

HOUSE BILL 2976

By Moody

AN ACT to create and establish a water and wastewater treatment authority to be known as the "West Tennessee Regional Utility Authority" for Tipton County.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Creation of Authority.

A water and wastewater treatment authority to be known and designated as the "West Tennessee Regional Utility Authority" is hereby created and established for and on behalf of the citizens of Tipton County, Tennessee.

SECTION 2. Purpose of Authority.

It is hereby declared that the West Tennessee Regional Utility Authority created pursuant to this act shall be a public and governmental body and a political subdivision of the State of Tennessee. It is further declared that the planning, acquiring, operating, and financing of water and/or wastewater systems by said Authority is hereby declared to be a public and governmental purpose and a matter of public necessity.

SECTION 3. Definitions.

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

- (a) "Authority" means the West Tennessee Regional Utility Authority created by this act;
- (b) "Board of Directors" means the Board of Directors of the Authority;
- (c) "Bonds" means bonds, interim certificates, or other debt obligations of the Authority issued pursuant to this act, including joint obligations of the Authority and the Creating Governmental Entity and/or any Participating Governmental Entity;

(d) "County" means any county now or hereafter authorized by law to be created;

(e) "Creating Governmental Entity" means Tipton County, Tennessee;

(f) "Director" means each individual appointed by the Creating Governmental Entity or Participating Governmental Entity who is serving on the Board of Directors;

(g) "District" means any water or wastewater utility within the region;

(h) "Executive Officer" means the mayor, county executive, or other chief executive officer of a County, Municipality, or District;

(i) "Governing Body" means the chief legislative body of the Creating Governmental Entity, any Participating Governmental Entity, any County, any Municipality, or any District;

(j) "Membership Agreement" means an agreement between the Authority and a County, Municipality, or District that permits that County, Municipality, or District to become a Participating Governmental Entity;

(k) "Municipality" means any incorporated city or town thereof now or hereafter authorized by law to be created;

(l) "Notes" means notes or interim certificates of the Authority issued pursuant to this act, including joint obligations of the Authority and the Creating Governmental Entity and/or any Participating Governmental Entity;

(m) "Participating Governmental Entity" means any County, Municipality, or District that has entered into a Membership Agreement with the Authority and, pursuant to a resolution of its Governing Body, joined the Authority as a member;

(n) "Person" means any individual, firm, partnership, association, corporation, or combination thereof;

(o) "Refunding Bonds" means refunding Bonds, issued pursuant to this act, including joint obligations of the Authority and the Creating Governmental

Entity and/or any Participating Governmental Entity issued pursuant to this act and Tennessee Code Annotated, Title 9, Chapter 21, Parts 1, 9, and 10 to refund Bonds of the Authority or Bonds issued to refund Bonds or Notes of the Creating Governmental Entity or any Participating Governmental Entity, issued by the Creating Governmental Entity or any Participating Governmental Entity, the proceeds of which were used to construct, acquire, extend, improve, or equip all or a portion of a System acquired by the Authority or to refund Bonds, the proceeds of which were used for such purposes;

(p) "Services Agreement" means an agreement between the Authority and a governmental entity to provide water and/or wastewater services to the area of jurisdiction encompassed by that governmental entity;

(q) "State" means the State of Tennessee; and

(r) "System" means a water and wastewater system, which shall include, but not be limited to, all devices, systems, rights-of-way, and lands used in the collection, transport, storage, treatment, recycling, and reclamation of sewage of residential, domestic, municipal, recreational, agricultural, manufacturing, commercial, and industrial wastes of a liquid nature, including pump stations, force mains, intercepting sewers, outfall sewers, sewage collection and transport systems, treatment works, lagoons, decentralized sewer systems, package plants, to restore and maintain the chemical, physical, and biological integrity of the State's waters; and any devices and systems used in the treatment and distribution of water, including water storage facilities, wells, tanks, meters, valves, water distribution and transmission lines, pumping, power and other equipment, and other appurtenances, extensions, improvements, remodeling, additions, and alterations thereof, elements essential to provide a reliable recycled supply and distribution, such as standby treatment units and clear well facilities, and any related works.

SECTION 4. Powers of the Creating Governmental Entity and any Participating Governmental Entity.

The Creating Governmental Entity and any Participating Governmental Entity may enter into a contribution agreement with the Authority for the orderly transfer to the Authority of any System necessary for the functioning of the Authority. The agreement may include provisions for the reimbursement of any such governmental entity for its obligations issued for such System. Nothing in this act shall be construed to require any transfer of function or service area by the Creating Governmental Entity or any Participating Governmental Entity to the Authority.

SECTION 5. Board of Directors. Qualification and Selection.

(a) The Authority shall have a Board of Directors in which all powers of the Authority shall be vested. The Board of Directors shall adopt its own bylaws, which bylaws shall be consistent with this act.

