THE PORT AUTHORITY OF NY & NJ

2010 Annual Report

Comprehensive Annual Financial Report for the Year Ended December 31, 2010

Mission Statement

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

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The Port Authority of New York and New Jersey
Comprehensive Annual Financial Report for the Year Ended December 31, 2010, revised August 1, 2011
Prepared by the Marketing and Comptroller's departments of The Port Authority of New York and New Jersey
225 Park Avenue South, New York, NY 10003-1604
www.panynj.gov

Portfolio of Facilities

The Port Authority is responsible for planning, developing, and operating terminals and other facilities of transportation, economic development, and world trade that contribute to protecting and promoting commerce in the Port District.

Aviation

John F. Kennedy International Airport
LaGuardia Airport
Newark Liberty International Airport
Stewart International Airport
Teterboro Airport

Tunnels, Bridges & Terminals

Bayonne Bridge
George Washington Bridge
George Washington Bridge Bus Station
Goethals Bridge
Holland Tunnel
Lincoln Tunnel
Outerbridge Crossing
Port Authority Bus Terminal

Port Commerce

Brooklyn-Port Authority Marine Terminal
Elizabeth-Port Authority Marine Terminal
Greenville Yard-Port Authority Marine Terminal
Howland Hook Marine Terminal
Port Jersey-Port Authority Marine Terminal
Port Newark
Red Hook Container Terminal

Port Authority Trans-Hudson

Journal Square Transportation Center
PATH Rail Transit System

Real Estate & Development

Bathgate Industrial Park
Essex County Resource Recovery Facility
Ferry Transportation
Industrial Park at Elizabeth
The Newark Legal and Communications Center
The Teleport
Waterfront Development
 Hoboken South Waterfront Development
 Queens West Waterfront Development
The World Trade Center

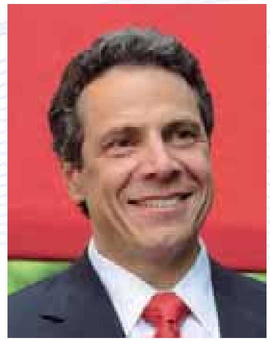
International Business Development

Representatives in Hong Kong, Shanghai, The United Kingdom, and Tokyo

Letter of Transmittal to the Governors

Dear Governors:

In conformance with the Port Compact of 1921, I am pleased to present to you and to the legislatures of New York and New Jersey the 2010 Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey.



The Honorable
Andrew M. Cuomo
Governor, State of New York

The Honorable
Chris Christie
Governor, State of New Jersey

The report that follows presents an overview of the Port Authority's activities and accomplishments in 2010 together with its financial performance and current condition. As in the past two years, 2010 was characterized by the Authority's continuing efforts to manage the effects of the national economic downturn while pursuing a comprehensive agenda of forward looking capital investments, maintaining a state of good repair at our facilities, and rebuilding the World Trade Center site with the immediate goal of opening the National September 11th Memorial to commemorate the 10th anniversary of the most horrific terrorist attack in our nation's history.

Prolonged levels of high unemployment and reduced consumer spending, both regionally and nationally, contributed to dramatic decreases in passenger and traffic volume at the Port Authority's facilities in 2008 and 2009. Although our activity levels remain lower than originally projected, we were encouraged to see rebounds in almost all our business lines during 2010.

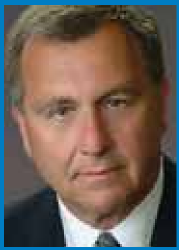
As part of the Port Authority's multi-year response to the economic downturn, our 2011 budget, adopted in December 2010, calls for a third consecutive year of zero growth in operating expenses, with a further reduction of another 200 positions, bringing the Authority's staffing to its lowest level in four decades. Through the financial oversight of our Board and the commitment of our staff, the Authority has been able to mitigate the consequences of the economic downturn by controlling operating expenses and prioritizing capital spending. This financial discipline has allowed our agency to make critical investments in regional transportation infrastructure and to continue to drive economic growth, while living within our means. As with other public and governmental entities, the Port Authority has learned to do more with less.

The Port Authority took important strides in 2010 toward modernizing and improving our region's critical transportation links, invested in economic growth, and continued the efficient operation of a complex and multi-modal transportation system that moves hundreds of thousands of people each day and provides key commercial connections for the movement of cargo in and out of the region. At the same time, we have focused on enhanced security efforts to ensure the safety of our facilities and for our customers.

In 2011, we will mark the 90th anniversary of the founding of the Port Authority. During these nine decades of remarkable worldwide advancement in trade, the Port Authority has been a leader in planning, building, and operating the transportation systems — bridges and tunnels, airports, air and sea cargo facilities, bus terminals, and more — that have enabled the New York and New Jersey region to grow with and to compete in the national and global economies. Under your leadership, we will continue this tradition, and we pledge the best efforts of our Board and staff to implement your vision for economic growth and prosperity in our region.

Sincerely,

David Samson
Chairman
June 30, 2011



David Samson
Partner
Wolff & Samson, PC

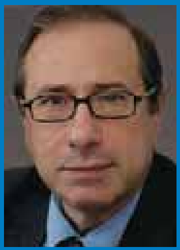
Stanley E. Grayson
Vice Chairman & Chief Operating Officer
M.R. Beal & Company

Virginia S. Bauer
Chief Executive Officer
GTBM, Inc.

Michael J. Chasanoff
Managing Partner
Chasanoff Properties

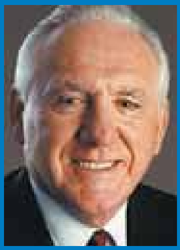
Anthony R. Coscia
Partner
Windels Marx Lane & Mittendorf, LLP

H. Sidney Holmes III
Partner
Winston & Strawn, LLP



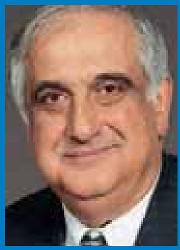
Jeffrey H. Lynford
Co-Managing Member
Wellsford Strategic Partners LLC

Jeffrey A. Moerdler
Member
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.



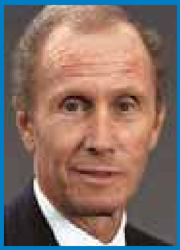
Raymond M. Pocino
Vice President/Eastern Regional Manager
Laborers International Union of North America

Scott H. Rechler
Chief Executive Officer and Chairman
RXR



Anthony J. Sartor
Chairman & Chief Executive Officer
Paulus, Sokolowski & Sartor

William "Pat" Schuber
Professor
Fairleigh Dickinson University



Henry R. Silverman
Vice Chairman
Apollo Global Mgmt.

David S. Steiner
Chairman
Steiner Equities Group, LLC

Board of Commissioners

David Samson, Chairman[1]
Stanley E. Grayson, Vice Chairman
Virginia S. Bauer
Michael J. Chasanoff[2]
Anthony R. Coscia[3]
H. Sidney Holmes III
Jeffrey H. Lynford[4]
Jeffrey A. Moerdler
Raymond M. Pocino
Scott H. Rechler[4]
Anthony J. Sartor
William "Pat" Schuber[5]
Henry R. Silverman
David S. Steiner

[1]David Samson was elected as the agency's Chairman on February 3, 2011, shortly after joining the Board.
[2]Michael J. Chasanoff retired from the Board on December 9, 2010.
[3]Anthony R. Coscia served as the agency's Chairman until February 3, 2011.
[4]Jeffrey H. Lynford and Scott H. Rechler joined the Board on June 20, 2011.
[5]William "Pat" Schuber will join the Board on July 1, 2011 succeeding Commissioner Coscia.

Christopher O. Ward
Executive Director

Bill Baroni
Deputy Executive Director

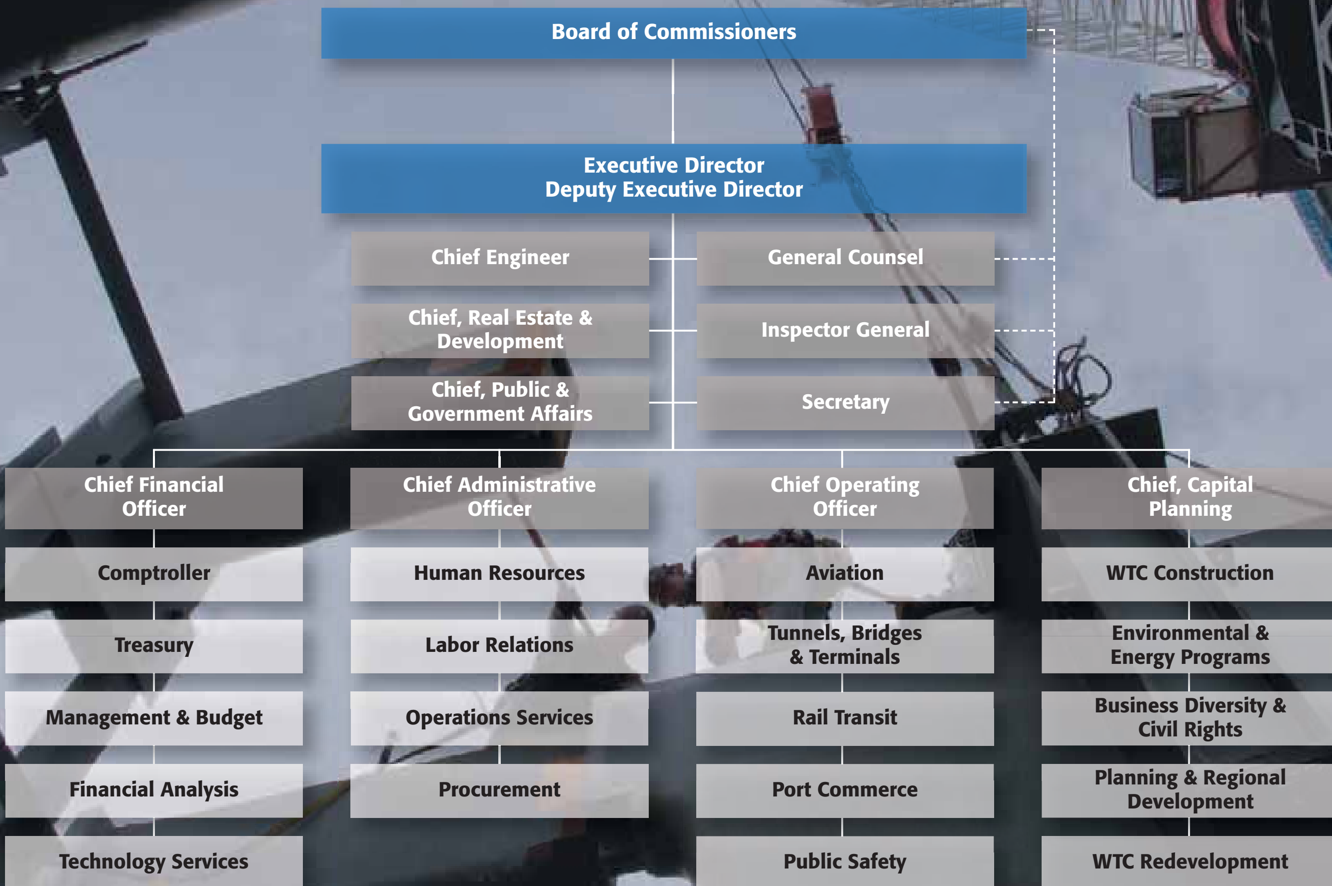
Origins of The Port Authority of New York and New Jersey

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

Governance of the Port Authority

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

Officers and Directors



Executive Director / Christopher O. Ward
Deputy Executive Director / Bill Baroni

Chief Administrative Officer	**Louis J. LaCapra**
Human Resources Department	Mary Lee Hannell, Director
Labor Relations Department	Louis J. LaCapra, Director
Operations Services Department	Thomas C. Lubas, Director
Procurement Department	Lillian D. Valenti, Director
Chief, Capital Planning	**David B. Tweedy**
Office of Business Diversity & Civil Rights	Lash L. Green, Director
Office of Environmental & Energy Programs	Christopher R. Zeppie, Director
Office of Strategic Initiatives	Cruz C. Russell, Director
Planning & Regional Development Department	Andrew S. Lynn, Director
WTC Construction Department	Steven P. Plate, Director
WTC Redevelopment Department	Philippe B. Visser, Director
Chief Engineer	**Peter J. Zipf**
Chief Financial Officer	**Michael G. Fabiano**
Comptroller's Department	Daniel G. McCarron, Comptroller
Financial Analysis Department	Gerald B. Stoughton, Director
Management & Budget Department	Michael G. Massiah, Director
Technology Services Department	Kirby King, Director
Treasury Department	Anne Marie C. Mulligan, Treasurer

Chief Operating Officer	**Ernesto L. Butcher**
Aviation Department	Susan M. Baer, Director
Capital Security Projects	John J. Drobny, Director
Port Commerce Department	Richard M. Larrabee, Director
Public Safety Department	Michael A. Fedorko, Director/ Superintendent of Police
Rail Transit Department	Michael P. DePallo, Director
Tunnels, Bridges & Terminals Department	Cedrick T. Fulton, Director
Chief of Public & Government Affairs	**Jamie E. Loftus**
Government & Community Affairs	Tina Lado, Director
Marketing Department	Andrew T. Hawthorne, Director
Office of Media Relations	John P. Kelly, Director
Chief, Real Estate & Development	**Michael B. Francois**
General Counsel	**Darrell B. Buchbinder**
Inspector General	**Robert E. Van Etten**
Audit Department	Robert A. Sudman, Director
Office of Investigations	Michael Nestor, Director
Secretary	**Karen E. Eastman**

Effective June 6, 2011

Letter from the Executive Director

Dear Chairman Samson and
Members of the Board of Commissioners:

This Annual Report tells the story of an organization that has made significant strides in a challenging economic environment. Progress was evident across the full range of Port Authority activities, from the continued momentum at the World Trade Center site to the day-to-day work of moving people and goods throughout the New York-New Jersey region. Last year, that work served 104 million airport customers, 74 million PATH riders, 121 million vehicles at our tunnels and bridges, nearly 76 million bus passengers moving through our bus terminals, and 5.2 million cargo container units moving through our ports.

The year 2010 marked the most productive year to date in the development of the new World Trade Center. One World Trade Center is now more than halfway up to its 104-floor-story height, taking a striking place in the New York City skyline. The National September 11 Memorial is on target to open on the 10th Anniversary of the 9/11 attacks, and progress at the WTC Transportation Hub is rapidly accelerating.

Besides the significant construction progress made at the World Trade Center site, the Port Authority also advanced three business deals that will help put the World Trade Center on a firm economic footing going forward. The Port Authority executed a critical deal with Silverstein Properties, the State of New York, and the City of New York to fully restore the World Trade Center site by providing a funded and rationalized plan for the completion of the private office space on the site. We finalized negotiations and executed a lease with Condé Nast to be a 1-million-square-foot anchor tenant in One World Trade Center. And we approved a framework that will bring in The Durst Organization as our private development partner in One World Trade to help maximize the future success of the building. Taken together, these commitments represent a real game changer for the World Trade Center site and validate the significant turnaround Downtown.

Beyond our intense focus on the World Trade Center, the Port Authority continued to drive forward a comprehensive agenda to improve and expand the region's transportation system.

At JFK International Airport, we completed the replacement of the Bay Runway (our system's longest) on schedule and on budget—all with minimal impact on travelers. And capping a multiyear effort, we announced a major terminal deal with Delta Air Lines that will overhaul Delta's antiquated terminal space at the airport.

At PATH, we replaced nearly the entire railcar fleet with new, state-of-the-art rail cars and advanced the signal system replacement program. These two elements of the PATH modernization program will provide customers with improved reliability, additional capacity, and better customer service.

The Port Authority also launched a new plan to replace the Goethals Bridge using an innovative public-private partnership model to advance a project that has been years in the making. In addition, we completed important planning work that led to the announcement of a preferred solution for the Bayonne Bridge navigational clearance issue. We also completed the strategic acquisition of the 98-acre Global Terminal on the Port Jersey peninsula to continue positioning the Port of New York and New Jersey for future economic growth.

From the World Trade Center to the Port Authority's transportation facilities, the achievements of the past year are all the more significant because they occurred in the wake of one of the most devastating economic downturns in our nation's history—resulting in lower than expected revenues and a contraction in our overall capital capacity. The Port Authority has responded with an aggressive effort to control operating costs, implementing a third-consecutive zero-growth operating budget. We have found ways to do more with less and will continue to manage our finances aggressively to make certain we meet the region's critical needs despite the challenging economic environment.

The report that follows provides more detail on these and other initiatives—all testaments to the commitment that the people of the Port Authority bring to work every day.

Sincerely,

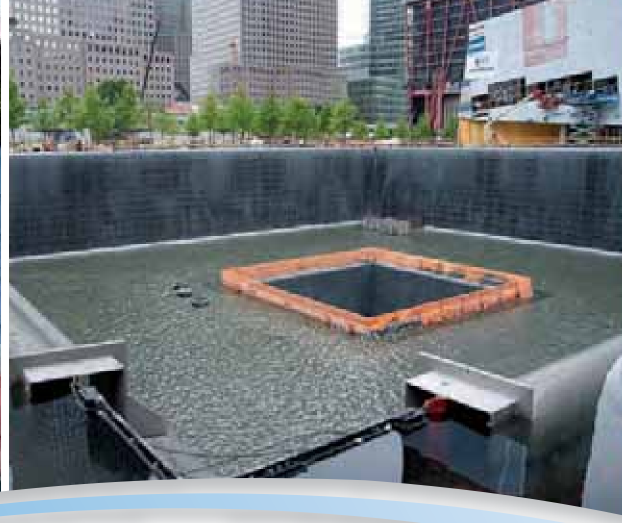
Christopher O. Ward
Executive Director
June 30, 2011

Building on our Success

In 2010, our 90th year of public service, the work of The Port Authority of New York and New Jersey continued to be vitally important for the success and prosperity of our region. It was another milestone year for the agency, characterized by economic challenges that were met head on by dedication, expertise, and fiscal responsibility.

The Authority continued its significant capital investment program in the region's transportation infrastructure, while crafting long-term solutions to some of New York and New Jersey's more pressing transportation challenges.

These efforts resulted in real-life dividends across the full spectrum of life here in the New York-New Jersey region. The future holds even more promise—at the World Trade Center, where we will deliver on our commitment to open the National September 11 Memorial on the 10th Anniversary of the 9/11 attacks; at One World Trade Center, which is rising rapidly in the City's skyline; for air travelers, who will benefit from higher-capacity airports; for PATH patrons riding on an all-new fleet of transit cars; and for local businesses dependent on international shipping that will benefit from a more efficient port network.



World Trade Center: A Year of Progress

The year 2010 marked the most productive year to date in the development of the new World Trade Center. Last March, the Port Authority, Silverstein Properties, and the State and City of New York announced an agreement on the development plan for the east side of the World Trade Center site. The plan calls for the immediate restoration of the east side of the WTC site to street level, the completion of Tower 4 by 2013, and the phase-in of Towers 2 and 3 over time according to market demand. The agreement strikes an important balance between the public and private sectors' redevelopment goals and financial risks and rewards. It has also helped spur progress on every inch of the 16-acre World Trade Center site.

While the development plan ended the uncertainty on the east side of the World Trade Center site, construction progress continued unabated throughout 2010 on the most important piece of the World Trade Center site, the 9/11 Memorial. In October 2008, the Port Authority made a commitment to open the Memorial on the 10th Anniversary of the 9/11 attacks, and the agency is on target to achieve that goal. The fountains, set in the footprints of the original Twin Towers, will be the largest man-made waterfalls in the United States. Installation of the bronze name parapets around the North and South pools is under way and the testing of the South Pool waterfall was completed this spring (the North Pool waterfall was successfully tested during the fall of 2010). More than 150 trees have taken root on the Memorial plaza, and steel installation for the Memorial Visitor Center is now complete.

By the end of 2010, One World Trade Center had reached the 52nd floor, more than halfway to the top, and will rise a floor a week until complete. Now clearly visible from both sides of the Hudson River, One World Trade Center is taking its place in the New York City skyline.

Progress is not just measured with bricks and mortar. In a pivotal development for One World Trade Center, the Port Authority announced a commitment with Condé Nast for 1 million square feet in what will become the nation's tallest building. Additionally, the Port Authority Board of Commissioners authorized a framework with The Durst Organization for an equity membership in One World Trade Center. This public-private partnership leverages private-sector expertise in development, construction, leasing, and management to maximize the Port Authority's interest in the building.

Major progress is taking place at the World Trade Center Transportation Hub, which, when complete, will serve up to 250,000 people daily. With 500,000 square feet of retail and connections to PATH, 11 New York City subway lines, and ferry and bus service, the Hub along with the retail space will form the most integrated network of mass transit and underground pedestrian connections in all of New York City. By December 2010, the Port Authority awarded nearly 95 percent of the Hub's contracts, valued at $3.4 billion, triggering progress on every inch of the Hub. More than 225 of the nearly 300 pieces of steel that make up the PATH Hall roof have been installed, some weighing more than 100 tons each. More than 2,800 tons of permanent steel are erected for the PATH Station.

The underground East Box Girder, currently under construction, will act as an underground bridge, allowing for MTA New York City Transit No. 1 subway line to pass through and will provide access for pedestrians traveling throughout the Hub.

A Strong Tradition of Air Service

The Port Authority's airport network—John F. Kennedy International, Newark Liberty International, LaGuardia, Teterboro, and Stewart International—has a long tradition of success in providing service to air passengers and the air cargo industry. In 2010, the Port Authority's airports, which support 467,000 jobs in the region, served 104 million air passengers and transported 2.3 million tons of air cargo, making it one of the busiest airport networks in the world.

At JFK, years of extensive planning and preparation paid off when the Port Authority executed the reconstruction of the Bay Runway, one of the world's longest and busiest, with minimal impact on service. The Port Authority completed the project on schedule and on budget. In conjunction with the reconstruction of the Bay Runway, the agency planned, developed, and implemented an innovative ground management system that controls airplane taxi queue lengths, and reduces waiting times on the tarmac, and significantly reduces aircraft fuel burn.

At Newark Liberty Airport, the agency advanced a comprehensive overhaul of retail space in Terminals A and B to better serve our customers. Thirty-two new concession spaces were opened over the course of 2010. We also completed the PSE&G Direct Install Program, demonstrating the agency's commitment to environmental sustainability. Two 2,000-ton replacement chillers and a new 4,000-ton chiller along with new high-efficiency lighting fixtures were installed at the airport, which will help reduce the agency's energy costs by $500,000 annually and minimize the airport's environmental footprint.

At LaGuardia, the Port Authority contracted with Skidmore, Owings and Merrill to help plan and design a new Central Terminal Building and related infrastructure. On airport, three new facilities were completed in 2010: the police crisis command center and aircraft rescue and firefighting facility, the fire pump station, and the FAA's new air traffic control tower.

In 2010, the Port Authority continued its long-term commitment to Stewart Airport on several fronts. New international nonstop charter service to Cancun was announced along with additional air service to Atlanta and Orlando. The Port Authority also finalized an agreement with Taylor Biomass to help provide jobs for the local community while providing Stewart Airport with a renewable source of energy. Aeronautical electrical systems, passenger loading bridges, airport roadways, airport parking, and taxiway lighting were upgraded, among other improvements, at the Port Authority's newest addition to its airport network.

At Teterboro, the Port Authority entered into a new five-year contract with AvPorts to operate the airport. In addition, the airport purchased and installed new noise monitors at all remote monitoring locations to ensure the airport does not unduly impact the surrounding community.

Innovation at the Interstate Crossings

As the Port Authority reaches its 90th anniversary, our earliest transportation facilities continue to provide a high level of service for our customers, but many of them must be overhauled to provide this service during the next 90 years. In 2010, the Port Authority began planning for investments at its bridges and tunnels to ensure that, as the economic climate improves, the regional interstate bridge and tunnel infrastructure will have the capacity to meet future demand. This ranges from plans to raise the roadway of the Bayonne Bridge to rehabilitation of the deck and replacement of suspender ropes at the George Washington Bridge and a complete replacement of the functionally obsolete Goethals Bridge.

The Goethals Bridge replacement project achieved key milestones in 2010 with the issuance of a Final Environmental Impact Statement in August. A Record of Decision was subsequently issued by the U.S. Coast Guard as the lead federal agency in January 2011. These regulatory milestones lay the groundwork for the Port Authority to advance an innovative public-private partnership that will enable the agency to complete a final design and build a replacement for the bridge. Ultimately, the new construction will help keep commerce moving along this important corridor.

The Bayonne Bridge provides another challenge. Spanning the Kill Van Kull, the busy waterway that leads to and from major cargo terminals in Staten Island, Elizabeth, and Newark, the bridge is too low to allow passage of large vessels that will increasingly be deployed in global trade routes and will help the port to remain the leading East Coast oceanborne cargo center. In 2010, the Port Authority undertook a comprehensive alternatives analysis to assess options to help solve this clearance issue. It was determined that raising the roadway is the best option to address the issue in a cost-effective and expeditious manner. In 2011, the agency will move ahead with engineering and design work to begin implementing this solution.

The Bus Terminal: More Choices for Travelers

The Port Authority Bus Terminal is a vital part of the regional transportation infrastructure, serving 63.5 million passengers annually. In an effort to enhance the customer experience at the PABT, the Port Authority retained the services of Vornado Realty to act as the PABT retail management agent. This public-private partnership will create a dynamic retail environment with more variety and choices for commuters and those that live and work near the terminal, while generating additional revenue for the Port Authority.


