

JOINT OPERATION OF WATER SOURCES

A GUIDE FROM KLC MUNICIPAL LAW

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JOINT OPERATION OF WATER SOURCES

In order to play any game, you must first learn the rules. The same holds true for the law surrounding joint operation of water sources. It is impossible to carry out the duties of joint operation of water sources unless you familiarize yourself with the applicable state statutes, as well as your local ordinances, that govern.

Statutes are not contained in some magical spell book. There is no forbidden wisdom in a statutory code book. You do not need a law school education to understand their meaning. We wanted to remove some of the mystique from the law by compiling this simple pdf document. It contains the entire portion of Kentucky Revised Statutes which pertain to joint operation of water sources.

Feel free to use this guide in any way that you deem fit. The reason we wanted to present this as a pdf though is because a pdf does have just a little bit of magic, truth be told. A pdf is word searchable. If you have the pdf on a laptop during a meeting and an issue comes up - you can plug the words in and hopefully the relevant portion of the law pertaining to joint operation of water sources will pop up. Failing that, you can always call the KLC Municipal Law Department at 800.876.4552.

The KLC Municipal Law Team



74.420 Definitions for KRS 74.420 to 74.520

As used in KRS 74.420 to 74.520, unless the context requires otherwise:

- (1) “Sources of supply of water” means and includes any or all of the following: wells, impounding reservoirs, standpipes, storage tanks, pumps, machinery, purification plants, softening apparatus, trunk mains, and all other appurtenances useful in connection with developing and furnishing a supply of water under pressure into the water distribution systems of the cities, water districts, water associations or federal agencies which are represented by a commission created pursuant to the provisions of KRS 74.420 to 74.520.
- (2) “Water association” means a nonprofit corporation formed for the purpose of furnishing water services to the general public pursuant to KRS Chapter 273.

74.430 Authority for joint operation of water sources

In the interest of the public health and for the purpose of providing an adequate supply of water to cities, water associations, water districts, and facilities owned or operated by federal agencies, any two (2) or more cities, or any two (2) or more water districts organized under this chapter, or any combination of cities, water districts, water associations, and federal agencies may jointly acquire, either by purchase or construction, sources of supply of water and may operate jointly the sources of supply of water and improve and extend them in the manner provided in KRS 74.420 to 74.520. The governing body of any city, water association, water district, or federal agency desiring to avail themselves of the provisions of KRS 74.420 to 74.520 shall adopt a resolution or ordinance determining and electing to acquire and operate jointly sources of supply of water.

74.440 Procedure for creation of water commission

- (1) Upon the adoption of an ordinance or resolution by the governing body of each city, water association, or water district, or upon a decision by a federal agency, a certified copy of it shall be filed with the county judge/executive of the county in which the cities, water associations, water districts, or federal agencies proposing the creation of the commission having the greatest aggregate population are situated; and upon the filing, the county judge/executive shall by appropriate order set a date for a public hearing on the creation of the commission and shall give reasonable notice of the public hearing, which notice may be given in the manner as provided by KRS Chapter 424. Any customer of the water systems or resident of the cities proposing the creation of the commission may file objections; and at the public hearing if the county judge/executive finds that the establishment of the commission is reasonably necessary or advantageous for the public health, convenience, and comfort of the customers of all the water systems which proposed the creation of the commission, he shall make an order establishing the commission and designating it by name which name shall include the words “water commission.”
- (2) If the county judge/executive does not find that the creation of a commission is reasonably necessary or advantageous, he shall make an appropriate order in this regard. Any party in interest may appeal the order to the Circuit Court or the cities, water associations, and water districts may revise and readopt the ordinances or resolutions, or the federal agency may revise its decision.



