



**DASNY**

**ANDREW M. CUOMO**  
Governor

**ALFONSO L. CARNEY, JR.**  
Chair

**GERRARD P. BUSHELL**  
President

***Memorandum***

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

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

**DATE:** April 7, 2017

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

*Description of Proposed Action and Proposed Project.* New York University ("NYU" or the "University") has requested financing from DASNY ("Dormitory Authority State of New York") for its *Refinancing of Existing Debt* (collectively, the "Proposed Project"). Based on a review of the attached Single Approval Credit Summary, dated March 31, 2017, it has been determined that the Proposed Action would involve DASNY's authorization of the issuance of one or more Series of fixed- or variable-rate, tax-exempt and/or taxable, Series 2017 bonds sold through a negotiated offering or a private placement, in an amount not to exceed \$805,000,000 in funding under DASNY's Independent Colleges and Universities Program.

More specifically, the proceeds from the Series 2017 bond issue or issues would be used for the Proposed Project, which would consist of the refunding of all or a portion of the New York City Industrial Development Agency, Series 2007 Bonds issued on behalf of Polytechnic University (\$92.8 million), refunding of all or a portion of the DASNY Series 2009A and Series 2009B Bonds (\$496.5 million), and the refinancing of a portion of amounts drawn on the University's line of credit for various capital projects located throughout the University system (\$195.0 million).

*Institution.* NYU is a private, nonprofit 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 9,800 and a headcount of approximately 26,000 undergraduate and 24,000 graduate and professional students.

The University includes 19 schools, colleges, institutes, and programs in eight major locations in New York City: the Washington Square campus in Greenwich Village; the Institute of Fine Arts at 1 East 78<sup>th</sup> Street, near the Metropolitan Museum of Art; the School of Professional Studies at the Midtown Center at 11 West 42<sup>nd</sup> Street and the Woolworth Building located at 15 Barclay Street (as well as at Washington Square); the Rory Meyers College of Nursing and the College of Dentistry on First Avenue between East 24<sup>th</sup> and 26<sup>th</sup> Streets; the School of Medicine on First Avenue between East 30<sup>th</sup> and 34<sup>th</sup> Streets; the Institute for the

Study of the Ancient World at 15 East 84<sup>th</sup> Street; and the downtown Brooklyn area, where the Tandon School of Engineering and the Center for Urban Science and Progress (“CUSP”) are located.

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 its debt obligations. Conversely, the Hospitals Center is not responsible for NYU’s obligations. In 2008 the University 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 Tandon School of Engineering, with NYU assuming all assets and liabilities of the former Polytechnic University.

*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)(2) 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.*” Therefore, no further SEQR determination or procedure is required for any component of the Proposed Action 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 Action 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: Sara P. Richards, Esq.  
Donna A. Rosen, Esq.  
David P. Ostrander  
SEQR File  
OPRHP File

# Single Approval Credit Summary

New York University  
New York, New York

March 31, 2017

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 2017 Bonds in an amount not to exceed \$805,000,000 with maturities not to exceed 40 years are to be sold at one or more times through a negotiated offering and/or a private placement.

- Co-Lead Managers – Wells Fargo Securities and JP Morgan
- Co-Bond Counsel – Hawkins Delafield & Wood LLP and McGlashan Law Firm, PC
- Underwriters' Counsel – Katten Muchin Rosenman LLP

### Purpose:

- Refunding of all or a portion of the New York City Industrial Development Agency, Series 2007 Bonds issued on behalf of Polytechnic University (\$92.8 million).
- Refunding of all or a portion of the DASNY Series 2009A and Series 2009B Bonds (\$496.5 million).
- Refinancing of a portion of amounts drawn on the University's line of credit for various capital projects located throughout the University system (\$195.0 million).

### Security:

- General obligation of the University.

**Current Ratings:** Moody's: Aa3 (Positive)  
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 9,800 and a headcount of approximately 26,000 undergraduate and 24,000 graduate and professional students.

The University includes 19 schools, colleges, institutes, and programs in eight major locations in New York City: the Washington Square campus in Greenwich Village; the Institute of Fine Arts at 1 East 78th Street, near the Metropolitan Museum of Art; the School of Professional Studies at the Midtown Center at 11 West 42nd Street and the Woolworth Building located at 15 Barclay Street (as well as at Washington Square); the Rory Meyers College of Nursing and the College of Dentistry on First Avenue between East 24th and 26th Streets; the School of Medicine on First Avenue between East 30th and 34th Streets; the Institute for the Study of the Ancient World at 15 East 84th Street; and the downtown Brooklyn area, where the Tandon School of Engineering and the Center for Urban Science and Progress (CUSP) are located.

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 its debt obligations. Conversely, the Hospitals Center is not responsible for NYU's obligations. In 2008, the University 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 Tandon School of Engineering, with NYU assuming all assets and liabilities of the former Polytechnic University.

## Description of the Series 2017 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

- SEQR Filing – April 11, 2017\*
- TEFRA Hearing – April 18, 2017\*
- PACB Approval – April 19, 2017\*

\*Anticipated date.

