



**THE PORT AUTHORITY OF NEW YORK & NEW JERSEY**  
**FINANCIAL STATEMENTS AND APPENDED NOTES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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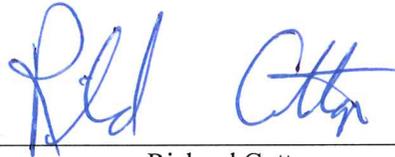
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**CERTIFICATE WITH RESPECT TO  
2019 FINANCIAL STATEMENTS**

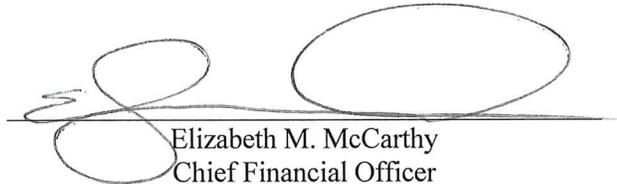
We, the undersigned officers of The Port Authority of New York and New Jersey, hereby certify, in connection with the release of the financial statements of The Port Authority of New York and New Jersey (the "Authority") and its component units for the years ended December 31, 2019 and December 31, 2018 (the "Financial Statements") that **(a)** to the best of our knowledge and belief, the financial and other information, including the summary of significant accounting policies described in the Financial Statements are accurate in all material respects and reported in a manner designed to present fairly the Authority's enterprise fund and fiduciary fund Net position, Changes in Net position, and Cash flows, in conformity with United States of America generally accepted accounting principles ("U.S. GAAP"); and **(b)** on the basis that the cost of internal controls should not outweigh their benefits, the Authority has established a comprehensive framework of internal controls to protect its assets from loss, theft, or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the Financial Statements in conformity with U.S. GAAP.

Dated: New York, New York  
March 4, 2020



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Richard Cotton  
Executive Director



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Elizabeth M. McCarthy  
Chief Financial Officer



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Daniel G. McCarron  
Comptroller

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KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Independent Auditors' Report

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

### Report on the Financial Statements

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

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of The Port Authority of New York and New Jersey Retiree Health Benefits Trust (the Trust) as of and for the year ended December 31, 2019, which represents 100% of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Trust as of and for the year ended December 31, 2019 is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## *Opinions*

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

## ***Emphasis of Matter***

### *Adoption of New Accounting Pronouncement*

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

## ***Other Matters***

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the schedules listed under the heading Required Supplementary Information within the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audits for the years ended December 31, 2019 and 2018 were conducted for the purpose of forming an opinion on the Port Authority's basic financial statements. The supplementary information included in Schedules D-1, D-2, D-3, E and F, as listed in the table of contents, related to the years ended December 31, 2019 and 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the years ended December 31, 2019 and 2018, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules D-1, D-2, D-3, E and F related to the years ended December 31, 2019 and 2018 is fairly stated, in all material respects, in relation to the basic financial statements for the years ended December 31, 2019 and 2018 as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Port Authority as of and for the years ended December 31, 2017, 2016, 2015, 2014, 2013, and 2012 (not presented herein), and have issued our reports thereon dated March 20, 2018, March 1, 2017, March 7, 2016, March 13, 2015, March 6, 2014, and February 25, 2013, respectively, which contained unmodified opinions on the respective financial statements. The supplementary information



included in Schedules D-1 and D-2, as listed in the table of contents, for the years ended December 31, 2017, 2016, 2015, 2014, 2013 and 2012, and the supplementary information included in Schedule D-3, as listed in the table of contents, for the years ended December 31, 2017, 2016, 2015 and 2014, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017, 2016, 2015, 2014, 2013, and 2012 financial statements, as applicable. This information has been subjected to the auditing procedures applied in the audits of the financial statements for the years ended December 31, 2017, 2016, 2015, 2014, 2013 and 2012, as applicable, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules D-1 and D-2 related to the years ended December 31, 2017, 2016, 2015, 2014, 2013, and 2012 and the supplementary information included in Schedule D-3 related to the years ended December 31, 2017, 2016, 2015 and 2014, is fairly stated, in all material respects, in relation to the basic financial statements for the years ended December 31, 2017, 2016, 2015, 2014, 2013, and 2012 financial statements, as applicable, as a whole.

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

The supplementary information included in Schedule D-3 for fiscal years 2010 through 2013 and Schedule G, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Report on Financial Statements Prepared in Accordance with Port Authority Bond Resolutions**

We have audited the accompanying Schedules A, B and C of the Port Authority, which comprise financial statements that present the assets and liabilities as of December 31, 2019, and the revenues and reserves for the year then ended, of the Port Authority prepared in accordance with the requirements of the Port Authority's bond resolutions.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Port Authority's bond resolutions; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those



risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements included in Schedules A, B and C referred to above present fairly, in all material respects, the assets and liabilities of the Port Authority as of December 31, 2019, and its revenues and reserves for the year then ended in accordance with the requirements of the Port Authority's bond resolutions.

#### *Report on Summarized Comparative Information*

We have previously audited Schedules A, B and C prepared in accordance with the requirements of the Port Authority's bond resolutions as of and for the year ended December 31, 2018, and we expressed an unmodified audit opinion on them in our report dated March 6, 2019. In our opinion, the summarized comparative information presented on Schedules A, B, and C herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited Schedules A, B and C as of and for the year ended December 31, 2018 from which it has been derived.

#### ***Emphasis of Matters***

##### *Basis of Accounting*

We draw attention to Note A.4 of the basic financial statements, which describes the basis of accounting used in Schedules A, B and C. Schedules A, B and C are prepared by the Port Authority based on the requirements present in its bond resolutions, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

##### *Restriction on Use*

Our report on Schedules A, B, and C is intended solely for the information and use of the Port Authority and those who are a party to the Port Authority's bond resolutions, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

New York, New York  
March 4, 2020

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**Management’s Discussion and Analysis (Unaudited)**  
**Years ended December 31, 2019 and 2018**

**Introduction**

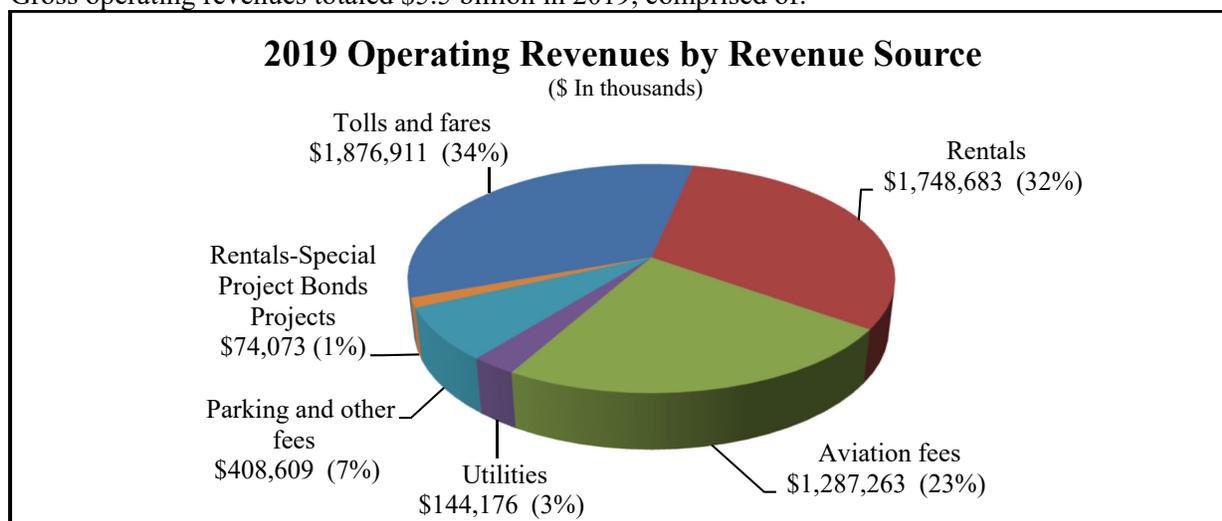
The following discussion and analysis of business-type and fiduciary activities of The Port Authority of New York and New Jersey (the Port Authority) and its component units described herein (see *Note A.1 – Nature of the Organization and Summary of Significant Accounting Policies* ) is intended to provide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

**2019 Enterprise Fund Financial Results**

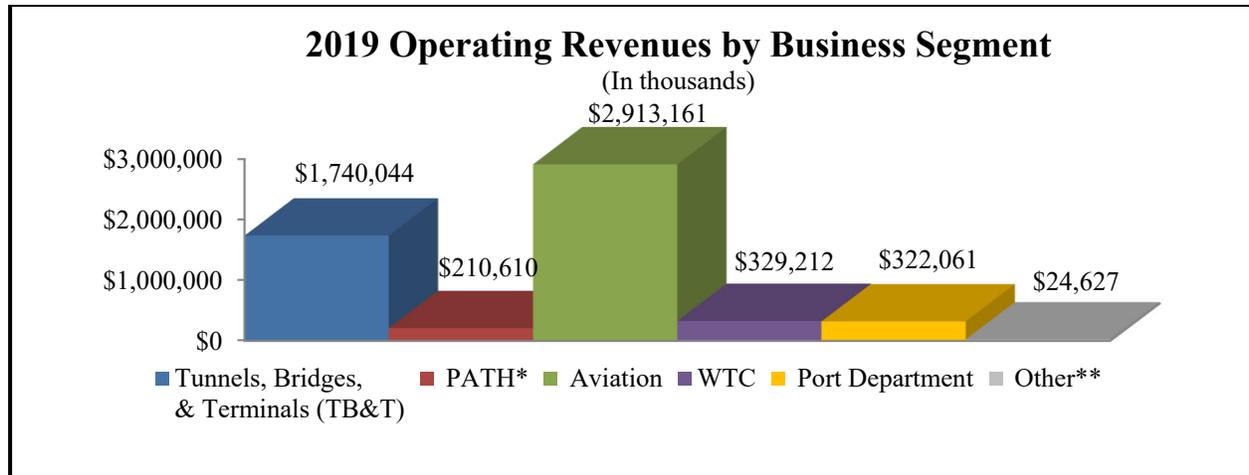
The Port Authority’s net position increased approximately \$589 million from December 31, 2018, comprised of \$828 million in Income from operations, less \$239 million in non-operating expenses.

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

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

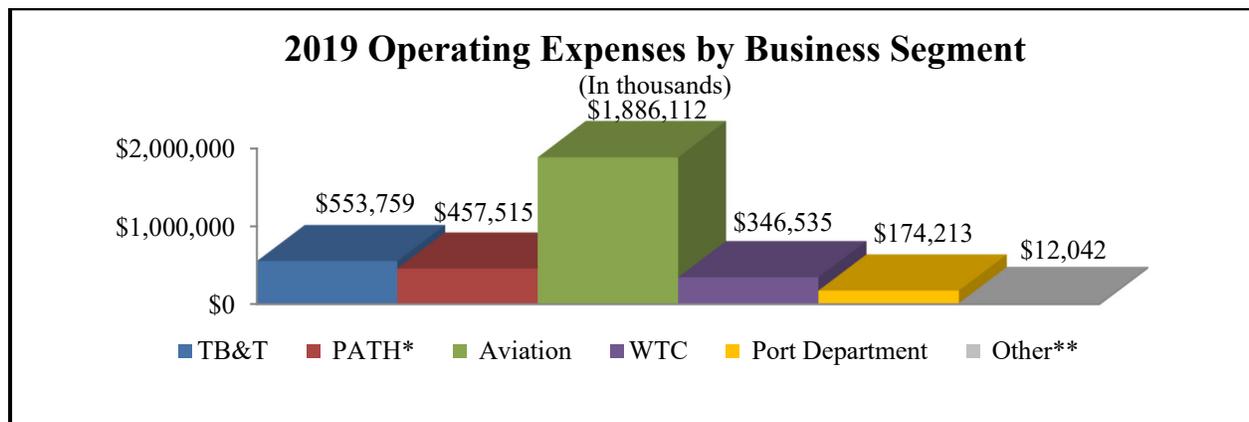
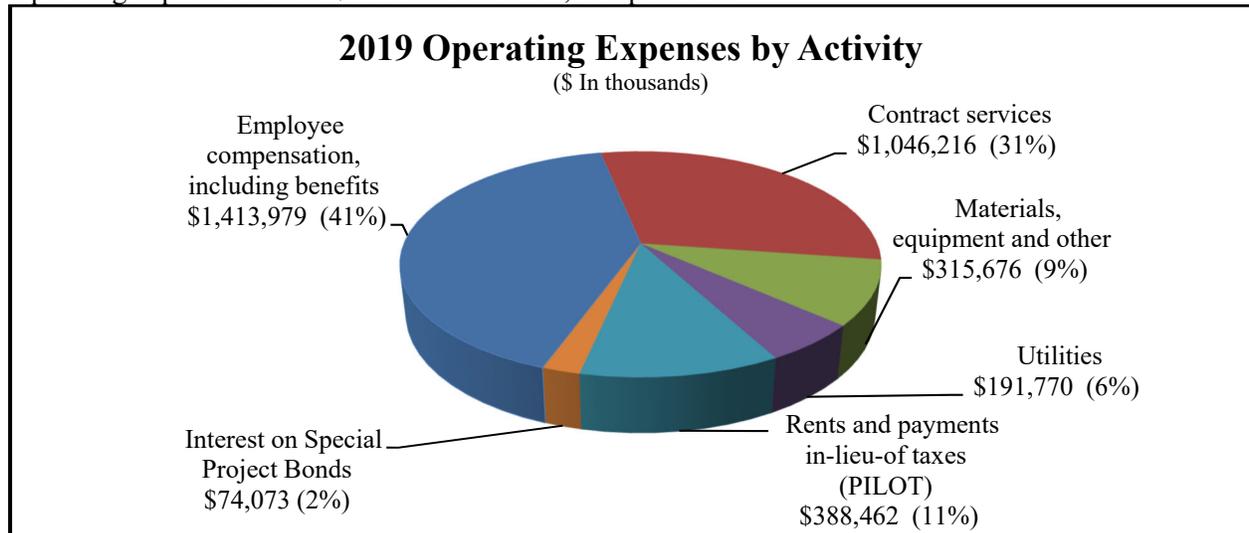


**Management’s Discussion and Analysis (Unaudited)**  
**(continued)**



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

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

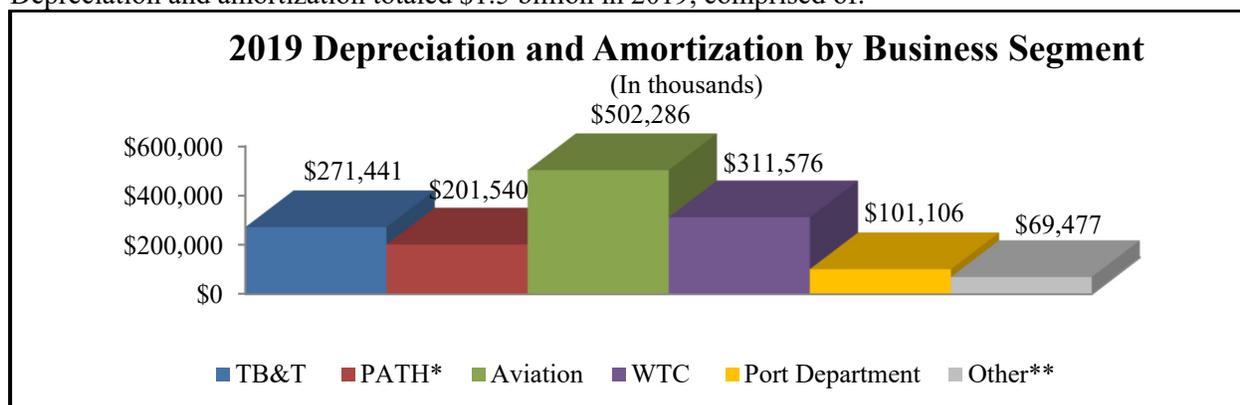


\* PATH includes WTC Transportation Hub.

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

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

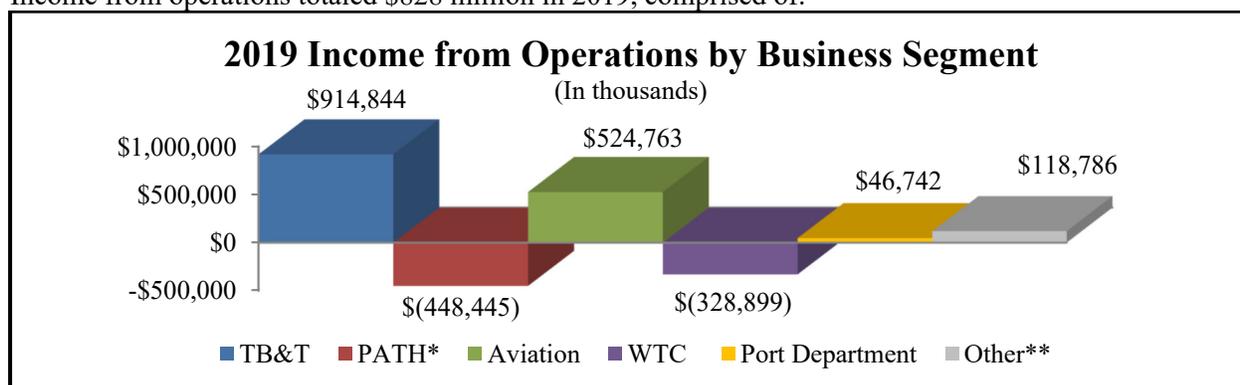
Depreciation and amortization totaled \$1.5 billion in 2019, comprised of:



\* PATH includes WTC Transportation Hub.

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

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



\* PATH includes WTC Transportation Hub.

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

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

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

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

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

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

The Statements of net position present the financial position of the Port Authority at the end of the fiscal year and include all Port Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as applicable. Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. A summarized comparison of the Port Authority's enterprise fund Statements of net position follows:

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

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

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### 2019 vs. 2018

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

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

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

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

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

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

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

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

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

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

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

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### 2018 vs. 2017

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

**Facilities, net** of \$37.4 billion, increased \$1.4 billion from December 31, 2017 due to the continued capital investment in core transportation facilities as outlined in the 2017-2026 ten-year capital plan, less annual depreciation. (See *Schedule F - Information on Capital Investment in Port Authority Facilities* for additional information on capital investment by business segment).

**Receivables, including restricted amounts** of \$756 million increased \$81 million from December 31, 2017, primarily due to timing differences in receiving aviation fees and rentals from airlines, amounts due from other tolling agencies for E-ZPass® tolls collected on behalf of the Port Authority, and amounts due from the WTC Towers 3 and 4 net lessees who exercised their respective rights under the 2010 tenant support agreement to defer the payment of certain rentals.

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

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

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

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

**Bonds and other asset financing obligations** of \$25.1 billion, including \$1.2 billion associated with Tower 4 Liberty Bonds, increased \$486 million primarily due to the issuance of \$2.0 billion additional consolidated bonds for purposes of funding capital construction and refunding existing debt obligations and a \$87 million increase in amounts related to the Goethals Bridge Replacement Developer Financing Arrangement (DFA). These increases were partially offset by the retirement and refunding of \$1.6 billion in consolidated bonds and commercial paper obligations.

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

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

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

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

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

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

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

Financial results of an individual facility for 2019 can be found in *Schedule E – Information on Port Authority Operations* located in the Statistical and Other Supplemental Information section of this report.

### Gross Operating Revenues

A summary of gross operating revenues follows:

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

### 2019 vs. 2018

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

**Aviation fees** of \$1.3 billion increased \$95 million or 8.0% as compared to 2018. Aviation fees paid by airlines operating at certain Port Authority Aviation facilities provide for the recovery of certain capital

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

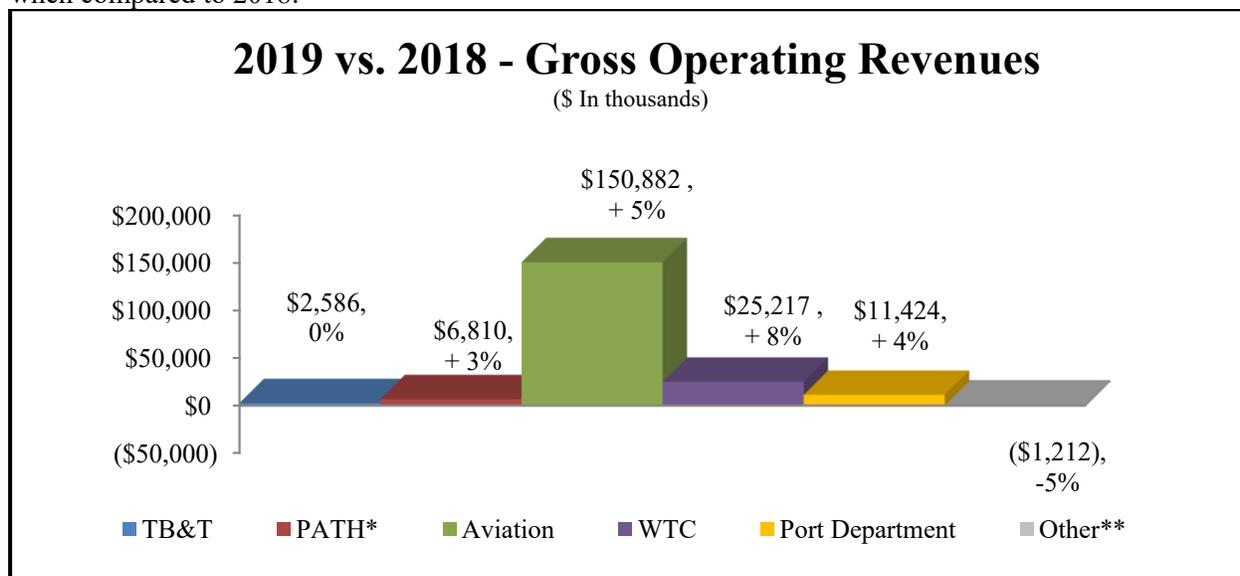
investment and operating expenses incurred by the Port Authority. The 2019 increase in aviation fees was primarily due to; *a.)* increased customer service initiatives; *b.)* increased policing and security costs necessary to meet ongoing public safety needs, including traffic management efforts in support of ongoing construction activities at LGA Airport; *c.)* additional aeronautical capital investment being placed into operational service in 2019, including a new concrete runway at John F. Kennedy International (JFK) Airport and *d.)* increased maintenance costs related to AirTrain JFK and AirTrain EWR.

