


TO: Jack D. Homkow, Director, Office of Environmental Affairs

FROM: Robert S. Derico, R.A., Senior Environmental Manager 

DATE: February 24, 2015

RE: *State Environmental Quality Review (SEQR) Type II Determination for New York University's 2015 Refunding, Borough of Manhattan, New York County, New York*

New York University ("NYU" or the "University") has requested financing from the Dormitory Authority State of New York ("DASNY") for the refunding of DASNY's New York University Insured Revenue Bonds, Series 2007A, New York University's Revenue Bonds Series 2008A, Series 2008B and Series 2008C, and the refinancing of an outstanding bank loan used to purchase a building for academic purposes (the "Proposed Project"). Based on a review of the attached *Credit Summary Update*, dated February 27, 2015, it has been determined that the Proposed Action would involve DASNY's authorization of the issuance of one or more series of fixed- and/or variable-rate, tax-exempt and/or taxable, Series 2015 bonds sold through either a negotiated sale or a private placement, in an amount not to exceed \$900,000,000 in funding under DASNY's Independent Colleges and Universities Program. NYU is located at 70 Washington Square South, borough of Manhattan, New York County, New York

More specifically, the proceeds from the Series 2015 Bonds would be used to refund all or a portion of the DASNY Series 2007A Bonds (the "2007 Bonds") as well as all or a portion of the DASNY Series 2008A, 2008B, and 2008C Bonds (the "2008 Bonds"). Although it is anticipated that only a portion of the 2008 Bonds would be refunded, the University has requested authorization for the full amount in the event that market conditions improve. Additionally, it is expected that proceeds from the Series 2015 Bonds would also be used to refinance a \$56 million bank loan. In August 2010, the University used proceeds from the bank loan to purchase the Forbes Building, an approximately 122,500-gross-square-foot building located just north of the University's Washington Square campus. NYU plans to use the building for additional academic space.

NYU, a private, nonprofit institution of higher education, was founded in 1831 and is one of the largest private institutions of higher education in the United States. NYU has a faculty of approximately 9,100 and a headcount of approximately 25,000 undergraduate and 24,000 graduate and professional students. NYU includes 19 schools, colleges, and divisions at seven major centers in New York City: the Washington Square campus in Greenwich Village, the Institute of Fine Arts at 1 East 78th Street, the School of Continuing and Professional Studies at the Midtown Center, the College of Dentistry on First Avenue, the School of Medicine on First Avenue, and

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the Institute for the Study of the Ancient World at 15 East 84th Street, and the School of Engineering at 6 Metro Tech Center in Brooklyn.

Although the overall size of NYU is large, the divisions are small to moderate sized units, each with its own traditions, programs and faculty. Enrollment in each of the undergraduate divisions ranges between 100 and 7,500 students. More than 4,600 credit courses are offered, leading to more than 40 different degrees and certificates.

In 2007 NYU became the sole corporate member of NYU Hospitals Center. NYU maintains no financial responsibility for the Hospitals Center, nor is it liable for their respective debt obligations. Conversely, the Hospitals Center is not responsible for NYU's obligations. In 2008 NYU became the sole member of, and affiliated with, Polytechnic University. On January 1, 2014, Polytechnic University of New York University merged with NYU to become the NYU Polytechnic School of Engineering, with NYU assuming all assets and liabilities of Polytechnic.

SEQR Determination. DASNY completed this environmental review in accordance with the *State Environmental Quality Review Act* ("SEQRA"), codified at Article 8 of the *New York Environmental Conservation Law* ("ECL"), and its implementing regulations, promulgated at Part 617 of Title 6 of the *New York Codes, Rules and Regulations* ("N.Y.C.R.R."), which collectively contain the requirements for the *State Environmental Quality Review* ("SEQR") process. The refunding of existing debt is a Type II action as specifically designated by 6 N.Y.C.R.R. § 617.5(c)(23) of SEQR. Type II "actions have been determined not to have significant impact on the environment or are otherwise precluded from environmental review under *Environmental Conservation Law*, article 8."¹ Therefore, no further SEQR determination or procedure is required for any component of the proposed project identified as Type II.

The Proposed Action was also reviewed in conformance with the *New York State Historic Preservation Act of 1980* ("SHPA"), especially the implementing regulations of section 14.09 of the *Parks, Recreation and Historic Preservation Law* ("PRHPL"), as well as with the requirements of the Memorandum of Understanding ("MOU"), dated March 18, 1998, between DASNY and the New York State Office of Parks, Recreation and Historic Preservation ("OPRHP"). In compliance with Article III, Section 3.0 of the MOU, OPRHP would be notified of the Proposed Project being funded with bond proceeds. It is the opinion of DASNY that the Proposed Project would have no impact on historical or cultural resources in or eligible for inclusion in the National and/or State Registers of Historic Places.

Attachment

cc: Deborah J. Paden, Esq., Sara P. Richards, Esq., David P. Ostrander, SEQR File, OPRHP File

¹6 N.Y.C.R.R. § 617.5(a).

Credit Summary Update

New York University
New York, New York

February 27, 2015

Program: Independent Colleges & Universities

Purpose: Refunding/Refinancing

New Issue Details

One or more Series of fixed and/or variable rate, tax-exempt and/or taxable Series 2015 Bonds in an amount not to exceed \$900,000,000 are to be sold at one or more times through a negotiated offering and/or a private placement.

- Lead Manager – Morgan Stanley
- Bond Counsel – Hawkins Delafield & Wood LLP
- Co-Underwriter's Counsel – Locke Lord LLP and Hardwick Law Firm

Purpose:

- Refunding of all or a portion of the DASNY New York University Insured Revenue Bonds, Series 2007A (\$140.0 million).
- Refunding of all or a portion of the DASNY New York University Revenue Bonds, Series 2008A, Series 2008B and Series 2008C (\$625.0 million).
- Refinancing of a bank loan, the proceeds of which were used to purchase a building to be used for academic space (\$55.9 million).

Security:

- General obligation of the University.

