



## **HHC CAPITAL CORPORATION**

160 Water Street, Room 1014 - New York, New York, 10038  
212 - 788 - 3494 Fax: 212 - 788 - 9708

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

May 26, 2016, 2:00 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 11/17/15 | Dr. Lilliam Barrios-Paoli, Ph.D. |
| II.  | HHC Bonds: Issuance History   | Linda Dehart                     |
| III. | 2010 Bonds: Construction Fund Balance   | Linda Dehart                     |
| IV.  | JP Morgan Chase, Loan Activity  | Linda Dehart                     |
| V.   | Citibank, Loan Activity   | Linda DeHart                     |
| VI.  | Loans: Planned Spending by Category   | Nini Mar                         |
| VII. | Old business, new business and adjournment  | Dr. Lilliam Barrios-Paoli, Ph.D. |



## MINUTES

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

**Meeting Date:** November 17, 2015, 3:00 p.m.

**Location:** 125 Worth Street  
Fifth Floor Board Room

## ATTENDEES

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

Dr. Lilliam Barrios-Paoli, Ph.D. Chair  
Mark Page  
Dr. Ramanathan Raju, M.D.  
Bernard Rosen  
Emily A. Youssouf

### **Corporation Officers and other HHC Board Members:**

Salvatore J. Russo, Esq., General Counsel and Senior Vice President, Legal Affairs and  
Secretary to the Board  
Vincent Calamia, M.D.  
Antonio D. Martin, Executive Vice President and Chief Operating Officer  
Marlene Zurack, CFO and Senior Vice President, Finance & Managed Care

### **Health and Hospitals Corporation Staff:**

P.V. Anantharam - CFO and Senior Vice President, Finance (starting November 30)  
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  
Nini Mar - Director, Debt Finance & Corporate Reimbursement Services  
Roslyn Weinstein, Senior Assistant Vice President

### **Other Attendees & Guests:**

Kent Cherney - OMB, Health Task Force, Unit Head  
Tyler DeRubio - OMB, Health Task Force, Analyst  
Shaylee Wheeler - OMB, Health Task Force, Analyst

## **HHC Capital Corporation – Semi-annual Public Meeting Tuesday, November 17, 2015**

Dr. Lilliam Barrios-Paoli, Ph.D. 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 semi-annual HHC Capital Corporation meeting was officially called to order at 3:04 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 May 28, 2015. On motion made by Ms. Youssouf and duly seconded, the Board unanimously adopted the minutes.

### **Introduction:**

Dr. Barrios-Paoli introduced Linda DeHart, Assistant Vice President of Debt Finance and Corporate Reimbursement Services who will speak about the System's Short Term Equipment Financing Program.

### **Short Term Financing Program:**

Ms. DeHart directed everyone's attention to the first page of the presentation which describes the short term financing program that was first authorized by the Health and Hospitals Board of Directors on April 30, 2015. On September 24, 2015, the Board approved an amendment to increase the authorization by \$60 million, bringing the total to \$120 million. The program provides access to capital funds with banks over multiple years. The first loan under this program was attained only after a Secondary Health Care reimbursement Revenue Lien security was developed. The JP Morgan Chase financing for up to \$60 million closed on July 9, 2015. The Citibank revolving loan for up to \$60 million closed on October 14, 2015. Under the Security Structure shown on the second page, holders/buyers of HHC Bonds have first priority access to the System's Healthcare Reimbursement Revenues. Banks participating in the Short Term Financing Program have a secondary or subordinate pledge on Healthcare Reimbursement Revenues which is only triggered if the System defaults on its loan payments. Mr. Rosen asked if the Banks could request first priority access to revenues. Ms. Zurack explained that only the owners/holders of the HHC bonds have access to the HHC Capital Lock Boxes.

### **Citibank Transaction:**

Discussions with Citibank to access additional funds were underway at the same time that Debt Finance was finalizing the details of the JPM Chase loan. Ms. DeHart stated that the second \$60 million loan will be used to finance CRA (Community Reinvestment Act) – eligible capital projects. Examples are the upgrade, purchase and installation of information and medical technology systems, routine renovation projects and costs of issuance. An analysis of the System's services by payor mix or insurance type for the 12 month period starting March 2014 through February 2015 shows that 52% of all service encounters are with Medicaid patients. This result exceeded Citibank's CRA minimum requirement of 50% for the sum of Medicaid and Medicare patients.

As mentioned earlier, the secondary or subordinate pledge on Healthcare Reimbursement Revenues is not triggered unless there is a payment default. The Citibank agreement is structured as a three year revolving loan whereby funds can be drawn down or repaid at any time, in \$1 million increments. The loan must be repaid in full by the maturity date, October 18, 2018. Similar to the JPM Chase agreement, this financing provides maximum drawdown flexibility and minimizes negative arbitrage on borrowed funds that are unused.

