

HOSPITAL FINANCE AUTHORITY ACT (EXCERPT)

Act 38 of 1969

CHAPTER 3

331.51 Incorporation of local hospital authority; purposes.

Sec. 21. An incorporating unit may incorporate a local hospital authority under this act for the purposes of constructing, acquiring, reconstructing, remodeling, improving, adding to, enlarging, repairing, owning, and leasing hospital facilities for the use of a hospital within or without the boundaries of the incorporating unit; lending money to a hospital for those purposes; refunding or refunding in advance obligations of a local authority or the state authority; or refinancing the indebtedness of a hospital.

History: 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978.

331.52 Local authority; articles of incorporation, adoption, certificate form.

Sec. 22. The incorporation of a local hospital authority shall be accomplished by the adoption of articles of incorporation by the governing body of the incorporating unit. The affirmative vote of the majority of the members-elect of the governing body of the incorporating unit is required for such adoption. The articles of incorporation shall be executed for and on behalf of the incorporating unit by the chief executive officer and clerk. The clerk of each incorporating unit shall also affix to the articles of incorporation, following the signatures thereto, a certificate in form substantially as follows:

"The foregoing articles of incorporation were adopted by the of the of, County of, Michigan, at a meeting duly held on the day of, 19..... . Dated:, 19..... .
.....Clerk"

History: 1969, Act 38, Imd. Eff. July 14, 1969.

331.53 Local authority; articles, contents.

Sec. 23. The articles of incorporation shall set forth the name of the local authority, which name shall include the word "hospital"; the name of the incorporating unit; the purpose for which the local authority is created; the number, terms and manner of selection of the local authority's officers, including its governing board which shall be known as the "commission"; the powers and duties of the local authority and of its officers; the date upon which the articles of incorporation shall become effective and the local authority shall be established; the name of the newspaper in which the articles of incorporation shall be published and the name of the person responsible for the publication and filings required by this act; and any other matters necessary or expedient to be included therein.

History: 1969, Act 38, Imd. Eff. July 14, 1969.

Compiler's note: The term "world" near the beginning of this section evidently should read "word."

331.54 Local authority; articles, execution, filing, publication; validity of incorporation.

Sec. 24. The articles of incorporation shall be executed in duplicate and delivered to the county clerk of the county in which the local authority is located, who shall file 1 duplicate in his office and the other with the recording officer of the hospital authority when selected. The county clerk shall publish a copy of the articles of incorporation once in a newspaper designated in the articles of incorporation and circulating within the county. He shall file 1 printed copy of the articles of incorporation with the secretary of state and 1 in his office, attached to each shall be his certificate setting forth that the same is a true and complete copy of the original articles of incorporation on file in his office and also the date and place of the publication thereof. The local authority shall be established at the time provided in the articles of incorporation. The validity of the incorporation shall be conclusively presumed unless questioned in a court of competent jurisdiction within 60 days after the filing of the certified copies with the secretary of state and the county clerk.

History: 1969, Act 38, Imd. Eff. July 14, 1969.

331.55 Local authority; articles, amendment.

Sec. 25. Amendments may be made to articles of incorporation if adopted by the governing body of the incorporating unit. No amendment shall impair the obligation of any bond or other contract. Each amendment shall be adopted, executed and published and certified printed copies filed, in the same manner as the original articles of incorporation.

History: 1969, Act 38, Imd. Eff. July 14, 1969.

331.56 Local authority as public body corporate; enumeration of powers; general powers not limited; conducting business at public meeting; notice.

Sec. 26. (1) Each local authority is a public body corporate, having the succession and term as may be provided in its articles of incorporation. It may adopt and amend bylaws for the regulation of its affairs and the conduct of its business; adopt an official seal and alter it at its discretion; maintain offices at places as it designates; sue and be sued in its own name in any court of this state; and generally do and suffer to be done all things necessary for and convenient and incident to the carrying out of the purposes of its incorporation. The enumeration of powers in this act shall not be construed as a limitation upon the general powers.

