

1 AN ACT relating to public water and wastewater.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 74 IS CREATED TO
4 READ AS FOLLOWS:

5 *As used in this chapter, unless the context otherwise requires:*

6 *(1) "Appointing authority" means the appointing authority of a governing body of a*
7 *public water or wastewater system;*

8 *(2) "Board" means the board of commissioners of a water district;*

9 *(3) "Commissioner" means a member of the board of commissioners of a water*
10 *district;*

11 *(4) "Governing body" means the appointed officials responsible for the governance*
12 *of a public water or wastewater system or a public water and wastewater system;*

13 *(5) "Joint commissioner" means an appointed member of a joint water commission;*

14 *(6) "Joint water commission" means a joint water commission established pursuant*
15 *to Section 37 of this Act;*

16 *(7) "Public Service Commission" or "commission" means the Kentucky Public*
17 *Service Commission;*

18 *(8) "Public water or wastewater system" or "public water and wastewater system"*
19 *includes water districts, water associations, and joint water commissions formed*
20 *under this chapter, sewer districts and sanitation districts formed under KRS*
21 *Chapter 76, and municipal water utilities or water works, sewer utilities or*
22 *sewerage systems or works, or combined electric and water plants under KRS*
23 *Chapter 96 for a city, consolidated local government, or urban-county*
24 *government, unified local government, or charter county government;*

25 *(9) "Water association" has the same meaning as in KRS 74.420(2); and*

26 *(10) "Water district" or "district" means a water district established pursuant to*
27 *Section 8 of this Act.*

1 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 74 IS CREATED TO
2 READ AS FOLLOWS:

3 (1) Members of the board of commissioners for a water district, members of a water
4 association, and members of a joint water commission established pursuant to
5 Section 37 of this Act shall at the time of appointment:

6 (a) Be at least twenty-five (25) years old;

7 (b) Have had no felony convictions for crimes involving fraud, theft, or larceny
8 in five (5) years preceding the time of appointment;

9 (c) Have a sufficient education or experience to understand principles and
10 concepts of good financial practices, management, and budgeting;

11 (d) Not be surety on the official bond of any other officer of a fiscal court; and

12 (e) Be a citizen of a county that is within the water district or area served by the
13 association or joint commission.

14 (2) The appropriate appointing authority shall require a criminal record check of
15 every person he or she appoints to the board, association, or joint water
16 commission. If a current member of a board, association, or joint water
17 commission fails to meet the standards prescribed in subsection (1) of this
18 section, he or she shall be subject to removal for cause under Sections 6 and 9 of
19 this Act.

20 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 278 IS CREATED TO
21 READ AS FOLLOWS:

22 (1) Notwithstanding Sections 8 and 44 of this Act, members of a governing body that
23 operates a public water or wastewater system shall be required to meet the
24 following online initial training and continuing education requirements to be
25 eligible to serve or continue to serve on the governing body:

26 (a) Eight (8) hours of initial training completed within twelve (12) months of
27 the member's initial appointment or reappointment, whichever is

1 applicable; and

2 (b) Twelve (12) hours of continuing education completed every three (3) years
3 thereafter, beginning January 1 of the calendar year after completion of the
4 initial training in paragraph (a) of this subsection. A calendar year shall
5 begin January 1 and end December 31.

6 (2) Online training and continuing education shall be offered by the commission, or
7 the commission may contract for the provision of the training by other persons
8 with appropriate expertise in management of public water or wastewater utilities.
9 The commission shall consult with the Public Water and Wastewater
10 Infrastructure Working Group established in Section 4 of this Act in developing
11 online training and continuing education content. The commission shall ensure
12 that online initial training and continuing education is offered in the least
13 burdensome and costly manner, which may include webinars performed by
14 universities or professional utility associations, including the National
15 Association of Utility Commissioners, Water Environment Federation, Kentucky
16 Rural Water Association, and the American Water Works Association.

17 (3) The commission shall maintain a list of approved online training and continuing
18 education on their Web site. Proof of completion of online training or continuing
19 education shall be documented and transmitted electronically by the commission
20 or designee to the registrant and to the appointing authority for the governing
21 body of the public water or wastewater system.

22 (4) The subjects for initial training and continuing education shall include board
23 governance, financial oversight, best management practices of public water or
24 wastewater utilities, recordkeeping, ratemaking and adjustment, and other topics
25 reasonably related to the duties of members of a governing body of a public water
26 or wastewater utility. Additionally, the Division of Water shall provide training
27 and continuing education information on best financial and management

1 practices for the governing bodies of public water and wastewater utilities.

2 (5) Voluntary water district management training for appointed commissioners and
3 members of water associations under Section 8 of this Act may be used as credit
4 hours for the member's initial or continuing education. Members of a joint water
5 commission that also serve on another governing body shall not be required to
6 satisfy any additional training or duplicate training under this section. The
7 commission may modify water district management training under Section 8 of
8 this Act to comply with this section.

9 (6) Failure to complete the initial or continuing education shall result in a written
10 notice of deficiency from the appointing authority with a date certain by which
11 the initial or continuing education must be completed, which shall not be less
12 than three (3) months nor more than six (6) months. Failure to complete the
13 initial or continuing education in response to the notice of deficiency shall result
14 in removal of the commissioner or joint commissioner.

15 (7) The commission and the Division of Water in the Energy and Environment
16 Cabinet shall promulgate administrative regulations, not later than thirty (30)
17 days after the effective date of this Act, to implement the provisions of this
18 section. Nothing in this section shall be construed to grant the commission
19 authority to:

20 (a) Appoint or remove members of the governing body of a public water or
21 wastewater system except as authorized under Section 9 of this Act; or

22 (b) Impair existing authority of the commission over water district management
23 training under this chapter.

24 (8) As used in this section, unless context otherwise requires:

25 (a) "Appointing authority" means the appointing authority of a governing body
26 of a public water or wastewater system;

27 (b) "Commissioner" means a member of the board of commissioners of a

1 water district;

2 (c) "Governing body" means the appointed officials responsible for the
3 governance of a public water or wastewater system or a public water and
4 wastewater system;

5 (d) "Joint commissioner" means an appointed member of a joint water
6 commission;

7 (e) "Public Service Commission" or "commission" means the Kentucky Public
8 Service Commission;

9 (f) "Public water or wastewater system" or "public water and wastewater
10 system" includes water districts, water associations, and joint water
11 commissions formed under KRS Chapter 74, sewer districts and sanitation
12 districts formed under KRS Chapter 76, and municipal water utilities or
13 water works, sewer utilities or sewerage systems or works, or combined
14 electric and water plants under KRS Chapter 96 for a city, consolidated
15 local government, or urban-county government, unified local government,
16 or charter county government;

17 (g) "Water association" has the same meaning as in KRS 74.420(2); and

18 (h) "Water district" or "district" means a water district established pursuant to
19 Section 8 of this Act.

20 ➔SECTION 4. A NEW SECTION OF SUBCHAPTER 70 OF KRS CHAPTER
21 224 IS CREATED TO READ AS FOLLOWS:

22 (1) The Public Water and Wastewater Infrastructure Working Group is hereby
23 established and shall be attached to the Energy and Environment Cabinet for
24 administrative purposes and staff support.

25 (2) The Public Water and Wastewater Infrastructure Working Group shall have the
26 following nine (9) members:

27 (a) The director of the Division of Water or a designee who shall be an ex

- 1 officio member and serve as chair;
- 2 (b) The executive director of the Kentucky Public Service Commission or a
- 3 designee;
- 4 (c) The executive director of the Kentucky Infrastructure Authority or a
- 5 designee;
- 6 (d) The executive director of the Kentucky Rural Water Association or a
- 7 designee;
- 8 (e) The executive director of the Kentucky Municipal Utility Association or a
- 9 designee;
- 10 (f) The president of the American Council of Engineering Companies or a
- 11 designee;
- 12 (g) The director of the Kentucky Resources Council or a designee;
- 13 (h) The executive director of the Clean Water Professionals of Kentucky and
- 14 Tennessee or a designee; and
- 15 (i) The executive director of the Kentucky/Tennessee Section of the American
- 16 Waterworks Association or a designee.
- 17 (3) The members of the Public Water and Wastewater Infrastructure Working Group
- 18 shall receive no salary, but members identified in subsection (2)(d) to (i) of this
- 19 section shall receive travel-related expenses.
- 20 (4) The first meeting of the working group shall be not later than August 15, 2020,
- 21 and thereafter the working group shall meet at least monthly or more frequently
- 22 at the call of the chair.
- 23 (5) The working group may create stakeholder advisory groups that will provide
- 24 technical advice, expertise, and present the perspectives of various industry,
- 25 citizen, and public-private interests.
- 26 (6) The working group shall:
- 27 (a) Develop consensus strategies to address financial, technical, planning, and

1 managerial challenges faced by public water and wastewater utilities;

2 (b) Report to the Legislative Research Commission by November 1 of each year
3 regarding the current status of water and wastewater systems in the state
4 that are in distress, and any legislative proposals;

5 (c) Work with the Public Service Commission to develop or update training
6 materials for members appointed to the governing bodies of public water
7 and wastewater utilities;

8 (d) Develop methods for identifying public water and wastewater systems that
9 are failing and proposing remedial action plans to enhance their financial,
10 managerial, and technical expertise and make those systems more resilient;
11 and

12 (e) Work with the Kentucky Infrastructure Authority and other agencies that
13 offer financing for public water and wastewater systems to develop ways to
14 condition the receipt of funding to development and implementation of
15 internal controls, best management practice, and other functions that
16 enhance the financial, managerial, and technical integrity of the systems
17 and benchmarks for measuring improvement in these areas.

18 (7) As used in this section and Section 5 of this Act, unless context otherwise
19 requires:

20 (a) "Governing body" means the appointed officials having control and
21 responsibility for the governance of a public water or wastewater system or
22 a public water and wastewater system; and

23 (b) "Public water or wastewater system" or "public water and wastewater
24 system" includes water districts, water associations, and joint water
25 commissions formed under KRS Chapter 74, sewer districts and sanitation
26 districts formed under KRS Chapter 76, and municipal water utilities or
27 water works, sewer utilities or sewerage systems or works, or combined

1 electric and water plants under KRS Chapter 96 for a city, consolidated
2 local government, or urban-county government, unified local government,
3 or charter county government.

4 ➔SECTION 5. A NEW SECTION OF SUBCHAPTER 70 OF KRS CHAPTER
5 224 IS CREATED TO READ AS FOLLOWS:

6 (1) The Kentucky Public Water and Wastewater System Protection Panel is hereby
7 established as an agency of state government and shall be attached to the cabinet
8 for administrative services and staff support.

9 (2) The protection panel shall consist of the following five (5) members:

10 (a) The secretary of the Energy and Environment Cabinet or a designee;

11 (b) The executive director of the Kentucky Public Service Commission or a
12 designee;

13 (c) The executive director of the Kentucky Infrastructure Authority or a
14 designee;

15 (d) The director of the Division of Water; and

16 (e) The branch manager for the Water Infrastructure Branch of the Division of
17 Water or a designee.

18 (3) The protection panel shall:

19 (a) Develop metrics to identify public water and wastewater systems that are at
20 immediate risk of failing or are failing;

21 (b) Establish a priority list of systems that are at immediate risk of failing and
22 which are deemed to require intervention by the protection panel; and

23 (c) Promulgate administrative regulations that establish comprehensive criteria
24 for the imposition and enforcement of remedial measures for public water
25 and wastewater systems that have been identified in subsection (4) of this
26 section as being at risk of failing or are failing.

27 (4) Each public water and wastewater system on the priority list shall be audited by

1 the panel to determine its risk of failure considering such factors as:

2 (a) Whether the governing body is instituting and maintaining actions with
3 respect to the system that would:

4 1. Mitigate water loss over the system to within acceptable levels;

5 2. Restore and maintain financial integrity;

6 3. Institute internal and management controls; and

7 4. Perform those actions with respect to the water or sewer
8 infrastructure, rate setting, metering, or billing systems to allow for
9 the rendering of adequate service; and

10 (b) Whether the failure constitutes a serious and imminent threat to the health
11 or safety of the system's customers or to the environment.

12 (5) Public water and wastewater systems identified as at-risk of immediate failure
13 shall be subject to intervention by the protection panel, which shall include:

14 (a) Referral to the jurisdictional agency to require an outside management
15 company to assume control of the public water or wastewater system;

16 (b) Referral to the appropriate appointing authority to remove members of the
17 governing body, plant managers, or other critical staff of the public water
18 and wastewater system for good cause shown;

19 (c) Referral to the jurisdictional state agency to institute an action to appoint a
20 receiver for a public water or wastewater system;

21 (d) Referral to the jurisdictional state agency to condition permits issued by the
22 cabinet or Department for Public Health upon the faithful performance of
23 the protection panel's recommendations; and

24 (e) Requiring the systems to prepare and submit a performance improvement
25 plan that sets out actions and schedules to address the issued identified by
26 the panel. The performance improvement plan shall be prepared and sealed
27 by a professional engineer licensed to practice in the Commonwealth.

1 ➔Section 6. KRS 65.007 is amended to read as follows:

- 2 (1) Unless otherwise provided by state law, an appointed member of the governing
3 body of a special district may be removed from office by the appointing authority
4 after a hearing with notice as required by KRS Chapter 424 for inefficiency, neglect
5 of duty, malfeasance, misfeasance, nonfeasance, or conflict of interest. The hearing
6 shall be initiated and chaired by the appointing authority, who shall prepare a
7 written statement setting forth the reasons for removal. The member to be removed
8 shall be notified of ~~the~~^{his} proposed removal and the reasons therefor by registered
9 mail sent to ~~the~~^{his} last known address at least ten (10) days prior to the hearing.
10 The person to be removed may be represented by~~employ~~ counsel ~~to represent~~
11 ~~him~~. A record of the hearing shall be made by the appointing authority.
- 12 (2) Where the removal of an appointed member of a special district governing body is
13 by the county judge/executive pursuant to subsection (1) of this section, the removal
14 shall be subject to the approval of the fiscal court.
- 15 (3) A member removed pursuant to this section may appeal, within ten (10) days of the
16 rendering of the decision or the approval of the fiscal court if required, to the Circuit
17 Court of the county of the appointing authority. The scope of the appeal shall be
18 limited to whether the appointing authority or the fiscal court abused their discretion
19 in removing the member.

