
Non-operating expenses, net	**$ (787,596)**	$ (809,747)	$ (792,214)

* Includes amounts related to Tower 4 Liberty Bonds debt service payments due the Port Authority from the WTC Tower 4 net lessee.

** For presentation purposes, amortization of bond premiums received at issuance were reclassified from Financial income to Interest expense in connection with bonds and other asset financings, net.

2017 vs. 2016

- Financial income, comprised of interest income and changes in the fair value of investments of $35 million increased $39 million when compared to 2016 primarily due to higher earnings on Port Authority investments, comprised primarily of United States Treasury securities, and a decrease in financial returns due the WTC Retail net lessee on their capital investment in the WTC Retail premises, which opened to the public in 2016. Partially offsetting these increases was a decrease in the fair market value of the Port Authority's investment portfolio, due to the fluctuation of interest rates.
- Interest expense in connection with bonds and other asset financings of $843 million decreased $16 million from 2016 primarily due to increased reimbursements due from the WTC Tower 4 net lessee for Tower 4 Liberty Bond debt service payments and a decrease in interest expense achieved through the refunding and retirement of existing debt obligations. Partially offsetting this decrease was an increase in interest expense charged to operations due to a decrease in capital projects under construction.
- Pass-through grant program payments to sub-grantees of $20 million increased $9 million from 2016 primarily due to increased federal funding associated with baggage screening projects at Aviation facilities and the regional truck replacement program that was passed through to third party entities.

  Pass-through grant program payments are completely offset in either, *Contributions in aid of construction* or *Grants, in connection with operating activities.*
- Grants, in connection with operating activities of $40 million decreased $24 million from 2016 primarily due to a $20 million decrease in federal funding related to Urban Area Security Initiatives (UASI) due to lower federal funds being available for reimbursement and a $9 million decrease in grants related to Superstorm Sandy immediate recovery efforts due to the transition from the immediate repairs phase to the permanent repair and resiliency phase of the recovery effort.

2016 vs. 2015

- Financial income related to the Port Authority's $4.8 billion investment portfolio, comprised primarily of U.S. securities, decreased $11 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 $859 million increased $13 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.*

Management's Discussion and Analysis (Unaudited)

(continued)

- 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 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.

Capital Contributions and Passenger Facility Charges

A summary of Capital Contributions and Passenger Facility Charges follows:

	2017	2016	2015
		(In thousands)	
Contributions in aid of construction	**$ 187,473**	$ 674,950	$ 586,295
PFCs	**275,785**	264,363	248,707
Total	**$ 463,258**	$ 939,313	$ 835,002

2017 vs. 2016

Contributions in aid of construction of $187 million decreased $488 million from 2016 primarily due to a decrease in capital contributions from the net lessee of WTC Tower 3 and the Metropolitan Transportation Authority (MTA) for the redevelopment of certain areas of the WTC site, and the Federal Transportation Administration (FTA) for the construction of the WTC Transportation Hub, which opened to the public in March 2016. AIP funding related to the rehabilitation of certain runways at the Port Authority's three major airports that were substantially completed in 2016 also decreased. Offsetting these decreases were increases in capital contributions from the Federal Transit Authority (FTA) and the Federal Emergency Management Agency (FEMA) for Superstorm Sandy restoration and resiliency projects. For additional information related to grants and contributions, see *Note F – Grants and Contributions in Aid of Construction*.

2016 vs. 2015

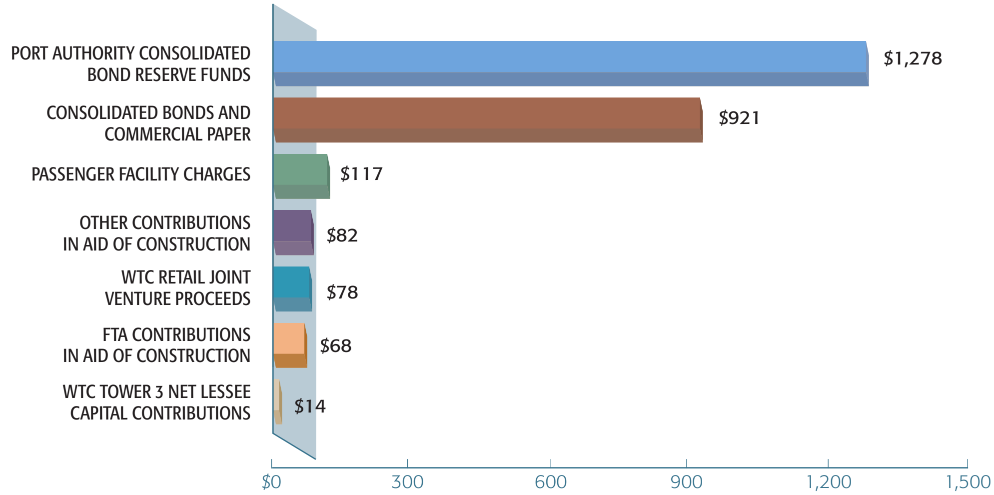
Contributions in aid of construction and PFCs of $939 million increased $104 million from 2015 primarily due to increases in contributed capital amounts due from the Three WTC net lessee related to the continued construction of WTC Tower 3, the MTA for the redevelopment of certain areas of the WTC site and the Federal Highway Administration (FHWA) related to the Cross Harbor Freight Movement Program at Greenville Yard Port Authority Marine Terminal. 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.

Capital Construction Activities

Port Authority capital investment, including contributed capital and accrued amounts relating to capital construction, totaled $2.5 billion in 2017, $3.2 billion in 2016, and $3.0 billion in 2015.

Capital Funding Sources 2017*

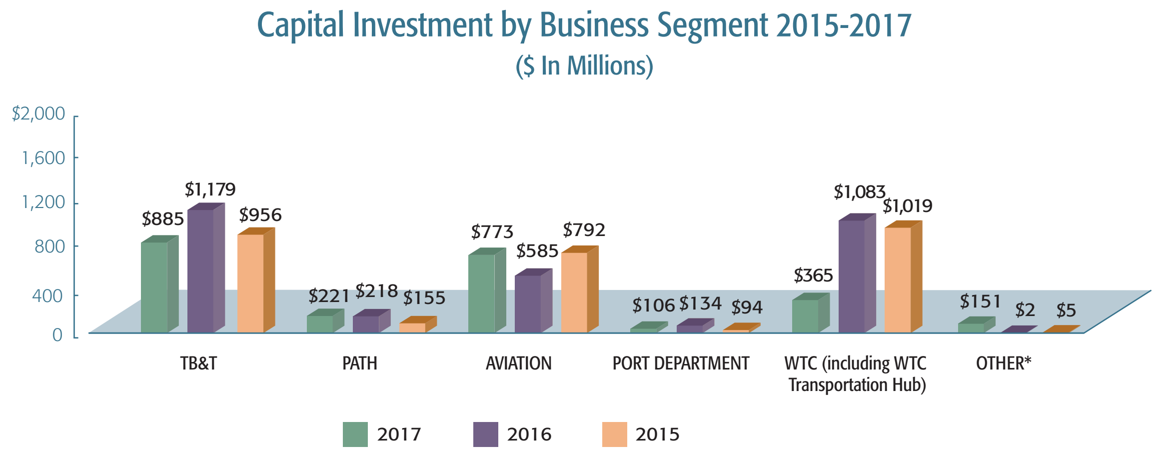
($ In Millions)



* Capital funding sources exclude accrued amounts in connection with capital construction activities.

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

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



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

Additional information related to capital investment in Port Authority facilities can be found in appended *Note B – Facilities*, net to the 2017 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, 2017, bonds and other asset financing obligations of the Port Authority totaled approximately $24.7 billion, including $1.2 billion associated with Tower 4 Liberty Bonds for which the Port Authority is a co-borrower/obligor. For additional information related to bonds and other asset financing obligations of the Port Authority, see *Note D – Outstanding Financing Obligations*.

During 2017, the Port Authority issued $1.8 billion of consolidated bonds and received $225 million in bond premiums at the time of issuance. Of this amount, $1.1 billion was allocated to fund capital construction and $894 million was allocated for purposes of refunding outstanding consolidated bonds to achieve savings on future debt service payments and to retire existing commercial paper obligations.

In addition, the Port Authority issued commercial paper obligations totaling $1.9 billion in 2017. Of this amount, $1.8 billion was allocated for the purpose of refunding existing commercial paper obligations and $128 million was issued to fund capital construction project expenditures.

On February 1, 2018 the Port Authority issued $832 million in consolidated bonds and received $116 million in bond premiums for purposes of refunding $918 million of existing debt obligations and $30 million to fund additional capital construction. The credit ratings in effect during 2017 were reaffirmed for the February 2018 bond issuance.

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. All ratings for outstanding obligations in 2017 remained the same when compared to 2016. 2017 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 Financing Obligations* 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 December 7, 2017, the Board of Commissioners approved a 2018 budget that provides for capital and operating expenditures during calendar year 2018 totaling $8.0 billion. To obtain a copy of the 2018 budget, please refer to the following link: http://corpinfo.panynj.gov/pages/budget/
- 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/
- On February 16, 2017, the Board of Commissioners certified the Moynihan Station Transportation Program as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of funding $150 million of capital expenditures in connection with the Moynihan Station Transportation Program.
- 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 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. In November 2016, the Gateway Program Development Corporation (GPDC) was established as a non-profit corporation in the State of New Jersey. Based on the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*," as amended, the GPDC is not a component unit of the Port Authority for financial reporting purposes.

  On February 15, 2018, the Board of Commissioners certified the Port Authority Gateway Support Program, Early Work (Gateway Early Work Program) as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of funding $79 million of capital expenditures in connection with the Gateway Early Work Program.

Consolidated Statements of Net Position

	December 31, 2017	December 31, 2016
	(In thousands)	
ASSETS		
Current assets:		
Cash	**$ 737,632**	$ 390,809
Restricted cash	**116,447**	342,262
Investments	**909,230**	1,231,303
Restricted investments – PFC	**285,487**	72,275
Current receivables, net	**492,131**	460,145
Other current assets	**158,311**	116,955
Restricted receivables and other assets	**68,459**	69,559
Total current assets	**2,767,697**	2,683,308
Noncurrent assets:		
Restricted cash	**4,817**	4,964
Investments	**2,876,901**	3,245,288
Restricted investments – PAICE	**238,927**	220,462
Other amounts receivable, net	**113,726**	62,089
Other noncurrent assets	**1,774,774**	1,510,086
Restricted noncurrent assets – PAICE	**9,669**	1,932
Amounts receivable – Special Project Bonds	**1,314,334**	1,376,882
Amounts receivable – Tower 4 Liberty Bonds	**1,246,249**	1,246,861
Unamortized costs for regional programs	**172,060**	216,109
Net OPEB asset	**98,948**	—
Facilities, net	**35,963,576**	34,693,691
Total noncurrent assets	**43,813,981**	42,578,364
Total assets	**46,581,678**	45,261,672
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refundings	**73,148**	79,046
Pension related amounts	**328,602**	555,794
Total deferred outflows of resources	**401,750**	634,840
LIABILITIES		
Current liabilities:		
Accounts payable	**1,229,863**	1,072,412
Accrued interest and other current liabilities	**533,939**	539,966
Restricted other liabilities – PAICE	**6,887**	12,492
Accrued payroll and other employee benefits	**659,420**	527,897
Current portion bonds and other asset financing obligations	**945,592**	1,240,142
Total current liabilities	**3,375,701**	3,392,909
Noncurrent liabilities:		
Accrued pension and other postemployment employee benefits	**359,078**	533,835
Other noncurrent liabilities	**214,512**	307,642
Unearned income related to WTC Retail joint venture	**764,738**	773,998
Restricted other noncurrent liabilities – PAICE	**47,332**	49,171
Amounts payable – Special Project Bonds	**1,314,334**	1,376,882
Amounts payable – Tower 4 Liberty Bonds	**1,246,249**	1,246,861
Bonds and other asset financing obligations	**22,464,963**	21,533,071
Total noncurrent liabilities	**26,411,206**	25,821,460
Total liabilities	**29,786,907**	29,214,369
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	**47,237**	30,407
Pension related amounts	**68,237**	76,842
Total deferred inflows of resources	**115,474**	107,249
NET POSITION	**$ 17,081,047**	$ 16,574,894
Net position is comprised of:		
Net investment in capital assets	**$ 13,179,105**	$ 12,746,144
Restricted:		
Passenger Facility Charges	**350,878**	204,053
Port Authority Insurance Captive Entity, LLC	**310,034**	263,390
Minority Interest in Tower 1 Joint Venture	**100,000**	100,000
Unrestricted	**3,141,030**	3,261,307
NET POSITION	**$ 17,081,047**	$ 16,574,894

See Notes to Consolidated Financial Statements

Consolidated Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31, 2017	2016
	(In thousands)	
Gross operating revenues:		
Tolls and fares	**$ 1,873,622**	$ 1,865,481
Rentals	**1,618,439**	1,564,527
Aviation fees	**1,128,352**	1,112,436
Parking and other	**377,421**	399,178
Utilities	**139,502**	138,987
Rentals – Special Project Bonds Projects	**83,053**	86,755
Total gross operating revenues	**5,220,389**	5,167,364
Operating expenses:		
Employee compensation, including benefits	**1,342,943**	1,290,334
Contract services	**880,331**	852,926
Rents and payments in-lieu-of taxes (PILOT)	**390,576**	352,293
Materials, equipment and other	**252,533**	264,977
Utilities	**183,482**	165,802
Interest on Special Project Bonds	**83,053**	86,755
Total operating expenses before depreciation, amortization and other operating expenses	**3,132,918**	3,013,087
Net (revenues) related to Superstorm Sandy	**(18,323)**	—
Depreciation of facilities	**1,231,139**	1,173,747
Amortization of costs for regional programs	**44,164**	64,765
Income from operations	**830,491**	915,765
Non-operating revenues and (expenses):		
Financial income	**48,077**	7,519
Net (decrease) in fair value of investments	**(12,751)**	(11,493)
Interest expense in connection with bonds and other asset financing	**(908,343)**	(900,914)
Pass-through grant program payments	**(19,717)**	(10,695)
4 WTC associated payments	**65,293**	41,521
Grants, in connection with operating activities	**39,845**	64,315
Non-operating expenses, net	**(787,596)**	(809,747)
Income before capital contributions and passenger facility charges	**42,895**	106,018
Capital contributions and Passenger Facility Charges:		
Contributions in aid of construction	**187,473**	674,950
Passenger facility charges	**275,785**	264,363
Total capital contributions and passenger facility charges	**463,258**	939,313
Increase in net position	**506,153**	1,045,331
Net position, January 1	**16,574,894**	15,529,563
Net position, December 31	**$ 17,081,047**	$ 16,574,894

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

	Year ended December 31, 2017	2016
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	**$ 5,020,368**	$ 5,070,688
Cash received related to WTC retail joint venture	**—**	89,819
Cash received related to Superstorm Sandy Insurance	**8,734**	—
Cash paid to or on behalf of employees	**(1,266,537)**	(1,226,262)
Cash paid to suppliers	**(1,491,565)**	(1,377,503)
Cash paid to municipalities	**(392,876)**	(345,623)
Net cash provided by operating activities	**1,878,124**	2,211,119
Cash flows from noncapital financing activities:		
Principal paid on noncapital financing obligations	**(40,000)**	(45,000)
Payments for Fund for regional development buy-out obligation	**(53,213)**	(51,211)
Grants received in connection with operating activities	**46,740**	64,892
Pass-through grant payments	**(63,163)**	(10,695)
Net cash (used for) noncapital financing activities	**(109,636)**	(42,014)
Cash flows from capital and related financing activities:		
Investment in facilities and construction of capital assets	**(2,184,808)**	(2,332,562)
Proceeds from capital obligations issued for refunding purposes	**2,684,195**	2,823,108
Principal paid through capital obligations refundings	**(3,078,775)**	(3,459,073)
Proceeds from sales of capital obligations allocated for construction	**1,280,304**	460,722
Principal paid on capital obligations, including capitalized interest	**(300,905)**	(268,520)
Interest paid on capital obligations	**(1,009,232)**	(1,040,223)
Payments for MOTBY obligation	**(5,000)**	(5,000)
Contributions in aid of construction	**192,409**	301,723
Proceeds from passenger facility charges	**267,858**	259,513
Financial income allocated to capital projects	**4,196**	2,922
Net cash (used for) capital and related financing activities	**(2,149,758)**	(3,257,390)
Cash flows from investing activities:		
Purchase of investment securities	**(21,013,911)**	(3,131,539)
Proceeds from maturity and sale of investment securities	**21,460,429**	3,555,732
Interest received on investment securities	**53,313**	50,271
Other interest income	**2,300**	4,158
Net cash provided by investing activities	**502,131**	478,622
Net increase / (decrease) in cash	**120,861**	(609,663)
Cash at beginning of year	**738,035**	1,347,698
Cash at end of year	**$ 858,896**	$ 738,035

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(continued)

	Year ended December 31, 2017	2016
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$ 830,491**	$ 915,765
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	**1,231,139**	1,173,747
Amortization of costs for regional programs	**44,164**	64,765
Amortization of other assets	**54,233**	60,460
Change in operating assets and operating liabilities:		
(Increase)/decrease in receivables	**(114,204)**	11,163
(Increase) in other assets	**(146,833)**	(132,560)
(Decrease)/increase in payables	**(6,311)**	25,190
(Decrease) in other liabilities	**(81,702)**	(40,728)
(Decrease)/increase in unearned income related to WTC retail joint venture	**(9,260)**	69,301
Increase in accrued payroll, pension and other employee benefits	**76,407**	64,016
Total adjustments	**1,047,633**	1,295,354
Net cash provided by operating activities	**$ 1,878,124**	$ 2,211,119

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 $110 million in 2017 and $122 million in 2016 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 activities that required a change in fair value. In 2017 and 2016, the Silverstein net lessees contributed $14 million and $381 million, respectively, towards construction of WTC Tower 3. In 2017 and 2016, preferred returns due the Tower 1 Joint Venture, Durst Member and the WTC Retail Joint Venture, Westfield member totaled ($9) million and ($48) million, respectively. As of December 31, 2017, the Goethals Bridge Replacement Developer Financing Arrangement totaled $934 million, including accrued amounts of $190 million in 2017 and $314 million in 2016, respectively.

