


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

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

DATE: March 10, 2015

RE: *State Environmental Quality Review (SEQR) Type II Determination for New York University's Renovation, Reimbursement, and Capital Maintenance Projects, Boroughs of Manhattan and Brooklyn, New York*

New York University ("NYU" or the "University") has requested financing from the Dormitory Authority State of New York ("DASNY") for its *Renovation, Reimbursement, and Capital Maintenance Projects* (the "Proposed Project"). Based on a review of the attached *Revised Single Approval Credit Summary*, dated March 11, 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 bonds sold at one or more times through one or more negotiated offerings or private placements, in an aggregate amount not to exceed \$140,000,000 in funding under DASNY's Independent Colleges and Universities Program.

More specifically, the proceeds from the Series 2015 bond issue or issues would be used for the Proposed project, which would consist of the reimbursement of costs associated with the repayment of existing debt associated with the site preparation for the Center for Urban Science and Progress located at 370 Jay Street in Brooklyn; the renovation of 20 Cooper Square for social science research labs; and the renovation of student housing located at 33 Washington Square West.

Additionally, as part of the Proposed Project, NYU would undertake Capital Maintenance at various locations throughout New York University's campuses. This work would include the reconstruction, renovation and deferred maintenance projects and the purchase of equipment and information systems undertaken to maintain in good working order the University's property, plant and equipment. This work would include: the upgrade and replacement of building systems; space refurbishment and infrastructure upgrades; interior and exterior repairs; equipment acquisitions; improvements to heating ventilation and air conditioning systems ("HVACs"); roof replacement and repair; interior modernizations; building system improvements; and façade improvements. The work would be undertaken at existing buildings comprising the University's Washington Square campus including, without limitation: 1-4 Washington Square Village, 33-36 Washington Square West, and 40 West 4th Street; its Union Square campus including, without limitation: 20 East 16th Street, 21 East 15th Street, and 58 West 10th Street; and its Brooklyn campus, including, without limitation: 6 MetroTech Center and 5 MetroTech Center.

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 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 its 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 *"maintenance or repair involving no substantial changes in an existing structure or facility,"* the *"replacement, rehabilitation or reconstruction of a structure or facility, in kind, on the same site, including upgrading buildings to meet building or fire codes,"* the *"refunding of existing debt,"* and the *"purchase or sale of furnishings, equipment or supplies"* are Type II actions as specifically designated by 6 N.Y.C.R.R. § 617.5(c)(1), 6 N.Y.C.R.R. § 617.5(c)(2), 6 N.Y.C.R.R. § 617.5(c)(23), and 6 N.Y.C.R.R. § 617.5(c)(25), respectively, 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 Project identified as Type II.

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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

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Revised Single Approval Credit Summary

New York University
New York, New York

March 11, 2015

Program: Independent Colleges & Universities

Purpose: New Money

New Issue Details

One or more series of fixed and/or variable rate, tax-exempt and/or taxable bonds in an aggregate amount not to exceed \$140,000,000 with maturities not to exceed 31 years 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:

- Financing or refinancing of various acquisition, renovation and capital maintenance projects located throughout the University system (\$140.0 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.

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 Polytechnic School of Engineering, with NYU assuming all assets and liabilities of Polytechnic.

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

- SEQR Filing – March 10, 2015*
 - TEFRA Hearing – March 16, 2015*
 - PACB Approval – March 18, 2015*
- *Anticipated date.

Strengths

- 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.

Revised Single Approval Credit Summary

New York University
New York, New York

March 11, 2015

Program: Independent Colleges & Universities

Purpose: New Money

Recommendation

This financing qualifies for a single approval under DASNY's financing guidelines as New York University is a frequent highly rated borrower.

The attached staff report recommends that the Board adopt the documents necessary for one or more series of bonds in an aggregate amount not to exceed \$140,000,000 based on the University's significant balance sheet and positive enrollment trends as well as DASNY's past experience with the University.

At the March 11, 2015 Board Meeting, staff will also be asking the Members to adopt documents for a \$900 million refunding and refinancing 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

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.

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 PROJECT: Proceeds from the proposed issuance are expected to finance and/or reimburse the University for costs associated with the following projects: (1) site preparation for the Center for Urban Science and Progress (see page 5) located at 370 Jay Street in Brooklyn, (2) renovation of 20 Cooper Square for social science research labs, (3) renovation of student housing located at 33 Washington Square West and, (4) capital maintenance projects at various locations throughout the University System.

FINANCING DETAILS: Project costs are expected to require a deposit to the Construction Fund of \$140.0 million. Issuance costs, including DASNY's fee and underwriter's discount, are estimated to total approximately \$1.0 million. Although a net original issue premium of approximately \$16.2 million is expected to be generated from the sale of the proposed bonds, staff is requesting bonding authorization in an amount not to exceed \$140 million to ensure sufficient proceeds to complete the financing. The estimated sources and uses of funds are provided in Attachment I.

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.

