Finance committee report 12/4/17

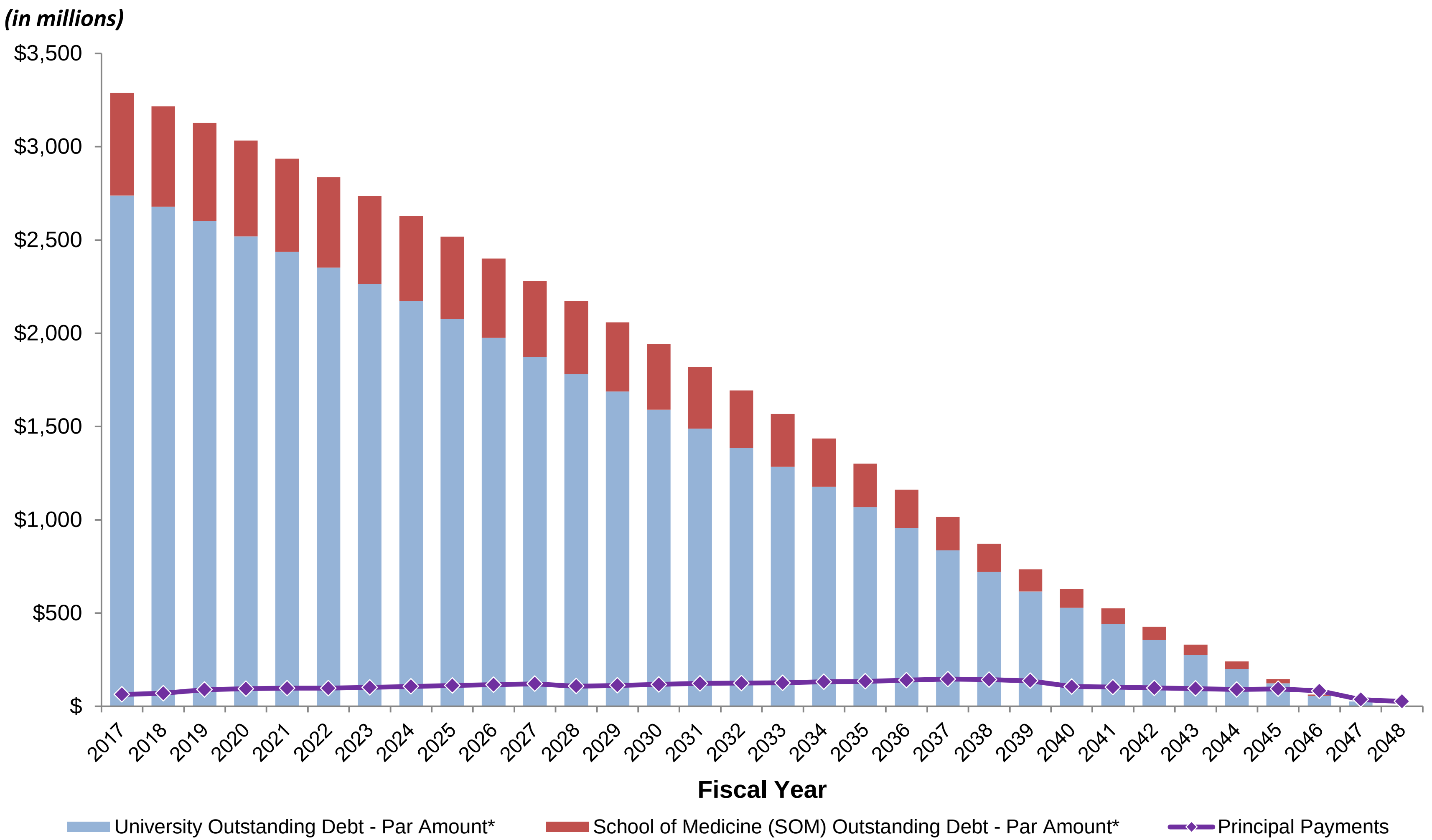
The SFAC met on 11/28/17. Key points:

The tax reform may impact the University's finances negatively mainly in (i) reducing tax incentives for small and medium amounts of charitable giving; (ii) imposing a special tax surcharge on non-profits' administrators' salaries exceeding $1 million; (iii) possibly taxing financial aid or scholarships (although this seems unlikely in the latest version of the tax bill); others. There is still uncertainty about the specific provisions of the new law and their impact.

The TFSC had asked in advance of the SFAC meeting to be provided with (i) the distribution of the maturities of NYU's debt; and (ii) the payments NYU has to make on current debt (principal and interest). The administration submitted at SFAC the attached chart that shows that maturities are distributed over a long period of time. In terms of yearly cost, NYU pays yearly approximately $100 million of the outstanding principal, and $130 million in interest, that is, a total of $230 million. To complete planned investment projects in the next 5-7 years including the large building at Mercer Street, NYU plans to borrow about $2 billion, although the exact amount is uncertain. Current average interest rate on NYU debt is just below 4%. If the same terms of the present debt apply to future debt (which is not guaranteed given the tendency for higher interest rates), we expect the new borrowing to result in an additional payment of principal of $60 million per year and an additional payment of interest of $80 million, that is, a total of $140 million per year. So, after the new borrowing of $2 billion, NYU's yearly debt cost will be $370 million a year.

We also heard from Vice Provost Clay Shirky on online programs at NYU. Bottom line is that the total number of online students across NYU is presently about 3,000, and NYU would like this number to expand to 10,000. There was an extensive discussion on evaluating building internal capabilities as opposed to buying from an outside company.

New York University: Outstanding Long-Term Debt Obligations as of Fiscal Year End*



The University's most recent transaction, which is typical of the current strategy to borrow on a partially tax-exempt and partially taxable basis, achieved **an all-in cost of funds of 3.5%, inclusive of fees**. As a result of the traditional premium coupons on tax-exempt bonds, the outstanding principal balance (net of original issue premium) bears a higher interest rate of 4.5%, on average.

**These figures reflect current outstanding debt, excluding NYU Langone Health System, and does not include new borrowings that are currently contemplated in the University Financial Plan. The latest maturity for the currently outstanding debt is fiscal year 2048.*