Noncash capital asset write-offs totaled $8.5 million in 2017 and $18.8 million in 2016.

See Notes to Consolidated Financial Statements

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*," as amended, for financial reporting purposes, the Port Authority 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 September 28, 2017, 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, 2017.

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

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

* The blended component units listed above are included as part of the Port Authority's reporting entity because (a) the Port Authority's Board of Commissioners serves as the overall governing body of these related entities and (b) there is a financial benefit or burden relationship between the Port Authority and the respective component unit listed above.

2. Basis of Accounting

a. The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 are depreciated over the lesser of, the remaining lease term of the facility or the estimated useful life of the asset.

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 operations and maintenance vehicles, corporate information technology software and hardware, 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 useful life of the equipment or vehicle.

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 comprised of:

> *Net investment in capital assets*, which consists of capital assests, 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*, which 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*, which 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 Port Authority 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.

Notes to Consolidated Financial Statements

(continued)

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 World Trade Center (WTC) Tower 2, 3 and 4 net lessees related to the replacement of the net leased premises owned by the Port Authority that were destroyed on September 11, 2001 are recognized as a component of Facilities, net on the Consolidated Statements of Net Position and a *Contribution 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, WTC Towers 2, 3 and 4 will be depreciated over their estimated useful life. WTC 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 and 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 Reported by Proprietary Activities*," as amended, 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 on a straight-line basis 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 interest expense over the term of the bond, as this approximates the effective interest of the bond issuance. Unamortized premiums received or discounts provided are classified as a reduction of (discounts) or an addition to (premiums) the par value of the bond payable liability on the Consolidated Statements of Net Position.

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 2016 financial statements have been reclassified to conform to the fiscal year 2017 financial statements herein. These reclassifications have no impact on the overall change in net position or cash flows.

p. In June 2015, GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*." The requirements of GASB Statement No. 74 are effective for financial statements with periods beginning after June 15, 2016. The objective of this Statement is to improve accountability and the usefulness of information relating to postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental Other Postemployment Employee Benefits (OPEB) plans. Adoption of this statement resulted in no change to the Port Authority's 2017 consolidated financial statements. Additional and expanded note disclosures required under GASB Statement No. 74 are included in the 2017 general purpose financial statements of The Port Authority of New York and New Jersey Retiree Health Benefits Trust.

q. In June 2015, GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*." The requirements of GASB Statement No. 75 are effective for financial statements periods beginning after June 15, 2017. The objective of this Statement is to improve financial accounting and reporting for postemployment benefits other than pensions by governmental employers that provide such benefits. The Port Authority is in the process of evaluating the impact of adopting GASB Statement No. 75.

r. In January 2017, GASB issued Statement No. 84, "*Fiduciary Activities*." The requirements of GASB Statement No. 84 are effective for financial statements periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Port Authority is in the process of evaluating the impact of adopting GASB Statement No. 84.

s. In June 2017, GASB issued Statement No. 87, "*Leases*." The requirements of GASB Statement No. 87 are effective for financial statements periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Port Authority is in the process of evaluating the impact of adopting GASB Statement No. 87.

Notes to Consolidated Financial Statements

(continued)

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

Schedules A, B, 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 certified Port Authority facilities or capital infrastructure 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 available for debt service in amounts equal to principal payments on debt outstanding or through the application of monies previously deposited in the Consolidated Bond Reserve Fund for the purposes of funding capital investment in facilities. These amounts are credited at par to *Facility infrastructure investment* in the capital fund on *Schedule B – Assets and Liabilities*.

c. Debt service in connection with operating asset obligations is paid from the same revenues and in the same manner as operating expenses of the Port Authority.

d. Capital costs for Regional 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. Bond premiums received or discounts provided at issuance related to bonds issued for the purpose of funding capital construction or refunding existing capital debt obligations are recorded as either a reduction of (discount) or addition to (premium) *Net Position – Facility infrastructure* investment in the capital fund on *Schedule B – Assets and Liabilities* at the time of issuance.

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 retire existing debt obligations and deducted from cumulative *Invested in facilities* on *Schedule B – Assets and Liabilities* 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* for the reimbursement of previous capital cash outlays by the Port Authority when the PFCs become available for application. Capital investment funded by PFCs is reflected as a component of *Invested in facilities* on *Schedule B – Assets and Liabilities*.

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 balance of 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.

Notes to Consolidated Financial Statements

(continued)

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, 2017	2016
	(In thousands)	
Net position reported on Consolidated Statements of Net Position	**$ 17,081,047**	$ 16,574,894
Add: Accumulated depreciation of facilities	**16,374,155**	15,143,016
Accumulated retirements and gains and losses on disposition of assets	**2,462,021**	2,462,021
Application of WTC retail joint venture payments	**796,936**	796,936
Cumulative amortization of costs for regional programs	**1,364,299**	1,320,135
Cumulative unamortized discount and premium	**1,005,881**	816,131
Subtotal	**22,003,292**	20,538,239
Less: Deferred income – PFCs	**196,257**	204,053
Income related to WTC retail joint venture	**32,198**	22,938
Operating and maintenance contingencies	**50,000**	50,000
Subtotal	**278,455**	276,991
Total	**$ 38,805,884**	$ 36,836,142
Net position reported on *Schedule B – Assets and Liabilities* (pursuant to Port Authority bond resolutions)	**$ 38,805,884**	$ 36,836,142

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

	Years ended December 31, 2017	2016
	(In thousands)	
Increase in Net Position reported on Consolidated Statements of Revenues, Expenses and Changes in Net Position	**$ 506,153**	$ 1,045,331
Add: Depreciation of facilities	**1,231,139**	1,173,747
Application of PFCs	**285,335**	229,921
Amortization of costs for regional programs	**44,164**	64,765
Amortization of discount and premium	**(35,644)**	(24,181)
Application of WTC retail joint venture payments	**–**	77,869
Subtotal	**1,524,994**	1,522,121
Less: Debt maturities and retirements	**300,905**	268,520
Repayment of asset financing obligations	**1,276**	(6,669)
WTC Towers 2,3,4 Net Lessee capital contributions	**14,219**	381,181
Direct investment in facilities	**1,623,347**	1,132,915
Collection of Passenger Facility Charges	**275,785**	264,363
Income related to WTC retail joint venture	**9,260**	8,568
PFC interest income/fair value adjustment	**2,080**	774
Subtotal	**2,226,872**	2,049,652
Total	**$ (195,725)**	$ 517,800
Increase/(Decrease) in Reserves reported on *Schedule A – Revenues and Reserves* (pursuant to Port Authority bond resolutions)	**$ (195,725)**	$ 517,800

Note B – Facilities, net

Facilities, net is comprised of the following:

2017	Beginning of Year	Additions	Transfers to Completed Construction	Depreciation	Retirements/ Dispositions	End of Year
			(In thousands)			
Capital assets not being depreciated:						
Land	$ 1,373,785	$ —	$ 19,407	$ —	$ —	$ 1,393,192
Construction in progress*	8,969,436	2,501,024	(2,950,120)	—	—	8,520,340
Total capital assets not being depreciated	10,343,221	2,501,024	(2,930,713)	—	—	9,913,532
Depreciable capital assets:						
Buildings, bridges, tunnels, other structures	17,990,092	—	1,388,132	—	—	19,378,224
Machinery and equipment	9,784,810	—	548,390	—	—	10,333,200
Runways, roadways and other paving	5,869,216	—	622,716	—	—	6,491,932
Utility infrastructure	5,849,368	—	371,475	—	—	6,220,843
Total other capital assets being depreciated	39,493,486	—	2,930,713	—	—	42,424,199
Accumulated depreciation:						
Buildings, bridges, tunnels, other structures	(4,849,892)	—	—	(430,197)	—	(5,280,089)
Machinery and equipment	(4,601,539)	—	—	(345,346)	—	(4,946,885)
Runways, roadways and other paving	(3,270,466)	—	—	(230,037)	—	(3,500,503)
Utility infrastructure	(2,421,119)	—	—	(225,559)	—	(2,646,678)
Total accumulated depreciation	(15,143,016)	—	—	(1,231,139)	—	(16,374,155)
Facilities, net	$ 34,693,691	$ 2,501,024	$ —	$ (1,231,139)	$ —	$ 35,963,576

2016	Beginning of Year	Additions	Transfers to Completed Construction	Depreciation	Retirements/ Dispositions	End of Year
			(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

* Construction in progress additions include the impact of capital write-offs totaling $8.5 million in 2017 and $19 million in 2016.
1. Net interest expense added to the cost of facilities was $143 million in 2017 and $173 million in 2016.
2. Projects that have been suspended pending determination of their continued viability totaled $40.9 million in 2017 and $43.5 million in 2016.
3. The impact on accelerated depreciation for buildings, bridges, tunnels, and other structures was $0.6 million in 2017 and $20.6 million in 2016.
4. Retirements and Dispositions include the carrying value associated with the sale of capital assets.

Note C – Cash and Investments

The components of cash and investments are:

CASH		December 31, 2017	2016
		(In thousands)	
Cash on hand	**$**	**1,550**	$ 1,624
Cash equivalents		**857,346**	736,411
Total cash		**858,896**	738,035
Less restricted cash		**121,264**	347,226
Unrestricted cash	**$**	**737,632**	$ 390,809

INVESTMENTS, AT FAIR VALUE*	Fair Value Hierarchy Levels**	Port Authority	PAICE	December 31, 2017 Total	2016 Total
				(In thousands)	
United States Treasury notes	Level 1	$ 3,332,804	$ 64,815	**$ 3,397,619**	$ 3,362,171
United States Treasury bills	Level 1	282,977	—	**282,977**	404,002
United States government agency obligations	Level 2	190,572	18,302	**208,874**	61,523
United States Treasury obligations held pursuant to repurchase agreements***	—	182,134	—	**182,134**	677,014
JFK International Air Terminal LLC obligations (JFKIAT)***	—	63,774	—	**63,774**	71,746
Other governmental obligations	Level 2	8,933	—	**8,933**	31,286
Corporate bonds	Level 2	—	154,339	**154,339**	150,701
Accrued interest receivable		10,424	1,471	**11,895**	10,885
Total investments		4,071,618	238,927	**4,310,545**	4,769,328
Less current investments****		1,194,717	—	**1,194,717**	1,303,578
Noncurrent investments		$ 2,876,901	$ 238,927	**$ 3,115,828**	$ 3,465,750

* Cash and investments of approximately $1.4 billion held in The Port Authority Retiree Health Benefits Trust are not consolidated on the Port Authority's Consolidated Statements of Net Position.

** 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 on the last business day of the fiscal year 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 $285 million and $72 million in 2017 and 2016, respectively.

Port Authority policy provides for cash 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 the 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 $784.1 million at December 31, 2017. Of that amount, $22.7 million was secured through the basic FDIC deposit insurance and/or pursuant to the GUDPA. The balance of $761.4 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.

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 (comprising approximately 1.5% of total Port Authority investments at December 31, 2017) 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, 2017, follows:

Port Authority Investment Type	**Fair Value**	**Weighted Average Maturity**
	(In thousands)	(In days)
United States Treasury notes	$ 3,332,804	506
United States Treasury bills	282,977	29
United States government agency obligations	190,572	20
United States REPO	182,134	4
JFKIAT obligations	63,774	2,908
Other government obligations	8,933	247
Total fair value of investments*	$ 4,061,194	
Investments weighted average maturity		465

* Excludes accrued interest receivable amounts of $10.4 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, 2017 and 2016, respectively.

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

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

Notes to Consolidated Financial Statements

(continued)

The fair value and weighted average maturity of investments held by PAICE at December 31, 2017, follows:

PAICE Investment Type	Fair Value	Weighted Average Maturity
	(In thousands)	(In days)
United States Treasury notes	$ 64,815	1,123
United States government agency obligations	18,302	338
Corporate bonds	154,339	982
Total fair value of investments*	$ 237,456	
Investments weighted average maturity		971

* Excludes accrued interest receivable amounts of $1.5 million.

Note D – Outstanding Obligations and Financing

Outstanding bonds and other asset financing obligations

		December 31, 2017		
		Current	Noncurrent	Total
			(In thousands)	
A.	Consolidated Bonds and Notes	$ 360,580	$ 21,335,795	$ 21,696,375
B.	Commercial Paper Obligations	464,615	—	464,615
C.	Variable Rate Master Notes	77,900	—	77,900
D.	Port Authority Equipment Notes	–	—	—
E.	Fund for Regional Development Buy-Out Obligation	40,292	143,938	184,230
F.	MOTBY Obligation	2,205	51,032	53,237
G.	Tower 4 Liberty Bonds	—	1,246,249	1,246,249
H.	Goethals Bridge Replacement Developer Financing Arrangement (DFA)	—	934,198	934,198
I.	Amounts Payable – Special Project Bonds	—	1,314,334	1,314,334
	Total	$ 945,592	$ 25,025,546	$ 25,971,138

		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
I.	Amounts Payable – Special Project Bonds	—	1,376,882	1,376,882
	Total	$ 1,240,142	$ 24,156,814	$ 25,396,956

Note D - Outstanding Obligations and Financing (continued)

A. Consolidated Bonds and Notes

		Dec. 31, 2016	Issued	Refunded/ Retired	Dec. 31, 2017
			(In thousands)		
Eighty-fifth series	5.2%–5.375% due 2018–2028	$ 71,200	$ —	$ 4,200	**$ 67,000**
Ninety-third series	6.125% due 2094	100,000	—	—	**100,000**
One hundred forty-seventh series*	4.75%–5% due 2018–2037	450,000	—	450,000	**—**
One hundred forty-eighth series	5% due 2018–2037	405,465	—	405,465	**—**
One hundred forty-ninth series	4%–5% due 2018–2037	400,000	—	400,000	**—**
One hundred fiftieth series**	4.75%–6.4% due 2018–2027	220,000	—	40,000	**180,000**
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 2018–2029	71,885	—	4,390	**67,495**
One hundred fifty-fifth series	3%–3.5% due 2018–2019	12,000	—	4,000	**8,000**
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	2.9%–3.3% due 2018–2020	18,000	—	7,000	**11,000**
One hundred sixty-third series	2.375%–5% due 2018–2040	400,000	—	2,930	**397,070**
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 2018–2028	158,650	—	15,090	**143,560**
One hundred sixty-eighth series**	4.926% due 2051	1,000,000	—	—	**1,000,000**
One hundred sixty-ninth series*	4.5%–5% due 2018–2041	309,665	—	13,770	**295,895**
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 2018–2037	312,555	—	8,350	**304,205**
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 2018–2042	406,130	—	12,925	**393,205**
One hundred seventy-sixth series**	1.05%–2.5% due 2018–2022	102,000	—	17,000	**85,000**
One hundred seventy-seventh series*	3%–5% due 2018–2043	318,475	—	4,275	**314,200**
One hundred seventy-eighth series*	5% due 2018–2043	437,600	—	16,380	**421,220**
One hundred seventy-ninth series	4%–5% due 2018–2043	838,675	—	28,730	**809,945**
One hundred eightieth series	3%–5% due 2018–2021	62,620	—	7,250	**55,370**
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 2018–2039	346,420	—	295	**346,125**
One hundred eighty-fifth series*	4%–5% due 2018–2034	447,960	—	23,925	**424,035**
One hundred eighty-sixth series*	5% due 2017–2044	360,885	—	22,110	**338,775**
One hundred eighty-seventh series**	2.529%–4.426% due 2020–2034	250,000	—	—	**250,000**
One hundred eighty-eighth series*	3%–5% due 2018–2035	106,750	—	9,775	**96,975**
One hundred eighty-ninth series	3%–5% due 2018–2045	476,985	—	13,400	**463,585**
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 2018–2035	295,145	—	10,180	**284,965**
One hundred ninety-fourth series	4%–5.25% due 2018–2055	1,190,155	—	4,275	**1,185,880**
One hundred ninety-fifth series*	1.45%–5% due 2018–2036	303,530	—	13,590	**289,940**
One hundred ninety-sixth series*	2.125%–2.625% due 2027–2034	200,000	—	—	**200,000**
One hundred ninety-seventh series*	4%–5% due 2018–2041	237,930	—	23,700	**214,230**
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**
Two hundredth series	5%–5.25% due 2027–2057	—	250,000	—	**250,000**
Two hundred-first series**	4.229% due 2057	—	300,000	—	**300,000**
Two hundred-second series*	2%–5% due 2017–2037	—	254,730	16,725	**238,005**
Two hundred-third series*	3% due 2032	—	50,000	—	**50,000**
Two hundred-fourth series*	1.91%–5% due 2023–2028	—	138,105	—	**138,105**
Two hundred-fifth series	5%–5.25% due 2018–2057	—	729,695	—	**729,695**
Two hundred-sixth series*	5% due 2028–2047	—	100,000	—	**100,000**
Consolidated bonds and notes-at par value		$ 20,429,565	$1,822,530	$1,579,730	**$20,672,365**
Add unamortized premium and (discount)		856,307	225,719	58,016	**1,024,010**
Consolidated bonds and notes		$ 21,285,872	$2,048,249	$1,637,746	**$21,696,375**

(a) The One Hundred Seventieth series was acquired by the New York Liberty Development Corporation in connection with its issuance of Liberty Revenue Bonds, Series 1WTC 2011 (Secured by Port Authority Consolidated Bonds).
* Obligations are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.
** Obligations are subject to federal taxation.

