

HHC Capital Corporation Semi-annual Meeting

July 27, 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 January 26, 2023 | |
| 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 Activity Update | “ |
| VII. | Outstanding Equipment Loans | “ |
| VIII. | 2017 Citibank Loan | “ |
| IX. | 2022 JPMorgan Loan | “ |
| X. | Final Arbitrage Rebate Report for 2013 Series A Bonds | “ |
| XI. | Old business, new business and adjournment | Freda Wang |

MINUTES

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

Meeting Date: January 26, 2023, 1:05 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
Matthew Siegler (representing Dr. Mitchell Katz)
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)
Dr. William Fisher (representing Christina Chang)
Karen St. Hilaire (representing Gary Jenkins)
Patricia Marthone, MUDr

NYC Health + Hospitals Staff

Andrea Cohen, General Counsel and Senior Vice President, Legal Affairs and Secretary to the HHC Capital Corporation Board
Dr. Machel 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, January 26, 2023

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 1:05 p.m. by Ms. Wang. Ms. Wang noted for the record that Matthew Siegler is representing Dr. Mitchell Katz, Erin Kelly is representing Deputy Mayor Anne Williams-Isom, Karen St. Hilaire is representing Gary Jenkins, and Dr. William Fisher is representing Christina Chang – all in a voting capacity.

Adoption of Minutes:

Ms. Wang asked for a motion to adopt the minutes of the previous meeting that was held on January 17, 2022. The Board unanimously adopted the minutes.

Ms. Wang then introduced Ms. Linda DeHart to provide an update to the Board. 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 the board is required to have two board meetings annually, historically in January and July, providing six-month updates.

Ms. DeHart then referred to the HHC Capital Corporation Semi-Annual Meeting Presentation for the period ending December 31, 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 an overview of NYC Health + Hospitals Corporation’s (“HHC”) current outstanding bonds portfolio. HHC currently has \$472 million of tax-exempt bonds outstanding, close to 75%, or \$348 million, are fixed rate bonds and the balance, or \$124 million, are variable 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 were recently extended to September 2027. 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.

Ms. DeHart also mentioned that the variable rate bonds weekly interest rate reset have fluctuated lately with the latest interest rate reset at 1.66%, and estimated that the variable rate bonds have saved an estimated \$73.4 million in interest expense since the inception of the bonds.

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 the interest rates had spiked to a high of 3.82% in December 2022 due to year end activity and interest rate hikes by the Federal Reserve Bank. The latest interest rate reset for these variable rate bonds came down to 1.66%.

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, nearly 1/3 from the 2008 variable rate bonds and a small \$37.8 million 2013 bonds, which will be paid off in a month.

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

Ms. DeHart reported the status of the \$100 million HHC Series 2020 construction fund. Ms. DeHart reported that withdrawals through December 2022 from the 2020 bonds issuance totaled \$41.3 million to reimburse HHC for project expenditures, with a remaining balance of \$59.6 million.

2020 New Money Bonds – Project Spending Status (slide 5-9):

Ms. DeHart reviewed planned spending for the \$100 million new capital money. Ms. DeHart indicated that just under 80% of the construction fund are for infrastructure projects and the balance for equipment. Ms. DeHart also referred to slide 5 for a breakout of project fund for various facilities and types of projects.

Referring to slide 6, project spending status, Ms. DeHart explained that supply chain issues had slowed the speed of project spending from the original planned 18 – 24 months of complete spend down. Through December 2022, we have expended \$45 million (\$22 million for equipment and \$23 million for infrastructure projects), with the remaining balance projected to be spent by fiscal year 2024 for the infrastructure projects.

Referring to slide 7-8, Ms. DeHart explained that the charts provided the infrastructure projects' monthly cash flow and cumulative spending status, showing the draw down timing of the remaining funds, as well as the number of projects that they managed over the period ending December 2023.

