



Kentucky Rural Water Association

Helping water and wastewater utilities help themselves

February 7, 2020

RECEIVED

FEB 10 2020

Ms. Gwen R. Pinson, Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602-0615

PUBLIC SERVICE
COMMISSION

Dear Ms. Pinson:

Kentucky Rural Water Association (KRWA) is applying for approval of a proposed water district management training program pursuant to KRS 74.020 and 807 KAR 5:070. The proposed session, entitled "Continuing Education Training for Commissioners-Oldham Co. Water District," will be conducted March 10, 2020, at the Oldham Co. Water District office in LaGrange, Kentucky. A copy of the proposed agenda is attached as **Exhibit 1**.

As reflected in Exhibit 1, the proposed training program will include presentations that promote leadership skills and professional development; effective communication within the organization; recent developments in utility regulatory law; a general review of the legal and regulatory concept of depreciation; and a review of the Board's role, duties, and responsibilities. These presentations will enhance the attendees' understanding of relevant issues involved in the management and operation of water systems which should help them better perform their roles as water district commissioners.

The proposed training offers six hours of instruction and should be accredited and approved as water management training satisfying the requirements set forth in KRS 74.020(7) to establish a water district commissioner's eligibility for a maximum annual salary of \$6,000.

A biographical statement containing the name and relevant qualifications and credentials for the presenters is attached as **Exhibit 2**.

The PowerPoint presentations, included as **Exhibit 3**, will be copied and provided to commissioners in a folder. Should the presenters revise or amend their presentations prior to the proposed session (or provide additional written materials to the attendees), KRWA will include a copy of the revised presentation with their sworn statement and report regarding the instruction.


Ms. Gwen R. Pinson
Page 2
February 7, 2020

KRWA is not requesting that the proposed training program be accredited as a program of instruction for newly appointed commissioners. KRWA does not intend to submit this proposed training to additional agencies for accreditation.

Along with a list of the commissioners, their water district, and the number of hours they attend the session, KRWA will provide a sworn statement attesting the accredited instruction was performed and note any changings in the presenters or proposed program curriculum which may occur after certification.

With this letter and enclosed exhibits, the Kentucky Rural Water Association requests that the Commission approve and accredit the proposed training program entitled "Continuing Education Training for Commissioners-Oldham Co. Water District" for six hours of annual water district management continuing education credit.

Respectfully submitted,



Janet Cole
Education Coordinator

j.cole@krwa.org

Enclosures
(Original and 10 packets)

EXHIBIT 1

CONTINUING EDUCATION TRAINING FOR COMMISSIONERS

Oldham County Water District

2160 Spencer Court
LaGrange, KY 40031

Presented by
Kentucky Rural Water Association

March 10, 2020

Proposed Agenda

- 10:00 a.m. – 10:10 a.m. Registration and Refreshments
- 10:10 a.m. – 10:15 a.m. Welcome
- 10:15 a.m. – 11:15 a.m. **Session #1: Development of Utility Leadership Skills**
Bob Cashion, S4 Water Sales and Service
- The development of management and leadership skills must be an ongoing process of events, study, soul searching, and personal relationships. This presentation will look at measurable methods to become a more effective leader and improve leadership within the organization.
- 11:15 – 11:20 a.m. BREAK
- 11:20 a.m. – 12:20 p.m. **Session #2: Survival Skills for Communications: From the Trench to the Board Room**
Bob Cashion, S4 Water Sales and Service
- This presentation will cover issues concerning effective communication within an organization. Attendees will be provided with examples of skills that may assist in improving communication effectiveness with staff, board members and others.
- 12:20 p.m. – 1:00 p.m. LUNCH (provided on-site)
- 1:00 p.m. – 2:30 p.m. **Session #3: Recent Developments in Utility Regulation**
Damon Talley, Stoll Keenon Ogden, PLLC
- This presentation reviews recent court decisions and PSC Orders involving public and municipal utilities and discusses courses of action to mitigate the decisions' impact on utilities. Topics include franchises, wholesale water purchase agreements, obtaining PSC Approval before borrowing money, and unaccounted water loss. Special emphasis will be given to recent decisions affecting water utilities.
- 2:30 p.m. – 2:45 p.m. BREAK

Continuing Education Training for Water District Commissioners

March 10, 2020

Proposed Agenda (continued)

- 2:45 p.m. – 3:45 p.m. **Session #4: All You Ever Wanted to Know About Depreciation...And Then Some**
Katelyn Brown, Stoll Keenon Ogden, PLLC
- This Presentation explains the importance of “fully funding depreciation” and investigates how many cities and water districts are participating in this key business practice. The consequences of not funding depreciation and what utilities can do to increase their depreciation funding will also be discussed.
- 3:45 p.m. – 4:00 p.m. BREAK
- 4:00 p.m. – 5:30 p.m. **Session #5: Duties and Responsibilities of Board Members**
Damon Talley, Stoll Keenon Ogden, PLLC
- This presentation reviews the Board’s oversight role and other duties and responsibilities of Board members. In addition, conduct of Board meetings, open meetings, open records, and other relevant topics will be discussed.
- 5:30 p.m. – 5:45 p.m. Question and Answer Session
- 5:45 p.m. – 5:50 p.m. Closing Remarks

EXHIBIT 2

Speaker Bios

Bob Cashion is a Nationally Certified Water Technologist. He holds class IV Water & Wastewater operators licenses in several states and has been providing water & wastewater related training for over 38 years. Bob is the Business Development Manager for S4 Water Sales & Services, and is involved extensively in operations and maintenance issues of filtration systems and water quality assessment projects. He is an active member in the AWWA and NRWA and various state associations where he has won several outstanding educational leadership awards. Bob has a BS degree in Environmental Health & Technology from Missouri Southern State University and is a graduate of the Water & Wastewater Technical College, Neosho, MO.

Damon Talley joined Stoll Keenon Ogden PLLC (SKO) on May 1, 2015. He is a member of the Utility & Energy practice. He practices out of the Hodgenville, Louisville, and Lexington, Kentucky offices. Damon brings to SKO more than 35 years of experience working in private practice focusing on public utility work. He serves as General Counsel of the Kentucky Rural Water Association and has served in this capacity since 1979. Damon received his J.D. from the University of Kentucky College of Law in 1975, and earned his B.S.M.E. in 1972 from the University of Kentucky College of Engineering.




Katelyn L. Brown joined Stoll Keenon Ogden (SKO) in 2018 as an Associate in the Louisville office. She is part of the Utility & Energy and Public Finance practice groups at SKO. Katelyn graduated from the University of Kentucky, where she went on to earn her J.D. with a cum laude distinction. She is also a Certified Public Accountant. As part of her work with the Utility & Energy group, she drafts pleadings for the largest electric utilities in Kentucky and researches regulations and drafts agreements between local water districts and cities. As part of the Public Finance group, Katelyn provides financial assistance to clients.

EXHIBIT 3

EXHIBIT 3

List of PowerPoint Presentations

- Session 1: Development of Utility Leadership Skills**
- Session 2: Survival Skills for Communications: From the Trench to the Board Room**
- Session 3: Recent Developments in Utility Regulation**
- Session 4: All You Ever Wanted to Know About Deprecation...And Then Some**
- Session 5: Duties and Responsibilities of Board Members**





“Development of Utility Management Leadership Skills”

Bob Cashion, CWT

1

Take Home Message

- Leadership must be an On Going process of events, study, personal relationships, and soul searching.
- Leadership in Utility Management needs training and follow-up to lead like professionals.
- Ten Primary Leadership Qualities.
- Traits that Identify Great & Noxious Leaders.
- Life's Guidelines for Good Leadership.
- Leadership is a Long Distant Run.
- How to Improve Leadership In Your Organization.





