

Hardin County Water District No. 1

Serving Radcliff and Hardin County for Over 50 Years

1400 Rogersville Road
Radcliff, KY. 40160

CASE NO. 200800074

February 28, 2008

Ms. Beth O'Donnell
Executive Director - Kentucky Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40620-0615

RECEIVED

FEB 29 2008

PUBLIC SERVICE
COMMISSION

**SUBJECT: Application Filing - Approval to Transfer Ownership
Of the City of Radcliff, Kentucky Sanitary Sewer System
And Assume Existing Debt**

Dear Director O'Donnell,

Enclosed please find an original and 10 copies of the above referenced application. Our Board and the City of Radcliff have been working on this prospective transfer for about two years. We have now signed an agreement to proceed with the transaction, and transfer the system.

We are requesting an expedited review and approval. As our application states, the employees of the City sewer department have been working under uncertainty for the past two years. Several have left employment of the City, and the department is now understaffed. While our agreement does provide that our operator, Veolia Water, North America, will offer employment to all employees, the final approval still is pending and the PSC approval is the last step to providing for the transfer of the system, and for employees to begin their employment with Veolia.

We believe you will find our Board has exercised extensive due diligence to make sure this transfer is in the best interest of our current water and sewer customers, as well as the customers of the City of Radcliff (who are also our water customers). This transfer will result in the lowering of sewer rates, and we believe will hold sewer rates down in the future, as a result of the District taking over ownership.

We appreciate your attention to see this application is reviewed and approved as soon as possible. We have included two original copies of our proposed tariff, with an effective date of **April 1, 2008**. If you have any questions, please do not hesitate to call me or our attorney, Mr. David Wilson II (Phone: 270-351-4404).

Sincerely,



Jim Bruce, General Manager

Cf; Mr. David Wilson II, HCWD1 Attorney
Mr. David Spenard, esq, Assistant Attorney General, Consumer Protection Division

Encl.

Phone 1-270-351-3222

FAX: 1-270-352-3055

www.HCWD.com

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

APPLICATION OF THE)
HARDIN COUNTY WATER DISTRICT No.1)
FOR APPROVAL TO TRANSFER OWNERSHIP)
OF THE CITY OF RADCLIFF, KENTUCY)
SANITARY SEWER SYSTEM)
AND ASSUME EXISTING DEBT)

CASE NO. 2008-00074

RECEIVED

FEB 29 2008

PUBLIC SERVICE
COMMISSION

APPLICATION

The Petition of the Hardin County Water District No.1 respectfully shows:

1. Applicant ("District") is a duly organized and operating water district, established in 1952 under the laws of the Commonwealth of Kentucky (KRS 74 ET. SEQ.) and is engaged in producing, selling and purchasing potable water, and also owns and operates the Ft. Knox sanitary and storm sewer utilities. The District operates and does business in a service area that includes the City of Radcliff ("City") and portions of Hardin, Meade and Breckinridge counties, and the Ft. Knox Army Base cantonment area.

The District also has wholesale water sales agreements with the City of Vine Grove, Meade County Water District, City of Hardinsburg and Hardin County Water District No. 2. The entire service area is within the boundaries of the Commonwealth of Kentucky. The District's address is 1400 Rogersville Road, Radcliff, Kentucky 40160. (807 KAR 5:001: Section 8(1))

The District entered into an agreement with the U.S. Government to accept the assets of the Fort Knox Army Base sanitary and storm water system in September 2004. On July 1, 2005, the District, through an operations contract with Veolia Water North America, ("VWNA", dba; *Veolia Water North America, South, LLC*) began operating the base's sewer systems (Commission case no. 2004-00422).

2. A certified copy of the order of the Hardin County Fiscal Court establishing the District and all amendments was included in the most recent rate filing of the District (Case No. 2006-00410) and is incorporated by reference.
3. The District's staff and Board of Commissioners have extensive experience owning and operating both water and sewer utilities. Operations of the proposed transferred system will be carried out by VWNA.

VWNA has operating agreements with over 600 communities, including over 400 water and sewer systems, treating a combined 2 billion gallons daily. VWNA's parent company, *Veolia Environnement*, employs 300,000 persons and their 2007 total revenues were \$48 billion. Additional information about VWNA may be found on their web site at; www.veoliawaterna.com.

All of the current City sewer department employees will be offered a position with VWNA. All the sewer department employees have the required wastewater treatment operator certifications.

and have operated the City system for many years. There are no pending agreed orders, or Kentucky Division of Water or Clean Water Act violations pending (KRS 278.020(4)).

4. After extensive due diligence, the District has entered into an agreement with the City of Radcliff dated January 31, 2008 that provides for the transfer of the sanitary sewer system assets, liabilities, and the operation of the system to the District. This agreement was preceded by two Memorandum of Agreements. The final agreement is enclosed as **Exhibit No. 1**. The transfer does not include the City's storm water system / utility, which the City is retaining.
5. The District has entered into an operations contract with VWNA for operations of the City sewer system on February 8, 2008. This Agreement is enclosed as **Exhibit No. 2**.
6. The current Kentucky Pollutant Discharge Elimination System permit held by the City of Radcliff will be transferred to Hardin County Water District No. 1. This request will be made to the Kentucky Cabinet for Natural Resources Department Division of Water, after the Kentucky Public Service Commission ("Commission") approves the Acquisition Agreement.
7. Transfer of certain liabilities of the City related to the sanitary sewer system require approval from two funding agencies. The Kentucky Infrastructure Authority and Kentucky League of Cities hold sewer revenue bonds and/or loans with the City. The District and the City have notified the Kentucky Infrastructure Authority and the Kentucky League of Cities of the acquisition of the City's sanitary sewer system by the District, and have provided all requested financial information requested to demonstrate the system's ability to generate revenue sufficient to pay off remaining debt. These letters of notice are attached as **Exhibit No. 3**.

It is anticipated that the Kentucky Infrastructure will approve the transfer of the Wastewater Revolving Fund loan at its March 2008 Board of Directors meeting. The total debt outstanding that will be transferred from the City and assumed by the District is summarized in Table 1 below:

Table 1

Agency	Principal Outstanding 12/31/07	Final Pmt Date	Interest Rate	Avg. Annual p+l pmts
Kentucky Infrastructure Authority Revolving Loan A-97-03	\$3,086,982	12/01/2018	3.8%	\$293,719
Kentucky League of Cities Series 2001A - Pooled Revenue Bond Issue	\$425,000	11/15/2010	3.8% to 4.4%	\$186,797

8. As part of the assets transferred to the District, the City will transfer all restricted debt service reserve funds, and other unrestricted sewer cash reserve accounts, which the District will also place in the proper trustee accounts and maintain required fund balances until debt is paid off.
9. The District will receive all sewer revenues currently in place, from all customer sources. The City is and has been current in paying its debt obligations. The District will also be able to service the remaining debt. The District does not intend to issue any new or additional debt to

fund the transfer or ongoing operations of the system. Based on the District's analysis, the District believes it has the financial integrity and ability to accept the transfer of the system, without burdening or jeopardizing its existing customers or systems.

10. An area map showing the geographical location of the City's sanitary sewer system is enclosed as **Exhibit No. 4**. Based on City records, the physical property to be transferred to the District includes approximately: 57 sewer lift stations; 130 miles of sewer mains; 3,000 manholes and a 4.0 million gallon per day wastewater treatment plant currently at approximately 50% capacity. All real property deeds and easements will also be transferred and deeded to the District.
11. At the end of 2007, the City had 8,697 active sewer accounts. The District has always provided customer billing and collection services for the City's sanitary and storm system customers. The sewer customers will continue to receive a sewer bill from the District, however the billed amount will no longer be shown on the City's side of the bill. All billing, due date, collection and penalties for customer's sewer bills will remain the same.
12. Based on the City's last annual financial report, the sewer system has an original asset cost of \$28,972,025, accumulated depreciation of \$10,714,741 and net plant asset value of \$18,712,370 (**Exhibit No. 5**). The City maintains a fixed asset schedule, which the District will receive. As part of completing a cost of service study, the District will also review and adjust the plant asset inventory, original and fixed asset estimated life, and adjust annual depreciation based on NARUC depreciation practices and schedules.
13. The City's most recent annual audit and financial report was requested by both debt issuing agencies. The latest completed year report (ending June, 2007) is included as **Exhibit 5**.
14. The District maintains separate accounting records for its water system and the Fort Knox sanitary sewer system. It will also maintain separate accounting records, bank accounts, financial statements and chart of accounts for the sanitary sewer system being transferred to the District. Common or shared costs will be allocated over all three utilities with documentation, outlining how the costs were allocated submitted with any and all subsequent rate applications.
15. The District's Board minutes recording the approval of the Acquisition Agreement and submitting an application to the Commission, as well as approval of the two prior agreements, are enclosed as **Exhibit No. 6**. The minutes of the City Council meeting, where the final agreement was approved, are also included with **Exhibit No. 6**.
16. The District hereby notifies the Commission, per **807 KAR 5:011 Section 11**, that it will adopt without change for one year the current rules, policies, regulations, and rates for sanitary service of the City. The rates, rules and regulation, on a tariff form furnished by the Commission are enclosed as **Exhibit No. 7**, and have been prepared to incorporate into the District's existing sewer tariff, with an effective date of **April 1, 2008**.
17. The District anticipates that it will be able to lower the current sewer rates by 15%, after one year of operations. The District has agreed with the City that before the one year anniversary, it will have completed a cost of service study and submit to the Commission for approval, subject to Commission approval. (See section 5 of final agreement in **Exhibit No. 1**). Along with any proposed rate design, the District will also update and revise any current City regulations, rules and policies, and submit those changes to the Commission also as part of a revised tariff, before the one year anniversary.
18. Advance prepared testimony is included as **Exhibit 8** and has submitted by Mr. Jim Bruce, General Manager. This testimony includes explanation of the District's reasons for accepting

the system, the impact to its other utility operations, and the reasonableness of the transaction and what process the District's Board used to make its decision.

19. The District requests an expedited review and approval of this transfer. The City's sewer department employees have been working with uncertainty about their employment for at least two years since March, 2006, when the City and District first signed a Memorandum of Understanding. Several employees have already left employment and the sewer department staff is already 4 persons (21%) understaffed.


The District believes it is in the best interest of all parties, including customers and employees, that this transaction be approved and concluded at the earliest possible date, so uncertainty can end and the staffing may be restored as soon as possible, and customer service and operations may continue as seamless as possible.

20. To assist with an expedited review, the District also request that any requests for additional information or questions be requested via electronic mail, or telephone, to the District attorney or General Manager, to which the District will respond in like manner in addition to written and mailed documents for the record.

WHEREFORE, Hardin County Water District No.1 hereinafter referred to as District, request that the Public Service Commission of the Commonwealth of Kentucky issues approval of the transfer request, and assumption of existing debt, for the ownership and continued operation of the Radcliff sanitary sewer system.

_____ Dated at Radcliff, Kentucky, this 29 day of February 2008.

HARDIN COUNTY WATER DISTRICT No. 1

By: 
David T. Wilson II, Attorney at Law
Attorney for Hardin County Water District No.1
Skeeters, Bennett, Wilson and Pike, PLC
550 West Lincoln Trail Boulevard, PO Box 610
Radcliff, Kentucky 40160
Phone: (270) 351-4404
email: david.wilson@sbw-law.com

VERIFICATION

The undersigned, Mr. James S. Bruce, General Manager of the Hardin County Water District No.1, hereby verifies that he has personal knowledge of the matters set forth in the enclosed application for approval to transfer ownership of the City, sanitary sewer system, and assume existing debt, and that he is duly designated by the Board of Commissioners of the Hardin County Water District No. 1 to sign and submit this information its behalf.

HARDIN COUNTY WATER DISTRICT No. 1

By James S. Bruce
JAMES S. BRUCE, GENERAL MANAGER

CERTIFICATION OF SERVICE

The undersigned, Mr. David T. Wilson II, attorney for the Hardin County Water District No. 1, hereby verifies that the foregoing was served on Ms. Beth O'Donnell, Executive Director, Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY. 40601-8204, and on the Attorney General of the Commonwealth of Kentucky by delivering a true and correct copy of same to Attorney General Mr. Jack Conway, ATTENTION: Mr. David Edward Spenard, Assistant Attorney General, 1024 Capitol Center Drive, Frankfort, KY. 40601 on this 29 Day of Feb, 2008

David T. Wilson II
Mr. David T. Wilson II, ESQ.
Attorney for Hardin County Water District No. 1

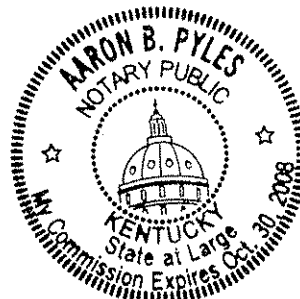
STATE OF KENTUCKY
COUNTY OF HARDIN

I, the undersigned, a Notary Public, do hereby certify that on this 29 day of Feb, 2008, personally appeared before me, James S. Bruce and David T. Wilson, II, who being by me first sworn, subscribed to and acknowledged that they both represent the Hardin County Water District No. 1, a Kentucky Corporation, that they have signed the foregoing document as General Manager and Attorney of the Corporation.

Aaron B. Pyles
NOTARY PUBLIC, STATE OF KENTUCKY

My Commission Expires;

October 30, 2008



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WASTEWATER SYSTEM
ACQUISITION AGREEMENT

This Agreement made and entered into by and between the City of Radcliff (“City”), 411 West Lincoln Trail Boulevard, Radcliff, Kentucky, 40159, a municipality organized pursuant to Kentucky statutes, acting herein through Mayor Sheila C. Enyart, as authorized, and the Hardin County Water District No. 1 (“District”), 1400 Rogersville Road, Radcliff, Kentucky, 40160, a water District organized pursuant to Kentucky statutes, acting herein through the Chairman, William J. Rissel, as authorized, the Parties to the AGREEMENT, which shall become effective upon the date of execution by both parties.

WHEREAS, the City of Radcliff is a municipal corporation duly organized and existing under the laws of the Commonwealth of Kentucky, being a second-class city pursuant to Kentucky law; and

WHEREAS, Hardin County Water No. 1 is a duly organized and operating water District organized and existing under the laws of the Commonwealth of Kentucky, engaged in the business of treating and selling potable water and maintaining a water distribution system; and

WHEREAS, the City and the District have worked together for decades in providing water and sewer services for the residents of Radcliff and surrounding areas, and the District has, since 1952, owned and operated the water system in Radcliff and for a period in the past operated the City’s sewer system, and currently provides the City with all utility billing and collection services; and

WHEREAS, in September, 2004, the District was awarded a contract by the Department of the Army and Fort Knox ("Government") to own and operate the sanitary and storm sewer systems on Ft. Knox, and began operations of those systems in July, 2005, and the District's contract with the Government allows the District to use any surplus capacity of the Ft. Knox sanitary sewer system for other users with the prior approval of the Government; and

WHEREAS, recent actions of the Base Realignment Committee will dramatically affect Radcliff and the surrounding areas with increased residential and commercial growth, including increased demands on the utility systems in the region; and

WHEREAS, both the City and the District seek to benefit their respective and mutual customers achievement of economies of scale by changing ownership of facilities which may assist Radcliff with managing future community development in the near and long term while relying on the District to expand and manage the sanitary sewer system, so that costs may be shared equitably and rates to customers be held as low as reasonably possible; and

WHEREAS, the City and the District have completed an infrastructure study, containing analyses, calculations, investigations and identification of legal organizational options necessary and appropriate to provide the City and District with utility service alternatives and the impact of such alternatives on rate payers and customers; and

WHEREAS, the City and the District agree to transfer the City's wastewater service and system to the District based upon the conclusions reached from the infrastructure study. More specifically, the parties agree as follows:

1. The City will sell to the District, for good and valuable consideration, all of the City's tangible assets devoted to the provision of wastewater service to the public. The sale will include, but not be limited to, the tangible assets of the City's wastewater system and all interest the City has in real property pertaining thereto, as well as all sewer reserves and sinking fund reserves that may legally be transferred from the City to the District. At this time, the tangible wastewater assets of the City include gravity-fed and force main lines of approximately 688,379 feet, approximately 3,000 manholes, 57 lift and pump stations, and capital equipment shown in Schedule A attached hereto. {It is believed that there may be specific assets which will be specifically excluded from the sale with said items to be specifically identified by description.}

2. The consideration for the purchase shall be one dollar (\$1.00) cash in hand and other good and valuable consideration, to include the conveyance, in fee simple, of three (3) tracts of real property from the District to the City, as described in Schedule E attached hereto.

3. The City and the District warrant and guarantee as follows:

- a. The City is a city of the second class in Kentucky with the appropriate authority to enter into the transaction.
- b. The parties will have the full capacity, right and authority to enter into the agreement and will obtain all appropriate consents, authorizations, approvals or other requirements as prescribed by law.
- c. The agreement will not conflict with or result in a breach of any of the parties' other instruments, loans, grants, contracts, bonds, agreements, mortgages, or other restrictions to which either the City or the District is a

party or to which any of their assets is subject.

- d. The parties will comply with all existing laws, rules, regulations, loans, contracts, bonds, agreements and decrees applicable to the wastewater system before and after the sale.
- e. The City warrants having good and marketable title to all its assets. None of the assets after the closing will be subject to any mortgage, pledge, lien, security interest, encumbrance, or adverse claim of any nature whatsoever, except as recognized by both the City and District and approved by any holder of any mortgage, liens, security interest, or adverse claim. The City's assets are warranted to be in good operating condition and repair suitable for the purposes used. Any and all transferable warranties to which the City has rights are transferred to the District.
- f. The parties warrant to be solvent and able to meet all of their respective business obligations.
- g. The City warrants that any and all taxes, documents, employee withholding forms, licenses, and permits related to the City and its wastewater assets have been or will be appropriately filed and in current good standing as of the date of transfer.
- h. The City agrees to deliver to the District copies of its last two years of financial statements unless otherwise agreed by the parties. The City warrants that there is no other debt or obligation except those incurred in the ordinary course of the City's business related to the wastewater system, and that there is no condition or event that materially affects the

wastewater assets of the City.

- i. Any and all legal proceedings including legal action, arbitration, governmental investigation, or other legal or administrative proceedings, regarding the wastewater system have been disclosed by the parties, and both parties agree to defend said action(s), which was in process or filed against said party, after the transfer date.
- j. Until and through the date of the transfer, the parties shall conduct their business diligently and substantially in the same manner as business was conducted prior to the date of the transfer. Neither the City nor the District shall institute any new methods of accounting or operation or engage in any transition or activity except that which falls under the ordinary course of business and is consistent with past practice.
- k. The City warrants not to further subject any of its wastewater assets to any mortgage, lien or encumbrance without notice to and approval of the District and shall not dispose of such assets without notice to the District.
- l. The City agrees to maintain adequate insurance policies on the assets and retains all risk of loss regarding said assets prior to transfer.
- m. The City agrees to provide all its records, including service and maintenance records, regarding the wastewater system for calendar year 2000 through the present.
- n. The City warrants that it has sufficient interest in land ownership for the proper operation and maintenance of the wastewater assets.
- o. The District agrees that after the transfer date, it will be responsible for

any costs to transfer title of land or other assets into the District's name, which may include additional legal, surveying, appraisal or other filing costs.

- p. The parties agree that the City will retain a right of first refusal for ownership of the wastewater system if the District decides in the future to privatize, sell, or transfer said system, in whole or in part. The parties acknowledge and understand that approval would be required for any such proposed transaction by the Kentucky Public Service Commission, and any such transaction would be contingent upon said required approval being granted.

4. The parties agree that the District is not assuming any of the City's liabilities as debts except as set out herein, and that the acquisition is contingent upon:

- a. the District obtaining acceptable financing for the operation of the wastewater system; and
- b. the approval of all City creditors as required by the parties and to the satisfaction of the parties.

5. The District and City agree that as of the date of execution of this agreement that the District shall own and operate the wastewater systems acquired from the City and all customers served by the City shall be Customers of the District. After the acquisition date, said customers will be charged at those rates and charges as from time to time are approved by the Public Service Commission of the Commonwealth of Kentucky, however both parties agree that for the first twelve (12) months after the transfer date, the current City wastewater rates shall remain in effect

and not change until after that period expires. The parties anticipate that after a period of twelve (12) months that the District will be able to decrease wastewater user rates by approximately fifteen percent (15%); however, the parties acknowledge and agree that any such rate reduction is conditioned on various factors, including, but not limited to: a cost of service study by the District and approval by the PSC before implementation; whether the District has to assume any additional debt service in order to complete projects committed to by the City pre-transfer or not funded by the City or available reserves; an unforeseen increase in the number of employees required to manage the wastewater system post-transfer; acquisition costs by the District or start-up costs by the District's contractor being higher than anticipated; and other unforeseen major repair or maintenance expenses incurred by the District due to catastrophic failure of systems or assets occurring in the first twelve (12) months post-transfer. The parties acknowledge that these variables may impact the amount of or possibility of a rate reduction.

6. The District agrees to secure employment or a compensation package for all wastewater employees of the City at mutually agreed upon compensation levels, with continuing employment compensation to be no less than the existing compensation of the employees as of the date of acquisition, with said employees actually to be employed by Veolia Water North America-South, LLC. Said employment will be on an at will basis with job duties comparable to previous job duties with the City, although the parties recognize that specific duties of said employees may be different depending on their geographic location and may be subject to different supervisory oversight. The parties agrees that the employees will have specifically designated length of employment for

purposes of determining vacation, sick pay, and all other benefits with Veolia.

7. The parties agree that by the closing date the City will provide the District with a current list of the customers and arrangements will be made for final transitional billing. The District will be entitled to all revenue from services provided by the District on or after the closing date. The District and City agree that after the transfer date, all sanitary sewer bills mailed to customers will be identified as the responsibility of the District, and the District shall be responsible for any and all inquiries, questions or complaints regarding sewer rates after that date.

8. The parties agree that the District is pursuing approval from the Public Service Commission of the Commonwealth of Kentucky ("PSC") for the wastewater system acquisition.

9. The parties agree by the time of final approval from the PSC, that all appropriate appeal times will have expired, and that the parties will have obtained any and all necessary waivers or consents for the transfer of the wastewater system.

10. The City agrees it has not conveyed, leased or in any way disposed of its wastewater assets prior to the closing without the consent of the District. As of closing day, the City will transfer and convey to the District its wastewater assets together with all files, plats, maps, plans, records and ledgers or copies thereof in any way connected with the rendition of wastewater service by the City. The parties recognize: the District will pay from future wastewater revenues the City's wastewater system debt service condition, attached hereto as Schedule B; the City's fiscal year July 1, 2006--June 30, 2007 capital projects status, attached hereto as Schedule C; and the City's fiscal year July 1, 2007--June 30, 2008 capital projects estimated plan, attached hereto as Schedule D.

10A. The parties acknowledge that the City is conducting a Highway 313/South Wilson Road corridor sewer expansion, targeting the southern end of Radcliff with a twelve-inch line, scheduled to be completed in various phases as planned. The City has earmarked funds for such projects, and has made commitments regarding expansion it intends to fulfill. The parties agree these earmarked funds will either be paid towards the project in advance or will be transferred to the District as part of the proposed wastewater system transfer to the District. Engineering for all the phases is expected to be completed soon, but construction cannot be completed in its entirety prior to transfer of the wastewater system to the District. Therefore, the District will complete the final phases of existing commitments and installations currently being done. However, if the projects are not completed at the time of the transfer of the wastewater system to the District, the District will be free to use other methods, designs, or efficiencies to provide the same capacity and sewer availability to the same parcels, for the purpose of conserving funds so additional improvements and projects can be made to the Radcliff wastewater system. The extent of the sewer expansions, including a breakdown of all required financial commitments and expenditures, the physical boundary the project area(s), and timeframes for completion, as well as all pertinent data, plans, documents, etc., would be provided fully by the City to the District.

10B. The City of Radcliff has been awarded two sewer grants thru KIA which to date have not been fully expended or reimbursement requested. They are to fund the Boone Trace lift station and force main upgrade project and the sewer plant equalization basins replacement project. If either of these two projects has not been completed and all grant funds have not been received

as of the turnover date, the District agrees to coordinate, manage and complete both projects no later than May 15, 2008 or forego any outstanding available grant funds. Final grant project reimbursements must be done by the City prior to May 25, 2008 to insure payment reimbursement from KIA no later than the close of the fiscal year ending June 30, 2008. The City, upon receipt of any grant reimbursement dollars into its treasury, will forward these dollars to the District. Any project expenses incurred between the turnover date and May 15, 2008 will be paid by the City from holdover sewer fund dollars. Accounts payable invoices and supporting documentation will be provided to the City by the District in order to prepare the grant request. Any KIA reimbursements from the grants to the City will be forwarded to the District upon treasury receipt. Once all grant dollars are fully exhausted by KIA and paid to the City, the District agrees to fund the remaining project costs from sewer fund reserves or current sewer revenues. The intent of this action is to insure all grant funds awarded to the City (which are not transferable to the District) not be jeopardized due to the system turnover and also to insure that the City reflects no sewer fund activities on its financial statements after June 30, 2008.

10C. The District agrees that for a period of three years following the execution of said contract, the District will focus on securing external funding, grants or other property assessment financing methods available under KRS 74.130-74.230, in order to expand sewer service to those residential areas or properties currently located within the Radcliff city limits which do not

presently have sewer service, or those areas that are annexed into the city limits during this time period. This section does not forbid or preclude the District from also developing or pursuing other projects outside the city limits.

11. The parties agree that the District has had sufficient time to examine the City's assets and obtain copies of all books and records, prior to closing.

12. The parties agree that their acquisition agreement shall be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

13. Neither party shall be liable for damages due to delay or failure to perform any obligation under this agreement if such delay or failure results directly or indirectly from circumstances beyond the control of such party. Such circumstances shall include, but shall not be limited to, acts of God, acts of war, civil commotions, riots, strikes, lockouts, acts of the State or Federal Government in either its sovereign or contractual capacity, interruptions in telecommunications, transmissions, inability to obtain suitable equipment or components, accident, fire, water damages, flood, earthquake, or other natural catastrophes. Neither party shall be liable to the other for damages for any delay arising out to caused beyond its reasonable control and without its fault or negligence.

14. The parties anticipate that there will be several conditions precedent which are vital to the validity and enforceability of the agreement and that those conditions will be specified in sufficient detail in writing.

15. The parties indemnify each other from any and all liability, loss or damage the other may suffer as a result of claims, demands, costs, or judgments against it arising out of the offending party's failure to perform any of the obligations arising out of the

agreement herein; negligence; failure to conform with statutes, ordinances, or other regulations or requirements of any governmental authority; or pre-existing debt or contingent liability, including but not limited to ERISA, environmental, or other liability, known or unknown, which occurs, originates, or attaches prior to the date of closing.

16. The District agrees to pay to the City franchise payment based upon wastewater utility revenues, in accordance with Kentucky Constitution, § 164, and other applicable law. Said franchise fee shall be capped at three percent (3%) of revenues. Said payment of any franchise fees shall be monthly, and the Parties agree to modify the existing franchise agreement between the parties for water services such that the District will pay those fees on a monthly basis as well to the City.

17. The parties agree that this acquisition agreement is not modifiable except by writing signed by both parties and that Kentucky law governs the transaction, including any written agreement or amendments thereto.

18. The parties will agree to waive any and all conflict of interest which may exist by the fact that the law firm of Skeeters, Bennett, Wilson & Pike of Radcliff, Kentucky represents both the District and the City and has for many years. Each of the parties consents to the dual representation with the understanding and belief that the dual representation will not adversely effect either client, in light of the fact that the nature of the dual representation, including the implications of the common representation, and the advantages and risks involved in such common representation have been fully explained to the satisfaction of each of the parties. In addition, the counsel for each of the parties has made assurances that he reasonably believes the dual representation will not adversely affect his respective client.

19. The City and the District agree that all legal expenses incurred by the parties in relation to the transaction will be paid by the District, which payment at the time of transfer shall include reimbursement to the City of legal expenses related to this transaction.

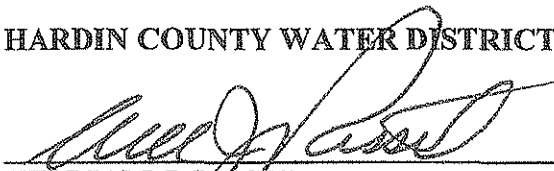
20. The parties agree that this final action has been presented to and approved by the City and the District through its respective Council and Board of Commissioners and any other organizations or regulatory agencies affected or having jurisdiction, state or federal, including but not limited to the Hardin County Fiscal Court; the Kentucky Public Service Commission; and the Kentucky Division of Water.

This Agreement, ratified by signatures of the designated representative of the City of Radcliff, as authorized, and the designated representative of the Hardin County Water District No. 1, as authorized, with the effective date as indicated.

This 31st day of January 2008.
CITY OF RADCLIFF

By: 
SHEILA C. ENYART
MAYOR

HARDIN COUNTY WATER DISTRICT NO. 1

By: 
WILLIAM J. RISSEL
CHAIRMAN, BOARD OF COMMISSIONERS

SCHEDULE B

City of Radcliff Current Wastewater System Debt Service Condition

1. Kentucky Municipal League Sewer System Project Series 2001 (sewer bond financing); principal outstanding as of June 20, 2007 = \$550,000. Final payout scheduled November 15, 2010.
2. Kentucky Infrastructure Authority Sewer Plant Upgrade 1997 (loan financing); principal outstanding as of June 30, 2007 = \$3,199,188. Final payout scheduled December 1, 2018.

SCHEDULE C

City of Radcliff Fiscal Year (July 1, 2006-June 30, 2007) Capital Projects

1. Sewer Plant Basins cleanout and liner replacement (2). Project cost of \$416,000. Completion expected by Summer of 2007. Project funded by a KIA grant up to \$450,000.
2. Boone Trace Lift Station and Force Main Upgrade. Force main portion of project is currently underway at project cost of \$493,200. Project completion expected by Summer 2007. Station upgrade portion has not been bid yet but expected to cost approximately \$582,500. Completion timeline unknown. Project partly funded by KIA grant for \$450,000. Additional costs to be funded by City Sewer Fund reserves.

SCHEDULE D

**City of Radcliff Fiscal Year (July 1, 2007-June 30, 2008) Capital
Projects (Estimated)**

1. Upgrade of 6 pump stations and force mains. Project cost estimated \$1,985,000. Project not bid yet. Requires new financing.
2. Brightside, A. Arnold, and Cowley Crossings force main redirect. Project cost estimated \$1,607,000. Project not bid yet. Requires new financing.

SCHEDULE E

Schedule of Real Estate to be transferred from Hardin Water District No. 1 to the City of Radcliff

1. That certain tract of real estate containing 0.574 acres, more or less, described in a Deed dated July 16, 1958, of record in Deed Book 160, Page 607, Office of the Hardin County Court Clerk. Said property is currently being used as the location for Radcliff City Hall and the immediately adjacent parking area to the south.

2. That certain tract of real estate containing 3.257 acres, more or less, described in: (a) a Lease dated December 12, 1985, of record in Deed Book 597, Page 344, Office of the Hardin County Court Clerk; (b) a Lease dated July 24, 1986, of record in Deed Book 597, Page 339, Office of the Hardin County Court Clerk; and (c) a Deed dated April 8, 1987, of record in Deed Book 606, Page 158, Office of the Hardin County Court Clerk. Said property is currently being used as the location for the Radcliff Courthouse Building, Radcliff Police Department, the Hardin County Clerk's Radcliff Office, parking behind the Courthouse, and a portion of the tennis court and walking course property behind the Courthouse.

3. That certain tract of real estate containing 1.664 acres, more or less, described in: (a) a Deed dated January 28, 1974, of record in Deed Book 584, Page 31, Office of the Hardin County Court Clerk; and (b) a Deed dated April 8, 1987, of record in Deed Book 606, Page 158, Office of the Hardin County Court Clerk. Said property is currently being used as parking for Radcliff City Hall, the Radcliff Courthouse Building, Radcliff Police Department, and the Hardin County Clerk's Radcliff Office, being located immediately easterly and directly adjacent to Freedoms Way.

These tracts of real estate are identified on a survey dated June 10, 1986, performed by Hawkins & Associates, Edward P. Hawkins, RLS #2511, known on said survey respectively as Tracts 1, 2 and 3.

The parties acknowledge that the building currently leased to the County Clerk is under lease to the County from District #1, and that said lease

will be assigned from the District to the City, and that the City will honor the current lease as it reads and its will not alter its terms until the current lease expires.

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AGREEMENT

BY AND BETWEEN

HARDIN COUNTY WATER DISTRICT No. 1

AND

VEOLIA WATER NORTH AMERICA – SOUTH, LLC

TO PROVIDE

**OPERATIONS MAINTENANCE AND MANAGEMENT OF
WASTEWATER UTILITY SYSTEM**

**AT
RADCLIFF, KY**

February 8, 2008

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AGREEMENT

THIS AGREEMENT, made and entered into this 14th of February, 2008 (hereinafter referred to as the "Agreement"), by and between the HARDIN COUNTY WATER DISTRICT No. 1 hereinafter referred to as the "DISTRICT", and Veolia Water North America – South, LLC hereinafter referred to as "VEOLIA WATER."

WITNESSETH:

WHEREAS, the DISTRICT and VEOLIA WATER entered into an Agreement ("Agreement") in June, 2005 to work together to privatize the wastewater and storm water utility systems at Ft. Knox, Kentucky (the "Fort Knox Operations") under Defense Energy Support Center Solicitation No. SP0600-01-R-0121; and

WHEREAS, the success of that Agreement brought about interest by the City of Radcliff ("CITY") in determining whether economies of scale exist that could likewise reduce costs and provide more effective service in the operation, maintenance and management of the CITY's wastewater utility system (the "Radcliff System"); and

WHEREAS, the DISTRICT entered into a Memorandum of Agreement with the CITY to carry out a study to determine if opportunities exist to reduce rates and to improve and expand service to meet the needs of the BRAC activities on Ft Knox; and,

WHEREAS, the DISTRICT and the CITY entered into a Wastewater System Acquisition Agreement on January 31, 2008 (the "Radcliff Agreement") to enact the transfer of all assets and liabilities of the CITY System to the DISTRICT, which included, as part of the Radcliff Agreement, VEOLIA WATER providing O&M services to the DISTRICT in connection with operation, maintenance and management of the Radcliff System; and,

WHEREAS, the DISTRICT and VEOLIA WATER shall enter into this Agreement to provide the terms under which VEOLIA WATER will operate, maintain and manage the CITY System only if the transfer of the CITY system to the DISTRICT is approved by the Kentucky Public Service Commission;

NOW, THEREFORE, in consideration of the mutual covenants and Agreement s hereinafter set forth, the DISTRICT and the VEOLIA WATER agree as follows:

1. General Terms of the Agreement:

- .1 **Scope of this Agreement:** The intention of the parties is that the terms of this Agreement will exclusively govern the services to be performed by VEOLIA WATER in connection with the Radcliff Sewer System. A separate document sets forth terms regarding VEOLIA WATER and the DISTRICT's other relationship regarding the Fort Knox Operations which requires specialized language relating to the Federal Acquisition Regulations and other federal procurement laws incorporated therein by reference but which shall not apply to the services

performed under this Agreement unless otherwise specifically stated herein. This Agreement shall not modify or change the terms under which VEOLIA WATER performs services for the DISTRICT in connection with the Fort Knox Operations. Definitions of words and phrases used in this Agreement and the attachments are contained in APPENDIX A.

- .2 DISTRICT Property: All land, buildings, facilities, easements, licenses, rights-of-way, equipment and vehicles presently or hereinafter acquired or owned by the DISTRICT shall remain the exclusive property of the DISTRICT unless specifically provided for otherwise in this Agreement.
- .3 Binding Agreement: This Agreement shall be binding upon the successors and assigns of each of the parties, but neither party shall assign this Agreement without the prior written consent of the other party. Consent shall not be unreasonably withheld, conditioned or delayed.
- .4 Notices: All notices shall be in writing and transmitted to the party's addresses and persons listed below. All notices shall be deemed effectively given when delivered, if delivered personally or by courier, mail service, i.e., Federal Express or DHL; delivered after such notice has been deposited in the United States mail postage prepaid, if mailed certified or registered U.S. mail, return receipt requested; or received by the party for which notice is intended, if given in any other manner.

If to the DISTRICT to:

Primary Address;

Hardin County Water District No.1
Mr. Jim Bruce, General Manager
1400 Rogersville Road
Radcliff, KY 40160

with a copy to:

Mr. David Wilson
Skeeters, Bennett, Wilson and
Pike
550 West Lincoln Trail Blvd.
Radcliff, KY 40160

If to VEOLIA WATER to:

Veolia Water North America – South, LLC
Mr. Robert Nicholas, Area Manager
14055 Riveredge Drive – Suite 240
Tampa, Florida 33637

With a copy to:

Veolia Water North America - South, LLC
Mr. Van Cates, Senior Counsel
14055 Riveredge Drive – Suite 240
Tampa, Florida 33637

- .5 Radcliff Agreement: It is understood that certain requirements from the Radcliff Agreement are set forth in Appendix F is incorporated herein for all purposes. VEOLIA WATER agrees to comply with all such requirements..
- .6 Entire Agreement: This Agreement, including APPENDICES A through F, is the entire Agreement between the parties with respect to the Radcliff Sewer System. This Agreement may be modified only by written Agreement signed by both parties. Wherever used, the terms "VEOLIA WATER" and "DISTRICT" shall include the respective officers, agents, directors, elected or appointed officials and employees, where appropriate VEOLIA WATER's or anyone acting on their behalf.
- .7 Savings Clause: If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect, and shall in no way be affected, impaired or invalidated.
- .8 Nature of Services: The services provided under this Agreement are of a professional nature and shall be performed in accordance with good and accepted industry practices for contract operators similarly situated. However, such services shall not be considered engineering services, and nothing herein is intended to imply that VEOLIA WATER is to supply professional engineering services to the DISTRICT, unless specifically stated in this Agreement to the contrary.
- .9 Attorneys Fees: If any litigation is necessary to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, which are directly attributed to such litigation, in addition to any other relief to which it may be entitled.
- .10 No Third Party Beneficiaries: Nothing in this Agreement shall be construed to create in any third party or in favor of any third party any right(s), license(s), power(s) or privilege(s).
- .11 Designated Representative: Prior to the commencement of work under this Agreement, each party shall designate in writing an employee or other representative of the designating party who shall have full authority to approve changes in the Scope of Work and compensation therefore, execute written Change Orders reflecting such changes, render decisions promptly, and furnish information expeditiously to the other party when necessary.
- .12 Governing Law: This Agreement shall be governed by, construed and interpreted in accordance with the laws of the Commonwealth of Kentucky, excluding any choice of law rules, which may direct the application of the laws of any other jurisdiction. More particularly, any action pertaining to this Agreement taken in

a court of law shall, unless otherwise prevented by law, be subject to venue and jurisdiction in Hardin County, Kentucky,

- .13 Severability: If any provision of this Agreement is deemed invalid, illegal, such provision will be deemed amended to conform to applicable laws so as to be valid and enforceable, or if it cannot be so amended without materially altering the intention of the parties, it will be stricken, (ii) the validity, legality and enforceability of such provision will not in any way be affected or impaired thereby in any other jurisdiction, and (iii) the remainder of this Agreement will remain in full force and effect.
- .14 Dispute Resolution: In the event of dispute between DISTRICT and VEOLIA WATER, said parties shall immediately enter into discussions to arrive at a mutually satisfactory solution to said dispute. If a mutually satisfactory solution cannot be reached between VEOLIA WATER and the DISTRICT, then the parties hereby knowingly, voluntarily and irrevocably agree that any disputes or conflicts in any way arising out of or relating to this Agreement shall first be mediated, by a professional mediator, based in Kentucky and mutually agreed to by both parties, and if mediation fails to resolve the dispute between the Parties, then the dispute shall be resolved by binding arbitration after which each party would select an arbitrator, and those two arbitrators would then select the final arbitrator who would arbitrate the dispute.
- .15 Work Deliverables: All documentation pertaining to any and all services and work performed, pertaining to this contract, including but not limited to: photos, videos, compact disc, studies, data, computations, reports, etc., excluding VEOLIA WATER proprietary software processes, shall be provided to the DISTRICT upon request. Moreover, VEOLIA WATER hereby agrees that all photos, videos, studies and related data, reports and any other data completed as a deliverable requirement under this Agreement is the sole property of the DISTRICT.
- .16 Labor Dispute: In the event activities by employee groups or unions cause a disruption in VEOLIA WATER's ability to perform at the Project, the DISTRICT, with VEOLIA WATER's assistance or VEOLIA WATER at its own option, may seek appropriate injunctive court orders. During any such disruption, VEOLIA WATER shall operate the facilities on a best efforts basis until any such disruptions cease.
- .17 Force Majeure: Neither party shall be liable for its failure to perform its obligations under this Agreement, if such failure is due to any Unforeseen Circumstances beyond its reasonable control. However, this Section may not be used by either party to avoid, delay or otherwise affect any payments due to the other party.

- .18 Entire Agreement: This Agreement constitutes the entire understanding and Agreement between the parties relating to the services provided by VEOLIA WATER to DISTRICT and supersedes any and all prior Agreements whether written or oral, which may exist between the parties regarding the services. This Agreement may be amended only by a written instrument signed by each party.
- .19 Successors and Assigns: This Agreement shall be binding upon, and to the benefit of the parties hereto, their successors and assigns.

2. **Status as Contractor, Subcontractor:**

- .1 The parties agree that VEOLIA WATER shall be an independent contractor and both VEOLIA WATER and his/her employees, subcontractors and agents shall not be considered to be employees of the DISTRICT.
- .2 VEOLIA WATER shall not employ any subcontractor, supplier, or other individual or entity against whom the DISTRICT may have reasonable objection. VEOLIA WATER shall not be required to employ any subcontractor, supplier or other individual or entity to furnish or perform any of VEOLIA WATER's work against whom VEOLIA WATER has reasonable objection.
- .3 VEOLIA WATER shall be solely responsible for scheduling and coordinating their subcontractors, suppliers and other individuals and entities performing or furnishing any of the work under a direct or indirect contract with VEOLIA WATER. All work performed for VEOLIA WATER by a subcontractor or supplier will be pursuant to an appropriate sub-Agreement or purchase order between VEOLIA WATER and the subcontractor or supplier which specifically binds the subcontractor or supplier to the applicable terms and conditions of this Agreement.
- .4 Intentionally Left Blank
- .5 VEOLIA WATER agrees to cooperate with other DISTRICT subcontractors, engineers, consultants or other agencies that would not be under contract to VEOLIA WATER but to the DISTRICT which said cooperation may require reasonable access to data and reports, access to facilities owned by the DISTRICT or sharing other information about the operations of the Project as requested by the DISTRICT.
- .6 All employees, contractors and representatives of VEOLIA WATER, performing work at the Project shall provide proof of security clearance required by Fort Knox because of the interchange of personnel and equipment.

3. **Agreement Term:**

- .1 The Initial Term of this Agreement shall begin March 15, 2008 and shall terminate on the same date as the Fort Knox agreement between DISTRICT and VEOLIA WATER (i.e., with seventeen years (17 years) and four (4) months remaining. Thereafter, this Agreement shall be automatically renewed for successive terms of five (5) years each, unless canceled in writing by either party no less than one hundred and twenty (120) days prior to expiration.
- .2 Both parties agree that the beginning date of March 15, 2008 may be sooner or later based on the time required to obtain final state agency approval but with no change in the end dates. All costs would be prorated accordingly.
- .3 The DISTRICT may terminate this Agreement (1) the District sells or transfers the Radcliff Sewer System to another entity; or (3) on the tenth and fifteenth anniversary of the Ft Knox Agreement Commencement Date for convenience with 120 day prior written notice. Either party may terminate this Agreement at anytime for a material breach of the Agreement by the other party; only after giving written notice of breach; and, except in case of a breach by the DISTRICT for non-payment of VEOLIA WATER's invoices, in which case termination may be immediate by VEOLIA WATER, only after allowing the other party sixty (60) days to cure or commence taking reasonable steps to cure the breach.
- .4 In the event that this Agreement is terminated for the DISTRICT's convenience prior to the expiration of the initial term or any successive term, the DISTRICT shall pay VEOLIA WATER a termination fee based on the remaining unamortized balance of start up costs and capital expenditures made by VEOLIA WATER, all as set forth in Appendix F.
- .5 Upon notice of termination by the DISTRICT, VEOLIA WATER shall assist the DISTRICT in assuming operation of the Project. If additional Cost is incurred by VEOLIA WATER at request of the DISTRICT, the DISTRICT shall pay VEOLIA WATER such Cost within the same terms of a routine monthly invoice as provided for herein.
- .6 Upon termination or expiration of this Agreement and all renewals and extensions of it, VEOLIA WATER will return the Project to the DISTRICT in the same condition as it was upon the effective date of this Agreement, ordinary wear and tear excepted. Equipment and other personal property purchased by VEOLIA WATER for use in the operation or maintenance of the Project shall remain the property of VEOLIA WATER upon termination or expiration of this Agreement, unless the property was directly paid for by the DISTRICT, or the DISTRICT specifically reimbursed VEOLIA WATER for the cost incurred to purchase the property, or this Agreement provides to the contrary.

4. **General Duties of VEOLIA WATER:**

- .1 VEOLIA WATER shall operate and maintain the system so as to provide reliable, cost-effective, and compliant service ("work") over the term of the contract as described herein. The work to be provided by VEOLIA WATER is divided into various categories and sections which are further defined and described in this section.
- .2 VEOLIA WATER shall establish, maintain and adhere to a Quality Management Plan within ninety (90) days of project start. The plan shall include staffing, customer feedback system, method of system inspection, record keeping and environmental compliance plan.
- .3 The DISTRICT reserves the right to monitor and evaluate the progress and performance of VEOLIA WATER to assure that the terms of this Agreement are being met in accordance with applicable wastewater industry monitoring and evaluating criteria and standards. VEOLIA WATER shall cooperate with the DISTRICT relating to such monitoring and evaluation.
- .4 VEOLIA WATER shall develop and/or supply and utilize computerized programs for process control, maintenance, and laboratory Quality Assurance/Quality Control. The maintenance program will be capable of exporting information to the DISTRICT's GIS Mapping system.
- .5 VEOLIA WATER shall provide sufficient financial information to the DISTRICT for the purposes of preparing accounting reports which classify costs into categories or accounts as required by the Kentucky Public Service Commission. In lieu of duplicate reports, VEOLIA may produce for the DISTRICT a digital computer file with its costs allocated to its own account numbers, into a spreadsheet or database program, with sufficient other explanation or use for each expense for the DISTRICT to further categorize the expenses into other required Uniform System Chart of Accounts.
- .6 VEOLIA WATER will provide for the collection and hauling of solid waste, screenings, grit, sludge and scum ("Waste") to the DISTRICT's existing or approved disposal sites. It shall be the sole right and responsibility of the DISTRICT to designate, approve or select disposal sites to be used by VEOLIA WATER for the DISTRICT's waste materials. All Waste and/or byproduct treated and/or generated during VEOLIA WATER's performance of services is and shall remain the sole and exclusive property of the DISTRICT. All manifests or other documentation required for disposal of Waste shall be signed by or in the name of the DISTRICT or its authorized representative.
- .7 Upon request of the DISTRICT, VEOLIA WATER will provide a listing of recommended capital improvements required for the Project. VEOLIA WATER

will not be relieved of its responsibility to perform if the recommendations are not implemented; provided however, that the capital improvement necessary to: (I) meet effluent requirements; (ii) meet federal, state or local laws, rules or regulations for the safety of persons in or about the Project; or (iii) meet ADA (Americans with Disabilities Act) requirements. If the project(s) are approved, the DISTRICT will make arrangements for the design and construction of said improvements.

- .8 VEOLIA WATER shall provide its own telephone, cable television company, computer internet, natural gas and electrical service. The DISTRICT and VEOLIA WATER however do agree that if the rates are less expensive as government rates versus a corporate rate then the service will be in the name of the DISTRICT and paid by VEOLIA WATER.
- .9 Prior to operating two-way, portable, or land mobile devices VEOLIA WATER shall be certain these are compatible with Ft Knox regulations because of the interchange of personnel and equipment between the two project.
- .10 VEOLIA WATER will be permitted to use the offices, maintenance shops, and materials storage/staging areas at Radcliff for the operation of the project but not for non related project activities unless provided for in writing from the DISTRICT.
- .11 VEOLIA WATER shall be responsible for the disposition of VEOLIA WATER removed or salvaged materials in accordance with CITY, County, State and Federal regulations..
- .12 VEOLIA WATER shall provide a vehicle for its project manager and a lawn mower required to cut grass. The above property shall be readily identifiable as to include both the DISTRICT and VEOLIA WATER markings on each vehicle.
- .13 VEOLIA WATER shall employ sound utility practices to ensure continuous, dependable, and reliable utility service is provided to the Installation 24 hours each day and to minimize the scope and length of any service disruption. VEOLIA WATER shall ensure it is able to receive the Service Requests 24 hours a day, every day. Once a request is received, VEOLIA WATER shall respond in accordance with their Service Interruption/Contingency Plan which shall be provided to the DISTRICT ninety (90) days after start of the contract. The standards shall distinguish between different categories (routine, emergency) of service requests and service interruptions and, identify response times for each category. The standards will match those currently being utilized in the service provided to Ft Knox.
- .14 Intentionally Left Blank

- .15 VEOLIA WATER shall comply with all applicable State and Federal environmental laws and regulations.
- .16 VEOLIA WATER shall comply with industry standards regarding work in and around environmentally sensitive or contaminated property.
- .17 VEOLIA WATER shall provide an inventory of all materials, tools, chemicals and supplies on hand at the site within 24 hours of starting the contract.
- .18 Intentionally Left Blank
- .19 VEOLIA WATER shall at its expense comply with all applicable laws on occupational safety and health, the handling and storage of hazardous materials included in its scope of work and the proper handling and disposal of hazardous wastes and hazardous substances generated by VEOLIA WATER during its activities.
- .20 VEOLIA WATER Duties - Personnel related work and scope:
- .1 VEOLIA WATER will offer employment to all existing full time CITY employees as long as their positions are necessary to VEOLIA WATER'S performance under this Agreement and they continue to perform their duties in a satisfactory manner and subject to all such individuals taking and successfully passing a drug screen test and a physical evaluation to be administered by a VEOLIA WATER company physician.
 - .2 VEOLIA WATER will agree to lease a single employee for a period not to exceed six months per the Utility Transfer Agreement signed between the DISTRICT and the CITY. VEOLIA WATER will enter into a separate agreement with the CITY for that employee and will reimburse them for that cost. The employee after the six months would be offered employment under the same terms listed in Section 20.1.
 - .3 VEOLIA WATER will as an alternative to offering full time employment, provide three employees with a cash settlement option that would meet the requirements of the DISTRICT in the Utility Transfer Agreement signed between the DISTRICT and the CITY. The cash settlement will not exceed one year's base wage plus income taxes, and will require that the individual in exchange for a cash settlement terminate employment with the CITY and waive any right to employment with VEOLIA WATER. The completion of the transaction to occur before start of the contract.
 - .4 VEOLIA WATER will provide said employees with the same wage as paid by the CITY on July 1, 2007 and industry competitive fringe benefits package. VEOLIA WATER will accept existing CITY employee time with the CITY in establishing their vacation time with VEOLIA WATER.

- .5 VEOLIA WATER will continue to provide employment to all personnel who accept employment with VEOLIA WATER, so long as their positions are necessary to VEOLIA WATER's performance under this Agreement, and they continue to perform their duties in a satisfactory manner. Where applicable, all such personnel must hold current licenses, certificates or authority to perform the work required of their respective positions.
- .6 VEOLIA WATER will implement and maintain an employee safety program in compliance with applicable laws, rules and regulations and make recommendations to the DISTRICT regarding the need, if any, for the DISTRICT to rehabilitate, expand or modify the Project to comply with governmental safety regulations applicable to VEOLIA WATER's operations hereunder and federal regulations promulgated pursuant to ADA.
- .7 VEOLIA WATER because of cross utilization of staff from Radcliff at Ft Knox shall not employ any person for work on this Agreement if such person is identified as a potential threat to the health, safety, security, general well being, or operational mission of the Ft Knox installation or population.
- .8 VEOLIA WATER's personnel shall present a neat appearance and be readily recognized as VEOLIA WATER employees and shall, due to cross utilization of staff at the Ft Knox installation, ensure each employee obtains from Security Forces an ID card that shall include at a minimum the employee's name, photograph and VEOLIA WATERS name. At the DISTRICT's discretion, uniforms worn by VEOLIA WATER employees shall include the DISTRICT's name or logo.
- .9 VEOLIA WATER shall ensure that employees meet all applicable federal, state, and local certification, licensing, and health and safety requirements to perform all assigned tasks and functions of this Agreement..
- .10 VEOLIA WATER, because of cross utilization of the staff at Ft Knox, shall provide sufficient information to obtain complete and favorable National Agency Check (NAC) investigations for its employees for unescorted entrance into restricted areas on the Post.
- .11 VEOLIA WATER, due to cross utilization of staff at Ft Knox, shall apply for personnel security clearances required for performance after the contract is awarded.
- .12 VEOLIA WATER shall maintain a current list of employees.

