



CITY COUNCIL ACTION REPORT

May 26, 2009

TO: John Szerlag, Acting City Manager

FROM: John M. Lamerato, Assistant City Manager-Finance and 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 the acquisition and installation of hospital facility equipment 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.



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May 12, 2009

VIA ELECTRONIC MAIL

City of Troy, Michigan
500 W. Big Beaver Road
Troy, Michigan 48084
Attention: John M. Lamerato
Assistant City Manager/Finance & Administration

Re: WILLIAM BEAUMONT HOSPITAL
Tax-Exempt Financing

Dear Mr. Lamerato:

This correspondence is to apprise you of a potential financing for the benefit of William Beaumont Hospital (the "Hospital"). The Hospital is in the process of negotiating financing terms with Fifth Third Bank in order to finance the acquisition of certain information technology equipment (the "Project") for use at the Hospital. In order for the financing to qualify as "tax-exempt," the Hospital has requested that the Royal Oak Hospital Finance Authority (the "Authority") participate as the "issuer" of its tax-exempt obligations, which would be evidenced by a bond issued by the Authority and purchased by Fifth Third Bank, which bond shall be secured by payments under a lease-purchase agreement and assignment thereof. The Authority would be considered the conduit issuer of the tax-exempt obligations. The proposed tax-exempt obligations will be revenue obligations payable solely from revenue sources provided by the Hospital, and will not constitute a pledge of assets of the Authority nor will these obligations involve a full faith and credit pledge or pledge of the taxing power of the City of Troy (the "City") or any other political subdivision of the State of Michigan. Further, the issuance of these obligations will not involve the City of Troy's debt limitations under state law. Please note that in the financing documents, the Hospital will provide comprehensive indemnification for the City of Troy.

Moreover, the anticipated tax-exempt obligations will not affect the City's "qualified tax-exempt status," as newly enacted provisions pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code") now treat a 501(c)(3) borrower, such as the Hospital, as an issuer separate and a part from the Authority and the City for purposes of "bank qualification." Tentatively, the principal amount of the proposed financing is estimated not to exceed \$20,000,000. For federal tax purposes, this transaction would be a "qualified 501(c)(3)" financing.

PECK, SHAFFER & WILLIAMS LLP

City of Troy, Michigan

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In order to issue "qualified 501(c)(3)," tax-exempt obligations, pursuant to Section 147(f) of the Code, it is necessary to obtain the approval of the "applicable elected representative" within the applicable jurisdiction or jurisdictions where proceeds of the tax-exempt obligation will be spent or utilized. Because the members of the Authority do not qualify for this purpose, it is necessary to request that the City of Troy, through its Council and ultimately, its Mayor, provide this approval.

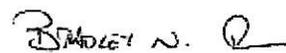
Procedurally, we have apprised the Authority of the Hospital's intention to provide for the issuance of tax-exempt obligations. It is our intention to schedule a public hearing with the City on Monday, June 1, 2009 (which requires publication of notice in a newspaper of general circulation at least fourteen days in advance of the public hearing). At the same meeting as the public hearing, it is anticipated that there will be legislation for the City Commission to consider with respect to proving its approval for purposes of satisfying the "applicable elected representative" requirement under the Code, as well as acknowledging that the Project will be acquired and utilized within its territorial jurisdiction (or "host approval" as it is referred to under the Code and the applicable Treasury Regulations). Accordingly, the Hospital requests your assistance in scheduling, as an agenda item, consideration of a resolution for the purposes of approving the proposed tax-exempt obligations from the standpoint of satisfying the "applicable elected representative" requirement under the Code, as well as providing for "host approval." We request that this matter be placed on the City's agenda at its regularly scheduled council meeting on **Monday, June 1, 2009**. We would be glad to further discuss this request during a working group or committee meeting. We have enclosed a draft of the proposed resolution, as well as the Certificate of Applicable Elected Representative for your review.

Thank you for your consideration of this matter and please do not hesitate to call with any questions (513-639-9237).

Very truly yours,

PECK, SHAFFER & WILLIAMS LLP

Per



Bradley N. Ruwe

cc: John Peetz
Jay Hughes, Esq.
Peter Ecklund, Esq.
Lana Anderson
Scot Masell
Christian Hyek

MEMORANDUM

TO: John M. Lamerato
City of Troy, Michigan

FROM: Brad Ruwe
Peck, Shaffer & Williams LLP

DATE: May 12, 2009

RE: Request for Mayor's approval for the issuance of Lease Revenue Bonds for William Beaumont Hospital, pursuant to Section 147(f) of the Internal Revenue Code of 1986

As a condition for the tax exemption of interest for all private activity bonds, Section 147(f) of the Internal Revenue Code of 1986, as amended, provides that the bonds must be approved by the chief elected executive officer of the governmental unit from which the issuer of the Bonds derives its authority. In this case, the approval is requested from the Mayor of the City of Troy, Michigan, as the chief elected executive officer of the City of Troy, which has established and given authority to the Royal Oak Hospital Finance Authority. In connection with this request, we provide the following information:

NAME OF ISSUER: Royal Oak Hospital Finance Authority
211 S. Williams Street
Royal Oak, Michigan 48067
Attention: Mayor

BOND DESCRIPTION: Not to exceed \$20,000,000 Royal Oak Hospital Finance Authority Limited Obligation Lease Revenue Bonds (William Beaumont Hospital)

PURPOSE OF BOND ISSUE: The Project consists of assisting William Beaumont Hospital (the "Hospital") in financing the acquisition of hospital facility equipment, including without limitation, the acquisition and installation of information technology hardware and software relating to servers, switches, disc storage, licenses, network voice and data improvements, and related information technology equipment, improvements, infrastructure and upgrades and service contracts related thereto, all for use as hospital facilities and all to be located at one or more of the following locations: William Beaumont Hospital, 3601 W. 13 Mile Road, Royal Oak, Michigan 48073; 44201 Dequindre

Road, Troy, Michigan 48085; 44199
Dequindre Road, Troy, Michigan 48085; and
1350 Stephenson Highway, Troy, Michigan
48083.

PURCHASER OF BONDS:

Fifth Third Bank, a Michigan banking corporation, has committed to purchase, and hold in its portfolio of investments, all of the Lease Revenue Bonds.

LIABILITY FOR PAYMENT OF BONDS:

The Lease Revenue Bonds will be payable solely from rental payments and other amounts due under a Master Lease-Purchase Agreement made to the Authority by the Hospital. The Lease Revenue Bonds will not be a general obligation of the Authority, the City of Troy, the State of Michigan or any other governmental unit, and will not be payable from the tax revenues or other funds of any of the Authority, the City of Troy, the State of Michigan or any other governmental unit.

REVIEW OF DOCUMENTS AND PROCEEDINGS:

In our capacity as Special Counsel, we have reviewed the Notice of Public Hearing attached as Exhibit A, the Record of Public Hearing attached as Exhibit B and the form of Approval of Issuance of Bonds attached as Exhibit C, the proceedings of the Royal Oak Hospital Finance Authority and the applicable documents for the Lease Revenue Bonds and have concluded that the Royal Oak Hospital Finance Authority has taken the necessary actions and prepared the proper documentation to allow the Mayor of the City of Troy to approve the issuance of the Lease Revenue Bonds under the provisions of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Bradley N. Ruwe
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MEMORANDUM

TO: Legal Ads, *Troy-Somerset Gazette*
(Via E-mail: editor@troy-somersetgazette.com)

FROM: Bradley N. Ruwe

DATE: May __, 2009

RE: Notice of Public Hearing for the Royal Oak Hospital Finance Authority

The attached legal notice is to be published once in the *Troy-Somerset Gazette* on **May 18, 2009**. In the event this notice cannot be run on or before **May 18, 2009** please call my secretary, Christy Burnette, at 513-639-9220 immediately.

Please acknowledge receipt of this correspondence by executing the following acknowledgement and faxing it to Christy Burnette at 513-621-3813. Please call Christy Burnette as soon as possible with a proof of the legal ad and the price of publication and then forward your invoice and the Affidavit of Publication at your earliest convenience.

Thank you for your assistance in this matter.

The undersigned acknowledges receipt of the foregoing request for publication on **May 18, 2009** of a Notice of Public Hearing for the Royal Oak Hospital Finance Authority.

