

Plaintiff's Supplemental Exhibit F

	Years Ended December 31			% Change	
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>
<i>Operating Data:</i>					
Toll bridges & tunnels:					
Traffic (000)	159,476	164,344	158,575	3.1	- 3.5
Toll revenue (000) \$	\$ 80,620	\$ 83,178	\$ 80,613	3.2	- 3.1
Commercial airports:					
Plane movements ..	860,000	872,000	768,000	1.4	-11.9
Total passengers (000)	41,713	42,252	40,371	1.3	- 4.5
PATH passengers (000)	40,282	30,040a	37,700	-25.4	25.5
All marine terminals:					
Ship arrivals	3,979	3,877	3,601	- 2.6	- 7.1
General cargo, long tons (000)	12,183	12,617	13,405	3.6	6.2
Bus terminal passengers (000)		64,000	60,000		- 6.3

a. PATH on strike from 4-1-73 to 6-3-73.

	Years Ended December 31			% Change	
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>
<i>Financial results</i>					
(\$ in 000):					
Gross operating revenues	\$319,835	\$373,497	\$410,412	16.8	9.9
Gross revenue and income	339,618	393,551	433,459	15.9	10.1
Oper. & maint. expenses	199,161	236,464	254,294	18.7	7.5
Net revenues	140,457	157,087	179,165	11.8	14.0
Interest on funded debt	38,856	49,729	65,562	28.0	31.8
Interest & mandatory redempt.	63,358	75,776	94,265	19.6	24.4
Times covered	2.22	2.07	1.90		
Safety margin (%)	22.7	20.7	19.6		

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	Years Ended December 31			% Change	
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>
<i>Balance sheet data</i>					
(\$ in 000):					
Invested in facilities	\$3,047,507	\$3,272,913	\$3,447,056	7.4	5.3
Reserve balances:					
General reserve	156,681	173,487	173,487	10.7	0.0
Special reserve (a)	17,551	16,047	13,898	- 8.6	-13.4
Air terminal reserve(a)	27,489	22,664	18,660	-17.5	-17.7
Marine terminal reserve(a)	3,280	2,634	2,212	-19.7	-16.0
Consolidated bond reserve ..	7,101	21,932	46,800	208.9	113.4
Total reserves ..	212,102	236,764	255,057	11.8	7.5
Bonded debt:					
General & re-funding bonds	15,852	14,586	12,658	-8.0	-13.2
Air terminal bonds	24,641	20,577	17,203	-16.5	-16.4
Marine terminal bonds	2,983	2,417	2,059	-19.0	-14.8
Consolidated bond	1,523,344	1,697,287	1,668,584	11.4	-1.7
Total bonded debt	1,566,810	1,734,867	1,700,504	10.6	-2.0
Bank loans	230,000	295,000	255,000	28.3	-13.6
Total long-term debt	1,796,810	2,029,867	1,955,504	13.0	-3.7

(a) Reserve funds maintained in trust for these bonds.

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MOODY'S INVESTORS SERVICE, INC.

MUNICIPAL CREDIT REPORT

PORT AUTHORITY OF NEW YORK AND NEW JERSEY

May 22, 1975

Ratings: Consolidated Bonds	: A (confirmed)
General and Refunding Bonds	: Aa (confirmed)
Marine Terminal Bonds	: Aa (confirmed)
Air Terminal Bonds	: Aa (confirmed)

Summary and Opinion: This bi-state agency maintains earning capability to meet requirements and to service its Consolidated Bonds within reasonable margins. Net revenues from the airports, marine terminals, and toll bridges and tunnels more than offset deficits of the PATH commuter rail system and the World Trade Center at this time.

The Superior Court in New Jersey has upheld New Jersey legislation that repealed the 1962 covenant restricting Authority involvement in deficit mass transit operations. This decision is a matter of deep concern to bondholders generally, and the decision will be appealed. The effect on the Authority cannot be determined at this time in absence of a definite plan for financing mass transit projects and facilities deemed to be non-self-sustaining. In the meantime, earnings of the present facilities are good, reserves for debt service continue strong, and recent toll increases have further strengthened financial position at this time.

Facilities: Authority facilities comprise: (1) air terminals comprising John F. Kennedy International Airport, La Guardia Airport, Newark International Airport, and Teterboro Airport; (2) toll bridge and tunnels comprising

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the George Washington Bridge, Lincoln Tunnel, Holland Tunnel, Goethals Bridge, Bayonne Bridge, Outerbridge Crossing; (3) marine terminal facilities comprising Port Newark, Elizabeth Marine Terminal, Erie Basin Marine Terminal, Hoboken Marine Terminal, Brooklyn Marine Terminal, Columbia Street Marine Terminal, New York City Passenger Ship Terminal (dedicated 11-23-74); (4) World Trade Center; (5) PATH rail transit system; (6) other facilities comprising the Bus Terminal, George Washington Bridge Bus Station, Journal Square Transportation Center, Newark Union Motor Truck Terminal, New York Union Motor Truck Terminal, Downtown Heliport, West 30th Street Heliport.

