

SUBSTITUTE FOR
SENATE BILL NO. 374

A bill to amend 1987 PA 230, entitled
"Municipal health facilities corporations act,"
by amending sections 209 and 258 (MCL 331.1209 and 331.1258),
section 209 as amended by 1994 PA 398 and section 258 as amended by
1990 PA 273.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 209. (1) ~~Each~~ **ALL OF THE FOLLOWING APPLY TO EACH** board of
2 trustees of a corporation and subsidiary board of a subsidiary
3 corporation **INCORPORATED BY A COUNTY:**

4 **(A) THE BOARD** shall consist of ~~not fewer than~~ **AT LEAST** 5 ~~or~~
5 **AND NOT** more than 15 trustees. The exact number of trustees and the
6 length of their terms of office shall be as specified in the
7 articles of incorporation or as provided ~~in~~ **UNDER** section 203(1).

8 **(B)** Except for the initial appointments to ~~boards~~ **A BOARD** of

1 trustees and ~~OR subsidiary boards of~~ **BOARD OF A** newly incorporated
 2 ~~corporations and CORPORATION OR~~ subsidiary corporations, ~~terms~~
 3 **CORPORATION, THE TERM** of office ~~begin~~ **OF A TRUSTEE BEGINS** on
 4 January 1.

5 (C) The term of office of a trustee appointed to fill a
 6 vacancy on a board of trustees or subsidiary board ~~of a corporation~~
 7 ~~or subsidiary corporation established by a county begins upon~~
 8 ~~appointment~~ **WHEN HE OR SHE IS APPOINTED** and ~~shall continue~~
 9 **CONTINUES** for the remainder of the term of the former trustee whose
 10 position became vacant.

11 (D) Terms of office **OF TRUSTEES** shall be staggered so that an
 12 approximately equal number of terms expire at the end of each year
 13 or each 2 years, except that terms may be fixed so that the
 14 shortest terms do not expire until the end of the second year
 15 following the incorporation of a corporation or a subsidiary
 16 corporation. ~~Notwithstanding any other provision of this~~
 17 ~~subsection, all trustees shall serve until their successors are~~

18 (E) **A TRUSTEE WHOSE TERM OF OFFICE HAS EXPIRED SHALL CONTINUE**
 19 **TO SERVE UNTIL HIS OR HER SUCCESSOR IS** appointed. ~~In the case of~~
 20 ~~corporations governed by Act No. 350 of the Public Acts of 1913,~~
 21 ~~being sections 331.151 to 331.169 of the Michigan Compiled Laws, on~~
 22 ~~February 27, 1988, the~~

23 (F) **THE** chief executive of ~~the~~ **A** corporation **ESTABLISHED BY A**
 24 **COUNTY AND GOVERNED BY 1913 PA 350, MCL 331.151 TO 331.169,** shall
 25 serve as a member of the board of trustees until and unless the
 26 duly adopted articles of incorporation provide otherwise. ~~, and in~~
 27 ~~other cases the~~ **THE** chief executive officer of a **ANY OTHER**

1 corporation or subsidiary corporation established by a county is
 2 eligible to serve on the board of trustees or a subsidiary board,
 3 either by appointment or, if provided in the articles of
 4 incorporation, ex officio.

5 ~~(2) Upon incorporation of~~ **IF A COUNTY INCORPORATES** a
 6 corporation ~~by a county pursuant to~~ **UNDER** this act, the county
 7 board of commissioners shall appoint ~~trustees to all positions on~~
 8 the **INITIAL** board of trustees. **AFTER THE INITIAL BOARD OF TRUSTEES,**
 9 **WHEN A TRUSTEE'S TERM OF OFFICE EXPIRES OR IF A TRUSTEE'S OFFICE IS**
 10 **OTHERWISE VACANT, THE REMAINING MEMBERS OF THE BOARD OF TRUSTEES**
 11 **SHALL FILL THE VACANCY WITH THE ADVICE AND CONSENT OF THE COUNTY**
 12 **BOARD OF COMMISSIONERS. THIS SUBSECTION DOES NOT APPLY TO AN EX**
 13 **OFFICIO MEMBER OF A BOARD OF TRUSTEES WHO IS APPOINTED BY A CHIEF**
 14 **EXECUTIVE OFFICER.**