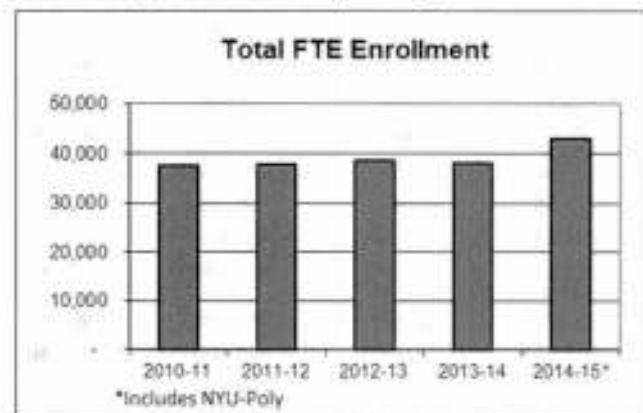


Table 3 – Selected Operating Statistics

(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	<u>3,098,852</u>	<u>3,375,262</u>	<u>3,634,454</u>	<u>4,095,996</u>	<u>4,521,199</u>
Change in net assets from operations	73,022	37,510	102,397	(9,430)	(138,692)
Total non-operating revenue	<u>72,032</u>	<u>(21,493)</u>	<u>(162,118)</u>	<u>244,968</u>	<u>125,808</u>
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)	<u>91,718</u>	<u>105,241</u>	<u>100,611</u>	<u>103,419</u>	<u>117,197</u>
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.

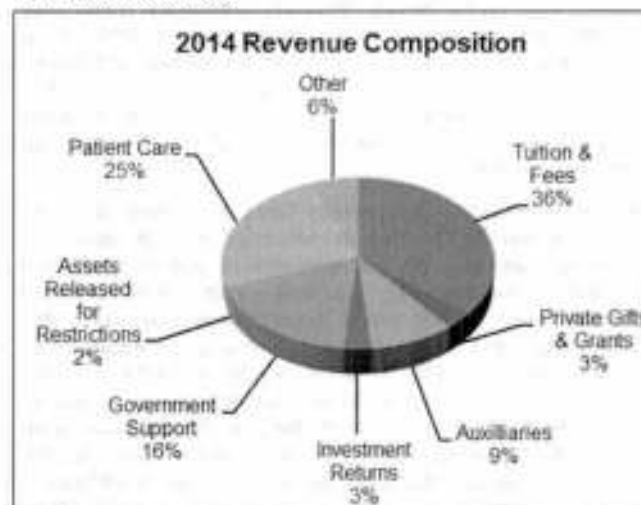
Operating deficits reported by the School of Medicine in fiscal years 2013 (\$72 million) and 2014 (\$74 million) were largely attributable to lost income and increased expenses associated with Superstorm Sandy. The School of Medicine, which is co-located with NYU Hospitals Center (NYUHC), lost significant 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

2015	2016	2017	2018	2019
3.5:1	2.5:1	3.7:1	3.8:1	3.9:1

Table 4 – Selected Financial Position Statistics

(dollars in thousands)	2010	2011	2012	2013	2014
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	649,308	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

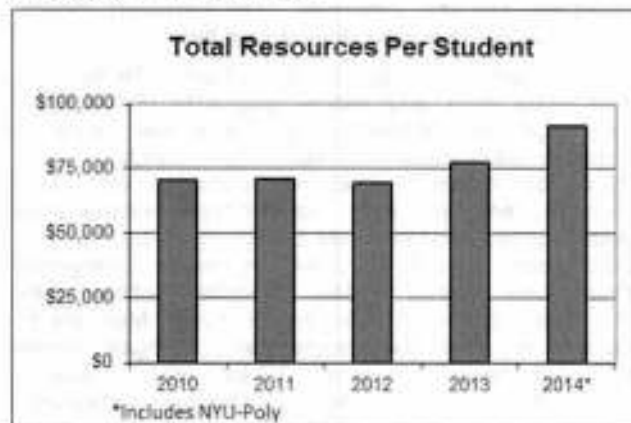
FEASIBILITY - BALANCE SHEET ANALYSIS: The University's balance sheet reflects relatively moderate capital accumulation and liquidity relative to the size of its operations and debt obligations. From 2010 to 2014, total assets increased by nearly \$1.6 billion, or about 43%. During that same period, financial 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.

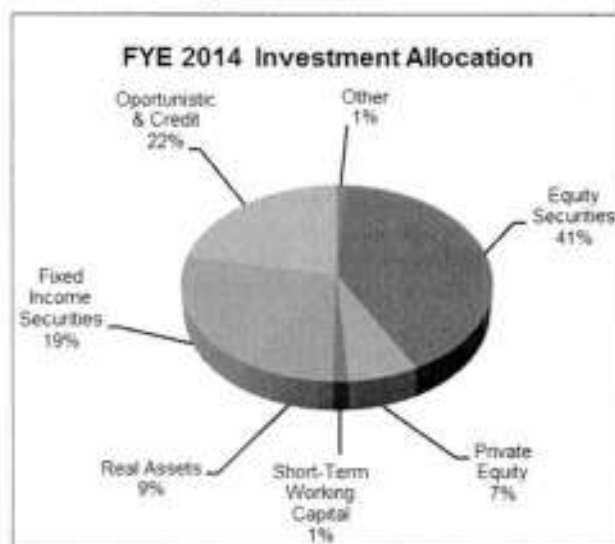
The graph below illustrates the trend in the University's total resources per student since FY 2010. NYU's \$91,560 in resources per student reported for FY 2014 represented a five year high.



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, staff recommends the Board adopt the necessary documents for a bond issue on behalf of New York University in an amount not to exceed \$140,000,000.