Comptroller's Department

Financial Statements and Appended Notes Year 2008

THE PORT AUTHORITY OF NY & NJ

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2008

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of net assets of The Port Authority of New York and New Jersey (the "Port Authority") as of December 31, 2008 and 2007, and the related consolidated statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the net assets of the Port Authority as of December 31, 2008 and 2007, and the changes in its net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note J-12 to the consolidated financial statements, in 2008 the Port Authority changed its method of accounting for pollution remediation obligations to conform to Governmental Accounting Standards Board ("GASB") Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

As described in Note A-4 to the consolidated financial statements, the Port Authority has prepared the accompanying Schedules A, B and C on a comprehensive basis of accounting in accordance with Port Authority bond resolutions, which differs in some respects from accounting principles that are generally accepted in the United States of America. These schedules are the responsibility of the Port Authority's management. The differences between Schedules A, B and C and the consolidated financial statements are also described in Note A-4.

As such, in our opinion, because of the effects of the differences between the two bases of accounting referred to in the preceding paragraph, Schedules A, B and C do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the assets and liabilities of the Port Authority at December 31, 2008 and 2007, or its revenues and reserves for the years then ended.

However, in our opinion, Schedules A, B and C present fairly, in all material aspects, the assets and liabilities of the Port Authority at December 31, 2008 and 2007, and its revenues and reserves for the years then ended, in accordance with the requirements of the Port Authority bond resolutions as described in Note A-4.

The "Management Discussion and Analysis" is not a required part of the consolidated financial statements, but is supplementary information required by the GASB. This supplementary information is the responsibility of the Port Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information, and we do not express an opinion on it.

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements and Schedules A, B and C taken as a whole. The supplemental information presented in Schedules D-1, D-2, D-3, D-4, E, F, and G is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. This supplemental information is the responsibility of the Port Authority's management. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Deloitte & Touche LLP

February 20, 2009

Introduction

The following discussion and analysis of the financial performance and activity of The Port Authority of New York and New Jersey and its wholly owned entities, Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation, the New York and New Jersey Railroad Corporation, WTC Retail LLC, Port District Capital Projects LLC, Port Authority Insurance Captive Entity, LLC, 1 World Trade Center LLC, and New York New Jersey Rail, LLC (all collectively referred to as the Port Authority), is intended to provide an introduction to and understanding of the consolidated financial statements of the Port Authority for the year ended December 31, 2008, with selected comparative information for the years ended December 31, 2007 and December 31, 2006. This section has been prepared by management of the Port Authority and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Overview of 2008 Financial Results

Net assets of the Port Authority increased $894 million in 2008.

Gross operating revenues totaled $3.5 billion in 2008, representing a $336 million increase over 2007. The increase was primarily due to higher toll and fare revenues, reflecting the impact of revised toll and fare schedules which became effective at the Port Authority's six vehicular crossings and the Port Authority Trans-Hudson rail system on March 2, 2008; higher rentals from fixed and activity-based rental agreements at the Port Authority's Aviation and Port facilities; and higher revenues from cost recovery agreements with the airlines.

Operating and maintenance expenses totaled $2.5 billion in 2008, which is $216 million higher than 2007. The increase was primarily due to the assessment of liquidated damages for delays in turning over various components of the World Trade Center sites for Towers 2, 3 and 4 to the Silverstein net lessees; higher contract service costs, mainly attributable to maintenance dredging, the operation of John F. Kennedy International (JFK), Newark Liberty International (EWR) and Stewart International (SWF) Airports; higher E-ZPass Program costs; and higher pollution remediation costs reflecting the adoption of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB Statement No. 49).

Depreciation and amortization expense increased by $24 million in 2008 compared to 2007, primarily reflecting the full year impact of transferring $900 million of construction in progress to completed construction in 2007; the transfer of $1.8 billion to completed construction in 2008, including $567 million associated with the new jetBlue Terminal at JFK; and increased investment in regional programs.

Net recoverable amounts related to the events of September 11, 2001 increased by $462 million in 2008 compared to 2007, primarily due to the resolution of a portion of the Port Authority's property damage and business interruption insurance claims relating to the events of September 11, 2001 with certain of the insurers participation in the coverage applicable to such claims.

Non-operating revenues consisting of financial income, Passenger Facility Charges (PFCs), other contributions and insurance proceeds decreased by $967 million in 2008 compared to 2007. The decrease was primarily due to the global settlement of the World Trade Center net lessees', including 1 World Trade Center LLC (1 WTC LLC) and WTC Retail LLC, September 11, 2001 property damage and business interruption insurance claims in 2007, and as a result of market valuation adjustments to investment securities.

Other Activities

- Through its ongoing capital plan, the Port Authority continues to demonstrate its commitment to the continued growth and economic competitiveness of the region.
    - Capital spending by the Port Authority reached $2.4 billion in 2008 with nearly $1 billion spent on the redevelopment of the World Trade Center site, and in excess of $600 million spent on projects designed to maintain the safety and security of the agency's facilities.
    - The Port Authority's 2009 Budget includes in excess of $3.3 billion in capital spending for investment in key regional projects such as the continued rebuilding of the World Trade Center site; the Access to the Region's Core Project (the ARC Project); the modernization of the PATH System, including the rollout of a new fleet of PATH railcars; and the continued modernization of Terminal B at Newark Liberty International Airport.
- The Port Authority issued a report outlining a comprehensive road map designed to guide the ongoing rebuilding efforts at the World Trade Center site and bring a new level of certainty and control to the project. Among other things, the report sets forth a new timetable for completion of the Freedom Tower between the second and fourth quarters of 2013 at a cost of approximately $3.1 billion, and for completion of the World Trade Center Transportation Hub of between the fourth quarter of 2013 and the second quarter of 2014 at a cost of approximately $3.2 billion. In addition, a construction solution was developed that allows for decoupling of the construction of the World Trade Center Transportation Hub and the National September 11 Memorial & Museum, thereby ensuring the completion of the Memorial Plaza by September 11, 2011.

- On June 30, 2008, the Board of Commissioners certified its opinion relating to the ARC Project as an additional facility of the Port Authority, and increased the total project authorization for the Port Authority's participation in the project to $3 billion. The ARC Project, which is currently estimated to cost $8.7 billion, is expected to include the construction of a new passenger rail tunnel under the Hudson River and a new underground passenger terminal adjacent to Pennsylvania Station in New York City. The ARC Project will also provide associated rail improvements to the Northeast Corridor between New York and New Jersey, facilitate efficient regional rail transportation, and ease congestion on the Port Authority's bi-state transportation network.

- In September 2008, the Port Authority acquired 100% of the membership interests in New York New Jersey Rail, LLC (NYNJ Rail) from Mid-Atlantic New England Rail LLC for $15.4 million. NYNJ Rail is part of the National Railroad System and holds a Surface Transportation Board Certificate of Convenience and Necessity which allows it to move freight by rail and barge across New York Harbor by means of float bridges located in Jersey City, NJ and Brooklyn, NY. NYNJ Rail operates the only rail car float in New York Harbor, providing a key link for the movement of freight into and out of the New York City market.

Overview of the Financial Statements

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

Consolidated Statements of Net Assets

The Consolidated Statements of Net Assets present the financial position of the Port Authority at the end of the fiscal year and include all of its assets and liabilities. Net assets represent the difference between total assets and total liabilities. A summarized comparison of the Port Authority's assets, liabilities, and net assets follows:

	2008	2007	2006
		(In thousands)	
ASSETS			
Current assets	**$ 2,538,552**	$ 3,723,049	$ 3,645,073
Noncurrent assets			
Facilities, net	**16,490,195**	14,869,612	13,354,591
Other noncurrent assets	**6,008,780**	5,119,398	4,760,668
Total assets	**25,037,527**	23,712,059	21,760,332

LIABILITIES			
Current liabilities	**2,344,466**	3,192,021	2,934,266
Noncurrent liabilities			
Bonds and other asset financing obligations	**10,949,849**	9,524,310	9,137,305
Other noncurrent liabilities	**1,911,848**	2,058,447	2,054,358
Total liabilities	**15,206,163**	14,774,778	14,125,929
NET ASSETS			
Invested in capital assets, net of related debt	**7,526,446**	6,609,691	5,872,518
Restricted	**409,800**	719,306	208,771
Unrestricted	**1,895,118**	1,608,284	1,553,114
Total net assets	**$ 9,831,364**	$ 8,937,281	$ 7,634,403

The Port Authority's financial position remained strong at December 31, 2008, with assets of $25 billion and liabilities of $15.2 billion. Facilities, net increased by $1.6 billion from 2007. This amount includes both completed facilities and construction in progress.

Net assets totaled approximately $9.8 billion at December 31, 2008, an increase of approximately $894 million over 2007. Invested in capital assets, net of related debt, which totaled $7.5 billion at December 31, 2008, represents the largest of the three components of Port Authority net assets and comprises investment in capital assets (such as land, buildings, improvements and equipment), less the related outstanding indebtedness used to acquire those capital assets. Net assets reported as restricted due to constraints imposed by agreements or legislation totaled $410 million, comprising $306 million in insurance proceeds, which are restricted to business interruption obligations and redevelopment expenditures of 1 WTC LLC, the Port Authority's wholly owned net lessee of the Freedom Tower and Tower 5, and WTC Retail LLC, the net lessee of the retail components located at the WTC; $83 million for the Port Authority Insurance Captive Entity, LLC (PAICE); and $21 million in PFCs restricted for use on projects or expenditures eligible for the application of PFCs. The balance of net assets at December 31, 2008 totaling $1.9 billion is unrestricted and may be used to meet ongoing Port Authority obligations.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

The change in net assets is an indicator of whether the overall fiscal condition of an organization has improved or worsened during the year. Following is a summary of the Consolidated Statements of Revenues, Expenses and Changes in Net Assets:

	2008	2007	2006
		(In thousands)	
Gross operating revenues	**$3,527,552**	$ 3,191,626	$ 3,038,538
Operating expenses	**(2,463,692)**	(2,247,394)	(2,112,624)
Depreciation and amortization	**(715,460)**	(691,869)	(724,259)
Net recoverables (expenses) related to the events of September 11, 2001	**457,918**	(4,563)	(2,069)
Income from operations	**806,318**	247,800	199,586
Net non-operating expenses	**(496,562)**	(251,583)	(319,907)
Contributions, PFCs and grants	**584,327**	1,306,661	638,951
Increase in net assets	**$ 894,083**	$ 1,302,878	$ 518,630

Additional information on facility operating results can be found in Schedule E located in the Statistical and Other Supplemental Information section of this report.

Revenues

A summary of gross operating revenues follows:

	2008	2007	2006
		(In thousands)	
Gross operating revenues:			
Rentals	**$1,079,634**	$ 986,663	$ 952,431
Tolls and fares	**1,054,801**	800,244	798,682
Aviation fees	**816,628**	781,355	716,700
Parking and other	**328,220**	387,966	335,019
Utilities	**169,576**	149,537	146,822
Rentals - Special Project Bonds Projects	**78,693**	85,861	88,884
Total	**$3,527,552**	$3,191,626	$3,038,538

2008 vs. 2007

Gross operating revenues totaled $3.5 billion for the year ended December 31, 2008, which is $336 million higher than 2007. The year-to-year increase in operating revenues is primarily due to the following:

- Toll revenues from the Port Authority's six vehicular crossings increased $242 million in 2008 compared to 2007. The increase comprised higher revenues of $263 million from the revised toll schedules which became effective on March 2, 2008, partially offset by a decline of $21 million stemming from lower vehicular activity.

PATH fares increased $13 million in 2008 compared to 2007 primarily due to the impact of the revised fare schedule which went into effect on March 2, 2008 and increased ridership levels.

- Rental revenues increased by $93 million in 2008 compared to 2007 due to higher fixed and activity-based rentals from major tenants at Aviation and Port facilities, including Delta Airlines at LaGuardia Airport (LGA) and JFK, JFK International Air Terminal LLC (JFKIAT) at JFK and APM North America at the Elizabeth-Port Authority Marine Terminal (EPAMT).

- Aviation fees increased by $35 million year-to-year mainly due to higher revenues from cost recovery agreements with the airlines operating at JFK, LGA and EWR.

- Parking and other revenues decreased by $60 million in 2008 compared with 2007 primarily due to one-time payments received in 2007 in connection with Port tenant ownership change transactions pertaining to certain tenants at Port Newark (PN), the Howland Hook Marine Terminal and the EPAMT.

2007 vs. 2006

Gross operating revenues totaled approximately $3.2 billion for the year ended December 31, 2007, which is $153 million higher than 2006. The year-to-year increase in operating revenues is primarily due to the following:

- Aviation fees increased by $66 million year-to-year reflecting higher revenues from cost recovery agreements with the airlines operating at JFK, LGA and EWR and the impact of a rate increase in Federal Inspection and General Terminal charges at EWR which went into effect January 2007.

- Parking and other revenues increased by $51 million in 2007 compared to 2006 primarily due to the receipt of one-time port consent fees for the transfer of marine terminal leaseholds.

- Rental revenues increased by $34 million in 2007 compared to 2006 primarily due to higher fixed and activity-based rentals from major tenants at Aviation and Port facilities.

Expenses

A summary of operating expenses follows:

	2008	2007	2006
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	**$ 941,289**	$ 922,671	$ 840,640
Contract services	**670,489**	587,730	590,197
Materials, equipment and other	**314,722**	212,147	187,996
Rents and amounts in-lieu-of taxes	**274,916**	271,073	254,178
Utilities	**183,583**	167,912	150,729
Interest on Special Project Bonds	**78,693**	85,861	88,884
Total	**$2,463,692**	$2,247,394	$2,112,624

2008 vs. 2007

Operating expenses totaled $2.5 billion in 2008, which is $216 million higher than 2007. The year to year increase is primarily due to the following:

- Costs for materials, equipment and other items increased by $103 million in 2008 due to $70 million in liquidated damages for delays in turning over various components of the World Trade Center sites for Towers 2, 3 and 4 to the Silverstein net lessees, and higher pollution remediation costs of $34 million stemming from the adoption of GASB Statement No. 49.

- Contract service costs increased by $83 million primarily due to increased costs associated with the operation of JFK, EWR and SWF, increased maintenance dredging costs at New York and New Jersey Marine Terminals, and higher E-ZPass Program costs.

- Employee compensation costs increased by $19 million primarily due to higher police costs related to ongoing security measures at Port Authority facilities.

- Utility costs increased by $16 million in 2008 compared to 2007 primarily due to higher electricity and steam costs.

2007 vs. 2006

Operating expenses, which exceeded $2.2 billion in 2007, were $135 million higher than 2006, primarily due to the following:

- Employee compensation costs increased by $82 million primarily due to higher police and security costs resulting from continued heightened security levels at Port Authority facilities.

- Costs for materials, equipment and other items increased by $24 million in 2007 primarily due to an increase in reserves for Incurred But Not Reported (IBNR) claims associated with public liability and workers' compensation insurance.

- Rents and amounts in lieu-of taxes increased by $17 million primarily due to higher rents due the Cities of New York and Newark covering the operation of LGA and JFK, and EWR and PN, respectively.

- Utility costs increased by $17 million in 2007 compared to 2006 primarily due to higher electricity costs and increased consumption.

Depreciation and Amortization

A summary of depreciation and amortization expenses follows:

	2008	2007	2006
		(In thousands)	
Depreciation and amortization:			
Depreciation of facilities	**$644,620**	$632,553	$674,940
Amortization of costs for regional programs	**70,840**	59,316	49,319
Total	**$715,460**	$691,869	$724,259

2008 vs. 2007

Depreciation and amortization expense totaled $715 million in 2008, an increase of $24 million over 2007. The year-to-year increase primarily reflects the full year impact of transferring $900 million of construction in progress to completed construction in 2007, the transfer of $1.8 billion to completed construction in 2008, including $567 million associated with the new jetBlue Terminal at JFK, and increased investment in regional programs.

2007 vs. 2006

Depreciation and amortization expense totaled $692 million in 2007, a decline of $32 million from 2006. The year-to-year decrease primarily reflects the fact that the accelerated retirement of the temporary WTC PATH Station, the Red Hook Container Terminal and the Brooklyn Piers was completed in 2006. The decline in depreciation resulting from the retirement of these assets was partially offset in 2007 by increased investment in regional programs; the full year impact of transferring $1 billion of construction in progress to completed construction in 2006; and the additional depreciation expense related to the $900 million in transfers which were completed in 2007.

Non-operating Revenues and Expenses

	2008	2007	2006
		(In thousands)	
Non-operating revenues and (expenses):			
Interest income	**$ 98,758**	$ 138,357	$ 90,759
Net (decrease) increase in fair value of investments	**(103,734)**	91,455	47,209
Interest expense in connection with bonds and other asset financing	**(488,463)**	(493,689)	(454,134)
Net gain (loss) on disposition of assets	**7**	17,011	(3,741)
Pass-through grant program payments	**(3,130)**	(4,717)	(6,832)
Net non-operating expenses	**$(496,562)**	$(251,583)	$(326,739)

2008 vs. 2007

Financial income decreased by $235 million in 2008 compared with 2007 as a result of market valuation adjustments to investment securities of $195 million, and lower earnings on investment securities and 1 WTC LLC and WTC Retail LLC insurance proceeds reflecting a lower interest rate environment and lower average balances of insurance proceeds.

2007 vs. 2006

Financial income totaled $230 million in 2007, which is $92 million higher than 2006. The year-to-year increase is primarily due to higher market valuation adjustments on investment securities, and interest income earned on 1 WTC LLC and WTC Retail LLC insurance proceeds. Financial expense of $494 million increased by $40 million from 2006, primarily reflecting higher average balances of outstanding consolidated bonds and notes in 2007 compared to 2006. The net gain of $17 million realized in 2007 from the disposition of assets is attributable to the sale of land at the Lincoln Tunnel (LT).

