

HHC Capital Corporation Semi-annual Meeting

May 25, 2017, 2:30 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 12/14/16 | Gordon J. Campbell |
| II. | Credit Ratings | Linda Dehart |
| III. | HHC Bonds: issuance History | Linda Dehart |
| IV. | 2010 Bonds: Construction Fund Balance | Linda Dehart |
| V. | Outstanding Bonds and LOC Extension | Linda Dehart |
| VI. | Short Term Equipment Financing Program:
JP Morgan Chase Loan Activity | Linda Dehart |
| VII. | Short Term Equipment Financing Program:
Citibank Loan Activity | Linda Dehart |
| VIII. | Old business, new business and adjournment | Gordon J. Campbell |

MINUTES

HHC Capital Corporation
Semi-annual Public Meeting

Meeting Date: December 14, 2016, 2:00 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
Emily Youssouf

H + H Board Members

Jennifer Yeaw (representing Steven Banks)
Helen Arteaga Landaverde
Barbara Lowe
Josephine Bolus

NYC Health+ Hospitals Staff

P.V. Anantharam, CFO and Senior Vice President, Finance & Managed Care
Salvatore J. Russo, General Counsel and Senior Vice President, Legal Affairs and Secretary to the Board
Machelle Allen, Chief Medical Officer
Linda DeHart, Assistant Vice President, Debt Finance & Corporate Reimbursement Services
Patricia Lockhart, Secretary to the Corporation, Chairman's Office
Randall Marks, Chief of Staff, President's Office

HHC Capital Corporation – Semi-annual Public Meeting Thursday, December 14, 2016

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 2:05 p.m. by Mr. Campbell.

Minutes:

Mr. Campbell announced that the first agenda item is the adoption of the minutes of the HHC Capital Corporation meeting held on May 26, 2016. The Board unanimously adopted the minutes.

HHC Capital Corporation History ("HHC Cap Corp"):

Ms. DeHart presented the history and background of the HHC Cap Corp as outlined on page 1 of the presentation. The Cap Corp was created in 1993 to accept by assignment all patient revenues due to the System's entities and to remit from those payments amounts necessary to pay HHC bondholders as a first priority. The Cap Corp currently has four board members and four officers. Regular public meetings are held semi-annually, with at least two meetings per year.

Financing Security Structure:

Ms. DeHart stated that page 2 of the presentation provided a diagram of the flow of funds through the Cap Corp security structure. A second priority revenue pledge which was created in 2015 to secure short-term loans primarily for equipment purchases was highlighted.

HHC Bonds - Issuance History:

Ms. DeHart reviewed page 3 of the presentation showing the history of the bonds issued under the security structure related to the HHC Capital Corporation. The par amount of bonds outstanding is \$784.4 million. Of the balance remaining, approximately 20% are variable rate and 80% are fixed rate bonds.

Construction Fund Balance on the 2010 Bonds:

Ms. DeHart said that the following page shows the status of the construction fund for the Series 2010 bonds. Currently, \$3.7 million worth of bond proceeds remain in that fund. The outstanding encumbrances exceed the construction fund amount. Debt Finance and the Office of Development

Capital Accounting staff are working to reconcile the amounts. The remaining construction funds are expected to be depleted in the near future.

Short Term Financing Program:

Ms. DeHart reviewed the history of the Short Term Financing Program as described on page 5 of the presentation. The program was initiated in 2015, following approval by the NYC Health + Hospitals Board of Directors of resolutions authorizing the System's CFO to borrow up to \$120 million for equipment purchases and other short term capital financing needs. Loans were executed with JP Morgan Chase for up to \$60 million primarily for equipment purchases, and with Citibank for up to \$60 million primarily for routine renovation and IT projects. Ms. DeHart stated that the next two pages show the activity on the two loans.

JP Morgan Chase Loan Activity:

This drawdown loan closed in July 2015 and had an initial loan draw of \$10 million. Following initial delays in spending, the loan has been nearly fully vouched at this time. To date, \$54.5 million of the \$60 million maximum has been spent. The JP Loan is scheduled to convert to a fixed rate mode in August 2017.

