



DASNY

ANDREW M. CUOMO
Governor

ALFONSO L. CARNEY, JR.
Chair

GERRARD P. BUSHELL
President & CEO

Memorandum

TO: Michael E. Cusack, General Counsel

FROM: Sara Stein, AICP, Environmental Manager
Office of Environmental Affairs

DATE: June 13, 2018

RE: *State Environmental Quality Review (SEQR) Type II Determination* for the New York City Health and Hospitals Corporation *2018 Refunding Project* (Municipal Health Facilities Improvement Program)

The New York City Health and Hospitals Corporation (“HHC”) has requested funding from DASNY (“Dormitory Authority State of New York”) pursuant to DASNY’s Municipal Health Facilities Improvement Program for its *2018 Refunding Project* (the “Proposed Project”). Accordingly, the Proposed Project is subject to environmental review pursuant to the *State Environmental Quality Review Act* (“SEQRA”). Based on a review of the attached *Credit Summary Update*, dated June 8, 2018 (attached), and other relevant documentation, it has been determined that for purposes of SEQRA, the Proposed Action would consist of DASNY’s authorization of the issuance of an amount not to exceed \$395,000,000 in tax-exempt and/or taxable, fixed- and/or variable-rate, Series 2018 Bonds (the “Bonds”) to be sold through a negotiated offering on behalf of HHC.

2018 Refunding Project. The proceeds of the bond issuance would be used to refund all or a portion of DASNY’s Municipal Health Facilities Improvement Program Lease Revenue Bonds, (New York City Issue) Series 1998-1, Series 2001-2 and Series 2008-1 Bonds. Under the Program, New York City leases the financed HHC facilities to DASNY, and DASNY leases the facilities back to the City of New York for use by HHC. The City of New York is obligated to make lease payments in the full amount of debt service to DASNY. The Series 2018 Bonds would be a special obligation of DASNY.

Description of the Institution. On July 1, 1970, HHC, a New York State public benefit corporation, assumed responsibility for the operation of the municipal hospital system of the City of New York. As a main element of its core mission, HHC provides, on behalf of the City of New York, comprehensive medical and mental health services regardless of ability to pay. HHC is classified as a component unit of the City of New York. HHC is the largest public health care system in the United States and operates eleven acute-care hospitals, five long-term-care facilities, six diagnostic and treatment centers (five of those freestanding), many hospital-based and neighborhood clinics and a certified home-health agency. HHC provides essential inpatient, outpatient and home-based services to more than one million patients every year in more than 70 locations across the City of New York’s five boroughs.

HHC's eleven acute-care hospitals are situated throughout New York City with three located in the Bronx, three in Brooklyn, three in Manhattan and two in Queens.

State Environmental Quality Review Act (“SEQRA”). DASNY completed this environmental review in accordance with the *SEQRA*, codified at Article 8 of the New York *Environmental Conservation Law* (“*ECL*”), and its implementing regulations, promulgated at Part 617 of Title 6 of the *New York Codes, Rules and Regulations* (“*N.Y.C.R.R.*”), which collectively contain the requirements for the *State Environmental Quality Review* (“*SEQR*”) process. The refinancing of existing debt is a Type II action as specifically designated by 6 *N.Y.C.R.R.* § 617.5(c)(23). Type II “actions have been determined not to have significant impact on the environment or are otherwise precluded from environmental review under Environmental Conservation Law, article 8.”¹ Therefore, no further *SEQR* determination or procedure is required for any component of the proposed project identified as Type II.

New York State Historic Preservation Act of 1980 (“SHPA”). The Proposed Project was also reviewed in conformance with *SHPA*, especially the implementing regulations of Section 14.09 of the *Parks, Recreation, and Historic Preservation Law* (“*PRHPL*”), as well as with the requirements of the Memorandum of Understanding (“*MOU*”), dated March 18, 1998, between DASNY and the New York State Office of Parks, Recreation, and Historic Preservation (“*OPRHP*”). It is the opinion of DASNY that the Proposed Project would have no impact on historic or cultural resources in or eligible for inclusion in the National and/or State Registers of Historic Places.

Attachments

cc: Sara P. Richards, Esq.
Dena T. Amodio, Esq.
Cheryl E. Sarjeant, Esq.
Matthew T. Bergin
SEQR File
OPRHP File

¹ 6 *N.Y.C.R.R.* § 617.5(a).

Dormitory Authority of the State of New York

Credit Summary Update

New York City Health and Hospitals Corporation
New York, New York

June 8, 2018

Program: Municipal Health Facilities Improvement Program

Purpose: Refunding

New Issue Details

One or more series of 14-year fixed and/or variable rate, tax-exempt and/or taxable bonds are to be sold through a negotiated offering in an amount not to exceed \$395,000,000.

- Lead Manager - Raymond James
- Co-Bond Counsel - Orrick, Herrington & Sutcliffe LLP and Golden Holley James LLP
- Co-Underwriter's Counsel - Katten Muchin Rosenman LLP and Lewis & Munday, P.C.