Passenger Facility Charges and Other Contributions

	2008	2007	2006
		(In thousands)	
Contributions in aid of construction	**$313,078**	$ 313,504	$250,904
Passenger Facility Charges	**211,667**	221,380	192,509
1 WTC LLC/WTC Retail LLC insurance proceeds	**49,771**	760,467	184,901
Grants	**9,811**	11,310	17,469
Net PFCs and other contributions	**$584,327**	$1,306,661	$645,783

2008 vs. 2007

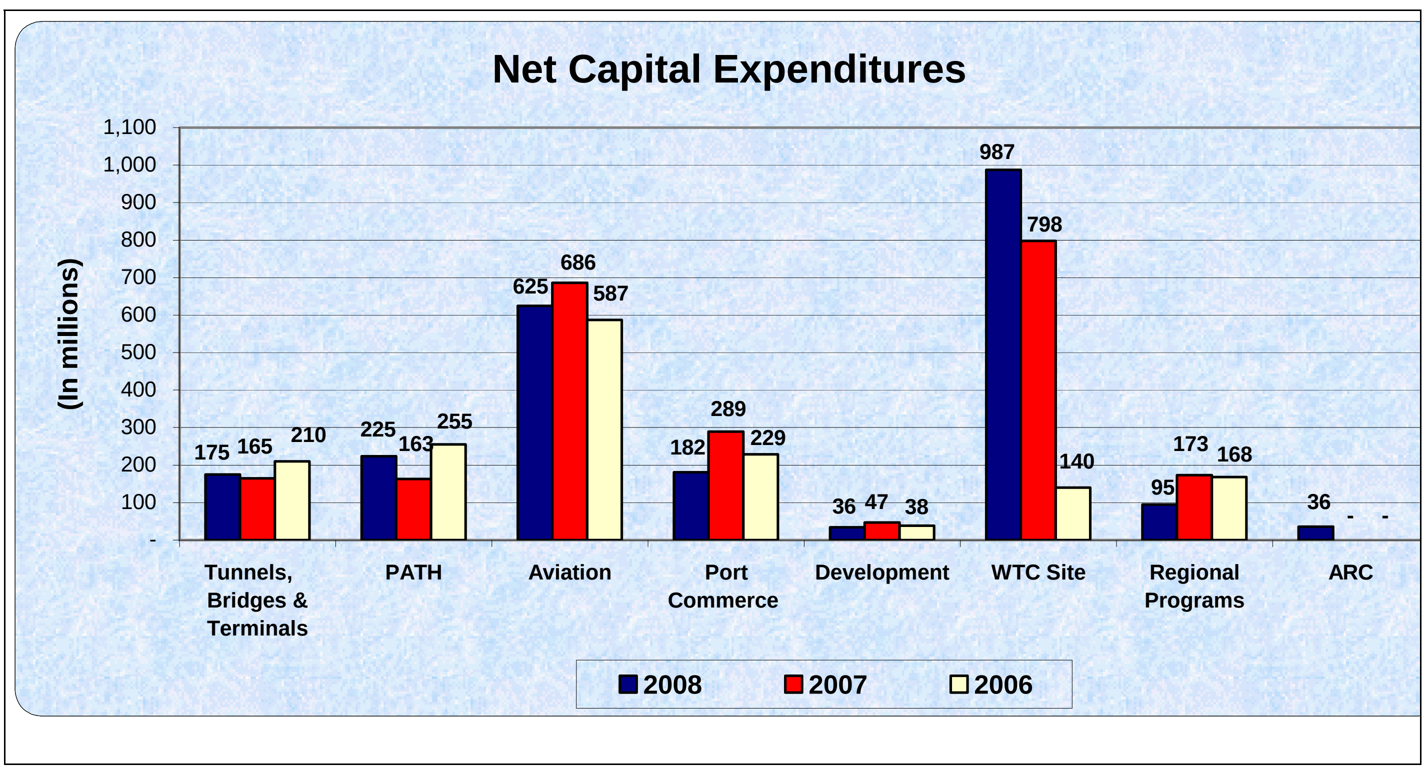
PFCs, grants, restricted insurance proceeds and other contributions totaled $584 million in 2008, which represents a $722 million decrease from 2007. The year-to-year decrease is primarily due to the global settlement of the World Trade Center net lessees', including 1 WTC LLC and WTC Retail LLC, September 11, 2001 property damage and business interruption insurance claims in 2007. PFC collections were also lower by approximately $10 million in 2008 due to a decline in passenger activity levels.

2007 vs. 2006

PFCs, grants, restricted insurance proceeds and other contributions totaled $1.3 billion in 2007, which is $663 million higher than 2006. The year-to-year increase is primarily due to the receipt of approximately $576 million in additional insurance proceeds restricted to business interruption and redevelopment costs of 1 WTC LLC and WTC Retail LLC; higher capital expenditures on projects eligible for federal funding from the Federal Transit Administration (FTA); and higher PFC collections reflecting the full year impact of the increase from $3.00 to $4.50 in the PFC imposed on enplaned passengers, which went into effect April 1, 2006, and higher passenger volumes at the airports.

Capital Construction Activities

Port Authority expenditures for capital construction projects, including amounts accrued, totaled $2.4 billion in 2008, $2.3 billion in 2007 and $1.6 billion in 2006. Following is a chart of net capital expenditures for the last three years summarized by line of business:

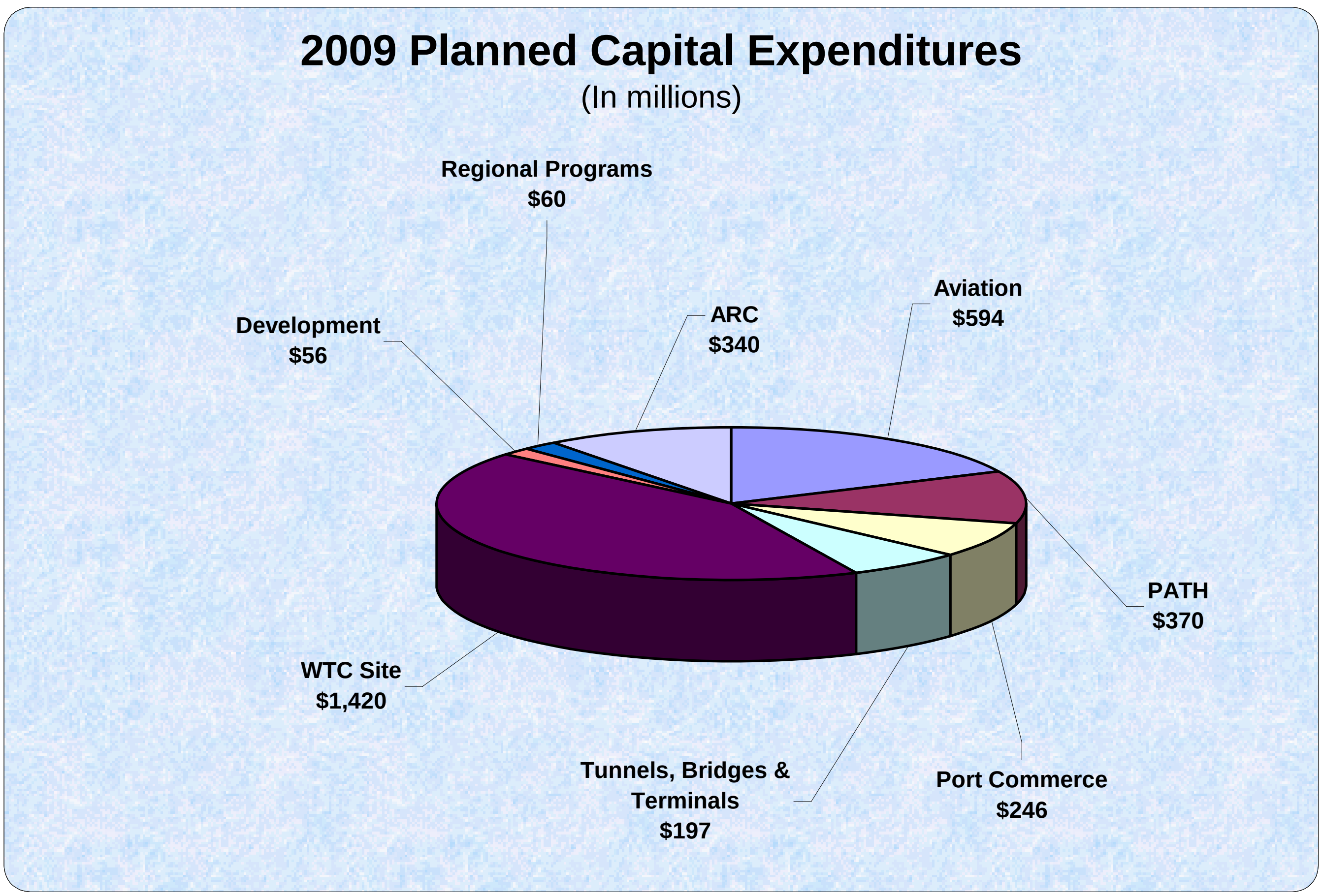


Funding sources for the $2.4 billion spent by the Port Authority on capital investment in 2008 were as follows: $764 million was funded with proceeds derived from the issuance of capital obligations; $209 million was funded by FTA contributions in aid of construction; $92 million was funded through Federal Aviation Administration (FAA) grants; $143 million was funded by PFCs; and the balance of approximately $1.15 billion was paid from Port Authority funds and other contributions.

Additional capital investment information on Port Authority facilities can be found in Note B to the consolidated financial statements and in Schedule F located in the Statistical and Other Supplemental Information section of this report.

2009 Planned Capital Expenditures

The 2009 Budget includes capital spending of approximately $3.3 billion as depicted in the following chart:



Major elements of the 2009 Capital Plan include:

- Continued rebuilding of the WTC Site, including the permanent WTC Transportation Hub, the Freedom Tower, WTC Retail Redevelopment, the WTC Memorial and certain WTC Site Infrastructure

- Redevelopment of Terminal B at EWR, completion of the jetBlue Domestic Terminal at JFK, and the continuing development of Stewart International Airport

- Procurement of new PATH rail cars and the commencement of a station improvement program

- Continued planning efforts for the modernization of the Goethals Bridge and the rehabilitation of the Holland Tunnel Ventilation System

- Ongoing Port Commerce facilities capacity improvements including rail and roadway enhancements, as well as channel deepening

- Planning and Site Acquisition for the ARC Project

- Various facility security projects, including detection and mitigation systems and structural hardening

Capital Financing and Debt Management

As of December 31, 2008, bonds and other asset financing obligations of the Port Authority totaled approximately $12 billion.

During 2008, the Port Authority issued $1.6 billion in consolidated bonds. Of this amount, $543 million was allocated to fund capital construction projects, and $1.057 billion was used to refund existing outstanding obligations in 2008.

Listed below is a summary of credit ratings that are assigned to the outstanding obligations of the Port Authority. On March 10, 2008, the Port Authority's outstanding consolidated bonds and versatile structure obligations were upgraded by Moody's to Aa3 from A1 and to A1 from A2, respectively. All other ratings for the obligations outstanding in 2007 have remained the same for 2008. During 2008, Moody's, Standard and Poor's and Fitch considered the Port Authority's outlook as stable.

OBLIGATION	S&P	Fitch	Moody's
Consolidated Bonds	AA-	AA-	Aa3
Consolidated Notes	SP-1+	F1+	MIG1
Commercial Paper	A-1+	F1+	P-1
VSO Short Term	A-1+	F1+	VMIG1
VSO Long Term	A+	A+	A1

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 bonds or as to market price or suitability of any maturity of the bonds 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.

Versatile Structure Obligations (VSO) Series 7 issued in July 2007 and VSO Series 8 issued in October 2007, in a total aggregate principal amount of $700 million, were issued as auction rate securities with interest at rates reset periodically through an auction process conducted by an independent financial institution appointed as an auction agent by the Port Authority for such purposes. From their respective dates of issuance through May 1, 2008, the date by which the Port Authority refunded VSO Series 7 and Series 8 in their entirety, through the issuance of consolidated bonds and commercial paper obligations, the interest rates ranged from 3.30% to 20%. This broad fluctuation in interest rates was due to volatility in the financial markets, in part caused by the sub-prime mortgage market and resulting credit rating downgrades of various municipal bond insurers, which led to a significant increase in the interest rates generally applicable to auction rate securities regardless of the issuer of such securities. The Port Authority currently has no exposure to the auction rate securities market.

Additional information on Port Authority debt can be found in Note D to the consolidated financial statements.

Consolidated Statements of Net Assets

		December 31,	
		2008	**2007**
		(In thousands)	
ASSETS			
Current assets:			
Cash	**$**	**350,714**	$ 89,233
Restricted cash		**321,190**	493,677
Investments		**1,272,071**	2,557,858
Restricted investments		**4,449**	-
Current receivables, net		**374,005**	398,268
Other current assets		**180,799**	159,331
Restricted receivables and other assets		**35,324**	24,682
Total current assets		**2,538,552**	3,723,049
Noncurrent assets:			
Restricted cash		**7,346**	215,313
Investments		**2,004,202**	849,551
Restricted investments - PAICE		**68,341**	-
Other amounts receivable, net		**535,155**	741,378
Deferred charges and other noncurrent assets		**1,481,140**	1,280,151
Restricted deferred / other noncurrent assets - PAICE		**15,908**	15,055
Amounts receivable - Special Project Bonds Projects		**1,107,006**	1,252,622
Unamortized costs for regional programs		**789,682**	765,328
Facilities, net		**16,490,195**	14,869,612
Total noncurrent assets		**22,498,975**	19,989,010
Total assets		**25,037,527**	23,712,059
LIABILITIES			
Current liabilities:			
Accounts payable		**716,799**	778,875
Accrued interest and other current liabilities		**515,780**	321,287
Restricted other liabilities - PAICE		**271**	382
Accrued payroll and other employee benefits		**131,820**	116,991
Current portion bonds and other asset financing obligations		**979,796**	1,974,486
Total current liabilities		**2,344,466**	3,192,021
Noncurrent liabilities:			
Accrued pension and other noncurrent employee benefits		**609,326**	632,059
Other noncurrent liabilities		**160,375**	152,963
Restricted other noncurrent liabilities - PAICE		**35,141**	20,803
Amounts payable - Special Project Bonds		**1,107,006**	1,252,622
Bonds and other asset financing obligations		**10,949,849**	9,524,310
Total noncurrent liabilities		**12,861,697**	11,582,757
Total liabilities		**15,206,163**	14,774,778
NET ASSETS	**$**	**9,831,364**	$ 8,937,281
Net assets are composed of:			
Invested in capital assets, net of related debt	**$**	**7,526,446**	$ 6,609,691
Restricted:			
1 WTC LLC/WTC Retail LLC insurance proceeds		**305,470**	657,077
Passenger Facility Charges		**20,938**	24,668
Port Authority Insurance Captive Entity, LLC		**83,392**	37,561
Unrestricted		**1,895,118**	1,608,284
Net assets	**$**	**9,831,364**	$ 8,937,281

See Notes to Consolidated Financial Statements

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended December 31, 2008	2007
	(In thousands)	
Gross operating revenues:		
Rentals	**$ 1,079,634**	$ 986,663
Tolls and fares	**1,054,801**	800,244
Aviation fees	**816,628**	781,355
Parking and other	**328,220**	387,966
Utilities	**169,576**	149,537
Rentals - Special Project Bonds Projects	**78,693**	85,861
Total gross operating revenues	**3,527,552**	3,191,626
Operating expenses:		
Employee compensation, including benefits	**941,289**	922,671
Contract services	**670,489**	587,730
Materials, equipment and other	**314,722**	212,147
Rents and amounts in-lieu-of taxes	**274,916**	271,073
Utilities	**183,583**	167,912
Interest on Special Project Bonds	**78,693**	85,861
Total operating expenses	**2,463,692**	2,247,394
Net (recoverables) expenses related to the events of September 11, 2001	**(457,918)**	4,563
Depreciation of facilities	**644,620**	632,553
Amortization of costs for regional programs	**70,840**	59,316
Income from operations	**806,318**	247,800
Non-operating revenues and (expenses):		
Interest income	**98,758**	138,357
Net (decrease)/increase in fair value of investments	**(103,734)**	91,455
Interest expense in connection with bonds and other asset financing	**(488,463)**	(493,689)
Net gain on disposition of assets	**7**	17,011
Pass-through grant program payments	**(3,130)**	(4,717)
Net non-operating expenses	**(496,562)**	(251,583)
Contributions, Passenger Facility Charges and Grants:		
Contributions in aid of construction	**313,078**	313,504
Passenger Facility Charges	**211,667**	221,380
1 WTC LLC/WTC Retail LLC insurance proceeds	**49,771**	760,467
Grants	**9,811**	11,310
Total contributions, passenger facility charges and grants	**584,327**	1,306,661
Increase in net assets	**894,083**	1,302,878
Net assets, January 1	**$ 8,937,281**	$ 7,634,403
Net assets, December 31	**$ 9,831,364**	$ 8,937,281

Consolidated Statements of Cash Flows

		Year ended December 31, 2008	2007
		(In thousands)	
1.	**Cash flows from operating activities:**		
	Cash received from operations	**$ 3,585,321**	$ 3,134,717
	Cash received related to the events of September 11, 2001	**459,825**	-
	Cash paid to suppliers	**(1,142,423)**	(1,113,584)
	Cash paid to or on behalf of employees	**(948,231)**	(901,386)
	Cash paid to municipalities	**(268,518)**	(270,933)
	Cash payments related to the events of September 11, 2001	**(1,457)**	(4,954)
	Net cash provided by operating activities	**1,684,517**	843,860
	Cash flows from noncapital financing activities:		
	Proceeds from insurance related to 1 WTC LLC/WTC Retail LLC	**49,771**	943,230
	Proceeds from sale of noncapital financing obligations	**11,045**	75,000
	Proceeds from noncapital obligations issued for refunding purposes	**350,000**	350,000
	Principal paid through noncapital obligations refundings	**(350,000)**	(350,000)
	Payments for Fund buy-out obligation	**(43,211)**	(43,216)
	Interest paid on noncapital financing obligations	**(2,675)**	(13,240)
	Grants	**10,648**	12,915
	Net cash provided by noncapital financing activities	**25,578**	974,689
	Cash flows from capital and related financing activities:		
	Proceeds from sales of capital obligations	**657,163**	692,033
	Principal paid on capital obligations	**(233,050)**	(287,584)
	Proceeds from capital obligations issued for refunding purposes	**2,009,010**	2,556,936
	Principal paid through capital obligations refundings	**(2,009,010)**	(2,556,936)
	Interest paid on capital obligations	**(538,965)**	(555,978)
	Investment in facilities and construction of capital assets	**(2,419,266)**	(1,967,827)
	Financial income allocated to capital projects	**2,305**	7,660
	Investment in regional programs	**(95,194)**	(173,454)
	Proceeds from disposition of assets	**7**	17,155
	Proceeds from Passenger Facility Charges (includes interest income)	**215,407**	220,941
	Contributions in aid of construction	**357,279**	237,285
	Net cash used for capital and related financing activities	**(2,054,314)**	(1,809,769)
	Cash flows from investing activities:		
	Purchase of investment securities	**(39,482,863)**	(39,404,164)
	Proceeds from maturity and sale of investment securities	**39,610,429**	39,808,182
	Interest received on investment securities	**79,177**	103,650
	Other interest income received	**18,503**	28,859
	Net cash provided by investing activities	**225,246**	536,527
	Net (decrease) increase in cash	**(118,973)**	545,307
	Cash at beginning of year	**798,223**	252,916
	Cash at end of year	**$ 679,250**	$ 798,223

Consolidated Statements of Cash Flows (continued)

		Year ended December 31, 2008		2007
		(In thousands)		
2. Reconciliation of income from operations to net cash provided by operating activities:				
Income from operations	**$**	**806,318**	$	247,800
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation of facilities		**644,620**		632,553
Amortization of costs for regional programs		**70,840**		59,316
Amortization of other assets		**42,581**		35,080
Change in operating assets and operating liabilities:				
Decrease in receivables		**138,297**		20,155
Increase in deferred charges and other assets		**(132,946)**		(142,992)
Increase (decrease) in payables		**42,525**		(21,836)
Increase (decrease) in other liabilities		**80,184**		(6,373)
(Decrease) increase in accrued payroll, pension and other employee benefits		**(7,902)**		20,157
Total adjustments		**878,199**		596,060
Net cash provided by operating activities	**$**	**1,684,517**	$	843,860

3. Capital obligations:

Consolidated bonds and notes, commercial paper, variable rate master notes and versatile structure obligations.

4. Noncash Investing, Capital and Financing Activities:

Noncash activity of ($60,699,000) in 2008 and $37,979,000 in 2007 includes amortization of discount and premium on consolidated bonds and notes, accretion associated with capital appreciation bonds and amounts payable in connection with Special Project Bonds. Noncash capital financing did not include any activities that required a change in fair value.

The existing capital receivable, in connection with the Silverstein net lessees' capital investment associated with Towers 2, 3 and 4 at the World Trade Center site, was reduced by $170 million in 2008. As of December 31, 2008 the outstanding receivable totaled $417.7 million.

The market value of the three unhedged swaps was $197,842,757 as of December 31, 2008 (see Note D).