- .13 Within a reasonable time after start-up, if a majority of existing staff do not transfer employment, VEOLIA WATER will staff the Project with employees who have met appropriate licensing and certification requirements of the Commonwealth of Kentucky.
- .14 VEOLIA WATER shall provide ongoing training and education for appropriate personnel in all necessary areas of modern wastewater process control, operations, maintenance, safety, and supervisory skills.
- .15 VEOLIA WATER shall operate, maintain and/or monitor the Project on a 24 hour per day, seven day per week schedule. This does not mean staffing the wastewater plant 24 hour per day 7 day per week..
- .21 VEOLIA WATER's Duties - Maintenance related scope and work:
- .1 VEOLIA WATER shall be responsible for the maintenance of the Wastewater treatment plant and Collection system so as to provide reliable, cost effective and compliant service over the term of the contract. The utility system shall be operated and maintained in accordance with all applicable federal, state and local laws/regulations. At a minimum, performance standards and /or specification shall follow best engineering and management practices consistent with the following:
- a. Wastewater collection system(s): The most recent edition of reference materials published by the American Water Works Association (AWWA), Water Environment Federation (WEF), American Society of Civil Engineers (ASCE), National Fire Protection Association (NFPA) and Factory Mutual Global. Additional standards for operations and maintenance of the utility systems the Offeror proposes.
- b. C.12.1 Quality Management Plan: VEOLIA WATER shall establish, maintain and adhere to a Quality Management Plan to ensure the provision of reliable, cost-effective and compliant service over the term of the contract.
- .2 VEOLIA WATER shall be responsible for maintaining all manufacturers' warranties on new equipment purchased by the DISTRICT and assist the DISTRICT in enforcing existing equipment warranties and guarantees.
- .3 VEOLIA WATER shall provide the DISTRICT with full documentation that preventive maintenance is being performed on the DISTRICT owned equipment, in accordance with manufacturer's recommendations, at intervals and in sufficient detail as may be determined by the DISTRICT. Such a maintenance program must include documentation of corrective and preventive maintenance and a spare parts inventory.

- .4 VEOLIA WATER may modify the process and/or facilities to achieve the objectives of this Agreement and charge the Costs to the Maintenance and Repair Limit; provided, however, no modification shall be without the DISTRICT's prior written approval, if the complete modification Cost shall be in excess of Two Thousand Five Hundred Dollars (\$2,500.00).
 - .5 In any emergency affecting the safety of persons or property, VEOLIA WATER may act without written Agreement or change order, at VEOLIA WATER's discretion, to prevent threatened damage, injury or loss. VEOLIA WATER shall be compensated by the DISTRICT for any such emergency work notwithstanding the lack of a written Agreement. Such compensation shall include VEOLIA WATER's Costs for the emergency work plus a reasonable mark-up for overhead and profit.
 - .6 Subject to the availability of funds within the Maintenance and Repair Limit, VEOLIA WATER will perform all Maintenance and Repairs for the Project, and submit a monthly accounting to the DISTRICT, along with a detailed invoice, if Maintenance and Repair expenditures for the Project exceed the Maintenance and Repair Limit specified in Section 6, "Fees and Compensation."
 - .7 VEOLIA WATER shall assist the DISTRICT in preparing an Annual Renewals and Replacement plan which shall be completed no later than October 1 of each year. This document will be separate from the plan prepared for the Ft Knox utility systems.
- .22 VEOLIA WATER's Duties – Radcliff Wastewater Treatment Plant related work and scope:
- .1 VEOLIA WATER shall be liable for those fines or civil penalties imposed by a regulatory or enforcement agency for violations occurring on or after the start-up date of the effluent quality requirements provided for in APPENDIX C-1 that are a result of VEOLIA WATER's negligence. The DISTRICT will assist VEOLIA WATER to contest any such fines in administrative proceedings and/or in court prior to any payment by VEOLIA WATER. VEOLIA WATER shall pay the cost of any such contest.
 - .2 Within the design capacity and capabilities of the Radcliff Wastewater Treatment Plant ("Plant") described in APPENDIX B, VEOLIA WATER will manage, operate and maintain the Plant so that effluent discharged from the Plant's out-falls meets the requirements specified in APPENDIX C, Section 1.

- .3 VEOLIA WATER shall maintain the present industrial waste sampling and laboratory analysis program, as described in APPENDIX D. Results of all industrial sampling and testing shall be reported to the DISTRICT in a timely manner.
 - .4 As required by law, permit or court order and government contract, VEOLIA WATER will prepare Plant performance reports and submit them to the DISTRICT for signature and transmittal to appropriate authorities.
 - .5 VEOLIA WATER will provide laboratory testing and sampling presently required by Plant performance portions of the NPDES permit, the Clean Water Act, the Safe Drinking Water Act, and/or any federal, state or local rules and regulations, statutes or ordinances, permit or license requirements or judicial and regulatory orders and decrees and shall keep results of said testing and reports readily available and on-site at the Plant for inspection, review and copying by the DISTRICT whenever requested.
 - .6 VEOLIA WATER will be responsible for reading, maintaining, and calibrating all meters on the utility systems..
 - .7 Intentionally Left Blank
- .23 VEOLIA WATER's Duties – Radcliff Wastewater Collection System related scope and work:
- .1 This section shall apply to VEOLIA WATER's maintenance and repair services for the District's Radcliff Wastewater Collection System.
 - .2 Services pursuant to this Article are limited to 12,480 actual straight time and 624 overtime man-hours per annum for six (6) personnel (four (4) field workers and two (2) lift station mechanics). In an Emergency requiring the payment of overtime, VEOLIA WATER shall invoice the DISTRICT for the premium portion of the costs, if overtime is required above and beyond 624 hours but is not regularly scheduled overtime associated with a shift.
 - .3 For purposes of this Section, an "actual straight time man-hour" shall mean an actual hour of labor by one person unburdened by vacation, holiday or other leave allowances.
 - .4 For purposes of this Section, the "premium portion of the costs" shall mean that multiplier required by the governmental overtime law(s) plus any additional taxes, fees or insurance resulting from the extra money paid; i.e., FICA, unemployment insurance, and workers' compensation.

- .5 Costs associated with the services described in this Section shall be charged to the Maintenance and Repair Limit.
- .6 Intentionally Left Blank.
- .7 VEOLIA WATER shall establish a Wastewater Collection System cleaning and inspection program which monitors 10% of the line and manholes every year after the first year of the contract. The program should include a combination of flow monitoring, smoke testing, water jet cleaning and TV inspection. The inspection information shall be in a format which can be tracked by the computerized maintenance system and be exported to the DISTRICT's GIS Mapping and its engineering consultant.
- .8 VEOLIA WATER shall provide information to the DISTRICT to up date record drawings for all existing and new facilities installed on a regular basis.
- .9 Intentionally Left Blank
- .10 VEOLIA WATER shall perform day to day maintenance of the Radcliff Wastewater Collection System including responding to sewer line blockages, raising manhole rings and making dig down repairs to problems in the Wastewater Collection System.
- .11 Intentionally Left Blank.
- .12 Intentionally Left Blank.
- .24 VEOLIA WATER Duties - Transition Service related scope and work:
 - .1 VEOLIA WATER shall assist the DISTRICT in the coordination of DISTRICT sub contractors working on the Radcliff Wastewater Utility System.
 - .2 VEOLIA WATER shall assist the DISTRICT in the transition from the CITY of Radcliff to DISTRICT ownership including all meetings, tasks, measurements, documentation and certification required.
 - .3 Fifteen (15) days after VEOLIA WATER begins service under this Agreement, VEOLIA WATER shall provide a physical inventory of the DISTRICT's vehicles and equipment in use at the Project and a general statement as to the condition of each vehicle or piece of equipment.

- .4 VEOLIA WATER shall provide the DISTRICT with a physical inventory of chemicals and other consumables on hand when VEOLIA WATER begins services under this Agreement.
 - .5 VEOLIA WATER shall provide the DISTRICT with the same quantity of chemicals or equivalent upon termination of this Agreement. VEOLIA WATER shall propose an Operational Transition Plan.
 - .6 VEOLIA WATER shall provide periodic reports to the DISTRICT for their use and for dissemination. These reports will include a monthly reporting that includes State required reports, maintenance/rehabilitation/replacement effort undertaken and outages.
 - .7 VEOLIA WATER will also assist the DISTRICT by providing information required for the annual Public Service Commission reports due by February 1 each year and the Upgrades, Renewals and Replacement Plan by October 1 of each year.
- .25 VEOLIA WATER Duties - Initial Capital Upgrades related scope and work:
- .1 VEOLIA WATER shall assist the DISTRICT in the coordination of Initial Capital Upgrades required as part of the transfer including but not limited to signage, security and maintenance.
 - .2 VEOLIA WATER shall assist the DISTRICT with installing alarms and lights at the Plant and largest lift stations.
 - .3 Intentionally Left Blank
 - .4 VEOLIA WATER shall identify in the first thirty (30) days minor repairs to the facilities and equipment.
- .26 VEOLIA WATER Duties - Customer Service related scope and work:
- .1 Visits may be made at a reasonable time by the DISTRICT's employees so designated by the DISTRICT's representative. Keys for the Project shall be provided to the DISTRICT by VEOLIA WATER for such visits. All visitors to the Project shall comply with VEOLIA WATER's operating and safety procedures.
 - .2 Access to the utility systems is granted to VEOLIA WATER by the DISTRICT.
 - .3 VEOLIA WATER shall follow the same response times, as set out in the Service Interruptions and Contingencies in place for Ft Knox, for the Radcliff system. This requires a telephone response to any Emergency

where power is off or sewerage is being spilled in 15 minutes and a physical presence at the location of the problem within one hour to the notification.

- .4 VEOLIA WATER shall provide a repair response notification procedure to the DISTRICT on the first day of the contract.
 - .5 Routine work, such as the scheduled repair, replacement, or removal of system components that require service interruption, shall be coordinated with the District at least 2 weeks prior to implementation.
 - .6 VEOLIA WATER shall record all service request calls and provide a monthly accounting to the DISTRICT.
 - .7 VEOLIA WATER shall coordinate connections or disconnections with the DISTRICT.
 - .8 VEOLIA WATER will follow all State and Federal requirements requiring pre-dig notification and coordination.
 - .9 VEOLIA WATER shall be responsible for locating underground utility system components required by State and Federal requirements. .
 - .10 VEOLIA WATER shall be available for meetings with the DISTRICT.
- .27 VEOLIA WATER Duties - Capital Upgrades, Renewals and Replacements related scope and work:
- .1 VEOLIA WATER shall assist the DISTRICT in coordinating DISTRICT subcontractors in carrying out capital upgrades and renewals and replacements.
 - .2 VEOLIA WATER shall participate with the DISTRICT in preparing an Annual Capital Upgrades and Renewals and Replacement report.
- .28 Scope Changes: For Changes in Scope related to the services described in Section 4.1 through 4.26 above, the Annual Fee shall be increased (or decreased) by an amount equal to VEOLIA WATER's additional (reduced) Cost associated with the Change in Scope plus fifteen percent (15%). Modifications of the Annual Fee as a result of conditions described in Section 4 shall be effective at the beginning of the next Agreement year. A Change in Scope of services shall occur when and as VEOLIA WATER's costs of providing services under this Agreement change as a result of and limited to;
- .1 Any change in Project operations, personnel qualifications or staffing or other cost which is a result of an Unforeseen Circumstance;

- .2 Increases or decreases of not less than five percent (5%) in the influent flow or loadings as demonstrated by a twelve month moving average compared to the twelve month period ending on the effective date of this Agreement (baseline flow and loading information is located in APPENDIX C);
 - .3 Increases or decreases in rates or other related charges (including taxes) imposed upon VEOLIA WATER by a utility provider (see Section 4.8) or taxing authority, excluding taxes based on VEOLIA WATER's net income.
 - .4 The DISTRICT's request of VEOLIA WATER and VEOLIA WATER's consent to provide additional services.
 - .5 Increases or decreases in insurance premium costs or healthcare benefit costs which are not caused by the fault of either party.
 - .6 Intentionally Left Blank.
 - .7 Intentionally Left Blank.
 - .8 Notwithstanding the terms of this section, additional compensation requested by VEOLIA WATER could be subject to approval of an equivalent increase in the tariff rate from the Kentucky Public Service Commission. Until said tariff change is approved, no additional compensation shall be paid to VEOLIA WATER and VEOLIA WATER shall not be obligated to perform any change or incur any cost in connection with a change.
 - .9 The DISTRICT shall indemnify and hold VEOLIA WATER harmless of any fines or penalties resulting from or non-compliance with a specific scope change requested by the DISTRICT, or by law, of which VEOLIA WATER incurs additional costs and the DISTRICT does not or cannot pay those additional costs, until VEOLIA WATER is compensated as described above.
- .29 Additional Work: Additional Work outside of the initial work may be proposed by VEOLIA WATER and subject to approval by the DISTRICT. Work associated with Additional Work shall not begin nor shall fees accrue until a written Notice to Proceed has been issued to VEOLIA WATER from the DISTRICT. A Notice to Proceed shall be issued for each Additional Work proposed.
- .1 All Additional Work, which shall be requested in writing by VEOLIA WATER, shall require VEOLIA WATER to provide appropriate documentation which might include a schedule of milestones, work

schedules, complete cost estimates, estimated hours and subcontractor costs. Said estimate may be requested by the DISTRICT as either a Not to Exceed amount, a time and materials estimate, or an hourly cost estimate with or without a Not to Exceed amount.

- .2 All Additional Work requests shall be in writing on a form acceptable to the DISTRICT and shall be submitted no less than forty-five (45) days prior to when the work is proposed to begin by VEOLIA WATER. At its discretion, the DISTRICT may reduce or waive the 45 day period.

5 **DISTRICT Duties:** This Agreement requires the DISTRICT to perform certain tasks and activities and responsibilities which have been agreed to and are generally as follows;

- .1 The DISTRICT shall request funding as needed to fund and provide all necessary Capital Upgrades and Renewals and Replacements. Priority shall be given to safety and regulatory related expenses described in the Annual Capital Upgrades and Renewals and Replacement Plan prepared and submitted to the DISTRICT with the assistance of VEOLIA WATER. Any loss, damage, or injury resulting from the DISTRICT's failure to provide capital improvements and/or funds in excess of the Maintenance and Repair Limit, when reasonably requested by VEOLIA WATER, shall be the sole responsibility of the DISTRICT.
- .2 The DISTRICT shall keep in force all Project warranties, guarantees, easements and licenses that have been granted to the DISTRICT and are not transferred to VEOLIA WATER under this Agreement.
- .3 The DISTRICT shall pay all excises, ad valorem, property, franchise and occupational fees, or other fees associated with the Project, if any, other than fees or taxes imposed upon VEOLIA WATER's net income and/or payroll taxes for VEOLIA WATER's employees.
- .4 In the event VEOLIA WATER is required to pay any sales tax or use taxes on the value of the services provided by VEOLIA WATER hereunder or the services provided by any VEOLIA WATER of VEOLIA WATER, such payments shall be reimbursed by the DISTRICT, unless the DISTRICT furnishes a valid and properly executed exemption certificate relieving the DISTRICT and VEOLIA WATER of the obligation for such taxes. In the event the DISTRICT furnishes an exemption certificate which is invalid or not applicable to services by VEOLIA WATER, the DISTRICT shall indemnify VEOLIA WATER for any taxes, interest, penalties, and increment costs, expenses or fees which it may incur as a result of VEOLIA WATER's reliance on such certificate.
- .5 The DISTRICT shall provide VEOLIA WATER, within a reasonable time after request and on an "as available" basis, with the temporary use of any piece of the DISTRICT's heavy equipment that is available so that VEOLIA WATER may discharge its obligations under this Agreement in the most cost effective manner.

- .6 The DISTRICT shall provide all registrations and licenses for the DISTRICT's vehicles used in connection with the Project.
- .7 The DISTRICT shall provide for VEOLIA WATER's exclusive use of all vehicles and equipment presently in full-time by the CITY of Radcliff excluding a Jeep and a lawn mower in use at the Project. It is agreed by both parties that the existing vehicles are aged and the DISTRICT will have to replace over the next few years.
- .8 The DISTRICT shall provide the Project with appropriate security personnel and/or devices to protect against any losses resulting from the theft, damage, or unauthorized use of property owned by the DISTRICT and shall accept liability for such losses, except to the extent such losses are directly caused by the negligent acts or omissions of VEOLIA WATER.
- .9 The DISTRICT warrants that during the interim period between the initial Project inspection by VEOLIA WATER and when VEOLIA WATER commences full operations and maintenance, the plants, facilities and equipment have been operated only in the normal course of business, all scheduled and proper maintenance have been performed, and there are no issues known to the DISTRICT regarding the condition of the Project and Facility composing the Project and/or any equipment used by the Project.
- .10 Intentionally Left Blank .
- .11 The parties anticipate that the Project, as of the Commencement Date, will not be required to comply with the Accidental Release Prevention Program as set forth in the applicable sections of the Federal Clean Air Act ("RMP"). Following the Commencement Date, in the event it is later determined that the Project must comply with RMP, the DISTRICT shall be responsible for all Costs associated with bringing the Project into RMP compliance.
- .12 DISTRICT shall perform Environmental Reviews when the utility system is modified per local, State and Federal regulations .
- .13 DISTRICT shall be responsible for accomplishing all required upgrades and renewals and replacements to maintain and operate the utility system in a safe, reliable condition.
- .14 DISTRICT shall be responsible for providing VEOLIA WATER with copies of digital GIS Mapping data and information for use in operation and maintenance activities. VEOLIA agrees to purchase any licenses or software required to utilize and access said information provided by the DISTRICT.
- .15 Intentionally Left Blank.

6. Fees and Compensation:

- .1 VEOLIA WATER's compensation under this Agreement through June 30, 2009 is \$157,972 per month or \$1,895,664 for a twelve month period termed the Annual Fee. The Maintenance and Repair Limit included in the Annual Fee is \$16,100 a month and \$193,200 for twelve months. The Electrical Limit included in the Annual Fee is \$11,564 per month and \$138,768 for twelve months. The Odor Control Limit included in the Annual Fee is \$1,250 a month or \$15,000 for twelve months. Both parties agree the start date could fluctuate, if so, the monthly compensation will be prorated.
- .2 Agreement Year: Agreement Year, for the purposes of this Agreement shall mean an increment of twelve calendar months commencing July 1, 2008.
- .3 VEOLIA WATER has based its Annual Fee on offering employment to a maximum of 16 (sixteen) existing personnel in addition to a VEOLIA WATER Project Manager. An effort will be made to hire those qualified CITY workers for the positions available from the existing staff at the Wastewater System identified on the list of displaced or adversely affected workers provided to the DISTRICT as part of the Utility Transfer Agreement with the CITY. VEOLIA WATER shall pay the employees their current wage identified in the Utility Transfer Agreement and a similar benefit package. It is also agreed by the DISTRICT and VEOLIA WATER that VEOLIA WATER may offer a buyout option or may lease employees from the CITY. Should for any reason the DISTRICT require VEOLIA WATER to hire more than 16 personnel, VEOLIA WATER shall be entitled to request and negotiate additional compensation and adjusted Annual Fee.
- .4 The Annual Fee for services under this Agreement is based upon the following wastewater treatment influent characteristics:
 - .1 Flow = 2.0795 million gallons per day
 - .2 CBOD5 = 209 mg/l
 - .3 TSS = 241 mg/l
 - .4 Ammonia Nitrogen = 23 mg/l

The above influent characteristics are the actual twelve (12) months' average for the period ended October, 2007. Any change of five percent (5%) or more in any of these characteristics, based upon a twelve (12) month moving average, will constitute a Change in Scope.
- .5 VEOLIA WATER's expenses for hauling by truck and disposing of Waste are based on paying \$179 a pull and \$23.57 a ton for eligible Outerloop Landfill facility which is approximately 31 road miles from the Project. Any change in

Costs shall give rise to a Change in Scope and the additional costs shall be added to the Annual Fee.

- .6 VEOLIA WATER shall provide natural gas and electricity required to operate the Project and have based its costs on current rates. Any decrease or increase in rates or other related charges (including taxes) imposed upon VEOLIA WATER by a utility provided or taxing authority – excluding taxes based on VEOLIA WATER's net income shall be considered a change in scope of service. VEOLIA WATER has not budgeted for water or sewer service which the DISTRICT will provide for use in operating and maintaining the system...
- .7 The Performance Start Date is February 1, 2008. VEOLIA WATER shall not be able to bill or recover any amounts, expenses or costs prior to the Performance Start Date and all prior costs may only be recovered or included in the above agreed Annual Fee amount.
- .8 If actual Maintenance and Repair expenditures are less than the Maintenance and Repair Limit for any Agreement year, VEOLIA WATER will rebate the entire difference to the DISTRICT in accordance with Section 7.2. If actual Maintenance and Repair expenditures exceed the Maintenance and Repair Limit, the DISTRICT will pay the excess to VEOLIA WATER in accordance with Section 7.2. VEOLIA WATER will notify the DISTRICT when actual Maintenance and Repair expenditures equal eighty percent (80%) of Maintenance and Repair Limit.
- .9 If actual Electrical expenditures are less than the Electrical Limit for any Agreement year, VEOLIA WATER will rebate the entire difference to the DISTRICT in accordance with Section 7.2. If actual Electrical expenditures exceed the Electrical Limit, the DISTRICT will pay the excess to VEOLIA WATER in accordance with Section 7.2. VEOLIA WATER will notify the DISTRICT when actual Electrical expenditures equal eighty percent (80%) of Electrical Limit.
- .10 If actual Odor Control Chemical expenditures are less than the Odor Control Chemical Limit for any Agreement year, VEOLIA WATER will rebate the entire difference to the DISTRICT in accordance with Section 7.2. If actual Odor Control Chemical expenditures exceed the Odor Control Chemical, the DISTRICT will pay the excess to VEOLIA WATER in accordance with Section 7.2. VEOLIA WATER will notify the DISTRICT when actual Odor Control Chemical expenditures equal eighty percent (80%) of Odor Control Chemical Limit.
- .11 Any increases in the Annual Fee shall be negotiated each year after the first seventeen (17) months at least four (4) months prior to the anniversary of this Agreement's Commencement Date. Should the DISTRICT and VEOLIA WATER fail to agree, the increase in the Annual Fee will be determined by the

application of the procedures in APPENDIX E. The Maintenance and Repair Limit shall increase or decrease by a percentage equal to the change in the Annual Fee.

- .12 In addition to the Annual Fee, the DISTRICT shall reimburse VEOLIA WATER for documented costs associated with severance or employee buyouts related to the transition of CITY staff which could include wage, taxes and benefits estimated to be one year of salary for a maximum of three employees. These costs would be paid within ninety days of the start of the contract. For estimating purposes only, the cost is proposed to be \$168,000 in wages.
- .13 Intentionally left blank.
- .14 The cost of temporary connections will be charged against the Maintenance and Repair Limit.

7 **Method of Payment:** The DISTRICT agrees to pay VEOLIA WATER for services rendered pursuant to this Agreement the sums set forth and in the manner set forth in this Agreement and computed as follows:

- .1 VEOLIA WATER shall invoice the DISTRICT monthly an amount equivalent to One-twelfth (1/12) of the Annual Fee for the current year which shall be due and payable with thirty (30) days after the DISTRICT has received an invoice. VEOLIA WATER shall provide an invoice for services rendered and compensation due on or before the thirtieth (30) day of each month and no more than once for each thirty day period.
- .2 The DISTRICT agrees to pay VEOLIA WATER for services rendered pursuant to this Agreement. Payment shall be made within thirty (30) days after receiving an invoice.
- .3 Any monies payable pursuant to Section 6.9 will be paid within sixty (60) calendar days after the end of each Agreement Year.
- .4 All other compensation to VEOLIA WATER is due upon receipt of VEOLIA WATER's invoice and payable within thirty (30) days after presenting an invoice to the DISTRICT.
- .5 The DISTRICT reserves the right to make payment to VEOLIA WATER electronically or by ACH bank transfer (wire) method into an account as designated by VEOLIA WATER and any added costs for said payment method shall be paid or absorbed by each party whose own bank or bank account sending or receiving payment assesses said fee(s).
- .6 Intentionally Left Blank.

- .7 Interest on Unpaid Amounts: The DISTRICT shall pay interest at an annual rate equal to the prime rate as shown in the Wall Street Journal, said rate of interest not to exceed any limitation provided by law, on payments not paid and received within thirty (30) calendar days of the due date, such interest being calculated from the due date of the payment. In the event the charges hereunder might exceed any limitation provided by law, such charges shall be reduced to the highest rate or amount within such limitation. This provision does not apply to payments made in accordance with the preceding paragraph.

8. Insurance Requirements:

- .1 Each party shall obtain and maintain insurance coverage of a type and in the amounts described in this section. Each party shall provide the other party with satisfactory proof of insurance.
- .2 Insurance required shall be with companies qualified to do business in the Commonwealth of Kentucky with a general policyholder's financial rating of not less than "A as set forth in the most current edition of "A.M. Best".
- .3 No such policies shall be cancelable or subject to material reduction in coverage limits or other modification except after thirty (30) days prior written notice to the Owner. VEOLIA WATER shall not do nor permit to be done anything which shall invalidate the insurance policies referred to in this section. If any insurance policy referred to in this Agreement are cancelled or terminated for any reason and are not replaced with an insurance policy of the type and coverage specified herein, the DISTRICT, at its own discretion, may terminate this Agreement pursuant to Section 3 of this Agreement.
- .4 VEOLIA WATER will provide at least thirty (30) days' notice of the cancellation of any policy it is required to maintain under this Agreement. VEOLIA WATER may self-insure reasonable deductible amounts under the policies it is required to maintain to the extent permitted by law. Each party shall include the other party as an additional insured on the coverages, excluding workers' compensation, employer's liability and professional liability, required to be maintained hereby.
- .5 VEOLIA WATER will be required to provide various type of insurance, and coverage limits as listed in the following table:

Type of Coverage	Coverage	Annual Aggregate	Other Requirements
Commercial General Liability	\$2,000,000 per occurrence	\$4,000,000	Claims which may arise from all operations including completed operations
Business Automobile Liability	\$2,000,000 combined single limit		

Type of Coverage	Coverage	Annual Aggregate	Other Requirements
Fire Legal Liability	\$500,000 any one fire	\$1,000,000	
Workers' Compensation	Statutory		
Employer's Liability Each Accident –	\$1,000,000	NA	Shall be plan acceptable and licensed for use in the Commonwealth of Kentucky
Employer's Liability Disease – Each Employee	\$1,000,000	NA	Shall be plan acceptable and licensed for use in the Commonwealth of Kentucky
Employer's Liability Disease – Policy Limit	\$1,000,000	NA	Shall be plan acceptable and licensed for use in the Commonwealth of Kentucky
Contractor's Pollution Liability	\$5,000,000 Each Claim	\$5,000,000	Shall include errors and omissions coverage

.6 VEOLIA WATER shall maintain during the term of this Agreement at least the insurance coverage shown above, and shall require their insurance carrier to submit certificate(s) of insurance to DISTRICT evidencing the maintenance of at least the above insurance coverage. All such insurance coverage and submission of certificate(s) evidencing same shall be maintained throughout the course of the work and Owner shall be noticed in the event of changes to same. All policies shall be written through a company duly authorized by the Commonwealth of Kentucky licensed to transact that class of insurance in the Commonwealth of Kentucky.

.7 VEOLIA WATER shall maintain Commercial General Liability insurance, insuring VEOLIA WATER's negligence, in an amount not less than \$2,000,000 each occurrence and \$4,000,000 aggregate for bodily injury and/or property damage. The DISTRICT will be included as an additional insured on VEOLIA WATER's Commercial General Liability policy but solely with respects to claims arising out of the negligence of VEOLIA WATER.

.8 VEOLIA WATER shall maintain Business Automobile Liability insurance, insuring owned, non-owned and hire automobiles in an amount not less than \$2,000,000 combined single limit. The DISTRICT will be included as an additional insured on VEOLIA WATER's Business Automobile Liability policy but solely with respects to claims arising out of the negligence of VEOLIA WATER.

.9 The DISTRICT agrees to also maintain insurance coverage equivalent to:

- .1 Statutory workers' compensation for all of the DISTRICT's employees associated with the Project as required by the Commonwealth of Kentucky.
- .2 Property damage insurance for all property, including vehicles owned by the DISTRICT and operated by VEOLIA WATER under this Agreement. Any property, including vehicles, not properly or fully insured shall be the financial responsibility of the DISTRICT.

9. Indemnity and Liability:

- .1 VEOLIA WATER agrees to indemnify and save the DISTRICT harmless from and against all third party claims, demands, liability, damages, suits, actions or causes of action of every kind and nature, which may be brought or asserted against the DISTRICT to the extent caused by the negligent acts, errors or omissions of VEOLIA WATER or their consultants or subcontractors in the performance of this Agreement.
- .2 DISTRICT agrees to indemnify and hold VEOLIA WATER harmless from and against all third party claims, demands, liability, damages, suits, actions or causes of action of every kind and nature which may be brought or asserted against VEOLIA WATER to the extent caused by the negligent acts, errors or omissions of the DISTRICT or its consultants or subcontractors in the performance of this Agreement.
- .3 Neither party nor their affiliated companies, nor the officers, agents and employees or DISTRICT's of any of the foregoing, shall be liable to the other in any action or claim for consequential or special damages, loss of profits, loss of opportunity, loss of product or loss of use. Any protection against liability for losses or damages afforded any individual or entity by these terms shall apply whether the action in which recovery of damages is sought is based on contract, tort (including sole, concurrent or other negligence and strict liability of any protected individual or entity), and statute or otherwise. To the extent permitted by law, any statutory remedies which are inconsistent with these terms are waived.
- .4 The DISTRICT shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on the DISTRICT and/or VEOLIA WATER that are not a result of VEOLIA WATER's negligence, willful misconduct and or omissions, or are otherwise directly related to the ownership of the Project and shall indemnify and hold VEOLIA WATER harmless from the payment of any such fines and/or penalties.
- .5 To the fullest extent permitted by law and notwithstanding any other provision of this Agreement, VEOLIA WATER's liability for performance or non-

performance of any obligation arising under the Agreement (whether arising under breach of contract, tort, strict liability, or any other theory of law or equity) including, but not limited to its indemnity obligations specified in Section 9.1 of this Agreement, shall be limited to a cumulative aggregate over the full initial term and any extended term(s) of this Agreement of an amount not to exceed \$8,000,000. The above limit does not apply to or include proceeds or recoveries from the insurance policies provided by VIOLA WATER under this Agreement.

- .6 To the fullest extent permitted by law and notwithstanding any other provision of this Agreement, DISTRICT's liability for performance or non-performance of any obligation arising under this Agreement (whether arising under breach of contract, tort, strict liability, or any other theory of law or equity) including, but not limited to its indemnity obligations specified in Section 9.1 of this Agreement, shall be limited to a cumulative aggregate over the full initial term and any extended term(s) of this Agreement of an amount not to exceed \$5,000,000. The above limit does not apply to or include proceeds or recoveries from the insurance policies provided by the DISTRICT under this Agreement.

10. Annual Performance Bond Provided by VEOLIA WATER:

- .1 VEOLIA WATER agrees to provide an annual Performance Bond or other surety instrument acceptable to the DISTRICT, in an amount equal to the Annual Fee. Evidence of said bond for the second and subsequent years, in form acceptable to the DISTRICT, shall be provided to the DISTRICT no later than the end of the eleventh month of each year. The conditions, specific obligation and use of said bond shall comply with the following:
 - .1 That VEOLIA WATER shall carry out its duties and obligations under the terms of this Agreement, to the extent that the DISTRICT is not required to obtain a replacement contractor to take the place of VEOLIA WATER, and that VEOLIA WATER does not operate or cause the DISTRICT to be fined, sued or otherwise found in default of their Contract with the Government. Said replacement of VEOLIA WATER can only be after the DISTRICT and VEOLIA WATER have attempted to resolve the dispute in accordance with terms of this Agreement.
 - .2 The DISTRICT may not use the bond in the event that VEOLIA WATER requests to be released from this Agreement, and the DISTRICT agrees to provide said release, and that VEOLIA WATER provides all assistance, cooperation and payment of additional costs or advertising as needed to obtain a replacement contractor who is able to take over and carry out all terms of this Agreement.
 - .3 The bond shall be for the current Contract Year, but may include an automatic extension clause as long as the amount of the bond equals the Annual Fee.

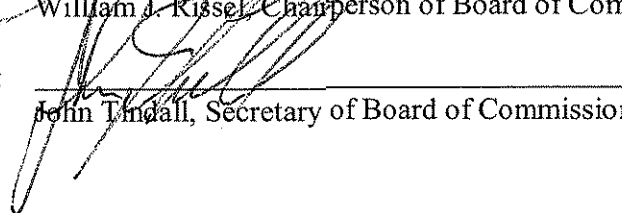
- .4 The surety shall appear in the Treasury Department's most current list (Circular 570 as amended) and be authorized to transact business in the Commonwealth of Kentucky.
- .2 Any fee or premium to purchase required bond shall be paid directly by VEOLIA WATER, however, cost of same may be recovered in the Annual Fee.

WITNESSETH:

Both parties indicate their approval of this Agreement by their signatures below, and each party warrants that all corporate or governmental actions necessary to bind the parties to the terms of this Agreement have been and will be taken.

HARDIN COUNTY WATER DISTRICT No. 1

By: 
William J. Rissel, Chairperson of Board of Commissioners

By: 
John Tindall, Secretary of Board of Commissioners

VEOLIA WATER NORTH AMERICA - SOUTH, LLC

By: 
Signature, Authorized Person

By: JEFFREY J KOWAL, PRESIDENT
Printed Name, Title, Authorized Person

NOTARY STATEMENTS:

On this 8th day of February, 2008, the above named person(s) personally appeared before me, and did provide evidence that they officially represent HARDIN COUNTY WATER DISTRICT No. 1, and that the instrument was signed on behalf of the organizations which they represent.

Aaron B. Pyles
Notary Public, Commonwealth of Kentucky

Aaron B. Pyles
Printed Name

Oct 30, 2008
Date Commission Expires

On this 14 day of February, 2008, the above named person(s) personally appeared before me, and did provide evidence that they officially represent VEOLIA WATER NORTH AMERICA – SOUTH, LLC, and that the instrument was signed on behalf of the organizations which they represent.

Catherine E. Dennis
Notary Public, State of ~~Texas~~ Georgia

Catherine E. Dennis
Printed Name

Date Commission Expires

**Notary Public, Gwinnett County, Georgia
My Commission Expires August 9, 2008**

APPENDIX A

DEFINITIONS

1. "Adequate Nutrients" means plant influent nitrogen, phosphorus and iron contents proportional to BOD5 in the ratio of five (5) parts nitrogen, one (1) part phosphorus, and one-half (0.5) part iron for each one hundred (100) parts BOD5.
2. "Annual Fee" means a predetermined, fixed sum for VEOLIA WATER's services. The Annual Fee includes Cost and profit.
3. "Biologically Toxic Substances" means any substance or combination of substances contained in the plant influent in sufficiently high concentration so as to interfere with the biological processes necessary for the removal of the organic and chemical constituents of the wastewater required to meet the discharge requirements of DISTRICT's Certificate of Approval. Biologically toxic substances include, but are not limited to, hazardous wastes, hazardous substances, heavy metals, phenols, cyanides, pesticides and herbicides.
4. "Capital Expenditures" means any expenditures for (1) the purchase of new equipment or facility items that cost more than Two Thousand Five Hundred Dollars (\$2,500); or (2) major repairs which significantly extend equipment or facility service life and cost more than Two Thousand Five Hundred Dollars (\$2,500) or (3) expenditures that are planned, non-routine and budgeted by the DISTRICT.
5. "Change in Law" means (a) the enactment, adoption, promulgation, modification or repeal after the Contract Date of any federal, State, or local law, ordinance, code, rule, regulation or other similar legislation or the repeal, modification or change in interpretation after the Contract Date, of any federal, State, or local law, ordinance, code, rule, regulation, official permit, license or approval by any regulatory or judicial entity having jurisdiction with respect to the design, construction, operation, maintenance, or management of the Facility, or (b) the imposition, after the Contract Date, of any material conditions on the issuance, modification or renewal of any official permit, license or approval necessary for the operation and maintenance of the Facility, which, in either case, modifies the Company's obligations of Facility performance or decreases or increases the cost of the Company's operation or maintenance of the Facility.
6. "Commencement Date" or "Performance Start Date" means March 15, 2008, or the ultimate date upon which final state agency approval is obtained by the parties.
7. "Contract Date" means the first date written on page 1 of this Agreement.
8. "Cost" means all Direct Cost and indirect cost determined on an accrual basis in accordance with generally accepted accounting principles.

9. "Direct Cost" means the actual cost incurred for the direct benefit of the Project including, but not limited to, expenditures for project management and labor, employee benefits, chemicals, lab supplies, repairs, repair parts, maintenance parts, safety supplies, gasoline, oil, equipment rental, legal and professional services, quality assurance, travel, office supplies, other supplies, uniforms, telephone, postage, utilities, tools, memberships and training supplies.
10. "Facility" or "Facilities" means the wastewater and storm water utility systems that are the subject of the prime contract between the DISTRICT and the Government.
11. "Government" means the United States Government.
12. "Maintenance" means those routine and/or repetitive activities required or recommended by the equipment or facility manufacturer or by VEOLIA WATER to maximize the service life of the equipment, sewer, vehicles and facilities.
13. "Maintenance and Repair Limit" means the total Maintenance and Repair expenditures that VEOLIA WATER has included in the Annual Fee. Such expenditures exclude any labor costs for VEOLIA WATER's staff assigned to the Project. VEOLIA WATER's specialized maintenance personnel, not assigned at the Project, who provide such specialized services such as, but not limited to, vibration, thermo graphic and electrical analyses, instrumentation maintenance and repair will be charged to the Maintenance and Repair Limit.
14. "Project" means all equipment, vehicles, grounds, rights of way, sewers and facilities described in APPENDIX B and, where appropriate, the management, operations and maintenance of such.
15. "Repairs" means those non-routine/non-repetitive activities required for operational continuity, safety and performance generally due to failure or to avert a failure of the equipment, sewer, vehicles or facilities or some component thereof.
16. "Unforeseen Circumstances" shall mean any event or condition which has an effect on the rights or obligations of the parties under this Agreement , or upon the Project, which is beyond the reasonable control of the party relying thereon and either impacts the costs of performing hereunder or constitutes a justification for a delay in or non-performance of action required by this Agreement , including but not limited to (I) an act of God, landslide, lightning, earthquake, tornado, fire, explosion, flood, failure to possess sufficient property rights, acts of the public enemy, war, blockade, sabotage, insurrection, riot or civil disturbance, (ii) preliminary or final order of any local, province, administrative agency or governmental body of competent jurisdiction, (iii) any change in law, regulation, rule, requirement, interpretation or statute adopted, promulgated, issued or otherwise specifically modified or changed by any local, province or governmental body, (iv) labor disputes, strikes, work slowdowns or work stoppages, but excluding labor disputes, strikes, work slowdowns or work stoppages by employees of VEOLIA WATER; (v) loss of or inability to obtain service from a utility necessary to furnish power for the operation and

maintenance of the Project, (vi) for the benefit of the DISTRICT only, delays or additional costs caused by the negligent acts or omissions of VEOLIA WATER or its subcontractors, (vii) for the benefit of VEOLIA WATER only, delays or additional costs caused by the negligent acts or omissions of DISTRICT or its other subcontractors, and (viii) the presence of hazardous wastes or hazardous substances at the Project or in the plant influent that is not caused by the negligence or willful misconduct of VEOLIA WATER.

17. Utility Transfer Agreement shall mean the agreement between the CITY of Radcliff and the DISTRICT transferring the Radcliff sewer system to the DISTRICT.

APPENDIX B

DESCRIPTION OF PROJECT

VEOLIA WATER agrees to provide the services necessary for the management, operation and maintenance of the following:

1. All equipment and facilities now existing within the present property boundaries of or being used to operate the DISTRICT's Wastewater Treatment Plant that services the CITY of Radcliff. The Wastewater Treatment Plant consists of the following:
 1. Preliminary Treatment
 2. Three Equalization Basins – Two Lined and One Unlined
 3. Mechanical Bar Screens
 4. Vortex Grit Removal System
 5. Influent Lift Station
 6. Septage Receiving Station
 7. Three Extended Aeration Oxidation Ditches
 8. Three Secondary Clarifiers
 9. Sludge pumping including return activated sludge pumps and waste activated sludge pumps
 10. Two Ultraviolet Disinfection Chambers
 11. Two Aerobic Digesters and three 150 hp Blowers
 12. Sludge Dewatering Facility with one (1) Belt Press
 13. Non potable water system
2. Intentionally Left Blank
3. The Emergency Generator at the plant.
4. All equipment and facilities now existing within the present property boundaries of pumping stations. Pumping stations consist of the following:

1. CITY Hall	27. Classic Cars
2. Conroe Drive	28. Swope's
3. Safari Trail	29. Audubon
4. Sherwood	30. Drug Store
5. Spring Street East	31. Hensley's
6. Watkins	32. Indiana Trail
7. Crocus Drive	33. Paradise No. 1
8. Skylark Drive	34. A. Arnold and Son
9. Woodcreek	35. Emmaus Circle
10. Apple Wood	36. Hillcrest
11. Cypress Drive	37. Industrial Park
12. Redmar Boulevard	38. John Hardin
13. Doc's	39. Peyton Place

- | | |
|-----------------------------|--------------------------|
| 14. Elm Road | 40. Cement |
| 15. Paradise No. 2 | 41. North Logsdon |
| 16. Byerly Boulevard | 42. Stovall |
| 17. Church Methodist | 43. Battle Training Road |
| 18. Deerhaven | 44. Oak Drive (Heards) |
| 19. Globe | 45. Highway 313 |
| 20. Kindergarten (Woodland) | 46. Boone Trace |
| 21. Logan | 47. Brown Street |
| 22. Maple Forest | 48. Seminole |
| 23. Marvin's | 49. Christopher Court |
| 24. Master Street | 50. Quiggins |
| 25. Red Hawk Drive | 51. Greenview Lane |
| 26. Wendover Court | 52. Lincoln Trail |

5. All equipment, grounds and facilities now existing within the present easement for the sewer lines. Sewer lines consists of the following;

Diameter	Lineal Feet
2 inch	783
6 inch	763
8 inch	42,568
10 inch	3,224
12 inch	9
Unknown	586,039

Manholes = 2,485 as of 4/10/06

APPENDIX C

**NPDES PERMIT AND PROJECT CHARACTERISTICS
FOR WASTEWATER TREATMENT**

1. VEOLIA WATER will operate so that effluent will meet the requirement of NPDES permit No. KY0022390 (issued on March 1, 2003) a full and complete copy of which is adopted by reference herein as of the date hereof. VEOLIA WATER shall be responsible for meeting the effluent quality requirements of the Permit unless one or more of the following occurs:
 - a. The Project influent does not contain Adequate Nutrients to support operation of Project biological processes and/or contains Biologically Toxic Substances which cannot be removed by the existing process and facilities,
 - b. Dischargers into the DISTRICT's sewer system violate any or all regulations as stated in the DISTRICT's Industrial Water and Sewer Permit or as required by law,
 - c. The flow or influent BOD5 and/or suspended solids exceeds the Project design parameters which are 4 million gallons of flow per day, 3,471 pounds of BOD5 per day, 4,021 pounds of suspended solids and a daily peaking factor of 3 times flow,
 - d. If the Project is inoperable or can operate only at a reduced capacity on account of construction activities, fire, flood, adverse weather conditions, labor disputes or other causes beyond VEOLIA WATER's control.
 - e. In the event any one of the Project influent characteristics, suspended solids, BOD5 or flow, exceeds the design parameters stated above, VEOLIA WATER shall return the plant effluent to the characteristics required by NPDES in accordance with the following schedule after Project influent characteristics return to within design parameters;

Characteristics Exceeding	Recovery Period
<u>Design Parameters By</u>	<u>Maximum</u>
10% or Less	5 days
Above 10% Less than 20%	10 days
20% and Above	30 days
 - f. Notwithstanding the above schedule, if the failure to meet effluent quality limitations is caused by the presence of Biologically Toxic Substances or the lack of Adequate Nutrients in the influent, then VEOLIA WATER will have a thirty (30) day recovery period after the influent is free from said substances or contains Adequate Nutrients.
2. VEOLIA WATER shall not be responsible for fines or legal action as a result of discharge violations within the period and any subsequent recovery period that (1) influent exceeds design parameters; or (2) does not contain Adequate Nutrients; or (3) contains Biologically Toxic Substances; or (4) is inoperable unless rendered inoperable due to the negligence or willful misconduct or omissions of VEOLIA WATER.

APPENDIX D

INDUSTRIAL WASTE DISCHARGERS AND MONITORING PROGRAM

There is currently no Industrial Waste Discharges and Monitoring Program other than normal inspection provided for in the Wastewater Ordinance adopted by the DISTRICT in whole from the CITY of Radcliff Utility Transfer Document.

APPENDIX E

ANNUAL FEE ADJUSTMENT FORMULA

Any increase in the Annual Fee shall be negotiated each year after the first seventeen months at least four (4) months prior to the anniversary of this Agreement's Commencement Date. Should the DISTRICT and VEOLIA WATER fail to agree, the Annual Fee will be determined by the application of the formula set forth below. The Maintenance and Repair Limit shall increase or decrease by a percentage equal to the change in the Annual Fee. VEOLIA WATER's cost for providing Health Care benefits coverage (Health, Dental Vision and Accidental Death and Dismemberment) for its Project employees will be based on documented budgetary increases plus overhead and profit of 15%.

Formula = $AAF = [(AFo \text{ minus } Ho) \text{ times } C \text{ divided by } Co]$ plus (H times 1.15)

where:

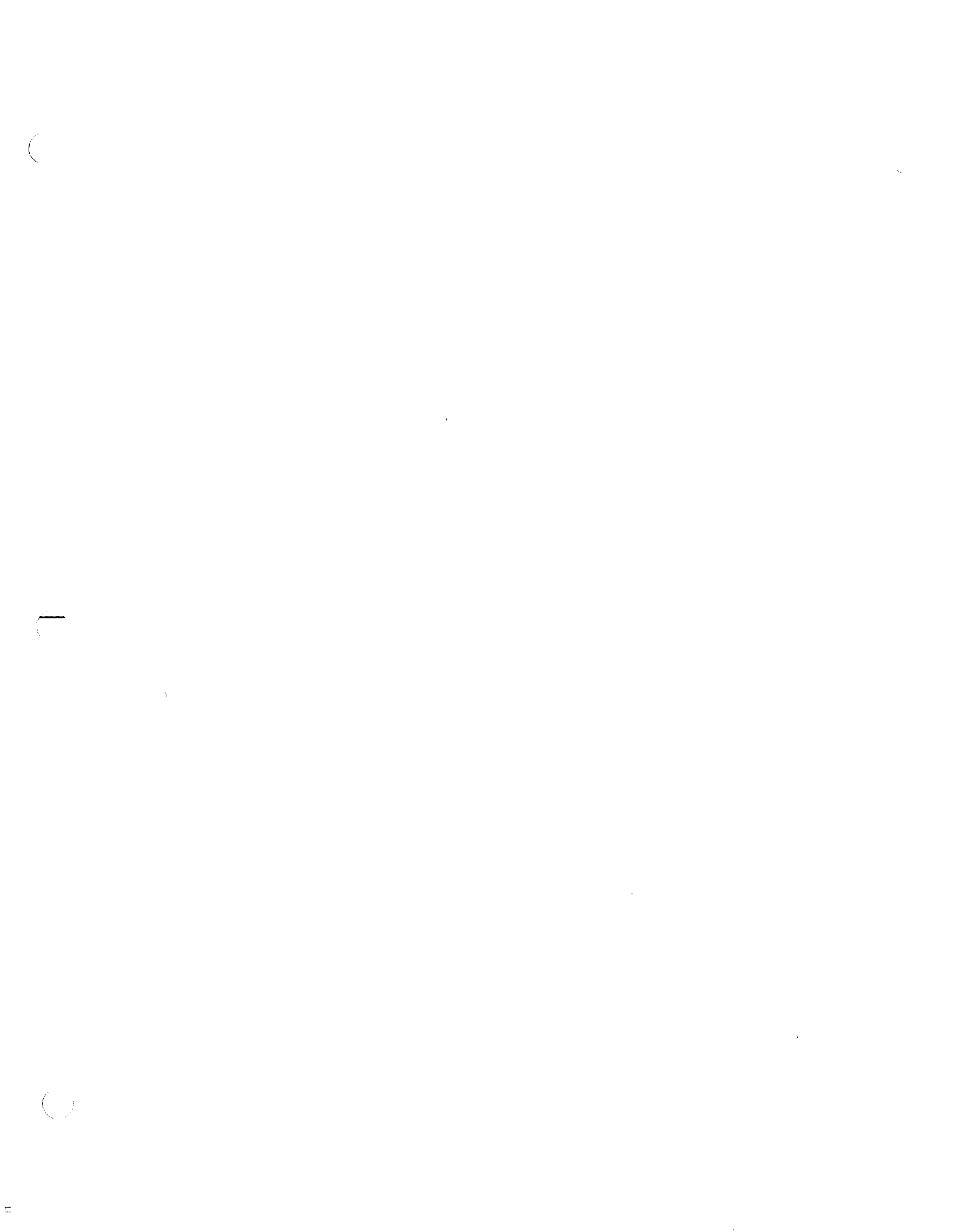
- AFo = Annual Fee specified in the Section entitled "Fees and Compensation" before any annual modification.
- AAF = Adjusted Annual Fee.
- Co = Consumer Price Index for All Urban Consumers (U.S. CITY Average) as published by the U.S. Department of Labor, Bureau of Labor Statistics in the CPI Detailed Report for the month three (3) months prior to VEOLIA WATER beginning service under this Agreement .
- C = Consumer Price Index for All Urban Consumers (U.S. CITY Average) as published by the U.S. Department of Labor, Bureau of Labor Statistics in the CPI Detailed Report for the month three (3) months prior to the beginning of the period for which an adjusted base fee is being calculated.
- Ho = VEOLIA WATER's budgetary health care costs for providing its Project employees medical, dental, vision and accidental death and dismemberment benefits coverage in the amount of \$148,086 included in the Annual Fee specified in the Section entitled "Fees and Compensation" before any annual modification.
- H = VEOLIA WATER's documented budgetary health care costs for its Project employees medical, dental, vision and accidental death and dismemberment benefits coverage three (3) months prior to the beginning of the period for which an adjusted base fee is being calculated, however, in no event shall H be less than Ho.

APPENDIX F

SCHEDULE OF AMORTIZED EXPENDITURES

The parties mutually agree that for all purposes, the beginning principal shall be \$115,000 which represents \$40,000 and \$75,000 of development costs. The interest rate applied shall be calculated at the same rate as provided for in the Amendment for approved and late payments to VEOLIA WATER.

Beginning of Month No.	Balance
15	\$95,172
27	\$79,310
39	\$63,448
51	\$47,586
63	\$31,724
75	\$15,862
87	\$0



Hardin County Water District No. 1

Serving Radcliff and Hardin County for Over 50 Years

1400 Rogersville Road
Radcliff, KY. 40160

November 30, 2007

Mr. Tim Thomas
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

**SUBJECT: Intent to Assume Debt - Application Package
Kentucky Infrastructure Authority, Revolving Loan, A-97-03**

Dear Mr. Thomas:

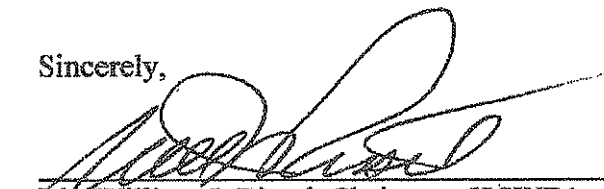
The City of Radcliff and Hardin County Water District No. 1 have entered into a Memorandum of Understanding whereby the District will assume ownership of the City's sanitary sewer system. An objective of this agreement is for the District to carry over and assume current sewer rates, accounts, assets, liabilities and staff with no changes in the first year.


A final contract is being drafted for both parties consideration and approval. Both entities believe it is prudent to contact KIA to determine if any specific language is required in a contract and what procedures are required for the transfer of the current loans from the City to the District.

A package of 3 years audits for both entities is being prepared along with a loan application in order for the District to provide KIA with critical information about the District and a summary of what has lead to this decision. We anticipate this package could be forwarded by mid December.

The City and District have designated Mr. Jim Bruce, General Manager, with the District as the primary contact for information exchange (phone: 270-351-3222). He will call you regarding this transaction.

Sincerely,


Mr. William J. Rissel, Chairman, HCWD1


Honorable Sheila Enyart
City of Radcliff
411 W. Lincoln Trail Boulevard
Radcliff, KY 40160 (Phone: 270-351-4714)

Cf; Ms. Sandy Williams, KIA
Mr. Mike Pike, City Attorney, Radcliff
Mr. David Wilson II, HCWD1 Attorney
Mr. Jim Bruce, HCWD1, General Manager

Hardin County Water District No. 1

Serving Radcliff and Hardin County for Over 50 Years

1400 Rogersville Road
Radcliff, KY. 40160

December 3, 2007

Mr. Garrett Drakeford
Financial Services
Kentucky League of Cities
P.O. Box 34128
Lexington, KY 40508-4128

**SUBJECT: Intent to Assume Debt
Kentucky Municipal Finance Corporation, Series 2001A Pooled Revenue Bond Issue**

Dear Mr Drakeford:


The City of Radcliff and Hardin County Water District No. 1 have entered into a Memorandum of Understanding whereby the District will assume ownership of the City's sanitary sewer system. An objective of this agreement is to for the District to carry over and assume current sewer rates, accounts, assets, liabilities and staff with no changes in the first year.

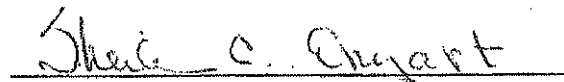
A final contract is being drafted for both parties consideration and approval. Both entities believe it is prudent to contact KLC to determine if any specific language is required in a contract and what procedures are required for the transfer of the current loans from the City to the District.

Also, if there is a specific application or forms we need to fill out to assume this debt, we would also like to know what those are and how to obtain these forms.

The City and District have designated Mr. Jim Bruce, General Manager, with the District as the primary contact for information exchange (phone: 270-351-3222). He will call you regarding this transaction.