20 ➔Section 7. KRS 74.012 is amended to read as follows:

- 21 (1) Prior to the establishment of any water district as provided by KRS 74.010, and
22 prior to the incorporation or formation of any nonprofit corporation, association or
23 cooperative corporation having as its purpose the furnishing of a public water
24 supply (herein referred to as a "water association"), a committee of not less than five
25 (5) resident freeholders of the geographical area sought to be served with water
26 facilities by the proposed district or the proposed water association shall formally
27 make application to the Public Service Commission of Kentucky to be authorized

1 to petition to the appropriate county judge/executive to establish a water district,
2 nonprofit corporation, or water association~~[in such manner and]~~ following ~~[such~~
3 ~~]procedures~~ prescribed by~~[as]~~ the Public Service Commission in an
4 administrative~~[may by]~~ regulation~~[prescribe, seeking from the commission the~~
5 ~~authority to petition the appropriate county judge/executive for establishment of a~~
6 ~~water district, or to proceed to incorporate or otherwise create a water association].~~

7 The commission shall thereupon set the application for formal public hearing, and
8 shall give notice to all other water suppliers, whether publicly owned or privately
9 owned, and whether or not regulated by the commission, rendering services in the
10 general area proposed to be served by the~~[said]~~ water district or water association,
11 and to any planning and zoning or other regulatory agency or agencies with
12 authority in the general area having concern with the application. The commission
13 may subpoena and summon for hearing purposes any persons deemed necessary by
14 the commission in order to enable the commission to evaluate the application of the
15 proponents of the~~[said]~~ proposed water district or water association, and reach a
16 decision in the best interests of the general public. Intervention by any interested
17 parties, water suppliers, municipal corporations, and governmental agencies shall be
18 freely permitted at such hearing.

19 (2) The public hearing shall be conducted by the commission pursuant to the provisions
20 of KRS 278.020. At the time of the hearing, no employment of counsel or of
21 engineering services shall have been made to be paid from water district funds,
22 water association funds, or made a charge in futuro against water district or water
23 association funds, if formation of a~~[such]~~ water district or water association is
24 permitted by the commission.

25 (3) Before the Public Service Commission shall approve any application for creation of
26 a water district or water association, the commission must make a finding and
27 determination of fact that the geographical area sought to be served by the~~[such]~~

1 proposed water district or water association cannot be feasibly served by any
2 existing water supplier, regardless of whether the water supplier is publicly or
3 privately owned~~[, and whether]~~ or ~~[not]~~ subject to the regulatory jurisdiction of the
4 commission. If the commission determines~~[it shall be determined]~~ that the
5 geographical area sought to be served by the proposed water district or water
6 association can be served more feasibly by any other water supplier, the commission
7 shall:

8 (a) Deny the application; and ~~[shall]~~

9 (b) Hold any~~[such]~~ further hearings and make any~~[such]~~ further determinations
10 that the commission deems~~[as may in the circumstances be]~~ appropriate in
11 the interests of the public health, safety, and general welfare.

12 (4) Any order entered by the commission in connection with an application for creation
13 of a water district or water association shall be appealable to the Franklin Circuit
14 Court as provided by KRS 278.410.

15 ➔Section 8. KRS 74.020 is amended to read as follows:

16 (1) A water district shall be administered by a board of commissioners which shall
17 control and manage the affairs of the district. The term of each commissioner is four
18 (4) years, except as provided in this section:

19 (a) If a district lies wholly within a single county, or operates as a single-county
20 district, as provided in paragraph (c) of this subsection, the board of
21 commissioners shall be composed of either three (3) or five (5) members as
22 the county judge/executive shall determine. Members of the board shall be
23 residents of the district, or of any incorporated or unincorporated area served
24 by the district in the county in which the district was originally established,
25 who shall be appointed by the county judge/executive with the approval of the
26 fiscal court. Initial appointments shall be for terms of two (2), three (3), and
27 four (4) years, as designated by the court.

1 (b) Except as provided in paragraph (c) of this subsection, if a district formed in a
2 single county extends its area to include territory in one (1) or more adjacent
3 counties, as provided by KRS 74.115, the board of commissioners shall be
4 appointed by the appropriate county judges/executive, with the approval of the
5 respective fiscal courts of the concerned counties as follows: in two (2) county
6 districts, three (3) members from the original district and two (2) members
7 from the extended portion of the district; for extensions into three (3) or more
8 counties, the respective county judges/executive, with the approval of the
9 respective fiscal courts, shall appoint, in addition to the existing membership
10 of the commission, two (2) members from the original one-county district and
11 two (2) members from the newly extended portion of the district. Orders
12 establishing the extension shall provide for the staggering of initial terms in an
13 equitable manner.

14 (c) If a district acquires an existing water or gas distribution system serving an
15 area which extends beyond the boundaries of the district into one (1) or more
16 additional counties, or if a district extends its area to include territory in one
17 (1) or more adjacent counties as provided by KRS 74.115, it may operate the
18 distribution system so acquired, or extended, without adding additional board
19 members, if the new area to be served shall be deemed to be a minor portion
20 of the total area served by the district, and if the fiscal court of the county
21 containing the minor portion of the total area shall have agreed to the
22 acquisition or to the extension of the distribution system. If less than twenty-
23 five percent (25%) of the total assets of the distribution system are located
24 within any particular county included in the territorial boundaries of the
25 district, it shall be conclusively presumed, with respect to that particular
26 county, that the district comes within the terms of this subsection.

27 (2) A commissioner may be removed from office as provided by KRS 65.007 or

1 74.025.

2 (3) A commissioner who participates in any official action by the water district board of
3 commissioners which results in a direct financial benefit to him or her shall~~may~~
4 be removed from office as provided by KRS 65.007 or 74.025.

5 (4) Vacancies shall be filled by the same appointing authority which is empowered to
6 make the original appointment. Vacancies resulting from cause other than
7 expiration of the term shall be filled for the unexpired term only. Notwithstanding
8 KRS 67.710, a vacancy resulting from the expiration of a term or the death,
9 resignation, or removal of the incumbent shall be filled by the Public Service
10 Commission if, within ninety (90) days following the vacancy, the vacancy has not
11 been filled by the appropriate county judge/executive with approval of the fiscal
12 court.

13 (5) The board~~commission~~ shall elect a chairman, vice chairman, secretary, treasurer,
14 and any other officers and assistant officers as the commission may deem necessary,
15 each of whom shall be members of the board~~commission~~. Any two (2) or more
16 offices may be held by the same person, except that the chairman may not hold any
17 other office. Each commissioner shall execute a bond for the faithful performance
18 of the duties of his or her position.

19 (6) Each commissioner shall comply with the initial and continuing education
20 requirements under Section 3 of this Act. Commissioners shall receive an annual
21 salary of not more than thirty-six hundred dollars (\$3,600), which shall be paid out
22 of the water district fund. When a~~except that beginning January 1, 1999, each~~
23 commissioner ~~who~~ completes, during an educational year, a minimum of nine
24 (9)~~six (6)~~ instructional hours of water district management training approved by
25 the Public Service Commission, he or she may receive an annual salary of not more
26 than six thousand dollars (\$6,000) to be paid out of the water district fund. An
27 educational year shall begin on January 1 and end on the following December 31. In

1 the case of single-county districts, which shall be deemed to include districts
2 described in paragraph (c) of subsection (1) of this section, the salary shall be fixed
3 by the county judges/executive with the approval of the fiscal court; in multicounty
4 districts, it shall be fixed by the agreement between the county judges/executive
5 with the approval of their fiscal courts. In fixing and approving the salary of the
6 commissioners, the county judge/executive and the fiscal court shall take into
7 consideration the financial condition of the district and its ability to meet its
8 obligations as they mature.

9 (7) (a) In order to receive an increase in salary as specified in subsection (6) of this
10 section, commissioners shall successfully complete nine (9)~~[six (6)]~~
11 instructional hours of water district management training annually. The
12 training shall be approved and paid for by the water district of the county the
13 commissioner represents. Those commissioners~~[not required to complete the~~
14 ~~six (6) instructional hours]~~ shall be reimbursed for the cost of instruction~~[if~~
15 ~~they choose to complete the water district training]~~.

16 (b) The Public Service Commission shall be responsible for the regulation of all
17 water district management training programs for commissioners of water
18 districts, combined water, gas, or sewer districts, or water
19 associations~~[commissions]~~ under this chapter and in accordance with
20 Section 3 of this Act.

21 (c) The Public Service Commission shall encourage and promote the offering of
22 ~~[high quality]~~ water district management training programs that enhance a
23 water district commissioner's understanding of his or her responsibilities and
24 duties. The commission shall, no later than January 1, 1999, establish
25 standards and procedures to evaluate, accredit, and approve water district
26 management training programs.

27 (8) (a) At least once annually, the Public Service Commission shall provide or cause

1 to be conducted a program of instruction, consisting of at least twelve (12)
2 hours of instruction, that is intended to train newly appointed commissioners
3 in the laws governing the management and operation of water districts and
4 other subjects that the Public Service Commission deems appropriate. The
5 commission may charge a reasonable registration fee to recover the cost of the
6 programs and may accredit programs of instruction that are conducted by
7 other persons or entities and that the commission deems equivalent to its
8 program of instruction.

9 (b) Within twelve (12) months of his or her initial appointment, each
10 commissioner shall complete the program of instruction described in
11 paragraph (a) of this subsection. Any commissioner who fails to complete the
12 program within twelve (12) months of his or her initial appointment shall
13 forfeit his or her office~~[and all right to act in discharge of the duties of the~~
14 ~~office]~~. A commissioner required to attend a program under this subsection
15 shall be reimbursed for the cost of instruction by his or her water district.

16 (c) Each commissioner or water association member shall complete an
17 additional twelve (12) hours of continuing education as specified in
18 subsection (1)(b) of Section 3 of this Act every three (3) years after
19 satisfaction of the initial twelve (12) hours required under paragraph (b) of
20 this subsection.

21 (9) (a) Within thirty (30) days of the occurrence of a vacancy on its board of
22 commissioners resulting from the expiration of a term or the death,
23 resignation, or removal of the incumbent, a water district shall notify in
24 writing the Public Service Commission of the existence of the vacancy. The
25 notice shall include the name of the commissioner who last held the position
26 and the date on which the unexpired term will end.

27 (b) Within thirty (30) days of the appointment of a commissioner and the

1 appropriate fiscal court's approval of that appointment, a water district shall
2 notify the Public Service Commission of the appointment. The notice shall
3 include the appointed person's name and the date of the expiration of his or
4 her term.

5 (10) The Public Service Commission may promulgate administrative regulations in
6 accordance with KRS Chapter 13A to implement the requirements of this section.

7 ➔Section 9. KRS 74.025 is amended to read as follows:

8 (1) From and after the creation and establishment of a water district and the
9 appointment of water commissioners to manage the affairs of the district, and
10 following the acquisition or construction by any duly created and established water
11 district of a public water system, and the consequent establishment of regulatory
12 jurisdiction over ~~the~~^[such] water district by the Public Service Commission of
13 Kentucky, the Public Service Commission may remove any water commissioner
14 from his office for good cause, including, inter alia, incompetency, neglect of duty,
15 gross immorality, or nonfeasance, misfeasance, or malfeasance in office, including
16 without limiting the generality of the foregoing, failure to comply with rules,
17 regulations, and orders issued by the Public Service Commission.

18 (2) No ~~[such]~~ order of removal with respect to any water commissioner shall be entered
19 by the Public Service Commission until an opportunity for a public hearing on the
20 merits with reference to ~~the~~^[such] matter has been offered to the commissioner
21 proposed to be removed from office. If a~~[held by the commission, at which]~~
22 hearing is conducted, the ~~[water]~~ commissioner proposed to be removed from office
23 shall be afforded the opportunity to appear, either pro se, or by counsel and file
24 briefs, memoranda and motions, cross-examine witnesses, examine exhibits, and
25 present evidence, both orally and in writing. All ~~[such]~~ orders of removal entered by
26 the Public Service Commission shall be final and shall not be subject to appeal. If
27 no hearing is requested within thirty (30) days of notice of the proposed removal

1 ~~or if the~~[Any water] commissioner ~~waives~~[may waive] his or her right to a[such]
2 public hearing, in which case an order on removal may be forthwith entered by the
3 commission.

4 (3) Using procedures of this section the Public Service Commission may also request
5 the removal of directors, trustees, or other governing persons of water associations
6 in like manner.

7 (4) Nothing in this section shall be construed to require a hearing prior to removal of
8 a water commissioner for failure to comply with the requirements of subsection
9 (6) of Section 3 of this Act.

10 ➔Section 10. KRS 74.030 is amended to read as follows:

11 The ~~board~~[commission] may employ legal counsel whose compensation shall be paid
12 from water district funds.

13 ➔Section 11. KRS 74.040 is amended to read as follows:

14 (1) The ~~board~~[commission] may employ a person to serve as the chief executive officer
15 of the water district. This person shall not be one (1) of the water district's
16 commissioners. The person may be designated the general manager, superintendent,
17 or chief executive officer of the district or by any other similar title.

18 (2) The chief executive officer of the water district or water association shall have the
19 education and experience to direct the various technical, legal, and financial
20 aspects of a public water utility. The Public Service Commission may prescribe
21 minimum qualifications for the chief executive officer of a water district.

22 (3) The duties of the chief executive officer shall include:

23 (a) Assisting the board to hire an independent firm to perform a financial and
24 managerial audit of the district annually;

25 (b) Conducting water loss audits of the district's water system at the direction of
26 the board or the commission;

27 (c) Conducting a rate and operations review to determine the districts revenue

1 *requirement at intervals prescribed by the commission;*

2 *(d) Developing an infrastructure improvement plan; and*

3 *(e) Performing any*~~[Perform such]~~ additional duties as the *board*~~[commission]~~
4 may require of him or her~~[and shall be subject to the orders of the~~
5 ~~commission]~~.