PATH

A New Look and a New Ride

Commuters traveling on the PATH system saw visible improvements to this key transit link between the states, and additional work is under way to provide even more capacity. A fleet of more than 250 new PATH rail cars was delivered by the end of 2010. The remainder of the 340-car order should be in service by the end of 2011. The new cars feature state-of-the-art safety systems, a sophisticated braking system, onboard news monitors and public address systems, and closed-circuit television recording capability. This new fleet of PATH cars; improved station lighting, air conditioning and heating; automated announcements of stations and transfers; and digital signs are all part of the Port Authority's 10-year, multibillion-dollar modernization program designed to transform PATH into one of the country's most modern transit systems. A key to the modernization effort will be an upgrade of PATH's signal system.

The Region's Link to a Global Marketplace

In 2010, the Port of New York and New Jersey's container volume rose nearly 16 percent, to 5.2 million container units, nearly matching its record high volume levels of 2007. The New York-New Jersey marine terminals act as a significant economic engine and are key links for the region's connection to the global economy.

Amid this rebound in port activity, the agency has been working to provide additional capacity at the region's marine terminals—with the continuation of the 50-foot harbor-deepening project in conjunction with the U.S. Army Corps of Engineers and the full build-out of the ExpressRail freight rail system to provide efficient links between the region's marine terminals and the nation's major freight railroads.

In addition, the Port Authority further solidified plans for additional marine terminal capacity through its 2010 acquisition of additional prime waterfront property — the 98-acre Global Terminal on the Port Jersey peninsula in Jersey City and Bayonne. Coupled with the Port Authority's previous transaction in 2007 to change the use of the adjacent Northeast Auto Terminal lease to allow for container handling, this agreement will lead to the expansion of the Global Container Terminal to 170 acres, which will assist in handling future cargo growth. The expanded terminal will become part of the Port Jersey-Port Authority Marine Terminal facility and position the Port of New York and New Jersey for future economic growth.

Serving the Community and the Environment

The Port Authority has long had a strong commitment to minority-owned, women-owned, small, and disadvantaged business enterprises (M/W/S/DBE) and maintains one of the most comprehensive M/W/S/DBE programs in the region. The agency's Office of Business Diversity & Civil Rights provides services to attract, certify, and support M/W/S/DBE firms. In 2010, contracts valued at more than $470 million were awarded to qualified firms. Of that number, nearly $250 million in contracts associated with the World Trade Center redevelopment effort were awarded.

The Port Authority continued its commitment to improving the environment. To that end, in addition to efforts at Newark Liberty Airport, the Port Authority is pursuing a strategy with its partners in the port trucking industry to ensure that air emissions generated by mobile sources like trucks, ships, and cargo handling equipment declines during the next 10 years.

As part of this effort, the Port Authority and the U.S. Environmental Protection Agency launched an aggressive program to replace the oldest, most polluting trucks serving the Port of New York and New Jersey, with newer models that generate less pollution and greenhouse gas emissions. The $28 million program is designed to provide federal assistance to encourage the owners of pre-1994 drayage trucks that regularly serve the port to purchase newer vehicles. A truck phase-out plan, in which these pre-1994 model trucks would no longer be able to call on the Port Authority's marine terminals, began on January 1, 2011. As of 2017, all trucks entering Port Authority Marine Terminals must be equipped with an engine that meets or exceeds 2007 federal Environmental Protection Agency emissions standards.

Ninety Years of Investing in the Region

April 30, 2011, marked the 90th anniversary of the signing of the Port Compact between the states of New York and New Jersey, which created the Port Authority. Through the last nine decades, the Port Authority has played a key role in the development of transportation and trade facilities for the New York-New Jersey region. These achievements include building the tunnels and bridges that linked the two states during the rapid expansion of automobile travel in the 1920s and 1930s; establishing and expanding a network of airports in the 1940s and 1950s to pave the way for the jet age; pioneering the development of container ports in the 1960s and 1970s that helped launch advances in the global economy; conceiving and constructing the original World Trade Center and rehabilitating the PATH rail system as a robust transit connection between the states; creating the AirTrain systems that provide transit links to JFK and Newark Liberty airports; and much more.

In 2010, the Port Authority continued this tradition of investing in the region's trade and transportation infrastructure and operating a complex and vital set of facilities that help keep the region moving—while continuing to look to the future, planning for the next set of challenges and building solutions to help meet the needs of tomorrow.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To The Board of Commissioners of
The Port Authority of New York and New Jersey

The Consolidated Financial Statements (the "Financial Statements") of The Port Authority of New York and New Jersey (including its wholly owned entities, collectively referred to herein as the "Port Authority") as of and for the years ended December 31, 2010 and December 31, 2009, are enclosed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in the Financial Statements rests with management of the Port Authority. Management's Discussion and Analysis ("MD&A") of the Port Authority's financial performance and activity provides a narrative introduction, overview, and analysis to accompany the Financial Statements and is supplemental information that is required by the Governmental Accounting Standards Board. Schedules A, B, and C have been prepared in accordance with Port Authority bond resolutions and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Schedules D, E, F, and G include other supplementary information presented for purposes of additional analysis and are not a required part of the Financial Statements.

Port Authority management is responsible for establishing and maintaining adequate internal controls over financial reporting for the Port Authority. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. The Port Authority has established a comprehensive framework of internal controls that includes maintaining records that accurately and fairly reflect the transactions of the Port Authority; provide reasonable assurance that transactions are recorded as necessary for financial statement preparation; and provide reasonable assurance that unauthorized use, acquisition or disposition of company assets that could have a material impact on the Port Authority's financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the financial statements would be prevented or detected.

As officers of the Port Authority, we certified in connection with the release of the Financial Statements on February 25, 2011, 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, was accurate in all material respects and was reported in a manner designed to present fairly the Port Authority's net assets, changes in net assets, and cash flows, in conformity with accounting principles generally accepted in the United States of America; and (b) on the basis that the cost of internal controls should not outweigh their benefits, the Port 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 GAAP.

A firm of independent auditors is retained each year to conduct an audit of the Financial Statements in accordance with auditing standards generally accepted in the United States of America. The goal of the independent audit is to provide reasonable assurance that these Financial Statements are free of material misstatement. The audit includes an examination, on a test basis, of the evidence supporting the amounts and disclosures in the Financial Statements, an assessment of the accounting principles used and significant estimates made by management, as well as the overall presentation of the Financial Statements. In planning and performing their audit, the independent auditors considered the Port Authority's comprehensive framework of internal controls in order to determine auditing procedures for the purpose of expressing an opinion on the Financial Statements. The independent auditors' report is presented as the first component in the financial section following this letter.

This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the auditors' report and the audited Financial Statements.

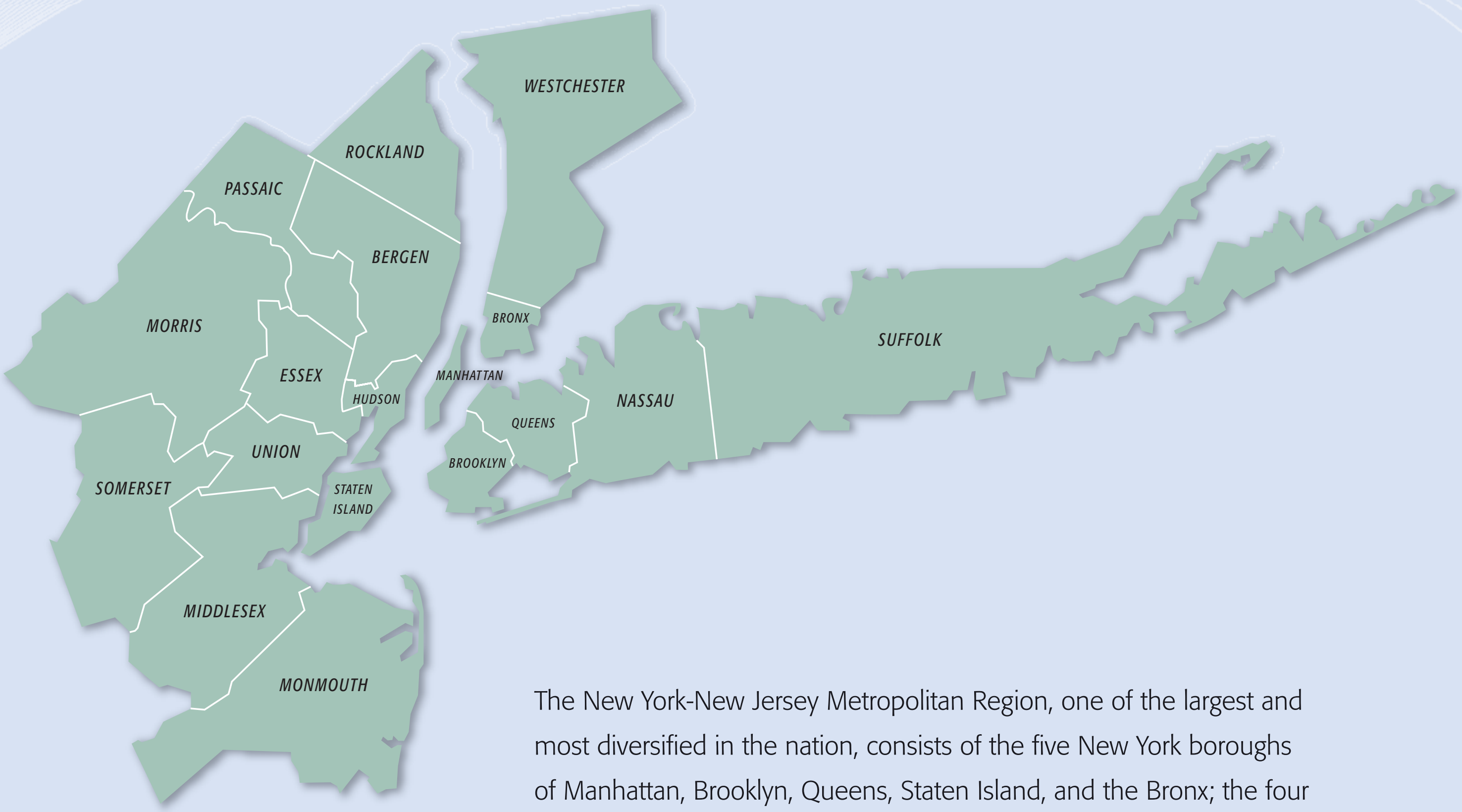
Profile of the Port Authority

The Port Authority is a municipal corporate instrumentality and political subdivision of the States of New York and New Jersey, which was established in 1921 to provide transportation, terminal, and other facilities of commerce within the Port District, an area of about 1,500 square miles in both States centering about New York Harbor. The Port Authority raises the funds necessary for the improvement, construction, or acquisition of its facilities generally upon the basis of its own credit. It has neither the power to pledge the credit of either State or any municipality nor to levy taxes or assessments.

The Port Authority maintains an infrastructure of financial systems to record the financial results of operations and provide an audit trail to be used in a review of accountability.

The financial planning process integrates an annual budget process with multi-year forecasting projections. Through the capital plan and budget process, staff identifies strategic, financial, and operational issues that affect resource allocations; sets forth an expenditure plan for the year that balances priorities across all agency lines of operation; and provides alternate financial scenarios of proposed operating and financial arrangements and their impact on the agency's financial position. Each new budget is separately considered and approved by the Port Authority's Board of Commissioners ("Board of Commissioners"), although such approval does not in itself authorize specific expenditures, which are authorized from time to time by, or as contemplated by, other specific actions of the Board of Commissioners.

The approved budget becomes a mechanism that facilitates the systematic review of program expenditures to ensure that they are made consistent with statutory, contractual, and other commitments of the agency, the policies and financial decisions of the Board of Commissioners, and the requirements of the By-Laws of the Port Authority. Forecasting models are used to assess the agency's projected long-range financial condition; determine the financial feasibility of future capital investment; and perform financial tests to measure fiscal risk and to ensure the organization's integrity in the credit markets. This comprehensive approach to planning, budgeting, and forecasting enables the agency to identify, track, and take corrective action with respect to the funding requirements needed to deliver the projects and services that the Port Authority provides.



The New York-New Jersey Metropolitan Region, one of the largest and most diversified in the nation, consists of the five New York boroughs of Manhattan, Brooklyn, Queens, Staten Island, and the Bronx; the four suburban New York counties of Nassau, Rockland, Suffolk, and Westchester; and nine northern New Jersey counties of Bergen, Essex, Hudson, Middlesex, Monmouth, Morris, Passaic, Somerset, and Union. This 4,500-square-mile region has a population of 18.2 million[1] and a labor force of 9 million.[2]

[1]*Estimate for 2010*
[2]*Average for 2010*

Source: Moody's Analytics

Regional Economic Condition and Outlook

Nationally, the economy in 2010 was slowly recovering from the worst recession since the 1930s. The regional economy also showed signs of recovery and has overall weathered the storm better than the nation. In fact, the region's entry into the recession was delayed and the downturn more shallow. Nevertheless, the impact of the recession was severe with employment spiraling down in 2009 for both the region and the nation. The year 2010 saw improvements in a wide range of economic indicators. Consumer spending, in particular retail sales, and non-residential construction spending started to grow; foreign visitors to the region reached a new high, and containerized cargo moving through the region's waterways saw a tremendous bounce back after a collapse of trade and activity in 2008 and 2009. Even employment, a lagging indicator of economic activity, experienced some moderate gains in 2010.

In 2010, U.S. Real Gross Domestic Product (GDP) grew by 2.8 percent but the unemployment rate hovered above 9 percent for the entire year. Much of the growth was aided by companies rebuilding depleted inventories, evidenced by final demand increasing by only 1.4 percent during the calendar year. Federal stimulus spending policies also provided support for the economy. Employment growth picked up steam in the spring before slowing considerably as a result of stagnant demand, uncertainty among businesses and households, and a sovereign debt crisis in Europe that threatened the survival of the Euro as one of the world's major currencies. As of December 2010, the labor market still shows a jobs deficit in excess of 7 million since the beginning of the recession in 2007. If population growth was taken into consideration, the "true" employment deficit would be closer to 12 million jobs. Additionally, this deficit further masks the true dismal state of the economy as millions of discouraged workers have dropped out of the labor force or have been involuntarily pushed into part-time status. On the bright side, trade between the US and the rest of the world increased sharply. Exports and imports grew by 11.5 and 13.2 percent, respectively.

The National Bureau of Economic Research officially declared the recession over as of June 2009. Nevertheless, since then, the recovery has been very uneven. After the trauma of major bankruptcies and bailouts in 2008 and early 2009, the banking and financial services industry has recovered rapidly and is now posting record profits. Equity markets experienced additional gains in 2010, closing near their pre-crisis levels. But the gains made on "Wall Street" have yet to trickle down to "Main Street."

The distressed housing market continued to be a drag on the economy in 2010. After a brief uptick in late 2009, prices edged down again in 2010, with the 20-City Composite Case-Schiller Index falling 1.6 percent over the 12 months ending in November. The decline in the New York region paralleled the national decline, while other cities around the country such as Portland, Dallas, Detroit and Phoenix saw decreases approaching, or even exceeding, 5 percent. The large inventory of unsold homes, homes in foreclosure, or homes with delinquent mortgage loans provide significant downward price pressures that likely will persist throughout 2011 and into 2012 and 2013.

The sluggish pace of business investment has also held back the recovery. While households struggled financially, corporations posted record profits of $1.4 trillion in third quarter 2010. Investment spending, however, did not follow as one might have expected—instead, companies built up their cash holdings. Despite the record profits, fixed private investment is approximately $500 billion below the pre-recession level.

The economy in the 17-county New York-New Jersey Metropolitan Region expectedly grew 2.6 percent in 2010. Growth was largely driven by strong retail sales and disposable personal income. Employment in the region declined slightly by 0.8 percent, or approximately 60,000 jobs. Overall, the region benefited significantly from the recovery of Wall Street and a return of tourists to New York City. Income levels have been increasing due to some limited hiring in professional and financial services and the return of large bonus payouts. A record 48.6 million tourists visited New York City, and local hotels saw a return to pre-recession occupancy levels. However, the growth pattern across the region has been very disproportionate. While the New York portion of the Port Authority region experienced some job growth, counties in New Jersey saw continued losses. The approximate 1.1 percent decline in employment in the New Jersey counties can be attributed to the construction and manufacturing industries as well as to staff reductions in the government sector. In general, counties with fewer ties to the financial industry and to tourism fared worse than those with stronger ties and did not see the same level of bounce-back. Consumer prices remained relatively flat throughout the region.

Reflecting the economic recovery, activity levels at Port Authority facilities saw improvements except for PA Bridges and Tunnels, which remained relatively unchanged from 2009 activity levels. The region's airports saw an increase in passengers of 2.1 percent. Total passengers again exceeded the 100 million mark. This overall increase in activity applied primarily to international passengers. Eastbound vehicular crossings over the Port Authority controlled bridges and tunnels totaled 121.2 million vehicles, an overall decrease of 0.2 percent from 2009. Auto travel and truck traffic fell by 0.2 and 0.3 percent, respectively. PATH passenger volumes increased by 2.3 percent over 2009, to a ridership level of 73.9 million. The level of containerized cargo increased substantially in 2010. After collapsing in 2008 and 2009, container volumes increased by 16.8 percent in 2010, bringing the total volume of containers above 3 million.

In 2011, the recovery is expected to show additional signs of life. With the extension of the Bush-era tax cuts and especially the payroll tax reduction in 2011 and 2012, GDP growth is likely to move above its long-term trend of 3 percent and may even approach 4 percent for the year. The Federal Reserve is seen to continue its $600 billion quantitative easing program well into 2011 and keep interest rates at historic lows. These monetary trends will not only provide cheap funding sources for large banking institutions but eventually should also extend into consumer lending. However, it's overall impact and success, and its potential for adding to inflationary pressures, still remains to be seen. The addition to growth will also buoy the regional economy. For the PA region, it is to be expected that the economy, largely driven by the profitability of financial institutions, will stay ahead of the national economy at a growth rate of 4 percent in 2011.

Nevertheless, the employment market, which lost over 300,000 jobs to the recession, will return to pre-crisis levels only in 2013. Lead by job growth in New York City, it is projected the region will add an average 25,000 jobs each quarter of 2011, and an average of 34,000 jobs each quarter of 2012. The economy, both national and regional, will be hobbled by large segments of the labor force without adequate employment opportunities and a distressed housing market. Regional inflation is expected to remain under 2 percent in 2011, and rise to 2.2 percent in 2012.

There are several critical areas, international and domestic, that will directly affect the success of the US recovery in 2011. While world economic growth is projected to run ahead of US GDP growth, there are growing concerns of inflation in China, Brazil and other developing economies. A return to more fiscal and monetary tightening on their part could slow down the recovery of the world economy significantly. The European Union is struggling under the weight of the sovereign debt crisis that began in countries such as Greece and Ireland and may now have reached Spain and Portugal. While a break-up of the Eurozone is unlikely at this point, a restructuring, i.e. write-off, of debt seems likely with other more healthy economies such as Germany picking up most of the tab for additional bailouts if necessary. The severity and repercussions of the sovereign debt crisis still are uncertain but this issue looms large over the fragile recovery in the United States.

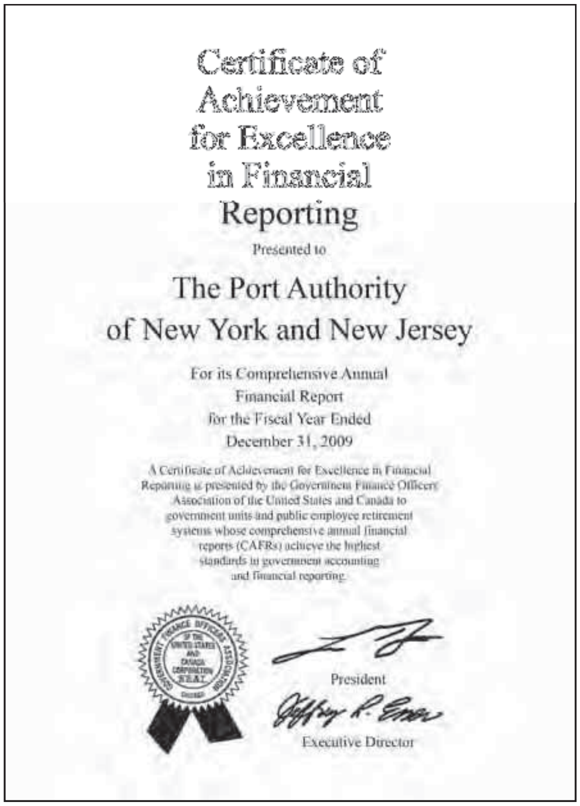
Domestically, three significant problems remain in the short term: the recovery of the housing market, the rise of commodity prices, and the financial problems experienced by the states. On the one hand, without a recovery of house prices across the country, labor mobility, and therefore the dynamic recovery of the labor market, is threatened. People are unlikely to want to realize and lock in losses from the sale of their homes. In fact, many households might not have the financial resources to absorb any loss. On the other hand, as the unemployed and underemployed struggle to make mortgages payments, banks have been quick to start the foreclosure process. With a large inventory of foreclosed homes, downward pressures on prices will remain and strategic defaults might become more likely. Secondly, commodity prices increased substantially in 2010. Early 2011 experienced higher crude oil prices because of the supply disruptions in the Middle East. These commodity and energy price increases could trigger price inflation for consumer goods and create a drag on the pace of the recovery. In particular, higher prices for oil and gasoline have the potential to slow economic growth in the near term, especially in more energy-intensive sectors. Lastly, fiscal deficits for all fifty states combined will likely exceed $130 billion this year and, depending on any actions taken, approach the same amount next year. Elimination of these fiscal deficits can only be accomplished by cutting spending or increasing taxes, the latter seeming increasingly unlikely considering the outcome of the November election. Hence, spending cuts will likely be large and primarily affect education, pensions, and social services. While the deficits are a real problem, there is also a concern that cuts will disproportionally affect low-income households and adversely impact the long-term productivity potential of the country and the region.

The Port Authority has taken a variety of measures over the past years to mitigate the impacts of the economic downturn. Recognizing that activity levels at our tunnels, bridges, airports and ports have all been impacted, the Port Authority's 2011 budget again calls for zero growth in operating expenses and authorized staffing levels are now at the lowest level in 40 years. Going forward, the Port Authority will continue to monitor the economic environment and develop sound budgets that are sustainable and responsive to the needs of the region.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2009. The Port Authority has received this award since 1984, making this the twenty-sixth consecutive year that the Port Authority financial statements have achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must also satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.



Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Port Authority of New York and New Jersey

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Christopher O. Ward
Executive Director

Michael G. Fabiano
Chief Financial Officer

February 25, 2011

Financial Section

The Port Authority of New York and New Jersey

Annual Financial Report for the Year Ended December 31, 2010

Prepared by the Comptroller's Department

THE PORT AUTHORITY OF NY & NJ

Deloitte.

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

We have audited the accompanying consolidated financial statements of net assets of The Port Authority of New York and New Jersey (the "Port Authority") as of December 31, 2010 and 2009, and the related consolidated statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the net assets of the Port Authority as of December 31, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A-4 to the consolidated financial statements, the Port Authority has prepared the accompanying Schedules A, B and C in accordance with Port Authority bond resolutions, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These schedules are the responsibility of the Port Authority's management. The effects of the differences between the bond resolution basis of accounting and accounting principles generally accepted in the United States of America are also discussed in Note A-4 to the financial statements.

In our opinion, because of the effects of the differences between the two bases of accounting referred to in the preceding paragraph, such Schedules A, B and C do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the assets and liabilities of the Port Authority at December 31, 2010 and 2009, or its revenues and reserves for the years then ended.

However, in our opinion, such Schedules A, B and C present fairly, in all material aspects, the assets and liabilities of the Port Authority at December 31, 2010 and 2009, and its revenues and reserves for the years then ended, in accordance with the requirements of the Port Authority bond resolutions as discussed in Note A-4.

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

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements and Schedules A, B and C taken as a whole. The supplemental information presented in Schedules D-1, D-2, D-3, D-4, E, F, and G is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. This supplemental information is the responsibility of the Port Authority's management. Schedules D-1, D-2, D-4, E, F, and G have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole. Schedule D-3 has not been subjected to the auditing procedures applied in our audits of the financial statements and accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements and Schedules A, B and C taken as a whole. The introductory section on pages 2-31 and the statistical section on page 95 are presented for the purpose of additional analysis and are not a required part of the financial statements. This supplemental information is the responsibility of the Port Authority's management. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements and accordingly, we express no opinion on them.

Deloitte & Touche LLP

February 25, 2011

Introduction

The following discussion and analysis of the financial performance and activity of The Port Authority of New York and New Jersey and its wholly owned entities, Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation, the New York and New Jersey Railroad Corporation, WTC Retail LLC, Port District Capital Projects LLC, Port Authority Insurance Captive Entity, LLC (PAICE), 1 World Trade Center LLC (1 WTC LLC), and New York New Jersey Rail LLC (NYNJ Rail LLC) (all collectively referred to as the Port Authority), is intended to provide an introduction to and understanding of the consolidated financial statements of the Port Authority for the year ended December 31, 2010, with selected comparative information for the years ended December 31, 2009 and December 31, 2008. This section has been prepared by management of the Port Authority and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Overview of 2010 Financial Results

Net assets of the Port Authority increased $347 million in 2010, compared to an increase of $846 million in 2009.

Gross operating revenues totaled $3.6 billion in 2010, representing an $82 million increase from 2009. This increase was due to higher rental revenues from tenants at the Port Authority's Aviation and Port Commerce facilities and aviation fees derived from cost recovery agreements with certain airlines. Offsetting these increases were lower rental revenues under the net leases for Tower 2 and Tower 3 of the World Trade Center site as a result of amendments in connection with the implementation of the 2010 World Trade Center Eastside Development Plan.

