



CITY COUNCIL ACTION REPORT

July 17, 2008

TO: The Honorable Mayor and City Council Members

FROM: Phillip L. Nelson, City Manager
John M. Lamerato, Assistant City Manager/Finance & Administration

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

BACKGROUND

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 issue bonds that will be used for improvements and an addition to William Beaumont Hospital – Troy.

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.

Founded in 1852
by Sidney Davy Miller

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July 15, 2008

Via e-mail to: p.nelson@ci.troy.mi.us

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

Lady and Gentlemen:

Earlier this month, I spoke with your City Clerk's office regarding the City of Royal Oak Hospital Finance Authority – William Beaumont Hospital's 2008 financing. William Beaumont Hospital is anticipating a financing through the City of Royal Oak Hospital Finance Authority utilizing tax-exempt bonds. Miller Canfield is acting as bond counsel with respect to the bonds. Although all of the bonds will be issued by the City of Royal Oak Hospital Finance Authority, as permitted by State law, a portion of the proceeds of the bonds will be used to construct, acquire, renovate, equip, rehabilitate and/or improve hospital facilities in the City of Troy as well as to refund bonds the proceeds of which were used to construct an addition to the hospital facility of William Beaumont Hospital in the City of Troy.

As required by the Internal Revenue Code of 1986, as amended (the "Code"), the City of Royal Oak must hold a public hearing and permit the issuance of the bonds. In addition, the Code requires, when proceeds of the bonds will be used outside of the jurisdiction issuing the bonds, that such other jurisdiction also hold a public hearing and authorize the issuance of the bonds.

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

Mr. Philip Nelson, Ms. Lori Bluhm,
Mr. John Lamerato

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July 15, 2008

To meet the requirements of the Code, we would like to request being placed on your City Council agenda for your August 11, 2008 meeting for the purpose of conducting a public hearing and approving the issuance of the bonds by the City of Royal Oak Hospital Finance Authority. I am attaching a draft of the notice that, when completed, will be released for publication later this week or early next week. I will send you a completed copy when it is available. I am also attaching the proposed resolution that would be considered. The format of the resolution is identical to ones that the City Council for the City of Troy has passed in previous years for financings of William Beaumont Hospital through the City of Royal Oak Hospital Finance Authority.

The approval of the bonds by the City Council of the City of Troy is solely for the purposes 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 confirm that we can be placed on your agenda for your August 11, 2008 City Council meeting. Also, please confirm the time and location I have used in the attached notice for the Troy meeting.

Very truly yours,

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

By: Lisa C. Hagan
Lisa C. Hagan

LCH/hfm

Enclosure

cc: Tonni L. Batholomew (clerk@troymi.gov)
Joel L. Piell, Esq. (piell@millercanfield.com)
Lisa C. Hagan, Esq. (hagan@millercanfield.com)
Timothy Sochocki, Esq. (sochocki@millercanfield.com)

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NOTICE OF PUBLIC HEARINGS ON THE ISSUANCE
BY THE CITY OF ROYAL OAK HOSPITAL FINANCE AUTHORITY
OF HOSPITAL REVENUE AND HOSPITAL REVENUE AND 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 o'clock p.m., in the Commission Chambers of City Hall, 211 Williams Street, Royal Oak, Michigan on the 18th day of August, 2008, that the City Council of the City of Sterling Heights will hold a public hearing at 7:30 o'clock p.m. in the City Hall Council Chambers, 40555 Utica Road, Sterling Heights, Michigan on the 6th day of August, 2008, that the City Council of the City of Troy will hold a public hearing at 7:30 o'clock p.m. in the City Council Chambers, City Hall, 500 W. Big Beaver, Troy, Michigan on the 11th day of August, 2008, and that the City Council of the City of Grosse Pointe will hold a public hearing at 7:00 o'clock p.m. in the Municipal Complex, 17147 Maumee Avenue, Grosse Pointe, Michigan on the 18th day of August, 2008, each on the proposed issuance of hospital revenue and hospital revenue refunding bonds (the "Bonds") in one or more series in the maximum aggregate principal amount of \$825,000,000 by the City of Royal Oak Hospital Finance Authority to provide funds to loan to William Beaumont Hospital (the "Hospital") to be used by the Hospital, together with other available funds, to (a) finance or refinance the costs of the acquisition, construction, renovation and equipping of the health care facilities described below (collectively, the "Projects"), (b) to refund the bonds described below (the "Prior Bonds"), (c) to pay a portion of the interest to accrue on the Bonds, (d) to fund a debt service reserve fund for the Bonds, (e) to pay costs related to interest rate swaps, and (f) to pay the costs of issuing the Bonds.