Referring to slide 9, bonds proceeds investment approach, Ms. DeHart explained that in today's higher interest rate environment, we have moved from investing the proceeds in U.S. Treasury mutual fund to a more actively managed investment style in the U.S. Treasury Bills. The investment timing and amount of investment will be aligned with the anticipated quarterly drawdown of the bond proceeds, as well as the projected project cash flow.

Outstanding Equipment Loan (slide 10):

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 three loans were issued overtime under the authority, but never exceeded \$120 million at any time. As of December 2022, the remaining balance for two outstanding loans are at \$49.2 million.

Outstanding Loans (slides 11-12):

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 revolving loan that matures in October 2023. The outstanding balance of the revolving loan is \$10.5 million and the latest weekly interest rate was reset at 2.46%.

Ms. DeHart reported that the JPMorgan loan was issued to refinance 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. JPMorgan provided a \$39.75 million tax-exempt loan at a fixed interest rate of 2.64% maturing in June 2037.

Final Arbitrage Rebate Report (slide 13):

Referring to slide 13 Ms. DeHart explained that the IRS requires tax-exempt bond issuers to do arbitrage rebate analysis to determine whether interest earnings on bond proceeds exceeded the tax-exempt bond yield and were required to be rebated to the IRS. The analysis is conducted on every 5th year of a bond or at its final maturity.

Since both the JPMorgan Loan and the Citibank Term Loan matured on July 1, 2022 and November 1, 2022, respectively, a final arbitrage rebate analysis was performed by Hawkins, Delafield and Wood, which determined that no arbitrage rebate liability was incurred by either of the loans.

Discussion:

A question was asked whether the 2020 bonds refunding was the first time there was a refund for savings. Ms. DeHart referred to slide 3 and explained that we were able to refund for savings for a few times in the past. She also explained that we constantly monitor any refunding opportunity with our financial advisor and banking partners.

A question was asked about decision making for project selection and targeted timeframes for drawing down the 2020 bond proceeds. Ms. DeHart explained that the refunding bonds need to match the useful life of the refunded assets, which created requirements for the useful life of the new projects as well. At the time of issuance, HHC also asked for projects with estimated completion times of 18 to 24 months, with the intent to minimize the time that borrowed funds sit idle. Ms. Wang commented that the arbitrage rules allow the issuer to keep some of the excess interest earnings if we meet certain spend down schedules. Ms. Wang also noted that having some variable rate exposure has been very advantageous.

Adjournment:

There being no further business before the Board, Ms. Wang adjourned the meeting at 1:30 p.m.



Andrea G. Cohen, Esq.
Secretary to the Board of Directors

HHC Capital Corporation

Semi-Annual Meeting for Period Ending June 30, 2023

Date: July 27, 2023

Time: 1:00 p.m.

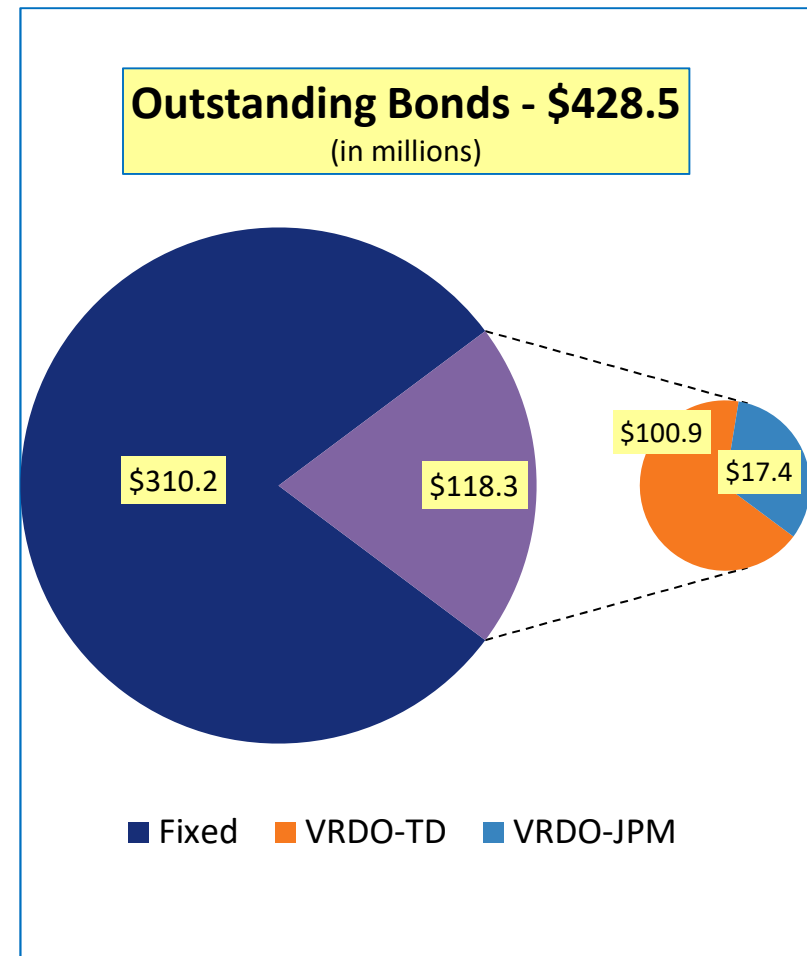
**Location: 50 Water Street,
17th Floor Boardroom
New York, NY 10004**



