**SUPPLEMENT DATED FEBRUARY 3, 2021**
**TO THE OFFICIAL STATEMENT DATED JANUARY 21, 2021**

**Relating to**

**$486,580,000 THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY CONSOLIDATED BONDS, TWO HUNDRED TWENTY-THIRD SERIES***

**$420,020,000 THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY CONSOLIDATED BONDS, TWO HUNDRED TWENTY-FOURTH SERIES**

**$400,000,000 THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY CONSOLIDATED BONDS, TWO HUNDRED TWENTY-FIFTH SERIES****

**$205,350,000 THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY CONSOLIDATED BONDS, TWO HUNDRED TWENTY-SIXTH SERIES***

This Supplement, dated February 3, 2021 (this "Supplement"), supplements the Official Statement, dated January 21, 2021 (the "Official Statement"), relating to the above-captioned bonds, as described below. This Supplement must be read together with the Official Statement. Capitalized terms used but not defined herein have the meanings given to such terms in the Official Statement.

The paragraph below will replace, in its entirety, the first paragraph under the heading "**Impacts from the COVID-19 Pandemic** – *Operational Update* – Rents & Property Use Charges" in the Official Statement:

Some tenants who pay rent to lease Port Authority office space or locate and operate businesses at Port Authority facilities have also been affected by the reduced activity levels or have otherwise been impacted by economic conditions; such tenants may be unable to meet certain obligations to the Port Authority and some have requested rent relief or other concessions, including Advance Magazine Publishers, Inc. (d/b/a Condé Nast) ("Advance"), the anchor tenant at 1 WTC. Advance has requested that it reduce the square footage and rent per square foot for the remaining space under its lease and has, without legal justification, unilaterally withheld approximately $2.4 million of the rent payment due and owing for January 2021; it may continue to do so at that level or a higher level unless a resolution is reached. The Port Authority believes it has strong contractual rights to enforce full payment by Advance which it intends to assert.

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** Subject to federal taxation.

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## OFFICIAL STATEMENT DATED JANUARY 21, 2021

# $486,580,000 THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY CONSOLIDATED BONDS, TWO HUNDRED TWENTY-THIRD SERIES*
# $420,020,000 THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY CONSOLIDATED BONDS, TWO HUNDRED TWENTY-FOURTH SERIES
# $400,000,000 THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY CONSOLIDATED BONDS, TWO HUNDRED TWENTY-FIFTH SERIES**
# $205,350,000 THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY CONSOLIDATED BONDS, TWO HUNDRED TWENTY-SIXTH SERIES*

*Except to the extent otherwise set forth in this Official Statement, this Official Statement applies to Consolidated Bonds, Two Hundred Twenty-Third Series, Consolidated Bonds, Two Hundred Twenty-Fourth Series, Consolidated Bonds, Two Hundred Twenty-Fifth Series and Consolidated Bonds, Two Hundred Twenty-Sixth Series with equal force and effect, each of such series being referred to in this Official Statement without differentiation as the "Bonds."*

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The Bonds are direct and general obligations of The Port Authority of New York and New Jersey pledging the full faith and credit of the Port Authority for the payment of principal thereof and interest thereon. The Bonds are secured equally and ratably with all other Consolidated Bonds (which includes Consolidated Notes) heretofore or hereafter issued by a pledge of (a) the net revenues of all existing facilities of the Port Authority and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds, (b) the General Reserve Fund of the Port Authority equally with other obligations of the Port Authority secured by the General Reserve Fund and (c) the Consolidated Bond Reserve Fund established in connection with Consolidated Bonds. The Port Authority has no power to levy taxes or assessments. The Port Authority's bonds, notes and other obligations are not obligations of the States of New York and New Jersey or of either of them, and are not guaranteed by said States or by either of them.

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**Ratings:** Each rating below 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 the 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 on the Bonds will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of a rating on the Bonds may have an effect on the market price of the Bonds.

Moody's Investors Service: Aa3 S&P: A+ Fitch Ratings: A+

**Delivery:** The Consolidated Bonds, Two Hundred Twenty-Third Series (the "Two Hundred Twenty-Third Series Bonds"), Consolidated Bonds, Two Hundred Twenty-Fourth Series (the "Two Hundred Twenty-Fourth Series Bonds") and Consolidated Bonds, Two Hundred Twenty-Fifth Series (the "Two Hundred Twenty-Fifth Series Bonds") shall be delivered upon original issuance on or about February 5, 2021, on a full book-entry basis. The Consolidated Bonds, Two Hundred Twenty-Sixth Series (the "Two Hundred Twenty-Sixth Series Bonds") shall be delivered upon original issuance on or about July 20, 2021, on a full book-entry basis. (See "*Denominations, Registration and Exchange*" and "*Delivery*" in Section I hereof.) For a discussion regarding the delayed delivery of the Two Hundred Twenty-Sixth Series Bonds, certain conditions to the obligation of the Underwriters thereof to purchase the Two Hundred Twenty-Sixth Series Bonds and certain risks to purchasers of beneficial interests in the Two Hundred Twenty-Sixth Series Bonds resulting from the delayed delivery thereof, see "*Delayed Delivery of the Two Hundred Twenty-Sixth Series Bonds*" in Section I hereof.

**Legal Opinion:** In connection with the delivery upon original issuance of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds, Two Hundred Twenty-Fifth Series Bonds and Two Hundred Twenty-Sixth Series Bonds by the Port Authority to the Underwriters (as defined at "*Underwriters*" in Section I hereof), Bond Counsel (see "*Bond Counsel*" in Section I hereof) shall render a legal opinion on such applicable date of delivery, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, (i) to the effect that interest on the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and (ii) to the effect that interest on the Two Hundred Twenty-Fifth Series Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the opinion that interest on the Two Hundred Twenty-Third Series Bonds and Two Hundred Twenty-Sixth Series Bonds is a specific preference item for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Two Hundred Twenty-Fourth Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is of the opinion that the Bonds and interest thereon are exempt from any and all taxation (except estate, inheritance and gift taxes) imposed directly thereon by the States of New York and New Jersey or by any political subdivision thereof. Bond Counsel's opinion regarding the Two Hundred Twenty-Sixth Series Bonds is subject to confirmation of certain then-current factual and legal matters and delivery of certain documents in connection with and at the time of issuance of such Two Hundred Twenty-Sixth Series Bonds. Complete copies of the proposed forms of opinion of Bond Counsel, setting forth their scope and conditions, is set forth at "*Forms of Legal Opinion of Bond Counsel*" in Section VI hereof.

Orrick, Herrington & Sutcliffe LLP shall serve as Bond Counsel and Disclosure Counsel for the Port Authority in connection with the issuance of the Bonds. General Counsel of the Port Authority will pass upon certain legal matters pertaining to the Bonds for the Port Authority. Nixon Peabody LLP shall pass upon certain legal matters pertaining to the Bonds for the Underwriters.

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This cover page contains certain information for quick reference only; it is not a summary of the terms of the Bonds. This Official Statement must be read in its entirety to obtain information essential to the making of an informed decision with respect to the Bonds. The information and expressions of opinion in this Official Statement are subject to change without notice, and future use of this Official Statement shall not otherwise create any implication that there has been no change in the matters referred to in this Official Statement since the date hereof. The Port Authority has not taken any action in connection with this Official Statement or the Bonds that would permit a public offering of the Bonds or the distribution of any information in connection with the Bonds and the Port Authority and its finances in any jurisdiction where action for that purpose is required. This Official Statement does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Bonds, in any jurisdiction, to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

**BofA Securities**

**Citigroup** **Goldman Sachs & Co. LLC** **Ramirez & Co., Inc.**
**Siebert Williams Shank & Co., LLC** **UBS**
**Academy Securities** **Blaylock Van, LLC**
**Loop Capital Markets** **Rice Financial Products Company**

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* AMT.
** Subject to federal taxation.

**$486,580,000**
**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**
**CONSOLIDATED BONDS, TWO HUNDRED TWENTY-THIRD SERIES***

**Dated:** Date of delivery.

**Maturities:** $486,580,000 in total aggregate principal amount of Consolidated Bonds, Two Hundred Twenty-Third Series (the "Two Hundred Twenty-Third Series Bonds"), shall be issued in six installments as follows:

### Maturity Dates, Principal Amounts, Stated Rates of Interest, Yields** and CUSIP Numbers†

### First Installment $119,950,000 Serial Bonds
### Not Subject to Redemption Prior to Maturity

| Maturity Date | Principal Amount | Stated Rate of Interest | Yield | CUSIP Number |
|---|---|---|---|---|
| July 15, 2021 | $5,410,000 | 5.000% | 0.200% | 73358XAA0 |
| July 15, 2022 | 16,475,000 | 5.000 | 0.290 | 73358XAB8 |
| July 15, 2023 | 17,710,000 | 5.000 | 0.350 | 73358XAC6 |
| July 15, 2024 | 18,855,000 | 5.000 | 0.430 | 73358XAD4 |
| July 15, 2025 | 10,310,000 | 5.000 | 0.510 | 73358XAE2 |
| July 15, 2026 | 10,970,000 | 5.000 | 0.640 | 73358XAF9 |
| July 15, 2027 | 11,495,000 | 5.000 | 0.780 | 73358XAG7 |
| July 15, 2028 | 12,060,000 | 5.000 | 0.930 | 73358XAH5 |
| July 15, 2029 | 1,695,000 | 5.000 | 1.080 | 73358XAJ1 |
| July 15, 2030 | 7,305,000 | 5.000 | 1.230 | 73358XAK8 |
| July 15, 2031 | 7,665,000 | 5.000 | 1.350 | 73358XAL6 |

### Second Installment $133,645,000 Serial Bonds
### Subject to Redemption Prior to Maturity as Set Forth Herein

| Maturity Date | Principal Amount | Stated Rate of Interest | Yield | CUSIP Number |
|---|---|---|---|---|
| July 15, 2032 | $10,950,000 | 5.000% | 1.450% | 73358XAM4 |
| July 15, 2033 | 11,490,000 | 5.000 | 1.500 | 73358XAN2 |
| July 15, 2034 | 12,070,000 | 4.000 | 1.690 | 73358XAP7 |
| July 15, 2035 | 12,550,000 | 4.000 | 1.790 | 73358XAQ5 |
| July 15, 2036 | 13,055,000 | 4.000 | 1.840 | 73358XAR3 |
| July 15, 2037 | 13,580,000 | 4.000 | 1.900 | 73358XAS1 |
| July 15, 2038 | 14,115,000 | 4.000 | 1.960 | 73358XAT9 |
| July 15, 2039 | 14,680,000 | 4.000 | 1.980 | 73358XAU6 |
| July 15, 2040 | 15,270,000 | 4.000 | 1.990 | 73358XAV4 |
| July 15, 2041 | 15,885,000 | 4.000 | 2.000 | 73358XAW2 |

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* AMT.
** The yields on the Second, Third, Fourth, Fifth and Sixth Installments of the Two Hundred Twenty-Third Series Bonds are calculated to the optional call date of July 15, 2031.

**Third Installment $47,290,000 4.000% Term Bonds Due July 15, 2046 – Yield 2.170%**
**CUSIP Number 73358XAX0**
**Subject to Redemption Prior to Maturity as Set Forth Herein**

**Fourth Installment $57,545,000 4.000% Term Bonds Due July 15, 2051 – Yield 2.220%**
**CUSIP Number 73358XAY8**
**Subject to Redemption Prior to Maturity as Set Forth Herein**

**Fifth Installment $45,755,000 5.000% Term Bonds Due July 15, 2056 – Yield 2.160%**
**CUSIP Number 73358XAZ5**
**Subject to Redemption Prior to Maturity as Set Forth Herein**

**Sixth Installment $82,395,000 4.000% Term Bonds Due July 15, 2061 – Yield 2.480%**
**CUSIP Number 73358XBA9**
**Subject to Redemption Prior to Maturity as Set Forth Herein**

**Optional Redemption:** The Second, Third, Fourth, Fifth and Sixth Installments of the Two Hundred Twenty-Third Series Bonds shall be subject to redemption prior to maturity, in whole, or, from time to time in part, at the Port Authority's option, on prior notice on the date to be fixed for redemption in such notice, at 100% of face value on any such date of redemption beginning on July 15, 2031 and thereafter prior to maturity, plus accrued interest until the date fixed for redemption.

**Mandatory Periodic Retirement:** When necessary to meet the schedule of mandatory periodic retirement for the Third Installment of the Two Hundred Twenty-Third Series Bonds, the Third Installment of the Two Hundred Twenty-Third Series Bonds shall be subject to redemption, on prior notice, on July 15, 2042 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption.

When necessary to meet the schedule of mandatory periodic retirement for the Fourth Installment of the Two Hundred Twenty-Third Series Bonds, the Fourth Installment of the Two Hundred Twenty-Third Series Bonds shall be subject to redemption, on prior notice, on July 15, 2047 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption.

When necessary to meet the schedule of mandatory periodic retirement for the Fifth Installment of the Two Hundred Twenty-Third Series Bonds, the Fifth Installment of the Two Hundred Twenty-Third Series Bonds shall be subject to redemption, on prior notice, on July 15, 2052 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption.

When necessary to meet the schedule of mandatory periodic retirement for the Sixth Installment of the Two Hundred Twenty-Third Series Bonds, the Sixth Installment of the Two Hundred Twenty-Third Series Bonds shall be subject to redemption, on prior notice, on July 15, 2057 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption.

**Interest:** Interest on each maturity of the Two Hundred Twenty-Third Series Bonds shall accrue on and after the date of delivery upon original issuance of the Two Hundred Twenty-Third Series Bonds until the maturity or, to the extent applicable, the prior redemption of such maturity, and shall be payable semiannually commencing on July 15, 2021 and on each January 15 and July 15 thereafter until the maturity or, to the extent applicable, the prior redemption of such maturity, at the stated rate of interest per annum specified for such maturity.

For additional information pertaining to the Two Hundred Twenty-Third Series Bonds, see "*Description of the Bonds—Description of the Two Hundred Twenty-Third Series Bonds*" and "*Additional Information Pertaining to the Bonds*" in Section I hereof.

**$420,020,000**
**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**
**CONSOLIDATED BONDS, TWO HUNDRED TWENTY-FOURTH SERIES**

**Dated:** Date of delivery.

**Maturities:** $420,020,000 in total aggregate principal amount of Consolidated Bonds, Two Hundred Twenty-Fourth Series (the "Two Hundred Twenty-Fourth Series Bonds"), shall be issued in six installments as follows:

### Maturity Dates, Principal Amounts, Stated Rates of Interest, Yields* and CUSIP Numbers†

### First Installment $31,535,000 Serial Bonds
### Not Subject to Redemption Prior to Maturity

| Maturity Date | Principal Amount | Stated Rate of Interest | Yield | CUSIP Number |
|---|---|---|---|---|
| July 15, 2030 | $15,415,000 | 5.000% | 0.950% | 73358XBB7 |
| July 15, 2031 | 16,120,000 | 5.000 | 1.070 | 73358XBC5 |

### Second Installment $223,250,000 Serial Bonds
### Subject to Redemption Prior to Maturity as Set Forth Herein

| Maturity Date | Principal Amount | Stated Rate of Interest | Yield | CUSIP Number |
|---|---|---|---|---|
| July 15, 2032 | $18,335,000 | 5.000% | 1.170% | 73358XBD3 |
| July 15, 2033 | 19,260,000 | 5.000 | 1.220 | 73358XBE1 |
| July 15, 2034 | 20,240,000 | 4.000 | 1.430 | 73358XBF8 |
| July 15, 2035 | 21,030,000 | 4.000 | 1.510 | 73358XBG6 |
| July 15, 2036 | 21,845,000 | 4.000 | 1.580 | 73358XBH4 |
| July 15, 2037 | 22,695,000 | 4.000 | 1.620 | 73358XBJ0 |
| July 15, 2038 | 23,645,000 | 4.000 | 1.660 | 73358XBK7 |
| July 15, 2039 | 24,625,000 | 4.000 | 1.700 | 73358XBL5 |
| July 15, 2040 | 25,660,000 | 4.000 | 1.740 | 73358XBM3 |
| July 15, 2041 | 25,915,000 | 4.000 | 1.780 | 73358XBN1 |

### Third Installment $35,230,000 4.000% Term Bonds Due July 15, 2046 – Yield 1.990%
### CUSIP Number 73358XBP6
### Subject to Redemption Prior to Maturity as Set Forth Herein

### Fourth Installment $42,855,000 4.000% Term Bonds Due July 15, 2051 – Yield 2.040%
### CUSIP Number 73358XBQ4
### Subject to Redemption Prior to Maturity as Set Forth Herein

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* The yields on the Second, Third, Fourth, Fifth and Sixth Installments of the Two Hundred Twenty-Fourth Series Bonds are calculated to the optional call date of July 15, 2031.

† Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed herein are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and neither the Port Authority nor the Underwriters makes any representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**Fifth Installment $27,545,000 5.000% Term Bonds Due July 15, 2056 – Yield 1.950%**
**CUSIP Number 73358XBR2**
**Subject to Redemption Prior to Maturity as Set Forth Herein**

**Sixth Installment $59,605,000 4.000% Term Bonds Due July 15, 2061 – Yield 2.250%**
**CUSIP Number 73358XBS0**
**Subject to Redemption Prior to Maturity as Set Forth Herein**

**Optional Redemption:** The Second, Third, Fourth, Fifth and Sixth Installments of the Two Hundred Twenty-Fourth Series Bonds shall be subject to redemption prior to maturity, in whole, or, from time to time in part, at the Port Authority's option, on prior notice on the date to be fixed for redemption in such notice, at 100% of face value on any such date of redemption beginning on July 15, 2031 and thereafter prior to maturity, plus accrued interest until the date fixed for redemption.

**Mandatory Periodic Retirement:** When necessary to meet the schedule of mandatory periodic retirement for the Third Installment of the Two Hundred Twenty-Fourth Series Bonds, the Third Installment of the Two Hundred Twenty-Fourth Series Bonds shall be subject to redemption, on prior notice, on July 15, 2042 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption.

When necessary to meet the schedule of mandatory periodic retirement for the Fourth Installment of the Two Hundred Twenty-Fourth Series Bonds, the Fourth Installment of the Two Hundred Twenty-Fourth Series Bonds shall be subject to redemption, on prior notice, on July 15, 2047 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption.

When necessary to meet the schedule of mandatory periodic retirement for the Fifth Installment of the Two Hundred Twenty-Fourth Series Bonds, the Fifth Installment of the Two Hundred Twenty-Fourth Series Bonds shall be subject to redemption, on prior notice, on July 15, 2052 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption.

When necessary to meet the schedule of mandatory periodic retirement for the Sixth Installment of the Two Hundred Twenty-Fourth Series Bonds, the Sixth Installment of the Two Hundred Twenty-Fourth Series Bonds shall be subject to redemption, on prior notice, on July 15, 2057 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption.

**Interest:** Interest on each maturity of the Two Hundred Twenty-Fourth Series Bonds shall accrue on and after the date of delivery upon original issuance of the Two Hundred Twenty-Fourth Series Bonds until the maturity or, to the extent applicable, the prior redemption of such maturity, and shall be payable semiannually commencing on July 15, 2021 and on each January 15 and July 15 thereafter until the maturity or, to the extent applicable, the prior redemption of such maturity, at the stated rate of interest per annum specified for such maturity.

For additional information pertaining to the Two Hundred Twenty-Fourth Series Bonds, see "*Description of the Bonds—Description of the Two Hundred Twenty-Fourth Series Bonds*" and "*Additional Information Pertaining to the Bonds*" in Section I hereof.

**$400,000,000**
**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**
**CONSOLIDATED BONDS, TWO HUNDRED TWENTY-FIFTH SERIES**[*]

**Dated:** Date of delivery.

**Maturity:** $400,000,000 in total aggregate principal amount of Consolidated Bonds, Two Hundred Twenty-Fifth Series (the "Two Hundred Twenty-Fifth Series Bonds"), shall be issued as a term bond as follows:

**$400,000,000 3.175% Term Bonds Due July 15, 2060 – Price 100%**
**CUSIP Number[†] 73358XCN0**
**Subject to Redemption Prior to Maturity as Set Forth Herein**

**Optional Redemption:** The Two Hundred Twenty-Fifth Series Bonds shall be subject to redemption prior to maturity, in whole, or, from time to time in part, at the Port Authority's option, on prior notice on the date to be fixed for redemption in such notice, at 100% of face value on any such date of redemption beginning on July 15, 2031 and thereafter prior to maturity, plus accrued interest until the date fixed for redemption.

**Mandatory Periodic Retirement:** When necessary to meet the schedule of mandatory periodic retirement for the Two Hundred Twenty-Fifth Series Bonds, the Two Hundred Twenty-Fifth Series Bonds shall be subject to redemption, on prior notice, on July 15, 2057 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption.

**Interest:** Interest on the Two Hundred Twenty-Fifth Series Bonds shall accrue on and after the date of delivery upon original issuance of the Two Hundred Twenty-Fifth Series Bonds until the maturity or, to the extent applicable, the prior redemption thereof, and shall be payable semiannually commencing on July 15, 2021 and on each January 15 and July 15 thereafter until the maturity or, to the extent applicable, the prior redemption thereof, at the stated rate of interest of 3.175% per annum.

For additional information pertaining to the Two Hundred Twenty-Fifth Series Bonds, see "*Description of the Bonds—Description of the Two Hundred Twenty-Fifth Series Bonds*" and "*Additional Information Pertaining to the Bonds*" in Section I hereof.

[*] Subject to federal taxation.
[†] Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed herein are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and neither the Port Authority nor the Underwriters makes any representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**$205,350,000**
**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**
**CONSOLIDATED BONDS, TWO HUNDRED TWENTY-SIXTH SERIES***

**Dated:** Date of delivery.

**Maturities:** $205,350,000 in total aggregate principal amount of Consolidated Bonds, Two Hundred Twenty-Sixth Series (the "Two Hundred Twenty-Sixth Series Bonds"), shall be issued in two installments as follows:

### Maturity Dates, Principal Amounts, Stated Rates of Interest, Yields** and CUSIP Numbers†

### First Installment $111,830,000 Serial Bonds Not Subject to Redemption Prior to Maturity

| Maturity Date | Principal Amount | Stated Rate of Interest | Yield | CUSIP Number |
|---|---|---|---|---|
| October 15, 2022 | $10,735,000 | 5.000% | 0.540% | 73358XBT8 |
| October 15, 2023 | 13,410,000 | 5.000 | 0.590 | 73358XBU5 |
| October 15, 2024 | 13,800,000 | 5.000 | 0.660 | 73358XBV3 |
| October 15, 2025 | 14,225,000 | 5.000 | 0.750 | 73358XBW1 |
| October 15, 2026 | 14,670,000 | 5.000 | 0.880 | 73358XBX9 |
| October 15, 2027 | 15,150,000 | 5.000 | 1.000 | 73358XBY7 |
| October 15, 2028 | 15,660,000 | 5.000 | 1.150 | 73358XBZ4 |
| October 15, 2030 | 6,920,000 | 5.000 | 1.430 | 73358XCA8 |
| October 15, 2031 | 7,260,000 | 5.000 | 1.560 | 73358XCB6 |

### Second Installment $93,520,000 Serial Bonds Subject to Redemption Prior to Maturity as Set Forth Herein

| Maturity Date | Principal Amount | Stated Rate of Interest | Yield | CUSIP Number |
|---|---|---|---|---|
| October 15, 2032 | $7,620,000 | 5.000% | 1.650% | 73358XCC4 |
| October 15, 2033 | 7,960,000 | 5.000 | 1.710 | 73358XCD2 |
| October 15, 2034 | 8,320,000 | 5.000 | 1.780 | 73358XCE0 |
| October 15, 2035 | 8,685,000 | 5.000 | 1.850 | 73358XCF7 |
| October 15, 2036 | 9,080,000 | 5.000 | 1.890 | 73358XCG5 |
| October 15, 2037 | 9,480,000 | 5.000 | 1.940 | 73358XCH3 |
| October 15, 2038 | 9,905,000 | 5.000 | 1.980 | 73358XCJ9 |
| October 15, 2039 | 10,355,000 | 5.000 | 2.030 | 73358XCK6 |
| October 15, 2040 | 10,815,000 | 5.000 | 2.060 | 73358XCL4 |
| October 15, 2041 | 11,300,000 | 5.000 | 2.090 | 73358XCM2 |

* AMT.
** The yields on the Second Installment of the Two Hundred Twenty-Sixth Series Bonds are calculated to the optional call date of October 15, 2031.
† Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed herein are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and neither the Port Authority nor the Underwriters makes any representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**Optional Redemption:** The Second Installment of the Two Hundred Twenty-Sixth Series Bonds shall be subject to redemption prior to maturity, in whole, or, from time to time in part, at the Port Authority's option, on prior notice on the date to be fixed for redemption in such notice, at 100% of face value on any such date of redemption beginning on October 15, 2031 and thereafter prior to maturity, plus accrued interest until the date fixed for redemption.

**Interest:** Interest on each maturity of the Two Hundred Twenty-Sixth Series Bonds shall accrue on and after the date of delivery upon original issuance of the Two Hundred Twenty-Sixth Series Bonds until the maturity or, to the extent applicable, the prior redemption of such maturity, and shall be payable semiannually commencing on April 15, 2022 and on each October 15 and April 15 thereafter until the maturity or, to the extent applicable, the prior redemption of such maturity, at the stated rate of interest per annum specified for such maturity.

For additional information pertaining to the Two Hundred Twenty-Sixth Series Bonds, see "*Description of the Bonds—Description of the Two Hundred Twenty-Sixth Series Bonds*," "*Additional Information Pertaining to the Bonds*" and "*Delayed Delivery of the Two Hundred Twenty-Sixth Series Bonds*" in Section I hereof.

**INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

REFERENCES IN THIS SECTION TO THE "ISSUER" MEAN THE PORT AUTHORITY AND REFERENCES TO "BONDS" OR "SECURITIES" MEAN THE BONDS OFFERED HEREBY.

THE INFORMATION UNDER THIS CAPTION HAS BEEN FURNISHED BY THE UNDERWRITERS, AND THE ISSUER MAKES NO REPRESENTATION AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE INFORMATION UNDER THIS CAPTION.

COMPLIANCE WITH ANY RULES OR RESTRICTIONS OF ANY JURISDICTION RELATING TO THE OFFERING, SOLICITATION AND/OR SALE OF THE BONDS IS THE RESPONSIBILITY OF THE UNDERWRITERS, AND THE ISSUER SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY IN CONNECTION THEREWITH. NO ACTION HAS BEEN TAKEN BY THE ISSUER THAT WOULD PERMIT THE OFFERING OR SALE OF THE BONDS, OR POSSESSION OR DISTRIBUTION OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE BONDS, OR ANY INFORMATION RELATING TO THE PRICING OF THE BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

**MINIMUM UNIT SALES**

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $150,000).

**NOTICE TO PROSPECTIVE INVESTORS IN CANADA**

THE BONDS MAY BE SOLD ONLY TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 *PROSPECTUS EXEMPTIONS* OR SUBSECTION 73.3(1) OF THE *SECURITIES ACT* (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*. ANY RESALE OF THE BONDS MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS.

SECURITIES LEGISLATION IN CERTAIN PROVINCES OR TERRITORIES OF CANADA MAY PROVIDE A PURCHASER WITH REMEDIES FOR RESCISSION OR DAMAGES IF THIS OFFICIAL STATEMENT (INCLUDING ANY AMENDMENT THERETO) CONTAINS A MISREPRESENTATION, PROVIDED THAT THE REMEDIES FOR RESCISSION OR DAMAGES ARE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMIT PRESCRIBED BY THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY. THE PURCHASER SHOULD REFER TO ANY APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY FOR PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

PURSUANT TO SECTION 3A.3 (OR, IN THE CASE OF SECURITIES ISSUED OR GUARANTEED BY THE GOVERNMENT OF A NON-CANADIAN JURISDICTION, SECTION 3A.4) OF NATIONAL INSTRUMENT 33-105 *UNDERWRITING CONFLICTS* ("NI 33-105"), THE

UNDERWRITERS ARE NOT REQUIRED TO COMPLY WITH THE DISCLOSURE REQUIREMENTS OF NI 33-105 REGARDING UNDERWRITER CONFLICTS OF INTEREST IN CONNECTION WITH THIS OFFERING.

**NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM**

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA") OR THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) REGULATION (EU) 2017/1129 (THE "PROSPECTUS REGULATION") FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER TO ANY PERSON LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM OF THE SECURITIES SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS OR SUPPLEMENT FOR SUCH AN OFFER. NEITHER THE ISSUER NOR THE INITIAL PURCHASERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SECURITIES CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY SECURITIES WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A "QUALIFIED INVESTOR" AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN "QUALIFIED INVESTORS" AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION); OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION, SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER FOR ANY SUCH OFFER; PROVIDED THAT NO SUCH OFFER OF THE SECURITIES SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO THE SECURITIES IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SECURITIES.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OR THE UNITED KINGDOM WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A "QUALIFIED INVESTOR" AS DEFINED IN THE PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

PROHIBITION OF SALES TO EEA OR THE UNITED KINGDOM RETAIL INVESTORS – THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE "INSURANCE DISTRIBUTION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

**NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM**

THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER"), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

**NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND**

THE BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (THE "FINSA"), AND NO APPLICATION HAS BEEN OR WILL BE MADE TO ADMIT THE BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS (1) CONSTITUTES A PROSPECTUS PURSUANT TO THE FINSA OR (2) HAS BEEN OR WILL BE FILED WITH OR APPROVED BY A SWISS REVIEW BODY PURSUANT TO ARTICLE 52 OF THE FINSA, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

## NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

WARNING. THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS DOCUMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS IN HONG KONG NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) ("SFO"). THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS DOCUMENT OR ANY OTHER DOCUMENT, AND THIS DOCUMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN TO `PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, OR (B) TO `PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER.

## NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ARTICLE 4, PARAGRAPH 1 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO.25 OF 1948, AS AMENDED THE "FIEA"). IN RELIANCE UPON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS SINCE THE OFFERING CONSTITUTES THE PRIVATE PLACEMENT TO QUALIFIED INSTITUTIONAL INVESTORS ONLY AS PROVIDED FOR IN "I" OF ARTICLE 2, PARAGRAPH 3, ITEM 2 OF THE FIEA. A TRANSFEROR OF THE BONDS SHALL NOT TRANSFER OR RESELL THEM EXCEPT WHERE A TRANSFEREE IS A QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED UNDER ARTICLE 10 OF THE CABINET OFFICE ORDINANCE CONCERNING DEFINITIONS PROVIDED IN ARTICLE 2 OF THE FIEA (THE MINISTRY OF FINANCE ORDINANCE NO.14 OF 1993, AS AMENDED).

## NOTICE TO PROSPECTIVE INVESTORS IN SOUTH KOREA

THIS OFFICIAL STATEMENT IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSIDERED AS, A PUBLIC OFFERING OF SECURITIES IN SOUTH KOREA FOR THE PURPOSES OF THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF SOUTH KOREA FOR PUBLIC OFFERING IN SOUTH KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FSCMA"). THE BONDS MAY NOT BE OFFERED, REMARKETED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED, REMARKETED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN SOUTH KOREA OR TO ANY RESIDENT OF SOUTH KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF SOUTH KOREA

AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE “FETL”)) WITHIN ONE YEAR OF THE ISSUANCE OF THE BONDS, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE SOUTH KOREAN LAWS AND REGULATIONS, INCLUDING THE FSCMA AND THE FETL.

**NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN**

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN, THE REPUBLIC OF CHINA ("TAIWAN") AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS OF TAIWAN AND MAY NOT BE ISSUED, OFFERED, OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN OR RELEVANT LAWS AND REGULATIONS THAT REQUIRES A REGISTRATION, FILING OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE OUTSIDE TAIWAN BY INVESTORS RESIDING IN TAIWAN DIRECTLY, BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY TO THE EXTENT PERMITTED BY APPLICABLE LAWS OR REGULATIONS.

**$486,580,000**
**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**
**CONSOLIDATED BONDS, TWO HUNDRED TWENTY-THIRD SERIES***

**$420,020,000**
**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**
**CONSOLIDATED BONDS, TWO HUNDRED TWENTY-FOURTH SERIES**

**$400,000,000**
**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**
**CONSOLIDATED BONDS, TWO HUNDRED TWENTY-FIFTH SERIES****

**$205,350,000**
**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**
**CONSOLIDATED BONDS, TWO HUNDRED TWENTY-SIXTH SERIES***

*Except to the extent otherwise set forth in this Official Statement, this Official Statement applies to Consolidated Bonds, Two Hundred Twenty-Third Series, Consolidated Bonds, Two Hundred Twenty-Fourth Series, Consolidated Bonds, Two Hundred Twenty-Fifth Series and Consolidated Bonds, Two Hundred Twenty-Sixth Series with equal force and effect, each of such series being referred to in this Official Statement without differentiation as the "Bonds."*

The purpose of this Official Statement (including the cover page) of The Port Authority of New York and New Jersey (the "Port Authority") is to describe the Bonds and to give pertinent data with respect to the Port Authority and its finances. The information and expressions of opinion in this Official Statement are subject to change without notice, and future use of this Official Statement shall not otherwise create any implication that there has been no change in the matters referred to in this Official Statement since the date hereof. The Port Authority has not taken any action in connection with this Official Statement or the Bonds that would permit a public offering of the Bonds or the distribution of any information in connection with the Bonds and the Port Authority and its finances in any jurisdiction where action for that purpose is required. This Official Statement does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Bonds, in any jurisdiction, to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The execution of this Official Statement has been duly authorized by the Port Authority.

To the extent the information in this Official Statement contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance and achievements to be materially different from future results, performance and achievements expressed or implied by any forward-looking statements. Actual results could differ materially from those set forth in the forward-looking statements.

THE PORT AUTHORITY
OF NEW YORK AND NEW JERSEY

By: /s/ Elizabeth M. McCarthy
Elizabeth M. McCarthy
Chief Financial Officer

Dated: New York, New York January 21, 2021

* AMT.
** Subject to federal taxation.

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# INTRODUCTION AND SECURITIES BEING OFFERED

## Description of the Port Authority

*General*

The Port Authority is a municipal corporate instrumentality and political subdivision of the States of New York and New Jersey, created and existing by virtue of the Compact of April 30, 1921, made by and between the two States, and thereafter consented to by the Congress of the United States. In the Compact, the two States recited their confident belief that a better coordination of the terminal, transportation and other facilities of commerce in the Port of New York would result in great economies benefiting the nation as well as the States and that the future development of such facilities would require the cordial cooperation of the States in the encouragement of the investment of capital and in the formulation and execution of necessary plans. The two States also recited that such result could best be accomplished through the cooperation of the two States by and through a joint or common agency, and to that end, after pledging, each to the other, faithful cooperation in the future planning and development of the Port of New York, they created the Port of New York District (the "Port District") and The Port of New York Authority, the name of which was changed, effective July 1, 1972, to "The Port Authority of New York and New Jersey." The Compact has been amended and supplemented from time to time by legislation adopted by the two States.

*Facilities*

In general, the purpose of the States of New York and New Jersey in establishing the Port Authority was to provide transportation, terminal and other facilities of commerce within the Port District. For such purpose the States have from time to time authorized specific transportation and terminal facilities and facilities of commerce and economic development, and have given the Port Authority power to borrow money upon its bonds or other obligations, to establish charges for the use of such facilities and, in connection with specific facilities, to acquire real and personal property by condemnation or the exercise of the right of eminent domain or otherwise. The Port District comprises an area of about 1,500 square miles in both States, centering about New York Harbor. The Port District includes the Cities of New York and Yonkers in New York State, and the Cities of Newark, Jersey City, Bayonne, Hoboken and Elizabeth in the State of New Jersey, and over 200 other municipalities, including all or part of seventeen counties, in the two States.

The Port Authority's facilities include two tunnels and four bridges between the States of New York and New Jersey, the Hudson Tubes facility, including the Port Authority Trans-Hudson system ("PATH" or the "PATH system"), two bus terminals, the Trans-Hudson ferry service, five airports, the World Trade Center, six marine terminals, two waterfront development facilities, four industrial development facilities, a resource recovery facility and certain regional development facilities. From time to time on the basis of determinations by the Port Authority that such property was no longer required for the purposes for which it was acquired, the Port Authority has sold certain real property constituting all or part of certain facilities. Descriptions of the Port Authority's facilities appear at "*Description of the Port Authority and Its Facilities*" in Section II hereof. Information pertaining to capital investment in such facilities as of September 30, 2020, and significant capital projects as of September 30, 2020, appear at "*Information on Capital Investment in Certain Port Authority Facilities*" and "*Significant Capital Projects*" in Section II hereof. Facility activity for calendar year 2019 appears in "*APPENDIX A—Financial Statements as of and for the*

*Years Ended December 31, 2019 and December 31, 2018 and Appended Notes*" (hereinafter referred to as "Appendix A"). Certain facility traffic information for the nine-month periods ended September 30, 2020 and September 30, 2019 appears in "*APPENDIX B—Condensed Enterprise Fund Financial Statements as of and for the Nine-Month Period Ended September 30, 2020 (Unaudited)*" (hereinafter referred to as "Appendix B").

*Finances*

The Port Authority raises the necessary funds for the improvement, construction or acquisition of its facilities primarily upon the basis of its own credit. The Port Authority has no power to levy taxes or assessments. Its bonds, notes and other obligations are not obligations of the two States or of either of them, and are not guaranteed by the States or by either of them.

The revenues of the Port Authority are derived principally from the tolls, fares, takeoff and landing fees, dockage fees, rentals and other charges for the use of, and privileges at, certain of the Port Authority's facilities; other facilities operate at a deficit, do not generate surplus revenue or are non-revenue producing to the Port Authority. It is expected that increases in the Port Authority's tolls, fares, takeoff and landing fees, dockage fees, rentals and other charges will be necessary from time to time, that planned capital expenditures will be curtailed or that reductions in services and associated expenditures will occur, or all such actions, so that the costs of operations, including expenses incurred with respect to the acquisition of certain equipment by the Port Authority, the payment of debt service and the fulfillment of Port Authority statutory, contractual and other commitments will continue to be provided for, in accordance with the applicable requirements and agreements. (See Section III hereof, "*Bonds, Notes and Other Obligations*.")

The costs of operations, including payment of expenses incurred with respect to the acquisition of certain equipment by the Port Authority, and debt service, are expected to be satisfied from gross operating revenues and income on investments, and capital funds are expected to be provided primarily through the application of the proceeds of issues of Port Authority obligations and from other moneys legally available for such purposes, as appropriate. In order to provide sufficient funds expeditiously and on a temporary basis for certain expenditures, the Port Authority's annual budget and business planning process provides for temporary applications of available moneys, subject to reimbursement through the subsequent issuance of Port Authority obligations, with the redeployment of such temporarily-allocated amounts for other authorized purposes.

From time to time, 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 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. (See "*Regional Development*" in Section II hereof and Note H (Regional Facilities and Programs) in Appendix A hereto.)

The purposes for which the Port Authority's various funds, including revenues, can be applied are set forth in various statutes and in the agreements with the holders of its obligations. In order to determine the moneys which are or will become available to meet the requirements of any of the Port Authority's obligations, it is necessary to examine the statutes and resolutions affecting the particular issue. (See Section IV hereof, "*Pertinent Statutes and General Resolutions*"; Section III hereof, "*Bonds, Notes and Other Obligations*"; and Section VI hereof, "*Bond Resolutions and Legal Opinion*.")

*Financial Statements*

The financial statements of the Port Authority as of and for the years ended December 31, 2019 and December 31, 2018, along with the notes, schedules and other supplementary information (including management's discussion and analysis of the Port Authority's financial performance and activity), and the independent auditors' report pertaining thereto, are set forth in Appendix A hereto. The financial statements of the Port Authority are prepared in accordance with United States generally accepted accounting principles ("GAAP"); Schedules A, B and C have been prepared on a comprehensive basis of accounting in accordance with the requirements of Port Authority bond resolutions, which differs in some respects from GAAP; and the supplemental information presented in Schedules D, E, F and G is presented for purposes of additional analysis and is not a required part of the financial statements under GAAP.

On March 4, 2020, in connection with the release of the financial statements of the Port Authority for the years ended December 31, 2019 and December 31, 2018, the Executive Director, the Chief Financial Officer and the Comptroller certified that to the best of their 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 enterprise fund and fiduciary fund net position, changes in net position, and cash flows, in conformity with GAAP; and, that 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.

While the Port Authority's financial statements as of and for the years ended December 31, 2019 and December 31, 2018 have been audited by a firm of independent auditors, which conducts such audits in accordance with auditing standards generally accepted in the United States of America, the accuracy of the data and the completeness and fairness of the information presented in the financial statements are the responsibility of management of the Port Authority.

The Audit Committee of the Board of Commissioners of the Port Authority ("Board of Commissioners") meets on a regular basis with the independent auditors, the law firm retained to address certain Audit Committee matters and management of the Port Authority, in connection with its oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems, and accounting, auditing, and financial reporting processes.

Unaudited condensed enterprise fund financial statements for the Port Authority for the nine-month period ended September 30, 2020 ("Unaudited Third Quarter FS") have been prepared by the Port Authority, subject to audit, adjustment and reconciliation, solely for general information purposes, in accordance with GAAP, and appear in Appendix B. Such Unaudited Third Quarter FS should be read in conjunction with the financial statements and the related notes and schedules of the Port Authority for the year ended December 31, 2019, set forth in Appendix A hereto.

## Impacts from the COVID-19 Pandemic

The SARS-CoV-2 coronavirus and COVID-19, the severe acute respiratory syndrome it causes ("COVID-19"), has significantly affected the current operating performance of the Port Authority by dramatically reducing the number of users of its facilities. The Port Authority's financial results, including the Unaudited Third Quarter FS, should be reviewed in light of such effects, as further described below. The information provided in this section represents the Port Authority's current assessments based on the data it had available at the time this Official Statement was compiled. Such data may ultimately prove to be incomplete or misleading, especially when reviewed over a longer time period. The operating and financial performance of the Port Authority during the COVID-19 pandemic and forecasted future performance beyond the pandemic, in light of its lingering effects, are dependent in part on the actions of facility users, governmental actors and the regional economy as a whole, including actions intended to restore the region's mobility. Actual results may differ significantly from forecasts due to the current unpredictability of such factors.

*Operational Update*

Activity Volume

Beginning in early March 2020, the Port Authority's facilities have experienced significantly reduced usage compared to previous years and compared to its 2020 operating activity budget established in late 2019, prior to the availability of credible information on COVID-19 (which generally assumed increased usage over 2019). Because approximately one third of the Port Authority's revenues are derived from tolls and fares, declining utilization of its bridges and tunnels and its PATH transit system has had, and will continue to have, a negative effect on the Port Authority's revenues for an indeterminate period of time.

In addition, parking and other user fee revenues—which are primarily earned at the Port Authority's airports and seaports—comprise approximately 7% of 2020 budgeted revenues and are dependent on activity volumes which have been negatively impacted.

The Port Authority has determined to suspend, reduce or waive certain fees and rentals otherwise payable by tenants who pay rent to locate and operate at its facilities. These tenants are also heavily affected by reduced activity levels and may be unable to meet certain obligations to the Port Authority. Some tenants have requested specific relief from contractual payment obligations (see "Rents & Property Use Charges" in this Section, below). Further, the implementation of the new ground transportation access fee at John F. Kennedy International Airport ("JFK Airport"), Newark Liberty International Airport ("Newark Airport"), and LaGuardia Airport ("LaGuardia Airport") has been delayed from October 3, 2020 to April 5, 2021.

The Port Authority compared average weekday use of its airports, its PATH transit system, and its bridges and tunnels in the period January 4, 2021 through January 8, 2021 against the average weekday use in January 2019. The comparison of average weekly operating volumes in 2021 to their 2019 comparable establishes a meaningful and consistent pre-COVID baseline for tracking activity trends at Port Authority facilities as the COVID-19 pandemic enters its second calendar year. Declines are presented below. In addition, the table presents the nadir of the average weekday use, which occurred in April 2020, as compared to April 2019 for all activity volumes.

| | % Decline from April 2019 at 2020 Nadir | % Decline from January 2019 |
|---|---|---|
| Aviation Passengers† | (98)% | (69)% |
| PATH Riders | (95)% | (79)% |
| Bridges and Tunnels, Total Vehicles | (62)% | (12)% |

†Based on TSA checkpoint entries

The Port Authority expects that its usage volumes will eventually return to pre-COVID-19 levels. However, the speed and pattern of the recovery is difficult to estimate and may reflect temporary or more long-lasting reversions as it is dependent on the type of facility, the progression of the COVID-19 virus, when the traveling public is confident the pandemic has abated, how growth of the regional economy is affected, and any restrictions on activities imposed by the States of New York and New Jersey and the federal government, among other factors.

Activity levels at the airports may continue to be volatile. Currently, almost all airlines are operating under reduced schedules, and some have reduced service to individual airports. The speed of the recovery may be further impacted based on travel restrictions, including the continued restrictions on travelers from the United States to the United Kingdom and the European Union, as well as the quarantine and testing requirements imposed in the travel advisories issued by the federal government, New York State, New Jersey, and Connecticut, as well as in other states across the nation. There can be no assurance when and whether airlines will return to pre-COVID-19 schedules or whether airlines will decide to curtail services at the Port Authority airports, temporarily or permanently.

Cargo shipping activity at the Port Authority's marine terminals has been impacted less than the Port Authority's other facilities over the period of March through November due to the continued demand for imported goods into the region. For the period from March 2020 through November 2020, cargo activity (TEUs) was essentially flat to 2019 levels for the same period. For the months of August, September, October and November, container activity (TEUs) represented the first months since March where container volume exceeded prior year totals. Most recently, container activity for November increased 23.2% compared to November 2019. Future volume will depend on worldwide and regional economic growth coupled with regional demand for imported products.

Based on current information, the Port Authority forecasts that its facilities other than the marine terminals will recover to 2019 levels in the period from early 2022 through early 2024, depending on the line of business they serve, with earliest recovery at the Port Authority's bridges and tunnels, and airports recovery last. The current forecast ("Current COVID Forecast") has been adjusted from time to time since it was first developed in March 2020, including a revised expectation of more gradual recovery in aviation passenger and PATH rider volumes than originally predicted, consistent with a slower recovery in the aviation and mass-transit sectors nation-wide.

Despite the Port Authority's forecasting efforts, the trajectory and ultimate impact of the COVID-19 pandemic is uncertain and is subject to many developments and actions outside of the control of the Port Authority. Some of the factors outside the Port Authority's control include: (1) when and how quickly the economy as a whole begins to recover following the impact of COVID-19; (2) when and how quickly those segments of the economy on which its revenues depend recover to pre-COVID-19 levels (e.g. when bridge and tunnel traffic normalizes, when airport passenger traffic normalizes, among others); and, (3) the amount and the terms of any financial assistance or aid from the federal government. Even more pessimistic scenarios than the Current COVID Forecast may occur, and the ultimate impact may be worse than projected.

Operational Changes

The Port Authority is continuing to keep all of its facilities open and operating. However, beginning in March 2020, the Port Authority responded to lower activity levels by consolidating operations and reducing its operating footprint in facilities where passenger and ridership volumes have dropped, and is making modifications accordingly as activity volumes increase.

The Port Authority has also made certain changes to operational protocols at its facilities to increase cleaning and disinfecting in an attempt to provide as safe an environment as possible for its customers and employees, including requiring that face coverings be worn in all its facilities. On November 23, 2020 the Port Authority announced that JFK Airport, Newark Airport, LaGuardia Airport, New York Stewart

International Airport ("Stewart Airport") and Teterboro Airport have received the Airport Health Accreditation from Airports Council International ("ACI") World and ACI Americas. The international organization's new Airport Health Accreditation program evaluates new health and safety measures and procedures introduced at airports worldwide in response to the COVID-19 pandemic. The ACI Airport Health Accreditation recognizes the Port Authority's swift response to the COVID-19 crisis and its work to maintain a safe environment for airport passengers through aggressive cleaning and disinfection programs, physical distancing (where feasible and practical), staff protection, physical layout adjustments, and passenger communications. Essential infrastructure construction continues at Port Authority facilities in accordance with New York and New Jersey coronavirus guidelines, including implementation of appropriate safety protocols by the Port Authority's contractors and other permittees.

Rents & Property Use Charges

Some tenants who pay rent to lease Port Authority office space or locate and operate businesses at Port Authority facilities have also been affected by the reduced activity levels or have otherwise been impacted by economic conditions; such tenants may be unable to meet certain obligations to the Port Authority and some have requested rent relief. The competitive oversupply of rental space may also create an incentive to seek certain concessions.

The Port Authority has provided relief for certain retail concessionaires and other counterparties at its facilities. For certain retail concessionaires, the Port Authority has temporarily suspended fixed rent obligations through March 31, 2021. For these counterparties, rents are being calculated solely based on a percentage of actual gross receipts earned during the relief period. This is the fourth extension of the suspension period the Port Authority has granted since the onset of COVID-19. The financial impact to the Port Authority of the concession relief, other relief, and the exercise by the World Trade Center Observation Deck of contractual rights to suspend rent obligations during the COVID-19 pandemic is estimated at approximately $70 million in lower revenues for 2020, and approximately $35 million in lower revenues in 2021. This financial impact assumes tenants and other obligors are generally able to meet their contractual obligations as they become due. The Port Authority continues monitoring activity and evaluating whether any rent relief will be further extended or whether its estimation of financial impact should be revised.

In addition to the relief described above, the Port Authority allowed certain of its counterparties to defer the payment of percentage rentals due for the period of March through June 2020. The amounts deferred are to be paid in six equal monthly installments in the period of July 1, 2020 through December 31, 2020. Such deferred amounts have been received in accordance with the terms of the relief.

The Port Authority and many airlines operating at its airports have entered into cost recovery agreements which are typically reset in July every year to reflect changes in volume trends or costs from those estimated at the beginning of the year. In July 2020, the Port Authority did not adjust the rates to reflect the substantially lower volumes, and the difference between what the rates would have been adjusted to and the unadjusted amounts have been deferred. This difference, which is estimated to be approximately $365 million, will be paid by the airlines over a three-year period beginning January 1, 2021.

In addition, the cost recovery fees for activity during the period of March 1, 2020 to April 30, 2020 were deferred, with payments resuming in June 2020 for May activity. Approximately $85 million in deferred payments were paid in monthly installments over a six-month period which began on July 1, 2020.

Certain Port Authority tenants and contractors have requested an extension of the time of relief, and in some cases, additional forms of relief from contractual obligations on account of the COVID-19 pandemic. The Port Authority is continuing to evaluate such requests in light of the financial impact of reduced revenue.

*Financial Position*

Revenues

The Port Authority preliminarily estimates that it may experience a reduction in Gross Operating Revenue and Passenger Facility Charge ("PFC") collections of approximately $3 billion for the twenty-four-month period of March 2020 through March 2022 compared to budgeted amounts.

Through December 31, 2020, the Port Authority is currently projecting a revenue loss of approximately $1.7 billion, consisting of an approximately $1.5 billion Gross Operating Revenue loss as compared to the 2020 budget, and an approximately $200 million reduction in PFC collections as compared to 2019, due to reduced airport passenger volume (see "*Air Terminals*" in Section II hereof). This revenue loss is consistent with the twenty-four-month period $3 billion estimated revenue loss discussed above.

Operating Expenses

The Port Authority has continued to examine its operating budget to assess opportunities to reduce costs and take advantage of reduced traffic volumes. Staff have identified approximately $200 million in operating expense savings in 2020, primarily as a result of lower activity. The Port Authority continues to evaluate its costs including potential incremental costs necessary to address COVID-19 operating protocols as activity increases and other unanticipated costs.

2021 Budget

On December 17, 2020, at the Port Authority's Board of Commissioners meeting, the Board of Commissioners authorized the adoption of the 2021 Budget which consists of Operating, Capital and Debt Service spending (see "*Annual Budget*" in Section II hereof). The 2021 Budget can be found at https://corpinfo.panynj.gov/pages/budget. The 2021 Operating, Capital and Debt Service Budget of $7.2 billion aligns with the Port Authority's mission to keep the region moving, while reflecting the adverse impacts of the COVID-19 pandemic on the agency's activity and cash flow (see "*Annual Budget*" in Section II hereof). The 2021 Budget is comprised of $3.2 billion for Operating Expenses, $2.4 billion for Capital Expenditures and $1.6 billion for Debt Service and other expenses.

Capital Program

Capital spending under the 2021 Budget reflects the adverse impacts of the COVID-19 pandemic and the Current COVID Forecast. The 2021 capital spending assumes no extraordinary funding from the federal government or other sources. The Port Authority is also engaged in evaluating the extent to which its 2017-2026 Capital Plan should be modified to guide post-2021 capital spending. This effort includes an intensive reevaluation of the elements of the overall Capital Plan, and in respect of individual projects. (See "*2017-2026 Capital Plan*" in Section II hereof.)

Through December 31, 2020, the Port Authority is projecting an underspend of approximately $1.0 billion as compared to the 2020 Capital Budget, primarily due to slowing capital spending for projects not already in construction. The 2021 Capital Budget of $2.4 billion, represents a one-third, or $1.2 billion decrease versus the planned 2021 capital spending assumed in the 2017-2026 Capital Plan. Combined, these two reductions total $2.2 billion over 2020 and 2021, reflecting the reduction in capital capacity suffered and projected as a result of the impact of COVID-19 on Net Revenues.

Further information on the 2021 Capital Budget can be found in "*Certain Port Authority Financial Information*" below.

Federal Support

On March 27, 2020, the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") became effective. The CARES Act provides assistance for airports and air carriers, buttressing the domestic airline industry as a whole. On April 14, 2020, the Federal Aviation Administration ("FAA") awarded approximately $450 million of grants under the CARES Act to the airports operated by the Port Authority. The Port Authority has submitted expense reimbursements to the FAA for Port Authority labor- related and certain contractual costs associated with the operation of the airports, with the full $450 million draw-down as of December 31, 2020. The CARES Act also provides funding through the Federal Emergency Management Agency ("FEMA") to cover the incremental costs of responding to COVID-19. The Port Authority currently expects cost recovery from FEMA funding to be $20 million.

On December 27, 2020, the federal Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA") became effective. CRRSAA provides economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to COVID-19. The Port Authority is awaiting formal guidance and the grant allocation from the FAA, which is anticipated to be received in January 2021. According to the funding allocation methodology as described in CRRSAA, funds will be allocated based on the number of passenger enplanements as defined in section 47102(16) of title 49, United States Code, for the most recent calendar year in a similar way to how Airport Improvement Program (AIP) entitlement funds are allocated. As the number of passenger enplanements at Port Authority airports represent approximately 7% of total enplanements, the Port Authority currently estimates it may be allocated approximately $135 million in funds, based on the allocation methodology described in CRRSAA. A portion of these funds are to be allocated for COVID-19 related rent relief extended by the Port Authority to certain airport tenants. However, guidance has not been released by the FAA on how these funds are to be allocated. Therefore, there can be no assurance, that this will be the amount ultimately allocated to the Port Authority.

These funds will not fully compensate the Port Authority for its losses at the airports due to the COVID-19 pandemic and the Port Authority continues to advocate for further federal support.

Liquidity

As of November 30, 2020, unrestricted cash and investments, excluding amounts in the Capital Fund for purposes of funding the capital construction program (discussed below) and including amounts in the General Reserve Fund, total approximately $3.6 billion.

As of November 30, 2020, the Port Authority had $22.4 billion of outstanding Consolidated Bonds with a weighted average life of 19.7 years and a weighted average interest rate of 4.67%. In addition, the Port Authority had $1.1 billion of outstanding Consolidated Notes that mature on July 1, 2023, with the expectation that the amount due at maturity will be refinanced with Consolidated Bonds. In addition to the cash and investments noted above, on November 30, 2020, the Port Authority had approximately $151 million in its Capital Fund to support the capital construction program. It also is authorized to issue approximately $193 million in Commercial Paper in excess of the commercial paper currently outstanding. The Port Authority's Commercial Paper Program, which is used to fund the Port Authority's capital program, is authorized in an amount up to $750 million, and is supported by lines of credit that may be drawn in the event of market disruption.

To further mitigate the impact of any future market disruption risk in the Port Authority's Commercial Paper Program, the Port Authority has qualified to participate in the Commercial Paper Funding Facility ("CPFF") offered by the Federal Reserve Bank of New York. The Port Authority may sell up to approximately $550 million in total aggregate amount of three-month commercial paper to the CPFF through participating Commercial Paper dealers through expiration of the program, currently scheduled for March 31, 2021. The Port Authority has continued to market its commercial paper in the public markets without utilizing the CPFF program.

Prospective Financial Condition

The Port Authority has analyzed various possible scenarios that consider the range of potential impacts that the pandemic may have on its financial condition, which assume a wide variety of possible economic recoveries, federal aid and Port Authority actions. Under the more optimistic scenarios, the Port Authority expects a significant decline in its revenues which will require the Port Authority to evaluate on an ongoing basis various possible options to manage its operating and capital expenditures and liquidity.

However, and subject to the foregoing, based on its current financial position and forecasts, the Port Authority expects to meet its obligations as they become due, including both short term operating expenses and debt service on its Consolidated Bonds and Consolidated Notes.

## Description of the Bonds

### Description of the Two Hundred Twenty-Third Series Bonds

*Purposes*

The proceeds of the Two Hundred Twenty-Third Series Bonds shall be allocated to the refunding, by purchase, call or other payment, of the Port Authority's Consolidated Bonds, One Hundred Sixty-Seventh Series on March 15, 2021, to capital projects in connection with facilities of the Port Authority and/or for purposes of refunding other obligations of the Port Authority, in each case, consistent with the characterization of the Two Hundred Twenty-Third Series Bonds as "qualified bonds" (which are "exempt facility bonds") determined under applicable federal tax principles.

*Dated*

The Two Hundred Twenty-Third Series Bonds shall be dated as of the date of delivery upon original issuance of the Two Hundred Twenty-Third Series Bonds (see "*Delivery*" in this Section I).

*Maturities*

The Two Hundred Twenty-Third Series Bonds shall be comprised of $486,580,000 in total aggregate principal amount, which shall be issued in six installments as follows:

*First Installment* — $119,950,000 in total aggregate principal amount of the Two Hundred Twenty-Third Series Bonds (which shall not be subject to redemption prior to maturity) shall be issued as serial bonds with the maturity dates and in the principal amounts set forth below, and shall bear interest (see "*Description of the Two Hundred Twenty-Third Series Bonds — Interest*" in this Section I) at the respective stated rates of interest per annum set forth below until maturity or prior redemption.

| Maturity Date | Principal Amount | Stated Rate of Interest | Maturity Date | Principal Amount | Stated Rate of Interest |
|---|---|---|---|---|---|
| July 15, 2021 | $5,410,000 | 5.000% | July 15, 2027 | $11,495,000 | 5.000% |
| July 15, 2022 | 16,475,000 | 5.000 | July 15, 2028 | 12,060,000 | 5.000 |
| July 15, 2023 | 17,710,000 | 5.000 | July 15, 2029 | 1,695,000 | 5.000 |
| July 15, 2024 | 18,855,000 | 5.000 | July 15, 2030 | 7,305,000 | 5.000 |
| July 15, 2025 | 10,310,000 | 5.000 | July 15, 2031 | 7,665,000 | 5.000 |
| July 15, 2026 | 10,970,000 | 5.000 | | | |

*Second Installment* — $133,645,000 in total aggregate principal amount of the Two Hundred Twenty-Third Series Bonds (which shall be subject to redemption prior to maturity in whole, or, from time to time in part, at the Port Authority's option, beginning on July 15, 2031 (see "*Description of the Two Hundred Twenty-Third Series Bonds — Optional Redemption*" in this Section I)) shall be issued as serial bonds with the maturity dates and in the principal amounts set forth below, and shall bear interest (see "*Description of the Two Hundred Twenty-Third Series Bonds — Interest*" in this Section I) at the respective stated rates of interest per annum set forth below until maturity or prior redemption.

| Maturity Date | Principal Amount | Stated Rate of Interest | Maturity Date | Principal Amount | Stated Rate of Interest |
|---|---|---|---|---|---|
| July 15, 2032 | $10,950,000 | 5.000% | July 15, 2037 | $13,580,000 | 4.000% |
| July 15, 2033 | 11,490,000 | 5.000 | July 15, 2038 | 14,115,000 | 4.000 |
| July 15, 2034 | 12,070,000 | 4.000 | July 15, 2039 | 14,680,000 | 4.000 |
| July 15, 2035 | 12,550,000 | 4.000 | July 15, 2040 | 15,270,000 | 4.000 |
| July 15, 2036 | 13,055,000 | 4.000 | July 15, 2041 | 15,885,000 | 4.000 |

*Third Installment* — $47,290,000 in total aggregate principal amount of the Two Hundred Twenty-Third Series Bonds (which shall be subject to redemption prior to maturity (a) in whole, or, from time to time in part, at the Port Authority's option, beginning on July 15, 2031 (see "*Description of the Two Hundred Twenty-Third Series Bonds — Optional Redemption*" in this Section I) and (b) when necessary to meet the schedule of mandatory periodic retirement for the Third Installment beginning on July 15, 2042 (see "*Description of the Two Hundred Twenty-Third Series Bonds — Mandatory Periodic Retirement*" in this Section I)) shall be issued as term bonds with the maturity date of July 15, 2046, and shall bear interest (see "*Description of the Two Hundred Twenty-Third Series Bonds — Interest*" in this Section I) at the stated rate of interest of 4.000% per annum until maturity or prior redemption.

*Fourth Installment* — $57,545,000 in total aggregate principal amount of the Two Hundred Twenty-Third Series Bonds (which shall be subject to redemption prior to maturity (a) in whole, or, from time to time in part, at the Port Authority's option, beginning on July 15, 2031 (see "*Description of the Two Hundred Twenty-Third Series Bonds — Optional Redemption*" in this Section I) and (b) when necessary to meet the schedule of mandatory periodic retirement for the Fourth Installment beginning on July 15, 2047 (see "*Description of the Two Hundred Twenty-Third Series Bonds — Mandatory Periodic Retirement*" in this Section I)) shall be issued as term bonds with the maturity date of July 15, 2051, and shall bear interest (see "*Description of the Two Hundred Twenty-Third Series Bonds — Interest*" in this Section I) at the stated rate of interest of 4.000% per annum until maturity or prior redemption.

*Fifth Installment* — $45,755,000 in total aggregate principal amount of the Two Hundred Twenty-Third Series Bonds (which shall be subject to redemption prior to maturity (a) in whole, or, from time to time in part, at the Port Authority's option, beginning on July 15, 2031 (see "*Description of the Two Hundred Twenty-Third Series Bonds — Optional Redemption*" in this Section I) and (b) when necessary to meet the schedule of mandatory periodic retirement for the Fifth Installment beginning on July 15, 2052 (see "*Description of the Two Hundred Twenty-Third Series Bonds — Mandatory Periodic Retirement*" in this Section I)) shall be issued as term bonds with the maturity date of July 15, 2056, and shall bear interest (see "*Description of the Two Hundred Twenty-Third Series Bonds — Interest*" in this Section I) at the stated rate of interest of 5.000% per annum until maturity or prior redemption.

*Sixth Installment* — $82,395,000 in total aggregate principal amount of the Two Hundred Twenty-Third Series Bonds (which shall be subject to redemption prior to maturity (a) in whole, or, from time to time in part, at the Port Authority's option, beginning on July 15, 2031 (see "*Description of the Two Hundred Twenty-Third Series Bonds — Optional Redemption*" in this Section I) and (b) when necessary to meet the schedule of mandatory periodic retirement for the Sixth Installment beginning on July 15, 2057 (see "*Description of the Two Hundred Twenty-Third Series Bonds — Mandatory Periodic Retirement*" in this Section I)) shall be issued as term bonds with the maturity date of July 15, 2061, and shall bear interest (see "*Description of the Two Hundred Twenty-Third Series Bonds — Interest*" in this Section I) at the stated rate of interest of 4.000% per annum until maturity or prior redemption.

*Optional Redemption*

The Second, Third, Fourth, Fifth and Sixth Installments of the Two Hundred Twenty-Third Series Bonds shall be subject to redemption prior to maturity, in whole, or, from time to time in part, at the Port Authority's option, on prior notice on the date to be fixed for redemption in such notice, at 100% of face value on any such date of redemption beginning on July 15, 2031 and thereafter prior to maturity, plus accrued interest until the date fixed for redemption. If less than all of the bonds of the Second, Third, Fourth, Fifth and Sixth Installments of the Two Hundred Twenty-Third Series then outstanding are to be called for redemption at the option of the Port Authority, the bonds so to be called shall be in inverse order of maturity. If bonds constituting a particular maturity are to be called for redemption at the option of the Port Authority, but not all bonds constituting such maturity are to be called for redemption, the bonds so to be called shall be determined by lot by the Registrar.

*Mandatory Periodic Retirement*

*Third Installment* — The Third Installment shall be retired at or prior to maturity, by purchase, call or payment, by the mandatory periodic retirement dates and in at least the cumulative principal amounts shown on the following schedule of mandatory periodic retirement for the Third Installment:

| Mandatory Periodic Retirement Date | Cumulative Principal Amount |
|---|---|
| July 15, 2042 | $8,730,000 |
| July 15, 2043 | 17,810,000 |
| July 15, 2044 | 27,255,000 |
| July 15, 2045 | 37,075,000 |
| July 15, 2046† | 47,290,000 |

† stated maturity

When necessary to meet the schedule of mandatory periodic retirement for the Third Installment, the Third Installment shall be subject to redemption, on prior notice, on July 15, 2042 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption. If bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Third Installment, the bonds of the Third Installment so to be called shall be determined by lot by the Registrar.

*Fourth Installment* — The Fourth Installment shall be retired at or prior to maturity, by purchase, call or payment, by the mandatory periodic retirement dates and in at least the cumulative principal amounts shown on the following schedule of mandatory periodic retirement for the Fourth Installment:

| Mandatory Periodic Retirement Date | Cumulative Principal Amount |
|---|---|
| July 15, 2047 | $10,625,000 |
| July 15, 2048 | 21,675,000 |
| July 15, 2049 | 33,165,000 |
| July 15, 2050 | 45,115,000 |
| July 15, 2051† | 57,545,000 |

† stated maturity

When necessary to meet the schedule of mandatory periodic retirement for the Fourth Installment, the Fourth Installment shall be subject to redemption, on prior notice, on July 15, 2047 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption. If bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Fourth Installment, the bonds of the Fourth Installment so to be called shall be determined by lot by the Registrar.

*Fifth Installment* — The Fifth Installment shall be retired at or prior to maturity, by purchase, call or payment, by the mandatory periodic retirement dates and in at least the cumulative principal amounts shown on the following schedule of mandatory periodic retirement for the Fifth Installment:

| Mandatory Periodic Retirement Date | Cumulative Principal Amount |
|---|---|
| July 15, 2052 | $8,280,000 |
| July 15, 2053 | 16,975,000 |
| July 15, 2054 | 26,105,000 |
| July 15, 2055 | 35,690,000 |
| July 15, 2056† | 45,755,000 |

† stated maturity

When necessary to meet the schedule of mandatory periodic retirement for the Fifth Installment, the Fifth Installment shall be subject to redemption, on prior notice, on July 15, 2052 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption. If bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Fifth Installment, the bonds of the Fifth Installment so to be called shall be determined by lot by the Registrar.

*Sixth Installment* — The Sixth Installment shall be retired at or prior to maturity, by purchase, call or payment, by the mandatory periodic retirement dates and in at least the cumulative principal amounts shown on the following schedule of mandatory periodic retirement for the Sixth Installment:

| Mandatory Periodic Retirement Date | Cumulative Principal Amount |
|---|---|
| July 15, 2057 | $15,215,000 |
| July 15, 2058 | 31,035,000 |
| July 15, 2059 | 47,490,000 |
| July 15, 2060 | 64,600,000 |
| July 15, 2061† | 82,395,000 |

† stated maturity

When necessary to meet the schedule of mandatory periodic retirement for the Sixth Installment, the Sixth Installment shall be subject to redemption, on prior notice, on July 15, 2057 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption. If bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Sixth Installment, the bonds of the Sixth Installment so to be called shall be determined by lot by the Registrar.

*Interest*

Interest on each maturity of the Two Hundred Twenty-Third Series Bonds shall accrue on and after the date of delivery upon original issuance of the Two Hundred Twenty-Third Series Bonds until the maturity or, to the extent applicable, the prior redemption of such maturity, and shall be payable semiannually commencing on July 15, 2021 and on each January 15 and July 15 thereafter until the maturity or, to the extent applicable, the prior redemption of such maturity, at the stated rate of interest per annum specified for such maturity.

**Description of the Two Hundred Twenty-Fourth Series Bonds**

*Purposes*

The proceeds of the Two Hundred Twenty-Fourth Series Bonds shall be allocated to the refunding, by purchase, call or other payment, of the Port Authority's Consolidated Bonds, One Hundred Sixty-Sixth Series on March 8, 2021, to capital projects in connection with facilities of the Port Authority and/or for purposes of refunding other obligations of the Port Authority; *provided, however*, that such allocation shall not result in the characterization of the Two Hundred Twenty-Fourth Series Bonds as "private activity bonds" determined under applicable federal tax principles.

*Dated*

The Two Hundred Twenty-Fourth Series Bonds shall be dated as of the date of delivery upon original issuance of the Two Hundred Twenty-Fourth Series Bonds (see "*Delivery*" in this Section I).