Current Ratings: Moody's: Aa3 (Stable)
S&P: AA- (Stable)
Fitch: NR

Overview

New York University is a private, non-profit institution of higher education located in New York City. The University was founded in 1831 and is one of the largest private institutions of higher education in the United States. The University has a faculty of approximately 9,100 and a headcount of approximately 25,000 undergraduate and 24,000 graduate and professional students. The University includes 19 schools, colleges, and divisions at six major centers in New York City: the Washington Square campus in Greenwich Village, the Institute of Fine Arts at 1 East 78th Street, the School of Continuing and Professional Studies at the Midtown Center, the College of Dentistry on First Avenue, the School of Medicine on First Avenue, the Institute for the Study of the Ancient World at 15 East 84th Street, and the School of Engineering at 6 Metro Tech Center in Brooklyn. Although the overall size of the University is large, the divisions are small to moderate sized units, each with its own traditions, programs and faculty. Enrollment in each of the undergraduate divisions ranges between 100 and 7,500 students. More than 4,600 credit courses are offered, leading to more than 40 different degrees and certificates.

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Description of the Series 2015 Bonds

- The Bonds are a special obligation of DASNY.
- The Loan Agreement is a general obligation of the University.
- The Bonds are payable from payments made under the Loan Agreement and all funds and accounts established under the Resolution.

Approvals

- Resolution to Proceed – February 11, 2015
 - PACB Approval – TBD (postponed)
 - SEQR Filing – March 10, 2015*
 - TEFRA Hearing – March 16, 2015*
- *Anticipated date.

Recent Information

On February 11, 2015, the Board adopted a Resolution to Proceed for the issuance of up to \$900 million of bonds on behalf of New York University for the purpose of refunding four Series of DASNY Bonds and refinancing a bank loan. Staff will be asking the Members to adopt the necessary documents for this refunding/refinancing at the March 11, 2015 Board meeting.

At the March 11th Board Meeting, staff will also be asking the Members to adopt the documents necessary for a \$264 million new money transaction on behalf of New York University. Although the new money and refunding/refinancing bonds could be issued at separate times, it is currently anticipated that all of the bonds will be offered on the same date.

NEW YORK UNIVERSITY

The Letter of Bond Counsel in connection with the above referenced transaction will be transmitted to the Members under separate cover.

Credit Summary

New York University
New York, New York

January 30, 2015

Program: Independent Colleges & Universities

Purpose: Refunding/Refinancing

New Issue Details

Approximately \$691,655,000 in fixed and/or variable rate, tax-exempt and/or taxable Series 2015 Bonds are to be sold at one or more times through a negotiated offering and/or a private placement.

Purpose:

- Refunding of the DASNY New York University Insured Revenue Bonds, Series 2007A (\$140.0 million).
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Polytechnic School of Engineering, with NYU assuming all assets and liabilities of Polytechnic.

Strengths

- **Savings** – The proposed refundings are expected to result in combined net present value savings of approximately \$58.7 million, or 9.1% of the bonds being refunded.
- **Demand** – Applications for first-time full-time freshman, which reached a record high of 45,779 in fall 2013, increased to 50,608 in fall 2014 with the inclusion of applications to NYU-Poly. Management reports that applications for fall 2015 exceeded 60,000 for the first time in NYU history, an increase of over 15% from the previous year.
- **Enrollment** – NYU is one of the nation's largest Universities, offering a wide array of academic programs including law, medicine, business, engineering, technology, and the arts. Total headcount for fall 2014 increased to 49,274.
- **Global Initiatives** – NYU has a large and increasing global presence, with degree-granting campuses in Abu Dhabi and Shanghai, as well as various other global academic sites. International students comprise approximately 25% of total enrollment.
- **Net Assets** – NYU reported total net assets in excess of \$5.2 billion for fiscal year 2014.

Risks/Challenges

- **Balance Sheet Liquidity** – Since 2007, the University has taken on an additional \$1.3 billion in long-term debt. Consequently, NYU's Viability Ratio (Expendable Resources to Debt) for 2014 was calculated at 0.7:1, well below the 2007 ratio of 1.8:1 and the 2013 DASNY median of 1.2:1. While this measurement of liquidity is fairly weak for a highly rated institution, the ratio does not take into consideration the market value of the University's extensive real estate holdings in New York City, which contribute significantly toward the University's current Aa3/AA- ratings.

Recommendation

The attached staff report recommends that the Board adopt a Resolution to Proceed for one or more series of bonds in an aggregate amount not to exceed \$900,000,000 based on the substantial savings associated with the refundings, the University's significant balance sheet and positive enrollment trends, and DASNY's past experience with the University.

New York University

INSTITUTION: New York University is a private, non-profit institution of higher education located in New York City. The University was founded in 1831 and is one of the largest private institutions of higher education in the United States. The University has a faculty of approximately 9,100 and a headcount of approximately 25,000 undergraduate and 24,000 graduate and professional students. The University includes 19 schools, colleges, and divisions at six major centers in New York City: the Washington Square campus in Greenwich Village, the Institute of Fine Arts at 1 East 78th Street, the School of Continuing and Professional Studies at the Midtown Center, the College of Dentistry on First Avenue, the School of Medicine on First Avenue, the Institute for the Study of the Ancient World at 15 East 84th Street, and the School of Engineering at 6 Metro Tech Center in Brooklyn. Although the overall size of the University is large, the divisions are small to moderate sized units, each with its own traditions, programs and faculty. Enrollment in each of the undergraduate divisions ranges between 100 and 7,500 students. More than 4,600 credit courses are offered, leading to more than 40 different degrees and certificates.

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DASNY FINANCING HISTORY: Since 1963, DASNY has issued 36 separate obligations on behalf of the University totaling nearly \$3.6 billion. As of December 31, 2014, approximately \$1.9 billion remained outstanding as shown in Table 1 below.

Table 1 -- Outstanding DASNY Debt

Series	Defeasance or Maturity	Amount Issued (000's)	Amount Outstanding (000's)
1963 through 1993		\$ 988,340	\$ -
1997A	2006	20,000	-
1998A	2027	250,000	164,270
2001A	2015	123,645	8,120
2001 Ser 1	2040	120,000	112,780
2001 Ser 2	2012	94,300	-
2003 A&B	2011	128,000	-
2004 A&B	2014	153,310	-
2007A	2037	126,145	126,145
2008 A,B,C&D	2048	616,465	580,340
2009 A&B	2039	466,640	466,640
2012 A,B&C	2042	294,770	279,755
2013 A&B	2043	158,805	156,460
2014A	2034	55,000	55,000
		\$3,595,420	\$1,949,510

In addition, NYU has approximately \$128.3 million outstanding in its own taxable NYU Bonds as well as approximately \$98.7 million of bonds issued by the New York City IDA in 2007 on behalf of Polytechnic University. The University has always met its obligations to DASNY on time and in full.