Interest on the funds is calculated weekly. The rate for the week of November 4 was 0.71%. Unlike the JPM Chase loan, Citibank charges a commitment fee of 0.15% on unused funds because the Citibank loan's structure is similar to a three-year line of credit.

Ms. Youssouf asked if there is a penalty for early payment to which Ms. DeHart said no. Ms. Youssouf followed up by asking if the Citibank is similar to the JPM Chase loan. Ms. Zurack stated that the JPM Chase loan expires in 12 months while the Citibank loan expires in 36 months and is a revolving loan agreement.

### **Loans - Planned Spending:**

Ms. Mar explained that page 4 is a graphical presentation of the planned spending by category for the two financing agreements. The JPM Chase loan is to be used primarily for equipment purchases while the Citibank loan is more flexible and will be used mainly for IT and routine reconstruction projects. On a combined basis, nearly 44% of the funds will be used for equipment, 32% for IT and 19% for routine reconstruction. The remainder will be spent on the Enterprise Resource Planning project, costs of issuance and other Central Office initiatives.

Mr. Page asked for the useful life term on the JPM Chase loan. Ms. Zurack stated that it was a five year loan which nearly matches the useful life of five years on most equipment financed under the loan. The useful life for most IT projects is 5-7 years. In response to Ms. Youssouf's request for examples of routine reconstruction funded with the loans, Ms. Mar named projects such as roof replacements, boiler upgrades, structural improvements and electrical system enhancements. Ms. Youssouf asked if hospital executive directors are free to put forth whatever project they want. Ms. Weinstein explained that the selection of capital projects for funding is an ongoing process between the Facilities, Finance, Procurement and the Office of Facilities Development. At times, other areas such as Central Office Strategic Planning and the Lab Committee are involved.

**Loans – Cash Flows:**

Nini Mar provided an overview of the cash flows for the two loans. The JPM Chase loan closed on July 9, 2015. As of October 31, 2015, only \$5.9 million was vouched or paid out. The Citibank loan closed on October 14, 2015. At closing, \$10 million was drawn down from each loan which means that interest expense is being incurred on both loans. Asked if Facilities are allowed to encumber the funds ahead of spending, Ms. Mar answered that on the JPM Loan, nearly \$20 million has been encumbered but spending to-date is less than \$6 million.

**HHC Bonds - Issuance History:**

Ms. DeHart presented the chart listing the various bond series issued by the System since 1993. The par amount of bonds outstanding is \$833.4 million and comprises of 80% fixed rate bonds and 20% variable rate bonds.

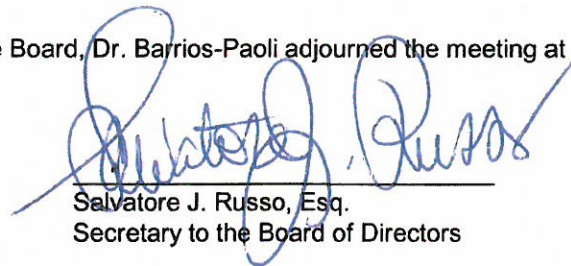
**Construction Fund Balance on the 2010 Bonds:**

Ms. DeHart said that page 8 shows the status of the Series 2010 bond construction fund. Of the total approximate \$200 million, \$4.8 million remains unspent.

Mr. Page asked if there are any interest earnings on the construction fund. Ms. DeHart said that the amount being earned is minimal. Nini Mar added that from inception, the cumulative interest earned on the 2010 Series bonds is nearly \$983,000.

**Adjournment:**

There being no further business before the Board, Dr. Barrios-Paoli adjourned the meeting at 3:18 p.m.



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



# HHC Capital Corporation

## Semi-Annual Meeting

Date: May 26, 2016  
Time: 2:00 p.m.  
Location: 125 Worth Street,  
5<sup>th</sup> Floor Board Room  
New York, NY 10013



# Bonds: Issuance History (as of 4/30/16)

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
7/1/02	2002 A	192.700	-	-	Fixed
7/1/02	2002 B-H <sup>(2)</sup>	397.750	-	-	Auction
1/15/03	2003 A <sup>(3)</sup>	245.180	-	-	Fixed
<b>8/21/08</b>	<b>2008 A <sup>(4)</sup></b>	<b>268.915</b>	<b>100.160</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>154.670</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>418.185</b>	<b>2/15/2030</b>	<b>Fixed</b>
<b>3/28/13</b>	<b>2013 A <sup>(7)</sup></b>	<b>112.045</b>	<b>111.405</b>	<b>2/15/2023</b>	<b>Fixed</b>
	<b>Total</b>	<b>-</b>	<b>784.420</b>		

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	FYTD Drawdown (as of 4/30/2016)		(3.235)	3.379
	Interest Earnings (as of 4/30/2016)	0.991		
	<b>Total</b>	<b>200.749</b>	<b>(196.378)</b>	<b>4.371</b>

As of	Total Drawdowns	Total Encumbrances	Total Encumbrances Less Drawdowns	Unencumbered Balance exceeds Remaining Balance
4/30/16	196.379	201.873	5.495	(1.124)

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

(b) OFD is in the process of reconciling the encumbrances to match the Total Remaining Balance plus Interest Earned amount of \$4.371 mm.



