Meeting Date: April 17, 2013

Members in attendance: Barbara Albrecht, Robert Berne, John Billings, Corey Blay, Sewin Chan, Mary Cowman, Mariam Ehrari, David Engel, Allyson Green, Wen-Jui Han, James Jacobs, Angela Kamer, Perri Klass, Marty Kurth, Ted Magder (chair), Laurence Maslon, Panos Mavromatis, Tony Saunders, Rosemary Scanlon, Jalal Shatah, Matt Stanley, David Vintinner, Larry White, Diane Yu

Members unable to attend: Tony Movshon, Andrew Schotter

1. Call to order and announcements

In addition to the members noted above, Michael Patullo attended as staff coordinator for the Group.

2. Subcommittee meetings

Members of the individual subcommittees met for the first 15 minutes of the meeting to finalize their draft findings and recommendations to present to the full Working Group.

3. Subcommittee presentations of findings

Each subcommittee provided an overview of their findings to date.

- **Finance:** Members of the Finance Subcommittee noted that they have had several meetings with Executive Vice President Martin Dorph and that he has provided them with extensive information regarding the financial planning of the NYU Core Plan. They emphasized that the University’s financial projections, in terms of capital expenditures and annual operations, extend through 2021. The University’s projected capital expenditures over the next ten years is expected to be approximately $3 billion, which, members noted, is equivalent to the roughly $2.95 billion spent on capital expenditures over the last ten years. The Subcommittee noted that of the projected total of $3 billion, only a fraction of that capital expenditure would be to support construction on the southern superblock and that this projection does not include any building on the northern superblock.
The Subcommittee also described its general philosophy about borrowing for capital expenses and will propose guidelines that would apply to any superblock construction. In addition, on the question of affordability, the Subcommittee encouraged members to consider the University’s annualized debt costs. Due to the structure of the University’s financial system, the budget has had a history of exceeding its annual projected operating margin by approximately $100 million per year. This margin is inclusive of debt costs. These projections are based upon a series of assumptions—including 0.5% undergraduate enrollment growth, no graduate enrollment growth, moderate increases in tuition, conservative projections about interest rates and energy costs, and others—which were presented in Dorph’s presentation to the Working Group in November/December 2012.

The Subcommittee noted that it asked Dorph to model the University’s financial projections with various modifications (“stress tests”) to the underlying assumptions to account for variation in potential outcomes. Such modifications included 8% or 10% interest rates on new long-term borrowing (NYU can currently borrow at 4%), various alterations to student enrollment levels, increases in design and construction costs, and changes to other factors. The committee noted that the only alternative scenarios in which positive operating margins would disappear by 2017 occur if enrollments do not increase at all or if non-personnel costs rise at an annual rate of 6% (the baseline projection for these annual cost increases is 2.5%). In addition, the Subcommittee noted that the University holds over $1 billion in short-term assets that can be liquidated in the event of an emergency. The various alternative models and their outcomes will be presented by the Finance Subcommittee once finalized.

Members also noted that there are several factors that are not best measured by the projected annual operating margin that can also affect NYU’s financial circumstances. These include the broad changes in the landscape of higher education (MOOCs, etc.), natural disasters, and the like. Another issue, which members mentioned, is the University’s expendable financial resources to direct debt ratio (currently at 0.5%), which Moody’s describes as “highly leveraged.”

Members of the Working Group inquired about the measurement of externalities related to construction, the differences in building on the cost of building on the superblocks versus on purchased land on another site, and the effect of the potential for revenue generated by a student dorm and retail space.

• **Quality of Life:** Members of the Quality of Life Subcommittee indicated that it considered its charge in the context of what it described as a “deficit of trust” among the internal and external communities. Recognizing this relationship, and hopeful that there could be marked improvements in these relationships, the Subcommittee focused attention on building a “covenant of trust and transparent communication between NYU and the community on quality of life issues.”
The Subcommittee examined the anticipated effects of construction on the southern block in the following categories and will be suggesting recommendations to ensure an improved local environment and a higher quality of life for residents, particularly in these areas:

- Noise
- Dust and other pollutants
- Vermin
- Sustainability of current NYU buildings
- ADA compliance
- Traffic

The Subcommittee also addressed issues surrounding the educational use of space, particularly with regard to the construction of a public school on the Bleecker Building site. Strategies to improve the stewardship of public/open and commercial space are under consideration and were also discussed.

- **Space:** The members of the Space Subcommittee provided a broad overview of the points on which they have reached broad consensus. Members examined the inventory of current owned and leased space and tried to ascertain the most recent and accurate level of space need from meetings with deans and other University stakeholders. They used this information, along with extensive research, to develop a set of preliminary principles by which to assess need and some key priorities to consider prior to undertaking new construction.

  Given a lack of time to present more fully, the Space Subcommittee will present a full account of their findings and recommendations at the next meeting of the Working Group.

Since the specific information provided by each Subcommittee is still considered to be in draft status, and has not been vetted or voted on by the Working Group in its entirety, members agreed that the working documents would not be released until all members have reviewed them and an interim report is released to the President and the University community in May. At that time, members noted that the interim report’s findings and recommendations will be considered preliminary and subject to notice and comment from the public at large, after which the final report will be prepared and submitted.