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 two States, consented to by the Congress of the United States. 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 fees and other charges.

b. The Governor of each State, with the consent of the respective State Senate, appoints six of the twelve members of the governing Board of Commissioners. The Commissioners serve without remuneration for fixed six-year overlapping terms. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners. The actions taken by the Commissioners at Port Authority meetings are subject to gubernatorial review and may be vetoed by the Governor of their respective State.

c. The Audit Committee, which consists of four members of the Board of Commissioners other than the Chair and Vice Chair, 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 the independent auditors and reviews their performance and independence. The independent auditors are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The Audit Committee meets directly, on a regular basis, with the independent auditors, a law firm retained to address certain Audit Committee matters, and management of the Port Authority. The Chair of the Audit Committee periodically advises the Board of Commissioners on the activities of the Committee.

d. The consolidated financial statements and schedules include the accounts of The Port Authority of New York and New Jersey and its wholly owned entities, Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation, the New York and New Jersey Railroad Corporation, WTC Retail LLC, Port District Capital Projects LLC, Port Authority Insurance Captive Entity, LLC (PAICE), 1 WTC LLC and NYNJ Rail LLC (all collectively referred to as the Port Authority).

2. Basis of Accounting

a. The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, 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. In accordance with the GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting,* the Port Authority follows the pronouncements of the GASB in its accounting and financial reporting. Also, in accordance with GASB Statement No. 20, the Port Authority follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB guidance.

3. Significant Accounting Policies

a. Facilities are carried at cost. The costs for facilities include net interest expense incurred from the date of issuance of the debt to finance construction until the capital project is completed and ready for its intended use. Generally, costs in excess of $100,000 for additions, asset replacements and/or asset improvements that benefit future accounting periods or are expected to prolong the service lives of assets beyond their originally assigned lives are capitalized (see Note B). Facilities do 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).

b. Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets (see Note B). The useful lives of assets are developed by the various related disciplines in the Port Authority's Engineering Department utilizing past experience, standard industrial expectations, and external sources such as consultants, manufacturers and contractors. Useful lives are reviewed periodically for each specific type of asset class. Asset lives used in the calculation of depreciation are generally as follows:

Buildings, bridges, tunnels and other structures	25 to 100 years
Machinery and equipment	5 to 35 years
Runways, roadways and other paving	7 to 20 years
Utility infrastructure	20 to 40 years

Assets located at facilities leased by the Port Authority from others are depreciated over the lesser of the remaining term of the facility lease or the asset life stated above.

Costs of regional programs are deferred and amortized on a straight-line basis over the period benefited up to a maximum of 15 years (see Note H). In addition, certain operating costs, which provide benefits for periods exceeding one year, are deferred and amortized over the period benefited.

c. Cash consists of cash on hand and short term cash equivalents. Cash equivalents are made up of negotiable order of withdrawal (NOW) accounts, United States Treasury bills and money market funds maturing within ninety days.

d. Restricted cash is primarily comprised of insurance proceeds of 1 WTC LLC and WTC Retail LLC, which are restricted to business interruption and redevelopment expenditures of these entities, and operating cash restricted for use by PAICE.

e. Statutory reserves held by PAICE, as required by law, are restricted for purposes of insuring certain risk exposures.

f. 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 "Deferred charges and other noncurrent assets" on the Consolidated Statements of Net Assets.

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

h. Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, the Port Authority had been authorized to impose a $3 Passenger Facility Charge on enplaned passengers. In January 2006, the Port Authority received approval to increase the PFC imposed on enplaned passengers from $3.00 to $4.50, effective April 1, 2006. 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. Revenue derived from the collection of PFCs, net of the air carriers' handling charges, is recognized and accrued as non-operating revenue when the passenger activity occurs and the fees are due from the air carriers. PFC revenue applied to eligible capital projects is reflected as a component of "Facilities, net".

i. All Port Authority investment values which are affected by interest rate changes have been reported at their fair value, using published market prices. The Port Authority uses a variety of financial instruments to assist in the management of its financing and investment objectives, and may also employ hedging strategies to minimize interest rate risk and enters into various derivative instruments, including options on United States Treasury securities, repurchase and reverse repurchase (yield maintenance) agreements, United States Treasury and municipal bond futures contracts (see Note C) and interest rate exchange contracts (swaps) (see Note D).

j. When issuing new debt for refunding purposes, the difference between the acquisition price of the new debt and the net carrying amount of the refunded debt is deferred and amortized using the straight-line method as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

k. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions are subject to various uncertainties, the occurrence of which may cause differences between those estimates and assumptions and actual results.

l. Effective 2008, pollution remediation costs are being charged in accordance with the provisions of GASB Statement No. 49 (see Note J-12). An operating expense provision and corresponding liability measured at its current value using the expected cash flow method have been recognized for certain pollution remediation obligations that previously may not have been required to be recognized, have been recognized earlier than in the past or are no longer able to be capitalized as a component of a capital project. Pollution remediation obligations occur when any one of the following obligating events takes place: the Port Authority is in violation of a pollution prevention-related permit or license; an imminent threat to public health due to pollution exists; the Port Authority is named by a regulator as a responsible or potentially responsible party to participate in remediation; the Port Authority voluntarily commences or legally obligates itself to commence remediation efforts; or the Port Authority is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities. The Port Authority does not have objective and verifiable information to apply the provisions of GASB Statement No. 49 to periods prior to 2008.

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

Schedules A, B, and C, which follow the notes to the consolidated financial statements, have been prepared in accordance with Port Authority bond resolutions which differ in some respects from accounting principles that are generally accepted in the United States of America, as follows:

a. The revenues and expenses of facilities are accounted for in the operating fund. The financial resources expended for the construction or acquisition of major facilities or improvements are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds.

b. Port Authority bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities other than of ancillary equipment. Thus, depreciation is not a significant factor in determining the net revenues and the reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions. Instead, facility capital costs are provided for through deductions from net revenues and reserves of amounts equal to principal payments on debt or through direct investment in facilities. These amounts are credited at par to “Facility infrastructure investment” on Schedule B – Assets and Liabilities.

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

d. Capital costs for regional programs are included in "Invested in facilities" in accordance with Port Authority bond resolutions.

e. Consolidated bonds and notes are recorded as outstanding at their par value commencing on the date that the Port Authority is contractually obligated to issue and sell such obligations. Discounts and premiums associated with bonds issued in connection with capital investment are capitalized at issuance.

f. To reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the cost of assets removed from service is not deducted from "Invested in facilities". However, in the event of the sale of assets removed from service or recovery of amounts related to assets destroyed or damaged, the amount of proceeds received from such sale or recovery is deducted from "Invested in facilities".

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

**Consolidated Statements of Net Assets
To Schedule B – Assets and Liabilities**

	December 31, 2008	2007
	(In thousands)	
Net assets reported on Consolidated Statements of Net Assets	**$ 9,831,364**	$ 8,937,281
Add: Accumulated depreciation of facilities	**8,577,808**	7,970,604
Accumulated retirements and gains and losses on disposal of invested in facilities	**1,737,634**	1,700,225
Cumulative amortization of costs for regional programs	**917,260**	846,420
Cumulative amortization of discount and premium	**58,930**	54,391
	21,122,996	19,508,921
Less: Deferred income – 1 WTC LLC/WTC Retail LLC insurance proceeds	**305,470**	657,077
Restricted Net Operating Revenues - PAICE	**5,665**	1,354
Deferred income in connection with PFCs	**20,938**	24,668
Net assets reported on Schedule B – Assets and Liabilities (pursuant to Port Authority bond resolutions)	**$ 20,790,923**	$18,825,822

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

		Year ended December 31, 2008	2007
		(In thousands)	
Increase in net assets reported on Consolidated Statements of Revenues, Expenses and Changes in Net Assets		$ **894,083**	$1,302,878
Add:	Depreciation of facilities	**644,620**	632,553
	Application of Passenger Facility Charges	**215,407**	220,583
	Amortization of costs for regional programs	**70,840**	59,316
	Amortization of discount and premium	**5,289**	5,207
	Application of 1 WTC LLC/WTC Retail LLC insurance proceeds	**411,278**	305,532
	Change in appropriations for self-insurance	**2,123**	-
		2,243,640	2,526,069
Less:	Debt maturities and retirements	**152,275**	177,160
	Call premiums on refunded bonds	**750**	9,887
	Repayment of asset financing obligations	**80,775**	110,424
	Change in appropriations for self-insurance	**-**	3,220
	Direct investment in facilities	**1,514,369**	808,694
	PFCs	**211,667**	221,380
	1 WTC LLC/WTC Retail LLC insurance proceeds	**49,771**	760,467
	1 WTC LLC/WTC Retail LLC interest income	**9,900**	17,240
	Restricted Net Operating Revenues - PAICE	**4,311**	1,354
	Gain on disposition of assets	**7**	17,011
	PFC Interest Income / Fair Value Adjustment	**10**	2
		2,023,835	2,126,839
Increase in reserves reported on Schedule A – Revenues and Reserves (pursuant to Port Authority bond resolutions)		**$ 219,805**	$ 399,230

Note B - Facilities

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions	Transfers	Retirements*	End of Year
			(In thousands)		
2008					
Capital assets not being depreciated:					
Land	$ 810,610	$ -	$ 120,865	$ -	$ 931,475
Construction in progress	4,130,738	2,265,293	(1,863,197)	-	4,532,834
Total capital assets not being depreciated	4,941,348	2,265,293	(1,742,332)	-	5,464,309
Other capital assets:					
Buildings, bridges, tunnels, other structures	6,564,113	-	671,102	(1,269)	7,233,946
Machinery and equipment	5,255,960	-	393,796	(31,979)	5,617,777
Runways, roadways and other paving	3,634,631	-	312,471	(3,084)	3,944,018
Utility infrastructure	2,444,164	-	364,963	(1,174)	2,807,953
Other capital assets	17,898,868	-	1,742,332	(37,506)	19,603,694
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	2,718,351	173,587	-	(1,269)	2,890,669
Machinery and equipment	2,458,568	217,770	-	(31,979)	2,644,359
Runways, roadways and other paving	1,651,181	150,451	-	(3,084)	1,798,548
Utility infrastructure	1,142,504	102,812	-	(1,084)	1,244,232
Accumulated depreciation	7,970,604	644,620	-	(37,416)	8,577,808
Total other capital assets, net	9,928,264	(644,620)	1,742,332	(90)	11,025,886
Facilities, net	$ 14,869,612	$ 1,620,673	$ -	$ (90)	$ 16,490,195
2007					
Capital assets not being depreciated:					
Land	$ 705,794	$ -	$ 104,960	$ (144)	$ 810,610
Construction in progress	2,777,544	2,147,718	(794,524)	-	4,130,738
Total capital assets not being depreciated	3,483,338	2,147,718	(689,564)	(144)	4,941,348
Other capital assets:					
Buildings, bridges, tunnels, other structures	6,281,076	-	283,037	-	6,564,113
Machinery and equipment	5,094,093	-	168,480	(6,613)	5,255,960
Runways, roadways and other paving	3,533,289	-	105,267	(3,925)	3,634,631
Utility infrastructure	2,312,103	-	132,780	(719)	2,444,164
Other capital assets	17,220,561	-	689,564	(11,257)	17,898,868
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	2,538,190	180,161	-	-	2,718,351
Machinery and equipment	2,251,551	213,630	-	(6,613)	2,458,568
Runways, roadways and other paving	1,511,539	143,567	-	(3,925)	1,651,181
Utility infrastructure	1,048,028	95,195	-	(719)	1,142,504
Accumulated depreciation	7,349,308	632,553	-	(11,257)	7,970,604
Total other capital assets, net	9,871,253	(632,553)	689,564	-	9,928,264
Facilities, net	$ 13,354,591	$ 1,515,165	$ -	$ (144)	$ 14,869,612

***** Retirements include approximately $90,000 and $144,000 for the unamortized investment associated with asset dispositions which took place in 2008 and 2007, respectively.

2. Net interest expense added to the cost of facilities was approximately $108 million in 2008 and $77 million in 2007.

3. As of December 31, 2008, approximately $7.3 million in projects have been suspended pending determination of their continued viability.

4. During 2008, depreciation was accelerated for certain additional assets. The impact on depreciation for the machinery, equipment, paving, and utility infrastructure assets totaled $3.7 million.

Note C - Cash and Investments

1. The components of cash and investments are:

	December 31, 2008	December 31, 2007
	(In thousands)	
CASH		
Cash on hand	**$ 1,469**	$ 1,434
Cash equivalents	**677,781**	796,789
Total cash	**679,250**	798,223
Less restricted cash	**328,536**	708,990
Unrestricted cash	**$ 350,714**	$ 89,233

PORT AUTHORITY INVESTMENTS AT FAIR VALUE	Port Authority		PAICE	Total (December 31, 2008)	December 31, 2007
				(In thousands)	
United States Treasury notes	**$1,133,258**		**$23,811**	**$1,157,069**	$1,280,920
United States Treasury bonds	**-**		**13,414**	**13,414**	
United States Treasury bills	**1,830,767**		**-**	**1,830,767**	1,403,560
United States government agency obligations	**95,316**		**30,874**	**126,190**	242,087
Commercial paper notes	**50,000**		**-**	**50,000**	-
United States Treasury obligations held pursuant to repurchase agreements	**-**		**-**	**-**	301,826
JFK International Air Terminal LLC obligations	**156,699**		**-**	**156,699**	164,443
Other governmental obligations	**-**		**3,622**	**3,622**	-
Accrued interest receivable	**10,599**		**703**	**11,302**	14,573
Total investments	**3,276,639**		**72,424**	**3,349,063**	3,407,409
Less current investments	**1,272,437**	*****	**4,083**	**1,276,520**	2,557,858
Noncurrent investments	**$2,004,202**		**$68,341**	**$2,072,543**	$ 849,551

*Includes PFC restricted investments of $365,999.

2. Port Authority policy provides for funds of the Port Authority to be deposited in banks with offices located in the Port District, provided that the total funds on deposit in any bank do not exceed 50% of the bank's combined capital and permanent surplus. These funds must be fully secured by deposit of collateral having a minimum market value of 110% of average daily balances in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation (FDIC). Actual daily balances may differ from the average daily balances. 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 were approximately $364 million as of December 31, 2008. Of that amount, approximately $363 million was secured through the basic FDIC deposit insurance coverage, the FDIC Temporary Liquidity Guarantee Program, or was fully collateralized by collateral held by a bank acting as the Port Authority's agent and held by such bank in the Port Authority's name. The balance of approximately $913,000 was not collateralized. In addition, approximately $306 million related to insurance proceeds for 1 WTC LLC and WTC Retail LLC is being held by a third party escrow agent and, with the exception of current cash on hand to meet expenditures, is invested in United States Treasury securities.

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

Proceeds of "Bonds and other asset financing obligations" may be invested, on an interim basis, in conformance with applicable Federal laws and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time 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 direct obligations of the United States of America and obligations of United States government agencies and sponsored enterprises that have the highest short-term ratings by two nationally recognized firms, 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, commercial paper having only the highest short-term ratings separately issued by two nationally recognized rating agencies, United States Treasury and municipal bond futures contracts, certain interest rate exchange contracts with banks and investment firms, 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 certain unrated obligations of JFK International Air Terminal LLC (JFKIAT) (presently comprising approximately 4.8% of total Port Authority investments at December 31, 2008) for certain costs attributable to the completion of the JFKIAT passenger terminal. The Board has from time to time authorized other investments of operating funds.

It is the general policy of the Port Authority to limit exposure to declines in fair market values by limiting the weighted average maturity of the investment portfolio to less than two years. Extending the weighted average maturity beyond two years requires explicit written approval of the Chief Financial Officer. Committee on Finance authorization is required to extend the weighted average maturity beyond five years.

The following is the fair value and weighted average maturity of investments held by the Port Authority at December 31, 2008:

PA Investment Type	Fair Value (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	$ 1,133,258	640
United States Treasury bills	1,830,767	137
United States government agency obligations	95,316	9
Commercial Paper Notes	50,000	6
JFK International Air Terminal LLC obligations	156,699	6,007
Total fair value of investments	$ 3,266,040	
Portfolio weighted average maturity		587

Port Authority investments in United States government agency obligations at December 31, 2008 were held in the Federal Home Loan Banks. The Federal Home Loan Banks' long-term issues are rated Aaa by Moody's Investors Service and AAA by Standard & Poor's.

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 bought, thereby minimizing market risk. The credit risk is managed by a daily evaluation of the market value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. There were no investments in reverse repurchase agreements at December 31, 2008.

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 Bills and whose assets are more than $1.0 billion. Other investments include: United States Treasury Securities and United States Federal Agency debt, AAA rated tax-exempt general obligation issues of states, and U.S. dollar denominated corporate debt rated AA or above.

The following is the fair value and weighted average maturity of investments held by PAICE at December 31, 2008:

PAICE Investment Type	Fair Value (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	$ 23,811	519
United States Treasury bonds	13,414	1,277
United States government agency obligations	30,874	1,078
Other governmental obligations	3,622	1,082
Total fair value of investments	$ 71,721	
Portfolio weighted average maturity		930

Note D - Outstanding Obligations and Financing

D-1. Outstanding bonds and other asset financing obligations

The obligations noted with (*) on original issuance were subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended, with respect to individuals and corporations. Obligations noted with (**) are subject to Federal taxation.