Expansion program: (1) Regarding rail transportation and PATH, the off-street bus terminal at Journal Square Transportation Center in Jersey City opened in spring 1975, the Authority in 1974 applied for Federal funding for a 17.5-mile extension of PATH from its Newark terminus to Plainfield via Newark International and Elizabeth, and continued design and planning for direct rail service to Penn Station for Erie-Lackawanna commuter trains; (2) various air terminal projects at Kennedy International including new air cargo facilities. At Newark International's Terminal C construction originally scheduled for 1976 completion was deferred for 3 years and the north terminal is currently being remodeled for international traffic and Federal inspection. At Kennedy International, basic tenant leases of 1953 expired 9-30-74 and were extended to March 1976 to permit flexibility in lease negotiations; (3) expansion of the Manhattan bus terminal is planned; (4) World Trade Center, continued occupancy is anticipated with Authority reporting a work-

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ing population of approximately 28,000 by end of 1974; a 20-story and 800-room hotel is expected to be built on the Center's site to be financed by private investors; (5) marine terminals, the new passenger ship terminal is operated by the Authority under 20-year lease agreement with the New York City; completion in 1974 of container-ship facilities at Elizabeth; expansion of container terminals at Port Newark; City-Authority agreement of 1974 provides for Authority construction of a container terminal in Red Hook section of Brooklyn; (6) planning for rail access project to Kennedy International from Manhattan.

Operations: The Authority's transportation facilities are important, and, like comparable facilities elsewhere, are subject to the same factors that can both favorably and unfavorably affect their usage. The commercial airports are important in the nation; FAA data for the 12 months through 6-30-74 reveals that Kennedy International recorded 305,756 air carrier operations, ranking it 4th in the Nation, La Guardia with 265,316 was ranked 6th, and Newark with 150,088 was 16th. Effects of higher air fares, the energy crises, and recession affected air activity; domestic air passengers of 29.6 million were down 2.6% and international passengers of 10.7 million were down 9.3%. Kennedy International in 1974 accounted for 40.3% of total plant movements and 50.1% of passengers. Toll bridge and tunnel traffic in 1974 was 12.8% commercial, with George Washington Bridge accounting for 47.8% of total and Lincoln Tunnel for 20.7%. Toll revenues in 1974 accounted for 19.6% of total Authority operating revenues. At the marine terminals, those in New Jersey accounted for 58.1% of ship arrivals and 84.2% of general cargo tonnage.

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Current Results: Revenues continue to be generated from all facilities sufficient to meet all requirements with a margin to spare. In 1974, current expenses rose at a lower rate than the increase in gross revenues, producing a 14.0% rise in net revenues. Debt service coverage narrowed, due to the inclusion in debt service of \$200,000,000 of consolidated bonds issued during 1973. Balance sheet data reflect the growth of fixed assets, the retirement of debt, and the maintenance of reserves at required levels; reserves included \$173.4 million in the general reserve and \$46.8 million in the consolidated bond reserve. At the end of 1974, completed construction aggregated almost \$3.0 billion, and comprised \$1.1 billion for all the airports, \$650 million for the Trade Center, \$515 million for all the tunnels and bridges, \$514 million for all the marine, bus, and truck terminals, and \$185 million for rail facilities. Earnings for transportation projects should be aided by the higher bridge and tunnel tolls effective 5-5-75.

Historical key ratios:

	<u>1972</u>	<u>1973</u>	<u>1974</u>
Operating ratio (%)	62.2	63.3	62.0
Net take—down (%)	41.1	39.8	41.3
Interest coverage	3.61	3.16	2.73
Avg. annual debt sv. coverage.....	1.23	1.36	1.55
Interest safety margin (%).....	29.9	27.3	26.2

Bonded Debt: At the end of 1974, the Authority had outstanding a total of \$1,700,504,000 bonds, of which \$1,668,584,000 represent 40 series of Consolidated Bonds issued since 1952, and the balance of the Authority's General and Refunding, Marine Terminal and Air Terminal bonds for which funds have been held in trust since the end of 1970 for their full and complete payment. Consolidated

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Bonds are payable from the net revenues of the Authority's facilities. Maximum annual principal and interest totals \$118,398,000 in 1986, which is covered 1.51 times by net revenues in 1974. Also outstanding at the end of 1974 were \$255,000,000 bank loans, due 1975 through 1979 and payable from revenues but subordinate to the payment of the Authority's bonds.

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	<u>12-31-72</u>	<u>12-31-73</u>	<u>12-31-74</u>	<u>% Change</u>	
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MOODY'S REPORT
RE STATE OF NEW JERSEY
DATED JUNE 23, 1975

MOODY'S INVESTORS SERVICE, INC.
MUNICIPAL CREDIT REPORT
©MOODY'S INVESTORS SERVICE, INC.

June 23, 1975

STATE OF NEW JERSEY

Rating: Aa (revised from Aaa)

New Jersey's budget for 1975-76 as adopted includes a sizeable deficit, which is not covered. The State also is mandated by its Supreme Court to establish a new school financing plan. The existing school financing system has been ruled unconstitutional. The Court's initially imposed deadline for school finance reform has passed and has been extended in recognition of the size of the problem.

The State's need for a broad-based tax has been debated for many years. Against this has been put its levels of services, which critics have maintained are substantially below standards provided by other high-income states. The plight of localities in the State, has been cited as a need for improvement of the revenue system.

In a sense, these criticisms are irrelevant to the bondholder. The State's method of finance and the levels of service it provides are the concern of the State and its voters. The bondholder does have an interest in the maintenance of a functioning entity that will continue itself.

It is clear that the State has pressing revenue needs for both its immediate purposes and for school financing. By any measure New Jersey is one of the nation's wealthiest

Plaintiff's Supplemental Exhibit G

states. But it has difficult problems right now. Unemployment is high, the economy is temporarily stagnant, and tax revenues are showing little or no growth.

At the same time the State has taken actions which are puzzling to bondholders. It committed itself to a deficiency makeup for the capital reserve fund of the New Jersey Sports and Exposition Authority, a "moral obligation" type arrangement which very likely will call on the State. And the State through its legal machinery repealed a covenant it had authorized with bondholders in connection with bond issues of the Port Authority of New York and New Jersey. As a matter of logic and as a matter of concern to the investment community, these actions certainly appear contradictory and raise a further question. Does the State follow any kind of consistent policy.

