Preliminary 2012 Budget

December 8, 2011

THE PORT AUTHORITY OF NY & NJ

MISSION

To identify and meet the critical transportation infrastructure needs of the bistate region's businesses, residents, and visitors: providing the highest quality, most efficient transportation and port commerce facilities and services that move people and goods within the region, providing access to the rest of the nation and to the world, while strengthening the economic competitiveness of the New York-New Jersey Metropolitan Region.

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Port Authority of New York & New Jersey

For the Fiscal Year Beginning

January 1, 2011

President Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Port Authority of New York and New Jersey, New York for its annual budget for the fiscal year beginning January 1, 2011. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Message from the Chairman and Executive Director

Dear Governors:

We respectfully present the Preliminary 2012 Budget of the Port Authority of New York and New Jersey. The material that follows outlines a preliminary $2.6 billion operating budget and $3.66 billion capital budget for 2012. These preliminary budgets are necessary to continue our operations, move forward our essential programs and priority capital projects, and maintain our facilities in a state of good repair, while the Special Committee of the Board of Commissioners completes the comprehensive review of the Port Authority's finances, operations, and long-term capital plan, pursuant to your direction.

The Port Authority, along with the rest of our region and country, continues to face an historic challenging economic environment. Weak economic growth and continuing high unemployment levels have affected many in the region and contributed to reduced vehicular and truck traffic and volume growth at our key facilities, especially relative to projections from just a few years ago. Moreover, the uncertain broader global environment has impeded economic recovery efforts in our region.

As a steward of critical transportation infrastructure in the Port District, the Port Authority must continue to play a key role in reviving the economy and increasing the competitiveness of our region. By maintaining and building our transportation network, we remain the critical contributor to the health of the region's economy and a creator and supporter of high-quality jobs. Investing in an up-to-date, robust transportation network is vital to the competitiveness of the greater New York and New Jersey region.

In 2011, as the result of several factors which weakened the Port Authority's financial position, the Board of Commissioners took the difficult step of enacting toll and fare increases. While the increases are necessary to maintain the soundness of our fiscal position as we make large investments into our capital program, we recognize that the toll and fare increases came at a difficult time for households and businesses in the region.

As a condition to the toll and fare increases, you directed the Board of Commissioners to perform a comprehensive review of the Port Authority, including our long-term capital plan, finances and operations, to find ways to lower costs and increase efficiencies. Over the past few months a Special Committee of the Board has undertaken that assignment, including engaging external consultants. We look forward to sharing the initial findings and recommendations of the Special Committee with you in January, with a final report to be delivered to you in June.

In connection with the Special Committee's assignment, the Port Authority is reviewing its 10-year capital plan in order to prioritize projects and allocate our scarce resources on a going-forward basis. This capital allocation process is challenging, and requires balancing the need to maintain our existing facilities while seeking opportunities to invest in capacity enhancements to build our regional transportation

network, increase revenues and promote economic growth. Consistent with your objectives, our team is focused on improving the discipline around capital allocation, focusing on objective metrics including maintenance and life cycle needs, return on invested capital, and economic development and job creation.

While the Special Committee's review is ongoing, the Port Authority is putting forward this preliminary budget in order to keep moving forward with important projects addressing major needs, including planning and design work. A few examples of the major needs before us include: raising the roadway of the Bayonne Bridge to allow larger post-Panamax container ships to call on our ports, modernizing the Goethals Bridge, modernizing airport runways and terminals, replacing suspender cables at the George Washington Bridge, improving access to the Lincoln Tunnel, installing a new signal system for PATH, continuing dredging of our ports and completing the reconstruction of the World Trade Center site and the Transportation Hub.

Given the state of the economy and current levels of unemployment, we are laser-focused on improving the "speed to market" of our capital projects, and doing more with less. Now more than ever, we are seeking ways to get our projects, along with the important investment dollars they represent, off the drawing board faster, through improved coordination with other governmental agencies, value-based planning and engineering, and streamlined permitting. Our projects create valuable, high-quality jobs for our region in infrastructure that benefits all of us through enhanced mobility and economic growth. Again, we believe the Port Authority can play an important role in improving our region's economy, and we realize that the public needs this now more than ever.

On the operating side, as the Special Committee completes its top-to-bottom review of the Port Authority's operational effectiveness, organizational structure, staffing levels, compensation and benefits, and financial management, we have presented what we believe to be a prudent preliminary operating budget. Our authorized staffing levels remain flat for the second consecutive year, and excluding some one-time expenses expected in 2012, our core operating budget will be virtually flat compared with 2011. Importantly, we anticipate the Special Committee's review, once completed, will result in recommendations of measures that may further reduce the Preliminary 2012 Operating Budget.

In terms of accomplishments of the Port Authority this past year, we want to highlight our efforts to honor the 10th anniversary of the September 11, 2001, terrorist attacks. Through the prodigious efforts of our team, we completed the Memorial Plaza in time for the 10th anniversary commemorations. As the world watched, we made sure that the 9/11 Memorial Plaza, with its moving fountains, was ready. In doing so, the country was able to honor those whose lives were lost, including 84 of the Port Authority's own people, as well as the six victims and unborn child in the 1993 bombing of the World Trade Center. Today, One World Trade Center continues to rise above the Lower Manhattan skyline, with the project scheduled for completion in late 2013, while we make progress on the Transportation Hub. We are looking ahead to completing the rebuilding effort over the next few years and revitalizing the downtown

area and the region as a whole. At the same time, we look forward to refocusing our resources to our core missions of stimulating economic growth and building and operating transportation assets.

Finally, we would like to note that the Port Authority has several new Commissioners and a new Executive Director. At this time of transition for the Port Authority, our team is focusing with renewed energy on tackling the myriad challenges before us, and reforming the Port Authority to meet its 21st century mission. We look forward to serving you and the 19 million residents of the Port District, and we thank you and the public for your continued support.

Sincerely,

David Samson
Chairman

Patrick J. Foye
Executive Director

THE PORT AUTHORITY IN A POST-RECESSION ENVIRONMENT

In order to give the Port Authority's preliminary 2012 budget and long-term planning efforts greater context, this section details how the Port Authority has weathered the economic recession that began in 2007 and how it is now positioning itself to maintain its status as the key transportation and economic development agency in the New York-New Jersey region. Between 2008 and 2009, the Port Authority experienced declines in activity levels across all line departments, which resulted in a drop in net revenues. The Port Authority had started cost-cutting measures going back to 2004, and was positioned to implement a series of more aggressive actions to control expenses beginning in 2009. However, as the recession continued and Port Authority financial capacity continued to be constrained, in late 2009 it proceeded to reduce its then-existing ten-year capital plan by approximately $5 billion.

Moving forward to 2010 and 2011, a combination of modest gains in activity levels across most Port Authority facilities, increased rental revenue in connection with airport terminal expansion and the September 2011 increase in tolls and fares on the Interstate Transportation Network crossings have put the agency in a more financially sound position to once again support a ten-year agency-wide capital plan for building new facilities and maintaining its existing network of facilities in a state of good repair. The continuing uncertainty surrounding the scope, timing, and stability of the international, national and New York-New Jersey regional recovery from the recession means that during the next decade, as it moves forward with a preliminary $25.1 billion 10-year capital plan, the agency needs to be both extremely vigilant as to costs, revenue and activity levels that diverge from projections and quickly respond to any shortfalls.

Unprecedented Challenges and a Bold Response

In the face of multiple unprecedented interlocking and overlapping challenges – an historic economic recession that sharply decreased Port Authority revenues below projections since 2008 – steep rises in post-9/11 security costs that have nearly tripled, increases in the overall cost of rebuilding the World Trade Center complex and the need for the largest maintenance-driven overhaul of facilities in the Port Authority's 90-year history, the Port Authority could no longer afford to deliver all of its projects in the previous capital plan through its ongoing prioritization and austerity measures.

On August 19, 2011, after an initial review of the capital program at the direction of both Governor Chris Christie of New Jersey and Governor Andrew Cuomo of New York, the Board of Commissioners of the Port Authority approved increases in bridges and tunnels tolls and PATH fares and concurrently reduced the current preliminary 10-year capital plan by approximately $5 billion. This allowed the final approved rate increases to be less than those originally proposed, and the agency was able to stabilize its finances and preserve the agency's credit rating and access to lower-cost financing. The approval of the

increases was also contingent on a comprehensive review of the agency's capital plan and operations by a Special Committee of the Board to further eliminate any waste and inefficiency.

The Special Committee was created in September 2011 and has been working on:

- A comprehensive analysis of the Authority's preliminary 10-year capital plan, in an effort to reduce the size and cost of non-revenue producing projects, reprioritizing existing projects and establishing new priorities, and the most effective way to finance the same.
- A thorough review of the Authority's capital projects and spending over the past 10 years to determine the causes and full extent of, as well as potential remedies to address cost escalation on the Authority's projects, including a focus on the World Trade Center site.
- An evaluation of potential alternative revenue and capital sources for the Authority to minimize the impact of toll and fare increases on New York and New Jersey residents and businesses.
- A top-to-bottom management review of the Authority's organizational structure and effectiveness, staffing levels, compensation and benefits and financial management, including accounting, audit, financing, consulting and other contractual practices and agreements, all done to further reduce costs and increase efficiencies within the Authority.

A first report on the findings and recommendations of the Special Committee will be reported to Governors Christie and Cuomo and to the Board of Commissioners in January 2012 and a final report is targeted to be delivered by June 30, 2012.

The revenues generated through Port Authority facility operations are expected to provide financial capacity for the preliminary $25.1 billion ten-year capital plan, with approximately $14.2 billion invested over the first four years. The plan is estimated to generate 126,000 jobs. However, as the Special Committee continues its work on reviewing the capital plan, this preliminary budget will seek approval of a preliminary one-year 2012 Capital Budget that is subject to change from the results of the Special Committee review. The capital budget will include funding to continue to advance a broad range of critical safety, security and state-of-good-repair projects, including replacement of suspender cables at the George Washington Bridge, modernization of airport runways and taxiways, rehabilitation of the helix ramp at the Lincoln Tunnel, raising the Bayonne Bridge roadway to address navigational clearance limitations, replacing the Goethals Bridge with both Port Authority and private investment, modernizing PATH's signals system and stations, enhancing security at all facilities, and improving rail and road access and other infrastructure in the port facilities in both New York and New Jersey, along with the completion of the World Trade Center and associated transit hub.

The Economic Outlook: Positioning the Port Authority for an Uncertain World

The U.S. economy has been on the road to recovery from the recession since the summer of 2009. The immediate aftermath of the greatest economic downturn since the Great Depression of the 1930s is

modest economic growth and sluggish labor market expansion. But the ability to sustain those positive trends remains threatened, most recently with the sovereign debt crisis unfolding in Europe. As of November 2011, the enormous economic uncertainty being created with respect to both the strength and timing of an economic recovery, and in the financial markets, has cast a shadow on the sluggish recovery in the United States.

Domestically, there are some encouraging signs for the economy. Consumer spending has been relatively healthy but while its sustainability is still in question, a rebound of overall confidence could help this largest sector of the economy. Corporate entities have accumulated the highest levels of cash on their balance sheets in history. This capital, if invested in new production facilities, could spark a significant employment recovery that would trigger other positive effects. Exports have been a key driver for economic growth as well. The negotiation of three free trade agreements with South Korea, Panama and Colombia creates hope that this encouraging trend might continue. More significantly, countries such as China and India are seeing rising living standards and the development of a middle class with more purchasing power. While there is and will remain a large gap between the purchasing power of consumers in the developing world compared to the United States, the sheer number of new customers for U.S. products could be a sizeable engine for growth over the next decades.

Over the last several years, the Port Authority has responded to these economic challenges by targeting a zero-growth operating budget, pursuing reductions in the number of employees, and adopting a more rigorous vetting of capital expenditures. The agency has continued to closely scrutinize budget forecasts to ensure financially sound choices amidst heightened economic and business uncertainty. While this preliminary one-year budget is presented for approval to its Board of Commissioners, the Port Authority also develops and assesses alternative scenarios to better understand how different economic conditions might affect future activity levels and therefore agency revenues and capital capacity. Nonetheless, continued action will be required as the ongoing impact of the slow economic recovery continues to be felt across the nation and in the region.

From an operating budget perspective, the impact of the economic downturn has required the Port Authority, for the sixth straight year, to operate on a virtual zero-growth budget, to maintain staffing levels at among the lowest levels in 40 years and to shut down certain operations that could not be cost effectively maintained in such a financially constrained environment. The agency has put in place scheduled increases for its Interstate Transportation Network crossings and as a result has been able to develop a preliminary long-range capital plan that begins work on critical infrastructure projects in order to safely support future transportation needs and also completes the significant projects that will be critical for sustaining economic growth in the region for decades to come. The agency is committed to continue its effort to scrutinize expenditures and business practices to meet its responsibility as a key economic engine for the region.

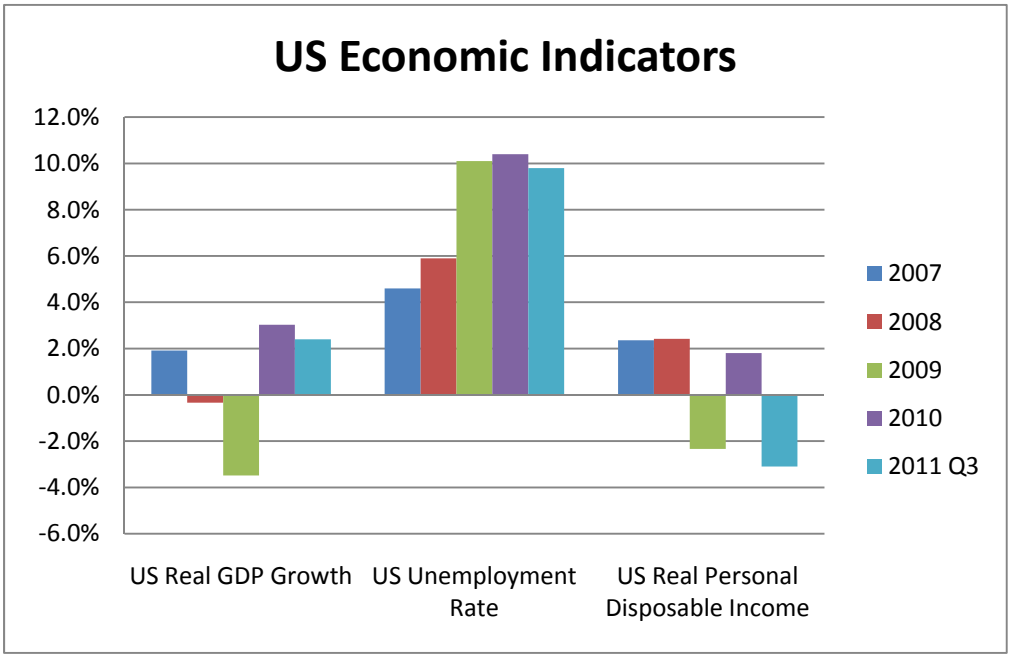
Activity Levels Slowly Recovering

Activity levels in all Port Authority businesses have started to recover from their recession lows. The turnaround is especially visible in port activity data. Container lifts are close to the peak reached prior to the recession and ExpressRail lifts have experienced double-digit growth, at least in part due to the restructuring of the fee schedule applicable to containers. While the holiday season may be slower than anticipated, projections are that 2011 will end with very sound growth figures. This is also true for ridership at PATH. In fact, ridership has recovered from its recession lows due to higher gasoline prices and some moderate employment growth in New York City. Additionally, PATH weekend ridership has seen healthy growth as customers leave their cars at home and use public transit for discretionary travel into Manhattan. In aviation, passenger activity levels have been recovering even though the recovery has been slowed by the tragic events of the tsunami in Japan and the European debt crisis, impacting spending by tourists from Europe. Countering this trend has been the slow recovery of traffic over the Port Authority's bridges and tunnels. The effects of severe weather events, unusually high rainfall, and high gasoline prices have had adverse effects on vehicular traffic at the bridges and tunnels. Fourth quarter traffic at the crossings is also being affected by a typical dip in travel demand following the toll increase that went into effect on September 18, 2011.

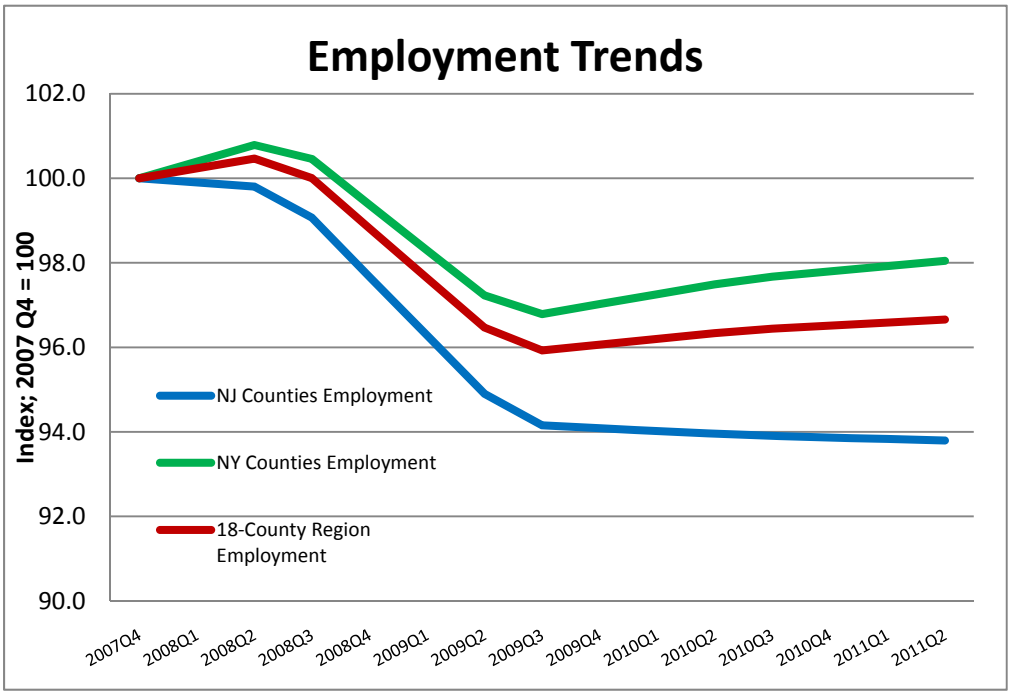
The regional economy has seen further improvement in local economic conditions especially in the New York counties. The real estate market in Manhattan has enjoyed a good year and there is healthy activity indicating business demand for additional space. Although the financial services sector, the traditional employment growth engine of the region, has seen a return to healthy profit levels, hiring has not followed suit, with layoffs on Wall Street still ongoing. With the uncertainty of potential financial contagion from Europe, the projections for additional hiring in financial services are subdued. Employment growth has been driven by three sectors: Education & Health, Leisure & Hospitality, and Tourism. Overall employment growth however, remains sluggish and too slow to reduce the unemployment rate significantly. The distribution of job losses and the subsequent recovery is also a concern as most re-hiring has occurred in the New York counties. Total nonfarm employment in the New Jersey counties has remained flat in large part driven by cuts to government employment.

These economic forces translated directly into declining Port Authority revenue and now indicate a slowly improving revenue outlook. Consumer spending and unemployment affect the volume of goods being shipped and trucked as well as the number of people commuting to jobs and flying to destinations for business or vacation. Toll and fare revenues boosted by the 2011 cross-Hudson toll and fare increases combined with slightly higher income from flight fees, container and other port-related fees, and other facility revenue sources are now providing the foundation for an improved financial basis, allowing the agency to continue fulfilling its mandate of providing a sound regional transportation network and promoting regional economic development. Nevertheless, despite the fact that aspects of the economy have shown some improvement, it is expected that it will take several years for Port Authority facility

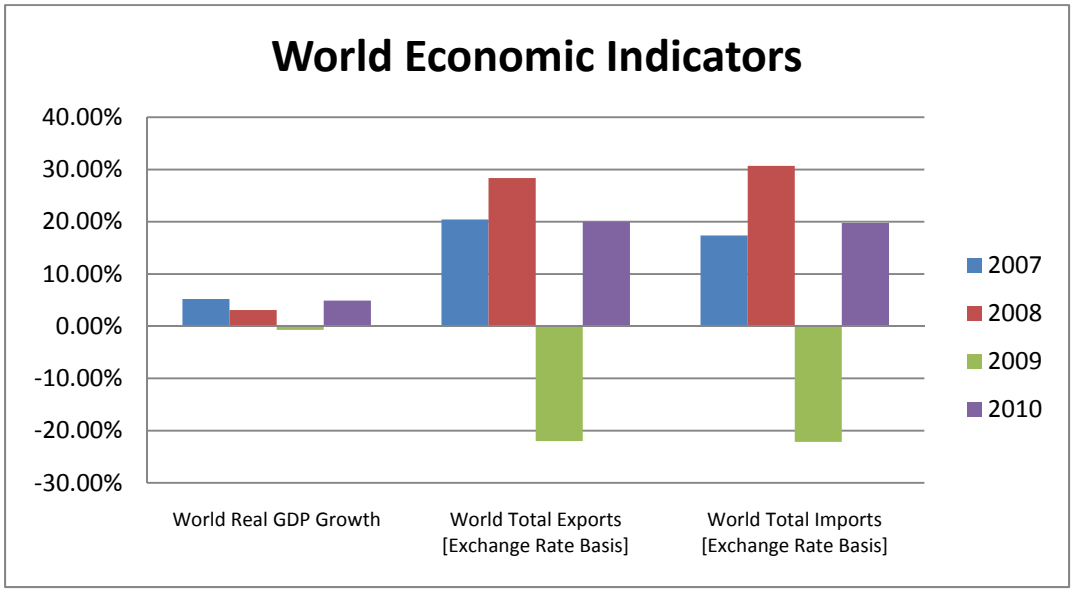
activity levels to return to pre-2008 levels. The following charts show the key economic drivers that influence Port Authority activity levels based on national or regional trends.



U.S. Real GDP fell by nearly 4 percent in 2009. The unemployment rate roughly doubled as a result and reached 10.4 percent in 2010, up from 4.6 percent in 2007 at the peak of the business cycle. U.S. real disposable income, a key driver for consumer spending and activity at the Port Authority facilities, experienced declines in 2009 and slightly recovered in 2010. What is of concern is the decline in real disposable personal income during the third quarter of 2011.



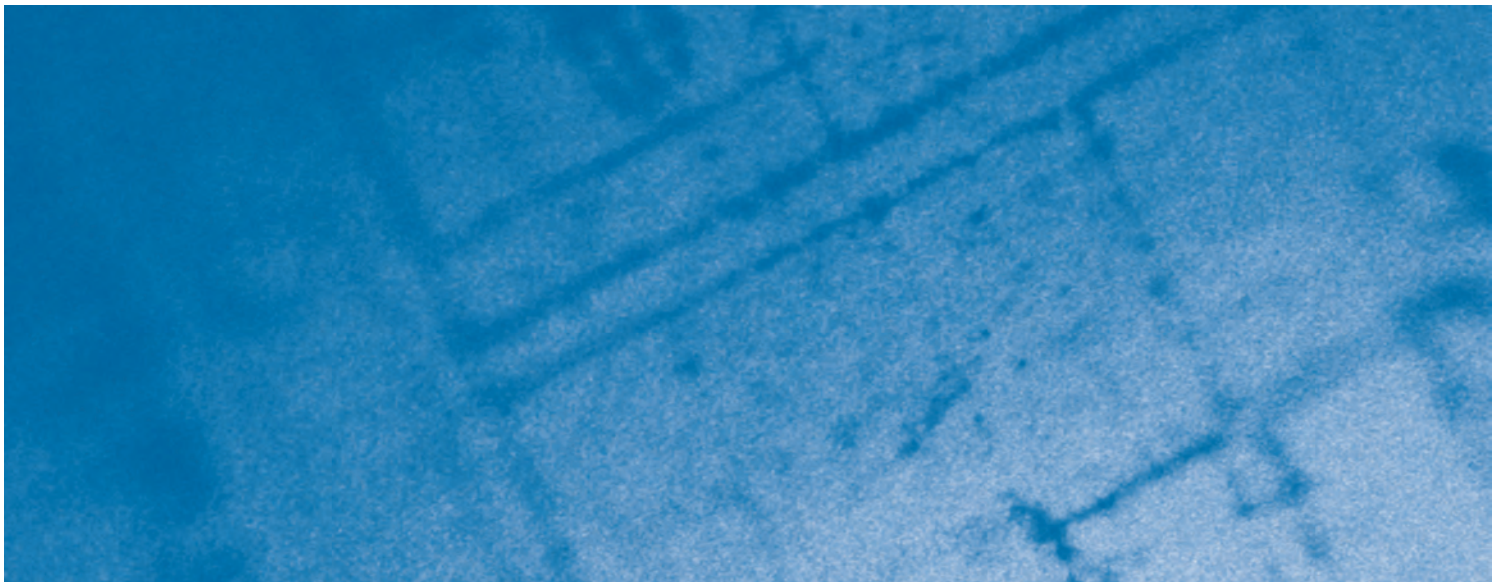
Overall, the regional economy entered the recession slightly after the national economy did in late 2007. In particular, the regional economy, as shown by the red line in the Employment Trends graph, peaked in the second quarter of 2008 but then experienced a subsequent decline in employment of more than 4 percent. Today, employment stands approximately 3 percent below employment levels at the end of 2007. In the Port District, the New York counties have seen a more shallow cycle with employment falling only slightly more than 3 percent and narrowing the gap to its recovery level. The New Jersey counties saw the biggest decline and very little improvement since the trough of the recession.



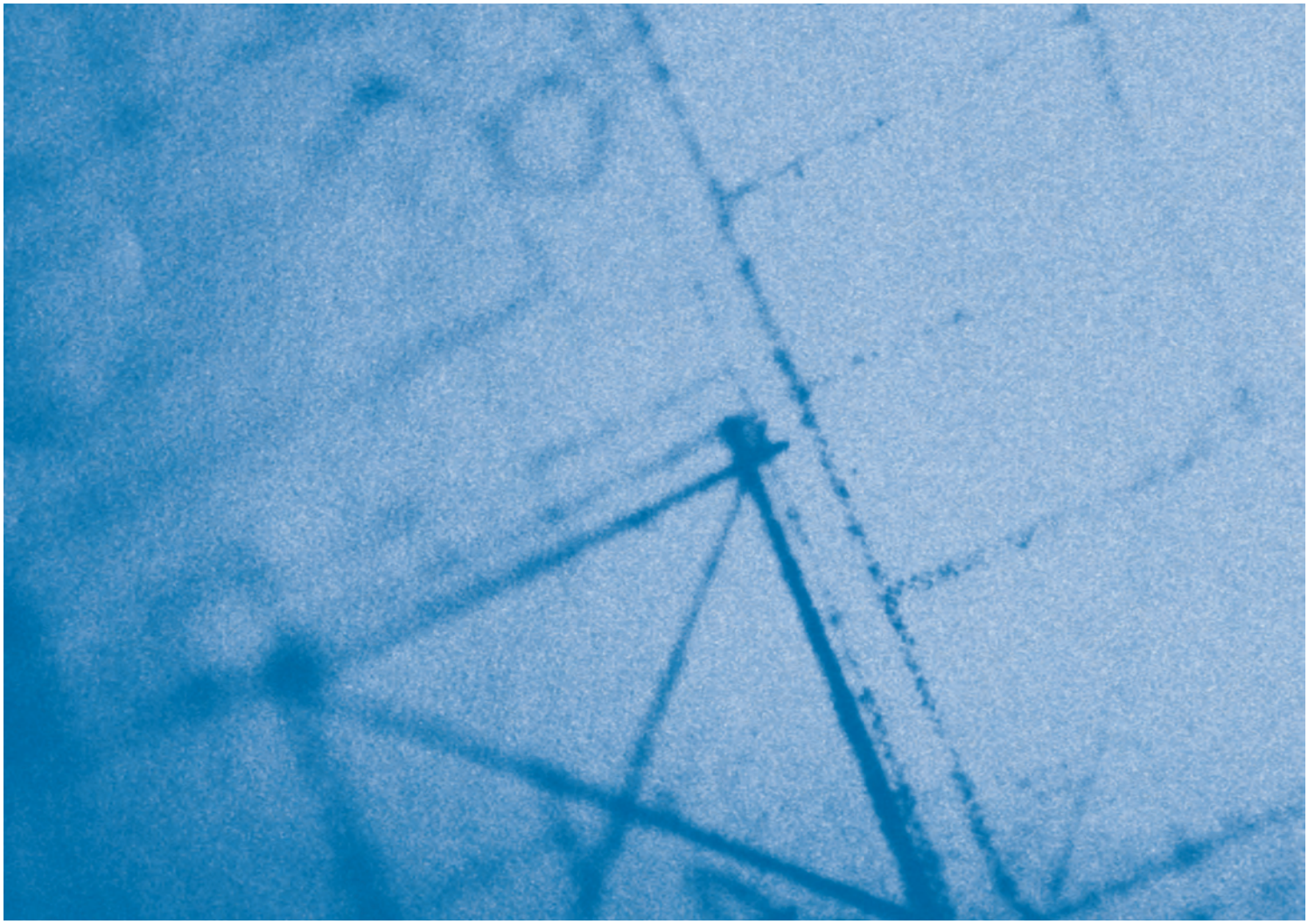
The global economy benefitted from a broad base of activity among developed and developing economies and as a result, the recession in 2008/2009 was not as severe as the recession in the United States. Both exports and imports collapsed in 2009 but also recovered significantly in 2010. A similar activity pattern has been observed at Port Authority port facilities.

PORT AUTHORITY LOOKING FORWARD

From the outset of the economic downturn, the Port Authority took a series of aggressive actions to control operating expenses and prioritize capital spending, including delivering several consecutive years of zero growth in operating budgets, restructuring functions and reducing staffing levels to the lowest level in 40 years, leveraging technology and streamlining business practices, reducing consulting services for non-critical efforts and deferring certain non-mandatory projects. Notwithstanding, in August 2011 the Governors directed the Board of Commissioners of the Port Authority to commence a comprehensive audit of the Port Authority focusing on both a financial audit of the Port Authority's ten-year capital plan to reduce its size and cost and a review of the Port Authority's management and operations to find ways to lower costs and increase efficiencies. As discussed above, this review is now underway and the Agency is confident that any resulting changes will only strengthen its ability to facilitate growth, income generation and employment growth in the region.



Preliminary 2012 Budget Summary



PRELIMINARY 2012 BUDGET SUMMARY

Preliminary 2012 Operating Budget Highlights

The impact of the worst economic downturn since the Great Depression left the Port Authority facing multiple unprecedented challenges and necessitated a revenue enhancement that went into effect in September 2011. As a result, gross operating revenues are expected to increase by $416 million to $4.1 billion compared to the 2011 budget, or 11.2%, primarily due to $383 million from the full year impact of the toll and fare increase.

The Port Authority has continued to demonstrate fiscal discipline due in large part to continued cost-cutting measures. The comprehensive review of the agency currently underway as called for by the Governors of both States is focused on past and current governance, management and financial practices and capital projects will serve to ensure accountability and transparency in dealing with the public.

Major highlights of the Port Authority's preliminary 2012 operating budget include:

- An increase in total expense budget of 1.2% to accommodate the following one-time or incremental items:
    - Accelerated final payment for Brooklyn Bridge Park commitment
    - Interim port operating agreement
    - Additional World Trade Center police needs

- When excluding the incremental items, agency core expenses are relatively flat while providing $36 million for increased airport rent payments to New York City and Newark as a result of contractual lease renewals previously negotiated.

- This results in the sixth consecutive year of virtually flat core operating expenses:

    - 2012: 1.2%
    - 2011: 0%
    - 2010: 0%
    - 2009: 0%
    - 2008: 0.9%
    - 2007: 1.1%

- No salary increases for non-represented staff.
- Flat spending on consultants as development studies continue to be prioritized.
- Investing $486 million in security operating costs, including policing.

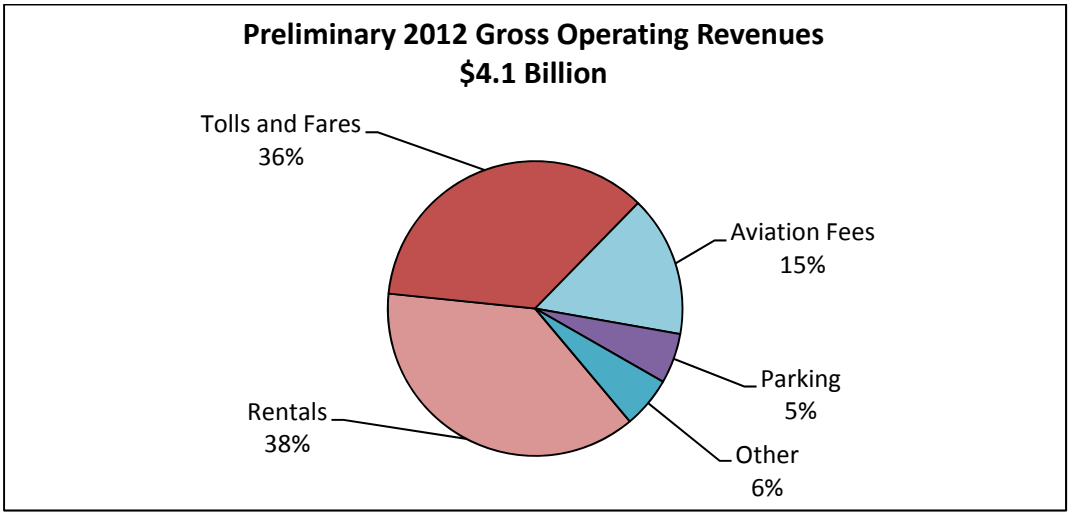
- Providing $26 million toward an on-going commitment to reducing greenhouse gas emissions, environmental protection and energy conservation.