	December 31, 2008		
	Current	Noncurrent	Total
		(In thousands)	
A. CONSOLIDATED BONDS	$ 147,370	$10,594,798	$10,742,168
B. COMMERCIAL PAPER NOTES	186,040	-	186,040
C. VARIABLE RATE MASTER NOTES	90,990	-	90,990
D. VERSATILE STRUCTURE OBLIGATIONS	399,700	-	399,700
E. PORT AUTHORITY EQUIPMENT NOTES	112,485	-	112,485
F. FUND BUY-OUT OBLIGATION	43,211	355,051	398,262
	$ 979,796	$10,949,849	$11,929,645

	December 31, 2007		
	Current	Noncurrent	Total
		(In thousands)	
A. CONSOLIDATED BONDS AND NOTES	$ 302,275	$ 9,158,393	$ 9,460,668
B. COMMERCIAL PAPER NOTES	238,950	-	238,950
C. VARIABLE RATE MASTER NOTES	90,990	-	90,990
D. VERSATILE STRUCTURE OBLIGATIONS	1,205,600	-	1,205,600
E. PORT AUTHORITY EQUIPMENT NOTES	93,460	-	93,460
F. FUND BUY-OUT OBLIGATION	43,211	365,917	409,128
	$ 1,974,486	$ 9,524,310	$11,498,796

A. Consolidated Bonds and Notes

		Dec. 31, 2007	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2008
			(In thousands)		
Consolidated bonds					
Sixty-ninth series (a)	Due 2009-2011	$ 14,400	$ 602	$ 3,810	$ 11,192
Seventy-fourth series (b)	Due 2009-2014	25,359	1,085	4,160	22,284
Eighty-fifth series	5%-5.375% due 2009-2028	98,000	-	2,500	95,500
Eighty-sixth series	5.2% due 2009-2012	21,155	-	4,495	16,660
Eighty-eighth series	4.75% due 2008	6,240	-	6,240	-
Ninety-third series	6.125% due 2094	100,000	-	-	100,000
One hundred third series	5.1%-5.25% due 2009-2014	42,320	-	5,470	36,850
One hundred ninth series	5.375%-5.5% due 2012-2032	150,000	-	150,000	-
One hundred thirteenth series	4.5%-4.75% due 2009-2013	30,750	-	4,500	26,250
One hundred fifteenth series	4.375% due 2008	7,000	-	7,000	-
One hundred sixteenth series	4.25%-5.25% due 2009-2033	429,685	-	8,325	421,360
One hundred seventeenth series*	4.75%-5.125% due 2009-2018	64,785	-	4,695	60,090
One hundred eighteenth series	4.90%-5.35% due 2009-2014	47,250	-	6,750	40,500
One hundred twenty-second series*	5%-5.5% due 2009-2036	197,265	-	10,255	187,010
One hundred twenty-third series	4.75%-5% due 2017-2036	100,000	-	-	100,000
One hundred twenty-fourth series*	4%-5% due 2009-2036	246,345	-	10,290	236,055
One hundred twenty-fifth series	5% due 2018-2032	300,000	-	-	300,000
One hundred twenty-sixth series*	5%-5.5% due 2009-2037	247,610	-	11,570	236,040
One hundred twenty-seventh series*	4%-5.5% due 2009-2037	258,665	-	9,045	249,620
One hundred twenty-eighth series	4%-5% due 2009-2032	246,785	-	3,320	243,465
One hundred twenty-ninth series	3%-4% due 2009-2015	52,820	-	5,495	47,325
One hundred thirtieth series	2.75%-3.75% due 2009-2015	58,520	-	6,600	51,920
One hundred thirty-first series*	4.625%-5% due 2009-2033	467,290	-	8,525	458,765
One hundred thirty-second series	5% due 2024-2038	300,000	-	-	300,000
One hundred thirty-third series	2.2%-4.4% due 2009-2021	212,665	-	14,715	197,950
One hundred thirty-fourth series	4%-5% due 2009-2039	250,000	-	-	250,000
One hundred thirty-fifth series	4.5%-5% due 2024-2039	400,000	-	-	400,000
One hundred thirty-sixth series*	5%-5.5% due 2009-2034	348,560	-	1,555	347,005
One hundred thirty-seventh series*	4%-5.5% due 2009-2034	241,110	-	3,305	237,805
One hundred thirty-eighth series*	4%-5% due 2009-2034	345,700	-	1,900	343,800
One hundred thirty-ninth series*	3.75%-5% due 2009-2025	185,140	-	7,755	177,385
One hundred fortieth series	4.125%-5% due 2016-2035	400,000	-	-	400,000
One hundred forty-first series*	4.5%-5% due 2016-2035	350,000	-	-	350,000
One hundred forty-second series	4%-5% due 2015-2036	350,000	-	-	350,000
One hundred forty-third series*	5% due 2016-2036	500,000	-	-	500,000
One hundred forty-fourth series	4.25%-5% due 2026-2035	300,000	-	-	300,000
One hundred forty-fifth series**	5.75% due 2027-2032	250,000	-	-	250,000
One hundred forty-sixth series*	4.25%-5% due 2016-2036	500,000	-	-	500,000
One hundred forty-seventh series*	4.75%-5% due 2017-2037	450,000	-	-	450,000
One hundred forty-eighth series	5% due 2015-2037	500,000	-	-	500,000
One hundred forty-ninth series	4%-5% due 2017-2037	400,000	-	-	400,000
One hundred fiftieth series**	4.125%-6.4% due 2013-2027	-	350,000	-	350,000
One hundred fifty-first series*	5.25%-6% due 2019-2035	-	350,000	-	350,000
One hundred fifty-second series*	4.75%-5.75% due 2018-2038	-	400,000	-	400,000
One hundred fifty-third series	4%-5% due 2018-2038	-	500,000	-	500,000
Consolidated bonds pursuant to Port Authority bond resolutions (d)		9,495,419	$ 1,601,687	$ 302,275	10,794,831
Less unamortized discount and premium (c)		34,751			52,663
Consolidated bonds		$ 9,460,668			$ 10,742,168

A. Consolidated Bonds and Notes (continued)

(a) Includes $2,890,000 serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2009 to 2011, in total aggregate maturity amounts of $12,000,000.

(b) Includes $6,500,000 serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2009 to 2014, in total aggregate maturity amounts of $24,930,000.

(c) Amount includes the unamortized difference between acquisition price and carrying amount on refunded debt.

(d) Debt service requirements to maturity for consolidated bonds outstanding on December 31, 2008 are as follows:

Year ending December 31:	**Principal**	**Interest**	**Debt Service**
		(In thousands)	
2009	$ 147,370	$ 530,634	$ 678,004
2010	157,285	524,311	681,596
2011	163,265	517,346	680,611
2012	166,025	510,120	676,145
2013	187,130	502,099	689,229
2014-2018	1,291,650	2,350,534	3,642,184
2019-2023	1,863,940	1,965,927	3,829,867
2024-2028	2,380,070	1,448,524	3,828,594
2029-2033	2,865,605	783,925	3,649,530
2034-2038	1,429,825	180,723	1,610,548
2039-2043	46,120	31,006	77,126
2044-2094***	100,000	283,996	383,996
	$10,798,285	$9,629,145	$20,427,430

***Debt service for the years ending 2044-2094 reflects principal and interest payments associated with a single series of outstanding consolidated bonds.

Total principal of $10,798,285,000 shown above differs from the total Consolidated bonds pursuant to Port Authority bond resolutions of $10,794,831,000 because of differences in the par value at maturity of the capital appreciation bonds of $3,454,000.

As of December 31, 2008, the Board of Commissioners had authorized the issuance of consolidated bonds, one hundred fiftieth series through one hundred sixty-fourth series, in the aggregate principal amount of up to $500 million of each series, and consolidated notes, Series ZZ, AAA, BBB, CCC and DDD, of up to $300 million in aggregate principal amount of each series.

During 2008, the Port Authority used the proceeds of consolidated bonds and commercial paper obligations to refund $150 million of consolidated bonds, $793 million of versatile structure obligations and $314 million of commercial paper notes. While the Port Authority increased its aggregate debt service payments by approximately $14,000 over the life of the refunded consolidated bonds, the economic gain resulting from the debt refunding (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 $12 million in present value savings to the Port Authority.

Consolidated bonds outstanding as of February 20, 2009 (pursuant to Port Authority bond resolutions) totaled $10,798,285,000.

B. Commercial Paper Notes

Commercial paper obligations are issued to provide interim financing for authorized projects at Port Authority facilities and may be issued until December 31, 2010. Each series includes a standby revolving credit facility and the maximum aggregate principal amount that may be outstanding at any one time is $300 million for Series A and $200 million for Series B.

	Dec. 31, 2007	**Issued**	**Refunded/ Repaid**	**Dec. 31, 2008**
		(In thousands)		
Series A*	$ 73,080	$ 744,585	$ 734,215	$ 83,450
Series B	165,870	686,390	749,670	102,590
	$238,950	$1,430,975	$1,483,885	$186,040

Interest rates for all commercial paper notes ranged from 0.62% to 5.75% in 2008.

Of the $1.48 billion in commercial paper notes refunded/repaid in 2008, $314 million was refunded with the proceeds of consolidated bonds issued in 2007 and 2008 and $68 million was repaid with PFC proceeds. As of February 20, 2009, commercial paper notes outstanding totaled $186,340,000.

C. Variable Rate Master Notes

Variable rate master notes may be issued in aggregate principal amounts outstanding at any one time not to exceed $400 million.

	Dec. 31, 2007	Issued	Refunded/ Repaid	Dec. 31, 2008
		(In thousands)		
Agreements 1989 -1995*	$44,900	$ -	$ -	$44,900
Agreements 1989 -1998	46,090	-	-	46,090
	$90,990	$ -	$ -	$90,990

Interest rates are determined weekly, based upon specific industry indices (e.g. JP Morgan Rate published by JP Morgan Asset Management or the Securities Industry and Financial Markets Association rate) as stated in each master note agreement, and ranged from 0.90% to 8.29% in 2008.

Debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect on December 31, 2008, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2009	$ -	$ 1,236	$ 1,236
2010	-	1,236	1,236
2011	-	1,236	1,236
2012	-	1,239	1,239
2013	-	1,236	1,236
2014-2018	13,090	5,326	18,416
2019-2023	58,000	3,490	61,490
2024-2026	19,900	455	20,355
	$90,990	$15,454	$106,444

Variable rate master notes are subject to prepayment at the option of the Port Authority or upon demand of the holders.

D. Versatile Structure Obligations

	Dec. 31, 2007	Issued	Refunded/ Repaid	Dec. 31, 2008
		(In thousands)		
Series 1R*, 4*, 6*	$ 250,800	$ -	$ 9,900	$240,900
Series 2, 3, 5	254,800	-	96,000	158,800
Series 7**	350,000	-	350,000	-
Series 8*	350,000	-	350,000	-
	$1,205,600	$ -	$805,900	$399,700

Variable interest rates, set daily by the remarketing agent for versatile structure obligations series 1 through 6, or reset periodically through an auction process for versatile structure obligations series 7 and 8, ranged from 0.25% to 20.00% in 2008. The Port Authority refunded all auction rate mode versatile structure obligations in 2008 through the issuance of consolidated bonds and commercial paper, and currently has no exposure to the auction rate securities market.

Debt service requirements on outstanding versatile structure obligations, valued for presentation purposes at the rate in effect on December 31, 2008, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2009	$ 19,000	$ 4,476	$ 23,476
2010	22,000	4,258	26,258
2011	24,000	4,011	28,011
2012	25,100	3,744	28,844
2013	26,300	3,463	29,763
2014-2018	147,200	12,571	159,771
2019-2023	89,000	5,264	94,264
2024-2028	47,100	1,262	48,362
	$399,700	$39,049	$438,749

The Port Authority has entered into a separate standby certificate purchase agreement for versatile structure obligations series 1 through 6 with certain banks, which provides that during the term of the banks' commitment (generally three years, subject to renewal), if the remarketing agent fails to remarket any obligations that are tendered by the holders, the bank may be required, subject to certain conditions, to purchase such unremarketed portion of the obligations. If not purchased prior thereto at the Port Authority's option, the Port Authority has agreed to purchase such portion of the obligations within 90 business days after the purchase thereof by the bank. Bank commitment fees during 2008 in connection with the agreements were approximately $810,000. During 2008, certain banks were required to purchase the unremarketed portions of certain series of versatile structure obligations. All obligations purchased by the banks were successfully remarketed by the remarketing agent or retired by the Port Authority.

E. Port Authority Equipment Notes

Equipment notes may be issued in aggregate principal amounts outstanding at any one time not to exceed $250 million.

	Dec. 31, 2007	Issued	Refunded/ Repaid	Dec. 31, 2008
		(In thousands)		
Notes 2004, 2006, 2008*	$17,805	$ 1,615	$11,500	$ 7,920
Notes 2004, 2006, 2008	75,655	45,310	16,400	104,565
	$93,460	$46,925	$27,900	$112,485

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.91% to 8.10% in 2008.

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect on December 31, 2008, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2009	$ 2,000	$1,478	$ 3,478
2010	11,840	1,441	13,281
2011	30,485	1,134	31,619
2012	18,595	864	19,459
2013	2,640	646	3,286
2014	15,425	453	15,878
2015	31,500	81	31,581
	$112,485	$6,097	$118,582

The Port Authority has entered into agreements with the purchasers of the notes stating that on seven days notice on any business day during the term of the agreements, the Port Authority may pre-pay in whole, or, from time to time, in part, without penalty or premium, the outstanding principal amount of the notes. Also, the purchasers can tender the notes back to the remarketing agent on seven days notice, in whole and not in part. In the event that the remarketing agent cannot resell the notes, notice shall be given by the remarketing agent to the Port Authority requesting the Port Authority to pay the purchase price of the notes.

F. Fund Buy-Out Obligation

	Dec. 31, 2007	Accretion (a)	Refunded/ Repaid	Dec. 31, 2008
		(In thousands)		
Obligation outstanding	$409,128	$32,345	$43,211	$398,262

(a) Represents the annual implicit interest cost (8.25%) contained in the present value of amounts due to the States of New York and New Jersey upon the termination, in 1990, of the Fund for Regional Development.

Payment requirements of the fund buy-out obligation outstanding, including the implicit interest cost, on December 31, 2008 are as follows:

Year ending December 31:	Payments
	(In thousands)
2009	$ 43,211
2010	43,211
2011	43,211
2012	51,213
2013	51,212
2014-2018	260,063
2019-2021	160,027
	$652,148

As of February 20, 2009, the fund buy-out obligation outstanding totaled $402,829,503.

D-2. 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.

	Dec. 31, 2007	Issued	Repaid/ Amortized	Dec. 31, 2008
		(In thousands)		
Series 1R, Delta Air Lines, Inc. Project (a)				
6.95% term bonds, due 6/1/2008	$ 96,500	$ -	$ 96,500	$ -
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (b)*				
9%-9.125%, due 2009-2015	134,715	-	12,175	122,540
Less: unamortized discount and premium	3,851	-	487	3,364
Total - Series 2	130,864	-	11,688	119,176
Series 4, KIAC Partners Project (c)*				
6.75% due 2009-2019	185,600	-	10,900	174,700
Less: unamortized discount and premium	2,249	-	191	2,058
Total - Series 4	183,351	-	10,709	172,642
Series 6, JFKIAT Project (d)*				
5.75%-7% due 2009-2025	847,920	-	27,055	820,865
Less: unamortized discount and premium	6,013	-	336	5,677
Total - Series 6	841,907	-	26,719	815,188
Amounts payable - Special Project Bonds	$1,252,622	$ -	$145,616	$1,107,006

(a) Special project bonds, Series 1R, Delta Air Lines, Inc. Project, were issued in connection with a project that included the construction of a passenger terminal building at LGA leased to Delta Air Lines, Inc.

(b) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued in connection with a project that included the construction of a passenger terminal at LGA leased to and to be occupied by Continental and Eastern. The leasehold interest of Eastern was assigned to Continental. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern, was subsequently assigned to USAir, Inc. (with Continental to remain liable under both underlying leases).

(c) Special project bonds, Series 4, KIAC Partners Project, were issued to refund the Series 3 bonds, 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.

(d) Special project bonds, Series 6, JFKIAT Project, were issued in connection with a project that included the development and construction of a new passenger terminal at JFK.

D-3. Interest Rate Exchange Contracts (Swaps)

The Port Authority records interest rate exchange contracts pursuant to the settlement method of accounting whereby cash paid or received under the terms of the swap is charged or credited to the related interest expense account for the purpose of managing interest rate exposure. Each swap transaction involves the exchange of fixed and variable rate interest payment obligations with respect to an agreed upon nominal principal amount called a "notional amount."

Objective

The Port Authority has five pay-fixed, receive-variable interest rate swaps outstanding. Two of the swaps are matched against existing versatile structure obligations (see Note D-1), the proceeds of which were used to refund outstanding high-coupon fixed rate debt. The combination of the swaps and the associated variable rate debt created synthetic fixed rate-refunding bonds. A third swap was similarly associated with versatile structure obligations series 8. These versatile structure obligations were issued as auction rate securities and were refunded during 2008. The remaining two outstanding forward swaps were entered into in anticipation of the issuance of future versatile structure obligations in July and August 2008. However, due to unfavorable market conditions, these obligations were not issued. The Port Authority continues to monitor all three swaps (hereinafter referred to as the "Unhedged Swaps") to determine possible actions to take when market conditions are more favorable.

The Port Authority's financial management program provides for the Port Authority to enter into interest rate swaps for the purpose of managing and controlling interest rate risk in connection with Port Authority obligations designated at the time of entering into interest rate swap transactions. The notional amounts of the swaps are designed to match the principal amount of the associated debt. The Port Authority's swap agreements contain scheduled reductions to outstanding notional amounts to approximately follow scheduled reductions of the associated debt. The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2008, are as follows:

Associated Debt	Notional Amount	Execution Date	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Ratings of the Counterparty or its Credit Support Provider (a)
VSO 2	$ 83,000,000	10/13/1993	3/3/1994	6.3200%	SIFMA (b)	$ (21,103,456)	5/1/2019	A/A1/AA-
VSO 3	75,000,000	2/18/1993	7/15/1995	5.9370%	SIFMA	(16,815,130)	6/1/2020	A/A1/AA-
VSO 8 (refunded March/April 2008)	224,000,000(d)	6/15/2006	10/15/2007	3.9461%	70% of one-month LIBOR(c)	(63,140,333)	10/1/2035	A/Aa3/AA-
Proposed VSO (Unissued)	187,100,000(d)	6/15/2006	7/15/2008	3.9550%	70% of one-month LIBOR	(55,796,378)	7/1/2036	AA+/Aa1/AA
Proposed VSO (Unissued)	236,100,000(d)	6/15/2006	8/1/2008	3.9525%	70% of one-month LIBOR	(78,906,046)	8/1/2038	AA-/Aaa/AA
Total	$805,200,000					$(235,761,343)		

(a) Ratings supplied by Standard & Poor's/Moody's Investors Service/Fitch Ratings, respectively.
(b) Securities Industry and Financial Markets Association Municipal Swap Index.
(c) London Interbank Offered Rate Index.
(d) Unhedged Swaps.

Debt service requirements of the underlying variable rate debt and net swap payments, valued for presentation purposes at the rate in effect on December 31, 2008, are shown below. As rates vary, variable rate debt interest payments and net swap payments will vary.

Year ending December 31:	Versatile Structure Obligations Principal	Interest	Interest Rate Swaps, Net	Total
	(In thousands)			
2009	$ 8,600	$ 1,540	$ 30,928	$ 41,068
2010	10,900	1,453	30,447	42,800
2011	12,300	1,345	29,872	43,517
2012	12,700	1,225	29,259	43,184
2013	13,100	1,100	28,624	42,824
2014-2018	76,100	3,437	129,997	209,534
2019-2023	25,100	192	95,909	121,201
2024-2028	-	-	66,952	66,952
2029-2033	-	-	35,121	35,121
2034-2035	-	-	9,287	9,287
Total	$158,800	$10,292	$486,396	$655,488

Fair Value

Interest rates have declined on each of the Port Authority's outstanding swaps and, therefore, all swaps had a negative fair value as of December 31, 2008. Because interest rates on the outstanding related versatile structure obligations are reset on a daily basis for versatile structure obligations series 2 and 3, thereby reflecting market interest rates, the obligations do not have corresponding fair value increases. With regard to the Unhedged Swaps, the change in fair value is reflected in the Port Authority's financial statements as a change to investment income because these swaps do not qualify as a hedge under applicable accounting standards.

Credit Risk

As of December 31, 2008, the Port Authority was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Port Authority would be exposed to credit risk in the amount of the swaps' fair value. All of the outstanding swap agreements require that if the outstanding ratings of the Port Authority or the counterparty, or its credit support provider fall to a certain level, the party whose rating falls is required to post collateral with a third-party custodian to secure its termination payments above certain threshold amounts. Collateralization of the fair value of the swaps, above certain threshold amounts, is required should the Port Authority's highest credit rating fall below Baa1, as issued by Moody's Investors Service, or BBB+, as issued by Standard & Poor's and Fitch Ratings. Collateralization of the fair value of the swaps, above certain threshold amounts, is required should the counterparty's, or its credit support provider's, highest credit rating fall below A1, as issued by Moody's Investors Service, or A+, as issued by Standard & Poor's and Fitch Ratings. Collateral on all swaps shall consist of direct obligations of, or obligations the principal and interest of which are guaranteed by, the United States of America (including cash). All of the swap agreements provide that an early termination date may be designated if an event of default or termination occurs. Of the five swap transactions currently outstanding, two swaps, approximating 20% of the notional amount of swaps outstanding, are held with one counterparty, while the remaining transactions are held by three different counterparties.

Basis Risk

The Port Authority's interest payments on the associated debt are equivalent to the daily variable market rates set by the remarketing agent for versatile structure obligations series 2 and 3. The Port Authority receives variable rate swap payments based on an index other than the variable market rates paid for the associated debt and would be exposed to basis risk should the relationship between the actual rate paid for the associated debt differ from the swap rate index received. To the degree these rates differ, expected cost savings may not be realized. As of December 31, 2008, the variable market rates for versatile structure obligations series 2 and 3 were 1.00%, and 0.95% respectively, whereas the swap rate index was 1.25% for the SIFMA Municipal Swap Index.