74.450 Membership of water commission; term; compensation; removal; status

- (1) After the county judge/executive has made an order creating a water commission, the presiding officer of each of the cities, water associations, or water districts which proposed the creation of the commission with the approval of its governing body, and each federal agency which joined in a proposal shall appoint one (1) commissioner. If the number of commissioners so appointed by the presiding officers of the cities, water associations, or water districts and by the federal agency or agencies shall equal or exceed five (5), no further commissioners shall be appointed and the commissioners shall be and constitute the water commission.
- (2) If the number of commissioners appointed by the presiding officers of the cities, water associations, water districts, or federal agencies shall be less than five (5), the county judge/executive who entered the order creating the commission shall appoint additional commissioners to the commission as necessary to make the number of commissioners equal five (5). The commissioners shall constitute the commission, which shall be a public corporation and a public body corporate and politic with the powers and duties specified in KRS 74.420 to 74.520. The commission may in its corporate name contract and be contracted with, sue and be sued, adopt and alter at its pleasure a corporate seal, and purchase, own, hold, and dispose of all real and personal property necessary for carrying out its corporate purpose under KRS 74.420 to 74.520.
- (3) The commissioners originally appointed shall meet and select by lot their respective terms of office so that approximately one-third ($1/3$) of the commissioners shall serve for a term of two (2) years, a like number for a term of three (3) years and the remaining commissioner or commissioners for a term of four (4) years. The terms shall be deemed to commence from the first day of the month during which the order of the county judge/executive creating the commission was entered.
- (4) Upon the expiration of the term of office of each of the commissioners, a successor shall be appointed to succeed him for a term of four (4) years and the appointment shall be made in the same manner as the original appointment.
- (5) Each commissioner shall serve until his successor has been appointed and has been qualified. Each commissioner shall be a resident of the service area of the water systems or an employee of the federal agency which is represented by the commission. A commissioner shall be eligible for reappointment upon the expiration of his term. A vacancy shall be filled for the balance of the unexpired term in the same manner as that prescribed for the appointment of the person who has ceased to hold office. Each commissioner shall receive the same compensation, which shall not be more than five hundred dollars (\$500) per year, to be fixed by the commission and to be paid out of commission funds, except that a commissioner representing a federal agency shall serve without compensation. Each commissioner shall furnish a bond for faithful performance of his official duties. This bond shall not be less than five thousand dollars (\$5,000); the amount shall be fixed by the commission; and its cost shall be paid by the commission.
- (6) Each commissioner may be removed by the official by whom he was appointed, for cause, after hearing by the appointing official and after at least ten (10) days' notice in writing has been given to the commissioner, which notice shall embrace the charges preferred against him. At the hearing he may be represented by counsel. The finding of the appointing official shall be final and removal results in vacancy in the office. A federal agency shall determine its own appointment and removal procedures for its representative.



74.455 Removal of district water commissioner; causes

- (1) From and after the creation and establishment of a water district and the appointment of water commissioners to manage the affairs of the district, and following the acquisition or construction by any duly created and established water district of a public water system, and the consequent establishment of regulatory jurisdiction over such water district by the Public Service Commission of Kentucky, the Public Service Commission may remove any water commissioner from his office for good cause, including, inter alia, incompetency, neglect of duty, gross immorality, or nonfeasance, misfeasance, or malfeasance in office, including without limiting the generality of the foregoing, failure to comply with rules, regulations, and orders issued by the Public Service Commission.
- (2) No such order of removal with respect to any water commissioner shall be entered by the Public Service Commission until a public hearing on the merits with reference to such matter has been held by the commission, at which hearing the water commissioner proposed to be removed from office shall be afforded the opportunity to appear, either pro se, or by counsel and file briefs, memoranda and motions, cross-examine witnesses, examine exhibits, and present evidence, both orally and in writing. All such orders of removal entered by the Public Service Commission shall be final and shall not be subject to appeal. Any water commissioner may waive such public hearing, in which case an order on removal may be forthwith entered by the commission.
- (3) Using procedures of this section the Public Service Commission may also request the removal of directors, trustees or other governing persons of water associations in like manner.

74.460 Organization of commission; powers and duties; authority to acquire water supply; obligations

The commission shall organize by appointing a chairman from its own members and a secretary and a treasurer, who need not be commissioners. The secretary shall keep a record of all proceedings of the commission which shall be available for inspection as other public records. The treasurer shall be the lawful custodian of all funds of the commission and shall pay same out on orders authorized or approved by the commission. The secretary and treasurer shall perform other duties appertaining to the affairs of the commission and shall receive the salaries prescribed by the commission, and either or both may be required to furnish bonds in sums to be fixed by the commission for the use and benefit of the commission. The commission shall adopt its own rules of procedure and provide for its meetings. The commission shall have full and complete supervision, management, and control of the sources of supply of water as provided in the ordinances or resolutions for acquiring and operating them, and in their maintenance, operation, and extension. The commission may contract with cities, water associations, water districts, or federal agencies which are represented by the commission for furnishing a supply of water to the parties for a period not exceeding fifty (50) years and the governing bodies of the cities, water associations, water districts, or federal agencies may enter into the contracts with the commission. For the purpose of acquiring all or any part of its sources of supply of water, the commission may purchase from cities, water associations, water districts, or federal agencies which are represented by the commission for mutually agreed terms without regard to actual value any sources of supply of water separate and apart from the water distribution systems of the parties; and the cities, water associations, water districts, or federal agencies may convey the sources of supply of water to the commission without any election or voter approval notwithstanding any provision of any other law to the contrary. If any city, water association, or water district has outstanding any obligations which by their terms are in any manner payable from the revenues of their waterworks distribution system, the proceeds received from any conveyance shall be sufficient to retire all of the outstanding obligations, including all interest accrued and to accrue thereon to the date of retirement thereof; and the proceeds when received shall be set aside in a special fund and used for that purpose. The commission may appoint or contract for the services of officers, agents, and employees, including engineers, attorneys, accountants, fiscal agents, and other professional persons, prescribe their duties, and fix their compensation.



74.470 Authority to issue revenue bonds

For the purpose of acquiring, either by purchase or construction, sources of supply of water or for making improvements and extensions to sources of supply of water, a commission may issue revenue bonds payable solely from the revenues to be derived pursuant to water supply contracts with the cities, water districts, water associations, federal agencies, political subdivisions, or other public bodies as provided in KRS 74.420 to 74.520. For that purpose the commission may issue revenue bonds and be vested with all of the powers, duties, and responsibilities, including the power of condemnation, delegated and granted to a “governmental agency” under the terms and provisions of KRS Chapter 58, as the law now exists or as it may hereafter be amended. Under the law, the term “governmental agency” means the “commission” and the term “public project” means “sources of supply of water.”