Sincerely,


Mr. William J. Rissel, Chairman, HCWD1


Honorable Sheila Enyart
City of Radcliff
411 W. Lincoln Trail Boulevard
Radcliff, KY 40160 (Phone: 270-351-4714)

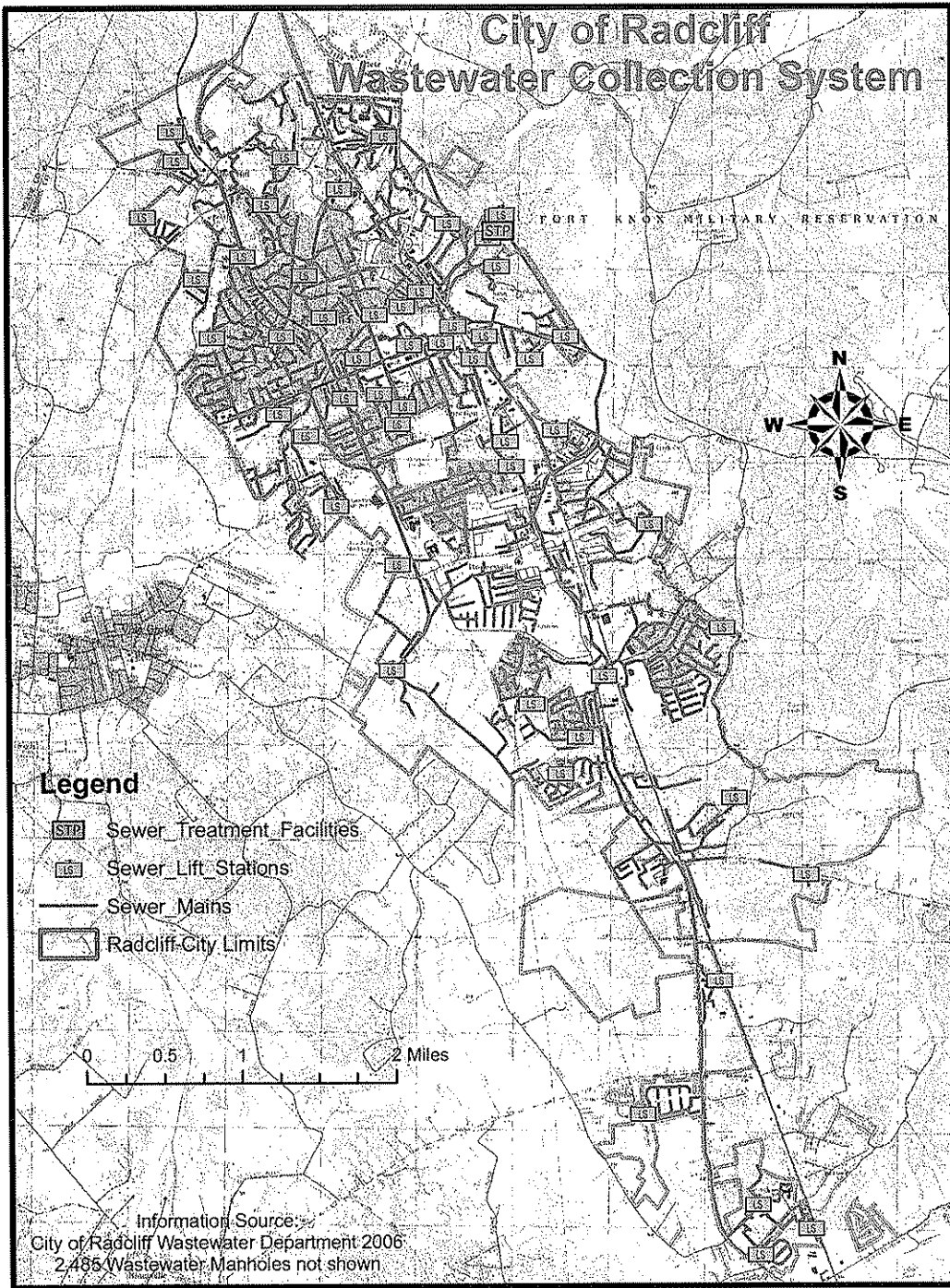
Cf; Mr. Mike Pike, City Attorney, Radcliff
Mr. David Wilson II, HCWD1 Attorney
Mr. Jim Bruce, HCWD1, General Manager

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City of Radcliff Wastewater Collection System



Legend

- Sewer Treatment Facilities
- Sewer Lift Stations
- Sewer Mains
- Radcliff City Limits

0 0.5 1 2 Miles

Information Source:
City of Radcliff Wastewater Department 2006
2,485 Wastewater Manholes not shown

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CITY OF RADCLIFF, KENTUCKY

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2007

CITY OF RADCLIFF, KENTUCKY

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KENNETH D. CLAUSON, CPA
SUSAN C. MOUSER, CPA

BONNIE M. BEAM, CPA
MELISSA S. MARTIN, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor,
Members of the City Council
and Director of Finance
City of Radcliff, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Radcliff, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Radcliff, Kentucky's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of North Hardin Economic Development Authority, Inc. have not been audited, and we were not engaged to audit the North Hardin Economic Development Authority, Inc.'s financial statements as part of our audit of the City's basic financial statements. North Hardin Economic Development Authority, Inc.'s financial activities are included in the City's basic financial statements as a discretely presented component unit and represent 94%, 94%, and 63% of the assets, net assets, and revenues, respectively, of the City's aggregate discretely presented component units.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had North Hardin Economic Development Authority, Inc.'s financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for City of Radcliff, as of June 30, 2007, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for City of Radcliff, Kentucky, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT, Continued

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007, on our consideration of City of Radcliff, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information, on pages 3 through 8 and 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Radcliff, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants
December 18, 2007

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF RADCLIFF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

The discussion and analysis of City of Radcliff, Kentucky's financial performance provides an overall review of the City's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to review the City's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the General Fund was \$4.38 million; the ending cash balance for the Sewer Fund was \$3.30 million; and the ending cash balance for the Stormwater Utility Fund was approximately \$443,500. The combined cash balances for the City was \$8.13 million, which reflects an increase in cash during the year of approximately \$383,000.
- Governmental activities (General Fund and Challenger Special Revenue Fund) had \$13.4 million and business-type activities (Sewer Fund and Stormwater Utility Fund) had \$4.9 million in revenue for the year. Combined revenue for the City was \$18.3 million, which reflects an increase in revenue during the year of approximately \$2.4 million.
- Governmental activities had \$10.5 million and business-type activities had \$3.4 million (including sewer and stormwater system improvements) in expenses for the year. Combined expenses for the City were \$13.9 million, which reflects a decrease in expenses during the year of approximately \$110,000.
- The City incurred new debt in August for \$1.75 million by entering into a four-year repayment lease for the purpose of purchasing capital equipment over the next three fiscal years.
- The City paid off old debt in April by retiring a twenty-year obligation of which proceeds were used for the construction of the Hall of Justice and the upgrading of the Radcliff sewer system.
- Governmental activities retired total debt of \$976,770 during the fiscal year leaving a principal balance of \$9.58 million and business-type activities retired total debt of \$378,479 leaving a principal balance of \$3.7 million.
- Accepted subdivision roads during the year added \$2.66 million to the City's General Fund fixed assets
- End-of-year capital assets listed at purchase price less accumulated depreciation totaled \$23.3 million for governmental activities and \$18.8 million for business-type activities for a total of \$42.1 million, which is up \$4.2 million from last year.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

Component units, which are other governmental units over which the City can exercise influence and/or may be obligated to provide financial subsidy, are presented as a separate column of the government-wide financial statements. The focus of the statements is clearly on the primary government and the presentation allows the user to address the relative relationship with the component units.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes, license fees and permits, insurance premiums taxes, user charges and intergovernmental revenues (governmental activities). The governmental activities of the City include administration, law enforcement, fire, public works, parks and recreation, planning, and challenger. The business-type activities of the City include wastewater and stormwater. Fixed assets and related debt are also supported by the revenue sources mentioned above.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary. The proprietary funds are wastewater and stormwater. All other activities of the City are included in the governmental funds.

The basic fund financial statements can be found on pages 11-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-29 of this report.

THE CITY AS A WHOLE

The City's combined net assets increased approximately \$4,707,048, or 14 percent, from a year ago. Our analysis below focuses on the net assets and changes in net assets of the primary government.

Net Assets June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 6,512,033	\$ 5,833,351	\$ 4,369,388	\$ 4,176,774	\$10,881,421	\$ 10,010,125
Capital Assets	<u>23,313,344</u>	<u>20,235,539</u>	<u>18,841,929</u>	<u>17,707,264</u>	<u>42,155,273</u>	<u>37,942,803</u>
Total Assets	<u>29,825,377</u>	<u>26,068,890</u>	<u>23,211,317</u>	<u>21,884,038</u>	<u>53,036,694</u>	<u>47,952,928</u>
Long-term debt	9,795,379	9,042,474	3,726,279	4,108,217	13,521,658	13,150,691
Other Liabilities	<u>481,168</u>	<u>448,346</u>	<u>299,862</u>	<u>326,933</u>	<u>781,030</u>	<u>775,279</u>
Total Liabilities	<u>10,276,547</u>	<u>9,490,820</u>	<u>4,026,141</u>	<u>4,435,150</u>	<u>14,302,688</u>	<u>13,925,970</u>
Net Assets						
Investment in capital assets (net of debt)	13,734,934	11,430,359	15,139,173	13,626,030	28,874,107	25,056,389
Restricted	1,246,533	494,638	--	--	1,246,533	494,638
Unrestricted	<u>4,567,363</u>	<u>4,653,073</u>	<u>4,046,003</u>	<u>3,822,858</u>	<u>8,613,366</u>	<u>8,475,931</u>
Total Net Assets	<u>\$19,548,830</u>	<u>\$16,578,070</u>	<u>\$19,185,176</u>	<u>\$17,448,888</u>	<u>\$38,734,006</u>	<u>\$34,026,958</u>

Approximately 77.8 percent of the City's net assets are restricted as to the purpose they can be used for or are invested in capital assets. Those net assets increased approximately 17.9 percent. This increase is primarily due to the addition of \$2.66 million of city subdivision accepted roads.

The remaining 22.2 percent of the City's net assets are unrestricted. Unrestricted net assets can be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Unrestricted net assets increased approximately 1.6 percent. The increase is primarily due to additional sewer revenues being escrowed into Sewer Fund reserves for future system improvements.

Changes in Net Assets
Years Ended June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 280,444	\$ 404,684	\$4,080,069	\$4,070,900	\$ 4,360,513	\$ 4,475,584
Operating grants and contributions	1,620,074	785,238	--	25,000	1,620,074	810,238
Capital grants and contributions	397,223	1,130,852	642,920	--	1,040,143	1,130,852
General revenues:						
Property taxes	1,446,519	1,470,639	--	--	1,446,519	1,470,639
Franchise taxes	582,009	684,952	--	--	582,009	684,952
Insurance premium taxes	2,011,655	1,998,605	--	--	2,011,655	1,998,605
Occupational tax	2,900,546	2,605,361	--	--	2,900,546	2,605,361
Licenses & permits	1,032,533	1,054,674	--	--	1,032,533	1,054,674
Fees, fines, forfeitures	202,986	72,688	--	--	202,986	72,688
Other revenue	250,901	234,675	215,674	160,451	466,575	395,126
Transfers In (Out)	(9,146)	(1,500)	9,146	1,500	--	--
Gain on sale of assets	12,024	240,977	--	--	12,024	240,977
Contributed infrastructure	<u>2,659,387</u>	<u>968,223</u>	<u>--</u>	<u>--</u>	<u>2,659,387</u>	<u>968,223</u>
Total revenues	13,387,155	11,650,068	4,947,809	4,257,851	18,334,964	15,907,919
EXPENSES:						
Governmental activities:						
Administration	1,095,405	1,927,363	--	--	1,095,405	1,927,363
Law enforcement	3,871,020	3,705,012	--	--	3,871,020	3,705,012
Fire	1,908,815	1,657,702	--	--	1,908,815	1,657,702
Parks & recreation	625,417	469,370	--	--	625,417	469,370
Public works	2,053,141	1,878,101	--	--	2,053,141	1,878,101
Planning & development	540,554	545,218	--	--	540,554	545,218
Challenger learning center	421,895	386,005	--	--	421,895	386,005
Loss on sale of asset	6,930	3,232	--	--	6,930	3,232
Business-type activities:						
Stormwater	--	--	550,497	517,830	550,497	517,830
Wastewater	--	--	<u>2,856,233</u>	<u>2,950,894</u>	<u>2,856,233</u>	<u>2,950,894</u>
Total expenses	<u>10,523,177</u>	<u>10,572,003</u>	<u>3,406,730</u>	<u>3,468,724</u>	<u>13,929,907</u>	<u>14,040,727</u>
Changes in net assets	<u>\$2,863,978</u>	<u>\$1,078,065</u>	<u>\$ 1,541,079</u>	<u>\$ 789,127</u>	<u>\$ 4,405,057</u>	<u>\$ 1,867,192</u>

Revenues increased approximately 15 percent overall. The two greatest increases came from contributed infrastructure by the acceptance of \$2.66 million of city accepted subdivision roads and from operating grants by receiving state grants for road resurfacing for \$542,271 and new sidewalk construction in the amount of \$280,212.

Total expenses decreased approximately .79 percent. The decrease in expenses is largely due to the reduction in Administration from the previous years economic development incentive contribution in the amount of \$900,000. All other departments other than two, Planning/Development and Wastewater, had increases to their operational expenditures.

The difference between the change in net assets on page 4 and the change in net assets above is \$301,991, which includes two prior period adjustments. One prior period adjustment in the amount of \$106,782 is included in the general fund government-wide Statement of Activities and was for property abatement receivables that were measurable, but not available. The other prior period adjustment in the amount of \$195,209 is included in the wastewater fund Statement of Activities and was for accumulated depreciation differences.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of the City.

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

At the completion of the City's fiscal year end, the governmental funds as presented in the balance sheet on page 11 increased approximately \$430,000 or 8 percent from the prior year. There are two factors that had an impact on this overall increase, even though the cash and cash equivalents decreased by approximately \$600,000. Total account receivables at year end increased approximately \$300,000 and restricted assets investments increased approximately \$1,000,000 due to new lease financing in August of \$1.75M for equipment and capital projects.

GENERAL FUND – BUDGET HIGHLIGHTS

The City's budget is prepared according to Kentucky law. The most significant budgeted fund is the General Fund.

Revenues were budgeted at \$9.9 million with actual amounts of \$9.9 million. Budgeted expenditures of \$11.9 million compare with actual expenditures of \$10.9 million. The variance between budgeted expenditures and actual expenditures is favorable.

CAPITAL ASSET AND DEBT ADMINISTRATION (FY 2006-2007)

Capital purchases and projects funded during FY 2007 were funded from either operating budget revenue, borrowed lease proceeds, or grant program proceeds. The appropriations include the following departmental purchases of note: five police MDT laptops for \$23K; a generator for the police radio tower at CLC for \$20K; a van for the police evidence section for \$16K; six MDT equipped police cruisers for \$239K; an economic development study by The Buxton Co. for \$60K; a compressor cascade system for the Fire Dept for \$30K; trench rescue equipment for the Fire Dept for \$31K; a vehicle for the additional hired Fire Inspector for \$34K; chassis payment for a new Fire Dept tanker truck for \$83K; a replacement truck in the Recreation Dept for \$18K; upgrades to the kitchen appliances at the Colvin Center for \$17K(state funded GOLD grant); Dawley Park project development expenses for \$30K; Atcher Cabin relocation to Saunders Springs for \$36K; two trucks for Public Works Dept for \$50K; side sickle and median mowers for \$21K; replacement project of city street signs for \$72K; sidewalk construction along S Wilson Rd and W Lincoln Trail for \$280K(federal funded grant); street resurfacing for \$756K(state funded grant portion \$292K); a vehicle in the Planning Dept for \$19K; an underground stormwater mapping project with the University of Kentucky for \$49K; completion of drainage enhancement projects for \$161K; a lift station bypass pump for \$28K; a replacement Bobcat loader for the Sewer Dept for \$23K; new sewer system lift stations and line replacements for \$111K; sewer plant basin's cleanout and replacement for \$247K; Boone Trace force main replacement project for \$421K; and Hwy 313 to Cowley Estates sewer line extension project for \$662K.

The City of Radcliff entered into a three-year capital funding lease plan in August of 2006 to address the capital purchase needs of the City for the next three fiscal years concluding FY 2008-2009. The total amount borrowed was \$1.75 million to be paid off in four years ending in June 2010. The amount allocated from this lease for current fiscal year expenses is approximately \$834,700. A road resurfacing improvement lease entered into last fiscal year for \$1.1 million was fully expended in August 2006. This lease has a ten-year repayment obligation to be paid off in August 2015. The need of those funds was to allow the City to resurface all maintained streets every fifteen years rather than every twenty years which was the plan in place prior to the availability of those funds. The twenty-year lease obligation for the construction of the police station and system improvements to the sewer system was paid off in April 2007. The retirement of this debt made available \$157,600 to be reallocated elsewhere in the General and Sewer Fund budgets for FY 2008. The Special Revenue Fund (Challenger Center) continues to payback the debt for the construction of the Learning Center in 1999 by allocating \$215,000 for the fiscal year with full retirement of the debt in December of 2018. The Sewer Fund had three existing debt obligations entering FY 2007. The first for system improvements was retired in April. The second was started in 1999 for the construction expansion of the sewer plant and will pay out in December 2018. The last obligation started in 1991 was for further system improvements and will pay out in November 2010.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (FY 2006-2007)

The ad valorem real property tax rate for FY 2006-2007 (2006 tax year) was set at .162 per \$100 of assessed valuation and the personal property tax rate was set at .203 per \$100. These rates were established after the City voted in October of 2006 to set the rates 2.5% above the computed (compensating) rates of .158 for real property and .198 for personal property. New property added to the tax roll for FY 2007 over the previous year is nearly \$18M and the total taxable real property increase is \$43M. The total assessed homestead/disability exempted real property for FY 2007 is \$32.2M, which is \$600K more than last year. The cost to the City for FY 2007 in having Hardin Co PVA assess city property and provide certified valuations is \$38K.

The largest revenue source to the City's General Fund continues to be occupational payroll taxes with a budget of \$2.8M for FY 2006-2007. Economic development relocation incentives continue to be a part of the occupational tax revenue of the City. The City continues to rebate payroll taxes to both Cardinal Health and Pulau Electronics as part of ten year agreements. The City entered into a third ten year incentive rebate program in March of 2007 with the expansion of US Cavalry into the Millpond Business Park.

Several federal and state awarded grants continue to aid the City in supplanting current General and Sewer Fund expenses. A 2005 COPS Technology Initiative grant awarded in December of 2004 was fully expended during the fiscal year for \$62K. A federal transportation grant for \$467,366 administered by the Ky Transportation Cabinet for new sidewalk construction along S. Wilson Rd and W. Lincoln Trail awarded in March of 2006 began with expenses of \$280K during the year. The balance of this grant will be fully expended next fiscal year. A federal Staffing for Adequate Fire & Emergency Response (SAFER) grant was awarded in October of 2006 for the staffing of three new full-time firefighters over a four year period. The federal share portion of this grant is \$306K. A state grant from the Ky Transportation Cabinet for \$292K to resurface city streets was awarded and fully expended. A state grant from the Governor's Office For Local Development (GOLD) was awarded for \$250K in order to renovate the Colvin Community Center and city pool. Only a portion of these funds were expended during the fiscal year. Finally, two remaining state grants of significance awarded to the Sewer Department were initiated during the year. Grant funds of \$643K awarded by the Ky Infrastructure Authority(KIA) were spent for the replacement of the plant basin liners and for the replacement of the Boone Trace force main and lift station.

The rising retirement employer contribution rates continue to be a significant threat to the General Fund budget of the City. Employer rates for FY 2008 of 16.17% and 33.87% for non-hazardous and hazardous duty employees cost the City over \$1.2M. The dollar impact of this increase in FY 2008 over FY 2007 is \$240K. The Kentucky League of Cities on behalf of all Kentucky cities is participating in the Governor's Blue Ribbon Commission on public employee's retirement systems to identify funding problems and obstacles and hopefully outline potential solutions to lessen the financial impact on cities. Another financial impact to cities is the potential loss of local government insurance premium taxes due to miscoding of risk locations by insurance companies. Cities are very limited in the amount of information they can be provided by the insurance industry when questions of inconsistency are raised. Several city sponsored state associations have hired the consulting firm of Thompson Consulting Group LLC to research the current collection problems with this tax and to provide recommendations to the Kentucky legislature and the Kentucky Department of Revenue. Hopefully solutions will be enacted by statute in the near future.

There have been new revisions to Chapter 67 of the Ky Revised Statues (KRS) pertaining to the amendment of local occupational/business license tax ordinances and the corresponding compliance deadline of July 2008. The purpose of this statute revision is to create a uniform method of apportionment of the license fee of gross receipts and net profits in every local taxing jurisdiction. The City has been drafting a revision to its business license ordinance to comply with the new statute which will be presented for consideration in the near future. It is unknown at this time on how the new apportionment calculation method of the license fee will impact either positively or negatively the City's business license revenues.

The City of Radcliff and Hardin County Water District #1 (HCWD) entered into a Memorandum Of Understanding (MOU) in March of 2006 to study the possibility of HCWD providing sewer utility services for Radcliff residents in the ownership and operation of the Radcliff wastewater system. Findings of this study were presented by HCWD to the City in January of 2007. Based upon those findings, both parties then jointly agreed to begin the process of drafting a MOU for the potential transfer of the sewer system to HCWD. A completed MOU draft voted on by both parties is expected to be completed in the Fall of 2008. Subsequent to this document and vote, a final contract for the system transfer would still need to be voted on by both parties. The system transfer would include both the assets (cash, equipment, inventory, system infrastructure) and liabilities (debt service, system maintenance, capital improvements) of the system.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Radcliff, P.O. Drawer 519, 411 W. Lincoln Trail Blvd., Radcliff, Kentucky 40159-0519.

BASIC FINANCIAL STATEMENTS

CITY OF RADCLIFF, KENTUCKY

STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS	Governmental Activities	Business- Type Activities	Total	Component Units	
				Convention and Tourism Commission	Industrial Authority
<u>Current Assets</u>					
Cash and cash equivalents	\$ 3,167,535	\$ 3,323,593	\$ 6,491,128	\$ 86,604	\$ 103,249
Inventory	3,912	--	3,912	--	--
Accounts receivable:					
Taxes	1,502,091	--	1,502,091	--	--
Other	583,560	--	583,560	--	--
Accounts	--	578,376	578,376	14,113	--
Prepaid expenses	35,821	6,193	42,014	20,277	--
Accrued interest	--	15,685	15,685	--	--
Total Current Assets	<u>5,292,919</u>	<u>3,923,847</u>	<u>9,216,766</u>	<u>120,994</u>	<u>103,249</u>
<u>Noncurrent Assets</u>					
Restricted cash:					
Cash and cash equivalents	666	375,605	376,271	--	--
Cash with fiscal agent	--	47,475	47,475	--	--
Investment	1,218,448	--	1,218,448	--	--
Bond costs, net	--	22,461	22,461	--	--
Capital assets:					
Land	1,441,529	9,545	1,451,074	--	623,214
Depreciable capital assets	35,215,070	29,597,223	64,812,293	26,366	1,569,955
Less: accumulated depreciation	(13,343,255)	(10,764,839)	(24,108,094)	(18,912)	(294,005)
Total Noncurrent Assets	<u>24,532,458</u>	<u>19,297,470</u>	<u>43,819,928</u>	<u>7,454</u>	<u>1,899,164</u>
Total Assets	<u>29,825,377</u>	<u>23,211,317</u>	<u>53,036,694</u>	<u>128,448</u>	<u>2,002,413</u>
<u>LIABILITIES</u>					
<u>Current Liabilities</u>					
Accounts payable	176,687	131,793	308,480	--	218
Other liabilities	284,829	34,867	319,696	--	114,183
Customer deposits	--	120,095	120,095	--	--
Interest payable	19,651	13,107	32,758	--	--
Current portion of capitalized lease obligations	913,227	--	913,227	--	--
Current portion of revenue bonds payable	--	110,337	110,337	--	--
Current portion of notes payable	--	226,544	226,544	--	--
Current portion of compensated absences	71,599	7,763	79,362	--	--
Total Current Liabilities	<u>1,465,993</u>	<u>644,506</u>	<u>2,110,499</u>	<u>--</u>	<u>114,401</u>
<u>Noncurrent Liabilities</u>					
Noncurrent portion of capitalized lease obligations	8,665,183	--	8,665,183	--	--
Noncurrent portion of revenue bonds payable	--	393,231	393,231	--	--
Noncurrent portion of notes payable	--	2,972,644	2,972,644	--	--
Noncurrent portion of compensated absences	145,371	15,760	161,131	--	--
Total Noncurrent Liabilities	<u>8,810,554</u>	<u>3,381,635</u>	<u>12,192,189</u>	<u>--</u>	<u>--</u>
Total Liabilities	<u>10,276,547</u>	<u>4,026,141</u>	<u>14,302,688</u>	<u>--</u>	<u>114,401</u>
<u>Net Assets</u>					
Invested in capital assets, net of related debt	13,734,934	15,139,173	28,874,107	7,454	1,786,164
Restricted for:					
Capital projects	1,219,114	--	1,219,114	--	--
Other purposes	27,419	--	27,419	--	--
Unrestricted	<u>4,567,363</u>	<u>4,046,003</u>	<u>8,613,366</u>	<u>120,994</u>	<u>101,848</u>
Total Net Assets	<u>\$ 19,548,830</u>	<u>\$ 19,185,176</u>	<u>\$ 38,734,006</u>	<u>\$ 128,448</u>	<u>\$ 1,888,012</u>

See accompanying notes to financial statements.

CITY OF R. LIFF, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		Component Unit Activities
	Charges For Services	Operating Grants & Contributions	Governmental Activities	Business-Type Activities	
Primary government:					
Governmental activities:					
Administration	\$ 117,381	\$ 246,431	\$ (731,593)	--	\$ (731,593)
Law enforcement	3,871,020	281,487	(3,457,522)	--	(3,457,522)
Fire	1,908,815	181,409	(1,721,406)	--	(1,721,406)
Parks & recreation	625,417	--	(594,837)	--	(594,837)
Public works	2,053,141	910,747	(862,182)	--	(862,182)
Planning	540,554	--	(540,554)	--	(540,554)
Challenger	421,895	--	(310,412)	--	(310,412)
Total governmental activities	10,516,247	1,620,074	(8,218,506)	--	(8,218,506)
Business-type activities:					
Stormwater	550,497	--	--	133,795	133,795
Wastewater	2,856,233	--	--	1,182,464	1,182,464
Total business-type activities	3,406,730	--	--	1,316,259	1,316,259
Total primary government	\$ 13,922,977	\$ 1,620,074	(8,218,506)	1,316,259	(6,902,247)
Component unit:					
Tourism commission	143,300	12,530	--	--	(130,770)
Development authority	160,310	50,000	--	--	(110,310)
Total component unit	\$ 303,610	\$ 62,530	--	--	(241,080)
General revenues:					
Property taxes, levied for general purposes			1,446,519	--	1,446,519
Franchise taxes			582,009	--	582,009
Insurance premium taxes			2,011,655	--	2,011,655
Occupational tax			2,900,546	--	2,900,546
Licenses & permits			1,032,533	--	1,032,533
Fines, fees, forfeitures			202,986	--	202,986
Transient room tax			--	--	--
Other revenue			250,901	215,674	466,575
Total general revenues			8,427,149	215,674	8,642,823
Gain on sale of assets			12,024	--	12,024
Contributed Infrastructure			2,659,387	--	2,659,387
Transfers in (out)			(9,146)	9,146	--
Loss on disposal of assets			(6,930)	--	(6,930)
Change in net assets			2,863,978	1,541,079	4,405,057
Net assets – beginning			16,578,070	17,448,888	34,026,958
Prior Period adjustment			106,782	195,209	301,991
Net assets – ending			\$ 19,548,830	\$ 19,185,176	\$ 38,734,006

See accompanying notes to financial statements

CITY OF RADCLIFF, KENTUCKY

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2007

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$3,148,846	\$18,689	\$3,167,535
Receivables:			
Taxes	1,484,471	--	1,484,471
Taxes – other	354,001	9,400	363,401
Prepaid expenses	33,812	2,009	35,821
Restricted assets:			
Cash and cash equivalents	666	--	666
Investments	1,218,448	--	1,218,448
Inventories	<u>--</u>	<u>3,912</u>	<u>3,912</u>
TOTAL ASSETS	<u>\$6,240,244</u>	<u>\$34,010</u>	<u>\$6,274,254</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 174,000	\$ 2,687	\$ 176,687
Other liabilities	<u>276,353</u>	<u>8,476</u>	<u>284,829</u>
TOTAL LIABILITIES	450,353	11,163	461,516
Fund Balances:			
Reserved for:			
Encumbrances	339	--	339
Capital lease projects	1,219,114	--	1,219,114
Unreserved:			
Undesignated	4,543,019	22,847	4,565,866
Designated for specific fund purpose	<u>27,419</u>	<u>--</u>	<u>27,419</u>
TOTAL FUND BALANCES	<u>5,789,891</u>	<u>22,847</u>	<u>5,812,738</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$6,240,244</u>	<u>\$34,010</u>	<u>\$6,274,254</u>

See accompanying notes to financial statements.

CITY OF RADCLIFF, KENTUCKYRECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET ASSETSJUNE 30, 2007

Total fund balance per fund financial statements	\$ 5,812,738
Amounts reported for governmental activities in the statement of net assets are different because:	
Certain receivables (such as property taxes received after 60 days and certain property abatement receivables) are not reported in the fund financial statement because they are not available, but they are presented in the Statement of Net Assets.	237,779
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	23,313,344
Certain liabilities (such as capitalized lease obligations, compensated absences and interest payable as detailed in Note B) are not reported in the fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net assets.	<u>(9,815,031)</u>
Net assets for governmental activities	<u>\$19,548,830</u>

See accompanying notes to financial statements.

CITY OF RADCLIFF, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:			
Property taxes	\$1,450,485	\$ --	\$1,450,485
Franchise taxes	582,009	--	582,009
Insurance premium taxes	2,011,655	--	2,011,655
Occupational tax	2,900,546	--	2,900,546
Licenses and permits	1,032,533	--	1,032,533
Fines, fees, forfeitures	89,609	--	89,609
Other revenue	266,639	19,712	286,351
Intergovernmental revenue	1,410,150	607,148	2,017,298
Charges for services	138,381	111,483	249,864
Recreation fees	<u>30,580</u>	<u>--</u>	<u>30,580</u>
TOTAL REVENUES	9,912,587	738,343	10,650,930
EXPENDITURES:			
Current:			
Administration	1,112,792	--	1,112,792
Law enforcement	4,020,878	--	4,020,878
Fire	1,990,924	--	1,990,924
Parks & recreation	612,229	--	612,229
Public works	971,283	607,148	1,578,431
Planning & development	539,000	--	539,000
Challenger learning center	--	451,308	451,308
Capital outlay	<u>1,717,951</u>	<u>7,101</u>	<u>1,725,052</u>
TOTAL EXPENDITURES	<u>10,965,057</u>	<u>1,065,557</u>	<u>12,030,614</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,052,470)	(327,214)	(1,379,684)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	--	342,000	342,000
Operating transfers out	(342,000)	--	(342,000)
Proceeds from sale of property	59,838	--	59,838
Loan proceeds	<u>1,750,000</u>	<u>--</u>	<u>1,750,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,467,838</u>	<u>342,000</u>	<u>1,809,838</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	415,368	14,786	430,154
FUND BALANCES-beginning	<u>5,374,523</u>	<u>8,061</u>	<u>5,382,584</u>
FUND BALANCES-ending	<u>\$ 5,789,891</u>	<u>\$ 22,847</u>	<u>\$ 5,812,738</u>

See accompanying notes to financial statements.

CITY OF RADCLIFF, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

Net change in total fund balances per fund financial statements	\$ 430,154
Amounts reported for governmental activities in the statement of activities are different because:	
Property taxes receivable to be collected after 60 days are reported as revenue in the statement of activities.	(3,967)
Property abatement receivables that are not available are reported as revenue in the Statement of Activities.	113,376
Capital outlays are reported as expenditures in the fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities, net of transfer of equipment to stormwater, and depreciated over their estimated economic lives.	1,725,052
Bond and long-term debt payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	976,770
Compensated absences are not recognized as expenditures in fund financial statements, but are recognized as expenses in the statement of activities.	20,326
Generally, expenditures recognized in the fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. Depreciation expense is recognized in the statement of activities.	(1,238,629)
In the statement of activities the loss on disposal of assets and the gain on sale of assets are reported, where in the governmental funds, the proceeds from the sale increase financial resources.	(58,859)
Contributed infrastructure is recognized as revenue in the statement of activities, but is not recognized as revenue in the fund financial statements.	2,659,387
Interest payable is not recognized as expenditures in fund financial statements, but is recognized as expenses in the statement of activities.	(486)
Loan proceeds provide current financial resources to governmental funds, but they are presented as liabilities in the statement of net assets.	(1,750,000)
In the statement of activities, a transfer is recorded for the transfer of an asset between the General fund and Wastewater fund. In the governmental funds, it is not presented.	<u>(9,146)</u>
Changes in net assets of governmental activities.	<u>\$ 2,863,978</u>

See accompanying notes to financial statements.

CITY OF RADCLIFF, KENTUCKY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2007

ASSETS	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>STORMWATER</u>	<u>WASTEWATER</u>	<u>TOTAL</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 443,410	\$ 2,880,183	\$ 3,323,593
Receivables:			
Accounts	79,983	498,393	578,376
Prepaid expenses	325	5,868	6,193
Accrued interest income	--	15,685	15,685
TOTAL CURRENT ASSETS	<u>523,718</u>	<u>3,400,129</u>	<u>3,923,847</u>
NONCURRENT ASSETS:			
Restricted cash:			
Cash and cash equivalents	--	375,605	375,605
Cash with fiscal agent	--	47,475	47,475
Bond costs, net	--	22,461	22,461
Capital assets:			
Land	--	9,545	9,545
Depreciable capital assets	625,198	28,972,025	29,597,223
Less: accumulated depreciation	<u>(50,098)</u>	<u>(10,714,741)</u>	<u>(10,764,839)</u>
TOTAL NONCURRENT ASSETS	<u>575,100</u>	<u>18,712,370</u>	<u>19,287,470</u>
TOTAL ASSETS	<u>1,098,818</u>	<u>22,112,499</u>	<u>23,211,317</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	8,161	123,632	131,793
Other liabilities	3,357	31,510	34,867
Customer deposits	--	120,095	120,095
Interest payable	--	13,107	13,107
Current portion compensated absences	964	6,799	7,763
Current portion revenue bonds payable	--	110,337	110,337
Current portion notes payable	--	226,544	226,544
TOTAL CURRENT LIABILITIES	<u>12,482</u>	<u>632,024</u>	<u>644,506</u>
NONCURRENT LIABILITIES:			
Noncurrent compensated absences	1,957	13,803	15,760
Noncurrent revenue bonds payable	--	393,231	393,231
Noncurrent notes payable	--	2,972,644	2,972,644
TOTAL NONCURRENT LIABILITIES	<u>1,957</u>	<u>3,379,678</u>	<u>3,381,635</u>
TOTAL LIABILITIES	<u>14,439</u>	<u>4,011,702</u>	<u>4,026,141</u>
NET ASSETS:			
Invested in capital assets, net of related debt	575,100	14,564,073	15,139,173
Unrestricted	<u>509,279</u>	<u>3,536,724</u>	<u>4,046,003</u>
TOTAL NET ASSETS	<u>\$ 1,084,379</u>	<u>\$ 18,100,797</u>	<u>\$ 19,185,176</u>

See accompanying notes to financial statements.

CITY OF RADCLIFF, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2007

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>STORMWATER</u>	<u>WASTEWATER</u>	<u>TOTAL</u>
OPERATING REVENUE:			
Charges for services	\$ 684,292	\$ 3,395,777	\$ 4,080,069
Other revenue	12,042	10,872	22,914
Grants	<u>--</u>	<u>642,920</u>	<u>642,920</u>
TOTAL OPERATING REVENUE	696,334	4,049,569	4,745,903
OPERATING EXPENSES:			
Personnel costs	153,306	862,489	1,015,795
Contract services	289,189	237,755	526,944
Power & utilities	--	235,715	235,715
Repairs & maintenance	2,560	374,954	377,514
Materials & supplies	45,655	49,710	95,365
Other operating costs	28,754	209,620	238,374
Depreciation	<u>31,033</u>	<u>696,758</u>	<u>727,791</u>
TOTAL OPERATING EXPENSES	<u>550,497</u>	<u>2,667,001</u>	<u>3,217,498</u>
INCOME FROM OPERATIONS	145,837	1,382,568	1,528,405
NON-OPERATING REVENUE (EXPENSE):			
Interest earnings	13,900	178,860	192,760
Amortization expense	--	(24,351)	(24,351)
Bond service expense	--	(9,616)	(9,616)
Interest expense	--	(155,265)	(155,265)
Transfers in	<u>--</u>	<u>9,146</u>	<u>9,146</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>13,900</u>	<u>(1,226)</u>	<u>12,674</u>
CHANGE IN NET ASSETS	159,737	1,381,342	1,541,079
NET ASSETS-beginning	924,642	16,524,246	17,448,888
Prior Period Adjustment	<u>--</u>	<u>195,209</u>	<u>195,209</u>
NET ASSETS-ending	<u>\$1,084,379</u>	<u>\$18,100,797</u>	<u>\$19,185,176</u>

See accompanying notes to financial statements.

CITY OF RADCLIFF, KENTUCKY

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2007

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>STORMWATER</u>	<u>WASTEWATER</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 707,530	\$ 4,050,795	\$ 4,758,325
Cash payments to employees	(110,080)	(618,479)	(728,559)
Cash payments for operating expenses	<u>(418,000)</u>	<u>(1,367,811)</u>	<u>(1,785,811)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	179,450	2,064,505	2,243,955
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(161,539)	(1,496,563)	(1,658,102)
Principal paid on revenue bonds	--	(120,000)	(120,000)
Principal paid on notes payable	--	(218,175)	(218,175)
Capitalized lease obligation	--	(54,967)	(54,967)
Interest paid on revenue bonds	--	(26,208)	(26,208)
Interest paid on notes payable	--	(127,807)	(127,807)
Interest paid on capitalized lease obligation	--	(2,541)	(2,541)
Bond fees	<u>--</u>	<u>(9,616)</u>	<u>(9,616)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(161,539)	(2,055,877)	(2,217,416)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	<u>13,900</u>	<u>175,905</u>	<u>189,805</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	13,900	175,905	189,805
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	31,811	184,533	216,344
CASH AND RESTRICTED CASH, June 30, 2006	<u>411,599</u>	<u>3,118,730</u>	<u>3,530,329</u>
CASH AND RESTRICTED CASH, June 30, 2007	<u>\$ 443,410</u>	<u>\$ 3,303,263</u>	<u>\$ 3,746,673</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income from operations	\$ 145,837	\$ 1,382,568	\$ 1,528,405
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	31,033	696,758	727,791
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	11,412	5,849	17,261
Prepaid expense	(325)	62	(263)
Increase (decrease) in:			
Accounts payable	(8,975)	(13,870)	(22,845)
Other liabilities	946	742	1,688
Compensated absences	(478)	(2,981)	(3,459)
Customer deposits	--	(4,623)	(4,623)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 179,450</u>	<u>\$ 2,064,505</u>	<u>\$ 2,243,955</u>

See accompanying notes to financial statements.

CITY OF RADCLIFF, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction – The basic financial statements of the City of Radcliff, Kentucky (City) are prepared in accordance with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2006.

Financial Reporting Entity – The City of Radcliff, Kentucky, operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), highways and street, public improvements, planning, development, and general administrative services. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Radcliff, Kentucky (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units Reported with the Primary Government

Radcliff Public Properties Corporation – The purpose of this corporation is to acquire and hold title to real and personal property for the use and benefit of the City of Radcliff. The seven directors of this Corporation consist of the Mayor and six council members. Any operations of the Corporation would be included in the General Fund.

Discretely Presented Component Units – The component unit columns in the combined financial statements include the financial data of the Radcliff Convention and Tourism Commission and the North Hardin Economic Development Authority, Inc.

The Radcliff Convention and Tourism Commission was created to account for monies derived from transient room tax from local motels to be expended on promotion of convention and tourist activities. The City has the authority to appoint the Commission's governing body and the ability to impose its will on the organization. The separately issued financial statements of the Radcliff Convention and Tourism Commission can be obtained by writing to Radcliff Convention and Tourism Commission, P.O. Box 845, Radcliff, Kentucky 40159-0845.

The purpose of the North Hardin Economic Development Authority, Inc. is to acquire and hold title to real property for the industrial use and benefit of the City of Radcliff. The City has the authority to appoint the Authority's governing body and the ability to impose its will on the organization. Separately issued financial statements were not prepared by the Authority. The financial statements as presented have not been audited.

Government-Wide Financial Statements – The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

CITY OF RADCLIFF, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of *governmental and enterprise fund financial statements* is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds – All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The following are the City's Governmental Fund Types:

General Fund – The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund. This is a major fund for the City.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue resources (other than assessments) that are legally restricted to expenditures for specified purposes. These funds include: Municipal Aid, LGEA and Challenger Learning Center.

Proprietary Funds – Proprietary funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in these funds. Unbilled utility receivables are recorded at June 30.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following are the City's Proprietary Fund types:

Wastewater Fund – To account for the provision of sewer treatment to the residential and commercial users of the City. This is a major fund for the City.

Stormwater Utility Fund – To account for the provision of stormwater runoff to the residential and commercial users of the City and to improve stormwater and drainage services. This is a major fund for the City.

Basis of Accounting – The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues are recognized in the year for which they are due. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

CITY OF RADCLIFF, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

The government-wide statement of activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each governmental program. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The governmental fund financial statements are prepared using the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available". Measurable means the amount can be determined. Available means collectible within the period or soon enough thereafter to pay current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Those revenues susceptible to accrual are property taxes, franchise taxes, insurance premium taxes, occupational taxes, licenses, interest revenue and charges for services. See Note D for property tax information.

The accrual basis of accounting is used in proprietary fund types. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

Budget Policy and Practice - The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. Budgets are adopted for the General Fund, Special Revenue Fund and Enterprise Funds.
5. Budgeted amounts are as originally adopted by the City Council, adjusted by amendments to the budget, if any.
6. All annual appropriations lapse at fiscal year end.

CITY OF RADCLIFF, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Cash and Cash Equivalents – For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory – Inventory which consists of merchandise held for resale is stated at the lower of cost or market. Cost is determined by the first-in, first-out method, and market represents the lower of replacement cost or estimated net realizable value.

Prepaid Assets - Payments made that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purpose and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets – General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at fair market value as of the date received. The City maintains a minimum capitalization threshold of \$3,500. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. No depreciation is taken in the year of purchase except for infrastructure. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure	20-50 years
Buildings and improvements	20-50 years
Equipment	5-15 years
Vehicles	5-15 years

Accrued Liabilities and Long-Term Obligations – All payable, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

Interest Capitalization – Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures during the reporting period. Accordingly, actual results could differ from those estimates.

CITY OF RADCLIFF, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that certain liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of that difference are as follows:

Capitalized lease obligations	\$9,578,410
Compensated absences	216,970
Interest payable	<u>19,651</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$9,815,031</u>

Another element of the reconciliation explains that certain receivables are not reported in the fund financial statement because they are not available. The details of that difference are as follows:

Property taxes	\$ 17,619
Property abatements	<u>220,160</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 237,779</u>

NOTE C – SECURED DEPOSITS AND INVESTMENTS

Secured Deposits

All the City's deposits are either insured or collateralized. All deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the City's agents in the unit's name. The City has no policy regarding custodial credit risk for deposits.

At June 30, 2007, the City had deposits with financial institutions with a carrying amount of \$6,914,874. The bank balances with the financial institutions were \$7,046,958. Of these balances, \$600,000 were covered by federal depository insurance and \$6,214,663 were collateralized with securities held by the City, its agent or by the pledging financial institution's trust department or agent in the name of the City or applicable public trust. The difference of \$232,295 was not insured or collateralized.

For additional descriptive information, see Note A.

Investments

As of June 30, 2007, the City's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>
Primary Government		
<u>NON-POOLED INVESTMENTS:</u>		
U.S. Treasury notes & bills	\$1,218,448	\$1,218,448

CITY OF RADCLIFF, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Investment Policies

Investment policies for the City's reporting entity are maintained by the Director of Finance. Summarizations follow in subsequent section of this note.

City Policy

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investment activities are managed under the custody of the Director of Finance. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statues and the City Charter. City funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State of Kentucky is pledged; (2) obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank, or Federal home loan bank notes or bonds; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in the City when secured by appropriate collateral; (4) repurchase agreements that have underlying collateral of obligations of the U.S. government, its agencies, and instrumentalities; (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law; (6) State and Local Government Series (SLGS); and (7) City direct debt obligations for which an ad valorem tax may be levied.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than one year from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Reserve funds may be invested in securities exceeding one year, if maturity of the investments are made to coincide as nearly as practicable with the expected use of the funds.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is held by a third party custodian with whom the City has a current custodial agreement in the City's name or be held in the name of both parties by the Federal Reserve Bank servicing Kentucky. The City follows the requirements of Kentucky as written in KRS 41.240.

NOTE D – PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1, and payable on December 31. The City bills and collects its own property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables.

At June 30, 2007, delinquent property taxes totaling \$66,795 plus penalties, interest and advertising costs remain uncollected. Due to the uncertainty of collection, an allowance for doubtful accounts has been provided for all delinquent property taxes not collected within 60 days after year end.

CITY OF RADCLIFF, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

<u>Year</u>	<u>Government-wide Financial Statements</u>	<u>Fund Financial Statements</u>
1996-2006	\$ 66,795	\$ 66,795
Less allowance for doubtful accounts	<u>43,830</u>	<u>57,437</u>
Balance	<u>\$ 22,965</u>	<u>\$ 9,358</u>

An additional \$17,619 property tax receivable after the 60 day period is added to the accrual in the government-wide financial statements.

NOTE E – RESTRICTED ASSETS

Unexpended 2002 Variable Rate Lease Funds and Revenue Bonds 1989 Series Lease Funds available for subsequent year requisitions totaled \$1,219,114 at June 30, 2007; \$666 and \$1,218,448, respectively.

The KIA Revolving Loan requires the City to fund a reserve account of \$310,000 to be funded over a ten year period beginning in fiscal year ended June 30, 1999. This requirement has been met with funding the amount of \$31,000 per year with a balance of \$375,605 at June 30, 2007.

The Revenue Refunding Bonds of 2001 established a debt service fund in the amount of \$401,179. At June 30, 2007, the account is funded with a balance of \$47,475.

NOTE F – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for governmental activities for the year ended June 30, 2007, was as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Non-Depreciable Assets:				
Land	\$ 1,441,529	\$ --	\$ --	\$ 1,441,529
Depreciable Assets:				
Buildings & improvements	10,928,923	43,564	--	10,972,487
Infrastructure	14,976,726	3,695,838	--	18,672,564
Vehicles, machinery & equipment	<u>5,236,819</u>	<u>648,466</u>	<u>(315,266)</u>	<u>5,570,019</u>
Totals at historical cost	<u>32,583,997</u>	<u>4,387,868</u>	<u>(315,266)</u>	<u>36,656,599</u>
Less accumulated depreciation for:				
Buildings & improvements	(2,880,055)	(254,541)	--	(3,134,596)
Infrastructure	(7,375,549)	(586,454)	--	(7,962,003)
Vehicles, machinery & equipment	<u>(2,092,854)</u>	<u>(397,634)</u>	<u>243,832</u>	<u>(2,246,656)</u>
Total accumulated depreciation	<u>(12,348,458)</u>	<u>(1,238,629)</u>	<u>243,832</u>	<u>(13,343,255)</u>
Governmental activities capital assets, net	<u>\$20,235,539</u>	<u>\$3,149,239</u>	<u>\$ (71,434)</u>	<u>\$23,313,344</u>

CITY OF RADCLIFF, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 42,955
Law enforcement	240,496
Fire	127,615
Public works	668,406
Parks & recreation	60,965
Planning & development	16,970
Challenger learning center	<u>81,222</u>
Total governmental activities depreciation expense	<u>\$1,238,629</u>

Additions include current year capital outlay expenditures, accepted infrastructure and asset transfers between funds. Retirements include sales of properties and removal of obsolete equipment and associated accumulated depreciation. Retirements include transfers of assets between funds.

Capital asset activity for business-type activities for the year ended June 30, 2007, was as follows:

	<u>Primary Government</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	
Business-type activities:				
Non-Depreciable Assets:				
Land	\$ 9,545	\$ --	\$ --	\$ 9,545
Depreciable Assets:				
Buildings	150,000	--	--	150,000
Wastewater & stormwater systems	26,900,931	1,602,904	(84,700)	28,419,135
Machinery & equipment	<u>930,292</u>	<u>97,796</u>	<u>--</u>	<u>1,028,088</u>
Totals at historical cost	<u>27,990,768</u>	<u>1,700,700</u>	<u>(84,700)</u>	<u>29,606,768</u>
Less accumulated depreciation for:				
Buildings	(91,922)	(3,000)	--	(94,922)
Wastewater & stormwater systems	(9,689,924)	(654,362)	84,700	(10,259,586)
Machinery & equipment	<u>(306,449)</u>	<u>(103,882)</u>	<u>--</u>	<u>(410,331)</u>
Total accumulated depreciation	<u>(10,088,295)</u>	<u>(761,244)</u>	<u>84,700</u>	<u>(10,764,839)</u>
Business-type activities capital assets, net	<u>\$17,902,473</u>	<u>\$ 939,456</u>	<u>\$ -0-</u>	<u>\$18,841,929</u>

Depreciation was charged to functions as follows:

Business-type activities:	
Wastewater	\$ 696,758
Stormwater	<u>31,033</u>
Total business-type activities depreciation expense	<u>\$ 727,791</u>

Current year activity includes the acquisition of equipment and construction of waterways in the Stormwater System, as well as the transfer of a vehicle from the General Fund.

CITY OF RADCLIFF, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE G – LONG TERM LIABILITIES

	<u>Governmental Activities Debt</u>	<u>Business-Type Activities Debt</u>
Capitalized lease obligations at June 30, 2007, consist of the following:		
On December 15, 1998, the City entered into lease/purchase agreement payable to Kentucky League of Cities, 98 Series, in the amount of \$2,460,000 with a variable interest rate currently at 3.61%. The proceeds were used to construct and equip the Challenger Learning Center. Principal and payments are due semi-annually and monthly, respectively.	\$1,675,000	--
On July 9, 2002, the City entered into a lease/purchase agreement payable to the Kentucky League of Cities, Series 2002 in the amount of \$6,760,000 with a variable interest rate of 2.23%. The proceeds were used for equipment and improvements. Principal and interest payments are due quarterly and monthly respectively through July, 2022.	5,605,000	--
On August 17, 2005, the City entered into a lease/purchase agreement payable to the Kentucky League of Cities, Series 2004 in the amount of \$1,100,000 with a variable interest rate of 3.85%. The proceeds were used for road improvements. Principal and interest payments are due quarterly and monthly respectively through August, 2015.	953,410	--
On August 15, 2006, the city entered into a lease/purchase agreement payable to the Kentucky League of Cities, series 1989, in the amount of \$1,750,000 with an annual interest rate of 3.97%. The proceeds were used for equipment and improvements. Principal and interest payments are due quarterly and monthly, respectively through June, 2010.	<u>1,345,000</u>	<u>--</u>
Total Capitalized Lease Obligations	<u>9,578,410</u>	<u>--</u>
Revenue bonds payable at June 30, 2007 consist of the following:		
\$2,255,000, 2001A Series, Service System Revenue Refunding project due in annual installments through 2010; interest payable semi-annually at rates ranging from 3.8% to 4.4%; collateralized by the revenues of the City of Radcliff Sewer System.	--	550,000
The 2001A Series advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$131,965. This difference, reported in the accompanying financial statements as a deduction from bonds payable is being charged to operations through the year 2011 using the effective interest method.	<u>--</u>	<u>(46,432)</u>
Total Revenue Bonds Payable	<u>--</u>	<u>503,568</u>
Notes payable at June 30, 2007 consist of the following:		
Kentucky Infrastructure Authority (KIA), Federally Assisted Wastewater Revolving Loan (Fund A) A-97-03. Loan shall not exceed \$4,836,450 due in semiannual installments from June 1, 1999 through December 1, 2018, interest payable semiannually at 3.8%, collateralized by the revenues of the City of Radcliff Sewer System.	<u>--</u>	<u>3,199,188</u>
Total Notes Payable	<u>--</u>	<u>3,199,188</u>
Total Capitalized Lease, Revenue Bond and Notes Payable	<u>\$9,578,410</u>	<u>\$ 3,702,756</u>

CITY OF RADCLIFF, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE H – CHANGES IN LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount due Within One Year</u>
Governmental Activities					
Capitalized Lease Obligations	\$8,805,180	\$1,750,000	\$(976,770)	\$9,578,410	\$913,227
Other liabilities:					
Compensated absences	<u>237,296</u>	--	<u>(20,326)</u>	<u>216,970</u>	<u>71,599</u>
Governmental Activities, long-term Liabilities	<u>\$9,042,476</u>	<u>\$1,750,000</u>	<u>\$(997,096)</u>	<u>\$9,795,380</u>	<u>\$984,826</u>
Business-type Activities					
Wastewater debt	\$4,081,235	\$ --	\$(378,479)	\$3,702,756	\$336,881
Other liabilities:					
Compensated absences	<u>26,982</u>	--	<u>(3,459)</u>	<u>23,523</u>	<u>7,763</u>
Business-type Activities, long-term Liabilities	<u>\$4,108,217</u>	<u>\$ --</u>	<u>\$(381,938)</u>	<u>\$3,726,279</u>	<u>\$344,644</u>

Additions and reductions to compensated absences represent the net change in compensated absences for the fiscal year.