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

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

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

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



\* PATH includes WTC Transportation Hub.

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

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

### 2018 vs. 2017

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

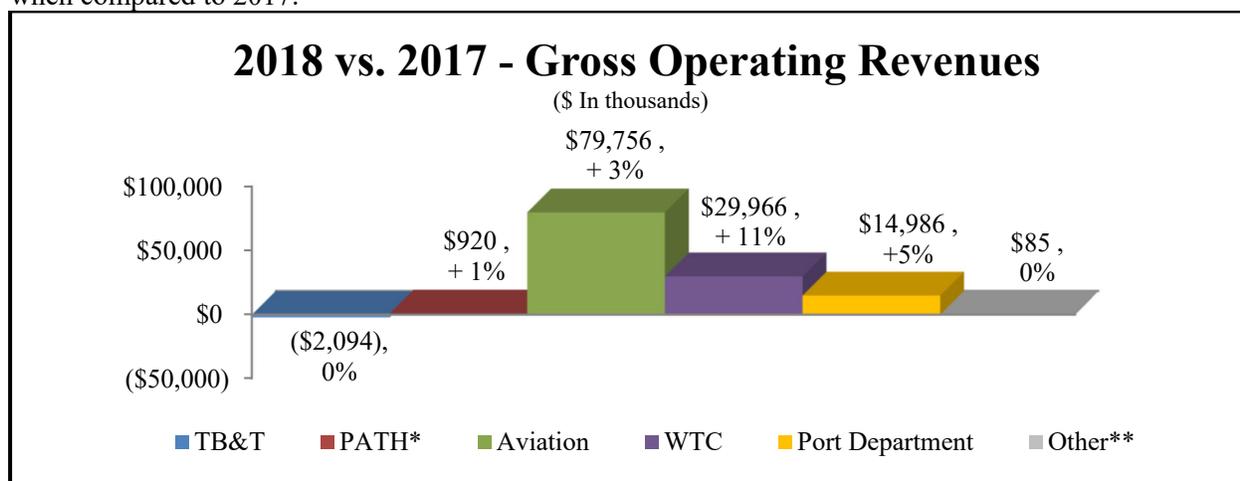
**Aviation fees** of \$1.2 billion increased \$64 million or 5.7% from 2017. Aviation fees paid by airlines operating at certain Port Authority Aviation facilities provide for the recovery of certain Port Authority capital investments and operating expenses. The increase in 2018 fees was primarily due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

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

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

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

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



\* PATH includes WTC Transportation Hub.

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

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

### Operating Expenses

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

A summary of operating expenses follows:

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

### 2019 vs. 2018

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

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

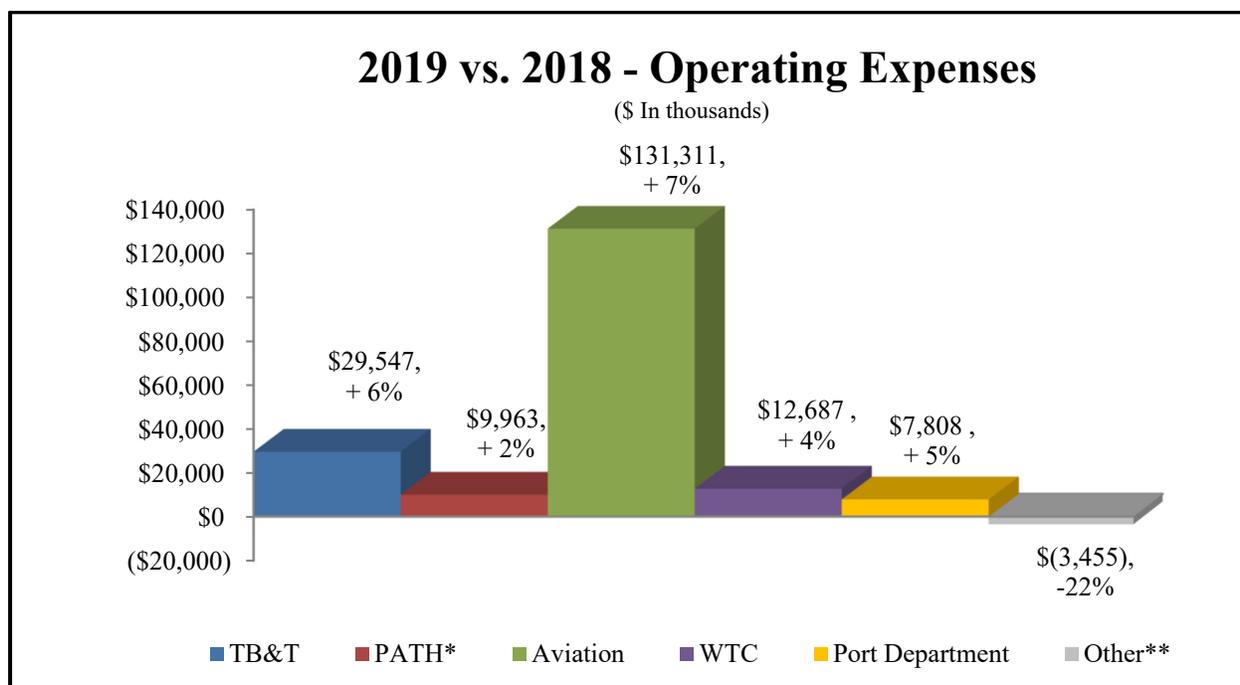
**Materials, Equipment and Other** of \$316 million increased \$18 million or 5.9% as compared to 2018 primarily due to; *a.)* non-cash write-offs of certain preliminary planning and design costs related to capital projects that are not included in the reassessed 2017-2026 capital plan; *b.)* the scheduled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

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

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

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

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



\* PATH includes WTC Transportation Hub.

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

**2018 vs. 2017**

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

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

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

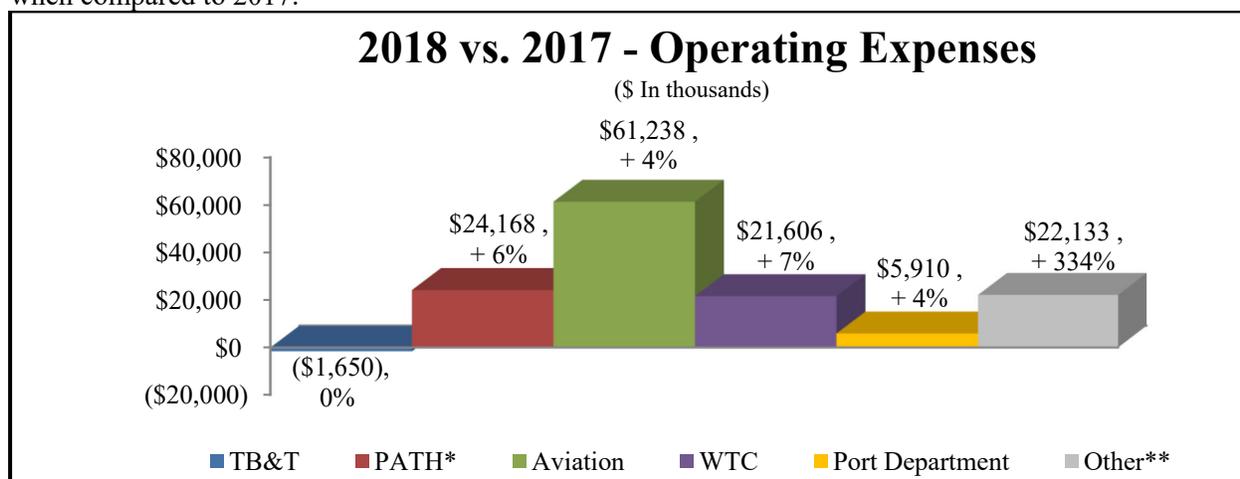
**Materials, Equipment and Other** of \$298 million increased \$46 million or 18% from 2017 primarily due to increased purchases of operations and maintenance vehicles, including airside snow removal equipment, increased purchases of materials and supplies related to snow and ice removal activities,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

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

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

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

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



\* PATH includes WTC Transportation Hub.

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

## Depreciation and Amortization

A summary of depreciation and amortization follows:

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

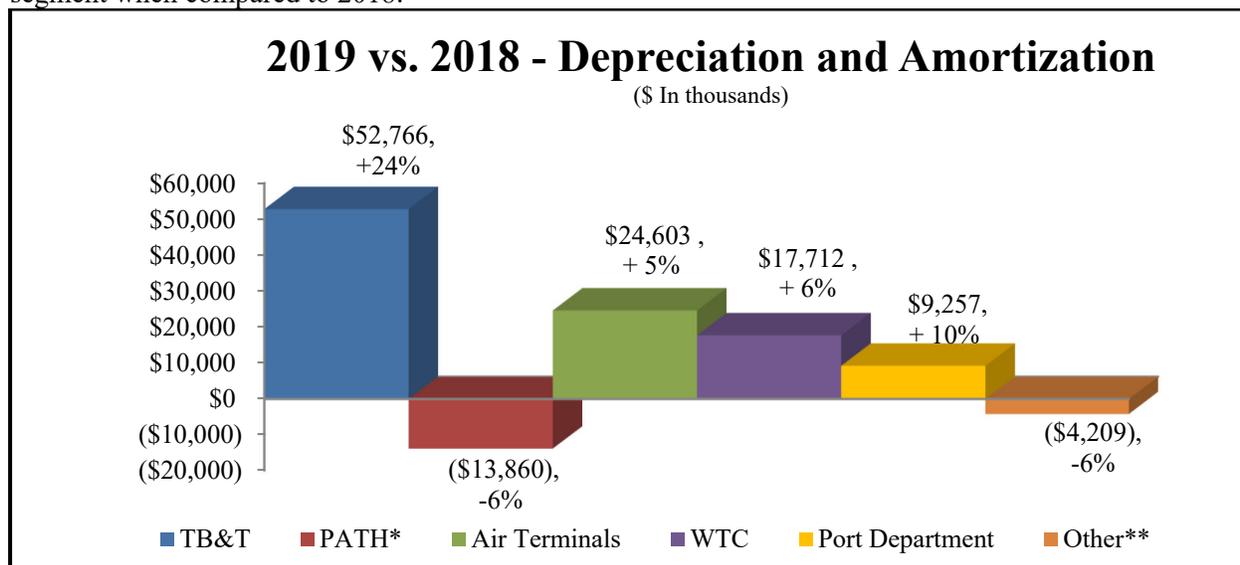
## 2019 vs. 2018

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

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

**Management’s Discussion and Analysis (Unaudited)  
(continued)**

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



\* PATH includes WTC Transportation Hub.

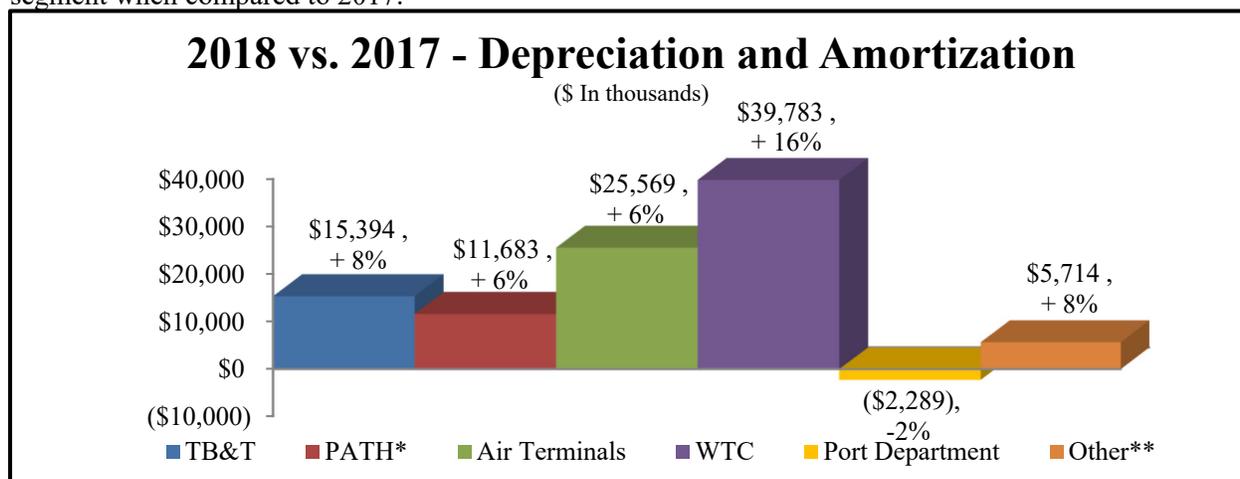
\*\* Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core, Ferry Transportation and Moynihan Station Transportation Program.

**2018 vs. 2017**

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

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

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



\* PATH includes WTC Transportation Hub.

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

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

### Superstorm Sandy Insurance Recoveries

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

### Income from Operations

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

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

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

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

### Non-Operating Revenues and Expenses

A summary of non-operating revenues and expenses follows:

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

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

### 2019 vs. 2018

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

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

**Grants, in connection with operating activities** of \$25.7 million increased \$1.7 million from 2019, primarily due to the receipt of federal funding for the Voluntary Airport Low Emission (VALE) Program at JFK Terminal 5 for electric charging stations and increased funding from the Department of Homeland Security (DHS) for port security programs.

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

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

### 2018 vs. 2017

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

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

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

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

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

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

### Capital Contributions and Passenger Facility Charges

A summary of Capital Contributions and Passenger Facility Charges follows:

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

### 2019 vs. 2018

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

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

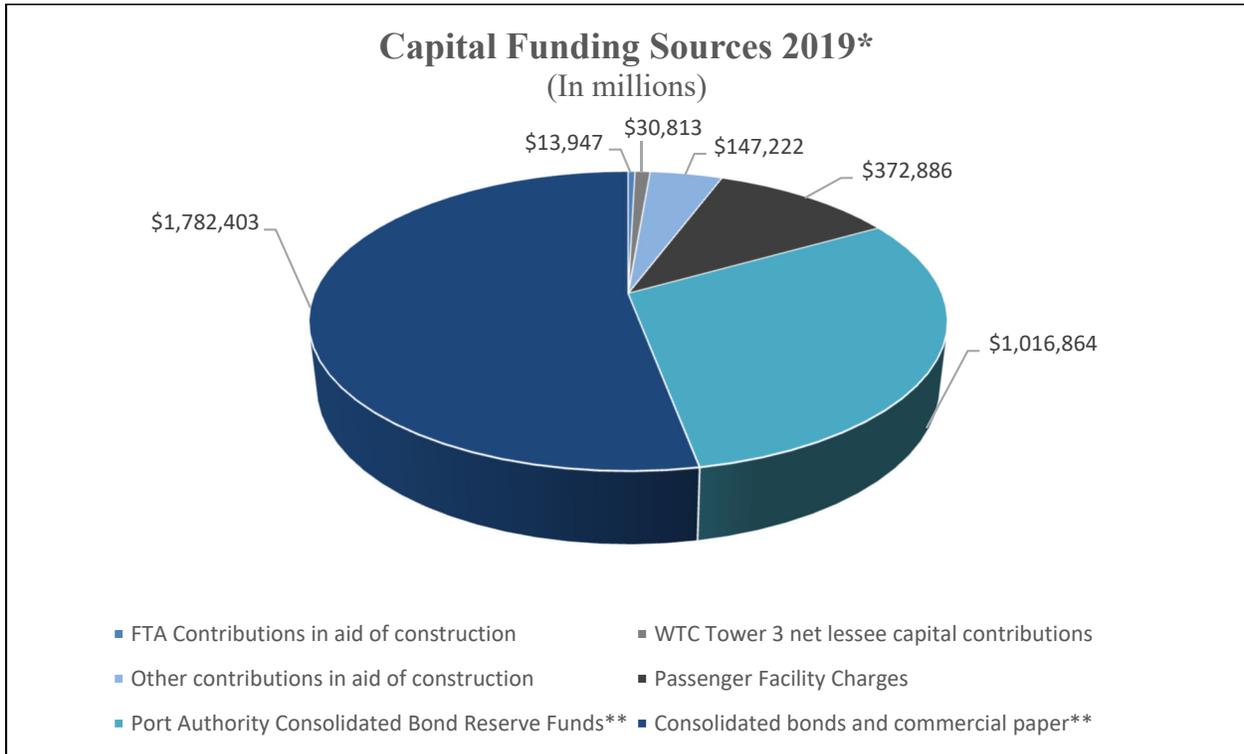
### 2018 vs. 2017

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

**Management’s Discussion and Analysis (Unaudited)  
(continued)**

**Capital Construction Activities**

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

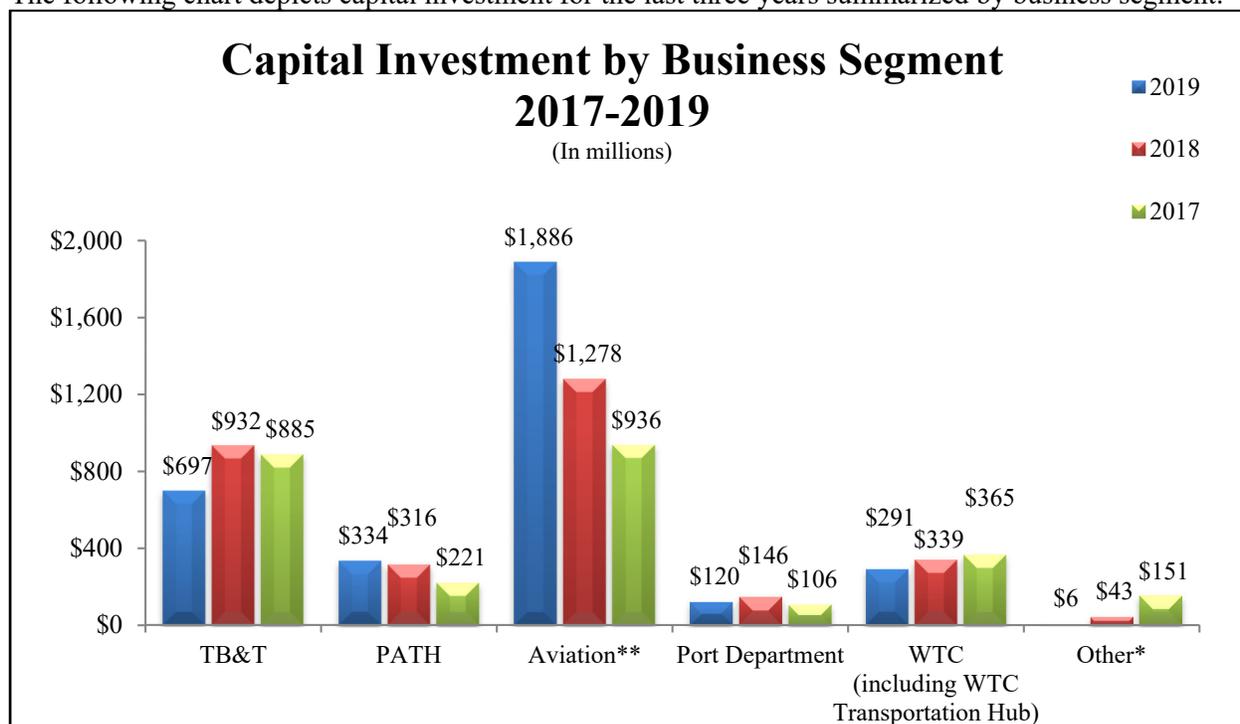


\* Capital funding sources exclude accrued amounts in connection with capital construction activities.

\*\* Includes funding for landlord leasehold capital improvements related to LGA Terminal B.

**Management’s Discussion and Analysis (Unaudited)**  
**(continued)**

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



\* Other includes Regional Facilities and Programs, Development Facilities, Moynihan Station Transportation Program, Gateway Early Work Program and Ferry Transportation.

\*\* Includes landlord leasehold capital improvements related to LGA Terminal B of \$297 million in 2019, \$289 million in 2018 and \$163 million in 2017, respectively.

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

**Capital Financing and Debt Management**

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

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

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

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

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Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. All ratings for outstanding obligations in 2019 remained the same when compared to 2018. 2019 Standard and Poor's (S&P), Fitch Ratings and Moody's Investors Service considered the Port Authority's outlook stable.

<b>OBLIGATION</b>	<b>S&amp;P</b>	<b>Fitch Ratings</b>	<b>Moody's Investors Service</b>
Consolidated Bonds	AA-	AA-	Aa3
Commercial Paper	A-1+	F1+	P-1

Each rating reflects only the view of the ratings service issuing such rating and is not a recommendation by such ratings service to purchase, sell or hold any maturity of Port Authority obligations or as to market price or suitability of any maturity of the obligations for a particular investor. An explanation of the significance of a rating may be obtained from the ratings service issuing such rating. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on market price. Additional information on Port Authority debt obligations can be found in *Note D - Outstanding Financing Obligations* of this report.

