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# Hospital Authority

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Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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# Hospital Authority

## Private Acts of 1976 Chapter 297

**SECTION 1.** A Governmental Hospital Authority to be known as the Chattanooga-Hamilton County Hospital Authority, is hereby created and established for and on behalf of Hamilton County, Tennessee, for the purpose of performing a governmental function by operating Baroness Erlanger Hospital and T.C. Thompson Children's Hospital and such other similar or associated hospitals and existing health centers deemed appropriate to be operated by said authority as sole operator for the purpose of providing health care facilities and programs for the residents of Hamilton County, Tennessee.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 2.** The Hospital Authority shall be operated upon the tracts and parcels of real property owned jointly by Hamilton County and the City of Chattanooga, Tennessee, and on which are situated the Baroness Erlanger Hospital and the T.C. Thompson Children's Hospital or upon any other real property acquired by the authority through gift and purchase. The city and the county are authorized and directed to convey and assign all real property constituting the Baroness Erlanger Hospital and the T.C. Thompson Children's Hospital to the authority. The city and the county are also authorized to convey and assign all personal property constituting the Baroness Erlanger Hospital and the T.C. Thompson Children's Hospital to the authority.

In the event the authority shall at any time cease to exist as the operator of Baroness Erlanger Hospital, T.C. Thompson Children's Hospital and such other similar or associated hospitals and existing health centers deemed appropriate to be operated by the authority as sole operator, the real estate which was owned on August 5, 1976, by the county and the city and conveyed to the authority by the county and the city, shall revert in fee simple to the county, subject to such encumbrances as may be on said property at the time of reversion; provided, however, that the city shall have an option to require transfer to it of the title to the same proportion of such real estate as was owned by the city on such date, subject to such encumbrances on that portion of the real estate.

If the authority shall at any time cease to use any such parcel or parcels of said real estate for hospital or related purposes for a period of two (2) years, then the county and the city shall have the option to require transfer to them of title to such parcel or parcels in fee simple, subject to such encumbrances as may be on said property at the time of such transfer of title, in the same proportion as such parcel or parcels were previously owned by the county and the city. In the event that either the county or the city shall elect not to exercise its option with respect to any such parcel or parcels of real estate, then the other of them shall have the option to require transfer to it of the entire parcel or parcels of real estate in question. In the event that neither the county nor the city decides that they wish to exercise said option, then the authority shall have the right to dispose of such property in whatever manner it deems appropriate.

The Hospital Authority, through its Board of Trustees, shall have the authority to operate other facilities that supplement or coordinate with the operation of Baroness Erlanger Hospital and T.C. Thompson Children's Hospital for the residents of Hamilton County, Tennessee, the City of Chattanooga, Tennessee and the other incorporated municipalities in said County. However, nothing contained in this Act either directly or indirectly shall permit the Hospital Authority to have any jurisdiction of, nor to unnecessarily duplicate the services of, the Hamilton County Nursing Home or the Chattanooga-Hamilton County Health Department, each being a separate county agency unconnected with the actual operation of the Hospital Authority. The County Council may, however, (following the determination of desirability and recommendation by the County Judge of the specific services, terms, conditions, and extent thereof) contract with the Hospital Authority for delivery of such health care services as may from time to time be necessary for periods of time not to exceed four (4) years' duration, but such contracts shall not provide a duplication of - only a necessary supplement to - the services of the two aforesaid county agencies.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 3.** The hospital authority shall be operated and controlled by a board of trustees consisting of eleven (11) members who shall serve without compensation but who shall be indemnified by the authority for any liability they might incur while acting in such capacity other than from culpable negligence. Trustees shall be appointed to four (4) year terms.

The method of appointment of the members of the board of trustees after the expiration of the terms of the members of such board serving on the effective date of this act shall be as follows:

- (1) The county mayor of Hamilton County shall appoint six (6) trustees, with the approval of a majority of the members of the county council;

(2) The chief of staff of Erlanger Hospital shall serve as a trustee; and

(3) The general assembly shall, by joint resolution, appoint four (4) trustees; provided, the members of the Hamilton County legislative delegation to the general assembly, by majority vote of the delegation, may recommend nominees to the general assembly for appointment as trustee. If the general assembly is not in session at the time a trustee is appointed to fill a vacancy resulting from the expiration of a term, the trustee whose term has expired shall serve until a new appointee is confirmed. If the general assembly is not in session, in order to fill a vacancy not resulting from the expiration of a term, a trustee may be appointed by joint action of the speaker of the house of representatives and the speaker of the senate after consultation with the Hamilton County delegation to the general assembly, and such appointee shall serve as a trustee for the term appointed unless such appointment is not confirmed within sixty (60) calendar days after the general assembly next convenes in regular session following such appointment.

Upon the expiration of the term of office of any trustee, the trustee's successor shall be appointed for a term of four (4) years by the authority appointing the trustee whose term has expired. With respect to the existing appointment by the chancellors of the chancery court, no person shall be appointed upon the expiration of the term and the position shall cease to exist. With respect to the appointment for the expiring term for the trustee made by the county mayor and the city mayor with the approval of the Chattanooga-Hamilton County Medical Society, the appointment shall be made by the county mayor with the approval of a majority of the members of the county council. With respect to appointments for the expiring terms for the four (4) trustees appointed by the mayor of the city of Chattanooga, those appointments shall be made by the general assembly and the county mayor pursuant to this section; provided, that for the first such occurring expiration the appointment shall be made by the county mayor with the approval of a majority of the members of the county council and the general assembly shall make the remaining three (3) appointments as provided in this section.