Preliminary Sources of Funds

The Port Authority relies upon its own creditworthiness to access the capital markets to raise the necessary funds for the financing of its capital programs. It is not dependent on state or local taxes from New York or New Jersey and has no power to levy its own taxes or assessments. The agency generally funds its operating and capital expenditures through operating revenues generated by its facilities, the issuance of bonds, notes and other obligations, receipt of grants, insurance proceeds and other contributions, financial income earned on its investments, and the collection of Passenger Facility Charges (PFCs) at its airports. In 2012, the sources of all funds are anticipated to be $7.1 billion, including $4.1 billion in gross operating revenues less expenses, $2.1 billion in bonds, notes and other obligations, $616 million in grants and contributions, $215 million in PFCs and $45 million of financial income.

Preliminary Gross Operating Revenues

Gross operating revenues in the preliminary 2012 budget are expected to increase by $416 million to $4.1 billion compared to the 2011 budget, rising by 11.2% primarily due to $383 million from the full year impact of a toll and fare increase effective September 18, 2011. Projected gross operating revenues by category include $1.48 billion for tolls and fares, $1.56 billion in fixed, variable and percentage rentals, $639 million in flight fees, $227 million for parking and $232 million in miscellaneous revenues such as net leases, cargo facility charges and gate and tipping fees.



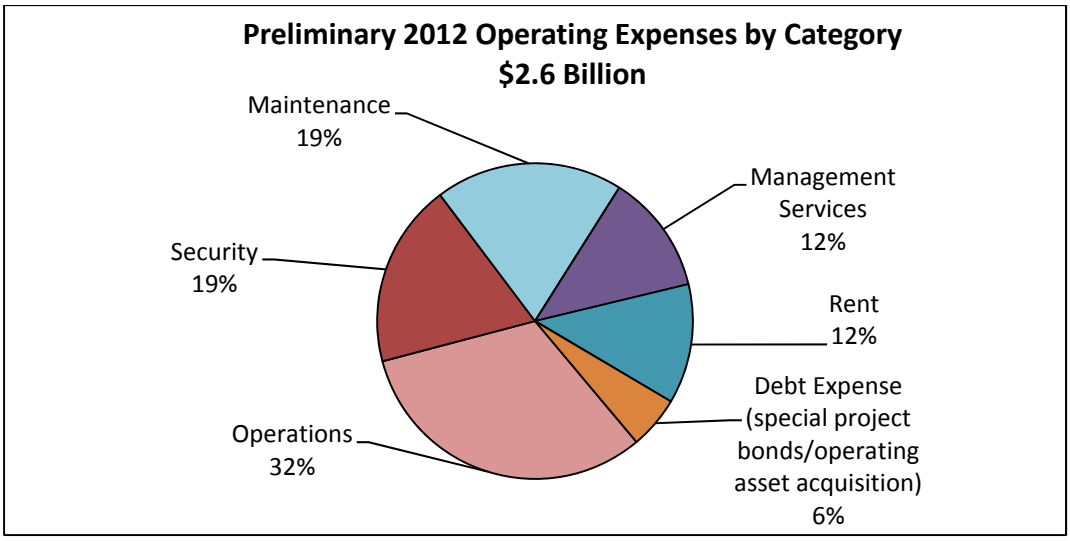
Preliminary Uses of Funds

The preliminary 2012 budget totals $7.1 billion and provides for $2.6 billion in to operate the agency's facilities, $3.66 billion in capital expenditures to build and improve upon the region's transportation capacity and invest in projects to advance economic growth in the region, $832 million for debt service on

the agency's outstanding bonds, notes and other obligations, and $45 million for other expenditures, which are deferred and amortized in future periods.

Preliminary Operating Expenses

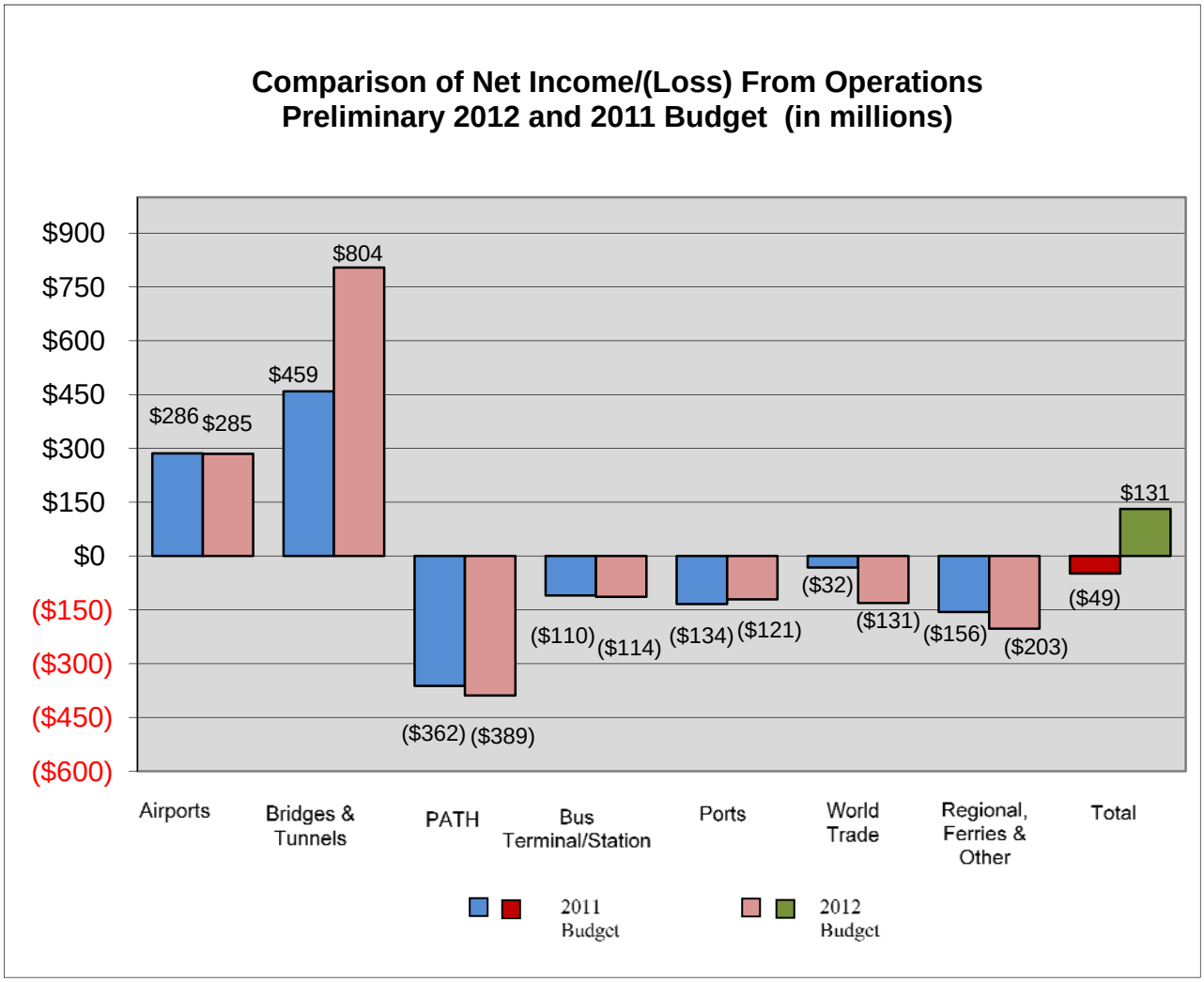
Gross operating expenses in the preliminary 2012 budget are expected to be $2.56 billion, higher by $31 million, or 1.2% over the 2011 budget. This increase in total expenses is to accommodate one-time items for an interim port operating agreement and acceleration of a final payment for the Brooklyn Bridge Park as well as for additional policing needs at the World Trade Center Site and 9/11 Memorial. When excluding these one-time or incremental costs, the agency's core expenses are relatively flat while providing $36 million in increased airport rent payments to New York City and Newark under its lease agreements with these cities. Projected gross operating expenses are anticipated to be $820 million for facility operations, $493 million for maintenance, $486 million for security, $314 million in management services, $314 million in rent and $138 million in operating expenses associated with debt expense of special project bonds and operating asset obligations.



Preliminary Net Income

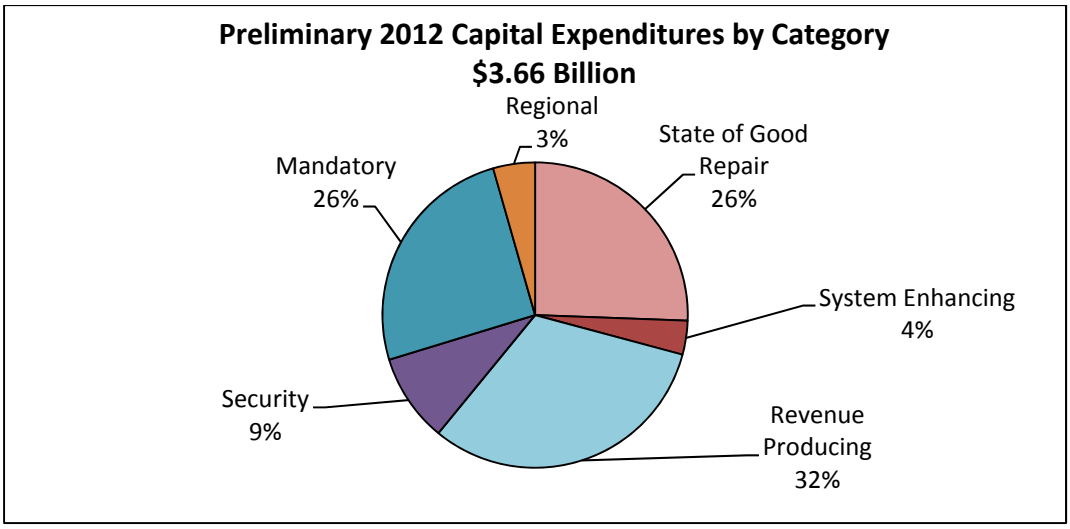
Port Authority facilities are expected to generate 2012 revenues in the amount of $4.1 billion, representing a $416 million increase over the 2011 budget. This increase is primarily a result of the toll and fare increase which became effective September 18, 2011. Partially offsetting this increase is higher depreciation expense, interest expense associated with debt issuances and lower financial income, resulting in anticipated net income of $131 million in 2012. The facilities that generate net income - such as the airports, tunnels, and bridges - along with financial income - help pay for those facilities that operate at a loss - primarily the mass transit-oriented operations, such as PATH, regional ferry services, and the bus terminals, as well as port infrastructure.

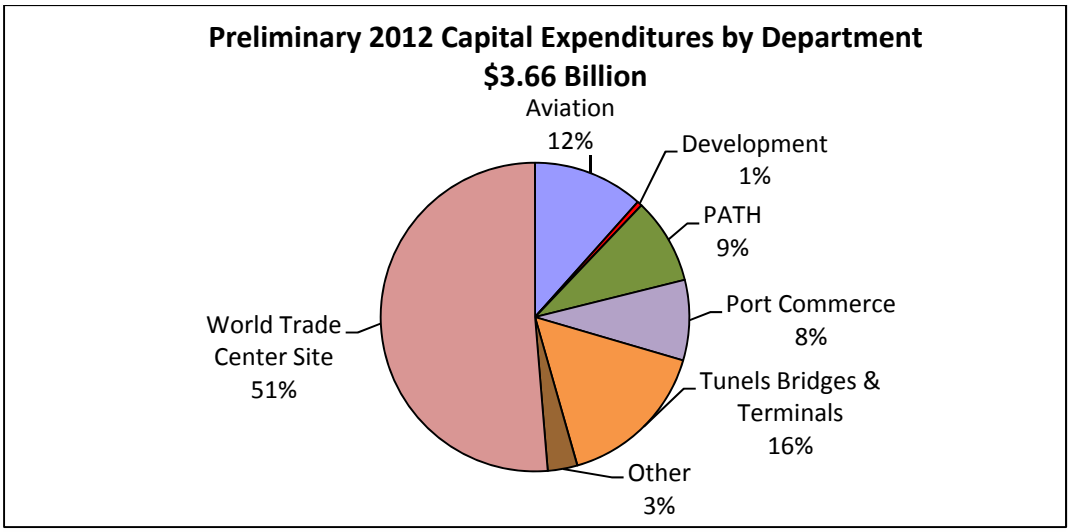
The following graph illustrates this split and compares anticipated 2012 net income to 2011:



Preliminary Capital Expenditures

In 2012, capital expenditures are currently planned to be $3.66 billion, subject to the ongoing Special Committee review. Spending for capital projects in the current plan will be $1.2 billion for revenue producing projects, $935 million for state of good repair projects, $965 million for mandated projects, $342 million for security, $121 for regional programs and $131 million for system enhancing projects. The charts below show the planned capital expenditures in these categories as well as by the different lines of business.





Preliminary 2012 Capital Budget Highlights

The preliminary 2012 capital budget totals $3.66 billion and includes some the following types of projects by lines of business:

<u>Aviation</u>

- $134 million -- Airport Runway and Taxiway Reconstruction
- $ 58 million – Airport Terminal Development and Modernization
- $ 16 million – Security Improvements to Protect Terminal Frontage

<u>Interstate Transportation</u>

- $357 million -- Lincoln Tunnel Access Infrastructure Enhancements
- $185 million -- PATH Stations and Modernization Program

- $ 85 million -- PATH Safety and Security Projects
- $ 34 million – George Washington Bridge Bus Station Development
- $ 26 million – Goethals Bridge Modernization
- $ 26 million – George Washington Bridge Upper Level Deck Rehabilitation
- $ 10 million – Bayonne Bridge Modernization Planning

Port Commerce

- $ 71 million – Dredging Program
- $ 68 million -- Port Jersey Development
- $ 66 million – Infrastructure Improvements including Berths and Wharfs

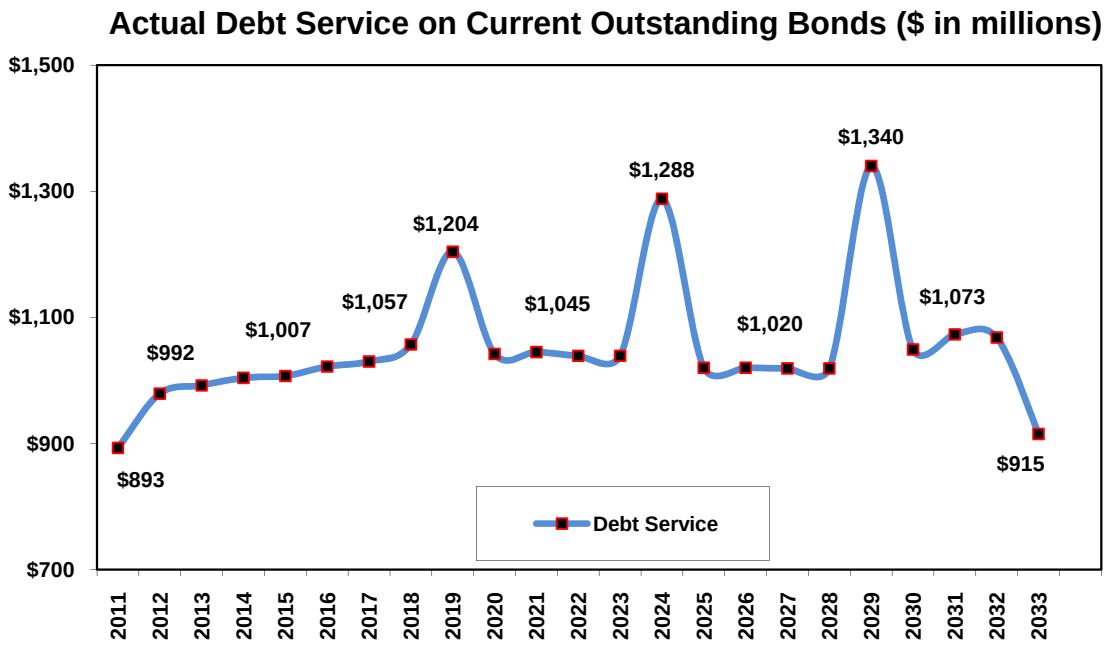
World Trade Center Redevelopment

- $684 million -- One World Trade Center
- $600 million -- World Trade Center Site
- $470 million -- Transportation Hub
- $189 million -- Retail Redevelopment
- $ 58 million -- Towers 2 & 4 (PA Portion)

Capital Financing and Debt Management

The Port Authority relies on its strong credit rating and access to the capital markets in order to finance its long-term investments in its transportation and infrastructure network. The Port Authority currently has approximately $19.5 billion in total debt outstanding. In 2011, the Port Authority issued approximately $2.6 billion in new debt, much of which was executed at attractive rates given an historically low interest rate market environment, demonstrating the continued support of investors in the Port Authority.

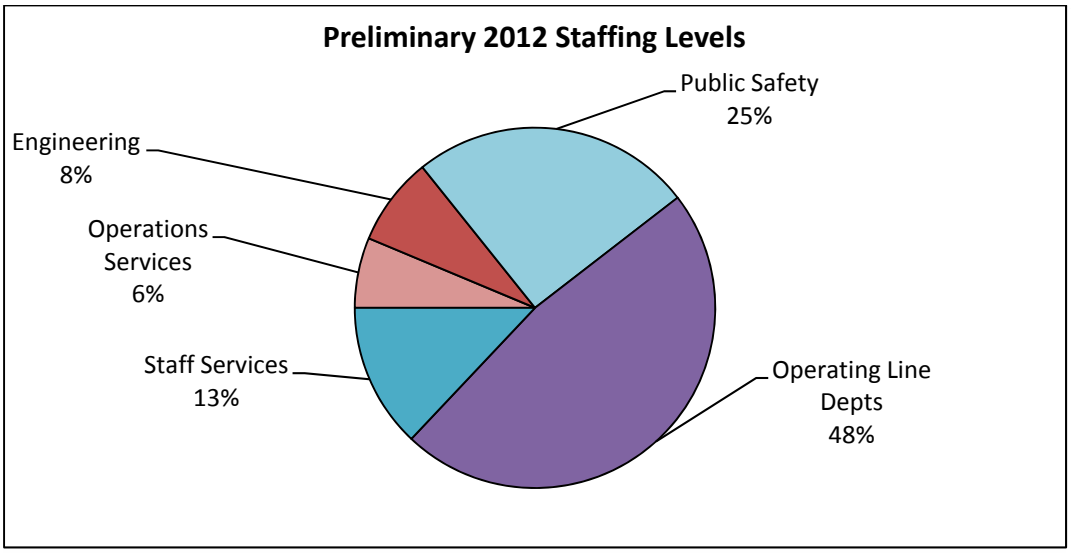
Nevertheless, capital markets remain quite volatile given global macro-economic uncertainty. The debt service spikes in 2019, 2024 and 2029 shown in the graph below are the result of issuing taxable consolidated debt during the depths of the economic recession under extremely unfavorable bond market conditions. The Port Authority watches these market swings and developments closely as they affect our ability, and the cost at which, we can finance our programs. In 2012, our debt service costs are expected to increase given our higher levels of borrowing, with approximately $832 million of operating debt service, and $1.1 billion in total debt service when capitalized interest from ongoing construction projects are included. While we have successfully accessed historically low interest-rate financing this past year, the low rate, post-recessionary market has negatively impacted the Port Authority in that we have earned lower interest income from our cash reserve balances than we have previously, and has eroded the appetite for certain variable rate and structured debt instruments. Finally, while our current financing approaches have continued to provide relatively low-interest cost access to the debt markets, the Special Committee audit currently underway includes a mandate to explore potential alternative means to finance our significant long-term capital plan.



Preliminary Staffing

Port Authority preliminary staffing levels for 2012 remains at 6,777 for the second consecutive year – at virtually the lowest level in 40 years – as the Port Authority continues to be vigilant in restructuring staff functions, streamlining operations, leveraging technology, and reallocating positions to priority projects.

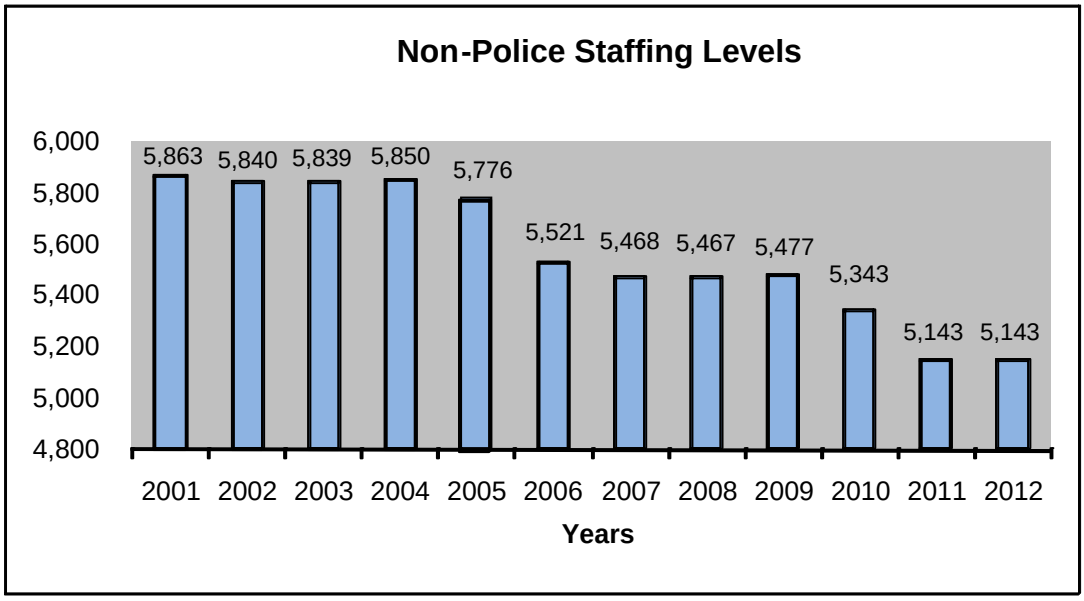
Seventy percent of Port Authority staff, in the functional areas of operations, security and maintenance, are represented by unions through the collective bargaining process. The remaining non-represented staff consists of engineering, technical, and management workforce. There are no salary increases for non-represented employees in the preliminary 2012 budget.



Maintaining Reduced Non-Police Staffing Levels

Preliminary non-police staffing levels for 2012 also remains constant at 5,143. The Port Authority has been able to reduce the number of non-police, mostly professional and managerial positions by 707 positions or by 12% since 2004, when the agency commenced an aggressive belt-tightening effort to reduce expenses through cost management. These reductions resulted from process improvements such as streamlining operations, reducing administration through automation and leveraging technology, restructuring staff functions. The agency has also reallocated resources to priority projects, such as the PATH modernization program and World Trade Center redevelopment, as well as key operational and security needs. In addition, reducing staffing levels has allowed the agency to contain operating expense growth to below the rate of inflation. Furthermore, there are no provisions in our preliminary budget for salary increases to non-represented employees.

The following chart shows the decline in non-police staffing levels:



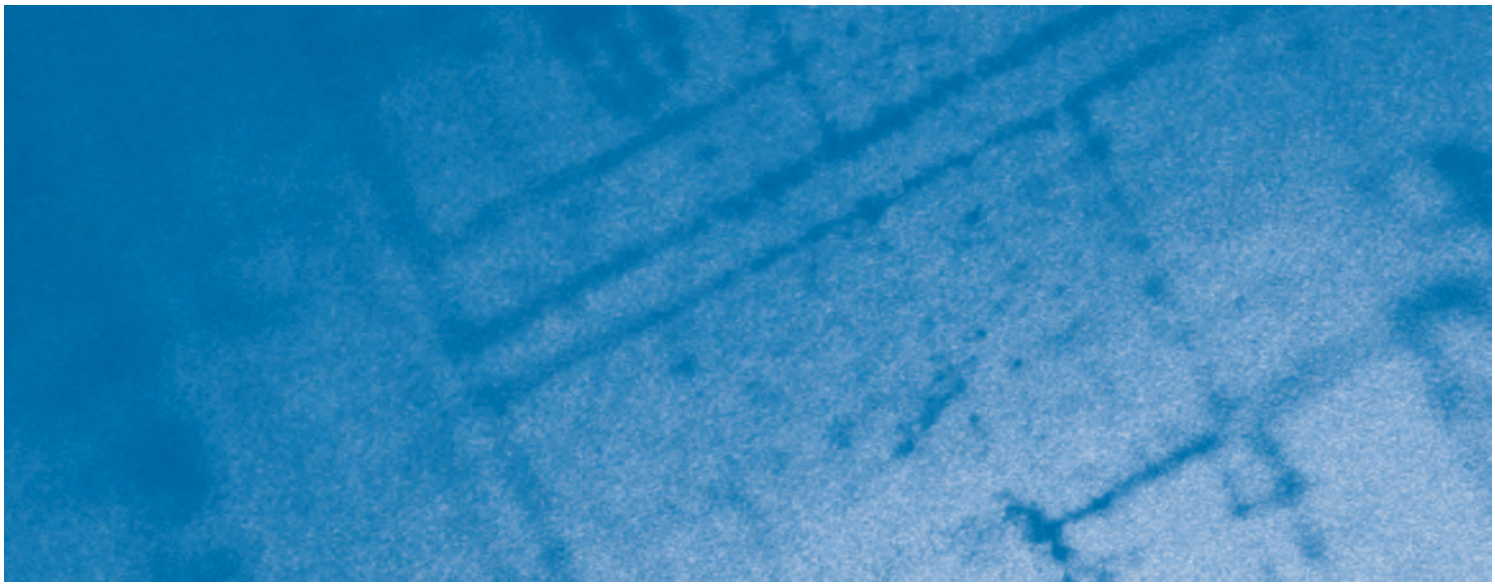
Safety and Security Continues to be a Top Police Priority

As security concerns have risen since 9/11, so has the police force increased. Since then, the agency has maintained a police force of over 1,600 uniformed officers. Security operating costs, including policing for public safety, in the preliminary 2012 budget totals $486 million. When combined with the $342 million in preliminary capital security expenditures, the Port Authority will spend a total of $828 million on security in the preliminary 2012 budget, bringing the agency's total investment in security to over $6.8 billion since the terrorist attacks on September 11, 2001.

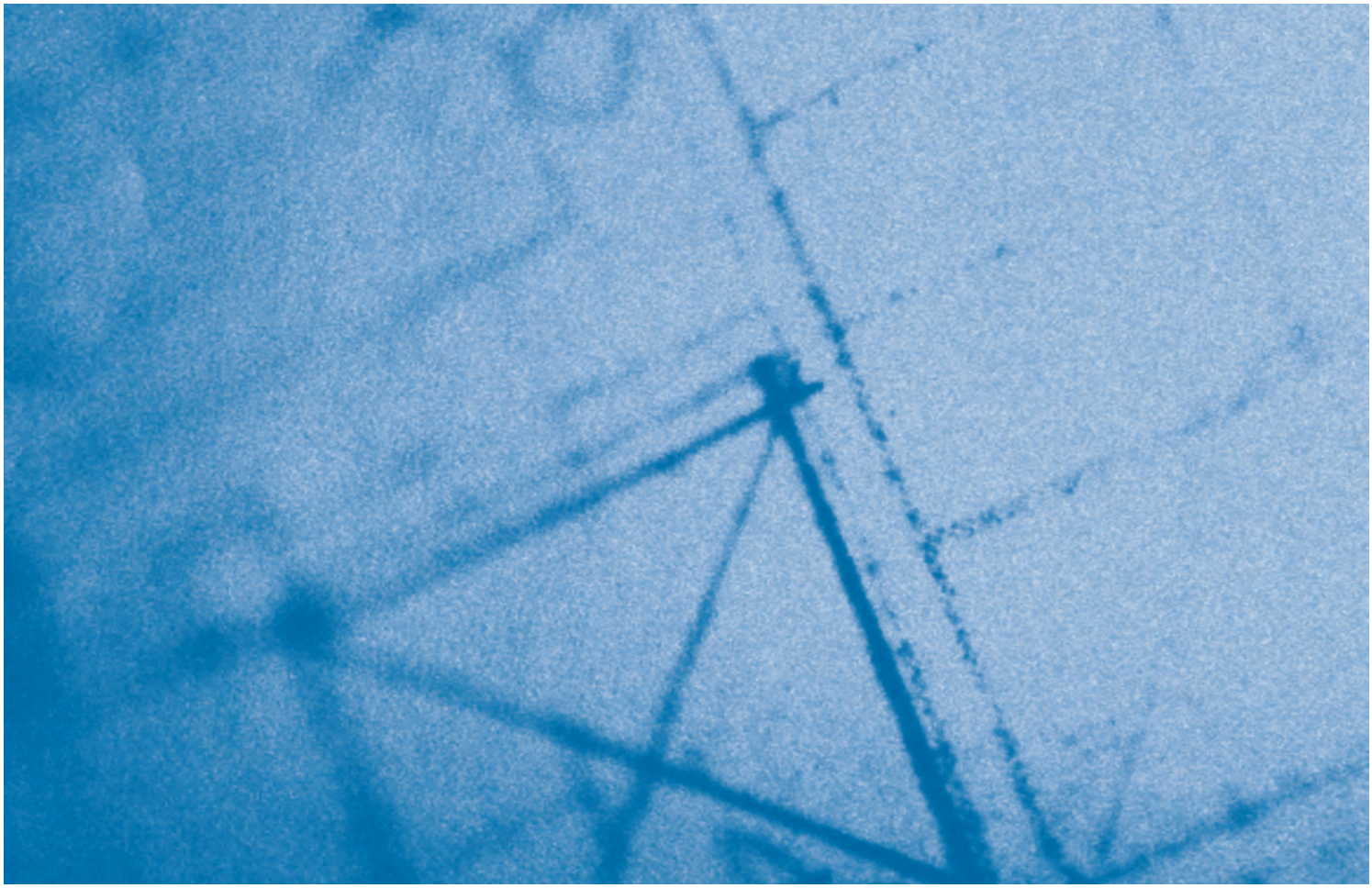
The table on the next page shows staffing by major function:

PRELIMINARY BUDGETED POSITIONS FOR 2012

DEPARTMENT BY FUNCTION	NUMBER
OPERATING LINE DEPARTMENTS	
Aviation	926
Real Estate & Development	48
Port Commerce	170
Rail Transit	1,070
Tunnels, Bridges & Terminals	881
WTC Construction	111
WTC Redevelopment	14
PUBLIC SAFETY	
Public Safety	1,696
Office of Emergency Management	16
ENGINEERING	
Engineering	539
GENERAL SERVICES	
Operations Services (including Facility Construction Support)	427
STAFF SERVICES	
Audit	74
Capital Security Projects	23
Chief Administrative Officer	4
Chief Capital Planning	2
Chief Financial Officer	4
Chief Operating Officer	8
Chief Public & Government Affairs	2
Chief Real Estate & Development	2
Comptroller's	98
Environmental and Energy Programs	11
Executive Offices	9
Financial Analysis	8
General Counsel/Law	128
Government and Community Affairs	10
Human Resources (including Medical Services)	67
Inspector General	34
Labor Relations	11
Management and Budget	38
Marketing	25
Media Relations	10
Office of Business Diversity & Civil Rights	13
Office of the Secretary	18
Office of Strategic Initiatives	3
Operations Standards	6
Planning and Regional Development	19
Priority Programs	6
Procurement	91
Project Management Office	9
Technology Services	104
Treasury	42
TOTAL POSITIONS	6,777



Preliminary 2012 Budget Summary by Line Department



PRELIMINARY 2012 BUDGET SUMMARY BY LINE DEPARTMENT

AVIATION

Mission

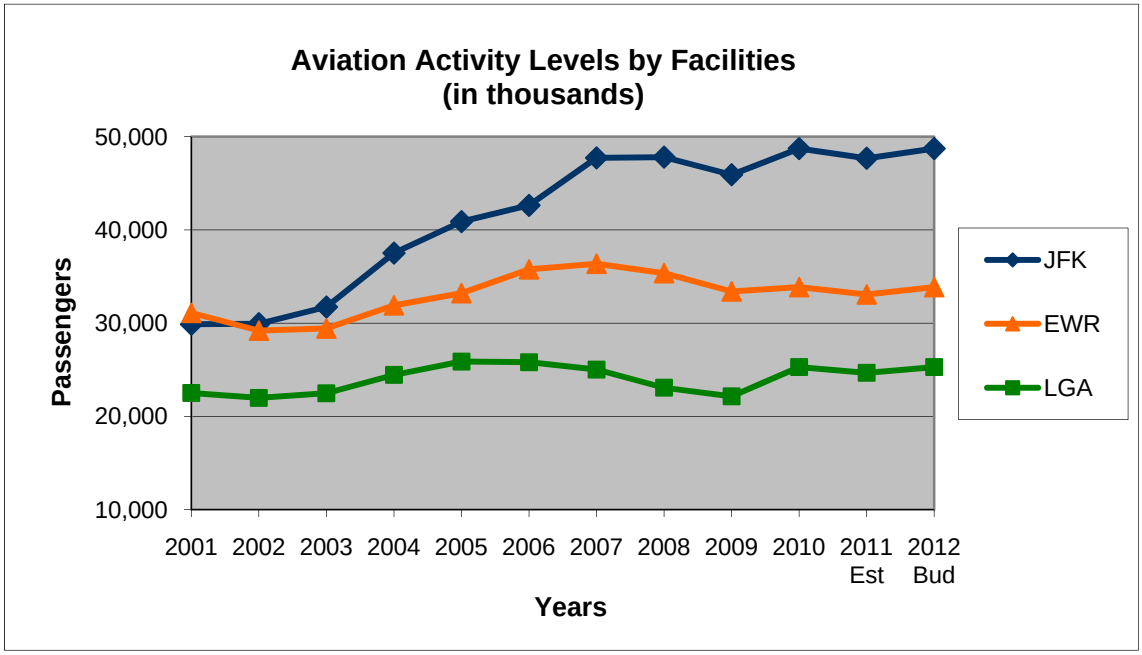
Aviation's mission aligns with the Port Authority's at large, recognizing and accepting its charge to achieve regional prosperity through a unified system of airport facilities that has unsurpassed capacity and quality and that moves people and goods through its five airports as efficiently as possible, with a commitment to safety, security, customer service, environmental sustainability, and community involvement.