2

What is Leadership?

Leadership is a research area and a practical skill regarding the ability of an individual or an organization to “LEAD” or guide other individuals, teams or entire organizations.

The art of motivating a group of people to act towards achieving a common goal. In the utility environment this can mean directing workers and colleagues with a strategy to meet the company's needs.



3

Time For an Exercise- Follow My Instructions

Daren Thompson

4

Born or Made?

Are Leaders Born or Made?

Category	Percentage
Born	19.1%
Made	52.4%
Equal	28.5%

Center for Creative Leadership Study, 2012

5

Born or Made?

"Which is most important in creating a leader: Traits; Experiences, or Training?"

Mades and Borns agree that experience is important, but Borns believe that traits are slightly more important than are experiences, while Makes believe that experiences are substantially more important than are traits.


Group	Training	Experiences	Traits
Borns	41.71%	38.27%	20.02%
Mades	15.95%	45.60%	34.45%

6


Leadership to Live By:

- "You are not here to merely make a living. You are here to enable the world to live more amply, with greater vision, with a finer spirit of hope and achievement. You are here to enrich the world, and you impoverish yourself if you forget the errand"
-Woodrow Wilson

Greater Vision



Change of Heart & Mind




7


Having a True North Perspective

Great Leaders

- We see great leaders from History
- They too had leadership skills but their goals and purpose were off course with reality.
- Power can be corruptive.....

Hierarchy





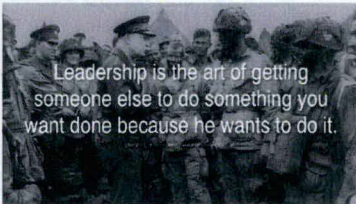
8

Military Style Leadership

10 Leadership Qualities

- ✓ VISION
- ✓ MOTIVATION
- ✓ SERVING
- ✓ EMPATHY
- ✓ CREATIVITY
- ✓ THOROUGHNESS
- ✓ MANAGING
- ✓ TEAM BUILDING
- ✓ TAKING RISK
- ✓ IMPROVING


Courage to Make Decisions



Leadership is the art of getting someone else to do something you want done because he wants to do it.

Great Leaders

- Motivation
- The Greater Good
- Build Up Other Leaders



9

Utility Management



The management of water to provide a safe supply for domestic, industrial, commercial and agricultural use supplied through facilities called waterworks, or water utilities, water districts.

Leadership & Management





10

Good Leadership Traits

SOME OF THE COMMON TRAITS SHARED BY STRONG LEADERS ARE:


- Being Able to Execute a Vision:** take a strategic vision and break it down into a roadmap to be followed by the team
- Ability to Direct:** day-to-day work efforts, review resources needed and anticipate needs along the way
- Process Management:** establish work rules, processes, standards and operating procedures
- People Focused:** look after your people, their needs, listen to them and involve them





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Traits That Identify Noxious Leaders

- They pay more attention to the problems than the solutions.
- They think they know everything.
- They are not usually accessible to their teams.
- They think of people as tools and/or machines.
- They do not know how to listen.
- They are distrustful.
- They never express gratitude.
- They do not delegate or let others make decisions.



Leaders who don't realize their power accidentally create toxic environments.





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Time For an Exercise

LEADERS

<p>Are</p> <p>Selfless Available Role Models Listeners Communicators</p>	<p>Can</p> <p>Motivate Challenge Guide See Potential</p>	<p>Have</p> <p>Humility Confidence Passion Ability to See Big Picture Enthusiasm</p>
<p>Act</p> <p>Intentionally With Courage With Integrity Proactively</p>	<p>Say</p> <p>The Right Things What They Mean The Truth Let's Go!</p>	<p>Think</p> <p>Positively With Purpose Ahead Strategically</p>



13

Poll of Utility Workers of Various Ages and Tenures in the Workforce


Positives	Negatives	
<p>Good Communication</p> <p>Leads by Example</p> <p>Sets Objectives & Goals</p> <p>Empowers Others</p> <p>Knows the Work</p> <p>Integrity</p> <p>Trustworthy</p> <p>Good Attitude</p> <p>Motivates</p>	<p>Poor Communication</p> <p>No Support</p> <p>Lack of Empathy</p> <p>My Way or Highway</p> <p>Selfish Attitude</p> <p>Wants the Glory</p> <p>Causes Conflict</p> <p>Goes Behind Our Back</p> <p>Always Mad</p>	

- ✓ Administrative Staff Members
- ✓ Middle Management
- ✓ Senior Level Management
- ✓ Operational Staff
- ✓ Laboratory Staff
- ✓ Crew members



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Leadership Traits



Leadership

"The greatest leader is not necessarily the one who does the greatest things. He is the one that gets the people to do the greatest things."

- Ronald Regan





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Good Leadership Guidelines

"Leadership is not about titles, positions, or flowcharts. It is about one life influencing another."
John C. Maxwell

- Be Humble-
- Communicate-
- Listen-
- Ask for Feedback-
- Think Strategically-
- Turn the Singular into the Plural-



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Leadership is A Long Distance RUN.....

- Get Inspired, Recharge and Reload
- Think of Rest, Mind & Body
- Push Away the Negative
- Recruit Positive People
- Reward Your Team
- Trust & Delegate
- Team Up
- Develop the Potential of your Team
- Finish What You Start
- Don't Give Up

Strengthen self motivation, inspire others and improve your leadership Skills.

Finding a way to motivate yourself and convey that mood to Your Team is the key to moving forward.

17

Shocking Leadership Development Statistics:

- 10,000 Baby Boomers are retiring each day.
- 48% of workforce will be millennials by 2020.
- 67% of millennials are looking for a new Job.
- 90% of millennials who are currently working plan on staying 3 years or less.
- 84% of organizations anticipate a shortfall of leaders in next 5 year.
- Only 5% of organizations have fully implemented leadership development at all managerial levels
- Only 10% of organizations have critical leadership ready with willing successors.
- 70% of Organization feel their leadership is not capable of leading into the future.




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What is an Effective Leader?

- Creates an inspiring vision of the future.
- Motivates and inspires people to engage with that vision.
- Manages delivery of the vision.
- Coaches and builds a team, so the team is effective at achieving the vision.

"I can give you a six-word formula for success:
Think Things Through- Then Follow Through."
-Edward Rickenbacker

Lebanon Water

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Truth of Leadership

Leadership, is the ability to influence others, with or without authority.

All successful endeavors are the result of human effort; thus, the ability to influence others is a derivation of:

- Interpersonal Communications
- Conflict Management
- Problem solving

The Leadership Jigsaw

Lebanon Water

20

Leadership vs Management

- Management seeks stability & predictability
– (order)
- Leadership seeks improvement through change
– (disorder)

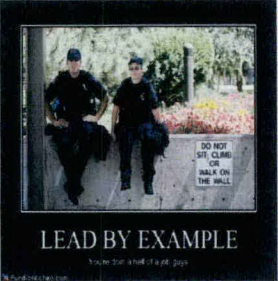
"The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy"
-Dr. MLK Jr.

