

HEALTH AND SAFETY CODE  
TITLE 4. HEALTH FACILITIES  
SUBTITLE C. LOCAL HOSPITALS  
CHAPTER 265. JOINT MUNICIPAL AND COUNTY HOSPITALS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 265.001. MUNICIPALITY WITH POPULATION OF AT LEAST 10,000 AND ANY COUNTY. (a) The commissioners court of a county may cooperate with the proper authorities of a municipality with at least 10,000 inhabitants to establish, build, equip, and maintain a hospital in the municipality.

(b) The commissioners court may appropriate funds for the hospital that the commissioners court considers appropriate after a joint conference with the municipal authorities.

(c) The commissioners court and the municipal authorities shall jointly control the management of the hospital.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.002. COUNTY AND ANY TWO OR MORE MUNICIPALITIES.

(a) The commissioners court of a county may cooperate with the proper authorities of two or more municipalities to establish, build, equip, and maintain a hospital in the county.

(b) The commissioners court may appropriate funds for the hospital that the court considers appropriate after a joint conference with the municipal authorities.

(c) The commissioners court and the municipal authorities shall jointly control the management of the hospital.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.003. COUNTY WITH POPULATION OF AT LEAST 92,600 AND MUNICIPALITY WITH POPULATION OF AT LEAST 57,250. (a) The commissioners court of a county with a population of at least 92,600 and the governing body of a municipality in that county with a population of at least 57,250 may establish, build, equip, maintain, and operate a hospital for the care and treatment of sick, infirm, or injured inhabitants of the county or municipality.

(b) The commissioners court and the governing body by agreement may divide the hospital costs between the county and the municipality.

(c) If the amounts in the county or municipal general funds are insufficient to pay the hospital costs, the commissioners court or the governing body at a special or general election may submit to the qualified voters of the county or municipality, respectively, a proposition for the county and municipality to establish, build, equip, maintain, and operate a hospital and for:

(1) the levy of a tax for that purpose not to exceed 10 cents on each \$100 of the taxable value of real and personal property that is taxable by the county or municipality; or

(2) the issuance of bonds by the county or municipality in an amount not to exceed the amount specified in the proposition for all or part of the cost of establishing, building, or equipping the hospital and for the levy of a tax to create a sinking fund for the payment of interest on the bonds not to exceed 10 cents on each \$100 of the taxable value of real and personal property that is taxable by the county or municipality.

(d) The commissioners court or governing body may assess and levy a tax, or may issue bonds in the manner provided for issuance of other bonds by the county or municipality and assess and levy a tax, as stated in the proposition if the proposition is approved by a majority of votes cast in the election.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

#### SUBCHAPTER B. JOINT HOSPITAL WITH BOARD OF MANAGERS

Sec. 265.011. ESTABLISHMENT OF HOSPITAL BY COMMISSIONERS COURT AND MUNICIPAL GOVERNING BODY. The commissioners court of a county and the governing body of a municipality in that county may jointly appoint a board of managers to establish, build, equip, maintain, and operate one or more hospitals for the care and treatment of the sick, infirm, or injured.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.012. FINANCING. (a) If the municipality or county

has issued and sold bonds to establish, build, equip, maintain, and operate a joint municipal and county hospital, the municipality or county may finance the hospital out of general revenue and may levy and collect a tax to finance the hospital not to exceed 10 cents on each \$100 of the taxable value of property taxable by the municipality or county.

(b) The commissioners court and the municipal governing body may contribute to the funds necessary for the hospital in a proportion to which they agree.

(c) The board of managers may spend, in a manner determined by the board, funds provided by the county or municipality through the issuance of bonds or other obligations or by appropriation from other funds, for purposes related to the hospital as if the action were taken by the commissioners court or the governing body.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.013. BOARD OF MANAGERS. (a) The board of managers is composed of seven members.

(b) The commissioners court and the municipal governing body shall each appoint three members to the board, and the commissioners court and the governing body shall jointly appoint one member to the board. Members are appointed for six-year terms. However, in making the initial appointments to the board, each appointing entity shall designate one of its appointees for a term expiring two years after the date of appointment, one for a term expiring four years after the date of appointment, and one for a term expiring six years after the date of appointment. The term of the initial joint appointee expires six years after the date of appointment.