THE REFUNDING PLAN: Proceeds from the Series 2015 Bonds will be used to refund all or a portion of the DASNY Series 2007A Bonds (the "2007 Bonds") as well as all or a portion of the DASNY Series 2008A, 2008B, and 2008C Bonds (the "2008 Bonds"). Although it is anticipated that only a portion of the 2008 Bonds will be refunded, the University has requested authorization for the full amount in the event that market conditions improve. The 2007 Bonds are callable on or after July 1, 2017 and reach final maturity on July 1, 2037. The 2008 Bonds are callable on or after July 1, 2018. The 2008A and 2008B Bonds reach final maturity on July 1, 2048 while the 2008C Bonds reach final maturity on July 1, 2038. The final maturity of the refunding bonds will not extend beyond July 1, 2048. The 2007 Bonds are currently secured by a municipal bond insurance policy provided by Ambac Assurance Corporation. The Series 2008 Bonds were issued without credit enhancement. Assuming current market conditions, a combined net present value savings in the range of \$58.7 million is expected as shown in Attachment I.

THE REFINANCING PLAN: Proceeds from the Series 2015 Bonds are also expected to be used to refinance a \$56 million bank loan. In August 2010, the University used proceeds from the bank loan to purchase the Forbes Building, a 122,500 square foot building located just north of the University's Washington Square campus. NYU plans to use the building for additional academic space. The final maturity of the bonds used to refinance the bank loan will not extend beyond July 1, 2048.

FINANCING DETAILS: Bond proceeds are expected to be applied toward refunding escrow deposits and refinancing amounts of approximately \$820.9 million. Issuance costs, including DASNY's fee and underwriter's discount, are estimated to total approximately \$3.9 million. Although a net original issue premium of approximately \$129.3 million is expected to be generated from the sale of the proposed bonds, staff is requesting bonding authorization in an amount not to exceed \$900 million to ensure sufficient proceeds to complete the refunding of additional 2008 Bonds if market conditions improve. The estimated sources and uses of funds are provided in Attachment II.

Security Provisions: Moody's Investors Service has assigned a rating of "Aa3" to the outstanding obligations of the University. Standard & Poor's has rated the University's obligations "AA-". Both ratings currently carry a "Stable" outlook. Accordingly, the University qualifies for an unsecured borrowing under DASNY's Financing Guidelines for Independent Institutions. As such, the Loan Agreement will be a general unsecured obligation of the University and no security interest in any revenues or assets of the University will be granted by the University to DASNY under the Loan Agreement.

NYU POLYTECHNIC SCHOOL OF ENGINEERING: On July 1, 2008, Polytechnic University in Brooklyn became affiliated with NYU under the name Polytechnic Institute of New York University (NYU-Poly). On January 1, 2014, NYU-

Poly merged with NYU to become the NYU Polytechnic School of Engineering, with NYU assuming all assets and liabilities of NYU-Poly. Programs and additional investments needed to modernize NYU-Poly's academic/research capacity are included in the NYU 2031 Plan. The NYU-Poly merger did not impact the University's rating from Moody's or S&P.

Technical Note - Now that NYU-Poly has been fully merged with NYU, the University's fiscal year 2014 audited financial statements include NYU-Poly as a consolidated entity. In addition, the University's enrollment data for fall 2014 includes NYU-Poly. Audited results discussed below for fiscal year 2010 through fiscal year 2013, as well as enrollment information through fall 2013, include the Washington Square campus and the School of Medicine only.

Table 2 – Selected Enrollment Statistics

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
First-time Freshman Applications Received	37,464	41,243	42,807	45,779	50,608
First-time Freshman Applications Accepted	14,275	13,487	14,998	14,829	17,815
Undergraduate Acceptance Ratio	38.1%	32.7%	35.0%	32.4%	35.2%
First-time Freshman Applicants Enrolled	5,012	4,884	5,141	5,207	5,913
Undergraduate Matriculation Ratio	35.1%	36.2%	34.3%	35.1%	33.2%
Mean SAT Scores (Entering Freshmen)	1,370	1,372	1,340	1,350	1,338
Headcount Enrollment					
Full-Time	33,881	34,198	34,964	35,096	39,898
Part-Time	<u>10,020</u>	<u>9,713</u>	<u>9,552</u>	<u>9,503</u>	<u>9,376</u>
Total	43,901	43,911	44,516	44,599	49,274
Full-time Equivalent Enrollment					
Undergraduate	21,331	21,518	21,738	21,782	24,138
Graduate	<u>16,394</u>	<u>16,409</u>	<u>16,890</u>	<u>16,482</u>	<u>18,885</u>
Total	37,725	37,927	38,628	38,264	43,023

FEASIBILITY - ENROLLMENT ANALYSIS: NYU is one of the largest private higher education institutions in the nation measured by enrollment. With a wide array of academic programs including law, medicine, business, engineering, technology, and the arts, NYU continues to benefit from strong demand and an overall growth trend. Over the last five years, total headcount has remained relatively flat, growing by just 0.8% (adjusting for the NYU-Poly merger). Total headcount for fall 2014 increased to 49,274 as a result of the merger with NYU-Poly, which added over 5,000 students.

Applications for first-time full-time freshman, which reached a record high of 45,779 in fall 2013, increased to 50,608 in fall 2014 with the inclusion of applications to NYU-Poly. Management reports that applications for fall 2015 exceeded 60,000 for the first time in NYU history, an increase of over 15% from the previous year. NYU's Acceptance Rate for all undergraduate enrollment has averaged 35% for the past five years. The University's Matriculation Rate, at 33.2% for fall 2014, is indicative of the 5-year average of 34.8%. Freshman enrollment in fall 2014 was 5,913, a 10-year high.

Coincident with the increase in incoming freshman classes, NYU's overall tuition discount rate grew from 21.5% to 23.1% over the last five years but remained well below the 2013 DASNY median of 31.1% for similar institutions. Freshman retention remains nearly constant at 92%. Mean SAT scores have averaged 1,354 over the last five years.

Undergraduate headcount (excluding NYU-Poly) has grown modestly, by only 2.7% since fall 2010 and by only

0.5% in the last year. NYU's housing capacity currently includes 21 residence halls housing over 11,000 students at all levels of study.