## Strengths

- **Enrollment** – NYU is one of the nation's largest private Universities, offering a wide array of academic programs including law, medicine, business, engineering, technology, and the arts. Total headcount enrollment reached 50,550 in fall 2016.
- **Demand** – For fall 2016, the University received 60,724 applications for first-time full-time freshman, marking the ninth year in a row of record applications.
- **Revenue Diversification** – The University's overall revenue mix is diverse, making it less vulnerable to fluctuations from a single revenue source. For fiscal year 2016, only 31% of the University's total operating revenues came from net tuition and fees.
- **Net Assets** – NYU reported total net assets in excess of \$5.0 billion for fiscal year 2016.
- **Global Initiatives** – NYU has a large global presence, with degree-granting campuses in Abu Dhabi and Shanghai, as well as various other global academic sites. International students comprise approximately 20% of total enrollment.
- **Savings** – Assuming current market conditions, a total net present value savings in the range of \$45.6 million, or 9.23% of the refunded bonds, is expected.

# Single Approval Credit Summary

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New York University  
New York, New York

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March 31, 2017

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Program: Independent Colleges & Universities

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Purpose: Refunding / Refinancing

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## Risks/Challenges

- **Balance Sheet Liquidity** – Since 2007, the University has taken on an additional \$2.4 billion in long-term debt. Consequently, NYU's Viability Ratio (Expendable Resources to Debt) for 2016 was calculated at 0.4:1, well below the 2007 ratio of 1.8:1 and the 2015 DASNY median of 1.0:1. 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 toward the University's current Aa3/AA- ratings.

## Recommendation

The attached staff report recommends that the Board adopt the necessary documents for one or more series of bonds with maturities not to exceed 40 years in an aggregate amount not to exceed \$805,000,000 based on the University's significant balance sheet, 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 9,800 and a headcount of approximately 26,000 undergraduate and 24,000 graduate and professional students.

The University includes 19 schools, colleges, institutes, and programs in eight major locations in New York City: the Washington Square campus in Greenwich Village; the Institute of Fine Arts at 1 East 78th Street, near the Metropolitan Museum of Art; the School of Professional Studies at the Midtown Center at 11 West 42nd Street and the Woolworth Building located at 15 Barclay Street (as well as at Washington Square); the Rory Meyers College of Nursing and the College of Dentistry on First Avenue between East 24th and 26th Streets; the School of Medicine on First Avenue between East 30th and 34th Streets; the Institute for the Study of the Ancient World at 15 East 84th Street; and the downtown Brooklyn area, where the Tandon School of Engineering and the Center for Urban Science and Progress (CUSP) are located.

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 its debt obligations. Conversely, the Hospitals Center is not responsible for NYU's obligations. In 2008, the University 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 Tandon School of Engineering, with NYU assuming all assets and liabilities of the former Polytechnic University.

**DASNY FINANCING HISTORY:** Since 1963, DASNY has issued 38 separate obligations on behalf of the University totaling over \$5.1 billion. As of December 31, 2016, approximately \$2.7 billion remained outstanding as shown in Table 1 below.

**Table 1 -- Outstanding DASNY Debt**

<u>Series</u>	<u>Defeasance or Maturity</u>	<u>Amount Issued (000's)</u>	<u>Amount Outstanding (000's)</u>
1963 through 1993		\$988,340	\$ -
1997A	2006	20,000	-
1998A	2027	250,000	146,175
2001 Ser 1	2040	120,000	108,565
2001A	2015	123,645	-
2001 Ser 2	2012	94,300	-
2003 A&B	2011	128,000	-
2004 A&B	2014	153,310	-
2007A	2037	126,145	3,555
2008 A,B,C&D	2048	616,465	18,100
2009 A&B	2039	466,640	448,860
2012 A,B&C	2042	294,770	264,005
2013 A&B	2043	158,805	149,895
2014A	2034	55,000	55,000
2015A	2034	691,435	690,445
2016 A&B	2046	<u>829,110</u>	<u>829,110</u>
		\$5,115,965	\$2,713,710

In addition, NYU has approximately \$386.5 million outstanding of its own taxable Bonds as well as approximately \$90.5 million of bonds issued by the New York City IDA in 2007 on behalf of Polytechnic University. As discussed below, the 2007 IDA Bonds are expected to be refunded through the proposed issuance.

The University has always met its obligations to DASNY on time and in full.

**THE REFUNDING PLAN:** A portion of the proceeds from the Series 2017 Bonds are expected to be used to refund all or a portion of the DASNY Series 2009A and 2009B Bonds. The Series 2009A Bonds have a current par amount outstanding of \$384,600,000 and the Series 2009B Bonds have a current par amount outstanding of \$64,260,000. Both series of bonds reach final maturity on July 1, 2039 and are callable at par on or after July 1, 2019.

A portion of the Series 2017 Bonds are also expected to be used to refund all or a portion of the Series 2007 Bonds issued by the New York City IDA on behalf of Polytechnic University. The Bonds were issued prior to the acquisition of Polytechnic University by NYU and were used to refund IDA bonds issued in 2000. The Series 2007 IDA Bonds have a current par outstanding of \$90,540,000. The Bonds reach final maturity on November 1, 2037 and are callable at par on or after November 1, 2017.

Assuming current market conditions, a total net present value savings in the range of \$45.6 million, or 9.23% of the refunded bonds, is expected as shown in Attachment I.

**THE REFINANCING PLAN:** The remaining portion of the Series 2017 Bonds is expected to refinance approximately \$194,900,000 drawn on the University's line of credit which was used for various capital projects located throughout the University system.

