

Part 3: Millions spent on NYU execs while students scrounge for food

While buying luxury apartments citywide to house a few illustrious professors, NYU's Board also has approved millions more in "loans" to scores of top administrators (we don't know how many) for mortgages on sumptuous vacation homes—including, as the *New York Times* reported, **\$1 million to Pres. Sexton** for "an elegant modern beach house [on Fire Island] that extends across three lots," and **\$5.2 million (now over \$6.4 million) to Richard Revesz, former Dean of the Law School**, for "a home on more than 65 acres near the Housatonic River in Litchfield County." (When in town, Prof. Revesz and his wife, NYU Law professor Vicki Been*, live "in a handsome West Village town house that was financed by N.Y.U.," for how much we don't know.)

Those perks are so egregious that they startled even some stout champions of high pay for academic officers. "That's getting to be a little too sexy even for me, and I have a good sense of humor about these things," Stephen Joel Trachtenberg, former president of George Washington University, told the *Times*. "That is entertaining, actually. I don't think that's prudent. I don't mind paying someone a robust salary, but I think you have to be able to pass a red-face test."

To understand what's happening at NYU, we should contrast the chuckling disapproval of Dr. Trachtenberg with the aggressive plutocratic zeal of Messrs. Lipton and Langone, who, apparently, don't think that top corporate officers can ever make too much.

In 2004, as chair of the compensation committee of the New York Stock Exchange—a nonprofit at the time—Mr. Langone, in an interview with *Fortune*, vigorously defended his approval of a **\$140 million payout** for Richard Grasso, former NYSE chair and chief executive, and in so doing shared his thoughts on the Board members who were suing Grasso (and himself) to block it:

"They got the wrong fucking guy. I'm nuts, I'm rich, and boy, do I love a fight. I'm going to make them shit in their pants. When I get through with these fucking captains of industry, they're going to wish they were in a Cusinart—at high speed. If Grasso gives back a fucking nickel, I'll never talk to him again."

Although not as openly belligerent as Mr. Langone (who is also a trustee of the Robin Hood Foundation and Ronald McDonald House), Mr. Lipton has been no less adamant in his defense of sky-high pay for the top manager of *this* nonprofit. Following the scandal of NYU's "summer homes program," Mr. Lipton, interviewed by the *Chronicle of Higher Education*, said of Pres. Sexton: "We all feel that he is grossly under-compensated for what he has accomplished."

*Prof. Been now heads the city's Department of Housing Preservation and Development.

How Pres. Sexton has been "grossly under-compensated"

Whatever Pres. Sexton "has accomplished" here, one wonders how much *more* the Board believes he *should* be "compensated" for it, since he's reportedly the eighth-most-generously-rewarded CEO in US higher education; and he may *actually* rank even higher than that, what with his **\$1,404,484** base salary (and **\$88,000** expense account); **lifetime annuity of \$800,000** ("an unusually structured retirement plan," according to the *Chronicle of Higher Education*); **\$2.6 million** "length of service" bonus; **\$1 million** "loan" to buy his summer home (on its three lots) on Fire Island; **100% healthcare coverage**; car and driver; and his apartment at 29 Washington Place (whence, reportedly, the car and driver take him back and forth to work at Bobst, across the Square).

(Aside from such contractual rewards, NYU also has allowed the president to hand out valuable favors unofficially. For his son Jed and family, NYU provided *two* faculty apartments at 240 Mercer, combined into a duplex, although Jed Sexton had no NYU affiliation, and NYU was in the midst of a "severe housing shortage, especially of larger units"; and, for Pres. Sexton's good friend Henry Louis "Skip" Gates, NYU provides a luxurious two-bedroom faculty apartment at 120 W. 15th St., even though Prof. Gates is on the faculty at Harvard, with no affiliation here. Both stories were reported by the *New York Post*, which noted that the lucky tenants paid, or pay, discounted rent, as if they were NYU faculty.

(Meanwhile, NYU also has provided Pres. Sexton with a further opportunity for profit—one so far unreported by the press: a "business relationship" with Jay Furman, real estate developer and NYU trustee, lasting from 2008 through 2013, and, presumably, until Mr. Furman's passing earlier this year. NYU's 990s offer no details of that "relationship," nor has the Board been asked to justify it, as it would seem to be a stark conflict of interest.)