Principal and interest requirements to retire the City's long-term obligations are as follows:

Governmental Activities:

Year	Capitalized Lease Obligations		Total
	Principal	Interest	
2008	\$ 913,227	\$ 360,583	\$ 1,273,810
2009	951,964	323,003	1,274,967
2010	1,000,844	285,293	1,286,137
2011	544,872	252,628	797,500
2012	569,052	231,334	800,386
2011-2017	2,993,451	803,700	3,797,151
2018-2022	2,485,000	255,390	2,740,390
2023-2031	<u>120,000</u>	<u>401</u>	<u>120,401</u>
TOTAL	<u>\$9,578,410</u>	<u>\$2,512,332</u>	<u>\$12,090,742</u>

Business-type Activities:

Year	Revenue Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	
2008	\$ 110,337	\$ 21,214	\$ 226,544	\$119,437	\$ 477,532
2009	110,337	15,933	235,235	110,747	472,252
2010	125,337	10,183	244,258	101,723	481,501
2011	157,557	3,557	253,629	92,353	507,096
2012-2016	--	--	1,421,766	308,137	1,729,903
2017-2019	--	--	<u>817,756</u>	<u>47,200</u>	<u>864,956</u>
TOTAL	<u>\$ 503,568</u>	<u>\$ 50,887</u>	<u>\$3,199,188</u>	<u>\$ 779,597</u>	<u>\$ 4,533,240</u>

CITY OF RADCLIFF, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

NOTE I – FUND BALANCES

Reserved Fund Balances - Reservations of fund balances show amounts that are not appropriate for expenditure or are legally restricted for specific uses. Reserved fund balances at June 30, 2007 consist of \$339 reserved for encumbrances, \$1,219,114 reserved for capital projects.

Designated Fund Balance – Designations of fund balance are used to show the amounts within unreserved fund balance which are intended to be used for specific purposes, but are not legally restricted. Designated fund balance is intended for the following purposes:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General fund	\$ 23,890	Police Evidence
	1,491	Sister City Program
	<u>2,038</u>	Dare Program
TOTAL PRIMARY GOVERNMENT	<u>\$ 27,419</u>	

NOTE J – RETIREMENT PLAN

The City participates in the County Employees Retirement System (CERS) pension plan (Plan). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in both hazardous and non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the Kentucky Retirement System. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of Plan members under circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Hazardous and non-hazardous CERS plan members are required to contribute 8.0% and 5.0%, respectively, of their annual creditable compensation and the City is required to contribute at an actuarially determined rate.

The table below summarizes employer contribution rates and amounts contributed to the Plan for the year ended June 30, 2007 and the preceding two years.

	<u>Contribution Rate</u>		<u>Creditable Compensation</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>	<u>Total Contribution</u>
	<u>Employee</u>	<u>Employer</u>				
FY 2007 Hazardous	8.0%	28.21%	2,464,540	197,163	695,247	892,410
FY 2007 Nonhazardous	5.0%	13.19%	2,731,521	136,577	360,289	496,866
FY 2006 Hazardous	8.0%	25.01%	2,179,119	174,330	544,998	719,328
FY 2006 Nonhazardous	5.0%	10.98%	2,630,606	131,530	288,841	420,371
FY 2005 Hazardous	8.0%	22.08%	2,101,891	168,151	464,098	632,249
FY 2005 Nonhazardous	5.0%	8.48%	2,482,853	124,143	210,546	334,689

CITY OF RADCLIFF, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

NOTE K – RISK MANAGEMENT

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. The City purchases commercial insurance to mitigate the risk of loss to which the City is exposed in normal operations.

NOTE L – CONTINGENCIES

The City is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. *City officials and legal counsel do not anticipate that there will be any material effect on the financial statements as a result of any cases presently in progress.*

NOTE M – INTERFUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ --	\$ 342,000
Nonmajor Governmental Funds:		
Challenger Learning Center Fund	<u>342,000</u>	<u>--</u>
	<u>\$ 342,000</u>	<u>\$ 342,000</u>

These transfers were eliminated in the preparation of the government-wide financial statements.

NOTE N – REQUIRED INDIVIDUAL FUND DISCLOSURES

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council; however, with proper approval by the Council, budgetary transfers between departments can be made. All appropriations lapse at fiscal year end.

For the year ended June 30, 2007, expenditures exceeded appropriations in the following departments (the legal level of budgetary control) of the general fund. Over-expenditures in these departments were funded by under-expenditures in other departments.

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess of Actual Over Budgeted Expenditures</u>
General Fund:			
Public Works	\$ 948,800	\$ 971,283	\$ 22,483

NOTE O – PRIOR PERIOD ADJUSTMENTS

An adjustment was made to the government-wide net assets to reflect a property abatement receivable which was measurable, but not available, therefore this adjustment did not affect the fund balance in the fund financial statements. As a result, the beginning net assets increased by \$106,782.

An adjustment was made to the proprietary fund net assets to reflect a decrease in accumulated depreciation. As a result, the beginning net assets invested in capital assets, net of related debt increased \$195,209.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RADCLIFF, KENTUCKY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL

GENERAL FUND

YEAR ENDED JUNE 30, 2007

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Property taxes	\$1,472,000	\$1,472,000	\$1,450,485	\$ (21,515)
Franchise taxes	595,000	595,000	582,009	(12,991)
Insurance premium taxes	2,135,000	2,135,000	2,011,655	(123,345)
Occupational tax	2,752,000	2,852,000	2,900,546	48,546
Licenses and permits	1,027,500	1,066,500	1,032,533	(33,967)
Fines, fees, forfeitures	66,900	66,900	89,609	22,709
Other revenue	224,700	230,700	266,639	35,939
Intergovernmental revenue	1,107,600	1,288,500	1,410,150	121,650
Charges for services	161,750	161,750	138,381	(23,369)
Recreation fees	<u>24,500</u>	<u>24,500</u>	<u>30,580</u>	<u>6,080</u>
TOTAL REVENUES	9,566,950	9,892,850	9,912,587	19,737
EXPENDITURES;				
Current:				
Administration	1,549,700	1,549,700	1,112,792	436,908
Law enforcement	4,047,550	4,090,050	4,020,878	69,172
Fire	1,883,550	1,999,550	1,990,924	8,626
Parks & recreation	524,600	684,600	612,229	72,371
Public works	1,374,700	948,800	971,283	(22,483)
Planning & development	552,600	555,300	539,000	16,300
Capital outlay	<u>1,630,800</u>	<u>2,061,400</u>	<u>1,717,951</u>	<u>343,449</u>
TOTAL EXPENDITURES	<u>11,563,500</u>	<u>11,889,400</u>	<u>10,965,057</u>	<u>924,343</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,996,550)	(1,996,550)	(1,052,470)	944,080
OTHER FINANCING SOURCES (USES):				
Operating transfers in	--	--	--	--
Operating transfers out	--	--	(342,000)	(342,000)
Proceeds from sale of property	--	--	59,838	59,838
Loan proceeds	<u>834,700</u>	<u>834,700</u>	<u>1,750,000</u>	<u>915,300</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>834,700</u>	<u>834,700</u>	<u>1,467,838</u>	<u>633,138</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,161,850)	(1,161,850)	415,368	1,577,218
FUND BALANCES, beginning	<u>1,161,850</u>	<u>1,161,850</u>	<u>5,374,523</u>	<u>4,212,673</u>
FUND BALANCES, ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$5,789,891</u>	<u>\$ 5,789,891</u>

COMBINING FINANCIAL STATEMENTS

CITY OF RADCLIFF, KENTUCKYCOMBINING BALANCE SHEETNONMAJOR GOVERNMENTAL-SPECIAL REVENUE FUNDSJUNE 30, 2007

	<u>Challenger Center</u>	<u>Municipal Road Aid</u>	<u>LGEA</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$18,689	\$ --	\$ --	\$ 18,689
Inventory	3,912	--	--	3,912
Prepaid expenses	2,009			2,009
Other receivables	<u>9,400</u>	<u>--</u>	<u>--</u>	<u>9,400</u>
TOTAL ASSETS	<u>\$34,010</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 34,010</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 2,687	\$ --	\$ --	\$ 2,687
Accrued expenses	<u>8,476</u>	<u>--</u>	<u>--</u>	<u>8,476</u>
TOTAL LIABILITIES	11,163	--	--	11,163
FUND BALANCE:				
Fund balance – unreserved, Undesignated	<u>22,847</u>	<u>--</u>	<u>--</u>	<u>22,847</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$34,010</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 34,010</u>

CITY OF RADCLIFF, KENTUCKY

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL-SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2007

	<u>Challenger Center</u>	<u>Municipal Road Aid</u>	<u>LGEA</u>	<u>Total</u>
<u>REVENUES</u>				
Intergovernmental revenue	\$ --	\$596,549	\$10,599	\$607,148
Other revenue	19,712	--	--	19,712
Charges for services	<u>111,483</u>	<u>--</u>	<u>--</u>	<u>111,483</u>
TOTAL REVENUES	131,195	596,549	10,599	738,343
<u>EXPENDITURES</u>				
Challenger center	451,308	--	--	451,308
Maintenance department	--	596,549	10,599	607,148
Capital outlay	<u>7,101</u>	<u>--</u>	<u>--</u>	<u>7,101</u>
TOTAL EXPENDITURES	<u>458,409</u>	<u>596,549</u>	<u>10,599</u>	<u>1,065,557</u>
EXCESS EXPENDITURES OVER REVENUES	(327,214)	-0-	-0-	(327,214)
OTHER FINANCING SOURCES:				
Operating transfers in	<u>342,000</u>	<u>--</u>	<u>--</u>	<u>342,000</u>
NET OTHER FINANCING SOURCES	<u>342,000</u>	<u>--</u>	<u>--</u>	<u>342,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	14,786	--	--	14,786
FUND BALANCE, beginning	<u>8,061</u>	<u>-0-</u>	<u>-0-</u>	<u>8,061</u>
FUND BALANCE, ending	<u>\$ 22,847</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 22,847</u>

INTERNAL CONTROL AND COMPLIANCE

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Hardin County Water District No. 1
Minutes of Special Meeting
of the Board of Commissioners

February 8, 2008

Chairman Bill Rissel called the meeting to order at 11:03 a.m. with Commissioners Ron Hockman, Les Powers and John Tindall attending. Commissioner William Gossett was out of town but attended the meeting by video teleconference (Required advance public notice of the special meeting and agenda was provided to the media by staff). Staff present included Jim Bruce, General Manager; Brett Pyles, Operations Manager; Stephanie Brown, Administrative Assistant and attorney, David Wilson II. Veolia Water North America, South, LLC was represented by; Mr. Rob Nicholas, Vice President; Mr. Jeffrey Greer, Ft. Knox Project Manager and Mr. T.J. Meredith, Kentucky Regional Manager. Lunch was provided for the Board and staff.

Chairman Rissel opened the floor for any public comments. There were no public comments offered and the floor was closed to public comment.

Veolia Operations Contract - Radcliff Sewer Operations: Mr. Bruce distributed a more recent version of an operations contract with Veolia for the operation of the Radcliff sewer system. Mr. Bruce and Mr. Nicholas went over all the changes that had been made in the contract since the last meeting. There was discussion regarding the amortization of the development and start up costs. Chairman Rissel asked the Board their comments on how the amortization should be handled. There was a consensus from the Board to leave the start up costs as an amortized payout over a 7 ½ year period, only to be paid if the District were to cancel the agreement.

Mr. Nicholas explained the process that will be in place for Veolia to begin operations at the Radcliff Sewer Utility. Mr. Nicholas informed the Board that an implementation schedule is in place, that includes both a person and time for which each task should be completed by. Mr. Nicholas also went over the hiring process for the employees who will operate the Radcliff Sewer System.

Mr. Bruce also informed the Board that the City of Radcliff had completed the bid process for an upcoming sewer project, but the District had asked that the City not award the bid, to which the City agreed. This will allow the District and Veolia to evaluate the need for the project after the District has taken over the system and operations have begun.

After all other questions from the Board were answered, Secretary Tindall made a motion to authorize the Chairman and Secretary to execute an agreement, with the amendments that were covered in the discussion, with Veolia Water, North America, South, LLC, to operate the Radcliff sewer system, pending approval by the Public Service Commission, for an initial term of seventeen years, and for an initial annual fee of \$1,895,664 and notify Veolia to proceed with all needed tasks required to enact the transfer and start-up of operations of the utility system at the earliest possible date. Commissioner Powers seconded the motion and it was passed. Commissioner Hockman, while stating he could support the agreement, abstained from the vote due to having a relative employed by Veolia.

Chairman Rissel stated that the District's intention and hope is that this transfer of the Radcliff Sewer Utility will provide long term benefits to the City, community, the District, citizens of Radcliff, officials, and Veolia. Secretary Tindall asked if an analysis could be done after a few months of operations to determine what funds will be available to complete projects both inside and outside the city limits of Radcliff. Mr. Nicholas stated that with BRAC coming that the capital projects completed would be both inside and outside the city limits. Chairman Rissel also thanked Mr. Bruce, Mr. Pyles, Mr. Nicholas and his staff for their hard work and efforts over the last two years to make this transaction happen.

Hardin County Water District No. 1
Minutes of Special Meeting of the Board of Commissioners
February 8, 2008

Continued

Commissioner Hockman also suggested that the District hold a town hall meeting in order to introduce Veolia to the community as well as issue a press release in order to inform the customers of the phone numbers and give them assurance that the customers will not experience much change.

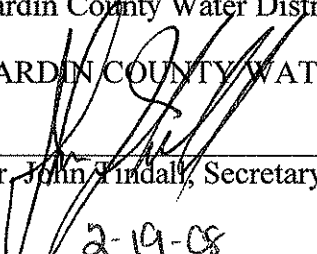
Being no further business before the Board, Secretary Tindall made a motion to adjourn at 11:55 a.m. and it was seconded by Commissioner Hockman and passed.

(Minutes submitted by Ms. Stephanie Brown)

APPROVAL OF MINUTES

I hereby certify that the foregoing minutes were duly approved by the Board of Commissioners of the Hardin County Water District No. 1 at a meeting held on the date shown below:

HARDIN COUNTY WATER DISTRICT No.1



Mr. John Tindall, Secretary

2-19-08

Date Approved

**Hardin County Water District No. 1
Minutes of Regular Meeting
of the Board of Commissioners**

January 15, 2008

Chairman Bill Rissel called the meeting to order at 5:30 p.m. with Commissioners Ron Hockman, Les Powers, and John Tindall attending. Treasurer Gossett was out of town but attended the meeting by video teleconference. Staff present included Jim Bruce, General Manager; Brett Pyles, Operations Manager; Stephanie Brown, Administrative Assistant, and attorney David Wilson, II. Dinner was provided for the Board and staff.

Chairman Rissel opened the floor for public comment. There were no public comments offered and the floor was closed to public comment.

Chairman Rissel asked for a motion to accept the December 18, 2007 meeting minutes. Commissioner Hockman made a motion to accept the minutes which was seconded by Commissioner Powers and passed.

Mr. Bruce informed the Board that the current financial statements were not completed due to a delay in receiving bank statements and the closing out of 2007. Mr. Bruce did present updated financial statements for November and answered all questions from the Board. Secretary Tindall made a motion to accept the updated financial statements for November with amendments. The motion was seconded by Commissioner Hockman and passed.

Chairman Rissel asked Mr. Bruce to review the General Managers report. Mr. Bruce updated the Board on the amount of leaked water coming from the mobile home parks and informed the Board that Kentucky Rural Water Association has scheduled a time to come and complete a leak location study for one of the mobile home parks in order to assist the owner in finding and repairing leaks within the park. Mr. Bruce answered all other questions for the Board.

Chairman Rissel asked Mr. Pyles to review the Operations Manager Report. Mr. Pyles answered all questions for the Board.

Proposed New Tank Site Terms - Hardin County School Board: Mr. Bruce informed the Board that there have been numerous meetings between the staff of the District and HCSB about the possibility of building a new water tank on the school board's property, along Highway 313, north of the corner of 1500 and 313. The HCSB staff asked the District staff to present a completed list of requests in order for the project to proceed. Mr. Bruce reviewed that list of requested items between parties, which he was prepared to send to HCSB. Mr. Bruce also informed the Board that the proposed site must be surveyed by a geo-technical consultant in order to ensure that the site is suitable for the construction of a new water tank.

Secretary Tindall made a motion to authorize staff to send a list of conditions, offers and requests to the Hardin County Board of Education, with changes as ordered, in order to secure a tract of land on HCSB land along 313, subject to favorable review by a geo-technical engineer, and to authorize staff to engage Patriot Engineering for an amount not to exceed \$4,200 for this study at the earliest convenience, and to report back to the Board at a future meeting on the results of the

Hardin County Water District No. 1
Minutes of Regular Meeting of the Board of Commissioners
January 15, 2008

Continued

study, and response of HCSB to the list of features or requests. The motion was seconded by Commissioner Powers and passed.

Sale of Surplus Backhoe: Mr. Bruce informed the Board that sealed bids have been received by the District in order to sell an old backhoe. There were ten bids received ranging from \$6,000 to \$20,805. Treasurer Gossett answered a question from the Board about the reasonableness of the high bid. He answered that, based on his research, the amount was very reasonable and acceptable. Commissioner Hockman made a motion to declare the 2000 John Deere backhoe as surplus and to accept the high bid from Jewell Truck Sales of \$20,805 and to sell the equipment upon the receipt of payment. Treasurer Gossett seconded the motion and it was passed.

Ft. Knox Sewer - HVAC Replacement Bid Award: Mr. Bruce informed the Board that there were seven bids received to replace the existing HVAC system at the Ft. Knox Wastewater Treatment Plant main building, which was outdated and has experienced numerous repairs. Commissioner Powers made a motion to award the bid to the lowest bidder, Dever Enterprises, for \$26,500 for replacement of the HVAC systems at the main building at the wastewater treatment plant at Ft. Knox. The motion was seconded by Commissioner Hockman and passed. Secretary Tindall asked that the staff verify that the disposal of the old boiler HVAC system is in accordance with state and FDA regulations.

Radcliff Sewer Acquisition: Mr. Bruce presented the Board with the final agreement between the City of Radcliff and the District in order to complete the transaction of the District taking over the Radcliff sewer system from the City of Radcliff. There was extensive discussion regarding the key changes between the current Memorandum of Understanding and the final agreement. Legal counsel suggested changing paragraph eight to read in present tense. There was also a consensus from the Board to stop the last paragraph in section C with the words "city limits."

After all other discussion, Secretary Tindall made a motion to approve the final Wastewater System Acquisition Agreement as presented by the Radcliff City attorney, with changes as directed by the Board and legal counsel and authorize the Chairman to sign the agreement to submit to the City Council, and if approved by the City, to authorize the Chairman, staff and legal counsel to proceed and sign all final documents, applications or filings as required to complete and implement the acquisition. Treasurer Gossett seconded the motion and it was passed. Upon consent from the Board, Chairman Rissel asked that Mr. Bruce also advise the City that this would be the final action on this agreement by the Board.

Veolia Water, Radcliff Sewer Operations Agreement: Mr. Bruce informed the Board that a new agreement will need to be negotiated and signed with Veolia Water to operate the Radcliff Wastewater System. The Board was presented with the current agreement between Veolia and the District to operate the Ft. Knox Wastewater System with changes reflecting the Radcliff sewer system. Attorney Wilson said that he would like more time to review the agreement, and

Hardin County Water District No. 1
Minutes of Regular Meeting of the Board of Commissioners
January 15, 2008

Continued

offer other changes or suggestions. Secretary Tindall made a motion to table the action on the Veolia agreement until legal counsel can review the agreement and bring back changes to the Board and if it is necessary a special called lunch meeting will be held in order to discuss this topic. Commissioner Powers seconded this motion and it was passed. Commissioner Hockman abstained from the vote due to having a relative who works for Veolia Water.

Offer to Purchase Property - Shipley Road: Mr. Bruce informed the Board that the staff had been approached by Mr. Alvie Martin, who owns the property just north of the Pirtle Springs Water Treatment Plant, offering to sell his 12 acres of property to the District. After discussing whether or not the property would be of benefit to the District, the Board directed Mr. Bruce to inform Mr. Martin that the District is not interested in this property.

Adjourn: Being no further business before the Board, Commissioner Hockman made a motion to adjourn at 6:55 p.m and the motion was seconded by Secretary Tindall and passed..

(Minutes submitted by Ms. Stephanie Brown)

APPROVAL OF MINUTES

I hereby certify that the foregoing minutes were duly approved by the Board of Commissioners of the Hardin County Water District No. 1 at a meeting held on the date shown below:

HARDIN COUNTY WATER DISTRICT No.1



Mr. John Tindall, Secretary

2-10-08

Date Approved

City of Radcliff
411 West Lincoln Trail Blvd
Radcliff, Kentucky
January 22, 2008

A called meeting of the Radcliff City Council was convened at 4:00 p.m., Tuesday, January 22, 2008. Mayor Sheila Enyart presided.

Radcliff City Council members present were as follows:

Chuck Angus	Present	Stan Holmes	Present
Barbara Baker	Present	Don Shaw	Present
J. J. Duvall.	Present	Don Yates	Present

Staff Present: Barbara A. Wilkins, City Clerk; Michael Pike, City Attorney

OLD BUSINESS - None

NEW BUSINESS

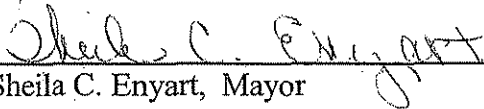
A motion was made by Councilman Angus and seconded by Councilman Yates to give the Mayor the authority to enter into and sign the Wastewater System Acquisition Agreement to transfer to Hardin County Water District No. 1 the City of Radcliff wastewater service and system to include certain tangible assets and three tracts of real property per the written agreement. Discussion: Councilman Baker stated that she feels it is a wonderful deal for the Water District, but personally is not sure it's such a great deal for the City of Radcliff, and does not feel it's such a great deal for the City of Radcliff in the long term.

Roll Call Vote:

Chuck Angus.	Yea	Stan Holmes	Yea
Barbara Baker	Nay	Don Shaw	Yea
J. J. Duvall.	Yea	Don Yates	Yea

Motion Carried

A motion was made by Councilman Angus and seconded by Councilman Holmes to adjourn. **Voice Vote - All in Favor - Motion Carried**



Sheila C. Enyart, Mayor



Barbara A. Wilkins, City Clerk

FOR Entire Area Served

P.S.C. Ky. No. 1

Tariff for
HARDIN COUNTY WATER DISTRICT No. 1
of
1400 Rogersville Road, Radcliff, Kentucky, 40160

Providing Sewer Service For
U. S. Armor Center & Fort Knox, Kentucky
and
City of Radcliff, Kentucky
and

(T)

Portions of Hardin and Meade Counties as included in Additional Territory Amended by the Judge Executive of Hardin County in 2000

Filed with the

PUBLIC SERVICE COMMISSION of KENTUCKY

DATE OF ISSUE February 28, 2008

DATE EFFECTIVE April 1, 2008

ISSUED BY: , Mr. Jim Bruce, General Manager
Hardin County Water District No. 1, Radcliff, Kentucky

ISSUED BY ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

Hardin County Water District No. 1

**CLASSIFICATION OF SERVICE:
GENERAL RULES AND POLICIES
CITY OF RADCLIFF - SANITARY SEWER SERVICES**

(N)

1. General Explanation of Sheet 5, and Subsequent Pages / Sections:

The following sections, policies, rates and charges have been adopted by the District, from an existing Sewer Use Ordinance from the previous owner, the City of Radcliff. This adoption of this ordinance was part of an agreement between the City of Radcliff and the District for the District to assume the ownership and operations of the sanitary sewer system. These sheets of the District's tariff apply to all customers who had been receiving sanitary sewer service from the City, prior to the transfer of the system to the District, and all new customers of the District after the transfer.

2. Terms, Definitions and Interpretation:

The definition section (Section 17-11) includes certain term changes to transfer meaning and authority from the City to the District. Any other terms within these sheets which formerly applied to the City, employee or agent of the City, shall automatically transfer to the equivalent person or meaning of the District. Where a term is not clearly transferable, the Board of Commissioners of the District will provide an interpretation or translation when needed.

3. Limitations and Restrictions:

Only specific written or set forth rates, charges, fees or penalties on these sheets may be charged by the District. Any inference to un-written or powers to assess un-written charges or fees to a customer, shall not transfer to the District, or may be charged by the District, until such time that the District receives approval to change its tariff in accordance with 807 KAR 5:011, and said application for changes are approved by the Commission.

Any powers, authority or rights written or shown in these adopted sections, which are not provided to a Water District under Kentucky Revised Statutes 74, 278 and 279, are not created, do not apply nor are granted by the adoption of this section and may not be applied by the District. All other powers, authority or rights mentioned below, which are granted under 807 KAR 5:011, or other Commission regulations applying to a Water District, or granted by the Clean Water Act to a Publicly Owned Treatment Works, do and will apply and may be applied or enforced by the District.

4. Territory Served:

These tariff sheets shall apply to all sanitary sewer customers within the current city limits, of the City of Radcliff, and also to any future customers who live outside these city limits, but within the sewer service area of the District which may be expanded or approved from time to time, in accordance with KAR 74.110 and other regulations of the Commission which apply to service area for Water District's.

DATE OF ISSUE February 28, 2008EFFECTIVE DATE: April 1, 2008ISSUED BY: Jim Bruce, Mr. Jim Bruce, General Manager
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Hardin County Water District No. 1

CLASSIFICATION OF SERVICE:
GENERAL RULES AND POLICIES
CITY OF RADCLIFF - SANITARY SEWER SERVICES

(N)

**Chapter 17
SEWERS AND SEWAGE DISPOSAL
ARTICLE I. IN GENERAL****Sec. 17-1. Purpose.**

The purpose of this ordinance is to set forth uniform requirements for direct and indirect contributors into the wastewater collection and treatment system for the City of Radcliff and enable the City to comply with all applicable State and Federal laws required by the Clean Water act of 1977 and the general Pretreatment Regulations (40 CFR, Part 403).

Sec. 17-2. Objectives.

- (a) To prevent the introduction of pollutants into the municipal wastewater system which will interfere with the operation of the system or contaminate the resulting sludge.
- (b) To prevent the introduction of pollutants into the municipal wastewater system which will pass through the system inadequately treated into receiving waters so as to cause violations of the City's KPDES permit or the atmosphere or otherwise be incompatible with the system.
- (c) To improve the opportunity to recycle and reclaim wastewater and sludges from the system.
- (d) To provide for equitable distribution of the cost of the municipal wastewater system; and provide for the safety of the treatment plant employees.

Sec. 17-3. Provisions.

This ordinance provides for the regulation of direct and indirect contribution to the municipal wastewater system through the issuance of permits to certain non-domestic users and through enforcement of general requirements for the other users, authorizes monitoring and enforcement activities, requires user reporting and provides for the setting of fees for the equitable distribution of costs resulting from the program established herein.

Sec. 17-4. Applications.

The purpose of Ordinance No. 96-03-706, as adopted by the Radcliff City Council, is to regulate the use of public and private sewers and drains, private sewage disposal, the installation and connection of building sewers, and the discharge of water and wastes into the public sewer system; and provide penalties for violations thereof, in the City of Radcliff.

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Secs. 17-5-17-10. Reserved.**Sec. 17-11. Definitions.**

As used in this article, unless the context specifically indicates or requires otherwise, the meaning of terms used in this article shall be as follows:

Act or "the Act" shall mean the Federal Water Pollution Act, also known as the Clean Water Act, as amended, 33 U.S.C. 1251, et. seq.

Agency shall mean any governmental or quasi governmental entity.

Approval Authority shall mean the Secretary of the Kentucky Natural Resources and Environmental Protection Cabinet or an authorized representative thereof.

Authorized Representative shall mean an authorized representative of a user may be: (1) A principal executive officer of at least the level of vice-president if the industrial user is a corporation; (2) a general partner or proprietor if the user is a partnership or proprietorship, respectively; (3) a duly authorized representative of the individual designated above if such representative is responsible for the overall operation of the facilities from which the indirect discharge originates.

Baseline Monitoring Report (BMR) shall mean a report submitted by categorical industrial users within 180 days after the effective date of a categorical standard which indicates the compliance status of the user with the applicable categorical standard (40 CFR 403.12 (b)).

Biochemical Oxygen Demand (BOD) shall mean the quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedure in five (5) days of 20°C, expressed in terms of weight and concentration in milligrams per liter (mg/l). (~~Ord. 6-22-96~~)

Building Drain shall mean the part of the lowest horizontal piping of a drainage system which receives the discharge from soil, waste, and other drainage pipes inside the walls of the building and conveys it to the building sewer, beginning five (5) feet outside the inner face of the building wall.

Building Sewer shall mean the extension from the building drain to the public sewer or other place of disposal, also called "house connection".

Building Sewer Permit as set forth in "Building Sewers and Connections" (Article IV).

Categorical Industrial User shall mean an industrial user subject to categorical pretreatment standards which have been promulgated by EPA.

Categorical Pretreatment Standards shall mean National Categorical Pretreatment Standards or Pretreatment Standard. Any regulation containing pollutant discharge limits promulgated by the EPA in accordance with Section 307 (b) and (c) of the Act (33 U.S.C. 1347) which applies to a specific category of industrial users.

City or City of Radcliff shall mean the City of Radcliff, Kentucky. Hardin County Water District No. 1

DATE OF ISSUE February 28, 2008EFFECTIVE DATE: April 1, 2008ISSUED BY: Jim Bruce, Mr. Jim Bruce, General Manager
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Clean Water Act (CWA) (Also known as the Federal Water Pollution Control Act) as enacted by Public Law 92-500, October 18, 1972. 33 USC. 1251 et seq: as amended by PL 95-217, December 28, 1977; PL 97-117, December 29, 1981; PL 97-440, January 8, 1983, and PL 100-04, February 4, 1987.

Combined Sewer shall mean any conduit designed to carry both sanitary sewage and storm water or surface water.

Combined Wastewater Formula (CWF) shall mean the procedure for calculating alternative discharge limits at industrial facilities where a regulated waste stream is combined with other non-regulated waste streams prior to treatment (40 CFR 403.7).

Commercial User shall mean all retail stores, restaurants, office buildings, laundries, and other private business and service establishments.

Compatible Pollutant shall mean biochemical oxygen demand, suspended solids, and fecal coliform bacteria; plus any additional pollutants identified in the POTW's NPDES/KPDES permit, where the POTW is designed to treat such pollutants and, in fact, does treat such pollutants so as to ensure compliance with the POTW's NPDES/KPDES permit.

Concentration-Based Limit shall mean a limit based on the relative strength of a pollutant in a waste stream, usually expressed in mg/L.

Control Authority shall refer to the City when there exists an approved pretreatment program under the provisions of 40 CFR 403.11.

Cooling Water shall mean the water discharged from any use such as air conditioning, cooling or refrigeration, or to which the only pollutant added is heat.

Daily Maximum shall mean the maximum allowable value for any single observation in a given day.

Debt Service shall mean charges levied on users of the wastewater treatment works to support the annual debt service obligations of the system. (~~Ord. 6-22-96~~)

Dilute Waste stream shall mean boiler blowdown, sanitary wastewater, noncontact cooling water and certain process waste streams that have been excluded from regulation in categorical pretreatment standards because they contain none or only trace amounts of the regulated pollutant.

Direct Discharge shall mean the discharge of a treated or untreated wastewater directly to the waters of the Commonwealth of Kentucky.

Discharger shall mean any person that discharges or causes a discharge to a public sewer.

Domestic Wastewater shall mean the water-carried wastes produced from non-commercial or non-industrial activities and which result from normal human living processes.

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Easement shall mean an acquired legal right for the specific use of land owned by others.

Effluent shall mean the liquid outflow of any facility designed to treat, convey, or retain wastewater.

Environmental Protection Agency or "EPA" shall mean the United States Environmental Protection Agency, or where appropriate the term may also be used as a designation for the Administrator or other duly authorized official of said agency.

Equipment shall mean all movable, non-fixed items necessary to the wastewater treatment process.

Flow Proportional Composite Sample shall mean a combination of individual samples proportional to the flow of the waste stream at the time of sampling.

Flow Weighted Averaging Formula (FWA) shall mean a procedure used to calculate alternative limits for a categorical pretreatment standard where regulated and nonregulated waste streams combine after treatment, but prior to the monitoring point as defined in 40 CFR 403.

Garbage shall mean the animal and vegetable waste resulting from the handling, preparation, cooking and service of food.

Governmental User shall include legislative, judicial, administrative, and regulatory activities of federal, state, and local governments. (~~Ord. 6-22-96~~)

Grab Sample shall mean a sample which is taken from a waste stream on a one-time basis with no regard to the flow in the waste stream and without consideration of time.

Holding Tank Waste shall mean any waste from holding tanks such as vessels, chemical toilets, campers, trailers, septic tanks, and vacuum pump tank trunks.

Incompatible Pollutant shall mean all pollutants other than compatible pollutants as defined under Compatible Pollutants in this article.

Indirect Discharge shall mean the discharge or the introduction of non-domestic pollutants from any source regulated under Section 307 (b) or (c) of the Act (33 U.S.C. 1317), into the POTW (including holding tank waste discharged into the system).

Industrial User (IU) shall mean a source of Indirect Discharge which does not constitute a "discharge of pollutants" under regulations issued pursuant to Section 402 of the Clean Water Act. (~~Ord. 6-22-96~~)

Industrial Waste shall mean the wastewater from industrial or commercial processes as distinct from domestic or sanitary wastes.

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(N)

Institutional User shall include social, charitable, religious, and educational activities such as schools, churches, hospitals, nursing homes, penal institutions and similar institutional users. (~~Ord. 6-22-96~~)

Interceptor shall mean a device designed and installed so as to separate and retain deleterious, hazardous or undesirable matter from normal wastes which permits normal sewage or liquid wastes to discharge into the sewer or drainage system by gravity. Interceptor as defined herein is commonly referred to as a grease, oil, or sand trap.

Interference shall mean a discharge which alone or in conjunction with a discharge or discharges from other sources:

1. Inhibits or disrupts the POTW, its treatment processes or operations, or its sludge processes, use or disposal; and /or,
2. Is a cause of a violation of any requirement of the POTW's NPDES/KPDES permit (including an increase in the magnitude or duration of a violation) or of the prevention of sewage sludge use or disposal in compliance with the following statutory provisions and regulations or permits issued thereunder (or more stringent State or local regulations): Section 405 of the Clean Water Act, the Solid Waste Disposal Act (SWDA) (including Title II, more commonly referred to as the Resource Conservation and Recovery Act (RCRA), and including State regulations contained in any State sludge management plan prepared pursuant to Subtitle D of the SWDA, the Clean Air Act, the Toxic Substances Control Act, and the Marine Protection, Research and Sanctuaries Act (40 CFR 403.3).

May shall mean permissive (see "shall").

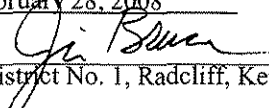
Monthly Average shall mean the maximum allowable value for the average of all observations obtained during one month.

Multi-Unit Sewer Consumer shall mean a location served where there are two or more residential units or apartments, two or more businesses in the same building or complex or where there is any combination of business and residence in the same building or complex.

National Categorical Pretreatment Standard or "Pretreatment Standard" shall mean any regulation containing pollutant discharge limits promulgated by the EPA in accordance with Section 307 (b) and (c) of the Act (33 U.S.C. 1347) which applies to a specific category of Industrial Users. This term includes prohibitive discharge limits established pursuant to 40 CFR 403.5.

National (or Kentucky) Pollutant Discharge Elimination System or "NPDES/KPDES Permit" shall mean a permit issued pursuant to Section 402 of the Act (33 U.S.C. 1332), or a permit issued by the Commonwealth of Kentucky under this authority and referred to as KPDES.

National Prohibitive Discharge Standard or "Prohibitive Discharge Standard" shall mean any regulation developed under the authority of 307 (b) of the Act and 40 CFR, Section 403.5.

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Natural Outlet shall mean any outlet, including storm sewers, into a watercourse, pond, ditch, lake, or other body of surface or groundwater.

New Source shall mean any building, structure, facility or installation from which there is or may be a discharge of pollutants, the construction of which commenced after the publication of proposed Pretreatment Standards under Section 307 (c) of the Act which will be applicable to such source if such Standards are thereafter promulgated in accordance with that section, provided that:

1. The building, structure, facility or installation is constructed at a site at which no other source is located; or
2. The building, structure, facility or installation totally replaces the process or production equipment that causes the discharge of pollutants at an existing source; or
3. The production or wastewater generating processes of the building, structure, facility or installation are substantially independent of an existing source at the same site. In determining whether these are substantially independent, factors such as the extent to which the new facility is integrated with the existing plant, and the extent to which the new facility is engaged in the same general type of activity as the existing source should be considered.

Ninety (90) Day Compliance Report shall mean a report submitted by a categorical industrial user, within 90 days following the date for final compliance with applicable categorical standards that documents and certifies the compliance status of the user (40 CFR 403.12 (d)).

Normal Domestic Wastewater shall mean wastewater that has a BOD concentration of not more than 250 mg/l and a suspended solids concentration of not more than 250 mg/l and an ammonia nitrogen concentration of not more than 25 mg/l. (~~Ord. 6-22-96~~)

Operation and Maintenance shall mean those functions that result in expenditures during the useful life of the treatment works for materials, labor, utilities, and other items which are necessary for managing and for which such works were designed and constructed. The term "operation and Maintenance" includes replacement. (~~Ord. 6-22-96~~)

Ordinance shall mean, unless otherwise specified, ~~this Ordinance~~ a policy, tariff or resolution passed or adopted by the Hardin County Water District No. 1

Pass Through shall mean a discharge of pollutant which cannot be treated adequately by the POTW, and therefore exits into waters of the United States in quantities or concentrations which, alone or in conjunction with a discharge or discharges from other sources, is a cause of a violation of any requirement of the POTW's NPDES/KPDES permit (including an increase in the magnitude or duration of a violation) (40 CFR 403.3).

Periodic Compliance Report shall mean a report on compliance status submitted by significant industrial users to the Control Authority at least semiannually (40 CFR 403.12 (e)).

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(N)

Person shall mean any individual, partnership, co-partnership, firm, company, corporation, association, joint stock company, trust, estates, governmental entity of any other legal entity, or their legal representatives, agent or assigns. The masculine gender shall include the feminine, the singular shall include the plural where indicated by context.

pH shall mean the logarithm of the reciprocal of the weight of hydrogen ion concentration. The concentration is the weight of hydrogen ions, in grams, per liter of solution.

Pollution shall mean the man-made or man-induced alteration of the chemical, physical, biological, and radiological integrity of water.

Pollutant shall mean any dredged spoil, solid waste, incinerator residue, sewage, garbage, sludge, munitions, chemical wastes, biological materials, radioactive materials, heat, wrecked or discharged equipment, rock, sand, cellar dirt and industrial, municipal, and agricultural waste discharged into water.

POTW Treatment Plant shall mean that portion of the POTW designed to provide treatment to wastewater.

Pretreatment or Treatment shall mean the reduction of the amount of pollutants, the elimination of pollutants, or the alteration of the nature of pollutant properties in wastewater to a less harmful state prior to or in lieu of discharging or otherwise introducing such pollutants into a POTW. The reduction or alteration can be obtained by physical, chemical, or biological processes, or process changes, or other means, except as prohibited by 40 CFR Section 403.6 (d).

Pretreatment Requirements shall mean any substantive or procedural requirement related to pretreatment, other than a National Pretreatment Standard imposed on an Industrial User.

Process Wastewater shall mean any water which, during manufacturing or processing, comes into direct contact with or results from the production of or use of any raw material, intermediate product, finished product, by-product, or waste product.

Production-Based Standard shall mean a discharge limitation expressed in terms of allowable pollutant mass discharge rate per unit of production and is applied directly to an industrial user's manufacturing process.

Prohibitive Discharge Standard shall mean any regulation developed under the authority of 307 (b) of the Act and 40 CFR, Section 403. (5).

Properly Shredded Garbage shall mean the wastes from the preparation, cooking, and dispensing of food that have been shredded to such a degree that all particles will be carried freely under the flow conditions normally prevailing in public sewers, with no particle greater than one-half (1/2) inch (1.27 centimeters) in any dimension.

Publicly Owned Treatment Works (POTW) shall mean a treatment works as defined by Section 212 of the Act, (33 U.S.C. 1292) which is owned in this instance by the City. This definition includes any sewers that convey wastewater to the POTW treatment plant, but does not include pipes, or other conveyances not connected to a facility providing treatment. For the purposes of this Ordinance, "POTW" shall also include

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(N)

any sewers that convey wastewater to the POTW from persons outside the City who are, by contract or agreement with the City, users of the City's POTW.

Public Sewer shall mean a common sewer controlled by a governmental agency or public utility. In general, the public sewer shall include the main sewer in the street and the service branch to the property line, the clean out at the property line, or a main sewer on private property and the service branch to the extent of ownership by public authority. Public sewer shall be maintained by the City of Radcliff. (~~Ord. Of 11-10-03~~)

Regulated Waste stream shall mean an industrial process waste stream regulated by a National Categorical Pretreatment Standard.

Replacement shall mean expenditures for obtaining and installing equipment, accessories or appurtenances which are necessary during the useful life of the treatment works to maintain the capacity and performance for which such works were designed and constructed. (~~Ord. 6-22-96~~)

Residential User shall mean any contributor to the City of Radcliff treatment works whose lot, parcel or real estate, or building is used for domestic dwelling purposes only. (~~Ord. 6-22-96~~)

Sanitary Sewer shall mean a sewer which carries liquid and water-carried wastes from residences, commercial buildings, industrial plants and institutions, and to which storm, surface, and groundwaters are not intentionally admitted.

Sewage shall mean the spent water of a community. Domestic or sanitary waste shall mean the liquid or water-carried wastes from residences, commercial buildings, and institutions as distinct from industrial sewage, together with such ground, surface, and storm waters as may be present. The terms "sewage" and "wastewater" are used interchangeably.

Sewage Treatment Plant shall mean any arrangement of devices and structures used for treating sewage.

Sewer shall mean a pipe or conduit for carrying sewage.

Sewerage shall mean any and all facilities used for collecting, conveying, pumping, treating and disposing of wastewater.

Sewer System or Works shall mean all facilities for collecting, pumping, treating, and disposing of sewage and sludge, namely the sewerage system and POTW.

Sewer User Charges shall mean a system of charges levied on users of a POTW for the cost of operation and maintenance, including replacement, of such works.

SS (denoting Suspended Solids) shall mean solids that either float on the surface of or are in suspension in water, sewage, or other liquids and which are removable by laboratory filtering. (~~Ord. 6-22-96~~)

Shall is mandatory; "May" is permissive.

DATE OF ISSUE February 28, 2008

EFFECTIVE DATE: April 1, 2008

ISSUED BY: Jim Bruce, Mr. Jim Bruce, General Manager
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CLASSIFICATION OF SERVICE:
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CITY OF RADCLIFF - SANITARY SEWER SERVICES

(N)

Significant Industrial User (SIU) shall mean (A) all Industrial Users of the City's wastewater disposal system subject to Categorical Pretreatment Standards under 40 CFR 403.6 and 40 CFR Chapter I, Subchapter N; and (B) any noncategorical industrial user who (1) has a discharge flow of twenty-five thousand (25,000) gallons or more per average work day of process wastewater ("process wastewater" excludes sanitary noncontact cooling, and boiler blowdown wastewater) or (2) contributes a process waste stream that makes up five percent (5%) or more of the average dry weather hydraulic or organic (BOD, TSS, etc.) capacity of the treatment plant or (3) has a reasonable potential, in the opinion of the Control or Approval Authority, to adversely affect the pollutants, sludge contamination or endangerment of POTW workers).

Slug Discharge shall mean any discharge of a non-routine episodic nature including, but not limited to, an accidental spill or non-customary batch discharge or any discharge of waster or wastewater in which the concentration of any given constituent or quantity of flow exceeds, for any period of duration longer than fifteen (15) minutes, more than five (5) times the average twenty-four (24) hour concentration or flow rate during normal operation which adversely affect the POTW.

Slug Load shall mean any pollutant (including Biochemical Oxygen Demand) released in a discharge at a flow rate or concentration which will cause interference with the operation of the treatment works or which exceeds limits set forth in the Industry's Discharge Permit and which include accidental spills.

Spill Prevention and Control Plan shall mean a plan prepared by an industrial user to minimize the likelihood of a spill and to expedite control and cleanup activities should a spill occur.

Split Sample shall mean a portion of a collected sample given to the industry or to another agency to verify or compare laboratory results.

Standard Industrial Classification (SIC) shall mean a classification pursuant to the Standard Industrial Classification Manual issued by the Executive Office of the President, Office of Management and Budget, 1972.

Standard Methods shall mean the current edition of "Standard Methods for the Examination of Water and Wastewater" and as published jointly by the American Public Health Association and the Water Pollution Control Federation and as set forth in the Congressional Record 40 CFR 136.

State shall mean the Commonwealth of Kentucky

Storm Drain (sometimes termed "storm sewer") shall mean a drain or sewer which carries storm and surface water and drainage, but excludes sewage and industrial wastes, other than unpolluted cooling water.

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IN CASE NO. _____ DATED _____

FOR Entire Area Served

P.S.C. Ky. No. 1

Original Sheet No. 5-11

Hardin County Water District No. 1

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Storm Water shall mean any flow occurring during or following any form of natural precipitation and resulting therefrom.

Superintendent/General Manager shall mean the person designated by the City to supervise the publicly owned treatment works and who is charged with certain duties and responsibilities by this article or his duly authorized representative.

Surcharge shall mean a charge for services in addition to the basic sewer user and debt service charges for those users whose contributions contain Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Total Suspended Solids (TSS), Oil & Grease or Ammonia-nitrogen (NH₃-N) in concentrations which exceed limits specified herein for such pollutants. Where authorized by the control Authority, payment of a surcharge will authorize the discharge of the referenced pollutants so long as the discharge does not cause pass through or interference.

Suspended Solids (TSS) shall mean total suspended matter that either floats on the surface on the surface of, or is in suspension in, water, wastewater, or other liquids and that is removable by laboratory filtering as prescribed in "Standard Methods for the Examination of Water and Wastewater."

Time Proportional Composite Sample shall mean a combination of individual samples with fixed volumes taken at specific time intervals.

Toxic Organic Management Plan shall mean a written plan submitted by industrial users as an alternative to TTO monitoring, which specifies the toxic organic compounds used, the method of disposal used and procedures for assuring that toxic organics do not routinely spill or leak into wastewater discharged to the POTW.

Toxic Pollutant shall mean any pollutant or combination of pollutants listed as toxic in regulations promulgated by the Administrator of the Environmental Protection Agency under the provision of CWA 307 (a) or any amendments thereto.

Treatment Works shall mean any devices and system for the storage, treatment, recycling, and reclamation of municipal wastewater, domestic wastewater or liquid industrial wastes. These include intercepting sewers, outfall sewers, wastewater collection systems, pumping, power and other equipment and their appurtenances; extensions, improvements, remodeling, additions and alterations thereof, elements essential to provide a reliable recycled supply such as standby treatment units and clear well facilities; and any works, including site acquisition of the land that will be an integral part of the treatment process or is used for ultimate disposal of residues resulting from such treatment (including land for composting sludge, temporary storage of such compost and land used for the storage of treated wastewater in land treatment systems before land application); or any other method or system for preventing, abating, reducing, storing,

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treating, separating or disposing of municipal waste or industrial waste, including waste in combined storm water and sanitary sewer systems. (~~Ord. 6-22-96~~)

Unpolluted Water shall mean water of quality equal to or better than the treatment works effluent criteria in effect, or water that would not cause violation of receiving water quality standards and would not be benefitted by discharge to the sanitary sewers and wastewater treatment facilities.

Unregulated Waste stream shall mean a waste stream that is not regulated by a National Categorical Pretreatment Standard.

Useful Life shall mean the estimated period during which a treatment works will be operated. (~~Ord. 6-22-96~~)

User shall mean any person who contributes, causes, or permits the contribution of wastewater into the City's POTW.

User Charge shall mean the total wastewater service charge which is levied in proportional and adequate manner for the cost of operation, maintenance, replacement, and debt service expenses of the wastewater treatment works. (~~Ord. 6-22-96~~)

Wastewater shall mean the spent water of a community. Sanitary or domestic wastes shall mean the liquid and water-carried waste from residences, commercial buildings and institutions as distinct from industrial waste.

Wastewater Discharge Permit (WDP) (Permit for Industrial Discharge, Permit, etc.) shall mean a permit issued to industrial users which authorizes discharges to the public sewer as set forth in the Administration Section of this ordinance.

Wastewater Facilities shall mean the structures, equipment, and processes required to collect, carry away, treat domestic and industrial wastes, and dispose of the effluent.

Wastewater Treatment Works shall mean an arrangement of devices and structures for treating wastewater, industrial wastes, and sludge. Sometimes used as synonymous with "waste treatment plant" or "wastewater treatment plant" or "water pollution control plant" or "sewage treatment plant".

Watercourse shall mean a channel in which a flow of water occurs, either continuously or intermittently.

Water Meter shall mean a water volume measuring and recording device, furnished and/or installed by a user and approved by the City of Radcliff. (~~Ord. 6-22-96~~)

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Waters of the State shall mean all streams, lakes, ponds, marshes, watercourses, waterways, wells, springs, reservoirs, aquifers, irrigation systems, drainage systems, and all other bodies or accumulations of water, surface or underground, natural or artificial, public or private, which are contained within, flow through, or border upon the State or any portion thereof.

Abbreviations

The following abbreviations shall have the designated meanings.

ADMI	-	American Dye Manufacturers Institute
ASTM	-	American Society for Testing and Materials
BMP	-	Best Management Practices
BOD	-	Biochemical Oxygen Demand
BPJ	-	Best Professional Judgement
CFR	-	Code of Federal Regulations
CIU	-	Categorical Industrial User
COD	-	Chemical Oxygen Demand
CWA	-	Clean Water Act (33 U.S.C. 1251 et. seq.)
CWF	-	Combined Waste stream Formula
EPA	-	Environmental Protection Agency
FWA	-	Flow Weighted Average
FR	-	Federal Register
gpd	-	gallons per day
IU	-	Industrial User
KPDES	-	Kentucky Pollutant Discharge Elimination System
l	-	Liter
mg	-	Milligrams
mg/l	-	Milligrams per liter
NPDES	-	National Pollutant Discharge Elimination System
POTW	-	Publicly Owned Treatment Works
RCRA	-	Resource Conservation and Recovery Act
SIC	-	Standard Industrial Classification
SIU	-	Significant Industrial User
SWDA	-	Solid Waste Disposal Act, 42 U.S.C. 6901, et. seq.
TSS	-	Total Suspended Solids
TTO	-	Total Toxic Organics
USC	-	United States Code

**ARTICLE II. USE OF PUBLIC AND
PRIVATE SEWER SYSTEMS**

Sec. 17-12. Required use of public sewers.

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- (a) It shall be unlawful for any person to place, deposit or permit to be deposited in any unsanitary manner on public or private property within the City, or any area under the jurisdiction of the City, any human or animal excrement, garbage or other objectionable waste.
- (b) It shall be unlawful to discharge to any natural outlet within the City, or in any area under the jurisdiction of the City, any sewage or other polluted water, except where suitable treatment has been provided in accordance with subsequent provisions of this article.
- (c) Except as hereinafter provided, it shall be unlawful to construct, or maintain any privy, privy vault, septic tank, cesspool, or other facility intended or used for the disposal of sewage.
- (d) The owner of all houses, buildings, or properties used for human occupancy, employment, recreation, or other purposes, situated within the City and abutting on any street, alley, or right-of-way in which there is now located or may in the future be located, a public sanitary or combined sewer of the City, is hereby required at his expense to install suitable toilet facilities therein, and to connect such facilities directly with the proper public sewer in accordance with the provisions of this article, within one hundred eighty (180) days after date of official notice to do so, provided that said public sewer is within one hundred (100) feet (30.5 meters) of the property line. (~~Ord. of 6-16-87, Art. II, 1-4~~)

ARTICLE III. PRIVATE SEWAGE DISPOSAL

Sec. 17-13. Private sewage disposal.

- (a) Where a public sanitary or combined sewer is not available under the provisions of section 17-12(d), the building sewer shall be connected to an interim private sewage disposal system complying with the provisions of this section.
- (b) Before commencement of construction of a private sewage disposal system, the owner shall provide percolation test results which shall be obtained by a registered sanitarian, land surveyor or engineer. These results shall then be submitted to the plumbing inspector, Kentucky Department of Housing, Building and Construction, Division of Plumbing, located at the Hardin County Health Department from whom a permit shall be obtained. Refer to Article X for Permit System Processing Fees.
- (c) The type, capacities, location, and layout of a private sewage disposal system shall comply with all recommendations of the Kentucky Department of Housing, Building and Construction and the Hardin County Health Department. The plumbing inspector shall be allowed to inspect the work at any stage of construction and when work is completed, for final inspection before any underground

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portions are covered. No septic tank or cesspool shall be permitted to discharge to any natural outlet.

- (d) At such time as a public sewer becomes available to a property served by a private sewage disposal system, as provided in section 17-12(d), a direct connection shall be made to the public sewer within one hundred eighty (180) days after such availability in compliance with this article. Any septic tanks, cesspools, and similar private sewage disposal facilities shall be cleaned of sludge and filled with clean bank gravel at no cost to the City.
- (e) The owner shall operate and maintain the private sewage disposal facilities in a sanitary manner at all times, at no expense to the City.
- (f) No statement contained in this section shall be construed to interfere with any additional requirements that may be imposed by the appropriate health officer of the State of Kentucky or of Hardin County. (~~Ord. of 6-16-87, Art. III, 1-6~~)

ARTICLE IV. BUILDING SEWERS AND CONNECTIONS

Sec. 17-14. Building sewers and connections.

- (a) No unauthorized person shall uncover, make any connections with or opening into, use, alter, or disturb any public sewer or appurtenance thereof without first obtaining a written permit from the City of Radcliff, Kentucky. Refer to Article X for Permit System Processing Fees. (~~Ord. of 3-25-96~~)
- (b) There shall be two (2) classes of building sewer permits: (1) for residential and commercial service, and (2) for service to establishments producing industrial wastes. In either case, the owner or his agent shall make application on a form furnished by the City. The permit application shall be supplemented by any plans, specifications, or other information considered pertinent in the judgement of the utilities engineer.
- (c) A permit shall also be obtained from the plumbing inspector located at the Hardin County Health Department. The applicant for the building sewer permit shall notify the utilities engineer and state plumbing inspector when the building sewer is completed and connected to the public sewer. No backfill shall be placed until inspection can be accomplished by the utilities engineer or his representatives and by the state plumbing inspector.
- (d) All costs and expenses incidental to the installation and connection of the building sewer shall be borne by the owner. The owner shall indemnify the City from any loss or damage that may directly be occasioned by the installation of the building sewer. (~~Ord. of 3-25-96~~)
- (e) A separate and independent building sewer shall be provided for every building; except that where one building stands at the rear of another on an interior lot and no private sewer is available or can

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be constructed to the rear of the building through an adjoining alley, courtyard, or driveway, the building sewer from the front building may be extended to the rear building and the whole considered as one building sewer.

