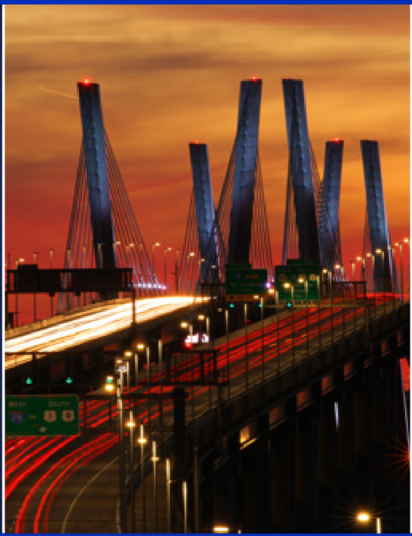
PORT AUTHORITY NY NJ

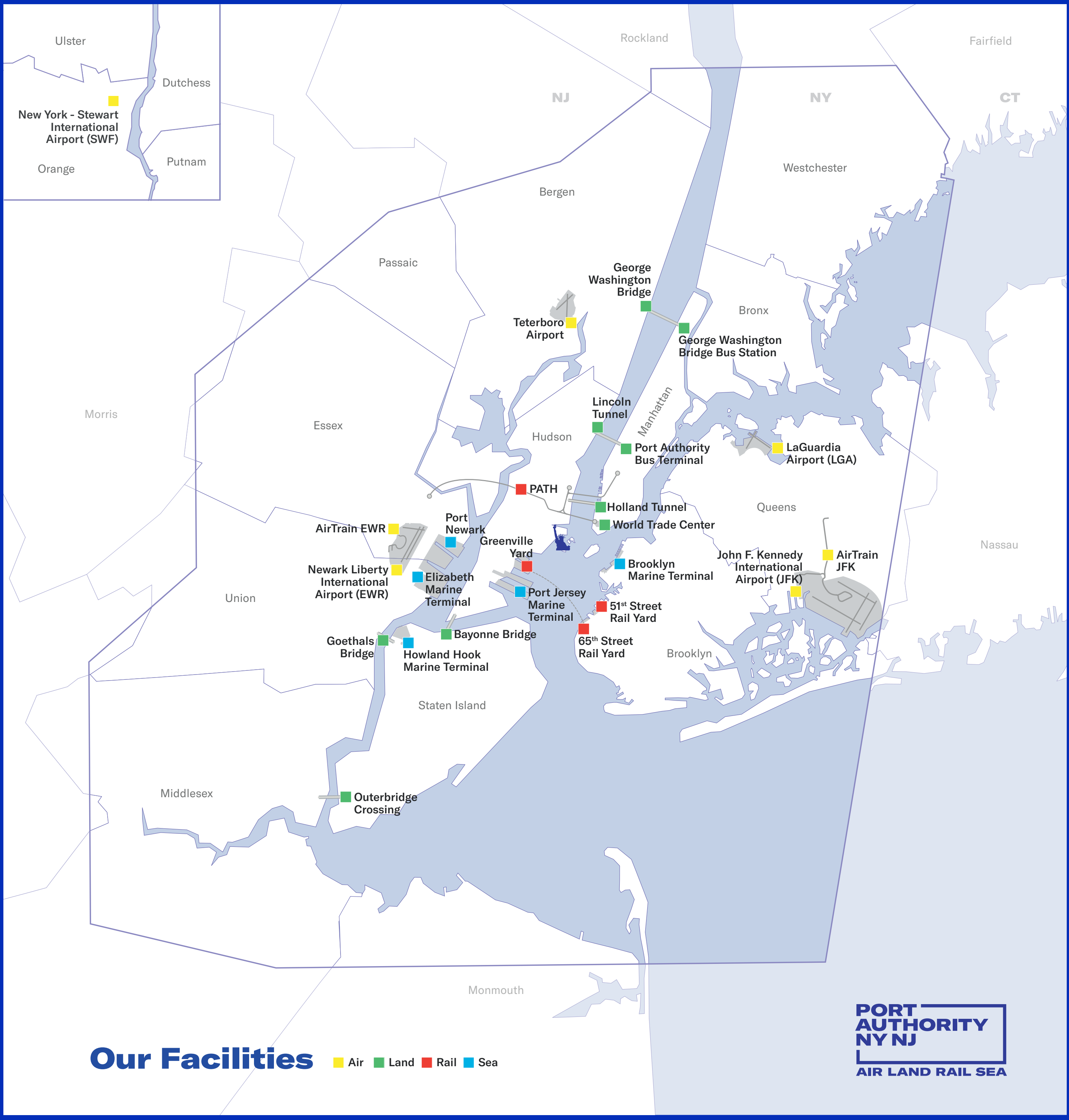
AIR LAND RAIL SEA

2019 ANNUAL REPORT



Comprehensive Annual Financial Report for the Year Ended December 31, 2019

RAISING THE BAR



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.

Container ship passes under the Bayonne Bridge.

RAISING THE BAR

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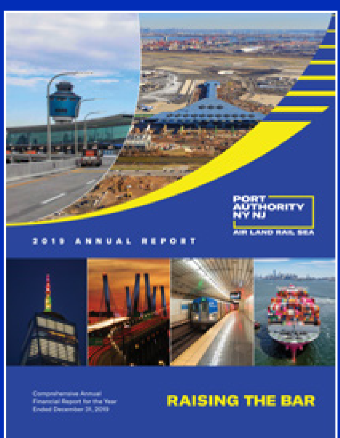

ON THE COVER:
Top Photo – (L) LGA, (R) EWR
Bottom Row – (L-R) WTC, Goethals, PATH, Ship in New York Harbor

INTRODUCTORY SECTION

FINANCIAL SECTION

CORPORATE INFORMATION SECTION

The Port Authority of New York and New Jersey
Comprehensive Annual Financial Report for the Year Ended December 31, 2019

Prepared by the Office of the Chief Communications Officer and the Comptroller's Department of The Port Authority of New York and New Jersey

4 World Trade Center, 150 Greenwich Street, 23rd Floor, New York, NY 10007
www.panynj.gov

Leadership of the Port Authority

Board of Commissioners

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.

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

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Public Policy
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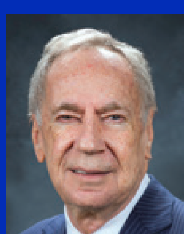
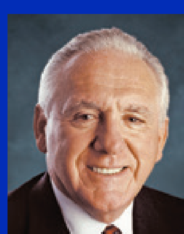
President
Building and Construction Trades Council of Greater New York

KEVIN P. MCCABE
President
Carpenter Contractor Trust



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



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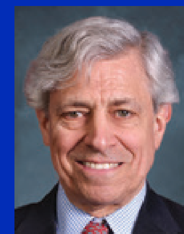
Vice President
Laborers International Union of North America
Eastern Regional Manager

ROSSANA ROSADO
Secretary of State – State of NY
NYS Department of State

DAVID S. STEINER
Chairman
Steiner Equities Group, LLC



EXECUTIVE DIRECTOR
RICHARD COTTON

Executive Director

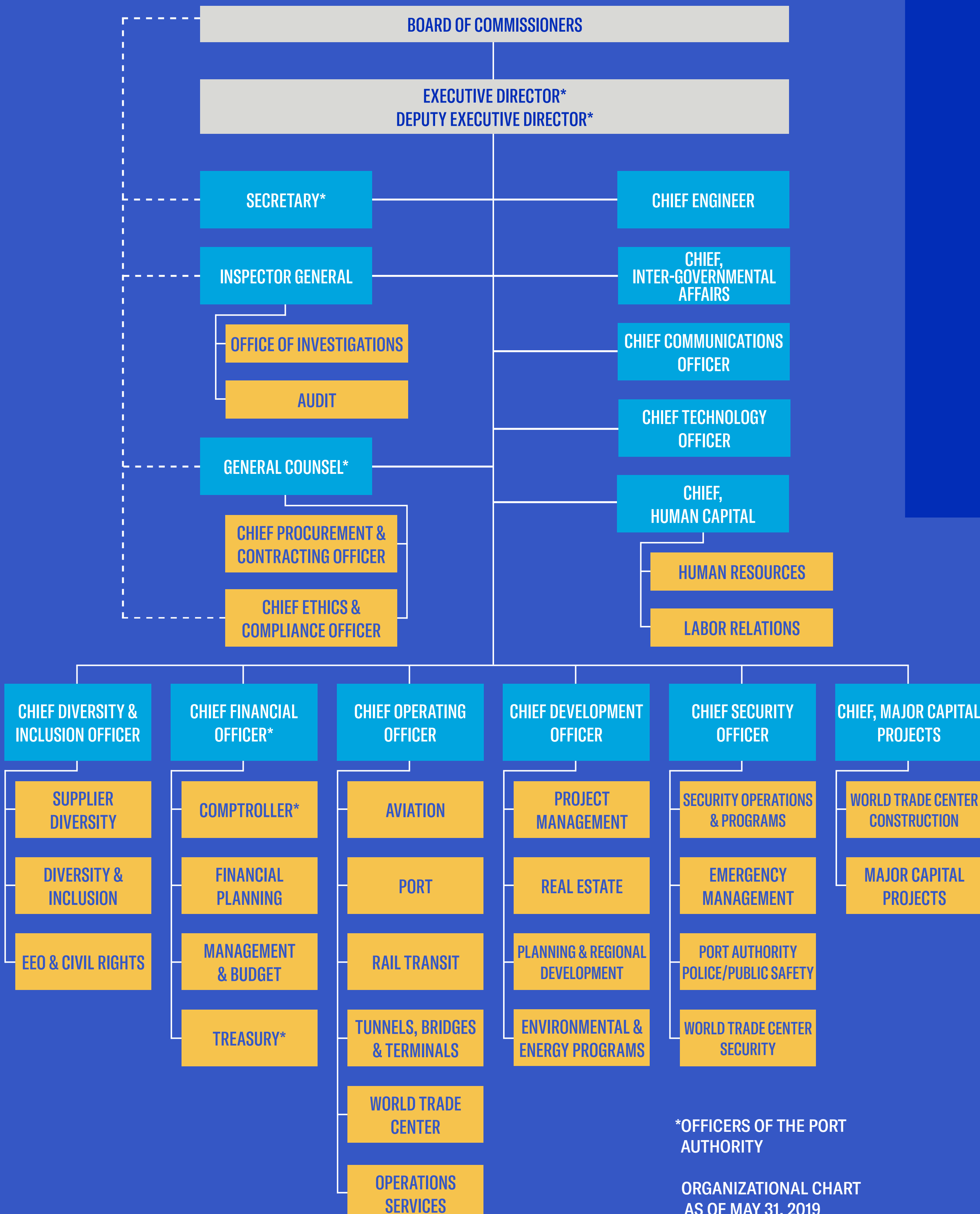
An **Executive Director** elected by the Board is responsible for managing the operation of the Port Authority in a manner consistent with the agency's policies, as established by the Board.

The agency undertakes projects and activities in accordance with the Port Compact of 1921, and amendatory and supplemental bi-state legislation.

BOARD OF COMMISSIONERS
As of May 31, 2019

Kevin J. O'Toole, Chairman
Jeffrey H. Lynford, Vice Chairman
Richard H. Bagger
Leecia Eve
Daniel J. Horwitz
Gary LaBarbera
Kevin P. McCabe
George T. McDonald
Raymond M. Pocino
Rossana Rosado
David S. Steiner

Officers and Executive Management



*OFFICERS OF THE PORT AUTHORITY

ORGANIZATIONAL CHART AS OF MAY 31, 2019

Letter of Transmittal to the Governors

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 2019 Comprehensive Annual Report of The Port Authority of New York and New Jersey.

"Raising the Bar" – the theme of this year's annual report – aptly describes the accomplishments of the Port Authority in 2019.

With the vision of the Board and dedication of its workforce, the Port Authority's facilities handled record operating volumes while the agency made significant, tangible progress toward meeting the challenges of maintaining and creating 21st-century transportation infrastructure across the Port District.

Raising the Bar – Record Operating Volumes

The Port Authority shattered passenger, vehicular, and cargo records at virtually all its facilities in 2019. The full annual report provides details on these record operating volumes. Highlights include:

- The Port Authority's airports – led by the major commercial hubs of JFK International Airport, Newark Liberty International Airport, and LaGuardia Airport – handled a combined record of more than 140 million passengers. This represents the eighth consecutive year of record-breaking activity levels at Port Authority airports.

- The six bridges and tunnels connecting New York and New Jersey handled 244.4 million total vehicles, a 10-year high built on five years of steady growth.

- The Port Authority's marine terminals handled record cargo volumes, leading the Port of New York and New Jersey to surpass the Port of Long Beach, California, to become the second busiest port in the country for the first time in over two decades.

- The Port Authority's PATH commuter railroad handled its highest average weekday ridership in history.

- The World Trade Center and Oculus Transit Hub handled record levels of commuter and pedestrian foot traffic while the World Trade Center hit a new record in terms of the number of daily office workers active in the campus's four complete office towers.

Raising the Bar – Capital Plan

As the Port Authority's facilities supported record levels of activity from the traveling public and commercial customers in 2019, the regional significance of the agency's progress toward transforming legacy transportation facilities for the 21st century became ever more apparent.

In 2019, the Port Authority improved its ability to deliver both large and small capital projects on time and on budget. The Port Authority hit 94 percent of scheduled milestones across its more than 600 active capital projects, representing a year-over-year improvement in on-time performance of greater than 30 percentage points. Similarly, over 90 percent of capital projects proceeded on-budget in 2019.

The multibillion-dollar construction projects at LaGuardia Airport and Newark Liberty's Terminal One made strong progress in 2019, indicative of the progress made at Port Authority capital projects of all sizes across the Port District. At LaGuardia, following the opening of the airport's first new concourse in December 2018, new gates across what is now a total of two new concourses opened to praise from passengers. These new gates now serve more than one-third of all passengers traveling through LaGuardia. At Newark Terminal One, strong progress on construction advanced the redevelopment project, with the first section of gates on target to open by the end of 2021.

Raising the Bar – Advancement of Agency Priorities and Standards

As is laid out in greater detail in the body of this annual report, the Port Authority made tangible progress in 2019 in continuing to advance initiatives supportive of the agency's six priorities: safety and security, capital plan, customer experience, operational excellence, sustainability, and becoming an employer of choice.

The Port Authority has been able to advance these mission-critical priorities by strict adherence to six standards of performance: ethics and integrity, diversity and inclusion, global best practices, 21st-century technology, collaboration, and speed.

As we write, our region is dealing with the effects of the COVID-19 pandemic, which has upended lives, jobs, and commerce. As we look ahead at 2020, we know there will be great challenges for the Port Authority to face, but the agency will continue to focus on its mission to keep the region moving.

Sincerely,

Kevin J. O'Toole,
Chairman

Rick Cotton,
Executive Director


Gov. Cuomo at LGA Delta concourse opening


Gov. Murphy at the Bayonne Bridge dedication ceremony

The Port Authority was established by an Act of Congress on April 30, 1921, to serve the interests of the New York and New Jersey bi-state region.

Introduction

IN 2019, THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY continued "raising the bar," shattering records for the number of people, vehicles, and cargo using and passing through agency facilities. Throughout the year, the agency remained committed to the goal of delivering world-class, 21st-century infrastructure to the region while recognizing that a huge amount of work and great progress remain in order to achieve this goal.

Key highlights in 2019 include:

↑140.5m PASSENGERS

- Port Authority airports handled a record number of 140.5 million passengers by year end.

↑7.5m TEUS

- The Port handled record cargo volumes, more than 7.5 million TEUs in 2019 (up 4.1 percent from 2018), and broke records for cargo handled by rail, nearly 700,000 rail lifts (cargo imported by ship and immediately sent on west by rail), up 3 percent from 2018. The completion of the Port's ExpressRail system in 2019 – which now includes facilities in Bayonne, Elizabeth, Newark, and Staten Island, coupled with the completion of raising the Bayonne Bridge to accommodate ultra-large container ships, enabled the Port in 2019 to overtake Long Beach, Calif., as the second-busiest port in the United States for the first time in decades.

↑35.4m VEHICLES@GOETHALS

- The new Goethals Bridge set a new crossing record, with 35.4 million total vehicles crossing the span.

↑244.4m TOTAL VEHICLE TRIPS

- Port Authority bridges and tunnels continued their five-year trend of steady growth, handling 244.4 million total vehicles trips by year's end.

↑284k PATH PASSENGERS/DAY

- PATH handled a record average weekday ridership of 284,380 passengers, with some 52 weekdays above 300,000.

↑35k EMPLOYEES@WTC/DAY

- The WTC campus continued to flourish, as nearly 35,000 employees now work every day at a site that has been reintegrated into the fabric of Lower Manhattan.

Responsibly investing in infrastructure

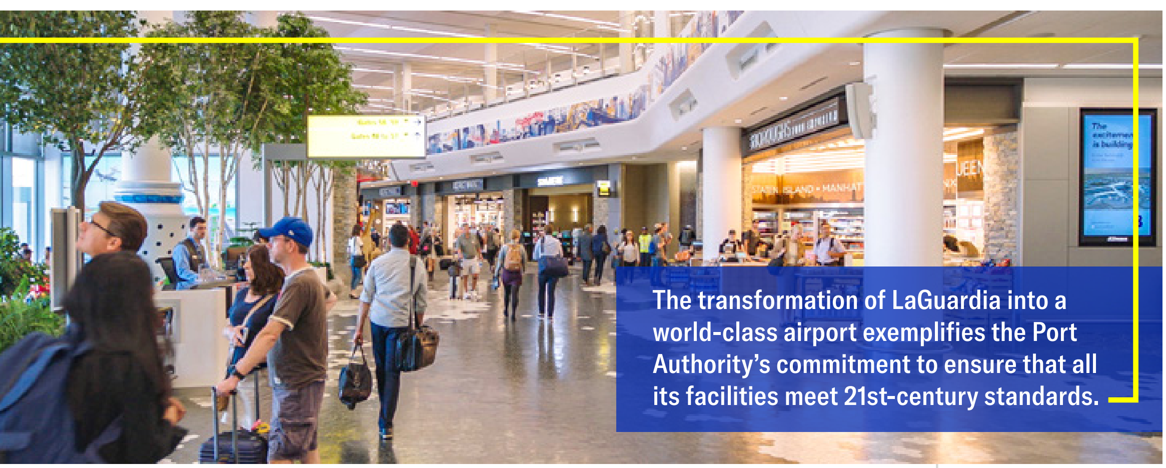
During 2019, the Port Authority dramatically advanced all its mega-projects – at its three major airports and at the Midtown Bus Terminal. The agency's transformative airport redevelopment projects hit major milestones in 2019.

At LaGuardia, five additional gates opened in June 2019 at the new concourse in Terminal B and the first new concourse on the Delta side of the airport opened in October. Also, in October, the steel frame topped out at the new state-of-the-art Terminal One at Newark Liberty International.

And in November at JFK, ground was broken on the American Airlines expansion at Terminal 8.

The Port Authority's commitment to build a new Midtown Bus Terminal continued in 2019 with the launch of the formal environmental review process for the Replacement Project – publishing the kickoff project scoping document and conducting both public hearings and a four-month public comment period. An intense engineering and design analysis – now underway – will develop considered and detailed responses to the highly substantive comments received.

The agency's transformative airport redevelopment projects hit major milestones in 2019.



The transformation of LaGuardia into a world-class airport exemplifies the Port Authority's commitment to ensure that all its facilities meet 21st-century standards.

Biennial Capital Plan Reassessment

In February 2017, the Board adopted a 10-year 2017–2026 Capital Plan. The 2017–2026 Capital Plan totaled $32.2 billion and included $29.5 billion in direct spending on Port Authority facilities. The plan also included a commitment to support debt service payments on $2.7 billion of Gateway Program Development Corporation low-cost borrowing for Phase 1 of the Gateway Program, subject to certain conditions.

As part of the adoption of the 2017–2026 Capital Plan, the Board required that every two years the Capital Plan be reassessed considering then-current information as to capital capacity and the progress of capital projects. The 2019 Capital Plan reassessment process involved a complete staff re-examination of the priority that had been assigned in 2017 to each of the State of Good Repair (SGR) projects and either continued or reprioritized them based on their 2019 current condition.

In addition, the Board's reassessment increases the Plan by $4.8 billion, of which 94 percent is expected to be funded through additional project-specific revenues. This reassessment includes the addition of four projects: a new AirTrain Newark, the PATH Improvement Plan, constructing electric vehicle infrastructure to support the agency's electric vehicle initiative, and planning for a new world-class Terminal Two at Newark Liberty International. The reassessment also includes updates to project costs based on departmental planning and preliminary engineering, including JFK redevelopment, AirTrain LGA, and Newark Terminal One redevelopment, plus technical adjustments to the Plan to reflect Board actions in 2018.

Agency Priorities

The Port Authority is focused on the implementation of six agencywide priorities to accomplish its mission:

- Safety & Security
- Capital Plan
- Customer Experience
- Operational Excellence
- Sustainability
- Employer of Choice

Supporting the agency's six priorities are six standards. These standards are how the Port Authority meets its priorities:

- Integrity
- Diversity & Inclusion
- Global Best Practices
- 21st-Century Technology
- Collaboration
- Speed

In the following pages, the Port Authority's 2019 accomplishments are outlined under these 12 headings.

A foundation built on its workforce

The sixth agency priority – Employer of Choice – introduced in 2019, reflects the Port Authority's commitment to attract and retain the best and brightest workforce in the region. From its support and development of Employee Business Resource Groups (EBRGs) that bring diversity and inclusion to the forefront of all the agency does, to initiatives such as a new Employee Referral Program and enhanced family-friendly policies, the Port Authority, with the support of its Board of Commissioners, is taking a leadership role.

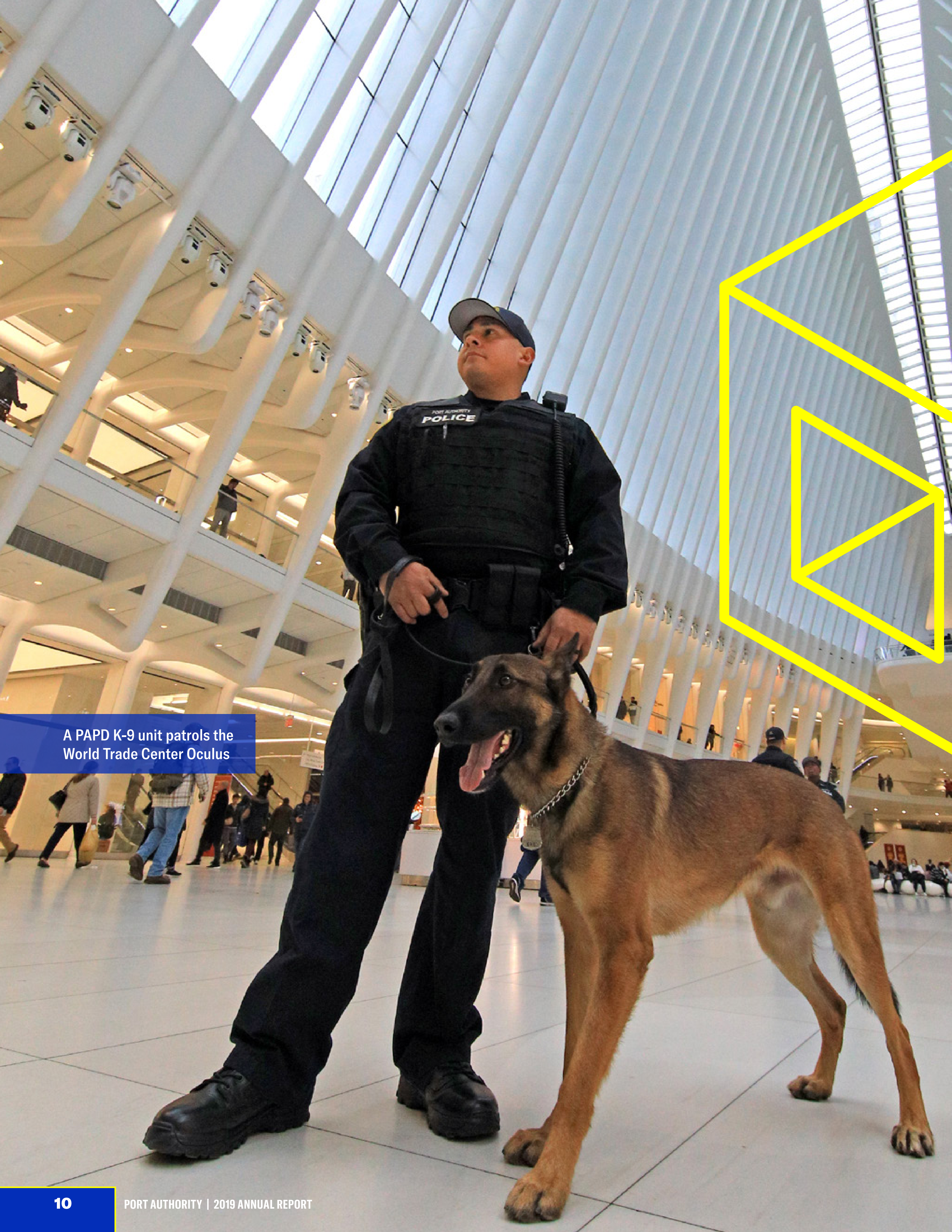
The Port Authority is more than four bridges, three major airports, two bus facilities, two tunnels, the Port, PATH, and the World Trade Center. The agency is more than its buildings and infrastructure; it is 8,000 committed employees.

Everything that 8,000-person workforce accomplishes is for the people of this region.

The Port Authority, established by a Congressional compact on April 30, 1921, was created to move people and goods. Moving forward is in the agency's DNA. In 2019, the Port Authority shattered records and pushed toward greater excellence. But there are new milestones to reach, new levels to rise to meet.

In 2019, the Port Authority built upon nearly 100 years of legacy achievements.

The Port Authority's emphasis on diversity & inclusion ensures that its workforce and contracts reflect the diversity of the region it serves. It offers opportunity and advancement not only to staff and contractors but to the region as a whole.



A PAPD K-9 unit patrols the World Trade Center Oculus

PAPD at LaGuardia Airport

Safety & Security

ENSURING THAT Port Authority facilities and the people moving through them are safe is the agency's first priority. In the decades since the Feb. 26, 1993, and the Sept. 11, 2001, WTC attacks, the Port Authority has been committed to continually upgrade facility security, cybersecurity, and its emergency management efforts. In 2019, the Port Authority expanded its police force, updated numerous emergency operations plans, increased security cameras in airport terminals, and launched a new state-of-the-art radio communications program.

Additionally, full-scale training exercises, functional exercises, critical-incident response and recovery courses, incident response training, and incident command training were conducted at various Port Authority facilities in 2019.

Port Authority Police Department

The ranks of the PAPD have grown in strength and diversity to protect the region it serves.

The Port Authority Police Department (PAPD) is the public face of security across all Port Authority facilities. In 2019, it graduated its 117th and 118th recruit classes, bringing the department's staffing to over 2,100, its highest level ever.

Through a variety of internal and external partnerships, PAPD is developing and carrying out best-in-class strategies to keep millions of travelers safe every day.

- PAPD, Port Authority Office of Emergency Management, Port Authority facility operations staff, and local police, fire, and security departments staged various emergency response drills across all facilities. These drills included full-scale exercises, tabletop exercises focused on recovery, active-shooter drills, and incident command system training in order to maximize customer safety and restore operations quickly and efficiently during any emergency.

- PAPD undertook the training of two new police officer training classes to ensure that the agency has the police resources to carry out our security objectives.

- PAPD counterterrorism strategies continued to ensure public safety, customer service, and port operations. These efforts include a Counter Terrorism Intelligence Bureau, Tactical Hardening Response Emergency Activation Teams (THREAT), explosive detection K-9s, commercial vehicle inspections, radiation detection, chemical/biological detection, target hardening, risk assessments, and community outreach.

Securing restricted access areas at our facilities ensures public safety.

- Investigative assets were deployed to the Joint Terrorism Task Force, High Intensity Drug Trafficking Area, Drug Enforcement Administration, and U.S. Marshals Task Force to ensure that Port Authority interests were represented and protected at both national and international levels.

Each Port Authority facility has unique challenges that must be addressed via specific PAPD deployments, critical infrastructure security checks, and geographical demands. PAPD officers are trained to work at each facility, recognizing the unique security challenges at each.

The PAPD has specialized assets that are designed to effectively and efficiently address and mitigate emergency situations that may arise at a facility, including armored and emergency services vehicles, explosive detection canine units, command vehicles, and urban search-and-rescue trucks.

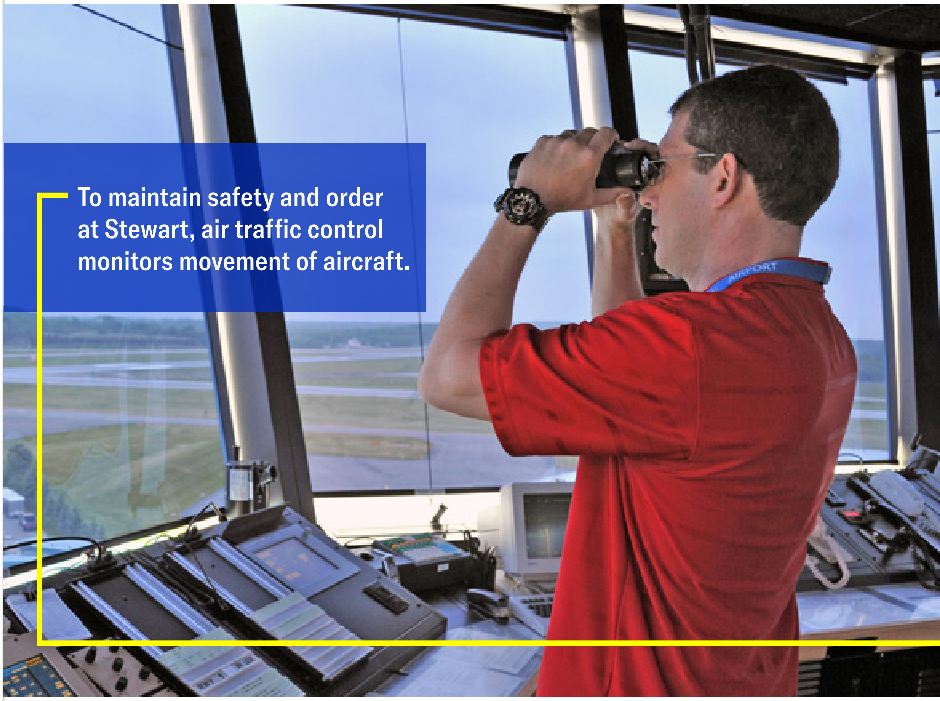
Security preparedness

To keep in line with 21st-century emergency response and crisis communication methods, in 2019, the Office of the Chief Security Officer updated and standardized numerous facility emergency operations plans, including:

- A major Emergency Operations Plan (EOP) initiative that involved the participation of Port Authority operations, security staff, and the Office of Emergency Management. Each facility-specific EOP addresses roles and responsibilities of facility staff: defines the facility's connections with local, state, federal, and private organizations; describes resources that may be activated, both internally and through Mutual Aid Agreements; addresses disasters and emergencies; and ensures consistency with current policy guidance.

- The Agency Crisis Communications Plan and Guidebook, which assigns specific roles and responsibilities to individuals, establishes a method of notification, and provides a framework for how information will be managed during an incident. It also includes tools and templates to guide its implementation.

- Security Awareness Training: A computerized security awareness training program for all non-represented employees was released in 2019, concluding in January 2020.



To maintain safety and order at Stewart, air traffic control monitors movement of aircraft.

Reducing airport solicitation

- PAPD took the lead in developing strategies to combat hustling – the illegal solicitation of ground transportation at the airports – across LaGuardia, John F. Kennedy International, and Newark Liberty International Airports to improve the customer experience and prevent dangerous solicitation of patrons. Additionally, the Port Authority Law Department negotiated and executed a Memorandum of Understanding with the New York City Taxi and Limousine Commission to provide for reciprocal information sharing and cooperation related to hack enforcement.

Increasing PAPD visibility at PATH

- As part of the PATH Improvement Plan announced in 2019, the deployment of PAPD and K-9 units will be improved at stations during peak operational hours to provide faster response times to reports of unattended baggage or bomb threats.

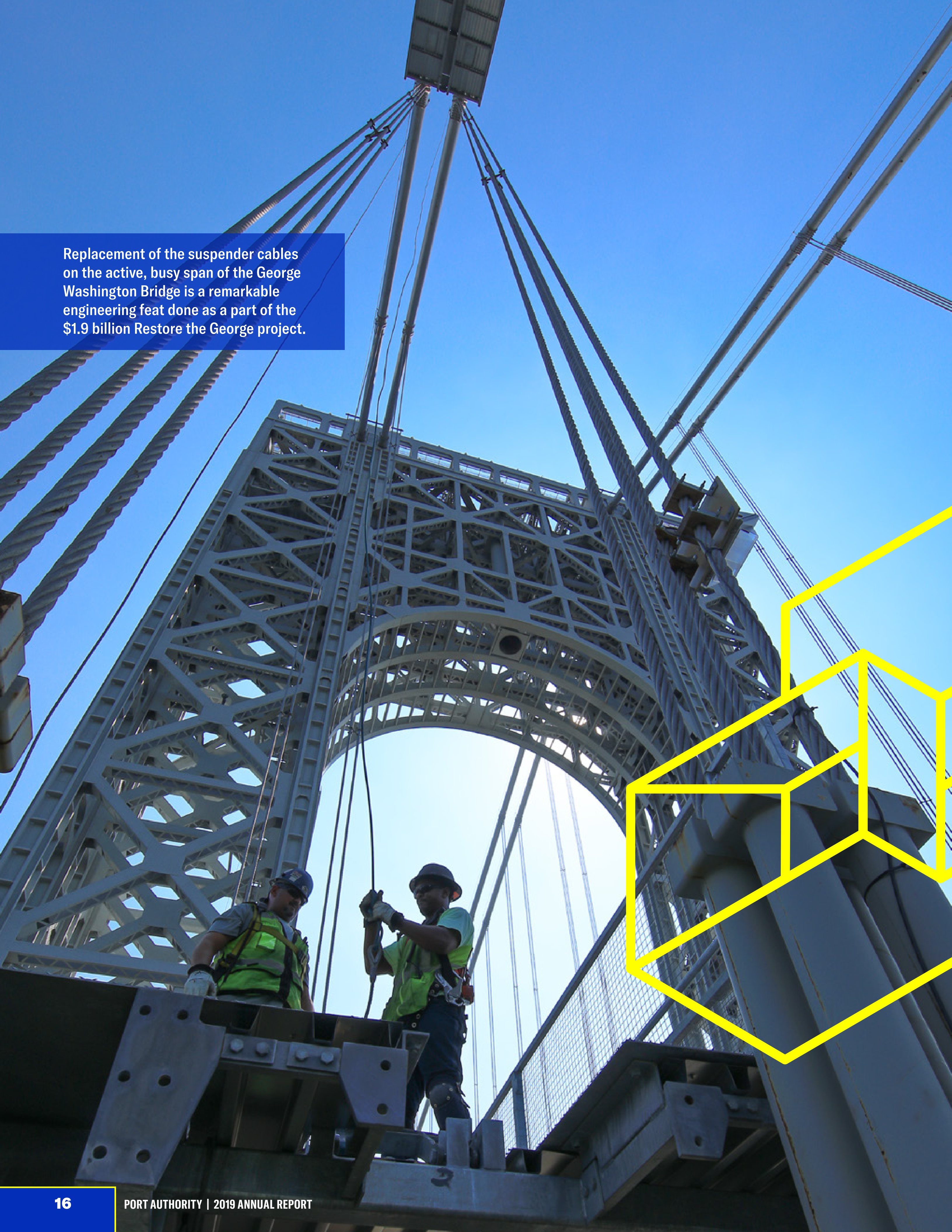
New emergency operations center at PABT

- In April 2019, a new PABT-EOC was commissioned at the Midtown Bus Terminal. Working with PABT Maintenance and Operations, as well as the agency's technology department, the space was fit out with new monitors, phones, and computer equipment to facilitate the convening of staff in the event of an emergency. Capability was provided in the new EOC for viewing PABT facility cameras, accessing the public address, mass notification, visual paging, and TRANSCOM systems.

The PAPD helps safeguard the PATH system.

Emergency operation centers monitor the region to maintain safety at all our facilities.

PATH’s operations center enables us to prioritize the safety of the system.



Replacement of the suspender cables on the active, busy span of the George Washington Bridge is a remarkable engineering feat done as a part of the $1.9 billion Restore the George project.

THROUGH THE LEADERSHIP OF THE BOARD, the Port Authority is once again true to its founding mission of building new bridges, airports, and infrastructure across the region. This investment is made possible by the Board's action in 2019 of reaffirming the 2017–2026 Capital Plan, an historic high of $37 billion, including a $4.8 billion increase over the Plan's level at its original adoption.

The Port Authority is a self-funded, independent agency that does not rely on taxpayer dollars or funding from the states of New York and New Jersey. The agency maximizes non-toll and non-fare revenues – which represent nearly two-thirds of the agency's revenues – and leverages private-sector investment in its facilities.

Still, these revenues are insufficient to cover the full cost of rebuilding, upgrading, and maintaining the Port Authority's facilities to meet 21st-century standards. In 2019, the Board followed through on prior Board actions in 2008, 2011, and 2017 that mandated automatic inflation adjustments to tolls, fares, and other fees.

The Board listened and responded to the public after these proposed increases and adjustments were announced, continuing its pledge to be transparent in its action. The final Board action reflected that input and kept true to prior Board actions to end underinvestment in the region's infrastructure. The increases and adjustments were rationally indexed to inflation and are consistent with peer agencies.

In 2019, the Board approved a biennial Capital Plan reassessment, increasing the Plan by $4.8 billion to $37 billion. Ninety-four percent of that increase is expected to be funded through additional project-specific revenues.

Capital Plan

Progress on the façade of the new arrivals and departures hall shows the rapid progress in 2019 in the building of "A Whole New LGA."

Additional gates at the first new concourse of LaGuardia's Terminal B opened in 2019.

The 2019 Capital Plan reassessment added or adjusted the following major projects:

- $2.05 billion for a new Newark AirTrain
- $2.05 billion new LaGuardia AirTrain
- $1.9 billion incremental Port Authority investment for the JFK Redevelopment Plan
- $350 million incremental Port Authority investment for the EWR Terminal One Redevelopment
- $200 million toward the PATH Improvement Plan
- $50 million toward building out electric vehicle infrastructure
- $35 million toward planning for a new world-class Newark Liberty Terminal Two

Airports

The Port Authority continued its unprecedented plan for the simultaneous rebuilding of its three major airports as it continues to implement the Board's commitment to deliver world-class 21st-century airports to the region. In 2019, LaGuardia, JFK, and Newark Liberty were fully engaged in total airport transformation plans.

LaGuardia

LaGuardia is well on its way to be the first wholly new airport built in the U.S. in 25 years under the ambitious $8 billion plan to build "A Whole New LGA."

- On the western half of the airport, a brand-new concourse opened in two phases, with 11 gates opening in December 2018 and another five gates in May 2019.
- In November 2019, Delta opened in the first new concourse of Delta's new Terminal C that will occupy the eastern half of the airport.

With these new concourses now open, one-third of all of LaGuardia's passengers are traveling through new gates of the future "Whole New LGA."

LaGuardia remains the only major airport in the region without a rail link. In October 2019, the Board approved $2.05 billion to fully fund the AirTrain LGA Program, which will provide a mass-transit connection to LGA. In May 2019, the FAA formally launched the environmental review process for this vital infrastructure project.

Newark Liberty International

Newark Liberty achieved a significant construction milestone in the building of the new, $2.7 billion state-of-the-art EWR Terminal One with the topping out of the terminal's steel frame in October 2019. The Terminal One project at EWR – the largest design-build project in New Jersey history – will add 1 million square feet of space, 33 new gates, and a common-use layout, and will serve as an economic boon to the region. Terminal One will replace the outmoded Terminal A and is racing toward a partial opening in 2021, with completion scheduled for the end of 2022.

The Newark Airport Redevelopment program gained momentum in 2019 as the Board took the major step to approve $2.05 billion for a brand-new AirTrain Newark. The increase in the Capital Plan for the new AirTrain is informed by previously authorized planning efforts and is projected to be covered by airline cost recoveries, rental car fees, future period passenger facility charges, and fare box revenues, as well as reduced spending elsewhere in the Aviation Capital Plan.

Continuing its historic agency commitment to New Jersey, the Board also approved $35 million to commence planning for a new world-class Terminal Two at Newark Liberty, to replace the aging existing Terminal B, part of the Port Authority's broader effort to move Newark Liberty International Airport, consistent with all Port Authority airports, to the top echelon of customer rankings.

JFK

JFK is the site of a comprehensive $13 billion redevelopment program – which includes $12 billion in private funding – that will turn JFK into a modern, unified facility that will collectively increase its capacity by nearly 15 million passengers a year.

- In May 2019, the brand-new TWA Hotel opened at JFK. The former Trans World Airlines Flight Center, designed by Eero Saarinen, was restored to its original 1962 luster after nearly two decades of disuse.

- In November 2019, construction began on a nearly $350 million renovation of American Airlines' Terminal 8.

Groundbreakings on the two new international terminals that are the largest pillars of JFK's $13 billion transformation are expected to take place in 2020.

Opened to acclaim in May 2019, the TWA Hotel is the first sign of what's to come in the transformation of JFK into a 21st-century airport.


The massive construction of the new EWR Terminal One continues at a rapid pace.

Also, in November, JFK Runway 13L-31R was completed as an expanded 200-foot-wide, top-of-the-line concrete runway, on time and on budget, widening it by 33 percent to accommodate larger aircraft and extending the runway life up to four times longer than the previous asphalt paving.

Community outreach offices

In 2019, the Port Authority continued its unprecedented agencywide outreach to communities near major airport redevelopment projects at Newark Liberty, JFK, and LaGuardia, with the opening of community outreach offices across the region.

The agency recognizes that these major construction projects will impact local communities. These outreach offices in New York and New Jersey will enable input from these local communities on steps to ameliorate those impacts and to ensure that benefits from the redevelopment programs accrue to the surrounding community. These outreach offices also will help facilitate the agency's priority to enhance diversity and inclusion initiatives.

In March 2019, the JFK community outreach office opened in Jamaica, Queens, to support the $13 billion ($12 billion from private funding) redevelopment of the airport.

In April 2019, a community outreach office opened in Newark to support the $2.7 billion Terminal One Redevelopment Program at Newark Liberty. An additional New Jersey community outreach office to support the Newark Liberty project opened in Elizabeth in May 2019.

All Cashless Tolling came to the Outerbridge Crossing in April 2019.

Finally, in December, a community outreach office opened in East Elmhurst, Queens, to support both the $8 billion LGA Redevelopment Program and the coming AirTrain LGA project.

These new outreach offices joined with the community redevelopment outreach office already operational at the Midtown Bus Terminal to support planning efforts to build a brand-new bus terminal.

Tunnels, Bridges and Terminals

The Port Authority's 2017–2026 Capital Plan for the agency's Tunnels, Bridges and Terminals division supports several crucial projects. The plan includes funds to build new facilities and upgrade existing ones, including $3 billion dedicated to the planning and construction of a new Midtown Bus Terminal. The agency's work in 2019 also saw the final completion of the new roadway on the new Bayonne Bridge. This followed the completion in 2018 of the new Goethals Bridge. Also underway is the historic "Restore the George" program, dedicated to rehabilitating the 88-year-old George Washington Bridge.

Bridges

Rebuilding and Renovating

The 88-year-old Bayonne Bridge – a major engineering and historic landmark and the longest steel arch bridge in the world when it first opened in 1931 – was rededicated in June 2019 following the completion of a $1.7 billion project to (1) raise the bridge's roadway to allow the world's largest container ships to call on terminals in the Port of New York and New Jersey, and (2) reconstruct its 80-year-old roadway to provide new, wider lanes and shoulders for motorists.

In 2019, the Port Authority's $1.92 billion "Restoring the George" program to overhaul the 88-year-old George Washington Bridge over a 10-year period reached two key milestones in advancing the program's 11 state-of-good-repair projects. First, the agency is racing toward the completion of replacing all 592 suspender ropes by hitting the 30 percent

From the Palisades Interstate Parkway in New Jersey, to the suspender cables of the bridge itself, to the approaches to the George Washington Bridge Bus Station in New York – the George Washington Bridge is being fully rehabilitated.

milestone of total suspender cables replaced on the world's busiest crossing. Second, the $67 million new helix linking the Palisades Interstate Parkway to the George Washington Bridge opened in March 2019 to provide a safer critical approach to the bridge that connects the southbound Interstate Parkway to the bridge's upper-level roadway.

