

HEALTH AND SAFETY CODE
TITLE 4. HEALTH FACILITIES
SUBTITLE C. LOCAL HOSPITALS
CHAPTER 262. MUNICIPAL HOSPITAL AUTHORITIES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 262.001. SHORT TITLE. This chapter may be cited as the Hospital Authority Act.

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

Sec. 262.002. DEFINITIONS. In this chapter:

(1) "Authority" means a hospital authority created under this chapter.

(2) "Board" means the board of directors of an authority.

(3) "Bond" includes a note.

(4) "Bond resolution" means the resolution authorizing the issuance of revenue bonds.

(5) "Governing body" means the governing body of a municipality.

(6) "Hospital" means a hospital project as defined by Section [223.002](#).

(7) "Trust indenture" means the mortgage, deed of trust, or other instrument pledging revenues of, or creating a mortgage lien on, properties to secure revenue bonds issued by an authority.

(8) "Trustee" means the trustee under a trust indenture.

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

Sec. 262.003. CREATION. (a) A governing body may adopt an ordinance creating a hospital authority and designating the name of the authority if the governing body finds that creation of the authority is in the best interest of the municipality and its residents.

(b) The governing bodies of two or more municipalities may

each adopt an ordinance creating a hospital authority that includes those municipalities and designating the name of the authority if the governing bodies find that creation of the authority is in the best interest of the municipalities.

(c) The authority is composed only of the territory in each municipality in the authority.

(d) The authority is a body politic and corporate.

(e) The authority does not have taxing power.

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

Sec. 262.004. TAX EXEMPTION. The authority's property is exempt from taxation because it is held for public purposes only and devoted exclusively to the use and benefit of the public.

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

Sec. 262.005. DISSOLUTION. (a) A governing body by ordinance may dissolve an authority created by the governing body if the governing body and the authority provide for the sale or transfer of the authority's assets and liabilities to the municipality or to another person.

(b) The dissolution of an authority and the sale or transfer of the authority's assets and liabilities may not:

(1) violate a trust indenture or bond resolution relating to the outstanding bonds of the authority; or

(2) diminish or impair the rights of the holders of outstanding bonds, warrants, or other obligations of the authority.

(c) Except as otherwise provided by this section, an ordinance dissolving an authority takes effect on the 31st day after the date the governing body adopts the ordinance.

(d) If before the ordinance takes effect the municipality receives a petition requesting a referendum on the dissolution that is signed by a number of registered voters of the municipality equal to at least 10 percent of the number of voters who voted in the most recent municipal election, the ordinance does not take effect and the governing body shall order the election.

(e) Section 41.001(a), Election Code, requiring an election to be held on a uniform election date, does not apply to an election

under this section. The ballot shall be printed to provide for voting for or against the proposition: "Dissolution of the (name of the authority)."

(f) If a majority of the votes in the election are cast in favor of the proposition, the ordinance takes effect on a date stated in the order declaring the results of the election. If a majority of the votes in the election are cast against the proposition, the ordinance does not take effect and the governing body may not adopt an ordinance dissolving the authority before the first anniversary of the date of the election. That ordinance is also subject to the petition and election requirements of this section.

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

SUBCHAPTER B. BOARD OF DIRECTORS

Sec. 262.011. BOARD OF DIRECTORS. (a) The authority is governed by a board of directors with at least seven and not more than 11 members.

(b) The number of directors shall be determined at the time the authority is created. The number may be changed by amendment of the ordinance or ordinances creating the authority unless prohibited by the resolution authorizing the issuance of bonds or by the trust indenture securing the bonds. However, a reduction in the number of directors may not shorten the term of an incumbent director.

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

Sec. 262.012. APPOINTMENT OF BOARD; TERMS OF OFFICE. (a) The governing body or governing bodies shall appoint the directors of the authority for terms not to exceed two years except as otherwise provided by this section. If the authority includes more than one municipality, each governing body shall appoint an equal number of directors unless the governing bodies agree otherwise.

(b) The resolution authorizing the issuance of revenue bonds or the trust indenture securing the bonds may prescribe the method of selecting a majority of the directors and the term of

office of those directors, and the terms of directors appointed before the issuance of the bonds are subject to the resolution or trust indenture. The governing body or governing bodies shall appoint the remaining directors.