Notes to Consolidated Financial Statements
(continued)

Note D - Outstanding Obligations and Financing (continued)

Debt service requirements to maturity for Consolidated Bonds and Notes outstanding at December 31, 2017 are as follows:

Year ending December 31:	**Principal**	**Interest**	**Debt Service**
		(In thousands)	
2018	$ 360,580	$ 982,922	$ 1,343,502
2019	385,040	966,718	1,351,758
2020	422,745	946,560	1,369,305
2021	446,225	926,112	1,372,337
2022	462,490	905,049	1,367,539
2023–2027	2,626,345	4,179,857	6,806,202
2028–2032	3,385,310	3,491,298	6,876,608
2033–2037	3,589,455	2,637,162	6,226,617
2038–2042	2,828,470	1,849,042	4,677,512
2043–2047	2,035,890	1,212,860	3,248,750
2048–2052	1,231,770	820,456	2,052,226
2053–2057	1,591,025	502,669	2,093,694
2058–2062	1,120,185	190,783	1,310,968
2063–2067	86,835	38,239	125,074
2068–2094[b]	100,000	136,996	236,996
Total	$ 20,672,365	$ 19,786,723	$ 40,459,088

(a) Debt service for the years 2068–2094 reflects principal and interest payments associated with Consolidated Bonds, Ninety-third series.

Consolidated Bonds & Notes Outstanding as of December 31, 2016

	Dec. 31, 2015	**2016 Issued/ Accreted**	**2016 Refunded/ Retired**	**Dec. 31, 2016**
		(In thousands)		
Cumulative amounts — December 31	$ 21,019,925	$ —	$ 1,918,225	$ 19,101,700
2016 Issuances:				
One hundred ninety-fifth series*	–	312,620	9,090	303,530
One hundred ninety-sixth series*	–	200,000	–	200,000
One hundred ninety-seventh series*	–	237,930	–	237,930
One hundred ninety-eighth series	–	350,000	–	350,000
One hundred ninety-ninth series*	–	236,405	–	236,405
Consolidated Bonds & 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
Total Consolidated Bonds and Notes	$ 21,787,819	$ 1,475,997	$ 1,977,944	$ 21,285,872

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

Notes to Consolidated Financial Statements

(continued)

Note D - Outstanding Obligations and Financing (continued)

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 2017, the Port Authority allocated the proceeds from the sale of consolidated bonds, including bond issuance premiums, to refund $894.2 million of outstanding consolidated bonds and commercial paper notes. As a result of these refundings, the Port Authority decreased its aggregate debt service payments by approximately $177 million over the life of the refunded consolidated bonds. The economic gain resulting from the 2017 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 $132.4 million in net present value savings.

On February 1, 2018, the Port Authority issued $832.3 million in consolidated bonds and received $115.8 million in bond premiums for purposes of refunding $918 million of existing debt obligations and $30 million to fund additional capital construction. The economic gain resulting from these 2018 debt refundings totaled approximately $189.4 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 authorized 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, 2016	Issued	Refunded/ Repaid	Dec. 31, 2017
		(In thousands)		
Series A*	$ 205,200	$ 917,895	$ 902,340	**$ 220,755**
Series B	183,115	978,355	937,610	**223,860**
Series C**	—	20,000	—	**20,000**
Total	$ 388,315	$ 1,916,250	$ 1,839,950	**$ 464,615**

* Obligations are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.
** Obligations are subject to federal taxation.

	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**	—	—	—	—
Total	$ 425,760	$ 1,805,200	$ 1,842,645	$ 388,315

* Obligations are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.
** Obligations are subject to federal taxation.

Interest rates for all commercial paper notes ranged from 0.70% to 1.50% in 2017.

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, 2016	Issued	Refunded/ Repaid	Dec. 31, 2017
		(In thousands)		
Agreements 1989–1995*	$ 44,900	$ —	$ —	**$ 44,900**
Agreements 1989–1998	33,000	—	—	**33,000**
Total	$ 77,900	$ —	$ —	**$ 77,900**

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

* Obligations 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 0.67% to 1.79% in 2017.

Annual debt service requirements on outstanding variable rate master notes, determined for presentation purposes at the rate in effect at December 31, 2017, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2018	$ —	$ 1,385	$ 1,385
2019	—	1,385	1,385
2020	—	1,388	1,388
2021	25,000	1,144	26,144
2022	33,000	434	33,434
2023–2025	19,900	969	20,869
Total	$ 77,900	$ 6,705	$ 84,605

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, 2017 and December 31, 2016, respectively.

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 held by the State of New York as lessee. 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 activities 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 approximately $1.2 billion, equally divided between both states, in semi-annual payments through 2021. The aggregate cost to the Port Authority at the time of the Fund's termination of $431 million, including the assumption of the Fund's net liabilities of $101 million, $3.5 million payment to the State of New York related to the termination agreement and the net present value of future payments to both states of $326 million (at an implicit interest rate of 8.25% per annum) was 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, 2016	Accretion	Amortization	Dec. 31, 2017
		(In thousands)		
Obligation outstanding	$ 221,393	$ —	$ 37,163	**$ 184,230**

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

Payment requirements related to the Port Authority's purchase of the Fund's interests at December 31, 2017 are as follows:

Year ending December 31:	Amortization	Implicit Interest	Total
		(In thousands)	
2018	$ 40,292	$ 12,921	$ 53,213
2019	43,682	9,529	53,211
2020	47,359	5,851	53,210
2021	52,898	709	53,606
Total	$ 184,230	$ 29,010	$ 213,240

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% per annum 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, 2016	Accretion	Amortization	Dec. 31, 2017
		(In thousands)		
Obligation outstanding	$ 55,332	$ —	$ 2,095	**$ 53,237**

Note D - Outstanding Obligations and Financing (continued)

	Dec. 31, 2015*	Accretion	Amortization	Dec. 31, 2016
		(In thousands)		
Obligation outstanding	$ 57,323	$ —	$ 1,991	$ 55,332

* Includes $12.9 million related to the 2016 revaluation of the obligation.

Payment requirements for the MOTBY obligation outstanding, at December 31, 2017 are as follows:

Year ending December 31:	Amortization	Implicit Interest	Total
		(In thousands)	
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	2,706	2,294	5,000
2023–2027	15,815	9,185	25,000
2028–2032	20,426	4,574	25,000
2033	4,750	250	5,000
Total	$ 53,237	$ 26,763	$ 80,000

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 the Tower 4 bond 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), certain debt service payments of principal and interest on the bonds (net of fixed rent paid or payable under the City of New York's Tower 4 space lease, which has been assigned by the Tower 4 Silverstein net lessee directly to the Tower 4 bond trustee for the payment of a portion of the debt service on the Tower 4 Liberty 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).

Port Authority debt service payments related to Tower 4 Liberty Bonds in whole or in part 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, 2016	Issued	Repaid/ Amortized	Dec. 31, 2017
		(In thousands)		
Series 2011	$ 1,225,520	$ —	$ —	**$ 1,225,520**
Add: unamortized premium	21,341	—	612	**20,729**
Total Tower 4 Liberty Bonds	$ 1,246,861	$ —	$ 612	**$ 1,246,249**

	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

Note D - Outstanding Obligations and Financing (continued)

Annual debt service payment requirements on outstanding Tower 4 Liberty Bonds at December 31, 2017 are as follows:

Year ending December 31:	Principal	Interest	Debt Service[a]
		(In thousands)	
2018	$ —	$ 65,293	$ 65,293
2019	—	65,293	65,293
2020	—	65,293	65,293
2021	—	65,293	65,293
2022	—	65,293	65,293
2023–2027	25,370	326,467	351,837
2028–2032	147,190	306,123	453,313
2033–2037	188,030	265,277	453,307
2038–2042	240,360	212,956	453,316
2043–2047	308,605	144,705	453,310
2048–2051	315,965	46,689	362,654
Total	$ 1,225,520	$ 1,628,682	$ 2,854,202

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, including the determination and approval of toll rates. Construction activities commenced in December 2013. On June 9, 2017, the existing Goethals Bridge was permanently taken out of service and on June 10, 2017, the first of two spans of the Replacement Bridge opened to traffic. Port Authority staff presently expects substantial completion of the Replacement Bridge to occur in the second 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 amortization and interest (DFA payments) 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.

The Port Authority, as owner and operator of the Replacement Bridge currently being constructed has accrued $934 million of the total $1.02 billion DFA obligation based on the percentage of construction completed as of December 31, 2017.

	Dec. 31, 2016	Accretion	Amortization	Dec. 31, 2017
		(In thousands)		
Goethals Bridge Replacement Developer Financing Arrangement	$ 744,401	$ 189,797	$ —	**$ 934,198**

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

Note D - Outstanding Obligations and Financing (continued)

DFA payments expected to be made to the private developer after substantial completion of the Replacement Bridge, are as follows:

Year ending December 31:	**Amortization**	**Interest**	**Total DFA Payments**
		(In thousands)	
2018	$ (1,155)	$ 29,393	$ 28,238
2019	(1,494)	58,394	56,900
2020	(880)	58,633	57,753
2021	112	58,507	58,619
2022	1,011	58,488	59,499
2023–2027	20,772	290,381	311,153
2028–2032	54,715	280,485	335,200
2033–2037	102,190	258,916	361,106
2038–2042	167,204	221,810	389,014
2043–2047	255,848	163,230	419,078
2048–2052	375,989	75,478	451,467
2053	45,555	1,292	46,847
Total	$ 1,019,867	$ 1,555,007	$ 2,574,874.

I. 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, 2017 and December 31, 2016 Special Project Bonds outstanding are as follows:

	Dec. 31, 2016	**Issued**	**Repaid/ Amortized**	**Dec. 31, 2017**
		(In thousands)		
Series 4, KIAC Partners Project[(a)]*				
6.75% due 2017–2019	$ 62,100	$ —	$ 16,700	**$ 45,400**
Less: unamortized discount	528	—	191	**337**
Total – Series 4	61,572	—	16,509	**45,063**
Series 6, JFKIAT Project[(b)]*				
5.75%–6.25% due 2017–2025	532,790	—	46,790	**486,000**
Less: unamortized discount	2,991	—	336	**2,655**
Total – Series 6	529,799	—	46,454	**483,345**
Series 8, JFKIAT Project[(c)]				
5%–6.5% due 2018–2042	796,280	—	—	**796,280**
Less: unamortized discount	10,769	—	415	**10,354**
Total – Series 8	785,511	—	(415)	**785,926**
Amounts payable – Special Project Bonds	$ 1,376,882	$ —	$ 62,548	**$ 1,314,334**

* Obligations 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 Terminal 4.

(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, 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 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 Terminal 4.

(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 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 equal to at least 10% of the par value of outstanding bonds legal for investment. At December 31, 2017, 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 for Regional Development Buy-Out obligation are special obligations to the Port Authority, 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, 2017, 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 2017 and 2016, the Port Authority received reimbursements related to certain policing activities as well as federal and state funding for operating and capital construction activities:

1. Policing programs

K-9 Program – The Federal Aviation Administration (FAA) and the Transportation Security Administration (TSA) provide limited 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 2017 and $1.4 million in 2016.

Airport Screening Program – The TSA provided $209,972 in 2016 to fund operating costs incurred by Port Authority police personnel involved with passenger screening at JFK and EWR. Federal funding relating to this program concluded in 2017.

U.S. Department of State (USDOS) – The Port Authority received $1.2 million in 2017 and $768,597 in 2016 from the USDOS to fund 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 a 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

Security Programs – In 2017 and 2016, the Port Authority recognized approximately $26.8 million and $42.5 million, respectively from the TSA for security related programs, including baggage screening at LGA, JFK and EWR and Urban Area Security Initiatives (UASI) programs.

Superstorm Sandy – In 2017, The Port Authority recognized $13.6 million from the Federal Emergency Management Agency (FEMA) for Superstorm Sandy immediate repair efforts. In 2016, The Port Authority recognized $7.5 million from the Federal Transit Administration (FTA) and FEMA for Superstorm Sandy immediate repair efforts, primarily at PATH. In addition, in 2017 approximately $15 million of Superstorm Sandy immediate repair grants were reallocated to fund future Superstorm Sandy permanent repair and resiliency projects.

Airport Improvement Program (AIP) – The Port Authority recognized $4.7 million in 2017 and $9.5 million in 2016 in AIP funding primarily related to certain capacity and planning studies at Port Authority Aviation facilities.

3. Contributions in Aid of Capital Construction

WTC Tower 3 – The Port Authority recognized $14 million in 2017 and $381 million in 2016 in required capital contributions due from the Silverstein net lessees for the continued construction of WTC Tower 3.

WTC Transportation Hub – The Port Authority recognized $87 million in 2017 and $178 million in 2016 from the FTA for the construction of the WTC Transportation Hub. As of December 31, 2017, the Port Authority has received the maximum amount of approximately $2.9 billion from the FTA for the construction of the WTC Transportation Hub, which opened to the public in 2016.

AIP – The Port Authority recognized $9.4 million in 2017 and $22 million in 2016 in AIP funding primarily related to rehabilitation of runways at LGA and JFK and school soundproofing at EWR.

Superstorm Sandy – In 2017 and 2016, the Port Authority recognized $50.2 million and $29.7 million, respectively in FTA and FEMA funding related to Superstorm Sandy permanent repairs and resiliency capital projects, primarily at PATH.

Federal Highway Administration (FHWA) – In 2017 and 2016, the Port Authority recognized $14 million and $16 million, respectively, in FHWA funding for the Cross Harbor Freight Movement Program at Greenville Yard Port Authority Marine Terminal.

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.

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Note G – Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately $1.2 billion in 2017 and $1.1 billion in 2016, respectively.

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 site. Investments in such facilities, as of December 31, 2017, 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, 2017 are as follows:

Year ending December 31:	Minimum Rentals
	(In thousands)
2018[(a)]	$ 1,066,498
2019[(a)]	1,006,565
2020	946,903
2021	850,220
2022	833,599
2023–2100[(b)]	24,230,033
Total future minimum rentals[(c)]	$ 28,933,818

(a) Includes $17 million related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture, expected to be received in 2018–2019.
(b) Includes future minimum rentals of approximately $14.3 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 $331 million in 2017 and $300 million in 2016, respectively. Rental payments exclude PILOT payments to municipalities.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2017 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)
2018	$ 319,718
2019	317,386
2020	324,809
2021	317,910
2022	314,537
2023–2027	1,571,332
2028–2032	1,587,842
2033–2037	1,602,530
2038–2042	1,576,959
2043–2047	1,392,722
2048–2099*	2,255,257
Total future minimum rent payments	$ 11,581,002

* Future minimum rent payments for the years 2048–2099 consist of expected rent payments relating to leased marine and air terminals, including the operating lease related to New York 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 associated with an existing Port Authority facility, these projects are effectuated through the certification of an additional Port Authority facility established solely for these purposes. The Port Authority does not expect to derive any revenues from regional development facilities and programs described below.