Operating and maintenance expenses totaled $2.6 billion in 2010, a $160 million increase when compared to 2009. The increase was due to the write-off of approximately $222 million in capital expenditures to operating expense accounts primarily for design work related to alternative analyses performed in conjunction with the redevelopment of the World Trade Center Site and due to the terminated Access to the Region's Core (ARC Project). These one-time charges were partially offset by decreases to the loss provision for incurred but not reported (IBNR) claims associated with PAICE and the termination in 2009 of the Port Authority's payment of liquidated damages to the Silverstein net lessees for Towers 2 and 3 at the World Trade Center site in connection with the timing of the Port Authority's turnover of the sites for such towers to the net lessees thereof.

Depreciation and amortization expense increased by $79 million in 2010 compared to 2009 primarily reflecting the full year impact of transferring $1.3 billion of construction in progress to completed construction in 2009 and the transfer of an additional $1.8 billion in capital investment to completed construction in 2010.

Net recoverables relating to the events of September 11, 2001 totaled $53 million in 2010, reflecting the complete resolution of the Port Authority's property damage and business interruption insurance claims relating to the events of September 11, 2001.

Financial income decreased by $142 million in 2010 compared to 2009 primarily due to lower market valuation adjustments associated with three unhedged interest rate exchange contracts (swaps).

Contributions, Passenger Facility Charges (PFCs) and grants decreased by $23 million in 2010 compared to 2009 primarily due to lower contributions associated with capital projects eligible for federal funding.

Other Activities

- Capital spending by the Port Authority reached $3.0 billion in 2010 with $1.5 billion spent on the redevelopment of the World Trade Center site; $519 million spent on Aviation facilities, including $224 million on the Bay Runway at John F. Kennedy International Airport (JFK); $315 million on PATH, including $94 million for the purchase of new PATH rail cars, $60 million for the PATH signal replacement project, and $165 million spent on projects designed to maintain the safety and security of the agency's facilities. In addition, in excess of $1.8 billion of capital construction, including costs associated with various regional programs was transferred to completed construction in 2010.

- The Port Authority's 2011 Budget includes in excess of $3.9 billion in capital spending for investment in key regional projects such as the continued rebuilding of the World Trade Center site; the modernization of the PATH System, including the continued rollout of a new fleet of PATH rail cars and the installation of a new signal system.

- On June 30, 2008, the Board of Commissioners of the Port Authority certified the ARC Project as an additional facility of the Port Authority, and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility. In October 2010, on the basis of a decision by the Governor of the State of New Jersey to terminate the ARC Project, all Port Authority activities in connection with the development of the ARC Project were terminated. The ARC Project consisted of, among other items, the construction of two new passenger rail tunnels under the Hudson River. The ARC Project was intended to provide associated rail improvements to the Northeast Corridor between New York and New Jersey. Implementation of the ARC Project was also intended to facilitate efficient regional mass transportation and ease congestion on the Port Authority's bi-state transportation network.

- Since 2008, a severe recession has affected the global economy, including the New York/New Jersey region. This downturn was particularly evident in the declines in activity levels across all of the Port Authority's transportation facilities resulting in lower operating revenues and financial capacity. The impact on the Port Authority was partially offset by certain non-recurring revenues, including insurance proceeds, federal grants, passenger facility charges and contributions from third parties. The Port Authority's 2011 Budget anticipates a third consecutive year of zero growth in operating expenses, excluding debt service on Special Project Bonds issued in connection with the expansion of Terminal 4 at JFK, which is offset by specifically identified revenues. Zero growth for 2011 is accomplished by reducing staffing levels by an additional 200 positions, bringing staffing levels to the lowest point in 40 years.

Overview of the Financial Statements

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

Consolidated Statements of Net Assets

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

	2010	2009	2008
		(In thousands)	
ASSETS			
Current assets	**$ 3,348,508**	$ 3,542,307	$ 2,538,552
Noncurrent assets			
Facilities, net	**20,557,400**	18,398,356	16,490,195
Other noncurrent assets	**5,649,662**	5,266,810	6,008,780
Total assets	**29,555,570**	27,207,473	25,037,527
LIABILITIES			
Current liabilities	**2,456,529**	2,292,249	2,344,466
Noncurrent liabilities			
Bonds and other asset financing obligations	**13,554,884**	12,406,153	10,949,849
Other noncurrent liabilities	**2,519,534**	1,831,289	1,911,848
Total liabilities	**18,530,947**	16,529,691	15,206,163
NET ASSETS			
Invested in capital assets, net of related debt	**9,200,077**	8,415,993	7,526,446
Restricted	**222,871**	211,725	409,800
Unrestricted	**1,601,675**	2,050,064	1,895,118
Total net assets	**$11,024,623**	$10,677,782	$ 9,831,364

Port Authority assets, which totaled $29.6 billion at December 31, 2010, increased by $2.3 billion from December 31, 2009 primarily due to a $2.2 billion increase in "Facilities, net." This amount includes both completed facilities and construction in progress. In addition, "Amounts receivable-Special Project Bonds Projects" increased $727 million in 2010 due to the issuance of special project bonds for the expansion of Terminal 4 at JFK. Partially offsetting these increases was a $320 million decrease in Cash and Investments reflecting the increased level of capital investment in Port Authority facilities in 2010, and a $126 million decrease in "Other Amounts Receivable," primarily due to a reduction in the receivable recognized in 2001 in connection with the recovery for and development of certain assets comprising World Trade Center Towers 2, 3 and 4.

Port Authority liabilities totaled $18.5 billion at December 31, 2010, an increase of $2 billion from December 31, 2009. This increase was primarily due to a $1.1 billion increase in "Bonds and other asset financing obligations" resulting from the issuance of consolidated bonds in connection with the Port Authority's capital plan and a $727 million increase in "Amounts payable – Special Project Bonds" due to the issuance of special project bonds for the expansion of Terminal 4 at JFK.

Net assets totaled $11 billion at December 31, 2010, an increase of approximately $347 million over 2009. Invested in capital assets, net of related debt, totaling $9.2 billion at December 31, 2010, represents the largest of the three components of Port Authority net assets and comprises investment in capital assets (such as land, buildings, improvements and equipment), less the related outstanding indebtedness used to acquire those capital assets. Net assets reported as restricted due to constraints imposed by agreements or legislation totaled $223 million, comprising $130 million for PAICE; $72 million in insurance proceeds, which are restricted to business interruption obligations and redevelopment expenditures of 1 WTC LLC and WTC Retail LLC; and $21 million in PFCs restricted for use on projects or expenditures eligible for the application of PFCs. The balance of net assets at December 31, 2010 totaling $1.6 billion is unrestricted and may be used to meet ongoing Port Authority obligations.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

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

	2010	2009	2008
		(In thousands)	
Gross operating revenues	**$ 3,634,023**	$ 3,552,243	$ 3,527,552
Operating expenses	**(2,598,557)**	(2,438,670)	(2,463,692)
Depreciation and amortization	**(865,515)**	(786,948)	(715,460)
Net recoverables related to the events of September 11, 2001	**53,051**	202,978	457,918
Income from operations	**223,002**	529,603	806,318
Net non-operating expenses	**(499,338)**	(329,326)	(496,562)
Contributions, PFCs and grants	**623,177**	646,141	584,327
Increase in net assets	**$ 346,841**	$ 846,418	$ 894,083

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

Revenues

A summary of gross operating revenues follows:

	2010	2009	2008
		(In thousands)	
Gross operating revenues:			
Rentals	**$1,144,709**	$1,115,652	$1,079,634
Tolls and fares	**1,069,785**	1,068,105	1,054,801
Aviation fees	**872,774**	839,327	816,628
Parking and other	**321,257**	316,005	328,220
Utilities	**154,041**	140,817	169,576
Rentals – Special Project Bonds Projects	**71,457**	72,337	78,693
Total	**$3,634,023**	$3,552,243	$3,527,552

2010 vs. 2009

Gross operating revenues totaled $3.6 billion for the year ended December 31, 2010, an $82 million increase from 2009. The increase in operating revenues is primarily due to:

- Aviation fees increased by $33 million year-to-year reflecting higher revenues derived from cost recovery agreements with the airlines operating at LaGuardia Airport (LGA), JFK, and Newark Liberty International Airport (EWR).
- Rental revenues increased by $29 million in 2010 compared to 2009 primarily due to higher fixed and activity based rentals from tenants at Aviation and Port Commerce facilities. The increased rentals were partially offset by lower rental revenues under the net leases for Tower 2 and Tower 3 of the World Trade Center site as a result of amendments in connection with the implementation of the 2010 World Trade Center Eastside Development Plan; and a decrease in revenues associated with the Ramada Hotel at JFK which closed in December 2009.
- Utility revenues increased by $13 million in 2010 compared to 2009 primarily due to higher rates and increased consumption for electricity and water.
- Parking and other revenues increased by $5 million in 2010 compared with 2009 primarily due to an increase in express rail lift fees at Port Newark (PN) and Elizabeth - Port Authority Marine Terminal (EPAMT); and an increase in vehicular parking activity at LGA, JFK and EWR, partially offset by a decrease in gate and tipping fees at the Essex County Resource Recovery Facility due to lower rates.
- Toll and fare revenues increased $2 million in 2010 compared to 2009 reflecting a 2.3% increase in ridership levels on the PATH system, offset by a 0.2% overall decline in vehicular activity at Port Authority tunnel and bridge crossings in 2010.

2009 vs. 2008

Gross operating revenues totaled nearly $3.6 billion for the year ended December 31, 2009, a $25 million increase from 2008. The year-to-year increase in operating revenues is primarily due to the following:

- Rental revenues increased by $36 million in 2009 compared to 2008 due to higher fixed rentals from tenants at JFK, including jetBlue, JFK International Air Terminal LLC and the United States Postal Service; escalations to the rents paid by airline tenants in Terminals A, B and C at EWR; and higher rents from major tenants at the EPAMT and PN.
- Aviation fees increased by $23 million year-to-year reflecting higher revenues derived from cost recovery agreements with the airlines operating at LGA, JFK and EWR.
- Toll revenues increased $18 million in 2009 compared to 2008 reflecting the full-year impact of the revised toll schedules that went into effect at the Port Authority's six vehicular crossings on March 2, 2008, partially offset by a decline in vehicular activity of 1.8%.
- Utility revenues decreased by $29 million in 2009 primarily due to lower rates for electricity and steam.
- Parking and other revenues decreased by $12 million in 2009 compared with 2008 primarily due to a decline in vehicular parking activity at LGA, JFK and EWR, and decreased dockage and wharfage fees stemming from lower container and cargo activity at PN and the Port Jersey – Port Authority Marine Terminal (formerly called the Auto Marine Terminal).
- PATH fares decreased $3 million in 2009 compared to 2008 primarily due to a 3.6% decline in ridership, which offset the full year impact of the revised fare schedule that went into effect on March 2, 2008.

Expenses

A summary of operating expenses follows:

	2010	2009	2008
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	**$1,022,195**	$ 974,154	$ 941,289
Contract services	**630,438**	683,418	670,489
Materials, equipment and other	**418,639**	263,682	314,722
Rents and amounts in-lieu-of taxes	**272,002**	276,830	274,916
Utilities	**183,826**	168,249	183,583
Interest on Special Project Bonds	**71,457**	72,337	78,693
Total	**$2,598,557**	$2,438,670	$2,463,692

2010 vs. 2009

Operating expenses totaled $2.6 billion in 2010, a $160 million increase from 2009. The year-to-year increase is primarily due to the following:

- Costs for materials, equipment and other items increased $155 million in 2010 from 2009 primarily due to the write-off of approximately $222 million in capital expenditures to operating expense accounts, primarily for design work related to alternative analyses performed in conjunction with the redevelopment of the World Trade Center site and the termination of the ARC Project; a $31 million increase in acquisition costs associated with the purchase of a portion of the former Marine Ocean Terminal at Bayonne Peninsula (MOTBY). These one-time charges were partially offset by a $70 million decrease in expenses reflecting the termination in 2009 of the Port Authority's payment of liquidated damages to the Silverstein net lessees for Towers 2 and 3 at the World Trade Center site in connection with the timing of the Port Authority's turnover of the sites for such towers to the net lessees thereof; and a $17 million decrease in the loss provision for IBNR claims associated with PAICE.
- Employee compensation costs increased by $48 million in 2010 compared to 2009 primarily due to higher expenses for retirement benefits associated with a 2010 New York State Retirement System retirement incentive program and other post-employment benefits.
- Utility expenses increased $16 million in 2010 from 2009 due to higher rates and increased consumption for electricity and water.
- Contract service costs decreased $53 million in 2010 from 2009 primarily due to the closing of the Ramada Hotel at JFK in December 2009, lower outside legal costs associated with the redevelopment of the World Trade Center site, and lower architectural and design consulting costs associated with the Port Authority's operating major works program.

2009 vs. 2008

Operating expenses totaled $2.4 billion in 2009, which is $25 million lower than 2008. The year-to-year decrease is primarily due to the following:

- Costs for materials, equipment and other items decreased $51 million in 2009 primarily due to a $30 million year-to-year decrease in the operating expense provision for pollution remediation obligations recognized in accordance with the 2008 implementation of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* There was also a decrease in the loss provision in 2009 of $22 million for IBNR claims associated with PAICE.
- Utility costs decreased by $15 million in 2009 compared to 2008 primarily due to a decline in rates for electricity and steam.
- Employee compensation costs increased by $33 million in 2009 compared to 2008 mainly due to higher employee benefit costs.
- Contract service costs increased by $13 million primarily due to increased costs associated with the Ramada Hotel at JFK, which the Port Authority assumed operating responsibility for in November 2008 and subsequently closed in December 2009.

Depreciation and Amortization

A summary of depreciation and amortization expenses follows:

	2010	2009	2008
		(In thousands)	
Depreciation and amortization:			
Depreciation of facilities	**$789,011**	$712,331	$644,620
Amortization of costs for regional programs	**76,504**	74,617	70,840
Total	**$865,515**	$786,948	$715,460

2010 vs. 2009

Depreciation and amortization expense totaled $866 million in 2010, an increase of $79 million compared to 2009. The increase primarily reflects the full year impact of transferring $1.3 billion of construction in progress to completed construction in 2009 and the transfer of an additional $1.8 billion in capital expenditures to completed construction in 2010. The 2010 transfer of $1.8 billion included in excess of $590 million in aviation related investment, comprising $265 million for runways and taxiways, including $188 million for the Bay Runway at JFK, $175 million in terminal improvements, and $150 million in infrastructure and other improvements. In addition, transfers to completed construction included $277 million for new PATH rail cars, $109 million for the acquisition of MOTBY, $101 million for land acquisitions and easements attributable to the terminated ARC Project and $178 million for capital projects designed to maintain the safety and security of the agency's facilities.

2009 vs. 2008

Depreciation and amortization expense totaled $787 million in 2009, an increase of $71 million over 2008. The year-to-year increase primarily reflects the full year impact of transferring $1.8 billion of construction in progress to completed construction in 2008; the transfer of $1.3 billion to completed construction in 2009, including in excess of $700 million in Aviation related investment, including $300 million for terminals and general infrastructure and $100 million for taxiways and runways, and $109 million associated with the new PATH rail cars.

Non-operating Revenues and Expenses

	2010	2009	2008
		(In thousands)	
Non-operating revenues and (expenses):			
Interest income	**$ 61,168**	$ 67,820	$ 98,758
Net (decrease) increase in fair value of investments	**(56,733)**	78,741	(103,734)
Interest expense in connection with bonds and other asset financing	**(501,607)**	(501,892)	(488,463)
Net gain on disposition of assets	**–**	27,125	7
Pass-through grant program payments	**(2,166)**	(1,120)	(3,130)
Net non-operating expenses	**$(499,338)**	$(329,326)	$(496,562)

2010 vs. 2009

Financial income, including interest income and changes to the fair value of investments, decreased by $142 million in 2010 compared with 2009 due to lower market valuation adjustments for three unhedged swaps and lower earnings on investment securities due to a lower interest rate environment. Overall interest expense remained relatively flat year-to-year.

2009 vs. 2008

Financial income increased by $152 million in 2009 compared with 2008 primarily due to higher market valuation adjustments to unhedged swaps, partially offset by lower earnings on investment securities due to the lower interest rate environment. Interest expense increased $13 million in 2009 compared with 2008 primarily due to a swap termination payment in connection with the redemption of Versatile Structure Obligations Series 2.

Passenger Facility Charges and Other Contributions

	2010	2009	2008
		(In thousands)	
Contributions in aid of construction	**$358,268**	$382,978	$313,078
Passenger Facility Charges	**210,387**	201,737	211,667
1 WTC LLC/WTC Retail LLC insurance proceeds	**42,814**	50,813	49,771
Grants	**11,708**	10,613	9,811
Total	**$623,177**	$646,141	$584,327

2010 vs. 2009

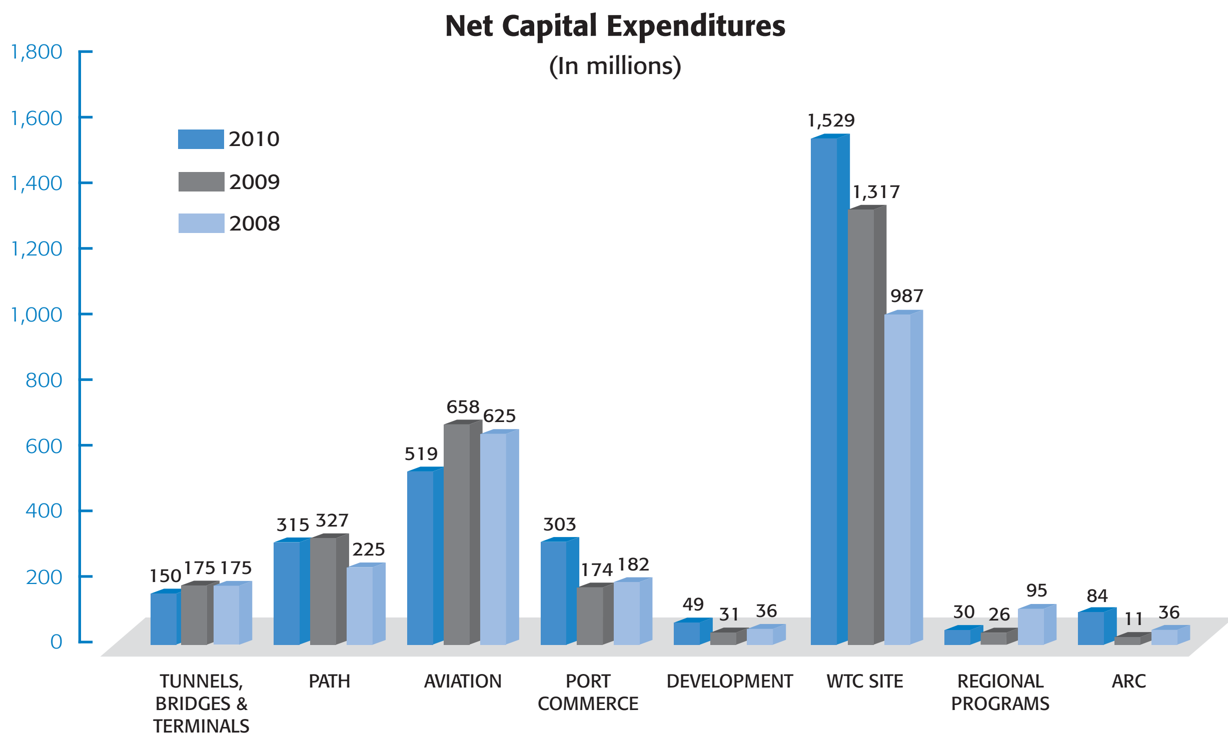
PFCs, grants, 1 WTC LLC/WTC Retail LLC restricted insurance proceeds and other contributions totaled $623 million in 2010, representing a $23 million decrease from 2009. The year-to-year decrease is primarily due to lower amounts received in connection with capital projects eligible for federal funding from the Federal Transit Administration (FTA) and insurance proceeds received in connection with the November 2006 global settlement of the World Trade Center net lessees September 11, 2001 property damage and business interruption claims. The decrease was partially offset by an increase in PFC collections reflecting higher passenger activity at LGA and JFK.

2009 vs. 2008

PFCs, grants, 1 WTC LLC/WTC Retail LLC restricted insurance proceeds and other contributions totaled $646 million in 2009, $62 million higher than 2008. The year-to-year increase is primarily due to higher capital expenditures on projects eligible for federal funding from the FTA, partially offset by a decrease in PFC collections reflecting lower passenger activity at EWR, JFK and LGA.

Capital Construction Activities

Port Authority expenditures for capital construction projects, including amounts associated with contributed capital, totaled $3.0 billion in 2010, $2.7 billion in 2009 and $2.4 billion in 2008. The following chart depicts net capital expenditures for the last three years summarized by line of business:



Management's Discussion and Analysis
(continued)

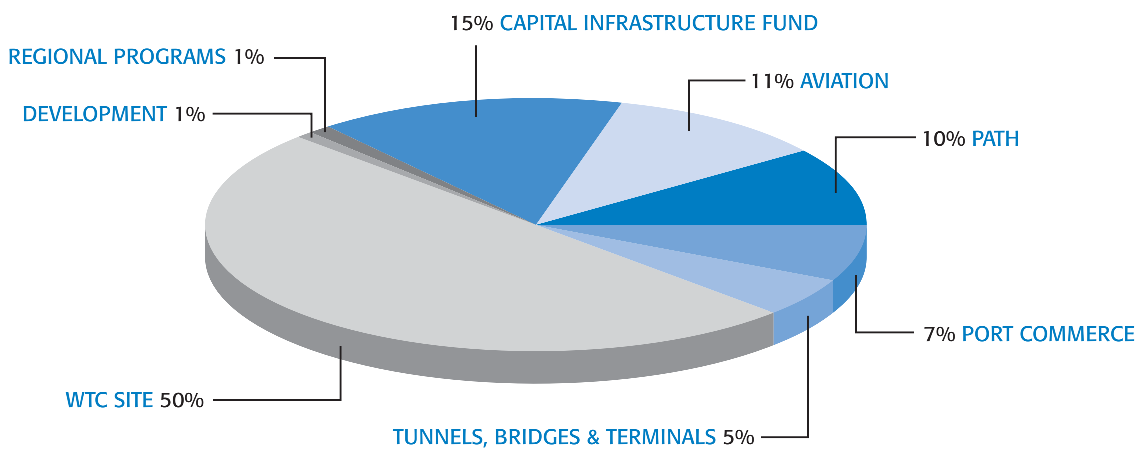
Funding sources for the $3.0 billion spent by the Port Authority on capital investment in 2010 were as follows: $1.3 billion was funded with proceeds derived from the issuance of capital obligations; $234.9 million was funded by FTA contributions in aid of construction; $97.2 million was funded through other contributions in aid of construction; $201.8 million was funded by PFCs; $289 million was funded by insurance proceeds; and the balance of approximately $900 million was funded through appropriations from the Port Authority's Consolidated Bond Reserve Fund and other sources.

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

2011 Planned Capital Expenditures

The 2011 Budget includes capital spending of approximately $3.9 billion, with approximately 50% of that amount allocated to the WTC site as depicted in the following chart:

Allocation of 2011 Planned Capital Expenditures



Major elements of 2011 planned capital expenditures include:

- Continued redevelopment of the World Trade Center site, including the permanent WTC Transportation Hub, One World Trade Center, WTC Retail Redevelopment, the WTC Memorial and certain World Trade Center site infrastructure
- Planning activities for the modernization of the Central Terminal Building (CTB) at LGA and the expansion of Terminal 4 at JFK
- Advancement of the JFK Flight Delay Reduction Program
- Planning for the modernization of Terminals A and B at EWR
- Continued procurement of new PATH rail cars
- Advancement of the PATH Signal Replacement Program
- Continued planning efforts for the modernization and/or replacement of the Goethals and Bayonne Bridges
- Continued planning efforts for the rehabilitation of the Holland Tunnel Ventilation System and George Washington Bridge Upper Level
- Continued Port Commerce capacity improvements including rail and roadway enhancements, channel deepening and the redevelopment of the Port Jersey – Port Authority Marine Terminal
- Facility infrastructure security projects, including detection, facility access controls and infrastructure hardening

Capital Financing and Debt Management

As of December 31, 2010, bonds and other asset financing obligations of the Port Authority totaled approximately $14.5 billion.

During 2010, the Port Authority issued $1.37 billion in Consolidated bonds. Of this amount, $1.05 billion was allocated to fund capital construction projects and $317 million was used to refund existing outstanding obligations.

Listed below is a summary of credit ratings that are assigned to the outstanding obligations of the Port Authority. On March 25, 2010, the Port Authority's outstanding consolidated bonds were upgraded by Moody's Investors Service to Aa2 from Aa3. Except as indicated in the footnote below, all other ratings for the obligations outstanding in 2009 have remained the same for 2010. During 2010, Moody's Investors Service, Standard and Poor's (S&P) and Fitch Ratings considered the Port Authority's outlook as stable. In January 2011, Moody's Investors Service reaffirmed the Port Authority's overall rating of Aa2, and revised its overall economic outlook from stable to negative.

OBLIGATION	**S&P**	**Fitch Ratings**	**Moody's Investor Service**
Consolidated Bonds	AA-	AA-	Aa2
Commercial Paper	A-1+	F1+	P-1
VSO Short Term	A-1+*	F1+	VMIG1
VSO Long Term	A+	A+	A1

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

* The Port Authority has a standby certificate purchase agreement in place with Bayerische Landesbank for Versatile Structure Obligations (VSO) Series 1R. On October 19, 2009, Bayerische Landesbank requested to have its ratings withdrawn by S&P for all obligations that the bank provides standby bond purchase agreements and letters of credit. As a result, there is no short-term rating from S&P for VSO Series 1R. The short-term rating from S&P for the other outstanding VSO remains at A-1+.

