

Act No. 195  
Public Acts of 2011  
Approved by the Governor  
October 17, 2011  
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October 18, 2011  
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**STATE OF MICHIGAN  
96TH LEGISLATURE  
REGULAR SESSION OF 2011**

Introduced by Senator Moolenaar

# **ENROLLED SENATE BILL No. 374**

AN ACT to amend 1987 PA 230, entitled "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," 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:*

Sec. 209. (1) All of the following apply to each board of trustees of a corporation and subsidiary board of a subsidiary corporation incorporated by a county:

(a) The board shall consist of at least 5 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 or as provided under section 203(1).

(b) Except for the initial appointments to a board of trustees or subsidiary board of a newly incorporated corporation or subsidiary corporation, the term of office of a trustee begins on January 1.

(c) The term of office of a trustee appointed to fill a vacancy on a board of trustees or subsidiary board begins when he or she is appointed and continues for the remainder of the term of the former trustee whose position became vacant.

(d) Terms of office of trustees 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.

(e) A trustee whose term of office has expired shall continue to serve until his or her successor is appointed.

(f) The chief executive of a corporation established by a county and governed by 1913 PA 350, MCL 331.151 to 331.169, shall serve as a member of the board of trustees until and unless the duly adopted articles of incorporation provide otherwise. The chief executive officer of any other 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) If a county incorporates a corporation under this act, the county board of commissioners shall appoint the initial board of trustees. After the initial board of trustees, when a trustee's term of office expires or if a trustee's office is otherwise vacant, the remaining members of the board of trustees shall fill the vacancy with the advice and consent of the county board of commissioners. This subsection does not apply to an ex officio member of a board of trustees who is appointed by a chief executive officer.

(3) Adoption of articles of incorporation for a corporation succeeding a county public hospital organized and existing under 1913 PA 350, MCL 331.151 to 331.169, or 1945 PA 109, MCL 331.201 to 331.213, on February 27, 1988 does not constitute incorporation of a corporation for purposes of subsection (2). The terms of office of trustees serving on the board of that 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.

(4) If a county incorporates a subsidiary corporation, the board of trustees of the parent corporation shall appoint the initial subsidiary board 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 trustee's office is otherwise vacant, the board of trustees of the parent corporation shall fill the vacancy with the advice and consent of the county board of commissioners. This subsection does not apply to an ex officio member of a subsidiary board who is appointed by a chief executive officer.

(5) A trustee of a corporation or subsidiary corporation established by a county shall be chosen based on his or her qualifications for that office, but not more than 1/3 of the trustees serving at any time shall be direct providers of health care. A trustee shall be a resident of the county unless the articles of incorporation permit individuals who are not residents of the county to be a trustee. A trustee 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 those offices are not incompatible. A trustee is eligible for reappointment.

(6) Within 9 days after commencing his or her term of office, a trustee shall take the oath of office as provided in section 1 of article XI of the state constitution of 1963.

(7) A trustee of a 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 corporation. 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 by the board of trustees of the corporation or subsidiary board.

(8) 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) 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 at least 5 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.

(b) Except for the initial appointments to a board of trustees or subsidiary board of a newly incorporated corporation or subsidiary corporation, the term of office of a trustee begins on January 1.

(c) The terms of office of trustees 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. A trustee whose term of office has expired shall continue to serve until his or her successor is appointed.

(2) If a city or village incorporates a corporation under this act, the city council or village council shall appoint the initial board of trustees. After the initial board of trustees, when a trustee's term of office expires or if a trustee's office is otherwise vacant, the remaining members of the board of trustees shall fill the vacancy with the advice and consent of the city council or village council. This subsection does not apply to an ex officio member of a board of trustees who is appointed by a chief executive officer.

(3) The terms of office of trustees serving on the board of a city public hospital or village public hospital before incorporation that is subsequently incorporated under this act shall not be diminished, except that the articles of incorporation for that successor corporation may prospectively establish new lengths of terms of office for the board of trustees, and may prospectively alter the board size.

(4) If a city or village incorporates a subsidiary corporation, the board of trustees of the parent corporation shall appoint the initial subsidiary board with the advice and consent of the city council or village council. After the initial subsidiary board, when a trustee's term of office expires or if a trustee's office is otherwise vacant, the board of trustees of the parent corporation shall fill the vacancy with the advice and consent of the city council or village council. This subsection does not apply to an ex officio member of a subsidiary board who is appointed by a chief executive officer.

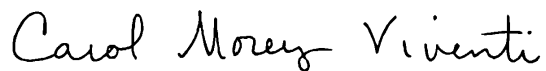
(5) A trustee of a corporation or subsidiary corporation established by a city or village shall be chosen based on his or her qualifications for that office, but not more than 1/3 of the trustees serving at any time shall be direct providers of health care. The articles of incorporation of the corporation or subsidiary corporation may require that a trustee be a resident of the city or village. A trustee of the parent corporation, including its chief executive officer, and the chief executive officer of a subsidiary corporation are eligible for appointment to a subsidiary board, and those offices are not incompatible. A trustee is eligible for reappointment.

(6) Within 9 days after commencing his or her term of office, a trustee shall take the oath of office as provided in section 1 of article XI of the state constitution of 1963.

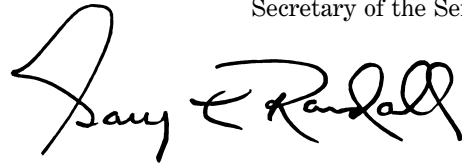
(7) A trustee of a corporation incorporated by a city or village may be removed from office for cause either by vote of a majority of the members then serving on the city council or village council or by vote of a majority of the members then serving on the board of trustees of the corporation. A trustee of a subsidiary corporation may be removed from office for cause either by vote of a majority of the members then serving on the city council or village council 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 by the board of trustees of the corporation or subsidiary board.

(8) 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.



Secretary of the Senate



Clerk of the House of Representatives

Approved .....

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Governor