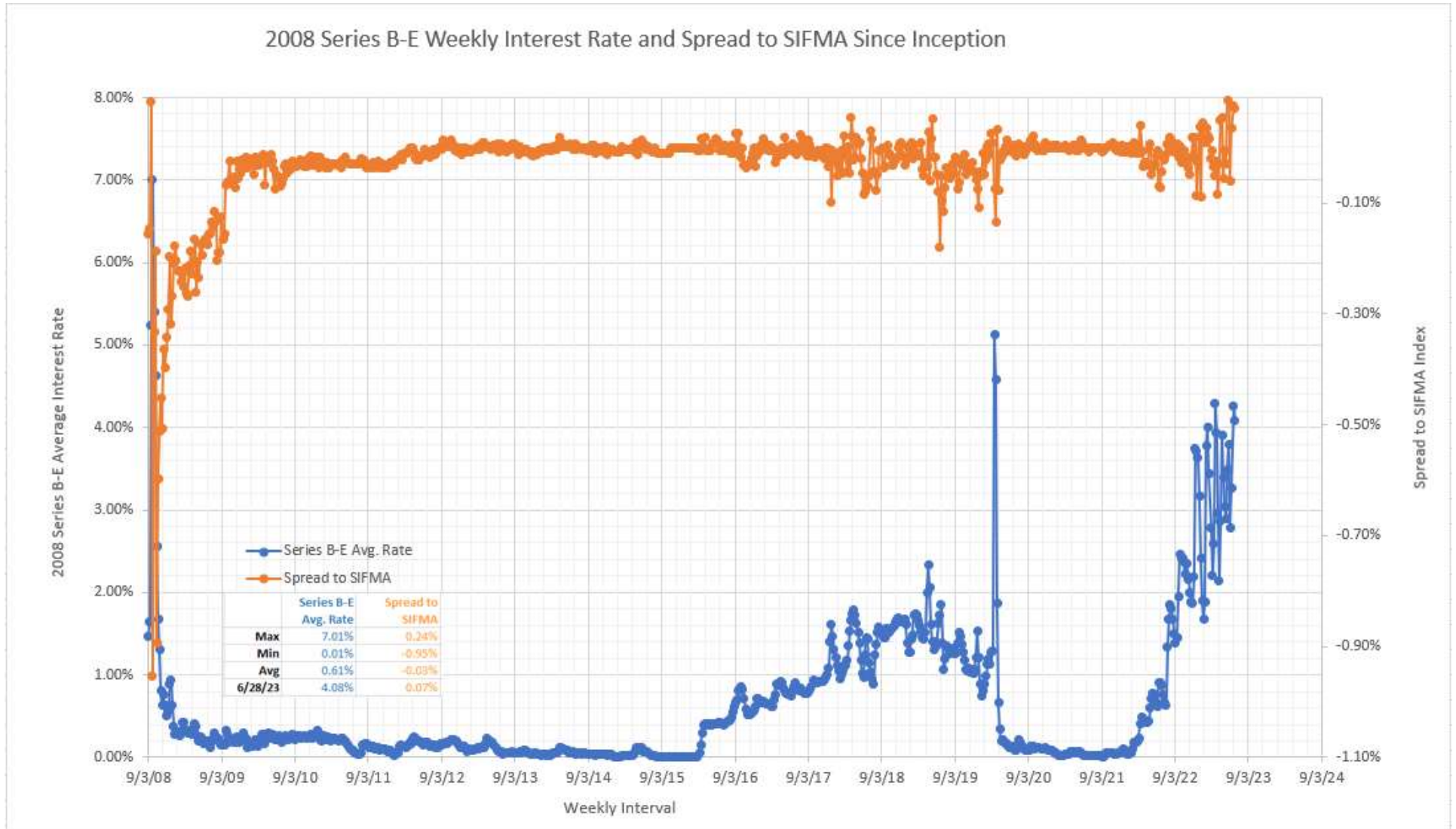
H+H Outstanding Bond Portfolio

As of June 30, 2023, H+H has \$118.3 million (27.6%) of tax-exempt variable rate bonds and \$310.2 million (72.4%) of tax-exempt fixed rate bonds outstanding.

- Variable rate bonds are supported by letters of credit (“LOC”) provided by TD Bank (85.3%) and JPMorgan Chase Bank (14.7%)
- 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
 - FY23 last weekly rate reset at 4.00%-4.17% on 06/28/23
 - Latest weekly rate reset at 2.15%-2.18% on 7/12/2023
 - Estimated \$73.9 million interest savings from inception through 06/30/23 compared to fixed rate debt



2008 Series B-E Bonds Historical Interest Rates



Bonds: Issuance History (as of 07/18/23)

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

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	118.320	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	0.000	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	428.515		

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 June 30, 2023

(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 06/30/2023)	1.527		101.527
FY 2021	Drawdown		(1.403)	100.124
FY 2022	Drawdown		(24.690)	75.434
FY 2023	Drawdown (up to 6/05/2023)		(35.732)	39.703
	Totals	101.527	(61.824)	39.703

As of	Total Drawdowns	Project CP Approved	Total PO Encumbrances	Total PO Encumbrances Less Drawdowns	Encumbered balance exceeds Construction Fund Balance
06/30/23	61.824	97.622	90.410	28.586	(0.00)

- (a) Earned \$631K interest from Jan'23 to Jun'23. Construction Fund invested in U.S. Treasury bills at rates ranging from 4.55% - 5.35%.
- (b) Drawdowns are not reflective of actual capital spending.
- (c) OFD continues to review and reconcile the projects with open encumbrances. Excess funds will be re-purposed for other priority projects.