The Projects (a portion of which will be financed with the proceeds of the Bonds) consists of the following: (a) at a presently estimated cost of \$59,587,000, the refinancing of

indebtedness of the Hospital, which indebtedness was used to acquire facilities known as Bon Secours Health Systems Inc., including related assets located at 468 Cadieux Road, Grosse Pointe, Michigan (the "Grosse Pointe Facilities") and (b) the financing of the costs of construction, acquisition, renovation, equipping, rehabilitation and/or improvements to the hospitals and other health care facilities (i) located at the Main Hospital Campus (at a presently estimated cost of \$35,000,000), (ii) located at the Troy Hospital Facility (at a presently estimated cost of \$130,000,000) and (iii) located at the Sterling Heights Facility (at a presently estimated cost of \$35,000,000) (each as defined below).

The Prior Bonds consist of all or a portion of (a) the \$48,675,000 City of Royal Oak Hospital Finance Authority Hospital Revenue Refunding Bonds (William Beaumont Hospital Obligated Group) Series 2001N (the "Series N Bonds"); (b) the \$34,475,000 City of Royal Oak Hospital Finance Authority Hospital Revenue Refunding Bonds (William Beaumont Hospital Obligated Group) Series 2001O (the "Series O Bonds"); (c) the \$82,675,000 City of Royal Oak Hospital Finance Authority Hospital Revenue Bonds (William Beaumont Hospital Obligated Group) Series 2003P (the "Series P Bonds"); (d) the \$60,600,000 City of Royal Oak Hospital Finance Authority Hospital Revenue Refunding Bonds (William Beaumont Hospital Obligated Group) Series 2003Q (the "Series Q Bonds"); (e) the \$64,125,000 City of Royal Oak Hospital Finance Authority Hospital Revenue Bonds (William Beaumont Hospital Obligated Group) Series 2006R (the "Series R Bonds"); (f) the \$64,100,000 City of Royal Oak Hospital Finance Authority Hospital Revenue Bonds (William Beaumont Hospital Obligated Group) Series 2006S (the "Series S Bonds"); (g) the \$39,225,000 City of Royal Oak Hospital Finance Authority Hospital Revenue Refunding Bonds (William Beaumont Hospital Obligated Group) Series 2006T (the "Series T Bonds"); and (h) the \$39,250,000 City of Royal Oak Hospital Finance

Authority Hospital Revenue Refunding Bonds (William Beaumont Hospital Obligated Group) Series 2006U (the “Series U Bonds”).

The proceeds of the Series N Bonds were used by the Hospital to (a) finance (i) a portion of the costs of the acquisition, construction, remodeling, renovation, installation and equipping of facilities on the main campus of the Hospital located at 3601 West Thirteen Mile Road, Royal Oak, Michigan (the “Main Hospital Campus”), including the acquisition, construction, installation and equipping of an approximately 629,056 square foot addition to the Hospital for use as a neonatal intensive care unit, operating rooms, patient care rooms, minor surgery and procedure rooms, general radiographic/fluoroscopic rooms, ultrasound rooms and storage, and (ii) the construction and equipping of a five story addition to the Troy campus of the Hospital located at 44201 Dequindre Road, Troy, Michigan (the “Troy Hospital Facility”), which expanded the obstetrical services, added new operating rooms and endoscopy rooms and increased the number of private rooms while decreasing the number of semi-private rooms (collectively, the “2001 Project”), (b) currently refund (i) the City of Royal Oak Hospital Finance Authority Hospital Revenue Bonds (William Beaumont Hospital) Series 1996J (the “Series J Bonds”), and (ii) the City of Royal Oak Hospital Finance Authority Hospital Revenue Bonds (William Beaumont Hospital) Series 1997L (the “Series L Bonds”) and (c) pay costs of issuing the Series N Bonds. The proceeds of the Series J Bonds were used by the Hospital to (a) finance the acquisition, construction, replacement, remodeling and equipping of capital improvements at the Main Hospital Campus, generally comprising improvements to the existing hospital facilities at the Main Hospital Campus to replace and upgrade heating, ventilation and air handling systems, refrigeration and utility distribution systems, fire protection and elevators, to improve roofing, building facilities, external signage and landscaping, to remodel patient care areas in the

neonatal intensive care unit, patient care rooms, the nuclear medicine department, the continuing care department, the security department and storage areas and to acquire and install various radiology, surgical, endovascular, bed replacement and other patient care equipment, and (b) to pay costs of issuing the Series J Bonds. The proceeds of the Series L Bonds were used by the Hospital to (a) construct an approximately 88,200 square foot, five story Heart Center at the Main Hospital Campus and to renovate approximately 41,825 square feet of existing space at the Main Hospital Campus to facilitate expansion, replacement and consolidation of cardiovascular services into a vertically arranged facility, including the addition of two new cardiac catheterization laboratories, replacement of two existing cardiac catheterization laboratories and the conversion of two existing cardiac catheterization laboratories to multi-purpose special radiological rooms, and (b) pay costs of issuing the Series L Bonds.

