

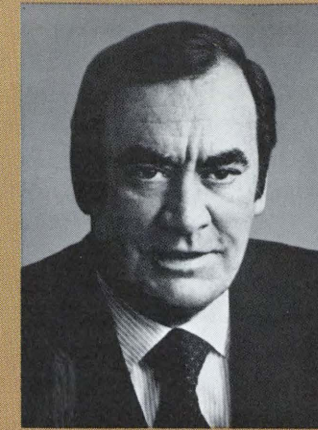
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**THE PORT AUTHORITY
OF NY & NJ**

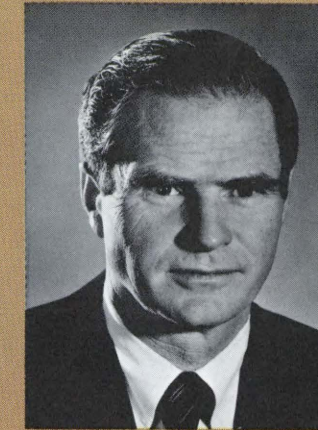
1978 Annual Report



MAY 1978
New York City
Domenico



Honorable Hugh L. Carey,
Governor of the State of New York



Honorable Brendan T. Byrne,
Governor of the State of New Jersey

Honorable Hugh L. Carey, Governor,
State of New York

Honorable Brendan T. Byrne, Governor,
State of New Jersey

April 12, 1979

Your Excellencies:

In accordance with the Port Compact of 1921, we are pleased to submit to you and to the Legislatures of the States of New York and New Jersey the 1978 Annual Report of The Port Authority of New York and New Jersey.

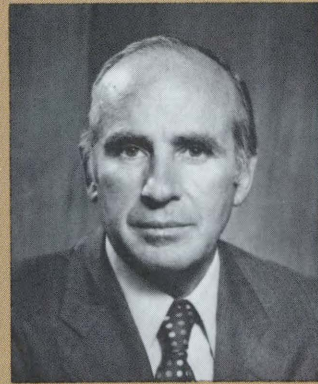
Respectfully yours,

Alan Sagner
Chairman

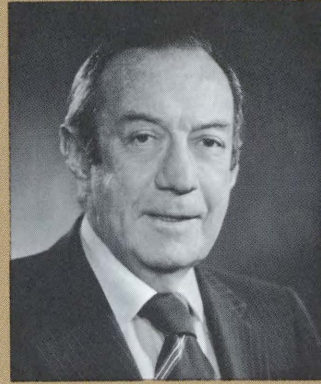
Robert F. Wagner
Vice Chairman

Board of Commissioners

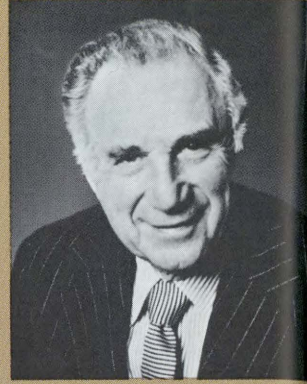
Alan Sagner, Chairman
 Robert F. Wagner, Vice Chairman
 Joseph F. Cullman 3rd
 Jerry Fitzgerald English
 Milton A. Gilbert
 Lewis L. Glucksman
 James G. Hellmuth
 James C. Kellogg III
 Frank R. Lautenberg
 William J. Ronan
 Howard Schulman
 Victor R. Yanitelli, S.J.



Alan Sagner
 Principal,
 Alan Sagner Company



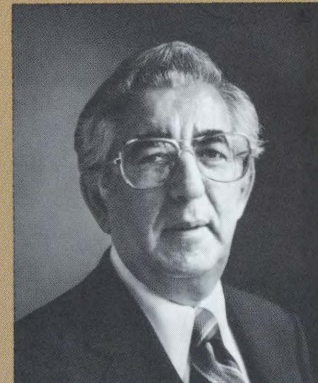
Robert F. Wagner
 Attorney,
 Finley Kumble Wagner
 Heine & Underberg



Joseph F. Cullman 3rd
 Chairman of the Executive Committee
 Philip Morris Incorporated



Jerry Fitzgerald English
 Legislative Counsel to
 Governor Byrne of New Jersey



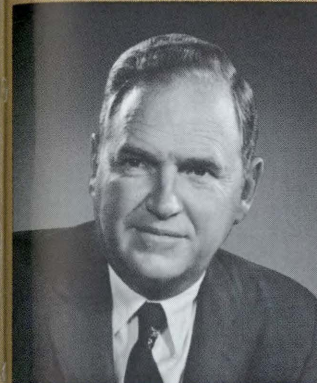
Milton A. Gilbert
 Founder, former President and
 Chairman, Flexi-Van Corporation



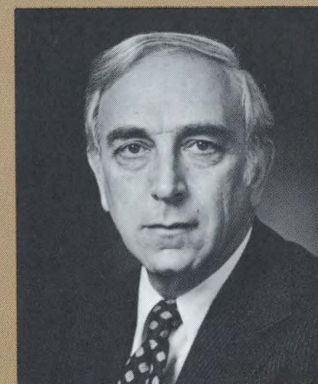
Lewis L. Glucksman
 Chairman of the Operating Committee
 Lehman Brothers Kuhn Loeb
 Incorporated



James G. Hellmuth
 Vice President,
 Bankers Trust New York
 Corporation



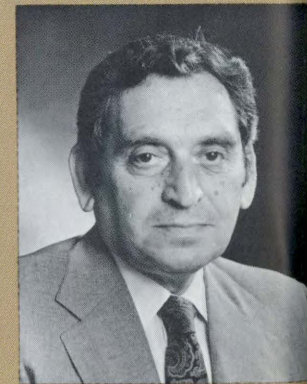
James C. Kellogg III
 Senior Partner,
 Spear, Leeds & Kellogg



Frank R. Lautenberg
 Chairman,
 Automatic Data Processing, Inc.



Dr. William J. Ronan
 Senior Advisor,
 Rockefeller Family and Associates



Howard Schulman
 Attorney,
 Schulman & Abarbanel



Rev. Victor R. Yanitelli, S.J.
 Chancellor,
 St. Peter's College

Officers and Department Directors

Peter C. Goldmark, Jr., Executive Director

Patrick J. Falvey, General Counsel
 and Assistant Executive Director
 Robert F. Bennett, Assistant Executive Director
 and Comptroller
 Harvey Sherman, Assistant Executive Director
 and Director of Administration

Sidney J. Frigand, Director of Public Affairs
 John F. Hoban, Director of Rail Transportation
 A. Gerdes Kuhbach, Senior Financial Advisor
 Doris E. Landre, Secretary
 Albert F. Moncure, Director of General Services
 Neal R. Montanus, Director of Industrial Development
 Rino M. Monti, Chief Engineer
 Edward S. Olcott, Director of Planning & Development
 Edward J. O'Malley, Director of Personnel
 Caesar B. Pattarini, Director of Aviation
 Dr. Bernard J. Schuman, Medical Director
 Victor T. Strom, Director of Management Services
 Charles H. Taylor, Director of Tunnels & Bridges
 Anthony J. Tozzoli, Director of Marine Terminals
 Guy F. Tozzoli, Director of World Trade
 Joseph L. Vanacore, Director of Terminals
 Carl M. Wahlberg, Director of Finance
 Marshal L. Wilcox, Jr., Treasurer



Peter C. Goldmark, Jr.
 Executive Director

The Port Authority and Regional Development

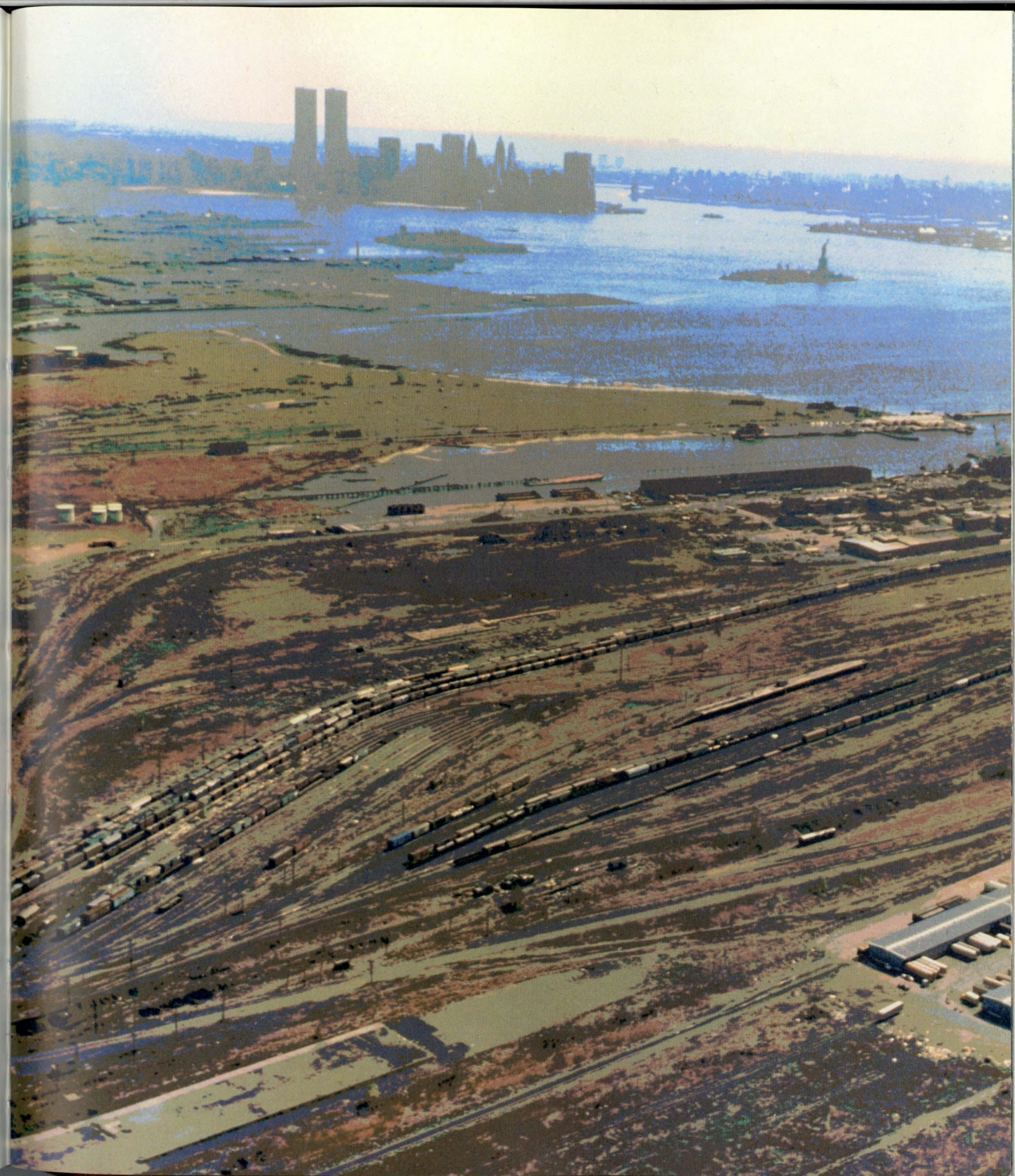
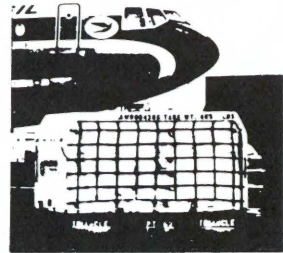
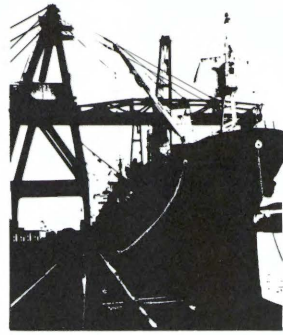
The Port Authority of New York and New Jersey began in 1978 to assume a leadership role in the economic development of the New York-New Jersey Port District in partnership with the states and local governments, while continuing to improve its transportation services and trade facilities.