### Other Activities

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

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

The PATH fare schedule was revised effective on November 1, 2019. Although the PATH base fare for a single trip remains at \$2.75, the cost of multi-trip tickets was increased to \$25.00 for a 10-trip ticket, \$50.00 for a 20-trip ticket and \$100.00 for a 40-trip ticket (each of which is scheduled to increase as of November 1, 2020 to \$26.00, \$52.00 and \$104.00, respectively). After 2020, PATH fares will be indexed to inflation, based on CPI, with increases occurring when the cumulative increase in CPI, as measured from 2020,

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

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would, when applied to the single ride fares, result in an adjustment of at least \$0.25. For additional information related to PATH fares please refer to the following link: <http://www.panynj.gov/path/fares.html>

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

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

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

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

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

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

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

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### **2019 vs. 2018**

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

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

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

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**  
**(Enterprise Fund)**

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

See Notes to Financial Statements.

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**  
(Enterprise Fund)

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

See Notes to Financial Statements.

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**  
**(Enterprise Fund)**

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

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**  
**(Enterprise Fund)**

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

**3. Capital obligations:**

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

**4. Noncash investing, capital and financing activities:**

Noncash activity of \$122 million in 2019 and \$114 million in 2018 includes amortization of discount and premium on outstanding debt obligations and debt service in connection with Special Project Bonds.

Noncash capital financing did not include activities that required a change in fair value. In 2019 and 2018, the Silverstein net lessees contributed \$31 million and \$54 million, respectively, towards construction of WTC Tower 3. In 2019 and 2018, preferred returns due the Tower 1 Joint Venture, Durst Member and the WTC Retail Joint Venture, Westfield member totaled \$(9) million and \$(9) million, respectively.

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

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY  
RETIREE HEALTH BENEFITS TRUST  
(Fiduciary Fund)**

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

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**  
**RETIREE HEALTH BENEFITS TRUST**  
**(Fiduciary Fund)**

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

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

## Notes to Financial Statements

### Note A – Nature of the Organization and Summary of Significant Accounting Policies

#### 1. Reporting Entity

- a. The Port Authority of New York and New Jersey was created in 1921 by Compact between the States of New York and New Jersey with the consent of the United States Congress. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation generally upon the basis of its own credit. Cash derived from Port Authority operations and other cash received may be disbursed only for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily from operating revenue sources, including rentals, tolls, fares, aviation and port fees, and other charges.
- b. The Governors of each State, with the consent of the respective State Senate, appoints six of the twelve members of the governing Board of Commissioners. The Commissioners serve without remuneration for six-year overlapping terms. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners. The actions taken by the Commissioners at Port Authority meetings are subject to gubernatorial review and may be vetoed by the Governor of their respective State. In accordance with Governmental Accounting Standards Board Statement (GASB) No. 14, “*The Financial Reporting Entity*,” as amended, for financial reporting purposes, the Port Authority is a joint venture between the States of New York and New Jersey.
- c. The Audit Committee, which consists of four members of the Board of Commissioners other than the Chairman and Vice Chairman of the Port Authority, provides oversight of the quality and integrity of the Port Authority’s framework of internal controls, compliance systems and the accounting, auditing and financial reporting processes. The Audit Committee retains independent auditors and reviews their performance and independence. The independent auditors are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The Audit Committee meets directly, on a regular basis, with the independent auditors, general counsel of the Port Authority, and management of the Port Authority. The Audit Committee retained KPMG, LLP to perform the independent audit of the Port Authority’s financial statements and Mitchell Titus, LLP to perform the independent audit of the Port Authority of New York and New Jersey Retiree Health Benefits Trust for the year ending December 31, 2019.
- d. Enterprise fund financial statements and schedules include the accounts of the Port Authority of New York and New Jersey and its blended component units, including:

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

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

## Notes to Financial Statements (continued)

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

### 2. Basis of Accounting

- a. Port Authority business-type activities are accounted for using the flow of economic resources measurement focus and accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, including revenues and expenses, are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.
- b. Port Authority fiduciary activities are accounted for using the flow of economic resources measurement focus and accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position are accounted for in a fiduciary fund with investments reported at fair value, advance fundings reported when paid and contributions related to pay-as-you go benefit payments reported when benefit payments come due.
- c. The Port Authority follows accounting principles generally accepted in the United States of America as prescribed by the GASB.

### 3. Significant Accounting Policies

- a. *Facilities, net* are carried at cost. The cost of facilities includes interest incurred during the period that relates to the construction or production of the capital asset. The amount of capitalized interest is calculated by offsetting interest expense incurred with financial income earned on invested debt proceeds, from the date of the borrowing until the project is ready for its intended use. Generally, projects in excess of \$100,000 for additions, asset replacements and/or asset improvements that benefit future periods or are expected to prolong the service life of the asset are capitalized (see *Note B – Facilities, net*). *Facilities, net* does not include regional programs undertaken at the request of the Governor of the State of New Jersey or the Governor of the State of New York (see *Note H – Regional Facilities and Programs*).
- b. Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets (see *Note B – Facilities, net*). Estimated useful lives are reviewed periodically for each type of asset class. Asset lives used in the calculation of depreciation are generally as follows:

➤ Buildings, bridges, tunnels and other structures	25 to 100 years
➤ Machinery and equipment	5 to 35 years
➤ Runways, roadways and other paving	7 to 40 years
➤ Utility infrastructure	10 to 100 years

## Notes to Financial Statements (continued)

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Assets at facilities leased by the Port Authority are depreciated over the lesser of (i) the remaining lease term of the facility or (ii) the estimated useful life of the asset.

Costs of Regional facilities and programs are amortized on a straight-line basis over the period benefited up to a maximum of 15 years (see *Note H – Regional Facilities and Programs*).

Costs related to the purchase of ancillary equipment, including (i) operation and maintenance vehicles, and (ii) corporate information technology software and hardware, each providing benefits for periods exceeding one-year are reported as a component of *Other noncurrent assets* and amortized over the period benefited, generally 3 to 15 years, depending on the useful life of the equipment or vehicle.

- c. Cash consists of cash on hand and short-term cash equivalents. Cash equivalents are made up of negotiable order of withdrawal accounts, collateralized time deposits, and money market accounts.
- d. Restricted cash and investments are primarily comprised of Passenger Facility Charges (PFCs), cash restricted for use by the Port Authority Insurance Captive Entity, LLC (PAICE), and insurance proceeds that are restricted to business interruption and redevelopment expenditures.
- e. Enterprise fund net position is comprised of:
  - *Net investment in capital assets*, which consists of capital assets, net of accumulated depreciation, less the outstanding balances related to payables, bonds, notes, or other liabilities that are attributable to the acquisition, construction, or improvement of those assets.
  - *Restricted*, which consists of net resources that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Port Authority's policy to use restricted resources first.
  - *Unrestricted*, which consists of net resources that do not meet the definition of *Restricted* or *Net investment in capital assets*.
- f. Statutorily mandated reserves held by PAICE are restricted for purposes of insuring certain Port Authority risk exposures.
- g. Inventories are valued using an average cost method, which prices items on the basis of the average cost of all similar goods remaining in stock. Inventory is reported as a component of *Other noncurrent assets* on the Statements of Net Position.
- h. Operating revenues are derived principally from rentals, tolls, fares, aviation and port fees, and other charges for the use of, and privileges at Port Authority facilities. Operating expenses include those costs incurred for the operation, maintenance and security of Port Authority facilities. All other revenues, including financial income, PFCs, contributions in aid of construction, grants in connection with operating activities, insurance proceeds and gains resulting from the disposition of assets, if any, are reported as non-operating revenues, and all other expenses, such as interest expense, losses resulting from the disposition of assets, and pass-through grant program payment costs are reported as non-operating expenses.
- i. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration (FAA) approved airport-related projects. Revenues derived from the collection of PFCs, net of the air carriers' handling charges, are recognized as capital contributions when the passenger activity occurs and the fees are due from the air carriers. Capital investment funded by PFCs is reflected as a component of *Facilities, net*.

## Notes to Financial Statements (continued)

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- j. Required capital contributions due the Port Authority from the World Trade Center (WTC) Tower 2, 3 and 4 net lessees related to the replacement of the net leased premises owned by the Port Authority that were destroyed on September 11, 2001 are recognized as a component of *Facilities, net* on the Statements of Net Position and a *Contribution in aid of construction* on the Statements of Revenues, Expenses and Changes in Net Position as the construction occurs. Subsequent to becoming ready for their intended use, WTC Towers 2, 3 and 4 will be depreciated over their estimated useful life. WTC Tower 4 and WTC Tower 3 were placed into service in November 2014 and June 2018, respectively.
- k. All Port Authority investment values that are affected by interest rate changes have been reported at their fair value, using published market prices. The Port Authority uses a variety of financial instruments to assist in the management of its financing and investment objectives and may also employ hedging strategies to minimize interest rate risk. The Port Authority may enter into various derivative instruments, including options on United States Treasury securities, repurchase and reverse repurchase (yield maintenance) agreements and United States Treasury and municipal bond futures contracts (see *Note C – Cash and Investments*).
- l. In accordance with GASB Statement No. 23, “*Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*,” as amended, when issuing new debt for refunding purposes, the difference between the reacquisition price and the net carrying amount of the refunded debt is recognized as either a deferred outflow of resources or deferred inflow of resources and amortized on a straight-line basis as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- m. Bond premiums received or discounts provided at issuance are deferred and amortized on a straight-line basis as a component of interest expense over the term of the bond, as this approximates the effective interest of the bond issuance. Unamortized premiums received or discounts provided are classified as a reduction of (discounts) or an addition to (premiums) the par value of the *Bonds and other asset financing obligations* on the Statements of Net Position.
- n. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions are subject to various uncertainties, the occurrence of which may cause differences between those estimates and assumptions and actual results.
- o. In January 2017, GASB issued Statement No. 84, “*Fiduciary Activities*.” The requirements of GASB Statement No. 84 were effective for financial statements periods beginning after December 15, 2018. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Adoption of GASB Statement No. 84 required the inclusion of, *Statements of Fiduciary Net Position* and *Statements of Changes in Fiduciary in Net Position* related to *the Port Authority of New York and New Jersey Retiree Health Benefits Trust* and additional note disclosures (*Note C- Cash and Investments*).
- p. In April 2018, GASB issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.” The requirements of GASB Statement No. 88 were effective for financial statements periods beginning after June 15, 2018. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Adoption of this statement resulted in additional disclosures contained in *Note D- Outstanding Financing Obligations*.

## Notes to Financial Statements (continued)

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- q. In June 2017, GASB issued Statement No. 87, “*Leases.*” The requirements of GASB Statement No. 87 are effective for financial statements periods beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Port Authority is in the process of evaluating the impact of adopting GASB Statement No. 87.
  - r. In June 2018, GASB issued Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period.*” The requirements of GASB Statement No. 89 are effective for financial statements periods beginning after December 15, 2019. The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for the reporting period and to simplify accounting for interest costs incurred before the end of a construction period. The Port Authority is in the process of evaluating the impact of adopting GASB Statement No. 89.
  - s. In May 2019, GASB issued Statement No. 91, “*Conduit Debt Obligations.*” The requirements of GASB Statement No. 91 are effective for financial statements periods beginning after December 15, 2020. The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Port Authority is in the process of evaluating the impact of adopting GASB Statement No. 91.
- 4. Reconciliation of the Financial Statements Prepared in Accordance with Accounting Principles Generally Accepted in the United States of America to Schedules Prepared Pursuant to Port Authority Bond Resolutions**

Schedules A, B, C and D-2 which follow the Required Supplementary Information section of this report, have been prepared in accordance with Port Authority bond resolutions which differ in some respects from accounting principles that are generally accepted in the United States of America, as follows:

- a. Revenues and expenses of facilities are accounted for in the operating fund. The financial resources received and expended for the construction or acquisition of certified Port Authority facilities or capital infrastructure improvements are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds.
- b. Port Authority bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities other than depreciation of ancillary equipment. Thus, depreciation is not a significant factor in determining the net revenues and reserves of the Port Authority or their application as provided for in the Port Authority’s bond resolutions. Instead, capital expenditures are provided for through deductions from net revenues available for debt service in amounts equal to principal payments on debt outstanding or through the application of monies previously deposited in the Consolidated Bond Reserve Fund for the purposes of funding capital investment in facilities. These amounts are credited at par to *Facility infrastructure investment* in the capital fund on *Schedule B – Assets and Liabilities*.
- c. Debt service in connection with operating asset obligations is paid from the same revenues and in the same manner as operating expenses of the Port Authority.
- d. Capital costs for Regional Facilities and Programs are included in *Invested in facilities* in accordance with Port Authority bond resolutions.
- e. Consolidated bonds and notes are recorded as outstanding at their par value commencing on the date that the Port Authority is contractually obligated to issue and sell such obligations. Bond premiums

## Notes to Financial Statements (continued)

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

- f. To reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the historical cost of capital assets removed from service due to retirement is not deducted from *Invested in facilities*. However, if a capital asset is sold, the proceeds received from the sale are deposited in the capital fund for purposes of funding future capital investment or retiring existing debt obligations and deducted from cumulative *Invested in facilities* on *Schedule B – Assets and Liabilities* at the time of the sale.
- g. Contributed capital amounts resulting from non-exchange transactions, including contributions in aid of construction where the Port Authority does not receive a cash reimbursement for prior cash outlays, are included in *Invested in facilities*, and credited to *Facility infrastructure investment* in the capital fund.
- h. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for FAA approved airport-related projects. Revenues derived from the collection and investment of PFCs, net of the air carriers' handling charges, are initially deferred as *Unapplied Passenger Facility Charges* on *Schedule B – Assets and Liabilities* and applied as revenue on *Schedule A – Revenues and Reserves* for the reimbursement of previous capital cash outlays by the Port Authority when the PFCs become available for application. Capital investment funded by PFCs is reflected as a component of *Invested in facilities* on *Schedule B – Assets and Liabilities*.
- i. Amounts received in connection with the March 18, 2014 transfer of the Port Authority's interests in the WTC Retail Joint Venture to Westfield are recognized as revenue in their entirety when they are received and are recorded on that basis on *Schedule A – Revenues and Reserves*.
- j. The cumulative impact of adopting a new accounting standard is recognized as either an increase or decrease to the operating fund's net position in the year of adoption and amortized as an application from the Consolidated Bond Reserve Fund over a closed 30-year period.
- k. In accordance with Port Authority bond resolutions, operating expenses provide for contingencies related to future operating and maintenance expenses.

**Notes to Financial Statements  
(continued)**

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

**Statements of Net Position to Schedule B – Assets and Liabilities**

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

**Notes to Financial Statements**  
**(continued)**

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

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

**Notes to Financial Statements**  
**(Continued)**

**Note B - Facilities, net**

1. **Facilities, net** is comprised of the following:

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

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

\* Construction in progress additions include the impact of capital write-offs totaling \$26.8 million in 2019 and \$8.1 million in 2018.

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

## Notes to Financial Statements (continued)

### Note C – Cash and Investments

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

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

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

\* Cash and investments of approximately \$1.8 billion held in The Port Authority of NY and NJ Retiree Health Benefits Trust are not included on the Port Authority's Enterprise Statements of Net Position.

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

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

Level 3 inputs are unobservable inputs for the asset; they should be used only when relevant Level 1 and Level 2 inputs are unavailable.

Port Authority investments are valued at the closing price on the last business day of the fiscal year or last trade reported on the major market exchange on which the individual securities are traded.

\*\*\* Investments are valued at unamortized cost.

\*\*\*\* Includes PFC restricted investments of \$19 million and \$24 million in 2019 and 2018, respectively.

## Notes to Financial Statements (continued)

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### Port Authority Investment Policies

Port Authority policy provides for cash funds of the Port Authority to be deposited in banks with offices located in the Port District, provided that the total funds on deposit in any bank do not exceed 50% of the bank's combined capital and permanent surplus. These funds must be fully secured by deposit of collateral having a minimum fair value of 110% of actual daily balances in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation (FDIC) and the New Jersey Governmental Unit Deposit Protection Act (GUDPA). The collateral must consist of obligations of the United States of America, the Port Authority, the State of New York or the State of New Jersey held in custodial bank accounts in banks in the Port District having combined capital and surplus in excess of \$1 million.

Total actual bank balances excluding amounts held by third party trustees were \$115.4 million at December 31, 2019. Of that amount, \$2.8 million was secured through the basic FDIC deposit insurance and/or pursuant to the GUDPA. The balance of \$112.6 million was fully collateralized with collateral held by a third-party custodian acting as the Port Authority's agent and held by such custodian in the Port Authority's name.

The investment policies of the Port Authority are established in conformity with its agreements with the holders of its obligations, generally through resolutions of the Board of Commissioners or its Committee on Finance. For the Port Authority, but not necessarily its component units, individual investment transactions are executed with recognized and established securities dealers and commercial banks. Investment securities are maintained, in the Port Authority's name, by a third-party financial institution acting as the Port Authority's agent. Securities transactions are conducted in the open market at competitive prices. Transactions are completed when the Port Authority's securities custodian, in the Port Authority's name, makes or receives payment upon receipt of confirmation that the securities have been transferred at the Federal Reserve Bank of New York or other repository in accordance with the Port Authority's instructions. The notable exception is the execution of Tri-Party Repurchase Agreements. These transactions are completed when the Tri-Party custodian posts collateral to the Port Authority's account in exchange for investment funds.

Proceeds received in connection with consolidated bonds and other asset financing obligation issuances may be invested, on an interim basis, in conformance with applicable federal laws and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time deposit accounts.

Consolidated Bond Reserve Fund and General Reserve Fund amounts may be invested in obligations of (or fully guaranteed by) the United States of America. Additionally, amounts in the Consolidated Bond Reserve Fund and the General Reserve Fund (subject to certain limitations) may be invested in obligations of the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and secured by a pledge of the General Reserve Fund.

Operating funds may be invested in various items including (a) direct obligations of the United States of America, obligations of United States government agencies, and sponsored enterprises that have the highest short-term ratings by two nationally recognized firms; (b) investment grade negotiable certificates of deposit and negotiable Bankers' Acceptances with banks having AA or better long-term debt rating, premier status and with issues actively traded in secondary markets; (c) commercial paper having only the highest short-term ratings separately issued by two nationally recognized rating agencies; (d) United States Treasury and municipal bond futures contracts; (e) certain interest rate exchange contracts with banks and investment firms; (f) certain interest rate options contracts that are limited to \$50 million of underlying securities with a maturity of no greater than five years with primary dealers in United States Treasury securities; and (g) certain unrated obligations of JFKIAT (comprising approximately 1.3% total Port Authority investments at December 31, 2019) for certain costs attributable to the construction of Terminal 4 (JFKIAT) completed in 2001. The Board of Commissioners has from time to time authorized other investments of operating funds.

## Notes to Financial Statements (continued)

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

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

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

\*Excludes accrued interest receivable amounts of \$17.4 million.

The Port Authority has, from time to time, entered into reverse repurchase (yield maintenance) agreements under which the Port Authority contracted to sell a specified United States Treasury security to a counterparty and simultaneously agreed to purchase it back from that party at a predetermined price and future date. All reverse repurchase agreements sold are matched to repurchase agreements (REPO) bought, thereby minimizing market risk. The credit risk is managed by a daily evaluation of the fair value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. There were no investments in reverse repurchase agreements at December 31, 2019 and 2018, respectively.

### **PAICE Investment Policies**

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

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

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

## Notes to Financial Statements (continued)

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

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

\*Excludes accrued interest receivable amounts of \$828 thousand.

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

#### **Investment Policies**

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

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

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

#### **Rate of Return**

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

## Notes to Financial Statements (continued)

### Diversification

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

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

### Market Risk

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

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

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

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

Level 3 inputs are unobservable inputs for the asset; they should be used only when relevant Level 1 and Level 2 inputs are unavailable.

Port Authority investments are valued at the closing price on the last business day of the fiscal year or last trade reported on the major market exchange on which the individual securities are traded.

## Notes to Financial Statements (continued)

### Credit Risk

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

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

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

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

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

### Concentration of Credit Risk

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

### Custodial Credit Risk

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

### Interest Rate Risk

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

**Notes to Financial Statements**  
**(continued)**

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

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

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

**Notes to Financial Statements  
(continued)**

**Note D - Outstanding Financing Obligations**

**Outstanding bonds and other asset financing obligations**

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

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

**A. Consolidated Bonds and Notes**

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

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

## Notes to Financial Statements (continued)

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

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

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

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

Information related to a specific consolidated bond series can be found in *Section V. Schedules of Outstanding Debt* in the Port Authority's official statement dated November 19, 2019 which can be located in the corporate information section on the Port Authority's website at:

<https://www.panynj.gov/corporate/en/financial-information/consolidated-bonds-and-notes.html>

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

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



## Notes to Financial Statements (continued)

### C. Variable Rate Master Notes

Variable Rate Master Notes are direct placements and special obligations of the Port Authority and may be issued in aggregate principal amounts outstanding at any one time not to exceed \$400 million (see *Note E – General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority).