Termination Risk

The Port Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. Additionally, the Port Authority has the sole option to terminate, cancel or cash settle any of the swaps, in whole or in part, at its discretion. If any of the swaps are terminated, any associated variable rate debt will no longer carry a synthetic fixed interest rate. Also, if at the time of termination the counterparty suffers a loss, the Port Authority would be liable to the counterparty for a payment calculated pursuant to the agreement with respect to such loss.

Rollover Risk

The Port Authority is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. Currently, there are no swaps exposed to rollover risk. However, if a swap were terminated prior to the maturity of the associated debt, the Port Authority would not realize the synthetic rate offered by the swap on the underlying issue.

Note E – Reserves

The General Reserve Fund is pledged in support of Consolidated Bonds and Notes. Statutes which required the Port Authority to create the General Reserve Fund established the principle of pooling revenues from all facilities and require that the Port Authority apply surplus revenues from all of its existing facilities to maintain the General Reserve Fund in an amount at least equal to 10% of the par value of outstanding bonds legal for investment. At December 31, 2008, the General Reserve Fund balance was $1,270,215,061 and met the prescribed statutory amount.

The balance remaining of all net revenues of the Port Authority's existing facilities after deducting payments for debt service upon all Consolidated Bonds and Notes and the amount necessary to maintain the General Reserve Fund at its statutorily required amount is to be paid into the Consolidated Bond Reserve Fund, which is pledged as additional security for all outstanding Consolidated Bonds and Notes. Consolidated Bonds and Notes have a first lien upon the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities of the Port Authority and any additional facility financed by Consolidated Bonds.

Other asset obligations (versatile structure obligations, commercial paper obligations, variable rate master notes, and Interest Rate Exchange Contracts (swaps) executed after 2005), and the interest thereon, are not secured by or payable from the General Reserve Fund. Principal of, and interest on, other asset obligations are payable solely from the proceeds of obligations issued for such purposes or from net revenues paid into the Consolidated Bond Reserve Fund and, in the event such proceeds or net revenues are insufficient therefore, from other moneys of the Port Authority legally available for such payments. Operating asset obligations (equipment notes, Interest Rate Exchange Contracts (swaps) executed prior to 2005, and the Fund buy-out obligation) are paid in the same manner and from the same sources as operating expenses. Special Project

Bonds are not secured by or payable from the General Reserve Fund or the Consolidated Bond Reserve Fund.

The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund. The moneys in the reserve funds may be accumulated or applied only to purposes set forth in legislation and the agreements with the holders of the Port Authority's obligations pertaining thereto. At December 31, 2008, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

Note F – Funding Provided by Others

During 2008 and 2007, the Port Authority received federal and state grants and contributions from other entities for various programs as summarized below:

1. Operating programs

- K-9 Program – The FAA and the Transportation Security Administration (TSA) provided funds to offset the operating costs of training and caring for explosive detection dogs. Amounts received in connection with this program were approximately $1,486,000 in 2008 and $1,547,000 in 2007.

- Airport Screening Program – The TSA provided approximately $430,000 in 2008 and $589,000 in 2007 to reimburse the Port Authority for operating costs incurred by Port Authority police personnel involved with the airport screening program at the Port Authority's three major airports.

- U.S. Department of State (USDOS) – In 2008, the Port Authority received $1,284,000 from the USDOS as a reimbursement of operating costs incurred by Port Authority police personnel for the United Nations General Assembly and the papal visit to New York in April.

  Amounts in connection with operating activities are recorded as operating revenues on the Consolidated Statements of Revenues, Expenses and Changes in Net Assets and on Schedule A – Revenues and Reserves.

2. Grants and Contributions in Aid of Construction

- Subsequent to September 11, 2001, the Port Authority entered into various agreements with federal and state agencies for programs associated with security related projects through which the Port Authority was reimbursed for eligible expenses. Amounts for such projects in 2008 and 2007 were approximately $26 million and $38 million, respectively.

- The Port Authority receives contributions in aid of construction with respect to its facilities from federal, state and other entities. Amounts recognized from the FTA for the WTC Transportation Hub, including the restoration of the permanent WTC PATH Terminal, in 2008 and 2007 were approximately $198 million and $210 million, respectively. Amounts recognized from the FAA under the Airport Improvement Program in 2008 and 2007 were approximately $92 million and $67 million, respectively. All other contributions in aid of construction (including amounts receivable) totaled approximately $4 million in 2008 and $5 million in 2007.

Note G - Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately $968 million in 2008 and approximately $894 million in 2007.

2. Property held for lease

The Port Authority has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Teleport, the World Trade Center and the Newark Legal and Communications Center. Investments in such facilities, as of December 31, 2008, 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, 2008 are:

Year ending December 31:	(In thousands)
2009	$ 907,368
2010	865,884
2011	767,019
2012	756,171
2013	768,229
Later years	101,277,854
Total future minimum rentals (a)	$105,342,525

(a) Includes future rentals of approximately $95 billion attributable to World Trade Center leases (see Note K).

3. Property leased from others

Rental expenses under leases, including payments to the Cities of New York and Newark for various air terminals, marine terminals and other facilities and the cost of replacement office space due to the destruction of the World Trade Center, aggregated $261 million in 2008 and $257 million in 2007.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2008 are detailed below. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year ending December 31:

	(In thousands)
2009	$ 229,721
2010	228,947
2011	225,535
2012	222,851
2013	222,978
2014-2018	995,754
2019-2023	890,605
2024-2028	884,631
2029-2033	870,000
2034-2065*	3,803,000
Total future minimum rent payments	$8,574,022

* Future minimum rent payments for the years 2034-2065 reflect payments associated with the City of New York and the City of Newark lease commitments.

Note H – Regional Programs

1. At the request of the Governors of the States of New York and New Jersey, the Port Authority participates in certain programs that are deemed essential to the continued economic viability of the two states and the region. These programs, which are generally non-revenue producing to the Port Authority, are addressed by the Port Authority in its budget and business planning process in the context of the Port Authority's overall financial capacity. To the extent not otherwise a part of existing Port Authority facilities, these projects are effectuated through additional Port Authority facilities established solely for these purposes. The Port Authority does not expect to derive any revenues from the regional development facilities described below.

- **Regional Development Facility** – 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, 2008, approximately $249 million has been expended on projects approved under this program.

- **Regional Economic Development Program** – This facility is to be comprised of up to $400 million for certain transportation, economic development and infrastructure renewal projects. As of December 31, 2008, approximately $397 million has been spent on projects authorized under this program.

- **Oak Point Rail Freight Link** – 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, 2008, the Port Authority has provided approximately $102 million for this rail project, of which approximately $63 million was made available through the Regional Development Facility and the Regional Economic Development Program.

- **New Jersey Marine Development Program** – 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 to various projects.

- **New York Transportation, Economic Development and Infrastructure Renewal Program** – This facility was established to provide up to $250 million for certain transportation, economic development and infrastructure renewal projects in the State of New York. As of December 31, 2008, $235 million has been spent on projects associated with this program.

- **Regional Transportation Program** – This facility was established in conjunction with a program to provide up to $500 million for regional transportation initiatives. As of December 31, 2008, approximately $229 million has been expended under this program.

- **Hudson-Raritan Estuary Resources Program** – This facility was 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 this program is not to exceed $60 million. As of December 31, 2008, more than $24 million has been expended under this program.

- **Regional Rail Freight Program** – 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. As of December 31, 2008, all funds under this program have been fully allocated to various rail freight projects.

- **Meadowlands Passenger Rail Facility** – This facility, which will link New Jersey Transit's (NJT) Pascack Valley Rail Line to the Meadowlands Sports Complex, will encourage greater use of PATH service since NJT plans to run shuttle service at peak times from Hoboken to the facility. The improved level of passenger rail service provided by the facility will also serve 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. As of December 31, 2008, approximately $144 million has been expended under this program.

As of December 31, 2008, a total of $1.8 billion has been expended for regional programs. 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, 2007	Project Expenditures	Amortization	Dec. 31, 2008
		(In thousands)		
Regional Development Facility	$ 57,375	$ 2,036	$ 6,277	$ 53,134
Regional Economic Development Program	181,889	-	19,883	162,006
Oak Point Rail Freight Link	14,669	-	1,630	13,039
New Jersey Marine Development Program	7,530	-	834	6,696
New York Transportation, Economic Development and Infrastructure Renewal Program	179,383	14,000	14,368	179,015
Regional Transportation Program	175,988	26,022	14,666	187,344
Hudson-Raritan Estuary Resources Program	7,089	15,615	1,497	21,207
Regional Rail Freight Program	38,827	-	3,333	35,494
Meadowlands Passenger Rail Facility	102,578	37,521	8,352	131,747
Total unamortized costs of regional programs	$765,328	$95,194	$70,840	$789,682

2. Bi-State Initiatives – From time to time, the Port Authority makes payments to assist various bi-state regional operating initiatives. During 2008, the Port Authority expended approximately $13 million on regional initiatives, bringing the total amount spent to date to $91 million.

3. Buy-out of Fund for Regional Development – In 1983, the Fund for Regional Development (Fund) was established to sublease space in the World Trade Center that was previously held by the State of New York as tenant. An agreement among the Port Authority and the States of New York and New Jersey with respect to the Fund provided that net revenues from the subleasing were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey. The assets, liabilities, revenues and expenses of the Fund were not consolidated with those of the Port Authority. In 1990, the Port Authority and the

States of New York and New Jersey agreed to terminate the Fund. The present value (calculated at the time of the termination agreement) of the cost to the Port Authority of its purchase of the Fund's interest in the World Trade Center subleased space was approximately $431 million. The liability for payments to the States of New York and New Jersey attributable to the Fund buy-out is further described in Note D.

Note I - Pension Plans and Other Employee Benefits

1. Pension Plans

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

The Retirement System provides retirement benefits related to years of service and final average salary, death and disability benefits, vesting of benefits after a set period of credited public service (generally five years), and optional methods of benefit payment. Depending upon the date of membership, retirement benefits differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance and the contributory or non-contributory nature of the plan. Contributions are not required from police personnel who are members of the PFRS or from those non-police employees who joined the ERS prior to July 27, 1976 or, effective October 1, 2000, members of the ERS with more than ten years of credited service. ERS members with less than ten years of credited service are required to contribute 3% of their annual gross wages to the ERS.

In accordance with GASB Statement No. 50, *Pension Disclosures – an amendment to GASB Statements No. 25 & No. 27,* the following disclosure concerning employer contributions has been included in 2008. Employer contributions to the Retirement System are determined based on an actuarial valuation of the present value of future benefits for active and retired members. When the actuarially determined value of benefits is greater than the assets to be used for the payment of benefits, the difference must be made up through employer contributions. That difference is amortized over the working lives of current members to determine the required annual contribution. Separate calculations are done for each plan, since each plan allows for different benefits. However, in no case will the employer's annual contribution to the Retirement System be less than 4.5% of covered payroll, including years in which the investment performance of the New York State Common Retirement Fund would make a lower contribution possible.

The Port Authority's payroll expense for 2008 was approximately $628 million of which $394 million and $215 million represent the cost for employees covered by ERS and PFRS, respectively.

Required Port Authority contributions to the Retirement System, including costs for participation in retirement incentive programs, are as follows:

Year Ended	ERS	% of Covered Payroll	PFRS	% of Covered Payroll
		($ In thousands)		
2008	$31,052	7.9%	$34,718	16.1%
2007	$33,967	8.8%	$33,101	16.5%
2006	$37,193	10.0%	$31,210	16.9%

These contributions cover the entire funding requirements for the current year and each of the two preceding years.

Employee contributions of approximately $8.4 million to the ERS represented 1.4% of the total Port Authority covered payroll in 2008.

The Annual Report of the Retirement System, which provides details on valuation methods and ten year historical trend information, is available from the Comptroller of the State of New York, 110 State Street, Albany, New York 12236.

b. Employees of PATH are not eligible to participate in New York State's Retirement System. For most of its union employees, PATH contributes to supplemental pension plans. Annual PATH contributions to these plans are defined in the various collective bargaining agreements; no employee contributions are required. Eligibility for all benefits prior to normal retirement requires the completion of at least five years of vested service and depends upon years of credited service and monthly benefit rates in effect at the time of retirement. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. PATH payroll expense in 2008 for these employees was approximately $79 million. For the year 2008, contributions made by PATH in accordance with the terms of various collective bargaining agreements totaled approximately $5 million, which represented approximately 5.6% of the total PATH covered payroll for 2008. Contributions in each of years 2007 and 2006 were approximately $4 million.

c. Presently, none of the Port Authority's other wholly owned entities have employees covered by pension plans.

2. Other Employee Benefits

Benefit Plans

The Port Authority and PATH provide, pursuant to Board action or as contemplated thereby, certain group health care, prescription, dental, vision and term life insurance benefits for active and retired employees of the Port Authority and PATH (and for eligible dependents and survivors of active and retired employees). Collectively, these covered individuals are referred to as "participants." Contributions toward the costs of some of these benefits are required of certain participants. These contributions generally range from 10% to 50% of the Port Authority or PATH's cost of the benefit and depend on a number of factors, including status of the participant (active employee, retired employee, or dependent), type of benefit, hire date, years of service, and retirement date. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid by service providers on behalf of the Port Authority or PATH. The actuarially determined valuation of these benefits is reviewed annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents.

The Port Authority implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2006. In December 2006, the Port Authority established an employee benefits trust which will provide funding for retiree health, prescription, dental, vision and life insurance coverage and other non-pension postemployment benefits.

Actuarial Methods and Assumptions

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, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2008 actuarial valuation, the projected unit credit cost method was used for all participants. The actuarial assumptions used to project future costs included a 6% investment rate of return, representing the estimated yield on investments expected to be used for the payment of benefits; an annual medical healthcare cost trend rate of 6% in 2008, with a gradual decline to an ultimate rate of 4.5% in 2010; and a dental benefits trend rate of 4.5% per year. In addition, the unfunded, unrecognized actuarial accrued liability is being amortized as a level dollar amount over a period of 30 years.

Other Postemployment Benefit Costs and Obligations

The annual non-pension postemployment benefit (OPEB) cost is actuarially determined in accordance with the parameters of GASB Statement No. 45, which also forms the basis for calculating the annual required contribution (ARC) for the Port Authority and PATH. The ARC represents the actuarially determined level of funding that, if paid on an ongoing basis, is projected to cover annual benefit costs and the 30-year open amortization of the difference between the actuarial accrued liability and amounts previously recognized. The Port Authority has been recognizing OPEB costs since 1985. The following reflects the components of the 2008 annual OPEB cost, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2008 actuarial valuation:

	(In millions)
Normal actuarial cost	$ 27.9
Amortization cost	76.4
Interest on Excess Contribution	(1.3)
ARC	103.0
OPEB payments	(85.3)
Increase in net OPEB obligation	17.7
Net accrued OPEB obligation as of 12/31/07	628.6
OPEB obligation as of 12/31/08	646.3
Trust Fund contribution	(40.0)
Net accrued OPEB obligation as of 12/31/08	$ 606.3

As of January 1, 2008, the actuarially accrued liability for these benefits totaled approximately $1.8 billion. The difference between the actuarial accrued liability of $1.8 billion and the sum of the $628.6 million liability previously recognized and the $83 million in trust fund assets is being amortized using an open amortization approach over a 30 year period.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a new prescription drug benefit commonly known as Medicare Part D. The Port Authority's application to the Centers for Medicare and Medicaid Services (CMS) within the Department of Health and Human Services to sponsor a Part D Plan for retirees was approved effective January 1, 2006. During 2008, the Port Authority received approximately $3.5 million from the CMS as a Medicare Part D Plan sponsor, which was considered in the actuarial valuation of the liability.

The Port Authority and PATH's combined annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net accrued OPEB obligation for 2008 and the two preceding years, were as follows:

Year	**ARC**	**OPEB Payments As a % of ARC**	**Net Accrued OPEB Obligation**
	($ In thousands)		
2008	$ 103,053	122%	$ 606,256
2007	109,236	106%	628,561
2006	95,548	116%	635,066

Funding Status

On December 14, 2006, the Port Authority established a restricted trust fund to provide funding for post employment benefits. In 2008, the Port Authority contributed $10 million per quarter to The Port Authority of New York and New Jersey Retiree Health Benefits Trust with Wells Fargo Bank, N.A-Institutional Trust Services serving as the Trustee.

The unfunded actuarial accrued liability for benefits for the three most recent valuation dates, the annual payroll amounts for active employees covered by the plans and the ratio of the unfunded actuarial liability to covered payroll follows:

Valuation Date	Unfunded Actuarial Accrued Benefit Liability	Covered Payroll for Active Employees Covered by the Plans	Ratio of the Unfunded Actuarial Liability to Covered Payroll
	($ In millions)		
1/1/2008	$1,689	$646	261%
1/1/2007	1,804	669	270%
1/1/2006	1,673	631	265%

Following are the Statements of Net Assets and Changes in Net Assets held in trust for OPEB for 2008 and 2007. The activities are accounted for using the accrual basis of accounting and all investments are recorded at their fair value.

Statements of Plan Net Assets

	December 31, **2008**	2007
	(In thousands)	
ASSETS		
Cash	**$ 13,869**	$ 1
Investments, at fair value:		
United States government agency obligations	**-**	52,060
United States Treasury Bills	**-**	30,895
Bond/Equity Funds	**85,774**	-
Total Investments	**85,774**	82,955
Total assets	**99,643**	82,956
LIABILITIES		
Accounts payable and other	**-**	-
NET ASSETS HELD IN TRUST FOR OPEB	**$ 99,643**	$ 82,956

Statements of Changes in Plan Net Assets

	Year Ended December 31,	
	2008	2007
	(In thousands)	
Additions		
Contributions	**$40,000**	$40,000
Total Contributions	**40,000**	40,000
Investment Income:		
Net change in fair value of investments	**(26,031)**	136
Interest income	**2,775**	2,820
Investment expense	**(57)**	-
Total Net Investment (loss) gain	**(23,313)**	2,956
Net Increase	**16,687**	42,956
Plan net assets, January 1	**82,956**	40,000
NET ASSETS HELD IN TRUST FOR OPEB	**$99,643**	$82,956

The audited financial statements for the year ended December 31, 2008 of the Port Authority of New York and New Jersey Retiree Health Benefits Trust, which provides additional information concerning trust assets, are available from the Comptrollers' Department of the Port Authority of New York and New Jersey, 1 PATH Plaza, Jersey City, New Jersey 07306.

Note J – Commitments and Certain Charges to Operations

1. On December 17, 2008, the Board of Commissioners of the Port Authority adopted the annual budget for 2009. 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 of the Board of Commissioners consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

2. At December 31, 2008, the Port Authority had entered into various construction contracts totaling approximately $4.6 billion, which are expected to be completed within the next three years.

3. The Port Authority carries insurance or requires insurance to be carried (if available) on or in connection with its facilities to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering self-insured retentions, purchase of insurance through its captive insurance entity, PAICE, exceptions, or exclusions of portions of facilities, and the scope of insurable hazards. In view of the current state of the insurance industry, availability of coverage may be constrained and premium costs may increase for available coverage in connection with the Port Authority's periodic renewal of its insurance programs.

a. Property damage and loss of revenue insurance program:

The Port Authority's property damage and loss of revenue insurance program (which was renewed effective June 1, 2008 and expires on June 1, 2009) provides for coverage as follows:

General Coverage (Excluding Terrorism)	**Terrorism Coverage**
$1.225b of purchased coverage	$250m TRIPRA* Coverage (PAICE)
	$250m purchased coverage
$25m in the aggregate Self-insurance after which purchased coverage applies	$25m in the aggregate Self-insurance after which purchased coverage applies
$5 million per occurrence deductible	$5 million per occurrence deductible

* On December 26, 2007, the Federal government enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), which replaced the Federal reinsurance provisions of the Terrorism Risk Insurance Act of 2002 (TRIA) and added reinsurance for acts of domestic terrorism in addition to acts of foreign terrorism through December 31, 2014. Under TRIPRA, the Federal government reinsures 85% of certified terrorism losses, subject to a $100 million deductible and a 20% insurance carrier/captive deductible, in an amount not to exceed an annual cap on all such losses payable under TRIPRA of $100 billion. No federal payments are made under this program until the aggregate industry insured losses from acts of terrorism exceed $100 million.

