

HHC Capital Corporation
Semi-annual Meeting
December 14, 2016 – 2:00 pm
125 Worth Street – 5th Floor Board Room
New York, NY 10013

AGENDA

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| I. | Call to order
Adoption of minutes for the HHC Capital Corporation Meeting held on 5/26/16 | Gordon J. Campbell (Acting Chair) |
| II. | HHC Bonds: issuance History | Linda DeHart |
| III. | 2010 Bonds: Construction Fund Balance | Linda DeHart |
| IV. | Short Term Equipment Financing Program:
JP Morgan Chase Loan Activity | Linda DeHart |
| V. | Short Term Equipment Financial Program:
Citibank Loan Activity | Linda DeHart |
| VI. | Old business, new business and adjournment | Gordon J. Campbell |

MINUTES

HHC Capital Corporation Semi-annual Public Meeting

Meeting Date: May 26, 2016, 2:00 p.m.

Location: 125 Worth Street
Fifth Floor Board Room

ATTENDEES

Members of the HHC Capital Corporation Board of Directors:

Lilliam Barrios-Paoli, Ph.D. Chair

Antonio D. Martin, Executive Vice President and Chief Operating Officer representing
Dr. Ramanathan Raju, M.D.

Bernard Rosen

Emily A. Youssouf

NYC Health +Hospitals Corporate Officers and other Board Members:

Salvatore J. Russo, General Counsel and Senior Vice President, Legal Affairs and
Secretary to the Board

P.V. Anantharam, CFO and Senior Vice President, Finance & Managed Care

NYC Health and Hospitals Staff:

Steven Bussey – Chief of Ambulatory Care Services

Ebone Carrington – CEO, Harlem Hospital

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

Colicia Hercules – Chief of Staff, Chairperson's Office

Barbara Keller – First Deputy Counsel, Legal Affairs

Patricia Lockhart - Secretary to the Corporation, Chairman's Office

Nini Mar - Director, Debt Finance & Corporate Reimbursement Services

Maureen McClusky, Senior Vice President, Post-Acute Care

Other Attendees & Guests:

Shaylee Wheeler - OMB, Health Task Force, Analyst

HHC Capital Corporation – Semi-annual Public Meeting Thursday, May 26, 2016

Dr. Lilliam Barrios-Paoli 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 2:14 p.m. by Dr. Barrios-Paoli.

Minutes:

Dr. Barrios-Paoli announced that the first agenda item is the adoption of the minutes of the HHC Capital Corporation meeting held on November 17, 2015. On motion made by Mr. Bernard Rosen and seconded by Ms. Youssouf, the Board unanimously adopted the minutes.

HHC Bonds - Issuance History:

Ms. DeHart stated that page 1 of the presentation shows 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, just over \$4 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.

Mr. Rosen asked if these bonds were used for construction. Ms. DeHart explained that the City of New York ("the City") funded the larger major reconstruction projects. The 2010 bonds funded mainly smaller reconstructions, equipment and IT.

JP Morgan Chase, Loan Activity:

According to Ms. DeHart, the next two pages show the activity on the short term leases or loans that H+H entered into recently. It starts with the drawdown loan of up to \$60 million from JP Morgan Chase which closed in July 2015 and had an initial loan drawdown of \$10 million. There were some delays in spending against this loan but the pace has picked up recently. To-date, \$25.4 million has been spent which is a considerable increase from the last reported amount. Another loan drawdown will take place very soon. The JP Loan is scheduled to convert to a fixed rate mode in July 2016. Debt Finance is

working with the lender on options for potentially extending the spend down period of the balance prior to the conversion date. Responding to Ms. Youssef's query about the term of the loan, Ms. DeHart stated that the fixed rate loan has a term of six years. The rate of interest, based on market conditions on March 24, 2016 would have been 1.6681%, which is calculated at 67% of the 3-year SWAP Rate plus an index. Ms. DeHart said that the rates have been moving higher because of activity involving money market regulations and that she would supply the recent rates to Ms. Youssef at a later date.