Selected Port Authority staff were organized into a Committee on the Future, a group of task forces, to explore and define regional needs over the final decades of the century and to propose the most effective contribution of Port Authority resources to the region's commerce and development.

The committee's proposals, created from in-depth analyses of regional trends and conditions, were in the final stages of development at year-end, preparatory to public discussions of its findings and recommendations.

The Port Authority program to build industrial parks to strengthen the manufacturing base of the region and create new jobs was approved in August, when Governors Byrne and Carey signed enabling legislation into law. At that time the Port Authority announced the creation of the Department of Industrial Development, to identify sites in depressed urban areas on which to construct industrial parks, and to develop and manage them, in accord with a master plan to be worked out with participating municipalities and community agencies, and under specific agreements to be reached between the Port Authority and each affected municipality. The enterprise envisions supplying industrial tenants with low-cost energy through the burning of solid waste, and the construction of resource recovery systems. Toward that end, the Port Authority applied for a \$1 million grant from the Federal Environmental Protection Agency to fund resource recovery planning, an application supported by both states, affected counties and Port District cities.

Newark International Airport, celebrating its 50th anniversary, became the fastest growing Port Authority facility in a year in which the increases in both domestic and international air travel set new records. In 1978, 50.4 million passengers and 1.4 million tons of freight were handled at the three major airports. Both records, moreover, were achieved with less than a 1 percent increase in airline flights, an efficiency due to higher load factors and the addition of more widebody aircraft to the airline fleets.



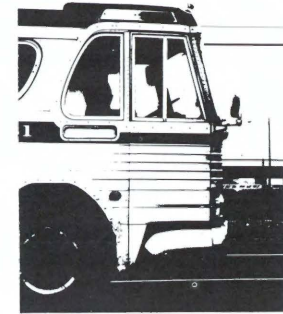
The Commuter and The Tourist

The \$160 million modernization and extension of the Port Authority Bus Terminal to 42nd Street makes the terminal an important cornerstone in the rehabilitation of the neighborhood. The Port Authority has undertaken to upgrade the terminal to the highest possible standards of public service. Designed for the greater convenience and dispatch of 200,000 patrons a day, the new terminal will offer 75 new weather-controlled bus loading platforms as well as a modern shopping mall and other facilities. Measures to serve and safeguard the patron more effectively include the assignment of special police teams and additional attendants. Under the nationally recognized Youth Services Program, runaway youth are identified and helped in the terminal before they are lost to the city streets. Patron Aides, a specially uniformed experimental corps, have been assigned to serve as a roving source of information to the traveler and commuter unfamiliar with the terminal or the city.

The Port Authority is also cooperating with the Metropolitan Transportation Authority in rebuilding the Bus Terminal access to the Independent Subway System at 42nd Street and in refurbishing the PATH subway approach passageways at Herald and Greeley squares.

Governors Byrne and Carey approved the building of the first deluxe hotel in lower Manhattan since 1836, to serve not only as an integral part of the World Trade Center but also as an impetus, through the attraction of international travelers and businessmen, to the revitalization of downtown Manhattan. The 22-story hotel, with 825 rooms, will offer executive meeting rooms with full communications facilities, banquet and ballrooms, gymnasias and haute cuisine dining.

The World Trade Center's existing tourist attractions, the Observation Deck and the renowned Windows on the World, have already changed downtown Manhattan's 9-to-5 business pattern. The Observation Deck has been visited by 3.8 million people, more than a million a year, since it opened in December 1975, and Windows on the World, a business club by day, flourishes as a public restaurant by night and over the weekend. The World Trade Center concourse, planned as a retail service and dining area for tenant employees, has become one of the city's few all-weather malls, open for Saturday shopping.



The International Businessman

The Port Authority created and participated in promotional campaigns to stimulate foreign investment and tourism, forces of expanding importance in the region's economic life.

To strengthen the regional share in the rapidly growing air travel industry, the Port Authority contributed audiovisual and other materials to the "I Love New York" campaign, to be introduced with Port Authority help in the major cities of Europe. Early in 1978 the Port Authority premiered its tourist film, "Destination: Big Apple," which has been receiving worldwide distribution in several languages under the auspices of the U.S. Department of Commerce, and has been adopted for promotional purposes by airlines and the travel industry. Advertising of the air gateway to travel agents here and abroad was increased, and promotional seminars were conducted at the airports with higher-than-ever travel agent and executive attendance.

Innovative marketing techniques to stimulate cruise traffic, developed by the Port Authority as the builder and operator of the New York City Passenger Ship Terminal, led to a renewal of the *Volendam's* Sunday departure cruises for Bermuda and the inauguration of a cruise program under the Italian flag with the first sailing of the *Marconi*.

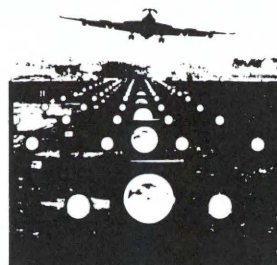
The Port Authority has assumed the host responsibility for an annual Harbor Festival, derived from the successful Operation Sail in 1976, to focus worldwide attention on the New York-New Jersey harbor as the premier port and to augment the region's summer tourism.

The Port Authority's Trade Development Offices in the United States and abroad, primarily responsible for the stimulation of ocean and airborne traffic through the port and for services to international shippers, began promoting regional tourism and industrial development as well as world trade.

A new film, "On Line for Service... The Modern Port," was produced by the Port Authority to highlight the way automation and computerization speed and protect cargo and its documentation in the Port of New York and New Jersey. More than 100 prints are to be made, with the narrative in appropriate languages, for sales promotion through Latin America, the Orient and Europe.

The Port Authority's promotion and protection of the port's competitive position include intervention in appropriate rate and route cases before the Interstate Commerce and Federal Maritime commissions and the Civil Aeronautics Board.

The expedition and attraction of additional commerce were encouraged through the extension of the port's free time to 45 days to permit shippers, especially those involved in project cargo, to assemble and consolidate their freight shipments. In addition, the Port Authority filed an application with the U.S. Department of Commerce for the



establishment of a foreign trade zone at the Port Newark and Elizabeth marine terminals.

The New York State Department of Transportation accepted a Port Authority proposal that the state subsidize drayage charges on import-export container freight moving by rail between the midwest and the wharves of Staten Island and Brooklyn. The reduction of drayage charges through this and other measures taken in 1978 will improve the port's competitive position versus other North Atlantic ports.

The World Trade Center, whose primary function is to centralize and facilitate the administration of world trade, not only provided an initial meeting place for prominent visitors such as trade delegates from the Peoples' Republic of China, but attracted new and major tenants.

Over 900 firms and organizations in the World Trade Center represent every facet of international business. Four World Trade Center has become the port headquarters for commodity trading, as Six World Trade Center had become U.S. Customs headquarters for the region.

Unsolicited inquiries about the possible purchase of the World Trade Center testified to the value of the facility and to the vitality of the region as a field for investment.

In contributing to the economic development of the Port District, the World Trade Institute, the educational arm of the World Trade Center, acts as a source of export development and trade promotion assistance to developing countries. The U.S. Agency for International Development is renewing its five-year contract with the institute, this time for \$2.4 million, to continue its program of helping emerging nations bring their products into the world's markets. As the expert in the field, with 210 programs planned for the next five years, the World Trade Institute will be cementing trade relations with emerging nations on behalf of the region, encouraging import-export traffic and pinpointing the World Trade Center for international trade fairs. The institute also ran 350 conferences and seminars, a record number, for international trade and transportation executives and, with the enrollment in its Evening School of World Trade and its Language School, served 6,500 registrants in 1978.

The World Trade Information Center, a source of information for the inquiring businessman, with on-line computer research services offering access to 17 million books and documents, completed 17,000 research projects since its inception, from simple lists to sophisticated market studies, as an aid to regional and international businessmen.

The World Trade Center is also the archetype from which the World Trade Centers Association was developed, an organization which now numbers 100 members in 44 countries.



The Port Authority and Transportation

A plan developed by the Port Authority to provide \$120 million for buses and bus-related facilities for each state was approved by the Legislatures of New York and New Jersey and signed into law by Governor Byrne and Governor Carey on March 1, 1979. This program together with the \$160 million modernization and expansion of the Port Authority Bus Terminal fulfills the commitment of an additional \$400 million for capital facilities for mass transportation made by the Port Authority at the time of the increase in tolls at Port Authority tunnels and bridges in 1975. The Port Authority is not permitted to incur any operating or maintenance expense in connection with its new capital program to provide buses and related bus facilities.

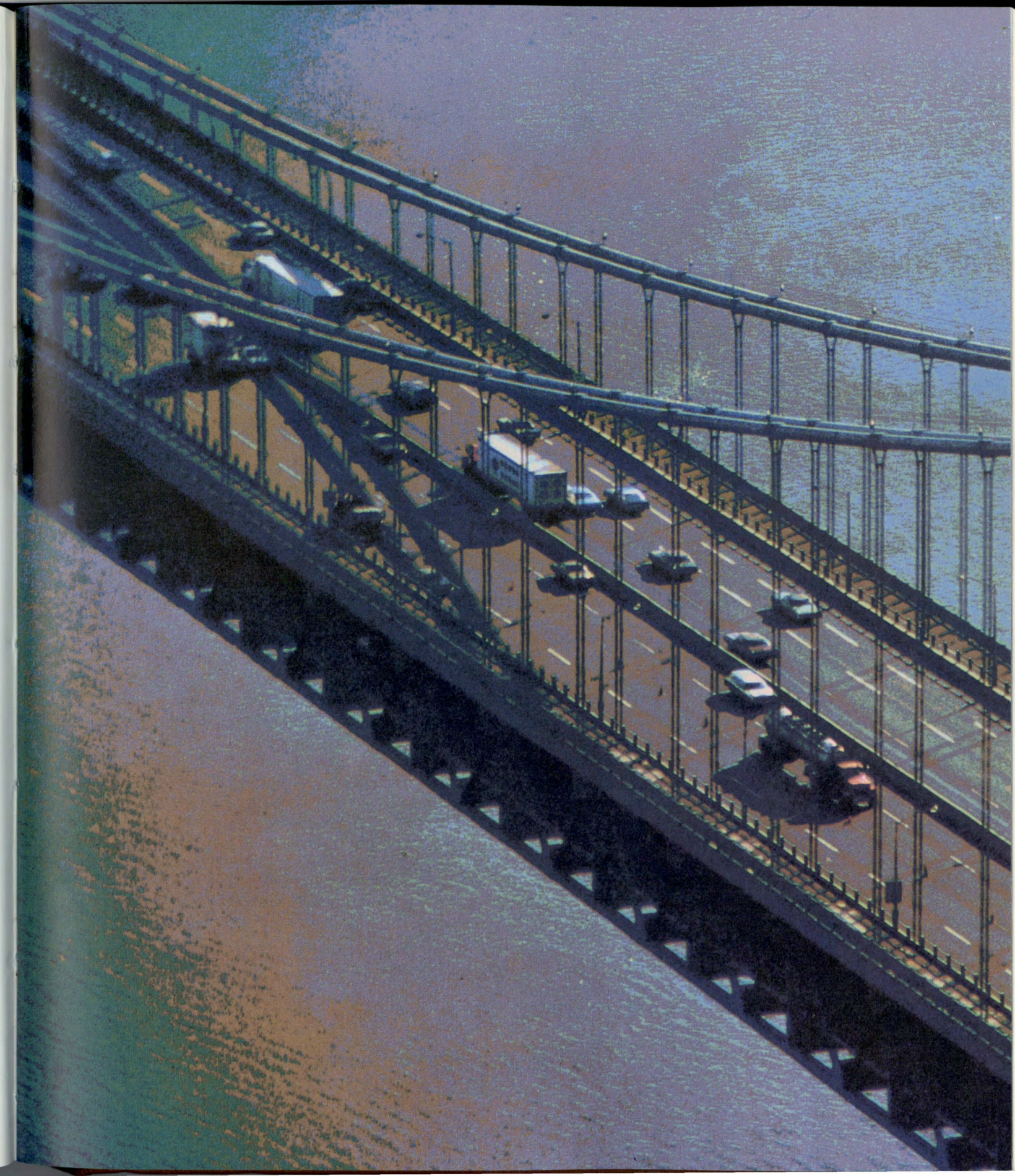
Federal acceptance of the Port Authority bus program as the state share of federal mass transportation funding programs on an 80 percent federal-20 percent state matching basis is expected to generate from the federal government an additional \$480 million for each state for other mass transportation facilities; a total, together with the Port Authority bus and Bus Terminal programs, of \$1.36 billion in mass transportation facilities in the two states.