Wind Coverage
(Sub-limit to General Coverage)

$300m purchased coverage

$25m in the aggregate Self-insurance after which purchased coverage applies
$5 million per occurrence deductible

b. Public liability insurance program:

(1) Aviation facilities

The Port Authority's public liability insurance program for aviation facilities (which was renewed effective October 27, 2008 and expires on October 27, 2009) provides for coverage as follows:

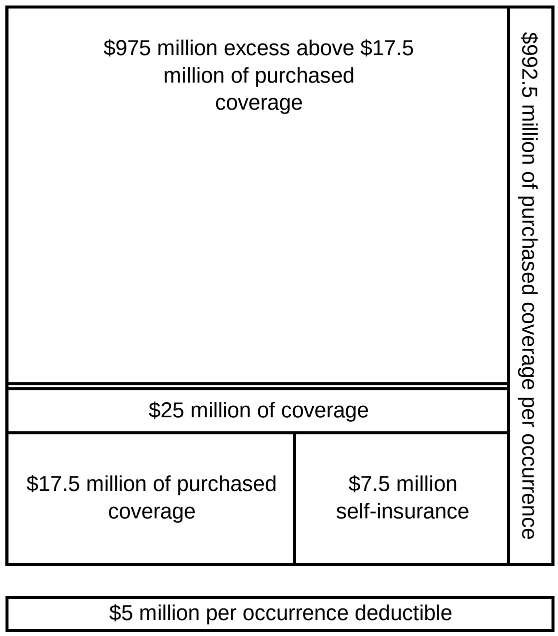
General Coverage (Excluding Terrorism)	Terrorism Coverage
$1.25 billion per occurrence and in the aggregate of purchased coverage	$1.25 billion aviation war risk** per occurrence and in the aggregate of purchased coverage
$3 million per occurrence deductible	

** Aviation war risk generally includes war, hijacking and other perils, both domestically and internationally.

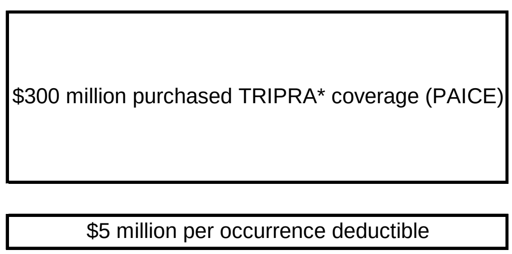
(2) Non-Aviation facilities

The Port Authority's public liability insurance program for "non-aviation" facilities (which was renewed effective October 27, 2008 and which expires on October 27, 2009) provides for coverage as follows:

General Coverage
(Excluding Terrorism)



Terrorism Coverage



* See footnote on page 56.

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

4. In providing for uninsured potential losses, the Port Authority administers its self-insurance program by applications from the Consolidated Bond Reserve Fund and provides for losses by charging operating expense as liabilities are incurred. As of December 31, 2008, approximately $81 million constituted appropriated reserves for self-insurance in the operating fund.

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 unpaid claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses, estimated recoveries and a provision for claims incurred but not reported. Changes in the liability amounts in 2008 and 2007 were:

	Beginning Balance	Additions and Changes	Payments	Year-end Balance
		(In thousands)		
2008	$23,679	$14,000	$7,429	$30,250
2007	14,650	11,677	2,648	23,679

5. On October 16, 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the “Port Authority Insurance Captive Entity LLC” (“PAICE”), for the purpose of insuring certain risk exposures of the Port Authority and its wholly owned 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 wholly owned entities. With the passage of the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), PAICE assumed coverage for acts of domestic terrorism with respect to the Port Authority’s public liability and property damage and loss of revenue insurance programs in addition to the previously provided coverage for acts of foreign terrorism. In addition, as of December 31, 2007, PAICE is providing the first $1,000,000 in coverage under the Workers’ Compensation portion, and the first $500,000 in coverage under the general liability aspect of the Port Authority’s contractor’s insurance program.

Any changes in the lines of insurance being provided by PAICE or its capitalization are subject to prior approval of the Port Authority Board of Commissioners’ Committee on Finance. PAICE also provides periodic reports with respect to its general operations to the Port Authority’s Board of Commissioners.

The financial results for PAICE for the year ended December 31, 2008 follow. Amounts associated with PAICE recorded on the Port Authority’s consolidated financial statements have been adjusted to reflect intercompany transfers between the Port Authority and PAICE (see Schedule E).

Financial Position	(In thousands)
Total Assets	$147,591
Total Liabilities	101,985
Net Assets	$ 45,606

Operating Results	
Revenues	$ 47,649
Expenses	18,207
Net Income	$ 29,442

Changes in Net Assets	
Balance at January 1, 2008	$ 16,164
Net Income	29,442
Balance at December 31, 2008	$ 45,606

6. The 2008 balance of “Other amounts receivable, net” on the Consolidated Statements of Net Assets consists of the anticipated recovery of the approximately $418 million net book value of various assets which comprised components of the World Trade Center complex destroyed on September 11, 2001; approximately $42 million representing advance payments to Phoenix Constructors and Tishman Construction Corporation for work performed in connection with the WTC Transportation Hub and the Freedom Tower; approximately $38 million representing the balance due from the private full service vendor operating the plant at the Essex County Resource Recovery Facility under the conditional sale agreement through which the vendor financed a portion of the construction costs of the plant; approximately $35 million in long-term receivables from Port Authority tenants and approximately $3 million representing the balance due from Howland Hook Container Terminal, Inc. for the purchase of 7 cargo cranes.

7. In October 2002 and November 2003, the Port Authority and the Newark Legal and Communications Center Urban Renewal Corporation received tax bills for the calendar years 2001, 2002 and 2003 totaling approximately $200,000, based on the City of Newark’s assessed value for the land upon which the Newark Legal and Communications Center is located. The Port Authority has been contesting the City of Newark’s allegation that the land upon which the Newark Legal and Communications Center is located is subject to real property tax. Along with the execution of the amended agreement between the City of Newark and the Port Authority covering EWR and PN, the City of Newark and the Port Authority have entered into a settlement agreement whereby the City of Newark has agreed to restore the Newark Legal and Communications Center's tax-exempt status. It is presently anticipated that the City of Newark and the Port Authority will enter into further agreements with respect to continuing payments pertaining to the tax-exempt status of the facility.

8. For PATH employees who are not covered by collective bargaining agreements (PATH exempt employees), the Port Authority has recognized, as a matter of policy, an obligation to provide supplemental post-employment payments resulting in amounts generally comparable to benefits available to similarly situated Port Authority employees. Such payments for PATH exempt employees totaled approximately $3 million in each of years 2008 and 2007.

9. The 2008 balance of "Other noncurrent liabilities" consists of the following:

	Dec. 31, 2007	**Additions**	**Deductions**	**Dec. 31, 2008**
		(In thousands)		
Workers' compensation liability	$ 47,452	$ 19,523	$25,111	$ 41,864
PATH exempt employees supplemental	23,319	3,694	2,758	24,255
Asset forfeiture	8,286	1,142	1,826	7,602
Surety and security deposits	9,036	796	1,988	7,844
Claims liability	23,679	14,000	7,429	30,250
Pollution Remediation	-	36,138	5,934	30,204
Contractors Insurance Program-WTC	50,354	7,467	28,349	29,472
Other	5,726	388	523	5,591
Gross other liabilities	$167,852	$83,148	$73,918	177,082
Less current portion:				
Workers' compensation liability				13,925
PATH exempt employees supplemental				2,782
Total other non-current liabilities				$160,375

10. During 2008, $7.8 million in capital expenditures previously included in Facilities, net were determined to represent costs for projects at various Port Authority facilities that will not proceed forward to completion, or for preliminary engineering and design work related to alternative analyses no longer considered viable for ongoing projects. As a result, these charges were transferred to operating expense.

11. During 2008, the Port Authority provided both voluntary and involuntary termination benefits, including severance payments based primarily on years of service and continued limited access to health, dental and life insurance, to 13 employees. Port Authority costs totaled approximately $552,000 in 2008 for these severance programs. As of December 31, 2008, all severance amounts were recognized.

12. The Port Authority implemented GASB Statement No. 49 in 2008. In accordance with GASB Statement No. 49, a pollution remediation expense provision totaling $34 million, net of $2.1 million in expected recoveries, and a corresponding liability were recorded on the Consolidated Statements of Net Assets and the Consolidated Statements of Revenues, Expenses and Changes in Net Assets. The expense provision was measured at its current value utilizing the prescribed expected cash flow method.

As of December 31, 2008, the pollution remediation liability totaled $30.2 million, primarily consisting of future remediation activities associated with asbestos removal, lead abatement, ground water contamination, soil contamination, and arsenic contamination at Port Authority facilities.

Note K – Information with Respect to the Events of September 11, 2001

The World Trade Center's components, which included two 110-story office towers (One and Two World Trade Center), two nine-story office buildings (Four and Five World Trade Center), an eight-story office building (Six World Trade Center), a 22-story hotel (Three World Trade Center), a 47-story office building (Seven World Trade Center), an electrical sub-station (Con Ed Substation) under Seven World Trade Center, a retail shopping mall, and a six level sub-grade area located below the World Trade Center complex, together with the PATH-World Trade Center rail station (PATH-WTC station) were destroyed as a result of the terrorist attacks of September 11, 2001.

The terms of the original 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 net lessees obtained property damage and business interruption insurance in a combined single limit of approximately $3.5 billion per occurrence. As a result of a settlement process involving certain of the insurance companies providing a portion of the net lessees' property damage and business interruption insurance coverage, the net lessees, the Port Authority, the Federal and state courts in which litigation pertaining to such insurance coverage was pending, as well as court-appointed mediators and the New York State Insurance Department, a global settlement of the net lessees' World Trade Center property damage and business interruption claim has been achieved. Such settlement provided for a total recovery of approximately $4.57 billion against available policy limits of approximately $4.68 billion. Approximately $2.3 billion of these funds has been used for the net lessees' business interruption expenses, including the payment of rent to the Port Authority, the prepayment of the mortgage loan entered into on July 24, 2001 by the Silverstein net lessees with GMAC Commercial Mortgage Corporation in the amount of approximately $562 million, and the purchase by the Port Authority on December 23, 2003 of the retail net lessee from Westfield for $140 million as well as certain of their World Trade Center redevelopment expenses. The Port Authority now owns 100% of the membership interest in and is the sole managing member of the retail net lessee, a single purpose entity, which is now known as WTC Retail LLC.

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

In connection with the implementation of the conceptual framework for the redevelopment of the WTC, the Port Authority acquired, as of November 16, 2006, the office net lessee, 1 World Trade Center LLC, of the Freedom Tower and Tower 5, comprising, in the aggregate, approximately 3.8 million square feet of office space. The other office net lessees, the Silverstein net lessees, will develop Towers 2, 3 and 4, comprising, in the aggregate, approximately 6.2 million square feet of office space. The agreements also provide for a development schedule for Towers 2, 3 and 4, the allocation of certain insurance proceeds and common infrastructure costs, and certain adjustments to rent, as well as the use of New York Liberty Bond financing (allocations were made by the State of New York on July 14, 2006 and by the New York City Industrial Development Agency on July 11, 2006, totaling $2.593 billion for the development of Towers 2, 3 and 4 and $702 million for the development of the Freedom Tower and the retail components of the World Trade Center site).

Under a November 2006 World Trade Center Master Development Agreement among the Port Authority, PATH, 1 World Trade Center LLC, WTC Retail LLC, and the Silverstein net lessees, a development schedule for Towers 2, 3 and 4 was established, providing for the Port Authority to turn over the entire sites for Towers 3 and 4 to their respective net lessees by June 30, 2008, and to turn over the entire site for Tower 2 to its net lessee by December 31, 2008. In the event that the Port Authority fails to meet any of the turnover dates, as adjusted for “unavoidable delay” (generally, certain events outside the control of the Port Authority, including fault of other parties and breaches of the various agreements that have an impact on the construction schedule), the Port Authority is obligated to pay liquidated damages in the total cumulative amount of $300,000 per day until all turnover failures are cured. Any liquidated damages received by the Silverstein net lessees will be applied by the Silverstein net lessees to project costs for Towers 2, 3 and 4. The Port Authority turned over the sites for Towers 3 and 4 (except for the retained areas under Port Authority control) to the respective net lessees on February 17, 2008. The Port Authority made a partial turnover (excluding the retained area) of the site for Tower 2 and the retained area with respect to the site for Tower 4 to the respective net lessees on October 5, 2008. On November 12, 2008 the Silverstein net lessees initiated the arbitration process under the Master Development Agreement, contending that the Port Authority failed to satisfy the conditions for partial site turnover of the site for Tower 2 (excluding the retained area) and turnover of the retained parcel with respect to the site for Tower 4. On December 11, 2008, an arbitration panel issued a ruling in favor of the Silverstein net lessees. As of December 31, 2008, the Port Authority has incurred an obligation of $69.6 million in liquidated damages for Towers 2, 3 and 4. Under the Master Development Agreement, as amended on June 12, 2008, Towers 2, 3 and 4 are to be constructed by the respective Silverstein net lessees so that substantial completion is achieved on or before April 30, 2012 with respect to Tower 4, and June 30, 2012 with respect to Towers 2 and 3, in each case subject to a one-year extension at the option of the respective Silverstein net lessee. These completion dates are subject to “unavoidable delay,” generally, certain events outside the control of a Silverstein net lessee, including Port Authority fault and breaches of the various agreements that have an impact on the construction schedule.

Additionally, the Port Authority has the right to foreclose upon the membership interests and certain cash proceeds of the Silverstein net lessees of Towers 2, 3 and 4, in the event that any Silverstein net lessee fails to substantially complete its Tower by the applicable completion date, as extended by "unavoidable delay," subject to certain rights of the net lessees to cure any such default and other procedural requirements.

On January 4, 2008, the Port Authority authorized WTC Retail LLC to enter into agreements with Westfield establishing a Joint Venture between WTC Retail LLC and Westfield for the development, leasing and management of approximately 488,000 square feet of retail space throughout the World Trade Center site. After the application of WTC Retail LLC's investment of $200 million in subordinated equity, WTC Retail LLC and Westfield are each responsible for fifty-percent of the remaining $1.25 billion in total project costs.

Future minimum rentals (see Note G) include rentals of approximately $95 billion attributable to the World Trade Center net leases described above. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the World Trade Center will continue to meet their contractual commitments pertaining to their net leased properties, including those with respect to the payment of rent and the restoration of their net leased properties. The net lessees' ability to meet these contractual commitments may be affected by the outcome of certain pending and future litigation involving insurance and other matters, the nature of the downtown Manhattan real estate market, and coordination among various public and private sector entities involved in the redevelopment of downtown Manhattan.

The Memorial

On July 6, 2006, the Board of Commissioners authorized the Port Authority to enter into an agreement with the Lower Manhattan Development Corporation (LMDC), the World Trade Center Memorial Foundation (the Memorial Foundation), the City of New York and the State of New York for the construction by the Port Authority of the World Trade Center Memorial. The agreement establishes the general areas of responsibility of the parties for the design, development, construction, financing and operation of the project, which will include the Memorial and Memorial Museum, the Visitor Orientation and Education Center (VOEC) and the related common and exclusive infrastructure.

In connection with the funding of the costs of the construction of the project, the Memorial Foundation and the LMDC are responsible for providing $280 million and $250 million, respectively, for the Memorial and Memorial Museum; the State of New York is responsible for providing $80 million for the VOEC; and the Port Authority is responsible for providing up to $150 million for the infrastructure. The Port Authority does not have any responsibility for the operation and maintenance of the Memorial, the Memorial Museum or the VOEC.

World Trade Center Assessment

On October 2, 2008, the Executive Director of the Port Authority issued the Final Report outlining a comprehensive road map that will guide the ongoing rebuilding efforts at the World Trade Center site, and bring a new level of certainty and control to the complex projects. The Final Report sets forth a new timetable for completion of the Freedom Tower, scheduled for completion between the second and fourth quarters of 2013, at a cost of approximately $3.1 billion. In addition, the World Trade Center Memorial Plaza is scheduled for completion by September 11, 2011. Certain street-level landscaping for the Memorial will be completed later, along with the underground museum portion of the Memorial scheduled for completion between the first and second quarters of 2013. The Final Report also set forth that the World Trade Center Transportation Hub will be completed between the fourth quarter of 2013 and the second quarter of 2014, at a cost of approximately $3.2 billion and that the vehicular security center, which will serve as the underground access point for the commercial development on the site, will be completed between the first and third quarters of 2012, at a cost of approximately $633 million.

Accounting

In 2001, the Port Authority reclassified and recognized as an operating expense the $1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprised the components of the World Trade Center complex destroyed as a result of the September 11, 2001 terrorist attacks. A receivable in an amount equal to such net book value was recorded in 2001. In connection with the recovery for and redevelopment of certain assets comprising the World Trade Center, the receivable has been reduced to approximately $418 million on the Port Authority's financial statements for the year ended December 31, 2008.

As of December 31, 2008, recoverable amounts of approximately $1.83 billion comprising $1.41 billion in proceeds from the Port Authority's insurance policies and $413 million from the FEMA have been recognized by the Port Authority. Of this amount, $1.31 billion has been recognized as revenue net of $446 million of expenses related to the events of September 11, 2001, primarily the cost of office space necessary to replace the Port Authority's offices that were located at the World Trade Center, and the balance of approximately $68 million has been applied to a portion of the outstanding receivable representing the net book value of the properties destroyed. The Port Authority received the maximum amount allocated by FEMA for reimbursement of the Port Authority's costs related to the events of September 11, 2001.