6 **(4)** The chief executive officer shall:

7 *(a) Be subject to the orders of the commission and the supervision of the board;*

8 *(b)* Employ all necessary labor and assistance in the performance of his or her
9 duties; *and*~~[, and he or she shall]~~

10 *(c)* Report to the *board*~~[commission]~~ all *revenues and* expenses incurred.

11 **(5)** The salary of the chief executive officer shall be fixed by the *board*~~[commission]~~.

12 ➔Section 12. KRS 74.050 is amended to read as follows:

13 The treasurer of the *board*~~[commission]~~ shall be the lawful custodian of the funds of the
14 water district and shall cause the funds to be disbursed according to procedures adopted
15 by the *board*~~[commission]~~. The procedures shall include a requirement for approval of
16 disbursements by a commissioner in addition to the treasurer. The treasurer shall cause to
17 be maintained a proper record of the receipts and disbursements of the water district in
18 accordance with the Uniform System of Accounts for utilities. In addition to the
19 compensation for commissioners as set out in KRS 74.020, as compensation for his or her
20 services the treasurer shall receive an amount fixed by the *board*~~[commission]~~, not to
21 exceed two hundred dollars (\$200) per year. The treasurer shall execute bond to the
22 *board*~~[commission]~~ in an amount and with such surety as determined by the
23 *board*~~[commission]~~.

24 ➔Section 13. KRS 74.070 is amended to read as follows:

25 (1) The *board*~~[commission]~~ shall be a body corporate for all purposes, and may make
26 contracts for the water district with municipalities and other persons.

27 (2) All corporate powers of the water district shall be exercised by, or under the

1 authority of, its board~~[commission]~~. The business and affairs of the water district
2 shall be managed under the direction and oversight of its board~~[commission]~~.

3 (3) The board~~[commission]~~ may prosecute and defend suits, hire the chief executive
4 officer and do all acts necessary to carry on the work of the water district.

5 (4) The board~~[commission]~~ may adopt bylaws not inconsistent with the provisions of
6 this chapter.

7 (5) The board~~[commission]~~ shall comply with the provisions of KRS 65A.010 to
8 65A.090.

9 ➔Section 14. KRS 74.080 is amended to read as follows:

10 (1) The board shall:~~[commission may]~~

11 (a) Establish water rates that are based on the full cost of providing service,
12 including appropriate funding for planned replacement of infrastructure
13 and upgrades;

14 (b) Establish written leak detection procedures and require periodic water loss
15 audits in order to maintain water loss to within accepted standards for
16 public water utilities;

17 (c) Develop a comprehensive infrastructure maintenance and improvement
18 plan to be filed with and approved by the Kentucky Public Service
19 Commission; and

20 (d) Make reasonable regulations for the disposition and consumption of water.

21 (2) On its own motion, the Public Service Commission may require a water district to
22 perform a review of its operational and financial needs to demonstrate that the
23 district's rates, metering, and billing practices are sufficient to recover the full
24 cost of providing service and maintain system solvency. If the review
25 demonstrates that a water district's rates are insufficient to fully recover the cost
26 of providing service, the Public Service Commission shall order the water district
27 to initiate a rate case to adopt rates sufficient to maintain the financial and

1 **operational integrity of the water district.**

2 ➔Section 15. KRS 74.090 is amended to read as follows:

3 If it becomes necessary to acquire a right of way or land, and it cannot be acquired by
4 purchase, the **board**~~[commission]~~ may condemn the needed property in the manner
5 provided in the Eminent Domain Act of Kentucky. The owners of land sought to be
6 condemned shall be made parties to the proceeding. Any damage awarded shall be paid
7 by the **board**~~[commission]~~ out of the first funds available.

8 ➔Section 16. KRS 74.100 is amended to read as follows:

9 (1) Whenever a water supply line or system is in operation in any water district, and is
10 supplying water to the citizens and landowners, and the **board**~~[commission]~~ deems
11 it expedient to acquire the existing system, **the board**~~[they]~~ may examine **the line or**
12 **system.**~~[it, and]~~ If **the board finds the line or system is**~~[they find it]~~ properly
13 designed and constructed **and the commission has reviewed and approved the**
14 **acquisition with respect to the comprehensive infrastructure improvement plan,**
15 **the board**~~[they]~~ may purchase it, and pay for it:

16 **(a)** In the same manner as provided for the original construction and
17 improvement; or~~[may pay for it]~~

18 **(b)** In whole or in part out of any surplus funds in possession, receipt or
19 anticipation of receipt by the **board**~~[commission]~~.

20 (2) The **board**~~[commission]~~ may order any work or improvement it deems necessary to
21 extend the necessary water mains and water laterals in the district to supply water to
22 the residents of the district, and pay for **the**~~[such]~~ work by:

23 **(a)** Assessment against the land benefited according to benefits, as provided in
24 this chapter;~~[it,]~~ or~~[may pay for the work]~~

25 **(b)** In whole or in part out of the general fund of the water district realized from
26 all other resources in the district.

27 ➔Section 17. KRS 74.110 is amended to read as follows:

1 The territorial limits of an established water district may be enlarged or diminished in the
2 following way:

3 (1) The ~~board~~~~[commission]~~ shall:

4 (a) Send notice of the petition to the commission in a manner prescribed by the
5 commission; and

6 (b) File a petition with the county judge/executive, describing the territory to be
7 annexed or stricken off, and setting out the reasons therefor.

8 (2) Notice of the petition shall be given in the manner provided by KRS Chapter 424.
9 Within thirty (30) days after the notice, any resident of the water district or the
10 territory proposed to be annexed may file objections and exceptions.

11 (3) The county judge/executive shall set the matter for hearing, and if the county
12 judge/executive finds that it is reasonably necessary, he or she shall enter an order
13 annexing or striking off the proposed territory. If the county judge/executive finds
14 that the proposed change is unnecessary, he or she shall dismiss the petition. Either
15 party may appeal the order to the Circuit Court.

16 (4) If any of the territory stricken off has been assessed to pay the costs of any
17 improvements, the ~~board~~~~[commission]~~ shall strike the assessments from the
18 assessment roll and refund to the respective owners any assessments collected on
19 the land which have been stricken off.

20 (5) If a deficit is incurred by striking off part of a water district, or by striking
21 assessments from the assessment roll, so that the assessment roll is insufficient to
22 pay the bonded indebtedness of the district, the deficit shall be paid out of the
23 general fund of the district, realized from all other resources in the district.

24 ➔Section 18. KRS 74.120 is amended to read as follows:

25 (1) All or any part of an incorporated city may be included in the boundaries of any
26 existing water district or water district being newly organized, provided the
27 governing body of ~~the~~~~[such]~~ city by resolution or ordinance gives, or has given, its

1 consent. ~~Said~~ Consent may be limited to water, gas or sewage service, and the
2 authority of the water district to serve the area of the incorporated city shall be
3 limited by the exclusion of any type of service from the consent given. Any city
4 which has been included in the boundaries of a water district for ten (10) or more
5 years shall be deemed to have given its consent to the service, whether water, gas,
6 or sewage, which has been provided for the~~such~~ period. The acquisition by a
7 water district of an existing franchise for a water, gas, or sewage distribution system
8 within~~such~~ a city, whether by purchase, assignment or otherwise, shall be deemed
9 to constitute the consent of the city which granted the franchise in the first instance,
10 but only for the purpose of operating the type of distribution system for which the
11 franchise was granted.

12 (2) The board~~commission~~ may contract with any city which is not included within the
13 boundaries of the district for the purpose of furnishing water, gas or sewage services
14 to the residents of the~~such~~ city and may contract with any city for the purpose of
15 obtaining water, gas or sewage services for the use of the district.

16 (3) When the board~~commission~~ shall contract with any city in the manner prescribed
17 in this section, the~~such~~ city shall be deemed a part of the district during the life of
18 the contract, but only for the purpose of carrying out the provisions of the contract.
19 Nothing herein shall impair the ownership by the contracting city of its own system,
20 or empower the district to take any action not authorized by the contract.

21 ➔Section 19. KRS 74.130 is amended to read as follows:

22 (1) The board~~commission~~ shall examine the real estate in the district that may be
23 affected by the proposed water system, and classify it into five (5) classes according
24 to the benefit it will receive from the construction and operation of the water
25 system. The real estate receiving the most benefit shall be marked "class A," and the
26 other classes shall be marked "class B," "class C," "class D" and "class E,"
27 respectively, the real estate receiving the smallest benefit being marked "class E."

1 All real estate actually receiving water shall be placed in the highest classification.
2 The amount of real estate owned by any person in each class, and the extent
3 benefited shall be determined. The scale of assessment to be made by the
4 ~~board~~~~commission~~ upon the several classes shall be in the ratio of five (5), four
5 (4), three (3), two (2), and one (1). The classification shall form the basis of the
6 assessment of benefits to the real estate for all purposes.

7 (2) If the ~~board~~~~commission~~ believes that substantial injustice will be done any
8 landowner by strict conformity to the five (5) class rule above, the classification
9 may be changed by diminishing or increasing the number of classes so as to
10 conform to existing conditions.

11 (3) The ~~board~~~~commission~~ shall make a final report containing a statement of the
12 estimated cost of the work and improvement to be made in the district, a description
13 of all real estate in the district, showing the amount of real estate in each class, in
14 tabulated form, and the names of the owners, and a statement of the estimated
15 benefits that will accrue to each class of real estate by reason of the construction of
16 the proposed improvements.

17 ➔Section 20. KRS 74.140 is amended to read as follows:

18 When the final report required under subsection (3) of Section 19 of this Act is
19 completed and filed with the office of the county judge/executive, it shall be examined
20 by the county judge/executive, and if the report~~it~~ is found to be sufficient the report~~it~~
21 shall be accepted. If the report is found~~it is~~ not sufficient, it may be referred back to the
22 commission with instructions to secure further information and~~, to~~ be reported at a
23 subsequent date fixed by the county judge/executive. When the report is fully completed
24 and accepted by the county judge/executive, a date not less than twenty (20) days
25 thereafter shall be fixed by the county judge/executive for the final hearing upon the
26 report, and notice of the hearing shall be given by publication pursuant to KRS Chapter
27 424. During that time, a copy of the report shall be on file in the office of the county

1 clerk, and shall be open to the inspection of any landowner or person interested within the
2 district. Any landowner assessed therein may file exception to the report. The county
3 judge/executive upon final hearing shall confirm or reject the report.

4 ➔Section 21. KRS 74.150 is amended to read as follows:

5 (1) After the classification of the land and the ratio of assessment of the different
6 classes to be made has been confirmed by the county judge/executive, the
7 board~~commission~~ shall prepare an assessment roll in duplicate, signed by the
8 chairman and secretary of the board~~commission~~, giving a description of all the
9 land in the water district, the name of the owner, and the amount of assessment
10 against each of the several tracts of land. In preparing this assessment roll the
11 board~~commission~~ shall ascertain the total cost of the improvement, the cost of the
12 proceedings and all wages paid or to be paid, and the total shall be the amount to be
13 paid by the lands benefited. Attached to this water-assessment roll and filed with it,
14 shall be a statement of all the costs of the work to be done, and five percent (5%) in
15 addition to meet any unforeseen contingencies. This statement of costs shall also be
16 made in duplicate and signed by the chairman and secretary of the
17 board~~commission~~. One (1) copy of the assessment roll and statement of costs
18 shall be filed with the county clerk in which the proceeding is pending, and he shall
19 then give at least ten (10) days' notice of the time of the hearing on the assessment
20 roll and statement of costs.

21 (2) At the time fixed for the hearing, the county judge/executive shall hear in a
22 summary way all objections to the cost of the improvement, as set out in the
23 statement made by the board~~commission~~ and filed with the assessment roll, and
24 all objections to the assessments of lands therein set forth, and shall enter an order
25 confirming the assessment roll, or directing the board~~commission~~ to change the
26 assessments in accordance with the finding of the county judge/executive. The order
27 of the county judge/executive confirming or modifying the assessment roll and

1 statement of costs shall be final for all purposes if not appealed within thirty (30)
2 days after the entry of the order. The county judge/executive shall also direct the
3 clerk to certify to the treasurer of the board~~[commission]~~ a copy of the assessment
4 roll as filed by the board~~[commission]~~ or changed by the county judge/executive.
5 One (1) copy of the assessment roll shall be retained by the clerk and recorded as
6 part of the record.

7 ➔Section 22. KRS 74.160 is amended to read as follows:

8 (1) After the assessment roll has been confirmed or modified by the county
9 judge/executive, if the board~~[commission]~~ is unable to furnish water to the owner
10 of any land in the district, or if the land in any part of the district is so sparsely
11 populated that in the opinion of the board~~[commission]~~ water could not be
12 furnished to the owners thereof without incurring an unreasonable burden of
13 additional assessment against the lands or an unreasonable burden of indebtedness
14 against the water district without receiving any corresponding return in the profits
15 realized from the sale of water in the territory, the board~~[commission]~~ may:

- 16 (a) Strike the assessments on land not receiving water from the assessment roll;~~;~~
17 or~~[may]~~
18 (b) Reduce the assessments to conform with the benefits received, and refund to
19 the respective owners any assessments collected that have been stricken off or
20 reduced.

21 (2) After striking or reducing such assessments, the board~~[commission]~~ shall file a
22 petition with the county judge/executive setting out the reasons why the assessments
23 should be stricken off or reduced, with a certified copy of the assessments so
24 stricken off or reduced. The county judge/executive shall then set the proceeding for
25 a hearing, and after giving at least ten (10) days' notice of the time of the hearing,
26 the county judge/executive shall hear all objections to the order of the
27 board~~[commission]~~ striking or reducing the assessment, and shall enter an order

1 confirming the action of the board~~[commission]~~ or directing them to change the
2 assessment roll in accordance with the finding of the county judge/executive.