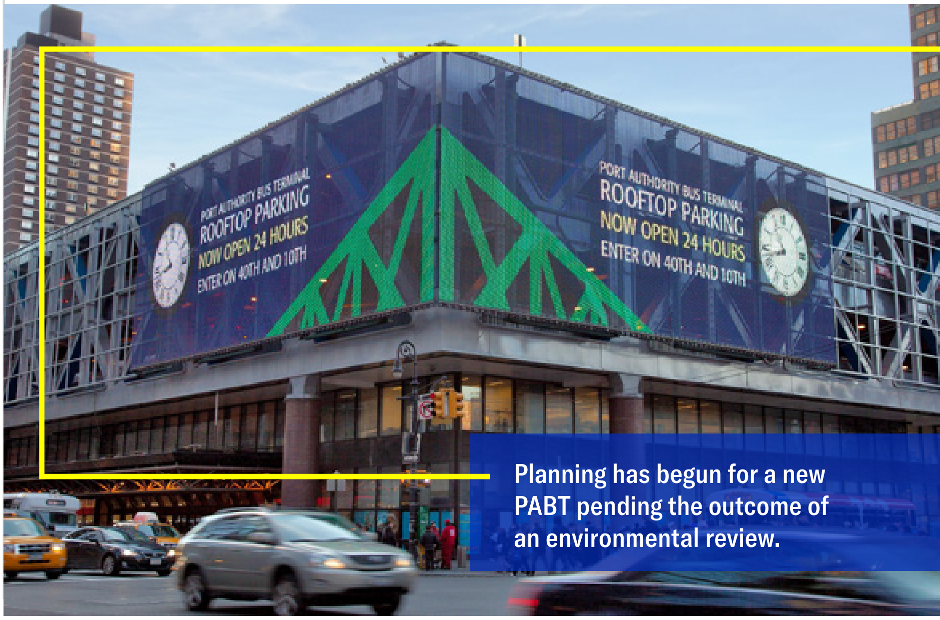
All Cashless Tolling

All Cashless Tolling (ACT) reduces congestion and accidents, and improves air quality by reducing idling at toll booths. The system is a more efficient, more technologically advanced method to increase the speed of traffic at the agency's crossings. The switch to the 21st-century cashless system was completed in 2019 at all three Staten Island–New Jersey bridges.

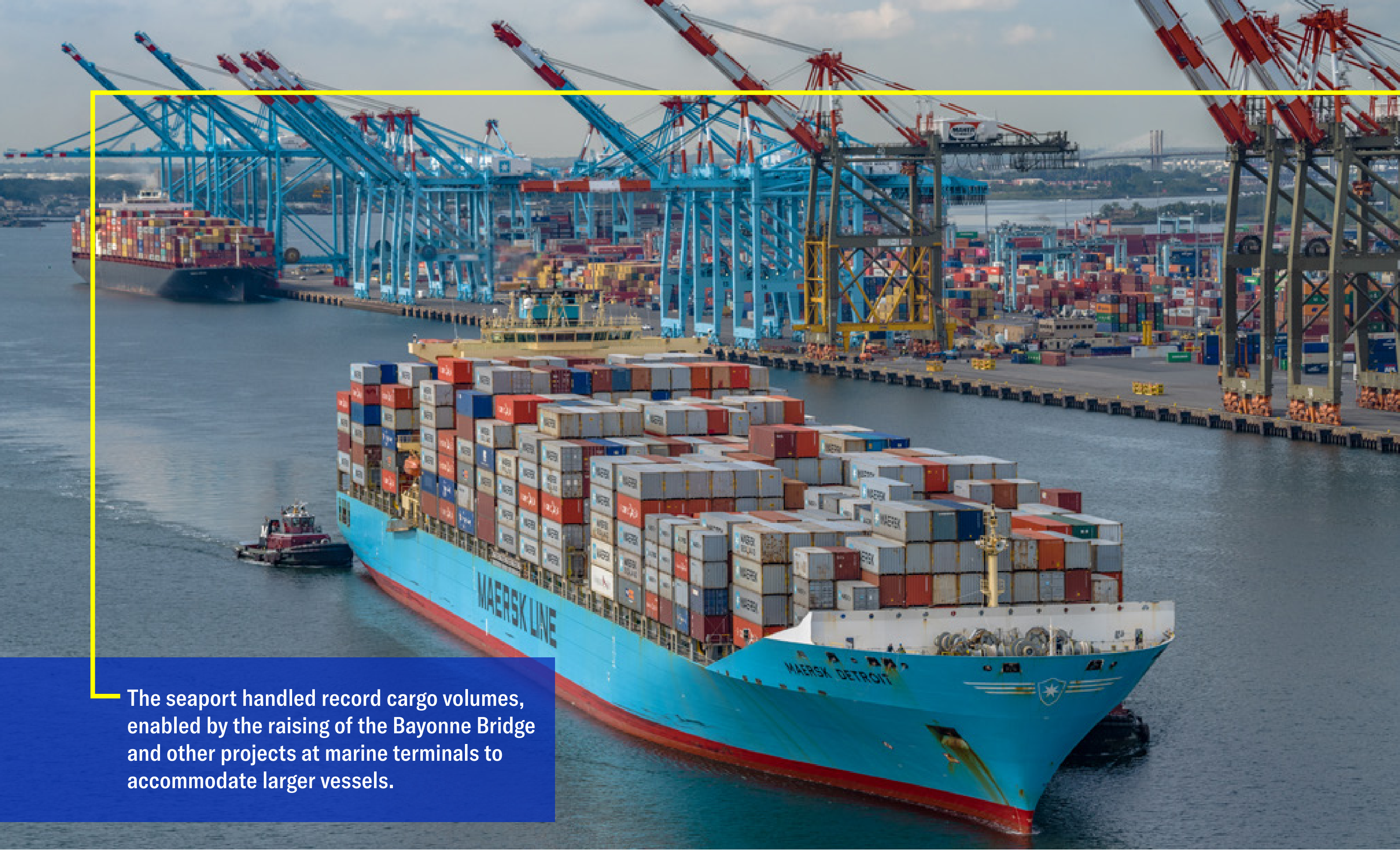
The Outerbridge Crossing converted in April 2019 and the Goethals Bridge followed in September 2019. The Bayonne Bridge has been cashless since February 2017.

In July 2019, the Board approved a $240 million project to provide the infrastructure required to install an open-road ACT tolling system at the George Washington Bridge and the Lincoln and Holland tunnels.

The three Hudson crossings are expected to be converted on a phased basis beginning in late 2020 and concluding in mid-2021. At that time, all Port Authority crossings will have been converted to cashless tolling.



Planning has begun for a new PABT pending the outcome of an environmental review.



The seaport handled record cargo volumes, enabled by the raising of the Bayonne Bridge and other projects at marine terminals to accommodate larger vessels.

Midtown Bus Terminal

In May 2019, the formal environmental review process for the full replacement of the Midtown Bus Terminal began. The terminal is a vital connection between New York and New Jersey for hundreds of thousands of daily commuters, as well as a critical regional transit hub. Opened in 1951 and expanded only once in 1981, the Midtown Bus Terminal can no longer accommodate growing passenger demand.

The initial stage involved the release of a scoping document for public review and comment. Public review included a robust 120-day public outreach process for soliciting comments, with public hearings conducted in both New York and New Jersey. A comprehensive engineering and design analysis is underway to develop considered and detailed responses to the comments received.

Port

The Port achieved two significant milestones in 2019: the publication of the 30-year Port Master Plan and the completion of the ExpressRail system that connects the Port to long-haul freight railroad networks serving markets in the center of the country.

The Port Department issued its Port Master Plan, which charts the course for future growth and development at the Port of New York and New Jersey. The Plan takes a holistic look at the Port strategies needed to keep its place as the busiest port on the East Coast and as the second-busiest port in the nation, generating hundreds of thousands of jobs and billions in economic activity in the region.

The ExpressRail system was completed in 2019 with the fourth and final major railroad facility that allows ship-to-rail cargo transfers and connects the busy East Coast Port via mainline freight railroads to the Midwest.

Port Master Plan

In July, the Port Authority unveiled a comprehensive 30-year plan to accommodate future growth and development of the Port of New York and New Jersey. The “Port Master

Plan 2050" lays out a flexible road map for the next generation of land-use and infrastructure development projects at the Port of New York and New Jersey, taking a holistic look at the Port, including cargo container facilities, automobile terminals, dry and liquid bulk cargo operations, cruise terminals, and ferry landings.

The primary objectives of the Master Plan are to identify opportunities for growth through stakeholder engagement to improve the Port's commercial value by investigating opportunities to maximize lease revenue, to provide a road map for future development that will enable the Port to continue to serve as an economic engine for the region, and to promote safe, resilient, and environmentally sustainable operations in partnership with its tenants.

The Port Master Plan focuses on five guiding principles:

- Ensuring sustainability and resiliency in all operations and future developments
- Promoting regional economic generation
- Establishing state-of-the art facilities
- Providing a platform for partnership for all local stakeholders
- Shaping future growth of the region

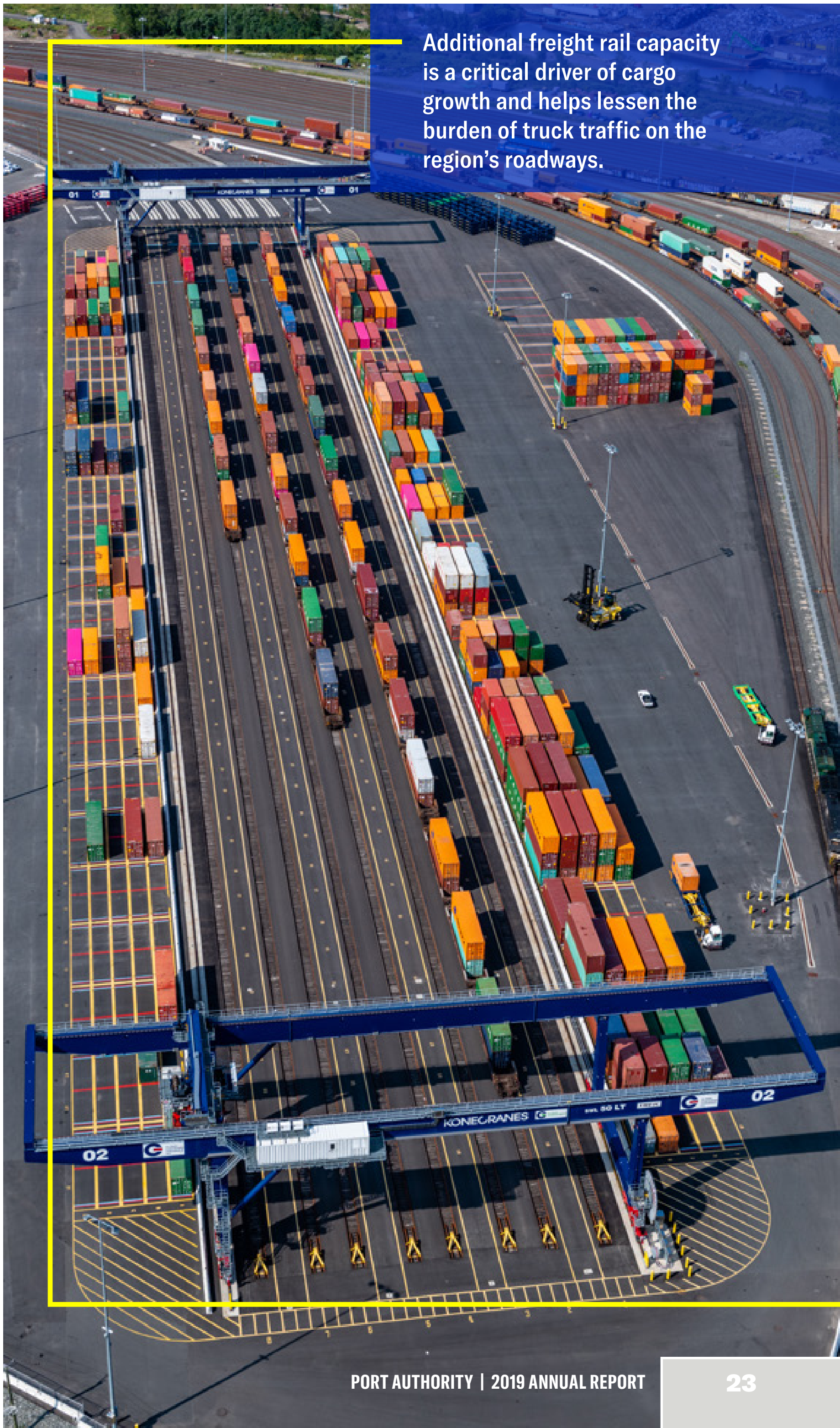
ExpressRail system

In 2019 the Port Authority completed the development of the massive $149 million ExpressRail Port Jersey facility, operated by GCT Bayonne – the final piece of the Port of New York and New Jersey's intermodal rail network spanning facilities in Elizabeth, Newark, and Staten Island.

The new facilities, coupled with the completion of the raising of the Bayonne Bridge to accommodate ultra-large container vessels and over $4 billion in other modernization initiatives over the past two decades, have led to unprecedented cargo growth at the Port.

The completed ExpressRail system culminates a $600 million Port Authority capital investment program that has now established direct rail access to on-dock and near-dock intermodal rail services at all its major marine terminals. These facilities connect the Port of New York and New Jersey via freight railroads to the Midwest.

In 2019, the Port handled a record 665,000 rail lifts, with capacity for more.



Additional freight rail capacity is a critical driver of cargo growth and helps lessen the burden of truck traffic on the region's roadways.

Overall Port Performance

Release of the Master Plan and completion of the Express Rail system comes at a time when the Port of New York and New Jersey is experiencing record cargo growth, which, in 2019, pushed it into the position of No. 2 in the nation for the first time in two decades, surpassing the Port of Long Beach, Calif.

Opening of a 21st-century headhouse at the new Harrison Station, the first new PATH station in New Jersey in over 20 years.

In just a decade, between 2009 and 2019, the number of containers handled at the Port of New York and New Jersey grew from more than 2.7 million in 2009 to 4.2 million in 2019, an increase of 59.8 percent.

In 2019, the Port set a new record for cargo, handling 7.5 million TEUs (20-foot equivalent units).

PATH

The PATH Improvement Plan announced in 2019 sets ambitious goals for increasing capacity across the busy New York–New Jersey lines, reducing delays, and improving overall customer service. (The PATH Improvement Plan is detailed under Customer Experience.)

Additionally, in 2019, PATH opened the second headhouse at Harrison, part of a brand-new PATH station that is in line with today's 21st-century standards. And the agency continues to move forward in making repairs to the system's infrastructure that was damaged in Superstorm Sandy.

Harrison Station

In 2019 the Port Authority completed the second phase of the new $256 million PATH Harrison Station, a necessary undertaking designed to improve the commute for thousands of PATH customers each day.

The new PATH Harrison Station features an airy, light-filled glass-and-steel design and modernized amenities. It is glass-enclosed, with weather-protected station entrances, modern elevators, widened stairs, and escalator access to the platform. In addition, it has an extended platform that could accommodate longer, 10-car trains on the Newark–WTC line in the future.

Sandy restoration

Superstorm Sandy caused massive flooding that damaged vital PATH signal and switch systems in 2012. In 2019, PATH continued its wide-ranging plans to repair Superstorm Sandy damage to stations, tunnels, and equipment through 2019, completing the first of two years of repairs that necessitate 45 weekend closures throughout the year.

At the WTC site, corrosive salt water ruined much of the underground electrical and mechanical systems. In 2019, PATH initiated major repairs to the tunnel leading to the WTC to replace PATH's tracks, third rail, electrical, signal, and communications infrastructure.

Resilience projects also have begun at Hoboken, Exchange Place, and Newport stations. Escalators, elevators, and stair wells are being replaced and flood-protection measures are being installed in order to better withstand future storms.

World Trade Center

At the start of 2019, the rebuilt WTC campus had made major strides forward, with many of the final pieces of the WTC's transformation into an integral part of the Lower Manhattan community falling into place. Following the 2018 opening of 3 WTC and the reactivation of long-closed pedestrian streets, Dey and Cortlandt, notable progress continued in 2019 at the site of the future Ronald O. Perelman Performing Arts Center and at 3 WTC.

In the spring of 2019, a 374,000-pound, 34-foot-long 12-foot beam, dubbed "Big Boy," was delivered to the performing arts center construction site. The agency's delivery of the massive beam was the final step before above-ground construction could begin on the center. The 200,000-square-foot arts complex will house three theaters and represents the forward-thinking planning for a newly envisioned WTC campus. The construction of the performing arts center – a facility that did not exist on the original WTC campus – is part of the commitment to fully integrate the new WTC campus into the fabric of the Lower Manhattan community.

In September 2019, the 3 WTC transit lobby opened, providing access for both workers and visitors to 3 WTC – opened in 2018 – to PATH, New York City subways, and retail within the Oculus.

And in June, the Port Authority and the Lower Manhattan Development Corporation reached an agreement to release a request for proposals (RFP) for the development of 5 WTC. Development of the site of the former Deutsche Bank Building, which was severely damaged on Sept. 11, 2001, would represent a further major step toward the complete rebuilding of the WTC campus.

The Ronald O. Perelman Performing Arts Center begins to rise on the World Trade Center Campus.

Progress at the World Trade Center Campus continues to revitalize the Lower Manhattan community.

PATH reached 260 new next-train countdown clocks in stations and on platforms in 2019.

Election of members to the newly established Port Authority Bus Terminal Advisory Council took place in November to give a voice to commuters and community members at the Midtown Bus Terminal.

Customer Experience

"RAISING THE BAR" when it comes to customer experience goes beyond bricks and mortar, concrete and glass. The Port Authority has committed itself to improve the traveling public's day-to-day experience at its facilities and services. That is the very reason Customer Experience is one of the agency's six priorities.

In 2019, the Port Authority continued to build on the progress made in 2018, as it strove to deliver the 21st-century, world-class experience its customers expect and deserve.

Airports

At Port Authority airports in 2019, customers saw significant technological and facility upgrades that are designed to improve the passenger experience from the moment they arrive at the airport to the moment their airplane takes off.

Cleaner restrooms

Improving the customer experience at the Port Authority starts with the basics. In 2018, the Port Authority launched the “Project Clean” initiative to improve the condition of every

As a part of “Project Clean,” LaGuardia restrooms were rebuilt and renovated to improve the quality of the airport experience.

restroom in the Port Authority’s three major airports and to implement a plan to improve the quality of airport restrooms.

In 2019, the Port Authority made significant upgrades to over 300 restrooms. Renovations included total rebuilds as well as remodeling that included new tiles, lighting, fixtures, sinks, countertops, stalls, and partitions. As part of the Project Clean initiative, bathroom satisfaction data is collected through real-time feedback buttons in every restroom across the agency’s airport system. Satisfaction across all airports increased to 85 percent by October 2019.

21st technology, improving customer experience

Building upon the rollout of free, fast unlimited high-speed Wi-Fi across Newark Liberty, JFK, and LaGuardia in 2018, the Port Authority extended Wi-Fi coverage to all of JFK’s and Newark Liberty’s customs halls, with the exception of EWR’s Terminal C, which is expected to come online in 2020.

In 2019, the agency:

- Standardized Wi-Fi speeds across airport terminals to a minimum of 50 mbps, with most terminals providing Wi-Fi speeds of 100 mbps, with the goal of having all terminals at 100 mbps in 2020.
- Completely revamped airport websites, making them more user-friendly with vastly expanded information useful to passengers.
- Completed the rollout of real-time tracking of security and taxi wait times accessible via mobile-friendly websites, putting in the palm of passengers' hands needed information for planning their trips. Additionally, screens were installed at every TSA checkpoint so that passengers in line can see how long the queue is for pre-check and regular TSA screening.

Customer-experience specialists

Port Authority Airport Customer Experience Specialists (ACES) increased their focus on the customer in 2019. In addition to being available at Port Authority Welcome Centers, ACES were deployed to other key decision points across airports to assist arriving passengers to navigate through the airports. Equipped with tablets, ACES provided immediate answers to questions about getting around the region, finding hotels, locating area attractions, and booking ground transportation.

Improved taxi line management

All Port Authority airports have put in place taxi loading procedures designed to increase the speed with which passengers get to their taxis and have located taxi lines indoors to the maximum extent possible to protect passengers during inclement weather.

Passengers also need real-time information as they move through terminals to ground transportation locations. In 2019, the Port Authority deployed real-time, wait-time technology to track taxi wait times

An Airport Customer Experience Specialist (ACES) providing a customer with guidance at LaGuardia Airport.

and communicate to passengers. As the result of the agency's continued focus on improved airport customer experience at all touchpoints, service evaluation scores improved in 2019 for taxi dispatchers at JFK, EWR, and LGA.

Improved services for taxi and for-hire drivers

In 2019, the Port Authority improved services for drivers at taxi-hold lots and garages, including new restroom facilities, meditation facilities, and hand/foot washing facilities at JFK, EWR, and LGA. Additionally, the agency developed a long-term plan to improve permanent facilities for drivers at taxi lots and for drivers at lots for shared ride app-based services and other for-hire vehicle services.

Family-friendly amenities

Twenty-eight nursing suites for mothers were installed across airport terminals as part of the Port Authority's family-friendly agenda, which also included an initiative completed in 2018 to ensure availability of baby products in every terminal.

Improved employee training

As part of the Port Authority's effort to engage airport employees and acknowledge and reward behaviors that yield exceptional customer experiences, the agency launched the “We Soar Higher” training program in September 2019.

The training program, specifically designed for Port Authority airports, empowers airport customers and co-workers to nominate employees who have provided excellent service, and it also rewards employees who receive 100 percent service evaluation scores. Nominations are gathered monthly and up to 550 employees a month receive award certificates.

Bus Terminals

Midtown Bus Terminal

Millions of commuters and travelers depend on the Port Authority’s two bus facilities every year. The agency is committed to building a completely new, world-class bus terminal in midtown Manhattan, and planning progressed on that major capital project, as discussed earlier.

In addition, the Agency in 2019 continued to invest in the Midtown Bus Terminal, seeking to improve the customer experience, during the time that planning progresses for the building of a completely new, world-class bus terminal. In 2019, the agency advanced the “Quality of Commute program” at the Bus Terminal, completing the multi-year refurbishment of all 17 public bathrooms in the facility, the opening of the facility’s first-ever family restroom, the opening of a brand-new staircase and elevator lobby in the South Wing, and installing extensive new ceilings and lighting on the second floor of the South Wing.

Additionally, the agency’s retail agenda at the Midtown Bus Terminal advanced with the opening of three new stores, with more leasing activity underway.

To ensure that communities surrounding the Bus Terminal have a voice in both the operation of the existing Midtown Terminal and in the planning for a new Midtown Terminal, the Port Authority launched a Bus Terminal Advisory Council of commuters and community members who will provide critically important outside advice on operational and customer-focused initiatives at the Terminal.

George Washington Bus Station

- In August 2019, the agency opened The Juan Pablo Duarte Foundation Community Space at the George Washington Bridge Bus Station. The community center will serve as a Dominican cultural and educational hub, and as a meeting space for local community groups and organizations focused on the arts, culture, and history of the Dominican Republic. The center can provide space to accommodate community events for up to 150 people.

The George Washington Bridge Bus Station serves the community it resides in with a new community center.

New Director of Rail Transit/General Manager of PATH Clarelle DeGraffe discusses the PATH Improvement Plan. Announced in June 2019, the plan seeks to increase capacity, reduce delays, and improve the customer experience of our passengers.

- Continuing the retail development of the new GWB Bus Station, which opened in 2017, eight new shops opened in 2019 in the GWB Bus Station Market, the majority owned and operated by local entrepreneurs from the community around the Bus Station.

PATH

PATH Improvement Plan

In June 2019, PATH announced the PATH Improvement Plan, with its commitment to (1) increasing capacity by 40 percent on the Newark to World Trade Center line and 20 percent on PATH's other three lines within three years, (2) reducing delays, and (3) enhancing the customer experience.

Capacity increase – the capacity increase will come in two stages: First, a 10 percent increase which was put in place in 2019 on the morning and evening rush on the system's busiest line. Second, in 2022, a big 40 percent increase will be put in place on the Newark to World Trade Center line, with a 20 percent increase on the rest of the lines.

The second and more dramatic phase of PATH's ambitious plan to increase capacity coming in 2022 is made possible by three separate, key capital investments totaling $1 billion:

- PATH's new signal system, which allows trains to run safely closer together.
- The purchase of an additional 72 new rail cars to be delivered in 2022.
- Major reconstruction work on two stations to allow nine-car trains on the NWK to WTC line.

These initiatives will enable PATH to run nine-car trains (up from eight cars) on the Newark to World Trade Center line, and to run substantially more trains per hour during peak periods. By 2021, PATH will be able to carry 18,000 additional passengers during each of the morning and evening rush between Newark and the World Trade Center.

Reducing delays – In 2019 the agency also launched a $50 million set of major new initiatives to address the root causes of system delays as part of the PATH Improvement Plan. These initiatives are highly focused on achieving meaningful and measurable improvement of service.

PATH has identified six areas at the core of system delays: signal issues, switch failures, car equipment failures, track conditions, sick passengers, and unattended bags.

As the new PATH Improvement Plan is implemented, customers will start to see improvements, with PATH committed to full implementation of these measures in 2022.

Enhancing the customer experience – As part of the PATH Improvement Plan, the Port Authority has placed a major new emphasis on Customer Experience. To continue to improve the PATH experience, the agency in 2019 established the position of Assistant Director of Passenger Communications and Customer Service to serve as a customer advocate.

As first steps, in 2018 and 2019, PATH completed the installation of in-station and on-platform countdown clocks throughout the PATH system, with 260 screens now displaying next-train information. Also, constant upgrades continue to be made to the Ride PATH app (which was initiated in 2018), providing riders better access to real-time information, trip planning, and alerts.

Port

With respect to its commercial customers in 2019, the Port acted to improve access for customers to markets in upstate New York, New England, and Canada that could serve as new origins and destinations for intermodal freight transportation. This initiative focused on enabling port customers to transport their cargo by rail as opposed to truck to these Northeast destinations.

With sufficient demand identified by the Port Authority, the two Class One railroads serving the port – Norfolk Southern and CSX – now provide regular service to Syracuse, Worcester, Mass., and Eastern Canada.

With respect to improving the customer experience for truckers serving the port cargo terminals, the Port Authority's Truck Service Center (TSC) is a hub at which truck drivers serving the Port obtain their business and security credentials that are necessary to access the terminals. Following an extensive customer experience survey, the Port Authority extended the hours of operation at the TSC to align more closely with the hours and days the terminal is operating and streamlined certain key processes as an interim step leading to more technologically advanced solutions that are under development for implementation in 2020.

Also, in 2019, new wayfinding signs were installed and street lighting was upgraded

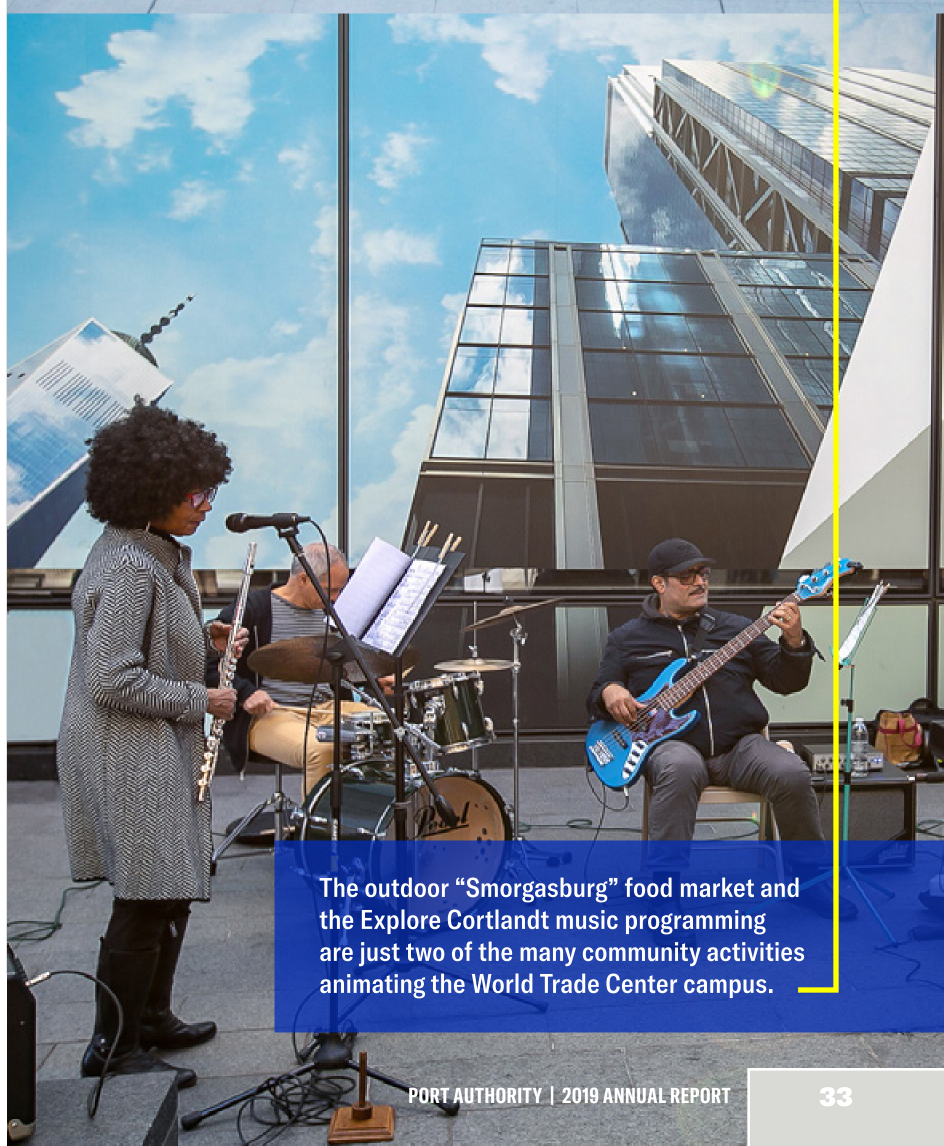
throughout Port facilities to provide for improved customer access.

And an online portal was deployed in 2019 for New York New Jersey Rail customers that allows them to view their rail car inventory and shipment status in real time and to advise the railroad of empty car availability without having to call or email the office to check. Additionally, an automated email notification system has been rolled out which advises customers when their rail cars have been delivered.

Word Trade Center

The WTC campus continues to “raise the bar,” as the campus becomes a vibrant component of the Lower Manhattan community.

- In 2019, the opening of the 3 WTC transit lobby in September provided better access to the subway, to the underground shops, and to the Oculus for the 35,000 daily workers and for visitors to the WTC campus.
- The agency continued its strong partnership with Westfield to host an energetic offshoot of the famous food market, Smorgasburg, in the Oculus Plaza, which became a regular staple for tourists and office workers alike throughout the summer.
- The WTC campus “activation” program became bigger and better in 2019, with the addition of Rooftop Films, a Holiday Market, a Farmers Market, a Women’s World Cup viewing, Explore Cortlandt music programming, a Lucky Rice Paddy installation, and Lunar New Year celebrations.
- The agency launched a modern, mobile-friendly WTC website that provides site visitors with information on attractions, events, and trip planning.

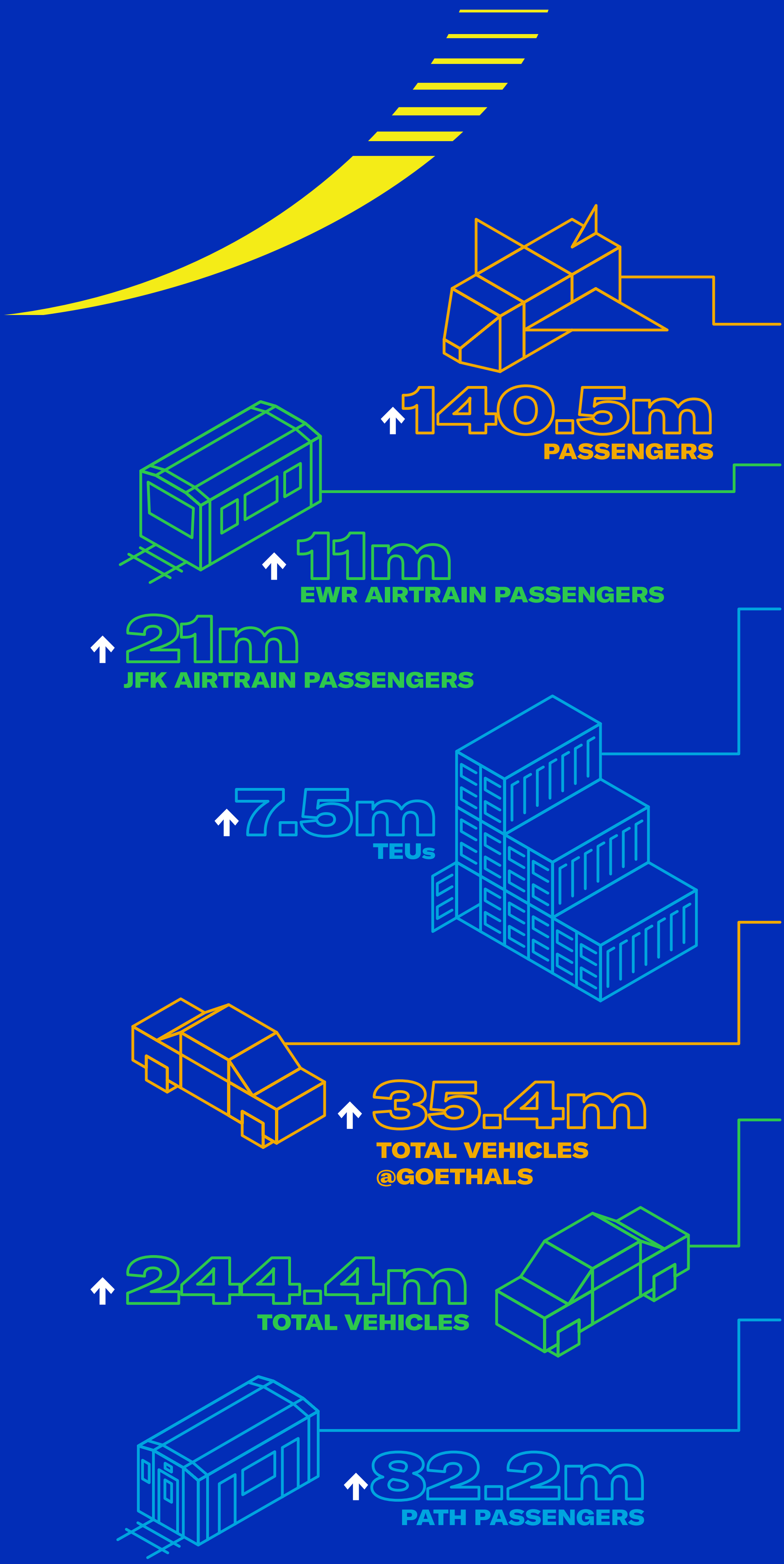


The outdoor “Smorgasburg” food market and the Explore Cortlandt music programming are just two of the many community activities animating the World Trade Center campus.

2019 saw a record 140.5 million passengers traveling through the Port Authority's commercial airports.

Operational Excellence

A KEY INDICATOR of the Port Authority's commitment to deliver world-class 21st-century services is the agency's continued record-breaking activity across its facilities. In 2019, the agency continued to break records for handling passengers, commuters, and moving cargo.



Facility Volumes

- A record 140.5 million passengers across all Port Authority airports.
- A record 21 million passengers at JFK AirTrain and 11 million at EWR AirTrain.
- Record cargo volume at the Port of New York and New Jersey with more than 7.5 million TEUs (a 20-foot equivalent unit (TEU) is the standard unit of measure for a container vessel's cargo load), up 4.1 percent from 2018, and a new annual record for cargo handled by rail.
- A record 35.4 million total vehicles at the new Goethals Bridge, 1.1 million more than last year's record-breaking volume.
- 244.4 million total vehicles were accommodated at all six Port Authority crossings, the highest annual volume reported in 10 years.
- PATH transported a record-breaking 284,380 average weekday ridership, with an annual total of 82.2 million and 52 weekdays with more than 300,000 passengers.

Financial performance

The Port Authority's financial results in 2019 were solid. The agency generated $2.3 billion in net operating revenue, which was on plan. This strong performance provides the necessary financial support for the agency's ambitious Capital Plan.

Negotiating collective bargaining agreements

In 2018, the Port Authority successfully reached agreements with all 12 Port Authority civilian and police unions.

In 2019, the Port Authority focused its efforts on reaching settlements with the 11 PATH railroad unions. Each of these unions had been working without contracts that expired in 2011 and 2012. By year's end, two PATH organizations had ratified agreements, representing nearly 30 percent of the organized workforce. Talks continue with the other unions.

Tenant construction alteration process

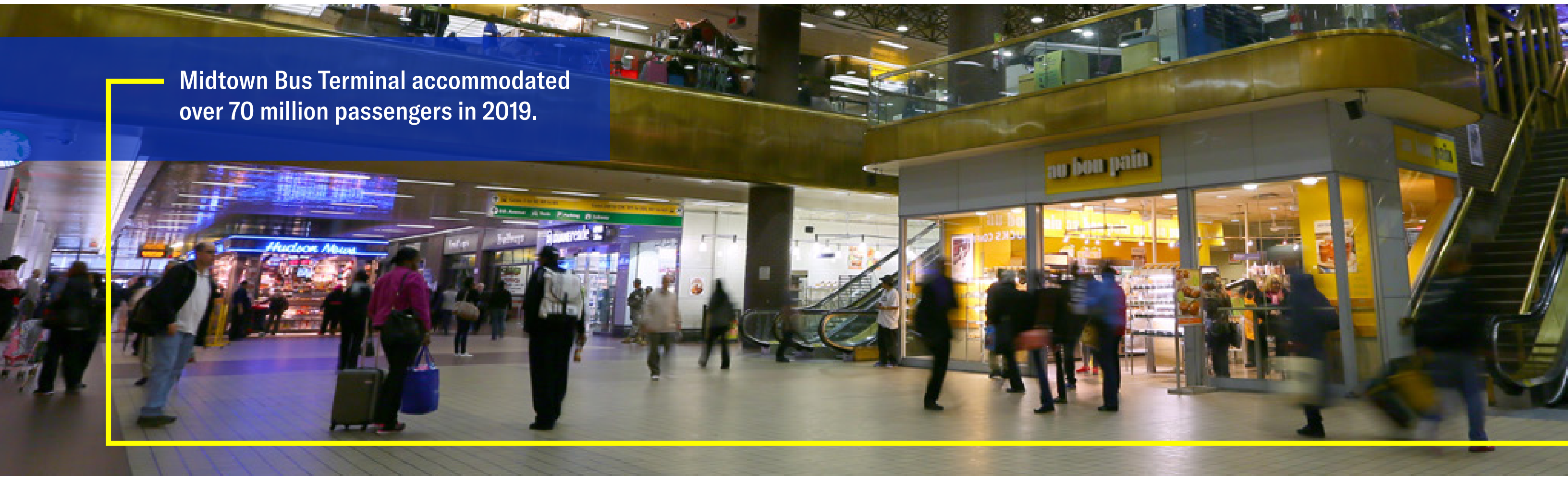
In 2019, the Port Authority launched and made significant progress on a comprehensive review of the Tenant Construction Alteration Process (TCAP), the main process by which Port Authority tenants and commercial partners seek code approval for designs and planned construction at Port Authority facilities. The objective of this review was to improve the experience of Port Authority tenants and significantly reduce the average turnaround time from initial design submissions to the closeout of construction.

A key priority was to make sure that reviews of design submissions were being returned in a timely fashion in order for construction to start as quickly as possible. An agencywide tracking system was implemented to actively manage projects, identify issues, and provide an end-to-end view of performance across the many groups which contribute to the process. In the last quarter of 2019, overall agency performance in returning plan reviews on or ahead of time was near 90 percent. Other improvements targeted at assisting tenants in completing their work more expeditiously and giving a smoother customer experience include creation of guidance documents with critical keys to success, collaborative workshops with tenant architects and engineers to resolve review comments, and early initiation of TCAP during lease negotiations. All these things contribute to the ability to have a tenant occupy or use their space as quickly as possible.

Additionally, the agency put in place a policy to accept digitally signed and sealed submissions and created a portal for tenants to submit contract documents electronically to speed agency processing of a wide variety of documents.

Airports

The record 140.5 million passengers who traveled through the Port Authority's four commercial airports – John F. Kennedy International, Newark Liberty International, LaGuardia, and New York Stewart International



Midtown Bus Terminal accommodated over 70 million passengers in 2019.

airports – represent an increase of 1.6 percent over the previous record of 138.3 million passengers in 2018.

LaGuardia handled 31.1 million passengers, a 3.3 percent increase over the previous passenger volume record set in 2018, while construction on a “Whole New LGA” is now at its highest level.

JFK International, with 62.6 million passengers, saw a 1.5 percent increase in passenger volume, including new records for both domestic and international passengers.

Newark Liberty International saw passenger volume increase more than 1 percent over record 2018 volumes to 46.3 million.

To protect these record-breaking achievements, the Port Authority established 24/7 Airport Operations Centers (AOCs) at Newark Liberty and LaGuardia airports, joining the AOC at JFK that has been operational since the final quarter of 2018. The AOCs enhance collaborative decision-making and efficiency in responding to emergency and non-emergency situations at the airports.

Bridges and Tunnels

The new Goethals Bridge opened in 2018 – the first new Port Authority bridge in 87 years – resulting in new record passenger volumes in 2019, with traffic volume records hitting 35.4 million total vehicles, a 6.6 percent increase over the 2018 record.

All three Staten Island Bridges – the Goethals and Bayonne bridges and the Outerbridge Crossing – collectively set a new vehicular traffic record in 2019, handling 72.2 million total vehicles, a 4 percent increase over the previous annual record set in 2018.

And all six of the Port Authority’s crossings collectively, including the Lincoln and Holland tunnels and the George Washington Bridge, accommodated 244.4 million total vehicles, the highest annual volume in 10 years.

The agency made all its crossings safer and more efficient while passenger volumes continued to rise in 2019. The PAPD collaborated with TB&T staff and the Engineering Department to reduce crash rates, utilizing strategies such as installing safety messaging and advisories and new GPS beacons at 10 targeted locations across Port Authority bridges and tunnels, resulting in increased safety and reduced delays for all customers.

Midtown Bus Terminal

The Midtown Bus Terminal accommodated over 70 million passengers in 2019, through 2.38 million bus movements.

↑6.6% vehicle volume increase at the Goethals from previous year

Ports

The Port of New York and New Jersey handled a record-breaking 7,471,131 TEUs (20-foot equivalent units), an increase of 4.1 percent over the previous record set in 2018. Adding to the growth at the Port was a 2.6 percent increase in imported goods.

In 2019, the Port surpassed the Port of Long Beach, California, becoming the second-busiest port in the United States. The Port handled one-third of all containers on the East Coast in 2019.

ExpressRail set another new record for cargo handled by rail, moving nearly 665,000 containers by rail, up 3.4 percent over the previous record set in 2018. The completion in 2019 of the ExpressRail Port Jersey facility, the fourth and final on-port rail facility in the agency's intermodal rail network, allows the port to advance its five-year strategic goal to handle more than 900,000 rail lifts a year.

In 2019, the Port Authority improved vehicle movements in and around ports. The PAPD worked with Port staff to develop and implement a successful three-pronged strategy to reduce overturned tractor trailers on the public roadways surrounding ports. The advanced strategy encompassed speed enforcement, new signage, and a robust external communications campaign. As a result of initiating this, there were no overturns on New Jersey Marine Terminal public roadways from June to December 2019.

PATH

The PATH system handled a record average weekday ridership of 284,380 passengers in 2019, moving more than 82.2 million passengers in total. The system handled its single-highest number of riders on July 24, 2019, with 311,317 riders – one of 52 weekdays in 2019 with over 300,000 riders.

To improve its operational performance, PATH introduced in June 2019 the PATH Improvement Plan. New technology and better, more targeted maintenance will address signal and switch issues, car equipment failures, and track conditions to reduce delays. PATH installed 260 countdown clocks in stations and on platforms, along with digital kiosks at every station to provide customers with transparent, timely and actionable information, improved in-station announcements, and PATHAlerts, and is reducing platform crowding through active platform management to improve the customer experience.

Electric buses are being utilized at Newark Liberty, JFK, and LaGuardia.

Solar panels atop PATH Harrison Station.

Sustainability

IN 2019, the Port Authority reduced direct greenhouse gas (GHG) emissions by 7,800 metric tons (mtCO2e), resulting in a 21 percent cumulative GHG reduction and demonstrating progress toward the agency's intermediate goal of 35 percent reduction in direct Port Authority emissions by 2025. The agency is committed to taking a lead in climate action and sustainability across its facilities and operations.

That is why Sustainability is one of the Port Authority's six core priorities. And that is why in October 2018, the Port Authority embraced the tenets of the Paris Climate Accord, the first public transportation agency in the United States to do so.

When the Board committed to the Paris Climate Agreement, it adopted aggressive interim greenhouse gas reduction targets of 35 percent by 2025 and 80 percent by 2050. In order to achieve these targets, the Port Authority announced 12 key greenhouse-gas abatement programs known as the "Clean Dozen," which provide much of the framework for the Port Authority's climate action plan.

These initiatives cover seven specific areas of sustainability and environmental action across the agency:

- Clean electric vehicles
- Energy efficiency
- Solar and renewable energy programs
- Building “green” facilities
- Clean ship practices for oceangoing vessels
- Offshore wind
- Partnering to combat climate change

Clean Electric Vehicles

The Port Authority is committed to converting its entire regular-route shuttle bus fleet of 36 buses at JFK, Newark Liberty, and LaGuardia Airports to an all-electric fleet. In 2019, the agency achieved a major milestone by electrifying 50 percent of the fleet – six buses at each airport.

These 18 electric buses are expected to collectively save approximately 270 tons of GHG emissions and approximately 40,000 gallons of diesel fuel each year. The zero-emissions buses will also improve local air quality by eliminating the emissions of approximately 2,000 pounds of nitrous oxide and 150 pounds of particulate matter each year.

The Port Authority’s vehicle electrification agenda also includes the goal of electrifying 50 percent of the agency’s light-duty vehicle fleet (between 600 and 750 vehicles) by 2023. At the end of 2019, the agency had electrified 122 light-duty vehicles, with a clear path toward hitting the 50 percent target on schedule.

In 2019, the Port Authority worked extensively with airport and maritime operations stakeholders to create near-, medium-, and longer-term agendas to electrify airport ground support equipment (GSE) and port cargo handling equipment (CHE). Given the significant emissions generated by these mostly diesel pieces of operating equipment, the Port Authority will continue to place an emphasis on finalizing and implementing electrification requirements for GSE and CHE at agency facilities.