(b) The initial Board of Directors shall consist of the following persons:

(1) Upon the passage of this act, the Executive Officer of the Creating Governmental Entity shall appoint two (2) Directors to serve as the initial Board of Directors, which individuals shall be confirmed by the Governing Body of the Creating Governmental Entity;

(2) Upon execution of a Membership Agreement to become a Participating Governmental Entity between Fayette County, Tennessee, and the Authority as described in Section 24, the Executive Officer of Fayette County is authorized to appoint two (2) persons to serve as additional Directors on the Board of Directors, which appointees are subject to confirmation by the Governing Body of Fayette County;

(3) Upon execution of a Membership Agreement to become a Participating Governmental Entity between Haywood County, Tennessee, and the Authority as described in Section 24, the Executive Officer of Haywood

County is authorized to appoint two (2) persons to serve as additional Directors on the Board of Directors, which appointees are subject to confirmation by the Governing Body of Haywood County; and

(4) Upon execution of a Membership Agreement to become a Participating Governmental Entity as described in Section 24, the Executive Officer of the governmental entity joining the Authority may appoint one (1) person to serve as an additional Director on the Board of Directors, which appointee is subject to confirmation by the Governing Body of the governmental entity joining the Authority.

(c) All vacancies on the Board of Directors shall be filled by the Executive Officer of the appointing authority for that Director's seat as set forth in Section 5(b) subject to confirmation by the Governing Body of that appointing authority.

(d) The term of office of each Director shall be three (3) years, and upon the expiration of a Director's term, the Director shall continue to hold office until a successor is appointed and confirmed by the Governing Body of the appointing authority. There shall be no limit on the number of consecutive terms a Director may serve so long as the Director is properly appointed and confirmed by the appropriate Participating Governmental Entity.

(e) The Directors serve at the will of the Participating Governmental Entity that approved their appointment and may be removed, at any time and with immediate effect, prior to the expiration of their term by the Executive Officer of the Participating Governmental Entity that approved the Director's appointment, and any vacancy created by the removal of a Director may be filled by the Executive Officer of the Participating Governmental Entity on an interim basis until a successor is duly appointed and confirmed by the Participating Governmental Entity.

(f) At its discretion, the Board of Directors may establish non-voting seats on the Board of Directors for one (1) or more Counties or Municipalities in the region which are

not Participating Governmental Entities, but which share a common interest in the development of water and/or wastewater treatment systems for the region.

SECTION 6. Board of Directors. Powers, Officers, and Meetings.

(a) The Board of Directors shall be vested with full, absolute, and complete authority and responsibility for the operation, management, conduct, and control of the business and affairs of the Authority herein created; such operation, management, conduct, and control, however, shall be consistent with existing contractual obligations of the Creating Governmental Entity or any Participating Governmental Entity. Said authority and responsibility shall include, but not be limited to, the establishment, promulgation and enforcement of the rules, regulations, or policy of the Authority, the upkeep and maintenance of all property, the administration of the financial affairs of the Authority, and the employment, compensation, discharge, and supervision of all personnel.

(b) A majority of the voting members of the Board of Directors constitutes a quorum, and the Board of Directors shall act by a vote of a majority present at any meeting attended by a quorum.

(c) At its first meeting and at the first meeting of each calendar year thereafter, the Board of Directors shall elect a Chairman and a Secretary, each of whom shall continue to be voting members of the Board of Directors. The Board of Directors may establish other officer positions from time to time as deemed advisable by the Board of Directors. All officers must be voting members of the Board of Directors. The Secretary shall keep minutes of all regular and special meetings of the Authority.

(d) The Board of Directors shall hold meetings at such times and places as the Board of Directors may determine and all such meetings shall be public meetings under Tennessee Code Annotated, Title 8, Chapter 44, Part 1. Special meetings may be called and held upon such notice and in such manner as the Board of Directors may, by resolution, determine. Except as otherwise expressly provided herein, the Board of

Directors shall establish its own rules of procedure for its Board of Directors meetings.

Any action taken by the Board of Directors exercising its powers and authority under the provisions of this act may be exercised by vote or resolution at any regular or special meeting.

(e) Each Director shall have an equal vote on all matters.

(f) All Directors shall serve without compensation but may receive per diem payments for not more than twelve (12) meetings of the Board of Directors in any calendar year, at a rate not greater than three hundred dollars (\$300) per meeting, which the Board of Directors may establish by resolution. Directors may be reimbursed from Authority funds for any actual, reasonable expenses that a Director may incur while engaged in the business of the Authority in accordance with the expense reimbursement policy adopted by the Board of Directors.

SECTION 7. Executive Director.

(a) The Board of Directors may appoint an Executive Director, who shall be the chief executive and administrative officer of the Authority. The Board of Directors may enter into a contract with the Executive Director establishing their salary, term of office, and duties.

(b) The Executive Director may appoint, and the Board of Directors shall confirm, additional officers, employees, or independent contractors as they are needed.

(c) The Executive Director, once hired, shall prepare annually the operating budget of the Authority and submit the same to the Board of Directors for approval at least sixty (60) days prior to the beginning of the fiscal year. If such budget shall not have been acted upon by the Board of Directors on the first day of the fiscal year, it shall then automatically go into effect.