- (f) Old building sewers may be used in connection with new buildings only when on examination and test by the Mayor or designated representative they are found to meet all requirements of this article.
- (g) The size, slope, alignment, materials of construction, of a building sewer, and the methods to be used in excavating, placing of the pipe, jointing, testing, and backfilling the trench, shall all conform to the requirements of the building and plumbing code or other applicable rules and regulations of the City. In the absence of the code provisions or in amplification thereof, the materials and procedures set forth in appropriate specifications of the A.S.T.M. and W.P.C.F. Manual of Practice No. 9 shall apply. If PVC pipe is used for building sewer connection, it shall be the strength of schedule 40 PVC pipe or greater.
- (h) Whenever possible, the building sewer shall be brought to the building at an elevation below the basement floor; however, basements shall not be considered for purposes of general household habitation. All new residential construction and all residential sewer line renovation shall include the installation of a flood gate or check valve in the sewer line. Maintenance on the gate or check valve will be the responsibility of the owner. In all buildings in which any building drain is too low to permit gravity flow to the public sewer, sanitary sewage carried by such building drain shall be lifted by a method approved by the Mayor or designated representative and discharged to the building sewer. (~~Ord. of 3-25-96~~)
- (i) No person shall make connection of roof downspout, exterior foundation drains, areaway drains, or other sources of surface runoff or ground water, to a building sewer or building drain which in turn is connected directly or indirectly to a public sanitary sewer.
- (j) The connection of the building sewer into the public sewer shall conform to the requirements of the building and plumbing code or other applicable rules and regulations of the City, or the procedures set forth in appropriate specifications of the A.S.T.M. and the W.P.C.F. Manual of Practice No. 9. All such connections shall be made gas tight and watertight. Any deviation from the prescribed procedures and materials must be approved by the utilities engineer before installation.
- (k) All excavations for building sewer installation shall be adequately guarded with barricades and lights so as to protect the public from hazard. Streets, sidewalks, parkways, and other public property disturbed in the course of the work shall be restored in a manner satisfactory to the City.
- (l) For the purpose of establishing rules and regulations applicable to the practice or trade of plumbing, the City hereby adopts the most current Plumbing Code of the Kentucky Department of Housing

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and Construction, Division of Plumbing, as a part of this article by reference thereto. (~~Ord. of 6-16-87, Art. IV, 1-12; (Ord. of 8-30-89)~~)

ARTICLE V.
USE OF THE PUBLIC SEWER AND PRETREATMENT PROGRAM ADMINISTRATION
Sec. 17-15. Use of the public sewer.

- (a) Disposal into the sewer system of any pollutant (as deemed by FWPCAA) by any person is unlawful except in compliance with Federal Standards promulgated pursuant to the Federal Water Control Act of 1977 as amended (FWPCAA), and any more stringent state standards, and the City of Radcliff Pretreatment Program Enforcement Response Guide. (~~Ord. of 3-25-96~~)
- (b) No person shall discharge or cause to be discharged any storm water, surface water, groundwater, roof runoff, subsurface drainage, uncontaminated cooling water, or unpolluted industrial process waters to any sanitary sewer.
- (c) Storm water and all other unpolluted drainage shall be discharged to such sewers as are specifically designated as combined sewers or storm sewers, or to a natural outlet approved by the City. Industrial cooling water or unpolluted process waters may be discharged, on approval of the City, to a storm sewer, combined sewer, or natural outlet, providing an N.P.D.E.S. permit has been issued from the Environmental Protection Agency.
- (d) No person shall discharge or cause to be discharged the following described substances, materials, waters, or wastes, except with the prior written approval of the City. If it appears likely in the opinion of the City that such wastes can harm either the sewers, sewage treatment process, or equipment, have an adverse effect on the receiving stream, or can otherwise endanger life, limb, public property, or constitute a nuisance, he shall not approve such discharge. In forming his opinion as the acceptability of these wastes, the City will give consideration to such factors as the quantities of subject wastes in relation to flows and velocities in the sewers, materials of construction of the sewers, nature of the sewage treatment process, capacity of the sewage treatment plant, degree of treatability of wastes in the sewage treatment plant, and other pertinent factors.

The substances prohibited are:

- (1) Any gasoline, benzene, naphtha, fuel oil, or other flammable or explosive liquid, solid, or gas.
- (2) Any waters or wastes having a pH lower than 6.0, in excess of 9.0, or having any other corrosive property capable of causing damage or hazard to structures, equipment, and personnel of the sewage works.
- (3) Solid or viscous substances in quantities or of such size capable of causing obstruction to the flow in sewers, or other interference with the proper operation of the sewage works such

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as, but not limited to, ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood, unground garbage, paunch manure, hair and fleshings, entrails and paper dishes, cups, milk containers, etc., either whole or ground by garbage grinders.

- (4) Any liquid or vapor having a closed cup flashpoint of less than one hundred forty (140) degrees Fahrenheit (60° C), or in no case having a temperature which will cause the influent at the treatment plant to be higher than one hundred four (104) degrees Fahrenheit (40° C). (~~Ord. of 3-25-96~~)
- (5) Any water or waste containing fats, wax, grease, or oils, whether emulsified or not, in excess of one hundred (100) mg/l, or containing substances which may solidify or become viscous at temperatures between thirty-two (32) and one hundred forty (140) degrees Fahrenheit (0° and 60° C). (~~Ord. of 3-25-96~~)
- (6) Any garbage that has not been properly shredded. The installation and operation of any garbage grinder equipped with a motor of three-fourths (3/4) horsepower (0.76 hp metric) or greater, shall be subject to the review and approval of the City.
- (7) Any waters or wastes containing strong acid, iron, pickling wastes, or concentrated plating solutions whether neutralized or not.
- (8) Any water or waste containing the following chemical constituents and/or similar objectionable or toxic substances that exceed the following limits:

<i>Constituent</i>	<i>Daily Maximum mg/l</i>
Arsenic	0.41
BTEX	0.05
Cadmium	0.07
Chromium (total)	2.77
Copper	3.38
Cyanide (total), Amenable	0.64
Lead	0.76
Mercury	0.0014
Nickel	4.00
Silver	0.43
Zinc	2.61

It should be noted that these values have been selected based the technical basis of 40 CFR 503, 40 CFR433 Kentucky Water Quality Standards and U.S. EPA. (~~Ord. of 12-23-96~~)

Based upon the sampling program at the Radcliff Wastewater Treatment Plant, these values may be adjusted to reflect the City's needs; the City shall give public notice of any change proposed for these limits.

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- (9) Any waters or wastes containing phenols or other odor producing substances, in such concentrations exceeding limits which may be established by the City as necessary, after treatment of the composite sewage, to meet the requirements of the state, federal, or other agencies of jurisdiction for such discharge to the receiving waters.
- (10) Any radioactive wastes or isotopes of such half-life or concentration as may exceed limits established by state or federal regulations.
- (11) Materials which exert or cause:
- a. Unusual concentrations of inert suspended solids (such as, but not limited to, sodium chloride and sodium sulfate).
 - b. Excessive discoloration (such as, but not limited to, dye wastes and vegetable tanning solutions).
 - c. Unusual BOD, chemical oxygen demand, or chlorine requirements in such quantities as to constitute a significant load on the sewage treatment works.
 - d. Unusual volume of flow or concentration of wastes constituting "slugs" as defined herein.
- (12) Waters or wastes containing substances which are not amenable to treatment or reduction by these sewage treatment processes employed, or are amendable to treatment only to such a degree that the sewage treatment plant effluent cannot meet the requirements of other agencies having jurisdiction over discharge to the receiving waters.
- (13) Any water or wastes which have characteristics based on a 24 hour composite sample, grab or a shorter period composite sample, if more representative, that exceed the following normal maximum domestic wastewater parameter concentrations:

Parameter	Maximum Allowable Concentration Without Surcharges	
BOD	250	mg/l
TSS	250	mg/l
NH ₃ -N	25	mg/l

Any person discharging wastewater exceeding the maximum allowable concentration as noted above, will be subject to a surcharge fee for each pound loading over and above the set limit. Any other amenable constituents requiring the addition of specific chemicals for proper treatment will also be subject to surcharge as noted on the Wastewater Discharge Permit. Exceedance of the effluent limits specified above shall not be deemed to constitute

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a violation of a permit condition or this ordinance if the appropriated surcharge fee is paid and the discharge does not cause interference or pass through of the POTW. The surcharge fee shall be set by the City and shall be calculated annually based on the average cost of the POTW to treat the parameter in question. User charges to all customers are outlined in the User Charge Ordinance adopted by the City of Radcliff. (~~Ord. of 3-25-96~~)

- (e) No person shall discharge or cause to be discharged any industrial wastewater directly or indirectly to sewage facilities owned by the City without first obtaining a City permit for industrial user discharge permit forms. One-time discharge permit forms and pretreatment guidelines are set forth in the Pretreatment Program Enforcement Response Guide. (~~Ord. of 3-25-96~~)

The permit for industrial wastewater discharge may require pretreatment of industrial wastewater before discharge, restriction of peak flow discharges, discharge of certain wastewater only to specified sewers of the City.

- (f) All significant industrial users shall comply with National Categorical Pretreatment Standards and any other applicable requirements promulgated by EPA, or with any more stringent pretreatment standards necessitated by local conditions.
- (g) If any waters or wastes are proposed to be discharged to the public sewers, which waters contain the substances or possess the characteristics enumerated in paragraph (a), the City may condition his approval on one or more of the following.
- (1) Require pretreatment to an acceptable condition for discharge to the public sewers.
 - (2) Require control over the quantities and rates of discharge and/or
 - (3) Require payment to cover the added cost of handling and treating the waters not covered by existing taxes or sewer charges under the provisions of this paragraph (g).

If the City conditions his approval on the pretreatment of equalization of waste flows, the design and installation of the plants and equipment shall be subject to the review and approval of the City, and subject to the requirements of all applicable codes, ordinances, and laws.

- (h) Grease, oil, and sand interceptors shall be provided when, in the opinion of the City, they are necessary for the proper handling of liquid wastes containing grease in excessive amounts, or any flammable wastes, sand, or other harmful ingredients; except that such interceptors shall not be required for private living quarters or dwelling units. All interceptors shall be of a type and capacity approved by the City, and shall be located as to be readily and easily accessible for cleaning and inspection.

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- (i) Where preliminary treatment or flow-equalization facilities are provided for any waters or wastes, they shall be maintained continuously in satisfactory and effective operation at the owner's expense.
- (j) When required by the City, the owner of any property serviced by a building sewer carrying industrial wastes shall install a suitable control manhole together with such necessary meters and other appurtenances in the building sewer to facilitate observation, sampling, and measurement of the wastes. Such manhole, when required, shall be constructed in accordance with plans approved by the City. The manhole and related equipment shall be installed at the owner's expense, and shall be maintained by him so as to be safe and accessible at all times.
- (k) All measurements, tests, and analyses of the characteristic of water and wastes to which reference is made in this article shall be determined in accordance with the current edition of "Standard Methods for the Examination of Water and Wastewater", published by the American Public Health Association, and shall be determined at the control manhole provided, or upon suitable samples taken at said control manhole shall be considered to be the nearest downstream manhole in the public sewer to the point at which the building sewer is connected. Sampling shall be carried out by customarily accepted methods to reflect the effect of constituents upon the sewage works and to determine the existence of hazards to life, limb and property. (The particular analysis involved will determine whether a twenty-four hour composite of all outfalls of a premise is appropriate or whether grab sample or samples should be taken. Normally, but not always, BOD and suspended solids analyses are obtained from twenty-four hour composites of all outfalls whereas pH is determined from periodic grab samples).
- (l) If additional pretreatment and/or operation and maintenance will be required to meet the pretreatment standards or local limits, the industrial user will be required to submit the shortest schedule by which the user will provide such additional pretreatment. The completion date in this schedule shall not be later than the compliance date, established for the applicable pretreatment standard.

The schedule shall contain increments of progress in the form of dates for the commencement and completion of major events leading to the construction and operation of additional pretreatment required for an industrial user to meet the applicable pretreatment months. No later than fourteen (14) days following each date in the schedule and the final date for compliance, the user shall submit a progress report to the City, including, as a minimum, whether, or not it complied with the increment of progress, the reason for delay, and the steps being taken by the user to return to the schedule established. In no event shall more than nine (9) months elapse between such progress reports to the City.
- (m) The City may suspend a permit for industrial wastewater discharge for a period not to exceed forty-five (45) days when such suspension is necessary in order to stop a discharge which presents an imminent hazard to the public health, safety, or welfare, to the local environment or to the City's sewage system.

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Hardin County Water District No. 1, Radcliff, Kentucky

ISSUED BY ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

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Any discharger notified of a suspension of this permit shall immediately cease and desist the discharge of such industrial wastewater to the sewage system. In the event of a failure of the discharger to comply voluntarily with the suspension order, the City shall take such steps as are reasonably necessary to insure compliance.

Any suspended discharger may file with the City a request for a meeting with the City Council. The Council shall meet within fourteen (14) days of the receipt by the City of such request. The Council shall hold a meeting on the suspension and either confirm or revoke the action of the City. Reasonable notice of the meeting shall be given to the suspended discharger. At this meeting, the suspended discharger may appear personally or through counsel, cross-examine witnesses and present evidence in his own behalf.

In the event that the City Council fails to meet within the time set forth above or fails to make a determination within a reasonable time after the close of the meeting, the order of suspension shall be stayed until a determination is made either confirming or revoking the action of the City.

The City shall reinstate the permit on proof of satisfactory compliance with all discharge requirements of the City.

- (n) The City may revoke a permit for industrial wastewater discharge on a finding that the discharger has violated any provision of this article. No revocation shall be ordered until a meeting on the question has been held by the City Council. At this meeting, the discharger may appear personally or through counsel, cross-examine witnesses, and present evidence in his/her own behalf. Notice of the meeting shall be given to the discharger at least fifteen (15) days prior to the date of the meeting.

Any discharger whose permit has been revoked shall immediately stop all discharge of any liquid carried wastes covered by the permit to any public sewer that is tributary to the sewage system of the City. The City may disconnect or permanently block from such public sewer the industrial connection sewer of any discharger whose permit has been revoked if such action is necessary to insure compliance with the order of revocation.

Before any further discharge of industrial wastewater may be made by the discharger, he/she must apply for a new permit for industrial wastewater discharge, pay all charges that would be required upon initial application together with all delinquent fees, charges, and penalties and such other sums as the discharger may owe to the city. Cost incurred by the City in revoking the permit and disconnecting the industrial connection sewer shall be paid for by the discharger before issuance of a new permit for industrial wastewater discharge.

- (o) All industrial users shall submit periodic reports regarding the nature and concentration of all pollutants as outlined in their wastewater discharge permit. In addition, within ninety (90) days following the date for final compliance with the applicable pretreatment standards or, in the case of a new source, following commencement, of the introduction of wastewater into the POTW, any user,

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subject to pretreatment standards of wastewater into the POTW; any user subject to pretreatment standards and/or local requirements shall submit to the City a report indicating the nature and concentration of all pollutants in the discharge from the regulated processes which are limited by pretreatment standards and/or local requirements and the average and maximum daily flow for these process units in the user facility which are limited by such pretreatment standards and/or local requirements. The report shall state whether the applicable pretreatment standards and/or local requirements are being met on a consistent basis and, if not, what additional O & M compliance with the applicable pretreatment standards and/or local requirements. This statement shall be signed by an authorized representative of the industrial user, and certified by a qualified professional.

The City may impose mass limitation on users which are using dilution to meet applicable pretreatment standards and/or local requirements, or in other cases where the imposition of mass limitation are appropriate. In such cases, all reports shall indicate the mass of pollutants regulated by pretreatment standards in the effluent of the user. These reports shall contain the results of sampling and analysis of the discharge, including the flow and the nature and concentration, or production and mass where requested by the City, or pollutants contained therein which are limited by the applicable pretreatment standards. All analyses shall be performed in accordance with procedures established by the administrator pursuant to Section 304(g) of the Act and contained in 40 CFR, Part 136 and amendments thereto or with any other test procedures approved by the administrator.

- (p) All industrial users shall immediately notify the City and/or the wastewater treatment plant of an accidental discharge/slug loading.

The notification shall include location of discharge, type of waste, concentrations and volume, and corrective actions.

Within five (5) days following an accidental discharge, the user shall submit to the City a detailed written report describing the cause of the discharge and the measures to be taken by the user to prevent similar future occurrences. Such notification shall not relieve the user of any expense, loss, damage, or other liability which may be imposed by this section or other applicable law.

A notice shall be permanently posted on the user's bulletin board or other prominent place advising employees who to call in the event of a dangerous discharge. Employers shall insure that all employees who may cause or suffer such a dangerous discharge to occur are advised of the emergency notification procedure.

Each user shall provide protection from accidental discharge of prohibited materials or other substances regulated by this article. Facilities to prevent accidental discharge of prohibited materials shall be provided and maintained at the owner's or user's own cost and expense. Detailed plans showing facilities and operating procedures to provide this protection shall be submitted to the City for review, and shall be approved by the City before construction of the facility. No user who commences contribution to the POTW after the effective date of this article shall be permitted to

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introduce pollutants into the system until accidental discharge procedures have been approved by the City. Review and approval of such plans and operating procedures shall not relieve the industrial user from the responsibility to modify the user's facility as necessary to meet the requirements of this article.

- (q) No statement contained in this section shall be construed as preventing any special agreement or arrangement between the City and any industrial concern whereby an industrial waste of unusual strength or character, excluding the waiving of Federal Categorical Pretreatment Standards, may be accepted by the City for treatment subject to payment thereafter, by the industrial concern. (~~Ord. of 6-16-87, Art. V, 1-17; Ord. of 3-25-96~~)

Sec. 17-16. Pretreatment Program Administration (~~Ord. of 3-25-96~~)

- (a) Wastewater Discharges. It shall be unlawful to discharge to the POTW any wastewater except as authorized by the City in accordance with the provisions of this ordinance.
- (b) Any agency, nondomestic user, and/or industry outside the jurisdiction of the City that desires to contribute wastewater to the POTW must execute (through an authorized representative) an interjurisdictional agreement, whereby the agency and/or industry agrees to be regulated by all provisions of this ordinance and State and Federal regulations. An Industrial User Permit may then be issued by the Mayor or designated representative in accordance with this article.
- (c) Permits. All significant industrial users proposing to connect to or to contribute to the POTW shall obtain an Industrial User Permit before connecting to or contributing to the POTW. Refer to Article X for Permit System Processing Fees.
- (d) Permit Application. Users required to obtain an Industrial User Permit shall complete and file with the City, an application in the form prescribed by the City, and accompanied by a permit fee. New users shall apply at least ninety (90) days prior to connecting to or contributing to the POTW. Existing permit holder shall apply no later than sixty (60) days prior to expiration of permit. In support of the application, the user shall submit, in units and terms appropriate for evaluation, the following information:
- (1) Name, address, and location if different from the address;
 - (2) SIC number(s) according to the Standard Industrial Classification Manual, United States Bureau of the Budget, 1972, as amended;
 - (3) Wastewater constituents and characteristics as determined by an analytical laboratory acceptable to the City; sampling and analysis shall be performed in accordance with procedures established by the EPA pursuant to Section 304 (g) of the Act and contained in 40 CFR, Part 136, as amended;

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- (4) Time and duration of contribution;
 - (5) Average daily and 30 minute peak wastewater flow rates, including daily, monthly and seasonal variations, if any;
 - (6) Site plans, floor plans, mechanical and plumbing plans and details to show all sewers, sewer connections, and appurtenances by size, location and elevation;
 - (7) Description of activities, facilities, and plant processes on the premises including all materials which are or could be discharged;
 - (8) Where known, the nature and concentration of any pollutants in the discharge which are limited by the City, State or Federal Pretreatment Standards, and a statement regarding whether or not the pretreatment standards are being met on a consistent basis and if not, whether additional pretreatment is required for the user to meet applicable Pretreatment Standards;
 - (9) If additional pretreatment will be required to meet the Pretreatment Standards, the shortest schedule by which the user will provide such additional pretreatment. The completion date in this schedule shall not be later than the compliance date established for the applicable Pretreatment Standards;
 - (10) The following conditions shall apply to this schedule:
 - (10a) The schedule must be acceptable to the City.
 - (10b) The schedule shall contain increments of progress in the form of dates for the commencement and completion of major events leading to the construction and operation of additional pretreatment required for the user to meet the applicable Pretreatment Standards.
 - (10c) Not later than 14 days following each date in the schedule and the final date for compliance, the user shall submit a progress report to the Mayor or designated representative including, as a minimum, whether or not it complied with the increment of progress to be met on such date and, if not, the date on which it expects to comply with this increment of progress and the reason for delay, and the steps being taken by the user to return the construction to the schedule established.
- (e) Each product produced by type, amount, process or processes, and the rate of production;
- (1) Type and amount of raw materials processed (average and maximum per day);

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- (2) Number of employees, and hours of operation of plant and proposed or actual hours of operation of pretreatment system;
- (3) Any other information as may be deemed by the City to be necessary to evaluate the permit application;
- (4) A copy of the industry's written environmental control program, comparable document, or policy.
- (f) Issuance. The City shall evaluate the data furnished by the user and may require additional information. After evaluation and acceptance of the data furnished, the Mayor or designated representative may issue an Industrial Wastewater Discharge Permit subject to terms and conditions provided herein.
- (g) Permit Modifications. Within nine (9) months of the promulgation of a National Categorical Pretreatment Standards, the Industrial Wastewater Discharge Permit of users subject to such standards shall be revised to require compliance with such standards within the time frame prescribed by such standards. Where a user, subject to National Categorical Pretreatment Standards, has not previously submitted an application for an Industrial Wastewater Discharge Permit as required, the user shall apply for an Industrial Wastewater Discharge Permit within ninety (90) days after the promulgation of the applicable National Categorical Pretreatment Standards. In addition, the user with an existing Industrial Wastewater Discharge Permit shall submit, to the Mayor or designated representative within ninety (90) days after the promulgation of an applicable Federal Categorical Pretreatment Standard, the information required by this ordinance.
- (h) Permit Conditions. Industrial Wastewater Discharge Permits shall be expressly subject to all provisions of this ordinance and all other applicable regulations, user charges, and fees established by the City. Permits may contain the following:
- (1) The unit surcharges or schedule of other charges and fees for the wastewater to be discharged to a community sewer;
- (2) Limits on the average and/or maximum rate and time of discharge or requirements for flow regulations and equalization;
- (3) Requirements for installation and maintenance of inspection and sampling facilities;
- (4) Specifications for monitoring programs which may include sampling location; frequency of sampling; number, type and standards for tests; and reporting schedule;
- (i) Compliance schedules.

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- (1) Requirements for submission of technical reports or discharge reports;
 - (2) Requirements for maintaining and retaining, for a minimum of three (3) years, all plant records relating to pretreatment and/or wastewater discharge as specified by the City, and affording City access thereto as required by 40 CFR 403.12(o)(2);
 - (3) Requirements for notification of the City or any new introduction of wastewater constituents or any substantial change in the volume or character of the wastewater constituents being introduced into the wastewater treatment system;
- (j) Requirements for notification of slug discharges.
- (1) The permit may require the user to reimburse the City for all expenses related to monitoring, sampling and testing performed at the direction of the Mayor or designated representative and deemed necessary by the City to verify that the user is in compliance with the said permit;
 - (2) Other conditions as deemed appropriate by the City to ensure compliance with this ordinance.
- (k) Alternative Discharge Limits. Where an effluent from a categorical industrial process(es) is mixed prior to treatment with wastewater other than that generated by the regulated process, fixed alternative discharge limits may be derived for the discharge permit by the Mayor or designated representative. These alternative limits shall be applied to the mixed effluent and shall be calculated using the Combined Wastestream Formula and/or Flow-Weighted Average Formula as defined in Article I.

Where the effluent limits in a Categorical Pretreatment Standard are expressed only in terms of mass of pollutants per unit of production (production-based standard), the Mayor or designated representative may convert the limits to equivalent limitations expressed either as mass of pollutant discharged per day or of effluent concentration for purposes of calculating effluent permit limitations applicable to the permittee. The permittee shall be subject to all permit limits calculated in this manner under 40 CFR 403.6(c) and must fully comply with these alternative limits.

All categorical users subject to production-based standards must report production rates annually so that alternative permit limits can be calculated if necessary. The categorical user must notify the Mayor or designated representative thirty (30) days in advance of any major change in production levels that will affect the limits for the discharge permit.

- (l) Permit Duration. Permits shall be issued for a specified time period, not to exceed five (5) years. A permit may be issued for a period less than a year or may be stated to expire on a specific date. The user shall apply for permit reissuance a minimum of sixty (60) days prior to the expiration of the

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user's existing permit. The terms and conditions of the permit may be subject to modification by the City during the term of the permit as limitations or requirements as identified in Article V are modified or other just cause exists. The user shall be informed of any proposed changes in their permit at least thirty (30) days prior to the effective date of change. Any change or new conditions in the permit shall include a reasonable time schedule for compliance.

- (m) One-Time Permits. Temporary or one-time dischargers shall apply to the Mayor or designated representative for a one-time discharge permit prior to discharging any waste into the City sewer system. The permittee is required to comply with the applicable pretreatment regulations, standards, and requirements under local ordinances and state and federal laws. Refer to Article X for Permit System Processing Fees.

If the permittee proposes to discharge waste other than the permit defined effective date, time, and volume, the discharger must apply to the Mayor or designated representative for another one-time discharge permit.

During the one-time discharge permit period, the discharge shall not exceed the limitations set forth in the City of Radcliff Sewer Use Ordinance.

The permit must have the effective date, time, amount of waste to be discharged, the dischargers name, address, discharge location, and be signed and dated by the Mayor or designated representative.

- (n) Permit Transfer. Industrial User Permits are issued to a specific user for a specific operation. An Industrial User Permit shall not be reassigned or transferred or sold to a new owner, new user, different premises, or a new or changed operation without a thirty (30) day prior notification to the Mayor or designated representative and provision of a copy of the existing permit to the new owner. The Mayor or designated representative may deny the transfer of the permit if it is deemed necessary.

- (o) Compliance Data Reporting. Within ninety (90) days following the date for final compliance with applicable categorical Pretreatment Standards or, in the case of a new user, following commencement of the introduction of wastewater into the POTW, any user subject to Federal Categorical Pretreatment Standards and Requirements shall submit, to the Mayor or designated representative, a report indicating the nature and concentration of all pollutants in the discharge from the regulated process which are limited by Categorical Pretreatment Standards and Requirements and the average and maximum daily flow for these process units in the user's facility which are limited by such Categorical Standards and Requirements. The report shall state whether the applicable Categorical Pretreatment Standards and Requirements are being met on a consistent basis and, if not, what additional pretreatment and time schedule is necessary to bring the user into compliance with the applicable Categorical Pretreatment Standards or Requirements. This statement shall be signed by an authorized representative of the user.

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- (p) Periodic Compliance Reports. All significant industrial users shall submit, to the Mayor or designated representative, every six (6) months (on dates specified in the Industrial User Permit) unless required more frequently by the Permit, a report indicating, at a minimum, the nature and concentration, of pollutants in the effluent which are limited by such Pretreatment Standards or discharge permit. In addition, this report shall include a record of all daily flows which during the reporting period exceeded the average daily flow. At the discretion of the Mayor or designated representative and in consideration of such factors as local high or low flow rates, holidays, budget cycles, etc., the Mayor or designated representative may agree to alter the months during which the above reports are to be submitted.

All analyses shall be performed by laboratory acceptable to the City. Analytical procedures shall be in accordance with procedures established by the U.S. EPA Administrator pursuant to Section 304(g) of the Act and contained in 40 CFR, Part 136 and amendments thereto and 40 CFR 261 or with any other test procedures approved by the U.S. EPA Administrator. Sampling shall be performed in accordance with the techniques approved by the U.S. EPA Administrator.

Where 40 CFR, Part 136 does not include a sampling or analytical technique for the pollutant(s) in question, sampling and analysis shall be performed in accordance with the procedures set forth in the EPA publication "Sampling and Analysis Procedures for Screening of Industrial Effluents for Priority Pollutants," April 1977, and amendments thereto, or with any other sampling and analytical procedures approved by the U.S. EPA Administrator.

A Baseline Monitoring Report (BMR) must be submitted to the Mayor or designated representative by all categorical industrial users at least ninety (90) days prior to initiation of discharge to the sanitary sewer. The BMR must contain, at a minimum, the following:

- (1) Production Data: a process description, SIC code number, raw materials used, chemicals used, final product, pretreatment industrial category (if applicable), and a schematic which indicates points of discharge to the sewer system.
- (2) Identifying information to include name, address of facility, owner(s), contact person and any other permits held by the facility.
- (3) Wastewater characteristics: total plant flow, types of discharges, average and maximum flows from each process.
- (4) Nature/Concentration of pollutants: analytical results for all pollutants regulated by this ordinance and/or any applicable federal pretreatment standard and sample type and location. All analyses must conform with 40 CFR, Part 136 and amendments thereto.
- (5) Information concerning any pretreatment equipment used to treat the facility's discharge.

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New sources shall give estimates of the information requested in sections (c) and (d) above, but at no time shall a new source commence discharge(s) to the public sewer of substances that do not meet provisions of this ordinance. All new sources must be in compliance with all provisions of this ordinance, State and Federal pretreatment regulations prior to commencement of discharge to the public sewer.

- (q) Permit Violations. All significant industrial users must notify the Mayor or designated representative within 24 hours of first becoming aware of a permit violation. This notification shall include the date of violation, the parameter violated and the amount in exceedance.

The user shall immediately repeat the sampling and analysis of the parameter(s) in question and submit the results to the Mayor or designated representative within thirty (30) days after becoming aware of the violation. Exception to this regulation is only if the City performs the sampling within the same time period for the same parameter(s) in question.

Compliance with the terms of an industrial user permit shall be deemed in compliance with the terms of this ordinance.

- Ⓢ Monitoring. The City shall require significant users to provide and operate, at the user's own expense, monitoring facilities and equipment necessary to allow inspection, sampling, and flow measurement of the building sewer and/or internal drainage system. The monitoring facility should normally be situated on the user's premises, but the City may, when such a location would be impractical or cause undue hardship on the user, allow the facility to be constructed in a public right-of-way. The Mayor or designated representative shall review and approve the location, plans, and specifications for such monitoring facilities and may require them to be constructed to provide for the separate monitoring and sampling of industrial waste and sanitary sewage flows.

There shall be ample room in or near such sampling manhole or facility to allow accurate sampling and preparation of samples for analysis. The facility shall be designed and maintained in a manner such that the safety of City and industrial personnel shall be foremost. The facility, sampling, and measuring equipment shall be maintained at all times in a proper operating condition at the expense of the user.

Whether constructed on public or private property, the sampling and monitoring facilities shall be provided in accordance with the City's requirements and all applicable local construction standards and specifications. Construction shall be completed within ninety (90) days following approval of the location, plans and specifications.

All sampling analyses done in accordance with approved federal EPA procedures by the industrial user during a reporting period shall be submitted to the Mayor or designated representative regardless of whether or not that analysis was required by the industrial user's discharge permit.

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The industrial user must receive the approval of the Mayor or designated representative before changing the sampling point and/or monitoring facilities to be used in all required sampling.

- (s) Inspection and Sampling. The City shall inspect the facilities of any user to ascertain whether the purpose of this ordinance is being met and all requirements are being complied with. Persons or occupants of premises where wastewater is created or discharged shall allow the City or their representative ready access at all reasonable times to all parts of the premises for the purposes of inspection, sampling, copying records, records examination or in the performance of any of their duties.

The City, Approval Authority, and EPA shall have the right to set up on the user's property such devices as are necessary to conduct sampling, inspection, compliance monitoring and/or metering operations. Where a user has security measures in force which would require proper identification and clearance before entry onto their premises, the user shall make the necessary arrangement with their security guards so that upon presentation of suitable identification, personnel from the City, Approval Authority and EPA will be permitted to enter, without delay, for the purposes of performing their specific responsibilities.

- (t) Pretreatment. All significant industrial users shall provide necessary wastewater treatment as required to comply with this ordinance and achieve compliance with any applicable Federal Categorical Pretreatment Standards within the time limitations as specified by the Federal Pretreatment Regulations. The City may require the development of a compliance schedule for installation of pretreatment technology and/or equipment by any industrial user that cannot meet discharge limits required by this ordinance. Any facilities required to pretreat wastewater to a level required by this ordinance shall be provided, operated, and maintained at the user's expense. Detailed plans showing the pretreatment facilities and operating procedures shall be submitted to the City for review, and shall be acceptable to the City before construction of the facility. The review of such plans and operating procedures will in no way relieve the user from the responsibility of modifying the facility as necessary to produce an effluent that complies with the provisions of this ordinance. Any subsequent changes in the pretreatment facilities or method of operation shall be reported to and be acceptable to the City prior to the user's initiation of the changes.
- (u) Annual Publication. The City shall annually publish in its largest daily newspaper a list of significant users which were in significant noncompliance with any Pretreatment Requirements or Standards. The notification shall also summarize any enforcement actions taken against the user(s) during the same twelve (12) months.

All records relating to the City's Pretreatment Program shall be made available to officials of the EPA or Approval Authority upon request. All records shall be maintained for a minimum of three (3) years in accordance with 40 CFR 403.12(0)(2).

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- (v) Significant Non-Compliance. A user is defined as being in significant noncompliance when it commits one or more of the following conditions:
- (1) Causes imminent endangerment to human health or the environment or results in the exercise of emergency authority;
 - (2) Involves the failure to report noncompliance accurately;
 - (3) Results in a chronic violation defined here as sixty-six percent (66%) or more of all measurements taken during a six (6) month period that exceed (by any magnitude) the daily maximum limit or the monthly average limit for the same pollutant parameter;
 - (4) Results in a Technical Review Criteria (TRC) Violation defined here as thirty-three percent (33%) or more of all measurements for each pollutant parameter taken during a six (6) month period that equal or exceed the product of the daily maximum limit or the average limit multiplied by the applicable TRC (TRC = 1.4 for BOD, TSS, fats, and oil & grease and 1.2 for all other pollutants except pH);
 - (5) Any violation of a pretreatment effluent limit that the Control Authority determines has caused, alone or in combination with other discharges, interference or pass through or has endangered the health of the POTW personnel or the public;
 - (6) Any discharge causing imminent endangerment to human health/welfare or to the environment or resulting in the POTW's use of its emergency authority to halt or prevent such a discharge;
 - (7) Violations of Compliance Schedule Milestones, failure to comply with schedule milestones for starting or completing construction or attaining final compliance by ninety (90) days or more after the schedule date;
 - (8) Failure to provide required reports within thirty (30) days of the due date;
 - (9) Any violation or group of violations which the Control Authority determines will adversely affect the operation or implementation of the local pretreatment program.
- (w) Confidential Information. Information and data on a user obtained from reports, questionnaires, permit applications, permits and monitoring programs and from inspections shall be available to the public or other governmental agency without restriction unless the user specifically requests in writing and is able to demonstrate to the satisfaction of the City that the release of such information would divulge information, processes, or methods of production entitled to protection as trade secrets of the user.

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When requested by the person furnishing a report, the portions of a report which might disclose trade secrets or secret processes shall not be made available for inspection by the public but shall be made available to all governmental agencies for uses related to this ordinance, the NPDES/KPDES Permit, Sludge Disposal System Permit and/or the Pretreatment Programs upon request. Such portions of a report shall be available for use by the State or any State agency in judicial review or enforcement proceedings involving the person furnishing the report. Wastewater constituents and characteristics shall not be recognized as confidential information and shall be available to the public without restriction.

- (x) Signatory Requirements. All applications, reports, or information submitted to the City shall be signed and certified. All permit applications shall be signed:
- (1) For a corporation: by a principal executive officer of at least the level of vice-president;
 - (2) For a partnership or sole proprietorship: by a general partner or the proprietor, respectively.
 - (3) All other correspondence, reports and self-monitoring reports shall be signed by a person described above or by a duly authorized representative of that person. A person is a duly authorized representative only if:
 - (4) The authorization is made in writing by a person described above;
 - (5) The authorization specifies either an individual or a position having facility or activity, such as the position of plant manager or position of equivalent responsibility.
- (y) Certification. Any person signing a document under this section shall make the following certification:

"I certify under penalty of law that I am familiar with the information contained in this report and its attachments and that to the best of my knowledge and belief such information is true, complete and accurate."

ARTICLE VI. POWERS OF AUTHORITY OF INSPECTORS
Sec. 17-17. Powers and authority of inspectors.

- (a) Duly authorized employees of the EPA, state and City of Radcliff bearing proper credentials and identification, shall be permitted to enter all properties, at any time, for the purposes of inspection, observation, measurement, sampling (twenty-four hour composite or grab) and testing, as well as to inspect and copy records of wastewater discharges in accordance with the provisions of this article. The Mayor or his representative shall have no authority to inquire into any processes including metallurgical, chemical, oil, refining ceramic, paper, or other industries beyond that point having a

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IN CASE NO. _____ DATED _____

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direct bearing on the kind and source of discharge to the sewers or waterways or facilities for the waste treatment.

- (b) Duly authorized employees of the EPA, State or City bearing proper credentials and identification shall be permitted to enter all private properties through which the City holds an easement for the purposes of, but not limited to, inspection, observation, measurement, sampling, repair, and maintenance of any portion of the sewage works lying within said easement. All entry and subsequent work, if any, on said easement, shall be done in full accordance with the terms of the easement pertaining to the private property involved.
- (c) While performing the necessary work on private properties referred to in paragraph (a), above, the City shall observe all safety rules applicable to the premises established by the property owner, the owner shall be held harmless for injury or death to the City employees, and the City shall indemnify the owner against loss or damage to its property by City employees and against liability claims and demands for personal injury or property damage asserted against the owner and growing out of gauging and sampling operation, except as such may be caused by negligence or failure of the owner to maintain safe conditions.
- (c) Duly authorized employees of the EPA, state or City bearing proper credentials and identification shall be permitted to enter all private properties through which the City holds an easement for the purposes of, but not limited to, inspection, observation, measurement, sampling, repair, and maintenance of any portion of the sewage works lying within said easement. All entry and subsequent work, if any, on said easement, shall be done in full accordance with the terms of the easement pertaining to the private property involved.
- (d) Portions of any report which might disclose trade secrets or secret processes shall not be made available for inspection by the public but shall be made available upon written request to governmental agencies for uses related to this article, the National Pollutant Discharge Elimination System (NPDES) permit, state disposal system permit, and/or the pretreatment programs; provided, however, that such portions of a report shall be available for use by the state or any state agency in judicial review or enforcement proceedings involving the person furnishing the report. Wastewater constituents and characteristics will not be recognized as confidential information.

Information accepted by the City as confidential, shall not be transmitted to any governmental agency or to the general public by the City until and unless a ten day notification is given to the user.

The City shall annually publish in the local newspaper(s) a list of the users which were not in compliance with any pretreatment requirements and/or local standards at least once during the twelve (12) previous months. The notification shall also summarize any enforcement actions taken against the user(s) during the same twelve (12) months.

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All records relating to compliance with pretreatment standards shall be made available to officials of the EPA or approval authority upon request. (~~Ord. of 6-16-87, Art. VI, 1-4~~)

**ARTICLE VII
SEWAGE SERVICE RATES**

Sec. 17-18. Sewage service rates and rights upon payment of sewer connection charges.

- (a) Residential, commercial, and industrial customers shall pay sewage service rates based on water purchased from any public supplier of water or from any other source. Industries participating in industrial cost recovery shall be charged on metered waste flows. One-time discharge permit rates shall be based on the User Charge Ordinance and other fees adopted by the City. (~~Ord. of 3-25-96~~)
- (b) Payment by a property owner of the prescribed sewer connection charge shall entitle the owner of any premises abutting upon any street, road, alley, public way or easement in which there exists a sewer pipe, main, lateral or other structure or installation of the sewer system capable of receiving flowable wastes, within one hundred (100) feet of said owner's property line, to have such line brought to a point located at the edge of the property line of said property owner. All customers must bear the respective costs of running sewer lines from the respective premises to the respective points where such sewer lines are brought by the City to service the respective premises. (~~Ord. 11-10-03~~)
- (c) User charges to all customers are outlined in the user charge ordinance adopted by the City of Radcliff. (See Art. III) (~~Ord. of 6-16-87, Art. VII, 1, 2; Ord. of 8-30-88~~) (~~Ord. 3-25-96~~)

ARTICLE VIII. PENALTIES

Sec. 17-19. Penalties.

- (a) Written Notice. Any user found to be violating any provision of this ordinance or a wastewater permit or order issued hereunder, shall be served by the Mayor or designated representative with written notice stating the nature of the violation. The offender shall permanently remedy all violations upon receipt of this notice. (~~Ord. of 3-25-96~~)

As contained in Article IX, the notice may be of several forms. Also as contained in Article IX, penalties of various forms may be levied against users for violations of this ordinance. The penalties, if levied, shall range from publication of violators in the local newspaper to administrative fines of \$1,000.00 per day per violation. (~~Ord. of 3-25-96~~)

- (b) Revocation of Permit. Any user violating any of the provisions of this Ordinance or a wastewater permit order issued hereunder, may be subject to termination of its authority to discharge sewage into the municipal sewer system. Such termination may be immediate if necessary for the

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protection of the POTW. Said user may also have water service terminated. (Ord. of 3-25-96) Any user who violates the following conditions of this ordinance, or applicable State or Federal Regulations, is subject to having his permit revoked in accordance with the procedures of this ordinance. (~~Ord. of 3-25-96~~)

- (1) Failure of a user to factually report the wastewater constituents and characteristics of his discharge;
 - (2) Failure of the user to report significant changes in operations, or wastewater constituents and characteristics;
 - (3) Refusal of reasonable access to the user's premises for the purpose of inspection or monitoring; or
 - (4) Violation of conditions of the permit.
- (c) Liability. Any user violating any of the provisions of this Ordinance, discharge permit or other order issued hereunder shall become liable to the City of Radcliff for any expense, loss or damage occasioned by the City by reason of such violation. This civil liability is as provided by state and federal regulations. (~~Ord. of 3-25-96~~)
- (d) Misrepresentation and/or Falsifying of Documents. Any user who knowingly and/or negligently makes any false statements, representations or certification of any application, record, report, plan or other document filed or required pursuant to this Ordinance or Industrial User Discharge Permit or who falsifies, tampers with or knowingly and/or negligently renders inaccurate any monitoring device or method required under this Ordinance, shall be punished by a fine of up to \$1000 or by imprisonment for not more than twelve (12) months or by both. (~~Ord. of 3-25-96~~)
- (e) Destruction of POTW. No person(s) shall maliciously, willfully, or negligently break, damage, destroy, uncover, deface, or tamper with any structure, appurtenance or equipment which is part of the POTW. any person(s) violating this provision shall be subject to immediate arrest under charge of disorderly conduct. It shall be noted that the Clean Water Act does not require proof of specific intent to obtain conviction. (~~Ord. of 3-25-96~~)
- (f) Legal Action. If any person discharges sewage, industrial wastes or other wastes into the City's wastewater disposal system contrary to the provisions of this ordinance, Federal or State Pretreatment Requirements or any order of the City, the City may commence an action for appropriate legal and/or equitable relief in the appropriate Court of this jurisdiction. (~~Ord. of 3-25-96~~)
- (g) Injunctive Relief. Whenever a user has violated or continues to violate the provisions of this ordinance or permit or order issued hereunder, the Mayor or designated representative, through counsel may petition the Court for the issuance of a preliminary or permanent injunction or both (as

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may be appropriate) which restrains or compels the activities on the part of the industrial user. (~~Ord. of 3-25-96~~)

- (h) Civil Penalties. Any user who has significantly violated or continues to violate this ordinance or any order or permit issued hereunder, may be liable to the Mayor or designated representative for a civil penalty of not more than \$1,000.00 per day plus actual damages incurred by the POTW per violation per day for as long as the violation continues. Each day in which such violation shall continue shall be deemed a separate offense. In addition to the above described penalty and damages, the Mayor or designated representative may recover reasonable attorney's fees, court costs, court reporter's fees, and other expenses associated with the enforcement activities, including sampling and monitoring expenses.

The Mayor or designated representative may petition the Court to impose, assess and recover such sums. In determining amount of liability, the Court shall take into account all relevant circumstances, including, but not limited to, the extent of harm caused by the violation, the magnitude and duration, any economic benefit gained through the industrial user's violation, corrective actions by the industrial user, the compliance history of the user, and any other factor as justice requires. (~~Ord. of 3-25-96~~)

- (i) Criminal Prosecution. General Violations. Any user who willfully or negligently violates any provision of this ordinance or any orders or permits issued hereunder shall, upon written conviction, be guilty of a misdemeanor, punishable by a fine not to exceed \$1,000.00 per violation per day or imprisonment for not more than one (1) year or both. (~~Ord. of 3-25-96~~)

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**ARTICLE IX
ENFORCEMENT**

Sec. 17-20. Enforcement.

- (a) General. The City, through the Mayor or designated representative, to insure compliance with this ordinance, and as permitted through 40 CFR Subchapter N, and 401 KAR 5:055, may take the following enforcement steps against users in noncompliance with the ordinance. The remedies available to the POTW include injunctive relief, civil and criminal penalties, immediate discontinuance of discharges and/or water service and the publishing of the list of significant violators annually. The enforcement authority shall be vested in the Mayor or designated representative.

The Mayor or designated representative may suspend the wastewater treatment service and/or an Industrial User Permit when such suspension is necessary, in the opinion of the City, in order to stop an actual or threatened discharge which presents or may present an imminent or substantial endangerment to the health or welfare of persons, to the environment, causes interference to the POTW or causes the City to violate any condition of its NPDES/KPDES permit.

Any user notified of a suspension of the wastewater treatment service and/or the Industrial User Permit shall immediately stop or eliminate the contribution. In the event of a failure of the person to comply voluntarily with the suspension order, the City shall take such steps as deemed necessary including immediate severance of the sewer connection, to prevent or minimize damage to the POTW system or endangerment to any individuals. The City shall reinstate the Industrial User Permit and/or wastewater treatment service upon proof of the elimination of the non-complying discharge. A detailed written statement submitted by the user describing the causes of the harmful contribution and the measures taken to prevent any future occurrence shall be submitted to the City within fifteen (15) days of the date of occurrence. (Ord. of 3-25-96)

- (b) Notice of Violation. Any user found to be violating any provisions of this ordinance, wastewater permit, or any order issued hereunder, shall be served by the City with written notice stating the nature of the violation(s). Within ten (10) days of the receipt date of this notice, an explanation of the violation and a plan for the satisfactory correction and prevention thereof, to include specific required actions, shall be submitted to the Mayor or designated representative. Submission of this plan in no way relieves the user of potential liability for any violation occurring before or after receipt of the Notice of Violation.

If the violations persist or the explanation and/or plan are not adequate, the City's response shall be more formal and commitments (or schedules as appropriate) for compliance will be established in an enforceable document. The enforcement response selected will be related to the seriousness of the violation. Enforcement responses will be escalated if compliance is not achieved expeditiously after the initial action. A significant noncompliance as defined in Article V, Section 35, will require a

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formal enforcement action. The full scale of enforcement actions will be as detailed in the Enforcement Response Plan. (~~Ord. of 3-25-96~~)

- (c) Administrative Orders. Any user who after receiving a Notice of Violation shall continue to discharge in violation of this ordinance or other pretreatment standards or requirements or is determined to be a chronic or persistent violator or who is determined to be a significant violator, shall be ordered to appear before the City. At said appearance, a compliance schedule will be given to the non-conforming user and an administrative fine assessed. The fine shall be determined on a case-by-case basis which shall consider the type and severity of violations, duration of violation, number of violations, severity of impact on the POTW, impact on human health, users economic benefit from the violation, history of violations, good faith of the user, and shall be a non-arbitrary but appropriate amount.

The administrative order may take any of the following three forms:

- (1) Consent Orders. The Mayor or designated representative is hereby empowered to enter into Consent Orders, assurances of voluntary compliance, or other similar documents establishing an agreement with the industrial user responsible for the noncompliance. Such orders will include specific action to be taken by the industrial user to correct the noncompliance within a time period also specified by the order. Consent Orders shall have the same force and effect as orders issued pursuant to Article IX.
 - (2) Compliance Order. When the Mayor or designated representative finds that an industrial user has violated or continues to violate the ordinance or a permit or order issued thereunder, an order may be issued to the industrial user responsible for the discharge directing that, following a specified time period, sewer service shall be discontinued unless adequate treatment facilities, devices, or other related appurtenances have been installed and are properly operated. Orders may also contain such other requirements as might be reasonably necessary and appropriate to address the noncompliance, including the installation of pretreatment technology, additional self-monitoring and management practices.
 - (3) Cease and Desist Orders. When the Mayor or designated representative finds that an industrial user has violated or continues to violate this ordinance or any permit or order issued hereunder, the Mayor or designated representative may issue an order to cease and desist all such violations and direct those persons in noncompliance to: a) comply forthwith, or b) take such appropriate remedial or preventative action as may be needed to properly address a continuing or threatened violation, including halting operations and terminating the discharge. (~~Ord. of 3-25-96~~)
- (d) Show Cause Hearing. The Mayor or designated representative may issue to any user who causes or contributes to violations of this ordinance, wastewater permit or order issued hereunder, an order

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to appear and show cause why the proposed enforcement action should not be taken. A notice shall be served on the user specifying the time and place of the hearing to be held by the Mayor or designated representative regarding the violation, the reasons why the action is to be taken, the proposed enforcement action, and directing the user to show cause, before the Mayor or designated representative, why the proposed enforcement action should not be taken. The notice of the hearing shall be served personally or by registered or certified mail (return receipt requested) at least ten (10) days before the hearing. Service may be made on any agent or officer of the industrial user. Whether or not a duly notified industrial user or its representative appears, immediate enforcement action may be pursued.

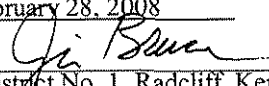
The City may, itself, conduct the hearing and take the evidence, or designate a representative to:

- (1) Issue, in the name of the City, notices of hearings requesting the attendance and testimony of witnesses and the production of evidence relevant to any matter involved in such hearing;
- (2) Take the evidence;
- (3) Transmit a report of the evidence and hearing, including transcripts and other evidence, together with recommendations to the City for action thereon.

At any hearing held pursuant to this ordinance, testimony taken must be under oath and recorded stenographically. The transcript, so recorded, will be made available to any member of the public or any party to the hearing upon payment of the usual charges thereof.

After the City has reviewed the evidence, it may issue an order to the user responsible for the discharge directing that, following a specified time period, the sewer service be discontinued unless adequate treatment facilities, devices, or other related appurtenances are properly operated. Further orders and directives as are necessary and appropriate may be issued. (~~Ord. of 3-25-96~~)

- (e) Additional Enforcement Remedies. Performance Bonds. The Mayor or designated representative may decline to reissue a permit to any industrial user which has failed to comply with the provisions of this ordinance or any order or previous permit issued hereunder unless such user first files with it a satisfactory bond, payable to the POTW, in a sum not to exceed a value determined by the Mayor or designated representative to be necessary to achieve consistent compliance. (~~Ord. of 3-25-96~~)
- (f) Liability Insurance. The Mayor or designated representative may decline to reissue a permit to any industrial user which has failed to comply with the provisions of this ordinance or any order or previous permit issued hereunder, unless the industrial user first submits proof that it has obtained

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financial assurances sufficient to restore or repair POTW damage caused by its discharge. (~~Ord. of 3-25-96~~)

- (g) Legal Action. If any persons discharges sewage, industrial wastes, or other wastes into the City's wastewater disposal system contrary to the provisions of this Ordinance, Federal or State Pretreatment Requirements, or any order of the City, the City Attorney may commence an action for appropriate legal and/or equitable relief in the (Circuit) Court of this County.

**ARTICLE X
PERMIT SYSTEM**

Sec. 17-21. Permit system.

- (a) There are three (4) classes or permits established:
 - (1) For installation of private sewage disposal facilities; (~~Ord. of 3-25-96~~)
 - (2) For residential and commercial building sewers; and
 - (3) For industrial sewer connections, and
 - (4) One-time discharges (~~Ord. of 3-25-96~~)
- (b) There shall be a fee of one hundred fifty dollars (\$150.00) paid to the City to process sewer permit application inside the City limits and one thousand dollars (\$1,000.00) to process applications outside the City limits. (~~Ord. of 6-19-96~~)
- (c) There are (2) classes of permits established for sewerage treatment: (~~Ord. of 3-25-96~~)
 - (1) Industrial/commercial non-domestic sewage.
 - (2) One-time discharges.

There shall be a fee of \$25.00 paid to the City to process pretreatment permit applications inside or outside the Radcliff City Limits. (~~Ord. of 12-23-96~~)

There shall be a fee of \$500 paid to the City of Radcliff for each Pretreatment Permit issued inside or outside the Radcliff City Limits. (~~Ord. of 12-23-96~~)

Editor's note Ord of June 16, 1987, Arts. I-X, not expressly amendatory of the Code, has been included herein as Art. II 17-11, 17-20, superseding former Ch. 17, pertaining to sewers and sewage disposal, which derived from Ord. of March 1, 1963, 1-10.12; Ord. of Sept 17, 1963; Ord of Dec. 1, 1970; Ord. of June 26;

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~~1972; Ord. of Feb 20, 1979, 1(b); Ord. of Aug 7, 1984, 1-8 and Ord. of Jan 12, 1986, Arts. I-V, Arts XI and XII of said ordinance providing for validity and the ordinance in force have been omitted from codification.~~

Sec. 17-22- 17-30 Reserved.

ARTICLE XI. SEWER SERVICE CHARGES
ORDINANCE NO. 96-03-705, AMENDMENT 96-06-711
Sec. 17-31. Sewer service charges.