The level of State debt is not high. Good security is provided for the bonds. Top bond ratings reflect other factors, however, the current policy of the State in facing its revenue problems and its general bonding program is open to serious doubt about its ability to be decisive in face of need. Wealth which cannot be tapped to meet present needs raises doubt about its usage in future debt servicing. The extension of current financial difficulties into capital financial problems is an inevitable step, if the current financial difficulties are not solved when they arise.

Because of our doubts about the decision making process in the State at this time, its ability to act decisively to solve visible problems, we can no longer assign it our top rating. All of the State's obligations are revised to *Aa*.

* * *

**Excerpts From The Port Authority of N. Y. & N. J.
1975 Annual Report**

* * *

“THE PORT AUTHORITY YEAR

Economic viability of the Port District and further development of public transportation facilities in the region were the central themes of Port Authority activity in 1975.

Despite the New York-New Jersey region's deep fiscal difficulties, complicated by a declining population, uncertain employment forecasts and unanswered questions of federal financing, the Port Authority dedicated one major mass transportation project this year and started construction on another, one on each side of the Hudson River. The PATH Journal Square Transportation Center, dedicated October 16, is now in full operation in Jersey City as one of the largest public transportation facilities in the nation and as a national prototype of a bus-rail-car multimodal project. In midtown New York, at the Port Authority Bus Terminal, celebrating its 25th year as the busiest mass transportation center in the world, a ceremony on September 11 marked the start of construction to modernize and extend it. The new unified structure will increase capacity by approximately 50 percent.

The Port Authority also continued its program of improving its air, marine, bus and truck terminals, and its public transportation and world trade facilities that already serve the New York-New Jersey Port District.

To finance the bus terminal construction and to prepare to finance other mass transportation projects, as well as to weight the individual traveler's choice in favor of public transportation, the Port Authority made an historical revision to one of its key revenue sources. On May 5, for the first time in 48 years, the tolls on its tunnels and bridges

Excerpts From The 1975 Port Authority Annual Report

were increased by approximately 50 percent for all except buses and those who form carpools. (At year-end, a proceeding was pending before the Federal Highway Administrator to determine the reasonableness and justness of the new toll schedule under applicable federal law.)

The major rail transportation project to extend PATH into the Plainfield Corridor, for which the State of New Jersey and PATH had submitted a grant application for \$278 million in federal aid, was rejected "without prejudice" by the Urban Mass Transportation Administrator on December 19. By year end the New Jersey Department of Transportation and the Port Authority were investigating new proposals and courses of action to achieve the necessary federal funding.

Federal funding is also necessary for the rail improvement program authorized by the states in 1972 and 1973 to provide direct rail service to Penn Station, New York by connecting Erie Lackawanna Railway tracks to the Penn Central's. Planning, design and engineering studies for the project, conducted by the Port Authority, progressed toward completion in 1975.

No formal applications for federal aid had yet been made for the Kennedy International Airport rail link to Manhattan, pending a full financial determination of how the project can be supported. In the meantime, contract plans and specifications have been completed for all off-airport work and for cross-airport rail alignment into the airport's central terminal area. Functional planning and preliminary engineering design have also been completed for Penn Station, New York, and for the airport's rail terminal.

The Port Authority also sought low capital intensive methods of achieving improvements to existing transportation facilities, in accordance with national goals. In

Excerpts From The 1975 Port Authority Annual Report

the past year the Port Authority engaged in the promotion of carpooling through computer matching, completed plans for permanent traffic controls on the Exclusive Bus Lane and organized the expansion of the Staggered Work Hours Program where applicable in the Port District.

The Port Authority worked throughout the year with the federal agencies, ConRail and others involved in the reorganization of the northeast railroads to formulate operating plans favorable to the Port District and to ensure meaningful rail competition in the region.

To contribute to the solution of regional problems, the Port Authority participated in the activities of such boards and commissions as:

... The New Jersey Capital Needs Commission to evaluate the long-term capital needs of the state.

... The New Jersey Economic Recovery Commission, concerned with recommendations for stimulating the state economy.

... New York's Task Force on Unemployment to develop methods of reducing the state's unemployment.

... The Staggered Work Hours Program which, primarily with Port Authority initiative, was developed in Lower Manhattan and expanded into midtown Manhattan.

Federal, state and municipal governments sought the Port Authority this year in increasing recognition of its technical planning and engineering assistance as a major community resource:

... At the request of New York City, in anticipation of the introduction of new passenger ferries, the Port Authority proposed ways to improve the commuter passenger flow through the Staten Island-Manhattan ferry

Excerpts From The 1975 Port Authority Annual Report

terminals, short of the costly alternative of reconstruction.

. . . The Port Authority is preparing the environmental impact statement and engineering design work for the proposed Liberty State Park, at the request of the New Jersey Environmental Protection Agency.

. . . The Federal Aviation Administration and the Federal Maritime Administration have enlisted Port Authority assistance to determine for the former the effects of reduced nighttime operations if they were to be imposed at airports and, for the latter, to assess the impact of ports on the economy and commerce of the nation.

. . . In cooperation with the Hackensack Meadowlands Development Commission, the Port Authority is preparing a report on the transportation facilities needed to connect the Hackensack Meadowlands with Manhattan and other regional centers.”

* * *

“PATH

The Journal Square Transportation Center, situated on an eight-acre site in the heart of Jersey City and now serving 74,000 PATH and bus passengers each weekday, comprises a new PATH rail rapid transit station with capacity for longer trains, an off-street bus station, an auto parking garage, the PATH Administration Building and a new Operations Control Center for the PATH rail system. The new bus station, operated by the Terminals Department, was opened in April, and the two-level parking garage above the bus station, with 618 parking spaces for commuters and shoppers, opened in September. Portions of the new PATH station had been opened in 1973 and the PATH Administration Building in 1974.