(d) The Executive Director shall also submit such periodic reports to the Board of Directors as the Board of Directors may direct.

(e) The Executive Director shall attend all meetings of the Board of Directors but may be excused for executive sessions of the Board of Directors.

SECTION 8. Powers of the Authority.

The Authority shall have the powers necessary to accomplish the purpose of this act including, but not limited to, the following:

(a) To have perpetual succession, to sue and be sued, and to adopt a corporate seal;

(b) To plan for and implement the treatment or distribution of water and the collection and treatment of wastewater in Tipton County and to plan, establish, acquire, construct, improve, and operate one (1) or more Systems within or without the geographic or service boundaries of the Creating Governmental Entity and any Participating Governmental Entities for the distribution or treatment of water and/or the collection and treatment of wastewater;

(c) To acquire real or personal property or any interest therein by gift, lease, or purchase, for any of the purposes herein provided; and to sell, lease, or otherwise dispose of any such property;

(d) To enter into agreements with the Creating Governmental Entity, Participating Governmental Entities, and any Persons for the orderly transfer of all or any part of the System of the Creating Governmental Entity, or such Participating Governmental Entity or Person, and to the extent permitted by law and contract, to assume, to reimburse, or to otherwise agree to pay outstanding obligations or liabilities of the Creating Governmental Entity, Participating Governmental Entities, or Persons incurred to acquire, extend, or equip the System;

(e) To make application directly to the proper federal, state, county, and municipal officials and agencies, or to any other source, public or private, for

loans, grants, guarantees, or other financial assistance in aid of treatment works operated by it and to accept the same;

(f) To make studies and recommend to the appropriate commissions and legislative bodies of the Creating Governmental Entity and Participating Governmental Entities zoning changes in the area of any treatment works operated by the Authority;

(g) To buy, sell, store, treat, and distribute water and to collect and treat wastewater for any County, Municipality, District, or other political subdivision of the State, the State, or any agency thereof, or the United States or any agency thereof, or any persons whether public or private, and to enter into contracts, agreements, or other arrangements with the Creating Governmental Entity, any Participating Governmental Entity, any County, any Municipality, any District, or other Persons in connection therewith;

(h) To make and enter into all contracts, trust instruments, agreements, and other instruments with the Creating Governmental Entity or any Participating Governmental Entity, any other County, Municipality, District, the State or any agency thereof, the United States or any agency thereof, or any Person, whether public or private, Bonds, Notes, loan agreements with the Tennessee Local Development Authority and/or the Tennessee Department of Environment and Conservation, and other forms of indebtedness as if it were a local government as such term is defined in applicable statutes governing grants and loans, to construct, equip, or extend the System, and to enter into contracts for the management and operation of a System or any facilities or service of the Authority for the treatment, processing, collection, storage, transfer, or disposal of water and wastewater;

(i) To incur debts, borrow money, issue Bonds, and provide for the rights of the holders thereof;

(j) To apply for, accept, and pledge donations, contributions, loans, guarantees, financial assistance, capital grants, or gifts from the Creating Governmental Entity, any Participating Governmental Entity, any other County, Municipality, District, the State or any agency thereof, the United States or any agency thereof, or any Person, whether public or private, for or in aid of the purposes of the Authority, and to enter into agreements in connection therewith and to accept the same;

(k) To pledge all or any part of the revenues, receipts, donations, contributions, loans, guarantees, financial assistance, capital grants, or gifts of the Authority, to mortgage and pledge one (1) or more of its Systems or any part or parts thereof, whether then owned or thereafter acquired, and to assign and pledge all or any part of its interest in and rights under contracts and other instruments relating thereto as security for the payments of the principal, premium, if any, and interest on Bonds, Refunding Bonds, loan agreements, or Notes issued by the Authority;

(l) To have control of its Systems, facilities, and services with the right and duty to establish and charge rates, fees, and charges for the use of the Authority's Systems, facilities, and services, and to collect revenues and receipts therefrom, not inconsistent with the rights of holders of its Bonds, Refunding Bonds, and Notes;

(m) To enter onto any lands, waters, and premises for the purpose of making surveys, soundings, and examinations in and for the furtherance of the purposes authorized by this act;

(n) To use any right-of-way, easement, or other similar property right necessary or convenient in connection with a System, held by the State or by any political subdivision thereof, provided the Governing Body of such political subdivision consents to such use;

(o) To employ and pay compensation to attorneys, accountants, auditors, engineers, architects, financial advisors, technical consultants, and independent contractors as the Board of Directors shall deem necessary for the business of the Authority;

(p) To employ and pay compensation to such employees, including an executive director, who shall have such authority, duties, and responsibilities as the Board of Directors deems necessary;

(q) To procure and enter into contracts for any type of insurance or indemnity against loss or damage to property from any cause, including loss of use and occupancy, against death or injury of any act of any member, officer, or employee of the Authority in the performance of the duties of the office or employment or any other insurable risk, including the payment of its Bonds, Refunding Bonds, or Notes, as the Board of Directors in its discretion may deem necessary;

