

HHC Capital Corporation Semi-annual Meeting

January 26, 2023, 1:00 p.m.
50 Water Street – 17th Floor Boardroom
New York, New York 10004

AGENDA

- | | | |
|-------|---|--------------|
| I. | Call to order | Freda Wang |
| | Adoption of minutes for the HHC Capital Corporation Meeting held on November 17, 2022 | |
| II. | H+H Outstanding Bond Portfolio | Linda DeHart |
| III. | 2008 Series B-E Bonds Historical Interest Rates | “ |
| IV. | H+H Bonds – Issuance History | “ |
| V. | 2020 Bonds A Bonds – Construction Fund Balance | “ |
| VI. | 2020 Bonds A (NM) Bonds – Project Spending Status | “ |
| VII. | 2020 Bonds Proceeds Investment Approach | “ |
| VIII. | Outstanding Equipment Loans | “ |
| IX. | 2017 Citibank Loan | “ |
| X. | 2022 JPMorgan Loan | “ |
| XI. | Final Arbitrage Rebate Report for Matured Loans | “ |
| XII. | Old business, new business and adjournment | Freda Wang |

MINUTES

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

Meeting Date: November 17, 2022, 1:04 p.m.
Location: 50 Water Street
17th Floor Board Room

ATTENDEES

Members of the HHC Capital Corporation Board of Directors

Freda Wang, Chair

José A. Pagán, PhD

Dr. Mitchell Katz, President (represented by Dr. Machelles Allen until Dr. Katz joined at 1:14 p.m.)

Feniosky Peña-Mora

Robert F. Nolan

Sally Hernandez-Piñero

Other members of the NYC Health and Hospitals Board of Directors

Anita Kawatra

Erin Kelly, representing Deputy Mayor Anne Williams-Isom in a voting capacity

Karen St. Hilaire, representing Gary Jenkins, Commissioner in a voting capacity

Michael T. McRae, PhD

Vincent Calamia, M.D.

NYC Health + Hospitals Staff

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

Dr. Machelles Allen, Senior Vice President, Medical and Professional Affairs

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

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

Colicia Hercules, Secretary to the Health and Hospitals Corporation, Chairman's Office

HHC Capital Corporation – Semi-annual Public Meeting Thursday, November 17, 2022

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 HHC Capital Corporation meeting was officially called to order at 1:04 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 27, 2022. The Board unanimously adopted the minutes. Ms. Wang then introduced Ms. Linda DeHart to provide an update to the Board.

Ms. DeHart reminded the Board that the HHC Capital Corporation was created solely to receive NYC Health + Hospitals’ (the “System’s”) healthcare revenues pledged to secure the System’s bond debt service payments. Once monthly bond debt service requirements are satisfied, the pledged healthcare revenues are then released to the System for its operating needs.

Ms. DeHart noted that historically there have been two board meetings annually, in January and July, providing six-month updates. There is an intention to return to this schedule going forward, therefore, she noted that the upcoming presentation would be a fiscal year-end report through June 30, 2022, and the next six months activity through December 2022 will be reported in the planned January 2023 meeting.

Ms. DeHart then referred to the HHC Capital Corporation Semi-Annual Meeting Presentation for the period ending June 30, 2022 to update the Board on the System’s debt finance program.

HHC Outstanding Bond Portfolio (slide 1):

Ms. DeHart explained as follows:

Slide 1 of the presentation provides a snapshot of NYC Health + Hospitals Corporation’s (“HHC”) current outstanding bonds portfolio. HHC currently has \$472 million of tax-exempt bonds outstanding, about 26% or \$124 million are variable rate bonds, and the balance or \$348 million are fixed rate bonds. The variable rate bonds (Series B and C) are supported by two letters of credit from TD Bank. The TD Bank letters of credit will expire in September 2023; TD Bank already approved the extension on the letters of credit to September 2027, and documentation is currently in progress. The remaining variable rate bonds (Series D and E) will mature in February 2026, and are supported by a JPMorgan Chase Bank letter of credit with a maturity matching the bonds’ maturity in 2026.

HHC 2008 Series B-E Bonds Historical Interest Rates (slide 2):

Ms. DeHart explained that the graph on slide 2 provides some context for the variable rate interest rates bonds performance since inception. She noted that it is estimated that these 2008 bonds have saved HHC approximately \$72.3 million in interest expense, by issuing the bonds as variable rate bonds instead of fixed rate bonds since inception. The last interest rate reset for these variable rate bonds through June 30, 2022 was 0.86% - 0.88%.