LEADER VS. MANAGER

Lebanon Water

21


Lead By Example



DO NOT
SIT, CLIMB,
OR
WALK ON
THE WALL



YOU MUST MANAGE
YOURSELF
BEFORE YOU CAN
★ **LEAD** ★
SOMEONE ELSE.

— THE ZIGLAR



22

Lead By Example- What is the difference?



23

Leadership & Management Skills

Leadership – soft skills

- Communications
- Motivation
- Stress Management
- Team Building
- Change Management

Management – hard skills

- Scheduling
- Staffing
- Activity Analysis
- Project Controls



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How Can We Improve our Organizations in Leadership Development?



"True Leadership lies in guiding others to success—in ensuring that everyone is performing at their best, doing the work they pledged to do and doing it well."
-Bill Owens

- Leadership Development in Your Organization is Critical
- Building a Team Atmosphere
- Training Individuals with the Organizations Vision in Mind
- Open Communications, Good Bad & Ugly
- Set Up SOP's on all work to avoid confusion



25

Some of the Tools to Get There

- Internal Training
- External Training



- Personality Profiles
 - Myers Briggs Type Indicator
 - DISC Personality Profile



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DISC Personality Profile

- D**ominance: **Direct and Decisive.** D's are strong willed, strong minded people who like accepting challenges, taking action, and getting things done.
- I**nterference: **Interactive, Optimistic and Outgoing.** I's are "people people" who like participating on teams, sharing ideas, and energizing and entertaining others.
- S**teadiness: **Sympathetic and Cooperative.** S's are helpful people who like working behind the scenes, performing in consistent and predictable ways, and being good listeners.
- C**onscientiousness: **Concerned and Correct.** C's are sticklers for quality and like planning ahead, employing systematic approaches, and checking and re-checking for accuracy.



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DISC Personality Profile

"M"
Graph 1
"This is expected of me"

D	I	S	C
20	17	19	16
18	12	9	6
15	10	11	8
14	8	10	7
12	7	9	6
11	7	9	6
10	9	7	5
9	9	7	5
8	5	6	4
7	5	5	4
6	4	4	3
5	3	3	3
4	3	3	2
3	2	1	1
2	1	1	1
1	1	0	0
0	0	0	0

"L"
Graph 2
"This is me"

D	I	S	C
0	0	0	0
1	1	1	1
2	2	3	2
3	3	4	3
4	4	5	4
5	5	6	5
6	6	7	6
7	7	8	7
8	8	9	8
9	9	10	9
10	10	11	10
11	11	12	11
12	12	13	12
13	13	14	13
14	14	15	14
15	15	16	15
16	16	17	16
17	17	18	17
18	18	19	18
19	19	20	19
20	20	21	20



28

DISC Personality Profile





D	I	S	C
0	0	0	0
1	1	1	1
2	2	2	2
3	3	3	3
4	4	4	4
5	5	5	5
6	6	6	6
7	7	7	7
8	8	8	8
9	9	9	9
10	10	10	10
11	11	11	11
12	12	12	12
13	13	13	13
14	14	14	14
15	15	15	15
16	16	16	16
17	17	17	17
18	18	18	18
19	19	19	19
20	20	20	20
21	21	21	21

D	I	S	C
Driving	Inspiring	Relaxed	Cautious
Ambitious	Magnetic	Passive	Careful
Pioneering	Enthusiastic	Patient	Exacting
Strong-Willed	Persuasive	Possessive	Systematic
Determined	Convincing	Predictable	Accurate
Competitive	Poised	Consistent	Open-Minded
Decisive	Optimistic	Steady	Balanced Judgement
Venturesome	Trusting	Stable	Diplomatic
Dominance	Steadiness	Steadiness	compliance
Calculating	Reflective	Mobile	Firm
Cooperative	Factual	Active	Independent
Hesitant	Calculating	Restless	Self-Willed
Cautious	Skeptical	Impatient	Obstinate
Agreeable	Logical	Pressure-Orientated	Unsystematic
Modest	Suspicious	Eager	Uninhibited
Peaceful	Matter-of-Fact	Flexible	Arbitrary
Unobstructive	Incisive	Impulsive	Unbending


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DISC Personality Profile

What is Your DISC Personality Type?



DIScover Your Style!



30

Effective Leadership & Management is the Key to Team Success

- Utility Management Requires Leaders
- Is Your Organization Growing Leaders?
- Does Your Utility Have a Team Environment?
- Do You Have Sufficient Data or Verification to make an intelligent Decision?
- How are you training your teams?
- Who do your Team Members have as Leaders?



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QUESTIONS or Comments?



Lebanon Water Works Co.
270-692-2491
Daren Thompson 502-648-0927
Daren.Thompson@lebanonwaterworks.com
www.lebanonwaterworks.com

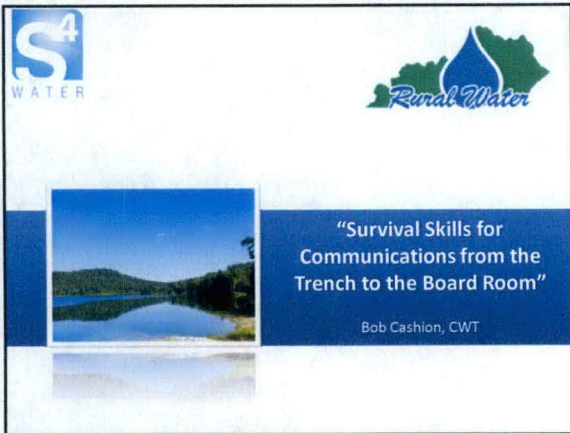
S4 Water Sales & Service
270-781-0617
Bob Cashion 270-790-2726
RKCashion@S4Water.net
www.s4water.net

The information included in this presentation is proprietary and/or confidential, and protected from disclosure. Do not disseminate, distribute or copy this presentation without the express consent of S4 Water Sales & Service LLC or Lebanon Water Works Co.

“It’s not what you know, it’s knowing where to find what you need.”

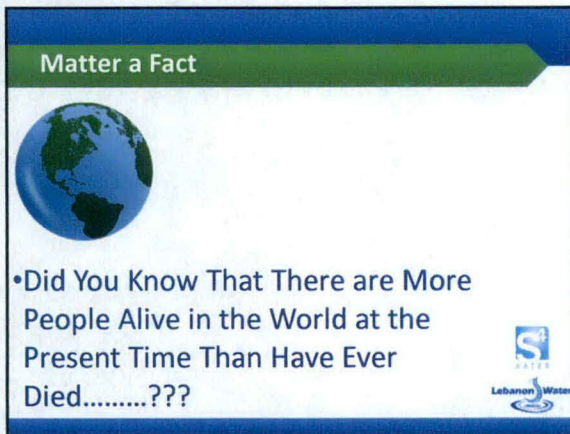


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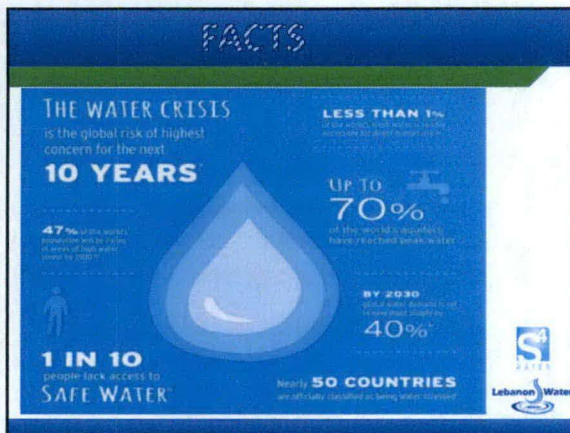
Slide 1 features the S⁴ WATER logo in the top left and the Rural Water logo in the top right. The main content includes a photograph of a lake and the title "Survival Skills for Communications from the Trench to the Board Room" by Bob Cashion, CWT.