The proceeds of the Series O Bonds were used by the Hospital to (a) finance the 2001 Project; (b) currently refund (i) the City of Royal Oak Hospital Finance Authority Revenue Bonds (Beaumont Properties, Inc.) Series 1992E (the "Series E Bonds") and (ii) the City of Royal Oak Hospital Finance Authority Hospital Revenue Bonds (William Beaumont Hospital) Series 1992F (the "Series F Bonds") and (c) pay costs of issuing the Series O Bonds. The proceeds of the Series E Bonds were used by the Hospital to refund the Beaumont Properties, Inc. Taxable Revenue Bonds, Series 1988B (the "Series B Bonds"), the proceeds of which were used to (a) pay the costs of constructing and equipping (i) a 120,000 square foot medical office building adjacent to an existing medical office building located at the Main Hospital Campus, (ii) a parking structure located north of the existing medical office building located at the Main Hospital Campus, and (iii) a 78,995 square foot medical office building located at 6900 Orchard Lake Road, West Bloomfield, Michigan (the "West Bloomfield Campus") and (b) pay costs of

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issuing the Series E Bonds. The proceeds of the Series F Bonds were used by the Hospital to (a) pay costs of constructing approximately 65,516 square feet of new space at the Main Hospital Campus to contain eight new operating rooms, an expanded emergency center, a laboratory and mechanical space, and the renovation of approximately 4,770 square feet at the Main Hospital Campus, and (b) pay costs of issuing the Series F Bonds. The Hospital defeased \$3,200,000 of the Series O Bonds due to the sale of the West Bloomfield Campus to a private developer in 2006.

The proceeds of the Series P Bonds were used by the Hospital to (a) pay the construction, renovation and equipping of a nine-level addition to the Hospital located at the Main Hospital Campus which added operating rooms, replaced and relocated existing licensed acute care beds and increased the number of private rooms and (b) pay costs of issuing the Series P Bonds.

The proceeds of the Series Q Bonds were used by the Hospital to currently refund the City of Royal Oak Hospital Finance Authority Hospital Revenue Refunding Bonds (William Beaumont Hospital), Series 1993G (the "Series G Bonds") which Series G Bonds refinanced the indebtedness incurred by the Hospital in connection with the issuance of the City of Royal Oak Hospital Finance Authority Hospital Revenue Bonds (William Beaumont Hospital) Series 1989C (the "Series C Bonds"). The proceeds of the Series C Bonds were used by the Hospital to (a) pay the cost of acquiring, construction, remodeling and equipping (i) an administration building, powerhouse expansion, site and utilities improvement, the research facilities and a project control center, all located at the Main Hospital Campus, (ii) a diagnostic radiology expansion and the replacement of radiology equipment at the hospital of the Hospital located at the Troy Hospital Facility, (iii) a diagnostic nuclear medicine facility and the expansion of an area providing acute therapeutic rehabilitation services located at the West Bloomfield Campus, (iv) a

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facility for data processing operations located at the 1350 Stephenson Highway, Troy, Michigan (the "BIS Center") and (b) pay costs of issuing the Series C Bonds. The Hospital defeased \$750,000 of the Series Q Bonds due to the sale of the West Bloomfield Campus to a private developer in 2006.

The proceeds of the Series R Bonds and the Series S Bonds were used by the Hospital to finance (a) the renovation of the north and central towers of the hospital facility of the Hospital located at the Main Hospital Campus generally consisting of the renovation of medical care areas, the improvement of architectural, electrical and mechanical infrastructure of the hospital facility and the improvement of fire alarm and fire protection systems, (b) the construction of an ambulatory care center on the hospital campus of the Hospital located at 44300 Dequindre Road, Sterling Heights, Michigan (the "Sterling Heights Facility"), and (c) pay costs of issuing the Series R Bonds and the Series S Bonds.

The proceeds of the Series T Bonds and Series U Bonds were used by the Hospital to (a) advance refund the City of Royal Oak Hospital Finance Authority Hospital Revenue Bonds (William Beaumont Hospital), Series 1996I (the "Series I Bonds") which Series I Bonds refinanced the indebtedness incurred by the Hospital in connection with the issuance of the City of Royal Oak Hospital Finance Authority Hospital Revenue Bonds (William Beaumont Hospital) Series 1991D (the "Series D Bonds"), and (b) pay costs of issuing the Series T Bonds and Series U Bonds. The proceeds of the Series D Bonds were used by the Hospital to (a) construct a critical care tower and a four level addition to the hospital facility, related parking and a shipping and receiving facility, all at the Main Hospital Campus, (b) construct a six level addition to and renovation of the hospital facility of the Hospital located at the Troy Facilities, and (c) pay costs of issuing the Series D Bonds.

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The Grosse Pointe Facilities, the Main Hospital Campus, the Troy Hospital Facility, the BIS Center and the Sterling Heights Facility are owned and operated by the Hospital, a nonprofit corporation. The West Bloomfield Campus was sold to a private developer in 2006.

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 bond issue.

Dated: _____, 2008

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