**FINANCING DETAILS:** The proposed issuance is expected to be sold through multiple series of Bonds, including both tax-exempt and taxable. Approximately \$589.3 million in bond proceeds will be applied toward refunding escrow deposits. The refinancing of the University's line of credit is expected to require a deposit to the Construction Fund totaling \$195.0 million. Bond proceeds may also be used to fund capitalized interest of approximately \$10 million for ongoing construction projects financed with the line of credit. Issuance costs, including DASNY's fee, counsel fees, and underwriter's discount, are estimated to total approximately \$3.6 million. Staff is requesting bonding authorization in an amount not to exceed \$805 million to provide the University with flexibility and ensure sufficient proceeds to complete the financing. 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 with a "Positive Outlook". Standard & Poor's has rated the University's obligations "AA-" with 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 TANDON SCHOOL OF ENGINEERING:** On July 1, 2008, Polytechnic University in Brooklyn became affiliated with NYU under the name Polytechnic Institute of New York University. On January 1, 2014, Polytechnic Institute of New York University merged with NYU to become the NYU Tandon School of Engineering (NYU-Tandon), with NYU assuming all assets and liabilities of the former Polytechnic University. Programs and additional investments needed to modernize NYU-Tandon's academic/research capacity are included in the NYU Core Plan. The NYU-Tandon merger did not impact the University's rating from Moody's or S&P.

*Technical Note - Now that NYU-Tandon has been fully merged with NYU, the University's fiscal year 2014, 2015 and 2016 audited financial statements include NYU-Tandon as a consolidated entity. In addition, the University's enrollment data for fall 2014, fall 2015 and fall 2016 includes NYU-Tandon. Audited results discussed below for fiscal years 2012 and 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>2012-13</u>	<u>2013-14</u>	<u>2014-15*</u>	<u>2015-16*</u>	<u>2016-17*</u>
First-time Freshman Applications Received	42,807	45,779	50,608	57,727	60,724
First-time Freshman Applications Accepted	14,998	14,829	17,815	18,515	19,555
Undergraduate Acceptance Ratio	35.0%	32.4%	35.2%	32.1%	32.2%
First-time Freshman Applicants Enrolled	5,141	5,207	5,913	5,927	6,139
Undergraduate Matriculation Ratio	34.3%	35.1%	33.2%	32.0%	31.4%
Mean SAT Scores (Entering Freshmen)	1,340	1,350	1,338	1,345	1,352
Headcount Enrollment					
Full-Time	34,964	35,096	39,898	40,777	41,366
Part-Time	<u>9,552</u>	<u>9,503</u>	<u>9,376</u>	<u>9,250</u>	<u>9,184</u>
Total	44,516	44,599	49,274	50,027	50,550
Full-time Equivalent Enrollment					
Undergraduate	21,738	21,782	24,138	24,894	25,303
Graduate	<u>16,890</u>	<u>16,482</u>	<u>18,885</u>	<u>18,966</u>	<u>19,129</u>
Total	38,628	38,264	43,023	43,860	44,432

\*Includes NYU-Tandon

**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. For fall 2016, the University received 60,724 applications for first-time full-time freshman, marking the ninth year in a row of record applications.

NYU's Acceptance Rate for all undergraduate enrollment has averaged 33% over five years. The University's Matriculation Rate, at 31% for fall 2016, falls just under the 5-year average of 33%. Overall, freshman enrollment in fall 2016 was 6,139, a 10-year high.

Total headcount enrollment increased to 50,550 in fall 2016. Headcount increased by 13.6% over five years, much of which occurred in fall 2014 due to additional students from the Polytechnic merger. Headcount has increased by just over 2.5% since that time.

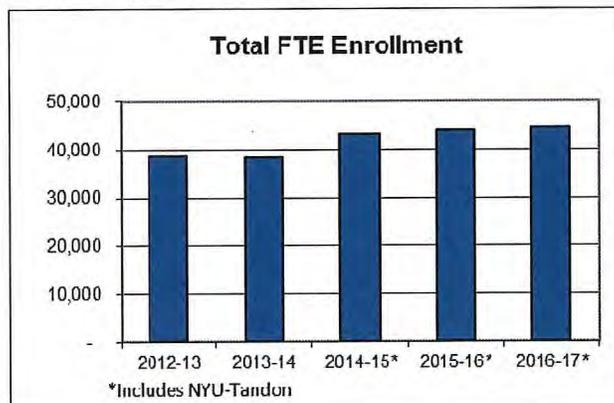
Coincident with the increase in incoming freshman classes, NYU's overall tuition discount rate grew from 22.4% to 27.0% over the last five years but remained below the 2015 DASNY median of 32.5% for similar institutions. NYU has continued to focus on increasing financial aid to make the University more accessible to students from lower income families. Approximately 57% of full-time undergraduate students receive some form of University, federal, or state grant for the current academic year. In addition, the University implemented the smallest annual increase in the overall cost of attendance in 20

years, increasing tuition by 2.7% for fall 2016 and freezing room and board at the 2015 rate.

Freshman retention remains nearly constant at 93%. Mean SAT scores have averaged 1,345 over the last five years.

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 20% 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)

