



HHC CAPITAL CORPORATION

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

November 20, 2014, 3:30 p.m.
125 Worth Street – 5th Floor Board Room
New York, New York 10013

AGENDA

- | | | |
|------|--|----------------------|
| I. | Call to order
Adoption of minutes for the HHC Capital Corporation Meeting held on 5/22/14 | Jo Ivey Boufford, MD |
| II. | HHC Debt Structure | Linda DeHart |
| III. | TD Bank Letter of Credit Extension | Linda DeHart |
| IV. | Construction Fund Balance: 2010 Bonds | Paulene Lok |
| V. | Old business, new business and adjournment | Jo Ivey Boufford, MD |

MINUTES

HHC Capital Corporation Semi-annual Public Meeting

Meeting Date: May 22, 2014, 3:30 p.m.
Location: 125 Worth Street
Fifth Floor Board Room

ATTENDEES

Members of the HHC Capital Corporation Board of Directors:

Jo Ivey Boufford, M.D., Chairperson
Mark Page
Ramanathan Raju, M.D.
Bernard Rosen

Corporation Officers and other HHC Board Members:

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

Health and Hospitals Corporation Staff:

Deborah Cates – Chief of Staff, Board Affairs
Linda Dehart – Assistant Vice President, Debt Finance & Corporate Reimbursement Services
Patricia Lockhart - Secretary to the Corporation, Chairman's Office

Other Attendees:

Kent Cherny - OMB
Kristyn Raffaele – OMB

HHC Capital Corporation – Semi-annual Public Meeting Thursday, May 22, 2014

Dr. Jo Ivey Boufford 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 3:33 p.m. by Dr. Boufford.

Minutes:

The minutes of the HHC Capital Corporation meeting held on November 21, 2013 were presented to the Board. On motion made by Dr. Boufford and duly seconded, the Board unanimously adopted the minutes.

Introduction:

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

Equipment Financing Program:

Ms. Dehart spoke about the authorization from the HHC Board of Directors for Debt Finance to seek financing of up to \$40 million for medical equipment and IT needs. HHC worked with its financial advisor (PFM), Ms. Emily Youssouf and Mr. Mark Page to develop the RFP which was released May 14, 2014 and has a due date of June 4, 2014. Debt Finance will consult again with Ms. Youssouf and Mr. Page when it comes time to evaluate those responses.

HHC Bonds. Issuance History:

According to Ms. Dehart, the current par amount of bonds outstanding is \$880.2 million of which \$164 million is variable rate debt, the balance is fixed rate.

HHC Debt Structure:

Ms. Dehart stated that variable rate bonds representing 18.6% of HHC's total outstanding par amount is supported by two Letters of Credit ("LOC") – one from TD Bank ("TD") and the other by JP Morgan Chase ("JPM"). TD supports 61.5% of the outstanding variable rate debt while JPM's share is 38.5%.

The TD LOC expires in September 2015. Debt Finance has already had discussions with the bank about extending the LOC rather than waiting until the expiration date. JPM's LOC expires July 2017.

Mr. Page asked if HHC has contacted any other banks about replacement credit support and if the same two banks are willing to extend their LOCs. Ms Dehart replied that these two institutions have already

extended their LOCs several times and have always been willing and happy to work with HHC. Their renewal rates have, to-date, been competitive. Therefore HHC has not sought out other banks.

Ms. Zurack repeated Mr. Page's concerns about: (1) whether or not there is a chance that either bank would terminate their LOC relationship with HHC, or (2) if the rates received are competitive with other banks – Ms. Zurack's response was "no" to the first question and "yes" to the second.

Mr. Rosen asked if a list of projects has been identified for the \$40 million equipment financing. Ms. Dehart said that Debt Finance worked with Enterprise Information Technology Services ("EITS") and the Laboratory Restructuring Group to develop a list and is confident that once the funds are in place, HHC would be able to spend down the amounts in less than a year. Ms. Zurack added that Finance allowed several Facilities to start spending approximately \$5 million of the \$40 million on urgent needs. The \$5 million will first be paid out of HHC's operating budget then later reimbursed with proceeds from the equipment financing. The financing is structured so that HHC does not start paying interest on the money until the funds are drawn down.

Dr. Boufford recommended that during the next round of LOC renewal negotiations, it might be worthwhile for HHC to check with other credit support providers because the Federal Reserve is putting public pressure on banks to increase their community banking obligations. There is more social investing pressure which would benefit HHC given our status as a public hospital system. The action may not result in any financial savings but it is worth looking into. Ms Dehart agreed.

Mr. Page added that when reviewing the responses to the RFP, it is important to consider the cost of credit support given the low interest rates on variable rate debt.

