

1 AN ACT relating to local government.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 211 IS CREATED TO  
4 READ AS FOLLOWS:

5 *(1) For the purposes of this section, "splash pad" means an artificially constructed*  
6 *public recreation area for water play over which water is sprayed but is not*  
7 *allowed to pool.*

8 *(2) The Cabinet for Health and Family Services shall promulgate administrative*  
9 *regulations pursuant to KRS 211.180 and KRS Chapter 13A to set out standards*  
10 *for the operation and maintenance of splash pads operated by local governments*  
11 *to ensure they are maintained in a safe, sanitary manner to protect public health*  
12 *and to distinguish the operation and maintenance of splash pads from the*  
13 *operation and maintenance of swimming pools. The administrative regulations*  
14 *shall include but not be limited to the following:*

15 *(a) Requiring that water in splash pads, if recirculated, be chemically treated*  
16 *and properly filtered and monitored; and*

17 *(b) Not requiring the following equipment to be provided:*

18 *1. Flow meters, if the water in the splash pad is not recirculated;*

19 *2. Ring buoys;*

20 *3. Life poles;*

21 *4. Shepherd's crooks;*

22 *5. Backboards;*

23 *6. Telephones;*

24 *7. Bathhouses;*

25 *8. Restrooms;*

26 *9. Drinking fountains;*

27 *10. First-aid kits;*

1           11. Lifeguards;

2           12. On-site attendants; and

3           13. Fences.

4           ➔Section 2. KRS 66.480 is amended to read as follows:

- 5           (1) The governing body of a city, county, urban-county, charter county, school district  
6           (provided that its general procedure for action is approved by the Kentucky Board  
7           of Education), or other local governmental unit or political subdivision, may invest  
8           and reinvest money subject to its control and jurisdiction in:
- 9           (a) Obligations of the United States and of its agencies and instrumentalities,  
10           including obligations subject to repurchase agreements, if delivery of these  
11           obligations subject to repurchase agreements is taken either directly or through  
12           an authorized custodian. These investments may be accomplished through  
13           repurchase agreements reached with sources including but not limited to  
14           national or state banks chartered in Kentucky;
- 15           (b) Obligations and contracts for future delivery or purchase of obligations backed  
16           by the full faith and credit of the United States or a United States government  
17           agency, including but not limited to:
- 18               1. United States Treasury;
- 19               2. Export-Import Bank of the United States;
- 20               3. Farmers Home Administration;
- 21               4. Government National Mortgage Corporation; and
- 22               5. Merchant Marine bonds;
- 23           (c) Obligations of any corporation of the United States government, including but  
24           not limited to:
- 25               1. Federal Home Loan Mortgage Corporation;
- 26               2. Federal Farm Credit Banks;
- 27               3. Bank for Cooperatives;

- 1           4.    Federal Intermediate Credit Banks;
- 2           5.    Federal Land Banks;
- 3           6.    Federal Home Loan Banks;
- 4           7.    Federal National Mortgage Association; and
- 5           8.    Tennessee Valley Authority;
- 6           (d)   Certificates of deposit issued by or other interest-bearing accounts of any bank
- 7                 or savings and loan institution having a physical presence in Kentucky which
- 8                 are insured by the Federal Deposit Insurance Corporation or similar entity or
- 9                 which are collateralized, to the extent uninsured, by any obligations, including
- 10                surety bonds, permitted by KRS 41.240(4);
- 11          (e)   Uncollateralized certificates of deposit issued by any bank or savings and loan
- 12                 institution having a physical presence in Kentucky rated in one (1) of the three
- 13                 (3) highest categories by a competent rating agency;
- 14          (f)   Bankers' acceptances for banks rated in one (1) of the three (3) highest
- 15                 categories by a competent rating agency;
- 16          (g)   Commercial paper rated in the highest category by a competent rating agency;
- 17          (h)   Bonds or certificates of indebtedness of this state and of its agencies and
- 18                 instrumentalities;
- 19          (i)   Securities issued by a state or local government, or any instrumentality of
- 20                 agency thereof, in the United States, and rated in one (1) of the three (3)
- 21                 highest categories by a competent rating agency;
- 22          (j)   Shares of mutual funds and exchange traded funds, each of which shall have
- 23                 the following characteristics:
- 24                 1.    The mutual fund shall be an open-end diversified investment company
- 25                        registered under the Federal Investment Company Act of 1940, as
- 26                        amended;
- 27                 2.    The management company of the investment company shall have been