(c) The trust indenture may provide that in the event of a default, as defined in the trust indenture, the trustee may appoint all directors. On that appointment, the terms of the directors in office terminate.

(d) If the authority purchases an existing hospital or a hospital under construction from a nonprofit corporation, the directors shall be determined as provided in the contract of purchase.

(e) If the authority is financed under Chapter 223, the governing body or governing bodies by ordinance may require the board to submit nominees for appointment to the board. If a nominee is rejected by the governing body or governing bodies, the board shall submit another nominee. The governing body or governing bodies shall select the directors from the nominees submitted by the board and any other nominee submitted by a member of a governing body. The governing body or governing bodies may also limit the number of successive terms that a director may serve.

(f) An officer or employee of a municipality in the authority is not eligible for appointment as a director.

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

Sec. 262.013. OFFICERS. (a) The board shall elect:

(1) a president and a vice-president, who must be directors;

(2) a secretary and a treasurer, who are not required to be directors; and

(3) any other officers authorized by the authority's bylaws.

(b) The offices of secretary and treasurer may be combined.

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

Sec. 262.014. AUTHORITY OF BOARD. (a) Action may be taken by a majority of the directors present if a quorum is present.

(b) The president has the same right to vote as other directors.

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

Sec. 262.015. COMPENSATION. A director may not receive compensation for services but is entitled to reimbursement for expenses incurred in performing services.

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

SUBCHAPTER C. POWERS AND DUTIES

Sec. 262.021. GENERAL POWERS. (a) The authority has the power of perpetual succession.

(b) The authority may:

- (1) have a seal;
- (2) sue and be sued; and
- (3) make, amend, and repeal its bylaws.

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

Sec. 262.022. ACQUISITION, OPERATION, AND LEASE OF HOSPITALS. (a) The authority may construct, purchase, enlarge, furnish, or equip one or more hospitals. A hospital may be located outside the municipality or municipalities.

(b) The authority may operate and maintain one or more hospitals. The authority shall operate a hospital without the intervention of private profit for the use and benefit of the public unless the authority leases the hospital.

(c) The board may lease a hospital, or part of a hospital, owned by the authority for operation by the lessee as a hospital under terms that are satisfactory to the board and the lessee. The lease must:

- (1) be authorized by resolution of the board;
- (2) be executed on behalf of the authority by the president and secretary of the board; and
- (3) have the seal of the authority impressed on the lease.

(d) The bond resolution or trust indenture may prescribe

procedures and policies for the operation of a hospital. If a hospital is used, operated, or acquired by a nonprofit corporation or is leased, the authority may delegate to the nonprofit corporation or lessee the duty to establish the procedures and policies.

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

Sec. 262.0225. AUTHORITY TO BORROW MONEY. (a) This section applies only to an authority created by a municipality with a population of less than 25,000.

(b) The board may, on behalf of the authority, borrow money from a federally insured lending institution for any of the authority's purposes.

(c) The board may borrow money in the amount it considers advisable subject to a rate of interest and other terms and conditions it considers advisable.

(d) A loan for which bonds are pledged shall mature not later than the first anniversary of the date on which the loan is made.

Added by Acts 1995, 74th Leg., ch. 740, Sec. 1, eff. Aug. 28, 1995.

Amended by Acts 2003, 78th Leg., ch. 702, Sec. 1, eff. June 20, 2003.

Sec. 262.023. EMPLOYEES. (a) The board may employ a manager or executive director of a hospital and other employees, experts, and agents.

(b) The board may delegate to the manager or executive director the authority to manage the hospital and to employ and discharge employees.

(c) The board may employ legal counsel.

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

Sec. 262.024. MANAGEMENT AGREEMENT. (a) The board may enter into an agreement with any person for the management or operation of a hospital, or part of a hospital, owned by the authority under terms that are satisfactory to the board and the contracting party.

(b) The agreement must:

- (1) be authorized by resolution of the board;
- (2) be executed on behalf of the authority by the president and secretary of the board; and
- (3) have the seal of the authority impressed on the agreement.