*Maturities*

The Two Hundred Twenty-Fourth Series Bonds shall be comprised of $420,020,000 in total aggregate principal amount, which shall be issued in six installments as follows:

*First Installment* — $31,535,000 in total aggregate principal amount of the Two Hundred Twenty-Fourth Series Bonds (which shall not be subject to redemption prior to maturity) shall be issued as serial bonds with the maturity dates and in the principal amounts set forth below, and shall bear interest (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Interest*" in this Section I) at the respective stated rates of interest per annum set forth below until maturity.

| Maturity Date | Principal Amount | Stated Rate of Interest | Maturity Date | Principal Amount | Stated Rate of Interest |
|---|---|---|---|---|---|
| July 15, 2030 | $15,415,000 | 5.000% | July 15, 2031 | $16,120,000 | 5.000% |

*Second Installment* — $223,250,000 in total aggregate principal amount of the Two Hundred Twenty-Fourth Series Bonds (which shall be subject to redemption prior to maturity in whole, or, from time to time in part, at the Port Authority's option, beginning on July 15, 2031 (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Optional Redemption*" in this Section I)) shall be issued as serial bonds with the maturity dates and in the principal amounts set forth below, and shall bear interest (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Interest*" in this Section I) at the respective stated rates of interest per annum set forth below until maturity or prior redemption.

| Maturity Date | Principal Amount | Stated Rate of Interest | Maturity Date | Principal Amount | Stated Rate of Interest |
|---|---|---|---|---|---|
| July 15, 2032 | $18,335,000 | 5.000% | July 15, 2037 | $22,695,000 | 4.000% |
| July 15, 2033 | 19,260,000 | 5.000 | July 15, 2038 | 23,645,000 | 4.000 |
| July 15, 2034 | 20,240,000 | 4.000 | July 15, 2039 | 24,625,000 | 4.000 |
| July 15, 2035 | 21,030,000 | 4.000 | July 15, 2040 | 25,660,000 | 4.000 |
| July 15, 2036 | 21,845,000 | 4.000 | July 15, 2041 | 25,915,000 | 4.000 |

*Third Installment* — $35,230,000 in total aggregate principal amount of the Two Hundred Twenty-Fourth Series Bonds (which shall be subject to redemption prior to maturity (a) in whole, or, from time to time in part, at the Port Authority's option, beginning on July 15, 2031 (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Optional Redemption*" in this Section I) and (b) when necessary to meet the schedule of mandatory periodic retirement for the Third Installment beginning on July 15, 2042 (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Mandatory Periodic Retirement*" in this Section I)) shall be issued as term bonds with the maturity date of July 15, 2046, and shall bear interest (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Interest*" in this Section I) at the stated rate of interest of 4.000% per annum until maturity or prior redemption.

*Fourth Installment* — $42,855,000 in total aggregate principal amount of the Two Hundred Twenty-Fourth Series Bonds (which shall be subject to redemption prior to maturity (a) in whole, or, from time to time in part, at the Port Authority's option, beginning on July 15, 2031 (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Optional Redemption*" in this Section I) and (b) when necessary to meet the schedule of mandatory periodic retirement for the Fourth Installment beginning on July 15, 2047 (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Mandatory Periodic Retirement*" in this Section I)) shall be issued as term bonds with the maturity date of July 15, 2051, and shall bear interest (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Interest*" in this Section I) at the stated rate of interest of 4.000% per annum until maturity or prior redemption.

*Fifth Installment* — $27,545,000 in total aggregate principal amount of the Two Hundred Twenty-Fourth Series Bonds (which shall be subject to redemption prior to maturity (a) in whole, or, from time to time in part, at the Port Authority's option, beginning on July 15, 2031 (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Optional Redemption*" in this Section I) and (b) when necessary to meet the schedule of mandatory periodic retirement for the Fifth Installment beginning on July 15, 2052 (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Mandatory Periodic Retirement*" in this Section I)) shall be issued as term bonds with the maturity date of July 15, 2056, and shall bear interest (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Interest*" in this Section I) at the stated rate of interest of 5.000% per annum until maturity or prior redemption.

*Sixth Installment* — $59,605,000 in total aggregate principal amount of the Two Hundred Twenty-Fourth Series Bonds (which shall be subject to redemption prior to maturity (a) in whole, or, from time to time in part, at the Port Authority's option, beginning on July 15, 2031 (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Optional Redemption*" in this Section I) and (b) when necessary to meet the schedule of mandatory periodic retirement for the Sixth Installment beginning on July 15, 2057 (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Mandatory Periodic Retirement*" in this Section I)) shall be issued as term bonds with the maturity date of July 15, 2061, and shall bear interest (see "*Description of the Two Hundred Twenty-Fourth Series Bonds — Interest*" in this Section I) at the stated rate of interest of 4.000% per annum until maturity or prior redemption.

*Optional Redemption*

The Second, Third, Fourth, Fifth and Sixth Installments of the Two Hundred Twenty-Fourth Series Bonds shall be subject to redemption prior to maturity, in whole, or, from time to time in part, at the Port Authority's option, on prior notice on the date to be fixed for redemption in such notice, at 100% of face value on any such date of redemption beginning on July 15, 2031 and thereafter prior to maturity, plus accrued interest until the date fixed for redemption. If less than all of the bonds of the Second, Third, Fourth, Fifth and Sixth Installments of the Two Hundred Twenty-Fourth Series then outstanding are to be called for redemption at the option of the Port Authority, the bonds so to be called shall be in inverse order of maturity. If bonds constituting a particular maturity are to be called for redemption at the option of the Port Authority, but not all bonds constituting such maturity are to be called for redemption, the bonds so to be called shall be determined by lot by the Registrar.

*Mandatory Periodic Retirement*

*Third Installment* — The Third Installment shall be retired at or prior to maturity, by purchase, call or payment, by the mandatory periodic retirement dates and in at least the cumulative principal amounts shown on the following schedule of mandatory periodic retirement for the Third Installment:

| Mandatory Periodic Retirement Date | Cumulative Principal Amount |
|---|---|
| July 15, 2042 | $6,505,000 |
| July 15, 2043 | 13,270,000 |
| July 15, 2044 | 20,305,000 |
| July 15, 2045 | 27,620,000 |
| July 15, 2046† | 35,230,000 |

† stated maturity

When necessary to meet the schedule of mandatory periodic retirement for the Third Installment, the Third Installment shall be subject to redemption, on prior notice, on July 15, 2042 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption. If bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Third Installment, the bonds of the Third Installment so to be called shall be determined by lot by the Registrar.

*Fourth Installment* — The Fourth Installment shall be retired at or prior to maturity, by purchase, call or payment, by the mandatory periodic retirement dates and in at least the cumulative principal amounts shown on the following schedule of mandatory periodic retirement for the Fourth Installment:

| Mandatory Periodic Retirement Date | Cumulative Principal Amount |
|---|---|
| July 15, 2047 | $7,910,000 |
| July 15, 2048 | 16,140,000 |
| July 15, 2049 | 24,700,000 |
| July 15, 2050 | 33,600,000 |
| July 15, 2051† | 42,855,000 |

† stated maturity

When necessary to meet the schedule of mandatory periodic retirement for the Fourth Installment, the Fourth Installment shall be subject to redemption, on prior notice, on July 15, 2047 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption. If bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Fourth Installment, the bonds of the Fourth Installment so to be called shall be determined by lot by the Registrar.

*Fifth Installment* — The Fifth Installment shall be retired at or prior to maturity, by purchase, call or payment, by the mandatory periodic retirement dates and in at least the cumulative principal amounts shown on the following schedule of mandatory periodic retirement for the Fifth Installment:

| **Mandatory Periodic Retirement Date** | **Cumulative Principal Amount** |
|---|---|
| July 15, 2052 | $4,985,000 |
| July 15, 2053 | 10,220,000 |
| July 15, 2054 | 15,715,000 |
| July 15, 2055 | 21,485,000 |
| July 15, 2056† | 27,545,000 |

† stated maturity

When necessary to meet the schedule of mandatory periodic retirement for the Fifth Installment, the Fifth Installment shall be subject to redemption, on prior notice, on July 15, 2052 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption. If bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Fifth Installment, the bonds of the Fifth Installment so to be called shall be determined by lot by the Registrar.

*Sixth Installment* — The Sixth Installment shall be retired at or prior to maturity, by purchase, call or payment, by the mandatory periodic retirement dates and in at least the cumulative principal amounts shown on the following schedule of mandatory periodic retirement for the Sixth Installment:

| **Mandatory Periodic Retirement Date** | **Cumulative Principal Amount** |
|---|---|
| July 15, 2057 | $11,005,000 |
| July 15, 2058 | 22,450,000 |
| July 15, 2059 | 34,350,000 |
| July 15, 2060 | 46,730,000 |
| July 15, 2061† | 59,605,000 |

† stated maturity

When necessary to meet the schedule of mandatory periodic retirement for the Sixth Installment, the Sixth Installment shall be subject to redemption, on prior notice, on July 15, 2057 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption. If bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Sixth Installment, the bonds of the Sixth Installment so to be called shall be determined by lot by the Registrar.

*Interest*

Interest on each maturity of the Two Hundred Twenty-Fourth Series Bonds shall accrue on and after the date of delivery upon original issuance of the Two Hundred Twenty-Fourth Series Bonds until the maturity or, to the extent applicable, the prior redemption of such maturity, and shall be payable semiannually commencing on July 15, 2021 and on each January 15 and July 15 thereafter until the maturity or, to the extent applicable, the prior redemption of such maturity, at the stated rate of interest per annum specified for such maturity.

**Description of the Two Hundred Twenty-Fifth Series Bonds**

*Purposes*

The proceeds of the Two Hundred Twenty-Fifth Series Bonds may be allocated to any purpose for which at the time of issuance of the Two Hundred Twenty-Fifth Series Bonds the Port Authority is authorized by law to issue its obligations.

*Dated*

The Two Hundred Twenty-Fifth Series Bonds shall be dated as of the date of delivery upon original issuance of the Two Hundred Twenty-Fifth Series Bonds (see "*Delivery*" in this Section I).

*Maturity*

The Two Hundred Twenty-Fifth Series Bonds shall be comprised of $400,000,000 in total aggregate principal amount (which shall be subject to redemption prior to maturity (a) in whole, or, from time to time in part, at the Port Authority's option, beginning on July 15, 2031 (see "*Description of the Two Hundred Twenty-Fifth Series Bonds — Optional Redemption*" in this Section I) and (b) when necessary to meet the schedule of mandatory periodic retirement for the Two Hundred Twenty-Fifth Series Bonds beginning on July 15, 2057 (see "*Description of the Two Hundred Twenty-Fifth Series Bonds — Mandatory Periodic Retirement*" in this Section I)), shall be issued as a term bond with the maturity date of July 15, 2060, and shall bear interest (see "*Description of the Two Hundred Twenty-Fifth Series Bonds — Interest*" in this Section I) at the stated rate of interest of 3.175% per annum until maturity or prior redemption.

*Optional Redemption*

The Two Hundred Twenty-Fifth Series Bonds shall be subject to redemption prior to maturity, in whole, or, from time to time in part, at the Port Authority's option, on prior notice on the date to be fixed for redemption in such notice, at 100% of face value on any such date of redemption beginning on July 15, 2031 and thereafter prior to maturity, plus accrued interest until the date fixed for redemption. If bonds of the Two Hundred Twenty-Fifth Series are to be called for redemption at the option of the Port Authority, but not all of the Two Hundred Twenty-Fifth Series Bonds then outstanding are to be called for redemption, the bonds of the Two Hundred Twenty-Fifth Series so to be called shall be determined in accordance with the procedures set forth below at "*Description of the Two Hundred Twenty-Fifth Series Bonds — Mandatory Periodic Retirement*" in this Section I.

*Mandatory Periodic Retirement*

The Two Hundred Twenty-Fifth Series Bonds shall be retired at or prior to maturity, by purchase, call or payment, by the mandatory periodic retirement dates and in at least the cumulative principal amounts shown on the following schedule of mandatory periodic retirement for the Two Hundred Twenty-Fifth Series Bonds:

| **Mandatory Periodic Retirement Date** | **Cumulative Principal Amount** |
|---|---|
| July 15, 2057 | $95,360,000 |
| July 15, 2058 | 193,750,000 |
| July 15, 2059 | 295,265,000 |
| July 15, 2060† | 400,000,000 |

† stated maturity

When necessary to meet the schedule of mandatory periodic retirement for the Two Hundred Twenty-Fifth Series Bonds, the Two Hundred Twenty-Fifth Series Bonds shall be subject to redemption, on prior notice, on July 15, 2057 and on any July 15 thereafter until maturity at 100% of face value, plus accrued interest until the date fixed for redemption. If bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Two Hundred Twenty-Fifth Series Bonds, the bonds so to be called shall be determined by lot by the Registrar.

*Interest*

Interest on the Two Hundred Twenty-Fifth Series Bonds shall accrue on and after the date of delivery upon original issuance of the Two Hundred Twenty-Fifth Series Bonds until the maturity or, to the extent applicable, the prior redemption thereof, and shall be payable semiannually commencing on July 15, 2021 and on each January 15 and July 15 thereafter until the maturity or, to the extent applicable, the prior redemption thereof, at the stated rate of interest of 3.175% per annum.

**Description of the Two Hundred Twenty-Sixth Series Bonds**

*Purposes*

The proceeds of the Two Hundred Twenty-Sixth Series Bonds shall be allocated to the refunding, by purchase, call or other payment, of the Port Authority's Consolidated Bonds, One Hundred Sixty-Ninth Series on October 15, 2021, consistent with the characterization of the Two Hundred Twenty-Sixth Series Bonds as "qualified bonds" (which are "exempt facility bonds") determined under applicable federal tax principles.

*Dated*

The Two Hundred Twenty Sixth Series Bonds shall be dated as of the date of delivery upon original issuance of the Two Hundred Twenty Sixth Series Bonds (see "*Delivery*" in this Section I).

*Maturities*

The Two Hundred Twenty Sixth Series Bonds shall be comprised of $205,350,000 in total aggregate principal amount, which shall be issued in two installments as follows:

*First Installment* — $111,830,000 in total aggregate principal amount of the Two Hundred Twenty-Sixth Series Bonds (which shall not be subject to redemption prior to maturity) shall be issued as serial bonds with the maturity dates and in the principal amounts set forth below, and shall bear interest (see "*Description of the Two Hundred Twenty-Sixth Series Bonds — Interest*" in this Section I) at the respective stated rates of interest per annum set forth below until maturity.

| Maturity Date | Principal Amount | Stated Rate of Interest | Maturity Date | Principal Amount | Stated Rate of Interest |
|---|---|---|---|---|---|
| October 15, 2022 | $10,735,000 | 5.000% | October 15, 2027 | $15,150,000 | 5.000% |
| October 15, 2023 | 13,410,000 | 5.000 | October 15, 2028 | 15,660,000 | 5.000 |
| October 15, 2024 | 13,800,000 | 5.000 | October 15, 2030 | 6,920,000 | 5.000 |
| October 15, 2025 | 14,225,000 | 5.000 | October 15, 2031 | 7,260,000 | 5.000 |
| October 15, 2026 | 14,670,000 | 5.000 | | | |

*Second Installment* — $93,520,000 in total aggregate principal amount of the Two Hundred Twenty-Sixth Series Bonds (which shall be subject to redemption prior to maturity in whole, or, from time to time in part, at the Port Authority's option, beginning on October 15, 2031 (see "*Description of the Two Hundred Twenty-Sixth Series Bonds — Optional Redemption*" in this Section I)) shall be issued as serial bonds with the maturity dates and in the principal amounts set forth below, and shall bear interest (see "*Description of the Two Hundred Twenty-Sixth Series Bonds — Interest*" in this Section I) at the respective stated rates of interest per annum set forth below until maturity or prior redemption.

| Maturity Date | Principal Amount | Stated Rate of Interest | Maturity Date | Principal Amount | Stated Rate of Interest |
|---|---|---|---|---|---|
| October 15, 2032 | $7,620,000 | 5.000% | October 15, 2037 | $9,480,000 | 5.000% |
| October 15, 2033 | 7,960,000 | 5.000 | October 15, 2038 | 9,905,000 | 5.000 |
| October 15, 2034 | 8,320,000 | 5.000 | October 15, 2039 | 10,355,000 | 5.000 |
| October 15, 2035 | 8,685,000 | 5.000 | October 15, 2040 | 10,815,000 | 5.000 |
| October 15, 2036 | 9,080,000 | 5.000 | October 15, 2041 | 11,300,000 | 5.000 |

*Optional Redemption*

The Second Installment of the Two Hundred Twenty-Sixth Series Bonds shall be subject to redemption prior to maturity, in whole, or, from time to time in part, at the Port Authority's option, on prior notice on the date to be fixed for redemption in such notice, at 100% of face value on any such date of redemption beginning on October 15, 2031 and thereafter prior to maturity, plus accrued interest until the date fixed for redemption. If less than all of the bonds of the Second Installment of the Two Hundred Twenty-Sixth Series then outstanding are to be called for redemption at the option of the Port Authority, the bonds so to be called shall be in inverse order of maturity. If bonds constituting a particular maturity are to be called for redemption at the option of the Port Authority, but not all bonds constituting such maturity are to be called for redemption, the bonds so to be called shall be determined by lot by the Registrar.

*Interest*

Interest on each maturity of the Two Hundred Twenty-Sixth Series Bonds shall accrue on and after the date of delivery upon original issuance of the Two Hundred Twenty-Sixth Series Bonds until the maturity or, to the extent applicable, the prior redemption of such maturity, and shall be payable semiannually commencing on April 15, 2022 and on each October 15 and April 15 thereafter until the maturity or, to the extent applicable, the prior redemption of such maturity, at the stated rate of interest per annum specified for such maturity.

## Additional Information Pertaining to the Bonds

*Security*

The Bonds together with all other Consolidated Bonds of the Port Authority (within the meaning of the Consolidated Bond Resolution adopted by the Port Authority on October 9, 1952 (the "Consolidated Bond Resolution")) heretofore or hereafter issued are direct and general obligations of the Port Authority pledging the full faith and credit of the Port Authority for the payment of principal thereof and interest thereon. (See "*Consolidated Bond Resolution*" in Section III hereof.) The Bonds are secured equally and ratably with all other Consolidated Bonds heretofore or hereafter issued by a pledge of (a) the net revenues of all existing facilities of the Port Authority and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds (see "*General and Refunding, Air Terminal and Marine Terminal Bonds*" in Section III hereof, which states that the Port Authority has fully satisfied, when due, as scheduled, all debt service requirements on all prior lien bonds of the Port Authority), (b) the General Reserve Fund of the Port Authority equally with other obligations of the Port Authority secured by the General Reserve Fund (see "*General Reserve Fund*" in Section III hereof) and (c) the Consolidated Bond Reserve Fund established in connection with Consolidated Bonds (see "*Consolidated Bonds—Consolidated Bond Reserve Fund*" in Section III hereof).

*Denominations, Registration and Exchange*

The Bonds shall be in fully registered form, registered as to both principal and interest and not as to either alone. During the period in which a book-entry system is applicable to the Bonds, the sole registered holder of the Bonds shall be the Depository (as defined at "*Delivery*" in this Section I) or its nominee, and, unless otherwise determined by the Port Authority, the only authorized denominations for the Bonds shall be the aggregate principal amount of each maturity of the Bonds, as reduced from time to time prior to stated maturity in connection with redemptions or retirements with respect to such maturity. The only authorized denominations for beneficial ownership interests in the Bonds shall be $5,000 and integral multiples of $5,000. The book-entry system applicable to the Bonds with the Depository may be discontinued by either the Depository or the Port Authority. In the event the book-entry system is discontinued, if the Port Authority selects another qualified securities depository to become the Depository, the Registrar shall register and deliver a replacement bond for each maturity of the Bonds, fully registered in the name of such depository or its nominee, of like tenor of each maturity of the Bonds then outstanding, in accordance with instructions to be given by the depository to be replaced or its nominee, as registered holder of the Bonds. In the event the book-entry system is discontinued, if the Port Authority does not select another qualified securities depository to become the Depository, the Registrar shall register and deliver replacement bonds of like tenor of the Bonds then outstanding in the form of fully registered certificates, in denominations of $5,000 or integral multiples of $5,000 (which, in such event, shall be the only authorized denominations for the Bonds), in accordance with instructions to be given upon termination of the book-entry system applicable to the Bonds by the depository which had maintained such system or its nominee, as registered holder of the Bonds. In such event and thereafter, the Port Authority shall bear the cost incurred by the Port Authority in connection with the registration, authentication, transfer, cancellation, exchange and delivery of the Bonds, including such fees as may be imposed by the Registrar for such services performed by the Registrar.

With respect to certain global clearance procedures that may be applicable to the Bonds, "Clearstream" and "Euroclear" may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories. The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of the Depository.

*Payments*

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Principal of each maturity of the Bonds shall be payable at the maturity or, to the extent applicable, the prior redemption of such maturity, upon presentation and surrender of the affected bonds by the registered holders thereof, at the office or offices, designated by the Port Authority, of the Paying Agent appointed by the Port Authority for the Bonds, in a county in whole or in part in the Port District. Interest on the Bonds, which shall be computed on the basis of a 360-day year comprised of twelve 30-day months, shall be payable when due, to the registered holders of the Bonds by check or draft drawn on the Paying Agent appointed for the purpose by the Port Authority and mailed to said registered holders at their last known addresses as appearing on the Port Authority's Registry Books for the Bonds. During the period in which the Depository or its nominee is the sole registered holder of the Bonds, payments with respect to the Bonds shall be made to the Depository or its nominee, as sole registered holder of the Bonds, pursuant to arrangements with respect thereto between the Port Authority and the Depository or its nominee; disbursal of such payments to the Depository's participants is the responsibility of the Depository, and disbursal of such payments to the individual purchasers of beneficial ownership interests in the Bonds is the responsibility of the Depository's participants.

*Notices of Redemption*

During the period in which the Depository or its nominee is the sole registered holder of the Bonds, any notice of redemption to be provided by the Port Authority shall be provided solely by mail to the Depository or its nominee, as sole registered holder of the Bonds, pursuant to arrangements with respect thereto between the Port Authority and the Depository, without requirement of publication of such notice; provision of such notice to the Depository's participants is the responsibility of the Depository and provision of such notice to the individual purchasers of beneficial ownership interests in the Bonds is the responsibility of the Depository's participants. During any period in which the Depository or its nominee is not the sole registered holder of the Bonds, any such notices to be provided by the Port Authority shall be provided to the registered holders of the Bonds in the manner set forth in the resolution adopted July 26, 2018 by the Board of Commissioners, pertaining to the establishment and the authorization of the issuance of the Bonds (which appears in Section VI hereof, "*Bond Resolutions and Legal Opinion*").

*Tax Matters—Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds*

<u>*Federal Income and State and Local Tax Exemption*</u>. In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") (other than with respect to the Two Hundred Twenty-Third Series Bonds or Two Hundred Twenty-Sixth Series Bonds for a recipient that is a substantial user (or related person thereto) of facilities provided from the proceeds of the Two Hundred Twenty-Third Series Bonds or Two Hundred Twenty-Sixth Series Bonds within the meaning of Section 147(a) of the Code and the regulations thereunder). Bond Counsel is of the opinion that interest on the Two Hundred Twenty-Third Series Bonds and Two Hundred Twenty-Sixth Series Bonds is a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is of the opinion that interest on the Two Hundred Twenty-Fourth Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is of the opinion that the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds

and the interest thereon are exempt from any and all taxation (except estate, inheritance and gift taxes) imposed directly thereon by the States of New York and New Jersey or by any political subdivision thereof. A complete copy of the proposed form of opinion of Bond Counsel is set forth at "*Forms of Legal Opinion of Bond Counsel*" in Section VI hereof. Bond Counsel notes that its delivery of the foregoing opinions with respect to the Two Hundred Twenty-Sixth Series Bonds shall occur upon issuance of the Two Hundred Twenty-Sixth Series Bonds, subject to satisfaction of the Port Authority of obligations under documents described herein, on laws in effect at the time of issuance of the Two Hundred Twenty-Sixth Series Bonds, and upon confirmation of certain factual and legal matters and delivery of certain documents in connection with and at the time of issuance of such Two Hundred Twenty-Sixth Series Bonds.

*Tax Certificate*. In connection with the delivery upon original issuance of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds, an Authorized Officer of the Port Authority shall provide, as part of the record of proceedings with respect to the issuance of such series of the Bonds, a certificate as to the use, investment and disposition of proceeds of, and other actions to be taken in connection with, such Bonds (respectively, the "Tax Certificate"). Among other matters set forth therein, the Port Authority shall agree in the Tax Certificate that it will neither take any actions nor fail to take any actions that will cause interest on the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds to be includible, for federal income tax purposes, in the gross income of the recipients thereof under Section 103 of the Code, and the regulations thereunder (other than a recipient that is a substantial user (or a related person thereto) of facilities provided from the proceeds of the Two Hundred Twenty-Third Series Bonds or Two Hundred Twenty-Sixth Series Bonds within the meaning of Section 147(a) of the Code and the regulations thereunder), or, with respect to the Two Hundred Twenty-Fourth Series Bonds, to be treated as a preference item in calculating the alternative minimum tax under Section 57 of the Code and the regulations thereunder. Inaccuracy of these certifications or failure to comply with these covenants may result in interest on the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds.

*Certain Federal Tax Matters*. The Code provides for interest on state and local government obligations, such as the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds, to be taken into account in computing certain elements of individual and corporate taxes that may affect a beneficial owner's federal, state or local tax liability, including without limitation, the foreign corporations branch profits tax and income taxes on a portion of social security or railroad retirement benefits for individuals. The nature and extent of the federal income tax consequences of these provisions, as well as the original issue discount provisions of the Code, depend on the particular federal income tax status of the individual or corporate taxpayer and the taxpayer's other items of income or deduction. Bond Counsel expresses no opinion regarding any such federal income tax consequences.

The Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds may be issued with original issue discount ("OID"). OID is the excess of the stated redemption price at maturity of a bond over the initial public offering price of the bond at which a substantial amount of such maturity of the bonds is sold to the public. The OID with respect to any maturity of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds accrues daily over the term to maturity of such Bond on the basis of a constant interest rate compounded semiannually. The amount of accrued OID that is properly allocable to each beneficial owner of such Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds is treated as interest on such Bonds which is excluded from gross income for federal income tax purposes and is added to the adjusted basis of such Bonds to determine gain or loss upon disposition. Beneficial owners of Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds having OID.

Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The opinion of Bond Counsel assumes the accuracy of the certifications and compliance with the covenants set forth in the Tax Certificate (see "*Tax Certificate*" in this Section I). Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds may adversely affect the value of, or the tax status of interest on, the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters. (See "*Forms of Legal Opinion of Bond Counsel*" in Section VI hereof.)

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Port Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. Contemporaneously with the issuance of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds, the Port Authority will covenant, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds ends with the issuance of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Port Authority or the beneficial owners regarding the tax-exempt status of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Port Authority and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the Port Authority legitimately disagrees may not be practicable. Any action of the

IRS, including but not limited to selection of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues may affect the market price for, or the marketability of, the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds, and may cause the Port Authority or the beneficial owners to incur significant expense.

Federal Tax Legislation. Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds. Prospective purchasers of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Sixth Series Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

*Tax Matters—Two Hundred Twenty-Fifth Series Bonds*

State and Local Tax Exemption and Federal Income Taxability. In the opinion of Bond Counsel, based upon an analysis of existing law, regulations, rulings and court decisions, the Two Hundred Twenty-Fifth Series Bonds and interest thereon are exempt from any and all taxation (except estate, inheritance and gift taxes) imposed directly thereon by the States of New York and New Jersey or by any political subdivision thereof, to the extent and as set forth in the legal opinion of Bond Counsel, to be rendered on the date and substantially in the form set forth at "*Forms of Legal Opinion of Bond Counsel*" in Section VI hereof.

Bond Counsel is of the opinion that interest on the Two Hundred Twenty-Fifth Series Bonds is not excluded from gross income for federal income tax purposes under Section 103(a) of the Code. No other opinion will be expressed by Bond Counsel with respect to the consequences of the acquisition, ownership, sale, exchange, redemption, retirement or other disposition of the Two Hundred Twenty-Fifth Series Bonds arising under the Code. (See "*Forms of Legal Opinion of Bond Counsel*" in Section VI hereof.)

Certain Tax Considerations. The following discussion summarizes certain U.S. federal income tax considerations generally applicable to beneficial owners of the Two Hundred Twenty-Fifth Series Bonds that acquire such Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect, and applicable on the date hereof, all of which are subject to change, possibly with retroactive effect. Further, the following discussion does not deal with all U.S. tax considerations applicable to beneficial owners of the Two Hundred Twenty-Fifth Series Bonds or to categories of beneficial owners some of which may be subject to special taxing rules, such as certain U.S. expatriates, banks, real estate investment trusts (REITs), regulated investment companies (RICs), insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, beneficial owners that hold their Two Hundred Twenty-Fifth Series Bonds (x) as part of a hedge, straddle or an integrated or conversion transaction or (y) through a non-U.S. entity, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the taxes imposed under Section 1411 of the Code or (iii) the indirect effects on persons who hold equity interests in a beneficial owner. In addition, this summary generally is limited to beneficial owners that acquire their Two Hundred Twenty-Fifth Series Bonds pursuant to this offering for the issue price that is applicable to such Bonds (i.e., the price at which a substantial amount of the Bonds are sold to the public) and who hold their Two Hundred Twenty-Fifth Series Bonds as "capital assets" within the meaning of Section 1221 of the Code. This summary does not address tax considerations applicable to beneficial owners of the Two Hundred Twenty-Fifth Series Bonds that are not U.S. persons for U.S. federal income tax purposes.

Interest on the Two Hundred Twenty-Fifth Series Bonds generally will be taxable as ordinary interest income at the time such amounts are accrued or received, in accordance with the beneficial owner's method of accounting for U.S. federal income tax purposes.

The Two Hundred Twenty-Fifth Series Bonds may be issued with OID. OID is the excess of the stated redemption price at maturity of a bond over the initial public offering price of the bond at which a substantial amount of such maturity of the bonds is sold to the public. The OID with respect to the Two Hundred Twenty-Fifth Series Bonds accrues daily over the term to maturity of such bond on the basis of a constant interest rate compounded semiannually. The amount of accrued OID that is properly allocable to each beneficial owner of such bond is treated as interest on such bond and is added to the adjusted basis of such Bond for purposes of determining gain or loss upon disposition. Interest that is payable at least annually over the term of such bonds is not added to the adjusted basis of the Bonds for purposes of determining gain or loss upon disposition. Beneficial owners of Two Hundred Twenty-Fifth Series Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Two Hundred Twenty-Fifth Series Bonds having OID.

Two Hundred Twenty-Fifth Series Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as having amortizable bond premium. A beneficial owner of a Two Hundred Twenty-Fifth Series Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such beneficial owner, to amortize such premium, using a constant yield method over the term of such Bond. Beneficial owners of a Two Hundred Twenty-Fifth Series Bond purchased at a premium should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

*Legality for Investment and Eligibility for Deposit in the States of New York and New Jersey*

Under existing legislation in the States of New York and New Jersey, the Bonds are legal for investment for state and municipal officers, banks and savings banks, insurance companies, trustees and other fiduciaries in the States of New York and New Jersey and are eligible for deposit with state or municipal officers or agencies of the States of New York and New Jersey for any purpose for which the bonds or other obligations of the States of New York and New Jersey may be deposited.

*Registrar*

During the period for which a book-entry system is applicable to the Bonds, the Port Authority shall function as Registrar for the Bonds.

*Paying Agent*

During the period for which a book-entry system is applicable to the Bonds, the Port Authority shall function as Paying Agent for the Bonds.

*Trustee*

The Bank of New York Mellon, New York, N.Y.

The Trustee is authorized, under Section 8 of the resolution adopted July 26, 2018 by the Board of Commissioners, pertaining to the establishment and the authorization of the issuance of the Bonds (which appears at "*Resolution Establishing and Authorizing the Issuance of Certain Series of Consolidated Bonds Commencing with the Two Hundred Twelfth Series*" in Section VI hereof), to (i) institute any action or proceeding on behalf of the registered holders of the Bonds against the Port Authority or others, or (ii) intervene in any pending action or proceeding, or (iii) take any other action which it shall in its sole discretion determine to be necessary or advisable in order to protect the rights of the registered holders of the Bonds. The rights of the Trustee in this respect and in all other respects shall be in addition to and not in substitution of any and all rights which would otherwise inure to the registered holders of the Bonds. It is understood that the Trustee in its sole discretion may, but shall be under no obligation to, review the activities or operations of the Port Authority or any of the contracts or agreements of the Port Authority or exercise any of the rights or powers vested in it by Section 8 of such resolution, whether on the Trustee's initiative or at the request or direction of any of the registered holders of the Bonds. Additionally, the rights and responsibilities of the Trustee and the provisions with respect to the resignation by or removal of the Trustee are set forth in Section 8 of such resolution.

The Bank of New York Mellon currently serves as trustee for all outstanding series of Consolidated Bonds under the resolutions establishing such series.

*Bond Counsel*

Orrick, Herrington & Sutcliffe LLP (See "*Forms of Legal Opinion of Bond Counsel*" in Section VI hereof.)

*Disclosure Counsel*

Orrick, Herrington & Sutcliffe LLP

*Financial Advisor to the Port Authority*

Frasca & Associates, LLC

*Independent Auditors*

The financial statements of the Port Authority as of and for the years ended December 31, 2019 and December 31, 2018 have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein (see Appendix A hereto). KPMG LLP has performed no procedures over the information contained in the unaudited Condensed Enterprise Fund Financial Statements as of and for the nine-month period ended September 30, 2020, which appears in Appendix B hereto.

*Underwriters*

As set forth on the cover of this Official Statement (the "Underwriters").

*Underwriters' Counsel*

Nixon Peabody LLP

*Contracts with Registered Holders of the Bonds*

The Consolidated Bond Resolution (which appears at "*Consolidated Bond Resolution*" in Section III hereof), and the resolution pertaining to the establishment and the authorization of the issuance of the Bonds (which appears at "*Resolution Establishing and Authorizing the Issuance of Certain Series of Consolidated Bonds Commencing with the Two Hundred Twelfth Series*" in Section VI hereof), constitute contracts with the holders in whose names the Bonds are registered on the books and records of the Registrar. During the period in which a book-entry system is applicable to the Bonds, the Depository or its nominee shall be the only registered holder of the Bonds.

In connection with the acceptance by an Authorized Officer of the Port Authority of an offer to purchase the Bonds from the Underwriters, represented by the Bond Purchase Agreement or the Forward Delivery Agreement, as applicable (each as defined at "*Underwriting*" in this Section I), the terms of the Bonds, including among other matters, the stated rate of interest with respect to each maturity of the Bonds, have been established, fixed and determined, and the provisions of the resolution pertaining to the establishment and the authorization of the issuance of the Bonds (which appears at "*Resolution Establishing and Authorizing the Issuance of Certain Series of Consolidated Bonds Commencing with the Two Hundred Twelfth Series*" in Section VI hereof) have been changed and adjusted, to the extent required, to conform the terms of the Bonds to the summary description of the Bonds as set forth in and pursuant to the Bond Purchase Agreement or the Forward Delivery Agreement, as applicable, with respect to such Bonds; such description is reflected at "*Description of the Bonds*" and "*Additional Information Pertaining to the Bonds*" in this Section I.

*Delivery*

The Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Fifth Series Bonds shall be available for delivery upon original issuance on or about February 5, 2021. The Two Hundred Twenty-Sixth Series Bonds shall be available for delivery upon original issuance on or about July 20, 2021. (See "*Delayed Delivery of the Two Hundred Twenty-Sixth Series Bonds*") in this Section I.) All proceedings pertaining to, and the issuance of, the Bonds are subject to the sole unqualified approving legal opinion of Bond Counsel. In connection with the delivery upon original issuance of the Bonds by the Port Authority, Bond Counsel shall render a legal opinion on such applicable date of delivery, substantially in the form set forth at "*Forms of Legal Opinion of Bond Counsel*" in Section VI hereof.

The Bonds shall be delivered upon original issuance as one fully registered bond for each maturity of the Bonds, in the aggregate principal amount of such maturity, registered in the name of a qualified securities depository or its nominee as sole registered holder of the Bonds. It is presently expected that The Depository Trust Company, New York, N.Y., or its nominee, shall be the sole registered holder of the Bonds at delivery upon original issuance. At the time of such delivery, the Bonds shall be deposited with such depository (or such other qualified securities depository or its nominee, selected by the Port Authority on or prior to such date), and such depository together with any qualified securities depository selected thereafter by the Port Authority with respect to the book-entry system applicable to the Bonds (the "Depository") shall be an automated depository for securities and clearinghouse for securities transactions and shall be responsible for maintaining a book-entry system for recording the ownership interests in the Bonds of its participants, and the transfers of such interests among its participants. The participants of the

Depository will generally include certain banks, trust companies and securities dealers, and such participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers in the Bonds. Individual purchases of beneficial ownership interests in the Bonds may only be made through book entries (without certificates issued by the Port Authority) made on the books and records of the Depository and its participants in denominations of $5,000 and integral multiples of $5,000. Fees imposed by a securities depository in connection with a book-entry system are generally borne by the participants of the securities depository. In the event that The Depository Trust Company or such other qualified securities depository is not selected by the Port Authority on or prior to the date of delivery upon original issuance of the Bonds, the Bonds shall be delivered upon original issuance in the form of fully registered certificates, in denominations of $5,000 and integral multiples of $5,000, in accordance with instructions to be given by the Underwriters.

**Delayed Delivery of the Two Hundred Twenty-Sixth Series Bonds**

The Two Hundred Twenty-Sixth Series Bonds will not be delivered until on or about July 20, 2021 (the "Delayed Delivery Closing Date"). The Underwriters have agreed to purchase the Two Hundred Twenty-Sixth Series Bonds pursuant to a Forward Delivery Bond Purchase Agreement (the "Forward Delivery Agreement") entered into on January 21, 2021, between the Port Authority, as issuer, and BofA Securities, Inc., as representative of the Underwriters (the "Representative"). The following is a description of certain provisions of the Forward Delivery Agreement. This description is not to be considered a full statement of the terms of the Forward Delivery Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof.

*Purchase and Sale*

Pursuant to the Forward Delivery Agreement, subject to certain conditions, the Underwriters agree to purchase the Two Hundred Twenty-Sixth Series Bonds on the Delayed Delivery Closing Date and the Port Authority agrees to deliver the Two Hundred Twenty-Sixth Series Bonds for purchase by the Underwriters on the Delayed Delivery Closing Date. The Forward Delivery Agreement provides that the Port Authority will sell and deliver to the Underwriters, and the Underwriters will purchase from the Port Authority, all, but not less than all, of the Two Hundred Twenty-Sixth Series Bonds for the purchase price set forth therein. The Forward Delivery Agreement also provides that the Port Authority is to deliver certain documents to the Underwriters on or about February 5, 2021 (the "Initial Closing Date"). Unless waived by the Underwriters, if the Port Authority fails to deliver the documents to be delivered by it on the Initial Closing Date or the Delayed Delivery Closing Date or the other conditions to be satisfied by the Initial Closing Date or the Delayed Delivery Closing Date are not met, the Underwriters will not be obligated to purchase the Two Hundred Twenty-Sixth Series Bonds on the Delayed Delivery Closing Date. If the conditions to be satisfied by the Initial Closing Date and the Delayed Delivery Closing Date are met or the Underwriters waive the failure to meet such conditions, the Underwriters will be obligated to purchase the Two Hundred Twenty-Sixth Series Bonds on the Delayed Delivery Closing Date.

*Delayed Delivery Closing Date*

At the Delayed Delivery Closing Date, subject to the satisfaction or waiver by the Underwriters of the conditions in the Forward Delivery Agreement (several of which are described below), the Underwriters will be required to purchase the Two Hundred Twenty-Sixth Series Bonds for the purchase price and the Port Authority will deliver the Two Hundred Twenty-Sixth Series Bonds in the manner described in "*Delivery*" in this Section I.

The Underwriters' obligation to purchase the Two Hundred Twenty-Sixth Series Bonds on the Delayed Delivery Closing Date is subject to certain conditions, including (without limitation): (a) delivery of the unqualified approving opinion of Bond Counsel, dated as of the Delayed Delivery Closing Date, in substantially the form set forth in "*Forms of Legal Opinion of Bond Counsel*" in Section VI hereof; (b) no suspension or withdrawal of any rating by Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P"), or Fitch Ratings ("Fitch") of any debt securities issued by the Port Authority shall have occurred, including the Two Hundred Twenty-Sixth Series Bonds; and (c) the satisfaction of other conditions set forth in the Forward Delivery Agreement as of the Delayed Delivery Closing Date.

Failure to complete the requirements for the Delayed Delivery Closing Date, including failure of any party to deliver any of the documents in the form and substance provided for in the Forward Delivery Agreement (unless such failure is waived by the Underwriters), will mean that the Two Hundred Twenty-Sixth Series Bonds will not be issued and delivered. The Underwriters have the right, but are under no obligation, to waive any such failure.

*Agreement of Purchasers*

**By submitting an order for the Two Hundred Twenty-Sixth Series Bonds, every purchaser (each, a "Purchaser") shall be deemed to have committed to purchase its allotted share of the Two Hundred Twenty-Sixth Series Bonds (the "Purchased Bonds").**

By submission of its order, the Purchaser confirms that it has reviewed this Official Statement, has considered the risks associated with purchasing the Purchased Bonds and is duly authorized to purchase the Purchased Bonds. The Purchaser understands that the Purchased Bonds are being sold on a "forward" basis, and the Purchaser will purchase and agree to accept delivery of such Purchased Bonds from the Underwriters on or about the Delayed Delivery Closing Date, pursuant to the Forward Delivery Agreement.

Upon issuance by the Port Authority of the Two Hundred Twenty-Sixth Series Bonds and purchase thereof by the Underwriters, the obligation of the Purchaser to take delivery of the Purchased Bonds shall be unconditional unless the Representative terminates the Forward Delivery Agreement prior to the Delayed Delivery Closing Date as described below under "*Termination of Forward Delivery Agreement*." The obligations of the Underwriters to accept delivery of and pay for the Two Hundred Twenty-Sixth Series Bonds on the Delayed Delivery Closing Date shall be subject to the satisfaction of the closing conditions set forth in the Forward Delivery Agreement and to the performance by the Port Authority of its obligations to be performed thereunder at or prior to the Delayed Delivery Closing Date.

**Except as otherwise described above or in the Forward Delivery Agreement, by submission of its order, the Purchaser shall be deemed to acknowledge and agree that it will not be able to withdraw its order and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Bonds on the Delayed Delivery Closing Date because of market or credit changes. The Purchaser shall be deemed to acknowledge and agree that it will remain obligated to purchase the Purchased Bonds in accordance with the terms hereof even if the Purchaser decides to sell such Purchased Bonds after the date of this Official Statement.**

*Termination of Forward Delivery Agreement*

The Forward Delivery Agreement provides that the Underwriters may (but are not required to) terminate the Forward Delivery Agreement by notification to the Port Authority if at any time subsequent to the Initial Closing Date and at or prior to the Delayed Delivery Closing Date:

(1) legislation shall be enacted by the Congress of the United States of America or adopted by or favorably reported to either House thereof or a decision by a court of the United States of America or the United States Tax Court shall be rendered, or a ruling or regulation (final or temporary) or statement by or on behalf of the United States Department of the Treasury or the Internal Revenue Service shall be issued or made, and, in the case of any such regulation, published in the Federal Register, which would have the effect of imposing federal income taxation upon the receipt of interest on obligations of the general character of the Two Hundred Twenty-Sixth Series Bonds in the hands of the recipients thereof;

(2) legislation shall be enacted by the Congress of the United States of America or adopted by or favorably reported to either House thereof or a decision by a court of the United States of America shall be rendered or a ruling, regulation, order or official rule (final or temporary) of the Securities and Exchange Commission shall be issued or made, and in the case of any such regulation, published in the Federal Register, to the effect that the issuance, offering or sale of obligations of the general character of the Two Hundred Twenty-Sixth Series Bonds under the process contemplated in the Forward Delivery Agreement for the Two Hundred Twenty-Sixth Series Bonds, would be a violation of any provisions of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, the Trust Indenture Act of 1939, as amended and as then in effect, or any rule or regulation promulgated under any such Acts;

(3) a suspension or withdrawal of any rating by Moody's, S&P, or Fitch of any debt securities issued by the Port Authority shall have occurred, including the Two Hundred Twenty-Sixth Series Bonds;

(4) Bond Counsel determines that, for any reason, Bond Counsel will not be able to render its approving opinion for the Two Hundred Twenty-Sixth Series Bonds; or

(5) any event shall have occurred or shall exist which makes untrue or incorrect, as of such time (not more than 25 days and not less than 10 days prior to the Delayed Delivery Closing), in any material respect, any material statement or material information contained in the Updated Official Statement (as defined below) or which is not reflected in the Updated Official Statement, but should be reflected in the Updated Official Statement in order to make such material statements and material information contained in the Updated Official Statement not misleading as of such time; provided, however, that certain certificates to be delivered by the Port Authority pursuant to the Forward Delivery Agreement shall be dispositive of the determination as to whether any such event shall have occurred or shall exist; *provided further*, *however*, that the Underwriters shall circulate to investors any supplement or amendment to the Updated Official Statement furnished by the Port Authority, upon the request of the Representative or in the discretion of the Authority, to reflect such event, and the Underwriters shall only be entitled to terminate the Forward Delivery Agreement as described in this clause (5) if (i) the request for the supplement or amendment to the Updated Official Statement by the Representative is not honored or (ii) as a result of the circulation of the supplement or amendment to the Updated Official Statement, in the reasonable opinion of the Representative, the ability of the Underwriters to have investors purchase and accept delivery of the Two Hundred Twenty-Sixth Series Bonds is materially and adversely affected.

In addition, either the Port Authority or the Underwriters shall have the independent right to terminate the Forward Delivery Agreement by notice to the other if as of the Delayed Delivery Closing Date there shall be any litigation pending or threatened in writing against the Port Authority restraining or enjoining the issuance or delivery of the Two Hundred Twenty-Sixth Series Bonds or questioning the proceedings taken for the issuance of the Two Hundred Twenty-Sixth Series Bonds, or restraining the power and authority of the officers of the Port Authority to fix and collect tolls and charges for the use of the facilities of the Port Authority sufficient to provide for the payment of the principal of and interest on the Two Hundred Twenty-Sixth Series Bonds, or affecting the validity of the Two Hundred Twenty-Sixth Series

Bonds thereunder, or contesting the corporate existence of the Port Authority or the boundaries of the Port District, or the title of any present officer of the Port Authority to their respective office, except any such litigation as, in the opinion of General Counsel of the Port Authority, and/or his designee, is without merit.

*Port Authority's Obligation to Update Certain Information in this Official Statement*

In the Forward Delivery Agreement, the Port Authority agrees that if between the date of this Official Statement and the Delayed Delivery Closing Date, any event occurs which would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and if in the opinion of the Port Authority or the Underwriters such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Port Authority will cause the Official Statement to be amended or supplemented in a form approved by the Underwriters and satisfactory to the Port Authority.

Notwithstanding any prior amendments or supplements to this Official Statement made pursuant to the Forward Delivery Agreement, the Port Authority has agreed in the Forward Delivery Agreement that it will prepare an updated Official Statement relating to the Two Hundred Twenty-Sixth Series Bonds, which may be in the form of a supplement to the Official Statement (the "Updated Official Statement") dated a date not more than 25 days and not less than 10 days prior to the Delayed Delivery Closing Date relating to the Two Hundred Twenty-Sixth Series Bonds in a form approved by the Underwriters and satisfactory to the Port Authority. The Updated Official Statement, as of such date, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

*Certain Considerations*

Delivery of Bond Counsel Opinion. Issuance and delivery of the Two Hundred Twenty-Sixth Series Bonds will be dependent upon the receipt by the Port Authority of the opinion of Bond Counsel in substantially the form set forth in "*Forms of Legal Opinion of Bond Counsel*" in Section VI hereof and of certain other documents required by the Forward Delivery Agreement, and payment of the purchase price by the Underwriters in accordance with the Forward Delivery Agreement.

Bond Counsel could be prevented from rendering its opinion on the Delayed Delivery Closing Date with respect to the Two Hundred Twenty-Sixth Series Bonds as a result of (i) changes or proposed changes, prior to the Delayed Delivery Closing Date, in federal or New York state laws, court decisions, regulations or proposed regulations, or rulings of administrative agencies or (ii) the failure of the Port Authority to provide closing documents, satisfactory to Bond Counsel, of the type customarily required in connection with the issuance of tax exempt bonds, such as certificates to the effect that the resolutions of the Port Authority with respect to the issuance of the Two Hundred Twenty-Sixth Series Bonds have not been amended or repealed in a manner detrimental to holders of the Two Hundred Twenty-Sixth Series Bonds, by executive, legislative or administrative action.

Ratings Risk. No assurances can be given that the ratings assigned to the Two Hundred Twenty-Sixth Series Bonds on the Delayed Delivery Closing Date will not be different from those currently assigned to the Two Hundred Twenty-Sixth Series Bonds. Issuance of the Two Hundred Twenty-Sixth Series Bonds and the obligations of the Underwriters under the Forward Delivery Agreement are not conditioned upon the assignment of any particular ratings to the Two Hundred Twenty-Sixth Series Bonds or the maintenance of the initial ratings assigned to the Two Hundred Twenty-Sixth Series Bonds.

Secondary Market Risk. The Underwriters are not obligated to make a secondary market in the Two Hundred Twenty-Sixth Series Bonds and no assurance can be given that a secondary market will exist for the Two Hundred Twenty-Sixth Series Bonds, including prior to the Delayed Delivery Closing Date. Prospective purchasers of the Two Hundred Twenty-Sixth Series Bonds should assume that there will be no secondary market prior to the Delayed Delivery Closing Date.

Market Value Risk. The market value of the Two Hundred Twenty-Sixth Series Bonds as of the Delayed Delivery Closing Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings on the Two Hundred Twenty-Sixth Series Bonds, the financial condition and business operations of the Port Authority and federal and state income tax and other laws. Thus, the market value of the Two Hundred Twenty-Sixth Series Bonds on the Delayed Delivery Closing Date could be greater or less than the agreed purchase price and that difference could be substantial. Neither the Port Authority nor the Underwriters makes any representation as to the market value of the Two Hundred Twenty-Sixth Series Bonds as of the Delayed Delivery Closing Date.

## SEC Settlement and Certain Other Matters

The United States Securities and Exchange Commission ("SEC") conducted a formal investigation into disclosures by the Port Authority in Official Statements issued in January 2012, December 2012, November 2013 and June 2014 concerning the funding by the Port Authority of a portion of the costs of the Route 1&9 Pulaski Skyway, Route 139 (Hoboken and Conrail Viaducts), Route 7 Hackensack River (Wittpenn) Bridge, and Route 1&9T (New Road) projects (collectively, the "Roadway Projects"). The Port Authority reached a settlement with the SEC, embodied in a consent order entered on January 10, 2017 (the "Order"), that it understands resolves this investigation. The Port Authority acknowledged pursuant to the settlement that it "was negligent for failing to disclose" in the relevant Official Statements certain "risks relating to statutory authority with respect to the Roadway Projects" and that its conduct "violated Sections 17(a)(2) and 17(a)(3) of the Securities Act [of 1933]." The principal terms of the settlement are set forth below. The Order is available at https://emma.msrb.org/ER1034388-ER792161-ER1193627.pdf.

Under the settlement, the Port Authority agreed to pay a $400,000 civil monetary penalty which has been timely paid. In addition, the Port Authority agreed to certain procedural changes as they relate to disclosures concerning legal and governance risks in connection with municipal securities offerings. These procedural changes included adoption on December 11, 2017 of written policies and procedures relating to bond offering disclosures, and adoption on December 8, 2017 of a policy requiring the Port Authority's Law Department to certify in writing to the Port Authority's Board of Commissioners that any proposed expenditure of the Port Authority's funds presented to the Board for approval is legally authorized and, with respect to any expenditure of Port Authority funds exceeding $50 million to provide the Board of Commissioners with a legal opinion that such expenditure is legally authorized.

In addition to the SEC investigation described above, over the last several years the Port Authority has received subpoenas and requests for documents from the United States Attorney's Office for the District of New Jersey, the District Attorney of the County of New York, the New Jersey Legislative Select Committee on Investigation and the New Jersey State Ethics Commission in connection with certain investigations. The Port Authority believes that such investigations are concluded or inactive with respect to the Port Authority.

## Claims and Certain Litigation Against the Port Authority

In 1951, the States of New York and New Jersey adopted legislation consenting to a waiver of certain of the Port Authority's immunities from suit and from liability, subject to, among other requirements in specific cases, the filing of a valid and timely notice of claim in an action for money damages and commencement of suit in all actions within one year from the date the cause of action accrues. Material litigation pending against the Port Authority is described in this Official Statement together with the Port Authority facility to which it relates. The Port Authority believes its financial resources, including public liability insurance policies, are adequate to satisfy any recovery for damages against it under litigation currently pending or threatened in writing, without material adverse effect on its business as a whole.

## Certificate with Respect to Litigation

In connection with the delivery upon original issuance of the Bonds, an Authorized Officer of the Port Authority shall provide, as part of the record of proceedings with respect to the issuance of the Bonds, a certificate to the effect that no litigation of any nature is now pending or threatened in writing against the Port Authority, restraining or enjoining the issuance or delivery of the Bonds, or questioning the proceedings taken for the issuance of the Bonds, or restraining the power and authority of the officers of the Port Authority to fix and collect tolls and charges for the use of the facilities of the Port Authority sufficient to provide for the payment of the principal of and interest on the Bonds, or affecting the validity of the Bonds thereunder; and that neither the corporate existence of the Port Authority, nor the boundaries of the Port District, nor the title of any present officer of the Port Authority to their respective office is being contested.

**Underwriting**

The Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Fifth Series Bonds shall be purchased pursuant to a bond purchase agreement (the "Bond Purchase Agreement") dated January 21, 2021, by the Underwriters, for which BofA Securities, Inc. is acting as the representative, at a purchase price for: (i) the Two Hundred Twenty-Third Series Bonds equal to $578,639,126.30 (reflecting an Underwriters' discount totaling $1,703,719.20), (ii) the Two Hundred Twenty-Fourth Series Bonds equal to $518,313,704.56 (reflecting an Underwriters' discount totaling $1,630,978.94) and (iii) the Two Hundred Twenty-Fifth Series Bonds equal to $398,447,041.00 (reflecting an Underwriters' discount totaling $1,552,959.00). The Two Hundred Twenty-Sixth Series Bonds shall be purchased pursuant to the Forward Delivery Agreement, dated January 21, 2021, by the Underwriters, for which BofA Securities, Inc. is acting as the representative, at a purchase price for the Two Hundred Twenty-Sixth Series Bonds equal to $253,141,528.51 (reflecting an Underwriters' discount totaling $641,602.99).

This section provides certain information with respect to the Bond Purchase Agreement and the Forward Delivery Agreement. This information does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Bond Purchase Agreement and the Forward Delivery Agreement executed by the Underwriters and the Port Authority. No attempt is made herein to summarize the Bond Purchase Agreement. The Bond Purchase Agreement and the Forward Delivery Agreement may be examined on reasonable prior notice at the office of the Secretary of the Port Authority during regular business hours on and after the date of its execution. For additional information with respect to the Forward Delivery Agreement, see "*Delayed Delivery of the Two Hundred Twenty-Sixth Series Bonds*" in Section I hereof.

Under the Bond Purchase Agreement, the Underwriters shall pay the purchase price for the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Fifth Bonds and shall accept delivery of such Bonds from the Port Authority, subject to certain conditions, on or about February 5, 2021. Pursuant to the Bond Purchase Agreement, the Underwriters shall purchase all of such Bonds if any are purchased. Under the Forward Delivery Agreement, the Underwriters shall pay the purchase price for the Two Hundred Twenty-Sixth Series Bonds and shall accept delivery of such Bonds from the Port Authority, subject to certain conditions, on or about July 20, 2021. Pursuant to the Forward Delivery Agreement, the Underwriters shall purchase all of such Bonds if any are purchased.

The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or yields higher than the initial offering yields for the Bonds. Subsequent to the initial offering, the offering prices and yields for the Bonds may be changed from time to time by the Underwriters. Additionally, in connection with the offering of the Bonds, the Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time by the Underwriters.

The Underwriters may, from time to time, be engaged in business or other transactions with the Port Authority or may be actual or potential users of Port Authority facilities.

The Underwriters have provided the following information appearing in this section of the Official Statement.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Port Authority as Underwriters) for the distribution of the Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Port Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Port Authority. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

**Certificate with Respect to the Preliminary Official Statement and this Official Statement**

In connection with the delivery upon original issuance of the Bonds, an Authorized Officer of the Port Authority shall provide, as part of the record of proceedings with respect to the issuance of the Bonds, a certificate to the effect that (a) the Preliminary Official Statement pertaining to the Bonds (the "Preliminary Official Statement") and this Official Statement, as of their respective dates, did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (b) since the date of this Official Statement, and as of the date of delivery upon original issuance of the Bonds, nothing has come to the attention of such Authorized Officer of the Port Authority to cause such Authorized Officer of the Port Authority to believe that this Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (c) since the date of this Official Statement, and as of the date of delivery upon original issuance of the Bonds, to the knowledge of such Authorized Officer of the Port Authority, there has been no material adverse change in the general affairs of the Port Authority or in its financial condition as set forth in this Official Statement, other than as disclosed in or contemplated by this Official Statement; provided, however, that the certifications set forth in (a) and (b) above do not apply to information provided by the Underwriters for incorporation into the Preliminary Official Statement and this Official Statement.

**Certain Information Pertaining to this Official Statement, Continuing Disclosure and the Port Authority**

The information and expressions of opinion in this Official Statement are subject to change without notice, and future use of this Official Statement shall not otherwise create any implication that there has been no change in the matters referred to in this Official Statement since the date hereof.

The resolution establishing the issue of Consolidated Bonds appearing at "*Consolidated Bond Resolution*" in Section III hereof, and the resolution pertaining to the establishment and the authorization of the issuance of the Bonds (which appears at "*Resolution Establishing and Authorizing the Issuance of Certain Series of Consolidated Bonds Commencing with the Two Hundred Twelfth Series*" in Section VI hereof), constitute contracts with the holders in whose names the Bonds are registered on the books and records of the Registrar for the Bonds; and neither any public advertisement or notice nor the Bond Purchase Agreement or this Official Statement is to be construed as a contract with any of such holders. During the period in which a book-entry system is applicable to the Bonds, the Depository or its nominee shall be the sole registered holder of the Bonds.

So far as any statements are made involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Unless otherwise indicated, so far as information given relates to past earnings or expenditures of the Port Authority, the figures have been taken from the books of the Port Authority. So far as estimates of future revenues or expenditures of the Port Authority are given, they merely constitute estimates which may or may not be actually realized; so far as statements are made regarding other estimates or future construction, development, plans or other matters, they merely constitute statements of expectations which may or may not be actually fulfilled. All statements involving matters of legal opinion represent the opinions of the party rendering such legal opinion. To the extent the information in this Official Statement contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance and achievements to be materially different from future results, performance and achievements expressed or implied by any forward-looking statements. Actual results could differ materially from those set forth in the forward-looking statements.

For a complete and detailed understanding of the respective rights of the Port Authority and the holders of its outstanding obligations, reference must be made to the State and federal legislation relating to the Port Authority and to the various resolutions adopted by the Port Authority. (See Section IV hereof, "*Pertinent Statutes and General Resolutions*;" Section III hereof, "*Bonds, Notes and Other Obligations*;" and Section VI hereof, "*Bond Resolutions and Legal Opinion*.") Such statutes and resolutions should be studied in connection with this Official Statement and for the purpose of gaining a complete and detailed understanding of the rights of holders of outstanding Port Authority obligations. All references to resolutions, agreements, documents and other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the resolutions, agreements, documents and other materials referenced, which may be examined on reasonable prior notice at the office of the Secretary of the Port Authority during regular business hours.

Inquiries with respect to this Official Statement may be made to the office of the Treasurer, The Port Authority of New York and New Jersey, 4 World Trade Center, 150 Greenwich Street, 19th Floor, New York, N.Y. 10007, Tel. No. (212) 435-7700, during regular business hours. In the Bond Purchase Agreement, the Underwriters shall agree to provide this Official Statement (and any supplements or amendments provided by the Port Authority) to the Municipal Securities Rulemaking Board ("MSRB"), in a format suitable for publication on its EMMA system upon receipt from the Port Authority.

In connection with the delivery upon original issuance of the Bonds, the Port Authority shall agree with the registered holders of the Bonds, and for the benefit of any individual purchasers of beneficial ownership interests in the Bonds, to provide information pertaining to the Port Authority generally of the type set forth in Section (b)(5)(i) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (as such Section is now in effect) ("Rule 15c2-12"), while the Bonds are outstanding. In connection therewith, annual financial information and operating data generally of the type set forth in Section II of this Official Statement and annual audited financial statements, when and if available, prepared consistent with the accounting principles set forth in the notes to such financial statements, in each case, will be provided solely to the MSRB, in a format suitable for publication on its EMMA system, within one hundred twenty days after the close of the Port Authority's then current fiscal year. Additionally, in connection therewith, notice of the occurrence of any of the following events with respect to the Bonds, including, (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to the rights of the holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Bonds, if material; (11) ratings changes; (12) bankruptcy, insolvency, receivership or similar event of the Port Authority (for the purposes of these events identified in this item (12), the event is considered to occur when any of the following occur — the appointment of a receiver, fiscal agent or similar officer for the Port Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Port Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Port Authority); (13) the consummation of a merger, consolidation or acquisition involving the Port Authority or the sale of all or substantially all of the assets of the Port Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation (as defined below) of the Port Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Port Authority, any of which affect holders of the Bonds, if material; (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Port Authority, any of which reflect financial difficulties; and, (17) any failure of the Port Authority to provide annual financial and operating data as agreed to by the Port Authority, in each case, will be provided solely to the MSRB, in an electronic format as prescribed by the MSRB and suitable for publication on its EMMA system and accompanied by identifying information as prescribed by the MSRB, in a timely manner (i.e., within ten business days after the occurrence of the event). "Financial Obligation" (i) means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B), but (ii) shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12. The Port Authority will agree to comply with the events listed in (15) and (16) above, and the definition of "Financial Obligation", with reference to Rule 15c2-12, any other applicable federal securities laws and the guidance provided by the SEC in Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the SEC or its staff with respect to the amendments to Rule 15c2-12 effected by the 2018 Release. In consideration of such agreement of the Port Authority, the sole and exclusive remedy for any failure of the Port Authority to provide the information in the manner specified in such agreement shall be the right to obtain specific performance of such agreement to provide such information in a judicial proceeding instituted in accordance with applicable legislation pertaining to suits against the Port Authority; *provided, however*, that the Port Authority shall have received written notice of any such failure at least sixty days prior to the commencement of any such judicial proceeding. The agreement described in this paragraph shall constitute a contract with the registered holders of the Bonds and for the benefit of any individual purchasers of beneficial ownership interests in the Bonds.

Upon request, the office of the Treasurer of the Port Authority will provide copies of the most recent publicly available (a) comprehensive annual financial report of the Port Authority, (b) unaudited condensed consolidated schedules and financial information for the Port Authority, (c) budget of the Port Authority, (d) reports, statements or press releases, if any, issued by the Port Authority pertaining to events which may reasonably reflect on the credit quality of Port Authority obligations, and (e) reports of the Port Authority pertaining to certain regional economic considerations and trends.

# DESCRIPTION OF THE PORT AUTHORITY AND ITS FACILITIES

## Management

*Board of Commissioners*

The Board of Commissioners of the Port Authority is to consist of twelve Commissioners, six from each State, appointed by the respective Governor thereof with the advice and consent of the respective State Senate. The current Board of Commissioners is set forth below. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners; the actions the Commissioners take at Port Authority meetings are subject to gubernatorial review for a period of ten days (Saturdays, Sundays and public holidays excepted) and may be vetoed by the Governor of their respective State during such period. Actions relating to industrial development projects or facilities are required to be delivered to the leaders of the legislatures of the two States ten calendar days prior to being submitted to the Governors for review. The Governors' veto has been exercised from time to time.

The Commissioners serve without remuneration for six-year overlapping terms. A Commissioner whose term expires continues to serve until reappointment or the appointment and qualification of a successor. Incumbent officers continue to serve upon re-election at the Port Authority's annual meeting or until successors are elected. The Commissioners are engaged in business, professional, governmental or civic activities apart from their offices as Commissioners. In some cases these involve business, professional, governmental, civic or administrative connections or relations with persons, firms, corporations, public agencies, commissions or civic bodies which may do business with the Port Authority, are actual or potential users of Port Authority facilities or review or study the activities of the Port Authority and its facilities. The Commissioners have from time to time expressed, in reaffirmation of the Port Authority's policy and tradition of excellence in public service, their continued commitment to the highest ethical principles of conduct and their intention to conform to the conflicts of interest laws which were applicable to unsalaried public officers of their respective States. On October 26, 2017, the Board of Commissioners, adopted a Code of Ethics for Port Authority Commissioners (the "Commissioners' Code"), establishing clear standards for Commissioners with respect to resolving conflicts of interest, safeguarding confidential information, and interacting with people who hope to do business with the Port Authority. The Commissioners' Code imposes on Commissioners a duty to report wrongdoing, creates appropriate enforcement mechanisms for violations of the Commissioners' Code, and spells out the Board's fiduciary obligations to the Port Authority and the public.

The present Commissioners, their principal activities and the expiration of the current terms to which they have been appointed are as follows:

NEW YORK

JEFFREY H. LYNFORD, *Vice Chairman*–July 1, 2019
President and CEO–Educational Housing Services, Inc.
LEECIA EVE–July 1, 2020
Vice President–Public Policy–Verizon
DANIEL J. HORWITZ–July 1, 2021
Partner–McLaughlin & Stern, LLP
GARY LABARBERA–July 1, 2022
President–Building and Construction Trades Council of Greater New York
GEORGE T. MCDONALD–July 1, 2018
Founder & President–The Doe Fund, Inc.
ROSSANA ROSADO–July 1, 2023
Secretary of State–State of New York
NYS Department of State

NEW JERSEY

KEVIN J. O'TOOLE, *Chairman*–July 1, 2023
Managing Partner–O'Toole Scrivo Fernandez Weiner Van Lieu LLC
RICHARD H. BAGGER–July 1, 2018
Executive Director & Member–Christie 55 Solutions, LLC
KEVIN P. MCCABE–July 1, 2019
Partner–River Crossing Strategy Group
RAYMOND M. POCINO–July 1, 2015
Vice President–Laborers International Union of North America–Eastern Regional Manager
DAVID S. STEINER–July 1, 2014
Chairman–Steiner Equities Group, LLC
VACANT–July 1, 2022

*Staff*

The Port Authority, with approximately 7,955 employees, functions as a public corporation combining sound business and governmental principles and practices. A career staff is headed by an Executive Director who is responsible to the Board of Commissioners.

The following individuals are officers* under the By-Laws of the Port Authority:

| | |
|---|---|
| Richard Cotton | Executive Director |
| Michael Farbiarz | General Counsel |
| Elizabeth M. McCarthy | Chief Financial Officer |
| Cheryl Yetka | Treasurer |
| Daniel G. McCarron | Comptroller |
| James McCoy | Secretary |

Except for the individuals discussed below, all of the aforesaid Port Authority officers have been employed continuously by the Port Authority for more than five years.

Richard Cotton commenced service as Executive Director on August 14, 2017. Prior to joining the Port Authority, Mr. Cotton served as Special Counsellor for Interagency Initiatives for Governor Andrew M. Cuomo from January 2015 to August 2017, serving as the point person within the Governor's office for major downstate infrastructure projects. Prior thereto, he held a number of positions at NBC Universal, from 1989 to 2014, including 20 years as Executive Vice President and General Counsel and four years in London as President and Managing Director of CNBC Europe. He has also served as Executive Secretary to the Department at the U.S. Department of Health, Education and Welfare under Secretary Joseph A. Califano, Jr. and Special Assistant for Renewable Energy to Deputy Secretary of Energy John Sawhill at the U.S. Department of Energy. Mr. Cotton received an A.B. from Harvard College and a J.D. from Yale Law School, and served as a law clerk to Justice William J. Brennan, Jr. on the U.S. Supreme Court.

Michael Farbiarz, who became General Counsel in October 2016, was most recently a Senior Fellow at New York University School of Law, and prior thereto was Assistant U.S. Attorney for the Southern District of New York, where he served for 10 years, and prior thereto was employed by the New York law firm Davis Polk & Wardwell LLP from 2001 to 2004.

*Certain Ongoing Port Authority Governance Initiatives*

By letter dated May 6, 2014, the Governors of the States of New York and New Jersey advised the Board of Commissioners that they were forming a bi-state Special Panel on the Future of the Port Authority (the "Special Panel"), to review and evaluate reforms of the Port Authority's mission, structure, management, operations and overall governance for the betterment of the region. The Special Panel released a report on December 26, 2014, which was endorsed by the Governors of the States of New York and New Jersey on December 27, 2014, recommending both a comprehensive overhaul of the governance of the Port Authority, with a single Chief Executive Officer selected by and accountable to the Board of

* The Chairman and Vice-Chairman of the Board of Commissioner of the Port Authority (see "*Board of Commissioners*" in this Section II) are also officers pursuant to the By-Laws of the Port Authority.

Commissioners replacing the current positions of Executive Director and Deputy Executive Director and a reorganization of the leadership of the Board of Commissioners, and a recommitment to the Port Authority's core transportation mission. On February 19, 2015, the Board of Commissioners endorsed, in concept, the six core structural and strategic recommendations of the Special Panel, organized in two categories: "Governance and Accountability" and "Mission and Stewardship of Assets"; and established a Special Panel Implementation Office to coordinate the implementation of these recommendations. The "Governance and Accountability" recommendations include (i) reorganizing the leadership of the Board of Commissioners and the executive management of the Port Authority to increase accountability and foster regional focus in its day-to-day operations; and (ii) continuing reforms to promote a culture of transparency and ethical conduct at the Port Authority. The "Mission and Stewardship of Assets" recommendations include (iii) refocusing the Port Authority's mission statement, strategic vision and capital plan to return the Port Authority to its core mission of facilitating the efficient movement of people and goods through the region; (iv) revitalizing the Port Authority's core transportation assets, including LaGuardia Airport, JFK Airport and Newark Airport, the Port Authority Bus Terminal, Port Commerce and PATH; (v) phasing out real estate ownership and development as an element of the Port Authority's mission; and (vi) employing innovative and flexible financing techniques to increase operational flexibility and financing capacity while maintaining the Port Authority's high standing in the credit markets. The Board of Commissioners also authorized the Chairman and Vice Chairman of the Board of Commissioners to engage an executive search firm to assist the Port Authority in identifying candidates for the position of Chief Executive Officer of the Port Authority in furtherance of the implementation of the "Governance and Accountability" reorganization recommendation. In connection with the implementation of such recommendation, the Chairmanship of the Port Authority would rotate on a two-year basis once the Chief Executive Officer is in place, with the first such designation presently expected to be made by the Governor of New York. The candidate search for the Chief Executive Officer has been temporarily suspended. At its March 19, 2015 meeting, the Board of Commissioners adopted a plan and schedule submitted by the Special Panel Implementation Office for the implementation of the Special Panel's recommendations, and directed the Chairman and Vice Chairman of the Board of Commissioners to arrange for the implementation of such core recommendations, consistent with such approved plan and schedule. The Board of Commissioners received a final progress report in April 2016, and is considering specific actions to be undertaken in furtherance of the implementation of such recommendations.