Purpose

- The refunding of all or a portion of DASNY's Municipal Health Facilities Improvement Program Lease Revenue Bonds, (New York City Issue) Series 1998-1, Series 2001-2 and Series 2008-1 Bonds.

Security

- Rental Payments from the City of New York, subject to annual appropriation.
- Statutory Intercept of State Medicaid payments to the City of New York.

Expected Ratings: Aa2/AA-/NR

Overview

On July 1, 1970, the New York City Health and Hospitals Corporation ("HHC"), a New York State public benefit corporation, assumed responsibility for the operation of the municipal hospital system of the City of New York. As a main element of its core mission, HHC provides, on behalf of the City of New York, comprehensive medical and mental health services regardless of ability to pay. HHC is classified as a component unit of the City of New York. HHC is the largest public health care system in the United States and operates eleven acute care hospitals, five long-term care facilities, six diagnostic and treatment centers (five of those freestanding), many hospital-based and neighborhood clinics and a certified home-health agency. HHC provides essential inpatient, outpatient and home-based services to more than one million patients every year in more

than 70 locations across the City of New York's five boroughs. In 2017, HHC realigned the delivery of care to three defined areas as follows: acute care (hospitals), post-acute care (long-term care facilities) and ambulatory care services. Prior to the re-alignment, all facilities were organized into six integrated networks based on proximity to one another. The re-alignment allows for the configuration of the three areas of vertically integrated facilities providing the full continuum of care for primary and specialty care, inpatient acute care, outpatient services and long-term care.

Description of the Series 2018 Bonds

- The Bonds are a special obligation of DASNY.
- The Lease and Agreement is an obligation of the City of New York subject to appropriation.
- The Bonds are payable from rental payments made by the City of New York under the Lease and Agreement and funds and accounts established under the Resolution.

Approvals

- SEQR Filing – June 13, 2018*
- PACB Approval – June 20, 2018*

* Anticipated date

**Municipal Health Facilities Improvement Program
New York City Health and Hospitals Corporation**

INSTITUTION: On July 1, 1970, the New York City Health and Hospitals Corporation (“HHC”), a New York State public benefit corporation, assumed responsibility for the operation of the municipal hospital system of the City of New York. As a main element of its core mission, HHC provides, on behalf of the City of New York, comprehensive medical and mental health services regardless of ability to pay. HHC is classified as a component unit of the City of New York. HHC is the largest public health care system in the United States and operates eleven acute care hospitals, five long-term care facilities, six diagnostic and treatment centers (five of those freestanding), many hospital-based and neighborhood clinics and a certified home-health agency. HHC provides essential inpatient, outpatient and home-based services to more than one million patients every year in more than 70 locations across the City of New York’s five boroughs. HHC’s eleven acute care hospitals are situated throughout New York City with three located in the Bronx, three in Brooklyn, three in Manhattan and two in Queens. Their locations and bed counts are as follows:

Bronx

- Jacobi Medical Center – 457 beds
- Lincoln Medical & Mental Health Center – 362 beds
- North Central Bronx Hospital – 213 beds

Brooklyn

- Coney Island Hospital – 371 beds
- Kings County Hospital Center – 639 beds
- Woodhull Medical & Mental Health Center – 388 beds

Manhattan

- Bellevue Hospital Center – 912 beds
- Harlem Hospital Center – 282 beds
- Metropolitan Hospital Center – 338 beds

Queens

- Elmhurst Hospital Center – 545 beds
- Queens Hospital Center – 269 beds

In 2017, HHC realigned the delivery of care to three defined areas as follows: acute care (hospitals), post-acute care (long-term care facilities) and ambulatory care services. Prior to the re-alignment, all facilities were organized into six integrated networks based on proximity to one another. The re-alignment allows for the configuration of the three areas of vertically integrated facilities providing the full continuum of care for primary and specialty care, inpatient acute care, outpatient services and long-term care.

Governance: HHC’s Board consists of 15 members including the President/CEO of HHC. Its committees include: the Executive Committee, the Quality Assurance Committee, the Finance Committee, the Capital Committee, the Governance Committee, the Strategic Planning Committee, the Audit Committee, the Information Technology Committee, the Medical and Professional Affairs Committee, the Community Relations Committee and the Equal Employment Opportunity Committee.

DASNY Financing History: Since 1998, approximately \$1.05 billion of bonds have been issued for HHC under the Municipal Health Facilities Improvement Program. As of March 31, 2018, a total of \$512.7 million remained outstanding.

<u>Series</u>	<u>Final Maturity or Defeasance</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1998-1	2029	\$ 294,960,000	\$ 70,865,000
2001-1	2011	127,640,000	0
2001-2	2032	420,875,000	343,170,000
2008-1	2036	71,660,000	11,855,000
2010-1	2037	<u>131,105,000</u>	<u>86,850,000</u>
Total		\$1,046,240,000	\$ 512,740,000

The City of New York has met all required debt service obligations in full and on time.