(c) The board may delegate to the manager the authority to manage the hospital and to employ and discharge employees.
Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 262.025. COMMITTEES. (a) The board, by a resolution adopted by a majority of the directors in office, may designate one or more committees if authorized to do so by the authority's bylaws.

(b) At least two directors must serve on each committee. Each committee may have additional nonvoting members who are not directors if authorized by the resolution or the bylaws.

(c) A committee may exercise the board's power to manage the authority to the extent and in the manner provided by the resolution or the bylaws. However, the board may not delegate to a committee the authority to:

- (1) issue bonds;
- (2) make or amend a lease of a hospital or a management agreement relating to a hospital; or
- (3) employ or discharge a manager or executive director.

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

Sec. 262.026. RATES FOR HOSPITAL SERVICES. (a) Except as provided by Subsection (b), through charging sufficient rates for services provided by a hospital and through its other revenue sources the board shall produce revenue sufficient to:

- (1) pay the expenses of owning, operating, and maintaining the hospital;
- (2) pay the interest on the bonds as it becomes due;
- (3) create a sinking fund to pay the bonds as they become due; and
- (4) create and maintain a bond reserve fund and other

funds as provided in the bond resolution or trust indenture.

(b) If the hospital is used, operated, or acquired by a nonprofit corporation under Chapter 223 or is leased, the board shall require the nonprofit corporation or the lessee to charge rates for services provided by the hospital that are sufficient with the nonprofit corporation's or lessee's other sources of revenue to:

(1) pay the expenses of operating and maintaining the hospital; and

(2) make payments or pay rentals to the authority that are sufficient with the authority's other pledged sources of estimated revenue to:

(A) pay the interest on the bonds as it becomes due;

(B) create a sinking fund to pay the bonds as they become due; and

(C) create and maintain a bond reserve fund and other funds as provided in the bond resolution or trust indenture.

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

Sec. 262.027. DEPOSITORY. The authority may:

(1) select a depository in the same manner that a municipality may select a depository under Chapter 105, Local Government Code; or

(2) award its depository contract to the depository or depositories selected as the depository or depositories of the municipality or municipalities in the authority and on the same terms as the terms of the municipal depository agreement or agreements.

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

Sec. 262.028. EMINENT DOMAIN. (a) To carry out a power granted by this chapter, the authority may acquire the fee simple title to land, other property, and easements by condemnation under Chapter 21, Property Code.

(b) The authority is considered to be a municipal corporation for the purposes of Section 21.021(c), Property Code.

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

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

Sec. 262.029. GIFTS AND ENDOWMENTS. The board may accept gifts and endowments to hold and administer as required by the respective donors.

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

Sec. 262.030. MEDICAL RECORDS. (a) The preservation, microfilming, destruction, or other disposition of the records of the authority is subject to Subtitle C, Title 6, Local Government Code.

(b) The period that medical records are retained shall be in accordance with rules relating to the retention of medical records adopted by the Texas Department of Health and with other applicable federal and state laws and rules.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 1991, 72nd Leg., ch. 14, Sec. 116, eff. Sept. 1, 1991.

Sec. 262.031. SALE OF PROPERTY; GENERAL PROVISIONS. (a) The board may sell, through sealed bids or at a public auction, real property acquired by gift or purchase that the board determines is not needed for hospital purposes if the sale does not violate:

(1) a trust indenture or bond resolution relating to outstanding bonds of the authority;

(2) prior restrictions placed on the use of the property; or

(3) an agreement between the authority and a nonprofit corporation under Chapter [223](#).

(b) If the board conducts the sale by sealed bids, the board shall provide notice of the sale under Section [272.001](#), Local Government Code.

(c) If the board conducts the sale by public auction, the board shall publish a notice of the sale once a week for three consecutive weeks in a newspaper of general circulation in each

municipality in the authority. The notice must include a description of the property and the date, time, and place of the auction. The first notice must be published not later than the 21st day before the date of the auction.

(d) This section does not affect the authority's powers under Chapter 223.

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

Sec. 262.032. SALE OF PROPERTY TO POLITICAL SUBDIVISION.

(a) The authority may sell property to a political subdivision for the fair market value of the property.

