

BILL ANALYSIS

Senate Research Center
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S.B. 558
By: Duncan
Intergovernmental Relations
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 558 updates the enabling legislation for Swisher Memorial Hospital District (district). Specifically, S.B. 558 establishes the use of the May uniform election date, provides authority for the district to borrow funds through a secured loan, provides authority to issue revenue bonds, updates the district's means of securing repayment of bonds, and establishes how the district may use bond proceeds.

As proposed, S.B. 558 amends current law relating to the Swisher Memorial Hospital District.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 4, Chapter 16, Acts of the 59th Legislature, Regular Session, 1965, as follows:

Sec. 4. DISTRICT MANAGEMENT. Requires that the Swisher Memorial Hospital District (district) be governed by a board of directors to consist of five (5) members. Requires each such director at the time of his election or appointment to be a registered voter of the district, rather than own property subject to taxation within the district, and be more than twenty-one (21) years of age. Provides that five directors shall be elected. Provides that a concurrence of three directors is sufficient in all matters pertaining to the business of the district. Requires the regular election of directors to be held on the uniform election date in May of each year, rather than the first Saturday in April in each year, and notice of such election to be published in accordance with Section 4.003 (Method of Giving Notice), Election Code, rather than in a newspaper of general circulation in Swisher County one time at least ten (10) days prior to the date of election. Requires any person desiring to have the person's name printed on the ballot as a candidate for director to file with the secretary of the board of directors an application in accordance with Chapter 144 (Candidate for Office of Political Subdivision Other than County or City), Election Code, rather than a petition signed by not less than twenty-five (25) qualified voters to such effect, at least twenty-five (25) days prior to the election. Makes nonsubstantive changes.

Deletes existing text requiring the Commissioners Court of Swisher County, within ten (10) days after such election is held, to convene and canvass the returns thereof and in the event such election results favorably to the proposition specified in Section 3 hereof (Creation of District), requiring such district to be governed by a board of directors to consist of five (5) members. Deletes existing text requiring the Commissioners Court, upon creation of the district as provided, to appoint five persons as directors to serve until the first Saturday in April of the year succeeding the year of the district's creation, at which time five (5) directors shall be elected. Deletes existing text providing that all qualified electors residing in Swisher County, Texas, and in the Swisher Memorial Hospital District shall be eligible to vote for all directors. Deletes existing text providing that each member of the board of directors shall qualify for his office by executing the

constitutional oath of office to be filed in the office of the district. Deletes existing text providing that any three members of the board of directors shall constitute a quorum.

SECTION 2. Amends Chapter 16, Acts of the 59th Legislature, Regular Session, 1965, by adding Sections 5A, 7B, 7C, and 7D, as follows:

Sec. 5A. **AUTHORITY TO BORROW MONEY; SECURITY.** (a) Authorizes the board of directors 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 of directors, in order to secure a loan, to pledge:

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

(2) district taxes to be imposed by the district during the 12-month period following the date of the pledge that are 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.

Sec. 7B. **REVENUE BONDS.** (a) Authorizes the board of directors 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.

(b) 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 revenue bonds to 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.

Sec. 7C. **ADDITIONAL MEANS OF SECURING REPAYMENT OF BONDS.** Authorizes the board of directors, in addition to the authority to issue general obligation bonds and revenue bonds under this Act, to provide for the security and payment of district bonds from a pledge of a combination of ad valorem taxes as authorized by Section 7 of this Act (Authorization of Bonds and Levy of Tax) and revenue and other sources as authorized by Section 7B of this Act.

Sec. 7D. **USE OF BOND PROCEEDS.** Authorizes the district to use the proceeds of bonds issued under this Act to pay:

(1) any expense the board of directors 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.

SECTION 3. Effective date: upon passage or September 1, 2011.