

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

January 28, 2021, 1:00 p.m.  
125 Worth Street – 5<sup>th</sup> 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 September 24, 2020 |              |
| II.   | 2020 Series A Bonds Issuance   | Linda DeHart |
| III.  | HHC Outstanding Bond Portfolio   | “            |
| IV.   | HHC Bonds: issuance History  | “            |
| V.    | 2010 Bonds: Construction Fund Balance  | “            |
| VI.   | 2010 Bonds – Arbitrage Rebate  | “            |
| VII.  | 2015 JP Morgan Chase Loan  | “            |
| VIII. | 2017 Citibank Loan   | “            |
| IX.   | Old business, new business and adjournment   | Freda Wang   |

## **MINUTES**

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

**Meeting Date:** September 24, 2020, 1:00 p.m.  
**Location:** 125 Worth Street  
Fifth Floor Board Room

## **ATTENDEES**

### **Members of the HHC Capital Corporation Board of Directors**

Freda Wang, Chair

Matt Siegler (on behalf of Mitchell Katz, M.D. President)

José A. Pagán

Feniosky Peña-Mora

Robert Nolan

### **NYC Health+ Hospitals Staff**

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

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

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

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

### **Others**

Anita Kawatra, member of the NYC Health and Hospitals Corporation Board of Directors

## **HHC Capital Corporation – Semi-annual Public Meeting Thursday, September 24, 2020**

Ms. Freda Wang 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 1:08 p.m. by Ms. Wang.

### **Minutes:**

Ms. Wang asked for a motion to adopt the minutes of the previous meeting that was held on January 9, 2020. The Board unanimously adopted the minutes.

### **Presentation:**

Ms. Wang then introduced Ms. Linda DeHart to provide an update to the Board.

Ms. DeHart provided a brief explanation that the purpose of the HHC Capital Corporation is solely to receive and hold all health care revenues to pay HHC issued bonds’ debt service as part of the security structure for the bonds. She then referred to the HHC Capital Corporation Semi-Annual Meeting presentation to update the Board.

#### HHC Outstanding Bond Portfolio (page 1):

Page 1 of the presentation provides a snapshot of NYC Health + Hospitals’ (the “System’s”) current outstanding bonds portfolio, including the distribution between variable and fixed rate bonds, and the details of the letters of credit supporting the variable rate bonds. Ms. DeHart noted that since inception, these variable rate bonds have generated approximately \$63.6 million of savings compared to what the cost would have been if these bonds had been issued as fixed rate. Ms. DeHart also noted that the variable interest rates were reset at 0.08% - 0.10% by Morgan Stanley and Citibank.

#### HHC Bonds - Issuance History (page 2):

Ms. DeHart noted that the table provided a history of bond issuances by the System. There are about \$565 million of bonds outstanding. The last bond issuance was in 2013. Ms. DeHart indicated that a request for approval to refund some of these debts along with issuing new bonds will be presented to the October 2020 Finance Committee.

There was a brief discussion of the System's planning and decision-making processes related to capital finance needs.

Construction Fund Balance on the 2010 Bonds (page 3):

Ms. DeHart described page 3 which shows that the unspent balance for the HHC Series 2010 construction fund is approximately \$0.76 million, which is interest earned on bond proceeds. Ms. DeHart further explained that most projects were completed, and the remaining balance will be spent down when OFD completes their reconciliation efforts with various vendors on the projects financed by 2010 Bonds.

Short Term Financing Program (pages 4-6):

Ms. DeHart explained that in addition to the bond program, H+H's Board has approved short-term financing that has a secondary lien against the bond lockbox that is secured through the HHC Capital Corporation.

Ms. DeHart pointed out that the short-term financing program was created to prevent having a large construction fund through bond issuance. The short-term financing is primarily used for equipment purchases, minor renovations, and other small projects. She presented an overview of the two agreements (with JPMorgan and Citibank) entered into under this program, including terms, amounts vouched, and outstanding balances.

There was a brief discussion of the System's use of "just-in-time" borrowing and a general inquiry about the System's outstanding debt.

**Adjournment:**

There being no further business before the Board, Ms. Wang adjourned the meeting at 1:24 p.m.