Building a charging infrastructure

Charging infrastructure for electric buses was installed at all three airports, for a total of 12 new bus charging ports added in 2019. By the end of 2020, the full fleet of 36 electric buses is expected to be operational, with additional charging ports installed to accommodate the 18 new buses.

To encourage more drivers to use electric vehicles, the Port Authority is also installing charging ports for passenger vehicles. The agency installed 10 charging ports in JetBlue’s Yellow Garage at JFK in 2019. The new charging ports are expected to attract more electric vehicle drivers to JFK, both advancing

The Port Authority’s electric vehicle fleet continues to expand. Charging ports, including those powered by solar energy, continue to be put in place throughout the agency.

Solar panel arrays at Newark Liberty International Airport.

the agency's commitment to reducing GHG emissions and creating a quieter, cleaner environment for the surrounding community.

In addition, the Port Authority installed 51 new fleet charging ports in 2019, bringing total charging ports across the agency to 147.

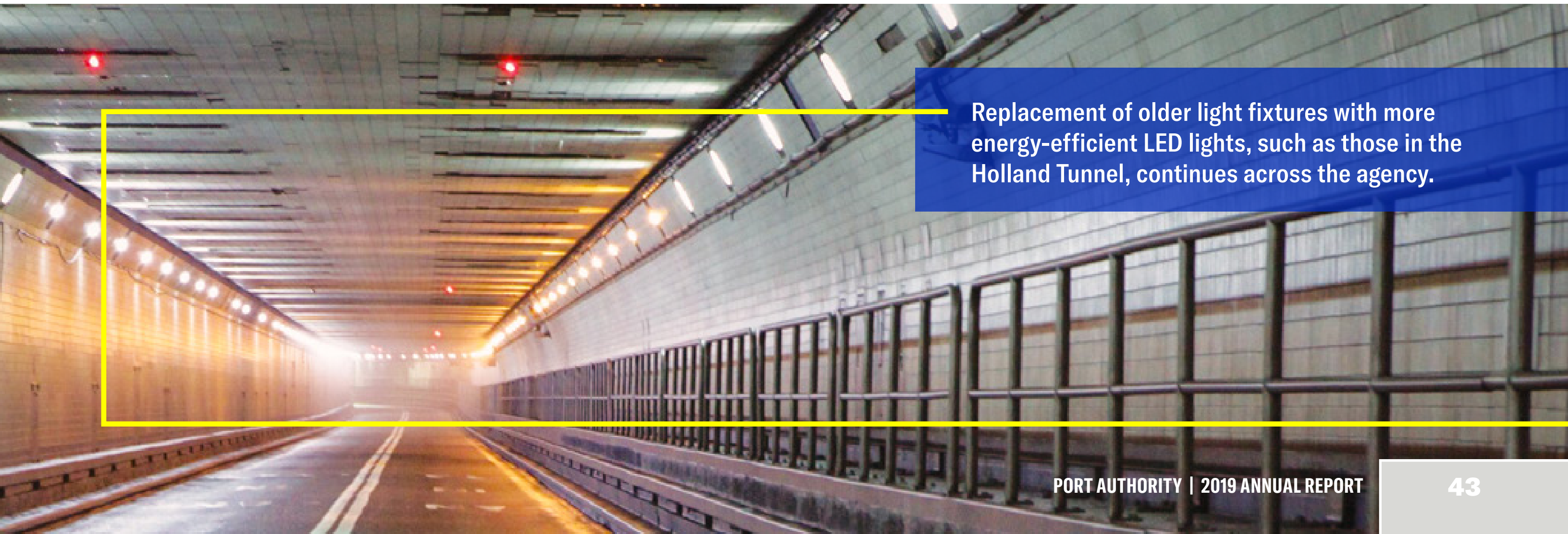
Separately, in 2019, 38 charging hubs with 118 charging ports were installed in cooperation with the New York Power Authority airside at JFK's Terminal 5, which is operated by JetBlue, for associated new electric ground support equipment. The airside electrification of the JetBlue terminal is the first Federal Aviation Administration Voluntary Airport Low Emissions Program – or VALE – grant project of its kind at JFK.

Energy Efficiency

As part of the agency's continued efforts to save energy across its facilities, the Port Authority began several critical re-lamping initiatives in 2019 to retrofit and replace thousands of light fixtures to accommodate LED technology.

Over 15,000 light fixtures at the Oculus and WTC, Newark Liberty Airport's roadways and parking lots, and the George Washington Bridge and Holland Tunnel's roadways and toll plazas now function with LED technology, resulting in over 2,700 metric tons of avoided greenhouse gas emissions.

Also, in 2019, a $1.2 million lighting upgrade at the Jamaica AirTrain Station in Queens, in



Replacement of older light fixtures with more energy-efficient LED lights, such as those in the Holland Tunnel, continues across the agency.

partnership with the New York Power Authority, was completed.

The Port Authority signed five contracts with energy service companies in 2019 – AMERESCO, Con Ed Solutions, Constellation, Honeywell, and Willdan – to assist in a $100 million program to improve energy efficiency across Port Authority facilities.

Solar and Renewable Energy Programs

In 2019, the Port Authority entered the first phase of development of the 13-megawatt JFK International Airport Solar Photovoltaic Project, which is set to become New York City's single-largest solar energy project. An award to SunPower Corporation and Goldman Sachs Renewable Power Group was made in November 2019. The project also features 7.5 megawatts of energy storage. Five megawatts of the solar project will be developed as Community Solar, a program through which low-cost renewable energy will be offered to local residents. The project will reduce JFK GHG emissions by approximately 6,699 tons annually.

Also, in 2019, the agency awarded contracts for a 1.5 MW rooftop array on the roof of the Terminal B Garage at LaGuardia and a 500 kW rooftop project on top of the PATH Macmillan Bloedel building in Jersey City. These projects are expected to be completed by the end of 2020.

...nearly 22,000 tons of concrete was recycled from the demolition of the original Terminal B parking structure...

Building "green" facilities

In August 2019, LaGuardia Airport's Terminal B was awarded the Envision Platinum award from The Institute for Sustainable Infrastructure (ISI) for its environmentally conscious construction. The Envision Platinum is the highest level of recognition within ISI's awards program.

During construction, nearly 22,000 tons of concrete were recycled from the demolition of the original Terminal B parking structure and approximately 2,475 tons of this recycled concrete were reused in building the new Terminal B.

Clean ship practices for ocean going vessels

The Port Authority Clean Vessel Incentive (CVI) Program is a special program that provides financial incentives to encourage operators, charters, and agents of oceangoing vessels calling at Port Authority marine terminals to adopt voluntary engine, fuel, and green operational practices. These enhancements reduce emissions beyond the regulatory environmental standards set by the International Maritime Organization (IMO) and help the Port meet the cleanest standards.

In 2018, the Port Authority authorized $7.8 million in its continuation of the program over the next five years. During 2019, 1,352 vessel calls were completed by vessels enrolled in the program.

Offshore wind

The Port Authority has been collaborating with offshore wind developers, component manufacturers, and state agencies to identify agency port facilities that can potentially support the complex supply chain necessary for the offshore wind industry.

Partnering to combat climate change

In 2019, the Port Authority hosted the Steering Committee of the World Port Climate Action Program, an international initiative of global ports collaborating to decarbonize the maritime sector. Member ports reviewed draft action plans of five working groups focused on increasing the efficiency of supply chains, advancing policy approaches to achieving emission reductions, accelerating development of in-port renewable power-to-ship solutions, accelerating the development of low-carbon fuels for maritime transport, and accelerating decarbonization of cargo-handling operations.

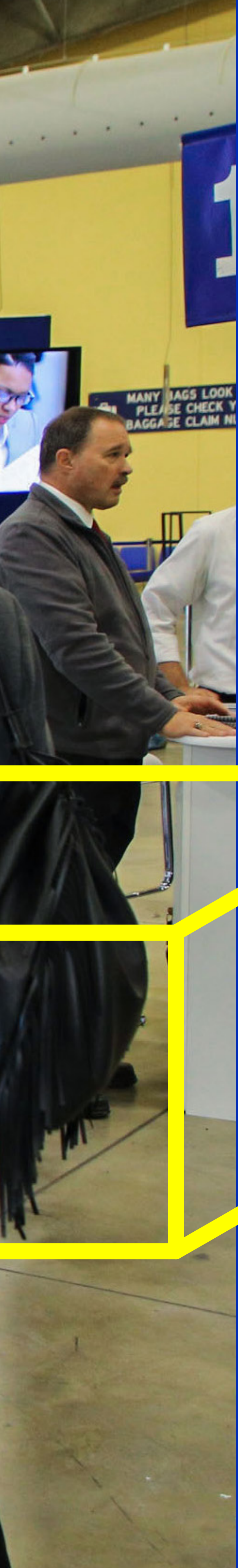
The Port Authority, a member of EV100, a campaign of The Climate Group aimed at accelerating the transition to electric vehicles, participated in several Climate Week–New York panel events to share its experiences as an early mover in vehicle electrification.

The Port Authority co-sponsored a Climate Week–New York event titled “Sustainability Takes Flight,” which included topics related to sustainable aviation fuel, such as how airlines, producers of Sustainable Aviation Fuel, and policy makers can work together; the role of offsets in decarbonizing air transport; and the impact of regulation, such as a Low Carbon Fuel Standard, in the transition to lower carbon content fuels.

The Port Authority... aimed at accelerating the transition to electric vehicles...

The Port Authority is committed to the principles of the Paris Climate Agreement for the benefit of the New York and New Jersey region.

The Port of New York and New Jersey's Council on Port Performance sponsored a 2019 Career Awareness Event for High School Students in Bayonne.



Employee recognition programs such as a Customer Experience Award event at Newark Airport help to improve morale and boost productivity in the workforce to the benefit of the region.

Employer of Choice

BEGINNING IN 2018, when the Port Authority conducted an agencywide employee engagement survey, becoming an Employer of Choice has become a focus of the agency. In 2019, the goal of becoming an "Employer of Choice" was elevated to finally become one of six top agency priorities. As a result of the engagement survey feedback, the Port Authority instituted numerous innovative initiatives in 2019 aimed at bringing in and retaining the best and brightest across all departments.

Here is the extensive and ambitious list of initiatives forwarded in 2019:

Talent and Staffing

- **Employee Referral Program:** This program is a critical addition to the agency's recruitment efforts in attracting highly qualified, diverse talent by providing an incentive to recognize and thank employees who identify, recommend, and refer an external candidate to fill a Port Authority job opening. To date, 94 candidates have been hired through employee referrals.

The Employee Referral Program incentivizes agency employees to tap into their own diverse talent to help strengthen the agency's workforce.

- **Value of Work Experience:** In order to attract employees with diverse sets of talents, HR reviewed the value of work experience to satisfy job requirements – in line with business needs – thereby allowing applicants to substitute substantial, equivalent work experience for academic credentials.

- **Diversity Recruitment Policies:** The agency recognizes the need to have a highly qualified, diverse workforce at all levels of our organization. Together with the Office of Diversity & Inclusion and our Employee Business Resource Groups, we have established key roles for the agency's EBRGs within our recruitment and selection processes to ensure that this organizational standard remains front and center to our recruitment efforts.

Employee Benefits

- **Enhanced Family-Friendly Policies:** A series of enhanced family-friendly policies were announced in 2019, which provide employees with greater financial stability, job security, and work-life balance during significant events in their lives, such as whether they are expecting a baby, bonding with a newly arrived child, or caring for a sick family member. These policies are in line with New York/New Jersey policies on protected, job-secure leave. Further, these policies were created to match best-in-class standards for public-sector agencies.

- **Health Savings Account Plan:** The agency's first-ever Health Savings Account Plan was introduced in 2019. This high-deductible plan offers employees a significantly lower-cost healthcare alternative through a health savings account.

- **Bike-Share Benefit:** Sustainability is an agency priority. Encouraging Port Authority employees to use bicycles helps the environment, may improve employees' physical health, and in many cases, speeds up daily commutes. By the end of 2019, 92 employees have already taken advantage of reduced-rate Citi Bike or Jersey Bike subscriptions.

Rewards and Recognition

- **PA Applause:** Recognition can help boost organizational morale and employee motivation. In 2019, HR launched PA Applause, which empowers senior leaders to recognize and reward individuals and teams

The Day in the Role program allows employees to learn about and experience the work of other departments to provide them with a deeper understanding of cross-agency operations.

throughout the year for tangible and measurable real-world results.

- **Shout Out! Program:** In the spirit of enabling a positive work culture, HR launched the Shout Out! Program to encourage employees to recognize each other and provide positive feedback through an online form. By the end of 2019, 115 individuals had sent 533 Shout Out! messages to their colleagues.

Career Development

- **Day in the Role Program:** The Port Authority is committed to helping every employee reach their full potential. In 2019, 890 employees experienced up-close-and-personal opportunities to learn about various roles across the agency. A different department was spotlighted each month and employees were provided with a preview of the expansive number of careers and roles that collectively work in harmony to achieve the agency's mission. These activities help broaden employees' knowledge of the business and agency operations, as well as their perspective about the many career options available to them with the agency. By end of 2019, 10 departments had been spotlighted, offering panels and tours for interested employees.

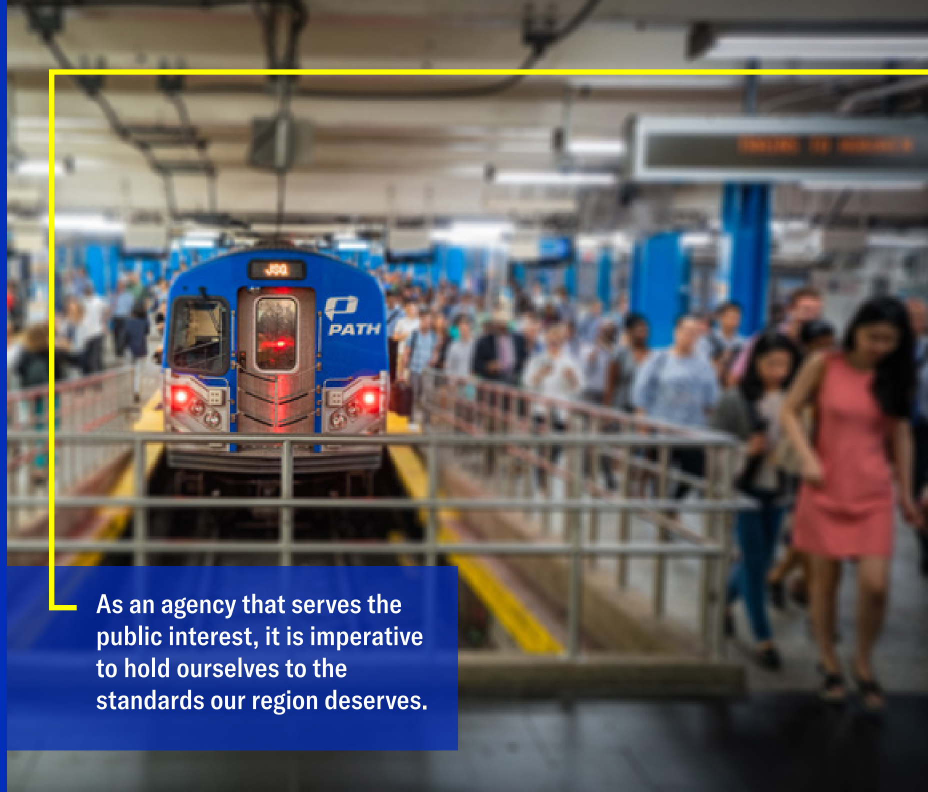
- **Employee Business Resource Groups:** As part of the agency's commitment to diversity and inclusion, support for Employee Business Resource Groups was expanded by providing each EBRG with (1) an executive sponsor, (2) increased financial support, and (3) allowing the EBRG leaders to receive credit in the job evaluations for outstanding work on EBRG business.

Training

- **Supervisory Operations & Maintenance Employee Training:** Responding to requests from unionized operations and maintenance staff for more specialized training to continue to improve skill levels, HR implemented two training programs. The first focused on Supervisory Operations, preparing participants to take on leadership roles at TB&T facilities. The second program focused on maintenance, providing participants with hands-on training and exposure to prepare for highly specialized structural maintenance roles.

- **Leadership Development LEAD & EXCEL Programs:** Launched in December 2019, the new Leadership Development LEAD & EXCEL Programs provide selected participants with a fast-paced program that targets and accelerates development on key skills important for agency leaders.

The responsibility of keeping the region moving demands a relentless focus on ethics and integrity.



As an agency that serves the public interest, it is imperative to hold ourselves to the standards our region deserves.

Integrity

EVERYTHING THE PORT AUTHORITY DOES rides on integrity. As a public agency, the Port Authority must commit itself to the highest ethical standards. Following the Board's direction, over the last two years, the agency has aggressively launched an extensive number of integrity initiatives. Initiatives launched in 2019 include:

Mandatory integrity training of non-represented employees

In 2019, the agency selected a new vendor with a specialty in designing and delivering best-in-class ethics-related computer training. And to make it easier for employees to access these training resources, the agency introduced a new one-stop-shop Ethics and Integrity Training Platform that is accessible to all staff.

In total, three interactive computer modules were delivered to non-represented staff in 2019:

- In the winter, the Port Authority carried out "Preventing Sexual Harassment," a training completed by 100 percent of non-represented staff. All new, non-represented hires are now required to complete the Preventing Sexual Harassment module within their first 30 days of employment. Additionally, the agency has continued to deliver in-person Sexual Harassment Prevention training to senior leaders.

- In the summer, the Port Authority carried out its annual training on the Employee Code of Ethics, a customized course that focused in 2019 on ethical issues including conflicts of interest, accurate record-keeping, use of agency assets, and non-retaliation protections. The course was completed by 100 percent of all enrolled non-represented staff. This course is now required training for all non-represented new hires to complete within their first 30 days of employment.

- In the fall, the Port Authority conducted the Appropriate Workplace Behavior training. This course focuses on promoting integrity, respect, and diversity in the workplace. The course presents employees with interactive real-life scenarios that reinforce these principles. The course was completed by 100 percent of all non-represented staff.

Mandatory integrity training of represented employees

The Port Authority introduced a computer-based integrity training program for all union represented staff in 2019. To deliver this training, the Port Authority deployed tablets to various agency facilities, providing training access to represented staff who frequently do not have regular access to computers or laptops issued by the agency. Training was launched on September 23, and over 5,500 represented staff completed the training by December 31.

Code of Ethics for Port Authority lessees

The agency expects not only employees, but also the entities with which it does business, to act with integrity. In 2019, the Port Authority issued its first-ever Lessee Code of Ethics, which sets forth the agency's expectations of ethical conduct for lessees and lessee employees operating at Port Authority facilities and properties. The Lessee Code of Ethics also applies to permittees and their employees who conduct business at Port Authority premises and facilities. The Port Authority's Lessee Code of Ethics builds upon the same high standards for ethical conduct laid out in the Vendor Code of Ethics for vendors and service providers, which was first issued in 2017.

Conflicts of interest

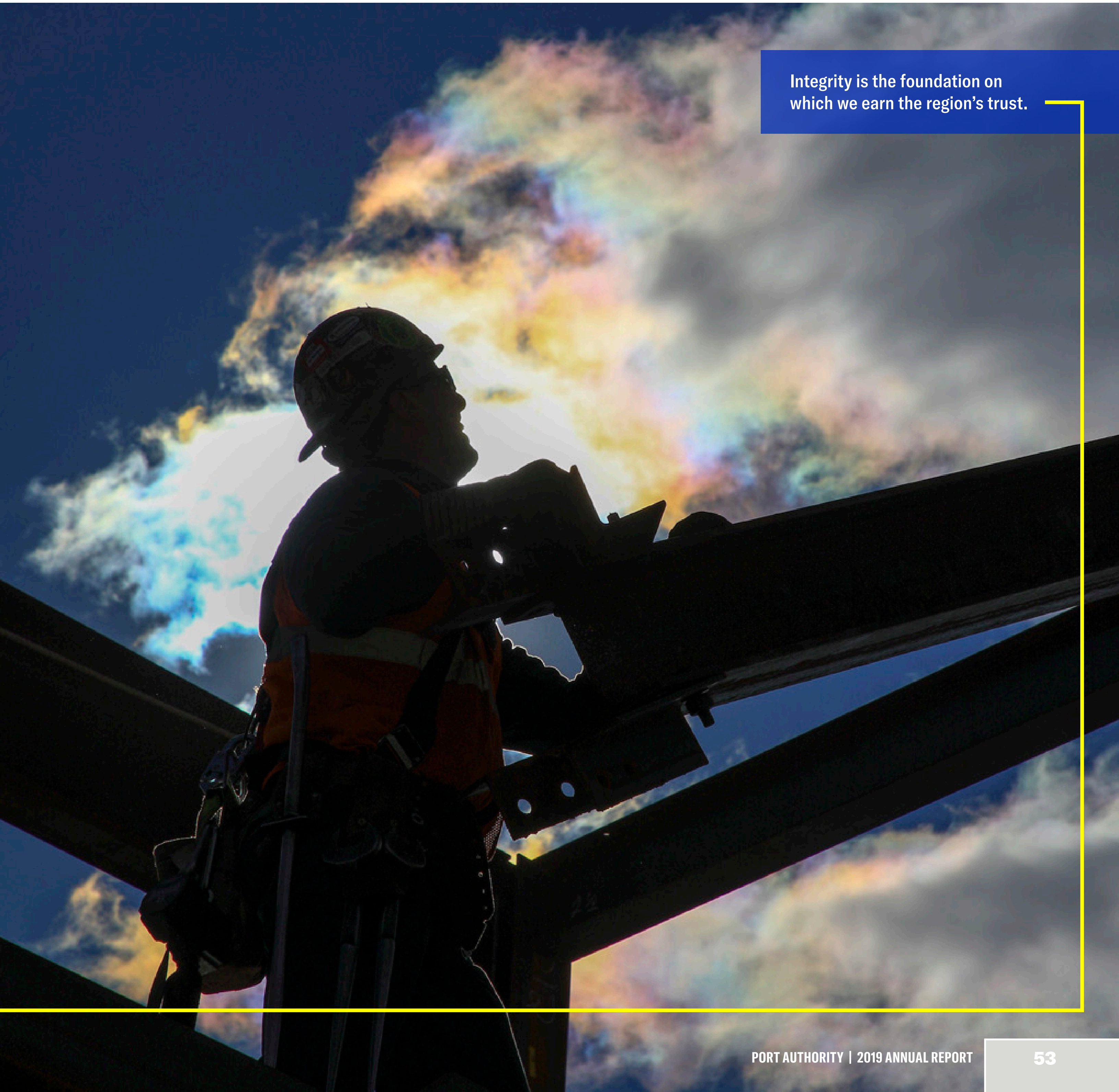
Additionally, in 2019, the agency issued refreshed and updated policies on Conflicts of Interest and Financial Disclosure, Offers of Employment and Post Employment Obligations, and Political Activities. These policies set forth the agency's expectations for avoiding conflicts of interest, or the appearance of conflicts of interest, in various situations.

Office of Inspector General

A key component of the Port Authority's commitment to integrity is its robust Office of the Inspector General. In 2019, the OIG made more than 30 arrests and recovered over $9 million from asset forfeiture.

The OIG seeks to ensure that entities who do business with the Port Authority have and maintain a demonstrated record of integrity. The OIG carries out this mission, in part, by conducting background checks on contractors, vendors, and lessees that are seeking to do business with the Port Authority or on Port Authority property, prior to their onboarding. In 2019, the OIG conducted background checks on 682 firms and 3,438 individuals.

The OIG's Fraud Prevention Program is designed to prevent fraud on the agency's capital projects. During 2019, the OIG has utilized Integrity Monitors on all of the Port Authority's current large capital projects, such as Newark Liberty International Airport's Terminal One Redevelopment Program, the Lincoln Tunnel Access Program, and the LaGuardia Airport Redevelopment Project.



Business fairs sponsored by the Office of Business Diversity and Civil Rights present opportunities to regional MWBE firms.

Inclusionary policies strengthen the workforce and the region.

Diversity & Inclusion

THE PORT AUTHORITY'S EMPHASIS on becoming a leader in the practice of diversity was greatly intensified in 2017, with the creation of the position of Chief Diversity and Inclusion Officer. In 2019, the Office of Diversity and Inclusion has undertaken numerous initiatives to continue to implement transformative policies and priorities.

This transformation is both external and internal. Externally, the Port Authority has set nation-leading goals to (1) contract with and require its contractors to subcontract with Minority and Women-owned Business Enterprises (MWBEs), and (2) ensure that the economic benefits of our redevelopment projects accrue in meaningful ways to the communities surrounding our facilities.

Internally, the agency has made the same commitment to "raising the bar" in terms of its workforce diversity. The Port Authority has set ambitious targets not only to recruit more diverse talent overall, but also to build diverse talent pipelines for senior leadership. Creating a workforce that meaningfully reflects and represents the region served by the Port Authority is critical to the agency's commitment to diversity and inclusion.

Creating a workforce that meaningfully reflects and represents the region... is critical to the agency's commitment to diversity and inclusion.

Promoting diversity and inclusion externally

In 2019, the Port Authority made significant strides on business diversity opportunities via three main strategies: certification, compliance, and capacity building programs.

Certification

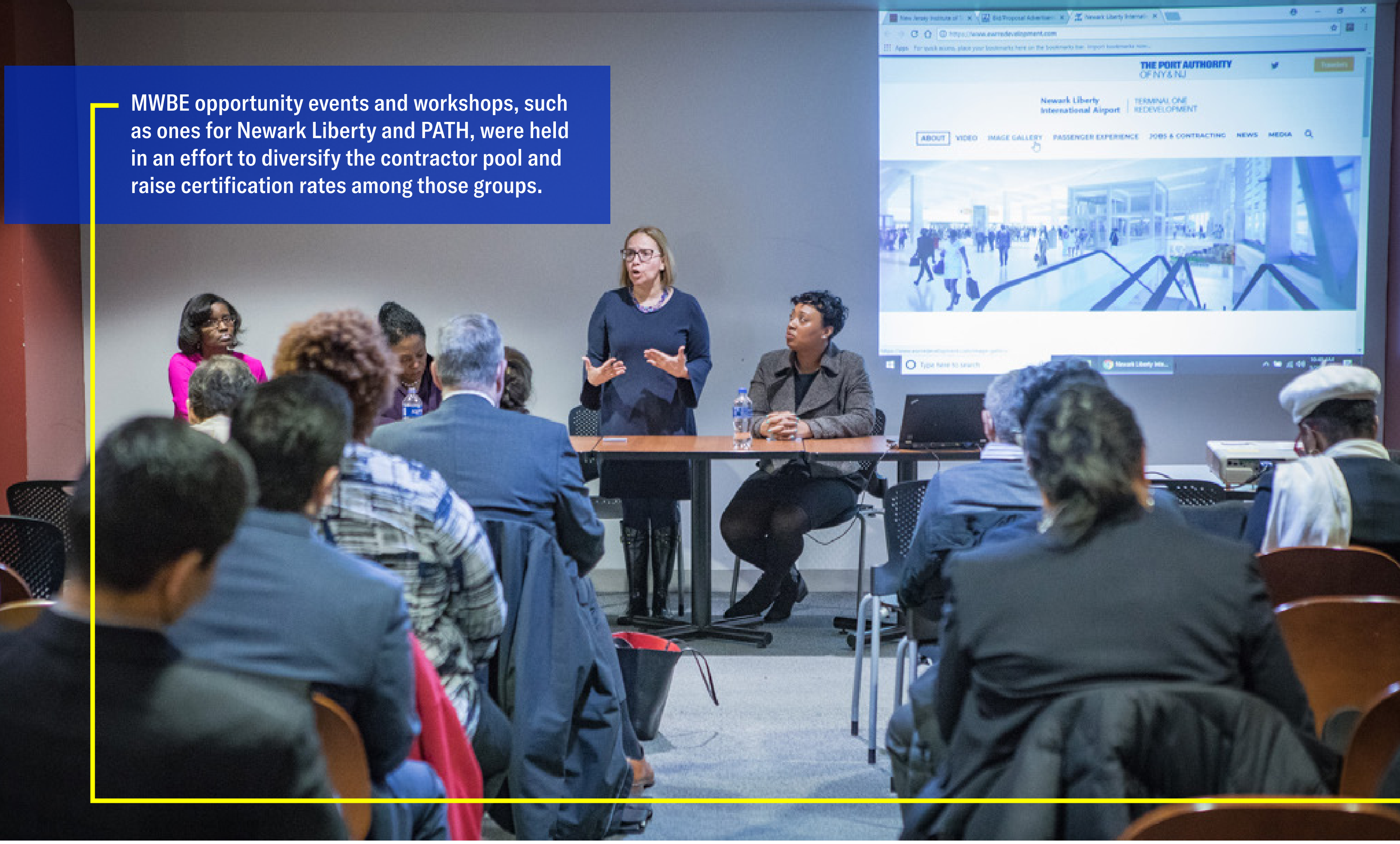
In order to enable the agency to meet the demands of its business diversity goals embedded in the 2017–2026 Capital Plan, the certification team increased the speed for processing applications to be certified as an MWBE firm to increase the number of firms that can take advantage of MWBE contracting opportunities. In 2019, the Port Authority:

- Completed 91 percent of Disadvantaged Business Enterprise (DBE) certifications within 90 days, up from 85 percent in 2018.
- Achieved a rate of 58 percent of MWBE and SBE certifications (Minority/Women-Owned Business Enterprises and Small Business Enterprises) within 30 days, a goal developed for the first time in 2019.
- Streamlined data collection and made continuous improvements to certification guidelines.

Increased volume of MWBE and SBE contracts

In 2019, the agency modified and increased its outreach efforts designed to connect MWBE subcontractors with prime contractors to further the Port Authority's commitment to increase payments and awards made to MWBE firms. In 2019, accomplishments included:

- The LaGuardia Redevelopment Project hit a major milestone of awarding over \$1.4 billion in contracts to MWBE firms. The Port Authority continues to place an emphasis on creating MWBE contract opportunities at each of its major redevelopment projects.
- The agency tripled the value of prime contracts bid through the Small Business Enterprise (SBE) Set-Aside program from \$15 million in 2018 to \$45 million in 2019, while also doubling the volume of SBE contracts from 13 in 2018 to 26 in 2019.
- The agency increased awards to MWBE prime contracts in 2019 for a key category – professional services. Key examples include:
    - The selection of a new Port Authority bond underwriting team composed of 33 percent MBEs at the senior level, 57 percent at the co-manager level, and 44 percent at the sales manager level – the highest levels achieved in the agency's history. Over the next



MWBE opportunity events and workshops, such as ones for Newark Liberty and PATH, were held in an effort to diversify the contractor pool and raise certification rates among those groups.

few years, this team will manage the issuance of approximately $8 billion in Port Authority bonds.

  - The retention of a minority-owned legal firm to serve as legal counsel for the Port Authority's Insurance Captive Entity, LLC.

- The agency in 2019 established a new comprehensive program to certify Service-Disabled Veteran-Owned Businesses (SDVOBs) and expand contracting opportunities for these businesses.

- The agency held 30 successful outreach events for MWBE firms in the rail, port, TB&T, aviation, and security industries. These events allowed the Port Authority to connect with approximately 850 MWBE firms while introducing them to contracting opportunities with the agency's operating divisions and instructing them on our procurement processes.

Capacity building and outreach

Capacity building involves customized initiatives designed to provide adequate training and resources to prepare firms to perform well on Port Authority contracts. In 2019, local businesses, small businesses, MWBEs, and area job seekers took advantage of opportunities offered via the three major airport redevelopment programs – the LaGuardia Redevelopment Community Information Center in East Elmhurst, the JFK Redevelopment Community Outreach Office in Jamaica, and the Terminal One Redevelopment Community Outreach Offices in Newark and Elizabeth. Trainings and business orientation efforts in 2019 included:

- Launched an initial Architecture & Engineering (A&E) Principals Academy in January 2019 assisting Professional Service Firms in building business capacity. A second A&E cohort began in September.

- Started a small contractor coaching program to provide real-time field support.

- Collaborated with the Business Development Committee of the JFK Redevelopment Community Advisory Council* to identify relevant programs and appropriate funding needs. One area identified by the community was to develop more technical training.

Diversity fuels the vitality of the region and is critical to all of our capital projects.

In light of this, four community betterment initiatives were developed: concessions training, business development services, a matchmaking opportunities office, and a shared services hub.

- Designed a proprietary Port Authority Institute of Concessions focused on the aviation industry, which will train 15–18 businesses per cohort, every six months; executed two Airport Concession Orientation symposiums with over 100 attendees in September and November.

- Developed MWBE requirements and local participation guidance and design-build requirements for JFK Redevelopment Partners.

- Completed a Local Business Census that identified 52,000-plus businesses across all sectors in target ZIP codes, selected based on proximity to Port Authority facilities.

- Carried out over 100 outreach events, including a partnership with the National Academy of Public Administrators to design and deliver panels that illustrated the "Importance of Strategic Chief Diversity Officers" and "Achieving Social Equity in Challenging Times" at Rutgers University.

**The Business Development Committee is one of four committees established in 2019 to include local constituents, local elected officials, and others who represent the targeted communities identified as significantly impacted by JFK redevelopment. The three other committees are Education, Career/Workforce Development, and Environment Stewardship.*

Promoting diversity and inclusion internally

During 2019, the Port Authority continued to build on its work to permanently embed the values of diversity and inclusion into the agency's core fabric and behaviors. In 2019, the agency:

- Expanded Unconscious Bias training to include unionized operations and maintenance staff and continued to train all new non-represented leadership and pipeline employees.

- Expanded support for Employee Business Resource Groups (EBRGs). The support of EBRGs is an organizational best practice that increases employee engagement, promotes the inclusion of diverse perspectives in business decision-making, and helps employers tap into diverse talent pools, representative of the surrounding community. The agency took the following steps:

  - Supporting the creation of the agency's ninth EBRG: Port Authority Parents Working Together.
  - Mutually assigning executive sponsors to each of nine EBRGs.
  - Creating a centralized budget to support EBRG operations.
  - Recognizing EBRG leaders for their contributions to the agency through their EBRGs in the performance management process.

- Developed and launched the Workforce and EEO Scorecard and the Leadership Diversity and Inclusion Contributions Self-Assessment for agency leaders to identify their contributions toward creating a more inclusive Port Authority. This encourages agency leaders to reflect on effective strategies to support Diversity and Inclusion objectives and point them to the tools and resources needed to improve their performance.

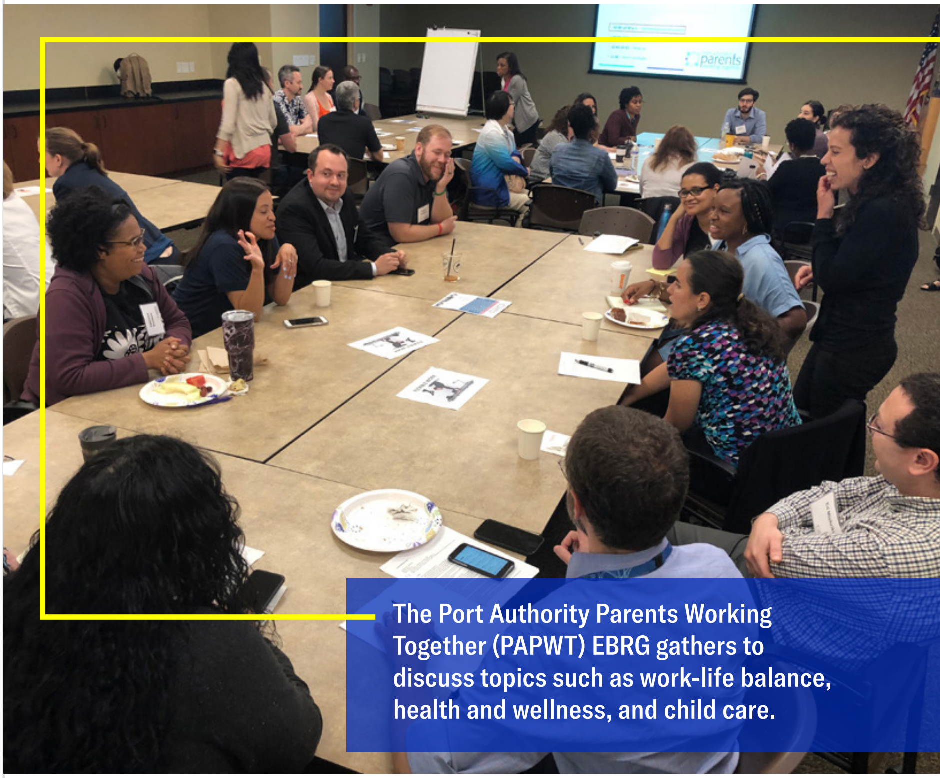
- Empowered the Port Authority D&I Council, an agencywide advisory group that brings together senior agency leaders and EBRG leaders to shape D&I programs and objectives. The council serves as a communication channel through which agency employees can express ideas as they relate to Diversity and Inclusion and as a link between employees and executive management.

Additionally, in 2019, several civil rights compliance initiatives were delivered to ensure equal employment opportunity, civil rights, and accessibility. The agency's civil rights compliance initiatives in 2019 include:

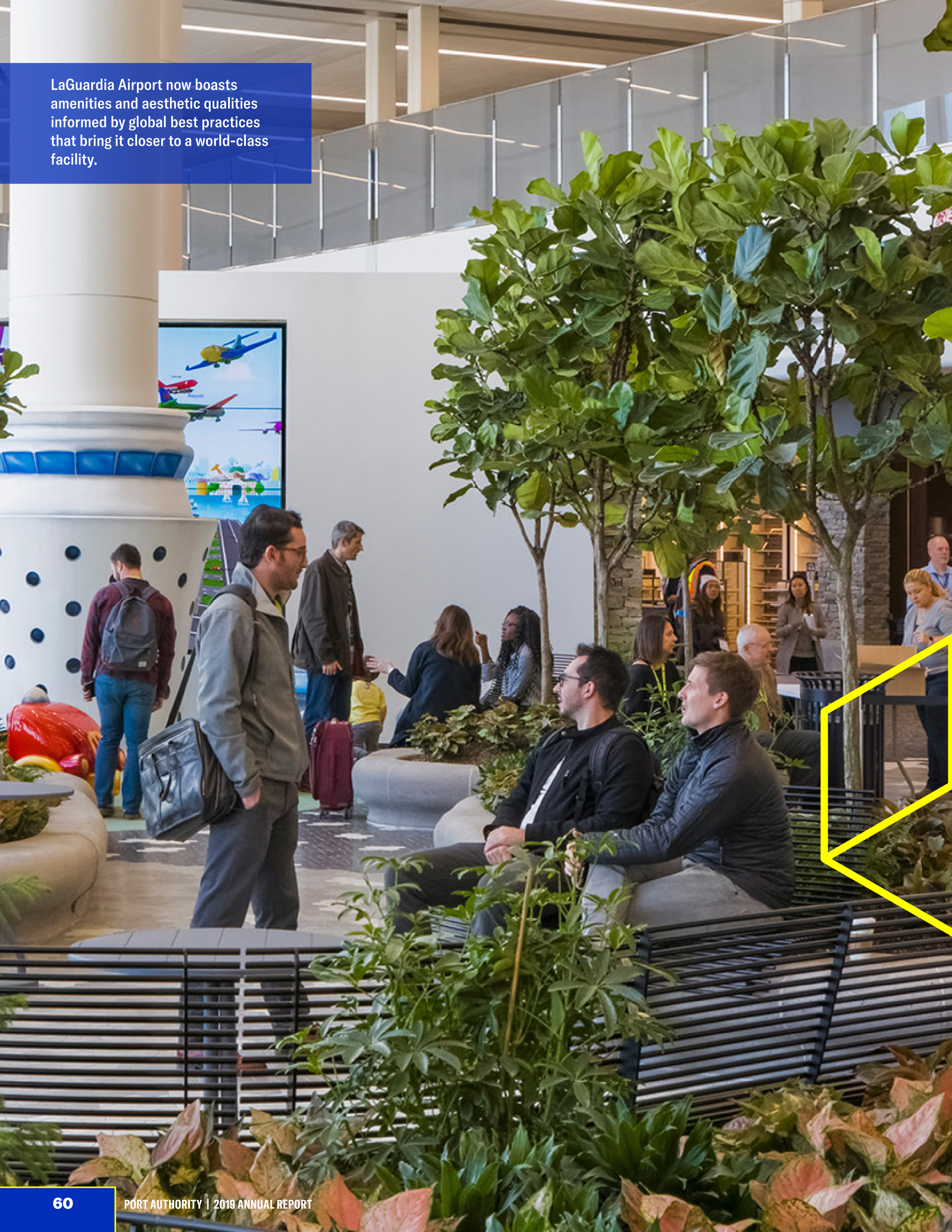
- Trained 98 percent of new hires in EEO policies and 87 percent of new supervisors/managers within 90 days of appointment.

- Designed and launched ADA/Reasonable Accommodation Training for all business managers and other staff involved in ADA-related interactive processes. This training ensures that departments have a uniform approach to the complexities of addressing disabilities and reasonable accommodation matters.

- Developed a program with JFK Airport vendors for the 2020 launch of the Project Search Internship Program, an employment readiness program that will enable students with learning disabilities from Queens Public School #752 to receive their educational instruction onsite at JFK while also participating in an internship rotation program.



The Port Authority Parents Working Together (PAPWT) EBRG gathers to discuss topics such as work-life balance, health and wellness, and child care.



LaGuardia Airport now boasts amenities and aesthetic qualities informed by global best practices that bring it closer to a world-class facility.

All Cashless Tolling reduces vehicular congestion at the Bayonne Bridge.

Global Best Practices

ADOPTING BEST-IN-CLASS PRACTICES is an agencywide standard; it is essential to the Port Authority's commitment to deliver 21st-century, world-class infrastructure and services. The Port Authority is committed to measure itself by global best practices.

Airports

Airport Redevelopment

As the Port Authority seeks to transform its three major airports for the 21st century, it is leveraging global, world-class standards from the planning to the execution phases of each project.

In 2019 at LaGuardia, the project furthest along, customers in 2019 began to benefit from world-class customer amenities, including modern and spacious restrooms, locally inspired concessions and retail, family-friendly play areas, availability of baby products in all concourses, family restrooms and nursing pods for mothers, and state-of-the-art architecture that features floor-to-ceiling windows and ample natural light. The new LaGuardia will be fully integrated, creating a seamless passenger experience.

In 2019 as construction on Newark's Terminal One progressed, global best practices for airport redevelopment were being incorporated into the work of the terminal's design-builder and the plans of Munich Airport International, the world-class operator that has been selected to operate the new Terminal One.

Airport Operations

Operation centers – In 2019, the Port Authority opened brand-new 24/7 Airport Operating Centers at JFK, Newark Liberty, and LaGuardia with the goal of enhancing collaborative decision-making and increasing operational effectiveness during both emergency and non-emergency situations at the airports. JFK's AOC opened in April 2019, and Newark Liberty's and LaGuardia's AOCs opened in September 2019.

Security badging – In the fall of 2019, JFK became the first Port Authority airport to deploy a new, computerized system to collect, manage, and process applications for new and renewal Security Identification Area (SIDA) badges, which all airport employees accessing secure areas are required to possess. Also, a real-time dashboard that allows active management of applications, tracks status against timeline targets, and allows staff to quickly resolve application issues has been developed and deployed at JFK, EWR, and LGA.

With the introduction of online appointment scheduling, automatic reminders, and additional resources for applicants and badging office employees, the Port Authority has reduced the SIDA badge processing time across all its airports from 45 days to 14 days for motivated applicants.

Bridges and Tunnels

At the Goethals Bridge in 2019, the latest transportation technologies became operational. These new technologies provide real-time information on travel conditions to the public and other regional transportation operators. As a result, the bridge has realized numerous benefits, including enhanced safety for drivers, improved travel time reliability, decreased incident response times, and reduced congestion and delays.

These transportation technologies include:

- Weather stations detecting wind, barometric pressure, temperature, and roadway icing conditions.
- Traffic surveillance cameras providing complete and redundant coverage of the entire span and approaches.
- High-resolution, full-color electronic highway signs displaying motorist information using full graphics and color.
- Lane use control signals and variable speed limit signs providing a means to manage traffic during construction, maintenance, or accidents on the bridge.
- A Weigh-in-Motion site captures vehicle weight information to identify overweight trucks.

These transportation technologies are monitored and controlled by a new state-of-the-art Transportation Management Software, which provides enhanced management capabilities to transportation system operators. This enterprise software, in conjunction with the new transportation technologies, has greatly increased the ability for facilities to address conditions in times of severe weather, natural and manmade disasters, and other regionally significant events.

In addition, in September 2019, the Goethals Bridge joined the Bayonne Bridge and Outerbridge Crossing in implementing all cashless tolling.

PATH

Signal system – In 2019, PATH made significant progress toward upgrading its signal system. These upgrades are a foundation for the PATH Improvement Program. The new signal system will enable more frequent service at peak times by allowing trains to run safely closer together.

Real time information – During 2019, PATH continued to expand the availability of real-time information on next-train arrival times by including access to this real-time information in the RidePATH mobile application and expanding dramatically the number of in-station and on-platform countdown clocks.

SAFETY designation – In 2019, DHS awarded SAFETY Act Designation for PATH's Tunnel Breach Mitigation System. This is the first-ever award issued to a railroad and offers external validation for the rigor of the security posture of PATH's tunnels.