Facilities

- John F. Kennedy International Airport (JFK)
- LaGuardia Airport (LGA)
- Newark Liberty International Airport (EWR)
- Stewart International Airport (SWF)
- Teterboro Airport (TEB)

Activity Levels

In 2012, approximately 108.4 million people are projected to use the Port Authority's aviation facilities compared to the revised estimate of 105.8 million people in 2011. The anticipated increase in 2012 passenger levels is approximately 2.6 million, or 2.5%, and 1.2 million or 1.1% higher than the projection of 107.2 million passengers stated in the 2011. Traffic growth is likely to face similar headwinds in 2012 that it did in the latter part of 2011: slower U.S. economic growth, high unemployment levels, general economic anxiety and the European sovereign debt crisis. However, anticipated traffic growth in 2012 assumes that the European debt crisis will be resolved and the U.S economy will continue to maintain steady but slow growth. The slight increase can be attributable to the expected slow recovery in the economy in 2012. Domestic passengers are anticipated to remain flat while international passenger activity is expected to increase by 1.2 million passengers, or 3.3%. The highest passenger activity was 109.1 million in 2007.



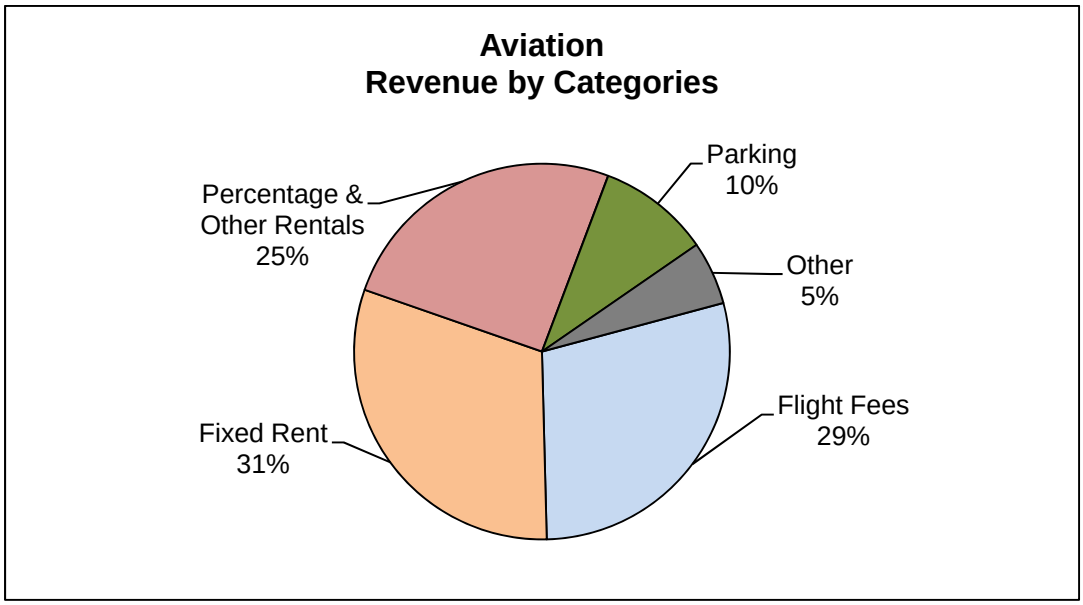
Preliminary Staffing

Aviation has 926 staff, of which 778 are dedicated to operating and maintaining the airports. The operations staff operates and manages the aeronautical, landside, security and customer care functions, including compliance with Federal Aviation Administration rules and regulations. The maintenance staff provides craft-based maintenance programs to ensure that the structural integrity of the facilities' assets, infrastructure and equipment are operating at a high level of performance, including code and regulatory compliance. The remaining management services staff provide the functions that support the facilities and line business operations, including capital program delivery; asset management; property and revenue management; strategic, business planning and financial functions; airspace modernization; security and environmental management; as well as facility management and departmental oversight.

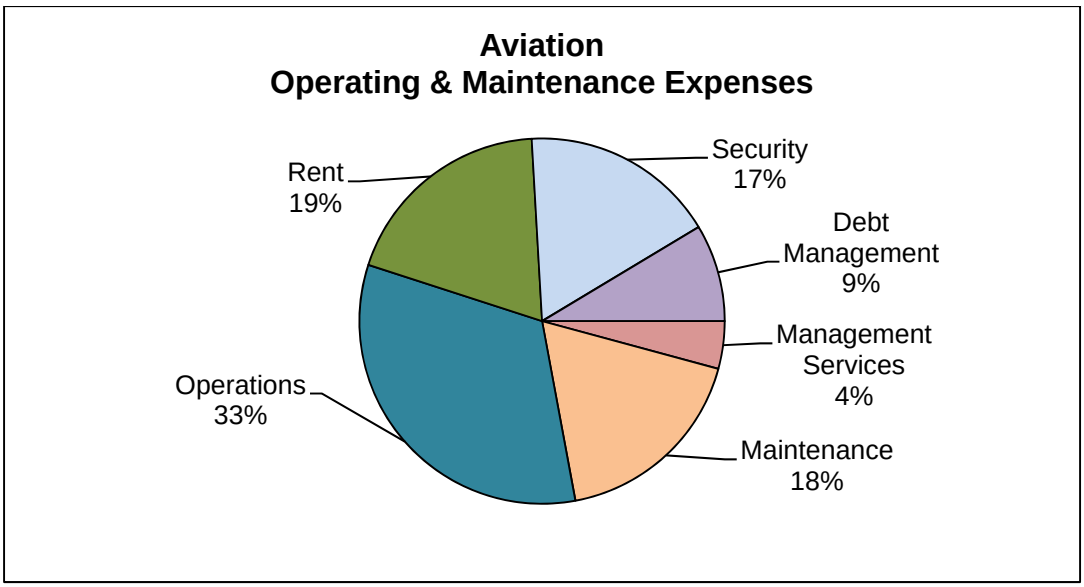
Aviation Staffing Summary		
Operations and General Manager's Offices	John F. Kennedy International Airport	108
	LaGuardia Airport	62
	Newark Liberty International Airport	107
	Stewart International Airport	5
	Teterboro Airport	3
	Operations & GM SUBTOTAL	**285**
Maintenance	John F. Kennedy International Airport	198
	LaGuardia Airport	131
	Newark Liberty International Airport	164
	Maintenance SUBTOTAL	**493**
Director's Office		18
Property Development & Financial Management		39
Project Management		39
Customer/Concessions Services & Public Affairs		22
Security & Technical Services		15
Aviation Planning		15
	TOTAL	**926**

Preliminary Revenues and Expenses

Aviation's 2012 projected revenues of $2.2 billion are up $30 million from the 2011 budget. Significant revenue sources include fixed rentals from leases for airline terminals, hangars and cargo facilities, concessions and aircraft services; flight fees from cost recovery agreements with airlines; fees and charges, such as the AirTrain's farebox revenues, utilities and fuel fees; and other airport activities such as parking.

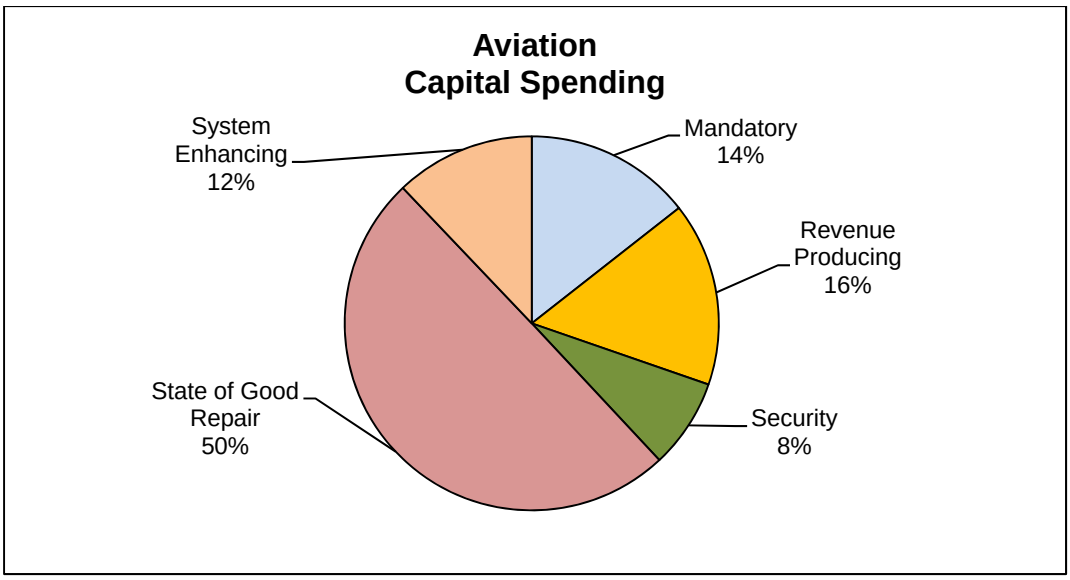


Preliminary 2012 expenses for the Aviation Department total $1.4 billion, including payroll, technology services, rent, contract services, and utilities. Through a significant cost-cutting effort, Aviation is controlling expenses through lowering energy expenditures, consolidating contracts, mothballing/demolishing vacant buildings, using resources more efficiently, and reducing fees paid. Savings associated with these activities are expected to offset the necessary contractual and inflationary increases.



Preliminary 2012 Capital Budget Overview

The preliminary 2012 Aviation capital budget provides for $452.4 million in expenditures. A total of $225.5 million, almost 50%, will be used to maintain the agency's airport assets in a state of good repair. A large part of the preliminary capital budget will also be dedicated to enhance overall system capacity and security, $54.8 million and $35 million, respectively. The 2012 capital priorities focus on addressing current challenges that include aging infrastructure, safety and security, congestion/delays and federal caps on flights per hour imposed by the FAA, and customer expectations.



Preliminary 2012 Capital Budget Highlights

	Project	Description/Purpose	Preliminary 2012 Budget	Operational Impacts
1	EWR Modernization of Terminal B	Complete mid- and upper-level expansion to meet expected growth in air passenger traffic and increase terminal capacity.	$29 M	Potential for increased activity-based revenue in the amount of approximately $5 M annually.
2	JFK Runway 4L-22R Reconstruction	Continue planning 4L-22R reconstruction, including field inspection, pavement assessment, constructability analysis, construction staging to minimize operational impacts, environmental assessment, and preliminary design and cost estimates/	$8 M	Lower pavement maintenance costs, increased capacity, reduced delays, accommodation of larger (Group VI) aircraft.
3	JFK Delta 3/4 Redevelopment	Project management and support to assist Delta with upgrading and expanding terminal facilities so that they better conform to their current business model.	$13 M	Increased operational efficiencies aiding airline growth at JFK.
4	TEB Runway 6-24 RSA Improvements	Pavement rehabilitation and lighting upgrades to extend the useful life and maintain a state-of-good-repair.	$17 M	Increased safety and compliance with congressional mandate that airport Runway Safety Areas (RSAs) meet FAR Part 139 design standards by 2015
5	LGA Redevelopment Planning	Upgrade airside and landside infrastructure (including central electrical substation and CHRP replacement) to accommodate projected passenger demand.	$18 M	Improved customer service and accommodation of projected passenger growth.
6	Bollards (multi airports)	Major capital security initiative to install bollards (barriers) on tenant-controlled areas to protect terminal frontages.	$16 M	Increased facility security.
7	EWR Terminal A Redevelopment Planning	Provide planning dollars for the redevelopment of Terminal A at the airport.	$13 M	Accommodation of projected passenger growth.

TUNNELS, BRIDGES, AND TERMINALS (TB&T)

Mission

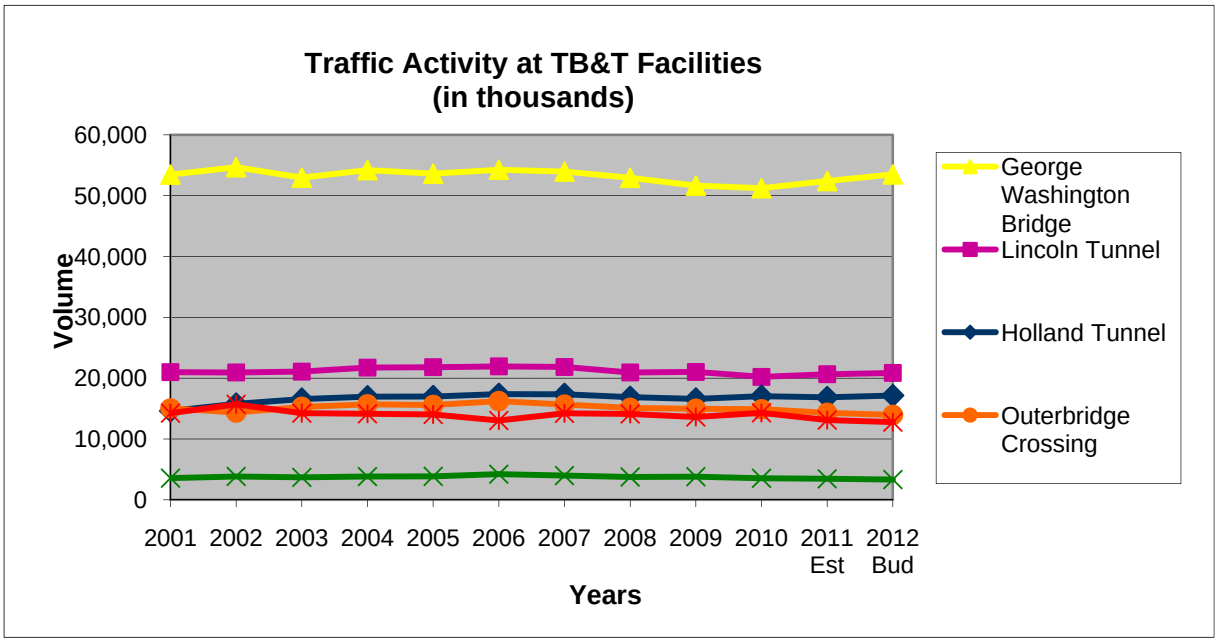
The heart of the TB&T mission is aligned with the Port Authority's goals by connecting the road networks of New York and New Jersey with tunnels, bridges and bus terminals that permit people and goods to move safely, efficiently and conveniently by operating facilities that are safe, secure, reliable, well maintained and easy to use; providing service levels that instill customer confidence and satisfaction; coordinating with other agencies to ensure integrated transportation systems; and improving traffic flow, efficiency and travel reliability through innovative technology and new work practices thereby strengthening the region's economic competitiveness.

Facilities

- Bayonne Bridge
- Goethals Bridge
- George Washington Bridge (GWB)
- George Washington Bridge Bus Station (GWBBS)
- Holland Tunnel
- Lincoln Tunnel
- Outerbridge Crossing
- Port Authority Bus Terminal (PABT)

Activity Levels

TB&T's facilities are expected to handle 121.5 eastbound vehicles in 2012. This represents a decrease in traffic of 0.9 million vehicles, or 0.7% compared to the 2011 budget due to the initial impact of the September 2011 toll increase and severe weather events. Auto traffic is projected to be 0.8 million or 0.7% lower, truck traffic is expected to below budgeted levels by 110,000 movements, or 1.5%, and bus traffic is projected to exceed the budget slightly by 43,000, or 1.3%. The highest vehicle activity was 127.0 million in 2006 and 2007. Looking ahead, TB&T anticipates moderate growth in long-term traffic volumes, marking a gradual recovery from the recession.



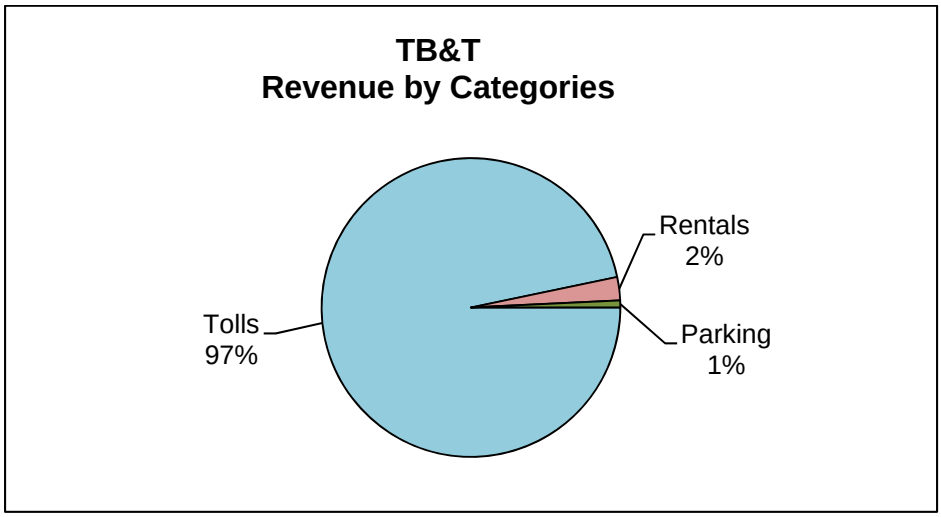
Preliminary Staffing

TB&T has a total of 881 staff, of whom 793 are dedicated to facility-based management, operations, and maintenance. Facility management directs operations and maintenance staff who are responsible for toll collection, traffic management, incident and emergency response, bus and passenger operations at bus terminals, and preventative maintenance and construction programs that ensure integrity of assets, infrastructure and equipment, as well as code and regulatory compliance. TB&T employs 88 management services staff responsible for managing business programs and facility support functions including capital program delivery; asset management; development programs at facilities and department properties; operations, transportation and business planning; financial services and analysis; revenue program management including the operations and maintenance of the toll collection system and customer service contracts; a variety of operating and maintenance agreements; and department-wide administrative services.

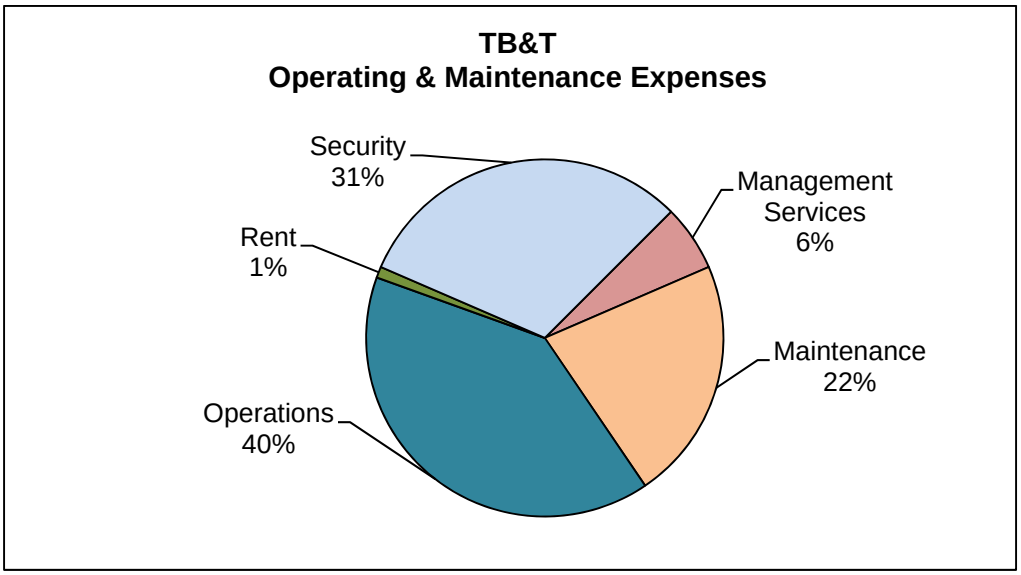
TB&T Staffing Summary		
Operations	George Washington Bridge	129
	Holland Tunnel	126
	Lincoln Tunnel	139
	Port Authority Bus Terminal	48
	Staten Island Bridges	78
	Department-wide Facility Operations	8
	Operations SUBTOTAL	**528**
Maintenance	George Washington Bridge	45
	Holland Tunnel	67
	Lincoln Tunnel	68
	Port Authority Bus Terminal	51
	Staten Island Bridges	34
	Maintenance SUBTOTAL	**265**
Director's Office		9
Regional E-ZPass Programs		13
Business, Finance and Administration		8
Project Management		29
Technical Services		18
Transportation Planning and Development		11
	TOTAL	**881**

Preliminary Revenues and Expenses

TB&T forecasts 2012 revenues of $1.4 billion, 97% of which consists of projected toll revenues from the bridge and tunnel crossings, along with rentals from the bus terminals, advertising and parking revenues.

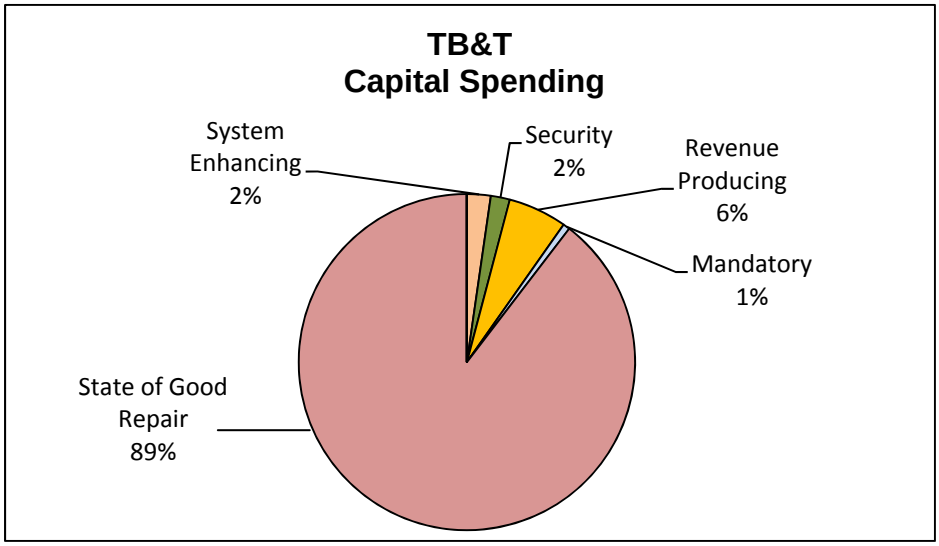


TB&T's total 2012 operating expense preliminary is $460 million, including $147.6 toward operations, $117 million for security and policing and $80.9 million for maintenance. The total expenses are allocated as follows:



Preliminary 2012 Capital Budget Overview

The 2012 TB&T capital preliminary provides for expenditures totaling $625.5 million, $560.4 million or almost 90% of which is geared toward rehabilitating and maintaining the facilities in a state of good repair.



Preliminary 2012 Capital Budget Highlights

	Project	Description	Preliminary 2012 Budget	Operational Impacts
1	Lincoln Tunnel Helix and Bus Ramp Rehabilitation	Replace approximately 44,000 square feet of bus ramp concrete panels and rehabilitate the helix to ensure the structural integrity and useful life of the existing facility.	$31 M	Minimization of costly emergency repairs and unscheduled lane closures and enhanced safety of the helix roadway and bus ramps to the Port Authority Bus Terminal.
2	Holland Tunnel Electrical/Mechanical Rehabilitation of Ventilation Systems	Provide for an upgraded and modernized tunnel ventilation system including ventilation fan blowers and motors in all four vent buildings, a new automatic control system, and new low- and high-voltage switch gear.	$13 M	The project will rehabilitate an existing ventilation system that is currently outdated and far beyond its useful life. Replacement of the system's fans & motors will prevent the PA from having to shut down the tunnel to all vehicles to address a non-functioning system.
3	GWB Upper Level Deck Rehabilitation	Rehabilitation of the structural steel of the GWB's Upper Level roadway deck and support structure to maintain structural integ~~rity, ensure~~ state of good repair, and extend useful life.	$26 M	This project will extend the useful life of the deck another 15-20 years and reduce maintenance costs.
4	Goethals Bridge Modernization Program	Planning dollars for the replacement of the existing bridge with a new six-lane bridge to address state of good repair and the functional and physical obsolesce of the current structure, while ensuring a safe efficient regional transportation network capable of accommodating projected travel demand growth in the region.	$26 M	Accommodation of projected year 2034 demand of an additional 35 percent of vehicles, while improving traffic flow, creating environmental and economic benefits and enabling the agency to experience added safety as well as maintenance savings associated with a modern facility. Continued use of existing bridge would necessitate replacing the deck in approximately seven years at an estimated project cost range of $600M to $700M.
5	GWB Bus Station Redevelopment	Modernize bus operations on the upper level of the existing GWB Bus Station, as well as develop approximately 120,000 square feet of retail space resulting in a new revenue stream for the agency.	$34 M	Provide a modernized intermodal transportation facility and services that promote reliable travel and seamless connectivity among modes, and more attractive transit alternatives for users of the GWB.
6	Toll Collection System Replacement	Provide a new toll collection system to replace the current system, which is beyond its useful life. Deploy a system that has the capability for All-Electronic Tolling, which will enable the Port Authority to eliminate cash payments in the toll lanes, enhancing system capacity and traffic flow at the interstate crossings.	$15 M	Replacement of the aging toll collection system and equipment will serve to protect the nearly $1B in toll revenue and help to recoup the estimated $15M in annual revenue loss as a result of the antiquated system.
7	Bayonne Bridge Modernization Planning	Advance alternatives to alleviate the existing air-draft navigational clearance limitation of the Bayonne Bridge to allow larger container ships to serve Port Newark/Elizabeth.	$10 M	Alleviation of the air-draft restriction will support regional economic growth and continued port competitiveness. Additionally, alternatives under consideration will provide for an upgrade to modern bridge safety and design standards.
8	Pulaski Skyway Infrastructure	Design and construction of improvements to the existing bridge structures and its approaches, including replacing the entire concrete deck of the bridge and all ramp structures, repairing/replacing structural steel members and connections, rehabilitating the substructure and other elements of the bridge such as safety, security, and aesthetics.	$164 M	Improvements to main routes in area of approaches and connections to Port Authority facilities will improve and strengthen access to and between the Hudson River crossings.
9	Route 7 Wittpenn Bridge Infrastructure	Replace bridge over the Hackensack River and roadway realignment on the west side of the river. The new bridge will be located north of the existing bridge with an increase in vertical clearance to a minimum of 70 feet in the closed position.	$174 M	Improvements to main routes in area of approaches and connections to Port Authority facilities will improve and strengthen access to and between the Hudson River crossings.
10	Route 1&9T New Road Infrastructure	Design and construction of an extension of Route 1 & 9T from St. Pauls Avenue to Secaucus Road in Jersey City, New Jersey.	$5 M	Improvements to main routes in area of approaches and connections to Port Authority facilities will improve and strengthen access to and between the Hudson River crossings.

PATH

Mission

PATH's mission is guided by the Port Authority's goals to excel in the delivery of a safe, reliable, and cost-effective transportation service that operates as a critical link in the regional transportation network, contributing to regional mobility and economic development and serving as stewards of the regional environment by providing efficient mass transit service and effectively managing energy resources.

Facilities

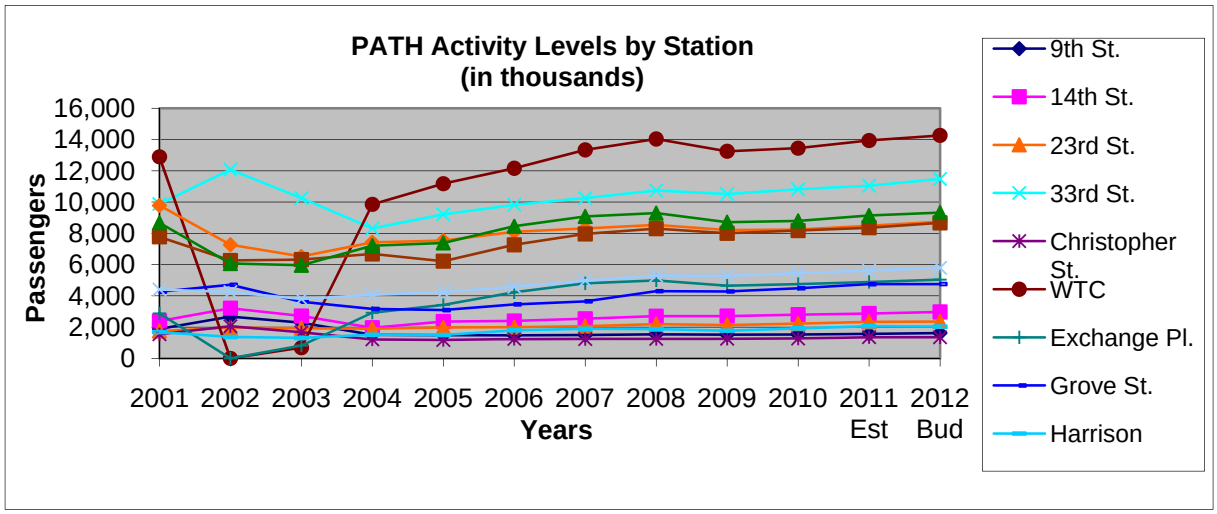
- PATH Rail Transit System

Stations in New York	Stations in New Jersey
9th Street	Exchange Place
14th Street	Grove Street
23rd Street	Harrison
33rd Street	Hoboken
Christopher Street	Journal Square
World Trade Center	Newark Penn Station
	Newport

- Journal Square Transportation Center

Activity Levels

PATH ridership is expected to rise to a record 78.4 million passenger trips in 2012. This represents an increase of 5.1 million passengers, or 7% above the 2011 budget due to a shift in travel patterns that took place in 2011. The anticipated increase is expected to be primarily at Grove Street and Harrison stations due to the development of surrounding areas. Significant ridership growth is projected for the 2016-2020 period because of the build-out and phasing in of a number of large development projects. The close proximity of PATH's stations to many of these development projects will stimulate considerable ridership demand in the long-term. The highest passenger activity previously was 74.9 million in 2008.



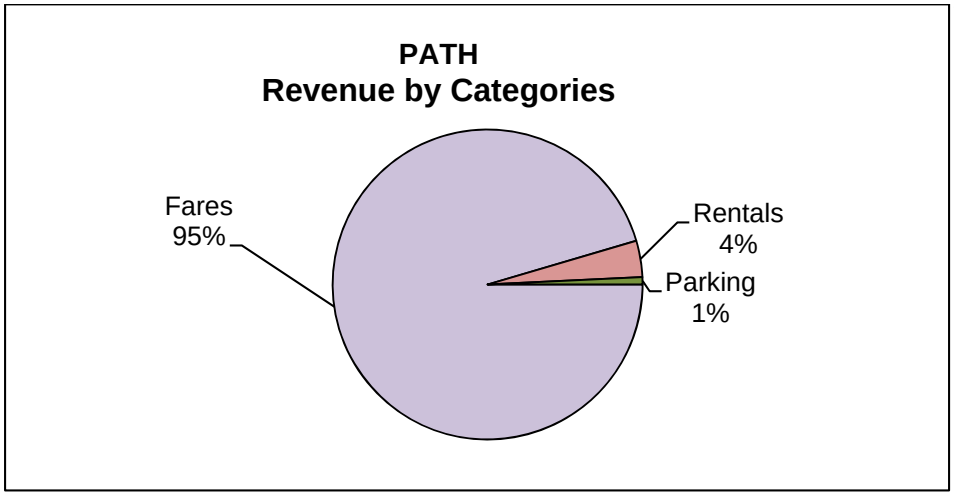
Preliminary Staffing

PATH has a staff of 1,070 permanent employees, of which 1,013 are dedicated to operating and maintaining a full service rail transit system and bus terminal. The operations staff operate and manage the dispatching and movement of trains in and out of the stations and yards, develop and maintain train schedules, and provide passenger information and customer care programs throughout the stations, including compliance with Federal Railroad Administration rules and regulations. The maintenance staff ensures that the railcars are inspected, repaired and perform at a high level; maintains and replaces tracks, station structures and operating equipment; and services the signals, power distribution and communications equipment systems to ensure safe and efficient train movement. The remaining management services staff provide the functions that support the facilities and line business operations, including capital program delivery; asset management; rail operations planning; property and revenue management; strategic business planning and financial functions; security and environmental management; and facility management and departmental oversight.

