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## **HHC CAPITAL CORPORATION**

160 Water Street, Room 1014 - New York, New York, 10038  
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### **HHC Capital Corporation Semi-annual Meeting**

November 29, 2012, 3:00 p.m.  
125 Worth Street – 5<sup>th</sup> Floor Board Room  
New York, New York 10013

### **AGENDA**

- |      |  |                        |
|------|--|------------------------|
| I.   | Call to order<br>Adoption of minutes for the HHC Capital Corporation Meeting held on 5/24/12 | Michael A. Stocker, MD |
| II.  | HHC Bond Issuance History  | Linda DeHart           |
| III. | Construction Fund Balance: 2010 Bonds  | Paulene Lok            |
| IV.  | Letter of Credit Extension   | Paulene Lok            |
| V.   | Financial Advisor Selection  | Nini Mar               |
| VI.  | Refunding Plan   | Linda DeHart           |
| VII. | Old business, new business and adjournment   | Michael A. Stocker, MD |

## MINUTES

### HHC Capital Corporation Semi-annual Public Meeting

Meeting Date: May 24, 2012, 3:30 p.m.  
Location: 125 Worth Street  
Fifth Floor Board Room

## ATTENDEES

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

Michael A. Stocker, M.D., Chairman  
Alan Aviles  
Emily Youssouf

### Corporation Officers and other HHC Board Members:

Vincent Calamia – HHC Board Member  
Salvatore J. Russo, Esq., General Counsel, Legal Affairs and Secretary to the Board  
Marlene Zurack, Senior Vice President, Finance & Managed Care and CFO

### Health and Hospitals Corporation Staff:

Alfonso Pistone – Assistant Vice President, Facilities Development  
Linda DeHart – Assistant Vice President, Debt Finance & Corporate Reimbursement Services  
Lauren Johnston – Senior Assistant Vice President, Patient Centered Care  
Patricia Lockhart - Secretary to the Corporation, Chairperson's Office  
Paulene Lok – Director, Debt Finance and Corporate Reimbursement Services  
Nini Mar – Director, Debt Finance and Corporate Reimbursement Services

### Other Attendees:

Melissa Dubowski - NYC Office of Management & Budget  
Scott Hill – QuadraMed  
Richard McIntyre – Siemens Healthcare  
Megan Meagher – NYC Office of Management & Budget

## **HHC Capital Corporation – Semi-annual Public Meeting Thursday, May 24, 2012**

Dr. Michael Stocker chaired the meeting of the HHC Capital Corporation Board of Directors (the “Board”) while Mr. Salvatore Russo, Secretary of the HHC Capital Corporation, kept the minutes thereof.

### **Call to Order:**

The HHC Capital Corporation meeting was called to order at 3:38 p.m. by Dr. Stocker.

### **Minutes:**

The minutes of the HHC Capital Corporation meeting held on November 30, 2011 were presented to the Board. On motion made by Dr. Stocker and duly seconded, the Board unanimously adopted the minutes.

### **Introduction:**

Dr. Stocker introduced Ms. Linda DeHart, Assistant Vice President of the Debt Finance and Corporate Reimbursement Department at HHC.

### **Summary of HHC Bond Issuances, Low Interest Rate Environment and HHC’s Variable Rate vs. Fixed Rate Bond Allocation:**

Ms. Dehart indicated that the current par amount of bonds outstanding as of April 30, 2012 is \$1.002 billion, the majority of which are fixed rate bonds. 17% of HHC’s outstanding bonds are variable rate with a weekly re-set. HHC’s Bond Counsel and Financial Advisor recommend that no more than 20% of HHC’s portfolio be variable rate. This has benefitted the Corporation as rates on the variable rate bonds have been at historic lows.

### **2010 HHC Health System Bond Construction Fund and Disbursement History:**

Paulene Lok reported that of the approximate \$200 million construction fund for the 2010 series bonds, \$143.5 million remains unspent as of May 1, 2012. Disbursements are at a slower pace when compared to previous bond issuances. Ms. Youssouf asked if the Board can see a list of projects and equipment which are to be funded with the bonds and a spending schedule. Mr. Pistone indicated that his office would provide these items.

### **Financing Source of HHC's Capital Program and Average Debt Service:**

Nini Mar presented a slide which showed that only 32% of HHC's capital program is financed with health systems bonds issued by the Corporation. Of the total par outstanding of \$3.2 billion, \$2.2 billion represents bonds issued by the City of New York and the NYS Dormitory Authority. The average annual debt service, which includes principal and interest, is \$250 million.

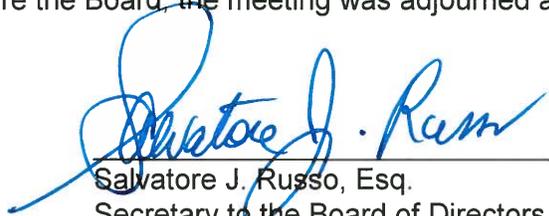
### **New Business:**

Ms. Zurack indicated that a new Operating Procedure ("OP") concerning the Corporation's Banking activities will be distributed to the Board for its review and welcomes any suggestions. One of the advantages of the new OP will allow the HHC Capital Corporation more flexibility to finance its capital program on a "just-in-time" basis rather than issuing bonds several years in advance of spend down; which incurs negative arbitrage, whereby bond interest expenses exceeds interest earnings on construction funds.