- (a) Sewer service charges shall be charges levied on all users with a consumptive use of water who discharge, cause or permit the discharge of sewage into the public wastewater treatment system. (Ord. of 6-22-96)
- (b) Sewer service charges shall be comprised of a system of user charges, excessive strength or toxicity surcharges and a system of charges for debt service.
- (c) User charges shall mean charges levied on users of the wastewater system to offset the cost of operation and maintenance of the system.
- (d) Excessive strength or toxicity surcharges shall mean charges levied on users of the wastewater treatment system whose contribution contains pollutants (both conventional and toxic) in concentrations which exceeded limits specified by latest Radcliff, Kentucky Sewer Use Ordinance for such pollutants.
- (e) Charges for debt service shall mean charges levied on users of the wastewater treatment system to support the annual debt service or obligations of the system (~~Ord. of 6-16-87, 1; Ord. of 3-25-96~~) **Editor's note** Ord. of June 16, 1987, 1-4, not expressly amendatory of the Code, has been included herein as Art. III, 17-31 - 17-34, at the discretion of the editor.

Sec. 17-32. Sewer rates.

- (a) The following schedule of rates shall apply to each user of the wastewater treatment system. This schedule includes the rate for user charges as established herein and the rate for debt service charge, each based on the volume of metered water consumption unless otherwise noted.
- (b) Sewer rate schedule for customers: (~~Ord. of 8-29-97~~)

Rate Category	User	Debt	Total
	Rate Per	Service	Rate Per
	1,000 gal	Rate Per	1,000 gal
		1,000 gal	1,000 gal

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First 2,000 gallons or less	8.39 (min)	9.23	\$17.62
	2,000 gal	2,000 gal	
Next 13,000 gallons	4.18	1.57	\$ 5.75
Over 15,000 gallons	4.18	0.42	\$ 4.60(Rev. 02/2007- 3.385% COL)

For residential, industrial, institutional and commercial users, monthly user charges will be based on actual water usage. If a residential, commercial, institutional or industrial user has a consumptive use of water, or, in some other manner uses water which is not discharged into the wastewater collection system, the user charge for that contributor may be based on readings of a wastewater meter (s) or separate water meters(s) installed and maintained at the user's expense.
(~~Ord. of 6-22-96~~)

- (c) Sewage rates provided in paragraph (b) are based on the underlying assumption that all metered water consumption is eventually returned to the wastewater treatment system. The City reserves the right to determine by whatever means and methods it may find practicable, the amount of water consumption and/or wastewater discharge that shall be used to compute user service charges.
- (d) Surcharge for excessive strength. Users having a discharge over the normal sewage strength of (250) mg/l total suspended solids and/or two hundred fifty (250) mg/l biochemical oxygen and/or 25mg/l ammonia nitrogen, shall incur an additional charge of thirty-two cents (\$0.32) per pound of biochemical oxygen demand and twenty-two cents (\$0.22) per pound of suspended solids, and/or ninety-five cents (\$0.95 per pound of ammonia nitrogen. (~~Ord. of 3-25-96~~)

The excessive strength surcharge is based on the difference between the user's pollutant concentration (mg/l) and the allowable concentration for normal wastewater (mg/l) multiplied by: the surcharge rate, weight of one gallon of water (8.34lbs.) and the user's monthly flow to the wastewater works (million gallons per day).

No reduction in wastewater service charges, fees, or taxes shall be permitted because of the fact that certain wastes discharged to the wastewater works contain less than 250 mg/l BOD, 250 mg/l suspended solids or 25 mg/l ammonia nitrogen. (~~Ord. of 6-22-96~~)

- (e) Security deposit for sewer service. Any person, firm, association or other entity applying for sewer service from the City of Radcliff after September 30, 1987, shall be required to pay a security deposit of twenty-five (\$35.00) to the City of Radcliff or its designees, to be held by the City of Radcliff or its designees until the termination of such sewer service by the applicant. (~~Ord. of 6-17-87; Ord. of 6-16-92; Ord. of 6-22-96~~) (~~Ord. of 11-02-2000~~)

Upon termination of such service by the applicant, said security deposit shall be refunded to the applicant by the City of Radcliff or its designees less any amounts due the City of Radcliff for unpaid sewer service

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FOR Entire Area Served

P.S.C. Ky. No. 1

Original Sheet No. 5-44

Hardin County Water District No. 1

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rendered to the applicant and for any damages to City sewer equipment caused by the willful, malicious or negligent acts of the applicant.

- (f) The Administrative fee for sewer service. (~~Repeated in its entirety Ord. 6-19-04~~)
- (g) The City of Radcliff shall maintain financial records to accurately account for revenues generated by the treatment system and expenditures for operation and maintenance of the system, including normal replacement costs. (~~Ord. of 6-22-96~~)

Sec. 17-33. Method of billing.

- (a) Sewer service charge shall be billed to each user on a monthly basis and shall be computed in accordance with each user's water consumption and strength or toxicity of discharge during the billed for period.
- (b) No reduction in sewer charges, fees, or taxes shall be permitted in the event that certain wastes discharged to the sewage treatment system contain pollutants in less concentrations than specified maximum limitations.
- (c) Each user shall be notified, at least annually, in conjunction with a regular bill, or the rate and that portion of the total charge which is attributable to operations and maintenance of the sewage system.
- (d) Sewer charges to any customer who is initially rendered services for less than one month shall be prorated on the basis of the foregoing charges for the fractional part of the month for which services were rendered. (~~Ord. of 6-16-87, 3~~)
- (e) All users shall be billed monthly. Billings for any particular month shall be made by the due date shown on the bill. Any payment not received within ten days after the bill due date shall be considered delinquent. (~~Ord. of 6-22-96~~)

Sec. 17-34. Rate review.

- (a) The City shall review not less often than annually the sewage contributions of users, the total cost of operation and maintenance of the sewage works, and user charges. Annual cost of living adjustment will be added to the user charges each year beginning January 1, 1999. The adjustments will be based upon the Consumer Price Index maintained and reported by the U. S. Department of Labor, Bureau of Labor Statistics and reported by the Kentucky Department of Local Government each February. The increase will be based upon the rate provided in February, 1998 and all subsequent years will be computed accordingly. (~~Ord of 8-29-96~~) User charges shall be revised as necessary to accomplish the following:

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Hardin County Water District No. 1, Radcliff, Kentucky

ISSUED BY ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Entire Area Served

P.S.C. Ky. No. 1

Original Sheet No. 5-45

Hardin County Water District No. 1

CLASSIFICATION OF SERVICE:
GENERAL RULES AND POLICIES
CITY OF RADCLIFF - SANITARY SEWER SERVICES

(N)

- (1) Maintain the proportionate distribution of operation and maintenance cost among users of the treatment system.
 - (2) Generate sufficient revenues to offset costs associated with the proper operation and maintenance of the sewage system.
 - (3) The revenues collected, as a result of the user charges levied, shall be deposited in a separate non-lapsing fund known as the Operation, Maintenance and Replacement fund.
 - (4) Fiscal year-end balances in the Operation, Maintenance and Replacement Fund shall be used for no other purposes than those designated. Monies which have been transferred from other sources to meet temporary shortages in the Operation, Maintenance and Replacement Fund shall be returned to their respective accounts upon appropriate adjustment of the user charge rates for operation, maintenance and replacement. The user charge rate (s) shall be adjusted such that the transferred monies will be returned to their respective accounts within six months of the fiscal year in which the monies are borrowed. (~~Ord. of 6-22-96~~)
- (b) Excessive strength and toxicity surcharges shall be reviewed at the time of and in conjunction with the review of user charges. Surcharge rates shall be revised where necessary to reflect current treatment and monitoring costs. (~~Ord. of 6-16-87, -4~~)

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IN CASE NO. _____ DATED _____

FOR Entire Area Served

P.S.C. Ky. No. 1

Tariff for
HARDIN COUNTY WATER DISTRICT No. 1
of
1400 Rogersville Road, Radcliff, Kentucky, 40160

Providing Sewer Service For

**U. S. Armor Center & Fort Knox, Kentucky
and**

**City of Radcliff, Kentucky
and**

(T)

**Portions of Hardin and Meade Counties as included in Additional
Territory Amended by the Judge Executive of Hardin County in 2000**

Filed with the

PUBLIC SERVICE COMMISSION of KENTUCKY

DATE OF ISSUE February 28, 2008

DATE EFFECTIVE April 1, 2008

ISSUED BY: , Mr. Jim Bruce, General Manager
Hardin County Water District No. 1, Radcliff, Kentucky

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IN CASE NO. _____ DATED _____

Hardin County Water District No. 1

CLASSIFICATION OF SERVICE: GENERAL RULES AND POLICIES CITY OF RADCLIFF - SANITARY SEWER SERVICES

(N)

1. General Explanation of Sheet 5, and Subsequent Pages / Sections:

The following sections, policies, rates and charges have been adopted by the District, from an existing Sewer Use Ordinance from the previous owner, the City of Radcliff. This adoption of this ordinance was part of an agreement between the City of Radcliff and the District for the District to assume the ownership and operations of the sanitary sewer system. These sheets of the District's tariff apply to all customers who had been receiving sanitary sewer service from the City, prior to the transfer of the system to the District, and all new customers of the District after the transfer.

2. Terms, Definitions and Interpretation:

The definition section (Section 17-11) includes certain term changes to transfer meaning and authority from the City to the District. Any other terms within these sheets which formerly applied to the City, employee or agent of the City, shall automatically transfer to the equivalent person or meaning of the District. Where a term is not clearly transferable, the Board of Commissioners of the District will provide an interpretation or translation when needed.

3. Limitations and Restrictions:

Only specific written or set forth rates, charges, fees or penalties on these sheets may be charged by the District. Any inference to un-written or powers to assess un-written charges or fees to a customer, shall not transfer to the District, or may be charged by the District, until such time that the District receives approval to change its tariff in accordance with 807 KAR 5:011, and said application for changes are approved by the Commission.

Any powers, authority or rights written or shown in these adopted sections, which are not provided to a Water District under Kentucky Revised Statutes 74, 278 and 279, are not created, do not apply nor are granted by the adoption of this section and may not be applied by the District. All other powers, authority or rights mentioned below, which are granted under 807 KAR 5:011, or other Commission regulations applying to a Water District, or granted by the Clean Water Act to a Publicly Owned Treatment Works, do and will apply and may be applied or enforced by the District.

4. Territory Served:

These tariff sheets shall apply to all sanitary sewer customers within the current city limits, of the City of Radcliff, and also to any future customers who live outside these city limits, but within the sewer service area of the District which may be expanded or approved from time to time, in accordance with KAR 74.110 and other regulations of the Commission which apply to service area for Water District's.

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Hardin County Water District No. 1

CLASSIFICATION OF SERVICE:
GENERAL RULES AND POLICIES
CITY OF RADCLIFF - SANITARY SEWER SERVICES

(N)

Chapter 17
SEWERS AND SEWAGE DISPOSAL
ARTICLE I. IN GENERAL

Sec. 17-1. Purpose.

The purpose of this ordinance is to set forth uniform requirements for direct and indirect contributors into the wastewater collection and treatment system for the City of Radcliff and enable the City to comply with all applicable State and Federal laws required by the Clean Water act of 1977 and the general Pretreatment Regulations (40 CFR, Part 403).

Sec. 17-2. Objectives.

- (a) To prevent the introduction of pollutants into the municipal wastewater system which will interfere with the operation of the system or contaminate the resulting sludge.
- (b) To prevent the introduction of pollutants into the municipal wastewater system which will pass through the system inadequately treated into receiving waters so as to cause violations of the City's KPDES permit or the atmosphere or otherwise be incompatible with the system.
- (c) To improve the opportunity to recycle and reclaim wastewater and sludges from the system.
- (d) To provide for equitable distribution of the cost of the municipal wastewater system; and provide for the safety of the treatment plant employees.

Sec. 17-3. Provisions.

This ordinance provides for the regulation of direct and indirect contribution to the municipal wastewater system through the issuance of permits to certain non-domestic users and through enforcement of general requirements for the other users, authorizes monitoring and enforcement activities, requires user reporting and provides for the setting of fees for the equitable distribution of costs resulting from the program established herein.

Sec. 17-4. Applications.

The purpose of Ordinance No. 96-03-706, as adopted by the Radcliff City Council, is to regulate the use of public and private sewers and drains, private sewage disposal, the installation and connection of building sewers, and the discharge of water and wastes into the public sewer system; and provide penalties for violations thereof, in the City of Radcliff.

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Secs. 17-5-17-10. Reserved.

Sec. 17-11. Definitions.

As used in this article, unless the context specifically indicates or requires otherwise, the meaning of terms used in this article shall be as follows:

Act or "the Act" shall mean the Federal Water Pollution Act, also known as the Clean Water Act, as amended, 33 U.S.C. 1251, et. seq.

Agency shall mean any governmental or quasi governmental entity.

Approval Authority shall mean the Secretary of the Kentucky Natural Resources and Environmental Protection Cabinet or an authorized representative thereof.

Authorized Representative shall mean an authorized representative of a user may be: (1) A principal executive officer of at least the level of vice-president if the industrial user is a corporation; (2) a general partner or proprietor if the user is a partnership or proprietorship, respectively; (3) a duly authorized representative of the individual designated above if such representative is responsible for the overall operation of the facilities from which the indirect discharge originates.

Baseline Monitoring Report (BMR) shall mean a report submitted by categorical industrial users within 180 days after the effective date of a categorical standard which indicates the compliance status of the user with the applicable categorical standard (40 CFR 403.12 (b)).

Biochemical Oxygen Demand (BOD) shall mean the quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedure in five (5) days of 20°C, expressed in terms of weight and concentration in milligrams per liter (mg/l). (~~Ord. 6-22-96~~)

Building Drain shall mean the part of the lowest horizontal piping of a drainage system which receives the discharge from soil, waste, and other drainage pipes inside the walls of the building and conveys it to the building sewer, beginning five (5) feet outside the inner face of the building wall.

Building Sewer shall mean the extension from the building drain to the public sewer or other place of disposal, also called "house connection".

Building Sewer Permit as set forth in "Building Sewers and Connections" (Article IV).

Categorical Industrial User shall mean an industrial user subject to categorical pretreatment standards which have been promulgated by EPA.

Categorical Pretreatment Standards shall mean National Categorical Pretreatment Standards or Pretreatment Standard. Any regulation containing pollutant discharge limits promulgated by the EPA in accordance with Section 307 (b) and (c) of the Act (33 U.S.C. 1347) which applies to a specific category of industrial users.

City or City of Radcliff shall mean the City of Radcliff, Kentucky. Hardin County Water District No. 1

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Clean Water Act (CWA) (Also known as the Federal Water Pollution Control Act) as enacted by Public Law 92-500, October 18, 1972. 33 USC. 1251 et seq; as amended by PL 95-217, December 28, 1977; PL 97-117, December 29, 1981; PL 97-440, January 8, 1983, and PL 100-04, February 4, 1987.

Combined Sewer shall mean any conduit designed to carry both sanitary sewage and storm water or surface water.

Combined Wastewater Formula (CWF) shall mean the procedure for calculating alternative discharge limits at industrial facilities where a regulated waste stream is combined with other non-regulated waste streams prior to treatment (40 CFR 403.7).

Commercial User shall mean all retail stores, restaurants, office buildings, laundries, and other private business and service establishments.

Compatible Pollutant shall mean biochemical oxygen demand, suspended solids, and fecal coliform bacteria; plus any additional pollutants identified in the POTW's NPDES/KPDES permit, where the POTW is designed to treat such pollutants and, in fact, does treat such pollutants so as to ensure compliance with the POTW's NPDES/KPDES permit.

Concentration-Based Limit shall mean a limit based on the relative strength of a pollutant in a waste stream, usually expressed in mg/L.

Control Authority shall refer to the City when there exists an approved pretreatment program under the provisions of 40 CFR 403.11.

Cooling Water shall mean the water discharged from any use such as air conditioning, cooling or refrigeration, or to which the only pollutant added is heat.

Daily Maximum shall mean the maximum allowable value for any single observation in a given day.

Debt Service shall mean charges levied on users of the wastewater treatment works to support the annual debt service obligations of the system. (~~Ord. 6-22-96~~)

Dilute Waste stream shall mean boiler blowdown, sanitary wastewater, noncontact cooling water and certain process waste streams that have been excluded from regulation in categorical pretreatment standards because they contain none or only trace amounts of the regulated pollutant.

Direct Discharge shall mean the discharge of a treated or untreated wastewater directly to the waters of the Commonwealth of Kentucky.

Discharger shall mean any person that discharges or causes a discharge to a public sewer.

Domestic Wastewater shall mean the water-carried wastes produced from non-commercial or non-industrial activities and which result from normal human living processes.

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(N)

Easement shall mean an acquired legal right for the specific use of land owned by others.

Effluent shall mean the liquid outflow of any facility designed to treat, convey, or retain wastewater.

Environmental Protection Agency or "EPA" shall mean the United States Environmental Protection Agency, or where appropriate the term may also be used as a designation for the Administrator or other duly authorized official of said agency.

Equipment shall mean all movable, non-fixed items necessary to the wastewater treatment process.

Flow Proportional Composite Sample shall mean a combination of individual samples proportional to the flow of the waste stream at the time of sampling.

Flow Weighted Averaging Formula (FWA) shall mean a procedure used to calculate alternative limits for a categorical pretreatment standard where regulated and nonregulated waste streams combine after treatment, but prior to the monitoring point as defined in 40 CFR 403.

Garbage shall mean the animal and vegetable waste resulting from the handling, preparation, cooking and service of food.

Governmental User shall include legislative, judicial, administrative, and regulatory activities of federal, state, and local governments. (~~Ord. 6-22-96~~)

Grab Sample shall mean a sample which is taken from a waste stream on a one-time basis with no regard to the flow in the waste stream and without consideration of time.

Holding Tank Waste shall mean any waste from holding tanks such as vessels, chemical toilets, campers, trailers, septic tanks, and vacuum pump tank trunks.

Incompatible Pollutant shall mean all pollutants other than compatible pollutants as defined under Compatible Pollutants in this article.

Indirect Discharge shall mean the discharge or the introduction of non-domestic pollutants from any source regulated under Section 307 (b) or (c) of the Act (33 U.S.C. 1317), into the POTW (including holding tank waste discharged into the system).

Industrial User (IU) shall mean a source of Indirect Discharge which does not constitute a "discharge of pollutants" under regulations issued pursuant to Section 402 of the Clean Water Act. (~~Ord. 6-22-96~~)

Industrial Waste shall mean the wastewater from industrial or commercial processes as distinct from domestic or sanitary wastes.

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(N)

Institutional User shall include social, charitable, religious, and educational activities such as schools, churches, hospitals, nursing homes, penal institutions and similar institutional users. (~~Ord. 6-22-96~~)

Interceptor shall mean a device designed and installed so as to separate and retain deleterious, hazardous or undesirable matter from normal wastes which permits normal sewage or liquid wastes to discharge into the sewer or drainage system by gravity. Interceptor as defined herein is commonly referred to as a grease, oil, or sand trap.

Interference shall mean a discharge which alone or in conjunction with a discharge or discharges from other sources:

1. Inhibits or disrupts the POTW, its treatment processes or operations, or its sludge processes, use or disposal; and /or,
2. Is a cause of a violation of any requirement of the POTW's NPDES/KPDES permit (including an increase in the magnitude or duration of a violation) or of the prevention of sewage sludge use or disposal in compliance with the following statutory provisions and regulations or permits issued thereunder (or more stringent State or local regulations): Section 405 of the Clean Water Act, the Solid Waste Disposal Act (SWDA) (including Title II, more commonly referred to as the Resource Conservation and Recovery Act (RCRA), and including State regulations contained in any State sludge management plan prepared pursuant to Subtitle D of the SWDA, the Clean Air Act, the Toxic Substances Control Act, and the Marine Protection, Research and Sanctuaries Act (40 CFR 403.3).

May shall mean permissive (see "shall").

Monthly Average shall mean the maximum allowable value for the average of all observations obtained during one month.

Multi-Unit Sewer Consumer shall mean a location served where there are two or more residential units or apartments, two or more businesses in the same building or complex or where there is any combination of business and residence in the same building or complex.

National Categorical Pretreatment Standard or "Pretreatment Standard" shall mean any regulation containing pollutant discharge limits promulgated by the EPA in accordance with Section 307 (b) and (c) of the Act (33 U.S.C. 1347) which applies to a specific category of Industrial Users. This term includes prohibitive discharge limits established pursuant to 40 CFR 403.5.

National (or Kentucky) Pollutant Discharge Elimination System or "NPDES/KPDES Permit" shall mean a permit issued pursuant to Section 402 of the Act (33 U.S.C. 1332), or a permit issued by the Commonwealth of Kentucky under this authority and referred to as KPDES.

National Prohibitive Discharge Standard or "Prohibitive Discharge Standard" shall mean any regulation developed under the authority of 307 (b) of the Act and 40 CFR, Section 403.5.

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(N)

Natural Outlet shall mean any outlet, including storm sewers, into a watercourse, pond, ditch, lake, or other body of surface or groundwater.

New Source shall mean any building, structure, facility or installation from which there is or may be a discharge of pollutants, the construction of which commenced after the publication of proposed Pretreatment Standards under Section 307 (c) of the Act which will be applicable to such source if such Standards are thereafter promulgated in accordance with that section, provided that:

1. The building, structure, facility or installation is constructed at a site at which no other source is located; or
2. The building, structure, facility or installation totally replaces the process or production equipment that causes the discharge of pollutants at an existing source; or
3. The production or wastewater generating processes of the building, structure, facility or installation are substantially independent of an existing source at the same site. In determining whether these are substantially independent, factors such as the extent to which the new facility is integrated with the existing plant, and the extent to which the new facility is engaged in the same general type of activity as the existing source should be considered.

Ninety (90) Day Compliance Report shall mean a report submitted by a categorical industrial user, within 90 days following the date for final compliance with applicable categorical standards that documents and certifies the compliance status of the user (40 CFR 403.12 (d)).

Normal Domestic Wastewater shall mean wastewater that has a BOD concentration of not more than 250 mg/l and a suspended solids concentration of not more than 250 mg/l and an ammonia nitrogen concentration of not more than 25 mg/l. (~~Ord. 6-22-96~~)

Operation and Maintenance shall mean those functions that result in expenditures during the useful life of the treatment works for materials, labor, utilities, and other items which are necessary for managing and for which such works were designed and constructed. The term "operation and Maintenance" includes replacement. (~~Ord. 6-22-96~~)

Ordinance shall mean, unless otherwise specified, ~~this Ordinance~~, a policy, tariff or resolution passed or adopted by the Hardin County Water District No. 1

Pass Through shall mean a discharge of pollutant which cannot be treated adequately by the POTW, and therefore exits into waters of the United States in quantities or concentrations which, alone or in conjunction with a discharge or discharges from other sources, is a cause of a violation of any requirement of the POTW's NPDES/KPDES permit (including an increase in the magnitude or duration of a violation) (40 CFR 403.3).

Periodic Compliance Report shall mean a report on compliance status submitted by significant industrial users to the Control Authority at least semiannually (40 CFR 403.12 (e)).

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(N)

Person shall mean any individual, partnership, co-partnership, firm, company, corporation, association, joint stock company, trust, estates, governmental entity of any other legal entity, or their legal representatives, agent or assigns. The masculine gender shall include the feminine, the singular shall include the plural where indicated by context.

pH shall mean the logarithm of the reciprocal of the weight of hydrogen ion concentration. The concentration is the weight of hydrogen ions, in grams, per liter of solution.

Pollution shall mean the man-made or man-induced alteration of the chemical, physical, biological, and radiological integrity of water.

Pollutant shall mean any dredged spoil, solid waste, incinerator residue, sewage, garbage, sludge, munitions, chemical wastes, biological materials, radioactive materials, heat, wrecked or discharged equipment, rock, sand, cellar dirt and industrial, municipal, and agricultural waste discharged into water.

POTW Treatment Plant shall mean that portion of the POTW designed to provide treatment to wastewater.

Pretreatment or Treatment shall mean the reduction of the amount of pollutants, the elimination of pollutants, or the alteration of the nature of pollutant properties in wastewater to a less harmful state prior to or in lieu of discharging or otherwise introducing such pollutants into a POTW. The reduction or alteration can be obtained by physical, chemical, or biological processes, or process changes, or other means, except as prohibited by 40 CFR Section 403.6 (d).

Pretreatment Requirements shall mean any substantive or procedural requirement related to pretreatment, other than a National Pretreatment Standard imposed on an Industrial User.

Process Wastewater shall mean any water which, during manufacturing or processing, comes into direct contact with or results from the production of or use of any raw material, intermediate product, finished product, by-product, or waste product.

Production-Based Standard shall mean a discharge limitation expressed in terms of allowable pollutant mass discharge rate per unit of production and is applied directly to an industrial user's manufacturing process.

Prohibitive Discharge Standard shall mean any regulation developed under the authority of 307 (b) of the Act and 40 CFR, Section 403. (5).

Properly Shredded Garbage shall mean the wastes from the preparation, cooking, and dispensing of food that have been shredded to such a degree that all particles will be carried freely under the flow conditions normally prevailing in public sewers, with no particle greater than one-half (1/2) inch (1.27 centimeters) in any dimension.

Publicly Owned Treatment Works (POTW) shall mean a treatment works as defined by Section 212 of the Act, (33 U.S.C. 1292) which is owned in this instance by the City. This definition includes any sewers that convey wastewater to the POTW treatment plant, but does not include pipes, or other conveyances not connected to a facility providing treatment. For the purposes of this Ordinance, "POTW" shall also include

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(N)

any sewers that convey wastewater to the POTW from persons outside the City who are, by contract or agreement with the City, users of the City's POTW.

Public Sewer shall mean a common sewer controlled by a governmental agency or public utility. In general, the public sewer shall include the main sewer in the street and the service branch to the property line, the clean out at the property line, or a main sewer on private property and the service branch to the extent of ownership by public authority. Public sewer shall be maintained by the City of Radcliff. (~~Ord. 41-10-03~~)

Regulated Waste stream shall mean an industrial process waste stream regulated by a National Categorical Pretreatment Standard.

Replacement shall mean expenditures for obtaining and installing equipment, accessories or appurtenances which are necessary during the useful life of the treatment works to maintain the capacity and performance for which such works were designed and constructed. (~~Ord. 6-22-96~~)

Residential User shall mean any contributor to the City of Radcliff treatment works whose lot, parcel or real estate, or building is used for domestic dwelling purposes only. (~~Ord. 6-22-96~~)

Sanitary Sewer shall mean a sewer which carries liquid and water-carried wastes from residences, commercial buildings, industrial plants and institutions, and to which storm, surface, and groundwaters are not intentionally admitted.

Sewage shall mean the spent water of a community. Domestic or sanitary waste shall mean the liquid or water-carried wastes from residences, commercial buildings, and institutions as distinct from industrial sewage, together with such ground, surface, and storm waters as may be present. The terms "sewage" and "wastewater" are used interchangeably.

Sewage Treatment Plant shall mean any arrangement of devices and structures used for treating sewage.

Sewer shall mean a pipe or conduit for carrying sewage.

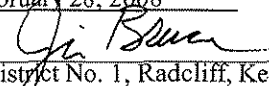
Sewerage shall mean any and all facilities used for collecting, conveying, pumping, treating and disposing of wastewater.

Sewer System or Works shall mean all facilities for collecting, pumping, treating, and disposing of sewage and sludge, namely the sewerage system and POTW.

Sewer User Charges shall mean a system of charges levied on users of a POTW for the cost of operation and maintenance, including replacement, of such works.

SS (denoting Suspended Solids) shall mean solids that either float on the surface of or are in suspension in water, sewage, or other liquids and which are removable by laboratory filtering. (~~Ord. 6-22-96~~)

Shall is mandatory; "May" is permissive.

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Original Sheet No. 5-10

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(N)

Significant Industrial User (SIU) shall mean (A) all Industrial Users of the City's wastewater disposal system subject to Categorical Pretreatment Standards under 40 CFR 403.6 and 40 CFR Chapter I, Subchapter N; and (B) any noncategorical industrial user who (1) has a discharge flow of twenty-five thousand (25,000) gallons or more per average work day of process wastewater ("process wastewater" excludes sanitary noncontact cooling, and boiler blowdown wastewater) or (2) contributes a process waste stream that makes up five percent (5%) or more of the average dry weather hydraulic or organic (BOD, TSS, etc.) capacity of the treatment plant or (3) has a reasonable potential, in the opinion of the Control or Approval Authority, to adversely affect the pollutants, sludge contamination or endangerment of POTW workers).

Slug Discharge shall mean any discharge of a non-routine episodic nature including, but not limited to, an accidental spill or non-customary batch discharge or any discharge of waster or wastewater in which the concentration of any given constituent or quantity of flow exceeds, for any period of duration longer than fifteen (15) minutes, more than five (5) times the average twenty-four (24) hour concentration or flow rate during normal operation which adversely affect the POTW.

Slug Load shall mean any pollutant (including Biochemical Oxygen Demand) released in a discharge at a flow rate or concentration which will cause interference with the operation of the treatment works or which exceeds limits set forth in the Industry's Discharge Permit and which include accidental spills.

Spill Prevention and Control Plan shall mean a plan prepared by an industrial user to minimize the likelihood of a spill and to expedite control and cleanup activities should a spill occur.

Split Sample shall mean a portion of a collected sample given to the industry or to another agency to verify or compare laboratory results.

Standard Industrial Classification (SIC) shall mean a classification pursuant to the Standard Industrial Classification Manual issued by the Executive Office of the President, Office of Management and Budget, 1972.

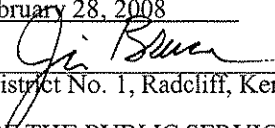
Standard Methods shall mean the current edition of "Standard Methods for the Examination of Water and Wastewater" and as published jointly by the American Public Health Association and the Water Pollution Control Federation and as set forth in the Congressional Record 40 CFR 136.

State shall mean the Commonwealth of Kentucky

Storm Drain (sometimes termed "storm sewer") shall mean a drain or sewer which carries storm and surface water and drainage, but excludes sewage and industrial wastes, other than unpolluted cooling water.

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Storm Water shall mean any flow occurring during or following any form of natural precipitation and resulting therefrom.

Superintendent/General Manager shall mean the person designated by the City to supervise the publicly owned treatment works and who is charged with certain duties and responsibilities by this article or his duly authorized representative.

Surcharge shall mean a charge for services in addition to the basic sewer user and debt service charges for those users whose contributions contain Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Total Suspended Solids (TSS), Oil & Grease or Ammonia-nitrogen (NH3 -N) in concentrations which exceed limits specified herein for such pollutants. Where authorized by the control Authority, payment of a surcharge will authorize the discharge of the referenced pollutants so long as the discharge does not cause pass through or interference.

Suspended Solids (TSS) shall mean total suspended matter that either floats on the surface on the surface of, or is in suspension in, water, wastewater, or other liquids and that is removable by laboratory filtering as prescribed in "Standard Methods for the Examination of Water and Wastewater."

Time Proportional Composite Sample shall mean a combination of individual samples with fixed volumes taken at specific time intervals.

Toxic Organic Management Plan shall mean a written plan submitted by industrial users as an alternative to TTO monitoring, which specifies the toxic organic compounds used, the method of disposal used and procedures for assuring that toxic organics do not routinely spill or leak into wastewater discharged to the POTW.

Toxic Pollutant shall mean any pollutant or combination of pollutants listed as toxic in regulations promulgated by the Administrator of the Environmental Protection Agency under the provision of CWA 307 (a) or any amendments thereto.

Treatment Works shall mean any devices and system for the storage, treatment, recycling, and reclamation of municipal wastewater, domestic wastewater or liquid industrial wastes. These include intercepting sewers, outfall sewers, wastewater collection systems, pumping, power and other equipment and their appurtenances; extensions, improvements, remodeling, additions and alterations thereof, elements essential to provide a reliable recycled supply such as standby treatment units and clear well facilities; and any works, including site acquisition of the land that will be an integral part of the treatment process or is used for ultimate disposal of residues resulting from such treatment (including land for composting sludge, temporary storage of such compost and land used for the storage of treated wastewater in land treatment systems before land application); or any other method or system for preventing, abating, reducing, storing,

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treating, separating or disposing of municipal waste or industrial waste, including waste in combined storm water and sanitary sewer systems. (~~Ord. 6-22-96~~)

Unpolluted Water shall mean water of quality equal to or better than the treatment works effluent criteria in effect, or water that would not cause violation of receiving water quality standards and would not be benefitted by discharge to the sanitary sewers and wastewater treatment facilities.

Unregulated Waste stream shall mean a waste stream that is not regulated by a National Categorical Pretreatment Standard.

Useful Life shall mean the estimated period during which a treatment works will be operated. (~~Ord. 6-22-96~~)

User shall mean any person who contributes, causes, or permits the contribution of wastewater into the City's POTW.

User Charge shall mean the total wastewater service charge which is levied in proportional and adequate manner for the cost of operation, maintenance, replacement, and debt service expenses of the wastewater treatment works. (~~Ord. 6-22-96~~)

Wastewater shall mean the spent water of a community. Sanitary or domestic wastes shall mean the liquid and water-carried waste from residences, commercial buildings and institutions as distinct from industrial waste.

Wastewater Discharge Permit (WDP) (Permit for Industrial Discharge, Permit, etc.) shall mean a permit issued to industrial users which authorizes discharges to the public sewer as set forth in the Administration Section of this ordinance.

Wastewater Facilities shall mean the structures, equipment, and processes required to collect, carry away, treat domestic and industrial wastes, and dispose of the effluent.

Wastewater Treatment Works shall mean an arrangement of devices and structures for treating wastewater, industrial wastes, and sludge. Sometimes used as synonymous with "waste treatment plant" or "wastewater treatment plant" or "water pollution control plant" or "sewage treatment plant".

Watercourse shall mean a channel in which a flow of water occurs, either continuously or intermittently.

Water Meter shall mean a water volume measuring and recording device, furnished and/or installed by a user and approved by the City of Radcliff. (~~Ord. 6-22-96~~)

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Waters of the State shall mean all streams, lakes, ponds, marshes, watercourses, waterways, wells, springs, reservoirs, aquifers, irrigation systems, drainage systems, and all other bodies or accumulations of water, surface or underground, natural or artificial, public or private, which are contained within, flow through, or border upon the State or any portion thereof.

Abbreviations

The following abbreviations shall have the designated meanings.

- ADMI - American Dye Manufacturers Institute
- ASTM - American Society for Testing and Materials
- BMP - Best Management Practices
- BOD - Biochemical Oxygen Demand
- BPJ - Best Professional Judgement
- CFR - Code of Federal Regulations
- CIU - Categorical Industrial User
- COD - Chemical Oxygen Demand
- CWA - Clean Water Act (33 U.S.C. 1251 et. seq.)
- CWF - Combined Waste stream Formula
- EPA - Environmental Protection Agency
- FWA - Flow Weighted Average
- FR - Federal Register
- gpd - gallons per day
- IU - Industrial User
- KPDES - Kentucky Pollutant Discharge Elimination System
- l - Liter
- mg - Milligrams
- mg/l - Milligrams per liter
- NPDES - National Pollutant Discharge Elimination System
- POTW - Publicly Owned Treatment Works
- RCRA - Resource Conservation and Recovery Act
- SIC - Standard Industrial Classification
- SIU - Significant Industrial User
- SWDA - Solid Waste Disposal Act, 42 U.S.C. 6901, et. seq.
- TSS - Total Suspended Solids
- TTO - Total Toxic Organics
- USC - United States Code

ARTICLE II. USE OF PUBLIC AND PRIVATE SEWER SYSTEMS

Sec. 17-12. Required use of public sewers.

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- (a) It shall be unlawful for any person to place, deposit or permit to be deposited in any unsanitary manner on public or private property within the City, or any area under the jurisdiction of the City, any human or animal excrement, garbage or other objectionable waste.
- (b) It shall be unlawful to discharge to any natural outlet within the City, or in any area under the jurisdiction of the City, any sewage or other polluted water, except where suitable treatment has been provided in accordance with subsequent provisions of this article.
- (c) Except as hereinafter provided, it shall be unlawful to construct, or maintain any privy, privy vault, septic tank, cesspool, or other facility intended or used for the disposal of sewage.
- (d) The owner of all houses, buildings, or properties used for human occupancy, employment, recreation, or other purposes, situated within the City and abutting on any street, alley, or right-of-way in which there is now located or may in the future be located, a public sanitary or combined sewer of the City, is hereby required at his expense to install suitable toilet facilities therein, and to connect such facilities directly with the proper public sewer in accordance with the provisions of this article, within one hundred eighty (180) days after date of official notice to do so, provided that said public sewer is within one hundred (100) feet (30.5 meters) of the property line. (~~Ord. of 6-16-87; Art. II, 1-4~~)

ARTICLE III. PRIVATE SEWAGE DISPOSAL

Sec. 17-13. Private sewage disposal.

- (a) Where a public sanitary or combined sewer is not available under the provisions of section 17-12(d), the building sewer shall be connected to an interim private sewage disposal system complying with the provisions of this section.
- (b) Before commencement of construction of a private sewage disposal system, the owner shall provide percolation test results which shall be obtained by a registered sanitarian, land surveyor or engineer. These results shall then be submitted to the plumbing inspector, Kentucky Department of Housing, Building and Construction, Division of Plumbing, located at the Hardin County Health Department from whom a permit shall be obtained. Refer to Article X for Permit System Processing Fees.
- (c) The type, capacities, location, and layout of a private sewage disposal system shall comply with all recommendations of the Kentucky Department of Housing, Building and Construction and the Hardin County Health Department. The plumbing inspector shall be allowed to inspect the work at any stage of construction and when work is completed, for final inspection before any underground

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portions are covered. No septic tank or cesspool shall be permitted to discharge to any natural outlet.

- (d) At such time as a public sewer becomes available to a property served by a private sewage disposal system, as provided in section 17-12(d), a direct connection shall be made to the public sewer within one hundred eighty (180) days after such availability in compliance with this article. Any septic tanks, cesspools, and similar private sewage disposal facilities shall be cleaned of sludge and filled with clean bank gravel at no cost to the City.
- (e) The owner shall operate and maintain the private sewage disposal facilities in a sanitary manner at all times, at no expense to the City.
- (f) No statement contained in this section shall be construed to interfere with any additional requirements that may be imposed by the appropriate health officer of the State of Kentucky or of Hardin County. (~~Ord. of 6-16-87, Art. III, 4-6~~)

ARTICLE IV. BUILDING SEWERS AND CONNECTIONS
Sec. 17-14. Building sewers and connections.

- (a) No unauthorized person shall uncover, make any connections with or opening into, use, alter, or disturb any public sewer or appurtenance thereof without first obtaining a written permit from the City of Radcliff, Kentucky. Refer to Article X for Permit System Processing Fees. (~~Ord. of 3-25-96~~)
- (b) There shall be two (2) classes of building sewer permits: (1) for residential and commercial service, and (2) for service to establishments producing industrial wastes. In either case, the owner or his agent shall make application on a form furnished by the City. The permit application shall be supplemented by any plans, specifications, or other information considered pertinent in the judgement of the utilities engineer.
- (c) A permit shall also be obtained from the plumbing inspector located at the Hardin County Health Department. The applicant for the building sewer permit shall notify the utilities engineer and state plumbing inspector when the building sewer is completed and connected to the public sewer. No backfill shall be placed until inspection can be accomplished by the utilities engineer or his representatives and by the state plumbing inspector.
- (d) All costs and expenses incidental to the installation and connection of the building sewer shall be borne by the owner. The owner shall indemnify the City from any loss or damage that may directly be occasioned by the installation of the building sewer. (~~Ord. of 3-25-96~~)
- (e) A separate and independent building sewer shall be provided for every building; except that where one building stands at the rear of another on an interior lot and no private sewer is available or can

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- be constructed to the rear of the building through an adjoining alley, courtyard, or driveway, the building sewer from the front building may be extended to the rear building and the whole considered as one building sewer.
- (f) Old building sewers may be used in connection with new buildings only when on examination and test by the Mayor or designated representative they are found to meet all requirements of this article.
- (g) The size, slope, alignment, materials of construction, of a building sewer, and the methods to be used in excavating, placing of the pipe, jointing, testing, and backfilling the trench, shall all conform to the requirements of the building and plumbing code or other applicable rules and regulations of the City. In the absence of the code provisions or in amplification thereof, the materials and procedures set forth in appropriate specifications of the A.S.T.M. and W.P.C.F. Manual of Practice No. 9 shall apply. If PVC pipe is used for building sewer connection, it shall be the strength of schedule 40 PVC pipe or greater.
- (h) Whenever possible, the building sewer shall be brought to the building at an elevation below the basement floor; however, basements shall not be considered for purposes of general household habitation. All new residential construction and all residential sewer line renovation shall include the installation of a flood gate or check valve in the sewer line. Maintenance on the gate or check valve will be the responsibility of the owner. In all buildings in which any building drain is too low to permit gravity flow to the public sewer, sanitary sewage carried by such building drain shall be lifted by a method approved by the Mayor or designated representative and discharged to the building sewer. (Ord. of 3-25-96)
- (i) No person shall make connection of roof downspout, exterior foundation drains, areaway drains, or other sources of surface runoff or ground water, to a building sewer or building drain which in turn is connected directly or indirectly to a public sanitary sewer.
- (j) The connection of the building sewer into the public sewer shall conform to the requirements of the building and plumbing code or other applicable rules and regulations of the City, or the procedures set forth in appropriate specifications of the A.S.T.M. and the W.P.C.F. Manual of Practice No. 9. All such connections shall be made gas tight and watertight. Any deviation from the prescribed procedures and materials must be approved by the utilities engineer before installation.
- (k) All excavations for building sewer installation shall be adequately guarded with barricades and lights so as to protect the public from hazard. Streets, sidewalks, parkways, and other public property disturbed in the course of the work shall be restored in a manner satisfactory to the City.
- (l) For the purpose of establishing rules and regulations applicable to the practice or trade of plumbing, the City hereby adopts the most current Plumbing Code of the Kentucky Department of Housing

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and Construction, Division of Plumbing, as a part of this article by reference thereto. (~~Ord. of 6-16-87, Art. IV, 1-12; (Ord. of 8-30-89)~~)

ARTICLE V.
USE OF THE PUBLIC SEWER AND PRETREATMENT PROGRAM ADMINISTRATION
Sec. 17-15. Use of the public sewer.

- (a) Disposal into the sewer system of any pollutant (as deemed by FWPCAA) by any person is unlawful except in compliance with Federal Standards promulgated pursuant to the Federal Water Control Act of 1977 as amended (FWPCAA), and any more stringent state standards, and the City of Radcliff Pretreatment Program Enforcement Response Guide. (~~Ord. of 3-25-96~~)
- (b) No person shall discharge or cause to be discharged any storm water, surface water, groundwater, roof runoff, subsurface drainage, uncontaminated cooling water, or unpolluted industrial process waters to any sanitary sewer.
- (c) Storm water and all other unpolluted drainage shall be discharged to such sewers as are specifically designated as combined sewers or storm sewers, or to a natural outlet approved by the City. Industrial cooling water or unpolluted process waters may be discharged, on approval of the City, to a storm sewer, combined sewer, or natural outlet, providing an N.P.D.E.S. permit has been issued from the Environmental Protection Agency.
- (d) No person shall discharge or cause to be discharged the following described substances, materials, waters, or wastes, except with the prior written approval of the City. If it appears likely in the opinion of the City that such wastes can harm either the sewers, sewage treatment process, or equipment, have an adverse effect on the receiving stream, or can otherwise endanger life, limb, public property, or constitute a nuisance, he shall not approve such discharge. In forming his opinion as the acceptability of these wastes, the City will give consideration to such factors as the quantities of subject wastes in relation to flows and velocities in the sewers, materials of construction of the sewers, nature of the sewage treatment process, capacity of the sewage treatment plant, degree of treatability of wastes in the sewage treatment plant, and other pertinent factors.

The substances prohibited are:

- (1) Any gasoline, benzene, naphtha, fuel oil, or other flammable or explosive liquid, solid, or gas.
- (2) Any waters or wastes having a pH lower than 6.0, in excess of 9.0, or having any other corrosive property capable of causing damage or hazard to structures, equipment, and personnel of the sewage works.
- (3) Solid or viscous substances in quantities or of such size capable of causing obstruction to the flow in sewers, or other interference with the proper operation of the sewage works such

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as, but not limited to, ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood, underground garbage, paunch manure, hair and fleshings, entrails and paper dishes, cups, milk containers, etc., either whole or ground by garbage grinders.

- (4) Any liquid or vapor having a closed cup flashpoint of less than one hundred forty (140) degrees Fahrenheit (60° C), or in no case having a temperature which will cause the influent at the treatment plant to be higher than one hundred four (104) degrees Fahrenheit (40° C). (~~Ord. of 3-25-96~~)
- (5) Any water or waste containing fats, wax, grease, or oils, whether emulsified or not, in excess of one hundred (100) mg/l, or containing substances which may solidify or become viscous at temperatures between thirty-two (32) and one hundred forty (140) degrees Fahrenheit (0° and 60° C). (~~Ord. of 3-25-96~~)
- (6) Any garbage that has not been properly shredded. The installation and operation of any garbage grinder equipped with a motor of three-fourths (3/4) horsepower (0.76 hp metric) or greater, shall be subject to the review and approval of the City.
- (7) Any waters or wastes containing strong acid, iron, pickling wastes, or concentrated plating solutions whether neutralized or not.
- (8) Any water or waste containing the following chemical constituents and/or similar objectionable or toxic substances that exceed the following limits:

<i>Constituent</i>	<i>Daily Maximum mg/l</i>
Arsenic	0.41
BTEX	0.05
Cadmium	0.07
Chromium (total)	2.77
Copper	3.38
Cyanide (total), Amenable	0.64
Lead	0.76
Mercury	0.0014
Nickel	4.00
Silver	0.43
Zinc	2.61

It should be noted that these values have been selected based the technical basis of 40 CFR 503, 40 CFR433 Kentucky Water Quality Standards and U.S. EPA. (~~Ord. of 12-23-96~~)

Based upon the sampling program at the Radcliff Wastewater Treatment Plant, these values may be adjusted to reflect the City's needs; the City shall give public notice of any change proposed for these limits.

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- (9) Any waters or wastes containing phenols or other odor producing substances, in such concentrations exceeding limits which may be established by the City as necessary, after treatment of the composite sewage, to meet the requirements of the state, federal, or other agencies of jurisdiction for such discharge to the receiving waters.
- (10) Any radioactive wastes or isotopes of such half-life or concentration as may exceed limits established by state or federal regulations.
- (11) Materials which exert or cause:
- a. Unusual concentrations of inert suspended solids (such as, but not limited to, sodium chloride and sodium sulfate).
 - b. Excessive discoloration (such as, but not limited to, dye wastes and vegetable tanning solutions).
 - c. Unusual BOD, chemical oxygen demand, or chlorine requirements in such quantities as to constitute a significant load on the sewage treatment works.
 - d. Unusual volume of flow or concentration of wastes constituting "slugs" as defined herein.
- (12) Waters or wastes containing substances which are not amenable to treatment or reduction by thesewage treatment processes employed, or are amendable to treatment only to such a degree that the sewage treatment plant effluent cannot meet the requirements of other agencies having jurisdiction over discharge to the receiving waters.
- (13) Any water or wastes which have characteristics based on a 24 hour composite sample, grab or a shorter period composite sample, if more representative, that exceed the following normal maximum domestic wastewater parameter concentrations:

Parameter	Maximum Allowable Concentration Without Surcharges	
BOD	250	mg/l
TSS	250	mg/l
NH ₃ -N	25	mg/l

Any person discharging wastewater exceeding the maximum allowable concentration as noted above, will be subject to a surcharge fee for each pound loading over and above the set limit. Any other amenable constituents requiring the addition of specific chemicals for proper treatment will also be subject to surcharge as noted on the Wastewater Discharge Permit. Exceedance of the effluent limits specified above shall not be deemed to constitute

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a violation of a permit condition or this ordinance if the appropriated surcharge fee is paid and the discharge does not cause interference or pass through of the POTW. The surcharge fee shall be set by the City and shall be calculated annually based on the average cost of the POTW to treat the parameter in question. User charges to all customers are outlined in the User Charge Ordinance adopted by the City of Radcliff. (~~Ord. of 3-25-96~~)

- (e) No person shall discharge or cause to be discharged any industrial wastewater directly or indirectly to sewage facilities owned by the City without first obtaining a City permit for industrial user discharge permit forms. One-time discharge permit forms and pretreatment guidelines are set forth in the Pretreatment Program Enforcement Response Guide. (~~Ord. of 3-25-96~~)

The permit for industrial wastewater discharge may require pretreatment of industrial wastewater before discharge, restriction of peak flow discharges, discharge of certain wastewater only to specified sewers of the City.

- (f) All significant industrial users shall comply with National Categorical Pretreatment Standards and any other applicable requirements promulgated by EPA, or with any more stringent pretreatment standards necessitated by local conditions.
- (g) If any waters or wastes are proposed to be discharged to the public sewers, which waters contain the substances or possess the characteristics enumerated in paragraph (a), the City may condition his approval on one or more of the following.
- (1) Require pretreatment to an acceptable condition for discharge to the public sewers.
 - (2) Require control over the quantities and rates of discharge and/or
 - (3) Require payment to cover the added cost of handling and treating the waters not covered by existing taxes or sewer charges under the provisions of this paragraph (g).

If the City conditions his approval on the pretreatment of equalization of waste flows, the design and installation of the plants and equipment shall be subject to the review and approval of the City, and subject to the requirements of all applicable codes, ordinances, and laws.

- (h) Grease, oil, and sand interceptors shall be provided when, in the opinion of the City, they are necessary for the proper handling of liquid wastes containing grease in excessive amounts, or any flammable wastes, sand, or other harmful ingredients; except that such interceptors shall not be required for private living quarters or dwelling units. All interceptors shall be of a type and capacity approved by the City, and shall be located as to be readily and easily accessible for cleaning and inspection.

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- (i) Where preliminary treatment or flow-equalization facilities are provided for any waters or wastes, they shall be maintained continuously in satisfactory and effective operation at the owner's expense.
- (j) When required by the City, the owner of any property serviced by a building sewer carrying industrial wastes shall install a suitable control manhole together with such necessary meters and other appurtenances in the building sewer to facilitate observation, sampling, and measurement of the wastes. Such manhole, when required, shall be constructed in accordance with plans approved by the City. The manhole and related equipment shall be installed at the owner's expense, and shall be maintained by him so as to be safe and accessible at all times.
- (k) All measurements, tests, and analyses of the characteristic of water and wastes to which reference is made in this article shall be determined in accordance with the current edition of "Standard Methods for the Examination of Water and Wastewater", published by the American Public Health Association, and shall be determined at the control manhole provided, or upon suitable samples taken at said control manhole shall be considered to be the nearest downstream manhole in the public sewer to the point at which the building sewer is connected. Sampling shall be carried out by customarily accepted methods to reflect the effect of constituents upon the sewage works and to determine the existence of hazards to life, limb and property. (The particular analysis involved will determine whether a twenty-four hour composite of all outfalls of a premise is appropriate or whether grab sample or samples should be taken. Normally, but not always, BOD and suspended solids analyses are obtained from twenty-four hour composites of all outfalls whereas pH is determined from periodic grab samples).
- (1) If additional pretreatment and/or operation and maintenance will be required to meet the pretreatment standards or local limits, the industrial user will be required to submit the shortest schedule by which the user will provide such additional pretreatment. The completion date in this schedule shall not be later than the compliance date, established for the applicable pretreatment standard.

The schedule shall contain increments of progress in the form of dates for the commencement and completion of major events leading to the construction and operation of additional pretreatment required for an industrial user to meet the applicable pretreatment months. No later than fourteen (14) days following each date in the schedule and the final date for compliance, the user shall submit a progress report to the City, including, as a minimum, whether, or not it complied with the increment of progress, the reason for delay, and the steps being taken by the user to return to the schedule established. In no event shall more than nine (9) months elapse between such progress reports to the City.
- (m) The City may suspend a permit for industrial wastewater discharge for a period not to exceed forty-five (45) days when such suspension is necessary in order to stop a discharge which presents an imminent hazard to the public health, safety, or welfare, to the local environment or to the City's sewage system.

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Any discharger notified of a suspension of this permit shall immediately cease and desist the discharge of such industrial wastewater to the sewage system. In the event of a failure of the discharger to comply voluntarily with the suspension order, the City shall take such steps as are reasonably necessary to insure compliance.

Any suspended discharger may file with the City a request for a meeting with the City Council. The Council shall meet within fourteen (14) days of the receipt by the City of such request. The Council shall hold a meeting on the suspension and either confirm or revoke the action of the City. Reasonable notice of the meeting shall be given to the suspended discharger. At this meeting, the suspended discharger may appear personally or through counsel, cross-examine witnesses and present evidence in his own behalf.

In the event that the City Council fails to meet within the time set forth above or fails to make a determination within a reasonable time after the close of the meeting, the order of suspension shall be stayed until a determination is made either confirming or revoking the action of the City.

The City shall reinstate the permit on proof of satisfactory compliance with all discharge requirements of the City.

- (n) The City may revoke a permit for industrial wastewater discharge on a finding that the discharger has violated any provision of this article. No revocation shall be ordered until a meeting on the question has been held by the City Council. At this meeting, the discharger may appear personally or through counsel, cross-examine witnesses, and present evidence in his/her own behalf. Notice of the meeting shall be given to the discharger at least fifteen (15) days prior to the date of the meeting.

Any discharger whose permit has been revoked shall immediately stop all discharge of any liquid carried wastes covered by the permit to any public sewer that is tributary to the sewage system of the City. The City may disconnect or permanently block from such public sewer the industrial connection sewer of any discharger whose permit has been revoked if such action is necessary to insure compliance with the order of revocation.

Before any further discharge of industrial wastewater may be made by the discharger, he/she must apply for a new permit for industrial wastewater discharge, pay all charges that would be required upon initial application together with all delinquent fees, charges, and penalties and such other sums as the discharger may owe to the city. Cost incurred by the City in revoking the permit and disconnecting the industrial connection sewer shall be paid for by the discharger before issuance of a new permit for industrial wastewater discharge.