Regional Facilities

Port Authority Bus Program (certified in 1979 & 1982) – In 1979, the two States adopted legislation which, as amended in 1982, authorized the Port Authority to acquire, develop, finance and transfer, subject to appropriate certifications, up to $440,000,000 of buses and ancillary bus facilities in the States of New York and New Jersey, with up to $220,000,000 allocated in each State, for the purpose of leasing, selling, transferring or otherwise disposing of such buses and ancillary bus facilities to either State or to any public authority, agency, commission, city or county thereof. The Port Authority has provided 2,907 buses and related spare parts under the Port Authority Bus Programs in the States of New York and New Jersey. As of June 30, 1998, title to all buses leased under such programs in the States of New York and New Jersey was transferred to the respective lessees thereof. All costs related to this program have been fully amortized.

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, 2017, 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, 2017.

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, 2017, 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. All costs related to this program have been fully amortized.

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, 2017, $250 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, 2017, 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, 2017, approximately $2.2 billion has been expended under regional facilities. 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, 2016	Project Expenditures	Amortization	Dec. 31, 2017
		(In thousands)		
Port Authority Bus Program	$ —	$ —	$ —	**$ —**
Regional Development Facility	1,992	—	343	**1,649**
Regional Economic Development Program	3,262	—	665	**2,597**
Oak Point Rail Freight Link	—	—	—	**—**
New Jersey Marine Development Program	24	—	12	**12**
New York Transportation, Economic Development and Infrastructure Renewal Program	40,975	115	9,544	**31,546**
Regional Transportation Program	76,719	—	16,667	**60,052**
Hudson-Raritan Estuary Resources Program	26,912	—	3,600	**23,312**
Regional Rail Freight Program	8,830	—	3,333	**5,497**
Meadowlands Passenger Rail Facility	57,395	—	10,000	**47,395**
Total unamortized costs of regional programs	$ 216,109	$ 115	$ 44,164	**$ 172,060**

Interstate Transportation Network Programs

Moynihan Station Transportation Program (certified in 2017) – This facility provides for the Port Authority to provide, at the request of the State of New York, a one-time financial contribution of $150 million to the State of New York to advance the Moynihan Station Transportation Program, a project to redevelop the James A. Farley United States Post Office Building together with its Western Annex into a new transportation facility serving the New York and New Jersey region, to be known as Moynihan Station. As of December 31, 2017 all funds under this program have been fully allocated. See *Schedule F – Information on Capital Investment in Port Authority Facilities* for additional information on costs related to this program.

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

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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, 2017 and March 31, 2016 were approximately 15.5 percent and 18.2 percent of payroll, respectively. The average contribution rate for PFRS for the fiscal years ended March 31, 2017 and March 31, 2016 were approximately 24.3 percent and 24.7 percent of payroll, respectively.

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 allow for retirement after 25 years of service with a benefit of one-half of final average salary or 20-Year Plans, which allow for retirement after 20 years of service with a benefit of one-half of final average salary.

Port Authority contributions to NYSLRS in 2017 totaled $117.5 million including, $56.7 million to ERS and $60.8 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, 2017 and March 31, 2016, 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 – 2017 and 2016

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*," as amended, 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, 2017**	**December 31, 2016**
	(In thousands)	
ERS	**$ 120,672**	$ 212,555
PFRS	**152,806**	236,004
Total Net Pension Liability	**$ 273,478**	$ 448,559

The NPLs at December 31, 2017 and 2016 were measured as of March 31, 2017 and 2016, based on actuarial valuations as of April 1, 2016 and 2015, with update procedures used to roll forward the TPL to March 31, 2017 and 2016, respectively.

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

	2017	**2016**
ERS	**1.3%**	1.3%
PFRS	**7.4%**	8.0%

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 – 2017 and 2016

The Port Authority's proportionate share of the NYSLRS plans' actuarially determined pension expense totaled.

Pension Expense	**2017**	**2016**
	(In thousands)	
ERS	**$ 72,521**	$ 78,317
PFRS	**85,462**	83,485
Total Pension Expense	**$ 157,983**	$ 161,802

NYSLRS Deferred Inflows/Outflows of Resources – 2017 and 2016

GASB Statement No. 68, as amended, 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, respectively, to future years' pension expense, using a systematic and rational method over a closed period.

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The Port Authority reported deferred outflows of resources and deferred inflows of resources related to NYSLRS from the following sources at December 31, 2017:

	December 31, 2017		
Deferred Outflows of Resources	**ERS**	**PFRS**	**Total**
		(In thousands)	
Differences between expected and actual experience	$ 3,024	$ 20,046	$ 23,070
Changes in actuarial assumptions	41,226	75,281	116,507
Net difference between projected and actual earnings on pension plan investments	24,103	22,821	46,924
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	11,361	—	11,361
Subtotal – Deferred Outflows of Resources	79,714	118,148	197,862
Port Authority contributions subsequent to the measurement date*	56,743	60,797	117,540
Total Deferred Outflows of Resources	$ 136,457	$ 178,945	$ 315,402

* Contributions made by participating employers to pension plans after the measurement date to satisfy the pension plan's NPL, 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	$ 18,325	$ 26,402	$ 44,727
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	1,383	17,299	18,682
Total Deferred Inflows of Resources	$ 19,708	$ 43,701	$ 63,409

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 ending December 31, 2018. The remaining amount of deferred outflows and deferred inflows of resources, net related to NYSLRS plans to be recognized in future years' pension expense are as follows:

Year ended December 31:	**ERS**	**PFRS**	**Total**
		(In thousands)	
2018	$ 26,238	$ 25,880	$ 52,118
2019	26,238	25,880	52,118
2020	22,698	24,177	46,875
2021	(15,168)	(4,107)	(19,275)
2022	—	2,617	2,617
Total	$ 60,006	$ 74,447	$ 134,453

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

		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
Subtotal – Deferred Outflows of Resources	192,181	236,119	428,300
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 NPL, 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

NYSLRS Actuarial Assumptions – 2017 and 2016

The TPL for each plan was determined using an actuarial valuation as of April 1, 2016 for fiscal year 2017 and April 1, 2015 for fiscal year 2016, with update procedures used to roll forward the TPL to the measurement dates of March 31, 2017 and March 31, 2016 respectively. These actuarial valuations used the following actuarial assumptions:

ERS	**2017**	**2016**
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation	7.0% compounded annually, net of investment expenses, including inflation
Salary Scale	3.8%, indexed by service	3.8%, indexed by service
Inflation	2.5%	2.5%
Cost of living adjustment	1.3%	1.3%

PFRS	**2017**	**2016**
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation	7.0% compounded annually, net of investment expenses, including inflation
Salary Scale	4.5%, indexed by service	4.5%, indexed by service
Inflation	2.5%	2.5%
Cost of living adjustment	1.3%	1.3%

Mortality rates for both the fiscal year 2017 and 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.

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:

	2017*		2016	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Nominal Rate of Return
Domestic equity	36%	4.55%	38%	7.30%
International equity	14%	6.35%	13%	8.55%
Private equity	10%	7.75%	10%	11.00%
Real estate	10%	5.80%	8%	8.25%
Absolute return strategies**	2%	4.00%	3%	6.75%
Opportunistic portfolio	3%	5.89%	3%	8.60%
Real assets	3%	5.54%	3%	8.65%
Bonds and mortgages	17%	1.31%	18%	4.00%
Cash	1%	(0.25)%	2%	2.25%
Inflation–indexed bonds	4%	1.50%	2%	4.00%
Total	100%		100%	

* The real rate of return is net of the long-term inflation assumption of 2.50%.
** 2017 excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity, respectively.

NYSLRS Discount Rate Analysis – 2017 and 2016

The discount rate used to calculate the TPL for ERS and PFRS was 7.0% for both 2017 and 2016, 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 2017 and 2016 using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the discount rate actually used.

2017	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
		(In thousands)	
ERS – Port Authority's proportionate share of the NPL	$ 385,403	$ 120,672	$ (103,157)
PFRS – Port Authority's proportionate share of the NPL	433,197	152,806	(82,372)
Total	$ 818,600	$ 273,478	$ (185,529)

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)

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.

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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 2017 and 2016, 195 and 131 employees, respectively were enrolled in the VDC program since inception. The following table shows employee and employer contributions (reported as pension expense):

	2017	2016
	(In thousands)	
Employer Contributions	**$ 1,389**	$ 901
Employee Contributions	**1,016**	664
Total	**$ 2,405**	$ 1,565

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 a two tiered Federal Railroad Retirement Program administered by the United States 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 2017 and 2016, 1,235 and 1,242 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)		
2017	**7.65%**	**$ 8,150**	**7.65%**	**$ 8,150**	**$ 16,300**
2016	7.65%	8,086	7.65%	8,086	$ 16,172

Railroad Retirement Tier II	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
			(In thousands)		
2017	**4.9%**	**$ 4,659**	**13.1%**	**$ 12,455**	**$ 17,114**
2016	4.9%	4,475	13.1%	11,964	$ 16,439

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: https://www.rrb.gov/index.php/FinancialReporting

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.

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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 $6.8 million in 2017 and $6.7 million in 2016.

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, 2017, no amounts have been deposited into the trust to prefund future pension payments.

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 – 2017 and 2016

GASB Statement No. 68, as amended, defines the NPL as the difference between the 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. Changes in the TPL from the previous measurement date are as follows:

Total Pension Liability	**2017***		**2016****
		(In thousands)	
Beginning Balance	**$ 83,388**		$ 81,095
Changes recognized for the fiscal year:			
Service cost	**1,323**		1,280
Interest on the total pension liability	**2,961**		2,850
Differences between expected and actual experience	**5,478**		(945)
Changes in assumptions	**(5,496)**		3,809
Benefit payments (1/1/16 –12/31/16)	**(3,563)**		(4,701)
Net change in TPL	**703**		2,293
TPL recognized at December 31	**$ 84,091**		$ 83,388

* The Plan's TPL reported at December 31, 2017 was measured as of January 1, 2017 based on an actuarial valuation as of the same date

** 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.

PATH Exempt Employee Supplemental Pension Plan Pension Expense – 2017 and 2016

For the twelve months ended December 31, 2017 and 2016, pension expense related to the Plan totaled:

	2017		**2016**
		(In thousands)	
Pension Expense	**$ 7,456**		$ 7,305

PATH Exempt Employee Supplemental Pension Plan Deferred Outflows/Inflows of Resources – 2017 and 2016

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

At December 31, 2017 and December 31, 2016, the Port Authority reported deferred outflows of resources totaling:

	Deferred Outflows 12/31/2017	**Deferred Outflows 12/31/2016**
	(In thousands)	
Differences between actual and expected experience	**$ 4,328**	$ 27
Changes in actuarial assumptions	**5,180**	8,567
Subtotal – Deferred Outflows of Resources	**9,508**	8,594
Contributions subsequent to the measurement date*	**3,692**	3,563
Total Deferred Outflows of Resources	**$ 13,200**	$ 12,157

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

At December 31, 2017 and December 31, 2016, the Port Authority reported deferred inflows of resources totaling:

	Deferred Inflows 12/31/2017	**Deferred Inflows 12/31/2016**
	(In thousands)	
Differences between actual and expected experience	**$ 501**	$ 723
Changes in actuarial assumptions	**4,327**	—
Total Deferred Inflows of Resources	**$ 4,828**	$ 723

The amounts of deferred outflows of resources at December 31, 2017 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, 2018. The remaining amount of deferred outflows of resources and deferred inflows of resources, net at December 31, 2017 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)
2018	$ 3,171
2019	1,348
2020	164
2021	(3)
Total	$ 4,680

PATH Exempt Employee Supplemental Pension Plan Actuarial Assumptions – 2017 and 2016

The TPL measured as of January 1, 2017 and January 1, 2016, 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, 2017 valuation were based on the results of an actuarial experience study for the period of January 1, 2016 to December 31, 2016. 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. Mortality rates used in the 2017 valuation were based on RP-2014 Combined Healthy Mortality Table projected on a generational basis with Scale MP-2016 from the central year. 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. 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, 2017 and January 1, 2016 valuation date, Plan participants comprised:

	2017	**2016**
Retired PATH Exempt Employees (or their beneficiaries)	**110**	104
Active PATH Exempt Employees	**96**	89
Terminated but vested employees who are not currently receiving benefits	**19**	21
Total participants	**225**	214

PATH Exempt Employee Supplemental Pension Plan Discount Rate Analysis – 2017 and 2016

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 3.78% as of the January 1, 2017 measurement date and 3.57% as of the January 1, 2016 measurement date.

The following tables present the 2017 and 2016 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.

2017	**1% Decrease (2.78%)**	**Discount Rate (3.78%)**	**1% Increase (4.78%)**
		(In thousands)	
Total Pension Liability	**$ 95,529**	**$ 84,091**	**$ 74,586**

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

Note J – Other Postemployment Employee Benefits (OPEB)

OPEB Plan Benefits

The Port Authority and PATH, pursuant to Board of Commissioners action or as contemplated thereby, administer a single-employer healthcare plan (the Plan) that provides certain group health care, prescription, dental, vision and term life insurance benefits to eligible 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, 2017 actuarial valuation of the Port Authority and PATH OPEB obligation, the projected unit credit cost method was used for all 19,034 participants (7,584 active employees, 7,551 retirees and surviving spouses receiving benefits and 3,899 covered spouses of retired employees receiving benefits). The actuarial assumptions used to project future costs included a 7% investment rate of return (discount rate), representing the expected long-term rate of return on investments expected to be used for the payment of benefits; medical healthcare cost trend rates of 6.75% for Pre 65 year old participants and 6.0% for Post 65 year old participants, declining to an ultimate medical healthcare cost trend rate of 4.5% in 2025 (including 2.5% inflation factor), a pharmacy benefit cost trend rate of 9.5% decreasing to 4.5% in 2025; a dental benefit cost trend rate of 5.0% per year for all years; and an Employer Group Waiver Plan (EGWP) savings of 9.5% decreasing to 4.5% in 2025. 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 $2.8 billion as of January 1, 2017. The 2017 unfunded AAL, totaling $1.7 billion represents the difference between the AAL of $2.8 billion and the Plan's net position of $1.1 billion.

The following reflects the components of the 2017 and 2016 annual OPEB costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2017 and 2016 actuarial valuations:

The normal cost of $30.7 million represents the amount of OPEB benefits earned by plan participants in the current period.

Amortization of the unfunded AAL totaling $134.9 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 $1.7 billion:

	2017	2016
	(In millions)	
Annual OPEB cost:		
Annual required contribution (ARC):		
Normal cost	**$ 30.7**	$ 43.8
Amortization cost	**134.9**	152.9
Total ARC	**165.6**	196.7
Adjustments to ARC	**(21.7)**	(27.7)
Annual OPEB cost	**$ 143.9**	$ 169.0

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	2017	2016
	(In millions)	
Net OPEB (Asset) Obligation:		
Net OPEB obligation at the beginning of fiscal year	**$ 0.6**	$ 77.4
Annual OPEB cost	**143.9**	169.0
Employer contributions:		
OPEB payments	**(143.5)**	(145.8)
Trust contributions	**(100.0)**	(100.0)
Total employer contributions	**(243.5)**	(245.8)
Net accrued OPEB (asset) obligation as of December 31st	**$ (99.0)**	$ 0.6

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 2017, CMS payments to Express Scripts, Inc., on behalf of the Port Authority, totaled approximately $3.2 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 2017 and the two preceding years, were as follows:

Year	Annual OPEB Cost	OPEB Payments as a % of Annual OPEB Cost	Net Accrued OPEB Obligation (Asset)
	($ In millions)		
2017	**$ 143.9**	**170%**	**$ (99.0)**
2016	169.0	145%	0.6
2015	146.2	158%	77.4

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 (the Trust), with Wells Fargo Bank, N.A–Institutional Trust Services serving as the Trustee currently total $25 million. In 2017 and 2016, 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 2017 were as follows:

Actuarial Valuation Date	OPEB Trust Assets*	AAL	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a % of Payroll
			($ In millions)			
1/1/2017	$ 1,124	$ 2,811	$ 1,687	40%	$773	218%

* OPEB trust net position totaled $1.4 billion as of December 31, 2017.

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 Fiduciary Net Position and Changes in Fiduciary Net Position held in trust for OPEB for 2017. The activities of the trust are accounted for using the accrual basis of accounting and all investments are recorded at their fair value. The financial activities of the Trust, including cash and investments are not consolidated on the Port Authority's Consolidated Statement of Net Position.

The audited financial statements for the years ended December 31, 2017 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.