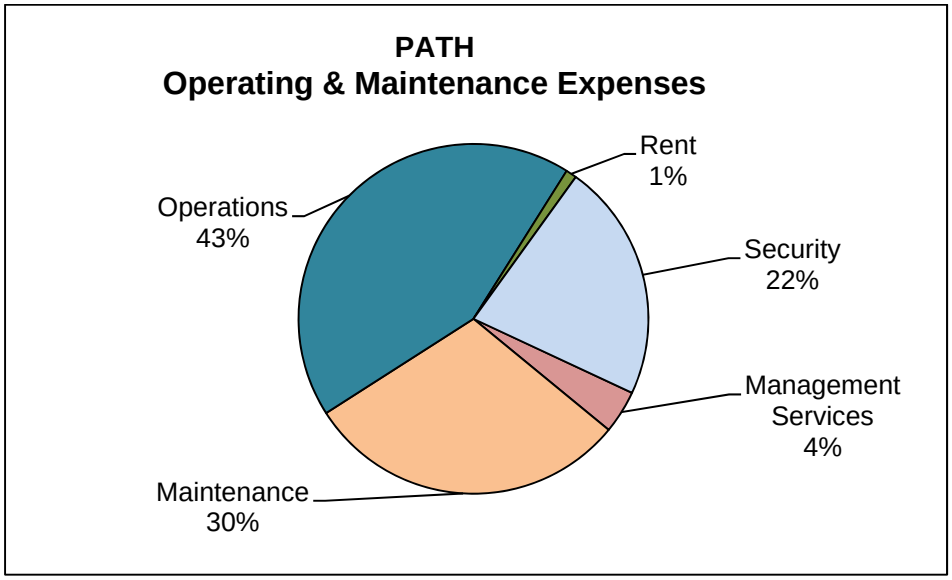
PATH Staffing Summary		
Transportation (Operations)		**423**
	Car Equipment	207
	Way and Structures	214
	Power, Signals, and Communications	169
	Maintenance SUBTOTAL	**590**
Capital Project Management		25
Operations Support		8
Director's Office		9
System Safety and Environmental Management		5
Business Process and Analysis		4
Financial Services		3
Security (Non-police)		3
	PATH TOTAL	**1,070**

Preliminary Revenues and Expenses

PATH projects 2012 gross revenues to reach $141 million, which is a $32 million increase over the 2011 budget. This increase in gross revenues is attributable to a projected $32 million increase in fare revenues, as non-fare revenues are expected to remain relatively flat.

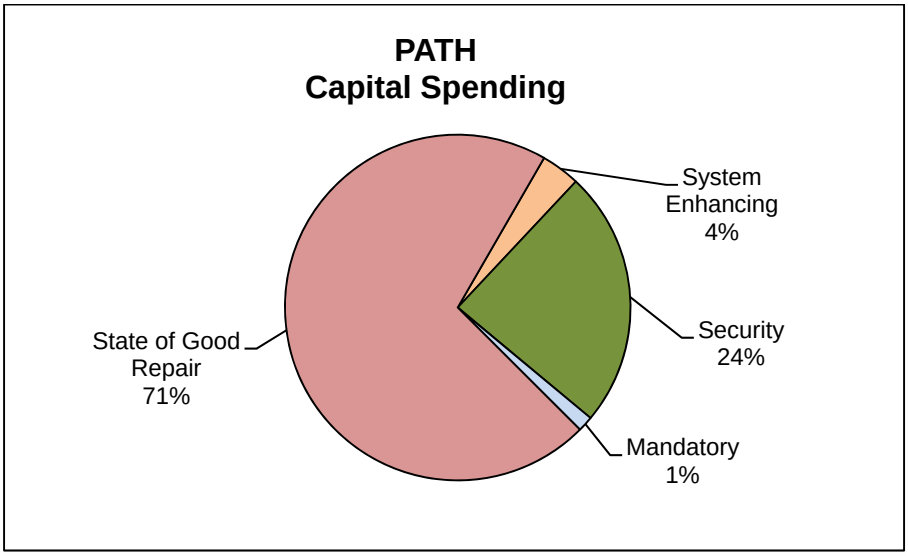


The PATH preliminary operating expense budget for 2012 is $303 million, which represents a 6.3% increase from PATH's 2011 operating budget. A total of $102.4 million will be devoted to PATH operations, $73.4 million to maintenance and $52.9 million to security and policing costs.



Preliminary 2012 Capital Preliminary Overview

The preliminary 2012 PATH capital budget provides for a total of $ 351.5 million in expenditures. A large part of the expenditures will be used towards the PATH modernization program, which includes final payments for replacing rail cars with a new 340 car fleet, a new signal system, and upgrading PATH stations. The 2012 Capital Plan also includes projects designed to maintain PATH's aging assets, including track, substations, and communications equipment.



Preliminary 2012 Capital Budget Highlights

	Project	Purpose	Preliminary 2012 Budget	Operational Impacts
1	Safety and Security Projects	Enhance system access control and overall operational safety to protect the PATH infrastructure.	$85 M	Safe and effective operation of entire system.
2	Signal System Replacement Program	Replace outdated current signal system with a modern computerized system.	$107M	Increased capacity to meet growing ridership demand. The signal system will provide the capability to increase the system capacity by approximately 20% by permitting trains to run safely in close proximity to one another.
3	State of Good Repair Program	Ensure the integrity of the infrastructure by maintaining the functionality of PATH assets.	$78 M	Improved service reliability (e.g., on-time performance). New, upgraded, and well-maintained tracks, communications equipment, and facilities to ensure service reliability and safety. Minimize service disruptions by maintaining railcars, substations and various support structures.
4	Substation Upgrades	Improve reliability and maintain substation equipment by upgrading and replacing certain components of the high-tension feeder sources.	$19 M	Enhanced reliability, maintainability, security and quality of service to PATH customers.
5	Station Improvements	Enhance safety and quality as well as increase passenger capacity.	$23 M	Improved customer safety and service through increased capacity by extending platforms, allowing for longer trains.

PORT COMMERCE

Mission

Port Commerce activities support the Port Authority's mission to develop and maintain secure, competitive port infrastructure and services for New York and New Jersey, expediting the movement of international cargo and supporting the regional economy in a financially sound manner. Port Commerce also aims to minimize the impact to the environment, conserve natural resources and support sustainable growth, particularly with respect to reducing pollutant air and greenhouse gas emissions.

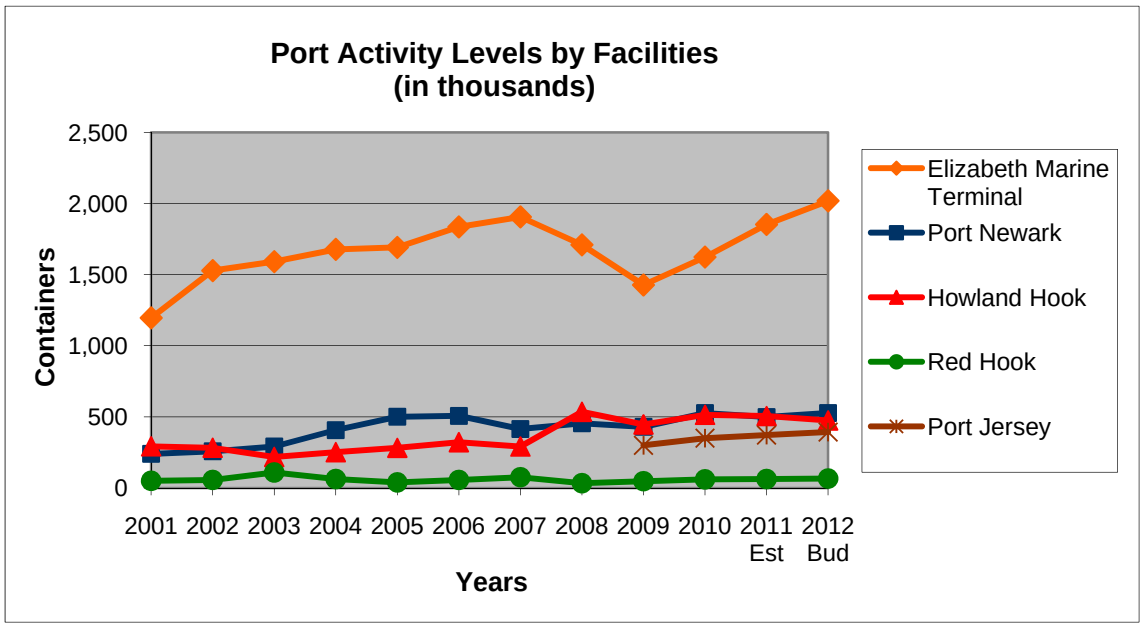
Facilities

- Port Newark
- Elizabeth – Port Authority Marine Terminal
- Brooklyn – Port Authority Marine Terminal
- Howland Hook Marine Terminal
- Greenville Yard – Port Authority Marine Terminal
- Port Jersey – Port Authority Marine Terminal
- Red Hook Container Terminal
- Cross Harbor (NY/NJ Railroad)

Activity Levels

Activity in 2011 got off to a fast start with first quarter volumes nearly 15% better than Q1 2010. Though cargo volume cooled in the second and third quarters, the Port was still performing 5% better than 2010. An increase is expected in the fourth quarter due to a delayed holiday season. Currently the forecast shows 2012 to be about 5% ahead of 2011, putting Port volumes at 3.4 million containers.

In 2012, the agency's port facilities are projected to handle 3.5 million containers. The anticipated increase of 0.5 million containers, or 16.7% continues the current upward trend. The highest container activity previously was 3.1 million in 2007.



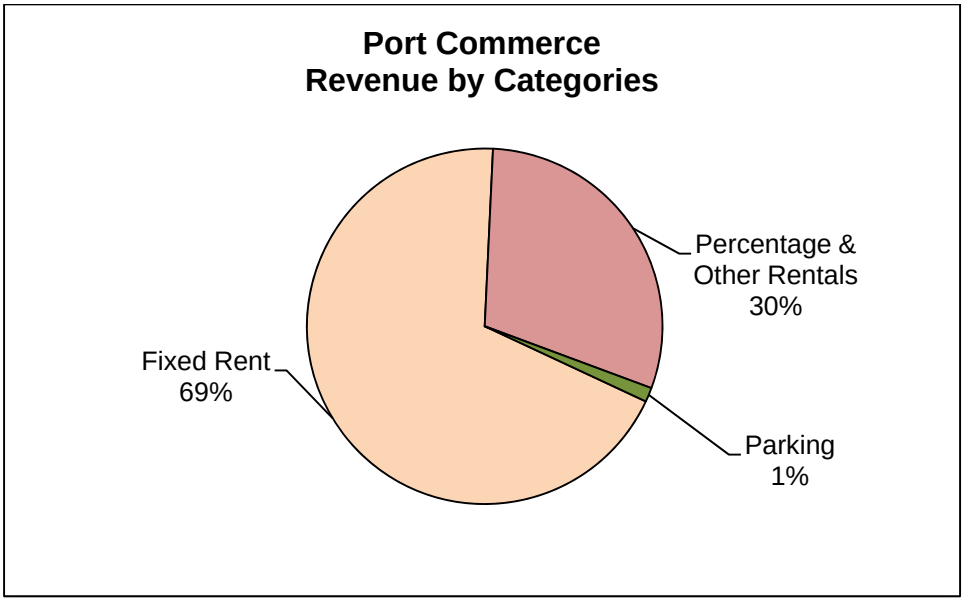
Preliminary Staffing

Port Commerce has a total of 170 permanent positions, of which 104 are dedicated to operating and maintaining the marine terminals and port system. The operations and maintenance staff ensure that the marine terminals' berths, waterways, roadways, rail facilities, multi-tenant properties, and common utilities are in compliance with applicable codes and regulations and are operated and maintained in a manner that allows for the safe and efficient movement of international cargo to and from our facilities. The remaining management staff provide the functions that support the facilities including capital program delivery; asset management; terminal properties and waterways management; cargo and revenue management; strategic analysis; maintenance of industry relations; business planning and financial functions; port security programs; environmental programs management; as well as facility management and overall departmental oversight.

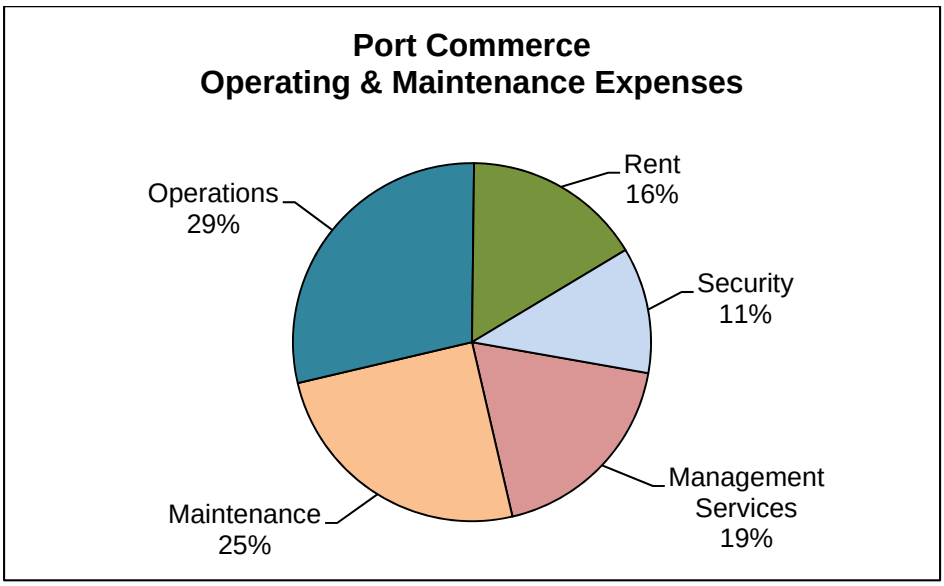
Port Commerce 2012 Staffing Summary		
Operations	New Jersey Marine Terminals	21
	New York Marine Terminals	6
	Operations SUBTOTAL	**27**
Maintenance	New Jersey Marine Terminals	56
	New York Marine Terminals	21
	Maintenance SUBTOTAL	**77**
Director's Office		16
Port Planning & Development		11
Strategic Analysis & Industry Relations		12
Leasing & Property Development		9
Environmental & Waterways		6
Project Management		6
Financial Services		3
Port Projects/Regional Development		3
	TOTAL	**170**

Preliminary Revenues and Expenses

Port Commerce anticipates $241 million in gross revenues in 2012, which represents an increase of $32 million from the 2011 budget. Sixty-nine percent of these revenues consist primarily of land and building rentals related to containers, autos, warehouse operations and bulk storage. The remaining sources of revenue are from percentage and other rentals that are derived from container throughput, cargo facility charges (CFCs) and dockage and wharfage.



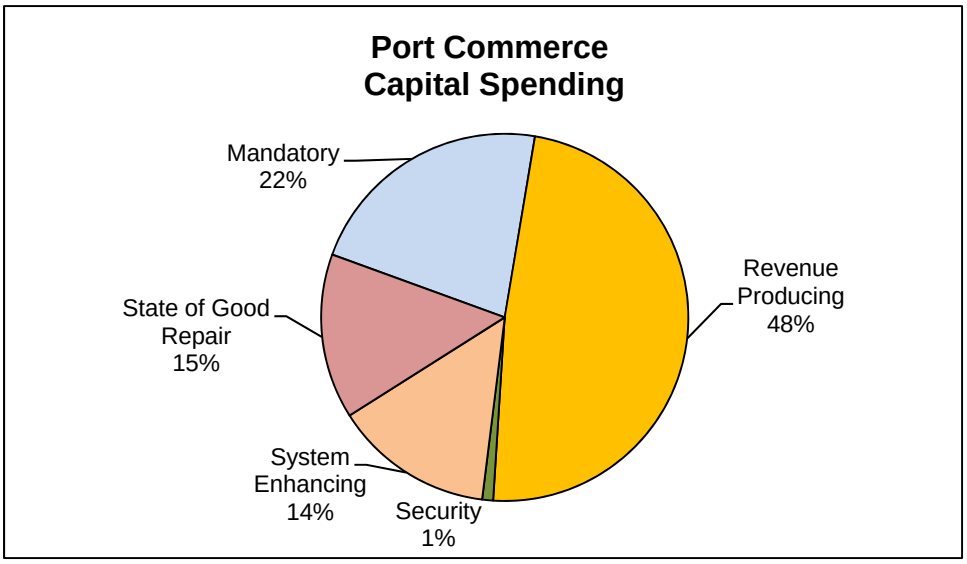
The preliminary 2012 Port Commerce operating expense budget is $179 million, $47.8 million will be spent on operations, $41.4 million on maintenance and $18.9 million. The total will be allocated as follows:



Preliminary 2012 Capital Budget Overview

The Port Commerce 2012 capital plan of $345.9 million includes the necessary investments that will enable the Port Authority to sustain port growth over the next decade. This investment includes an improved transportation infrastructure that will alleviate truck traffic and port congestion and deepen

channels and berths, allowing for more cost-efficient and environmentally conscious transportation of cargo.



Preliminary Capital Budget Highlights

	Project	Description / Outcomes	Preliminary 2012 Budget	Operational Impacts
1	Port Jersey Development Program	Acquisition and development of new and existing marine terminal properties. Capacity for accommodating international marine cargo will be increased.	$68 M	Increased capacity will eventually lead to increased revenues, especially once Global Terminal becomes operational.
2	Harbor Deepening Program	Continue deepening NY/NJ Harbor's main channels to 50 feet. Navigational safety and waterside access for wider vessels will be improved and the movement of international cargo will be expedited.	$71 M	Increased capacity for larger vessels and incremental cost savings to ocean carriers by their utilization of larger vessels will make the Port more competitive from a cost and efficiency perspective. When completed in 2012-2014, vessels will have the ability to enter into the harbor at 50 ft mean low water. Presently almost 45% of the vessels entering the harbor must enter the Port at high water.
3	Infrastructure Program	Maintain Port Commerce assets to ensure a state of good repair. The long-term reliability of Port Commerce assets will be ensured and day-to-day maintenance costs will be reduced.	$66 M	Reductions in operating and capital major works programs costs associated with priority repair work.
4	Regional Freight Program	Develop a barge to rail facility. Roadway congestion and pollution will be reduced and an important rail freight corridor will be reinvigorated.	$58 M	It is anticipated that these improvements will allow for an increase of 40% in both rail car volumes and associated revenues by December 2011.
5	Roadway Improvement Program	Improve and expand capacity of the port marine terminal roadway system. Roadway congestion and pollution will be reduced and roadway safety will be improved.	$32 M	Increased capacity and reduced congestion and accidents. Average peak hour network-wide interaction delays should be reduced by 20% and speeds along select corridors should increase by approximately 7%.
6	Intermodal Rail Program	Continue construction of a comprehensive rail system throughout the Port. The Port will be optimally positioned to service the mid-west market --- a market that is becoming more vulnerable as a result of increasing pressure from competing ports such as Norfolk and various Canadian ports.	$45 M	Increased rail capacity will facilitate the movement of goods by rail thereby reducing the carbon footprint associated with the transport of port cargo and provide increased revenues to the PA. When the present intermodal rail program is completed by the end of 2016, an additional 50% in intermodal rail capacity will be added.

REAL ESTATE and DEVELOPMENT

Mission

To identify and advance strategic business initiatives that enhance the Port Authority's financial capacity; stimulate private investment in agency facilities and host communities; support and drive sustainable regional economic growth; facilitate expansion of an efficient, high quality regional transportation system; and enhance the productivity of the Port Authority staff.

Facilities

- Bathgate Industrial Park
- Essex County Resource Recovery Facility
- Industrial Park at Elizabeth
- Newark Legal Center
- The Teleport
- Waterfront Development
  - Queens West Waterfront Development
  - The South Waterfront at Hoboken

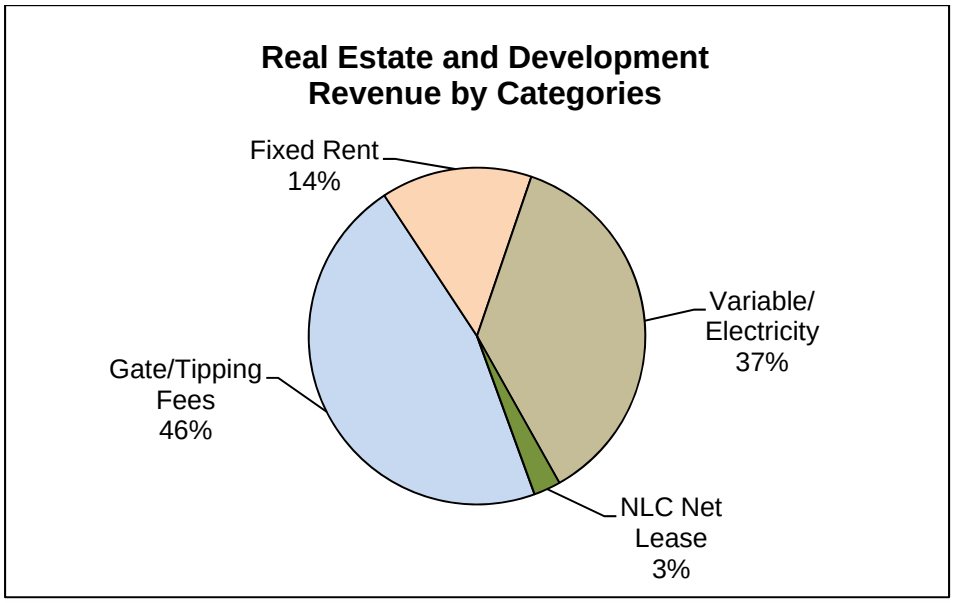
Preliminary Staffing

Real Estate and Development has a total of 48 staff. Real Estate and Development's staff are dedicated to managing the Port Authority's major real estate assets, other components of its commercial real estate portfolio and additional programs aimed at optimizing financial return to the agency and supporting regional economic growth. Real Estate and Development's staff identify and advance new revenue opportunities; negotiate cost-effective property acquisitions and sales, land swaps, development agreements and leases; manage the waterfront development program; operate, maintain and manage Port Authority commercial and industrial properties and office and operations space leased or owned by the agency and provides the functions that manage and support these activities. Office Space staff are currently working to consolidate PA corporate offices in 2 Montgomery St, Jersey City and the future PA headquarters at 4 WTC.

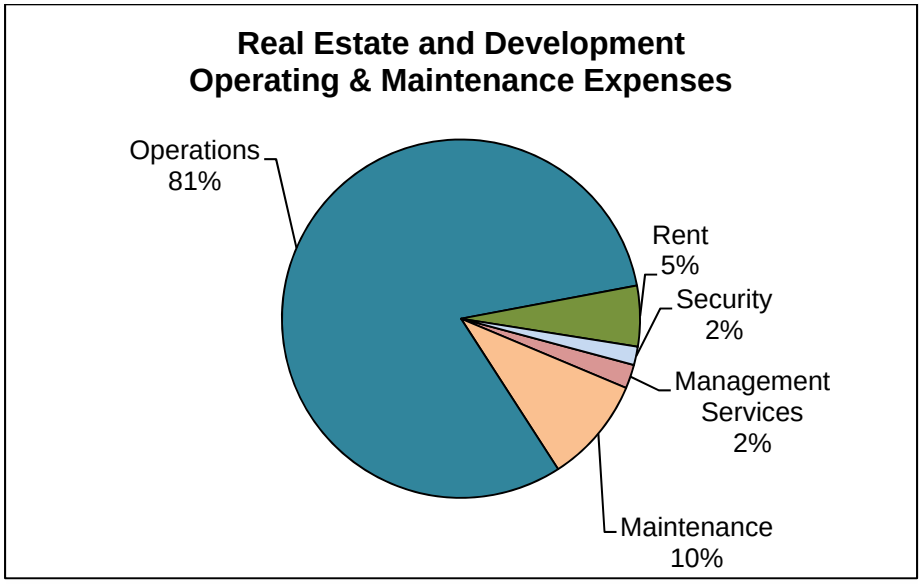
Real Estate and Development's Staffing Summary		
Real Estate Services	Asset Management	20
	Real Estate	4
	Planning and Project Development	7
	Facility Operations	6
	Real Estate Services SUBTOTAL	**37**
Development		11
	TOTAL	**48**

Preliminary Revenues and Expenses

Projected 2012 revenues for Real Estate and Development's operating facilities are $95 million, a decrease of $7.8 million over the 2011 budget. Revenue largely consists of gate/tipping fees and the sale of electricity from the Essex County Resource Recovery Facility and rents generated by terms of existing and new agreements.



Real Estate and Development preliminary operating budget for 2012 is $86 million.



WORLD TRADE CENTER

Mission

To redevelop and operate the World Trade Center site by directly managing projects controlled by the Port Authority, overseeing elements controlled by third parties, and constructing key site elements thereby creating a safe, secure, environmentally sustainable, financially successful and physically integrated complex that anchors the revitalization of Lower Manhattan, supports regional prosperity and enhances the Port Authority's financial capacity while honoring those lost on 9/11.

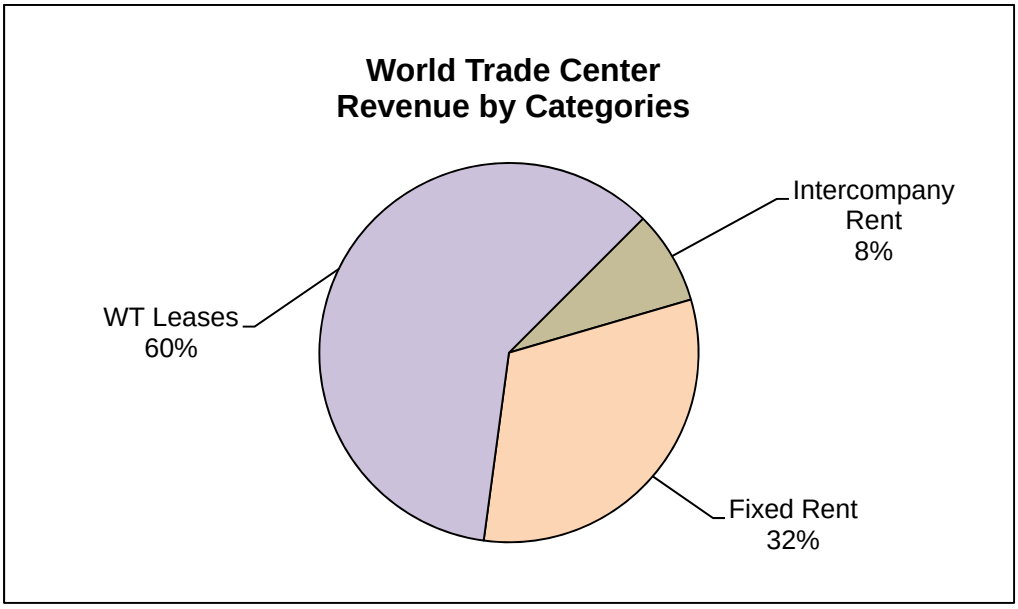
Preliminary Staffing

World Trade Center activities employ a total of 125 staff, of which 111 are dedicated to rebuilding the WTC Site by managing the design guidelines, contracting for and constructing capital program elements and overseeing the different construction managers and contractors on the site**.** A staff of 14 manages all real estate issues and business relationships associated with development of the entire site.

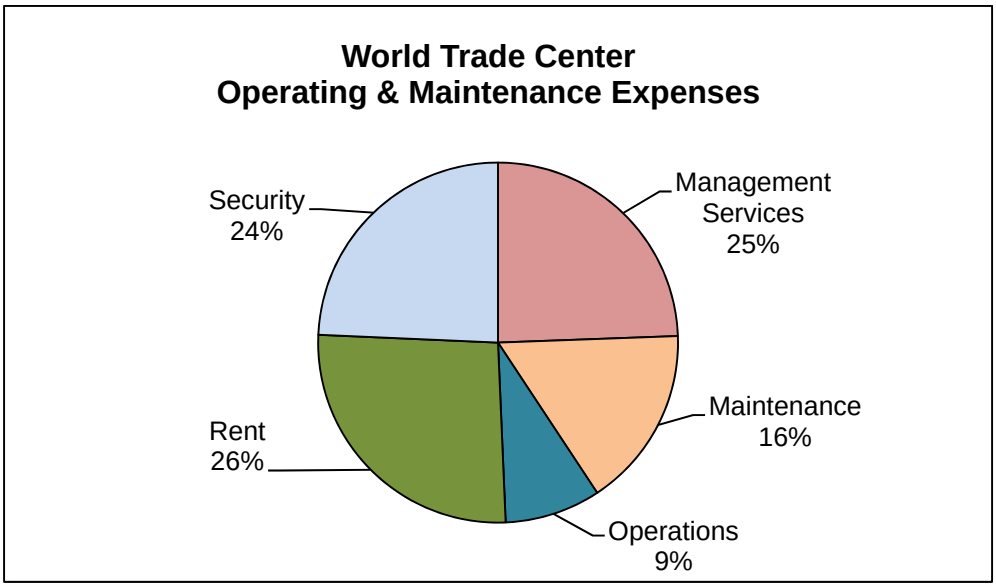
World Trade Center Staffing Summary	
WTC Construction	111
WTC Redevelopment	14
TOTAL	**125**

Preliminary Revenues and Expenses

World Trade Center projected revenues for 2012 are $48 million, which primarily consist of World Trade Center leases, intercompany rent and rentals. Revenue estimates are based on terms of existing agreements and amendments to existing agreements agreed to in principle.

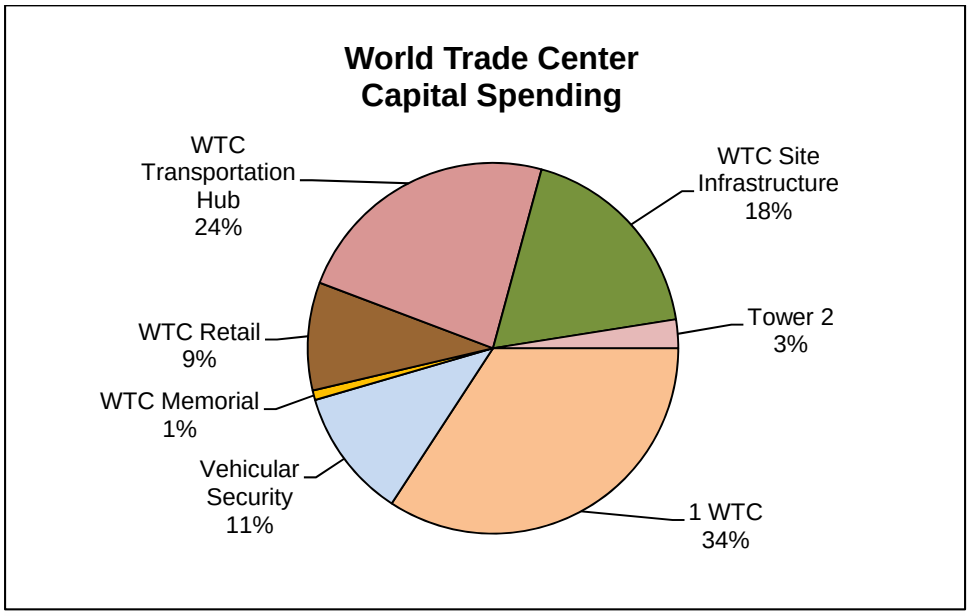


World Trade Center preliminary expenses for 2012 total $75 million, which includes intercompany rent, as well as management services, maintenance, operations and security expenses during the rebuilding of the WTC site.



