

HHC Capital Corporation Semi-annual Meeting

November 30, 2017, 2:00 p.m.
125 Worth Street – 5th Floor Board Room
New York, New York 10013

AGENDA

- | | | |
|-------|---|--------------------|
| I. | Call to order
Adoption of minutes for the HHC Capital Corporation Meeting held on May 25, 2017 | Gordon J. Campbell |
| II. | HHC Bonds: issuance History | Linda DeHart |
| III. | 2010 Bonds: Construction Fund Balance | “ |
| IV. | Short Term Equipment Financing Program | “ |
| V. | 2015 JP Morgan Chase Loan | “ |
| VI. | 2015 Citibank Revolving Loan | “ |
| VII. | Citibank Replacement Financings | “ |
| VIII. | Old business, new business and adjournment | Gordon J. Campbell |

MINUTES

**HHC Capital Corporation
Semi-annual Public Meeting**

Meeting Date: May 25, 2017, 2:30 p.m.
Location: 125 Worth Street
Fifth Floor Board Room

ATTENDEES

Members of the HHC Capital Corporation Board of Directors

Gordon Campbell, Acting Chair
Stanley Brezenoff, Interim President
Mark Page
Bernard Rosen

H + H Board Members

Gary Belkin, M.D.
Mary T. Bassett, M.D.

NYC Health+ Hospitals Staff

P.V. Anantharam, CFO and Senior Vice President, Finance & Managed Care
William Foley, Senior Vice President, Acute Care and Ambulatory Care Service Lines
Salvatore J. Russo, General Counsel and Senior Vice President, Legal Affairs and Secretary to the Board
Gregory Calliste, CEO, Woodhull Hospital
Linda DeHart, Assistant Vice President, Debt Finance & Corporate Reimbursement Services
Patricia Lockhart, Secretary to the Corporation, Chairman's Office
Paulene Lok, Senior Director, Cash Management
Nini Mar, Director, Debt Finance & Corporate Reimbursement Services
Anthony Rajkumar, CEO, Coney Island Hospital

HHC Capital Corporation – Semi-annual Public Meeting Thursday, May 25, 2017

Mr. Gordon Campbell chaired the meeting of the HHC Capital Corporation Board of Directors (the “Board”). Salvatore Russo, Secretary of the HHC Capital Corporation kept the minutes thereof.

Call to Order:

The semi-annual HHC Capital Corporation meeting was officially called to order at 2:40 p.m. by Mr. Campbell.

Minutes:

Mr. Campbell called the HHC Cap Corp Meeting to order and asked for a motion to adopt the minutes of the meeting that was held on December 14, 2016. The Board unanimously adopted the minutes. Mr. Campbell then announced that Ms. Linda DeHart will provide a series of updates.

Credit Ratings:

Ms. DeHart presented the first slide which shows the current credit ratings for the HHC Bonds. Health + Hospitals received a ratings upgrade from Fitch on February 14th of this year. The ratings on the HHC Bonds are tied closely to the City of New York’s ratings. Ms. Dehart explained that H+H fares much better with the City relationship than if H+H were a stand-alone healthcare provider.

Mr. Mark Page asked if the Ratings Agencies take the HHC Lockbox into account and if it is viewed as favorably as the relationship H+H has with the City. Ms. DeHart indicated that the Lockbox is an important factor even with the changes in how the credit rating agencies are moving towards a more standard “formulaic” review. Ms. DeHart agreed with Mr. Page’s statement that the ratings agencies understand that the City of New York will not allow H+H to fail. Ms. DeHart reiterated that the Lockbox structure provides a strong security to the bondholders and is important in how HHC’s bonds are rated.

HHC Bonds - Issuance History:

Ms. DeHart explained that page 2 shows a history of the bonds issued. The current par amount of bonds outstanding is approximately \$746.8 million. The remaining bonds are primarily fixed rate - approximately 80%, while 20% of the bonds are variable rate.