(c) The entity that made an original appointment shall appoint a successor member on the expiration of a member's term or to fill, for the unexpired part of a term, a vacancy caused by death or resignation.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.014. CHAIRMAN. The board of managers shall select a chairman from among its members who shall:

(1) preside over the board's meetings; and  
(2) sign any contract, agreement, or other instrument made by the board on behalf of the county and municipality.  
Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.015. CONTRACTS. The board of managers may execute any contract relating to establishing, building, equipping, maintaining, or operating the hospital as if the action were taken by the commissioners court or the municipal governing body.  
Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.016. FINANCIAL STATEMENT; BUDGET. (a) The board of managers shall annually prepare and present to the commissioners court and the municipal governing body a statement of the hospital's financial status with a proposed budget for the following year.

(b) On the basis of the financial statement and budget, the commissioners court and the governing body shall appropriate an amount those entities consider proper and necessary for the use of the board of managers in the operation of the hospital.  
Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.017. ISSUANCE OF REVENUE BONDS. (a) The board of managers may issue and sell revenue bonds in the name of the hospital to finance:

(1) the acquisition of real property, the acquisition, construction, improvement, repair, or rehabilitation of hospital facilities, or the acquisition of equipment or supplies necessary for the hospital to provide hospital services; or

(2) the installation of equipment necessary for the hospital to provide hospital services.

(b) The board of managers has the powers of an issuer under Chapter 1371, Government Code, and may enter into a credit agreement under that chapter. A bond issued under this subchapter is an obligation under Chapter 1371, Government Code, but is not required to be rated as required by that chapter. In this subsection, "credit agreement" and "obligation" have the meanings

assigned by Section [1371.001](#), Government Code.

(c) Bonds issued under this subchapter must be approved by:

- (1) a resolution adopted by the board of managers; and
- (2) a resolution or order adopted by the commissioners court of the county and the governing body of the municipality that appointed the board.

(d) At the time of issuance of the bonds, the board of managers may:

- (1) determine the title of the bonds, provided the title includes the following: "Board of Managers Joint (insert county name)-(insert municipality name) Hospital Revenue Bonds";

- (2) prescribe procedures for the operation and maintenance of the hospital in the proceedings authorizing issuance of the revenue bonds; and

- (3) provide for the issuance of additional parity bonds or subordinate lien bonds under terms prescribed by the board of managers in the proceedings authorizing issuance of the revenue bonds.

Added by Acts 2001, 77th Leg., ch. 151, Sec. 1, eff. May 16, 2001.

Sec. 265.0171. REPAYMENT OF BONDS. The board of managers may provide for the payment of principal of, premium on, if any, and interest on the bonds by pledging all or any part of the hospital's revenue derived from the operation of the hospital or from other sources.

Added by Acts 2001, 77th Leg., ch. 151, Sec. 1, eff. May 16, 2001.

Sec. 265.0172. ADDITIONAL SECURITY FOR BONDS. The bonds may be additionally secured by a deed of trust or mortgage lien on part or all of the physical properties of the hospital and rights appurtenant to those properties.

Added by Acts 2001, 77th Leg., ch. 151, Sec. 1, eff. May 16, 2001.

Sec. 265.0173. MATURITY. A bond issued under this subchapter must mature not later than 40 years after its date.

Added by Acts 2001, 77th Leg., ch. 151, Sec. 1, eff. May 16, 2001.

Sec. 265.0174. BONDS NOT PAYABLE FROM TAXES. A bond issued under this subchapter must contain the following provision: "The holder of this obligation is not entitled to demand payment of this obligation out of any money raised by taxation by (name of county) or by (name of municipality) or from any other income of the county or municipality. The board of managers of the hospital has no taxing power."

Added by Acts 2001, 77th Leg., ch. 151, Sec. 1, eff. May 16, 2001.

Sec. 265.0175. SALE OF BONDS. The board of managers may sell bonds issued under this subchapter at public or private sale in the manner and on the terms approved by the board.

Added by Acts 2001, 77th Leg., ch. 151, Sec. 1, eff. May 16, 2001.

Sec. 265.0176. REFUNDING BONDS. (a) The board of managers may refund bonds issued under this subchapter by issuing refunding bonds under terms approved by the board.

(b) All appropriate provisions of this subchapter apply to the refunding bonds. The refunding bonds shall be issued in the manner provided by this subchapter for issuing other bonds.