Statement of Fiduciary Net Position

	December 31, 2017
	(In thousands)
Assets	
Cash and deposits	**$ 73,509**
Receivables:	
Due from broker for investments sold	**3,059**
Investment income	**2,149**
Total receivables	**5,208**
Investments (at fair value):	
Domestic equities	**525,121**
Fixed income	**454,690**
International equities	**320,437**
Real estate	**42,332**
Total investments	**1,342,580**
Total assets	**1,421,297**
Liabilities	
Payables:	
Due to broker for investments purchased	**21,193**
Total liabilities	**21,193**
Net position restricted for other postemployment benefits	**$ 1,400,104**

Statement of Changes in Fiduciary Net Position

	Year ended December 31, 2017
	(In thousands)
Additions	
Employer contributions*	**$ 243,528**
Investment income:	
Net increase/(decrease) in fair value of investments	**145,094**
Interest and dividends	**32,226**
(Less) investment expense	**(1,525)**
Net investment income	**175,795**
Total additions	**419,323**
Deductions	
Benefit payments*	**(143,528)**
Administration expense	**(94)**
Total deductions	**(143,622)**
Net increase in net position	**275,701**
Net position restricted for other postemployment benefits	
Beginning of year	**1,124,403**
End of year	**$ 1,400,104**

* Includes Port Authority OPEB payments totaling $143.5 million in 2017 from available Port Authority operating funds.

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, 2017, the Port Authority had entered into various construction contracts totaling approximately $5.8 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 $113.7 million at December 31, 2017, and is comprised of the following:

	Dec. 31, 2016	Additions	Deductions	Dec. 31, 2017
		(In thousands)		
Long-term receivables from tenants	$ 25,194	$ 5,135	$ 8,538	**$ 21,791**
WTC - MTA Connectors	3,921	22,017	12,800	**13,138**
Insurance receivable – Superstorm Sandy	1,371	18,323	8,829	**10,865**
Tower 4 Liberty Bonds debt service	10,882	65,405	55,315	**20,972**
Rent due from the WTC Tower 3 and 4 net lessees	4,102	26,370	—	**30,472**
Other	16,619	99	230	**16,488**
Total other amounts receivable, net	$ 62,089	$ 137,349	$ 85,712	**$ 113,726**

4. The 2017 balance of Other noncurrent liabilities consists of the following:

	Dec. 31, 2016	Additions	Deductions	Dec. 31, 2017
		(In thousands)		
Self-Insured Worker's Compensation Claims	$ 63,159	$ 21,256	$ 20,358	**$ 64,057**
Self-Insured Public Liability Claims	68,031	7,463	9,323	**66,171**
Pollution remediation obligation	22,195	4,486	10,256	**16,425**
Asset forfeiture program	23,378	4,301	4,271	**23,408**
Surety and security deposits	4,903	183	323	**4,763**
WTC Joint Venture Preferred Returns	42,614	9,112	48,445	**3,281**
Goethals Bridge Replacement milestones	84,485	27,915	25,000	**87,400**
Deferred Gain/Loss on NLCC	4,761	—	—	**4,761**
Other	36,195	13,555	137	**49,613**
Total Liabilities	$ 349,721	$ 88,271	$ 118,113	**$ 319,879**
Less: Current worker's compensation liability	17,079			**17,967**
Current Goethals Bridge milestones	25,000			**87,400**
Total other non-current liabilities	$ 307,642			**$ 214,512**

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

	Dec. 31, 2016	Additions	Deductions	Dec. 31, 2017
		(In thousands)		
Unearned Income related to WTC Retail Joint Venture	$ 773,998	$ —	$ 9,260	**$ 764,738**

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 2017, the Port Authority recognized an additional $4.5 million in pollution remediation obligations, primarily related to asbestos abatement at certain Aviation and Port facilities. Cumulative operating expense remediation provisions through December 31, 2017 totaled $73.8 million, net of $2.1 million in expected recoveries.

As of December 31, 2017, the outstanding pollution remediation liability totaled $16.4 million, primarily consisting of future remediation activities associated with asbestos removal, lead based paint 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 $14.3 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, 2017, the Port Authority has leased, (i) approximately 2.24 million square feet of office space at One World Trade Center, representing approximately 74% 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

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 (as subsequently amended in 2014, the "Tower 3 Tenant Support Agreement"). Under the Tower 3 Tenant Support Agreement, the Port Authority is required to provide (x) $210 million for the construction of Tower 3 as a landlord capital improvement, and (y) backstop funding of $390 million 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). 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 provided under the Tower 3 Tenant Support Agreement for a combined reimbursement to the Port Authority from the State of New York and the City of New York of $400 million. To date, the Port Authority has received $93.4 million from the State of New York.

Under the Tower 3 Support Agreement, the Tower 3 Silverstein net lessee is responsible for the repayment of the $390 million backstop on a subordinated basis, without interest, from Tower 3 revenues, with an overall term for such reimbursement or payment not to exceed the term of the Tower 4 support agreement described below. All repayments of the Tower 3 backstop received by the Port Authority would 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. As security for such repayment, the Tower 3 Silverstein net lessee, the Port Authority and a third party banking institution entered into an account control agreement directing revenues derived from the operation of Tower 3 to be deposited into a segregated lockbox account and administered and disbursed by the banking institution in accordance with the Tower 3 Support Agreement. To provide additional security to the Port Authority, the Tower 3 Silverstein net lessee assigned to the Port Authority various contracts in connection with the development and construction of Tower 3, together with all licenses, permits, approvals, easements and other rights of the Tower 3 Silverstein net lessee, granted a first priority pledge of all of the ownership interests in the Tower 3 Silverstein net lessee to the Port Authority and granted a subordinated mortgage on the leasehold interest created under the Tower 3 net lease. The Tower 3 net lessee exercised its right to defer certain Tower 3 net lease rent payments due the Port Authority effective November 2017. As of December 31, 2017, deferred rent due from the Tower 3 net lessee totaled approximately $2.2 million.

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. The Port Authority applied $80 million of the previously received funds from the State of New York 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

With approximately 600,000 of Tower 4's 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.

Tower 4 Liberty Bonds were issued on November 15, 2011, in the aggregate principal amount of $1.2 billion, by the New York Liberty Development Corporation to finance construction of WTC Tower 4. The Port Authority is a co-borrower/obligor for the Liberty Bonds, and is obligated to make certain debt service payments on the Tower 4 Liberty Bonds. 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).

Additionally, the Silverstein net lessee of Tower 4 has the right to defer payment of net lease rent payable to the Port Authority under the Tower 4 net lease and defer the application of certain free rent periods available to the Port Authority under its Tower 4 space lease, to provide cash flow to pay certain operating expense deficits, certain capital expenditures upon completion of Tower 4 and a limited amount of construction and leasing cost overruns. The Tower 4 net lessee exercised its right to defer certain Tower 4 net lease rent payments due the Port Authority effective November 2016. As of December 31, 2017, deferred rent due from the Tower 4 net lessee totaled approximately $28.2 million. Port Authority debt service payments related to Tower 4 Liberty Bonds, deferred net lease rent payable to the Port Authority under the Tower 4 net lease, and amounts from deferred free rent periods under the Port Authority's Tower 4 space lease are required to be reimbursed or paid to the Port Authority from Tower 4 cash flow. Amounts required to be reimbursed or paid to the Port Authority (with the exception of deferred net lease rent held on deposit) accrue interest until reimbursed or paid, with an overall term for such reimbursement or payment not to exceed 40 years. As of December 31, 2017, Tower 4 Liberty Bond debt service payments due from the Tower 4 net lessee, including amounts assigned directly to the Tower 4 Liberty Bond trustee by the City of New York related to their Tower 4 leasehold, totaled approximately $20.9 million.

WTC Tower 4 was substantially completed in October 2013 by the Silverstein net lessee of Tower 4 and was 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 and construction of the WTC Transportation Hub commenced on September 6, 2005. On October 18, 2012, the Board of Commissioners reauthorized the WTC Transportation Hub project at an estimated total project cost range of approximately $3.74 billion to $3.995 billion. As of December 31, 2017, the Port Authority has received the maximum funding of $2.872 billion from the FTA towards 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

Through a series of transactions between the Port Authority and Westfield, the Port Authority has been involved in the planning and construction of the retail components of the World Trade Center. A Westfield entity net leases such retail components from the Port Authority for a nominal annual amount. As a result of such transactions, 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 above grade in the Tower 2 podium, 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 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, 2017, 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, 2017, $32 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 opened for public access on September 11, 2011. The museum 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 and those under construction to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering deductibles, retentions, and exceptions or exclusions of portions of facilities and the scope of insurable hazards. A portion of the insurance under the programs described below is provided by the Port Authority's captive insurer, the Port Authority Insurance Captive Entity, LLC (PAICE), (see Port Authority Insurance Captive Entity, LLC in this Section).

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, 2017 and expiring on June 1, 2018) applies to all Port Authority facilities, excluding the World Trade Center (except for the area of the PATH station inside the fare zone), with program limits of $1.6 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and sub-limits for certain hazards. The property damage and loss of revenue insurance program on the operating portions of the World Trade Center* and related infrastructure is provided in a separate program (renewed June 1, 2017 and expiring on June 1, 2018) with program limits of $500 million per occurrence and in the aggregate, subject to certain deductibles, retentions, and sub-limits for certain hazards covering all Port Authority assets at the site and excess limits of $2 billion on One World Trade Center and $1.5 billion on the World Trade Center Transportation Hub, Vehicular Security Center and other assets.

The Port Authority also purchased terrorism insurance with respect to its facilities (which was renewed effective June 1, 2016 and expires on June 1, 2018), excluding the World Trade Center, with limits of $1.6 billion per occurrence and in the aggregate, subject to certain deductibles, and retentions for the operating portions of the World Trade Center (which was renewed effective March 31, 2017 and expires on June 1, 2018), with limits of $5 billion per occurrence and in the aggregate, subject to certain deductible and retentions. 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, 2017 and expiring October 27, 2018) 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, 2017 and expiring October 27, 2018) applies to such facilities including components of the World Trade Center* 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 reinsurance.

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

2. Construction Insurance Programs

The Port Authority's World Trade Center Owner Controlled Insurance Program applies to the portions of the World Trade Center under construction with program limits for construction liability of $25 million per occurrence. Builder's Risk coverage for the remaining construction at the site is provided under the World Trade Center Operational Insurance program, with limits of $2.5 billion.

The Port Authority maintains an ongoing wrap-up contractors' insurance program for all other Port Authority facilities under construction (which was renewed effective June 1, 2017 and expires June 1, 2020) 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 insurance. The Port Authority also maintains builders' risk and terrorism coverage, with respect to the Bayonne Bridge Navigational Clearance Program (which was renewed effective September 1, 2017 and expires June 1, 2019), with a program limit of $75 million per occurrence for portions of the bridge that remain under construction, and comprehensive general liability insurance (which was purchased effective June 1, 2017 and expires June 1, 2020) with program limits of $50 million per occurrence and in the aggregate in excess of $50 million coverage described above.

* See "*" footnote on page 106.

** See "**" footnote on page 106.

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. 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, and property and terrorism insurance coverage for the Port Authority. With the passage of TRIPRA**, PAICE assumed coverage for acts of terrorism with respect to the Port Authority's public liability, builder's risk, and property damage and loss of revenue insurance programs. PAICE also insures certain components of the Port Authority's workers' compensation and wrap-up contractors' insurance programs. Certain elements of PAICE's insurance portfolio are reinsured by TRIPRA and commercial insurers.

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.

The financial results for PAICE for the year ended December 31, 2017 are set forth on the subsequent 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.

* 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. Coverage for these assets is the responsibility of the net lessees.

** Under TRIPRA, the formula established in 2015 provides that the federal government reinsures 85% of certified terrorism losses in 2015 (and decreases its reinsurance incrementally by 1% per year for the next five (5) years), subject to aggregate industry insured losses of at least $100 million in 2015 (which increases incrementally $20 million per year for the next five (5) 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. For calendar year 2018, under the formula established in 2015, no federal payments would be made under this program until the aggregate industry insured losses from acts of terrorism exceed $160 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.

Financial Position	Amounts
	(In thousands)
Total Assets	$ 374,741
Total Liabilities	113,821
Net Position	$ 260,920
Operating Results:	
Revenues	$ 46,827
Expenses	7,820
Change in Net Position	39,007
Changes in Net Position:	
Net Position at January 1, 2017	$ 221,913
Change in Net Position	39,007
Net Position at December 31, 2017	$ 260,920

The audited financial statements for the years ended December 31, 2017 and December 31, 2016 of 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-Insured Loss Reserves

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 claim, which includes an actuarial review of estimated claims expenses, estimated recoveries, retention thresholds, and a provision for incurred but not reported (IBNR) claims. Changes in the self-insured public liability self-insured 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)		
2017	**$ 68,031**	**$ 7,463**	**$ 9,323**	**$ 66,171**
2016	58,900	15,832	6,701	68,031

* 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)		
2017	**$ 63,159**	**$ 21,256**	**$ 20,358**	**$ 64,057**
2016	61,422	22,376	20,639	63,159

Required Supplementary Information (Unaudited)

NEW YORK STATE AND LOCAL EMPLOYEES RETIREMENT SYSTEM (ERS)

Schedule of Proportionate Share of Net Pension Liability*	**2017**	**2016**	**2015**
		($ In thousands)	
Port Authority's proportion of the net pension liability	**1.3%**	1.3%	1.3%
Port Authority's proportionate share of the net pension liability	**$ 120,672**	$ 212,555	$ 44,906
Covered payroll (April 1st – March 31st)	**$ 395,378**	$ 392,529	$ 390,571
Port Authority's proportionate share of the net pension liability, as a percentage of its covered payroll	**30.5%**	54.2%	11.5%
Plan fiduciary net position as a percentage of the total pension liability	**94.7%**	90.7%	97.9%

Schedule of Employer Contributions*	**2017**	**2016**	**2015**
		($ In thousands)	
Contractually required contribution	**$ 56,743**	$ 57,530	$ 63,072
Contributions in relation to the contractually required contribution	**$ 56,743**	$ 57,530	$ 63,072
Contribution deficiency (excess)	**$ —**	$ —	$ —
Port Authority's covered payroll (January 1st – December 31st)	**$ 404,701**	$ 395,725	$ 409,234
Contributions as a percentage of covered-payroll	**14.0%**	14.5%	15.4%

NEW YORK STATE AND LOCAL POLICE AND FIRE RETIREMENT SYSTEM (PFRS)

Schedule of Proportionate Share of Net Pension Liability*	**2017**	**2016**	**2015**
		($ In thousands)	
Port Authority's proportion of the net pension liability	**7.4%**	8.0%	8.9%
Port Authority's proportionate share of the net pension liability	**$ 152,806**	$ 236,004	$ 24,490
Covered payroll (April 1st – March 31st)	**$ 256,168**	$ 246,060	$ 248,631
Port Authority's proportionate share of the net pension liability, as a percentage of its covered payroll	**59.7%**	95.9%	9.8%
Plan fiduciary net position as a percentage of the total pension liability	**93.5%**	90.2%	99.0%

Schedule of Employer Contributions*	**2017**	**2016**	**2015**
		($ In thousands)	
Contractually required contribution	**$ 60,797**	$ 57,807	$ 53,652
Contributions in relation to the contractually required contribution	**$ 60,797**	$ 57,807	$ 53,652
Contribution deficiency (excess)	**$ —**	$ —	$ —
Port Authority's covered payroll (January 1st – December 31st)	**$ 260,867**	$ 253,096	$ 253,597
Contributions as a percentage of covered payroll	**23.3%**	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)

(continued)

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)		
2017	**7.65%**	**$ 8,150**	**7.65%**	**$ 8,150**	**$ 16,300**
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		$ 39,653		$ 39,653	$ 79,306

Railroad Retirement Tier II	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
			($ In thousands)		
2017	**4.9%**	**$ 4,659**	**13.1%**	**$ 12,455**	**$ 17,114**
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		$ 21,198		$ 58,133	$ 79,331

* 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*	2017	2016	2015
		($ In thousands)	
Total Pension Liability:			
Service cost	**$ 1,323**	$ 1,280	$ 900
Interest cost	**2,961**	2,850	3,271
Differences between expected and actual experience	**5,478**	(945)	51
Changes of assumptions	**(5,496)**	3,809	10,632
Benefit payments, including refunds of member contributions	**(3,563)**	(4,701)	(3,389)
Net change in total pension liability	**703**	2,293	11,465
Total Pension Liability (Beginning)	**83,388**	81,095	69,630
Total Pension Liability (Ending)	**$ 84,091**	$ 83,388	$ 81,095
Covered Payroll	**$ 13,590**	$ 13,187	$ 12,356
Total Pension Liability as a % of Covered Payroll	**618.8%**	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, 2017, there are no plan assets accumulated in a trust for purposes of making future pension payments to members.