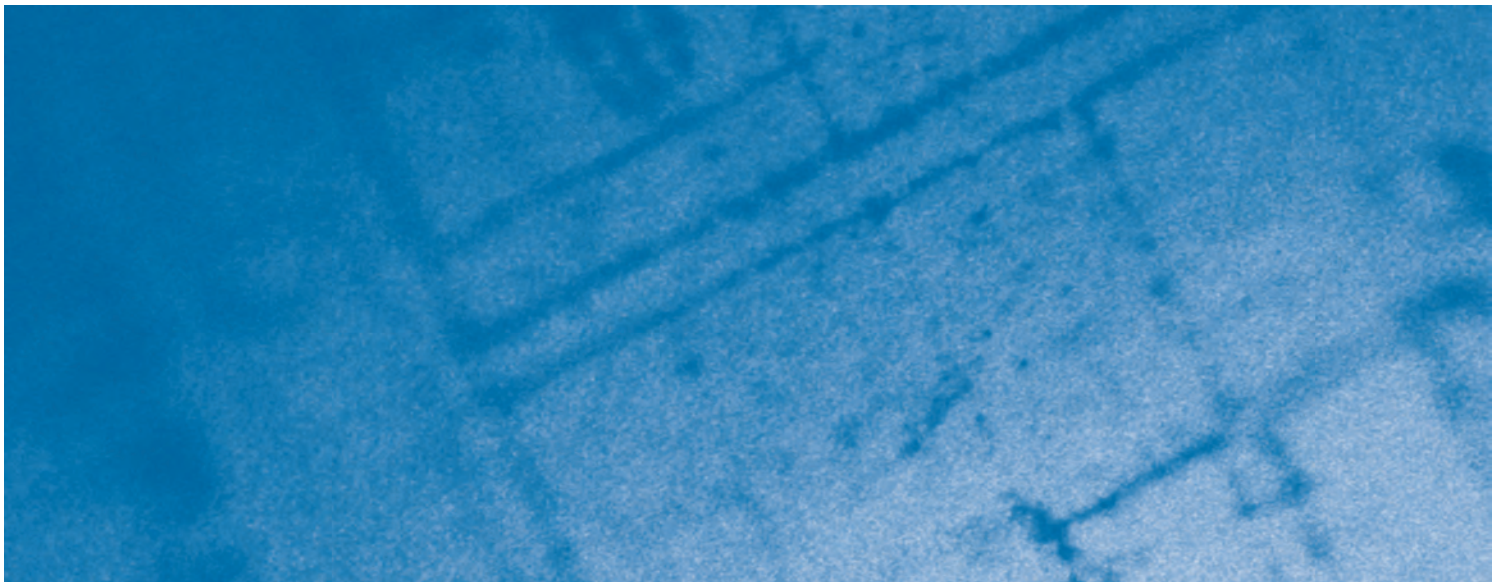
Preliminary 2012 Capital Budget Overview

The preliminary 2012 World Trade Center capital budget provides for expenditures totaling $2.0 billion to support the WTC rebuilding effort and is broken down as follows:

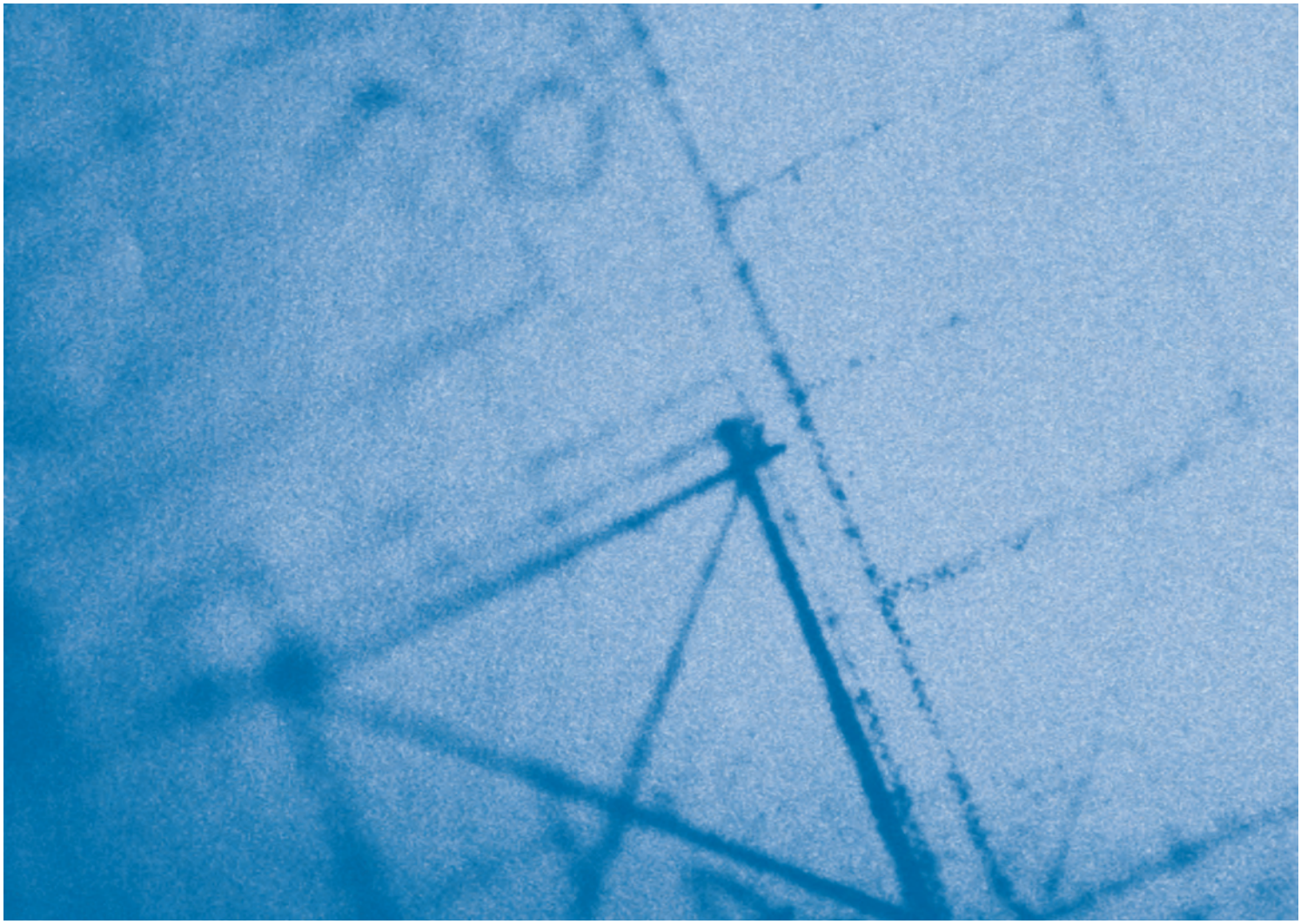


Preliminary 2012 Capital Budget Highlights

	Project	Description	Preliminary 2012 Budget	Operational Impacts
1	One World Trade Center	Construction of signature office tower containing 2.6M SQF of commercial office space, 2-level observation deck, rooftop restaurant and retail.	$684 M	1 WTC will add world-class commercial office space to the real estate market, reasserting downtown Manhattan's preeminence as a business center while establishing a new architectural icon for the city.
2	WTC Transportation Hub	Construction of a new 800,000 SQF facility that will provide access to 13 subway lines, PATH, ferries, the World Trade Financial Center, retail, and a range of amenities.	$470 M	The Hub will increase capacity to accommodate over 200,000 daily commuters.
3	WTC Common Site Infrastructure	Underground parking, Chiller Plant, and other site-wide mechanical, electric, plumbing, and utilities; the construction of Greenwich and Fulton Streets; restaging Route 9A security infrastructure and contingencies; and foundation excavation among other site-wide infrastructure.	$316 M	Investment in the common infrastructure is required to support the massive development with significant interdependence.
4	WTC Retail	Development of approximately 500,000 SF square feet of world-class retail and restaurant space to be available throughout the complex.	$189 M	Successful retail will support revival of the Lower Manhattan economy and contribute to a healthy, well-rounded growth in the regional economy.
5	WTC Vehicular Safety Center (VSC) and Tour Bus Parking Facility	Construction of a secure screening facility of buses, trucks, and cars entering the WTC site and its facilities.	$226 M	The VSC is a critical component of the site's comprehensive police, security and operational plan.



Preliminary 2012 Budget Schedules



SUMMARY OF PRELIMINARY 2012 BUDGET

(In Millions)

SOURCES:	Preliminary 2012 Budget	2011 Budget	Variance	% Change
Gross Operating Revenues	**$4,132**	$3,716	$416	11.2%
Bonds, Notes and Other	**2,087**	2,626	(539)	-20.5%
Financial Income	**45**	50	(5)	-10.0%
Grants and Contributions, Insurance and Miscellaneous Revenues	**616**	556	60	10.8%
Passenger Facility Charges	**215**	217	(2)	-0.9%
Total Sources	**$7,095**	$7,165	($70)	-1.0%

Significant Highlights/Challenges:

- Gross operating revenues are expected to increase by $416 million rising by 11.2% primarily due to the full year impact of the toll and fare increase effective September 18, 2011 and increases in fixed, variable and percentage rentals and flight fees. These increases were mostly offset by lower revenues attributable to World Trade Center rent.
- Bonds, Notes and Other are expected to decrease by $539 million, a decrease of 20.5% due to lower issuances resulting from higher than expected net obligations issued in 2011.
- Financial income is expected to be lower by 10% mainly due to lower interest rates on investments.
- Grants and contributions, insurance and miscellaneous revenues are expected to be higher by 10.8% mainly resulting from revenues associated with application of 4 WTC associated payments.
- Passenger Facility Charges are expected to remain flat.

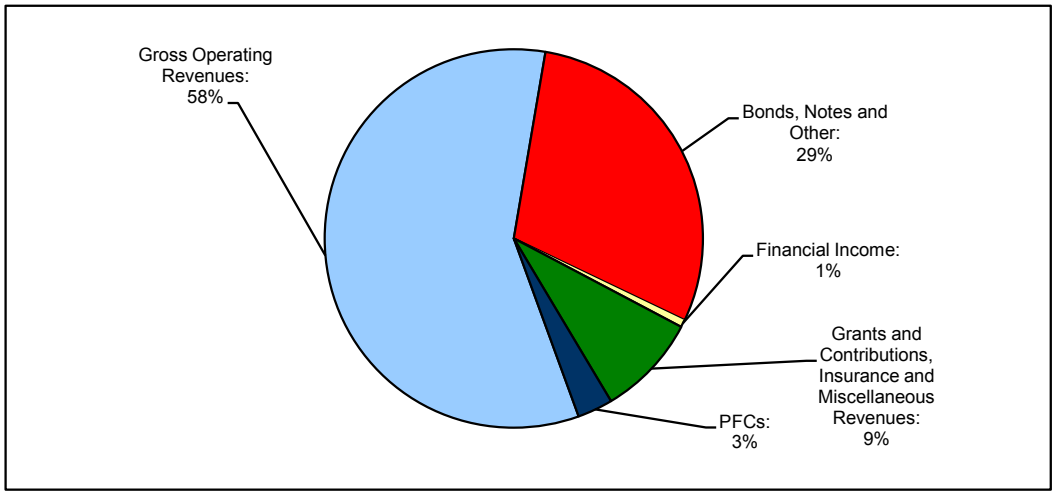
USES:	Preliminary 2012 Budget	2011 Budget	Variance	% Change
Expenses	**$2,561**	$2,530	$31	1.2%
Debt Service	**832**	701	131	18.7%
Deferred & Other Expenses	**45**	47	(2)	-4.3%
Gross Capital Expenditures	**3,657**	3,887	(230)	-5.9%
Total Uses	**$7,095**	$7,165	($70)	-1.0%

Significant Highlights/Challenges:

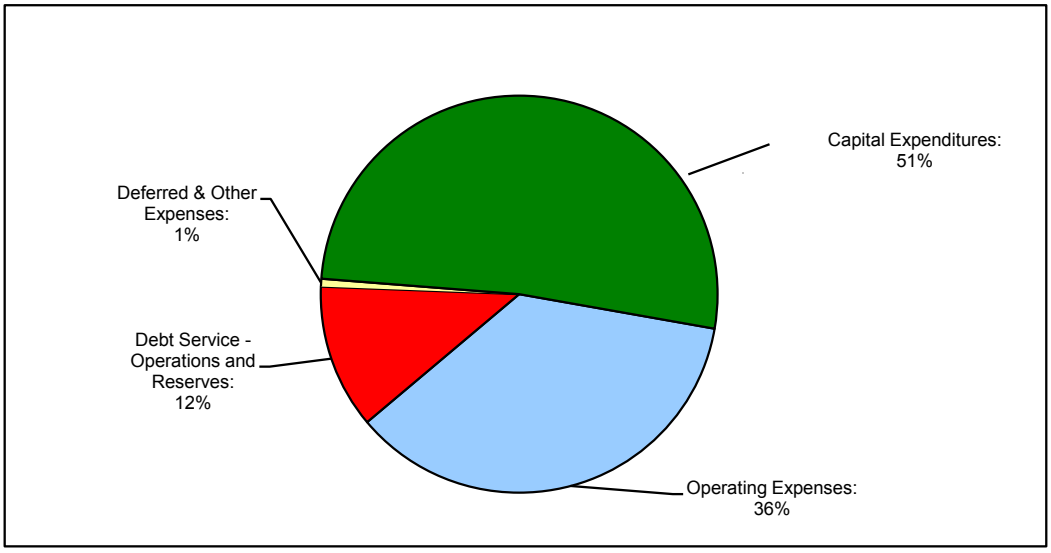
- The Operating expense budget is expected to be 1.2% higher due to incremental items such as an interim port operating agreement, acceleration of the final payment on commitment for Brooklyn Bridge Park and additional World Trade Center police needs. When excluding these items, Agency core expenses are relatively flat while providing for $36 million in increased municipal rent payments to the cities of New York and Newark.
- We continue to hold the line on authorized position levels in the 2012 Budget. Authorized positions remain at 6,777.
- Consultant provisions remain flat for 2012 as we continue prioritizing development studies and use consultants for essential work only.
- Committing $828 million in security expenditures, including $342 million in capital projects, to provide safe and secure facilities, which include hardening our facilities infrastructure and installing state-of-the-art surveillance and detection equipment.
- Agency provides $26 million toward its on-going commitment to reducing greenhouse gas emissions, environmental protection and energy conservation including Port's Clean Air Program (Truck Replacement and Ocean Going Vessel Fuel Incentive Programs).
- Debt Service payments are expected to be 18.7% higher due to higher interest payments related to the issue of WTC Tower 4 Liberty Bonds and higher scheduled principal payments.
- Capital spending for 2012 totals $3.7 billion for: major capital investment in the World Trade Center site ($2.0B); modernizing the PATH system including signal system ($107M), rail safety and security projects including water management, tunnel improvements and erosion protection ($85M), station improvements ($23M) and substation rehabilitation ($19M); continuing the Dredging Program at Port Authority ports ($71M), Port Jersey Development ($68M) and infrastructure programs including berth and wharf reconstruction ($66M); runway and taxiway reconstruction and improvements at our airports ($134M), terminal development for Delta at John F. Kennedy International Airport ($13M), Terminal A at Newark Liberty International ($15M) and the Central Terminal Building at LaGuardia Airport ($18M), security improvements to protect terminal frontage ($16M) and Stewart International Airport modernization ($12M); redevelopment efforts at the George Washington Bridge Bus Station ($34M); Goethals and Bayonne Bridge Modernization Program ($36M); George Washington Bridge rehabilitation ($26M), Access Infrastructure Enhancement projects including the Pulaski Skyway ($343M) and rehabilitation of the Lincoln Tunnel Helix ($14M).

Summary of Sources and Uses - Preliminary 2012 Budget

Sources: $7.095 Billion



Uses: $7.095 Billion



THE PORT AUTHORITY OF NEW YORK & NEW JERSEY

(Including its related entities)

PRELIMINARY 2012 BUDGET

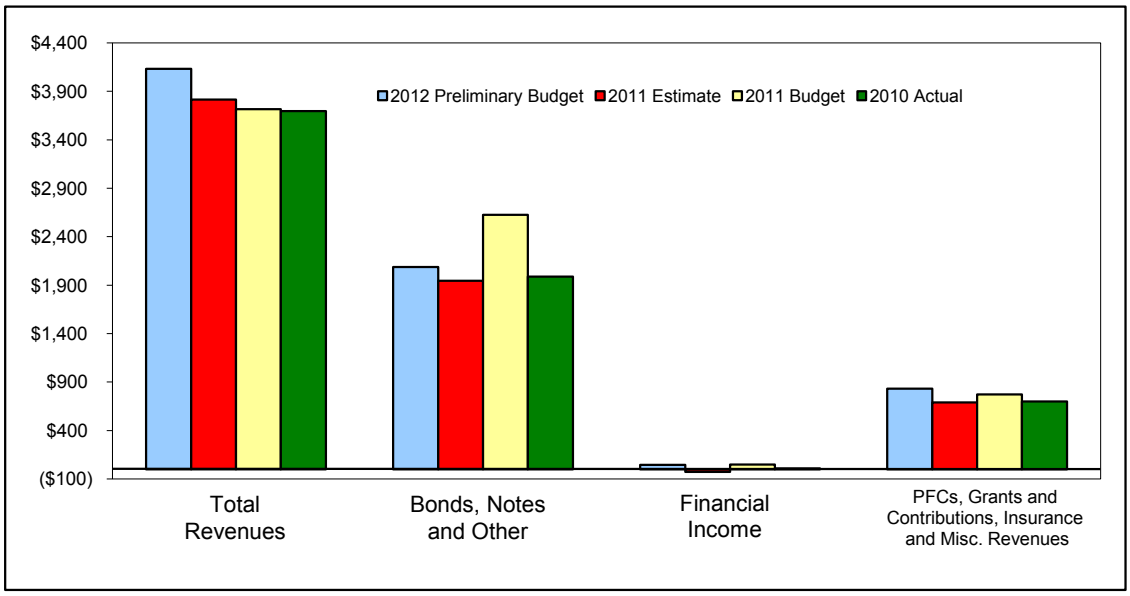
(In Thousands)

Item	Total Expenditures	Personal Services	Materials & Services
Audit	$13,882	$10,976	$2,906
Aviation	692,294	156,666	535,628
Chief Administrative Officer	1,237	996	241
Chief, Capital Planning	735	562	173
Chief Financial Officer	4,146	1,015	3,131
Chief Operating Officer	4,669	1,943	2,726
Capital Security Projects	10,724	4,920	5,804
Project Management Office	5,965	1,677	4,288
Chief of Public & Government Affairs	545	504	41
Chief, Real Estate & Development	3,760	2,818	942
Comptroller's	13,240	12,725	515
Engineering	309,312	98,704	210,608
Capital Construction Contracts	545,395	-	545,395
Executive Offices	2,898	2,538	360
Ferry Program	4,936	-	4,936
Government & Community Affairs	4,459	2,612	1,847
Human Resources	17,022	11,226	5,796
Medical Services	3,774	2,499	1,275
Inspector General	16,968	6,438	10,530
Labor Relations	2,326	1,810	516
Law	57,567	20,897	36,670
Management and Budget	7,824	6,857	967
Marketing	11,553	4,062	7,491
Media Relations	2,099	1,547	552
Office of Business Diversity and Civil Rights	3,780	2,472	1,308
Office of Emergency Management	6,873	3,473	3,400
Office of Environmental & Energy Programs	4,748	2,466	2,282
Office of Financial Analysis	2,125	1,605	520
Office of the Secretary	4,763	3,001	1,762
Office of Strategic Initiatives	949	778	171
Operations Services	71,720	65,870	5,850 (1)
Operations Standards	1,585	1,238	347
Planning	5,245	3,638	1,607
Port Commerce	309,774	28,730	281,044
Procurement	15,336	13,408	1,928 (1)
Public Safety	406,465	372,302	34,163
Rail Transit	392,011	175,594	216,417
Real Estate & Development	95,356	8,173	87,183 (1)
Technology Services	69,479	18,447	51,032 (1)
Corporate Enterprise Systems	19,616	-	19,616
Treasury	32,753	6,228	26,525
Tunnels, Bridges & Terminals	606,792	126,326	480,466
WTC Construction	1,371,170	25,153	1,346,017
WTC Redevelopment	318,251	3,760	314,491
Other:			
Amounts in Connection with Operating Asset Obligations	29,576	-	29,576
Bi-state Dredging Program	4,300	-	4,300
Debt Service - Operations	832,304	-	832,304
Debt Service - Capital	314,674	-	314,674
Insurance	156,431	-	156,431
Municipal Rents and Amounts in Lieu of Taxes	265,292	-	265,292
Port Authority Insurance Captive Entity, LLC	1,400	-	1,400
Provision for Efficiency and Phasing	(246,077)	-	(246,077)
Regional Programs - Operating	31,502	-	31,502
Regional Programs - Capital	121,342	-	121,342
Special Project Bonds Debt Service	108,125	-	108,125
Total Port Authority Budget	$7,094,990	$1,216,654	$5,878,336

(1) Net after charges to other departments.

Sources

SOURCES
(In Millions)

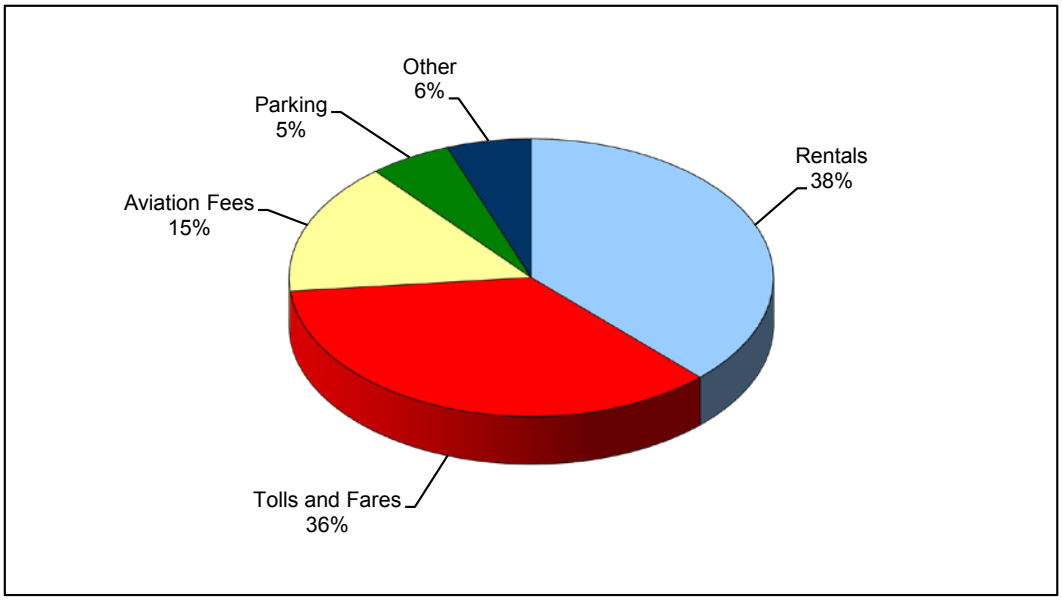


	Preliminary 2012 Budget	2011 Estimate	2011 Budget	2010 Actual
Revenues:				
Gross Operating Revenues:				
Rentals	**$1,559**	$1,543	$1,518	$1,540
Tolls and Fares	**1,475**	1,154	1,091	1,069
Aviation Fees	**639**	633	620	610
Parking	**227**	224	228	222
Other	**232**	261	259	254
Total Gross Operating Revenues	**4,132**	3,815	3,716	3,696
Bonds, Notes and Other	**2,087**	1,946	2,626	1,989
Financial Income:				
Interest Income	**45**	55	50	65
Net inc/(dec) in fair value of investments	**-**	(82)	-	(57)
Grants and Contributions, Insurance and Miscellaneous Revenues	**616**	478	556	492
Allocated Passenger Facility Charges	**215**	210	217	207
Total Sources	**$7,095**	$6,422	$7,165	$6,392

GROSS OPERATING REVENUES BY FACILITY
(In Thousands)

	Preliminary 2012 Budget	2011 Estimate	2011 Budget	2010 Actual
Aviation				
LaGuardia Airport	**$331,175**	$328,583	$321,664	$319,663
John F. Kennedy International Airport	**1,073,258**	1,057,277	1,064,754	1,012,672
Newark Liberty International Airport	**769,984**	767,878	764,772	748,973
Teterboro Airport	**37,357**	36,501	31,436	35,302
Stewart International Airport	**8,159**	7,705	7,788	8,344
Port Authority Heliport	**-**	-	-	
Total - Aviation	**2,219,933**	2,197,944	2,190,414	2,124,954
Tunnels, Bridges & Terminals				
Holland Tunnel	**172,465**	133,723	127,211	125,906
Lincoln Tunnel	**218,373**	166,303	156,659	152,926
George Washington Bridge	**625,501**	483,492	459,995	434,749
George Washington Bridge Bus Station	**1,566**	1,146	824	1,168
Bayonne Bridge	**36,778**	29,463	28,191	28,347
Goethals Bridge	**151,730**	120,563	115,695	123,257
Outerbridge Crossing	**143,550**	114,496	108,763	109,175
Port Authority Bus Terminal	**35,717**	35,237	35,582	34,362
Total - Tunnels, Bridges & Terminals	**1,385,680**	1,084,423	1,032,920	1,009,890
Rail				
PATH Rapid Transit	**137,686**	117,377	105,802	107,204
Journal Square Transportation Center	**3,295**	3,169	3,043	2,755
Total - Rail	**140,981**	120,546	108,845	109,959
Port Commerce				
Port Newark	**78,015**	74,988	76,770	81,222
Elizabeth - PA Marine Terminal	**117,912**	120,684	95,095	110,299
Brooklyn - PA Marine Terminal	**6,727**	6,640	7,082	5,884
Red Hook Container Terminal	**5,440**	3,174	2,779	2,459
Howland Hook Marine Terminal	**14,405**	13,705	14,292	13,604
Greenville Yard	**348**	339	356	331
New York & New Jersey Rail, LLC	**1,777**	1,657	1,312	868
Port Jersey - Port Authority Marine Terminal	**16,849**	14,717	11,610	8,428
Total - Port Commerce	**241,473**	235,904	209,296	223,095
Development				
Essex County Resource Recovery Facility	**66,070**	63,086	67,379	63,801
PA Industrial Park at Elizabeth	**1,070**	1,068	1,068	1,005
Bathgate Industrial Park	**4,025**	4,143	4,664	4,460
Ferry Transportation Services	**192**	190	277	217
Teleport	**14,923**	14,822	14,636	15,286
Newark Legal & Communications Center	**2,466**	2,395	3,575	(1,779)
Hoboken Waterfront	**5,987**	6,165	5,981	6,317
Queens West Waterfront	**452**	6,442	5,442	368
Total Development	**95,185**	98,311	103,022	89,675
World Trade				
World Trade Center	**43,963**	75,613	71,872	136,845
WTC Site	**4,421**	2,226	105	2,014
WTC Retail LLC	**-**	-	-	2
Total World Trade	**48,384**	77,839	71,977	138,861
Total Gross Operating Revenues	**$4,131,636**	$3,814,967	$3,716,474	$3,696,434

Operating Revenues by Major Category
(In Thousands)



	Total	Aviation	Tunnels, Bridges & Terminals	Rail Transit	Port Commerce	Develop-ment	World Trade
Rentals	$1,559,319	$1,246,249	$35,008	$5,086	$209,082	$48,582	$15,312
Tolls and Fares	1,474,509	-	1,340,209	134,300	-	-	-
Aviation Fees	638,513	638,513	-	-	-	-	-
Parking	226,382	214,144	10,463	1,075	700	-	-
Other	232,913	121,027	-	520	31,691	46,603	33,072
Total	$4,131,636	$2,219,933	$1,385,680	$140,981	$241,473	$95,185	$48,384

Rentals - The Port Authority charges a rental fee for the use of its various facilities. There are primarily two types of rentals: Fixed Rentals, which are generated from leases; and Percentage Rentals, which are mostly generated by a percentage fee that is charged to all companies providing goods and services (mostly at our Aviation facilities).

Tolls and Fares - These revenues are a result of tolls imposed at tunnels and bridges and fares charged to passengers of the Port Authority Trans-Hudson railroad system.

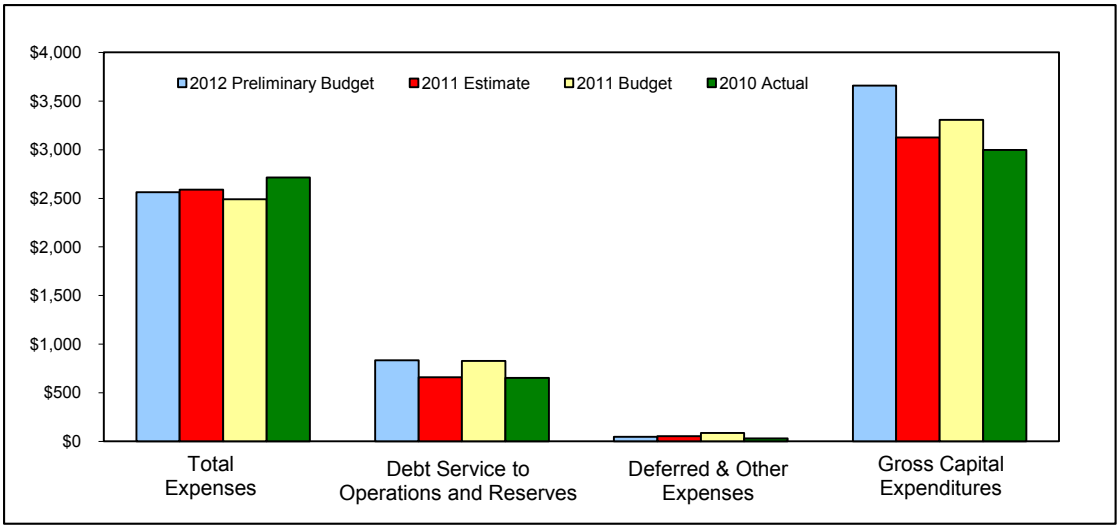
Aviation Fees - These fees are based on cost recovery agreements with airlines and are calculated on the basis of direct and allocated costs of operating and maintaining public aircraft facilities and the weight of aircraft using the runways.

Parking - The Port Authority charges an hourly or daily rate for the use of parking lots located at the airports and bus terminals.

Other - This includes World Trade Center rent, gate and tipping fees at the Essex County Resource Recovery Facility and facility rentals related to Special Project Bonds.