3 **(3)** The order of the county judge/executive confirming or modifying the order of the
4 board~~[commission]~~ striking off or reducing the assessment may be appealed from.
5 If a deficit is incurred by striking or reducing any assessment so as to make the
6 assessments insufficient to pay any bonded indebtedness of the water district, the
7 deficit shall be paid out of the general fund of the district realized from all other
8 revenues collected or to be collected in the district.

9 ➔Section 23. KRS 74.177 is amended to read as follows:

10 (1) When a water district extends its water lines within its district or extends its water
11 lines under KRS 74.110 beyond the district's territorial limits, and the extension
12 would benefit land within an agricultural district created under KRS 262.850, the
13 assessment against the land within the agricultural district for the cost of the
14 extension shall be deferred. The assessment shall become payable when the land is
15 removed, in part or in its entirety, from the agricultural district and developed for
16 nonagricultural use. If only part of the land is removed from the agricultural district,
17 the deferred assessment shall be prorated and paid only on the portion of the land
18 removed. The land remaining in the agricultural district shall continue to benefit
19 from the deferred assessment.

20 (2) The owner of land for which the assessment of costs for a water line extension has
21 been deferred shall pay for any connection to provide water service from the water
22 line extension to the land benefited by the deferred assessment.

23 ➔Section 24. KRS 74.180 is amended to read as follows:

24 (1) If all assessments are not paid in full by thirty (30) days after notice of assessment,
25 the board~~[commission]~~ may issue bonds for the amount of the unpaid assessments,
26 or may finance improvements on a temporary basis from district revenues or a loan
27 to be repaid when assessments are collected. If the board~~[commission]~~ decides to

1 issue bonds, the board~~[it]~~ shall give:

2 (a) Notice that it proposes to issue bonds;~~[, giving]~~

3 (b) The amount of bonds to be ~~issued~~;

4 (c) The rate of interest they are to bear;~~[, and]~~

5 (d) The time the bonds~~[they]~~ will become payable.

6 (2) At the expiration of thirty (30) days after the publication, the board~~[commission]~~
7 may divide the unpaid assessments into not less than ten (10) annual installments,
8 which shall draw interest at the rate or rates or method of determining rates as the
9 board~~[commission]~~ deems best and be payable annually, from thirty (30) days after
10 the date of publication. The bonds shall mature in series to correspond with the
11 installments into which the unpaid assessments are divided, and shall draw interest
12 at the rate or rates or method of determining rates as the board~~[commission]~~
13 determines, be payable at least annually, and be payable at some place to be
14 designated by the board~~[commission]~~. The bonds shall be for the exclusive use and
15 benefit of the water district and shall designate on the face the name of the district
16 and the purpose for which they were issued.

17 (3) The board~~[commission]~~, in dividing the unpaid assessments into installments, shall
18 fix the time for payment, and each landowner shall pay the installments due on his
19 land, with interest due on that installment and deferred installments, to the treasurer
20 of the board~~[commission]~~ on or before the time fixed by the board~~[commission]~~ for
21 the maturity of the installment.

22 ➔Section 25. KRS 74.190 is amended to read as follows:

23 (1) Upon the first Monday after an installment is due, the board~~[commission]~~ shall
24 meet and ascertain the parties whose installments are in default and shall within
25 sixty (60) days issue warrants directing the sheriff or other collecting officer to
26 collect the installments that are in default. The collecting officer shall collect the
27 installments, with interest due on them and deferred installments, together with a

1 penalty of six percent (6%), in the same way state and county taxes are collected,
2 and the collecting officer shall settle with the commission within sixty (60) days
3 from the time the installments were certified to him or her.

4 (2) All lands upon which the installments have not been collected at the end of sixty
5 (60) days shall be advertised and sold by the collecting officer in the same manner
6 as in the case of state and county taxes. The sale so made shall be subject to the
7 future installments of the assessments, and at the expiration of ninety (90) days
8 from the date of the original certification of the installments to the collecting
9 officer, the collecting officer shall make final settlement with the
10 board~~[commission]~~ and pay to them all the moneys in his hands. If the collecting
11 officer fails to make a settlement, the board~~[commission]~~ may compel him or her
12 to make the settlement by order against him or her issued by the district court, after
13 giving him or her five (5) days' notice in writing. In case any land is not purchased
14 at the sale, the collecting officer shall bid in the land for the district and in his or
15 her final settlement with the board~~[commission]~~ shall take credit therefor. The
16 collecting officer shall certify each of the sales to the county clerk as required in the
17 sale of lands for state and county taxes, and the clerk shall record each sale in a
18 book kept by him. For collecting the assessments certified to him the collecting
19 officer shall be paid by the water district's board~~[commission]~~ the same fees
20 allowed him or her for collecting state and county taxes and in the same manner.
21 For recording the certificate of sale the clerk shall be allowed and paid the same
22 fees allowed him or her by law for similar work in reference to state and county
23 taxes.

24 (3) The owner of such real estate, or his representatives, heirs or assigns, shall have the
25 right to redeem the land from the sale as is provided for the redemption of lands
26 sold for state and county taxes, but only upon the same terms and conditions and
27 within the same time as allowed in such case.

1 ➔Section 26. KRS 74.200 is amended to read as follows:

2 When the county judge/executive has confirmed an assessment for the construction of a
3 water system and the assessment has been modified by a court, or for some unforeseen
4 cause it cannot be collected, the board~~[commission]~~ may modify the assessment as
5 originally confirmed to conform to the judgment of the court and to cover any deficit
6 caused by the order of the county judge/executive or unforeseen occurrence. The relevy
7 shall be made for the additional sum required, in the same ratio as in the original
8 assessment. In any other case where it is ascertained that the amount assessed against the
9 property in the water district is not sufficient to complete the improvements provided for,
10 ~~the~~~~[such]~~ deficit may be paid out of current reserve, or the county judge/executive may
11 order a relevy upon the petition of the board~~[commission]~~, or any three (3) or more
12 petitioners. The petition must set forth the amount of the deficit, the causes thereof, and
13 the amount necessary to be raised in order to complete the work. The county
14 judge/executive shall give notice of the filing and purpose of the petition and fix a time,
15 not less than ten (10) nor more than twenty (20) days from the giving of the notice, when
16 the petition shall be acted upon. If upon hearing the county judge/executive finds that the
17 relevy asked for in the petition is necessary in order to complete the work, the county
18 judge/executive shall direct ~~the~~~~[such]~~ relevy to be made by the board~~[commission]~~. The
19 relevy shall be made in the same ratio as the original assessment was made and shall be
20 collected in the same way.

21 ➔Section 27. KRS 74.220 is amended to read as follows:

22 The assessment roll as made up by the board~~[commission]~~ shall be prima facie evidence
23 in all courts that all steps necessary to be taken have been properly taken, and that all
24 proceedings are regular and valid. The board~~[commission]~~ may enforce liens under this
25 chapter by an action against the land in the Circuit Court at any time after January 1 of the
26 year for which the assessments were levied. The right to institute such an action shall not
27 prevent sales by the collecting officer as in cases of delinquent state and county taxes.

1 The proceeds of sales in actions under this section shall be paid into the treasury of the
2 district.

3 ➔Section 28. KRS 74.240 is amended to read as follows:

4 (1) The ~~board~~~~[commission]~~ shall keep a chart of accounts for the water district along
5 with other books, records, and memoranda which support the entries into those
6 accounts in a manner prescribed by the Public Service Commission~~[an account of~~
7 ~~the time spent by all employees, and each item of expense incurred in connection~~
8 ~~with any water district, and shall charge such account to the district for which the~~
9 ~~expense was incurred]~~. Where the time or work is upon more than one (1) district at
10 the same time, it shall be apportioned between the districts in a manner prescribed
11 by the Public Service Commission. In the event any compensation fixed by the
12 ~~board~~~~[commission]~~ for any employee is on a salary basis, ~~the~~~~[such]~~ salary shall be
13 equitably apportioned between the districts by the ~~board~~~~[commission]~~. The board
14 shall require a comprehensive qualified infrastructure improvement plan to be
15 filed with and approved by the Public Service Commission.

16 (2) The ~~board~~~~[commission]~~ shall be required to prepare and make available, to the
17 consumers of the water supplied by any water district, an annual statement of
18 receipts and disbursements; and any floating or bonded indebtedness. This report
19 shall show the cost of water, material, labor, other salaries and any other expenses
20 incidental to the operation and maintenance.

21 (3) All books of the ~~board~~~~[commission]~~ shall be open for public inspection during
22 normal business hours.

23 ➔Section 29. KRS 74.280 is amended to read as follows:

24 (1) Any water district may construct or acquire, and operate, within or without the
25 district, additions, extensions, and all necessary appurtenances to the water system,
26 the cost of which may not be assessed as a local benefit, for the purpose of
27 supplying the water district with water.

1 (2) One (1) or more of such additions, extensions, or appurtenances owned by one (1)
2 or more persons may be acquired as a single enterprise, and the board~~[commission]~~
3 may agree with the owner as to the value thereof and purchase the same at that
4 value.

5 ➔Section 30. KRS 74.290 is amended to read as follows:

6 (1) For the purpose of defraying the cost of constructing or acquiring any additions,
7 extensions, and necessary appurtenances under KRS 74.280, the water district may
8 borrow money and issue negotiable bonds. Before any bonds are issued an
9 ordinance shall be enacted by the board~~[commission]~~ specifying the amount of the
10 bonds and the rate of interest they are to bear, and reciting that the proposed
11 additions, extensions, or necessary appurtenances that are to be constructed or
12 acquired are to be made pursuant to the provisions of KRS 74.280 to 74.310.

13 (2) All bonds issued under this section shall bear interest at a rate or rates or method of
14 determining rates payable at least annually, and shall be executed in a manner, and
15 be payable at times not exceeding fifty (50) years from the date of issue, and at a
16 place, as the board~~[commission]~~ shall determine.

17 (3) All bonds shall be negotiable and shall not be subject to taxation. If any officer
18 whose signature or countersignature appears on the bonds or coupons ceases to be
19 an officer before delivery of the bonds, his signature or countersignature shall
20 nevertheless be valid the same as if he had remained in office until delivery. The
21 bonds shall be sold in a manner as the board~~[commission]~~ shall deem for the best
22 interest of the water district, or the contract for the acquisition of any additions,
23 extensions, and appurtenances to the waterworks may provide that payment shall be
24 made in bonds. The bonds shall be payable solely from the revenues of the
25 waterworks and shall not constitute an indebtedness of the water district within the
26 meaning of the Constitution. It shall be plainly stated on the face of each bond that
27 it has been issued under the provisions of KRS 74.280 to 74.310 and that it does not

1 constitute an indebtedness of the water district within the meaning of the
2 Constitution.

3 (4) If the board~~[commission]~~ finds that the bonds authorized will be insufficient to
4 accomplish the purpose desired, additional bonds may be authorized and issued
5 subject to the limitations prescribed for the original bonds.

6 ➔Section 31. KRS 74.300 is amended to read as follows:

7 (1) All money derived from any bonds issued under KRS 74.280 to 74.310 shall be
8 applied solely for the construction or acquisition of the additions, extensions and
9 appurtenances, or to advance the payment of interest on bonds during the first three
10 (3) years following the date of issue of the bonds.

11 (2) At or before the issuance of such bonds the board~~[commission]~~ shall by ordinance
12 set aside and pledge the income and revenue of the waterworks into a separate and
13 special fund to be used and applied in the payment of the cost of the additions,
14 extensions or appurtenances and the maintenance, operation and depreciation
15 thereof. The ordinance shall definitely fix and determine the amount of revenue that
16 is necessary to be set apart and applied to the payment of the principal and interest
17 of the bonds, and the proportion of the balance of the~~[such]~~ income and revenue
18 that is to be set aside as a proper and adequate depreciation account. The balance
19 shall be set aside for the operation and maintenance of the waterworks. The rates to
20 be charged for the service from the waterworks shall be sufficient to provide for the
21 payment of interest upon all bonds and to create a sinking fund to pay the principal
22 when due, and to provide for the operation and maintenance thereof and an
23 adequate depreciation account.

24 (3) If there is a surplus in the operating and maintenance fund equal to the cost of
25 maintaining and operating the waterworks during the remainder of the current
26 calendar or fiscal year, and during the next calendar or fiscal year, the
27 board~~[commission]~~ may at any time transfer any excess over that amount to the

1 depreciation account.

2 (4) The funds in the depreciation account shall be expended in balancing depreciation
3 in the waterworks or in making new constructions, extensions or additions thereto.

4 The funds may be invested as the board~~[commission]~~ designates and the income
5 from investments shall be credited to the depreciation account.

6 ➔Section 32. KRS 74.330 is amended to read as follows:

7 Refunding bonds shall be issued under the signature of the chairman of the
8 board~~[commission]~~, the countersignature of the treasurer of the board~~[commission]~~, and
9 the seal of the district. The bonds shall be serially numbered. The board~~[commission]~~
10 shall prescribe the form and denominations of the bonds, and the time, not exceeding
11 forty (40) years, at which they will mature and be redeemable. The bonds shall bear
12 interest at a rate or rates or method of determining rates as the board~~[commission]~~
13 directs, be payable at least annually, and shall have interest coupons attached. The
14 proceeds of the bonds shall be used exclusively for the refunding of bonded debts. In case
15 any officer whose signature or countersignature appears on the bonds or coupons ceases
16 to be an officer before delivery of the bonds, his signature or countersignature shall
17 nevertheless be valid the same as if he had been in office until delivery.

18 ➔Section 33. KRS 74.361 is amended to read as follows:

19 (1) The General Assembly of the Commonwealth of Kentucky determines as a
20 legislative finding of fact that reduction of the number of operating water districts in
21 the Commonwealth will be in the public interest, in that mergers of ~~[such]~~ districts
22 will tend to eliminate wasteful duplication of costs and efforts, result in a sounder
23 and more businesslike degree of management, and ultimately result in greater
24 economies, less cost, and a higher degree of service to the general public; and that
25 the public policy favors the merger of water districts wherever feasible.