Excerpts From 'The 1975 Port Authority Annual Report

Built by PATH at a cost of \$87 million, over \$39 million of which constitutes grants from the Urban Mass Transportation Administration, the center was designed as the focal point of Jersey City's plan for the revitalization of the Journal Square commercial area. An open house held October 18 in celebration of the center's dedication brought an estimated 10,000 people from the surrounding community and the wish of Jersey City's mayor that a municipal services fair, held in the center in conjunction with the dedication, become an annual event. The center's plaza has already been used as a site for public assembly.

PATH carried over 38 million passengers in 1975, representing over 70 percent of New Jersey passengers entering New York City by rail.

PATH's operation was conducted with an on-time system record of 97.6 percent for the year.

The Port Authority has now invested over \$251 million in the acquisition, rehabilitation and modernization of the 14-mile rail system. Cumulative operating deficits, calculated in accordance with interstate Commerce Commission regulations, totaled nearly \$220 million since 1962."

* * *

"TERMINALS

Construction began in September on a four-year \$160 million project to expand the Port Authority Bus Terminal by about 50 percent to meet a traffic volume now exceeding 200,000 commuter and long-distance bus passengers a day, arriving and departing on 7,000 buses."

* * *

Excerpts From The 1975 Port Authority Annual Report

"PORT AUTHORITY FINANCE

Basic Policies and Financial Structure

The States of New Jersey and New York directed the Port Authority . . . "to proceed with the development of the Port of New York . . . as rapidly as may be economically practicable . . ." The Port Authority, however, may not levy taxes or assessments or pledge the credit of either state or any municipality. Its program of public works was to be supported and financed by the private sector, and to this end the two states pledged their "cordial cooperation . . . in the encouragement of the investment of capital . . ." Over the years nearly \$4 billion of Port Authority obligations have been purchased by investors, of which \$1.8 billion was outstanding at December 31, 1975.

The statutes establishing the General Reserve Fund of the Port Authority provide for the pooling of revenues to the end that older facilities with established earning power can aid new projects during development periods until they reach their anticipated point of self-support. These statutes provide for the utilization of available net revenues to maintain the General Reserve Fund at the prescribed amount of 10 percent of the total par value of the Port Authority's outstanding bonds.

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

Excerpts From The 1975 Port Authority Annual Report

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

In 1974, the Legislatures of New York and New Jersey repealed a statutory covenant with holders of affected Port Authority bonds which permitted deficit financing of passenger railroad facilities in addition to the Hudson Tubes (Port Authority Trans-Hudson [PATH] System) only within specified financial limits. The covenant was originally adopted in 1962 as part of the statutes authorizing Port Authority acquisition of the interstate Hudson and Manhattan Railroad. In 1973, the two states had enacted legislation to preclude application of the statutory covenant to the holders of obligations issued by the Port Authority after May 10, 1973.

In April 1974, the United States Trust Company of New York instituted litigation in New Jersey as Trustee for the 40th and 41st Series of the Port Authority's Consolidated Bonds, as the holder of a significant amount of outstanding obligations of the Port Authority, and as a class representative on behalf of the holders of all outstanding Consolidated Bonds and all others similarly situated against the State of New Jersey and its Governor and Attorney General seeking a declaratory judgment that the action taken by the states in 1974 to repeal the 1962 statutory covenant violates the federal and state Constitutions. This action was consolidated with another pending action in New Jersey instituted by private parties seeking to invalidate the statutory covenant.

Excerpts From The 1975 Port Authority Annual Report

On February 25, 1976, the New Jersey Supreme Court affirmed the decision of the New Jersey Superior Court rendered in May 1975, which had decided that the repeal was a valid exercise of the police power of the states and not a violation of the contract clauses of the United States Constitution or the Constitution of the State of New Jersey. The United States Trust Company has announced that it plans to appeal to the United States Supreme Court from the decision of the Supreme Court of New Jersey."

* * *

"RESERVE FUNDS

At year-end 1975, the General Reserve Fund balance was \$176,457,000 and continued to meet the prescribed statutory amount, while the Consolidated Bond Reserve Fund totaled \$62,409,000.

These balances, together with other reserve fund balances in trust totaling \$28,100,000, continued to meet the long-established policy of maintaining total reserve funds in an amount equal to at least the next two years' mandatory debt service on bonded debt (excluding scheduled debt service on outstanding bank loans as detailed in Note C, Page 29)."

* * *

Excerpts From The 1975 Port Authority Annual Report

STATEMENT OF INCOME

	Year Ended December 31,	
	<u>1975</u>	<u>1974*</u>
	(In Thousands)	
Gross Operating Revenues	\$458,406	\$410,412
Operating Expenses (Note E)	(289,138)	(252,037)
Depreciation	<u>(83,281)</u>	<u>(78,214)</u>
Income from Operations	85,987	80,161
Financial Income and Expense:		
Income on investments	20,965	21,228
Gain on purchase of Port Authority bonds	8,283	4,880
Security valuation adjustment	2,453	(3,061)
Interest on bonded debt	(72,249)	(66,390)
Interest on bank loans	<u>(8,464)</u>	<u>(9,119)</u>
Net Income	<u>\$ 36,975</u>	<u>\$ 27,699</u>