(c) The refunding bonds may be sold and delivered in amounts sufficient to pay the principal of and interest and any redemption premium on the bonds to be refunded, at maturity or on any redemption date.

(d) The refunding bonds may be issued to be exchanged for the bonds being refunded by them. In that case, the comptroller shall register the refunding bonds and deliver them to the holder of the bonds being refunded as approved by the board. The exchange may be made in one delivery or in installment deliveries.

Added by Acts 2001, 77th Leg., ch. 151, Sec. 1, eff. May 16, 2001.

Sec. 265.0177. AUTHORITY TO BORROW MONEY. (a) After approval by resolution of the commissioners court of the county and the governing body of the municipality that appointed the board, the board of managers may, on behalf of the hospital, borrow money from a federally insured lending institution for a purpose described by Section [265.0179](#). The board may execute a loan

agreement or promissory note as evidence of the obligation to repay the loan.

(b) The board of managers may borrow money in an amount it considers advisable, subject to a rate of interest, security, and other terms it considers advisable. The loan shall mature not later than the 30th anniversary of the date on which the loan is made.

(c) Before entering into a loan under this section, the board of managers must determine that there will be sufficient money available from revenues generated by the hospital to pay the loan when the loan becomes due.

(d) The commissioners court of the county and the governing body of the municipality that appointed the board of managers must approve the terms of a loan agreement by written resolution.

(e) Chapter 1202, Government Code, does not apply to a promissory note or any other instrument evidencing a loan under this section.

Added by Acts 2003, 78th Leg., ch. 719, Sec. 1, eff. June 20, 2003.

Sec. 265.0178. PLEDGE OF SECURITY. (a) A loan under Section 265.0177 may be:

(1) payable from and secured by a pledge of all or part of the revenues, income, or resources of the hospital that are not pledged to pay a bonded indebtedness of the hospital; or

(2) secured by a deed of trust or other security interest in any property of the hospital that is not pledged to pay a bonded indebtedness of the hospital.

(b) The holder of a loan obligation under Section 265.0177 is not entitled to demand payment of the principal and interest on the loan from any money or property of the hospital other than the money or property specifically pledged to secure payment of the loan.

Added by Acts 2003, 78th Leg., ch. 719, Sec. 1, eff. June 20, 2003.

Sec. 265.0179. PERMISSIBLE USES OF LOAN PROCEEDS. The proceeds from a loan under Section 265.0177 may be used to pay costs related to the acquisition, construction, rehabilitation, and equipping of a hospital facility, including costs related to the

acquisition of real property and any other improvement considered necessary and appropriate by the board of managers.

Added by Acts 2003, 78th Leg., ch. 719, Sec. 1, eff. June 20, 2003.

Sec. 265.018. HOSPITAL PROPERTY. The board of managers may acquire, hold, or dispose of property or an interest in property. As agreed by the county and municipality, the county or municipality may hold title to hospital property, or title may be held in the name of the hospital.

Added by Acts 2001, 77th Leg., ch. 151, Sec. 1, eff. May 16, 2001.

Sec. 265.0181. TRANSFER OF PROPERTY. On dissolution of the board of managers, title to property held by the board or in the name of the hospital shall be transferred to the county and municipality as agreed to by the county and municipality.

Added by Acts 2001, 77th Leg., ch. 151, Sec. 1, eff. May 16, 2001.

Sec. 265.019. USE OF EARNINGS OR ASSETS FOR PRIVATE PURPOSES PROHIBITED. Except as reasonable compensation for services rendered or reasonable allowance for authorized expenditures incurred on behalf of the board of managers or the hospital, the net earnings of the board or the hospital may not be used for the benefit of a private officer, board member, individual, or substantial contributor to the board of managers or the hospital. The assets of the board or the hospital may not be distributed to, be divided among, be used for, accrue to, or benefit a private officer, board member, individual, or substantial contributor to the board or the hospital.

Added by Acts 2001, 77th Leg., ch. 151, Sec. 1, eff. May 16, 2001.

Sec. 265.020. APPLICABILITY. Sections 265.017-265.019 apply only to a hospital located in a county with a population of 75,000 or more.

Added by Acts 2001, 77th Leg., ch. 151, Sec. 1, eff. May 16, 2001.