Uses

USES
(In Millions)

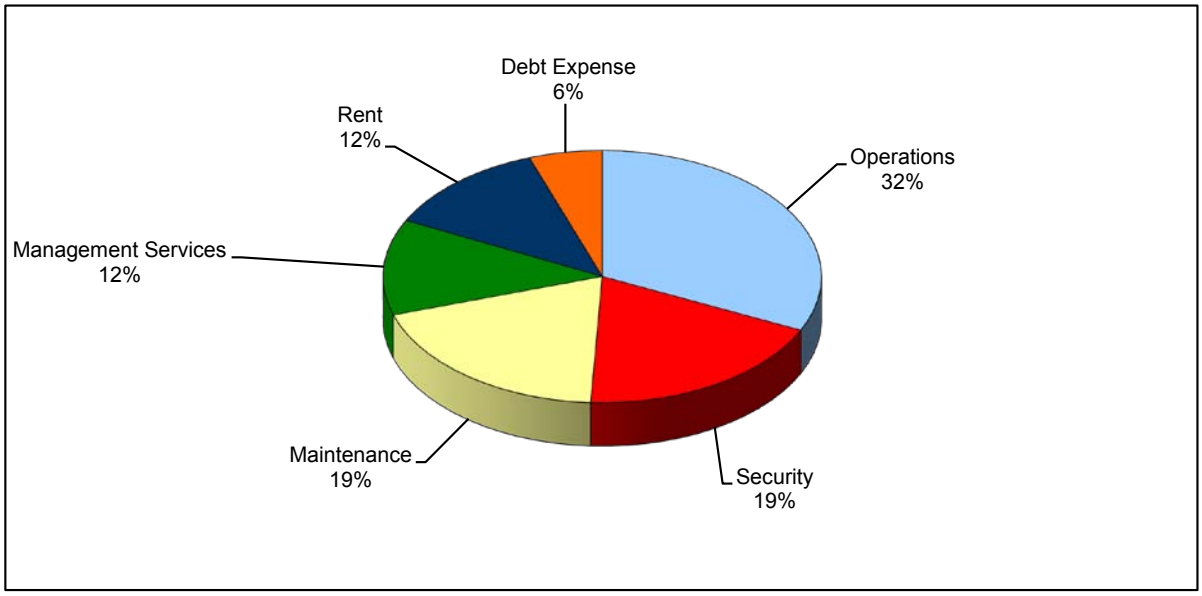


	Preliminary 2012 Budget	2011 Estimate	2011 Budget	2010 Actual
Expenses:				
Operating Expenses:				
Operations	**$820**	$782	$793	$1,007
Security	**482**	493	460	454
Maintenance	**493**	500	480	443
Management Services	**314**	348	342	357
Rent	**314**	321	307	334
Debt Expense (special project bond interest and operating asset financings)	**138**	143	148	119
Total Expenses	**2,561**	2,588	2,530	2,714
Debt Service Charged to Operations & Reserves:				
Interest on Bonds and Other Obligations	**608**	495	520	444
Debt Maturities and Retirements	**205**	140	178	178
Repayment of Asset Financing Obligations	**19**	22	3	30
Total Debt Service	**832**	657	701	652
Deferred & Other Expenses	**45**	52	47	31
Capital Expenditures:				
Line Departments (including PFCs)	**1,779**	1,106	1,326	1,318
WTC Site	**2,003**	1,946	1,946	1,536
Capital Infrastructure Fund (including ARC)	**-**	30	595	84
Regional and Other	**121**	44	20	56
Provision for Efficiency and Phasing	**(246)**	-	-	-
Total Gross Capital Expenditures	**3,657**	3,125	3,887	2,995
Total Uses	**$7,095**	$6,422	$7,165	$6,392

EXPENSES BY FACILITY
(In Thousands)

	Preliminary 2012 Budget	2011 Estimate	2011 Budget	2010 Actual
Aviation				
LaGuardia Airport	**$220,963**	$217,179	$214,008	$212,691
John F. Kennedy International Airport	**661,027**	667,856	662,572	596,429
Newark Liberty International Airport	**390,113**	388,272	383,198	385,178
Teterboro Airport	**19,683**	18,548	19,212	16,584
Stewart International Airport	**19,243**	18,572	18,245	17,132
PFC Program	**-**	0	-	11,476
Total - Aviation	**1,311,029**	1,310,427	1,297,235	1,239,490
Tunnels, Bridges & Terminals				
Holland Tunnel	**67,154**	63,654	67,840	60,528
Lincoln Tunnel	**82,686**	84,338	84,861	80,808
George Washington Bridge	**94,100**	97,087	97,037	92,089
George Washington Bridge Bus Station	**7,987**	7,344	8,016	6,317
Bayonne Bridge	**12,408**	17,106	17,811	20,410
Goethals Bridge	**26,094**	23,932	25,535	23,679
Outerbridge Crossing	**24,042**	21,943	23,854	23,240
Port Authority Bus Terminal	**87,186**	87,699	89,928	84,201
Total - Tunnels, Bridges & Terminals	**401,657**	403,103	414,882	391,273
Rail				
PATH Rapid Transit	**248,186**	251,630	231,354	329,445
Journal Square Transportation Center	**11,235**	10,397	11,176	9,899
Total - Rail	**259,421**	262,027	242,530	339,345
Port Commerce				
Port Newark	**80,408**	77,409	74,674	64,244
Elizabeth - PA Marine Terminal	**30,830**	46,484	29,988	17,385
Brooklyn - PA Marine Terminal	**9,255**	10,055	12,371	9,416
Red Hook Container Terminal	**13,469**	13,790	2,300	2,202
Howland Hook Marine Terminal	**9,971**	10,190	11,252	10,929
Greenville Yard	**4**	3	4	4
New York & New Jersey Rail, LLC	**3,969**	3,433	2,754	4,098
Port Jersey - Port Authority Marine Terminal	**22,505**	21,176	17,217	45,541
Total - Port Commerce	**170,411**	182,540	150,560	153,819
Development				
Essex County Resource Recovery Facility	**64,920**	64,934	64,720	63,550
PA Industrial Park at Elizabeth	**109**	219	112	31
Bathgate Industrial Park	**1,595**	1,742	2,090	1,609
Ferry Transportation Services	**3,450**	2,615	4,480	1,372
Teleport	**14,530**	13,659	13,803	13,706
Newark Legal & Communications Center	**11**	62	1,321	(1,878)
Hoboken Waterfront	**835**	61	51	70
Total Development	**85,450**	83,292	86,577	78,460
World Trade				
World Trade Center	**10,576**	8,893	8,750	12,392
WTC Site	**57,307**	88,190	71,968	148,068
WTC Retail LLC	**3,939**	15,263	16,519	13,679
Total World Trade	**71,822**	112,346	97,237	174,139
Regional & Other Programs	**31,502**	22,099	22,063	94,969
Port Authority Insurance Captive Entity, LLC	**1,400**	1,283	530	3,405
Total Operating & Maintenance Expenses	**2,332,692**	2,377,117	2,311,614	2,474,899
Allocated Expenses	**198,805**	180,487	187,494	190,040
Total Operating Expenses	**2,531,497**	2,557,604	2,499,108	2,664,939
Operating Asset Obligations	**29,576**	30,109	31,029	46,561
Net Expenses (Recoverables) related to 9-11-01	**-**	-	-	(53,051)
Total Expenses	**$2,561,073**	$2,587,713	$2,530,137	$2,658,449

Operating Expenses by Major Category
(In Thousands)



	Total	Aviation	Tunnels, Bridges & Terminals	Rail Transit	Port Commerce	Develop-ment	World Trade	Allocated & Other (1)
Operations	$819,624	$413,162	$147,615	$102,411	$47,848	$71,865	$5,930	$30,793
Security	482,383	217,189	117,035	52,886	18,868	1,477	16,731	58,197
Maintenance	492,397	224,403	80,874	73,395	41,376	5,665	11,219	55,465
Management Services	314,288	52,870	24,264	10,965	30,817	1,533	16,814	177,025
Rent	314,054	239,933	1,314	970	26,862	4,838	18,157	21,980
Debt Expense	138,327	108,125	0	0	0	0	0	30,202
Total	$2,561,073	$1,255,682	$371,102	$240,627	$165,771	$85,378	$68,851	$373,662

Operations - Non-maintenance operations spending, including customer service, facility management, facility operations, leases, revenue collection costs, and utilities.

Security - Providing safe and secure transportation services to the region and nation by vigilance over potential threats, investment in infrastructure and new technology, and employment of best practices in security and emergency preparedness operations.

Maintenance - Costs incurred to keep property, facility structures and equipment operating at a high level of performance, including conforming with applicable codes and regulations, thereby preventing injury to life and damage to property. Activities include Electrical, General Maintenance (Elevators and Escalators, Tunnel Subway Pump, Automotive Maintenance and Servicing, etc.), Inspections, Mechanical, Janitorial/Grounds Keeping, Snow and Ice Removal, Structural (inspections)

Management Services - Reflects functions that support line business operations as well as agency-wide management, including costs related to agency oversight, departmental management, audit, financial services, human resources management, insurance, legal services, planning, public and government affairs, technology support, and training.

Rent - Payments made periodically to governmental agencies and other landlords in return for the use of land, buildings, offices, or other property.

Debt Expense - Includes interest on special project bonds and operating asset obligations.

(1) **Allocated & Other** is comprised of police headquarters, staff department and development expenses which are allocated to facilities.

GENERAL ADMINISTRATIVE EXPENSES *
(In Thousands)

Department / Office	Preliminary 2012 Budget	2011 Estimate	2011 Budget	2010 Actual
Audit	**$10,658**	$9,571	$10,382	$10,527
Chief Administrative Officer	**1,237**	1,183	1,215	1,231
Chief, Capital Planning	**663**	1,366	2,003	2,066
Chief Engineer	**2,767**	2,576	3,615	3,194
Chief Financial Officer	**3,912**	3,890	3,863	2,854
Chief Operating Officer	**3,175**	3,215	3,564	3,483
Chief of Public & Government Affairs	**545**	520	524	470
Comptroller's	**10,375**	9,909	11,826	10,686
Chief, Real Estate & Development	**3,085**	2,724	2,720	2,125
Executive Offices	**2,898**	2,912	3,081	2,778
Government & Community Affairs	**4,459**	4,559	4,555	3,833
Human Resources	**18,922**	19,245	18,875	17,848
Inspector General	**7,761**	7,749	7,767	7,699
Labor Relations	**1,788**	1,652	1,818	1,618
Law	**21,579**	23,408	23,633	23,393
Management and Budget	**7,825**	7,814	7,785	7,528
Marketing	**5,388**	6,032	5,980	5,727
Media Relations	**2,099**	2,018	2,033	1,655
Office of Business Diversity and Civil Rights	**3,780**	3,398	3,716	3,453
Office of Environmental and Energy Programs	**4,398**	3,625	3,631	3,992
Office of Financial Analysis	**1,825**	1,863	1,590	1,570
Office of the Secretary	**4,763**	4,615	4,617	4,174
Office of Strategic Initiatives	**949**	1,708	1,700	1,144
Operation Services	**5,478**	5,830	6,143	5,257
Planning	**5,245**	4,532	5,287	4,905
Procurement	**9,585**	10,800	11,417	11,227
Real Estate & WTC Redevelopment	**9,732**	10,302	6,197	4,900
Treasury	**12,273**	12,534	11,313	8,344
WTC Construction	**3,272**	3,141	2,333	2,439
Other (Revenue, Reclassifications, etc.)	**(499)**	(14,404)	(14,419)	657
Sub-total	**169,937**	158,287	158,765	160,778
Technology Services	**54,556**	53,801	57,728	51,786
Corporate Enterprise Systems	**13,969**	10,336	12,859	17,696
Sub-total	**68,525**	64,137	70,587	69,482
Grand Total	**$238,462**	$222,424	$229,352	$230,260
Overhead Allocation:				
Allocation to Operations	**$190,531**	$181,053	$180,500	$187,368
Allocation to Capital	**47,931**	41,371	48,852	42,892
Total Allocation	**$238,462**	$222,424	$229,352	$230,260

*** Does not include capital expenditures, development expenses and charges to operating facilities.**

DEVELOPMENT EXPENSES
(In Thousands)

	Preliminary 2012 Budget	2011 Estimate	2011 Budget	2010 Actual
Programs and Studies:				
Study and Development Projects	**$1,125**	$1,479	$1,179	$234
Overseas Operations	**1,022**	1,020	1,020	943
Other Programs & Studies	**1,827**	(6,786)	495	(2,328)
Sub-total	**3,974**	(4,286)	2,694	(1,150)
Bi-state Dredging Program	**4,300**	3,720	4,300	3,823
Total Development Expenses	**$8,274**	($566)	$6,994	$2,672

CAPITAL EXPENDITURES BY FACILITY
(In Thousands)

	Preliminary 2012 Budget	2011 Estimate	2011 Budget	2010 Actual
Aviation (including PFCs)				
LaGuardia Airport	**$79,198**	$60,741	$87,211	$75,570
John F. Kennedy International Airport	**143,954**	79,195	151,407	286,110
Newark Liberty International Airport	**173,252**	113,584	135,403	105,268
Teterboro Airport	**38,268**	38,542	43,576	29,924
Stewart International Airport	**17,702**	13,977	14,662	22,008
Total - Aviation	**452,374**	306,039	432,259	518,879
Tunnels, Bridges & Terminals				
Holland Tunnel	**25,256**	24,433	24,378	19,480
Lincoln Tunnel	**401,802**	39,967	38,633	24,241
George Washington Bridge	**72,228**	45,813	49,371	42,195
George Washington Bridge Bus Station	**34,916**	9,739	9,848	2,971
Bayonne Bridge	**15,232**	8,134	7,011	4,915
Goethals Bridge	**36,813**	21,780	18,344	11,353
Outerbridge Crossing	**7,440**	3,030	1,085	354
Port Authority Bus Terminal	**31,848**	34,667	27,984	35,058
Total - Tunnels, Bridges & Terminals	**625,535**	187,563	176,654	140,566
Rail				
PATH Rapid Transit	**342,386**	393,173	389,928	302,026
Journal Square Transportation Center	**9,077**	9,401	9,726	5,420
Total - Rail	**351,463**	402,574	399,654	307,446
Port Commerce				
Port Newark	**99,419**	65,852	66,672	49,067
Elizabeth - PA Marine Terminal	**51,883**	52,567	42,958	51,633
Brooklyn - PA Marine Terminal	**12,398**	6,678	13,400	4,204
Red Hook Container Terminal	**198**	250	181	168
Howland Hook Marine Terminal	**36,295**	45,613	33,704	61,386
NJ Marine Development	**-**	-		-
NY and NJ Rail LLC	**58,298**	4,246	46,918	5,783
Port Jersey - Port Authority Marine Terminal	**87,386**	10,612	79,294	130,657
Total - Port Commerce	**345,877**	185,818	283,127	302,899
Development				
Hoboken Waterfront Development	**-**	-	-	6
Queens West Waterfront Development	**-**	-	-	2,429
Ferry Transportation Services	**2,124**	9,777	8,796	20,038
Teleport	**-**	-	655	251
Total - Development	**2,124**	9,777	9,451	22,724
World Trade Center				
WTC Transportation Hub	**469,726**	496,229	496,229	437,506
WTC Retail LLC	**188,624**	223,247	223,247	134,355
One World Trade Center	**684,447**	644,431	644,431	427,144
WTC Site (including infrastructure, memorial and VSC)	**658,359**	579,785	579,785	535,495
Total - World Trade Center	**2,001,156**	1,943,692	1,943,692	1,534,500
Net Capital Expenditures - Line Departments	**3,778,529**	3,035,463	3,244,837	2,827,014
Capital Infrastructure Fund (including ARC)	**-**	30,000	594,519	83,564
Regional & Other Programs:				
Regional Development Facility	**67,837**	38,814	12,639	-
Other Regional Programs	**6,005**	3,718	5,232	14,488
New York Economic Development Program	**2,500**	1,500	2,288	5,800
Regional Transportation Initiatives	**45,000**	-	22,875	9,338
Pre-site Acquisition Program	-	-	-	26,612
Total - Regional & Other Programs	**121,342**	44,032	43,034	56,239
Provision for Efficiency and Phasing	**(246,077)**	-	-	-
Total Net Capital Expenditures	**3,653,794**	3,109,495	3,882,390	2,966,817
Add Back - Financial Income	**3,100**	15,193	4,656	27,861
Total Gross Capital Expenditures	**$3,656,894**	$3,124,688	$3,887,046	$2,994,678

Changes in Retained Earnings
Consolidated Statement of Net Assets
Information on P. A. Operations by Facility
Revenues and Reserves
Assets & Liabilities

Revenues, Expenses and Changes in Retained Earnings
(In Thousands)

	Preliminary 2012 Budget	2011 Estimate	2011 Budget	2010 Actual
Gross Operating Revenues	**$4,131,636**	$3,814,967	$3,716,474	$3,696,434
Expenses:				
Operating & Maintenance Expenses	**(2,332,692)**	(2,377,117)	(2,311,614)	(2,470,929)
Incremental Expenses				-
Total Operating & Maintenance Expenses	**(2,332,692)**	(2,377,117)	(2,311,614)	(2,470,929)
Allocated Expenses	**(198,805)**	(180,487)	(187,494)	(190,040)
Total Operating Expenses	**(2,531,497)**	(2,557,604)	(2,499,108)	(2,660,968)
Operating Asset Obligations	**(29,576)**	(30,109)	(31,029)	(46,561)
Net (Expenses) Recoverables related to 9-11-01	**-**	-	-	53,051
Total Expenses	**(2,561,073)**	(2,587,713)	(2,530,137)	(2,654,478)
Net Operating Revenues	**1,570,563**	1,227,255	1,186,337	1,041,956
Depreciation & Amortization	**(826,592)**	(808,491)	(796,460)	(785,588)
Financial Income:				
Interest Income	**41,415**	52,060	45,166	55,835
Net increase/(decrease) in fair value of investments	**-**	(82,060)	-	(56,735)
Interest and Other Expenses	**(654,387)**	(542,640)	(483,920)	(449,712)
Net Assets before Restricted Grants, Contributions and PFCs	**130,999**	(153,877)	(48,877)	(194,244)
Net PFC Program	**128,154**	122,220	138,621	130,461
Net Grants and Contributions in Aid of Construction	**598,329**	426,074	522,163	410,624
Increase in Net Assets	**$857,483**	$394,418	$611,907	$346,841
Retained Earnings, January 1	**$11,419,041**	$11,024,623	$11,397,133	$10,677,782
Retained Earnings, December 31	**12,276,524**	11,419,041	12,009,040	11,024,623
Increase in Retained Earnings	**$857,483**	$394,418	$611,907	$346,841

Consolidated Statement of Net Assets

(In Thousands)

	Preliminary 2012 Budget	2011 Estimate	2011 Budget	2010 Actual
ASSETS:				
Cash and Investments	$ 3,883,498	$ 4,261,610	$ 3,496,129	$ 4,264,375
Receivables, net	517,215	692,869	560,130	582,083
Restricted Receivables	46,572	46,574	31,949	50,268
Deferred charges and other noncurrent assets	1,871,903	1,860,328	1,453,658	1,626,243
Amounts receivable - Special Project Bonds	1,653,493	1,719,108	1,768,054	1,780,813
Amounts receivable - 4 WTC Bonds Projects	1,225,520	1,225,520	-	-
Unamortized costs for regional programs	1,166,047	801,155	671,965	694,388
Facilities, net	23,869,900	21,647,200	22,817,608	20,557,400
Total assets	**34,234,148**	32,254,364	30,799,493	29,555,570
LIABILITIES:				
Accounts payable	919,547	817,000	926,928	717,992
Accrued interest and other liabilities (including PAICE)	773,614	761,548	514,912	762,057
Accrued pension and other employee benefits	651,690	714,522	597,274	742,321
Amounts Payable - Special Project Bonds	1,653,493	1,719,108	1,768,054	1,780,813
Amounts Payable - 4 WTC Bonds Projects	1,225,520	1,225,520	-	-
Bonds and other asset financing obligations	16,633,760	15,597,625	14,983,285	14,527,764
Total liabilities	**21,857,624**	20,835,323	18,790,453	18,530,947
NET ASSETS	**$12,376,524**	$11,419,041	$12,009,040	$11,024,623
Net assets are composed of:				
Retained Earnings:				
Invested in capital assets, net of related debt	$ 9,985,348	$ 8,976,808	$ 9,746,978	$ 9,200,077
Restricted:				
1 WTC/WTC Retail insurance proceeds	-	-	-	71,732
Restricted Passenger Facility Charges	(25,000)	(25,000)	(25,000)	(20,779)
PA Insurance Captive Entity - PAICE	189,562	169,562	124,303	130,360
Unrestricted	2,076,614	2,247,671	2,112,759	1,601,675
Total Retained Earnings	12,276,524	11,419,041	12,009,040	11,024,623
Minority Interest in Tower One JV, LLC	100,000	-	-	-
Total Net assets	$ 12,376,524	$ 11,419,041	$12,009,040	$11,024,623

INFORMATION ON PORT AUTHORITY OPERATIONS BY FACILITY

(In Thousands)

	Gross Operating Revenues	O&M Expenses	Allocated Expenses	Depreciation & Amortization	Net Interest & Other Exp.	Net Income Before Grants Contributions & PFCs	Grants, Contributions, Insurance & PFCs	Preliminary 2012 Budget Net Income/ (Loss)	2011 Estimate Net Income/ (Loss)	2010 Actual Net Income/ (Loss)
Aviation										
LaGuardia Airport	$331,175	$220,963	$20,542	$49,212	$27,295	$13,162	$11,151	**$24,314**	$30,062	$42,465
John F. Kennedy International Airport	1,073,258	661,027	33,577	156,113	92,974	129,566	24,032	**153,599**	113,535	187,541
Newark Liberty International Airport	769,984	390,113	29,038	118,864	68,476	163,493	9,913	**173,406**	173,482	153,578
Teterboro Airport	37,358	19,683	1,472	14,120	7,959	(5,876)	25,056	**19,180**	18,348	12,145
Stewart International Airport	8,159	19,243	477	1,006	2,383	(14,950)	2,106	**(12,844)**	(7,233)	(4,137)
Downtown Manhattan Heliport	-	-	-	-	-	-	-	**-**	-	(2)
Total - Aviation	2,219,933	1,311,029	85,106	339,315	199,087	285,397	72,258	**357,655**	328,194	391,590
Tunnels, Bridges & Terminals										
Holland Tunnel	172,465	67,154	10,724	21,332	9,829	63,426	338	**63,764**	33,254	28,805
Lincoln Tunnel	218,373	82,686	12,607	33,989	15,758	73,333	400	**73,733**	22,330	11,071
George Washington Bridge	625,501	94,100	13,690	38,376	29,528	449,807	363	**450,170**	308,366	269,321
George Washington Bridge Bus Station	1,566	7,987	954	1,949	-	(9,324)	31	**(9,293)**	(8,769)	(6,986)
Bayonne Bridge	36,778	12,408	1,702	5,237	7,250	10,181	69	**10,250**	(3,387)	(6,840)
Goethals Bridge	151,729	26,094	3,712	11,395	8,092	102,436	100	**102,536**	77,135	81,827
Outerbridge Crossing	143,550	24,042	3,449	8,992	2,524	104,543	88	**104,631**	76,169	68,821
Port Authority Bus Terminal	35,717	87,186	10,969	25,051	17,402	(104,891)	357	**(104,534)**	(104,428)	(80,108)
Total - Tunnels, Bridges & Terminals	1,385,680	401,655	57,808	146,321	90,383	689,511	1,746	**691,257**	400,670	365,911
Rail										
PATH Rapid Transit	137,686	248,186	43,162	136,713	81,533	(371,908)	406,871	**34,963**	(70,268)	(225,519)
Journal Square Transportation Center	3,295	11,235	477	5,230	3,759	(17,406)	0	**(17,406)**	(16,063)	(16,657)
Total - Rail	140,981	259,421	43,638	141,943	85,292	(389,314)	406,871	**17,557**	(86,331)	(242,176)
Port Commerce										
Port Newark	78,015	80,408	5,008	27,124	26,973	(61,498)	629	**(60,869)**	(52,078)	(29,092)
Elizabeth - PA Marine Terminal	117,912	30,830	1,482	38,294	39,539	7,767	2,228	**9,995**	(6,795)	17,048
Brooklyn - PA Marine Terminal	6,727	9,255	715	513	1,664	(5,420)	63	**(5,357)**	(3,069)	(5,627)
Red Hook Container Terminal	5,440	13,469	238	38	-	(8,305)	-	**(8,305)**	(10,873)	13
Howland Hook Marine Terminal	14,405	9,971	477	16,401	15,518	(27,962)	-	**(27,962)**	(30,785)	(28,124)
Greenville Yard	348	4	-	-	-	344	-	**344**	336	327
New York & New Jersey Rail, LLC	1,777	3,970	238	1,086	2,717	(6,234)	47,310	**41,076**	(1,605)	(2,885)
Port Jersey - Port Authority Marine Terminal	16,849	22,505	238	2,532	10,937	(19,363)	-	**(19,363)**	(17,982)	(42,326)
Total - Port Commerce	241,473	170,411	8,397	85,988	97,348	(120,671)	50,230	**(70,441)**	(122,851)	(90,666)
Development										
Essex County Resource Recovery Facility	66,070	64,920	-	1,408	288	(546)	-	**(546)**	(3,634)	(1,478)
PA Industrial Park at Elizabeth	1,070	109	8	286	296	371	-	**371**	231	349
Bathgate Industrial Park	4,025	1,595	8	1,442	256	724	-	**724**	612	958
Ferry Transportation Services	192	3,450	-	4,042	4,944	(12,244)	-	**(12,244)**	(11,579)	(8,579)
Teleport	14,923	14,530	238	2,194	605	(2,644)	-	**(2,644)**	(1,917)	(1,266)
Newark Legal & Communications Center	2,466	11	-	3,007	927	(1,479)	-	**(1,479)**	(1,816)	(4,228)
Hoboken Waterfront	5,987	835	25	2,841	3,253	(967)	-	**(967)**	(368)	20
Queens West Waterfront	452	-	-	605	1,814	(1,967)	-	**(1,967)**	3,851	350
Total Development	95,185	85,450	280	15,825	12,383	(18,752)	-	**(18,752)**	(14,620)	(13,874)
World Trade Center										
World Trade Center	43,963	10,576	-	458	26,943	5,986	-	**5,986**	54,946	68,437
WTC Site	4,421	57,307	3,577	4,574	65,293	(126,330)	65,424	**(60,906)**	(94,549)	(70,421)
WTC Retail LLC	-	3,939	-	1,443	5,478	(10,860)	-	**(10,860)**	(21,229)	6,375
World Trade Center	48,384	71,822	3,577	6,475	97,714	(131,204)	65,424	**(65,780)**	(60,832)	4,391
Regional and Other	-	31,502	-	90,724	60,341	(182,567)	1,800	**(180,767)**	(170,749)	(235,476)
Port Authority Insurance Captive Entity, LLC	-	1,400			-	(1,400)	-	**(1,400)**	(1,283)	102
Net Expenses (Recoverables) related to 9-11-01	-	-	-	-	-	-	-	**-**	-	53,051
Sub-total	4,131,636	2,332,692	198,805	826,591	642,548	131,000	598,329	**729,329**	272,198	232,853
PFC Program	-	-	-	86,973	-	(86,973)	215,127	**128,154**	122,220	113,988
Total Port Authority	$4,131,636	$2,332,692	$198,805	$913,564	$642,548	44,027	$813,456	**857,483**	$394,418	$346,841

Revenues and Reserves
(In Thousands)

	Preliminary 2012 Budget	2011 Estimate	2011 Budget	2010 Actual
Gross Operating Revenues	**$4,131,636**	$3,814,967	$3,716,474	$3,696,434
Expenses:				
Operating & Maintenance Expenses	**2,332,692**	2,377,117	2,311,614	2,470,929
Allocated Expenses	**198,805**	180,487	187,494	190,040
Total Operating Expenses	**2,531,497**	2,557,604	2,499,108	2,660,968
Operating Asset Obligations	**29,576**	30,109	31,029	46,561
Net Expenses (Recoverables) related to 9-11-01	**-**	-	-	(53,051)
Total Expenses	**2,561,073**	2,587,713	2,530,137	2,654,478
Net Operating Revenues	**1,570,563**	1,227,254	1,186,337	1,041,956
Financial Income:				
Interest Income	**41,415**	53,260	45,166	55,835
Net increase/(decrease) in fair value of investments	**-**	(83,260)	-	(56,735)
Restricted Net Assets - Port Authority Insurance Captive Entity, LLC	**(3,100)**	(3,217)	(3,970)	(102)
Grants and contributions in aid of construction	**533,036**	417,911	522,163	367,810
1 WTC / WTC Retail Insurance Proceeds	**16,704**	51,791	32,990	61,468
Application of 4 WTC Associated Payments	**65,293**	8,163	-	-
Allocated Passenger Facility Charges	**215,127**	210,082	216,598	207,122
Net Revenues Available for Debt Service and Reserves	**2,439,038**	1,881,984	1,999,284	1,677,354
Debt Service:				
Interest on Bonds and Other Obligations	**610,400**	496,206	520,122	444,202
Debt Maturities and Retirements	**205,410**	140,390	178,610	178,095
Repayment of Asset Financing Obligations	**16,494**	20,253	2,700	30,062
Total Debt Service	**832,304**	656,850	701,432	652,359
Increase in Reserves from Operations & Financial Income	**1,606,734**	1,225,135	1,297,852	1,024,995
Direct Investment in Facilities	**(1,228,000)**	(990,000)	(1,590,000)	(1,375,008)
Appropriation to / (from) Reserves for Self-Insurance	**-**	-	-	(3,971)
Net Increase / (Decrease) in Reserves for Year	**378,734**	235,135	(292,148)	(353,984)
Reserves, beginning of year	**2,431,147**	2,196,012	2,327,857	2,549,996
Reserves, end of year	**$2,809,881**	$2,431,147	$2,035,708	$2,196,012

ASSETS AND LIABILITIES

(Pursuant to Port Authority Bond Resolutions)
(In Thousands)

	Preliminary 2012 Budget	2011 Estimate	2011 Budget	2010 Actual
Assets				
Invested In Facilities	**$40,967,325**	$37,313,531	$38,210,857	$34,204,035
Cash and Investments	**3,883,498**	4,261,610	3,496,129	4,264,375
Other Assets	**5,366,351**	5,647,242	3,841,289	4,068,580
Total Assets	**50,217,174**	47,222,383	45,548,274	42,536,990
Liabilities				
Consolidated Bonds and Notes	**16,902,210**	15,684,702	15,249,850	13,340,378
Other Obligations	**3,860,077**	3,846,519	2,684,977	3,021,273
Accounts Payable and Other Liabilities	**2,369,349**	2,417,768	2,056,313	2,317,470
Total Liabilities	**23,131,636**	21,948,989	19,991,140	18,679,121
Net Assets	**$27,085,538**	$25,273,394	$25,557,134	$23,857,869
Net Assets Are Composed Of:				
Facility Infrastructure Investment	**$24,197,648**	$22,764,238	$23,447,388	$21,583,848
Reserves:				
General Reserve Fund	**1,789,574**	1,661,481	1,757,426	1,584,955
Consolidated Bond Reserve Fund	**1,020,307**	769,666	278,282	611,057
Total Reserve Funds	**2,809,881**	2,431,147	2,035,708	2,196,012
Appropriated Reserves for Self-insurance	**78,009**	78,009	74,038	78,009
Net Assets	**$27,085,538**	$25,273,394	$25,557,134	$23,857,869

Outstanding Obligations and Financing

SUMMARY OF DEBT TYPE
(In Thousands)

Type:	Preliminary 2012 Budget	Issued/ Accreted	Repaid/ Refunded	2011 Estimate	Issued/ Accreted	Repaid/ Refunded	2010 Actual
Consolidated Bonds	$16,824,150	$1,450,000	($205,410)	$15,579,560	2,627,617	($388,435)	$13,340,378
Commercial Paper	468,818	145,548	(50,000)	373,270	124,890	(105,900)	354,280
Variable Rate Master Notes	77,900	-	-	77,900	-	-	77,900
Versatile Structure Obligations	-	-	-	-	-	(175,200)	175,200
PA Equipment Notes	74,565	25,000	(18,595)	68,160	-	(30,485)	98,645
Fund Buy-out Obligation	337,449	28,433	(51,213)	360,229	29,733	(43,211)	373,707
MOTBY Obligation	78,060	2,918	(30,000)	105,142	1,746	(35,000)	138,396
4 WTC Net Lease Obligation	1,225,520	-	-	1,225,520	1,225,520		
Sub-total	19,086,462	1,651,899	(355,218)	17,789,781	4,009,506	(778,231)	14,558,506
Special Project Bonds	1,675,825	-	(65,615)	1,741,440	-	(61,705)	1,803,145
Total Obligations	**$20,762,287**	**$1,651,899**	**($420,833)**	**$19,531,221**	**$4,009,506**	**($839,936)**	**$16,361,651**

DEBT OBLIGATIONS AND LIMITATIONS*

(In Thousands)

	Preliminary 2012 Budget			2011 Estimate		2010 Actual	
	Amount Outstanding	Available Debt**	Potential Remainder***	Amount Outstanding	Available Debt**	Amount Outstanding	Available Debt**
Consolidated Bonds & Notes (1)	$16,824,150	$21,136,115	$4,311,965	$15,579,560	$20,651,025	$13,340,378	$19,634,458
Versatile Structure Obligations (2)	-	6,990,000	6,990,000	-	6,828,000	175,200	6,472,000
Variable Rate Master Notes (2)	77,900	400,000	322,100	77,900	400,000	77,900	400,000
Commercial Paper (2)	468,818	500,000	31,182	373,270	500,000	354,280	500,000
Bonds, Notes and other Obligations	17,370,868	29,026,115	11,655,247	16,030,730	28,379,025	13,947,758	27,006,458
Port Authority Equipment Notes (2)	74,565	250,000	175,435	68,160	250,000	98,645	250,000
Fund Buy-Out Obligation (3)	337,449	n/a	n/a	360,229	n/a	373,707	n/a
MOTBY Obligation	78,060	n/a	n/a	105,142	n/a	138,396	n/a
4 WTC Net Lease Obligation (5)	1,225,520	n/a	n/a	1,225,520	n/a	-	n/a
Total Port Authority Obligations	19,086,462	29,276,115	11,830,682	17,789,781	28,629,025	14,558,506	27,256,458
Special Project Bonds (2)	1,675,825	n/a	n/a	1,741,440	n/a	1,803,145	n/a
Total	$20,762,287	$29,276,115	$11,830,682	$19,531,221	$28,629,025	$16,361,651	$27,256,458

* This schedule reflects available debt and outstanding obligations, subject to limitations, contemplated by the Port Authority for the years shown.

** Limitations applicable to Port Authority debt are not, unless otherwise indicated, "legal limits" established by State constitutions or laws but, rather, are set forth in, or calculated in accordance with, the contracts with the holders of such obligations, as adopted by the Port Authority's Board of Commissioners.

*** Subject to the issuance tests and limitations contained in the various resolutions and policies established by the Port Authority.

(1) **Consolidated Bonds:** (which includes Consolidated Notes) established pursuant to the Consolidated Bond Resolution of October 9, 1952, under which additional bonds may not be issued except under one or another of three conditions, each of which requires that a certain future calendar year's debt service is met at least 1.3 times by certain revenues. Amount reflects capacity test calculation.

(2) **Versatile Structure Obligations, Variable Rate Master Notes, Commercial Paper, Port Authority Equipment Notes and Special Project Bonds:** Amount reflects cap or capacity established pursuant to the applicable resolution for each of such obligations.

(3) **Fund Buy-Out Obligation:** Represents 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.

(4) **MOTBY Obligation:** Represents the present value of amounts due to the Bayonne Local Redevelopment Authority for the purchase of the Marine Ocean Terminal at Bayonne Peninsula.

