

The Port Authority of New York and New Jersey

Condensed Consolidated Financial Statements as of and for the
Three-Month Period Ended March 31, 2019 (Unaudited)

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

1. OVERVIEW OF THE FINANCIAL STATEMENTS

The following is an overview of the financial activities of the Port Authority of New York and New Jersey (The Port Authority) and its component units, as of and for the three-month period ended March 31, 2019. This overview is intended to serve as an introduction to the unaudited condensed consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and should be read in conjunction with the Port Authority's audited financial statements and appended note disclosures for the year ended December 31, 2018 that are posted in the corporate information section on the Port Authority's website.

The unaudited financial results for the three-month period ended March 31, 2019 contained in these schedules are not necessarily indicative of the results for the annual period ending December 31, 2019.

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides an assessment of how the Port Authority's financial position has changed and identifies the factors that, in management's view, significantly affected the Port Authority's overall financial position.

The Condensed Consolidated Financial Statements

The Statement of Net Position provides information about the nature and amounts of investments in resources (Assets) and obligations (Liabilities) to the Port Authority, with the difference between the two reported as Net Position (Equity).

The Statement of Revenues, Expenses and Changes in Net Position shows how the Port Authority's overall Net position changed during the three-month period ended March 31, 2019 and March 31, 2018.

The Statement of Cash Flows provides information about the Port Authority's cash receipts, cash payments, and net changes in cash resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities for the three-month period ended March 31, 2019 and March 31, 2018.

2. FINANCIAL REPORTING ENTITY

The Port Authority of New York and New Jersey was created in 1921 by Compact between the States of New York and New Jersey with the consent of the United States Congress. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation primarily 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,

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including rentals, tolls, fares, aviation and port fees, and other charges for the use of, and privileges at certain of the Port Authority's facilities.

3. BASIS OF ACCOUNTING

The Port Authority's activities are accounted for using the flow of economic resources measurement focus and accrual basis of accounting. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, Net position, Revenues and Expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

The Port Authority follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The preparation of the condensed 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 condensed 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.

4. FINANCIAL STATEMENT COMPARISON FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019

	Three-Month Period Ended March 31, 2019	Three-Month Period Ended March 31, 2018 (in thousands)	Variance
Gross operating revenues	\$ 1,291,906	\$ 1,258,232	\$ 33,674
Operating expenses	(802,347)	(757,950)	(44,397)
Net operating income	489,559	500,282	(10,723)
Depreciation and amortization	(341,792)	(311,334)	(30,458)
Income from operations	147,767	188,948	(41,181)
Financial income*	31,939	6,342	25,597
Interest expense, net**	(226,572)	(207,256)	(19,316)
Grants and other non-operating revenues/(expenses)***	6,081	5,601	480
Capital contributions and Passenger Facility Charges (PFC's)	145,115	147,892	(2,777)
Non-operating expenses, net	(43,437)	(47,421)	3,984
Increase in net position	\$ 104,330	\$ 141,527	\$ (37,197)

* Includes changes to the fair market value of investments of \$13 million in 2019 and \$(9.6) million in 2018, respectively.

** Three-month period ended March 2019 and March 2018 interest expense amounts are net of \$16 million due the Port Authority for the reimbursement of Tower 4 Liberty Bond debt service payments from the WTC Tower 4 net lessee.

*** Includes pass-through grant payments to sub-recipients of \$38 thousand in 2019 and \$877 thousand in 2018, respectively.

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Overview of Operating Results:

The Port Authority generated \$490 million in *Net Operating Income* in the three-month period ended March 31, 2019, before consideration of non-cash charges relating to depreciation and amortization. This first quarter 2019 net operating income performance is \$8.0 million or 2% increase above the 2019 budget adopted by the Board of Commissioners in December 2018.

Net Operating Income performance, along with reductions for depreciation and net non-operating expenses enabled the Agency's Net Position to increase \$104 million in the three-month period ended March 31, 2019.

Gross operating revenues of \$1.3 billion increased \$33.7 million from the same three-month period in 2018. This overall increase is primarily due to *a.)* a \$17 million increase in fixed and percentage rentals resulting from scheduled rent increases, increased aviation passenger activity and increased occupancy at One WTC, *b.)* a \$8.8 million increase in fees paid by airlines operating at Aviation facilities due to the recovery of increased policing and security costs and additional aeronautical capital investment being placed into service and *c.)* a \$4.6 million increase in tolls at the Port Authority's six (6) vehicular crossings due to a 2.6% increase in overall vehicular traffic partially offset by increased tolling discounts resulting from higher EZPass® usage.