(b) The board must publish a notice of its intention to sell, a description of the property, and the scheduled date of sale in one or more newspapers of general circulation in the authority once a week for two consecutive weeks. The first notice must be published not later than the 15th day before the scheduled sale date.

(c) A petition requesting an election on the question of the sale, signed by at least 10 percent of the qualified voters residing in the authority, may be presented to the secretary or president of the board before the scheduled sale date.

(d) The board shall order the election on receiving the petition. If no petition is filed, the board may sell the property without an election or may order an election on its own motion. The order must contain the same information contained in the notice of the election under Subsection (f).

(e) Section 41.001(a), Election Code, requiring elections to be held on uniform election dates, does not apply to the election.

(f) In addition to the contents of the notice required by the Election Code, the notice must state the names of the presiding judge, alternate judge, and clerks for each polling place. The board shall publish notice of the election in one or more newspapers of general circulation in the authority once a week for two consecutive weeks. The first notice must be published not later than the 31st day before election day.

(g) The ballot shall be printed to provide for voting for or

against the proposition: "The sale of _____ by the _____ Hospital Authority."

(h) If a majority of qualified voters who vote in the election favor the sale, the board may sell the property.
Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 262.033. SALE OR CLOSING OF HOSPITAL. (a) The board may sell a hospital, or part of a hospital, owned by the authority or close a hospital, or part of a hospital, owned or operated by the authority. The sale or closure must:

- (1) be authorized by resolution of the board;
- (2) be executed on behalf of the authority by the president and secretary of the board; and
- (3) be made by a document having the seal of the authority impressed on it.

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

(c) The board shall order and conduct an election on the sale or closing of a hospital if, before the 31st day after the date the governing body authorizes the sale or closing, the board receives a petition requesting the election signed by at least 10 percent of the qualified voters of the authority. The number of qualified voters is determined according to the most recent official list of registered voters.

(d) If a petition is filed under Subsection (c), the hospital may be sold or closed only if a majority of the qualified voters voting on the question approve the sale or closing.
Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 262.0331. EXPENDITURE OF FUNDS FOR PUBLIC HEALTH INITIATIVES AFTER SALE OR CLOSING OF HOSPITAL. (a) If, after the sale or closing of a hospital under Section 262.033, the authority does not own or operate a hospital, the board may use the authority's available assets to promote public health and general welfare initiatives that the board determines will benefit the residents served by the authority, including:

(1) owning, operating, or funding an indigent health care clinic, medical research facility, medical training facility, or other health care facility;

(2) providing direct or indirect financial assistance to a nonprofit organization that:

(A) owns or operates a hospital, indigent health care clinic, medical research facility, medical training facility, or other health care facility; or

(B) supports an initiative promoting health education, wellness, or disease prevention; and

(3) undertaking any other activity that the board determines is necessary or appropriate to improve public health, promote wellness, prevent disease, or enhance the general welfare of the residents served by the authority.

(b) The board may not make an expenditure under Subsection (a) unless:

(1) the board makes appropriate provisions for the satisfaction of any outstanding bonds, debt obligations, or other liabilities of the authority;

(2) the predominant purpose of the expenditure is to promote the public health and general welfare of the residents served by the authority; and

(3) the board establishes sufficient controls to ensure that the expenditure promotes the public health and general welfare of the residents served by the authority.

Added by Acts 2013, 83rd Leg., R.S., Ch. 154 (S.B. 233), Sec. 1, eff. September 1, 2013.

Sec. 262.034. FACILITIES AND SERVICES FOR ELDERLY AND DISABLED. (a) The authority may construct, acquire, own, operate, enlarge, improve, furnish, or equip one or more of the following types of facilities or services for the care of the elderly or disabled:

(1) a nursing home or similar long-term care facility;

(2) elderly housing;

(3) assisted living;

(4) home health;

- (5) personal care;
- (6) special care;
- (7) continuing care; and
- (8) durable medical equipment.

(b) The authority may lease or enter into an operations or management agreement relating to all or part of a facility or service for the care of the elderly or disabled that is owned by the authority. The authority may sell, transfer, otherwise convey, or close all or part of the facility and may discontinue a service.