1



Slide 2 is titled "Matter a Fact" and features a globe icon. The text asks, "Did You Know That There are More People Alive in the World at the Present Time Than Have Ever Died.....???" The Lebanon Water logo is in the bottom right corner.

2




Slide 3 is titled "FACTS" and contains several statistics about the water crisis. A large water drop icon is in the center. The statistics include: "THE WATER CRISIS is the global risk of highest concern for the next 10 YEARS", "47% of the world's population lacks access to safe water", "1 IN 10 people lack access to SAFE WATER", "LESS THAN 1% of the world's population is responsible for eight times the carbon emissions", "UP TO 70% of the world's population have no access to clean water", "BY 2030, nearly 40% of the world's population will be living in water-stressed areas", and "Nearly 50 COUNTRIES are officially classified as being water stressed". The Lebanon Water logo is in the bottom right corner.


3

Take Home Message

- Survival Skills for Communications
- Effective Communications Factors
- Responsibility of Sender & Receiver
- Getting Receivers to Buy In and Become Senders
- Using Data to Prove Your Point
- Tell Them What Your Going to Tell Them, Tell Them & Tell Them What You Told Them
- What are the consequences if you don't listen, react or comply?
- Do You Have Sufficient Data or Verification to make an intelligent Decision?
- Using Various forms of mediums to get your attention.



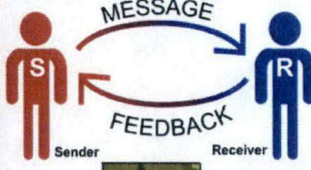


Board Meeting



4


Survival Skills

- S** - Size up the situation
- U** - Undue haste makes waste
- R** - Remember where you are
- V** - Vanquish fear and panic
- I** - Improvise
- V** - Value living
- A** - Act like the natives
- L** - Live by your wits

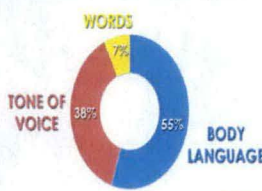





5

" Effective Communications "




What Makes Up What We Hear





6

Being A Sender

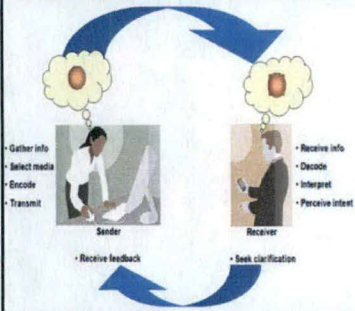


- Transmit-Getting the Point Across
- Encode Information- Make it "Crystal Clear"
- Reliability- Viable Information




7

Being A Sender



- Receive Info-Listening with Intent
- Interpret - Is it "Crystal Clear"
- Perceive Intent
- Seek Clarification
- Give Feedback





8

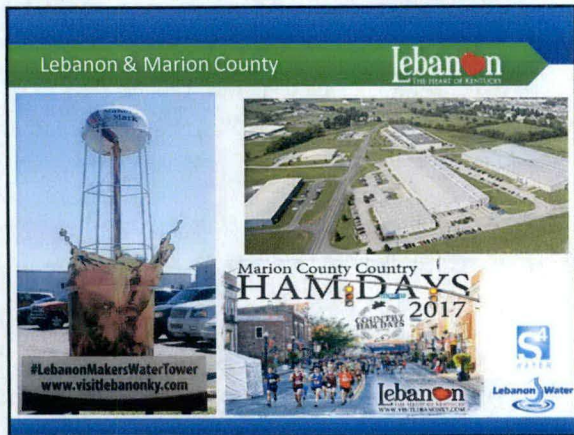
Three Rules of Communications

1. Tell Them What Your Going to Tell Them
2. Tell Them What You Are Telling Them
3. Tell Them What You Told Them

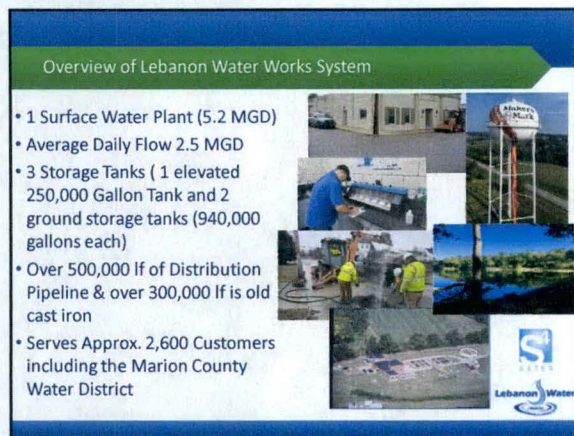
- They are Most Likely to Remember What You Tell Them Last



