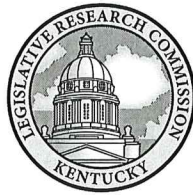


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MEMORANDUM

TO: Robert Stivers, President of the Senate
David W. Osborne, Speaker of the House of Representatives

FROM: Senator Phillip Wheeler, Co-Chair *PW by SK*
Representative Jim Gooch Jr., Co-Chair *JG by SK*
Public Water and Wastewater System Infrastructure Task Force

DATE: November 14, 2019

SUBJECT: Final Recommendations of the Public Water and Wastewater System Infrastructure Task Force

The Legislative Research Commission (LRC) established the Public Water and Wastewater System Infrastructure Task Force by memorandum on May 9, 2019. The task force was directed to study Kentucky's public water and wastewater infrastructure challenges, including but not limited to technical, managerial, and financial capacity, and to submit findings, legislative strategies, or a memorandum to the LRC no later than November 29, 2019. Pursuant to the LRC memorandum, the task force was composed of the following members:

- Senator Phillip Wheeler, Co-Chair
- Representative Jim Gooch, Co-Chair
- Senator Matt Castlen
- Senator Robin Webb
- Representative Derek Lewis
- Representative Ashley Tackett Lafferty
- Michael Burress, Executive Director, Lincoln Trail Area Development District (designee of the Kentucky Council of Area Development Districts)
- David Farrar, Vice President Operations, Kentucky American Water
- Mike Gardner, Water/Sewer Systems Manager, Bowling Green Municipal Utilities (designee for the Municipal Utility Association)
- Peter Goodmann, Director, Division of Water, Energy and Environment Cabinet
- Orbrey Gritton, Anderson County Judge/Executive (Kentucky County Judge/Executive Association)

John W. "Doc" Holiday, Executive Director, Kentucky Office of Homeland Security
Gary Larimore, Executive Director, Kentucky Rural Water Association
Donna McNeil, Executive Director, Kentucky Infrastructure Authority
Mayor Brian Traugott, Versailles (designee of the Kentucky League of Cities)

From July through November 2019, the task force held five meetings and received testimony from state agencies including the Kentucky Division of Water, the Kentucky Infrastructure Authority, the Kentucky Public Service Commission, and the Tennessee Comptroller of the Treasury. National and state water utility associations, private water companies, and various water and wastewater management experts also provided testimony about Kentucky's water and wastewater infrastructure challenges and recommendations on how to address those challenges.

On November 14, 2019, the task force reviewed and approved the following final recommendations to be submitted to the LRC:

- A.** Continue the work of the Public Water and Wastewater System Infrastructure Task Force by reauthorizing the task force to meet during the 2020 Interim, or by establishing a workgroup attached to the Energy and Environment Cabinet, or by doing both. Any workgroup attached to the cabinet should consist of technical experts, industry professionals, public policy makers, and representatives from stakeholder groups, including but not limited to the groups represented on this task force. The workgroup would report regularly to the General Assembly and continue to meet on an ongoing basis in the coming months and years to develop consensus strategies to address the numerous financial, technical, planning, and managerial challenges faced by water and wastewater utilities throughout the Commonwealth.
- B.** Establish a new or recapitalize an existing water and wastewater infrastructure fund to leverage federal grants and loans, assist challenged utilities with infrastructure planning and asset management, and make direct loans and grants to water and wastewater utilities.
- C.** Propose that certain state loans or grants to public water or wastewater utilities be conditioned on reasonable technical, financial, and managerial performance benchmarks as established by the appropriate state entity.
- D.** Require the development by the appropriate state entity of best management practices for public water and wastewater systems that could be used as standards for the operation and maintenance of those systems. Best management practices may relate to asset management, water loss, revenue requirements, financial assistance compliance, staff adequacy and training, and maintaining adequate asset management and capital expenditure plans, among other things.
- E.** Require the appropriate state entity to establish a uniform evaluation process to identify challenged public water and wastewater utilities that lack technical, managerial, or financial capacity. Once identified, the state entity would develop an action plan with a challenged utility, and provide for the technical, financial, and training assistance that it will need to implement the plan.

- F.** Establish initial and continuing training requirements for all water and wastewater board members, commissioners, and decision makers to be administered and enforced by the appropriate state or state-authorized entity.
- G.** Require annual financial audits and reporting, regular rate reviews, and establish regular rate adjustment criteria for all public water and wastewater utilities.
- H.** Study the adoption of a Tennessee-based model that would authorize a new or existing state entity or entities to have jurisdiction over all of Kentucky's water and wastewater utilities to ensure their financial and operational capacities and establish parameters for accountability, including oversight of annual utility financial, operations, and water loss audits. The entity or entities would be authorized to propose measures to bring any noncompliant utility back into financial and operational compliance.
- I.** Study the regionalized pooling of resources and professional services, and hiring and qualification criteria for those services, for challenged water and wastewater utilities to more efficiently manage their facilities and meet auditing and reporting standards.

Recommendations A through E were adopted by unanimous voice vote. Recommendations F through I were adopted by a majority of the members present by roll call vote. Recommendation F was adopted favorably with Gary Larimore and Mayor Brian Traugott voting no. Recommendation G was adopted favorably with Representative Ashley Tackett Lafferty and Mayor Brian Traugott voting no. Recommendation H was adopted favorably with Michael Burress voting no. Recommendation I was adopted unanimously.

Members absent were Senator Matt Castlen, Senator Robin Webb, and Representative Derek Lewis.