Real Estate

Lease Drafting Pilot – In 2019, Port Authority representatives met with private-sector retail landlords to gather information on best practices in managing the retail leasing process in order to more closely conform Port Authority practices with industry standards and expectations. This market feedback led to an initial focus on reducing the number of days it takes to send a draft lease to prospective tenants after the execution of a term sheet. Historically, this process took 45 days on average, which slowed momentum in reaching final agreements and delayed new tenants from opening. Based on input from private-sector landlords, the Port Authority successfully reduced the average time it takes to provide a draft retail lease from 45 days to 7 days.

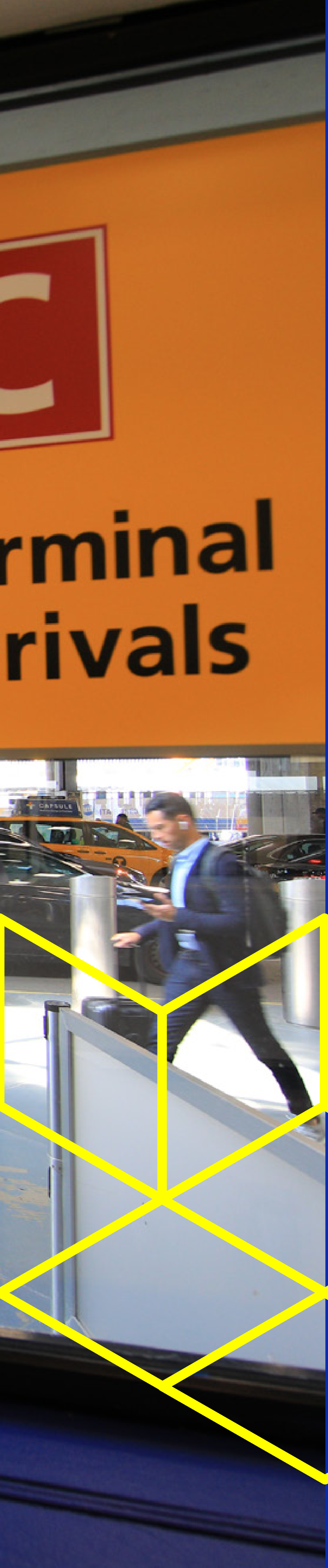
This dramatically improved responsiveness will help fill vacant spaces faster at PA facilities. Going forward, the Port Authority will track each stage of the leasing process to maintain these improvements and identify new opportunities for further streamlining.

...the Port Authority successfully reduced the average time it takes to provide a draft retail lease from 45 days to 7 days.

Seaport – The same best practices leasing efforts at the Port of New York and New Jersey resulted in a record-setting number of leasing agreements in 2019.

PATH's signal system improvement continued in 2019.

A suite of essential phone apps give real-time information to travelers at our airports, tunnels, bridges, terminals, and PATH transit facilities.



Plentiful charging ports as well as free and fast Wi-Fi are some of the amenities the Port Authority provides to offer passengers a 21st-century airport experience.

21st-Century Technology

THE PORT AUTHORITY'S GREAT LEGACY OF regional infrastructure is a testament to its founders' commitment to use the latest technologies to engineer extraordinary bridges and tunnels, and to build and maintain infrastructure and services that were best in class. That emphasis on continually embracing the latest technologies has been restored.

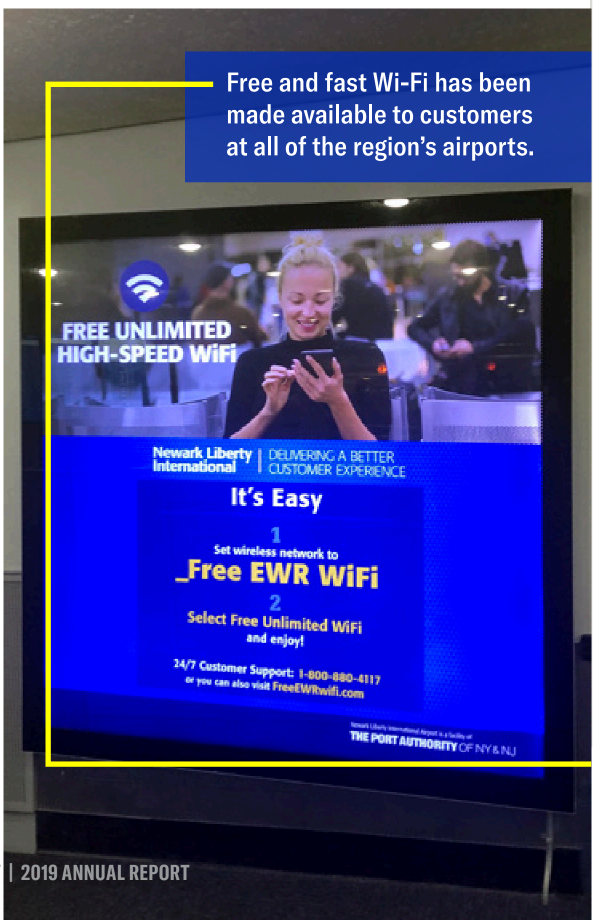
In 2019, the Port Authority took the following steps to “raise the bar” and enter the 21st century:

Security technology

- Integrated security cameras at JFK, LGA, EWR, PATH, and WTC to provide security personnel access to all site views from a single pane of glass.
- Piloted a millimeter wave portal at Newark Liberty International (Evolv) to identify concealed weapons on a person.
- Conducted Under Vehicles Screening System (UVSS) pilot at Newark Liberty, and Perimeter Intrusion Detection System (PIDS) equipment enhancement pilots including new cameras, radar replacement technology, and sensor technology.

Improved Wi-Fi

- Achieved Wi-Fi speeds for free internet to passengers across airport terminals of a minimum of 50 mbps and set the goal of increasing Wi-Fi speeds to 100 mbps.



Free and fast Wi-Fi has been made available to customers at all of the region’s airports.

- Extended free and fast Wi-Fi coverage to all airport customs halls in October, except EWR’s Terminal C, which was completed in February 2020.

Real-time information

- Finalized the rollout of real-time security and taxi wait times onto the mobile-friendly websites for JFK, EWR, LGA, and SWF.
- Provided real-time Customs and Border Protection wait times for JFK and EWR.
- Increased the number of countdown clocks throughout the PATH system to 260 screens.

Updated mobile apps

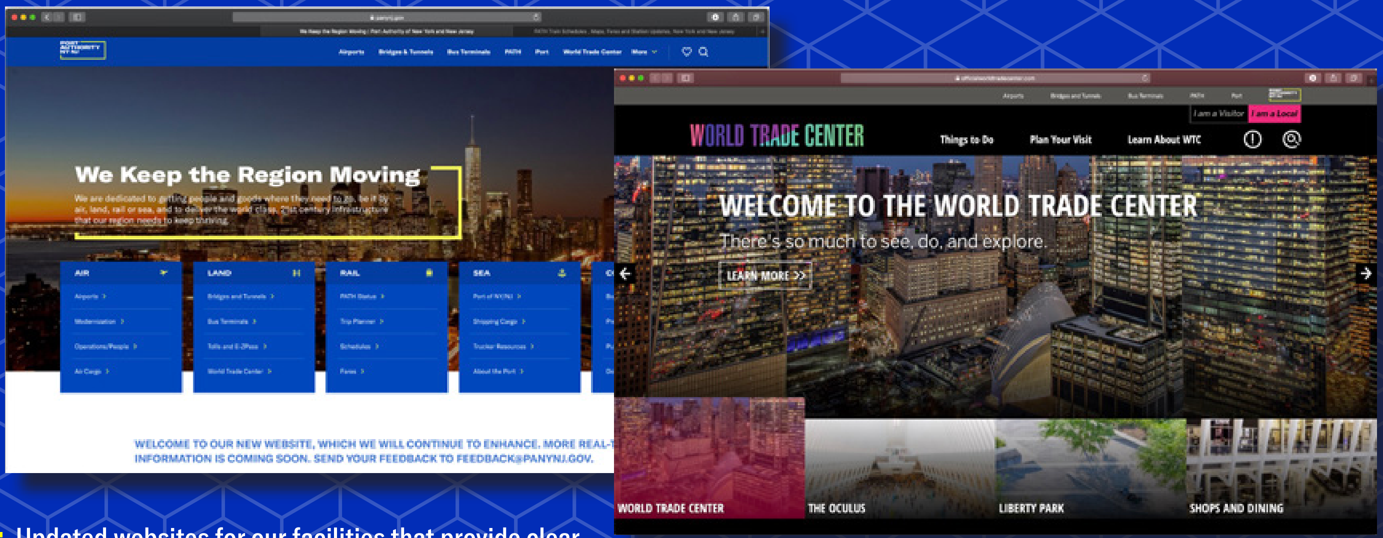
- Updated the MyTerminal App, offering users real-time gate information and the capability to pin favorite bus routes and view intermediate stops along their journey from the Bus Terminal. Through the end of 2019, MyTerminal had over 71,000 lifetime downloads.
- Updated RidePATH to include real-time next train information in February. Through the end of 2019, RidePATH had over 169,000 lifetime downloads.

New websites

- Launched a modern, more informative and brand-consistent corporate website at panynj.gov.
- Launched a modern, mobile-friendly WTC website that provides site visitors with information on attractions, events, and trip planning.

Bridges

- Completed installation of Cashless Tolling at all three Staten Island bridges, utilizing technology that



Updated websites for our facilities that provide clear and concise information, including real-time alerts.

includes better vehicle classification and detection to reduce congestion and improve air quality.

- Launched Intelligent Transportation System on the Goethals Bridge, which collects information from smart sensors about road conditions (temperature, grip, dew point, etc.), vehicle weight, speed, and direction to assist in bridge operations and maintenance planning.

Buses and tunnels

- Received a $250,000 federal grant in support of our Exclusive Bus Lane connected/autonomous bus demonstration project. The Board approved $5.4 million for technology proof-of-concept contracts to facilitate this demonstration.

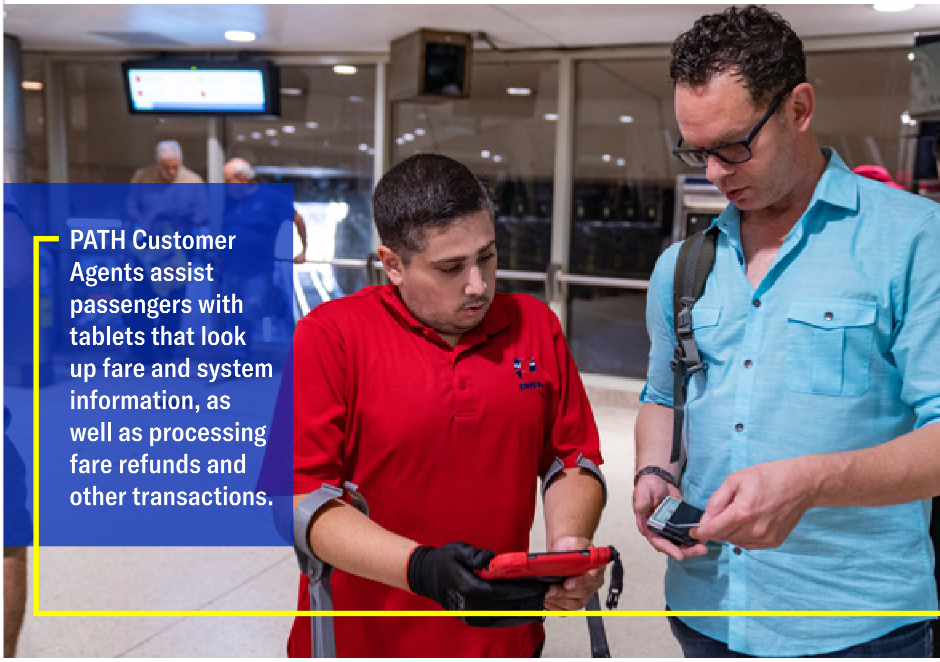
- Installed Waze Bluetooth location beacons in the Holland and Lincoln tunnels.

The new systems enable multiple forms of payment, at the gate or at conveniently located pay-on-foot machines.

Compliance

- Achieved PCI Compliance (Payment Card Industry standard), which ensures the proper storage, handling, and processing of credit card payment information across a variety of systems, vendors, and websites.

- Upgraded financial systems to comply with GASB 87 standards.



PATH Customer Agents assist passengers with tablets that look up fare and system information, as well as processing fare refunds and other transactions.

Collaborative efforts by Port Authority staff and leadership have led to swift advances across all Port Authority–led initiatives, such as the rebuilding of Newark's Terminal One.

The grand opening of an LGA Community Center connects LaGuardia with the surrounding community.

Collaboration

WORKING AS TEAM, the Port Authority's 8,000 employees continue to move the agency to new heights. Collaboration is not just an internal goal for a service agency, it is also an external imperative. The success of Port Authority operations and redevelopment programs requires meaningful collaboration and consultation with the communities surrounding agency facilities, with customers, and with elected representatives.

Working with communities

In 2019, the Port Authority continued to open community outreach offices in New York and New Jersey to support infrastructure projects, following the opening of a community outreach office inside the Midtown Bus Terminal in 2018.

The agency in 2019 opened:

- Two community outreach offices in Queens. One in East Elmhurst will support the creation of a Whole New LGA and the planning for the LGA AirTrain. And an outreach office opened in Jamaica to support the $13 billion redevelopment of JFK.

- Two community outreach offices in New Jersey: one in Newark and one in Elizabeth. Both will support the agency's historic investment in Newark Liberty International Airport.

These offices serve as community gathering locations and hubs for administering initiatives with community partners that will promote local hiring and business development in connection with the construction and operation of these new world-class facilities. More than $1.4 billion in contracts have been awarded to MWBEs as part of LaGuardia Redevelopment (LGAR), and $450 million in contracts have been awarded to Queens businesses as part of LGAR through the end of 2019.

And the Port Authority has collaborated with the Council on Airport Opportunity and community partners from the neighborhoods surrounding LGA to launch job outreach programs that have led to almost 400 jobs for Queens residents in the last year.

In October, JFK Redevelopment partners – consisting of the Port Authority, The New Terminal One, JetBlue-JFK Millennium Partners, and American Airlines – along with the JFK Redevelopment Community Advisory Council, announced the first four community-focused initiatives of the redevelopment project:

- A job recruiting program to match job seekers in the local community with jobs in construction and airport

A community outreach center opened in Jamaica, Queens, to support the $13 billion redevelopment of JFK.

Community business outreach seminars took place, including one at Newark Liberty Terminal One.

operations; the program will be carried out by dedicated staff at offices in Jamaica and Far Rockaway focused on filling open positions with qualified Queens residents.

- A second-chance employment initiative targeted at providing jobs to formerly incarcerated individuals and others with past involvement in the criminal justice system. This program involves a commitment by the Port Authority, terminal operators, and other employers in the redevelopment program to interview individuals with a justice touch point from the local communities for jobs associated with both airport construction and airport operations.

- A new science and technology education program for 300 local students, grades 1–12, in Queens to encourage them to seek out jobs in aviation; this program will be carried out through a local partnership with York College, building on a successful prior STEM program.

- A two-part initiative focused on providing concession opportunities to local retailers and restaurants. First, The New Terminal One has made a major commitment to reserve at least 50 percent of food and beverage venues for New York City–based restaurants, which will include a significant focus on Queens-based businesses. And second, the Port Authority and JFK Airport will roll out an extensive training program to enable and equip local small businesses to qualify and compete for other future concessions opportunities as part of JFK redevelopment.

In Newark and Elizabeth, multiple local business outreach events were conducted, targeting contractors whose services will be required for the Terminal One project.

Collaboration also means working with the future leaders of the Port Authority and other regional transportation agencies.

In 2019, the Port Authority created a STEM education program and a full scholarship program at Vaughn College for high school students in the neighborhoods surrounding LGA.

The Port draws talent for three high school internships from two maritime schools in New York and two local schools in New Jersey that provide Supply Chain Management electives. Students gain experience in operations, project management, and policy and planning.


WEST
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278
TO
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45
NJ Turnpike
EXIT ONLY

LGA redevelopment proceeded at a quick pace with the opening of new gates and a new concourse in 2019.

Speed

IN 2019, THE AGENCY CONTINUED to raise the bar in terms of its commitment to deliver, with an emphasis on speed, tangible improvements to the region's transportation infrastructure. The focus on speed to delivery has been applied across the board, from small projects to significant capital projects, including those at the region's airports, bridges, and PATH system.

A ceremony marking the installation of the final structural steel beam was held at Newark Liberty Terminal One in October 2019.

Airport Redevelopment

LaGuardia: After breaking ground at LaGuardia's new Terminal B in the summer of 2016, with a groundbreaking on Delta's new terminal in the summer of 2017, the construction of "A Whole New LGA" raced forward, hitting significant milestones in 2019.

- In June 2019, United Airlines operationalized five additional gates and opened its airline lounge in LaGuardia's 18-gate Eastern Concourse, opened as LaGuardia's first new concourse in December 2018.

...the agency's on-time performance for all projects was 94 percent.

- In October 2019, LaGuardia's second new concourse, and the first on the eastern half of the airport, was opened by Delta. With this facility open, one-third of all of LaGuardia's flights and passengers are arriving at brand-new facilities.

Newark Liberty: Following the Board's February 2018 approval of the largest design-build contract in New Jersey history to construct a new Terminal One at Newark, 2019 saw the achievement of significant project milestones.

- The Port Authority broke ground on the Terminal One car rental facility, following a fall 2018 groundbreaking for the Terminal One project.
- In October 2019, steel topped off for the new Terminal One.

PATH Improvement Plan

In June, the Port Authority developed and announced the PATH Improvement Plan to increase capacity, reduce delays, and improve the customer experience. Through this plan, PATH has taken on the unprecedented goal of increasing capacity – in under 30 months – on the Newark to World Trade Center line by 40 percent and on all other lines by 20 percent. By the fall of 2019, PATH had already increased capacity on both the Newark to World Trade Center and the Journal Square to 33rd Street lines by 10 percent.

Capital Project Delivery

In 2017, the agency was hitting only 64 percent of its scheduled milestones of capital projects. In 2019, the contrast could not be greater.

In 2019, the agency's on-time performance for all projects was 94 percent. That bears repeating: from 64 percent in 2017 to 94 percent in 2019, a 30 percent improvement in on-time performance.

As an example of the Port Authority's amplified emphasis on speed to delivery in the context of capital projects, the $255 million reconstruction of runway 13L-31R at JFK was completed in six months, on time and on budget ahead of the Thanksgiving holiday.

The on-time completion of small projects is equally important. The agency went from 62 percent on-time performance in 2017 to 93 percent in 2019.

These achievements were possible with the dedication of engineering teams for small projects, an upfront definition of project goals and timelines, and simplifying engineering design processes.

Multiple improvements in key agency processes to speed up agency delivery

Additionally, the agency:

- Created a streamlined process to allow the Port Authority to procure, with appropriate controls, emerging life safety and technology products in an expedited fashion.
- Launched and made significant progress on a comprehensive review of the Tenant Construction Alteration Process with the objective of improving the experience of our tenants and significantly reducing the average turnaround time.
- Continued efforts to streamline and speed up the airport employee security badging process.

Speed in completion of projects is evident at JFK with runway improvements completed on time.

To the Board of Commissioners of The Port Authority of New York and New Jersey

The Enterprise and Fiduciary Fund 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, 2019 and December 31, 2018, 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 Port Authority financial activities and are required by the Governmental Accounting Standards Board ("GASB"). 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. 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 4, 2020. 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 consider 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 continued to track closely with the national economy in terms of economic output and employment during 2019. Port Authority facilities activity levels are reflective of the region's sustained economic vitality. The region's airports saw passenger levels increase 1.6% percent in 2019 to an all-time high of 140.5 million passengers. This increase in passengers was primarily due to strong consumer spending driven by rising incomes and the attractiveness of the region to travelers from abroad. PATH passenger volumes increased 0.6% percent in 2019 to 82.2 million passengers. PATH ridership continued to grow in line with increased economic activity within the Port District, including development of residential real estate in Hudson County, New Jersey. Containerized cargo, in twenty foot equivalent units (TEUs) levels at Port Authority marine terminals increased 4.1 percent to a record high of 7.5 million containers in 2019 primarily due to strong consumer demand for imported goods. The imposed trade tariffs did not affect total volumes but may have resulted in a rerouting of cargo away from China towards other countries in South-East Asia. Vehicular activity levels at the Port Authority's six (6) vehicular crossings increased 1.6 percent to 122.2 million east bound vehicles in 2019, primarily driven by employment growth in New York City.

At the time of the publication of the Comprehensive Annual Financial Report for the year-ended December 31, 2019, the region is being negatively impacted by the COVID-19 pandemic. Significant economic headwinds and government actions taken to suppress the spread of the virus are depressing economic activity throughout the region and the world. This has had and will have a significant impact on 2020 activity levels at Port Authority facilities. The current outlook for the economic health of the region is dependent on several factors that all contain a high level of risk and uncertainty.

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 (CAFR) for the fiscal year ended December 31, 2018. The Port Authority has received this award since 1984, making this the 35th 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 2019 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 4, 2020

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, 2018

Executive Director/CEO

INDEX TO FINANCIAL SECTION

The Port Authority of New York & New Jersey
Financial Statements and Appended Notes for the Year Ended December 31, 2019

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


NORWEGIAN ESCAPE

CERTIFICATE WITH RESPECT TO 2019 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 financial statements of The Port Authority of New York and New Jersey (the "Authority") and its component units for the years ended December 31, 2019 and December 31, 2018 (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 enterprise fund and fiduciary fund Net position, Changes in Net position, and Cash flows, in conformity with United States of America generally accepted accounting principles ("U.S. GAAP"); 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 U.S. GAAP.

New York, New York
March 4, 2020

Richard Cotton
Executive Director

Elizabeth M. McCarthy
Chief Financial Officer

Daniel G. McCarron
Comptroller

AIR LAND RAIL SEA

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 Financial Statements

We have audited the accompanying financial statements of the business-type and fiduciary activities of The Port Authority of New York and New Jersey (the Port Authority), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of The Port Authority of New York and New Jersey Retiree Health Benefits Trust (the Trust) as of and for the year ended December 31, 2019, which represents 100% of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Trust as of and for the year ended December 31, 2019 is based solely on the report of the other auditors. 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 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 opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type and fiduciary activities of the Port Authority as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note A.3.o to the basic financial statements, as of January 1, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the schedules included in the Required Supplementary Information Section identified in the Index to Financial Section, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors 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 basic financial statements, and other knowledge we obtained during our audits of the basic 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, 2019 and 2018 were conducted for the purpose of forming an opinion on the Port Authority's basic 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, 2019 and 2018 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the years ended December 31, 2019 and 2018, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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, 2019 and 2018 is fairly stated, in all material respects, in relation to the basic financial statements for the years ended December 31, 2019 and 2018 as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Port Authority as of and for the years ended December 31, 2017, 2016, 2015, 2014, 2013, and 2012 (not presented herein), and have issued our reports thereon dated March 20, 2018, March 1, 2017, March 7, 2016, March 13, 2015, March 6, 2014, and February 25, 2013, respectively, which contained unmodified opinions on the respective 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, 2017, 2016, 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, 2017, 2016, 2015 and 2014, is presented for purposes of additional analysis and is not a required part of the 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 2017, 2016, 2015, 2014, 2013, and 2012 financial statements, as applicable. This information has been subjected to the auditing procedures applied in the audits of the financial statements for the years ended December 31, 2017, 2016, 2015, 2014, 2013 and 2012, as applicable, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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, 2017, 2016, 2015, 2014, 2013, and 2012 and the supplementary information included in Schedule D-3 related to the years ended December 31, 2017, 2016, 2015 and 2014, is fairly stated, in all material respects, in relation to the basic financial statements for the years ended December 31, 2017, 2016, 2015, 2014, 2013, and 2012 financial statements, as applicable, as a whole.

The Port Authority's financial statements for the years ended December 31, 2010 and 2011 (not presented herein) were audited by other auditors whose reports thereon expressed unmodified opinions on those respective financial statements. The reports of the other auditors on these financial statements stated that the supplementary information included in Schedules D-1 and D-2 for fiscal years 2010 and 2011, was subjected to the auditing procedures applied in the audits of the respective financial statements and, in their opinion, was fairly stated in all material respects in relation to the respective 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 2010 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 financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the 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, 2019, 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.

Auditors' 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

KPMG

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 included in Schedules A, B and C referred to above present fairly, in all material respects, the assets and liabilities of the Port Authority as of December 31, 2019, 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, 2018, and we expressed an unmodified audit opinion on them in our report dated March 6, 2019. In our opinion, the summarized comparative information presented on Schedules A, B, and C herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited Schedules A, B and C as of and for the year ended December 31, 2018 from which it has been derived.

Emphasis of Matters

Basis of Accounting

We draw attention to Note A.4 of the basic 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 4, 2020

AIR LAND RAIL SEA


CONDUCTOR
AUTHORITY
S-HUDSON

Management's Discussion and Analysis (Unaudited)

Years ended December 31, 2019 and 2018

Introduction

The following discussion and analysis of business-type and fiduciary activities of The Port Authority of New York and New Jersey (the Port Authority) and its component units described herein (see *Note A.1 – Nature of the Organization and Summary of Significant Accounting Policies*) is intended to provide an introduction to and understanding of the enterprise and fiduciary fund financial statements ("the financial statements") of the Port Authority for the year ended December 31, 2019, with selected comparative information for the years ended December 31, 2018 and December 31, 2017. This section has been prepared by management of the Port Authority and should be read in conjunction with the financial statements and appended note disclosures that follow the Management's Discussion and Analysis section of this report.

2019 Enterprise Fund Financial Results

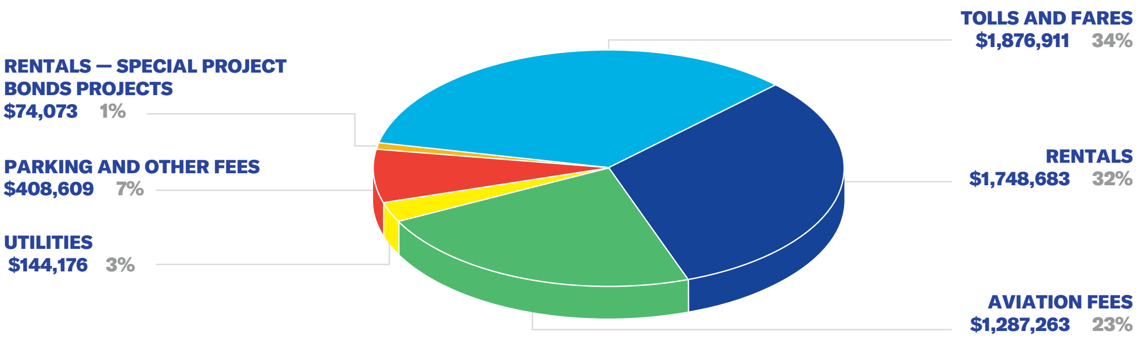
The Port Authority's net position increased approximately $589 million from December 31, 2018, comprised of $828 million in Income from operations, less $239 million in non-operating expenses.

Description	2019
	(In thousands)
Gross operating revenues	$ 5,539,715
Operating expenses	(3,430,176)
Depreciation and amortization	(1,457,426)
Net revenue related to Superstorm Sandy	175,678
Income from operations	827,791
Non-operating expenses, net	(792,478)
Capital contributions and Passenger Facility Charges (PFCs)	553,622
Decrease related to non-operating activities	(238,856)
Increase in net position	**$ 588,935**

Gross operating revenues totaled $5.5 billion in 2019, comprised of:

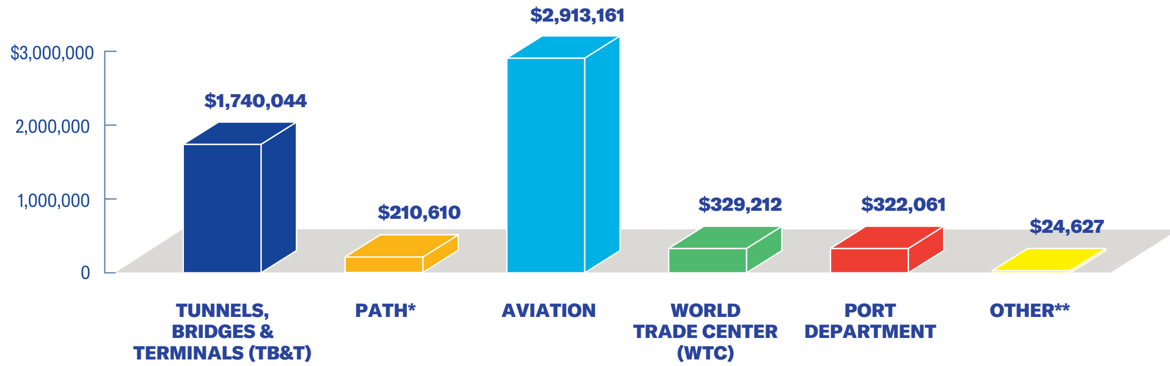
2019 OPERATING REVENUES BY REVENUE SOURCE

(In thousands)



2019 OPERATING REVENUES BY BUSINESS SEGMENT

(In thousands)

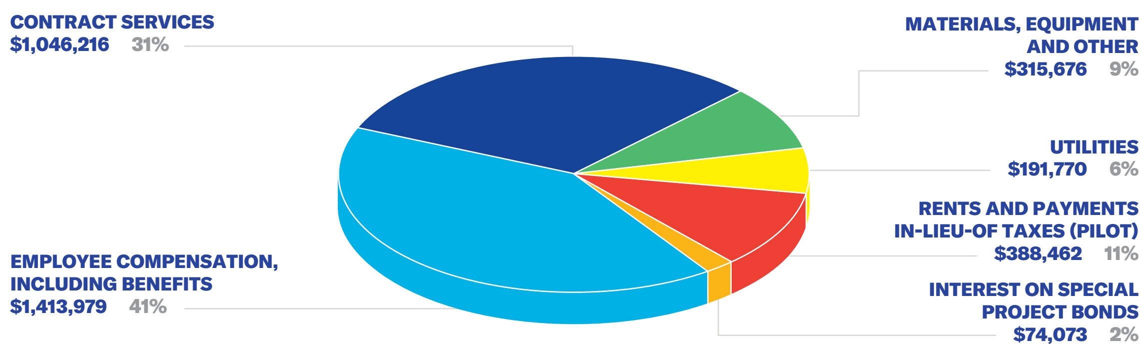


* Port Authority Trans-Hudson Corporation (PATH) includes World Trade Center (WTC) Transportation Hub.
** Other includes Development Facilities and Ferry Transportation.

Operating expenses totaled $3.4 billion in 2019, comprised of:

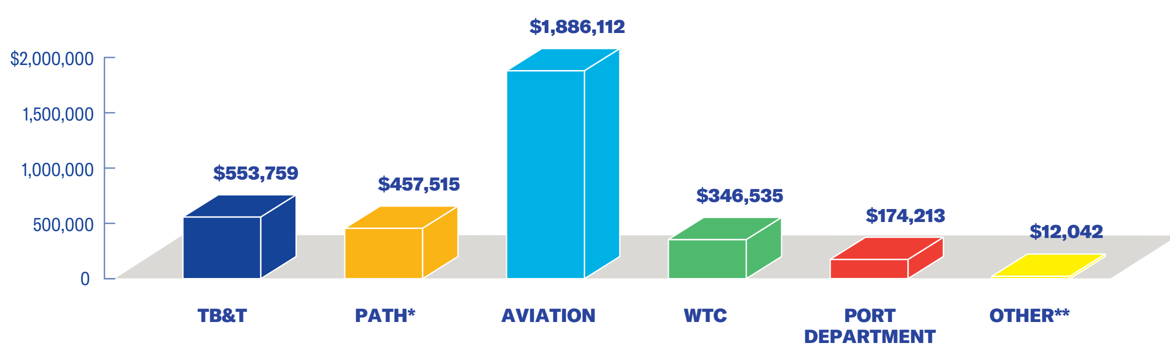
2019 OPERATING EXPENSES BY ACTIVITY

($ In thousands)



2019 OPERATING EXPENSES BY BUSINESS SEGMENT

(In thousands)

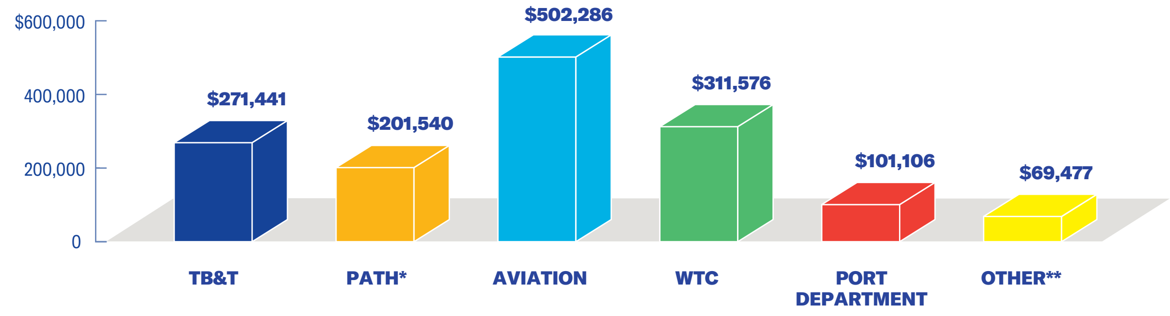


* PATH includes WTC Transportation Hub.
** Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core, Ferry Transportation and Moynihan Station Transportation Program.

Depreciation and amortization totaled $1.5 billion in 2019, comprised of:

2019 DEPRECIATION AND AMORTIZATION BY BUSINESS SEGMENT

(In thousands)

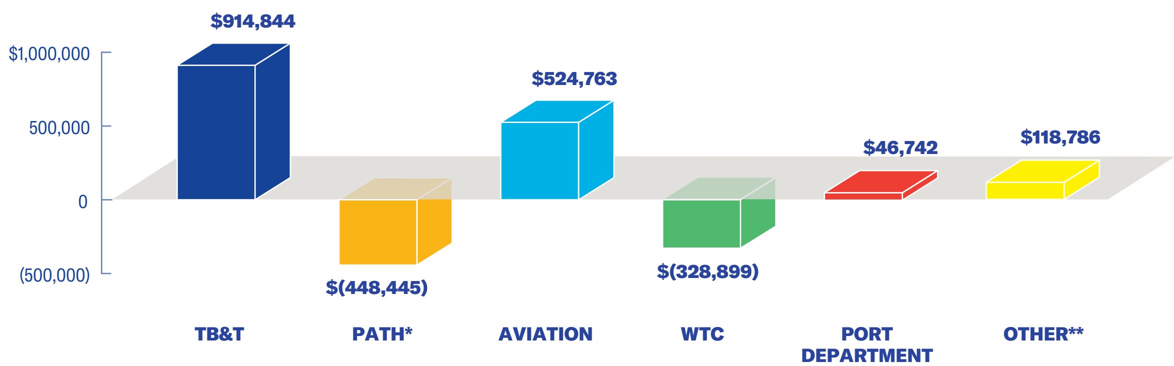


* PATH includes WTC Transportation Hub.
** Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core, Moynihan Station Transportation Program, and Ferry Transportation.

Income from operations totaled $828 million in 2019, comprised of:

2019 INCOME FROM OPERATIONS BY BUSINESS SEGMENT

(In thousands)



* 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 revenues and expenses are comprised of interest expense, financial income, PFCs, grants, in connections with operating activities and contributions in aid of construction. Non-operating activities decreased net position by $239 million in 2019:

	2019
	(In thousands)
Contributions in aid of construction and PFCs	$ 553,622
Grants, in connection with operating activities and pass-through grant program payments	22,523
Financial income, including changes in fair value of investments	87,948
Interest expense in connection with bonds and other asset financings, net*	(902,949)
Non-operating revenues/(expenses), net	**$ (238,856)**

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

Enterprise Fund Financial Statements Comparison for the Years Ended December 31, 2019, December 31, 2018 and December 31, 2017

The Statements of net position present the financial position of the Port Authority at the end of the fiscal year and include all 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 enterprise fund Statements of net position follows:

	2019	2018	2017
		(In thousands)	
ASSETS			
Current assets	**$ 2,325,761**	$ 2,660,266	$ 2,767,697
Noncurrent assets:			
Facilities, net	**39,016,984**	37,400,013	35,963,576
Other noncurrent assets	**7,793,264**	7,283,951	7,751,457
Total assets	**49,136,009**	47,344,230	46,482,730
DEFERRED OUTFLOWS OF RESOURCES			
Loss on debt refundings	**71,113**	78,510	73,148
Pension related amounts	**277,938**	276,586	328,602
OPEB related amounts	**141,943**	169,257	—
Total deferred outflows of resources	**490,994**	524,353	401,750
LIABILITIES			
Current liabilities	**3,330,227**	3,421,109	3,375,701
Noncurrent liabilities:			
Bonds and other asset financing obligations	**24,421,179**	22,919,908	22,464,963
Other noncurrent liabilities	**4,977,960**	5,422,432	5,483,366
Total liabilities	**32,729,366**	31,763,449	31,324,030
DEFERRED INFLOWS OF RESOURCES			
Gain on debt refundings	**51,946**	43,859	47,237
Pension related amounts	**102,956**	177,998	68,237
OPEB related amounts	**275,406**	4,883	74,920
Total deferred inflows of resources	**430,308**	226,740	190,394
NET POSITION			
Net investment in capital assets	**14,620,518**	14,190,682	13,179,105
Restricted	**550,736**	500,610	760,912
Unrestricted	**1,296,075**	1,187,102	1,430,039
Net position, December 31	**$ 16,467,329**	$ 15,878,394	$ 15,370,056

2019 vs. 2018

Port Authority assets totaled $49.1 billion at December 31, 2019, an increase of $1.8 billion from December 31, 2018. This overall increase was primarily a result of:

Facilities, net of $39 billion increased $1.6 billion from December 31, 2018 due to the continued capital investment in Port Authority facilities as outlined in the reassessed 2017-2026 ten-year capital plan, less annual depreciation. For additional information related to capital investment by facility see *Schedule F - Information on Capital Investment in Port Authority Facilities* contained in this report.

Receivables, including restricted amounts, of $941 million increased $185 million from December 31, 2018, primarily due to timing differences for the receipt of aviation fees, percentage rentals from airlines, Federal Transit Administration (FTA) capital contributions related to PATH Superstorm Sandy restoration and resiliency capital projects and amounts due from the World Trade Center (WTC) Tower 3 and WTC Tower 4 net lessees for certain rent payments that were deferred in accordance with tenant support agreements. Offsetting these increases is a decrease in amounts due from other tolling agencies for E-ZPass® tolls collected on behalf of the Port Authority.

Cash and Investment balances of $4.1 billion decreased $191 million from December 31, 2018, primarily due to increased capital outlays related to construction activities, as outlined in the reassessed 2017-2026 capital plan.

Cash flows from operations of $1.9 billion remained constant when compared to the same twelve-month period of 2018, primarily due to an increase in payments to employees as a result of the settlement of expired labor contracts, offset by the receipt of Superstorm Sandy insurance proceeds and higher aviation fees.

Port Authority liabilities totaled $32.7 billion at December 31, 2019, an increase of $966 million from December 31, 2018. This increase was primarily due to:

Bonds and other asset financing obligations of $26.7 billion, including $1.2 billion associated with Tower 4 Liberty Bonds, increased $1.6 billion from December 31, 2018 primarily due to the issuance of additional consolidated bonds for purposes of funding capital construction projects at Port Authority facilities as outlined in the reassessed 2017-2026 capital plan.

Accrued pension and other postemployment benefits (OPEB) of $1.5 billion decreased $353 million primarily due to a decrease in the actuarially determined net OPEB liability resulting from increased earnings on plan investments and the continued advanced funding of *The Port Authority of New York and New Jersey Retiree Health Benefits Trust*.

Accrued payroll and other employee benefits of $501 million decreased $158 million primarily due to increased payments to employees as a result of the retroactive settlement of expired labor contracts.

Deferred outflows and inflows of resources, net totaled $60.7 million at December 31, 2019, a decrease of $237 million from December 31, 2018, primarily due to a decrease in the actuarially determined net OPEB liability resulting from increased investment earnings on plan investments. Deferred outflows and inflows of resources are amortized as either an increase (deferred outflows) or decrease (deferred inflows) to future operating expense on a straight-line basis over a closed period of time.

2018 vs. 2017

Port Authority assets totaled $47.3 billion at December 31, 2018, an increase of $862 million from December 31, 2017. This overall increase was primarily a result of:

Facilities, net of $37.4 billion, increased $1.4 billion from December 31, 2017 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).

Receivables, including restricted amounts of $756 million increased $81 million from December 31, 2017, primarily due to timing differences in receiving aviation fees and rentals 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 respective rights under the 2010 tenant support agreement to defer the payment of certain rentals.

Cash balances of $295 million decreased $564 million from December 31, 2017, primarily due to the funding of approximately $2.9 billion of capital construction projects at Port Authority facilities with bond proceeds received in 2017 and available funds. This decrease was partially offset by $2 billion in cash provided by operations primarily due to increased rentals and aviation fees and $388 million in cash provided by investing activities due to the maturity of certain investment securities.

Current and noncurrent investments of $4.0 billion decreased $297 million primarily due to the application of available PFCs to fund LaGuardia (LGA) Airport redevelopment capital projects.

Deferred outflows of resources totaled $524 million at December 31, 2018, an increase of $123 million from December 31, 2017. This increase was primarily due to an increase in the Port Authority's actuarially determined costs associated with employer provided OPEB. Deferred outflows of resources related to OPEB will be amortized as future operating expense on a straight-line basis over a closed period (see *Note J- Other Postemployment Benefits (OPEB)* for additional information related to OPEB).

Port Authority liabilities totaled $32 billion at December 31, 2018, an increase of $439 million from December 31, 2017. This increase was primarily due to:

Bonds and other asset financing obligations of $25.1 billion, including $1.2 billion associated with Tower 4 Liberty Bonds, increased $486 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 $87 million increase in amounts related to the Goethals Bridge Replacement Developer Financing Arrangement (DFA). These increases were partially offset by the retirement and refunding of $1.6 billion in consolidated bonds and commercial paper obligations.

Accounts payable increased $45 million primarily due to increases in operating, maintenance and capital construction contractor accrued payables.

Accrued pension and OPEB benefits decreased $5 million primarily due to a decrease in the Port Authority's actuarially determined proportionate share of the Net Pension Liability (NPL) of New York State and Local Retirement System (NYSLRS) due to positive investment earnings on plan investments, partially offset by an increase in the Port Authority's Net OPEB Liability.

Deferred inflows of resources totaled $227 million at December 31, 2018, an increase of $36 million from December 31, 2017. This increase was primarily due to an increase in the Port Authority's proportionate share of actuarially determined deferred pension gains related to the Port Authority's participation in NYSLRS. Deferred inflows of resources related to NYLSRS will be amortized as a reduction to future pension expense on a straight-line basis over a closed period (see *Note I - Pension Plans* for additional information related to pensions).

Enterprise Fund Statements of Revenues, Expenses and Changes in Net Position

The year-to-year change in net position is an indicator of whether the overall fiscal condition of an organization has improved or worsened during the year. The following is a summary of the Statements of Revenues, Expenses and Changes in Net Position:

	2019	2018	2017
		(In thousands)	
Gross operating revenues	**$ 5,539,715**	$ 5,344,008	$ 5,220,389
Operating expenses	**(3,430,176)**	(3,242,315)	(3,108,910)
Depreciation and amortization	**(1,457,426)**	(1,371,157)	(1,275,303)
Net revenue related to Superstorm Sandy	**175,678**	—	18,323
Income from operations	**827,791**	730,536	854,499
Non-operating revenues/(expenses), net	**(792,478)**	(760,818)	(787,596)
Capital contributions and PFCs	**553,622**	538,620	463,258
Increase in net position	**588,935**	508,338	530,161
Net position, January 1	**15,878,394**	15,370,056	14,839,895
Net position, December 31	**$ 16,467,329**	$ 15,878,394	$ 15,370,056

Financial results of an individual facility for 2019 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:

	2019	2018	2017
		(In thousands)	
Gross operating revenues:			
Tolls and fares	**$ 1,876,911**	$ 1,865,384	$ 1,873,622
Rentals	**1,748,683**	1,673,994	1,618,439
Aviation fees	**1,287,263**	1,192,454	1,128,352
Parking and other	**408,609**	384,088	377,421
Utilities	**144,176**	149,008	139,502
Rentals – Special Project Bonds Projects	**74,073**	79,080	83,053
Total	**$ 5,539,715**	$ 5,344,008	$ 5,220,389

2019 vs. 2018

Gross operating revenues totaled $5.5 billion in 2019, an increase of $196 million or 3.7% from 2018.

Aviation fees of $1.3 billion increased $95 million or 8.0% as compared to 2018. Aviation fees paid by airlines operating at certain Port Authority Aviation facilities provide for the recovery of certain capital investment and operating expenses incurred by the Port Authority. The 2019 increase in aviation fees was primarily due to; ***a)*** increased customer service initiatives; ***b)*** increased policing and security costs necessary to meet ongoing public safety needs, including traffic management efforts in support of ongoing construction activities at LGA Airport; ***c)*** additional aeronautical capital investment being placed into operational service in 2019, including a new concrete runway at John F. Kennedy International (JFK) Airport and ***d)*** increased maintenance costs related to AirTrain JFK and AirTrain EWR.

Rentals of $1.7 billion increased $75 million or 4.5% as compared to 2018 primarily due to; ***a)*** scheduled rent escalations at Aviation Terminals and World Trade Center (WTC); ***b)*** increased occupancy at One WTC and ***c)*** increased activity based percentage rentals at Aviation Terminals and Port Authority Marine Terminals resulting from increased aviation passengers and cargo container activity.