* Restated, See Note E

Excerpts From The 1975 Port Authority Annual Report

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31,	
	1975	1974*
	(In Thousands)	
Funds provided from:		
Net Income	\$ 36,975	\$ 27,699
Depreciation	83,281	78,214
Funds provided by operations	120,256	105,913
Consolidated Notes	100,000	—
Government Contributions in Aid of Construction	19,105	18,606
Net Change in Other Assets and Deferred Credits	21,753	—
Total Funds Provided	<u>261,114</u>	<u>124,519</u>
Funds applied to:		
Cost of Facilities	138,548	174,108
Retirement of Bonded Debt	35,930	34,363
Repayment of Bank Loans	55,000	40,000
Net Change in Other Assets and Deferred Credits	—	16,119
Net Reduction in Accounts Payable and Other Liabilities	3,912	8,754
Planning Expenditures Applicable to Future Years	2,493	4,238
Total Funds Applied	<u>235,883</u>	<u>277,582</u>
Net Increase (Decrease) in Cash and Investments	<u>\$ 25,231</u>	<u>\$(153,063)</u>

* Restated, See Note E

See Notes to Financial Statements

Excerpts From The 1975 Port Authority Annual Report

STATEMENT OF FINANCIAL POSITION

	December 31, 1975			December 31, 1974*	
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Reserve Funds</u>	<u>Combined Total</u>	<u>Combined Total</u>
(In Thousands)					
<u>Assets</u>					
Facilities, at Cost (Note B)	\$ —	\$3,527,430	\$ —	\$3,527,430	\$3,388,901
Less Accumulated Depre- ciation	—	751,002	—	751,002	667,740
Facilities, Net	—	2,776,428	—	2,776,428	2,721,161
Investment in Securities (Schedule D)	18,796	29,289	264,297	312,382	262,877
Cash and Time Deposits	24,971	38,898	2,669	66,538	90,812
Other Assets	91,250	2,349	—	93,599	111,550
Total Assets	<u>135,017</u>	<u>2,846,964</u>	<u>266,966</u>	<u>3,248,947</u>	<u>3,186,400</u>
<u>Liabilities</u>					
Bonded Debt (Schedule E)	—	1,764,574	—	1,764,574	1,700,504
Bank Loans Payable (Note C)	—	200,000	—	200,000	255,000
Accounts Payable and Other Liabilities	111,984	33,632	—	145,616	149,528
Deferred Credits to in- come	7,839	—	—	7,839	6,530
Total Liabilities ...	<u>119,823</u>	<u>1,998,206</u>	<u>—</u>	<u>2,118,029</u>	<u>2,111,562</u>
Net Assets	<u>\$ 15,194</u>	<u>\$ 848,758</u>	<u>\$266,966</u>	<u>\$1,130,918</u>	<u>\$1,074,838</u>

*Restated, See Note E

Excerpts From The 1975 Port Authority Annual Report

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31, 1975				Year Ended December 31, 1974*
	Operating Fund	Capital Fund	Reserve Funds	Combined Total	Combined Total
	(In Thousands)				
Balance at January 1 ..	\$ 12,777	\$ 807,004	\$255,057	\$1,074,838	\$1,028,533
Contributions from Federal and State Agencies in Aid of Construction	—	19,105	—	19,105	18,606
Distribution of Net Income:					
Capital Fund Balance	—	26,344	—	—	—
Less Depreciation on Assets Acquired with Government Contributions	—	(3,695)	—	22,649	7,149
Self-Insurance	2,417	—	—	2,417	2,257
Reserves	—	—	11,909	11,909	18,293
Net Income	—	—	—	36,975	27,699
Balance at December 31	\$ 15,194	\$ 848,758	\$266,966	\$1,130,918	\$1,074,838

*Restated, See Note E

See Notes to Financial Statements

* * *

Excerpts From The 1975 Port Authority Annual Report

SCHEDULE A—REVENUES AND RESERVES

(In accordance with Port Authority bond resolutions)

	Year Ended December 31,			
	1975			1974*
	Operating Fund	Reserve Funds Schedule C	Combined Total	Combined Total
	(In Thousands)			
Gross Operating Revenues	\$458,406	\$ —	\$458,406	\$410,412
Operating Expenses	289,138	—	289,138	252,037
Net Operating Revenues	169,268	—	169,268	158,375
Financial Income				
Income on investments (includes gain of \$8,283,000 in 1975 and \$4,880,000 in 1974 on purchase of Port Au- thority bonds)	4,091	25,157	29,248	26,108
Security valuation ad- justment	62	2,391	2,453	(3,061)
Net Revenues Avail- able for Debt Serv- ice and Reserves	173,421	27,548	200,969	181,422
Debt Service				
Interest on bonded debt....	71,552	697	72,249	66,390
Serial maturities and sinking fund retire- ments	30,055	5,875	35,930	34,363
Interest on bank loans	—	8,464	8,464	9,119
Payment of bank loans	—	55,000	55,000	40,000
Total Debt Service	101,607	70,036	171,643	149,872
Appropriation to Invested in Facilities	—	15,000	15,000	11,000
Appropriation to Self- Insurance	—	2,417	2,417	2,257
Transfers to Reserves	\$(71,814)	71,814	—	—
Net Increase in Reserves		11,909	11,909	18,293
Reserve Balances—				
Beginning of Year		255,057	255,057	236,764
Reserve Balances—End of Year (Schedule C)....		\$266,966	\$266,966	\$255,057

* Restated, See Note E

See Notes to Financial Statements

Excerpts From The 1975 Port Authority Annual Report

Schedule F

BONDED DEBT AMORTIZATION 1976-2008

December 31, 1975 (In Thousands)