TROY-SOMERSET GAZETTE

By: _____

Dated: May __, 2009

NOTICE OF PUBLIC HEARING

The City of Troy, Michigan will conduct a public hearing on Monday, June 1, 2009 at 7:30 p.m. in City Council Chambers located at 500 W. Big Beaver Road, Troy, Michigan 48084 to discuss the possible issuance of tax-exempt obligations by the Royal Oak Hospital Finance Authority (the "Authority") for the benefit of William Beaumont Hospital (the "Hospital"), which obligations shall be purchased by Fifth Third Bank and secured by a lease-purchase agreement between the Authority and the Hospital, and an assignment of rights thereof. The principal amount of the tax-exempt financing benefiting the Hospital will not exceed twenty million dollars (\$20,000,000). The tax-exempt financing will be entered into by the Authority pursuant to Chapter 331 of the Hospital Finance Authority Act (Act 38 of 1969) of the Michigan Compiled Laws. The proceeds evidenced by this financing shall be used to: (A) finance the acquisition and installation of hospital facility equipment, including without limitation, the acquisition and installation of information technology hardware and software relating to servers, switches, disc storage, licenses, network voice and data improvements, and related information technology equipment, improvements, infrastructure, upgrades and service contracts related thereto (the "Hospital Facilities"), all to be located at William Beaumont Hospital, 3601 W. 13 Mile Road, Royal Oak, Michigan 48073; 44201 Dequindre Road, Troy, Michigan 48085; 44199 Dequindre Road, Troy, Michigan 48085; and 1350 Stephenson Highway, Troy, Michigan 48083 and (B) pay certain costs of issuance, if any. THIS FINANCING WILL BE A SPECIAL OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM PAYMENTS TO BE MADE BY THE HOSPITAL. NEITHER THE BOND NOR THE LEASE-PURCHASE AGREEMENT (OR PAYMENTS THEREUNDER) SHALL REPRESENT OR CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OR THE TAXING POWER OF THE AUTHORITY OR THE STATE OF MICHIGAN OR ANY POLITICAL SUBDIVISION THEREOF. The primary user of the Hospital Facilities is presently anticipated to be William Beaumont Hospital, which is a Michigan nonprofit corporation. Interested persons are invited to attend this public hearing and will be given an opportunity to express their views concerning the proposed issuance of the tax-exempt obligations. Persons wishing to submit written comments should send them to the following address prior to the hearing date: 500 W. Big Beaver Road, Troy, Michigan 48084, Attn: City Clerk (with a copy to William Beaumont Hospital, 16500 W. 12 Mile Road, Southfield, Michigan 48076-2975, Attn: Vice President, Treasury Administration,). This notice is given pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended.

/s/ Tonni Barthlowmew

Title: City Clerk

**CITY OF TROY, MICHIGAN
RECORD OF PUBLIC HEARING**

The City of Troy conducted a public hearing on _____, 2009 at _____ p.m. at _____, pursuant to posted and published notice, in accordance with the Open Meetings Act, Act 267, Public Acts of Michigan, 1976, as amended.

Present:

Guests:

_____ opened the public hearing at _____ p.m. and stated that the purpose of the public hearing was to permit the Royal Oak Hospital Finance Authority to receive comments, both written and verbal, from the public concerning the proposal to issue limited obligation Lease Revenue Bonds in a principal amount not to exceed \$20,000,000, the proceeds of which shall be used by the Authority to lease certain equipment (constituting "hospital facilities") to William Beaumont Hospital, which equipment shall be used at William Beaumont Hospital, which equipment shall be located in the Cities of Troy and Royal Oak, Michigan.

_____ explained the nature and extent of the equipment acquisition to be financed by the Lease Revenue Bonds.

Comments from guests:

The hearing was declared closed by _____ at _____ p.m.

Signature: _____
Printed Name: _____

Dated: _____, 2009

Certificate of Applicable Elected Representative

The undersigned, _____, Mayor of the City of Troy, Michigan (the "City") hereby certifies as follows:

1. I am the Mayor of the City, elected directly by the people of the City.
2. The Royal Oak Hospital Finance Authority, (the "Authority") has undertaken a plan of finance whereby it shall enter into a Master Lease-Purchase Agreement and schedules thereto (collectively, the "Master Lease") with William Beaumont Hospital (the "Hospital"). In connection with the Master Lease, the Authority shall issue a lease revenue bond, the proceeds of which bond shall be used by the Hospital for the acquisition of certain hospital equipment, as specified in *Exhibit A* hereto (the "Project"). Debt service payments on the bond shall be made by the Hospital to the Authority and those debt service payments will be assigned from the Authority to Fifth Third Bank (as the bondholder) pursuant to an Assignment Agreement between the Authority and Fifth Third Bank.
3. The Hospital has represented in the Master Lease that the Project will be operated and eventually owned by the Hospital and shall be part of the Hospital's facilities, the addresses of which facilities are attached hereto as *Exhibit A*.
4. The Hospital published in a newspaper (*Troy-Somerset Gazette*) on Monday, April 18, 2009, a notice of hearing concerning the financing of the Project (see *Exhibit A* hereto).
5. On June 1, 2009, the City Council of the City of Troy, Michigan passed a resolution authorizing the Mayor of the City to execute this Certificate of Applicable Elected Representative in connection with the issuance of the lease obligations to be issued pursuant to the Master Lease. On Monday, June 1, 2009, at ____ p.m., the Lessee conducted a public hearing pursuant to Section 147(f) of the Code and the related Treasury Regulations. Neither the undersigned person in his/her individual or official capacity nor other officers or officials of the City shall assume any direct or indirect financial responsibility for the payment of any amounts under the Master Lease or any present or future schedule thereto.

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Executed this ____ day of _____, 2009.

CITY OF TROY, MICHIGAN

By: _____
Title: Mayor

CERTIFICATE

The undersigned, Clerk of the City Council of the City of Troy, Michigan does hereby certify that the foregoing is a true and correct copy of a resolution adopted by such City Council on _____, 2009.

Dated: _____, 2009

Clerk