Consolidated Statements of Net Assets

	December 31, 2010	2009
	(In thousands)	
ASSETS		
Current assets:		
Cash	**$ 2,451,050**	$ 1,886,774
Restricted cash	**77,167**	102,961
Investments	**250,696**	950,216
Restricted investments	**-**	366
Current receivables, net	**342,813**	366,030
Other current assets	**176,514**	204,011
Restricted receivables and other assets	**50,268**	31,949
Total current assets	**3,348,508**	3,542,307
Noncurrent assets:		
Restricted cash	**6,618**	6,820
Investments	**1,339,148**	1,524,572
Restricted investments - PAICE	**139,696**	113,116
Other amounts receivable, net	**239,270**	364,854
Deferred charges and other noncurrent assets	**1,435,165**	1,449,694
Restricted deferred / other noncurrent assets - PAICE	**14,564**	12,195
Amounts receivable - Special Project Bonds Projects	**1,780,813**	1,054,294
Unamortized costs for regional programs	**694,388**	741,265
Facilities, net	**20,557,400**	18,398,356
Total noncurrent assets	**26,207,062**	23,665,166
Total assets	**29,555,570**	27,207,473
LIABILITIES		
Current liabilities:		
Accounts payable	**717,992**	744,737
Accrued interest and other current liabilities	**566,732**	406,618
Restricted other liabilities - PAICE	**351**	391
Accrued payroll and other employee benefits	**198,574**	150,812
Current portion bonds and other asset financing obligations	**972,880**	989,691
Total current liabilities	**2,456,529**	2,292,249
Noncurrent liabilities:		
Accrued pension and other noncurrent employee benefits	**543,747**	579,213
Other noncurrent liabilities	**150,894**	149,310
Restricted other noncurrent liabilities - PAICE	**44,080**	48,472
Amounts payable - Special Project Bonds	**1,780,813**	1,054,294
Bonds and other asset financing obligations	**13,554,884**	12,406,153
Total noncurrent liabilities	**16,074,418**	14,237,442
Total liabilities	**18,530,947**	16,529,691
NET ASSETS	**$11,024,623**	$10,677,782
Net assets are composed of:		
Invested in capital assets, net of related debt	**$ 9,200,077**	$ 8,415,993
Restricted:		
1 WTC LLC/WTC Retail LLC insurance proceeds	**71,732**	90,249
Passenger Facility Charges	**20,779**	17,513
Port Authority Insurance Captive Entity, LLC	**130,360**	103,963
Unrestricted	**1,601,675**	2,050,064
NET ASSETS	**$11,024,623**	$10,677,782

See Notes to Consolidated Financial Statements

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

	Year ended December 31, 2010	2009
	(In thousands)	
Gross operating revenues:		
Rentals	**$ 1,144,709**	$ 1,115,652
Tolls and fares	**1,069,785**	1,068,105
Aviation fees	**872,774**	839,327
Parking and other	**321,257**	316,005
Utilities	**154,041**	140,817
Rentals - Special Project Bonds Projects	**71,457**	72,337
Total gross operating revenues	**3,634,023**	3,552,243
Operating expenses:		
Employee compensation, including benefits	**1,022,195**	974,154
Contract services	**630,438**	683,418
Materials, equipment and other	**418,639**	263,682
Rents and amounts in-lieu-of taxes	**272,002**	276,830
Utilities	**183,826**	168,249
Interest on Special Project Bonds	**71,457**	72,337
Total operating expenses	**2,598,557**	2,438,670
Net (recoverables) related to the events of September 11, 2001	**(53,051)**	(202,978)
Depreciation of facilities	**789,011**	712,331
Amortization of costs for regional programs	**76,504**	74,617
Income from operations	**223,002**	529,603
Non-operating revenues and (expenses):		
Interest income	**61,168**	67,820
Net (decrease)/increase in fair value of investments	**(56,733)**	78,741
Interest expense in connection with bonds and other asset financing	**(501,607)**	(501,892)
Net gain on disposition of assets	**–**	27,125
Pass-through grant program payments	**(2,166)**	(1,120)
Net non-operating expenses	**(499,338)**	(329,326)
Contributions, Passenger Facility Charges and Grants:		
Contributions in aid of construction	**358,268**	382,978
Passenger Facility Charges	**210,387**	201,737
1 WTC LLC/WTC Retail LLC insurance proceeds	**42,814**	50,813
Grants	**11,708**	10,613
Total contributions, passenger facility charges and grants	**623,177**	646,141
Increase in net assets	**346,841**	846,418
Net assets, January 1	**10,677,782**	9,831,364
Net assets, December 31	**$11,024,623**	$10,677,782

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

	Year ended December 31, 2010	2009
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	**$ 3,677,899**	$ 3,645,443
Cash received related to the events of September 11, 2001	**55,675**	219,675
Cash paid to suppliers	**(984,824)**	(1,152,074)
Cash paid to or on behalf of employees	**(1,009,290)**	(984,296)
Cash paid to municipalities	**(273,781)**	(274,863)
Cash payments related to the events of September 11, 2001	**(3,607)**	(3,466)
Net cash provided by operating activities	**1,462,072**	1,450,419
Cash flows from noncapital financing activities:		
Proceeds from insurance related to 1 WTC LLC/WTC Retail LLC	**42,814**	50,813
Proceeds from sale of noncapital financing obligations	**–**	–
Principal paid on non-capital financing obligations	**(11,840)**	(2,000)
Proceeds from noncapital obligations issued for refunding purposes	**–**	–
Principal paid through noncapital obligations refundings	**–**	–
Payments for Fund buy-out obligation	**(43,211)**	(43,211)
Interest paid on noncapital financing obligations	**(360)**	(537)
Grants	**11,251**	10,548
Net cash (used)/ provided by noncapital financing activities	**(1,346)**	15,613
Cash flows from capital and related financing activities:		
Proceeds from sales of capital obligations	**1,219,309**	1,633,453
Principal paid on capital obligations	**(208,157)**	(160,895)
Proceeds from capital obligations issued for refunding purposes	**2,985,015**	1,908,205
Principal paid through capital obligations refundings	**(2,985,015)**	(1,908,205)
Interest paid on capital obligations	**(628,705)**	(589,821)
Investment in facilities and construction of capital assets	**(2,752,821)**	(2,384,009)
Financial income allocated to capital projects	**3,117**	3,134
Investment in regional programs	**(29,626)**	(26,200)
Proceeds from disposition of assets	**–**	988
Proceeds from Passenger Facility Charges	**206,751**	205,164
Contributions in aid of construction	**356,592**	368,728
Net cash used for capital and related financing activities	**(1,833,540)**	(949,458)
Cash flows from investing activities:		
Purchase of investment securities	**(1,570,286)**	(2,117,120)
Proceeds from maturity and sale of investment securities	**2,423,539**	2,852,914
Interest received on investment securities	**48,803**	54,650
Other interest income received	**9,038**	10,287
Net cash provided by investing activities	**911,094**	800,731
Net increase in cash	**538,280**	1,317,305
Cash at beginning of year	**1,996,555**	679,250
Cash at end of year	**$ 2,534,835**	$ 1,996,555

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows
(continued)

	Year ended December 31, 2010	2009
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$ 223,002**	$ 529,603
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	**789,011**	712,331
Amortization of costs for regional programs	**76,504**	74,617
Amortization of other assets	**265,647**	41,851
Change in operating assets and operating liabilities:		
Decrease in receivables	**118,719**	171,860
Increase in deferred charges and other assets	**(120,103)**	(66,114)
Decrease in payables	**(72,684)**	(17,987)
Increase in other liabilities	**169,682**	15,380
Increase/(decrease) in accrued payroll, pension and other employee benefits	**12,294**	(11,122)
Total adjustments	**1,239,070**	920,816
Net cash provided by operating activities	**$1,462,072**	$1,450,419

3. Capital obligations:

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

4. Noncash Investing, Capital and Financing Activities:

Noncash activity of $804,556,000 in 2010 and $26,644,000 in 2009 includes amortization of discount and premium on Consolidated bonds and notes, accretion associated with capital appreciation bonds and amounts payable in connection with Special Project Bonds.

Noncash capital financing did not include any activities that required a change in fair value. The existing capital receivable, in connection with the Silverstein net lessees' capital investment associated with Towers 2, 3 and 4 at the World Trade Center site, was reduced by $105 million in 2010. As of December 31, 2010, the outstanding receivable totaled $165 million.

The market value of the three unhedged swaps was negative $(148,034,220) as of December 31, 2010 (see Note D).

See Notes to Consolidated 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 fees and other charges.

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

c. The Audit Committee, which consists of four members of the Board of Commissioners other than the Chair and Vice Chair, provides oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems and the accounting, auditing and financial reporting processes. The Audit Committee retains the independent auditors and reviews their performance and independence. The independent auditors are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The Audit Committee meets directly, on a regular basis, with the independent auditors, a law firm retained to address certain Audit Committee matters, and management of the Port Authority. The Chair of the Audit Committee periodically advises the Board of Commissioners on the activities of the Committee.

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

2. Basis of Accounting

a. The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues and expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

b. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting,* the Port Authority follows the pronouncements of the GASB in its accounting and financial reporting. Also, in accordance with GASB Statement No. 20, the Port Authority follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB guidance.

3. Significant Accounting Policies

a. Facilities are carried at cost. The costs for facilities include net interest expense incurred from the date of issuance of the debt to finance construction until the capital project is completed and ready for its intended use. Generally, projects in excess of $100,000 for additions, asset replacements and/or asset improvements that benefit future accounting periods or are expected to prolong the service lives of assets beyond their originally assigned lives are capitalized (see Note B). Facilities do not include regional programs undertaken at the request of the Governor of the State of New Jersey or the Governor of the State of New York (see Note H).

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

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

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

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

c. Cash consists of cash on hand and short term cash equivalents. Cash equivalents are made up of negotiable order of withdrawal (NOW) accounts, United States Treasury bills, collateralized time deposits, and money market accounts.

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

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

f. Inventories are valued using an average cost method which prices items on the basis of the average cost of all similar goods remaining in stock. Inventory is reported as a component of "Deferred charges and other noncurrent assets" on the Consolidated Statements of Net Assets.

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

h. Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, the Port Authority had been authorized to impose a Passenger Facility Charge on enplaned passengers. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration (FAA) approved airport-related projects. Revenue derived from the collection of PFCs, net of the air carriers' handling charges, is recognized and accrued as non-operating revenue when the passenger activity occurs and the fees are due from the air carriers. PFC revenue applied to eligible capital projects is reflected as a component of "Facilities, net."

i. All Port Authority investment values 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 and enters into various derivative instruments, including options on United States Treasury securities, repurchase and reverse repurchase (yield maintenance) agreements, United States Treasury and municipal bond futures contracts (see Note C) and swaps (see Note D).

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

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

l. Pollution remediation costs are recognized in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (see Note J-11). An operating expense provision and corresponding liability measured at its current value using the expected cash flow method have been recognized for certain pollution remediation obligations that previously may not have been required to be recognized, have been recognized earlier than in the past or are no longer able to be capitalized as a component of a capital project. Pollution remediation obligations occur when any one of the following obligating events takes place; the Port Authority is in violation of a pollution prevention-related permit or license; an imminent threat to public health due to pollution exists; the Port Authority is named by a regulator as a responsible or potentially responsible party to participate in remediation; the Port Authority voluntarily commences or legally obligates itself to commence remediation efforts; or the Port Authority is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities.

m. In June 2008, GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* effective for financial statements with reporting periods beginning after June 15, 2009. The Port Authority has been recognizing changes to the fair value of three outstanding contract swaps that are classified under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as investment derivative instruments (unhedged) on the Port Authority's Consolidated Statements of Revenue, Expenses and Changes in Net Assets as changes to financial income since December 2006. As a result, a restatement of prior year financial results was determined to be unnecessary.

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

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

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

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

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

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

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

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

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

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

		December 31, 2010	December 31, 2009
		(In thousands)	
Net assets reported on Consolidated Statements of Net Assets		**$11,024,623**	$10,677,782
Add:	Accumulated depreciation of facilities	**9,906,100**	9,234,105
	Accumulated retirements and gains and losses on disposal of invested in facilities	**1,883,559**	1,766,543
	Cumulative amortization of costs for regional programs	**1,068,380**	991,877
	Cumulative amortization of discount and premium	**70,308**	64,661
		23,952,970	22,734,968
Less:	Deferred income – 1 WTC LLC/WTC Retail LLC insurance proceeds	**71,732**	90,249
	Restricted Net Revenues - PAICE	**2,590**	2,488
	Deferred income in connection with PFCs	**20,779**	17,513
Net assets reported on Schedule B – Assets and Liabilities (pursuant to Port Authority bond resolutions)		**$23,857,869**	$22,624,718

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

		Year ended December 31, 2010	2009
		(In thousands)	
Increase in net assets reported on Consolidated Statements of Revenues, Expenses and Changes in Net Assets		**$ 346,841**	$ 846,418
Add:	Depreciation of facilities	**789,011**	712,331
	Application of 1 WTC LLC/WTC Retail LLC insurance proceeds	**61,468**	266,676
	Application of Passenger Facility Charges	**207,122**	205,164
	Amortization of costs for regional programs	**76,504**	74,617
	Amortization of discount and premium	**5,647**	5,731
	Restricted Net Revenues – PAICE	**–**	3,177
	Change in appropriations for self-insurance	**–**	6,463
		1,486,593	2,120,577
Less:	Debt maturities and retirements	**178,095**	147,370
	Call premiums on refunded bonds	**–**	–
	Repayment of asset financing obligations	**30,062**	13,525
	Direct investment in facilities	**1,375,008**	1,522,096
	PFCs	**210,387**	201,737
	1 WTC LLC/WTC Retail LLC insurance proceeds	**42,814**	50,813
	1 WTC LLC/WTC Retail LLC interest income	**136**	643
	Restricted Net Revenues – PAICE	**102**	–
	Net gain on disposition of assets	**–**	27,125
	PFC Interest Income/Fair Value Adjustment	**2**	1
	Change in appropriations for self-insurance	**3,971**	–
		1,840,577	1,963,310
(Decrease)/increase in reserves reported on Schedule A – Revenues and Reserves (pursuant to Port Authority bond resolutions)		**$ (353,984)**	$ 157,267

Note B – Facilities, Net

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions/ (Dispositions)	Transfers	Retirements*	End of Year
			(In thousands)		
2010					
Capital assets not being depreciated:					
Land	$ 928,515	$ –	$ 179,884	$ –	$ 1,108,399
Construction in progress	5,910,282	2,948,055	(1,758,524)	–	7,099,813
Total capital assets not being depreciated	6,838,797	2,948,055	(1,578,640)	–	8,208,212
Other capital assets:					
Buildings, bridges, tunnels, other structures	7,640,036	–	343,562	(25,557)	7,958,041
Machinery and equipment	6,167,217	–	729,315	(81,964)	6,814,568
Runways, roadways and other paving	3,972,380	–	186,792	(5,829)	4,153,343
Utility infrastructure	3,014,031	–	318,971	(3,666)	3,329,336
Other capital assets	20,793,664	–	1,578,640	(117,016)	22,255,288
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	3,067,753	215,243	–	(25,557)	3,257,439
Machinery and equipment	2,859,650	293,951	–	(81,964)	3,071,637
Runways, roadways and other paving	1,948,768	156,180	–	(5,829)	2,099,119
Utility infrastructure	1,357,934	123,637	–	(3,666)	1,477,905
Accumulated depreciation	9,234,105	789,011	–	(117,016)	9,906,100
Total other capital assets, net	11,559,559	(789,011)	1,578,640	–	12,349,188
Facilities, net	$18,398,356	$2,159,044	$ –	$ –	$20,557,400
2009					
Capital assets not being depreciated:					
Land	$ 931,475	$ –	$ 52,380	$ (55,340)	$ 928,515
Construction in progress	4,532,834	2,694,355	(1,305,209)	(11,698)	5,910,282
Total capital assets not being depreciated	5,464,309	2,694,355	(1,252,829)	(67,038)	6,838,797
Other capital assets:					
Buildings, bridges, tunnels, other structures	7,233,946	–	427,600	(21,510)	7,640,036
Machinery and equipment	5,617,777	–	588,274	(38,834)	6,167,217
Runways, roadways and other paving	3,944,018	–	30,667	(2,305)	3,972,380
Utility infrastructure	2,807,953	–	206,288	(210)	3,014,031
Other capital assets	19,603,694	–	1,252,829	(62,859)	20,793,664
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	2,890,669	198,606	–	(21,522)	3,067,753
Machinery and equipment	2,644,359	247,288	–	(31,997)	2,859,650
Runways, roadways and other paving	1,798,548	152,525	–	(2,305)	1,948,768
Utility infrastructure	1,244,232	113,912	–	(210)	1,357,934
Accumulated depreciation	8,577,808	712,331	–	(56,034)	9,234,105
Total other capital assets, net	11,025,886	(712,331)	1,252,829	(6,825)	11,559,559
Facilities, net	$16,490,195	$1,982,024	$ –	$ (73,863)	$18,398,356

* Retirements include approximately $73,863,000 for the unamortized investment associated with asset dispositions which took place in 2009. In 2010 asset disposition had no related unamortized investment.

2. Net interest expense added to the cost of facilities was $184 million in 2010 and $137 million in 2009.

3. As of December 31, 2010, approximately $60.4 million in projects have been suspended pending determination of their continued viability.

4. During 2010, depreciation was accelerated for certain assets. The impact on depreciation for the machinery, equipment, and utility infrastructure assets totaled $5.4 million.

Note C – Cash and Investments

1. The components of cash and investments are:

	December 31, 2010	December 31, 2009
	(In thousands)	
CASH		
Cash on hand	**$ 1,197**	$ 1,191
Cash equivalents	**2,533,638**	1,995,364
Total cash	**2,534,835**	1,996,555
Less restricted cash	**83,785**	109,781
Unrestricted cash	**$2,451,050**	$1,886,774

	December 31, 2010			December 31, 2009
	(In thousands)			
PORT AUTHORITY INVESTMENTS AT FAIR VALUE	**Port Authority**	**PAICE**	**Total**	
United States Treasury notes	**$ 780,273**	**$ 63,510**	**$ 843,783**	$1,029,895
United States Treasury bonds	**–**	**33,793**	**33,793**	26,700
United States Treasury bills	**250,696**	**–**	**250,696**	950,216
United States government agency obligations	**–**	**40,083**	**40,083**	43,407
Corporate Bonds *	**405,861**	**–**	**405,861**	379,060
JFK International Air Terminal LLC obligations	**139,288**	**–**	**139,288**	148,210
Other governmental obligations	**6,831**	**1,002**	**7,833**	1,052
Accrued interest receivable	**6,895**	**1,308**	**8,203**	9,730
Total investments	**1,589,844**	**139,696**	**1,729,540**	2,588,270
Less current investments	**250,696**	**–**	**250,696**	950,582
Noncurrent investments	**$1,339,148**	**$139,696**	**$1,478,844**	$1,637,688

* Guaranteed by the Federal Deposit Insurance Corporation under the Temporary Liquidity Guarantee Program, rated Aaa by Moody's Investors Service and AAA by Standard & Poor's.

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

Total actual bank balances were $2.4 billion as of December 31, 2010. Of that amount, $91 million was secured through the basic FDIC deposit insurance coverage. The balance of $2.3 billion 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. In addition, approximately $72 million related to restricted insurance proceeds for 1 WTC LLC and WTC Retail LLC is being held by a third party escrow agent and, with the exception of current cash on hand to meet expenditures, is invested in United States Treasury securities.

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

Proceeds of "Bonds and other asset financing obligations" may be invested, on an interim basis, in conformance with applicable Federal laws and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time 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 direct obligations of the United States of America and obligations of United States government agencies and sponsored enterprises that have the highest short-term ratings by two nationally recognized firms, investment grade negotiable certificates of deposit and negotiable Bankers' Acceptances with banks having AA or better long-term debt rating, premier status and with issues actively traded in secondary markets, commercial paper having only the highest short-term ratings separately issued by two nationally recognized rating agencies, United States Treasury and municipal bond futures contracts, certain interest rate exchange contracts with banks and investment firms, certain interest rate options contracts that are limited to $50 million of underlying securities with a maturity of no greater than five years with primary dealers in United States Treasury securities, and certain unrated obligations of John F. Kennedy International Air Terminal (JFKIAT) (presently comprising approximately 8.8% of total Port Authority investments at December 31, 2010) for certain costs attributable to the completion of the JFKIAT passenger terminal, and certain obligations of the net lessees of Tower 4 and Tower 3, respectively, at the World Trade Center site under agreements in connection with the implementation of the 2010 World Trade Center Site Eastside Development Plan. The Board has from time to time authorized other investments of operating funds.

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

The following is the fair value and weighted average maturity of investments held by the Port Authority, excluding PAICE, at December 31, 2010:

PA Investment Type	Fair Value (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	$ 780,273	515
United States Treasury bills	250,696	192
Corporate Bonds	405,861	479
JFK International Air Terminal LLC obligations	139,288	5,320
Other governmental obligations	6,831	1,324
Total fair value of investments	$1,582,949	
Investments weighted average maturity		881

The Port Authority has, from time to time, entered into reverse repurchase (yield maintenance) agreements under which the Port Authority contracted to sell a specified United States Treasury security to a counterparty and simultaneously agreed to purchase it back from that party at a predetermined price and future date. All reverse repurchase agreements sold are matched to repurchase agreements bought, thereby minimizing market risk. The credit risk is managed by a daily evaluation of the market value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. There were no investments in reverse repurchase agreements at December 31, 2010.

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

Under PAICE's investment policies, eligible investments include money market demand accounts of commercial banks, not to exceed bank deposit insurance limits, and/or taxable or tax-exempt money market mutual funds that offer daily purchase and redemption while maintaining a constant share price and whose fund assets are primarily United States Treasury Bills and whose assets are more than $1 billion. Other investments include: United States Treasury securities and United States Federal Agency debt, AAA rated tax-exempt general obligation issues of states, and U.S. dollar denominated corporate debt rated AA or above.