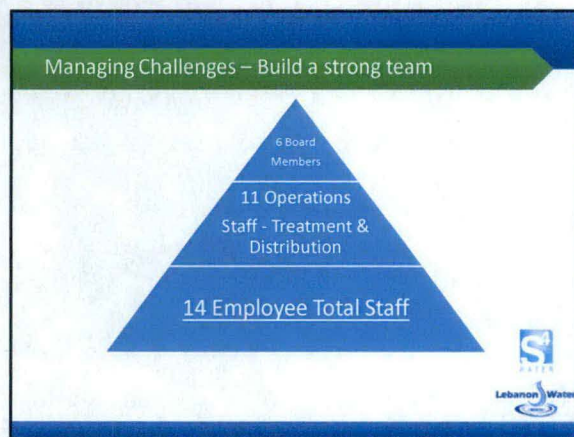
9



10





11



12

Value of Communication


Price is what you pay. Value is what you get.
-Warren Buffett



13



What are we discussing in board meetings

Account	File	Current Period	Comparison Period	Diff %	Current FY19	Comparison FY18	Diff %
000000							
00010000	Provision	85,714,827	84,214,245	1%	24,804,228	22,211,251	8%
00020000	Administrative & Contingencies Reserve	6228,820,000	5,121,024,451	1%	1,624,284,451	1,529,488,451	6%
00030000	Lebanon Water	100,000,000	100,000,000	0%	100,000,000	100,000,000	0%
00040000	Other	0	0	0%	0	0	0%
00050000	Other	0	0	0%	0	0	0%
00060000	Other	0	0	0%	0	0	0%
00070000	Other	0	0	0%	0	0	0%
00080000	Other	0	0	0%	0	0	0%
00090000	Other	0	0	0%	0	0	0%
00100000	Other	0	0	0%	0	0	0%
00110000	Other	0	0	0%	0	0	0%
00120000	Other	0	0	0%	0	0	0%
00130000	Other	0	0	0%	0	0	0%
00140000	Other	0	0	0%	0	0	0%
00150000	Other	0	0	0%	0	0	0%
00160000	Other	0	0	0%	0	0	0%
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00200000	Other	0	0	0%	0	0	0%
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00270000	Other	0	0	0%	0	0	0%
00280000	Other	0	0	0%	0	0	0%
00290000	Other	0	0	0%	0	0	0%
00300000	Other	0	0	0%	0	0	0%
00310000	Other	0	0	0%	0	0	0%
00320000	Other	0	0	0%	0	0	0%
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00420000	Other	0	0	0%	0	0	0%
00430000	Other	0	0	0%	0	0	0%
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00450000	Other	0	0	0%	0	0	0%
00460000	Other	0	0	0%	0	0	0%
00470000	Other	0	0	0%	0	0	0%
00480000	Other	0	0	0%	0	0	0%
00490000	Other	0	0	0%	0	0	0%
00500000	Other	0	0	0%	0	0	0%
00510000	Other	0	0	0%	0	0	0%
00520000	Other	0	0	0%	0	0	0%
00530000	Other	0	0	0%	0	0	0%
00540000	Other	0	0	0%	0	0	0%
00550000	Other	0	0	0%	0	0	0%
00560000	Other	0	0	0%	0	0	0%
00570000	Other	0	0	0%	0	0	0%
00580000	Other	0	0	0%	0	0	0%
00590000	Other	0	0	0%	0	0	0%
00600000	Other	0	0	0%	0	0	0%
00610000	Other	0	0	0%	0	0	0%
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00650000	Other	0	0	0%	0	0	0%
00660000	Other	0	0	0%	0	0	0%
00670000	Other	0	0	0%	0	0	0%
00680000	Other	0	0	0%	0	0	0%
00690000	Other	0	0	0%	0	0	0%
00700000	Other	0	0	0%	0	0	0%
00710000	Other	0	0	0%	0	0	0%
00720000	Other	0	0	0%	0	0	0%
00730000	Other	0	0	0%	0	0	0%
00740000	Other	0	0	0%	0	0	0%
00750000	Other	0	0	0%	0	0	0%
00760000	Other	0	0	0%	0	0	0%
00770000	Other	0	0	0%	0	0	0%
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00790000	Other	0	0	0%	0	0	0%
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00850000	Other	0	0	0%	0	0	0%
00860000	Other	0	0	0%	0	0	0%
00870000	Other	0	0	0%	0	0	0%
00880000	Other	0	0	0%	0	0	0%
00890000	Other	0	0	0%	0	0	0%
00900000	Other	0	0	0%	0	0	0%
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00970000	Other	0	0	0%	0	0	0%
00980000	Other	0	0	0%	0	0	0%
00990000	Other	0	0	0%	0	0	0%
01000000	Other	0	0	0%	0	0	0%



14

Weighing the Options



15

Board Communication - Identify the Key Ingredients

16

Strategic Plan with SMART Goals

S.M.A.R.T Goals

- S Specific** - Keep your goals specific. If your objective is to lose weight, your goal might "Lose 27 pounds."
- M Measurable** - You should be able to measure your goals. Losing 27 pounds is measurable, as you can weigh yourself to check progress.
- A Achievable** - Set goals that are achievable. Losing 100 pounds in 2 weeks is not achievable.
- R Relevant** - Your goals should be relevant to your overall objective. If your objective is to lose weight, making a goal to read a book would be irrelevant.
- T Timely** - Do you intend goals for an exact deadline that you would like to complete your goal by? Goals can be short-term or long-term.

17

Corporate Goals

- Safety**
 - 0 of OSHA Recordable Injuries
 - 0 of Lost Days Due to Injury
 - 0 of Preventable Vehicular Accidents
- Regulatory**
 - 0 of Non Reporting related NOV's
 - 0 of Reporting Related NOV's
 - 0 of Samples out of Compliance
 - 0 of Free Chlorine Reading below 0.20
 - 0 of DBP Samples out of Compliance for the Marion County Water District
- Financial**
 - % of FY 18 Cumulative Expenses to Cumulative Revenue
 - % of Chemical Savings at the Plant Compared to FY17
 - % of Backwash Water Savings at the Plant Compared to FY17

18

Communicating the Plan

What is the message-Plan for Success!!!

Lebanon Water

19

Filter Media

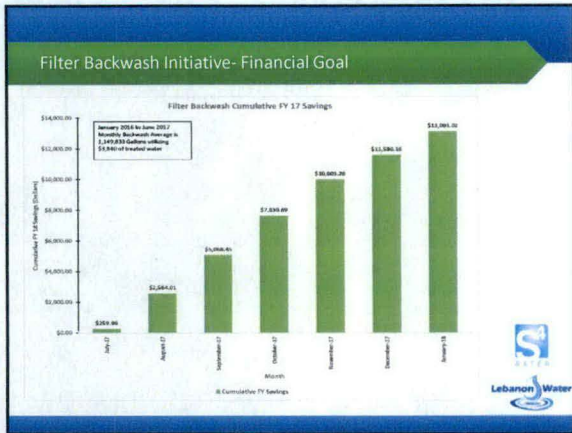
Lebanon Water

20

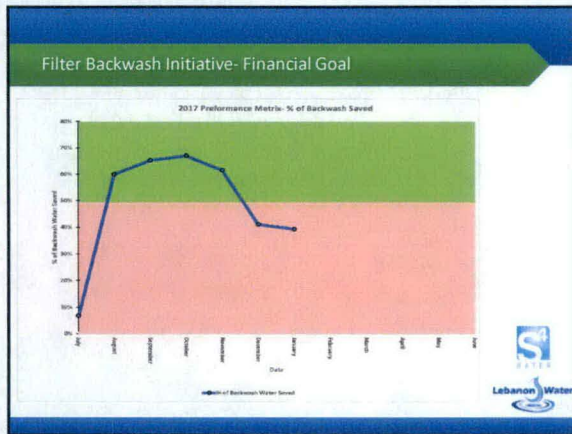
Filter Backwash Initiative- Financial Goal

