§ 1230-s. Exemption from taxes, assessments and certain fees. 1. It is hereby determined that the creation of the authority and the water board and the carrying out of its corporate purposes is in all respects for the benefit of the people of the city and any municipality in the service area and is a public purpose, and the authority and the water board shall be regarded as performing governmental functions in the exercise of the powers conferred upon each by this title, and the authority and the water board shall not be required to pay any fees, taxes, special ad valorem levies or assessments, whether state or local, including but not limited to fees, taxes, special ad valorem levies or assessments on real property, franchise taxes, sales taxes or other excise taxes, upon any property owned by them or under their jurisdiction, control or supervision, or upon the uses thereof, or upon their activities in the operation and maintenance of its facilities or any fares, tolls, rentals, rates, charges, fees, revenues or other income received by the authority or the water board. The authority and the water board shall at all times be exempt from any filing, mortgage recording or transfer fees or taxes in relation to instruments filed, recorded or transferred by it or on its behalf. The construction, use, occupation or possession of any property owned by the authority or the water board, including improvements thereon, by any person or public corporation under a lease, lease and sublease or any other agreement shall not operate to abrogate or limit the foregoing exemption, notwithstanding that the lessee, user, occupant or person in possession shall claim ownership for federal income tax purposes.

2. Any bonds issued pursuant to this title together with the income therefrom as well as the property of the authority or the water board shall at all times be exempt from taxes, except for transfer and estate taxes. The state hereby covenants with the purchasers and with all subsequent holders and transferees of bonds issued by the authority pursuant to this title, in consideration of the acceptance of and payment for the bonds, that the bonds of the authority issued pursuant to this title and the income therefrom and all revenues, monies, and other property pledged to secure the payment of such bonds shall at all times be free from taxation, except for transfer and estate taxes.

3. Notwithstanding the provisions of this section to the contrary, any real property of the authority or water board located outside the boundaries of the city shall be exempt from the payment of taxes, special ad valorem levies and special assessments only if and to the extent that such real property would have been exempt if owned by the city.

4. Notwithstanding any provision in this section to the contrary, the water board may pay, or may enter into agreements with the city or any municipality to pay, a sum or sums, annually or otherwise, or to provide other considerations to such city or municipality, with respect to real property of the water board located within such municipality and provided that any such payment or agreement to pay shall be subject to approval by the authority.

5. The water board shall not be required to pay any taxes or other governmental fees or charges, whether imposed by the state or any municipality, including, without limitation, franchise taxes, sales taxes or other excise taxes, or any other tax or charge upon its property or activities or upon any of its revenues or other income.

6. Notwithstanding any other provision of this section, any payment by the water board in lieu of tax payments described in this subdivision shall be subordinate to any other payments required to be made to the authority pursuant to this title, including, without limitation, the payment of sums to the authority or to any trustee representing the holders of any bonds issued by the authority.