All such appointments to the Board of Trustees as provided herein shall be made without regard to religious preference, race, sex or national origin, and in the making of appointments due consideration shall be given to making said Board of Trustees representative, as nearly as may be practicable, of all residents of the city and county, including the various racial groups therein.

Any member so appointed to the Board of Trustees may, for reasonable cause, be removed from his or her office in the same manner and by the same authority as such member was appointed to the office; provided that such removal shall be preceded by a full hearing and adequate notice of such hearing.

'Reasonable cause' shall include, but shall not be limited to, misconduct in office, failure to perform duties prescribed by this act or other applicable law, or failure to diligently pursue the objectives for which the authority was created.

Vacancies on the Board of Trustees caused by any reason whatsoever, shall be filled by appointment of the authority who appointed the trustee vacating the office, but without the necessity of approval otherwise herein required. A trustee so appointed shall hold office for the remainder of the term of the trustee vacating the office.

A member of the Board of Trustees may serve as such trustee for not more than eight (8) consecutive years, excluding any previous service as a member of the Board of Trustees of Baroness Erlanger Hospital and/or T.C. Thompson Children's Hospital.

The occupancy of their respective offices by the present members of the Board of Trustees (being those individuals enumerated in amended Section 3 above) is hereby ratified and confirmed.

As amended by: Private Acts of 1977, Chapter 125  
Private Acts of 2012, Chapter 71  
Private Acts of 2014, Chapter 72.

**SECTION 4.** Whenever used in this act, unless a different meaning clearly appears from the context, the following terms whether used in the singular or the plural shall be given the following respective interpretations:

'Authority' or 'Hospital Authority' means the Chattanooga-Hamilton County Hospital Authority as created by this act.

'Board of Commissioners' means the Board of Commissioners of the city.

'Board of Trustees' means the Board of Trustees of the authority as provided for in this act.

'Bonds' means bonds of the authority authorized to be issued by this act. 'Advance refunding bonds' means bonds issued for the purpose of refunding outstanding bonds which will neither mature by their terms nor be subject to and called for redemption within a period of 30 days following the date of issuance

of said advance refunding bonds.

'Chancellors' means the Chancellors of the Chancery Courts of Hamilton County, Tennessee.

'Chief Executive Officer' means, as the context requires, the president of the authority, the mayor of the city, and the county judge of the county.

'City' means the City of Chattanooga, Tennessee.

'County' or 'Hamilton County' means Hamilton County, Tennessee.

'County Council' means the county council of the county.

'County Judge' means the county judge or such other chief executive officer of the county as may be created by subsequent law.

'Financial Review Committee' means the Financial Review Committee provided for in this act.

'Hamilton County Sales Tax Agreement' means the agreement between the city and the county, dated March 23, 1966.

'Legislative Delegation' means the Hamilton County delegation to the Legislature of Tennessee, being the Senators and Representatives elected from those districts lying in whole or in part in the county.

'Mayor' means the mayor of the city of such other chief executive officer of the city as may be created by subsequent law.

'Notes' means notes of the authority authorized to be issued by this act. 'Short-Term Notes' means nonrenewable notes having a term no longer than three (3) years. 'Long-Term Notes' means renewable short-term notes and notes having a term longer than three (3) years.

'Project' or 'Facility' shall mean any one or combination of buildings, structures or facilities owned by the authority, including the site therefor and all machinery and equipment therein or necessary to the operation thereof, and shall include expressly the Baroness Erlanger Hospital and the T.C. Thompson Children's Hospital.

As amended by:

Private Acts of 1977, Chapter 125

**SECTION 5.** The Board of Trustees shall elect a Chairperson, Vice-Chairperson and Secretary from among its members. The Board shall meet at least quarterly or more often, if necessary, and shall keep complete and permanent records and minutes reflecting all business and transactions of the Board of Trustees.