(r) To enter into contracts with the Creating Governmental Entity, any Participating Governmental Entity, the State, or otherwise for a plan for medical, dental, vision, disability, death benefits, or other employee insurance benefits for the officers and employees of the Authority;

(s) To exercise all powers expressly given to it and necessarily implied therefrom, to make and execute contracts and all other instruments necessary or convenient to do any and all things for the exercise of its powers hereunder, including entering into agreements with developers, and to establish and make rules and regulations not inconsistent with the provisions of this act, deemed expedient for the management of the Authority's affairs;

(t) To adopt a purchasing policy in accordance with the purchasing policy provisions for utility districts as set forth in Tennessee Code Annotated, Title 7, Chapter 82, Part 8;

(u) To exercise any power herein conferred jointly with the Creating Governmental Entity or any one (1) or more Participating Governmental Entities, Counties, Municipalities, or Districts;

(v) To take all actions necessary and proper to comply with or participate in any federal or state promulgated or mandated regional water or wastewater facilities plan; and

(w) To do all things necessary or convenient to carry out the powers expressly given by this act.

SECTION 9. Service Area.

The Authority shall exercise its responsibilities and authorities within all areas of jurisdiction encompassed by the Creating Governmental Entity and each Participating Governmental Entity. Additionally, the Authority may adopt areas for service in other Counties, Municipalities, or Districts if the Governing Body of that County, Municipality, or District petitions the Authority to adopt the area for service and enters into a Services Agreement as described in Section 23. It is intended that the Authority will serve as a regional wholesaler for water and wastewater services. If no retail water service and/or retail wastewater service is provided in an area, the District organized to provide water and/or wastewater services for that area shall have the right of first refusal to provide the retail service. If the District declines to provide the retail service to the area, the Governing Body of the County or Municipality in which the area is located may petition the Authority to provide retail water services and/or retail wastewater services to the area without the services. The Authority shall be under no obligation to provide the requested retail water and/or retail wastewater services to the petitioning County or Municipality. The decision as to whether the Authority will provide retail water services and/or retail wastewater services to the area without retail services shall be left solely to the discretion of the Board of Directors.

SECTION 10. Condemnation and Eminent Domain.

The Authority may condemn in its own name any land, rights in land, easements, Systems, and/or rights-of-way, which in the judgment of the Board of Directors are necessary for carrying out the purposes for which the Authority is created. Such property or interest in such property may be so acquired whether or not the same is owned or held for public use by Persons having the power of eminent domain, or otherwise held or used for public purposes; provided, however, such prior public use will not be interfered with by the use to which such property will be put by the Authority. Such power of condemnation may be exercised in the manner prescribed by any applicable statutory provisions now in force or hereafter enacted for the exercise of the power of eminent domain.

SECTION 11. Rates, Fees, and Charges.

The Board of Directors shall prescribe and collect reasonable rates, fees, and charges for the services, facilities, and commodities of any System and shall revise such rates, fees, and charges from time to time whenever necessary to ensure that any of the Authority's Systems shall be and always remain self-supporting. The rates, fees, or charges prescribed shall be such as will always produce revenue at least sufficient:

- (a) To provide for all expenses of operation and maintenance of the System, including reserves therefor;
- (b) To pay when due all Bonds, Notes, and interest and premium thereon for the payment of which such revenues are or shall have been pledged, charged, or otherwise encumbered, including reserves therefor; and
- (c) To provide for the extension or improvement of the System.

SECTION 12. Notes of the Authority.

(a) By resolution adopted by the Board of Directors, the Authority may issue interest bearing bond anticipation Notes for all purposes for which Bonds can be legally authorized and issued by the Authority. Such Notes shall be secured by the proceeds from the sale of the Bonds in anticipation of which the Notes are issued and shall be

secured by a lien upon the revenues of the Authority's System on parity with the Bonds in anticipation of which such Notes are issued. In no event shall the amount of outstanding bond anticipation Notes exceed the principal amount of the Bonds to be issued by the Authority. The Notes shall mature not later than two (2) years from their date of issuance and may be extended or renewed for not more than two (2) additional periods of two (2) years each by resolution of the Board of Directors and the issuance of renewal or extension Notes.

(b) Notes shall be sold at public or private sale for such price and in such manner as the Board of Directors may direct. Notes may be sold in one (1) or more series, may bear such date or dates, may bear interest at such rate or rates (which may vary from time to time), may be payable at such time or times, may be in such denomination or denominations, may be in such form, either coupon or registered, may be payable at such place or places, may be executed in such manner, may be payable in such medium of payment, may be subject to such terms of redemption, without a premium or, for Notes sold for not less than the par value thereof and accrued interest, without or with a premium, all as may be provided by resolution of the Board of Directors.

(c) Notes shall be executed in the name of the Authority by the proper officials authorized to execute the same, together with the seal of the Authority attached thereto.