The following is the fair value and weighted average maturity of investments held by PAICE at December 31, 2010:

PAICE Investment Type	Fair Value (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	$ 63,510	749
United States Treasury bonds	33,793	594
United States government agency obligations	40,083	626
Other governmental obligations	1,002	18
Total fair value of investments	$138,388	
Investments weighted average maturity		675

Note D – Outstanding Obligations and Financing

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

D-1. Outstanding bonds and other asset financing obligations

	December 31, 2010		
	Current	Noncurrent	Total
		(In thousands)	
A. CONSOLIDATED BONDS AND NOTES	$190,390	$13,119,246	$13,309,636
B. COMMERCIAL PAPER NOTES	354,280	–	354,280
C. VARIABLE RATE MASTER NOTES	77,900	–	77,900
D. VERSATILE STRUCTURE OBLIGATIONS	175,200	–	175,200
E. PORT AUTHORITY EQUIPMENT NOTES	98,645	–	98,645
F. FUND BUY-OUT OBLIGATION	43,211	330,496	373,707
G. MARINE OCEAN TERMINAL AT BAYONNE PENINSULA (MOTBY) OBLIGATION	33,254	105,142	138,396
	$972,880	$13,554,884	$14,527,764

	December 31, 2009		
	Current	Noncurrent	Total
		(In thousands)	
A. CONSOLIDATED BONDS AND NOTES	$173,095	$12,062,884	$12,235,979
B. COMMERCIAL PAPER NOTES	321,010	–	321,010
C. VARIABLE RATE MASTER NOTES	90,990	–	90,990
D. VERSATILE STRUCTURE OBLIGATIONS	250,900	–	250,900
E. PORT AUTHORITY EQUIPMENT NOTES	110,485	–	110,485
F. FUND BUY-OUT OBLIGATION	43,211	343,269	386,480
	$989,691	$12,406,153	$13,395,844

A. Consolidated Bonds and Notes

		Dec. 31, 2009	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2010
			(In thousands)		
Consolidated bonds and notes					
Sixty-ninth series (a)	Due 2011	$ 7,617	$ 264	$ 4,000	$ 3,881
Seventy-fourth series (b)	Due 2011-2014	18,992	670	4,155	15,507
Eighty-fifth series	5.125%-5.375% due 2011-2028	92,800	–	2,800	90,000
Eighty-sixth series	5.2% due 2011-2012	12,275	–	4,270	8,005
Ninety-third series	6.125% due 2094	100,000	–	–	100,000
One hundred third series	5.125%-5.25% due 2011-2014	31,455	–	5,320	26,135
One hundred thirteenth series	4.7%-4.75% due 2011-2013	21,000	–	5,250	15,750
One hundred sixteenth series	4.25%-5.25% due 2011-2033	412,405	–	9,760	402,645
One hundred seventeenth series*	4.75%-5.125% due 2011-2018	55,205	–	5,095	50,110
One hundred eighteenth series	5%-5.35% due 2010-2014	33,750	–	33,750	–
One hundred twenty-second series*	5%-5.5% due 2011-2036	176,275	–	11,245	165,030
One hundred twenty-third series	4.75%-5% due 2017-2036	100,000	–	100,000	–
One hundred twenty-fourth series*	4.75%-5% due 2011-2036	225,335	–	11,190	214,145
One hundred twenty-fifth series	5% due 2018-2032	300,000	–	–	300,000
One hundred twenty-sixth series*	5%-5.5% due 2011-2037	224,010	–	12,530	211,480
One hundred twenty-seventh series*	4%-5.5% due 2011-2037	240,230	–	9,760	230,470
One hundred twenty-eighth series	4%-5% due 2011-2032	239,940	–	3,730	236,210
One hundred twenty-ninth series	3.5%-4% due 2011-2015	41,655	–	5,865	35,790
One hundred thirtieth series	3.375%-3.75% due 2011-2015	45,165	–	6,935	38,230
One hundred thirty-first series*	4.625%-5% due 2011-2033	450,045	–	8,945	441,100
One hundred thirty-second series	5% due 2024-2038	300,000	–	–	300,000
One hundred thirty-third series	3%-4.4% due 2011-2021	183,180	–	15,500	167,680
One hundred thirty-fourth series	4%-5% due 2011-2039	247,320	–	2,820	244,500
One hundred thirty-fifth series	4.5%-5% due 2024-2039	400,000	–	–	400,000
One hundred thirty-sixth series*	5%-5.5% due 2011-2034	344,715	–	2,425	342,290
One hundred thirty-seventh series*	4%-5.5% due 2011-2034	234,300	–	3,715	230,585
One hundred thirty-eighth series*	4.25%-5% due 2011-2034	341,700	–	6,950	334,750
One hundred thirty-ninth series*	4%-5% due 2011-2025	169,380	–	8,275	161,105
One hundred fortieth series	4.125%-5% due 2016-2035	400,000	–	–	400,000
One hundred forty-first series*	4.5%-5% due 2016-2035	350,000	–	–	350,000
One hundred forty-second series	4%-5% due 2015-2036	350,000	–	–	350,000
One hundred forty-third series*	5% due 2016-2036	500,000	–	–	500,000
One hundred forty-fourth series	4.25%-5% due 2026-2035	300,000	–	–	300,000
One hundred forty-fifth series**	5.75% due 2027-2032	250,000	–	–	250,000
One hundred forty-sixth series*	4.25%-5% due 2016-2036	500,000	–	–	500,000
One hundred forty-seventh series*	4.75%-5% due 2017-2037	450,000	–	–	450,000
One hundred forty-eighth series	5% due 2015-2037	500,000	–	–	500,000
One hundred forty-ninth series	4%-5% due 2017-2037	400,000	–	–	400,000
One hundred fiftieth series**	4.125%-6.4% due 2013-2027	350,000	–	–	350,000
One hundred fifty-first series*	5.25%-6% due 2019-2035	350,000	–	–	350,000
One hundred fifty-second series*	4.75%-5.75% due 2018-2038	400,000	–	–	400,000
One hundred fifty-third series	4%-5% due 2018-2038	500,000	–	–	500,000
One hundred fifty-fourth series	3%-5% due 2011-2029	100,000	–	3,810	96,190
One hundred fifty-fifth series	1.5%-3.5% due 2011-2019	85,700	–	12,000	73,700
One hundred fifty-sixth series	4%-5% due 2025-2039	100,000	–	–	100,000
One hundred fifty-seventh series**	5.309% due 2019	150,000	–	–	150,000
One hundred fifty-eighth series**	5.859% due 2024	250,000	–	–	250,000
One hundred fifty-ninth series**	6.04% due 2029	350,000	–	–	350,000
One hundred sixtieth series	4%-5% due 2030-2039	300,000	–	–	300,000
One hundred sixty-first series	4.25%-5% due 2030-2039	300,000	–	–	300,000
One hundred sixty-second series	0.9%-3.3% due 2011-2020	–	116,840	11,750	105,090
One hundred sixty-third series	2.5%-5% due 2017-2040	–	400,000	–	400,000
One hundred sixty-fourth series**	5.647% due 2040	–	425,000	–	425,000
One hundred sixty-fifth series**	5.647% due 2040	–	425,000	–	425,000
Consolidated bonds and notes pursuant to Port Authority bond resolutions (c)		12,284,449	$1,367,774	$311,845	13,340,378
Less unamortized discount and premium (d)		48,470			30,742
Consolidated bonds and notes		$12,235,979			$13,309,636

NOTE: See page 58 for explanations of footnotes (a-d) concerning Consolidated Bonds and Notes.

Notes to Consolidated Financial Statements
(continued)

A. Consolidated Bonds and Notes (continued from previous page)

(a) Includes $897,000 serial bonds issued on a capital appreciation basis; the only payment with respect to these bonds will be made at maturity, in the total maturity amount of $4,000,000.

(b) Includes $4,024,000 serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2011 to 2014, in total aggregate maturity amounts of $16,620,000.

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

(d) Debt service requirements to maturity for Consolidated bonds outstanding on December 31, 2010 are as follows:

Year ending December 31:	**Principal**	**Interest**	**Debt Service**
		(In thousands)	
2011	$ 190,390	$ 662,054	$ 852,444
2012	193,220	654,613	847,833
2013	214,400	646,291	860,691
2014	235,240	636,924	872,164
2015	249,155	625,779	874,934
2016-2020	1,762,050	2,915,859	4,677,909
2021-2025	2,336,135	2,421,345	4,757,480
2026-2030	3,087,735	1,759,373	4,847,108
2031-2035	3,249,225	903,198	4,152,423
2036-2040	1,724,060	238,103	1,962,163
2041-2094***	100,000	302,371	402,371
	$13,341,610	$11,765,910	$25,107,520

*** Debt for the years 2041-2094 reflects principal and interest payments associated with the ninety-third series of Consolidated bonds.

Total principal of $13,341,610,000 shown above differs from the total consolidated bonds pursuant to Port Authority bond resolutions of $13,340,378,000 because of differences in the par value at maturity of the capital appreciation bonds of $1,232,000.

As of December 31, 2010, the Board of Commissioners had authorized the issuance of consolidated bonds, one hundred sixty-second series through one hundred seventy-sixth series, in the aggregate principal amount of up to $500 million of each series, and Consolidated notes, Series ZZ, AAA, BBB, CCC and DDD, of up to $300 million in aggregate principal amount of each series.

During 2010, the Port Authority used the proceeds of consolidated bonds to refund $133.8 million of consolidated bonds, $70 million of versatile structure obligations, $13.1 million of variable rate master notes and $100 million of commercial paper notes. The economic gain resulting from the debt refunding (the difference between the present value of the cash flows required to service the old debt and the present value of the cash flows required to service the new debt) totaled approximately $15.7 million in present value savings to the Port Authority.

Consolidated bonds outstanding as of February 25, 2011 (pursuant to Port Authority bond resolutions) totaled $13,640,378,000.

B. Commercial Paper Notes

Commercial paper obligations are issued to provide interim financing for authorized projects at Port Authority facilities and may be issued until December 31, 2015. The maximum aggregate principal amount that may be outstanding at any one time is $300 million for Series A and $200 million for Series B. Commercial paper obligations are issued without third-party provider support for payment at their maturity dates.

	Dec. 31, 2009	**Issued**	**Refunded/ Repaid**	**Dec. 31, 2010**
		(In thousands)		
Series A*	$174,045	$1,847,220	$1,812,450	$208,815
Series B	146,965	1,035,625	1,037,125	145,465
	$321,010	$2,882,845	$2,849,575	$354,280

Interest rates for all commercial paper notes ranged from 0.15% to 0.45% in 2010.

As of February 25, 2011, commercial paper notes outstanding totaled $402,010,000.

C. Variable Rate Master Notes

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

	Dec. 31, 2009	Issued	Refunded/ Repaid	Dec. 31, 2010
		(In thousands)		
Agreements 1989 -1995*	$44,900	$ –	$ –	$44,900
Agreements 1989 -1998	46,090	–	13,090	33,000
	$90,990	$ –	$13,090	$77,900

Interest rates are determined weekly, based upon specific industry indices (e.g. JP Morgan Rate published by J.P. Morgan Asset Management or the Securities Industry and Financial Markets Association rate) as stated in each master note agreement, and ranged from 0.20% to 1.05% in 2010.

Debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect on December 31, 2010, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2011	$ –	$ 317	$ 317
2012	–	318	318
2013	–	317	317
2014	–	317	317
2015	–	317	317
2016-2020	–	1,588	1,588
2021-2025	77,900	589	78,489
	$77,900	$3,763	$81,663

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

D. Versatile Structure Obligations

	Dec. 31, 2009	Issued	Refunded/ Repaid	Dec. 31, 2010
		(In thousands)		
Series 1R*	$ 95,400	$ –	$ 2,600	$ 92,800
Series 3	70,000	–	70,000	–
Series 4*	85,500	–	3,100	82,400
	$250,900	$ –	$75,700	$175,200

Variable interest rates, set daily by the remarketing agent for Versatile Structure Obligations Series 1R, 3, and 4 ranged from 0.07% to 0.38% in 2010.

Debt service requirements on outstanding versatile structure obligations, valued for presentation purposes at the rate in effect on December 31, 2010, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2011	$ 6,100	$ 556	$ 6,656
2012	6,600	536	7,136
2013	7,100	515	7,615
2014	7,700	492	8,192
2015	8,200	467	8,667
2016-2020	51,300	1,892	53,192
2021-2025	64,000	917	64,917
2026-2028	24,200	134	24,334
	$175,200	$5,509	$180,709

The Port Authority has entered into a separate standby certificate purchase agreement for Versatile Structure Obligations Series 1R, 3, and 4 with certain banks, which provides that during the term of the banks' commitment (generally three years, subject to renewal), if the remarketing agent fails to remarket any obligations that are tendered by the holders, the bank may be required, subject to certain conditions, to purchase such unremarketed portion of the obligations. If not purchased prior thereto at the Port Authority's option, the Port Authority has agreed to purchase such portion of the obligations within 90 business days after the purchase thereof by the bank. Bank commitment fees during 2010 in connection with the agreements were approximately $478,000.

E. Port Authority Equipment Notes

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

	Dec. 31, 2009	Issued	Refunded/ Repaid	Dec. 31, 2010
		(In thousands)		
Notes 2004, 2006, 2008*	$ 7,920	$ –	$ 3,540	$ 4,380
Notes 2004, 2006, 2008	102,565	–	8,300	94,265
	$110,485	$ –	$11,840	$98,645

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.21% to 0.48% in 2010.

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect on December 31, 2010, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2011	$30,485	$348	$30,833
2012	18,595	265	18,860
2013	2,640	198	2,838
2014	15,425	138	15,563
2015	31,500	25	31,525
	$98,645	$974	$99,619

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

F. Fund Buy-Out Obligation

	Dec. 31, 2009	Accretion (a)	Refunded/ Repaid	Dec. 31, 2010
		(In thousands)		
Obligation outstanding	$386,480	$30,438	$43,211	$373,707

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

Payment requirements of the fund buy-out obligation outstanding, including the implicit interest cost, on December 31, 2010 are as follows:

Year ending December 31:	Payments
	(In thousands)
2011	$ 43,211
2012	51,213
2013	51,212
2014	51,214
2015	51,212
2016-2021	317,664
	$565,726

As of February 25, 2011, the fund buy-out obligation outstanding totaled $378,440,231.

G. Marine Ocean Terminal at Bayonne Peninsula (MOTBY) Obligation

On August 3, 2010, the Port Authority acquired approximately 131 acres of the former Marine Ocean Terminal at Bayonne Peninsula 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 (2010-2033). Accordingly, 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% and recognized as an asset financing obligation in 2010.

	Dec. 31, 2009	Additions	Refunded/ Repaid	Dec. 31, 2010
		(In thousands)		
Obligation outstanding	$ –	$178,396	$40,000	$138,396

Payment requirements for the MOTBY obligation outstanding, including the implicit interest cost, on December 31, 2010 are as follows:

Year ending December 31:	Payments
	(In thousands)
2011	$ 35,000
2012	30,000
2013	30,000
2014	5,000
2015	5,000
2016-2020	25,000
2021-2025	25,000
2026-2030	25,000
2031-2033	15,000
	$195,000

D-2. Amounts Payable – Special Project Bonds

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

	Dec. 31, 2009	Issued	Repaid/ Amortized	Dec. 31, 2010
		(In thousands)		
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2011-2015	$ 109,260	$ –	$14,485	$ 94,775
Less: unamortized discount and premium	2,878	–	486	2,392
Total - Series 2	106,382	–	13,999	92,383
Series 4, KIAC Partners Project (b)*				
6.75% due 2011-2019	163,000	–	12,500	150,500
Less: unamortized discount and premium	1,866	–	191	1,675
Total - Series 4	161,134	–	12,309	148,825
Series 6, JFKIAT Project (c)*				
5.75%-7% due 2011-2025	792,120	–	30,530	761,590
Less: unamortized discount and premium	5,342	–	336	5,006
Total - Series 6	786,778	–	30,194	756,584
Series 8, JFKIAT Project (d)				
5%-6.5% due 2020-2042	–	796,280	–	796,280
Less: unamortized discount and premium	–	13,286	27	13,259
Total - Series 8	–	782,994	(27)	783,021
Amounts payable - Special Project Bonds	$1,054,294	$782,994	$56,475	$1,780,813

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

(b) Special project bonds, Series 4, KIAC Partners Project, were issued to refund the Series 3 bonds, and in connection with a project at JFK, that included the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.

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

(d) Special project bonds, Series 8, JFKIAT Project, were issued in December 2010 in connection with a project that includes the expansion of Terminal 4 at JFK.

D-3. Interest Rate Exchange Contracts (Swaps)

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

Objective

The Port Authority's financial management program provides for the Port Authority to enter into interest rate swaps for the purpose of managing and controlling interest rate risk in connection with Port Authority obligations designated at the time of entering into interest rate swap transactions. The notional amounts of the swaps are designed to match the principal amount of the associated debt. The Port Authority's swap agreements contain scheduled reductions to outstanding notional amounts to approximately follow scheduled reductions of the associated debt.

As of December 31, 2009, the Port Authority had four pay-fixed, receive variable rate interest rate swaps, one of which was matched (hedged) against an outstanding variable rate debt obligation, the proceeds of which were used to refund outstanding high-coupon fixed rate debt, thus creating a synthetic fixed rate refunding bond. Of the three remaining swaps, two were entered into in anticipation of the issuance of future variable interest rate versatile structure obligations in July and August 2008, respectively; due to unfavorable market conditions, these obligations were not issued. The third remaining swap became unhedged when the corresponding variable rate obligation was refunded in 2008 (Versatile Structure Obligations, Series 8).

In June 2010, the Port Authority terminated the one hedged swap for $14.1 million in connection with the redemption of the corresponding variable rate debt obligation, Versatile Structure Obligations, Series 3.

As of December 31, 2010, the Port Authority had three outstanding unhedged swaps. To mitigate the impacts of unfavorable market conditions, in the second quarter of 2009, the Port Authority amended the three unhedged swap agreements to defer periodic interest rate exchange contract payments until the last quarter of 2010. Periodic interest rate exchange contract payments resumed on these three unhedged swaps in October and November 2010, respectively.

The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2010, are as follows:

Associated Debt	Notional Amount	Original Execution Date	Current Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Ratings of the Counterparty (a)
Unhedged	$224,000,000	6/15/2006	10/1/2010(b)	4.510%	70% of three-month LIBOR(c)	$ (50,182,464)	10/1/2035	A/A1/A+
Unhedged	187,100,000	6/15/2006	10/1/2010(b)	4.450%	70% of three-month LIBOR(c)	(41,924,764)	7/1/2036	AA/Aa2/AA-
Unhedged	236,100,000	6/15/2006	11/1/2010(d)	4.408%	70% of one-month LIBOR(c)	(55,926,992)	8/1/2038	AA-/Aa1/AA
Total	$647,200,000					$(148,034,220)		

(a) Ratings supplied by Standard & Poor's/Moody's Investors Service/Fitch Ratings, respectively
(b) Swap agreement amended April 2, 2009
(c) London Interbank Offered Rate Index
(d) Swap agreement amended May 22, 2009

Fair Value

Interest rates have generally declined since the execution date of the swaps. As a result, all three swaps had a negative fair value totaling $148 million as of December 31, 2010. In accordance with GASB Statement No. 53*, Accounting and Financial Reporting for Derivatives,* changes in the fair value of investment derivative instruments (unhedged) have been recognized as a change to investment income on the Consolidated Statements of Revenues, Expenses and Changes in Net Assets.

Credit Risk

As of December 31, 2010, the Port Authority was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. Should interest rates change and the fair values of the swaps become positive, the Port Authority would be exposed to credit risk in the amount of the swaps' fair value. However, the Port Authority has limited protection from credit risk of the counterparties since the outstanding swap agreements require collateral to be posted for the swaps under certain conditions. If the outstanding ratings of the Port Authority or the counterparty (or its credit support provider) fall to a certain level, then the party whose rating is affected is required to post collateral with a third-party custodian to secure termination payments above threshold amounts. Collateralization of the fair value of the swaps, above certain threshold amounts, is required should the Port Authority's highest credit rating fall below Baa1, as issued by Moody's Investors Service, or BBB+, as issued by Standard & Poor's and Fitch Ratings. Collateralization of the fair value of the swaps, above certain threshold amounts, is required should the counterparty's, or its credit support provider's, highest credit rating fall below A1, as issued by Moody's Investors Service, or A+, as issued by Standard & Poor's and Fitch Ratings. Collateral on all swaps shall consist of direct obligations of, or obligations the principal and interest of which are guaranteed by, the United States of America (including cash). All of the swap agreements provide that an early termination date may be designated if an event of default occurs. The three swap transactions currently outstanding are held by three different counterparties.

Basis Risk

The Port Authority would be exposed to basis risk if the variable rate received under the swap varied from the variable payments for the associated floating rate debt obligations. Since the swaps are not associated with any debt obligations, the Port Authority is currently not exposed to basis risk.

Termination Risk

The Port Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. Additionally, the Port Authority has the option to terminate, cancel or cash settle any of the three swaps, in whole or in part, at its discretion. As part of the 2009 amendments to the unhedged swap agreements previously described, two of the swap counterparties were granted the option to early terminate, cancel or cash settle their respective swaps, in whole or in part, beginning in 2012, at their discretion. However, if at the time of termination the swap has a negative fair value, the Port Authority would be liable to the counterparty for a termination payment.

Rollover Risk

The Port Authority would be exposed to rollover risk if the swaps mature or are terminated prior to the maturity of the associated debt. Currently, there are no swaps exposed to rollover risk since they are not associated with any debt obligations.

Note E – General and Consolidated Bond Reserve Funds

The General Reserve Fund is pledged in support of Consolidated Bonds and Notes. Statutes which required the Port Authority to create the General Reserve Fund established the principle of pooling revenues from all facilities and require that the Port Authority apply surplus revenues from all of its existing facilities to maintain the General Reserve Fund in an amount at least equal to 10% of the par value of outstanding bonds legal for investment. At December 31, 2010, the General Reserve Fund balance was $1,584,954,772 and met the prescribed statutory amount.

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

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

The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund. The moneys in the reserve funds may be accumulated or applied only to purposes set forth in legislation and the agreements with the holders of the Port Authority's obligations pertaining thereto. At December 31, 2010, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

Note F – Funding Provided by Others

During 2010 and 2009, the Port Authority received federal and state grants and contributions from other entities for various programs as summarized below:

1. Operating programs

a. K-9 Program – The FAA and the Transportation Security Administration (TSA) provided funding for operating costs associated with the training and care of explosive detection dogs. Amounts received in connection with this program were approximately $1,007,000 in 2010 and $1,011,000 in 2009.

b. Airport Screening Program – The TSA provided approximately $459,000 in 2010 and $344,000 in 2009 to fund operating costs incurred by Port Authority police personnel involved with airport screening programs at JFK and EWR.

c. U.S. Department of State (USDOS) – The Port Authority received $1,031,000 in 2010 and $1,828,000 in 2009 from the USDOS to fund operating security costs incurred by Port Authority police personnel for the United Nations General Assembly.

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

2. Grants and Contributions in Aid of Construction

a. Subsequent to September 11, 2001, the Port Authority entered into various agreements with federal and state agencies for programs associated with security related projects through which the Port Authority would be reimbursed for eligible expenses. Amounts for such security related projects in 2010 and 2009 were approximately $38 million and $9 million, respectively.

b. The Port Authority receives contributions in aid of construction with respect to its facilities from federal, state and other entities. Amounts recognized from the FTA for the WTC Transportation Hub, including the restoration of the permanent WTC PATH Terminal, in 2010 and 2009 were approximately $218 million and $287 million, respectively. Amounts recognized from the FAA under the Airport Improvement Program in 2010 and 2009 were approximately $89 million and $79 million, respectively. All other contributions in aid of construction (including amounts receivable) totaled approximately $23 million in 2010 and $18 million in 2009.

Note G – Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately $1 billion in each of 2010 and 2009.

2. Property held for lease

The Port Authority has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Teleport, the World Trade Center and the Newark Legal and Communications Center. Investments in such facilities, as of December 31, 2010, 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, 2010 are:

Year ending December 31:

	(In thousands)
2011	$ 904,344
2012	896,251
2013	857,573
2014	845,754
2015	826,292
Later years	69,938,118
Total future minimum rentals (a)	$74,268,332

(a) Includes future rentals of approximately $64 billion attributable to World Trade Center net leases. Future minimum rentals associated with the World Trade Center net leases decreased in 2010 by approximately $31 billion due to lower rental revenues under the net leases for Tower 2, Tower 3 and Tower 4 of the World Trade Center as a result of amendments in connection with the implementation of the 2010 World Trade Center Eastside Development Plan.

3. Property leased from others

Rental expenses under leases, including payments to the Cities of New York and Newark for various air terminals, marine terminals and other facilities and the cost of replacement office space due to the destruction of the World Trade Center, aggregated $270 million in 2010 and $264 million in 2009.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2010 are detailed below. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year ending December 31:

	(In thousands)
2011	$ 234,199
2012	226,484
2013	226,180
2014	225,211
2015	220,918
2016-2020	921,191
2021-2025	880,131
2026-2030	870,000
2031-2035	870,000
2036-2065*	3,455,000
Total future minimum rent payments	$8,129,314

* Future minimum rent payments for the years 2036-2065 reflect payments associated with the City of New York and the City of Newark lease commitments.

Note H – Regional Programs

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

- **Regional Development Facility –** This facility is a centralized program of certain economic development and infrastructure renewal projects. It was expected that $250 million of capital funds would be made available in connection with the Governors' Program of June 1983. As of December 31, 2010, approximately $247 million in net expenditures has been approved under this program.
- **Regional Economic Development Program –** This facility is to be comprised of up to $400 million for certain transportation, economic development and infrastructure renewal projects. Net expenditures on projects authorized under this program totaled approximately $395 million as of December 31, 2010.

- **Oak Point Rail Freight Link –** The Port Authority has participated with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link. As of December 31, 2010, the Port Authority has provided approximately $102 million for this rail project, of which approximately $63 million was made available through the Regional Development Facility and the Regional Economic Development Program.
- **New Jersey Marine Development Program –** This program was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey at a total cost not to exceed $27 million. All funds under this program have been fully allocated and expended.
- **New York Transportation, Economic Development and Infrastructure Renewal Program –** This facility was established to provide up to $250 million for certain transportation, economic development and infrastructure renewal projects in the State of New York. As of December 31, 2010, $245 million has been spent on projects associated with this program.
- **Regional Transportation Program –** This facility was established in conjunction with a program to provide up to $500 million for regional transportation initiatives. As of December 31, 2010, all funds under this program have been fully expended.
- **Hudson-Raritan Estuary Resources Program –** This facility was established to acquire certain real property in the Port District area of the Hudson-Raritan Estuary for environmental enhancement/ancillary economic development purposes, in support of the Port Authority's capital program. The cost of real property acquired under this program is not to exceed $60 million. As of December 31, 2010, approximately $42 million has been expended under this program.
- **Regional Rail Freight Program –** This facility provides for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of certain regional rail freight projects to provide for increased rail freight capacity. The Port Authority is authorized to provide up to $50 million. As of December 31, 2010, all funds under this program have been fully expended.
- **Meadowlands Passenger Rail Facility –** 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. As of December 31, 2010, all funds under this program have been fully expended.

As of December 31, 2010, a total of approximately $2.1 billion has been expended for regional programs. Costs for these programs that are not otherwise recognized as part of an existing Port Authority facility, 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, 2009	Project Expenditures	Amortization	Dec. 31, 2010
		(In thousands)		
Regional Development Facility	$ 47,239	$ –	$ 6,423	$ 40,816
Regional Economic Development Program	142,122	–	19,884	122,238
Oak Point Rail Freight Link	11,409	–	1,630	9,779
New Jersey Marine Development Program	5,862	–	834	5,028
New York Transportation, Economic Development and Infrastructure Renewal Program	167,908	5,800	15,645	158,063
Regional Transportation Program	183,762	9,338	16,379	176,721
Hudson-Raritan Estuary Resources Program	23,407	14,489	2,376	35,520
Regional Rail Freight Program	32,161	–	3,333	28,828
Meadowlands Passenger Rail Facility	127,395	–	10,000	117,395
Total unamortized costs of regional programs	$741,265	$29,627	$76,504	$694,388

2. Bi-State Initiatives – From time to time, the Port Authority makes payments to assist various bi-state regional operating initiatives. During 2010, the Port Authority expended approximately $16 million on regional initiatives, bringing the total amount spent to date to approximately $125 million.

3. Buy-out of Fund for Regional Development – In 1983, the Fund for Regional Development (Fund) was established to sublease space in the World Trade Center that was previously held by the State of New York as tenant. An agreement among the Port Authority and the States of New York and New Jersey with respect to the Fund provided that net revenues from the subleasing were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey. The assets, liabilities, revenues and expenses of the Fund were not consolidated with those of the Port Authority. In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the Fund. The present value (calculated at the time of the termination agreement) of the cost to the Port Authority of its purchase of the Fund's interest in the World Trade Center subleased space was approximately $431 million. The liability for payments to the States of New York and New Jersey attributable to the Fund buy-out is further described in Note D.