*Integrity Program*

On September 28, 2017, the Board of Commissioners directed the Executive Director to implement the following measures to strengthen the Port Authority's existing integrity program to help ensure ethical conduct at all levels of the Port Authority: (i) a revised Code of Ethics for Commissioners (which was subsequently adopted by the Board of Commissioners on October 26, 2017 (see "*Board of Commissioners*" in this Section II)); (ii) an updated Code of Ethics for Port Authority employees (which was distributed to all Port Authority employees on January 25, 2018); (iii) a Code of Ethics for Port Authority Vendors hired by the Port Authority (which subsequently became effective on December 19, 2017); (iv) an integrity training program that meets or exceeds contemporary best-in-class standards (such mandatory integrity program training for all Port Authority employees was launched on January 25, 2018); (v) a False Claims Policy that would provide financial incentives to those who come forward with evidence of fraud against the Port Authority (which subsequently became effective on January 18, 2018); and (vi) to move the search for a Chief Ethics and Compliance Officer to an expeditious conclusion (a Chief Ethics and Compliance Officer was hired on January 2, 2018). Since then, the Office of Ethics and Compliance has implemented a number of initiatives, including a mandatory integrity training program and a Code of Ethics for Port Authority Lessees. The Code of Ethics for Port Authority Lessees became effective on October 30, 2019.

## Certain Port Authority Financial Information

*Annual Budget*

The Port Authority's annual budget provides an outline of estimated expenditures for the year. Approval of the budget by the Board of Commissioners, based upon financial projections developed as part of the Port Authority's planning process, does not in itself authorize any specific expenditures which are authorized from time to time by, or are 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. Consistent with the foregoing, the development of specific Port Authority capital projects is undertaken after appropriate required authorizations and certifications by the Board of Commissioners. (See "*Additional Facilities, Capital Improvements and Certain Programs—Certification in Connection with Additional Facilities*," and "*—Certain Additional Projects Under Study*" in this Section II.)

On December 17, 2020, the Board of Commissioners approved a 2021 annual budget (the "2021 Budget"), which consists of operating, capital and debt service spending. The 2021 Budget of $7.2 billion aligns with the Port Authority's mission to keep the region moving, ensures safe and reliable service consistent with Port Authority standards and priorities, while reflecting the adverse impacts of the COVID-19 pandemic on the agency's activity and cash flow. The 2021 Budget is comprised of $3.2 billion for operating expenses, $2.4 billion for capital expenditures, and $1.6 billion for debt service and deferred and other expenses. The 2021 Budget represents a decrease of approximately $1.3 billion, or 15%, compared to the 2020 Budget. This reduced spending is primarily a result of approximately $1.2 billion in planned capital spending reductions and $100 million reduced operating expenses reflecting the impact of COVID-19, offset slightly by increased debt service.

The $3.2 billion operating expense budget carries forward cost reductions instituted during 2020 as well as other reductions necessary to offset unavoidable contractual increases elsewhere in the budget. It provides the necessary funds to respond to the COVID-19 pandemic, maintain current service, and adjusts to projected increases in activity across facilities in 2021.

The $2.4 billion capital budget reflects a reduction of 33% or $1.2 billion in the planned investment in critical infrastructure across all facilities from the originally planned 2021 amount (which reflected the plans previously set out in the 2017-2026 Capital Plan). This decrease is a result of reduced capital capacity caused by the impact of COVID-19 on net revenues. The specific allocation of the 2021 capital spending plan by project remains under development and subject to change.

The 2021 Budget does not assume any new federal COVID-19 stimulus aid. Should such federal support be approved in the future, executive management will discuss with the Board of Commissioners the use of that support, reflecting its nature and conditions.

*2017-2026 Capital Plan*

On February 16, 2017, the Board of Commissioners adopted a ten-year, 2017-2026 capital plan (the "2017-2026 Capital Plan"), which was modified by the Board of Commissioners on September 26, 2019, pursuant to the reassessment process described below (see "*Biennial Reassessment of the 2017-2026 Capital Plan*" in this Section II). The 2017-2026 Capital Plan totals $37 billion, and includes $34.3 billion in direct spending on Port Authority facilities, and up to $2.7 billion in support of debt service payments on Gateway Program low-cost borrowing for Phase 1 of that Program, subject to facility certification (see "*The Gateway Program*" in this Section II).

The 2017-2026 Capital Plan was developed and subsequently updated using a comprehensive planning process and risk-based prioritization that considered asset condition, operational and revenue impact, threat assessment, customer service, regional benefit, and regulatory or statutory requirements and long-term affordability of the plan. The comprehensive planning process includes an annual assessment of the factors that impact the continuing operations of the Port Authority's facilities, such as contractual, municipal lease and other relationships, as well as regional needs, customer demands and industry specific business environments. These factors provide inputs to the Port Authority's integrated financial model, which is used to determine the capital capacity for the ten-year period and the size of the capital plan.

This capital capacity is allocated to the various projects under consideration using a comprehensive risk-based approach. In determining funding allocation, the first priority is to ensure sufficient funds to deliver the projects that are currently in construction. Next, funds are allocated to maintain assets in full operational capacity and provide for projects required by law or for security purposes. Funds are allocated next to provide for projects that will restore and fortify assets damaged by Superstorm Sandy, and finally to other high priority projects that will expand and improve critical transportation assets.

As a consequence of these planning principals, the 2017-2026 Capital Plan is comprised of spending to (1) renew Port Authority assets to maintain them in a state of good repair, so that the Port Authority can continue providing infrastructure that is efficient, reliable and safe ($10.3 billion); (2) expand capacity, improve connectivity and advance the region's transportation needs ($14.2 billion); (3) restore infrastructure that was damaged by Superstorm Sandy and enhance storm resiliency at Port Authority facilities (including debt service support for the Gateway Program), in partnership with federal and regional entities ($4.6 billion); and (4) deliver projects that are currently under construction ($7.9 billion). From a facilities perspective, the 2017-2026 Capital Plan provides $16.4 billion for aviation projects, $10 billion for tunnels, bridges and terminal projects, $5 billion for PATH projects, $1.1 billion for Port projects, and $1.8 billion for World Trade Center site projects, with the remaining $2.7 billion for debt service support of the Gateway Program.

The 2017-2026 Capital Plan is a blueprint for future spending and does not supplant the Board of Commissioners' authorization process for specific projects and contracts. As part of the February 16, 2017 authorization, the Board of Commissioners confirmed the process by which performance, plan progress and revisions to reflect changes in programs, policies and projects and the environment in which the Port Authority operates, will occur. The Committee on Capital Planning, Execution and Asset Management and the Committee on Finance are continuing their current practice of monitoring quarterly capital expenditures and capital capacity.

In connection with adoption of the 2017-2026 Capital Plan, the Board of Commissioners mandated certain additional oversight requirements. At least every two years the Board of Commissioners is to reassess the 2017-2026 Capital Plan in light of then-current information as to capital capacity and the progress of capital projects, and determine whether there will be sufficient resources to: (1) invest in projects during the remaining period of the 2017-2026 Capital Plan at roughly the pace and the cost that has been planned, and (2) fund necessary expenditures in the subsequent ten-year period. If the Board of Commissioners cannot make this determination, it is required to modify the 2017-2026 Capital Plan to ensure that these two conditions can be met and to maintain a balanced plan.

In addition, the Board of Commissioners directed Port Authority staff to enhance its "gates" management process for determining when construction may begin on a given capital project set out in the 2017-2026 Capital Plan. This process shall include, among other things, consideration of the revenue-generating potential and capital capacity impact of the capital project; the relative priority of the project; and the overall capital capacity of the Port Authority. The enhanced gating process provides natural break points in a project's life cycle, to either continue or modify a specific project.

Gate 1 occurs during planning authorization, and ensures proper project definition, scoping and prioritization. Gate 2 occurs during project authorization and ensures the appropriate level of project development (cost, schedule and scope), and validation of available capacity prior to proceeding to final design. Gate 3 occurs during contract authorization and ensures project compliance with existing budget and authorization, and validation of available capacity prior to proceeding to construction phase. If in the Board of Commissioners' judgment there is not sufficient capital capacity to complete a project, or other priorities arise, then: (1) construction shall not begin; (2) other projects shall be deferred, eliminated, or modified to the point that there is sufficient capital capacity, at which point construction may begin; or (3) the Board of Commissioners shall consider other fiscally-prudent alternatives, taking into account such factors as revenues, expenses, and anticipated project costs.

In determining whether there is sufficient capital capacity, consideration shall be given to steps to reduce expenses ("Savings"), as well as to projected revenue increases and anticipated receipt of proceeds from either third-party grants or monetization of Port Authority assets (collectively, "Additional Funding"), but only to the extent that such Savings and Additional Funding are, in the judgment of the Board of Commissioners, highly likely to be realized. The Port Authority's 2019 reassessment and adoption of modifications to the 2017-2026 Capital Plan described below was undertaken pursuant to this process.

In addition to reflecting reduced capital expenditures in the 2021 Budget, the Port Authority also continues to evaluate the impact of COVID-19 on its 2017-2026 Capital Plan, which is likely to be modified. This includes an intensive reevaluation of the overall 2017-2026 Capital Plan, with an assessment of the cost and schedule for capital investment in individual projects. See "*Impacts from the COVID-19 Pandemic*" in Section I hereof.

*Biennial Reassessment of the 2017-2026 Capital Plan*

In 2018-2019, the Port Authority undertook its first biennial process to reassess the 2017-2026 Capital Plan, as directed by the Board of Commissioners (see "*2017-2026 Capital Plan*" in this Section II). In connection with its review, the Board of Commissioners found that the two conditions for maintaining a balanced plan had been satisfied and that certain additions and modifications to the 2017-2026 Capital Plan as originally approved, were warranted, increasing the Capital Plan on September 26, 2019 to a total of $37 billion and authorizing certain additional revenue collection to fund a portion of the increases.

*Proceeds of Bonds, Notes and Other Obligations*

Periodically, in connection with the Port Authority's capital program projections, the Board of Commissioners adopts resolutions which authorize the sale of bonds, notes and other obligations by the Port Authority. The proceeds of such bonds, notes or other obligations are authorized to be used for any purpose for which at the time of their issuance the Port Authority is authorized by law to issue its bonds, notes or other obligations. Such purposes include capital projects at Port Authority facilities and refunding Port Authority obligations.

*Limitations on Variable Interest Rate Obligations*

It is the current policy of the financial departments of the Port Authority to limit the issuance of variable interest rate obligations to a total aggregate principal amount not in excess of 20% of the total aggregate principal amount of all of the Port Authority's outstanding obligations (excluding Special Project Bonds and Port Authority Equipment Notes). As of January 15, 2021, variable rate obligations outstanding were approximately 2.76% of such total aggregate principal amounts.

*Investment Policies of the Port Authority*

The investment policies of the Port Authority are established in conformity with the agreements with the holders of its obligations, generally through resolutions of the Board of Commissioners or its Committee on Finance. (See Note A(3)(k), Note C and Note E in Appendix A hereto.)

## Operations

*Climate Risk Mitigation Activities*

Many of the Port Authority's facilities are located in or proximate to low-lying coastal areas including, in some instances, federally-designated flood hazard areas. The risk of flooding at these facilities may be exacerbated by future sea level rise. In October 2012, Superstorm Sandy ("Superstorm Sandy") disrupted Port Authority activities at the airports, bridges and tunnels, marine terminals, the World Trade Center site, and the PATH system. Most Port Authority facilities were affected to varying degrees by wind, storm surge, and power outages. The PATH system sustained the greatest damage, with significant flooding at several stations, under-river tunnels, tracks, and substations. All of the Port Authority's facilities returned to full operation, with the disruption in service for the most part lasting less than a week. The Port Authority took immediate action after Superstorm Sandy and developed a program of priority protective measures. These interim flood protection projects were designed to withstand another Superstorm Sandy-type event, and these projects were completed or fully implemented at critical Port Authority facilities by the close of 2014.

The current estimate of the Port Authority's costs due to Superstorm Sandy, including service restoration, asset repair and replacement and lost revenue due to business interruption, is approximately $2.9 billion, of which $1.5 billion has been incurred to date, with the remainder to be incurred over the next several years as the Port Authority repairs and replaces damaged assets. It is anticipated that available insurance coverage and federal disaster relief funds will substantially cover the Port Authority's estimated loss from Superstorm Sandy.

Particularly since Superstorm Sandy, the Port Authority has undertaken various actions to mitigate the risk of flooding or other storm related damage at its facilities. A site-wide comprehensive flood hazard mitigation plan was developed for the World Trade Center site. This flood hazard mitigation plan utilizes three rings of flood protection for transportation facilities at the World Trade Center site and critical infrastructure that provides ancillary protection for other facilities at the World Trade Center site. The permanent flood protection measures at the World Trade Center site have been installed and are available for operational deployment as of 2020 (except a final portion of such measures to be installed concurrent with the construction of The Performing Arts Center at the World Trade Center). The Port Authority has initiated, and in many cases completed, projects to mitigate the risk of storm surge flooding at several other vulnerable facilities. These efforts include: (i) PATH projects to install flood gates, implement flood mitigation procedures, and construction to elevate certain PATH station equipment; (ii) a project at the Holland Tunnel to enhance flood protection for the tunnel's portals and vent buildings; (iii) projects at Port Authority airports to harden key terminals and critical support buildings, enhance drainage and pumping capacity, and elevate substations and other electrical infrastructure; and (iv) projects at Port Authority ports and terminals to harden assets and reconstruct eroded/degraded upland areas.

The Port Authority maintains Climate Resilience Design Guidelines (issued in January 2015, and updated in 2018) to proactively address projected climate related risks during the design process. The Climate Resilience Design Guidelines stipulate that all Port Authority capital projects in or proximate to current or future coastal flood hazard areas should be designed to incorporate projected future sea level rise, using projections issued from time to time by the New York City Panel on Climate Change. However, there can be no assurance that future climate-related events will not negatively affect the region's infrastructure, including the facilities of the Port Authority.

*Operating and Construction Costs*

As the Port Authority's individual facilities age, it is expected that their respective operating costs will continue to increase and that there will be an increasing need for capital investment for the renovation or rehabilitation of existing and additional facilities in order for the Port Authority to continue to maintain appropriate levels of service. Construction costs in connection with Port Authority facilities are subject, among other items, to the effects of national and regional economic conditions and the nature of governmental regulations with respect to transportation, security, commerce, energy and environmental permits and approvals and environmental impact analyses. Port Authority operating revenues are also subject to the effects of national and regional economic conditions, including fuel availability and costs, labor and equipment costs and the nature of federal legislation, governmental regulations and judicial proceedings with respect to transportation, security, commerce, energy and environmental protection. Port Authority operating revenues and capital requirements may also be affected by enacted or proposed reductions in various federal programs. Additionally, it is not uncommon in its large construction projects for the Port Authority to face unbudgeted costs due to unexpected delays or project changes, despite the Port Authority's best efforts to impose the costs on the contractors or developers who caused them.

*Certain Information with Respect to Security Initiatives at Port Authority Facilities*

The Port Authority has undertaken various initiatives with respect to security at its facilities, in certain cases pursuant to the requirements of federal legislation. The implementation of these security initiatives may involve additional capital and/or operating costs to the Port Authority. Certain of these costs have been reimbursed through various federal programs.

Pursuant to the terms of the Aviation and Transportation Security Act, the Transportation Security Administration assumed responsibility for civil aviation security, including day-to-day federal screening operations for passenger air transportation, and is providing federal passenger and baggage screening staff and a federal Security Director at JFK Airport, LaGuardia Airport and Newark Airport.

The Port Authority Security Department, headed by a Chief Security Officer, provides centralized control over all Port Authority security functions, programs, resources and personnel, including the Port Authority Police Department. Current security initiatives include enhancements to Port Authority security operations, and improvements to the monitoring and protection of Port Authority infrastructure. A designated cadre of Port Authority Police Officers dedicated to aircraft rescue and firefighting has been assigned to the Port Authority's aviation facilities.

*Cybersecurity*

The Port Authority relies on a complex technology environment to conduct its operations. As a provider of critically needed transportation services, the Port Authority may face multiple cyber threats, including among other things, hacking, viruses, malware and other attacks on computers, corporate business applications, industrial control systems, and other sensitive networks and systems which could impede the Port Authority's operations. To mitigate this risk of cyber incidents, the Port Authority launched a comprehensive cybersecurity program, beginning in 2015, that provides a broad array of cyber defenses.

The Port Authority has, among other things, maintained a 24/7 dedicated Cybersecurity Operations Center, deployed industry-leading cybersecurity tools and applications, and implemented policies that govern the use of agency computing resources. To further address the rapidly changing cyber threat landscape, the agency has released mandatory cybersecurity awareness training to all staff, contractors and consultants and released specialized cybersecurity training for those who operate life safety systems or have access to financial applications. Nonetheless, no assurances can be made that these measures and controls will be successful in guarding against all cyber attacks, the result of which attacks could seriously damage important Port Authority digital networks and systems and necessitate costly remedial actions.

## Insurance

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

*Property Damage and Loss of Revenue Insurance Program*

The property damage and loss of revenue insurance program on Port Authority facilities (which was renewed effective June 1, 2020 and expires on June 1, 2021) applies to all Port Authority facilities, excluding the World Trade Center (except for the area of the PATH station inside the fare zone). Property damage and loss of revenue insurance on the operating portions of the World Trade Center[1] and related infrastructure is provided in a separate program (which was renewed effective June 1, 2020 and expires on June 1, 2021).

The Port Authority also purchased terrorism insurance with respect to its facilities for a three-year term, effective June 2, 2018. The terrorism coverage is insured through PAICE and reinsured through the Terrorism Risk Insurance Program Reauthorization Act of 2019 ("TRIPRA")[2] and commercial reinsurers.

*Public Liability Insurance Programs*

The public liability insurance program for Port Authority aviation facilities (which was renewed effective October 27, 2020 and expires October 27, 2021) includes insurance for aviation war risk, which includes terrorism.

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

The Port Authority also carries terrorism and/or malicious acts insurance for losses to property and liability resulting from nuclear, biological, chemical or radiological material for all Port Authority facilities.

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

[2] Under TRIPRA, the formula provides that the federal government generally reinsures 80% of certified terrorism losses subject to aggregate industry insured losses of at least $200 million 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. In the event of a certified act of terrorism, the law allows the United States Treasury to recoup 140% of the amount of federal payments for insured losses during that calendar year.

The program expires October 27, 2021, and is insured through a combination of PAICE, commercial reinsurers and TRIPRA.

*Construction Insurance Programs*

The Port Authority maintains an ongoing wrap-up contractors' insurance program for all Port Authority-operated facilities under construction (excluding the World Trade Center, where such insurance is handled through a contractor controlled insurance program), which was renewed effective June 1, 2020 and expires June 1, 2023, including builders' risk, construction general liability insurance, and statutory workers' compensation coverage. PAICE provides portions of the construction general liability insurance while statutory workers' compensation insurance is provided through commercial insurance.

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

*Port Authority Insurance Captive Entity, LLC*

In 2006, the Port Authority established a captive insurance company, known as the "Port Authority Insurance Captive Entity, LLC," for insuring certain risk exposures of the Port Authority and its related entities. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business in connection with workers' compensation, general liability, builders' risk, property and terrorism insurance coverages for the Port Authority and its related entities. With the passage of TRIPRA, PAICE assumed coverage for acts of terrorism under the Port Authority's public liability, and property damage and loss of revenue insurance programs. In addition, as of December 31, 2018, PAICE provides the first $500,000 in coverage under the general liability aspect of the Port Authority's contractors' insurance program and 34.5% of the next $4.5 million of losses that are in excess of the primary $500,000. Further, effective October 27, 2018, PAICE provides $500 million in coverage under the nuclear, biological, chemical and radiological terrorism program, which is fully reinsured by commercial reinsurers and insures $1.1 billion in excess of $500 million, which is reinsured by TRIPRA. Finally, effective with the 2020 renewal of the Property and Loss of Revenue policies, PAICE provides $165 million in coverage under the World Trade Center program and $40 million in coverage under the Port Authority facilities program.

The Port Authority expects to be able to replace each category of its insurance coverage described above as it expires with insurance providing substantially similar coverage, although premium costs may materially change over time driven by market factors and episodic changes in Port Authority loss levels occurring from time to time.

*Certain facilities of the Port Authority are described below in detail.*

## Interstate Transportation Network

The Port Authority operates all the interstate vehicular tunnels and bridges in the Port District which, together with the Port Authority Bus Terminal, PATH and the Trans-Hudson Ferry Service, constitute the Port Authority's interstate transportation network. Each of the tunnels and bridges accommodates both eastbound and westbound traffic. For purposes of efficiency and economy in collection, tolls are collected in the eastbound direction only. The Port Authority participates in the E-ZPass® Group, which currently includes various public agencies, including the Port Authority, and certain private toll operators in various states, including New York and New Jersey, in connection with the implementation of a regional electronic toll collection system.

The bridges of the Port Authority now in operation were constructed pursuant to the Federal Bridge Act of 1906 under which the Congress of the United States required that the tolls on bridges constructed thereunder shall be reasonable and just. The Federal-Aid Highway Act of 1987, which retained the just and reasonable requirement of the 1906 Act, has applied to tolls on Port Authority bridges. Pursuant to Port Authority policy, public hearings are held by the Port Authority prior to instituting or changing tolls, fares or other charges in connection with any of its vehicular tunnels and bridges or passenger rail facilities.

Prior to 2019, the tolls schedule for the Port Authority's six vehicular crossings had not been revised since September 18, 2011 (the "2011 Tolls Schedule"). The tolls authorized pursuant to the 2011 Tolls Schedule provided for certain automatic increases, with the last such increase taking effect on December 6, 2015.

On September 26, 2019, the Board of Commissioners authorized certain adjustments to the schedule of tolls, fares and other fees at Port Authority facilities ("Revised Schedule"). The Revised Schedule incorporates the previously authorized Consumer Price Index ("CPI") inflation adjustment for bridge and tunnel tolls, as well as changes to PATH's fare structure, increases to AirTrain fares, and new airport ground transportation access fees. At the time the Revised Schedule was approved, it was estimated that the adjustments would generate on average approximately $235 million in incremental annual net revenue and support the Port Authority's Capital Plan (see "*2017-2026 Capital Plan*" in this Section II and "*Impacts from the COVID-19 Pandemic*" in Section I hereof).

The Revised Schedule for tolls at the Port Authority's six vehicular crossings ("Toll Schedule") is as follows: beginning on January 5, 2020, the cash/toll by mail ("TbM") rate for cars during all hours increased by $1.00 from $15.00 to $16.00. The discount for autos using E-ZPass® was reduced by $0.25, resulting in an increase of $1.25. After 2020, tolls will be adjusted for the cumulative effect of inflation when applied to the current Class 1 cash/TbM tolls. At the time the first CPI increase reaches $1.00, tolls for all vehicular classes except classes 8 and 9 (buses) will increase by $1.00, and the discount for autos using E-ZPass® will be further reduced by $0.25, resulting in an increase of $1.25. Thereafter, and when all electronic tolling has been implemented at all crossings, tolls for all vehicular classes will be adjusted annually by the CPI increase. The Toll Schedule also provides for gradual increases in bus tolls through 2026. It also provides for the introduction of an E-ZPass® Off-Peak bus toll beginning in 2022. Under the Toll Schedule, E-ZPass® discounts are limited to users registered with a New York or New Jersey E-ZPass® Customer Service Center account. All out-of-state E-ZPass® account holders are charged the cash/TbM rate. In addition, the Carpool Discount Plan has been discontinued at Staten Island Bridge crossings and the Holland Tunnel with the introduction of electronic tolling at those crossings and to address safety concerns. The Carpool Discount Plan will be discontinued at the George Washington Bridge and the Lincoln Tunnel once all electronic tolling is fully implemented at those facilities. In addition, New York and New Jersey E-ZPass® Customer Service Center accounts that registered for the Port Authority Staten Island Bridges Plan will be charged 50% of the then prevailing E-ZPass® Auto Peak toll if customers make a minimum 3 trips per calendar month. The Port Authority Staten Island Bridges Plan applies to customers in Class 1, 7 and 11 vehicles.

Cashless toll collection went into effect in February 2017 at the Bayonne Bridge, on April 24, 2019 at the Outerbridge Crossing, on September 4, 2019 at the Goethals Bridge, and on December 23, 2020 at the Holland Tunnel. On July 25, 2019, the Board of Commissioners authorized a project to implement cashless tolling at the Lincoln Tunnel and the George Washington Bridge. Implementation of cashless tolling reduces travel times, enhances safety, improves traffic flow and provides environmental benefits by limiting idling and reducing delays, as vehicles no longer have to stop at a toll plaza. Over time, implementation of cashless tolling may impact toll revenues previously collected in cash, by, among other things, shifting customers to E-ZPass® tags (which provide for toll discounts), and requiring additional collection efforts for customers that are billed by mail. The Port Authority is committed to increasing delinquent toll collection, together with related fees, and will closely monitor any changes in overall toll recovery at facilities with cashless tolling, but does not expect the implementation of cashless tolling to have a material impact on Port Authority revenues.

In August 2018, a consolidated class action complaint was filed in federal court on behalf of Jason Farina, et al., seeking injunctive relief and damages against the Port Authority and various other governmental agencies operating cashless tolling facilities, claiming that such entities improperly collect excessive administrative fees from motorists who are delinquent in paying tolls billed by mail. After an initial dismissal by the court with leave to re-plead, a new complaint was filed against the Port Authority and other defendants in April 2020. The Port Authority intends to continue its vigorous defense of this matter.

An individual plaintiff instituted an action in September 2011 in the United States District Court for the Southern District of New York against the Port Authority and certain other entities of the States of New York and New Jersey seeking declaratory and injunctive relief for alleged violations of the plaintiff's constitutional rights in connection with the 2011 Tolls Schedule. In May 2020, the federal court of appeals reinstated a claim previously dismissed by the district court, that tolls collected and not used for purposes of the interstate transportation network could violate the Commerce Clause of the U.S. Constitution. The Port Authority disputes the plaintiff's allegations in this matter and is vigorously defending the Port Authority's position that the 2011 Tolls Schedule does not violate the Commerce Clause.

*Holland Tunnel*

The Holland Tunnel, which opened to traffic in 1927 and control of which was vested in the Port Authority in 1931, provides a traffic link under the Hudson River between Lower Manhattan and I-78 (New Jersey Turnpike Extension) and other New Jersey highways at Jersey City, N.J. Each of its two tubes consists of two traffic lanes.

*Lincoln Tunnel*

The Lincoln Tunnel, also a Hudson River crossing, connects midtown Manhattan in the vicinity of West 39th Street to the New Jersey highway system including I-95 (New Jersey Turnpike) via N.J. Route 495 at Weehawken, N.J. Each of its three tubes consists of two traffic lanes. The first tube of the tunnel was opened to traffic in 1937, with the second and third tubes opened to traffic in 1945 and 1957, respectively. Six lanes of traffic can flow at one time and the direction of the two center tube lanes can be varied to accommodate demand.

In recognition of the ongoing needs of the Port Authority's facilities for efficient transportation access and egress for goods and people, at its meeting on March 29, 2011, the Board of Commissioners authorized the effectuation of the Port Authority's participation, in cooperation with the New Jersey Department of Transportation ("NJDOT"), in the Route 1&9 Pulaski Skyway, Route 139 (Hoboken and Conrail Viaducts), Route 7 Hackensack River (Wittpenn) Bridge, and Route 1&9T (New Road) projects (or suitable replacement projects mutually agreed upon with NJDOT) (collectively, the "Lincoln Tunnel Access Infrastructure Improvements"), on a basis consistent with the Port Authority's budget and capital plan. See discussion of Roadway Projects under "*SEC Settlement and Certain Other Matters*" in Section I hereof.

*George Washington Bridge*

The George Washington Bridge, which opened to traffic in 1931, is a fourteen-lane, two-level suspension bridge over the Hudson River joining upper Manhattan and Fort Lee, N.J. The bridge and its approaches provide connections via I-95 (New Jersey Turnpike), I-80 and other state highways in New Jersey to northern Manhattan, the Bronx and regional highway systems east of the Hudson River. The George Washington Bridge Bus Station is situated over the approach to the bridge (see "*George Washington Bridge Bus Station*" in this Section II).

Beginning in 2011, the Board authorized individual projects associated with the current $1.92 billion investment known as the "Restoring the George" program. The restoration program is comprised of 11 projects that will provide for the rehabilitation, replacement and modernization of bridge assets to extend their useful life and ensure a state-of-good-repair to protect safety, mobility and revenue generating capacity of the bridge, and is anticipated to be completed during the fourth quarter of 2026.

*Bayonne Bridge*

The Bayonne Bridge, which opened in 1931 over the Kill Van Kull, connects Bayonne, N.J., and Port Richmond, N.Y., on Staten Island. The bridge accommodates four lanes of vehicular traffic. On April 24, 2013 and December 7, 2017, the Board of Commissioners authorized a project to replace and raise the main span roadway and approach structures at the Bayonne Bridge as part of the Bayonne Bridge Navigational Clearance Program ("BBNCP"). The BBNCP increased the navigational clearance of the Bayonne Bridge to 215 feet, allowing for the passage of larger cargo ships. In June 2019, the BBNCP was substantially completed at a total project cost of approximately $1.6 billion.

*Goethals Bridge*

The Goethals Bridge, which opened in 1928 over the Arthur Kill, between Elizabeth, N.J., and Howland Hook, N.Y., on Staten Island, furnishes a direct connection between I-95 (New Jersey Turnpike) and I-278 (Staten Island Expressway).

On April 24, 2013, the Board of Commissioners authorized a project for the Goethals Bridge Modernization Program to advance the implementation and delivery of a replacement Goethals Bridge (the "Replacement Bridge") as a public-private partnership, at an estimated total project cost of $1.521 billion, comprised of costs of the design and construction of the Replacement Bridge, financing during construction and other construction-related costs, and certain Port Authority-funded project costs. On August 30, 2013, the Port Authority and a private developer entered into an agreement (the "Project Agreement") for the design, construction, financing and maintenance of the Replacement Bridge, a cable stayed bridge consisting of two spans, with a total of six twelve foot wide travel lanes, twelve foot wide outer shoulders, and five foot wide inner shoulders, that will improve safety, alleviate congestion, and accommodate future traffic growth. On November 8, 2013, the private developer obtained certain financing for the construction of the Replacement Bridge through the issuance by the New Jersey Economic Development Authority of $460,915,000 in tax exempt private activity bonds, and a Transportation Infrastructure Finance and Innovation Act ("TIFIA") direct loan in the amount of $473,673,740 (excluding capitalized interest) from the United States Department of Transportation, acting by and through the Federal Highway Administration. The private developer contributed approximately $106.8 million of project equity. The remaining funds for construction were to be contributed by the Port Authority, based on achieving certain milestones. Pursuant to the Project Agreement which has a scheduled expiration date of June 30, 2053, the thirty-fifth anniversary of Substantial Completion, the private developer performs certain operation and maintenance work relating to the Replacement Bridge, and the Port Authority retains control over the toll collection system, including its operation and maintenance, and receives toll revenues.

Substantial completion of the Replacement Bridge was achieved on June 30, 2018 ("Substantial Completion") and project completion, including the demolition of the existing bridge, occurred on December 31, 2018 ("D&C Completion"). Pursuant to a settlement agreement entered into as the construction of the Replacement Bridge concluded, the Port Authority and the private developer reserved certain claims for alleged construction losses, for submission to a technical dispute resolution board ("TDRB"). The submission was bifurcated to (1) an entitlement phase, to determine the Port Authority's liability for the claimed losses; and (2) a damages phase, to assess any losses. In the entitlement phase, the TDRB found that the Port Authority had, among other things, not satisfied its duty to fully cooperate with the developer as required in the relevant agreements. In a report dated January 15, 2021, the TDRB advised that, in its judgment, the damages were approximately $105 million above the original design and construction amount specified in the Project Agreement. The Port Authority expects to reject and contest both the TDRB's entitlement determination and its damages findings, as it is entitled to do under the settlement agreement.

The Port Authority has made approximately $150 million of milestone payments payable to the private developer. Upon achieving the Substantial Completion milestone, pursuant to a "Developer Financing Arrangement" the developer became entitled to receive from the Port Authority fixed payments in the principal amount of approximately $1.02 billion, subject to certain adjustments, to be paid in monthly payments (the "DFA Payments") over the term of the Project Agreement, which has a scheduled expiration date on the thirty-fifth anniversary of Substantial Completion. The Port Authority's obligation to make DFA Payments is memorialized as an interest-bearing loan from the developer to the Port Authority. Such monthly DFA Payments commenced in July 2018. The DFA Payments are subject to certain deductions for non-compliance and/or lane unavailability by the private developer pursuant to the terms of the Project Agreement. The DFA Payments are a special obligation of the Port Authority, payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes, or from net revenues (as defined below) deposited to the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. For purposes of the Project Agreement, "net revenues" are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution, and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to the authorized purposes under Section 7 of the Consolidated Bond Resolution. Payment of the DFA Payments is subject in all respects to payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund statutes. The Port Authority's payment of the DFA Payments is not secured by or payable from the General Reserve Fund. Additionally, the Port Authority's special obligation with respect to the DFA Payments does not create any lien on, pledge of or security interest in any revenues, reserve funds or other property of the Port Authority. The Port Authority is also required to pay the private developer a monthly capital maintenance payment and a monthly operational maintenance payment, which are also subject to certain deductions for non-compliance by the private developer with the Project Agreement, and which are payable in the same manner as other Port Authority capital and operating expenses.

*Outerbridge Crossing*

The Outerbridge Crossing, which opened at the same time as the Goethals Bridge, also spans the Arthur Kill between Perth Amboy, N.J., and Tottenville, N.Y., on Staten Island, and provides interconnections between I-95 (New Jersey Turnpike) and the Garden State Parkway via Route 440 to the

West Shore Expressway, Richmond Parkway and I-278 (Staten Island Expressway), providing access to Long Island via the Verrazano-Narrows Bridge. The bridge accommodates four lanes of vehicular traffic.

*Port Authority Bus Terminal*

The Port Authority Bus Terminal (the "Bus Terminal"), which occupies approximately one and one-half city blocks between West $40^{th}$ and West $42^{nd}$ Streets and between Eighth and Ninth Avenues in midtown Manhattan, one block west of Times Square, began operations in December 1950. The Bus Terminal has two passenger mixing and distribution levels and three automobile parking levels, and serves both commuter and long-haul intercity buses on three bus operating levels. The two upper bus levels have direct off-street ramp connections to the Lincoln Tunnel and the lower bus level has access to the Lincoln Tunnel via a connecting tunnel under Ninth Avenue. The foundation of the North Wing, which was completed in 1981, was constructed to permit the development of a high-rise building in the air space above the North Wing.

On March 24, 2016, the Board of Commissioners committed, in establishing the Port Authority's 2017-2026 Capital Plan, to allocate funds for the construction of a new Port Authority Bus Terminal, to be located on the West Side of Manhattan, in an amount sufficient to accommodate the anticipated future capacity needs of the new Port Authority Bus Terminal, with the understanding that no bus terminal will be built in New Jersey. On February 16, 2017, the Board of Commissioners authorized $70 million for the first phase of a comprehensive planning effort for the advancement and further definition of capital projects related to the development of a replacement for the Port Authority Bus Terminal, located on the West Side of Manhattan, including planning for support facilities, such as bus parking and storage facilities. In May 2019, the Port Authority issued a planning-level scoping document for public comment to advance the environmental review of the Port Authority Bus Terminal replacement project, and conducted a 120-day public outreach process, including public meetings, to solicit comment from elected officials in New York and New Jersey, the City of New York, neighborhood residents, other stakeholders and the public as part of the scoping process. The comment period for the planning-level scoping document for the Port Authority Bus Terminal replacement project closed on September 18, 2019. The Port Authority expects to publish the final scoping document in the near future.

*George Washington Bridge Bus Station*

The Port Authority owns the George Washington Bridge Bus Station (the "Bus Station"), a facility located in the Washington Heights section of Manhattan, and situated over the approach to the George Washington Bridge. Prior to the COVID-19 emergency, on a typical weekday, approximately 16,000 passengers on about 1,000 buses used the station. In July 2011, the Port Authority executed agreements with a private developer in connection with a project to redevelop the Bus Station, as well as a net lease of the retail areas therein (the "Retail Lease"). The redevelopment project consisted of upgrading and consolidating bus operations, modernizing the Bus Station to provide for more efficient operations, and increasing the retail space within the Bus Station. The redeveloped Bus Station opened for bus operations in May 2017 and the retail portion is substantially complete and over 90% leased.

The general contractor responsible for the project to redevelop the Bus Station has filed an action against the Port Authority, claiming that the Port Authority, and not the private sector developer of the Bus Station, was the real party directing the redevelopment of the Bus Station and therefore the Port Authority should be held liable for alleged breach of contract claims. The Port Authority disputes the general contractor's allegations in this matter and is vigorously defending the position that the Port Authority is not liable for the damages alleged by the general contractor. In addition, the private sector developer filed a petition for relief under Chapter 11 of the federal bankruptcy code in the United States Bankruptcy Court for the Southern District of New York on October 7, 2019. The private sector developer arranged debtorin-possession ("DIP") financing and continues to operate its business and manage its property. The Bankruptcy Court granted approval to conduct a sale process for the private sector developer's assets, including the Retail Lease, to a party that will meet certain qualification standards. Due to the impact of COVID-19 and certain intercreditor issues, the sale process for the private sector developer's assets is expected to be delayed until at least March 2021. The DIP financing is expected to remain in place through that date. If the DIP financing expires or is otherwise terminated, and the private sector developer is unable to secure the financing needed for operations from another party, the private sector developer would likely seek to convert its Chapter 11 case to a case filed under Chapter 7 of the federal bankruptcy code and relinquish its leasehold interest in the Bus Station in favor of the Port Authority, subject to the right of the current lenders to obtain a new lease on substantially similar terms.

Nonetheless, these filings are not expected to impact day to day activity at the Bus Station. They will not impact bus service, which is managed directly by the Port Authority, and they will not impact the Bus Station's existing retailers, which have leases to conduct business at the Bus Station. The Port Authority will actively monitor events and, if necessary, is prepared to step in to further ensure continuity of all facility operations.

*Railroad — The Hudson Tubes Facility*

The PATH system is an interurban rapid transit system with thirteen stations, including the World Trade Center Transportation Hub (see "World Trade and Economic Development—*The World Trade Center Transportation Hub*" in this Section II), and 350 passenger rail cars, which operates between Newark, N.J., and New York, N.Y., including a spur to and from Hoboken, N.J. In 1962, the two States enacted legislation authorizing the Port Authority to undertake a port development project consisting of a World Trade Center and the Hudson Tubes, the interurban rapid transit system described above which was formerly operated by the Hudson & Manhattan Railroad Company. The legislation, as subsequently amended, also provides for certain Hudson Tubes extensions pertaining to passenger railroad facilities in the State of New Jersey, as well as a series of improvements to Pennsylvania Station in the City of New York, and to its railroad approaches from the State of New Jersey. The legislation also provides for the Port Authority to acquire, rehabilitate and operate this rail transit property either directly or through a wholly owned subsidiary corporation.

The Port Authority Trans-Hudson Corporation was formed in May 1962 by the Port Authority, and on September 1, 1962, it acquired the Hudson Tubes railroad and equipment, including the former terminal buildings of the Hudson & Manhattan Railroad Company in Manhattan. Title to the Journal Square Station and related property was vested in the Port Authority Trans-Hudson Corporation in February 1970. The Commissioners of the Port Authority serve as the Directors of the Port Authority Trans-Hudson Corporation, and Richard Cotton is its President.

In its Certificate filed August 24, 1962 authorizing acquisition and operation of the Hudson Tubes by the Port Authority Trans-Hudson Corporation, the Interstate Commerce Commission stated in part: that "The Port of New York Authority is not a carrier under the provisions of the [Interstate Commerce] act and the effectuation of the proposed transaction by the Port Authority Trans-Hudson Corporation, a wholly owned subsidiary of the Port of New York Authority, will not make the Port of New York Authority a carrier under the act." Fares charged on PATH are not subject to federal regulation at the present time.

In June 2019, PATH announced the multi-year "PATH Improvement Plan" to (i) increase capacity across the PATH system, (ii) reduce delays and (iii) enhance customer experience (see "*Biennial Reassessment of the 2017-2026 Capital Plan*" in this Section II). As part of the PATH Improvement Plan, PATH added incremental train service in September 2019 that resulted in a 10% increase in capacity across the Newark to World Trade Center and Journal Square to 33$^{rd}$ Street lines during the heaviest travel times.

The PATH Improvement Plan also includes plans to transition from 8-car train operations to 9-car train operations on the Newark to World Trade Center line, a suite of delay reduction initiatives, a new fare payment system to be introduced by 2023, as well as a number of customer experience initiatives. The PATH Improvement Plan builds on the on-going investment in a new signal system that allows for automatic train control and enables PATH to run more trains per hour (the "Signal System Replacement Program") in tandem with the purchase of an additional 72 new rail cars which will be delivered beginning in 2022. The new signal system also enabled PATH to achieve Positive Train Control compliance (a collection of federally mandated safety guidelines) in November 2018.

On April 27, 2017, the Directors of the Port Authority Trans-Hudson Corporation authorized a planning effort to support a project to extend the PATH system to the Newark Liberty International Airport Rail Link Station, at an estimated total planning cost of approximately $57 million.

The PATH fare schedule was revised effective on November 1, 2019. Although the PATH base fare for a single trip remains at $2.75, the cost of multi-trip tickets was increased to $25.00 for a 10-trip ticket, $50.00 for a 20-trip ticket and $100 for a 40-trip ticket (each of which is scheduled to increase as of November 1, 2020 to $26.00, $52.00 and $104.00, respectively). PATH SmartLink unlimited passes are currently available as a 1-day unlimited pass for $10.00, a 7-day unlimited pass for $34.50 and a 30-day unlimited pass for $106.00 (each of which is scheduled to increase as of November 1, 2020 to $10.50, $36.00 and $110.25, respectively). After 2020, PATH fares will be indexed to inflation, based on CPI, with increases occurring when the cumulative increase in CPI, as measured from 2020, would, when applied to the single ride fares, result in an adjustment of at least $0.25.

It is anticipated that PATH will continue to generate annual operating deficits in future years. The annual operating deficit, representing the difference between operating revenues and the sum of direct and allocated operating expenditures, depreciation and amortization, but not including debt service, allocated financial income, grants and contributions in aid of construction, decreased to $448,445,000 in 2019 from $459,152,000 in 2018. The year to year decrease in the annual operating deficit was primarily attributable to (i) increased PATH fare revenues due to increased passenger activity and fare increases, and (ii) reduced expenses due to reduced amortization expense, which was partly offset by higher employee compensation related to train operations and track maintenance. The General Reserve Fund or other available Port Authority revenues or reserves, including net revenues (as defined in the Consolidated Bond Resolution) deposited to the Consolidated Bond Reserve Fund, are applicable to deficits resulting from the cost of operations or debt service allocable to this facility.

*Trans-Hudson Ferry Service*

Commuter ferry service, which commenced in October 1989, between Hoboken, N.J. (at a site adjacent to NJ Transit's rail and bus terminals and PATH's Hoboken station), and Battery Park City in Lower Manhattan (at a site adjacent to the World Financial Center), is provided by a private sector entity under various agreements with the Port Authority pertaining to such service.

From time to time, the Board of Commissioners has taken action in connection with the creation of new ferry service routes, operated by private sector entities under agreements with the Port Authority pertaining to such service, and the Port Authority has undertaken various ferry projects in the New York and New Jersey portions of the Port District to enhance interstate mass transit capacity.

## Air Terminals

The Port Authority owns or operates five airports to serve the Port District. The Port Authority's airport revenues have historically been somewhat insulated against dramatic downturns in the aviation industry because they come from a variety of sources, including cost recovery-based agreements, facility rentals and commercial activities at the airports. However, the Port Authority's financial position has been, and is expected to continue to be, negatively affected by the COVID-19 emergency, which has dramatically reduced passenger volume at its airports and materially affected the credit quality of the airlines which use its facilities. See "*Impacts from the COVID-19 Pandemic*" in Section I hereof. A limited number of these sources are related to passenger and cargo volume at the airports and may be affected by trends in the airline industry, the nature of federal legislation, governmental regulations and judicial proceedings affecting the airline industry, including with respect to security, and national economic conditions. In 2019, JFK Airport, LaGuardia Airport, Newark Airport and Stewart Airport handled approximately 140.5 million passengers, an increase of approximately 1.6% from 2018.

In September 2019, the Board of Commissioners adopted certain toll and fare adjustments and other revenue initiatives, including an increase of the fares for AirTrain JFK and AirTrain Newark to $7.75, effective November 1, 2019, as well as a new Ground Transportation Access fee at JFK Airport, LaGuardia Airport and Newark Airport effective April 5, 2021. The Ground Transportation Access fee will be $2.50 for all for-hire vehicles other than taxis (such as limos and app-based providers) for each pick-up and drop-off, and $1.25 for each pooled for-hire-vehicle pick-up and drop-off (where two or more paying parties share a single pre-arranged ride and pay separately), and $1.25 for each taxi pick-up. The fee for each taxi pick-up will increase to $1.75 on October 1, 2022.

Airlines operating at JFK Airport, LaGuardia Airport and Newark Airport are required to pay to the Port Authority, as compensation for the Port Authority's ongoing design, construction, operation and maintenance of certain public aircraft facilities, a flight fee, which is calculated generally on the basis of the direct and allocated costs of operating and maintaining such public aircraft facilities and the weight of aircraft using the airport. Airlines pay flight fees pursuant to an agreement with the Port Authority ("Flight Fee Agreement") which contains provisions setting forth the relevant flight fee formulations and methodologies or a non-consensual Schedule of Charges promulgated by the Port Authority.

The Flight Fee Agreements which have been entered into by certain airlines operating at JFK Airport, Newark Airport and LaGuardia Airport expire on December 31, 2023.

Beginning in 1992, the FAA has approved applications submitted by the Port Authority in connection with the imposition and use of passenger facility charges established under federal law ("PFCs") at LaGuardia Airport, JFK Airport and Newark Airport, and, as of May 17, 2010, at Stewart Airport, to be collected by the airlines on behalf of the Port Authority, and to be expended by the Port Authority for certain authorized projects of the Port Authority. Pursuant to federal law the collection and expenditure of the PFCs requires prior approval of the FAA and is restricted to PFC eligible projects. On January 22, 2018, the FAA approved PFC collection authority of $1.78 billion for projects associated with the redevelopment of Terminal B at LaGuardia Airport and the replacement of Terminal A at Newark Airport. The FAA estimated that the earliest expiration date for the Port Authority's PFC collection authority would be June 1, 2025. To date, use authority for $1.23 billion of the $1.78 billion has been approved by the FAA. At such time as the UAL matter (discussed below) is resolved, additional applications will be submitted by the Port Authority to the FAA for authority to continue PFC collection and use at the airports for eligible airport related capital construction and planning projects and authority for application of the remaining PFCs already collected will be requested.

On January 11, 2021, the FAA Associate Administrator for Airports issued an order ("Order") affirming a November 19, 2018 determination of the Director, FAA Office of Airport Compliance and Management Analysis, in a complaint brought against the Port Authority by United Airlines, Inc. ("UAL"). The Order held that (a) the Port Authority had not complied with certain provisions of federal law in using revenues derived from operation of its airports ("Airport Revenues"); (b) that its methodology for calculating "Grandfathered" Airport Revenues was flawed and that (c) its books and records as to airport revenues and expenses were not maintained in a sufficiently transparent manner. The Order remanded the matter to the Director for a determination as to whether the Port Authority was an airport sponsor with grandfathered rights entitled to use Airport Revenues for non-aviation purposes, and to consider imposition of a civil penalty consistent with the Order. The Order requires the Port Authority to submit to the FAA a corrective action plan ("Corrective Action Plan") within 90 days. The Order did not find that the underlying allegation raised by UAL – that the cost allocation formula at Newark Airport was flawed – had been proven, but stated that, in order to be sufficiently transparent to comply with FAA requirements, the Port Authority must true-up and actualize its allocated charges at Newark Airport to reflect actual costs.

The Port Authority expects to challenge the Order. Nonetheless, as required by the Order, the Port Authority is preparing a Corrective Action Plan while reserving our right to challenge the Order. Such Plan would effectuate the Order (if not stayed or overturned) by, among other things, modifying certain financial reporting procedures providing extra clarity for the calculation of the use of airport revenues, limiting the use of airport revenues to owned or operated facilities of the Port Authority, and providing for senior management attestation as to the accuracy of future annual financial filings with the FAA. The Port Authority does not expect that operations under the Corrective Action Plan it submits will negatively impact the Agency's ability to meet any current contractual obligations. Similarly, the Port Authority does not expect that operations under the Corrective Action Plan it submits would affect the security pledge arrangements for its bonds. Upon approval of a Corrective Action Plan by the FAA, the Port Authority understands that the FAA will again consider approval of new PFCs for collection and application, and consider award of new federal aviation grants.

From time to time, Congress has considered the repeal of the provisions of the Federal Airport and Airway Improvement Act of 1982 that exempt the Port Authority and certain other airport sponsors from prohibitions on use of airport revenues for non-airport purposes. As required under the FAA Reauthorization Act of 2018, the Comptroller General of the United States issued a study of the legal and financial challenges related to repealing the aforementioned exemption in September 2020. The report analyzed FAA financial data on grandfathered airports' revenue diversion for fiscal years 1995 through 2018 and presented the views of selected stakeholders that a repeal of grandfathered revenue diversion would have complex legal and financial implications for transportation authorities. In connection with such proposals, the Port Authority has generally pointed out that Congress and the United States Department of Transportation have repeatedly looked at the financial practices of the small number of airports that may legally use airport revenues for non-airport governmental purposes and found that they had good reasons for doing so. In the Port Authority's case, for example, New York and New Jersey statutes and Port Authority bond covenants require pooling of surplus Port Authority revenues to facilitate the financing and effectuation of its facilities, including the airports which may be inconsistent with elimination of grandfathering.

*Federal Aviation Administration Congestion Management*

In an effort to deal with ongoing flight delays during peak hours of operation at JFK Airport, LaGuardia Airport and Newark Airport, the FAA has, from time to time, issued orders for the airports to establish operational caps which restrict the number of scheduled operations per hour (arrivals and departures) during peak hours.

With respect to JFK Airport and LaGuardia Airport, the FAA issued Orders on September 18, 2020 maintaining the caps on operations per hour, for certain hours, at each of such airports and extending the dates of the current Orders until October 29, 2022.

On April 6, 2016, the FAA published a "Change of Newark Liberty International Airport (EWR) Designation" that changed the designation of Newark Airport from a Level 3 slot controlled airport to a Level 2 schedule facilitated airport under the International Air Transport Association Worldwide Scheduling Guidelines (now referred to as the Worldwide Airport Slot Guidelines). The change to a Level 2 schedule facilitated airport was effective as of October 30, 2016 starting with the Winter 2016 scheduling season. Level 2 schedule facilitated airports do not have slot controls but instead are subject to coordinated flight scheduling managed by the FAA. Under the Level 2 designation at Newark Airport, the FAA requests and reviews airline schedules for the 6 a.m. to 10:59 p.m. period and either approves the request or works with carriers to achieve schedule adjustments as needed to avoid exceeding the airport's runway capacity. Throughout this process, the Port Authority has repeatedly advised the FAA that, in its opinion, the best approach to address air traffic congestion and resultant delays is through increasing air space capacity, better management of existing air space capacity, and improved customer service.

*Certain Information with Respect to the Leases Relating to the Port Authority Airports and Other Related Matters*

The Port Authority operates JFK Airport and LaGuardia Airport under a lease agreement with the City of New York and Newark Airport under a lease agreement with the City of Newark (which also covers Port Newark) and arrangements with the City of Elizabeth, each entered into in 1947 and amended and supplemented from time to time thereafter.

On November 24, 2004, the City of New York and the Port Authority amended and restated the lease agreement, among other items, to provide for the extension, effective as of January 1, 2002, of the term of such lease agreement through December 31, 2050. Under the lease agreement, annual rentals, which are payable in equal monthly installments, shall be equal to the greater of the minimum annual rental as described below or 8% of the Port Authority's gross revenues from JFK Airport and LaGuardia Airport for such year. Gross revenues include substantially all revenues arising out of JFK Airport and LaGuardia Airport, but exclude federal grants or monies received as a result of any federal statute, regulation or policy, such as PFCs and amounts used for airport security. Beginning in 2007, and every five years thereafter, the minimum annual rental is reset to equal 10% of average gross revenues at JFK Airport and LaGuardia Airport over the prior five year period, so long as such adjustment does not result in a lower minimum annual rental than was payable for the prior five year period.

The Port Authority and the City of Newark entered into agreements dated as of January 1, 2002 pertaining to Newark Airport and Port Newark, providing for the Port Authority to pay a combined base rental equal to 10% of the average annual gross revenue for the preceding five-year period, but for any given year, no less than the greater of 8% of the annual gross revenue for such year or the combined base rental for the previous five-year period. Additionally, the agreements provide for an annual supplemental rental of $3 million to be paid by the Port Authority to the City of Newark. The agreements also provide for a marine terminal additional rental to be paid by the Port Authority to the City of Newark in the amount of $12.5 million for the first 35 years of the term of the leases, or, alternatively, the lump sum of $165 million. On June 2, 2004, the City of Newark elected, pursuant to the agreements, to receive such marine terminal additional rental as annual payments over the period 2002 to 2036, and designated the Housing Authority of the City of Newark as the entity to receive such payments. On October 22, 2019, the Port Authority and the City of Newark entered into a supplement to the agreements which provides for a term extension through December 31, 2075 in return for an up-front payment of $5 million, and an additional supplemental rental of $5 million per year through 2049.

The Port Authority and the City of Elizabeth have also entered into service/operating agreements directly relating to the portion of the airport located in the City of Elizabeth. On May 30, 2001, the Port Authority entered into an agreement amending such service/operating agreements to provide for annual payments to the City of Elizabeth to be increased from $1 million to $3 million beginning January 1, 2001 and continuing through 2031. Additionally, on May 23, 2001, the Port Authority entered into a lease and easement agreement with the City of Elizabeth with respect to certain additional property required for airport operations, for a term expiring on May 1, 2051, subject to a renewal option for an additional 50 years, providing for the City of Elizabeth to receive an initial payment in 2001 of $3,410,000, annual rentals of approximately $480,000, and, for the first 10 years of the lease, at least $800,000 annually in parking tax revenues.

*LaGuardia Airport*

LaGuardia Airport is located on approximately 680 acres adjacent to Flushing Bay in the Borough of Queens, N.Y., on the north shore of Long Island. Opened under New York City operation in December 1939, it has been leased since June 1, 1947, together with JFK Airport, to the Port Authority by the City of New York. LaGuardia Airport has two 7,000-foot runways, and currently four terminals in operation: Terminal A, Terminal B, Terminal C and Terminal D. Terminals B, C and D are currently being redeveloped as described below.

On March 24, 2016, the Board of Commissioners authorized a program for the redevelopment of certain components of LaGuardia Airport (the "LGA Redevelopment Program"), consisting of, among other things, (i) a LaGuardia Airport Capital Infrastructure Renewal Program consisting of several projects, some of which were previously authorized by the Board of Commissioners, to service immediate and long-term infrastructure needs at LaGuardia Airport, including airfield improvements, roadways, a new East End substation and East End Garage, and (ii) the Terminal B redevelopment project ("Terminal B Redevelopment Project"), consisting of the design, finance, construction, operation and maintenance of a new Terminal B ("New Terminal B") and related facilities at LaGuardia Airport under a public-private partnership with LaGuardia Gateway Partners LLC ("LGP"), a private consortium.

LGP is responsible for the design and construction of certain supporting infrastructure on behalf of the Port Authority, including the West Garage and a new Central Hall located between the New Terminal B and a future redeveloped Terminal C, as further described below.

The Board of Commissioners has authorized expenditures of approximately $3.5 billion in connection with the LGA Redevelopment Program, which together with private sector funding from LGP of approximately $1.8 billion for the design and construction of the New Terminal B, will lead to a total expenditure of approximately $5.3 billion in connection with the LGA Redevelopment Program.

On June 1, 2016, the Port Authority and LGP executed a lease for the operation and maintenance of the existing Terminal B, and for the design, construction, finance, operation and maintenance of the New Terminal B facilities, for a term commencing on June 1, 2016 through December 30, 2050, which lease also provides for design and construction (at the Port Authority's cost) for the Central Hall and a limited obligation to operate and maintain the Central Hall, for a term of seven years from substantial completion of the Central Hall.

The West Garage opened for public use in the first quarter of 2018. One of two concourses, Concourse B, and certain gates opened for public use in the fourth quarter of 2018, additional gates opened at the end of the second quarter of 2019, and the remaining two gates in the first concourse are expected to open by the fourth quarter of 2020. On June 13, 2020, the 850,000 square foot Central Terminal Building opened to the public, linking the new gates with an entirely new arrivals and departures hall. In August 2020, seven gates opened in the remaining concourse, Concourse A. The remainder of the project is expected to be completed in stages through 2022.

On July 21, 2016, the Board of Commissioners authorized the Port Authority to make certain capital expenditures for airport infrastructure and contribute to certain other capital investments in an aggregate amount not to exceed $600 million, in connection with the design and construction by Delta Air Lines, Inc. ("Delta") of a new 37-gate Terminal C & D (the "New Terminal C") at a projected aggregate cost of approximately $4 billion (such design and construction, the "Redevelopment of Terminals C and D Project"), subject to the Board of Commissioners' further approval of the terms and conditions of a long-term lease agreement, incorporating the terms and conditions of the development of the Redevelopment of Terminals C and D Project, as well as other related agreements. The New Terminal C is expected to connect with the Central Hall and New Terminal B and be located closer to the Grand Central Parkway than Delta's existing terminals to increase airside space. On September 13, 2017, the Port Authority and Delta executed a lease governing the design, construction and financing by Delta of the New Terminal C and related facilities, as well as certain off-premises facilities (such as an expanded parking garage, improved roadways and a new electrical substation), and the operation and maintenance of the New Terminal C and the existing terminals C and D at LaGuardia Airport until demolition of such existing facilities. The term of the lease extends to December 30, 2050. Construction of the New Terminal C began in September 2017. The first concourse of the New Terminal C, Concourse G, was opened for public use in November 2019, and it is presently anticipated that additional portions of the New Terminal C will become available for public use beginning in 2021 through final completion in 2026.

In February 2017 and November 2017, the Board of Commissioners authorized initial planning work for a new AirTrain system serving LaGuardia Airport. The Port Authority advanced a proposed route connected to the Long Island Rail Road and New York City Transit at Willets Point, Queens. In June 2018, the New York State Legislature passed into law Assembly Bill A11158 (the "Legislation") providing the New York State Department of Transportation with certain rights to acquire property, if the proposed project proceeds along a route encompassed within an area specified in the Legislation. In May 2019, the FAA issued a Notice of Intent to Prepare an Environmental Impact Statement ("EIS") and a request for scoping comments to assess the potential impacts of the various options to provide access to LaGuardia Airport including the proposed project. Scoping comments were solicited over a 46-day period ending on June 17, 2019 and on November 4, 2019, the Scoping Report summarizing the public comments was publicly released. In October 2019, the Board of Commissioners authorized a program for the construction of a new AirTrain system serving LaGuardia Airport at a total estimated cost of $2.05 billion, inclusive of $75 million in previously authorized planning work. The EIS process is currently expected to reach completion in the second quarter of 2021.

*John F. Kennedy International Airport*

Opened on July 1, 1948, JFK Airport is located in the southeastern section of Queens County, New York City, on Jamaica Bay. JFK Airport consists of approximately 4,956 acres, including 880 acres in the Central Terminal Area, and is currently the largest airport in the New York metropolitan region, by passenger volume and cargo volume. The Central Terminal Area contains six individual airline passenger terminals. The terminals are independently operated (some directly by airlines and some by private terminal operators) under leases from the Port Authority. Five of the terminals include federal inspection services facilities for processing arriving international passengers. As a result of COVID-19, consolidation of operations into fewer terminals has occurred and may continue beyond the initial emergency (see "*Impacts from the COVID-19 Pandemic*" in Section I hereof). Cargo buildings, four runways ranging in length from approximately 8,400 feet to 14,600 feet, a cogeneration facility integrating an installation for the generation of electrical energy with the airport's central heating, refrigeration plant and thermal distribution system are also located on the airport. An automated light rail system ("AirTrain JFK") linking the terminals in the Central Terminal Area with each other and with existing transit lines in Jamaica, Queens and Howard Beach, Queens, respectively, provides exclusive airport access for passengers and others using the airport.

A full-service hotel containing approximately 500 guest rooms is located at the site of the TWA Flight Center at JFK Airport.

On February 16, 2017, the Board of Commissioners authorized a Port Authority planning effort to develop a master plan and additional conceptual planning work to support future airport development at JFK Airport, at an estimated total cost of $50 million. This master planning effort focuses on creating a comprehensive, airport-wide framework for transforming JFK Airport into a unified, world-class airport. Based on the master planning effort and New York State Governor Andrew Cuomo's 2017 "Vision Plan" for modernization and upgrade of JFK Airport and its terminal facilities, the Port Authority has also been working with various stakeholders, including incumbent airline and terminal operators, for redevelopment and expansion of the terminals. An environmental assessment under NEPA was completed in April 2020 when the FAA issued a Finding of No Significant Impact and Record of Decision for the redevelopment of JFK Airport. Funding for the overall redevelopment was approved by the Board of Commissioners as part of the Port Authority's 2017-2026 Capital Plan.

Beginning in 2018, the Port Authority announced preliminary activities to effectuate the Vision Plan, reflecting transactions with private parties on two major new passenger terminals and associated landside and airside infrastructure on the North and South of the Airport, as well as a redevelopment and expansion of Terminal 4. As a result of the COVID-19 emergency and the current review of the Port Authority's 2017-2026 Capital Plan, certain of these activities will be delayed, modified or curtailed. See "*Impacts from the COVID-19 Pandemic*" in Section I hereof. The Port Authority is conducting ongoing discussions with the private developer groups to address project timing changes, including potential plan modifications and/or phased scheduling, among other options.

As of June 1, 2020, the Port Authority entered into a lease amendment with American Airlines, Inc. for the expansion of Terminal 8 on the northwest portion of the passenger terminal area at American's cost, anticipated to be approximately $340 million. The expansion and refurbishment will result in the reconfiguration of certain gates to increase international widebody aircraft capacity and expand the size of the terminal building, as well as upgrading passenger amenities, expected to enable British Airways Plc. to co-locate with American, its oneworld alliance® partner. Early works construction began in 2019, with scheduled completion in 2022-2023.

*Newark Liberty International Airport*

Newark Airport consists of approximately 2,100 acres located in the Cities of Newark and Elizabeth, N.J., was opened under City of Newark operation in October 1928, and has been leased to the Port Authority by the City of Newark since October 22, 1947, together with the Port Newark marine terminal. Newark Airport consists of three passenger terminals and three runways, ranging in length from approximately 6,800 feet to 11,000 feet. Additionally, the following are located at the airport: cargo buildings (including an express package handling and sorting facility), a 590-room hotel and a fully automated monorail ("AirTrain Newark") (which began service on May 31, 1996) linking the airport terminals, parking lots and rental car areas with each other and, through an extension (which became operational on October 21, 2001), with the northeast corridor rail line used by NJ Transit and Amtrak.

On February 15, 2018, the Board of Commissioners reauthorized a program for the redevelopment of Terminal A ("Future New Terminal Program") at an estimated total program cost of $2.72 billion, an increase of approximately $360 million from the amount previously authorized. The Future New Terminal Program includes a new 1 million square-foot modern terminal building with 33 aircraft gates which will replace the current Terminal A, a 3,000-space parking garage complex with convenient connections to the future new terminal and AirTrain Newark, and certain other airside and landside improvements. The notice to proceed with the construction of the future new terminal was issued in April 2018. On May 24, 2019, the Port Authority entered into an agreement with EWR Terminal One LLC, an affiliate of Munich Airport International GmbH to operate, maintain and manage concessions at both the current Terminal A, and the future new terminal for a term of 15 years after the full opening of the future new terminal. The first new gates of the future new terminal are expected to open in spring 2022, with full completion on target for late 2022.

On October 24, 2019, the Board of Commissioners authorized vision planning to advance the master planning efforts for the redevelopment of Newark Airport and provide for planning work for the development of a new terminal to replace the existing Terminal B, at a total estimated cost of $35 million.

In connection with the Future New Terminal Program, on May 8, 2019, the Port Authority entered into a 39-year lease with EWR Conrac, LLC ("Conrac Entity") at Newark Airport and ancillary agreements for the design, construction, financing, operation and maintenance of an integrated facility incorporating a consolidated car rental facility, to be fully financed and constructed by the Conrac Entity, which would be utilized by the rental car companies doing business at Newark Airport, and an approximately 3,000 space public parking facility above the consolidated car rental facility to be financed, owned and operated by the Port Authority at a fixed price of $110 million. The project broke ground in September 2019 with public parking anticipated to open in 2022 and the full opening of the CONRAC facility expected in 2023.

On October 24, 2019, the Board of Commissioners authorized a program for the construction of a new AirTrain system at Newark Airport (replacing the existing system) at a total estimated cost of $2.05 billion, inclusive of $40 million in previously authorized planning work and a previously authorized project for the design and construction of a certain number of AirTrain Newark guideway foundations, which were located within the right-of-way of the redevelopment program, at an estimated cost of $75 million.

*Teterboro Airport*

Teterboro Airport was acquired by the Port Authority in April 1949 and is part of the Port Authority's regional system of air terminals. It occupies approximately 827 acres in Bergen County, N.J. A private airport operator is responsible for the day-to-day operation of the airport, subject to direct Port Authority oversight and control, under a management/services contract with the Port Authority with a term expiring on November 30, 2022.

The airport is devoted primarily to business and private aircraft operations, and has one 6,000-foot runway, one 7,000-foot runway, an administration building and twenty-three hangars. The FAA has begun a project to replace the air traffic control tower, which is expected to be fully operational in 2024.

By letter dated March 9, 2006, the United States Environmental Protection Agency ("EPA") advised the Port Authority that the EPA deems the Port Authority to be a "Potentially Responsible Party" ("PRP") (under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA")) that may be jointly and severally liable for the EPA's clean-up costs at the Berry's Creek Study Area, Bergen County, N.J., spanning from its headwaters to the Hackensack River, including upland properties in the Berry's Creek Watershed. On October 10, 2007, the Port Authority joined the Berry's Creek Study Area Cooperating PRP Group Organization and Joint Defense Agreement. As a member of this group, and pursuant to a voluntary settlement agreement and order on consent with EPA entered into on May 1, 2008, the Port Authority is participating in the performance of a Remedial Investigation/Feasibility Study.

*New York Stewart International Airport*

Stewart Airport, located in the Towns of Newburgh and New Windsor, New York, consists of approximately 2,466 acres of land with one 11,818-foot runway, one 6,000-foot runway, a terminal with 8 passenger gates, and a 192-acre industrial park located on the northwest side of the airport. Legislation passed by the State of New York in 1967 authorized the Port Authority to establish one additional air terminal in New York and one additional air terminal in New Jersey outside of the Port District, with the site of each such terminal to be approved by the governor of the state in which the air terminal is located. In May 2007, New Jersey enacted a statute identical in scope to the New York legislation (the New York and the New Jersey legislation, collectively, the "1967/2007 Airport Legislation"). On October 12, 2007, the Governor of the State of New York approved Stewart Airport as the additional air terminal in New York outside the Port District. On October 31, 2007, the Port Authority became the lessee of the airport under a lease with the State of New York, acting by and through the New York State Department of Transportation, for a term expiring on April 1, 2099. A private airport operator retained by the Port Authority is responsible for day-to-day airport operations and maintenance and concessions management, subject to direct Port Authority oversight and control.

On February 15, 2018, the Board of Commissioners approved a project to expand the terminal at Stewart Airport to develop a new federal inspection service facility that would increase the capacity of United States Customs and Border Protection to process international passengers arriving at Stewart Airport. Such project was reauthorized on October 25, 2018, with an estimated total project cost of $37 million. The construction of the Federal Inspection Service Facility has been substantially completed and Permit to Occupy was issued on November 5, 2020.

Beginning in 2017, a series of putative class actions and other lawsuits were brought by the City of Newburgh and other interested parties, including the Port Authority's predecessor in interest as airport lessee, relating to the discharge into the area water supply of certain chemicals which were federally mandated for use in firefighting applications (referred to generally as PFAS materials). The suits name some or all of the following defendants: the Port Authority as lessee and operator of Stewart Airport; the manufacturers of the chemicals (including Tyco Fire Products L.P. and the 3M Company); the New York State Department of Transportation, which owns the underlying property; and the Department of Defense and the New York State Air National Guard, which used the chemicals for testing and firefighting. On December 7, 2018, the cases were consolidated with the numerous cases across the country alleging damages from the use of the chemicals under multi-district litigation in the Federal District Court in South Carolina ("MDL Action"). On June 10, 2019, the City of Newburgh filed a third-party complaint against the Port Authority and other entities for defense and indemnification pertaining to an action brought against it by certain plaintiffs who are current and former residents of the City of Newburgh, arising out of the same circumstances addressed in the other actions; this matter has also been consolidated in the MDL Action. The Port Authority disputes plaintiffs' allegations in each of these matters and is vigorously defending the Port Authority's interests. In 2016, the New York State Department of Environmental Conservation adopted emergency regulations identifying certain PFAS compounds as hazardous substances under state law, and in 2019-2020, both New York and New Jersey enacted bans on the use of PFAS compounds, except for federally-required purposes (such as the fire-fighting requirements of the Federal Aviation Administration). The Port Authority is instituting measures to limit the use of PFAS compounds at its facilities except as required by federal law.