26 (2) The Public Service Commission of Kentucky is authorized and empowered to
27 initiate, carry out, and complete any~~[such]~~ investigations, inquiries, and studies as

1 may be reasonably necessary to determine the advisability as to the merger of water
2 districts. *If the Public Service Commission finds that a water district has repeated*
3 *incidences of excessive water loss or fails to perform required financial and*
4 *management audits, the commission shall investigate and prepare all necessary*
5 *reports on the advisability of merging the water district with one (1) or more other*
6 *water districts.* Prior to ordering a hearing with reference to the merger of any water
7 district into one (1) or more additional water districts, the Public Service
8 Commission shall cause to be prepared in writing a feasibility report and study
9 regarding the proposed merger, containing any~~such~~ studies, investigations, facts,
10 historical data, and projections as in the circumstances may be required in order to
11 enable the board~~commission~~ to formulate a proper decision regarding the~~such~~
12 merger.

13 (3) Based upon the written report and study required to be made incident to any water
14 district merger, the Public Service Commission may propose by order that a merger
15 of water districts be accomplished, and, upon the issuance of the~~such~~ order, shall
16 give actual notice to all water districts proposed to be merged. The~~Said~~ order shall
17 provide for a formal public hearing to be held before the Public Service
18 Commission on the subject of the~~such~~ proposed merger. Actual notice of
19 the~~such~~ merger hearing shall also be furnished to the county judges/executive of
20 each county containing a water district proposed to be merged, and each water
21 commissioner of a water district proposed to be merged, and notice of the~~such~~
22 public hearing shall be afforded to the public served by the respective water districts
23 sought to be merged, by newspaper notice in accordance with the provisions of
24 KRS Chapter 424.

25 (4) A formal hearing before the Public Service Commission shall be held with
26 reference to the~~such~~ merger proposal, and, upon the~~such~~ occasion, all water
27 districts which are sought to be merged into a single entity shall be afforded the

1 right to appear, to present evidence, to examine all exhibits and testimony, to cross-
2 examine all witnesses, and to submit any~~[such]~~ memoranda, written evidence, and
3 briefs as may be desired. The~~[Such]~~ public hearing may be adjourned from time to
4 time by the Public Service Commission, and notice of ~~[such]~~ adjournments may, but
5 need not, be afforded as with reference to the initial public hearing. At the
6 conclusion of the~~[such]~~ proceedings, the Public Service Commission shall enter its
7 order, either merging the water districts which are the subject of the merger
8 proceedings into a single water district, or abandoning the merger proposal.

9 (5) Outstanding obligations of any water district merged in accordance with the
10 provisions of this section which are secured by the right to levy an assessment as
11 provided by KRS 74.130 to 74.230, inclusive, or secured by a pledge of the income
12 and revenues of the systems operated by any ~~[such]~~ merged water district, shall
13 continue to be retired from the~~[such]~~ moneys and funds as shall be collected from
14 the users of facilities operated by the~~[such]~~ merged water districts in the original
15 water district area in accordance with the terms and provisions of the enabling laws
16 and the authorizing resolutions or indentures under which the outstanding
17 obligations were issued, until all~~[such]~~ obligations have been retired.

18 (6) In any order ordering the merger of water districts, the Public Service Commission
19 shall make any~~[such]~~ additional orders as may be required in connection with the
20 schedule of rates, rentals and charges for services rendered to be levied by the water
21 district which remains in existence following the~~[such]~~ merger, having due regard
22 to contractual commitments made and entered into by the constituent merged water
23 districts in connection with the issuance of obligations by the~~[such]~~ districts.

24 (7) Upon the effective date of any merger of water districts, the water commissioners of
25 the merged water districts shall continue to serve as water commissioners of the
26 resulting district, regardless of their normal term expiration, until one (1) year after
27 approval of the merger by the Public Service Commission. Thereafter, the board

1 shall be composed as set forth in KRS 74.363. The appropriate county
2 judge/executive or county judges/executive shall appoint and reappoint water
3 commissioners to manage the business and affairs of the resultant water district, in
4 the manner provided by KRS 74.363.

5 (8) Any order of merger entered by the Public Service Commission in accordance with
6 this section shall be subject to all of the provisions of KRS Chapter 278, with
7 reference to petitions for rehearing, and appeal.

8 (9) Using the authority of this section the Public Service Commission can also cause
9 mergers of water associations into water associations or mergers of water
10 associations into water districts.

11 (10) Nothing contained herein shall be construed to prohibit or limit in any respect the
12 acquisition by water utilities subject to the jurisdiction of the commission or by
13 municipally owned water utilities of the assets of water districts or water
14 associations or the merger of water districts or water associations and water utilities
15 subject to the jurisdiction of the commission or municipally owned water utilities.

16 ➔Section 34. KRS 74.370 is amended to read as follows:

17 (1) Any water district, created in the manner provided in KRS 74.010 to 74.070, both
18 inclusive, may if the commissioners of ~~the~~^[such] water district deem it feasible:~~;~~^[,]

19 (a) Build,~~or~~^[,] acquire, or enlarge a water system without resort to, or in
20 combination with, the right to levy assessments for the cost of ~~the~~^[such] water
21 system, as is provided in KRS 74.130 to 74.240, both inclusive;~~;~~^[,] and ~~may~~^[,]

22 (b) Obtain the funds with which to build, acquire, or enlarge ~~the~~^[such] system by
23 the issuance of revenue bonds, payable solely from the revenue to be derived
24 from the operation of ~~the~~^[such] system~~;~~^[,] or payable partially from revenues
25 and partially from assessments.

26 (2) In the event the board decides~~commissioners shall decide~~ to finance the cost of
27 building, acquiring, or enlarging a water system~~[such construction, acquisition or~~

enlargement by the issuance of revenue bonds], secured solely by the revenue of the system or partially by the revenue of the system and partially by assessments, the ~~board~~~~commission~~ shall note ~~the~~~~such~~ decision by appropriate resolution, and shall thereafter proceed under the provisions of KRS 96.350 to 96.510, both inclusive.~~[, and]~~ The water district and the ~~board~~~~commission~~ shall have the same powers and duties as a city inclusive under the provisions of KRS 96.350 to 96.510, both inclusive. However, the water district and the ~~board~~~~commission~~ shall not be limited solely to the revenue of the system in securing revenue bonds so issued.

Nothing contained in this subsection shall limit the authority of the commission over water districts and water associations.

➔Section 35. KRS 74.395 is amended to read as follows:

- (1) A water district organized under this chapter may elect to finance all or part of an expansion of its system **or finance infrastructure improvements to reduce water loss** by adding a temporary surcharge to the rates charged for service. All funds so collected shall be set apart in a reserve trust account, shall be invested in securities issued or guaranteed by the United States government until they are needed, and shall be expended, together with any interest or other earnings, solely:

(a) For the expansions or extensions specified in the plan described under subsection (2) of this section; **or**

(b) **For infrastructure improvement to reduce water loss as specified in an approved infrastructure improvement plan and after having performed a water loss audit demonstrating water loss in excess of fifteen percent (15%) of water produced or purchased.**

- (2)** If construction **pursuant to a system expansion or infrastructure improvement** has not begun five (5) years after the surcharge is implemented, all funds so collected shall be returned to the water district customers, together with interest and earnings. This section shall constitute an additional or alternate method of financing

1 expanded facilities, and shall not repeal or reduce any existing rights or duties of a
2 water district.

3 ~~(3)~~~~(2)~~ A water district which elects to establish a reserve trust account under this
4 section shall:

5 (a) For the reason of expanding the system, develop a plan for the expansion
6 project or projects to be financed from the reserve, which shall include the
7 design and estimated cost of each element of the expansion, a time schedule
8 for each step in the project, the proposed financing, and the amount of
9 surcharge to water district rates needed to collect the amounts to be financed
10 out of district reserves; or

11 (b) For the reason of infrastructure improvement to reduce water loss, develop
12 and submit to the commission for approval:

13 1. A qualified infrastructure improvement plan that shall include the
14 design and estimated cost of the improvements, a time schedule for
15 each step of the project plan, proposed financing if any, and the
16 amount required from the surcharge to replace amounts financed
17 from the district's reserves; and

18 2. A report from a water loss audit performed not more than one (1) year
19 from the date of submission.

20 (4) After approval by the board of commissioners, the plan and proposed rates shall be
21 submitted to the Public Service Commission. The commission, after a public
22 hearing, shall issue an order approving, modifying or rejecting the plan. If a plan is
23 approved, the commission shall establish a reasonable surcharge to implement the
24 plan to be collected for a period no longer than five (5) years. A surcharge for
25 infrastructure improvement shall be limited to improvements to mitigate water
26 loss to below fifteen percent (15%). The commission shall require the district to
27 maintain its records in such a manner as will enable it, or the commission or its

1 customers, to determine the amounts to be refunded and to whom they are due in
2 the event that surcharge amounts shall be refunded.

3 ~~(5)~~~~(3)~~ The water district may, with the approval of the commission, amend its plan
4 to reflect subsequent developments or new information, but the changes shall not
5 violate the intent of the initial plan.

6 ~~(6)~~~~(4)~~ The provisions of this section also shall apply to water associations organized
7 under KRS Chapter 273.

8 ➔Section 36. KRS 74.430 is amended to read as follows:

9 (1) In the interest of the public health and for the purpose of providing an adequate
10 supply of water to cities, water associations, water districts, and facilities owned or
11 operated by federal agencies, any two (2) or more cities, or any two (2) or more
12 water districts organized under this chapter, or any combination of cities, water
13 districts, water associations, and federal agencies may jointly acquire, either by
14 purchase or construction, sources of supply of water and may operate jointly the
15 sources of supply of water and improve and extend them in the manner provided in
16 KRS 74.420 to 74.520.

17 (2) The governing body of any city, water association, water district, or federal agency
18 desiring to avail themselves of the provisions of KRS 74.420 to 74.520 shall adopt a
19 resolution or ordinance determining and electing to acquire and operate jointly
20 sources of supply of water as a joint water commission.

21 ➔Section 37. KRS 74.440 is amended to read as follows:

22 (1) Upon the adoption of an ordinance or resolution by the governing body of each city,
23 water association, or water district, or upon a decision by a federal agency, a
24 certified copy of the ordinance, resolution, or decision~~it~~ shall be filed with the
25 county judge/executive of the county in which the cities, water associations, water
26 districts, or federal agencies proposing the creation of the joint water commission
27 having the greatest aggregate population are situated.~~it, and~~ Upon the filing, the

1 county judge/executive shall by appropriate order set a date for a public hearing on
2 the creation of the joint water commission and shall give reasonable notice of the
3 public hearing~~[, which notice may be given]~~ in the manner as provided by KRS
4 Chapter 424. Any customer of the water systems or resident of the cities proposing
5 the creation of the joint water commission may file objections.~~[; and]~~ At the public
6 hearing, if the county judge/executive finds that the establishment of the joint water
7 commission is reasonably necessary or advantageous for the public health,
8 convenience, and comfort of the customers of all the water systems which proposed
9 the creation of the joint water commission, he or she shall make an order
10 establishing the joint water commission and designating it by name which name
11 shall include the words "joint water commission."

- 12 (2) If the county judge/executive does not find that the creation of a joint water
13 commission is reasonably necessary or advantageous, he or she shall make an
14 appropriate order in this regard. Any party in interest may appeal the order to the
15 Circuit Court or the cities, water associations, and water districts may revise and
16 readopt the ordinances or resolutions, or the federal agency may revise its decision.

17 ➔Section 38. KRS 74.450 is amended to read as follows:

- 18 (1) After the county judge/executive has made an order creating a joint water
19 commission, the presiding officer of each of the cities, water associations, or water
20 districts which proposed the creation of the joint water commission with the
21 approval of its governing body, and each federal agency which joined in a proposal
22 shall appoint one (1) joint commissioner. Eligibility to serve as a joint water
23 commissioner shall be as prescribed in Section 2 of this Act. If the number of
24 joint commissioners so appointed by the presiding officers of the cities, water
25 associations, or water districts and by the federal agency or agencies shall equal or
26 exceed five (5), no further joint commissioners shall be appointed and the joint
27 commissioners shall be and constitute the joint water commission.

- 1 (2) If the number of joint commissioners appointed by the presiding officers of the
2 cities, water associations, water districts, or federal agencies shall be less than five
3 (5), the county judge/executive who entered the order creating the joint water
4 commission shall appoint additional joint commissioners to the joint water
5 commission as necessary to make the number of joint commissioners equal five (5).
6 The joint commissioners shall constitute the joint water commission, which shall
7 be a public corporation and a public body corporate and politic with the powers and
8 duties specified in KRS 74.420 to 74.520. The joint water commission may in its
9 corporate name contract and be contracted with, sue and be sued, adopt and alter at
10 its pleasure a corporate seal, and purchase, own, hold, and dispose of all real and
11 personal property necessary for carrying out its corporate purpose under KRS
12 74.420 to 74.520.
- 13 (3) The joint commissioners originally appointed shall meet and select by lot their
14 respective terms of office so that approximately one-third (1/3) of the joint
15 commissioners shall serve for a term of two (2) years, a like number for a term of
16 three (3) years and the remaining joint commissioner or joint commissioners for a
17 term of four (4) years. The terms shall be deemed to commence from the first day of
18 the month during which the order of the county judge/executive creating the joint
19 water commission was entered.
- 20 (4) Upon the expiration of the term of office of each of the joint water commissioners,
21 a successor shall be appointed to succeed him for a term of four (4) years and the
22 appointment shall be made in the same manner as the original appointment.
- 23 (5) Each joint commissioner shall serve until his successor has been appointed and has
24 been qualified. In addition to the eligibility requirements prescribed in Section 2
25 of this Act, each joint commissioner shall be a resident of the service area of the
26 water systems or an employee of the federal agency which is represented by the
27 joint water commission. A joint commissioner shall be eligible for reappointment

1 upon the expiration of his term. A vacancy shall be filled for the balance of the
2 unexpired term in the same manner as that prescribed for the appointment of the
3 person who has ceased to hold office. Each joint commissioner shall receive the
4 same compensation, which shall not be more than five hundred dollars (\$500) per
5 year, to be fixed by the joint water commission and to be paid out of joint water
6 commission funds, except that a joint commissioner representing a federal agency
7 shall serve without compensation. Each joint commissioner shall furnish a bond for
8 faithful performance of his official duties. This bond shall not be less than five
9 thousand dollars (\$5,000); the amount shall be fixed by the joint water commission;
10 and its cost shall be paid by the joint water commission.