Graduate/first professional enrollment (excluding NYU-Poly) has been declining since fall 2012 and is relatively flat over the last 5 years. Graduate headcount dropped by 2.7% during the last year and is down by 1.7% since fall 2010.

NYU continues to attract a high number of international students to its main campus and degree-granting campuses in Abu Dhabi and Shanghai, as well as 11 other global academic sites. International students comprise approximately 25% of total enrollment.

The chart below illustrates the FTE enrollment levels that NYU has experienced for the past five years.

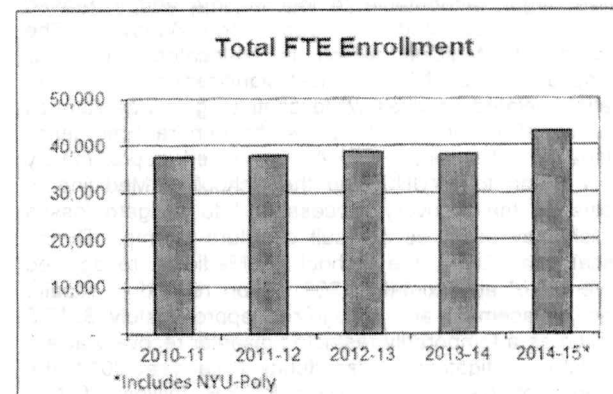


Table 3 – Selected Operating Statistics

(dollars in thousands)	2010	2011	2012	2013	2014
Total operating revenue	\$3,171,874	\$3,412,772	\$3,736,851	\$4,086,566	\$4,382,507
Total operating expense	3,098,852	3,375,262	3,634,454	4,095,996	4,521,199
Change in net assets from operations	73,022	37,510	102,397	(9,430)	(138,692)
Total non-operating revenue	72,032	(21,493)	(162,118)	244,968	125,808
Change in unrestricted net assets	145,054	16,017	(59,721)	235,538	(12,884)
Plus: Total depreciation/amortization	208,295	224,638	254,400	259,615	307,042
Plus: Total interest paid (expense)	91,718	105,241	100,611	103,419	117,197
Adjusted change in net assets	\$ 445,067	\$ 345,896	\$ 295,290	\$ 598,572	\$ 411,355
Cash provided by operating activities	\$ 242,055	\$ 398,219	\$ 291,979	\$ 230,259	\$ 173,699
Total annual debt service	\$ 126,337	\$ 171,024	\$ 131,424	\$ 153,080	\$ 177,836
Net Operating Ratio (DASNY 2013 Median: 3.4%)	2.3%	1.1%	2.7%	(0.2%)	(3.2%)
Net Income Ratio (DASNY 2013 Median: 9.4%)	4.6%	6.1%	(1.6%)	5.8%	(0.3%)
Cash Income Ratio (DASNY 2013 Median: 6.3%)	7.6%	11.7%	7.8%	5.6%	4.0%
Capital Expense Ratio (DASNY 2013 Median: 4.2%)	4.3%	5.3%	3.9%	3.9%	4.2%
Debt Coverage Ratio (DASNY 2013 Median: 3.2:1)	3.6:1	2.5:1	3.8:1	2.7:1	1.9:1
Net Tuition Per FTE Student (DASNY 2013 Median: \$25,407)	\$33,924	\$35,102	\$36,712	\$37,236	\$41,332

FEASIBILITY - OPERATIONS ANALYSIS: NYU has shown positive results from operations in three of the last five years, ranging from a surplus of \$102 million for fiscal year 2012 to a deficit of \$138.7 million for fiscal year 2014 (see below). Historically, the School of Medicine has run operating deficits (averaging negative \$58.2 million annually between 2009 and 2013), offsetting positive results from the Washington Square campus (averaging \$93.6 million between 2009 and 2013). As noted above, NYU-Poly fully merged with NYU on January 1, 2014. As a result, the University's fiscal year 2014 audited financial statements include NYU-Poly as a consolidated entity.

For fiscal year 2014, the combined Washington Square/NYU-Poly posted an operating margin of negative \$64.7 million. Operating revenues grew by 1% from the previous fiscal year while operating expenses increased by 6%. The slower growth in revenues is mainly due to a modest increase in enrollment from the previous year combined with an increase in financial aid. The growth in expenses can be attributed to an increase in salary and benefits, higher lease rates for administrative space, additional student housing expenses, and greater depreciation expense. Management indicated that approximately \$18 million of the total increase is considered one-time expenses. The University reports that operations were positive on a cash basis.

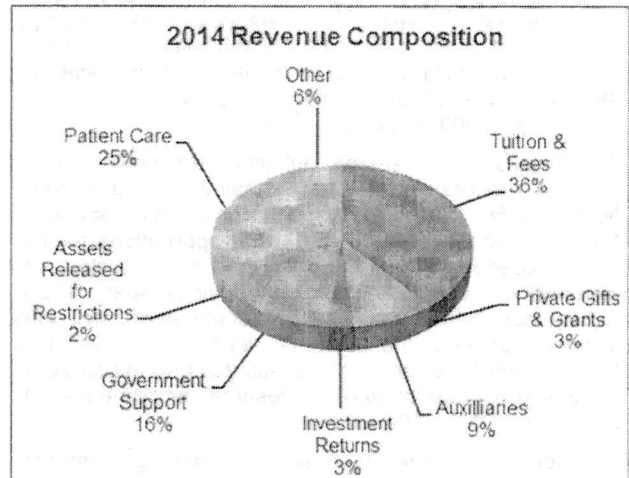
Operating deficits reported by the School of Medicine in fiscal years 2013 (\$72 million) and 2014 (\$74 million) were largely attributable to lost income and increased expenses associated with Superstorm Sandy. The School of Medicine, which is co-located with NYU Hospitals Center (NYUHC), lost significant revenue from patient related services while continuing to pay salaries and benefits. On July 29, 2014, the Federal Emergency Management Agency (FEMA) committed approximately \$1.1 billion to NYUHC and the School of Medicine to assist in the recovery process and to mitigate losses which may occur as a result of future storms. During fiscal year 2014, the School of Medicine recognized revenue of approximately \$58 million related to repairs and replacement and recognized approximately \$317.5 million as a temporarily restricted disaster recovery award for future mitigation. Also during fiscal year 2014, the School of Medicine received \$128.6 million of NIH Disaster Recovery Appropriation Awards to restore lost

research and to rebuild research space damaged as a result of the storm, of which \$37.5 million was recognized as grant revenue.