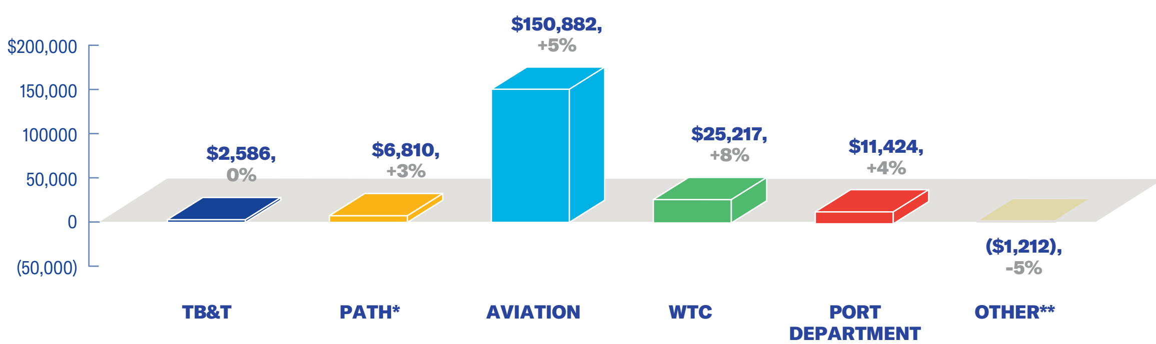
Parking and other fees of $409 million increased $25 million or 6.4% as compared to 2018 primarily due to; ***a)*** increased One WTC tenant charges resulting from higher occupancy; ***b)*** increased public parking activity at LGA Airport as a result of reduced parking lot closures resulting from ongoing construction activities and ***c)*** increased Cargo Facility Charges (CFCs) at Port Authority Marine Terminals due to higher cargo container activity.

Toll and PATH fares of $1.9 billion increased $12 million or 0.6% as compared to 2018 due to increased PATH ridership of 0.6%, higher vehicular traffic at the Port Authority's six vehicular crossings of 1.6% and increased collections for the recovery of delinquent accounts. These increases were partially offset by increased toll violations and toll discounts resulting from higher E-ZPass® utilization.

The following chart depicts the 2019 increase/(decrease) in gross operating revenues by business segment when compared to 2018:

2019 VS. 2018 - GROSS OPERATING REVENUES

($ In thousands)



* PATH includes WTC Transportation Hub.

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

2018 vs. 2017

Gross operating revenues totaled $5.3 billion in 2018, an increase of $124 million or 2.4% from 2017.

Aviation fees of $1.2 billion increased $64 million or 5.7% from 2017. Aviation fees paid by airlines operating at certain Port Authority Aviation facilities provide for the recovery of certain Port Authority capital investments and operating expenses. The increase in 2018 fees was primarily due to increased policing and security to meet ongoing security requirements, aeronautical related capital investment being placed into service and increased snow and ice removal activities.

Rentals of $1.7 billion increased $56 million or 3.4% from 2017 primarily due to increased activity based percentage rentals at Aviation Facilities and Marine Terminals resulting from an all-time high in aviation passenger and container activity, increased fixed rentals due to scheduled rent increases at Aviation Facilities and Marine Terminals, and increased fixed and percentage rentals at One World Trade Center due to increased occupancy and scheduled rent increases.

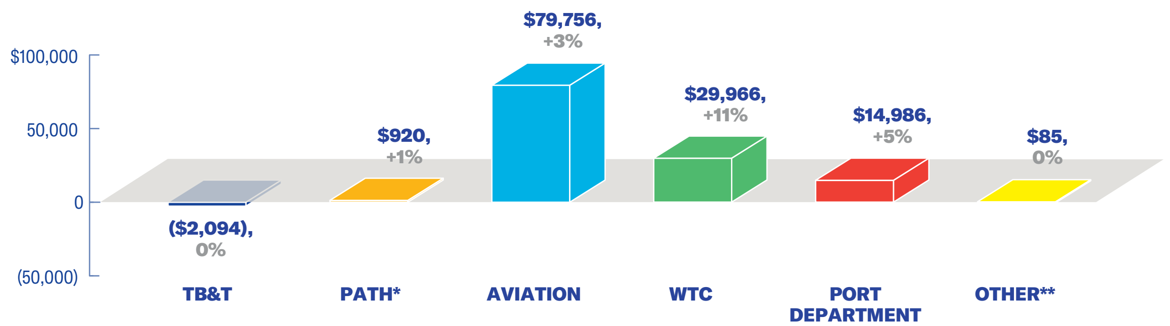
Parking and other fees of $384 million increased $7 million or 1.8% from 2017 primarily due to increased One World Trade Center tenant charges resulting from increased occupancy and increased CFCs and Wharfage fees at Marine Terminals due to an all-time high of container activity. Partially offsetting these amounts was a decrease in public and tenant parking revenues at Aviation facilities primarily due to inclement weather conditions in the first quarter of 2018, ongoing construction activities at LGA Airport, and lessened demand for public parking at the three major airports.

Toll and PATH fares of $1.9 billion remained relatively flat from 2017 due to increased tolling discounts resulting from higher E-ZPass® usage at the Port Authority's six vehicular crossings, lower PATH cross honoring of New Jersey Transit (NJT) passengers resulting from Amtrak construction activity at New York Penn Station in 2017 and lower 2018 PATH ridership due to decreased weekend service for the installation of Positive Train Control (PTC). These decreases were partially offset by a 0.7% increase in overall vehicular traffic at the six vehicular crossings.

The following chart depicts the 2018 increase/(decrease) in gross operating revenues by business segment when compared to 2017:

2018 VS. 2017 - GROSS OPERATING REVENUES

($ In thousands)



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

Operating Expenses

Operating expenses totaled $3.4 billion in 2019, an increase of $188 million or 5.8% when compared to the same twelve-month period of 2018.

A summary of operating expenses follows:

	2019	2018	2017
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	**$ 1,413,979**	$ 1,338,277	$ 1,318,935
Contract services	**1,046,216**	934,821	880,331
Rents and payments in-lieu-of taxes (PILOT)	**388,462**	396,048	390,576
Materials, equipment and other	**315,676**	298,121	252,533
Utilities	**191,770**	195,968	183,482
Interest on Special Project Bonds	**74,073**	79,080	83,053
Total	**$ 3,430,176**	$ 3,242,315	$ 3,108,910

2019 vs. 2018

Contract Services of $1.0 billion increased $111 million or 11.9% as compared to 2018 primarily due to; ***a)*** scheduled increases in contractor billing rates and additional services related to operational excellence and customer service initiatives at Port Authority facilities; ***b)*** scheduled increases in billing rates and added maintenance related to Air Train JFK and Air Train EWR; ***c)*** increased E-ZPass® administrative fees due to higher E-ZPass® utilization; ***d)*** the full year impact of Goethals Bridge developer maintenance payments, which commenced in July 2018 and ***e)*** increased tenant services at One WTC due to higher occupancy.

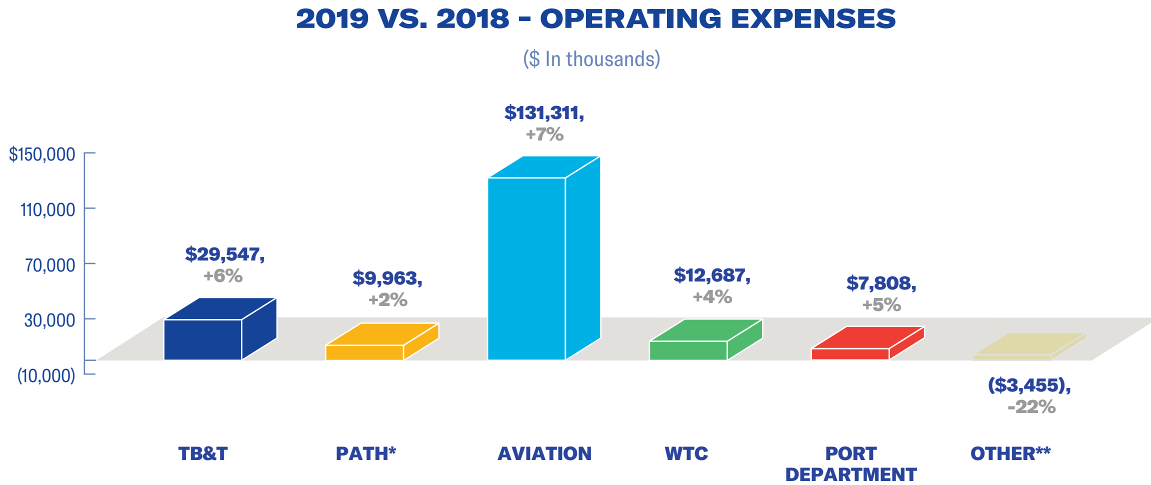
Employee compensation, including employer provided healthcare and retirement benefits of $1.4 billion, increased $76 million or 5.7% as compared to 2018 primarily due to; ***a)*** increased civilian and public safety employee headcount to meet operational and public safety requirements; ***b)*** general wage increases and ***c)*** increased policing costs, including policing related to traffic management efforts in support of construction activities at LGA Airport. Partially offsetting these increases was a decrease in benefit expense related to postemployment healthcare benefits due to increased earnings on plan investments.

Materials, Equipment and Other of $316 million increased $18 million or 5.9% as compared to 2018 primarily due to; ***a)*** non-cash write-offs of certain preliminary planning and design costs related to capital projects that are not included in the reassessed 2017-2026 capital plan; ***b)*** the scheduled replacement of certain operations and maintenance vehicles and ***c)*** the purchase of materials and equipment related to snow and ice removal activities and PATH car inspections.

Utilities of $192 million decreased $4 million or 2.1% as compared to 2018 primarily due to lower consumption of steam and thermal energy at JFK Airport as a result of milder weather conditions.

Rents and Payments in-lieu-of-taxes (PILOT) of $388 million decreased $8 million or 1.9% as compared to 2018, primarily due to lower PILOT payments to the City of New York related to the application of certain WTC Tower 3 PILOT credits, which commenced in 2019.

The following chart depicts the 2019 increase/(decrease) in operating expenses by business segment when compared to 2018:



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

2018 vs. 2017

Operating expenses totaled $3.2 billion in 2018, an increase of $133 million or 4.3% from 2017.

Employee compensation, including employer provided healthcare and retirement benefits of $1.3 billion, increased $19 million or 1.5% from 2017 primarily due to increased civilian and public safety employee headcount and increased wages resulting from snow and ice removal activities at Port Authority facilities. Partially offsetting these increases was a net decrease in actuarially determined pension and OPEB related costs primarily due to investment gains on plan investments.

Contract Services of $935 million increased $54 million, or 6.2% from 2017 primarily due to increased customer service related initiatives, including new customer information technology across facilities, increased security at Port Authority facilities due to evolving security requirements, increased maintenance dredging at Marine Terminals, the commencement of contract maintenance payments to the Goethals Bridge Replacement Bridge developer and scheduled increases in contractor billing rates.

Materials, Equipment and Other of $298 million increased $46 million or 18% from 2017 primarily due to increased purchases of operations and maintenance vehicles, including airside snow removal equipment, increased purchases of materials and supplies related to snow and ice removal activities, primarily at the Aviation facilities, increased allowances for doubtful accounts at Aviation facilities, Marine Terminals and WTC, and increased self-insured public liability loss reserves.

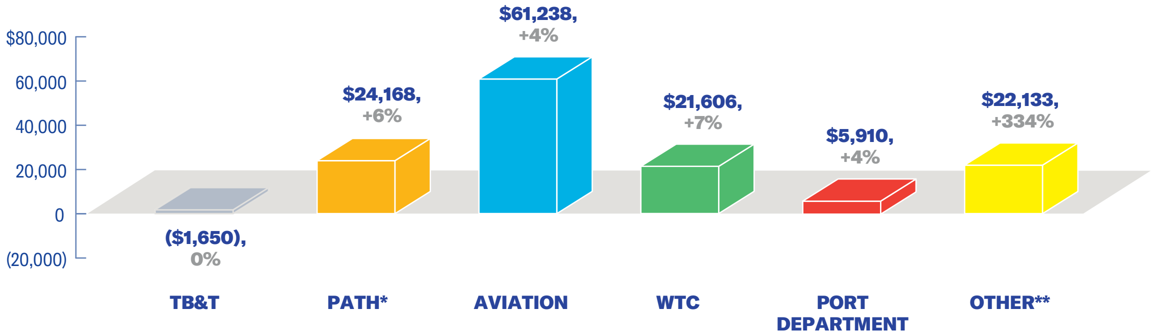
Utilities of $196 million increased $13 million or 6.8% from 2017 due to increased consumption at JFK Airport and WTC due to increased demand for heating and cooling when compared to 2017.

Rents and Payments in-lieu-of-taxes (PILOT) of $396 million increased $5 million or 1% from 2017, primarily due to increased payments to the City of New York related to the WTC site as a result of the substantial completion of WTC Tower 3.

The following chart depicts the 2018 increase/(decrease) in total operating expenses by business segment when compared to 2017:

2018 VS. 2017 - OPERATING EXPENSES

($ In thousands)



* PATH includes WTC Transportation Hub.

** Other includes Regional Facilities and Programs, PAICE, Development Facilities, Access to the Regions Core, Ferry Transportation and Moynihan Station Transportation Program and $24 million year-to-year impact of adopting GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Depreciation and Amortization

A summary of depreciation and amortization follows:

	2019	2018	2017
		(In thousands)	
Depreciation and amortization:			
Depreciation of facilities	**$ 1,420,696**	$ 1,329,283	$ 1,231,139
Amortization of costs for regional programs	**36,730**	41,874	44,164
Total	**$ 1,457,426**	$ 1,371,157	$ 1,275,303

2019 vs. 2018

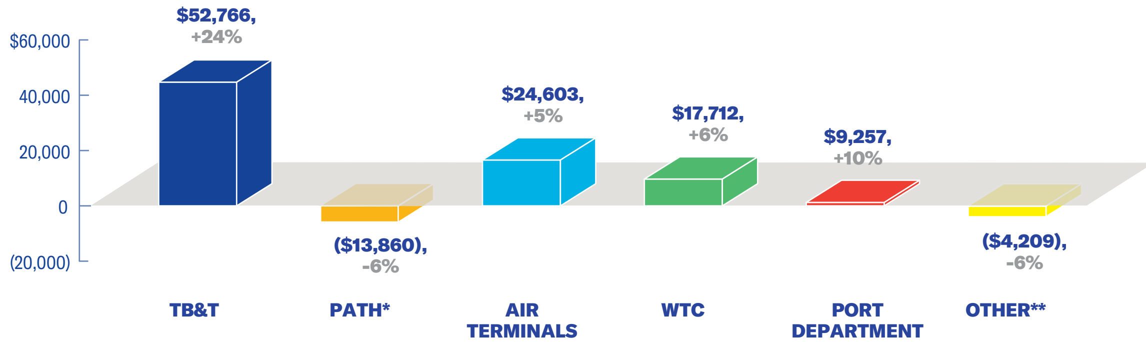
Depreciation and amortization of $1.5 billion increased $86 million or 6.3% as compared to 2018 due to the scheduled completion of approximately $8.3 billion of capital construction projects in 2018 and 2019. These capital infrastructure projects, include constructed assets related to the; ***a)*** Goethals Bridge Replacement Bridge; ***b)*** WTC Redevelopment; ***c)*** Bayonne Bridge Navigational Clearance Program; ***d)*** LGA Airport Redevelopment Program; ***e)*** rehabilitation of certain runways and taxiways at JFK Airport; ***f)*** Restore the George Washington Bridge Program; ***g)*** PATH Signal System Replacement Program and ***h)*** Lincoln Tunnel Access Program that have been placed into service and are being depreciated over their estimated useful lives.

These capital infrastructure assets have been placed into service and being depreciated over the assets estimated useful life.

The following chart depicts the 2019 increase/(decrease) in depreciation and amortization by business segment when compared to 2018:

2019 VS. 2018 - DEPRECIATION AND AMORTIZATION

($ In thousands)



* 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.

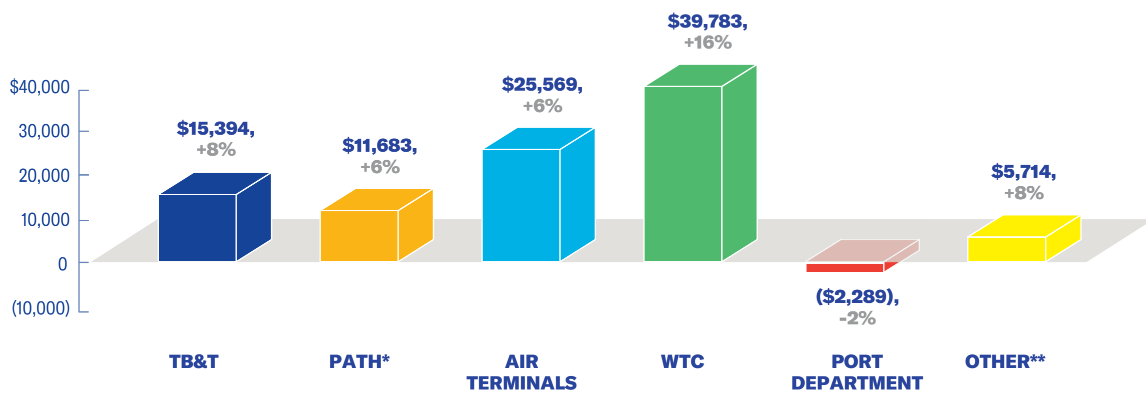
2018 vs. 2017

Depreciation and amortization of $1.4 billion increased $96 million or 7.5% from 2017 as a result of the scheduled completion of approximately $8.0 billion of capital construction projects in 2017 and 2018. These capital infrastructure assets, including elements of the PATH Signal System Replacement Program and installation of PTC, Goethals Bridge Replacement Program, Bayonne Bridge Navigational Clearance Program, LTA Program, WTC Tower 3, JFK runway improvements and LGA Airport Redevelopment Program have been placed into service and are now being depreciated over their useful life. Partially offsetting these increases was a decrease in accelerated depreciation primarily related to the former Goethals Bridge and certain elements of the Bayonne Bridge that were fully depreciated and taken out of service in 2017 in anticipation of new and rehabilitated capital construction assets becoming operational in 2018.

The following chart depicts the 2018 increase/(decrease) depreciation and amortization by business segment when compared to 2017:

2018 VS. 2017 - DEPRECIATION AND AMORTIZATION

($ In thousands)



* 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.

Additional information related to capital investment in Port Authority facilities can be found in *Note B – Facilities, net, Schedule D-3 – Selected Statistical Financial Data by Business Segment* and *Schedule F – Information on Capital Investment in Port Authority Facilities* located in this report.

Superstorm Sandy Insurance Recoveries

Net revenues related to Superstorm Sandy of $175.7 million represent final insurance recoveries received in 2019 for losses sustained as a result of Superstorm Sandy.

Income from Operations

Income from operations is comprised of gross operating revenues, less the sum of; ***a)*** operating expenses; ***b)*** depreciation and amortization and ***c)*** net revenues related to Superstorm Sandy.

2019 Income from operations of $828 million increased $97 million from 2018, primarily due to an increase in aviation fees and rentals at aviation facilities, increased rental at the WTC Campus and the receipt of additional insurance recoveries related to the events of Superstorm Sandy.

2018 Income from operations of $730 million declined $124 million from 2017, primarily due to an increase in depreciation related to the scheduled completion of approximately $8.0 billion in capital construction projects in 2017 and 2018 located at the WTC, PATH, Goethals and Bayonne Bridges, JFK and LGA Airport.

Non-Operating Revenues and Expenses

A summary of non-operating revenues and expenses follows:

	2019	2018	2017
		(In thousands)	
Non-operating revenues and (expenses):			
Financial income	**$ 66,965**	$ 77,406	$ 48,077
Net increase/(decrease) in fair value of investments	**20,983**	11,898	(12,751)
Interest expense in connection with bonds and other asset financings, net*	**(902,949)**	(872,690)	(843,050)
Pass-through grant program payments	**(3,142)**	(1,438)	(19,717)
Grants, in connection with operating activities	**25,665**	24,006	39,845
Non-operating expenses, net	**$ (792,478)**	$ (760,818)	$ (787,596)

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

2019 vs. 2018

Financial income, comprised of interest income and the net change in the fair value of investments totaled $87.9 million in 2019, a decrease of $1.4 million when compared to 2018. This year-to-year decrease was primarily due to the receipt of a non-recurring consent fee of $15 million relating to Port Jersey-Port Authority Marine Terminal in 2018, partially offset by a $4.5 million increase in realized earnings on portfolio investments, primarily comprised of United States Treasury securities due to higher interest rates and a $9.0 million increase in non-cash unrealized gains related to the change in fair value of securities held in Port Authority investment accounts.

Interest expense in connection with bonds and other asset financings of $903 million increased $30 million from 2018 due to the full year impact of *Goethals Bridge Replacement Developer Financing Arrangement (DFA)* payments, which commenced in July 2018.

Grants, in connection with operating activities of $25.7 million increased $1.7 million from 2018, primarily due to the receipt of federal funding for the Voluntary Airport Low Emission (VALE) Program at JFK Terminal 5 for electric charging stations and increased funding from the Department of Homeland Security (DHS) for port security programs.

Pass-through grant program payments to sub-grantees of $3 million increased $1.7 million when compared to 2018, primarily due to the receipt of federal funding for the VALE program at JFK Terminal 5 for electric charging stations that was passed-through to the New York Power Authority (NYPA).

Pass-through grant program payments are offset in their entirety by a ***Contribution in aid of construction*** or a ***Grant, in connection with an operating activity***.

2018 vs. 2017

Financial income, comprised of interest income and the net change in the fair value of investments collectively totaled $89 million in 2018, an increase of $54 million when compared to 2017. These increases were primarily due to a $14 million increase in realized earnings on investments due to higher interest rates and a $25 million year to year increase in the net change in the fair market value of investments, comprised primarily of United States Treasury securities. In addition, the Port Authority received a non-recurring consent fee of $15 million relating to Port Jersey-Port Authority Marine Terminal.

Interest expense in connection with bonds and other asset financings of $873 million increased $30 million from 2017 due to the commencement of Goethals Bridge Replacement DFA payments due to the substantial completion of the replacement bridge in June 2018.

Grants, in connection with operating activities of $24 million decreased $16 million from 2017 primarily due to a $9 million decrease in Superstorm Sandy grants for immediate recovery efforts due to the transition from the immediate repair phase to the permanent repair and resiliency phase of the recovery effort and a $3 million decrease in Airport Improvement Program (AIP) discretionary funding associated with noise compatibility studies at the Port Authority's three major airports and a $3 million decrease in available funding from the DHS for cyber security and counter terrorism initiatives.

Pass-through grant program payments to sub-grantees of $1 million decreased $18 million from 2017 primarily due to decreased federal funding associated with baggage screening projects at Aviation facilities and the Regional Truck Replacement Program.

Pass-through grant program payments are offset in their entirety by a ***Contribution in aid of construction*** or a ***Grant, in connection with an operating activity***.

Capital Contributions and Passenger Facility Charges

A summary of Capital Contributions and Passenger Facility Charges follows:

	2019	2018	2017
		(In thousands)	
Contributions in aid of construction	**$ 261,054**	$ 252,225	$ 187,473
PFCs	**292,568**	286,395	275,785
Total	**$ 553,622**	$ 538,620	$ 463,258

2019 vs. 2018

Contributions in aid of construction of $261 million increased $8.8 million from 2018 primarily due to increased funding from the Federal Emergency Management Agency (FEMA) and the FTA for Superstorm Sandy restoration and resiliency capital projects primarily at PATH. Partially offsetting this increase was a decrease for the reimbursement of certain sub-grade infrastructure supporting the WTC Performing Arts Center, which was received in 2018 and lower capital contributions from the WTC Tower 3 net lessee for the construction of WTC Tower 3, which was substantially completed in the second quarter of 2018. For additional information related to grants and capital contributions, see *Note F - Grants and Contributions in Aid of Construction*.

PFCs of $293 million increased $6 million from 2018 due to a 1.6% increase in passenger activity.

2018 vs. 2017

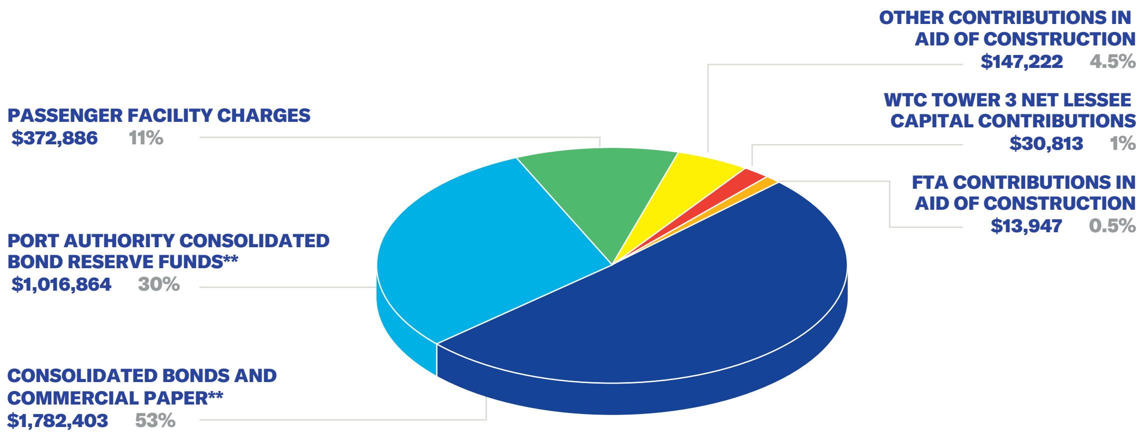
Contributions in aid of construction of $252 million increased $65 million from 2017 primarily due to the reimbursement of certain sub-grade infrastructure supporting the WTC Performing Arts Center, increased required capital contributions from the WTC Tower 3 net lessee for the construction of WTC Tower 3 and increased funding from the FEMA and the FTA for Superstorm Sandy restoration and resiliency capital projects. For additional information related to grants and capital contributions, see *Note F - Grants and Contributions in Aid of Construction*.

Capital Construction Activities

Port Authority capital investment, including contributed capital, accrued amounts and landlord leasehold capital investment related to LGA Terminal B, totaled $3.4 billion in 2019, $3.1 billion in 2018 and $2.7 billion in 2017.

CAPITAL FUNDING SOURCES 2019*

(In millions)

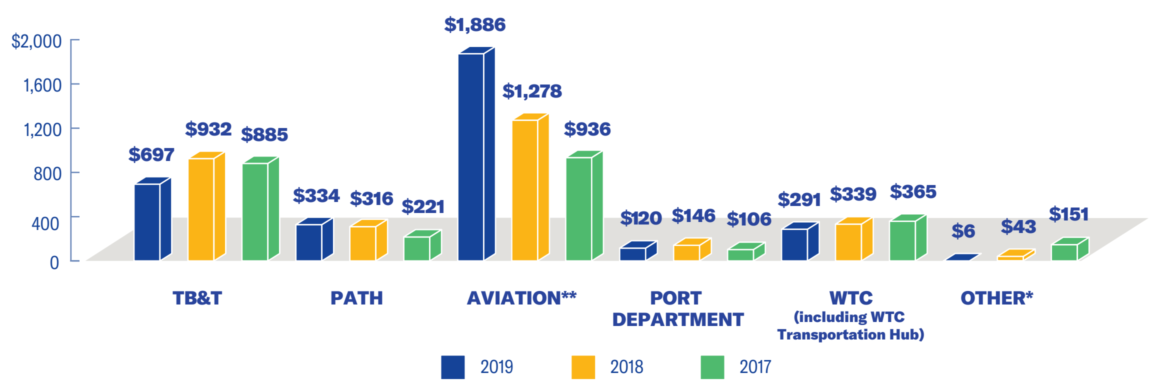


* Capital funding sources exclude accrued amounts in connection with capital construction activities.
** Includes funding for landlord leasehold capital improvements related to LGA Terminal B.

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

CAPITAL INVESTMENT BY BUSINESS SEGMENT 2017-2019

(In millions)



* Other includes Regional Facilities and Programs, Development Facilities, Moynihan Station Transportation Program, Gateway Early Work Program and Ferry Transportation.
** Includes landlord leasehold capital improvements related to LGA Terminal B of $297 million in 2019, $289 million in 2018 and $163 million in 2017, respectively.

Additional information related to capital investments in Port Authority facilities can be found in, *Note B – Facilities, net*, *Schedule D-3 – Selected Statistical Financial Data by Business Segment* and *Schedule F – Information on Capital Investment in Port Authority Facilities* located in this report.

Capital Financing and Debt Management

As of December 31, 2019, bonds and other asset financing obligations of the Port Authority totaled approximately $27.9 billion, including $1.2 billion associated with Tower 4 Liberty Bonds for which the Port Authority is a co-borrower/obligor and $1.1 billion related to Special Project Bonds. For additional information related to bonds and other asset financing obligations of the Port Authority, see *Note D – Outstanding Financing Obligations*.

During 2019, the Port Authority received approximately $2.8 billion of consolidated bond proceeds, including $393 million in premiums received at the time of issuance. Of this amount, $1.9 billion was allocated for purposes of funding capital construction, $758 million was used to refund outstanding consolidated bonds to achieve savings on future debt service payments and $100 million was used to retire existing commercial paper obligations.

During 2019, the Port Authority issued approximately $120 million of commercial paper obligations to fund capital construction project expenditures.

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. All ratings for outstanding obligations in 2019 remained the same when compared to 2018. 2019 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

On September 26, 2019, the Board of Commissioners authorized certain adjustments to the schedule of tolls at the Port Authority's six vehicular crossings. The Revised Schedule incorporates the previously authorized Consumer Price Index (CPI) inflation adjustment for bridge and tunnel tolls. Effective January 5, 2020, the cash and toll by mail rate for cars during all hours increased from $15.00 to $16.00. The discount for autos using E-ZPass® would be reduced by $0.25, resulting in an increase of $1.25. After 2020, tolls will be adjusted for the cumulative effect of inflation when applied to the current Class 1 cash and toll by mail tolls. At the time the first CPI increase reaches $1.00, tolls for all vehicular classes except classes 8 and 9 (buses) would increase by $1.00, and the discount for autos using E-ZPass® would be further reduced by $0.25, resulting in an increase of $1.25. Thereafter, and when all electronic tolling has been implemented at all crossings, tolls for all vehicular classes would be adjusted annually by the CPI increase. For additional information related to tolling rates, E-ZPass® discounts and designated user programs, please refer to the following link: http://www.panynj.gov/bridges-tunnels/tolls.html

Cashless toll collection went into effect in February 2017 at the Bayonne Bridge, April 24, 2019 at the Outerbridge Crossing, and September 4, 2019 at the Goethals Bridge. On July 25, 2019, the Board of Commissioners authorized a project to implement cashless tolling at the Holland Tunnel, Lincoln Tunnel and George Washington Bridge. Implementation of cashless tolling reduces travel times, enhances safety, improves traffic flow and provides environmental benefits by limiting idling and reducing delays, as vehicles no longer have to stop at a toll plaza. Over time, implementation of cashless tolling may impact toll revenues previously collected in cash, by, among other things, shifting customers to E-ZPass® tags (which provide for toll discounts), and requiring additional collection efforts for customers that are billed by mail. The Port Authority is committed to increasing delinquent toll collection, together with related fees, and will closely monitor any changes in overall toll recovery at facilities with cashless tolling, but does not expect the implementation of cashless tolling to have a material impact on Port Authority revenues.

The PATH fare schedule was revised effective on November 1, 2019. Although the PATH base fare for a single trip remains at $2.75, the cost of multi-trip tickets was increased to $25.00 for a 10-trip ticket, $50.00 for a 20-trip ticket and $100.00 for a 40-trip ticket (each of which is scheduled to increase as of November 1, 2020 to $26.00, $52.00 and $104.00, respectively). After 2020, PATH fares will be indexed to inflation, based on CPI, with increases occurring when the cumulative increase in CPI, as measured from 2020, would, when applied to the single ride fares, result in an adjustment of at least $0.25. For additional information related to PATH fares please refer to the following link: http://www.panynj.gov/path/en/fares.html

On December 12, 2019, the Board of Commissioners approved a 2020 budget that provides for capital and operating expenditures during calendar year 2020 totaling $8.6 billion. To obtain a copy of the 2020 budget, please refer to the following link: https://corpinfo.panynj.gov/pages/budget/

On February 16, 2017, the Board of Commissioners approved a ten-year capital plan covering 2017-2026, which, as part of the biennial process to reassess the 2017-2026 capital plan directed by the Board of Commissioners, was modified from $32.2 billion to $37 billion by the Board of Commissioners on September 26, 2019. To obtain a copy of the capital plan, please refer to the following link: https://www.panynj.gov/port-authority/en/about/capital-plan.html

Fiduciary Fund Financial Statements Comparison for the Years Ended December 31, 2019 and December 31, 2018

The year-to-year change in fiduciary net position is an indicator of whether the overall financial condition of The Port Authority of New York and New Jersey Retiree Health Benefit Trust (the Trust) has improved or worsened during the year. A comparison of the Port Authority's Fiduciary Fund Statements of Changes in Fiduciary Net Position follows:

	2019	2018	2017
		(In thousands)	
Total contributions*	**$ 256,536**	$ 247,761	$ 243,528
Total net investment income/(loss)	**285,996**	(86,274)	175,795
Total deductions*	**(156,642)**	(147,855)	(143,622)
Increase in net position	**385,890**	13,632	275,701
Net position – January 1	**1,413,736**	1,400,104	1,124,403
Net position – December 31	**$ 1,799,626**	$ 1,413,736	$ 1,400,104

* Includes current year OPEB payments totaling $156.5 million in 2019, $147.8 million in 2018 and $143.5 million in 2017 to OPEB plan members or their beneficiaries out of available Port Authority operating funds.

2019 vs. 2018

Net position of the Trust totaled $1.8 billion at December 31, 2019, an increase of $386 million when compared to December 31, 2018. This year-to-year increase in fiduciary net position was a result of an increase in investment income.

Trust assets totaled $1.803 billion at December 31, 2019, an increase of $361 million from December 31, 2018. This increase in Trust assets is primarily due to a $387 million increase in value of Trust investments, partially offset by a decrease in cash and cash deposits of $26 million.

Net investment income totaled $286 million in 2019, an increase of $372 million from 2018, primarily due to a $364 million increase in the fair value of Trust investments, a $9 million increase in interest income and dividends and a decrease in investment expense of $1 million. The money-weighted rate of return on Trust investments was 19.57% in 2019 and (5.95%) in 2018.

The Port Authority of New York and New Jersey – (Enterprise Fund)
Statements of Net Position

	Year ended December 31, 2019	2018
ASSETS	(In thousands)	
Current assets:		
Cash	$ **93,315**	$ 157,143
Restricted cash	**76,989**	132,961
Investments	**1,228,711**	1,529,511
Restricted investments – PAICE	**2,604**	37,162
Restricted investments – PFC	**18,838**	23,609
Current receivables, net	**681,361**	540,962
Other current assets	**143,213**	161,133
Restricted receivables and other assets	**80,730**	77,785
Total current assets	**2,325,761**	2,660,266
Noncurrent assets:		
Restricted cash	**4,813**	4,951
Investments	**2,564,584**	2,218,769
Restricted investments – PAICE	**127,542**	204,708
Other amounts receivable, net	**178,796**	136,996
Other noncurrent assets	**1,684,517**	1,649,710
Restricted noncurrent assets – PAICE	**6,954**	8,015
Amounts receivable – Special Project Bonds	**1,138,906**	1,233,432
Amounts receivable – Tower 4 Liberty Bonds	**1,245,025**	1,245,637
Unamortized costs for regional programs	**93,456**	130,186
Landlord leasehold investment-LGA Terminal B	**748,671**	451,547
Facilities, net	**39,016,984**	37,400,013
Total noncurrent assets	**46,810,248**	44,683,964
Total assets	**49,136,009**	47,344,230
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refundings	**71,113**	78,510
Pension related amounts	**277,938**	276,586
OPEB related amounts	**141,943**	169,257
Total deferred outflows of resources	**490,994**	524,353
LIABILITIES		
Current liabilities:		
Accounts payable	**1,316,914**	1,275,183
Accrued interest and other current liabilities	**458,385**	501,986
Restricted other liabilities – PAICE	**8,866**	7,630
Accrued payroll and other employee benefits	**500,945**	659,044
Current portion bonds and other asset financing obligations	**1,045,117**	977,266
Total current liabilities	**3,330,227**	3,421,109
Noncurrent liabilities:		
Accrued pension and other postemployment employee benefits	**1,538,117**	1,891,329
Other noncurrent liabilities	**268,693**	253,252
Unearned income related to WTC Retail joint venture	**746,218**	755,478
Restricted other noncurrent liabilities – PAICE	**41,001**	43,304
Amounts payable – Special Project Bonds	**1,138,906**	1,233,432
Amounts payable – Tower 4 Liberty Bonds	**1,245,025**	1,245,637
Bonds and other asset financing obligations	**24,421,179**	22,919,908
Total noncurrent liabilities	**29,399,139**	28,342,340
Total liabilities	**32,729,366**	31,763,449
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	**51,946**	43,859
Pension related amounts	**102,956**	177,998
OPEB related amounts	**275,406**	4,883
Total deferred inflows of resources	**430,308**	226,740
NET POSITION	$ **16,467,329**	$ 15,878,394
Net position is comprised of:		
Net investment in capital assets	$ **14,620,518**	$ 14,190,682
Restricted:		
Passenger Facility Charges	**55,814**	52,378
Port Authority Insurance Captive Entity, LLC	**394,922**	348,232
Minority Interest in Tower 1 Joint Venture	**100,000**	100,000
Unrestricted	**1,296,075**	1,187,102
NET POSITION	$ **16,467,329**	$ 15,878,394

See Notes to Financial Statements

The Port Authority of New York and New Jersey – (Enterprise Fund)
Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31, 2019	2018
	(In thousands)	
Gross operating revenues:		
Tolls and fares	**$ 1,876,911**	$ 1,865,384
Rentals	**1,748,683**	1,673,994
Aviation fees	**1,287,263**	1,192,454
Parking and other	**408,609**	384,088
Utilities	**144,176**	149,008
Rentals – Special Project Bonds Projects	**74,073**	79,080
Total gross operating revenues	**5,539,715**	5,344,008
Operating expenses:		
Employee compensation, including benefits	**1,413,979**	1,338,277
Contract services	**1,046,216**	934,821
Rents and payments in-lieu-of taxes (PILOT)	**388,462**	396,048
Materials, equipment and other	**315,676**	298,121
Utilities	**191,770**	195,968
Interest on Special Project Bonds	**74,073**	79,080
Total operating expenses before depreciation, amortization and other operating expenses	**3,430,176**	3,242,315
Net (revenues) related to Superstorm Sandy	**(175,678)**	—
Depreciation of facilities	**1,420,696**	1,329,283
Amortization of costs for regional programs	**36,730**	41,874
Income from operations	**827,791**	730,536
Non-operating revenues and (expenses):		
Financial income	**66,965**	77,406
Net increase in fair value of investments	**20,983**	11,898
Interest expense in connection with bonds and other asset financing	**(968,242)**	(937,983)
Pass-through grant program payments	**(3,142)**	(1,438)
4 WTC associated payments	**65,293**	65,293
Grants, in connection with operating activities	**25,665**	24,006
Non-operating expenses, net	**(792,478)**	(760,818)
Income/(loss) before capital contributions and passenger facility charges	**35,313**	(30,282)
Capital contributions and Passenger Facility Charges:		
Contributions in aid of construction	**261,054**	252,225
Passenger facility charges	**292,568**	286,395
Total capital contributions and passenger facility charges	**553,622**	538,620
Increase in net position	**588,935**	508,338
Net position, January 1	**15,878,394**	15,370,056
Net position, December 31	**$ 16,467,329**	$ 15,878,394

See Notes to Financial Statements

The Port Authority of New York and New Jersey (Enterprise Fund)
Statements of Cash Flows

	Year ended December 31, 2019	2018
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	**$ 5,371,526**	$ 5,198,892
Cash received related to Superstorm Sandy Insurance	**177,039**	9,494
Cash paid to or on behalf of employees	**(1,703,846)**	(1,421,042)
Cash paid to suppliers	**(1,525,446)**	(1,453,743)
Cash paid to municipalities	**(396,295)**	(383,124)
Net cash provided by operating activities	**1,922,978**	1,950,477
Cash flows from noncapital financing activities:		
Principal paid on noncapital financing obligations	**—**	(33,620)
Payments for Fund for regional development buy-out obligation	**(53,211)**	(53,214)
Consent fee	**—**	15,000
Grants received in connection with operating activities	**20,704**	45,195
Pass-through grant payments	**(4,294)**	(7,315)
Net cash (used for) noncapital financing activities	**(36,801)**	(33,954)
Cash flows from capital and related financing activities:		
Investment in facilities and construction of capital assets	**(3,217,180)**	(2,774,784)
Proceeds from capital obligations issued for refunding purposes (including commercial paper)	**4,372,675**	3,349,935
Principal paid through capital obligations refundings (including commercial paper)	**(4,372,675)**	(3,349,935)
Proceeds from sales of capital obligations allocated for construction	**2,055,697**	893,863
Principal paid on capital obligations	**(379,815)**	(384,155)
Interest paid on capital obligations	**(1,077,993)**	(1,056,955)
Payments for MOTBY obligation	**(5,000)**	(5,000)
Contributions in aid of construction	**149,589**	166,784
Proceeds from passenger facility charges	**290,331**	287,635
Financial income allocated to capital projects	**2,427**	4,381
Net cash (used for) capital and related financing activities	**(2,181,944)**	(2,868,231)
Cash flows from investing activities:		
Purchase of investment securities	**(18,255,902)**	(34,359,449)
Proceeds from maturity and sale of investment securities	**18,359,610**	34,677,781
Interest received on investment securities	**69,278**	63,740
Other interest income	**2,843**	5,795
Net cash provided by investing activities	**175,829**	387,867
Net (decrease) in cash	**(119,938)**	(563,841)
Cash at beginning of year	**295,055**	858,896
Cash at end of year	**$ 175,117**	$ 295,055

See Notes to Financial Statements

Statements of Cash Flows *...continued*

	Year ended December 31, 2019	2018
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$ 827,791**	$ 730,536
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	**1,420,696**	1,329,283
Amortization of costs for regional programs	**36,730**	41,874
Amortization of other assets	**81,782**	58,007
Change in operating assets and operating liabilities:		
(Increase) in receivables	**(67,449)**	(32,448)
(Increase) in deferred charges and other assets	**(84,135)**	(126,881)
Increase in payables	**16,420**	10,272
(Decrease)/increase in other liabilities	**(9,729)**	31,859
(Decrease) in unearned income related to WTC retail joint venture	**(9,260)**	(9,260)
(Decrease) in accrued payroll, pension and other employee benefits	**(289,868)**	(82,765)
Total adjustments	**1,095,187**	1,219,941
Net cash provided by operating activities	**$ 1,922,978**	$ 1,950,477

3. Capital obligations:

Consolidated bonds and notes, commercial paper, variable rate master notes, Marine Ocean Terminal at Bayonne Peninsula (MOTBY) Obligation and Goethals Bridge Replacement Developer Financing Agreement.

4. Noncash investing, capital and financing activities:

Noncash activity of $122 million in 2019 and $114 million in 2018 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 2019 and 2018, the Silverstein net lessees contributed $31 million and $54 million, respectively, towards construction of WTC Tower 3. In 2019 and 2018, preferred returns due the Tower 1 Joint Venture, Durst Member and the WTC Retail Joint Venture, Westfield member totaled $(9) million and $(9) million, respectively.

Noncash capital asset write-offs totaled $26.8 million in 2019 and $8.1 million in 2018.

See Notes to Financial Statements

The Port Authority of New York and New Jersey Retiree Health Benefits Trust (Fiduciary Fund)

Statements of Fiduciary Net Position

	December 31, 2019	December 31, 2018
ASSETS	(In thousands)	
Cash and deposits	$ **8,134**	$ 34,166
Receivables:		
Due from broker for investments sold	**3,879**	4,247
Investment income	**3,445**	3,024
Total receivables	**7,324**	7,271
Investments, at fair value:		
Domestic equities	**657,245**	494,308
Fixed income	**600,733**	555,728
International equities	**420,226**	289,453
Real estate	**109,717**	61,109
Total investments	**1,787,921**	1,400,598
Total assets	**1,803,379**	1,442,035
LIABILITIES		
Payables:		
Due to broker for investments purchased	**3,753**	28,299
Total liabilities	**3,753**	28,299
Net position restricted for postemployment benefits other than pensions	$ **1,799,626**	$ 1,413,736

See Notes to Financial Statements

The Port Authority of New York and New Jersey Retiree Health Benefits Trust (Fiduciary Fund)

Statements of Changes in Fiduciary Net Position

	December 31, 2019	December 31, 2018
Additions:	(In thousands)	
Employer contributions*	$ **256,536**	$ 247,761
Investment income:		
Net increase/(decrease) in fair value of investments	**240,293**	(123,528)
Interest and dividends	**47,542**	38,270
(Less) investment expense	**(1,839)**	(1,016)
Net investment income/(loss)	**285,996**	(86,274)
Total additions	**542,532**	161,487
Deductions:		
Benefit payments*	**156,536**	147,761
Administrative expense	**106**	94
Total deductions	**156,642**	147,855
Net increase in net position	**385,890**	13,632
Net position restricted for postemployment benefits other than pensions:		
Beginning of year	**1,413,736**	1,400,104
End of year	$ **1,799,626**	$ 1,413,736

* Includes OPEB payments totaling $156.5 million in 2019 and $147.8 million in 2018, respectively, to OPEB plan members or their beneficiaries out of available Port Authority operating funds.