*Atlantic City International Airport*

On March 18, 2013, the Governor of the State of New Jersey approved Atlantic City International Airport ("ACY") as the additional air terminal in New Jersey outside the Port District, pursuant to the 1967/2007 Airport Legislation. In July 2013, the Port Authority and the South Jersey Transportation

Authority ("SJTA"), which owns and operates ACY, entered into a management agreement, where the Port Authority provided general management services to SJTA, at the direction and under the supervision of the SJTA, which both parties agreed to terminate as of December 31, 2017. On July 23, 2019, the Port Authority issued a solicitation for an airport feasibility analysis seeking a consultant to conduct a comprehensive due diligence review of commercial airports located in the State of New Jersey in order to determine the impact of assuming the operation of or otherwise acquiring an airport in New Jersey pursuant to the 1967/2007 Airport Legislation. A consultant was retained in October 2019 and the study is underway.

## World Trade and Economic Development

*The World Trade Center*

The World Trade Center was authorized in 1962 by the same bi-state legislation that authorized the Port Authority's acquisition of the Hudson Tubes. In such legislation, the Port Authority was authorized to cooperate with other agencies of government in the rehabilitation and redevelopment of the Hudson Tubes World Trade Center areas, in part for the purpose of the renewal and improvement of such areas, as part of this port development project. The World Trade Center site, located on the lower west side of Manhattan, is comprised of approximately 16 acres, bounded generally by Church Street on the east, Liberty and Cedar Streets on the south, West Street on the west and Vesey and Barclay Streets on the north. The original World Trade Center, which consisted of five office towers, a United States Customs House building, a hotel, and a retail concourse and transportation hub below the Austin J. Tobin Plaza, was destroyed in two separate terrorist attacks on September 11, 2001.

The redevelopment of the World Trade Center site 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 will consist of five office towers, approximately 456,000 square feet of retail space, the World Trade Center Transportation Hub, a memorial and interpretive museum, a Greek Orthodox Church, The Performing Arts Center at the World Trade Center and certain related infrastructure. The Port Authority owns fee title to the World Trade Center site and net leases portions of the site to various stakeholders.

On June 13, 2011, the Port Authority and The Durst Organization (through entities formed by such parties) entered into various agreements to create a joint venture relating to the construction, financing, leasing, management and operation of the One World Trade Center building through its current net lessee WTC Tower 1 LLC, a bankruptcy-remote, single purpose entity. The other office net lessees (the "Silverstein net lessees"), indirectly owned by separate bankruptcy-remote single purpose entities formed by Silverstein Properties, Inc. ("Silverstein Properties"), are responsible for developing three office towers (Tower 2, Tower 3 and Tower 4) on the eastern portion of the World Trade Center site, comprising, in the aggregate, approximately 6.2 million square feet of office space.

*One World Trade Center*

One World Trade Center contains approximately 3.0 million square feet of commercial office space and an indoor observation deck. As of December 31, 2020, WTC Tower 1 LLC has leased (i) approximately 2.7 million square feet of office space at One World Trade Center, representing approximately 90% of the leasable office space, (ii) certain portions of the One World Trade Center rooftop, together with ancillary space, for a broadcasting and communications facility, and (iii) the 100th through 102nd floors of One World Trade Center for an observation deck.

*Silverstein Net Lessees*

A December 2010 World Trade Center Amended and Restated Master Development Agreement ("MDA"), among the Port Authority, PATH, and the office and retail net lessees, sets forth the respective rights and obligations of the parties thereto with respect to construction at the World Trade Center site, including the allocation of construction responsibilities and costs among the parties to the MDA. Under the MDA, the Silverstein net lessees are required to construct Tower 4, the Tower 3 podium and certain subgrade and foundation work required for Tower 2, and are also required to contribute an aggregate of $140 million toward certain common infrastructure costs. The MDA also provides for the implementation of a construction coordination and cooperation plan among the respective parties' construction teams to achieve reasonable certainty of timely project completion.

*Tower 4 Net Lease*

In December 2010, the Port Authority, as tenant, entered into a lease with the Tower 4 Silverstein net lessee, as landlord, for approximately 600,000 square feet of office space for use as the Port Authority's executive offices with an initial term of 30 years and four 5-year renewal options. In November 2014, such space lease was amended to provide for the surrender by the Port Authority of two floors to the Tower 4 Silverstein net lessee. Tower 4 was substantially completed in October 2013. As of December 31, 2020, 2.2 million square feet of space in Tower 4 has been leased, representing approximately 98% of the leasable office space.

Also, in December 2010, the Port Authority entered into certain agreements with the Tower 4 Silverstein net lessee providing for the Port Authority's participation in the financing for Tower 4. In October 2011, to address concerns raised by certain beneficial holders of Consolidated Bonds, the Port Authority revised the structure of its participation in the Tower 4 financing. Under this revised structure, the Port Authority is a co-borrower/obligor for the Liberty Bonds issued by the New York Liberty Development Corporation on November 15, 2011, in the total aggregate principal amount of $1,225,520,000, to finance construction and development of Tower 4 (the "Tower 4 Liberty Bonds"). The Port Authority is obligated to make certain debt service payments on the Tower 4 Liberty Bonds (net of fixed rent paid or payable under the City of New York's Tower 4 space lease, which have been assigned by the Tower 4 Silverstein net lessee directly to the bond trustee for the payment of a portion of the debt service on the Tower 4 Liberty Bonds) as a special obligation of the Port Authority, payable from "net revenues" deposited to the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. For purposes of the Tower 4 Liberty Bonds, "net revenues" are defined as the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution. Payments of debt service on the Tower 4 Liberty Bonds by the Port Authority are subject in all respects to payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes. The Port Authority's payment of debt service on the Tower 4 Liberty Bonds is not secured by or payable from the General Reserve Fund. Additionally, the Port Authority's special obligation with respect to the payment of debt service on the Tower 4 Liberty Bonds does not create any lien on, pledge of or security interest in any revenues, reserve funds or other property of the Port Authority.

Additionally, the Tower 4 Silverstein net lessee has the right to defer (i) its payments of net lease rent payable under the Tower 4 net lease and (ii) the application of the free rent periods available to the Port Authority under the Port Authority's Tower 4 space lease, to provide cash flow to pay operating expense deficits, certain capital expenditures upon completion of Tower 4, and a limited amount of construction and leasing cost overruns. The Tower 4 Silverstein net lessee has exercised its right to defer certain Tower 4 net lease rent payments to the Port Authority effective November 2016. The Port Authority's debt service payments on the Tower 4 Liberty Bonds, deferred net lease rent under the Tower 4 net lease and any amounts from deferred free rent periods under the Port Authority's Tower 4 space lease are required to be reimbursed or paid to the Port Authority from Tower 4 cash flow. Amounts required to be reimbursed or paid to the Port Authority accrue interest at a rate of 7.5% per annum until reimbursed or paid, with the exception of deferred net lease rent that the Tower 4 Silverstein net lessee may elect to deposit in a reserve account (which is limited to $40 million in aggregate at any given time (as adjusted annually by certain CPI increases) and which receives earnings on certain permitted investments plus nominal interest). The overall term for reimbursement or payment of outstanding amounts is not to exceed 40 years. As security for such reimbursement or payment to the Port Authority, the Tower 4 Silverstein net lessee, the Port Authority and a third party banking institution entered into an account control agreement directing revenues derived from the operation of Tower 4 (excluding the fixed rents paid or payable under the City of New York's Tower 4 space lease) to be deposited into a segregated lockbox account in which the Port Authority has a security interest, and administered and disbursed by the banking institution in accordance with such agreement. To provide additional security to the Port Authority, the Tower 4 Silverstein net lessee granted a first priority leasehold mortgage on the net lease for Tower 4 to the Port Authority, assigned all Tower 4 space leases and rents (other than the City of New York's Tower 4 space lease and the fixed rents paid or payable thereunder), and assigned Tower 4 developmental and operational contracts to the Port Authority. As of December 31, 2020, the aggregate of Tower 4 Liberty Bond debt service payments and deferred rent due from the Tower 4 Silverstein net lessee, plus accrued interest, totaled approximately $44.8 million.

*Tower 3 Net Lease*

Tower 3 was substantially completed in March 2018, and officially opened on June 11, 2018. As of December 31, 2020, approximately 2.0 million square feet of space in Tower 3 has been leased, representing approximately 79% of the leasable office space.

To assist the Tower 3 Silverstein net lessee in the construction of Tower 3, the Port Authority entered into a Tower 3 Tenant Support Agreement in 2010 (as subsequently amended in 2014, the "Tower 3 Support Agreement"). Under the Tower 3 Support Agreement, the Port Authority is required to provide up to $600 million in overall support, comprised of: (i) $210 million for the construction of Tower 3 as a landlord capital improvement, and (ii) $390 million of backstop funding for (x) construction overruns and certain leasing cost overruns through landlord capital improvements, (y) operating expense deficits and certain leasing cost overruns through the Tower 3 Silverstein net lessee's right to defer payments of net lease rent to the Port Authority under the Tower 3 net lease, and (z) senior debt service shortfalls, by the Port Authority as a special limited co-obligor on the senior debt issued for Tower 3, subject in each case to the overall backstop limit of $390 million.

The State of New York and the City of New York have each agreed to reimburse the Port Authority for up to $200 million of the $600 million provided under the Tower 3 Support Agreement, for a combined reimbursement to the Port Authority from the State of New York and the City of New York of up to $400 million. To date, the Port Authority has applied $80 million received from the State of New York as a capital contribution for the partial reimbursement of the $210 million for the construction of Tower 3 as a landlord capital improvement. Additionally, the Port Authority will receive $130 million plus accrued interest in future payment-in-lieu-of-taxes credits ("WTC Pilot Credits") from the City of New York as reimbursement for the remaining share of the $210 million landlord capital improvement. WTC Pilot Credits commenced in July 2019.

As a special limited co-obligor with respect to the senior debt issued for Tower 3, the Port Authority would, subject to the overall $390 million backstop limit and only in the event that the Tower 3 Silverstein net lessee does not have sufficient funds, pay debt service on the senior debt issued for Tower 3 from "net revenues" deposited to the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. For purposes of the Tower 3 Support Agreement, "net revenues" are defined as the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution. The Port Authority's payments of debt service on the senior debt issued for Tower 3 would not be payable from the General Reserve Fund, and the payment thereof would be subject in all respects to payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes. The Port Authority's obligation with respect to the payment of such debt service would not create any lien on, pledge of, or security interest in, any revenues, reserve funds or other property of the Port Authority.

Under the Tower 3 Support Agreement, the Tower 3 Silverstein net lessee is responsible for the repayment of the $390 million backstop on a subordinated basis, without interest, from Tower 3 revenues, with an overall term for such reimbursement or payment not to exceed the term of the Tower 4 support agreement described above. All repayments of the Tower 3 backstop received by the Port Authority would be distributed among the Port Authority, the State of New York and the City of New York in accordance with their respective shares of the $390 million backstop payments. As security for such repayment, the Tower 3 Silverstein net lessee, the Port Authority and a third party banking institution entered into an account control agreement directing revenues derived from the operation of Tower 3 to be deposited into a segregated lockbox account and administered and disbursed by the banking institution in accordance with the Tower 3 Support Agreement. To provide additional security to the Port Authority, the Tower 3 Silverstein net lessee assigned to the Port Authority various contracts in connection with the development and construction of Tower 3, together with all licenses, permits, approvals, easements and other rights of the Tower 3 Silverstein net lessee, granted a first priority pledge of all of the ownership interests in the Tower 3 Silverstein net lessee to the Port Authority and granted a subordinated mortgage on the leasehold interest created under the Tower 3 net lease. The Tower 3 Silverstein net lessee exercised its right to defer certain Tower 3 net lease rent payments to the Port Authority effective November 2017. As of December 31, 2020, the aggregate of Tower 3 Liberty Bond debt service payments and deferred rent due from the Tower 3 Silverstein net lessee totaled approximately $39.5 million.

*Tower 2 Net Lease*

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

*World Trade Center Site 5*

World Trade Center Site 5 ("WTC Site 5") is an approximately 33,000 square foot lot located directly south of Liberty Park, which was formerly the location of the Deutsche Bank building that was extensively damaged on September 11, 2001. Lower Manhattan Development Corporation ("LMDC"), a subsidiary of Empire State Development, purchased the site in 2004 and completed deconstruction, abatement and excavation in 2011, work which was funded by a U.S. Department of Housing and Urban Development grant. Pursuant to a Memorandum of Understanding, dated as of February 1, 2006, between LMDC, the Port Authority and The World Trade Center Memorial Foundation, Inc. (the "2006 MOU"), LMDC anticipated transferring to the Port Authority a real property interest in and to the location of WTC Site 5 for development of commercial space in exchange for real property interests required to implement the redevelopment of other elements of the World Trade Center site. The Port Authority and LMDC entered into a subsequent memorandum of understanding in February 2019 considering alternative uses for the site and outlining the process for soliciting proposals for the development of WTC Site 5 as well as the methodology for distributing the proceeds between the two agencies upon selection of a winning proposal, if an alternate use proposal is selected. In June 2019, LMDC and the Port Authority jointly issued a request for proposals seeking a development team to lease or purchase and redevelop WTC Site 5 with a commercial or mixed-use project. In the event a mixed-use project is selected for development, amendments to the General Project Plan for the World Trade Center site approved by LMDC in June 2004, and amended in February 2007, would be required. Proposals have been received and are being evaluated.

*Seven World Trade Center*

Seven World Trade Center, a 52-story office building which was reconstructed in May 2006, is leased by the Port Authority to 7 World Trade Company, L.P., a limited partnership having as the general partner thereof, Silverstein – 7 World Trade Company, Inc., for a term expiring in 2026, with three 20-year extension options.

*Retail*

Through a series of transactions between the Port Authority and a bankruptcy-remote single purpose entity formed by an affiliate of Westfield America, Inc. ("Westfield"), the Port Authority has been involved in the planning for the restoration of the retail components of the World Trade Center and the construction of such retail components. A Westfield entity has net leased the retail premises from the Port Authority for an upfront payment and a nominal annual amount. As a result, the Port Authority has received payments totaling $897 million from Westfield for the completed retail premises at the World Trade Center site. The Port Authority continues to be responsible for the construction of additional retail premises at the World Trade Center site, and is obligated to fund the remaining project costs for their construction. Upon completion and lease up of such additional retail premises, the Port Authority expects to receive additional payments for the fair value of such additional retail space, to be determined according to the methodology specified in the agreement with Westfield, which is not expected to fully compensate the Port Authority for the cost of construction.

*The World Trade Center Transportation Hub*

On July 28, 2005, the Board of Commissioners authorized the World Trade Center Transportation Hub project for the construction of a transportation hub and permanent PATH terminal, and construction commenced on September 6, 2005. On October 18, 2012, the Board of Commissioners reauthorized the World Trade Center Transportation Hub project from an estimated total project cost of $3.44 billion to an estimated total project cost range of approximately $3.74 billion to $3.995 billion, and ratified an agreement with the FTA to increase federal funding from $1.921 billion to a maximum of $2.872 billion for the project.

On March 3, 2016, the World Trade Center Transportation Hub Oculus and underground pedestrian connections to certain mass transit lines opened to the public and on August 16, 2016, the retail portions opened to the public.

*World Trade Center Infrastructure Projects*

In addition to the World Trade Center Transportation Hub, the Port Authority continues to advance planning, design and construction of various infrastructure projects toward the full buildout of the World Trade Center site, including streets and utilities. The Port Authority has completed construction on a number of infrastructure projects, including a central chiller plant and electrical infrastructure, that support the operations of the World Trade Center site. A vehicular security center for cars, tour buses, and delivery vehicles to access subgrade loading facilities is operational to support the commercial development throughout the World Trade Center site at a cost of approximately $670 million. The World Trade Center's Liberty Park was opened to the public on June 29, 2016. Liberty Park is an approximately 1-acre elevated green space located atop the vehicular security center, and provides seating and views of the World Trade Center site and a pedestrian route from Greenwich Street to the Brookfield Place South Bridge at West Street. As part of the construction of the vehicle security center and Liberty Park, the Port Authority completed certain below grade infrastructure required to allow for the construction of the new St. Nicholas Greek Orthodox National Shrine at 130 Liberty Street. This church building will replace the St. Nicholas Greek Orthodox Church, formerly located at 155 Cedar Street, that was destroyed in the attacks of September 11, 2001. The Port Authority is not responsible for the construction of the new church building.

*The Memorial at the World Trade Center Site*

On July 6, 2006, the Board of Commissioners authorized the Port Authority to enter into an agreement with LMDC, the National September 11 Memorial and Museum at the World Trade Center ("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 and cultural project. The World Trade Center Memorial Plaza opened for public access on September 11, 2011. The Museum opened to the public on May 21, 2014.

*The Performing Arts Center at the World Trade Center*

On February 15, 2018, the Board of Commissioners authorized the Executive Director of the Port Authority to enter into a lease with The World Trade Center Performing Arts Center, Inc., d/b/a The Performing Arts Center at the World Trade Center ("WTC PAC"), providing for the construction and operation of a world-class performing arts center for an initial term of 99 years, with an option to extend the term for an additional 99 years. Under the lease authorized by the Board of Commissioners, WTC PAC is responsible for the construction of the performing arts center, while the Port Authority is responsible for the construction of certain below grade improvements and infrastructure. Upon execution of the lease on March 19, 2018, WTC PAC paid the Port Authority a one-time payment of $48 million for below-grade improvements constructed by the Port Authority, consistent with the terms of the February 2018 Board of Commissioners authorization.

*Newark Legal and Communications Center*

The Newark Legal and Communications Center Urban Renewal Corporation ("NLCCURC") was formed in 1988 by the Port Authority to effectuate the development and construction of a legal and communications center and its related infrastructure in Newark, N.J., adjacent to Pennsylvania Station and the PATH terminus (the "Newark Legal and Communications Center").

On December 21, 2001, the NLCCURC entered into a net lease with respect to the Newark Legal and Communications Center with Matrix One Riverfront Plaza LLC (“Matrix”). The net lease is for a term of 50 years, with four 10-year renewal options and one 8-year 11-month 28-day renewal option. During the term of the net lease, the net lessee will pay to the NLCCURC, in addition to a $36 million payment made upon the commencement of the net lease, (i) base rent, the amount of which is graduated upward in 5-year bands over the term of the net lease, starting at approximately $1.58 million annually, and (ii) the amount, if any, by which 10% of the net operating income, as defined in the net lease, for such year exceeds the base rent payable in such year. On December 4, 2013, after determining that the Newark Legal and Communications Center was no longer required for the purposes for which it was acquired, the Board of Directors of the NLCCURC authorized the President of the NLCCURC to enter into an agreement providing for the phased transfer of the NLCCURC’s interests in the Newark Legal and Communications Center to Matrix Affiliate, LLC, an affiliate of Matrix, in exchange for a total aggregate payment of approximately $42 million, subject to certain adjustments.

The Commissioners of the Port Authority serve as the Directors of the NLCCURC, and Richard Cotton is its President.

## Marine Terminals

The Port Authority owns or leases six marine terminal facilities to serve the Port District. The Port Authority’s revenues from the marine terminal facilities come primarily from fixed lease agreements and are therefore partially insulated from fluctuations in activity levels at these facilities. On July 9, 2019, the Port Authority announced a comprehensive 30-year plan (the “Port Master Plan 2050”) that creates a flexible roadmap to develop a competitive, financially successful port that maximizes regional jobs and economic impacts while minimizing environmental effects at the Port Authority’s marine terminal facilities. The Port Master Plan 2050 focuses on five guiding principles: (i) ensuring sustainability and resiliency in all operations and future developments; (ii) promoting regional economic generation; (iii) establishing state of the art facilities; (iv) providing a platform for partnership for all local stakeholders; and (v) shaping future growth of the region. The Port Authority began implementing key findings and recommendations in the second half of 2019, the most significant of which is the Navigation Improvement Study with the U.S. Army Corps of Engineers that will be completed in 2022.

On June 17, 2019, the Port Authority announced the completion of the ExpressRail Port Jersey facility, operated by Global Container Terminal – Bayonne (“GCT-Bayonne”), the final piece of the Port of New York and New Jersey’s intermodal rail network (“ExpressRail”) which now connects facilities in Elizabeth, Newark, Jersey City and Staten Island to the national freight rail network. The ExpressRail facilities were designed to reduce the Port’s reliance on trucks to transport cargo and expands its geographic cargo reach to inland hubs. The ExpressRail facilities are served by Conrail, which is jointly owned by the Class 1 railroads CSX Corporation and Norfolk Southern. Utilizing this operating structure, Conrail provides local intermodal switching and operational support in the Port area. Conrail connects directly to the CSX and Norfolk Southern mainlines allowing the Port to serve inland markets primarily in the Midwest, Ohio Valley, New England, Eastern Canada and elsewhere in a timely, efficient, and environmentally friendly manner.

*Port Newark*

Port Newark is a waterfront terminal development located on Newark Bay comprising approximately 930 acres adjacent to Newark Airport. The marine terminal includes wharves, deep water ship berths, container cranes, open storage areas, buildings, roadways and railroad trackage.

The marine terminal was first developed by the City of Newark and, together with Newark Airport, has been leased by the City to the Port Authority since October 22, 1947. An adjacent former United States Naval Industrial Reserve Shipyard was acquired by the Port Authority in 1963 and is included in the leasehold. The Port Authority has also developed the south side of Port Newark along a new channel which adjoins the Elizabeth-Port Authority Marine Terminal.

In October 2019, the Port Authority and the City of Newark entered into a lease supplement further extending the term through 2075, for consideration of certain additional rental payments. These agreements are described at "*Certain Information with Respect to the Leases Relating to the Port Authority Airports and Other Related Matters*."

*Elizabeth-Port Authority Marine Terminal*

The Elizabeth-Port Authority Marine Terminal occupies approximately 1,257 acres on Newark Bay in Elizabeth, N.J. The south side of Port Newark and the Elizabeth-Port Authority Marine Terminal are jointly served by a channel along the boundary between the two facilities. Container cranes and fully equipped vessel berths situated on the Elizabeth Channel and Newark Bay provide modern, efficient facilities for shipping lines and export-import shippers. Within the terminal are cargo distribution buildings with approximately 1.2 million square feet of space, ancillary service structures and the 70-acre ExpressRail Elizabeth terminal.

A foreign-trade zone (Foreign-Trade Zone 49) has been established by the United States Department of Homeland Security (formerly by the Department of Commerce) and presently includes, in addition to other sites and sub-zones in New Jersey, all of the Port Newark/Elizabeth-Port Authority Marine Terminal complex, the Port Authority Industrial Park at Elizabeth and the Port Jersey-Port Authority Marine Terminal.

*Greenville Yard-Port Authority Marine Terminal*

The Greenville Yard-Port Authority Marine Terminal is located in Jersey City, N.J., adjacent to the Port Jersey-Port Authority Marine Terminal. The facility currently occupies approximately 32 acres of land and pier area, in addition to riparian land. Approximately 5 acres of this facility are occupied by a single private tenant using this facility for the storage of barges and dredging equipment. The remaining 27 acres, along with certain riparian rights, are leased by New York New Jersey Rail, LLC (see "*Railroad Freight—New York New Jersey Rail, LLC*" in this Section II) from the Consolidated Rail Corporation ("Conrail") for cross-harbor rail freight operations. On September 17, 2014, the Board of Commissioners authorized a program to provide for the redevelopment of the Greenville Yard-Port Authority Marine Terminal into a modern, multi-modal freight rail terminal, at a total estimated cost of $356 million, with funding to be provided by the Port Authority, Conrail and Global Container Terminals Inc. ("Global"). The redevelopment program includes the construction of ExpressRail Port Jersey that was completed in June 2019 and provides capacity for an additional 250,000 container lifts per year to the Port Authority's ExpressRail system. ExpressRail Port Jersey consists of eight tracks for loading and unloading of cargo that connect to two lead tracks to and from the main freight rail network. In addition, the Port Authority constructed two new carfloats (rail barges), a new transfer bridge, and a new support yard for that transfer bridge to improve efficiency and capacity of the cross-harbor rail freight system.

*Port Jersey-Port Authority Marine Terminal*

The Port Jersey-Port Authority Marine Terminal is located on approximately 373 acres (including the acreage described below that was acquired, respectively, in June 2010 and August 2010) on the Port Jersey

Channel in Bayonne and Jersey City, N.J., and supports broad based marine terminal uses including a container terminal, dry dock, cruise terminal, and warehouse operations.

On June 23, 2010, the Port Authority acquired approximately 100 acres of property from Global, which was contiguous to the original facility and has been incorporated into the expanded facility. The Port Authority then entered into a 37-year lease with Global which, among other things, provides up to $150,000,000 to Global for certain terminal capital improvements, including facility expansion, and up to $7,500,000 to Global for the permitting, mitigation and development of a wetlands area within the leased property. The improvements undertaken pursuant to the lease have transformed the site into a modern, high density and semi-automated container terminal facility.

On August 3, 2010, the Port Authority acquired approximately 131 acres of the former Military Ocean Terminal at Bayonne and certain riparian rights from the Bayonne Local Redevelopment Authority. This property comprises three parcels on the southern side of the peninsula and will eventually be redeveloped. The Port Authority and LEG-BP Bayonne Owner LLC ("LEG-BP") entered into an agreement dated December 19, 2018 to exchange 9.78 acres of Port Authority owned property for a similarly-sized land parcel and associated riparian rights owned by LEG-BP, which, along with cooperative covenants to address access and maintenance of shared roadways and related infrastructure, will serve to consolidate the Port Authority's property interests on the peninsula. The Port Authority and LEG-BP entered into an agreement in December 2020 whereby the Port Authority provided an option to purchase an additional approximately 15 acres of property that was no longer required for marine terminal purposes.

*Brooklyn-Port Authority Marine Terminal*

The Brooklyn-Port Authority Marine Terminal currently extends from Pier 7 at Atlantic Avenue to Pier 12 and includes the Atlantic Basin with waterfront access along the Buttermilk and East River Channels, and together with the Red Hook Container Terminal described below, includes approximately 122 acres, of which approximately 23 acres is pier shed space. Piers 11 and 12 are leased by the Port Authority to the New York City Economic Development Corporation ("NYCEDC") for a term expiring on December 31, 2029, with the Port Authority and NYCEDC having certain options to extend the lease through 2058. The Brooklyn Cruise Terminal is located at Pier 12.

On December 18, 1979, the Port Authority entered into an agreement with the City of New York and the State of New York for construction and operation of a container terminal (the "Red Hook Container Terminal") comprising a portion of the existing Brooklyn-Port Authority Marine Terminal and approximately 10 acres of land adjacent to the facility. Under the agreement, the Port Authority is responsible for operating the Red Hook Container Terminal for a term expiring in 2036. The Red Hook Container Terminal was later expanded to include utilization of a 20-acre portion of the Brooklyn-Port Authority Marine Terminal including Piers 9A and 9B and related upland area as well as approximately 10 additional acres provided by the City of New York. The construction of a berth extension and the performance of certain terminal improvements at the Red Hook Container Terminal has been allocated against moneys made available through the Regional Economic Development Program (see Note H (Regional Facilities and Programs) in Appendix A hereto). A private terminal operator now manages a portion of the container terminal pursuant to an Operating Agreement with a base term expiring on September 30, 2023. This agreement covers the 66 acres of the Red Hook Container Terminal as well as 30 acres at Port Newark which supports a container-on-barge service between the two locations.

Under the terms of the December 1979 agreement, as revised by a supplemental agreement effective in September 1986, net revenues after payment of annual operating expenses are to be shared equally by the Port Authority and the City of New York.

*Howland Hook Marine Terminal*

The Howland Hook Marine Terminal, in Staten Island, N.Y., is leased to the Port Authority by the City of New York for a term expiring in 2058. This facility presently occupies 311 acres. Effective June 30, 1995, the Port Authority and a marine terminal operator entered into a lease for a portion of this facility for a term which, following extension, now expires on December 31, 2029.

Effective as of June 11, 2004, the Port Authority entered into an agreement with NYCEDC to provide funding, in the amount of approximately $32 million, for the construction of certain rail facilities necessary to provide for the restoration of rail service to the Howland Hook Marine Terminal. Regular rail service is provided between this facility and the national freight rail system through interchanges constructed by the Port Authority at the Chemical Coast rail freight line in the vicinity of Elizabeth, N.J. ("ExpressRail Staten Island"). The ExpressRail Staten Island facility is currently operated by the marine terminal operator under an agreement that expires on December 31, 2029.

As part of the effectuation of such rail freight services, effective August 1, 2003, the Port Authority and the New Jersey Department of Transportation entered into an agreement providing for the Port Authority to lease (for a term of 50 years with one 49-year 11-month renewal option) certain parcels of railroad property located in Union County, N.J., with the Port Authority to assume certain maintenance obligations for the leased trackage during the term of the lease. The agreement effectuates the ability for Conrail to provide rail service to and from Howland Hook.

Additionally, on September 9, 2003, the Port Authority, the New York and New Jersey Railroad Corporation (see "*Railroad Freight—New York and New Jersey Railroad Corporation*" in this Section II) and the City of Elizabeth entered into certain agreements, which provided, among other items, for the Port Authority to reimburse the City of Elizabeth for up to $15 million of its costs related to the design and construction of a stand-by emergency response facility in the City of Elizabeth, and for the Port Authority to make certain payments-in-lieu-of-taxes to the City of Elizabeth for property in Elizabeth, N.J., which was acquired in September 2002, at an aggregate cost of approximately $3.3 million, by the Port Authority, in order to facilitate the construction of the Chemical Coast rail freight line interchanges.

## Waterfront Development

Pursuant to legislation enacted in 1984 by the States of New York and New Jersey, the Port Authority is authorized to participate, in conjunction with affected municipalities, in effectuating certain mixed-use waterfront development projects in each of the States, initially, at a legislatively designated site in the City of Hoboken, N.J., and a legislatively designated site in the Hunters Point section of Long Island City in the Borough of Queens in New York City. The Port Authority may undertake such mixed-use waterfront development projects, including site preparation and other work necessary for the effectuation of the overall development program and to facilitate private sector investment in connection therewith, consistent with agreements with the holders of Consolidated Bonds, including those pertaining to the financing of additional facilities.

*Hoboken South Waterfront Development Facility*

On August 16, 1995, the Port Authority and the City of Hoboken entered into a municipal development agreement with respect to the development of a mixed-use waterfront development project at the legislatively designated site in the City of Hoboken. On November 30, 2000, the Board of Commissioners authorized an increase in the Port Authority's commitment with respect to this facility, bringing the Port Authority's total commitment to $128,000,000 for this facility.

*Queens West Waterfront Development Facility*

In October 1992, the Port Authority, the Empire State Development Corporation ("ESDC"), the City of New York, and NYCEDC entered into a municipal agreement with respect to the development of a mixed-use waterfront development project at the legislatively designated Hunters Point site (the "Municipal Agreement"). On November 30, 2000, the Board of Commissioners authorized an increase in the Port Authority's commitments with respect to this facility, bringing the Port Authority's total commitment to $190,000,000 for this facility.

On October 19, 2006, the Board of Commissioners authorized the sale to the City of New York, or a local development corporation designated by the City, of approximately 24 acres of Port Authority-owned property in the southern portion of the Queens West Waterfront Development site, after determining that this property was no longer required for the purposes for which it was acquired. The Port Authority and NYCEDC entered into a Contract of Sale dated December 12, 2007, providing for the sale of this property for a purchase price equal to $100 million plus the amounts spent by the Port Authority with respect to the property between October 19, 2006 and the closing of the sale. On March 26, 2009, the Board of Commissioners authorized the amendment of the Contract of Sale to provide for the offset of a $100 million portion of the purchase price for this property against the Port Authority's commitment to fund certain projects in the Borough of Queens (see "Air Terminals—*Certain Information with Respect to the Lease Relating to the New York City Airports and Other Related Matters*" in this Section II). On May 20, 2009, this property was sold to NYCEDC as assignee of the City.

## Railroad Freight

*New York and New Jersey Railroad Corporation*

On April 30, 1998, the New York and New Jersey Railroad Corporation was established as a wholly owned entity of the Port Authority to effectuate rail freight projects, including rail freight access to marine terminal facilities. Rail freight services are provided between the Howland Hook Marine Terminal in Staten Island, N.Y., and the national rail system through interchanges that were constructed by the Port Authority at Conrail's Chemical Coast rail freight line in the vicinity of Elizabeth, N.J. (See "*Marine Terminals—Howland Hook Marine Terminal*" in this Section II.) The Commissioners of the Port Authority serve as the Directors of the New York and New Jersey Railroad Corporation, and Richard Cotton is its President.

*New York New Jersey Rail, LLC*

On September 18, 2008, the Port Authority acquired from Mid-Atlantic New England Rail, LLC 100% of the membership interests in New York New Jersey Rail, LLC ("NYNJ Rail"). NYNJ Rail is part of the National Railroad System and holds a Surface Transportation Board Certificate of Convenience and Necessity for the movement of freight by rail and rail barge across New York Harbor, by means of float bridges located at Greenville Yard, Jersey City, N.J. and 65th Street Rail Yard in Brooklyn, N.Y. NYNJ Rail operates the only rail car float in the New York Harbor, providing a link for the movement of freight in and out of the New York City market. NYNJ Rail also currently leases approximately 27 acres of Conrail's property in Jersey City, N.J., which is part of the Greenville Yard-Port Authority Marine Terminal and which functions as an interchange facility for freight to and from the National Railroad System.

On December 29, 2010, NYNJ Rail acquired certain assets of the Port Jersey Railroad Company ("PJRC"), a New Jersey corporation, including (among other things) approximately 6 acres of land in Jersey City, N.J.; all of PJRC's interests in certain railroad easements; the railroad tracks and switches located on such land and such easements; and the right (subject to appropriate governmental approvals) to operate a shortline railroad over such tracks, servicing several warehouses in an area adjacent to the Port Jersey-Port

Authority Marine Terminal and the Greenville Yard-Port Authority Marine Terminal. The acquisition of such assets facilitates the movement of shipping containers between the Port Jersey-Port Authority Marine Terminal and the Greenville Yard-Port Authority Marine Terminal.

## Industrial Development

In 1978, in recognition of the loss of manufacturing jobs and plants in the Port District and its serious negative impact on the regional economy, the Port Authority was authorized by the States of New York and New Jersey to undertake a program of industrial development, including the construction and operation of industrial parks in the inner cities of the Port District. In March 1981, the Board of Commissioners authorized three initial industrial development projects, to be located in Elizabeth, N.J., in the Howland Hook section of Staten Island, N.Y., and in the Bathgate section of the Bronx, N.Y. (the Port Authority no longer has any interest in the development at the Bathgate site.) The site in the Howland Hook section of Staten Island is presently part of the Howland Hook Marine Terminal. The development by the Port Authority of specific industrial development projects requires appropriate authorizations and certifications by the Board of Commissioners.

*Port Authority Industrial Park at Elizabeth*

The Port Authority Industrial Park at Elizabeth consists of a 12-acre site (which is a former landfill) in the City of Elizabeth, N.J., located at the southern end of the Port Newark/Elizabeth-Port Authority Marine Terminal complex, and is leased to private tenants.

*Teleport*

The Teleport, originally designed and operated as a regional satellite communications center, is located in a portion of New York City's Staten Island Industrial Park and was leased to the Port Authority by the City of New York in June 1984 for a term ending in May 2024. The lease is administered by NYCEDC on behalf of the City of New York. The Teleport's fiber optic network includes a link to the World Trade Center site. The Port Authority entered into a ground lease with Teleport Associates, a joint venture of Murray Teleport Associates and Silverstein Teleport Company, in order to develop such office space at the Teleport comprising, approximately 286,000 square feet, in July 1985 for a term ending in March 2024. Teleport Associates subsequently assigned its leasehold interest for such office space to The Corporate Commons of Staten Island, LLC, a subsidiary of The Nicotra Group, LLC, in December 2008.

*Essex County Resource Recovery Facility*

The Essex County Resource Recovery Facility is a mass burn waste-to-energy plant in the City of Newark, N.J., constructed and operated by a private full-service vendor pursuant to a lease agreement and a service agreement with the Port Authority. The lease agreement expires December 31, 2032, and automatically renews for four five-year periods, unless the lessee elects not to renew. The service agreement expires December 31, 2032. The private full-service vendor is responsible for all capital and operating expense liability at the plant.

Certain environmental matters with respect to the condition of the site, the operation of the plant by the private full-service vendor or the composition of solid waste delivered to the plant, the liability or cost for which is presently uninsurable and not amenable to guaranteed limitation, may give rise to costs to the Port Authority. On August 13, 2004, the EPA advised the private full-service vendor that the EPA deems the full-service vendor to be a "potentially responsible party" (under CERCLA) that may be jointly and severally liable for the EPA's clean-up costs at the Diamond Alkali Superfund Site, in Newark, N.J. The Port Authority may have certain indemnification obligations with respect to the full-service vendor.

### Pre-development Site Acquisition Program

On October 11, 1984, the Board of Commissioners established the Pre-development Site Acquisition Program, a centralized program of up to $75,000,000 at any one time through which the Port Authority may acquire real property in connection with the development of additional facilities prior to the actual formal certification of these facilities.

Appropriate approvals would be obtained prior to the purchase of any property intended to form a part of this facility. As a project is formally certified as an additional facility, the real property attributable to such additional facility (including the costs associated with the acquisition of such real property) would be transferred to the newly-certified additional facility and the amounts available under this facility would be recalculated, as appropriate.

### Regional Development

From time to time, 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. The Port Authority does not expect to derive any revenues from such regional development facilities. See Note H (Regional Facilities and Programs) in Appendix A hereto. In the Port Authority's 2017-2026 Capital Plan (see "*2017-2026 Capital Plan*" in this Section II), the Port Authority has included $250 million for such projects, which includes, among other things, $150 million for the Moynihan Station Transportation Program (see "*Moynihan Station Transportation Program*" below).

*Moynihan Station Transportation Program*

On September 22, 2016, the Board of Commissioners authorized the Executive Director, on behalf of the Port Authority, to provide, at the request of the State of New York, a one-time financial contribution of $150 million to the State of New York, acting through New York State Urban Development Corporation d/b/a Empire State Development and/or its subsidiary Moynihan Station Development Corporation ("MSDC"), to advance the Moynihan Station Transportation Program, a project to redevelop the James A. Farley United States Post Office Building (together with its Western Annex, the "Farley Building") into a new transportation facility serving the New York and New Jersey region, to be known as Moynihan Station. On February 16, 2017, the Board of Commissioners certified the Moynihan Station Transportation Program as an additional facility of the Port Authority in an aggregate amount not to exceed $150 million, and authorized the issuance of Consolidated Bonds for purposes which include capital expenditures in connection with the Moynihan Station Transportation Program. The final installment of the $150 million was paid in July 2018. The Port Authority has also entered into an agreement with MSDC to provide certain consulting and management services in connection with the Phase II redevelopment. Moynihan Station opened to the public on January 1, 2021.

### The Gateway Program

The Gateway Program is a multi-phase project to improve rail transportation infrastructure between Newark Penn Station and New York Penn Station (the "NJNY Rail Segment"). The NJNY Rail Segment is capacity-constrained, aging and prone to chronic breakdowns, causing train delays and cancellations on a critical stretch of track used by New York and New Jersey commuters and National Railroad Passenger Corporation ("Amtrak") customers.

New Jersey and New York have prioritized two portions of the overall program. First, the States propose the replacement of the Portal Bridge in Secaucus, New Jersey, a swing bridge which sometimes fails to close after opening for maritime traffic (the "Portal North Bridge Project"). Second, the States propose to design and construct a new rail tunnel under the Hudson River to relieve the existing tunnel so it can be repaired, with the new tunnel thereafter available for providing additional reliability and resiliency ("Tunnel Project").

In 2019, the legislatures of New York and New Jersey established a new public authority, the "Gateway Development Commission" ("Commission"), to lead the Gateway Program. The Commission is intended to replace a not-for-profit corporation ("Corporation") with similar goals, because the States had been informed by the U.S. Department of Transportation ("USDOT") that a not-for-profit entity like the Corporation would not be eligible to apply for grants.

The Port Authority has included $2.7 billion in its 2017-2026 Capital Plan to support the Gateway Program through funding of Gateway Program debt service payments on up to an aggregate amount of $2.7 billion low-cost borrowing for the Gateway Program, once all other financing had been obtained for the project and subject to facility certification. The 2017-2026 Capital Plan states that "[t]he Port Authority's commitment is capped at the agreed principal amount and [the Port Authority] will not be the primary obligor, nor will it be liable for any construction completion, cost overrun or project funding risk" (see "*2017-2026 Capital Plan*" in this Section II).

To date, the Port Authority has sponsored the NEPA review of the Tunnel Project by certain agencies of USDOT. The Port Authority is awaiting issuance of a Record of Decision from the Federal Railroad Administration ("FRA") and Federal Transit Administration ("FTA") for the Tunnel Project and received a Categorical Exclusion from FTA for the Hudson Yards Concrete Casing – Section 3 element (to preserve a right of way under the Hudson Yards real estate development on the New York side of the proposed Tunnel Project) on November 20, 2019. Separately, FRA, through a Notice of Intent published on June 15, 2020, announced its intent to prepare an environmental impact statement with sponsors WRY Tenant, LLC and Amtrak for the Western Rail Yard Infrastructure Project, which is proposed, in part, to include a portion of the Hudson Yards Concrete Casing – Section 3 element (excluding certain early work projects addressed below). The Port Authority has also acted as federal grant applicant for the Tunnel Project. It is intended that the Commission will carry out the lead role in the financing and development of the Tunnel Project as soon as it is provided with the appropriate resources from the State of New York, State of New Jersey and Amtrak. NJ Transit is the sponsor and grant applicant for the Portal North Bridge Project.

On February 15, 2018, the Board of Commissioners certified $79 million for the Gateway Early Work Program (defined below), as an additional facility of the Port Authority, and further authorized the issuance of Consolidated Bonds for purposes which include capital expenditures in connection with such Gateway Early Work Program. To date, the Port Authority has provided $35 million to reimburse Amtrak for a portion of the preliminary engineering and planning costs for the Gateway Program. In addition, the Port Authority has agreed to advance up to $31.5 million for operating expenses for the Gateway Program and $12.5 million for certain early works projects (collectively, the "Gateway Early Work Program"), with the understanding that Amtrak will provide equal funding.

The Portal North Bridge Project submittal to USDOT by NJ Transit in support of the fiscal year 2021 budget proposal resulted in a "Medium-High" project rating from FTA and such project was advanced into the engineering phase by FTA on June 19, 2020, indicating that two of the three conditions for a federal grant for full construction funding have been met. In December 2020, the Board of Directors of NJ Transit authorized NJ Transit to enter into a Full Funding Grant Agreement ("FFGA") with the FTA. Subsequently, pursuant to federal law, FTA notified Congress of an intent to enter into a FFGA with NJ Transit. To date, the Tunnel Project has not advanced within the USDOT towards FTA grant and USDOT loan financing, although efforts are ongoing. Previous submittals to USDOT for the Tunnel Project in support of the fiscal year 2019, 2020, and 2021 budget proposals resulted in "Medium-Low" project ratings from the FTA, foreclosing the possibility of grant funding at this time. USDOT is currently reviewing a submittal for the Tunnel Project for a project rating from FTA for the fiscal year 2022 budget proposal.

Port Authority participation in the Gateway Program (other than the Gateway Early Work Program which was certified by the Board of Commissioners as described above) is subject to approval by the Board of Commissioners, consistent with statutory, contractual and other commitments of the Port Authority, including agreements between the Port Authority and the holders of its obligations. The 2017-2026 Capital Plan will be monitored and reassessed on a regular basis to determine capacity for the projects listed therein (see "*Additional Facilities, Capital Improvements and Certain Programs—Certification in Connection with Additional Facilities*" and "*2017-2026 Capital Plan*" in this Section II). See also "*Impacts from the COVID-19 Pandemic*" in Section I hereof and "*Annual Budget*" in this Section II.

**Additional Facilities, Capital Improvements and Certain Programs**

The Port Authority is now engaged in providing various capital improvements to certain of its existing facilities and has undertaken studies for other such improvements and for other new construction and acquisitions, which are expected to require the issuance of obligations in addition to the Bonds or the provision of other capital funds by the Port Authority from time to time. These include, but are not limited to, improvements and construction outlined herein, and in some cases are in fulfillment of contractual commitments assumed by the Port Authority in leases and other agreements or are undertaken pursuant to existing legislation at the request of the two States. The estimated costs of improvements to Port Authority facilities have been revised from time to time to reflect cost increases attributable to, among other factors, lengthy strikes and other unforeseen construction delays, extraordinary inflationary increases in the cost of labor and materials, unanticipated claims by contractors, changes in project specifications and resolution of environmental matters and associated proceedings which arise during the course of construction, including those related to channel improvements and dredging. No attempt is made to enumerate all such improvements or projects under study by the Port Authority at the present time.

*Certification in Connection with Additional Facilities*

Agreements between the Port Authority and holders of currently outstanding Consolidated Bonds impose certain requirements on the Port Authority relative to the financing of any additional facility for the first time by Consolidated Bonds or other bonds sharing in the pledge of the General Reserve Fund. Before the Port Authority can issue any such obligations for purposes in connection with such an additional facility, it must first certify its opinion that such issuance will not, during a specified period, materially impair the sound credit standing of the Port Authority or the investment status of Consolidated Bonds or the ability of the Port Authority to fulfill its commitments, whether statutory or contractual or reasonably incidental thereto, including its undertakings to the holders of Consolidated Bonds. Unless and until, having first made such certification, the Port Authority does in fact issue Consolidated Bonds or other bonds secured by the General Reserve Fund for purposes in connection with such an additional facility, neither the General Reserve Fund nor the Consolidated Bond Reserve Fund may be applied for purposes in connection with such additional facility.

*Certain Additional Projects Under Study*

The Port Authority presently has under study a number of additional projects or facilities. As stated above, no attempt is made to enumerate all projects under study by the Port Authority at the present time. The Port Authority is presently participating in evaluating certain projects or facilities under study with appropriate government officials and agencies in both States. In order for the Port Authority to undertake certain additional projects or facilities under study, in addition to authorization by the Board of Commissioners, appropriate legislation may be required and such projects could, if undertaken, involve capital expenditures by the Port Authority. Furthermore, in the case of additional facilities, no Port Authority capital funds are committed to capital projects without appropriate certifications and authorizations.

*The Fund for Regional Development Buy-Out Obligation*

In 1983, the Fund for Regional Development was established to sublease space in the World Trade Center previously held by the State of New York as tenant. The agreement among the States of New York and New Jersey and the Port Authority, which established the Fund for Regional Development, provided that net revenues from the subleasing of such space were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of the States of New York and New Jersey. The assets, liabilities, revenues, expenses and reserves of the Fund for Regional Development 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 for Regional Development. In consideration of the transfer of the interest of the Fund for Regional Development in such subleased space in the World Trade Center, the Port Authority agreed to make a series of 59 semiannual payments to the States of New York and New Jersey beginning in March 1992 and ending in 2021 (see also Note D (Outstanding Obligations and Financing)-subsection E (Fund for Regional Development Buy-Out Obligation) in Appendix A hereto). Such payments are payable in the same manner and out of the same revenues as operating expenses of the Port Authority. Pursuant to the terms of such 1990 agreement, effective March 1, 2004, the State of New York and the Empire State Development Corporation entered into an agreement providing, among other things, for the assignment to the Empire State Development Corporation of all rights to the March 1, 2004 payment and all subsequent semiannual payments to be made to the State of New York under such 1990 agreement. The cost to the Port Authority in connection with the termination of the Fund for Regional Development was approximately $430,500,000, which included the net present value of the payments to the States of New York and New Jersey of $326,000,000, the assumption of the Fund for Regional Development's net liabilities of $101,000,000 and additional liabilities of $3,500,000 to the State of New York as a result of the termination agreement.

## Channel Improvement Projects

Under a program authorized in 1996 by the Board of Commissioners, the Port Authority and the States of New York and New Jersey are engaged in a comprehensive dredging and disposal plan extending through the year 2025 for the Port of New York and New Jersey. The Port Authority has committed approximately $125 million through September 30, 2020 out of a commitment of up to $130 million under this program for dredging and related projects pertaining to this plan.

Additionally, since 1986, the United States Army Corps of Engineers ("Corps") has undertaken various channel deepening and selective widening projects. These projects, which have been substantially completed, have resulted in the progressive deepening of the main channels of the New York and New Jersey Harbor from a depth of 35 feet to 50 feet or greater. The Port Authority entered into cost-sharing agreements with the Corps and with certain utility companies with respect to these channel deepening projects. As of September 30, 2020, the Port Authority has provided approximately $958 million in connection with these projects out of a total authorized amount of $1.1 billion. The final cost of some elements of the projects remains subject to certification by the Corps.

The channel improvements described above benefit the Port Authority's marine terminal facilities, enhancing the ability of modern deep-draft containerships to navigate to the Elizabeth-Port Authority

Marine Terminal, portions of Port Newark, the Howland Hook Marine Terminal, and the Port Jersey-Port Authority Marine Terminal.

In December 2020, Congress authorized, as part of the Consolidated Appropriations Act of 2021, an additional improvement project, the New York and New Jersey Anchorage Project, which will enable the largest vessels calling at the Port of New York and New Jersey to use the Gravesend Anchorage, rather than going back to sea, as they wait to call on the Port of New York and New Jersey facilities.

**Environmental Sustainability Policy and Initiatives**

On October 25, 2018, as part of its ongoing commitment to sustainability, the Board of Commissioners authorized the Port Authority to formally embrace the Paris Climate Agreement established by the United Nations Framework Convention on Climate Change in December 2015, and set an aggressive goal to reduce its own greenhouse gas (“GHG”) emissions by 35 percent by 2025 and to reduce all emissions associated with its facilities by 80 percent by 2050. The Port Authority continuously updates its climate action strategy, which includes sustainability and energy-related programs to curb its emissions and, in addition, announced a series of specific initiatives, including energy conservation, on-site renewable energy, vehicle electrification, and contribution to regional electric grid decarbonization, to enable the Port Authority to reach these goals.

As directed by the Board of Commissioners in the October 25, 2018 resolution, the Port Authority continues to work collaboratively with its tenants and stakeholders to identify ways of reducing GHG emissions arising from carbon-intensive aviation, shipping, and heavy transportation sectors. For example, the Port Authority is (i) requiring conversion of conventional airport ground service equipment to electric models; (ii) building out public electric vehicle charging infrastructure at its facilities to support broad adoption of electric vehicles; (iii) setting forth sustainable construction, design, and operations standards in major capital projects; and (iv) exploring the use of renewable and bio-based liquid fuels in its fleets and, in collaboration with stakeholders, for use in heavy-duty vehicles and aircraft.

To further enhance collaboration on climate action, the Port Authority is an active member of regional and international collaborative efforts to improve climate resilience and reduce GHG emissions in relevant transportation sectors, including the World Ports Climate Action Program, the National Renewable Energy Laboratory Airport Energy, Resilience and Operational Excellence Consortium, the Climate Group’s EV100, and below50. The Port Authority has also been recognized by the Airports Council International (“ACI”) with all five of the Port Authority airports obtaining Level 3 Airport Carbon Accreditation. This annual award acknowledges the Port Authority’s efforts to cut GHG emissions at its airports and develop effective stakeholder engagement with tenants and customers leading to further reductions in emissions. The accreditation by ACI is overseen by an independent advisory board and is the only globally recognized environmental standard for airports. Level 3 is the highest rating possible through direct airport efforts, short of actually achieving carbon neutrality via offset purchases.

## Information on Capital Investment in Certain Port Authority Facilities

| | Facilities, net Dec. 31, 2019 | Capital Investment (a) | Depreciation | Dispositions | Facilities, net Sep. 30, 2020 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| **INTERSTATE TRANSPORTATION NETWORK** | | | | | |
| George Washington Bridge & Bus Station | $ 1,354,302 | $ 184,889 | $ 38,845 | $ - | $ 1,500,346 |
| Holland Tunnel | 503,926 | 56,350 | 17,513 | - | 542,763 |
| Lincoln Tunnel | 1,697,535 | 138,668 | 62,756 | - | 1,773,447 |
| Bayonne Bridge | 1,609,005 | 4,010 | 25,759 | - | 1,587,256 |
| Goethals Bridge | 1,530,133 | 7,188 | 31,746 | - | 1,505,575 |
| Outerbridge Crossing | 127,414 | 4,700 | 5,300 | - | 126,814 |
| Port Authority Bus Terminal | 569,029 | 42,177 | 24,275 | - | 586,931 |
| Subtotal - Tunnels, Bridges & Terminals | 7,391,344 | 437,982 | 206,194 | - | 7,623,132 |
| PATH | 2,976,479 | 232,638 | 97,630 | - | 3,111,487 |
| WTC Transportation HUB | 3,414,371 | 12,083 | 58,993 | - | 3,367,461 |
| Journal Square Transportation Center | 63,674 | 3,914 | 3,166 | - | 64,422 |
| Subtotal - PATH | 6,454,524 | 248,635 | 159,789 | - | 6,543,370 |
| Ferry Transportation | 87,942 | 74 | 3,959 | - | 84,057 |
| Access to the Region's Core (ARC) | 37,813 | - | 7,586 | - | 30,227 |
| Moynihan Station Transportation Program | 129,128 | - | 7,500 | - | 121,628 |
| Gateway Early Work Program | 44,044 | 4,588 | - | - | 48,632 |
| Total Interstate Transportation Network | 14,144,795 | 691,279 | 385,028 | - | 14,451,046 |
| **AVIATION (b)** | | | | | |
| LaGuardia (e) | 2,682,764 | 123,478 | 103,969 | - | 2,702,273 |
| JFK International | 3,724,604 | 193,512 | 157,022 | - | 3,761,094 |
| Newark Liberty International | 3,251,530 | 532,163 | 111,613 | - | 3,672,080 |
| Teterboro | 220,730 | 6,703 | 11,403 | - | 216,030 |
| New York Stewart International | 153,931 | 14,920 | 7,678 | - | 161,173 |
| Total Aviation | 10,033,559 | 870,776 | 391,685 | - | 10,512,650 |
| **PORT** | | | | | |
| Port Newark | 789,602 | 12,370 | 26,780 | - | 775,192 |
| Elizabeth Port Authority Marine Terminal | 942,179 | 3,619 | 19,823 | - | 925,975 |
| Brooklyn Port Authority Marine Terminal / Red Hook Terminal | 75,435 | 3,723 | 2,189 | - | 76,969 |
| Howland Hook Marine Terminal | 469,391 | - | 14,130 | - | 455,261 |
| Greenville Yard Port Authority Marine Terminal / NY NJ Rail LLC | 167,494 | 12,233 | 3,043 | - | 176,684 |
| Port Jersey-Port Authority Marine Terminal | 496,486 | 9,604 | 10,184 | - | 495,906 |
| Total Port | 2,940,587 | 41,549 | 76,149 | - | 2,905,987 |
| **DEVELOPMENT** | | | | | |
| Essex County Resource Recovery Facility | 5,805 | - | - | - | 5,805 |
| Industrial Park at Elizabeth | 5,036 | - | 187 | - | 4,849 |
| Bathgate Industrial Park | 1,254 | - | 1,254 | - | - |
| Teleport | 6,402 | - | 1,157 | - | 5,245 |
| Queens West Waterfront Development | 83,620 | - | 432 | - | 83,188 |
| Hoboken South Waterfront Development | 58,626 | - | 1,891 | - | 56,735 |
| Total Development | 160,743 | - | 4,921 | - | 155,822 |
| **WORLD TRADE CENTER** | | | | | |
| WTC Campus (c) | 3,924,077 | 100,532 | 73,946 | - | 3,950,663 |
| One World Trade Center | 3,269,628 | 39,298 | 77,567 | - | 3,231,359 |
| WTC Towers 2, 3 & 4(d) | 2,797,128 | 6,630 | 58,381 | - | 2,745,377 |
| WTC Retail | 1,746,468 | 14,119 | 33,871 | - | 1,726,716 |
| Total World Trade Center | 11,737,301 | 160,579 | 243,765 | - | 11,654,115 |
| **FACILITIES, net** | $ 39,016,984 | $ 1,764,184 | $ 1,101,548 | $ - | $ 39,679,620 |
| **REGIONAL FACILITIES & PROGRAMS** | $ 93,456 | $ - | $ 25,146 | $ - | $ 68,310 |

(a) Capital investment includes contributed capital amounts and write-offs related to capital construction.
(b) Facility capital investment amounts include projects funded with Passenger Facility Charges.
(c) Capital investment includes site infrastructure primarily related to the WTC Memorial, WTC Vehicular Security Center and the WTC Chiller Plant.
(d) Includes WTC net lessee required capital contributions related to the construction of WTC Tower 2, 3 and 4.
(e) Excludes landlord leasehold capital improvements related to LGA Terminal B of $213 million.

## Significant Capital Projects
## (as of September 30, 2020) *
## (Dollars in Millions)

| Facility | Project Name | Current Authorization/ Reauthorization | Sep-20 Total Expended |
|---|---|---|---|
| **AVIATION** | | | |
| JFK | Replacement of Building 156 (Control Tower) Roofing and HVAC | 10/2014 | $20.2 |
| JFK | JFK Redevelopment | 10/2019 | 231.8 |
| JFK | Rehabilitation of Runway 13L-31R and Improvements of Associated Infrastructure and Runway Access | 09/2018 | 223.9 |
| JFK | Enhancements of Taxiways CA and CB** | 11/2017 | 40.0 |
| JFK | Rehabilitation of Taxiways A and B East and Taxiways A and B South | 11/2019 | 4.2 |
| JFK | Replacement of Bergen and Van Wyck Electrical Substations and Switchgears at Central Substation | 03/2019 | 9.9 |
| JFK | Replacement of Fire Alarm Systems Phase I | 05/2019 | 4.7 |
| JFK | Replacement of Farmers Substation | 02/2020 | 2.5 |
| JFK/EWR/TEB | Replacement of AOA Light Circuit | 11/2016 | 63.9 |
| JFK/LGA/EWR/SWF | Replacement of Parking Access and Revenue Control Systems | 11/2015 | 48.3 |
| LGA | Rehabilitation of Runways 13 & 22 Including Deck Safety Overrun and Associated EMAS | 04/2013 | 85.4 |
| LGA | Flood Mitigation and Storm Resiliency | 02/2015 | 41.2 |
| LGA | Terminal B Redevelopment | 03/2016 | 2,824.2 |
| LGA | Redevelopment of Terminals C and D | 07/2016 | 118.2 |
| LGA | New AirTrain LaGuardia | 10/2019 | 50.9 |
| LGA | Rehabilitation of Runway 4-22 and Associated Taxiways | 07/2017 | 33.9 |
| EWR | New AirTrain Newark | 10/2019 | 74.6 |
| EWR | Redevelopment of Terminal A | 02/2018 | 1,343.0 |
| EWR | Rehabilitation of Runway 11-29 | 11/2017 | 40.7 |
| EWR | Rehabilitation of Runway 4R-22L | 11/2019 | 4.9 |
| EWR | Terminal A Redevelopment Program - South Airfield Paving | 12/2017 | 83.7 |
| EWR | Terminal A Public Parking Facility | 07/2018 | 91.0 |
| SWF | New International Arrivals and Federal Inspection Service Facility | 10/2018 | 31.3 |
| TEB | Rehabilitation of Runway 6-24 | 06/2019 | 2.1 |

* See footnote (*) to this chart.
** Project substantially completed.

(Significant Capital Projects as of September 30, 2020 continued on next page)

| Facility | Project Name | Current Authorization/ Reauthorization | Sep-20 Total Expended |
|---|---|---|---|
| **INTERSTATE TRANSPORTATION NETWORK** | | | |
| HT | Rehabilitation of Electrical and Mechanical Vent System** | 07/2015 | $216.6 |
| HT | Replacement of Piers 9/204** | 12/2016 | 84.6 |
| HT | Latent Salt Damage Repairs and Mitigation Program | 02/2018 | 35.9 |
| LT | Access Infrastructure Improvements | 03/2011 | 1,507.8 |
| BB/GB/GWB HT/LT/OBX | Replacement of Toll Collection System | 06/2016 | 80.6 |
| HT/LT/GWB | Implementation of Cashless Tolling | 07/2019 | 40.5 |
| GWB | Restoring the George Program - Replacement of Suspender Ropes | 03/2014 | 311.1 |
| GWB | Restoring the George Program - Replacement of the Palisades Interstate Parkway Helix Ramp** | 02/2013 | 70.6 |
| GWB | Restoring the George Program - Rehabilitation of Center Ave and Lemoine Ave Bridge | 10/2018 | 33.7 |
| GWB | Restoring the George Program - Rehabilitation of Main Span Upper Level Structural Steel - Phase II | 04/2017 | 12.9 |
| GWB | Restoring the George Program - Rehabilitation of Lower Level Structural Steel | 09/2019 | 36.1 |
| GB | Construction of Interchange Ramps | 07/2013 | 5.5 |
| GB/OBX | Implementation of Cashless Tolling | 06/2018 | 43.9 |
| PABT | Preliminary Planning for Terminal Replacement | 02/2017 | 53.6 |
| PABT | Replacement of South Wing Hvac Units and Associated Electrical Distribution System | 12/2019 | 58.4 |
| PATH | Signal System Replacement Program | 04/2017 | 693.1 |
| PATH | Replacement of Substation #7 | 02/2020 | 50.1 |
| PATH | Replacement and Upgrade of Harrison Station | 03/2012 | 203.2 |
| PATH | Replacement of Exchange Place Escalators | 02/2016 | 7.7 |
| PATH | Infrastructure Repairs to Tunnels E and F between Exchange Place and World Trade Center Stations | 09/2016 | 123.7 |
| PATH | Construction and Installation of Permanent Flood Protection Measures at HCMF and Tracks G and H | 11/2016 | 19.0 |
| PATH | Flood Mitigation and Storm Resilience Protection for Stations Program | 09/2018 | 29.5 |
| PATH | C-Yard Vehicle Storage Facility & Additional Track | 10/2019 | 0.6 |
| PATH | Replacement of Substation #8 | 06/2019 | 21.4 |
| PATH | Preliminary Planning for PATH Rail Extension to Newark Liberty Rail Link Station | 04/2017 | 38.5 |
| PATH | 9-Car Train Program | 10/2019 | 7.9 |
| PATH | Overhaul Program for PA-5 Railcars | 12/2017 | 23.8 |
| PATH | Expansion of Railcar Fleet | 06/2018 | 40.6 |
| PATH | Replacement of Substation #14 | 06/2019 | 22.1 |
| PATH | Replacement of Tracks in Open Areas | 06/2018 | 4.6 |
| PATH | Restoration of Hoboken, Newport, Exchange Place and Grove Street Stations | 09/2018 | 3.1 |
| PATH | Replacement of Substation #2 | 12/2018 | 42.6 |

** Project substantially completed.

(Significant Capital Projects as of September 30, 2020 continued on next page)

| Facility | Project Name | Current Authorization/ Reauthorization | Sep-20 Total Expended |
|---|---|---|---|
| **PORT COMMERCE** | | | |
| PN/EPAMT/HH | Consolidated Project To 50'-NY/NJ**** | 07/2001 | $959.0 |
| PN | Rehabilitation of Port Street Capacity and Corbin Street Ramps | 10/2016 | 29.1 |
| PN | Reconstruction of Berth 3 Wharf | 07/2019 | 49.2 |
| GPAMT | Greenville Yard Program | 09/2014 | 292.3 |

**Explanation of Facility Abbreviations:**

| | | | |
|---|---|---|---|
| BB | Bayonne Bridge | LGA | LaGuardia Airport |
| EPAMT | Elizabeth — Port Authority Marine Terminal | LT | Lincoln Tunnel |
| EWR | Newark Liberty International Airport | OBX | Outerbridge Crossing |
| GB | Goethals Bridge | PATH | The Hudson Tubes Facility |
| GPAMT | Greenville Yard — Port Authority Marine Terminal | PABT | Port Authority Bus Terminal |
| GWB | George Washington Bridge | PN | Port Newark |
| HH | Howland Hook | SWF | Stewart International Airport |
| HT | Holland Tunnel | TEB | Teterboro Airport |
| JFK | John F. Kennedy International Airport | | |

* Construction costs in connection with Port Authority facilities are subject, among other items, to the effects of national and regional economic conditions and the nature of governmental regulations with respect to transportation, security, commerce, energy, and environmental permits and approvals and environmental impact analyses. Additionally, resolution of environmental matters and associated proceedings which arise during the course of construction, including those pertaining to channel improvements and dredging, the costs for which are not presently quantifiable, may result in substantial delays in such construction and may give rise to substantially increased costs to the Port Authority. Projects provided through the issuance by the Port Authority of special project bonds, projects related to facility security, and projects pertaining to the World Trade Center site are not included within the definition of "Significant Capital Projects" for purposes of this chart. See also "*Impacts from the COVID-19 Pandemic*" in Section I hereof and "*2017-2026 Capital Plan*" in Section II hereof.

**** September-20 Total Expended includes expenditures for projects that are subject to certification by the United States Army Corps of Engineers as well as those that have been certified.

## BONDS, NOTES AND OTHER OBLIGATIONS

### Consolidated Bonds

*References to Consolidated Bonds herein are equally applicable to and include Consolidated Notes.*

On October 9, 1952, the Port Authority adopted the Consolidated Bond Resolution establishing the issue of Consolidated Bonds. A copy of the Consolidated Bond Resolution is set forth at "*Consolidated Bond Resolution*" in this Section III. Each series of Consolidated Bonds is issued pursuant to the Consolidated Bond Resolution. The resolutions pertaining to the establishment and the authorization of the issuance of, and the authorization of the sale of, the Bonds are set forth at "*Resolution Establishing and Authorizing the Issuance of Certain Series of Consolidated Bonds Commencing with the Two Hundred Twelfth Series*" in Section VI hereof. Each of such resolutions must be studied for a precise understanding of its provisions.

*Establishment and Issuance*

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

Consolidated Bonds may be issued from time to time in such series and installments (in addition to the Bonds) as the Port Authority may determine, but only for purposes for which the Port Authority is authorized by law to issue bonds secured by a pledge of its General Reserve Fund. So long as Consolidated Bonds presently outstanding are outstanding, Consolidated Bonds may be issued for purposes in connection with additional facilities (in addition to those for which the Port Authority has already issued bonds secured by a pledge of the General Reserve Fund) only if the Port Authority has first certified its opinion that such issuance will not, among other things, materially impair its ability to fulfill its undertakings to the holders of Consolidated Bonds.

The Port Authority may not issue any Consolidated Bonds (except such Consolidated Bonds issued to refund other Consolidated Bonds) except under one or another of three conditions, each of which requires that a certain future calendar year's debt service is met at least one and three-tenths (1.3) times by certain revenues. The method of computation of revenues and debt service and of the application of the conditions is set forth in Section 3 of the Consolidated Bond Resolution.

*Security*

All Consolidated Bonds, including any which may hereafter be issued, are equally and ratably secured by a pledge of the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities of the Port Authority and any additional facility which may hereafter be financed in whole or in part through the medium of Consolidated Bonds, in the manner and to the extent provided in Sections 4 and 5 of the Consolidated Bond Resolution. The prior liens and pledges with respect to certain of such net revenues in favor of General and Refunding, Air Terminal and Marine Terminal Bonds of the Port Authority referred to in Sections 4 and 5 of the Consolidated Bond Resolution have been satisfied.

All Consolidated Bonds are further secured by a pledge of the moneys in the Consolidated Bond Reserve Fund established by Section 7 of the Consolidated Bond Resolution, in the manner and to the extent set forth in said section, and by a pledge of the General Reserve Fund on an equal footing with other obligations of the Port Authority secured by a pledge of the General Reserve Fund, in the manner and to the extent provided in Section 6 of the Consolidated Bond Resolution.

*Consolidated Bond Reserve Fund*

A special fund is created by Section 7 of the Consolidated Bond Resolution as additional security for all Consolidated Bonds. Into this fund is to be paid the balance remaining of all net revenues (as defined in the Consolidated Bond Resolution), after deducting payment of debt service upon all Consolidated Bonds and such amounts as may be required to maintain the General Reserve Fund at its statutory amount. Consolidated Bonds 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. The prior liens and pledges with respect to certain of such net revenues in favor of General and Refunding, Air Terminal and Marine Terminal Bonds of the Port Authority referred to in Sections 4 and 5 of the Consolidated Bond Resolution have been satisfied.

The moneys in the Consolidated Bond Reserve Fund may be accumulated or applied only to the purposes stated in Section 7 of the Consolidated Bond Resolution, which include the payment of debt service and retirement of Consolidated Bonds (with certain limitations) and certain other purposes. Such other purposes, so long as Consolidated Bonds presently outstanding are outstanding, must be related to bonds or notes secured by a pledge of the General Reserve Fund or facilities financed by such bonds or notes, but not necessarily related to Consolidated Bonds or facilities the net revenues of which are pledged in support of Consolidated Bonds. Moneys in the Consolidated Bond Reserve Fund are available for such other purposes, which include application to the payment of debt service on Versatile Structure Obligations, Commercial Paper Obligations and Variable Rate Master Notes.

No representation is made as to the future payments to be made from the Consolidated Bond Reserve Fund; however, the Consolidated Bond Reserve Fund is not available to pay debt service on Special Project Bonds.

*Amortization*

The manner and rate of retirement of each such series of Consolidated Bonds is specified in or pursuant to the resolution establishing such series.

If a series of Consolidated Bonds is to be issued for refunding purposes, and cannot be issued so as to meet one or another of the conditions of debt service coverage by net revenues set forth in Section 3 of the Consolidated Bond Resolution, the series resolution must specify the principal amount thereof to be retired during each year of the term of such series commencing not later than the eleventh anniversary of the series. Furthermore, in each such case, the schedule of retirement must be so arranged that the annual debt service during the term of retirement shall be level on one or another of three bases set forth in Section 8 of the Consolidated Bond Resolution, with ten percent (10%) variations permitted between the amounts of debt service for any two years in the schedule.