#### SUBCHAPTER C. JOINT HOSPITAL CONTROLLED BY MUNICIPALITY OR COUNTY

Sec. 265.021. OWNERSHIP AND CONTROL DESIGNATED. (a) A county with a population of at least 200,000 and one or more municipalities in the county that jointly own and operate a hospital in the county may by agreement designate one of those governmental entities to assume the entire ownership and control of the hospital on terms to which those governmental entities agree.

(b) On the agreement of the commissioners court and the governing body of each municipality that jointly owns and operates the hospital, a countywide election on the issue of the future ownership and operation of the hospital may be ordered. The majority vote on the propositions submitted shall govern the future ownership and operation of the hospital. The commissioners court shall pay the costs of the election from county funds.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.022. BOARD OF MANAGERS OF HOSPITAL CONTROLLED BY COUNTY. (a) If the county is designated to own and control the hospital, the commissioners court shall appoint a board of managers with at least three and not more than nine members.

(b) The board of managers has control of the management of the hospital.

(c) The board of managers shall give a report of their management, including all acts and rules of the board, to the commissioners court once each quarter or more often at the request of the commissioners court.

(d) The board of managers shall give a quarterly financial statement to the commissioners court that shows all money spent and received by the board and the purposes of the expenditures.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.023. BOARD OF MANAGERS OF HOSPITAL CONTROLLED BY MUNICIPALITY. If the municipality is designated to own and control the hospital, the governing body of the municipality may appoint the board of managers under its charter or as it considers appropriate.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.024. TERMS. Members of the board of managers shall be appointed for staggered six-year terms, with one-third of the terms expiring every two years.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.025. TAX. (a) The commissioners court may authorize and levy a tax not to exceed 50 cents on each \$100 of the taxable value of property taxable by the county for construction of buildings or building additions, for other improvements or equipment, or for operation and maintenance of the hospital if the tax is approved by a majority vote at a county election. Additional taxes may be authorized at subsequent elections if the total tax does not exceed the limit imposed by this subsection.

(b) The voters may approve a part of the tax to be used for the interest and sinking fund for outstanding bonds of the municipality or county issued for construction or maintenance of the hospital, whether issued before or after the ownership and control of the hospital are designated under this chapter.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.026. TUBERCULOSIS CONTROL. (a) The commissioners court and each municipal governing body that designates the ownership and control of a joint hospital under this subchapter may conduct a joint program of tuberculosis control in their jurisdictions to protect the public health through alleviation, suppression, and prevention of the spread of tuberculosis.

(b) The program may include cooperation with public or private agencies that have the same objective, whether federal, state, or local.

(c) The commissioners court may levy a tax not to exceed 10 cents on each \$100 of the taxable value of property taxable by the county, in addition to the tax under Section [265.025](#), if approved by a majority vote at a county election. The revenue from that tax shall be kept separate from other funds and shall be used only for the purposes of this section.

(d) The governing body of a municipality participating in the program may levy a tax not to exceed five cents on each \$100 of

the taxable value of property taxable by the municipality if approved by a majority vote at a municipal election in accordance with the municipal charter in a home-rule municipality or with other law in a general-law municipality. The revenue from the tax shall be kept separate from other funds and shall be used only for the purposes of this section. The municipal charter of a home-rule municipality may be amended to create the fund for the tax proceeds or other income.

(e) The county and each municipality participating in the program and levying the taxes may create a joint tuberculosis control board to administer this section. The board must have at least five members. The district judges of the county by majority action, the county health board, the municipal health board of the participating municipality with the largest population, the county judge, and the mayor of each participating municipality shall each appoint a member to the board. Board members serve without compensation.

(f) The members are appointed for three-year terms. However, the term of the first appointment by the county health board or by a mayor expires one year after the date of appointment, the term of the first appointment by the municipal health board or the county judge expires two years after the date of appointment, and the term of the first appointment by the district judges expires three years after the date of appointment. The entity that made an original appointment shall appoint a successor member on the expiration of a member's term or to fill, for the unexpired part of a term, a vacancy caused by death or resignation.

(g) The board may administer this section to alleviate, suppress, and prevent the spread of tuberculosis in the county as a public health function.