Construction Fund Balance on the 2010 Bonds:

Ms. DeHart reported that the following page shows the status of the construction fund for the Series 2010 bonds which is the only series of bonds still outstanding. There is just over \$3.0 million of proceeds remaining. H+H will have a larger presence in the City’s Capital Commitment Plan going forward.

Mr. Page asked for the comparison in trading values between the HHC Bonds and the City's Bonds. Ms. Nini Mar responded that there is a two notch credit rating difference which equates to approximately 35 basis points. In other words, HHC Bonds are trading approximately 35 basis points higher because its credit ratings are less favorable than the City's bonds.

Outstanding Bond Debt Mix and LOC Extension:

Ms. DeHart reminded the Board that the outstanding bond debt mix consists of 20% variable rate bonds secured by letters of credit ("LOC") issued by TD bank and JP Morgan Chase. JP Morgan covers nearly 33% of the variable rate bonds with the balance covered by TD Bank. Ms. DeHart announced that Debt Finance recently negotiated a five-year extension of the JPM LOC that was set to expire this coming July.

JP Morgan Chase Loan Activity:

Ms. DeHart presented the update of the short term JPM Chase loan that was secured subsequent to the Health + Hospitals Board approval. The loan allows H+H to draw down up to \$60 million. The bulk of that funding has been committed. To-date, \$55.9 million has been spent. Ms. Dehart clarified that only \$10 million of the \$60 million has been borrowed and expects to borrow the remainder in July. The JP Loan is scheduled to convert to a fixed rate mode in August 2017.

Citibank Loan Activity:

The second short term financing vehicle is a revolving line of credit-type loan from Citibank. This loan met the guidelines for the Community Reinvestment Act ("CRA") and is more flexible in its purpose in that the proceeds can be used to finance H+H's IT projects and related equipment. Roughly \$37 million has been spent, which is a significant increase from the previous reporting period. Ms. DeHart added that \$10 million of the \$60 million authorized loan amount has been borrowed but Debt Finance will likely make additional draws against the authorized amount.

Unlike the JP Morgan loan which converts to a five-year fixed rate loan after the pre-negotiated variable rate term ends on July 31, 2017, Ms. DeHart explained that the Citibank Revolving Loan has an expiration date of October 12, 2018. Debt Finance has started discussions with its Financial Advisor, PFM, to research alternative financing options such as an extension or "fix out" of this loan.

Mr. Campbell asked if Debt Finance would automatically proceed with the alternate financing plans. Ms. DeHart's answer is that the Board will be informed of the preferred financing option once a decision is made, and that ultimately Board approval will be required.

Mr. Brezenoff asked a question about the Community Reinvestment Act. Ms. DeHart's response was that to qualify for CRA credit, the financed projects do not necessarily have to be construction. The projects must, however, meet a community purpose. The guideline that Citibank applied to H+H

was that the projects must provide benefit to a population that is at least 50% Medicaid eligible. Therefore nearly every H+H capital project would qualify for CRA credit from Citibank's perspective. Finance designated the loan proceeds primarily for use on IT projects and some smaller construction projects.

Mr. Page asked if this loan qualifies as tax-exempt under Federal Tax Codes. Ms. DeHart said that it does. When Mr. Page followed up the question by asking if the "CRA coincides" with the tax-exemption, Ms. DeHart replied that it does.

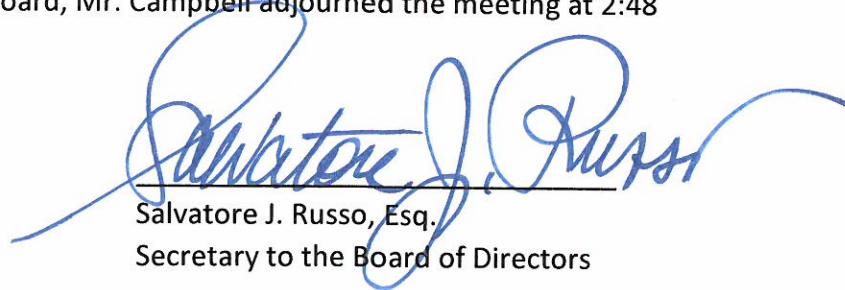
Miscellaneous:

Mr. Rosen asked for an explanation of the \$746.8 million of Outstanding Bonds shown on page 2 ("Bonds: Issuance History") and how it relates to the \$200.7 million shown on page 3 ("2010 Health Systems Bonds – Construction Fund Cash Flow"). Ms. DeHart explained that the table on page 2 shows the total par amount of bonds that have not been paid off and that page 3 shows the unspent bond proceeds. Nini Mar added that the \$200 million shown on page 3 represents the construction fund proceeds on the 2010 Bonds. Ms. DeHart clarified that the 2010 Bonds is the only series that has an unspent balance.

Mr. Campbell asked if it is a requirement for the HHC Capital Corporation to present two times a year. Ms. DeHart agreed that it is.

Adjournment:

There being no further business before the Board, Mr. Campbell adjourned the meeting at 2:48 p.m.



Salvatore J. Russo, Esq.
Secretary to the Board of Directors

HHC Capital Corporation

Semi-Annual Meeting

Date: November 30, 2017

Time: 2:00 p.m.

Location: 125 Worth Street,

5th Floor Board Room

New York, NY 10013



Bonds: Issuance History (as of 11/01/17)

Credit Ratings: Moody's Aa3, S&P A+ and Fitch AA-

Issuance Date	Bond Series	Initial Par Amount (in \$ millions)	Outstanding Par Amount (in \$ millions)	Final Maturity	Fixed or Variable Rate
5/15/93	1993 A	550.000	-	-	Fixed
4/10/97	1997 A-D	320.000	-	-	Variable
3/1/99	1999 A ⁽¹⁾	235.700	-	-	Fixed
7/1/02	2002 A	192.700	-	-	Fixed
7/1/02	2002 B-H ⁽²⁾	397.750	-	-	Auction
1/15/03	2003 A ⁽³⁾	245.180	-	-	Fixed
8/21/08	2008 A ⁽⁴⁾	268.915	92.220	2/15/2026	Fixed
9/4/08	2008 B-E ⁽⁵⁾	189.000	149.810	2/15/2031	Variable
10/26/10	2010 A ⁽⁶⁾	510.460	380.480	2/15/2030	Fixed
3/28/13	2013 A ⁽⁷⁾	112.045	110.715	2/15/2023	Fixed
	Total	-	733.225		

Note: (1) Advance refunded certain 1993 Series bonds

(2) Refunded the entire 1997 Series bonds and issued new money

(3) Refunded the remaining 1993 Series bonds

(4) Refunded the 2002 B,C,H Series bonds and issued new money, includes both refunded and new money bonds as of May 2017

(5) Refunded the 2002 D,E,F,G series bonds

(6) Refunded the entire 1999 Series and substantially all of the 2002 Series A bonds, and issued new money

(7) Refunded the entire 2003 A and a portion of the 2008 A Series bonds



2010 Health System Bonds

Construction Fund – Cash Flow

(Unaudited, in \$millions)

Drawdown Period	Activity/Action	Construction Fund = Deposits at Issuance + Interest Earnings	(Withdrawals)	Construction Fund Balance
10/26/2010	Construction Fund at Issuance Date	199.758		199.758
FY 2011	Drawdown		(9.483)	190.275
FY 2012	Drawdown		(57.938)	132.337
FY 2013	Drawdown		(83.838)	48.499
FY 2014	Drawdown		(31.438)	17.061
FY 2015	Drawdown		(10.446)	6.615
FY2016	Drawdown		(3.913)	2.702
FY2017	Drawdown (no drawdowns FYTD 2018)		(0.679)	2.023
	Interest Earnings (as of 10/31/2017)	1.007		
	Totals	200.765	(197.735)	3.030
As of	Total Drawdowns	Total Encumbrances	Total Encumbrances Less Drawdowns	Unencumbered balance exceeds Construction Fund Balance
11/13/17	197.735	201.026	3.291	(0.261)

(a) Drawdowns are not reflective of actual capital spending.