(d) The proceeds arising from the sale of such Notes shall be disbursed as provided by the resolution authorizing the issuance of the Notes. As used in this section, the term "bond anticipation Notes" includes interim certificates or other temporary obligations, which may be issued by the Authority to the purchaser of such Notes upon the terms and conditions herein provided. When the Bonds are issued and sold, a sufficient amount of the proceeds of the Bonds shall be applied to the payment of the Notes at their maturity or upon their earlier redemption as directed by the Board of Directors by resolution.

(e) The authority herein granted to issue bond anticipation Notes also includes the issuance of "grant anticipation Notes," to be secured by the grant in anticipation of which such Notes are issued, with all provisions of this section being applicable to such grant anticipation Notes.

SECTION 13. Bonds of the Authority.

(a) The Authority shall have the power to issue Bonds from time to time to finance the construction, purchase, acquisition, extension, and improvement of one (1) or more Systems. All Bonds issued shall be payable solely out of the revenues and receipts derived from the System for which such Bonds are issued or as may be designated in the proceedings under which the Bonds shall be authorized to be issued. Such Bonds may be issued in one (1) or more series, may be executed and delivered at any time and from time to time, may be in such form and denomination 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, 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, 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, and may contain such provisions not inconsistent herewith, all as shall be provided in the proceedings whereunder the Bonds shall be authorized to be issued.

(b) Bonds may be sold at public or private sale for such price and in such manner and from time to time as may be determined by the Board of Directors to be most advantageous, and the Authority may pay any and all expenses, premiums, and commissions, which the Board of Directors may deem necessary or advantageous in connection with the issuance thereof.

(c) All Bonds and the interest applicable thereto are hereby made and shall be construed to be negotiable instruments.

(d) Interim certificates or Notes or other temporary obligations pending the issuance of revenue Bonds shall be payable out of proceeds of Bonds or other funds of the Authority available for such purpose.

(e) Proceeds of Bonds may be used for the purpose of constructing, acquiring, reconstructing, improving, equipping, furnishing, bettering, or extending a System, including the payment of interest on the Bonds during construction of any project for which Bonds are issued and for two (2) years after the estimated date of completion, the payment of engineering, fiscal, architectural, bond insurance, and legal expenses incurred in connection therewith and the issuance of Bonds, and the establishment of a reasonable reserve fund for the payment of principal of and interest on such Bonds if a deficiency occurs in the revenues and receipts available for such payment.

SECTION 14. Refunding Bonds of the Authority.

(a) Any Bonds at any time outstanding may at any time and from time to time be funded by the issuance of Refunding Bonds in such amount as the Board of Directors may deem necessary, but not exceeding the sum of the following:

- (1) The principal amount of the Bonds being refinanced;
- (2) Applicable redemption premiums thereon;
- (3) Unpaid interest on such Bonds to the date of delivery or exchange of the Refunding Bonds;
- (4) If 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 elected, in its discretion, by the Board of Directors, or to the date or dates of maturity, whichever shall be determined by the Board of Directors to be the most advantageous or necessary to the Authority;
- (5) A reasonable reserve for the payment of principal of and interest on such Bonds and/or a renewal and replacement reserve;

(6) If the project to be constructed from the proceeds of the obligations being refinanced has not been completed, an amount sufficient to meet the interest charges on the Refunding Bonds during the construction of such project and for two (2) years after the estimated date of completion (but only to the extent that interest charges have not been capitalized from the proceeds of the obligations being refinanced); and

(7) Expenses, premiums, and commissions of the Authority, including bond discounts deemed by the Board of Directors to be necessary for the issuance of the Refunding Bonds. A determination by the Board of Directors that any refinancing is advantageous or necessary to the Authority, or that any of the amounts provided in the preceding sentence shall be included in such refinancing, or that any of the obligations to be refinanced shall 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.

(b) Any such refunding may be effected whether the Bonds to be refunded shall have then matured or shall thereafter mature, either by the exchange of the Refunding Bonds for the Bonds to be refunded thereby with the consent of the holders of the Bonds to be refunded, or by sale of the Refunding Bonds and the application of the proceeds thereof to the payment of the Bonds refunded thereby, and regardless of whether or not the Bonds to be refunded were issued in connection with the same projects or separate projects, and regardless of whether or not the Bonds proposed to be refunded shall be payable on the same date or different dates or shall be due serially or otherwise.

(c) At the time of delivery of the Refunding Bonds, if the Bonds to be refunded will not be retired or a valid and timely notice of redemption of the outstanding Bonds is not given in accordance with the resolution, indenture, or other instrument governing the redemption of the outstanding Bonds, then, prior to the issuance of the Refunding

Bonds, the Board of Directors shall cause to be given adequate notice of its intention to issue the Refunding Bonds. The notice shall be given either by mail to the owners of all the outstanding Bonds to be refunded at their addressees shown on the bond registration records for the outstanding Bonds, or given by publication, or by such other means that may be deemed sufficient pursuant to the laws of this State. The notice shall set forth the estimated date of delivery and refunding of the Bonds, and identify the Bonds, or the individual maturities thereof, proposed to be refunded; provided, that if portions of individual maturities are proposed to be refunded, the notice shall identify the maturities subject to partial refunding and the aggregate principal amount to be refunded within each maturity. If the issuance of the Refunding Bonds does not occur as provided in the notice, the Governing Body shall cause notice thereof to be given as provided above. Except as otherwise set forth in this section, the notice required pursuant to this section shall be given whether or not any of the Bonds to be refunded are to be called for redemption.

