



CITY COUNCIL AGENDA ITEM

January 12, 2015

TO: Brian M. Kischnick, City Manager

FROM: Tom Darling, Director of Financial Services

SUBJECT: Public Hearing to Receive Public Input on the City of Royal Oak Hospital Finance Authority Utilizing Tax-Exempt Bonds for William Beaumont Hospital – Troy
(Introduced by: Katrina Desmond, Miller Canfield & Nick Vitale, CFO, Beaumont Hospital, John Peetz, Vice President-Treasury Beaumont Hospital)

The City of Royal Oak Hospital Finance Authority (the “Authority”) issued its City of Royal Oak Hospital Finance Authority Hospital Revenue Refund Bonds Series 2012Z in the aggregate principal amount of \$50,000,000 on January 26, 2012 and loaned the proceeds to William Beaumont Hospital (the “Hospital”). The Hospital used the proceeds to refinance indebtedness that was originally issued to finance the construction, renovation and equipping of certain hospital facilities in the City of Troy.

The Hospital now anticipates amending certain terms of the Bonds. As a result of such amendments, the Bonds will be treated as reissued for certain federal tax purposes.

As required by the Internal Revenue Code of 1986, as amended (the “Code”) the City of Troy is holding a public hearing to receive public input in advance of authorizing the City of Royal Oak Hospital Finance Authority to “reissue” the bonds.

It should be noted that approval of the issuance of bonds by the City of Royal Oak Hospital Finance Authority for the benefit of the City of Troy will not have any effect on the ability of the City of Troy to issue bonds, nor will it involve any liability to the City of Troy for the bonds.

MILLER CANFIELD

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December 8, 2014

Brian Kischnick, City Manager
City of Troy
500 West Big Beaver
Troy, Michigan 48084

via e-mail to: b.kischnick@troy.mi.gov

RE: City of Royal Oak Hospital Finance Authority – William Beaumont Hospital

Dear Mr. Kischnick:

The City of Royal Oak Hospital Finance Authority (the “Authority”) issued its City of Royal Oak Hospital Finance Authority Hospital Revenue Refunding Bonds (William Beaumont Hospital Obligated Group) Series 2012Z in the aggregate principal amount of \$50,000,000 on January 26, 2012 (the “Bonds”) and loaned the proceeds of the Bonds to William Beaumont Hospital (the “Hospital”). The Hospital used a portion of the proceeds of the Bonds to refinance indebtedness used to finance the construction, renovation and equipping of certain hospital facilities in the City of Troy, Michigan. The Hospital now anticipates amending certain terms of the Bonds. As a result of such amendments, the Bonds will be treated as reissued for certain federal tax purposes; and the public notice, hearing and approval requirements pursuant to §147(f) of the Internal Revenue Code are required to be met to ensure that the interest on the Bonds will remain excludible from the gross income tax of the holders of the outstanding Bonds for federal tax purposes. Miller Canfield is acting as bond counsel with respect to the reissuance of the Bonds.

As required by the Internal Revenue Code of 1986, as amended (the “Code”), the City of Royal Oak will hold a public hearing and authorize the reissuance of the Bonds. In addition, the Code requires that since Beaumont used a portion of the proceeds of the Bonds in the City of Troy, outside of the jurisdiction that issued the Bonds, the City of Troy also hold a public hearing and authorize the reissuance of the Bonds.

To meet the requirements of the Code, we would like to request being placed on your City Council agenda for your January 12, 2015 meeting for the purpose of conducting a public hearing and approving the reissuance of the Bonds. I am attaching a draft of the notice that will be released for publication next week. I am also attaching a draft of the proposed resolution that the City Council will consider. The format of the resolution is the same as resolutions that the City Council passed in 2014 and in other past years for financings of William Beaumont

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

Mr. Brian Kischnick

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Hospital through the City of Royal Oak Hospital Finance Authority, including the resolution the City Council passed with respect to the original issuance of the Bonds.

The approval of the reissuance of the Bonds by the City Council of the City of Troy is solely for the purpose of meeting the public approval requirements of the Code. Such approval will not have any effect on the ability of the City of Troy (or affiliates) to issue bonds and will not involve any liability to the City of Troy (or affiliates).

Please let me know if you have any questions and confirm that we can be placed on your agenda for your January 12, 2015 City Council meeting. A representative of Miller Canfield will attend your meeting to address any questions you or the members of the public may have about the reissuance of the Bonds.

Very truly yours,

Miller, Canfield, Paddock and Stone, P.L.C.