Operating expenses of \$802 million increased \$44.4 million from the same three-month period in 2018. This overall increase is primarily due to *a.)* a \$12.0 million increase in public safety employee compensation due to increased headcount and unarmed security services at Port Authority facilities to meet ongoing security requirements, *b.)* a \$6.5 million increase in employee compensation and materials and equipment related to snow and ice removal activities *c.)* a \$6.0 million increase for the operation and maintenance of the John F. Kennedy International Airport (JFK) and Newark Liberty International Airport (EWR) Air-Train systems, *d.)* a \$4.0 million increase in customer service related initiative and *e.)* a \$2.0 million increase in Goethals Bridge Replacement Bridge developer payments due to its substantial completion in June 2018.

Depreciation and amortization of \$342 million increased \$30.5 million from the same three-month period of 2018 as a result of the completion of approximately \$5.3 billion of capital construction projects during 2018. These capital infrastructure assets, include elements of the *a.)* LaGuardia Airport (LGA) Redevelopment Program *b.)* Goethals Bridge Replacement Bridge Program, *c.)* Bayonne Bridge Navigational Clearance Program, *d.)* PATH Signal Replacement Program, and *e.)* Lincoln Tunnel Access Program that have been placed into service and are now being depreciated over their useful lives.

Non-Operating Income and Expense Activities, net:

Financial Income of \$32 million increased \$26 million from the same three-month period of 2018 primarily as a result in an increase in unrealized gains in the market value of investments of \$23 million. Realized investment income increased \$3.0 million from the same three-month period of 2018.

Interest Expense of \$226 million increased \$19 million from the same three-month period of 2018 due to the commencement in June of 2018 of Goethals Bridge Replacement Developer Financing Arrangement (DFA) payments.

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AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

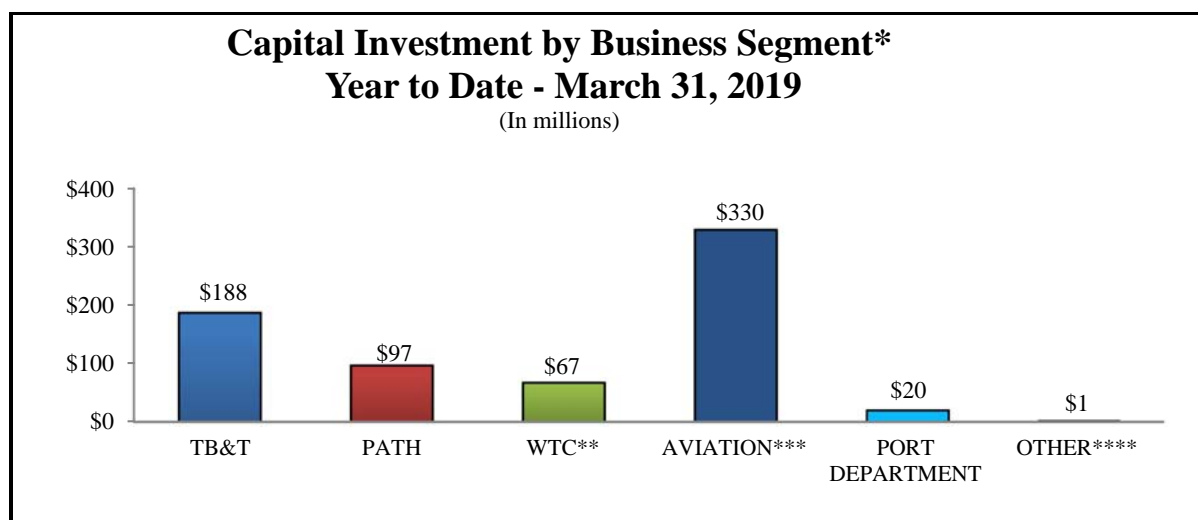
Assets:

Port Authority Assets totaled \$47.4 billion at March 31, 2019, an increase of \$93 million from December 31, 2018. This overall increase is primarily due to:

Facilities, net of \$37.7 billion, increased approximately \$308 million, primarily due to additional capital investment in Aviation and Tunnel and Bridge core transportation facilities, as outlined in the 2017-2026 ten-year capital plan, less year-to-date depreciation.