HHC Bonds - Issuance History (slide 3):

Slide 3 of the presentation provides a history of bond issuances by HHC. Ms. DeHart pointed out that total outstanding bonds totaled \$451.9 million, and nearly 2/3 resulted from the 2020 bonds issuance, of which \$210 million refunded the 2008 Series A bonds and the 2010 Series A bonds, and \$100 million of which was a source of new capital funding for the System's projects.

Construction Fund Balance on the 2020 Bonds (slide 4):

Ms. DeHart described the status of the \$100 million HHC Series 2020 construction fund. Ms. DeHart reported that withdrawals through June 30, 2022 from the 2020 bonds issuance totaled \$26 million, which was affected by the Covid-19 pandemic and its impact on the supply chain in the construction industry, slowing the projected project expenditures. She also noted that a \$15 million drawdown request was submitted today to the bond trustee to reimburse HHC for project expenditures.

2020 New Money Bonds – Project Spending Status (slide 5-6):

Ms. DeHart reviewed planned spending for the \$100 million in new capital money, which was grouped into two categories: 25% equipment and 75% infrastructure. Ms. DeHart further explained that at the time of bond issuance the criteria for project selection included the ability to proceed expeditiously, as well as certain useful life targets, which resulted in the list of projects selected.

Referring to slide 6 Ms. DeHart pointed out that nearly all of the project funds (about \$98 million) are expected to be spent by the end of FY 2023.

Outstanding Equipment Loan (slides 7):

Ms. DeHart explained that in addition to the bond program, the HHC Board has authorized equipment loan financing up to \$120 million at any time. Ms. DeHart reported that one of the equipment loans was paid off, with the remaining balance for two outstanding loans at \$59.5 million at the end of FY2022.

Outstanding Loans (slides 8-9):

Ms. DeHart further explained that the outstanding Citibank loan has two components, a \$30 million fixed rate loan at 2.17% that matured in November 2022 and another \$30 million variable rate loan that matures in October 2023.

Ms. DeHart reported that the new \$39.7 million JPMorgan loan (closed in June 2022) resulted from refinancing two New York Power Authority (“NYPA”) variable rate loans, which originally financed the construction of the replacement boiler projects at Elmhurst Hospital and Metropolitan Hospitals. A policy change led NYPA to phase out long-term variable rate loans to their clients, and instead offer syndicated fixed rate loans. The System determined that would be more cost effective to refinance the NYPA loans itself. After a request for proposals, JPMorgan was selected to provide a \$39.75 million tax-exempt loan at a fixed interest rate of 2.6436% (with “rate locked” prior to closing in June 2022) for 15 years, maturing in June 2037.

Market Update (slides 10):

Ms. DeHart noted that since March 2022 the Federal Reserve Bank began raising interest rates significantly to address ongoing inflation, resulting in a Federal Funds rate of 3.75%. Ms. DeHart noted that the System has benefited from its variable rate debt exposure by approximately \$72.3 million of interest expense savings, due to the very low interest rate environment that has existing for many years. However, we are starting to pay higher interest rates on our variable rate debts. Ms. DeHart reported that on November 9, 2022, HHC’s 2008 variable rate bonds interest rates were reset at 2.14% - 2.16% and the Citibank variable rate loan were reset at 2.79%.

Ms. DeHart further noted that concurrently as a result of today’s higher interest rate environment, HHC benefited from higher interest rates on investment of operating funds and bond proceeds in U.S. T-Bills.

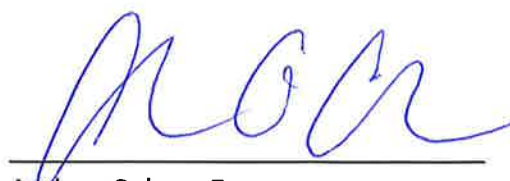
Discussion:

A question was asked about refinancing variable rate loans into fixed rate loans. Ms. DeHart explained that we constantly monitor any refunding opportunity with our financial advisor. At the time of the 2020 Series A Bonds issuance, due to the short maturity of the bank loans and shorter useful life of the assets, it was determined that the bank loans were not cost effective for refinancing. Ms. Lok pointed out that the NYPA variable rate loans were refunded/replaced with fixed rate loans, thereby reducing some variable rate exposure in the debt portfolio. Ms. Lok also pointed out that historically variable rates are lower than fixed rates over a long period of times. At a manageable 20%-25% exposure, variable rate debt can provide some meaningful savings.