Litigation challenging the toll increase was dismissed by the U.S. District Court for the Southern District of New York in 1978, a decision which was affirmed by the U.S. Court of Appeals for the Second Circuit in January 1979. According to an announcement made by plaintiff automobile clubs, no further appeal is to be taken from the court's decision.

The urgent need to improve access to the region's airports led the Metropolitan Transportation Authority to join with the Port Authority in an analysis of alternatives to improve mass transportation between Manhattan and Kennedy International Airport. A one-year demonstration project was undertaken by MTA to offer "Train to the Plane" express subway service. Operating on special 20-minute schedules from designated stations, the trains make direct connection with special MTA buses at the edge of the airport for travel to Kennedy International's central terminal area. By the end of the year passenger volumes had increased to a high of 1,300 a day.

Airlink, a Port Authority subsidized van service connecting Newark International Airport with major bus and rail terminals in downtown Newark, carried a total of 140,000 passengers in 1978, and was financed for the year under a contract offering larger more comfortable buses.

The new \$25 million terminal to be built at LaGuardia Airport to serve air passenger traffic in the Northeast Corridor was at the point of construction as the year ended. Eastern Airlines will operate its Boston-New York-Washington air



shuttle service from the new terminal, beginning in 1980, under a 25-year lease.

The Port Authority represented the region in pressing the Federal Aviation Administration, in the absence of federal legislation, to take the initiatives necessary to ensure observance of the "quiet fleet rule," as prescribed in Federal Aviation Regulations Part 36.

Despite the necessity that all 14 lanes of the George Washington Bridge be kept open to peak-hour commuter traffic every weekday, the two-year \$37 million project to redeck the upper level was completed ahead of schedule, in October, and celebrated with a mid-bridge ceremony.

The New Jersey Department of Transportation, the New Jersey Turnpike Authority and the Port Authority reached accord in 1978, with bistate legislative approval, on construction of the Route 81-13A interchange, a project to provide faster public access and shorter travel times to and from Newark International Airport and the Elizabeth and Port Newark marine terminals.

Port Authority Facility Facts

Energy conservation practices throughout the Port Authority in 1978 resulted in an overall savings in energy consumption of 3.8 percent over 1977. Since the oil embargo of 1973, through continuing energy audits of its facilities and the application of modern technologies of conservation, the Port Authority has reduced its annual energy consumption by 36 percent.

The Red Hook container terminal was begun in September as another step toward reviving the Brooklyn waterfront. With the joint financing of the City and State of New York, the Port Authority is to construct the combined break-bulk and containership project at the Brooklyn-Port Authority Marine Terminal. In addition, nearby Piers 8, 9A and 9B are to be upgraded into a single modern terminal for combined break-bulk and container operations.

Strengthening the bulkheads of LaGuardia Airport's over-water runways, and an agreement on special operating procedures, permitted the operation there of the widebody A300 Airbus. An agreement is pending with Boeing to provide engineering advice on the design and construction of the new B-757 and 767, now on stream, to help ensure their entry into the LaGuardia market.



The U.S. Postal Service continued the construction at Kennedy International Airport of the nation's largest centralized airport mail complex.

The development of 12 acres of new wharfage and upland, part of the 80 acres of reclaimed land in the Port Newark Navy Area, included the dedication of the port's only "superberth," built to handle specialized heavy lifts between freighters and the heaviest rail cars in service. An additional 41-acre facility in the area was leased to Toyota Motors for receiving and servicing its vehicles for distribution in the New York-New Jersey metropolitan region.

Two bulk salt handling companies began operation in terminals covering 15 acres of Port Newark, including buildings for drying and bagging bulk salt for distribution.

Two major marine terminal tenants, Maersk Line and Universal Terminals, undertook the expansion of their terminals in 1978, the former by 10 acres to add container storage facilities and the latter by 20 acres to accommodate a major new steamship account.

The main toll plaza of the George Washington Bridge and the New Jersey toll plaza of the Holland Tunnel are in the process of redesign and reconstruction for greater convenience and faster clearance.

PATH, the Port Authority's rail rapid transit system in its 17th year of operation, carried 70 percent of New Jersey passengers entering New York City by rail, and operated on an on-time record of 96 percent for the year.

To handle its 149,000 daily passengers, PATH has instituted progressively more efficient turnstile methods. Turnstiles that accept up to a dollar and return the correct change as they admit the passenger are being installed throughout the system, and a ten-trip magnetic ticket system is under special test at most stations.

PATH is also in the process of redecorating some of its stations, in part in collaboration with artists funded by the federal Comprehensive Employment and Training Act.

In a special issue of a national magazine headed, "Where Things Are Going Right in America," PATH's efficiency and alertness to passenger needs were described in full under the heading, "Where It's Usually a Pleasure to Commute by Train."

The Port Authority affirmative action policy was intensified to provide ethnic minorities, women and the handicapped with additional opportunities for advancement into the ranks of middle and upper management.



Port Authority Terminals and Transportation Facilities At a Glance

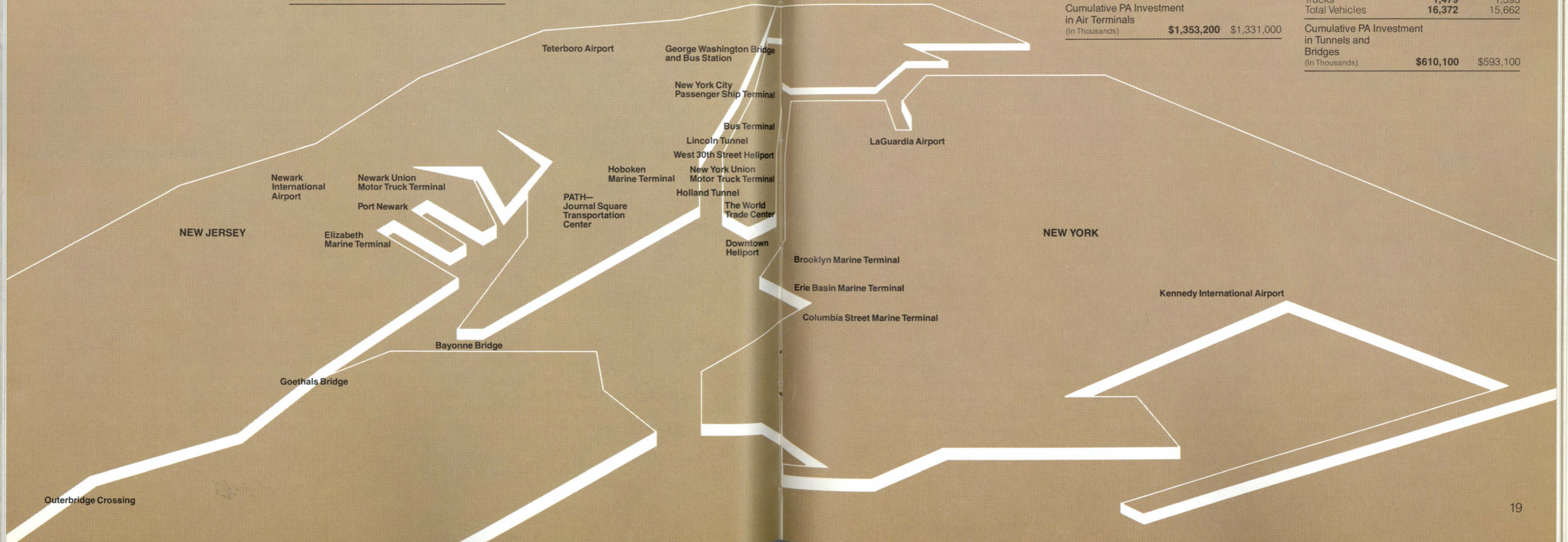
Terminals	1978	1977
All Bus Facilities		
Passengers	73,000,000	76,500,000
Bus Movements	3,161,000	3,365,000
Total Employment	5,550	5,650
Port Authority Bus Terminal		
Passengers	55,000,000	57,000,000
Bus Movements	1,900,000	2,000,000
Total Employment	3,850	3,800
George Washington Bridge Bus Station		
Passengers	8,000,000	9,000,000
Bus Movements	338,000	378,000
Total Employment	350	350
PATH Journal Square Transportation Center Bus Station		
Passengers	10,000,000	10,500,000
Bus Movements	923,000	987,000
Total Employment	1,350	1,500
Cumulative PA Investment in Bus Terminal and Truck Terminals (In Thousands)	\$141,600	\$118,700

Marine Terminals	1978	1977
All Terminals		
Ship Arrivals	3,292	3,087
General Cargo (Long Tons)	11,379,993	10,990,792
Total Employment	9,016	8,879
New Jersey Marine Terminals		
Ship Arrivals	2,106	1,977
General Cargo (Long Tons)	9,971,375	9,782,048
Total Employment	6,375	6,524
New York Marine Terminals		
Ship Arrivals	1,186	1,110
General Cargo (Long Tons)	1,408,618	1,208,744
Total Employment	2,641	2,355
Cumulative PA Investment in Marine Terminals (In Thousands)	\$539,100	\$534,000

PATH	1978	1977
Total Passengers	41,750,000	40,477,000
Passenger Weekday Average	149,000	145,000
Cumulative PA Investment in PATH (In Thousands)	\$267,000	\$262,000

Air Terminals	1978	1977
Totals at the Three Major Airports		
Plane Movements	864,000	822,000
Passenger Traffic	50,417,000	44,937,000
Cargo—Tons	1,384,000	1,349,000
Revenue Mail—Tons	218,900	220,000
Total Employment	54,808	52,606
Kennedy International Airport		
Plane Movements	323,900	316,000
Passenger Traffic (Total)	24,846,000	22,546,000
Domestic	12,318,000	11,057,000
Overseas	12,528,000	11,489,000
Cargo—Tons	1,210,000	1,191,000
Total Employment	40,605	39,446
LaGuardia Airport		
Plane Movements	347,400	327,000
Passenger Traffic	17,097,000	15,087,000
Cargo—Tons	50,800	49,000
Total Employment	8,739	8,078
Newark International Airport		
Plane Movements	192,700	179,000
Passenger Traffic	8,474,000	7,304,000
Cargo—Tons	123,200	109,000
Total Employment	5,464	5,082
Cumulative PA Investment in Air Terminals (In Thousands)	\$1,353,200	\$1,331,000