15 **(3)** Adoption of articles of incorporation for a corporation
 16 succeeding a county public hospital organized and existing under
 17 ~~Act No. 350 of the Public Acts of 1913 or under Act No. 109 of the~~
 18 ~~Public Acts of 1945, being sections 331.201 to 331.213 of the~~
 19 ~~Michigan Compiled Laws, 1913 PA 350, MCL 331.151 TO 331.169, OR~~
 20 **1945 PA 109, MCL 331.201 TO 331.213,** on February 27, 1988 does not
 21 constitute incorporation of a corporation for purposes of ~~this~~
 22 subsection **(2)**. The terms of office of trustees serving on the
 23 board of ~~such a~~ **THAT** county public hospital shall not be
 24 diminished, except that the adopted articles may prospectively
 25 establish new lengths of terms of office for the board of trustees,
 26 and may prospectively alter the board size. ~~Nominations for a~~
 27 ~~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~~

(4) IF A COUNTY INCORPORATES a subsidiary corporation, ~~by a county,~~ the board of trustees of the parent corporation shall make nominations for each position on the new **APPOINT THE INITIAL** 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. WITH THE ADVICE AND CONSENT OF THE COUNTY BOARD OF COMMISSIONERS. AFTER THE INITIAL SUBSIDIARY BOARD, WHEN A TRUSTEE'S TERM OF OFFICE EXPIRES OR IF A~~

1 TRUSTEE'S OFFICE IS OTHERWISE VACANT, THE BOARD OF TRUSTEES OF THE
 2 PARENT CORPORATION SHALL FILL THE VACANCY WITH THE ADVICE AND
 3 CONSENT OF THE COUNTY BOARD OF COMMISSIONERS. THIS SUBSECTION DOES
 4 NOT APPLY TO AN EX OFFICIO MEMBER OF A SUBSIDIARY BOARD WHO IS
 5 APPOINTED BY A CHIEF EXECUTIVE OFFICER.

6 (5) ~~(3) All trustees~~ **A TRUSTEE** of corporations and ~~A~~
 7 **CORPORATION OR** subsidiary ~~corporations~~ **CORPORATION** established by a
 8 county shall be chosen ~~with reference to their fitness for the~~
 9 **BASED ON HIS OR HER QUALIFICATIONS FOR THAT** office, but not more
 10 than 1/3 of the trustees serving at any time shall be direct
 11 providers of health care. ~~Trustees~~ **A TRUSTEE** shall be ~~citizens~~ **A**
 12 **RESIDENT** of the county unless the articles of incorporation permit
 13 individuals who are not ~~citizens~~ **RESIDENTS** of the county to be
 14 ~~trustees~~ **A TRUSTEE**. ~~Trustees~~ **A TRUSTEE** of the parent corporation,
 15 the chief executive officer of the parent corporation, and the
 16 chief executive officer of a subsidiary corporation are eligible
 17 for appointment to a subsidiary board and a trustee or chief
 18 executive officer of a parent corporation are eligible for
 19 appointment as chief executive officer of a subsidiary corporation,
 20 and ~~these~~ **THOSE** offices are not incompatible. ~~Trustees are~~ **A**
 21 **TRUSTEE IS** eligible for reappointment.

22 (6) ~~(4) Before the tenth day after commencement of their~~
 23 **WITHIN 9 DAYS AFTER COMMENCING HIS OR HER** term of office, ~~trustees~~
 24 **A TRUSTEE** shall ~~qualify by taking~~ **TAKE** the oath **OF OFFICE AS**
 25 provided by ~~IN~~ section 1 of article XI of the state constitution of
 26 1963.