Except for series described in the preceding paragraph, there is no limitation on the Port Authority's power to arrange retirement of any series of Consolidated Bonds in any manner or amount at or before maturity except insofar as it may be necessary to arrange future debt service on such series in such a manner as to meet one or another of the conditions of debt service coverage by net revenues set forth in Section 3 of the Consolidated Bond Resolution.

*Modifications*

The Port Authority may from time to time and at any time, without authorization, consent or other action by any of the holders of Consolidated Bonds, modify or amend the Consolidated Bond Resolution, or any other resolution relating to Consolidated Bonds, but only for the purpose of curing any ambiguity or of curing or correcting any defective or inconsistent provision, or for any other purpose not inconsistent with the Consolidated Bond Resolution or with any other resolution relating to Consolidated Bonds; provided, that no such amendment shall alter or impair the obligation of the Port Authority, which is absolute and unconditional, to pay the principal and interest of any bond at the time and place and at the rate or amount and in the medium of payment prescribed therein, or shall alter or impair the security of any bond, or otherwise alter or impair any rights of any bondholder.

In addition, any of the terms or provisions of the Consolidated Bond Resolution (or of any resolution amendatory thereof or supplemental thereto) may be amended, repealed or modified in the manner set forth in Section 16 of the Consolidated Bond Resolution, for the purpose of modifying or amending in any particular any of the terms or provisions (including, without limiting the generality of the foregoing, any provisions regarding amortization and retirement) of any of the Consolidated Bonds or of any of the coupons pertaining thereto; provided, that no such amendment, repeal or modification shall alter or impair the obligation of the Port Authority, which is absolute and unconditional, to pay the principal and interest of any Consolidated Bond at the time and place and at the rate or amount and in the medium of payment prescribed therein, without the express consent of the holder of such bond.

## General Reserve Fund

*Statutory Authorization and Establishment*

The General Reserve Fund was established pursuant to Chapter 5 of the Laws of New Jersey of 1931 and Chapter 48 of the Laws of New York of 1931, which have been amended and supplemented. The resolutions of the Board of Commissioners pertaining to the establishment of the General Reserve Fund (see "*Resolution Establishing General Reserve Fund*" in this Section III), the establishment of the issue of Consolidated Bonds (see "*Consolidated Bond Resolution*" in this Section III) and the establishment and authorization of the issuance of the Bonds (see "*Resolution Establishing and Authorizing the Issuance of Certain Series of Consolidated Bonds Commencing with the Two Hundred Twelfth Series*" in Section VI hereof), constitute the entire agreement between the Port Authority and registered holders of the Bonds, including with respect to the General Reserve Fund; and the statutes relating to the General Reserve Fund and such resolutions govern the rights of such holders with respect to the purposes for which moneys in the General Reserve Fund may be applied and the limitations upon investment of such moneys.

Under the statutes authorizing the establishment and pledge of the General Reserve Fund ("General Reserve Fund Statutes"), in all cases where the Port Authority has raised or may raise moneys to finance or refinance its facilities by the issue and sale of bonds legal for investment, as limited and defined in the applicable statutes, the surplus revenues, as defined therein, from such facilities are required to be pooled by the Port Authority and applied to the establishment and maintenance of a General Reserve Fund in an amount equal to ten percent (10%) of the par value of all such outstanding bonds legal for investment, as so defined. The outstanding bonds and notes of the Port Authority, other than Port Authority Equipment Notes, Commercial Paper Obligations and Variable Rate Master Notes issued for certain purposes, are bonds legal for investment within the statutory definitions; also, all of the Port Authority's existing facilities have been financed in whole or in part by bonds legal for investment within the meaning of the General Reserve Fund Statutes. The Port Authority currently takes into account all outstanding bonds and notes in determining the funding of the General Reserve Fund.

*Purposes for Which the Fund is Available*

The General Reserve Fund Statutes permit the General Reserve Fund to be pledged in whole or in part by the Port Authority or applied by it to the repayment with interest of any moneys raised upon any such bonds legal for investment, and permit the Port Authority to apply such moneys in the General Reserve Fund to the fulfillment of any other undertakings assumed to or for the benefit of the holders of any such bonds.

Under the aforesaid agreement between the Port Authority and the registered holders of the Bonds, the Port Authority's power to use and invest the moneys in the General Reserve Fund at any time is curtailed within narrower limits than the maximum which the statutes permit. Application of the General Reserve Fund is by such agreement restricted to purposes in connection with bonds secured by a pledge of the General Reserve Fund, and except to the extent that the combined balances in certain debt reserve funds of the Port Authority (currently the General Reserve Fund and the Consolidated Bond Reserve Fund) may at the time exceed the amount necessary to meet the next two (2) years' debt service (computed as set forth in Section 6 of the Consolidated Bond Resolution) on all bonds then outstanding which are secured by a pledge of the General Reserve Fund, the Port Authority covenants (subject to certain prior pledges in connection with General and Refunding, Air Terminal and Marine Terminal Bonds, the debt service requirements on which the Port Authority has fully satisfied, when due, as scheduled) that General Reserve Fund moneys may not be used for any purpose if at the time there are any other moneys of the Port Authority available for that purpose and may not be used for the prepayment of debt service before due, and must be held in the form of cash or in obligations of (or guaranteed by) the United States. The Port Authority currently meets the two years' debt service test as described above.

*Bonds Secured by Pledge of the General Reserve Fund*

At the present time, the General Reserve Fund is pledged in support of all outstanding Consolidated Bonds and all Consolidated Bonds now or hereafter issued. The General Reserve Fund is not available to pay debt service on Special Project Bonds, Versatile Structure Obligations, Commercial Paper Obligations or Variable Rate Master Notes.

In connection with the pledge of the General Reserve Fund made in support of Consolidated Bonds, as aforesaid, the Port Authority has reserved the right to pledge the General Reserve Fund as security for any bonds, notes or other evidences of indebtedness whatsoever hereafter issued by the Port Authority as security for which it may at the time be authorized by law to pledge the General Reserve Fund and to use the moneys in the General Reserve Fund to fulfill any of its undertakings in connection with bonds, notes or other evidences of indebtedness secured by a pledge of the General Reserve Fund, except that the General Reserve Fund may not so long as Consolidated Bonds presently outstanding are outstanding be pledged in support of bonds or notes to be issued in connection with any additional facility (in connection with which the Port Authority has not previously issued bonds secured by such pledge) unless the Port Authority has first certified its opinion that such pledge will not, among other things, materially impair its ability to fulfill its undertakings to the holders of Consolidated Bonds.

All Consolidated Bonds are secured by a pledge of the General Reserve Fund on an equal footing and the Consolidated Bond Resolution provides that no greater rights in or to the General Reserve Fund may hereafter be granted to the holders of any other obligations than are now granted to the holders of the bonds issued pursuant to the Consolidated Bond Resolution.

*Sources of Payments into the Fund*

The surplus revenues of all facilities of the Port Authority are payable into the General Reserve Fund to the extent required by the General Reserve Fund Statutes. Certain of the facilities of the Port Authority operate at a deficit or do not generate surplus revenue.

*Size of the Fund*

The statutory amount of the General Reserve Fund, to the establishment and maintenance of which the Port Authority is required to apply the surplus revenues of its facilities financed or refinanced by bonds legal for investment, as defined in the General Reserve Fund Statutes, is ten percent (10%) of the par value of such bonds currently outstanding. The statutory amount has varied with the issuance and retirement of the various bonds upon the par value of which it is calculated. Through calendar year 2003, as of the close of each calendar year, the Port Authority determined such amount and applied any surplus revenues available therefor, to the extent required, to maintain the General Reserve Fund at its then statutory amount. Commencing in 2004, the Port Authority determined the statutory amount of the General Reserve Fund at the close of each calendar quarter and in 2006, in connection with monthly closings of the Port Authority's financial accounts the Port Authority began determining the statutory amount to the General Reserve Fund at the close of each calendar month, applying any surplus revenues available at such time, to the extent required, to maintain the General Reserve Fund at its then statutory amount, subject to reconciliation at the close of the calendar year.

On December 31, 1946, the statutory amount was $18,932,900 and payments into the General Reserve Fund on that date brought its balance up to that amount. On each December 31 thereafter, the General Reserve Fund was maintained at not less than its then statutory amount. The amount in the General Reserve Fund on November 30, 2020 was $2,527,330,500.

*Anticipated Payments from the Fund*

The Port Authority anticipates that certain payments will be made out of the General Reserve Fund from time to time to fulfill undertakings assumed to or for the benefit of the holders of bonds in support of which the General Reserve Fund has been pledged. As noted at "*Purposes for Which the Fund is Available*," the General Reserve Fund is applicable, if necessary, to fulfill undertakings assumed to or for the benefit of the holders of bonds of the Port Authority legal for investment, including those undertakings incurred by the Port Authority in connection with the existing facilities of the Port Authority. No representation is made as to the future payments to be made from the General Reserve Fund. The General Reserve Fund is not available to pay debt service on Special Project Bonds, Versatile Structure Obligations, Commercial Paper Obligations or Variable Rate Master Notes.

**Rate Powers and Covenants**

As a result of legislation contained in Chapter 47 of the Laws of New York of 1931 and Chapter 4 of the Laws of New Jersey of 1931; in Chapter 802 of the Laws of New York of 1947 and Chapter 43 of the Laws of New Jersey of 1947; in Chapter 209 of the Laws of New York of 1962 and Chapter 8 of the Laws of New Jersey of 1962; and in Chapter 651 of the Laws of New York of 1978 and Chapter 110 of the Laws of New Jersey of 1978, the two States covenanted with each other and with the holders of any bonds of the Port Authority which may be secured by its General Reserve Fund (including Consolidated Bonds) that the two States will not diminish or impair the power of the Port Authority to establish, levy and collect tolls, rents, fares, fees or other charges in connection with any facility owned or operated by the Port Authority, the revenues of which shall have been pledged in whole or in part as security for such bonds. All present facilities of the Port Authority and the charges therefor are covered by these statutory covenants, so long as such bonds remain outstanding.

Under the 1962 and 1978 statutes, the States also have covenanted that they will not diminish or impair the Port Authority's power to determine the quantity, quality, frequency or nature of the service provided in connection with each such facility.

The Port Authority has covenanted with the holders of Consolidated Bonds to establish charges in connection with facilities the net revenues (as defined in the Consolidated Bond Resolution) of which are pledged as security for such bonds (all present Port Authority facilities) to the end that at least sufficient net revenues may be produced therefrom to provide for the debt service on all Consolidated Bonds, and in the event that such net revenues are insufficient to provide for the debt service on Consolidated Bonds, to make good any deficiency out of the General Reserve Fund or other available revenues, moneys or funds and for that purpose to establish charges in connection with facilities the surplus revenues of which are payable into the General Reserve Fund, which include all present Port Authority facilities, to the end that combined surplus revenues may be produced therefrom at least sufficient to cover debt service on Consolidated Bonds.

## Port Authority Equipment Notes

On June 10, 1993, the Port Authority established an issue of special obligations known as Port Authority Equipment Notes. The Port Authority's equipment notes program presently provides, as a result of the November 18, 1999 modification, for the issuance of Port Authority Equipment Notes under agreements to be entered into with selected purchasers, in an aggregate principal amount at any one time outstanding not in excess of $250,000,000. Each series of Port Authority Equipment Notes is issued pursuant to the Port Authority Equipment Note Resolution.

The payment of the principal of and interest on Port Authority Equipment Notes shall be a special obligation of the Port Authority payable from the proceeds of obligations of the Port Authority issued for such purposes or from the same revenues and in the same manner as operating expenses of the Port Authority.

Proceeds of Port Authority Equipment Notes are authorized, subject to allocation to some but not all of the following purposes, to be used in connection with the purchase of Equipment (as defined in the Port Authority Equipment Note Resolution) by the Port Authority, to refund obligations issued by the Port Authority in connection with the purchase of Equipment and/or for incidental purposes, including certain costs of, and relating to, such Port Authority Equipment Notes.

## Special Project Bonds

On June 9, 1983, the Port Authority established an issue of special limited obligations known as Special Project Bonds. Each series of Special Project Bonds is issued pursuant to the Special Project Bond Resolution.

Neither the full faith and credit of the Port Authority nor the General Reserve Fund or the Consolidated Bond Reserve Fund are pledged to the payment of interest on or the repayment of the principal of Special Project Bonds, which are underlying mortgage bonds within the meaning of the Consolidated Bond Resolution. Each series of Special Project Bonds is to be secured solely by a mortgage by the Port Authority, in favor of the holders of such bonds, of facility rental as set forth in a lease with respect to the project to be provided with the proceeds of such bonds, by a mortgage by the applicable lessee, in favor of the holders of such bonds, of the lessee's leasehold interests under the lease with respect to such project and by a security interest granted by the applicable lessee to the Port Authority and mortgaged by the Port Authority, in favor of the holders of such bonds, in certain items of the lessee's personalty to be located at such 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.

Special Project Bonds of any particular series may be issued only for the purpose of providing a single project for a lessee or for the purpose of refunding all or any part of a prior series of Special Project Bonds or a combination of such purposes. Each series of Special Project Bonds is to be issued under a separate resolution and may be issued in one or more installments as the Port Authority may determine.

On December 15, 2020, the New York State Transportation Development Corporation issued bonds the proceeds of which will be used to refund The Port Authority of New York and New Jersey Special Project Bonds, Series 8 (JFK International Air Terminal LLC Project) on January 14, 2021. There are no other series of Special Project Bonds outstanding.

**Versatile Structure Obligations**

On June 11, 1992, the Port Authority established an issue of special obligations known as Port Authority Versatile Structure Obligations. The Port Authority's versatile structure obligations program, presently provides, as a result of the November 18, 1999 modification, for the sale of such obligations, from time to time, in one or more series. Each series of Versatile Structure Obligations is issued pursuant to the Port Authority Versatile Structure Obligations Resolution.

The payment of the principal of and interest on Versatile Structure Obligations shall be a special obligation of the Port Authority payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues as defined for purposes of Versatile Structure Obligations, deposited to 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 when due. For purposes of Versatile Structure Obligations, "net revenues" are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution.

Payment of the principal of and interest on Versatile Structure Obligations is subject in all respects to the payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes. Versatile Structure Obligations, and the interest thereon, are not secured by or payable from the General Reserve Fund.

Proceeds of Versatile Structure Obligations are authorized, subject to allocation to some but not all of the following purposes, to be used (a) for purposes of, or with respect to the financing of, capital expenditures in connection with any one or more of the facilities of the Port Authority, provided, that subject to agreements with the holders of obligations of the Port Authority, all or any portion of the unspent proceeds of a series of Versatile Structure Obligations may be allocated to any purpose for which at the time of issuance of such series the Port Authority is authorized by law to issue its obligations, including for purposes of, or with respect to the financing of, capital expenditures in connection with additional facilities of the Port Authority certified or to be certified after issuance of such series, (b) for purposes of refunding, directly, by offers to exchange, or otherwise, all or any part of any bonds, notes or other obligations of the Port Authority, and (c) for certain incidental purposes, including certain costs of, and relating to, such Versatile Structure Obligations.

The Port Authority shall not issue new Versatile Structure Obligations, for purposes other than to refund outstanding bonds, notes or other obligations of the Port Authority (other than Commercial Paper

Obligations and Variable Rate Master Notes), if at the time of issuance of such new Versatile Structure Obligations, either: (a) the total principal amount of all bonds, notes or other obligations of the Port Authority outstanding as of such time of issuance, including the new Versatile Structure Obligations and excluding Consolidated Bonds, Special Project Bonds, Commercial Paper Obligations and Port Authority Equipment Notes, exceeds twenty-five percent (25%) of the total principal amount of all bonds, notes and other obligations of the Port Authority outstanding as of such time of issuance, including the new Versatile Structure Obligations and excluding Special Project Bonds, Commercial Paper Obligations and Port Authority Equipment Notes; or (b) net revenues (computed as hereinafter set forth) of the Port Authority for any period of twelve (12) consecutive months during the thirty-six (36) month period preceding such time of issuance shall not have amounted to at least one and fifteen one-hundredths (1.15) times the prospective debt service (computed as hereinafter set forth) for the calendar year after such time of issuance, for which the combined debt service (so computed) upon all obligations outstanding as of such time of issuance which are secured by or payable from net revenues, including the new Versatile Structure Obligations and excluding Commercial Paper Obligations, would be at a maximum. In calculating such prospective debt service there may, at the Port Authority's option, be substituted for the actual prospective interest payable on any of such obligations secured by or payable from net revenues of the Port Authority, including the new Versatile Structure Obligations, prospective interest on any of such obligations, as follows: in the event that any of such obligations (i) bears interest at a fixed interest rate and has a remaining term to maturity of less than three (3) years from such time of issuance, then the interest rate on such obligation shall be deemed to be the higher of the interest rate on such obligation as of such time of issuance and the interest rate on the most recent series of Port Authority obligations with a term to maturity of at least thirty (30) years, or (ii) bears interest on the basis of an interest payment schedule providing for payments less frequently than annually, then the interest rate on such obligation shall be deemed to be the interest rate equal to the yield to maturity of such obligation as of such time of issuance, or (iii) bears interest at a variable interest rate, then the interest rate on such obligation shall be deemed to be the higher of the rate as published in the Revenue Bond Index of *The Bond Buyer* in effect as of such time of issuance (and in the event such Revenue Bond Index is not published as of such time of issuance, then such rate determined on the basis of a comparable index selected in the sole discretion of the Committee on Finance of the Board of Commissioners) and the average interest rate on such obligation for the twelve (12) calendar months preceding such time of issuance (and in the event such obligation has not been outstanding for a full twelve (12) calendar months preceding such time of issuance, then such average interest rate determined on the basis of the period of time during which such obligation has been outstanding), or (iv) is associated with an interest rate exchange contract, then the interest rate on such obligation shall be deemed to be the effective interest rate for such obligation determined by reference to such interest rate exchange contract, or (v) is convertible from one interest rate mode to another, then the interest rate on such obligation shall be deemed to be the interest rate in effect as of such time of issuance. In addition, in calculating such prospective debt service, in the event that any of such obligations secured by or payable from net revenues of the Port Authority, including the new Versatile Structure Obligations, has (i) a term to maturity from such time of issuance of less than three (3) years or (ii) no stated periodic repayment schedule, there may at the Port Authority's option be substituted for the actual prospective debt service upon any of such obligations, the debt service which would be payable if such obligation was forthwith refunded by a series of Versatile Structure Obligations having the following characteristics: maturity — thirty (30) years from the time of issuance of the new Versatile Structure Obligations; interest — at the rate of interest determined in accordance with the provisions of the immediately preceding sentence and payable semiannually beginning six (6) months from such time of issuance; amortization — in such annual amounts as would be required to retire the principal amount of such obligation by the thirtieth anniversary of such time of issuance if such annual retirement were effected at par at each anniversary of such time of issuance and if the annual debt service thereon would be equal for all years thereafter until the thirtieth anniversary of such time of issuance.

Net revenues (as defined in the Consolidated Bond Resolution) for purposes of the above calculation may include in the case of fare and tolls increases adopted by the Port Authority which have not yet been put into effect or have not been in effect for a full year, the additional net revenues estimated by the Port Authority to be derived annually from such increases.

Additionally, net revenues (as defined in the Consolidated Bond Resolution) for purposes of the above calculation may also include, in the case of facilities (including additions or improvements to facilities) which have not been in operation, in each case during the entire period of the twelve (12) consecutive months selected for the purposes of such calculation (including facilities under construction as of such time of issuance of the new Versatile Structure Obligations or which are to be acquired, established or constructed by the Port Authority), the average annual net revenues which the Port Authority estimates will be derived from each of such facilities during the first thirty-six (36) months of operation thereof after such time of issuance; provided, however, that debt service on all additional obligations estimated to be issued to complete such facilities prior to the date any such facilities (including the addition or improvement thereto) become fully operational, is included in calculation of prospective debt service; and provided, further that the amount of any net revenues attributable to estimates described in this paragraph shall in no event exceed twenty-five percent (25%) of the net revenues of the Port Authority including any net revenues attributable to estimates of fare and tolls increases as aforesaid.

In the event that the new Versatile Structure Obligations are issued solely for the purpose of refunding bonds, notes or other obligations of the Port Authority (other than Commercial Paper Obligations and Variable Rate Master Notes), then no calculations shall be required. In the event that the new Versatile Structure Obligations are issued in part for purposes of refunding bonds, notes or other obligations of the Port Authority (other than Commercial Paper Obligations and Variable Rate Master Notes), then no calculations shall be required to include the principal amount of such new Versatile Structure Obligations allocated to refunding bonds, notes or other obligations of the Port Authority (other than Commercial Paper Obligations and Variable Rate Master Notes) or the prospective debt service associated therewith.

### Commercial Paper Obligations

On September 9, 1982, the Port Authority established an issue of special obligations now known as Port Authority Commercial Paper Obligations. The Port Authority's commercial paper program presently provides for Commercial Paper Obligations to be issued in three separate series known as Series A, Series B and Series C. Port Authority Commercial Paper Obligations are currently issued under the resolution of the Board of Commissioners adopted on October 29, 2020, which authorizes their issuance through December 31, 2025.

Under the October 29, 2020 resolution, the total aggregate principal amount of all Port Authority Commercial Paper Obligations outstanding at any one time may not exceed $750,000,000, with the total aggregate principal amount of each series that may be outstanding at any one time not to exceed $250,000,000.

Proceeds of Commercial Paper Obligations of each series are authorized to be allocated to capital projects in connection with certain facilities of the Port Authority and for purposes of refunding certain obligations of the Port Authority.

The payment of the principal of and interest on Commercial Paper Obligations shall be a special obligation of the Port Authority payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues as defined for purposes of Commercial Paper Obligations, deposited to 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 when due. For purposes of Commercial Paper Obligations, "net revenues" are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution.

Payment of the principal of and interest on Commercial Paper Obligations is subject in all respects to the payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes. Commercial Paper Obligations, and the interest thereon, are not secured by or payable from the General Reserve Fund. Commercial Paper Obligations, and the interest thereon, are secured by and are payable from the Consolidated Bond Reserve Fund. To increase the availability of sufficient liquidity for the Port Authority to pay the maturing principal amount of Series A Notes, Series B Notes and Series C Notes, and the interest due at maturity, the Port Authority has entered into liquidity facilities for each of Series A, Series B and Series C, respectively. In addition, to mitigate any future market disruption risk in the Port Authority's Commercial Paper Program due to the ongoing Covid-19 Pandemic (see "*Impacts from the COVID-19 Pandemic*" in Section I), the Port Authority has qualified to participate in the Commercial Paper Funding Facility ("CPFF") offered by the Federal Reserve Bank of New York. Under the CPFF, the Port Authority may sell up to approximately $550 million in total aggregate amount of three-month commercial paper to the CPFF through participating commercial paper dealers through March 31, 2021. The Port Authority has continued to market its commercial paper in the public markets without utilizing the CPFF program.

### Variable Rate Master Notes

On July 14, 1988, the Port Authority established an issue of special obligations now known as Port Authority Variable Rate Master Notes. The Port Authority's variable rate master notes program presently provides, as a result of the November 18, 1999 modification, for the issuance of Variable Rate Master Notes under agreements to be entered into with selected banks, trust companies and financial institutions, in an aggregate principal amount, at any one time outstanding not in excess of $400,000,000. Each series of Variable Rate Master Notes is issued pursuant to the Port Authority Variable Rate Master Note Resolution. The principal amount of each series of Variable Rate Master Notes presently outstanding is subject to prepayment at the option of the Port Authority or upon demand of the holders of the notes of such series.

The payment of the principal of and interest on Variable Rate Master Notes shall be a special obligation of the Port Authority payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues as defined for purposes of Variable Rate Master Notes, deposited to 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 when due. For purposes of Variable Rate Master Notes, "net revenues" are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution.

Payment of the principal of and interest on Variable Rate Master Notes is subject in all respects to the payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes. Variable Rate Master Notes, and the interest thereon, are not secured by or payable from the General Reserve Fund.

Proceeds of Variable Rate Master Notes are authorized, subject to allocation to some but not all of the following purposes, to be used (a) for purposes of, or with respect to the financing of, capital expenditures in connection with any one or more of the facilities of the Port Authority, provided, that subject to agreements with the holders of obligations of the Port Authority, all or any portion of the unspent proceeds of any note may be allocated to any purpose for which at the time of issuance of such note the Port Authority is authorized by law to issue its obligations, including for purposes of, or with respect to the financing of, capital expenditures in connection with facilities of the Port Authority certified or to be certified after issuance of such note, (b) for purposes of refunding, directly, by offers to exchange, or otherwise all or any part of any issue of bonds, notes or other obligations of the Port Authority, and (c) for incidental purposes, including certain costs of, and relating to, such Variable Rate Master Notes.

### General and Refunding, Air Terminal and Marine Terminal Bonds

At the time of the adoption of the Consolidated Bond Resolution in 1952, the Port Authority had outstanding certain General and Refunding, Air Terminal and Marine Terminal Bonds. The Port Authority has fully satisfied, when due, as scheduled, all debt service requirements on all such prior lien bonds.

By the Consolidated Bond Resolution, the Port Authority covenanted that no additional General and Refunding, Air Terminal or Marine Terminal Bonds would be issued. It is the present intention of the Port Authority that Consolidated Bonds will be the only bonds secured by a pledge of the General Reserve Fund that will be used as a medium of financing the balance of its capital requirements or long-term refunding of outstanding Consolidated Bonds or of Consolidated Bonds hereafter issued.

## Resolution Establishing General Reserve Fund

## (Adopted March 9, 1931, as amended May 5, 1932)

WHEREAS, by Chapter 48 of the Laws of New York of 1931 and Chapter 5 of the Laws of New Jersey of 1931, The Port of New York Authority is directed to pool all surplus revenues, as defined in said statutes, received by it from certain terminal and/or transportation facilities, and to apply such surplus revenues to the establishment and maintenance of a general reserve fund in an amount equal to one-tenth (1/10th) of the par value of all outstanding bonds of the Port Authority, legal for investment, as defined and limited in said statutes, and

WHEREAS, by the aforesaid statutes, The Port of New York Authority is authorized to pledge the moneys in said general reserve fund as security for the repayment with interest of any moneys heretofore or hereafter raised by it upon its bonds, legal for investment, as defined and limited in said statutes, and to apply said moneys to the fulfillment of any other undertakings heretofore or hereafter assumed to or for the benefit of the holders of any such bonds,

Now, THEREFORE, after due consideration had, it is

RESOLVED, that the General Manager be and he hereby is authorized and directed to establish and maintain the general reserve fund prescribed by Chapter 48 of the Laws of New York of 1931 and Chapter 5 of the Laws of New Jersey of 1931, and to do so as promptly as may be practicable, and it is further

RESOLVED, that The Port of New York Authority hereby irrevocably pledges the said general reserve fund and all moneys which may be or become part thereof as security for the repayment with interest of moneys heretofore or hereafter raised by it upon bonds, legal for investment as defined and limited in said statutes, and as security for the fulfillment of any other undertakings heretofore or hereafter assumed by it to or for the benefit of the holders of such bonds, and it is further

RESOLVED, that the aforesaid pledge of the said general reserve fund and the moneys therein is made and shall be deemed to be made by The Port of New York Authority to induce investors and others to purchase its bonds, whether such bonds have heretofore been issued or shall be hereafter issued, and whether such bonds be purchased from The Port of New York Authority or from prior purchasers thereof, and it is further

RESOLVED, that the aforesaid pledge is made and shall be deemed to be subject to the right, which The Port of New York Authority hereby reserves to itself, to use the said general reserve fund or any part thereof, at any time, in its sole discretion, to meet, pay or otherwise fulfill any of its obligations under or in connection with the aforesaid bonds, or any of said bonds, including its obligations to pay interest and principal when due, and to make payments into sinking funds, and it is further

RESOLVED, that the said pledge is made and shall be deemed to be subject to the right, which The Port of New York Authority hereby reserves to itself, to pledge the said general reserve fund or any part thereof in its sole discretion, as security for the fulfillment of any obligations heretofore or hereafter assumed by it under or in connection with any other of its bonds whatsoever, by which is meant bonds other than those described, specified or mentioned in said Chapter 48 of the Laws of New York of 1931 and said Chapter 5 of the Laws of New Jersey of 1931 and to apply the said general reserve fund or any part thereof to the fulfillment of such obligations, the intent thereof being to reserve the right to use the said general reserve fund to support such other and additional bonds or types of bonds as the States of New York and New Jersey may hereafter determine or authorize, provided, that the right hereby reserved to pledge the said general reserve fund as security for such other bonds, not described, specified or mentioned in said statutes, and to apply the moneys therein to the fulfillment of obligations under or in connection with such bonds shall be exercised only if and to the extent that the said two States may hereafter authorize its exercise, and *provided*, *further*, that no greater rights in or to the said general reserve fund shall be granted to or conferred upon the holders of any other bonds of The Port of New York Authority than are hereby or are hereafter granted to or conferred upon holders of the bonds in support of which said general reserve fund is hereby pledged, and it is further

RESOLVED, that until otherwise directed by The Port of New York Authority, the moneys in said General Reserve Fund, shall be invested in such bonds, securities or other obligations of the States of New York and New Jersey, of New York and New Jersey municipalities, of the United States of America, and of The Port of New York Authority, as may be approved for investment by the Port Authority or a majority of the members of its Committee on Finance.

(NOTE: By resolution adopted September 22, 1932, it was provided that the resolution establishing the General Reserve Fund should be ineffective and inapplicable with respect to bonds or other obligations thereafter authorized or issued, unless thereafter especially made applicable to such new bonds or other obligations. By resolution adopted October 9, 1952, the foregoing resolution of March 9, 1931, as amended May 5, 1932, was further amended to conform to the provisions of Section 6 of the resolution of October 9, 1952 and the General Reserve Fund Resolution was made applicable to all Consolidated Bonds (see Section 6 (General Reserve Fund) of "*Consolidated Bond Resolution*" in Section III hereof)).

## Consolidated Bond Resolution

## (Adopted October 9, 1952)

WHEREAS, by Chapter 48 of the Laws of New York of 1931, as amended, and Chapter 5 of the Laws of New Jersey of 1931, as amended, The Port of New York Authority (hereinafter called the Authority) has been authorized and empowered to establish and maintain a certain General Reserve Fund, and to pledge said fund as security for certain of its bonds or other securities or obligations, and

WHEREAS, there are now outstanding several issues of bonds of the Authority, which although secured by said General Reserve Fund, nevertheless differ as to form, security, terms and conditions, and

WHEREAS, the Authority has determined to authorize and establish an issue of Consolidated Bonds, and to use such Bonds (and the proceeds derived from the sale thereof) from time to time for the purpose of refunding bonds heretofore or hereafter issued and to serve as a unified medium for financing for any and all purposes for which the Authority is or shall be authorized to issue bonds secured by a pledge of the General Reserve Fund, to the exclusion of bonds of prior issues,

NOW, THEREFORE, after due consideration had, be it resolved by The Port of New York Authority:

SECTION 1. **Interpretation**.

As used in this resolution, the following words and phrases shall have the meanings hereinafter set forth unless the context shall clearly indicate that another meaning is intended:

The term "additional facilities" shall mean facilities other than the Holland Tunnel, the Lincoln Tunnel, the George Washington Bridge, the Bayonne Bridge, the Goethals Bridge, the Outerbridge Crossing, Port Authority Inland Terminal No. 1 (also known as the Port Authority Building), the New York Union Motor Truck Terminal, the Newark Union Motor Truck Terminal, the Port Authority Bus Terminal, La Guardia Airport, New York International Airport, Newark Airport, Teterboro Airport, the Port Authority Grain Terminal, Port Newark and the Hoboken-Port Authority Piers.

The term "bond" shall include a bond, a note and any other evidence of indebtedness.

The terms "bonds of prior issues" and "prior issues of bonds" shall mean General and Refunding Bonds issued pursuant to the Authority's Basic Resolution adopted March 18, 1935, as amended; Air Terminal Bonds issued pursuant to its Air Terminal Bond Resolution adopted June 18, 1948; Marine Terminal Bonds issued pursuant to its Marine Terminal Bond Resolution adopted November 23, 1948; General Reserve Fund Notes, Series X, issued pursuant to its resolution adopted November 8, 1951; General Reserve Fund Notes issued pursuant to its resolution adopted October 9, 1952; and Marine Terminal Notes issued pursuant to its resolution adopted August 14, 1952.

The term "Consolidated Bond Resolution" shall mean this resolution.

The term "Consolidated Bonds" shall mean bonds of the issue established by this resolution.

The term "debt reserve funds" shall mean the Consolidated Bond Reserve Fund established by Section 7 of this resolution, the General Reserve Fund and all other funds which the Authority is obligated to establish or maintain as security for or for the benefit of any of its bonds secured by a pledge of the General Reserve Fund, the moneys in which are available for the payment of debt service upon such bonds.

The term “debt service,” as used with reference to bonds, shall mean the interest payable thereon and the amounts which the Authority is obligated by agreements with the holders of such bonds to pay or set aside for the amortization and/or retirement thereof.

The term “facility” shall mean one or more improvements, structures, projects, works, buildings or properties owned, leased or operated, or to be owned, leased or operated by the Authority, including such appliances, appurtenances and equipment as the Authority may deem necessary or desirable for the proper operation or maintenance thereof, except that the Holland Tunnel, the Lincoln Tunnel, the George Washington Bridge, the Bayonne Bridge, the Goethals Bridge, the Outerbridge Crossing, Port Authority Inland Terminal No. 1 (the Port Authority Building), the New York Union Motor Truck Terminal, the Newark Union Motor Truck Terminal, the Port Authority Bus Terminal, La Guardia Airport, New York International Airport, Newark Airport, Teterboro Airport, the Port Authority Grain Terminal, Port Newark and the Hoboken-Port Authority Piers shall each be deemed to be a separate facility.

The term “General Reserve Fund” shall mean the General Reserve Fund of the Authority authorized by Chapter 5 of the Laws of New Jersey of 1931 and Chapter 48 of the Laws of New York of 1931, as amended; and said statutes are hereinafter called the “General Reserve Fund Statutes.”

The term “income from sources other than operation” shall include but not be limited to interest on investments, capital gains and any moneys collected by the Authority (or paid by others to meet its expenses, including debt service on its bonds, or to reimburse it for its payment of such expenses) pursuant to rights created or vested in the Authority by contract and/or statute.

The term “net operating revenues,” as used with reference to any facility or group of facilities, shall mean the amount remaining after deducting the following amounts from the gross operating revenues thereof:

i. All expenses incurred for the operation, maintenance, repair and administration thereof (including renewals and replacements of and expenditures for equipment, and minor capital expenditures deemed necessary by the Authority for the proper and economical operation or maintenance thereof, and an appropriate allowance for depreciation of ancillary equipment, and debt service upon underlying mortgage bonds, and payments into reserves for operating or maintenance contingencies, all as computed in accordance with sound accounting practice), and

ii. In the case of a facility under operation by the Authority, a proper proportion of the general expenses of the Authority;

without allowance for depreciation other than of ancillary equipment, and without including any income from sources other than operation; *provided*, *however*, that in computing the aggregate amount of the aforesaid expenses for the purpose of this definition, there shall be excluded the amount of any such expenses which are paid (or reimbursed to the Authority) out of income from sources other than operation in case such income is not included in the net revenues of such facility or group of facilities.

The term “net revenues,” as used with reference to any facility or group of facilities, shall mean the net operating revenues thereof, together with all net income pertaining thereto derived from sources other than operation which may be pledged or applied to the payment of debt service upon bonds issued for purposes in connection with such facility or group of facilities.

The term “outstanding,” as used with reference to bonds of the Authority, shall include bonds held in any capacity by the Authority (as well as those held by others), and shall include bonds which the Authority may be obligated to issue and sell pursuant to a contract for the purchase thereof by and the sale thereof to the other party to such contract, but shall not include any past due bonds not presented for payment or any bonds called for redemption but not presented for redemption if the moneys for such payment or redemption shall have been duly provided; provided, however, that in the event the Authority shall enter into a contract with the holders of any of its bonds (hereinafter in this definition called "convertible bonds") to issue other bonds (hereinafter in this definition called "exchange bonds") and to exchange such convertible bonds for such exchange bonds upon the happening of specified events, then the convertible bonds shall be deemed outstanding until but not beyond the time at which such events shall have happened, and the exchange bonds shall be deemed outstanding beginning with but not prior to such time.

The term "refunding," as used with reference to bonds, shall mean the retirement and cancellation thereof, after their acquisition by the Authority (before, at or after maturity) either in exchange for other bonds or by payment, purchase or redemption with the proceeds of the sale of other bonds; and the term "refunded," as used with reference to bonds, shall mean the refunding thereof accomplished.

The term "short-term bonds" shall mean bonds which mature no more than three years from their date and which do not form part of a series of bonds which includes bonds which mature more than three years from their date.

The term "surplus revenues," as used with reference to any facility, shall mean the surplus revenues thereof as defined in the General Reserve Fund statutes.

The term "underlying mortgage bonds" in respect of a facility shall mean bonds secured by mortgage on or pledge of all or any part of the property constituting such facility.

SECTION 2. **Establishment and Issuance**.

An issue of bonds of the Authority to be known as "Consolidated Bonds" is hereby authorized and established. The bonds of said issue shall be direct and general obligations of the Authority and the full faith and credit of the Authority are hereby pledged for the prompt payment of the debt service thereon and for the fulfillment of all other undertakings of the Authority assumed by it to or for the benefit of the holders thereof. This resolution shall constitute a contract with the holders of such bonds.

Said Consolidated Bonds shall be issued only for purposes for which at the time of issuance the Authority is authorized by law to issue bonds secured by a pledge of the General Reserve Fund and only in such amounts as are permitted by Section 3 of this resolution. Said Consolidated Bonds shall be secured by revenues of the facilities of the Authority in the manner and to the extent provided in Sections 4 and 5 of this resolution and by the General Reserve Fund of the Authority in the manner and to the extent provided in Section 6 of this resolution and by the Consolidated Bond Reserve Fund in the manner and to the extent provided in Section 7 of this resolution.

Said Consolidated Bonds may be issued from time to time in such series as the Authority may hereafter determine. The bonds of each series may be issued in one or more installments as the Authority may hereafter determine.

All Consolidated Bonds constituting a particular series shall be uniform in respect of (a) dates of payment of interest, (b) place or places of payment of principal and interest, (c) medium of payment, (d) whether issuable as coupon bonds, or as registered bonds without coupons, or both, (e) provisions, if any, in respect of their exchangeability for bonds of different denominations, and of the interchangeability of coupon bonds and registered bonds without coupons, and (f) provisions, if any, for redemption and the terms and conditions thereof, *provided*, *however*, that bonds constituting a particular series may be made redeemable either in the direct or the inverse order of their maturities if such bonds have differing dates of maturity or by lot. All bonds constituting the whole or a part of a particular series and maturing on the same date shall be uniform in respect of interest rate or rates. All bonds of a series consisting only of bonds having the same date of maturity shall be uniform in respect of provisions, if any, in respect of amortization and retirement of bonds of such series.

Any resolution establishing a series or authorizing the issue of an installment of bonds of a series may contain terms and provisions not inconsistent with this resolution.

SECTION 3. **Limitations on Amount**.

The Authority shall not issue new Consolidated Bonds at any time unless one or another of the following four conditions shall exist, either (Condition 1) Unless the new Consolidated Bonds are to be issued (a) for the acquisition, rehabilitation or improvement of an additional facility or group of additional facilities which is or are in operation at the time of issuance of such bonds and/or (b) for the purpose of refunding bonds which constitute or are secured by a lien or charge upon the revenues of such additional facility or group of additional facilities and/or which constitute underlying mortgage bonds in respect of such additional facility or group of additional facilities; and unless the net revenues (computed as hereinafter set forth in this Section 3) derived from such additional facility or group of additional facilities during any period of twelve consecutive months selected by the Authority out of the thirty-six months next preceding such time of issuance shall have amounted to at least one and three-tenths times the prospective debt service (computed on the assumptions hereinafter set forth in this Section 3) for the calendar year after such time of issuance for which the combined debt service (so computed) upon the following bonds would be at a maximum, to wit:

i. The new Consolidated Bonds, and

ii. All Consolidated Bonds outstanding at such time of issuance which shall have been issued for purposes in connection with such additional facility or group of additional facilities not including, however, any bonds which the resolution authorizing the issuance of the new Consolidated Bonds shall specifically designate are to be refunded by the new Consolidated Bonds, *provided*, *however*, that if any of the bonds otherwise included under this subdivision ii shall have been issued for several purposes including but not restricted to purposes in connection with such additional facility or group of additional facilities (hereinafter in this paragraph called "multi-purpose bonds"), then only such proportion of such multi-purpose bonds shall be included under this subdivision ii in computing the aforesaid maximum prospective debt service as is equal to the ratio between (a) the principal amount of those multi-purpose bonds the proceeds of which the Authority shall determine have been expended for purposes in connection with the additional facility or group of additional facilities, plus those the proceeds of which the Authority shall estimate will be expended for purposes in connection with the additional facility or group of additional facilities and (b) the principal amount of all of such multi-purpose bonds;

or, in the alternate,

(Condition 2) Unless at the time of issuance of such new Consolidated Bonds the sum of the net revenues specified in the following subdivisions, i, ii, iii and iv (computed as hereinafter set forth in this Section 3) of all facilities upon the net revenues of which all Consolidated Bonds shall constitute a first lien and charge after the fulfillment of the purposes for which the new Consolidated Bonds are to be issued, to wit:

i. In the case of facilities which have been in operation during the entire period of thirty-six months next preceding such time of issuance, — the combined net revenues derived from all such facilities during any period of twelve consecutive months selected by the Authority out of the thirty-six months next preceding such time of issuance, plus

ii. In the case of facilities which have been in operation during the entire period of twelve months but not during the entire period of thirty-six months next preceding such time of issuance, — the net revenues derived from each such facility during any period of twelve consecutive months (which need not necessarily be the same for each such facility) selected by the Authority out of such period of operation, plus

iii. In the case of facilities which have not been in operation during the entire period of twelve months next preceding such time of issuance (including facilities under construction at such time or which are to be acquired, established or constructed with the proceeds of the sale of the new Consolidated Bonds), — the average annual net revenues which the Authority estimates will be derived from each of such facilities during the first thirty-six months after such time of issuance, but if in the opinion of the Authority any such facility will not be placed in operation until after such time of issuance, then as to each such facility, the average annual net revenues which the Authority estimates will be derived during the first thirty-six months of operation thereof after such time of issuance; *provided*, *however*, that no revenues estimated under this subdivision iii shall be included in the sum of all net revenues computed under this Condition 2 unless at the time of issuance of the new Consolidated Bonds there shall be in or available for payment into the General Reserve Fund an amount equal to the full amount prescribed in the General Reserve Fund statutes, calculated without the new Consolidated Bonds, and *provided*, further, that the amounts of any revenues estimated under this subdivision iii plus the amounts of any revenues estimated under the next following subdivision iv shall in no event exceed twenty-five per centum of the sum of all net revenues computed under the preceding subdivisions i and ii of this Condition 2, plus

iv. In the case of each capital improvement to any of such facilities if such capital improvement is either under construction at such time of issuance or has been completed less than twelve months prior to such time or, in case it has not yet been commenced, if the Authority has either issued bonds or has entered into a contract for the issuance of bonds or has authorized the issuance of the new Consolidated Bonds for the financing of all or part of such capital improvement, — the average annual amount which the Authority estimates that the net revenues of the facility to which such improvement appertains will be increased during the first thirty-six months after the completion of such improvement, over and above the amount of net revenues included for such facility in the foregoing subdivisions i, ii or iii of this Condition 2; *provided*, *however*, that no revenues estimated under this subdivision iv shall be included in the sum of all net revenues computed under this Condition 2 unless at the time of issuance of the new Consolidated Bonds there shall be in or available for payment into the General Reserve Fund an amount equal to the full amount prescribed in the General Reserve Fund statutes, calculated without the new Consolidated Bonds; and *provided*, further, that the amounts of any revenues estimated under this subdivision iv plus the amounts of any revenues estimated under the next preceding subdivision iii shall in no event exceed twenty-five per centum of the sum of all net revenues computed under the preceding subdivisions i and ii of this Condition 2, shall have amounted to at least one and three-tenths times the prospective debt service (computed on the assumptions hereinafter set forth in this Section 3) for the calendar year after such time of issuance for which the combined debt service (so computed) upon the following bonds would be at a maximum, to wit:

i. The new Consolidated Bonds,

ii. All Consolidated Bonds outstanding at such time of issuance not including, however, any bonds which the resolution authorizing the issuance of the new Consolidated Bonds shall specifically designate are to be refunded by the new Consolidated Bonds, and

iii. Additional Consolidated Bonds having annual debt service in amounts estimated by the Authority, if estimated revenues and/or estimated revenue increases in connection with any facility or capital improvement have been included under the next preceding subdivisions iii and/or iv in the computation of the sum of the net revenues under this Condition 2 in connection with the particular new Consolidated Bonds to be issued and if the Authority is of the opinion at the time of issuance of such new Consolidated Bonds that such additional Consolidated Bonds will be issued in connection with such facility or improvement and will be outstanding during the thirty-six months for which the revenues and/or revenue increases have been estimated under said subdivisions iii and/or iv;

or, in the alternate,

(Condition 3) Unless at the time of issuance of such new Consolidated Bonds the sum of the net revenues specified in the following subdivisions i, ii, iii and iv (computed as hereinafter set forth in this Section 3) in the case of all facilities the surplus revenues of which shall be payable into the General Reserve Fund after the fulfillment of the purposes for which the new Consolidated Bonds are to be issued, to wit:

i. In the case of facilities which have been in operation during the entire period of thirty-six months next preceding such time of issuance, — the combined net revenues derived from all such facilities during any period of twelve consecutive months selected by the Authority out of the thirty-six months next preceding such time of issuance, plus

ii. In the case of facilities which have been in operation during the entire period of twelve months but not during the entire period of thirty-six months next preceding such time of issuance, — the net revenues derived from each such facility during any period of twelve consecutive months (which need not necessarily be the same for each such facility) selected by the Authority out of such period of operation, plus

iii. In the case of facilities which have not been in operation during the entire period of twelve months next preceding such time of issuance (including facilities under construction at such time or which are to be acquired, established or constructed with the proceeds of the sale of the new Consolidated Bonds), — the average annual net revenues which the Authority estimates will be derived from each of such facilities during the first thirty-six months after such time of issuance, but if in the opinion of the Authority any such facility will not be placed in operation until after such time of issuance, then as to each such facility, the average annual net revenues which the Authority estimates will be derived during the first thirty-six months of operation thereof after such time of issuance; *provided*, *however*, that no revenues estimated under this subdivision iii shall be included in the sum of all net revenues computed under this Condition 3 unless at the time of issuance of the new Consolidated Bonds there shall be in or available for payment into the General Reserve Fund an amount equal to the full amount prescribed in the General Reserve Fund statutes, calculated without the new Consolidated Bonds; and *provided*, further, that the amounts of any revenues estimated under this subdivision iii plus the amounts of any revenues estimated under the next following subdivision iv shall in no event exceed twenty-five per centum of the sum of all net revenues computed under the preceding subdivisions i and ii of this Condition 3, plus

iv. In the case of each capital improvement to any of such facilities if such capital improvement is either under construction at such time of issuance or has been completed less than twelve months prior to such time or, in case it has not yet been commenced, if the Authority has either issued bonds or has entered into a contract for the issuance of bonds or has authorized the issuance of the new Consolidated Bonds for the financing of all or part of such capital improvement, — the average annual amount which the Authority estimates that the net revenues of the facility to which such improvement appertains will be increased during the first thirty-six months after the completion of such improvement, over and above the amount of net revenues included for such facility in the foregoing subdivisions i, ii or iii of this Condition 3; *provided*, *however*, that no revenues estimated under this subdivision iv shall be included in the sum of all net revenues computed under this Condition 3 unless at the time of issuance of the new Consolidated Bonds there shall be in or available for payment into the General Reserve

Fund an amount equal to the full amount prescribed in the General Reserve Fund statutes, calculated without the new Consolidated Bonds; and *provided*, further, that the amount of any revenues estimated under this subdivision iv plus the amounts of any revenues estimated under the next preceding subdivision iii shall in no event exceed twenty-five per centum of the sum of all net revenues computed under the preceding subdivisions i and ii of this Condition 3,

shall have amounted to at least one and three-tenths times the prospective debt service (computed on the assumptions hereinafter set forth in this Section 3) for the calendar year after such time of issuance for which the combined debt service (so computed) upon the following bonds would be at a maximum, to wit:

i. The new Consolidated Bonds,

ii. All bonds outstanding at such time of issuance which are secured by a pledge of the General Reserve Fund, not including, however, any bonds which the resolution authorizing the issuance of the new Consolidated Bonds shall specifically designate are to be refunded by the new Consolidated Bonds, and

iii. Additional bonds secured by a pledge of the General Reserve Fund and having annual debt service in amounts estimated by the Authority, if estimated revenues and/or estimated revenue increases in connection with any facility or capital improvement have been included under the next preceding subdivisions iii and/or iv in the computation of the sum of the net revenues under this Condition 3 in connection with the particular new Consolidated Bonds to be issued and if the Authority is of the opinion at the time of issuance of such new Consolidated Bonds that such additional bonds will be issued in connection with such facility or improvement and will be outstanding during the thirty-six months for which the revenues and/or revenue increases have been estimated under said subdivisions iii and/or iv;

or, in the alternate,

(Condition 4) Unless such new Consolidated Bonds are to be issued for the purpose of refunding other Consolidated Bonds and/or bonds of prior issues.

The time of issuance of new Consolidated Bonds, as used in this Section 3, shall mean the time at which such bonds are delivered upon original issue to the initial purchaser thereof, *provided*, *however*, that if a contract is entered into by the Authority, prior to the delivery of such bonds, for their sale to and purchase by the other party to such contract upon original issue, in such event the time of issuance of such bonds, as used in this Section 3, shall mean the time at which such contract is entered into; and *provided*, further, that in the event the Authority is required by statute or contract to exchange any bonds for the new Consolidated Bonds upon the happening of specified events, then the time of issuance of the new Consolidated Bonds so to be exchanged, as used in this Section 3, shall mean the time at which such events shall have happened. The exchanges designated in the next preceding proviso clause shall not include exchanges of interim certificates or temporary bonds for definitive bonds evidencing the same debt and shall not include exchanges of bonds for bonds of other denominations evidencing the same debt. Nothing herein contained shall be construed to limit the right of the Authority to issue and deliver Consolidated Bonds at any time if any one of the above four numbered conditions in this Section 3 exists at the time of issuance as above defined notwithstanding that none of such conditions may exist at the time of delivery of such bonds if such time of delivery is subsequent to such time of issuance.

Whenever, in connection with the issuance of any new Consolidated Bonds, it is necessary for the purposes of this Section 3 to compute or estimate the amount of the net revenues of any facility or group of facilities, such net revenues shall be computed or estimated

(a) without deducting from the gross operating revenues any taxes, assessments or other governmental charges, or any other charges, which may have been paid in connection with such facility or group of facilities prior to their acquisition by the Authority, but which, in the opinion of the Authority or its General Counsel, the Authority would not have been required to pay had it been the owner or operator of such facility or facilities during the time for which such charges were levied or made;

(b) without deducting from gross operating revenues debt service upon underlying mortgage bonds which are to be refunded by the new Consolidated Bonds, and in the case of other underlying mortgage bonds without deducting the actual debt service thereon, but with the deduction (in substitution for such actual debt service) of the debt service (whether it be more or less than such actual debt service) which would have been payable or which would be payable upon such underlying mortgage bonds if they had the following characteristics: date — the first day of the period for which the computation or estimate of net revenues is to be made; maturity — thirty years from the assumed date; interest — at the same rate as borne by such underlying mortgage bonds and payable semi-annually beginning six months from their assumed date; amortization — in such annual amounts as would be required to retire the principal amount of the underlying mortgage bonds outstanding at the time of issuance of the new Consolidated Bonds or, in the case of estimated net revenues, to retire the maximum principal amount of the underlying mortgage bonds to be outstanding during the period for which the estimate of net revenues is to be made, by the thirtieth anniversary of such assumed date if such annual retirement were effected at par at each anniversary of such assumed date and if the annual debt service thereon would be equal for all years thereafter until such thirtieth anniversary; and

(c) without including in net income from sources other than operation any moneys collected or to be collected by the Authority (or paid or to be paid by others to meet its expenses or to reimburse it for its payment of such expenses) pursuant to rights created or vested in the Authority by contract and/or statute in excess of the average annual amount prescribed by such contract and/or statute to be so collected or paid during the fifteen years next succeeding the time of issuance of said new Consolidated Bonds in case such contract and/or statute prescribes a limitation on the annual amounts so to be collected or paid; but in case such contract and/or statute prescribes such a limitation in terms of percentages of annual deficits or expenses or valuations or other quantities, then said net revenues shall be computed or estimated without including in net income from sources other than operation any such moneys so collected or paid or to be collected or paid in excess of the sum derived by multiplying the average of the annual limiting percentages during such fifteen years by the amount of such deficits, expenses, valuations or other quantities during the twelve months for which such computation is to be made (or by the average annual amount of such quantities estimated for the thirty-six months for which such estimate is to be made).

In computing the aforesaid maximum prospective debt service upon any short-term bonds under any of the above Conditions 1, 2 or 3 of this Section 3, there may at the Authority's option be substituted for the actual prospective debt service upon such short-term bonds the debt service which would be payable if such short-term bonds were forthwith refunded by bonds having the following characteristics: maturity — thirty years from the time of issuance of the aforesaid new Consolidated Bonds; interest — at one and one-half times the rate upon such short-term bonds and payable semi-annually beginning six months from such time of issuance; amortization — in such annual amounts as would be required to retire the principal amount of the short-term bonds outstanding at such time of issuance (or, in the case of the new Consolidated Bonds if they are short-term bonds, the principal amount thereof to be issued) by the thirtieth anniversary of such time of issuance if such annual retirement were effected at par at each anniversary of such time of issuance and if the annual debt service thereon would be equal for all years thereafter until such thirtieth anniversary; *provided*, *however*, that if the new Consolidated Bonds are short-term bonds such substitution for their actual debt service shall not be made with respect to such portion thereof (designated by the Authority) the principal amount of which when added to the principal amount of all short-term bonds outstanding at the time of issuance of the new Consolidated Bonds and secured by a pledge of the General Reserve Fund (including any remaining portion of the new Consolidated Bonds but not including bonds to be refunded by the new Consolidated Bonds) shall result in an aggregate principal amount exceeding five per centum of the principal amount of all bonds outstanding at such time which are secured by a pledge of the General Reserve Fund (including all the new Consolidated Bonds and all other short-term bonds of the Authority so secured but not including any bonds to be refunded by the new Consolidated Bonds).

Prospective debt service upon any bonds shall be computed for the purpose of determining the calendar year for which such debt service will be at a maximum and the amount of such debt service for such year, within the meaning of this Section 3, upon the assumptions that the principal amount of such bonds will not be paid prior to maturity except in fulfillment of contractual obligations by the Authority to the holders thereof for the redemption thereof prior to maturity, and that in those cases such redemption will be effected at the latest date permitted by such agreement.

SECTION 4. **Pledge of Revenues**.

The payment of the debt service upon all Consolidated Bonds, regardless of the series or installment of which they form a part, and regardless of the dates of their issuance or maturity or the purposes for which issued, shall be secured equally and ratably by the net revenues of the Authority from each of the following:

i. The Holland Tunnel, the Lincoln Tunnel, the George Washington Bridge, the Bayonne Bridge, the Goethals Bridge, the Outerbridge Crossing, Port Authority Inland Terminal No. 1 (also known as the Port Authority Building), the New York Union Motor Truck Terminal, the Newark Union Motor Truck Terminal, the Port Authority Bus Terminal, La Guardia Airport, New York International Airport, Newark Airport, Teterboro Airport, the Port Authority Grain Terminal, Port Newark and the Hoboken-Port Authority Piers, and

ii. Any additional facilities, the establishment, acquisition, effectuation, construction, rehabilitation or improvement of which is financed or refinanced in whole or in part by the issuance of Consolidated Bonds;

and, except as otherwise provided herein, the net revenues of each of said facilities are hereby irrevocably pledged to the payment of the debt service upon all Consolidated Bonds as the same may fall due, and shall be applied as provided in Section 5 hereof, and all Consolidated Bonds shall constitute a lien and charge thereon.

The foregoing pledge and lien are, however, subject to and shall be subordinate to (but only to) the following prior pledges and liens:

(a) In the case of the revenues of the Holland Tunnel, the Lincoln Tunnel, the George Washington Bridge, the Bayonne Bridge, the Goethals Bridge, the Outerbridge Crossing, Port Authority Inland Terminal No. 1 (the Port Authority Building), the New York Union Motor Truck Terminal, the Newark Union Motor Truck Terminal, the Port Authority Bus Terminal and the Port Authority Grain Terminal, — to pledges heretofore made and liens heretofore created in favor of the aforesaid General and Refunding Bonds;

(b) In the case of the revenues of La Guardia Airport, New York International Airport, Newark Airport and Teterboro Airport, — to pledges heretofore made and liens heretofore created in favor of the aforesaid Air Terminal Bonds;

(c) In the case of the revenues of Port Newark, — to pledges heretofore made and liens heretofore created in favor of the aforesaid Marine Terminal Bonds.

Consolidated Bonds shall not be issued for any purpose in connection with any facility unless after the accomplishment of such purpose the debt service upon all Consolidated Bonds shall constitute a first lien and charge upon the net revenues of the Authority from such facility subject, however, to (but only to) the prior liens recited in the preceding paragraph.

SECTION 5. **Application of Revenues**.

Subject to the prior pledges and liens described in Section 4 of this resolution, all net revenues pledged as security for Consolidated Bonds shall be applied to the following purposes in the following order:

(a) To the payment of debt service upon all Consolidated Bonds;

(b) All remaining balances of net revenues pledged as security for Consolidated Bonds shall be paid into the Consolidated Bond Reserve Fund established by Section 7 of this resolution, except such amounts as may be necessary to maintain the General Reserve Fund in the amount prescribed by the General Reserve Fund statutes.

The pledge of net revenues made in Section 4 of this resolution (and the lien and charge of Consolidated Bonds upon such net revenues) shall be subject to the right of the Authority to make payments into the General Reserve Fund to the extent above provided in this Section 5, and to that extent only.

SECTION 6. **General Reserve Fund**.

The payment of the debt service upon all Consolidated Bonds, regardless of the series or installment of which they form a part, and regardless of the dates of their issuance or maturity or the purposes for which issued, shall be further secured equally and ratably by the General Reserve Fund; and the pledge thereof and of the moneys which may be or become part thereof, contained in the resolution of the Authority, adopted March 9, 1931, establishing said General Reserve Fund, as amended May 5, 1932, is hereby expressly extended to and made applicable to (and for such purpose the General Reserve Fund is hereby irrevocably pledged as security for) all Consolidated Bonds for the benefit of the holders thereof, in the manner and to the extent set forth in the aforesaid resolution of March 9, 1931, as amended May 5, 1932, *pari passu* with bonds heretofore issued by the Authority and with the holders of such bonds; *provided*, that nothing herein shall be construed to grant or confer greater rights in or to said General Reserve Fund upon the holders of Consolidated Bonds than are now granted or conferred upon the holders of the bonds of prior issues.

The foregoing pledge is subject to (but only to) the following separate rights which the Authority hereby reserves to itself:

(a) The right to pledge said General Reserve Fund as security for any bonds whatsoever hereafter issued by the Authority as security for which it may at the time be authorized by law to pledge the General Reserve Fund; and

(b) The right to use the moneys in said General Reserve Fund to meet, pay or otherwise fulfill any of the undertakings which it has assumed, does now assume by this resolution or shall hereafter assume to or for the benefit of the holders of any bonds as security for which said General Reserve Fund has heretofore been or is now pledged, or for which said General Reserve Fund may hereafter be pledged as above provided;

*provided*, that no greater rights in or to the General Reserve Fund shall hereafter be granted to or conferred upon the holders of any bonds now outstanding or any bonds hereafter issued than are granted to and conferred upon the holders of all Consolidated Bonds.

Except as provided in the next sentence of this paragraph, the moneys in the General Reserve Fund shall not be used for any purpose at any time if there are any other moneys of the Authority available for that purpose at such time, and shall not be used for the payment of debt service prior to the time when the interest, sinking fund payments, redemption prices, principal amounts and other items constituting such debt service shall be required to be paid or set aside by the Authority; and the moneys in said General Reserve Fund shall be deposited in such depositories as the Authority may designate or invested in obligations of or guaranteed by the United States. If, however, there shall at any time be in or available for payment into all debt reserve funds of the Authority an aggregate amount of moneys in excess of an amount equal to two years' debt service upon all those bonds of the Authority which are secured by a pledge of the General Reserve Fund and which are outstanding at that time, to the extent that such moneys in or available for payment into such debt reserve funds will be available to pay debt service upon such bonds during the ensuing twenty-four calendar months, then and in any such event such excess moneys may be used at such time for any purpose for which said moneys may be used under the General Reserve Fund statutes, whether or not there are other moneys available for that purpose; and such excess moneys may be deposited in such depositories as the Authority may designate or invested in bonds, notes or other obligations of or guaranteed by the United States, the State of New York or the State of New Jersey, and any bonds of the Authority theretofore actually issued and negotiated and secured by a pledge of the General Reserve Fund. Two years' debt service, when used in this paragraph with respect to bonds outstanding at any time shall mean the amounts which the Authority is obligated by contract with the holders of such bonds to pay as debt service upon such bonds during the ensuing twenty-four calendar months; *provided*, *however*, that in computing such two years' debt service on any such outstanding bonds which are short-term bonds there shall be substituted for the actual debt service on such short-term bonds during said ensuing twenty-four calendar months the debt service which would be payable during said twenty-four calendar months if such short-term bonds were forthwith refunded by bonds having the following characteristics: maturity — thirty years from such time; interest — at the same rate as upon the short-term bonds and payable semi-annually beginning six months from such time; amortization — in such annual amounts as would be required to retire the principal amount of the short-term bonds outstanding at such time by the thirtieth anniversary of such time if such annual retirement were effected at par at each anniversary of such time and if the annual debt service thereon would be equal for all years thereafter until such thirtieth anniversary.

The resolution of the Authority, adopted March 9, 1931, establishing said General Reserve Fund, as amended May 5, 1932, is hereby further amended to conform to the provisions of this Section 6; *provided*, *however*, that nothing contained in this Section 6 shall be construed to limit, curtail or impair any pledge of the General Reserve Fund or regarding its administration, investment and use made in favor of or for the benefit of the holders of any bonds of prior issues or to prevent the Authority from doing any act or thing required to be done in the fulfillment of any such pledge.

SECTION 7. **Consolidated Bond Reserve Fund**.

There is hereby established a special fund (herein called the Consolidated Bond Reserve Fund) the moneys in which are hereby pledged as additional security for all Consolidated Bonds, into which shall be paid all balances of net revenues pledged as security for Consolidated Bonds, remaining after deducting the amounts for which provision is made in subdivisions (a) and (b) of Section 5 of this resolution. The moneys in the Consolidated Bond Reserve Fund shall be accumulated or in the discretion of the Authority shall be applied to any of the following purposes and to such purposes only:

(a) To the payment of Consolidated Bonds at maturity, but in case a sinking fund has been established for the retirement of bonds of the series of which such bonds form a part only if the available moneys in such sinking fund are insufficient for such purpose, and in the case of other Consolidated Bonds, only if the net revenues pledged as security for Consolidated Bonds for the calendar year in which such payment shall be due and which are available for such payment are insufficient for such purpose.

(b) To the payment of debt service upon Consolidated Bonds then outstanding (other than the payment of such bonds at maturity), but only if the net revenues pledged as security for Consolidated Bonds for the calendar year in which such payment shall be due and which are available for such payment are insufficient for such purpose.

(c) To the purchase for retirement of Consolidated Bonds of any series as determined by the Authority at such prices as the Authority may determine to be reasonable; *provided*, *however*, that in case all of the bonds of such series are subject to redemption six months or less from the date on which the bonds are to be purchased for retirement, then such prices shall not exceed the highest price at which all of the bonds of such series might be redeemed at or prior to the expiration of said six months. Such purchases may be made at the discretion of the Authority, at public or private sale, with or without advertisement and with or without notice to other holders of Consolidated Bonds, and bonds theretofore issued and negotiated and then held by the Authority for investment may be purchased, as well as bonds held by others. In ascertaining whether the purchase price of any bond comes within the maximum above specified, brokerage commissions and similar items shall not be taken into consideration. The bonds so purchased shall be forthwith cancelled.

(d) To the redemption of Consolidated Bonds of any one or more series as may be determined by the Authority, if such bonds are subject to redemption. The bonds so redeemed shall be forthwith cancelled.

(e) To the payment of expenses incurred for the operation, maintenance, repair and administration of any facility the net revenues of which are pledged as security for Consolidated Bonds (including the expenses specified in the definition of net operating revenues in Section 1 of this resolution), but only to the extent that the gross operating revenues of such facility for the calendar year in which such payment shall be due, are insufficient or unavailable for such purpose.

(f) To the payment of debt service upon bonds other than Consolidated Bonds which are described in the last paragraph of this Section 7.

(g) To any other or additional purposes for which the Authority is now or may hereafter be authorized by law to expend the revenues of its facilities.

The pledge hereinbefore made of net revenues as security for Consolidated Bonds (and the lien and charge of Consolidated Bonds thereon) shall be subject to the right of the Authority to make payments into the Consolidated Bond Reserve Fund to the extent above provided in this Section 7, and said pledge and the aforesaid pledge of the moneys in the Consolidated Bond Reserve Fund shall be subject to the right of the Authority to apply said moneys as above provided in this Section 7 and to issue bonds other than Consolidated Bonds which are secured by a pledge of or lien or charge upon the Consolidated Bond Reserve Fund which is prior or equal to the pledge, lien and charge in favor of Consolidated Bonds, but only if such other bonds are issued solely to fulfill obligations undertaken by the Authority to or for the benefit of the holders of Consolidated Bonds and if such other bonds are also secured by a pledge of the General Reserve Fund.

SECTION 8. **Amortization and Retirement**.

The resolution establishing each series of Consolidated Bonds which includes bonds which at the time of their issuance are issuable only under Condition 4 of Section 3 of this resolution, shall provide, and resolutions establishing other series of Consolidated Bonds may provide, a schedule of mandatory periodic retirement of bonds of such series. Such schedule shall specify the total principal amount of bonds of such series which shall be retired at any time before or during each calendar year, and on or before a stated date during such calendar year, beginning, in the case of series which include bonds issuable as aforesaid only under said Condition 4, not later than the first calendar year following the calendar year in which occurs the tenth anniversary of the date of bonds of such series, and beginning, in the case of other series, at any time prior to maturity designated by the Authority in the resolution establishing such series.

The Authority's obligation to retire bonds as aforesaid in the principal amount specified in any such schedule on or before the stated date during each calendar year shall be separate and distinct from and in addition to its obligation to retire bonds in the total principal amounts specified in such schedule on or before the stated dates during other calendar years. Any resolution establishing a series which provides such a schedule of retirement shall either prescribe that such retirement shall be accomplished by periodic serial maturities specified therein or it shall provide that such retirement may be accomplished in the discretion of the Authority by either or both of the following methods, to wit: by the redemption of bonds in the manner, upon the notice and at the prices set forth in said resolutions, or by the purchase of bonds at such prices as the Authority may deem reasonable and proper (which said prices may, in the discretion of the Authority, be specified in such resolution), which said purchases may in the discretion of the Authority be made at public or private sale, with or without advertisement and with or without notice to any person other than the seller, and bonds theretofore issued and negotiated and then held by the Authority may be purchased as well as bonds held by others.

The said schedule of retirement provided with respect to any series which includes bonds issuable as aforesaid only under said Condition 4 shall specify mandatory periodic retirements of bonds of such series as aforesaid at such times and in such amounts that the prospective debt service upon bonds of such series (computed with the substitutions and upon the assumptions provided in the last two paragraphs of Section 3 of this resolution) shall be such that either (a) the debt service, so computed, upon bonds of such series for any one calendar year shall not be more than 10% greater than the debt service so computed upon bonds of such series for any other calendar year beginning with the first calendar year on account of which said schedule of retirement shall specify any principal amount of bonds of such series to be retired and ending with the calendar year in which shall occur the latest maturity date of bonds of such series, or (b) the combined debt service, so computed, upon all Consolidated Bonds outstanding at the time such series is established (not including, however, any bonds to be refunded by the bonds of such series) and upon the bonds of such series themselves for any one calendar year shall not be more than 10% greater than the debt service, so computed, upon all such bonds for any other calendar year beginning with the first calendar year on account of which said schedule of retirement shall specify any principal amount of bonds of such series to be retired and ending with the calendar year in which shall occur the latest maturity date of bonds of such series, or (c) the combined debt service, so computed, on all bonds outstanding at the time such series is established which are secured by a pledge of the General Reserve Fund (not including, however, any bonds to be refunded by the bonds of such series) and upon the bonds of such series themselves for any one calendar year shall not be more than 10% greater than the debt service, so computed, on all such bonds for any other calendar year beginning with the first calendar year on account of which said schedule of retirement shall specify any principal amount of bonds of such series to be retired and ending with the calendar year in which shall occur the latest maturity date of bonds of such series.

With respect to series of Consolidated Bonds other than those which include bonds issuable as aforesaid only under said Condition 4, the Authority in its discretion may or may not provide for amortization and retirement before maturity, and if it does so provide, it may in its discretion select a sinking fund of any type or any other method to effect such amortization and retirement; but nothing herein contained shall in any way be deemed to eliminate the requirement that one or another of the four numbered conditions in Section 3 must exist in connection with any new Consolidated Bonds to be issued.

SECTION 9. **Form and Execution**.

Consolidated Bonds may be issued in such form (not inconsistent with this resolution) and executed in such manner as the Authority may determine.