Tunnels and Bridges (Eastbound Traffic in Thousands)	1978	1977
All Crossings		
Automobiles	73,510	72,835
Buses	1,537	1,587
Trucks	8,600	8,357
Total Vehicles	83,647	82,779
George Washington Bridge		
Automobiles	35,645	35,535
Buses	240	244
Trucks	3,684	3,473
Total Vehicles	39,569	39,252
Lincoln Tunnel		
Automobiles	13,850	13,993
Buses	1,176	1,221
Trucks	1,770	1,766
Total Vehicles	16,796	16,980
Holland Tunnel		
Automobiles	9,201	9,121
Buses	42	41
Trucks	1,667	1,723
Total Vehicles	10,910	10,885
Staten Island Bridges		
Automobiles	14,814	14,186
Buses	79	81
Trucks	1,479	1,395
Total Vehicles	16,372	15,662
Cumulative PA Investment in Tunnels and Bridges (In Thousands)	\$610,100	\$593,100



Port Authority Finance

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Highlights	1978	1977
Gross Operating Revenues	\$ 543,800,000	\$ 524,300,000
Net Operating Revenues	176,000,000	197,300,000
Net Revenues Available for Debt Service and Reserves	205,500,000	225,500,000
Debt Service Charged to Revenues and Reserves	160,400,000	186,900,000
Cumulative Invested in Facilities	3,883,000,000	3,792,800,000
Bonded Debt Outstanding, in accordance with Port Authority bond resolutions	1,955,200,000	1,821,900,000
Bank Loans Outstanding	165,000,000	205,000,000
General Reserve Fund	208,000,000	194,700,000
Consolidated Bond Reserve Fund	145,100,000	110,900,000
Reserve Funds in Trust	12,400,000	18,800,000

Basic Policies and Financial Structure

The Port Authority, a municipal corporate instrumentality of the States of New York and New Jersey, was created by compact between the two states in 1921 with the consent of the Congress of the United States to plan, develop and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation and world trade that contribute to promoting and protecting the commerce of the Port District.

The Port Authority undertakes only those projects authorized by the two states.

The governor of each state appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective state senates. Each governor has from time to time exercised the statutory power to veto the actions of the commissioners from his state.

The commissioners serve six-year overlapping terms as public officials without compensation. They establish Port Authority policy, appoint an Executive Director to effect it, and also appoint a General Counsel to act as legal advisor to the board and to the Executive Director.

The Executive Director is responsible for the management of the daily operations of the agency's 24 facilities through line and staff departments comprising 7,700 career personnel. He also guides proposals to the point of presentation to the Board of Commissioners, including the planning and developing of recommendations to the two states and the federal government to increase and expedite Port District commerce.

As a public corporation combining sound business and governmental principles and practices, the Port Authority endeavors to provide high quality public service and employs and develops personnel to that end.

Detailed policies and procedures are promulgated and communicated to all employees to guide the operation of each department. To assure compliance with the Port Authority's standards and to protect the assets of the Port Authority, a system of internal controls has been developed. This system is strengthened and supplemented by a staff of internal auditors which conducts examinations of the Port Authority's operations and reports on management's performance.

A budget incorporating limits on expenditures by each department is adopted annually and continuous planning is undertaken to prepare for future developments. The 1979 budget was prepared and approved by the Port Authority after stringent examination and determination of all proposed expenditures. It is designed to enable the Port Authority to continue in the most economical manner the construction and operation of its facilities to the maximum public benefit.

The Port Authority's financial affairs are administered by Carl M. Wahlberg, Director of Finance, Robert F. Bennett, Assistant Executive Director and Comptroller, Marshal L. Wilcox, Jr., Treasurer and A. Gerdes Kuhbach, Senior Financial Advisor.

The compact envisions the Port Authority as being financially self-sustaining; and, as such, it must obtain the funds necessary for the construction or acquisition of facilities upon the basis of its own credit, its reserve funds and its future revenues. The agency has neither the power to pledge the credit of either state or any municipality nor to levy taxes or assessments.

Since its creation, investors have purchased almost \$4.8 billion in obligations, of which over \$2.1 billion was outstanding on December 31, 1978.

To effect its programs, statutes which required the Port Authority to create the General Reserve Fund also established the principle of pooling revenues from older facilities, with established earning power, to aid in the development of new projects. The statutes also provide for the utilization of available net revenues to maintain the General Reserve Fund at the prescribed amount of 10 percent of the total par value of the Port Authority's outstanding bonds secured by a pledge of such Fund.

Currently, the General Reserve Fund is pledged in support of all the Port Authority's outstanding bonds other than New York State Guaranteed Commuter Car Bonds and the Port Authority's bank loans.

Bonds for an additional facility cannot be issued with a pledge of the General Reserve Fund unless the Port Authority commissioners certify to investors that the issuance of the bonds, or that such a pledge, will not materially impair the Port Authority's sound credit standing, the investment status of its bonds or its ability to fulfill its commitments and undertakings.

It is the Port Authority's long-established policy to retire debt as rapidly as sound financial management permits and to maintain, at year-end, in its reserve funds, including reserve funds in trust, a combined amount equal to at least the amount of the next two years' mandatory bonded debt service. Acceleration of debt retirement before mandatory dates may be accomplished by use of the General Reserve Fund only to the extent that available reserve funds exceed the ensuing two years' mandatory bonded debt service.

A statutory covenant with holders of affected Port Authority obligations, which was enacted in 1962 by the legislatures of New York and New Jersey, permits deficit financings of passenger railroad facilities in addition to the basic PATH system only within specified financial limits. The covenant was adopted as part of the statutes authorizing Port Authority acquisition of the interstate Hudson and Manhattan Railroad. In 1973, the legislatures of New York and New Jersey enacted legislation to preclude application of this covenant provision to Port Authority obligations issued after May 10, 1973, and enacted further legislation in 1974 which would have extended this repeal retroactively to all prior affected obligations. On April 27, 1977, the Supreme Court of the

United States held that the retroactive repeal of the covenant by the two states in 1974 was invalid as a violation of the U.S. Constitution.

There are no present plans to refund any of the obligations of the Port Authority although there had been substantial consideration of this possibility during 1977 and 1978.

Financial Presentation

The Port Authority's consolidated financial statements are prepared in accordance with generally accepted accounting principles. They include a provision for depreciation of facilities in accordance with recommendations made by the accounting profession for state and local governmental units and adopted by the Port Authority in 1974. The statements also include information on Port Authority operations by operating segment. These financial statement presentations do not in any way change the net revenues or reserves or their applications as they are defined and governed by the Port Authority's bond resolutions and reflected in Schedules A, B and C. These resolutions provide that net operating revenues be calculated without allowance for depreciation. Rather, recovery of facility costs is accomplished through deductions from revenues and reserves of amounts equal to principal payments on debt or appropriations to Invested in Facilities.

The following information refers to Schedules A through F:

Combined Operations in Brief

Gross operating revenues for the year 1978 totaled \$543,810,000, an increase of 3.7 percent over 1977. This growth reflects the continuing increase in the development and utilization of the Port Authority's facilities. Gross operating revenues include increased tolls on tunnels and bridges instituted in May, 1975. The additional bus and bus related mass transportation projects and the Port Authority Bus Terminal extension and modernization, made possible by the increase in tolls, are described on page 12.

Operating expenses increased 12.5 percent over 1977 to reach \$367,794,000. This increase includes certain non-recurring costs consisting of: approximately \$6,700,000 of planning costs incurred primarily in connection with potential new rail mass transportation facilities which had been deferred at December 31, 1977 and which are not now expected to proceed to construction, approximately \$5,600,000 of advance rental payments relating to Newark International Airport and Port Newark previously included as a receivable in the Consolidated Statement of Financial Position and which are not now expected to be recovered in the foreseeable future, and approximately \$1,900,000 of in-lieu-of tax payments related to the Brooklyn-Port Authority and

Erie Basin-Port Authority Marine Terminals in connection with additional property acquired during the period July 1, 1962 to June 30, 1978.

Financial income on securities held in the reserve and operating funds was \$29,490,000 which resulted from investment income of \$39,471,000, including a \$9,321,000 gain on the purchase of Port Authority bonds, and a downward adjustment of \$9,981,000 in the value of the United States government securities held in these funds.

Thus, net revenues available for debt service and reserves were \$205,506,000.

Interest on the Port Authority's debt charged to operations and reserves totaled \$93,372,000 and long-term bonded debt amortization amounted to \$41,692,000, including \$14,669,000 from government contributions. In addition, \$40,000,000 in principal payments was made to reduce outstanding bank loans in accordance with agreements with the banks. Total debt service charged to revenues and reserves, including reserve funds in trust, therefore, was \$160,395,000.

Financial Position at Year-End

As of December 31, 1978, the Port Authority's total assets, as represented by the cumulative amount invested in facilities and balances in construction, operating and reserve funds, were \$4,642,895,000, an increase of 5.6 percent, or \$246,336,000, over last year.

The amount invested in facilities rose by \$90,177,000, including net interest during construction of \$6,852,000 on bonded debt and bank loans, to a cumulative total of \$3,882,953,000 at year-end 1978. This increase is largely represented by additional investment in:

Land Transportation Facilities	\$45,000,000
Air Terminals	22,000,000
The World Trade Center	18,000,000
Marine Terminals	5,000,000

Bonded debt increased during the year by \$133,308,000 to a total of \$1,955,231,000. During the year, net assets increased by 6.1 percent to a total of \$2,343,706,000, about 60 percent of the amount invested in facilities.

Reserve Funds

At year-end 1978, the General Reserve Fund balance was \$208,023,000 and continued to meet the prescribed statutory amount of 10 percent of outstanding bonded debt, in accordance with Port Authority bond resolutions, secured by

a pledge of such Fund. Three bond issues in the aggregate principal amount of \$125,000,000 issued by the Port Authority solely as additional security for the payment of three bank loans obtained in 1977 and held in trust for that purpose are included in determining such amount. The Consolidated Bond Reserve Fund had a balance on December 31, 1978 of \$145,093,000, after application of \$47,562,000 to meet interest and principal installments on bank loans and \$3,955,000 to self-insurance. Reserve fund balances in trust, described below, totaled \$12,422,000.

The sum of these reserves was \$365,538,000, which exceeded the next two years' mandatory bonded debt service.

Bond covenants require that the reserve funds be maintained in cash, time deposits or invested in government securities. At year-end, \$361,883,000 was invested in securities.

Financial Income

The Port Authority's long-term investment portfolio, which represents principally the investment of reserve funds, was invested in securities of or guaranteed by the U.S. Government and Port Authority bonds. Earnings of \$24,650,000 were recorded on an average portfolio of \$223,141,000.

Income from investment in short-term government securities and bank time deposits amounted to \$26,278,000 on an average investment of \$355,167,000.

Investment income attributed to the operating fund amounted to \$7,816,000 (including \$188,000 miscellaneous income). The amount of \$31,655,000 was attributed to reserve funds and \$11,645,000 was attributed to the capital fund, thereby reducing construction cost.

Financing

On March 9, 1978, \$75,000,000 Consolidated Bonds, Forty-sixth Series, 6 percent, due March 1, 2013, was sold at a bid price of 99.31 to an investment group headed by Bache Halsey Stuart Shields Incorporated; and, on September 20, 1978, \$100,000,000 Consolidated Bonds, Forty-seventh Series, 6.5 percent, due October 1, 2013, was sold at a bid price of 98.66 to an investment group headed by Bache Halsey Stuart Shields Incorporated.

During the year, \$41,692,000 par value of long-term bonds was retired through mandatory sinking fund and maturity payments. On December 20, 1978, a scheduled annual installment payment of \$40,000,000 was made on the 1973 bank loan. The unpaid balance of the four bank loans still outstanding was \$165,000,000 at year-end.