**SECTION 6.** The Board of Trustees shall be vested with the full, absolute and complete authority and responsibility for the complete operation, management, conduct and control of the business and affairs of the Hospital Authority herein created. This authority and responsibility shall include, but shall not be limited to, the establishment, promulgation and enforcement of the rules, regulations and policies of the authority, the granting of or the refusal of medical staff privileges, the upkeep and maintenance of all property, the administration of all financial affairs of the authority, including pledging of assets for expansion and improvement of facilities and any other necessary financial needs of the authority. The authority shall have, but shall not be limited to, the following powers together with all powers incidental thereto or necessary for the performance of those hereinafter stated: (1) to sue and be sued and to prosecute and defend, at law or in equity, in any court having jurisdiction of the subject matter and of the parties; (2) to have and use an official seal and to alter the same at pleasure; (3) to acquire, whether by purchase, construction, exchange, gift, lease, or otherwise, and to improve, maintain, extend, equip and furnish hospital and related facilities within the corporate limits of Hamilton County, including expressly, but without limitation, professional office buildings, ancillary residence facilities and data processing facilities, and including all real and personal properties which the Board of Trustees may deem necessary in connection therewith and regardless of whether or not any such facilities shall then be in existence; (4) to execute all contracts, agreements and other instruments with any person, partnership, corporation, federal, state, county or municipal government, including but not limited to the issuance of bonds, mortgages, notes and other forms of indebtedness, and contracts for the management of hospital and clinic facilities (but no such management contract shall exceed two (2) years in length); (5) subject to the provisions of Section 2 hereof, to sell, lease, exchange, donate, and convey any or all of its properties whenever its Board of Trustees shall find any such action to be in furtherance of the purposes for which the authority was created; (6) to borrow money and issue its bonds and notes for the purpose of carrying out any of its powers; (7) as security for the payment of the principal of and interest on any bonds and notes so issued and any agreements made in connection therewith, to mortgage and pledge any or all of its facilities or any part or parts thereof, whether then owned or thereafter acquired, and to pledge all or any portion of the revenues and receipts therefrom or from any thereof; (8) to employ and pay compensation to such employees, and agents, including attorneys, accountants, engineers, architects and financial consultants, as the Board of Trustees shall deem necessary for the business of the authority; and

(9) to establish bylaws and make all rules and regulations not inconsistent with the provisions of this act, deemed expedient for the management of the authority's affairs.

No contract, except for personal services or lease obligations, involving an expenditure exceeding two thousand five hundred dollars (\$2,500.00), nor several proposed contracts aggregating more than two thousand five hundred dollars (\$2,500.00), for the same general work or kind of work, supplies or equipment, shall be awarded until after at least one advertisement in some newspaper of general circulation published in the county at least ten (10) days before such contract is awarded or supplies purchased, and then only to the lowest and best bidder. Said bids shall be sealed and filed with the president or his designee, who shall publicly open them on the date specified and not prior thereto. No entire project or purchase involving the same type of work, equipment or supplies shall be split into small contracts. Nothing in this paragraph shall be construed to apply to the issuance of bonds or notes by the authority.

As amended by: Private Acts of 1985, Chapter 99

Purchases and contracts involving an expenditure of not more than two thousand five hundred dollars (\$2,500.00) shall be made in conformity with the rules and regulations adopted by the Board of Trustees.

As amended by: Private Acts of 1985, Chapter 99

The authority shall prescribe reasonable rates, fees and charges for the services and facilities furnished by the authority and shall revise such rates, fees and charges from time to time so as to produce revenue at least sufficient to pay the principal of and interest on all bonds and other obligations issued by the authority, including reserves therefor, and to pay the cost of maintaining and operating its facilities.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 7.** Except as herein otherwise expressly provided, all bonds issued by the authority shall be payable solely out of and secured by a pledge of all or any portion of the revenues and receipts derived from the authority's projects or of any thereof as may be designated in the proceedings of the Board of Trustees under which such obligations shall be authorized to be issued and may be secured by a mortgage or deed of trust covering all or any part of the projects from which the revenues and receipts so pledged may be derived, as such projects may thereafter be extended or enlarged; provided, that notes issued in anticipation of the issuance of bonds may be retired out of the proceeds of such bonds. The proceedings under which the bonds are authorized and any such mortgage or deed of trust may contain agreements and provisions respecting the maintenance of the facilities covered thereby, the establishment of rates, fees and charges for the services and facilities furnished by the authority, the creation and maintenance of special funds from the revenues of the authority and the rights and remedies available in the event of default, all as the Board of Trustees shall determine advisable and not in conflict with the provisions of this act. Each pledge, mortgage and deed of trust made for the benefit or security of any bonds of the authority shall continue in effect until the principal of and interest on the bonds for the benefit of which the same were made shall have been fully paid. In the event of default in such payment or in any agreement of the authority made as a part of the contract under which the bonds were issued, whether contained in the proceedings authorizing the bonds or in any mortgage or deed of trust executed as security therefor, such payment or agreement may be enforced by suit, mandamus, the appointing of a receiver in equity or by foreclosure of any such mortgage or deed of trust, or any one or more of such remedies.

Such bonds may be executed and delivered by the authority at any time and from time to time, may be in such form and denominations and of such terms and maturities, may be subject to redemption prior to maturity either with or without premium, may be in fully registered form or in bearer form registrable either as to principal or interest or both, may bear such conversion privileges and be payable in such installments and at such time or times not exceeding forty (40) years from the date thereof, may be payable at such place or places whether within or without the State of Tennessee, may bear interest at such rate or rates payable at such time or times and at such place or places and evidenced in such manner, may be executed by such officers of the authority, and may contain such provisions not inconsistent herewith, all as shall be provided in the proceedings of the Board of Trustees whereunder the bonds shall be authorized to be issued. Any bonds of the authority may be sold at public or private swle [sic] for such price and in such manner and from time to time as may be determined by the Board of Trustees to be most advantageous, and the authority may pay all expenses, premiums and commissions which its Board of Trustees may deem necessary or advantageous in connection with the issuance thereof.