Pending the execution and delivery of definitive bonds there may be executed and delivered (to the purchaser or purchasers of any Consolidated Bonds) interim receipts or temporary bonds in such form as the Authority may prescribe, which shall be exchangeable for definitive bonds in accordance with their terms. Until such interim receipts or temporary bonds are so exchanged, the rights of the holders thereof shall be the same as though they held the definitive bonds for which they are exchangeable.

SECTION 10. **Investments**.

The moneys in the Consolidated Bond Reserve Fund shall from time to time be deposited in such depositories as the Authority may designate or invested in bonds, notes or other obligations of (or fully guaranteed by) the United States, the State of New York or the State of New Jersey, and in bonds of the Authority itself, theretofore actually issued and negotiated, if secured by a pledge of the General Reserve Fund (including Consolidated Bonds).

The moneys derived from the sale of Consolidated Bonds shall from time to time be deposited in such depositories as the Authority may designate or invested in obligations of (or fully guaranteed by) the United States, *provided*, that such obligations shall mature not later than the date upon which the Authority intends to apply the proceeds so invested for the purpose for which such Consolidated Bonds were issued.

The moneys in each of the several sinking funds which may be established for the retirement of bonds of the various series of Consolidated Bonds, shall be deposited in such depositories as the Authority may designate or invested only in direct obligations of the United States, *provided*, that such obligations shall mature (or shall be redeemable at the option of the holder) at least five days prior to any date upon which such moneys must be applied to the retirement of Consolidated Bonds as provided in the resolutions establishing such series.

The net revenues pledged as security for Consolidated Bonds shall be deposited in such depositories as the Authority may designate or invested as provided in the next preceding paragraph for sinking fund moneys, *provided*, that any excess over debt service on all bonds secured by a pledge of such revenues for the year during which such revenues are derived may be invested as provided for Consolidated Bond Reserve Fund moneys.

Except as otherwise provided in Section 16 of this resolution, Consolidated Bonds held by the Authority shall have the same rights as though purchased or held by others.

SECTION 11. **Sinking Funds and Special Reserve Funds of Bonds of Prior Issues**.

Upon the cancellation, at or prior to maturity, of all of the then outstanding bonds of any particular series of any prior issue of bonds, any remaining balances of any sinking fund established for such particular series shall be paid into the Consolidated Bond Reserve Fund subject to the pledge thereof in favor of the holders of Consolidated Bonds, to be accumulated or applied as provided in Section 7 hereof. Upon the cancellation, at or prior to maturity, of all of the then outstanding bonds of each of the prior issues of bonds, any remaining balances of any special reserve fund established for the benefit of the bonds of such particular prior issue of bonds shall be paid into the Consolidated Bond Reserve Fund subject to the pledge thereof in favor of the holders of Consolidated Bonds, to be accumulated or applied as provided in Section 7 hereof.

SECTION 12. **Miscellaneous Covenants**.

The Authority covenants and agrees with the holders of Consolidated Bonds, and with each such holder, as follows:

(a) Fully and faithfully to perform all duties required by the Constitutions and Statutes of the United States and of the States of New York and New Jersey, and by the Compact of April 30, 1921, between said two States, with reference to all facilities the net revenues of which are pledged as security for Consolidated Bonds, — those hereafter established, constructed or acquired by it, as well as those presently owned, leased or operated by it.

(b) Not to issue any more General and Refunding Bonds of the issue established March 18, 1935, Air Terminal Bonds of the issue established June 18, 1948 or Marine Terminal Bonds of the issue established November 23, 1948 in addition to the bonds of those issues outstanding at the adoption of this resolution. This covenant and agreement shall not only be with and for the benefit of holders of Consolidated Bonds but shall also be with and for the benefit of holders of outstanding bonds of prior issues and shall not be subject to modification except in accordance with the provisions of the resolutions establishing such prior issues in addition to the provisions of Section 16 of this resolution.

(c) To proceed promptly and in an economical and efficient manner with the effectuation, establishment, acquisition, construction, rehabilitation or improvement of all facilities, the effectuation, establishment, acquisition, construction, rehabilitation or improvement whereof is financed with Consolidated Bonds.

(d) To maintain in good condition all facilities the surplus revenues of which are payable into the General Reserve Fund, and to operate them in an efficient and economical manner, making all such renewals and replacements and acquiring and using all such equipment as the Authority shall determine to be necessary or desirable for the proper and economical maintenance and operation thereof.

(e) To make such improvements as part of or in connection with facilities the surplus revenues of which are payable into the General Reserve Fund as the Authority shall determine to be necessary or desirable as incidental to or in connection with the operation of said facilities.

(f) To establish and collect flight fees, wharfage, dockage, rents, tolls and other charges in connection with facilities the net revenues of which are pledged as security for Consolidated Bonds, to the end that at least sufficient net revenues may be produced therefrom at all times to provide for the debt service upon all Consolidated Bonds.

(g) In the event the net revenues pledged as security for Consolidated Bonds are insufficient to provide for the debt service upon any or all Consolidated Bonds, to make good any deficiency out of the General Reserve Fund or other available revenues, moneys or funds; and for that purpose to establish, maintain and collect flight fees, wharfage, dockage, rents, tolls and other charges in connection with facilities the surplus revenues of which are payable into the General Reserve Fund (including facilities the net revenues of which are not pledged as security for Consolidated Bonds), to the end that combined surplus revenues may be produced therefrom at least sufficient to make good (through the medium of the General Reserve Fund) any deficiency in the debt service upon Consolidated Bonds, *provided*, *however*, that nothing herein contained shall be deemed to constitute an agreement or covenant by the Authority to make any payments into the General Reserve Fund in excess of the payments required to be made pursuant to the General Reserve Fund statutes.

(h) To keep all facilities the surplus revenues of which are payable into the General Reserve Fund (and all structures, equipment and properties forming part thereof) insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts and with such deductibles as the Authority shall deem necessary for the protection of the holders of Consolidated Bonds.

(i) Duly and punctually to pay or cause to be paid the debt service upon all underlying mortgage bonds outstanding in connection with all or any part of any facility the surplus revenues of which are payable into the General Reserve Fund, in strict conformity with the terms of such bonds.

(j) To make all such expenditures as the Authority shall determine are necessary or desirable for, in connection with or incidental to the fulfillment of any of the covenants or other undertakings assumed by the Authority to or for the benefit of the holders of any Consolidated Bonds in this Section 12 or in any other section of this resolution or in any other resolution relating to Consolidated Bonds.

(k) In case any facility or any real property constituting a portion of a facility, the net revenues of which are pledged as security for Consolidated Bonds, is sold by the Authority or is condemned pursuant to the power of eminent domain, to apply the net proceeds of such sale or condemnation to capital expenditures upon facilities the net revenues of which are pledged as security for Consolidated Bonds, or to the retirement of Consolidated Bonds or bonds of prior issues after satisfying any prior obligations in respect of such facilities or in respect of the disposition of such proceeds; provided, however, that nothing herein contained shall be construed to prevent the Authority from applying the award in any condemnation proceeding in accordance with the Agreement with respect to the Newark Marine and Air Terminals between the City of Newark and the Authority, dated October 22, 1947, or the Agreement with respect to Municipal Air Terminals between the City of New York and the Authority, dated April 17, 1947, or any lease or other agreement for the use of real property heretofore or hereafter entered into by the Authority whether as landlord, tenant, licensor, licensee or otherwise.

SECTION 13. **Registrars and Paying Agents**.

The Authority shall designate one or more Registrars and Paying Agents to act as such for and in connection with each series of Consolidated Bonds, and may in its discretion, from time to time, terminate such appointments or designations, designate new, substitute or additional Registrars and Paying Agents, designate separate and different Registrars and Paying Agents in connection with different series or installments of Consolidated Bonds, and designate itself to act as Registrar or Paying Agent; provided, that if the Authority shall provide for the authentication of the bonds of any series by the Registrar thereof, it shall not designate itself to act as such Registrar.

SECTION 14. **Evidence of Ownership**.

Any notice to the contrary notwithstanding, the Authority and its Registrars and Paying Agents may, at the option of the Authority, treat the following persons as the absolute owners of Consolidated Bonds or coupons for the purpose of paying principal or interest and for all other purposes whatsoever:

(a) In the case of bonds not registered as to principal, — the person or persons in possession of such bonds.

(b) In the case of the coupons of any bonds not registered as to interest, — the person or persons in possession of such coupons.

(c) In the case of bonds registered as to both principal and interest in accordance with the provisions established by the Authority for such registration, — the person or persons in whose name such bonds are registered.

(d) In the case of bonds registered as to principal only in accordance with the provisions established by the Authority for such registration, — the person or persons in whose name such bonds are registered, except for the purpose of paying interest represented by outstanding coupons.

SECTION 15. **Liability**.

No Commissioner, officer, agent, representative, employee, Registrar or Paying Agent of the Authority shall be held personally liable to any purchaser or holder of any Consolidated Bond under or upon such bond, or under or upon this resolution or any resolution hereafter adopted relating to Consolidated Bonds, or because of the issuance or attempted issuance of any Consolidated Bonds, or because of any act or omission in connection with the construction, acquisition, effectuation, operation or maintenance of any facility of the Authority, or because of any act or omission in connection with the investment or management of the revenues, funds or moneys of the Authority, or otherwise in connection with the management of its affairs, excepting solely for things willfully done with an intent to defraud or willfully omitted to be done with an intent to defraud.

SECTION 16. **Modifications**.

(a) The Authority may from time to time and at any time, without authorization, consent or other action by any of the holders of Consolidated Bonds, modify or amend this resolution, or any other resolution relating to Consolidated Bonds, but only for the purpose of curing any ambiguity or of curing or correcting any defective or inconsistent provision, or for any other purpose not inconsistent with this resolution or with any other resolution relating to Consolidated Bonds; *provided*, that no such amendment made pursuant to this sub-section (a) shall alter or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal and interest of any bond at the time and place and at the rate or amount and in the medium of payment prescribed therein, or shall alter or impair the security of any bond, or otherwise alter or impair any rights of any bondholder.

(b) In addition to the power given in sub-section (a) of this Section 16, any of the terms or provisions of this resolution (or of any resolution amendatory of or supplemental to this resolution) may be amended, repealed or modified in the manner hereinafter set forth in this Section 16, for the purpose of modifying or amending in any particular any of the terms or provisions (including, without limiting the generality of the foregoing, any provisions regarding amortization and retirement) of any of the Consolidated Bonds or of any of the coupons pertaining thereto; *provided*, that no such amendment, repeal or modification shall alter or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal and interest of any Consolidated Bond at the time and place and at the rate or amount and in the medium of payment prescribed therein, without the express consent of the holder of such bond.

i. Whenever the Authority shall desire any such amendment, repeal or modification of any of the provisions of this resolution (or of any resolution amendatory of or supplemental to this resolution), it shall call a meeting of the holders of Consolidated Bonds (or if the amendment, repeal or modification proposed shall affect the rights of the holders of such bonds of only one or more particular series or installments, then of the holders of all Consolidated Bonds of each such series or installment so to be affected) for the purpose of considering and acting upon any such proposed amendment, repeal or modification. A notice specifying the purpose, place, date and hour of such meeting shall be published by the Authority in a daily newspaper of general circulation in the City of New York, State of New York, and also in one or more daily newspapers of general circulation in one or more of the following cities: the City of Boston, Commonwealth of Massachusetts; the City of Philadelphia, Commonwealth of Pennsylvania; the City of Chicago, State of Illinois; and the City of San Francisco, State of California. Such notice shall be published once a week for four consecutive weeks, the first publication to be not less than thirty days nor more than ninety days prior to the date fixed for the meeting. Such notice shall briefly set forth the nature of the proposed amendment, repeal or modification, and shall give notice that a copy thereof is on file with the Authority for inspection by the holders of the bonds. On or before the date of the first publication of the notice, a similar written or printed notice shall be mailed by the Authority, postage prepaid, to the holders of such bonds registered either as to principal or as to both principal and interest, at the addresses appearing on the registry books of the Authority, and who are to be affected by the proposed amendment, repeal or modification. The actual receipt by any bondholder of notice of such meeting shall not be essential to the validity of such meeting, and a certificate by the Authority, duly executed by its Chairman or Vice-Chairman, that the meeting has been called and notice thereof given as herein provided, shall be conclusive as against all parties, and it shall not be open to any bondholder to show that he failed to receive notice of such meeting or to object to the form of such notice, *provided*, that such notice shall conform substantially to the provisions of this subdivision i of this sub-section (b) of this Section 16.

ii. No person shall be entitled to vote at such meeting unless he shall be a holder of a Consolidated Bond or shall hold a proxy duly executed by such a bondholder, and (1) he shall present at the meeting his Consolidated Bond or Bonds (or in the case of the holder of a proxy, the Consolidated Bond or Bonds of his principal), or (2) he shall present at the meeting a certificate of the character herein described in subdivision iii of this sub-section (b) of this Section 16, or (3) his name (or, in the case of the holder of a proxy, the name of his principal) shall appear as a registered bondholder on the list prepared and presented to the meeting by the Registrar as provided in subdivision iii of this sub-section (b) of this Section 16.

iii. Any holder of Consolidated Bonds may, prior to any such meeting, deliver his Consolidated Bond or Bonds, at his own expense, to any Registrar of Consolidated Bonds, or to such bank, banking firm or trust company as shall be satisfactory to the Authority, and thereupon shall be entitled to receive an appropriate receipt for the bonds so deposited, calling for the re-delivery of such bonds at any time after the meeting. A certificate signed by any such Registrar, or by any such bank, banking firm or trust company that the bonds have been so deposited, and giving the amount, denomination, series and numbers thereof, shall be sufficient evidence to permit the holder of any such certificate, including the holder of a proxy who shall produce such certificate, to be present and to vote at any meeting. The Registrar or Registrars of Consolidated Bonds shall prepare and deliver to the Authority at the time of the convening of the meeting, a list of the names and addresses of the registered holders of the bonds proposed to be affected by said amendment, repeal or modification, as of the close of business on the day before the date set for the meeting, or the date to which such meeting shall have been adjourned, together with a statement of the denominations, series and numbers of the bonds registered in the name of each such registered holder.

iv. The Authority shall present to the meeting at the convening thereof, a statement in writing duly executed by its Chairman or Vice-Chairman or by the Chairman or Vice-Chairman of its Committee on Finance, listing the denominations, series and numbers of all bonds of all series proposed to be affected by said amendment, repeal or modification, owned by it or held for its account directly or indirectly, including any bond registered in the name of the Authority or held for the account of any debt reserve fund of the Authority, and no person shall be permitted at the meeting to cast any vote or give any consent because of any bonds listed on such statement, and no such bonds (hereinafter referred to as Authority-owned bonds) shall be counted in determining any vote at such meeting, including the determination of whether or not a quorum is present.

v. A representation of at least 60% in aggregate principal amount of the Consolidated Bonds then outstanding (exclusive of Authority-owned bonds) or, if the amendment, repeal or modification proposed shall only affect the rights of the holders of one or more particular series or installments of Consolidated Bonds, then 60% in aggregate principal amount of the bonds outstanding (exclusive of Authority-owned bonds) of each such series or installment so to be affected, shall be necessary to constitute a quorum at any such meeting of bondholders; but less than a quorum may adjourn the meeting from time to time and the meeting may be held as adjourned without further notice, whether such adjournment shall have been held by a quorum or by less than a quorum. The Authority shall designate a Commissioner or officer of the Authority to preside as temporary chairman, and such temporary chairman shall immediately call for nominations for a permanent chairman for such meeting. Such permanent chairman shall be some person who shall be a bondholder, or the holder of a proxy, entitled to vote at the meeting. At such meeting each person shall be entitled to one vote for each $1,000 principal amount of such bonds held or represented by him as provided in subdivision ii of this sub-section (b) of this Section 16, and such vote shall be cast by ballot. Except as herein provided, the meeting may adopt its own rules of procedure.

vi. At any such meeting held as aforesaid, the Authority shall submit for consideration and action of the holders of Consolidated Bonds or, if the amendment, repeal or modification proposed shall only affect the rights of the holders of one or more particular series or installments of Consolidated Bonds, then of the bondholders of each such series or installments to be affected, a proposed resolution embodying the amendment, repeal or modification to be considered by the meeting. If such proposed resolution shall be consented to and approved (either in person or by proxy) by the holders of at least 60% in aggregate principal amount of the bonds to be affected thereby outstanding at the time (exclusive of Authority-owned bonds), then, and in such case, the Authority shall thereby be authorized and empowered to adopt such resolution, and any such resolution so adopted by the Authority shall be binding upon all bondholders, whether or not present at such meeting in person or by proxy, *provided* that no such amendment, repeal or modification shall affect the rights of the holders of one or more series or installments of Consolidated Bonds in a manner or to an extent differing from that in or to which the rights of holders of any other series or installments of Consolidated Bonds are affected unless such resolution shall be approved (either in person or by proxy) by the holders of at least 60% in aggregate principal amount of the Consolidated Bonds then outstanding (exclusive of Authority-owned bonds) of each such series or installment so affected; and no bondholder shall have any right or cause to object to the adoption of any such resolution by the Authority or to object to any of the terms or provisions therein contained or the exercise thereof or of the authorizations contained therein, or in any manner to question the propriety of the adoption thereof or to enjoin or restrain the Authority from executing the same or from taking any action pursuant to the provisions thereof.

vii. Upon the adoption by the Authority of any resolution pursuant to the provisions of this Section 16, this resolution (and any resolution supplemental to or amendatory of this resolution) shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the Authority and all holders of outstanding bonds shall be thereafter determined, exercised and enforced subject, in all respects, to such modifications and amendments.
viii. Minutes of all resolutions adopted and proceedings had at every such meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Authority, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, shall be prima facie evidence of the matters therein stated, and until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been so made and signed shall be deemed to have been duly held and conveyed, and all resolutions passed thereat or proceedings had thereat shall be deemed to have been duly passed and had.

As used above in this Section 16, the terms “bond” and “Consolidated Bond” shall include any interim receipt therefor; and the terms “bondholder” and “holder” of a “Consolidated Bond” shall include the holder of such an interim receipt.

SECTION 17. **Determinations**.

Whenever in this resolution it is provided that any selection, designation, determination or estimate shall or may be made by the Authority or that any action may be taken or withheld by the Authority or that any action shall or may be taken or withheld at the option of or dependent upon the opinion, discretion or judgment of the Authority, then the Authority's such selection, designation, determination, estimate, action, option, opinion, discretion or judgment expressed by its Board of Commissioners or by a committee or officer or other person duly authorized shall be conclusive for the purposes of this resolution.

## PERTINENT STATUTES AND GENERAL RESOLUTIONS

### General

An important function of the Port Authority is the effectuation of the Comprehensive Plan for the development of the Port District, which was adopted by the two States in 1922 and supplemented from time to time thereafter.

By legislation adopted in 1931, the two States declared that the vehicular traffic moving across interstate waters within the Port District constitutes a general movement of traffic which follows the most accessible and practicable routes, and that the users of each such vehicular bridge or tunnel across these waters benefit by the existence of every vehicular bridge or tunnel, since all of the bridges or tunnels relieve congestion and facilitate the movement of traffic. Accordingly, the two States provided that the construction and operation of such bridges and tunnels authorized by State law should be unified under the Port Authority. The legislation referred to leaves the Congress of the United States free to exercise its powers with respect to interstate crossings.

In 1947, the two States adopted legislation authorizing municipalities in the Port District to cooperate with the Port Authority in the development of marine terminals and empowered them to consent to the use by the Port Authority of any municipally owned marine terminal development, including the right to convey, lease or otherwise transfer such marine terminal development to the Port Authority. The Port Authority may also acquire privately owned marine terminal properties under the original Compact.

The two States also adopted legislation in 1947 declaring that the problem of furnishing proper and adequate air terminal facilities within the Port District is a regional and interstate problem and that it should be the policy of the two States to encourage the integration of air terminals so far as practicable in a unified system. In furtherance of said policy and in partial effectuation of the Comprehensive Plan, the Port Authority was authorized to proceed with air terminal development within the Port District. These statutes were amended during 1971-1973 to authorize the Port Authority to provide mass transportation facilities connecting with JFK Airport and Newark Airport. These statutes, and the marine terminal statutes noted above, were amended in 1978 to authorize the Port Authority to participate in the effectuation of legislatively designated highway projects in the vicinity of an air or marine terminal providing improved access to such air or marine terminal and in 1980 to authorize the Port Authority to participate in the effectuation of certain port-related railroad freight projects related or of benefit to Port Authority marine or air terminals or to the protection or promotion of the commerce of the Port District.

In 1962, the two States authorized the Port Authority to proceed with the acquisition, rehabilitation and operation of the Hudson Tubes, consisting of the properties formerly operated by the Hudson & Manhattan Railroad Company, and certain extensions to the Hudson Tubes; also the States authorized a new facility of commerce known as the World Trade Center. Additionally, the Port Authority was authorized to cooperate with other agencies of government in the rehabilitation and redevelopment of the Hudson Tubes-World Trade Center areas, in part for the purpose of the renewal and improvement of such areas, as part of this port development project. These statutes were amended during 1972-1974 to authorize the Port Authority to effectuate an extension of the Hudson Tubes from the City of Newark to the vicinity of the City of Plainfield in New Jersey and to undertake a series of New Jersey rail improvements with respect to direct Erie-Lackawanna Railroad service into Pennsylvania Station in New York City. The amendments also provided for the repeal of the provisions of the statutory covenant with the holders of affected bonds of the Port Authority contained in the 1962 legislation which limited the Port Authority's financial participation in additional deficit passenger railroad facilities. The Supreme Court of the United

States determined that the retroactive application of the repeal to affected bonds issued prior to May 10, 1973, was invalid as a violation of the United States Constitution. The last series of Consolidated Bonds to which this statutory covenant applied was redeemed on September 1, 2001.

In 1967, the State of New York adopted legislation, and in 2007, the State of New Jersey adopted concurrent legislation, which authorized the Port Authority to acquire and operate one air terminal in New York and one air terminal in New Jersey, located outside the Port District, with the site of each such air terminal subject to the approval of the Governor thereof.

In 1978, the two States adopted legislation declaring that to prevent further deterioration of the economy of the Port District and to promote, preserve and protect trade and commerce in and through the Port District, it is the policy of the two States actively to promote, attract, encourage and develop economically sound commerce and industry through governmental action. In furtherance of said policy and in partial effectuation of the Comprehensive Plan, the Port Authority was authorized to proceed with the development of industrial development projects, including resource recovery and industrial pollution control facilities.

In 1979, the two States adopted legislation which, as amended in 1982, authorized the Port Authority to acquire, develop, finance and transfer, subject to appropriate certifications, up to $440,000,000 of buses and ancillary bus facilities in the States of New York and New Jersey, with up to $220,000,000 allocated in each State, for the purpose of leasing, selling, transferring or otherwise disposing of such buses and ancillary bus facilities to either State or to any public authority, agency, commission, city or county thereof. The legislatures determined that the economic viability of the existing facilities operated by the Port Authority is dependent upon the effective and efficient functioning of the transportation network of the northern New Jersey-New York metropolitan area and that access to and proper utilization of such Port Authority facilities would be adversely affected if users of bus transportation were to find such transportation unavailable or significantly curtailed.

In 1984, the Port Authority was authorized to participate in effectuating certain mixed-use waterfront development projects in each of the States. The legislatures determined that the Port Authority, in view of its extensive experience both in waterfront construction and administration of waterfront projects, is a proper agency to act on behalf of either State in the redevelopment of specific waterfront areas in the Port District which are no longer utilized in the movement of cargo or which are related to the movement of passengers and their vehicles or to the operation or development of any other Port Authority project or facility.

**Statutes**

Chapter 154 of the Laws of New York of 1921, as amended by Chapter 419 of the Laws of New York of 1930, by Chapter 531 of the Laws of New York of 1972 and by Chapter 275 of the Laws of New York of 1992 (McK. Unconsol. Laws §§ 6401-6423), and Chapter 151 of the Laws of New Jersey of 1921, as amended by Chapter 244 of the Laws of New Jersey of 1930, by Chapter 69 of the Laws of New Jersey of 1972 and by Chapter 395 of the Laws of New Jersey of 1991 (N.J.S.A. 32:1-1 to 24), containing the Compact between the two States creating the Port Authority, and S.J. Res. 88, 67th Cong., 42 Stat. 174 (1921) [Public Resolution No. 17], consenting thereto.

Chapter 9 of the Laws of New Jersey of 1922 (N.J.S.A. 32:1-25 to 35), and Chapter 43 of the Laws of New York of 1922 (McK. Unconsol. Laws §§ 6451-6461), adopting a Comprehensive Plan for the development of the Port District, and H.R.J. Res. 337, 67th Cong., 42 Stat. 822 (1922) [Public Resolution No. 66], consenting thereto.

Chapter 333 of the Laws of New Jersey of 1927, as amended by Chapter 20 of the Laws of New Jersey of 1972 (N.J.S.A. 32:2-6 to 9), and Chapter 700 of the Laws of New York of 1927, as amended by Chapter 215 of the Laws of New York of 1956 and Chapter 602 of the Laws of New York of 1972 (McK. Unconsol. Laws §§ 7151-7154), relating to the time period for gubernatorial action with respect to minutes of the Board of Commissioners.

Chapter 114 of the Laws of New Jersey of 1930 (N.J.S.A. 32:2-24), and Chapter 486 of the Laws of New York of 1928, and Chapter 46 of the Laws of New York of 1931, as amended by Chapter 635 of the Laws of New York of 1951 (McK. Unconsol. Laws § 312), making certain inland and marine terminal bonds legal for investment* and eligible for deposit as security with certain public officers and agencies.

Chapter 4 of the Laws of New Jersey of 1931 (N.J.S.A. 32:1-118 to 140), and Chapter 47 of the Laws of New York of 1931 (McK. Unconsol. Laws §§ 6501-6525), relating to the construction, operation and financing of interstate vehicular bridges and tunnels, as amended by Chapter 11 of the Laws of New Jersey of 1954, and Chapter 180 of the Laws of New York of 1954, relating to the third tube of the Lincoln Tunnel, as further amended by Chapter 156 of the Laws of New Jersey of 1956, and Chapter 807 of the Laws of New York of 1955, relating to the second deck of the George Washington Bridge.

Chapter 5 of the Laws of New Jersey of 1931, as amended by Chapter 197 of the Laws of New Jersey of 1945 (N.J.S.A. 32:1-141 to 143), and Chapter 48 of the Laws of New York of 1931, as amended by Chapter 163 of the Laws of New York of 1945 (McK. Unconsol. Laws §§ 7001-7003), relating to the use of Port Authority revenues.

Sections 98, 105 and 106 of the New York State Finance Law, relating to the investment of state funds in bonds of the Port Authority, and authorizing Port Authority bonds as security for deposit of moneys by state officers and by certain others.

Chapter 24 of the Laws of New York of 1937, as amended by Chapter 141 of the Laws of New York of 1953 (McK. Unconsol. Laws § 313), and Chapter 83 of the Laws of New Jersey of 1937, as amended by Chapter 81 of the Laws of New Jersey of 1953 (N.J.S.A. 32:2-24.1), making General and Refunding Bonds and Consolidated Bonds legal for investment* and eligible for deposit as security with certain public officers and agencies.

Chapter 410 of the Laws of New York of 1944, as amended by Chapter 899 of the Laws of New York of 1945 and by Chapter 432 of the Laws of New York of 1949, relating to the Port Authority Grain Terminal.

Chapter 163 of the Laws of New York of 1945 (McK. Unconsol. Laws § 6731), relating to motor truck terminals and making motor truck terminal bonds legal for investment* and eligible for deposit as security with certain public officers and agencies.

Chapter 197 of the Laws of New Jersey of 1945 (N.J.S.A. 32:1-141.1), relating to motor truck terminals and making motor truck terminal bonds and grain terminal bonds legal for investment* and eligible for deposit as security with certain public officers and agencies.

Chapter 95 of the Laws of New Jersey of 1946 (N.J.S.A. 32:2-23.1 to 23.5), and Chapter 443 of the Laws of New York of 1946 (McK. Unconsol. Laws §§ 6701-6706), relating to the financing and effectuation of a motor bus terminal.

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* *I.e.* securities in which public officers, banks and savings banks, insurance companies, trustees and other fiduciaries may legally invest funds.

Chapter 43 of the Laws of New Jersey of 1947, as amended by Chapter 214 of the Laws of New Jersey of 1948, by Chapter 245 of the Laws of New Jersey of 1971, by Chapter 207 of the Laws of New Jersey of 1972, by Chapter 365 of the Laws of New Jersey of 1977, by Chapter 157 of the Laws of New Jersey of 1980 and by Chapter 75 of the Laws of New Jersey of 2007 (N.J.S.A. 32:1-35.1 to 35.27f) and by Chapter 75 of the Laws of New Jersey of 2007 (N.J.S.A. 32:1-35.27e to 1-35.27f), and Chapter 802 of the Laws of New York of 1947, as amended by Chapter 785 of the Laws of New York of 1948, by Chapter 717 of the Laws of New York of 1967 (McK. Unconsol. Laws § 6631), by Chapters 474 and 475 of the Laws of New York of 1971, by Chapter 317 of the Laws of New York of 1973, by Chapter 792 of the Laws of New York of 1978 and by Chapter 470 of the Laws of New York of 1980 (McK. Unconsol. Laws §§ 6631-6647), relating to the financing and effectuation of air terminals.

Chapter 44 of the Laws of New Jersey of 1947, as amended by Chapter 212 of the Laws of New Jersey of 1948, by Chapter 365 of the Laws of New Jersey of 1977 and by Chapter 157 of the Laws of New Jersey of 1980 (N.J.S.A. 32:1-35.25 to 35.36), and Chapter 631 of the Laws of New York of 1947, as amended by Chapter 784 of the Laws of New York of 1948, by Chapter 792 of the Laws of New York of 1978 and by Chapter 470 of the Laws of New York of 1980 (McK. Unconsol. Laws §§ 6671-6678), relating to marine terminals. This legislation was further amended by Chapter 9 of the Laws of New Jersey of 1983 (N.J.S.A. 32:1-35.36c to 35.36k) and Chapters 676 and 677 of the Laws of New York of 1984, respectively, relating to the acquisition, development and financing of waterfront development projects.

Chapter 301 of the Laws of New York of 1950, as amended by Chapter 938 of the Laws of New York of 1974 (McK. Unconsol. Laws §§ 7101-7112), Chapter 143 of the Laws of New York of 1953 (McK. Unconsol. Laws §§ 7131-7136) and Chapter 599 of the Laws of New York of 1977 (McK. Unconsol. Laws §§ 7141-7142); and Chapter 204 of the Laws of New Jersey of 1951 (N.J.S.A. 32:1-157 to 168), Chapter 172 of the Laws of New Jersey of 1953 (N.J.S.A. 32:1-169 to 174), and Chapter 363 of the Laws of New Jersey of 1977 (N.J.S.A. 32:1-175, 176), relating to suits against the Port Authority.

Chapter 51 of the Laws of New Jersey of 1955 (N.J.S.A. 32:119.2), and Chapter 810 of the Laws of New York of 1955 (McK. Unconsol. Laws § 6504), relating to the construction of a peripheral automobile parking lot as an improvement to any bridge or tunnel.

Chapter 16 of the Laws of New Jersey of 1956 (N.J.S.A. 32:2-34 to 36), and Chapter 444 of the Laws of New York of 1956 (McK. Unconsol. Laws §§ 6751-6754), authorizing the Port Authority to contribute to the cost of certain extensions to the New Jersey Turnpike.

Chapter 8 of the Laws of New Jersey of 1962, as amended by Chapter 208 of the Laws of New Jersey of 1972 and by Chapter 25 of the Laws of New Jersey of 1974 (N.J.S.A. 32:1-35.50 to 35.68), and Chapter 209 of the Laws of New York of 1962, as amended by Chapter 1003 of the Laws of New York of 1972, by Chapter 318 of the Laws of New York of 1973 and by Chapter 993 of the Laws of New York of 1974 (McK. Unconsol. Laws §§ 6601-6618), relating to the World Trade Center, the Hudson Tubes and the Hudson Tubes extensions, and the use of Port Authority revenues.

Chapter 110 of the Laws of New Jersey of 1978 (N.J.S.A. 32:1-35.72 to 35.93) and Chapter 651 of the Laws of New York of 1978 (McK. Unconsol. Laws §§ 7171-7192), relating to the effectuation of industrial development projects and facilities and the use of Port Authority revenues, and Public Law No. 96-163, 96th Congress, First Session (93 Stat. 1242), consenting thereto.

Chapter 33 of the Laws of New Jersey of 1979, as amended by Chapter 407 of the Laws of New Jersey of 1981 (N.J.S.A. 32:2-23.27 to 23.42) and Chapter 12 of the Laws of New York of 1979, as amended by Chapter 314 of the Laws of New York of 1981 (McK. Unconsol. Laws §§ 7201-7217), relating to the acquisition, development, financing and transfer of buses and ancillary bus facilities.

## Certain Other Relevant Federal Statutes

Act of March 23, 1906 (commonly known as the Bridge Act of 1906), Pub. L. No. 65, 34 Stat. 84 (1906), *as amended by* the Federal-Aid Highway Act of 1987, Pub. L. No. 100-17 § 135, 101 Stat. 132, 174 (1987) (codified in pertinent part at 33 U.S.C. § 508), relating to the establishment of tolls for passage or transit over bridges constructed under the authority of the Bridge Act of 1906.

Act of Oct. 17, 1978, Pub. L. No. 95-473, 92 Stat. 1337, 1360 (1978*), as amended by and restated in* the ICC Termination Act of 1995, Pub. L. No. 104-88 § 102(a), 109 Stat. 807 (1995) (codified in pertinent part at 49 U.S.C. § 10501(c)), relating to the exclusion, with certain limited exceptions, for mass transportation provided by local government authorities from the jurisdiction of the Surface Transportation Board.

Airport and Airway Improvement Act of 1982, Pub. L. No. 97-248, 96 Stat. 324 (1982), *as amended by and restated in* the Federal Aviation Reauthorization Act of 1996, Pub. L. No. 104-264, 110 Stat. 3213 (1996) (codified in pertinent part at 49 U.S.C. § 47133(b)), relating to the ability of certain airport owners and operators to use the revenues generated by an airport that is the subject of federal assistance for general debt obligations or other facilities of the owner or operator of such airport.

Air Transportation Safety and System Stabilization Act, Pub. L. No. 107-42 § 408, 115 Stat. 230 (2001), *as amended by* the Aviation and Transportation Security Act, Pub. L. No. 107-71 § 201(b), 115 Stat. 597 (2001), relating to the limitation on liability for claims arising from the terrorist attacks of September 11, 2001.

Aviation and Transportation Security Act, Pub. L. No. 107-71 § 101(a), 115 Stat. 597 (2001), *as amended by* the Homeland Security Act of 2002, Pub. L. No. 107-296, 116 Stat. 2135 (2002), relating to the creation of the Transportation Security Administration.

Pub. L. No. 107-230, 116 Stat. 1469 (2002), providing in pertinent part for a temporary waiver from certain transportation conformity requirements and metropolitan transportation planning requirements under the Clean Air Act of 1990 for certain areas in New York where the planning offices and resources have been destroyed by acts of terrorism.

National Construction Safety Team Act, Pub. L. No. 107-231, 116 Stat. 1471 (2002) (codified in pertinent part at 15 U.S.C. § 7311), relating to the establishment of teams to investigate certain building disasters.

Maritime Transportation Security Act of 2002, Pub. L. No. 107-295, 116 Stat. 2064 (2002), relating to security of port facilities.

Intelligence Authorization Act for Fiscal Year 2003, Pub. L. No. 107-306, 116 Stat. 2408, relating to the establishment of the National Commission on Terrorist Attacks Upon the United States.

National Historic Preservation Act of 1966, as amended, 16 U.S.C.A. § 470 *et seq*.

Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), 42 U.S.C. § 9601 *et seq*.

National Environmental Policy Act of 1969 Pub. L. No. 91-190, § 102, 42 U.S.C. § 4332 (1994).

Terrorism Risk Insurance Program Reauthorization Act of 2019, Pub. L. No. 116-94, 133 Stat. 2534 (2019).

**Resolutions**

Resolution of March 9, 1931, as amended May 5, 1932, as further amended by the Resolution of October 9, 1952, establishing issue of Consolidated Bonds, and Resolution of September 22, 1932, relating to the General Reserve Fund.

Basic Resolution adopted March 18, 1935, as amended March 25, 1935, September 16, 1943, March 6, 1947, and October 23, 1947, establishing issue of General and Refunding Bonds.

Resolution of November 13, 1947, and Resolution of October 9, 1952, relating to the administration of the General Reserve Fund.

Resolution of June 18, 1948, establishing issue of Air Terminal Bonds.

Resolution of November 23, 1948, establishing issue of Marine Terminal Bonds.

Resolution of October 9, 1952, establishing issue of Consolidated Bonds.

Resolution of November 13, 1958, relating to the effect of the application of Consolidated Bonds, Twelfth Series, to the acquisition of the Erie Basin-Port Authority Marine Terminal.

Resolution of June 14, 1962, relating to the certification of the Hudson Tubes as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds or Consolidated Notes for purposes of capital expenditures in connection with that facility.

Resolution of September 9, 1965, relating to the certification of the World Trade Center as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of March 8, 1979, relating to the certification of the Port Authority Bus Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility; and resolution of May 13, 1982, relating to the certification of the extension of the Port Authority Bus Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of April 29, 1981, relating to the certification of the Oak Point Rail Freight Link as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of October 28, 1981, relating to the certification of the Bathgate Industrial Development Project as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of September 9, 1982, as amended and supplemented by Resolutions of June 9, 1983, October 13, 1983, July 11, 1985, November 14, 1985, January 7, 1988, October 11, 1990, November 9, 1995, June 29, 2000, May 26, 2005, June 22, 2010, July 23, 2015, and October 29, 2020 with respect to the establishment and authorization of issuance of Port Authority Commercial Paper Obligations.

Resolution of June 9, 1983, relating to the certification of the Teleport as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of June 9, 1983, establishing issue of Special Project Bonds.

Resolution of June 14, 1984, relating to the certification of the Elizabeth Industrial Park as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of October 11, 1984, relating to the certification of the Pre-development Site Acquisition Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of October 11, 1984, relating to the certification of the Newark Legal and Communications Center as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of October 11, 1984, relating to the certification of the Greenville Yard-Port Authority Marine Terminal as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of May 9, 1985, as amended November 14, 1985, relating to the certification of the Essex County Resource Recovery Facility as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of June 13, 1985, relating to the certification of the Howland Hook Marine Terminal as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of December 11, 1986 (a portion of which appears in the Official Minutes of January 22, 1987), relating to the certification of an Imported Automobile Marine Terminal as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of May 14, 1987, relating to the certification of the Newark South Ward Industrial Park as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of September 10, 1987, relating to the certification of the Regional Development Facility as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of July 14, 1988, March 8, 1989, May 11, 1989 (of the Committee on Finance of the Board of Commissioners of the Port Authority), November 14, 1991, April 9, 1992 (of the Committee on Finance of the Board of Commissioners of the Port Authority), October 13, 1994 and December 12, 1996, as modified by Resolution of November 18, 1999, relating to Port Authority Variable Rate Master Notes.

Resolutions of July 14, 1988, December 10, 1992 and April 27, 2005, as modified by Resolution of March 30, 2006, with respect to Interest Rate Exchange Contracts.

Resolution of September 14, 1989, relating to the certification of the New Jersey Marine Development Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of September 14, 1989 and July 11, 1991, relating to the certification of the Regional Economic Development Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of September 14, 1989, relating to the certification of the Trans-Hudson Ferry Service as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of November 14, 1991, establishing Consolidated Bonds, Eighty-fifth Series, Due 2029, and authorizing the issue and sale thereof; as a result of action taken at the time of sale of such Series, it is now known as "Consolidated Bonds, Eighty-fifth Series."

Resolution of June 11, 1992, as modified by Resolutions of October 13, 1994, December 12, 1996 and November 18, 1999, with respect to the establishment and authorization of issuance of Port Authority Versatile Structure Obligations.

Resolutions of June 11, 1992, as amended by Resolution of April 11, 1996, establishing and authorizing the issuance of Special Project Bonds, Series 4, KIAC Partners Project, and authorizing the sale thereof.

Resolutions of June 11, 1992, as amended by Resolution of April 11, 1996, establishing and authorizing the issuance of Special Project Bonds, Series 5, KIAC Partners Project, and authorizing the sale thereof.

Resolution of June 11, 1992 (and procedures and subject matter exceptions of August 13, 1992, as modified by Resolution of December 14, 2006), relating to public attendance at meetings of the Board of Commissioners of the Port Authority and its committees.

Resolutions of June 10, 1993, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, Ninety-third Series (as amended March 10, 1994 solely with respect to Consolidated Bonds, Ninety-third Series), and authorizing the sale thereof.

Resolutions of June 10, 1993, October 13, 1994 and December 12, 1996, as modified by Resolution of November 18, 1999, with respect to the establishment and authorization of issuance of Port Authority Equipment Notes.

Resolution of December 15, 1994, relating to the authority of the Committee on Operations of the Board of Commissioners of the Port Authority to take actions on behalf of the Board of Commissioners of the Port Authority.

Resolution of September 25, 1997, relating to the certification of the Hoboken South Waterfront Development project as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of September 25, 1997, relating to the certification of the Queens West Waterfront Development project as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of November 21, 2002, relating to the certification of the Regional Rail Freight Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of November 21, 2002, relating to the certification of the New York Transportation, Economic Development and Infrastructure Renewal Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of November 21, 2002, relating to the certification of the Regional Transportation Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of November 21, 2002, relating to the certification of the Hudson-Raritan Estuary Resources Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility; and resolution of April 23, 2014, relating to the certification of the Hudson-Raritan Estuary Resources Program II as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of February 23, 2006, relating to the certification of the Meadowlands Passenger Rail Facility as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of July 26, 2007, relating to the certification of Stewart International Airport as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of July 26, 2007, May 22, 2008, July 28, 2011, March 29, 2012, June 28, 2012, August 1, 2012, and September 20, 2012 relating to the By-Laws of the Port Authority.

Resolutions of November 15, 2007, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Fiftieth Series and Consolidated Bonds, One Hundred Fifty-third Series through Consolidated Bonds, One Hundred Sixty-first Series and authorizing the sale thereof (as amended pursuant to the resolution of January 22, 2009, solely with respect to the sale of Consolidated Bonds, One Hundred Fifty-fourth Series through Consolidated Bonds, One Hundred Sixty-first Series).

Resolution of June 30, 2008, relating to the certification of the Access to the Region's Core Project as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of November 19, 2009, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Sixty-second Series through Consolidated Bonds, One Hundred Seventy-third Series and authorizing the sale thereof (as amended pursuant to the resolution of May 25, 2011, solely with respect to the sale of Consolidated Bonds, One Hundred Sixty-eighth Series through Consolidated Bonds, One Hundred Seventy-third Series).

Resolutions of August 5, 2010, establishing and authorizing the issuance of Special Project Bonds, Series 8 and Series 9, JFK International Air Terminal LLC Project, and authorizing the sale thereof.

Resolution of August 19, 2011, relating to changes in the tolls schedule for the Port Authority's vehicular crossings (as amended pursuant to the resolution of February 16, 2017 with respect to the discontinuance of the Port Authority Carpool Plan at the Bayonne Bridge, and pursuant to the resolution of June 28, 2018 with respect to the discontinuance of the Port Authority Carpool Plan at the Outerbridge Crossing and Goethals Bridge).

Resolution of August 19, 2011, relating to changes in the fare schedule for the Port Authority Trans-Hudson System.

Resolutions of August 1, 2012, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-first Series and authorizing the sale thereof (as amended pursuant to the resolution of October 16, 2013, solely with respect to the sale of Consolidated Bonds, One Hundred Seventy-eighth Series through Consolidated Bonds, One Hundred Ninety-first Series).

Resolution of October 22, 2014, relating to freedom of information and public access to Port Authority records and certain procedures with respect thereto.

Resolution of February 19, 2015, endorsing the recommendations of the bi-state Special Panel on the Future of the Port Authority.

Resolution of March 19, 2015, establishing a Whistleblower Protection Policy for Port Authority employees.

Resolution of March 19, 2015, relating to the designation of the Port Authority's offices at 4 World Trade Center, 150 Greenwich Street, New York, New York 10007 as the location for service of process in the State of New York.

Resolutions of July 23, 2015, establishing and authorizing the issuance of Consolidated Bonds, One Hundred Ninety-second Series through Consolidated Bonds, Two Hundred Eleventh Series and authorizing the sale thereof.

Resolution of February 16, 2017, relating to the adoption of the 2017-2026 Capital Plan for the Port Authority.

Resolution of February 16, 2017, relating to further measures to improve Port Authority governance-oaths, conflicts of interest, and affirmative cooperation with investigations.

Resolution of February 16, 2017, relating to the certification of the Moynihan Station Transportation Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of September 28, 2017, relating to implementation of a comprehensive integrity program.

Resolution of October 26, 2017, relating to a Code of Ethics for the Commissioners of the Port Authority.

Resolution of February 15, 2018, relating to the certification of the Port Authority Gateway Support Program, Early Work as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of July 26, 2018, establishing and authorizing the issuance of Certain Series of Consolidated Bonds Commencing with the Two Hundred Twelfth Series and authorizing the sale thereof.

Resolutions of July 26, 2018, establishing and authorizing the issuance of Certain Series of Consolidated Notes Commencing with Series AAA and authorizing the sale thereof.

Resolution of July 26, 2018, recognizing the continued issuance, within the scope of existing authorizations, of Versatile Structure Obligations, Variable Rate Master Notes, Equipment Notes, and Commercial Paper Obligations.

Resolution of September 26, 2019, relating to changes in the tolls schedule for vehicular interstate crossings and other fees.

Resolution of September 26, 2019, relating to the reassessment and changes to the 2017-2026 Capital Plan.

Resolution of October 29, 2020, relating to the access fee for for-hire vehicles and taxis – adjustment of implementation date.

Resolution of December 17, 2020, relating to the approval and adoption of the Port Authority's Budget for 2021 with respect to capital and operating expenses.

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# SCHEDULES OF OUTSTANDING DEBT

The following schedule of Consolidated Bonds (as of January 15, 2021)* includes all mandatory payments (including sinking fund requirements and serial maturities) whether payable from revenues or other sources upon the assumptions that: (1) the presently outstanding bonds or notes will not be retired prior to maturity except in accordance with the mandatory retirement provisions of such bonds or notes; (2) the payment into each sinking fund will be made on the latest permissible date of each year for which such sinking fund payment is required to be made; and (3) such payments will be in the amounts scheduled to be made for such year. Interest shown is accrued on the assumption that principal payments for the presently outstanding bonds or notes will be made to the bondholders each year on the date when due. Amounts shown for the year 2021 include interest and mandatory payments expected to be paid in 2021 and accrued interest on Consolidated Bonds issued in 2021 (including the Bonds), and have not been adjusted other than to reflect the refundings of series of Consolidated Bonds that occurred in 2021 prior to the date of this schedule.

| **Consolidated Bonds (as of January 15, 2021)* (in thousands)** | **TOTAL ALL ISSUES** | | |
|---|---|---|---|
| | **Total Principal Amount $24,900,065** | | |
| Year | **Total** | **Interest** | **Amortization** |
| 2021 | $1,564,842 | $1,109,747 | $455,095 |
| 2022 | 1,580,473 | 1,088,348 | 492,125 |
| 2023 | 2,667,194 | 1,061,209 | 1,605,985 |
| 2024 | 1,583,072 | 1,032,567 | 550,505 |
| 2025 | 1,551,770 | 1,002,975 | 548,795 |
| 2026 | 1,549,256 | 977,071 | 572,185 |
| 2027 | 1,550,804 | 951,384 | 599,420 |
| 2028 | 1,544,809 | 924,514 | 620,295 |
| 2029 | 1,541,351 | 898,381 | 642,970 |
| 2030 | 1,575,774 | 859,614 | 716,160 |
| 2031 | 1,592,302 | 827,452 | 764,850 |
| 2032 | 1,594,378 | 790,638 | 803,740 |
| 2033 | 1,582,502 | 752,842 | 829,660 |
| 2034 | 1,516,211 | 715,311 | 800,900 |
| 2035 | 1,534,443 | 677,118 | 857,325 |
| 2036 | 1,442,279 | 635,634 | 806,645 |
| 2037 | 1,361,751 | 596,596 | 765,155 |
| 2038 | 1,279,857 | 562,512 | 717,345 |
| 2039 | 1,294,451 | 528,566 | 765,885 |
| 2040 | 1,192,097 | 492,802 | 699,295 |
| 2041 | 1,142,751 | 458,501 | 684,250 |
| 2042 | 1,098,080 | 428,045 | 670,035 |
| 2043 | 1,073,085 | 396,110 | 676,975 |
| 2044 | 907,637 | 362,157 | 545,480 |
| 2045 | 992,896 | 331,086 | 661,810 |
| 2046 | 806,176 | 305,746 | 500,430 |
| 2047 | 797,565 | 283,890 | 513,675 |
| 2048 | 764,099 | 260,039 | 504,060 |
| 2049 | 639,005 | 238,220 | 400,785 |
| 2050 | 549,248 | 219,698 | 329,550 |
| 2051 | 548,145 | 203,915 | 344,230 |
| 2052 | 353,028 | 189,703 | 163,325 |
| 2053 | 550,741 | 179,731 | 371,010 |
| 2054 | 541,773 | 162,703 | 379,070 |
| 2055 | 532,788 | 145,288 | 387,500 |
| 2056 | 506,679 | 127,639 | 379,040 |
| 2057 | 576,387 | 108,652 | 467,735 |
| 2058 | 483,995 | 90,135 | 393,860 |
| 2059 | 474,985 | 74,005 | 400,980 |
| 2060 | 456,121 | 57,646 | 398,475 |
| 2061 | 304,878 | 43,358 | 261,520 |
| 2062 | 264,731 | 32,476 | 232,255 |
| 2063 | 58,026 | 24,301 | 33,725 |
| 2064 | 58,010 | 22,745 | 35,265 |
| 2065 | 132,077 | 20,297 | 111,780 |
| 2066 | 100,588 | 16,423 | 84,165 |
| 2067 | 100,558 | 13,613 | 86,945 |
| 2068 | 93,281 | 10,736 | 82,545 |
| 2069 | 93,248 | 7,993 | 85,255 |
| 2070-2094 | 224,746 | 124,746 | 100,000 |
| **TOTAL** | **$46,324,943** | **$21,424,878** | **$24,900,065** |

* "Total All Issues" includes (i) the Bonds; (ii) Consolidated Bonds, One Hundred Sixty-Seventh Series that the Port Authority anticipates refunding with a portion of the proceeds of the Two Hundred Twenty-Third Series Bonds; (iii) Consolidated Bonds, One Hundred Sixty-Sixth Series that the

*(Footnote continued on next page)*

*(Footnote continued from previous page)*

Port Authority anticipates refunding with a portion of the proceeds of the Two Hundred Twenty-Fourth Series Bonds; (iv) Consolidated Bonds, One Hundred Sixty-Ninth Series that the Port Authority anticipates refunding with the proceeds of the Two Hundred Twenty-Sixth Series Bonds; (v) $100,000,000 Consolidated Bonds, Ninety-third Series with interest included in each of the years 2021 through 2069, and with principal and interest included on a cumulative basis during the period 2070 through 2094; and (vi) $1,100,000,000 Consolidated Notes, Series AAA which are presently expected to be repaid with the proceeds of a future issuance of Consolidated Bonds. Not included are: (i) Special Project Bonds; (ii) Commercial Paper Obligations; (iii) Variable Rate Master Notes; and (iv) Equipment Notes.

## Principal Amounts of Certain Port Authority Obligations Outstanding
## (as of January 15, 2021)*

| **Consolidated Bonds:** | **Par Value** |
| --- | --- |
| Eighty-fifth Series, 5.2%-5.375%, Serial/Term, due 2021-2028 | $52,800,000 |
| Ninety-third Series, 6.125%, Term, due 2094 | 100,000,000 |
| One Hundred Fifty-eighth Series, 5.859%, Term, due 2024 (A) | 250,000,000 |
| One Hundred Fifty-ninth Series, 6.04%, Term, due 2029 (A) | 350,000,000 |
| One Hundred Sixty-fourth Series, 5.647%, Term, due 2040 (A) | 425,000,000 |
| One Hundred Sixty-fifth Series, 5.647%, Term, due 2040 (A) | 425,000,000 |
| One Hundred Sixty-sixth Series, 5%-5.25%, Serial/Term, due 2030-2041*** | 300,000,000 |
| One Hundred Sixty-seventh Series, 5%-5.5%, Serial, due 2021-2028 (C)** | 93,790,000 |
| One Hundred Sixty-eighth Series, 4.926%, Term, due 2051 (A) | 1,000,000,000 |
| One Hundred Sixty-ninth Series, 4.5%-5%, Serial/Term, due 202-12041 (C)**** | 267,310,000 |
| One Hundred Seventieth Series, 5%-5.25%, Term, due 2041 & 2043 (B) | 672,480,000 |
| One Hundred Seventy-first Series, 4%-5%, Serial/Term, due 2030-2042 | 400,000,000 |
| One Hundred Seventy-second Series, 3%-5%, Serial/Term, due 2021-2037 (C) | 276,555,000 |
| One Hundred Seventy-third Series, 3%-5%, Serial, due 2021-2032 | 267,285,000 |
| One Hundred Seventy-fourth Series, 4.458%, Term, due 2062 (A) | 2,000,000,000 |
| One Hundred Seventy-fifth Series, 3%-5%, Serial/Term, due 2021-2042 | 366,365,000 |
| One Hundred Seventy-sixth Series, 1.05%-2.5%, Serial, due 2021-2022 (A) | 34,000,000 |
| One Hundred Seventy-seventh Series, 3%-5%, Serial/Term, due 2021-2043 (C) | 304,730,000 |
| One Hundred Seventy-eighth Series, 5%, Serial/Term, due 2021-2043 (C) | 373,395,000 |
| One Hundred Seventy-ninth Series, 4%-5%, Serial/Term, due 2021-2043 | 740,755,000 |
| One Hundred Eightieth Series, 4%-5%, Serial, due 2021-2021 | 14,865,000 |
| One Hundred Eighty-first Series, 4.96%, Term, due 2046 (A) | 500,000,000 |
| One Hundred Eighty-second Series, 5.31%, Term, due 2046 (A) | 500,000,000 |
| One Hundred Eighty-third Series, 3%-5%, Serial/Term, due 2025-2044 | 400,000,000 |
| One Hundred Eighty-fourth Series, 4%-5%, Serial/Term, due 2021-2039 | 345,820,000 |
| One Hundred Eighty-fifth Series, 4%-5%, Serial, due 2021-2034 (C) | 387,430,000 |
| One Hundred Eighty-sixth Series, 5%, Serial/Term, due 2021-2044 (C) | 291,760,000 |
| One Hundred Eighty-seventh Series, 2.529%-4.426%, Serial/Term, due 2021-2034 (A) | 234,380,000 |
| One Hundred Eighty-eighth Series, 5%, Serial, due 2021-2035 (C) | 64,915,000 |
| One Hundred Eighty-ninth Series, 3%-5%, Serial/Term, due 2021-2045 | 419,365,000 |
| One Hundred Ninety-first Series, 4.823%, Term, due 2045 (A) | 250,000,000 |
| One Hundred Ninety-second Series, 4.81%, Term, due 2065 (A) | 500,000,000 |
| One Hundred Ninety-third Series, 5%, Serial, due 2021-2035 (C) | 252,220,000 |
| One Hundred Ninety-fourth Series, 4%-5.25%, Serial/Term, due 2021-2055 | 1,142,145,000 |
| One Hundred Ninety-fifth Series, 1.45%-5%, Serial/Term, due 2021-2036 (C) | 244,305,000 |
| One Hundred Ninety-sixth Series, 2.125%-2.625%, Serial/Term, due 2027-2034 (C) | 200,000,000 |
| One Hundred Ninety-seventh Series, 5%, Serial/Term, due 2021-2041 (C) | 153,555,000 |
| One Hundred Ninety-eighth Series, 5%-5.25%, Serial/Term, due 2027-2056 | 350,000,000 |
| One Hundred Ninety-ninth Series, 1.58%-3.05%, Serial, due 2022-2031 (C) | 236,405,000 |
| Two Hundredth Series, 5%-5.25%, Serial/Term, due 2027-2057 | 250,000,000 |
| Two Hundred First Series, 4.229%, Term, due 2057 (A) | 300,000,000 |
| Two Hundred Second Series, 4.875%-5%, Serial, due 2021-2037 (C) | 200,330,000 |
| Two Hundred Third Series, 3%, Term, due 2032 (C) | 50,000,000 |
| Two Hundred Fourth Series, 1.91%-5%, Serial, due 2023-2028 (C) | 138,105,000 |
| Two Hundred Fifth Series, 5%-5.25%, Serial/Term, due 2021-2057 | 708,705,000 |
| Two Hundred Sixth Series, 5%, Serial/Term, due 2028-2047 (C) | 100,000,000 |
| Two Hundred Seventh Series, 4%-5%, Serial/Term, due 2022-2048 (C) | 677,800,000 |
| Two Hundred Eighth Series, 2.114%-2.767%, Serial, due 2021-2022 (A) | 47,800,000 |
| Two Hundred Ninth Series, 5%, Serial, due 2021-2038 | 435,700,000 |
| Two Hundred Tenth Series, 4.031%, Term, due 2048 (A) | 300,000,000 |
| Two Hundred Eleventh Series, 4%-5%, Serial/Term, due 2029-2048 | 400,000,000 |
| Two Hundred Twelfth Series, 4%-5%, Serial, due 2021-2039 | 284,645,000 |
| Two Hundred Thirteenth Series, 5%, Serial, due 2021-2039 | 309,650,000 |
| Two Hundred Fourteenth Series, 4%-5%, Serial/Term, due 2030-2043 (C) | 200,000,000 |
| Two Hundred Fifteenth Series, 3.287%, Term, due 2069 (A) | 400,000,000 |
| Two Hundred Sixteenth Series, 4%, Term, due 2045-2049 | 100,000,000 |
| Two Hundred Seventeenth Series, 4%-5%, Serial/Term, due 2030-2049 | 400,000,000 |
| Two Hundred Eighteenth Series, 4%-5%, Serial/Term, due 2030-2049 (C) | 525,000,000 |
| Two Hundred Nineteenth Series, 3.5%, Term, due 2067 (C) | 50,000,000 |
| Two Hundred Twentieth Series, 4%, Term, due 2059 (C) | 125,000,000 |

(Continued on next page)

| | |
|---|---|
| Two Hundred Twenty-First Series, 4%-5%, Serial/Term, due 2021-2060 (C)* | 662,110,000 |
| Two Hundred Twenty-Second Series, 4%-5%, Serial, due 2021-2040* | 436,640,000 |
| Two Hundred Twenty-Third Series, 4%-5%, Serial/Term, due 2021-2061 (C)* | 486,580,000 |
| Two Hundred Twenty-Fourth Series, 4%-5%, Serial/Term, due 2030-2061* | 420,020,000 |
| Two Hundred Twenty-Fifth Series, 3.175%, Term, due 2060 (A)* | 400,000,000 |
| Two Hundred Twenty-Sixth Series, 5%, Serial, due 2022-2041 (C)* | 205,350,000 |
| **Consolidated Notes:** | |
| Series AAA, 1.086%, due July 1, 2023 (A) | 1,100,000,000 |
| Total | $24,900,065,000 |
| **Equipment Notes** | $ — |
| **Versatile Structure Obligations** | $ — |
| **Commercial Paper Obligations** | $594,880,000 |
| **Variable Rate Master Notes** | $ 69,600,000 |

(A) Subject to federal taxation.
(B) The entire series was acquired by the New York Liberty Development Corporation in connection with its issuance of the New York Liberty Development Corporation Liberty Revenue Bonds, Series 1WTC-2011 (Secured by Port Authority Consolidated Bonds).
(C) The obligations noted with a "(C)", as well as certain of the Equipment Notes, Commercial Paper Obligations and Variable Rate Master Notes, 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.
*This schedule has been adjusted to reflect the issuance of the Bonds as of their respective delivery dates.
**The Port Authority anticipates applying a portion of the proceeds of the Two Hundred Twenty-Third Series Bonds towards the refunding of Consolidated Bonds, One Hundred Sixty-Seventh Series on March 15, 2021.
***The Port Authority anticipates applying a portion of the proceeds of the Two Hundred Twenty-Fourth Series Bonds towards the refunding of Consolidated Bonds, One Hundred Sixty-Sixth Series on March 8, 2021.
****The Port Authority anticipates applying the proceeds of the Two Hundred Twenty-Sixth Series Bonds towards the refunding of Consolidated Bonds, One Hundred Sixty-Ninth Series on October 15, 2021.

## BOND RESOLUTIONS AND LEGAL OPINION

### Resolution Establishing and Authorizing the Issuance of Certain Series of Consolidated Bonds Commencing with the Two Hundred Twelfth Series

### (Adopted July 26, 2018)

*This resolution constitutes a contract with the holders in whose names the Bonds are registered on the books and records of the Registrar. During the period in which a book-entry system is applicable to the Bonds, the Depository or its nominee shall be the sole registered holder of the Bonds.*

WHEREAS, heretofore and on the 9th day of October, 1952, The Port Authority of New York and New Jersey (formerly known as The Port of New York Authority and hereinafter called the "Authority") adopted a resolution (hereinafter called the "Consolidated Bond Resolution"), constituting a contract with the holders of the obligations issued thereunder, providing for the issuance of certain direct and general obligations of the Authority (hereinafter called "Consolidated Bonds"), from time to time, in conformity with the Consolidated Bond Resolution for the purposes therein set forth; and

WHEREAS, the Consolidated Bond Resolution provides that Consolidated Bonds shall be issued in such series as the Authority may determine, and that the characteristics of each such series shall be determined by the Authority by and in the resolution establishing such series, and that the resolution establishing such series may contain other terms and provisions not inconsistent with the Consolidated Bond Resolution; and

WHEREAS, the Authority has heretofore established various series of Consolidated Bonds and has now determined that it is appropriate to establish certain additional series of Consolidated Bonds which shall be issued on or after September 1, 2018, without prejudice to its right hereafter to establish and issue further series of Consolidated Bonds;

NOW, THEREFORE, be it resolved by the Authority:

SECTION 1. As used in this resolution, any words or phrases specifically defined in the Consolidated Bond Resolution shall be read and construed in accordance with such specific definitions. As used in this resolution, the term "Authorized Officer" shall mean any of the officers or employees of the Authority designated as such from time to time by the Chairman; Vice-Chairman; Chairman of the Committee on Finance; Executive Director; Chief Financial Officer; or Treasurer of the Authority, or their respective successors in office or duties.

SECTION 2. Each series of Consolidated Bonds issued pursuant to this resolution commencing with the Two Hundred Twelfth Series and numbered consecutively thereafter, each of which shall have one or more distinguishing feature(s) at the discretion of the Authority including but not limited to interest payment dates, redemption provisions if any, issuance date and/or federal tax treatment under the Internal Revenue Code of 1986 and the regulations thereunder, is established as a separate series of Consolidated Bonds and the issuance of each such series with a term to maturity not in excess of 50 years is authorized; *provided, however*, that the total aggregate principal amount of Consolidated Bonds issued pursuant to this resolution, Port Authority Consolidated Notes issued pursuant to the resolution entitled "*Establishment and Issuance of Certain Series of Consolidated Notes Commencing with Series AAA*" dated the date hereof, and Port Authority Versatile Structure Obligations (issued after the date of this resolution), shall not exceed $8 billion. Each of such series of Consolidated Bonds shall be issued in conformity with the Consolidated

Bond Resolution for the purposes specified in this resolution. This resolution shall apply with equal force and effect to each of such series on an individual basis (each of such series hereinafter called the "Bonds"). This resolution shall constitute a contract with the registered holders of the Bonds and with each such registered holder.

SECTION 3. The Committee on Finance of the Authority (hereinafter called the "Committee on Finance") is authorized to establish, fix and determine the terms of the Bonds and, in connection therewith, to make such changes and adjustments to the provisions set forth in the third paragraph of this Section 3 and in Sections 4, 5, 6, 9 and 10 of this resolution as in the opinion of the Committee on Finance will effectuate the issuance of the Bonds, and to take such other action as in the opinion of the Committee on Finance will best serve the public interest.

The proceeds of the Bonds may be used for any purpose for which at the time of issuance of the Bonds the Authority is authorized by law to issue its obligations. The Committee on Finance may allocate the proceeds of the Bonds, from time to time, to certain of the authorized purposes, including the specific designation of any obligations to be refunded with the proceeds of the Bonds.

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America; principal of the Bonds shall be payable upon presentation and surrender thereof by the registered holders, at the office or offices, designated by the Authority, of the Paying Agent (or Paying Agents) appointed for the purpose by the Authority, in a county which is in whole or in part in the Port of New York District; and interest on the Bonds shall be payable when due to the registered holders thereof by check or draft drawn on the Paying Agent (or Paying Agents) appointed for the purpose by the Authority and mailed to said registered holders at their last known addresses as appearing upon the Authority's Registry Books for the Bonds.

SECTION 4. The Bonds shall be issued only in registered form, registered as to both principal and interest and not as to either alone, in authorized denominations.

The Authority will keep or cause to be kept at the offices, designated by the Authority, of a Registrar appointed for that purpose, in a county which is in whole or in part in the Port of New York District, proper and sufficient Registry Books for the registration of the Bonds. The Bonds shall be transferable only upon such Registry Books by the registered holder thereof or by such registered holder's attorney duly authorized in accordance with the provisions of this resolution. Upon the written request of the registered holder or registered holders thereof and upon surrender thereof, a bond or bonds may be exchanged for a bond or bonds of like tenor, registered as designated in such request, of any other authorized denominations. All requests for registration, transfer, exchange and delivery pertaining to the Bonds as above provided shall be filed with the Registrar of the Authority; all bonds to be surrendered pursuant to such requests shall be surrendered to the Registrar; and all bonds delivered in exchange as aforesaid shall be delivered by the Registrar. All bonds surrendered to the Registrar in exchange for other bonds or for transfer as above provided shall be cancelled by the Registrar upon such surrender. The Authority shall bear the cost incurred by the Authority in connection with the registration, authentication (if any), transfer, cancellation, exchange and delivery of bonds, including such fees as may be imposed by the Registrar for such services performed by the Registrar as provided in this resolution.

SECTION 5. The Bonds shall be redeemable at the option of the Authority, on prior notice, in whole, or, from time to time, in part, at such redemption price and on such date set forth in the applicable notice to redeem the Bonds.

If less than all of the Bonds then outstanding are to be called for redemption at the option of the Authority, and if the Bonds then outstanding include bonds of any serial maturities, the bonds so to be called shall be in inverse order of maturity, and if bonds constituting a particular maturity are to be called for redemption, but not all bonds constituting such maturity are to be called for redemption, the bonds so to be called shall be determined by lot by the Registrar.

If bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Bonds, the bonds so to be called shall be determined by lot by the Registrar.

Notice to redeem any of the Bonds shall be given by the Registrar not less than 30 nor more than 45 days prior to the date fixed for redemption, to the registered holders of the bonds to be called for redemption, by deposit of a copy of such notice, postage prepaid by certified or registered mail, in a United States Post Office, addressed to such registered holders at their last known addresses as appearing upon the Authority's Registry Books for the Bonds.

On or before the date fixed for redemption specified in the notice to redeem any of the Bonds, the Authority will pay or cause to be paid to the Paying Agent (or Paying Agents) an amount in cash in the aggregate sufficient to redeem all of the bonds which are to be redeemed, at the respective redemption price thereof, which, in each case, shall include the accrued interest until the date fixed for redemption and the premium (if any), such principal amount and premium (if any), to be held by the Paying Agent (or Paying Agents) in trust for the account of the registered holders of the bonds so called for redemption and to be paid to them respectively upon presentation and surrender of such bonds with accrued interest included in such redemption price to be paid to the registered holders in accordance with the provisions of this resolution. On and after the date fixed for redemption, the notice to redeem having been completed as above provided, the bonds so called shall become due and payable at the office of the Paying Agent (or Paying Agents) designated by the Authority, and if funds sufficient for payment of the redemption price shall have been deposited with the Paying Agent (or Paying Agents) in trust as aforesaid and if such funds shall be available for redemption of such bonds on the date fixed for redemption, then and in any such event, interest shall cease to accrue on the bonds so called on and after the date fixed for their redemption, and such bonds shall not be entitled to the benefit or security of this resolution or the Consolidated Bond Resolution, but shall rely solely upon the funds so deposited.

In the case of bonds of denominations greater than the minimum authorized denomination, for all purposes in connection with redemption, each unit of face value representing the minimum authorized denomination shall be treated as though it were a separate bond of the minimum authorized denomination, and the word "bond" as used in the foregoing provisions of this Section 5 shall be deemed to refer to such unit of face value representing the minimum authorized denomination. If it is determined as above provided that one or more but not all of the units of face value representing the minimum authorized denomination of any bond are to be called for redemption, then upon notice to redeem such unit or units, the registered holder of such bond shall forthwith present such bond to the Registrar who shall issue a new bond or bonds of like tenor of smaller authorized denominations but of the same aggregate principal amount in exchange therefor, pursuant to Section 4 of this resolution, including a new bond or bonds with the aggregate principal amount of the unit or units of face value called for redemption; and such new bond or bonds shall be deemed to be duly called for redemption without further notice to the registered holder thereof. If the registered holder of such bond of a denomination greater than the minimum authorized denomination shall fail to present such bond to the Registrar for the issuance of new bonds of smaller denominations in exchange therefor, as aforesaid, such bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the unit or units of face value called for redemption (and to that extent only); and (funds sufficient for the payment of the redemption price having been deposited with the Paying Agent (or Paying Agents), as aforesaid, and being available as aforesaid on the date fixed for redemption) interest shall cease to accrue on the portion of the principal amount of such bond represented by such unit or units of face value on and after the date fixed for redemption, and such bond shall not be entitled to the benefit or security of this resolution or the Consolidated Bond Resolution to the extent of the portion of its principal amount (and accrued interest thereon until the date fixed for redemption and premium, if any) represented by such unit or units of face value, but to that extent shall rely solely upon the funds so deposited.