(b) OFD continues to review and reconcile the projects with open encumbrances. Excess funds will be re-purposed for other priority projects.



Short Term Financing Program

- Through resolutions approved in July 2013, April 2015 and September 2015, the NYC Health + Hospitals Board authorized equipment and other short term financing of up to \$120 million, with the goal of allowing the system to establish a flexible short term financing program with “as needed” access to capital funds from one or more banks over multiple years.
- After development of a secondary Health Care Reimbursement Revenue lien security, a JP Morgan Chase financing for up to \$60 million worth of primarily equipment purchases closed on July 9, 2015. *This was converted to a Fixed Rate mode on August 1, 2017.*
- Citibank financing for up to \$60 million worth of mostly routine renovation and IT projects closed on October 14, 2015. *Replaced on November 1, 2017 with a \$30 million Fixed Rate loan and a \$30 million Variable Rate loan.*



2015 JP Morgan Chase Loan

(\$millions)

Date	Activity/Action	Remaining Loan Capacity	Borrowed Funds
07/09/2015	Authorized to Borrow	60.000	0.000
07/09/2015	Initial Drawdown: Borrowed Amount	(10.000)	10.000
07/31/2017	Final Drawdown: Borrowed Amount	(50.000)	50.000
08/01/2017	Converted to Fixed Rate @ 2.0880%		
Total		0.000	60.000
Vouched Capital Expenses as of November 13, 2017			(57.836)
Cost of Issuance			(0.128)
Vouched Funds			(57.964)
Encumbrances as of November 13, 2017			59.841

- Terms:** \$60 million outstanding loan converted to fixed rate @ 2.0880% with final maturity date of July 1, 2022
- Interest Rates:** Avg. variable rate during drawdown period (to 8/1/17): 1.1687%. Prior to converting to fixed rate, the variable rate was 1.6270%



2015 Citibank Revolving Loan (\$millions)

Date	Activity/Action	Remaining Loan Capacity	Borrowed Funds
10/14/2015	Authorized to Borrow	60.000	0.000
10/14/2015	Initial Drawdown: Borrowed Amount	(10.000)	10.000
11/01/2017	Re-Financed and replaced with a new loan agreement on November 1, 2017		(10.000)
Total		0	0
Cost of Issuance			(0.106)

- Terms:** Variable rate revolving loan indexed to SIFMA, with a maturity date of October 14, 2018
- Interest Rate:** Average rate during drawdown period (to 1/1/17): 1.2740%
Final variable rate on 10/26/17 was 1.67%.



Citibank Replacement Financings

- The transactions were completed and closed on November 1, 2017
- Fixed Rate Loan
 - Borrowed \$30 million to repay the outstanding \$10 million under the original 2015 loan agreement, finance CRA (Community Redevelopment Act)-eligible capital projects and cover the cost of issuance
 - 5 year maturity (November 1, 2022)
 - Fixed Rate of 2.17%
- Variable Rate Loan
 - Ability to borrow up to \$30 million
 - 1 year Availability Period (October 31, 2018)
 - 5 year maturity from Drawdown
 - 1.52% indicative rate as of 11/08/17 *(tied to weekly SIFMA index)*



2017 Citibank Replacement Financings (\$millions)

Date	Activity/Action	Remaining Loan Capacity	Borrowed Funds
11/01/2017	Authorized to Borrow	60.000	0.000
11/01/2017	Initial Loan Drawdown* Borrowed \$30 mill at a Fixed Rate of 2.17%**	(30.000)	30.000
Total		30.000	30.000
Vouched Capital Expenses as of November 13, 2017			(39.355)
Cost of Issuance			(0.250)
Vouched Funds			(39.791)
Encumbrances as of November 14, 2017			46.616

* \$10 million was used to repay the 2015 Citibank Revolving Loan on 11/1/17

- ** Terms: 2.17 % Fixed Rate Loan, Matures November 1, 2022