Proceeds of bonds and notes issued by the authority may be used for the purpose of constructing, acquiring, reconstructing, improving, equipping, furnishing, bettering, or extending any project or projects, including the payment of interest on the bonds during construction of any such project and for six (6) months after the estimated date of completion, the payment of engineering, fiscal, architectural, bond insurance and legal expenses incurred in connection with such project and the issuance of the bonds, and the establishment of a reasonable serve fund for the payment of principal of and interest on such bonds in the event of a deficiency in the revenues and receipts available for such payment. Any bonds

and long-term notes shall, except as herein otherwise expressly provided, be issued for capital expenditures and none of the proceeds shall be used for operational expenditures or routine maintenance needs.

Except as hereinafter in this paragraph provided, the amount of bonds and notes of the authority which may be issued at any time, together with any bonds and notes of the authority then outstanding, shall not exceed an amount equal to ninety percent (90%) of the sum of the value of the existing plant, property and equipment of the authority at the time of issuance of such bonds plus the contract price of the improvements to be constructed, acquired and installed from the proceeds of such bonds, less (1) the principal amount outstanding, if any, of such bonds as may have been issued by the county for the expansion, remodeling, repairing, equipping, and/or construction of all or any part of Baroness Erlanger Hospital and/or T.C. Thompson Children's Hospital, and (2) the amount, if any, of any unfunded portion of the employees' pension fund of Baroness Erlanger Hospital and/or T.C. Thompson Children's Hospital. Plant, property and equipment for the purpose of the preceding sentence shall be stated at market value as determined by a professional appraiser to be selected by the Financial Review Committee. A certificate of such professional appraiser with respect to the value of such plant, property and equipment, a certificate of the county judge of the county with respect to the amount of outstanding bonds of the county for such hospital purposes, and a certificate of the chief executive officer of the authority with respect to the unfunded portion of such employees' pension fund shall each be conclusive for the purposes of determining the amount of bonds and notes which may be issued [sic] pursuant to this paragraph. The limitations expressed in this paragraph shall not apply to the issuance of advance refunding bonds.

The Board of Trustees shall direct in the proceedings authorizing the issuance of any bonds of the authority that there shall be set aside and appropriated as a reserve for the payment of principal and interest on said bonds an amount not less than the required amount of principal and interest on the bonds falling due during the 12 month period next succeeding the date of issuance of the bonds.

Any bonds or notes of the authority at any time outstanding may at any time and from time to time be refunded by the authority by the issuance of its refunding bonds in such amount as the Board of Trustees may deem necessary, but not exceeding the sum of the following: (a) the principal amount of the obligations being refinanced; (b) applicable redemption premiums thereon; (c) unpaid interest on such obligations to the date of delivery or exchange of the refunding bonds; (d) in the event the proceeds from the sale of the refunding bonds are to be deposited in trust as hereinafter provided, interest to accrue on such obligations from the date of delivery to the first or any subsequent available redemption date or dates selected, in its discretion, by the Board of Trustees, or to the date or dates of maturity, whichever shall be determined by the Board of Trustees to be most advantageous or necessary to the authority; and (e) expenses, premiums and commissions of the authority, including bond discount, deemed by the Board of Trustees to be necessary for the issuance of the refunding bonds. A determination by the Board of Trustees that any refinancing is advantageous or necessary to the authority, or that any of the amounts provided in the preceding sentence should be included in such refinancing, or that any of the obligations to be refinanced should be called for redemption on the first or any subsequent available redemption date or permitted to remain outstanding until their respective dates of maturity, shall be conclusive.

Any such refunding may be effected either by the exchange of the refunding bonds for the obligations to be refunded thereby with the consent of the holders of the obligations so to be refunded, or by sale of the refunding bonds and the application of the proceeds thereof to the payment of the obligations to be refunded thereby, in the manner herein provided. Prior to the issuance of the refunding bonds, the Board of Trustees shall cause notice of its intention to issue the refunding bonds, identifying the obligations proposed to be refunded and setting forth the estimated date of delivery of the refunding bonds, to be given to the holders of the outstanding obligations by publication of an appropriate notice one (1) time each in a newspaper having general circulation in Hamilton County and in a financial newspaper published in New York, New York, and having national circulation. As soon as practicable after the delivery of the refunding bonds, and whether or not any of the obligations to be refunded are to be called for redemption, the Board of Trustees shall cause notice of the issuance of the refunding bonds to be given in the manner provided in the preceding sentence.

If any of the obligations to be refunded are to be called for redemption, the Board of Trustees shall cause notice of redemption to be given in the manner required by the proceedings authorizing such outstanding obligations.