SECTION 6. The Bonds shall be retired at or prior to maturity, by purchase, call or payment, by the dates and in at least the cumulative principal amounts set forth on the schedule of mandatory periodic retirement for the Bonds.

If, at least 45 days prior to the mandatory periodic retirement date in each year (except the year of maturity) set forth in the schedule of mandatory periodic retirement for the Bonds, the Authority shall not have purchased or redeemed (at any prior time or times during such year or at any time or times during any prior years) a principal amount of the Bonds at least equal to the principal amount of the Bonds to be retired on such mandatory periodic retirement date, then the Authority shall call a principal amount of the Bonds equal to such deficiency, at the respective redemption price thereof, in the manner and upon the notice set forth in Section 5 of this resolution. Any of the Bonds purchased by the Authority as aforesaid may be purchased at such prices as the Authority may deem reasonable and proper and, in the discretion of the Authority, at public or private sale, with or without advertisement and with or without notice to any person other than the seller, and such of the Bonds as are theretofore issued and negotiated and then held by the Authority may be purchased for such purpose as well as bonds held by others.

Nothing herein contained shall be construed in any way to prevent the Authority from retiring the Bonds more rapidly than is set forth in the schedule of mandatory periodic retirement for the Bonds.

SECTION 7. The Authority shall not apply any moneys in the Consolidated Bond Reserve Fund except for the payment of bonds secured by a pledge of the General Reserve Fund in whole or in part, the payment of debt service upon bonds so secured, the purchase for retirement of bonds so secured or the redemption of bonds so secured, or for the payment of expenses incurred for the establishment, acquisition, construction or effectuation, or for the operation, maintenance, repair or administration of any facility financed or refinanced in whole or in part by bonds secured by a pledge of the General Reserve Fund in whole or in part, or otherwise for the fulfillment of any undertakings which the Authority has assumed or may or shall hereafter assume to or for the benefit of the holders of bonds secured by a pledge of the General Reserve Fund in whole or in part; *provided, however*, that nothing herein contained shall be construed to permit the application by the Authority of moneys in the Consolidated Bond Reserve Fund except for purposes and upon conditions which are authorized by the Consolidated Bond Resolution.

Consolidated Bonds proposed to be issued for purposes in connection with an additional facility or a group of additional facilities in connection with which the Authority has not theretofore issued bonds which have been secured by a pledge of the General Reserve Fund in whole or in part, may be issued, and bonds other than Consolidated Bonds proposed to be issued for purposes in connection with such an additional facility or group of additional facilities may be secured by a pledge of the General Reserve Fund in whole or in part, in each case if and only if the Authority shall certify at the time of issuance (as defined in Section 3 of the Consolidated Bond Resolution) its opinion that the issuance of such Consolidated Bonds or that such pledge of the General Reserve Fund as security for such bonds other than Consolidated Bonds will not, during the ensuing 10 years or during the longest term of any of such bonds proposed to be issued (whether or not Consolidated Bonds), whichever shall be longer, in the light of its estimated expenditures in connection with such additional facility or such group of additional facilities, materially impair the sound credit standing of the Authority or the investment status of Consolidated Bonds or the ability of the Authority to fulfill its commitments, whether statutory or contractual or reasonably incidental thereto, including its undertakings to the holders of Consolidated Bonds; and the Authority may apply moneys in the General Reserve Fund for purposes in connection with those of its bonds and only those of its bonds which it has theretofore secured by a pledge of the General Reserve Fund in whole or in part. Expenditures in connection with an additional facility or group of additional facilities shall mean the amount of the excess, if any, of the sum of all items of expense to be considered in determining the net revenues of the additional facility or group of additional facilities plus the debt service upon the bonds proposed to be issued and upon any additional bonds which in the Authority's opinion would be required to be issued to place and maintain such facility or group of facilities upon a sound operating basis, over and above the sum of all items of revenue and income to be considered in determining such net revenues.

SECTION 8. The Authority shall appoint a bank or trust company as trustee for and in connection with the Bonds (hereinafter called the "Trustee"). The Trustee is authorized to (i) institute any action or proceeding on behalf of the registered holders of the Bonds against the Authority or others, or (ii) intervene in any pending action or proceeding, or (iii) take any other action which it shall in its sole discretion determine to be necessary or advisable in order to protect the rights of the registered holders of the Bonds. The rights of the Trustee in this respect and in all other respects shall be in addition to and not in substitution of any and all rights which would otherwise inure to the registered holder or registered holders of the Bonds. It is understood that the Trustee in its sole discretion may, but shall be under no obligation to, review the activities or operations of the Authority or any of the contracts or agreements of the Authority or exercise any of the rights or powers vested in it by this Section 8 whether on the Trustee's initiative or at the request or direction of any of the registered holders of the Bonds.

The Trustee (which shall include any successor Trustee) appointed under the provisions of this Section 8 shall be a bank or trust company organized under the laws of the State of New York or the State of New Jersey or a national banking association doing business and having its principal office in the Port of New York District and having a total capital (including capital stock, surplus, undivided profits and capital notes, if any) aggregating at least $25 million, which is willing and able to accept the office on reasonable and customary terms and is authorized by law to perform all the duties imposed upon it by this resolution.

The Trustee shall not be liable for any action taken or suffered upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this resolution in good faith and in accordance therewith. The Trustee shall not be liable in connection with the performance or nonperformance of its duties except for its own wilful misconduct, negligence or bad faith.

If the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this resolution, such matter (unless other evidence in respect thereof be specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this resolution upon the faith thereof; but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

The Authority shall annually, within 120 days after the close of each calendar year make available to the Trustee its financial statement(s) for such year accompanied by an opinion signed by an independent public accountant or firm of public accountants of recognized standing selected by the Authority and satisfactory to the Trustee.

The Authority shall annually, after the close of each calendar year, make available to the Trustee a copy of its annual report when such annual report is published.

The Authority shall make available to the Trustee a copy of any Official Statement hereafter issued by the Authority in connection with the issuance of bonds by the Authority.

The Authority shall hereafter make available to the Trustee a copy of the minutes of every meeting of the Authority and of its subsidiary corporations hereafter held, at the time said minutes are transmitted to the Governor of New York and the Governor of New Jersey.

The Authority shall not be required to make available to the Trustee (except when requested to do so by the Trustee) and the Trustee shall not be required to review any document, instrument, report or paper other than those which the Authority is expressly required hereunder to make available to the Trustee. The Trustee shall not be bound to make any investigation into the facts or matters stated in any document, instrument, report or paper supplied to it, but the Trustee in its sole discretion may make such further inquiry or investigation into such facts or matters as the Trustee may deem advisable, and, if the Trustee shall determine to make such further inquiry or investigation, the Trustee is authorized to examine such books and records of and properties owned or operated by the Authority as the Trustee may deem advisable, personally or by agent or attorney.

The Authority agrees (i) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder, (ii) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in connection with the exercise or performance of any of its powers or duties hereunder (including the reasonable compensation and the expenses and disbursements of its agents and counsel), and (iii) to indemnify the Trustee for, and hold it harmless against, any loss, liability or expense incurred without wilful misconduct, negligence or bad faith on its part, arising out of or in connection with the exercise or performance of the Trustee's powers and duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with such exercise or performance.

The Trustee may become the owner or holder of any bonds of the Authority with the same rights as it would have were it not a Trustee. To the extent permitted by law, the Trustee may act as depositary for the Authority, act as Paying Agent and Registrar of bonds of the Authority and act itself and permit any of its officers or directors to act in any other capacity with respect to the Authority, the bonds of the Authority and the holders of bonds of the Authority as it or its officers or directors would be able to act were it not a Trustee.

The Trustee may at any time resign and be discharged of the duties and obligations created by this resolution by giving not less than 60 days' written notice to the Authority and publishing notice thereof, specifying the date when such resignation shall take effect, once in each week for two successive calendar weeks in a newspaper of general circulation in the City of New York, State of New York, and such resignation shall take effect upon the date specified in such notice unless previously a successor shall have been appointed by the Authority in which event such resignation shall take effect immediately on the appointment of such successor.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed and acknowledged by the registered holders of a majority in principal amount of the Bonds then outstanding or by their attorneys duly authorized, excluding the principal amount of any of the Bonds held by or for the account of the Authority. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the holders of a majority in principal amount of the Bonds then outstanding, excluding the principal amount of any of the Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such registered holders of the Bonds or by their attorneys duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee; *provided, however*, nevertheless, the Authority shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the registered holders of the Bonds as authorized in this Section 8. The Authority shall publish notice of any such appointment made by it once in each week for two consecutive calendar weeks, in a newspaper of general circulation in the City of New York, State of New York, the first publication to be made within 20 days after such appointment. Any successor Trustee appointed by the Authority shall, immediately and without further act, be superseded by a Trustee appointed by the registered holders of the Bonds.

Any company into which any Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Trustee may sell or transfer all or substantially all of its corporate trust business (*provided, however*, such company shall be a bank or trust company located in the Port of New York District and shall be authorized by law to perform all the duties imposed upon it by this resolution), shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act.

The failure of the Authority to take any action required by this Section 8 shall not invalidate any bond or bonds issued pursuant to this resolution or hereafter issued by the Authority, or affect any other actions of the Authority. The Authority shall in no way be restricted by this Section 8 from entering any defense to an action or proceeding instituted by the Trustee or by the registered holder or registered holders of the Bonds.

SECTION 9. The form of the bond, including provisions with respect to assignment, for the Bonds shall be determined by the Committee on Finance or by an Authorized Officer. The bonds shall have the official seal of the Authority, or a facsimile thereof, affixed thereto or printed or impressed thereon, and shall be manually signed by an Authorized Officer. In case any Authorized Officer who shall have signed any of the bonds shall cease to be an Authorized Officer before such bonds shall have been actually issued, such bonds may nevertheless be issued as though such Authorized Officer who signed such bonds had not ceased to be an Authorized Officer.

SECTION 10. In case any bond shall at any time become mutilated or be lost or destroyed, the Authority, in its discretion, may execute and deliver a new bond of like tenor in exchange or substitution for and upon cancellation of such mutilated bond or in lieu of or in substitution for such destroyed or lost bond; or if such bond shall have matured, instead of issuing a substitute bond the Authority may pay the same without surrender thereof. In case of destruction or loss, the applicant for a substitute bond shall furnish to the Authority evidence satisfactory to the Authority of the destruction or loss of such bond and of the ownership thereof and also such security and indemnity as may be required by the Authority. The Authority may execute and deliver any such substitute bond or make any such payment; or any Paying Agent may make any such payment upon the written request or authorization of the Authority. Upon the issuance of any substitute bond, the Authority, at its option, may require the payment of a sum sufficient to reimburse it for any stamp tax or other governmental charge or other reasonable expense connected therewith and also a further sum not exceeding the cost of preparation of each new bond so issued in substitution. Any bond issued under the provisions of this Section 10 in lieu of any bond alleged to have been destroyed or lost shall constitute an original contractual obligation on the part of the Authority, whether or not the bond so alleged to have been destroyed or lost be at any time enforceable by anyone, and shall be equally and proportionately entitled to the security of this resolution and of the Consolidated Bond Resolution with all other bonds, notes and coupons (if any) issued hereunder or thereunder.

SECTION 11. An Authorized Officer is authorized to take any and all action that the Committee on Finance is authorized to take under this resolution (without further action by the Committee on Finance); *provided*, *however*, that any actions to be taken by an Authorized Officer in connection with the decision to sell the Bonds shall be subject to prior approval of the Committee on Finance[*].

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[*] See footnotes (*) and (**) on p. VI-10.

**Resolution Authorizing the Sale of Certain Series of Consolidated Bonds Commencing with the Two Hundred Twelfth Series**

**(Adopted July 26, 2018)**

SECTION 1. This resolution shall apply with equal force and effect to each series of Consolidated Bonds sold on or after September 1, 2018 pursuant to this resolution commencing with the Two Hundred Twelfth Series and numbered consecutively thereafter, on an individual basis, each of which shall have one or more distinguishing feature(s) at the discretion of the Authority including but not limited to interest payment dates, redemption provisions if any, issuance date and/or federal tax treatment under the Internal Revenue Code of 1986 and the regulations thereunder (each such series hereinafter called the "Bonds").

SECTION 2. The Committee on Finance of the Authority (hereinafter called the "Committee on Finance") is authorized in the name of and on behalf of the Authority to sell the Bonds at a true interest cost to the Authority not in excess of eight percent with a term to maturity not in excess of 50 years, at public or private sale, with or without advertisement, at one or more times, and to apply the proceeds of such sale or sales as provided in the resolution authorizing the establishment and issuance of the Bonds; *provided, however*, that the total aggregate principal amount of the Bonds sold pursuant to this resolution, Port Authority Consolidated Notes sold pursuant to the resolution entitled "*Sale of Certain Series of Consolidated Notes Commencing with Series AAA*" dated the date hereof, and Port Authority Versatile Structure Obligations (issued after the date of this resolution), shall not exceed $8 billion.

SECTION 3. The Committee on Finance is authorized in the name of and on behalf of the Authority, in connection with the Bonds, to fix the time or times of sale of the Bonds, to determine the terms and conditions upon which such sales shall be made and to accept or reject offers in connection with such sales.

SECTION 4. The Committee on Finance is authorized in the name of and on behalf of the Authority, in connection with the Bonds, to enter into any contracts or agreements pertaining to the Bonds; to fix the time or times and determine the terms and conditions of delivery of the Bonds; to appoint one or more Paying Agents and a Registrar and a Trustee, and to designate the office or offices of any such Paying Agent (or Paying Agents) at which payments shall be made and the office or offices of any such Registrar at which the Authority's Registry Books for the Bonds shall be kept; to make any selection, designation, determination or estimate and to take or withhold any action and to formulate and express any opinions and to exercise any discretion or judgment which may be or is required to be made, taken, withheld, formulated, expressed or exercised in connection with the Bonds, the Authority adopting all such selections, designations, determinations, estimates, actions, withholdings of action, formulations and expressions of opinions and exercises of discretion or judgment, including those pursuant to Section 3 of the Consolidated Bond Resolution, or otherwise, as its own; and to authorize any of the foregoing and generally to take such other action as in the opinion of the Committee on Finance will best serve the public interest.

SECTION 5. The Committee on Finance is authorized to arrange, from time to time (i) for the preparation and distribution of disclosure documents, including official statements, offering statements or other offering materials in connection with the Bonds and (ii) for the preparation and distribution of such other documents giving pertinent data with respect to the Authority and its finances as it deems appropriate, in each case, in the name of and on behalf of the Authority.

SECTION 6. An Authorized Officer is authorized to take any and all action that the Committee on Finance is authorized to take under this resolution (without further action by the Committee on Finance);

*provided*, *however*, that any actions to be taken by an Authorized Officer in connection with the decision to sell the Bonds shall be subject to prior approval of the Committee on Finance.* **

SECTION 7. The Committee on Finance or any Authorized Officer is authorized, in connection with the issuance of the Bonds on the basis that the Bonds are to be in conformity with, and that the interest on the Bonds is not to be includible for federal income tax purposes in the gross income of the recipients thereof under, Section 103(a) of the Internal Revenue Code of 1986, or successor provisions of law, and the regulations thereunder, to take any action which may be appropriate to assure that the Bonds are issued, and during their term are outstanding, on such basis, and any such actions taken in connection therewith are ratified. Any Authorized Officer is authorized to certify on behalf of the Authority as to the need for the issuance of the Bonds, as to the status of the projects for which the proceeds of the Bonds are to be used, as to the Authority's intentions with respect to the application and investment of the proceeds of the Bonds, and as to such other matters as such Authorized Officer deems appropriate.

SECTION 8. As used in this resolution, the term "Authorized Officer" shall mean any of the officers or employees of the Authority designated as such from time to time by the Chairman; Vice-Chairman; Chairman of the Committee on Finance; Executive Director; Chief Financial Officer; or Treasurer of the Authority, or their respective successors in office or duties.

* In connection with the acceptance by an Authorized Officer of an offer to purchase the Bonds represented by the Bond Purchase Agreement or the Forward Delivery Agreement, as applicable (see "*Underwriting*" in Section I hereof), the terms of the Bonds shall be established, fixed and determined, and the provisions of this resolution shall be changed and adjusted, to the extent required, to conform the terms of the Bonds to the summary description of the Bonds as set forth in and pursuant to the Bond Purchase Agreement or the Forward Delivery Agreement, as applicable, with respect to such Bonds; such description is reflected at "*Description of the Bonds*," and at "*Additional Information Pertaining to the Bonds*" in Section I hereof.

** On December 17, 2020, the Committee on Finance approved the issuance and sale by an Authorized Officer of approximately $2.3 billion in aggregate principal amount of additional Port Authority bonds and notes (excluding Port Authority Commercial Paper Obligations), on a negotiated or competitive basis, for the purpose of capital expenditures associated with Port Authority facilities, repayment of Port Authority Commercial Paper Obligations, restructuring of debt service, and refunding of currently outstanding bonds, under the terms of such authorization.

## Forms of Legal Opinion of Bond Counsel

*In connection with the delivery upon original issuance of the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Fifth Series Bonds by the Port Authority, Bond Counsel will render a legal opinion on such date of delivery relating to the Two Hundred Twenty-Third Series Bonds, Two Hundred Twenty-Fourth Series Bonds and Two Hundred Twenty-Fifth Series Bonds substantially in the following form.*

[Letterhead of Bond Counsel]

(Date of delivery upon original issuance)

The Port Authority of New York and New Jersey
4 World Trade Center
150 Greenwich Street, 23rd Floor
New York, New York 10007

**The Port Authority of New York and New Jersey**
**Consolidated Bonds, Two Hundred Twenty-Third Series,**
**Consolidated Bonds, Two Hundred Twenty-Fourth Series and**
**Consolidated Bonds, Two Hundred Twenty-Fifth Series**

Ladies and Gentlemen:

We have acted as bond counsel to The Port Authority of New York and New Jersey (the “Issuer”) in connection with issuance of $486,580,000 aggregate principal amount of The Port Authority of New York and New Jersey Consolidated Bonds, Two Hundred Twenty-Third Series (the “Series 223 Bonds”), $420,020,000 aggregate principal amount of The Port Authority of New York and New Jersey Consolidated Bonds, Two Hundred Twenty-Fourth Series (the “Series 224 Bonds”) and $400,000,000 aggregate principal amount of The Port Authority of New York and New Jersey Consolidated Bonds, Two Hundred Twenty-Fifth Series (the “Series 225 Bonds” and, collectively with the Series 223 Bonds and the Series 224 Bonds, the “Bonds”), issued pursuant to resolutions of the Issuer dated as of October 9, 1952, establishing the issue of Consolidated Bonds, and of July 26, 2018, pertaining to the establishment and the authorization of the issuance of, and the authorization of the sale of, the Bonds (collectively, the “Resolutions”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

In such connection, we have reviewed the Resolutions, an opinion of counsel to the Issuer, certificates of the Issuer and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinion referred to in the paragraph above. Furthermore, we have assumed compliance with all covenants and agreements contained in the

Resolutions. We call attention to the fact that the rights and obligations under the Bonds and the Resolutions and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Resolutions or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the Issuer.

2. The Resolutions have been duly adopted and delivered by, and constitute the valid and binding obligations of, the Issuer. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Net Revenues and any other amounts held in any fund or account established pursuant to the Resolutions, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

3. Interest on the Series 223 Bonds and Series 224 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 223 Bonds for any period of time that such Series 223 Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 223 Bonds or by a "related person" within the meaning of Section 147(a) of the Code and the regulations thereunder. Interest on the Series 223 Bonds is a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 224 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 225 Bonds is not excluded from gross income for federal income tax purposes under Section 103(a) of the Code.

The Bonds and the interest thereon are exempt under the Compact of April 30, 1921 and supplementary legislation, from any and all taxation (except estate, inheritance and gift taxes) now or hereafter imposed directly thereon by or under authority of the States of New York and New Jersey or by any political subdivision thereof. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds arising under the Code.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

*In connection with the delivery upon original issuance of the Two Hundred Twenty-Sixth Series Bonds by the Port Authority, Bond Counsel will render a legal opinion on such date of delivery relating to the Two Hundred Twenty-Sixth Series Bonds substantially in the following form.*

[Letterhead of Bond Counsel]

(Date of delivery upon original issuance)

The Port Authority of New York and New Jersey
4 World Trade Center
150 Greenwich Street, 23rd Floor
New York, New York 10007

**The Port Authority of New York and New Jersey**
**<u>Consolidated Bonds, Two Hundred Twenty-Sixth Series</u>**

Ladies and Gentlemen:

We have acted as bond counsel to The Port Authority of New York and New Jersey (the "Issuer") in connection with issuance of $205,350,000 aggregate principal amount of The Port Authority of New York and New Jersey Consolidated Bonds, Two Hundred Twenty-Sixth Series (the "Bonds"), issued pursuant to resolutions of the Issuer dated as of October 9, 1952, establishing the issue of Consolidated Bonds, and of July 26, 2018, pertaining to the establishment and the authorization of the issuance of, and the authorization of the sale of, the Bonds (collectively, the "Resolutions"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

In such connection, we have reviewed the Resolutions, an opinion of counsel to the Issuer, certificates of the Issuer and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinion referred to in the paragraph above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions. We call attention to the fact that the rights and obligations under the Bonds and the Resolutions and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Resolutions or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the Issuer.

2. The Resolutions have been duly adopted and delivered by, and constitute the valid and binding obligations of, the Issuer. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Net Revenues and any other amounts held in any fund or account established pursuant to the Resolutions, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Bonds for any period of time that such Bond is held by a "substantial user" of the facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 147(a) of the Code and the regulations thereunder. Interest on the Bonds is a specific preference item for purposes of the federal alternative minimum tax.

The Bonds and the interest thereon are exempt under the Compact of April 30, 1921 and supplementary legislation, from any and all taxation (except estate, inheritance and gift taxes) now or hereafter imposed directly thereon by or under authority of the States of New York and New Jersey or by any political subdivision thereof. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds arising under the Code.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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# APPENDIX A

## Financial Statements as of and for the Years Ended December 31, 2019 and December 31, 2018 and Appended Notes

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PORT AUTHORITY NY NJ

AIR LAND RAIL SEA


Comptroller's Department

# FINANCIAL STATEMENTS & APPENDED NOTES

for the Year Ended December 31, 2019

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

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**CERTIFICATE WITH RESPECT TO**
**2019 FINANCIAL STATEMENTS**

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

Dated: New York, New York
March 4, 2020

Richard Cotton
Executive Director

Elizabeth M. McCarthy
Chief Financial Officer

Daniel G. McCarron
Comptroller

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

# Independent Auditors' Report

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

## Report on the Financial Statements

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

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinions*

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

***Emphasis of Matter***

*Adoption of New Accounting Pronouncement*

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

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Port Authority as of and for the years ended December 31, 2017, 2016, 2015, 2014, 2013, and 2012 (not presented herein), and have issued our reports thereon dated March 20, 2018, March 1, 2017, March 7, 2016, March 13, 2015, March 6, 2014, and February 25, 2013, respectively, which contained unmodified opinions on the respective financial statements. The supplementary information included in Schedules D-1 and D-2, as listed in the table of contents, for the years ended December 31, 2017, 2016, 2015, 2014, 2013 and 2012, and the supplementary information included in Schedule D-3, as listed in the table of contents, for the years ended December 31, 2017, 2016, 2015 and 2014, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017, 2016, 2015, 2014, 2013, and 2012 financial statements, as applicable. This information has been subjected to the auditing procedures applied in the audits of the financial statements for the years ended December 31, 2017, 2016, 2015, 2014, 2013 and 2012, as applicable, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules D-1 and D-2 related to the years ended December 31, 2017, 2016, 2015, 2014, 2013, and 2012 and the supplementary information included in Schedule D-3 related to the years ended December 31, 2017, 2016, 2015 and 2014, is fairly stated, in all material respects, in relation to the basic financial statements for the years ended December 31, 2017, 2016, 2015, 2014, 2013, and 2012 financial statements, as applicable, as a whole.

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

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

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

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

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

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

*Report on Summarized Comparative Information*

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

***Emphasis of Matters***

*Basis of Accounting*

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

*Restriction on Use*

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

KPMG LLP

New York, New York
March 4, 2020

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

## Introduction

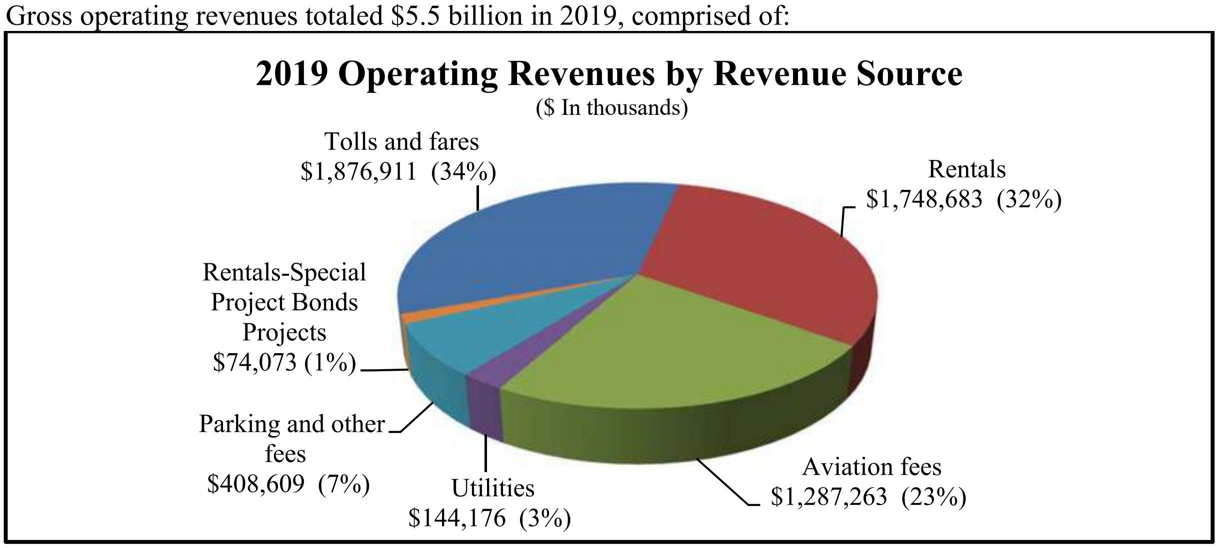
The following discussion and analysis of business-type and fiduciary activities of The Port Authority of New York and New Jersey (the Port Authority) and its component units described herein (see *Note A.1 – Nature of the Organization and Summary of Significant Accounting Policies* ) is intended to provide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

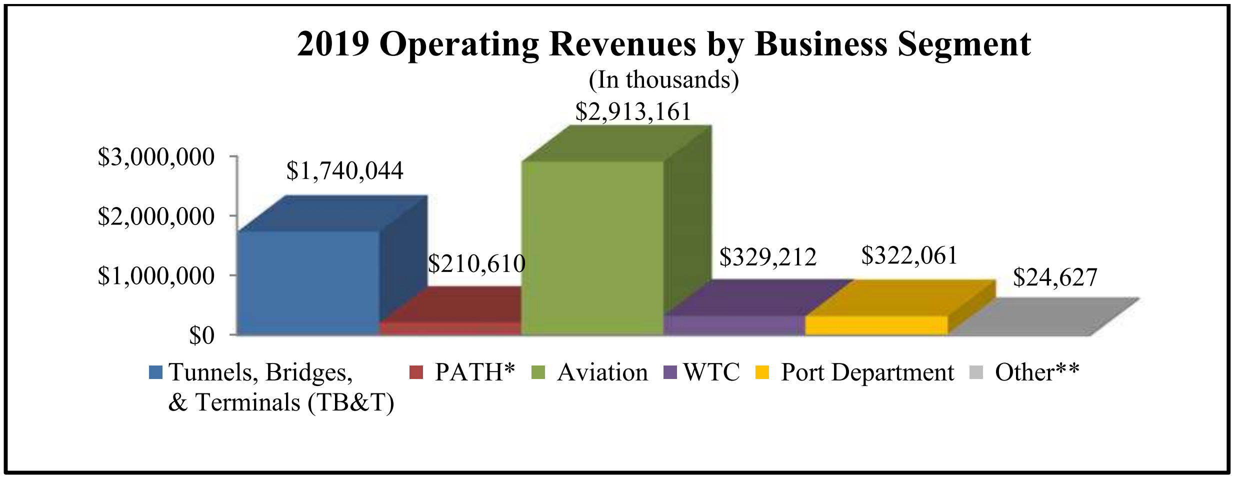
## 2019 Enterprise Fund Financial Results

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

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

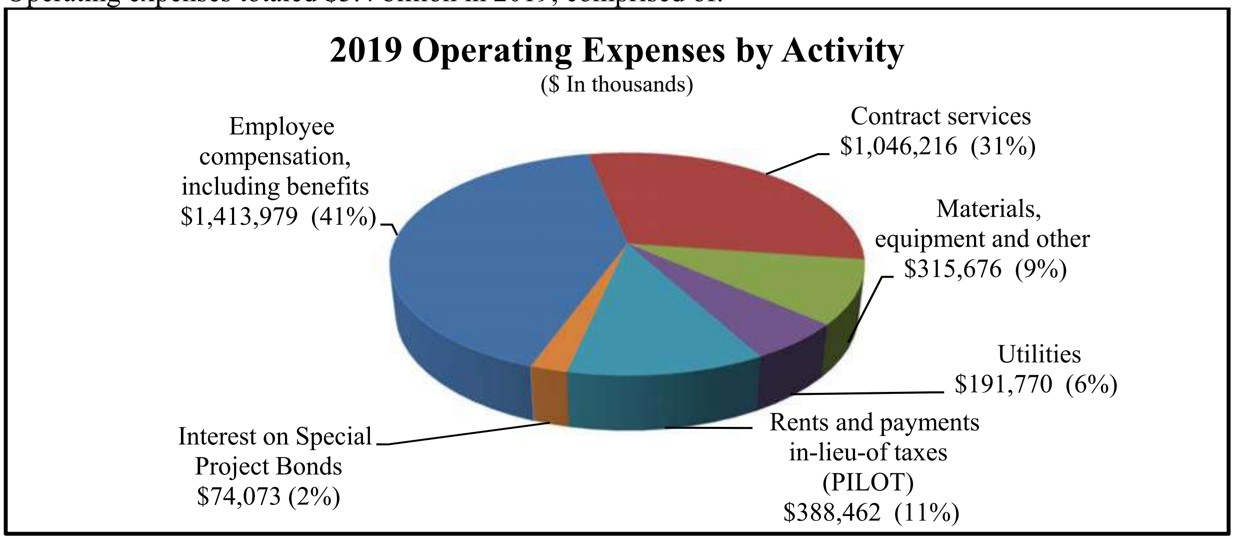
Gross operating revenues totaled $5.5 billion in 2019, comprised of:

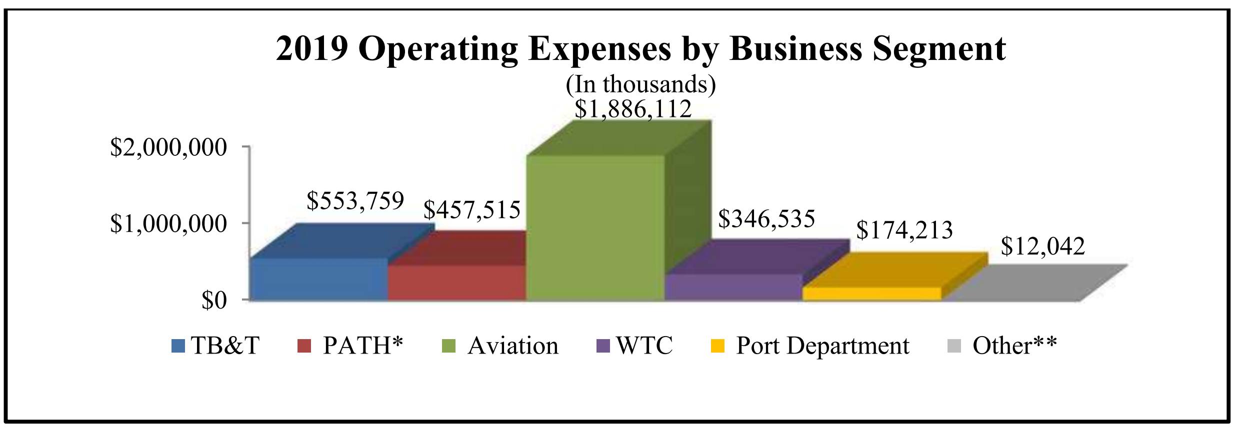





* Port Authority Trans-Hudson Corporation (PATH) includes World Trade Center (WTC) Transportation Hub.
**Other includes Development Facilities and Ferry Transportation.

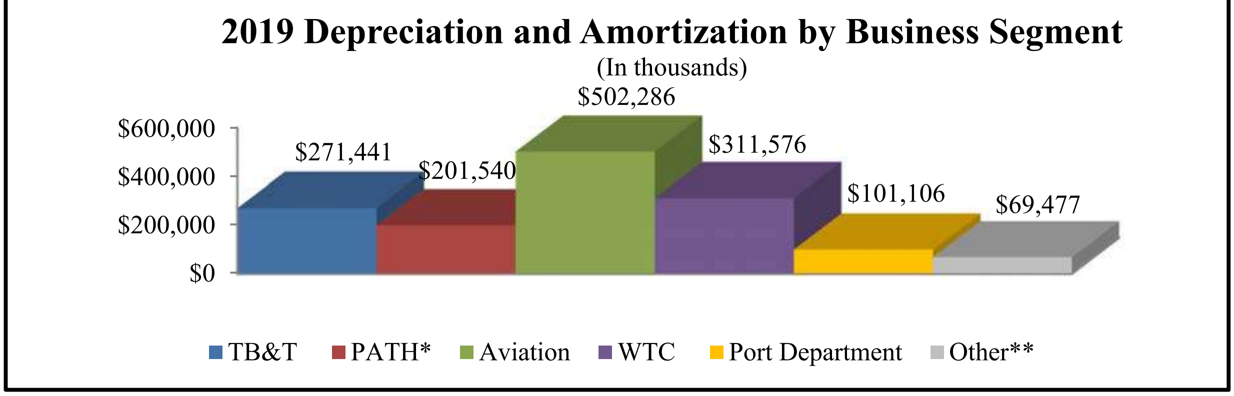
Operating expenses totaled $3.4 billion in 2019, comprised of:




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

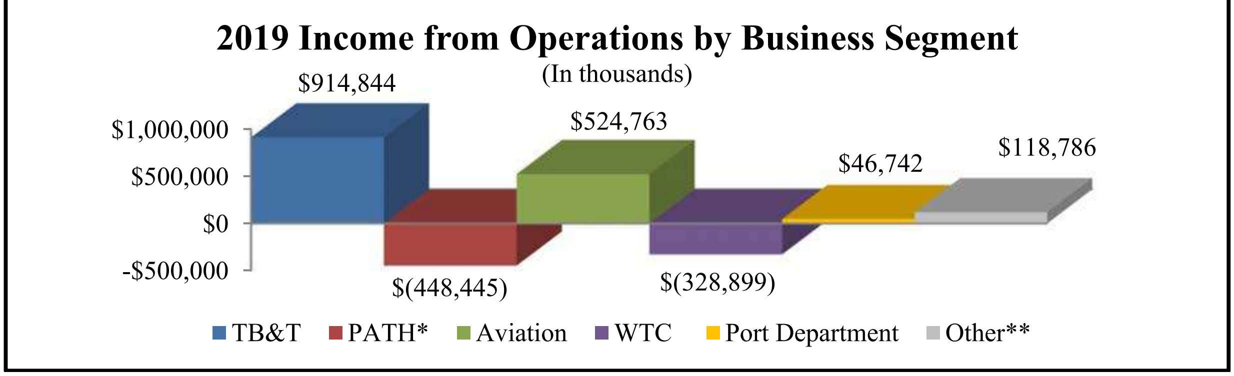
Depreciation and amortization totaled $1.5 billion in 2019, comprised of:




* PATH includes WTC Transportation Hub.

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

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




* PATH includes WTC Transportation Hub.

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

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

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

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

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

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

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

## 2019 vs. 2018

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

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

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

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

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

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

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

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

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

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

## 2018 vs. 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Gross Operating Revenues

A summary of gross operating revenues follows:

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

### 2019 vs. 2018

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

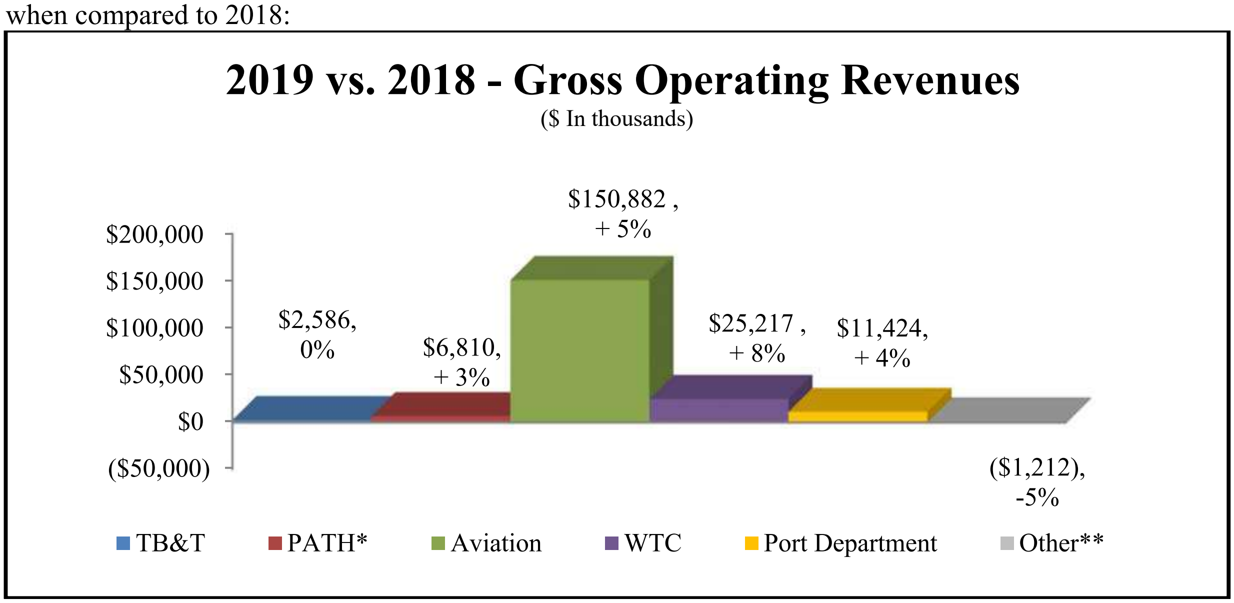
**Aviation fees** of $1.3 billion increased $95 million or 8.0% as compared to 2018. Aviation fees paid by airlines operating at certain Port Authority Aviation facilities provide for the recovery of certain capital investment and operating expenses incurred by the Port Authority. The 2019 increase in aviation fees was primarily due to; ***a.)*** increased customer service initiatives; ***b.)*** increased policing and security costs necessary to meet ongoing public safety needs, including traffic management efforts in support of ongoing construction activities at LGA Airport; ***c.)*** additional aeronautical capital investment being placed into operational service in 2019, including a new concrete runway at John F. Kennedy International (JFK) Airport and ***d.)*** increased maintenance costs related to AirTrain JFK and AirTrain EWR.

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

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

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

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




* PATH includes WTC Transportation Hub.
** Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation.

## 2018 vs. 2017

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

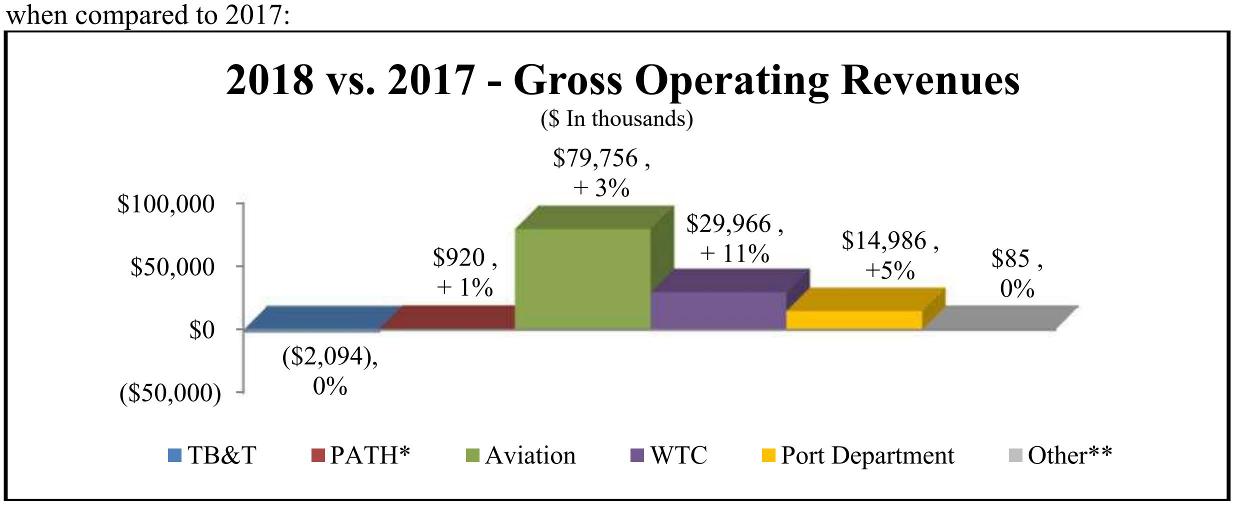
**Aviation fees** of $1.2 billion increased $64 million or 5.7% from 2017. Aviation fees paid by airlines operating at certain Port Authority Aviation facilities provide for the recovery of certain Port Authority capital investments and operating expenses. The increase in 2018 fees was primarily due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

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

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

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

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




* PATH includes WTC Transportation Hub.
**Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation.

## Operating Expenses

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

A summary of operating expenses follows:

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

### 2019 vs. 2018

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

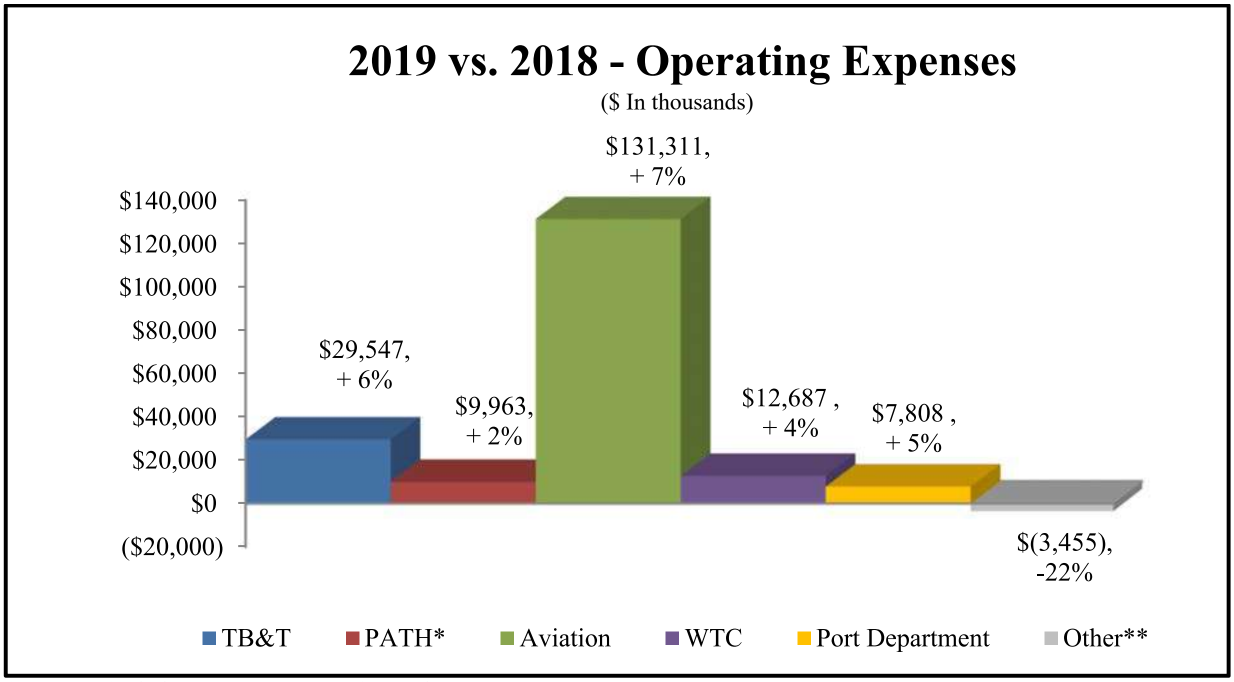
**Employee compensation**, including employer provided healthcare and retirement benefits of $1.4 billion, increased $76 million or 5.7% as compared to 2018 primarily due to; ***a.)*** increased civilian and public safety employee headcount to meet operational and public safety requirements; ***b.)***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

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

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

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

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




* PATH includes WTC Transportation Hub.

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

## 2018 vs. 2017

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

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

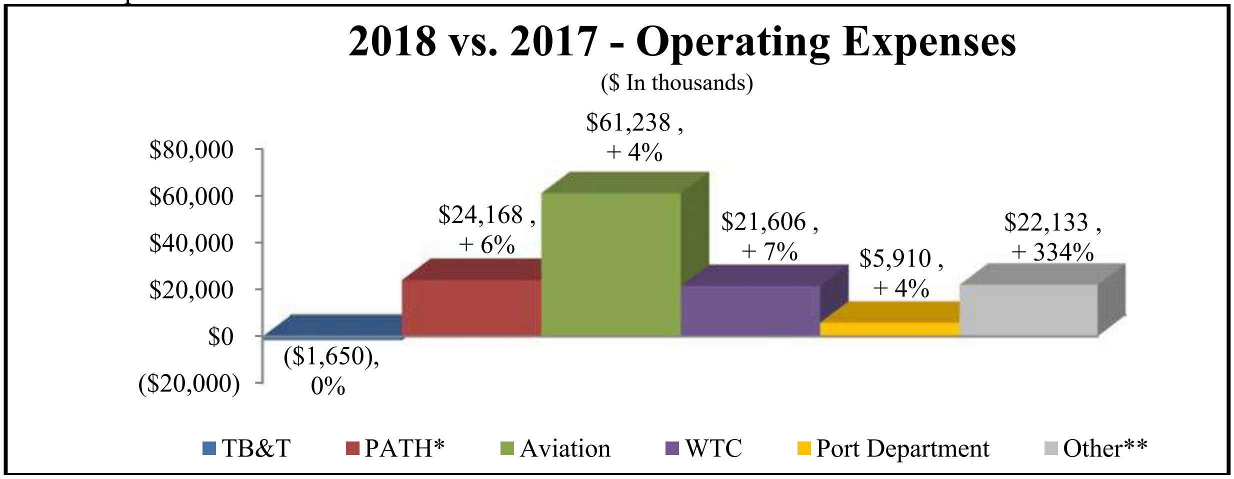
**Contract Services** of $935 million increased $54 million, or 6.2% from 2017 primarily due to increased customer service related initiatives, including new customer information technology across facilities, increased security at Port Authority facilities due to evolving security requirements, increased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

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

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

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

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




* PATH includes WTC Transportation Hub.

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

## Depreciation and Amortization

A summary of depreciation and amortization follows:

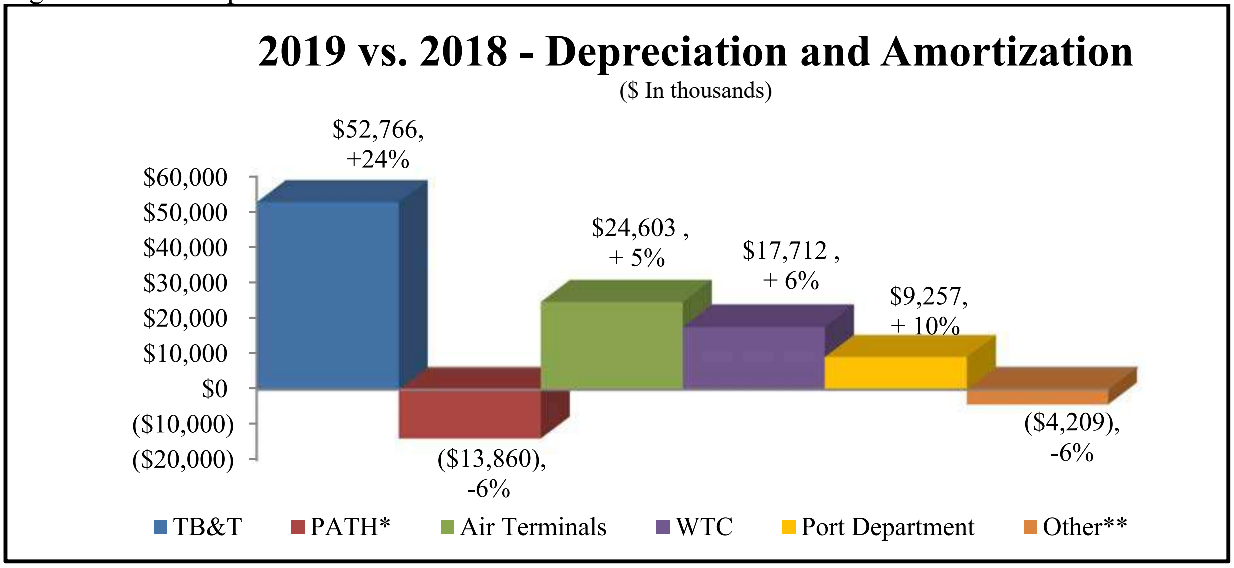
| | **2019** | 2018 | 2017 |
|---|---|---|---|
| | | (In thousands) | |
| Depreciation and amortization: | | | |
| Depreciation of facilities | **$ 1,420,696** | $ 1,329,283 | $ 1,231,139 |
| Amortization of costs for regional programs | **36,730** | 41,874 | 44,164 |
| Total | **$ 1,457,426** | $ 1,371,157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

### 2019 vs. 2018

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

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

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



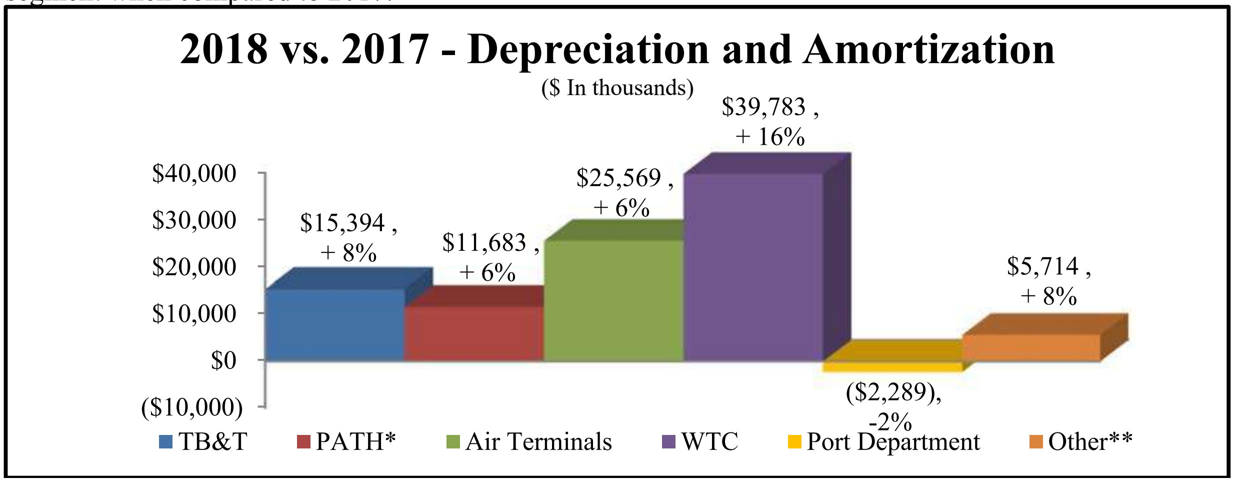

* PATH includes WTC Transportation Hub.

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

## 2018 vs. 2017

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

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




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

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

## Superstorm Sandy Insurance Recoveries

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

## Income from Operations

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

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

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

## Non-Operating Revenues and Expenses

A summary of non-operating revenues and expenses follows:

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

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

### 2019 vs. 2018

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

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

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

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

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

### 2018 vs. 2017

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

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

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

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

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

## Capital Contributions and Passenger Facility Charges

A summary of Capital Contributions and Passenger Facility Charges follows:

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

### 2019 vs. 2018

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

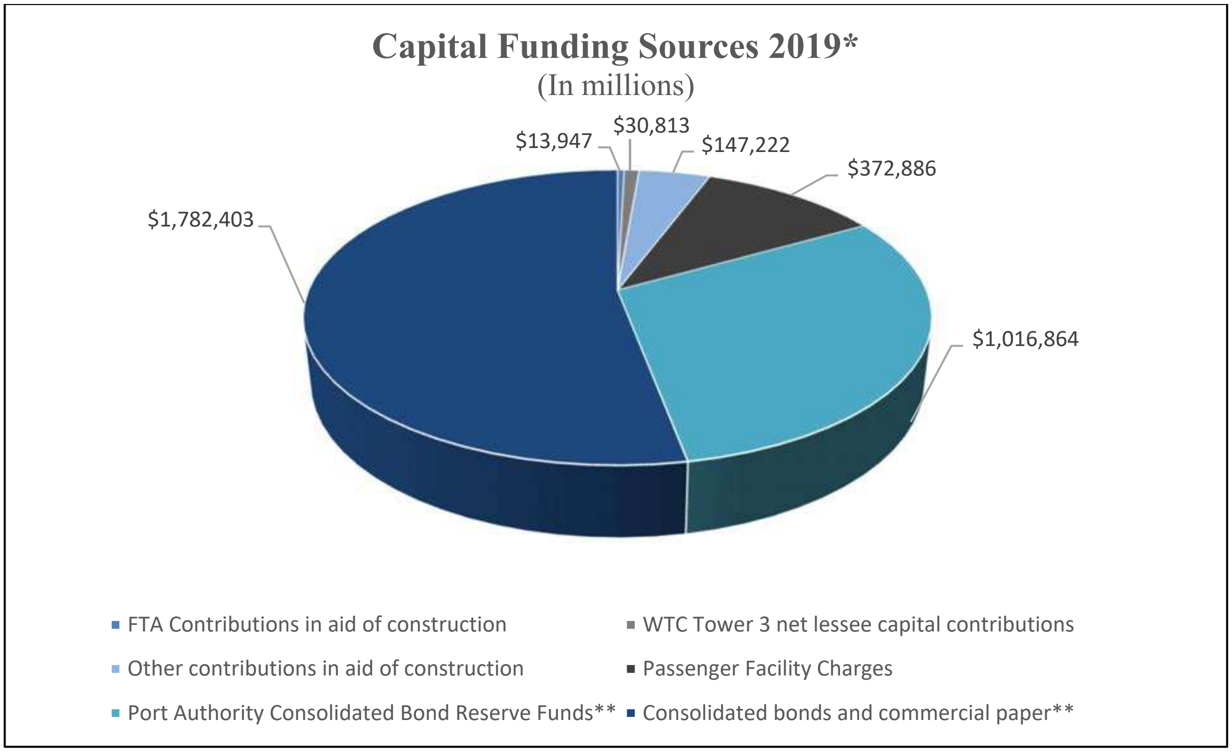
**PFCs** of $293 million increased $6 million from 2018 due to a 1.6% increase in passenger activity.

### 2018 vs. 2017

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

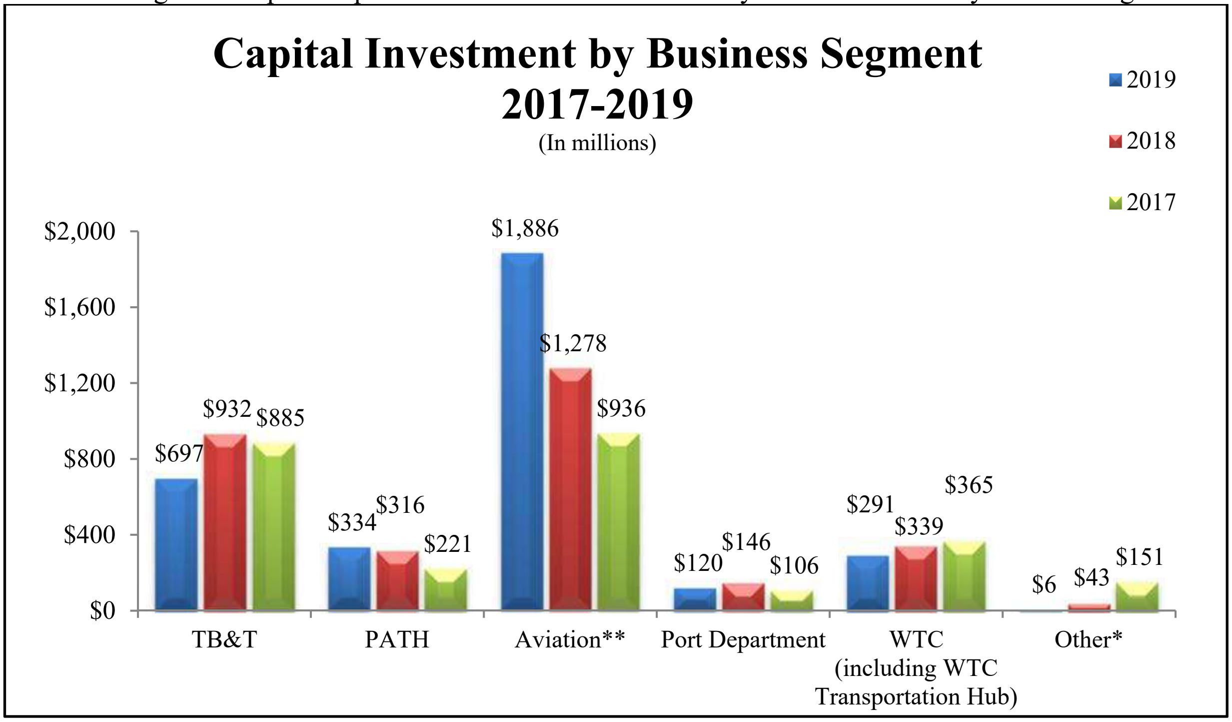
## Capital Construction Activities

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




* Capital funding sources exclude accrued amounts in connection with capital construction activities.
** Includes funding for landlord leasehold capital improvements related to LGA Terminal B.

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




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

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

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

## Capital Financing and Debt Management

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

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

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

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

| OBLIGATION | S&P | Fitch Ratings | Moody's Investors Service |
|---|---|---|---|
| Consolidated Bonds | AA- | AA- | Aa3 |
| Commercial Paper | A-1+ | F1+ | P-1 |

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

## Other Activities

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

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

The PATH fare schedule was revised effective on November 1, 2019. Although the PATH base fare for a single trip remains at $2.75, the cost of multi-trip tickets was increased to $25.00 for a 10-trip ticket, $50.00 for a 20-trip ticket and $100.00 for a 40-trip ticket (each of which is scheduled to increase as of November 1, 2020 to $26.00, $52.00 and $104.00, respectively). After 2020, PATH fares will be indexed to inflation, based on CPI, with increases occurring when the cumulative increase in CPI, as measured from 2020, would, when applied to the single ride fares, result in an adjustment of at least $0.25. For additional information related to PATH fares please refer to the following link: http://www.panynj.gov/path/fares.html

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

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

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

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

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

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

### 2019 vs. 2018

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

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

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

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

### Statements of Net Position

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| | (In thousands) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash | $ **93,315** | $ 157,143 |
| Restricted cash | **76,989** | 132,961 |
| Investments | **1,228,711** | 1,529,511 |
| Restricted investments - PAICE | **2,604** | 37,162 |
| Restricted investments - PFC | **18,838** | 23,609 |
| Current receivables, net | **681,361** | 540,962 |
| Other current assets | **143,213** | 161,133 |
| Restricted receivables and other assets | **80,730** | 77,785 |
| Total current assets | **2,325,761** | 2,660,266 |
| Noncurrent assets: | | |
| Restricted cash | **4,813** | 4,951 |
| Investments | **2,564,584** | 2,218,769 |
| Restricted investments - PAICE | **127,542** | 204,708 |
| Other amounts receivable, net | **178,796** | 136,996 |
| Other noncurrent assets | **1,684,517** | 1,649,710 |
| Restricted noncurrent assets - PAICE | **6,954** | 8,015 |
| Amounts receivable - Special Project Bonds | **1,138,906** | 1,233,432 |
| Amounts receivable - Tower 4 Liberty Bonds | **1,245,025** | 1,245,637 |
| Unamortized costs for regional programs | **93,456** | 130,186 |
| Landlord leasehold investment-LGA Terminal B | **748,671** | 451,547 |
| Facilities, net | **39,016,984** | 37,400,013 |
| Total noncurrent assets | **46,810,248** | 44,683,964 |
| Total assets | **49,136,009** | 47,344,230 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Loss on debt refundings | **71,113** | 78,510 |
| Pension related amounts | **277,938** | 276,586 |
| OPEB related amounts | **141,943** | 169,257 |
| Total deferred outflows of resources | **490,994** | 524,353 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | **1,316,914** | 1,275,183 |
| Accrued interest and other current liabilities | **458,385** | 501,986 |
| Restricted other liabilities - PAICE | **8,866** | 7,630 |
| Accrued payroll and other employee benefits | **500,945** | 659,044 |
| Current portion bonds and other asset financing obligations | **1,045,117** | 977,266 |
| Total current liabilities | **3,330,227** | 3,421,109 |
| Noncurrent liabilities: | | |
| Accrued pension and other postemployment benefits | **1,538,117** | 1,891,329 |
| Other noncurrent liabilities | **268,693** | 253,252 |
| Unearned income related to WTC Retail joint venture | **746,218** | 755,478 |
| Restricted other noncurrent liabilities - PAICE | **41,001** | 43,304 |
| Amounts payable - Special Project Bonds | **1,138,906** | 1,233,432 |
| Amounts payable - Tower 4 Liberty Bonds | **1,245,025** | 1,245,637 |
| Bonds and other asset financing obligations | **24,421,179** | 22,919,908 |
| Total noncurrent liabilities | **29,399,139** | 28,342,340 |
| Total liabilities | **32,729,366** | 31,763,449 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Gain on debt refundings | **51,946** | 43,859 |
| Pension related amounts | **102,956** | 177,998 |
| OPEB related amounts | **275,406** | 4,883 |
| Total deferred inflows of resources | **430,308** | 226,740 |
| **NET POSITION** | $ **16,467,329** | $ 15,878,394 |
| **Net position is comprised of:** | | |
| Net investment in capital assets | $ **14,620,518** | $ 14,190,682 |
| Restricted: | | |
| Passenger Facility Charges | **55,814** | 52,378 |
| Port Authority Insurance Captive Entity, LLC | **394,922** | 348,232 |
| Minority Interest in Tower 1 Joint Venture | **100,000** | 100,000 |
| Unrestricted | **1,296,075** | 1,187,102 |
| **NET POSITION** | $ **16,467,329** | $ 15,878,394 |

**See Notes to Financial Statements.**

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

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

**See Notes to Financial Statements.**

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

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

**See Notes to Financial Statements.**

**Statements of Cash Flows (continued)**

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

3. **Capital obligations:**

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

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

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

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

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

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

## Statements of Fiduciary Net Position

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

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

### Statements of Changes in Fiduciary Net Position

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

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

See Notes to Financial Statements.

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

### 1. Reporting Entity

**a.** The Port Authority of New York and New Jersey was created in 1921 by Compact between the States of New York and New Jersey with the consent of the United States Congress. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation generally upon the basis of its own credit. Cash derived from Port Authority operations and other cash received may be disbursed only for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily from operating revenue sources, including rentals, tolls, fares, aviation and port fees, and other charges.

**b.** The Governors of each State, with the consent of the respective State Senate, appoints six of the twelve members of the governing Board of Commissioners. The Commissioners serve without remuneration for six-year overlapping terms. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners. The actions taken by the Commissioners at Port Authority meetings are subject to gubernatorial review and may be vetoed by the Governor of their respective State. In accordance with Governmental Accounting Standards Board Statement (GASB) No. 14, *"The Financial Reporting Entity,"* as amended, for financial reporting purposes, the Port Authority is a joint venture between the States of New York and New Jersey.

**c.** The Audit Committee, which consists of four members of the Board of Commissioners other than the Chairman and Vice Chairman of the Port Authority, provides oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems and the accounting, auditing and financial reporting processes. The Audit Committee retains independent auditors and reviews their performance and independence. The independent auditors are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The Audit Committee meets directly, on a regular basis, with the independent auditors, general counsel of the Port Authority, and management of the Port Authority. The Audit Committee retained KPMG, LLP to perform the independent audit of the Port Authority's financial statements and Mitchell Titus, LLP to perform the independent audit of the Port Authority of New York and New Jersey Retiree Health Benefits Trust for the year ending December 31, 2019.

**d.** Enterprise fund financial statements and schedules include the accounts of the Port Authority of New York and New Jersey and its blended component units, including:

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

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

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

## 2. Basis of Accounting

**a.** Port Authority business-type activities are accounted for using the flow of economic resources measurement focus and accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, including revenues and expenses, are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

**b.** Port Authority fiduciary activities are accounted for using the flow of economic resources measurement focus and accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position are accounted for in a fiduciary fund with investments reported at fair value, advance fundings reported when paid and contributions related to pay-as-you go benefit payments reported when benefit payments come due.

**c.** The Port Authority follows accounting principles generally accepted in the United States of America as prescribed by the GASB.

## 3. Significant Accounting Policies

**a.** *Facilities, net* are carried at cost. The cost of facilities includes interest incurred during the period that relates to the construction or production of the capital asset. The amount of capitalized interest is calculated by offsetting interest expense incurred with financial income earned on invested debt proceeds, from the date of the borrowing until the project is ready for its intended use. Generally, projects in excess of $100,000 for additions, asset replacements and/or asset improvements that benefit future periods or are expected to prolong the service life of the asset are capitalized (see *Note B – Facilities, net*). *Facilities, net* does not include regional programs undertaken at the request of the Governor of the State of New Jersey or the Governor of the State of New York (see *Note H – Regional Facilities and Programs*).

**b.** Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets (see *Note B – Facilities, net*). Estimated useful lives are reviewed periodically for each type of asset class. Asset lives used in the calculation of depreciation are generally as follows:

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

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

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

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

**c.** Cash consists of cash on hand and short-term cash equivalents. Cash equivalents are made up of negotiable order of withdrawal accounts, collateralized time deposits, and money market accounts.

**d.** Restricted cash and investments are primarily comprised of Passenger Facility Charges (PFCs), cash restricted for use by the Port Authority Insurance Captive Entity, LLC (PAICE), and insurance proceeds that are restricted to business interruption and redevelopment expenditures.

**e.** Enterprise fund net position is comprised of:

- *Net investment in capital assets*, which consists of capital assets, net of accumulated depreciation, less the outstanding balances related to payables, bonds, notes, or other liabilities that are attributable to the acquisition, construction, or improvement of those assets.

- *Restricted*, which consists of net resources that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Port Authority's policy to use restricted resources first.

- *Unrestricted*, which consists of net resources that do not meet the definition of *Restricted* or *Net investment in capital assets*.

**f.** Statutorily mandated reserves held by PAICE are restricted for purposes of insuring certain Port Authority risk exposures.

**g.** Inventories are valued using an average cost method, which prices items on the basis of the average cost of all similar goods remaining in stock. Inventory is reported as a component of *Other noncurrent assets* on the Statements of Net Position.

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

**i.** Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration (FAA) approved airport-related projects. Revenues derived from the collection of PFCs, net of the air carriers' handling charges, are recognized as capital contributions when the passenger activity occurs and the fees are due from the air carriers. Capital investment funded by PFCs is reflected as a component of *Facilities, net*.

**j.** Required capital contributions due the Port Authority from the World Trade Center (WTC) Tower 2, 3 and 4 net lessees related to the replacement of the net leased premises owned by the Port Authority that were destroyed on September 11, 2001 are recognized as a component of *Facilities, net* on the Statements of Net Position and a *Contribution in aid of construction* on the Statements of Revenues, Expenses and Changes in Net Position as the construction occurs. Subsequent to becoming ready for their intended use, WTC Towers 2, 3 and 4 will be depreciated over their estimated useful life. WTC Tower 4 and WTC Tower 3 were placed into service in November 2014 and June 2018, respectively.

**k.** All Port Authority investment values that are affected by interest rate changes have been reported at their fair value, using published market prices. The Port Authority uses a variety of financial instruments to assist in the management of its financing and investment objectives and may also employ hedging strategies to minimize interest rate risk. The Port Authority may enter into various derivative instruments, including options on United States Treasury securities, repurchase and reverse repurchase (yield maintenance) agreements and United States Treasury and municipal bond futures contracts (see *Note C – Cash and Investments*).

**l.** In accordance with GASB Statement No. 23, "*Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities,*" as amended, when issuing new debt for refunding purposes, the difference between the reacquisition price and the net carrying amount of the refunded debt is recognized as either a deferred outflow of resources or deferred inflow of resources and amortized on a straight-line basis as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**m.** Bond premiums received or discounts provided at issuance are deferred and amortized on a straight-line basis as a component of interest expense over the term of the bond, as this approximates the effective interest of the bond issuance. Unamortized premiums received or discounts provided are classified as a reduction of (discounts) or an addition to (premiums) the par value of the *Bonds and other asset financing obligations* on the Statements of Net Position.

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

**o.** In January 2017, GASB issued Statement No. 84, *"Fiduciary Activities."* The requirements of GASB Statement No. 84 were effective for financial statements periods beginning after December 15, 2018. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Adoption of GASB Statement No. 84 required the inclusion of, *Statements of Fiduciary Net Position* and *Statements of Changes in Fiduciary in Net Position* related to *the Port Authority of New York and New Jersey Retiree Health Benefits Trust* and additional note disclosures (*Note C- Cash and Investments*).

**p.** In April 2018, GASB issued Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements."* The requirements of GASB Statement No. 88 were effective for financial statements periods beginning after June 15, 2018. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Adoption of this statement resulted in additional disclosures contained in *Note D- Outstanding Financing Obligations*.