For additional information related to the Port Authority's current ten-year capital plan, please refer to Port Authority's website at: <http://corpinfo.panynj.gov/documents/Capital-Plan-2017-2026>.

The following chart depicts capital investment in Port Authority facilities of \$703 million for the three-month period ended March 31, 2019, summarized by primary business segment.



* Business segment capital investment includes Security capital projects of \$22 million and non-Port Authority managed capital projects of \$64 million, respectively.

** Includes capital investment related to the WTC Transportation Hub and required capital contributions from the WTC Tower 3 net lessee.

*** Includes landlord leasehold capital improvements totaling \$63 million related to the redevelopment of LaGuardia Airport Terminal B.

**** Includes Development Facilities, Regional Facilities and Programs, Ferry Transportation and Gateway Early Work Program.

Receivables (including restricted amounts) of \$905 million increased \$197 million from December 31, 2018, primarily due to the timing of receipt of proceeds from investment securities that matured on March 31, 2019 of approximately \$118 million, tenants and grantors of approximately \$22 million and increased amounts due from the Three WTC and Four WTC net lessees for payments deferred in accordance with tenant support agreements of approximately \$18 million.

Cash balances of \$183 million decreased approximately \$113 million from December 2018 primarily due to cash used for capital construction.

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Cash flows from operations of \$472 million decreased approximately \$32 million when compared to the same three-month period of 2018. This overall decrease is primarily due to the payment of certain accounts payable and an increase in the receivables noted above.

Investments of \$3.5 billion decreased approximately \$292 million from December 2018 primarily due to the maturity of investments that were used to fund capital construction or matured and are due the Port Authority as noted above.

Port Authority Investments, at fair value

Investment Type*	Fair Value Hierarchy Levels***	at March 31, 2019	Weighted Average Maturity (In days)
(In thousands)			
United States Treasury Notes	Level 1	\$ 2,087,656	440
United States Treasury Bills	Level 1	496,302	10
JFK International Air Terminal LLC Obligations****	-	55,803	2,453
Repurchase Agreements****	-	826,785	4
Total Investments**		\$ 3,466,546	
Portfolio Weighted Average Maturity (in days)			307

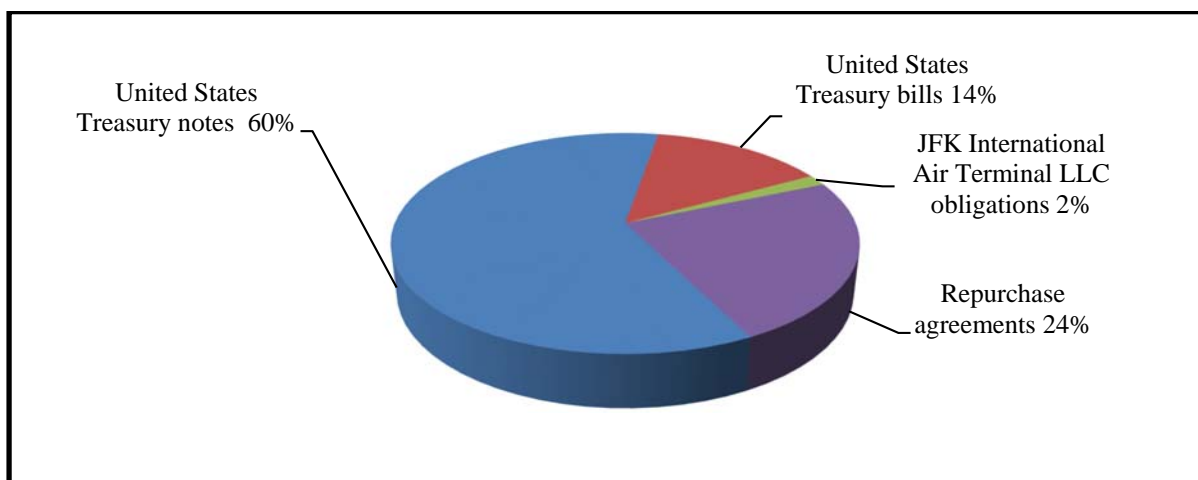
* Excludes \$33 million of Collateralized Bank Accounts that are classified as cash equivalents and approximately \$1.6 billion in investments that are on deposit in a restricted trust dedicated to Other Postemployment Benefits (OPEB).

