

Act No. 398
Public Acts of 1994
Approved by the Governor
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**STATE OF MICHIGAN
87TH LEGISLATURE
REGULAR SESSION OF 1994**

Introduced by Reps Bodem Jaman Gnodtke Dalman Pitoniak Kukuk Jersevic Brackenridge
Fitzgerald Gire McNutt DeLange Hammerstrom Gustafson and Llewellyn

ENROLLED HOUSE BILL No. 5294

AN ACT to amend sections 206 and 209 of Act No. 230 of the Public Acts of 1987 entitled as amended An act to authorize certain local governmental units to incorporate municipal health facilities corporations and subsidiary municipal health facilities corporations for establishing modifying operating and managing health services and acquiring constructing adding to repairing remodeling renovating equipping and re-equipping hospitals and other health care facilities and related purposes to provide for the application of this act to existing municipal hospitals and for the transfer of ownership of hospital funds and personal property to validate and ratify the existence organization actions proceedings and board membership of existing organizations acting as county public hospitals to provide for the appointment of trustees to grant certain powers of a public body corporate to health facilities corporations and subsidiary health facilities corporations to empower certain local governmental units to encumber property for the benefit of transfer or make property available to issue bonds to construct facilities to be used by appropriate funds for and levy a tax for municipal health facilities corporations and subsidiary municipal health facilities corporations to empower certain local governmental units to guarantee obligations of municipal health facilities corporations and subsidiary municipal health facilities corporations and to permit certain local governmental units to pledge their full faith and credit to pay such guaranties to provide for transfer of ownership or operation of health care facilities and health services to nonprofit health care organizations to authorize municipal health facilities corporations and subsidiary municipal health facilities corporations to borrow money and issue notes for the purposes of meeting expenses of operation and to issue corporation obligations for the purpose of acquisition, construction repair remodeling equipping or re equipping of health care facilities and for the refinancing refunding or refunding in advance of indebtedness of the municipal health facilities corporations or the subsidiary municipal health facilities corporations or of indebtedness of certain local governmental units undertaken on their behalf to authorize municipal health facilities corporations and subsidiary municipal health facilities corporations to enter into mortgages deeds of trust and other agreements for security which may include provisions for the appointment of receivers to exempt obligations and property of municipal health facilities corporations and subsidiary municipal health facilities corporations from taxation and to provide other rights powers and duties of municipal health facilities corporations and subsidiary municipal health facilities corporations being sections 331 1206 and 331 1209 of the Michigan Compiled Laws

The People of the State of Michigan enact

Section 1 Sections 206 and 209 of Act No. 230 of the Public Acts of 1987 being sections 331 1206 and 331 1209 of the Michigan Compiled Laws are amended to read as follows

Sec 206 Except as provided in section 203 the incorporation of a corporation by a county shall be accomplished by approval of articles of incorporation by resolution of the county board of commissioners The incorporation of a subsidiary corporation by a county shall be accomplished by approval of articles of incorporation by resolution of the

county board of commissioners The articles of incorporation of a corporation or subsidiary corporation established by a county shall set forth the name of the corporation or subsidiary corporation the purposes for which it is created which may include all of the purposes for which a corporation or subsidiary corporation may be organized under this act the number terms and manner of selection of the officers of its board of trustees or subsidiary board which shall include a chairperson and a secretary and a general description of their respective powers and duties the date upon which the incorporation becomes effective and the name of the newspaper in which the articles of incorporation shall be published The articles of incorporation of a subsidiary corporation shall also contain the name of the corporation acting as its parent and shall specify the size of the subsidiary board in accordance with section 209(1) The articles of incorporation of a corporation established by a county may specify transactions otherwise within the powers of its board of trustees which shall require approval by resolution of the county board of commissioners and may also contain other matters considered expedient to be included in the articles of incorporation The articles of incorporation of a subsidiary corporation incorporated by a county may specify transactions otherwise within the powers of its subsidiary board which shall require approval by resolution of the board of trustees of its designated parent corporation and may also contain other matters considered expedient to be included in the articles of incorporation