	2012	2013	2014*	2015*	2016*
Total operating revenue	\$3,736,851	\$4,086,566	\$4,377,473	\$4,757,113	\$5,345,495
Total operating expense	<u>3,634,454</u>	<u>4,095,996</u>	<u>4,515,821</u>	<u>4,888,493</u>	<u>5,402,342</u>
Change in net assets from operations	102,397	(9,430)	(138,348)	(131,380)	(56,847)
Total non-operating revenue	<u>(162,118)</u>	<u>244,968</u>	<u>125,464</u>	<u>(77,228)</u>	<u>109,771</u>
Change in unrestricted net assets	(59,721)	235,538	(12,884)	(208,608)	52,924
Plus: Total depreciation/amortization	254,400	259,615	307,042	274,758	308,440
Plus: Total interest paid (expense)	<u>100,611</u>	<u>103,419</u>	<u>117,197</u>	<u>111,113</u>	<u>114,003</u>
Adjusted change in net assets	\$295,290	\$598,572	\$411,355	\$177,263	\$475,367
Cash provided by operating activities	\$291,979	\$230,259	\$173,699	\$105,949	\$322,393
Total annual debt service	\$131,424	\$153,080	\$177,836	\$173,599	\$193,835
Net Operating Ratio (DASNY 2015 Median: 1.3%)	2.7%	-0.2%	-3.2%	-3.1%	-1.2%
Net Income Ratio (DASNY 2015 Median: 2.5%)	-1.6%	5.8%	-0.3%	-5.0%	1.1%
Cash Income Ratio (DASNY 2015 Median: 3.8%)	7.8%	5.6%	4.0%	2.5%	6.8%
Capital Expense Ratio (DASNY 2015 Median: 4.5%)	3.9%	3.9%	4.2%	4.2%	4.3%
Debt Coverage Ratio (DASNY 2015 Median: 2.0:1)	3.8	2.7	1.9	1.8	2.2
Net Tuition Per FTE Student (DASNY 2015 Median: \$27,500)	\$36,712	\$37,236	\$40,906	\$37,186	\$37,914

\*Includes NYU-Tandon

**FEASIBILITY - OPERATIONS ANALYSIS:** The University's operating margins over the last five years have ranged from a surplus of \$102.4 million for fiscal year 2012 to a deficit of \$138.3 million for fiscal year 2014. While the University's audited financial statements reflect operating losses on an accrual basis in recent years, the University continues to report positive operating margins on a cash basis.

Prior to fiscal year 2014, positive results from the Washington Square campus (averaging \$93.6 million between 2009 and 2013) had historically offset operating deficits from the School of Medicine (averaging negative \$58.2 million annually between 2009 and 2013). Operating deficits beginning in 2014 were the result of deficits at both units and are discussed in more detail below.

As noted above, NYU-Tandon fully merged with NYU on January 1, 2014. As a result, the University's fiscal year 2014, 2015 and 2016 audited financial statements include NYU-Tandon as a consolidated entity. For fiscal years 2014 and 2015, the combined Washington Square/NYU-Tandon posted operating margins of negative \$66.5 million and negative \$90.1 million, respectively. For fiscal year 2014, the operating deficit was mainly the result of slower growth of operating revenues due to an increase in financial aid and an increase in expenses attributed to an increase in salary and benefits, higher lease rates for administrative space, additional student housing expenses, and greater depreciation expense. For fiscal year 2015, the deficit was largely driven by depreciation expense of \$218.3 million. Fiscal year 2016 operating results improved due to growth in tuition and auxiliary revenue, increased grant revenue, and larger contribution revenue. This was offset by a \$25 million increase in depreciation due to IT projects and some large capital projects coming online. The University budgets for cash

principal payments, which totaled \$46.8 million during 2016. The University reports that operations were positive on a cash basis for 2014 (\$66.3 million), 2015 (\$106.6 million) and 2016 (\$145.8 million).

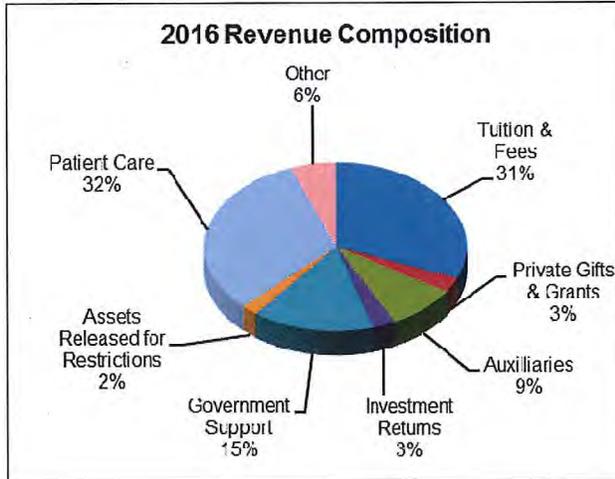
Operating deficits reported by the School of Medicine in fiscal years 2013 (\$72.1 million) and 2014 (\$71.9 million) were largely attributable to lost income and increased expenses associated with Superstorm Sandy (see below). For fiscal years 2015 and 2016, the School of Medicine's operating margins improved to an average of negative \$45 million due to increases in patient care revenue from growth related to physician recruitment and ambulatory network development, as well as decreases in disaster related expenses related directly to 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 following Superstorm Sandy. 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 approximately \$317.5 million as a temporarily restricted disaster recovery award for future mitigation to be released from restriction as costs are incurred. 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. Management indicates that NIH awards (excluding Sandy grants) have recovered and surpassed pre-Sandy levels at the School of Medicine.

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. In fiscal year 2016, NYUHC provided \$50 million in direct support payments to the School of Medicine, improving bottom line results.

As shown in the chart below, NYU's operating revenue is relatively diversified with just 31% of revenue originating from tuition and fees.



Historically, 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. For fiscal year 2015, bottom line results were negatively impacted by lower investment returns, an increase in NYU's accrued defined benefit obligation, and a loss on the extinguishment of debt. In addition, \$48 million of assets acquired through the NYU-Tandon merger was reclassified from unrestricted to permanently restricted net assets. Fiscal year 2016 results benefited from improved investment returns and recognition of disaster related grant revenue (discussed above) at the School of Medicine.