Auxiliary services continue to run at a significant deficit primarily due to NYU's decision to provide subsidized student housing. This gap was \$52.4 million in 2014 and has averaged \$47.2 million over the last 5 years.

Direct and indirect medical care activities have added to overall profitability of the enterprise. Although NYUHC is not obligated on University debt, it is operationally combined with the School of Medicine. Over the last four years, NYUHC has provided annual direct support payments to the School of Medicine totaling \$199 million, improving bottom line results.

As shown in the chart below, NYU's operating revenue is relatively diversified with just 36% of revenue originating from tuition and fees.



Non-operating results have been mixed, largely due to the fluctuation of investment returns and changes in pension and postretirement obligations. Despite the large operating surplus reported in FY 2012, a \$59.7 million decrease in unrestricted net assets resulted primarily from a \$186.1 million increase in NYU's accrued defined benefit obligation. In contrast, positive investment returns of \$43.3 million and a \$187.3 million decrease in NYU's

accrued defined benefit obligation led to a \$221.5 million increase in unrestricted net assets for fiscal year 2013. For fiscal year 2014, positive investment returns of \$107 million partially offset the operating deficit, resulting in a bottom line of negative \$12.9 million.

During the period 2010 through 2014, cash from annual operating activities averaged \$267 million. The University generated \$173.7 million in cash from operations in 2014 resulting in a Cash Income Ratio of 4.0% and an Operating Cash Flow to Debt Service Ratio of 1.64 times. At FYE 2014, NYU reported cash and short term investment balances totaling \$923 million. The University

also maintains \$700 million in committed bank credit lines to meet cash needs. At FYE 2014, a balance of \$114 million was drawn against them.

The projected debt service coverage for the University over the next five years is shown below.

Projected Debt Coverage Ratio

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
3.5:1	2.5:1	3.7:1	3.8:1	3.9:1

Table 4 – Selected Financial Position Statistics

<i>(dollars in thousands)</i>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Assets	\$7,456,409	\$8,024,969	\$8,352,786	\$8,921,953	\$10,027,532
Total Liabilities	3,793,968	4,004,095	4,275,093	4,420,290	4,781,067
Net Assets					
Unrestricted	2,062,945	2,078,962	2,019,241	2,254,779	2,225,627
Temporarily Restricted	356,454	628,944	649,306	745,821	1,349,426
Permanently Restricted	<u>1,243,042</u>	<u>1,312,968</u>	<u>1,409,146</u>	<u>1,501,063</u>	<u>1,671,412</u>
Total Net Assets	\$3,662,441	\$4,020,874	\$4,077,693	\$4,501,663	\$5,246,465
Long-Term Debt	\$2,128,498	\$2,161,279	\$2,169,356	\$2,291,580	\$2,452,590
Viability Ratio (DASNY 2013 Median: 1.2:1)	0.6:1	0.6:1	0.6:1	0.6:1	0.7:1
Primary Reserve Ratio (DASNY 2013 Median: 0.8:1)	0.4:1	0.4:1	0.3:1	0.3:1	0.4:1
Leverage Ratio (DASNY 2013 Median: 1.8:1)	1.1:1	1.3:1	1.2:1	1.3:1	1.5:1
Available Assets Ratio (DASNY 2013 Median: 2.0:1)	1.6:1	1.7:1	1.6:1	1.7:1	1.7:1
Total Resources Per Student (actual dollars)	\$ 70,383	\$ 70,913	\$ 69,639	\$ 75,460	\$ 91,560

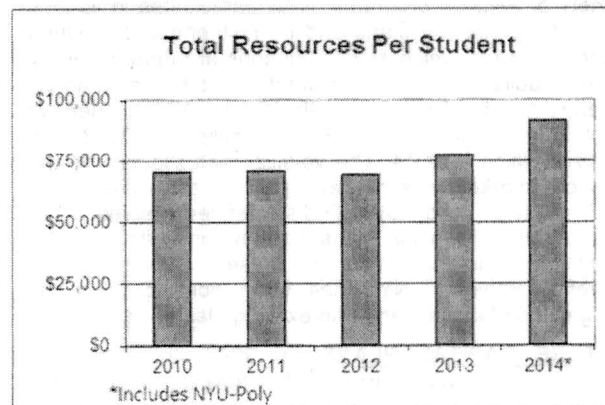
FEASIBILITY - BALANCE SHEET ANALYSIS: The University's balance sheet reflects relatively moderate capital accumulation and liquidity relative to the size of its operations and debt obligations. From 2010 to 2014, total assets increased by nearly \$1.6 billion, or about 43%. During that same period, financial resources (cash plus investments) increased by \$1.1 billion (about 35%), while physical assets (property, plant and equipment) increased by \$1.0 billion (or 32%). Financial resources currently comprise about 44% of the University's total assets while physical assets now represent about 42% of all assets, up from 35% in 2006.

NYU's unrestricted net assets have increased by \$163 million since 2010. This is primarily due to operating surpluses as well as net investment appreciation and positive changes in pension and postretirement obligations in recent years. Expendable resources (net assets adjusted for investment in plant) increased from \$1.4 billion in 2010 to \$1.8 billion in 2014, a 34% increase. Although this level has improved in recent years, expendable resources are still below fiscal year 2008 (\$2.1 billion), reflecting both the impact of the financial crisis on financial resources and an acceleration of capital project spending, which totaled \$3.5 billion between 2008 and 2014.

Despite improvement in balance sheet resources, liquidity measures have been impacted by the accumulation of debt obligations and the continued upward climb of operating expenses at a rate faster than expendable resources. Between 2007 and 2014, net long-term debt obligations doubled, increasing from \$1.156 billion to \$2.453 billion. Consequently, NYU's Viability Ratio

(Expendable Resources to Debt) for 2014 was calculated at 0.7:1 (compared to 1.8:1 in 2007). The 2013 DASNY median for this measure is 1.2:1. NYU's Primary Reserve Ratio (Expendable Resources to Operations) for 2014 was 0.4:1 (compared to 0.8:1 in 2007). This indicates liquidity sufficient to cover about five months of operating expenses. The 2013 DASNY Median is 0.8:1.