(2) The business which the local authority may perform shall be conducted at a public meeting of the authority held in compliance with Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the meeting shall be given in the manner required by Act No. 267 of the Public Acts of 1976.

History: 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 206, Imd. Eff. June 4, 1978.

331.57 Powers of local authority.

Sec. 27. A local authority may:

(a) Construct, acquire by gift, purchase, lease, or condemnation, reconstruct, remodel, improve, add to, enlarge, repair, own, and lease hospital facilities, and acquire a site or sites for the facilities. For the purpose of condemnation, it may proceed under Act No. 149 of the Public Acts of 1911, as amended, being sections 213.21 to 213.41 of the Michigan Compiled Laws, or any other appropriate statute. The governing body of an incorporating unit by majority vote of the body's members elected and serving, may transfer any real property, except cemetery property, owned by the incorporating unit to a local authority established pursuant to this act.

(b) Issue revenue bonds to finance all or any part of the project costs of any hospital facilities or to refinance any outstanding indebtedness of a hospital if the local authority determines that the refinancing is necessary to realize the objectives and purposes of this act. Bonds issued to refinance outstanding hospital indebtedness pursuant to this subdivision shall not exceed the amount of principal, interest, and redemption premium, if any, of the indebtedness to be refinanced which has not been paid, plus the marketing, financing, legal, and other costs incurred in connection with the refinancing and the issuance of the bonds, including the costs of funding a bond reserve, and paying capitalized interest on the bonds for a period not to exceed 1 year after the issuance of the bonds. The determination of the local authority under this subdivision shall be conclusive except with respect to the approval of the municipal finance commission or its successor agency when prior approval is required.

(c) Enter into lease or lease-purchase agreements with a hospital for the use of the hospital facilities. The agreement shall provide that the rents to be charged for the use shall be fixed and revised to produce income and revenues sufficient to pay promptly when due the interest upon and the principal of all bonds issued payable from the income and revenues after provision has been made for the payment of operation and maintenance costs.

(d) Mortgage the hospital facilities in favor of the holders of the bonds issued for those facilities, and may pledge and create a lien in favor of the bondholders on all or part of the funds which are available for payment of principal and interest on the bonds.

(e) Sell and convey part or all of the hospital facilities and site, including without limitation a sale and conveyance subject to a mortgage, for a price and at a time which the local authority may determine. A sale or conveyance shall not be made in a manner as to impair the rights or interests of the holders of bonds.

(f) Make loans; participate in the making of loans; undertake commitments; make loans and mortgages; sell loans and mortgages at public or private sale; modify or alter loans and mortgages; discharge loans and mortgages; foreclose on a mortgage or commence an action to protect or enforce a right conferred upon it by law, mortgage, loan, contract, or other agreement; bid for and purchase property which was the subject of a mortgage at a foreclosure or other sale and acquire or take possession of the property and in that event complete, administer, pay the principal and interest on any obligations incurred in connection with the property; and dispose of and otherwise deal with the property in any manner necessary or desirable to protect the interests of the local authority in the property. The loans made by the authority may be secured by mortgages or not, as the local authority determines.

(g) Loan money to hospitals for the purpose of refinancing outstanding indebtedness of a hospital if the local authority determines that the refinancing is necessary to realize the objectives and purposes of this act. A hospital loan made pursuant to this subdivision shall not exceed the amount of the principal, interest, and redemption premium, if any, of the indebtedness to be refinanced which has not been repaid, plus the marketing, financing, legal, and other costs incurred in connection with the refinancing and the issuance of bonds of the local authority issued in whole or in part to provide funds to make the hospital loan described in this subdivision, including the costs of funding a bond reserve and paying capitalized interest on the bonds for a period not to exceed 1 year after the issuance of the bonds. The determination of the local authority under

this subdivision shall be conclusive except with respect to the approval of the municipal finance commission or its successor agency when prior approval is required.