Year	Debt Service Total All Issues			Amortization			
	Par Value Total	Interest	Amorti- zation	Consoli- dated Bonds	General and Refunding Bonds	Air Terminal Bonds	Marine Terminal Bonds
	Par Value \$1,764,574						
1976	\$121,903	\$85,786	\$36,117	\$29,294	\$1,033	\$4,955	\$835
1977	121,197	84,723	36,474	30,244	1,194	4,519	517

See Notes to Financial Statements

Excerpts From The 1975 Port Authority Annual Report

Schedule G

SELECTED FINANCIAL DATA

(In accordance with Port Authority bond resolutions)

	<u>1975</u>	<u>1974*</u>	<u>1973*</u>
	(In Thousands)		
REVENUES AND EXPENSES			
Gross Operating Revenues	\$ 458,406	\$ 410,412	\$ 373,497
Operating Expenses	289,138	252,037	234,475
Net Operating Revenues	169,268	158,375	139,022
Income on Investments	20,965	21,228	16,806
Gain on Purchase of Port Authority Bonds	8,283	4,880	6,809
Security Valuation Adjustment	2,453	(3,061)	(3,591)
Net Revenues Available for Debt Service and Reserves	200,969	181,422	159,046
DEBT SERVICE—OPERATIONS			
Interest on Bonded Debt	(71,552)	(65,562)	(49,729)
Times, Interest Earned	2.81	2.77	3.20
Serial Maturities and Sinking Fund Retirements	(30,055)	(28,703)	(26,047)
Times, Debt Service Earned	1.98	1.92	2.10
DEBT SERVICE—RESERVES			
Debt Service on Bonds Secured by Trusts	(6,572)	(6,488)	(6,874)
Interest on Bank Loans	(8,464)	(9,119)	(6,775)
Bank Loan Payments	(55,000)	(40,000)	(35,000)
Appropriation to Invested in Facilities—Reserves	(15,000)	(11,000)	(8,000)
Appropriation to Self-Insurance—Reserves	(2,417)	(2,257)	(1,959)
Net Increase in Reserves	11,909	18,293	24,662
RESERVE BALANCES			
Beginning of Year	255,057	236,764	212,102
End of Year	<u>\$ 266,966</u>	<u>\$ 255,057</u>	<u>\$ 236,764</u>

Excerpts From The 1975 Port Authority Annual Report

	<u>1975</u>	<u>1974*</u>	<u>1973*</u>
	(In Thousands)		
Represented By:			
General Reserve	\$ 176,457	\$ 173,487	\$ 173,487
Special Reserve (A)	12,767	13,898	16,047
Air Terminal Reserve (A)	13,576	18,660	22,664
Marine Terminal Reserve (A)	1,757	2,212	2,634
Consolidated Bond Reserve	62,409	46,800	21,932
Total	<u>\$ 266,966</u>	<u>\$ 255,057</u>	<u>\$ 236,764</u>
DEBT—AT YEAR-END			
General and Refunding Bonds	\$ 11,717	\$ 12,658	\$ 14,586
Air Terminal Bonds	12,671	17,203	20,577
Marine Terminal Bonds	1,657	2,059	2,417
Consolidated Bonds and Notes	<u>1,738,529</u>	<u>1,668,584</u>	<u>1,697,287</u>
Total Bonded Debt	1,764,574	1,700,504	1,734,867
Bank Loans	200,000	255,000	295,000
Total	<u>\$1,964,574</u>	<u>\$1,955,504</u>	<u>\$2,029,867</u>
INVESTED IN FACILITIES—			
AT YEAR-END	\$3,581,037	\$3,442,489	\$3,268,381
DEBT RETIREMENT THROUGH REVENUES AND RESERVES			
Annual	\$ 90,930	\$ 74,363	\$ 66,943
Cumulative	<u>\$1,426,650</u>	<u>\$1,335,720</u>	<u>\$1,261,357</u>

NOTE: These combined totals are presented for general information purposes only and are not intended to reflect specific applications of the revenues and reserves of the Port Authority, which are governed by statutes and its bond resolutions.

(A) Reserve Funds maintained in Trust since December 31, 1970. See Note H of Notes to Financial Statements.

* Restated, See Note E.

See Notes to Financial Statements

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**Excerpts From The Port Authority of New York
and New Jersey**

OFFICIAL STATEMENT

\$100,000,000

CONSOLIDATED BONDS

Forty-second Series, Due 2011

(First Installment)

The date of this Official Statement is July 8, 1976

THE PORT AUTHORITY OF NY & NJ

OFFICIAL STATEMENT

“To PROSPECTIVE PURCHASERS :

The Port Authority of New York and New Jersey is offering for sale, upon an all or none basis, \$100,000,000 of its Consolidated Bonds of the Forty-second Series, First Installment, Due 2011. The purpose of this Official Statement is to describe the bonds being presently offered and to give other pertinent data with respect to the Authority and its finances.

The Present Offering

The following is a summary description of the bonds being presently offered for sale.

Series: Consolidated Bonds, Forty-second Series, Due 2011.

Principal Amount: \$100,000,000.

Dated: July 15, 1976.

Due: July 15, 2011.

*Excerpts From The Port Authority of New York
and New Jersey Official Statement*

Purposes: The proceeds shall be used for purposes of capital expenditures in connection with the Authority's facilities, as follows: bridges and tunnels; docks and wharves; airport terminal and service buildings, roadways, runways, taxiways and fuel and utility service and distribution systems; bus terminals; the Hudson Tubes portion of the Port Authority Trans-Hudson system; parking facilities; storage or training facilities directly related to any of the foregoing; and the World Trade Center; and for refunding all or any part of Consolidated Notes, Series BB, previously issued; provided, however, no more than 10% of the amount of such proceeds not expended to refund any Consolidated Notes, Series BB, shall be used for the purpose of capital expenditures in connection with the World Trade Center and those integral portions of an extension to the Port Authority Bus Terminal related to any future construction above such extension." (p.1) * * *

"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. These statutes were amended during 1972-1974 to authorize the 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 contained in the 1962 legislation limiting the Port Authority's financial participation in additional deficit passenger

*Excerpts From The Port Authority of New York
and New Jersey Official Statement*

railroad facilities. (See pp. 9-10, 17-22.) Neither Consolidated Bonds, Forty-second Series, maturing on June 1, 2011, nor any prior issue of Authority obligations provide proceeds for additional deficit passenger railroad facilities. No representation is made herein as to the application of proceeds of future issues of Authority obligations.