Note I – Pension Plans and Other Employee Benefits

1. Pension Plans

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

The Retirement System provides retirement benefits related to years of service and final average salary, death and disability benefits, vesting of benefits after a set period of credited public service, and optional methods of benefit payment. Depending upon the date of membership, retirement benefits differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance and the contributory or non-contributory nature of the plan.

Employer contributions to the Retirement System are determined based on an actuarial valuation of the present value of future benefits for active and retired members. When the actuarially determined value of benefits is greater than the assets to be used for the payment of benefits, the difference must be made up through employer contributions. That difference is amortized over the working lives of current members to determine the required annual contribution. Separate calculations are done for each plan, since each plan allows for different benefits. However, in no case will the employer's annual contribution to the Retirement System be less than 4.5% of covered payroll, including years in which the investment performance of the New York State Common Retirement Fund would make a lower contribution possible.

The Port Authority's covered ERS and PFRS payroll expense for 2010 was approximately $415 million and $208 million, respectively.

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

Year Ended	ERS	% of Covered Payroll	PFRS	% of Covered Payroll
		($ In thousands)		
2010	$41,653	10.0%	$34,116	16.4%
2009	$29,526	7.1%	$32,960	15.6%
2008	$31,052	7.9%	$34,718	16.1%

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

In 2010, employee contributions of approximately $9.1 million to the ERS represented 2.2% of the payroll for employees covered by ERS.

In 2010, 312 employees retired under a New York State authorized retirement incentive program. The cost of the Port Authority's participation in the retirement incentive program is estimated to be $20.4 million based on an ERS formula and without regard to resulting savings. There were no such programs in 2009.

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

b. Employees of PATH are not eligible to participate in New York State's Retirement System. For most of its union employees, PATH contributes to supplemental pension plans. Annual PATH contributions to these plans are defined in the various collective bargaining agreements; no employee contributions are required. Eligibility for all benefits prior to normal retirement requires the completion of at least five years of vested service and depends upon years of credited service and monthly benefit rates in effect at the time of retirement. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. PATH payroll expense in 2010 for these employees was approximately $89 million. For the year 2010, contributions made by PATH in accordance with the terms of various collective bargaining agreements totaled approximately $6 million, which represented approximately 7.1% of the total PATH covered payroll for 2010. Contributions were approximately $6 million and $5 million for 2009 and 2008, respectively.

c. Employees of the Port Authority's other wholly owned entities are not eligible to participate in New York State's Retirement System.

2. Other Employee Benefits

Benefit Plans

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

Actuarial Methods and Assumptions

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

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

In the January 1, 2010 actuarial valuation, the projected unit credit cost method was used for all participants. The actuarial assumptions used to project future costs included a 6% investment rate of return, representing the estimated yield on investments expected to be used for the payment of benefits; a medical healthcare cost trend rate of 9% in 2010, declining to an ultimate rate of 5% in 2014; a pharmacy benefit cost trend rate of 5.5% in 2010, declining to an ultimate rate of 5%, and a dental benefits cost trend rate of 4.5% per year. In addition, the unfunded, unrecognized actuarial accrued liability is amortized as a level dollar amount over a period of 30 years.

Other Postemployment Benefit Costs and Obligations

The annual non-pension postemployment benefit cost is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* which also forms the basis for calculating the annual required contribution for the Port Authority and PATH. The annual required contribution represents the actuarially determined level of funding that, if paid on an ongoing basis, is projected to cover annual benefit costs and the 30-year open amortization of the difference between the actuarial accrued liability and amounts previously recognized. The Port Authority has been recognizing OPEB costs since 1985. The following reflects the components of the 2010 annual OPEB cost, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2010 actuarial valuation:

	(In millions)
Normal actuarial cost	$ 37.0
Amortization cost	98.4
Interest on Excess Contribution	(4.5)
Annual Required Contribution	130.9
OPEB payments	(96.3)
Increase in net OPEB obligation	34.6
Net accrued OPEB obligation as of 12/31/09	575.3
OPEB obligation as of 12/31/10	609.9
Trust contributions	(70.0)
Net accrued OPEB obligation as of 12/31/10	$539.9

As of January 1, 2010, the actuarially accrued liability for OPEB benefits totaled approximately $2.1 billion. The difference between the actuarial accrued liability of $2.1 billion and the sum of the $575.3 million liability previously recognized and the $180 million in trust assets is being amortized using an open amortization approach over a 30-year period.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a new prescription drug benefit commonly known as Medicare Part D. The Port Authority's application to the Centers for Medicare and Medicaid Services (CMS) within the Department of Health and Human Services to sponsor a Part D Plan for retirees was approved effective January 1, 2006. Effective January 1, 2009, the Port Authority contracted with Express Scripts, Inc. for an Employee Group Waiver Plan (CMS approved series 800 plan) covering its retirees. Under the contract, Express Scripts, Inc. assumed responsibility for the administrative and compliance obligations imposed by CMS. In 2010, CMS payments to Express Scripts, Inc., on behalf of the Port Authority, totaled approximately $3.8 million. These amounts were considered in calculating the actuarial valuation of the OPEB liability.

The Port Authority and PATH's combined annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net accrued OPEB obligation for 2010 and the two preceding years, were as follows:

Year	Annual Required Contribution	OPEB Payments as a % of Annual Required Contribution	Net Accrued OPEB Obligation
		($ In thousands)	
2010	$130,942	127%	$539,979
2009	$114,270	127%	$575,314
2008	$103,053	122%	$606,256

Funding Status

On December 14, 2006, the Port Authority established a restricted fund to provide funding for post employment benefits. Effective December 2010, the Port Authority's quarterly contribution to The Port Authority of New York and New Jersey Retiree Health Benefits Trust (Trust), with Wells Fargo Bank, N.A-Institutional Trust Services serving as the Trustee, increased from $15 million to $25 million. In 2009 and 2010, contributions to the Trust totaled $55 million and $70 million, respectively.

OPEB Trust net assets, the actuarial accrued liability, the unfunded actuarial accrued liability for benefits, the annual payroll amounts for active employees covered by the plans and the ratio of the unfunded actuarial liability to covered payroll for the three most recent valuation dates were as follows:

Valuation Date	OPEB Trust Net Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Benefit Liability	Covered Payroll for Active Employees Covered by the Plans	Ratio of the Unfunded Actuarial Liability to Covered Payroll
			($ In millions)		
1/1/2010	$180	$2,120	$1,940	$722	269%
1/1/2009	$100	$1,898	$1,798	$719	250%
1/1/2008	$ 83	$1,772	$1,689	$699	242%

Following are the Statements of Trust Net Assets and Changes in Trust Net Assets held in trust for OPEB for 2010 and 2009. The activities are accounted for using the accrual basis of accounting and all investments are recorded at their fair value.

Statements of Trust Net Assets

	December 31, 2010	2009
	(In thousands)	
ASSETS		
Cash	**$ 58**	$ 5,386
Investments, at fair value:		
Bond/Equity Funds	**274,038**	174,379
Total Investments	**274,038**	174,379
Total assets	**274,096**	179,765
LIABILITIES		
Total liabilities	**–**	–
NET ASSETS HELD IN TRUST FOR OPEB	**$274,096**	$179,765

Statements of Changes in Trust Net Assets

	Year ended December 31, 2010	2009
	(In thousands)	
Additions		
Contributions	**$ 70,000**	$ 55,000
Total contributions	**70,000**	55,000
Investment Income:		
Net change in fair value of investments	**18,743**	20,831
Interest income	**5,858**	4,458
Total Net Investment gain (loss)	**24,601**	25,289
Deductions		
Administrative expenses and fees	**(270)**	(167)
Total deductions	**(270)**	(167)
Net Increase	**94,331**	80,122
Trust net assets, January 1	**179,765**	99,643
NET ASSETS HELD IN TRUST FOR OPEB	**$274,096**	$179,765

The audited financial statements for the years ended December 31, 2010 and December 31, 2009 of the Trust, which provides additional information concerning trust assets, are available from the Comptroller's Department of The Port Authority of New York and New Jersey, 1 PATH Plaza, Jersey City, New Jersey 07306.

Note J – Commitments and Certain Charges to Operations

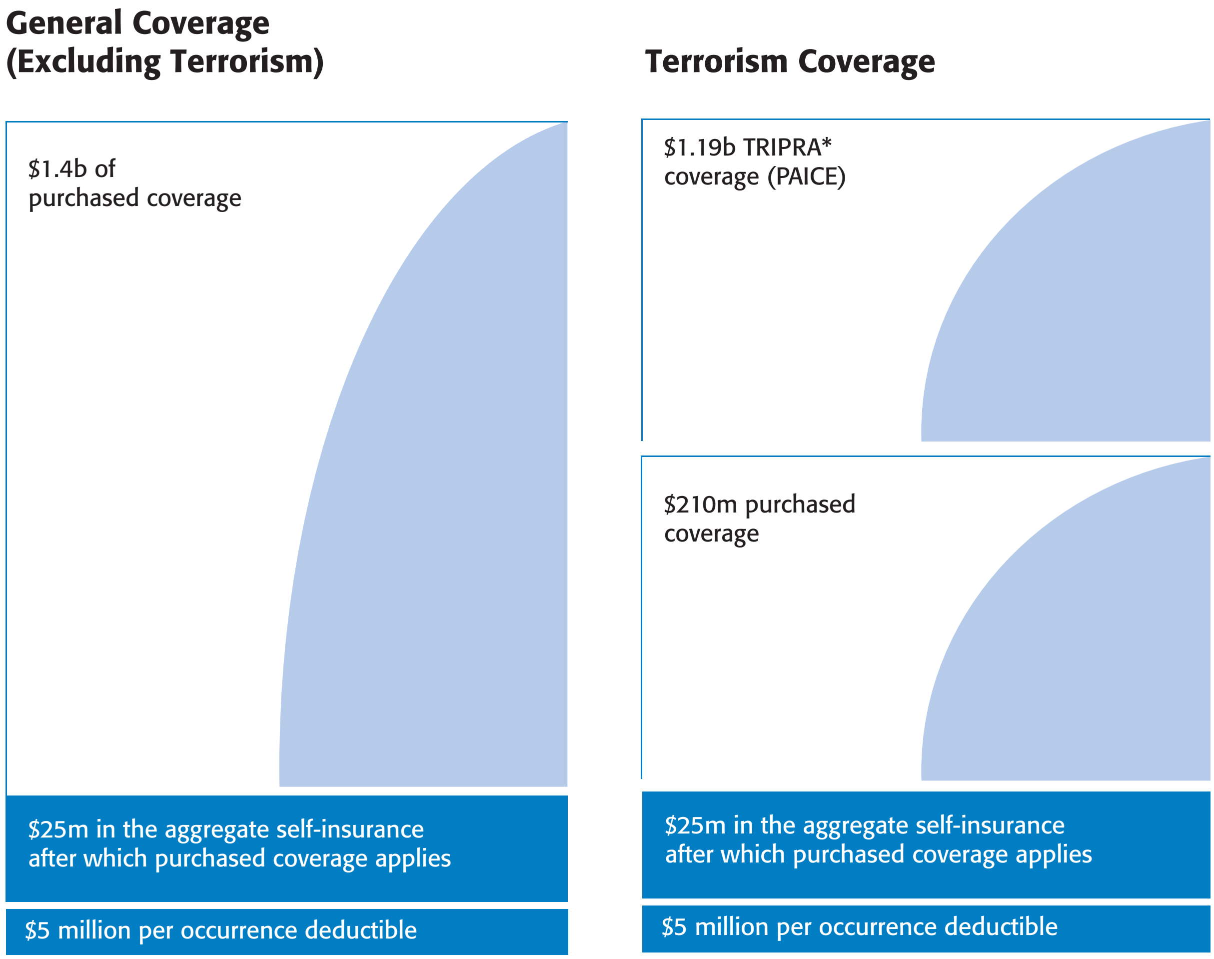
1. On December 7, 2010, the Board of Commissioners of the Port Authority adopted the annual budget for 2011. Approval of a budget by the Board of Commissioners does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions of the Board of Commissioners consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

2. At December 31, 2010, the Port Authority had entered into various construction contracts totaling approximately $5.4 billion, which are expected to be completed within the next three years.

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

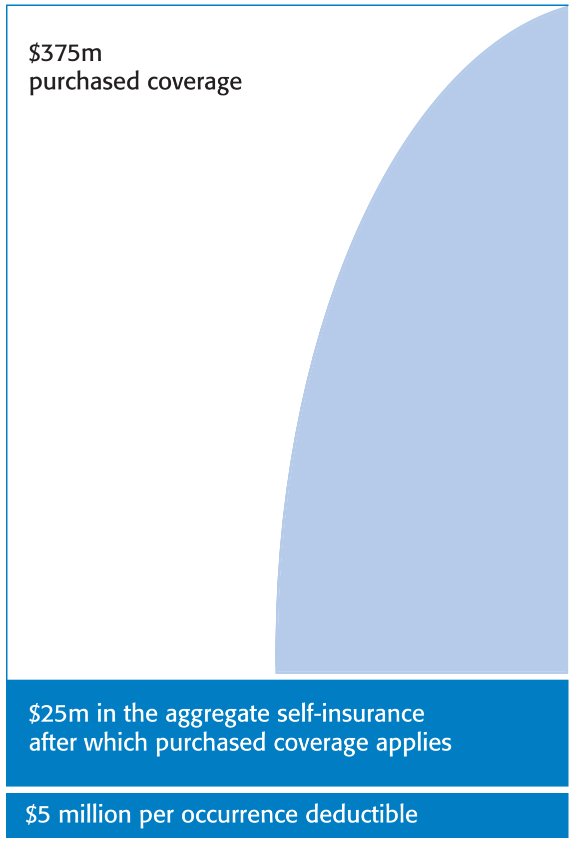
a. Property damage and loss of revenue insurance program:

The Port Authority's property damage and loss of revenue insurance program (which was renewed effective June 1, 2010 and expires on June 1, 2011) provides for coverage as follows:



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

Wind Coverage
(Sub-limit to General Coverage)



b. Public liability insurance program:

(1-b) Aviation facilities

The Port Authority's public liability insurance program for aviation facilities (which was renewed effective October 27, 2010 and expires on October 27, 2011) provides for coverage as follows:

General Coverage
(Excluding Terrorism)

$1.25 billion per occurrence and in the aggregate of purchased coverage

$3 million per occurrence deductible

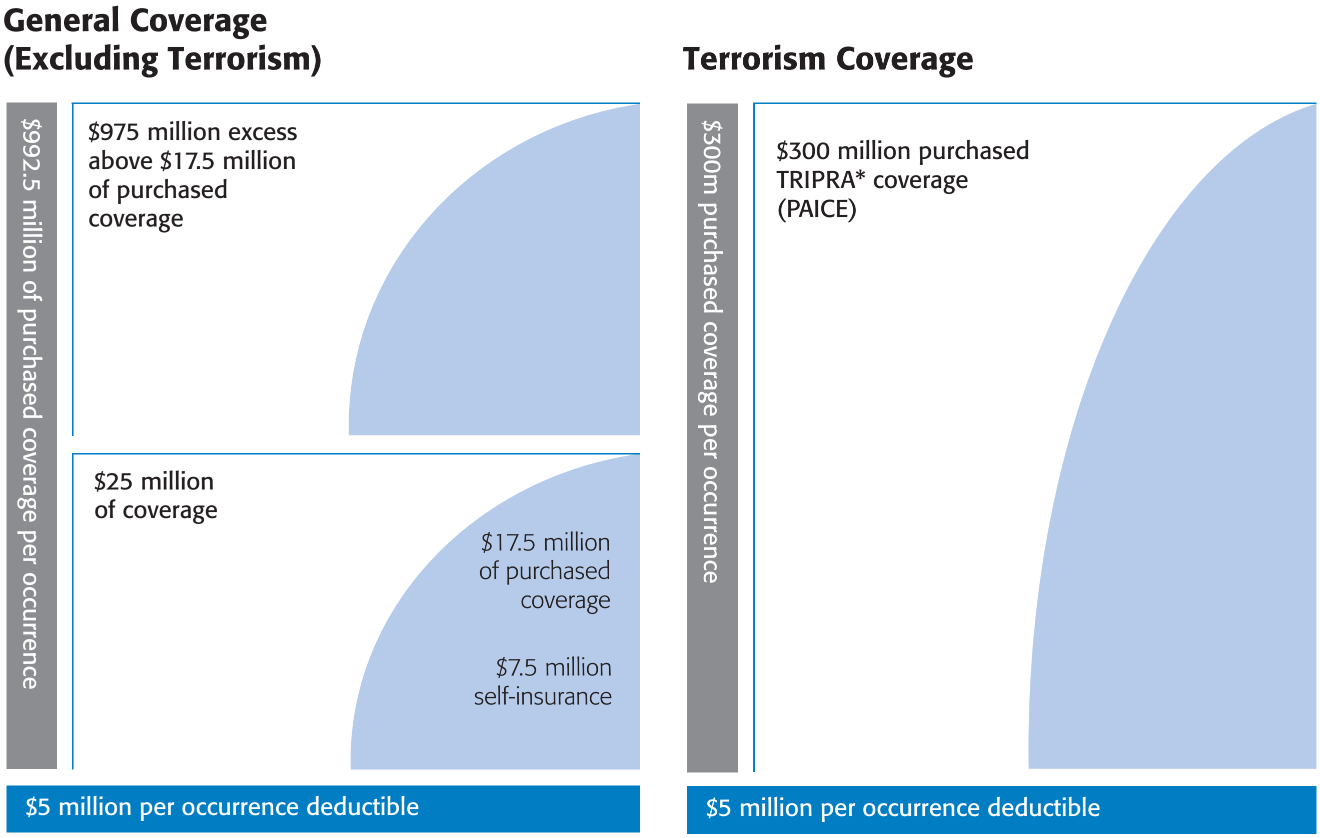
Terrorism Coverage

$1.25 billion aviation war risk** per occurrence and in the aggregate of purchased coverage

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

(2-b) Non-Aviation facilities

The Port Authority's public liability insurance program for "non-aviation" facilities (which was renewed effective October 27, 2010 and which expires on October 27, 2011) provides for coverage as follows:



* See footnote on page 72.

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

4. In providing for uninsured potential losses, the Port Authority administers its self-insurance program by applications from the Consolidated Bond Reserve Fund and provides for losses by charging operating expense as liabilities are incurred. As of December 31, 2010, there was approximately a $78 million balance for self-insurance claims remaining in the operating fund.

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for unpaid claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses, estimated recoveries and a provision for claims incurred but not reported. Changes in the liability amounts in 2010 and 2009 were:

	Beginning Balance	Additions and Changes	Payments	Year-end Balance
		(In thousands)		
2010	$36,817	$ 6,555	$3,815	$39,557
2009	$30,250	$12,072	$5,505	$36,817

5. On October 16, 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the Port Authority Insurance Captive Entity LLC, for the purpose of insuring certain risk exposures of the Port Authority and its wholly owned entities. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business, in connection with workers compensation, general liability, builders risk, property and terrorism insurance coverage for the Port Authority and its wholly owned entities. With the passage of the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), PAICE assumed coverage for acts of domestic terrorism with respect to the Port Authority's public liability and property damage and loss of revenue insurance programs in addition to the previously provided coverage for acts of foreign terrorism. In addition, as of December 31, 2010, PAICE has provided the first $1,000,000 in coverage under the Workers'

Compensation portion, and the first $500,000 in coverage under the general liability aspect of the Port Authority's Contractor's Insurance Program. As of December 31, 2010, PAICE is providing $1 billion of Builders Risk and Terrorism coverage for the World Trade Center Transportation Hub Owner Controlled Insurance Program (OCIP), which is 100% reinsured through the commercial insurance marketplace and TRIPRA.

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

The financial results for PAICE for the year ended December 31, 2010 are set forth below. Amounts associated with PAICE recorded on the Port Authority's consolidated financial statements have been adjusted to reflect intercompany transfers between the Port Authority and PAICE (see Schedule E).

	(In thousands)
Financial Position	
Total Assets	$213,105
Total Liabilities	109,643
Net Assets	$103,462
Operating Results	
Revenues	$ 33,166
Expenses	1,665
Net Income	$ 31,501
Changes in Net Assets	
Balance at January 1, 2010	$ 71,961
Net Income	31,501
Balance at December 31, 2010	$103,462

6. The 2010 balance of "Other amounts receivable, net" on the Consolidated Statements of Net Assets consists primarily of the anticipated recovery of approximately $165 million from the World Trade Center Silverstein net lessees for various net leased assets which comprised components of the World Trade Center complex destroyed on September 11, 2001; approximately $37 million representing advance payments to Phoenix Constructors and DCM Erectors Inc. for work performed in connection with the WTC Transportation Hub; approximately $2 million representing the balance due from the private full service vendor operating the plant at the Essex County Resource Recovery Facility under the conditional sale agreement through which the vendor financed a portion of the construction costs of the plant and approximately $35 million in net long-term receivables from Port Authority tenants.

7. For PATH employees who are not covered by collective bargaining agreements (PATH Exempt Employees), the Port Authority has recognized, as a matter of policy, an obligation to provide supplemental post-employment payments resulting in amounts generally comparable to benefits available to similarly situated Port Authority employees. Such payments for PATH Exempt Employees totaled approximately $3 million in each of years 2010 and 2009. In January 2011, the Port Authority requested a determination letter from the Internal Revenue Service to recognize an amended and restated PATH Exempt Employees Supplemental Pension Plan as a qualified plan under section 401(a) of the Internal Revenue Code.

8. The 2010 balance of "Other noncurrent liabilities" consists of the following:

	Dec. 31, 2009	Additions	Deductions	Dec. 31, 2010
		(In thousands)		
Workers' compensation liability	$ 40,512	$26,586	$24,414	$ 42,684
Claims liability	36,817	6,555	3,815	39,557
Pollution Remediation	28,426	14,274	6,180	36,520
PATH exempt employees supplemental	25,236	3,976	3,365	25,847
Asset forfeiture	8,321	3,488	617	11,192
Contractors Insurance Program-WTC	7,312	–	7,312	–
Surety and security deposits	7,176	531	733	6,974
Other	12,629	389	6,009	7,009
Gross other liabilities	$166,429	$55,799	$52,445	169,783
Less current portion:				
Workers' compensation liability				15,678
PATH exempt employees supplemental				3,211
Total other non-current liabilities				$150,894

9. During 2010, approximately $222 million in capital expenditures primarily associated with the redevelopment of the World Trade Center site and the terminated ARC Project, that were previously included as a component of "Facilities, net" were determined to represent costs for projects that will not proceed forward to completion, or for preliminary engineering and design work related to alternative analyses no longer considered viable for ongoing projects. As a result, these charges were written off to operating expense accounts in 2010.

10. During 2010, the Port Authority provided both voluntary and involuntary termination benefits, including severance payments based primarily on years of service and continued limited access to health, dental and life insurance, to 26 employees. Port Authority costs totaled approximately $536,000 in 2010 for these severance programs. As of December 31, 2010, all severance amounts were recognized.

11. In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* in 2010, the Port Authority recognized an additional $14 million in pollution remediation obligations, thus increasing the cumulative amounts recognized to date as an operating expense provision from $38 million in 2009 to $52 million in 2010, net of $2.1 million in expected recoveries. A corresponding liability, measured at its current value utilizing the prescribed expected cash flow method, has been recognized on the Consolidated Statements of Net Assets.

As of December 31, 2010, the outstanding pollution remediation liability totaled $36.5 million, primarily consisting of future remediation activities associated with asbestos removal, lead abatement, ground water contamination, soil contamination, and arsenic contamination at Port Authority facilities.

Note K – Information with Respect to the Redevelopment of the World Trade Center Site

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 net lessees obtained property damage and business interruption insurance in a combined single limit of approximately $3.5 billion per occurrence. The net lessees recovered approximately $4.57 billion against available policy limits of approximately $4.68 billion. Approximately $2.3 billion of these funds has been used for the net lessees' business interruption expenses, including the payment of rent to the Port Authority, the prepayment of the mortgage loan entered into on July 24, 2001 by the Silverstein net lessees with GMAC Commercial Mortgage Corporation in the amount of approximately $562 million, and the purchase by the Port Authority on December 23, 2003 of the retail net lessee from Westfield for $140 million as well as certain of their World Trade Center redevelopment expenses.

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

The redevelopment of the World Trade Center will provide approximately 10 million square feet of above-grade office space with associated storage, mechanical, loading, below grade parking, and other non-office space, and consist of One World Trade Center, Tower 2, Tower 3, Tower 4, Tower 5, approximately 450,000 square feet of retail space, a World Trade Center Transportation Hub, a memorial and interpretive museum ("Memorial/ Museum") and cultural facilities and certain related infrastructure.

Future minimum rentals (see Note G) include rentals of approximately $64 billion attributable to the World Trade Center Tower 2, Tower 3 and Tower 4 net leases described above. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the World Trade Center Tower 2, Tower 3, and Tower 4 will continue to meet their contractual commitments pertaining to their net leased properties, including those with respect to the payment of rent and the restoration of their net leased properties. The net lessees' ability to meet these contractual commitments may be affected by the nature of the downtown Manhattan real estate market, and coordination among various public and private sector entities involved in the redevelopment of downtown Manhattan.

One World Trade Center

In November 2006, as part of the continuing redevelopment of the World Trade Center, the Port Authority acquired from Silverstein Properties 100% of the membership interests in 1 World Trade Center LLC, the net lessee of One World Trade Center and Tower 5, which will comprise, in the aggregate, approximately 3.8 million square feet of office space. At its August 5, 2010 meeting, the Board of Commissioners of the Port Authority authorized 1 WTC LLC to enter into various agreements with the Durst Organization ("Durst") under which Durst would become a joint venture partner with 1 WTC LLC in the development of the One World Trade Center building. One World Trade Center will contain 2.6 million square feet of space, comprised of commercial office space and an indoor observation deck and skyline restaurant. It is presently expected that One World Trade Center will be substantially completed by late 2013, at a cost of approximately $3.1 billion.