Bond Funded Project Activity Update

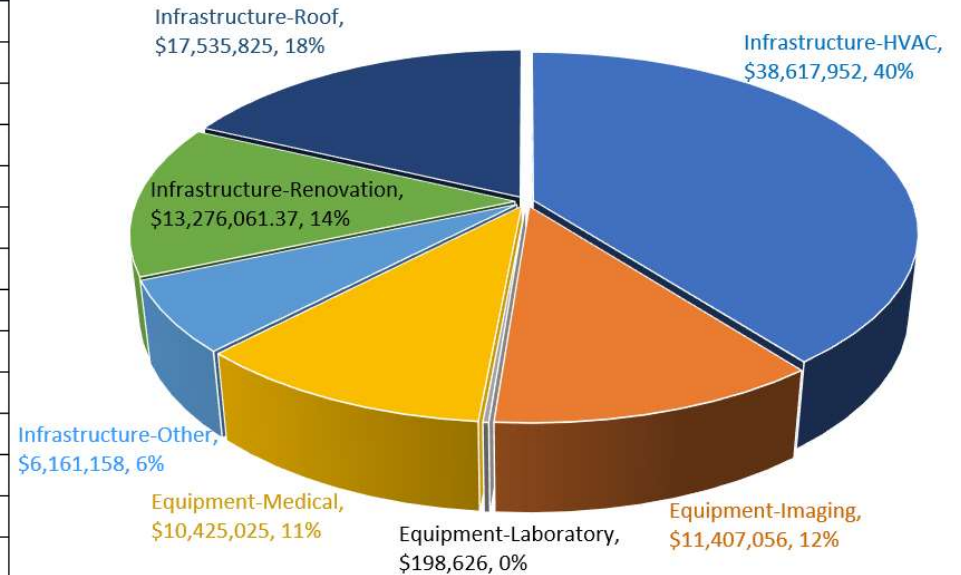
- \$62.0 million total spending through June 2023
- Infrastructure
 - Total spending through June 2023 of \$40.0 million
 - Spent \$19.8 million from January 2023 to June 2023, compared to projected spending for the period of \$33.4 million
 - Projected timeline to spend the remaining \$35.7 million extended to June 2024 from December 2023
 - Project budgets adjusted to reflect other funding sources, making \$2.6 million available to cover anticipated change orders and cost escalation on existing projects
- Equipment
 - No activity – all projects were completed in December 2022, with total project spending of \$22 million



