

BILL ANALYSIS

S.B. 559
By: Duncan
County Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

S.B. 559 updates the enabling legislation for Rankin County Hospital District. Specifically, S.B. 559 updates the terms and requirements for the board membership, clarifies the definition of hospital administrator, establishes standards for issues bonds and set standards on how the proceeds from bonds may be used, and provides authority to the board to borrow funds.

As proposed, S.B. 559 amends current law relating to the Rankin County Hospital District.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

ANALYSIS

SECTION 1. Amends Section 3, Chapter 182, Acts of the 60th Legislature, Regular Session, 1967, as follows:

Sec. 3. New heading: BOARD. (a) Creates this subsection from existing text. Provides that the board of directors (board) consists of five members elected from the Rankin County Hospital District (district) at large. Provides that directors serve staggered two-year terms unless four-year terms are established under Section 285.081 (Terms), Health and Safety Code. Deletes existing text relating to the creation and establishment of the district. Makes a nonsubstantive change.

(b) Prohibits a person from being elected or appointed as a director unless the person is:

(1) a resident of the district; and

(2) at least 21 years of age.

(c) Prohibits an employee of the district from serving as a director. Deletes existing text relating to qualifications for a person to be elected to the board.

(d) Creates this subsection from existing text. Requires each member of the board before assuming the duties of the office of director, to execute a bond for \$1,000 payable to the district conditioned upon the faithful performance of the director's duties, and to deposit such bonds with the depository bank of the district for safekeeping. Requires that the cost of this bond be an expense of the hospital district. Deletes existing text relating to calling for an election by the commissioner's court of the district, a candidate's petition, and the term limits of the first directors. Deletes existing text requiring each member of the board to qualify by executing a constitutional oath of office and a good and sufficient commercial bond to be deposited with the depository bank. Makes nonsubstantive changes.

(e) Creates this subsection from existing text. Requires the board of directors to elect from among its members a president and vice president. Requires the board to appoint a secretary, who need not be a director. Deletes existing text relating to the election of a chairman and chairman pro tem, and authorizing the administrator or any member of the board to be appointed secretary.

(f) Creates this subsection from existing text. Provides that a concurrence of three directors is sufficient in all matters pertaining to the business of the district. Deletes existing text providing that any three members of the board shall constitute a quorum. Deletes existing text requiring that suitable records of all proceedings be kept by the secretary and requiring that such records be signed by the chairman and attested by the secretary. Deletes existing text relating to the required seal used in authenticating all acts of the board.

(g) Requires that all district records, including books, accounts, notices, minutes, and all other matters of the district and the operation of its facilities, be:

(1) maintained at the district office; and

(2) open to public inspection at the district office at all reasonable hours.

(h) Creates this subsection from existing text. Makes no further changes.

(i) Requires that a regular election of directors, unless four-year terms are established under Section 285.081, Health and Safety Code, be held on the uniform election date in May of each year, rather than the first Saturday of April each year, to elect the appropriate number of directors. Requires that notice of the election be published in accordance with Section 4.003 (Method of Giving Notice), Election Code, in a newspaper of general circulation in the county, rather than published in a newspaper of general circulation in the county one time at least 30 days prior to the date of the election. Deletes existing text relating to the filing of an application of a candidate.

SECTION 2. Amends Section 4, Chapter 182, Acts of the 60th Legislature, Regular Session, 1967, as follows:

Sec. 4. ADMINISTRATOR. (a) Authorizes the board to appoint a qualified person as district administrator.

(b) Provides that the district administrator serves at the will of the board and receives the compensation determined by the board. Provides that the administrator shall be subject to removal at any time by the board. Deletes existing text requiring the board to appoint a general manager as the administrator of the district and the administrator's compensation to be fixed by the board.

(c) Creates this subsection from existing text. Authorizes the board to pay for the required bond of the administrator, payable to the district, with district money. Makes conforming changes.

(d) Creates this subsection from existing text. Makes a conforming change. Deletes existing text prohibiting the administrator from being a member of the board and requiring the administrator to be a qualified practitioner of medicine or be specifically trained for work of such character.

(e) Creates this subsection from existing text. Makes no further changes.

(f) Creates this subsection from existing text. Makes no further changes.

SECTION 3. Amends Section 7, Chapter 182, Acts of the 60th Legislature, Regular Session, 1967, as follows:

Sec. 7. New heading: BONDS. (a) Creates this subsection from existing text. Authorizes, rather than requires, the board to issue and sell as the obligations of such hospital district, and in the name and upon the faith and credit of such hospital district, general obligation bonds for the purchase, construction, acquisition, repair or renovation of buildings and improvements and equipping the same for hospital purposes and for any or all of such purposes.

(b) Creates this subsection from existing text. Requires the board, at the time general obligation bonds are issued by the district, to impose an ad valorem tax at a rate sufficient to create an interest and sinking fund to pay the principal of and interest on the bonds as the bonds mature. Prohibits such tax together with any other taxes levied for said district from exceeding 75 cents per \$100 valuation of taxable property in the district in any one year. Makes nonsubstantive and conforming changes.

(c) Requires the board's presiding officer to execute the general obligation bonds in the district's name. Requires the board secretary to countersign the bonds.