- 1 in operation for at least five (5) years; and
- 2 3. All of the securities in the mutual fund shall be eligible investments
- 3 pursuant to this section;
- 4 (k) Individual equity securities if the funds being invested are managed by a
- 5 professional investment manager regulated by a federal regulatory agency.
- 6 The individual equity securities shall be included within the Standard and
- 7 Poor's 500 Index, and a single sector shall not exceed twenty-five percent
- 8 (25%) of the equity allocation; and
- 9 (l) Individual high-quality corporate bonds that are managed by a professional
- 10 investment manager that:
- 11 1. Are issued, assumed, or guaranteed by a solvent institution created and
- 12 existing under the laws of the United States;
- 13 2. Have a standard maturity of no more than ten (10) years; and
- 14 3. Are rated in the three (3) highest rating categories by at least two (2)
- 15 competent credit rating agencies.
- 16 (2) The investment authority provided by subsection (1) of this section shall be subject
- 17 to the following limitations:
- 18 (a) The amount of money invested at any time by a local government or political
- 19 subdivision in any one (1) of the categories of investments authorized by
- 20 subsection (1)(e), (f), (g), (k), and (l) of this section shall not exceed twenty
- 21 percent (20%) of the total amount of money invested by the local government;
- 22 (b) The amount of money invested at any one (1) time by a local government or a
- 23 political subdivision in the categories of investments authorized in subsection
- 24 (1)(j), (k), and (l) of this section shall not, aggregately, exceed forty percent
- 25 (40%) of the total money invested **unless the investment is in a mutual fund**
- 26 **consisting solely of the investments authorized under subsection (1)(a), (b),**
- 27 **(c), (h), or (i) of this section, or any combination thereof;**

- 1 (c) No local government or political subdivision shall purchase any investment  
2 authorized by subsection (1) of this section on a margin basis or through the  
3 use of any similar leveraging technique; and
- 4 (d) At the time the investment is made, no more than five percent (5%) of the  
5 total amount of money invested by the local governments or political  
6 subdivisions shall be invested in any one (1) issuer unless:
- 7 1. The issuer is the United States government or an agency or  
8 instrumentality of the United States government, or an entity which has  
9 its obligations guaranteed by either the United States government or an  
10 entity, agency, or instrumentality of the United States government;
  - 11 2. The money is invested in a certificate of deposit or other interest-bearing  
12 accounts as authorized by subsection (1)(d) and (e) of this section;
  - 13 3. The money is invested in bonds or certificates of indebtedness of this  
14 state and its agencies and instrumentalities as authorized in subsection  
15 (1)(h) of this section; or
  - 16 4. The money is invested in securities issued by a state or local  
17 government, or any instrumentality or agency thereof, in the United  
18 States as authorized in subsection (1)(i) of this section.
- 19 (3) The governing body of every local government or political subdivision that invests  
20 or reinvests money subject to its control or jurisdiction according to the provisions  
21 of subsection (1) of this section shall by January 1, 1995, adopt a written investment  
22 policy that shall govern the investment of funds by the local government or political  
23 subdivision. The written investment policy shall include but shall not be limited to  
24 the following:
- 25 (a) A designation of the officer or officers of the local government or political  
26 subdivision who are authorized to invest and oversee the investment of funds;
  - 27 (b) A list of the permitted types of investments;