** Excludes accrued interest receivable amounts of \$13.5 million.

*** Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets, and principle-to-principle markets.

**** Investments are valued at unamortized cost.

Port Authority Investments Asset Allocation:



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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

PAICE Investments, at fair value

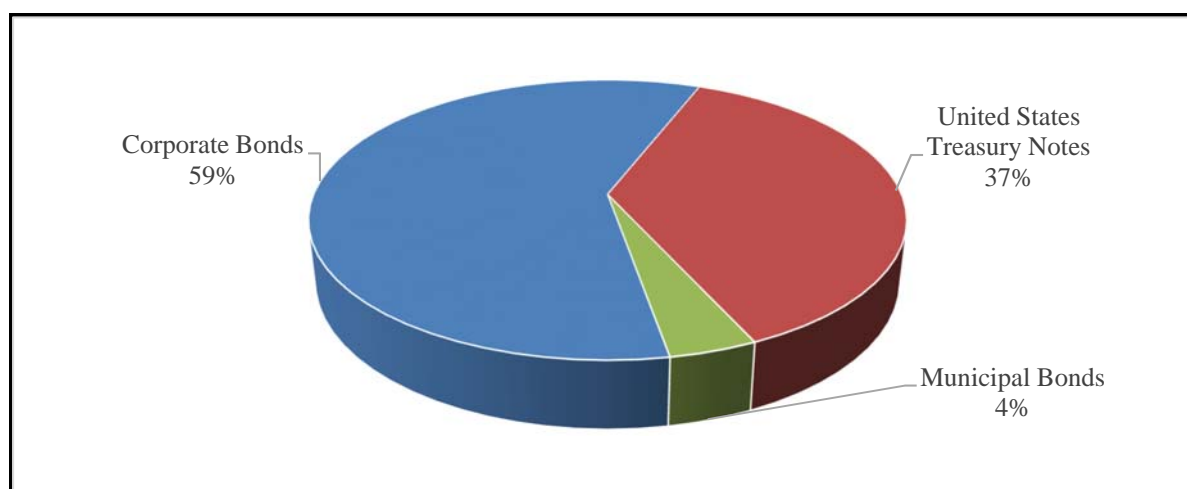
Investment Type	Fair Value Hierarchy Levels**	at March 31, 2019 (In thousands)	Weighted Average Maturity (In Days)
United States Treasury Notes	Level 1	\$ 74,063	1,251
Corporate Bonds	Level 2	116,921	824
Municipal Bonds	Level 2	8,073	1,286
Total Investments*		\$ 199,057	
Portfolio weighted average maturity (In days)			1,002

* Excludes \$135 million intercompany loan to the Port Authority and accrued interest receivable of \$1.2 million

** Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets, and principle-to-principle markets.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation.

PAICE Investments Asset Allocation:



Liabilities:

Port Authority liabilities totaled \$31.8 billion at March 31, 2019, a decrease of \$13 million from December 31, 2018.

Accounts payable of \$1.2 billion decreased \$92.3 million from December 31, 2018, primarily due to timing of contractor payments.

Bonds and other asset financing obligations, excluding Tower 4 Liberty Bonds totaled \$23.9 billion at March 31, 2019, a decrease of \$32.9 million. This decrease was primarily due to a decrease in amounts owed for The Fund for Regional Development Buy-Out Obligation.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

Bonds and Other Financing Obligations*

	Opening Balance Dec. 31, 2018	Issued/ Accreted	Refunded/ Retired	Ending Balance March 31, 2019
	(In millions)			
Consolidated Bonds and Notes	\$ 20,899	\$ -	\$ -	\$ 20,899
Commercial Paper Notes	481	762	759	484
Variable Rate Master Notes	70	-	-	70
Fund for Regional				
Development Buy-Out Obligation	144	-	24	120
MOTBY Obligation	51	-	-	51
Goethals Bridge Replacement				
Developer Financing Arrangement	1,021	-	-	1,021
Subtotal-Principal	\$ 22,666	\$ 762	\$ 783	\$ 22,645
Add: Unamortized premium/(discount)	1,232	-	13	1,219
Total	\$ 23,898	\$ 762	\$ 796	\$ 23,864

*Excludes amounts payable associated with Special Project Bond projects of \$1.2 billion and Tower 4 Liberty Bonds of \$1.2 billion.