When asked by Ms. Youssef as to why the encumbrances exceed the loan drawdown and spending to-date, Ms DeHart replied that originally, the incremental loan drawdowns would have totaled \$60 million by this time, but the spend down rate was slower than anticipated. As the July conversion date approaches, Finance will take another look at the outstanding encumbrances and make the necessary loan drawdowns.

Citibank, Loan Activity:

The Citibank Loan is structured similarly to a revolving line of credit. 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. Youssef asked for the dollar amount of debt that NYC H+H pays and the amount that the City of New York pays. Mr. P.V. Anantharam answered that the annual amount is approximately \$30 million. Ms. Nini Mar added that the \$30 million is the approximate interest payment and that the principal payment is an additional \$50 million per year, so the amount is closer to \$80 million. Mr. Anantharam is in discussions with OMB to develop options for transitioning the HHC Bond debt obligation to the City. One idea is to defease the bonds. Ms. Youssef replied that defeasance would "cost a fortune". Mr. Anantharam said that the discussions are still in the "investigatory phase" and the intent is for the City to take over the debt service payments. Mr. Bernard Rosen asked Mr. Anantharam if the City charges Health + Hospitals for the debt service on City-issued bonds. Mr. Anantharam answered that historically the repayment of the City debt service is negotiated and in some years H+H reimburses the City for debt services while in other years, the debt service is either delayed or at times, waived. During the most recent Financial Plan, the City of New York waived the repayment of future debt service for fiscal years 2016 through 2020. Ms. DeHart responded "yes" when Mr. Rosen asked if the waiver includes debt service on bonds issued by the Dormitory Authority. Ms. Youssef suggested that Mr. Anantharam ask the City to consider refinancing the existing H+H bonds as City General Obligation bonds given that the interest rates on City-issued bonds are lower and possibly take over the debt service payment obligation. Mr. Anantharam replied that the discussions are in the "investigatory phase".

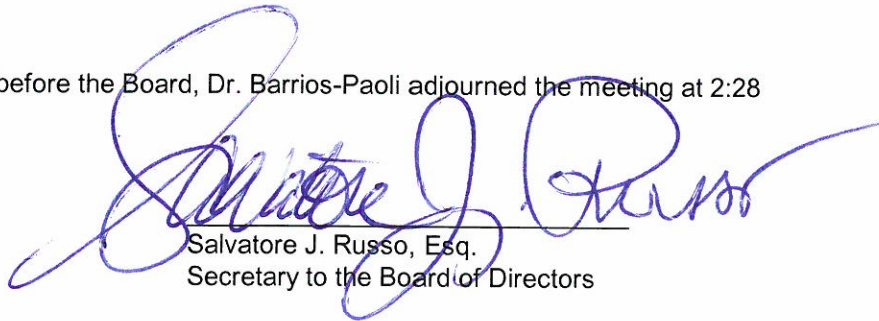
Loans - Planned Spending by Category:

The final page includes a table that breaks out the categories of spending for each of the two short term loans. Ms. Mar explained that the JP Morgan loan funds will be used primarily for medical equipment purchases – slightly over 80% of the \$60 million. The Citibank loan proceeds will finance mostly infrastructure and various IT projects. When combined, 41% of the total loan amount will be used for medical equipment, over 40% for various IT initiatives and the remainder for infrastructure improvements and lab equipment.

Mr. Rosen asked if the Epic EMR is funded with HHC capital dollars. Ms DeHart replied that the majority of the capital cost for Epic is funded by New York City. Mr. Anantharam added that during the most recent Executive Budget process, the City added funds to the Capital Commitment Plan for the EMR. When asked if Epic is solely funded by the City, Ms. Mar answered that HHC Series 2010 bond proceeds were used for Epic. \$20 million was used to partially finance the Epic enterprise software license while approximately \$10 million was spent on computer hardware and consulting services. Mr. Anantharam clarified that at one point, the EMR was nearly fully funded in the City's Capital Budget but the uncommitted funds were rescinded a year ago. During the recent Executive Budget negotiations, the City agreed to add the Epic capital commitments back to the plan. Funding for the Vanderbilt clinic and other capital projects were also added during the Executive Budget.