(h) The county and each municipality participating under this section may combine the proceeds from taxes levied under this section to be spent under the board's direction only to:

(1) provide necessary economic aid to indigent persons with tuberculosis and dependent members of their immediate family, on certification by the county or municipal health authority that those persons are indigent and have resided in the county for at

least six months before receiving aid or assistance from a public or private charity or service for the person's support or the support of the person's family, in order to treat and prevent the disease and protect the public health; or

(2) pay administrative expenses, including the expenses of case investigation and necessary equipment and services.

(i) The board quarterly shall report the condition of the fund, the expenditures from the fund, and the services performed to the commissioners court and the governing body of each municipality participating under this section. The commissioners court or the governing body of a municipality participating under this section may examine and audit the books and other records of the board.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

#### SUBCHAPTER D. JOINT COUNTY-MUNICIPAL HOSPITAL BOARDS

Sec. 265.031. CREATION OF BOARD. (a) The commissioners court of a county and the governing body of a municipality located in whole or in part in that county may adopt resolutions creating a joint county-municipal hospital board, without taxing power, designated the "\_\_\_\_\_ County-Municipality of \_\_\_\_\_, Texas, Hospital Board."

(b) A board created under this section is a public agency and body politic.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.032. APPOINTMENT OF BOARD. (a) The board consists of seven directors. A director may serve successive terms.

(b) The commissioners court shall appoint four directors in its resolution creating the board, and the municipal governing body shall appoint three directors in its resolution creating the board.

(c) Directors are appointed for staggered terms of two years. However, in making the initial appointments to the board the commissioners court shall designate two of its appointees to serve two-year terms and two to serve one-year terms, and the governing body shall designate two of its appointees to serve two-year terms

and one to serve a one-year term.

(d) The entity that makes an original appointment shall appoint a successor director on the expiration of a director's term or to fill, for the unexpired part of a term, a vacancy caused by death or resignation.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.033. OFFICERS. (a) The board shall elect a director as chairman. The chairman shall preside at board meetings and perform other duties and functions prescribed by the board. The chairman may vote in the same manner as any other director.

(b) The board shall elect a secretary, who is not required to be a director. The secretary is the official custodian of the minutes, books, records, and seal of the board and shall perform other duties and functions prescribed by the board.

(c) The board may elect any other officer that the board considers necessary or advisable.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.034. AUTHORITY OF BOARD. (a) The board shall act through resolutions adopted by the board. The affirmative vote of four directors is required to adopt a resolution.

(b) The board is a joint agent of the county and the municipality for hospital purposes and shall act solely for the joint benefit of the county and the municipality. However, the board shall act independently in the exercise of powers, duties, and functions under this subchapter.

(c) The board may appoint or employ any agent, employee, or official that the board considers necessary or advisable to carry out any power, duty, or function of the board.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.035. SUITS. The board may sue and be sued in its own name, capacity, and behalf.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.036. COMPENSATION. A director may not receive

compensation but is entitled to reimbursement for actual expenses incurred in the performance of the duties of director to the extent authorized by the board.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.037. HOSPITAL FACILITIES; OTHER PROPERTY. (a) The board may purchase, construct, receive, lease, or otherwise acquire hospital facilities and may improve, enlarge, furnish, equip, operate, and maintain those facilities.

(b) The county or the municipality may lease or convey title to, or any other interest in, all or part of the county's or municipality's hospital facilities, including real and personal property, to the board on terms agreed to by the county or municipality and the board.

(c) The board may own, receive, encumber, sell, lease, or convey any interest in real or personal property, including gifts and grants. However, the board may not encumber, sell, lease, or convey real or personal property unless the commissioners court and the governing body of the municipality by resolution approve the transaction.

(d) A board existing in a county with a population of more than 100,000 and a municipality with a population of more than 75,000, as an exercise of its powers as a public agency and body politic, may purchase, construct, receive, lease, or otherwise acquire hospital facilities, including the sublease of one or more hospital facilities, regardless of whether the action might be considered anticompetitive under the antitrust laws of the United States or this state.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 1997, 75th Leg., ch. 909, Sec. 1, eff. Sept. 1, 1997.

Sec. 265.038. CONTRACTS FOR HOSPITAL SERVICES. The county or the municipality may contract with the board for the care and treatment of indigent or needy patients or for any other hospital services. The county or the municipality may make payments to the board under the contract and may levy ad valorem taxes or pledge funds or resources for the payments.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.039. FUNDS. (a) The board may apply for, receive, and spend federal or state funds available for hospital purposes.