A question was asked about the timing on the investment of bonds/loans proceeds and their availability for timely capital expenditures. Ms. DeHart explained that we have a very conservative investment policy – funds generally are invested in T-Bills – and that we have not experienced issues regarding fund availability for drawdown in the past.

Adjournment:

There being no further business before the Board, Ms. Wang adjourned the meeting at 1:26 p.m.



Andrea Cohen, Esq.
Secretary to the Board of Directors

HHC Capital Corporation

Semi-Annual Meeting for Period Ending December 31, 2022

Date: January 26, 2023

Time: 1:00 p.m.

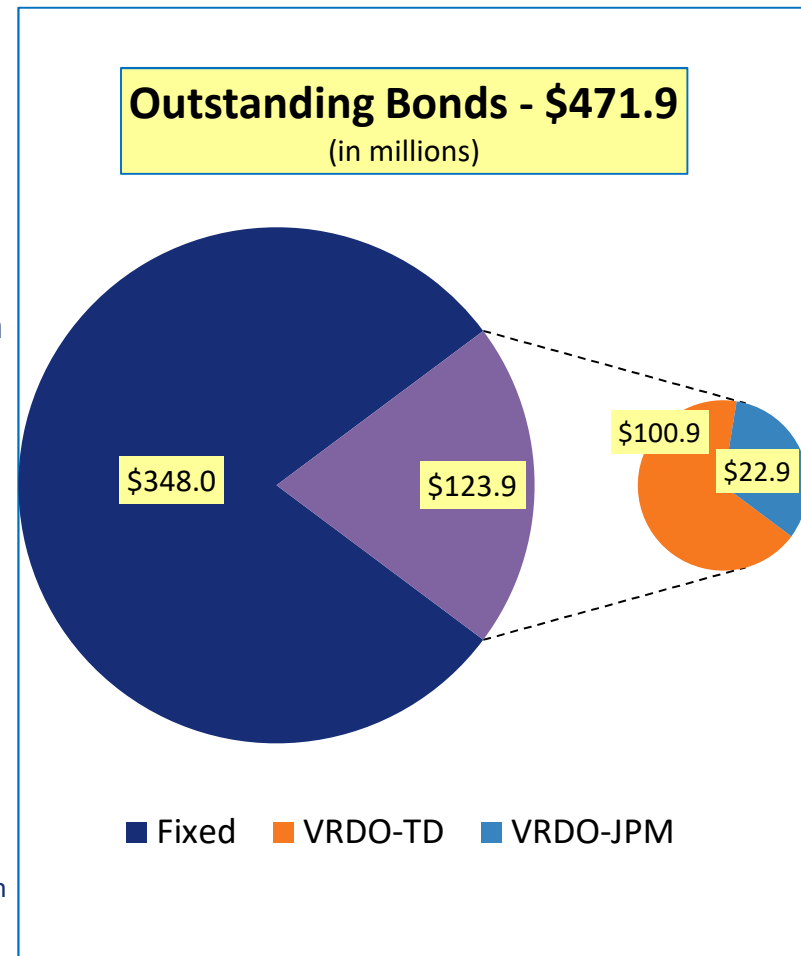
Location: 50 Water Street,
17th Floor Boardroom New
York, NY 10004