Lebanon Water

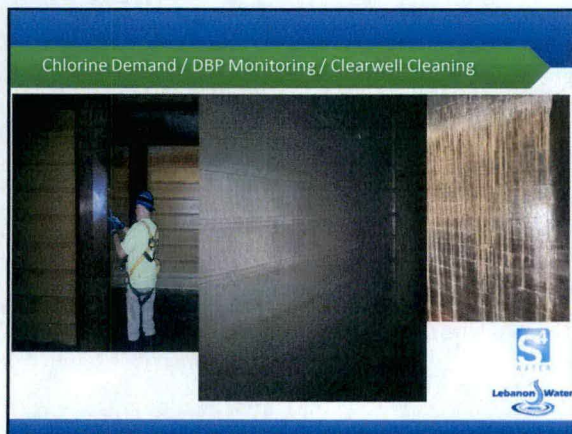
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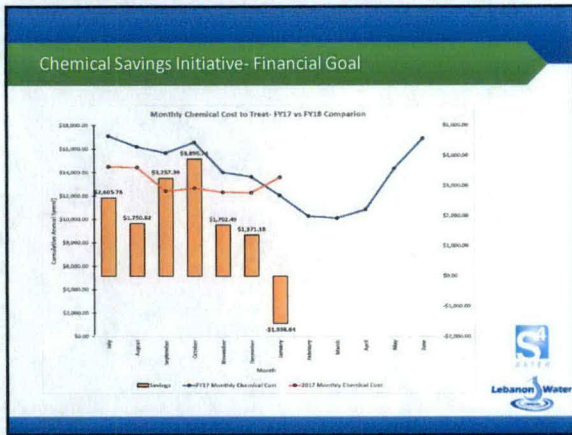
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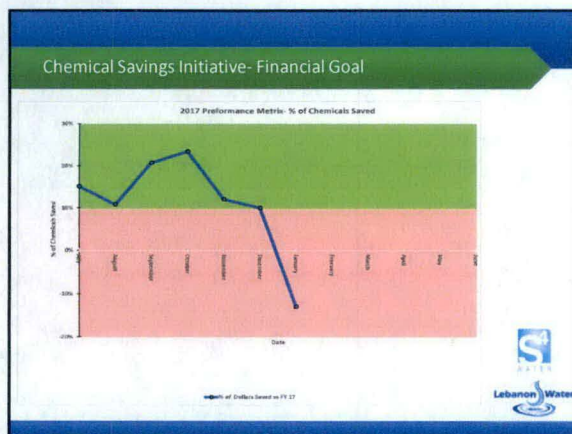
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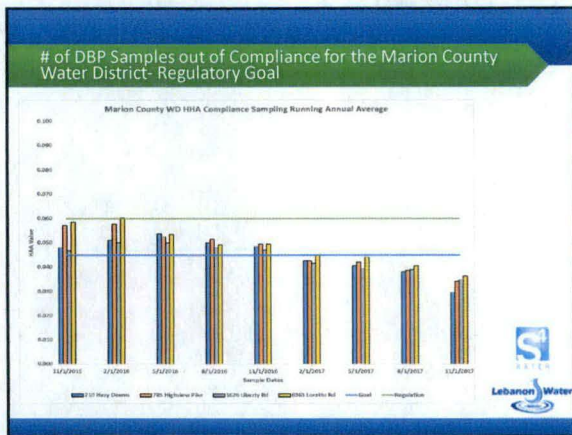
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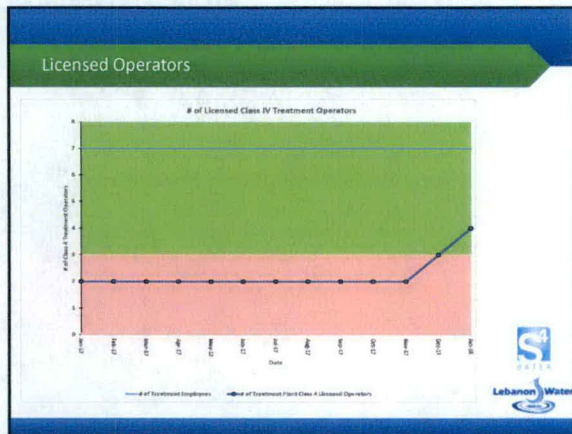
26



27



28



29

5 Year Capital Improvement Plan


Project	Estimated Project Cost	Total					
		PY 18	PY 19	PY 20	PY 21	PY 22	PY 23
Replace Automated Meter Reading System	\$170,000	\$170,000	\$170,000	\$170,000			
WTP Filter Backwash System & Filters	\$200,000	\$200,000	\$200,000	\$200,000			
WTP - Backwash System Construction Building	\$75,000				\$75,000		
WTP Flowrate Return Logrolls	\$50,000				\$50,000		
WTP - VFD on Raw Water Pumps	\$100,000	\$100,000					
WTP - Replace and M&C's	\$150,000				\$75,000	\$75,000	
Chemical & WTP on Town High Service Building	\$125,000	\$125,000	\$125,000	\$125,000			
Overburden System Water Quality Monitoring	\$75,000	\$75,000	\$75,000	\$75,000			
Office, Backwash Control System	\$60,000				\$750,000	\$750,000	
1- Bourdick & Long Ave & Oak St High	\$110,000		\$110,000				
2- Elm St & Water Ave	\$45,000	\$45,000					
3- College St	\$45,000			\$45,000			
4- W High St	\$130,000				\$130,000		
5- Pioneer Avenue Ave	\$30,000			\$30,000			
6- Public Reaction Rd	\$50,000	\$50,000					
7- Hwy 268 Water Delivery Substation	\$55,000			\$55,000			
8- Oak St/Neering Court	\$50,000			\$50,000			
North Precinct to M&C					\$60,000	\$60,000	
Harrison Ave to M&C					\$45,000	\$45,000	
Flow Meter	\$75,000	\$75,000	\$75,000	\$75,000			
Backflow	\$75,000				\$75,000		
Totals	\$2,270,000	\$465,000	\$470,000	\$485,000	\$480,000	\$480,000	

Lebanon Water



30

Delivery & Evaluation

The Message Should be Communicated Clearly-
Do your Staff & Board Understand the "Health" of the Utility?



Evaluating the Goals & Continuous Training



31

In Review- Tell Them What You Told Them

Effective Communication is the Key to Team Success

- Getting Receivers to Buy In and Become Senders
- Using Data to Prove Your Point
- What are the consequences if you don't listen, react or comply?
- Do You Have Sufficient Data or Verification to make an intelligent Decision?
- Using Various forms of mediums to get your attention.



32

QUESTIONS or Comments?



Lebanon Water Works Co.
270-692-2491
Daren Thompson 502-648-0927
Daren.Thompson@lebanonwaterworks.com
www.lebanonwaterworks.com

S4 Water Sales & Service
270-781-0617
Bob Cashion 270-790-2726
RKCashion@S4Water.net
www.s4water.net

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"It's not what you know, it's knowing where to find what you need."




33

OLDHAM COUNTY
water DISTRICT

**WATER COMMISSIONER
TRAINING**

March 10, 2020




1

Hot Legal Topics

March 10, 2020

Damon R. Talley, General Counsel
Kentucky Rural Water Association, Inc.
Stoll Keenon Ogden PLLC
damon.talley@skofirm.com
270-358-3187



2

DISCUSSION TOPICS

1. Notice to PSC
2. Franchises & Contracts
3. Sovereign Immunity
4. Filed - Rate Doctrine 101
5. Open Meetings Act

Continued . . .

3

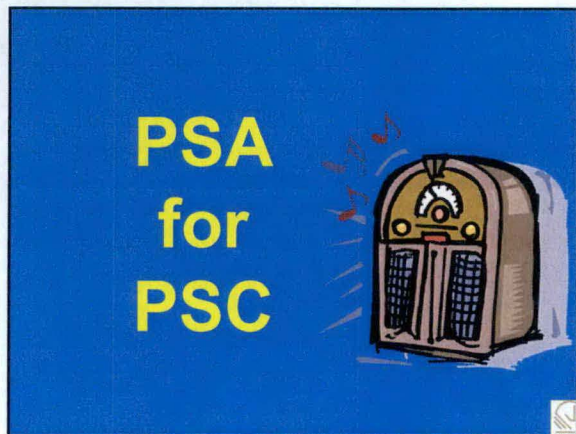
DISCUSSION TOPICS

6. Borrowing Money
7. 2019 General Assembly
8. Recent PSC Orders
9. Cases to Watch

4



5



6

Reporting Requirements

- Must Notify PSC if . . .
 - Vacancy Exists
 - Appointment Made
- When? Within 30 Days

7

Vacancy

- Inform CJE 60 Days Before Term Ends (KRS 65.008)
- CJE / Fiscal Court – 90 Days
- Then, PSC Takes Over
 - CJE Loses Right To Appoint

8



9

E-Mail Address Regs.