(c) The authority may issue revenue bonds and other notes in accordance with this chapter to acquire, construct, or improve a facility for the care of the elderly or disabled or to implement the delivery of a service for the care of the elderly or disabled.

(d) For the purposes of this section, a facility or service described by Subsection (a) is considered to be a hospital project under Chapter 223 (Hospital Project Financing Act).

(e) This section applies only to an authority that owns or operates a hospital licensed under Chapter 241 and that is located in:

- (1) a county with a population of 225,000 or less;
- (2) those portions of extended municipalities that the federal census bureau has determined to be rural;
- (3) an area that is not delineated as an urbanized area by the federal census bureau; or
- (4) a municipality with a population of less than 12,000 and a county with a population of 2.5 million or more at the time the authority begins operating a facility or providing a service described by Subsection (a).

(f) This section does not authorize the authority to issue revenue bonds or other notes in accordance with this chapter to construct, acquire, own, enlarge, improve, furnish, or equip a facility or service listed in Subsection (a) if a private provider of the facility or service is available and accessible in the service area of the authority.

(g) An authority described by Subsection (e)(4) may not own or operate more than 50 licensed nursing home beds under this section and is not subject to Subsection (f).

Added by Acts 1991, 72nd Leg., ch. 14, Sec. 117, eff. Sept. 1, 1991.
Amended by Acts 1995, 74th Leg., ch. 965, Sec. 4, eff. June 16,
1995; Acts 1999, 76th Leg., ch. 793, Sec. 1, eff. Aug. 30, 1999;
Acts 1999, 76th Leg., ch. 1030, Sec. 1, eff. Sept. 1, 1999.

Sec. 262.035. POWERS AND DUTIES OF CERTAIN HOSPITAL
AUTHORITIES; LEASE. (a) This section applies only to an authority
created in a county with a population of at least 350,000 in which a
hospital district is not located.

(b) A municipality may lease to an authority subject to this
section all or part of a hospital and any other health facilities
owned by the municipality. The lease may provide that the
municipality may retain during the term of the lease specified
rights relating to the operation of the authority and the
facilities leased from the municipality. The lease may provide
that:

(1) the municipality may retain the power to appoint
all directors of the authority, notwithstanding Section [262.012](#);

(2) the authority is required to perform specified
health care services on behalf of the municipality;

(3) the municipality may agree to fund specified
health care services;

(4) the authority is prohibited from eliminating or
curtailing specified health care services offered at the facilities
leased from the municipality without prior consultation with or the
approval of the municipality;

(5) the authority is prohibited from subletting the
facilities leased from the municipality or assigning its rights
under the lease for a total term of more than five years, or
entering into a management contract for the operation of the
facilities leased from the municipality as a whole, or pledging the
authority's revenues derived from the operation of the facilities
leased from the municipality, without prior consultation with or
the approval of the municipality;

(6) the board may be subject to any ethics or conflict
of interest ordinance applicable to other sovereign city boards and
commissions adopted by the municipality and any goals for hiring

and contracting with minorities or women adopted by and for the municipality;

(7) the authority will comply with Chapter 252, Local Government Code, relating to purchasing and contracts;

(8) the municipality may issue general obligation bonds for the use and benefit of the authority;

(9) an authority and its employees may participate in the municipality's employee retirement plan, employee health plans, and other employee benefit plans; and

(10) the lease may contain other terms and conditions that the municipality and authority agree on and which are not prohibited by law or by the constitution.

(c) If the municipality retains in the lease the right to appoint all members of the board, the municipality may remove the entire board or any member of the board at any time with cause. The municipality may remove the board or a member of the board under this subsection only after reasonable written notice to the board or board members and on the affirmative vote of a majority of the members of the governing body of the municipality.

(d) For purposes of Chapters 101 and 102, Civil Practice and Remedies Code, a municipal hospital authority subject to this section is a unit of local government and not a municipality.

(e) An authority subject to this section is subject to Chapter 551, Government Code, and Chapter 552, Government Code.

Added by Acts 1993, 73rd Leg., ch. 558, Sec. 1, eff. June 11, 1993.

Amended by Acts 1995, 74th Leg., ch. 76, Sec. 5.95(82), (88), eff. Sept. 1, 1995.