	Dec. 31, 2018	Issued	Refunded/ Repaid	Dec. 31, 2019
		(In thousands)		
Agreements 1989 -1995*	\$ 44,900	\$ -	\$ -	\$ 44,900
Agreements 1989 -1998	24,700	-	-	24,700
	<u>\$ 69,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,600</u>

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

	Dec. 31, 2017	Issued	Refunded/ Repaid	Dec. 31, 2018
		(In thousands)		
Agreements 1989 -1995*	\$ 44,900	\$ -	\$ -	\$ 44,900
Agreements 1989 -1998	33,000	-	8,300	24,700
	<u>\$ 77,900</u>	<u>\$ -</u>	<u>\$ 8,300</u>	<u>\$ 69,600</u>

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

Interest rates are determined weekly, based upon a spread added to a specific industry index (the Securities Industry and Financial Markets Association rate) as stated in each master note agreement, and ranged from 1.11% to 2.38% in 2019.

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

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

Variable Rate Master Notes are subject to prepayment at the option of the Port Authority or upon demand of the holders.

### D. Port Authority Equipment Notes

Port Authority Equipment Notes may be issued in aggregate principal amounts outstanding at any one time not to exceed \$250 million. Equipment Notes are special obligations to the Port Authority and are payable in the same manner and from the same sources as operating expenses. For additional information related to the payment of obligations of the Port Authority, see *Note E – General and Consolidated Bond Reserve Funds*.

**Notes to Financial Statements**  
**(continued)**

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

**E. Fund for Regional Development Buy-Out Obligation**

In 1983, the Fund for Regional Development (the Fund) was established to sublease space in the WTC held by the State of New York as lessee. An agreement among the Port Authority and the States of New York and New Jersey with respect to the Fund provided that net revenues from subleasing activities were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey. The assets, liabilities, revenues and expenses of the Fund were not consolidated with those of the Port Authority. In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the Fund. In consideration for purchasing the State of New York and the State of New Jersey interests in the Fund, the Port Authority is obligated to pay approximately \$1.2 billion, equally divided between both states, in semi-annual payments through 2021. The aggregate cost to the Port Authority at the time of the Fund's termination of \$431 million, including the assumption of the Fund's net liabilities of \$101 million, \$3.5 million payment to the State of New York related to the termination agreement and the net present value of future payments to both states of \$326 million (at an implicit interest rate of 8.25% per annum) was recognized as a special obligation to the Port Authority in 1990. Payments related to the Fund obligation are payable in the same manner and from the same sources as operating expenses. For additional information related to the payment of obligations of the Port Authority, see *Note E – General and Consolidated Bond Reserve Funds*.

	<b>Dec. 31, 2018</b>	<b>Accretion</b>	<b>Amortization</b>	<b>Dec. 31, 2019</b>
		(In thousands)		
Obligation outstanding	\$ 143,939	\$ -	\$ 43,681	\$ 100,258

	<b>Dec. 31, 2017</b>	<b>Accretion</b>	<b>Amortization</b>	<b>Dec. 31, 2018</b>
		(In thousands)		
Obligation outstanding	\$ 184,230	\$ -	\$ 40,291	\$ 143,939

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

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

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

On August 3, 2010, the Port Authority acquired approximately 131 acres of the former MOTBY from the Bayonne Local Redevelopment Authority (BLRA) for \$235 million. The acquired property is comprised of three parcels on the southern side of the peninsula and has been incorporated into the Port Jersey – Port Authority Marine Terminal for future marine terminal purposes. The \$235 million total purchase price is payable to the BLRA in twenty-four annual installment payments through 2033.

## Notes to Financial Statements (continued)

The total purchase price of \$235 million was discounted to a present value of \$178.4 million at an implicit interest rate of 5.25% per annum and recognized as a special obligation of the Port Authority in 2010 (see *Note E – General and Consolidated Bond Reserve Funds*, for additional information related to the payment of special obligations of the Port Authority).

	Dec. 31, 2018	Accretion	Amortization	Dec. 31, 2019
			(In thousands)	
Obligation Outstanding	\$ 51,032	\$ -	\$ 2,321	\$ 48,711

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

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

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

### G. Tower 4 Liberty Bonds

The Port Authority is a co-borrower/obligor with respect to the New York Liberty Development Corporation, Liberty Revenue Bonds, Series 2011 (4 World Trade Center Project) issued by the New York Liberty Development Corporation on November 15, 2011 in the aggregate principal amount of approximately \$1.2 billion. In connection with the issuance of such Tower 4 Liberty Bonds by the New York Liberty Development Corporation, the Port Authority entered into a Tower 4 Bond Payment Agreement with the Tower 4 bond trustee to make certain debt service payments of principal and interest on the bonds (net of fixed rent paid or payable under the City of New York's Tower 4 space lease, which has been assigned by the Tower 4 Silverstein net lessee directly to the Tower 4 bond trustee for the payment of a portion of the debt service on the Tower 4 Liberty Bonds). The Port Authority's payment of debt service on the Tower 4 Liberty Bonds is a special obligation of the Port Authority to the trustee during the term of the agreement, from May 11, 2012 through November 15, 2051 (see *Note E – General and Consolidated Bond Reserve Funds*, for additional information related to the payment of special obligations of the Port Authority).

Port Authority debt service payments related to Tower 4 Liberty Bonds in whole or in part are reimbursable to the Port Authority from Tower 4 cash flow and to the extent Tower 4 cash flow is not sufficient, would accrue interest until reimbursed or paid with an overall term for such reimbursement or payment not in excess of 40 years (see *Note L – Information with Respect to the Redevelopment of the World Trade Center Site* for additional information related to the redevelopment of WTC Tower 4).

**Notes to Financial Statements  
(continued)**

	Dec. 31, 2018	Issued	Repaid/ Amortized	Dec. 31, 2019
			(In thousands)	
Series 2011	\$ 1,225,520	\$ -	\$ -	\$ 1,225,520
Add: unamortized premium	20,117	-	612	19,505
<b>Total Tower 4 Liberty Bonds</b>	<b>\$ 1,245,637</b>	<b>\$ -</b>	<b>\$ 612</b>	<b>\$ 1,245,025</b>

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

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

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

**H. Goethals Bridge Replacement Developer Financing Arrangement**

On August 30, 2013, the Port Authority and a private developer entered into an agreement (the Project Agreement) for the design, construction, financing and maintenance of a replacement Goethals Bridge (the Replacement Bridge). Substantial completion of the Replacement Bridge was achieved on June 30, 2018 (Substantial Completion) and project completion, including the demolition of the existing bridge, occurred on December 31, 2018. Pursuant to the Project Agreement, which has a scheduled expiration date of June 30, 2053, the thirty-fifth anniversary of Substantial Completion, the private developer performs certain operation and maintenance work relating to the Replacement Bridge, and the Port Authority retains control over the toll collection system, including its operation and maintenance, and receives toll revenues. The Port Authority controls all tolling activities, including the determination and approval of toll rates.

Pursuant to the Goethals Bridge Replacement “Developer Financing Arrangement” (DFA) contained within the Project Agreement, upon Substantial Completion of the Replacement Bridge the private developer became entitled to receive from the Port Authority, fixed payments in the principal amount of approximately \$1.02 billion, subject to certain adjustments, to be paid in monthly payments of principal and interest (DFA payments) over the term of the Project Agreement. The Port Authority’s obligation to make DFA payments is memorialized as an interest-bearing loan from the private developer to the Port

**Notes to Financial Statements**  
**(continued)**

Authority. Monthly DFA payments commenced in July 2018. DFA payments are subject to certain deductions for non-compliance and/or lane unavailability by the private developer pursuant to the terms of the Project Agreement. DFA payments are a special obligation of the Port Authority, payable over a thirty-five-year term (see *Note E – General and Consolidated Bond Reserve Funds*, for additional information related to the payment of special obligations of the Port Authority).

	Dec. 31, 2018	Accretion	Amortization	Dec. 31, 2019
(In thousands)				
Goethals Bridge Replacement Developer Financing Arrangement	\$1,021,023	\$ 1,495	\$ -	\$1,022,518

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

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

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

\* DFA loan interest rate equals 5.64%.

**I. Amounts Payable - Special Project Bonds**

Neither the full faith and credit of the Port Authority, nor the General Reserve Fund, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal and interest on special project bonds. Principal and interest on each series of special project bonds are secured solely by a mortgage by the Port Authority of facility rental (to the extent received by the Port Authority from a lessee) as set forth in a lease with respect to a project to be financed with the proceeds of the bonds of such series, by a mortgage by the lessee of its leasehold interest under the lease and by a security interest granted by the lessee to the Port Authority and mortgaged by the Port Authority in certain items of the lessee's personal property to be located at the project, and such other security in addition to the foregoing as may be required by the Port Authority from time to time as appropriate to the particular project.

## Notes to Financial Statements (continued)

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

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

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

- (a) Special project bonds, Series 4, KIAC Partners Project, were issued in 1996 to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.
- (b) Special project bonds, Series 6, JFKIAT Project, were issued in 1997 in connection with a project that included the development and construction of a new passenger terminal at JFK Terminal 4.\*\*
- (c) Special project bonds, Series 8, JFKIAT Project, were issued in 2010 in connection with a project that included the expansion of Terminal 4 at JFK.\*\*

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

**Notes to Financial Statements**  
**(continued)**

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

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

- (a) Special project bonds, Series 4, KIAC Partners Project, were issued in 1996 to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.
- (b) Special project bonds, Series 6, JFKIAT Project, were issued in 1997 in connection with a project that included the development and construction of a new passenger terminal at JFK Terminal 4.
- (c) Special project bonds, Series 8, JFKIAT Project, were issued in 2010 in connection with a project that included the expansion of Terminal 4 at JFK.

## Notes to Financial Statements (continued)

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### **Note E – General and Consolidated Bond Reserve Funds (pursuant to Port Authority bond resolutions)**

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

#### **Consolidated Bonds and Consolidated Notes**

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

The General Reserve Fund is pledged in support of Consolidated Bonds and Consolidated Notes. Statutes, which require the Port Authority to create and maintain the General Reserve Fund (General Reserve Fund Statutes), established the principle of pooling revenues from all facilities and require the Port Authority to apply surplus revenues from all of its existing facilities to maintain the General Reserve Fund in an amount equal to at least 10% of the par value of outstanding bonds legal for investment. At December 31, 2019, the General Reserve Fund balance was \$2,388,243,000 and met the prescribed statutory amount (see *Schedule C – Analysis of Reserve Funds*).

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

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

In addition, the Port Authority has a long-standing policy of maintaining the aggregate amount of both reserve funds in an amount equal to at least the next two years' bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund.

#### **Special Obligations**

Commercial paper obligations, Variable Rate Master Notes, the MOTBY obligation, Tower 4 Liberty Bonds and the Goethals Bridge Replacement DFA are special obligations of the Port Authority. The Port Authority is also a special limited co-obligor on the senior debt issued for WTC Tower 3, with a capped amount of debt service shortfalls payable as a special obligation of the Port Authority (see *Note L – Information with Respect*

## Notes to Financial Statements (continued)

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*to the Redevelopment of the World Trade Center Site*, for additional information related to certain contingent obligations of the Port Authority with respect to the development of WTC Tower 3).

Special obligations of the Port Authority are payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds and Consolidated Notes issued in whole or in part for such purposes, or from net revenues (as defined below) deposited into the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefore, from other moneys of the Port Authority legally available for such payments when due.

Net revenues for purposes of special obligations of the Port Authority are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution, and remaining after, (i) payment or provision for payment of debt service on Consolidated Bonds and Consolidated Notes as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to the authorized purposes under Section 7 of the Consolidated Bond Resolution.

Special obligations of the Port Authority are subject in all respects to payment of debt service on Consolidated Bonds and Consolidated Notes as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes.

Special obligations of the Port Authority are not secured by or payable from the General Reserve Fund. Additionally, special obligations of the Port Authority do not create any lien on, pledge of or security interest in any revenues, reserve funds or other property of the Port Authority.

Equipment Notes and the Fund for Regional Development (the Fund) buy-out obligation are special obligations to the Port Authority, payable in the same manner and from the same sources as operating expenses.

Special project bonds are not secured by or payable from the General Reserve Fund or the Consolidated Bond Reserve Fund.

### **Note F – Grants and Contributions in Aid of Construction**

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

#### **Policing programs**

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

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

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

## Notes to Financial Statements (continued)

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### Grants, in connection with operating activities

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

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

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

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

### Contributions in Aid of Capital Construction

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

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

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

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

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

### Note G - Lease Commitments

#### Operating lease revenues

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

#### Property held for lease

The Port Authority has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Teleport and WTC. Investments in such

## Notes to Financial Statements (continued)

facilities, as of December 31, 2019, include property associated with minimum rentals derived from the leases. It is not reasonably practicable to segregate the value of assets associated with producing minimum rental revenue from the value of assets associated with an entire facility.

Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. Future minimum rentals scheduled to be received on operating leases in effect on December 31, 2019 are as follows:

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

(a) Includes \$17 million related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture, expected to be received in 2020-2021.

(b) Includes future minimum rentals of approximately \$14.2 billion attributable to the Silverstein net leases for WTC Towers 2, 3 and 4.

(c) Future minimum rentals exclude amounts attributable to the transfer of the Port Authority's interests in the WTC Retail Joint Venture that are contingent upon the construction of certain retail space located within WTC Towers 2 and 3.

### Property leased from others

Rental payments include payments to the Cities of New York and Newark related to air and marine terminals and other leased premises, including rent related to the Port Authority's WTC Tower 4 corporate headquarters leased space. Rental payments totaled \$320 million in 2019 and \$321 million in 2018, respectively. Rental payments exclude PILOT payments to municipalities.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2019 are detailed below. Additional rents may be payable based on operating net revenues or gross operating revenues of specified facilities.

Year ending December 31:	Minimum Rentals
	(In thousands)
2020	\$ 321,633
2021	313,808
2022	310,495
2023	310,424
2024	306,675
2025-2029	1,542,052
2030-2034	1,558,410
2035-2039	1,542,210
2040-2044	1,537,209
2045-2049	1,267,176
2050-2099*	1,748,423
<b>Total future minimum rent payments</b>	<b>\$ 10,758,515</b>

\* Future minimum rent payments for the years 2050-2099 consist of expected rent payments relating to leased marine and air terminals, including the operating lease related to New York Stewart International Airport which expires in 2099.

## Notes to Financial Statements (continued)

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### **Note H – Regional Facilities and Programs**

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

#### **Regional Facilities**

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

**Regional Development Facility** (certified in 1987) – This facility is a centralized program of certain economic development and infrastructure renewal projects. It was expected that \$250 million of capital funds would be made available in connection with the Governors' Program of June 1983. As of December 31, 2019, approximately \$249 million has been allocated under this program.

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

**Oak Point Rail Freight Link** (certified in 1981) – The Port Authority has participated with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link. As of December 31, 2019, the Port Authority has provided approximately \$102 million for this rail project, of which approximately \$63 million was made available through the Regional Development Facility and the Regional Economic Development Program. Funds related to this program have been fully allocated and amortized.

**New Jersey Marine Development Program** (certified in 1989) – This program was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey at a total cost not to exceed \$27 million. All funds under this program have been fully allocated and amortized.

**New York Transportation, Economic Development and Infrastructure Renewal Program** (certified in 2002) – This facility was established to provide up to \$250 million for certain transportation, economic development and infrastructure renewal projects in the State of New York. All funds under this program have been fully allocated.

**Regional Transportation Program** (certified in 2002) – This facility was established in conjunction with a program to provide up to \$500 million for regional transportation initiatives. All funds under this program have been fully allocated.

## Notes to Financial Statements (continued)

**Hudson-Raritan Estuary Resources Programs** (certified in 2002 and 2014) – These facilities were established to acquire certain real property in the Port District area of the Hudson-Raritan Estuary for environmental enhancement/ancillary economic development purposes, in support of the Port Authority’s capital program. The cost of real property acquired under these programs are not to exceed \$120 million.

**Regional Rail Freight Program** (certified in 2002) – This facility provides for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of certain regional rail freight projects to provide for increased rail freight capacity. The Port Authority is authorized to provide up to \$50 million. All funds under this program have been fully allocated.

**Meadowlands Passenger Rail Facility** (certified in 2006) – This facility, which links New Jersey Transit’s (NJT) Pascack Valley Rail Line to the Meadowlands Sports Complex, encourages greater use of PATH service since NJT runs shuttle bus service at peak times to Hoboken. The improved level of passenger rail service provided by the facility also serves to ease traffic congestion on the Port Authority’s interstate tunnel and bridge crossings. The Port Authority is authorized to provide up to \$150 million towards the project’s capital costs. All funds under this program have been fully allocated.

As of December 31, 2019, approximately \$2.2 billion has been expended under regional facilities. Costs for these programs are deferred and amortized over the period benefited, up to a maximum of 15 years. The unamortized costs of the regional programs are as follows:

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

### Interstate Transportation Network Programs

**Moynihan Station Transportation Program** (certified in 2017) – On September 26, 2016, the Board of Commissioners authorized the Executive Director, on behalf of the Port Authority to provide, at the request of the State of New York, a one-time financial contribution of \$150 million to the State of New York to advance the Moynihan Station Transportation Program, a project to redevelop the James A. Farley United States Post Office Building together with its Western Annex into a new transportation facility serving the New York and New Jersey region, to be known as Moynihan Station. Funds under this program have been fully allocated. See *Schedule F - Information on Capital Investment in Port Authority Facilities* for additional information on costs related to this program.

**Notes to Financial Statements  
(continued)**

**Gateway Early Work Program** (certified in 2018) – On February 15, 2018, the Board of Commissioners certified (i) up to \$35 million in funds authorized by the Board in March 2016, and (ii) up to \$44 million in funds authorized by the Board in February 2018, for a total of \$79 million (collectively, the “Gateway Early Work Program”), as an additional facility of the Port Authority for purposes of funding capital expenditures in connection with the Gateway Early Work Program. The Port Authority’s participation in the Gateway Program is subject to approval by the Board of Commissioners, consistent with statutory, contractual and other commitments of the Port Authority, including agreements between the Port Authority and the holders of its obligations. See *Schedule F - Information on Capital Investment in Port Authority Facilities* for additional information on costs related to this program.

**Note I - Pension Plans**

Port Authority and PATH employees participate in different retirement plans, as described below.

**Port Authority Employees**

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

**NYSLRS Plan Benefits**

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

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

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

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

Generally, Tier 3, 4, and 5 members must contribute 3 percent of their salary to the respective NYSLRS plans. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten (10) or more years of membership or credited service with the NYSLRS, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the

## Notes to Financial Statements (continued)

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contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Benefits for each NYSLRS plan are established and may be amended under the provisions contained in the New York State RSSL.

Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62. Generally, the benefit for Tier 1 and Tier 2 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months. Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent greater than the average of the previous two years.

Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62. Generally, the benefit for Tier 3, Tier 4 and Tier 5 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. Final average salary is the average of the wages earned in the three highest consecutive years of employment. For ERS Tier 3, 4 and 5 members, each year used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous two years. For PFRS Tier 5 (there are no Port Authority members enrolled in PFRS Tier 3 and 4), each year used in the final average salary calculation is limited to no more than 20 percent greater than the average of the previous two years.

Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members. Generally, the benefit for Tier 6 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits. Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

## Notes to Financial Statements (continued)

Certain Port Authority PFRS members belong to 25-Year Plans, which allow for retirement after 25 years of service with a benefit of one-half of final average salary or 20-Year Plans, which allow for retirement after 20 years of service with a benefit of one-half of final average salary.

Port Authority contributions to NYSLRS in 2019 totaled \$131.9 million including \$70.6 million to ERS and \$61.3 million to PFRS.

Detailed information about the fiduciary net position and valuation methods related to ERS and PFRS can be found in the NYSLRS Annual Report as of and for the years ended March 31, 2019 and March 31, 2018, which is publicly available at the following web address:

[http://www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php](http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php)

### NYSLRS – Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

#### NYSLRS Net Pension Liability - 2019 and 2018

GASB Statement No. 68, “Accounting and Financial Reporting for Pensions,” as amended, defines the Net Pension Liability (NPL) as the difference between the Total Pension Liability (TPL) and the pension plan’s fiduciary net position determined as of a measurement date established by the employer. For purposes of measuring the NPL, the plan’s fiduciary net position has been determined on the same basis as it is reported for ERS and PFRS. Benefit payments are recognized when due and payable in accordance with the benefit terms and investments are measured at their fair value.

The Port Authority’s proportionate share of the NYSLRS plans’ NPLs totaled:

NPL	December 31, 2019	December 31, 2018
		(In thousands)
ERS	\$91,792	\$ 41,500
PFRS	129,920	77,081
<b>Total Net Pension Liability</b>	<b>\$221,712</b>	<b>\$118,581</b>

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

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

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

The Port Authority’s proportionate share of the ERS and PFRS NPLs were actuarially determined based on the projection of the Port Authority’s long-term share of contributions to each respective plan relative to the projected long-term contributions of all participating employers of each plan.

**Notes to Financial Statements  
(continued)**

**NYSLRS Pension Expense - 2019 and 2018**

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

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

**NYSLRS Deferred Inflows/Outflows of Resources - 2019 and 2018**

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

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

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

\*Contributions made by the Port Authority to NYSLRS after the measurement date to satisfy the pension plan's NPL, but before the end of the financial statement period for the employer are recognized as deferred outflows of resources. These amounts will be recognized as a reduction to the Port Authority's ERS and PFRS NPL for the fiscal year ending December 31, 2020.

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

## Notes to Financial Statements (continued)

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

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

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

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

\*Contributions made by the Port Authority to NYSLRS after the measurement date to satisfy the pension plan's NPL, but before the end of the financial statement period for the employer are recognized as deferred outflows of resources. These amounts will be recognized as a reduction to the Port Authority's ERS and PFRS NPL for the fiscal year ending December 31, 2019.