(d) If any of the obligations to be refunded are to be called for redemption, notice of redemption shall be given in a manner required by the proceedings authorizing such outstanding obligations.

(e) The principal proceeds from the sale of any Refunding Bonds shall be applied only as follows, either:

(1) To the immediate payment and retirement of the Bonds being refunded; or

(2) To the extent not required for immediate payment of the Bonds being refunded, such proceeds shall be deposited in trust to provide for the payment and retirement of the Bonds being refunded and to pay any expenses incurred in connection with such refunding, but provisions may be made for the pledging and disposition of any surplus, including, without limitation, provisions for the pledging of any such surplus to the payment of the principal of, premium, if any, and

interest or any issue or series of Refunding Bonds. Money in any such trust fund may be invested in the discretion of the Board of Directors.

(f) 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.

SECTION 15. Security for Payment of Bonds and Notes.

(a) The principal of, premium, if any, and interest on any Bonds, Refunding Bonds, and Notes may be secured by a pledge of revenues and receipts of the Authority's System. The proceedings under which the Bonds, Refunding Bonds, or Notes are authorized to be issued may contain any agreements, provisions, and covenants respecting the maintenance of such System or other facilities covered thereby, the fixing and collection of rates, fees, or charges with respect to any System or portions thereof covered by such proceedings, the creation and maintenance of special funds from such revenues and from the proceeds of such Bonds, Refunding Bonds, and Notes, and the rights and remedies available in the event of default, all as the Board of Directors shall deem advisable and not in conflict with the provisions of this act. To the extent provided in the proceedings authorizing any Bonds, Refunding Bonds, or Notes, each pledge and agreement made for the benefit of security of any of the Bonds, Refunding Bonds, or Notes shall continue in effect until the principal of and interest on the Bonds, Refunding Bonds, or Notes for the benefit of which the same were made shall have been fully paid or adequate provision for the payment thereof shall have been made by the Authority. In the event of a default in such payment or in any agreements of the Authority made as part of the proceedings under which the Bonds, Refunding Bonds, or Notes were issued, such payment or agreement may be enforced by suit, mandamus, or the appointment of a receiver in equity, or the proceedings under which the Bonds, Refunding Bonds, or Notes are issued.

(b) The Board of Directors may designate the appropriate officials to execute all documents necessary to guarantee or in any other manner to secure the payment of the Bonds or Notes of the Authority; provided, however, the approval of the Governing Body of the Creating Governmental Entity or any Participating Governmental Entity to such guarantee or security shall have been obtained before the execution of such documents. Provided, further, that prior to any meeting where such authorization will be considered by the Governing Body of the Creating Governmental Entity or any Participating Governmental Entity, the Governing Body shall cause reasonable public notice to be published describing the matter to be considered and containing an estimate of the dollar amount of any contingent liability by the Creating Governmental Entity or any Participating Governmental Entity as such authorization is given.

(c) Bonds, Notes, or Refunding Bonds may constitute a joint obligation of the Authority and the Creating Governmental Entity or any Participating Governmental Entity. Any such Bond, Note, or Refunding Bond upon which the Creating Governmental Entity or any Participating Governmental Entity is jointly obligated with the Authority may be secured by the full faith and credit and unlimited ad valorem taxing power of the Creating Governmental Entity or any Participating Governmental Entity. Bonds, Notes, or Refunding Bonds issued as a joint obligation of the Authority and the Creating Governmental Entity or any Participating Governmental Entity shall be issued in the form and manner set forth in Tennessee Code Annotated, Title 9, Chapter 21, Parts 1, 2, and 9, where applicable, and in the event of a conflict between this act and Tennessee Code Annotated, Title 9, Chapter 21, Parts 1, 2, and 9, then the provisions of Tennessee Code Annotated, Title 9, Chapter 21, Parts 1, 2, and 9 shall prevail. Notes issued as a joint obligation of the Authority and the Creating Governmental Entity or any Participating Governmental Entity shall be issued in the form and manner set forth in Tennessee Code Annotated, Title 9, Chapter 21, Parts 1, 4, and 5, where applicable, and in the event of a conflict between this act and Tennessee Code Annotated, Title 9, Chapter 21,

Parts 1, 4, and 5, then Tennessee Code Annotated, Title 9, Chapter 21, Parts 1, 4, and 5 shall prevail.