The principal proceeds from the sale of any refunding bonds shall be applied only as follows: either,

- (a) to the immediate payment and retirement of the obligations being refunded; or
- (b) to the extent not required for the immediate payment of the obligations being refunded then such proceeds shall be deposited in trust to provide for the payment and retirement of the obligations being refunded and to pay any expenses incurred in connection with such refunding, but provision may be made

for the pledging and disposition of any surplus, including, without limitation, provision for the pledging of any such surplus to the payment of the principal of and interest on any issue or series of refunding bonds. Money in any such trust fund may be invested in direct obligations of, or obligations the timely payment of principal of and interest on which are fully guaranteed by the United States government, or obligations of any agency or instrumentality of the United States government, or in certificates of deposit issued by a bank or trust company located in the State of Tennessee if such certificates shall be secured by a pledge of any of said obligations having an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured. Nothing herein shall be construed as a limitation on the duration of any deposit in trust for the retirement of obligations being refunded but which shall not have matured and which shall not be presently redeemable or, if presently redeemable, shall not have been called for redemption.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 8.** The Board of Trustees shall have the authority to employ or contract with and fix the compensation of a Chief Executive Officer of the institutions under its jurisdiction. The Board of Trustees shall from time to time determine and prescribe the duties and responsibilities of such Chief Executive Officer. The Board of Trustees shall require all employees receiving and disbursing funds of the Authority to be adequately bonded.

**SECTION 9.** The Board of Trustees shall prepare and submit to the County Council and the Board of Commissioners of the City of Chattanooga each fiscal year a financial statement which shall be audited by a firm of independent certified public accountants selected by the Financial Review Committee from a list of not less than two (2) firms prepared by the Board of Trustees.

Not less than 30 days before any bonds, or bond anticipation notes are authorized, a statement shall be furnished to the Financial Review Committee from a professional actuary certifying that pension fund contributions established by the Authority Board of Trustees are estimated to be adequate to amortize such unfunded, accrued liability over a period of 40 years, or less.

Notwithstanding any other provision of this law to the contrary, no bonds and/or bond anticipation notes shall be authorized or issued unless contributions required shall be current. Contributions required shall be as determined by actuary to amortize over a 40 year period or less any unfunded-accrued liability of pension funds administered and/or controlled by the Authority Board of Trustees. A certificate by such actuary with respect to the currency of such required pension fund contributions shall be conclusive for the purpose of determining compliance by the authority with the provisions of this section.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 10.** The Board of Trustees shall annually prepare and submit to the Board of Commissioners of the City of Chattanooga, Tennessee, the Hamilton County Council and the Financial Review Committee a budget reflecting in detail all estimated revenue and expenses of the Hospital Authority. Said budget shall be for the fiscal year July 1 to June 30, shall reflect expenses within revenues, and shall be submitted by the Board no later than April 15, prior to the commencement of the fiscal year. No expenditures in excess of estimated revenues may occur except upon declaration by resolution of a majority of the members to which the Authority is statutorily entitled, but in no event shall such expenditures exceed actual revenues received plus one-half of undesignated fund balance. Notwithstanding the foregoing provisions of this section, nothing herein contained shall be construed as limiting any expenditures made by the authority for the payment of principal of and interest on bonds or other obligations issued by the authority.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 11.** A Financial Review Committee shall be created consisting of seven (7) members, one (1) of whom shall be Black. The membership shall be composed of the auditor of the city, the auditor of the county, and five (5) other persons who are residents of Hamilton County, three (3) of whom shall be appointed by the county judge with the approval of a majority vote of the county council and two (2) of whom shall be appointed by the mayor with the approval of a majority vote of the Board of Commissioners; provided, that if any members of such committee shall not have been so appointed within 90 days from the date of approval of this act by the county council of the county, such members shall thereupon be appointed by a majority vote of the members of the legislative delegation.

The members of the committee shall serve without compensation. They shall be indemnified by the authority for any liability they might incur while acting in such capacity other than for culpable negligence. With the exception of the city auditor and the county auditor, the remaining members shall be initially appointed to staggered terms as follows: two (2) for terms of three (3) years; one (1) to be so appointed by the county judge and one (1) to be so appointed by the mayor; two (2) for terms of two (2) years; one (1) to be so appointed by the county judge and one (1) to be so appointed by the mayor; and one (1) to be so appointed by the county judge for a term of one (1) year. Thereafter, each appointee shall serve for a period of three (3) years and such appointee's successor shall be appointed in the same manner and by the same official who appointed the person whose term has expired. Any person



appointed to fill a vacancy for any reason other than expiration of term of office shall be appointed to hold office for the remainder of the term of the member vacating the office. Said vacancy shall be filled in the same manner as the original appointment.

The Financial Review Committee shall review the proposed issuance of bonds or long-term notes, to consider if the issuance of said obligations is within the fiscal ability of the authority based upon the appropriate preceding annual audits, monthly operating statements subsequent to the closing date of the most recent audit period included in the most recent annual audit, additional revenue projections reasonably anticipated as a result of the proposed capital expenditure (taking into account any probable revenue loss during replacement, if any), and any other data reasonably bearing upon the fiscal soundness of the issuance of such bonds or long-term notes. At such time or times as the Board of Trustees of the authority shall desire to authorize the issuance of bonds or long-term notes it shall first submit the proposal to issue such obligations to the Financial Review Committee, which committee shall file its advisory report thereon with the Board of Trustees within sixty (60) days after the receipt of such proposal. Upon the filing of such report with the Board of Trustees, or after sixty (60) days following the date of submission of such proposal of such committee, whichever is earlier, the Board of Trustees may proceed with the issuance of such bonds or long-term notes; provided, that the submission to the Financial Review Committee herein required shall not be necessary at any time if such committee has not then been validly appointed and is not in existence.