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

### NYSLRS Actuarial Assumptions - 2019 and 2018

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

**Notes to Financial Statements  
(continued)**

<b>ERS</b>	<b>2019</b>	<b>2018</b>
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation	7.0% compounded annually, net of investment expenses, including inflation
Salary scale	4.2%, indexed by service	3.8%, indexed by service
Inflation	2.5%	2.5%
Cost of living adjustment	1.3%	1.3%

<b>PFRS</b>	<b>2019</b>	<b>2018</b>
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation	7.0% compounded annually, net of investment expenses, including inflation
Salary scale	5.0%, indexed by service	4.5%, indexed by service
Inflation	2.5%	2.5%
Cost of living adjustment	1.3%	1.3%

Mortality rates for both the fiscal year 2019 and 2018 actuarial valuation are based on each Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015, with adjustments for mortality improvement based on the Society of Actuaries' Scale MP-2014.

The long-term expected rate of return on pension plan investments for each actuarial valuation for ERS and PFRS was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the determination of the investment rate of return for each actuarial valuation are summarized in the following table:

<b>Asset Class</b>	<b>2019*</b>		<b>2018*</b>	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Nominal Rate of Return
Domestic equity	36%	4.55%	36%	4.55%
International equity	14%	6.35%	14%	6.35%
Private equity	10%	7.50%	10%	7.50%
Real estate	10%	5.55%	10%	5.55%
Absolute return strategies**	2%	3.75%	2%	3.75%
Opportunistic portfolio	3%	5.68%	3%	5.68%
Real assets	3%	5.29%	3%	5.29%
Bonds and mortgages	17%	1.31%	17%	1.31%
Cash	1%	(0.25)%	1%	(0.25)%
Inflation-indexed bonds	4%	1.25%	4%	1.25%
<b>Total</b>	<b>100%</b>		<b>100%</b>	

\* The real rate of return is net of the long-term inflation assumption of 2.50%.

\*\* Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity, respectively.

**NYSLRS Discount Rate Analysis - 2019 and 2018**

The discount rate used to calculate the TPL for ERS and PFRS was 7.0% for both 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumes that employee

## Notes to Financial Statements (continued)

contributions will be made at the current contribution rates and that employer contributions will be made at their contractually required rates, as actuarially determined.

Based upon these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for both ERS and PFRS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL for each plan.

The following tables present the Port Authority's proportionate share of the NPL for ERS and PFRS calculated for 2019 and 2018 using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the discount rate actually used.

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

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

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

### New York State Voluntary Defined Contribution Program (VDC)

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

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

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

	<b>2019</b>	2018
	(In thousands)	
Employer Contributions	\$ 2,675	\$ 2,030
Employee Contributions	1,956	1,491
<b>Total</b>	<b>\$ 4,631</b>	<b>\$ 3,521</b>



**Notes to Financial Statements  
(continued)**

January 1, 2011 (the Plan). The Plan is a non-contributory, unfunded, single-employer, defined benefit, qualified governmental pension plan administered by PATH. The Plan provides retirement benefits related to years of service as a PATH Exempt Employee and final average salary, death benefits for active PATH Exempt Employees, vesting of retirement benefits after a set period of credited service as a PATH Exempt Employee, and optional methods of retirement benefit payment. Depending upon the date of membership, retirement benefits differ as to the qualifying age or years of service requirement and the benefit formula used in calculating retirement benefits.

On August 22, 2013, the Port Authority established the PATH Exempt Employees Supplemental Pension Plan Trust with Wells Fargo Bank, N.A. as Trustee. As of December 31, 2019, no amounts have been deposited into the trust to fund future pension payments.

**PATH Exempt Employee Supplemental Pension Plan – Total Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

**PATH Exempt Employee Supplemental Pension Plan Total Pension Liability - 2019 and 2018**

GASB Statement No. 68, as amended, defines the NPL as the difference between the TPL and the pension plan’s fiduciary net position. As the Plan is unfunded and has no plan assets, the TPL and NPL are of equal amounts. Changes in the TPL from the previous measurement date are as follows:

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

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

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

**PATH Exempt Employee Supplemental Pension Plan Pension Expense - 2019 and 2018**

Pension expense related to the Plan totaled:

	<b>2019</b>	<b>2018</b>
	(In thousands)	
Pension Expense	\$ 3,996	\$ 8,824

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

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

## Notes to Financial Statements (continued)

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

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

\* Contributions made by Port Authority to the Path Exempt Employee Supplemental Pension Plan after the measurement date to satisfy the pension plan's NPL, but before the end of the financial statement period for the employer, are recognized as deferred outflows of resources. These amounts will be recognized as a reduction to the TPL for the fiscal year ended December 31, 2020.

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

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

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

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

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

The TPL measured as of January 1, 2019 and January 1, 2018, based on an actuarial valuation as of the same date was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.0%
Investment rate of return	N/A

Actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period of January 1, 2014 to January 1, 2017. Actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period of January 1, 2014 to January 1, 2017. Mortality rates used in the 2019 and 2018 valuations were based on Pub-2010 General Employees mortality table projected on a generational basis with Scale MP-2018 and MP-2017 from 2010, respectively. Projections of benefits for financial reporting purposes are based on the terms of the Plan as described by PATH to participants, and include the types of benefits provided at the time of each valuation.

**Notes to Financial Statements**  
**(continued)**

As of the January 1, 2019 and January 1, 2018 valuation date, Plan participants comprised:

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

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

Because the plan is unfunded, the discount rate used in the actuarial valuation is based on the 20-year municipal Bond Buyer Index for general obligations which equaled 4.10% as of the January 1, 2019 measurement date and 3.44% as of the January 1, 2018 measurement date.

The following tables present the 2019 and 2018 Plan's TPL calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the discount rate actually used.

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

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

**Note J – Other Postemployment Benefits (OPEB)**

**Plan Description and Organization**

The Port Authority and PATH, pursuant to Board of Commissioners action or as contemplated thereby, administer a single-employer healthcare plan (the Plan) that provides certain group health care, prescription, dental, vision and term life insurance benefits to eligible retired employees of the Port Authority and PATH (includes eligible dependents and survivors of retired employees). These benefits are often referred to as other postemployment benefits (OPEB). Benefits are provided through a third-party insurer. Some of these benefits are paid directly by the Port Authority or PATH; in other cases, the benefits are paid by insurance companies on the basis of premiums paid by the Port Authority or PATH with or without employee contributions. The Port Authority and PATH also reimburse eligible retirees and dependents for the cost of certain Medicare premiums.

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

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

Contributions toward OPEB costs are required of certain non-represented and represented participants. In 2018 and 2019, certain Plan provisions relating to represented employees' contributions toward OPEB were changed due to the amendment of certain collective bargaining agreements. Retiree contributions are

## Notes to Financial Statements (continued)

dependent on a number of factors including, type of benefit, hire date, years of service, pension earnings and retirement date.

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

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

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

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

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

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

**Notes to Financial Statements  
(continued)**

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

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

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

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

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

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

**OPEB Expense**

OPEB expense related to the Plan totaled:

	<u>2019</u>	<u>2018</u>
	(In thousands)	
OPEB Expense	\$ 112,666	\$ 152,954

## Notes to Financial Statements (continued)

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

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

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

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

<b>Deferred Inflows of Resources</b>	<b>2019</b>	<b>2018</b>
	(In thousands)	
Changes in actuarial assumptions	\$ 203,700	\$ 4,883
Net difference between expected and actual earnings on OPEB plan investments	71,706	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 275,406</b>	<b>\$ 4,883</b>

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

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

### Actuarial Methods and Assumptions

The actuarially determined valuation of OPEB is reviewed annually for the purpose of estimating the present value of postemployment benefits earned by plan participants as of the valuation. Projections of benefits for financial reporting purposes are based on the benefit plans as described by the Port Authority and PATH to participants, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future, including future employment with a salary scale at a rate of 3% per year, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

## Notes to Financial Statements (continued)

The Port Authority's total OPEB liabilities were measured as of December 31, 2019 and 2018 based on actuarial valuations as of January 1, 2019 and 2018 with update procedures used to roll forward the total OPEB

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

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

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

\* Represents the expected long-term rate of return on investments expected to be used for the payment of benefits

\*\* Declining to an ultimate medical healthcare cost trend rate of 4.5% in 2025 (including 2.5% inflation factor)

\*\*\* Decreasing to 4.5% in 2025

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

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

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

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

## Notes to Financial Statements (continued)

expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

### **Note K– Commitments and Certain Charges to Operations**

1. Approval of a budget by the Board of Commissioners does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions by the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.
2. At December 31, 2019, the Port Authority had entered into various construction contracts totaling approximately \$6.6 billion, which are expected to be completed within the next three years.
3. Other amounts receivable, net recognized on the Statements of Net Position totaled \$179 million at December 31, 2019, and is comprised of the following:

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

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

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

## Notes to Financial Statements (continued)

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

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

For additional information see *Note L – Information with Respect to the Redevelopment of the World Trade Center Site*.

5. In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, an operating expense provision and corresponding liability measured at its current value using the expected cash flow method is recognized when an obligating event occurs. In 2019, the Port Authority recognized an additional \$10.6 million in pollution remediation obligations, primarily related to asbestos abatement at certain Aviation facilities and Marine Terminals. Cumulative operating expense remediation provisions through December 31, 2019 totaled \$91 million, net of \$2.1 million in expected recoveries.

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

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

#### **Conceptual Framework for the Redevelopment of the Office, Retail and Other Components of the World Trade Center**

The terms of the original July 2001 net leases established both an obligation and concomitant right for the net lessees, at their sole cost and expense, to restore their net leased premises following a casualty whether or not the damage is covered by insurance proceeds in accordance, to the extent feasible, prudent and commercially reasonable, with the plans and specifications as they existed before the casualty or as otherwise agreed to with the Port Authority.

The redevelopment of the WTC provides for approximately 10 million square feet of above-grade office space with associated storage, mechanical, loading, below-grade parking, and other non-office space, and consists of One World Trade Center, Tower 2, Tower 3, Tower 4, WTC Site 5, approximately 456,000 square feet of retail space, a WTC Transportation Hub, a memorial and interpretive museum (Memorial/Museum), a Greek orthodox church, The Performing Arts Center at the WTC and certain related infrastructure. A December 2010 World Trade Center Amended and Restated Master Development Agreement (MDA), among the Port Authority, PATH, 1 WTC LLC, WTC Retail LLC, and the Silverstein net lessees, sets forth the respective rights and obligations of the parties thereto with respect to construction on the WTC site, including the allocation of construction responsibilities and costs between the parties to the MDA.

Future minimum rentals (see *Note G – Lease Commitments*) include rentals of approximately \$14.2 billion, for the years 2025-2100, relating to the net leases for WTC Towers 2, 3 and 4. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the WTC will continue to meet their contractual commitments pertaining to their net leased properties, including those with respect to the payment of rent and the restoration of their net leased properties.

## Notes to Financial Statements (continued)

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### One World Trade Center

On June 13, 2011, the Port Authority and The Durst Organization through entities formed by such parties entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, leasing, management and operation of One World Trade Center. In June 2011, The Durst Organization contributed \$100 million for a minority equity interest in the joint venture related to One World Trade Center through the current net lessee WTC Tower 1 LLC. One World Trade Center contains 3.0 million square feet of space, comprised of commercial office space and an indoor observation deck. As of December 31, 2019, WTC Tower 1 LLC has leased, (i) approximately 2.5 million square feet of office space at One World Trade Center, representing approximately 85% of the leasable office space, (ii) certain portions of the One World Trade Center rooftop, together with ancillary space, for a broadcasting and communications facility, and (iii) the 100th through 102nd floors of One World Trade Center for an observation deck, which opened to the public in 2015.

### World Trade Center Tower 2

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

### World Trade Center Tower 3

To assist the Silverstein net lessee of Tower 3 in the construction of the Tower 3 office tower following satisfaction of certain private real estate and capital markets triggers, the Port Authority entered into a Tower 3 Tenant Support Agreement in 2010 (as subsequently amended in 2014, the "Tower 3 Tenant Support Agreement"). Under the Tower 3 Tenant Support Agreement, the Port Authority is required to provide up to \$600 million in overall support, comprised of: (x) \$210 million for the construction of Tower 3 as a landlord capital improvement, and (y) backstop funding of \$390 million for (i) construction overruns and certain leasing cost overruns, through landlord capital improvements (ii) operating expense deficits and certain leasing cost overruns through the Tower 3 Silverstein net lessee's right to defer payments of net lease rent to the Port Authority under the net lease with respect to Tower 3, and (iii) senior debt service shortfalls, by the Port Authority as a special limited co-obligor on the senior debt issued for Tower 3, with such senior debt service shortfalls payable as a special obligation of the Port Authority, subject in each case to the overall limit of \$390 million for the backstop (See *Note E- General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority). The State of New York and the City of New York have each agreed to reimburse the Port Authority for up to \$200 million of the \$600 million provided under the Tower 3 Tenant Support Agreement for a combined reimbursement to the Port Authority from the State of New York and the City of New York of up to \$400 million. To date, the Port Authority has applied \$80 million of the \$93.4 million received from the State of New York as a capital contribution for the partial reimbursement of the \$210 million landlord capital improvement the Port Authority made in December 2014 towards the construction of Tower 3. In addition, under a Public Support Agreement with the City of New York, the Port Authority will receive \$130 million plus accrued interest in WTC PILOT credits as reimbursement for the remaining share of the Port Authority's landlord capital improvement. WTC payments in lieu of taxes (PILOT) credits from City of New York commenced in July 2019.

## Notes to Financial Statements (continued)

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Under the Tower 3 Support Agreement, the Tower 3 Silverstein net lessee is responsible for the repayment of the \$390 million backstop on a subordinated basis, without interest, from Tower 3 revenues, with an overall term for such reimbursement or payment not to exceed the term of the Tower 4 support agreement described below. All repayments of the Tower 3 backstop received by the Port Authority would be distributed among the Port Authority, the State of New York and the City of New York in accordance with their respective shares of the \$390 million backstop payments. As security for such repayment, the Tower 3 Silverstein net lessee, the Port Authority and a third-party banking institution entered into an account control agreement directing revenues derived from the operation of Tower 3 to be deposited into a segregated lockbox account and administered and disbursed by the banking institution in accordance with the Tower 3 Support Agreement. To provide additional security to the Port Authority, the Tower 3 Silverstein net lessee assigned to the Port Authority various contracts in connection with the development and construction of Tower 3, together with all licenses, permits, approvals, easements and other rights of the Tower 3 Silverstein net lessee, granted a first priority pledge of all of the ownership interests in the Tower 3 Silverstein net lessee to the Port Authority and granted a subordinated mortgage on the leasehold interest created under the Tower 3 net lease. The Tower 3 net lessee exercised its right to defer certain Tower 3 net lease rent payments due the Port Authority effective November 2017. As of December 31, 2019, deferred rent due from the Tower 3 net lessee totaled approximately \$27 million. The Port Authority has also provided approximately \$9 million in senior debt service shortfalls.

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

### **World Trade Center Tower 4**

In December 2010, the Port Authority entered into certain agreements with the Silverstein net lessee of Tower 4, providing for the Port Authority's participation in the financing for Tower 4 construction.

Tower 4 Liberty Bonds were issued on November 15, 2011, in the aggregate principal amount of approximately \$1.2 billion, by the New York Liberty Development Corporation to finance construction and development of WTC Tower 4. The Port Authority is a co-borrower/obligor for the Liberty Bonds, and is obligated to make certain debt service payments on the Tower 4 Liberty Bonds. The Port Authority's payment of debt service on the Tower 4 Liberty Bonds is a special obligation of the Port Authority, evidenced by a separate Tower 4 Bond Payment Agreement between the Port Authority and the Tower 4 Liberty Bond trustee (See *Note E- General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority).

Additionally, the Silverstein net lessee of Tower 4 has the right to defer payment of net lease rent payable to the Port Authority under the Tower 4 net lease and defer the application of certain free rent periods available to the Port Authority under its Tower 4 space lease, to provide cash flow to pay certain operating expense deficits, certain capital expenditures upon completion of Tower 4 and a limited amount of construction and leasing cost overruns. The Tower 4 net lessee exercised its right to defer certain Tower 4 net lease rent payments due the Port Authority effective November 2016. As of December 31, 2019, deferred rent due from the Tower 4 net lessee totaled approximately \$44 million. Port Authority debt service payments related to Tower 4 Liberty Bonds, deferred net lease rent payable to the Port Authority under the Tower 4 net lease, and amounts from deferred free rent periods under the Port Authority's Tower 4 space lease are required to be reimbursed or paid to the Port Authority from Tower 4 cash flow. Amounts required to be reimbursed or paid to the Port Authority accrue interest at a rate of 7.5% annum until reimbursed or paid (with the exception of deferred net lease rent held on deposit which receives earnings on certain permitted investments plus nominal interest), with an overall term for such reimbursement or payment not to exceed 40 years. As of December 31, 2019, Tower 4 Liberty Bond debt service payments due from the Tower 4 net lessee, including amounts assigned directly to the Tower 4 Liberty Bond trustee by the City of New York related to their Tower 4 leasehold, totaled approximately \$24.4 million.

## **Notes to Financial Statements (continued)**

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

### **The World Trade Center Transportation Hub**

On July 28, 2005, the Board of Commissioners of the Port Authority authorized the WTC Transportation Hub project for the construction of a transportation hub and permanent PATH terminal. Construction commenced on September 6, 2005. On October 18, 2012, the Board of Commissioners reauthorized the WTC Transportation Hub project at an estimated total project cost range of approximately \$3.74 billion to \$3.995 billion. The Port Authority reached the maximum funding amount of \$2.872 billion from the FTA towards the construction of the WTC Transportation Hub in 2017. On March 3, 2016, the World Trade Center Transportation Hub Oculus and underground pedestrian connections to certain mass transit lines opened to the public and on August 16, 2016, the retail portions opened to the public.

### **World Trade Center Infrastructure Projects**

In addition to the WTC Transportation Hub, the Port Authority continues to construct various WTC site infrastructure projects toward full build out of the WTC site. In 2014, certain portions of these infrastructure projects, including portions of the vehicular security center for cars, tour buses, and delivery vehicles to access subgrade loading facilities became operational to support commercial development throughout the WTC site. Other infrastructure work includes street configurations, utilities, a central chiller plant and related electrical distribution systems that support operations of the WTC site.

### **WTC Retail**

Through a series of transactions between the Port Authority and Westfield, the Port Authority has been involved in the planning and construction of the retail components of the World Trade Center. A Westfield entity has net leased the retail premises from the Port Authority for an upfront payment and a nominal annual amount. The Port Authority continues to be responsible for the construction of additional retail premises at the World Trade Center site, and is obligated to fund the remaining project costs for their construction. Upon completion of such additional retail premises, the Port Authority expects to receive additional payments for the fair value of such additional retail space, to be determined according to the methodology specified in the agreement with Westfield, which may not fully compensate the Port Authority for the cost of construction.

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

### **WTC Memorial and Museum**

The Port Authority does not have any responsibility for the operation and maintenance of the Memorial, the Memorial/Museum or the Visitor Orientation and Education Center (VOEC). The WTC Memorial Plaza opened for public access on September 11, 2011. The museum opened to the public on May 21, 2014.

## Notes to Financial Statements (continued)

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### **Note M – Risk Financing Activities**

The Port Authority carries insurance or requires insurance to be carried (if available) on or in connection with its facilities and those under construction to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering deductibles, retentions, and exceptions or exclusions of portions of facilities and the scope of insurable hazards. A portion of the insurance under the programs described below is provided by the Port Authority's captive insurer, PAICE.

#### **Property Damage and Loss of Revenue Insurance Program**

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

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

#### **Public Liability Insurance Programs**

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

The public liability insurance program for "non-aviation" facilities (which was renewed effective October 27, 2019 and expires October 27, 2020) applies to such facilities, including components of the World Trade Center. Terrorism insurance with respect thereto is insured through PAICE and reinsured through TRIPRA and commercial reinsurers was renewed effective October 27, 2019 and expires October 27, 2021.

The Port Authority also carries terrorism and/or malicious acts insurance for losses to property and liability resulting from nuclear, biological, chemical or radiological material for all Port Authority facilities. The program expires October 27, 2021, and is insured through a combination of PAICE, commercial reinsurers and TRIPRA.

\* The Port Authority's insurance programs do not provide coverage for World Trade Center Towers 2, 3, 4 (except for the Port Authority's Tower 4 leased space), Tower 5, the World Trade Center Memorial/Museum and the net leased retail components (except for certain retail infrastructure) of the World Trade Center site. Coverage for these assets is the responsibility of the net lessees.

\*\* Under TRIPRA, the formula established in 2015 provides that the federal government reinsures 85% of certified terrorism losses in 2015 (and decreases its reinsurance incrementally by 1% per year for the next five years), subject to aggregate industry insured losses of at least \$100 million in 2015 (which increases incrementally by \$20 million per year for the next five years) and a 20% insurance carrier/captive deductible, in an amount not to exceed an annual cap on all such losses payable under TRIPRA of \$100 billion. For calendar year 2019, under the formula established in 2015, no federal payments would be made under this program until the aggregate industry insured losses from acts of terrorism exceed \$180 million. In the event of a certified act of terrorism, the law allows the United States Treasury to recoup 140% of the amount of federal payments for insured losses during that calendar year.