The Authority raises the necessary funds for the construction or acquisition of its facilities upon the basis of its own credit, its reserve funds and its future revenues. In the past such funds have been supplemented in certain cases by state and federal contributions. The Authority has no power to levy taxes or assessments. Its bonds and other obligations are not obligations of the two States or of either of them, and (except for State Guaranteed Commuter Car Bonds described on p. 23) they are not guaranteed by the States or either of them. The revenues of the Authority are derived principally from the tolls, fares, landing, dockage, rental and other charges for the use of and privileges at its various facilities hereinafter described." (p. 4) * * *

"TUNNELS AND BRIDGES

The Port Authority operates all the interstate vehicular tunnels and bridges in the Port of New York District. Each of the tunnels and bridges accommodates both east-bound and west-bound traffic. For purposes of efficiency and economy in collection, tolls are collected from east-bound traffic only.

Effective May 5, 1975 the Port Authority revised its toll schedules for its six interstate vehicular crossings. The revisions included a general 50% increase in tolls for automobiles, trucks and tractor trailers, a 100% increase in the cost of 30-day commutation tickets, the institution of

*Excerpts From The Port Authority of New York
and New Jersey Official Statement*

special car pool ticket books which provide for a two-thirds discount from the new passenger car rate, and the elimination of ticket books previously good for two years and which provided for a 20% discount; the sale of toll scrip was continued at the 10% discount and bus tolls were retained at the pre-existing rate. It is estimated that these revisions will result in additional toll revenues to the Authority of more than \$40,000,000 per year. These increased toll revenues are expected to enhance the Authority's ability to undertake additional mass transportation projects as noted on page 22.

On April 25, 1975, after receiving complaints in accordance with the Federal Bridge Toll Procedural Rules of the United States Department of Transportation, the Federal Highway Administrator commenced an investigation which will include a public hearing to determine whether the toll increases on the Port Authority's four interstate bridges are just and reasonable within the meaning of Section 4 of the Federal Bridge Act of 1906. (See "*Rate Powers and Covenants*", p. 29). On May 6, 1975, the Federal Highway Administrator served on the Authority a copy of a motion filed with the Administrator by one of the complainants for an order requiring the Authority during the pendency of the toll proceeding to create an escrow account for the receipt of revenue derived from the toll increase. On May 23, 1975, the Authority filed a memorandum in opposition to that motion, and the decision on the motion is still pending. The Authority has taken the position that such an escrow account is not necessary, desirable or authorized.

The Federal Highway Administration issued a Notice of Proposed Rule Making on July 18, 1975, to govern bridge toll review procedures which would require 90-day advance

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and New Jersey Official Statement*

notice of a proposed toll increase and would also require the escrow of all toll increase revenues upon the commencement of any proceeding to determine the justness and reasonableness of a toll increase." (pp. 5-6) * * *

"New Airport and Mass Transportation Legislation

During 1971-74, the Legislatures of New York and New Jersey enacted legislation (Ch. 474 and Ch. 475, Laws of N. Y. 1971; Ch. 1003, Laws of N. Y. 1972; Ch. 317 and Ch. 318, Laws of N. Y. 1973; Ch. 993, Laws of N. Y. 1974 and Ch. 245, Laws of N. J. 1971; Ch. 207 and Ch. 208, Laws of N.J. 1972; Ch. 25, Laws of N. J. 1974) amending the 1947 statutes providing for the regional development of air terminals by the Port Authority and amending the 1962 statutes providing for the financing and effectuation by the Port Authority of a port development project consisting of the Hudson Tubes, the Hudson Tubes extensions and the World Trade Center to provide, in addition, for mass transportation access to John F. Kennedy International and Newark International Airports.

The bi-State legislation specifically provides for the Port Authority to undertake separately, pursuant to the air terminal statutes, railroad lines (a) connecting Newark International Airport to existing rail and terminal facilities in the City of Newark, and (b) connecting John F. Kennedy International Airport to the main line of the Long Island Rail Road in the County of Queens, including a spur or branch to the Montauk line of the railroad in that County. The Authority is also specifically authorized to undertake in connection with each of the projects: (1) appropriate mass transportation terminal facilities at and within the two airports, (2) suitable offsite facilities for the accommodation of air passengers, baggage, mail, express, freight

*Excerpts From The Port Authority of New York
and New Jersey Official Statement*

and other users of the connecting facilities, and (3) such additional rail or other mass transportation, terminal, station, parking, storage and service facilities, including improvements to the railroad approaches at Pennsylvania Station and Jamaica Station in the City of New York in connection with the New York project, as operations may require.

The statutes which authorize rail access to John F. Kennedy International Airport and Newark International Airport each contain the following legislative finding:

“Such mass transportation facilities can properly be regarded as constituting a part of each air terminal, the development of which should be the responsibility of those charged with the duties of air terminal development.”

The statutes amended the definition of “air terminals” to provide that:

“It shall also mean facilities providing access to an air terminal, consisting of rail, rapid transit or other forms of mass transportation which furnish a connection between the air terminal and other points in the port district, including appropriate mass transportation terminal facilities at and within the air terminal itself and suitable offsite facilities for the accommodation of air passengers, baggage, mail, express, freight and other users of the connecting facility.”

