



## CITY COUNCIL ACTION REPORT

October 13, 2009

TO: The Honorable Mayor and City Council Members

FROM: John Szerlag, City Manager  
John M. Lamerato, Assistant City Manager/Finance & Administration

SUBJECT: Notice of Public Hearing on November 9, 2009 to Receive Public Input on the City of Royal Oak Hospital Finance Authority Utilizing Tax-Exempt Bonds for William Beaumont Hospital - Troy

As required by the Internal Revenue Code of 1986, as amended (the "Code") the City of Troy will hold a public hearing on November 9, 2009 to receive public input in advance of authorizing the City of Royal Oak Hospital Finance Authority to issue bonds that will be used to (1) finance the construction, acquisition, renovation, equipping, rehabilitation and/or improvement of hospital facilities, and to (2) refinance indebtedness used to finance the construction, renovation and equipping of certain hospital facilities at 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

# MILLER CANFIELD

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October 12, 2009

John Szerlag, City Manager  
City of Troy  
500 West Big Beaver  
Troy, Michigan 48084

via e-mail to: [j.szerlag@troymi.gov](mailto:j.szerlag@troymi.gov)

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

Lady and Gentlemen:

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, acquire, renovate, equip, rehabilitate and/or improve 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.

To meet the requirements of the Code, we would like to request being placed on your City Council agenda for your November 9, 2009 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. I will send you a completed copy when it is available. I am also attaching a draft of 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 passed in July of this year and in other years for financings of William Beaumont Hospital through the City of Royal Oak Hospital Finance Authority. I will send you a final resolution in the next week with the amount of the bonds filled in.

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

Mr. John Szerlag

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October 12, 2009

The approval 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 confirm that we can be placed on your agenda for your November 9, 2009 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: /s/ Kris Nied  
Kristin E. Nied

Enclosure

DISCLOSURE UNDER TREASURY CIRCULAR 230: The United States Federal tax advice contained in this document and its attachments, if any, may not be used or referred to in the promoting, marketing or recommending of any entity, investment plan or arrangement, nor is such advice intended or written to be used, and may not be used, by a taxpayer for the purpose of avoiding Federal tax penalties. Advice that complies with Treasury Circular 230's "covered opinion" requirements (and thus, may be relied on to avoid tax penalties) may be obtained by contacting the author of this document.

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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 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 9th day of November, 2009, that the City Council of the City of Sterling Heights will hold a public hearing at 7:30 p.m. in the City Hall Council Chambers, 40555 Utica Road, Sterling Heights, Michigan on the [ ] day of November, 2009 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 9th day of November, 2009, 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 \$[ ] 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, at a presently estimated cost of \$[ ], a portion of the costs of the Project (described below), (b) to refund or otherwise reissue for federal tax purposes at an approximate cost of \$[ ] 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 Project consists of the financing of the costs of construction, acquisition, renovation, equipping, rehabilitation and/or improvements to the hospitals and other health care facilities (i) located on the main campus of the Hospital located at 3601 West Thirteen Mile Road, Royal

Oak, Michigan (the "Main Hospital Campus") (at a presently estimated cost of \$[\_\_\_\_\_]), (ii) on the Troy campus of the Hospital located at 44201 Dequindre Road, Troy, Michigan (the "Troy Hospital Facility") (at a presently estimated cost of \$[\_\_\_\_\_]) and (iii) on the hospital campus of the Hospital located at 44300 Dequindre Road, Sterling Heights, Michigan (the "Sterling Heights Facility"), (at a presently estimated cost of \$[\_\_\_\_\_]).

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"); and (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").

The proceeds of the Series N Bonds were used by the Hospital to (a) 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 (b) 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) 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 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 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 Main Hospital Campus, the Troy Facility, the BIS Center and the Sterling Heights Facility are owned and operated by the Hospital, a nonprofit corporation.

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: [\_\_\_\_], 2009

/s/ Don Johnson  
Chairperson, City of Royal Oak  
Hospital Finance Authority  
211 Williams Street  
Royal Oak, Michigan 48068  
(248) 246-3030

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