AN ACT relating to sanitation districts.

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

➔Section 1. KRS 220.110 is amended to read as follows:

(1) If no suit is filed against the commissioner under KRS 220.100, or if suit is filed and final judgment in the Circuit Court or an appeal is in favor of the commissioner, the commissioner shall forthwith declare the district organized into a sanitation district and give it a corporate name, as provided in KRS 220.050, by which in all proceedings it shall thereafter be known. The commissioner shall certify his act to the county clerk of each county in which any part of the district is located, and to the Secretary of State, each of whom shall record the certificate as articles of incorporation. The commissioner shall also certify his act to the county judge/executive of each county in which any part of the district is located. The district shall then be a political subdivision, except as otherwise specifically provided in KRS 220.530, with power to sue and be sued, contract and be contracted with, incur liabilities and obligations, exercise the right of eminent domain, assess, tax, and contract for rentals as herein provided, issue bonds, and do and perform all acts herein expressly authorized and all acts necessary and proper for the carrying out of the purpose for which the district was created, and for executing the powers with which it is invested. ***Notwithstanding any powers granted by this subsection, no sanitation district may levy any tax, fee, or surcharge on any indirect use or imputed benefit derived from the existence of a sanitation district. It may only levy a tax, fee, or surcharge on the direct use of any sanitary or storm sewer system use operated by the sanitation district.***

(2) The board of directors of the district may amend the corporate name of the district, but the amendment shall not be effective until certified by the board to the commissioner, the county clerk and county judge/executive of each county in which any part of the district is located, and to the Secretary of State.

➔Section 2. KRS 220.135 is amended to read as follows:

(1) Notwithstanding the provisions of KRS 220.080, the jurisdictional boundaries of a sanitation district organized or operating under KRS Chapter 220 shall be coextensive with the jurisdictional boundaries of the counties it was organized to serve if the district was organized to serve two (2) or more counties, and no other district has been organized to serve the counties. All cities of the home rule class located in a county which is part of a sanitation district as described in this section shall be included in the jurisdictional boundaries of the sanitation district.

(2) (a) Effective July 1, 1995, the operational sewer and drainage system of each city located within the jurisdictional boundaries of the district, together with all assets, other than cash accounts, and liabilities of the system, as of January 1, 1994, including but not limited to, sewers, easements, manholes, pumping stations, force mains, and real property, shall become the property, personal and real, of the sanitation district.

(b) If funds in a cash account are in escrow or otherwise contractually connected to a certificate of indebtedness related to the sewer and drainage system, the funds shall become the property of the district. If funds in a cash account are derived from a sewer user fee or sanitation bill surcharge, the city may use them to reduce its obligation to the district created by subsection (5)(a) of this section, or the city may return the funds to the citizens. If the funds in a cash account were generated from a general fund source and are not in escrow or otherwise obligated, the city may retain the funds for its own purposes.

(3) Any city within the jurisdictional boundaries of the district may, before September 1, 1994, state by ordinance its intention not to become a part of the district. In this case, the provisions of subsection (2) of this section shall not apply, and the city shall retain ownership and control of and responsibility for its sewer and drainage system. The city shall be solely responsible for compliance with applicable

regulations promulgated by the Energy and Environment Cabinet.

(4) Any municipal subdistrict established prior to July 15, 1994, shall be dissolved effective July 1, 1995, and the assets and liabilities of the subdistrict, as of January 1, 1994, shall become the property, personal and real, of the sanitation district, unless the city, no later than September 1, 1994, provides by ordinance that the municipal subdistrict shall revert to the city. If the city provides for the reversion of the subdistrict to the city, the assets and liabilities of the subdistrict shall become the property, personal and real, of the city. The city shall be solely responsible thereafter for compliance with applicable regulations promulgated by the Energy and Environment Cabinet.

(5) (a) When a municipal subdistrict is dissolved pursuant to subsection (4) of this section, or a city sewer and drainage system is transferred pursuant to subsection (2) of this section, and its assets are transferred to the district, the city, or municipal subdistrict, shall pay the district fifty percent (50%) of the cost of necessary repairs to its facilities as identified through the district's sanitary sewer inspection program. These costs shall be payable upon completion of the repairs identified by the district, and may be paid by lump sum or in installments over a period of time agreeable to the city or the municipal subdistrict and the district.

(b) A city may continue its sewer maintenance surcharge until the accumulated principal plus interest thereon is sufficient to pay the charges levied by the district pursuant to paragraph (a) of this subsection.

(c) Any county that joins the district after July 15, 1994, may levy sewer surcharges or other fees, which shall be added to the customers' district bill for the purpose of enabling the county to pay pre-existing obligations to the district.

(d) For a period of ten (10) years, the district may grant to each city or county a

credit for each new residential customer added which shall not exceed three hundred dollars ($300) against the debt created by subsection (5)(a) of this section, or any other contractual liability pre-existing on June 30, 1994. The district may adopt a general policy establishing a credit of a different amount for each new nonresidential customer added.