Sec 209 (1) Each board of trustees of a corporation and subsidiary board of a subsidiary corporation shall consist of not fewer than 5 or more than 15 trustees The exact number of trustees and the length of their terms of office shall be as specified in the articles of incorporation or as provided in section 203(1) Except for the initial appointments to boards of trustees and subsidiary boards of newly incorporated corporations and subsidiary corporations terms of office begin on January 1 The term of office of a trustee appointed to fill a vacancy on a board of trustees or subsidiary board of a corporation or subsidiary corporation established by a county begins upon appointment and shall continue for the remainder of the term of the former trustee whose position became vacant Terms of office shall be staggered so that an approximately equal number of terms expire at the end of each year or each 2 years except that terms may be fixed so that the shortest terms do not expire until the end of the second year following the incorporation of a corporation or a subsidiary corporation Notwithstanding any other provision of this subsection all trustees shall serve until their successors are appointed In the case of corporations governed by Act No 350 of the Public Acts of 1913 being sections 331 151 to 331 169 of the Michigan Compiled Laws on February 27 1988 the chief executive of the corporation shall serve as a member of the board of trustees until and unless the duly adopted articles of incorporation provide otherwise and in other cases the chief executive officer of a corporation or subsidiary corporation established by a county is eligible to serve on the board of trustees or a subsidiary board either by appointment or if provided in the articles of incorporation ex officio

(2) Upon incorporation of a corporation by a county pursuant to this act the county board of commissioners shall appoint trustees to all positions on the board of trustees Adoption of articles of incorporation for a corporation succeeding a county public hospital organized and existing under Act No 350 of the Public Acts of 1913 or under Act No 109 of the Public Acts of 1945 being sections 331 201 to 331 213 of the Michigan Compiled Laws on February 27 1988 does not constitute incorporation of a corporation for purposes of this subsection The terms of office of trustees serving on the board of such a county public hospital shall not be diminished except that the adopted articles may prospectively establish new lengths of terms of office for the board of trustees and may prospectively alter the board size Nominations for a position on a board of trustees or subsidiary board of a corporation or subsidiary corporation established by a county other than an ex officio position filled by a chief executive officer shall be made by submitting the names of 3 qualified nominees to the county board of commissioners During the September immediately preceding the expiration of a term of office on the board of trustees or subsidiary board of a corporation or subsidiary corporation established by a county that board of trustees or subsidiary board shall make nominations for each position for which the term of office is about to expire Upon creation of a vacancy on the board of trustees or subsidiary board of a corporation or subsidiary corporation established by a county that board of trustees or subsidiary board shall make nominations for the vacant position Upon incorporation of a subsidiary corporation by a county the board of trustees of the parent corporation shall make nominations for each position on the new subsidiary board The county board of commissioners at a meeting in that or the following month shall consider the nominations and shall make appointments to the board of trustees or subsidiary board from among the persons nominated as considered appropriate by the county board of commissioners The county board of commissioners is not required to fill a position with 1 of the 3 persons nominated but if it declines to do so it shall consider nominees and request additional nominees in the manner provided in this subsection until the position is filled

(3) All trustees of corporations and subsidiary corporations established by a county shall be chosen with reference to their fitness for the office but not more than 1/3 of the trustees serving at any time shall be direct providers of health care Trustees shall be citizens of the county unless the articles of incorporation permit individuals who are not citizens of the county to be trustees Trustees of the parent corporation the chief executive officer of the parent corporation and the chief executive officer of a subsidiary corporation are eligible for appointment to a subsidiary board and a trustee or chief executive officer of a parent corporation are eligible for appointment as chief executive officer of a subsidiary corporation and these offices are not incompatible Trustees are eligible for reappointment

(4) Before the tenth day after commencement of their term of office trustees shall qualify by taking the oath provided by section 1 of article XI of the state constitution of 1963

(5) Any trustee of a corporation established by a county may be removed from office for cause either by vote of a majority of the members then serving on the county board of commissioners or by vote of a majority of the members then serving on the board of trustees of the corporation Any trustees of a subsidiary corporation incorporated by a county may be removed from office for cause either by vote of a majority of the members then serving on the county board of commissioners or by vote of a majority of the members then serving on the board of trustees of the parent corporation As used in this subsection cause includes but is not limited to incompetency to properly exercise duties official misconduct or habitual or willful neglect of duty including but not limited to failure to attend meetings including committee meetings in accordance with standards determined from time to time by the board of trustees of the corporation or subsidiary board

(6) A trustee shall not be removed from office on grounds of misconduct or neglect unless the trustee is served with a notice of hearing and a copy of the asserted ground for removal and is given full opportunity to be heard either in person or by counsel before a vote is taken on the question of removal from office

This act is ordered to take immediate effect

Co Clerk of the House of Representatives

— Secretary of the Senate

Approved

Governor