(d) Any Bonds, Notes, or Refunding Bonds issued under this act may be secured by a mortgage or deed of trust covering any or all part of the property, real or personal, of the Authority. Any pledge or lien on revenues, fees, rents, tolls, or other charges received or receivable by any local government to secure the payment of any Bonds, Notes, or Refunding Bonds issued pursuant to this act and the interest thereon, shall be valid and binding from the time that the pledge or lien is created and granted and shall inure to the benefit of the holder or holders of any such Bonds, Notes, or Refunding Bonds until payment in full of the principal and premium and interest thereon. Neither the resolution nor any other instrument granting, creating, or giving notice of the pledge of a lien or other such security interest, need be filed or recorded to preserve or protect the validity or priority of such pledge or lien.

SECTION 16. Exemption from Taxation.

The Authority, its properties, and the income and revenues therefrom shall be exempt from all state, county, and municipal taxation. All Bonds, Notes, or Refunding Bonds issued by the Authority and the income therefrom shall be exempt from all state, county, and municipal taxation, except inheritance, transfer, and estate taxes, or except as otherwise provided by the laws of this State.

SECTION 17. Industrial Users.

In providing treatment for industrial wastes, the Authority shall have the same ability to collect costs from industrial users and apportion such costs as provided in Tennessee Code Annotated, Title 68, Chapter 221, Part 6.

SECTION 18. Liability and Indebtedness of Political Subdivisions.

(a) Neither the Creating Governmental Entity, the Participating Governmental Entities, the State, nor any County, Municipality, or District other than the Authority shall, except as may otherwise be authorized by the Board of Directors and the Governing

Body of the Creating Governmental Entity or any Participating Governmental Entity, be liable for the payment of the principal of, premium, if any, or interest on any Bonds, Notes, or Refunding Bonds of the Authority, or for the performance of any pledge, obligation, or agreement of any kind whatsoever that may be undertaken by the Authority. None of the Bonds, Notes, or Refunding Bonds of the Authority or any of its agreements or obligations shall be construed to constitute an indebtedness of the State, the Creating Governmental Entity, any Participating Governmental Entity, or any County, Municipality, or District within the meaning of any constitutional or statutory provision whatsoever.

(b) Bonds, Notes, or Refunding Bonds of the Authority shall not constitute a debt or a pledge of the faith and credit of the State or any County, Municipality, or District, except as may otherwise be authorized by the Governing Body of the Creating Governmental Entity or any Participating Governmental Entity, and the holders or owners of such Bonds shall have no right to have taxes levied by any County, Municipality, District, the State, or any other taxing authority within the State for the payment of principal of, premium, if any, and interest on such Bonds, but shall be payable solely from revenues and monies pledged for their payment.

(c) Except as may otherwise be authorized by the Governing Body of the Creating Governmental Entity or any Participating Governmental Entity, all such Bonds, Refunding Bonds, or Notes shall contain on the face thereof a statement to the effect that the Bonds, Refunding Bonds, or Notes are not a debt of the State, the Creating Governmental Entity, any County, Municipality, District, or any other taxing authority within the State, but are payable solely from revenues and monies pledged to the payment thereof.

SECTION 19. Disposition of Funds; Dissolution.

(a) No part of the net earnings of the Authority remaining after payment of its expenses shall inure to the benefit of any Persons except that, at such times as no

Bonds, Notes, or Refunding Bonds of the Authority are outstanding and unpaid and adequate provision has been made for the full payment of all liabilities, obligations, and contracts of the Authority, and the Authority shall have, by operation of law, been terminated, any assets of the Authority, to the extent not necessary for such purposes, shall be paid to the Creating Governmental Entity and to any Participating Governmental Entity represented on the Board of Directors, in equal proportions. To the extent allowed by this act, nothing herein contained shall prevent the Board of Directors from transferring its properties in accordance with the terms of any contract, agreement, or covenant entered into or undertaken by the Authority.

(b) Whenever the Governing Bodies of the Creating Governmental Entity and the Participating Governmental Entities shall each by resolution determine that the purposes for which the Authority was created have been substantially accomplished, that all of the Bonds and other obligations of the Authority have been fully paid, and that the Creating Governmental Entity and Participating Governmental Entities have agreed on the distribution of the funds and other properties of the Authority, then the Executive Officers of such governmental entities shall execute and file for record with the Secretary of State of Tennessee a joint certificate of dissolution reciting such facts and declaring the Authority to be dissolved.

(c) Upon such filing, the Authority shall be dissolved and title to all funds and other properties of the Authority at the time of such dissolution shall vest in and be delivered to such governmental entities in accordance with the terms of their agreement relating thereto.

SECTION 20. Budget; Annual Audit.

(a) The Board of Directors shall annually adopt a budget for the Authority.

(b) The Board of Directors shall cause to be prepared each fiscal year an annual audit of the books and records of the Authority, which may be performed by independent public accountants appointed by and responsible to the Board of Directors. The

Comptroller of the Treasury, through the Department of Audit, is responsible for determining that such audits are prepared in accordance with generally accepted governmental auditing standards. A copy of such annual audit shall be filed with the office of the Executive Officer of Tipton County and the Governing Body of each Participating Governmental Entity.

SECTION 21. Powers Granted.