(6) (a) After July 15, 1994, no new package sewage treatment plant shall be constructed or begin operation within the jurisdictional boundaries of the district unless the district, after review of the plans for construction and operation of the plant, approves the plans.

(b) After January 1, 1995, no privately owned package sewage treatment plant shall operate within the jurisdictional boundaries of the district unless it has been issued a permit by the district or by the Energy and Environment Cabinet.

(c) On or before January 1, 2000, the district shall assume ownership of all publicly owned package sewage treatment plants within its jurisdictional boundaries, including all assets and liabilities as of January 1, 1994, and all property, real and personal.

(d) The district shall plan for, and when economically feasible, transfer the function of sewage treatment from package plants to central treatment facilities.

(7) (a) Effective July 1, 1995, the district shall be responsible for the planning, construction, improvement, operation, and maintenance of all sewer and drainage facilities under its ownership, including combined sewer overflows, and for compliance with all applicable regulations promulgated by the Energy and Environment Cabinet.

(b) The district shall establish uniform rates for its services throughout its jurisdiction, and district rates shall vary only on the basis of consumption.

(c) For the purposes of this subsection, "consumption" means only the direct use of a sanitation district's operational sewer and drainage system. It does not mean any indirect use or imputed benefit derived from the existence of a sanitation district.

➔Section 3. KRS 220.250 is amended to read as follows:

(1) Upon the approval of the official plan by the Natural Resources and Environmental Protection Cabinet the board of directors shall pass a resolution accepting the official plan as final and fixing all financing, taxes and rentals as authorized by KRS 220.010 to 220.520 necessary for the construction, maintenance, and operation required to place the plan in effect. After final resolutions are passed fixing the rates and rentals, no alterations of the plan shall be made except as provided herein and as approved by the Natural Resources and Environmental Protection Cabinet.

(2) Notwithstanding any powers granted in this section, no sanitation district may adopt a financing plan that levies a tax, fee, or surcharge on any indirect use or imputed benefit derived from the existence of a sanitation district. It may only levy a tax, fee, or surcharge on the direct use of any sanitary or storm sewer system operated by the sanitation district.

➔Section 4. KRS 220.510 is amended to read as follows:

(1) The board of directors shall, by resolution, determine the rates and compensation or rentals to be charged for the use of the sanitary works. The board of directors may provide for a sewer service charge to be imposed and collected, beginning at the time the plan for the improvement has been approved by the Energy and Environment Cabinet and work is begun on plans and specifications for the improvement. The rates shall at all times be reasonable, taking into account the cost of the works, the cost of operation and maintenance, and the amount necessary for the amortization of the bonds issued to finance the works. The same schedule of rates and charges shall apply to all users of the same class. The rates shall be

binding upon all users of the system. The board may alter and revise the rates in its discretion. In case of failure of any user to pay for services rendered, the board may compel payment and may enjoin further use until the payment is made, or it may institute an action in any court having jurisdiction for the recovery of charges for services rendered, or the board may, by a notice in writing, signed by its chairman or any member of said board, notify the municipality, or person, firm, or corporation, which furnishes water to the user's premises, to shut off the water service to said user's premises, until such time as all delinquent charges, plus a reasonable charge for turning off and on the water service, against said user, are paid in full. Upon receipt of such notice in writing, the municipality, or the person, firm, or corporation, which furnishes water to the said user's premises shall immediately shut off and discontinue the water service to the said user's premises. Upon full payment of such account, plus a reasonable charge for turning off and on the water service, the chairman, or any member of said board, shall notify the said municipality, person, firm, or corporation, which furnishes water to said user, that the account is paid in full, including such reasonable charge for turning off and on the water service, and that the said water service can again be provided to said user's premises. The board of directors shall promptly pay to such municipality, person, firm, or corporation, such fee or charge collected for turning off and on such water service. The board may enter into contracts with public corporations or other large users of sewer services. The board may provide by resolution any provisions and stipulations it deems necessary for the administration of the revenue of the district, and for the security of the bondholders.

(2) No moneys received on account of the existence or operation of construction subdistricts shall be used for the payment of district obligations, and no other moneys received by the district shall be used for the payment of construction subdistrict bonds or obligations. Except as provided in the preceding sentence the

use of all moneys of the district received from any and all sources is hereby limited exclusively and shall be devoted solely to the payment of all obligations of the district and board created by KRS 220.010 to 220.540, and no funds from any sources authorized by KRS 220.010 to 220.540 shall be diverted to any other purposes than those in KRS 220.010 to 220.540 set forth, except that the district shall pay from district area revenues an equitably allocable share of the cost of constructing and operating any nondistrict area facilities to which sewage from the district area is diverted in order to relieve district facilities from excessive sewage and costs described in KRS 220.561 but otherwise paid for.

(3) Notwithstanding any powers granted in this section, no sanitation district may seek to collect any tax, fee, or surcharge on any indirect use or imputed benefit derived from the existence of a sanitation district. It may only seek to collect any tax, fee, or surcharge on the direct use of any sanitary or storm sewer system operated by the sanitation district.