- All PSC Orders Served by E-mail
- Duty to Keep Correct E-mail Address on file with PSC
 - Default Regulatory E-mail Address
- Duty to List E-mail Address in Application & All Other Papers
 - Utility Official
 - Its Attorney



10

E-Mail Address

- Who is Covered?
 - Water Districts
 - Water Associations
 - Investor Owned Utilities
 - **Municipal Utilities**



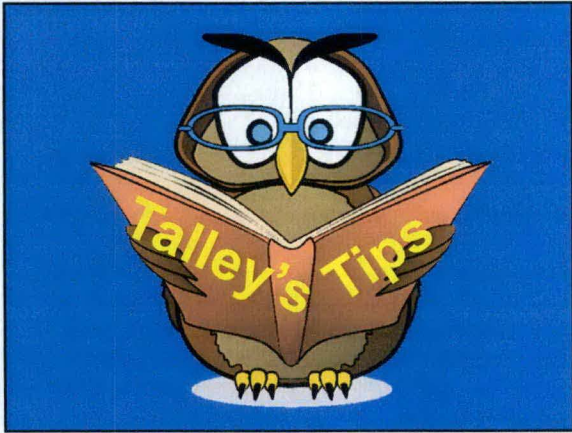
11

Why Municipals?

- Contract Filing
- Tariff Change (Wholesale Rate)
- Protest Supplier's Rate Increase
- Acquiring Assets of Another Utility
- Avoid Delays



12



13

Default Regulatory E-mail Address

- Send E-mail to PSC
 - psc.reports@ky.gov
- Send Letter to PSC
 - Gwen R. Pinson,
Executive Director

14

**Franchises
and
Contracts**

15

LEGAL ISSUE
40-year
Water Supply Contract
Between 2 Water Districts
Valid or Invalid

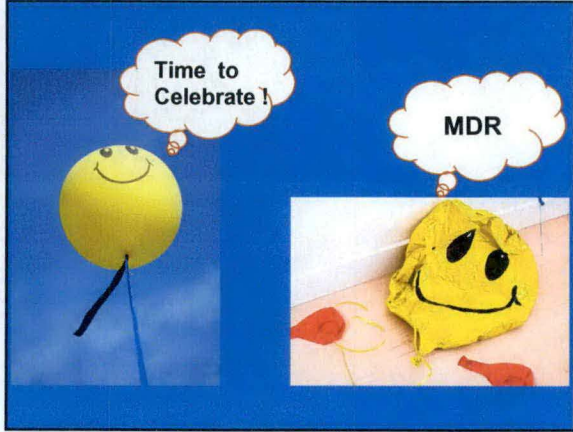
- Why? Contract = Franchise
- Over 20 Years
- Basis: Kentucky Constitution Section 164

16

Court of Appeals
Crittenden-Livingston WD
vs.
Ledbetter WD

Case No. 2017-CA-000578
Oral Argument: 4-24-18
Decided: 8-17-18
Holding: No Franchise

17



18

Ky. Supreme Court
Ledbetter W.D.
vs.
Crittenden-Livingston WD
Case No. 2018-SC-000494-DG
Motion DR: 09-12-18
DR Granted: 02-07-19
Brief Filed: 04-02-19
Amicus Tendered: 04-16-19

19

Ky. Supreme Court
Ledbetter W.D.
vs.
Crittenden-Livingston WD
Amicus Brief Filed: 05-03-19
C-L's Brief Filed: 05-31-19
Reply Brief Filed: 06-10-19
Oral Arguments: ??-??-??
Decided: ??-??-??

20

Why?

- 340 Water Utilities
- 169 WTPs
- 50% Buy Water
- Need Water Supply Contract
- Long Term

...

21

How Long Is Long Term?

- Lender
 - RD: 40 years
 - KIA: 20 or 30 years
 - Bonds: Length of Bonds



22

Significance

- If Franchise . . . 20 Year Limit
 - Can't Borrow \$ from RD
 - Other Sources – Only if < 20 years
 - KIA
 - Bonds
 - KRWFC



23

Court of Appeals @ Page 4

A **franchise** is generally defined as a **right or privilege granted by** a sovereign power, government or a governmental entity **to a party to do some act which such party could not do without a grant from the government.** A franchise is a grant of a right to use public property or at least the property over which the granting authority has control.



24

C/A Holding

- Contract Not Franchise
- Section 164 N/A
 - Longer Than 20 Years
 - No Advertising

25

What's Next?

- Decision Not Final
- Ky. Supreme Court
 - Oral Arguments ? ? ?
 - Decision ? ? ?

26

KRWA's Role


- Filed Amicus Brief in C/A & S/C
 - "Friend" of Court
- Protect Validity of Contracts
- Protect Ability to Obtain \$

27

Sovereign Immunity

28

The King Can Do No Wrong

A cartoon illustration of a king with a long white beard, wearing a crown and a red and white robe with a blue tunic underneath. He is standing with his hands on his hips.

29

Campbell County Case
Kate Carucci
vs.
Northern Ky. WD
Circuit Court
Case No. 2016 - CI - 00476
Decided: 04-12-17
Ruling: Case Dismissed
Why? S/I Defense

30

Court of Appeals
Kate Carucci
vs.
Northern Ky. WD
Case No. 2017-CA-000941-MR
Decided: 01-18-19
Holding: Abolished S/I
For Water Districts

31



32

Ky. Supreme Court
Northern Ky. WD
vs.
Kate Carucci
Case No. 2019-SC-000105-DG
Motion DR: 02-19-19
Response: 03-21-19
DR Granted: 08-29-19
Affirmed: 08-29-19

33

Court of Appeals
South Woodford WD
vs.
Byrd
352 S.W.3d 340 (Ky. App. 2011)
Holding: WD Immune from
Negligence Suit
Because of S/I

34

Supreme Court
Coppage Construction Co., Inc.
vs.
Sanitation District No. 1
459 S.W.3d 855 (Ky. 2015)
Holding: SD Not Entitled to
S/I Because It Was
Not a County-Created Entity

35

Ky. Supreme Court
Northern Ky. WD
vs.
Kate Carucci
DR Granted: 08-29-19
Decided: 08-29-19
Holding: No S/I for
W.D.

36

Ky. Supreme Court
Northern Ky. WD
vs.
Kate Carucci
KRWA Affidavit: 09-16-19
Pet. Rehearing: 09-18-19
Oral Arguments: ??-??-??
Decided: ??-??-??

37

C/A Holding

- O/R South Woodford Case
- No S/I for W.D.
- Adopted by Sup. Court
- Providing Drinking Water
Is NOT Integral State Function

38



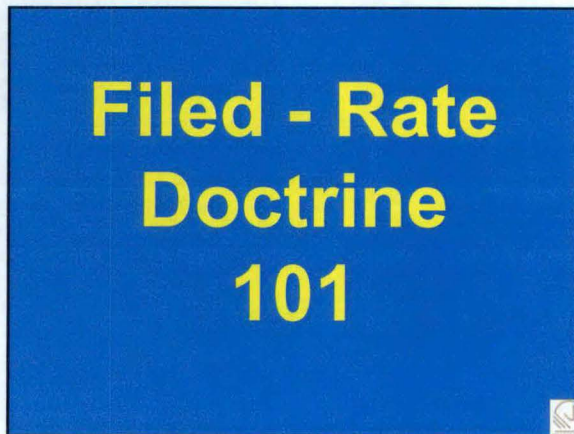
39



40



41




42

Filed – Rate Doctrine

- **Definition:** No utility shall charge a greater or less rate for any service than the rate contained in its filed schedules (Tariff).