The Creating Governmental Entity and any Participating Governmental Entity shall have all necessary powers in order to further the purposes of this act, including, without limitation, the following, any or all of which powers may be exercised by resolution of its Governing Body:

- (a) To advance, donate, or lend money on real or personal property to the Authority;
- (b) To provide that any funds on hand or to become available to it for treatment works purposes shall be paid directly to the Authority;
- (c) To sell, lease, dedicate, donate, or otherwise convey to the Authority any of its interests in any existing water and wastewater System, franchises, assets, liabilities, or other related property, whether real or personal, or mixed, tangible, or intangible, and whether or not subject to mortgages, liens, charges, or other encumbrances or grant easements, licenses, or other rights or privileges therein to the Authority and to contract with the Authority;
- (d) To issue joint obligations with the Authority and to pledge its full faith and credit and unlimited taxing power to such Bonds, Notes, or Refunding Bonds and to guarantee the Bonds, Notes, or Refunding Bonds as set forth in Section 15;
- (e) To enter into agreements with the Authority for the orderly transfer of all or any part of its System and to enter into agreements with the Authority for the Authority to assume, to pay or to refund Bonds, Refunding Bonds, and Notes

issued by the Creating Governmental Entity or loan agreements entered into by the Creating Governmental Entity to acquire, construct, or equip all or any part of a System; and

(f) To enter into any other agreement with the Authority that its Governing Body deems necessary to carry out the provisions of this act.

SECTION 22. Powers Not Restricted.

Neither this act nor anything herein contained shall be construed as a restriction or a limitation upon any powers that a County, Municipality, District, or other utility district might otherwise have under any laws of this State but shall be construed as cumulative of and supplemental to any such powers. No proceeding, notice, or approval shall be required with respect to the issuance of any Bonds, Refunding Bonds, or Notes of the Authority or any instrument as security therefor except as provided in this act, any law to the contrary notwithstanding; provided, however, nothing herein shall be construed to deprive the State and its political subdivisions of their respective police powers, or to impair any power of any official or agency of said State and its political subdivisions, which may be otherwise provided by law.

SECTION 23. Services Agreements.

Upon a majority vote of the Board of Directors, the Authority is authorized, but not obligated, to enter into a Services Agreement with another governmental entity. Any Services Agreement for the provision of retail water services and/or retail wastewater services is subject to the right of first refusal process described in Section 9 of this act.

SECTION 24. Membership Agreements.

(a) Upon a majority vote of the Board of Directors, the Authority is authorized, but not obligated, to enter into a Membership Agreement with a County, Municipality, or District. Each Membership Agreement shall permit the County, Municipality, or District which is entering into the Membership Agreement to sell, lease, dedicate, donate, or otherwise convey its Systems, or a portion thereof, to the Authority for operation by the

Authority in order to make such Systems an operational part of the Authority's Systems. Any Membership Agreement may extend for any period not exceeding forty (40) years from the date thereof.

(b) Upon execution of a Membership Agreement as described in Section 24(a), the Executive Officer of the newly admitted Participating Governmental Entity may appoint a Director to the Board of Directors as set forth in Section 5(b) of this act, which appointee is subject to confirmation by the Governing Body of that Participating Governmental Entity.

(c) Any County, Municipality, or District seeking to enter into a Membership Agreement shall have the same rights and liabilities as it would otherwise have in entering into a similar agreement with a water and wastewater treatment authority as provided by Tennessee Code Annotated, Title 68, Chapter 221, Part 6, and as provided by the Utility District Law, compiled in Tennessee Code Annotated, Title 7, Chapter 82.

(d) The Membership Agreement described in Section 24(a) shall set forth the process for the County, Municipality, or District to terminate the Membership Agreement and withdraw as a Participating Governmental Entity of the Authority. In the event of termination of a Membership Agreement, the terminating County, Municipality, or District shall remain liable for any and all contributions required to be paid by the terminating County, Municipality, or District during the remainder of the Fiscal Year after giving notice that participation is being terminated. Any County, Municipality, or District that withdraws from the Authority and/or terminates its Membership Agreement with the Authority shall have no right or claim to any portion of any surplus assets of the Authority upon its dissolution.

SECTION 25. Liberal Construction.

The provisions of this act shall be liberally construed to affect the purposes thereof, and insofar as the provisions of this act may be inconsistent with the provisions of any other law, the provisions of this act shall be controlling.

SECTION 26. Severability.

If any provision of this act or the application thereof to any Person or circumstance is held to be invalid, such invalidity shall not affect any other provision or application 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 27. Local Approval.

This act shall have no effect unless it is approved by a two-thirds (2/3) vote of the legislative body of Tipton County, Tennessee, which action may be by resolution. Its approval or non-approval shall be proclaimed by the presiding officer of the legislative body and certified to the Secretary of State.

SECTION 28. Effective Date.

This act shall take effect immediately upon becoming law, for purposes of approving or rejecting the provisions of this act, the public welfare requiring it. For all other purposes, the act shall be effective only upon securing the approval as required by Section 27.