THE REFUNDING: The City of New York proposes to use bond proceeds and existing funds on hand to refund its Series 1998-1, Series 2001-2 and Series 2008-1 bonds outstanding. A savings report is provided in Attachment I. Under current market conditions, a net present value benefit of approximately \$51.2 million is anticipated.

FINANCING DETAILS: The City of New York proposes a 14-year, fixed rate, tax-exempt bond issue of approximately \$340 million. Costs of issuance are estimated at \$2.4 million. Included in the costs of issuance are fees associated with the financial advisor, the underwriter's discount, DASNY's fee, various counsel fees and other expenses. In order to provide for market fluctuations, a bond issue of an amount not to exceed \$395 million is requested. See Attachment II for the estimated sources and uses of funds. The debt service payments are structured to maximize cash flow savings over the next four years. Under current market conditions, this equates to approximately \$91 million in gross savings during this time period which is the City of New York's financial plan years. There are no dissavings in the out years.

Security Provisions: The proposed bonds will be issued under DASNY's Municipal Health Facilities Improvement Program under which the City of New York is able to borrow through DASNY. Under the Program, New York City leases the financed HHC facilities to DASNY and DASNY leases the facilities back to the City of New York for use by HHC. The City of New York is obligated to make lease payments in the full amount of debt service to DASNY. Should the City fail to appropriate funds to make lease payments or fail to make the lease payments, the statute directs the State Comptroller to make the lease payments to DASNY from certain funds appropriated for payment on behalf of the City under the Medicaid Program.

The Series 2018 Bonds will be a special obligation of DASNY payable and secured solely by a pledge of the Annual Payments and all funds and accounts established under the Resolution. The Bonds will be secured by lease payments from the City of New York, a statutory intercept of Medicaid payments to the City of New York and a long-term lease from the City of New York to DASNY.

SUMMARY: Under current market conditions, the proposed refunding is expected to produce a net present value benefit of approximately \$51.2 million, representing 12.0% of the refunded principal. Based on the security structure, the anticipated savings to be generated by the refunding and the DASNY's past experience with the City of New York, staff recommends that the Board adopt a Resolution to Proceed for a bond issue in an amount not to exceed \$395,000,000.



**Municipal Health Facilities Improvement Program
(New York City Issue) Health and Hospitals Corporation
Savings Analysis**

DEBT SERVICE COMPARISON

Date	Existing D/S	New D/S	Gross Savings	PV Savings
2019	\$48,948,028	\$24,199,539	\$24,748,489	\$24,386,081
2020	38,809,854	16,634,000	22,175,854	21,258,590
2021	38,790,279	16,634,000	22,156,279	20,666,327
2022	38,591,919	16,634,000	21,957,919	19,927,719
2023	36,744,810	36,743,375	1,435	2,813
2024	38,162,935	38,159,375	3,560	4,639
2025	37,724,185	37,724,125	60	1,668
2026	53,005,066	53,003,000	2,066	3,098
2027	51,933,391	51,929,750	3,641	4,011
2028	53,023,016	53,020,250	2,766	2,896
2029	52,749,373	52,748,500	873	819
2030	32,724,704	32,724,125	579	503
2031	32,333,985	32,330,875	3,110	2,284
2032	32,304,180	32,302,875	1,305	898
Total	\$585,845,724	\$494,787,789	\$91,057,936	\$86,262,346

PRESENT VALUE ANALYSIS SUMMARY

Gross PV Debt Service Savings.....	\$86,262,346
Less: Prior Funds on Hand.....	(35,096,615)
Plus: Rounding.....	<u>3,142</u>

NET PRESENT VALUE BENEFIT..... **\$51,168,873**

NPV BENEFIT OF REFUNDED PRINCIPAL.....	12.01%
NPV BENEFIT OF REFUNDING PRINCIPAL.....	15.05%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	Jul-18
Refunding Delivery Date.....	Jul-18



**Municipal Health Facilities Improvement Program
(New York City Issue) Health and Hospitals Corporation
Sources and Uses of Funds**

Sources of Funds:

Par Amount	\$340,005,000
Premium	54,185,187
Existing Debt Service Reserve Fund	35,096,615
<i>Total Sources</i>	<i>\$429,286,802</i>

Uses of Funds:

		% of Par
Escrow Fund Deposit	\$426,885,558	
Deposit to Debt Service Reserve Fund		
Costs of Issuance	828,144	0.24%
Dormitory Authority Fee	125,000	0.04%
Bond Counsel	195,000	0.06%
Disclosure Counsel	125,000	0.04%
Trustee & Counsel	12,600	0.00%
Ratings	175,000	0.05%
Financial Advisor	150,000	0.04%
Printing	12,300	0.00%
Verification Agent	5,102	0.00%
Misc.	25,000	0.01%
Rounding	3,142	0.00%
Underwriter's Discount	1,573,100	0.46%
<i>Total Uses</i>	<i>\$429,286,802</i>	