2020 Series A Bonds - \$100M New Money

Project Budget as of 06/30/2023

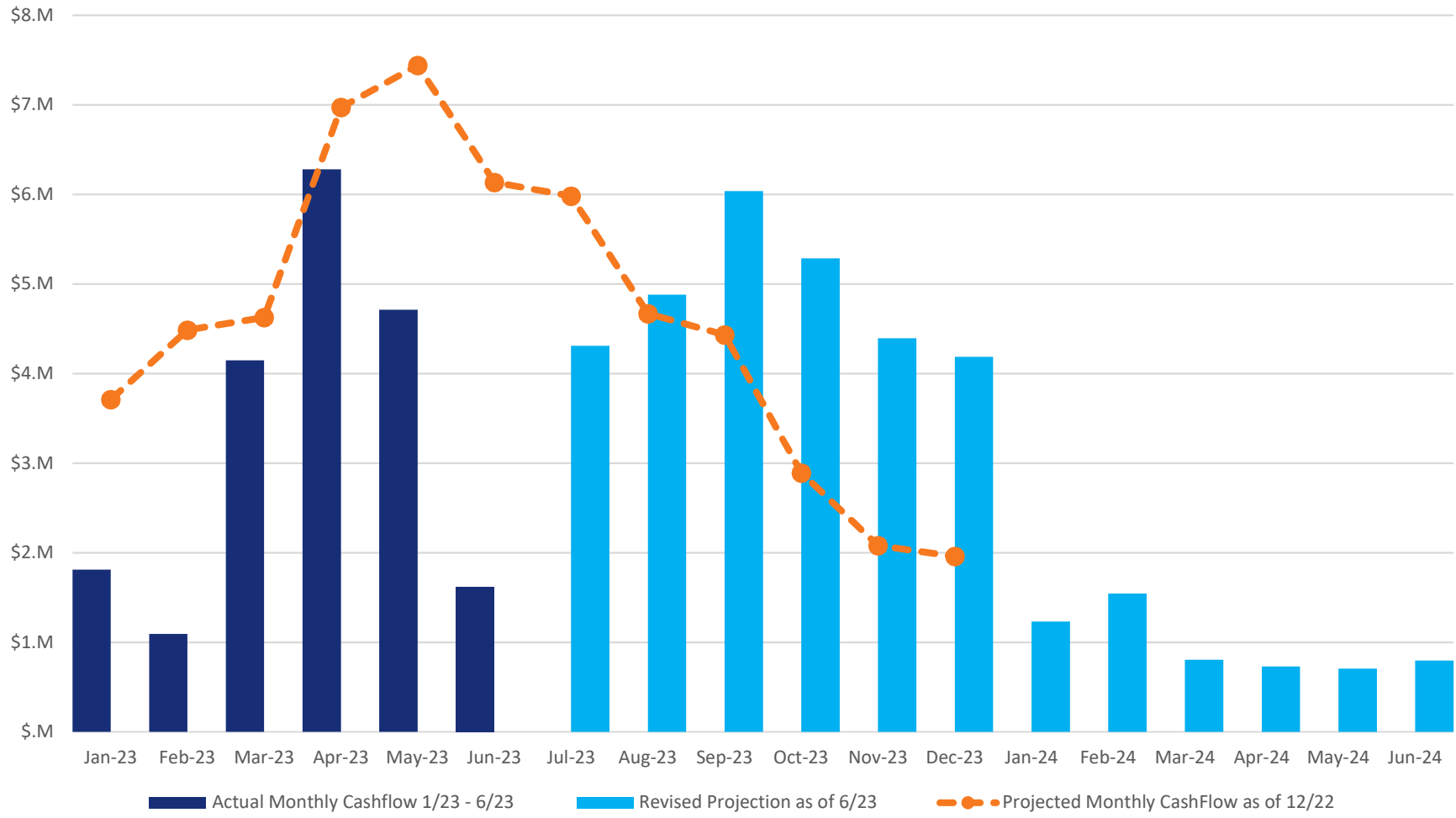
(in millions)				
Facility	Equipment	Infrastructure	Grand Total	%
Bellevue	5.939	26.470	32.409	33.2%
Coney	0.523	0.728	1.251	1.3%
Cumberland		1.532	1.532	1.6%
Elmhurst	0.912	7.165	8.076	8.3%
East NY		1.651	1.651	1.7%
Harlem	2.074	5.617	7.691	7.9%
Jacobi	2.119	2.352	4.471	4.6%
Kings	2.889	3.525	6.414	6.6%
Lincoln	0.758	11.297	12.055	12.3%
Metropolitan	1.987	3.239	5.225	5.4%
Morrisiana	0.432		0.432	0.4%
NCB	0.254		0.254	0.3%
Queens	1.388	4.768	6.156	6.3%
Belvis		2.372	2.372	2.4%
Woodhull	2.756	4.876	7.632	7.8%
Total	22.031	75.591	97.622	100%