Additional Information for Bondholders

Consolidated Bonds are direct and general obligations of the Port Authority and its full faith and credit are pledged to the payment of debt service thereon.

All Consolidated Bonds are further secured by a pledge of the monies in the Consolidated Bond Reserve Fund, as provided in the Consolidated Bond Resolution.

The only obligations of the Port Authority which were issued prior to the establishment in 1952 of the issue of Consolidated Bonds and which presently remain outstanding are General and Refunding, Air Terminal and Marine Terminal Bonds. In the Consolidated Bond Resolution of 1952, the Port Authority covenanted that no additional General and Refunding, Air Terminal or Marine Terminal Bonds would be issued.

By year-end 1970, the Special Reserve Fund (for General and Refunding Bonds), the Air Terminal Reserve Fund and the Marine Terminal Reserve Fund reached a level sufficient to secure fully the payment of principal and interest to redemption on the outstanding bonds for which such Funds had been established. On December 31, 1970, the Port Authority placed amounts available from such funds in trust with First National City Bank (now Citibank, N.A.), as Trustee, to secure fully, unconditionally and absolutely the Port Authority's obligation to provide for the redemption as scheduled and the payment of interest until redemption on such outstanding bonds. After the establishment and during the maintenance of these trust funds, no further payments are required to be made into such Reserve Funds. Furthermore, all Consolidated Bonds of the Port Authority, including any which may hereafter be issued, are now equally and ratably secured by a pledge of the net revenues of all its existing facilities and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds.

The establishment and maintenance of the Reserve Funds in Trust permit the application of all net revenues of the Port Authority to the payment of debt service on Consolidated Bonds, with all remaining balances, except such amounts as may be necessary to maintain the General Reserve Fund in the amount specified by the General Reserve Fund statutes, to be paid into the Consolidated Bond Reserve Fund. The net revenues accumulated in the Consolidated Bond Reserve Fund are available to meet debt service on the bank loans obtained by the Port Authority in 1973 and in 1977.

On December 31, 1978, outstanding Consolidated Bonds totaled \$2,068,460,000. The Port Authority has issued \$2,966,650,000 of Consolidated Bonds and Notes, exclusive of refundings.

The "Certificate of Conformance in Financial Reporting" shown on the following page was issued in recognition of the Port Authority's 1977 Annual Report. The Port Authority is submitting this 1978 Annual Report to the MFOA for review, in the belief that it continues to conform to the Certificate of Conformance program.

Consolidated Statement of Income

	Year Ended December 31,	
	1978	1977
	(In Thousands)	
Gross Operating Revenues	\$ 543,810	\$ 524,325
Operating Expenses (Note H-2)	(367,794)	(327,047)
Depreciation	(95,701)	(94,753)
Income from Operations	80,315	102,525
Financial Income and Expense:		
Income on investments (Note A-4)	28,902	23,462
Gain on purchase of Port Authority bonds	9,321	3,670
Security valuation adjustment	(9,981)	(127)
Interest on bonded debt (Note A-4)	(84,562)	(82,628)
Interest on bank loans	(7,562)	(8,329)
Net Income (Note H-2)	\$ 16,433	\$ 38,573

Consolidated Statement of Changes in Net Assets

	Year Ended December 31,	
	1978	1977
	(In Thousands)	
Balance at January 1	\$1,218,231	\$1,172,842
Net Income	16,433	38,573
Government Contributions in Aid of Construction (Note G)	23,408	6,816
Balance at December 31	\$1,258,072	\$1,218,231

See Notes to Consolidated Financial Statements.

Consolidated Statement of Financial Position

	December 31,	
	1978	1977
	(In Thousands)	
Assets		
Facilities, at Cost (Note B)	\$3,828,655	\$3,738,715
Less Accumulated Depreciation	1,031,336	935,872
Facilities, Net	2,797,319	2,802,843
Investments (excluding \$56,794 in 1978 and \$30,512 in 1977 of Port Authority Bonds Purchased by the Port Authority (Notes A-4 and K))	619,372	468,355
Cash (Note K)	8,679	7,877
Other Assets	75,097	97,039
Total Assets	3,500,467	3,376,114
Liabilities		
Bonded Debt (Notes A-4 and I)	1,955,231	1,821,923
Port Authority Bonds Purchased by the Port Authority	(56,794)	(30,512)
Bank Loans Payable (Note C)	165,000	205,000
Accounts Payable and Other Liabilities	174,541	156,861
Deferred Credits to Income	4,417	4,611
Total Liabilities	2,242,395	2,157,883
Net Assets	\$1,258,072	\$1,218,231
Net Assets are Composed of:		
Net Income Invested in Port Authority Facilities, Operations and Reserves (Note A-7 and Schedule B)	\$1,114,653	\$1,092,893
Government Contributions in Aid of Construction (Note G)	143,419	125,338
Net Assets	\$1,258,072	\$1,218,231

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Financial Position

	Year Ended December 31,	
	1978	1977
	(In Thousands)	
Funds Provided from:		
Net Income	\$ 16,433	\$ 38,573
Add—Income charges not affecting funds in the period:		
Depreciation	95,701	94,753
Amortization and charges relating to other assets	17,849	6,548
Funds provided by operations	129,983	139,874
Consolidated bonds	175,000	75,000
Bank loans	—	125,000
Government contributions in aid of:		
Current construction	8,739	6,816
Prior construction	14,669	—
Net increase in accounts payable and other liabilities	17,680	6,399
Other net changes in other assets and deferred credits	3,899	—
Total Funds Provided	349,970	353,089
Funds Applied to:		
Cost of facilities	90,177	95,353
Retirement of bonded debt (including \$14,669 from Government contributions)	41,692	34,754
Repayment of bank loans	40,000	60,000
Refunding of consolidated notes	—	100,000
Net change related to Port Authority bonds purchased by the Port Authority	26,282	1,249
Other net changes in other assets and deferred credits	—	6,447
Total Funds Applied	198,151	297,803
Net Increase in Cash and Investments	\$151,819	\$ 55,286

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note A—Accounting Policies:

1. The Port Authority of New York and New Jersey, created in 1921 by compact between the two states, with the consent of Congress, has no stockholders or equity holders; all revenues or other cash received must be disbursed for specific purposes in accordance with provisions of various statutes and agreements with holders of its bonds and others.

2. The accounts of the Port Authority Trans-Hudson Corporation (PATH), a subsidiary of the Port Authority, are consolidated in the accompanying financial statements and schedules. The assets and liabilities of the New York State Commuter Car Program are not included in the Port Authority's financial statements for the reasons set forth in the Note on Schedule F.

3. Facilities are carried at cost and include the expenditure of Federal and State grants to acquire, construct, place in operation and improve the facilities of the Port Authority and include net interest expense related to capital projects until the completion of construction (see Note B and Note G).

Expenditures for repairs and maintenance are charged to operating expenses as incurred. Planning costs relating to potential new facilities are generally deferred pending authorization of construction.

4. Investments in securities other than Port Authority bonds are stated at the lower of their respective aggregate amortized cost or market value. Beginning in 1978 Port Authority bonds purchased by the Port Authority have served to reduce Bonded Debt and are no longer included in Investments. Interest expense and interest earnings relating to such Port Authority bonds purchased are no longer included in interest on bonded debt and income on investments. The accounts for the year 1977 have been reclassified for comparative purposes. (See Note A-7.)

5. The Port Authority provides for uninsured potential losses through its self-insurance program by appropriations from the Consolidated Bond Reserve Fund to the operating fund and provides for losses by charging operating expenses as incurred.

6. Depreciation is computed on the straight-line method based on estimated useful lives of the related assets including those financed by government contributions. In distributing net income to net assets, a charge representing depreciation on assets acquired with contributions is made against the related contributions account. The cost and accumulated depreciation related to assets removed from service are eliminated from the accounts. (See Note A-7.)

7. Schedules A, B and C have been prepared in accordance with generally accepted accounting principles, except that these schedules also take into account the requirements of law and Port Authority bond resolutions, as follows: (a) The Port Authority's bond resolutions provide that net operating revenues shall not include an allowance for depreciation of facilities. Thus, depreciation is not a factor in determining the net revenues and the reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions. (b) Facility capital costs are provided for through deductions from net revenues and reserves of amounts equal to principal payments on debt or appropriations to Invested in Facilities. These deductions are credited at par to the accounts Debt Retired Through Income and Appropriated Reserves Invested in Facilities. (c) Port Authority bonds purchased by the Port Authority remain outstanding and are included in Investments and Bonded Debt until retirement. Interest expense and interest earnings relating to such Port Authority bonds purchased are included in interest on bonded debt and income on investments. Furthermore, the cost of assets removed from service is not deducted from Invested in Facilities.

Note B—Facilities:

Cost of facilities is composed of the following:

	December 31,	
	1978	1977
	(In Thousands)	
Completed Construction:		
Airports	\$1,288,851	\$1,277,204
World Trade Center	964,847	949,047
Tunnels & Bridges	562,018	535,713
Marine Terminals	527,811	514,778
Rail Facilities	255,782	254,678
Bus & Truck Terminals	67,339	67,398
	3,666,648	3,598,818
Construction in Progress	162,007	139,897
	<u>\$3,828,655</u>	<u>\$3,738,715</u>

Asset lives used in the calculation of depreciation are generally as follows:

Tunnels and Bridges	100 years
Buildings	25 to 50 years
Runways and other paving	15 to 25 years
Machinery and equipment	5 to 35 years

Cost of facilities includes net interest expense of \$6,852,000 and \$10,251,000 for the years 1978 and 1977, respectively (see Note A-3).

Two new passenger terminals at Newark International Airport were opened in 1973. The superstructure of a third terminal was substantially completed in 1976 and is to be put into operation when additional terminal capacity is required. The Port Authority's net investment in this terminal amounted to \$44,820,000 at December 31, 1978 and depreciation expense charged to income amounted to \$1,634,500 in 1978 and \$1,647,900 in 1977.

Note C—Financing:

The Port Authority finances construction of its facilities primarily by issuing bonded debt and through bank loans. Details of bonded debt and amortization are described in Note I and Schedule D.

1. The scheduled repayment of the Port Authority's loans obtained from banks and trust companies is as follows:

Bank Loans	Amount of Bank Loans Outstanding at December 31,	
	1978	1977
Payable \$40,000,000 annually in 1978 and 1979 at 5.45%	\$ 40,000,000	\$ 80,000,000
Payable \$12,500,000 annually 1980-1983 at 5¾%	50,000,000	50,000,000
Payable \$12,500,000 annually in 1980 and 1981 at a rate per annum equal to the lesser of (i) 70% of prime interest rate as defined in the loan agreement or (ii) 7¾%	25,000,000	25,000,000
Payable \$6,250,000 annually in 1980 and 1981 and \$18,750,000 annually in 1982 and 1983 at a rate per annum equal to the lesser of (i) 70% of prime interest rate as defined in the loan agreement or (ii) 7¾%	50,000,000	50,000,000
	<u>\$165,000,000</u>	<u>\$205,000,000</u>

The loans may be prepaid in whole or in part on interest payment dates. Under the terms of the loan agreements, and as a result of the establishment and maintenance in trust of the Special Reserve Fund, Air Terminal Reserve Fund and Marine Terminal Reserve Fund (see Note D-2), annual installment payments on the bank loans are being made exclusively from net revenues available therefor in the Consolidated Bond Reserve Fund. Payment of the loans and interest thereon is subject in all respects to the payment of debt service on the General and Refunding Bonds, Air Terminal Bonds, Marine Terminal Bonds and Consolidated Bonds, as required by the applicable provisions of

the Port Authority's bond resolutions, and to the payment into the General Reserve Fund of the amount necessary so as to maintain such Fund at the amount specified in the General Reserve Fund statutes. Neither the loans nor the interest thereon are secured by or payable from the General Reserve Fund.