By: /s/ Kristin E Nied
Kristin E. Nied

Enclosure

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NOTICE OF PUBLIC HEARING
ON THE REISSUANCE BY THE
CITY OF ROYAL OAK HOSPITAL FINANCE AUTHORITY OF
HOSPITAL REVENUE REFUNDING BONDS FOR THE BENEFIT OF
WILLIAM BEAUMONT HOSPITAL

NOTICE IS GIVEN that the City Commission of the City of Royal Oak will hold a public hearing at 7:30 p.m., in the Commission Chambers of City Hall, 211 Williams Street, Royal Oak, Michigan on the 5th day of January, 2015 and that the City Council of the City of Troy will hold a public hearing at 7:30 p.m. in the City Council Chambers, City Hall, 500 W. Big Beaver, Troy, Michigan on the 12th day of January, 2015, each on the reissuance for tax purposes of the \$50,000,000 City of Royal Oak Hospital Finance Authority Hospital Revenue Refunding Bonds (William Beaumont Hospital Obligated Group), Series 2012Z (the "Series 2012Z Bonds").

The Series 2012Z Bonds were issued as part of a single issue for tax purposes with the \$50,000,000 City of Royal Oak Hospital Finance Authority Hospital Revenue Refunding Bonds (William Beaumont Hospital Obligated Group), Series 2012Y (together with the Series 2012Z Bonds, the "Bonds"). The City of Royal Oak Hospital Finance Authority (the "Authority") loaned the proceeds of the Bonds to William Beaumont Hospital (the "Hospital") to be used, together with other available funds, (a) to refinance the refunding of a portion of the \$167,755,000 City of Royal Oak Hospital Finance Authority Hospital Revenue Bonds (William Beaumont Hospital Obligated Group) Series 2001M (the "Prior Bonds") and (b) to pay the costs of issuing the Bonds.

The Hospital and the Authority propose to amend certain terms of the Series 2012Z Bonds. As a result of such amendments, the Series 2012Z Bonds will be treated as reissued for certain federal tax purposes, and the public notice, hearing and approval requirements pursuant to §147(f) of the Internal Revenue Code are required to be met to ensure that the interest on the Bonds will remain excludible from the gross income tax of the holders of the outstanding Bonds for federal tax purposes.

The Hospital used the proceeds of the Prior Bonds to: (a) finance the acquisition, construction, remodeling, renovation, installation and equipping of the south tower of the facilities on the main campus of the Hospital located at 3601 West Thirteen Mile Road, Royal Oak, Michigan (the "Main Hospital Campus"), including (i) the acquisition, construction, installation and equipping of a neonatal intensive care unit, operating rooms, patient care rooms, minor surgery and procedure rooms, general radiographic/fluoroscopic rooms, ultrasound rooms and storage, (ii) the renovation, remodeling, installation and equipping of angiovascular procedure rooms, the family birth center, air handling units, the anesthesia delivery system and patient care rooms, and (iii) the construction of an emergency center entrance; (b) finance the renovation, remodeling, installation and equipping of the west tower of the Hospital's facilities located at 44201 Dequindre Road, Troy, Michigan (the "Troy Hospital Facility"), including the renovation, remodeling, installation and equipping of the anesthesia delivery system, a non-

special MRT unit, the obstetrical unit and patient care rooms; (c) pay a portion of the interest on the Prior Bonds; and (d) pay costs of issuing the Prior Bonds.

The Hospital, a nonprofit corporation, is the owner and operator of the hospital facilities financed with the proceeds of the Bonds.

The Series 2012Z Bonds will continue to be limited obligations of the Authority payable only from loan repayments to be made by the Hospital to the Authority and other security provided by the Hospital. The Series 2012Z Bonds are not and will not constitute an indebtedness of the State of Michigan or the aforementioned municipalities within the meaning of any constitutional or statutory provision and will not constitute or give rise to a charge against the general credit of the Authority or the credit or taxing power of the State of Michigan or the aforementioned municipalities. The Authority has no taxing power. The public hearing will provide an opportunity for interested persons to be heard and communications in writing will be received and considered. The hearing will provide the fullest opportunity for expression of opinion, for argument on the merits, and for introduction of documentary evidence pertinent to the proposed reissuance of the Series 2012Z Bonds.

Dated: December __, 2014

/s/ Don Johnson
Don Johnson
Chairperson, City of Royal Oak
Hospital Finance Authority
211 Williams Street
Royal Oak, Michigan 48068
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