During the period 2012 through 2016, cash from annual operating activities averaged just under \$225 million. The University generated \$322.4 million in cash from operations in 2016 resulting in a Cash Income Ratio of 6.8% and an Operating Cash Flow to Debt Service Ratio of 2.25 times. At FYE 2016, NYU reported cash and short term investment balances totaling \$840 million. The University also maintains \$800 million in committed bank credit lines to meet cash needs. Currently, a balance of approximately \$236.8 million is drawn against them. Approximately \$195.0 million of this balance is expected to be refinanced through the proposed issuance.

**Table 4 – Selected Financial Position Statistics**

(dollars in thousands)	<u>2012</u>	<u>2013</u>	<u>2014*</u>	<u>2015*</u>	<u>2016*</u>
Total Assets	\$8,352,786	\$8,921,953	\$10,009,215	\$10,458,647	\$11,383,803
Total Liabilities	4,275,093	4,420,290	4,762,750	5,382,246	6,249,586
<b>Net Assets</b>					
Unrestricted	2,019,241	2,254,779	2,225,627	2,017,019	2,069,943
Temporarily Restricted	649,306	745,821	1,349,426	1,284,959	1,148,327
Permanently Restricted	<u>1,409,146</u>	<u>1,501,063</u>	<u>1,671,412</u>	<u>1,774,423</u>	<u>1,915,947</u>
Total Net Assets	\$4,077,693	\$4,501,663	\$5,246,465	\$5,076,401	\$5,134,217
<b>Long-Term Debt</b>	\$2,169,356	\$2,291,580	\$2,423,736	\$2,894,951	\$3,581,466
Viability Ratio (DASNY 2015 Median: 1.0:1)	0.6	0.6	0.7	0.5	0.4
Primary Reserve Ratio (DASNY 2015 Median: 0.8:1)	0.3	0.3	0.4	0.3	0.3
Leverage Ratio (DASNY 2015 Median: 2.0:1)	1.2	1.3	1.5	1.1	0.9
Available Assets Ratio (DASNY 2015 Median: 1.9:1)	1.6	1.7	1.8	1.6	1.5
Total Resources Per Student (DASNY 2015 Median: \$78,724)	\$69,639	\$75,460	\$90,806	\$75,626	\$78,918

\*Includes NYU-Tandon

**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 2012 to 2016, total assets increased by over \$3.0 billion, or about 36%. During that same period, financial resources (cash plus investments) increased by \$716.9 million (about 19%), while physical assets (property, plant and equipment) increased by \$1.6 billion (or 46%).

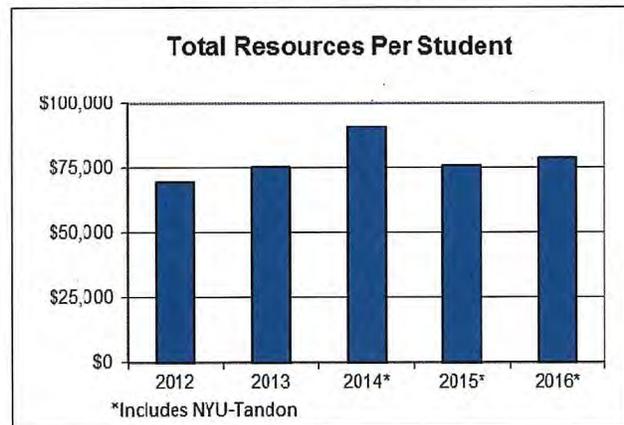
Total net assets have increased by over \$1 billion since 2012, reaching \$5.1 billion at FYE 2016, mainly the result of contribution revenue, positive investment returns, and grant awards. NYU's unrestricted net assets have been relatively flat over five years at just over \$2.0 billion. Unrestricted net asset appreciation between 2011 and 2013, mainly due to operating surpluses, net investment appreciation and positive changes in pension and postretirement obligations, was largely offset by 2015 operating and non-operating results discussed above.

Expendable resources (unrestricted plus temporarily restricted net assets adjusted for investment in plant) increased from \$1.2 billion in 2012 to \$1.5 billion in 2016, a 25% 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 has totaled over \$4.5 billion since 2008.

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 2016, net long-term debt obligations increased from \$1.156 billion to \$3.581 billion as NYU continued to finance its expansive capital plans. Consequently, NYU's Viability Ratio (Expendable Resources to Debt) for 2016 was calculated at 0.4:1 (compared to 1.8:1 in 2007). The 2015 DASNY median for this measure is 1.0:1. NYU's Primary Reserve

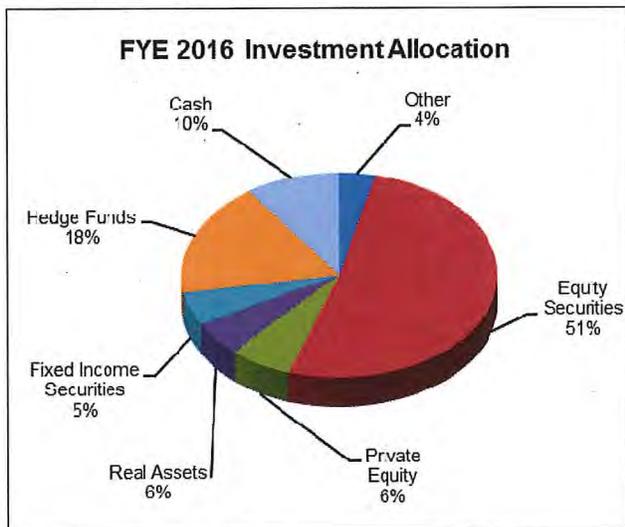
Ratio (Expendable Resources to Operations) for 2016 was 0.3:1 (compared to 0.8:1 in 2007). This indicates liquidity sufficient to cover about four months of operating expenses. The 2015 DASNY Median is 0.8:1.