A handwritten signature in dark ink, appearing to read 'ACohen', written over a horizontal line.

Andrea Cohen, Esq.  
Secretary to the Board of Directors

# **HHC Capital Corporation**

## **Semi-Annual Meeting**

Date: January 28, 2021

Time: 1:00 p.m.

Location: 125 Worth Street,  
5<sup>th</sup> Floor Board Room  
New York, NY 10013



## 2020 Series A Bonds Issuance

- On January 5th, 2021, H+H issued \$310,195,000 of tax-exempt fixed rate bonds with an all-in interest rate of **1.79%** and achieved net present value savings of 18.8% or **\$60.5 million** through FY 2024.
- The 2020 Series A bonds refunded all of the 2008 Series A and 2010 Series A bonds, and provided \$100 million to finance new capital projects.
- Performance exceeded expectations, despite a challenging economic environment due to COVID-19
  - In concert with downgrades on the City's rating, Moody's and Fitch downgraded H+H's rating by one notch to Aa3 and A+, respectively, S&P maintained at A+, and all three rating agencies gave a negative outlook.
  - Received a total of \$1.457 billion in orders or 4.7x over subscribed
  - \$387 million of orders were from "retail" investors
- With the 2020 A issuance, a majority of H+H bond holders approved the Amended and Restated General Resolution modernizing the authorizing and governing documents for NYC Health + Hospital's bond financing program.



# 2020 Series A Bonds Issuance

## Tax-Exempt Refunding of Series 2008A and Series 2010A (Upfront Savings) and Tax-Exempt New Money (Level Debt Service)

### Actual Financing Statistics

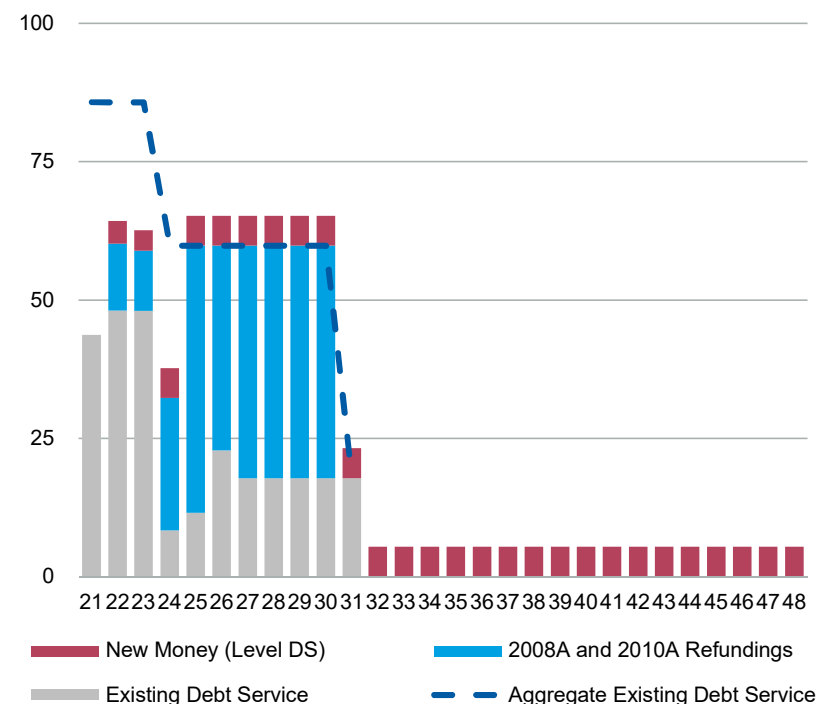
Market Conditions as of December 15, 2020