27 (7) ~~(5) Any~~ **A** trustee of a corporation established

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 corporation.

~~Any trustees~~ **A TRUSTEE** 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.

(8) ~~(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.

Sec. 258. (1) ~~Each~~ **ALL OF THE FOLLOWING APPLY TO EACH** board of trustees and subsidiary board of a corporation incorporated by a city or village:

(A) **THE BOARD** shall consist of ~~not fewer than~~ **AT LEAST** 5 ~~or~~ **AND NOT** 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.

1 (B) Except for the initial appointments to ~~boards~~ **A BOARD** of
 2 trustees ~~and OR subsidiary boards~~ **BOARD** of **A** newly incorporated
 3 ~~corporations and CORPORATION OR subsidiary corporations, terms~~
 4 **CORPORATION, THE TERM** of office ~~begin~~ **OF A TRUSTEE BEGINS** on
 5 January 1. ~~Terms~~

6 (C) **THE TERMS** of office **OF TRUSTEES** shall be staggered so that
 7 an approximately equal number of terms expire at the end of each
 8 year or each 2 years, except that terms may be fixed so that the
 9 shortest terms do not expire until the end of the second year
 10 following the incorporation of a corporation or a subsidiary
 11 corporation. ~~Notwithstanding any other provision of this~~
 12 ~~subsection, trustees shall serve until their successors are~~ **A**
 13 **TRUSTEE WHOSE TERM OF OFFICE HAS EXPIRED SHALL CONTINUE TO SERVE**
 14 **UNTIL HIS OR HER SUCCESSOR IS** appointed.

15 (2) ~~Upon incorporation of~~ **IF A CITY OR VILLAGE INCORPORATES** a
 16 corporation ~~or subsidiary corporation by a city or village pursuant~~
 17 ~~to~~ **UNDER** this act, the city council or village council shall
 18 appoint ~~trustees to all positions on the~~ **INITIAL** board of trustees.
 19 **AFTER THE INITIAL BOARD OF TRUSTEES, WHEN A TRUSTEE'S TERM OF**
 20 **OFFICE EXPIRES OR IF A TRUSTEE'S OFFICE IS OTHERWISE VACANT, THE**
 21 **REMAINING MEMBERS OF THE BOARD OF TRUSTEES SHALL FILL THE VACANCY**
 22 **WITH THE ADVICE AND CONSENT OF THE CITY COUNCIL OR VILLAGE COUNCIL.**
 23 **THIS SUBSECTION DOES NOT APPLY TO AN EX OFFICIO MEMBER OF A BOARD**
 24 **OF TRUSTEES WHO IS APPOINTED BY A CHIEF EXECUTIVE OFFICER.**

25 (3) The terms of office of trustees serving on the board of a
 26 city public hospital or village public hospital before
 27 incorporation **THAT IS SUBSEQUENTLY INCORPORATED** under this act

1 shall not be diminished, except that the ~~adopted~~ articles **OF**
2 **INCORPORATION FOR THAT SUCCESSOR CORPORATION** may prospectively
3 establish new lengths of terms of office for the board of trustees,
4 and may prospectively alter the board size. ~~Upon incorporation of~~