See Notes to 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 Governors 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 (GASB) 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, general counsel of the Port Authority, and management of the Port Authority. The Audit Committee retained KPMG, LLP to perform the independent audit of the Port Authority's financial statements and Mitchell Titus, LLP to perform the independent audit of the Port Authority of New York and New Jersey Retiree Health Benefits Trust for the year ending December 31, 2019.

d. Enterprise fund financial statements and schedules include the accounts of the Port Authority of New York and New Jersey and its blended 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 fiscal dependency and a financial benefit or burden relationship between the Port Authority and the respective component unit listed above.

e. *The Port Authority of New York and New Jersey Retiree Health Benefits Trust* (the Trust) was established on December 14, 2006 by the Port Authority on behalf of itself and its component unit, Port Authority Trans-Hudson Corporation (PATH) for the exclusive benefit of eligible retired employees of the Port Authority and PATH and eligible dependents of such retired employees to facilitate all or part of the required funding of certain postemployment benefits, including, group healthcare, dental, vision, prescription and term life insurance that are provided through healthcare plans administered by the Port Authority. The Trust was created under the common law of the State of New York, and all income derived is excludable from gross income pursuant to Section 115 of the Internal Revenue Code of 1986, as amended. The Port Authority's Board of Commissioners serve as the board of directors of the Trust. In accordance with GASB Statement No. 84, "*Fiduciary Activities*," the Trust is a fiduciary component unit of the Port Authority.

2. Basis of Accounting

a. Port Authority business-type activities are accounted for using the flow of economic resources measurement focus and 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. Port Authority fiduciary activities are accounted for using the flow of economic resources measurement focus and accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position are accounted for in a fiduciary fund with investments reported at fair value, advance fundings reported when paid and contributions related to pay-as-you-go benefit payments reported when benefit payments come due.

c. The Port Authority follows accounting principles generally accepted in the United States of America as prescribed by the 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 (i) the remaining lease term of the facility or (ii) 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 (i) operation and maintenance vehicles, and (ii) corporate information technology software and hardware, each providing 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 accounts, collateralized time deposits, and money market accounts.

d. Restricted cash and investments are primarily comprised of Passenger Facility Charges (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. Enterprise fund net position is comprised of:

> *Net investment in capital assets*, which consists of capital assets, net of accumulated depreciation, less the outstanding balances related to payables, bonds, notes, or other liabilities that are attributable to the acquisition, construction, or improvement of those assets.

> *Restricted*, 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 Statements of Net Position.

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

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

j. Required capital contributions due the Port Authority from the 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 Statements of Net Position and a *Contribution in aid of construction* on the 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 and WTC Tower 3 were placed into service in November 2014 and June 2018, respectively.

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 *Bonds and other asset financing obligations* on the Statements of Net Position.

n. The preparation of the 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 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. In January 2017, GASB issued Statement No. 84, "*Fiduciary Activities*." The requirements of GASB Statement No. 84 were 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. Adoption of GASB Statement No. 84 required the inclusion of, *Statements of Fiduciary Net Position* and *Statements of Changes in Fiduciary in Net Position* related to *the Port Authority of New York and New Jersey Retiree Health Benefits Trust* and additional note disclosures (*Note C – Cash and Investments*).

p. In April 2018, GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*." The requirements of GASB Statement No. 88 were effective for financial statements periods beginning after June 15, 2018. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Adoption of this statement resulted in additional disclosures contained in *Note D – Outstanding Financing Obligations*.

q. 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.

r. In June 2018, GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*." The requirements of GASB Statement No. 89 are effective for financial statements periods beginning after December 15, 2019. The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for the reporting period and to simplify accounting for interest costs incurred before the end of a construction period. The Port Authority is in the process of evaluating the impact of adopting GASB Statement No. 89.

s. In May 2019, GASB issued Statement No. 91, "*Conduit Debt Obligations*." The requirements of GASB Statement No. 91 are effective for financial statements periods beginning after December 15, 2020. The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Port Authority is in the process of evaluating the impact of adopting GASB Statement No. 91.

4. Reconciliation of the 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 retiring 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 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 is recognized as either an increase or decrease to the operating fund's net position in the year of adoption and amortized as an application from the Consolidated Bond Reserve Fund over a closed 30-year period.

k. In accordance with Port Authority bond resolutions, operating expenses provide for contingencies related to future operating and maintenance expenses.

A reconciliation of the *Statements of Net Position* to *Schedule B – Assets and Liabilities* and the *Statements of Revenues, Expenses and Changes in Net Position* to *Schedule A – Revenues and Reserves* follows:

Statements of Net Position to Schedule B – Assets and Liabilities

	Years ended December 31, 2019	2018
	(In thousands)	
Net position reported on Statements of Net Position	**$ 16,467,329**	$ 15,878,394
Add: Accumulated depreciation of facilities	**18,509,563**	17,324,312
Accumulated retirements and gains and losses on disposition of assets	**3,076,592**	2,841,147
Application of WTC retail joint venture payments	**796,936**	796,936
Cumulative amortization of costs for regional programs	**1,442,903**	1,406,173
Cumulative unamortized discount and premium	**1,547,133**	1,201,235
Subtotal	**25,373,127**	23,569,803
Less: Deferred income – PFCs	**55,814**	52,378
Income related to WTC retail joint venture	**50,718**	41,458
Operating and maintenance contingencies	**50,000**	50,000
Subtotal	**156,532**	143,836
Total	**$ 41,683,924**	$ 39,304,361
Net position reported on *Schedule B – Assets and Liabilities* (pursuant to Port Authority bond resolutions)	**$ 41,683,924**	$ 39,304,361

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

	Years ended December 31, 2019	2018
	(In thousands)	
Increase in Net position reported on Statements of Revenues, Expenses and Changes in Net Position	**$ 588,935**	$ 508,338
Add: Depreciation of facilities	**1,420,696**	1,329,283
Application of PFCs	**289,639**	433,326
Amortization of costs for regional programs	**36,730**	41,874
Amortization of discount and premium	**(47,099)**	(46,506)
Subtotal	**1,699,966**	1,757,977
Less: Debt maturities and retirements	**334,419**	319,278
Debt retirement acceleration	**—**	8,300
WTC Towers 2, 3, 4 Net Lessee capital contributions	**30,812**	54,052
Direct investment in facilities	**1,550,920**	1,771,900
PFC Collections	**292,568**	286,395
Income related to WTC retail joint venture	**9,260**	9,260
PFC interest income/fair value adjustment	**508**	3,052
Change in accounting principle for OPEB and pensions	**18,375**	—
Subtotal	**2,236,862**	2,452,237
Total	**$ 52,039**	$ (185,922)
Increase/(Decrease) in Reserves reported on *Schedule A - Revenues and Reserves* (pursuant to Port Authority bond resolutions)	**$ 52,039**	$ (185,922)

Note B – Facilities, net

1. Facilities, net is comprised of the following:

	Facilities, net Dec. 31, 2018	Additions	Transfers to Completed Construction	Depreciation	Retirements/ Dispositions	**Facilities, net Dec. 31, 2019**
	(In thousands)					
Capital assets not being depreciated:						
Land	$ 1,423,058	$ —	$ 61,941	$ —	$ —	**$ 1,484,999**
Construction in progress*	6,254,924	3,037,667	(3,315,667)	—	—	**5,976,924**
Total capital assets not being depreciated	7,677,982	3,037,667	(3,253,726)	—	—	**7,461,923**
Depreciable capital assets:						
Buildings, bridges, tunnels, other structures	22,038,410	—	1,194,570	—	(188,009)	**23,044,971**
Machinery and equipment	11,222,090	—	728,556	—	(21,219)	**11,929,427**
Runways, roadways and other paving	7,005,320	—	759,362	—	(16,213)	**7,748,469**
Utility infrastructure	6,780,523	—	571,238	—	(10,004)	**7,341,757**
Total other capital assets being depreciated	47,046,343	—	3,253,726	—	(235,445)	**50,064,624**
Accumulated depreciation:						
Buildings, bridges, tunnels, other structures	(5,650,528)	—	—	(510,878)	188,009	**(5,973,397)**
Machinery and equipment	(5,293,753)	—	—	(385,421)	21,219	**(5,657,955)**
Runways, roadways and other paving	(3,583,931)	—	—	(254,938)	16,213	**(3,822,656)**
Utility infrastructure	(2,796,100)	—	—	(269,459)	10,004	**(3,055,555)**
Total accumulated depreciation	(17,324,312)	—	—	(1,420,696)	235,445	**(18,509,563)**
Facilities, net	$ 37,400,013	$ 3,037,667	$ —	$ (1,420,696)	$ —	**$ 39,016,984**

	Facilities, net Dec. 31, 2017	Additions	Transfers to Completed Construction	Depreciation	Retirements/ Dispositions	Facilities, net Dec. 31, 2018
	(In thousands)					
Capital assets not being depreciated:						
Land	$ 1,393,192	$ —	$ 29,866	$ —	$ —	$ 1,423,058
Construction in progress*	8,520,340	2,765,720	(5,031,136)	—	—	6,254,924
Total capital assets not being depreciated	9,913,532	2,765,720	(5,001,270)	—	—	7,677,982
Depreciable capital assets:						
Buildings, bridges, tunnels, other structures	19,378,224	—	2,753,569	—	(93,383)	22,038,410
Machinery and equipment	10,333,200	—	926,654	—	(37,764)	11,222,090
Runways, roadways and other paving	6,491,932	—	664,766	—	(151,378)	7,005,320
Utility infrastructure	6,220,843	—	656,281	—	(96,601)	6,780,523
Total other capital assets being depreciated	42,424,199	—	5,001,270	—	(379,126)	47,046,343
Accumulated depreciation:						
Buildings, bridges, tunnels, other structures	(5,280,089)	—	—	(463,822)	93,383	(5,650,528)
Machinery and equipment	(4,946,885)	—	—	(384,632)	37,764	(5,293,753)
Runways, roadways and other paving	(3,500,503)	—	—	(234,806)	151,378	(3,583,931)
Utility infrastructure	(2,646,678)	—	—	(246,023)	96,601	(2,796,100)
Total accumulated depreciation	(16,374,155)	—	—	(1,329,283)	379,126	(17,324,312)
Facilities, net	$ 35,963,576	$ 2,765,720	$ —	$ (1,329,283)	$ —	$ 37,400,013

* Construction in progress additions include the impact of capital write-offs totaling $26.8 million in 2019 and $8.1 million in 2018.
1. Net interest expense added to the cost of facilities was $131.4 million in 2019 and $135 million in 2018.
2. Projects that have been suspended pending determination of their continued viability totaled $34.6 million in 2019 and $33.1 million in 2018.
3. Depreciation includes accelerated depreciation of $2.4 million in 2019 and $29.5 million in 2018 related to capital assets that were retired and taken out of service.
4. Retirements and Dispositions include the book value, if any, related to capital assets that have been sold or otherwise disposed of.

Note C – Cash and Investments

The components of Port Authority and PAICE cash and investments are:

Cash	December 31, 2019	2018
	(In thousands)	
Cash on hand	**$ 1,274**	$ 1,384
Cash equivalents	**173,843**	293,671
Total cash	**175,117**	295,055
Less restricted cash	**81,802**	137,912
Unrestricted cash	**$ 93,315**	$ 157,143

Investments, at fair value*				December 31, 2019	2018
				(In thousands)	
	Fair Value Hierarchy Levels**	**Port Authority**	**PAICE**	**Total**	Total
United States Treasury notes	**Level 1**	**$ 2,590,231**	**$ 44,397**	**$ 2,634,628**	$ 3,052,916
United States Treasury bills	**Level 1**	**708,071**	**—**	**708,071**	544,260
United States government agency obligations	**Level 2**	**16,820**	**—**	**16,820**	15,189
United States Treasury obligations held pursuant to repurchase agreements***	**—**	**431,755**	**—**	**431,755**	172,879
JFK International Air Terminal LLC obligations (JFKIAT)***	**—**	**47,831**	**—**	**47,831**	55,803
Other governmental obligations	**Level 2**	**—**	**—**	**—**	6,084
Corporate bonds	**Level 2**	**—**	**74,779**	**74,779**	152,589
Municipal bonds	**Level 2**	**—**	**10,142**	**10,142**	—
Accrued interest receivable		**17,425**	**828**	**18,253**	14,039
Total investments		**3,812,133**	**130,146**	**3,942,279**	4,013,759
Less current investments****		**1,247,549**	**2,604**	**1,250,153**	1,590,282
Noncurrent investments		**$ 2,564,584**	**$ 127,542**	**$ 2,692,126**	$ 2,423,477

* Cash and investments of approximately $1.8 billion held in The Port Authority of NY and NJ Retiree Health Benefits Trust are not included on the Port Authority's Enterprise 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 $19 million and $24 million in 2019 and 2018, respectively.

Port Authority Investment Policies

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 $115.4 million at December 31, 2019. Of that amount, $2.8 million was secured through the basic FDIC deposit insurance and/or pursuant to the GUDPA. The balance of $112.6 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 1.3% total Port Authority investments at December 31, 2019) for certain costs attributable to the construction of Terminal 4 (JFKIAT) completed in 2001. The Board of Commissioners 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 of the Port Authority. 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, 2019, follows:

Port Authority Investment Type	**Fair Value**	**Weighted Average Maturity**
	(In thousands)	(In days)
United States Treasury notes	$ 2,590,231	996
United States Treasury bills	708,071	6
United States government agency obligations	16,820	10
United States REPO	431,755	2
JFKIAT obligations	47,831	2,163
Total fair value of investments*	$ 3,794,708	
Investments weighted average maturity		709

* Excludes accrued interest receivable amounts of $17.4 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 fair 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, 2019 and 2018, respectively.

PAICE Investment Policies

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: intercompany loans, 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.

In December 2018, the PAICE Board of Directors authorized PAICE to make intercompany loans as a permitted investment. During 2019 the Port Authority borrowed $210 million from PAICE for the efficient and cost-effective deployment of capital resources among the Port Authority and its wholly-owned affiliates.

The fair value and weighted average maturity of investments held by PAICE at December 31, 2019, follows:

PAICE Investment Type	Fair Value	Weighted Average Maturity
	(In thousands)	(In days)
United States Treasury notes	$ 44,397	1,280
Corporate bonds	74,779	783
Municipal bonds	10,142	1,052
Total fair value of investments*	$ 129,318	
Investments weighted average maturity		975

* Excludes accrued interest receivable amounts of $828 thousand.

The Port Authority of New York and New Jersey Retiree Health Benefits Trust

Investment Policies

The Port Authority, acting through or by authority of its Board of Commissioners, establishes investment guidelines consistent with the purpose of The Port Authority of New York and New Jersey Retiree Health Benefits Trust (the Trust). Such investment guidelines are written and may be changed from time to time only by means of a written document adopted by the Port Authority, acting through or by the authority of its Board of Commissioners.

An Investment Committee was established to provide oversight and management of the policies and procedures of the Trust. The Investment Committee is comprised of the Chief Financial Officer; Chief, Human Capital; Comptroller; and Treasurer of the Port Authority. Periodic updates on the portfolio structure, rate of return performance as compared to the benchmark indexes, and any changes to investment strategy are provided to the Committee on Finance of the Port Authority's Board of Commissioners.

The Trust's investment policy statement, approved by the Executive Director of the Port Authority, permits the Trust to invest in equities, fixed income, and cash equivalents. The main investment objective of the Trust is to achieve long-term growth of Trust assets by maximizing the long-term rate of return on investments and minimizing risk of loss to fulfill the long-term Other Postemployment Benefits (OPEB) obligations of the Port Authority and PATH. The investment objectives are based on a 15 year investment horizon so that interim fluctuations should be viewed with appropriate perspective. Investments are managed in a style that seeks to minimize principal fluctuations over the established time horizon and that is consistent with the Trust's investment objectives. Investments are diversified with the intent to minimize the risk of investment losses.

Rate of Return

The annual money-weighted rate of return on Trust investments, net of investment expense was 19.57% and (5.95%) for 2019 and 2018, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Diversification

The Trust's investment policy requires that Trust assets be invested using the following diversification percentages for each fund classification:

	Range
Cash and cash equivalents	0%-20%
Fixed income securities	25%-65%
Mutual fund asset classes:	
Equity mutual funds:	
Domestic equity	23%-43%
International equity	11%-31%
Real estate investment trusts	0%-12%

Market Risk

The Trust's investment policy is currently targeted to 60% equity and 40% fixed income asset weighting. The equity portion of the investments is in four funds focused on the international equity market, the broad domestic equity market, and publicly traded real estate investment trusts (REITs). The primary risk associated with this portion of the portfolio is volatility within the equity financial markets. However, dollar cost averaging provides a measure of risk mitigation by limiting the amount of investment on any one day at any particular valuation level.

		December 31,	
Investment Type	**Fair Value hierarchy level***	**2019**	2018
		(In thousands)	
Cash and cash equivalents	Level 1	**$ 8,134**	$ 34,166
Investment at fair value:			
Fixed income securities:			
Corporate and foreign bonds	Level 2	**186,753**	147,207
U.S. Treasury securities	Level 1	**101,338**	140,675
Municipal bonds	Level 2	**7,256**	8,881
Asset-backed securities	Level 2	**276,208**	174,437
Bond funds	Level 1	**29,178**	84,528
Mutual funds:			
Equity mutual funds:			
Domestic mutual funds	Level 1	**657,245**	494,308
International mutual funds	Level 1	**420,226**	289,453
Real estate mutual funds	Level 1	**109,717**	61,109
Total investments		**$ 1,787,921**	$ 1,400,598
Total cash, cash equivalents and investments		**$ 1,796,055**	$ 1,434,764

* 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.

Credit Risk

The Trust's investment policy generally requires the overall rating of fixed income assets to have an average credit quality of at least "A".

The fixed income portion of the portfolio is managed by a number of investment managers who have advised that the average credit quality rating associated with their investment accounts for the Trust have an average credit quality rating of AA, respectively.

As of December 31, 2019, fixed income investment types had the following credit ratings (in thousands):

Ratings	Corporate and foreign bonds	U.S. Treasury securities	Municipal bonds	Asset-backed securities	Bonds funds	Total
TSY	$ —	$ 101,338	$ —	$ —	$ —	$ 101,338
AAA	21	—	—	49,009	—	49,030
AA+/AA/AA-	3,030	—	1,466	154,347	—	158,843
A+/A/A-	35,853	—	3,675	19,837	—	59,365
BBB+/BBB/BBB-	99,335	—	2,115	25,387	—	126,837
BB+/BB/BB-	33,856	—	—	7,017	—	40,873
B+/B/B-	12,594	—	—	5,578	—	18,172
CC/CCC+/CCC/CCC-	908	—	—	3,103	—	4,011
N/A	1,156	—	—	11,930	29,178	42,264
Total	**$ 186,753**	**$ 101,338**	**$ 7,256**	**$ 276,208**	**$ 29,178**	**$ 600,733**

Cash and cash equivalents held in the Trust of $8.1 million consist of $8 million of short-term U.S. Government Treasury Securities and $0.1 million of money market funds. The money market funds have credit ratings of AAAm and Aaa-mf by Standard and Poor's and Moody's, respectively.

Concentration of Credit Risk

Investments of Trust funds are diversified in accordance with the Investment Company Act of 1940 and the Trust's investment policy statement that defines guidelines for the portfolio including, holding no individual company stock that exceeds 5% of the portfolio weighting, holding no more than 2% of the outstanding shares of an individual stock, and holding no more than 25% of the portfolio in any one industry.

Custodial Credit Risk

For investments, custodial credit risk is the risk that in the event of the failure of the Trust's Trustee, the Trust will not be able to recover the value of its investments or collateral securities. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Trust. The Trust manages custodial credit risk by limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the Trustee in the name of the Trust.

Interest Rate Risk

Interest rate risk associated with the Trust is confined to the fixed income portion of the portfolio. The fixed income component of the portfolio is subject to interest rate risk due to the nature of the underlying securities. To mitigate fair value losses associated with the fluctuation of interest rates, the duration of the fixed income fund positions of the portfolio are monitored and adjusted accordingly.

The following is a listing of the Trust's fixed income investments and related maturity schedule as of December 31, 2019:

Investment Type	<1 Year	1 to 5 Years	5 to 10 Years	10+ Years	Total
			(In thousands)		
Corporate and foreign bonds	$ 2,708	$ 61,834	$ 70,824	$ 51,387	$ 186,753
U.S. Treasury securities	—	21,558	44,912	34,868	101,338
Municipal bonds	—	445	1,659	5,152	7,256
Asset-backed securities	2,201	11,965	24,383	237,659	276,208
Bonds funds	—	—	—	29,178	29,178
Total	**$ 4,909**	**$ 95,802**	**$ 141,778**	**$ 358,244**	**$ 600,733**

Audited financial statements of the Trust for the year ended December 31, 2019, are available from the Comptroller's Department of the Port Authority of New York and New Jersey, 2 Montgomery Street, Jersey City, New Jersey 07302.

Note D – Outstanding Financing Obligations

Outstanding Bonds and Other Asset Financing Obligations

	December 31, 2019 Current	Noncurrent	Total
		(In thousands)	
A. Consolidated Bonds and Notes	$ 425,150	$ 23,299,494	$ 23,724,644
B. Commercial Paper Obligations	500,565	—	500,565
C. Variable Rate Master Notes	69,600	—	69,600
D. Port Authority Equipment Notes	—	—	—
E. Fund for Regional Development Buy-Out Obligation	47,359	52,899	100,258
F. MOTBY Obligation	2,443	46,268	48,711
G. Tower 4 Liberty Bonds	—	1,245,025	1,245,025
H. Goethals Bridge Replacement Developer Financing Arrangement	—	1,022,518	1,022,518
I. Amounts Payable – Special Project Bonds	—	1,138,906	1,138,906
Total	$ 1,045,117	$ 26,805,110	$ 27,850,227

	December 31, 2018 Current	Noncurrent	Total
		(In thousands)	
A. Consolidated Bonds and Notes	$ 379,820	$ 21,750,995	$ 22,130,815
B. Commercial Paper Obligations	480,765	—	480,765
C. Variable Rate Master Notes	69,600	—	69,600
D. Port Authority Equipment Notes	—	—	—
E. Fund for Regional Development Buy-Out Obligation	44,760	99,179	143,939
F. MOTBY Obligation	2,321	48,711	51,032
G. Tower 4 Liberty Bonds	—	1,245,637	1,245,637
H. Goethals Bridge Replacement Developer Financing Arrangement	—	1,021,023	1,021,023
I. Amounts Payable – Special Project Bonds	—	1,233,432	1,233,432
Total	$ 977,266	$ 25,398,977	$ 26,376,243

A. Consolidated Bonds and Notes

	December 31, 2018	Issued	Refunded/ Retired	December 31, 2019
		(In thousands)		
Consolidated bonds and notes — par value	$ 20,898,775	$ 2,401,220	$ 1,138,135	$ 22,161,860
Add unamortized premium and (discount)	1,232,040	392,997	62,253	1,562,784
Consolidated bonds and notes — cost	$ 22,130,815	$ 2,794,217	$ 1,200,388	$ 23,724,644

	December 31, 2017	Issued	Refunded/ Retired	December 31, 2018
		(In thousands)		
Consolidated bonds and notes — par value	$ 20,672,365	$ 1,987,230	$ 1,760,820	$ 20,898,775
Add unamortized premium and (discount)	1,024,010	236,270	28,241	1,232,040
Consolidated bonds and notes — cost	$ 21,696,375	$ 2,223,500	$ 1,789,061	$ 22,130,815

Consolidated Bond Series *One Hundred Seventieth, One Hundred Ninety Ninth and Two Hundred Fourth* were direct placements with unrelated parties.

For information related to the payment of consolidated bonds and notes, see *Note E – General and Consolidated Bond Reserve Fund (pursuant to Port Authority bond resolutions)*.

Debt service requirements to maturity for Consolidated Bonds and Notes outstanding at December 31, 2019 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2020	$ 425,150	$ 1,033,983	$ 1,459,133
2021	449,010	1,014,569	1,463,579
2022	464,350	994,235	1,458,585
2023	474,195	973,655	1,447,850
2024	517,110	953,670	1,470,780
2025-2029	2,873,085	4,379,989	7,253,074
2030-2034	3,700,080	3,606,504	7,306,584
2035-2039	3,628,855	2,714,204	6,343,059
2040-2044	3,063,185	1,903,878	4,967,063
2045-2049	2,414,485	1,218,358	3,632,843
2050-2054	1,376,015	792,743	2,168,758
2055-2059	1,464,045	445,917	1,909,962
2060-2064	761,605	175,425	937,030
2065-2069	450,690	69,062	519,752
2070-2094	100,000	124,746	224,746
Total	$ 22,161,860	$ 20,400,938	$ 42,562,798

Information related to a specific consolidated bond series can be found in *Section V. Schedules of Outstanding Debt* in the Port Authority's official statement dated November 19, 2019 which can be located in the corporate information section on the Port Authority's website at: https://www.panynj.gov/corporate/en/financial-information/consolidated-bonds-and-notes.html

During 2019, the Port Authority raised funds from the sale of Consolidated Bonds, including bond issuance premiums, to refund $758.3 million of outstanding Consolidated Bonds. As a result of these refundings, the Port Authority decreased its aggregate debt service payments by approximately $263.7 million over the life of the refunded Consolidated Bonds. The economic gain resulting from the 2019 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 $204.8 million in net present value savings, or 27% of the refunded par amount.

On July 26, 2018, the Board of Commissioners rescinded and canceled certain series of Consolidated Bonds and Notes which had not been issued under the July 23, 2015 authorization, authorized additional series of Consolidated Bonds and Consolidated Notes, approved the continued issuance of Commercial Paper Obligations, Port Authority Equipment Notes, Versatile Structure Obligations and Variable Rate Master Notes, within the scope of the current authorizations and established and authorized a Plan of Financing. This Plan of Financing shall apply with equal force and effect to each series of Consolidated Bonds sold on or after September 1, 2018 pursuant to this resolution commencing with the Two Hundred-Twelfth Series and numbered consecutively thereafter, and authorized the issuance and sale of each Series at a true interest cost to the Authority not in excess of eight percent (8%), with a term to maturity not in excess of 50 years.

Also at its July 26, 2018 meeting, the Board of Commissioners established Consolidated Notes to be issued on or after September 1, 2018 in one or more series, commencing with Series AAA and denominated with three uniform letters in consecutive alphabetic order thereafter, with the sale of each series for a term to maturity not in excess of 3 years and at a true interest cost to the Port Authority not to exceed eight percent (8%). The total aggregate principal amount of Consolidated Bonds, Consolidated Notes and Versatile Structure Obligations to be issued and sold under this Plan of Financing, shall not exceed $8 billion. 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.

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 23, 2015 resolution, entitled "Port Authority Commercial Paper Obligations-Resolution", authorizing their issuance. The July 23, 2015 resolution also 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.

On August 29, 2019, the Port Authority entered into an agreement with the Bank of Montreal, acting through its Chicago Branch, establishing a Letter of Credit in the amount of approximately $250 million to provide additional liquidity support to the Port Authority's obligation to pay principal and interest on Commercial Paper, Series C Notes. As of December 31, 2019, this commitment amount has not been drawn upon. In addition, on November 1, 2019, the Port Authority entered into a Revolving Credit Agreement with PNC Bank, National Association with a commitment amount of $250 million to provide additional liquidity support to the Port Authority's obligation to pay principal and interest on Commercial Paper, Series A Notes. As of December 31, 2019, this commitment amount has not been drawn upon.

	Dec. 31, 2018	**Issued**	**Repaid**	**Dec. 31, 2019**
		(In thousands)		
Series A*	$ 166,610	$ 1,160,080	$ 1,173,375	**$ 153,315**
Series B	158,070	826,995	798,065	**187,000**
Series C**	156,085	1,647,080	1,642,915	**160,250**
Total	$ 480,765	$ 3,634,155	$ 3,614,355	**$ 500,565**

* 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, 2017	**Issued**	**Repaid**	**Dec. 31, 2018**
		(In thousands)		
Series A*	$ 220,755	$ 731,120	$ 785,265	$ 166,610
Series B	223,860	746,455	812,245	158,070
Series C**	20,000	538,545	402,460	156,085
Total	$ 464,615	$ 2,016,120	$ 1,999,970	$ 480,765

* 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 1.11% to 2.8% in 2019.

C. Variable Rate Master Notes

Variable Rate Master Notes are direct placements and 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, 2018	Issued	Refunded/ Repaid	Dec. 31, 2019
		(In thousands)		
Agreements 1989–1995*	$ 44,900	$ —	$ —	$ 44,900
Agreements 1989–1998	24,700	—	—	24,700
Total	$ 69,600	$ —	$ —	$ 69,600

* 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, 2017	Issued	Refunded/ Repaid	Dec. 31, 2018
		(In thousands)		
Agreements 1989–1995*	$ 44,900	$ —	$ —	$ 44,900
Agreements 1989–1998	33,000	—	8,300	24,700
Total	$ 77,900	$ —	$ 8,300	$ 69,600

* 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 1.11% to 2.38% in 2019.

Annual debt service requirements on outstanding Variable Rate Master Notes, determined for presentation purposes at the rate in effect at December 31, 2019, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2020	$ —	$ 1,242	$ 1,242
2021	25,000	998	25,998
2022	24,700	415	25,115
2023	—	356	356
2024	—	357	357
2025	19,900	356	20,256
Total	$ 69,600	$ 3,724	$ 73,324

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 were no outstanding Port Authority Equipment Notes as of December 31, 2019 and December 31, 2018, respectively.

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, 2018	Accretion	Amortization	Dec. 31, 2019
		(In thousands)		
Obligation outstanding	$ 143,939	$ —	$ 43,681	**$ 100,258**

	Dec. 31, 2017	Accretion	Amortization	Dec. 31, 2018
		(In thousands)		
Obligation outstanding	$ 184,230	$ —	$ 40,291	$ 143,939

Payment requirements related to the Port Authority's purchase of the Fund's interests at December 31, 2019 are as follows:

Year ending December 31:	Amortization	Implicit Interest	Total
		(In thousands)	
2020	$ 47,359	$ 5,851	$ 53,210
2021	52,899	709	53,608
Total	$ 100,258	$ 6,560	$ 106,818

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

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, 2018	Accretion	Amortization	Dec. 31, 2019
		(In thousands)		
Obligation outstanding	$ 51,032	$ —	$ 2,321	**$ 48,711**

	Dec. 31, 2017	Accretion	Amortization	Dec. 31, 2018
		(In thousands)		
Obligation outstanding	$ 53,237	$ —	$ 2,205	$ 51,032

Payment requirements for the MOTBY obligation outstanding, at December 31, 2019 are as follows:

Year ending December 31:	Amortization	Implicit Interest	Total
		(In thousands)	
2020	$ 2,443	$ 2,557	$ 5,000
2021	2,571	2,429	5,000
2022	2,706	2,294	5,000
2023	2,848	2,152	5,000
2024	2,997	2,003	5,000
2025–2029	17,519	7,481	25,000
2030–2033	17,627	2,373	20,000
Total	$ 48,711	$ 21,289	$ 70,000

G. Tower 4 Liberty Bonds

The Port Authority is a co-borrower/obligor with respect to the New York Liberty Development Corporation, Liberty Revenue Bonds, Series 2011 (4 World Trade Center Project) issued by the New York Liberty Development Corporation on November 15, 2011 in the aggregate principal amount of approximately $1.2 billion. In connection with the issuance of such Tower 4 Liberty Bonds by the New York Liberty Development Corporation, the Port Authority entered into a Tower 4 Bond Payment Agreement with the Tower 4 bond trustee to make 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). The Port Authority's payment of debt service on the Tower 4 Liberty Bonds is 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, 2018	Issued	Repaid/ Amortized	Dec. 31, 2019
		(In thousands)		
Series 2011	$ 1,225,520	$ —	$ —	**$ 1,225,520**
Add: unamortized premium	20,117	—	612	**19,505**
Total Tower 4 Liberty Bonds	$ 1,245,637	$ —	$ 612	**$ 1,245,025**

	Dec. 31, 2017	Issued	Repaid/ Amortized	Dec. 31, 2018
		(In thousands)		
Series 2011	$ 1,225,520	$ —	$ —	$ 1,225,520
Add: unamortized premium	20,729	—	612	20,117
Total Tower 4 Liberty Bonds	$ 1,246,249	$ —	$ 612	$ 1,245,637

Annual debt service payment requirements on outstanding Tower 4 Liberty Bonds at December 31, 2019 are as follows:

Year ending December 31:	**Principal**	**Interest**	**Debt Service**
		(In thousands)	
2020	$ —	$ 65,293	$ 65,293
2021	—	65,293	65,293
2022	—	65,293	65,293
2023	—	65,293	65,293
2024	—	65,293	65,293
2025-2029	79,975	322,598	402,573
2030-2034	162,310	291,003	453,313
2035-2039	207,435	245,876	453,311
2040-2044	265,155	188,155	453,310
2045-2049	343,840	109,477	453,317
2050-2051	166,805	14,522	181,327
Total	$ 1,225,520	$ 1,498,096	$ 2,723,616

H. Goethals Bridge Replacement Developer Financing Arrangement

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). Substantial completion of the Replacement Bridge was achieved on June 30, 2018 (Substantial Completion) and project completion, including the demolition of the existing bridge, occurred on December 31, 2018. Pursuant to the Project Agreement, which has a scheduled expiration date of June 30, 2053, the thirty-fifth anniversary of Substantial Completion, the private developer performs certain operation and maintenance work relating to the Replacement Bridge, and the Port Authority retains control over the toll collection system, including its operation and maintenance, and receives toll revenues. The Port Authority controls all tolling activities, including the determination and approval of toll rates.

Pursuant to the Goethals Bridge Replacement “Developer Financing Arrangement” (DFA) contained within the Project Agreement, upon Substantial Completion of the Replacement Bridge the private developer became entitled to receive from the Port Authority, fixed payments in the principal amount of approximately $1.02 billion, subject to certain adjustments, to be paid in monthly payments of principal and interest (DFA payments) over the term of the Project Agreement. The Port Authority’s obligation to make DFA payments is memorialized as an interest-bearing loan from the private developer to the Port Authority. Monthly DFA payments commenced in July 2018. DFA payments are subject to certain deductions for non-compliance and/or lane unavailability by the private developer pursuant to the terms of the Project Agreement. DFA payments are a special obligation of the Port Authority, payable over a thirty-five-year term (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, 2018	**Accretion**	**Amortization**	**Dec. 31, 2019**
		(In thousands)		
Goethals Bridge Replacement Developer Financing Arrangement	$ 1,021,023	$ 1,495	$ —	**$ 1,022,518**

	Dec. 31, 2017	**Accretion**	**Amortization**	**Dec. 31, 2018**
		(In thousands)		
Goethals Bridge Replacement Developer Financing Arrangement	$ 934,198	$ 86,825	$ —	$ 1,021,023

In accordance with the Project Agreement, DFA payments to the private developer commenced in July 2018. Annual DFA payments required to be made to the private developer are as follows:

Year ending December 31:	Amortization	Implicit Interest*	Total DFA Payments
		(In thousands)	
2020	$ (880)	$ 58,633	$ 57,753
2021	112	58,507	58,619
2022	1,011	58,488	59,499
2023	1,975	58,417	60,392
2024	2,844	58,454	61,298
2025-2029	33,058	287,500	320,558
2030-2034	71,988	273,344	345,332
2035-2039	125,775	246,245	372,020
2040-2044	199,326	201,446	400,772
2045-2049	299,629	132,116	431,745
2050-2053	287,680	34,069	321,749
Total	$ 1,022,518	$ 1,467,219	$ 2,489,737

* DFA implicit interest rate equals 5.64%.

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, 2019 and December 31, 2018 Special Project Bonds outstanding are as follows:

	Dec. 31, 2018	Issued	Repaid/ Amortized	Dec. 31, 2019
		(In thousands)		
Series 4, KIAC Partners Project[(a)]*				
6.75% due 2019	$ 27,700	$ —	$ 27,700	**$ —**
Less: unamortized discount	145	—	145	**—**
Total – Series 4	27,555	—	27,555	**—**
Series 6, JFKIAT Project[(b)]*				
5.75%-6.25% due 2020-2025	436,450	—	52,400	**384,050**
Less: unamortized discount	2,319	—	335	**1,984**
Total – Series 6	434,131	—	52,065	**382,066**
Series 8, JFKIAT Project[(c)]				
5%-6.5% due 2020-2042	781,685	—	15,320	**766,365**
Less: unamortized discount	9,939	—	414	**9,525**
Total – Series 8	771,746	—	14,906	**756,840**
Amounts payable – Special Project Bonds	$ 1,233,432	$ —	$ 94,526	**$ 1,138,906**

* 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.**

** On October 11, 2019 the New York State Transportation Development Corporation published a notice under the Tax Equity and Fiscal Responsibility Act of 1982 that it intends to issue bonds which proceeds will be used to refund Special Project Bonds, Series 6 and a portion of Special Project Bonds, Series 8.

	Dec. 31, 2017	Issued	Repaid/ Amortized	Dec. 31, 2018
		(In thousands)		
Series 4, KIAC Partners Project[(a)]*				
6.75% due 2019	$ 45,400	$ —	$ 17,700	$ 27,700
Less: unamortized discount	337	—	192	145
Total – Series 4	45,063	—	17,508	27,555
Series 6, JFKIAT Project[(b)]*				
5.75%-6.25% due 2019-2025	486,000	—	49,550	436,450
Less: unamortized discount	2,655	—	336	2,319
Total – Series 6	483,345	—	49,214	434,131
Series 8, JFKIAT Project[(c)]				
5%-6.5% due 2019-2042	796,280	—	14,595	781,685
Less: unamortized discount	10,354	—	415	9,939
Total – Series 8	785,926	—	14,180	771,746
Amounts payable – Special Project Bonds	$ 1,314,334	$ —	$ 80,902	$ 1,233,432

* 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 Port Authority has no power to levy taxes or assessments. Port Authority bonds, notes and other debt obligations are not obligations of the States of New York and New Jersey or of either of them and are not guaranteed by said States or by either of them.

Consolidated Bonds and Consolidated Notes

Consolidated Bonds and Consolidated Notes are direct and general obligations of the Port Authority and the full faith and credit of the Port Authority are pledged to the payment of debt service thereon. Consolidated Bonds and Consolidated Notes are secured equally and ratably with all other Consolidated Bonds and Consolidated Notes heretofore or hereafter issued by a pledge of: ***(a)*** the net revenues (as defined in the Consolidated Bond Resolution of 1952 (Consolidated Bond Resolution) of all existing facilities of the Port Authority and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds and Consolidated Notes, ***(b)*** the General Reserve Fund of the Port Authority equally with other obligations of the Port Authority secured by the General Reserve Fund and ***(c)*** the Consolidated Bond Reserve Fund established by the Consolidated Bond Resolution.

The General Reserve Fund is pledged in support of Consolidated Bonds and Consolidated Notes. Statutes, which require the Port Authority to create and maintain the General Reserve Fund (General Reserve Fund Statutes), established the principle of pooling revenues from all facilities and require the Port Authority to 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, 2019, the General Reserve Fund balance was $2,388,243,000 and met the prescribed statutory amount (see *Schedule C – Analysis of Reserve Funds*).

The balance remaining of all net revenues (as defined in the Consolidated Bond Resolution) of the Port Authority's existing facilities after deducting payments for debt service upon all Consolidated Bonds and Consolidated 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 Consolidated Notes. Consolidated Bonds and Consolidated 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 Consolidated Notes.

Amounts deposited into the General Reserve Fund may be accumulated or applied only to purposes set forth in the General Reserve Fund Statutes and agreements with the holders of such Port Authority bonds secured by a pledge of the General Reserve Fund. Amounts deposited into the Consolidated Bond Reserve Fund may be accumulated or applied only to the purposes stated in the Consolidated Bond Resolution. At December 31, 2019, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain both reserve funds in cash and specified securities.

In addition, the Port Authority has a long-standing policy of maintaining the aggregate amount of both 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.

Special Obligations

Commercial paper obligations, Variable Rate Master Notes, the MOTBY obligation, Tower 4 Liberty Bonds and the Goethals Bridge Replacement 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 and Consolidated Notes 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 and Consolidated Notes 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 and Consolidated Notes 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 (the Fund) 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.

Note F – Grants and Contributions in Aid of Construction

During 2019 and 2018, the Port Authority received reimbursements related to certain policing activities as well as federal, state and local funding for operating and capital construction activities:

Policing programs

K-9 Program – The FAA and the Transportation Security Administration (TSA) provided limited funding for operating costs associated with the training and care of explosive detection dogs. Amounts received in connection with this program were approximately $1.2 million in 2019 and $1.3 million in 2018.

U.S. Department of State (USDOS) – The Port Authority recognized $751,000 in 2019 and $721,000 in 2018 from the USDOS to fund costs incurred by Port Authority police personnel for the United Nations General Assembly.

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

Grants, in connection with operating activities

Security Programs – In 2019 and 2018, the Port Authority recognized approximately $16.3 million and $10.1 million, respectively from the TSA for security related programs, including Urban Area Security Initiatives programs, Transit Security and the Port Security programs.

Federal Emergency Management Agency (FEMA) – In 2019, the Port Authority recognized $3.2 million, from the immediate response and repair efforts related to Hurricane Maria and Winter Storm Quinn.

Airport Improvement Program (AIP) – The Port Authority recognized $2.7 million in 2019 and $3.7 million in 2018 in AIP discretionary funding primarily related to certain capacity and planning studies at aviation facilities, and the construction of electric charging stations at JFK Airport.

Superstorm Sandy – In 2019 and 2018, the Port Authority recognized $2.3 million and $7.7 million, respectively, from the FEMA and Federal Transit Administration (FTA) for Superstorm Sandy immediate repair efforts.

Contributions in Aid of Capital Construction

Superstorm Sandy – In 2019 and 2018, the Port Authority recognized $169 million and $84.4 million, respectively in FTA and FEMA funding related to Superstorm Sandy permanent repairs and resiliency capital projects, primarily at PATH.

AIP – The Port Authority recognized $45.1 million in 2019 and $20.5 million in 2018 in AIP funding primarily related to rehabilitation of taxiways and runways at all Airport Facilities, including airport wide infrastructure at Newark Airport.

WTC Tower 3 – The Port Authority recognized $30.8 million in 2019 and $54 million in 2018 in required capital contributions due from the WTC Tower 3 net lessee for the construction of WTC Tower 3.

Federal Highway Administration (FHWA) – In 2019 and 2018, the Port Authority recognized $8 million and $18 million, respectively, in FHWA funding for the Cross Harbor Freight Movement Program at Greenville Yard, Port Authority Marine Terminal.

Other – The Port Authority recognized $8.1 million in 2019 which is primarily related to $3.9 million from Department of Homeland Security for port security projects, $2.4 million from TSA for security systems at JFK Airport and $1.8 million from New Jersey Department of Transportation related to freight railroad improvements.

Note G – Lease Commitments

Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately $1.3 billion and $1.2 billion in 2019 and 2018, respectively.

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 WTC. Investments in such facilities, as of December 31, 2019, 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, 2019 are as follows:

Year ending December 31:	Minimum Rentals
	(In thousands)
2020[(a)]	$ 1,135,858
2021[(a)]	1,031,688
2022	1,004,149
2023	936,749
2024	811,670
2025-2100[(b)]	23,433,624
Total future minimum rentals[(c)]	$ 28,353,738

(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 2020-2021.
(b) Includes future minimum rentals of approximately $14.2 billion attributable to the Silverstein net leases for WTC Towers 2, 3 and 4.
(c) Future minimum rentals exclude amounts attributable to the transfer of the Port Authority's interests in the WTC Retail Joint Venture that are contingent upon the construction of certain retail space located within WTC Towers 2 and 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. Rental payments totaled $320 million in 2019 and $321 million in 2018, respectively. Rental payments exclude PILOT payments to municipalities.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2019 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)
2020	$ 321,633
2021	313,808
2022	310,495
2023	310,424
2024	306,675
2025-2029	1,542,052
2030-2034	1,558,410
2035-2039	1,542,210
2040-2044	1,537,209
2045-2049	1,267,176
2050-2099*	1,748,423
Total future minimum rent payments	$10,758,515

* Future minimum rent payments for the years 2050-2099 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 million of buses and ancillary bus facilities in the States of New York and New Jersey, with up to $220 million 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. Funds related to this program have been fully allocated and 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, 2019, approximately $249 million has been allocated under this program.

Regional Economic Development Program (certified in 1989) – This facility is comprised of up to $400 million for certain transportation, economic development and infrastructure renewal projects. Funds allocated under this program totaled approximately $397 million as of December 31, 2019.

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, 2019, 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. Funds related to this program have been fully allocated and 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 amortized.

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. All funds under this program have been fully allocated.

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.

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.

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.

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.

As of December 31, 2019, approximately $2.2 billion has been expended under regional facilities. Costs for these programs 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, 2018	Project Expenditures	Amortization	Dec. 31, 2019
		(In thousands)		
Port Authority Bus Program	$ —	$ —	$ —	**$ —**
Regional Development Facility	1,307	—	341	**966**
Regional Economic Development Program	1,931	—	654	**1,277**
Oak Point Rail Freight Link	—	—	—	**—**
New Jersey Marine Development Program	1	—	1	**—**
New York Transportation, Economic Development and Infrastructure Renewal Program	22,502	—	8,146	**14,356**
Regional Transportation Program	44,885	—	12,558	**32,327**
Hudson-Raritan Estuary Resources Program	19,712	—	3,433	**16,279**
Regional Rail Freight Program	2,453	—	1,597	**856**
Meadowlands Passenger Rail Facility	37,395	—	10,000	**27,395**
Total unamortized costs of regional programs	$ 130,186	$ —	$ 36,730	**$ 93,456**

Interstate Transportation Network Programs

Moynihan Station Transportation Program (certified in 2017) – On September 26, 2016, the Board of Commissioners authorized the Executive Director, on behalf of 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. 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.