Citibank Loan Activity:

The Citibank Loan is structured similarly to a revolving line of credit and was closed October 2017. This loan is more flexible and can be used for smaller construction projects, IT projects and equipment. To date, spending against this loan continues to be very slow, just under \$2 million has been vouched out of the \$10 million loan drawdown. Ms. DeHart stated that this is in part due to efforts to replace some of the borrowing planned under this loan with New York City capital financing.

Mr. Rosen inquired about the \$1.7 billion of FEMA funding awarded to NYC Health + Hospitals. Mr. Anantharam noted that good progress has been made on FEMA funded projects, but work is still underway. He highlighted the development of water barrier walls at Coney Island Hospital, and the eventual construction of a new hospital. He noted that initial funding for these projects is drawn from the City budget, which is then reimbursed by FEMA funding.

Adjournment:

There being no further business before the Board, Mr. Campbell adjourned the meeting at 2:25 p.m.



Salvatore J. Russo, Esq.

Secretary to the Board of Directors

HHC Capital Corporation

Semi-Annual Meeting

Date: May 25, 2017

Time: 2:30 p.m.

Location: 125 Worth Street,

5th Floor Board Room

New York, NY 10013



Credit Ratings

	Moody's	S&P	Fitch
New York City GO Bonds	Aa2	AA	AA
HHC Health System Bonds	Aa3	A+	AA-

Fitch Ratings upgraded NYC HHC Health System Bonds from “A+” to “AA-”, Outlook “Stable” on February 14, 2017.

According to the press release, the upgrade was due to:

- Fitch’s view that NYC’s obligation to replenish the HHC Bond capital reserve fund is an additional form of credit enhancement for bondholders
- NYC’s long-standing commitment to support NYC H+H as demonstrated by the provision of significant funds on an annual basis for the System’s operations and capital program
- Strong New York City Credit Quality



Bonds: Issuance History (as of 05/01/17)

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

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	105.765	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	-	746.770		

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	Deposits + Interest Earned	(Withdrawals)	Remaining 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		(0.679)	2.023
	Interest Earnings (as of 4/30/2017)	1.003		
	Total	200.761	(197.735)	3.026

As of	Total Drawdowns	Total Encumbrances	Total Encumbrances Less Drawdowns	Unencumbered balance exceeds Construction Fund Balance
05/05/17	197.735	202.428	4.693	(1.667)

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

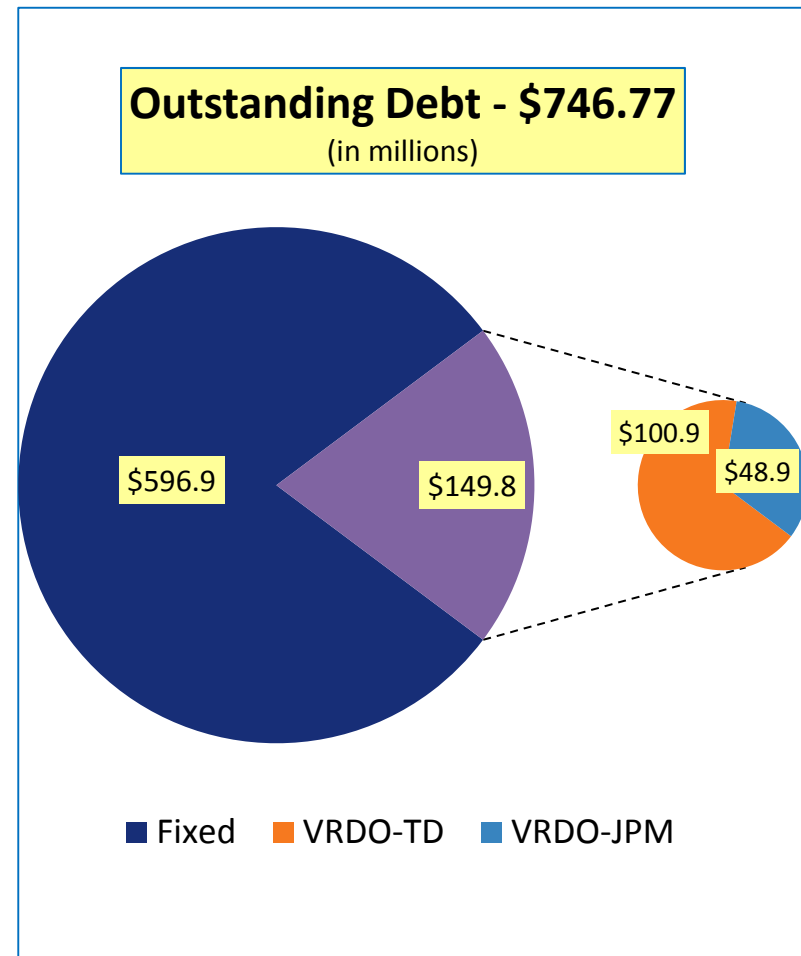
(b) OFD continues to review and reconcile the projects with open encumbrances. Excess funds will be re-purposed for other priority projects.