Sec. 262.036. RETIREMENT BENEFITS. If any authority is created by the governing body of a municipality which has established a municipal retirement system pursuant to Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article 6243n, Vernon's Texas Civil Statutes), then the board of such authority shall have the authority to provide and shall provide retirement benefits for employees of the authority by participating in and making all contributions required or authorized by the municipal retirement system established by the municipality pursuant to

Chapter 451, Acts of the 72nd Legislature, Regular Session, 1991 (Article [6243n](#), Vernon's Texas Civil Statutes).

Added by Acts 1993, 73rd Leg., ch. 614, Sec. 1, eff. July 1, 1993.

Renumbered from Health & Safety Code Sec. 262.035 by Acts 1995, 74th Leg., ch. 76, Sec. 17.01(23), eff. Sept. 1, 1995.

Sec. 262.037. ESTABLISHMENT OF NONPROFIT CORPORATION. (a) The authority may form and sponsor a nonprofit corporation under the Texas Nonprofit Corporation Law, as described by Section [1.008](#), Business Organizations Code, to own and operate all or part of one or more ancillary health care facilities consistent with the purposes of an authority under this chapter.

(b) The board shall appoint the board of directors of a nonprofit corporation formed under this section.

(c) The authority may contribute money to or solicit money for the nonprofit corporation. If the authority contributes money to or solicits money for the corporation, the authority shall establish procedures and controls sufficient to ensure that the money is used by the corporation for public purposes.

(d) A nonprofit corporation formed under this section has the same powers as a development corporation under Section [221.030](#).

(e) A nonprofit corporation formed under this section shall comply with Chapter [2258](#), Government Code, in the same manner and to the same extent that the authority is required to comply with that chapter.

Added by Acts 2007, 80th Leg., R.S., Ch. 470 (H.B. [2168](#)), Sec. 1, eff. June 16, 2007.

Sec. 262.038. HOSPITAL AUTHORITY CONTRACTS, COLLABORATIONS, AND JOINT VENTURES. The authority may, directly or through any nonprofit corporation formed by the authority, contract, collaborate, or enter into a joint venture with any public or private entity as necessary to carry out the functions of or provide services to the authority.

Added by Acts 2007, 80th Leg., R.S., Ch. 470 (H.B. [2168](#)), Sec. 1, eff. June 16, 2007.

Sec. 262.039. INVESTMENT OF AUTHORITY FUNDS. (a) This section applies only to an authority that:

(1) is located in:

(A) a county of 2.4 million or more; or

(B) a municipality of less than 15,000;

(2) has assets that exceed the amount of any outstanding bonds issued under Subchapter D; and

(3) does not operate a hospital.

(b) Notwithstanding any other law, an authority may invest authority funds:

(1) as provided by Chapter 2256, Government Code; and

(2) in any investment a trustee is authorized to make under Subtitle B, Title 9, Property Code.

Added by Acts 2013, 83rd Leg., R.S., Ch. 154 (S.B. 233), Sec. 1, eff. September 1, 2013.

Amended by:

Acts 2015, 84th Leg., R.S., Ch. 581 (H.B. 3333), Sec. 1, eff. September 1, 2015.

SUBCHAPTER D. BONDS

Sec. 262.041. REVENUE BONDS. (a) The authority may issue revenue bonds to provide funds for any of the authority's purposes.

(b) Revenue bonds must be payable from, and secured by a pledge of, revenues from the operation of one or more hospitals and any other revenues from owning hospital property. Additionally, revenue bonds may be secured by a mortgage or deed of trust on real property owned by the authority or by a chattel mortgage on the authority's personal property.

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

Sec. 262.042. FORM AND PROCEDURE. (a) Revenue bonds must be authorized by a resolution adopted by a majority vote of a quorum of the board. The bonds must:

(1) be signed by the president or vice-president of the board;

(2) be countersigned by the secretary of the board;

and

(3) have the seal of the authority impressed or printed on the bonds.

(b) Printed facsimile signatures may be substituted for the actual signatures of the president, vice-president, or secretary. Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 262.043. TERMS. (a) Revenue bonds must mature serially or otherwise not more than 40 years after they are issued.