A conclusive determination that facilities providing access to air terminals are legally part of such terminals as set forth in the foregoing findings of the legislation author-

*Excerpts From The Port Authority of New York
and New Jersey Official Statement*

izing rail access to John F. Kennedy and Newark International Airports and that rail access projects may be financed on such basis, would preclude, regardless of the outcome of the litigation referred to at pages 18-19 above, applicability to such financing of the provisions of the 1962 statutory covenant relating to the certification of the projects by the Port Authority as self-supporting thereunder.

The 1971-1974 legislation also authorizes the Port Authority to undertake as Hudson Tubes extensions passenger railroad facilities extending from Pennsylvania Station in the City of Newark over new rail transit lines or on or over the existing rail transit lines of other railroads, to the vicinity of the City of Plainfield in the State of New Jersey, including construction, reconstruction and improvement of necessary stations in and between the City of Newark and the vicinity of the City of Plainfield together with such additional rail or other mass transportation, terminal, station, parking, storage and service facilities as operations may require, including a connection to provide improved access to Newark International Airport if and to the extent such connection shall not be otherwise provided as air terminal facilities for the airport.

In October, 1974, a joint Task Force of the New Jersey Department of Transportation and the Port Authority was established at the request of the Urban Mass Transportation Administration of the U. S. Department of Transportation to study potential transit alternatives in the Newark-Plainfield corridor. The Task Force submitted an interim report on January 15, 1975 to Governor Brendan T. Byrne of New Jersey. The report assessed in detail without recommendation five transit alternatives in the Union County corridor, as well as various plans for transit access to Newark International Airport. Subsequently,

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and New Jersey Official Statement*

Governor Byrne announced his view that the Authority should proceed with an extension of the PATH system to Plainfield via the City of Elizabeth. On February 10, 1975, the final report was transmitted to the Urban Mass Transportation Administration.

The 1971-1974 legislation also authorizes the Authority to undertake certain improvements to passenger railroad lines connecting with the Hudson Tubes to provide direct rail service into Pennsylvania Station in the City of New York by the Erie Lackawanna railroad and to upgrade existing Penn Central rail service into the Station. The new improvements would include three direct track connections between the rail transit lines of the Erie Lackawanna and the Penn Central railroads in the vicinity of the Towns of Kearny and Secaucus in the State of New Jersey; replacement of a railroad bridge operated by Penn Central railroad across the Hackensack River; a new passenger railroad equipment yard in the vicinity of the Town of Secaucus; improvements to Penn Station in the City of New York and to its New Jersey approaches as necessary or desirable to improve operations and to increase train and passenger handling capacity; and such additional rail or other mass transportation, terminal, station, parking, storage and service facilities as operations may require. The railroads involved are now part of the Consolidated Rail Corporation (ConRail) system.

Finally, the legislation adopted in 1974 provides for the repeal of the statutory covenant between the two States and affected bondholders limiting the Port Authority's ability to participate in deficit passenger railroad projects. The legislation adopted in 1972-1973 had provided that the covenant shall not apply to the holders of bonds thereafter

*Excerpts From The Port Authority of New York
and New Jersey Official Statement*

issued by the Port Authority, including bonds of the present offering (see p. 17).

The Port Authority has undertaken active preparations to carry out the statutory programs. In May, 1975, it filed an application with the Urban Mass Transportation Administration of the U.S. Department of Transportation (UMTA) for \$277,600,000 to pay part of the cost of extending the PATH system to Plainfield. The local contribution for this part of the project totals \$69,400,000, to be funded by the Port Authority from the proceeds of a future bond issue or issues. It is contemplated that the Port Authority Trans-Hudson Corporation (PATH) would enter into an agreement with the State of New Jersey or a subsidiary corporation of the State under which PATH would acquire all necessary real and personal property out of the proceeds of Port Authority bond sales and UMTA grants, and lease said property to the State or its subsidiary. The amount of rent to be paid by the State would depend primarily on the outcome of the litigation relating to the repeal of the statutory covenant (see "*Litigation*", pp. 18-19). That litigation will affect the extent to which the project or the State must cover debt service on the Port Authority's bonds issued for the project. Under these arrangements, PATH's operating responsibility would be limited to managing the operation of the property for so long as the State or its subsidiary paid to PATH any required rental and the annual net operating costs and expenses directly attributable to the Newark-Plainfield line. On December 19, 1975, the Urban Mass Transportation Administration rejected the application, as filed, for Federal aid for this project. This decision is currently being reconsidered by the Urban Mass Transportation Administration which has requested and received addi-

*Excerpts From The Port Authority of New York
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tional information with respect to this PATH extension and other New Jersey mass transportation projects.

After consultation with Governor Byrne of New Jersey and Governor Carey of New York, the Chairman of the Authority has noted that the revision to the Port Authority bridge and tunnel toll schedules which was effective May 5, 1975, is expected to result in additional revenues to the Authority of more than \$40,000,000 per year (see "*Tunnels and Bridges*", pp. 5-6) and that these additional revenues could support \$400,000,000 in capital improvements in mass transportation projects authorized for Port Authority participation; \$160,000,000 allocated to the extension of the Port Authority Bus Terminal now under construction (see pp. 8-9), with the remaining \$240,000,000 to be allocated on the basis of \$120,000,000 for authorized mass transportation projects in each State, in accordance with priorities established by responsible State officials and the Commissioners of the Port Authority acting pursuant to legislative authorization and commitments to the holders of Port Authority obligations." (pp. 21-22) * * *