(b) The county or the municipality by resolution may authorize the board to apply for, receive, and spend federal or state funds available for county or municipal hospital purposes.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.040. AUTHORITY TO ISSUE REVENUE BONDS. (a) The board may issue revenue bonds to perform any power, duty, or function under this subchapter. The issuance must be approved by resolution by the commissioners court and the municipal governing body.

(b) The board may prescribe procedures for the operation and maintenance of the hospital in the proceedings authorizing the issuance of the bonds.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.041. TERMS OF BONDS. (a) The revenue bonds may mature serially or otherwise not more than 40 years after they are issued. The bonds may bear interest at a rate not to exceed the maximum rate provided by Chapter 1204, Government Code, and may be made redeemable prior to maturity.

(b) The bonds and any appurtenant interest coupons are negotiable instruments.

(c) The bonds may be made registrable as to principal or as to principal and interest.

(d) The directors may determine, in the proceedings authorizing the issuance of the bonds:

(1) the form, denominations, and manner in which the bonds are issued;

(2) the terms and details under which the bonds are issued; and

(3) the manner in which the bonds are executed.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.258, eff. Sept. 1, 2001.

Sec. 265.042. PLEDGE OF SECURITY. (a) The revenue bonds may be payable from, and secured by a pledge of, all or part of the revenues, income, or resources of the board or the board's hospital facilities. Additionally, the bonds may be secured by a mortgage or deed of trust on real or personal property, and the board may authorize the execution and delivery of trust indentures or other encumbrances to evidence the security.

(b) The bonds must contain substantially the following statement: "The owner hereof shall never have the right to demand payment of this obligation from taxes levied by the hospital board."

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.043. SALE AND USE OF PROCEEDS. (a) The revenue bonds may be sold at public or private sale at a price and under terms determined by the directors. The bonds may bear interest at a rate not to exceed the maximum rate provided by Chapter 1204, Government Code.

(b) Proceeds from the sale of the bonds may be used, if the use is authorized in the proceedings authorizing issuance of the bonds, to:

(1) pay interest on the bonds during the construction of hospital facilities acquired through issuance of the bonds;

(2) pay operation and maintenance expense of the hospital facilities to the extent and for the time specified in the proceedings;

(3) create reserves for the payment of principal of and interest on the bonds; or

(4) invest, until needed, to the extent and in the manner provided in the bond resolution or a trust indenture executed in connection with the bonds.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.259, eff. Sept. 1, 2001.

Sec. 265.044. PARITY AND SUBORDINATE LIEN BONDS. The directors may provide in the authorization of the revenue bonds for

the subsequent issuance of additional parity bonds or subordinate lien bonds under terms set by the board in the proceedings authorizing the issuance of the revenue bonds.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.045. NOTICE; PETITION FOR ELECTION. (a) Before the directors authorize the issuance of bonds other than refunding bonds, the directors shall prepare and publish a notice of:

(1) its intention to adopt a resolution authorizing the issuance of bonds;

(2) the date it intends to adopt the resolution; and

(3) the maximum amount and maximum maturity of the bonds.

(b) The notice must be published once a week for two consecutive weeks in a newspaper of general circulation in the county and the municipality. The first notice must be published not later than the 15th day before the date set for adopting the bond resolution.

(c) A petition requesting an election on the proposition for the issuance of the bonds may be presented to the hospital board secretary before the date set for adoption of the bond resolution. The petition must be signed by at least 10 percent of the qualified voters residing in the county and in any part of the municipality that is not in the county.

(d) The directors shall order an election requested under Subsection (c) in the county and any part of the municipality that is not in the county. The election shall be held substantially as provided by Chapter [1251](#), Government Code. The board may issue the bonds if the issuance is approved at the election.

(e) The bond resolution may be adopted on the date set for the adoption, or not later than the 30th day after that date, if no petition is filed, and the bonds may be issued and delivered without an election or the creation of an encumbrance.

(f) The directors may order an election on the issuance of the bonds on their own motion if they consider it advisable.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.260, eff. Sept. 1, 2001.