H+H Outstanding Bond Portfolio

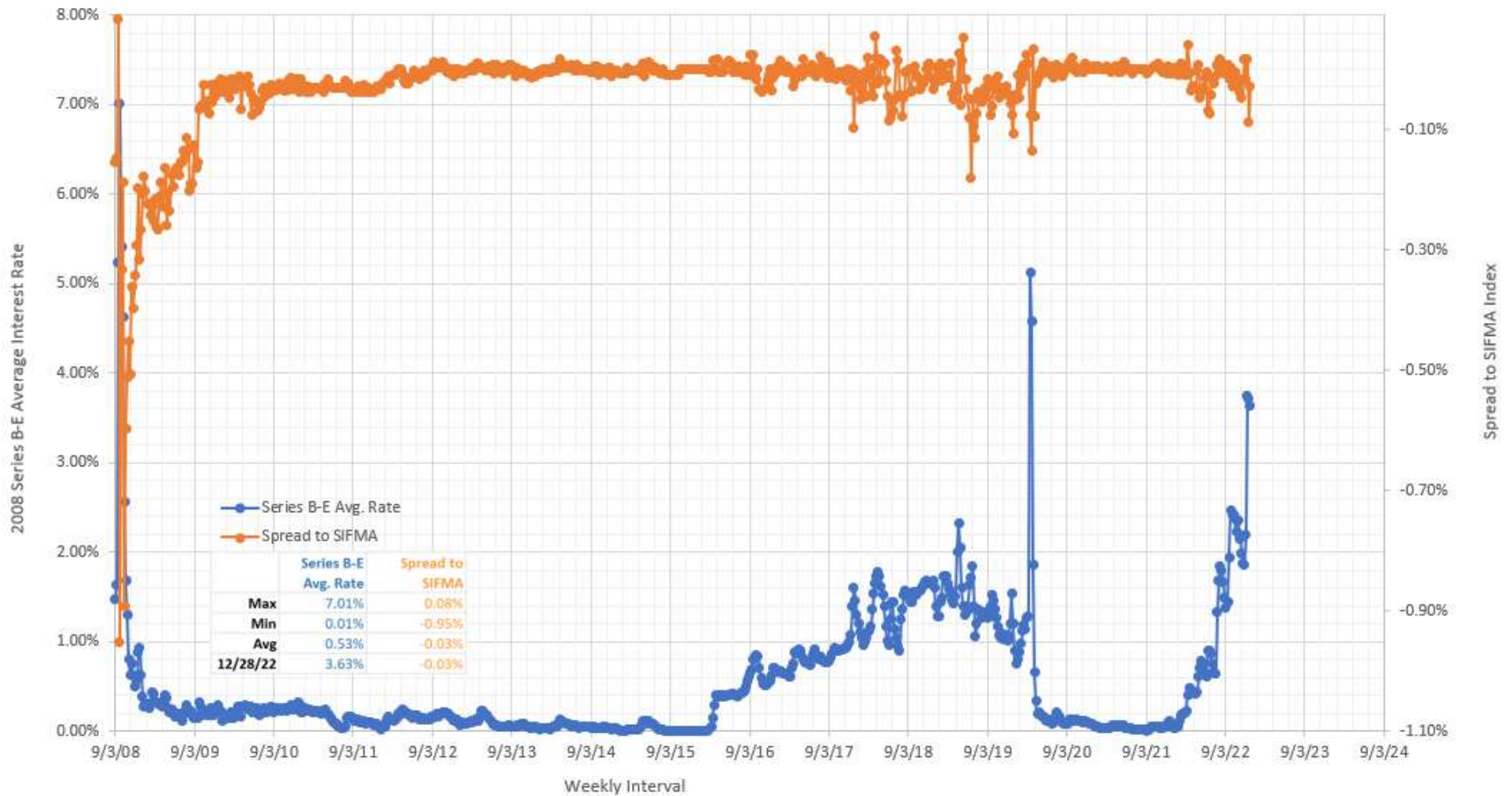
As of December 31, 2022, H+H has \$123.9 million (26.2%) of tax-exempt variable rate bonds and \$348.0 million (73.8%) of tax-exempt fixed rate bonds outstanding.

- Variable rate bonds are supported by letters of credit (“LOC”) provided by TD Bank (81.5%) and JPMorgan Chase Bank (18.5%)
- The final maturity for the Series 2008 B-C variable rate bonds is 2/15/31, supported by TD Bank’s LOC, which was successfully extended to 9/3/27.
- The final maturity for the Series 2008 D-E variable rate bonds is 2/15/26, supported by JPMorgan’s LOC, which expires 2/15/26 (same as the bonds).
- Variable rate bond interest rates
 - Latest weekly rate reset at 1.80%-2.00% on 01/18/23
 - Estimated \$73.4 million interest savings from inception through 12/31/22 compared to fixed rate debt



2008 Series B-E Bonds Historical Interest Rates

2008 Series B-E Weekly Interest Rate and Spread to SIFMA Since Inception



Bonds: Issuance History (as of 01/06/23)

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 ⁽¹⁾	235.700		12.900	-	-	Fixed
7/1/02	2002 A	192.700	4.269%	N/A	-	-	Fixed
7/1/02	2002 B-H ⁽²⁾	397.750	(included above)	(included above)	-	-	Auction
1/15/03	2003 A ⁽³⁾	245.180	4.754%	12.876	-	-	Fixed
8/21/08	2008 A ⁽⁴⁾	268.915	4.485%	N/A	-	-	Fixed
9/4/08	2008 B-E ⁽⁵⁾	189.000	3.102%	N/A	123.865	2/15/2031	Variable
10/26/10	2010 A ⁽⁶⁾	510.460	3.875%	35.608	-	-	Fixed
3/28/13	2013 A ⁽⁷⁾	112.045	2.385%	23.027	37.850	2/15/2023	Fixed
1/5/2021	2020 A ⁽⁸⁾	310.195	1.789%	60.506	310.195	2/15/2048	Fixed
	Total	-		144.917	471.910		

