

HHC Capital Corporation Semi-annual Meeting

May 30, 2019, 2:00 p.m.
125 Worth Street – 5th Floor Board Room
New York, New York 10013

AGENDA

- | | | |
|-------|---|--------------|
| I. | Call to order | Freda Wang |
| | Adoption of minutes for the HHC Capital Corporation Meeting held on November 29, 2018 | |
| II. | HHC Outstanding Bond Portfolio | Linda DeHart |
| III. | HHC Bonds: issuance History | “ |
| IV. | 2010 Bonds: Construction Fund Balance | “ |
| V. | Short Term Financing Program | “ |
| VI. | 2015 JP Morgan Chase Loan | “ |
| VII. | 2017 Citibank Loan | “ |
| VIII. | Old business, new business and adjournment | Freda Wang |

MINUTES

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

Meeting Date: November 29, 2018, 2:00 p.m.
Location: 125 Worth Street
Fifth Floor Board Room

ATTENDEES

Members of the HHC Capital Corporation Board of Directors

Mitchell Katz, M.D. President

Bernard Rosen

Mark Page

Emily Youssouf

NYC Health+ Hospitals Staff

Andrea Cohen, General Counsel and Senior Vice President, Legal Affairs and Secretary to the Board

John Ulberg, Senior Vice President / CFO, Finance

Linda DeHart, Assistant Vice President, Debt Finance & Corporate Reimbursement Services

Colicia Hercules, Secretary to the Corporation, Chairman's Office

Paulene Lok, Senior Director, Debt Finance & Corporate Reimbursement Services

Nini Mar, Director, Debt Finance & Corporate Reimbursement Services

HHC Capital Corporation – Semi-annual Public Meeting Thursday, November 29, 2018

Mr. Mitchell Katz chaired the meeting of the HHC Capital Corporation Board of Directors (the “Board”). Andrea Cohen, 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 2:00 p.m. by Mr. Katz.

Minutes:

Mr. Katz asked for a motion to adopt the minutes of the previous meeting that was held on May 31, 2018. The Board unanimously adopted the minutes. Mr. Katz then introduced Ms. Linda DeHart to provide an update to the Board.

Ms. DeHart referred to the HHC Capital Corporation Semi-Annual Meeting Presentation and began her update to the Board.

HHC Outstanding Bond Portfolio:

Ms. DeHart stated that this is the semi-annual meeting of the HHC Capital Corporation where the status of the System’s bond financing program and other debt is presented. Page 1 shows H+H’s current outstanding bonds of approximately \$680 million, where a majority of bonds are fixed rate bonds, 79% (\$535 million) and the remaining 21% (\$145 million) are variable rate bonds, supported by letters of credit provided by JP Morgan Chase Bank and TD Bank.

Ms. DeHart specifically pointed out that the TD Bank letters of credit were successfully amended on October 31, 2018 to extend the expiration from September 3, 2019 to September 3, 2023 with the letter of credit fees remained the same.

HHC Bonds - Issuance History:

Ms. DeHart pointed to page 2 which shows a history of bonds issued. The outstanding bonds are the 2008 Series A-E, the 2010 Series A and the 2013 Series A bonds, with a total outstanding par amount of ~~is~~ \$680 million.

Construction Fund Balance on the 2010 Bonds:

Ms. DeHart described page 3 which shows that the unspent balance for the HHC Series 2010 construction fund is approximately \$1.0 million.

A question regarding project completion status was asked. Ms. DeHart answered that most projects were completed, and the remaining balance will be spent down when OFD completed their reconciliation efforts with various vendors on the projects financed by 2010 Bonds.

Health System Bonds-Arbitrage Rebate:

Ms. DeHart explained page 5 that arbitrage rebate liability is required to rebate to the IRS when interest earnings on bond proceeds exceeded the tax-exempt bond yield (i.e. issuers are not allow to make any profit when borrowing in tax-exempt debt).

Ms. DeHart informed the Board that H+H's 2008 Series A (fixed rate) and Series B-E (variable rate) Bonds incurred no arbitrage rebate and yield restriction liability on both its 2008 Series A and Series B-E Bonds on its 10th bond year.

A question inquiring how much negative arbitrage was asked. Ms. Lok answered that the 2008 B-E (variable rate) Bonds incurred minimal negative arbitrage, while the 2008 Series A (fixed rate) Bonds incurred approximately \$11 million negative arbitrage. Upon further review after the meeting, please let the record reflect that the negative arbitrage incurred by the 2008 Series A Bonds is \$16.9 million at the 10th bond year (2018), and \$10.8 million at the 5th bond year (2013).

Short Term Financing Program:

Ms. DeHart provided an overview of the organization's short term financing program on page 5. Through multiple resolutions approved by the Board in 2013 and 2015, Health + Hospitals authorized the Chief Financial Officer (CFO) to borrow up to \$120 million on an "as-needed" basis.

Ms. DeHart informed the Board that H+H has borrowed the remaining \$30 million as a variable rate loan from Citibank on October 30, 2018, before access to financing expired on October 31, 2018. The initial interest rate was set at 2.20%. The interest rate will be reset weekly based on SIFMA index.