- 1 (c) Procedures designed to secure the local government's or political subdivision's  
2 financial interest in the investments;
- 3 (d) Standards for written agreements pursuant to which investments are to be  
4 made;
- 5 (e) Procedures for monitoring, control, deposit, and retention of investments and  
6 collateral;
- 7 (f) Standards for the diversification of investments, including diversification with  
8 respect to the types of investments and firms with whom the local government  
9 or political subdivision transacts business;
- 10 (g) Standards for the qualification of investment agents which transact business  
11 with the local government, such as criteria covering creditworthiness,  
12 experience, capitalization, size, and any other factors that make a firm capable  
13 and qualified to transact business with the local government or political  
14 subdivision; and
- 15 (h) Requirements for periodic reporting to the governing body on the status of  
16 invested funds.
- 17 (4) Sheriffs, county clerks, and jailers, who for the purposes of this section shall be  
18 known as county officials, may invest and reinvest money subject to their control  
19 and jurisdiction, including tax dollars subject to the provisions of KRS Chapter 134  
20 and 160.510, as permitted by this section.
- 21 (5) The provisions of this section are not intended to impair the power of a county  
22 official, city, county, urban-county, charter county, school district, or other local  
23 governmental unit or political subdivision to hold funds in deposit accounts with  
24 banking institutions as otherwise authorized by law.
- 25 (6) The governing body or county official may delegate the investment authority  
26 provided by this section to the treasurer or other financial officer or officers charged  
27 with custody of the funds of the local government, and the officer or officers shall

1 thereafter assume full responsibility for all investment transactions until the  
2 delegation of authority terminates or is revoked.

3 (7) All county officials shall report the earnings of any investments at the time of their  
4 annual reports and settlements with the fiscal courts for excess income of their  
5 offices.

6 (8) The state local debt officer is authorized and directed to assist county officials and  
7 local governments, except school districts, in investing funds that are temporarily in  
8 excess of operating needs by:

9 (a) Explaining investment opportunities to county officials and local governments  
10 through publication and other appropriate means; and

11 (b) Providing technical assistance in investment of idle funds to county officials  
12 and local governments that request that assistance.

13 (9) (a) The state local debt officer may create an investment pool for local  
14 governments, except school districts, and county officials; and counties and  
15 county officials and cities may associate to create an investment pool. If  
16 counties and county officials and cities create a pool, each group may select a  
17 manager to administer their pool and invest the assets. Each county and each  
18 county official and each city may invest in a pool created pursuant to this  
19 subsection. Investments shall be limited to those investment instruments  
20 permitted by this section. The funds of each local government and county  
21 official shall be properly accounted for, and earnings and charges shall be  
22 assigned to each participant in a uniform manner according to the amount  
23 invested. Charges to any local government or county official shall not exceed  
24 one percent (1%) annually on the principal amount invested, and charges on  
25 investments of less than a year's duration shall be prorated. Any investment  
26 pool created pursuant to this subsection shall be audited each year by an  
27 independent certified public accountant, or by the Auditor of Public Accounts.

1 A copy of the audit report shall be provided to each local government or  
2 county official participating in the pool. In the case of an audit by an  
3 independent certified public accountant, a copy of the audit report shall be  
4 provided to the Auditor of Public Accounts, and to the state local debt officer.  
5 The Auditor of Public Accounts may review the report of the independent  
6 certified public accountant. After preliminary review, should discrepancies be  
7 found, the Auditor of Public Accounts may make his or her own investigative  
8 report or audit to verify the findings of the independent certified public  
9 accountant's report.

10 (b) If the state local debt officer creates an investment pool, he or she shall  
11 establish an account in the Treasury for the pool. He or she shall also establish  
12 a separate trust and agency account for the purpose of covering management  
13 costs, and he or she shall deposit management charges in this account. The  
14 state local debt officer may promulgate administrative regulations, pursuant to  
15 KRS Chapter 13A, governing the operation of the investment pool, including  
16 but not limited to provisions on minimum allowable investments and  
17 investment periods, and method and timing of investments, withdrawals,  
18 payment of earnings, and assignment of charges.

19 (c) Before investing in an investment pool created pursuant to this subsection, a  
20 local government or county official shall allow any savings and loan  
21 association or bank in the county, as described in subsection (1)(d) of this  
22 section, to bid for the deposits, but the local government or county official  
23 shall not be required to seek bids more often than once in each six (6) month  
24 period.