The graph below illustrates the trend in the University's total resources per student since FY 2012.



**ENDOWMENT AND INVESTMENTS:** For FY 2016, NYU reported long-term investments with a total market value of over \$3.6 billion. This represented an increase of \$108.0 million from FY 2015.

NYU invests in a wide range of asset classes including Public Equity, Hedge Funds, Credit, Natural Resources, Private Equity, Real Estate, and Fixed Income. The chart that follows reflects the University's investment allocation as of August 31, 2016.



NYU's Board of Trustees has authorized a spending policy designed to allow asset growth while providing a predictable flow of return to support operations. The University's endowment spending policy permits the use of total return to support operations at approved spending rates (approximately 5% in fiscal year 2016) calculated using the prior year distribution adjusted for the change in the New York Metro Area Consumer Price Index.

**PENSION FUNDING:** The University provides retirement benefits to substantially all of its employees through a variety of programs. The majority of NYU's active employees are eligible for a defined contribution plan, with only about 10% of employees eligible for a defined benefit plan whose benefits are outlined in various union contracts. Expenses related to NYU's defined contribution plans totaled \$172.8 million in 2016 and \$155.5 million in 2015. 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. As part of its operating budget, NYU funds contributions annually to its pension and post retirement accounts.

**FUTURE CAPITAL PLANS:** After consulting with internal NYU groups, elected officials, and community organizations, NYU created a strategic roadmap to address NYU's space needs over the nearly 25 years between 2007 and the University's bicentennial in 2031. Part of the planning focused on needs near NYU's Washington Square academic core of classrooms, laboratories, academic departments, and libraries. This came to be known as the Core Plan. The University sought approval under the City's Uniform Land Use Review Procedure (ULURP) for the Core Plan, which would include the development of much-needed

classrooms, student and faculty housing and other University purposes on two superblocks located immediately south of Bobst Library. In July 2012, the City approved the development of 1.9 million square feet on the two superblocks.

Due to the location and character of the neighborhoods in which NYU facilities are located, including a large contingent of locally resident faculty, there has been a long history of focused community attention to the University's facility plans and expansion. 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 Core 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 Core Plan. The claim against DASNY has been dismissed and the time for appeal has passed.

As required by the ULURP approvals, NYU and the City entered into a Restrictive Declaration that outlines a series of commitments made by NYU with respect to the construction on the superblocks including commitments intended to mitigate the impacts of the construction. Following the City approvals, the University Space Priorities Working Group (comprised of NYU faculty, students, and administrative members), was established to review priorities and provide recommendations for the superblocks in light of the ULURP approvals. It recommended that NYU proceed with a mixed-use building at 181 Mercer Street on the south superblock (the site of the former Coles gymnasium). This new building, estimated at 735,000 square feet, is currently in the final phases of design and planning stages of construction and is expected to be completed in 2021. The University has commenced the process of demolishing the Coles gymnasium and excavation is expected to commence in April 2017. No other development on the superblocks is planned at this time. To date, NYU has not sought DASNY financing for any of the project components that are the subject of the Letter of Resolution.

**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 \$369 million between 2012 and 2016 (compared to \$307 million between 2009 and 2011) while annual contribution revenue (all net asset classes) averaged \$400 million (compared to \$241 million between 2009 and 2011). Scholarship aid is the University's foremost fundraising priority, and NYU is currently embarked on the Momentum Campaign, dedicated to raising \$1 billion by 2017 for scholarships.

**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, the 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 \$805,000,000.



**New York University, Series 2017  
Savings Analysis**

Date	Existing D/S	New D/S	Gross Savings	PV Savings
2017	10,220,003	-	10,220,003	10,170,870
2018	27,575,368	27,550,640	24,728	88,242
2019	27,572,364	25,438,174	2,134,190	2,093,281
2020	27,567,680	25,435,318	2,132,362	2,021,702
2021	38,776,695	36,357,235	2,419,460	2,202,978
2022	38,778,219	36,355,873	2,422,345	2,131,406
2023	38,775,808	36,357,753	2,418,054	2,056,704
2024	38,760,918	36,336,548	2,424,370	1,992,804
2025	38,758,724	36,331,348	2,427,376	1,928,927
2026	38,751,180	36,330,139	2,421,041	1,860,329
2027	38,745,918	36,319,909	2,426,008	1,801,765
2028	38,740,911	36,317,138	2,423,773	1,740,296
2029	38,733,668	36,315,347	2,418,321	1,678,907
2030	38,786,594	36,345,560	2,441,034	1,637,743
2031	38,779,919	36,333,721	2,446,198	1,586,688
2032	39,482,344	37,033,606	2,448,738	1,535,714
2033	46,450,100	44,008,410	2,441,690	1,481,005
2034	46,439,763	44,000,261	2,439,502	1,431,022
2035	46,429,300	43,975,024	2,454,277	1,391,762
2036	46,425,013	43,980,249	2,444,764	1,340,288
2037	46,416,438	43,967,465	2,448,973	1,298,529
2038	46,403,788	43,954,969	2,448,818	1,254,967
2039	34,146,000	32,332,051	1,813,949	842,014
<b>Total</b>	<b>871,516,709</b>	<b>811,376,736</b>	<b>60,139,973</b>	<b>45,567,944</b>