The Financial Review Committee shall annually review the proposed budget prepared by the Board of Trustees and shall file its report thereon with the Board of Trustees and the County Council.

All reports of the Financial Review Committee shall be made to the County Council of the county, the Board of Commissioners of the city and the Board of Trustees of the authority, and shall be considered by the respective governing bodies with which such reports are filed.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 12.** Chattanooga-Hamilton County Hospital Authority shall be obligated to make available without regard to race, religion or national origin, its facilities and patient care programs to the indigent (as defined from time to time by the County Auditor) residents (as defined from time to time by the County Auditor with the approval of the county legislative body) of Hamilton County, City of Chattanooga, and all other incorporated municipalities within Hamilton County to the extent that funds are appropriated from time to time by the County Council and adjusted profits (profits minus principal payments on Hospital building bonds and long-term notes) derived from operation of the Hospital are utilized. To assist the Council in determining its annual appropriation, the Hospital Authority shall submit to the Hamilton County Council the cost to the Hospital Authority of providing indigent patient care which shall include patient days, clinic visits, emergency room visits and other approved patient services. In any event, the annual appropriation to the Chattanooga Hamilton County Hospital Authority shall not be less than \$3,000,000 in each fiscal year without approval of the Authority, so long as the 1966 Hamilton County Sales Tax Agreement shall remain in effect.

As amended by: Private Acts of 1985, Chapter 180

The Authority is also hereby required to obtain an actuarial study of the Hospital employees' pension program within one (1) year after ratification of this Act, and is further required to amortize by annual contributions (by either contributions from the Authority, the employees, or a combination thereof, as may be necessary) with the past service cost being amortized on not more than a forty (40) year basis.

**SECTION 13.** This Act shall supersede and invalidate any and all private acts, city ordinances, court or executive orders or any previous legislative act of the Tennessee Legislature or any ordinance passed by the Board of Commissioners of Chattanooga, Tennessee, or resolution of the County Council of Hamilton County, dealing with the organization, operation and control of Baroness Erlanger Hospital and T.C. Thompson Children's Hospital.

**SECTION 14.** If any provision of this act or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

**SECTION 15.** This act shall have no effect unless it is approved by a majority of the number of qualified voters of Hamilton County voting in a county-wide election on the question of whether or not the act should be approved. The ballots used in the August, 1976 general election shall have printed on them the following:

FOR AN ACT TO CREATE A CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY TO OWN AND OPERATE BARONESS ERLANGER HOSPITAL, T.C. THOMPSON CHILDREN'S HOSPITAL AND OTHER RELATED FACILITIES AND PROVIDE FOR THE ESTABLISHMENT AND ORGANIZATION OF A BOARD OF TRUSTEES FOR THE OPERATION THEREOF.

AGAINST AN ACT TO CREATE A CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY TO OWN AND OPERATE BARONESS ERLANGER HOSPITAL, T.C. THOMPSON CHILDREN'S HOSPITAL AND OTHER RELATED FACILITIES AND PROVIDE FOR THE ESTABLISHMENT AND ORGANIZATION OF A BOARD OF TRUSTEES FOR THE OPERATION THEREOF.

And the voters shall vote for or against its approval. The votes cast on the question shall be canvassed and the results proclaimed by the county election commissioners and certified by them to the secretary of state as provided by law in the case of general elections. The qualifications of voters voting on the question shall be the same as those required for participation in general elections. All laws applicable to general elections shall apply to the determination of the approval or rejection of this act.

**SECTION 16.** For the purpose of approving or rejecting this act as provided in Section 15, it shall take effect on becoming a law, the public welfare requiring it, but for all other purposes, it shall take effect thirty (30) days after being approved as provided in Section 15.

**SECTION 17.** Notwithstanding any other provision of this act the county shall have the option to purchase all real and personal property of the authority if either of the following shall have occurred:

(a) The authority shall have defaulted in the payment when due of principal or interest on any of its bonds or long-term notes then outstanding; or

(b) The authority shall have filed written notice with the county judge that it is the expectation of the Board of Trustees of the authority that the authority will so default in the payment of principal or interest on any of its bonds or long-term notes then outstanding on the next succeeding date on which such principal or interest shall fall due.

The purchase price in the event that the county shall elect to exercise any such option shall be an amount equal to the principal of and interest to maturity or the first call date, if any, whichever shall be earlier, together with any applicable premiums, on all bonds and long-term notes of the authority then outstanding, and the amount so received by the authority from the county shall be impressed with a trust in favor of the holders of such bonds and long-term notes and shall be used for the payment of principal of and interest and redemption premiums thereon and for no other purpose.