11 (6) Each joint commissioner may be removed by the official by whom he or she was
12 appointed, for cause, after hearing by the appointing official and after at least ten
13 (10) days' notice in writing has been given to the joint commissioner, which notice
14 shall embrace the charges preferred against him or her. At the hearing he or she
15 may be represented by counsel. The finding of the appointing official shall be final
16 and removal results in vacancy in the office. A federal agency shall determine its
17 own appointment and removal procedures for its representative.

18 ➔Section 39. KRS 74.460 is amended to read as follows:

19 The joint water commission shall organize by appointing a chairman from its own
20 members and a secretary and a treasurer, who need not be joint commissioners. The
21 secretary shall keep a record of all proceedings of the joint water commission which shall
22 be available for inspection as other public records. The treasurer shall be the lawful
23 custodian of all funds of the joint water commission and shall pay same out on orders
24 authorized or approved by the joint water commission. The secretary and treasurer shall
25 perform other duties appertaining to the affairs of the joint water commission and shall
26 receive the salaries prescribed by the joint water commission, and either or both may be
27 required to furnish bonds in sums to be fixed by the joint water commission for the use

1 and benefit of the joint water commission. The joint water commission shall adopt its
2 own rules of procedure and provide for its meetings. The joint water commission shall
3 have full and complete supervision, management, and control of the sources of supply of
4 water as provided in the ordinances or resolutions for acquiring and operating them, and
5 in their maintenance, operation, and extension. The joint water commission may contract
6 with cities, water associations, water districts, or federal agencies which are represented
7 by the joint water commission for furnishing a supply of water to the parties for a period
8 not exceeding fifty (50) years and the governing bodies of the cities, water associations,
9 water districts, or federal agencies may enter into the contracts with the joint water
10 commission. For the purpose of acquiring all or any part of its sources of supply of water,
11 the joint water commission may purchase from cities, water associations, water districts,
12 or federal agencies which are represented by the joint water commission for mutually
13 agreed terms without regard to actual value any sources of supply of water separate and
14 apart from the water distribution systems of the parties; and the cities, water associations,
15 water districts, or federal agencies may convey the sources of supply of water to the joint
16 water commission without any election or voter approval notwithstanding any provision
17 of any other law to the contrary. If any city, water association, or water district has
18 outstanding any obligations which by their terms are in any manner payable from the
19 revenues of their waterworks distribution system, the proceeds received from any
20 conveyance shall be sufficient to retire all of the outstanding obligations, including all
21 interest accrued and to accrue thereon to the date of retirement thereof; and the proceeds
22 when received shall be set aside in a special fund and used for that purpose. The joint
23 water commission may appoint or contract for the services of officers, agents, and
24 employees, including engineers, attorneys, accountants, fiscal agents, and other
25 professional persons, prescribe their duties, and fix their compensation.

26 ➔Section 40. KRS 74.470 is amended to read as follows:

27 For the purpose of acquiring, either by purchase or construction, sources of supply of

1 water or for making improvements and extensions to sources of supply of water, a joint
2 water commission may issue revenue bonds payable solely from the revenues to be
3 derived pursuant to water supply contracts with the cities, water districts, water
4 associations, federal agencies, political subdivisions, or other public bodies as provided in
5 KRS 74.420 to 74.520. For that purpose the joint water commission may issue revenue
6 bonds and be vested with all of the powers, duties, and responsibilities, including the
7 power of condemnation, delegated and granted to a "governmental agency" under the
8 terms and provisions of KRS Chapter 58, as the law now exists or as it may hereafter be
9 amended. Under the law, the term "governmental agency" means the "joint water
10 commission" and the term "public project" means "sources of supply of water."

11 ➔Section 41. KRS 74.480 is amended to read as follows:

12 (1) When a joint water commission has been created, the cities, water associations,
13 water districts, or federal agencies represented by the joint water commission shall
14 contract with the joint water commission for water and the contracts may provide
15 that the sources of supply of water of the joint water commission shall be the
16 exclusive water supply for the respective water distribution systems. These cities,
17 water associations, or water districts shall establish charges and rates for water
18 supplied by them to consumers sufficient at all times:

19 (a) To pay the principal of and interest on all outstanding obligations of the cities,
20 water associations, or water districts which by their terms are payable in any
21 manner from the revenues of their respective waterworks distribution systems;
22 and

23 (b) To pay the cost of operation and maintenance of their respective waterworks
24 distribution systems, including the payments to be made to the joint water
25 commission pursuant to contracts for the purchase of water by those cities,
26 water associations, or water districts.

27 (2) The joint water commission shall establish charges and rates for water supplied to

1 those cities, water associations, water districts, or federal agencies represented by
2 the joint water commission sufficient at all times:

3 (a) To pay the principal of and interest on the revenue bonds issued by the joint
4 water commission under the provisions of KRS 74.420 to 74.520;

5 (b) To pay the cost of operation and maintenance of the sources of supply of
6 water; and

7 (c) To provide an adequate fund for renewals, replacements, and reserves.

8 Contracts entered into between the joint water commission and the cities, water
9 associations, or water districts shall include covenants for the establishment of rates
10 and charges as provided in this section.

11 ➔Section 42. KRS 74.490 is amended to read as follows:

12 The joint water commission shall also have the right to supply water to any city, water
13 association, water district, political subdivision, federal agency or other public body, or
14 any water distribution system regulated by the Public Service Commission, in addition to
15 the cities, water associations, water districts, or federal agencies which are represented by
16 the joint water commission, upon the payments, terms, and conditions mutually agreed
17 upon. No capital expenditures shall be made by the joint water commission for the
18 purpose of furnishing water to the other party or parties. Any contract entered into to
19 supply water to a city, water association, water district, federal agency, political
20 subdivision, or other public body shall provide that payments to be made thereunder shall
21 be solely from the revenues to be derived by the city, water association, water district,
22 political subdivision, or other public body from the operation of the water works
23 distribution system thereof; and the contract shall be a continuing, valid, and binding
24 obligation of the city, water association, federal agency, water district, political
25 subdivision, or other public body, payable from the revenues for a period of years, not to
26 exceed fifty (50), as provided in the contract. Any contract shall not be a debt of any city,
27 water association, water district, federal agency, political subdivision, or other public

1 body within the meaning of any statutory or constitutional limitations.

2 ➔Section 43. KRS 74.500 is amended to read as follows:

3 After the creation of a joint water commission provided for by KRS 74.420 to 74.520, a
4 city or water district which did not participate in the creation of the joint water~~[said]~~
5 commission may participate in its operation and appoint a joint commissioner to serve on
6 the joint water~~[said]~~ commission in the following manner:

7 (1) The governing body of the~~[such]~~ city or water district shall adopt and file with the
8 county judge/executive who entered the order creating the joint water~~[said]~~
9 commission an ordinance or resolution electing and requesting that it be permitted
10 to be included in and represented by the joint water~~[said]~~ commission in the same
11 manner and to the same extent as if the~~[said]~~ city or water district had originally
12 participated in the creation of the~~[said]~~ commission.

13 (2) Upon~~[such]~~ filing, the county judge/executive shall by appropriate order set a date
14 for a public hearing on the inclusion of~~[such]~~ a city or water district in the~~[said]~~
15 commission, and shall give notice of ~~[such]~~ public hearing in the manner as
16 provided by KRS 74.440. Any resident of the city or water district at the time
17 represented by the joint water~~[said]~~ commission, and any resident of the city or
18 water district requesting to be included in and represented by the joint water~~[said]~~
19 commission and to participate in its operation, may file objections, and at the public
20 hearing if the county judge/executive finds that the inclusion of the~~[such]~~ city or
21 water district in the joint water~~[said]~~ commission is reasonably necessary or
22 advantageous for the public health, convenience and comfort of the residents of all
23 cities and water districts represented by the joint water~~[said]~~ commission, including
24 the city or water district requesting to be included in the joint water~~[said]~~
25 commission, and provided further that there shall be on file with the county
26 judge/executive a resolution adopted by the joint water~~[said]~~ commission
27 evidencing its willingness to have the~~[such]~~ city or water district included in and

1 represented by the joint water~~[said]~~ commission the county judge/executive shall
2 make an order authorizing the inclusion of the~~[such]~~ city or water district in the
3 joint water commission. If the county judge/executive does not find that the
4 inclusion of the~~[such]~~ city or water district is reasonably necessary or advantageous
5 he or she shall make an appropriate order in this regard. Any party in interest may
6 thereupon appeal to the Circuit Court.

7 (3) Upon the entering of the order by the county judge/executive authorizing the
8 inclusion of the~~[such]~~ city or water district in the joint water~~[said]~~ commission the
9 number of joint commissioners, if any, to be appointed to the joint water~~[said]~~
10 commission by the county judge/executive shall be reduced by one (1) and the
11 presiding officer, with the approval of the governing body of the city or water
12 district which shall by virtue of said proceedings be included in and represented by
13 ~~[said]~~ the joint water commission, shall appoint a joint commissioner whose term
14 shall begin at the expiration of the term of the joint commissioner appointed by the
15 county judge/executive whose term shall first expire. In the event there is no joint
16 commissioner on the joint water~~[said]~~ commission appointed by the county
17 judge/executive the term of the joint commissioner appointed by the presiding
18 officer of the~~[such]~~ city or water district shall be fixed so that the terms of
19 approximately one-third (1/3) of the joint commissioners will expire in each year.

20 ➔Section 44. KRS 74.510 is amended to read as follows:

21 Since the activities of a joint water commission created pursuant to KRS 74.420 to
22 74.520 are limited to the supply of water under contract to cities, federal agencies, or to
23 water distribution systems which are regulated by the Public Service Commission,
24 including water districts and water associations, as provided in KRS 74.420 to 74.520,
25 and~~[such]~~ a joint water commission has no authority to supply water to individual
26 private consumers, the joint water~~[such]~~ a commission shall not be deemed to constitute
27 a "utility" or "person" within the meaning and application of KRS Chapter 278 and a joint

1 water commission shall not be subject to the jurisdiction of the Public Service
2 Commission.

3 ➔Section 45. KRS 74.520 is amended to read as follows:

4 KRS 74.420 to 74.520 shall constitute full and complete authority for the creation of joint
5 water commissions and for carrying out the powers and duties of same as provided in
6 KRS 74.420 to 74.520. The provisions of KRS 74.420 to 74.520 shall be liberally
7 construed to accomplish its purpose and no procedure or proceedings, notices, consents or
8 approvals, shall be required in connection therewith except as may be prescribed by KRS
9 74.420 to 74.520. Every joint water commission organized under KRS 74.420 to 74.520
10 is declared to be a public body created and functioning in the interest and for the benefit
11 of the public, and its property and income and any bonds issued by it and income
12 therefrom shall be exempt from taxation.

13 ➔Section 46. KRS 74.990 is amended to read as follows:

14 Any collecting officer who fails to settle and pay any installment of assessments with
15 interest, as and when provided by KRS 74.190, shall be liable to the board~~[commission]~~
16 for the full amount certified to him or her, with interest. The~~[Such]~~ amount may be
17 collected from the~~[such]~~ collecting officer by order issued against him or her by the
18 District Court, on five (5) days' notice in writing. The collecting officer shall be liable on
19 his or her official bond for acts done under KRS 74.190, and for the faithful performance
20 of his or her duties prescribed therein.

21 ➔Section 47. KRS 91A.040 is amended to read as follows:

22 (1) Except as provided in subsections (2) to (4) of this section, each city shall, after the
23 close of each fiscal year, cause each fund of the city to be audited by the Auditor of
24 Public Accounts or a certified public accountant. The audit shall be completed by
25 February 1 immediately following the fiscal year being audited. The city shall
26 forward an electronic copy of the audit report to the Department for Local
27 Government for information purposes by no later than March 1 immediately

1 following the fiscal year being audited.

2 (2) In lieu of the annual audit requirements in subsection (1) of this section, a city with
3 a population equal to or less than one thousand (1,000) based upon the most recent
4 federal decennial census may elect to have an audit performed every other fiscal
5 year in the following manner:

6 (a) After the close of each odd-numbered fiscal year, the city shall for that odd-
7 numbered year cause each fund of the city to be audited by the Auditor of
8 Public Accounts or a certified public accountant. The audits shall be
9 completed by February 1 immediately following the fiscal year to be audited.
10 The city shall forward an electronic copy of the audit report to the Department
11 for Local Government for information purposes by no later than March 1
12 immediately following the fiscal year being audited; and

13 (b) After the close of each even-numbered fiscal year, the city shall not be
14 required to complete an annual audit but shall forward an electronic copy of
15 its financial statement prepared in accordance with KRS 424.220 to the
16 Department for Local Government by no later than October 1 immediately
17 following the close of the even-numbered fiscal year.

18 (3) In lieu of the annual audit requirements in subsection (1) of this section, a city with
19 a population of more than one thousand (1,000) but less than two thousand (2,000)
20 based upon the most recent federal decennial census may elect to have an audit
21 performed every other fiscal year to cover the two (2) fiscal years occurring since
22 the prior audit in the following manner:

23 (a) After the close of each odd-numbered fiscal year, the city shall cause each
24 fund of the city to be audited by the Auditor of Public Accounts or a certified
25 public accountant. The audit shall include both fiscal years since the prior
26 audit and shall be completed by February 1 immediately following the fiscal
27 years to be audited. The city shall forward an electronic copy of the audit

1 report to the Department for Local Government for information purposes by
2 no later than March 1 immediately following the fiscal years being audited;
3 and

4 (b) After the close of each even-numbered fiscal year, the city shall not be
5 required to complete an annual audit but shall forward an electronic copy of
6 its financial statement prepared in accordance with KRS 424.220 to the
7 Department for Local Government by no later than October 1 immediately
8 following the close of the even-numbered fiscal year.