2020 Financing	Refundings (Upfront)	New Money (Level DS)	Total
Total Financing Proceeds	\$284,327	\$100,670	\$384,997
Capital Reserve and Revenue Funds Release	\$47,055	--	\$47,055
Total Sources (\$000s)	\$331,382	\$100,670	\$432,052
2020 Uses	Refundings (Upfront)	New Money (Level DS)	Total
New Money (\$000s)	--	\$100,000	\$100,000
Refunding of 2008A and 2010A (\$000s)	\$329,623	--	\$329,623
Cost of Issuance (\$000s)	\$1,759	\$670	\$2,429
Total Uses (\$000s)	\$331,382	\$100,670	\$432,052
Financing Statistics	Refundings (Upfront)	New Money (Level DS)	Total
Interest Rate Adjusted for Cost (All-in TIC) (%)	1.04%	2.66%	1.79%
Weighted Average Maturity (Years)	6.5 Years	17.2 Years	9.4 Years
Maximum Annual Debt Service (\$000s)	--	--	\$65,215
Net Present Value Savings (\$000s)	\$60,506	--	--
Net Present Value Savings (%)	18.8%	--	--

### Debt Service Requirements Per Annum

Aligned to 2/15 Maturities

(\$MM)



#### Notes:

1. 2020 Series A Bonds priced on December 15, 2020, and closed on January 5, 2021.
2. Totals may not sum due to rounding.

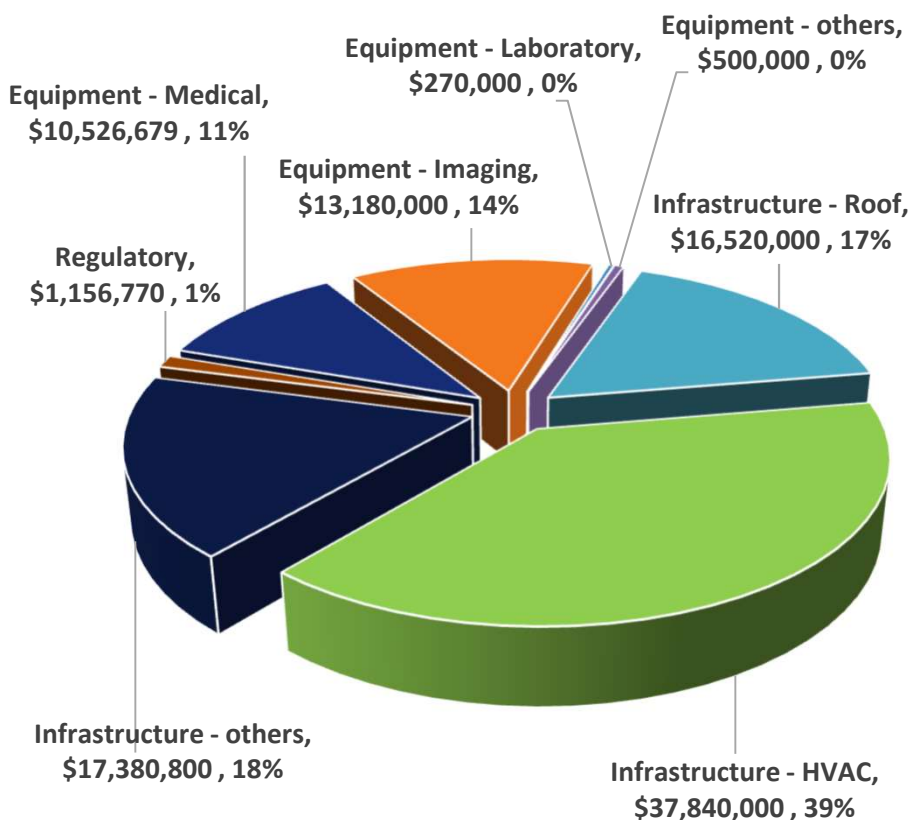


# 2020 Series A Bonds Issuance

## New Money Planned Uses

Facility	Infrastructure	Equipment	Total	%
Bellevue	26,950,000	5,387,817	32,337,817	33.1%
Belvis	1,976,770	-	1,976,770	2.0%
Coney	4,770,000	400,000	5,170,000	5.3%
Cumberland	1,000,000	-	1,000,000	1.0%
Elmhurst	6,100,000	957,760	7,057,760	7.2%
ENY	1,370,800	-	1,370,800	1.4%
Harlem	2,930,000	2,287,073	5,217,073	5.3%
Jacobi	2,150,000	1,160,977	3,310,977	3.4%
Kings County	8,750,000	4,265,273	13,015,273	13.3%
Lincoln	5,700,000	1,324,680	7,024,680	7.2%
Metropolitan	2,750,000	2,145,426	4,895,426	5.0%
Morrisania	-	500,000	500,000	0.5%
NCB	1,600,000	2,200,000	3,800,000	3.9%
Queens	2,850,000	1,409,160	4,259,160	4.4%
Woodhull	4,000,000	2,807,513	6,807,513	7.0%
<b>Total</b>	<b>72,897,570</b>	<b>24,845,679</b>	<b>97,743,249</b>	<b>100.0%</b>