2015 JP Morgan Chase Loan:

Ms. DeHart presented page 6 which outlined the status of the JPM Chase loan. The \$60 million loan was borrowed at 2.088% fixed rate interest with a final maturity of July 1, 2022. As of the end of October 2018, H+H expended approximately \$59.3 million of the proceeds, and the outstanding loan amount is \$45.5 million.

2017 Citibank Loan:

Ms. DeHart presented page 7 which outlined the status of the Citibank loan, of which \$30 million was borrowed as a fixed rate loan at the interest rate of 2.17% with final maturity of November 1, 2022; and the remaining \$30 million was borrowed on October 30, 2018 as variable rate loan with final maturity of October 30, 2023.

As of the end of October 2018, H+H expended approximately \$43.2 million of the proceeds, and the outstanding loan amount is \$60.0 million.

New York Power Authority (NYPA) Financing for Energy Efficiency Program:

Ms. Lok presented page 8 and explained to the Board that in 2013 the H+H Finance Committee and the H+H Board of Directors had approved NYPA to provide interim financing as well as long-term financing for the construction of two comprehensive energy efficiency projects at Elmhurst Hospital and Metropolitan Hospital primarily to replace outdated boilers and make other related upgrades.

Ms. Lok further explained that NYPA typically only provides variable rate financing to their clients using their Commercial Paper program. In 2013, H+H asked NYPA if they will consider providing fixed rate financing to H+H when the projects complete in a few years; and NYPA indicated that they will explore the fixed rate financing option. At that time, NYPA also indicated that either financing option would be for a term of up to 20 years.

As the projects were largely completed and placed into service in 2018, NYPA proposed the tax-exempt municipal lease structure to H+H as a fixed rate financing option. The structure was reviewed and determined that it was not viable. First, NYPA was not successful in closing any transaction under the proposed tax-exempt municipal lease structure, and second, the third-party financing provider (the banks) under the structure would only provide financing up to 10 years, while the useful life of H+H's boiler projects was much longer at 20+ years.

As a result, NYPA eventually agreed to provide H+H with 20-year variable rate loans for both projects; \$22.8 million for Metropolitan Hospital and \$21.5 million for Elmhurst Hospital, with 1.43% as the initial interest rate for 2018, and combined monthly debt service of approximately \$212,500 began in September 2018. The interest rate will be reset annually in January or February by NYPA based on their prior 12 months' financing costs.


Bond Counsel Selection:

Ms. Lok informed the Board that H+H issued a RFP for bond counsel services in May 2018, and received two proposals from Harris Beach PLLC and Hawkins Delafield & Wood LLC. Both firms were interviewed by the Selection Committee comprised of members from NYC Management and Budget, NYC Comptroller Office, H+H Corporate Legal Affairs, H+H Corporate Finance and H+H Coney Island Hospital Senior Management.

Hawkins Delafield & Wood LLC was selected and approved by the H+H Board of Directors in the October 2018 meeting.

Adjournment:

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



Andrea Cohen, Esq.
Secretary to the Board of Directors

HHC Capital Corporation

Semi-Annual Meeting

Date: May 30, 2019

Time: 2:00 p.m.