Adjournment:

There being no further business before the Board, Dr. Barrios-Paoli adjourned the meeting at 2:28 p.m.



Salvatore J. Russo, Esq.
Secretary to the Board of Directors

HHC Capital Corporation

Semi-Annual Meeting

Date: December 14, 2016

Time: 2:00 p.m.

Location: 125 Worth Street,

5th Floor Board Room

New York, NY 10013

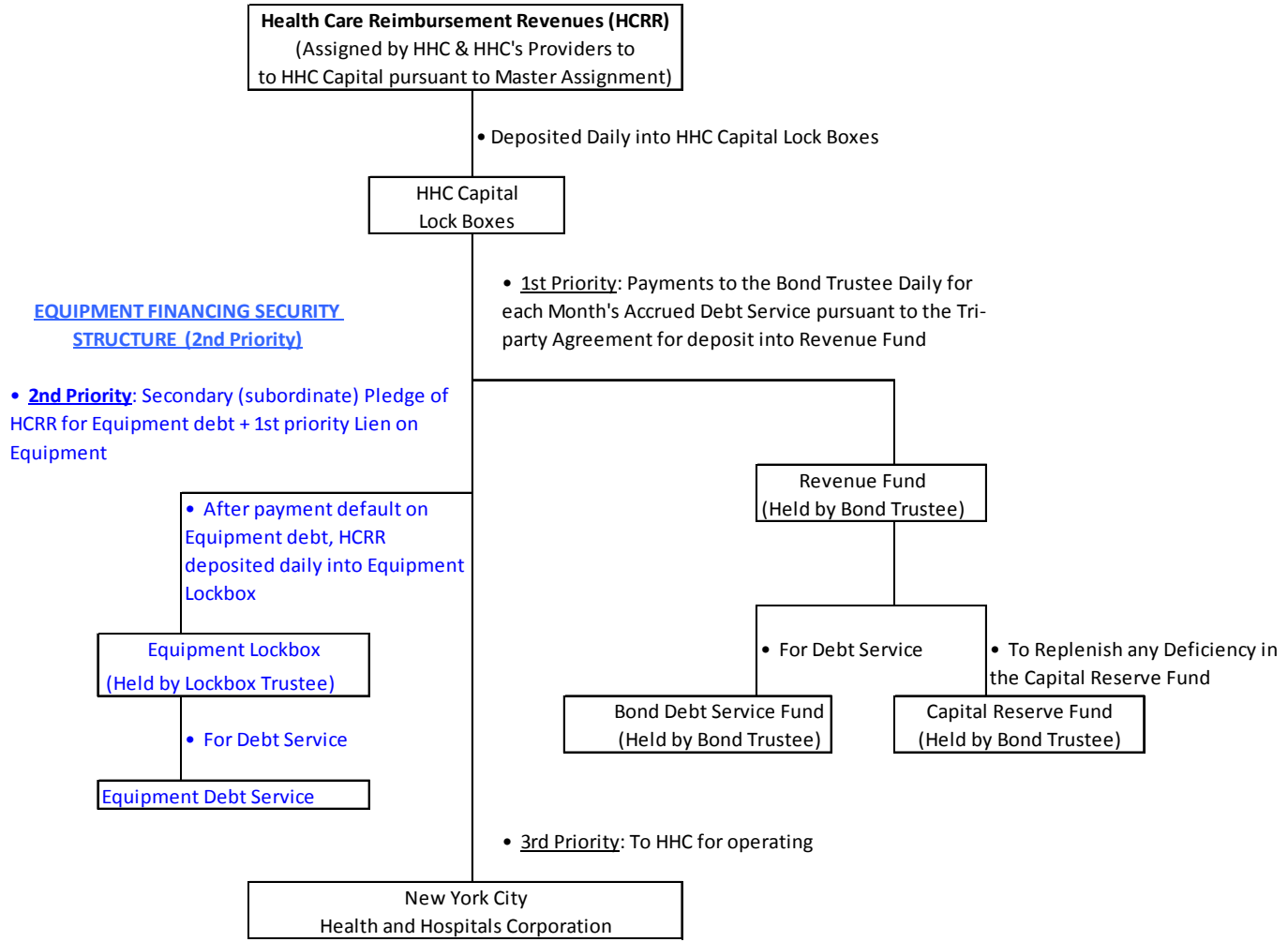


HHC Capital Corporation (“HHC Cap Corp”)