25 (10) (a) With the approval of the Kentucky Board of Education, local boards of  
26 education, or any of them that desire to do so, may associate to create an  
27 investment pool. Each local school board which associates itself with other



1 local school boards for the purpose of creating the investment pool may invest  
2 its funds in the pool so created and so managed. Investments shall be limited  
3 to those investment instruments permitted by this section. The funds of each  
4 local school board shall be properly accounted for, and earnings and charges  
5 shall be assigned to each participant in a uniform manner according to the  
6 amount invested. Charges to any local school board shall not exceed one  
7 percent (1%) annually on the principal amount invested, and charges on  
8 investments of less than a year's duration shall be prorated. Any investment  
9 pool created pursuant to this subsection shall be audited each year by an  
10 independent certified public accountant, or by the Auditor of Public Accounts.  
11 A copy of the audit report shall be provided to each local school board  
12 participating in the pool. In the case of an audit by an independent certified  
13 public accountant, a copy of the audit report shall be provided to the Auditor  
14 of Public Accounts, and to the Kentucky Board of Education. The Auditor of  
15 Public Accounts may review the report of the independent certified public  
16 accountant. After preliminary review, should discrepancies be found, the  
17 Auditor of Public Accounts may make his or her own investigative report or  
18 audit to verify the findings of the independent certified public accountant's  
19 report.

20 (b) The Kentucky Board of Education may promulgate administrative regulations  
21 governing the operation of the investment pool including but not limited to  
22 provisions on minimum allowable investments and investment periods, and  
23 methods and timing of investments, withdrawals, payment of earnings, and  
24 assignment of charges.

25 (11) As used in this section, "competent rating agency" means a rating agency certified  
26 or approved by a national entity that engages in such a process. The certification or  
27 approval process shall include but not necessarily be limited to the following

1 elements the subject rating agency must possess:

- 2 (a) A requirement for the rating agency to register and provide an annual updated  
3 filing;
- 4 (b) Record retention requirements;
- 5 (c) Financial reporting requirements;
- 6 (d) Policies for the prevention of misuse of material nonpublic information;
- 7 (e) Policies addressing management of conflicts of interest, including prohibited  
8 conflicts;
- 9 (f) Prohibited acts practices;
- 10 (g) Disclosure requirements;
- 11 (h) Any policies, practices, and internal controls required by the national entity;  
12 and
- 13 (i) Standards of training, experience, and competence for credit analysts.

14 ➔Section 3. KRS 58.150 is amended to read as follows:

- 15 (1) When the governing body of any county, city, or other municipal corporation, or  
16 agency thereof, shall make a determination that, in accordance with the provisions  
17 of any section of the statutes authorizing it to issue revenue bonds, assessment  
18 bonds, or mortgage bonds to finance any project, it will finance a project by the  
19 issuance of bonds, then in anticipation of financing, the governing body may  
20 provide for the interim financing of a project by the sale and issuance of revenue  
21 bond, assessment bond, or mortgage bond anticipation notes, as the case may be,  
22 bearing interest at a rate or rates not exceeding the maximum rate permitted for the  
23 issuance of the bonds so anticipated, and payable within a specified period of time  
24 only from the proceeds of the bonds, when issued, or from the revenues or income  
25 of the project as may be available prior to or at maturity of the notes; provided that  
26 the initial term of the notes shall not be in excess of five (5) years from the date of  
27 issuance. The term "revenue bond" means bonds, notes, or other obligations for the

1 payment of money issued by the state, any county, municipality, or other public  
2 district or authority except a school district, or any corporation or other corporate  
3 body acting as an instrumentality of the unit, and payable from a special fund into  
4 which some or all of the revenues of a public project have been or will be paid.  
5 "Assessment bond" means bonds, notes, or other obligations for the payment of  
6 money issued by any one (1) or more of the same issuing authorities payable from a  
7 special fund into which assessments levied on properties for benefits conferred have  
8 been or will be paid in accordance with law. "Mortgage bond" means revenue bonds  
9 which are secured by a mortgage deed of trust. A school district shall not be  
10 excluded from these definitions if it is authorized by the Kentucky Board of  
11 Education, by general or special authorization, to proceed under the authority of this  
12 section or KRS 56.513 through the agency of the appropriate city or county.