Ms. Zurack also informed the Board of the fact that Finance has been meeting with its senior underwriting banking firms to discuss bond refunding opportunities given the current low interest rate environment. Preliminary analysis show potential present value savings of up to \$17 million. The optimal time for the re-financing activity to occur is in late December to early January given that the HHC bonds targeted for refunding have a call date of February 15<sup>th</sup>. Based on recent discussions with Mr. Bert Robles and Dr. Capponi, HHC is likely to issue new money bonds to fund the preliminary cost of acquiring a new medical records system concurrent with the re-financing.

### **Adjournment:**

There being no further business before the Board, the meeting was adjourned at 3:48 p.m.

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

# HHC Capital Corporation Semi-Annual Meeting

Date: November 29, 2012

Time: 3:00 p.m.

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

# HHC Bonds Issuance History (as of 10/31/12)

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 <sup>(1)</sup>	235.700	-	-	Fixed
<b>7/1/02</b>	<b>2002 A</b>	<b>192.700</b>	<b>1.635</b>	<b>2/15/2013</b>	<b>Fixed</b>
7/1/02	2002 B-H <sup>(2)</sup>	397.750	-	-	Auction
<b>1/15/03</b>	<b>2003 A <sup>(3)</sup></b>	<b>245.180</b>	<b>133.405</b>	<b>2/15/2023</b>	<b>Fixed</b>
<b>8/21/08</b>	<b>2008 A <sup>(4)</sup></b>	<b>268.915</b>	<b>186.705</b>	<b>2/15/2026</b>	<b>Fixed</b>
<b>9/4/08</b>	<b>2008 B-E <sup>(5)</sup></b>	<b>189.000</b>	<b>172.975</b>	<b>2/15/2031</b>	<b>Variable</b>
<b>10/26/10</b>	<b>2010 A <sup>(6)</sup></b>	<b>510.460</b>	<b>507.315</b>	<b>2/15/2030</b>	<b>Fixed</b>
	<b>Total</b>	<b>-</b>	<b>1,002.035</b>		

- Note: (1) Advance refunding of certain 1993 Series bonds  
 (2) Refunding of the entire 1997 Series bonds and issue new money  
 (3) Refunding of the remaining 1993 Series bonds  
 (4) Refunding of the 2002 B,C,H Series bonds and issue new money  
 (5) Refunding of the 2002 D,E,F,G series bonds  
 (6) Refunding of the entire 1999 Series and substantially all of the 2002 Series A bonds, and issue new money

# 2010 Health System Bonds

## Construction Fund – Cash Flow

(Unaudited, in \$millions)

Drawdown Period <sup>1</sup>	Activity/Action	Deposits	(Withdrawals)	Remaining Balance
10/26/2010	Issuance Date	199.758		199.758
FY 2011	Disbursements		(9.483)	190.275
FY 2012	Disbursements		(57.938)	132.337
FY 2013	Disbursements <i>(as of 11/15/2012)</i>		(29,773)	102.564

<sup>1</sup> Drawdown period represents actual drawdown date and is not reflective of capital spending activity.

# 2008 Series D & E Bonds – Letter of Credit Amendment

- Background:
  - Approximately \$173 million of 2008 Series B, C, D & E Bonds are variable rate bonds supported by a letters of credit (LOC) provided by TD Bank and JPMorgan Chase Bank. The interest rate HHC pays for the variable rate bonds averages 1.0%.
- JPMorgan LOC amended on June 1, 2012:
  - The LOC expiration date was extended from September 2013 to July1, 2017, beyond the 2015 full implementation of Basel III regulations which impact bank capital reserve and liquidity coverage ratio requirements. Basel III is expected to reduce bank LOC capacity in 2015.
  - The LOC fees were increased to reflect the 5-year extension. The result is a minimal \$72,000 annual increase in LOC fees for FY 2013.

# Financial Advisor Selection

- Finance issued a RFP on July 26, 2012 seeking proposals from qualified firms that provide financial advisory services. Twelve firms that specialize in health care in the Northeast area according to the Bond Buyer “Red Book” were contacted directly by E-mail.
- 38 entities downloaded the proposal details from HHC’s Contracting website.
- Two firms, A.C. Advisory and PFM, submitted proposals on August 24<sup>th</sup>.
- The RFP Evaluation Committee selected PFM based on interviews held on September 14 and the quality and content of the RFP.
- PFM has been serving as HHC’s financial advisor since 2002.

# Upcoming Bond Refunding

- ▶ The low interest rate environment has prompted HHC to refund nearly \$112 million of the outstanding Series 2003 bonds that have an average coupon of 5.08%. The anticipated net present value savings is 22% or \$24 million based on October 9, 2012 market conditions.
- ▶ Debt Finance asked its 3 senior managing underwriters (Citibank, J.P. Morgan and Morgan Stanley) to provide a refunding analysis and a proposed financing structure for a possible new money issuance to fund the Corporation's new electronic medical records system.
- ▶ Citibank was chosen to be the lead managing underwriter for the refunding transaction which has a target pricing date in mid-February 2013.