Required Supplementary Information (Unaudited)

(continued)

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)			
1/1/17	**$ 1,124**	**$ 2,811**	**$ 1,687**	**40%**	**$ 773**	**218%**
1/1/16	956	2,868	1,912	33%	756	253%
1/1/15	859	2,642	1,783	33%	739	241%

* As of December 31, 2017 OPEB trust net position totaled $1.4 billion

** Actuarial Accrued Liability

Schedule A – Revenues and Reserves

(pursuant to Port Authority bond resolutions)

	Year ended December 31, 2017			2016
	Operating Fund	**Reserve Funds**	**Combined Total**	Combined Total
		(In thousands)		
Gross operating revenues:				
Tolls and fares	$ 1,873,622	$ —	**$ 1,873,622**	$ 1,865,481
Rentals	1,609,179	—	**1,609,179**	1,555,958
Aviation fees	1,128,352	—	**1,128,352**	1,112,436
Parking and other	377,421	—	**377,421**	399,178
Utilities	139,502	—	**139,502**	138,987
Rentals – Special Project Bonds Projects	83,053	—	**83,053**	86,755
Total gross operating revenues	5,211,129	—	**5,211,129**	5,158,795
Operating expenses:				
Employee compensation, including benefits	1,342,943	—	**1,342,943**	1,290,334
Contract services	880,331	—	**880,331**	852,926
Rents and payments in-lieu-of taxes (PILOT)	390,576	—	**390,576**	352,293
Materials, equipment and other	252,533	—	**252,533**	264,977
Utilities	183,482	—	**183,482**	165,802
Interest on Special Project Bonds	83,053	—	**83,053**	86,755
Total operating expenses	3,132,918	—	**3,132,918**	3,013,087
Operating and maintenance contingencies	—	—	**—**	—
Amounts in connection with operating asset obligations	16,050	—	**16,050**	18,871
Net (revenue)/expense related to Superstorm Sandy	(18,323)	—	**(18,323)**	—
Net operating revenues	2,080,484	—	**2,080,484**	2,126,837
Financial income:				
Interest income	6,234	41,477	**47,711**	6,746
Net (decrease) in fair value of investments	(380)	(13,757)	**(14,137)**	(11,530)
Contributions in aid of construction	173,253	—	**173,253**	293,770
Application of WTC Retail Joint Venture Payments	—	—	**—**	77,869
Application of Passenger Facility Charges	285,335	—	**285,335**	229,921
Application of 4 WTC associated payments	65,293	—	**65,293**	41,520
Grants, in connection with operating activities	39,845	—	**39,845**	64,315
Pass–through grant program payments	(19,717)	—	**(19,717)**	(10,695)
Net revenues available for debt service and reserves	2,630,347	27,720	**2,658,067**	2,818,753
Debt service:				
Interest on bonds and other asset financing obligations	858,694	69,570	**928,264**	906,187
Debt maturities and retirements	300,905	—	**300,905**	268,520
Repayment of asset financing obligations	—	1,276	**1,276**	(6,669)
Total debt service	1,159,599	70,846	**1,230,445**	1,168,038
Transfers to reserves	$ (1,470,748)	1,470,748	**—**	—
Revenues after debt service and transfers to reserves		1,427,622	**1,427,622**	1,650,715
Direct investment in facilities		(1,623,347)	**(1,623,347)**	(1,132,915)
Increase/(Decrease) in reserves		(195,725)	**(195,725)**	517,800
Reserve balances, January 1		4,357,647	**4,357,647**	3,839,847
Reserve balances, December 31		$ 4,161,922	**$ 4,161,922**	$ 4,357,647

See Notes to Consolidated Financial Statements

Schedule B – Assets and Liabilities

(pursuant to Port Authority bond resolutions)

	December 31, 2017				2016
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	**Combined Total**
ASSETS			(In thousands)		
Current assets:					
Cash	$ 140,553	$ 569,705	$ 27,374	**$ 737,632**	$ 390,809
Restricted cash:					
Passenger Facility Charges	30,825	—	—	**30,825**	262,238
Port Authority Insurance Captive Entity, LLC	85,622	—	—	**85,622**	80,024
Investments	—	208,293	700,937	**909,230**	1,231,301
Restricted investments – PFC	285,487	—	—	**285,487**	72,275
Interfund balances	(830,061)	208,502	621,559	**—**	—
Current receivables, net	492,131	—	—	**492,131**	460,145
Other current assets	92,142	66,169	—	**158,311**	116,955
Restricted receivables and other assets	68,459	—	—	**68,459**	69,559
Total current assets	365,158	1,052,669	1,349,870	**2,767,697**	2,683,306
Noncurrent assets:					
Restricted cash	4,817	—	—	**4,817**	4,964
Investments	64,112	737	2,812,052	**2,876,901**	3,245,288
Restricted investments – PAICE	238,927	—	—	**238,927**	220,462
Other amounts receivable, net	97,405	16,321	—	**113,726**	62,089
Other noncurrent assets	1,617,168	2,521	—	**1,619,689**	1,518,551
Restricted other noncurrent assets – PAICE	9,669	—	—	**9,669**	1,932
Amounts receivable – Special Project Bonds Projects	—	1,327,680	—	**1,327,680**	1,391,170
Amounts receivable – Tower 4 Liberty Bonds	—	1,225,520	—	**1,225,520**	1,225,520
Net OPEB asset	98,948	—	—	**98,948**	—
Invested in facilities	—	56,494,218	—	**56,494,218**	53,830,211
Total noncurrent assets	2,131,046	59,066,997	2,812,052	**64,010,095**	61,500,187
Total assets	2,496,204	60,119,666	4,161,922	**66,777,792**	64,183,493
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	328,602	—	—	**328,602**	555,794
LIABILITIES					
Current liabilities:					
Accounts payable	291,218	938,645	—	**1,229,863**	1,072,412
Accrued interest and other current liabilities	496,542	87,397	—	**583,939**	589,966
Restricted other liabilities – PAICE	6,887	—	—	**6,887**	12,492
Accrued payroll and other employee benefits	659,420	—	—	**659,420**	527,897
Unapplied Passenger Facility Charges	196,257	—	—	**196,257**	204,053
Current portion bonds and other asset financing obligations	74,774	870,818	—	**945,592**	1,240,142
Total current liabilities	1,725,098	1,896,860	—	**3,621,958**	3,646,962
Noncurrent liabilities:					
Accrued pension and other postemployment employee benefits	359,078	—	—	**359,078**	533,835
Other noncurrent liabilities	196,176	13,576	—	**209,752**	302,881
Restricted other noncurrent liabilities – PAICE	47,332	—	—	**47,332**	49,171
Amounts payable – Special Project Bonds	—	1,327,680	—	**1,327,680**	1,391,170
Amounts payable – Tower 4 Liberty Bonds	—	1,225,520	—	**1,225,520**	1,225,520
Bonds and other asset financing obligations	453,655	20,987,298	—	**21,440,953**	20,676,764
Total noncurrent liabilities	1,056,241	23,554,074	—	**24,610,315**	24,179,341
Total liabilities	2,781,339	25,450,934	—	**28,232,273**	27,826,303
DEFERRED INFLOWS OF RESOURCES					
Pension related amounts	68,237	—	—	**68,237**	76,842
NET POSITION	$ (24,770)	$ 34,668,732	$ 4,161,922	**$ 38,805,884**	$ 36,836,142
Net position is comprised of:					
Facility infrastructure investment	—	34,668,732	—	**$ 34,668,732**	$ 32,503,265
Cumulative effect of change in accounting principles	(24,770)	—	—	**(24,770)**	(24,770)
Reserves	—	—	4,161,922	**4,161,922**	4,357,647
NET POSITION	$ (24,770)	$ 34,668,732	$ 4,161,922	**$ 38,805,884**	$ 36,836,142

See Notes to Consolidated Financial Statements

Schedule C – Analysis of Reserve Funds

(pursuant to Port Authority bond resolutions)

	Year ended December 31, 2017			2016
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	**Combined Total**
		(In thousands)		
Balance, January 1	**$ 2,297,475**	**$ 2,060,172**	**$ 4,357,647**	$ 3,839,847
Increase in reserve funds *	**—**	**1,498,468**	**1,498,468**	1,725,647
	2,297,475	**3,558,640**	**5,856,115**	5,565,494
Applications:				
Repayment of asset financing obligations	**—**	**1,276**	**1,276**	(6,669)
Interest on asset financing obligations	**—**	**69,570**	**69,570**	81,601
Direct investment in facilities	**—**	**1,623,347**	**1,623,347**	1,132,915
Total applications	**—**	**1,694,193**	**1,694,193**	1,207,847
Balance, December 31	**$ 2,297,475**	**$ 1,864,447**	**$ 4,161,922**	$ 4,357,647

* Combined increase in reserve funds consists of "Transfers to reserves" from the operating fund totaling $1.47 billion, plus financial income generated on reserve funds of $27.7 million in 2017.

See Notes to Consolidated Financial Statements

Statistical and Other Supplemental Information

For the Year Ended December 31, 2017

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 Service – 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 Financing Obligations*, 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)

	2017	2016	2015	2014
		(In thousands)		
Revenues, Expenses and Changes in Net Position:				
Gross operating revenues:				
Tolls and fares	**$ 1,873,622**	$ 1,865,481	$ 1,718,770	$ 1,553,625
Rentals[(a)]	**1,618,439**	1,564,527	1,446,980	1,300,818
Aviation fees	**1,128,352**	1,112,436	1,063,902	1,058,416
Parking and other	**377,421**	399,178	359,631	321,760
Utilities	**139,502**	138,987	144,580	149,052
Rentals — Special Project Bonds Projects	**83,053**	86,755	92,719	98,141
Gross operating revenues	**5,220,389**	5,167,364	4,826,582	4,481,812
Operating expenses:				
Employee compensation, including benefits	**1,342,943**	1,290,334	1,178,967	1,187,877
Contract services	**880,331**	852,926	833,903	797,516
Rents and amounts in-lieu-of taxes (PILOT)	**390,576**	352,293	356,162	362,627
Materials, equipment and other	**252,533**	264,977	252,071	277,174
Utilities	**183,482**	165,802	186,830	199,919
Interest on Special Project Bonds	**83,053**	86,755	92,719	98,141
Operating expenses	**3,132,918**	3,013,087	2,900,652	2,923,254
Net revenue/(expense) related to the events of September 11, 2001	**—**	—	—	—
Net revenue/(expense) related to the events of Superstorm Sandy	**18,323**	—	123	53,530
Depreciation of facilities	**(1,231,139)**	(1,173,747)	(1,124,383)	(932,149)
Amortization of costs for regional programs	**(44,164)**	(64,765)	(64,665)	(64,484)
Income from operations	**830,491**	915,765	737,005	615,455
Income on investments (including fair value adjustment)[(b)]	**35,326**	(3,974)	4,215	20,060
Interest expense on bonds and other asset financing[(b)]	**(908,343)**	(900,914)	(882,840)	(648,204)
Net gain/(loss) on disposition of assets	**—**	—	—	19,043
Pass-through grant program payments	**(19,717)**	(10,695)	(51,429)	(107,606)
4 WTC associated payments	**65,293**	41,521	36,766	6,128
Grants in connection with operating activities	**39,845**	64,315	101,074	207,898
Contributions in aid of construction	**187,473**	674,950	586,295	700,267
Passenger facility charges	**275,785**	264,363	248,707	233,172
1 WTC LLC/WTC Retail LLC insurance proceeds	**—**	—	—	—
Increase in net position December 31,	**$ 506,153**	$ 1,045,331	$ 779,793	$ 1,046,213
Net position is comprised of				
Net investment in capital assets	**$ 13,179,105**	$ 12,746,144	$ 11,810,573	$ 10,402,894
Restricted	**760,912**	567,443	456,429	470,857
Unrestricted	**3,141,030**	3,261,307	3,262,561	3,900,789
Net Position, December 31,[(c)]	**$ 17,081,047**	$ 16,574,894	$ 15,529,563	$ 14,774,540

(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.
(b) For presentation purposes, amortization of bond premiums received at issuance for the years ended 2008 through 2016 have been reclassified from Income on investments to Interest expense on bonds and other asset financing.
(c) 2012 Net position includes the cumulative impact of adopting GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*" of approximately $160 million and the reclassification of certain accounts payable from unrestricted Net position to Net investment in capital assets.

2013	2012	2011	2010	2009	2008
$ 1,462,957	$ 1,337,372	$ 1,148,061	$ 1,069,785	$ 1,068,105	$ 1,054,801
1,228,491	1,208,730	1,150,569	1,144,709	1,115,652	1,079,634
934,459	904,666	895,356	872,774	839,327	816,628
315,111	338,178	339,131	321,257	316,005	328,220
139,835	152,945	154,810	154,041	140,817	169,576
103,186	108,125	112,553	71,457	72,337	78,693
4,184,039	4,050,016	3,800,480	3,634,023	3,552,243	3,527,552
1,114,397	1,038,243	1,037,681	1,022,195	974,154	941,289
684,411	749,106	726,883	630,438	683,418	670,489
301,582	304,020	280,237	272,002	276,830	274,916
220,859	215,937	219,183	418,639	263,682	314,722
171,833	174,016	188,432	183,826	168,249	183,583
103,186	108,125	112,553	71,457	72,337	78,693
2,596,268	2,589,447	2,564,969	2,598,557	2,438,670	2,463,692
—	—	—	53,051	202,978	457,918
28,229	(30,000)	—	—	—	—
(875,979)	(884,239)	(852,727)	(789,011)	(712,331)	(644,620)
(64,275)	(77,719)	(77,537)	(76,504)	(74,617)	(70,840)
675,746	468,611	305,247	223,002	529,603	806,318
(2,714)	29,161	(53,227)	(762)	141,779	(9,627)
(612,031)	(647,813)	(552,781)	(496,410)	(497,110)	(483,812)
4,423	(4)	—	—	27,125	7
(176,848)	(56,446)	(11,507)	(2,166)	(1,120)	(3,130)
36,660	65,293	8,343	—	—	—
188,409	52,161	23,727	11,708	10,613	9,811
689,898	997,441	767,010	358,268	382,978	313,078
224,301	222,614	214,456	210,387	201,737	211,667
—	3,525	—	42,814	50,813	49,771
$ 1,027,844	$ 1,134,543	$ 701,268	$ 346,841	$ 846,418	$ 894,083
$ 9,442,138	$ 9,273,213	$ 10,020,306	$ 9,200,077	$ 8,415,993	$ 7,526,446
454,467	392,389	294,460	222,871	211,725	409,800
3,831,722	3,034,881	1,411,125	1,601,675	2,050,064	1,895,118
$ 13,728,327	$ 12,700,483	$ 11,725,891	$ 11,024,623	$ 10,677,782	$ 9,831,364

Schedule D-2 – Selected Statistical Debt Service Data

(Pursuant to Port Authority bond resolutions)

	2017	2016	2015	2014
		(In thousands)		
Gross Operating Revenues*	**$ 5,211,129**	$ 5,158,795	$ 4,818,831	$ 4,475,193
Operating expenses	**(3,132,918)**	(3,013,087)	(2,900,652)	(2,923,254)
Net revenue/(expense) related to the events of September 11, 2001	**—**	—	—	—
Operating and maintenance contingencies	**—**	—	(50,000)	—
Net revenue/(expense) related to Superstorm Sandy	**18,323**	—	123	53,530
Amounts in connection with operating asset obligations	**(16,050)**	(18,871)	(21,387)	(23,734)
Net operating revenues	**2,080,484**	2,126,837	1,846,915	1,581,735
Financial income	**33,574**	(4,784)	4,080	14,687
Grants and contributions in aid of construction, net	**193,381**	347,390	321,980	565,444
Application of WTC Retail Joint Venture Payments*	**—**	77,869	66,963	652,104
Application of Passenger Facility Charges	**285,335**	229,921	273,721	221,156
Application of 4 WTC associated payments	**65,293**	41,520	36,766	6,128
Application of 1WTC LLC/WTC LLC Retail insurance proceeds	**—**	—	—	—
Restricted Net Revenues – PAICE	**—**	—	—	—
Net revenues available for debt service and reserves (a)	**2,658,067**	2,818,753	2,550,425	3,041,254
DEBT SERVICE – OPERATIONS				
Interest on bonds and other asset financing obligations (b)	**(858,694)**	(824,586)	(810,356)	(635,262)
Times, interest earned (a/b)	**3.10**	3.42	3.15	4.79
Debt maturities and retirements (c)	**(300,905)**	(268,520)	(259,315)	(226,205)
Times, debt service earned [a/(b+c)]	**2.29**	2.58	2.38	3.53
APPLICATION OF RESERVES				
Direct investment in facilities	**(1,623,347)**	(1,132,915)	(1,949,785)	(1,473,432)
Debt retirement acceleration	**—**	—	—	—
Change in appropriations for self-insurance	**—**	—	—	28,100
Interest on bonds and other asset financing obligations	**(69,570)**	(81,601)	(66,461)	(11,542)
Repayment of asset financing obligations	**(1,276)**	6,669	(51,928)	(105,562)
Acceleration of unamortized brokerage commissions	**—**	—	—	—
Net increase/(decrease) in reserves	**(195,725)**	517,800	(587,420)	617,351
RESERVE BALANCES				
January 1	**4,357,647**	3,839,847	4,427,267	3,809,916
December 31	**4,161,922**	4,357,647	3,839,847	4,427,267
Reserve funds balances represented by:				
General Reserve	**2,297,475**	2,297,475	2,297,475	2,131,711
Consolidated Bond Reserve	**1,864,447**	2,060,172	1,542,372	2,295,556
Total	**$ 4,161,922**	$ 4,357,647	$ 3,839,847	$ 4,427,267
FINANCING OBLIGATIONS AT DECEMBER 31 (at par value)				
Consolidated Bonds and Notes	**$ 20,672,365**	$ 20,429,565	$ 21,019,925	$ 19,229,020
Fund for regional development buy-out obligation	**184,230**	221,393	253,732	283,562
MOTBY obligation	**53,237**	55,332	44,383	48,254
Amounts payable – Special Project Bonds	**1,327,680**	1,391,170	1,451,170	1,530,510
Variable rate master notes	**77,900**	77,900	77,900	77,900
Commercial paper obligations	**464,615**	388,315	425,760	448,185
Versatile structure obligations	**—**	—	—	—
Port Authority equipment notes	**—**	—	—	31,500
Tower 4 Liberty Bonds	**1,225,520**	1,225,520	1,225,520	1,225,520
Goethals Bridge Replacement Developer Financing Arrangement	**934,198**	744,401	430,800	210,316
Total financing obligations	**$ 24,939,745**	$ 24,533,596	$ 24,929,190	$ 23,084,767

* 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.