(5) **4 WTC Net Lease Obligations:** Represents the principal amount due on the New York Liberty Development Corporation Liberty Revenue Bonds, Series 2011, for the 4 World Trade Center Project.

Staffing

BUDGETED POSITIONS

DEPARTMENT	Preliminary 2012 Budget	2011 Estimate	2010 Actual
CHIEF ADMINISTRATIVE OFFICER	4	4	4
Human Resources (including Medical Services)	67	67	66
Labor Relations	11	11	11
Operations Services (including Facility Construction Support)	427	427	449
Operations Standards	6	6	6
Procurement	91	91	94
CHIEF, CAPITAL PLANNING	2	2	6
Office of Business Diversity and Civil Rights	13	12	13
Office of Environmental & Energy Programs	11	11	12
Office of Strategic Initiatives	3	3	4
Planning & Regional Development	19	19	22
WTC Redevelopment	14	12	17
WTC Construction	111	111	114
CHIEF ENGINEER/Engineering	539	539	557
CHIEF FINANCIAL OFFICER	4	4	4
Comptroller's	98	98	103
Management and Budget	38	38	37
Office of Financial Analysis	8	7	7
Priority Programs	6	5	6
Technology Services	104	103	105
Treasury	42	42	46
CHIEF OPERATING OFFICER	8	8	9
Aviation	926	926	963
Capital Security Projects	23	23	25
Port Commerce	170	170	174
Project Management Office	9	9	9
Rail Transit	1,070	1,070	1,081
Tunnels, Bridges & Terminals	881	881	911
CHIEF, PUBLIC & GOVERNMENT AFFAIRS	2	2	2
Government and Community Affairs	10	10	11
Media Relations	10	10	9
Marketing	25	25	28
CHIEF, REAL ESTATE & DEVELOPMENT	2	2	2
Real Estate & Development	48	50	63
EXECUTIVE OFFICES	9	9	9
GENERAL COUNSEL/LAW	128	128	132
INSPECTOR GENERAL	34	30	30
Audit	74	74	77
OFFICE OF THE SECRETARY	18	17	17
PUBLIC SAFETY	1,696	1,705	1,725
Office of Emergency Management	16	16	17
TOTAL POSITIONS	6,777	6,777	6,977

Activity Highlights

ACTIVITY HIGHLIGHTS

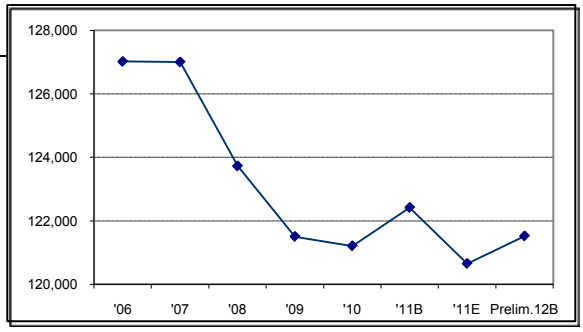
2006 - 2010 ACTUAL, 2011 ESTIMATE AND 2011 BUDGET and PRELIMINARY 2012 BUDGET

(in thousands)

Tunnels, Bridges & Terminals
(Eastbound Vehicular Movements)

	Autos	Buses	Trucks	Total
2006 *	115,506	3,140	8,374	127,020
2007	115,349	3,139	8,516	127,004
2008	112,176	3,158	8,391	123,725
2009	110,755	3,119	7,626	121,500
2010	110,482	3,122	7,602	121,206
2011 Budget	111,362	3,217	7,837	122,416
2011 Estimate	109,942	3,177	7,530	120,649
Prelim. 2012 Budget	110,538	3,260	7,718	121,516

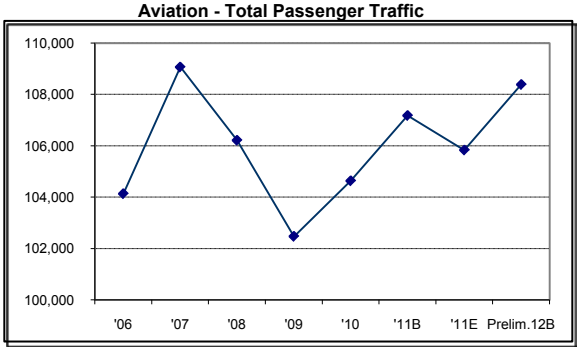
TB&T - All Vehicles



Aviation - Passengers

	International	Domestic	Total
2006	30,969	73,164	104,133
2007 *	33,523	75,546	109,069
2008	34,635	71,579	106,214
2009	33,514	68,956	102,470
2010	35,377	69,258	104,635
2011 Budget	35,965	71,215	107,180
2011 Estimate	36,303	69,531	105,834
Prelim. 2012 Budget	37,164	71,225	108,389

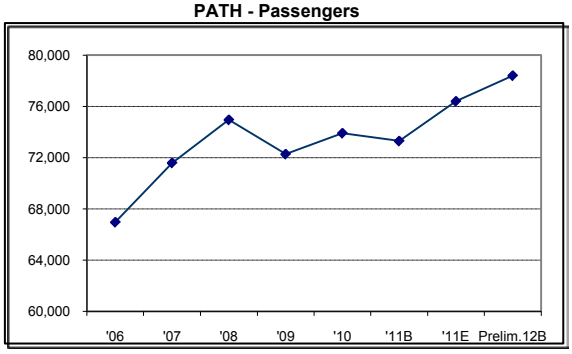
Aviation - Total Passenger Traffic



PATH - Passengers

2006	66,966
2007	71,592
2008 *	74,954
2009	72,277
2010	73,911
2011 Budget	73,298
2011 Estimate	76,400
Prelim. 2012 Budget	78,400

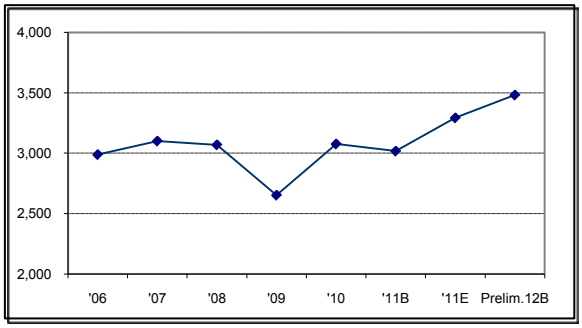
PATH - Passengers



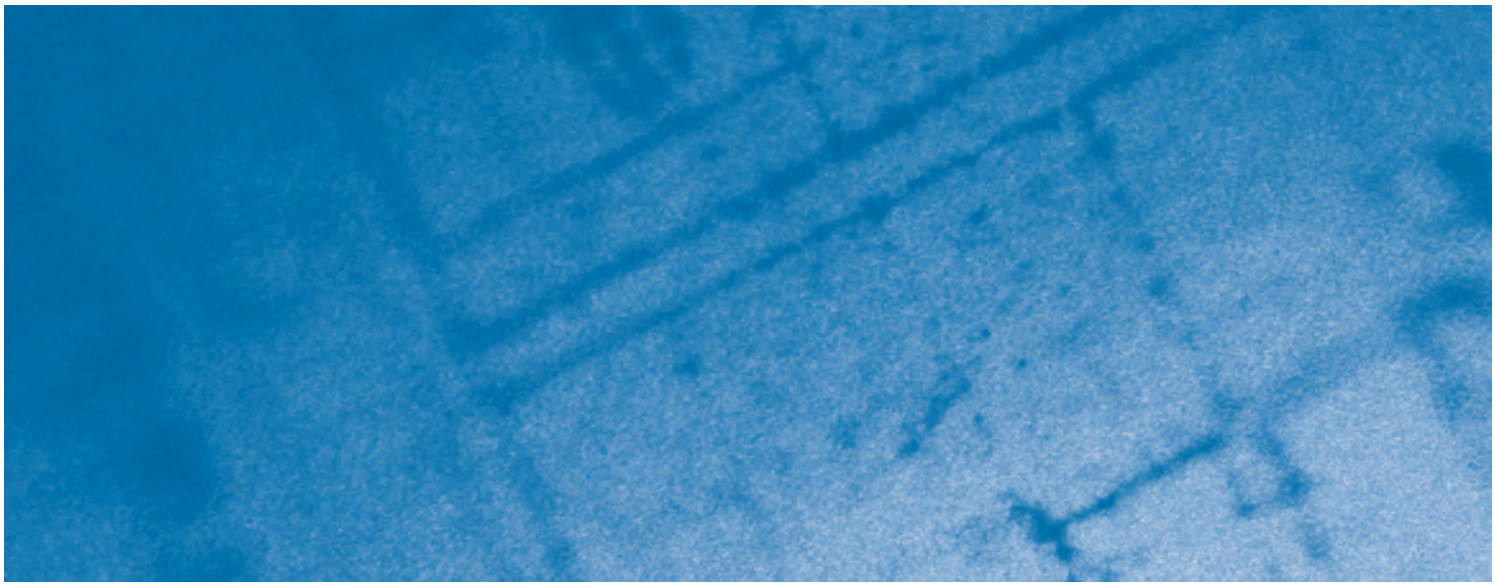
Port Commerce - Containers

2006	2,988
2007 *	3,100
2008	3,069
2009	2,652
2010	3,076
2011 Budget	3,017
2011 Estimate	3,292
Prelim. 2012 Budget	3,481

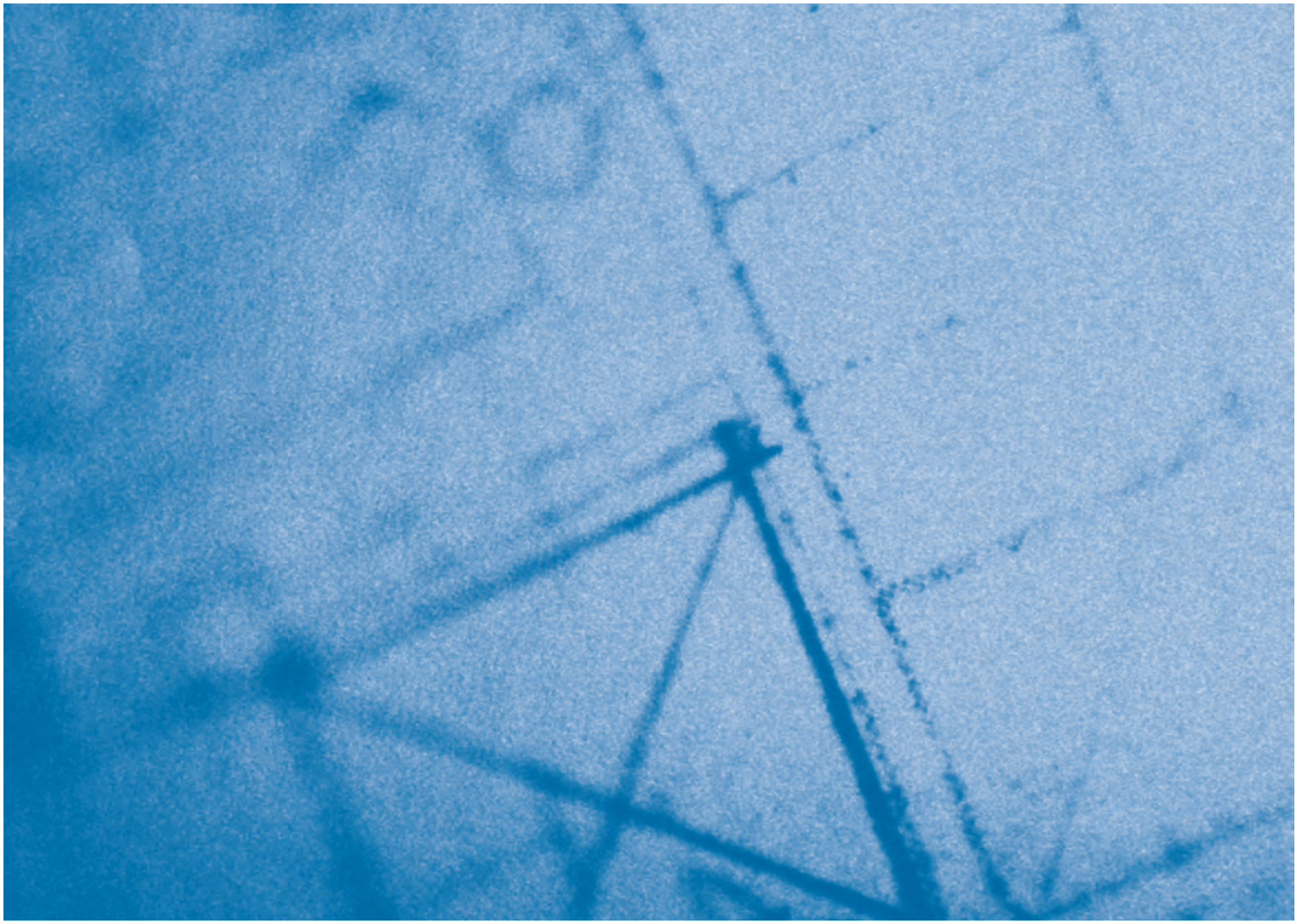
Port Commerce - Containers



* Represents the highest activity year.



Preliminary
2012 Capital Budget



PORT AUTHORITY PRELIMINARY 2012 CAPITAL BUDGET
SUMMARY BY DEPARTMENTS
(In thousands)

	Preliminary 2012 Budget
Aviation	$ 452,374
Development	2,124
PATH	351,463
Port Commerce	345,877
Regional Capital Programs	121,342
Tunnels, Bridges & Terminals	625,535
World Trade Center	2,001,156
Total	**3,899,871**
Provision for Efficiency and Phasing	(246,077)
Grand Total	**$ 3,653,794**

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PRELIMINARY 2012 CAPITAL BUDGET
SORTED BY DEPARTMENT, FACILITY AND PROGRAM
(In thousands)

	PRELIMINARY 2012 BUDGET
AVIATION	
CA02-LaGUARDIA AIRPORT	
AERONAUTICAL	$ 23,647
INFRASTRUCTURE	29,013
LANDSIDE	4,478
SECURITY	8,837
TERMINALS	13,223
CA02-LaGUARDIA AIRPORT	79,198
CA03-JFK AIRPORT	
AERONAUTICAL	63,861
INFRASTRUCTURE	43,572
LANDSIDE	3,847
SECURITY	13,422
TERMINALS	15,190
CA03-JFK AIRPORT	139,892
CA32-KENNEDY AIRPORT REDEVELOPMENT	
SECURITY	784
TERMINALS	438
CA32-KENNEDY AIRPORT REDEVELOPMENT	1,222
CA39-JFK AIRTRAIN	
LANDSIDE	2,840
CA39-JFK AIRTRAIN	2,840
KENNEDY AIRPORT TOTAL	143,954
CA04-NEWARK AIRPORT	
AERONAUTICAL	51,801
INFRASTRUCTURE	34,294
LANDSIDE	20,928
SECURITY	10,064
TERMINALS	12,451
CA04-NEWARK LIBERTY AIRPORT	129,538

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PRELIMINARY 2012 CAPITAL BUDGET
SORTED BY DEPARTMENT, FACILITY AND PROGRAM
(In thousands)

	PRELIMINARY 2012 BUDGET
CA44-NEWARK LIBERTY REDEVELOPMENT	
TERMINALS	43,714
CA44-NEWARK LIBERTY REDEVELOPMENT	43,714
NEWARK LIBERTY AIRPORT TOTAL	173,252
CA05-TETERBORO AIRPORT	
AERONAUTICAL	24,637
INFRASTRUCTURE	11,892
SECURITY	1,739
CA05-TETERBORO AIRPORT	38,268
CA06-STEWART AIRPORT	
AERONAUTICAL	6,760
INFRASTRUCTURE	3,162
LANDSIDE	1,815
PARKING	996
SECURITY	3,144
TERMINALS	1,825
CA06-STEWART AIRPORT	17,702
AVIATION TOTAL	452,374
DEVELOPMENT	
CH02-FERRY TRANSPORTATION	
INFRASTRUCTURE	2,124
CH02-FERRY TRANSPORTATION	2,124
DEVELOPMENT TOTAL	2,124

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PRELIMINARY 2012 CAPITAL BUDGET
SORTED BY DEPARTMENT, FACILITY AND PROGRAM
(In thousands)

		PRELIMINARY 2012 BUDGET
PATH		
CR02-PATH		
CARS		51,877
INFRASTRUCTURE		59,797
SECURITY		154
SIGNALS/COMMUNICATIONS		108,312
STATIONS		23,272
TRACKS		15,328
	CR02-PATH	258,740
CR08-PATH SAFETY		
INFRASTRUCTURE		1,013
SECURITY		80,868
SIGNALS/COMMUNICATIONS		1,765
	CR08-PATH SAFETY	83,646
CR21-JOURNAL SQUARE		
INFRASTRUCTURE		5,571
SECURITY		3,506
	CR21-JOURNAL SQUARE	9,077
	PATH TOTAL	351,463
PORT COMMERCE		
CP05-PORT NEWARK		
DREDGING		10,000
INFRASTRUCTURE		38,194
INTERMODAL		35,535
ROADWAYS		14,574
SECURITY		1,116
	CP05-PORT NEWARK	99,419
CP08-ELIZABETH PA MARINE TERMINALS		
DREDGING		32,000
INFRASTRUCTURE		3,421
ROADWAYS		16,462
	CP08-ELIZABETH PA MARINE TERMINALS	51,883

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PRELIMINARY 2012 CAPITAL BUDGET
SORTED BY DEPARTMENT, FACILITY AND PROGRAM
(In thousands)

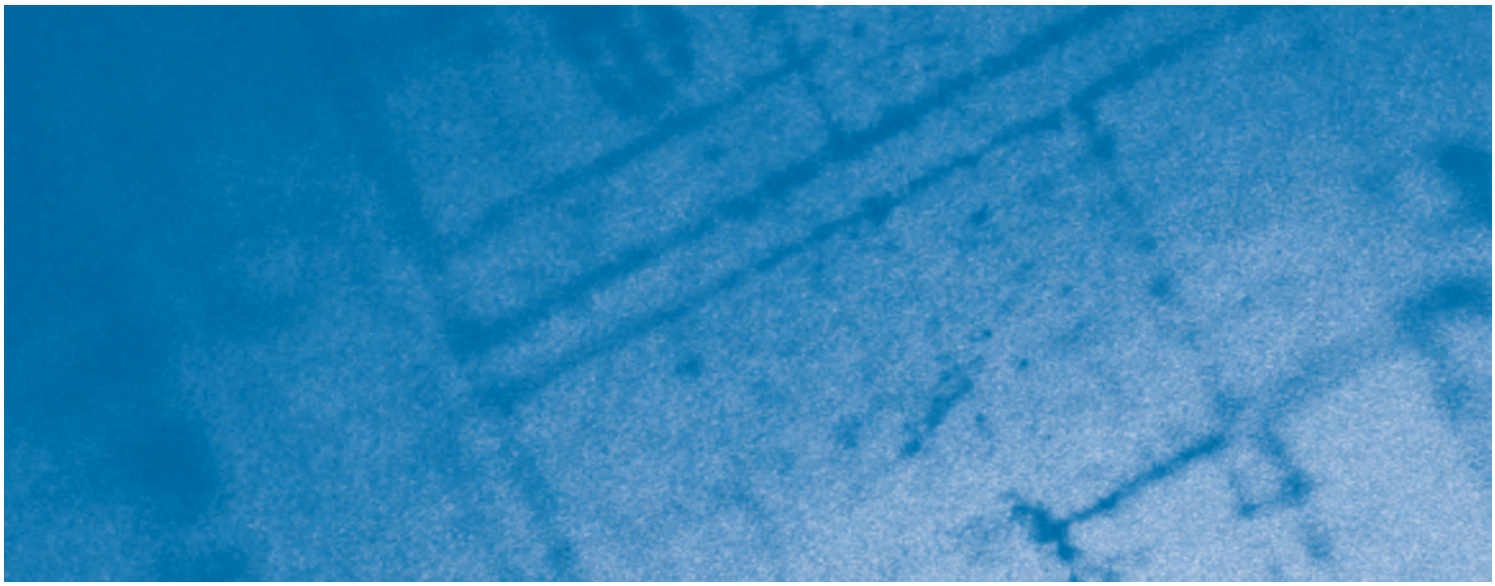
	PRELIMINARY 2012 BUDGET
CP09-BROOKLYN MARINE TERMINALS	
INFRASTRUCTURE	11,018
SECURITY	1,380
CP09-BROOKLYN MARINE TERMINALS	12,398
CP11-NEW YORK CONTAINER TERMINAL	
DEVELOPMENT	2,365
DREDGING	29,000
INFRASTRUCTURE	4,931
CP11-NEW YORK CONTAINER TERMINAL	36,295
CP16-PORT JERSEY-PORT AUTHORITY MARINE TERMINAL	
DEVELOPMENT	67,550
INFRASTRUCTURE	8,699
INTERMODAL	9,000
ROADWAYS	1,289
SECURITY	848
CP16-PORT JERSEY-PORT AUTHORITY MARINE TERMINAL	87,386
CP17-GREENVILLE YARD/NJNJ RAIL LLC	
REIGIONAL FREIGHT	58,298
CP17-GREENVILLE YARD/NJNJ RAIL LLC	58,298
CP91-RED HOOK TERMINAL	
INFRASTRUCTURE	198
CP91-RED HOOK TERMINAL	198
PORT COMMERCE TOTAL	345,877
REGIONAL CAPITAL PROGRAMS	
REGIONAL CAPITAL PROGRAMS	
REGIONAL CAPITAL PROGRAMS TOTAL	121,342

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PRELIMINARY 2012 CAPITAL BUDGET
SORTED BY DEPARTMENT, FACILITY AND PROGRAM
(In thousands)

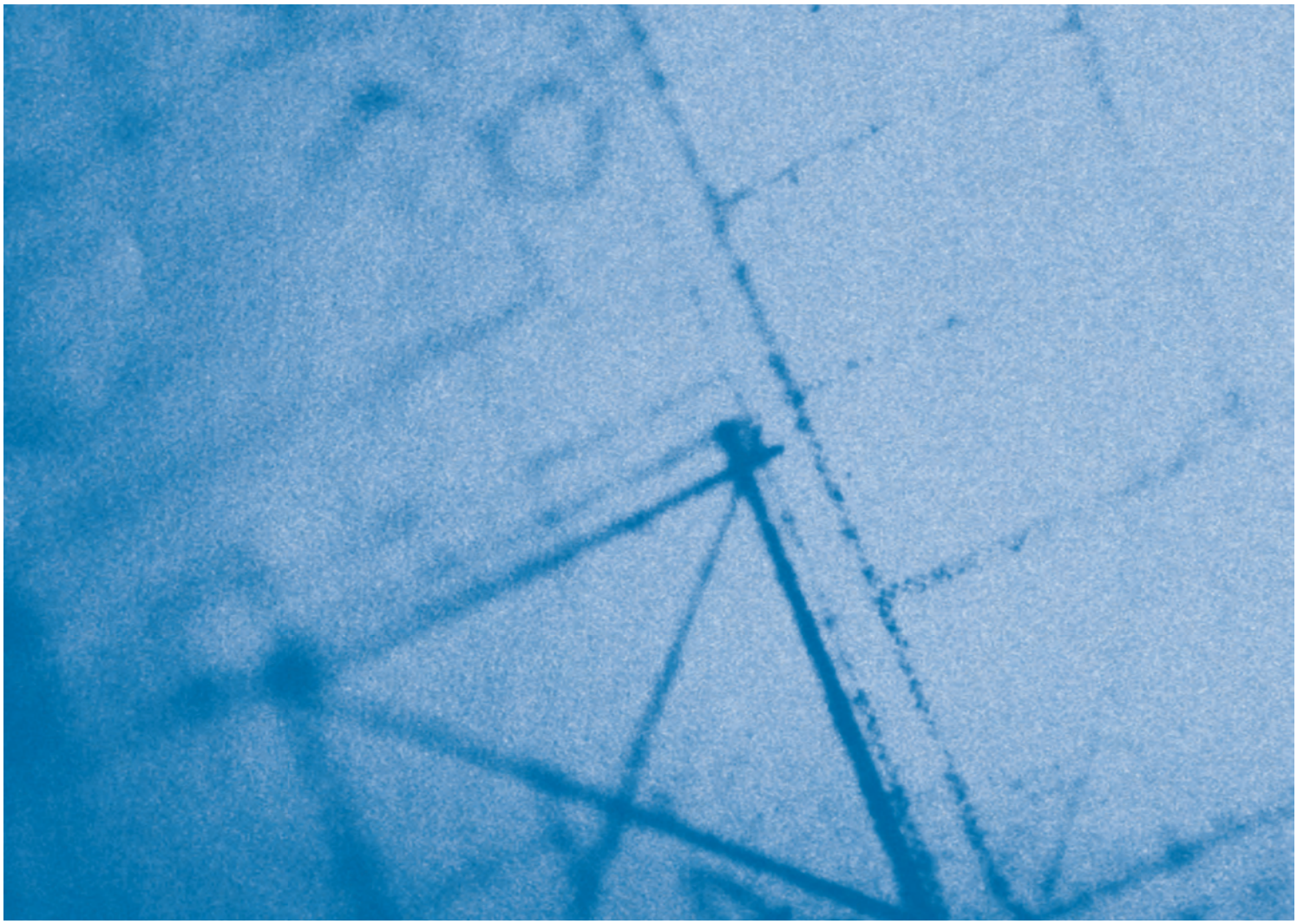
		PRELIMINARY 2012 BUDGET
TUNNELS, BRIDGES & TERMINALS		
CB02-HOLLAND TUNNEL		
INFRASTRUCTURE		23,949
SECURITY		1,307
	CB02-HOLLAND TUNNEL	25,256
CB03-LINCOLN TUNNEL		
BRIDGE		356,300
INFRASTRUCTURE		21,545
ROADWAYS		22,434
SECURITY		1,524
	CB03-LINCOLN TUNNEL	401,802
CB04-GEORGE WASHINGTON BRIDGE		
BRIDGE		45,145
INFRASTRUCTURE		9,747
ROADWAYS		15,454
SECURITY		1,883
	CB04-GEORGE WASHINGTON BRIDGE	72,228
CB06-BAYONNE BRIDGE		
BRIDGE		11,771
INFRASTRUCTURE		3,231
SECURITY		230
	CB06-BAYONNE BRIDGE	15,232
CB07-GOETHALS BRIDGE		
BRIDGE		26,482
INFRASTRUCTURE		10,044
SECURITY		287
	CB07-GOETHALS BRIDGE	36,813
CB08-OUTERBRIDGE CROSSING		
BRIDGE		1,493
INFRASTRUCTURE		5,014
ROADWAYS		451
SECURITY		483
	CB08-OUTERBRIDGE CROSSING	7,440

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
PRELIMINARY 2012 CAPITAL BUDGET
SORTED BY DEPARTMENT, FACILITY AND PROGRAM
(In thousands)

	PRELIMINARY 2012 BUDGET
CB48 - GWB BUS STATION	
BRIDGE	182
INFRASTRUCTURE	34,479
SECURITY	254
CB48 - GWB BUS STATION	34,916
CT06-PORT AUTHORITY BUS TERMINAL	
INFRASTRUCTURE	26,400
SECURITY	5,447
CT06-PORT AUTHORITY BUS TERMINAL	31,848
TUNNELS, BRIDGES & TERMINALS TOTAL	625,535
WORLD TRADE CENTER	
WTC TRANSPORTATION HUB	469,726
WTC VEHICULAR SEC CTR&TOUR BUS PKNG FAC	225,935
WTC MEMORIAL	16,715
WTC SITE COMMON INFRASTRUCTURE	315,752
WTC PROPERTY MANAGEMENT FACILITY	8,857
CORTLANDT STREET STATION	41,100
WTC RETAIL REDEVELOPMENT - PHASE 1	188,624
ONE WTC - MARKETING, LEASING AND BASE BUILDING IMPROVEMENTS	36,371
ONE WTC - CONSTRUCTION	648,076
TOWER 2 STRUCTURE TO GRADE	50,000
WORLD TRADE CENTER TOTAL TOTAL	2,001,156
AGENCY SUBTOTAL	3,899,871
PROVISION FOR EFFICIENCY AND PHASING	(246,077)
CAPITAL PROGRAM TOTAL $	3,653,794



Preliminary Appendices



APPENDIX A: AGENCY OVERVIEW

PORT AUTHORITY OF NEW YORK-NEW JERSEY FACILITIES

Legend:

- Aviation
- Port Commerce
- Development
- Tunnels, Bridges & Terminals
- Port Authority Trans-Hudson

International Business Development
Representatives in Hong Kong, London, Shanghai and Tokyo

Region

THE NEW YORK-NEW JERSEY REGION

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 New York counties of Nassau, Rockland, Suffolk and Westchester; and nine northern New Jersey counties of Bergen, Essex, Hudson, Middlesex, Monmouth, Morris, Passaic, Somerset and Union.

Area:	4,336 Square Miles
Population:	17.9 Million (2010)
Labor Force:	8.8 Million (2010)

Sources: U.S. Census Bureau, NY State Department of Labor and State of NJ Department of Labor and Workforce Development.

ORIGINS

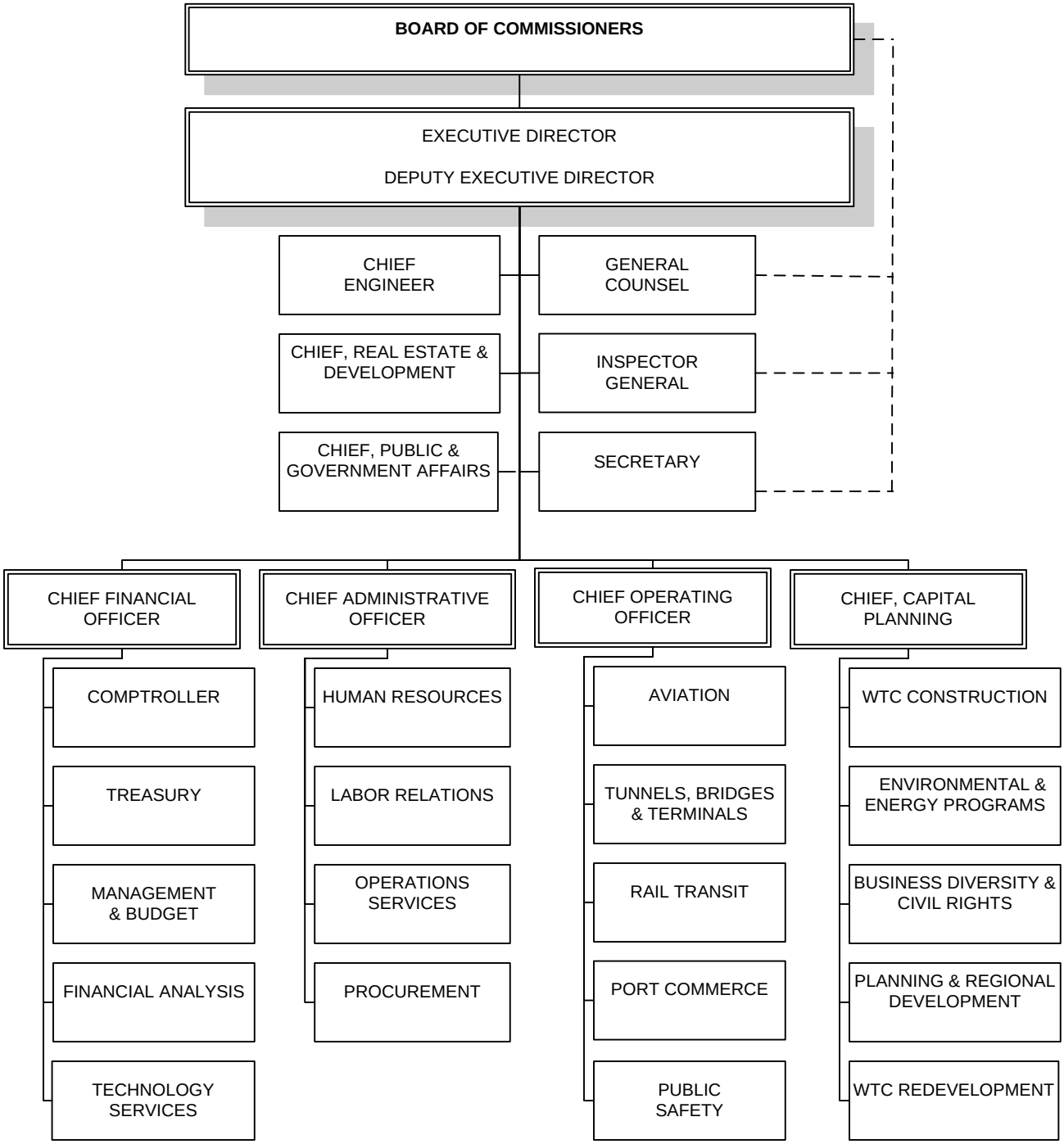
History

The Port Authority of New York and New Jersey (the "Port Authority") was established by Compact between New York and New Jersey on April 30, 1921, as the first interstate agency created under the clause of the United States Constitution permitting compacts between states with the consent of Congress. The Compact also created the Port District, an area of about 1,500 square miles in both states, centering about New York Harbor. Over the years, the mandate of the agency has developed to promote and protect the commerce of the bistate port and to undertake port and regional improvements not likely to be financed by private enterprise or to be attempted by either state alone: modern wharfage for the harbor shared by the two states, tunnel and bridge connections between the states, terminal and transportation facilities and, in general, trade and transportation projects to promote the region's economic well-being.