Such purchase option of the county shall be superior to any right of foreclosure herein permitted, and any mortgage hereinafter granted by the authority shall recognize and be subject to such option to purchase.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 18.** The authority is hereby declared to be a public instrumentality acting on behalf of the county, but without the power of eminent domain, and in that connection to be fulfilling a public function, and the authority and all properties at any time owned by it and the income therefrom and all bonds or notes issued by the authority and the income therefrom shall be exempt from all taxation in the State of Tennessee. Also, for purposes of the Securities Law of 1955, compiled as Sections 48-1601 through 48-1648, Tennessee Code Annotated, and any amendment thereto or substitution therefor, bonds or notes issued by the authority shall be deemed to be securities issued by a public subdivision of the State of Tennessee.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 19.** The authority shall be a public nonprofit corporation and no part of its net earnings remaining after payment of its expenses shall inure to the benefit of any individual, firm or corporation.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 20.** Neither the county nor the city shall in any event be liable for the payment of the principal of or interest on any bonds or notes of the authority or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the authority, and none of the bonds or notes of the authority or any of its agreements or obligations shall be construed to constitute an indebtedness of either the county or the city within the meaning of any constitutional or statutory provision whatsoever.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 21.** Nothing contained in this act shall be construed to impair any contract rights which may have vested prior to the enactment of this act.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 22.** It is hereby declared that the purpose of this act is to facilitate adequate hospital facilities for the residents of the county. Bonds may be issued under this act without regard to the requirements, restrictions or procedural provisions contained in any other law.

As amended by: Private Acts of 1977, Chapter 125

**SECTION 23.** The Hospital Authority may, by resolution adopted by a two-thirds (2/3) vote of the Board of Trustees, provide for the sale, lease, or other transfer of any or all of the Hospital Authority's assets or liabilities on any terms and conditions considered reasonable by the Board of Trustees, including the sale, lease, or other transfer for no or nominal monetary consideration. The Hospital Authority is authorized to

make such sale, lease, or other transfer only to a nonprofit corporation that meets each of the following requirements:

(a) The nonprofit corporation is established pursuant to the Tennessee Nonprofit Corporation Act, compiled in Chapters 51 through 68 of Title 48 of the Tennessee Code Annotated;

(b) The nonprofit corporation is organized specifically for the purpose of owning, leasing, or operating one (1) or more facilities;

(c) The nonprofit corporation is an entity exempt from federal income tax under section 501 (c)(3) of the Internal Revenue Code;

(d) The nonprofit corporation has agreed to appropriate covenants for continuing the mission of Erlanger Health System, including covenants related to charity care, emergency and trauma services, major clinical service lines, the children's hospital, federally qualified health centers, population health, and participation in the federal Medicare and Medicaid programs;

(e) The nonprofit corporation has agreed to appropriate commitments to maintain and protect the Hospital Authority's assembled work force, including providing positions, salaries, and employee benefit arrangements at least equivalent to current levels and making reasonable allowance for accumulated benefits (i.e., sick leave, vacation, educational benefits, etc.) that employees were eligible for at the time of the transaction;

(f) The nonprofit corporation has agreed to appropriate processes and procedures to ensure adherence to the covenants and commitments, including a reporting and oversight structure that will be established to monitor the nonprofit corporation's adherence to the covenants and commitments;

(g) The nonprofit corporation has agreed to approvals that it will not sell, lease, or transfer all or substantially all of its assets or operations without the prior approval of the County Commission of Hamilton County, the prior approval of the Attorney General and Reporter, and the prior approval of any entity specifically established to ensure compliance with covenants and commitments; however, the agreement contemplated by this subsection does not need to require approvals for:

(1) A sale, lease, or transfer between the nonprofit corporation and its affiliates, including an entity or person that controls, is controlled by, or is under common control with the nonprofit corporation; or

(2) The participation of the nonprofit corporation as a shareholder of a corporation, as a joint venturer in a joint venture, as a general partner or limited partner in a partnership, as a member of a nonprofit corporation, or as a member of any other lawful form of business organization;

(h) The nonprofit corporation has agreed that any debts or obligations undertaken by the nonprofit corporation are payable only from the assets of the nonprofit corporation and do not constitute debts or obligations of the Hospital Authority or any other entity or governmental body, absent written agreement otherwise by the authority with that entity or governmental body;

(i) The nonprofit corporation has agreed to assume full responsibility for the hospital authority's frozen defined benefit pension plan, including, but not limited to, payment of:

(1) At least one hundred percent (100%) of the pension plan's annual actuarially determined contribution, including the normal cost of benefits and the amortization of the pension plan's unfunded accrued liability, and any payment due pursuant to subsection (l);

(2) The costs associated with maintaining the plan's qualified plan status; and

(3) The costs associated with the administration of the pension plan;

(j)

(1) Within ninety (90) days from the date of formation of the nonprofit corporation, the nonprofit had requested a ruling from the Pension Benefit Guaranty Corporation that the frozen defined benefit pension plan is subject to requirements established by the Pension Benefit Guaranty Corporation and contained in the Employee Retirement Income Security Act of 1974, as amended; and

(2) The nonprofit corporation has agreed that:

(A) If the Pension Benefit Guaranty Corporation does not provide a ruling or provides a ruling indicating that the nonprofit corporation is not subject to the requirements established by the Pension Benefit Guaranty Corporation and contained in the Employee Retirement Income Security Act of 1974, as amended, the nonprofit corporation will continue to voluntarily comply with the requirements of the Public Employee Defined Benefit Financial Security Act of 2014, as amended, until the Pension Benefit Guaranty Corporation confirms coverage of the assumed frozen defined benefit pension plan; and