# 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 Loan Drawdown	(10.000)	10.000
<b>Total</b>		<b>50.000</b>	<b>10.000</b>
<b>Vouched Capital Expenses as of May 13, 2016</b>			
	Cost of Issuance		(25.436)
	<b>Spent To-date Exceeds Amount Borrowed by</b>		(0.187)
			<b>(15.623)</b>
<b>Encumbrances as of May 13, 2016</b>			<b>55.271</b>

- Terms: 12 month drawdown period at variable rate, converting to a six year fixed rate loan; July 9, 2016 conversion
- Interest Rates: Drawdown Period: 1.0925%; Fixed Loan: 1.6681% (Indicative rates as of 3/24/16)



# Citibank Loan Activity (\$millions)

## Citibank

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
<b>Total</b>		<b>50.000</b>	<b>10.000</b>
Vouched Capital Expenses as of May 13, 2016			
Cost of Issuance			(1.992)
<b>Unspent Borrowed Funds Balance</b>			<b>(0.250)</b>
<b>Encumbrances as of May 13, 2016</b>			<b>7.758</b>
			<b>10.659</b>

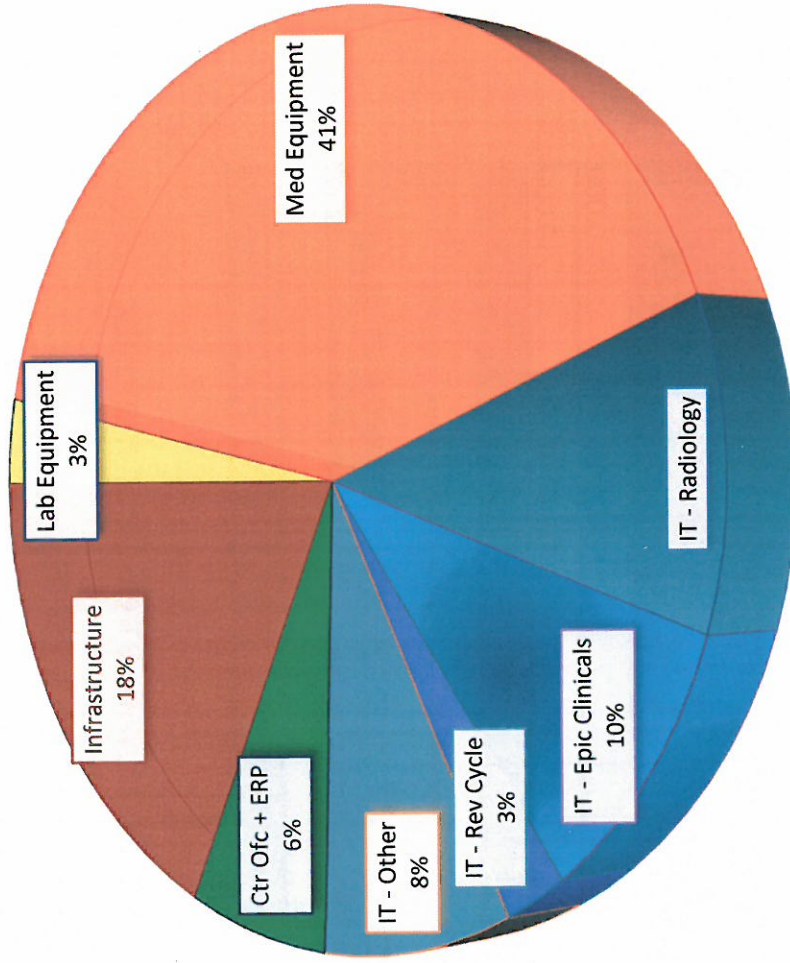
- Terms Variable rate revolving loan with three year maturity
- Interest Rate: 0.9900% (Indicative rate as of 3/24/16)



# NYC HEALTH+ HOSPITALS Loans: Planned Spending by Category

## COMBINED PLANNED SPENDING

	JPM Loan	Citibank
Lab Equipment	6.28%	
Med Equipment	80.16%	2.02%
IT, Radiology	11.88%	9.38%
IT, Epic Clinicals		19.56%
IT, Rev Cycle		5.19%
IT, Other		16.43%
Ctrl Ofc + ERP	0.31%	12.23%
Infrastructure	1.37%	35.19%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>



Note: JPM Allocations are as of April 21, 2016. Citibank allocations are as of October 2015. Office of Facilities Development reserves the right to substitute projects when needed.