2013	2012	2011	2010	2009	2008
$ 4,184,039	$ 4,050,016	$ 3,800,480	$ 3,634,023	$ 3,552,243	$ 3,527,552
(2,596,268)	(2,589,447)	(2,564,969)	(2,598,557)	(2,438,670)	(2,463,692)
—	—	—	53,051	202,978	457,918
—	—	—	—	—	—
28,229	(30,000)	—	—	—	—
(25,908)	(27,956)	(29,580)	(46,561)	(55,058)	(41,301)
1,590,092	1,402,613	1,205,931	1,041,956	1,261,493	1,480,477
(2,964)	29,121	(53,270)	(900)	141,136	(19,537)
540,746	565,976	499,516	367,810	392,471	319,759
—	—	—	—	—	—
175,421	110,015	215,645	207,122	205,164	215,407
36,660	65,293	8,343	—	—	—
—	17,962	57,340	61,468	266,676	411,278
4,305	2,710	644	(102)	3,177	(4,311)
2,344,260	2,193,690	1,934,149	1,677,354	2,270,117	2,403,073
(556,824)	(539,436)	(480,623)	(436,622)	(427,384)	(409,175)
4.21	4.07	4.02	3.84	5.31	5.87
(204,000)	(169,770)	(140,390)	(178,095)	(147,370)	(152,275)
3.08	3.09	3.11	2.73	3.95	4.28
(1,059,756)	(691,079)	(742,001)	(1,375,008)	(1,522,096)	(1,514,369)
—	(54,635)	(6,100)	—	—	—
10,414	37,547	1,949	(3,971)	6,463	2,123
(38,689)	(87,764)	(37,702)	(7,580)	(8,938)	(28,797)
(15,701)	(16,514)	(20,258)	(30,062)	(13,525)	(80,775)
(46,863)	—	—	—	—	—
432,841	672,039	509,024	(353,984)	157,267	219,805
3,377,075	2,705,036	2,196,012	2,549,996	2,392,729	2,172,924
3,809,916	3,377,075	2,705,036	2,196,012	2,549,996	2,392,729
2,029,051	2,026,605	1,783,370	1,584,955	1,412,221	1,270,215
1,780,865	1,350,470	921,666	611,057	1,137,775	1,122,514
$ 3,809,916	$ 3,377,075	$ 2,705,036	$ 2,196,012	$ 2,549,996	$ 2,392,729
$ 18,212,063	$ 18,076,497	$ 15,550,039	$ 13,340,378	$ 12,284,449	$ 10,794,831
311,077	336,453	359,859	373,707	386,480	398,262
52,329	78,060	105,141	138,396	—	—
1,605,515	1,675,825	1,741,440	1,803,145	1,064,380	1,118,105
77,900	77,900	77,900	77,900	90,990	90,990
348,110	384,625	396,155	354,280	321,010	186,040
—	—	—	175,200	250,900	399,700
46,925	49,565	68,160	98,645	110,485	112,485
1,225,520	1,225,520	1,225,520	—	—	—
—	—	—	—	—	—
$ 21,879,439	$ 21,904,445	$ 19,524,214	$ 16,361,651	$ 14,508,694	$ 13,100,413

Schedule D-3 Selected Statistical Financial Data by Business Segment

(pursuant to GAAP)

	2017	2016	2015	2014
		(In thousands)		
Gross Operating Revenues:				
Tunnels, Bridges and Terminals	**$ 1,739,552**	$ 1,742,028	$ 1,599,575	$ 1,447,896
PATH	**202,880**	191,261	184,560	168,668
Port Department	**295,651**	300,569	270,263	248,443
Aviation	**2,682,523**	2,646,213	2,537,233	2,479,106
Development	**24,967**	25,956	26,561	51,077
World Trade Center	**274,029**	260,655	207,634	85,942
Other[(a)]	**787**	682	756	680
Total	**$ 5,220,389**	$ 5,167,364	$ 4,826,582	$ 4,481,812
Operating Expenses:[(b)]				
Tunnels, Bridges and Terminals	**$ 525,862**	$ 509,529	$ 499,873	$ 510,383
PATH	**423,384**	415,251	389,276	401,273
Port Department	**160,495**	167,724	175,976	172,545
Aviation	**1,693,563**	1,612,470	1,557,926	1,623,190
Development	**12,399**	10,853	13,659	15,737
World Trade Center	**312,242**	293,864	258,748	192,789
Other[(c)]	**4,973**	3,396	5,194	7,337
Total	**$ 3,132,918**	$ 3,013,087	$ 2,900,652	$ 2,923,254
Capital Investment:[(d)]				
Tunnels, Bridges and Terminals	**$ 885,311**	$ 1,179,307	$ 956,231	$ 961,854
PATH (including WTC Transportation Hub)	**274,429**	454,031	268,428	512,415
Port Department	**106,455**	133,874	93,729	210,496
Aviation	**772,520**	584,996	791,805	715,456
Development	**893**	1,569	2,110	1,977
World Trade Center	**311,122**	846,597	904,787	1,674,030
Other[(e)]	**150,409**	290	3,144	3,822
Total	**$ 2,501,139**	$ 3,200,664	$ 3,020,234	$ 4,080,050

(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.
(e) Includes Ferry Transportation, Access to the Regions Core, Regional Facilities and Programs, and Moynihan Station Transportation Program.

	2013	2012	2011	2010	2009	2008
	$ 1,369,559	$ 1,258,125	$ 1,078,977	$ 1,009,891	$ 1,009,313	$ 991,364
	150,604	134,382	121,102	109,704	106,063	111,119
	262,526	249,609	236,461	223,095	205,861	201,269
	2,321,300	2,276,018	2,221,157	2,124,955	2,043,091	2,025,881
	29,492	87,521	100,800	89,457	98,603	108,594
	50,087	44,107	41,816	76,704	89,189	89,152
	471	254	167	217	123	173
	$ 4,184,039	$ 4,050,016	$ 3,800,480	$ 3,634,023	$ 3,552,243	$ 3,527,552
	$ 493,429	$ 468,263	$ 460,960	$ 437,775	$ 436,796	$ 436,565
	338,926	329,663	322,133	385,686	300,874	290,309
	176,459	190,043	185,053	163,424	127,240	143,523
	1,466,692	1,410,070	1,385,582	1,317,749	1,306,078	1,346,197
	15,497	79,620	82,637	77,200	85,246	83,024
	94,312	76,149	106,277	116,797	158,348	144,470
	10,953	35,639	22,327	99,926	24,088	19,604
	$ 2,596,268	$ 2,589,447	$ 2,564,969	$ 2,598,557	$ 2,438,670	$ 2,463,692
	$ 413,946	$ 233,637	$ 168,759	$ 149,803	$ 175,392	$ 174,680
	559,104	743,136	720,797	752,486	741,002	609,464
	180,760	184,750	228,747	302,858	174,459	181,772
	468,319	351,535	243,995	518,545	658,292	624,700
	527	140	(26,556)	29,297	23,237	22,037
	1,373,328	1,802,009	2,087,741	1,091,464	903,220	602,042
	3,221	6,767	9,464	133,229	44,953	145,792
	$ 2,999,205	$ 3,321,974	$ 3,432,947	$ 2,977,682	$ 2,720,555	$ 2,360,487

Schedule E – Information on Port Authority Operations

	Year ended December 31, 2017							2016
	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	$ 801,068	$ 132,818	$ 41,080	$ 627,170	$ 29,242	$ —	**$ 597,928**	$ 610,437
Holland Tunnel	191,498	80,129	17,474	93,895	9,035	993	**85,853**	92,513
Lincoln Tunnel	270,624	111,550	61,426	97,648	46,499	221	**51,370**	77,660
Bayonne Bridge	27,167	21,844	29,279	(23,956)	31,631	—	**(55,587)**	(32,234)
Goethals Bridge	220,749	25,650	23,399	171,700	9,136	—	**162,564**	152,221
Outerbridge Crossing	182,769	29,067	4,916	148,786	2,234	—	**146,552**	145,728
Port Authority Bus Terminal	45,677	124,804	25,707	(104,834)	12,686	—	**(117,520)**	(106,242)
Subtotal – Tunnels, Bridges & Terminals	1,739,552	525,862	203,281	1,010,409	140,463	1,214	**871,160**	940,083
PATH	197,640	393,627	124,428	(320,415)	209,010	37,480	**(491,945)**	(475,591)
WTC Transportation Hub	—	13,785	73,051	(86,836)	—	93,110	**6,274**	113,197
Journal Square Transportation Center	5,240	15,972	6,238	(16,970)	2,854	—	**(19,824)**	(25,704)
Subtotal – PATH	202,880	423,384	203,717	(424,221)	211,864	130,590	**(505,495)**	(388,098)
Ferry Transportation	240	546	5,289	(5,595)	4,004	—	**(9,599)**	(9,875)
Access to the Regions Core (ARC)	—	1,879	10,115	(11,994)	2,361	—	**(14,355)**	(14,745)
Moynihan Station Transportation Program	—	—	1,500	(1,500)	817	—	**(2,317)**	—
Total Interstate Transportation Network	1,942,672	951,671	423,902	567,099	359,509	131,804	**339,394**	527,365
AVIATION								
LaGuardia[c]	381,624	328,083	84,688	(31,147)	34,129	69,159	**3,883**	52,834
JFK International[c]	1,293,605	783,394	193,617	316,594	77,212	138,505	**377,887**	353,148
Newark Liberty International[c]	947,871	524,651	149,853	273,367	57,536	88,385	**304,216**	320,917
Teterboro	49,479	32,520	14,683	2,276	6,845	105	**(4,464)**	(6,130)
Stewart International[c]	9,944	24,915	9,273	(24,244)	4,393	2,665	**(25,972)**	(22,962)
Total Aviation	2,682,523	1,693,563	452,114	536,846	180,115	298,819	**655,550**	697,807
PORT DEPARTMENT								
Port Newark	92,278	83,708	33,513	(24,943)	26,242	703	**(50,482)**	(67,324)
Elizabeth Marine Terminal	146,123	20,764	34,219	91,140	36,408	19	**54,751**	64,302
Brooklyn Port Authority Marine Terminal	6,088	11,994	1,922	(7,828)	2,313	94	**(10,047)**	(8,079)
└ Red Hook Terminal	1,879	5,565	62	(3,748)	—	—	**(3,748)**	(3,719)
Howland Hook Marine Terminal	15,593	9,373	16,611	(10,391)	13,424	270	**(23,545)**	(26,439)
Greenville Yard Port Authority Marine Terminal	896	9	—	887	—	—	**887**	902
└ NYNJ Rail LLC	4,767	6,631	498	(2,362)	617	17,123	**14,144**	14,922
Port Jersey – Port Authority Marine Terminal	28,027	22,451	7,313	(1,737)	7,480	111	**(9,106)**	(23,168)
Total Port Department	295,651	160,495	94,138	41,018	86,484	18,320	**(27,146)**	(48,603)
DEVELOPMENT								
Essex County Resource Recovery	35	247	2	(214)	280	—	**(494)**	(471)
Industrial Park at Elizabeth	1,214	10	275	929	246	—	**683**	599
Bathgate Industrial Park	3,883	1,693	1,337	853	114	—	**739**	297
Teleport	10,300	9,891	2,116	(1,707)	(1,746)	—	**39**	(152)
Newark Legal & Communications Center	3	46	—	(43)	—	—	**(43)**	—
Queens West Waterfront Development	1,368	—	605	763	1,356	—	**(593)**	(966)
Hoboken South Waterfront Development	8,164	512	2,569	5,083	2,399	—	**2,684**	3,535
Total Development	24,967	12,399	6,904	5,664	2,649	—	**3,015**	2,842
WORLD TRADE CENTER								
WTC Site	3,125	138,977	81,757	(217,609)	(986)	—	**(216,623)**	(180,427)
One World Trade Center	184,295	118,299	91,925	(25,929)	138,361	96	**(164,194)**	(173,822)
WTC Towers 2, 3 & 4	42,829	27,147	41,974	(26,292)	—	14,219	**(12,073)**	363,839
WTC Tower 7	21,490	19,394	—	2,096	—	—	**2,096**	2,508
WTC Retail	22,290	8,425	38,425	(24,560)	1,410	—	**(25,970)**	(51,318)
Total World Trade Center	274,029	312,242	254,081	(292,294)	138,785	14,315	**(416,764)**	(39,220)
Port Authority Insurance Captive Entity, LLC	—	504	—	(504)	(4,327)	—	**3,823**	744
Regional Facilities and Programs	547	2,044	44,164	(45,661)	24,381	—	**(70,042)**	(95,604)
Net Revenues related to Superstorm Sandy	—	—	—	18,323	—	—	**18,323**	—
Total Port Authority	$5,220,389	$3,132,918	$1,275,303	$ 830,491	$ 787,596	$463,258	**$ 506,153**	$1,045,331

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

(b) Amounts include net interest expense (interest expense less financial income), Tower 4 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, 2016	Capital Investment[a]	Depreciation	Dispositions	Facilities, net Dec. 31, 2017
			(In thousands)		
INTERSTATE TRANSPORTATION NETWORK					
George Washington Bridge & Bus Station	$ 993,480	$ 124,782	$ 41,080	$ —	**$ 1,077,182**
Holland Tunnel	406,973	44,554	17,474	—	**434,053**
Lincoln Tunnel	1,255,679	208,530	61,426	—	**1,402,783**
Bayonne Bridge	1,168,505	207,099	29,279	—	**1,346,325**
Goethals Bridge	1,166,196	268,717	23,399	—	**1,411,514**
Outerbridge Crossing	88,575	2,745	4,916	—	**86,404**
Port Authority Bus Terminal	491,034	28,884	25,707	—	**494,211**
Subtotal – Tunnels, Bridges & Terminals	5,570,442	885,311	203,281	—	**6,252,472**
PATH	2,492,053	220,773	124,428	—	**2,588,398**
WTC Transportation HUB	3,535,074	53,382	73,051	—	**3,515,405**
Journal Square Transportation Center	74,824	274	6,238	—	**68,860**
Subtotal – PATH	6,101,951	274,429	203,717	—	**6,172,663**
Ferry Transportation	101,730	294	5,289	—	**96,735**
Access to the Region's Core (ARC)	68,158	—	10,115	—	**58,043**
Moynihan Station Transportation Program	—	150,000	1,500	—	**148,500**
Total Interstate Transportation Network	11,842,281	1,310,034	423,902	—	**12,728,413**
AVIATION[b]					
LaGuardia	1,741,091	443,801	84,687	—	**2,100,205**
JFK International	3,637,109	165,717	193,617	—	**3,609,209**
Newark Liberty International	2,345,304	155,234	149,854	—	**2,350,684**
Teterboro	227,647	4,007	14,683	—	**216,971**
Stewart International	163,457	3,761	9,273	—	**157,945**
Total Aviation	8,114,608	772,520	452,114	—	**8,435,014**
PORT DEPARTMENT					
Port Newark	823,252	29,076	33,513	—	**818,815**
Elizabeth Port Authority Marine Terminal	1,024,793	1,536	34,219	—	**992,110**
Brooklyn Port Authority Marine Terminal/Red HookTerminal	62,203	2,518	1,984	—	**62,737**
Howland Hook Marine Terminal	490,119	1,530	16,611	—	**475,038**
Greenville Yard / NYNJ Rail LLC	61,798	41,330	498	—	**102,630**
Port Jersey-Port Authority Marine Terminal	392,888	30,465	7,313	—	**416,040**
Total Port Department	2,855,053	106,455	94,138	—	**2,867,370**
DEVELOPMENT					
Essex County Resource Recovery Facility	5,808	—	2	—	**5,806**
Industrial Park at Elizabeth	5,816	—	275	—	**5,541**
Bathgate Industrial Park	2,900	—	1,337	—	**1,563**
Teleport	11,142	893	2,116	—	**9,919**
Queens West Waterfront Development	85,406	—	605	—	**84,801**
Hoboken South Waterfront Development	66,244	—	2,569	—	**63,675**
Total Development	177,316	893	6,904	—	**171,305**
WORLD TRADE CENTER					
WTC Site[c]	3,751,219	146,572	81,757	—	**3,816,034**
One World Trade Center	3,386,611	69,675	91,925	—	**3,364,361**
WTC Towers 2, 3 & 4[d]	2,908,836	11,905	41,974	—	**2,878,767**
WTC Retail	1,657,767	82,970	38,425	—	**1,702,312**
Total World Trade Center	11,704,433	311,122	254,081	—	**11,761,474**
FACILITIES, net	$ 34,693,691	$ 2,501,024	$ 1,231,139	$ —	**$ 35,963,576**
REGIONAL FACILITIES & PROGRAMS	$ 216,109	$ 115	$ 44,164	$ —	**$ 172,060**