Governance

The Governor of each state appoints six Commissioners to the agency's Board of Commissioners, for overlapping six year-terms; each appointment is subject to the approval of the respective state senate. Commissioners serve as public officials without remuneration. The Governors retain the right to veto the actions of the Commissioners from their respective state. The Port Authority undertakes projects and activities in accordance with the Port Compact of 1921 and amendatory and supplemental bistate legislation. An Executive Director, appointed by the Board of Commissioners, is responsible for managing the operation of the Port Authority in a manner consistent with the agency's policies, as established by the Board. The Executive Director and the individual directors are responsible for operating within the budget and capital plan authorized by the Board of Commissioners by monitoring and controlling the fiscal performance of the Port Authority and its departments.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
Organization Chart



Key Organization Functions

GENERAL COUNSEL -- provides centralized management in connection with legal representation of Port Authority and its wholly owned corporate entities; oversees all practice areas within the Law Department, including corporate, risk management and litigation & corporate security.

INSPECTOR GENERAL -- promotes integrity, economy and efficiency in the Port Authority and its subsidiary corporations, as well with third-party individuals or organizations doing business with the Port Authority through its Office of Investigations and Audit Department, each responsible for critical aspects of Port Authority's corruption prevention and compliance efforts.

SECRETARY -- serves as liaison with Chairman and members of Board and provides support to Chairman, Board of Commissioners, and Executive staff in order to effectuate agency's critical business objectives, while ensuring that agency is conducting its business in accordance with Agency's By-Laws, statutory authority and Board policies.

CHIEF ENGINEER -- acts as corporate advisor to Executive Director, is the technical authority for structural integrity and code compliance, is agency's principal authority on engineering matters, and is responsible to Executive Director for ensuring that all existing and new Port Authority facilities are structurally sound, safe, and in conformance with applicable codes and Port Authority technical standards.

CHIEF, REAL ESTATE & DEVELOPMENT -- manages and coordinates all real estate issues and business relationships associated with development of World Trade Center and Port Authority's other major real estate development initiatives, including Bathgate Industrial Park, Essex County Resource Recovery Facility, Ferry Transportation, Industrial Park at Elizabeth, The Legal Center, The Teleport, Queens West Waterfront Development and South Waterfront at Hoboken.

CHIEF FINANCIAL OFFICER -- oversees financial operations of Port Authority, including developing, implementing, and monitoring agency wide policies and strategies governing investments, financing, resource planning, budgeting, capital planning, accounting, performance measurement, analysis, financial analysis and financial controls.

CHIEF ADMINISTRATIVE OFFICER -- assists management and advancement of overall Port Authority agenda by oversight of human resources management, labor relations, operations services and procurement and providing internal industrial engineering and management consulting services.

CHIEF OPERATING OFFICER -- oversees and ensures safe, efficient, secure and economically sound operation of Port Authority aviation, bus, tunnel, bridge, commercial and maritime facilities, and Port Authority Trans Hudson Corporation (PATH); and establishes and maintains consistent and best practice standards and procedures for management of agency's Capital and Operating Major Works projects.

CHIEF, CAPITAL PLANNING -- responsible for oversight of the capital program and the development of strategies, business practices and supporting systems that will increase the value of Port Authority capital investment. In order to carry out these functions, the office of the Chief oversees World Trade Center Construction, Environmental & Energy Programs, Business Diversity and Civil Rights, Planning & Regional Development and Office of Strategic Initiatives.

APPENDIX B: BUDGET PROCESS AND FINANCIAL POLICIES

The Port Authority's annual budget is prepared on a basis consistent with the Port Authority's By-Laws. The Board approves an annual expenditure budget comprised of operating expenses, debt service, gross capital expenditures and other expenditures such as heavy vehicles and computer systems that are deferred and amortized in future periods. The Board also approves the long-term strategic plan and updated capital plan of the agency, and approves amendments to the current year budget as necessary.

A recent addition to the Port Authority's budget process has been the participation in the Government Finance Officers Association's (GFOA) Budget Awards Program. This program evaluates public sector budget documents using 27 rating criteria across four different categories, which include policy, financial, operations, and communications. The Port Authority received a GFOA Budget Presentation award for the 2009, 2010 and 2011 Budget Books, the first three years of its participation in the program. Successfully meeting the GFOA criteria helps to ensure that the Port Authority is continually making efforts to improve its budgeting process and to provide the public with a transparent and comprehensive budget document.

A Unified Planning Process

Each year, in conjunction with the development of its annual budget, Port Authority staff undertakes a comprehensive planning process designed to ensure that the agency is consistently moving towards achieving long-term goals. Over the past two years, the Port Authority has worked to unify this process by coordinating the development of business plans, capital programs, and the annual budget. This unified planning model allows for the agency's long-term Strategic Plan, adopted in 2005, to have a greater impact on each aspect of agency operations. The goals identified in the Strategic Plan are incorporated into both departmental business plans and the agency's capital program. In turn, business and capital plans drive resource allocation decisions.

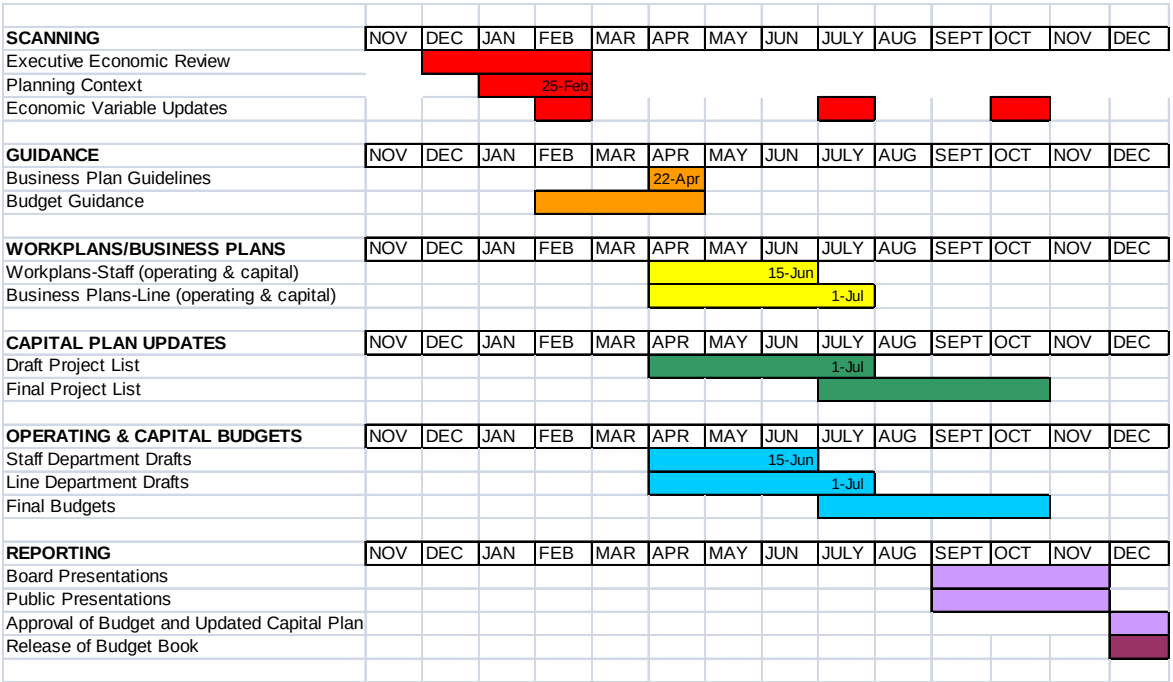
Developing the Budget

Typically, the budget process begins with the scanning process. This involves an effort on the part of Executive Director and senior staff to understand the economic outlook and the environment in which the agency will be operating in the coming years. This information is then used to re-assess agency priorities and develop short-term strategies in line with agency-wide goals. The Executive Director's office then issues planning and budget guidance that includes agency wide priorities, the regional planning context, and budget targets for each department. This guidance informs the development of department business and work plans, the capital program, and the budget for the coming year. (This process is sometimes more formal and includes an Executive Director's planning session for senior staff and agency-wide budget

planning guidance by the Executive Director or sometimes less formal through the issuance of economic bulletins and scheduling of economic outlook webinars by Planning Department as well as dissemination of budget guidelines directly by Management and Budget Department.)

Line Departments, the five departments that reflect the Port Authority's major lines of business (Port Commerce, Aviation, PATH, and Tunnels, Bridges, and Terminals, and Development), are asked to submit business plans that identify department wide strategies and initiatives, both operating and capital, that reflect over-arching agency goals and take into account the planning context and priorities identified by the Executive Director. Similarly, staff departments, which support the agency's major lines of business, submit work plans that identify the ways in which these departments will help line businesses achieve agency-wide goals given the pre-established regional planning context. The Planning Department and the Management and Budget Department, in consultation with the Executive Management Team, provide feedback on departmental business/work plans as they are finalized.

In conjunction with incorporating agency feedback into finalized business/work plans, departments develop updated capital project lists and budget proposals. Once these have been submitted, the Management and Budget Department assesses the financial impact of the submissions and works with departments to finalize a budget and capital plan that meets agency and department goals within the financial constraints of the agency. Following repeated review and analysis throughout the department, a final budget proposal is presented to the Board of Commissioners for approval. Once approved, the budget is presented to the public.



Basis of Budgeting

Revenues and expenses are budgeted in an enterprise fund using the accrual basis of accounting (excluding interdepartmental rents). The budgeted Revenues and Reserves schedule is prepared pursuant to Port Authority bond resolutions and differs in some respects from accounting principles generally accepted in the United States, with the primary difference being the inclusion of principal and interest payments on outstanding Port Authority debt in lieu of depreciation and amortization related to capital investment. This is intended to demonstrate to the bondholders that the agency is generating sufficient cash flows to meet current and future debt service. For presentation purposes, budgeted net income is also calculated on a basis consistent with generally accepted accounting principles. The Management and Budget Department prepares periodic financial reports, designed to inform all levels of executive management and individual directors, that measure and discuss actual and projected performance against budget and the capital plan. Financial reports are also presented to the Board of Commissioners that concisely describe the operating and capital results and financial position of the agency as a whole, highlight exceptions or significant changes impacting the agency's financial condition, and to suggest areas where management action may be necessary.

Financial Policies

The Port Authority is financially self-sustaining and must raise the moneys necessary to operate its facilities and provide services to the public at large through tolls, fares, rentals and other user charges. Funds needed for capital improvements, construction and acquisition of facilities are raised on the basis of the Port Authority's own credit rating. The Port Authority cannot pledge the credit of either of the States of New York and New Jersey or any municipality, nor can it levy taxes or assessments.

Within the context of programmatic agency-wide objectives, the Port Authority has established various financial measures designed to ensure that the agency is able to sustain its projects, plan for the future, and fund debt service. The Port Authority maintains two Reserve Funds, the General Reserve Fund and Consolidated Bond Reserve Fund, which were established in accordance with applicable laws and statutes. The agency has set specific targets for the Times to Debt Service Earned ratio, monies contained in the General Reserve Fund and the Operating Ratio.

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.

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.

Debt Management Policies

The Port Authority follows specific criteria when dealing with debt management, financing capital construction at the agency’s facilities or refunding existing obligations. It does so by closely monitoring and controlling the flow of Variable Rate Master Notes, Commercial Paper, Equipment Notes, and Special Project Bonds. These debt management criteria are described in more detail below:

- Variable Rate Master Notes - Cannot be issued if the resulting aggregate principal amount at any one time outstanding is in excess of $400 million.

- Commercial Paper - Cannot be issued if the resulting aggregate principal amount at any one time outstanding is in excess of $500 million ($300 million for Series A and $200 million for Series B).

- Port Authority Equipment Notes - Proceeds are to be used in connection with the purchase of certain equipment by the Port Authority, to refund certain obligations issued by the Port Authority in connection with the purchase of equipment and for incidental purposes, including certain cost of such note obligations. These notes cannot be issued if the resulting aggregate principal amount at any one time outstanding is in excess of $250 million.

- Special Project Bonds - Issued only for the purpose of providing funds for a single project for a lessee or for the purpose of refunding all or any part of a prior series of Special Project Bond obligations. These bonds shall not be issued in an amount that is greater than the amount determined by the Port Authority to be necessary to accomplish the purpose for which such Series of Special Project Bonds is issued.

APPENDIX C:
Preliminary
Strategic Performance

MISSION:

To identify and meet the critical transportation infrastructure needs of the bistate region's businesses, residents, and visitors: providing the highest quality, most efficient transportation and port commerce facilities and services that move people and goods within the region, providing access to the rest of the nation and to the world, while strengthening the economic competitiveness of the New York-New Jersey Metropolitan Region.

GOALS	PROJECTS	2011 MAJOR OUTCOMES	2012 PROJECT MILESTONES	2012 BUDGET	PROJECT DELIVERABLES
Building the Region and Investing in the Future	World Trade Center Redevelopment	· Started erection of the Memorial Pavilion steel; · Installed 1WTC steel above 50 floors; and · Begin erection of the PATH Hall steel.	· Open WTC Memorial on 9/11/11.	$2 B	· WTC Memorial & Museum; · One World Trade Center; · Third largest transportation hub in New York; Liberty Park and common infrastructure; and · A vehicle security center.
	LGA Central Terminal Building	· Developed design documents and advance Stage I design work; - Prepared to release Request for Information (RFI) to explore a 3rd party role in operations, maintenance, and financing of a new Central Terminal Building	- Develop Stage I design for all aspects - Draft environmental review document for FAA review	$18 M	· State-of-the-art facility for domestic air travel.
	Goethals Bridge Replacement	· Secured Record of Decision · Project Authorization (Phase I) · Draft RFP to Qualified Firms · Board Authorization for ROW Acquisition	· Final RFP to Qualified Firms · Final Proposals Due	$26 M	· A new, expanded bridge.
	EWR Terminal A Replacement	· Advanced Phase II Planning work.	· Advance Phase II planning of overall site conditions, infrastructure development, terminal objectives, airside and landside operations, and environmental remediation.	$15 M	· State-of-the-art facility for domestic air travel.
Moving Travelers and Commuters	PATH New Car Purchase Program	·Completed delivery and conditional acceptance of 340 railcars.	·Delivery of 10 additional railcars ordered under an exercised option.	$36 M	Have 10 new railcars for revenue service; improved service reliability and customer service.
	PATH Signal System Replacement Program	·Completed design of the new signal system.	· Install seven signal bungalows · Delivery and commence installation of ATC Carborne equipment for Railcars · Delivery of ATC signal equipment for installation at Hoban Control Center.	$107 M	Meet FRA requirement for PTC by 2015; Increase capacity by 20% when fully deployed by providing for shorter headways.
	EWR Terminal B Modernization	· Created domestic departures on midlevel and · Developed reconfiguration of the meet and greet area.	· Complete mid- and upper-level expansion to increase terminal capacity.	$29 M	· Increase existing capacity the airport.
	Replacement Toll Collection System Replacement (RTCS)	· Contract Awarded - Design Process Commenced	· Critical and Detailed Design to be Completed	$15 M	· Replacement of the obsolete toll collection system and equipment that will serve to protect the more than $1B in toll revenue and include the capability for All-Electronic Tolling providing a foundation for the future
Connecting Cargo to Customers	Harbor Deepening Program (HDP)	· 4 HDP contracts were completed and 4 new contracts were awarded · Continued with relocation of underground utilities	· Last remaining HDP contract to be awarded· · Continue deepening of NY/NJ Harbor's main channels to 50 feet.	$71 M	· Improved navigational safety. · Increased capacity to accommodate future cargo vessels.
	Port Commerce Infrastructure Program	· Commence Berth 6 Replacement. · Corbin St/Berth 3 Project Authorization · Advance Backflow Preventers Project at NJMT and NYMT.	· Continue Berth 6 Replacement · Complete Design of Berth 3 · Complete Backflow Preventer Projects	$66 M	· Reduced maintenance costs. · Expanded capacity. · Code compliance
	Intermodal Rail Program	· Advance Phase IIA design for track work at Corbin Street; and · Advance work for PNCT Flyover and Greenville Yards.	· Complete Phase IIA flyover Complete Advance Track 5	$45 M	· Comprehensive rail system with on-dock intermodal facilities for all marine terminals.
Advancing Security & Sustainability Throughout the Region	PATH Safety and Security Projects	· Completed the installation of Floodgates and interior strengthening in Tunnel F. · Complete system installation at the PATH Train Control Center.	· Advance infrastructure improvements, Floodgate installation and mitigation in Tunnel System; · Advance the design for Floodgate and mitigation for Tunnels A & B · Commission the PATH Train Control Center	$87 M	· Enhanced tunnel security. · Increased operational safety.
	Port Commerce Security Program	· Installed TWIC identification system CCTV.	· Finalize design for Security ID System; and · Complete TWIC Pilot Program and Closed Circuit TV implementation.	$4 M	· Enhanced safety and security of port operations.
	Security Bollard Installation at all Port Authority Airports	· Completed the installation of bollard protection at Port Authority managed terminals, with LGA's Central Terminal Building finishing in summer 2011. LGA's Marine Air Terminal and EWR's Terminal B were previously completed. · Award design of bollard protection projects for Tenant managed terminals at LGA, JFK, and EWR.	· Award construction contracts and start construction at LGA, JFK and EWR tenant terminals for bollard protection program.	$19 M	· Increased facility security at all Port Authority airports.

Preliminary Operational Performance*

PORT AUTHORITY FACILITIES	PERFORMANCE MEASURE	OPERATING OBJECTIVE	2011 RESULTS	2012 TARGET
Airports	Flight Delay Reduction	Improvement of year-to-year delay statistics for all airports.	1.5% reduction in delays at JFK, but no reduction in delays at EWR and LGA for 12 months ending September 2011, as compared to the same period in 2010.	Maintain or exceed 2010 level of reduction.
	Customer Satisfaction	Meet or exceed industry benchmark in annual customer satisfaction survey for all terminals at all Port Authority airports.	86% of arriving passengers and 55% of departing passengers were highly satisfied in 2011, which exceeds or meets the industry benchmark of 55%.	Increase proportion of highly satisfied customers by 2 percentage points.
Tunnels, Bridges and Bus Terminals	Incident Response Time	Improve safety and travel time reliability by ensuring incidents are responded to and cleared in a timely and effective manner.	85th percentile incident response times through September 2011 have improved or remained the same as 2010 figures at all facilities except the Lincoln Tunnel.	Decrease in response time over the same time in the previous year.
	Reduction in Targeted Crimes at Port Authority Bus Terminal	Minimize number of targeted crimes (robbery, assault, larceny, luggage theft, pickpocket) reported at the Port Authority Bus Terminal	Nearly a 4% reduction in targeted crimes at the Port Authority Bus Terminal through September 2011 compared to same period 2010.	5% reduction in the number of targeted crimes at the Port Authority Bus Terminal.
	Traffic Crash Rate	Improve safety, travel time reliability and the efficient movement of people and goods by minimizing crashes at Port Authority crossings.	6% reduction in crash rate through September 2011 compared to the same period in 2010.	5% reduction in crash rat with respect to the same period in the year prior.
PATH	On-Time Performance	Maintain high percentage of PATH trains operating on-time (within 3 minutes of scheduled departure/arrival time).	97.32% on-time performance during 24-hour periods (0.19% above 2010 target).	97.32% on-time performance during 24-hour periods.
			96.80% on-time performance during peak periods (0.46% above 2010 target).	96.80% on-time performance during peak periods.
	On-Time Performance	Maintain high percentage of PATH trains operating on-time (within 3 minutes of scheduled departure/arrival time).	97.32% on-time performance during 24-hour periods (0.19% above 2010 target).	97.32% on-time performance during 24-hour periods.
Ports	Port Competitiveness	Maintain high percentage of U.S. containerized cargo.	13.5% of U.S. containerized cargo goes through the Port Authority's port facilities.	14.2% of U.S. containerized cargo.
	Clean Air Strategy	Reduce amount of air pollution emitted from Port Authority port facilities.	Achieved replacement of some 80 high polluting trucks and provided incentives for over 200 ship calls to switch to Low Sulfur Fuel.	3% reduction in Criteria Air Pollutants and 5% reduction in GHGs on an annual basis.

*Note: These selected performance measures reflect the Port Authority's ongoing efforts to enhance operational performance across all facilities.

APPENDIX D: GLOSSARY

Allocated Expenses – Expenses allocated to various business programs and facilities of the Port Authority, using labor as the basis for allocation, for the provision of centralized general management and administrative services and/or general services applicable to Port District development activities.

Budget – A formal financial estimate of expected revenues and expenditures setting forth the Port Authority's financial operations for a calendar year in a form compatible with the Port Authority's accounting system. The estimate is prepared by all departments and approved by the Board of Commissioners. It serves as the basis for producing the Financial Plan and becomes a means of achieving systematic review of program expenditures to ensure that they are made in accordance with the policies and financial decisions of the Board and the By-Laws of the Port Authority.

Capital Expenditures -- Expenditures for projects that benefit future accounting periods and are expected to prolong the service lives of assets beyond the originally assigned life or result in a better or more efficient asset. Capital expenses are broken down into six categories that reflect the policy goals of the agency:

- Mandatory (MAND) – Projects required by law, governmental rule or regulation, or by a rule or policy of the Board of Commissioners.

- Regional Projects (SRP) – Projects undertaken by the Port Authority which advance the objectives of the Port Authority but unlike other Port Authority projects -- which are typically confined to a specific Port Authority operated facilities – are not operated by the Port Authority. They are generally initiated at the request of one of the two states.

- Revenue Producing Projects (RPP) – Projects which provide system enhancements, improved customer service levels, and/or regional benefits and which yield a positive financial return to the Port Authority on its invested capital.

- Security (SEC) – Projects that are necessary to meet the Agency's Security Plan. The Office of Emergency Management has reviewed the scope of the projects for consistency with Agency security goals.

- State of Good Repair (SGR) – Projects that are necessary to maintain the continued functioning of a Port Authority assets consistent with the Agency's business objectives, especially those necessary to maintain critical structural integrity and operational capability of facilities.

- System Enhancing Projects (SEP) – Projects that provide system enhancements, improved customer service levels, and/or regional benefits but do not yield a positive financial return to the Port Authority.

Capital Plan – Reflects the current assessment of the potential need for capital expenditures for the modernization, renovation, rehabilitation, expansion or acquisition of existing and additional facilities in order to continue to maintain appropriate levels of service.

Commercial Paper (CP) – Short-term obligations authorized to be issued to provide interim financing for the payment of capital expenditures in connection with the facilities of the Port Authority or to refund prior obligations.

Consolidated Bonds – A form of long-term debt issued pursuant to the Consolidated Bond Resolution of 1952 and subsequent resolutions.

Consolidated Bond Reserve Fund – A special fund created by Section 7 of the Consolidated Bond Resolution. 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.

Debt Service – Represents interest payments, accruals, and mandatory and accelerated amortization (by sinking fund payments, serial maturities, bank loan payments, etc.), on outstanding debt charged to the operating and reserve funds.

Deferred and Other Expenses – refers primarily to expenditures for items such as heavy vehicles and equipment and computer systems, which are deferred and amortized in future periods.

Direct Investment in Facilities – Represents application of moneys in the Consolidated Bond Reserve Fund to the Capital Fund, subject to statutory, contractual, and other commitments and financial policies of the Port Authority in addition to other capital funds carried forward and the proceeds of Port Authority obligations to be issued.

Direct Prorated Expenses – Centralized line department, operations and maintenance services, and engineering general expenses that are prorated directly to individual operating facilities and business programs based on their prorated share of direct labor costs.

Facility – A location classification defining a complete and self-contained unit operated by the Port Authority.

Fund Balance – Represents the balance of cash and certain specified securities, some of which are required Port Authority Statutes.

Fund Buy-Out – 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.

General Reserve Fund – A special fund established pursuant to Chapter 5 of the Laws of New Jersey of 1931 and Chapter 48 of the Laws of New York of 1931, as amended and supplemented. Under the statutes authorizing the pledge of the General Reserve Fund, the Port Authority may raise monies to finance or refinance any of its present facilities by the issue and sale of bonds legal for investment. Additional terminal or transportation facilities may also be financed this way. Surplus revenues from facilities are required to be pooled by the Port Authority and applied to the maintenance of a General Reserve Fund in an amount equal to at least 10% of the par value of all such outstanding bonds legal for investment, as so defined.

Gross Operating Revenues – Revenues from rentals, tolls, fares, aviation fees and other charges derived in connection with the use of and privileges granted at Port Authority facilities before the deduction of operating expenses.

Net Operating Revenues – Gross operating revenues less operating expenses and amounts in connection with operating asset obligations, adjusted by net recoverable/expense amounts related to the events of September 11, 2001.

Operating Asset Financing - Interest expense associated with the funding of operating assets such as the **Fund Buy-Out**, where the Port Authority assumed the assets and liabilities of the former Fund for Regional Development, which had been established to sub-lease World Trade Center space previously held by the State of New York; and **Equipment Notes**, which are obligations that are authorized to be issued to facilitate the purchase of operating equipment such as automotive vehicles, telephones, radios, computer equipment and office furnishings.

Operating Expenses – Expenses incurred in connection with the operation, maintenance, security, repair and administration of Port Authority facilities and business programs, including direct prorated and allocated expenses. Operating expenses are subdivided into six categories:

- Debt Expense – Interest costs for special project bonds and operating assets.

- Maintenance – Labor and materials to protect the agency's capital investments and keep properties, facility structures and equipment operating at a high level of performance, including complying with applicable codes and regulations, thereby preventing injury to life and damage to property.

- Management Services – Support operations for all lines of business -- Aviation, PATH, Port Commerce, Tunnels, Bridges & Terminals, and World Trade Center.

- Operations – Staff and materials required to manage transportation facilities and provide support services to the traveling public throughout the Port Authority's regional transportation network, which includes airports, vehicular tunnels, bridges and terminals, rail transit system and port shipping facilities.

- Rent – Payments made periodically to governmental agencies and landlords in return for the use of land, a building, an office, or other property.

- Security – Providing safe and secure transportation services to the region and nation by vigilance over potential threats, investment in infrastructure and new technology, and employment of best practices in security and emergency preparedness operations. Adapting programs in response to changing conditions and meeting or exceeding government and industry standards while adding value to the business.

Operating Ratio - The resultant of dividing the Port Authority's gross operating revenues by operating expenses.

Passenger Facility Charge (PFC) – Pursuant to the Federal Aviation Safety and Capacity Expansion Act of 1990, the Port Authority has been authorized to impose a PFC on passengers utilizing its airports. PFC collections are restricted to projects undertaken with the prior approval of the FAA.

Port Authority Equipment Notes (PAEN) – Obligations authorized to be issued for purposes of payment for capital expenditures in connection with the facilities of the Port Authority or to refund prior obligations. PAEN carry variable interest rates set by a remarketing agent and are subject to prepayment at the option of the Port Authority or upon demand of the holders.

Provision for Efficiency and Phasing - a cost reduction incorporated for continuous improvement of project management through obtaining more favorable construction bids, value engineering, re-phasing stages of projects and containing planning and administrative costs.

Return On Investment (ROI) – The relationship, generally expressed as a percentage, between the net income and the investment required to earn the income.

Special Project Bonds (SPB) - Limited obligations issued for the purpose of providing specific projects for a lessee or to refund prior obligations. SPBs are secured solely by a pledge of facility rental derived by the Port Authority under a lease with the lessee. Neither the full faith and credit of the Port Authority nor any of its revenues, assets or reserve funds are pledged for the payment of debt service on the bonds.

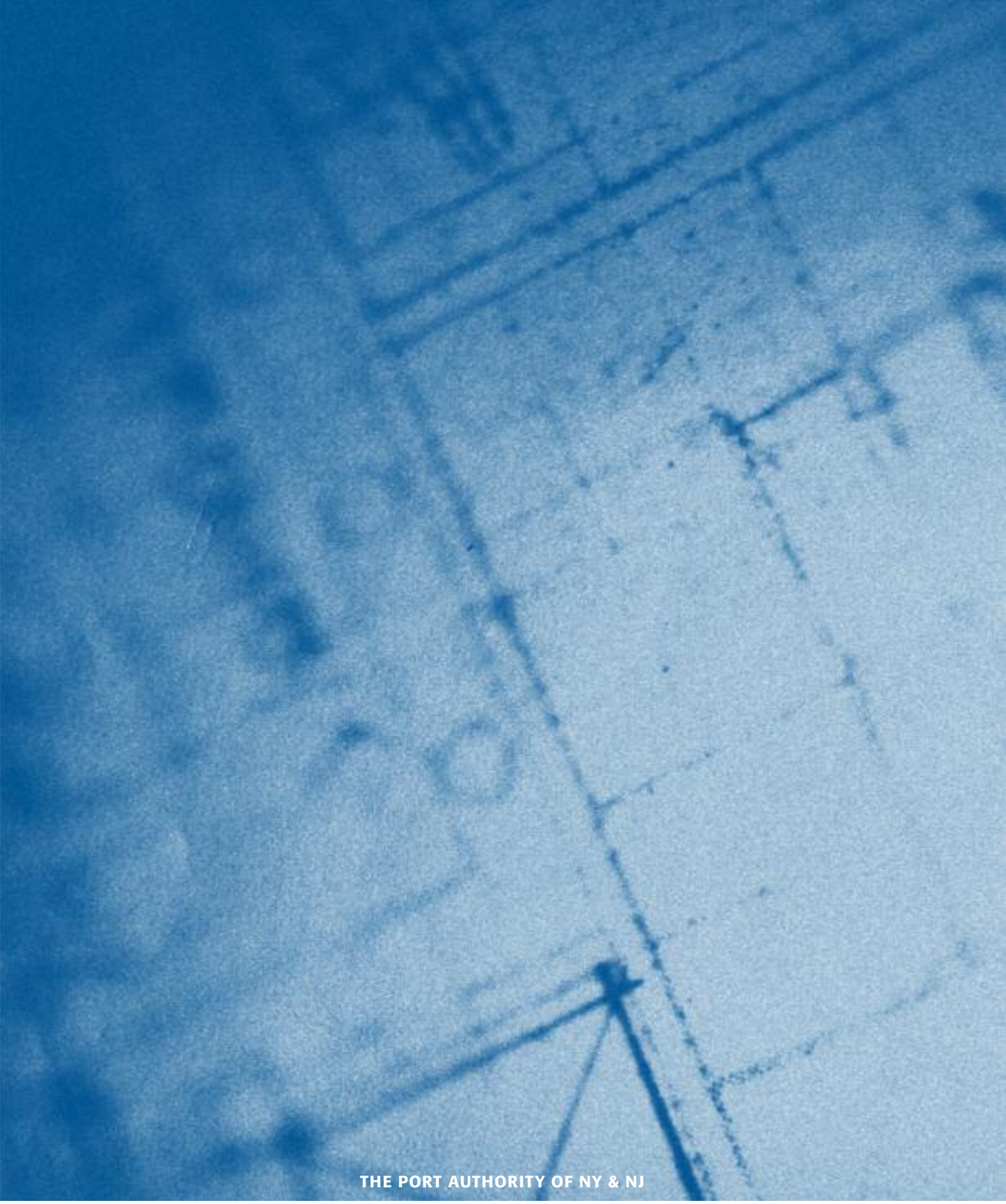
Sources of Funds - Gross operating revenues generated by Port Authority facilities as well as monies generated from the issuance of bonds, notes and other obligations, receipt of grants, insurance proceeds, earned income on investments and money drawn down from reserve funds, as well as the collection of Airport Passenger Facility charges. A balanced budget is achieved when the Sources of Funds is equal to the planned spending or Uses of Funds for the fiscal year.

Times Debt Service Earned – The relationship of net revenues available for debt service and reserves to the total obligatory bonded debt service. In this context, "total obligatory bonded debt service" excludes Fund for Regional Development buyout principal and interest expense, debt service on Special Project Bonds, operating equipment lease financing obligations and any PFC backed debt associated with investment in use.

Uses of Funds - The cost of operating expenses, capital expenditures, debt service on outstanding bonds, notes and others obligations, and other expenditures that are deferred and amortized in future periods. When the Uses of Funds is equal to revenues generated by the Sources of Funds, the budget is balanced.

Variable Rate Master Notes (VRMN) – Obligations authorized to be issued for purposes of payment for capital expenditures in connection with the facilities of the Port Authority or to refund prior obligations. VRMN carry variable interest rates in accordance with specified indices and are subject to prepayment at the option of the Port Authority or upon demand of the holders.

Versatile Structure Obligations (VSO) – Obligations authorized to be issued for purposes of payment for capital expenditures in connection with the facilities of the Port Authority or to refund prior obligations. VSO carry variable interest rates set by a remarketing agent and are subject to prepayment at the option of the Port Authority or upon demand of the holders.



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