2. On March 9, 1978, the Port Authority issued \$75,000,000 Consolidated Bonds, Forty-sixth Series, 6 percent, due March 1, 2013, at an average net interest cost of 6.0249 percent per annum. On September 20, 1978, the Port Authority issued \$100,000,000 Consolidated Bonds, Forty-seventh Series, 6.5 percent, due October 1, 2013, at an average net interest cost of 6.5492 percent per annum.

3. There are no present plans to refund any of the obligations of the Port Authority although there had been substantial consideration of this possibility during 1977 and 1978.

Note D—Reserves:

1. The General Reserve Fund statutes provide for the Port Authority to maintain the General Reserve Fund in an amount equal to at least 10 percent of the outstanding bonded debt, in accordance with Port Authority bond resolutions, which is secured by a pledge of the Fund. The specified statutory amount was \$208,023,100, at December 31, 1978. The Port Authority has established the policy of maintaining total reserve funds in an amount equal to at least the next two years' mandatory debt service on such outstanding bonded debt. Consolidated Bonds, Forty-fourth Series, Consolidated Bonds, Series Forty-four-A and Consolidated Bonds, Series Forty-four-B are included in determining these amounts (see Note on Schedule D). The bank loans described in Note C-1 are not so included.

At December 31, 1978, the Port Authority met the requirements of its bond resolutions to maintain total reserve funds in cash and specified marketable securities. Such amount included \$12,422,000, held in trust for repayment of principal and interest on General and Refunding, Air Terminal and Marine Terminal Bonds (see Note D-3).

2. In accordance with the provisions of the bank loan agreements (see Note C-1), the Port Authority, on December 31, 1970, placed into trust amounts available from the Port Authority's Special Reserve Fund, Air Terminal Reserve Fund and Marine Terminal Reserve Fund so that such Funds shall be maintained in amounts sufficient to secure fully, unconditionally and absolutely the Port Authority's obligation to provide for the redemption as scheduled and the payment of interest until redemption on the outstanding General and Refunding, Air Terminal and Marine Terminal Bonds.

Under the terms of the Agreements of Trust, such bonds are not required to be paid or redeemed in advance of their scheduled redemption by operation of the sinking funds therefor.

Upon the establishment and maintenance of these Trust Funds, net revenues of the Port Authority's existing facilities are applicable to debt service on Consolidated Bonds and Notes and all remaining balances, except such amounts as may be necessary to maintain the General Reserve Fund in the prescribed amount, are payable into the Consolidated Bond Reserve Fund.

3. The balance of all net revenues upon which Consolidated Bonds have a first lien, after deducting payments for debt service upon all Consolidated Bonds and such amounts as may be required to maintain the General Reserve Fund at its statutory amount, are to be paid into the Consolidated Bond Reserve Fund. Consolidated Bonds have a first lien upon the net revenues of all existing facilities of the Port Authority (not including cars acquired under New York State's Commuter Railroad Car Program) and any additional facility financed by Consolidated Bonds. The prior liens and pledges with respect to certain net revenues in favor of General and Refunding, Air Terminal and Marine Terminal Bonds of the Port Authority have been satisfied by the establishment and maintenance of Special, Air Terminal and Marine Terminal Reserve Funds in Trust as discussed in Note D-1.

Note E—Pension and Retirement Plans:

Employees of the Port Authority are covered by one of two public employees' retirement systems: the New York State Employees' Retirement System or the New York State Policemen's and Firemen's Retirement System. PATH employees are covered by the provisions of the Railroad Retirement Act and certain PATH employees are also covered by a supplemental plan administered by PATH. The Port Authority's contributions to the public employees' retirement systems are based primarily on billings from these systems (and PATH's contributions are based on federal regulations pursuant to the Railroad Retirement Act). For the years 1978 and 1977, the Port Authority and PATH provided a total of approximately \$37,400,000 and approximately \$32,500,000, respectively, as employer contributions to these pension and retirement plans.

The two public employees' retirement systems covering Port Authority employees do not require contributions from police personnel or from those non-police employees who joined the system prior to July 1, 1976. Non-police personnel who became members of the system on July 1, 1976 and thereafter are presently required by statute to contrib-

ute three percent of their annual wages, with the Port Authority contributing the balance required by the system for these employees. Contributions to these public employees' retirement systems for 1978 and 1977 by the Port Authority and Port Authority employees represented approximately three percent of the total contributions to the systems in each of these years. No information is available from these retirement systems as to the amount of any excess of the actuarially computed value of vested benefits over the systems' assets specifically related to employees of the Port Authority. However, if these public employees' retirement systems were to have terminated as of March 31, 1978, the latest date for which information is available, the excess of the value of vested benefits for all of the employees covered by such systems (including the small percentage that are Port Authority employees) over assets of such system would be approximately \$1.7 billion for the New York State Employees' Retirement System and approximately \$250 million for the New York State Policemen's and Firemen's Retirement System.

Note F—Operating Revenues and Lease Commitments:

Gross operating revenues of the Port Authority, obtained primarily from fares, fees, tolls and other user charges, and from certain operating leases and other agreements, amounted to approximately \$543,810,000 in 1978 and approximately \$524,325,000 in 1977. Gross operating revenues attributable to minimum rentals associated with operating leases amounted to approximately \$156,000,000 in 1978 and approximately \$154,000,000 in 1977. It is expected that costs of construction and operation of Port Authority facilities will continue to increase and that increases from time to time will continue to be necessary in the Port Authority's fares, fees, tolls, rentals and other charges, or that reductions in services and associated expenditures will occur, so that the cost of Port Authority operations and debt service and reserves will continue to be provided for in accordance with financial requirements and agreements with holders of Port Authority bonds.

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 airports, marine terminals, bus and truck terminals and the World Trade Center.

Minimum future annual rentals scheduled to be received on operating leases in effect on December 31, 1978 are:

Year Ending December 31:	
1979	\$ 125,400,000
1980	113,200,000
1981	103,900,000
1982	95,500,000
1983	88,800,000
Later Years	964,400,000
Total Minimum Future Rentals	<u>\$1,491,200,000</u>

Investments in airports, World Trade Center, marine terminals and bus and truck terminals as of December 31 include property associated with minimum rentals derived from operating leases (see Note B). It is not reasonably practical to segregate the value of assets associated with producing minimum rental revenue from the value of assets associated with an entire facility.

Property Leased From Others:

Rental expenses under leases, including payments to the cities of New York, Newark and Hoboken for various air and marine terminals, aggregated \$20,700,000 in 1978 and \$15,000,000 in 1977. The lease terms expire at various times from 2002 to 2018 and may be renewed for additional periods. Aggregate annual minimum rentals are approximately \$7,200,000. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

Note G—Government Contributions in Aid of Construction:

At December 31, 1978, the Port Authority had received gross contributions in aid of construction or to retire debt issued for capital purposes from government agencies aggregating \$181,823,000, including \$23,408,000 of federal funding received in 1978 of which \$14,669,000 was used to retire Consolidated Bonds. Charges representing depreciation on assets relating to these contributions was \$5,327,000 in 1978 and \$4,575,000 in 1977 (see Note A-6).

	December 31,	
	1978	1977
Gross Contributions	\$181,823,000	\$158,415,000
Less: Accumulated Charges (depreciation on assets acquired with contributions)	38,404,000	33,077,000
	<u>\$143,419,000</u>	<u>\$125,338,000</u>

Note H—Commitments and Certain Charges to Operations:

1. At December 31, 1978, the Port Authority was committed under various contracts to the completion within the next three years of approximately \$76,000,000 of construction.

In connection with the revisions to the Port Authority bridge and tunnel toll schedules which were effective May 5, 1975, the Port Authority has allocated \$160,000,000 to the extension of the Port Authority Bus Terminal and has undertaken planning to allocate \$240,000,000 of proceeds of Consolidated Bonds to be issued for mass transportation projects consisting of buses and other related bus facilities, \$120,000,000 in each of the States of New York and New Jersey in accordance with priorities established by responsible state officials and the commissioners of the Port Authority acting pursuant to legislative authorizations and commitments to the holders of Port Authority obligations (see Note L). Capital expenditures during the year 1979 are budgeted in the amount of \$269,000,000 including a portion of the allocations related to the contracts and programs noted above as well as the other ongoing capital construction programs of the Port Authority. Capital expenditures have consistently underrun the budget during the last five years largely because of delays in construction and required authorizations.

2. Charges to operations of planning costs and certain non-recurring charges amounted to approximately \$14,200,000 in 1978 and approximately \$9,000,000 in 1977. The charge to operations in 1977 resulted in a reduction of net income of \$3,000,000 in that year, the balance having been attributed to adjustments pursuant to lease agreements. Details of such charges in 1978 are described in the table below:

Deferred Planning Costs (related to potential new rail mass transportation facilities)	\$ 6,700,000
Advance Rental Payments (related to Newark International Airport and Port Newark, not now expected to be recovered in the foreseeable future)	5,600,000
In lieu-of-Tax Payments (related to additional property acquired during the period July 1, 1962 to June 30, 1978 for the Brooklyn- Port Authority and Erie Basin- Port Authority Marine Terminals)	1,900,000
	<u>\$14,200,000</u>

Note I—Bonded Debt:

1. The following table shows the amount of Port Authority bonds outstanding in accordance with Port Authority bond resolutions as of December 31, 1978 and December 31, 1977.