Other liabilities increased \$83 million primarily due to an increase in accrued interest related to the timing of scheduled debt service payments.

CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION – UNAUDITED*

	MARCH 31, 2019	DECEMBER 31, 2018
	(In thousands)	
Assets		
Facilities, net	\$ 37,707,762	\$ 37,400,013
Cash, including restricted amounts	182,551	295,055
Port Authority investments, including PFCs	3,479,984	3,771,889
PAICE restricted investments	200,275	241,870
Receivables, including restricted amounts	905,261	707,898
Amounts receivable - Special Project Bonds projects	1,233,667	1,233,432
Amounts receivable - Tower 4 Liberty Bonds	1,245,484	1,245,637
Unamortized costs for regional programs	120,406	130,186
Landlord leasehold investment-LGA Terminal B	514,836	451,547
Other assets	1,847,281	1,866,703
Total assets	<u>47,437,507</u>	<u>47,344,230</u>
Deferred outflows of resources		
Loss on debt refunding's	76,157	78,510
Pension related amounts	276,586	276,586
OPEB related amounts	169,257	169,257
Total deferred outflows of resources	<u>522,000</u>	<u>524,353</u>
Liabilities		
Bonds and other asset financing obligations	23,864,289	23,897,174
Amounts payable - Special Project Bonds projects	1,233,667	1,233,432
Amounts payable - Tower 4 Liberty Bonds	1,245,484	1,245,637
Accounts payable	1,182,876	1,275,183
Accrued payroll, pension, and other employee benefits	2,582,073	2,550,373
Unearned income -WTC Retail	753,162	755,478
Accrued interest and other liabilities	889,331	806,172
Total liabilities	<u>31,750,882</u>	<u>31,763,449</u>
Deferred inflows of resources		
Gain on debt refundings	43,020	43,859
Pension related amounts	177,998	177,998
OPEB related amounts	4,883	4,883
Total deferred inflows of resources	<u>225,901</u>	<u>226,740</u>
Net position	<u><u>\$ 15,982,724</u></u>	<u><u>\$ 15,878,394</u></u>

**CONDENSED CONSOLIDATED STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION – UNAUDITED***

	THREE-MONTHS ENDED MARCH 31, 2019	2018
	(In thousands)	
Gross operating revenues	\$ 1,291,906	\$ 1,258,232
Operating expenses	(802,347)	(757,950)
Depreciation and amortization	(341,792)	(311,334)
Income from operations	<u>147,767</u>	<u>188,948</u>
Non-operating expenses, net	(188,552)	(195,313)
Capital contributions and PFC's	145,115	147,892
Non-operating revenues/(expenses)	<u>(43,437)</u>	<u>(47,421)</u>
Increase in net position	<u>104,330</u>	<u>141,527</u>
Net position, January 1	<u>15,878,394</u>	<u>15,370,056</u>
Net position, March 31	<u><u>\$ 15,982,724</u></u>	<u><u>\$ 15,511,583</u></u>

see footnote () on next page.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED*

	THREE-MONTHS ENDED MARCH 31,	
	2019	2018
	(In thousands)	
Net cash provided by operating activities	\$ 472,247	\$ 504,338
Net cash (used for) noncapital financing activities	(25,755)	(17,470)
Net cash (used for) / provided by capital construction and related financing activities	(812,739)	65,559
Net cash provided by / (used for) investing activities	253,743	(810,851)
Net (decrease) in cash	(112,504)	(258,424)
Cash at beginning of year	295,055	858,896
Cash at three-months ended	\$ 182,551	\$ 600,472

* The unaudited Condensed Consolidated Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows have been prepared, subject to audit, adjustment and reconciliation, solely for general information purposes, in accordance with accounting principles generally accepted in the United States of America. This unaudited condensed financial information should be read in conjunction with the Consolidated Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2018.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION ON PORT AUTHORITY FACILITIES - UNAUDITED