Blended average life = 17.2 years



Bond Funded Infrastructure Cash Flow



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 06/30/2023)
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	7.000
06/15/2022	2022 JPMorgan Loans (refund NYPA Loans, due 6/15/2037)	39.751	37.561
Total		159.751	44.561



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 06/30/23)	1.303	1.303
Total			61.303
Vouched Capital Expenses as of June 30, 2023			(55.539)
Cost of Issuance			(0.163)
Vouched Funds			(55.702)
Encumbrances as of June 30, 2023			59.225
Outstanding Loan as of June 30, 2023			7.000

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%. FY2023 last rate reset at 4.61% on 06/28/23. Latest rate reset at 2.80% on 7/12/23.



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 June 30, 2023			37.561

- **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 2013 Series A Bonds

- 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 \$112 million 2013 Series A Bonds (the “Bonds”) matured on February 15, 2023, requiring final arbitrage report.
- Accordingly, H+H’s rebate consultant, Hawkins, Delafield and Wood LLP, prepared a final arbitrage rebate report for the Bonds. The analysis indicated that H+H incurred no arbitrage rebate liability on the Bonds.
- In the Bonds 5th year arbitrage rebate analysis (2018), H+H incurred \$581,458.02 rebate liability due primarily to the investment of the Capital Reserve Fund (CRF) in U.S. Treasury Note at 3.625%, which exceeded the bond yield at 2.32%. So, H+H made a payment to the IRS in 2018.
- However, the 3.625% T-Note matured on 2/15/21 and the CRF was reinvested in a much lower interest rate environment, resulting in \$0 arbitrage rebate liability in the final arbitrage rebate liability analysis. As such, on 5/31/23 a form 8038-R was filed, requesting a refund of overpayment of \$581,458.02 from the IRS.