World Trade Center Tower 2, Tower 3 and Tower 4

A December 2010 World Trade Center Amended and Restated Master Development Agreement ("MDA"), among the Port Authority, PATH, 1 World Trade Center 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 World Trade Center site, including the allocation of construction responsibilities and costs between the parties to the MDA.

The Silverstein net lessees are required to construct Tower 4, the Tower 3 podium and certain sub grade and foundation work required for Tower 2, to be located on the eastern portion of the World Trade Center site, along the Church Street corridor, comprising, in the aggregate, approximately 6.2 million square feet of office space, as well as contribute an aggregate of $140,000,000 toward specified common infrastructure costs. The MDA also provides for the implementation of a construction coordination and cooperation plan among the respective parties' construction teams in order to provide for cooperation and coordination to achieve reasonable certainty of timely project completion.

World Trade Center Tower 4

To provide for the continued construction of Tower 4, with approximately 600,000 of its 2 million square feet of office space being pre-leased to the Port Authority, and approximately 580,000 square feet being pre-leased to the City of New York, the Port Authority will, under certain circumstances, also provide certain tenant support payments for the benefit of the Silverstein net lessee of Tower 4, including with respect to debt service on the Liberty Bonds issued to finance a portion of the tower's construction costs under a Tower 4 Tenant Support Agreement. The Port Authority's obligations with respect to the payment of debt service on such Tower 4 Liberty Bonds would be evidenced by a separate Tower 4 Bond Support Agreement between the Port Authority and the bond trustee. These tenant support payments, which would be made, as an investment of Port Authority operating funds, would be reimbursed to the Port Authority from Tower 4 cash flow and to the extent Tower 4 cash flow is not sufficient, would accrue interest until repaid, with an overall term of the investment not in excess of 40 years. As security for repayment to the Port Authority under the Tower 4 Tenant Support Agreement the Silverstein net lessee of Tower 4, the Port Authority and a third-party banking institution have entered into an account control agreement pursuant to which the revenues derived from the operation of Tower 4 (excluding the rents payable under the space lease with the City of New York which have been assigned by the Silverstein net lessee of Tower 4 directly to the bond trustee for the Tower 4 Liberty Bonds) will be deposited into a segregated lockbox account, in which the Port Authority has a security interest, and will be administered and disbursed by such banking institution in accordance with the Tower 4 Tenant Support Agreement. To provide additional security for repayment to the Port Authority under the Tower 4 Tenant Support Agreement, the Silverstein net lessee of Tower 4 will assign to the Port Authority various contracts with architects, engineers and other persons in connection with the development and construction of Tower 4, together with all licenses, permits, approvals, easements and other rights of the Silverstein net lessee of Tower 4; will grant a first priority leasehold mortgage on the net lease for Tower 4 to the Port Authority; and will assign all Tower 4 space leases and rents (other than the space lease with the City of New York) to the Port Authority.

World Trade Center Tower 3

The Silverstein net lessees of Tower 3 would construct the Tower 3 podium, with the construction of the office tower to follow. To assist the Silverstein net lessee of Tower 3 in the construction of the Tower 3 office tower following satisfaction of certain private-marketing triggers the Port Authority has entered into a Tower 3 Tenant Support Agreement providing for the investment of Port Authority operating funds of $210 million for the construction of the tower and a backstop of $390 million for certain construction and leasing overruns, senior debt service shortfalls and operating expense deficits. These private-market triggers include the Silverstein Tower 3 net lessee raising $300 million of private equity, pre-leasing 400,000 square feet of the office tower, and obtain private financing for the remaining cost of the office tower. The State of New York and the City of New York have agreed to reimburse the Port Authority for $200 million each of the $600 million to be provided under the Tower 3 Tenant Support Agreement for a total reimbursement of $400 million. Under the Tower 3 Tenant Support Agreement, the Silverstein net lessee of Tower 3 is responsible for the repayment of the $390 million backstop on a subordinated basis, without interest, from Tower 3 revenues. All repayments of the Tower 3 backstop received by the Port Authority would in turn 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.

The World Trade Center Transportation Hub

Immediately following the terrorist attacks of September 11, 2001, the Governors of the States of New York and New Jersey and the Board of Commissioners of the Port Authority made rapid restoration of PATH service a priority on the Port Authority's agenda. PATH service recommenced at the Exchange Place station (which was rendered unusable as a result of the events of September 11, 2001) on June 29, 2003, and PATH service to the World Trade Center site recommenced on November 23, 2003 at the temporary PATH station at the World Trade Center site.

On July 28, 2005, the Board of Commissioners of the Port Authority authorized the World Trade Center Transportation Hub project. Construction of the World Trade Center Transportation Hub commenced on September 6, 2005 and is presently scheduled for completion between the fourth quarter of 2013 and the second quarter of 2014, at a cost of approximately $3.2 billion.

World Trade Center Infrastructure Projects

In addition to the World Trade Center Transportation Hub, the Port Authority continues to advance planning and design for various infrastructure projects toward full build out of the World Trade Center site. A vehicular security center for cars, tour buses, and delivery vehicles to access sub grade loading facilities is presently expected to be substantially completed in time to support the commercial development throughout the World Trade Center site at a cost of approximately $670 million. Other infrastructure work to be implemented includes streets and utilities, a central chiller plant, and electrical infrastructure that will support the operations of the World Trade Center site.

WTC Retail

In December 2003, as part of the redevelopment of the World Trade Center, the Port Authority acquired 100% of the membership interest in the net lessee of the retail components of the World Trade Center from Westfield for $140 million, and is the sole managing member of this bankruptcy remote single purpose entity, which was renamed "WTC Retail LLC." In such capacity, the Port Authority has been involved in the planning for the restoration of the retail components of the World Trade Center.

The Memorial

On July 6, 2006, the Board of Commissioners authorized the Port Authority to enter into an agreement with the Lower Manhattan Development Corporation (LMDC), the National September 11 Memorial and Memorial Museum at the World Trade Center (the Memorial Foundation), the City of New York and the State of New York for the construction by the Port Authority of the World Trade Center Memorial. The agreement establishes the general areas of responsibility of the parties for the design, development, construction, financing and operation of the project, which will include the Memorial and Memorial Museum, the Museum Pavilion (Pavilion) and the related common and exclusive infrastructure.

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

Accounting

In connection with the events of September 11, 2001, the Port Authority reclassified and recognized as an operating expense the $1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprised the components of the World Trade Center complex destroyed as a result of the September 11, 2001 terrorist attacks. A receivable in an amount equal to such net book value was recorded in 2001. In connection with the recovery for and redevelopment of certain assets comprising the World Trade Center, the receivable has been reduced to approximately $165 million on the Port Authority's financial statements as of December 31, 2010.

As of December 31, 2010, recoverable amounts of approximately $2.1 billion comprising $1.67 billion in proceeds from the Port Authority's insurance policies and $413 million from Federal Emergency Management Agency (FEMA) have been recognized by the Port Authority. Of this amount, $1.57 billion has been recognized as revenue net of $465 million of expenses related to the events of September 11, 2001, and the balance of approximately $68 million has been applied to a portion of the outstanding receivable representing the net book value of the Port Authority controlled properties destroyed. In 2004, the Port Authority reached the maximum allowable amount allocated by FEMA for reimbursement of the Port Authority's costs relating to the events of September 11, 2001.

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

	Year ended December 31, 2010			2009
	Operating Fund	**Reserve Funds**	**Combined Total**	Combined Total
		(In thousands)		
Gross operating revenues:				
Rentals	$ 1,144,709	$ –	**$ 1,144,709**	$ 1,115,652
Tolls and fares	1,069,785	–	**1,069,785**	1,068,105
Aviation fees	872,774	–	**872,774**	839,327
Parking and other	321,257	–	**321,257**	316,005
Utilities	154,041	–	**154,041**	140,817
Rentals – Special Project Bonds Projects	71,457	–	**71,457**	72,337
Total gross operating revenues	3,634,023	–	**3,634,023**	3,552,243
Operating expenses:				
Employee compensation, including benefits	1,022,195	–	**1,022,195**	974,154
Contract services	630,438	–	**630,438**	683,418
Materials, equipment and other	418,639	–	**418,639**	263,682
Rents and amounts in-lieu-of taxes	272,002	–	**272,002**	276,830
Utilities	183,826	–	**183,826**	168,249
Interest on Special Project Bonds	71,457	–	**71,457**	72,337
Total operating expenses	2,598,557	–	**2,598,557**	2,438,670
Amounts in connection with operating asset obligations	46,561	–	**46,561**	55,058
Net (recoverables) related to the events of September 11, 2001	(53,051)	–	**(53,051)**	(202,978)
Net operating revenues	1,041,956	–	**1,041,956**	1,261,493
Financial income:				
Interest income	19,089	36,746	**55,835**	62,396
Net (decrease) increase in fair value of investments	(1,150)	(55,585)	**(56,735)**	78,740
Contributions in aid of construction	358,268	–	**358,268**	382,978
Application of Passenger Facility Charges	207,122	–	**207,122**	205,164
Application of 1WTC LLC/WTC Retail LLC Insurance Proceeds	61,468	–	**61,468**	266,676
Restricted Net Revenues - PAICE	(102)	–	**(102)**	3,177
Grants	11,708	–	**11,708**	10,613
Pass-through grant program payments	(2,166)	–	**(2,166)**	(1,120)
Net revenues available for debt service and reserves	1,696,193	(18,839)	**1,677,354**	2,270,117
Debt service:				
Interest on bonds and other asset financing obligations	436,622	7,580	**444,202**	436,322
Debt maturities and retirements	178,095	–	**178,095**	147,370
Repayment of asset financing obligations	–	30,062	**30,062**	13,525
Total debt service	614,717	37,642	**652,359**	597,217
Transfers to reserves	$(1,081,476)	1,081,476	**–**	
Revenues after debt service and transfers to reserves		1,024,995	**1,024,995**	1,672,900
Direct investment in facilities		(1,375,008)	**(1,375,008)**	(1,522,096)
Change in appropriations for self-insurance		(3,971)	**(3,971)**	6,463
Decrease in reserves		(353,984)	**(353,984)**	157,267
Reserve balances, January 1		2,549,996	**2,549,996**	2,392,729
Reserve balances, December 31		$ 2,196,012	**$ 2,196,012**	$ 2,549,996

See Notes to Consolidated Financial Statements

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

	December 31, 2010				2009
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	Combined Total
			(In thousands)		
ASSETS					
Current assets:					
Cash	$ 710,516	$ 993,331	$ 747,203	**$ 2,451,050**	$ 1,886,774
Restricted cash:					
1 WTC LLC/WTC Retail LLC insurance proceeds	71,732	–	–	**71,732**	90,249
Passenger Facility Charges	–	–	–	**–**	3
Port Authority Insurance Captive Entity, LLC	5,435	–	–	**5,435**	12,709
Investments	998	–	249,698	**250,696**	950,216
Restricted Investments	–	–	–	**–**	366
Current receivables, net	255,022	87,791	–	**342,813**	366,030
Other current assets	61,322	115,192	–	**176,514**	204,011
Restricted receivables and other assets	50,268	–	–	**50,268**	31,949
Total current assets	1,155,293	1,196,314	996,901	**3,348,508**	3,542,307
Noncurrent assets:					
Restricted cash	6,618	–	–	**6,618**	6,820
Investments	140,037	–	1,199,111	**1,339,148**	1,524,572
Restricted Investments – PAICE	139,696	–	–	**139,696**	113,116
Other amounts receivable, net	35,581	203,689	–	**239,270**	364,854
Deferred charges and other noncurrent assets	1,344,167	120,171	–	**1,464,338**	1,467,025
Restricted deferred / other noncurrent assets – PAICE	14,564	–	–	**14,564**	12,195
Amounts receivable – Special Project Bonds Projects	–	1,780,813	–	**1,780,813**	1,054,294
Invested in facilities	–	34,204,035	–	**34,204,035**	31,238,032
Total noncurrent assets	1,680,663	36,308,708	1,199,111	**39,188,482**	35,780,908
Total assets	2,835,956	37,505,022	2,196,012	**42,536,990**	39,323,215
LIABILITIES					
Current liabilities:					
Accounts payable	168,341	549,651	–	**717,992**	744,737
Accrued interest and other current liabilities	559,409	7,323	–	**566,732**	406,618
Restricted other liabilities – PAICE	351	–	–	**351**	391
Accrued payroll and other employee benefits	198,574	–	–	**198,574**	150,812
Deferred income:					
1 WTC LLC/WTC Retail LLC insurance proceeds	71,732	–	–	**71,732**	90,249
Passenger Facility Charges	20,779	–	–	**20,779**	17,513
Restricted Net Revenues – PAICE	2,590	–	–	**2,590**	2,488
Current portion bonds and other asset financing obligations	154,857	818,023	–	**972,880**	989,691
Total current liabilities	1,176,633	1,374,997	–	**2,551,630**	2,402,499
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	543,747	–	–	**543,747**	579,213
Other noncurrent liabilities	146,886	4,008	–	**150,894**	149,310
Restricted other noncurrent liabilities – PAICE	44,080	–	–	**44,080**	48,472
Amounts payable – Special Project Bonds	–	1,803,145	–	**1,803,145**	1,064,380
Bonds and other asset financing obligations	796,601	12,789,024	–	**13,585,625**	12,454,623
Total noncurrent liabilities	1,531,314	14,596,177	–	**16,127,491**	14,295,998
Total liabilities	2,707,947	15,971,174	–	**18,679,121**	16,698,497
NET ASSETS	$ 128,009	$21,533,848	$2,196,012	**$23,857,869**	$22,624,718
Net assets are composed of:					
Facility infrastructure investment	$ 50,000	$21,533,848	$ –	**$21,583,848**	$20,000,684
Reserves	–	–	2,196,012	**2,196,012**	2,549,996
Appropriated reserves for self-insurance	78,009	–	–	**78,009**	74,038
Net assets	$ 128,009	$21,533,848	$2,196,012	**$23,857,869**	$22,624,718

See Notes to Consolidated Financial Statements

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

	Year ended December 31, 2010			2009
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
	(In thousands)			
Balance, January 1	$1,412,221	$1,137,775	**$2,549,996**	$2,392,729
Increase in reserve funds *	172,734	889,903	**1,062,637**	1,695,363
	1,584,955	2,027,678	**3,612,633**	4,088,092
Applications:				
Repayment of asset financing obligations	–	30,062	**30,062**	13,525
Interest on asset financing obligations	–	7,580	**7,580**	8,938
Direct investment in facilities	–	1,375,008	**1,375,008**	1,522,096
Self-insurance	–	3,971	**3,971**	(6,463)
Total applications	–	1,416,621	**1,416,621**	1,538,096
Balance, December 31	$1,584,955	$ 611,057	**$2,196,012**	$2,549,996

* Consists of "Transfers to reserves" from operating fund totaling $1.1 billion, plus "financial income" generated on Reserve funds of negative $(18.8) million in 2010.

See Notes to Consolidated Financial Statements

Statistical & Other Supplemental Information

For the Year Ended December 31, 2010

THE PORT AUTHORITY OF NY & NJ

Statistical Section

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

Financial Trends – Schedule D-1

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

Debt Capacity – Schedule D-2

The Port Authority has several forms of outstanding obligations.

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

Demographic and Economic Information – Schedule D-3

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

Operating Information – Schedule D-4

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

Schedule D-1 – Selected Statistical Financial Trends Data

	2010	2009	2008	2007
		(In thousands)		
Net Assets are composed of: (a)				
Invested in capital assets net of related debt	**$ 9,200,077**	$ 8,415,993	$7,526,446	$6,609,691
Restricted	**222,871**	211,725	409,800	719,306
Unrestricted	**1,601,675**	2,050,064	1,895,118	1,608,284
Net Assets	**$11,024,623**	$10,677,782	$9,831,364	$8,937,281
Revenues, Expenses and Changes in Net Assets:				
Gross operating revenues:				
Rentals	**$ 1,144,709**	$ 1,115,652	$1,079,634	$ 986,663
Tolls and Fares	**1,069,785**	1,068,105	1,054,801	800,244
Aviation Fees	**872,774**	839,327	816,628	781,355
Parking and other fees	**321,257**	316,005	328,220	387,966
Utilities	**154,041**	140,817	169,576	149,537
Rentals associated with Special Project Bonds	**71,457**	72,337	78,693	85,861
Gross operating revenues	**3,634,023**	3,552,243	3,527,552	3,191,626
Operating expenses:				
Employee compensation, including benefits	**1,022,195**	974,154	941,289	922,671
Contract services	**630,438**	683,418	670,489	587,730
Materials, equipment and other	**418,639**	263,682	314,722	212,147
Rents and amounts in-lieu-of taxes	**272,002**	276,830	274,916	271,073
Utilities	**183,826**	168,249	183,583	167,912
Interest on Special Project Bonds	**71,457**	72,337	78,693	85,861
Operating expenses	**2,598,557**	2,438,670	2,463,692	2,247,394
Net recoverables (expenses) related to the events of September 11, 2001	**53,051**	202,978	457,918	(4,563)
Depreciation of facilities	**(789,011)**	(712,331)	(644,620)	(632,553)
Amortization of costs for regional programs	**(76,504)**	(74,617)	(70,840)	(59,316)
Income from operations	**223,002**	529,603	806,318	247,800
Income on investments (including fair value adjustment)	**4,435**	146,561	(4,976)	229,812
Interest expense on bonds and other asset financing	**(501,607)**	(501,892)	(488,463)	(493,689)
Gain (loss) on disposition of assets	**–**	27,125	7	17,011
Contributions in aid of construction	**358,268**	382,978	313,078	313,504
Passenger Facility Charges	**210,387**	201,737	211,667	221,380
1 WTC LLC/WTC Retail LLC insurance proceeds	**42,814**	50,813	49,771	760,467
Grants	**11,708**	10,613	9,811	11,310
Capital funding provided by others	**–**	–	–	–
Pass-through grant program payments	**(2,166)**	(1,120)	(3,130)	(4,717)
Increase in net assets December 31,	**$ 346,841**	$ 846,418	$ 894,083	$1,302,878

(a) Data not available for classifying net assets prior to the implementation of GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments for year 2001.*

	2006	2005	2004	2003	2002	2001
	$5,872,518	$5,725,929	$5,563,683	$5,397,959	$4,492,027	$3,814,967
	208,771	17,916	14,651	15,153	16,505	245,319
	1,553,114	1,371,928	1,375,533	1,389,219	1,410,763	1,119,047
	$7,634,403	$7,115,773	$6,953,867	$6,802,331	$5,919,295	$5,179,333
	$ 952,431	$ 928,395	$ 877,306	$ 858,414	$ 832,527	$ 976,054
	798,682	787,381	788,333	758,326	774,337	750,782
	716,700	748,811	714,766	705,302	672,175	560,951
	335,019	296,663	269,413	234,261	197,912	202,864
	146,822	147,795	121,436	112,555	97,184	126,956
	88,884	91,648	93,570	95,193	96,448	97,195
	3,038,538	3,000,693	2,864,824	2,764,051	2,670,583	2,714,802
	840,640	870,784	806,890	769,711	777,146	654,074
	590,197	564,332	545,404	543,927	622,781	600,686
	187,996	168,139	141,367	150,961	135,321	157,004
	254,178	243,411	252,658	237,014	140,614	96,401
	150,729	149,604	141,476	122,445	113,880	140,436
	88,884	91,648	93,570	95,193	96,448	97,195
	2,112,624	2,087,918	1,981,365	1,919,251	1,886,190	1,745,796
	(2,069)	(3,358)	(4,985)	664,211	474,663	(270,334)
	(674,940)	(643,732)	(575,539)	(488,986)	(406,484)	(422,739)
	(49,319)	(42,996)	(38,677)	(32,112)	(28,762)	(20,014)
	199,586	222,689	264,258	987,913	823,810	255,919
	137,968	105,579	59,047	66,148	97,812	144,618
	(454,134)	(422,334)	(391,870)	(344,755)	(336,725)	(338,332)
	(3,741)	(55)	–	787	–	–
	250,904	107,262	81,173	57,568	36,258	40,070
	192,509	134,429	125,532	109,111	110,471	113,487
	184,901	–	–	–	–	–
	17,469	14,336	13,396	34,501	19,892	–
	–	–	–	–	–	–
	(6,832)	–	–	(28,237)	(11,556)	–
	$ 518,630	$ 161,906	$ 151,536	$ 883,036	$ 739,962	$ 215,762

Schedule D-2 – Selected Statistical Debt Capacity Data

	2010	2009	2008	2007
		(In thousands)		
Gross Operating Revenues	**$ 3,634,023**	$ 3,552,243	$ 3,527,552	$ 3,191,626
Operating expenses	**(2,598,557)**	(2,438,670)	(2,463,692)	(2,247,394)
Net recoverables (expenses) related to the events of September 11, 2001	**53,051**	202,978	457,918	(4,563)
Amounts in connection with operating asset obligations	**(46,561)**	(55,058)	(41,301)	(40,787)
Net operating revenues	**1,041,956**	1,261,493	1,480,477	898,882
Financial income	**(900)**	141,136	(19,537)	208,274
Grants and contributions in aid-of-construction, net	**367,810**	392,471	319,759	320,097
Application of Passenger Facility Charges	**207,122**	205,164	215,407	220,583
Application of 1WTC LLC/WTC LLC Retail Insurance Proceeds	**61,468**	266,676	411,278	305,532
Restricted Net Revenues – PAICE	**(102)**	3,177	(4,311)	(1,354)
Net Revenues available for debt service and reserves	**1,677,354**	2,270,117	2,403,073	1,952,014
DEBT SERVICE – OPERATIONS				
Interest on bonds and other asset financing obligations	**(436,622)**	(427,384)	(409,175)	(417,209)
Times, interest earned (a)	**3.84**	5.31	5.87	4.68
Debt maturities and retirements	**(178,095)**	(147,370)	(152,275)	(177,160)
Times, debt service earned (a)	**2.73**	3.95	4.28	3.28
DEBT SERVICE – RESERVES				
Direct investment in facilities	**(1,375,008)**	(1,522,096)	(1,514,369)	(808,694)
Debt retirement acceleration	**–**	–	–	–
Change in appropriations for self-insurance	**(3,971)**	6,463	2,123	(3,220)
Interest on bonds and other asset financing obligations	**(7,580)**	(8,938)	(28,797)	(36,077)
Repayment of asset financing obligations	**(30,062)**	(13,525)	(80,775)	(110,424)
Net (decrease) increase in reserves	**(353,984)**	157,267	219,805	399,230
RESERVE BALANCES				
January 1	**2,549,996**	2,392,729	2,172,924	1,773,694
December 31	**$ 2,196,012**	$ 2,549,996	$ 2,392,729	$ 2,172,924
Reserve funds balances represented by:				
General Reserve	**1,584,955**	1,412,221	1,270,215	1,238,915
Consolidated Bond Reserve	**611,057**	1,137,775	1,122,514	934,009
Total	**$ 2,196,012**	$ 2,549,996	$ 2,392,729	$ 2,172,924
OBLIGATIONS AT DECEMBER 31				
Consolidated Bonds and Notes	**$13,340,378**	$12,284,449	$10,794,831	$ 9,495,419
Fund Buy-out obligation	**373,707**	386,480	398,262	409,128
MOTBY obligation	**138,396**	–	–	–
Amounts payable – Special Project Bonds	**1,803,145**	1,064,380	1,118,105	1,264,735
Variable rate master notes	**77,900**	90,990	90,990	90,990
Commercial paper notes	**354,280**	321,010	186,040	238,950
Versatile structure obligations	**175,200**	250,900	399,700	1,205,600
Port Authority equipment notes	**98,645**	110,485	112,485	93,460
Total obligations	**$16,361,651**	$14,508,694	$13,100,413	$12,798,282
DEBT RETIRED THROUGH INCOME:				
Annual	**208,157**	160,895	233,050	287,584
Cumulative	**$ 7,326,558**	$ 7,118,401	$ 6,957,506	$ 6,724,456

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

Times, interest earned	**3.72**	4.84	4.75	4.69
Times, debt service earned	**2.64**	3.60	3.46	3.29

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.