**PRESENT VALUE ANALYSIS SUMMARY**

Total PV Debt Service Savings.....	45,567,944
Less: Prior Funds on Hand.....	-
Plus: Refunding Funds on Hand.....	<u>3,728</u>
<b>NET PRESENT VALUE BENEFIT.....</b>	<b>45,571,672</b>
 NPV BENEFIT OF BONDS BEING REFUNDED.....	 9.23%
NPV BENEFIT OF REFUNDING PRINCIPAL.....	9.26%



**New York University, Series 2017  
Sources and Uses of Funds**

<b>Sources of Funds:</b>	<b>Refunding</b>	<b>Line of Credit Refinancing</b>	<b>Total</b>	
Bond Proceeds				
Par Proceeds	\$ 591,940,000	\$ 205,925,000	\$ 797,865,000	
<i>Total Sources</i>	\$ 591,940,000	\$ 205,925,000	\$ 797,865,000	
<b>Uses of Funds:</b>				
				% of Par
Escrow Deposits	\$ 589,294,543	\$ -	\$ 589,294,543	
Project Fund Deposit	-	195,000,000	195,000,000	
Other Fund Deposits				
Capitalized Interest	-	10,000,000	10,000,000	
Costs of Issuance				
DASNY Fee	92,738	32,262	125,000	0.02%
Bond Counsel	148,381	51,619	200,000	0.03%
Printing	11,129	3,871	15,000	0.00%
Ratings	185,476	64,524	250,000	0.03%
Trustee & Counsel	7,419	2,581	10,000	0.00%
Institution's Counsel	118,705	41,295	160,000	0.02%
Accountant	18,548	6,452	25,000	0.00%
TEFRA	14,838	5,162	20,000	0.00%
DAC Fee	7,419	2,581	10,000	0.00%
Underwriter Discount	2,039,408	709,761	2,749,169	0.34%
Other Uses of Funds	1,397	4,892	6,288	
<i>Total Uses</i>	\$ 591,940,000	\$ 205,925,000	\$ 797,865,000	

All Figures in 000's	Balance Sheets				
	2012	2013	2014	2015	2016
<b>Assets</b>					
Cash and Cash Equivalents	\$ 879,485	900,791	919,231	917,439	838,303
Contributions and Grants Receivable	346,733	341,221	404,050	373,078	380,494
Loans Receivable	0	0	0	0	0
Other Receivables	391,809	411,127	411,829	441,812	465,737
Short-Term Investments	33,568	28,680	3,436	2,517	1,860
Investments	2,825,649	3,008,213	3,466,639	3,507,412	3,615,417
Property, Plant and Equipment, Net	3,605,859	3,878,392	4,195,616	4,717,697	5,254,346
Deposits and Deferred Costs	113,784	95,424	88,722	41,544	398,271
Prepaid Expenses and Other Assets	155,899	258,105	519,692	457,148	429,375
Miscellaneous Assets	0	0	0	0	0
<b>Total Assets</b>	<b>\$ 8,352,786</b>	<b>8,921,953</b>	<b>10,009,215</b>	<b>10,458,647</b>	<b>11,383,803</b>
<b>Liabilities</b>					
Accounts Payable and Accrued Expenses	\$ 477,964	497,969	605,955	620,221	800,834
Deposits and Deferred Revenues	811,579	805,803	820,292	818,459	828,307
Federal Grants Refundable	72,186	73,934	80,117	80,030	79,470
Federal Student Loans	0	0	0	0	0
Postretirement Benefits	614,898	463,823	543,264	634,594	752,158
Short-term Debt Obligations	0	0	0	0	0
Long-Term Debt	2,169,356	2,291,580	2,423,736	2,894,951	3,581,466
Due to Related Organizations	0	0	0	0	0
Other Liabilities	129,110	287,181	289,386	333,991	207,351
<b>Total Liabilities</b>	<b>\$ 4,275,093</b>	<b>4,420,290</b>	<b>4,762,750</b>	<b>5,382,246</b>	<b>6,249,586</b>
<b>Net Assets</b>					
Unrestricted	\$ 2,019,241	2,254,779	2,225,627	2,017,019	2,069,943
Temporarily Restricted	649,306	745,821	1,349,426	1,284,959	1,148,327
Permanently Restricted	1,409,146	1,501,063	1,671,412	1,774,423	1,915,947
<b>Total Net Assets</b>	<b>\$ 4,077,693</b>	<b>4,501,663</b>	<b>5,246,465</b>	<b>5,076,401</b>	<b>5,134,217</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,352,786</b>	<b>8,921,953</b>	<b>10,009,215</b>	<b>10,458,647</b>	<b>11,383,803</b>