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



2020 Health System Bonds

Construction Fund – Cash Flow as of December 31, 2022

(Unaudited, in \$millions)

Drawdown Period	Activity/Action	Construction Fund = Deposits at Issuance + Interest Earnings	(Withdrawals)	Construction Fund Balance
01/05/2021	Construction Fund at Issuance Date	100.000		100.000
	Interest Earnings (as of 12/31/2022)	0.896		100.896
FY 2021	Drawdown		(1.403)	99.494
FY 2022	Drawdown		(24.690)	74.804
FY 2023	Drawdown (up to 11/10/2022)		(15.207)	59.596
	Totals	100.896	(41.300)	59.596

As of	Total Drawdowns	Project CP Approved	Total PO Encumbrances	Total PO Encumbrances Less Drawdowns	Encumbered balance exceeds Construction Fund Balance
12/31/22	41.300	100.269	95.264	53.963	(0.00)

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

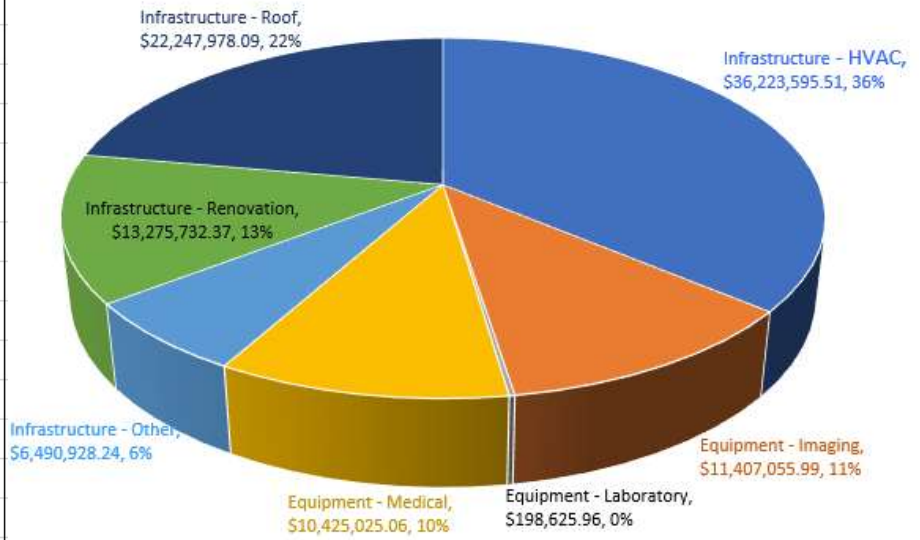
(b) OFD continues to review and reconcile the projects with open encumbrances. Excess funds will be re-purposed for other priority projects.



2020 Series A Bonds - \$100M New Money

Project Budget as of 12/31/2022

(in million)	Column Labels			
Facility	Equipment	Infrastructure	Grand Total	%
Bellevue	5.939	24.470	30.409	30.3%
Coney	0.523	0.728	1.251	1.2%
Cumberland		1.532	1.532	1.5%
Elmhurst	0.912	8.393	9.305	9.3%
East NY		1.651	1.651	1.6%
Harlem	2.074	5.582	7.657	7.6%
Jacobi	2.119	2.282	4.401	4.4%
Kings	2.889	3.525	6.414	6.4%
Lincoln	0.758	11.297	12.055	12.0%
Metropolitan	1.987	3.951	5.937	5.9%
Morrisiana	0.432		0.432	0.4%
NCB	0.254	0.351	0.605	0.6%
Queens	1.388	5.249	6.637	6.6%
Belvis		2.372	2.372	2.4%
Woodhull	2.756	6.855	9.611	9.6%
Total	22.031	78.238	100.269	