(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)**

	2017	2016	2015	2014
TUNNELS AND BRIDGES (Eastbound Traffic)				
AUTOMOBILES				
George Washington Bridge	**47,594,000**	47,497,000	46,361,000	45,136,000
Lincoln Tunnel	**15,841,000**	15,993,000	15,706,000	15,597,000
Holland Tunnel	**14,247,000**	14,727,000	14,763,000	14,915,000
Staten Island Bridges	**31,430,000**	30,303,000	28,883,000	28,317,000
Subtotal Automobiles	**109,112,000**	108,520,000	105,713,000	103,965,000
BUSES				
George Washington Bridge	**442,000**	440,000	429,000	426,000
Lincoln Tunnel	**2,161,000**	2,164,000	2,165,000	2,151,000
Holland Tunnel	**179,000**	191,000	199,000	209,000
Staten Island Bridges	**180,000**	177,000	176,000	172,000
Subtotal Buses	**2,962,000**	2,972,000	2,969,000	2,958,000
TRUCKS				
George Washington Bridge	**3,684,000**	3,692,000	3,666,000	3,475,000
Lincoln Tunnel	**1,037,000**	1,055,000	1,061,000	1,043,000
Holland Tunnel	**446,000**	447,000	447,000	446,000
Staten Island Bridges	**2,153,000**	2,085,000	2,091,000	2,131,000
Subtotal Trucks	**7,320,000**	7,279,000	7,265,000	7,095,000
TOTAL VEHICLES				
George Washington Bridge	**51,720,000**	51,629,000	50,456,000	49,037,000
Lincoln Tunnel	**19,039,000**	19,212,000	18,932,000	18,791,000
Holland Tunnel	**14,872,000**	15,365,000	15,409,000	15,570,000
Staten Island Bridges	**33,763,000**	32,565,000	31,150,000	30,620,000
Subtotal Vehicles	**119,394,000**	118,771,000	115,947,000	114,018,000
PATH				
Total passengers	**82,812,915**	78,553,560	76,541,453	73,679,425
Passenger weekday average	**283,719**	269,081	258,425	250,071
MARINE TERMINALS				
General cargo[(a)] (Metric tons)	**35,450,000**	32,556,203	36,781,069	35,370,355
Containers (in twenty foot equivalent units)	**6,710,817**	6,251,953	6,371,720	5,772,303
International waterborne vehicles	**577,223**	505,150	477,170	393,391
Waterborne bulk commodities (in metric tons)	**3,975,000**	3,212,603	5,050,519	5,042,690
CONTAINERS				
New Jersey Marine Terminals	**3,599,514**	3,416,144	3,427,226	3,098,049
New York Marine Terminals	**246,910**	186,364	236,787	244,237
Subtotal Containers	**3,846,424**	3,602,508	3,664,013	3,342,286
BUS TERMINALS				
PASSENGERS				
Port Authority Bus Terminal	**76,400,000**	75,800,000	74,500,000	66,000,000
George Washington Bridge Bus Station	**5,000,000**	5,000,000	4,900,000	4,700,000
PATH Journal SquareTransportation Center Bus Station	**11,972,500**	11,966,000	11,940,000	11,751,500
Subtotal Passengers	**93,372,500**	92,766,000	91,340,000	82,451,500
BUS MOVEMENTS				
Port Authority Bus Terminal	**2,400,000**	2,380,000	2,350,000	2,320,000
George Washington Bridge Bus Station	**343,000**	345,000	340,000	337,000
PATH Journal SquareTransportation Center Bus Station	**957,800**	957,280	957,120	940,120
Subtotal Bus Movements	**3,700,800**	3,682,280	3,647,120	3,597,120
AVIATION				
PLANE MOVEMENTS				
John F. Kennedy International Airport	**446,349**	448,753	439,298	423,421
LaGuardia Airport	**379,911**	369,987	358,609	360,834
Newark Liberty International Airport	**443,220**	431,594	413,873	396,386
Subtotal Plane Movements	**1,269,480**	1,250,334	1,211,780	1,180,641
DOMESTIC PASSENGERS				
John F. Kennedy International Airport	**26,920,199**	27,245,463	26,806,854	25,021,432
LaGuardia Airport	**27,394,990**	27,996,763	26,684,923	25,157,202
Newark Liberty International Airport	**30,513,283**	27,995,353	25,693,128	23,762,627
Subtotal Domestic Passengers	**84,828,472**	83,237,579	79,184,905	73,941,261
INTERNATIONAL PASSENGERS				
John F. Kennedy International Airport	**32,423,861**	31,693,184	30,079,898	28,198,994
LaGuardia Airport	**2,107,229**	1,790,006	1,752,745	1,814,893
Newark Liberty International Airport	**12,873,574**	12,324,428	11,805,317	11,848,060
Subtotal International Passengers	**47,404,664**	45,807,618	43,637,960	41,861,947
TOTAL PASSENGERS				
John F. Kennedy International Airport	**59,344,060**	58,938,647	56,886,752	53,220,426
LaGuardia Airport	**29,502,219**	29,786,769	28,437,668	26,972,095
Newark Liberty International Airport	**43,386,857**	40,319,781	37,498,445	35,610,687
Subtotal Passengers	**132,233,136**	129,045,197	122,822,865	115,803,208
CARGO-TONS				
John F. Kennedy International Airport	**1,254,513**	1,311,191	1,332,091	1,343,855
LaGuardia Airport	**6,240**	7,586	7,721	7,140
Newark Liberty International Airport	**749,540**	746,770	405,214	666,840
Subtotal Cargo-tons	**2,010,293**	2,065,547	1,745,026	2,017,835
Revenue mail-tons	**139,310**	140,418	126,026	112,524

* Certain 2017 and 2016 numbers reflect estimated data based on available year-end information and are subject to revision.
(a) International oceanborne general and bulk cargo as recorded in the New York – New Jersey Customs District.

2013	2012	2011	2010	2009	2008
45,364,000	45,042,000	46,116,000	46,954,000	47,686,000	48,112,000
15,580,000	15,909,000	16,644,000	17,034,000	16,879,000	17,402,000
15,511,000	15,489,000	15,968,000	16,460,000	16,269,000	16,521,000
28,997,000	29,455,000	29,700,000	30,034,000	29,921,000	30,141,000
105,452,000	105,895,000	108,428,000	110,482,000	110,755,000	112,176,000
429,000	430,000	487,000	514,000	520,000	550,000
2,128,000	2,106,000	2,156,000	2,139,000	2,128,000	2,122,000
220,000	234,000	268,000	265,000	254,000	253,000
171,000	187,000	200,000	204,000	217,000	233,000
2,948,000	2,957,000	3,111,000	3,122,000	3,119,000	3,158,000
3,609,000	3,639,000	3,794,000	3,763,000	3,920,000	4,285,000
1,038,000	1,000,000	1,029,000	1,041,000	1,241,000	1,413,000
427,000	395,000	354,000	312,000	86,000	97,000
2,214,000	2,367,000	2,434,000	2,486,000	2,379,000	2,596,000
7,288,000	7,401,000	7,611,000	7,602,000	7,626,000	8,391,000
49,402,000	49,111,000	50,397,000	51,231,000	52,126,000	52,947,000
18,746,000	19,015,000	19,829,000	20,214,000	20,248,000	20,937,000
16,158,000	16,118,000	16,590,000	17,037,000	16,609,000	16,871,000
31,382,000	32,009,000	32,334,000	32,724,000	32,517,000	32,970,000
115,688,000	116,253,000	119,150,000	121,206,000	121,500,000	123,725,000
72,748,729	72,563,052	76,555,644	73,911,000	72,277,000	74,956,000
244,484	241,725	256,186	246,890	243,413	253,000
34,059,540	34,322,209	33,896,217	32,170,041	28,240,770	33,633,613
5,467,347	5,529,908	5,503,485	5,292,020	4,561,527	5,265,053
452,778	426,943	387,656	493,245	440,463	723,550
3,732,292	3,240,189	3,885,614	3,192,132	4,605,609	4,549,572
2,895,769	2,782,059	2,652,744	2,500,503	2,156,961	2,499,054
274,066	428,750	544,272	575,892	495,248	569,881
3,169,835	3,210,809	3,197,016	3,076,395	2,652,209	3,068,935
65,000,000	65,000,000	64,550,000	63,585,000	64,585,000	64,390,000
4,750,000	4,700,000	4,605,000	4,510,000	4,425,000	5,288,000
11,747,500	11,732,600	7,248,160	7,282,900	6,758,800	6,558,000
81,497,500	81,432,600	76,403,160	75,377,900	75,768,800	76,236,000
2,288,000	2,255,000	2,263,500	2,220,000	2,240,000	2,225,000
335,000	327,000	307,000	300,000	295,000	324,000
939,800	938,608	814,400	818,300	850,800	825,590
3,562,800	3,520,608	3,384,900	3,338,300	3,385,800	3,374,590
406,181	401,728	408,730	396,912	415,044	437,969
370,861	369,989	365,870	361,616	354,008	378,402
413,774	414,127	410,024	409,321	412,041	432,941
1,190,816	1,185,844	1,184,624	1,167,849	1,181,093	1,249,312
23,913,096	24,217,083	23,757,976	23,404,277	24,021,233	25,405,948
24,953,572	24,274,029	23,086,756	22,950,115	22,153,236	21,945,239
23,716,837	22,836,683	22,189,669	21,716,886	22,782,126	24,227,815
72,583,505	71,327,795	69,034,401	68,071,278	68,956,595	71,579,002
26,541,183	25,057,093	23,886,084	23,109,877	21,856,709	22,383,907
1,727,528	1,433,755	1,035,722	1,032,967	1,010,223	1,131,664
11,299,399	11,147,344	11,509,823	11,477,304	10,646,771	11,119,078
39,568,110	37,638,192	36,431,629	35,620,148	33,513,703	34,634,649
50,454,279	49,274,176	47,644,060	46,514,154	45,877,942	47,789,855
26,681,100	25,707,784	24,122,478	23,983,082	23,163,459	23,076,903
35,016,236	33,984,027	33,699,492	33,194,190	33,428,897	35,346,893
112,151,615	108,965,987	105,466,030	103,691,426	102,470,298	106,213,651
1,321,035	1,319,226	1,382,949	1,392,866	1,156,040	1,473,809
6,720	7,009	7,390	7,516	6,712	8,889
663,155	742,898	812,341	860,970	761,920	860,717
1,990,910	2,069,133	2,202,680	2,261,352	1,924,672	2,343,415
158,778	174,242	184,696	185,681	204,511	237,087

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)			
2017(1)	**18,530**	**1,055,062**	**$56.94**	**9,066**	**N/A**
2016	18,464	1,031,286	$55.85	8,945	4.8%
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%

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

	2017(3)	2008
Education & Health Services	**18.3%**	15.9%
Trade Transportation and Utilities	**15.3%**	15.9%
Professional & Business Services	**14.4%**	13.6%
Government	**11.6%**	13.3%
Leisure & Hospitality	**8.6%**	7.1%
Retail Trade	**8.4%**	8.4%
Financial Activities	**8.0%**	8.9%
Other Services	**3.8%**	3.7%
Wholesale Trade	**3.6%**	4.3%
Manufacturing	**2.7%**	3.6%
Information	**3.1%**	3.2%
Construction	**2.2%**	2.3%

Source: Oxford Economics and BLS

(1) Data is preliminary and subject to revision
(2) Industry definitions can be found at the US Department of Labor Statistics website at www.bls.gov/bls/naics.htm.
(3) BLS Data is preliminary and subject to revision

TOP 20 SALARIED STAFF AS OF DECEMBER 31, 2017

MICHAEL E. FARBIARZ
General Counsel
2017 total compensation: $295,317
J.D., Yale Law School
B.A., Harvard College
Extensive legal experience, including in senior public sector posts.

ELIZABETH M. MCCARTHY
Chief Financial Officer
2017 total compensation: $283,046
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
2017 total compensation: $300,590
B.S., Manhattan College
More than 30 years of experience in program management in the private and public sectors.

RICHARD COTTON[1]
Executive Director
2017 total compensation: $94,582
J.D., Yale Law School
A.B., Harvard College
More than 30 years of private sector, legal, and public sector management experience.

DEREK H. UTTER[2]
Chief Development Officer
2017 total compensation: $11,424
M.B.A., the Wharton School of the University of Pennsylvania
B.A., University of California, Los Angeles
More than 25 years of infrastructure, corporate finance and government experience.

HUNTLEY A. LAWRENCE
Director, Aviation Department
2017 total compensation: $272,077
M.B.A., Dowling College
B.S., Florida Institute of Technology
More than 30 years of aviation leadership experience.

MICHAEL G. MASSIAH
Chief Diversity and Inclusion Officer
2017 total compensation: $276,866
M.P.A., SUNY Albany
B.A., LeMoyne College
More than 30 years of public experience in human resources and financial services.

JAMES O. STARACE
Chief Engineer
2017 total compensation: $264,658
M.S., Stevens Institute of Technology
B.S., State University of New York Maritime College
More than 30 years of engineering, project and construction management experience.

ALAN L. REISS
Director, World Trade Center Construction
2017 total compensation: $282,004
B.S., Northeastern University
More than 30 years of engineering, project management, and executive management experience.

ROBERT E. GALVIN
Chief Technology Officer
2017 total compensation: $252,484
B.S., Central Michigan University
More than 25 years of information technology experience in the public and private sectors.

MOLLY C. CAMPBELL
Director, Port Commerce
2017 total compensation: $237,760
M.A., Georgetown University
B.A., University of California, Los Angeles
More than 15 years of public experience in maritime operations.

JOHN BILICH
Chief Security Officer
2017 total compensation: $248,220
B.S., St. Joseph's College
More than 30 years of experience in law enforcement and security.

MARY LEE HANNELL
Chief, Human Capital
2017 total compensation: $258,838
B.A., Drew University
More than 30 years of professional experience in human resources in the private and public sectors.

AMY H. FISHER[3]
First Deputy General Counsel
2017 total compensation: $62,131
J.D., Columbia University School of Law
B.A., Wesleyan University
More than 35 years of legal experience, including regulatory affairs and compliance.

MICHAEL NESTOR
Inspector General
2017 total compensation: $247,721
More than 45 years of public sector experience in law enforcement.

DIANA V. LOPEZ[4]
Attorney
2017 total compensation: $210,113
J.D., M.S.F.S., Georgetown University
B.A., Tufts University
More than 35 years of domestic and international corporate law experience, in both the public and private sectors.

MICHAEL P. MARINO
Director/General Manager, Port Authority Trans-Hudson (PATH)
2017 total compensation; $246,010
More than 40 years of public and private sector railroad construction and logistics experience.

DIANNAE C. EHLER[5]
Director, Tunnels, Bridges & Terminals
2017 total compensation: $223,938
M.B.A., Fordham University
M.C.E., Manhattan College
B.C.E., Manhattan College
More than 30 years of transportation leadership experience.

LILLIAN D. VALENTI
Chief Procurement & Contracting Officer
2017 total compensation: $244,043
M.A., Columbia University
B.A., Lafayette College
More than 15 years of public sector leadership and management experience.

MICHAEL A. FEDORKO[6]
Director, Public Safety/ Superintendent of Police
2017 total compensation: $231,987
M.G.A., University of Pennsylvania
B.S., Trenton State College
More than 45 years of public safety and public management experience.

[1] Mr. Cotton joined the Port Authority on August 14, 2017
[2] Mr. Utter joined the Port Authority on December 1, 2017.
[3] Ms. Fisher joined the Port Authority on September 18, 2017.
[4] Ms. Lopez is on assignment as General Counsel for the Gateway Program Development Corporation effective June 19, 2017.
[5] Ms. Ehler became Director of TB&T effective on June 16, 2017.
[6] Mr. Fedorko retired from the agency effective May 7, 2018.

Note: Total compensation includes paid wages and imputed income on taxable employee fringe benefits earned during calendar year 2017.

THE PORT AUTHORITY OF NY & NJ

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