(b) Revenue bonds may:

(1) be sold at a price and under terms that the board considers the most advantageous reasonably obtainable, except that the net effective interest rate computed according to Chapter 1204, Government Code, may not exceed 10 percent a year;

(2) be made callable before maturity at times and prices prescribed in the resolution authorizing the bonds; and

(3) be made registrable as to principal or as to principal and interest.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.252, eff. Sept. 1, 2001.

Sec. 262.044. NOTICE. (a) Before the board adopts a resolution authorizing the issuance of bonds other than refunding bonds, the board shall publish a notice of its intention to adopt the resolution and of the maximum amount and maximum maturity of the bonds.

(b) The notice must be published once a week for two consecutive weeks in one or more newspapers of general circulation in the authority. The first notice must be not later than the 15th day before the date set for adoption of the resolution.

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

Sec. 262.045. REFERENDUM. (a) A petition requesting an election on the proposition for the issuance of the revenue bonds may be presented to the president or secretary of the board before the date set for the adoption of the bond resolution. The petition must be signed by at least 10 percent of the qualified voters

residing in the authority who own taxable property in the authority.

(b) The election shall be ordered and held as provided by Chapter 1251, Government Code. The board, president, and secretary shall perform the functions assigned under that chapter respectively to the municipality's governing body, mayor, and municipal secretary.

(c) If a majority of voters who vote at the election approve the issuance of the bonds, the board may issue the bonds. If a petition is not filed, the board may issue the bonds without an election. However, the board may order the election on its own motion if a petition is not filed.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.253, eff. Sept. 1, 2001.

Sec. 262.046. JUNIOR LIEN BONDS; PARITY BONDS. (a) Bonds constituting a junior lien on the revenues or properties may be issued unless prohibited by the bond resolution or the trust indenture.

(b) Parity bonds may be issued under conditions specified by the bond resolution or trust indenture.

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

Sec. 262.047. BOND PROCEEDS; INVESTMENT OF FUNDS. (a) The board may set aside from the proceeds from the sale of bonds:

(1) an amount for payment of not more than two years' interest on the bonds;

(2) the amount required for operating expenses during the first year of operation as estimated by the board; and

(3) an amount to fund any bond reserve fund or other reserve funds provided for in the bond resolution or trust indenture.

(b) The bond proceeds may be deposited in banks and paid out under terms as provided in the bond resolution or trust indenture.

(c) The law relating to the security for and the investment of municipal funds controls, to the extent applicable, the investment of the authority's funds. The bond resolution or trust

indenture may further restrict those investments. Additionally, the authority may invest its bond proceeds, until that money is needed, as authorized by the bond resolution or trust indenture. Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989.

Sec. 262.048. REFUNDING BONDS. (a) The authority may issue bonds to refund outstanding bonds in the same manner that other bonds are issued under this chapter.

(b) Bonds issued under this chapter may be exchanged by the comptroller or sold. The proceeds shall be applied as provided by Subchapters B and C, Chapter 1207, Government Code, or other applicable law.

Acts 1989, 71st Leg., ch. 678, Sec. 1, eff. Sept. 1, 1989. Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.254, eff. Sept. 1, 2001.

Sec. 262.049. APPROVAL AND REGISTRATION OF BONDS. (a) The authority shall submit to the attorney general bonds issued under this chapter and the record relating to the issuance of those bonds.

(b) If the attorney general finds that the bonds were issued in accordance with this chapter, are valid and binding obligations of the authority, and are secured as recited in the bonds:

(1) the attorney general shall approve the bonds; and

(2) the comptroller shall register the bonds and certify the registration on the bonds.

(c) Following approval and registration, the bonds are incontestable.

(d) The bonds are negotiable and must contain the following provision: "The holder hereof shall never have the right to demand payment thereof out of money raised or to be raised by taxation."

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

Sec. 262.050. LEGAL INVESTMENTS; SECURITY FOR DEPOSITS.

(a) Bonds issued under this chapter 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; or
(6) the interest and sinking fund or other public fund
of an authority.

(b) The bonds are eligible and lawful security, to the extent of the value of the bonds, for the deposits of public funds of the state or an authority if accompanied by all appurtenant unmatured interest coupons.

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