(h) Employ consulting engineers, architects, attorneys, accountants, construction and financial experts, superintendents, managers, and other employees and agents necessary in its judgment and fix their compensation.

(i) Receive and accept from a public or private agency loans or grants for or in aid of a project undertaken, or a portion of a project, and receive and accept loans, grants, aid, or contributions from any source of either money, property, labor, or other things of value, to be held, used, and applied only for the purposes for which the loans, grants, aid, and contributions are made.

(j) Charge, impose, and collect fees and charges in connection with its loans, commitments, and servicing, including reimbursement of costs of financing by the local authority, service charges, insurance premiums, and an allocable share of the operating expenses of the local authority; make provision for increasing the fees and charges, if necessary, as the local authority shall determine to be reasonable and as approved by the local authority; and collect fees and charges from the lessees of the hospital facilities sufficient to meet operation and maintenance expenses of the authority.

(k) Exercise its powers and undertake a project for the benefit of a single hospital or the joint benefit of a group or association of 1 or more hospitals.

(l) Invest funds not required for immediate use or disbursement, at its discretion, in obligations of the state or the United States, in obligations the principal and interest of which are guaranteed by the state or the United States, or in certificates of deposit of a bank which is a member of the federal reserve system or a savings and loan association which is a member of the federal home loan bank system.

History: 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978;—Am. 1983, Act 48, Imd. Eff. May 16, 1983.

331.57a Hospital loan from local authority; purpose; requirements; security; appointment of receiver; limitation on loan; repayment; interest.

Sec. 27a. A local authority may lend money to hospitals for the payment of project costs. A hospital loan shall not be made unless the local authority is reasonably satisfied that there will be made available to the hospital from the hospital loan and other sources all the funds necessary to pay the project costs; that the hospital facility and other revenues pledged will produce sufficient revenues to meet the principal and interest on the hospital loan, other costs, expenses, and charges connected with the loan, and other charges or obligations of the hospital which may be prior or equal to the loan promptly as they become due; and the hospital is otherwise soundly financed. The hospital loan may be secured by a mortgage of hospital property, including the hospital facility, and may provide for the appointment of a receiver to operate the hospital facilities in case of default. A hospital loan made pursuant to this section shall not exceed the project costs as determined by the local authority. A loan shall be secured in a manner, be repaid in a period not exceeding 50 years, and bear interest at a rate, as determined by the local authority. The rate may be decreased or increased so that it is not less than the rate paid by the local authority on notes, renewal notes, or bonds issued to fund the loan.

History: Add. 1978, Act 277, Imd. Eff. July 3, 1978.

331.58 Power of local authority to borrow money and issue negotiable bonds; purpose; payment of principal and interest; bond or coupon not general obligation or debt.

Sec. 28. (1) For the purpose of defraying the project costs of hospital facilities, making hospital loans, refinancing indebtedness of a hospital, or refunding or refunding in advance obligations of any authority created or incorporated under this act, a local authority may borrow money and issue its negotiable bonds. The principal and interest of the bonds shall be payable solely from the net revenues derived from the hospital facilities, from the repayment of hospital loans, from gifts or grants, from amounts derived from the disposition of hospital facilities mortgaged or otherwise pledged as security for payment of the bonds or from investment earnings or profits on any of these sources.

(2) A bond or coupon issued pursuant to this act shall not be a general obligation or nor constitute a debt of the local authority or any of the incorporating units within the meaning of any constitutional, charter, or statutory limitation.

History: 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978.

331.59 Contents of resolution authorizing bonds.

Sec. 29. A resolution authorizing bonds or an issue of bonds under this chapter may contain provisions, which shall be a part of the contract with the holders of the bonds, as to:

(a) The use and disposition of the rentals received under the agreement, or the income from hospital loans and mortgages owned by the local authority, and payment of principal and interest on the loans and mortgages, including the creation of reserves or sinking funds, and the regulation and disposition of the reserves and sinking funds.

(b) The limitations on the purpose to which the proceeds of a sale of notes or bonds may be applied, and pledging those proceeds to secure the payment of the notes or bonds or of an issue of notes or bonds.