(B) Upon a ruling from the Pension Benefit Guaranty Corporation that the frozen defined benefit pension

plan is subject to the requirements established by the Pension Benefit Guaranty Corporation and contained in the Employee Retirement Income Security Act of 1974, as amended, the nonprofit corporation shall make the annual premium payments required by the Pension Benefit Guaranty Corporation and shall contribute any premiums refunded by the Pension Benefit Guaranty Corporation to the frozen defined benefit pension plan's unfunded liabilities;

(k) The nonprofit corporation has agreed to comply with the requirements of the Public Employee Defined Benefit Financial Security Act of 2014, as amended; and

(l) The nonprofit corporation has agreed to use the net proceeds received from a sale or lease of all, or substantially all, of the assets of the nonprofit corporation to fund no less than one hundred percent (100%) of the frozen defined benefit pension plan's annual actuarially determined contribution and all annual and cumulative pension plan deficits until the pension plan is one hundred percent (100%) funded.

The Hospital Authority shall not agree to waive compliance with any of the agreements made by the nonprofit corporation described in this section.

As amended by: Private Acts of 2022, Chapter 68.

**SECTION 24.** Prior to any action to approve this act by the legislative body of Hamilton County, the Hospital Authority shall have provided the Hamilton County Chief Executive Officer and County Commission with sufficient information regarding the proposal to sell, lease, or engage in another transfer as described in Section 23 (the "Proposal") to allow Hamilton County to make an informed decision regarding the approval of this act. The Proposal must include:

- (a) The governing documents for the nonprofit corporation;
- (b) A detailed description of the proposed sale, lease, or transfer to the nonprofit corporation; and
- (c) The language of the requirements described in Section 23 as memorialized in the transaction documents.

As amended by: Private Acts of 2022, Chapter 68.

**SECTION 25.** As soon as practicable, but no later than sixty (60) days prior to the anticipated close of a transaction described in Section 23, the Board of Trustees of the Hospital Authority shall submit to the Hamilton County Chief Executive Officer and County Commission the transaction documents memorializing the requirements and Proposal described in Sections 23 and 24. After receiving the transaction documents, but no later than forty-five (45) days after receiving the transaction documents or ten (10) days prior to the anticipated close of the transaction, whichever is earlier, the Hamilton County Chief Executive Officer shall confirm that the terms of the transaction documents are consistent with the terms of the Proposal presented to Hamilton County prior to the approval of this act. If the terms of the transaction documents are consistent with the terms of the Proposal, the County Commission shall take final action regarding waiver of the reversionary interests and other real estate provisions of Sections 2 and 17 for purposes of effectuating the sale, lease, or transfer of the Hospital Authority's assets as described in the transaction documents. No sale, lease, or transfer of the Hospital Authority's assets as described in Section 23 shall occur until the County Commission, and the Board of Commissioners to the extent of the City's reversionary interest, have approved the waiver of the reversionary interests as set forth in this section.

As amended by: Private Acts of 2022, Chapter 68.

**SECTION 26.** The competitive bidding requirements set forth in Section 6 shall not apply to:

- (a) Any sale, lease, or transfer described in Section 23; or
- (b) The operation of the facilities by a nonprofit corporation described in Section 23.

As amended by: Private Acts of 2022, Chapter 68.

**SECTION 27.** Following a sale, lease, or transfer described in Section 23, the Hospital Authority and Hamilton County may, by resolution of the Board of Trustees and a resolution of the Hamilton County Commission, dissolve the Hospital Authority. Each resolution must:

- (a) Find that the purposes for which the Hospital Authority was created have been substantially accomplished;
- (b) Find that all of the obligations of the Hospital Authority have been fully paid or otherwise provided for;
- (c) Find that the Board of Trustees and the Hamilton County Commission have agreed on the distribution of the funds and other properties of the Hospital Authority; and
- (d) Declare the Hospital Authority to be dissolved. After the passing of each resolution, the Chief Executive Officer of Hamilton County shall execute and file for record with the secretary of state a joint certificate of dissolution reciting such facts and declaring the Hospital Authority to be dissolved. Upon such filing, the Hospital Authority shall be legally dissolved and cease to exist.

As amended by: Private Acts of 2022, Chapter 68.

**SECTION 28.** Nothing in this act shall be construed to create or to be an authorization by any state or local governmental body for the creation of any nonprofit public benefit corporation for the purpose of owning, leasing, or operating any hospital or other healthcare facility currently owned, leased, or operated by the Hospital Authority. Any nonprofit corporation organized for the purposes set forth in Section 23 shall not be an agency, department, or political subdivision of the state or any local government. It is the intent of this act that any such nonprofit corporation organized for the purposes described in Section 23 shall not be subject to any provisions of law affecting only governmental or public entities.

As amended by: Private Acts of 2022, Chapter 68.

**SECTION 29.** Nothing in this act shall be construed to bind or to operate as a limit on the powers of any private entity, including any nonprofit corporation organized for the purposes described in Section 23.

As amended by: Private Acts of 2022, Chapter 68.

Passed: March 11, 1976.

**COMPILER'S NOTE:** Suit was brought challenging the constitutionality of this act and its amending act. The Constitutionality of this act and its amending act was upheld in Chattanooga-Hamilton County Hospital Authority v. City of Chattanooga, 580 S.W.2d 322 (Tenn. 1979).

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