Still more millions draining upward

That, with all this (and maybe more), Pres. Sexton has been "grossly under-compensated," in the eyes of Messrs. Lipton and Langone, and, evidently,

many others on the Board, helps explain why NYU today stands at the forefront of the academic trend toward ever larger managerial elites: a trend that has corrupted universities throughout the nation and beyond, making them increasingly top-heavy, bureaucratic, anti-intellectual (if not downright repressive)—and unaffordable. "A major factor driving increasing costs," the *New York Times* reported on April 4, "is the constant expansion of university administration."

While such "administrative elephantiasis" is now a global epidemic, striking universities on several continents, NYU stands out as an extraordinary case—perhaps because no other university is so completely dominated by high rollers used to the expansive hierarchies of corporate management. Since Mr. Lipton took the helm in 1998, he has forged NYU's Board into a group of overseers exceptional in Academia not only for its size—95 members, including Life Trustees and Trustee Associates—but for its total lack of academic members, and, therefore, unimpeded dominance by Wall Street bankers, corporate lawyers, hedge fund managers, construction barons and real estate developers: i.e., the power elite of New York City (along with certain mighty players from Abu Dhabi and Shanghai).

Such a group is likely to agree with Messrs. Lipton and Langone in seeing no wrong in Pres. Sexton's regal "compensation"—or in "the constant expansion" of NYU's managerial apparatus, despite its ever-higher cost. Indeed, considering their business interests, many trustees surely see a benefit in overpaying NYU's upper managers (including deans), whose six- and seven-figure salaries naturally incline them not to join the faculty in questioning the Board's designs, but to help the Board impose those plans no matter what the faculty may think of them, or do to stop them, for the welfare of the university.

Whether it's an automatic feature of bureaucracy itself, or the upshot of reflexive efforts to buy off NYU's "leadership," or an expensive combination of the two, NYU's upper management continues to metastasize—at ever

SALARIES: NYU LEADERSHIP (NON School of Medicine)

EMPLOYEE	COMPENSATION		% CHANGE
	2011-2012	2012-2013	
John E. Sexton	\$1,473,753	\$1,506,684	+2.2
Robert Berne	\$1,238,387	\$1,292,797	+4.3
Bonnie Brier	\$ 607,378	\$728,218	+19.8
Martin Dorph	\$ 562,713	\$710,266	+26.2
David W. McLaughlin	\$ 629,330	\$636,220	+1.0
Jess Benhabib	\$ 460,325	\$474,107	+2.9
Alison Leary	\$ 344,399	\$465,813	+35.2
Tina Surh	\$ 857,086	\$1,673,598	+95.2
Debra LaMorte	\$ 536,189	\$641,997	+19.7
Marilyn McMillan	\$ 338,759	\$379,913	+12.1
Linda Mills	\$ 482,491	\$662,299	+37.2

AVERAGE INCREASE = 23.3%

SALARIES: SCHOOL OF MEDICINE LEADERSHIP

EMPLOYEE	COMPENSATION		% CHANGE
	2011-2012	2012-2013	
Andrew Brotman	\$1,362,534	\$1,469,262	+7.8
Robert Grossman	\$4,147,168	\$4,397,710	+6.0
Steven B. Abramson	\$ 898,334	\$999,303	+11.2
Dafna Bar-Sagi	\$ 697,260	\$906,851	+30.0
Vicki Match Suna	\$ 814,378	\$922,122	+13.2
Michael T. Burke	\$1,191,876	\$1,311,158	+10.0
Annette Johnson	\$ 838,129	\$929,009	+10.8
Bernard Birnbaum	\$1,475,573	\$1,587,131	+7.5
Nader Mherabi	\$ 627,440	\$969,486	+54.5
Nancy Sanchez	\$ 913,292	\$926,514	+1.4

AVERAGE INCREASE = 15.2%

greater cost to NYU itself, especially our students (and their families).

From 2011 through 2013, according to NYU's 990s (the latest publicly available), the 21 administrators deemed "essential personnel" saw their total salary jump from **\$20,496,794** to **\$23,590,458**. That increase represents an average raise of 23.3% among those at the university, and 15.2% among those at NYU Langone; or, to put it more concretely, a gross increase of **\$3,093,664**.