Gateway Early Work Program (certified in 2018) – On February 15, 2018, the Board of Commissioners certified (i) up to $35 million in funds authorized by the Board in March 2016, and (ii) up to $44 million in funds authorized by the Board in February 2018, for a total of $79 million (collectively, the “Gateway Early Work Program”), as an additional facility of the Port Authority for purposes of funding capital expenditures in connection with the Gateway Early Work Program. 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. 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 and PATH employees participate in different retirement plans, as described below.

Port Authority Employees

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

NYSLRS Plan Benefits

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

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

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

Participating employers are required under the provisions of the New York State Retirement and Social Security Law (RSSL) to contribute to the NYSLRS at an actuarially determined rate adopted annually by the State Comptroller of New York. The average contribution rate for ERS for the fiscal years ended March 31, 2019 and March 31, 2018 were approximately 14.9 percent and 15.3 percent of payroll, respectively. The average contribution rate for PFRS for the fiscal years ended March 31, 2019 and March 31, 2018 were approximately 23.5 percent and 24.4 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 2019 totaled $131.9 million including $70.6 million to ERS and $61.3 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, 2019 and March 31, 2018, which is publicly 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 – 2019 and 2018

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 it is 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, 2019	December 31, 2018
	(In thousands)	
ERS	**$ 91,792**	$ 41,500
PFRS	**129,920**	77,081
Total Net Pension Liability	**$ 221,712**	$ 118,581

The NPLs at December 31, 2019 and 2018 were measured as of March 31, 2019 and 2018, based on actuarial valuations as of April 1, 2018 and 2017, with update procedures used to roll forward the TPL to March 31, 2019 and 2018, respectively.

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

	2019	2018
ERS	**1.3%**	1.3%
PFRS	**7.7%**	7.6%

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 – 2019 and 2018

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

Pension Expense	2019	2018
	(In thousands)	
ERS	$ 66,146	$ 54,797
PFRS	79,500	69,095
Total Pension Expense	**$ 145,646**	$ 123,892

NYSLRS Deferred Inflows/Outflows of Resources – 2019 and 2018

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. Deferred outflows and deferred inflows of resources are amortized as either an increase (deferred outflows) or decrease (deferred inflows), to future years' pension expense, using a systematic and rational method over a closed period.

The Port Authority reported deferred outflows of resources and deferred inflows of resources related to NYSLRS from the following sources at December 31, 2019:

		December 31, 2019	
Deferred Outflows of Resources	**ERS**	**PFRS**	**Total**
		(In thousands)	
Differences between expected and actual experience	$ 18,076	$ 31,561	$ 49,637
Changes in actuarial assumptions	23,073	47,203	70,276
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	13,043	2,333	15,376
Subtotal – Deferred Outflows of Resources	54,192	81,097	135,289
Port Authority contributions subsequent to the measurement date*	70,582	61,277	131,859
Total Deferred Outflows of Resources	$ 124,774	$ 142,374	$ 267,148

* Contributions made by the Port Authority to NYSLRS 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. These amounts will be recognized as a reduction to the Port Authority's ERS and PFRS NPL for the fiscal year ending December 31, 2020.

Deferred Inflows of Resources	**ERS**	**PFRS**	**Total**
		(In thousands)	
Differences between expected and actual experience	$ 6,162	$ 13,871	$ 20,033
Net difference between projected and actual earnings on pension plan investments	23,559	26,020	49,579
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	679	17,514	18,193
Total Deferred Inflows of Resources	$ 30,400	$ 57,405	$ 87,805

Deferred outflows and deferred inflows as of December 31, 2019, excluding contributions made by the Port Authority after the measurement date, will be recognized in future years pension expense as follows:

Year ended December 31:	**ERS**	**PFRS**	**Total**
		(In thousands)	
2020	$ 23,719	$ 20,370	$ 44,089
2021	(14,469)	(9,427)	(23,896)
2022	841	(2,454)	(1,613)
2023	13,701	13,153	26,854
2024	—	2,050	2,050
Total	$ 23,792	$ 23,692	$ 47,484

The Port Authority reported deferred outflows of resources and deferred inflows of resources related to NYSLRS from the following sources at December 31, 2018:

		December 31, 2018	
Deferred Outflows of Resources	**ERS**	**PFRS**	**Total**
		(In thousands)	
Differences between expected and actual experience	$ 14,801	$ 31,726	$ 46,527
Changes in actuarial assumptions	27,518	58,403	85,921
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	12,423	1,750	14,173
Subtotal – Deferred Outflows of Resources	54,742	91,879	146,621
Port Authority contributions subsequent to the measurement date*	56,866	59,931	116,797
Total Deferred Outflows of Resources	$ 111,608	$151,810	$ 263,418

* Contributions made by the Port Authority to NYSLRS 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. These amounts will be recognized as a reduction to the Port Authority's ERS and PFRS NPL for the fiscal year ending December 31, 2019.

Deferred Inflows of Resources	**ERS**	**PFRS**	**Total**
		(In thousands)	
Differences between expected and actual experience	$ 12,231	$ 20,482	$ 32,713
Net difference between projected and actual earnings on pension plan investments	58,702	63,258	121,960
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	1,031	17,714	18,745
Total Deferred Inflows of Resources	$ 71,964	$ 101,454	$ 173,418

NYSLRS Actuarial Assumptions – 2019 and 2018

The TPL for each plan was determined using an actuarial valuation as of April 1, 2018 for fiscal year 2019 and April 1, 2017 for fiscal year 2018, with update procedures used to roll forward the TPL to the measurement dates of March 31, 2019 and March 31, 2018, respectively. These actuarial valuations used the following actuarial assumptions:

ERS	**2019**	**2018**
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	4.2%, indexed by service	3.8%, indexed by service
Inflation	2.5%	2.5%
Cost of living adjustment	1.3%	1.3%

PFRS	**2019**	**2018**
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	5.0%, 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 2019 and 2018 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:

	2019*		**2018***	
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%**	36%	4.55%
International equity	**14%**	**6.35%**	14%	6.35%
Private equity	**10%**	**7.50%**	10%	7.50%
Real estate	**10%**	**5.55%**	10%	5.55%
Absolute return strategies**	**2%**	**3.75%**	2%	3.75%
Opportunistic portfolio	**3%**	**5.68%**	3%	5.68%
Real assets	**3%**	**5.29%**	3%	5.29%
Bonds and mortgages	**17%**	**1.31%**	17%	1.31%
Cash	**1%**	**(0.25)%**	1%	(0.25)%
Inflation–indexed bonds	**4%**	**1.25%**	4%	1.25%
Total	**100%**		100%	

* The real rate of return is net of the long-term inflation assumption of 2.50%.
** 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 – 2019 and 2018

The discount rate used to calculate the TPL for ERS and PFRS was 7.0% for both 2019 and 2018, 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 2019 and 2018 using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the discount rate actually used.

		2019	
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
		(In thousands)	
ERS – Port Authority's proportionate share of the NPL	$ 401,330	$ 91,792	$ (168,242)
PFRS – Port Authority's proportionate share of the NPL	469,512	129,920	(153,678)
Total	$ 870,842	$ 221,712	$ (321,920)

		2018	
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
		(In thousands)	
ERS – Port Authority's proportionate share of the NPL	$ 313,998	$ 41,500	$ (189,023)
PFRS – Port Authority's proportionate share of the NPL	377,563	77,081	(174,953)
Total	$ 691,561	$ 118,581	$ (363,976)

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

New York State Voluntary Defined Contribution Program (VDC)

Non-represented New York State public employees hired on or after July 1, 2013 with annual wages of $75,000 or more are eligible to participate in the VDC by electing out of the ERS defined benefit pension plan. The VDC plan is administered by TIAA-CREF. System benefits and contribution requirements are established and may be amended under provisions of the RSSL.

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

As of December 31, 2019 and 2018, 339 and 255 employees, respectively were enrolled in the VDC program. The following table shows employee and employer contributions (reported as pension expense):

	2019		2018
		(In thousands)	
Employer Contributions	**$ 2,675**		$ 2,030
Employee Contributions	**1,956**		1,491
Total	**$ 4,631**		$ 3,521

Port Authority Trans-Hudson Corporation (PATH) Employees

Federal Railroad Retirement Program

PATH employees are not eligible to participate in NYSLRS. In accordance with Federal Railroad Retirement legislation enacted in 1935, and amended thereafter, PATH represented and non-represented 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 2019 and 2018, 1,232 and 1,231 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)		
2019	**7.65%**	**$ 8,466**	**7.65%**	**$ 8,466**	**$ 16,932**
2018	7.65%	$ 8,197	7.65%	$ 8,197	$ 16,394

Railroad Retirement Tier II	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
			($ In thousands)		
2019	**4.9%**	**$ 4,832**	**13.1%**	**$ 12,918**	**$ 17,750**
2018	4.9%	$ 4,687	13.1%	$ 12,530	$ 17,217

Detailed information about the Federal Railroad Retirement Program can be found in the U.S. Railroad Retirement Board Performance and Accountability Report, which is publicly available at the following web address: http://www.rrb.gov/sites/default/files/2019-11/par2019.pdf

PATH Employees Supplemental Pension Plans

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

PATH Represented Employees

For PATH employees covered under collective bargaining agreements, PATH makes defined contributions to supplemental pension plans administered exclusively by trustees comprised of and appointed by union members. Benefits are established and may be amended at the sole discretion of the trustees. PATH is not responsible for funding deficiencies or entitled to funding surpluses related to these supplemental pension plans. PATH's sole responsibility related to these supplemental pension plans are contributions defined in various collective bargaining agreements. Contributions by PATH to these supplemental pension plans totaled approximately $6.7 million in 2019 and $6.8 million in 2018.

PATH Non-Represented Employees

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 Bank, N.A. as Trustee. As of December 31, 2019, no amounts have been deposited into the trust to fund 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 - 2019 and 2018

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	**2019***	2018**
	(In thousands)	
Beginning Balance	**$ 89,381**	$ 84,091
Changes recognized for the fiscal year:		
Service cost	**1,720**	1,585
Interest on the total pension liability	**3,070**	3,169
Differences between expected and actual experience	**1,778**	(1,449)
Changes in assumptions	**(15,700)**	5,676
Benefit payments	**(3,751)**	(3,691)
Net change in TPL	**(12,883)**	5,290
TPL recognized at December 31	**$ 76,498**	$ 89,381

* The Plan's TPL reported at December 31, 2019 was measured as of January 1, 2019 based on an actuarial valuation as of the same date.
** The Plan's TPL reported at December 31, 2018 was measured as of January 1, 2018 based on an actuarial valuation as of the same date.

PATH Exempt Employee Supplemental Pension Plan Pension Expense – 2019 and 2018

Pension expense related to the Plan totaled:

	2019		2018
		(In thousands)	
Pension Expense	**$ 3,996**		$ 8,824

PATH Exempt Employee Supplemental Pension Plan Deferred Outflows/Inflows of Resources – 2019 and 2018

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, 2019 and December 31, 2018, the Port Authority reported deferred outflows of resources totaling:

Deferred Outflows of Resources	2019		2018
		(In thousands)	
Differences between actual and expected experience	**$ 3,375**		$ 3,153
Changes in actuarial assumptions	**3,487**		6,264
Subtotal – Deferred Outflows of Resources	**6,862**		9,417
Contributions subsequent to the measurement date*	**3,928**		3,751
Total Deferred Outflows of Resources	**$ 10,790**		$ 13,168

* Contributions made by Port Authority to the Path Exempt Employee Supplemental Pension Plan 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. These amounts will be recognized as a reduction to the TPL for the fiscal year ended December 31, 2020.

At December 31, 2019 and December 31, 2018, the Port Authority reported deferred inflows of resources totaling:

Deferred Inflows of Resources	2019		2018
		(In thousands)	
Differences between actual and expected experience	**$ 888**		$ 1,420
Changes in actuarial assumptions	**14,263**		3,160
Total Deferred Inflows of Resources	**$ 15,151**		$ 4,580

Deferred outflows and deferred inflows as of December 31, 2019, excluding contributions made by the Port Authority after the measurement date, will be recognized in future years' pension expense as follows:

Year ended December 31,	**Total Amortization**
	(In thousands)
2020	$ (1,976)
2021	(2,143)
2022	(2,406)
2023	(1,764)
Total	$ (8,289)

PATH Exempt Employee Supplemental Pension Plan Actuarial Assumptions- 2019 and 2018

The TPL measured as of January 1, 2019 and January 1, 2018, 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, 2019 valuation were based on the results of an actuarial experience study for the period of January 1, 2014 to January 1, 2017. Actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period of January 1, 2014 to January 1, 2017. Mortality rates used in the 2019 and 2018 valuations were based on Pub-2010 General Employees mortality table projected on a generational basis with Scale MP-2018 and MP-2017 from 2010, respectively. 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, 2019 and January 1, 2018 valuation date, Plan participants comprised:

	2019	2018
Retired PATH Exempt Employees (or their beneficiaries)	**114**	110
Active PATH Exempt Employees	**95**	96
Terminated but vested employees who are not currently receiving benefits	**17**	19
Total participants	**226**	225

PATH Exempt Employee Supplemental Pension Plan Discount Rate Analysis- 2019 and 2018

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 4.10% as of the January 1, 2019 measurement date and 3.44% as of the January 1, 2018 measurement date.

The following tables present the 2019 and 2018 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.

2019	1% Decrease (3.10%)	Discount Rate (4.10%)	1% Increase (5.10%)
		(In thousands)	
Total Pension Liability	**$ 85,852**	**$ 76,498**	**$ 68,676**

2018	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
		(In thousands)	
Total Pension Liability	$101,822	$ 89,381	$ 79,079

Note J – Other Postemployment Employee Benefits (OPEB)

Plan Description and Organization

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). These benefits are often referred to as other postemployment benefits (OPEB). Benefits are provided through a third-party insurer. Some of these benefits are paid directly by the Port Authority or PATH; in other cases, the benefits are paid by insurance companies on the basis of premiums paid by the Port Authority or PATH with or without employee contributions. The Port Authority and PATH also reimburse eligible retirees and dependents for the cost of certain Medicare premiums.

Participants in the Plan at January 1st consisted of the following:

	2019	2018
Retirees and surviving spouses currently receiving benefits	**7,951**	7,738
Covered spouses of retired employees receiving benefits	**4,135**	3,954
Active employees plan participants	**7,970**	7,728
Total plan members	**20,056**	19,420

Contributions toward OPEB costs are required of certain non-represented and represented participants. In 2018 and 2019, certain Plan provisions relating to represented employees' contributions toward OPEB were changed due to the amendment of certain collective bargaining agreements. Retiree contributions are dependent on a number of factors including, type of benefit, hire date, years of service, pension earnings and retirement date.

Employer contributions in relation to the Trust include advance funding of the Trust as well as pay-as-you-go benefit payments that are made to or on behalf of OPEB plan members or their beneficiaries from available Port Authority operating funds. The Port Authority is not required by law to provide funding for its OPEB obligations, other than the pay-as-you-go amount necessary to provide current benefits to eligible retired employees and the eligible dependents of such retired employees. In 2019 and 2018, annual advanced funding contributions in each year to the Trust totaled $100 million.

On December 14, 2006, the Port Authority on behalf of itself and its component unit, PATH established The Port Authority of New York and New Jersey Retiree Health Benefits Trust (the Trust) for the exclusive benefit of eligible retired employees of the Port Authority and PATH and the eligible dependents of such retired employees to facilitate all or part of the funding for OPEB benefits, which are provided through the Plan.

Net OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*," defines the Net OPEB Liability (NOL) as the liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. For purposes of measuring the NOL, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net OPEB Liability – 2019 and 2018	Total OPEB Liability (a)	OPEB Trust Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
		(In thousands)	
Balance at December 31, 2018	$ 3,095,346	$ 1,413,736	$ 1,681,610
Changes Increase/(Decrease) for the year:			
Service cost	33,132	—	33,132
Interest cost on the total OPEB liability	213,607	—	213,607
Changes in benefit terms	(4,046)	—	(4,046)
Differences between expected and actual experience	99,585	—	99,585
Changes in assumptions	(241,555)	—	(241,555)
Benefit payments	(156,536)	(156,536)	—
Contributions-employer*	—	256,536	(256,536)
Net investment income	—	285,996	(285,996)
Administrative expenses	—	(106)	106
Decrease/(Increase)	(55,813)	385,890	(441,703)
Balance at December 31, 2019	$ 3,039,533	$ 1,799,626	$ 1,239,907

* Includes OPEB payments totaling $156.5 million to OPEB plan members or their beneficiaries out of available Port Authority operating funds.

Balance at December 31, 2017	$ 2,937,227	$ 1,400,104	$ 1,537,123
Changes Increase/(Decrease) for the year:			
Service cost	25,442	—	25,442
Interest cost on the total OPEB liability	202,303	—	202,303
Changes in benefit terms	(6,948)	—	(6,948)
Differences between expected and actual experience	90,986	—	90,986
Changes in assumptions	(5,903)	—	(5,903)
Benefit payments	(147,761)	(147,761)	—
Contributions-employer*	—	247,761	(247,761)
Net investment income	—	(86,274)	86,274
Administrative expenses	—	(94)	94
Increase	158,119	13,632	144,487
Balance at December 31, 2018	$ 3,095,346	$ 1,413,736	$ 1,681,610

* Includes OPEB payments totaling $147.8 million to OPEB plan members or their beneficiaries out of available Port Authority operating funds.

The following presents the NOL of the Port Authority, as well as what the Port Authority's NOL would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current discount rate for the year ending December 31:

	2019			2018		
	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
			(In thousands)			
Net OPEB Liability	1,657,112	1,239,907	900,404	2,118,029	1,681,610	1,327,270

The following presents the NOL of the Port Authority, as well as what the Port Authority's NOL would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the healthcare cost trend rates used in the January 1 actuarial valuation disclosed above:

	2019			2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase	1% Decrease	Healthcare Cost Trend Rate	1% Increase
			(In thousands)			
Net OPEB Liability	914,168	1,239,907	1,641,829	1,339,152	1,681,610	2,105,053

OPEB Expense

OPEB expense related to the Plan totaled:

	2019	2018
	(In thousands)	
OPEB Expense	**$ 112,666**	$ 152,954

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019 and 2018, the Port Authority reported deferred outflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	2019	2018
	(In thousands)	
Differences between actual and expected experience	**$ 141,943**	$ 75,271
Net difference between projected and actual earnings on OPEB plan investments	**—**	93,986
Total Deferred Outflows of Resources	**$ 141,943**	$ 169,257

At December 31, 2019 and 2018, the Port Authority reported deferred inflows of resources related to OPEB from the following sources:

Deferred Inflows of Resources	2019	2018
	(In thousands)	
Changes in actuarial assumptions	**$ 203,700**	$ 4,883
Net difference between projected and actual earnings on OPEB plan investments	**71,706**	—
Total Deferred Inflows of Resources	**$ 275,406**	$ 4,883

The difference between reported deferred outflows of resources and deferred inflows of resources related to OPEB will be amortized as a component of future OPEB expense over a closed period as follows:

Year ended December 31,	Total Amortization
	(In thousands)
2020	$ (27,731)
2021	(27,731)
2022	(9,001)
2023	(49,630)
2024	(19,370)
Total	$ (133,463)

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.

The Port Authority's total OPEB liabilities were measured as of December 31, 2019 and 2018 based on actuarial valuations as of January 1, 2019 and 2018 with update procedures used to roll forward the total OPEB liability to the measurement date. The actuarial assumptions used in these valuations were based on the results of an actuarial experience study for the period January 1, 2014 to January 1, 2017. Mortality rates for the January 2019 and 2018 actuarial valuations were based on the PUB-2010 Safety Classification headcount-weighted table projected generationally with Scale MP-2018 and Scale MP-2017 from the central year for Port Authority Police employees and PUB-2010 General Classification headcount-weighted table projected generationally with Scale MP-2018 and Scale MP-2017 from the central year for civilian employees, for years 2019 and 2018, respectively.

The entry age normal cost method based on a level percentage of pay was used in both actuarial valuations of the Port Authority and PATH OPEB obligation for all participants. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

	2019	2018
Inflation	**2.50%**	2.50%
Salary increases	**3.00%**	3.00%
Discount rate*	**7.00%**	7.00%
Medical healthcare cost trend rates (Pre-65 year old participant)**	**6.00%**	6.00%
Medical healthcare cost trend rates (Post-65 year old participant)**	**5.50%**	5.50%
Pharmacy benefit cost trend rate***	**8.00%**	9.00%
Dental benefit cost trend rate	**5.00%**	5.00%
Employer Group Waiver Plan savings***	**8.00%**	9.00%

* Represents the expected long-term rate of return on investments expected to be used for the payment of benefits
** Declining to an ultimate medical healthcare cost trend rate of 4.5% in 2025 (including 2.5% inflation factor)
*** Decreasing to 4.5% in 2025

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31 is summarized in the following table:

Asset Class	Target Asset Allocation		Long-Term Expected Real Rate of Return*	
	2019	2018	2019	2018
Domestic Equity	**33%**	33%	**4.9%**	5.0%
International Equity	**21%**	21%	**4.9%**	4.9%
Real Estate Investment Trust	**6%**	6%	**3.8%**	4.0%
Fixed Income	**40%**	40%	**3.2%**	2.6%

* The long-term expected real rate of return is net of the long-term inflation assumption of 2.5%

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that Port Authority contributions will continue to include $100 million in advanced funding contributions as well as contributions related to pay-as-you-go benefit payments until the Plan is fully funded. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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, 2019, the Port Authority had entered into various construction contracts totaling approximately $6.6 billion, which are expected to be completed within the next three years.

3. Other amounts receivable, net recognized on the Statements of Net Position totaled $179 million at December 31, 2019, and is comprised of the following:

	Dec. 31, 2018	Additions	Deductions	Dec. 31, 2019
		(In thousands)		
Deferred amounts due from WTC Tower 4 and WTC Tower 3 net lessees	$ 58,240	$ 36,929	$ 15,814	**$ 79,355**
Long-term receivables from tenants	29,192	10,099	1,392	**37,899**
Amounts Due – Goethals Bridge Replacement Bridge Developer	28,238	—	—	**28,238**
Tower 4 Liberty Bonds debt service	10,906	65,293	51,797	**24,402**
Other receivables	9,049	76	223	**8,902**
Insurance receivable – Superstorm Sandy	1,371	—	1,371	**—**
Total other amounts receivable, net	$ 136,996	$ 112,397	$ 70,597	**$ 178,796**

4. The 2019 balance of Other noncurrent liabilities consists of the following:

	Dec. 31, 2018	Additions	Deductions	Dec. 31, 2019
		(In thousands)		
Self-Insured Public Liability Claims	$ 70,277	$ 3,943	$ 5,817	**$ 68,403**
Self-Insured Worker's Compensation Claims	68,894	20,270	20,733	**68,431**
Other payables	57,474	26,205	6,001	**77,678**
Goethals Bridge Replacement milestone payments	49,100	900	48,000	**2,000**
Pollution remediation obligation	16,827	10,619	5,785	**21,661**
Asset forfeiture program	21,652	9,618	2,011	**29,259**
Reinsurance premium payable	20,943	—	17,850	**3,093**
Surety and security deposits	4,900	863	1,002	**4,761**
WTC Joint Venture Preferred Returns	4,898	9,364	6,464	**7,798**
Deferred Gain/Loss on NLCC	4,761	—	—	**4,761**
Total Liabilities	$ 319,726	$ 81,782	$113,663	**$ 287,845**
Less: Current worker's compensation liability	17,374			**17,152**
Current Goethals Bridge milestones	49,100			**2,000**
Total other non-current liabilities	$ 253,252			**$ 268,693**

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

	Dec. 31, 2018	Additions	Deductions	Dec. 31, 2019
		(In thousands)		
Unearned Income related to WTC Retail Joint Venture	$ 755,478	$ —	$ 9,260	**$ 746,218**

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 2019, the Port Authority recognized an additional $10.6 million in pollution remediation obligations, primarily related to asbestos abatement at certain Aviation facilities and Marine Terminals. Cumulative operating expense remediation provisions through December 31, 2019 totaled $91 million, net of $2.1 million in expected recoveries.

As of December 31, 2019, the outstanding pollution remediation liability totaled $21.7 million, primarily consisting of future remediation activities associated with asbestos removal, lead based paint abatement, ground water contamination, and soil contamination at Port Authority facilities.

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

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, WTC Site 5, approximately 456,000 square feet of retail space, a WTC Transportation Hub, a memorial and interpretive museum (Memorial/Museum), a Greek Orthodox church, The Performing Arts Center at the WTC and certain related infrastructure. A December 2010 World Trade Center Amended and Restated Master Development Agreement (MDA), among the Port Authority, PATH, 1 WTC LLC, WTC Retail LLC, and the Silverstein net lessees, sets forth the respective rights and obligations of the parties thereto with respect to construction on the WTC site, including the allocation of construction responsibilities and costs between the parties to the MDA.

Future minimum rentals (see *Note G – Lease Commitments*) include rentals of approximately $14.2 billion, for the years 2025-2100, 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

On June 13, 2011, the Port Authority and The Durst Organization through entities formed by such parties 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 through the current net lessee WTC Tower 1 LLC. 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, 2019, WTC Tower 1 LLC has leased, (i) approximately 2.5 million square feet of office space at One World Trade Center, representing approximately 85% 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 2

The MDA requires the Tower 2 Silverstein net lessee to complete subgrade and foundation work for Tower 2, which has been substantially completed by the Port Authority as part of the overall site improvements shared by all of the World Trade Center tenants. Upon closing of any future construction financing and commencement of above-grade construction of Tower 2, the Tower 2 Silverstein net lessee will be required to reimburse the Port Authority for the Tower 2 Silverstein net lessee's allocated costs for the subgrade and foundation work funded by the Port Authority at the site. Under the Tower 2 net lease, ground rent is payable by the Tower 2 Silverstein net lessee upon the earlier of (i) commencement of construction of Tower 2 and (ii) December 2022, whether or not construction is commenced.

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 up to $600 million in overall support, comprised of: (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, through landlord capital improvements (ii) operating expense deficits and certain leasing cost overruns through the Tower 3 Silverstein net lessee's right to defer payments of net lease 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 up to $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 up to $400 million. To date, the Port Authority has applied $80 million of the $93.4 million received from the State of New York as a capital contribution for the partial reimbursement of the $210 million landlord capital improvement the Port Authority made in December 2014 towards the construction of Tower 3. In addition, under a Public Support Agreement with the City of New York, the Port Authority will receive $130 million plus accrued interest in WTC PILOT credits as reimbursement for the remaining share of the Port Authority's landlord capital improvement. WTC payments in lieu of taxes (PILOT) credits from City of New York commenced in July 2019.

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, 2019, deferred rent due from the Tower 3 net lessee totaled approximately $27 million. The Port Authority has also provided approximately $9 million in senior debt service shortfalls.

Tower 3 was substantially completed in March 2018, and officially opened on June 11, 2018. As of December 31, 2019, 71% of leasable office space has been leased to tenants.

World Trade Center Tower 4

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 approximately $1.2 billion, by the New York Liberty Development Corporation to finance construction and development 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, 2019, deferred rent due from the Tower 4 net lessee totaled approximately $44 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 accrue interest at a rate of 7.5% annum until reimbursed or paid (with the exception of deferred net lease rent held on deposit which receives earnings on certain permitted investments plus nominal interest), with an overall term for such reimbursement or payment not to exceed 40 years. As of December 31, 2019, 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 $24.4 million.

In December 2010, the Port Authority, as tenant, entered into a lease with the Tower 4 Silverstein net lessee, as landlord, for approximately 600,000 square feet of office space for use as the Port Authority's executive offices with an initial term of 30 years and four 5-year renewal options. In November 2014, such space lease was amended to provide for the surrender by the Port Authority of two floors to the Tower 4 Silverstein net lessee. Tower 4 was substantially completed in October 2013. As of December 31, 2019, approximately 98% of the leasable office space has been leased to tenants.

The World Trade Center Transportation Hub

On July 28, 2005, the Board of Commissioners of the Port Authority authorized the WTC Transportation Hub project for the construction of a transportation hub and permanent PATH terminal. Construction 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. The Port Authority reached the maximum funding amount of $2.872 billion from the FTA towards the construction of the WTC Transportation Hub in 2017. 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 development 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 has net leased the retail premises from the Port Authority for an upfront payment and a nominal annual amount. The Port Authority continues to be responsible for the construction of additional retail premises at the World Trade Center site, and is obligated to fund the remaining project costs for their construction. Upon completion of such additional retail premises, the Port Authority expects to receive additional payments for the fair value of such additional retail space, to be determined according to the methodology specified in the agreement with Westfield, which may not fully compensate the Port Authority for the cost of construction.

As of December 31, 2019, including Westfield's 2012 initial joint venture membership capital contribution of $100 million, the Port Authority has received $897 million for the transfer of its interests in the WTC retail joint venture to Westfield. These cumulative receipts, exclusive of Westfield's initial 2012 joint venture membership capital contribution of $100 million, have been recorded as Unearned income and subsequently recognized as rental income over the remaining term of the existing WTC Retail net lease. As of December 31, 2019, $50.7 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 WTC 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, PAICE.

Property Damage and Loss of Revenue Insurance Program

The property damage and loss of revenue insurance program on Port Authority facilities (which was renewed effective June 1, 2019 and expires on June 1, 2020) applies to all Port Authority facilities, excluding the World Trade Center (except for the area of the PATH station inside the fare zone). Property damage and loss of revenue insurance on the operating portions of the World Trade Center* and related infrastructure is provided in a separate program (which was renewed effective June 1, 2019 and expires on June 1, 2020).

The Port Authority also purchased terrorism insurance with respect to its facilities for a three-year term, effective June 2, 2018. The terrorism coverage is insured through PAICE and reinsured through the Terrorism Risk Insurance Program Reauthorization Act of 2015 ("TRIPRA")** and commercial reinsurers.

Public Liability Insurance Program

The public liability insurance program for Port Authority aviation facilities (which was renewed effective October 27, 2019 and expires October 27, 2020) includes insurance for aviation war risk, which includes terrorism.

The public liability insurance program for "non aviation" facilities (which was renewed effective October 27, 2019 and expires October 27, 2020) applies to such facilities, including components of the World Trade Center. Terrorism insurance with respect thereto is insured through PAICE and reinsured through TRIPRA and commercial reinsurers was renewed effective October 27, 2019 and expires October 27, 2021.

The Port Authority also carries terrorism and/or malicious acts insurance for losses to property and liability resulting from nuclear, biological, chemical or radiological material for all Port Authority facilities. The program expires October 27, 2021, and is insured through a combination of PAICE, commercial reinsurers and TRIPRA.

Construction Insurance Programs

The Port Authority maintains an ongoing wrap-up contractors' insurance program for all Port Authority-operated facilities under construction (excluding the World Trade Center, where such insurance is handled through a contractor controlled insurance program), which was renewed effective June 1, 2017 and expires June 1, 2020, including builders' risk, construction general liability insurance, and statutory workers' compensation coverage. PAICE provides portions of the construction general liability insurance while statutory workers' compensation insurance is provided through commercial insurance.

The Port Authority placed a standalone wrap-up contractors' insurance program on March 27, 2018, for construction of Terminal One at Newark Airport, which includes builders' risk, construction general liability insurance, and statutory workers' compensation insurance is provided through commercial insurance. PAICE provides portions of the construction general liability insurance while statutory workers' compensation insurance is provided through commercial insurance.

Port Authority Insurance Captive Entity, LLC

In 2006, the Port Authority established a captive insurance company, known as the "Port Authority Insurance Captive Entity, LLC," for insuring certain risk exposures of the Port Authority and its related entities. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business in connection with workers' compensation, general liability, builders' risk, property and terrorism insurance coverages for the Port Authority and its related entities. With the passage of TRIPRA, PAICE assumed coverage for acts of

* 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 World Trade Center 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 years), subject to aggregate industry insured losses of at least $100 million in 2015 (which increases incrementally by $20 million per year for the next five years) and a 20% insurance carrier/captive deductible, in an amount not to exceed an annual cap on all such losses payable under TRIPRA of $100 billion. For calendar year 2019, 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 $180 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.

terrorism under the Port Authority's public liability, and property damage and loss of revenue insurance programs. In addition, as of December 31, 2018, PAICE provides the first $500,000 in coverage under the general liability aspect of the Port Authority's contractors' insurance program and 5% of the next $4.5 million of losses that are in excess of the primary $500,000. Further, effective October 27, 2018, PAICE provides $500 million in coverage under the nuclear, biological, chemical and radiological terrorism program, which is fully reinsured by commercial reinsurers and insures $1.1 billion in excess of $500 million, which is reinsured by TRIPRA.

The financial results for PAICE for the year ended December 31, 2019 are set forth below. Restricted amounts associated with PAICE recorded on the Port Authority's financial statements have been adjusted to eliminate intercompany transfers related to insurance premiums paid to PAICE from the Port Authority.

	Amounts
	(In thousands)
Financial Position	
Total Assets	$ 473,108
Total Liabilities	129,018
Net Position, December 31, 2019	$ 344,090
Operating Results 2019	
Revenues	$ 53,287
Expenses	7,385
Change in Net Position	$ 45,902
Net Position at January 1, 2019	$ 298,188
Net Position at December 31, 2019	$ 344,090

The audited financial statements for the years ended December 31, 2019 and December 31, 2018 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.

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. Self-insured loss reserves were discounted to their present value using a 5.25% discount rate. Changes in the self-insured public liability self-insured loss reserves and self-insured workers' 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)		
2019	**$ 70,277**	**$ 3,943**	**$ 5,817**	**$ 68,403**
2018	$ 66,171	$ 11,724	$ 7,618	$ 70,277

* 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)		
2019	**$ 68,894**	**$ 20,270**	**$ 20,733**	**$ 68,431**
2018	$ 64,057	$ 26,518	$ 21,681	$ 68,894

* Loss reserves exclude loss adjustment expenditures.

Required Supplementary Information (Unaudited)

NEW YORK STATE AND LOCAL EMPLOYEES RETIREMENT SYSTEM (ERS)

Schedule of Proportionate Share of Net Pension Liability*	2019	2018	2017	2016	2015
			($ In thousands)		
Port Authority's proportion of the net pension liability	**1.3%**	1.3%	1.3%	1.3%	1.3%
Port Authority's proportionate share of the net pension liability	**$ 91,792**	$ 41,500	$120,672	$212,555	$ 44,906
Covered payroll (April 1 – March 31)	**$515,065**	$408,384	$395,378	$392,529	$309,571
Port Authority's proportionate share of the net pension liability, as a percentage of its covered payroll	**17.8%**	10.2%	30.5%	54.2%	14.5%
Plan fiduciary net position as a percentage of the total pension liability	**96.2%**	98.2%	94.7%	90.7%	97.9%

Schedule of Employer Contributions*	2019	2018	2017	2016	2015
			($ In thousands)		
Contractually required contribution	**$ 70,582**	$ 56,866	$ 56,743	$ 57,530	$ 63,072
Contributions in relation to the contractually required contribution	**$ 70,582**	$ 56,866	$ 56,743	$ 57,530	$ 63,072
Contribution deficiency (excess)	**$ —**	$ —	$ —	$ —	$ —
Port Authority's covered payroll (January 1 – December 31)	**$536,454**	$500,841	$404,701	$ 395,725	$409,234
Contributions as a percentage of covered-payroll	**13.2%**	11.4%	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*	2019	2018	2017	2016	2015
			($ In thousands)		
Port Authority's proportion of the net pension liability	**7.7%**	7.6%	7.4%	8.0%	8.9%
Port Authority's proportionate share of the net pension liability	**$129,920**	$ 77,081	$152,806	$236,004	$ 24,490
Covered payroll (April 1 – March 31)	**$271,764**	$263,292	$256,168	$246,060	$248,631
Port Authority's proportionate share of the net pension liability, as a percentage of its covered payroll	**47.81%**	29.3%	59.7%	95.9%	9.8%
Plan fiduciary net position as a percentage of the total pension liability	**95.1%**	96.9%	93.5%	90.2%	99.0%

Schedule of Employer Contributions*	2019	2018	2017	2016	2015
			($ In thousands)		
Contractually required contribution	**$ 61,277**	$ 59,931	$ 60,797	$ 57,807	$ 53,652
Contributions in relation to the contractually required contribution	**$ 61,277**	$ 59,931	$ 60,797	$ 57,807	$ 53,652
Contribution deficiency (excess)	**$ —**	$ —	$ —	$ —	$ —
Port Authority's covered payroll (January 1 – December 31)	**$393,630**	$262,701	$260,867	$ 253,096	$253,597
Contributions as a percentage of covered-payroll	**15.6%**	22.8%	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.

See accompanying independent auditors' report.

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)		
2019	**7.65%**	**$ 8,466**	**7.65%**	**$ 8,466**	**$ 16,932**
2018	7.65%	8,197	7.65%	8,197	16,394
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		$ 56,316		$ 56,316	$ 112,632

Railroad Retirement Tier II	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
			($ In thousands)		
2019	**4.9%**	**$ 4,832**	**13.1%**	**$ 12,918**	**$ 17,750**
2018	4.9%	4,687	13.1%	12,530	17,217
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		$ 30,717		$ 83,581	$ 114,298

* 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*	2019	2018	2017	2016	2015
		($ In thousands)			
Total Pension Liability					
Service cost	**$ 1,720**	$ 1,585	$ 1,323	$ 1,280	$ 900
Interest cost	**3,070**	3,169	2,961	2,850	3,271
Differences between expected and actual experience	**1,778**	(1,449)	5,478	(945)	51
Changes in assumptions	**(15,700)**	5,676	(5,496)	3,809	10,632
Benefit payments	**(3,751)**	(3,691)	(3,563)	(4,701)	(3,389)
Net change in total pension liability	**(12,883)**	5,290	703	2,293	11,465
Total Pension Liability (Beginning)	**89,381**	84,091	83,388	81,095	69,630
Total Pension Liability (Ending)	**$ 76,498**	**$ 89,381**	**$ 84,091**	**$ 83,388**	**$ 81,095**
Covered Payroll	**$ 13,052**	$ 13,913	$ 13,590	$ 13,187	$ 12,356
Total Pension Liability as a % of Covered Payroll	**586.1%**	642.4%	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, 2019, there are no plan assets accumulated in a trust for purposes of making future pension payments to members.

See accompanying independent auditors' report.

OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) PLAN

Schedule of Changes in the Port Authority's Net OPEB Liability and Related Ratios

	2019	2018	2017
		($ In thousands)	
Total OPEB liability			
Service cost	**$ 33,132**	$ 25,442	$ 23,778
Interest cost	**213,607**	202,303	196,930
Changes in benefit terms	**(4,046)**	(6,948)	—
Differences between expected and actual experience	**99,585**	90,986	—
Changes in assumptions	**(241,555)**	(5,903)	—
Benefit payments	**(156,536)**	(147,761)	(143,528)
Net change in total OPEB liability	**(55,813)**	158,119	77,180
Total OPEB liability-beginning	**3,095,346**	2,937,227	2,860,047
Total OPEB liability-ending (a)	**3,039,533**	3,095,346	2,937,227
Plan fiduciary net position:			
Contributions-employer	**256,536**	247,761	243,528
Net investment income	**285,996**	(86,274)	175,795
Benefit payments	**(156,536)**	(147,761)	(143,528)
Administrative expenses	**(106)**	(94)	(94)
Net change in plan fiduciary net position	**385,890**	13,632	275,701
Plan fiduciary net position-beginning	**1,413,736**	1,400,104	1,124,403
Plan fiduciary net position-ending (b)	**1,799,626**	1,413,736	1,400,104
Net OPEB liability-ending (a) – (b)	**$ 1,239,907**	$ 1,681,610	$ 1,537,123
Plan fiduciary net position as a percentage of the total OPEB liability	**59.21%**	45.67%	47.67%
Covered-Employee payroll	**$ 1,041,188**	$ 870,525	$ 772,549
Net OPEB liability as a percentage of Covered-Employee payroll	**119.09%**	193.17%	198.97%

Notes to Schedule:

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

See accompanying independent auditors' report.

Schedule A – Revenues and Reserves

(pursuant to Port Authority bond resolutions)

	Year ended December 31, 2019			2018
	Operating Fund	Reserve Funds	**Combined Total**	Combined Total
		(In thousands)		
Gross operating revenues:				
Tolls and fares	$ 1,876,911	$ —	**$ 1,876,911**	$ 1,865,384
Rentals	1,739,423	—	**1,739,423**	1,664,734
Aviation fees	1,287,263	—	**1,287,263**	1,192,454
Parking and other	408,609	—	**408,609**	384,088
Utilities	144,176	—	**144,176**	149,008
Rentals – Special Project Bonds Projects	74,073	—	**74,073**	79,080
Total gross operating revenues	5,530,455	—	**5,530,455**	5,334,748
Operating expenses:				
Employee compensation, including benefits	1,413,979	—	**1,413,979**	1,338,277
Contract services	1,046,216	—	**1,046,216**	934,821
Rents and payments in-lieu-of taxes (PILOT)	388,462	—	**388,462**	396,048
Materials, equipment and other	315,676	—	**315,676**	298,121
Utilities	191,770	—	**191,770**	195,968
Interest on Special Project Bonds	74,073	—	**74,073**	79,080
Total operating expenses	3,430,176	—	**3,430,176**	3,242,315
Amounts in connection with operating asset obligations	9,529	—	**9,529**	12,921
Net (revenue)/expense related to Superstorm Sandy	(175,678)	—	**(175,678)**	—
Net operating revenues	2,266,428	—	**2,266,428**	2,079,512
Financial income:				
Interest income	2,491	64,474	**66,965**	77,287
Net increase in fair value of investments	4,243	16,232	**20,475**	8,963
Contributions in aid of construction	230,242	—	**230,242**	198,173
Application of Passenger Facility Charges	289,639	—	**289,639**	433,326
Application of 4 WTC associated payments	65,293	—	**65,293**	65,293
Grants, in connection with operating activities	25,665	—	**25,665**	24,006
Pass-through grant program payments	(3,142)	—	**(3,142)**	(1,438)
Net revenues available for debt service and reserves	2,880,859	80,706	**2,961,565**	2,885,122
Debt service:				
Interest on bonds and other asset financing obligations	872,275	133,537	**1,005,812**	971,566
Debt maturities and retirements	334,500	—	**334,500**	319,090
Debt retirement acceleration	—	—	**—**	8,300
Repayment of special obligations	—	(81)	**(81)**	188
Total debt service	1,206,775	133,456	**1,340,231**	1,299,144
Transfers to reserves	$(1,674,084)	1,674,084	**—**	—
Revenues after debt service and transfers to reserves		1,621,334	**1,621,334**	1,585,978
Direct investment in facilities		(1,550,920)	**(1,550,920)**	(1,771,900)
Change in Accounting Principle		(18,375)	**(18,375)**	—
Increase/(Decrease) in reserves		52,039	**52,039**	(185,922)
Reserve balances, January 1		3,976,000	**3,976,000**	4,161,922
Reserve balances, December 31		$ 4,028,039	**$ 4,028,039**	$ 3,976,000

See Notes to Financial Statements

Schedule B – Assets and Liabilities

(pursuant to Port Authority bond resolutions)

	December 31, 2019				2018
	Operating Fund	Capital Fund	Reserve Funds	**Combined Total**	Combined Total
ASSETS			(In thousands)		
Current assets:					
Cash	$ 93,213	$ 102	$ —	**$ 93,315**	$ 157,143
Restricted cash:					
Passenger Facility Charges	—	—	—	**—**	161
Port Authority Insurance Captive Entity, LLC	64,586	—	—	**64,586**	117,922
Other, including Asset Forfeiture Funds	12,403	—	—	**12,403**	14,878
Investments	966	835,274	392,471	**1,228,711**	1,529,511
Restricted Investments – PAICE	2,604	—	—	**2,604**	37,162
Restricted Investments – PFC	18,838	—	—	**18,838**	23,609
Interfund balances	(1,090,046)	(28,793)	1,118,839	**—**	—
Current receivables, net	681,361	—	—	**681,361**	540,962
Other current assets	84,738	58,475	—	**143,213**	161,133
Restricted receivables and other assets	80,730	—	—	**80,730**	77,785
Total current assets	(50,607)	865,058	1,511,310	**2,325,761**	2,660,266
Noncurrent assets:					
Restricted cash	4,813	—	—	**4,813**	4,951
Investments	47,118	737	2,516,729	**2,564,584**	2,218,769
Restricted investments – PAICE	127,542	—	—	**127,542**	204,708
Other amounts receivable, net	141,922	36,874	—	**178,796**	136,996
Other noncurrent assets	1,686,229	1,804	—	**1,688,033**	1,653,558
Restricted other noncurrent assets – PAICE	6,954	—	—	**6,954**	8,015
Amounts receivable – Special Project Bonds Projects	—	1,150,415	—	**1,150,415**	1,245,835
Amounts receivable – Tower 4 Liberty Bonds	—	1,225,520	—	**1,225,520**	1,225,520
Invested in facilities	—	62,883,408	—	**62,883,408**	59,548,616
Total noncurrent assets	2,014,578	65,298,758	2,516,729	**69,830,065**	66,246,968
Total assets	1,963,971	66,163,816	4,028,039	**72,155,826**	68,907,234
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	277,938	—	—	**277,938**	276,586
OPEB related amounts	141,943	—	—	**141,943**	169,257
LIABILITIES					
Current liabilities:					
Accounts payable	317,911	999,003	—	**1,316,914**	1,275,183
Accrued interest and other current liabilities	504,280	4,105	—	**508,385**	551,986
Restricted other liabilities – PAICE	8,866	—	—	**8,866**	7,630
Accrued payroll and other employee benefits	500,945	—	—	**500,945**	659,044
Unapplied Passenger Facility Charges	55,814	—	—	**55,814**	52,378
Current portion bonds and other asset financing obligations	72,684	972,433	—	**1,045,117**	977,266
Total current liabilities	1,460,500	1,975,541	—	**3,436,041**	3,523,487
Noncurrent liabilities:					
Accrued pension and other postemployment employee benefits	1,538,117	—	—	**1,538,117**	1,891,329
Other noncurrent liabilities	237,504	26,428	—	**263,932**	248,491
Restricted other noncurrent liabilities – PAICE	41,001	—	—	**41,001**	43,304
Amounts payable – Special Project Bonds	—	1,150,415	—	**1,150,415**	1,245,835
Amounts payable – Tower 4 Liberty Bonds	—	1,225,520	—	**1,225,520**	1,225,520
Bonds and other asset financing obligations	445,753	22,412,642	—	**22,858,395**	21,687,869
Total noncurrent liabilities	2,262,375	24,815,005	—	**27,077,380**	26,342,348
Total liabilities	3,722,875	26,790,546	—	**30,513,421**	29,865,835
DEFERRED INFLOWS OF RESOURCES					
Pension related amounts	102,956	—	—	**102,956**	177,998
OPEB related amounts	275,406	—	—	**275,406**	4,883
NET POSITION	$ (1,717,385)	$ 39,373,270	$ 4,028,039	**$ 41,683,924**	$ 39,304,361
Net position is comprised of:					
Facility infrastructure investment	—	39,373,270	—	**$ 39,373,270**	$ 37,064,123
Change in accounting principle	(1,717,385)	—	—	**(1,717,385)**	(1,735,762)
Reserves	—	—	4,028,039	**4,028,039**	3,976,000
NET POSITION	$ (1,717,385)	$ 39,373,270	$ 4,028,039	**$ 41,683,924**	$ 39,304,361

See Notes to Financial Statements

Schedule C – Analysis of Reserve Funds

(pursuant to Port Authority bond resolutions)

	Year ended December 31, 2019			2018
	General Reserve Fund	Consolidated Bond Reserve Fund	**Combined Total**	Combined Total
		(In thousands)		
Balance, January 1	$ 2,297,475	$ 1,678,525	**$ 3,976,000**	$ 4,161,922
Increase in reserve funds *	90,768	1,664,022	**1,754,790**	1,697,522
	2,388,243	3,342,547	**5,730,790**	5,859,444
Applications:				
Repayment of special obligations	—	(81)	**(81)**	188
Interest on asset financing obligations	—	133,537	**133,537**	103,056
Debt retirement acceleration	—	—	**—**	8,300
Direct investment in facilities	—	1,550,920	**1,550,920**	1,771,900
Change in Accounting Principle	—	18,375	**18,375**	—
Total applications	—	1,702,751	**1,702,751**	1,883,444
Balance, December 31	$ 2,388,243	$ 1,639,796	**$ 4,028,039**	$ 3,976,000

* Combined increase in reserve funds consists of "Transfers to reserves" from the operating fund totaling $1.67 billion, plus financial income generated on reserve funds of $80.7 million in 2019.