- (o) All industrial users shall submit periodic reports regarding the nature and concentration of all pollutants as outlined in their wastewater discharge permit. In addition, within ninety (90) days following the date for final compliance with the applicable pretreatment standards or, in the case of a new source, following commencement, of the introduction of wastewater into the POTW, any user,

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ISSUED BY: Jim Bruce, Mr. Jim Bruce, General Manager
Hardin County Water District No. 1, Radcliff, Kentucky

ISSUED BY ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

Hardin County Water District No. 1

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subject to pretreatment standards of wastewater into the POTW, any user subject to pretreatment standards and/or local requirements shall submit to the City a report indicating the nature and concentration of all pollutants in the discharge from the regulated processes which are limited by pretreatment standards and/or local requirements and the average and maximum daily flow for these process units in the user facility which are limited by such pretreatment standards and/or local requirements. The report shall state whether the applicable pretreatment standards and/or local requirements are being met on a consistent basis and, if not, what additional O & M compliance with the applicable pretreatment standards and/or local requirements. This statement shall be signed by an authorized representative of the industrial user, and certified by a qualified professional.

The City may impose mass limitation on users which are using dilution to meet applicable pretreatment standards and/or local requirements, or in other cases where the imposition of mass limitation are appropriate. In such cases, all reports shall indicate the mass of pollutants regulated by pretreatment standards in the effluent of the user. These reports shall contain the results of sampling and analysis of the discharge, including the flow and the nature and concentration, or production and mass where requested by the City, or pollutants contained therein which are limited by the applicable pretreatment standards. All analyses shall be performed in accordance with procedures established by the administrator pursuant to Section 304(g) of the Act and contained in 40 CFR, Part 136 and amendments thereto or with any other test procedures approved by the administrator.

- (p) All industrial users shall immediately notify the City and/or the wastewater treatment plant of an accidental discharge/slug loading.

The notification shall include location of discharge, type of waste, concentrations and volume, and corrective actions.

Within five (5) days following an accidental discharge, the user shall submit to the City a detailed written report describing the cause of the discharge and the measures to be taken by the user to prevent similar future occurrences. Such notification shall not relieve the user of any expense, loss, damage, or other liability which may be imposed by this section or other applicable law.

A notice shall be permanently posted on the user's bulletin board or other prominent place advising employees who to call in the event of a dangerous discharge. Employers shall insure that all employees who may cause or suffer such a dangerous discharge to occur are advised of the emergency notification procedure.

Each user shall provide protection from accidental discharge of prohibited materials or other substances regulated by this article. Facilities to prevent accidental discharge of prohibited materials shall be provided and maintained at the owner's or user's own cost and expense. Detailed plans showing facilities and operating procedures to provide this protection shall be submitted to the City for review, and shall be approved by the City before construction of the facility. No user who commences contribution to the POTW after the effective date of this article shall be permitted to

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introduce pollutants into the system until accidental discharge procedures have been approved by the City. Review and approval of such plans and operating procedures shall not relieve the industrial user from the responsibility to modify the user's facility as necessary to meet the requirements of this article.

- (q) No statement contained in this section shall be construed as preventing any special agreement or arrangement between the City and any industrial concern whereby an industrial waste of unusual strength or character, excluding the waiving of Federal Categorical Pretreatment Standards, may be accepted by the City for treatment subject to payment thereafter, by the industrial concern. (~~Ord. of 6-16-87, Art. V, 1-17; Ord. of 3-25-96~~)

Sec. 17-16. Pretreatment Program Administration (~~Ord. of 3-25-96~~)

- (a) Wastewater Discharges. It shall be unlawful to discharge to the POTW any wastewater except as authorized by the City in accordance with the provisions of this ordinance.
- (b) Any agency, nondomestic user, and/or industry outside the jurisdiction of the City that desires to contribute wastewater to the POTW must execute (through an authorized representative) an interjurisdictional agreement, whereby the agency and/or industry agrees to be regulated by all provisions of this ordinance and State and Federal regulations. An Industrial User Permit may then be issued by the Mayor or designated representative in accordance with this article.
- (c) Permits. All significant industrial users proposing to connect to or to contribute to the POTW shall obtain an Industrial User Permit before connecting to or contributing to the POTW. Refer to Article X for Permit System Processing Fees.
- (d) Permit Application. Users required to obtain an Industrial User Permit shall complete and file with the City, an application in the form prescribed by the City, and accompanied by a permit fee. New users shall apply at least ninety (90) days prior to connecting to or contributing to the POTW. Existing permit holder shall apply no later than sixty (60) days prior to expiration of permit. In support of the application, the user shall submit, in units and terms appropriate for evaluation, the following information:
- (1) Name, address, and location if different from the address;
 - (2) SIC number(s) according to the Standard Industrial Classification Manual, United States Bureau of the Budget, 1972, as amended;
 - (3) Wastewater constituents and characteristics as determined by an analytical laboratory acceptable to the City; sampling and analysis shall be performed in accordance with procedures established by the EPA pursuant to Section 304 (g) of the Act and contained in 40 CFR, Part 136, as amended;

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- (4) Time and duration of contribution;
- (5) Average daily and 30 minute peak wastewater flow rates, including daily, monthly and seasonal variations, if any;
- (6) Site plans, floor plans, mechanical and plumbing plans and details to show all sewers, sewer connections, and appurtenances by size, location and elevation;
- (7) Description of activities, facilities, and plant processes on the premises including all materials which are or could be discharged;
- (8) Where known, the nature and concentration of any pollutants in the discharge which are limited by the City, State or Federal Pretreatment Standards, and a statement regarding whether or not the pretreatment standards are being met on a consistent basis and if not, whether additional pretreatment is required for the user to meet applicable Pretreatment Standards;
- (9) If additional pretreatment will be required to meet the Pretreatment Standards, the shortest schedule by which the user will provide such additional pretreatment. The completion date in this schedule shall not be later than the compliance date established for the applicable Pretreatment Standards;
- (10) The following conditions shall apply to this schedule:
- (10a) The schedule must be acceptable to the City.
- (10b) The schedule shall contain increments of progress in the form of dates for the commencement and completion of major events leading to the construction and operation of additional pretreatment required for the user to meet the applicable Pretreatment Standards.
- (10c) Not later than 14 days following each date in the schedule and the final date for compliance, the user shall submit a progress report to the Mayor or designated representative including, as a minimum, whether or not it complied with the increment of progress to be met on such date and, if not, the date on which it expects to comply with this increment of progress and the reason for delay, and the steps being taken by the user to return the construction to the schedule established.
- (e) Each product produced by type, amount, process or processes, and the rate of production;
- (1) Type and amount of raw materials processed (average and maximum per day);

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- (2) Number of employees, and hours of operation of plant and proposed or actual hours of operation of pretreatment system;
 - (3) Any other information as may be deemed by the City to be necessary to evaluate the permit application;
 - (4) A copy of the industry's written environmental control program, comparable document, or policy.
- (f) Issuance. The City shall evaluate the data furnished by the user and may require additional information. After evaluation and acceptance of the data furnished, the Mayor or designated representative may issue an Industrial Wastewater Discharge Permit subject to terms and conditions provided herein.
- (g) Permit Modifications. Within nine (9) months of the promulgation of a National Categorical Pretreatment Standards, the Industrial Wastewater Discharge Permit of users subject to such standards shall be revised to require compliance with such standards within the time frame prescribed by such standards. Where a user, subject to National Categorical Pretreatment Standards, has not previously submitted an application for an Industrial Wastewater Discharge Permit as required, the user shall apply for an Industrial Wastewater Discharge Permit within ninety (90) days after the promulgation of the applicable National Categorical Pretreatment Standards. In addition, the user with an existing Industrial Wastewater Discharge Permit shall submit, to the Mayor or designated representative within ninety (90) days after the promulgation of an applicable Federal Categorical Pretreatment Standard, the information required by this ordinance.
- (h) Permit Conditions. Industrial Wastewater Discharge Permits shall be expressly subject to all provisions of this ordinance and all other applicable regulations, user charges, and fees established by the City. Permits may contain the following:
- (1) The unit surcharges or schedule of other charges and fees for the wastewater to be discharged to a community sewer;
 - (2) Limits on the average and/or maximum rate and time of discharge or requirements for flow regulations and equalization;
 - (3) Requirements for installation and maintenance of inspection and sampling facilities;
 - (4) Specifications for monitoring programs which may include sampling location; frequency of sampling; number, type and standards for tests; and reporting schedule;
- (i) Compliance schedules.

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- (1) Requirements for submission of technical reports or discharge reports;
- (2) Requirements for maintaining and retaining, for a minimum of three (3) years, all plant records relating to pretreatment and/or wastewater discharge as specified by the City, and affording City access thereto as required by 40 CFR 403.12(o)(2);
- (3) Requirements for notification of the City or any new introduction of wastewater constituents or any substantial change in the volume or character of the wastewater constituents being introduced into the wastewater treatment system;
- (j) Requirements for notification of slug discharges.
- (1) The permit may require the user to reimburse the City for all expenses related to monitoring, sampling and testing performed at the direction of the Mayor or designated representative and deemed necessary by the City to verify that the user is in compliance with the said permit;
- (2) Other conditions as deemed appropriate by the City to ensure compliance with this ordinance.
- (k) Alternative Discharge Limits. Where an effluent from a categorical industrial process(es) is mixed prior to treatment with wastewater other than that generated by the regulated process, fixed alternative discharge limits may be derived for the discharge permit by the Mayor or designated representative. These alternative limits shall be applied to the mixed effluent and shall be calculated using the Combined Wastestream Formula and/or Flow-Weighted Average Formula as defined in Article I.

Where the effluent limits in a Categorical Pretreatment Standard are expressed only in terms of mass of pollutants per unit of production (production-based standard), the Mayor or designated representative may convert the limits to equivalent limitations expressed either as mass of pollutant discharged per day or of effluent concentration for purposes of calculating effluent permit limitations applicable to the permittee. The permittee shall be subject to all permit limits calculated in this manner under 40 CFR 403.6(c) and must fully comply with these alternative limits.

All categorical users subject to production-based standards must report production rates annually so that alternative permit limits can be calculated if necessary. The categorical user must notify the Mayor or designated representative thirty (30) days in advance of any major change in production levels that will affect the limits for the discharge permit.

- (l) Permit Duration. Permits shall be issued for a specified time period, not to exceed five (5) years. A permit may be issued for a period less than a year or may be stated to expire on a specific date. The user shall apply for permit reissuance a minimum of sixty (60) days prior to the expiration of the

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user's existing permit. The terms and conditions of the permit may be subject to modification by the City during the term of the permit as limitations or requirements as identified in Article V are modified or other just cause exists. The user shall be informed of any proposed changes in their permit at least thirty (30) days prior to the effective date of change. Any change or new conditions in the permit shall include a reasonable time schedule for compliance.

- (m) One-Time Permits. Temporary or one-time dischargers shall apply to the Mayor or designated representative for a one-time discharge permit prior to discharging any waste into the City sewer system. The permittee is required to comply with the applicable pretreatment regulations, standards, and requirements under local ordinances and state and federal laws. Refer to Article X for Permit System Processing Fees.

If the permittee proposes to discharge waste other than the permit defined effective date, time, and volume, the discharger must apply to the Mayor or designated representative for another one-time discharge permit.

During the one-time discharge permit period, the discharge shall not exceed the limitations set forth in the City of Radcliff Sewer Use Ordinance.

The permit must have the effective date, time, amount of waste to be discharged, the dischargers name, address, discharge location, and be signed and dated by the Mayor or designated representative.

- (n) Permit Transfer. Industrial User Permits are issued to a specific user for a specific operation. An Industrial User Permit shall not be reassigned or transferred or sold to a new owner, new user, different premises, or a new or changed operation without a thirty (30) day prior notification to the Mayor or designated representative and provision of a copy of the existing permit to the new owner. The Mayor or designated representative may deny the transfer of the permit if it is deemed necessary.
- (o) Compliance Data Reporting. Within ninety (90) days following the date for final compliance with applicable categorical Pretreatment Standards or, in the case of a new user, following commencement of the introduction of wastewater into the POTW, any user subject to Federal Categorical Pretreatment Standards and Requirements shall submit, to the Mayor or designated representative, a report indicating the nature and concentration of all pollutants in the discharge from the regulated process which are limited by Categorical Pretreatment Standards and Requirements and the average and maximum daily flow for these process units in the user's facility which are limited by such Categorical Standards and Requirements. The report shall state whether the applicable Categorical Pretreatment Standards and Requirements are being met on a consistent basis and, if not, what additional pretreatment and time schedule is necessary to bring the user into compliance with the applicable Categorical Pretreatment Standards or Requirements. This statement shall be signed by an authorized representative of the user.

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- (p) Periodic Compliance Reports. All significant industrial users shall submit, to the Mayor or designated representative, every six (6) months (on dates specified in the Industrial User Permit) unless required more frequently by the Permit, a report indicating, at a minimum, the nature and concentration, of pollutants in the effluent which are limited by such Pretreatment Standards or discharge permit. In addition, this report shall include a record of all daily flows which during the reporting period exceeded the average daily flow. At the discretion of the Mayor or designated representative and in consideration of such factors as local high or low flow rates, holidays, budget cycles, etc., the Mayor or designated representative may agree to alter the months during which the above reports are to be submitted.

All analyses shall be performed by laboratory acceptable to the City. Analytical procedures shall be in accordance with procedures established by the U.S. EPA Administrator pursuant to Section 304(g) of the Act and contained in 40 CFR, Part 136 and amendments thereto and 40 CFR 261 or with any other test procedures approved by the U.S. EPA Administrator. Sampling shall be performed in accordance with the techniques approved by the U.S. EPA Administrator.

Where 40 CFR, Part 136 does not include a sampling or analytical technique for the pollutant(s) in question, sampling and analysis shall be performed in accordance with the procedures set forth in the EPA publication "Sampling and Analysis Procedures for Screening of Industrial Effluents for Priority Pollutants," April 1977, and amendments thereto, or with any other sampling and analytical procedures approved by the U.S. EPA Administrator.

A Baseline Monitoring Report (BMR) must be submitted to the Mayor or designated representative by all categorical industrial users at least ninety (90) days prior to initiation of discharge to the sanitary sewer. The BMR must contain, at a minimum, the following:

- (1) Production Data: a process description, SIC code number, raw materials used, chemicals used, final product, pretreatment industrial category (if applicable), and a schematic which indicates points of discharge to the sewer system.
- (2) Identifying information to include name, address of facility, owner(s), contact person and any other permits held by the facility.
- (3) Wastewater characteristics: total plant flow, types of discharges, average and maximum flows from each process.
- (4) Nature/Concentration of pollutants: analytical results for all pollutants regulated by this ordinance and/or any applicable federal pretreatment standard and sample type and location. All analyses must conform with 40 CFR, Part 136 and amendments thereto.
- (5) Information concerning any pretreatment equipment used to treat the facility's discharge.

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New sources shall give estimates of the information requested in sections (c) and (d) above, but at no time shall a new source commence discharge(s) to the public sewer of substances that do not meet provisions of this ordinance. All new sources must be in compliance with all provisions of this ordinance, State and Federal pretreatment regulations prior to commencement of discharge to the public sewer.

- (q) Permit Violations. All significant industrial users must notify the Mayor or designated representative within 24 hours of first becoming aware of a permit violation. This notification shall include the date of violation, the parameter violated and the amount in exceedance.

The user shall immediately repeat the sampling and analysis of the parameter(s) in question and submit the results to the Mayor or designated representative within thirty (30) days after becoming aware of the violation. Exception to this regulation is only if the City performs the sampling within the same time period for the same parameter(s) in question.

Compliance with the terms of an industrial user permit shall be deemed in compliance with the terms of this ordinance.

- ® Monitoring. The City shall require significant users to provide and operate, at the user's own expense, monitoring facilities and equipment necessary to allow inspection, sampling, and flow measurement of the building sewer and/or internal drainage system. The monitoring facility should normally be situated on the user's premises, but the City may, when such a location would be impractical or cause undue hardship on the user, allow the facility to be constructed in a public right-of-way. The Mayor or designated representative shall review and approve the location, plans, and specifications for such monitoring facilities and may require them to be constructed to provide for the separate monitoring and sampling of industrial waste and sanitary sewage flows.

There shall be ample room in or near such sampling manhole or facility to allow accurate sampling and preparation of samples for analysis. The facility shall be designed and maintained in a manner such that the safety of City and industrial personnel shall be foremost. The facility, sampling, and measuring equipment shall be maintained at all times in a proper operating condition at the expense of the user.

Whether constructed on public or private property, the sampling and monitoring facilities shall be provided in accordance with the City's requirements and all applicable local construction standards and specifications. Construction shall be completed within ninety (90) days following approval of the location, plans and specifications.

All sampling analyses done in accordance with approved federal EPA procedures by the industrial user during a reporting period shall be submitted to the Mayor or designated representative regardless of whether or not that analysis was required by the industrial user's discharge permit.

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The industrial user must receive the approval of the Mayor or designated representative before changing the sampling point and/or monitoring facilities to be used in all required sampling.

- (s) Inspection and Sampling. The City shall inspect the facilities of any user to ascertain whether the purpose of this ordinance is being met and all requirements are being complied with. Persons or occupants of premises where wastewater is created or discharged shall allow the City or their representative ready access at all reasonable times to all parts of the premises for the purposes of inspection, sampling, copying records, records examination or in the performance of any of their duties.

The City, Approval Authority, and EPA shall have the right to set up on the user's property such devices as are necessary to conduct sampling, inspection, compliance monitoring and/or metering operations. Where a user has security measures in force which would require proper identification and clearance before entry onto their premises, the user shall make the necessary arrangement with their security guards so that upon presentation of suitable identification, personnel from the City, Approval Authority and EPA will be permitted to enter, without delay, for the purposes of performing their specific responsibilities.

- (t) Pretreatment. All significant industrial users shall provide necessary wastewater treatment as required to comply with this ordinance and achieve compliance with any applicable Federal Categorical Pretreatment Standards within the time limitations as specified by the Federal Pretreatment Regulations. The City may require the development of a compliance schedule for installation of pretreatment technology and/or equipment by any industrial user that cannot meet discharge limits required by this ordinance. Any facilities required to pretreat wastewater to a level required by this ordinance shall be provided, operated, and maintained at the user's expense. Detailed plans showing the pretreatment facilities and operating procedures shall be submitted to the City for review, and shall be acceptable to the City before construction of the facility. The review of such plans and operating procedures will in no way relieve the user from the responsibility of modifying the facility as necessary to produce an effluent that complies with the provisions of this ordinance. Any subsequent changes in the pretreatment facilities or method of operation shall be reported to and be acceptable to the City prior to the user's initiation of the changes.
- (u) Annual Publication. The City shall annually publish in its largest daily newspaper a list of significant users which were in significant noncompliance with any Pretreatment Requirements or Standards. The notification shall also summarize any enforcement actions taken against the user(s) during the same twelve (12) months.

All records relating to the City's Pretreatment Program shall be made available to officials of the EPA or Approval Authority upon request. All records shall be maintained for a minimum of three (3) years in accordance with 40 CFR 403.12(0)(2).

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- (v) Significant Non-Compliance. A user is defined as being in significant noncompliance when it commits one or more of the following conditions:
- (1) Causes imminent endangerment to human health or the environment or results in the exercise of emergency authority;
 - (2) Involves the failure to report noncompliance accurately;
 - (3) Results in a chronic violation defined here as sixty-six percent (66%) or more of all measurements taken during a six (6) month period that exceed (by any magnitude) the daily maximum limit or the monthly average limit for the same pollutant parameter;
 - (4) Results in a Technical Review Criteria (TRC) Violation defined here as thirty-three percent (33%) or more of all measurements for each pollutant parameter taken during a six (6) month period that equal or exceed the product of the daily maximum limit or the average limit multiplied by the applicable TRC (TRC = 1.4 for BOD, TSS, fats, and oil & grease and 1.2 for all other pollutants except pH);
 - (5) Any violation of a pretreatment effluent limit that the Control Authority determines has caused, alone or in combination with other discharges, interference or pass through or has endangered the health of the POTW personnel or the public;
 - (6) Any discharge causing imminent endangerment to human health/welfare or to the environment or resulting in the POTW's use of its emergency authority to halt or prevent such a discharge;
 - (7) Violations of Compliance Schedule Milestones, failure to comply with schedule milestones for starting or completing construction or attaining final compliance by ninety (90) days or more after the schedule date;
 - (8) Failure to provide required reports within thirty (30) days of the due date;
 - (9) Any violation or group of violations which the Control Authority determines will adversely affect the operation or implementation of the local pretreatment program.
- (w) Confidential Information. Information and data on a user obtained from reports, questionnaires, permit applications, permits and monitoring programs and from inspections shall be available to the public or other governmental agency without restriction unless the user specifically requests in writing and is able to demonstrate to the satisfaction of the City that the release of such information would divulge information, processes, or methods of production entitled to protection as trade secrets of the user.

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When requested by the person furnishing a report, the portions of a report which might disclose trade secrets or secret processes shall not be made available for inspection by the public but shall be made available to all governmental agencies for uses related to this ordinance, the NPDES/KPDES Permit, Sludge Disposal System Permit and/or the Pretreatment Programs upon request. Such portions of a report shall be available for use by the State or any State agency in judicial review or enforcement proceedings involving the person furnishing the report. Wastewater constituents and characteristics shall not be recognized as confidential information and shall be available to the public without restriction.

- (x) Signatory Requirements. All applications, reports, or information submitted to the City shall be signed and certified. All permit applications shall be signed:
- (1) For a corporation: by a principal executive officer of at least the level of vice-president;
 - (2) For a partnership or sole proprietorship: by a general partner or the proprietor, respectively.
 - (3) All other correspondence, reports and self-monitoring reports shall be signed by a person described above or by a duly authorized representative of that person. A person is a duly authorized representative only if:
 - (4) The authorization is made in writing by a person described above;
 - (5) The authorization specifies either an individual or a position having facility or activity, such as the position of plant manager or position of equivalent responsibility.
- (y) Certification. Any person signing a document under this section shall make the following certification:

"I certify under penalty of law that I am familiar with the information contained in this report and its attachments and that to the best of my knowledge and belief such information is true, complete and accurate."

ARTICLE VI. POWERS OF AUTHORITY OF INSPECTORS
Sec. 17-17. Powers and authority of inspectors.

- (a) Duly authorized employees of the EPA, state and City of Radcliff bearing proper credentials and identification, shall be permitted to enter all properties, at any time, for the purposes of inspection, observation, measurement, sampling (twenty-four hour composite or grab) and testing, as well as to inspect and copy records of wastewater discharges in accordance with the provisions of this article. The Mayor or his representative shall have no authority to inquire into any processes including metallurgical, chemical, oil, refining ceramic, paper, or other industries beyond that point having a

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direct bearing on the kind and source of discharge to the sewers or waterways or facilities for the waste treatment.

- (b) Duly authorized employees of the EPA, State or City bearing proper credentials and identification shall be permitted to enter all private properties through which the City holds an easement for the purposes of, but not limited to, inspection, observation, measurement, sampling, repair, and maintenance of any portion of the sewage works lying within said easement. All entry and subsequent work, if any, on said easement, shall be done in full accordance with the terms of the easement pertaining to the private property involved.
- (c) While performing the necessary work on private properties referred to in paragraph (a), above, the City shall observe all safety rules applicable to the premises established by the property owner, the owner shall be held harmless for injury or death to the City employees, and the City shall indemnify the owner against loss or damage to its property by City employees and against liability claims and demands for personal injury or property damage asserted against the owner and growing out of gauging and sampling operation, except as such may be caused by negligence or failure of the owner to maintain safe conditions.
- (c) Duly authorized employees of the EPA, state or City bearing proper credentials and identification shall be permitted to enter all private properties through which the City holds an easement for the purposes of, but not limited to, inspection, observation, measurement, sampling, repair, and maintenance of any portion of the sewage works lying within said easement. All entry and subsequent work, if any, on said easement, shall be done in full accordance with the terms of the easement pertaining to the private property involved.
- (d) Portions of any report which might disclose trade secrets or secret processes shall not be made available for inspection by the public but shall be made available upon written request to governmental agencies for uses related to this article, the National Pollutant Discharge Elimination System (NPDES) permit, state disposal system permit, and/or the pretreatment programs; provided, however, that such portions of a report shall be available for use by the state or any state agency in judicial review or enforcement proceedings involving the person furnishing the report. Wastewater constituents and characteristics will not be recognized as confidential information.

Information accepted by the City as confidential, shall not be transmitted to any governmental agency or to the general public by the City until and unless a ten day notification is given to the user.

The City shall annually publish in the local newspaper(s) a list of the users which were not in compliance with any pretreatment requirements and/or local standards at least once during the twelve (12) previous months. The notification shall also summarize any enforcement actions taken against the user(s) during the same twelve (12) months.

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Hardin County Water District No. 1, Radcliff, Kentucky

ISSUED BY ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

Hardin County Water District No. 1

CLASSIFICATION OF SERVICE:
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All records relating to compliance with pretreatment standards shall be made available to officials of the EPA or approval authority upon request. (~~Ord. of 6-16-87, Art. VI, 1-4~~)

**ARTICLE VII
SEWAGE SERVICE RATES**

Sec. 17-18. Sewage service rates and rights upon payment of sewer connection charges.

- (a) Residential, commercial, and industrial customers shall pay sewage service rates based on water purchased from any public supplier of water or from any other source. Industries participating in industrial cost recovery shall be charged on metered waste flows. One-time discharge permit rates shall be based on the User Charge Ordinance and other fees adopted by the City. (~~Ord. of 3-25-96~~)
- (b) Payment by a property owner of the prescribed sewer connection charge shall entitle the owner of any premises abutting upon any street, road, alley, public way or easement in which there exists a sewer pipe, main, lateral or other structure or installation of the sewer system capable of receiving flowable wastes, within one hundred (100) feet of said owner's property line, to have such line brought to a point located at the edge of the property line of said property owner. All customers must bear the respective costs of running sewer lines from the respective premises to the respective points where such sewer lines are brought by the City to service the respective premises. (~~Ord. 11-10-03~~)
- (c) User charges to all customers are outlined in the user charge ordinance adopted by the City of Radcliff. (See Art. III) (~~Ord. of 6-16-87, Art. VII, 1, 2; Ord. of 8-30-88~~) (~~Ord. 3-25-96~~)

ARTICLE VIII. PENALTIES

Sec. 17-19. Penalties.

- (a) Written Notice. Any user found to be violating any provision of this ordinance or a wastewater permit or order issued hereunder, shall be served by the Mayor or designated representative with written notice stating the nature of the violation. The offender shall permanently remedy all violations upon receipt of this notice. (~~Ord. of 3-25-96~~)

As contained in Article IX, the notice may be of several forms. Also as contained in Article IX, penalties of various forms may be levied against users for violations of this ordinance. The penalties, if levied, shall range from publication of violators in the local newspaper to administrative fines of \$1,000.00 per day per violation. (~~Ord. of 3-25-96~~)

- (b) Revocation of Permit. Any user violating any of the provisions of this Ordinance or a wastewater permit order issued hereunder, may be subject to termination of its authority to discharge sewage into the municipal sewer system. Such termination may be immediate if necessary for the

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protection of the POTW. Said user may also have water service terminated. (Ord. of 3-25-96) Any user who violates the following conditions of this ordinance, or applicable State or Federal Regulations, is subject to having his permit revoked in accordance with the procedures of this ordinance. (~~Ord. of 3-25-96~~)

- (1) Failure of a user to factually report the wastewater constituents and characteristics of his discharge;
 - (2) Failure of the user to report significant changes in operations, or wastewater constituents and characteristics;
 - (3) Refusal of reasonable access to the user's premises for the purpose of inspection or monitoring; or
 - (4) Violation of conditions of the permit.
- (c) Liability. Any user violating any of the provisions of this Ordinance, discharge permit or other order issued hereunder shall become liable to the City of Radcliff for any expense, loss or damage occasioned by the City by reason of such violation. This civil liability is as provided by state and federal regulations. (~~Ord. of 3-25-96~~)
- (d) Misrepresentation and/or Falsifying of Documents. Any user who knowingly and/or negligently makes any false statements, representations or certification of any application, record, report, plan or other document filed or required pursuant to this Ordinance or Industrial User Discharge Permit or who falsifies, tampers with or knowingly and/or negligently renders inaccurate any monitoring device or method required under this Ordinance, shall be punished by a fine of up to \$1000 or by imprisonment for not more than twelve (12) months or by both. (~~Ord. of 3-25-96~~)
- (e) Destruction of POTW. No person(s) shall maliciously, willfully, or negligently break, damage, destroy, uncover, deface, or tamper with any structure, appurtenance or equipment which is part of the POTW. any person(s) violating this provision shall be subject to immediate arrest under charge of disorderly conduct. It shall be noted that the Clean Water Act does not require proof of specific intent to obtain conviction. (~~Ord. of 3-25-96~~)
- (f) Legal Action. If any person discharges sewage, industrial wastes or other wastes into the City's wastewater disposal system contrary to the provisions of this ordinance, Federal or State Pretreatment Requirements or any order of the City, the City may commence an action for appropriate legal and/or equitable relief in the appropriate Court of this jurisdiction. (~~Ord. of 3-25-96~~)
- (g) Injunctive Relief. Whenever a user has violated or continues to violate the provisions of this ordinance or permit or order issued hereunder, the Mayor or designated representative, through counsel may petition the Court for the issuance of a preliminary or permanent injunction or both (as

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may be appropriate) which restrains or compels the activities on the part of the industrial user. (~~Ord. of 3-25-96~~)

- (h) Civil Penalties. Any user who has significantly violated or continues to violate this ordinance or any order or permit issued hereunder, may be liable to the Mayor or designated representative for a civil penalty of not more than \$1,000.00 per day plus actual damages incurred by the POTW per violation per day for as long as the violation continues. Each day in which such violation shall continue shall be deemed a separate offense. In addition to the above described penalty and damages, the Mayor or designated representative may recover reasonable attorney's fees, court costs, court reporter's fees, and other expenses associated with the enforcement activities, including sampling and monitoring expenses.

The Mayor or designated representative may petition the Court to impose, assess and recover such sums. In determining amount of liability, the Court shall take into account all relevant circumstances, including, but not limited to, the extent of harm caused by the violation, the magnitude and duration, any economic benefit gained through the industrial user's violation, corrective actions by the industrial user, the compliance history of the user, and any other factor as justice requires. (~~Ord. of 3-25-96~~)

- (i) Criminal Prosecution. General Violations. Any user who willfully or negligently violates any provision of this ordinance or any orders or permits issued hereunder shall, upon written conviction, be guilty of a misdemeanor, punishable by a fine not to exceed \$1,000.00 per violation per day or imprisonment for not more than one (1) year or both. (~~Ord. of 3-25-96~~)

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**ARTICLE IX
ENFORCEMENT**

Sec. 17-20. Enforcement.

- (a) General. The City, through the Mayor or designated representative, to insure compliance with this ordinance, and as permitted through 40 CFR Subchapter N, and 401 KAR 5:055, may take the following enforcement steps against users in noncompliance with the ordinance. The remedies available to the POTW include injunctive relief, civil and criminal penalties, immediate discontinuance of discharges and/or water service and the publishing of the list of significant violators annually. The enforcement authority shall be vested in the Mayor or designated representative.

The Mayor or designated representative may suspend the wastewater treatment service and/or an Industrial User Permit when such suspension is necessary, in the opinion of the City, in order to stop an actual or threatened discharge which presents or may present an imminent or substantial endangerment to the health or welfare of persons, to the environment, causes interference to the POTW or causes the City to violate any condition of its NPDES/KPDES permit.

Any user notified of a suspension of the wastewater treatment service and/or the Industrial User Permit shall immediately stop or eliminate the contribution. In the event of a failure of the person to comply voluntarily with the suspension order, the City shall take such steps as deemed necessary including immediate severance of the sewer connection, to prevent or minimize damage to the POTW system or endangerment to any individuals. The City shall reinstate the Industrial User Permit and/or wastewater treatment service upon proof of the elimination of the non-complying discharge. A detailed written statement submitted by the user describing the causes of the harmful contribution and the measures taken to prevent any future occurrence shall be submitted to the City within fifteen (15) days of the date of occurrence. (Ord. of 3-25-96)

- (b) Notice of Violation. Any user found to be violating any provisions of this ordinance, wastewater permit, or any order issued hereunder, shall be served by the City with written notice stating the nature of the violation(s). Within ten (10) days of the receipt date of this notice, an explanation of the violation and a plan for the satisfactory correction and prevention thereof, to include specific required actions, shall be submitted to the Mayor or designated representative. Submission of this plan in no way relieves the user of potential liability for any violation occurring before or after receipt of the Notice of Violation.

If the violations persist or the explanation and/or plan are not adequate, the City's response shall be more formal and commitments (or schedules as appropriate) for compliance will be established in an enforceable document. The enforcement response selected will be related to the seriousness of the violation. Enforcement responses will be escalated if compliance is not achieved expeditiously after the initial action. A significant noncompliance as defined in Article V, Section 35, will require a

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formal enforcement action. The full scale of enforcement actions will be as detailed in the Enforcement Response Plan. (~~Ord. of 3-25-96~~)

- (c) Administrative Orders. Any user who after receiving a Notice of Violation shall continue to discharge in violation of this ordinance or other pretreatment standards or requirements or is determined to be a chronic or persistent violator or who is determined to be a significant violator, shall be ordered to appear before the City. At said appearance, a compliance schedule will be given to the non-conforming user and an administrative fine assessed. The fine shall be determined on a case-by-case basis which shall consider the type and severity of violations, duration of violation, number of violations, severity of impact on the POTW, impact on human health, users economic benefit from the violation, history of violations, good faith of the user, and shall be a non-arbitrary but appropriate amount.

The administrative order may take any of the following three forms:

- (1) Consent Orders. The Mayor or designated representative is hereby empowered to enter into Consent Orders, assurances of voluntary compliance, or other similar documents establishing an agreement with the industrial user responsible for the noncompliance. Such orders will include specific action to be taken by the industrial user to correct the noncompliance within a time period also specified by the order. Consent Orders shall have the same force and effect as orders issued pursuant to Article IX.
 - (2) Compliance Order. When the Mayor or designated representative finds that an industrial user has violated or continues to violate the ordinance or a permit or order issued thereunder, an order may be issued to the industrial user responsible for the discharge directing that, following a specified time period, sewer service shall be discontinued unless adequate treatment facilities, devices, or other related appurtenances have been installed and are properly operated. Orders may also contain such other requirements as might be reasonably necessary and appropriate to address the noncompliance, including the installation of pretreatment technology, additional self-monitoring and management practices.
 - (3) Cease and Desist Orders. When the Mayor or designated representative finds that an industrial user has violated or continues to violate this ordinance or any permit or order issued hereunder, the Mayor or designated representative may issue an order to cease and desist all such violations and direct those persons in noncompliance to: a) comply forthwith, or b) take such appropriate remedial or preventative action as may be needed to properly address a continuing or threatened violation, including halting operations and terminating the discharge. (~~Ord. of 3-25-96~~)
- (d) Show Cause Hearing. The Mayor or designated representative may issue to any user who causes or contributes to violations of this ordinance, wastewater permit or order issued hereunder, an order

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to appear and show cause why the proposed enforcement action should not be taken. A notice shall be served on the user specifying the time and place of the hearing to be held by the Mayor or designated representative regarding the violation, the reasons why the action is to be taken, the proposed enforcement action, and directing the user to show cause, before the Mayor or designated representative, why the proposed enforcement action should not be taken. The notice of the hearing shall be served personally or by registered or certified mail (return receipt requested) at least ten (10) days before the hearing. Service may be made on any agent or officer of the industrial user. Whether or not a duly notified industrial user or its representative appears, immediate enforcement action may be pursued.

The City may, itself, conduct the hearing and take the evidence, or designate a representative to:

- (1) Issue, in the name of the City, notices of hearings requesting the attendance and testimony of witnesses and the production of evidence relevant to any matter involved in such hearing;
- (2) Take the evidence;
- (3) Transmit a report of the evidence and hearing, including transcripts and other evidence, together with recommendations to the City for action thereon.

At any hearing held pursuant to this ordinance, testimony taken must be under oath and recorded stenographically. The transcript, so recorded, will be made available to any member of the public or any party to the hearing upon payment of the usual charges thereof.

After the City has reviewed the evidence, it may issue an order to the user responsible for the discharge directing that, following a specified time period, the sewer service be discontinued unless adequate treatment facilities, devices, or other related appurtenances are properly operated. Further orders and directives as are necessary and appropriate may be issued. (~~Ord. of 3-25-96~~)

- (e) Additional Enforcement Remedies. Performance Bonds. The Mayor or designated representative may decline to reissue a permit to any industrial user which has failed to comply with the provisions of this ordinance or any order or previous permit issued hereunder unless such user first files with it a satisfactory bond, payable to the POTW, in a sum not to exceed a value determined by the Mayor or designated representative to be necessary to achieve consistent compliance. (~~Ord. of 3-25-96~~)
- (f) Liability Insurance. The Mayor or designated representative may decline to reissue a permit to any industrial user which has failed to comply with the provisions of this ordinance or any order or previous permit issued hereunder, unless the industrial user first submits proof that it has obtained

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financial assurances sufficient to restore or repair POTW damage caused by its discharge. (~~Ord. of 3-25-96~~)

- (g) Legal Action. If any persons discharges sewage, industrial wastes, or other wastes into the City's wastewater disposal system contrary to the provisions of this Ordinance, Federal or State Pretreatment Requirements, or any order of the City, the City Attorney may commence an action for appropriate legal and/or equitable relief in the (Circuit) Court of this County.

**ARTICLE X
PERMIT SYSTEM**

Sec. 17-21. Permit system.

- (a) There are three (4) classes or permits established:
- (1) For installation of private sewage disposal facilities; (~~Ord. of 3-25-96~~)
 - (2) For residential and commercial building sewers; and
 - (3) For industrial sewer connections, and
 - (4) One-time discharges (~~Ord. of 3-25-96~~)
- (b) There shall be a fee of one hundred fifty dollars (\$150.00) paid to the City to process sewer permit application inside the City limits and one thousand dollars (\$1,000.00) to process applications outside the City limits. (~~Ord. of 6-19-96~~)
- (c) There are (2) classes of permits established for sewerage treatment: (~~Ord. of 3-25-96~~)
- (1) Industrial/commercial non-domestic sewage.
 - (2) One-time discharges.

There shall be a fee of \$25.00 paid to the City to process pretreatment permit applications inside or outside the Radcliff City Limits. (~~Ord. of 12-23-96~~)

There shall be a fee of \$500 paid to the City of Radcliff for each Pretreatment Permit issued inside or outside the Radcliff City Limits. (~~Ord. of 12-23-96~~)

Editor's note Ord. of June 16, 1987, Arts. I-X, not expressly amendatory of the Code, has been included herein as Art. II 17-11, 17-20, superseding former Ch. 17, pertaining to sewers and sewage disposal, which derived from Ord. of March 1, 1963, 1-10.12; Ord. of Sept 17, 1963; Ord. of Dec. 1, 1970; Ord. of June 26,

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1972; Ord. of Feb 20, 1979, 1(b); Ord. of Aug 7, 1984, 1-8 and Ord. of Jan 12, 1986, Arts. I-V. Arts XI and XII of said ordinance providing for validity and the ordinance in force have been omitted from codification.

Sec. 17-22- 17-30 Reserved.

ARTICLE XI. SEWER SERVICE CHARGES
ORDINANCE NO. 96-03-705, AMENDMENT 96-06-711
Sec. 17-31. Sewer service charges.

- (a) Sewer service charges shall be charges levied on all users with a consumptive use of water who discharge, cause or permit the discharge of sewage into the public wastewater treatment system. (Ord. of 6-22-96)
- (b) Sewer service charges shall be comprised of a system of user charges, excessive strength or toxicity surcharges and a system of charges for debt service.
- (c) User charges shall mean charges levied on users of the wastewater system to offset the cost of operation and maintenance of the system.
- (d) Excessive strength or toxicity surcharges shall mean charges levied on users of the wastewater treatment system whose contribution contains pollutants (both conventional and toxic) in concentrations which exceeded limits specified by latest Radcliff, Kentucky Sewer Use Ordinance for such pollutants.
- (e) Charges for debt service shall mean charges levied on users of the wastewater treatment system to support the annual debt service or obligations of the system (Ord. of 6-16-87, 1; Ord. of 3-25-96) ~~Editor's note~~ Ord. of June 16, 1987, 1-4, not expressly amendatory of the Code, has been included herein as Art. III, 17-31 - 17-34, at the discretion of the editor.

Sec. 17-32. Sewer rates.

- (a) The following schedule of rates shall apply to each user of the wastewater treatment system. This schedule includes the rate for user charges as established herein and the rate for debt service charge, each based on the volume of metered water consumption unless otherwise noted.
- (b) Sewer rate schedule for customers: (Ord. of 8-29-97)

Rate Category	User	Debt	Total
	Rate Per	Service	Rate Per
	1,000 gal	Rate Per	1,000 gal

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First 2,000 gallons or less	8.39 (min)	9.23	\$17.62
	2,000 gal	2,000 gal	
Next 13,000 gallons	4.18	1.57	\$ 5.75
Over 15,000 gallons	4.18	0.42	\$ 4.60(Rev. 02/2007- 3.385% COL)

For residential, industrial, institutional and commercial users, monthly user charges will be based on actual water usage. If a residential, commercial, institutional or industrial user has a consumptive use of water, or, in some other manner uses water which is not discharged into the wastewater collection system, the user charge for that contributor may be based on readings of a wastewater meter (s) or separate water meters(s) installed and maintained at the user's expense.
(~~Ord. of 6-22-96~~)

- (c) Sewage rates provided in paragraph (b) are based on the underlying assumption that all metered water consumption is eventually returned to the wastewater treatment system. The City reserves the right to determine by whatever means and methods it may find practicable, the amount of water consumption and/or wastewater discharge that shall be used to compute user service charges.
- (d) Surcharge for excessive strength. Users having a discharge over the normal sewage strength of (250) mg/l total suspended solids and/or two hundred fifty (250) mg/l biochemical oxygen and/or 25mg/l ammonia nitrogen, shall incur an additional charge of thirty-two cents (\$0.32) per pound of biochemical oxygen demand and twenty-two cents (\$0.22) per pound of suspended solids, and/or ninety-five cents (\$0.95 per pound of ammonia nitrogen. (~~Ord. of 3-25-96~~)

The excessive strength surcharge is based on the difference between the user's pollutant concentration (mg/l) and the allowable concentration for normal wastewater (mg/l) multiplied by: the surcharge rate, weight of one gallon of water (8.34lbs.) and the user's monthly flow to the wastewater works (million gallons per day).

No reduction in wastewater service charges, fees, or taxes shall be permitted because of the fact that certain wastes discharged to the wastewater works contain less than 250 mg/l BOD, 250 mg/l suspended solids or 25 mg/l ammonia nitrogen. (~~Ord. of 6-22-96~~)

- (e) Security deposit for sewer service. Any person, firm, association or other entity applying for sewer service from the City of Radcliff after September 30, 1987, shall be required to pay a security deposit of twenty-five (\$35.00) to the City of Radcliff or its designees, to be held by the City of Radcliff or its designees until the termination of such sewer service by the applicant. (~~Ord. of 6-17-87; Ord. of 6-16-92; Ord. of 6-22-96~~) (Ord. of 11-02-2000)

Upon termination of such service by the applicant, said security deposit shall be refunded to the applicant by the City of Radcliff or its designees less any amounts due the City of Radcliff for unpaid sewer service

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rendered to the applicant and for any damages to City sewer equipment caused by the willful, malicious or negligent acts of the applicant.

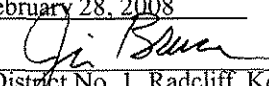
- (f) The Administrative fee for sewer service. (~~Repeated in its entirety Ord. 6-19-04~~)
- (g) The City of Radcliff shall maintain financial records to accurately account for revenues generated by the treatment system and expenditures for operation and maintenance of the system, including normal replacement costs. (~~Ord. of 6-22-96~~)

Sec. 17-33. Method of billing.

- (a) Sewer service charge shall be billed to each user on a monthly basis and shall be computed in accordance with each user's water consumption and strength or toxicity of discharge during the billed for period.
- (b) No reduction in sewer charges, fees, or taxes shall be permitted in the event that certain wastes discharged to the sewage treatment system contain pollutants in less concentrations than specified maximum limitations.
- (c) Each user shall be notified, at least annually, in conjunction with a regular bill, or the rate and that portion of the total charge which is attributable to operations and maintenance of the sewage system.
- (d) Sewer charges to any customer who is initially rendered services for less than one month shall be prorated on the basis of the foregoing charges for the fractional part of the month for which services were rendered. (~~Ord. of 6-16-87, 3~~)
- (e) All users shall be billed monthly. Billings for any particular month shall be made by the due date shown on the bill. Any payment not received within ten days after the bill due date shall be considered delinquent. (~~Ord. of 6-22-96~~)

Sec. 17-34. Rate review.

- (a) The City shall review not less often than annually the sewage contributions of users, the total cost of operation and maintenance of the sewage works, and user charges. Annual cost of living adjustment will be added to the user charges each year beginning January 1, 1999. The adjustments will be based upon the Consumer Price Index maintained and reported by the U. S. Department of Labor, Bureau of Labor Statistics and reported by the Kentucky Department of Local Government each February. The increase will be based upon the rate provided in February, 1998 and all subsequent years will be computed accordingly. (~~Ord of 8-29-96~~) User charges shall be revised as necessary to accomplish the following:

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- (1) Maintain the proportionate distribution of operation and maintenance cost among users of the treatment system.
 - (2) Generate sufficient revenues to offset costs associated with the proper operation and maintenance of the sewage system.
 - (3) The revenues collected, as a result of the user charges levied, shall be deposited in a separate non-lapsing fund known as the Operation, Maintenance and Replacement fund.
 - (4) Fiscal year-end balances in the Operation, Maintenance and Replacement Fund shall be used for no other purposes than those designated. Monies which have been transferred from other sources to meet temporary shortages in the Operation, Maintenance and Replacement Fund shall be returned to their respective accounts upon appropriate adjustment of the user charge rates for operation, maintenance and replacement. The user charge rate (s) shall be adjusted such that the transferred monies will be returned to their respective accounts within six months of the fiscal year in which the monies are borrowed. (~~Ord. of 6-22-96~~)
- (b) Excessive strength and toxicity surcharges shall be reviewed at the time of and in conjunction with the review of user charges. Surcharge rates shall be revised where necessary to reflect current treatment and monitoring costs. (~~Ord. of 6-16-87, 4~~)

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Advance Prepared Testimony
Submitted by: Mr. Jim Bruce
General Manager, Hardin County Water District No. 1

Q1: *Why did the City and District decide to pursue this transfer?*

A1: Most of the reasons and motivation for this decision were provided to City Council members in a letter and attachment which were sent after a City Council presentation. Copies of this information is submitted as part of this testimony, and is included herein.

Q2: *How will the District be able to pay off the existing City's sewer debt?*

A2: The District will receive all of the City's current sanitary sewer revenues. The City has been able to meet their debt obligations with this revenue stream. According to the City's latest audit report (YE June, 2007) the debt coverage ratio, which I calculated, was 3.3. Their net income, after depreciation and interest expense (excluding grant proceeds), was \$738,422, which was 22% of total revenues.

Q3: *What due diligence did the District's Board do to make sure this would be a viable, feasible and effective acquisition, and not harm the District's existing customers?*

A3: The City and Veolia developed numerous and extensive revenue, expense and financial models over the last two years, and reviewed these extensively. Veolia also created a detailed inventory of all fixed assets. These have also been updated and compared to the City's actual and current revenues and expenses over the same period. Our most recent 12 year pro-forma financial model shows that the District will be able to meet all debt service, and fund an aggressive capital improvements program, with a net income for all of the 12 years. This model assumes a 15% rate reduction after year 1.

The District's Board also retained its CPA firm to review and look over staff and Veolia's financial models, assumptions and conclusions. A copy of their findings letter, along with our latest 12 year model, is submitted as part of this testimony and is included herein.

The District's Board of Commissioners have discussed the transaction at nine different public meetings, and have taken action (voting) at eight of these meetings. They also attended a City Council meeting as well where the findings of our study was presented. All of these meetings have been open to the public, and the media was notified of all special meetings dates and times.

Q4: *When did the City and District first begin talking about this option?*

A4: (See information provided for Q1). After the District was awarded bid to own and operate the Ft. Knox sewer systems, several City Council members contacted me personally, beginning in 2005, and began asking about how the District might be able to lower Radcliff resident's sewer bills. I met with several Council members personally, and gave them tours of the Ft. Knox sewer system and operations. Some councillors also went on their own to tour Veolia operations in Hardinsburg. Eventually, I notified the Mayor and my Board of this interest, which both parties then moved forward with the first MOU in March, 2006.

Q5: *What projections has the District done to ensure or estimate how much revenues and expenses it will incur by taking over ownership of this system?*

A5: This information is shown on the financial model referenced in A3. Veolia also has a detailed and extensive cost model for projected operating expenses. These have been updated constantly over the last two years as new or additional information becomes available. Updates have included inputting all actual utility bills, current fuel costs and latest employee wage and benefit data (which employees will be hired by Veolia at same salary and equivalent benefits) and estimated capital project costs. Both our staff and Veolia have toured and visited the Radcliff facilities on more than one occasion, and have met with the City's sewer engineer twice to discuss current and future projects.

Q6: *The District has asked for an expedited review and approval process, why?*

A6: After the City and District agreed to proceed with a study to look at options in March, 2006, the sewer department employees realized that a change could occur in their employment status. While the parties had hoped to come to a conclusion in early, 2007, other factors and considerations added time. During this time, some employees chose to leave the City. With this uncertainty, the City has not been able to attract replacement employees.

This uncertainty has been difficult for the employees. While both parties have now signed the final agreement to proceed, the employees are still concerned about when their employment with City will end, and they will begin working for Veolia. The District has told the City that we will need PSC approval before we can culminate the transaction, and the turnover be completed. For these reasons, the District requests expedited approval within 30 days, so that the transaction can be completed and employees can either proceed with retirement, or begin their employment with Veolia.

Q7: *What will happen to the City's current sewer department employees?*

A7: As part of our proposal to City, Veolia has agreed to hire all the current sewer department employees. Each employee that accepts a job, will be hired at their current City wage. Accrual rates for earning sick and vacation will also be maintained. Veolia offers a very generous benefit package, which in some respects is as good or better than what is offered by the City. A main difference is the pension provided. Veolia uses a 401-K program, and will match part of the employee's contribution. For the longest term employees, Veolia has also offered a severance payment, in lieu of employment, which those employees may be able to use to purchase additional years of service through the KERS and possibly will be able to retire.

Q8: *How will the District make sure that this utility, rates and charges, do not subsidize the current water, or Ft. Knox sewer customers?*

A8: The District already uses separate funds for water and sewer. Because the Ft. Knox sewer customer, and existing and future Radcliff sewer customers, will always have a very unique and different rate structure, we will also need to maintain separate accounts and funds for Ft. Knox sewer and Radcliff sewer. Some expenses and assets will be shared between the utilities, and costs allocated according to different methods. These methods have been filed and accepted by the PSC, and will continue to be used to separate and allocate costs between the four utility operations (water, FK sewer, FK storm water, Radcliff sewer). The District is aware and understands that the Commission will always be concerned and looking to make sure these different customer classes or groups do not end up subsidizing, or being subsidized, by the others.

VERIFICATION

The undersigned, Mr. James S. Bruce, General Manager of the Hardin County Water District No.1, hereby verifies that he has personal knowledge of the matters set forth in the enclosed application for approval to transfer ownership of the City, sanitary sewer system, and assume existing debt, and that he is duly designated by the Board of Commissioners of the Hardin County Water District No. 1 to sign and submit this information its behalf.

HARDIN COUNTY WATER DISTRICT No. 1

By James S. Bruce
JAMES S. BRUCE, GENERAL MANAGER

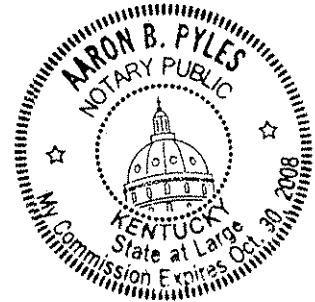
STATE OF KENTUCKY
COUNTY OF HARDIN

I, the undersigned, a Notary Public, do hereby certify that on this 29th day of February, 2008, personally appeared before me, James S. Bruce who being by me first sworn, subscribed to and acknowledged that he represents the Hardin County Water District No. 1, a Kentucky Corporation, that they have signed the foregoing document as General Manager and Attorney of the Corporation.

Aaron B. Pyles
NOTARY PUBLIC, STATE OF KENTUCKY

My Commission Expires;

October 30, 2008



Hardin County Water District No. 1

Serving Radcliff and Hardin County for Over 50 Years

1400 Rogersville Road
Radcliff, KY 40160

August 2, 2007

Mayor Shelia Enyart
City of Radcliff
113 Johns Road
Radcliff, KY 40160

SUBJECT: Follow-up to Council Questions

Dear Mayor Enyart

We want to thank you for the opportunity to attend the 23-July Council Study Session. We would like to provide this information, to respond to some of the key questions brought out at the meeting, and provide additional answers that required more research or data. We have also provided a questions and answers that cover our overall proposal, and the process that has been used in this effort. This may be helpful for answering questions for your constituents or the press in the future.

There were some excellent questions brought out in the meeting. This is a major decision for the City of Radcliff and its residents, and we understand that Council members want to have all their questions answered before making a decision. We believe this transaction would be in the best interest for the residents of Radcliff. Most of our customers are Radcliff residents, so we of course want to also work to save them money, and continue to provide excellent sewer service.

The District provides a unique opportunity to provide cost savings and reduced sewer rates to your residents. The District owning two sewer treatment plants, with discharge points within five miles and on the same stream, also can create elimination of duplication and maximization of capacity for the benefit of both Radcliff residents and Fort Knox, in the future.

* * * * *

1. Are other Cities talking to the District?

At this time, the District has only been approached by the City of Radcliff for completing a study and presenting a proposal. The City of Vine Grove has not asked the District for a similar study.