If it were put toward financial aid instead of further swelling those few salaries, that money would have covered tuition and fees (\$46,170) for 67 students for one year. Nor would the benefit have ended there, since any student needing such assistance, and/or that student's family, would, of course, be going into debt to fund that year, at rates of anywhere from 4.66% to 18%.

And so, if that **\$3,093,664** had relieved those 67 students of their debt, instead of overflowing the coffers of those 21 administrators, it would have saved the students between **\$4,305,152** and (worst case) **\$8,966,946** in interest, over 15 years.

Millions blown on management—for what?

Thus such redistribution would have been a sound investment, by any proper *academic* standard. On the other hand, one wonders what the rationale might be for all those millions squandered at the top.

For example, the second-largest of those raises—54.5%—went to Nader Mherabi, "senior vice president and vice dean, chief information officer, [who] is responsible for all information technology (IT) activities for NYU Langone Medical Center," according to NYU Langone's website.

Whatever justified VP Mherabi's boost in pay for those two years (from **\$627,440** to **\$969,486**), it evidently wasn't the "IT activities" at NYU Langone, whose faculty report a world of problems in the system there, despite its (typically) exorbitant expense: "They spent **\$250,000,000** to install EPIC,* a hospital-based program, and the clinicians all hate it. It's not user-friendly and adds significantly to the time it takes to do their jobs." "The EPIC system has generally been an 'epic' disappointment," reports another member of the faculty.

Colleagues point to flaws in several other IT programs at Langone, one professor noting "problems with the PACS system [for medical imaging], and the dictation system that we use for looking at and dictating reports on Radiology images." Another comments that the finance

program, "which is supposed to let you track your grants and discretionary funds, is impossible to navigate and also full of bugs. The last time I used it, it gave me access to someone else's grants."

"Complaints about IT at Langone have been continuous for the last 7 years." That consensus leads us to ask why NYU has so generously rewarded the executive in charge of Langone's IT system (while underpaying the staffers who maintain it).

There's also a certain mystery to the largest of the whopping raises handed out in those two years: for Tina Suhr, NYU's Chief Investment Officer, whose salary skyrocketed from **\$857,086** to **\$1,673,598**: an awesome boost of **95.5%**, or **\$816,512**—enough to pay one year's tuition and fees for 17 students.

What makes that raise mysterious is not that Ms. Suhr seemed incapable: on the contrary. Noted as a savvy financier since starting her career at Bain & Co., Ms. Suhr did a brilliant job as CIO, swelling NYU's endowment by committing nearly half the funds at hand to "hedge fund vehicles" (according to Risk.net). "She has been credited with modernizing [NYU's] investment portfolio, which has grown from \$1.5 billion to \$3.5 billion, improving returns and reducing risk, reports *Institutional Investor*.

The mystery here arises from Ms. Suhr's abrupt "decision," on Dec. 2, "that it was the right time for her to leave," as she did a few weeks later. The Board is seeking her replacement. (Now a "private investor," Ms. Suhr recently took part in the Cayman Alternative Investment Summit.)

* \$250,000,000 was the figure reportedly announced by the administration. According to *Crain's Health Pulse*, NYU paid Epic Systems Corp. **\$186.4 million** just for the equipment and installation, not the service contract. (NYU Langone also spent **\$30 million** on Click, a program for doing grant proposals, also much-criticized by those who try to use it.)

And that's not all...

By 2013, those 21 administrators were making **\$23,590,458** (or **\$1,123,355** per person). That sum would put 127 students through *four years* at NYU, or cover *one year's* tuition/fees for 510 undergraduates. On the other hand, student loans to cover those expenses would incur a total debt, over 15 years, of somewhere from **\$32,770,560** to **\$68,026,350**.