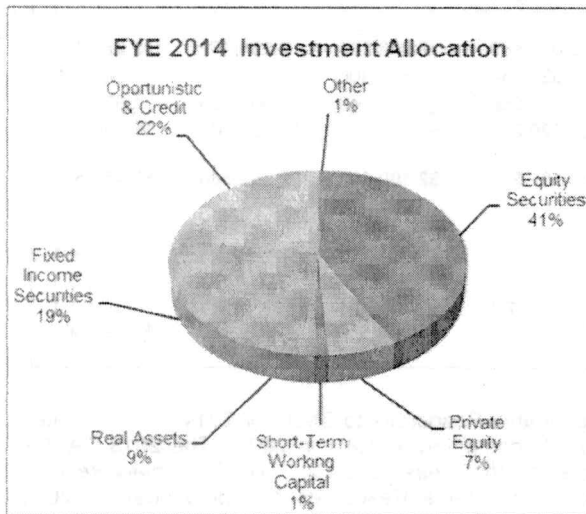
The graph below illustrates the trend in the University's total resources per student since FY 2010. NYU's \$91,560 in resources per student reported for FY 2014 represented a five year high.



ENDOWMENT AND INVESTMENTS: For FY 2014, NYU reported long-term investments with a total market value of nearly \$3.5 billion. This represented an increase of about \$458 million from FY 2013.

The official Asset Allocation Policy for the University's Endowments Fund is approved by the Investment Committee and reviewed annually. Assets classes include equity (both public and private), real assets (including real estate and natural resources), opportunistic and credit (consisting of a variety of credit, distressed situations, opportunistic value, event driven, relative value, risk arbitrage and special investments), fixed income and other investment vehicles. Expected ranges for investment are currently 40 – 60% for equity, 5 – 15% for real assets, 20 – 40% for opportunistic and credit and 10 – 25% for fixed income and other.

The chart that follows reflects the University's investment allocation as of August 31, 2014.



Distributions from the endowment to support operations (approximately 5% in 2013 and 2014) are calculated using the prior year distribution adjusted for the change in the New York Metro Area Consumer Price Index (CPI).

PENSION FUNDING: The University provides retirement benefits to substantially all of its employees through a variety of pension programs. NYU participates in various defined contribution plans and in multi-employer defined benefit plans in which its contributions are determined by rates required by union contracts or other contractual arrangements. Expenses related to NYU's defined contribution plans totaled \$130.0 million in 2013 and \$145.4 million in 2014. The volatility and illiquidity in the financial markets has had an effect on the value of the plan assets held by NYU's defined benefit and postretirement pension plans and low prevailing interest rates have increased the net present value of future benefits. However, NYU has been able to meet the obligations of those plans with existing plan assets.

FUTURE CAPITAL PLANS: In 2007, the University outlined "a citywide strategy for how to provide the physical space needed for NYU's long-range academic goals." Entitled the NYU 2031 Plan, the strategy outlined the addition of 6.0 million square feet of space to the campuses by 2031 to meet projected needs for academic and research (3.5 million sq. ft.), student housing (1.5 million sq. ft.), faculty housing (0.5 million sq. ft.) and

student services (0.5 million sq. ft.). In addition to solidifying the core Washington Square campus, the NYU 2031 Plan targets development at remote sites in Brooklyn (Polytechnic Campus), the East Side Medical Corridor (around Langone Medical Center) and Governor's Island. Since its announcement, the NYU 2031 plan has undergone numerous revisions and can be expected to be further refined in the future.

Center for Urban Science and Progress (CUSP): In April 2012, New York City accepted NYU's proposal to develop an applied technology campus by transforming the MTA's former headquarters at 370 Jay Street in Brooklyn to create a center where scientists and engineers would address global urban issues such as energy efficiency and traffic congestion and to develop the study of Urban Informatics. While renovations are underway CUSP's temporary home is at Metrotech (at NYU-Poly).

Global Initiatives: NYU has been aggressive in the development of international campuses and affiliations for its programs of study. Currently, NYU has degree granting campuses in Abu Dhabi and Shanghai, as well as NYU Law in Singapore. The University also sponsors nine international academic sites and one in Washington, DC. NYU is well positioned in the global market for students.

Community and Faculty Relations: Due to the location and character of the neighborhoods in which NYU facilities are located, including a large contingent of local resident faculty, there is a long history of focused community attention to the University's facility plans and expansion. The NYU 2031 Plan has drawn vocal opposition from both resident groups and faculty members as to the size, scope of construction activities and cost. Several faculty groups have passed "no confidence" votes in NYU senior leadership in part due to the NYU 2031 Plan. Continued active opposition can be expected.

Litigation: DASNY and the New York State Office of Parks, Recreation & Historic Preservation ("OPRHP") were named as defendants in connection with a lawsuit commenced against NYU and various New York City entities relating to the NYU 2031 Plan. In the single cause of action against DASNY, the Petitioners requested the annulment of a Letter of Resolution entered into among DASNY, NYU and OPRHP pursuant to Section 14.09 of the State Historic Preservation Act. The Letter of Resolution relates to the required process that would be undertaken in the event that NYU seeks DASNY financing in the future for components of the NYU 2031 Plan. The claim against DASNY has been dismissed and the time for appeal has passed. To date, NYU has not sought DASNY financing for any of the project components that are the subject of the Letter of Resolution or the subject of the litigation.

FUNDRAISING: The University completed a major capital campaign in 2008, raising \$3.1 billion for strategic investments, endowment and operating support. Following the financial crisis, philanthropy softened between 2009 and 2011. Beginning in 2012, contribution revenue and pledges both rebounded to pre-2009 levels: contributions receivable averaged \$364 million between 2012 and 2014 (compared to \$307 million between 2009 and 2011) while annual contribution revenue (all net asset classes) averaged \$396 million (compared to \$241 million between 2009 and 2011).

SUMMARY: New York University is a financially sound institution with a proven record of strong operations and substantial capital. The University continues to post impressive stability in its enrollments, both in terms of demand and selectivity. DASNY has had a favorable relationship with the University that dates back to its initial DASNY bond issue in 1963. Based on this relationship and, the financial strength and reputation of the University, and the substantial savings associated with the refundings, staff recommends the Board adopt a Resolution to Proceed for a bond issue on behalf of New York University in an amount not to exceed \$900,000,000.