As required in its contract with Ft. Knox (FK), the District has also filed a new tariff to provide sewer treatment services for the City of Muldraugh. The District's new rate per thousand gallons treated will be 35% lower than what the Government had been charging the City.

The U. S. Government, in 2001, did solicit bids to privatize and transfer the Fort Knox (FK) sanitary and storm sewer systems. The other bidders were MSD (Metropolitan Sewer District, Louisville) and

Phone 1-270-351-3222

FAX: 1-270-352-3055

www.HCWD.com

Continued

American Water Company (owners, Kentucky-American/Lexington KY). The District was the successful bidder and the system was turned over to the District in July, 2005. The District's bid to the Government was about 30% lower than the next lowest bid, submitted by a shareholder owned, private water corporation.

2. How will service response be affected?

There will be no reduction in service levels or response time. At FK, the District is required to respond in 15 minutes. There were 35 times last year at FK for after-hour sewer emergencies, and met this service level each time.

The District will have the same number of sewer employees available for response, as well as other employees assigned at Ft. Knox. Sewer equipment transferred from the City to District will be used in Radcliff, and other equipment at Ft. Knox will also be available to be used in Radcliff. An added benefit is the fact that Veolia has personnel and equipment in the region can also be used in Radcliff as needed, as well as all current District employees could be dispatched as need in response to a natural disaster or emergency).

With the FK and Radcliff systems, two employees will actually be on-call, 24x7x365 at all times to respond to emergency call outs. In addition to the on-call personnel, four District department heads/managers live in Radcliff, or within a 5 minute drive of Radcliff, and are all on-call 24x7.

The District also receives an annual inspection by the PSC. This includes reviewing customer complaints. The PSC inspectors also randomly picks 10 customers to call to see if they have been satisfied with service levels. For the last three years, the PSC found no deficiencies, or unresolved customer complaints.

The District expects responses to be as good or better than City crews have been able to respond. The District works closely with RPD-911 Dispatch for emergency calls, and provides updated contact information for that office. We would continue to do so, and have a District employee coordinate a response within 15 minutes, irregardless of a sewer or water problem.

3. Could not the City directly contract with Veolia and still retain ownership?

Yes, the City has that option, or with any other contract operator. The savings to the customers are however not just operational. The method of managing the administration, finances, debt and capital improvements also contributes to reducing costs. The key differences the District ownership offers over City ownership / contract operations are;

- > The District will be able to share equipment and personnel between FK and Radcliff which will hold down costs and maximize economies of scale. This would not be possible if the City contracted directly with Veolia. There also is the ability to shift employees to critical jobs such as better managing financing and capital project

Follow-up to 23-July City Council Study Session
Questions & Answers

Continued

management. These areas represent more than 50% of the total costs of running the Radcliff system.

- > By the District owning both the FK sewer system, a water system and the Radcliff sewer system, it will be able to keep costs lower to all customers because fixed costs will be able to be spread over or shared by more customers. Duplication will also be eliminated in many instances, lowering capital and operating costs.
- > The District will aggressively pursue new customers and developments outside the City limits, including non-contiguous properties, in order to lower the cost per customer in the future. Using grants and unique financing, the District has recently installed more than 75 miles of new water mains in the county, to facilitate growth and development on those roads.
- > Areas studied and planned send flows to Radcliff, as part of the Hardin County Sewer Facilities Study, will also be able to become new customers of the District, whereas the City does not pursue new developments in the county. (This \$160,000 study is being carried out by Hardin County Water District No. 2, and funded by a federal grant).
- > The District has the potential to connect both the Radcliff and Ft. Knox sewer treatment plants in the future, to avoid or postpone an expensive Radcliff Sewer Treatment Plant expansion, which will save both Radcliff residents and FK money over the long run.
- > The Radcliff resident will have the protection and assistance of the Public Service Commission. This is provided by a toll free number, and required response and investigation by the PSC into a customer complaint. Any future rate increases must be based on cost of service, and will be thoroughly investigated by the PSC before approval. Any Radcliff resident, as a customer of the District, would also have standing and ability to protest a rate increase during the process.

4. Will the District provide sewer service to same growth areas that the City would?

Absolutely. The key to financial success for the Radcliff sewer system is serving more customers, both inside Radcliff and outside City limits. This would include seeking various funding sources, and working within the Hardin County Sewer Facilities Plan (being completed by HCWD2), to extend sewer into areas within the County, and outside Radcliff City limits. This should result in more growth than just those areas within city limits, or contiguous parcels anticipated to annex. Much of undeveloped area within existing City limits already have sewer mains nearby, so there would not be excessive costs to provide sewer service to many of those parcels.

The District works with developers weekly in planning and overseeing the construction and addition of water lines to assist growth in Radcliff. This would be no different than for sewer projects. It would

Follow-up to 23-July City Council Study Session
Questions & Answers

Continued

be in the District's best interest, and Radcliff residents, to add customers and expand the system to new areas.

5. Will the District be able to pay for new sewer lines to or within a new development?

The District will work with each developer to determine the best way to serve their needs. We have done this with water expansions in Radcliff for years. The District does however follow strict rules regarding incentives regulated by the State. As a PSC regulated utility, the District cannot selectively provide a service or waive a charge for some customers, and not for others. We also could not use existing customers reserves, or funds acquired from operations, to invest in capital facilities for a developer's project, in order to increase a developer's profit, or decrease their development costs.

KRS 278.170 prohibits free or reduced services, or unreasonable preference or discrimination, to one or selected customers. The PSC require all utilities to base their costs and fees on actual cost of service.

The District also believes that KRS 74.130 provides an opportunity for a developer to have water, sewer and other public improvements within his/her development financed through future property tax assessments. This is used often in other high growth states and areas, but has not typically been used in Kentucky. However, state law does extend this authority to a county water district, and the District is interested in pursuing this option for an interested developer in the future.

6. What benefit is it to City to own District parcels & buildings if they are already under lease?

If the MOU terms were accepted as currently written, the District would transfer ownership of three parcels to the City. Two of these the City pays a lease payment to the District. The most recent lease agreement is for the annex or old District office building. That lease has expired, and the City is paying month to month basis. If the new lease rate were \$1,600/month, so the City owning this building would save the City \$19,200 per year. Ownership of the parcels would allow the City to use this land and buildings at their discretion in the future, or sell them if they should ever choose to do that.

7. Could the District transfer the current County Clerk (Vehicle Registration / License Plates) building to the City?

The current lease between the District and County Clerk expires in 2013. There is a clause wherein the County Clerk cannot assign the lease to another, but no clause prohibiting the District from assigning the lease. The County currently pays the District \$6,623 / year in accordance with the lease terms. The District's Board would have to approve transfer of the property and assignment of the lease to the City. It is assumed that if the City owned the building, they would have to honor the current lease terms to the County.

Follow-up to 23-July City Council Study Session
Questions & Answers

Continued

8. Will customers be charged for an after hours service call?

Any services to repair, maintain, correct or fix a public (non-private) sewer main or public portion of a service line, even if brought to the attention of the District by a customer, would be at no charge to that customer.

KRS 278.170 prohibits free or reduced services, or unreasonable preference or discrimination, to one or selected customers. The PSC require all utilities to base their costs and fees on actual cost of service. The District could not provide a service to benefit a customer's private property, without charging a fee, or selectively choose who should or should not pay the fee.

If the City is currently not charging a customer to un-plug their private sewer line, on private property, the District would not be able to continue that practice.

9. Will employees be required to move?

No. The current MOU states that employees would receive a job with comparable duties in Radcliff, and receive the same pay and same years of service for calculating paid leave. Some benefits actually would be better than those provided by the City. It is likely, however, that employees will work between FK and Radcliff at different times.

10. What will the District do with sewer funds transferred?

All funds received by the District will be used for, or reserved for, the Radcliff sewer system. This will include paying for any capital projects underway, set aside as a reserve to maintain requirements of bonds or loans, or be used for future projects to improve or repair the Radcliff sewer system. The District could not, nor would, use any of the funds on water projects, or on sewer projects at FK.

11. Will the Sewer Billing fee become profit to the District?

No. The District currently charges the City about \$2.03/month/customer for all sanitary sewer billing services. This was last adjusted in July, 2004, and was about 30% of the total cost to do water and sewer billing. This is based on a cost analysis, which allocates costs between water and sewer and includes meter reading, Customer Service staff & supervisor (6.3 office FTE's, 3 field FTE's), computer software/hardware, depreciation on meters, meter reading vehicles & equipment, bill printing & postage and part of the utilities expense at the Customer Service Center.

Once the District operated the system, the sewer customer would still be paying about \$2.03/month for all sewer billing services. The District could not use those revenues to pay water related costs, nor pay for any expenses related to FK sewer.

The City currently charges \$17.62 as a minimum monthly sewer bill to all residents. When the District revises and lowered sewer rates, we would look closely at replacing the "minimum bill" with a "customer billing charge", (for sewer bills), which could be closer to the \$2.03 / month.

Continued

12. Will the District change sewer rates?

Yes, the District has proposed a 15% rate reduction after one year of operation. At the end of the first year, the District would then file a rate change case with the PSC, to lower sewer rates. Radcliff residents will pay about \$500,000 less per year in sewer charges to the District after the rate decrease. If the District owned both the water and sewer utilities, it would also pay the City of Radcliff about \$160,000 per year in utility franchise fees, which go directly to the City's general fund and can be used for any City operations or capital project.

Future rate increases would only be when justified, after a study by a professional consultant, and after review and approval by the PSC. In 2001, the District adjusted its water rates which took eight months to get approved by the PSC. Another adjustment was filed in November, 2006 and has yet to be approved.

The District believes that future sewer rate increases will be fewer, and of lower amounts, by District ownership than under City ownership, due to the elimination of duplication, economies of scale, added customer base and the District being able to allocate fixed costs over three utilities. (See attached chart showing history of water and sewer rate increases, compared to the inflation rate).

13. What will become of sewer projects underway by City?

The projects will continue. Any projects under contract (construction) would be completed. Any projects under design will be evaluated as part of a system wide, master-plan approach and be considered as part of a 5-Year Capital Plan that would be developed in the first year.

The District would look at all future projects based on a cost/benefit, business approach as to which are most beneficial to the operation and benefit the most customers for the least cost. This includes looking at low maintenance, innovative construction methods and materials. The District will also compare cost of replacing new, re-building, using in-house forces and using historical facility maintenance records in determining where best to spend capital funds.

As we do with the FK system, we will also evaluate projects that reduce I&I (inflow and infiltration of non sewer water into the system) to free up capacity in the existing system, as opposed to adding new or larger pipes to add capacity. Often an I&I reduction project is lower cost per gallon, than building larger capacity assets.

For example, in 2005, the District was the first water utility in Kentucky to build a composite, glass-lined elevated water tank that will never require painting. We were the first in Hardin County to install an all concrete, ground storage tank that also will never need painting. The District and its Board often use life-cycle, cost benefit analyses (what is least cost over the life of the asset, not just the lowest initial cost) in making decisions on capital projects.

Follow-up to 23-July City Council Study Session
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Continued

14. What other cities in Kentucky use Veolia Water for contract operations?

Veolia Water has existing Kentucky contracts with cities of Hardinsburg, Wurtland, Whitesburg, Hindman, and CDR/Flint Ink in Elizabethtown, in addition to Hardin County Water District No. 1. You are invited to contact any of them (See attached Veolia reference list). City Council members may also want to talk to Fort Knox Garrison Commander, Colonel Mark Needham (270-624-2749), about the arrangement of District ownership / Veolia operations on post.

Veolia Water provides services to more than 600 communities nationwide, including; City of Indianapolis, Oklahoma City, Atlanta/Fulton County and New Orleans. The District would be glad to provide a tour of its FK Sewer facility. Two Council members have already spoken to Mayor Macy at Hardinsburg, and toured the FK facility.

Veolia Water is proud of its quality service. The company just won three operating excellence awards for the best operated plants in all of KY and TN. These included systems of a similar size of Radcliff or larger - Morristown, Gatlinburg and Crossville, TN.

(See also: <http://www.veoliawaterna.com/municipal.government/default.htm>)

15. How much of annual revenues would actually be paid to Veolia?

About 27% of the District's total revenues (assuming adding Radcliff sewer) would be paid to Veolia. The enclosed pie chart is provided to help show where total District funds would be spent. Veolia will use its annual fee to; pay employees, pay for operating supplies and utilities, make routine repairs and small capital projects, pay taxes, hire local contractors, pay other business license fees and a reasonable amount of profit.

The balance of the revenues received by the District (73 percent) will be used to; pay existing or future debt service, pay its own employees, pay billing & collection costs, pay liability insurance, pay a franchise fee to the City, hire contractors and consultants and annual capital replacement and improvement projects for the benefit of the Radcliff sewer system.

16. How much does Ft. Knox pay the District for a typical monthly sewer bill?

It is difficult to compare equivalent dwelling units from a military base to a municipality. Radcliff has more small commercial business properties, and residential rental property than FK has on post. However, two different comparison methods can be used;

Method 1 (Flows): The FK sewer system flows are about 18% higher than Radcliff's. If FK had an equivalent of 18% more "customers" than Radcliff, the monthly customer sewer bill, based on the District's sewer charge to the Government, would be \$20.40/month per customer.

Follow-up to 23-July City Council Study Session
Questions & Answers

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Method 2 (Population): Using current FK daily on-post population, and assuming 2.5 persons per household, FK would have about 10,800 customer units. Using that amount, the typical monthly sewer bill charged by the District would be \$19.40 per month per customer.

These amounts would be 36% and 39% less, respectively, than an average current Radcliff residential monthly sewer bill.

* * * * *

Again, we appreciate the opportunity to attend your meeting and answer questions. We would be glad to attend another meeting with the City Council, or the Mayor and her staff, at any time. Also, if any Council member would like a tour of the District facilities, including Ft. Knox sewer, please do not hesitate to call me and we can set up a time.

We look forward to working toward saving Radcliff residents money on their utility bills, and providing excellent sewer service.

Sincerely,



Jim Bruce
General Manager

Encl;

Cf: Radcliff City Council
Mayor of Radcliff
HCWD1 Board of Commissioners
Mr. Rob Nicholas, Regional Vice President, Veolia Water, North America

**Questions & Answers About Hardin County Water District
No. 1 Acquisition of Radcliff Sewer Utility
(By: Jim Bruce, HCWD1 / Rob Nicholas, Veolia Water)**

Q1: Why did the City and District do the study?

After the District won the bid to own and operate the Ft. Knox sewer systems in 2004, several City Council members contacted the District manager about how the District and Veolia might help lower sewer rates. Mr. Bruce discussed this with his Board, who advised him to meet with Mayor Enyart. After that meeting, it was decided to develop a MOU (Memorandum of Understanding) between the District and City to complete a study. At the February 13, 2006 City Council meeting, the City agreed to enter into the study MOU. The District, using its operating partner, Veolia Water, agreed to complete the study at no cost to the City. The study MOU was signed on March 9, 2006.

Q2: What was the conclusion?

The study found that the District, by owning the system, and contracting with Veolia to operate, could lower Radcliff sewer rates by at least 15%. The conclusion recommended that the City divest its sewer system, including assets, to the District as the owner. The District would then amend its operating contract with Veolia Water to operate the sewer system on behalf of the District.

Q3: What happened after the study was complete?

In August, District and Veolia management met with the District's Board Chairman, and the Mayor to review the findings and recommendations of the study. A special meeting of the District was held on October 23, 2006 to present recommendations and options gained from the study. The Board advised staff to continue to meet with City officials and share information.

In November, a presentation was also made to the Mayor, her staff and the City Attorney explaining the conclusions and recommendations of the study. It was decided to have the City Attorney draft another MOU which would set out the terms and actions to carry out the recommendations of the study. The District manager met several times with the Mayor, City Attorney and her staff to work out the terms of the second MOU.

**Questions & Answers About Hardin County Water District
No. 1 Acquisition of Radcliff Sewer Utility
(By: Jim Bruce, HCWD1 / Rob Nicholas, Veolia Water)**

On January 8, 2007, the District's Board attended a special City Council meeting to make a presentation on the proposal, the terms of the second MOU and answered questions of the Council. The Mayor was directed to continue finalizing the MOU and terms of a future agreement.

Q4: What would the District own?

The District would own all the sewer system assets including lift stations, sewer collection lines and manholes, the wastewater treatment plant, and fixed or rolling sewer equipment the City would turn over to the District, and any sewer generated funds or reserves turned over to the District.

Q5: What Radcliff assets would Veolia own?

None. The District currently has a 20 year operating contract with Veolia, to operate the Ft. Knox sanitary and storm sewer systems. Equipment that Veolia provides to operate a client's system is typically leased on a national basis (trucks, heavy equipment, specialty equipment).

Q6: What exactly is proposed by the District?

The proposal by the District would be that the City divest the sanitary sewer system ownership to the District. The District would then incorporate this system into its existing management and operations structure. The District would also amend its operating contract with Veolia Water, to have them also operate the Radcliff sewer system.

The City would also transfer all sewer assets to the District, including sewer funds and reserves. All outstanding bonds or loans would be assigned to the District, and the District would pay off that debt with future revenues.

At the end of one year of operations, the District would then file a rate case with the Public Service Commission, to lower sewer rates by 15%. All future decisions on policies, rates, capital projects and other oversight of the system would be made by the District's Board of

**Questions & Answers About Hardin County Water District
No. 1 Acquisition of Radcliff Sewer Utility
(By: Jim Bruce, HCWD1 / Rob Nicholas, Veolia Water)**

Commissioners. Commissioners are appointed by the Judge Executive to four year, staggered terms. As the District is regulated by the PSC, rate increases and customer policies (tariff changes) would have to be filed with and approved by the PSC.

The District would transfer ownership of three parcels of land, and one building to the City, currently leased to and used by the City. The District would also be able to offer sewer service to properties outside the City limits, and also route sewer flows from county areas to the Radcliff sewer treatment plant, which could eliminate the need for a future county sewer treatment plant.

Q7: What would the City get?

The City would get title to the District property near City Hall. The District would pay \$1, to enact the transfer the system between the parties. All current sewer debt would be removed from the City's balance sheet. The responsibility of the EPA permit (DMR) and liability for future compliance would transfer from the City to the District. All future responsibility to operate, replace, maintain, expand and all future construction of sewer projects would transfer from the City to the District.

As a utility operating within the City, the City can also assess a franchise fee. The District already pays a franchise fee for operating the water system in Radcliff. Adding the sewer system with a franchise fee would add another \$90,000 annual payment to the City's general fund. The City could use this money for any kind of expense, capital or equipment purchase. This is about double from what the City currently takes from sewer rates for general City operations.

Q8: Why shouldn't the District pay the City total price for the system?

This transfer is unique and unusual. The residents of Radcliff own the sewer system, and have also pay most of the costs and paid for the assets of the District water system. If the City required the District to pay original cost for the system, the only place the District gets its funds is from the same City residents.

**Questions & Answers About Hardin County Water District
No. 1 Acquisition of Radcliff Sewer Utility
(By: Jim Bruce, HCWD1 / Rob Nicholas, Veolia Water)**

Also, as a locally owned Government entity, the City can transfer assets to the District, or another government entity without payment. This has been done throughout the state. The District is a publically owned, tax exempt, non-profit entity, so paying to "buy" the system would be redundant, when the public has already paid for the system.

This is the same arrangement the U.S. Government chose in 2004 when it selected the District to own and operate its sanitary and storm sewer systems. The District paid the Government \$1 for each system. If the City were selling its system to a private, for-profit corporation, or to another group of residents from another city, then it would be reasonable to expect that entity to pay for the system.

Q9: What benefit would this be to customers?

Lower sewer rates, regulated utility service, local ownership and control. Since 1990, the sewer rates in Radcliff have increased 7 times, while water rates have increased 3 times. Compared to the inflation rate over the same period, sewer rates are now 45% more than the inflation rate, while water rates are 7% more.

A regulated utility affords customers representation through the Public Service Commission. This means that the District must comply with many service, financial and regulatory policies meant to protect the customer. All customer policies, fees and rates must be submitted to the PSC first for approval. All rates must be based on demonstrated actual cost of service. Any customer can file a complaint to the utility, who must research and respond to the complaint in a timely manner. The PSC regulates about 1,500 utility system in the Commonwealth including county water districts.

Operations of the system would be by a national leader in water utility operations, and who already operates the Ft. Knox sewer system next to Radcliff. Equipment and personnel could be shared, which will eliminate duplication and added costs to operate the systems.

**Questions & Answers About Hardin County Water District
No. 1 Acquisition of Radcliff Sewer Utility
(By: Jim Bruce, HCWD1 / Rob Nicholas, Veolia Water)**

Q10: Why does the District believe it can operate the sewer system cheaper?

The main reason is reducing duplication, and increasing economies of scale. Instead of three managers for three utilities (FK sewer, Radcliff sewer, District water), just one manager is needed. There are many other examples of reduced duplication. In the future, some sewer equipment can be used at both the Radcliff and FK systems, eliminating the need to buy two.

Economy of scale means a fixed cost being divided by more customers, lowering the per unit cost. For example, if the District needed to purchase a new vehicle for a construction inspector, it could divide that cost over all its water AND sewer customers. Instead of 9,700 accounts paying for a \$20,000 vehicle, or \$2.06 each, the cost could be divided over 18,400 accounts which lowers the cost per account to \$1.08 each, or a reduction of 48%. Again, this would occur many times over in the future.

The District and City already share the expense of Customer Service and Billing. A component of that is postage. The total postage cost per year is about \$60,000 to mail all water and sewer bills. The sewer customer pays about 48% of that, and the water 52%. If both entities did not share the single billing cost, a customer would have to pay double the postage - once for the sewer bill, and again for the water bill.

Using a large company by Veolia also provides savings. Veolia operates hundreds of systems around the company, and can spread many of their operating costs over very large customer base. For example, their Accounts Payable, Payroll and Purchasing is centralized in one location for many states. This means locally they do not have to create all that expense, just for one location. There are many other examples of how the District can operate more efficiently, that we could explain in more detail if you were interested.

**Questions & Answers About Hardin County Water District
No. 1 Acquisition of Radcliff Sewer Utility
(By: Jim Bruce, HCWD1 / Rob Nicholas, Veolia Water)**

Q11: Who would operate the system if Veolia went out of business?

The District requires Veolia to provide an annual performance bond, equal to its annual fee. This means an insurance policy for the District, the guarantees performance of all the tasks Veolia is required to do. If Veolia were not to be able to perform its duties, the District could use the bond to replace Veolia with another contract operator. There are several other large companies that operate sewer systems for cities.

If Veolia were to voluntarily withdraw from the contract, they are also required to assist the District in securing a replacement contractor. As an alternate, the District could also hire its own employees, and begin self-operating the system, as it has the water system for over 50 years.

Q12: What would happen to City sewer employees?

In its proposal, the District has ensured that all City employees will be hired by Veolia. They would receive the same pay rate, and their duties would be comparable to their current duties. Their years of seniority would continue to be used by Veolia to calculate paid leave time.

Veolia will offer a generous benefit package as well. Health insurance purchased for spouse or family would be much less cost to the employee than the City must charge. Employees can also earn an annual bonus, and a cash safety bonus with Veolia. Future promotions or job opportunities are more likely, as Veolia has 600 other job positions in the region, within a five hour drive of Radcliff.

Q13: Would the City have any control over District operations?

Not directly. It would be the same arrangement the City has with utility companies or providers to residents of electricity, cable TV, telephone, internet, natural gas and garbage pick-up services. The City, as a customer of the District, would have standing with the PSC for any kind of complaint about service, or rate change request by the District.

Board members are local residents, appointed by the County Judge Executive. Three of the five current Board members are long time

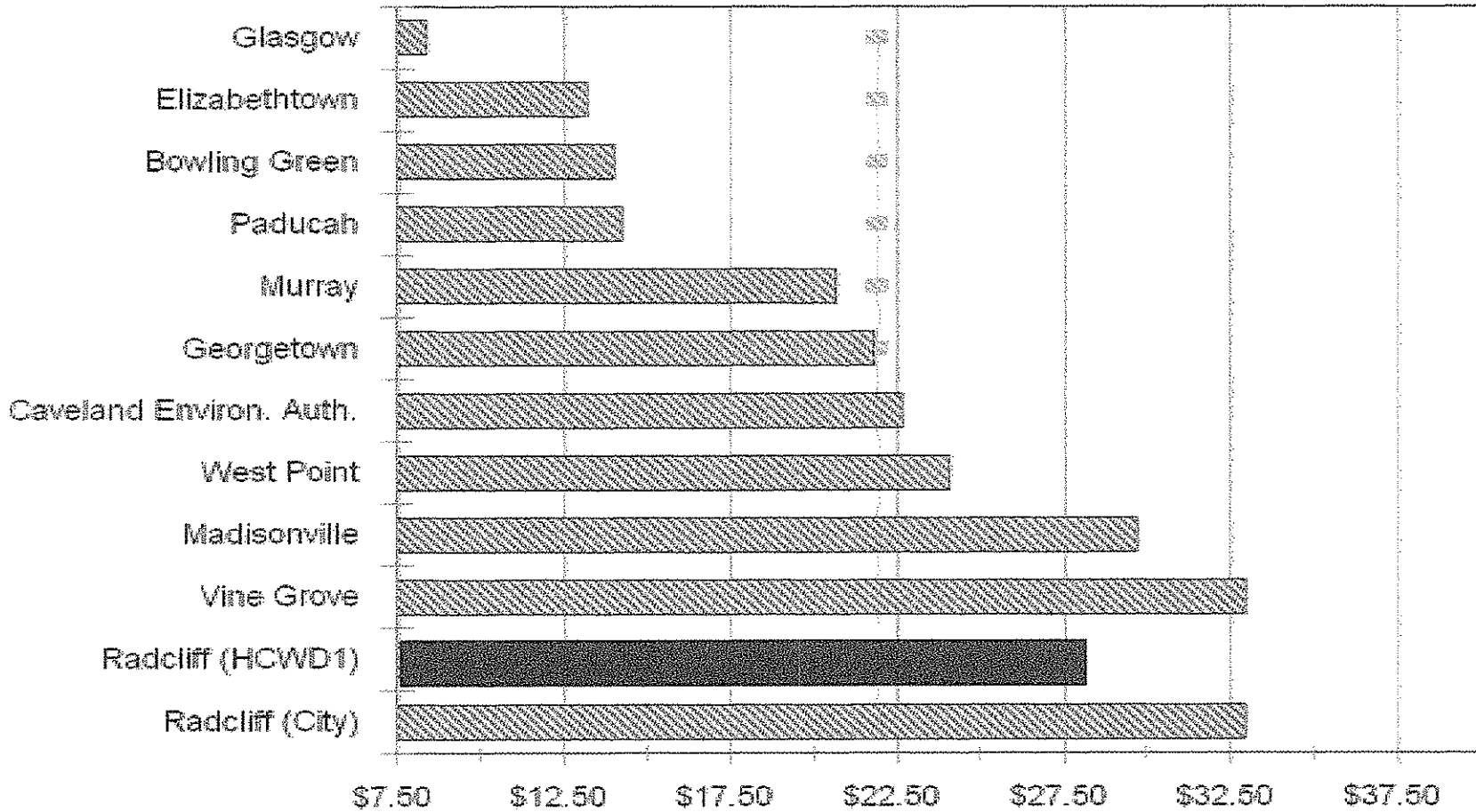
**Questions & Answers About Hardin County Water District
No. 1 Acquisition of Radcliff Sewer Utility
(By: Jim Bruce, HCWD1 / Rob Nicholas, Veolia Water)**

Radcliff residents. The District has owned and operated the Radcliff since 1952, before Radcliff was incorporated as a City.

By divesting the sewer system, the City and City Council could further focus and concentrate on other key City services such as Police, Fire, Planning & Development, Streets, Drainage, Public Works, Youth Programs, Parks & Recreation and general City government management and operations.

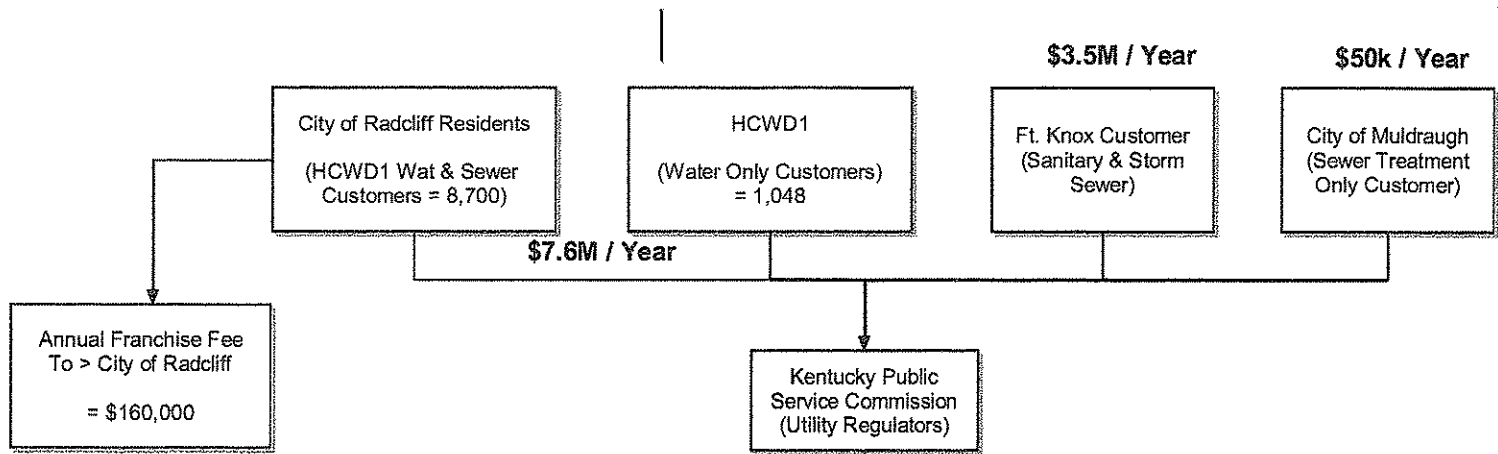
5 kgal - Monthly Sewer Bill Comparison

(Residential)



<< The Professional Utility Management Team in Northern Hardin County >>

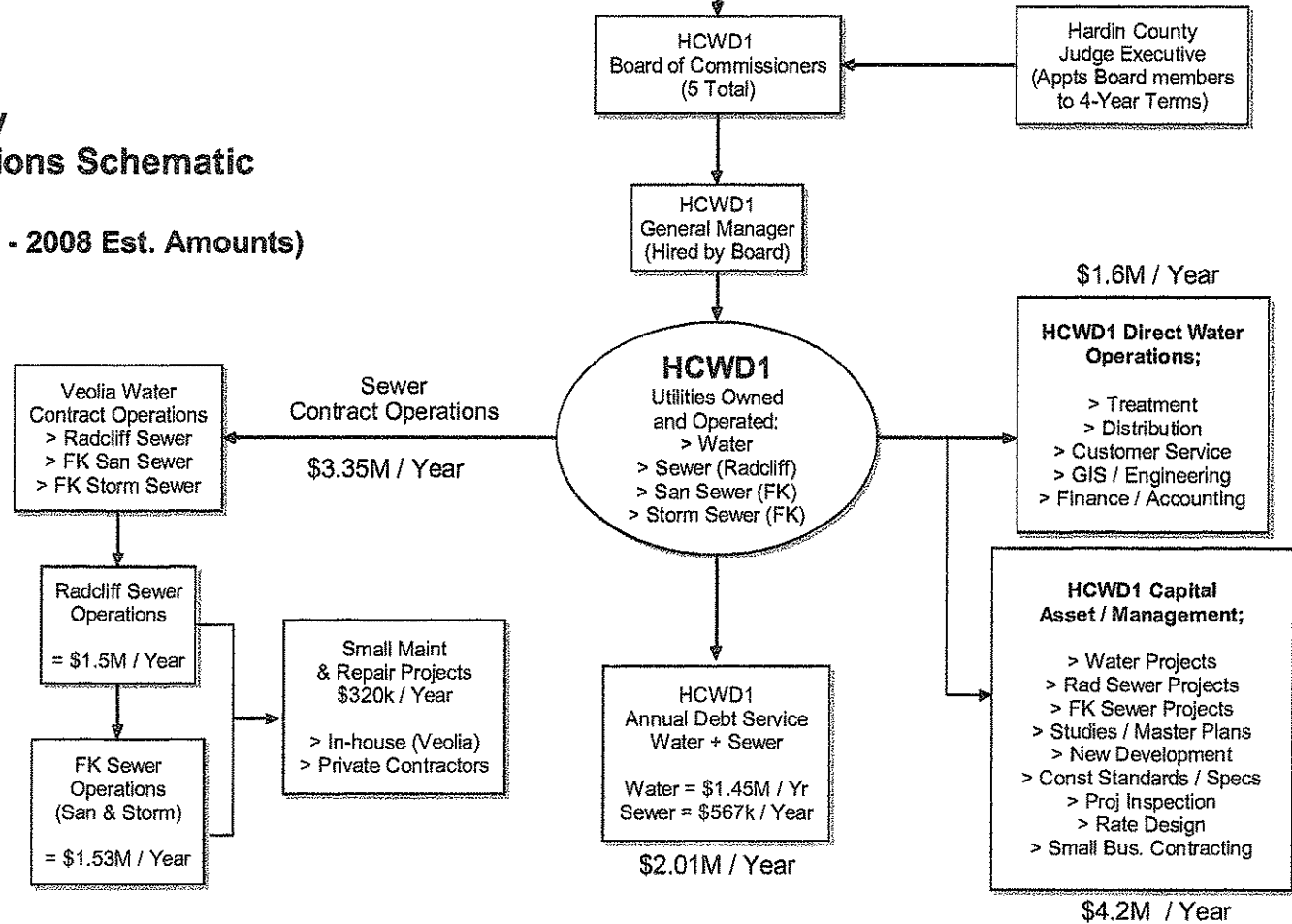




HCWD1

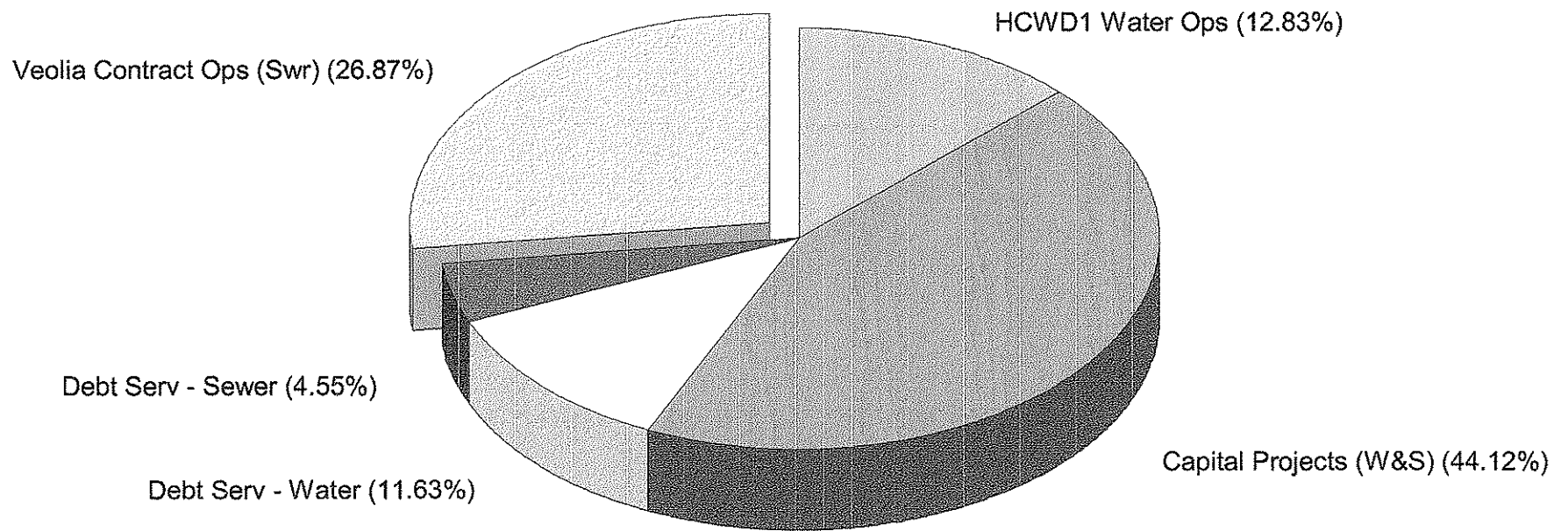
Water & Sewer Utility Ownership & Operations Schematic

(Includes Radcliff Sewer - 2008 Est. Amounts)



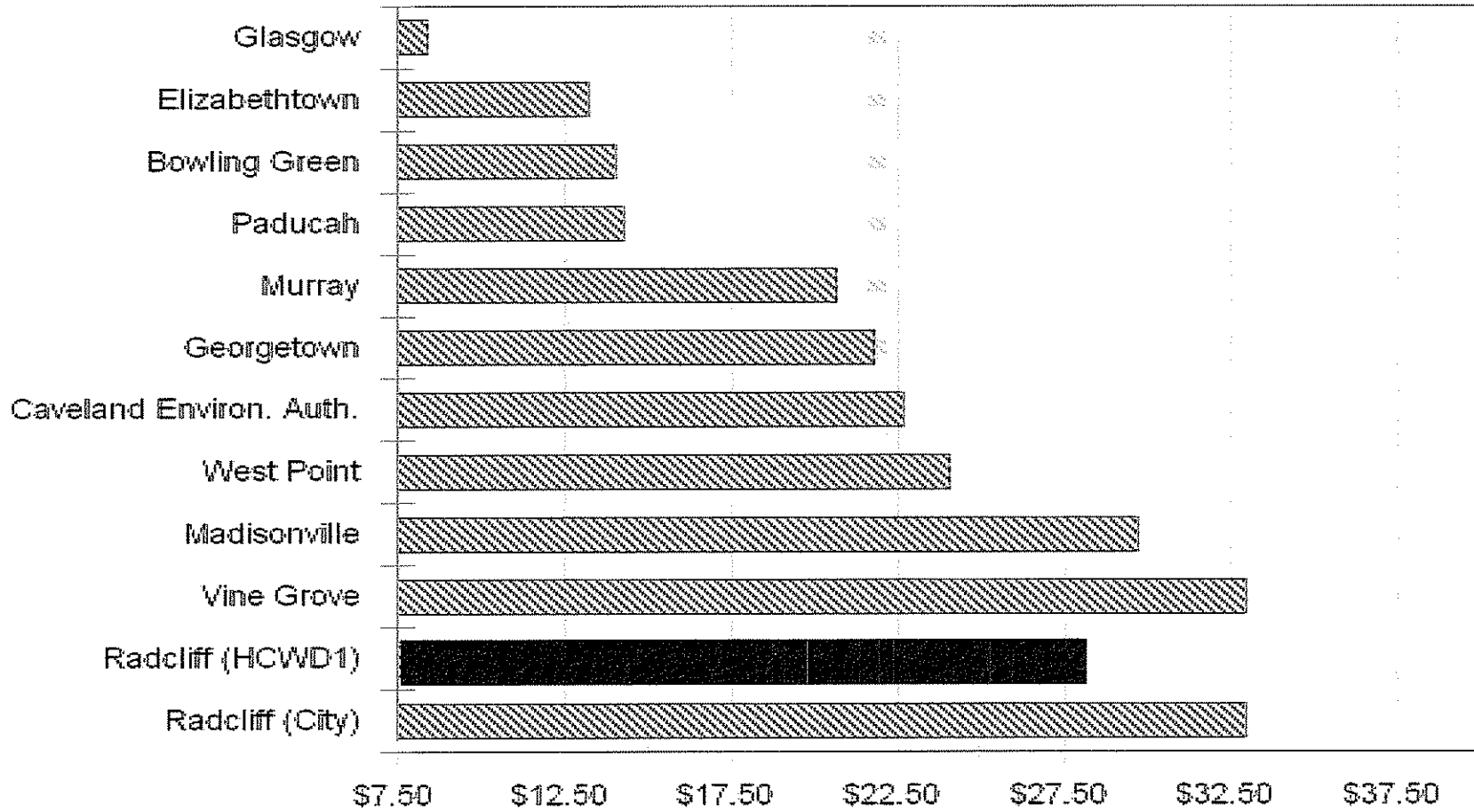
HCWD1 Water & Sewer

Use of Funds (With Radcliff Sewer)



5 kgal - Monthly Sewer Bill Comparison

(Residential)

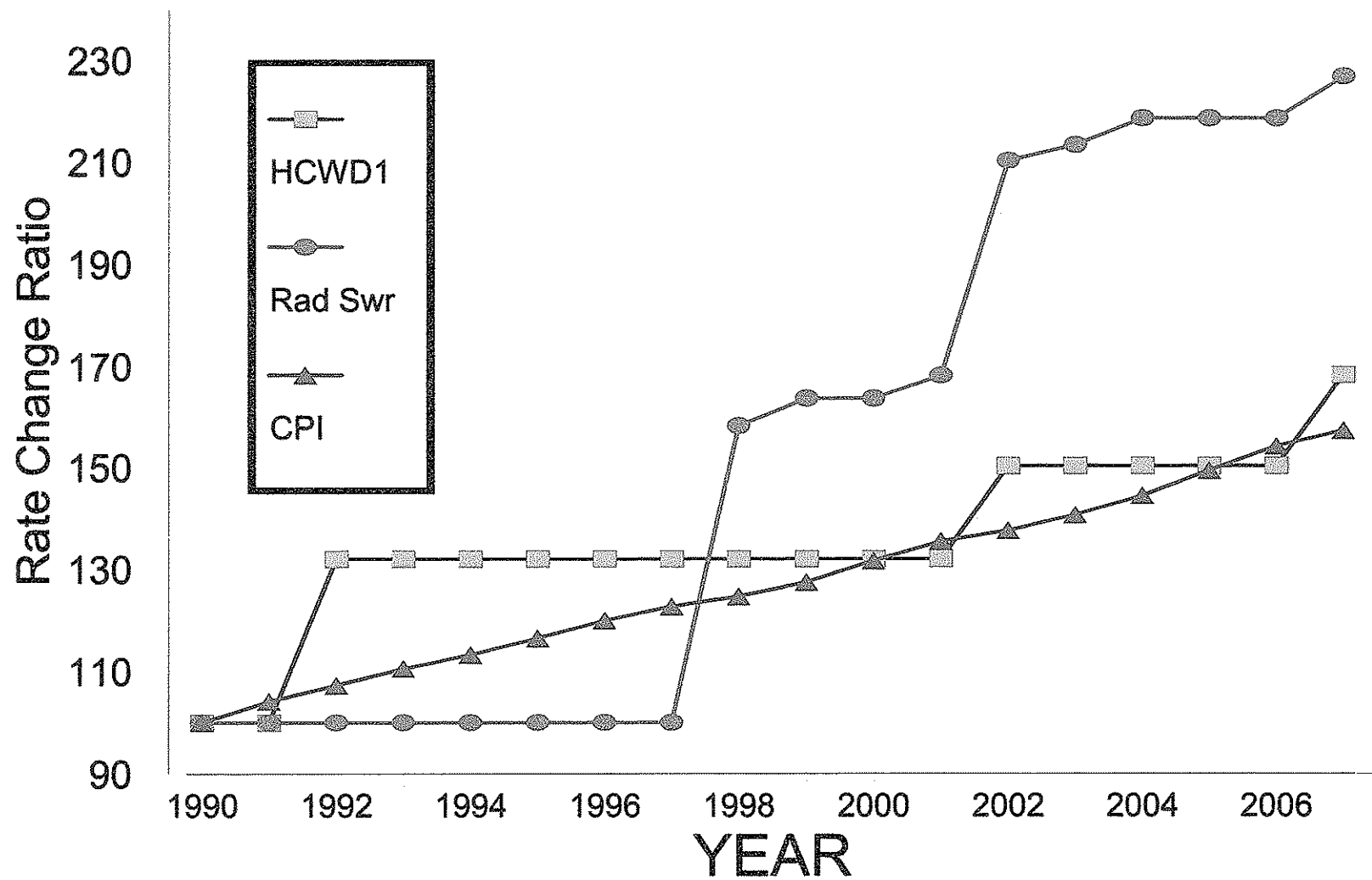


<< **The Professional Utility Management Team in Northern Hardin County** >>



Change in Rates Compared to Inflation

1990 = 100 (Consumer Price Index)



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

Board of Commissioners
Hardin County Water District No. 1
1400 Rogersville Road
Radcliff, KY 40160

Dennis H. England, CPA
Michael D. Foley, CPA
Lyman Hager, Jr., CPA
Jerry W. Hensley, CPA
J. Carroll Luby, CPA
Marc T. Ray, CPA-ABV

Dear Sirs:

We have been asked by Jim Bruce, General Manager to review the reasonableness of the overall estimated projections for the Districts acquisition and operation of the City of Radcliff's wastewater collection and treatment system. These estimates were developed by Jim Bruce and Rob Nicholas of Veolia Water, North America, South.

We obtained the detailed spreadsheets in electronic and paper form including all the underlying assumptions and supporting documents, including board minutes, City of Radcliff's 2006 audit report, the City of Radcliff's interim financial statements for the period ended April 30, 2007, and projected budgets for HCWD1 for 2006 to 2011.

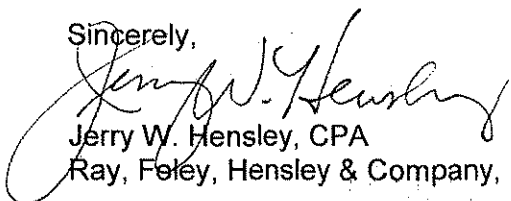
We understand that you are aware of each of the underlying assumptions used in the preparation of the projections.

Please be cautioned that prospective financial results may not be achieved. Projected results are dependent upon the realization of the underlying assumptions.

We believe the overall projections to be reasonable and the effect on the District's financial position will be positive if the key elements of the Memorandum of Understanding are agreed as proposed.

This letter is intended for management use only and is not intended to be distributed to any other parties.

Sincerely,



Jerry W. Hensley, CPA
Ray, Foley, Hensley & Company, PLLC

June 12, 2007

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HCWD1 Radcliff Sewer Utility - Financial Model

PSC / Local Govt Format - Updated through 12/31/07

Row	Item / Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Metrics and Variable Assumptions:													
1	Inflation %	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
2	Rate Change %	0.0%	-15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.0%	0.0%	0.0%	0.0%	0.0%
3	Account Growth	0.0%	1.5%	2.5%	4.0%	3.0%	2.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
4	# Taps Added	0	131	221	362	282	242	149	151	154	156	158	161
5	Active Accounts	8,700	8,831	9,052	9,414	9,698	9,938	10,087	10,238	10,392	10,548	10,708	10,867
Operating Revenues:													
6	Wastewater Charges	\$3,800,000	\$2,896,574	\$2,968,988	\$3,087,748	\$3,180,380	\$3,259,890	\$3,308,788	\$3,656,211	\$3,711,054	\$3,766,720	\$3,823,221	\$3,880,569
7	Customer Billing Charges	\$7,500	\$222,541	\$228,105	\$237,229	\$244,346	\$250,454	\$254,211	\$280,903	\$285,117	\$289,394	\$293,735	\$298,141
8	Industrial Pretreatment Fees	\$8,250	\$16,500	\$16,913	\$17,589	\$18,117	\$18,570	\$18,848	\$20,827	\$21,140	\$21,457	\$21,779	\$22,105
9	Allocated costs to Ft Knox Sewer	\$30,000	\$30,450	\$31,364	\$32,304	\$33,274	\$33,265	\$38,839	\$39,421	\$40,012	\$40,613	\$46,705	\$46,705
10	Penalties, Service Call, Other Fees	\$113,224	\$137,500	\$137,500	\$137,500	\$137,500	\$137,500	\$137,500	\$149,875	\$149,875	\$149,875	\$149,875	\$149,875
11	Total Operating Revenues >	\$3,758,974	\$3,303,565	\$3,382,870	\$3,512,370	\$3,613,617	\$3,704,879	\$3,758,187	\$4,147,238	\$4,207,198	\$4,268,058	\$4,335,314	\$4,397,395
Operating Expenses:													
12	Personnel (District)	\$30,000	\$250,000	\$258,750	\$267,808	\$277,179	\$286,881	\$296,922	\$307,314	\$318,070	\$329,202	\$340,724	\$352,650
13	Professional Services	\$8,000	\$8,280	\$8,570	\$8,870	\$9,181	\$9,501	\$9,834	\$10,178	\$10,534	\$10,903	\$11,285	\$11,285
14	Fixed Charges	\$28,500	\$29,498	\$30,530	\$31,599	\$32,705	\$33,849	\$35,034	\$36,260	\$37,529	\$38,843	\$40,202	\$40,202
15	Contract Operating Fee	\$1,850,000	\$1,907,750	\$1,967,521	\$2,029,384	\$2,093,413	\$2,169,682	\$2,258,271	\$2,329,261	\$2,402,735	\$2,486,831	\$2,601,245	\$2,601,245
16	Reg Assessment Fee	\$0	\$6,500	\$6,662	\$6,929	\$7,137	\$7,315	\$7,425	\$8,205	\$8,328	\$8,453	\$8,579	\$8,708
17	Total Operating Expenses >	\$1,916,500	\$2,202,028	\$2,272,034	\$2,344,568	\$2,419,615	\$2,527,228	\$2,607,466	\$2,691,217	\$2,777,196	\$2,874,232	\$3,002,036	\$3,014,090
18	Operating Income Before Depreciation >	\$1,842,474	\$1,101,537	\$1,110,836	\$1,167,782	\$1,194,001	\$1,177,451	\$1,150,701	\$1,456,020	\$1,430,002	\$1,393,826	\$1,333,278	\$1,383,305
Depreciation & Other Extraordinary Items:													
19	Interest Income	\$75,000	\$83,900	\$90,900	\$98,700	\$112,600	\$123,800	\$126,800	\$122,900	\$129,400	\$136,100	\$141,900	\$141,900
20	Depreciation Expense	-\$717,000	-\$751,483	-\$771,483	-\$792,483	-\$813,483	-\$839,883	-\$877,683	-\$922,483	-\$965,483	-\$1,007,483	-\$1,049,483	-\$1,103,483
21	Interest Expense	-\$131,065	-\$119,522	-\$104,202	-\$87,534	-\$77,620	-\$67,325	-\$56,636	-\$45,536	-\$34,011	-\$22,043	-\$9,616	\$0
22	Net Operating Income >	\$1,069,409	\$314,432	\$326,051	\$386,465	\$415,499	\$394,043	\$343,182	\$610,901	\$559,908	\$500,401	\$416,079	\$421,722
23	Income % of Revenues >	28.4%	9.5%	9.6%	11.0%	11.5%	10.6%	9.1%	14.7%	13.3%	11.7%	9.6%	9.6%
Cash Flow / Working Capital Funds:													
24	Beginning Period Working Capital >	\$1,900,024	\$2,173,435	\$2,385,846	\$2,593,681	\$3,061,582	\$3,418,601	\$3,477,271	\$3,318,590	\$3,506,729	\$3,700,949	\$3,866,095	\$4,241,892
25	+ Net Income	\$1,069,409	\$314,432	\$326,051	\$386,465	\$415,499	\$394,043	\$343,182	\$610,901	\$559,908	\$500,401	\$416,079	\$421,722
26	+ Depreciation Expense	\$717,000	\$751,483	\$771,483	\$792,483	\$813,483	\$839,883	\$877,683	\$922,483	\$965,483	\$1,007,483	\$1,049,483	\$1,103,483
27	+ Tap Development Fee (Raised Fee \$50)	\$17,850	\$26,200	\$44,200	\$72,400	\$56,400	\$48,400	\$29,800	\$30,200	\$30,800	\$31,200	\$31,600	\$32,200
28	- Debt Principal Payments	-\$355,848	-\$379,704	-\$408,899	-\$258,447	-\$268,362	-\$278,656	-\$289,346	-\$300,445	-\$311,971	-\$323,938	-\$336,365	\$0
Capital Construction Projects:													
29	- Vehicles & General Plant	-\$250,000	-\$50,000	-\$50,000	-\$50,000	-\$60,000	-\$70,000	-\$70,000	-\$50,000	-\$50,000	-\$50,000	-\$50,000	-\$50,000
30	- WWTP Projects	-\$50,000	-\$50,000	-\$75,000	-\$75,000	-\$100,000	-\$150,000	-\$200,000	-\$200,000	-\$200,000	-\$200,000	-\$400,000	-\$400,000
31	- Lift Station Projects	-\$875,000	-\$200,000	-\$200,000	-\$200,000	-\$250,000	-\$350,000	-\$350,000	-\$325,000	-\$300,000	-\$300,000	-\$400,000	-\$400,000
32	- Collection System Projects	-\$200,000	-\$200,000	-\$200,000	-\$200,000	-\$250,000	-\$375,000	-\$500,000	-\$500,000	-\$500,000	-\$500,000	-\$500,000	-\$500,000
33	Total Capital Construction Projects >	-\$1,175,000	-\$500,000	-\$525,000	-\$525,000	-\$660,000	-\$945,000	-\$1,120,000	-\$1,075,000	-\$1,050,000	-\$1,050,000	-\$1,350,000	-\$1,350,000
34	Ending Period Working Capital >	\$2,173,435	\$2,385,846	\$2,593,681	\$3,061,582	\$3,418,601	\$3,477,271	\$3,318,590	\$3,506,729	\$3,700,949	\$3,866,095	\$3,676,892	\$4,449,297
35	Net Change in Working Capital >	\$998,435	\$212,411	\$207,835	\$467,901	\$357,019	\$58,670	-\$158,681	\$188,139	\$194,220	\$165,145	-\$189,203	\$772,405
	Restricted Bond Reserves	\$565,000	\$565,000	\$565,000	\$565,000	\$565,000	\$565,000	\$565,000	\$565,000	\$565,000	\$565,000	\$565,000	\$0
	Int Rate APR	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Calculated Interest Income >	\$75,000	\$83,300	\$89,800	\$96,100	\$110,300	\$121,200	\$122,900	\$118,100	\$123,800	\$129,800	\$134,800	\$129,000
	Calculated Bond Coverage >	3.55	2.02	2.05	3.33	3.39	3.35	3.25	4.16	4.12	4.06	3.92	