13 (2) The notes authorized herein shall be sold in the same manner as the bonds in  
14 anticipation of which they are issued~~], except that when the principal amount of the~~  
15 ~~notes does not exceed one million dollars (\$1,000,000) the provisions of KRS~~  
16 ~~424.360 for advertisement of the notes in a publication having general circulation~~  
17 ~~among bond buyers shall be inapplicable, and the other publications required by this~~  
18 ~~section shall be deemed sufficient].~~

19 (3) Each bond anticipation note may include prepayment provisions which will allow  
20 the issuing authority to prepay the note after giving reasonable notice to the holder;  
21 shall identify the bond issue from the proceeds of which the note or notes and any  
22 interest thereon are to be paid; and shall include a statement that the note is being  
23 issued in anticipation of the identified bond issue, and that neither the note, nor the  
24 interest, shall constitute or evidence an indebtedness of the issuing authority. Each  
25 note and the interest, to the extent not previously paid from other sources, shall be  
26 paid from the proceeds of the identified bond issue, when the proceeds have been  
27 received and are available; provided, however, that payment from the revenues of

1 the project, for the financing of which the bonds will eventually be issued, shall be  
2 permitted, and provision shall be made for payment of that portion of the principal  
3 of any note issue which represents the principal of the proposed bonds scheduled to  
4 mature on or prior to the maturity of the notes.

5 (4) The notes authorized herein may be issued in a principal amount sufficient to  
6 include all interest due on the notes at or prior to maturity, if the notes shall be  
7 issued for a term of three (3) years or less, and the notes may be sold at a discount  
8 representing the interest due to the purchaser during the term.

9 (5) When, prior to the maturity of any notes issued under the authority of this section or  
10 KRS 56.513, the governing body of the issuing authority shall make a determination  
11 that by reason of construction delays, changes in plans, uncertainties in the bond  
12 market, or other causes justifying delay in the final offering of the bond issue, the  
13 bond issue should not immediately be offered, renewal notes may be issued subject  
14 to the same limitations contained in this section or KRS 56.513 relative to the  
15 original issue of notes, and the proceeds of the sale of the renewal notes shall be  
16 applied to the payment of the principal of the notes originally issued, or any prior  
17 issue of renewal notes, or to the payment of interest due or to become due on the  
18 notes or renewal notes; provided, however, that the interest, including discount, if  
19 any, payable from the proceeds of notes or renewal notes shall not exceed an  
20 amount equal to three (3) years' interest from the date of the original notes at the  
21 rate per annum established for the original notes.

22 (6) Counties, cities, and other municipal corporations, or agencies, in the discretion of  
23 the governing body in each case, may, as an alternative to this section and for  
24 interim financing purposes, solicit proposals, issue bond anticipation notes, and  
25 make commitment agreements in the same manner as provided for the State  
26 Property and Buildings Commission by KRS 56.513; provided, however, that in the  
27 case of notes issued on behalf of a school district, general or special approval of the

1 Kentucky Board of Education shall be required in substitution for the approval of  
2 the State Property and Buildings Commission; and provided further, that the  
3 approval of the State Property and Buildings Commission will not be required for  
4 any issue of a county, city, or other municipal corporation, or any agency, and  
5 references to the commission shall be interpreted to be references to the governing  
6 body of the issuing authority.

7 (7) Nothing herein shall be deemed to invalidate any bond anticipation notes sold or  
8 issued under general statutes prior to the adoption of this section and KRS 56.513.

9 (8) Each bond anticipation note issued according to this section or KRS 56.513, and the  
10 receipt of interest on the note, shall be exempt from all taxation by the  
11 Commonwealth and all of its subdivisions, municipalities, and taxing authorities;  
12 and this may be stated as a representation in the text of each bond anticipation note.

13 ➔Section 4. Notwithstanding the provisions of KRS 67.045, fiscal courts shall  
14 initiate reapportionment proceedings in May of the second year following the 2020  
15 decennial census of the United States.

16 ➔Section 5. Whereas KRS 67.045 requires fiscal courts to initiate  
17 reapportionment proceedings in May of the first year following the decennial census of  
18 the United States, an emergency is declared to exist, and Section 4 of this Act takes effect  
19 upon its passage and approval by the Governor or upon its otherwise becoming a law.