## Notes to Financial Statements (continued)

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### Construction Insurance Programs

The Port Authority maintains an ongoing wrap-up contractors' insurance program for all Port Authority-operated facilities under construction (excluding the World Trade Center, where such insurance is handled through a contractor controlled insurance program), which was renewed effective June 1, 2017 and expires June 1, 2020, including builders' risk, construction general liability insurance, and statutory workers' compensation coverage. PAICE provides portions of the construction general liability insurance while statutory workers' compensation insurance is provided through commercial insurance.

The Port Authority placed a standalone wrap-up contractors' insurance program on March 27, 2018, for construction of Terminal One at Newark Airport, which includes builders' risk, construction general liability insurance, and statutory workers' compensation insurance is provided through commercial insurance. PAICE provides portions of the construction general liability insurance while statutory workers' compensation insurance is provided through commercial insurance.

### Port Authority Insurance Captive Entity, LLC

In 2006, the Port Authority established a captive insurance company, known as the "Port Authority Insurance Captive Entity, LLC," for insuring certain risk exposures of the Port Authority and its related entities. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business in connection with workers' compensation, general liability, builders' risk, property and terrorism insurance coverages for the Port Authority and its related entities. With the passage of TRIPRA, PAICE assumed coverage for acts of terrorism under the Port Authority's public liability, and property damage and loss of revenue insurance programs. In addition, as of December 31, 2018, PAICE provides the first \$500,000 in coverage under the general liability aspect of the Port Authority's contractors' insurance program and 5% of the next \$4.5 million of losses that are in excess of the primary \$500,000. Further, effective October 27, 2018, PAICE provides \$500 million in coverage under the nuclear, biological, chemical and radiological terrorism program, which is fully reinsured by commercial reinsurers and insures \$1.1 billion in excess of \$500 million, which is reinsured by TRIPRA.

The financial results for PAICE for the year ended December 31, 2019 are set forth below. Restricted amounts associated with PAICE recorded on the Port Authority's financial statements have been adjusted to eliminate intercompany transfers related to insurance premiums paid to PAICE from the Port Authority.

	<b>Amounts</b> (In thousands)
<b>Financial Position</b>	
Total Assets	\$ 473,108
Total Liabilities	129,018
Net Position, December 31, 2019	<u>\$ 344,090</u>
<b>Operating Results 2019</b>	
Revenues	\$ 53,287
Expenses	7,385
Change in Net Position	<u>\$ 45,902</u>
Net Position at January 1, 2019	\$ 298,188
Net Position at December 31, 2019	<u>\$ 344,090</u>

## Notes to Financial Statements (continued)

The audited financial statements for the years ended December 31, 2019 and December 31, 2018 of PAICE, which provides additional information concerning PAICE assets and liabilities, are available from the Comptroller's Department of the Port Authority of New York and New Jersey, 2 Montgomery Street, Jersey City, New Jersey 07302.

### Self-Insured Loss Reserves

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for self-insured claims is based upon the estimated cost of settling the claim, which includes an actuarial review of estimated claims expenses, estimated recoveries, retention thresholds, and a provision for incurred but not reported (IBNR) claims. Self-insured loss reserves were discounted to their present value using a 5.25% discount rate. Changes in the self-insured public liability self-insured loss reserves and self-insured worker's compensation loss reserves are as follows:

Self-insured public liability loss reserves:

Year	Beginning Balance	Changes in Loss Reserves	Payments	Year End Balance*
		(In thousands)		
2019	\$ 70,277	\$ 3,943	\$ 5,817	\$ 68,403
2018	\$ 66,171	\$ 11,724	\$ 7,618	\$ 70,277

\* Loss reserves exclude loss adjustment expenditures.

Self-insured workers' compensation loss reserves:

Year	Beginning Balance	Changes in Loss Reserves	Payments	Year End Balance*
		(In thousands)		
2019	\$ 68,894	\$ 20,270	\$ 20,733	\$ 68,431
2018	\$ 64,057	\$ 26,518	\$ 21,681	\$ 68,894

\* Loss reserves exclude loss adjustment expenditures.

## Required Supplementary Information (Unaudited)

### NEW YORK STATE AND LOCAL EMPLOYEES RETIREMENT SYSTEM (ERS)

#### Schedule of Proportionate Share of Net Pension Liability\*

	2019	2018	2017	2016	2015
	(\$ In thousands)				
Port Authority's proportion of the net pension liability	1.3%	1.3%	1.3%	1.3%	1.3%
Port Authority's proportionate share of the net pension liability	\$91,792	\$ 41,500	\$120,672	\$212,555	\$ 44,906
Covered payroll (April 1 – March 31)	\$515,065	\$408,384	\$395,378	\$392,529	\$309,571
Port Authority's proportionate share of the net pension liability, as a percentage of its covered payroll	17.8%	10.2%	30.5%	54.2%	14.5%
Plan fiduciary net position as a percentage of the total pension liability	96.2%	98.2%	94.7%	90.7%	97.9%

#### Schedule of Employer Contributions\*

	2019	2018	2017	2016	2015
	(\$ In thousands)				
Contractually required contribution	\$70,582	\$56,866	\$56,743	\$57,530	\$63,072
Contributions in relation to the contractually required contribution	\$70,582	\$56,866	\$56,743	\$57,530	\$63,072
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Port Authority's covered payroll (January 1 – December 31)	\$536,454	\$ 500,841	\$ 404,701	\$ 395,725	\$ 409,234
Contributions as a percentage of covered payroll	13.2%	11.4%	14.0%	14.5%	15.4%

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

#### Schedule of Proportionate Share of Net Pension Liability\*

	2019	2018	2017	2016	2015
	(\$ In thousands)				
Port Authority's proportion of the net pension liability	7.7%	7.6%	7.4%	8.0%	8.9%
Port Authority's proportionate share of the net pension liability	\$129,920	\$ 77,081	\$152,806	\$236,004	\$ 24,490
Covered payroll (April 1– March 31)	\$271,764	\$ 263,292	\$256,168	\$246,060	\$ 248,631
Port Authority's proportionate share of the net pension liability, as a percentage of its covered payroll	47.81%	29.3%	59.7%	95.9%	9.8%
Plan fiduciary net position as a percentage of the total pension liability	95.1%	96.9%	93.5%	90.2%	99.0%

#### Schedule of Employer Contributions\*

	2019	2018	2017	2016	2015
	(\$ In thousands)				
Contractually required contribution	\$61,277	\$ 59,931	\$ 60,797	\$ 57,807	\$ 53,652
Contributions in relation to the contractually required contribution	\$61,277	\$ 59,931	\$ 60,797	\$ 57,807	\$ 53,652
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Port Authority's covered payroll (January 1 – December 31)	\$393,630	\$ 262,701	\$260,867	\$253,096	\$253,597
Contributions as a percentage of covered payroll	15.6%	22.8%	23.3%	22.8%	21.2%

\*Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

See accompanying independent auditors' report.

## Required Supplementary Information (Unaudited)

### FEDERAL RAILROAD RETIREMENT PROGRAM

#### Schedule of Employee and Employer Railroad Contributions\*

Railroad Retirement Tier I	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
(\$ In thousands)					
2019	7.65%	\$ 8,466	7.65%	\$ 8,466	\$ 16,932
2018	7.65%	8,197	7.65%	8,197	16,394
2017	7.65%	8,150	7.65%	8,150	16,300
2016	7.65%	8,086	7.65%	8,086	16,172
2015	7.65%	7,747	7.65%	7,747	15,494
2014	7.65%	8,119	7.65%	8,119	16,238
2013	7.65%	7,551	7.65%	7,551	15,102
Total Taxes		\$ 56,316		\$ 56,316	\$ 112,632

Railroad Retirement Tier II	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
(\$ In thousands)					
2019	4.9%	\$ 4,832	13.1%	\$ 12,918	\$ 17,750
2018	4.9%	4,687	13.1%	12,530	17,217
2017	4.9%	4,659	13.1%	12,455	17,114
2016	4.9%	4,475	13.1%	11,964	16,439
2015	4.9%	4,379	13.1%	11,707	16,086
2014	4.4%	3,971	12.6%	11,371	15,342
2013	4.4%	3,714	12.6%	10,636	14,350
Total Taxes		\$ 30,717		\$ 83,581	\$ 114,298

\*Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

### PATH EXEMPT EMPLOYEES SUPPLEMENTAL PENSION PLAN

#### Schedule of Changes to Total Pension Liability and Related Ratios\*

	2019	2018	2017	2016	2015
(\$ In thousands)					
<b>Total Pension Liability</b>					
Service cost	\$1,720	\$ 1,585	\$ 1,323	\$ 1,280	\$ 900
Interest cost	3,070	3,169	2,961	2,850	3,271
Differences between expected and actual experience	1,778	(1,449)	5,478	(945)	51
Changes in assumptions	(15,700)	5,676	(5,496)	3,809	10,632
Benefit payments	(3,751)	(3,691)	(3,563)	(4,701)	(3,389)
Net change in total pension liability	(12,883)	5,290	703	2,293	11,465
Total Pension Liability (Beginning)	89,381	84,091	83,388	81,095	69,630
<b>Total Pension Liability (Ending)</b>	<b>\$76,498</b>	<b>\$ 89,381</b>	<b>\$ 84,091</b>	<b>\$ 83,388</b>	<b>\$ 81,095</b>
Covered Payroll	\$13,052	\$ 13,913	\$ 13,590	\$ 13,187	\$ 12,356
Total Pension Liability as a % of Covered Payroll	586.1%	642.4%	618.8%	632.4%	656.3%

\*Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

Note: As of December 31, 2019, there are no plan assets accumulated in a trust for purposes of making future pension payments to members.

See accompanying independent auditors' report.

## Required Supplementary Information (Unaudited)

### OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

#### Schedule of Changes in the Port Authority's Net OPEB Liability and Related Ratios

	2019	2018	2017
	(\$ In thousands)		
Total OPEB liability:			
Service cost	\$ 33,132	\$ 25,442	\$ 23,778
Interest cost	213,607	202,303	196,930
Changes in benefit terms	(4,046)	(6,948)	-
Differences between expected and actual experience	99,585	90,986	-
Changes in assumptions	(241,555)	(5,903)	-
Benefit payments	<u>(156,536)</u>	<u>(147,761)</u>	<u>(143,528)</u>
Net change in total OPEB liability	(55,813)	158,119	77,180
Total OPEB liability-beginning	<u>3,095,346</u>	<u>2,937,227</u>	<u>2,860,047</u>
Total OPEB liability-ending (a)	<u>3,039,533</u>	<u>3,095,346</u>	<u>2,937,227</u>
Plan fiduciary net position:			
Contributions-employer	256,536	247,761	243,528
Net investment income	285,996	(86,274)	175,795
Benefit payments	(156,536)	(147,761)	(143,528)
Administrative expenses	<u>(106)</u>	<u>(94)</u>	<u>(94)</u>
Net change in plan fiduciary net position	385,890	13,632	275,701
Plan fiduciary net position-beginning	<u>1,413,736</u>	<u>1,400,104</u>	<u>1,124,403</u>
Plan fiduciary net position-ending (b)	<u>1,799,626</u>	<u>1,413,736</u>	<u>1,400,104</u>
Net OPEB liability-ending (a) – (b)	\$ <u>1,239,907</u>	\$ <u>1,681,610</u>	\$ <u>1,537,123</u>
Plan fiduciary net position as a percentage of the total OPEB liability	59.21%	45.67%	47.67%
Covered-Employee payroll	\$1,041,188	\$870,525	\$772,549
Net OPEB liability as a percentage of Covered-Employee payroll	119.09%	193.17%	198.97%

Notes to Schedule:

\*Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

See accompanying independent auditors' report.

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

	Year ended December 31, 2019			2018
	Operating Fund	Reserve Funds	Combined Total	Combined Total
(In thousands)				
<b>Gross operating revenues:</b>				
Tolls and fares	\$ 1,876,911	\$ -	\$ 1,876,911	\$ 1,865,384
Rentals	1,739,423	-	1,739,423	1,664,734
Aviation fees	1,287,263	-	1,287,263	1,192,454
Parking and other	408,609	-	408,609	384,088
Utilities	144,176	-	144,176	149,008
Rentals - Special Project Bonds Projects	74,073	-	74,073	79,080
<b>Total gross operating revenues</b>	<b>5,530,455</b>	<b>-</b>	<b>5,530,455</b>	<b>5,334,748</b>
<b>Operating expenses:</b>				
Employee compensation, including benefits	1,413,979	-	1,413,979	1,338,277
Contract services	1,046,216	-	1,046,216	934,821
Rents and payments in-lieu-of taxes (PILOT)	388,462	-	388,462	396,048
Materials, equipment and other	315,676	-	315,676	298,121
Utilities	191,770	-	191,770	195,968
Interest on Special Project Bonds	74,073	-	74,073	79,080
<b>Total operating expenses</b>	<b>3,430,176</b>	<b>-</b>	<b>3,430,176</b>	<b>3,242,315</b>
Amounts in connection with operating asset obligations	9,529	-	9,529	12,921
Net (revenue)/expense related to Superstorm Sandy	(175,678)	-	(175,678)	-
<b>Net operating revenues</b>	<b>2,266,428</b>	<b>-</b>	<b>2,266,428</b>	<b>2,079,512</b>
<b>Financial income:</b>				
Interest income	2,491	64,474	66,965	77,287
Net increase in fair value of investments	4,243	16,232	20,475	8,963
Contributions in aid of construction	230,242	-	230,242	198,173
Application of Passenger Facility Charges	289,639	-	289,639	433,326
Application of 4 WTC associated payments	65,293	-	65,293	65,293
Grants, in connection with operating activities	25,665	-	25,665	24,006
Pass-through grant program payments	(3,142)	-	(3,142)	(1,438)
<b>Net revenues available for debt service and reserves</b>	<b>2,880,859</b>	<b>80,706</b>	<b>2,961,565</b>	<b>2,885,122</b>
<b>Debt service:</b>				
Interest on bonds and other asset financing obligations	872,275	133,537	1,005,812	971,566
Debt maturities and retirements	334,500	-	334,500	319,090
Debt retirement acceleration	-	-	-	8,300
Repayment of special obligations	-	(81)	(81)	188
<b>Total debt service</b>	<b>1,206,775</b>	<b>133,456</b>	<b>1,340,231</b>	<b>1,299,144</b>
Transfers to reserves	\$ (1,674,084)	1,674,084	-	-
Revenues after debt service and transfers to reserves		1,621,334	1,621,334	1,585,978
Direct investment in facilities		(1,550,920)	(1,550,920)	(1,771,900)
Change in Accounting Principle		(18,375)	(18,375)	-
Increase/(Decrease) in reserves		52,039	52,039	(185,922)
Reserve balances, January 1		3,976,000	3,976,000	4,161,922
Reserve balances, December 31		\$ 4,028,039	\$ 4,028,039	\$ 3,976,000

See Notes to Financial Statements.

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

	December 31, 2019				2018	
	Operating Fund	Capital Fund	Reserve Funds	Combined Total	Combined Total	
	(In thousands)					
<b>ASSETS</b>						
Current assets:						
Cash	\$ 93,213	\$ 102	\$ -	\$ 93,315	\$ 157,143	
Restricted cash:						
Passenger Facility Charges	-	-	-	-	161	
Port Authority Insurance Captive Entity, LLC	64,586	-	-	64,586	117,922	
Other, including Asset Forfeiture Funds	12,403	-	-	12,403	14,878	
Investments	966	835,274	392,471	1,228,711	1,529,511	
Restricted Investments - PAICE	2,604	-	-	2,604	37,162	
Restricted investments - PFC	18,838	-	-	18,838	23,609	
Interfund balances	(1,090,046)	(28,793)	1,118,839	-	-	
Current receivables, net	681,361	-	-	681,361	540,962	
Other current assets	84,738	58,475	-	143,213	161,133	
Restricted receivables and other assets	80,730	-	-	80,730	77,785	
Total current assets	(50,607)	865,058	1,511,310	2,325,761	2,660,266	
Noncurrent assets:						
Restricted cash	4,813	-	-	4,813	4,951	
Investments	47,118	737	2,516,729	2,564,584	2,218,769	
Restricted investments - PAICE	127,542	-	-	127,542	204,708	
Other amounts receivable, net	141,922	36,874	-	178,796	136,996	
Other noncurrent assets	1,686,229	1,804	-	1,688,033	1,653,558	
Restricted other noncurrent assets - PAICE	6,954	-	-	6,954	8,015	
Amounts receivable - Special Project Bonds Projects	-	1,150,415	-	1,150,415	1,245,835	
Amounts receivable - Tower 4 Liberty Bonds	-	1,225,520	-	1,225,520	1,225,520	
Invested in facilities	-	62,883,408	-	62,883,408	59,548,616	
Total noncurrent assets	2,014,578	65,298,758	2,516,729	69,830,065	66,246,968	
Total assets	1,963,971	66,163,816	4,028,039	72,155,826	68,907,234	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension related amounts	277,938	-	-	277,938	276,586	
OPEB related amounts	141,943	-	-	141,943	169,257	
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	317,911	999,003	-	1,316,914	1,275,183	
Accrued interest and other current liabilities	504,280	4,105	-	508,385	551,986	
Restricted other liabilities - PAICE	8,866	-	-	8,866	7,630	
Accrued payroll and other employee benefits	500,945	-	-	500,945	659,044	
Unapplied Passenger Facility Charges	55,814	-	-	55,814	52,378	
Current portion bonds and other asset financing obligations	72,684	972,433	-	1,045,117	977,266	
Total current liabilities	1,460,500	1,975,541	-	3,436,041	3,523,487	
Noncurrent liabilities:						
Accrued pension and other postemployment benefits	1,538,117	-	-	1,538,117	1,891,329	
Other noncurrent liabilities	237,504	26,428	-	263,932	248,491	
Restricted other noncurrent liabilities - PAICE	41,001	-	-	41,001	43,304	
Amounts payable - Special Project Bonds	-	1,150,415	-	1,150,415	1,245,835	
Amounts payable - Tower 4 Liberty Bonds	-	1,225,520	-	1,225,520	1,225,520	
Bonds and other asset financing obligations	445,753	22,412,642	-	22,858,395	21,687,869	
Total noncurrent liabilities	2,262,375	24,815,005	-	27,077,380	26,342,348	
Total liabilities	3,722,875	26,790,546	-	30,513,421	29,865,835	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension related amounts	102,956	-	-	102,956	177,998	
OPEB related amounts	275,406	-	-	275,406	4,883	
<b>NET POSITION</b>	\$ (1,717,385)	\$ 39,373,270	\$ 4,028,039	\$ 41,683,924	\$ 39,304,361	
<b>Net position is comprised of:</b>						
Facility infrastructure investment	-	39,373,270	-	39,373,270	37,064,123	
Change in accounting principle	(1,717,385)	-	-	(1,717,385)	(1,735,762)	
Reserves	-	-	4,028,039	4,028,039	3,976,000	
<b>NET POSITION</b>	\$ (1,717,385)	\$ 39,373,270	\$ 4,028,039	\$ 41,683,924	\$ 39,304,361	

See Notes to Financial Statements.

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

	Year ended December 31, 2019			2018
	General Reserve Fund	Consolidated Bond Reserve Fund	Combined Total	Combined Total
	(In thousands)			
Balance, January 1	\$ 2,297,475	\$ 1,678,525	\$ 3,976,000	\$ 4,161,922
Increase in reserve funds *	90,768	1,664,022	1,754,790	1,697,522
	2,388,243	3,342,547	5,730,790	5,859,444
Applications:				
Repayment of special obligations	-	(81)	(81)	188
Interest on asset financing obligations	-	133,537	133,537	103,056
Debt retirement acceleration	-	-	-	8,300
Direct investment in facilities	-	1,550,920	1,550,920	1,771,900
Change in Accounting Principle	-	18,375	18,375	-
Total applications	-	1,702,751	1,702,751	1,883,444
<b>Balance, December 31</b>	\$ 2,388,243	\$ 1,639,796	\$ 4,028,039	\$ 3,976,000

\*Combined increase in reserve funds consists of "Transfers to reserves" from the operating fund totaling \$1.67 billion, plus financial income generated on reserve funds of \$80.7 million in 2019.

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## Statistical and Other Supplemental Information Section

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### STATISTICAL AND OTHER SUPPLEMENTAL INFORMATION

For the year ended December 31, 2019

The Statistical and Other Supplemental Information section presents additional information as a means to provide context to the information contained in the financial statements, note disclosures and schedules.

#### **Selected Statistical Financial Trends Data – Schedule D-1 (Pursuant to GAAP)**

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

#### **Selected Statistical Debt Service – Schedule D-2 (Pursuant to Port Authority bond resolutions)**

The Port Authority has several forms of outstanding financing obligations.

Information on Port Authority revenues, outstanding financing obligations, debt service, and reserves is included here for statistical purposes (more detailed information about the various kinds of debt instruments used by the Port Authority can be found in *Note D - Outstanding Financing Obligations*, and reserve funds are described in *Note E - General and Consolidated Bond Reserve Funds* to the financial statements). Debt limitations, including in some cases, limits on total authorized amounts or requirements for the issuance of additional bonds, may be found in the various resolutions establishing and authorizing such obligations.

#### **Selected Statistical Financial Data by Business Segment – Schedule D-3 (Pursuant to GAAP)**

Schedule provides information on gross operating revenues, operating expenses and capital investment, summarized by Port Authority business segments.