See Notes to Financial Statements

Statistical and Other Supplemental Information

For the Year Ended December 31, 2019

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 condition 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 financing obligations.

Information on Port Authority revenues, outstanding financing 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 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 (Pursuant to GAAP)

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 (Pursuant to GAAP)

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

Information on Capital Investment in Port Authority Facilities – Schedule F (Pursuant to GAAP)

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)

	2019	2018	2017 (Restated)
		(In thousands)	
Revenues, Expenses and Changes in Net Position:			
Gross operating revenues:			
Tolls and fares	**$ 1,876,911**	$ 1,865,384	$ 1,873,622
Rentals[(a)]	**1,748,683**	1,673,994	1,618,439
Aviation fees	**1,287,263**	1,192,454	1,128,352
Parking and other	**408,609**	384,088	377,421
Utilities	**144,176**	149,008	139,502
Rentals — Special Project Bonds Projects	**74,073**	79,080	83,053
Gross operating revenues	**5,539,715**	5,344,008	5,220,389
Operating expenses:			
Employee compensation, including benefits[(d)]	**1,413,979**	1,338,277	1,318,935
Contract services	**1,046,216**	934,821	880,331
Rents and amounts in-lieu-of taxes (PILOT)	**388,462**	396,048	390,576
Materials, equipment and other	**315,676**	298,121	252,533
Utilities	**191,770**	195,968	183,482
Interest on Special Project Bonds	**74,073**	79,080	83,053
Operating expenses	**3,430,176**	3,242,315	3,108,910
Net revenue/(expense) related to the events of September 11, 2001	**—**	—	—
Net revenue/(expense) related to the events of Superstorm Sandy	**175,678**	—	18,323
Depreciation of facilities	**(1,420,696)**	(1,329,283)	(1,231,139)
Amortization of costs for regional programs	**(36,730)**	(41,874)	(44,164)
Income from operations[(d)]	**827,791**	730,536	854,499
Income on investments (including fair value adjustment)[(b)]	**87,948**	89,304	35,326
Interest expense on bonds and other asset financing[(b)]	**(968,242)**	(937,983)	(908,343)
Net gain/(loss) on disposition of assets	**—**	—	—
Pass-through grant program payments	**(3,142)**	(1,438)	(19,717)
4 WTC associated payments	**65,293**	65,293	65,293
Grants in connection with operating activities	**25,665**	24,006	39,845
Contributions in aid of construction	**261,054**	252,225	187,473
Passenger facility charges	**292,568**	286,395	275,785
1 WTC LLC/WTC Retail LLC insurance proceeds	**—**	—	—
Increase in net position December 31,[(d)]	**$ 588,935**	$ 508,338	$ 530,161
Net position is comprised of			
Net investment in capital assets	**$ 14,620,518**	$ 14,190,682	$ 13,179,105
Restricted	**550,736**	500,610	760,912
Unrestricted[(d)]	**1,296,075**	1,187,102	1,430,039
Net Position December 31,[(c)]	**$ 16,467,329**	$ 15,878,394	$ 15,370,056

(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 2009 through 2016 have been reclassified from Income on investments to Interest expense on bonds and other asset financing.
(c) 2012 restated amounts include the cumulative impact of $160 million related to the adoption of GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*.
(d) 2017 restated amounts include the cumulative impact of $1.7 billion related to the adoption of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

See accompanying independent auditors' report.

2016	2015	2014	2013	2012 (Restated)	2011	2010
$ 1,865,481	$ 1,718,770	$ 1,553,625	$ 1,462,957	$ 1,337,372	$ 1,148,061	$ 1,069,785
1,564,527	1,446,980	1,300,818	1,228,491	1,208,730	1,150,569	1,144,709
1,112,436	1,063,902	1,058,416	934,459	904,666	895,356	872,774
399,178	359,631	321,760	315,111	338,178	339,131	321,257
138,987	144,580	149,052	139,835	152,945	154,810	154,041
86,755	92,719	98,141	103,186	108,125	112,553	71,457
5,167,364	4,826,582	4,481,812	4,184,039	4,050,016	3,800,480	3,634,023
1,290,334	1,178,967	1,187,877	1,114,397	1,038,243	1,037,681	1,022,195
852,926	833,903	797,516	684,411	749,106	726,883	630,438
352,293	356,162	362,627	301,582	304,020	280,237	272,002
264,977	252,071	277,174	220,859	215,937	219,183	418,639
165,802	186,830	199,919	171,833	174,016	188,432	183,826
86,755	92,719	98,141	103,186	108,125	112,553	71,457
3,013,087	2,900,652	2,923,254	2,596,268	2,589,447	2,564,969	2,598,557
—	—	—	—	—	—	53,051
—	123	53,530	28,229	(30,000)	—	—
(1,173,747)	(1,124,383)	(932,149)	(875,979)	(884,239)	(852,727)	(789,011)
(64,765)	(64,665)	(64,484)	(64,275)	(77,719)	(77,537)	(76,504)
915,765	737,005	615,455	675,746	468,611	305,247	223,002
(3,974)	4,215	20,060	(2,714)	29,161	(53,227)	(762)
(900,914)	(882,840)	(648,204)	(612,031)	(647,813)	(552,781)	(496,410)
—	—	19,043	4,423	(4)	—	—
(10,695)	(51,429)	(107,606)	(176,848)	(56,446)	(11,507)	(2,166)
41,521	36,766	6,128	36,660	65,293	8,343	—
64,315	101,074	207,898	188,409	52,161	23,727	11,708
674,950	586,295	700,267	689,898	997,441	767,010	358,268
264,363	248,707	233,172	224,301	222,614	214,456	210,387
—	—	—	—	3,525	—	42,814
$ 1,045,331	$ 779,793	$ 1,046,213	$ 1,027,844	$ 1,134,543	$ 701,268	$ 346,841
$ 12,746,144	$ 11,810,573	$ 10,402,894	$ 9,442,138	$ 9,273,213	$ 10,020,306	$ 9,200,077
567,443	456,429	470,857	454,467	392,389	294,460	222,871
3,261,307	3,262,561	3,900,789	3,831,722	3,034,881	1,411,125	1,601,675
$ 16,574,894	$ 15,529,563	$ 14,774,540	$ 13,728,327	$ 12,700,483	$ 11,725,891	$ 11,024,623

Schedule D-2 – Selected Statistical Debt Service Data

(Pursuant to Port Authority bond resolutions)

	2019	2018	2017
		(In thousands)	
Gross Operating Revenues*	$ 5,530,455	$ 5,334,748	$ 5,211,129
Operating expenses	(3,430,176)	(3,242,315)	(3,132,918)
Net revenue/(expense) related to the events of September 11, 2001	—	—	—
Operating and maintenance contingencies	—	—	—
Net revenue/(expense) related to Superstorm Sandy	175,678	—	18,323
Amounts in connection with operating asset obligations	(9,529)	(12,921)	(16,050)
Net operating revenues	2,266,428	2,079,512	2,080,484
Financial income	87,440	86,250	33,574
Grants and contributions in aid of construction, net	252,765	220,741	193,381
Application of WTC Retail Joint Venture Payments*	—	—	—
Application of Passenger Facility Charges	289,639	433,326	285,335
Application of 4 WTC associated payments	65,293	65,293	65,293
Application of 1WTC LLC/WTC LLC Retail insurance proceeds	—	—	—
Restricted Net Revenues – PAICE	—	—	—
Net revenues available for debt service and reserves (a)	2,961,565	2,885,122	2,658,067
DEBT SERVICE – OPERATIONS			
Interest on bonds and other asset financing obligations (b)	(872,275)	(868,510)	(858,694)
Times, interest earned (a/b)	3.40	3.32	3.10
Debt maturities and retirements (c)	(334,500)	(319,090)	(300,905)
Times, debt service earned [a/(b+c)]	2.45	2.43	2.29
APPLICATION OF RESERVES			
Direct investment in facilities	(1,550,920)	(1,771,900)	(1,623,347)
Debt retirement acceleration	—	(8,300)	—
Appropriations for self-insurance and changes in accounting principles	(18,375)	—	—
Interest on bonds and other asset financing obligations	(133,537)	(103,056)	(69,570)
Repayment of asset financing obligations	81	(188)	(1,276)
Acceleration of unamortized brokerage commissions	—	—	—
Net increase/(decrease) in reserves	52,039	(185,922)	(195,725)
RESERVE BALANCES			
January 1	3,976,000	4,161,922	4,357,647
December 31	4,028,039	3,976,000	4,161,922
Reserve funds balances represented by:			
General Reserve	2,388,243	2,297,475	2,297,475
Consolidated Bond Reserve	1,639,796	1,678,525	1,864,447
Total	$ 4,028,039	$ 3,976,000	$ 4,161,922
FINANCING OBLIGATIONS AT DECEMBER 31 (at par value)			
Consolidated Bonds and Notes	$ 22,161,860	$ 20,898,775	$ 20,672,365
Fund for regional development buy-out obligation	100,258	143,939	184,230
MOTBY obligation	48,711	51,032	53,237
Amounts payable – Special Project Bonds	1,150,415	1,245,835	1,327,680
Variable rate master notes	69,600	69,600	77,900
Commercial paper obligations	500,565	480,765	464,615
Versatile structure obligations	—	—	—
Port Authority equipment notes	—	—	—
Tower 4 Liberty Bonds	1,225,520	1,225,520	1,225,520
Goethals Bridge Replacement Developer Financing Arrangement	1,022,518	1,021,023	934,198
Total financing obligations	$ 26,279,447	$ 25,136,489	$ 24,939,745

* 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. For bond resolution financial reporting, amounts due the Port Authority 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.

See accompanying independent auditors' report.

2016	2015	2014	2013	2012	2011	2010
$ 5,158,795	$ 4,818,831	$ 4,475,193	$ 4,184,039	$ 4,050,016	$ 3,800,480	$ 3,634,023
(3,013,087)	(2,900,652)	(2,923,254)	(2,596,268)	(2,589,447)	(2,564,969)	(2,598,557)
—	—	—	—	—	—	53,051
—	(50,000)	—	—	—	—	—
—	123	53,530	28,229	(30,000)	—	—
(18,871)	(21,387)	(23,734)	(25,908)	(27,956)	(29,580)	(46,561)
2,126,837	1,846,915	1,581,735	1,590,092	1,402,613	1,205,931	1,041,956
(4,784)	4,080	14,687	(2,964)	29,121	(53,270)	(900)
347,390	321,980	565,444	540,746	565,976	499,516	367,810
77,869	66,963	652,104	—	—	—	—
229,921	273,721	221,156	175,421	110,015	215,645	207,122
41,520	36,766	6,128	36,660	65,293	8,343	—
—	—	—	—	17,962	57,340	61,468
—	—	—	4,305	2,710	644	(102)
2,818,753	2,550,425	3,041,254	2,344,260	2,193,690	1,934,149	1,677,354
(824,586)	(810,356)	(635,262)	(556,824)	(539,436)	(480,623)	(436,622)
3.42	3.15	4.79	4.21	4.07	4.02	3.84
(268,520)	(259,315)	(226,205)	(204,000)	(169,770)	(140,390)	(178,095)
2.58	2.38	3.53	3.08	3.09	3.11	2.73
(1,132,915)	(1,949,785)	(1,473,432)	(1,059,756)	(691,079)	(742,001)	(1,375,008)
—	—	—	—	(54,635)	(6,100)	—
—	—	28,100	10,414	37,547	1,949	(3,971)
(81,601)	(66,461)	(11,542)	(38,689)	(87,764)	(37,702)	(7,580)
6,669	(51,928)	(105,562)	(15,701)	(16,514)	(20,258)	(30,062)
—	—	—	(46,863)	—	—	—
517,800	(587,420)	617,351	432,841	672,039	509,024	(353,984)
3,839,847	4,427,267	3,809,916	3,377,075	2,705,036	2,196,012	2,549,996
4,357,647	3,839,847	4,427,267	3,809,916	3,377,075	2,705,036	2,196,012
2,297,475	2,297,475	2,131,711	2,029,051	2,026,605	1,783,370	1,584,955
2,060,172	1,542,372	2,295,556	1,780,865	1,350,470	921,666	611,057
$ 4,357,647	$ 3,839,847	$ 4,427,267	$ 3,809,916	$ 3,377,075	$ 2,705,036	$ 2,196,012
$ 20,429,565	$ 21,019,925	$ 19,229,020	$ 18,212,063	$ 18,076,497	$ 15,550,039	$ 13,340,378
221,393	253,732	283,562	311,077	336,453	359,859	373,707
55,332	44,383	48,254	52,329	78,060	105,141	138,396
1,391,170	1,451,170	1,530,510	1,605,515	1,675,825	1,741,440	1,803,145
77,900	77,900	77,900	77,900	77,900	77,900	77,900
388,315	425,760	448,185	348,110	384,625	396,155	354,280
—	—	—	—	—	—	175,200
—	—	31,500	46,925	49,565	68,160	98,645
1,225,520	1,225,520	1,225,520	1,225,520	1,225,520	1,225,520	—
744,401	430,800	210,316	—	—	—	—
$ 24,533,596	$ 24,929,190	$ 23,084,767	$ 21,879,439	$ 21,904,445	$ 19,524,214	$ 16,361,651

Schedule D-3 Selected Statistical Financial Data by Business Segment

(pursuant to GAAP)

	2019	2018	2017 (Restated)
		(In thousands)	
Gross Operating Revenues:			
Tunnels, Bridges and Terminals	**$ 1,740,044**	$ 1,737,458	$ 1,739,552
PATH	**210,610**	203,800	202,880
Port	**322,061**	310,637	295,651
Aviation	**2,913,161**	2,762,279	2,682,523
Development	**24,380**	25,632	24,967
World Trade Center	**329,212**	303,995	274,029
Other [(a)]	**247**	207	787
Total	**$ 5,539,715**	$ 5,344,008	$ 5,220,389
Operating Expenses: [(b)]			
Tunnels, Bridges and Terminals	**$ 553,759**	$ 524,212	$ 525,862
PATH	**457,515**	447,552	423,384
Port	**174,213**	166,405	160,495
Aviation	**1,886,112**	1,754,801	1,693,563
Development	**11,475**	11,786	12,399
World Trade Center	**346,535**	333,848	312,242
Other [(c)(f)]	**567**	3,711	(19,035)
Total	**$ 3,430,176**	$ 3,242,315	$ 3,108,910
Capital Investment: [(d)]			
Tunnels, Bridges and Terminals	**$ 697,449**	$ 931,539	$ 885,311
PATH (including WTC Transportation Hub)	**358,166**	340,635	274,429
Port	**120,019**	146,153	106,455
Aviation [(g)]	**1,588,820**	989,693	772,520
Development	**111**	3,682	893
World Trade Center	**266,795**	314,472	311,122
Other [(e)]	**6,307**	39,547	150,409
Total	**$ 3,037,667**	$ 2,765,721	$ 2,501,139

(a) Includes Ferry Transportation, Access to the Regions Core, Moynihan Station Transportation Program, 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, Moynihan Station Transportation Program 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, Moynihan Station Transportation Program, and Gateway Early Work Program.
(f) 2017 restated amount includes $ (24) million related to the adoption of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
(g) Excludes landlord leasehold capital improvements related to LGA Terminal B of $297 million in 2019, $289 million in 2018 and $163 million in 2017, respectively.

See accompanying independent auditors' report.

2016	2015	2014	2013	2012	2011	2010
$ 1,742,028	$ 1,599,575	$ 1,447,896	$ 1,369,559	$ 1,258,125	$ 1,078,977	$ 1,009,891
191,261	184,560	168,668	150,604	134,382	121,102	109,704
300,569	270,263	248,443	262,526	249,609	236,461	223,095
2,646,213	2,537,233	2,479,106	2,321,300	2,276,018	2,221,157	2,124,955
25,956	26,561	51,077	29,492	87,521	100,800	89,457
260,655	207,634	85,942	50,087	44,107	41,816	76,704
682	756	680	471	254	167	217
$ 5,167,364	$ 4,826,582	$ 4,481,812	$ 4,184,039	$ 4,050,016	$ 3,800,480	$ 3,634,023
$ 509,529	$ 499,873	$ 510,383	$ 493,429	$ 468,263	$ 460,960	$ 437,775
415,251	389,276	401,273	338,926	329,663	322,133	385,686
167,724	175,976	172,545	176,459	190,043	185,053	163,424
1,612,470	1,557,926	1,623,190	1,466,692	1,410,070	1,385,582	1,317,749
10,853	13,659	15,737	15,497	79,620	82,637	77,200
293,864	258,748	192,789	94,312	76,149	106,277	116,797
3,396	5,194	7,337	10,953	35,639	22,327	99,926
$ 3,013,087	$ 2,900,652	$ 2,923,254	$ 2,596,268	$ 2,589,447	$ 2,564,969	$ 2,598,557
$ 1,179,307	$ 956,231	$ 961,854	$ 413,946	$ 233,637	$ 168,759	$ 149,803
454,031	268,428	512,415	559,104	743,136	720,797	752,486
133,874	93,729	210,496	180,760	184,750	228,747	302,858
584,996	791,805	715,456	468,319	351,535	243,995	518,545
1,569	2,110	1,977	527	140	(26,556)	29,297
846,597	904,787	1,674,030	1,373,328	1,802,009	2,087,741	1,091,464
290	3,144	3,822	3,221	6,767	9,464	133,229
$ 3,200,664	$ 3,020,234	$ 4,080,050	$ 2,999,205	$ 3,321,974	$ 3,432,947	$ 2,977,682

Schedule E – Information on Port Authority Operations

	Year ended December 31, 2019							2018
	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	$ 795,128	$ 148,664	$ 56,144	$ 590,320	$ 25,161	$ —	**$ 565,159**	$ 596,799
Holland Tunnel	197,934	82,082	22,801	93,051	10,082	5,036	**88,005**	79,740
Lincoln Tunnel	252,182	117,969	81,110	53,103	47,709	2,358	**7,752**	42,154
Bayonne Bridge	38,569	16,583	33,035	(11,049)	53,302	—	**(64,351)**	(40,304)
Goethals Bridge	241,792	38,902	40,624	162,266	109,806	—	**52,460**	103,462
Outerbridge Crossing	165,451	26,952	7,095	131,404	2,296	—	**129,108**	136,061
Port Authority Bus Terminal	48,988	122,607	30,632	(104,251)	10,236	—	**(114,487)**	(117,729)
Subtotal – Tunnels, Bridges & Terminals	1,740,044	553,759	271,441	914,844	258,592	7,394	**663,646**	800,183
PATH	204,677	429,044	121,424	(345,791)	166,761	106,461	**(406,091)**	(496,576)
WTC Transportation Hub	—	14,519	75,407	(89,926)	—	—	**(89,926)**	(87,627)
Journal Square Transportation Center	5,933	13,952	4,709	(12,728)	1,006	—	**(13,734)**	(15,141)
Subtotal – PATH	210,610	457,515	201,540	(448,445)	167,767	106,461	**(509,751)**	(599,344)
Ferry Transportation	247	283	5,314	(5,350)	3,029	—	**(8,379)**	(8,995)
Access to the Regions Core (ARC)	—	248	10,115	(10,363)	1,180	—	**(11,543)**	(13,983)
Moynihan Station Transportation Program	—	36	10,000	(10,036)	4,842	—	**(14,878)**	(13,534)
Gateway Early Work Program	—	—	—	—	—	—	**—**	—
Total Interstate Transportation Network	1,950,901	1,011,841	498,410	440,650	435,410	113,855	**119,095**	164,327
AVIATION								
LaGuardia[c]	429,046	370,045	124,009	(65,008)	35,260	75,846	**(24,422)**	(14,537)
JFK International[c]	1,367,791	863,504	205,915	298,372	61,495	172,743	**409,620**	366,090
Newark Liberty International[c]	1,052,070	591,802	148,539	311,729	48,701	105,453	**368,481**	379,534
Teterboro	52,987	38,082	14,454	451	4,902	6,535	**2,084**	(286)
New York Stewart International[c]	11,267	22,679	9,369	(20,781)	3,751	4,853	**(19,679)**	(25,990)
Total Aviation	2,913,161	1,886,112	502,286	524,763	154,109	365,430	**736,084**	704,811
PORT								
Port Newark	99,017	82,180	35,868	(19,031)	23,186	2,563	**(39,654)**	(49,990)
Elizabeth Port Authority Marine Terminal	161,648	22,862	30,885	107,901	27,286	60	**80,675**	77,139
Brooklyn Port Authority Marine Terminal	7,397	11,917	2,548	(7,068)	1,888	813	**(8,143)**	(4,114)
└ Red Hook Terminal	757	5,098	62	(4,403)	(11)	—	**(4,392)**	(4,823)
Howland Hook Marine Terminal	17,406	22,233	18,650	(23,477)	11,281	10,194	**(24,564)**	(22,391)
Greenville Yard Port Authority Marine Terminal	892	129	—	763	(3)	—	**766**	863
└ NYNJ Rail LLC	6,185	7,268	1,618	(2,701)	510	8,420	**5,209**	20,138
Port Jersey – Port Authority Marine Terminal	28,759	22,526	11,475	(5,242)	13,880	557	**(18,565)**	(3,415)
Total Port	322,061	174,213	101,106	46,742	78,017	22,607	**(8,668)**	13,407
DEVELOPMENT								
Essex County Resource Recovery Facility	7	107	—	(100)	215	—	**(315)**	(239)
Industrial Park at Elizabeth	1,223	127	249	847	180	—	**667**	731
Bathgate Industrial Park	4,100	2,107	2,105	(112)	82	—	**(194)**	712
Teleport	9,301	8,782	1,873	(1,354)	219	—	**(1,573)**	(573)
Newark Legal & Communications Center	54	44	—	10	—	—	**10**	(26)
Queens West Waterfront Development	1,426	—	576	850	1,027	—	**(177)**	(440)
Hoboken South Waterfront Development	8,269	308	2,515	5,446	1,742	—	**3,704**	3,026
Total Development	24,380	11,475	7,318	5,587	3,465	—	**2,122**	3,191
WORLD TRADE CENTER								
WTC Campus	4,449	149,806	93,353	(238,710)	(4,868)	51,728	**(182,114)**	(182,235)
One World Trade Center	221,783	138,568	97,392	(14,177)	109,994	—	**(124,171)**	(132,305)
WTC Towers 2, 3 & 4	54,931	30,502	78,041	(53,612)	—	—	**(53,612)**	3,023
WTC Tower 7	24,505	18,536	—	5,969	—	—	**5,969**	3,664
WTC Retail	23,544	9,123	42,790	(28,369)	2,863	2	**(31,230)**	(11,769)
Total World Trade Center	329,212	346,535	311,576	(328,899)	107,989	51,730	**(385,158)**	(319,622)
Port Authority Insurance Captive Entity, LLC	—	—	—	—	—	—	**—**	3,383
Regional Facilities and Programs	—	—	36,730	(36,730)	13,488	—	**(50,218)**	(61,159)
Net Revenues related to Superstorm Sandy	—	—	—	175,678	—	—	**175,678**	—
Total Port Authority	$5,539,715	$3,430,176	$1,457,426	$827,791	$792,478	$553,622	**$ 588,935**	$ 508,338

(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.

See accompanying independent auditors' report.

Schedule F – Information on Capital Investment in Port Authority Facilities

	Facilities, net Dec. 31, 2018	Capital Investment(a)	Depreciation	Dispositions	Facilities, net Dec. 31, 2019
			(In thousands)		
INTERSTATE TRANSPORTATION NETWORK					
George Washington Bridge & Bus Station	$ 1,214,359	$ 196,087	$ 56,144	$ —	**$ 1,354,302**
Holland Tunnel	467,418	59,309	22,801	—	**503,926**
Lincoln Tunnel	1,572,716	205,929	81,110	—	**1,697,535**
Bayonne Bridge	1,546,969	95,071	33,035	—	**1,609,005**
Goethals Bridge	1,526,944	43,813	40,624	—	**1,530,133**
Outerbridge Crossing	96,616	37,893	7,095	—	**127,414**
Port Authority Bus Terminal	540,314	59,347	30,632	—	**569,029**
Subtotal – Tunnels, Bridges & Terminals	6,965,336	697,449	271,441	—	**7,391,344**
PATH	2,767,907	329,996	121,424	—	**2,976,479**
WTC Transportation HUB	3,466,030	23,748	75,407	—	**3,414,371**
Journal Square Transportation Center	63,961	4,422	4,709	—	**63,674**
Subtotal – PATH	6,297,898	358,166	201,540	—	**6,454,524**
Ferry Transportation	93,183	73	5,314	—	**87,942**
Access to the Region's Core (ARC)	47,928	—	10,115	—	**37,813**
Moynihan Station Transportation Program	139,128	—	10,000	—	**129,128**
Gateway Early Work Program	37,810	6,234	—	—	**44,044**
Total Interstate Transportation Network	13,581,283	1,061,922	498,410	—	**14,144,795**
AVIATION(b)					
LaGuardia(e)	2,371,721	435,052	124,009	—	**2,682,764**
JFK International	3,531,378	399,140	205,914	—	**3,724,604**
Newark Liberty International	2,680,366	719,703	148,539	—	**3,251,530**
Teterboro	214,166	21,018	14,454	—	**220,730**
New York Stewart International	149,393	13,907	9,369	—	**153,931**
Total Aviation	8,947,024	1,588,820	502,285	—	**10,033,559**
PORT					
Port Newark	807,699	17,771	35,868	—	**789,602**
Elizabeth Port Authority Marine Terminal	970,396	2,668	30,885	—	**942,179**
Brooklyn Port Authority Marine Terminal/Red Hook Terminal	73,469	4,576	2,610	—	**75,435**
Howland Hook Marine Terminal	465,315	22,726	18,650	—	**469,391**
Greenville Yard Port Authority Marine Terminal/NY NJ Rail LLC	140,594	28,518	1,618	—	**167,494**
Port Jersey-Port Authority Marine Terminal	464,201	43,760	11,475	—	**496,486**
Total Port	2,921,674	120,019	101,106	—	**2,940,587**
DEVELOPMENT					
Essex County Resource Recovery Facility	5,805	—	—	—	**5,805**
Industrial Park at Elizabeth	5,287	—	251	—	**5,036**
Bathgate Industrial Park	3,359	—	2,105	—	**1,254**
Teleport	8,163	111	1,872	—	**6,402**
Queens West Waterfront Development	84,196	—	576	—	**83,620**
Hoboken South Waterfront Development	61,141	—	2,515	—	**58,626**
Total Development	167,951	111	7,319	—	**160,743**
WORLD TRADE CENTER					
WTC Campus(c)	3,871,906	145,523	93,352	—	**3,924,077**
One World Trade Center	3,327,811	39,209	97,392	—	**3,269,628**
WTC Towers 2, 3 & 4(d)	2,849,822	25,348	78,042	—	**2,797,128**
WTC Retail	1,732,543	56,715	42,790	—	**1,746,468**
Total World Trade Center	11,782,082	266,795	311,576	—	**11,737,301**
FACILITIES, net	$ 37,400,013	$ 3,037,667	$ 1,420,696	$ —	**$ 39,016,984**
REGIONAL FACILITIES & PROGRAMS	$ 130,186	$ —	$ 36,730	$ —	**$ 93,456**

(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 campus wide infrastructure primarily related to utilities, roadways, WTC Memorial, WTC Vehicular Security Center and the WTC Chiller Plant.
(d) Includes WTC net lessee required capital contributions related to the construction of WTC Tower 2, 3 and 4.
(e) Excludes landlord leasehold capital improvements related to LGA Terminal B of $297 million.

See accompanying independent auditors' report.

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

	2019	2018	2017
TUNNELS AND BRIDGES (Eastbound Traffic)			
AUTOMOBILES			
George Washington Bridge	**47,809,000**	47,264,000	47,594,000
Lincoln Tunnel	**15,317,000**	15,742,000	15,841,000
Holland Tunnel	**15,033,000**	14,460,000	14,247,000
Staten Island Bridges	**33,636,000**	32,373,000	31,430,000
Subtotal Automobiles	**111,795,000**	109,839,000	109,112,000
BUSES			
George Washington Bridge	**428,000**	448,000	442,000
Lincoln Tunnel	**2,186,000**	2,170,000	2,161,000
Holland Tunnel	**159,000**	168,000	179,000
Staten Island Bridges	**167,000**	186,000	180,000
Subtotal Buses	**2,940,000**	2,972,000	2,962,000
TRUCKS			
George Washington Bridge	**3,724,000**	3,792,000	3,684,000
Lincoln Tunnel	**1,031,000**	1,048,000	1,037,000
Holland Tunnel	**443,000**	443,000	446,000
Staten Island Bridges	**2,295,000**	2,163,000	2,153,000
Subtotal Trucks	**7,493,000**	7,446,000	7,320,000
TOTAL VEHICLES			
George Washington Bridge	**51,961,000**	51,504,000	51,720,000
Lincoln Tunnel	**18,534,000**	18,960,000	19,039,000
Holland Tunnel	**15,635,000**	15,071,000	14,872,000
Staten Island Bridges	**36,098,000**	34,722,000	33,763,000
Subtotal Vehicles	**122,228,000**	120,257,000	119,394,000
PATH			
Total passengers	**82,219,587**	81,733,402	82,812,915
Passenger weekday average	**284,380**	280,860	283,719
MARINE TERMINALS			
General cargo(a) (Metric tons)	**41,090,000**	37,577,000	35,450,000
Containers (in twenty foot equivalent units)	**7,471,131**	7,179,788	6,710,817
International waterborne vehicles	**565,179**	573,035	577,223
Waterborne bulk commodities (in metric tons)	**3,245,536**	3,686,686	3,975,000
CONTAINERS			
New Jersey Marine Terminals	**3,950,890**	3,828,434	3,599,514
New York Marine Terminals	**287,217**	267,020	246,910
Subtotal Containers	**4,238,107**	4,095,454	3,846,424
BUS TERMINALS			
BUS DEPARTURES			
Port Authority Bus Terminal	**1,190,000**	1,203,000	1,199,000
George Washington Bridge Bus Station	**166,000**	171,000	172,000
PATH Journal Square Transportation Center Bus Station	**482,725**	479,960	478,900
Total Departures	**1,838,725**	1,853,960	1,849,900
AVIATION			
PLANE MOVEMENTS			
John F. Kennedy International Airport	**456,060**	455,495	448,366
LaGuardia Airport	**373,356**	371,905	369,152
Newark Liberty International Airport	**446,320**	453,377	438,578
New York Stewart International Airport	**33,340**	32,542	34,787
Subtotal Plane Movements	**1,309,076**	1,313,319	1,290,883
DOMESTIC PASSENGERS			
John F. Kennedy International Airport	**28,233,791**	28,117,337	26,961,081
LaGuardia Airport	**28,875,041**	27,857,697	27,474,292
Newark Liberty International Airport	**32,004,140**	31,730,735	30,330,568
New York Stewart International Airport	**369,954**	366,130	307,621
Subtotal Domestic Passengers	**89,482,926**	88,071,899	85,073,562
INTERNATIONAL PASSENGERS			
John F. Kennedy International Airport	**34,317,281**	33,518,898	32,518,263
LaGuardia Airport	**2,209,853**	2,224,430	2,087,936
Newark Liberty International Airport	**14,332,312**	14,128,785	12,891,846
New York Stewart International Airport	**159,591**	324,281	141,077
Subtotal International Passengers	**51,019,037**	50,196,394	47,639,122
TOTAL PASSENGERS			
John F. Kennedy International Airport	**62,551,072**	61,636,235	59,479,344
LaGuardia Airport	**31,084,894**	30,082,127	29,562,228
Newark Liberty International Airport	**46,336,452**	45,859,520	43,222,414
New York Stewart International Airport	**529,545**	690,411	448,698
Subtotal Passengers	**140,501,963**	138,268,293	132,712,684
CARGO-TONS			
John F. Kennedy International Airport	**1,336,520**	1,422,160	1,394,509
LaGuardia Airport	**6,376**	5,996	6,878
Newark Liberty International Airport	**824,932**	848,161	822,589
New York Stewart International Airport	**22,674**	22,808	20,834
Subtotal Cargo-tons	**2,190,502**	2,299,125	2,244,810
Revenue mail-tons	**178,346**	154,244	153,733

* Certain 2019 and 2018 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.

See accompanying independent auditors' report.

	2016	2015	2014	2013	2012	2011	2010
	47,497,000	46,361,000	45,136,000	45,364,000	45,042,000	46,116,000	46,954,000
	15,993,000	15,706,000	15,597,000	15,580,000	15,909,000	16,644,000	17,034,000
	14,727,000	14,763,000	14,915,000	15,511,000	15,489,000	15,968,000	16,460,000
	30,303,000	28,883,000	28,317,000	28,997,000	29,455,000	29,700,000	30,034,000
	108,520,000	105,713,000	103,965,000	105,452,000	105,895,000	108,428,000	110,482,000
	440,000	429,000	426,000	429,000	430,000	487,000	514,000
	2,164,000	2,165,000	2,151,000	2,128,000	2,106,000	2,156,000	2,139,000
	191,000	199,000	209,000	220,000	234,000	268,000	265,000
	177,000	176,000	172,000	171,000	187,000	200,000	204,000
	2,972,000	2,969,000	2,958,000	2,948,000	2,957,000	3,111,000	3,122,000
	3,692,000	3,666,000	3,475,000	3,609,000	3,639,000	3,794,000	3,763,000
	1,055,000	1,061,000	1,043,000	1,038,000	1,000,000	1,029,000	1,041,000
	447,000	447,000	446,000	427,000	395,000	354,000	312,000
	2,085,000	2,091,000	2,131,000	2,214,000	2,367,000	2,434,000	2,486,000
	7,279,000	7,265,000	7,095,000	7,288,000	7,401,000	7,611,000	7,602,000
	51,629,000	50,456,000	49,037,000	49,402,000	49,111,000	50,397,000	51,231,000
	19,212,000	18,932,000	18,791,000	18,746,000	19,015,000	19,829,000	20,214,000
	15,365,000	15,409,000	15,570,000	16,158,000	16,118,000	16,590,000	17,037,000
	32,565,000	31,150,000	30,620,000	31,382,000	32,009,000	32,334,000	32,724,000
	118,771,000	115,947,000	114,018,000	115,688,000	116,253,000	119,150,000	121,206,000
	78,553,560	76,541,453	73,679,425	72,748,729	72,563,052	76,555,644	73,911,000
	269,081	258,425	250,071	244,484	241,725	256,186	246,890
	32,556,203	36,781,069	35,370,355	34,059,540	34,322,209	33,896,217	32,170,041
	6,251,953	6,371,720	5,772,303	5,467,347	5,529,908	5,503,485	5,292,020
	505,150	477,170	393,391	452,778	426,943	387,656	493,245
	3,212,603	5,050,519	5,042,690	3,732,292	3,240,189	3,885,614	3,192,132
	3,416,144	3,427,226	3,098,049	2,895,769	2,782,059	2,652,744	2,500,503
	186,364	236,787	244,237	274,066	428,750	544,272	575,892
	3,602,508	3,664,013	3,342,286	3,169,835	3,210,809	3,197,016	3,076,395
	1,193,000	1,179,000	1,166,000	1,155,000	1,127,000	1,132,000	1,117,000
	172,000	170,000	168,000	167,000	163,000	153,000	150,000
	478,640	478,560	470,060	469,900	469,304	407,200	409,150
	1,843,640	1,827,560	1,804,060	1791,900	1,759,304	1,692,200	1,676,150
	448,753	439,298	423,421	406,181	401,728	408,730	396,912
	369,987	358,609	360,834	370,861	369,989	365,870	361,616
	431,594	413,873	396,386	413,774	414,127	410,024	409,321
	37,295	37,834	36,881	38,905	42,123	46,530	47,032
	1,287,629	1,249,614	1,217,522	1,229,721	1,227,967	1,231,154	1,214,881
	27,245,463	26,806,854	25,021,432	23,913,096	24,217,083	23,757,976	23,404,277
	27,996,763	26,684,923	25,157,202	24,953,572	24,274,029	23,086,756	22,950,115
	27,995,353	25,693,128	23,762,627	23,716,837	22,836,683	22,189,669	21,716,886
	275,421	281,754	309,357	320,682	364,848	412,053	395,244
	83,513,000	79,466,659	74,250,618	72,904,187	71,692,643	69,446,454	68,466,522
	31,693,184	30,079,898	28,198,994	26,541,183	25,057,093	23,886,084	23,109,877
	1,790,006	1,752,745	1,814,893	1,727,528	1,433,755	1,035,722	1,032,967
	12,324,428	11,805,317	11,848,060	11,299,399	11,147,344	11,509,823	11,477,304
	—	—	—	—	—	1,601	—
	45,807,618	43,637,960	41,861,947	39,568,110	37,638,192	36,433,230	35,620,148
	58,938,647	56,886,752	53,220,426	50,454,279	49,274,176	47,644,060	46,514,154
	29,786,769	28,437,668	26,972,095	26,681,100	25,707,784	24,122,478	23,983,082
	40,319,781	37,498,445	35,610,687	35,016,236	33,984,027	33,699,492	33,194,190
	275,421	281,754	309,357	320,682	364,848	413,654	395,244
	129,320,618	123,104,619	116,112,565	112,472,297	109,330,835	105,879,684	104,086,670
	1,311,191	1,332,091	1,343,855	1,321,035	1,319,226	1,382,949	1,392,866
	7,586	7,721	7,140	6,720	7,009	7,390	7,516
	746,770	405,214	666,840	663,155	742,898	812,341	860,970
	18,729	15,144	15,227	17,490	18,781	16,263	12,934
	2,084,276	1,760,170	2,033,062	2,008,400	2,087,914	2,218,943	2,274,286
	140,418	126,026	112,524	158,778	174,242	184,696	185,681

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

Year	Population	Personal Disposable Income	Per-Capita Personal Disposable Income	Employment	Unemployment Rate
		($ In thousands)			
2019[1]	**18,211**	**1,240,355**	**$68.11**	**9,400**	**3.7%**
2018	18,271	1,197,797	$65.56	9,262	4.0%
2017	18,319	1,134,468	$61.93	9,134	4.5%
2016	18,333	1,064,125	$58.04	8,970	4.8%
2015	18,318	1,017,168	$55.53	8,806	5.3%
2014	18,278	980,656	$53.65	8,620	6.5%
2013	18,219	936,436	$51.40	8,450	7.9%
2012	18,141	943,822	$52.03	8,312	8.7%
2011	18,037	890,687	$49.38	8,181	8.6%
2010	17,914	852,983	$47.62	8,071	8.9%

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

	2019[3]	2009
Education & Health Services	**16.8%**	18.9%
Trade Transportation and Utilities	**15.5%**	14.6%
Professional & Business Services	**13.1%**	14.6%
Government	**13.6%**	11.4%
Leisure & Hospitality	**7.4%**	8.6%
Retail Trade	**8.5%**	7.9%
Financial Activities	**8.3%**	7.8%
Other Services	**3.7%**	3.7%
Wholesale Trade	**3.9%**	3.4%
Construction	**2.9%**	3.4%
Information	**3.2%**	3.2%
Manufacturing	**3.1%**	2.5%
	100.0%	100.0%

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, 2019

MICHAEL E. FARBIARZ[1]
General Counsel
2019 total compensation: $308,966
J.D., Yale Law School
B.A., Harvard College
Extensive legal experience, including in senior public sector posts.

ELIZABETH M. MCCARTHY
Chief Financial Officer
2019 total compensation: $296,234
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
2019 total compensation: $331,379
B.S., Manhattan College
More than 30 years of experience in program management in the private and public sectors.

HUNTLEY A. LAWRENCE
Director, Aviation Department
2017 total compensation: $297,213
M.B.A., Dowling College
B.S., Florida Institute of Technology
More than 30 years of aviation leadership experience.

DEREK H. UTTER
Chief Development Officer
2019 total compensation: $278,401
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.

BENJAMIN M. BRANHAM
Chief Communications Officer
2019 total compensation: $275,458
Master in Public Policy, Harvard University, Kennedy School of Government
B.A. English, Linguistics, University of Illinois
More than 18 years of strategic communications experience in the public, private, and nonprofit sectors.

RICHARD COTTON
Executive Director
2019 total compensation: $279,531
J.D., Yale Law School
A.B., Harvard College
More than 30 years of private sector, legal, and public sector management experience.

FRANCIS F. SACR[2]
Interim Executive Director at Gateway Program Development Corporation
2019 total compensation: $104,038
B.Com, LL.B, University of Melbourne
More than 26 years of experience in infrastructure and project finance.

MICHAEL G. MASSIAH
Chief Diversity & Inclusion Officer
2019 total compensation: $291,163
M.P.A., SUNY Albany
B.A., Le Moyne College
More than 30 years of public experience in human resources and financial services.

JAMES O. STARACE
Chief Engineer
2019 total compensation: $283,935
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
2019 total compensation: $302,714
B.S., Northeastern University
More than 30 years of engineering, project management, and executive management experience.

MARY C. CRONIN-NORTH
Program Director, Redevelopment Programs
2019 total compensation: $263,483
B.S. and M.S. in Civil Engineering, Stevens Institute of Technology
M.B.A., Rutgers, The State University of NJ
28 years of experience in engineering, procurement, and program management in both the private and public sector.

JOHN BILICH
Chief Security Officer
2019 total compensation: $260,206
B.S., St. Joseph's College
More than 30 years of experience in law enforcement and security.

MARY LEE HANNELL
Chief, Human Capital
2019 total compensation: $269,643
B.A., Drew University
More than 30 years of professional experience in human resources in the private and public sectors.

AMY H. FISHER
First Deputy General Counsel
2019 total compensation: $259,492
J.D., Columbia University School of Law
B.A., Wesleyan University
More than 35 years of legal experience, including regulatory affairs and compliance.

ROBERT E. GALVIN
Chief Technology Officer
2019 total compensation: $258,299
B.S., Central Michigan University
More than 25 years of information technology experience in the public and private sectors.

MICHAEL NESTOR
Inspector General
2019 total compensation: $258,094
More than 45 years of public sector experience in law enforcement.

DIANA V. LOPEZ
Attorney
2019 total compensation: $249,490
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.

DIANNAE C. EHLER
Director, Tunnels, Bridges, & Terminals
2019 total compensation: $253,135
M.B.A., Fordham University
M.C.E., Manhattan College
B.C.E., Manhattan College
More than 30 years of transportation leadership experience.

CLARELLE D. DEGRAFFE[3]
Director/General Manager, Port Authority Trans-Hudson (PATH)
2019 total compensation: $236,232
B.E., Stevens Institute of Technology
More than 17 years of public and private sector railroad construction and logistics experience.

1 *Mr. Farbiarz received a lump sum payment in 2019.*
2 *Mr. Sacr joined the Port Authority on July 29, 2019.*
3 *Ms. DeGraffe became Director of Port Authority Trans-Hudson on March 25, 2019.*

Notes: Total compensation includes paid wages and imputed income on taxable employer provided fringe benefits earned during calendar year 2019.

AIR LAND RAIL SEA

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PORT AUTHORITY NY NJ
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