Excessive as it is, moreover, that year's total salary for those 21 "essential personnel" actually *under-represents* NYU's overpayment at

the top, as it does not include the compensation of four others who had recently departed. (NYU ordinarily reports the salaries of its 25 top officers.) For the period 2010-2012, those four were paid as follows:

> *Vivian Lee, Senior Vice President and Chief Scientific Officer at NYU Langone, was paid **\$534,000** for half of her last year in that position. (She went on to serve as CEO of University of Utah Health Care.) Thus NYU reported a 54.4% decrease in her salary of \$1,165,751 for 2010-2011. (The year before, VP Lee's salary had jumped **\$187,005**, or 19% from **\$978,746**.)*

> *Rosemarie Loffredo, NYU's Treasurer and Vice President for Financial Operations, was paid **\$447,353** for nine months of her last year in that position (before moving on to serve as Interim CFO at Pro Mujer, a women's development organization). Thus NYU reported an increase of **\$94,861**, or **27%**, in her prior salary of **\$352,492**.*

> *Michael Alfano, Jacob Lew's successor as Executive Vice President (tasked with managing "the University's budget and finance operations, the human relations division, and the real estate, planning, and construction operations"), made **\$1,168,040** in his final year at NYU—a jump of **\$560,180**, or **92%**, from his prior salary of \$607,860.**

> *Anthony Shorris, Vice Dean, Senior Vice President and Chief of Staff at NYU Langone, saw his salary jump from **\$491,088** (he had been hired in the middle of 2012) to **\$1,039,998**—an increase of **\$548,910**, or **112%**.*

(Mr. Shorris left NYU Langone to serve as First Deputy Mayor of New York City. On his departure, Ken Langone replaced him with Joe Lhota, Republican mayoral candidate in 2013.)

For the period 2010-2012, NYU paid those last three officers, *in raises alone*, **\$1,203,951**—enough to pay one year's tuition/fees for 26 undergraduates, saving them, in interest over 15 years, from **\$1,670,656** to **\$3,479,710**.

*That boost may have included a length of service bonus, as EVP Alfano retired, at 66, on Sept. 1, 2014, "to spend more time with my six grandchildren." Since then, however, Dr. Alfano—former Dean of NYU's College of Dentistry—has continued on the Board of Dentsply International, "a leader in consumable dental products," and as a paid consultant to the Academy for Academic Leadership (AAL), "the preeminent consultancy for individual and organizational leadership development in the academic health professions." ("I advise clients on curriculum design, finance, budget and clinical operations," reports Dr. Alfano on his LinkedIn page.)

Dr. Alfano's recent stock transactions are online at inance.galioninquirer.com/what-are-the-latest-stock-transactions-by-michael-c-alfano/xray/executive/michael-c-alfano/michael-c-alfano.htm#privatesale

What lies beneath

Excessive on its face, such largesse at the top is all the more appalling for the widespread poverty and debt enabling it. Our students have paid dearly for it, not just in money but in common hardships that NYU's Board and managers shrug off, and that the faculty has tolerated far too long.

Our students pay in homelessness and hunger, bone-weariness, and/or severe emotional distress brought on by overwork and the inordinate financial pressure. Among our female students, hundreds—more than at any other university—pay by having to resort to prostitution, through online "dating" services that cater to affluent older men. (We have been compiling student narratives of such ordeals, which we will publish next semester.)

Less dramatically, but often no less painfully, our students also pay through deprivation of essential services such as the Wellness Center, Writing Center and the Moses Center (for disabled students)—resources which NYU underfunds while squandering billions on top management and real estate. They also pay who run afoul of a bureaucracy dysfunctional because of ruthless budget-cutting at its lower levels, leaving countless students often struggling over billing errors, late paychecks, snafus in financial aid and other time-consuming glitches. And while NYU's top brass live in luxury, our students' dorms are often crumbling, cramped, under-heated, without air conditioning or otherwise neglected.

These are chronic problems that the Sexton Plan won't solve, however much it costs: on the contrary.

Conclusion: What NYU owes our students (and their families)

In light of NYU's astonishing financial practices, we hope that you will join us in demanding that the Board give comprehensive and specific public answers to these questions:

> How much does the Board pay NYU's administration altogether, and how much has that sum increased since 2002?

> How many administrators are there, and what are their respective titles and responsibilities?

> How much does NYU spend on advertising, PR, lobbying, legal fees, management consultants and recruitment practices abroad, and how much has the total sum increased since 2002?

> What buildings does NYU own, rent or control throughout New York City, the US and abroad? Of those NYU owns, what did they cost, and how much has NYU spent on renovations?

We believe the Board is obligated to provide this information, because of NYU's non-profit status, and as a consumer service to our students and their families, who have given NYU so much, with no idea where all that money goes.