#### **Information on Port Authority Operations – Schedule E (Pursuant to GAAP)**

Detailed information on Port Authority's operating results including income from operations, non-operating expenses, net interest expense, capital contributions, and net income is provided on a Port Authority operating facility level.

#### **Information on Capital Investment in Port Authority Facilities – Schedule F (Pursuant to GAAP)**

Schedule provides information on capital investment, summarized by Port Authority operating facilities, including current year capital investment and depreciation.

#### **Port Authority Facility Traffic – Schedule G (Unaudited)**

This schedule provides comparative information on Port Authority facility traffic relative to vehicles, passengers, containers, cargo, waterborne vehicles and plane movements.

**Schedule D-1 - Selected Statistical Financial Trends Data (pursuant to GAAP)**

	2019	2018	2017 (Restated)	2016
	(In thousands)			
Revenues, Expenses and Changes in Net Position:				
Gross operating revenues:				
Tolls and fares	\$ 1,876,911	\$ 1,865,384	\$ 1,873,622	\$ 1,865,481
Rentals <sup>(a)</sup>	1,748,683	1,673,994	1,618,439	1,564,527
Aviation fees	1,287,263	1,192,454	1,128,352	1,112,436
Parking and other	408,609	384,088	377,421	399,178
Utilities	144,176	149,008	139,502	138,987
Rentals - Special Project Bonds Projects	74,073	79,080	83,053	86,755
<b>Gross operating revenues</b>	<b>5,539,715</b>	<b>5,344,008</b>	<b>5,220,389</b>	<b>5,167,364</b>
Operating expenses:				
Employee compensation, including benefits <sup>(d)</sup>	1,413,979	1,338,277	1,318,935	1,290,334
Contract services	1,046,216	934,821	880,331	852,926
Rents and amounts in-lieu-of taxes (PILOT)	388,462	396,048	390,576	352,293
Materials, equipment and other	315,676	298,121	252,533	264,977
Utilities	191,770	195,968	183,482	165,802
Interest on Special Project Bonds	74,073	79,080	83,053	86,755
<b>Operating expenses</b>	<b>3,430,176</b>	<b>3,242,315</b>	<b>3,108,910</b>	<b>3,013,087</b>
Net revenue/(expense) related to the events				
of September 11, 2001	-	-	-	-
Net revenue/(expense) related to the events				
of Superstorm Sandy	175,678	-	18,323	-
Depreciation of facilities	(1,420,696)	(1,329,283)	(1,231,139)	(1,173,747)
Amortization of costs for regional programs	(36,730)	(41,874)	(44,164)	(64,765)
<b>Income from operations <sup>(d)</sup></b>	<b>827,791</b>	<b>730,536</b>	<b>854,499</b>	<b>915,765</b>
Income on investments (including fair value adjustment) <sup>(b)</sup>	87,948	89,304	35,326	(3,974)
Interest expense on bonds and other asset financing <sup>(b)</sup>	(968,242)	(937,983)	(908,343)	(900,914)
Net gain/(loss) on disposition of assets	-	-	-	-
Pass-through grant program payments	(3,142)	(1,438)	(19,717)	(10,695)
4 WTC associated payments	65,293	65,293	65,293	41,521
Grants in connection with operating activities	25,665	24,006	39,845	64,315
Contributions in aid of construction	261,054	252,225	187,473	674,950
Passenger facility charges	292,568	286,395	275,785	264,363
1 WTC LLC/WTC Retail LLC insurance proceeds	-	-	-	-
<b>Increase in net position December 31, <sup>(d)</sup></b>	<b>\$ 588,935</b>	<b>\$ 508,338</b>	<b>\$ 530,161</b>	<b>\$ 1,045,331</b>
Net position is comprised of				
Net investment in capital assets	\$ 14,620,518	\$ 14,190,682	\$ 13,179,105	\$ 12,746,144
Restricted	550,736	500,610	760,912	567,443
Unrestricted <sup>(d)</sup>	1,296,075	1,187,102	1,430,039	3,261,307
<b>Net position December 31, <sup>(c)</sup></b>	<b>\$ 16,467,329</b>	<b>15,878,394</b>	<b>\$ 15,370,056</b>	<b>\$ 16,574,894</b>

(a) Commencing in 2014, Rentals include the recognition of unearned income related to the March 2014 transfer of the Port Authority's interests in the WTC Retail Joint Venture.

(b) For presentation purposes, amortization of bond premiums received at issuance for the years ended 2009 through 2016 have been reclassified from Income on investments to Interest expense on bonds and other asset financing.

(c) 2012 restated amounts include the cumulative impact of \$160 million related to the adoption of GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities*.

(d) 2017 restated amounts include the cumulative impact of \$1.7 billion related to the adoption of GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

See accompanying independent auditors' report.

	2015	2014	2013	2012 (Restated)	2011	2010
\$	1,718,770	\$ 1,553,625	\$ 1,462,957	\$ 1,337,372	\$ 1,148,061	\$ 1,069,785
	1,446,980	1,300,818	1,228,491	1,208,730	1,150,569	1,144,709
	1,063,902	1,058,416	934,459	904,666	895,356	872,774
	359,631	321,760	315,111	338,178	339,131	321,257
	144,580	149,052	139,835	152,945	154,810	154,041
	92,719	98,141	103,186	108,125	112,553	71,457
	<u>4,826,582</u>	<u>4,481,812</u>	<u>4,184,039</u>	<u>4,050,016</u>	<u>3,800,480</u>	<u>3,634,023</u>
	1,178,967	1,187,877	1,114,397	1,038,243	1,037,681	1,022,195
	833,903	797,516	684,411	749,106	726,883	630,438
	356,162	362,627	301,582	304,020	280,237	272,002
	252,071	277,174	220,859	215,937	219,183	418,639
	186,830	199,919	171,833	174,016	188,432	183,826
	92,719	98,141	103,186	108,125	112,553	71,457
	<u>2,900,652</u>	<u>2,923,254</u>	<u>2,596,268</u>	<u>2,589,447</u>	<u>2,564,969</u>	<u>2,598,557</u>
	-	-	-	-	-	53,051
	123	53,530	28,229	(30,000)	-	-
	(1,124,383)	(932,149)	(875,979)	(884,239)	(852,727)	(789,011)
	(64,665)	(64,484)	(64,275)	(77,719)	(77,537)	(76,504)
	<u>737,005</u>	<u>615,455</u>	<u>675,746</u>	<u>468,611</u>	<u>305,247</u>	<u>223,002</u>
	4,215	20,060	(2,714)	29,161	(53,227)	(762)
	(882,840)	(648,204)	(612,031)	(647,813)	(552,781)	(496,410)
	-	19,043	4,423	(4)	-	-
	(51,429)	(107,606)	(176,848)	(56,446)	(11,507)	(2,166)
	36,766	6,128	36,660	65,293	8,343	-
	101,074	207,898	188,409	52,161	23,727	11,708
	586,295	700,267	689,898	997,441	767,010	358,268
	248,707	233,172	224,301	222,614	214,456	210,387
	-	-	-	3,525	-	42,814
\$	<u>779,793</u>	<u>\$ 1,046,213</u>	<u>\$ 1,027,844</u>	<u>\$ 1,134,543</u>	<u>\$ 701,268</u>	<u>\$ 346,841</u>
\$	11,810,573	\$ 10,402,894	\$ 9,442,138	\$ 9,273,213	\$ 10,020,306	\$ 9,200,077
	456,429	470,857	454,467	392,389	294,460	222,871
	3,262,561	3,900,789	3,831,722	3,034,881	1,411,125	1,601,675
\$	<u>15,529,563</u>	<u>\$ 14,774,540</u>	<u>\$ 13,728,327</u>	<u>\$ 12,700,483</u>	<u>\$ 11,725,891</u>	<u>\$ 11,024,623</u>

**Schedule D-2 - Selected Statistical Debt Service Data (Pursuant to Port Authority bond resolutions)**

	2019	2018	2017	2016
	(In thousands)			
Gross Operating Revenues*	\$ 5,530,455	\$ 5,334,748	\$ 5,211,129	\$ 5,158,795
Operating expenses	(3,430,176)	(3,242,315)	(3,132,918)	(3,013,087)
Net revenue/(expense) related to the events of September 11, 2001	-	-	-	-
Operating and maintenance contingencies	-	-	-	-
Net revenue/(expense) related to Superstorm Sandy	175,678	-	18,323	-
Amounts in connection with operating asset obligations	(9,529)	(12,921)	(16,050)	(18,871)
Net operating revenues	2,266,428	2,079,512	2,080,484	2,126,837
Financial income	87,440	86,250	33,574	(4,784)
Grants and contributions in aid of construction, net	252,765	220,741	193,381	347,390
Application of WTC Retail Joint Venture Payments*	-	-	-	77,869
Application of Passenger Facility Charges	289,639	433,326	285,335	229,921
Application of 4 WTC associated payments	65,293	65,293	65,293	41,520
Application of 1WTC LLC/WTC LLC Retail insurance proceeds	-	-	-	-
Restricted Net Revenues - PAICE	-	-	-	-
Net revenues available for debt service and reserves (a)	2,961,565	2,885,122	2,658,067	2,818,753
<b>DEBT SERVICE - OPERATIONS</b>				
Interest on bonds and other asset financing obligations (b)	(872,275)	(868,510)	(858,694)	(824,586)
Times, interest earned (a/b)	3.40	3.32	3.10	3.42
Debt maturities and retirements (c)	(334,500)	(319,090)	(300,905)	(268,520)
Times, debt service earned [a/(b+c)]	2.45	2.43	2.29	2.58
<b>APPLICATION OF RESERVES</b>				
Direct investment in facilities	(1,550,920)	(1,771,900)	(1,623,347)	(1,132,915)
Debt retirement acceleration	-	(8,300)	-	-
Appropriations for self-insurance and changes in accounting principles	(18,375)	-	-	-
Interest on bonds and other asset financing obligations	(133,537)	(103,056)	(69,570)	(81,601)
Repayment of asset financing obligations	81	(188)	(1,276)	6,669
Acceleration of unamortized brokerage commissions	-	-	-	-
Net increase/(decrease) in reserves	52,039	(185,922)	(195,725)	517,800
<b>RESERVE BALANCES</b>				
January 1	3,976,000	4,161,922	4,357,647	3,839,847
December 31	4,028,039	3,976,000	4,161,922	4,357,647
Reserve funds balances represented by:				
General Reserve	2,388,243	2,297,475	2,297,475	2,297,475
Consolidated Bond Reserve	1,639,796	1,678,525	1,864,447	2,060,172
Total	\$ 4,028,039	\$ 3,976,000	\$ 4,161,922	\$ 4,357,647
<b>FINANCING OBLIGATIONS AT DECEMBER 31 (at par value)</b>				
Consolidated Bonds and Notes	\$ 22,161,860	\$ 20,898,775	\$ 20,672,365	\$ 20,429,565
Fund for regional development buy-out obligation	100,258	143,939	184,230	221,393
MOTBY obligation	48,711	51,032	53,237	55,332
Amounts payable - Special Project Bonds	1,150,415	1,245,835	1,327,680	1,391,170
Variable rate master notes	69,600	69,600	77,900	77,900
Commercial paper obligations	500,565	480,765	464,615	388,315
Versatile structure obligations	-	-	-	-
Port Authority equipment notes	-	-	-	-
Tower 4 Liberty Bonds	1,225,520	1,225,520	1,225,520	1,225,520
Goethals Bridge Replacement Developer Financing Arrangement	1,022,518	1,021,023	934,198	744,401
Total financing obligations	\$ 26,279,447	\$ 25,136,489	\$ 24,939,745	\$ 24,533,596

\* Commencing in 2014, Gross operating revenues exclude the recognition of unearned income related to the March 2014 transfer of the Port Authority interests in the WTC Retail Joint Venture. For bond resolution financial reporting, amounts due the Port Authority related to this transfer are recognized in their entirety in the year in which they are received.

Note: This selected financial data is prepared primarily from information contained in Schedules A, B and C and is presented for general information only and is not intended to reflect the specific applications of the revenues and reserves of the Port Authority, which are governed by statutes and its bond resolutions.

	2015	2014	2013	2012	2011	2010
\$	4,818,831	\$ 4,475,193	\$ 4,184,039	\$ 4,050,016	\$ 3,800,480	\$ 3,634,023
	(2,900,652)	(2,923,254)	(2,596,268)	(2,589,447)	(2,564,969)	(2,598,557)
	-	-	-	-	-	53,051
	(50,000)	-	-	-	-	-
	123	53,530	28,229	(30,000)	-	-
	(21,387)	(23,734)	(25,908)	(27,956)	(29,580)	(46,561)
	1,846,915	1,581,735	1,590,092	1,402,613	1,205,931	1,041,956
	4,080	14,687	(2,964)	29,121	(53,270)	(900)
	321,980	565,444	540,746	565,976	499,516	367,810
	66,963	652,104	-	-	-	-
	273,721	221,156	175,421	110,015	215,645	207,122
	36,766	6,128	36,660	65,293	8,343	-
	-	-	-	17,962	57,340	61,468
	-	-	4,305	2,710	644	(102)
	2,550,425	3,041,254	2,344,260	2,193,690	1,934,149	1,677,354
	(810,356)	(635,262)	(556,824)	(539,436)	(480,623)	(436,622)
	3.15	4.79	4.21	4.07	4.02	3.84
	(259,315)	(226,205)	(204,000)	(169,770)	(140,390)	(178,095)
	2.38	3.53	3.08	3.09	3.11	2.73
	(1,949,785)	(1,473,432)	(1,059,756)	(691,079)	(742,001)	(1,375,008)
	-	-	-	(54,635)	(6,100)	-
	-	28,100	10,414	37,547	1,949	(3,971)
	(66,461)	(11,542)	(38,689)	(87,764)	(37,702)	(7,580)
	(51,928)	(105,562)	(15,701)	(16,514)	(20,258)	(30,062)
	-	-	(46,863)	-	-	-
	(587,420)	617,351	432,841	672,039	509,024	(353,984)
	4,427,267	3,809,916	3,377,075	2,705,036	2,196,012	2,549,996
	3,839,847	4,427,267	3,809,916	3,377,075	\$ 2,705,036	\$ 2,196,012
	2,297,475	2,131,711	2,029,051	2,026,605	1,783,370	1,584,955
	1,542,372	2,295,556	1,780,865	1,350,470	921,666	611,057
\$	3,839,847	\$ 4,427,267	\$ 3,809,916	\$ 3,377,075	\$ 2,705,036	\$ 2,196,012
\$	21,019,925	\$ 19,229,020	\$ 18,212,063	\$ 18,076,497	\$ 15,550,039	\$ 13,340,378
	253,732	283,562	311,077	336,453	359,859	373,707
	44,383	48,254	52,329	78,060	105,141	138,396
	1,451,170	1,530,510	1,605,515	1,675,825	1,741,440	1,803,145
	77,900	77,900	77,900	77,900	77,900	77,900
	425,760	448,185	348,110	384,625	396,155	354,280
	-	-	-	-	-	175,200
	-	31,500	46,925	49,565	68,160	98,645
	1,225,520	1,225,520	1,225,520	1,225,520	1,225,520	-
	430,800	210,316	-	-	-	-
\$	24,929,190	\$ 23,084,767	\$ 21,879,439	\$ 21,904,445	\$ 19,524,214	\$ 16,361,651

**Schedule D-3 Selected Statistical Financial Data by Business Segment (pursuant to GAAP)**

	2019	2018	2017 (Restated)	2016
				(In thousands)
<b>Gross Operating Revenues:</b>				
Tunnels, Bridges and Terminals	\$ 1,740,044	\$ 1,737,458	\$ 1,739,552	\$ 1,742,028
PATH	210,610	203,800	202,880	191,261
Port	322,061	310,637	295,651	300,569
Aviation	2,913,161	2,762,279	2,682,523	2,646,213
Development	24,380	25,632	24,967	25,956
World Trade Center	329,212	303,995	274,029	260,655
Other <sup>(a)</sup>	247	207	787	682
<b>Total</b>	<b>\$ 5,539,715</b>	<b>\$ 5,344,008</b>	<b>\$ 5,220,389</b>	<b>\$ 5,167,364</b>

**Operating Expenses: <sup>(b)</sup>**

Tunnels, Bridges and Terminals	\$ 553,759	\$ 524,212	\$ 525,862	\$ 509,529
PATH	457,515	447,552	423,384	415,251
Port	174,213	166,405	160,495	167,724
Aviation	1,886,112	1,754,801	1,693,563	1,612,470
Development	11,475	11,786	12,399	10,853
World Trade Center	346,535	333,848	312,242	293,864
Other <sup>(c) (f)</sup>	567	3,711	(19,035)	3,396
<b>Total</b>	<b>\$ 3,430,176</b>	<b>\$ 3,242,315</b>	<b>\$ 3,108,910</b>	<b>\$ 3,013,087</b>

**Capital Investment: <sup>(d)</sup>**

Tunnels, Bridges and Terminals	\$ 697,449	\$ 931,539	\$ 885,311	\$ 1,179,307
PATH (including WTC Transportation Hub)	358,166	340,635	274,429	454,031
Port	120,019	146,153	106,455	133,874
Aviation <sup>(g)</sup>	1,588,820	989,693	772,520	584,996
Development	111	3,682	893	1,569
World Trade Center	266,795	314,472	311,122	846,597
Other <sup>(e)</sup>	6,307	39,547	150,409	290
<b>Total</b>	<b>\$ 3,037,667</b>	<b>\$ 2,765,720</b>	<b>\$ 2,501,139</b>	<b>\$ 3,200,664</b>

<sup>(a)</sup> Includes Ferry Transportation, Access to the Regions Core, Moynihan Station Transportation Program, and Regional Facilities and Programs.

<sup>(b)</sup> Amounts include all direct and allocated operating expenses.

<sup>(c)</sup> Includes Ferry Transportation, Access to the Regions Core, Regional Facilities and Programs, Moynihan Station Transportation Program and administrative expenses related to PAICE.

<sup>(d)</sup> Capital investment includes contributed capital amounts and write-offs related to capital construction.

<sup>(e)</sup> Includes Ferry Transportation, Access to the Regions Core, Regional Facilities and Programs, Moynihan Station Transportation Program, and Gateway Early Work Program.

<sup>(f)</sup> 2017 restated amount includes \$ (24) million related to the adoption of GASB Statement No. 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*.

<sup>(g)</sup> Excludes landlord leasehold capital improvements related to LGA Terminal B of \$297 million in 2019, \$289 million in 2018 and \$163 million in 2017, respectively.

See accompanying independent auditors' report.