(c) The limitations on the issuance of additional notes or bonds and the terms and conditions upon which additional notes or bonds may be issued.

(d) The maintenance and repair costs of the hospital facilities, which costs may be assumed by the lessee hospital, in which event provision need not be made for rental payments to meet the costs.

(e) The insurance to be carried on the hospital facilities and the use and disposition of insurance moneys.

(f) The terms and conditions upon which the holder of the bonds, or a portion of the bonds, or any trustees therefor, shall be entitled to the appointment of a receiver by a court which has jurisdiction in the proceedings, and which receiver may enter and take possession of the hospital facilities and lease and maintain the facilities, prescribe rentals, and collect, receive, and apply all income and revenues thereafter arising from the facilities in the same manner and to the same extent as the hospital authority might do.

(g) The procedure by which the terms of a contract with noteholders or bondholders may be amended or abrogated, the amount of notes or bonds the holders of which must consent to an amendment or abrogation, and the manner in which the consent may be given.

(h) The vesting in 1 or more trustees of the property, rights, powers, remedies, and duties which the local authority considers necessary or convenient.

History: 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978.

331.60 Additional provisions of resolution authorizing bonds.

Sec. 30. A resolution authorizing the issuance of bonds under this act may provide that the principal of, and interest on, the bonds issued shall be secured by:

(a) In the case of a lease or lease purchase agreement, a mortgage or deed of trust covering the hospital facilities for which the bonds are issued and may include additions, improvements, or extensions made after the date of issuance. The mortgage or deed of trust may contain covenants and agreements to properly safeguard the bonds as may be provided for in the resolution authorizing the bonds, but not inconsistent with this act, and shall be executed in the manner provided in the resolution. The resolution may provide for the appointment of 1 or more trustees for bondholders and any such trustee may be an individual or corporation domiciled or located within or without the state and may be given appropriate powers whether with or without the execution of a mortgage or deed of trust covering the hospital facilities or site.

(b) In the case of loans to hospitals, a lien on all or part of the fees and charges made or received, or to be received, by the local authority from the hospital, on all or part of the money received in payment of the hospital loan and interest on the hospital loan, on all or part of investment earnings or profits on any of these sources, and on all or part of the security held for that payment.

History: 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978.

331.61 Local authority; bonds, enforcement of payment, validity, publication.

Sec. 31. (1) The provisions of this act and any resolution and any mortgage or deed of trust shall continue in effect until the principal and interest on the bonds has been fully paid and the duties of the hospital authority and its commission and officers under this act and any resolution and any mortgage or deed of trust shall be enforceable by any bondholder by mandamus, foreclosure of the mortgage or deed of trust or other appropriate action in any court of competent jurisdiction.

(2) The resolution authorizing the bonds shall provide that the bonds shall contain a recital that they are issued pursuant to this act, which recital shall be conclusive evidence of their validity and of the regularity of their issuance.

(3) Any resolution authorizing the issuance of bonds under this act shall not be effective until publication once in a newspaper of general circulation within the incorporating unit.

History: 1969, Act 38, Imd. Eff. July 14, 1969.

331.62 Issuance of new bonds.

Sec. 32. If it considers refunding expedient, a local authority may periodically issue bonds to refund or refund in advance bonds or notes issued by the local authority, any other local authority, or the state authority, by the issuance of new bonds pursuant to the requirements of sections 43a to 43g.

History: 1969, Act 38, Imd. Eff. July 14, 1969;—Am. 1978, Act 277, Imd. Eff. July 3, 1978.

331.63 Local authority; conveyance of hospital facilities.

Sec. 33. When all bonds issued pursuant to the provisions of this chapter have been retired, then the local authority may convey the title to the hospital facilities to the lessee hospital or organization authorized to operate a hospital in accordance with any agreement executed between the local authority and the lessee hospital.

History: 1969, Act 38, Imd. Eff. July 14, 1969.