New York University Revenue Bonds, Series 2015

Debt Service Comparison

Date	Existing D/S	Refunding D/S	Gross Savings	PV Savings
2015	17,004,299	16,222,600	781,698	776,459
2016	34,008,598	31,384,209	2,624,388	2,556,884
2017	37,563,598	34,935,982	2,627,616	2,492,077
2018	37,562,510	34,939,153	2,623,357	2,421,384
2019	47,197,260	44,086,737	3,110,523	2,790,939
2020	47,197,885	44,091,129	3,106,756	2,712,921
2021	47,198,385	44,090,563	3,107,822	2,641,163
2022	47,193,890	44,083,669	3,110,221	2,572,408
2023	47,197,078	44,087,658	3,109,419	2,502,861
2024	47,197,058	44,090,750	3,106,308	2,433,670
2025	47,195,308	44,088,000	3,107,308	2,369,634
2026	47,196,208	44,084,750	3,111,458	2,309,601
2027	47,197,478	44,084,000	3,113,478	2,249,543
2028	47,201,898	44,093,500	3,108,398	2,186,065
2029	47,191,968	44,080,500	3,111,468	2,129,918
2030	47,190,938	44,078,750	3,112,188	2,073,642
2031	47,198,938	44,090,250	3,108,688	2,016,087
2032	47,194,188	44,081,750	3,112,438	1,964,672
2033	47,194,438	44,081,500	3,112,938	1,912,565
2034	47,196,438	44,086,250	3,110,188	1,859,889
2035	47,201,938	44,092,750	3,109,188	1,809,665
2036	47,187,438	44,077,750	3,109,688	1,761,630
2037	47,260,438	44,149,000	3,111,438	1,715,544
2038	37,362,938	35,028,750	2,334,188	1,253,863
2039	30,184,438	27,852,750	2,331,688	1,219,113
2040	30,189,450	27,857,750	2,331,700	1,186,436
2041	30,184,325	27,849,750	2,334,575	1,156,023
2042	30,186,963	27,852,250	2,334,713	1,125,048
2043	30,184,213	27,847,500	2,336,713	1,095,749
2044	30,183,450	27,848,500	2,334,950	1,065,472
2045	30,181,525	27,847,500	2,334,025	1,036,375
2046	30,185,288	27,852,000	2,333,288	1,008,123
2047	30,181,063	27,844,000	2,337,063	982,507
2048	30,185,700	27,851,250	2,334,450	954,897
Total	1,362,137,516	1,268,713,201	93,424,315	62,342,829

Savings Summary

Present value of savings from cash flow	62,342,829
Less: Prior funds on hand	(3,637,437)
Plus: Refunding funds on hand	12,774
Net Present Value Savings	58,718,166
Percentage savings of refunded bonds	9.11%

D A S N Y

DORMITORY AUTHORITY STATE OF NEW YORK

New York University Revenue Bonds, Series 2015

Sources and Uses of Funds

Sources of Funds:

Bond Proceeds:		
Par Amount		\$691,655,000
Net Premium		129,286,251
		820,941,251
Other Sources of Funds:		
Equity Contribution		3,902,227
<i>Total Sources</i>		<i>\$824,843,478</i>

Uses of Funds:

		% of Par
Refunding Escrow Deposits/Refinancing Amounts	\$820,926,891	
Costs of Issuance	347,784	0.05%
Authority Fee	75,000	0.01%
Bond Counsel	125,000	0.02%
Rating Agencies	100,000	0.01%
TEFRA Notice	10,000	0.00%
Printing	10,000	0.00%
DAC Fee	5,500	0.00%
Trustee & Trustee's Counsel	7,500	0.00%
Auditor	12,000	0.00%
Miscellaneous	2,784	0.00%
Underwriter's Discount	3,568,803	0.52%
<i>Total Uses</i>	<i>\$824,843,478</i>	

All Figures in 000's	Balance Sheets				
	2010	2011	2012	2013	2014
Assets					
Cash and Cash Equivalents	\$ 725,294	823,111	879,485	900,791	919,231
Contributions and Grants Receivable	302,411	291,186	346,733	341,221	404,050
Loans Receivable	0	0	0	0	0
Other Receivables	345,417	346,806	391,809	411,127	401,292
Short-Term Investments	86,824	48,474	33,568	28,680	3,436
Investments	2,434,213	2,749,036	2,825,649	3,008,213	3,466,639
Property, Plant and Equipment, Net	3,181,205	3,506,965	3,605,859	3,878,392	4,195,616
Deposits and Deferred Costs	225,137	119,676	113,784	95,424	88,722
Prepaid Expenses and Other Assets	155,908	139,715	155,899	258,105	548,546
Miscellaneous Assets	0	0	0	0	0
Total Assets	\$ 7,456,409	8,024,969	8,352,786	8,921,953	10,027,532
Liabilities					
Accounts Payable and Accrued Expenses	\$ 431,656	419,117	477,964	497,969	605,955
Deposits and Deferred Revenues	603,235	799,365	811,579	805,803	809,755
Federal Grants Refundable	70,039	71,340	72,186	73,934	80,117
Federal Student Loans	0	0	0	0	0
Postretirement Benefits	440,858	427,407	614,898	463,823	543,264
Short-term Debt Obligations	0	0	0	0	0
Long-Term Debt	2,128,498	2,161,279	2,169,356	2,291,580	2,452,590
Due to Related Organizations	0	0	0	0	0
Other Liabilities	119,682	125,587	129,110	287,181	289,386
Total Liabilities	\$ 3,793,968	4,004,095	4,275,093	4,420,290	4,781,067
Net Assets					
Unrestricted	\$ 2,062,945	2,078,962	2,019,241	2,254,779	2,225,627
Temporarily Restricted	356,454	628,944	649,306	745,821	1,349,426
Permanently Restricted	1,243,042	1,312,968	1,409,146	1,501,063	1,671,412
Total Net Assets	\$ 3,662,441	4,020,874	4,077,693	4,501,663	5,246,465
Total Liabilities and Net Assets	\$ 7,456,409	8,024,969	8,352,786	8,921,953	10,027,532