**q.** In June 2017, GASB issued Statement No. 87, *"Leases."* The requirements of GASB Statement No. 87 are effective for financial statements periods beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Port Authority is in the process of evaluating the impact of adopting GASB Statement No. 87.

**r.** In June 2018, GASB issued Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period."* The requirements of GASB Statement No. 89 are effective for financial statements periods beginning after December 15, 2019. The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for the reporting period and to simplify accounting for interest costs incurred before the end of a construction period. The Port Authority is in the process of evaluating the impact of adopting GASB Statement No. 89.

**s.** In May 2019, GASB issued Statement No. 91, *"Conduit Debt Obligations."* The requirements of GASB Statement No. 91 are effective for financial statements periods beginning after December 15, 2020. The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Port Authority is in the process of evaluating the impact of adopting GASB Statement No. 91.

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

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

**a.** Revenues and expenses of facilities are accounted for in the operating fund. The financial resources received and expended for the construction or acquisition of certified Port Authority facilities or capital infrastructure improvements are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds.

**b.** Port Authority bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities other than depreciation of ancillary equipment. Thus, depreciation is not a significant factor in determining the net revenues and reserves of the Port Authority or their application as provided for in the Port Authority's bond resolutions. Instead, capital expenditures are provided for through deductions from net revenues available for debt service in amounts equal to principal payments on debt outstanding or through the application of monies previously deposited in the Consolidated Bond Reserve Fund for the purposes of funding capital investment in facilities. These amounts are credited at par to *Facility infrastructure investment* in the capital fund on *Schedule B – Assets and Liabilities*.

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

**d.** Capital costs for Regional Facilities and Programs are included in *Invested in facilities* in accordance with Port Authority bond resolutions.

**e.** Consolidated bonds and notes are recorded as outstanding at their par value commencing on the date that the Port Authority is contractually obligated to issue and sell such obligations. Bond premiums received or discounts provided at issuance related to bonds issued for the purpose of funding capital construction or refunding existing capital debt obligations are recorded as either a reduction of (discount) or addition to (premium) *Net Position – Facility infrastructure investment* in the capital fund on *Schedule B – Assets and Liabilities* at the time of issuance.

**f.** To reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the historical cost of capital assets removed from service due to retirement is not deducted from *Invested in facilities*. However, if a capital asset is sold, the proceeds received from the sale are deposited in the capital fund for purposes of funding future capital investment or retiring existing debt obligations and deducted from cumulative *Invested in facilities* on *Schedule B – Assets and Liabilities* at the time of the sale.

**g.** Contributed capital amounts resulting from non-exchange transactions, including contributions in aid of construction where the Port Authority does not receive a cash reimbursement for prior cash outlays, are included in *Invested in facilities*, and credited to *Facility infrastructure investment* in the capital fund.

**h.** Amounts attributable to the collection and investment of PFCs are restricted and can only be used for FAA approved airport-related projects. Revenues derived from the collection and investment of PFCs, net of the air carriers' handling charges, are initially deferred as *Unapplied Passenger Facility Charges* on *Schedule B – Assets and Liabilities* and applied as revenue on *Schedule A – Revenues and Reserves* for the reimbursement of previous capital cash outlays by the Port Authority when the PFCs become available for application. Capital investment funded by PFCs is reflected as a component of *Invested in facilities* on *Schedule B – Assets and Liabilities*.

**i.** Amounts received in connection with the March 18, 2014 transfer of the Port Authority's interests in the WTC Retail Joint Venture to Westfield are recognized as revenue in their entirety when they are received and are recorded on that basis on *Schedule A – Revenues and Reserves*.

**j.** The cumulative impact of adopting a new accounting standard is recognized as either an increase or decrease to the operating fund's net position in the year of adoption and amortized as an application from the Consolidated Bond Reserve Fund over a closed 30-year period.

**k.** In accordance with Port Authority bond resolutions, operating expenses provide for contingencies related to future operating and maintenance expenses.

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

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

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

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

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

## Note B - Facilities, net

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

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

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

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

1. Net interest expense added to the cost of facilities was $131.4 million in 2019 and $135 million in 2018.

2. Projects that have been suspended pending determination of their continued viability totaled $34.6 million in 2019 and $33.1 million in 2018.

3. Depreciation includes accelerated depreciation of $2.4 million in 2019 and $29.5 million in 2018 related to capital assets that were retired and taken out of service.

4. Retirements and Dispositions include the book value, if any, related to capital assets that have been sold or otherwise disposed of.

## Note C – Cash and Investments

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

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

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

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

** Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation.
Level 3 inputs are unobservable inputs for the asset; they should be used only when relevant Level 1 and Level 2 inputs are unavailable.
Port Authority investments are valued at the closing price on the last business day of the fiscal year or last trade reported on the major market exchange on which the individual securities are traded.

*** Investments are valued at unamortized cost.

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

**Port Authority Investment Policies**

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

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

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

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

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

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

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

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

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

*Excludes accrued interest receivable amounts of $17.4 million.

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

**PAICE Investment Policies**

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

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

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

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

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

*Excludes accrued interest receivable amounts of $828 thousand.

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

### Investment Policies

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

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

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

### Rate of Return

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

**Diversification**

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

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

**Market Risk**

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

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

* Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation.
Level 3 inputs are unobservable inputs for the asset; they should be used only when relevant Level 1 and Level 2 inputs are unavailable.
Port Authority investments are valued at the closing price on the last business day of the fiscal year or last trade reported on the major market exchange on which the individual securities are traded.

### Credit Risk

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

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

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

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

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

### Concentration of Credit Risk

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

### Custodial Credit Risk

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

### Interest Rate Risk

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

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

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

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

**Note D - Outstanding Financing Obligations**

**Outstanding bonds and other asset financing obligations**

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

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

**A. Consolidated Bonds and Notes**

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

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

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

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

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

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

Information related to a specific consolidated bond series can be found in *Section V. Schedules of Outstanding Debt* in the Port Authority's official statement dated November 19, 2019 which can be located in the corporate information section on the Port Authority's website at:
https://www.panynj.gov/corporate/en/financial-information/consolidated-bonds-and-notes.html

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

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

Also at its July 26, 2018 meeting, the Board of Commissioners established Consolidated Notes to be issued on or after September 1, 2018 in one or more series, commencing with Series AAA and denominated with three uniform letters in consecutive alphabetic order thereafter, with the sale of each series for a term to maturity not in excess of 3 years and at a true interest cost to the Port Authority not to exceed eight percent (8%). The total aggregate principal amount of Consolidated Bonds, Consolidated Notes and Versatile Structure Obligations to be issued and sold under this Plan of Financing, shall not exceed $8 billion. An Authorized Officer of the Authority would be authorized to take any and all action that could be taken by the Committee on Finance in connection with each of such Series, provided, however, that such actions in connection with the decision to sell such series shall be subject to prior approval of the Committee on Finance.

**B. Commercial Paper Obligations**

Commercial paper obligations are special obligations of the Port Authority generally issued to provide interim financing for authorized capital projects. Commercial paper obligations may be outstanding until December 31, 2020 pursuant to the July 23, 2015 resolution, entitled "Port Authority Commercial Paper Obligations-Resolution", authorizing their issuance. The July 23, 2015 resolution also authorized a taxable commercial paper program, Series C. For additional information related to the payment of special obligations of the Port Authority, see *Note E – General and Consolidated Bond Reserve Funds.*

Under the current program, the maximum aggregate principal amount that may be outstanding at any one time is $250 million for Series A, $250 million for Series B and $250 million for Series C.

On August 29, 2019, the Port Authority entered into an agreement with the Bank of Montreal, acting through its Chicago Branch, establishing a Letter of Credit in the amount of approximately $250 million to provide additional liquidity support to the Port Authority's obligation to pay principal and interest on Commercial Paper, Series C Notes. As of December 31, 2019, this commitment amount has not been drawn upon. In addition, on November 1, 2019, the Port Authority entered into a Revolving Credit Agreement with PNC Bank, National Association with a commitment amount of $250 million to provide additional liquidity support to the Port Authority's obligation to pay principal and interest on Commercial Paper, Series A Notes. As of December 31, 2019, this commitment amount has not been drawn upon.

| | Dec. 31, 2018 | Issued | Repaid | Dec. 31, 2019 |
|---|---|---|---|---|
| | | (In thousands) | | |
| Series A* | $ 166,610 | $ 1,160,080 | $ 1,173,375 | $ 153,315 |
| Series B | 158,070 | 826,995 | 798,065 | 187,000 |
| Series C** | 156,085 | 1,647,080 | 1,642,915 | 160,250 |
| | $ 480,765 | $ 3,634,155 | $ 3,614,355 | $ 500,565 |

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

| | Dec. 31, 2017 | Issued | Repaid | Dec. 31, 2018 |
|---|---|---|---|---|
| | | (In thousands) | | |
| Series A* | $ 220,755 | $ 731,120 | $ 785,265 | $ 166,610 |
| Series B | 223,860 | 746,455 | 812,245 | 158,070 |
| Series C** | 20,000 | 538,545 | 402,460 | 156,085 |
| | $ 464,615 | $ 2,016,120 | $ 1,999,970 | $ 480,765 |

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

Interest rates for all commercial paper notes ranged from 1.11% to 2.8% in 2019.

### C. Variable Rate Master Notes

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

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

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

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

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

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

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

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

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

### D. Port Authority Equipment Notes

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

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

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

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

| | Dec. 31, 2018 | Accretion | Amortization | Dec. 31, 2019 |
|---|---|---|---|---|
| | | (In thousands) | | |
| Obligation outstanding | $ 143,939 | $ - | $ 43,681 | $ 100,258 |

| | Dec. 31, 2017 | Accretion | Amortization | Dec. 31, 2018 |
|---|---|---|---|---|
| | | (In thousands) | | |
| Obligation outstanding | $ 184,230 | $ - | $ 40,291 | $ 143,939 |

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

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

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

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

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

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

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

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

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

**G. Tower 4 Liberty Bonds**

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

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

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

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

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

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

### H. Goethals Bridge Replacement Developer Financing Arrangement

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

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

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

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

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

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

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

* DFA loan interest rate equals 5.64%.

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

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

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

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

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

(a) Special project bonds, Series 4, KIAC Partners Project, were issued in 1996 to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.

(b) Special project bonds, Series 6, JFKIAT Project, were issued in 1997 in connection with a project that included the development and construction of a new passenger terminal at JFK Terminal 4.**

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

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

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

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

(a) Special project bonds, Series 4, KIAC Partners Project, were issued in 1996 to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.

(b) Special project bonds, Series 6, JFKIAT Project, were issued in 1997 in connection with a project that included the development and construction of a new passenger terminal at JFK Terminal 4.

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

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

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

### Consolidated Bonds and Consolidated Notes

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

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

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

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

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

### Special Obligations

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

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

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

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

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

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

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

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

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

**Policing programs**

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

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

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

**Grants, in connection with operating activities**

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

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

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

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

**Contributions in Aid of Capital Construction**

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

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

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

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

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

## Note G - Lease Commitments

**Operating lease revenues**

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

**Property held for lease**

The Port Authority has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Teleport and WTC. Investments in such facilities, as of December 31, 2019, include property associated with minimum rentals derived from the leases. It is not reasonably practicable to segregate the value of assets associated with producing minimum rental revenue from the value of assets associated with an entire facility.

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

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

(a) Includes $17 million related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture, expected to be received in 2020-2021.
(b) Includes future minimum rentals of approximately $14.2 billion attributable to the Silverstein net leases for WTC Towers 2, 3 and 4.
(c) Future minimum rentals exclude amounts attributable to the transfer of the Port Authority's interests in the WTC Retail Joint Venture that are contingent upon the construction of certain retail space located within WTC Towers 2 and 3.

**Property leased from others**

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

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

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

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

**Note H – Regional Facilities and Programs**

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

**Regional Facilities**

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

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

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

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

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

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

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

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

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

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

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

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

__Interstate Transportation Network Programs__

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

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

## Note I - Pension Plans

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

### Port Authority Employees

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

**NYSLRS Plan Benefits**

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

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

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

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

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

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

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

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

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

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

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

Detailed information about the fiduciary net position and valuation methods related to ERS and PFRS can be found in the NYSLRS Annual Report as of and for the years ended March 31, 2019 and March 31, 2018, which is publicly available at the following web address:
http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php

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

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

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

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

| NPL | December 31, 2019 | December 31, 2018 |
|---|---|---|
| | (In thousands) | |
| ERS | $91,792 | $ 41,500 |
| PFRS | 129,920 | 77,081 |
| **Total Net Pension Liability** | $221,712 | $118,581 |

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

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

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

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

**NYSLRS Pension Expense - 2019 and 2018**

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

| Pension Expense | 2019 | 2018 |
|---|---|---|
| | (In thousands) | |
| ERS | $ 66,146 | $ 54,797 |
| PFRS | 79,500 | 69,095 |
| **Total Pension Expense** | $ 145,646 | $ 123,892 |

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

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

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

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

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

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

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

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

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

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

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

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

**NYSLRS Actuarial Assumptions - 2019 and 2018**

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

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

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

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

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

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

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

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

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

The discount rate used to calculate the TPL for ERS and PFRS was 7.0% for both 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rates and that employer contributions will be made at their contractually required rates, as actuarially determined.

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

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

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

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

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

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

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

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

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

| | **2019** | 2018 |
|---|---|---|
| | (In thousands) | |
| Employer Contributions | **$ 2,675** | $ 2,030 |
| Employee Contributions | **1,956** | 1,491 |
| Total | **$ 4,631** | $ 3,521 |

## Port Authority Trans-Hudson Corporation (PATH) Employees

### Federal Railroad Retirement Program

PATH employees are not eligible to participate in NYSLRS. In accordance with Federal Railroad Retirement legislation enacted in 1935, and amended thereafter, PATH represented and non-represented employees are members of a two tiered Federal Railroad Retirement Program administered by the United States Railroad Retirement Board. The Federal Railroad Retirement Program is a cost-sharing defined benefit pension plan, providing benefits to employees of governmental and private sector railroad entities. Program benefits are established and may be amended by federal legislation. Under the Federal Railroad Retirement Program, employees are entitled to retirement benefits related to years of railroad service, age and salary. Survivor and disability benefits are also available to members based on program eligibility requirements. Vesting of benefits is determined after a set period of credited railroad service. Funding of the Federal Railroad Retirement Program is legislatively determined through the collection of employer and employee Railroad Retirement Taxes. In 2019 and 2018, 1,232 and 1,231 PATH employees, respectively, participated in the Federal Railroad Retirement Program.

Employer and employee contributions to the Federal Railroad Retirement Program were as follows:

| Railroad Retirement Tier I | Employee Tax Rate | Employee Taxes | Employer Tax Rate | Employer Taxes | Total Taxes |
|---|---|---|---|---|---|
| | | | ($ In thousands) | | |
| 2019 | 7.65% | $ 8,466 | 7.65% | $ 8,466 | $ 16,932 |
| 2018 | 7.65% | $ 8,197 | 7.65% | $ 8,197 | $ 16,394 |

| Railroad Retirement Tier II | Employee Tax Rate | Employee Taxes | Employer Tax Rate | Employer Taxes | Total Taxes |
|---|---|---|---|---|---|
| | | | ($ In thousands) | | |
| 2019 | 4.9% | $ 4,832 | 13.1% | $ 12,918 | $ 17,750 |
| 2018 | 4.9% | $ 4,687 | 13.1% | $ 12,530 | $ 17,217 |

Detailed information about the Federal Railroad Retirement Program can be found in the U.S. Railroad Retirement Board Performance and Accountability Report, which is publicly available at the following web address: http://www.rrb.gov/pdf/oig/reports/1601.pdf

### PATH Employees Supplemental Pension Plans

In addition to pension benefits provided under the Federal Railroad Retirement Program, PATH employees are eligible to participate in certain supplemental pension plans.

### PATH Represented Employees

For PATH employees covered under collective bargaining agreements, PATH makes defined contributions to supplemental pension plans administered exclusively by trustees comprised of and appointed by union members. Benefits are established and may be amended at the sole discretion of the trustees. PATH is not responsible for funding deficiencies or entitled to funding surpluses related to these supplemental pension plans. PATH's sole responsibility related to these supplemental pension plans are contributions defined in various collective bargaining agreements. Contributions by PATH to these supplemental pension plans totaled approximately $6.7 million in 2019 and $6.8 million in 2018.

### PATH Non-Represented Employees

Employees of PATH who are not covered by collective bargaining agreements (PATH Exempt Employees) are members of the PATH Exempt Employees Supplemental Pension Plan, amended and restated as of

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

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

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

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

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

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

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

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

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

Pension expense related to the Plan totaled:

| | **2019** | **2018** |
|---|---|---|
| | (In thousands) | |
| Pension Expense | $ 3,996 | $ 8,824 |

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

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

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

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

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

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

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

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

| Year ended December 31, | Total Amortization |
|---|---|
| | (In thousands) |
| 2020 | $ (1,976) |
| 2021 | (2,143) |
| 2022 | (2,406) |
| 2023 | (1,764) |
| Total | $ (8,289) |

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

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

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

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

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

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

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

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

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

| | | 2019 | |
|---|---|---|---|
| | 1% Decrease (3.10%) | Discount Rate (4.10%) | 1% Increase (5.10%) |
| | | (In thousands) | |
| Total Pension Liability | $ 85,852 | $ 76,498 | $ 68,676 |

| | | 2018 | |
|---|---|---|---|
| | 1% Decrease (2.44%) | Discount Rate (3.44%) | 1% Increase (4.44%) |
| | | (In thousands) | |
| Total Pension Liability | $ 101,822 | $ 89,381 | $ 79,079 |

## Note J – Other Postemployment Benefits (OPEB)

**Plan Description and Organization**

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

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

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

Contributions toward OPEB costs are required of certain non-represented and represented participants. In 2018 and 2019, certain Plan provisions relating to represented employees' contributions toward OPEB were changed due to the amendment of certain collective bargaining agreements. Retiree contributions are dependent on a number of factors including, type of benefit, hire date, years of service, pension earnings and retirement date.

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

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

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

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

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

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

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

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

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

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

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

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

**OPEB Expense**

OPEB expense related to the Plan totaled:

| | **2019** | **2018** |
|---|---|---|
| | (In thousands) | |
| OPEB Expense | $ 112,666 | $ 152,954 |

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

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

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

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

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

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

| **Year ended December 31,** | Total Amortization |
|---|---|
| | (In thousands) |
| 2020 | $ (27,731) |
| 2021 | (27,731) |
| 2022 | (9,001) |
| 2023 | (49,630) |
| 2024 | (19,370) |
| **Total** | $ (133,463) |

**Actuarial Methods and Assumptions**

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

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

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

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

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

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

* Represents the expected long-term rate of return on investments expected to be used for the payment of benefits
** Declining to an ultimate medical healthcare cost trend rate of 4.5% in 2025 (including 2.5% inflation factor)
*** Decreasing to 4.5% in 2025

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

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

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

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

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

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

**2.** At December 31, 2019, the Port Authority had entered into various construction contracts totaling approximately $6.6 billion, which are expected to be completed within the next three years.

**3.** Other amounts receivable, net recognized on the Statements of Net Position totaled $179 million at December 31, 2019, and is comprised of the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

**One World Trade Center**

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

**World Trade Center Tower 2**

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

**World Trade Center Tower 3**

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

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

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

**World Trade Center Tower 4**

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

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

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

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

**The World Trade Center Transportation Hub**

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

**World Trade Center Infrastructure Projects**

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

**WTC Retail**

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

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

**WTC Memorial and Museum**

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

## Note M – Risk Financing Activities

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

### Property Damage and Loss of Revenue Insurance Program

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

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

### Public Liability Insurance Programs

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

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

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

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

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

### Construction Insurance Programs

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

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

### Port Authority Insurance Captive Entity, LLC

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

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

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

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

**Self-Insured Loss Reserves**

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

Self-insured public liability loss reserves:

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

* Loss reserves exclude loss adjustment expenditures.

Self-insured workers' compensation loss reserves:

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

* Loss reserves exclude loss adjustment expenditures.

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

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

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

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

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

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

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

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

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

See accompanying independent auditors' report.

## FEDERAL RAILROAD RETIREMENT PROGRAM

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

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

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

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

## PATH EXEMPT EMPLOYEES SUPPLEMENTAL PENSION PLAN

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

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

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

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

See accompanying independent auditors' report.

## OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

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

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

Notes to Schedule:

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

See accompanying independent auditors' report.

## Schedule A - Revenues and Reserves

(pursuant to Port Authority bond resolutions)

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

**See Notes to Financial Statements.**

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

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

**See Notes to Financial Statements.**

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

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

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

**See Notes to Financial Statements.**

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STATISTICAL AND OTHER SUPPLEMENTAL INFORMATION

For the year ended December 31, 2019

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

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

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

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

The Port Authority has several forms of outstanding financing obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See accompanying independent auditors' report.

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

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

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

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

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

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

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

| | 2019 | 2018 | 2017 (Restated) | 2016 |
|---|---|---|---|---|
| | | | | (In thousands) |
| **Gross Operating Revenues:** | | | | |
| Tunnels, Bridges and Terminals | **$ 1,740,044** | $ 1,737,458 | $ 1,739,552 | $ 1,742,028 |
| PATH | **210,610** | 203,800 | 202,880 | 191,261 |
| Port | **322,061** | 310,637 | 295,651 | 300,569 |
| Aviation | **2,913,161** | 2,762,279 | 2,682,523 | 2,646,213 |
| Development | **24,380** | 25,632 | 24,967 | 25,956 |
| World Trade Center | **329,212** | 303,995 | 274,029 | 260,655 |
| Other [a] | **247** | 207 | 787 | 682 |
| Total | **$ 5,539,715** | $ 5,344,008 | $ 5,220,389 | $ 5,167,364 |
| | | | | |
| **Operating Expenses:** [b] | | | | |
| Tunnels, Bridges and Terminals | **$ 553,759** | $ 524,212 | $ 525,862 | $ 509,529 |
| PATH | **457,515** | 447,552 | 423,384 | 415,251 |
| Port | **174,213** | 166,405 | 160,495 | 167,724 |
| Aviation | **1,886,112** | 1,754,801 | 1,693,563 | 1,612,470 |
| Development | **11,475** | 11,786 | 12,399 | 10,853 |
| World Trade Center | **346,535** | 333,848 | 312,242 | 293,864 |
| Other [c] [f] | **567** | 3,711 | (19,035) | 3,396 |
| Total | **$ 3,430,176** | $ 3,242,315 | $ 3,108,910 | $ 3,013,087 |
| | | | | |
| **Capital Investment:** [d] | | | | |
| Tunnels, Bridges and Terminals | **$ 697,449** | $ 931,539 | $ 885,311 | $ 1,179,307 |
| PATH (including WTC Transportation Hub) | **358,166** | 340,635 | 274,429 | 454,031 |
| Port | **120,019** | 146,153 | 106,455 | 133,874 |
| Aviation [g] | **1,588,820** | 989,693 | 772,520 | 584,996 |
| Development | **111** | 3,682 | 893 | 1,569 |
| World Trade Center | **266,795** | 314,472 | 311,122 | 846,597 |
| Other [e] | **6,307** | 39,547 | 150,409 | 290 |
| Total | **$ 3,037,667** | $ 2,765,720 | $ 2,501,139 | $ 3,200,664 |

[a] Includes Ferry Transportation, Access to the Regions Core, Moynihan Station Transportation Program, and Regional Facilities and Programs.

[b] Amounts include all direct and allocated operating expenses.

[c] Includes Ferry Transportation, Access to the Regions Core, Regional Facilities and Programs, Moynihan Station Transportation Program and administrative expenses related to PAICE.

[d] Capital investment includes contributed capital amounts and write-offs related to capital construction.

[e] Includes Ferry Transportation, Access to the Regions Core, Regional Facilities and Programs, Moynihan Station Transportation Program, and Gateway Early Work Program.

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

[g] Excludes landlord leasehold capital improvements related to LGA Terminal B of $297 million in 2019, $289 million in 2018 and $163 million in 2017, respectively.

See accompanying independent auditors' report.

| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| $ 1,599,575 | $ 1,447,896 | $ 1,369,559 | $ 1,258,125 | $ 1,078,977 | $ 1,009,891 |
| 184,560 | 168,668 | 150,604 | 134,382 | 121,102 | 109,704 |
| 270,263 | 248,443 | 262,526 | 249,609 | 236,461 | 223,095 |
| 2,537,233 | 2,479,106 | 2,321,300 | 2,276,018 | 2,221,157 | 2,124,955 |
| 26,561 | 51,077 | 29,492 | 87,521 | 100,800 | 89,457 |
| 207,634 | 85,942 | 50,087 | 44,107 | 41,816 | 76,704 |
| 756 | 680 | 471 | 254 | 167 | 217 |
| $ 4,826,582 | $ 4,481,812 | $ 4,184,039 | $ 4,050,016 | $ 3,800,480 | $ 3,634,023 |
| | | | | | |
| $ 499,873 | $ 510,383 | $ 493,429 | $ 468,263 | $ 460,960 | $ 437,775 |
| 389,276 | 401,273 | 338,926 | 329,663 | 322,133 | 385,686 |
| 175,976 | 172,545 | 176,459 | 190,043 | 185,053 | 163,424 |
| 1,557,926 | 1,623,190 | 1,466,692 | 1,410,070 | 1,385,582 | 1,317,749 |
| 13,659 | 15,737 | 15,497 | 79,620 | 82,637 | 77,200 |
| 258,748 | 192,789 | 94,312 | 76,149 | 106,277 | 116,797 |
| 5,194 | 7,337 | 10,953 | 35,639 | 22,327 | 99,926 |
| $ 2,900,652 | $ 2,923,254 | $ 2,596,268 | $ 2,589,447 | $ 2,564,969 | $ 2,598,557 |
| | | | | | |
| $ 956,231 | $ 961,854 | $ 413,946 | $ 233,637 | $ 168,759 | $ 149,803 |
| 268,428 | 512,415 | 559,104 | 743,136 | 720,797 | 752,486 |
| 93,729 | 210,496 | 180,760 | 184,750 | 228,747 | 302,858 |
| 791,805 | 715,456 | 468,319 | 351,535 | 243,995 | 518,545 |
| 2,110 | 1,977 | 527 | 140 | (26,556) | 29,297 |
| 904,787 | 1,674,030 | 1,373,328 | 1,802,009 | 2,087,741 | 1,091,464 |
| 3,144 | 3,822 | 3,221 | 6,767 | 9,464 | 133,229 |
| $ 3,020,234 | $ 4,080,050 | $ 2,999,205 | $ 3,321,974 | $ 3,432,947 | $ 2,977,682 |

## Schedule E - Information on Port Authority Operations

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

[a] Amounts include all direct and allocated operating expenses.
[b] Amounts include net interest expense (interest expense less financial income), Tower 4 Liberty Bond debt service reimbursements, Pass-through grant program payments, Grants in connection with operating activities and gains or losses generated by the disposition of assets, if any.
[c] Facility amounts include Passenger Facility Charge activities.

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

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

[a] Capital investment includes contributed capital amounts and write-offs related to capital construction.

[b] Facility capital investment amounts include projects funded with Passenger Facility Charges.

[c] Capital investment includes campus wide infrastructure primarily related to utilities, roadways, WTC Memorial, WTC Vehicular Security Center and the WTC Chiller Plant.

[d] Includes WTC net lessee required capital contributions related to the construction of WTC Tower 2, 3 and 4.

[e] Excludes landlord leasehold capital improvements related to LGA Terminal B of $297 million.

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

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

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

See accompanying independent auditors' report.

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

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# APPENDIX B

## Condensed Enterprise Fund Financial Statements as of and for the Nine-Month Period Ended September 30, 2020 (Unaudited)

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# The Port Authority of New York and New Jersey

Condensed Enterprise Fund Financial Statements as of and for the Nine-Month Period Ended September 30, 2020 (Unaudited)

## THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

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## 1. OVERVIEW OF THE FINANCIAL STATEMENTS

The following is an overview of The Port Authority of New York and New Jersey (The Port Authority) and its component units' business-type activities as of and for the nine-month period ended September 30, 2020. This overview is intended to serve as an introduction to the unaudited condensed enterprise fund financial statements which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and should be read in conjunction with the Port Authority's audited financial statements and appended note disclosures for the year ended December 31, 2019, which are located in the corporate information section of the Port Authority's website.

Unaudited financial results for the nine-month period ended September 30, 2020 contained in these schedules are not necessarily indicative of the results for the annual period ending December 31, 2020.

Unaudited financial statements for the nine-month period ended September 30, 2020 include periods in which travel was curtailed as a result of the coronavirus disease 2019 (COVID-19) pandemic. The impacts of COVID-19 are primarily reflected in the seven-month period covering March 2020 through September 2020. Therefore, results for the nine-month period ended September 30, 2020, which also include the less affected months of January 2020 and February of 2020, may understate the annual impact of COVID-19 on the Port Authority's annual 2020 financial results (for additional information see *Section 4. Coronavirus Disease 2019 (COVID-19)* below).

***Management's Discussion and Analysis***

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

***Condensed Enterprise Fund Financial Statements***

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

The Statement of Revenues, Expenses and Changes in Net Position shows how the Port Authority's overall Net Position changed during the nine-month period ended September 30, 2020 and September 30, 2019.

The Statement of Cash Flows provides information about the Port Authority's cash receipts, cash payments, and net changes in cash resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities for the nine-month period ended September 30, 2020 and September 30, 2019.

## 2. FINANCIAL REPORTING ENTITY

The Port Authority of New York and New Jersey was created in 1921 by Compact between the States of New York and New Jersey with the consent of the United States Congress. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation primarily upon the basis of its own credit. Cash derived from Port Authority operations and other cash received may be disbursed only for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily from operating revenue sources, including rentals, tolls, fares, aviation and port fees, and other charges for the use of, and privileges at certain of the Port Authority's facilities.

## 3. BASIS OF ACCOUNTING

Port Authority business-type activities are accounted for using the flow of economic resources measurement focus and accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, including revenues and expenses, are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

The Port Authority follows U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Preparation of the unaudited condensed enterprise fund financial statements in conformity with GAAP requires management, where necessary, to make estimates and assumptions that affect the amounts reported in the condensed financial statements and accompanying notes. Such estimates and assumptions are subject to various uncertainties, the occurrence of which may cause differences between those estimates and assumptions and actual results.

## 4. CORONAVIRUS DISEASE 2019 (COVID-19) IMPACTS

### Operational Update

Activity Volume

Beginning in early March 2020, the Port Authority's facilities have experienced significantly reduced usage compared to previous years and compared to its 2020 operating activity budget established in late 2019, prior to the availability of credible information on COVID-19 (which generally assumed increased usage over 2019). Because approximately one third of the Port Authority's revenues are derived from tolls and fares, declining utilization of its bridges and tunnels and its PATH transit system has had, and will continue to have, a negative effect on the Port Authority's revenues for an indeterminate period of time.

In addition, parking and other user fee revenues—which are primarily earned at the Port Authority's airports and seaports—comprise approximately 7% of 2020 budgeted revenues and are dependent on activity volumes which have been negatively impacted. Further, in light of low passenger volumes at the airports as a result of COVID-19 and the finalization of implementation plans, the implementation of the new ground transportation access fee at John F. Kennedy International, Newark Liberty International, and LaGuardia Airports has been delayed from October 3, 2020 to April 5, 2021. Further, some tenants who pay rent to locate and operate at the Port Authority's facilities are also heavily affected by the reduced activity levels and may be unable to meet certain obligations to the Port Authority. Some tenants have requested specific relief from contractual payment obligations (see "Rents & Property Use Charges" below).

For the period of October 19, 2020 to October 23, 2020, the Port Authority compared average weekday use of its airports, its PATH transit system, and its bridges and tunnels against the average weekday use in October 2019. Declines are presented below. In addition, the table presents the nadir of the average weekday use, which occurred in April 2020, as compared to April 2019 for all activity volumes.

| | % Decline from April 2019 at 2020 Nadir | % Decline from October 2019 |
|---|---|---|
| Aviation Passengers† | (98)% | (77)% |
| PATH Riders | (95)% | (78)% |
| Bridges and Tunnels, Total Vehicles | (62)% | (11)% |

†Based on TSA checkpoint entries

The Port Authority expects that non-aviation activity levels will continue to recover as the restrictions imposed by the States of New York and New Jersey and the federal government continue to be lifted, which began in New York City on June 8, 2020. The speed of the recovery, however, is difficult to estimate as it is dependent on the type of facility, the progression of the COVID-19 virus, when the traveling public is confident the pandemic has abated, and how growth of the regional economy is affected, among other factors.

Activity levels at the airports may continue to be volatile for a longer period. Almost all airlines are operating under reduced schedules, and some have reduced service to individual airports. The speed of the recovery may be further impacted based on the continued restrictions on travelers from the United States to the European Union, as well as the quarantine requirements imposed in the travel advisories issued by New York State, New Jersey, and Connecticut on June 24, 2020 and thereafter. There can be no assurance when and whether airlines will return to pre-COVID-19 schedules or whether airlines will decide to curtail services at the Port Authority airports, temporarily or permanently.

Cargo shipping activity at the Port Authority's seaports has been impacted less than the Port Authority's other facilities over the period of March through September due to the continued demand for goods in the region and patterns of global shipping. For the period March 2020 through September 2020, cargo activity was (5.1)% below 2019 levels for the same period. August and September container throughput volumes represent the first months since March when activity levels exceeded those of 2019, with August container throughput increasing 1.3% compared to August 2019, and preliminary September results showing a 15.4% increase compared to September 2019. Future volume will depend on worldwide and regional economic growth and regional demand for imported products.

The Port Authority has developed various scenarios to track the recovery of activity volumes at its facilities based on the estimated actions of facility users, governmental actors and the regional economy as a whole, amongst others. To date, activity volumes are trending in alignment with the Port Authority's baseline scenario. However, the Port Authority is forecasting that the slope of the recovery in aviation passenger and PATH rider volumes may be lower than assumed earlier this year, consistent with a slower recovery in the aviation and mass-transit sectors nation-wide.

Operational Changes

The Port Authority continues to operate all its facilities. However, beginning in March 2020, the Port Authority responded to lower activity levels by consolidating operations and reducing its operating footprint in facilities where passenger and ridership volumes have dropped, and is making modifications accordingly as activity volumes increase. The Port Authority has also made certain changes to operational protocols at its facilities to increase cleaning and disinfecting in an attempt to provide as safe an environment as possible for its customers and employees, including requiring that face coverings be worn in all its facilities. As activity levels increase, the Port Authority is beginning to ramp up certain of its operations to accommodate the higher activity levels.

Essential infrastructure construction continues at Port Authority facilities in accordance with New York and New Jersey coronavirus guidelines, including implementation of appropriate safety protocols by the Port Authority's contractors and other permittees.

Rents & Property Use Charges
Some tenants who pay rent to locate and operate at Port Authority facilities have also been affected by the reduced activity levels and may be unable to meet certain obligations to the Port Authority.

The Port Authority has provided relief for certain retail concessionaires and other counterparties at its facilities by temporarily suspending fixed rent obligations, including minimum annual guaranteed payments from airport concessionaires, through December 31, 2020. This is the third extension of the suspension period the Port Authority has granted since the onset of COVID-19. During the relief period, rents are being calculated solely based on a percentage of actual gross receipts earned. In addition, the rentals due for the period of March through June 2020 were deferred to be paid in six equal monthly installments in the period of July 1, 2020 through December 31, 2020. To date, the Port Authority has begun receiving the deferred rentals in accordance with the terms of the relief. The Port Authority continues monitoring activity and evaluating whether the rent relief program will be extended beyond 2020.

The financial impact to the Port Authority of the relief as described above and revenue reductions at the World Trade Center due to the termination of certain leases and the exercise of contractual rights is estimated at approximately $70 million in lower revenues for 2020.

The Port Authority and many airlines operating at its airports have entered into cost recovery agreements which are typically reset in July every year to reflect changes in volume trends or costs from those estimated at the beginning of the year. In July 2020, the Port Authority did not adjust the rates to reflect the substantially lower volumes, and the difference between what the rates would have been adjusted to and the unadjusted amounts will be deferred. This difference will be paid over a three-year period beginning January 1, 2021. In addition, the cost recovery fees for activity during the period of March 1, 2020 to April 30, 2020 were deferred, with payments resuming in June 2020 for May activity. These deferred payments are due and are being paid in monthly installments over a six-month period beginning on July 1, 2020.

The financial impact to the Port Authority related to not adjusting the flight fee rates for signatory airlines in July 2020 will result in a reduction of revenue collected in 2020 of approximately $365 million. This is expected to be recovered in the period from 2021 through 2023.

Certain Port Authority tenants and contractors have requested an extension of the time of relief, and in some cases, additional forms of relief from contractual obligations on account of the COVID-19 pandemic. The Port Authority is continuing to evaluate such requests.

**Financial Position**

Gross Operating Revenues

Through September 31, 2020, preliminary unaudited Gross Operating Revenues of $3.3 billion are $1.064 billion, or 25% below the 2020 budget. This decline is the result of the impacts of COVID-19 on Port Authority operations. In addition, the Port Authority collected $162 million less in Passenger Facility Charges (PFCs) as compared to the same nine-months of 2019 due to lower passenger activity at the airports due to COVID-19. Combined, this results in approximately $1.2 billion in lower revenues through September 2020. In the second quarter of 2020, when the full impact of the COVID-19 crisis started, the agency's revenue loss averaged approximately $240 million per month. In the third quarter of 2020, the agency's revenue loss averaged approximately $150 million, reflecting a gradual recovery in activity levels led by the bridges and tunnels and seaports.

While activity at Port Authority facilities has begun to recover, the Port Authority anticipates a prolonged impact from COVID-19. The Port Authority preliminarily estimates that it may experience a reduction in revenue of approximately $3 billion for the twenty-four-month period of March 2020 through March 2022 compared to budgeted amounts — this is in-line with the revenue losses the Port Authority has incurred through September 2020. See "Prospective Financial Condition" below for further information.

Operating Costs

The Port Authority has continued to examine its operating budget to assess opportunities to reduce costs and take advantage of reduced traffic volumes. Staff have identified approximately $200 million in operating savings in 2020, primarily as a result of lower activity. The Port Authority continues to evaluate its costs including potential incremental costs necessary to address COVID-19 operating protocols as activity increases and other unanticipated costs.

Capital Program

The Port Authority is evaluating the impact of COVID-19 on its 2017-2026 Capital Plan, which is likely to be modified. This includes an intensive reevaluation of the overall Capital Plan, and in respect to individual projects.

Federal Support

On March 27, 2020, the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became effective. The CARES Act provides assistance for airports and air carriers, buttressing the domestic airline industry as a whole. On April 14, 2020, the Federal Aviation Administration (FAA) awarded approximately $450 million of grants under the CARES Act to the airports operated by the Port Authority. The Port Authority has been submitting expense reimbursements to the FAA for Port Authority labor-related and certain contractual costs associated with the operation of the airports, with approximately $315 million of reimbursements received through September 30, 2020. The Port Authority anticipates drawing-down on the remaining funds by December 31, 2020. These funds will not fully compensate the Port Authority for its losses at the airports.

The CARES Act also provides funding through the Federal Emergency Management Agency (FEMA) to cover the incremental costs of responding to COVID-19. On September 1, 2020, FEMA revised its public assistance program guidelines, limiting the scope of eligible COVID-19 costs. Starting September 15, 2020, the primary focus of FEMA's public assistance program has been to cover

COVID-19 costs associated with healthcare facilities and the protection of first responders. As a result, the Port Authority currently expects cost recovery from FEMA funding to be $20 million, or $5 million less than previously estimated.

Port Authority continues to advocate for further federal support.

Liquidity

As of September 30, 2020, unrestricted cash and investments, excluding amounts in the Capital Fund for purposes of funding the capital construction program (discussed below) and including amounts in the General Reserve Fund, total approximately $3.7 billion.

As of September 30, 2020, the Port Authority had $22.5 billion of outstanding Consolidated Bonds with a weighted average life of 19.7 years and a weighted average interest rate of 4.67%. In addition, the Port Authority had $1.1 billion of outstanding Consolidated Notes that mature on July 1, 2023, with the expectation that the amount due at maturity will be refinanced with Consolidated Bonds.

In addition to the cash and investments noted above, on September 30, 2020, the Port Authority had approximately $575 million in its Capital Fund to support the capital construction program. It also had approximately $193 million in Commercial Paper authorization in excess of the commercial paper currently outstanding. The Port Authority's Commercial Paper Program, which is used to fund the Port Authority's capital program, is authorized in an amount up to $750 million, and is currently supported by lines of credit that may be utilized in the event of market disruption.

To mitigate the impact of any future market disruption risk in the Port Authority's Commercial Paper Program, the Port Authority has qualified to participate in the Commercial Paper Funding Facility (CPFF) offered by the Federal Reserve Bank of New York. The Port Authority may sell up to approximately $550 million in total aggregate amount of three-month commercial paper to the CPFF through participating Commercial Paper dealers through March 17, 2021 (subject to extension by the Board of Governors of the Federal Reserve System).

As a multi-state agency, the Port Authority is also eligible to participate in the Federal Reserve Bank of New York's Municipal Liquidity Facility (MLF) program through December 31, 2020 (subject to extension by the Board of Governors of the Federal Reserve System), a backup financial resource which enables the Federal Reserve Bank of New York to buy bonds of eligible governmental entities to help them manage cash flow stresses caused by the coronavirus pandemic.

The Port Authority has continued to market its bonds and commercial paper in the public markets without utilizing the CPFF or MLF programs.

Prospective Financial Condition

The Port Authority has analyzed various possible scenarios that consider the range of potential impacts that the pandemic may have on its financial condition, which assume a wide variety of possible economic recoveries, federal aid and Port Authority actions. Under even more optimistic scenarios, the Port Authority expects a significant decline in its revenues which will require the Port Authority to evaluate on an ongoing basis various possible options to manage its operating and capital expenditures and liquidity.

Based on various internal scenario evaluations, and on the assumption that the economy will recover to 2019 levels sometime between the second quarter of 2021 and the third quarter of 2023 (which assumption remains uncertain), the Port Authority preliminarily estimates that it may experience a reduction in revenue of approximately $3 billion for the twenty-four month period of March 2020 through March 2022 compared to budgeted amounts. That being said, considering that the ultimate impact of COVID-19 is not predictable and subject to many developments and actions outside of the control of the Port Authority, the Port Authority does not have the ability to assess whether even its most pessimistic internal scenarios are likely to occur or not or whether the ultimate impact may be much worse.

Factors outside the Port Authority's control include: (1) when and how quickly the economy as a whole begins to recover following the impact of COVID-19; (2) when and how quickly those segments of the economy on which its revenues depend recover to pre-COVID-19 levels (e.g. when bridge and tunnel traffic normalizes, when airport passenger traffic normalizes, among others); and, (3) the amount and the terms of any financial assistance or aid from the federal government.

However, and subject to the foregoing, based on its current financial position and forecasts, the Port Authority expects to meet its obligations as they become due, including both short term operating expenses and debt service on the Consolidated Bonds and Notes.

## 5. FINANCIAL STATEMENT COMPARISON FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

| ($ in thousands) | **Nine-Month Period Ended September 30, 2020** | Nine-Month Period Ended September 30, 2019 | Variance |
|---|---|---|---|
| Gross Operating Revenues | **$ 3,275,068** | $ 4,116,806 | $ (841,738) |
| Operating Expenses | **(2,344,980)** | (2,415,057) | 70,077 |
| Non-Cash Pension Expense | **(133,081)** | (89,474) | (43,607) |
| **Net Operating Income** | **797,007** | **1,612,275** | **(815,268)** |
| Depreciation and Amortization | **(1,126,694)** | (1,050,420) | (76,274) |
| Net Revenue Related to Superstorm Sandy | - | 175,178 | (175,178) |
| **Income/(Loss) from Operations** | **(329,687)** | **737,033** | **(1,066,720)** |
| Financial Income* | **84,385** | 75,189 | 9,196 |
| Interest Expense, Net** | **(696,838)** | (657,768) | (39,070) |
| Grants and Other Non-Operating Revenues/(Expenses)*** | **325,670** | 16,859 | 308,811 |
| Capital Contributions | **165,714** | 171,032 | (5,318) |
| Passenger Facility Charges (PFCs) | **62,017** | 224,087 | (162,070) |
| **Non-Operating Expenses, Net** | **(59,052)** | **(170,601)** | **111,549** |
| **Increase/(Decrease) in Net Position** | **$ (388,739)** | **$ 566,432** | **$ (955,171)** |

* Includes changes to the fair market value of investments of $33 million in 2020 and $28 million in 2019, respectively.
** Nine-month periods ended September 2020 and September 2019 interest expense amounts are net of $49 million due the Port Authority for the reimbursement of Tower 4 Liberty Bond debt service payments from the WTC Tower 4 net lessee.
*** Includes pass-through grant payments to sub-recipients of $(26.8) million in 2020 and $(2.7) million in 2019, respectively.

**Operating Revenue and Expense Activities**

***Net operating income*** of $797 million for the nine-month period ended September 30, 2020 is $815.3 million, or 50.6% lower than the same nine-month period of 2019 and $996.3 million, or 56% lower than 2020 budgeted amounts. This year-to-year decrease is the result of reduced utilization of Port Authority facilities as a result of the COVID-19 pandemic and its impact on the Port Authority's revenues—see the final page of this document for the aggregate nine-month 2020 facility activity compared to the same nine-month period of 2019.

***Gross operating revenues*** of $3.3 billion are $841.7 million, or 20.4% lower than the same nine-month period of 2019 and $1.1 billion, or 25% below 2020 budgeted amounts. These declines are a result of the impacts of COVID-19 on Port Authority operations. Passenger Facility Charges (PFCs) of $62 million are $162 million less than the same nine-month period of 2019 as a result of lower passenger activity at Port Authority airports due to COVID-19 travel restrictions.

- ***Rentals*** of $1.1 billion decreased $223.1 million from the same nine-month period of 2019 due to the impacts of COVID-19, including: ***a.)*** lower activity-based rental income at Aviation facilities; ***b.)*** rent relief granted to certain tenants and concessionaires at the Port Authority's airports, seaports, and bus and rail terminals; and, ***c.)*** contractually excused rental obligations for the 1 WTC Observation Deck which closed in March as a result of the New York State emergency orders related to COVID-19, and remained closed through September 30, 2020.

- ***Bridge and Tunnel Tolls and PATH Fares*** of $1.2 billion decreased $240.5 million from the same nine-month period of 2019 due to significantly reduced usage of the Port Authority's bridges and tunnels and PATH transit system as a result of the impacts of COVID-19, driven by: ***a.)*** lower vehicular activity at the Port Authority's six vehicular crossings of 21.5%; and, ***b.)*** lower PATH ridership of 64.1%. The impact of these decreases are partially mitigated by scheduled increases in the bridge and tunnel toll rates and PATH fares, which became effective in January 2020 and November 2019, respectively.

- ***Aviation Fees,*** which provide for the recovery of certain operating expenditures and capital asset investments from airlines operating at certain Port Authority Aviation facilities of $714.1 million decreased $232.3 million from the same nine-month period of 2019 due to: ***a.)*** a decrease in recoverable expenses as a result of Coronavirus Aid, Relief, and Economic Security Act (CARES Act) federal funding of Port Authority labor and certain contractual expenditures associated with the operation of Port Authority airports; ***b.)*** lower snow and ice removal activities due to milder weather conditions; ***c.)*** a decrease in federal inspection fees at Newark Liberty International Airport (EWR) due to lower international passenger activity; and, ***d.)*** lower AirTrain fares at John F. Kennedy International Airport (JFK) and EWR due to lower activity. As noted in *Section 4. Coronavirus Disease 2019 (COVID-19) Impacts*, the payment of certain aviation fees are deferred and will be paid by the airlines in 2021 through 2023.

- ***Parking and Other Revenues*** of $173.1 million decreased $124.1 million from the same nine-month period of 2019 primarily due to lower passenger activity at Aviation facilities due to COVID-19.

***Operating Expenses*** of $2.3 billion are $70 million, or 3.0% lower than the same nine-month period in 2019 before consideration of actuarily determined non-cash pension expense related to the Port Authority's participation in the New York State and Local Retirement System (NYSLRS). After consideration of the actuarily determined non-cash pension expense, total operating expenditures totaled $2.5 billion, which is $26.5 million, or 1.1% lower than the same nine-month period of 2019.

- ***Employee Compensation*** of $1.1 billion increased approximately $51.5 million from the same nine-month period of 2019 due to: ***a.)*** an increase in actuarial determined pension expenses due to a year-to-year decrease in market valuation of NYSLRS plan investments measured as of March 31, 2020; and, ***b.)*** scheduled contractual salary increases. This is partially offset by: ***a.)*** decreased overtime related to snow and ice removal activities due to milder weather conditions; and, ***b.)*** decreased overtime resulting from efficiencies realized as a result of lower activity at Port Authority facilities.

- ***Contract Services, Materials, Equipment and Utilities*** of $1 billion decreased $82.5 million from the same nine-month period of 2019 primarily due to: ***a.)*** lower snow and ice removal activities due to milder weather conditions; and, ***b.)*** lower payments to third-party contractors for operations and maintenance support services and utility consumption resulting from cost savings realized as a result of lower activity at Port Authority facilities and cost reduction efforts related to COVID-19.

- ***Rents and Payments in Lieu of Taxes (PILOT***) of $296.7 million increased $8.9 million from the same nine-month period of 2019 primarily due to additional rent to the City of Newark for the leasing of the Newark Marine and Air Terminals.

**Non-Operating Revenue and Expense Activities**
***Depreciation and Amortization*** of $1.1 billion is $76.3 million, or 7.3% higher as compared to the same nine-month period of 2019 due to the scheduled completion of approximately $5.3 billion of capital construction projects in 2019 and the nine-month period of 2020. These capital infrastructure assets, primarily at aviation and bridge and tunnel facilities, have been placed into operational service and are now being depreciated over their estimated useful lives.

***Net Revenue Related to Superstorm Sandy*** decreased $175.2 million compared to the same nine-month period of 2019 due to the receipt of final insurance recoveries received in 2019 for losses sustained by the Port Authority as a result of Superstorm Sandy.

***Financial Income*** of $84.4 million is $9.2 million, or 12.2% higher than the same nine-month period of 2019 primarily due to unrealized gains related to the change in fair value of securities held in Port Authority investment accounts and lower preferred returns due the Tower 1 Joint Venture minority interest member.

***Grants in Connection with Operating Activities*** of $325.7 million increased $308.8 million from the same nine-month period of 2019 primarily due to the receipt of $315.2 million of CARES Act federal funding to reimburse the Port Authority for eligible aviation operating expenditures. The remaining amount of the total $450 million in CARES Act funding allocated to Port Authority is expected to be received over the remainder of the year as eligible costs are incurred.

***Contributions in Aid of Construction and Passenger Facility Charges (PFCs)*** of $227.7 million are $167.4 million, or 42.4% lower as compared to the same nine-month period of 2019 primarily due to: ***a.)*** a $162 million decrease in PFCs resulting from lower passenger activity as a result of COVID-19; and, ***b.)*** a $20 million decrease in required net lessee capital contributions related to the construction of WTC Tower 3, which reached substantial completion in March 2018. This is partially offset by a $30.8 million increase in Federal Transit Administration (FTA) funding for Superstorm Sandy restoration and resiliency capital projects.

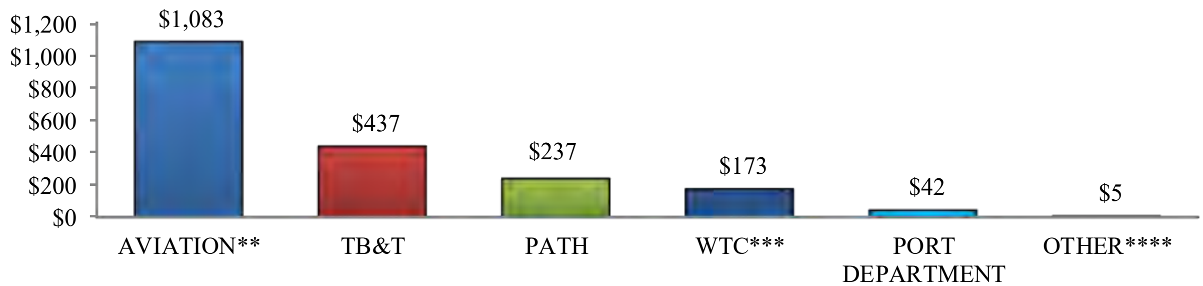
***Interest Expense, Net*** of $696.8 million is $39.1 million, or 5.9% higher as compared to the same nine-month period of 2019 primarily due to scheduled increases in interest on outstanding consolidated bonds and notes.

**Assets**
**Port Authority Assets** totaled $50.5 billion at September 30, 2020, an increase of $1.4 billion from December 31, 2019. This overall increase is primarily due to:

***Facilities, net*** of $39.7 billion increased approximately $662.6 million from December 31, 2019, primarily due to additional capital investment in aviation and bridge and tunnel core transportation facilities, as outlined in the 2017-2026 Capital Plan, less year-to-date depreciation.

The following chart depicts capital investment in Port Authority facilities of $2 billion for the nine-month period ended September 30, 2020, summarized by business segment.

**Capital Investment by Primary Business Segment***
Year to Date - September 30, 2020
(In millions)




* Business segment capital investment includes Security capital projects of $30.9 million and non-Port Authority managed capital projects of $197.8 million, respectively.
** Includes landlord leasehold capital improvements of $212.6 million for the redevelopment of LGA Terminal B.
*** Includes capital investment for the WTC Transportation Hub and required capital contributions from the WTC Tower 3 net lessee.
**** Includes Development Facilities, Regional Facilities and Programs, Ferry Transportation and Gateway Early Work Program.

***Receivables (including restricted amounts)*** of $1.1 billion increased $202.5 million from December 2019 primarily due to a $200 million increase in deferred aviation fees that will be received over the next three-year period covering 2021 to 2023. For additional information, see Section 4. *Coronavirus Disease 2019 (COVID-19*).

***Cash and Investments (excluding PAICE restricted investments)*** of $4.4 billion increased approximately $366.8 million when compared to December 2019, primarily due to the issuance of approximately $2.2 billion of Consolidated Bonds and Notes for purposes of funding capital construction projects and debt service.

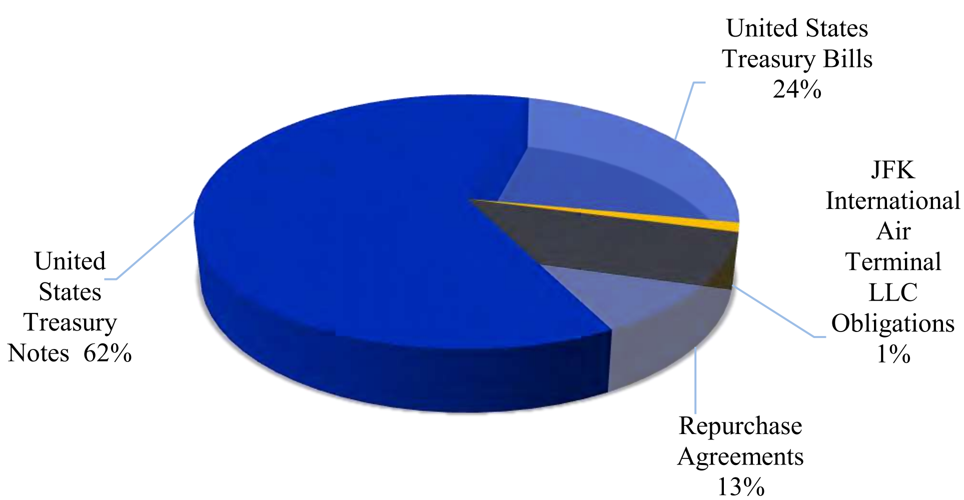
Cash flows from operations of $628 million decreased $884 million from the same nine-month period of 2019 due to lower revenues resulting from lower utilization of Port Authority facilities due to the impacts of COVID-19 on activity volumes. See Section 4. *Coronavirus Disease 2019 (COVID-19) Impacts* for additional information.

***Port Authority Investments,*** *at fair value*

| Investment Type* | Fair Value Hierarchy Levels*** | September 30, 2020 | Weighted Average Maturity |
|---|---|---|---|
| | | (In thousands) | (In days) |
| United States Treasury Notes | Level 1 | **$ 2,519,315** | 621 |
| United States Treasury Bills | Level 1 | **976,975** | 14 |
| JFK International Air Terminal LLC Obligations**** | - | **47,831** | 1,889 |
| Repurchase Agreements**** | - | **553,107** | 2 |
| **Total Investments**** | | **$ 4,097,228** | |
| Portfolio Weighted Average Maturity | | | 408 |

* Excludes cash and investments of app. $1.8 billion held in the Port Authority of NY and NJ Retiree Health Benefits Trust.
** Excludes accrued interest receivable amounts of $16 million.
*** Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets, and principle-to-principle markets.
**** Investments are valued at unamortized cost.

***Port Authority Investments Asset Allocation***




***Port Authority Insurance Captive Entity, LLC (PAICE) restricted investments*** of $22.6 million decreased approximately $107.5 million from December 2019 due to the issuance of a $150 intercompany loan to the Port Authority in April 2020.

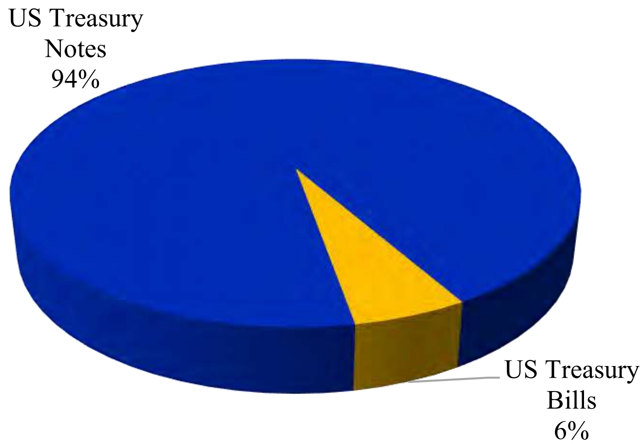
***PAICE Investments,*** *at fair value*

| Investment Type | Fair Value Hierarchy Levels** | September 30, 2020 | Weighted Average Maturity |
|---|---|---|---|
| | | (In thousands) | (In days) |
| United States Treasury Notes | Level 1 | **$ 21,342** | 260 |
| United States Treasury Bills | Level 1 | **1,250** | 1,528 |
| **Total Investments*** | | **$ 22,592** | |
| Portfolio Weighted Average Maturity | | | 330 |

* Excludes $360 million in intercompany loans to the Port Authority and accrued interest receivable of $32 thousand.

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

***PAICE Investments Asset Allocation***




**Liabilities**

**Port Authority liabilities** totaled $34.9 billion at September 30, 2020, an increase of $2.1 billion from December 31, 2019.

***Bonds and Other Asset Financing Obligations*** of $27.1 billion increased $1.6 billion from December 31, 2019 due to: ***a.)*** the issuance of $1.1 billion of consolidated bonds and $1.1 billion of consolidated notes for purposes of funding capital construction projects and debt service on outstanding consolidated bonds; and, ***b.***) an increase in commercial paper notes of $56 million. This is partially offset by a $759 million decrease related to the scheduled retirement of consolidated bonds and The Fund for Regional Development Buy-Out Obligation.

***Bonds and Other Financing Obligations****

| ($ in millions) | Opening Balance Jan. 1, 2020 | Issued/ Accreted | Refunded/ Retired | Ending Balance Sept. 30, 2020 |
|---|---|---|---|---|
| Consolidated Bonds | $ 22,161 | $ 1,098 | $ 711 | **$ 22,548** |
| Consolidated Notes | - | 1,100 | - | **1,100** |
| Commercial Paper Notes | 501 | 2,342 | 2,286 | **557** |
| Variable Rate Master Notes | 70 | - | - | **70** |
| Fund for Regional Development Buy-Out Obligation | 100 | - | 48 | **52** |
| MOTBY Obligation | 49 | - | 3 | **46** |
| Goethals Bridge Replacement Developer Financing Arrangement | 1,022 | - | - | **1,022** |
| **Subtotal Principal** | **$ 23,903** | **$ 4,540** | **$ 3,048** | **$ 25,395** |
| Unamortized premium/(discount) | 1,563 | 204 | 71 | **1,696** |
| **Total** | **$ 25,466** | **$ 4,744** | **$ 3,119** | **$ 27,091** |

*Excludes Amounts Payable-Special Project Bonds of $1.1 billion and Tower 4 Liberty Bonds of $1.2 billion.

***Accrued Payroll, Pension and Other Employee Benefits*** of $2.6 billion increased $548.8 million primarily due to an increase in the Port Authority's share of the actuarially determined NYSLRS net pension liability, partially offset by payments to employees resulting from the retroactive settlement of expired labor contracts.

***Accrued Interest and Other Liabilities*** of $900.3 million increased $123.3 million primarily due to the timing of scheduled debt service payments on outstanding consolidated bonds.

**CONDENSED STATEMENTS OF NET POSITION – UNAUDITED***

| ($ in thousands) | SEPTEMBER 30, 2020 | DECEMBER 31, 2019 |
|---|---|---|
| **Assets** | | |
| Facilities, net | **$ 39,679,620** | $ 39,016,984 |
| Cash and investments - unrestricted | **4,309,856** | 3,886,610 |
| Cash and investments - restricted, including PFC and PAICE | **66,867** | 230,786 |
| Receivables, including restricted amounts | **1,101,138** | 898,688 |
| Amounts receivable - Special Project Bonds projects | **1,139,469** | 1,138,906 |
| Amounts receivable - Tower 4 Liberty Bonds | **1,244,566** | 1,245,025 |
| Unamortized costs for regional programs | **68,310** | 93,456 |
| Landlord leasehold investment-LGA Terminal B | **961,253** | 748,671 |
| Other assets | **1,941,875** | 1,876,883 |
| **Total assets** | **50,512,954** | 49,136,009 |
| **Deferred outflows of resources** | | |
| Loss on debt refundings | **64,489** | 71,113 |
| Pension related amounts | **628,531** | 277,938 |
| OPEB related amounts | **141,943** | 141,943 |
| **Total deferred outflows of resources** | **834,963** | 490,994 |
| **Liabilities** | | |
| Bonds and other asset financing obligations | **27,091,421** | 25,466,296 |
| Amounts payable - Special Project Bonds projects | **1,139,469** | 1,138,906 |
| Amounts payable - Tower 4 Liberty Bonds | **1,244,566** | 1,245,025 |
| Accounts payable | **1,154,687** | 1,316,914 |
| Accrued payroll, pension, and other employee benefits | **2,587,857** | 2,039,062 |
| Unearned income -WTC Retail | **739,272** | 746,218 |
| Accrued interest and other liabilities | **900,264** | 776,945 |
| **Total liabilities** | **34,857,536** | 32,729,366 |
| **Deferred inflows of resources** | | |
| Gain on debt refundings | **76,769** | 51,946 |
| Pension related amounts | **59,616** | 102,956 |
| OPEB related amounts | **275,406** | 275,406 |
| **Total deferred inflows of resources** | **411,791** | 430,308 |
| **Net position** | **$ 16,078,590** | $ 16,467,329 |

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

| ($ in thousands) | NINE-MONTHS ENDED SEPTEMBER 30, 2020 | 2019 |
|---|---|---|
| Gross operating revenues | **$ 3,275,068** | $ 4,116,806 |
| Operating expenses | **(2,478,061)** | (2,504,531) |
| Depreciation and amortization | **(1,126,694)** | (1,050,420) |
| Net revenue related to Superstorm Sandy | **-** | 175,178 |
| **Income/(loss) from operations** | **(329,687)** | 737,033 |
| Non-operating expenses, net | **(286,783)** | (565,720) |
| Capital contributions and PFCs | **227,731** | 395,119 |
| **Non-operating revenues/(expenses)** | **(59,052)** | (170,601) |
| **Increase/(decrease) in net position** | **(388,739)** | 566,432 |
| Net position, January 1 | **16,467,329** | 15,878,394 |
| **Net position, September 30** | **$ 16,078,590** | $ 16,444,826 |

*see footnote (*) on next page.

**CONDENSED STATEMENTS OF CASH FLOWS – UNAUDITED***

| ($ in thousands) | NINE-MONTHS ENDED SEPTEMBER 30, 2020 | 2019 |
|---|---|---|
| Net cash provided by operating activities | **$ 628,091** | $ 1,512,417 |
| Net cash provided by (used for) noncapital financing activities | **241,285** | (46,772) |
| Net cash (used for) capital construction and related financing activities | **(794,945)** | (1,748,764) |
| Net cash (used for) provided by investing activities | **(8,497)** | 156,609 |
| Net increase (decrease) in cash | **65,934** | (126,510) |
| Cash at beginning of year | **175,117** | 295,055 |
| **Cash at nine-months ended** | **$ 241,051** | $ 168,545 |

* The unaudited Condensed Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows have been prepared, subject to audit, adjustment and reconciliation, solely for general information purposes, in accordance with U.S. generally accepted accounting principles. This unaudited condensed financial information should be read in conjunction with the Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2019.

## CONDENSED FINANCIAL INFORMATION ON PORT AUTHORITY FACILITIES – UNAUDITED

| | Nine-month period ended September 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Gross Operating Revenues | Operating Expenses | Depreciation and Amortization | Income (Loss) from Operations | Interest, Grants & Other Expenses * | Capital Contributions & PFC's | Increase/ (Decrease) in Net Position |
| Tunnels, Bridges, and Terminals | $ 1,129,571 | $ 418,009 | $ 206,194 | $ 505,368 | $ 198,801 | $ 12,248 | $ 318,815 |
| PATH | 70,447 | 346,268 | 159,789 | (435,610) | 131,663 | 104,878 | (462,395) |
| Aviation | 1,573,340 | 1,334,751 | 391,684 | (153,095) | (194,835) | 85,534 | 127,274 |
| Port Commerce | 244,759 | 121,681 | 76,150 | 46,928 | 61,230 | 12,133 | (2,169) |
| World Trade Center | 239,592 | 250,023 | 243,765 | (254,196) | 74,911 | 12,938 | (316,169) |
| Other** | 17,359 | 7,329 | 49,112 | (39,082) | 15,013 | - | (54,095) |
| **Total** | $ 3,275,068 | $ 2,478,061 | $ 1,126,694 | $ (329,687) | $ 286,783 | $ 227,731 | $ (388,739) |

| | Nine-month period ended September 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Gross Operating Revenues | Operating Expenses | Depreciation and Amortization | Income (Loss) from Operations | Interest, Grants & Other Expenses * | Capital Contributions & PFC's | Increase/ (Decrease) in Net Position |
| Tunnels, Bridges, and Terminals | $ 1,298,343 | $ 405,764 | $ 186,629 | $ 705,950 | $ 186,103 | $ 6,166 | $ 526,013 |
| PATH | 156,713 | 348,577 | 150,007 | (341,871) | 125,653 | 77,994 | (389,530) |
| Aviation | 2,151,293 | 1,375,672 | 354,296 | 421,325 | 111,501 | 253,137 | 562,961 |
| Port Commerce | 245,243 | 117,435 | 74,956 | 52,852 | 55,966 | 13,518 | 10,404 |
| World Trade Center | 246,274 | 247,639 | 231,839 | (233,204) | 77,580 | 44,304 | (266,480) |
| Other** | 18,940 | 9,444 | 52,693 | (43,197) | 8,917 | - | (52,114) |
| Net Revenue related to Superstorm Sandy | - | - | - | 175,178 | - | - | 175,178 |
| **Total** | $ 4,116,806 | $ 2,504,531 | $ 1,050,420 | $ 737,033 | $ 565,720 | $ 395,119 | $ 566,432 |

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

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

Note: These unaudited schedules related to Port Authority Facilities have been prepared, subject to audit, adjustment and reconciliation, solely for general information purposes, in accordance with U.S. generally accepted accounting principles. This unaudited financial information should be read in conjunction with the Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2019.

**Revenue and Reserves-Unaudited,** pursuant to Port Authority bond resolutions (Unaudited)

| ($ in thousands) | **Nine-Month Period Ended Sept. 30, 2020 (Actual)** | Nine-Month Period Ended Sept. 30, 2020 (Budget) | Nine-Month Period Ended Sept. 30, 2019 (Actual) |
|---|---|---|---|
| Gross operating revenues* | **$ 3,268,122** | $ 4,331,862 | $ 4,109,861 |
| Total operating expenses | **(2,478,063)** | (2,545,462) | (2,504,533) |
| Net revenues related to Superstorm Sandy | - | - | 175,178 |
| Amounts in connection with operating asset obligations** | **(4,789)** | (4,792) | (7,517) |
| **Net operating revenue** | **785,270** | 1,781,608 | 1,772,989 |
| Grants and contributions in aid of construction | **483,477** | 214,221 | 159,782 |
| Application of Passenger Facility Charges | **117,657** | 220,779 | 231,404 |
| Financial Income and Other | **133,263** | 80,661 | 123,729 |
| **Net revenues available for debt service** | **1,519,667** | 2,297,269 | 2,287,904 |
| Debt service*** | **(917,252)** | (890,302) | (809,910) |
| **Net Revenues after Debt Service and Transfers to Reserves****** | **$ 602,415** | $ 1,406,967 | $ 1,477,994 |

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

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

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

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

**Facility Traffic – Unaudited**

| (In thousands) | **Nine-Month Period Ended Sept. 30, 2020** | **Nine-Month Period Ended Sept. 30, 2019** | **% Variance** |
|---|---|---|---|
| Total Passengers, Aviation* | 32,978 | 106,002 | (68.9%) |
| Total Vehicles, Bridges and Tunnels* | 71,638 | 91,268 | (21.5%) |
| Total Passengers, PATH* | 22,163 | 61,706 | (64.1%) |
| PATH Passengers, Average Weekday Ridership* | 100 | 285 | (64.9%) |
| Total Cargo Containers (TEU), Marine Terminals* | 5,382 | 5,620 | (4.2%) |
| Total Rail Lifts, Marine Terminals* | 516 | 499 | 3.4% |

* 2020 facility traffic information contains estimated data based on available information and is subject to revision.

THE PORT AUTHORITY OF NY & NJ



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