74.480 Exclusive water supply; basis for establishing rate, charges

- (1) When a commission has been created, the cities, water associations, water districts, or federal agencies represented by the commission shall contract with the commission for water and the contracts may provide that the sources of supply of water of the commission shall be the exclusive water supply for the respective water distribution systems. These cities, water associations, or water districts shall establish charges and rates for water supplied by them to consumers sufficient at all times:
 - (a) To pay the principal of and interest on all outstanding obligations of the cities, water associations, or water districts which by their terms are payable in any manner from the revenues of their respective waterworks distribution systems; and
 - (b) To pay the cost of operation and maintenance of their respective waterworks distribution systems, including the payments to be made to the commission pursuant to contracts for the purchase of water by those cities, water associations, or water districts.
- (2) The commission shall establish charges and rates for water supplied to those cities, water associations, water districts, or federal agencies represented by the commission sufficient at all times:
 - (a) To pay the principal of and interest on the revenue bonds issued by the commission under the provisions of KRS 74.420 to 74.520;
 - (b) To pay the cost of operation and maintenance of the sources of supply of water; and
 - (c) To provide an adequate fund for renewals, replacements, and reserves.

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

74.490 Commission may contract to supply other public bodies

The commission shall also have the right to supply water to any city, water association, water district, political subdivision, federal agency or other public body, or any water distribution system regulated by the Public Service Commission, in addition to the cities, water associations, water districts, or federal agencies which are represented by the commission, upon the payments, terms, and conditions mutually agreed upon. No capital expenditures shall be made by the commission for the purpose of furnishing water to the other party or parties. Any contract entered into to supply water to a city, water association, water district, federal agency, political subdivision, or other public body shall provide that payments to be made thereunder shall be solely from the revenues to be derived by the city, water association, water district, political subdivision, or other public body

from the operation of the water works distribution system thereof; and the contract shall be a continuing, valid, and binding obligation of the city, water association, federal agency, water district, political subdivision, or other public body, payable from the revenues for a period of years, not to exceed fifty (50), as provided in the contract. Any contract shall not be a debt of any city, water association, water district, federal agency, political subdivision, or other public body within the meaning of any statutory or constitutional limitations.

74.500 Procedure for participation by other city or water districts

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

- (1) The governing body of such city or water district shall adopt and file with the county judge/executive who entered the order creating said commission an ordinance or resolution electing and requesting that it be permitted to be included in and represented by said commission in the same manner and to the same extent as if said city or water district had originally participated in the creation of said commission.
- (2) Upon such filing the county judge/executive shall by appropriate order set a date for a public hearing on the inclusion of such a city or water district in said commission, and shall give notice of such public hearing in the manner as provided by KRS 74.440. Any resident of the city or water district at the time represented by said commission, and any resident of the city or water district requesting to be included in and represented by said commission and to participate in its operation, may file objections, and at the public hearing if the county judge/executive finds that the inclusion of such city or water district in said commission is reasonably necessary or advantageous for the public health, convenience and comfort of the residents of all cities and water districts represented by said commission, including the city or water district requesting to be included in said commission, and provided further that there shall be on file with the county judge/executive a resolution adopted by said commission evidencing its willingness to have such city or water district included in and represented by said commission the county judge/executive shall make an order authorizing the inclusion of such city or water district in the commission. If the county judge/executive does not find that the inclusion of such city or water district is reasonably necessary or advantageous he shall make an appropriate order in this regard. Any party in interest may thereupon appeal to the Circuit Court.
- (3) Upon the entering of the order by the county judge/executive authorizing the inclusion of such city or water district in said commission the number of commissioners, if any, to be appointed to said commission by the county judge/executive shall be reduced by one (1) and the presiding officer, with the approval of the governing body of the city or water district which shall by virtue of said proceedings be included in and represented by said commission, shall appoint a commissioner whose term shall begin at the expiration of the term of the commissioner appointed by the county judge/executive whose term shall first expire. In the event there is no commissioner on said commission appointed by the county judge/executive the term of the commissioner appointed by the presiding officer of such city or water district shall be fixed so that the terms of approximately one-third (1/3) of the commissioners will expire in each year.



74.510 Commission declared not to constitute a utility

Since the activities of a commission created pursuant to KRS 74.420 to 74.520 are limited to the supply of water under contract to cities, federal agencies, or to water distribution systems which are regulated by the Public Service Commission, including water districts and water associations, as provided in KRS 74.420 to 74.520, and such a commission has no authority to supply water to individual private consumers, such a commission shall not be deemed to constitute a “utility” or “person” within the meaning and application of KRS Chapter 278 and a commission shall not be subject to the jurisdiction of the Public Service Commission.

74.520 Construction of KRS 74.420 to 74.520

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

74.990 Penalties

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