All Figures in 000's	Statement of Activities				
	2010	2011	2012	2013	2014
Operating Revenue					
Tuition and Fees	\$ 1,802,775	1,893,656	1,793,687	1,880,672	2,056,014
Less Financial Aid	-344,921	-369,427	-401,313	-442,318	-474,491
Net Tuition and Fees	\$ 1,257,854	1,324,229	1,392,374	1,438,354	1,581,523
Sales and Service of Auxiliaries	\$ 358,538	363,908	377,460	380,201	408,108
Government Support	484,342	541,608	597,352	621,869	693,979
Private Gifts and Grants	126,425	108,942	124,065	130,457	137,103
Investment Returns	79,321	111,857	121,685	121,917	131,198
Other Revenues	116,566	114,948	180,122	382,169	271,196
Sales and Services -Educational	0	0	0	0	0
Hospital and Faculty Patient Care	653,869	753,553	843,313	904,599	1,073,329
Assets Released from Restriction	94,959	93,727	100,480	107,000	86,071
Total Operating Revenue	\$ 3,171,974	3,412,772	3,736,851	4,086,566	4,382,507
Operating Expense					
Instruction and Research	\$ 1,079,553	1,136,636	1,207,331	1,281,702	1,466,385
Academic Support	60,867	64,698	69,092	71,837	75,516
Student Services	99,735	102,992	100,399	108,873	118,299
Institutional Support	286,926	350,199	348,083	421,403	469,384
Facilities Expense	0	0	0	0	0
Auxiliary Expense	398,611	414,808	417,524	426,307	460,536
Other Operating Expense	506,135	565,615	644,027	837,265	867,235
Hospital and Faculty Patient Care	667,025	740,314	847,998	948,609	1,063,844
Total Operating Expense	\$ 3,098,852	3,375,262	3,634,454	4,095,996	4,521,199
Chg in Unrestricted Net Assets from Operating Activities	\$ 73,022	37,510	102,397	-9,430	-138,692
Non-Operating Activities					
Net Excess Investment Return/(Loss)	\$ 98,197	89,134	-14,386	43,345	107,038
Capital Gifts and Contributions	0	0	0	0	0
Assets Released from Restriction	5,052	10,455	3,726	701	2,980
Other Non-Operating Items, Net	-31,217	-121,082	-151,458	233,099	15,790
Extraordinary Gain/(Loss)	0	0	0	-32,177	0
Total Non-Operating Activities	\$ 72,032	-21,493	-162,118	244,968	125,808
Change in Unrestricted Net Assets	\$ 145,054	16,017	-59,721	235,538	-12,884

New York University
 Independent Higher Education Institutions
 Financial and Operating Ratios

Appendix B

	Year					2013 DASNY Median
	2010	2011	2012	2013	2014	
<u>Liquidity Ratios</u>						
Primary Reserve	0.4	0.4	0.3	0.3	0.4	0.8
Cash Income	7.6%	11.7%	7.8%	5.6%	4.0%	6.3%
Unrestricted Resources to Debt	0.47	0.34	0.27	0.29	0.20	0.57
Viability	0.6	0.6	0.6	0.6	0.7	1.2
Composition of Assets	1.34	1.29	1.32	1.30	1.39	1.84
Operating Cash Flow to Debt Service	2.64	2.94	2.99	2.18	1.64	2.11
<u>Capital Ratios</u>						
Age of Facility	8.83	9.12	8.91	9.22	8.89	10.66
Capital Expense (Debt Burden)	4.3%	5.3%	3.9%	3.9%	4.2%	4.2%
Debt Service Coverage	3.6	2.5	3.8	2.7	1.9	3.2
Leverage	1.1	1.3	1.2	1.3	1.5	1.8
Capitalization Ratio	49.1%	50.1%	48.8%	50.5%	52.3%	60.8%
Total Resources per FTE Student	\$70,383	\$70,913	\$69,639	\$75,480	\$91,560	\$76,180
Debt per FTE Student	\$57,404	\$57,290	\$57,198	\$59,324	\$64,097	\$59,324
<u>Productivity and Demand Ratios</u>						
Matriculation (Yield)	35.3%	35.1%	36.2%	34.3%	35.1%	34.3%
Selectivity (Acceptance)	37.8%	38.1%	32.7%	35.0%	32.4%	42.9%
Student/Faculty	7.2	7.1	6.9	6.6	6.4	8.0
Tuition Discount Rate	21.5%	21.8%	22.4%	23.5%	23.1%	31.1%
Educational Core Services	50.0%	49.5%	48.0%	45.7%	50.5%	49.2%
Educational Support Ratio	7.4%	7.3%	6.7%	6.4%	6.7%	16.2%
General Support Ratio	13.3%	15.3%	13.8%	15.0%	16.2%	15.5%
<u>Profitability and Operating Ratios</u>						
Net Operating Margin	2.3%	1.1%	2.7%	-0.2%	-3.2%	3.4%
Net Income	4.6%	6.1%	-1.6%	5.8%	-0.3%	9.4%
Net Tuition per FTE Student	\$33,924	\$35,102	\$36,712	\$37,236	\$41,332	\$25,407
Return on Net Assets	5.8%	9.8%	1.4%	10.4%	14.4%	9.8%
Return on Average Investment Value	6.8%	11.6%	2.9%	8.3%	12.0%	10.2%
Net Tuition Dependency	39.7%	38.8%	37.3%	35.2%	36.1%	46.2%
Contributed Income	10.9%	9.1%	9.5%	8.7%	7.4%	10.2%
Operating Income	89.4%	86.9%	89.9%	88.1%	83.2%	88.1%
Available Assets	1.6	1.7	1.6	1.7	1.7	2.0
Federal Financial Ratio	2.98	3.00	2.49	3.00	2.59	3.00

A RESOLUTION OF THE DORMITORY AUTHORITY OF THE STATE OF NEW YORK
(DASNY) AUTHORIZING STAFF AND BOND COUNSEL TO
PROCEED TO TAKE THE NECESSARY ACTION TO PREPARE
THE APPROPRIATE DOCUMENTS TO PROVIDE FOR THE
FINANCING OF FACILITIES FOR
NEW YORK UNIVERSITY

Resolved that the staff and bond counsel be authorized to proceed to take the necessary action and prepare the appropriate documents to provide for the financing of facilities for New York University; provided, however, that the adoption of this Resolution imposes no duty on the part of DASNY to issue obligations for or on behalf of New York University.

This Resolution shall take effect immediately.