



NYU

181 Mercer Street

Financial Plan Update Summary

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History

- The University Space Priorities Working Group, as part of its review of the Core Project, now referred to as 181 Mercer Street, examined the feasibility of the University's financial plan. Data was provided to the USPWG in 2012 and updated the following year.
- At that time, the project being considered was approximately 670,000 square feet with a cost of \$727 million.
- The information presented included historical and projected operating and capital budget data, and financial metrics pertaining to the University's ability to pay for the project.
- The USPWG Final Report presented the following findings:
 - NYU has adopted reasonably conservative and prudent assumptions in its financial planning for capital construction and that the Working Group's recommendations for construction on the Coles Site are within NYU's current fiscal means. The University need not – and should not – adjust future tuition fees or faculty, administrative or staff salary assumptions to cover capital costs.
 - Building on land the University already owns is less financially costly than building on land that it must first buy.
- There have been changes to the project since the USPWG report was issued, but the overall University capital plan has remained consistent with the plan reviewed by the USPWG.

Current 181 Mercer Finances

- 181 Mercer Street as currently designed and programmed, will be approximately 735,000 square feet with a projected cost of \$1,285 million.
- The changes in cost are attributable to the following factors:
 - A larger program for the building requiring additional square footage as recommended by the USPWG and as permitted under the City approvals ;
 - Based on USPWG recommendations, proportional increase in spaces with higher costs per square foot (e.g., theaters);
 - Cost premiums associated with structural support to clear wide span and double height spaces such as theaters, gymnasium, etc.;
 - Increase in construction market costs;
 - Additional cost escalation due to passage of time.
- The financial plan for 181 Mercer assumes debt issuance of \$947 million, fundraising of \$300 million, and use of University “working capital” (cash on hand) of \$38 million, spread over the next five years.
- To date, \$145M has been raised through fundraising efforts.
- The operating budget impact of the project has been incorporated into the University’s Ten Year Financial plan.

How 181 Mercer Affects the University's Finances

- In the past five years, the University has outperformed its financial plan and exceeded the projected financial metrics presented in 2012.
- Our affordability initiatives have resulted in a lower rate of tuition increase and substantial growth in financial aid, but also lower than anticipated expenses in areas such as debt service, energy, and general operating supplies and services. Enrollment increased more than projected in 2012 due to a combination of selected planned growth, higher yield and higher retention
- The University's capital plan through 2024 – which includes the funding for 181 Mercer- amounts to \$2.76 billion of capital projects, a number consistent with the amount projected in 2012, and also consistent with the University's overall rate of capital spending over the past decade.
- In addition to 181 Mercer, the plan includes provisions for new projects such as 370 Jay Street, additional investments in Tandon School of Engineering, projects supporting science at Washington Square, and provisions for ongoing capital replacement and improvements on existing facilities.
- Looking forward, the University's financial plan does not assume or rely on enrollment increases or additional tuition increases as a funding source for the project.
- **The latest projections show that even with the overall higher cost of the project, the University will generally meet or outperform the financial metrics established in 2012.**
(There is a higher debt level and leverage ratio due in large part to increases in the School of Medicine's borrowing plans, which is part of the University's balance sheet. The School of Medicine's debt is paid by the School of Medicine).