2006	2005	2004	2003	2002	2001
$ 3,038,538	$ 3,000,693	$ 2,864,824	$ 2,764,051	$ 2,670,583	$ 2,714,802
(2,112,624)	(2,087,918)	(1,981,365)	(1,919,251)	(1,886,190)	(1,745,796)
(2,069)	(3,358)	(4,985)	664,211	474,663	(270,334)
(42,391)	(48,008)	(34,609)	(35,113)	(35,960)	(36,696)
881,454	861,409	843,865	1,473,898	1,223,096	661,976
134,806	103,572	57,403	61,765	95,962	143,381
261,541	121,598	94,569	63,832	44,594	40,070
186,555	113,649	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
1,464,356	1,200,228	995,837	1,599,495	1,363,652	845,427
(379,361)	(355,068)	(345,129)	(291,514)	(282,635)	(266,944)
3.86	3.38	2.89	5.49	4.82	3.17
(254,210)	(205,220)	(211,870)	(698,280)	(181,250)	(171,340)
2.31	2.14	1.79	1.62	2.94	1.93
(490,750)	(626,813)	(285,441)	(542,260)	(433,747)	(462,129)
–	–	(110,075)	(183,120)	(283,502)	(25,000)
(4,968)	(5,325)	249	(15,201)	(19,017)	14,270
(26,587)	(17,645)	(8,684)	(6,860)	(15,828)	(27,964)
(109,934)	(12,205)	(10,737)	(6,329)	(5,863)	(6,390)
198,546	(22,048)	24,150	(144,069)	141,810	(100,070)
1,575,148	1,597,196	1,573,046	1,717,115	1,575,305	1,675,375
$ 1,773,694	$ 1,575,148	$ 1,597,196	$ 1,573,046	$ 1,717,115	$ 1,575,305
1,198,499	1,068,790	1,068,790	948,902	907,075	880,041
575,195	506,358	528,406	624,144	810,040	695,264
$ 1,773,694	$ 1,575,148	$ 1,597,196	$ 1,573,046	$ 1,717,115	$ 1,575,305
$ 9,659,104	$ 8,328,644	$ 8,273,573	$ 7,053,296	$ 6,630,205	$ 6,092,735
419,155	420,660	422,050	423,330	424,513	425,606
–	–	–	–	–	–
1,311,100	1,354,425	1,393,920	1,420,240	1,442,450	1,457,705
130,990	130,990	130,990	149,990	149,990	214,990
270,740	282,095	280,315	249,200	180,408	356,880
519,600	532,100	544,000	554,500	560,600	566,000
93,460	47,105	65,105	61,800	107,100	112,100
$12,404,149	$11,096,019	$11,109,953	$ 9,912,356	$ 9,495,266	$ 9,226,016
364,144	217,425	332,682	887,729	470,615	202,730
$ 6,436,872	$ 6,072,728	$ 5,855,303	$ 5,522,621	$ 4,634,892	$ 4,164,277
3.87	3.39	2.90	3.21	3.15	4.18
2.31	2.15	1.80	0.94	1.92	2.55

Schedule D-3 Selected Statistical Demographic and Economic Data

The New York-New Jersey Metropolitan Region, one of the largest and most diversified in the nation, consists of the five New York boroughs of Manhattan, Brooklyn, Queens, Staten Island and The Bronx; the four suburban counties of Nassau, Rockland, Suffolk and Westchester; and the eight northern New Jersey counties of Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset and Union. The following demographic information is provided for this 17-county region that comprises approximately 3,900 square miles.

	Population (2)	**Total Personal Income (3)**	**Per-capita Personal Income (2) (3)**	**Employment (4)**	**Unemployment Rate (5)**
	(In thousands)				
2010(1)	**17,510**	**$937,829,859**	**$53.56**	**7,701.0**	**8.9%**
2009	17,422	$913,135,240	$52.41	7,767.6	8.7%
2008	17,366	$968,734,166	$55.78	8,040.7	5.3%
2007	17,170	$919,496,976	$53.55	8,017.2	4.5%
2006	17,178	$834,929,262	$48.60	7,894.2	4.7%
2005	17,181	$781,458,630	$45.48	7,796.8	5.0%
2004	17,143	$749,190,737	$43.70	7,739.5	5.8%
2003	17,089	$699,191,901	$40.91	7,714.4	6.7%
2002	17,021	$687,559,899	$40.39	7,748.1	6.6%
2001	16,941	$690,877,666	$40.79	7,891.9	5.0%

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

	2010	2001
Education & Health Services	**18.5%**	15.2%
Government	**15.3%**	14.7%
Professional & Business Services	**15.3%**	15.3%
Retail Trade	**9.6%**	9.9%
Financial Activities	**9.1%**	9.5%
Leisure & Hospitality	**8.0%**	6.8%
Wholesale Trade	**4.9%**	5.3%
Manufacturing	**4.5%**	7.1%
Other Services	**4.2%**	4.2%
TWU*	**3.7%**	4.0%
Construction	**3.6%**	3.9%
Information	**3.3%**	4.1%

(1) Data for 2010 is preliminary and subject to revision.
(2) Source - US Census Bureau, years 2001-2009, 2010 data estimate by Global Insight
(3) Source - US Bureau of Economic Analysis, years 2001-2008, 2009-2010 data estimate by Global Insight
(4) Source - US Bureau of Labor Statistics
(5) Source - US Bureau of Labor Statistics, years 2001-2009, 2010 New York and New Jersey Departments of Labor
(6) Employment statistics by major industries are provided by the New York and New Jersey Departments of Labor by labor areas and include a limited number of locales immediately surrounding the 17-county New York-New Jersey region. These labor areas consist of 23 counties in the metropolitan area. The Port Authority's 17-county region comprises approximately 93% of the employment in the larger 23-county region. The inclusion of these areas is not expected to impact labor employment by industry. The presentation of the region's labor by industry for years 2010 and 2001 provides additional historical perspective on the region's labor force that primarily comprises the Port Authority's customer base. Industry definitions can be found at the US Department of Labor Statistics website at www.bls.gov/bls/naics.htm.

* Transportation, Warehousing and Utilities

Schedule D-4 Selected Statistical Operating Data

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Authorized Port Authority staffing levels:										
Tunnels, Bridges and Terminals	**911**	911	940	910	938	1,010	1,039	1,023	1,034	1,058
PATH	**1,081**	1,081	1,088	1,075	1,080	1,089	1,092	1,093	1,095	1,072
Port Commerce facilities	**172**	172	179	168	175	183	187	191	192	193
Air Terminal facilities	**958**	958	978	918	953	989	999	999	997	998
Development (a)	**82**	82	86	77	–	–	–	–	–	–
Other operational and support activities (b)	**2,030**	2,030	2,082	2,208	2,259	2,382	2,403	2,409	2,418	2,447
Subtotal	**5,234**	5,234	5,353	5,356	5,405	5,653	5,720	5,715	5,736	5,768
Public Safety and Security	**1,743**	1,743	1,774	1,772	1,776	1,541	1,547	1,519	1,499	1,425
Total	**6,977(c)**	6,977	7,127	7,128	7,181	7,194	7,267	7,234	7,235	7,193
Facility Traffic and Other Indicators:					(In thousands)					
INTERSTATE TRANSPORTATION NETWORK										
Tunnels and Bridges (Total Eastbound Traffic)										
George Washington Bridge	**51,231**	52,126	52,947	53,956	54,265	53,612	54,202	52,971	54,674	53,467
Lincoln Tunnel	**20,214**	20,248	20,937	21,842	21,933	21,794	21,733	21,078	20,931	20,987
Holland Tunnel	**17,037**	16,609	16,871	17,349	17,365	16,982	16,963	16,566	15,764	14,616
Staten Island Bridges	**32,724**	32,517	32,970	33,857	33,457	33,479	33,649	33,205	33,875	32,812
Total vehicles	**121,206**	121,500	123,725	127,004	127,020	125,867	126,547	123,820	125,244	121,882
Automobiles	**110,482**	110,755	112,176	115,349	115,506	114,481	115,219	112,869	114,005	110,753
Buses	**3,122**	3,119	3,158	3,139	3,140	3,137	3,123	3,041	3,121	2,842
Trucks	**7,602**	7,626	8,391	8,516	8,374	8,249	8,205	7,910	8,118	8,287
Total vehicles	**121,206**	121,500	123,725	127,004	127,020	125,867	126,547	123,820	125,244	121,882
Bus Facility Terminals										
Bus facilities passengers	**74,593**	75,821	76,236	71,540	72,731	69,060	69,871	69,428	69,236	71,560
Bus movements	**3,338**	3,392	3,375	3,361	3,394	3,346	3,426	3,447	3,561	3,515
PATH										
Total Passengers	**73,911**	72,281	74,956	71,592	66,966	60,787	57,725	47,920	51,920	69,791
Passenger weekday average	**247**	243	253	242	227	206	194	160	174	241
Total Interstate Transportation Network Net Capital Expenditures	**$1,005,891**	$935,147	$834,742	$660,620	$491,269	$471,306	$463,652	$751,509	$474,978	$ 198,725
PORT COMMERCE										
Containers in twenty foot equivalent units (TEU) (in thousands)	**5,292**	4,562	5,249	5,298	5,015	4,793	4,478	4,068	3,749	3,316
International waterborne vehicles (in thousands)	**493**	440	724	790	725	625	670	608	634	611
Waterborne bulk commodities (in metric tons) (in millions)	**3**	5	5	7	6	5	5	3	2	4
Total Port Commerce Net Capital Expenditures	**$ 302,858**	$174,459	$181,772	$288,677	$228,873	$220,545	$258,669	$298,162	$209,942	$ 97,151
THREE MAJOR AIR TERMINALS										
John F. Kennedy International Airport total passengers	**46,514**	45,915	47,790	47,717	42,630	40,892	37,517	31,737	29,939	29,351
LaGuardia Airport total passengers	**25,014**	22,143	23,077	24,985	25,810	25,889	24,452	22,483	21,987	22,525
Newark Liberty International Airport total passengers	**33,107**	33,424	35,347	36,367	35,692	33,078	31,908	29,451	29,221	31,100
Total passengers	**104,635**	101,482	106,214	109,069	104,132	99,859	93,877	83,671	81,147	82,976
Domestic passengers	**69,258**	67,921	71,579	75,546	73,163	70,223	66,329	59,655	57,320	58,225
International passengers	**35,377**	33,561	34,635	33,523	30,969	29,636	27,548	24,016	23,827	24,751
Total passengers	**104,635**	101,482	106,214	109,069	104,132	99,859	93,877	83,671	81,147	82,976
Total Cargo-tons	**2,250**	1,921	2,343	2,620	2,697	2,695	2,799	2,723	2,583	2,451
Revenue Mail-tons	**184**	204	237	227	194	180	194	188	147	239
Total Plane Movements	**1,200**	1,181	1,249	1,271	1,222	1,191	1,156	1,020	1,056	1,101
Total Air Terminals Net Capital Expenditures	**$ 518,545**	$658,292	$624,700	$685,787	$587,265	$501,476	$410,581	$560,695	$784,711	$1,043,477

(a) Development Department was established in early 2007.

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

(c) Does not reflect any of the 2011 budgeted abolitions that will be realized through NYSLERS and other efficiences.

Schedule E – Information on Port Authority Operations

	Year ended December 31, 2010							2009
	Gross Operating Revenues	Operating Expenses(a)	Depreciation & Amortization	Income (Loss) from Operations	Interest & Other Expenses(b)	PFCs, Grants & Other	Net Income (Loss)	Net Income (Loss)
				(In thousands)				
INTERSTATE TRANSPORTATION NETWORK								
G.W. Bridge & Bus Station	$ 435,917	$ 108,133	$ 37,901	$ 289,883	$ 28,042	$ 494	**$ 262,335**	$ 264,838
Holland Tunnel	125,906	68,708	17,980	39,218	10,748	335	**28,805**	25,672
Lincoln Tunnel	152,926	91,519	33,493	27,914	17,402	559	**11,071**	24,825
Bayonne Bridge	28,347	23,349	5,026	(28)	6,924	112	**(6,840)**	(10,765)
Goethals Bridge	123,257	25,540	8,986	88,731	7,011	107	**81,827**	83,661
Outerbridge Crossing	109,176	25,355	11,295	72,526	3,815	110	**68,821**	72,603
P. A. Bus Terminal	34,362	95,171	22,196	(83,005)	15,905	18,802	**(80,108)**	(86,131)
Subtotal – Tunnels, Bridges & Terminals	1,009,891	437,775	136,877	435,239	89,847	20,519	**365,911**	374,703
PATH	107,204	375,130	130,042	(397,968)	63,474	32,332	**(429,110)**	(326,979)
Permanent WTC PATH Terminal	–	–	13,970	(13,970)	–	217,561	**203,591**	274,294
Journal Square Transportation Center	2,500	10,556	5,318	(13,374)	3,283	–	**(16,657)**	(14,973)
Subtotal – PATH	109,704	385,686	149,330	(425,312)	66,757	249,893	**(242,176)**	(67,658)
Ferry Transportation	217	1,552	4,042	(5,377)	3,149	(53)	**(8,579)**	(6,803)
Access to the Region's Core (ARC)	–	79,397	2,529	(81,926)	1,725	–	**(83,651)**	(884)
Total Interstate Transportation Network	1,119,812	904,410	292,778	(77,376)	161,478	270,359	**31,505**	299,358
AIR TERMINALS								
LaGuardia	319,663	234,076	39,023	46,564	23,553	19,454	**42,465**	44,244
JFK International	1,012,673	626,066	148,344	238,263	98,076	47,354	**187,541**	169,352
Newark Liberty International	748,973	410,128	120,836	218,009	74,017	9,586	**153,578**	176,674
Teterboro	35,302	18,183	10,613	6,506	5,641	11,280	**12,145**	7,004
Stewart International	8,344	17,818	–	(9,474)	–	5,337	**(4,137)**	(4,992)
Heliport	–	2	–	(2)	–	–	**(2)**	(470)
PFC Program	–	11,476	79,926	(91,402)	4,997	210,387	**113,988**	124,331
Total Air Terminals	2,124,955	1,317,749	398,742	408,464	206,284	303,398	**505,578**	516,143
PORT COMMERCE								
Port Newark	81,222	70,883	23,899	(13,560)	17,993	2,461	**(29,092)**	(14,816)
Elizabeth Marine Terminal	110,299	18,211	37,545	54,543	37,561	66	**17,048**	8,552
Brooklyn	5,884	10,028	395	(4,539)	1,133	45	**(5,627)**	(6,947)
Red Hook	2,459	2,419	27	13	–	–	**13**	(1,031)
Howland Hook	13,604	11,592	15,908	(13,896)	14,228	–	**(28,124)**	(21,722)
Greenville Yard	331	4	–	327	–	–	**327**	317
NYNJ Rail LLC	868	4,265	880	(4,277)	199	1,591	**(2,885)**	(3,534)
Port Jersey – Port Authority Marine Terminal	8,428	46,022	2,096	(39,690)	2,636	–	**(42,326)**	(6,255)
Total Port Commerce	223,095	163,424	80,750	(21,079)	73,750	4,163	**(90,666)**	(45,436)
DEVELOPMENT								
Essex County Resource Recovery	63,800	63,618	1,412	(1,230)	248	–	**(1,478)**	1,428
Industrial Park at Elizabeth	1,005	33	286	686	337	–	**349**	381
Bathgate	4,460	1,593	1,466	1,401	443	–	**958**	911
Teleport	15,286	13,735	2,038	(487)	779	–	**(1,266)**	(1,898)
Newark Legal & Communications Center	(1,779)	(1,864)	3,012	(2,927)	1,301	–	**(4,228)**	(3,536)
Queens West	368	–	606	(238)	1,732	2,320	**350**	25,105
Hoboken South	6,317	85	2,860	3,372	3,352	–	**20**	696
Total Development	89,457	77,200	11,680	577	8,192	2,320	**(5,295)**	23,087
WORLD TRADE CENTER								
World Trade Center	74,688	12,714	–	61,974	(6,463)	–	**68,437**	85,047
One World Trade Center	–	10,405	–	(10,405)	(76)	23,157	**12,828**	24,540
WTC Tower 5	–	1,200	–	(1,200)	(23)	10,897	**9,720**	12,590
WTC Site	2,014	91,470	3,618	(93,074)	18	123	**(92,969)**	(128,917)
WTC Retail LLC	2	1,008	1,443	(2,449)	(64)	8,760	**6,375**	7,598
Total World Trade Center	76,704	116,797	5,061	(45,154)	(6,608)	42,937	**4,391**	858
Port Authority Insurance Captive Entity, LLC	–	3,405	–	(3,405)	(3,507)	–	**102**	(3,177)
Regional Programs	–	15,572	76,504	(92,076)	59,749	–	**(151,825)**	(147,393)
Recoverables (expenses) related to the events of September 11, 2001	–	–	–	53,051	–	–	**53,051**	202,978
Total Port Authority	$3,634,023	$2,598,557	$865,515	$ 223,002	$499,338	$623,177	**$ 346,841**	$ 846,418

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

Schedule F – Information on Port Authority Capital Program Components

	Facilities, net Dec. 31, 2009	Net Capital Expenditures	Depreciation*	Facilities, net Dec. 31, 2010
		(In thousands)		
INTERSTATE TRANSPORTATION NETWORK				
G.W. Bridge & Bus Station	$ 796,518	$ 47,696	$ 37,901	$ 806,313
Holland Tunnel	362,463	22,119	17,980	366,602
Lincoln Tunnel	467,186	25,375	33,493	459,068
Bayonne Bridge	184,154	5,605	5,026	184,733
Goethals Bridge	248,814	13,580	8,986	253,408
Outerbridge Crossing	97,856	370	11,295	86,931
P. A. Bus Terminal	459,200	35,058	22,196	472,062
Subtotal – Tunnels, Bridges & Terminals	2,616,191	149,803	136,877	2,629,117
PATH	1,587,325	309,560	121,408	1,775,477
Temporary WTC PATH Terminal	321,516	–	8,634	312,882
Permanent WTC PATH Terminal	1,324,275	437,506	13,970	1,747,811
Journal Square Transportation Center	90,642	5,420	5,318	90,744
Subtotal – PATH	3,323,758	752,486	149,330	3,926,914
Ferry Transportation	107,949	20,038	4,042	123,945
Access to the Region's Core (ARC)	47,813	83,564	2,529	128,848
Total Interstate Transportation Network	6,095,711	1,005,891	292,778	6,808,824
AIR TERMINALS				
LaGuardia	821,591	68,780	39,023	851,348
JFK International	2,576,589	166,522	148,344	2,594,767
Newark Liberty International	1,998,132	40,705	120,836	1,918,001
Teterboro	195,674	29,891	10,613	214,952
Stewart International	29,322	22,000	–	51,322
Heliport	–	–	–	–
PFC Program	1,817,765	190,647	79,926	1,928,486
Total Air Terminals	7,439,073	518,545	398,742	7,558,876
PORT COMMERCE				
Port Newark	597,044	49,055	23,899	622,200
Elizabeth Marine Terminal	1,045,815	51,633	37,545	1,059,903
Brooklyn	30,955	4,204	395	34,764
Red Hook	75	168	27	216
Howland Hook	420,340	61,360	15,908	465,792
Greenville Yard and NYNJ Rail LLC	5,738	5,783	880	10,641
Port Jersey – Port Authority Marine Terminal	40,802	130,655	2,096	169,361
Total Port Commerce	2,140,769	302,858	80,750	2,362,877
DEVELOPMENT				
Essex County Resource Recovery	14,113	–	1,412	12,701
Industrial Park at Elizabeth	7,800	–	286	7,514
Bathgate	11,062	–	1,466	9,596
Teleport	20,857	251	2,038	19,070
Newark Legal & Communications Center	32,434	–	3,012	29,422
Queens West	87,241	2,428	606	89,063
Hoboken South	85,629	6	2,860	82,775
PreDevelopment Site Acquistion	–	26,612	–	26,612
Total Development	259,136	29,297	11,680	276,753
WORLD TRADE CENTER				
World Trade Center	80,269	–	–	80,269
WTC Site	1,255,727	531,958	3,618	1,784,067
WTC Retail LLC	262,191	133,557	1,443	394,305
One World Trade Center	865,480	425,949	–	1,291,429
Total World Trade Center	2,463,667	1,091,464	5,061	3,550,070
FACILITIES, NET	$18,398,356	$2,948,055	$789,011	$20,557,400
REGIONAL PROGRAMS	$ 741,265	$ 29,627	$ 76,504	$ 694,388

* Depreciation includes the book value of assets disposed of in 2010 (see Note B)

*Schedule G – Facility Traffic**

TUNNELS AND BRIDGES

(Eastbound Traffic)	2010	2009
All Crossings		
Automobiles	**110,482,000**	110,755,000
Buses	**3,122,000**	3,119,000
Trucks	**7,602,000**	7,626,000
Total vehicles	**121,206,000**	121,500,000
George Washington Bridge		
Automobiles	**46,954,000**	47,686,000
Buses	**514,000**	520,000
Trucks	**3,763,000**	3,920,000
Total vehicles	**51,231,000**	52,126,000
Lincoln Tunnel		
Automobiles	**17,034,000**	16,879,000
Buses	**2,139,000**	2,128,000
Trucks	**1,041,000**	1,241,000
Total vehicles	**20,214,000**	20,248,000
Holland Tunnel		
Automobiles	**16,460,000**	16,269,000
Buses	**265,000**	254,000
Trucks	**312,000**	86,000
Total vehicles	**17,037,000**	16,609,000
Staten Island Bridges		
Automobiles	**30,034,000**	29,921,000
Buses	**204,000**	217,000
Trucks	**2,486,000**	2,379,000
Total vehicles	**32,724,000**	32,517,000

PATH

	2010	2009
Total passengers	**73,911,000**	72,277,000
Passenger weekday average	**246,890**	243,413

MARINE TERMINALS

	2010	2009
All Terminals		
Containers	**3,076,395**	2,652,209
General cargo (a) (Metric tons)	**32,210,399**	28,240,770
Containers in twenty foot equivalent units	**5,292,020**	4,561,527
International waterborne vehicles	**493,245**	440,463
Waterborne bulk commodities (in metric tons)	**3,191,152**	4,605,609
New Jersey Marine Terminals		
Containers	**2,500,503**	2,156,961
New York Marine Terminals		
Containers	**575,892**	495,248

AIR TERMINALS

	2010	2009
Totals at the Major Airports		
Plane movements	**1,199,965**	1,181,093
Passengers	**104,635,101**	102,470,298
Cargo-tons	**2,250,010**	1,924,672
Revenue mail-tons	**184,315**	204,511
John F. Kennedy International Airport		
Plane movements	**397,843**	415,044
Passengers	**46,513,753**	45,877,942
Domestic	**23,404,277**	24,021,233
International	**23,109,476**	21,856,709
Cargo-tons	**1,382,215**	1,156,040
LaGuardia Airport		
Plane movements	**398,693**	354,008
Passengers	**25,014,307**	23,163,459
Domestic	**23,981,340**	22,153,236
International	**1,032,967**	1,010,223
Cargo-tons	**7,476**	6,712
Newark Liberty International Airport		
Plane movements	**403,429**	412,041
Passengers	**33,107,041**	33,428,897
Domestic	**21,872,096**	22,782,126
International	**11,234,945**	10,646,771
Cargo-tons	**860,319**	761,920

TERMINALS

	2010	2009
All Bus Facilities		
Passengers	**74,593,200**	75,768,800
Bus movements	**3,338,000**	3,385,800
Port Authority Bus Terminal		
Passengers	**63,585,000**	64,585,000
Bus movements	**2,220,000**	2,240,000
George Washington Bridge Bus Station		
Passengers	**4,510,000**	4,425,000
Bus movements	**300,000**	295,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**6,498,200**	6,758,800
Bus movements	**818,000**	850,800

* Some 2009 and 2010 numbers reflect revised and estimated data, respectively.

(a) International oceanborne general cargo as recorded in the New York – New Jersey Customs District.

The Top 20 Salaried Staff*

Christopher O. Ward
Executive Director
$304,902
MTS, Harvard University
B.A., Macalester College
More than 30 years of management experience in the public and private sectors.

Bill Baroni
Deputy Executive Director
$291,252
J.D., University of Virginia
B.A., George Washington University
More than 12 years of legal and legislative experience.

Darrell B. Buchbinder
General Counsel
$276,926
J.D., New York University
B.A., New York University
More than 35 years of experience in both private and public practice of law.

Ernesto L. Butcher
Chief Operating Officer
$251,758
M.A., University of Pittsburgh
B.A., Hunter College
More than 35 years of public experience in transportation operations.

Louis J. LaCapra
Chief Administrative Officer
$251,758
M.S., New Jersey Institute of Technology
MBA, New York University
B.S., Rutgers University
More than 40 years of public experience in labor relations and human resources.

David B. Tweedy
Chief, Capital Planning
$251,758
MBA, Columbia University
B.A., Yale University
More than 30 years of experience in the public and private sectors.

Michael G. Fabiano
Chief Financial Officer
$240,032
B.S., St. Peter's College
More than 30 years of experience in financial services.

Michael B. Francois
Chief, Real Estate & Development
$236,340
M.A., St. Louis University
B.A., St. Louis University
More than 30 years of public experience in real estate and economic development.

Susan M. Baer
Director, Aviation
$230,022
MBA, New York University
B.A., Barnard College
More than 30 years of public experience in transportation operations.

Steven P. Plate
Director, WTC Construction
$220,922
B.S., Manhattan College
More than 30 years of experience in program management in the private and public sectors.

Peter J. Zipf
Chief Engineer
$219,050
M.S., Polytechnic Institute of NY
B.S., Manhattan College
More than 30 years of engineering experience in the public and private sector.

Richard M. Larrabee
Director, Port Commerce
$216,320
M.S., University of Rhode Island
B.S., U.S. Coast Guard Academy
More than 35 years of public experience in maritime operations.

Alan L. Reiss
Deputy Director, WTC Construction
$215,280
B.S., Northeastern University
More than 30 years of engineering, project management, and executive management experience.

Michael A. Fedorko
Director, Public Safety/
Superintendent of Police
$215,098
B.S., Trenton State College
More than 40 years of public safety and public management experience.

Michael P. DePallo
Director, Rail Transit
$215,020
M.S., University of Pennsylvania
B.A., Mansfield University
More than 30 years of public experience in transportation.

Christopher M. Hartwyk
First Deputy General Counsel
$215,020
J.D., Seton Hall University
B.A., McDaniel College
More than 25 years of experience in both private and public practice of law.

Andrew S. Lynn
Director, Planning & Regional Development
$215,020
J.D., Harvard University
B.A., Harvard University
More than 25 years of public and private experience in planning and development.

Michael G. Massiah
Director, Management & Budget
$215,020
MPA, SUNY Albany
B.A., LeMoyne College
More than 29 years of public experience in human resources and financial services.

Anne Marie C. Mulligan
Treasurer
$215,020
B.S., St. Peter's College
More than 30 years of public experience in financial services.

Mark D. Hoffer
Director, New Port Initiatives
$210,652
J.D., Yale University
B.A., Queens College
More than 30 years of public and private legal and management experience.

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