Sec. 265.046. REFUNDING BONDS. Any bonds issued under this subchapter may be refunded by the issuance of refunding bonds in the manner provided by this subchapter for the issuance of other bonds, except the refunding bonds may be issued to be exchanged for the bonds being refunded. If the refunding bonds are issued to be exchanged, the comptroller shall register the refunding bonds and deliver them to each holder of the bonds being refunded as provided by the proceedings authorizing the refunding bonds. The exchange may be made in one delivery or several installment deliveries.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.047. EXAMINATION, APPROVAL, AND REGISTRATION OF BONDS. (a) The board shall submit to the attorney general for examination the bonds issued under this subchapter and the proceedings authorizing their issuance.

(b) The attorney general shall approve the bonds if the attorney general finds that the bonds have been authorized in accordance with this subchapter, and the comptroller shall register the bonds.

(c) Following approval and registration, the bonds are incontestable and are valid and binding obligations in accordance with their terms.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.048. LEGAL INVESTMENTS; SECURITY FOR DEPOSITS.

(a) Bonds issued under this subchapter are legal and authorized investments for:

- (1) a bank;
- (2) a savings bank;
- (3) a trust company;
- (4) a savings and loan association;
- (5) an insurance company;
- (6) a fiduciary;
- (7) a trustee;
- (8) a guardian; and
- (9) an interest and sinking fund or other public fund

of the state or of an agency, subdivision, or instrumentality of the state, including a municipality, county, school district, special district, public agency, and body politic.

(b) The bonds are eligible and lawful security for the deposits of public funds of the state or of an agency, subdivision, or instrumentality of the state, including a municipality, county, school district, special district, public agency, and body politic. The bonds may secure those deposits in an amount up to the value of the bonds, if accompanied by all appurtenant unmatured interest coupons.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.049. CHARGES FOR SERVICES AND FACILITIES. The board shall operate its hospital facilities for the use and benefit of the public, but shall establish and collect charges for services and facilities that are sufficient combined with other revenue and income to:

- (1) pay all expenses related to ownership, operation, and maintenance of its hospital facilities;
- (2) pay principal of and interest on its bonds; and
- (3) create and maintain reserves and any other funds provided for in the proceedings authorizing the issuance of bonds.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.050. DEPOSITORY. The board may:

- (1) select a depository in the same manner that a municipality or county may select a depository under Chapter 105 or Chapter 116, Local Government Code; or
- (2) execute a depository contract with a depository selected by the municipality or the county on the same terms as the municipality or county.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.051. INVESTMENT OF FUNDS. (a) The law relating to security for and investment of municipal or county funds applies to hospital board funds. A bond resolution or trust indenture executed for hospital board bonds may further restrict the security

for and investment of hospital board funds.

(b) The hospital board may invest, until needed, all or part of its bond proceeds in direct obligations of the United States to the extent authorized in the bond resolution or trust indenture.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.052. EMINENT DOMAIN. (a) The hospital board may acquire the fee simple title to or any other interest in land and other property by condemnation under Chapter 21, Property Code, to carry out any power, duty, or function under this subchapter.

(b) The board has the same rights as a county or municipality under Section 21.021, Property Code.

(c) The board shall determine the amount and character of the interest in land or other property to be acquired under this section.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

#### SUBCHAPTER E. SALE, LEASE, OR CLOSING

Sec. 265.071. OFFICIAL ACTION. (a) The commissioners court by order and the governing body of a municipality by ordinance may order the sale, lease, or closing of all or part of a joint municipal and county hospital, including real property, owned and operated by the county and municipality.

(b) The order and ordinance must include a finding that the sale, lease, or closing is in the best interest of the residents of the county or municipality, respectively.

(c) A sale or closing may not take effect before the expiration of the period in which a petition may be filed under Section 265.072.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 265.072. PETITION AND ELECTION. (a) A petition requesting an election on the sale or closing of the hospital may be presented to the commissioners court and the municipal governing body before the 31st day after the date the commissioners court and the governing body order the sale or closing.

(b) The petition must be signed by at least 10 percent of the qualified voters of the county and any part of the municipality that is not in the county.

(c) On receipt of the petition, the commissioners court and the governing body shall order and conduct the election. The commissioners court and the governing body may sell or close the hospital only if a majority of the qualified voters voting at the election approve the sale or closing.

(d) The number of qualified voters of the county and any part of the municipality that is not in the county is determined according to the most recent official list of registered voters.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.