5 **(4) IF A CITY OR VILLAGE INCORPORATES** a subsidiary
6 corporation, ~~and during the September preceding the expiration of~~
7 ~~all terms of office of trustees of corporations and subsidiary~~
8 ~~corporations,~~ the board of trustees of the ~~corporation or parent~~
9 corporation shall ~~submit to the city council or village council the~~
10 ~~names of 3 qualified nominees for each new or expiring term, other~~
11 ~~than the term of the chief executive officer on the board of~~
12 ~~trustees, if the chief executive officer of the corporation serves~~
13 ~~as a member of the board of trustees. The city council or village~~
14 ~~council, at a meeting in that or the following month, shall~~
15 ~~consider the nominations and shall make appointments for the board~~
16 ~~of trustees or subsidiary board from among the persons nominated as~~
17 ~~considered appropriate by the city council or village council. The~~
18 ~~city council or village council is not required to fill a position~~
19 ~~with 1 of the 3 persons nominated, but if the city council or~~
20 ~~village council declines to do so, it shall request that the board~~
21 ~~of trustees provide the city council or village council with 3~~
22 ~~additional nominees for the position within 30 days, and shall~~
23 ~~continue to consider nominees and request additional nominees in~~
24 ~~the manner provided in this subsection until the position is~~
25 ~~filled.~~ **APPOINT THE INITIAL SUBSIDIARY BOARD WITH THE ADVICE AND**
26 **CONSENT OF THE CITY COUNCIL OR VILLAGE COUNCIL. AFTER THE INITIAL**
27 **SUBSIDIARY BOARD, WHEN A TRUSTEE'S TERM OF OFFICE EXPIRES OR IF A**

1 TRUSTEE'S OFFICE IS OTHERWISE VACANT, THE BOARD OF TRUSTEES OF THE
 2 PARENT CORPORATION SHALL FILL THE VACANCY WITH THE ADVICE AND
 3 CONSENT OF THE CITY COUNCIL OR VILLAGE COUNCIL. THIS SUBSECTION
 4 DOES NOT APPLY TO AN EX OFFICIO MEMBER OF A SUBSIDIARY BOARD WHO IS
 5 APPOINTED BY A CHIEF EXECUTIVE OFFICER.

6 (5) ~~(3) Trustees shall be chosen with reference to their~~
 7 ~~fitness for the~~ A TRUSTEE OF A CORPORATION OR SUBSIDIARY
 8 CORPORATION ESTABLISHED BY A CITY OR VILLAGE SHALL BE CHOSEN BASED
 9 ON HIS OR HER QUALIFICATIONS FOR THAT office, but not more than 1/3
 10 of the trustees serving at any time shall be direct providers of
 11 health care. The articles of incorporation OF THE CORPORATION OR
 12 SUBSIDIARY CORPORATION may require that ~~the trustees be citizens~~ A
 13 TRUSTEE BE A RESIDENT of the city or village. ~~Trustees~~ A TRUSTEE of
 14 the parent corporation, including its chief executive officer, and
 15 the chief executive officer of a subsidiary corporation are
 16 eligible for appointment to a subsidiary board, and ~~these~~ THOSE
 17 offices are not incompatible. ~~Trustees are~~ A TRUSTEE IS eligible
 18 for reappointment.

19 (6) ~~(4) Before the tenth day after commencement of their~~
 20 WITHIN 9 DAYS AFTER COMMENCING HIS OR HER term of office, ~~trustees~~
 21 A TRUSTEE shall ~~qualify by taking~~ TAKE the oath OF OFFICE AS
 22 provided by IN section 1 of article XI of the state constitution of
 23 1963.

24 (7) ~~(5)~~ A trustee of a corporation incorporated by a city or
 25 village may be removed from office for cause either by vote of a
 26 majority of the members then serving on the city council or village
 27 council or by vote of a majority of the members then serving on the

1 board of trustees of the corporation. A trustee of a subsidiary
2 corporation may be removed from office for cause either by vote of
3 a majority of the members then serving on the city council or
4 village council or by vote of a majority of the members then
5 serving on the board of trustees of the parent corporation. As used
6 in this subsection, "cause" includes, but is not limited to,
7 incompetency to properly exercise duties; official misconduct; or
8 habitual or willful neglect of duty, including, but not limited to,
9 failure to attend meetings, including committee meetings, in
10 accordance with standards determined by the board of trustees of
11 the corporation or subsidiary board.

12 (8) ~~(6)~~—A trustee shall not be removed from office on grounds
13 of misconduct or neglect unless the trustee is served with a notice
14 of hearing and a copy of the asserted ground for removal, and is
15 given full opportunity to be heard, either in person or by counsel,
16 before a vote is taken on the question of removal from office.