Blended average life = 17.2 years



2020 Series A (NM) Bonds – Project Spending Status

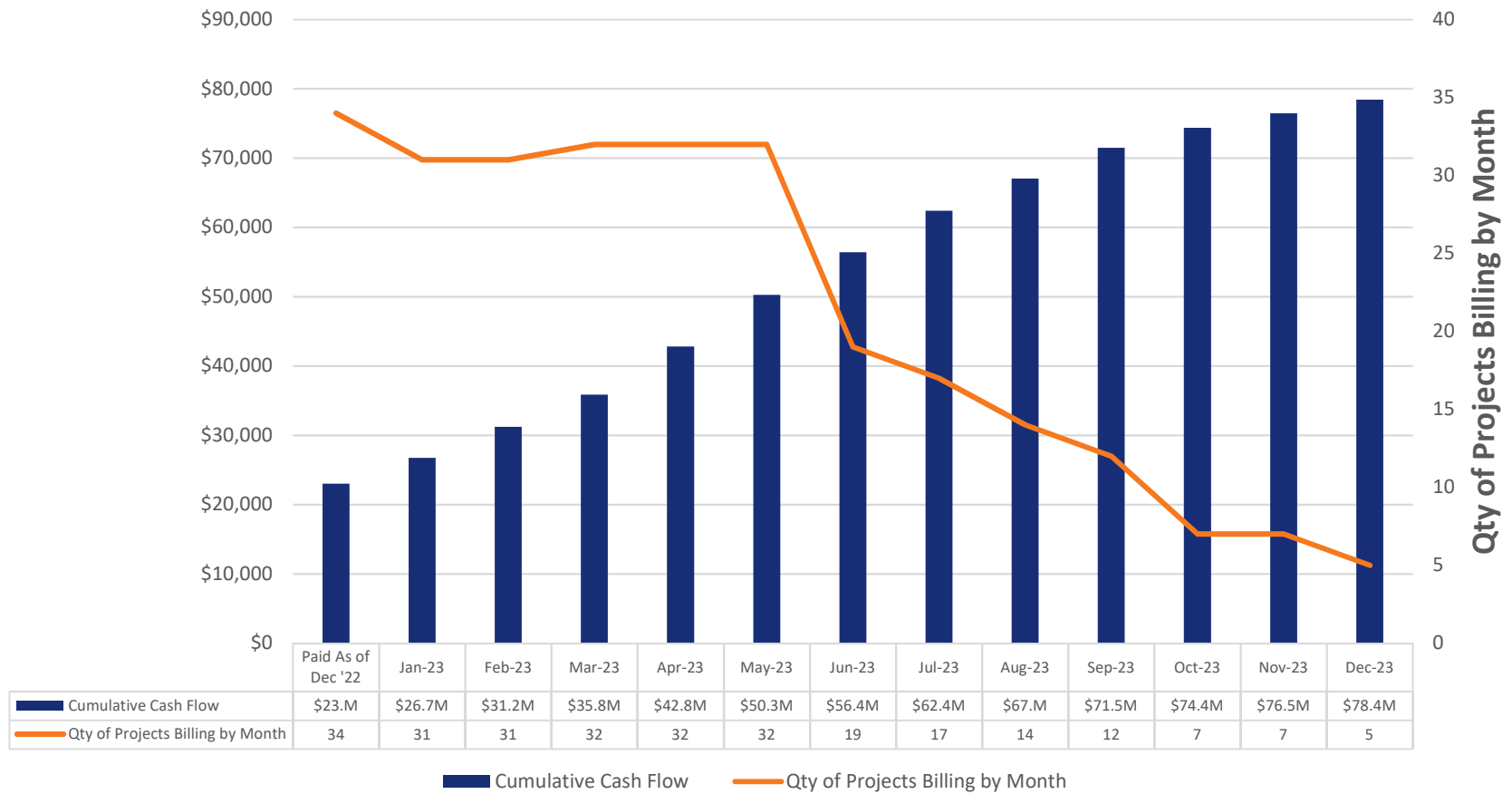
(in million)	All	Paid thru 12/31/2022	Projected Spending	
Facility	Sum of Project Budget	Sum of Project Expense	Remaining FY2023	Sum of FY2024
Bellevue	30.409	8.445	11.179	13.256
Coney	1.251	1.072	0.180	0.020
Cumberland	1.532	0.126	1.085	0.362
Elmhurst	9.305	2.913	4.658	1.162
East NY	1.651	0.997	0.712	0.000
Harlem	7.657	7.257	1.339	0.000
Jacobi	4.401	3.517	0.875	0.156
Kings	6.414	5.164	0.970	0.440
Lincoln	12.055	4.054	4.228	3.882
Metropolitan	5.937	2.259	2.002	1.001
Morrisiana	0.432	0.432	0.000	0.000
NCB	0.605	0.388	0.216	0.000
Queens	6.637	2.661	2.309	0.636
Belvis	2.372	0.160	1.526	0.654
Woodhull	9.611	5.595	1.666	0.714
Total	100.269	45.042	32.944	22.283