(d) Authorizes the district to issue general obligation bonds only if the bonds are authorized by a majority of the district voters voting at an election held for such purpose. Authorizes the board to order the election on its own motion. Requires that the order calling the election specify the place or places where the election shall be held, the presiding officers thereof, the purpose for which the bonds are to be issued, the amount of the bonds to be authorized, maximum interest rate, and the maximum maturity date of such bonds (not to exceed 40 years from their date of issuance). Deletes existing text relating to the execution, approval, and registration of the bonds. Deletes existing text prohibiting the maximum interest rate from exceeding six percent per annum. Makes nonsubstantive changes.

(e) Authorizes the board, without an election, to issue refunding bonds to refund outstanding bonds issued or assumed by the district. Authorizes a refunding bond to be:

(1) sold, with the proceeds of the refunding bond applied to the payment of the bonds to be refunded; or

(2) exchanged wholly or partly for not less than a similar amount of outstanding bonds and the unpaid matured interest on the bonds.

(f) Authorizes the board to issue revenue bonds to:

(1) purchase, construct, acquire, repair, or renovate buildings or improvements;

(2) equip buildings or improvements for hospital purposes; or

(3) acquire real property for hospital purposes.

(g) Requires that revenue bonds be payable from and secured by a pledge of all or part of the revenue derived from the operation of the district's hospital system. Authorizes that revenue bonds be additionally secured by a mortgage or deed of trust on all or part of district property. Requires that revenue bonds be issued in the manner provided by Sections 264.042 (Form and Procedure), 264.043 (Terms), 264.046 (Junior Lien Bonds; Parity Bonds), 264.047 (Bond Proceeds; Investment of Funds), 264.048 (Refunding Bonds), and 264.049 (Approval and

Registration of Bonds), Health and Safety Code, for issuance of revenue bonds by a county hospital authority.

(h) Authorizes the board, in addition to the authority to issue general obligation and revenue bonds under this section, to provide for the security and payment of district bonds from a pledge of a combination of ad valorem taxes as authorized by Subsection (b) of this section and revenue and other sources as authorized by Subsection (g) of this section.

(i) Authorizes the district to use the proceeds of bonds issued under this section to pay:

(1) any expense the board determines is reasonable and necessary to issue, sell, and deliver the bonds;

(2) interest payments on the bonds during a period of acquisition or construction of a project or facility to be provided through the bonds, not to exceed five years;

(3) costs related to the operation and maintenance of a project or facility to be provided through the bonds:

(A) during an estimated period of acquisition or construction, not to exceed five years; and

(B) for one year after the project or facility is acquired or constructed;

(4) costs related to the financing of the bond funds, including debt service reserve and contingency funds;

(5) costs related to the bond issuance;

(6) costs related to the acquisition of land or interests in land for a project or facility to be provided through the bonds; and

(7) construction costs of a project or facility to be provided through the bonds, including the payment of related professional services and expenses.

Deletes existing text relating to refunding bonds.

SECTION 4. Amends Chapter 182, Acts of the 60th Legislature, Regular Session, 1967, by adding Section 7A, as follows:

Sec. 7A. **AUTHORITY TO BORROW MONEY.** (a) Authorizes the board to borrow money at a rate not to exceed the maximum annual percentage rate allowed by law for district obligations at the time the loan is made.

(b) Authorizes the board, to secure a loan, to pledge:

(1) district revenue that is not pledged to pay the district's bonded indebtedness;

(2) tax revenue to be collected by the district during the 12-month period following the date of the pledge that is not pledged to pay the principal of or interest on district bonds; or

(3) district bonds that have been authorized but not sold.

(c) Requires that a loan for which taxes or bonds are pledged mature not later than the first anniversary of the date the loan is made. Requires that a loan for which district revenue is pledged mature not later than the fifth anniversary of the date the loan is made.

SECTION 5. Amends Section 10, Chapter 182, Acts of the 60th Legislature, Regular Session, 1967, as follows:

Sec. 10. DISTRICT DEPOSITORY. (a) Creates this subsection from existing text. Requires the board to select one or more banks, rather than one or more banks within the district, to serve as a depository for district money. Requires that the money, to the extent the money in a depository bank is not insured by the Federal Deposit Insurance Corporation, be secured in the manner provided by law for security of county funds. Provides that membership on the board of an officer or director of a bank shall not disqualify such bank from being designated as a depository. Deletes existing text relating to the deposit of district funds and the payment of principal and interest on certain obligations of the district. Makes nonsubstantive changes.

(b) Authorizes the board to invest operating, depreciation, or building reserves only in funds or securities specified by Chapter 2256 (Public Funds Investment), Government Code.

SECTION 6. Amends Section 13, Chapter 182, Acts of the 60th Legislature, Regular Session, 1967, as follows:

Sec. 13. METHODS AND PROCEDURES; CONSTRUCTION CONTRACTS. (a) Makes no changes to this subsection.

(b) Makes no changes to this subsection.

(c) Authorizes the board to enter into purchase or construction contracts on behalf of the district; however, the board may enter into construction contracts that involve spending more than the amount provided by Section 271.024 (Competitive Procurement Procedure Applicable to Contract), Local Government Code, only after advertising as provided by Subchapter B, Chapter 271, Local Government Code, rather than authorizing the board to enter into construction or purchase contracts that involve spending more than \$10,000 only after advertising as provided by Chapter 252 (Purchasing and Contracting Authority of Municipalities), Local Government Code.

(d) Provides that Chapter 2253 (Public Work Performance and Payment Bonds), Government Code, rather than Article 5160, Revised Statutes, applies to construction contracts let by the district.

EFFECTIVE DATE

SECTION 7. Effective date: upon passage or September 1, 2011.