Outstanding Bond Debt Mix and LOC Extension

HHC has \$149.8 million (20.1%) of tax-exempt variable rate bonds and \$596.9 million (79.9%) of tax-exempt fixed rate bonds outstanding.

- Variable rate bonds are supported by letters of credit (“LOC”) provided by TD Bank (67.4%) and JPMorgan Chase Bank (32.6%). The TD Bank LOC expires 9/3/19 and the JPM LOC was set to expire 7/1/17. The final maturity for the Series 2008 B-E variable rate bonds is 2/15/31.
- TD Bank’s long-term and short-term deposit ratings are Aa1/P-1 and AA-/A-1+ by Moody’s and S&P, respectively.
- JPMorgan’s long-term and short-term deposit ratings are Aa2/P-1, A+/A-1, and AA/F1+ by Moody’s, S&P, and Fitch, respectively.
- The JPM LOC amendment negotiated in April, dated May 1, 2017, extends the expiration of the LOC by five years to 7/1/22.



JP Morgan Chase Loan Activity (\$millions)

Date	Activity/Action	Remaining Loan Capacity	Borrowed Funds
7/9/2015	Issuance	60.000	0.000
7/9/2015	Initial Loan Drawdown: Borrowed Amount	(10.000)	10.000
Total		50.000	10.000
Vouched Capital Expenses as of May 5, 2017			(55.661)
Cost of Issuance			(0.187)
Vouched To-Date			(55.921)
Encumbrances as of May 5, 2017			58.466

- Purpose: Equipment purchases.
- Terms: Seven-year commitment period. 25 month drawdown period at variable rate pegged to the 1-month LIBOR (London Interbank Offered Rate). Converts to a five-year, fixed rate loan on August 1, 2017 (original negotiated conversion date was July 9, 2016).
- Interest Rates: Average variable rate (to-date): 1.137%. The fixed rate loan will be indexed to the 3-Swap rate. Based on the indicative rate as of 05/05/17, the fixed rate would be 2.111%



Citibank Loan Activity (\$millions)

Date	Activity/Action	Remaining Loan Capacity	Borrowed Funds
10/14/2015	Issuance	60.000	0.000
10/14/2015	Initial Loan Drawdown	(10.000)	10.000
Total		50.000	10.000
Vouched Capital Expenses as of May 5, 2017			(36.805)
Cost of Issuance			(0.106)
Vouched Funds Balance			(36.911)

Encumbrances as of May 5, 2017	47.394
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Note: Although \$47.4 million has been encumbered, the spending will likely be lower due to the CFO's decision to use this loan for urgent needs only.

- Purpose: Community Reinvestment Act-eligible Construction and IT projects.
- Terms Three-year variable rate revolving loan pegged to the SIFMA (Securities Industry & Financial Markets Association) rate. Principal due at maturity date of October 12, 2018. H+H can prepay the loan, in whole or in part, at any time. A annual commitment fee is charged on un-borrowed balances.
- Interest Rate: Average variable rate (to-date): 1.17%.