Equipment
22.019

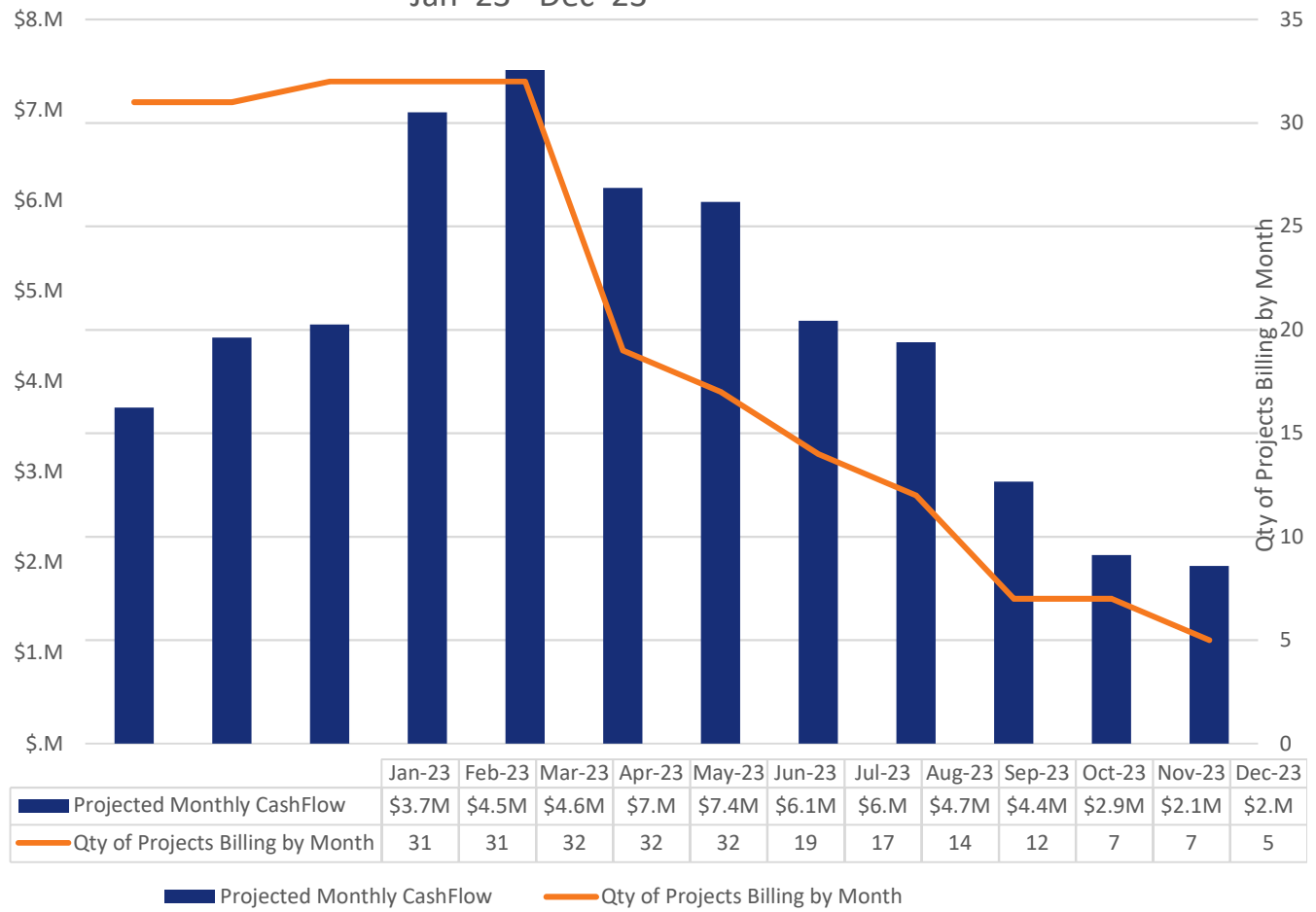
Infrastructure
23.023



Bond Funded (Infrastructure) Projected Cumulative Monthly Cash Flow ('000's)
Initiation- Dec '23



Bond Funded Projected Monthly Cash Flow
Jan '23 - Dec '23



2020 Bond Proceeds Investment Approach

- Funds from bond proceeds are drawn down on a quarterly basis to reimburse eligible project spending.
- All remaining proceeds are currently invested in U.S. Treasury Bills maturing on 2/23/23.
- Prospectively, proceeds will be invested in T-Bills based on the projected project cash flow, with amounts equal to the anticipated quarterly reimbursement need scheduled to mature shortly before the end of each quarter.
- Daily Treasury Bill Rates:

Date	4 WEEKS		8 WEEKS		13 WEEKS		17 WEEKS		26 WEEKS		52 WEEKS	
	BANK DISCOUNT	COUPON EQUIVALENT	BANK DISCOUNT	COUPON EQUIVALENT	BANK DISCOUNT	COUPON EQUIVALENT	BANK DISCOUNT	COUPON EQUIVALENT	BANK DISCOUNT	COUPON EQUIVALENT	BANK DISCOUNT	COUPON EQUIVALENT
01/03/2023	3.96	4.03	4.29	4.38	4.40	4.51	4.57	4.70	4.63	4.81	4.50	4.72
01/04/2023	4.00	4.07	4.28	4.37	4.41	4.52	4.58	4.71	4.64	4.82	4.49	4.71
01/05/2023	4.12	4.19	4.44	4.53	4.51	4.62	4.62	4.76	4.68	4.86	4.56	4.79
01/06/2023	4.14	4.21	4.43	4.52	4.51	4.62	4.61	4.75	4.65	4.83	4.50	4.72
01/09/2023	4.17	4.24	4.44	4.53	4.55	4.67	4.60	4.74	4.69	4.87	4.48	4.70
01/10/2023	4.20	4.27	4.47	4.56	4.57	4.69	4.64	4.78	4.71	4.89	4.53	4.75
01/11/2023	4.20	4.27	4.48	4.57	4.57	4.69	4.69	4.83	4.70	4.88	4.53	4.75
01/12/2023	4.37	4.45	4.47	4.56	4.50	4.61	4.61	4.75	4.62	4.80	4.46	4.67
01/13/2023	4.38	4.46	4.46	4.55	4.51	4.62	4.60	4.74	4.64	4.81	4.48	4.69
01/17/2023	4.40	4.48	4.50	4.59	4.56	4.68	4.61	4.75	4.68	4.86	4.47	4.68
01/18/2023	4.39	4.47	4.49	4.58	4.54	4.66	4.61	4.75	4.65	4.83	4.45	4.66



Outstanding Equipment Loans (\$millions)

- H+H Board has authorized equipment loan borrowing not to exceed \$120 million outstanding at any time

Date	Loans	Total Borrowed Loan (\$ million)	Outstanding Loan Amount (\$ million) (as of 12/31/2022)
07/09/2015	2015 JPMorgan Loans (Paid-off 7/1/2022)	60.000	0.000
11/01/2017	2017 Citibank Loans (due 10/30/2023)	60.000	10.500
06/15/2022	2022 JPMorgan Loans (refund NYPA Loans, due 6/15/2037)	39.751	38.663
Total		159.751	49.163



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
	Interest earned (as of 12/31/22)	1.050	1.050
Total			61.050
Vouched Capital Expenses as of December 31, 2022			(47.441)
Cost of Issuance			(0.163)
Vouched Funds			(47.604)
Encumbrances as of December 31, 2022			56.657
Outstanding Loan as of December 31, 2022			10.500

Fixed Rate Loan:

- Term: 5-years
matured 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%. Last rate reset at 2.46% on 01/18/23.



2022 JPMorgan Chase Loan (\$millions)

Date	Activity/Action	Remaining Loan Capacity	Borrowed Funds
06/15/2022	Issuance – 2022A Loan (Elmhurst Boiler Project)	0.000	19.389
06/15/2022	Issuance – 2022B Loan (Metropolitan Boiler Project)	0.000	20.362
Total		0.000	39.751
Outstanding Loan as of December 31, 2022			38.663

- **Background:** Refunded 2018 NYPA boiler project variable rate loans originally scheduled to mature on August 1, 2038
- **Term:** 15 years, tax exempt fixed rate matures on June 15, 2037
- **Interest rate:** 2.6436%



Final Arbitrage Rebate Report for Matured Loans

- If interest earnings on tax-exempt bond proceeds exceed the bond yield, issuers will incur arbitrage liability which must be rebated to the IRS.
 - Per Section 148 of the Internal Revenue Code, issuers must file Arbitrage Rebate forms with the IRS every fifth bond year and at final maturity to identify and repay any arbitrage rebate liability.
- The \$60 million JPMorgan Equipment loan and the \$30 million Citibank Term loan matured on July 1, 2022 and November 1, 2022, respectively, requiring final arbitrage reports.
- Accordingly, H+H's rebate consultant, Hawkins, Delafield and Wood LLP, prepared final arbitrage rebate reports for both loans. This analysis indicated that H+H incurred no arbitrage rebate liability on either loans.