9 (4) Any city, which for any fiscal year receives and expends, from all sources and for
10 all purposes, less than seventy-five thousand dollars (\$75,000), and which has no
11 long-term debt, whether general obligation or revenue debt, shall not be required to
12 audit each fund of the city for that particular fiscal year. Each city exempted in
13 accordance with this subsection shall annually prepare a financial statement in
14 accordance with KRS 424.220 and shall, not later than October 1 following the
15 conclusion of the fiscal year, forward one (1) electronic copy to the Department for
16 Local Government for information purposes.

17 (5) If a city is required by another provision of law to audit its funds more frequently or
18 more stringently than is required by this section, the city shall also comply with the
19 provisions of that law.

20 (6) The Department for Local Government shall, upon request, make available
21 electronic copies of the audit reports and financial statements received by it under
22 subsections (1) to (4) of this section to the Legislative Research Commission to be
23 used for the purposes of KRS 6.955 to 6.975 or to the Auditor of Public Accounts.

24 (7) Each city required by this section to conduct an annual or biennial audit shall enter
25 into a written contract with the selected auditor. The contract shall set forth all
26 terms and conditions of the agreement which shall include but not be limited to
27 requirements that:

- 1 (a) The auditor be employed to examine the basic financial statements, which
2 shall include the government-wide and fund financial statements;
- 3 (b) The auditor shall include in the annual or biennial city audit report an
4 examination of local government economic assistance funds granted to the
5 city under KRS 42.450 to 42.495. The auditor shall include a certification
6 with the annual or biennial audit report that the funds were expended for the
7 purpose intended;
- 8 (c) All audit information be prepared in accordance with generally accepted
9 governmental auditing standards which include tests of the accounting records
10 and auditing procedures considered necessary in the circumstances. Where the
11 audit is to cover the use of state or federal funds, appropriate state or federal
12 guidelines shall be utilized;
- 13 (d) The auditor shall prepare a typewritten or printed report embodying:
- 14 1. The basic financial statements and accompanying supplemental and
15 required supplemental information;
- 16 2. The auditor's opinion on the basic financial statements or reasons why
17 an opinion cannot be expressed; and
- 18 3. Findings required to be reported as a result of the audit;
- 19 (e) The completed audit and all accompanying documentation shall be presented
20 to the city legislative body at a regular or special meeting;~~{and}~~
- 21 (f) Any contract with a certified public accountant for an audit shall require the
22 accountant to forward a copy of the audit report and management letters to the
23 Auditor of Public Accounts upon request of the city or the Auditor of Public
24 Accounts, and the Auditor of Public Accounts shall have the right to review
25 the certified public accountant's work papers upon request; and
- 26 (g) If the city owns a public water or wastewater system as defined in Section 1
27 of this Act, the auditor shall obtain a copy of any audit required to be

1 performed on the system's financial statements, books, and records. The
2 auditor shall include in its required report to the city whether the governing
3 body is in compliance with separate audit requirements for its water or
4 wastewater system. The auditor shall inform the Kentucky Infrastructure
5 Authority and the Department for Local Government of any city-owned
6 public water or wastewater system that fails to perform required audits of its
7 public water or wastewater systems.

8 (8) A copy of an audit report which meets the requirements of this section shall be
9 considered satisfactory and final in meeting any official request to a city for
10 financial data, except for statutory or judicial requirements, or requirements of the
11 Legislative Research Commission necessary to carry out the purposes of KRS 6.955
12 to 6.975.

13 (9) Each city shall, within thirty (30) days after the presentation of an audit to the city
14 legislative body, publish an advertisement in accordance with KRS Chapter 424
15 containing:

16 (a) The auditor's opinion letter;

17 (b) The "Budgetary Comparison Schedules-Major Funds," which shall include the
18 general fund and all major funds;

19 (c) A statement that a copy of the complete audit report, including financial
20 statements and supplemental information, is on file at city hall and is available
21 for public inspection during normal business hours;

22 (d) A statement that any citizen may obtain from city hall a copy of the complete
23 audit report, including financial statements and supplemental information, for
24 his or her personal use;

25 (e) A statement which notifies citizens requesting a personal copy of the city
26 audit report that they will be charged for duplication costs at a rate that shall
27 not exceed twenty-five cents (\$0.25) per page; and

1 (f) A statement that copies of the financial statement prepared in accordance with
2 KRS 424.220, when a financial statement is required by KRS 424.220, are
3 available to the public at no cost at the business address of the officer
4 responsible for preparation of the statement.

5 (10) Any resident of the city or owner of real property within the city may bring an
6 action in the Circuit Court to enforce the provisions of this section. Any person who
7 violates any provision of this section shall be fined not less than fifty dollars (\$50)
8 nor more than five hundred dollars (\$500). In addition, any officer who fails to
9 comply with any of the provisions of this section shall, for each failure, be subject
10 to a forfeiture of not less than fifty dollars (\$50) nor more than five hundred dollars
11 (\$500), in the discretion of the court, which may be recovered only once in a civil
12 action brought by any resident of the city or owner of real property within the city.
13 The costs of all proceedings, including a reasonable fee for the attorney of the
14 resident or property owner bringing the action, shall be assessed against the
15 unsuccessful party.

16 (11) In the event of extenuating circumstances that prevent a city from completing and
17 submitting a required audit or financial statement in compliance with the applicable
18 deadlines in subsections (1) to (4) of this section, the city may submit a written
19 request for an extension of time to the Department for Local Government on a form
20 prescribed by the Department for Local Government. The Department for Local
21 Government shall approve the request if it is submitted on or before the applicable
22 deadline and, in the judgment of the Department for Local Government, the request
23 is warranted by extenuating circumstances beyond the control of the city.
24 Extensions granted under this subsection shall not exceed nine (9) months from the
25 original due date of the audit or financial statement. If the Department for Local
26 Government approves an extension for a city and the city fails to complete and
27 submit the required audit or financial statement in compliance with that extended

1 deadline, then the provisions of subsection (12) of this section shall apply.

2 (12) If a city fails to complete an audit or financial statement and submit it to the
3 Department for Local Government as required in subsections (1) to (4) and (11) of
4 this section, the Department for Local Government shall notify the Finance and
5 Administration Cabinet that the city has failed to comply with the audit
6 requirements of this section, and that any funds in the possession of any agency,
7 entity, or branch of state government shall be withheld from the city until further
8 notice. The Department for Local Government shall immediately notify the Finance
9 and Administration Cabinet when the city complies with the requirements of
10 subsections (1) to (4) and (11) of this section for all prior fiscal years it has failed to
11 comply with the audit requirements of this section, and the Finance and
12 Administration Cabinet shall direct the reinstatement of payments to the city,
13 including any funds that were withheld due to the noncompliance.

14 (13) Within a reasonable time after the completion of a special audit or examination
15 conducted pursuant to KRS 43.050, the Auditor shall bill the city for the actual
16 expense of the audit or examination conducted. The actual expense shall include the
17 hours of work performed on the audit or examination as well as reasonable
18 associated costs, including but not limited to travel costs. The bill submitted to the
19 city shall include a statement of the hourly rate, total hours, and total costs for the
20 entire audit or examination.

21 ➔Section 48. KRS 96.172 is amended to read as follows:

22 (1) Any municipality now or hereafter owning and operating an electric system and a
23 water system and operating them as one (1) combined system or plant may elect to
24 operate ~~the~~^{such} systems as an electric and water plant under the provisions of
25 KRS 96.171 to 96.188 by:

26 (a) Enacting an ordinance declaring therein the desire and intention of the
27 municipality to accept and operate its electric and water system or plant under

1 the provisions of KRS 96.171 to 96.188; and ~~by~~

2 **(b)** Providing in ~~the~~~~the~~ ordinance that the municipality accepts and agrees to all
3 of the provisions of KRS 96.171 to 96.188.

4 **(2)** The ordinance shall further authorize the mayor or chief executive to appoint a
5 board, subject to the approval of the appointments by the governing body of the
6 municipality. Upon the passage of ~~the~~~~such~~ ordinance, the mayor or chief
7 executive of ~~the~~~~any such~~ municipality shall, with the approval of the governing
8 body of the municipality, appoint a board of public utilities.

9 **(3)** ~~The board of public utilities shall have~~~~, consisting of~~ five (5) **members who shall**
10 **at the time of appointment:**

11 **(a)** **Be at least twenty-five (25) years old;**

12 **(b)** **Have no felony convictions for crimes involving fraud, theft, or larceny in**
13 **five (5) years preceding the appointment;**

14 **(c)** **Have sufficient education or experience to understand principles and**
15 **concepts of good financial practices, management, and budgeting;**

16 **(d)** **Not be surety on the official bond of any other officer of the municipality;**

17 **(e)** **Be a citizen of the municipality, eligible to vote, and a customer of the**
18 **municipal utility**~~citizens, taxpayers, voters, and users of electric energy or~~
19 ~~water~~**; and**

20 **(f)** **Not be indebted to the municipality either directly or indirectly.**

21 **(4)** ~~The~~~~Said~~ board shall be appointed and qualified before the municipality shall have
22 any authority to proceed further under the provisions of KRS 96.171 to 96.188.

23 ~~The~~~~Said~~ board, when ~~so~~ appointed and qualified, shall be ~~and hereby is~~
24 ~~declared to be~~ a body-politic and corporate, with perpetual succession; and
25 ~~the~~~~said~~ board may contract and be contracted with, sue and be sued, in and by its
26 corporate name, and have and use a corporate seal. The name of the board shall be
27 "Electric and Water Plant Board of the City of _____, Kentucky."

1 ~~(5)~~~~(2)~~ No person shall be appointed a member of the board who has, within two (2)
2 years~~[next]~~ before his or her appointment, held any public office, or who is related
3 within the third degree to the mayor or any member of the governing body of the
4 municipality.

5 ~~(6)~~~~(3)~~ Neither the board, nor the superintendent appointed by the board as provided
6 in KRS 96.176, shall appoint to any subordinate office which it may create, nor
7 employ in any capacity any person who is related within the third degree to any
8 member of the board or to the superintendent or to the mayor of the~~[said]~~
9 municipality or to any member of the governing body of the municipality. No
10 officer or employee of a municipality shall be eligible for ~~[such]~~ appointment until
11 at least one (1) year after the expiration of the term of his or her office or
12 employment.

13 ~~[(4) The members of the board shall be citizens, taxpayers, voters, and users of electric~~
14 ~~energy or water, and shall not at the time of their appointment be indebted to the~~
15 ~~municipality either directly or indirectly or be surety on the official bond of any~~
16 ~~officer of said municipality.]~~

17 ~~(7)~~~~(5)~~ If at any time during his or her term of office a member of the board becomes
18 a candidate for or is elected or appointed to any public office, he or she shall
19 automatically vacate his or her membership from the board, and another person
20 shall be appointed to his or her place.

21 ~~(8)~~~~(6)~~ Each member of the~~[said]~~ board shall execute bond, in an amount required by
22 the governing body of the municipality by resolution or ordinance, conditioned
23 upon the faithful performance of their official duties. The surety on the~~[said]~~ bonds
24 shall be a surety company qualified to do business in Kentucky. The cost of
25 the~~[said]~~ bonds shall be charged as an operating expense and paid by the board.

26 ~~(9)~~~~(7)~~ Each member of the board shall qualify by taking the oath required by Section
27 228 of the Constitution.

1 ~~(10)~~~~(8)~~ The original appointees shall serve two (2) for one (1) year, one (1) for two (2)
 2 years, one (1) for three (3) years, and one (1) for four (4) years, respectively, from
 3 the date of their appointment, as the ~~said~~ mayor or chief executive officer of the
 4 municipality shall designate. Successors to retiring members~~[so appointed]~~ shall be
 5 appointed for a term of four (4) years in the same manner, prior to the expiration of
 6 the term of office of the retiring members. Appointments to complete unexpired
 7 terms shall be made in the same manner as original appointments.

8 ~~(11)~~~~(9)~~ Any member of the board may be removed from office upon a vote of a
 9 majority of the members of the governing body of the municipality for inefficiency,
 10 neglect of duty, misfeasance, nonfeasance, or malfeasance in office.

11 ➔Section 49. KRS 96.173 is amended to read as follows:

12 (1) The salary of each member of the board shall be fixed by the board, and shall not
 13 exceed two thousand four hundred dollars (\$2,400) per annum.

14 (2) ~~The~~~~[Such]~~ salaries, as well as the salary of the secretary-treasurer of ~~the~~~~[such]~~
 15 board, shall constitute a cost of operation and maintenance of the plant.

16 (3) The municipality shall not be liable for the payment of any salary or compensation:

17 ~~(a)~~ Of any of the members of ~~the~~~~[said]~~ board;~~;~~ or

18 ~~(b)~~ For the payment of the salary or compensation or expenses of any person
 19 employed by ~~the~~~~[said]~~ board; ~~and~~

20 ~~(4)~~ All~~[such]~~ salaries, compensation, ~~and~~ expenses, and any and all liabilities, of
 21 whatever kind or character incurred by the board or any officer or employee thereof,
 22 shall be ***prudent and reasonable and*** payable solely and only out of the revenues
 23 obtained by ~~the~~~~[said]~~ board under the provisions of KRS 96.171 to 96.188~~, and~~
 24 ~~said liabilities shall be so limited~~.

25 ➔Section 50. KRS 96.176 is amended to read as follows:

26 (1) Upon and after a board has been appointed and qualified, the ~~said~~ board shall have
 27 charge of the exclusive supervision, management, and control of the operation,

1 maintenance, and extension of the electric and water plant.