Blended average life = 17.2 years





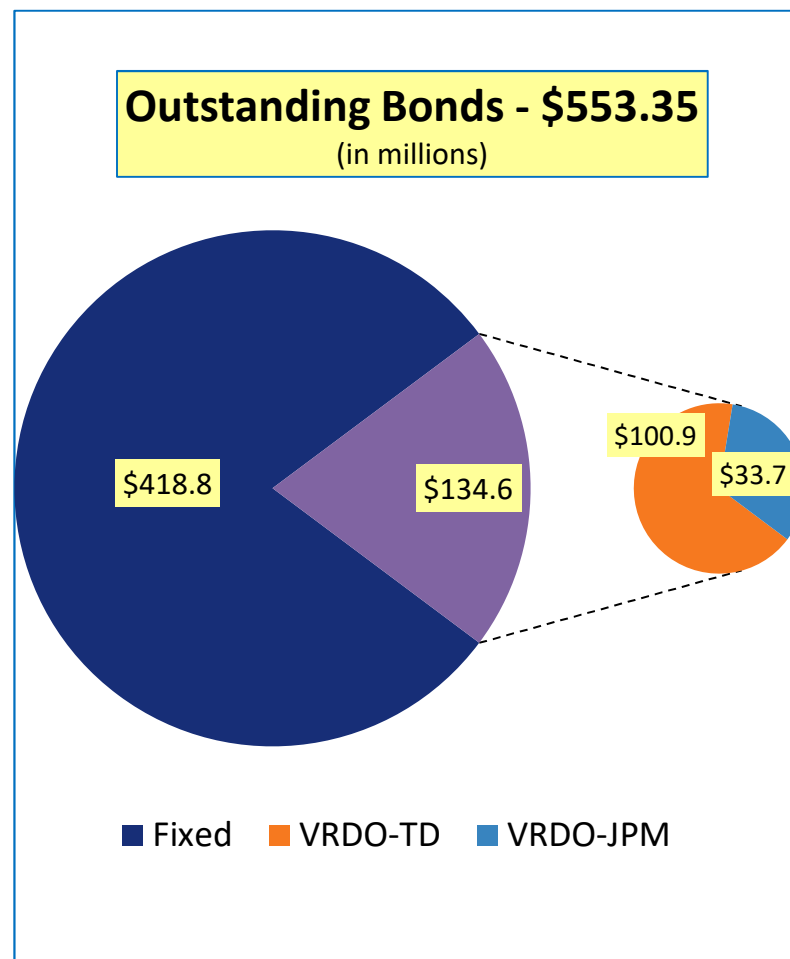
# 2020 Series A Bonds Issuance



## H+H Outstanding Bond Portfolio

As of January 5, 2021, H+H has \$134.6 million (24.3%) of tax-exempt variable rate bonds and \$418.8 million (75.7%) of tax-exempt fixed rate bonds outstanding.

- Variable rate bonds are supported by letters of credit (“LOC”) provided by TD Bank (75%) and JPMorgan Chase Bank (25%)
- 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
  - Latest weekly rate reset at 0.07% - 0.08% on 1/6/21
  - Estimated \$65.3 million interest savings from inception through 12/31/20 compared to fixed rate debt