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Schedule A - Revenues and Reserves
(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2008			2007
	Operating Fund	**Reserve Funds**	**Combined Total**	Combined Total
		(In thousands)		
Gross operating revenues:				
Rentals	$ 1,079,634	$ -	**$ 1,079,634**	$ 986,663
Tolls and fares	1,054,801	-	**1,054,801**	800,244
Aviation fees	816,628	-	**816,628**	781,355
Parking and other	328,220	-	**328,220**	387,966
Utilities	169,576	-	**169,576**	149,537
Rentals - Special Project Bonds Projects	78,693	-	**78,693**	85,861
Total gross operating revenues	3,527,552	-	**3,527,552**	3,191,626
Operating expenses:				
Employee compensation, including benefits	941,289	-	**941,289**	922,671
Contract services	670,489	-	**670,489**	587,730
Materials, equipment and other	314,722	-	**314,722**	212,147
Rents and amounts in-lieu-of taxes	274,916	-	**274,916**	271,073
Utilities	183,583	-	**183,583**	167,912
Interest on Special Project Bonds	78,693	-	**78,693**	85,861
Total operating expenses	2,463,692	-	**2,463,692**	2,247,394
Amounts in connection with operating asset obligations	41,301	-	**41,301**	40,787
Net (recoverables) expenses related to the events of September 11, 2001	(457,918)	-	**(457,918)**	4,563
Net operating revenues	1,480,477	-	**1,480,477**	898,882
Financial income:				
Interest income	33,419	50,788	**84,207**	116,819
Net (decrease) increase in fair value of investments	10,334	(114,078)	**(103,744)**	91,455
Contributions in aid of construction	313,078	-	**313,078**	313,504
Application of Passenger Facility Charges	215,407	-	**215,407**	220,583
Application of 1WTC LLC/WTC Retail LLC Insurance Proceeds	411,278	-	**411,278**	305,532
Restricted Net Operating Revenues - PAICE	(4,311)	-	**(4,311)**	(1,354)
Grants	9,811	-	**9,811**	11,310
Pass-through grant program payments	(3,130)	-	**(3,130)**	(4,717)
Net revenues available for debt service and reserves	2,466,363	(63,290)	**2,403,073**	1,952,014
Debt service:				
Interest on bonds and other asset financing obligations	409,175	28,797	**437,972**	453,286
Debt maturities and retirements	152,275	-	**152,275**	177,160
Repayment of asset financing obligations	-	80,775	**80,775**	110,424
Total debt service	561,450	109,572	**671,022**	740,870
Transfers to reserves	$ (1,904,913)	1,904,913	**-**	-
Revenues after debt service and transfers to reserves		1,732,051	**1,732,051**	1,211,144
Direct investment in facilities		(1,514,369)	**(1,514,369)**	(808,694)
Change in appropriations for self-insurance		2,123	**2,123**	(3,220)
Increase in reserves		219,805	**219,805**	399,230
Reserve balances, January 1		2,172,924	**2,172,924**	1,773,694
Reserve balances, December 31		$ 2,392,729	**$ 2,392,729**	$ 2,172,924

Schedule B - Assets and Liabilities
(Pursuant to Port Authority bond resolutions)

	December 31, 2008				2007
	Operating Fund	Capital Fund	Reserve Funds	Combined Total	Combined Total
			(In thousands)		
ASSETS					
Current assets:					
Cash	$ 309,030	$ -	$ 41,684	**$ 350,714**	$ 89,233
Restricted cash:					
1 WTC LLC/WTC Retail LLC insurance proceeds	305,470	-	-	**305,470**	450,000
Passenger Facility Charges	2	-	-	**2**	358
Port Authority Insurance Captive Entity, LLC	15,718	-	-	**15,718**	43,319
Investments	489,655	-	782,416	**1,272,071**	2,557,858
Restricted Investments	4,449	-	-	**4,449**	-
Current receivables, net	292,189	81,816	-	**374,005**	398,268
Other current assets	50,374	130,425	-	**180,799**	159,331
Restricted receivables and other assets	35,324	-	-	**35,324**	24,682
Total current assets	1,502,211	212,241	824,100	**2,538,552**	3,723,049
Noncurrent assets:					
Restricted cash	7,346	-	-	**7,346**	8,236
Restricted 1 WTC LLC/WTC LLC Retail insurance proceeds	-	-	-	**-**	207,077
Investments	156,699	278,874	1,568,629	**2,004,202**	849,551
Restricted Investments - PAICE	68,341	-	-	**68,341**	-
Other amounts receivable, net	34,901	500,254	-	**535,155**	741,378
Deferred charges and other noncurrent assets	1,256,926	242,962	-	**1,499,888**	1,292,262
Restricted deferred / other noncurrent assets - PAICE	15,908	-	-	**15,908**	15,055
Amounts receivable - Special Project Bonds Projects	-	1,107,006	-	**1,107,006**	1,252,622
Invested in facilities	-	28,616,523	-	**28,616,523**	26,241,332
Total noncurrent assets	1,540,121	30,745,619	1,568,629	**33,854,369**	30,607,513
Total assets	3,042,332	30,957,860	2,392,729	**36,392,921**	34,330,562
LIABILITIES					
Current liabilities:					
Accounts payable	259,012	457,787	-	**716,799**	778,875
Accrued interest and other current liabilities	479,845	35,935	-	**515,780**	321,287
Restricted other liabilities - PAICE	271	-	-	**271**	382
Accrued payroll and other employee benefits	131,820	-	-	**131,820**	116,991
Deferred income:					
1 WTC LLC/WTC Retail LLC insurance proceeds	305,470	-	-	**305,470**	657,077
Passenger Facility Charges	20,938	-	-	**20,938**	24,668
Restricted Net Operating Revenues - PAICE	5,665	-	-	**5,665**	1,354
Current portion bonds and other asset financing obligations	155,696	824,100	-	**979,796**	1,974,486
Total current liabilities	1,358,717	1,317,822	-	**2,676,539**	3,875,120
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	609,326	-	-	**609,326**	632,059
Other noncurrent liabilities	128,595	31,780	-	**160,375**	152,963
Restricted other noncurrent liabilities - PAICE	35,141	-	-	**35,141**	20,803
Amounts payable - Special Project Bonds	-	1,118,105	-	**1,118,105**	1,264,735
Bonds and other asset financing obligations	780,051	10,222,461	-	**11,002,512**	9,559,060
Total noncurrent liabilities	1,553,113	11,372,346	-	**12,925,459**	11,629,620
Total liabilities	2,911,830	12,690,168	-	**15,601,998**	15,504,740
NET ASSETS	$ 130,502	$ 18,267,692	$ 2,392,729	**$ 20,790,923**	$ 18,825,822
Net assets are composed of:					
Facility infrastructure investment	$ 50,000	$ 18,267,692	$ -	**$ 18,317,692**	$ 16,570,273
Reserves	-	-	2,392,729	**2,392,729**	2,172,924
Appropriated reserves for self-insurance	80,502	-	-	**80,502**	82,625
Net assets	$ 130,502	$ 18,267,692	$ 2,392,729	**$ 20,790,923**	$ 18,825,822

See notes to Consolidated Financial Statements

Schedule C - Analysis of Reserve Funds
(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2008			2007
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
		(In thousands)		
Balance, January 1	$ 1,238,915	$ 934,009	**$ 2,172,924**	$ 1,773,694
Increase in reserve funds *	31,300	1,810,323	**1,841,623**	1,357,645
	1,270,215	2,744,332	**4,014,547**	3,131,339
Applications:				
Repayment of asset financing obligations	-	80,775	**80,775**	110,424
Interest on asset financing obligations	-	28,797	**28,797**	36,077
Direct investment in facilities	-	1,514,369	**1,514,369**	808,694
Self-insurance	-	(2,123)	**(2,123)**	3,220
Total applications	-	1,621,818	**1,621,818**	958,415
Balance, December 31	$ 1,270,215	$ 1,122,514	**$ 2,392,729**	$ 2,172,924

* Consists of net transfers from operating fund and income on investments, including fair market valuation adjustments of $(114) million and $57 million for 2008 and 2007, respectively.

STATISTICAL AND OTHER SUPPLEMENTAL INFORMATION

For the year ended December 31, 2008

The Statistical Section presents additional information as a context for further understanding the information in the financial statements, note disclosures and schedules. The information contained in this section is unaudited.

Financial Trends – Schedule D-1

Trend information is provided to help the reader understand how the Port Authority's financial performance and fiscal health has changed over time.

Debt Capacity – Schedule D-2

The Port Authority has several forms of outstanding obligations.

Information on Port Authority revenues, outstanding obligations, debt service, and reserves is included here for statistical purposes (more detailed information about the various kinds of debt instruments used by the Port Authority can be found in Note D and the reserve funds are described in Note E). 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.

Demographic and Economic Information – Schedule D-3

This schedule offers demographic and economic indicators to provide a better understanding of the environment within which the Port Authority's financial activities take place.

Operating Information – Schedule D-4

Operating and service data is provided to help the reader understand how the information in the Port Authority's financial statements relates to the services it provides and the activities it performs.

Schedule D-1 - Selected Statistical Financial Trends Data

	2008	2007	2006	2005
		(In thousands)		
Net Assets are composed of: (a)				
Invested in capital assets net of related debt	**$7,526,446**	$6,609,691	$5,872,518	$ 5,725,929
Restricted	**409,800**	719,306	208,771	17,916
Unrestricted	**1,895,118**	1,608,284	1,553,114	1,371,928
Net Assets	**$9,831,364**	$8,937,281	$7,634,403	$ 7,115,773
Revenues, Expenses and Changes in Net Assets:				
Gross operating revenues:				
Rentals	**$1,079,634**	$ 986,663	$ 952,431	$ 928,395
Tolls and Fares	**1,054,801**	800,244	798,682	787,381
Aviation Fees	**816,628**	781,355	716,700	748,811
Parking and other fees	**328,220**	387,966	335,019	296,663
Utilities	**169,576**	149,537	146,822	147,795
Rentals associated with Special Project Bonds	**78,693**	85,861	88,884	91,648
Gross operating revenues	**3,527,552**	3,191,626	$ 3,038,538	3,000,693
Operating expenses:				
Employee compensation, including benefits	**941,289**	922,671	840,640	870,784
Contract services	**670,489**	587,730	590,197	564,332
Materials, equipment and other	**314,722**	212,147	187,996	168,139
Rents and amounts in-lieu-of taxes	**274,916**	271,073	254,178	243,411
Utilities	**183,583**	167,912	150,729	149,604
Interest on Special Project Bonds	**78,693**	85,861	88,884	91,648
Operating expenses	**2,463,692**	2,247,394	2,112,624	2,087,918
Net recoverables (expenses) related to the events				
of September 11, 2001	**457,918**	(4,563)	(2,069)	(3,358)
Depreciation of facilities	**(644,620)**	(632,553)	(674,940)	(643,732)
Amortization of costs for regional programs	**(70,840)**	(59,316)	(49,319)	(42,996)
Income from operations	**806,318**	247,800	199,586	222,689
Income on investments (including fair value adjustment)	**(4,976)**	229,812	137,968	105,579
Interest expense on bonds and other asset financing	**(488,463)**	(493,689)	(454,134)	(422,334)
Gain (loss) on disposition of assets	**7**	17,011	(3,741)	(55)
Contributions in aid of construction	**313,078**	313,504	250,904	107,262
Passenger Facility Charges	**211,667**	221,380	192,509	134,429
1 WTC LLC/WTC Retail LLC insurance proceeds	**49,771**	760,467	184,901	-
Grants	**9,811**	11,310	17,469	14,336
Capital funding provided by others	**-**	-	-	-
Pass-through grant program payments	**(3,130)**	(4,717)	(6,832)	-
Increase in net assets December 31,	**$894,083**	$1,302,878	$ 518,630	$ 161,906

(a) Data not available for classifying net assets prior to the implementation of GASB Statement No. 34 for year 2001.

2004	2003	2002	2001	2000	1999
$ 5,563,683	$ 5,397,959	$ 4,492,027	$ 3,814,967	$ -	$ -
14,651	15,153	16,505	245,319	-	-
1,375,533	1,389,219	1,410,763	1,119,047	-	-
$ 6,953,867	$ 6,802,331	$ 5,919,295	$ 5,179,333	$ 4,963,571	$ 4,554,977
$ 877,306	$ 858,414	$ 832,527	$ 976,054	$ 1,218,093	$ 1,119,719
788,333	758,326	774,337	750,782	616,722	595,691
714,766	705,302	672,175	560,951	382,604	363,015
269,413	234,261	197,912	202,864	219,985	247,695
121,436	112,555	97,184	126,956	113,054	123,356
93,570	95,193	96,448	97,195	97,870	98,036
2,864,824	2,764,051	2,670,583	2,714,802	2,648,328	2,547,512
806,890	769,711	777,146	654,074	648,171	630,752
545,404	543,927	622,781	600,686	619,462	560,425
141,367	150,961	135,321	157,004	133,166	122,778
252,658	237,014	140,614	96,401	131,431	133,556
141,476	122,445	113,880	140,436	142,261	131,717
93,570	95,193	96,448	97,195	97,870	98,036
1,981,365	1,919,251	1,886,190	1,745,796	1,772,361	1,677,264
(4,985)	664,211	474,663	(270,334)	-	-
(575,539)	(488,986)	(406,484)	(422,739)	(410,936)	(400,103)
(38,677)	(32,112)	(28,762)	(20,014)	(19,749)	(19,468)
264,258	987,913	823,810	255,919	445,282	450,677
59,047	66,148	97,812	144,618	167,028	117,584
(391,870)	(344,755)	(336,725)	(338,332)	(361,912)	(368,701)
-	787	-	-	1,620	(1,377)
81,173	57,568	36,258	40,070	-	-
125,532	109,111	110,471	113,487	120,404	115,837
-	-	-	-	-	-
13,396	34,501	19,892	-	-	-
-	-	-	-	36,173	55,773
-	(28,237)	(11,556)	-	-	-
$ 151,536	$ 883,036	$ 739,962	$ 215,762	$ 408,595	$ 369,793

Schedule D-2 - Selected Statistical Debt Capacity Data

	2008	2007	2006
		(In thousands)	
Gross Operating Revenues	**$ 3,527,552**	$ 3,191,626	$ 3,038,538
Operating expenses	**(2,463,692)**	(2,247,394)	(2,112,624)
Net recoverables (expenses) related to the events of September 11, 2001	**457,918**	(4,563)	(2,069)
Amounts in connection with operating asset obligations	**(41,301)**	(40,787)	(42,391)
Net operating revenues	**1,480,477**	898,882	881,454
Financial income	**(19,537)**	208,274	134,806
Grants and contributions in aid-of-construction, net	**319,759**	320,097	261,541
Application of Passenger Facility Charges	**215,407**	220,583	186,555
Application of 1WTC LLC/WTC LLC Retail Insurance Proceeds	**411,278**	305,532	-
Restricted Net Operating Revenues - PAICE	**(4,311)**	(1,354)	-
Net Revenues available for debt service and reserves	**2,403,073**	1,952,014	1,464,356
DEBT SERVICE - OPERATIONS			
Interest on bonds and other asset financing obligations	**(409,175)**	(417,209)	(379,361)
Times, interest earned (a)	**5.87**	4.68	3.86
Debt maturities and retirements	**(152,275)**	(177,160)	(254,210)
Times, debt service earned (a)	**4.28**	3.28	2.31
DEBT SERVICE - RESERVES			
Direct investment in facilities	**(1,514,369)**	(808,694)	(490,750)
Debt retirement acceleration	**-**	-	-
Change in appropriations for self-insurance	**2,123**	(3,220)	(4,968)
Interest on bonds and other asset financing obligations	**(28,797)**	(36,077)	(26,587)
Repayment of asset financing obligations	**(80,775)**	(110,424)	(109,934)
Net increase (decrease) in reserves	**219,805**	399,230	198,546
RESERVE BALANCES			
January 1	**2,172,924**	1,773,694	1,575,148
December 31	**$ 2,392,729**	$ 2,172,924	$ 1,773,694
Reserve funds balances represented by:			
General Reserve	**1,270,215**	1,238,915	1,198,499
Consolidated Bond Reserve	**1,122,514**	934,009	575,195
Total	**$ 2,392,729**	$ 2,172,924	$ 1,773,694
OBLIGATIONS AT DECEMBER 31			
Consolidated Bonds and Notes	**$ 10,794,831**	$ 9,495,419	$ 9,659,104
Fund Buy-out obligation	**398,262**	409,128	419,155
Amounts payable - Special Project Bonds	**1,107,006**	1,264,735	1,311,100
Variable rate master notes	**90,990**	90,990	130,990
Commercial paper notes	**186,040**	238,950	270,740
Versatile structure obligations	**399,700**	1,205,600	519,600
Port Authority equipment notes	**112,485**	93,460	93,460
Total obligations	**$ 13,089,314**	$ 12,798,282	$ 12,404,149
DEBT RETIRED THROUGH INCOME:			
Annual	**233,050**	287,584	364,144
Cumulative	**$ 6,957,506**	$ 6,724,456	$ 6,436,872

(a) Debt service ratios excluding net (expenses) recoverables related to the events of September 11, 2001 and net amounts associated with the 1993 bombing are as follows:

Times, interest earned	4.75	4.69	3.87
Times, debt service earned	3.46	3.29	2.31

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.

2005	2004	2003	2002	2001	2000	1999
$ 3,000,693	$ 2,864,824	$ 2,764,051	$ 2,670,583	$ 2,714,802	$ 2,648,328	$ 2,547,512
(2,087,918)	(1,981,365)	(1,919,251)	(1,886,190)	(1,745,796)	(1,772,361)	(1,677,264)
(3,358)	(4,985)	664,211	474,663	(270,334)	-	-
(48,008)	(34,609)	(35,113)	(35,960)	(36,696)	(37,188)	(35,957)
861,409	843,865	1,473,898	1,223,096	661,976	838,779	834,291
103,572	57,403	61,765	95,962	143,381	162,811	104,657
121,598	94,569	63,832	44,594	40,070	-	-
113,649	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,200,228	995,837	1,599,495	1,363,652	845,427	1,001,590	938,948
(355,068)	(345,129)	(291,514)	(282,635)	(266,944)	(318,912)	(323,954)
3.38	2.89	5.49	4.82	3.17	3.14	2.90
(205,220)	(211,870)	(698,280)	(181,250)	(171,340)	(158,435)	(138,225)
2.14	1.79	1.62	2.94	1.93	2.10	2.03
(626,813)	(285,441)	(542,260)	(433,747)	(462,129)	(404,388)	(233,260)
-	(110,075)	(183,120)	(283,502)	(25,000)	(60,000)	-
(5,325)	249	(15,201)	(19,017)	14,270	(5,101)	(4,247)
(17,645)	(8,684)	(6,860)	(15,828)	(27,964)	-	-
(12,205)	(10,737)	(6,329)	(5,863)	(6,390)	(10)	(172)
(22,048)	24,150	(144,069)	141,810	(100,070)	54,744	239,090
1,597,196	1,573,046	1,717,115	1,575,305	1,675,375	1,620,631	1,381,541
$ 1,575,148	$ 1,597,196	$ 1,573,046	$ 1,717,115	$ 1,575,305	$ 1,675,375	$ 1,620,631
1,068,790	1,068,790	948,902	907,075	880,041	848,095	839,671
506,358	528,406	624,144	810,040	695,264	827,280	780,960
$ 1,575,148	$ 1,597,196	$ 1,573,046	$ 1,717,115	$ 1,575,305	$ 1,675,375	$ 1,620,631
$ 8,328,644	$ 8,273,573	$ 7,053,296	$ 6,630,205	$ 6,092,735	$ 5,889,613	$ 5,916,804
420,660	422,050	423,330	424,513	425,606	419,696	414,246
1,354,425	1,393,920	1,420,240	1,442,450	1,457,705	1,468,965	1,477,275
130,990	130,990	149,990	149,990	214,990	214,990	215,990
282,095	280,315	249,200	180,408	356,880	251,885	123,595
532,100	544,000	554,500	560,600	566,000	571,300	575,900
47,105	65,105	61,800	107,100	112,100	84,200	87,150
$ 11,096,019	$ 11,109,953	$ 9,912,356	$ 9,495,266	$ 9,226,016	$ 8,900,649	$ 8,810,960
217,425	332,682	887,729	470,615	202,730	218,445	138,396
$ 6,072,728	$ 5,855,303	$ 5,522,621	$ 4,634,892	$ 4,164,277	$ 3,961,547	$ 3,743,102
3.39	2.90	3.21	3.15	4.18	3.14	2.90
2.15	1.80	0.94	1.92	2.55	2.10	2.03

Schedule D-3 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 eight northern New Jersey counties of Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset and Union. The following demographic information is provided for this seventeen county region that comprise approximately 3,900 square miles.