- The HHC Capital Corporation is a wholly owned subsidiary public-benefit corporation of the New York City Health + Hospitals established in 1993.
- The purpose of the HHC Cap Corp is to accept by assignment all payments due to the System’s entities and to remit from the payments amounts necessary to pay HHC bondholders pursuant to terms of a Tri-Party agreement entered into among the HHC Cap Corp, H+H and the Bond Trustee.
- The HHC Cap Corp’s Certificate of Incorporation states that the Board shall not be less than three nor more than eleven HHC Board of Director members. Presently, the Board members are Mr. Gordon J. Campbell (Acting Chair), Ms. Emily Youssouf, Mr. Bernard Rosen and Mr. Mark Page.
- There are four HHC Cap Corp Officers:
 - President: the President of H+H
 - Secretary: the General Counsel of H+H
 - Treasurer: the Senior Vice President and CFO of H+H
 - Comptroller: Comptroller of H+H
- Regular public meetings of the HHC Cap Corp Board of Directors are held at least semi-annually, with a minimum of two meetings per year.



Financing Security Structure



Bonds: Issuance History (as of 11/30/16)

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	100.160	2/15/2026	Fixed
9/4/08	2008 B-E ⁽⁵⁾	189.000	154.670	2/15/2031	Variable
10/26/10	2010 A ⁽⁶⁾	510.460	418.185	2/15/2030	Fixed
3/28/13	2013 A ⁽⁷⁾	112.045	111.405	2/15/2023	Fixed
	Total	-	784.420		

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

(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	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 (no drawdowns in FY2017)		(3.913)	2.702
	Interest Earnings (as of 11/30/2016)	0.997		
	Total	200.755	(197.056)	3.699

As of	Total Drawdowns	Total Encumbrances	Total Encumbrances Less Drawdowns	Unencumbered Balance exceeds Remaining Balance
11/30/16	197.056	201.235	4.179	(0.480)

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

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



Short Term Financing Program

- On September 24, 2015, the NYC Health + Hospitals Board of Directors approved an amendment increasing the authorization for equipment and other short term financing to \$120 million. This allowed the system to establish a short term financing program to access capital funds from one or more banks over multiple years.
- After a secondary Health Care Reimbursement Revenue lien security was developed, the JP Morgan Chase financing for up to \$60 million worth of primarily equipment purchases closed on July 9, 2015.
- The Citibank financing for up to \$60 million worth of mostly routine renovation and IT projects closed on October 14, 2015.



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 Drawdown: Borrowed Amount	(10.000)	10.000
Total		50.000	10.000
Vouched Capital Expenses as of November 30, 2016			(54.492)
Cost of Issuance			(0.187)
Vouched To-Date			(54.619)
Encumbrances as of November 30, 2016			58.028

- 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): 1.076%. The fixed rate loan will be indexed to the 3-Swap rate. Based on the indicative rate as of 10/26/16, the fixed rate would be 1.6547%



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 November 30, 2016			(18.955)
Cost of Issuance			(0.106)
Vouched Funds Balance			(19.061)

Encumbrances as of November 30, 2016	44.121
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Note: Although \$43.2 million has been encumbered, the spending will likely be much lower due to the CFO's decision to use this loan for urgent needs only.

- Purpose: Community Reinvestment Act / CRA-eligible Construction and IT.
- Terms Three-year variable rate revolving loan pegged to SIFMA (Securities Industry & Financial Markets Association). Principal due at maturity date of October 12, 2018. H+H can prepay the loan, in whole or in part, at any time. A commitment fee is charged on un-borrowed balances.
- Interest Rate: Average variable rate (to-date): 1.19%.