	December 31, 1977	Issued		December 31, 1978
		(In Thousands)		
			Retired	
General and Refunding Bonds				
Ninth Series	1½% due 1985	\$ 2,862	\$ —	\$ 2,471
Tenth Series	1¾% due 1985	1,706	—	1,475
Eleventh Series	1¼% due 1986	4,922	—	4,333
		<u>9,490</u>	<u>—</u>	<u>8,279</u>
Air Terminal Bonds				
First Series	3% due 1978	2,049	—	—
Second Series	2½% due 1979	3,523	—	1,875
Third Series	2.20% due 1980	1,942	—	1,317
		<u>7,514</u>	<u>—</u>	<u>3,192</u>
Marine Terminal Bonds				
First Series	2½% due 1978	366	—	—
Second Series	2.20% due 1980	401	—	300
		<u>767</u>	<u>—</u>	<u>300</u>
Consolidated Bonds				
First Series	3% due 1982	8,167	—	6,605
Second Series	2¾% due 1984	11,540	—	10,300
Fourth Series	2¾% due 1985	15,000	—	13,400
Fifth Series	2.90% due 1983	9,700	—	8,700
Sixth Series	3% due 1986	17,400	—	16,200
Seventh Series	3.40% due 1986	14,500	—	13,500
Eighth Series	3.40% due 1987	31,000	—	29,000
Tenth Series	3¾% due 1987	20,400	—	19,500
Eleventh Series	3% due 1978	2,000	—	—
Twelfth Series	3¾% due 1988	24,500	—	23,100
Thirteenth Series	Various due 1978	1,250	—	—
Fourteenth Series	3¾% due 1989	33,770	—	31,405
Fifteenth Series	4.10% due 1978-1979	3,500	—	1,750
Sixteenth Series	4¼% due 1989	15,350	—	14,275
Seventeenth Series	Various due 1978-1980	4,500	—	3,000
Eighteenth Series	3½% due 1978-1981	8,400	—	6,300
Nineteenth Series	3½% due 1991	17,500	—	16,750
Twentieth Series	3¼% due 1993	28,700	—	27,650
Twenty-first Series	3.40% due 1993	20,500	—	19,750
Twenty-second Series	3¾% due 1993	20,500	—	19,750
Twenty-third Series	3¾% due 1994	21,000	—	20,500
Twenty-fourth Series	3½% due 1994	21,000	—	20,500
Twenty-fifth Series	Various due 1978-1984	10,500	—	9,000
Twenty-sixth Series	3½% due 1995	30,975	—	30,275
Twenty-seventh Series	3¾% due 1995	23,500	—	22,750
Twenty-eighth Series	3¾% due 1996	24,000	—	23,750
Twenty-ninth Series	3½% due 1996	24,000	—	23,750
Thirtieth Series	3¾% due 1998	23,000	—	22,500
Thirty-first Series	4% due 2002	97,000	—	96,000
Thirty-second Series	5% due 2003	98,000	—	97,000
Thirty-third Series	4¾% due 2003	98,000	—	97,000
Thirty-fourth Series	5½% due 2003	100,000	—	99,500
Thirty-fifth Series	6¾% due 2005	100,000	—	100,000
Thirty-sixth Series	6.40% due 2005	50,000	—	50,000
Thirty-seventh Series	6% due 2006	100,000	—	100,000
Thirty-eighth Series	5¾% due 2006	100,000	—	100,000
Thirty-ninth Series	5.80% due 2007	150,000	—	150,000
Fortieth Series	6% due 2008	100,000	—	100,000
Forty-first Series	5½% due 2008	100,000	—	100,000
Forty-second Series	8.20% due 2011	100,000	—	100,000
Forty-third Series	7% due 2011	50,000	—	50,000
Series Forty-four	7½% due 2011 (See Note on Schedule D)	—	—	—
Forty-fifth Series	6½% due 2012	75,000	—	75,000
Forty-sixth Series	6% due 2013	—	75,000	75,000
Forty-seventh Series	6½% due 2013	—	100,000	100,000
		<u>1,804,152</u>	<u>175,000</u>	<u>1,943,460</u>
Total Bonded Debt in accordance with Port Authority bond resolutions		<u>\$1,821,923</u>	<u>\$ 41,692</u>	<u>\$1,955,231</u>
2. Total Bonded Debt in accordance with Port Authority bond resolutions		\$1,821,923	—	\$1,955,231
Less: Amortized cost of Port Authority bonds purchased by the Port Authority		30,512	—	56,794
		<u>\$1,791,411</u>	<u>—</u>	<u>\$1,898,437</u>

Note J—New York State's World Trade Center Offices:

Gross operating revenues include rental income of \$22,400,000 in 1978 and \$22,500,000 in 1977 from New York State for office space which the state occupies in a substantial portion of one of the tower buildings of the Port Authority's World Trade Center facility pursuant to a lease renewable for successive five-year terms totaling 100 years. The state is discussing the terms of the renewal of the lease with the Port Authority and it did not formally exercise its option in 1975 to renew for the next successive rental period.

Note L—Toll Increases:

In May, 1975, the Port Authority revised its toll schedules, generally increasing tolls at its six interstate vehicular crossings. Litigation was instituted in the U.S. District Court for the Southern District of New York in 1977 challenging the decision of the Federal Highway Administrator of the U.S. Department of Transportation which upheld the toll increase. The Secretary of Transportation is authorized by federal legislation to prescribe reasonable rates of toll on certain bridges, including those owned and operated by the Port Authority.

The District Court dismissed the action early in 1978 and the United States Court of Appeals for the Second Circuit affirmed the decision on January 12, 1979. The plaintiffs have announced that they will not appeal the decision of the Court of Appeals.

Note K—Investments:

	December 31, 1978			December 31, 1977
	Principal Amount	Quoted Market Value	Amortized Cost	Amortized Cost
	(In Thousands)			
Short-Term				
United States Treasury Bills	\$187,885	\$182,901	\$183,001	\$219,610
United States Treasury Notes	54,000	52,627	54,057	35,462
Farmers Home Administration (Department of Agriculture) Insured Notes	—	—	—	4,902
Government National Mortgage Association (G.N.M.A.) Participation Certificates	2,175	2,063	2,156	1,377
Security Valuation Adjustment	—	—	(1,623)	(182)
Total Short-Term	<u>\$244,060</u>	<u>\$237,591</u>	<u>237,591</u>	<u>261,169</u>
Long-Term				
Farmers Home Administration Insured Notes	\$ 76,497	\$ 71,734	76,398	76,280
United States Treasury Notes	49,000	46,695	48,933	68,161
G.N.M.A. Participation Certificates	13,585	12,163	13,545	15,668
Export-Import Bank Participation Certificates	865	757	868	870
Security Valuation Adjustment	—	—	(8,395)	—
Total Long-Term	<u>\$139,947</u>	<u>\$131,349</u>	<u>131,349</u>	<u>160,979</u>
Time Deposits with Banks	<u>\$206,788</u>		206,788	38,526
United States Treasury Notes and G.N.M.A. Participation Certificates held under agreement to repurchase	<u>\$ 32,408</u>		30,866	—
Accrued Interest Receivable			12,778	7,681
Investments (not including Bonds of The Port Authority of New York and New Jersey)			619,372	468,355
Bonds of The Port Authority of New York and New Jersey	<u>\$ 56,887</u>		56,794	30,512
Total Investments (including Bonds of The Port Authority of New York and New Jersey)			<u>\$676,166</u>	<u>\$498,867</u>

Investments at December 31, 1978 include Time Deposits with Banks. Time Deposits at December 31, 1977 have been reclassified from cash for comparative purposes.

Note M—Information On Port Authority Operations By Operating Segment:

1. Operating Results

Gross operating revenues by operating segment exclude interdepartmental revenues primarily relating to the World Trade Center, of \$13,195,000 in 1978, and \$11,682,000 in 1977. In the table below, gross operating income (loss) consists of gross operating revenues less operating and maintenance expenses and depreciation. General administrative and development expenses, financial income, interest on debt and interdepartmental revenues and expenses are not considered in calculating gross operating income (loss).

	Tunnels & Bridges	Bus & Truck Terminals	Rail Facilities	Airports	Marine Terminals	World Trade Center	Combined	
							1978	1977
	(In Thousands)							
1978								
Gross Operating Revenues	\$135,784	\$14,761	\$14,049	\$263,170	\$44,325	\$71,721	<u>\$543,810</u>	
Gross Operating Income (Loss)	76,873	482	(36,321)	72,428	3,859	15,992	<u>\$133,313</u>	
1977								
Gross Operating Revenues	133,027	14,735	13,506	251,536	44,671	66,850		<u>\$524,325</u>
Gross Operating Income (Loss)	78,552	1,741	(29,485)	73,929	8,984	11,594		<u>\$145,315</u>
General Administrative and Development Expenses							(52,998)	(42,790)
Income from Operations							80,315	102,525
Financial Income							28,242	27,005
Interest on Debt							(92,124)	(90,957)
Net Income							<u>\$ 16,433</u>	<u>\$ 38,573</u>

2. Asset Information

The table below contains a summary of information on the Port Authority's assets. Facilities net consists of facilities at cost less accumulated depreciation.

	Tunnels & Bridges	Bus & Truck Terminals	Rail Facilities	Airports	Marine Terminals	World Trade Center	Total Assets
		(In Thousands)					
1978 Assets							
Facilities, net—beginning of year	\$412,737	\$ 89,783	\$222,247	\$805,587	\$378,664	\$893,825	\$2,802,843
Net capital expenditures	16,949	22,859	5,026	22,030	5,089	18,224	90,177
Depreciation	(7,909)	(1,116)	(5,682)	(48,991)	(14,430)	(17,573)	(95,701)
Facilities, net—end of year	<u>\$421,777</u>	<u>\$111,526</u>	<u>\$221,591</u>	<u>\$778,626</u>	<u>\$369,323</u>	<u>\$894,476</u>	<u>2,797,319</u>
Cash, investments and other assets							703,148
Total Assets							<u>\$3,500,467</u>
1977 Assets							
Facilities, net—beginning of year	\$398,748	\$ 74,255	\$224,071	\$834,952	\$386,777	\$883,440	\$2,802,243
Net capital expenditures	21,650	16,676	3,834	20,046	6,035	27,112	95,353
Depreciation	(7,661)	(1,148)	(5,658)	(49,411)	(14,148)	(16,727)	(94,753)
Facilities, net—end of year	<u>\$412,737</u>	<u>\$ 89,783</u>	<u>\$222,247</u>	<u>\$805,587</u>	<u>\$378,664</u>	<u>\$893,825</u>	<u>2,802,843</u>
Cash, investments and other assets							573,271
Total Assets							<u>\$3,376,114</u>

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

	Year Ended December 31,			1977 Combined Total
	1978	Reserve Funds (Schedule C)	Combined Total	
	(In Thousands)			
Gross Operating Revenues	\$543,810	\$ —	\$543,810	\$524,325
Operating Expenses	367,794	—	367,794	327,047
Net Operating Revenues	176,016	—	176,016	197,278
Financial Income				
Income on investments (includes gain of \$9,321,000 in 1978 and \$3,670,000 in 1977 on purchase of Port Authority bonds)	7,816	31,655	39,471	28,365
Security valuation adjustment	(75)	(9,906)	(9,981)	(127)
Net Revenues Available for Debt Service and Reserves	183,757	21,749	205,506	225,516
Debt Service				
Interest on bonded debt	85,456	354	85,810	83,861
Serial maturities and sinking fund retirements	21,023	6,000	27,023	34,754
Interest on bank loans	—	7,562	7,562	8,329
Repayment of bank loans	—	40,000	40,000	60,000
Total Debt Service	106,479	53,916	160,395	186,944
Direct Investment in Facilities	—	—	—	5,000
Appropriation for Self-Insurance	—	3,955	3,955	4,636
Transfers to Reserves	(\$77,278)	77,278	—	—
Net Increase in Reserves		41,156	41,156	28,936
Reserve Balances—Beginning of Year		324,382	324,382	295,446
Reserve Balances—End of Year (Schedule C)		\$365,538	\$365,538	\$324,382

See Notes to Consolidated Financial Statements.

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

	December 31, 1978				December 31, 1977
	Operating Fund	Capital Fund	Reserve Funds (In Thousands)	Combined Total	Combined Total
Assets					
Invested in Facilities	\$ —	\$3,882,953	\$ —	\$3,882,953	\$3,792,776
Investments (Note K)	101,688	210,527	363,951	676,166	498,867
Cash	2,298	4,794	1,587	8,679	7,877
Other Assets	70,228	4,869	—	75,097	97,039
Total Assets	174,214	4,103,143	365,538	4,642,895	4,396,559
Liabilities					
Bonded Debt (Note I)	—	1,955,231	—	1,955,231	1,821,923
Bank Loans Payable (Note C)	—	165,000	—	165,000	205,000
Accounts Payable and Other Liabilities	142,607	31,934	—	174,541	156,861
Deferred Credits to Income	4,417	—	—	4,417	4,611
Total Liabilities	147,024	2,152,165	—	2,299,189	2,188,395
Net Assets	\$ 27,190	\$1,950,978	\$365,538	\$2,343,706	\$2,208,164
Net Assets are Composed of:					
Debt Retired Through Income	\$ —	\$1,681,324	\$ —	\$1,681,324	\$1,614,301
Reserves (Schedule C)	—	—	365,538	365,538	324,382
Government Contributions in Aid of Construction (Note G)	—	181,823	—	181,823	158,415
Appropriated Reserves Invested in Facilities	—	87,831	—	87,831	87,831
Appropriated Reserves for Self-Insurance	27,190	—	—	27,190	23,235
Net Assets	\$ 27,190	\$1,950,978	\$365,538	\$2,343,706	\$2,208,164

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

	Year Ended December 31, 1978					Combined Total
	General Reserve Fund	Consolidated Bond Reserve Fund	Reserve Funds in Trust For			
			General & Refunding Bonds	Air Terminal Bonds	Marine Terminal Bonds	
	(In Thousands)					
Balance—December 31, 1977	\$194,692	\$110,937	\$10,192	\$7,766	\$795	\$324,382
Income on investments (includes gain on purchase of Port Authority bonds)	19,326	10,665	1,004	592	68	31,655
Security valuation adjustment	(6,034)	(3,346)	(313)	(192)	(21)	(9,906)
Reserve fund transfers	—	1,115	(705)	(371)	(39)	—
Transfers from operating fund	39	77,239	—	—	—	77,278
	208,023	196,610	10,178	7,795	803	423,409
Applications:						
Interest on bonded debt	—	—	138	190	26	354
Serial maturities and sinking fund retirements	—	—	1,211	4,322	467	6,000
Interest on bank loans	—	7,562	—	—	—	7,562
Repayment of bank loans	—	40,000	—	—	—	40,000
Self-insurance	—	3,955	—	—	—	3,955
Total Applications	—	51,517	1,349	4,512	493	57,871
Balance—December 31, 1978 (Note D)	\$208,023	\$145,093	\$ 8,829	\$3,283(A)	\$310(B)	\$365,538

(A) Includes Sinking Fund balance of \$2,525,000 related to Air Terminal Bonds. (B) Includes Sinking Fund balance of \$146,000 related to Marine Terminal Bonds.