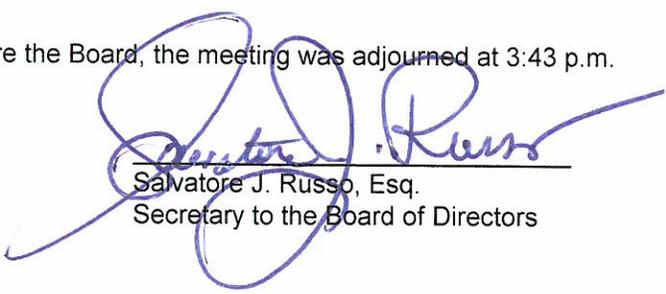
Construction Fund Balance on the 2010 Bonds:

Ms. Dehart indicated that the construction fund balance on HHC's Series 2010 bonds is \$25.8 million as of April 2014. Of the total encumbrances, \$16.7 million is unspent. The unencumbered balance is \$9.1 million.

Mr. Page asked if this is separate and apart from the \$5 million advanced as part of the \$40 million equipment financing. Both Ms Zurack and Ms Dehart answered "yes". Ms Zurack added that the construction fund detailed on this page refers to bonds issued by HHC in 2010 and that the uses of the proceeds are different than on the upcoming equipment financing. Regarding Mr. Rosen's concern about the uses for the equipment financing, Ms. Zurack response was that equipment and small renovation projects are better suited for the new \$40 million financing. Ms. Zurack reminded the Board that HHC continues to rely heavily on New York City General Obligation and other NYC debt instruments for major reconstruction and other larger projects.

Adjournment:

There being no further business before the Board, the meeting was adjourned at 3:43 p.m.



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

HHC Capital Corporation Semi-Annual Meeting

Date: November 20, 2014

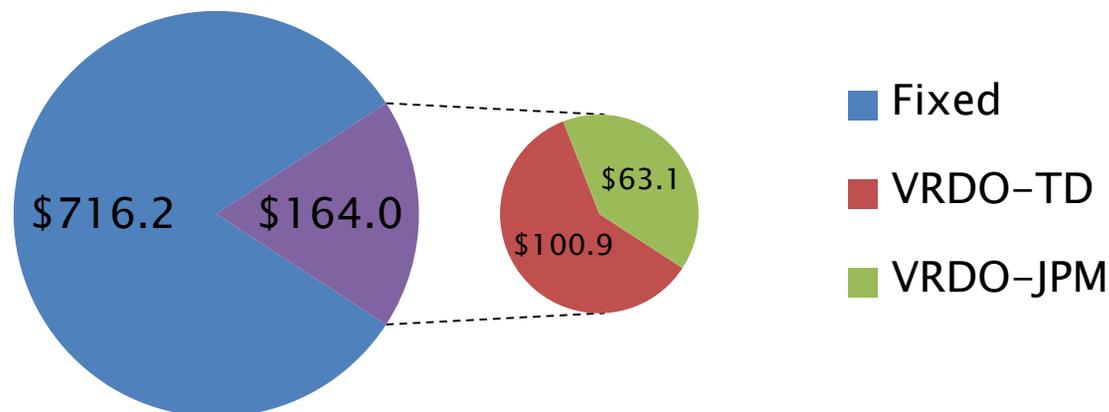
Time: 3:30 p.m.

Location: 125 Worth Street,
5th Floor Board Room
New York, NY 10013

HHC Debt Structure

- Currently, HHC has \$164.0 million (18.6%) of tax-exempt variable rate bonds and \$716.2 million (81.4%) of tax-exempt fixed rate bonds outstanding.
 - Variable rate bonds are supported by letters of credit provided by TD Bank (61.5%) and JPMorgan Chase Bank (38.5%). The LOCs are due 9/3/19 and 7/1/17, respectively.
 - TD Bank's long-term and short-term ratings are Aa3/P-1, AA-/A-1+, and AA-/F1+ by Moody's, S&P, and Fitch, respectively.
 - JPMorgan's long-term and short-term ratings are Aa3/P-1, A+/A-1, and A+/F1 by Moody's, S&P, and Fitch, respectively.

Outstanding Debt – \$880.2 MM



TD Bank Letter of Credit Extension

- TD Bank's letters of credit (LOC) provide liquidity support to \$100.94 million of the 2008 Series B and Series C variable rate bonds.
- The maturity date of the TD Bank LOCs was extended to 9/3/19 from 9/3/15, effective 9/2/14.
- As part of the extension, TD Bank reduced the fees by 10 basis points to reflect current market pricing.
- As a result of the lower fees, HHC will save approximately \$100,000 per year.
- HHC's Financial Advisor, Public Financial Management, had reviewed and confirmed that TD Bank's fee proposal reflected market pricing.

2010 Health System Bonds

Construction Fund – Cash Flow

(Unaudited, in \$millions)

Drawdown Period ¹	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		(83.838)	48.499
FY 2014	Disbursements		(31.438)	17.061
FY 2015	Disbursements <i>(as of 8/31/2014)</i>		(2,271)	14,790
	Interest Earnings <i>(as of 9/30/2014)</i>	0.946		15.736
	Total	200.704	(184.968)	

As of	Total Drawdown	Unspent Encumbrances	Total Encumbrances	Unencumbered Balance
9/30/14	184.968	13.091	198.059	2.645

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