2015	2014	2013	2012	2011	2010
\$ 1,599,575	\$ 1,447,896	\$ 1,369,559	\$ 1,258,125	\$ 1,078,977	\$ 1,009,891
184,560	168,668	150,604	134,382	121,102	109,704
270,263	248,443	262,526	249,609	236,461	223,095
2,537,233	2,479,106	2,321,300	2,276,018	2,221,157	2,124,955
26,561	51,077	29,492	87,521	100,800	89,457
207,634	85,942	50,087	44,107	41,816	76,704
756	680	471	254	167	217
<u>\$ 4,826,582</u>	<u>\$ 4,481,812</u>	<u>\$ 4,184,039</u>	<u>\$ 4,050,016</u>	<u>\$ 3,800,480</u>	<u>\$ 3,634,023</u>

\$ 499,873	\$ 510,383	\$ 493,429	\$ 468,263	\$ 460,960	\$ 437,775
389,276	401,273	338,926	329,663	322,133	385,686
175,976	172,545	176,459	190,043	185,053	163,424
1,557,926	1,623,190	1,466,692	1,410,070	1,385,582	1,317,749
13,659	15,737	15,497	79,620	82,637	77,200
258,748	192,789	94,312	76,149	106,277	116,797
5,194	7,337	10,953	35,639	22,327	99,926
<u>\$ 2,900,652</u>	<u>\$ 2,923,254</u>	<u>\$ 2,596,268</u>	<u>\$ 2,589,447</u>	<u>\$ 2,564,969</u>	<u>\$ 2,598,557</u>

\$ 956,231	\$ 961,854	\$ 413,946	\$ 233,637	\$ 168,759	\$ 149,803
268,428	512,415	559,104	743,136	720,797	752,486
93,729	210,496	180,760	184,750	228,747	302,858
791,805	715,456	468,319	351,535	243,995	518,545
2,110	1,977	527	140	(26,556)	29,297
904,787	1,674,030	1,373,328	1,802,009	2,087,741	1,091,464
3,144	3,822	3,221	6,767	9,464	133,229
<u>\$ 3,020,234</u>	<u>\$ 4,080,050</u>	<u>\$ 2,999,205</u>	<u>\$ 3,321,974</u>	<u>\$ 3,432,947</u>	<u>\$ 2,977,682</u>

Schedule E - Information on Port Authority Operations

	Year ended December 31, 2019							2018
	Gross Operating Revenues	Operating Expenses <sup>(a)</sup>	Depreciation & Amortization	Income (Loss) from Operations	Interest, Grants & Other Expenses <sup>(b)</sup>	Capital Contributions & PFCs	Increase/ (Decrease) in Net Position	Increase/ (Decrease) in Net Position
(In thousands)								
<b>INTERSTATE TRANSPORTATION NETWORK</b>								
George Washington Bridge & Bus Station	\$ 795,128	\$ 148,664	\$ 56,144	\$ 590,320	\$ 25,161	\$ -	\$ 565,159	\$ 596,799
Holland Tunnel	197,934	82,082	22,801	93,051	10,082	5,036	88,005	79,740
Lincoln Tunnel	252,182	117,969	81,110	53,103	47,709	2,358	7,752	42,154
Bayonne Bridge	38,569	16,583	33,035	(11,049)	53,302	-	(64,351)	(40,304)
Goethals Bridge	241,792	38,902	40,624	162,266	109,806	-	52,460	103,462
Overbridge Crossing	165,451	26,952	7,095	131,404	2,296	-	129,108	136,061
Port Authority Bus Terminal	48,988	122,607	30,632	(104,251)	10,236	-	(114,487)	(117,729)
Subtotal - Tunnels, Bridges & Terminals	1,740,044	553,759	271,441	914,844	258,592	7,394	663,646	800,183
PATH	204,677	429,044	121,424	(345,791)	166,761	106,461	(406,091)	(496,576)
WTC Transportation Hub	-	14,519	75,407	(89,926)	-	-	(89,926)	(87,627)
Journal Square Transportation Center	5,933	13,952	4,709	(12,728)	1,006	-	(13,734)	(15,141)
Subtotal - PATH	210,610	457,515	201,540	(448,445)	167,767	106,461	(509,751)	(599,344)
Ferry Transportation	247	283	5,314	(5,350)	3,029	-	(8,379)	(8,995)
Access to the Regions Core (ARC)	-	248	10,115	(10,363)	1,180	-	(11,543)	(13,983)
Moynihan Station Transportation Program	-	36	10,000	(10,036)	4,842	-	(14,878)	(13,534)
Gateway Early Work Program	-	-	-	-	-	-	-	-
Total Interstate Transportation Network	1,950,901	1,011,841	498,410	440,650	435,410	113,855	119,095	164,327
<b>AVIATION</b>								
LaGuardia <sup>(c)</sup>	429,046	370,045	124,009	(65,008)	35,260	75,846	(24,422)	(14,537)
JFK International <sup>(c)</sup>	1,367,791	863,504	205,915	298,372	61,495	172,743	409,620	366,090
Newark Liberty International <sup>(c)</sup>	1,052,070	591,802	148,539	311,729	48,701	105,453	368,481	379,534
Teterboro	52,987	38,082	14,454	451	4,902	6,535	2,084	(286)
New York Stewart International <sup>(c)</sup>	11,267	22,679	9,369	(20,781)	3,751	4,853	(19,679)	(25,990)
Total Aviation	2,913,161	1,886,112	502,286	524,763	154,109	365,430	736,084	704,811
<b>PORT</b>								
Port Newark	99,017	82,180	35,868	(19,031)	23,186	2,563	(39,654)	(49,990)
Elizabeth Port Authority Marine Terminal	161,648	22,862	30,885	107,901	27,286	60	80,675	77,139
Brooklyn Port Authority Marine Terminal	7,397	11,917	2,548	(7,068)	1,888	813	(8,143)	(4,114)
└Red Hook Terminal	757	5,098	62	(4,403)	(11)	-	(4,392)	(4,823)
Howland Hook Marine Terminal	17,406	22,233	18,650	(23,477)	11,281	10,194	(24,564)	(22,391)
Greenville Yard Port Authority Marine Terminal	892	129	-	763	(3)	-	766	863
└NYNJ Rail LLC	6,185	7,268	1,618	(2,701)	510	8,420	5,209	20,138
Port Jersey - Port Authority Marine Terminal	28,759	22,526	11,475	(5,242)	13,880	557	(18,565)	(3,415)
Total Port	322,061	174,213	101,106	46,742	78,017	22,607	(8,668)	13,407
<b>DEVELOPMENT</b>								
Essex County Resource Recovery Facility	7	107	-	(100)	215	-	(315)	(239)
Industrial Park at Elizabeth	1,223	127	249	847	180	-	667	731
Bathgate Industrial Park	4,100	2,107	2,105	(112)	82	-	(194)	712
Teleport	9,301	8,782	1,873	(1,354)	219	-	(1,573)	(573)
Newark Legal & Communications Center	54	44	-	10	-	-	10	(26)
Queens West Waterfront Development	1,426	-	576	850	1,027	-	(177)	(440)
Hoboken South Waterfront Development	8,269	308	2,515	5,446	1,742	-	3,704	3,026
Total Development	24,380	11,475	7,318	5,587	3,465	-	2,122	3,191
<b>WORLD TRADE CENTER</b>								
WTC Campus	4,449	149,806	93,353	(238,710)	(4,868)	51,728	(182,114)	(182,235)
One World Trade Center	221,783	138,568	97,392	(14,177)	109,994	-	(124,171)	(132,305)
WTC Towers 2, 3 & 4	54,931	30,502	78,041	(53,612)	-	-	(53,612)	3,023
WTC Tower 7	24,505	18,536	-	5,969	-	-	5,969	3,664
WTC Retail	23,544	9,123	42,790	(28,369)	2,863	2	(31,230)	(11,769)
Total World Trade Center	329,212	346,535	311,576	(328,899)	107,989	51,730	(385,158)	(319,622)
Port Authority Insurance Captive Entity, LLC	-	-	-	-	-	-	-	3,383
Regional Facilities and Programs	-	-	36,730	(36,730)	13,488	-	(50,218)	(61,159)
Net Revenues related to Superstorm Sandy	-	-	-	175,678	-	-	175,678	-
<b>Total Port Authority</b>	<b>\$ 5,539,715</b>	<b>\$ 3,430,176</b>	<b>\$ 1,457,426</b>	<b>\$ 827,791</b>	<b>\$ 792,478</b>	<b>\$ 553,622</b>	<b>\$ 588,935</b>	<b>\$ 508,338</b>

<sup>(a)</sup> Amounts include all direct and allocated operating expenses.

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

<sup>(c)</sup> Facility amounts include Passenger Facility Charge activities.

## Schedule F - Information on Capital Investment in Port Authority Facilities

	Facilities, net Dec. 31, 2018	Capital Investment <sup>(a)</sup>	Depreciation	Dispositions	Facilities, net Dec. 31, 2019
	(In thousands)				
<b>INTERSTATE TRANSPORTATION NETWORK</b>					
George Washington Bridge & Bus Station	\$ 1,214,359	\$ 196,087	\$ 56,144	\$ -	\$ 1,354,302
Holland Tunnel	467,418	59,309	22,801	-	503,926
Lincoln Tunnel	1,572,716	205,929	81,110	-	1,697,535
Bayonne Bridge	1,546,969	95,071	33,035	-	1,609,005
Goethals Bridge	1,526,944	43,813	40,624	-	1,530,133
Outerbridge Crossing	96,616	37,893	7,095	-	127,414
Port Authority Bus Terminal	540,314	59,347	30,632	-	569,029
Subtotal - Tunnels, Bridges & Terminals	6,965,336	697,449	271,441	-	7,391,344
PATH	2,767,907	329,996	121,424	-	2,976,479
WTC Transportation HUB	3,466,030	23,748	75,407	-	3,414,371
Journal Square Transportation Center	63,961	4,422	4,709	-	63,674
Subtotal - PATH	6,297,898	358,166	201,540	-	6,454,524
Ferry Transportation	93,183	73	5,314	-	87,942
Access to the Region's Core (ARC)	47,928	-	10,115	-	37,813
Moynihan Station Transportation Program	139,128	-	10,000	-	129,128
Gateway Early Work Program	37,810	6,234	-	-	44,044
Total Interstate Transportation Network	13,581,283	1,061,922	498,410	-	14,144,795
<b>AVIATION <sup>(b)</sup></b>					
LaGuardia <sup>(c)</sup>	2,371,721	435,052	124,009	-	2,682,764
JFK International	3,531,378	399,140	205,914	-	3,724,604
Newark Liberty International	2,680,366	719,703	148,539	-	3,251,530
Teterboro	214,166	21,018	14,454	-	220,730
New York Stewart International	149,393	13,907	9,369	-	153,931
Total Aviation	8,947,024	1,588,820	502,285	-	10,033,559
<b>PORT</b>					
Port Newark	807,699	17,771	35,868	-	789,602
Elizabeth Port Authority Marine Terminal	970,396	2,668	30,885	-	942,179
Brooklyn Port Authority Marine Terminal / Red Hook Terminal	73,469	4,576	2,610	-	75,435
Howland Hook Marine Terminal	465,315	22,726	18,650	-	469,391
Greenville Yard Port Authority Marine Terminal / NY NJ Rail LLC	140,594	28,518	1,618	-	167,494
Port Jersey-Port Authority Marine Terminal	464,201	43,760	11,475	-	496,486
Total Port	2,921,674	120,019	101,106	-	2,940,587
<b>DEVELOPMENT</b>					
Essex County Resource Recovery Facility	5,805	-	-	-	5,805
Industrial Park at Elizabeth	5,287	-	251	-	5,036
Bathgate Industrial Park	3,359	-	2,105	-	1,254
Teleport	8,163	111	1,872	-	6,402
Queens West Waterfront Development	84,196	-	576	-	83,620
Hoboken South Waterfront Development	61,141	-	2,515	-	58,626
Total Development	167,951	111	7,319	-	160,743
<b>WORLD TRADE CENTER</b>					
WTC Campus <sup>(c)</sup>	3,871,906	145,523	93,352	-	3,924,077
One World Trade Center	3,327,811	39,209	97,392	-	3,269,628
WTC Towers 2, 3 & 4 <sup>(d)</sup>	2,849,822	25,348	78,042	-	2,797,128
WTC Retail	1,732,543	56,715	42,790	-	1,746,468
Total World Trade Center	11,782,082	266,795	311,576	-	11,737,301
<b>FACILITIES, net</b>	<b>\$ 37,400,013</b>	<b>\$ 3,037,667</b>	<b>\$ 1,420,696</b>	<b>\$ -</b>	<b>\$ 39,016,984</b>
<b>REGIONAL FACILITIES &amp; PROGRAMS</b>	<b>\$ 130,186</b>	<b>\$ -</b>	<b>\$ 36,730</b>	<b>\$ -</b>	<b>\$ 93,456</b>

<sup>(a)</sup> Capital investment includes contributed capital amounts and write-offs related to capital construction.

<sup>(b)</sup> Facility capital investment amounts include projects funded with Passenger Facility Charges.

<sup>(c)</sup> Capital investment includes campus wide infrastructure primarily related to utilities, roadways, WTC Memorial, WTC Vehicular Security Center and the WTC Chiller Plant.

<sup>(d)</sup> Includes WTC net lessee required capital contributions related to the construction of WTC Tower 2, 3 and 4.

<sup>(e)</sup> Excludes landlord leasehold capital improvements related to LGA Terminal B of \$297 million.

Schedule G - Port Authority Facility Traffic (Unaudited)\*

	2019	2018	2017	2016
<b>AUTOMOBILES</b>				
George Washington Bridge	47,809,000	47,264,000	47,594,000	47,497,000
Lincoln Tunnel	15,317,000	15,742,000	15,841,000	15,993,000
Holland Tunnel	15,033,000	14,460,000	14,247,000	14,727,000
Staten Island Bridges	33,636,000	32,373,000	31,430,000	30,303,000
<b>Subtotal Automobiles</b>	<b>111,795,000</b>	<b>109,839,000</b>	<b>109,112,000</b>	<b>108,520,000</b>
<b>BUSES</b>				
George Washington Bridge	428,000	448,000	442,000	440,000
Lincoln Tunnel	2,186,000	2,170,000	2,161,000	2,164,000
Holland Tunnel	159,000	168,000	179,000	191,000
Staten Island Bridges	167,000	186,000	180,000	177,000
<b>Subtotal Buses</b>	<b>2,940,000</b>	<b>2,972,000</b>	<b>2,962,000</b>	<b>2,972,000</b>
<b>TRUCKS</b>				
George Washington Bridge	3,724,000	3,792,000	3,684,000	3,692,000
Lincoln Tunnel	1,031,000	1,048,000	1,037,000	1,055,000
Holland Tunnel	443,000	443,000	446,000	447,000
Staten Island Bridges	2,295,000	2,163,000	2,153,000	2,085,000
<b>Subtotal Trucks</b>	<b>7,493,000</b>	<b>7,446,000</b>	<b>7,320,000</b>	<b>7,279,000</b>
<b>TOTAL VEHICLES</b>				
George Washington Bridge	51,961,000	51,504,000	51,720,000	51,629,000
Lincoln Tunnel	18,534,000	18,960,000	19,039,000	19,212,000
Holland Tunnel	15,635,000	15,071,000	14,872,000	15,365,000
Staten Island Bridges	36,098,000	34,722,000	33,763,000	32,565,000
<b>Subtotal Vehicles</b>	<b>122,228,000</b>	<b>120,257,000</b>	<b>119,394,000</b>	<b>118,771,000</b>
<b>PATH</b>				
Total passengers	82,219,587	81,733,402	82,812,915	78,553,560
Passenger weekday average	284,380	280,860	283,719	269,081
<b>MARINE TERMINALS</b>				
General cargo <sup>(a)</sup> (Metric tons)	41,090,000	37,577,000	35,450,000	32,556,203
Containers (in twenty foot equivalent units)	7,471,131	7,179,788	6,710,817	6,251,953
International waterborne vehicles	565,179	573,035	577,223	505,150
Waterborne bulk commodities (in metric tons)	3,245,536	3,686,686	3,975,000	3,212,603
<b>CONTAINERS</b>				
New Jersey Marine Terminals	3,950,890	3,828,434	3,599,514	3,416,144
New York Marine Terminals	287,217	267,020	246,910	186,364
<b>Subtotal Containers</b>	<b>4,238,107</b>	<b>4,095,454</b>	<b>3,846,424</b>	<b>3,602,508</b>
<b>BUS TERMINALS</b>				
<b>BUS DEPARTURES</b>				
Port Authority Bus Terminal	1,190,000	1,203,000	1,199,000	1,193,000
George Washington Bridge Bus Station	166,000	171,000	172,000	172,000
PATH Journal Square Transportation Center Bus Station	482,725	479,960	478,900	478,640
<b>Total Departures</b>	<b>1,838,725</b>	<b>1,853,960</b>	<b>1,849,900</b>	<b>1,843,640</b>
<b>AVIATION</b>				
<b>PLANE MOVEMENTS</b>				
John F. Kennedy International Airport	456,060	455,495	448,366	448,753
LaGuardia Airport	373,356	371,905	369,152	369,987
Newark Liberty International Airport	446,320	453,377	438,578	431,594
New York Stewart International Airport	33,340	32,542	34,787	37,295
<b>Subtotal Plane Movements</b>	<b>1,309,076</b>	<b>1,313,319</b>	<b>1,290,883</b>	<b>1,287,629</b>
<b>DOMESTIC PASSENGERS</b>				
John F. Kennedy International Airport	28,233,791	28,117,337	26,961,081	27,245,463
LaGuardia Airport	28,875,041	27,857,697	27,474,292	27,996,763
Newark Liberty International Airport	32,004,140	31,730,735	30,330,568	27,995,353
New York Stewart International Airport	369,954	366,130	307,621	275,421
<b>Subtotal Domestic Passengers</b>	<b>89,482,926</b>	<b>88,071,899</b>	<b>85,073,562</b>	<b>83,513,000</b>
<b>INTERNATIONAL PASSENGERS</b>				
John F. Kennedy International Airport	34,317,281	33,518,898	32,518,263	31,693,184
LaGuardia Airport	2,209,853	2,224,430	2,087,936	1,790,006
Newark Liberty International Airport	14,332,312	14,128,785	12,891,846	12,324,428
New York Stewart International Airport	159,591	324,281	141,077	-
<b>Subtotal International Passengers</b>	<b>51,019,037</b>	<b>50,196,394</b>	<b>47,639,122</b>	<b>45,807,618</b>
<b>TOTAL PASSENGERS</b>				
John F. Kennedy International Airport	62,551,072	61,636,235	59,479,344	58,938,647
LaGuardia Airport	31,084,894	30,082,127	29,562,228	29,786,769
Newark Liberty International Airport	46,336,452	45,859,520	43,222,414	40,319,781
New York Stewart International Airport	529,545	690,411	448,698	275,421
<b>Subtotal Passengers</b>	<b>140,501,963</b>	<b>138,268,293</b>	<b>132,712,684</b>	<b>129,320,618</b>
<b>CARGO-TONS</b>				
John F. Kennedy International Airport	1,336,520	1,422,160	1,394,509	1,311,191
LaGuardia Airport	6,376	5,996	6,878	7,586
Newark Liberty International Airport	824,932	848,161	822,589	746,770
New York Stewart International Airport	22,674	22,808	20,834	18,729
<b>Subtotal Cargo-tons</b>	<b>2,190,502</b>	<b>2,299,125</b>	<b>2,244,810</b>	<b>2,084,276</b>
<b>Revenue mail-tons</b>	<b>178,346</b>	<b>154,244</b>	<b>153,733</b>	<b>140,418</b>

\* Certain 2019 and 2018 numbers reflect estimated data based on available year-end information and are subject to revision.  
(a) International oceanborne general and bulk cargo as recorded in the New York - New Jersey Customs District.

See accompanying independent auditors' report.

2015	2014	2013	2012	2011	2010
46,361,000	45,136,000	45,364,000	45,042,000	46,116,000	46,954,000
15,706,000	15,597,000	15,580,000	15,909,000	16,644,000	17,034,000
14,763,000	14,915,000	15,511,000	15,489,000	15,968,000	16,460,000
28,883,000	28,317,000	28,997,000	29,455,000	29,700,000	30,034,000
105,713,000	103,965,000	105,452,000	105,895,000	108,428,000	110,482,000
429,000	426,000	429,000	430,000	487,000	514,000
2,165,000	2,151,000	2,128,000	2,106,000	2,156,000	2,139,000
199,000	209,000	220,000	234,000	268,000	265,000
176,000	172,000	171,000	187,000	200,000	204,000
2,969,000	2,958,000	2,948,000	2,957,000	3,111,000	3,122,000
3,666,000	3,475,000	3,609,000	3,639,000	3,794,000	3,763,000
1,061,000	1,043,000	1,038,000	1,000,000	1,029,000	1,041,000
447,000	446,000	427,000	395,000	354,000	312,000
2,091,000	2,131,000	2,214,000	2,367,000	2,434,000	2,486,000
7,265,000	7,095,000	7,288,000	7,401,000	7,611,000	7,602,000
50,456,000	49,037,000	49,402,000	49,111,000	50,397,000	51,231,000
18,932,000	18,791,000	18,746,000	19,015,000	19,829,000	20,214,000
15,409,000	15,570,000	16,158,000	16,118,000	16,590,000	17,037,000
31,150,000	30,620,000	31,382,000	32,009,000	32,334,000	32,724,000
115,947,000	114,018,000	115,688,000	116,253,000	119,150,000	121,206,000
76,541,453	73,679,425	72,748,729	72,563,052	76,555,644	73,911,000
258,425	250,071	244,484	241,725	256,186	246,890
36,781,069	35,370,355	34,059,540	34,322,209	33,896,217	32,170,041
6,371,720	5,772,303	5,467,347	5,529,908	5,503,485	5,292,020
477,170	393,391	452,778	426,943	387,656	493,245
5,050,519	5,042,690	3,732,292	3,240,189	3,885,614	3,192,132
3,427,226	3,098,049	2,895,769	2,782,059	2,652,744	2,500,503
236,787	244,237	274,066	428,750	544,272	575,892
3,664,013	3,342,286	3,169,835	3,210,809	3,197,016	3,076,395
1,179,000	1,166,000	1,155,000	1,127,000	1,132,000	1,117,000
170,000	168,000	167,000	163,000	153,000	150,000
478,560	470,060	469,900	469,304	407,200	409,150
1,827,560	1,804,060	1,791,900	1,759,304	1,692,200	1,676,150
439,298	423,421	406,181	401,728	408,730	396,912
358,609	360,834	370,861	369,989	365,870	361,616
413,873	396,386	413,774	414,127	410,024	409,321
37,834	36,881	38,905	42,123	46,530	47,032
1,249,614	1,217,522	1,229,721	1,227,967	1,231,154	1,214,881
26,806,854	25,021,432	23,913,096	24,217,083	23,757,976	23,404,277
26,684,923	25,157,202	24,953,572	24,274,029	23,086,756	22,950,115
25,693,128	23,762,627	23,716,837	22,836,683	22,189,669	21,716,886
281,754	309,357	320,682	364,848	412,053	395,244
79,466,659	74,250,618	72,904,187	71,692,643	69,446,454	68,466,522
30,079,898	28,198,994	26,541,183	25,057,093	23,886,084	23,109,877
1,752,745	1,814,893	1,727,528	1,433,755	1,035,722	1,032,967
11,805,317	11,848,060	11,299,399	11,147,344	11,509,823	11,477,304
-	-	-	-	1,601.00	-
43,637,960	41,861,947	39,568,110	37,638,192	36,433,230	35,620,148
56,886,752	53,220,426	50,454,279	49,274,176	47,644,060	46,514,154
28,437,668	26,972,095	26,681,100	25,707,784	24,122,478	23,983,082
37,498,445	35,610,687	35,016,236	33,984,027	33,699,492	33,194,190
281,754	309,357	320,682	364,848	413,654	395,244
123,104,619	116,112,565	112,472,297	109,330,835	105,879,684	104,086,670
1,332,091	1,343,855	1,321,035	1,319,226	1,382,949	1,392,866
7,721	7,140	6,720	7,009	7,390	7,516
405,214	666,840	663,155	742,898	812,341	860,970
15,144	15,227	17,490	18,781	16,263	12,934
1,760,170	2,033,062	2,008,400	2,087,914	2,218,943	2,274,286
126,026	112,524	158,778	174,242	184,696	185,681





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