



County Technical Assistance Service
INSTITUTE *for* PUBLIC SERVICE

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Dissolution of Districts

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

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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Dissolution of Districts

Public Acts of 1973 Chapter 204

COMPILER'S NOTE: The following act is a public act of special application and is not codified in Tennessee Code Annotated.

SECTION 1. In all counties having a population of 500,000 or more according to the federal census of 19 [sic] or any subsequent federal census, the quarterly county court shall have the power, by majority vote, to dissolve any utility district contained wholly within the county, to cause all of the functions, rights, duties, property, assets, and liabilities of such utility district to be transferred to the county, and to authorize and direct the county board of public utilities, created pursuant to Tennessee Code Annotated, Section 5-1601 and following, to take over the management, operation and maintenance thereof. In the event that the county quarterly court exercises its power to do so, it shall enter an order providing for the allocation and conveyancy to the county of all functions, rights, duties, property, assets and liabilities of such utility district. The county, if and to the extent that it may choose, shall have the exclusive right to perform or provide utility functions and services within the area in which such functions and services were formerly performed and provided by the utility district, notwithstanding Section 6- 2607 or any other statute. If the utility district has outstanding bonds or other obligations payable from the revenue derived from the sale of utility service, the order shall provide (a) that the county board of public utilities will operate the utility property in such territory and account for the revenues therefrom in such manner as not to impair the obligations of contract with reference to such bonds or other obligations, or (b) that the county board of public utilities will assume the operation of the entire utility system of such utility district and the payment of such bonds or other obligations in accordance with their terms. Such order shall fully preserve and protect the contract rights vested in the holders of such outstanding bonds or other obligations, and shall provide either:

(a) that the county shall call and pay in full all bonds and interest which are then callable in accordance with the terms of the bonds and the bond resolution of the district; or, in the alternative,

(b) that the county shall establish an escrow account for the benefit of the bondholders in a depository qualified by law to hold county funds, such escrow account to be funded with a cash sum in an amount equal to the face amount of bonds then outstanding and unpaid, together with interest thereon to maturity. Such escrow account shall secure the payment of the outstanding bonds and interest, and shall be available for the satisfaction in full of the legal rights of each

bondholder. As outstanding bonds are paid, the cash sum in the escrow account may be reduced accordingly; or in the alternative,

(c) in the event call or escrow is not required under the terms of the applicable bond resolutions or underlying trust indentures, and there is no prohibition against the transfer or conveyance of the assets of the district by the commissioners, that the county may at its option elect simply to pay the bonded indebtedness in accordance with the terms of such resolutions or indentures.

SECTION 2. In the event of the dissolution of a utility district pursuant to this Act, each commissioner of the district is authorized and empowered to execute any documents or take any other action necessary to transfer the functions, rights, duties, property, assets and liabilities of the district to the county, and in the event that any commissioner of any utility district is sued by any bondholder (s) or creditor (s) of the utility district for damages upon the basis of any provision of the applicable bond resolution (s) alleged to prohibit such transfer of the assets of the utility district, the county will indemnify such commissioner and hold him harmless from any liability based upon the alleged violation of such provision by the transfer of assets to the county pursuant to this Act. Such indemnity shall include all reasonable costs and fees incurred in defense or any legal action against such commissioner asserting such liability.

SECTION 3. If any provision of this Act is declared unconstitutional, or the applicability thereof to any person or circumstances is held invalid, the constitutionality of the remainder of the Act, and the applicability thereof to other persons and circumstances shall not be affected thereby.

SECTION 4. This act shall take effect on becoming a law, the public welfare requiring it.

Passed: May 3, 1973.

Source URL: <https://www.ctas.tennessee.edu/private-acts/dissolution-districts>