Three-month period ended March 31, 2019

	(In thousands)						
	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income/(Loss) from Operations	Interest, Grants & Other Expenses *	Capital Contributions and PFC's	Increase/ (Decrease) in Net Position
Tunnels, Bridges, and Terminals	\$ 401,697	\$ 126,576	\$ 59,598	\$ 215,523	\$ 60,861	\$ 3,780	\$ 158,442
PATH	48,302	108,339	50,096	(110,133)	42,579	29,440	(123,272)
Aviation	678,900	448,465	116,344	114,091	37,512	88,875	165,454
Port Commerce	78,920	39,691	22,476	16,753	16,820	5,167	5,100
World Trade Center	77,504	75,792	75,280	(73,568)	27,850	17,853	(83,565)
Other**	6,583	3,484	17,998	(14,899)	2,930	-	(17,829)
Total	\$ 1,291,906	\$ 802,347	\$ 341,792	\$ 147,767	\$ 188,552	\$ 145,115	\$ 104,330

Three-month period ended March 31, 2018

	(In thousands)						
	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income/(Loss) from Operations	Interest, Grants & Other Expenses *	Capital Contributions and PFC's	Increase/ (Decrease) in Net Position
Tunnels, Bridges, and Terminals	\$ 397,762	\$ 121,229	\$ 45,624	\$ 230,909	\$ 38,222	\$ 904	\$ 193,591
PATH	48,211	117,670	48,950	(118,409)	48,291	8,676	(158,024)
Aviation	658,841	403,483	111,679	143,679	44,522	82,465	181,622
Port Commerce	78,809	40,677	22,934	15,198	21,022	7,847	2,023
World Trade Center	68,443	71,181	64,565	(67,303)	33,682	48,000	(52,985)
Other**	6,166	3,710	17,582	(15,126)	9,574	-	(24,700)
Total	\$ 1,258,232	\$ 757,950	\$ 311,334	\$ 188,948	\$ 195,313	\$ 147,892	\$ 141,527

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

** Other includes Development Facilities, certified Regional Facilities and Programs, Ferry Transportation, Access to the Regions Core (ARC), Moynihan Station Transportation Program, Gateway Early Work Program and PAICE administrative expenses.

Note: These unaudited schedules related to Port Authority Facilities have been prepared, subject to audit, adjustment and reconciliation, solely for general information purpose, in accordance with accounting principles generally accepted in the United States of America. This unaudited financial information should be read in conjunction with the Consolidated Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2018.

REVENUES AND RESERVES-Unaudited (pursuant to Port Authority bond resolutions)

	Three-Month Period Ended March 31, 2019 (Actual)	Three-Month Period Ended March 31, 2019 (Budget)	Three-Month Period Ended March 31, 2018 (Actual)
	(In thousands)		
Gross operating revenues*	\$ 1,290	\$ 1,278	\$ 1,256
Total operating expenses	(802)	(798)	(758)
Amounts in connection with operating asset obligations**	(3)	(3)	(4)
Net operating revenue	485	477	494
Grants and contributions in aid of construction	59	68	77
Application of Passenger Facility Charges	65	69	18
Financial Income and Other	48	34	22
Net revenues available for debt service	657	648	611
Debt service***	(251)	(234)	(230)
Net Revenues after Debt Service and Transfers to Reserves****	\$ 406	\$ 414	\$ 381

* Excludes amortization of upfront payments received in connection with the purchase of the Port Authority's interests in the WTC Retail Joint Venture.

** Includes interest expense on Equipment notes and the Fund for Regional Development Buy-out obligation.

*** Includes debt service on Consolidated Bonds and Notes and Special obligations of the Port Authority including, Commercial Paper obligations, Variable rate master notes, the MOTBY obligation, Tower 4 Liberty Bonds and the Goethals Bridge Replacement Developer Financing Arrangement (DFA).

**** Excludes applications from the Consolidated Bond Reserve Fund (CBRF) for purposes of funding direct capital investment in Port Authority Facilities.

FACILITY TRAFFIC – Unaudited

	Three-Month Period Ended March 31, 2019	Three-Month Period Ended March 31, 2018	Pct. Increase/ (Decrease)
	(In thousands)		
Total Passengers-Aviation*	30,547	29,670	2.9%
Total Vehicles-Tunnels and Bridges	27,914	27,201	2.6%
Total Passengers- PATH	19,323	19,365	(.2%)
Total Cargo Containers(TEU)-Marine Terminals	1,793	1,680	6.7%
Total Rail Lifts-Marine Terminals	59	53	11.3%

* 2019 facility traffic information contains estimated data based on available information and is subject to revision.