	Population (2)	Total Personal Income (3)	Per-capita Personal Income (2) (3)	Employment (4)	Unemployment Rate (5)
	(In thousands)				
2008 (1)	**17,198**	**$961,824,336**	**$55.93**	**8,040.7**	**5.30%**
2007	17,170	$919,496,976	$53.55	8,017.2	4.50%
2006	17,178	$834,929,262	$48.60	7,894.2	4.70%
2005	17,181	$781,458,630	$45.48	7,796.8	5.00%
2004	17,143	$749,190,737	$43.70	7,739.5	5.80%
2003	17,089	$699,191,901	$40.91	7,714.4	6.70%
2002	17,021	$687,559,899	$40.39	7,748.1	6.60%
2001	16,941	$690,877,666	$40.79	7,891.9	5.00%
2000	16,789	$674,214,026	$40.16	7,954.1	4.60%
1999	16,674	$622,227,216	$37.32	7,755.7	5.30%
1998	16,510	$593,738,796	$35.96	7,544.5	5.70%

Leading employment by major industries (% of total) (5) (6)

	2008	1999
Education & Health Services	**17.0%**	14.9%
Government	**15.2%**	14.8%
Professional & Business Services	**15.2%**	14.9%
Retail Trade	**10.0%**	10.0%
Financial Activities	**9.1%**	9.8%
Leisure & Hospitality	**7.2%**	5.8%
Manufacturing	**5.2%**	8.0%
Wholesale Trade	**5.0%**	5.4%
Other Services	**4.8%**	4.8%
Construction	**4.2%**	3.7%
TWU*	**3.7%**	4.1%
Information	**3.4%**	3.8%

(1) Data for 2008 is preliminary and subject to revision.
(2) Source - US Census Bureau, years 1999-2007, 2008 data estimate by Global Insight
(3) Source - US Bureau of Economic Analysis, years 1999-2006, 2007-2008 data estimate by Global Insight
(4) Source - US Bureau of Labor Statistics
(5) Source - US Bureau of Labor Statistics, years 1999-2007, 2008 New York and New Jersey Departments of Labor
(6) Employment by major industries are provided by the New York and New Jersey Departments of Labor by labor areas and include a limited number of locales immediately surrounding the 17-county New York-New Jersey region. These labor areas consist of 23 counties in the metropolitan area. The Port Authority's 17-county region comprises approximately 93% of the employment in the larger 23-county region. The inclusion of these areas is not expected to impact labor employment by industry. The presentation of the region's labor by industry for years 2008 and 1999 provides additional historical perspective on the Region's labor force that primarily comprises the Port Authority's customer base. Industry definitions can be found at the US Department of Labor Statistics website at www.bls.gov/bls/naics.htm.

* Transportation and Warehousing, and Utilities Industry

Schedule D-4 Selected Statistical Operating Data

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Authorized Port Authority staffing levels:										
Tunnels, Bridges and Terminals	**940**	$ 910	938	1,010	1,039	1,023	1,034	1,058	1,030	1,056
PATH	**1,088**	1,075	1,080	1,089	1,092	1,093	1,095	1,072	1,000	1,016
Port Commerce facilities	**179**	168	175	183	187	191	192	193	173	181
Air Terminal facilities	**978**	918	953	989	999	999	997	998	934	959
Development (a)	**86**	77	-	-	-	-	-	-	-	-
Other operational and support activities (b)	**2,082**	2,208	2,259	2,382	2,403	2,409	2,418	2,447	2,402	2,436
Subtotal	**5,353**	5,356	5,405	5,653	5,720	5,715	5,736	5,768	5,539	5,648
Public Safety and Security	**1,774**	1,772	1,776	1,541	1,547	1,519	1,499	1,425	1,375	1,371
Total	**7,127**	7,128	7,181	7,194	7,267	7,234	7,235	7,193	6,914	7,019
Facility Traffic and Other Indicators:						(In thousands)				
INTERSTATE TRANSPORTATION NETWORK										
Tunnels and Bridges (Total Eastbound Traffic)										
George Washington Bridge	**52,947**	53,956	54,265	53,612	54,202	52,971	54,674	53,467	54,327	53,601
Lincoln Tunnel	**20,937**	21,842	21,933	21,794	21,733	21,078	20,931	20,987	22,005	21,610
Holland Tunnel	**16,871**	17,349	17,365	16,982	16,963	16,566	15,764	14,616	17,797	17,555
Staten Island Bridges	**32,970**	33,857	33,457	33,479	33,649	33,205	33,875	32,812	32,194	31,554
Total vehicles	**123,725**	127,004	127,020	125,867	126,547	123,820	125,244	121,882	126,323	124,320
Automobiles	**112,176**	115,349	115,506	114,481	115,219	112,869	114,005	110,753	115,149	113,479
Buses	**3,158**	3,139	3,140	3,137	3,123	3,041	3,121	2,842	2,571	2,626
Trucks	**8,391**	8,516	8,374	8,249	8,205	7,910	8,118	8,287	8,603	8,215
Total vehicles	**123,725**	127,004	127,020	125,867	126,547	123,820	125,244	121,882	126,323	124,320
Bus Facility Terminals										
Bus facilities passengers	**71,754**	71,540	72,731	69,060	69,871	69,428	69,236	71,560	71,360	71,464
Bus movements	**3,375**	3,361	3,394	3,346	3,426	3,447	3,561	3,515	3,532	3,312
PATH										
Total Passengers	**74,954**	71,592	66,966	60,787	57,725	47,920	51,920	69,791	74,087	67,332
Passenger weekday average	**252**	242	227	206	194	160	174	241	255	232
Total Interstate Transportation Network Net Capital Expenditures	**$ 834,742**	$ 660,620	$ 491,269	$ 471,306	$ 463,652	$ 751,509	$ 474,978	$ 198,725	$ 209,567	$ 184,578
PORT COMMERCE										
Containers in twenty foot equivalent units (TEU) (in thousands)	**5,249**	5,298	5,015	4,793	4,478	4,068	3,749	3,316	3,051	2,829
International waterborne vehicles (in thousands)	**724**	790	725	625	670	608	634	611	668	517
Waterborne bulk commodities (in metric tons) (in millions)	**5**	7	6	5	5	3	2	4	3	3
Total Port Commerce Net Capital Expenditures	**$ 181,772**	$ 288,677	$ 228,873	$ 220,545	$ 258,669	$ 298,162	$ 209,942	$ 97,151	$ 105,959	$ 65,164
THREE MAJOR AIR TERMINALS										
John F. Kennedy International Airport total passengers	**47,790**	47,717	42,630	40,892	37,517	31,737	29,939	29,351	32,828	31,708
LaGuardia Airport total passengers	**23,077**	24,985	25,810	25,889	24,452	22,483	21,987	22,525	25,360	23,927
Newark Liberty International Airport total passengers	**35,347**	36,367	35,692	33,078	31,908	29,451	29,221	31,100	34,189	33,623
Total passengers	**106,214**	109,069	104,132	99,859	93,877	83,671	81,147	82,976	92,377	89,258
Domestic passengers	**71,579**	75,546	73,163	70,223	66,329	59,655	57,320	58,225	63,962	62,161
International passengers	**34,635**	33,523	30,969	29,636	27,548	24,016	23,827	24,751	28,415	27,097
Total passengers	**106,214**	109,069	104,132	99,859	93,877	83,671	81,147	82,976	92,377	89,258
Total Cargo-tons	**2,343**	2,620	2,697	2,695	2,799	2,723	2,583	2,451	2,955	2,859
Revenue Mail-tons	**237**	227	194	180	194	188	147	239	322	331
Total Plane Movements	**1,249**	1,271	1,222	1,191	1,156	1,020	1,056	1,101	1,179	1,164
Total Air Terminals Net Capital Expenditures	**$ 624,700**	$ 685,787	$ 587,265	$ 501,476	$ 410,581	$ 560,695	$ 784,711	$ 1,043,477	$ 811,742	$ 644,893

(a) Development Department was established in early 2007.

(b) Includes staff such as engineering, finance, human resources, legal, technical services and other activities that provide support to the different Port Authority lines of business.

Schedule E - Information on Port Authority Operations

	Year ended December 31, 2008							2007
	Gross Operating Revenues	Operating Expenses(a)	Depreciation & Amortization	Income (Loss) from Operations	Interest & Other Expenses(b)	PFCs, Grants & Other	Net Income (Loss)	Net Income (Loss)
				(In thousands)				
INTERSTATE TRANSPORTATION NETWORK								
G.W. Bridge & Bus Station	$ 438,967	$ 108,125	$ 35,635	$ 295,207	$ 26,729	$ 548	$ 269,026	$ 165,260
Holland Tunnel	115,006	67,494	17,348	30,164	13,899	407	16,672	(6,541)
Lincoln Tunnel	153,536	87,924	34,344	31,268	23,958	667	7,977	(4,336)
Bayonne Bridge	27,976	22,229	5,852	(105)	7,459	147	(7,417)	(5,876)
Goethals Bridge	117,395	25,107	7,374	84,914	5,721	138	79,331	50,259
Outerbridge Crossing	105,938	22,986	11,042	71,910	5,148	129	66,891	44,870
P. A. Bus Terminal	32,546	102,700	17,441	(87,595)	16,421	4,775	(99,241)	(75,566)
Subtotal - Tunnels, Bridges & Terminals	991,364	436,565	129,036	425,763	99,335	6,811	333,239	168,070
PATH	108,437	280,612	98,414	(270,589)	65,758	2,653	(333,694)	(282,910)
Permanent WTC PATH Terminal	-	-	7,415	(7,415)	-	197,590	190,175	209,803
Journal Square Transportation Center	2,682	9,697	5,622	(12,637)	3,545	-	(16,182)	(12,882)
Subtotal - PATH	111,119	290,309	111,451	(290,641)	69,303	200,243	(159,701)	(85,989)
Ferry Transportation	173	4,500	223	(4,550)	2,945	2,622	(4,873)	(5,924)
Access to the Regions Core (ARC)	-	-	-	-	158	-	(158)	-
Total Interstate Transportation Network	1,102,656	731,374	240,710	130,572	171,741	209,676	168,507	76,157
AIR TERMINALS								
LaGuardia	307,746	237,414	29,728	40,604	25,463	44,274	59,415	45,645
JFK International	950,583	657,492	106,119	186,972	85,873	22,258	123,357	162,083
Newark Liberty International	718,451	415,712	105,431	197,308	95,469	30,449	132,288	181,715
Teterboro	34,052	18,998	8,445	6,609	2,971	4,345	7,983	15,674
Stewart International	10,518	14,319	-	(3,801)	-	328	(3,473)	(809)
Heliport	4,531	2,262	7	2,262	-	-	2,262	(456)
PFC Program	-	-	68,469	(68,469)	5,083	211,667	138,115	149,701
Total Air Terminals	2,025,881	1,346,197	318,199	361,485	214,859	313,321	459,947	553,553
PORT COMMERCE								
Port Newark	84,166	66,935	20,719	(3,488)	16,778	208	(20,058)	1,399
Elizabeth Marine Terminal	88,401	31,700	33,881	22,820	36,791	150	(13,821)	30,088
Brooklyn	4,334	15,043	386	(11,095)	1,391	33	(12,453)	(25,997)
Red Hook	2,012	6,658	27	(4,673)	-	1	(4,672)	(17,238)
Howland Hook	12,674	9,740	14,323	(11,389)	12,296	-	(23,685)	(3,739)
Greenville Yard	321	3	-	318	-	-	318	301
Auto Marine	9,131	12,244	2,092	(5,205)	2,271	-	(7,476)	5,331
NYNJ Rail LLC	230	1,200	210	(1,180)	26	-	(1,206)	-
Total Port Commerce	201,269	143,523	71,638	(13,892)	69,553	392	(83,053)	(9,855)
DEVELOPMENT								
Essex County Resource Recovery	77,521	64,919	1,412	11,190	193	-	10,997	10,328
Industrial Park at Elizabeth	1,015	116	189	710	509	-	201	363
Bathgate	4,291	1,866	1,509	916	765	-	151	726
Teleport	13,931	14,520	2,117	(2,706)	1,258	-	(3,964)	(991)
Newark Legal & Communications Center	3,458	1,106	3,112	(760)	2,203	-	(2,963)	(2,008)
Queens West	2,120	40	936	1,144	2,943	-	(1,799)	(1,201)
Hoboken South	6,258	457	1,394	4,407	3,788	-	619	3,154
Total Development	108,594	83,024	10,669	14,901	11,659	-	3,242	10,371
WORLD TRADE CENTER								
World Trade Center	86,901	14,960	-	71,941	(20,039)	-	91,980	87,634
WTC Freedom Tower	-	4,026	-	(4,026)	(5,498)	26,920	28,392	419,386
WTC Tower 5	-	728	-	(728)	(2,297)	12,668	14,237	183,388
WTC Site	2,222	121,952	1,961	(121,691)	-	11,167	(110,524)	(36,511)
WTC Retail LLC	29	2,804	1,443	(4,218)	(2,722)	10,183	8,687	145,159
Total World Trade Center	89,152	144,470	3,404	(58,722)	(30,556)	60,938	32,772	799,056
Port Authority Insurance Captive Entity, LLC	-	198	-	(198)	(4,509)	-	4,311	1,354
Regional Programs	-	14,906	70,840	(85,746)	63,815	-	(149,561)	(123,195)
Recoverables (expenses) related to the events of September 11, 2001	-	-	-	457,918	-	-	457,918	(4,563)
Total Port Authority	$ 3,527,552	$ 2,463,692	$ 715,460	$ 806,318	$ 496,562	$ 584,327	$ 894,083	$ 1,302,878

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

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

Schedule F - Information on Port Authority Capital Program Components

	Facilities, net Dec. 31, 2007	Net Capital Expenditures	Depreciation *	Facilities, net Dec. 31, 2008
		(In thousands)		
INTERSTATE TRANSPORTATION NETWORK				
G.W. Bridge & Bus Station	$ 757,984	$ 55,170	$ 35,635	$ 777,519
Holland Tunnel	362,039	14,542	17,348	359,233
Lincoln Tunnel	493,332	22,702	34,344	481,690
Bayonne Bridge	164,758	15,342	5,852	174,248
Goethals Bridge	228,343	20,855	7,374	241,824
Outerbridge Crossing	113,739	5,469	11,042	108,166
P. A. Bus Terminal	410,410	40,600	17,441	433,569
Subtotal - Tunnels, Bridges & Terminals	2,530,605	174,680	129,036	2,576,249
PATH	1,233,793	217,144	89,075	1,361,862
Temporary WTC PATH Terminal	339,579	-	9,429	330,150
Permanent WTC PATH Terminal	544,888	384,945	7,415	922,418
Journal Square Transportation Center	87,650	7,375	5,622	89,403
Subtotal - PATH	2,205,910	609,464	111,541	2,703,833
Ferry Transportation	90,249	14,141	223	104,167
Access to the Regions Core (ARC)	-	36,457	-	36,457
Total Interstate Transportation Network	4,826,764	834,742	240,800	5,420,706
AIR TERMINALS				
LaGuardia	647,707	117,564	29,728	735,543
JFK International	2,466,262	162,202	106,119	2,522,345
Newark Liberty International	2,006,372	106,868	105,431	2,007,809
Teterboro	161,593	24,105	8,445	177,253
Stewart International	503	8,850	-	9,353
Heliport	7	-	7	-
PFC Program	1,553,366	205,111	68,469	1,690,008
Total Air Terminals	6,835,810	624,700	318,199	7,142,311
PORT COMMERCE				
Port Newark	464,647	88,253	20,719	532,181
Elizabeth Marine Terminal	1,000,037	71,274	33,881	1,037,430
Brooklyn	27,717	164	386	27,495
Red Hook	136	14	27	123
Howland Hook	397,526	14,920	14,323	398,123
NYNJ Rail LLC	-	5,117	210	4,907
Auto Marine & Greenville Yard	41,417	2,030	2,092	41,355
Total Port Commerce	1,931,480	181,772	71,638	2,041,614
DEVELOPMENT				
Essex County Resource Recovery	16,937	-	1,412	15,525
Industrial Park at Elizabeth	8,226	-	189	8,037
Bathgate	13,460	577	1,509	12,528
Teleport	23,092	544	2,117	21,519
Newark Legal & Communications Center	38,624	-	3,112	35,512
Queens West	132,460	12,326	936	143,850
Hoboken South	77,370	8,590	1,394	84,566
Total Development	310,169	22,037	10,669	321,537
WORLD TRADE CENTER				
World Trade Center	80,261	8	-	80,269
WTC Site	476,871	275,805	1,961	750,715
WTC Retail LLC	158,521	22,068	1,443	179,146
WTC Freedom Tower	249,736	304,161	-	553,897
Total World Trade Center	965,389	602,042	3,404	1,564,027
FACILITIES, NET	$ 14,869,612	$ 2,265,293	$ 644,710	$ 16,490,195
REGIONAL PROGRAMS	$ 765,328	$ 95,194	$ 70,840	$ 789,682

* Depreciation includes the book value of assets disposed of in 2008 (see Note B).

Schedule G - Facility Traffic*

TUNNELS AND BRIDGES

(Eastbound Traffic)	2008	2007
All Crossings		
Automobiles	**112,176,000**	115,349,000
Buses	**3,158,000**	3,139,000
Trucks	**8,391,000**	8,516,000
Total vehicles	**123,725,000**	127,004,000
George Washington Bridge		
Automobiles	**48,112,000**	49,025,000
Buses	**550,000**	576,000
Trucks	**4,285,000**	4,355,000
Total vehicles	**52,947,000**	53,956,000
Lincoln Tunnel		
Automobiles	**17,402,000**	18,311,000
Buses	**2,122,000**	2,091,000
Trucks	**1,413,000**	1,440,000
Total vehicles	**20,937,000**	21,842,000
Holland Tunnel		
Automobiles	**16,521,000**	17,006,000
Buses	**253,000**	245,000
Trucks	**97,000**	98,000
Total vehicles	**16,871,000**	17,349,000
Staten Island Bridges		
Automobiles	**30,141,000**	31,007,000
Buses	**233,000**	227,000
Trucks	**2,596,000**	2,623,000
Total vehicles	**32,970,000**	33,857,000

AIR TERMINALS

	2008	2007
Totals at the Three Major Airports		
Plane movements	**1,249,312**	1,270,628
Passengers	**106,213,651**	109,069,405
Cargo-tons	**2,343,415**	2,619,582
Revenue mail-tons	**237,087**	226,512
John F. Kennedy International Airport		
Plane movements	**437,969**	443,750
Passengers	**47,789,855**	47,716,901
Domestic	**25,405,948**	26,173,650
International	**22,383,907**	21,543,251
Cargo-tons	**1,473,809**	1,656,431
LaGuardia Airport		
Plane movements	**378,402**	390,765
Passengers	**23,076,903**	24,985,264
Domestic	**21,945,239**	23,758,362
International	**1,131,664**	1,226,902
Cargo-tons	**8,889**	9,595
Newark Liberty International Airport		
Plane movements	**432,941**	436,113
Passengers	**35,346,893**	36,367,240
Domestic	**24,227,815**	25,614,140
International	**11,119,078**	10,753,100
Cargo-tons	**860,717**	953,556

PATH

	2008	2007
Total passengers	**74,954,000**	71,592,000
Passenger weekday average	**252,000**	242,000

MARINE TERMINALS

	2008	2007
All Terminals		
Containers	**3,059,869**	3,099,039
General cargo (a) (Metric tons)	**32,817,000**	32,732,000
Containers in twenty foot equivalent units (in thousands)	**5,249**	5,298
International waterborne vehicles (in thousands)	**724**	790
Waterborne bulk commodities (in metric tons) (in millions)	**5**	7
New Jersey Marine Terminals		
Containers	**2,499,054**	2,630,849
New York Marine Terminals		
Containers	**560,815**	468,190

TERMINALS

	2008	2007
All Bus Facilities		
Passengers	**71,754,000**	71,540,000
Bus movements	**3,374,550**	3,361,000
Port Authority Bus Terminal		
Passengers	**58,395,000**	57,346,000
Bus movements	**2,220,000**	2,169,000
George Washington Bridge Bus Station		
Passengers	**5,288,000**	5,144,000
Bus movements	**324,000**	305,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**8,071,000**	9,050,000
Bus movements	**830,550**	887,000

*Some 2007 and 2008 numbers reflect revised and estimated data, respectively.
(a) International oceanborne general cargo as recorded in the New York - New Jersey Customs District.

THE PORT AUTHORITY OF NY & NJ