# Bonds: Issuance History (as of 01/11/21)

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

Issuance Date	Bond Series	Initial Par Amount (in \$ millions)	True Interest Cost (TIC)	Refunding Savings (in \$ millions)	Outstanding Par Amount (in \$ millions)	Final Maturity	Fixed or Variable Rate
5/15/93	1993 A	550.000		N/A	-	-	Fixed
4/10/97	1997 A-D	320.000		N/A	-	-	Variable
3/1/99	1999 A <sup>(1)</sup>	235.700		12.900	-	-	Fixed
7/1/02	2002 A	192.700	4.269%	N/A	-	-	Fixed
7/1/02	2002 B-H <sup>(2)</sup>	397.750	(included above)	(included above)	-	-	Auction
1/15/03	2003 A <sup>(3)</sup>	245.180	4.754%	12.876	-	-	Fixed
8/21/08	2008 A <sup>(4)</sup>	268.915	4.485%	N/A	-	-	Fixed
<b>9/4/08</b>	<b>2008 B-E <sup>(5)</sup></b>	<b>189.000</b>	<b>3.102%</b>	<b>N/A</b>	<b>134.600</b>	<b>2/15/2031</b>	<b>Variable</b>
10/26/10	2010 A <sup>(6)</sup>	510.460	3.875%	35.608	-	-	Fixed
<b>3/28/13</b>	<b>2013 A <sup>(7)</sup></b>	<b>112.045</b>	<b>2.385%</b>	<b>23.027</b>	<b>108.560</b>	<b>2/15/2023</b>	<b>Fixed</b>
<b>1/5/2021</b>	<b>2020 A <sup>(8)</sup></b>	<b>310.195</b>	<b>1.789%</b>	<b>60.506</b>	<b>310.195</b>	<b>2/15/2048</b>	<b>Fixed</b>
	<b>Total</b>	-		<b>144.917</b>	<b>553.355</b>		

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

(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

(8) Refunded the entire 2008 A and 2010 A Series Bonds and issued new money



# 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
<b>10/26/2010</b>	<b>Construction Fund at Issuance Date</b>	<b>199.758</b>		<b>199.758</b>
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		(0.393)	N/A
FY2021	Drawdown (FINAL)		(0.793)	N/A
	<b>Interest Earnings</b> (as of 12/31/2020)	<b>1.055</b>		0.000
	<b>Totals</b>	<b>200.814</b>	<b>(200.814)</b>	<b>0.000</b>
As of	Total Drawdowns	Total Encumbrances	Total Encumbrances Less Drawdowns	Encumbered balance exceeds Construction Fund Balance
12/31/20	200.814	200.814	0.0	(0.00)

(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.



## 2010 Series A Bonds - Arbitrage Rebate

- If interest earnings on tax-exempt bond proceeds exceed the bond yield, issuers will incur arbitrage liability which must be rebated to the IRS.
  - Section 148 of the Internal Revenue Code – Arbitrage Restrictions on Tax-exempt Bond Issues, requires issuers to file form 8038-T (Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate) with the IRS every fifth bond year and final maturity to identify and repay arbitrage rebate liability.
- H+H's rebate consultant, Hawkins, Delafield and Wood LLP, prepared Arbitrage Rebate Report for the 2010 Series A bonds.
  - With the close of the 10<sup>th</sup> bond year on 10/26/20 for the 2010 Series A bonds, an analysis was prepared indicating H+H incurred no arbitrage rebate liability on its 2010 Series A bonds.





## 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%		
<b>Total</b>		<b>0.000</b>	<b>60.000</b>
<b>Vouched Capital Expenses as of January 4, 2021</b>			<b>(60.097)</b>
Cost of Issuance			(0.128)
<b>Vouched Funds</b>			<b>(60.225)</b>
<b>Encumbrances as of January 4, 2021</b>			<b>60.097</b>
<b>Outstanding Loan as of January 4, 2021</b>			<b>18.628</b>

- 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)	30.000
<b>Total</b>		<b>0.000</b>	<b>60.000</b>
<b>Vouched Capital Expenses as of December 31, 2020</b>			<b>(54.327)</b>
Cost of Issuance			(0.250)
<b>Vouched Funds</b>			<b>(54.577)</b>
<b>Encumbrances as of December 31, 2020</b>			<b>56.340</b>
<b>Outstanding Loan as of December 31, 2020</b>			<b>34.395</b>

### 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: 0.67% on 1/6/21.