Location: 125 Worth Street,

5th Floor Board Room

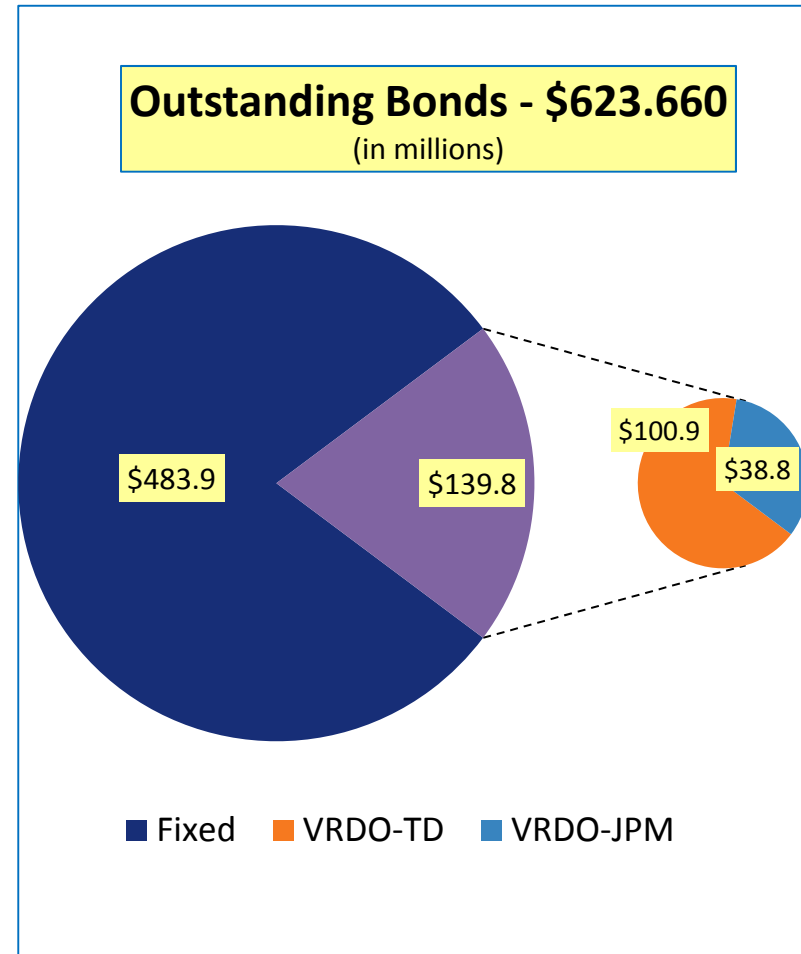
New York, NY 10013



H+H Outstanding Bond Portfolio

H+H has \$139.8 million (22.4%) of tax-exempt variable rate bonds and \$483.9 million (77.6%) of tax-exempt fixed rate bonds outstanding.

- Variable rate bonds are supported by letters of credit (“LOC”) provided by TD Bank (72.2%) and JPMorgan Chase Bank (27.8%)
- The final maturity for the Series 2008 B-E variable rate bonds is 2/15/31
- JPMorgan’s LOC expires 7/1/22
- TD Bank’s LOC expires 9/3/23
- Variable rate bond interest rates averaged 1.52% FY2019 and 0.43% since inception (up to 4/30/19).
 - Weekly rate reset at
 - 1.95% - 2.07% on 4/17/19 (tax payment redemption)
 - 2.30% - 2.35% on 4/24/19
 - 2.00% - 2.10% on 5/01/19
 - 1.50% - 1.70% on 5/08/19
 - 1.32% - 1.48% on 5/15/19



Bonds: Issuance History (as of 4/30/19)

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 | 75.275 | 2/15/2026 | Fixed |
| 9/4/08 | 2008 B-E ⁽⁵⁾ | 189.000 | 139.780 | 2/15/2031 | Variable |
| 10/26/10 | 2010 A ⁽⁶⁾ | 510.460 | 299.300 | 2/15/2030 | Fixed |
| 3/28/13 | 2013 A ⁽⁷⁾ | 112.045 | 109.305 | 2/15/2023 | Fixed |
| | Total | - | 623.660 | | |

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 | | (0.746) | 1.955 |
| FY2018 | Drawdown | | (1.825) | 0.130 |
| FY2019 | Drawdown (up to 4/30/19) | | (0.393) | N/A |
| | Interest Earnings (as of 4/30/2019) | 1.020 | | 0.758 |
| | Totals | 200.778 | (200.020) | 0.758 |
| As of | Total Drawdowns | Total Encumbrances | Total Encumbrances Less Drawdowns | Encumbered balance exceeds Construction Fund Balance |
| 04/30/19 | 200.020 | 200.793 | 0.773 | (0.015) |

(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.
- This short-term financing program is secured by a secondary lien on the Health Care Reimbursement Revenue (i.e. after the Bondholders lien).
- Under this program, there are two borrowings currently outstanding:
 - \$60 million with JPMorgan Chase to finance medical equipment purchases; closed in July 2015 and maturing in July 2022
 - \$60 million with Citibank to finance routine renovation and IT projects; closed November 2017
 - \$30 million fixed rate loan borrowed at closing, matures on 11/1/22
 - \$30 million variable rate loan borrowed on 10/30/18, matures on 10/30/23
- No additional borrowing authority remains under these authorizations



2015 JP Morgan Chase Loan

(\$millions)

| Date | Activity/Action | Remaining Loan Capacity | Borrowed Funds |
|--|--|-------------------------|-----------------|
| 07/09/2015 | Issuance | 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 April 30, 2019 | | | (59.187) |
| Cost of Issuance | | | (0.128) |
| Vouched Funds | | | (59.315) |
| Encumbrances as of April 30, 2019 | | | 59.779 |
| Outstanding Loan as of April 30, 2019 | | | 39.638 |

- 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%. Final variable rate was set at 1.6270% prior to fixed rate conversion



2017 Citibank Loan (\$millions)

| Date | Activity/Action | Remaining Loan Capacity | Borrowed Funds |
|--|----------------------------------|-------------------------|-----------------|
| 11/01/2017 | Issuance | 60.000 | 0.000 |
| 11/01/2017 | Initial Fixed Rate Loan Drawdown | (30.000) | 30.000 |
| 10/30/2018 | Revolving Loan Drawdown | (30.000) | 0.000 |
| Total | | 0.000 | 60.000 |
| Vouched Capital Expenses as of April 30, 2019 | | | (54.147) |
| Cost of Issuance | | | (0.250) |
| Vouched Funds | | | (54.397) |
| Encumbrances as of April 30, 2019 | | | 56.340 |
| Outstanding Loan as of April 30, 2019 | | | 53.260 |

Fixed Rate Loan:

- Term: 5-years matures on November 1, 2022
- Interest rate: 2.17%

Revolving Loan:

- Term: 5-years matures on October 30, 2023
- Interest rate: reset weekly based on SIFMA index. Initially: 2.20%. Latest: 1.95% on 5/15/19.