2 (2) All powers of the municipality to operate, maintain, improve, and extend, and to
3 furnish electric and water service, shall be exercised on behalf of the municipality
4 by the board. The board shall:

5 (a) Employ all employees and fix their duties and compensation; ~~and shall~~

6 (b) Determine programs and make all determinations as to the operation,
7 maintenance, improvement and extension of the electric and water plant; ~~and shall~~
8 ~~shall~~

9 (c) Determine and fix the rates to be charged for the classes of service rendered; ~~and shall~~
10 ~~shall~~

11 (d) Determine all financial practices, which shall be consistent with best
12 management practices developed and recommended by the Kentucky
13 Division of Water pursuant to subsection (4) of Section 3 of this Act; ~~and shall~~

14 (e) Establish rules and regulations ~~such~~ as ~~it deems~~ necessary or appropriate to
15 govern the operation of the plant and to furnish ~~the furnishing of~~ electric and
16 water service; ~~and shall~~

17 (f) Collect all moneys from the operation, maintenance, improvement, and
18 extension of the electric and water plant and from the delivery ~~furnishing~~ of
19 electric and water service; and

20 (g) Disburse funds consistent with the Kentucky Division of Water's best
21 management practices specified in Section 3 of this Act and ~~same~~ in the
22 manner and for the purposes hereinafter provided.

23 (3) The board in the operation of the ~~such~~ system may, in its discretion, engage the
24 services of a professional engineer, qualified by education, training and experience
25 in the operation, maintenance, improvement, and extension of electric and water
26 systems, as supervising engineer, upon terms and conditions of service ~~such~~ as
27 may be satisfactory to the board. The employment of an ~~any such~~ engineer shall be

1 by written contract, which shall specify the services to be rendered by the
2 engineer~~[such person]~~, and the compensation to be paid. ~~The~~~~[Any such]~~ contract
3 may be terminated upon sixty (60) days' notice by either party. The board may, in its
4 discretion, require that the engineer be bonded~~[of such person so engaged a bond]~~,
5 in a sum to be determined and approved by the board, conditioned upon his or her
6 faithful performance of the services to be rendered by him or her during~~[under and~~
7 ~~by virtue of such]~~ employment. A copy of the~~[any such]~~ contract shall be filed in
8 the office of the city clerk.

9 (4) A copy of the schedule of the current rates and charges in effect from time to time,
10 and a copy of all rules and regulations of the board relating to electric and water
11 service, shall be kept on public file at the main and all branch offices of the electric
12 and water plant board and also in the office of the municipal clerk.

13 (5) All contracts shall be let by the board, and all contracts for the purchase of
14 materials, equipment and supplies in excess of five thousand dollars (\$5,000) shall
15 be let only after competitive bidding; provided, however, when any materials,
16 equipment or supplies be not available in the open market, such materials,
17 equipment and supplies may be purchased without competitive bidding. All
18 contracts shall be in the corporate name of the board, and shall be signed by the
19 chairman or vice chairman of the board, and attested by the secretary or treasurer of
20 the board. The board shall make and keep or cause to be made and kept full and
21 proper books and records.

22 ➔Section 51. KRS 96.181 is amended to read as follows:

23 (1) All moneys derived from the operation of the electric and water plant or any other
24 operation of the board, shall be deposited to the credit of the board in a separate
25 bank account or accounts, separate from all other municipal funds, and adequate
26 records shall be kept of all ~~[such]~~ receipts and their sources.

27 (2) All withdrawals and payments from any account or fund of the board~~[said fund, as~~

well as any other fund which may be created,] shall be only pursuant to appropriate action of the board, and the voucher, warrant, or check withdrawing or paying out any part of the account or ~~the~~ fund shall be signed by the treasurer or chairman of the board.

(3) All deposits and withdrawals from the board's financial accounts or funds shall be consistent with best management practices specified in subsection (4) of Section 3 of this Act. All books and records shall be consistent with generally accepted accounting principles and kept in a manner that facilitates the audit required under KRS 96.185.

➔Section 52. KRS 96.182 is amended to read as follows:

(1) Subject to the provisions of outstanding bonds and contracts, the board shall apply all funds derived from operations to:

(a) ~~[(1) to]~~The payment of operating expenses;

(b) ~~[(2) to]~~The payment of bond interest and retirement;

(c) ~~[(3) to]~~Sinking fund requirements;

(d) ~~[(4) to]~~The maintenance of a fund to meet depreciation and the improvements and extension of the plant in an amount equal to six percent (6%) of the undepreciated book value of its property;

(e) ~~[(5) to the]~~Maintenance of a cash working fund equal to one (1) month's revenue;

(f) ~~[(6) to]~~The payment of other obligations incurred in the operation and maintenance of the plant and the furnishing of service; and

(g) ~~[(7) and (7) such]~~Taxes, if any, as the board may elect to pay under the provisions of KRS 96.179.

(2) ~~[(2) and]~~Any surplus revenues at the end of any twelve (12) months ending June 30 shall be transferred to the sinking fund, and used by the board only for:

(a) The redemption or purchase of outstanding bonds, in which case the ~~such~~

1 bonds shall be canceled;

2 (b) ~~[- or for -]~~ The creation and maintenance of a cash working fund;

3 (c) ~~[- or -]~~ The creation and maintenance of a fund for improvement and extension
4 of the system;

5 (d) ~~[- or for -]~~ The reduction of rates;

6 (e) *The acquisition, construction, improvement, or operation of a "public*
7 *project" as defined in KRS 58.010(1) that will be utilized for the provision*
8 *of service by the electric and water plant*~~[- or the board,]~~ after the original
9 cost of the property has~~[shall have]~~ been fully paid and satisfied~~[- may, in its~~
10 ~~sole discretion, use, apply and pledge all or a part of such surplus revenues for~~
11 ~~the acquisition, construction, maintenance, improvement, addition to and~~
12 ~~operation of any "public project" as the same is defined in subsection (1) of~~
13 ~~KRS 58.010, or for]~~;

14 (f) The purpose of purchasing, paying, retiring, guaranteeing the payment, of or
15 underwriting revenue bonds issued by the city or any agency thereof to finance
16 the acquisition, construction, maintenance, improvement, addition to, and
17 operation of a~~[such]~~ "public project" *that will be utilized for the provision of*
18 *services by the electric and water plant; and*

19 (g) *The renewal or replacement of equipment or facilities.*

20 (3) *Any*~~[-, which]~~ "public project" *receiving surplus revenues from the board* shall be
21 located within the territory served by the board.~~[-,]~~

22 (4) The board is hereby vested with all of the powers, duties, and responsibilities
23 delegated and granted to a "governmental agency" under KRS 58.020 to 58.140,
24 both inclusive; provided, however, that the acquisition or construction of any
25 "public project" as above defined, shall be first approved by the common council
26 before the~~[such]~~ "public project" is undertaken.

27 ➔ Section 53. KRS 96.190 is amended to read as follows:

1 (1) The legislative body of any city may provide the city and all persons in the city with
2 water, gas, electric power, light, and heat, by contract with any person or by works
3 and facilities owned or leased by the city and located within or beyond the city
4 boundaries.

5 (2) In all cases where the person furnishing the services is operating under a charter or
6 franchise granted by the General Assembly prior to the adoption of the present
7 Constitution of Kentucky, the city legislative body may:

8 (a) Make and enforce rules and regulations for the furnishing and sale of such
9 services;[-]

10 (b) Fix and regulate the quality, character, and standards of such services;[-] and

11 (c) Fix and regulate the rates charged consumers for such services.

12 (3) Members of a legislative body of a city that perform the duties of governing an
13 electric and water utility within or beyond the city boundaries by performing the
14 duties listed in subsection (2) of this section shall comply with initial and
15 continuing education under Section 3 of this Act.

16 ➔Section 54. KRS 96.200 is amended to read as follows:

17 Except as otherwise provided in KRS 96.550 to 96.900 and consistent with best
18 financial and managerial practices for utilities established by the Kentucky Division of
19 Water under subsection (4) of Section 3 of this Act, the legislative body of any city may,
20 by ordinance, provide in what manner and for what purpose any profits, earnings or
21 surplus funds arising from the operation of any public utility owned or operated by the
22 city may be used and expended. The ordinance may be amended or repealed from time to
23 time. Until such an ordinance is enacted any surplus earnings shall be paid into the city
24 treasury, to be expended for the general purposes of government in the city.

25 ➔Section 55. KRS 96.240 is amended to read as follows:

26 (1) The mayor of a consolidated local government which is formed upon the
27 consolidation of a city of the first class with its county, and which receives upon the

consolidation from the city of the first class the shares of capital stock in any corporation engaged in supplying water to the area comprising the consolidated local government, shall appoint, subject to the provisions of KRS 67C.139, six (6) persons, no more than three (3) of whom shall be members of the same political party, who with the mayor as an ex officio member shall constitute a body corporate known as the "board of waterworks."

(2) Each appointee shall be:

(a) At least thirty (30) years of age;~~and shall be~~

(b) A resident of the county containing a consolidated local government;

(c) ***Have had no felony convictions for crimes of fraud, theft, or larceny in five (5) years preceding the time of appointment;***

(d) ***Have the education or experience to understand principles and concepts of good financial practices, management, and budgeting; and***

(e) ~~and~~ Be the owner in his or her own right of real estate situated in the consolidated local government.

(3) At least one (1) ~~such~~ appointee shall be qualified, as specified in KRS 96.250, to serve as president of the board. No officer or employee of the consolidated local government, whether holding a paid or unpaid office, shall be eligible for appointment to the board.

(4) Of the persons first appointed, two (2) shall be appointed for a term of two (2) years, two (2) for a term of three (3) years, and two (2) for a term of four (4) years, and ~~the~~~~such~~ terms shall expire on the date of the annual meeting of the board of waterworks. Their successors shall be appointed in the same manner, but for terms of four (4) years each. Appointees shall be eligible to succeed themselves. All vacancies shall be filled for the unexpired term by appointment in the same manner. Each member shall hold his or her office until his or her successor has been appointed and qualified. The oath of office of each member shall be filed with the

1 board of the revenue commission of the consolidated local government.

2 ➔Section 56. KRS 96.320 is amended to read as follows:

3 (1) Cities that own a waterworks may operate ~~the~~^[such] waterworks as a department of
4 the city, or may appoint a commission to operate ~~the~~^[such] waterworks. If ~~[such]~~^[a]
5 commission is appointed, it may be styled "Commissioners of Waterworks," and
6 shall be composed of from three (3) to six (6) members to be appointed by the
7 mayor, subject to the approval of the city legislative body.

8 (2) If a commission is composed of six (6) members, the mayor shall appoint, in
9 addition to the six (6) members, a member of the legislative body of the city who
10 shall be an ex officio member of the commission.

11 (3) All commissioners shall:

12 (a) Reside in the area served by the waterworks;~~and~~

13 (b) Be registered to vote~~[voters]~~ in the county;

14 (c) *Have had no felony convictions for crimes of moral turpitude in five (5)*
15 *years preceding the time of appointment; and*

16 (d) *Have the education or experience to understand principles and concepts of*
17 *good financial practices, management, and budgeting.*

18 (4) A majority of the commissioners shall be residents of the city. The terms of the
19 members shall be fixed by the city legislative body, or commissioners~~[they]~~ may be
20 appointed for indefinite terms, subject to removal by the city legislative body for
21 cause. The commissioners shall give bond for the faithful performance of their
22 duties in the sum of five thousand dollars (\$5,000). The commissioners shall
23 manage the water system of the city. *The Commissioners of Waterworks*~~[They]~~
24 may appoint a superintendent, secretary, treasurer and other necessary employees
25 and fix their salaries. *The Commissioners of Waterworks*~~[They]~~ shall make full
26 monthly reports to the city legislative body of the operation and condition of the
27 water system, including all receipts and expenditures. A majority of the members of

1 the board shall constitute a quorum for the transaction of business.

2 ➔Section 57. KRS 96.351 is amended to read as follows:

- 3 (1) The city council of cities in a county containing a population of more than fifty
4 thousand (50,000) other than a county containing a consolidated local government
5 or urban-county government which have acquired a waterworks or a waterworks
6 and sewerage system pursuant to KRS 96.350, and which are operating under the
7 council form of government, may, by ordinance, establish either a waterworks
8 commission or a waterworks and sewerage commission. The ordinance shall require
9 the appointment of the commission in one (1) month from the passage of the
10 ordinance. No two (2) members of the commission shall be selected from the same
11 ward. The commission shall be appointed by the mayor, and shall consist of the
12 mayor, who shall be a non-voting ex-officio member and either three (3) or five (5)
13 freehold electors of the city who have been bona fide residents of the city for two
14 (2) years next before their appointment. One (1) member shall be a member of the
15 city legislative body. No appointed member shall be related to the mayor or a
16 member of the city council within the third degree of consanguinity or affinity under
17 the civil law. Appointed members to the commission shall have the following
18 qualifications to serve at the time of appointment:
19 (a) Be at least twenty-five (25) years old;
20 (b) Have no felony convictions for crimes of fraud, theft, or larceny in five (5)
21 years preceding the time of appointment;
22 (c) Have sufficient education or experience to understand principles and
23 concepts of good financial practices, management, and budgeting; and
24 (d) Not be surety on the official bond of any other officer of the municipality.
25 (2) The members of the commission shall enter upon the discharge of their duties as
26 soon as appointed, and shall hold office four (4) years and until their successors are
27 appointed and qualified, except that the member of the commission who is a

1 member of the city legislative body shall hold office for one (1) year and until his or
2 her successor is appointed and qualified. Any vacancy shall be filled in the same
3 way the original appointments were made. The compensation of members shall be
4 fixed by the city council prior to their appointment. The commission shall hold at
5 least one (1) meeting each month, or more if required. Meetings shall be held at
6 stated times, except special meetings.

7 (3) The commission may designate a member to act as chairman in the absence of the
8 mayor, with the same powers the mayor would have if presiding. If the commission
9 consists of five (5) members, three (3) members shall constitute a quorum. If the
10 commission consists of three (3) members, two (2) members shall constitute a
11 quorum. The mayor or any two (2) members may call a special meeting. The city
12 auditor shall be ex-officio clerk of the commission and custodian of its records.
13 Copies of its records attested by him or her as clerk shall be competent evidence in
14 all courts.