See Notes to Consolidated Financial Statements.

Year	Debt Service Total All Issues			Amortization			
	Par Value \$1,955,231			Consolidated Bonds	General and Refunding Bonds	Air Terminal Bonds	Marine Terminal Bonds
	Total	Interest	Amortization				
1979	\$ 145,543	\$ 102,879	\$ 42,664	\$ 37,944	\$1,228	\$3,192	\$300
1980	143,178	101,507	41,671	40,425	1,246	—	—
1981	142,520	100,049	42,471	41,207	1,264	—	—
1982	141,496	98,566	42,930	41,648	1,282	—	—
1983	142,911	96,973	45,938	44,638	1,300	—	—
1984	144,928	95,213	49,715	48,398	1,317	—	—
1985	143,758	93,311	50,447	49,805	642	—	—
1986	146,724	91,218	55,506	55,506	—	—	—
1987	143,544	88,912	54,632	54,632	—	—	—
1988	138,753	86,646	52,107	52,107	—	—	—
1989	137,233	84,289	52,944	52,944	—	—	—
1990	137,287	81,863	55,424	55,424	—	—	—
1991	137,961	79,183	58,778	58,778	—	—	—
1992	138,636	76,263	62,373	62,373	—	—	—
1993	139,802	73,058	66,744	66,744	—	—	—
1994	136,602	69,635	66,967	66,967	—	—	—
1995	134,117	66,051	68,066	68,066	—	—	—
1996	131,786	62,251	69,535	69,535	—	—	—
1997	129,365	58,365	71,000	71,000	—	—	—
1998	130,190	54,190	76,000	76,000	—	—	—
1999	128,024	49,774	78,250	78,250	—	—	—
2000	126,650	45,150	81,500	81,500	—	—	—
2001	124,071	40,321	83,750	83,750	—	—	—
2002	124,188	35,188	89,000	89,000	—	—	—
2003	116,159	29,909	86,250	86,250	—	—	—
2004	98,029	25,029	73,000	73,000	—	—	—
2005	93,477	20,477	73,000	73,000	—	—	—
2006	78,445	15,945	62,500	62,500	—	—	—
2007	62,180	12,180	50,000	50,000	—	—	—
2008	49,572	9,322	40,250	40,250	—	—	—
2009	35,007	7,007	28,000	28,000	—	—	—
2010	33,077	5,077	28,000	28,000	—	—	—
2011	31,147	3,147	28,000	28,000	—	—	—
2012	18,850	1,350	17,500	17,500	—	—	—
2013	12,644	394	12,250	12,250	—	—	—
Total	<u>\$3,917,854</u>	<u>\$1,960,692</u>	<u>\$1,957,162</u>	<u>\$1,945,391</u>	<u>\$8,279</u>	<u>\$3,192</u>	<u>\$300</u>

NOTE: Includes all mandatory payments (including sinking fund requirements, applicable call premiums and serial maturities) whether payable from revenues or other sources upon assumptions that: (1)—the presently outstanding bonds will not be retired prior to maturity except in accordance with the mandatory retirement provisions of the resolutions establishing the series of which such bonds form a part; (2)—the payment into each sinking fund will be made on the latest permissible date of each year for which such sinking fund payment is required to be made; (3)—such payments will be in the amounts scheduled to be made for such year. Interest shown under "Debt Service Total All Issues" is computed on the assumption that amortization payments will be made each year on the latest permissible date. The above table does not include payments on the bank loans (See Note C-1 to Consolidated Financial Statements). Not included are \$50,000,000 Consolidated Bonds, Forty-fourth Series, dated December 20, 1976, due December 20, 2011, \$25,000,000 Consolidated Bonds, Series Forty-four-A, dated December 20, 1977, due December 20, 2011, and \$50,000,000 Consolidated Bonds, Series Forty-four-B, dated December 20, 1977, due December 20, 2011, each of which was issued by the Port Authority solely as additional security for the respective payment of the Port Authority's \$50,000,000 bank loan of January, 1977, \$25,000,000 bank loan of November, 1977, and \$50,000,000 additional bank loan of November, 1977, and are held in Trust for these purposes (without payment of the interest on such bonds while held in trust). Amortization and interest applicable to General and Refunding, Air Terminal and Marine Terminal Bonds are secured by trusts as outlined in Note D-2 to Consolidated Financial Statements.

See Notes to Consolidated Financial Statements.

	1978	1977	1976	1975	1974*
(In Thousands)					
REVENUES AND EXPENSES					
Gross Operating Revenues	\$ 543,810	\$ 524,325	\$ 496,413	\$ 458,406	\$ 410,412
Operating Expenses	367,794	327,047	310,701	289,138	252,037
Net Operating Revenues	176,016	197,278	185,712	169,268	158,375
Income on Investments	30,150	24,695	22,211	20,965	21,228
Gain on Purchase of Port Authority Bonds	9,321	3,670	6,446	8,283	4,880
Security Valuation Adjustment	(9,981)	(127)	1,381	2,453	(3,061)
Net Revenues Available for Debt Service and Reserves	205,506	225,516	215,750	200,969	181,422
DEBT SERVICE—OPERATIONS					
Interest on Bonded Debt	(85,456)	(83,354)	(78,195)	(71,552)	(65,562)
Times, Interest Earned	2.40	2.71	2.76	2.81	2.77
Serial Maturities and Sinking Fund Retirements	(21,023)	(30,173)	(29,204)	(30,055)	(28,703)
Times, Debt Service Earned	1.93	1.99	2.01	1.98	1.92
DEBT SERVICE—RESERVES					
Debt Service on Bonds Secured by Trusts	(6,354)	(5,088)	(4,253)	(6,572)	(6,488)
Interest on Bank Loans	(7,562)	(8,329)	(9,213)	(8,464)	(9,119)
Bank Loan Payments	(40,000)	(60,000)	(60,000)	(55,000)	(40,000)
Direct Investment in Facilities—Reserves	—	(5,000)	(3,000)	(15,000)	(11,000)
Appropriation for Self-Insurance—Reserves	(3,955)	(4,636)	(3,405)	(2,417)	(2,257)
Net Increase in Reserves	41,156	28,936	28,480	11,909	18,293
RESERVE BALANCES					
Beginning of Year	324,382	295,446	266,966	255,057	236,764
End of Year	\$ 365,538	\$ 324,382	\$ 295,446	\$ 266,966	\$ 255,057
Represented By:					
General Reserve	\$ 208,023	\$ 194,692	\$ 188,168	\$ 176,457	\$ 173,487
Special Reserve (A)	8,829	10,192	11,554	12,767	13,898
Air Terminal Reserve (A)	3,283	7,766	10,925	13,576	18,660
Marine Terminal Reserve (A)	310	795	1,333	1,757	2,212
Consolidated Bond Reserve	145,093	110,937	83,466	62,409	46,800
Total	\$ 365,538	\$ 324,382	\$ 295,446	\$ 266,966	\$ 255,057
DEBT—AT YEAR-END					
General and Refunding Bonds	\$ 8,279	\$ 9,490	\$ 10,684	\$ 11,717	\$ 12,658
Air Terminal Bonds	3,192	7,514	10,395	12,671	17,203
Marine Terminal Bonds	300	767	1,273	1,657	2,059
Consolidated Bonds and Notes	1,943,460	1,804,152	1,859,325	1,738,529	1,668,584
Total Bonded Debt	1,955,231	1,821,923	1,881,677	1,764,574	1,700,504
Bank Loans	165,000	205,000	140,000	200,000	255,000
Total	\$2,120,231	\$2,026,923	\$2,021,677	\$1,964,574	\$1,955,504
INVESTED IN FACILITIES—AT YEAR-END	\$3,882,953	\$3,792,776	\$3,697,423	\$3,581,037	\$3,442,489
DEBT RETIRED THROUGH INCOME					
Annual	\$ 67,023	\$ 94,754	\$ 92,897	\$ 90,930	\$ 74,363
Cumulative	\$1,681,324	\$1,614,301	\$1,519,547	\$1,426,650	\$1,335,720

NOTE: This selected financial data is presented for general information purposes only and is not intended to reflect specific applications of the revenues and reserves of the Port Authority, which are governed by statutes and its bond resolutions.

(A) Reserve Funds maintained in Trust since December 31, 1970. See Note D-2 to Consolidated Financial Statements.

*Restated, in accordance with a Standard of the Financial Accounting Standards Board, *Accounting for Contingencies*, adopted in 1975.

See Notes to Consolidated Financial Statements.

The Port Authority of New York and New Jersey
New York State Commuter Car Program
Assets and Liabilities

	December 31, 1978		Combined Total	December 31, 1977
	Leased to Metropolitan Transportation Authority	Leased to Consolidated Rail Corporation (Conrail)		Combined Total
(In Thousands)				
Assets				
Invested in Commuter Cars, at Cost	\$63,000	\$37,491	\$100,491	\$100,490
Cash and Investment in U.S. Government Securities, at Cost (which approximates market)	—	3,317	3,317	3,092
Other Assets	213	391	604	605
Total Assets	<u>63,213</u>	<u>41,199</u>	<u>104,412</u>	<u>104,187</u>
Liabilities				
State Guaranteed Commuter Car Bonds	50,255	25,230	75,485	78,380
Accounts Payable and Other Liabilities	213	3,449	3,662	3,437
Total Liabilities	<u>50,468</u>	<u>28,679</u>	<u>79,147</u>	<u>81,817</u>
Net Assets	<u>\$12,745</u>	<u>\$12,520</u>	<u>\$ 25,265</u>	<u>\$ 22,370</u>

NOTE: Pursuant to legislation of the States of New York and New Jersey, the Port Authority is authorized and empowered, upon the election of either state, to purchase and lease railroad cars to commuter railroads of the electing state, and to borrow money for such purpose or for the repayment of advances from the electing state if such state has made itself liable for the repayment of the money so borrowed. By resolution dated April 12, 1962, the Port Authority established an issue of New York State Guaranteed Commuter Car Bonds. The information contained in this schedule has been prepared pursuant to such bond resolution and legislation. Such Car Bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars. Car Bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority. In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of such debt service is fully and unconditionally guaranteed by New York State. Title to the cars is to be relinquished by the Port Authority after retirement of all obligations issued in connection with such cars.

See Notes to Consolidated Financial Statements.

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