All Figures in 000's	Statement of Activities				
	2012	2013	2014	2015	2016
<b>Operating Revenue</b>					
Tuition and Fees	\$ 1,793,687	1,880,672	2,062,613	2,152,315	2,276,882
Less Financial Aid	-401,313	-442,318	-497,375	-552,445	-613,962
<b>Net Tuition and Fees</b>	<b>\$ 1,392,374</b>	<b>1,438,354</b>	<b>1,565,238</b>	<b>1,599,870</b>	<b>1,662,920</b>
Sales and Service of Auxiliaries	\$ 377,460	380,201	408,108	430,082	459,281
Government Support	597,352	621,869	693,979	756,091	801,756
Private Gifts and Grants	124,065	130,457	137,103	137,663	151,672
Investment Returns	121,685	121,917	142,449	150,617	160,474
Other Revenues	180,122	382,169	271,196	282,837	306,379
Sales and Services -Educational	0	0	0	0	0
Hospital and Faculty Patient Care	843,313	904,599	1,073,329	1,316,525	1,691,398
Assets Released from Restriction	100,480	107,000	86,071	83,428	111,615
<b>Total Operating Revenue</b>	<b>\$ 3,736,851</b>	<b>4,086,566</b>	<b>4,377,473</b>	<b>4,757,113</b>	<b>5,345,495</b>
<b>Operating Expense</b>					
Instruction and Research	\$ 1,207,331	1,281,702	1,477,292	1,492,235	1,509,379
Academic Support	69,092	71,837	75,516	75,635	79,729
Student Services	100,399	108,873	118,299	122,042	129,320
Institutional Support	348,083	421,403	469,384	498,135	547,051
Facilities Expense	0	0	0	0	0
Auxiliary Expense	417,524	426,307	460,536	472,019	508,894
Other Operating Expense	644,027	837,265	850,950	934,973	1,004,058
Hospital and Faculty Patient Care	847,998	948,609	1,063,844	1,293,454	1,623,911
<b>Total Operating Expense</b>	<b>\$ 3,634,454</b>	<b>4,095,996</b>	<b>4,515,821</b>	<b>4,888,493</b>	<b>5,402,342</b>
<b>Chg in Unrestricted Net Assets from Operating Activities</b>	<b>\$ 102,397</b>	<b>-9,430</b>	<b>-138,348</b>	<b>-131,380</b>	<b>-56,847</b>
<b>Non-Operating Activities</b>					
Net Excess Investment Return/(Loss)	\$ -14,386	43,345	97,215	-42,021	-11,045
Capital Gifts and Contributions	0	0	0	45,173	78,738
Assets Released from Restriction	3,726	701	2,980	47,625	48,628
Other Non-Operating Items, Net	-151,458	233,099	25,269	-128,005	-6,550
Extraordinary Gain/(Loss)	0	-32,177	0	0	0
<b>Total Non-Operating Activities</b>	<b>\$ -162,118</b>	<b>244,968</b>	<b>125,464</b>	<b>-77,228</b>	<b>109,771</b>
<b>Change in Unrestricted Net Assets</b>	<b>\$ -59,721</b>	<b>235,538</b>	<b>-12,884</b>	<b>-208,608</b>	<b>52,924</b>

New York University  
Independent Higher Education Institutions

Appendix B

Financial and Operating Ratios

	Year					2015 DASNY Median
	2012	2013	2014	2015	2016	
<b><u>Liquidity Ratios</u></b>						
Primary Reserve	0.3	0.3	0.4	0.3	0.3	0.8
Cash Income	7.8%	5.6%	4.0%	2.5%	6.8%	3.8%
Unrestricted Resources to Debt	0.27	0.29	0.19	0.07	0.11	0.49
Viability	0.6	0.6	0.7	0.5	0.4	1.0
Composition of Assets	1.32	1.30	1.39	1.22	1.17	2.02
Operating Cash Flow to Debt Service	2.99	2.18	1.64	1.25	2.25	1.25
<b><u>Capital Ratios</u></b>						
Age of Facility	8.91	9.22	8.89	10.88	10.77	11.71
Capital Expense (Debt Burden)	3.9%	3.9%	4.2%	4.2%	4.3%	4.5%
Debt Service Coverage	3.8	2.7	1.9	1.8	2.2	2.0
Leverage	1.2	1.3	1.5	1.1	0.9	2.0
Capitalization Ratio	48.8%	50.5%	52.4%	48.5%	45.1%	60.8%
Total Resources per FTE Student	\$69,639	\$75,460	\$90,806	\$75,626	\$78,918	\$78,724
Debt per FTE Student	\$57,198	\$59,324	\$63,342	\$67,288	\$81,657	\$63,388
<b><u>Productivity and Demand Ratios</u></b>						
Matriculation (Yield)	36.2%	34.3%	35.1%	33.2%	32.0%	33.2%
Selectivity (Acceptance)	32.7%	35.0%	32.4%	35.2%	32.1%	48.1%
Student/Faculty	6.9	6.6	6.4	6.6	6.5	7.1
Tuition Discount Rate	22.4%	23.5%	24.1%	25.7%	27.0%	32.5%
Educational Core Services	48.0%	45.7%	51.0%	60.7%	58.5%	60.7%
Educational Support Ratio	6.7%	6.4%	6.7%	8.0%	8.1%	16.4%
General Support Ratio	13.8%	15.0%	16.2%	20.3%	21.2%	19.0%
<b><u>Profitability and Operating Ratios</u></b>						
Net Operating Margin	2.7%	-0.2%	-3.2%	-3.1%	-1.2%	1.3%
Net Income	-1.6%	5.8%	-0.3%	-5.0%	1.1%	2.5%
Net Tuition per FTE Student	\$36,712	\$37,236	\$40,906	\$37,186	\$37,914	\$27,500
Return on Net Assets	1.4%	10.4%	14.4%	-3.2%	1.1%	3.9%
Return on Average Investment Value	2.9%	8.3%	11.8%	1.1%	3.6%	3.4%
Net Tuition Dependency	37.3%	35.2%	35.8%	38.0%	35.1%	46.8%
Contributed Income	9.5%	8.7%	7.5%	8.6%	9.9%	10.5%
Operating Income	89.9%	88.1%	82.8%	101.0%	102.5%	88.5%
<b>Available Assets</b>	1.6	1.7	1.8	1.6	1.5	1.9
<b>Federal Financial Ratio</b>	2.49	3.00	2.59	2.32	2.59	2.85

NEW YORK UNIVERSITY

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