KRS 278.160



43

Filed – Rate Doctrine

- Application - 2 Aspects
 1. If it is in your Tariff, you **must** charge it.
 2. If it is **not** in your Tariff, you can **not** charge it.




44

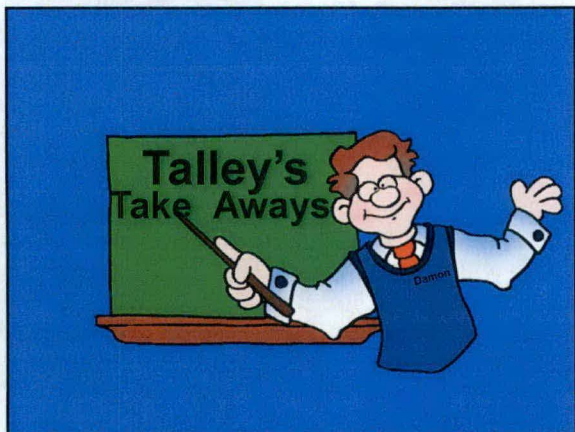
Filed – Rate Doctrine

Requires Filing of:

- Rates
- Rules & Conditions of Service
- **Contracts**



45



46

Filed – Rate Doctrine

- File Wholesale Contracts with PSC
 - War Stories (2)
 - Length of Contract
 - Buy All Water
- Check PSC Website When You Return

47

Open Meetings Act

48

Attending Board Meeting Via Skype

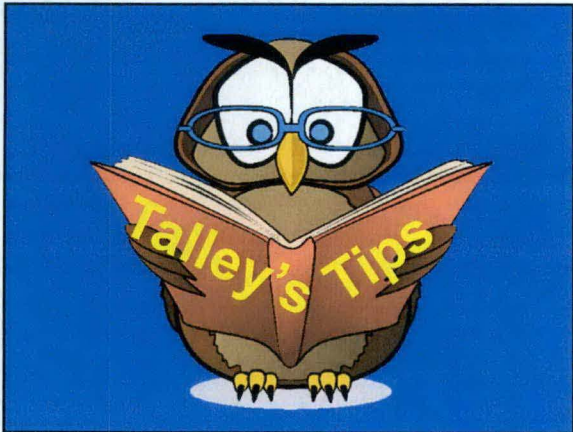
- KRS 61.826 Amended: 2018
- Now Easier to Conduct Meeting via Video Teleconference (VTC)
 - All Meetings
 - Board Member Attend Remotely
 - Count in Quorum Call
 - Fully Participate
 - More Than One

49

Special Rules - VTC

- Identify Primary Location
- Everyone Must Be Able to **See** and **Hear** Everyone Else
- Notice Requirements
 - Meeting Will Be VTC
 - Primary Location

50



51

Notice of VTC Meetings

1. Regular Meetings
 - Adopt Schedule (61.820)
 - Some or All of the Regular Meetings Will Be VTC
 - Primary Location at _____
 - Public May Attend at Primary Location



52

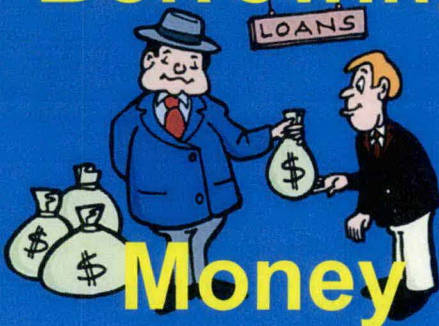
Notice of VTC Meetings

2. Special Meeting
 - Normal Rules (61.823) Plus
 - May Be VTC Meeting
 - Primary Location at _____
 - Public May Attend at Primary Location
3. Minutes
 - Comm. _____ Attended via VTC



53

Borrowing



54

KRS 278.300(1)

No utility shall issue any securities or evidences of indebtedness . . . until it has been authorized to do so by order of the Commission.

55

Practical Effect

- Must Obtain PSC Approval Before Incurring Long-term Debt (Over 2 Years)
- Exception:
 - 2 Years or Less
 - Renewals
 - (3 X 2 = 6 Years)
 - (6 X 1 = 6 Years)

56



Violation

57

Show Cause Cases

58

Show Cause Case # 3

Case No. 2017 - 469
Opened: 01- 11 - 2018
Hearing: 02 - 27- 2018
Issue: KRS 278.300
Decision: 09 - 17 - 2018

59

Show Cause Case # 3

This is the **third** case in the last year and a half involving a show cause order against a water district utility and/or its commissioners for violating KRS 278.300 by obtaining a loan, the term of which is in excess of two years, without prior approval of the Commission. To date the Commission has **assessed, but not sought, to collect** civil penalties against individual water district commissioners for essentially two reasons.

(Continued)

60

Show Cause Case # 3

First, the Commission's goal has been to obtain **compliance** with the requirements of the statute and not to exact a penalty and, **second**, the Commission was determined to **send a message** to these utilities and their local commissioners that they were out of compliance and **future violations** could result in **individual penalties** as well as a **separate penalty against the utility**.

(Continued)

61

Show Cause Case # 3

The Commission also intended to place **all other water districts on notice** that obtaining loans in violation of KRS 278.300 could subject both the utility and its commissioners to civil penalties, and **to provide fair notice that strict enforcement could be expected in future cases**.

62

Show Cause Case # 3

Water districts and their commissioners are hereby put on **final notice** that unauthorized debt incurred after the date of this order may well result in **substantial** civil penalties being **assessed and collected against both** in future show cause cases.

Pages 7 and 8 of Order

63

Show Cause Case # 3

- District Fined \$2,500
 - Pay \$500
 - \$2,000 Suspended
 - Good Behavior
 - One Year
- Commissioner Matthews Dissented

64

Show Cause Case # 3

- Commissioners Fined \$2,000
 - Pay Zero
 - Entire \$2,000 Suspended
 - Good Behavior
 - One Year
- 12 Hours Training

65

Show Cause Case # 3

- Develop Written Policy
 - Borrow \$
 - Hire Lawyer
- Adopt Policy
- File Policy with PSC

66

2019 Show Cause Cases

- WD # 1
 - All Commissioners Resigned
 - General Manager Resigned
 - PSC Dismissed Case

67

2019 Show Cause Cases

- WD # 2
 - Commissioners Settled with PSC
 - \$500 Fine (suspended)
 - 12 Hours Training Per Year
 - WD Not Fined
 - See Timeline

68

Timeline

09-27-17	Staff Report
01-11-18	Show Cause Order
02-27-18	Hearing (Rescheduled)
04-08-19	Offer of Settlement
06-19-19	Order Accepting Offer of Settlement

69

2019 General Assembly

70

- ### Notable Bills (6-27-19)
- SB 129 – Ky. 811 - Defeated
 - SB 256 – CPCN Exemption
KRS 278.020
(1)(a)(2)&(3)
 - HB 26 – Procurement
\$30,000

71

Recent PSC Orders

72

PSC Case No. 2019 - 044

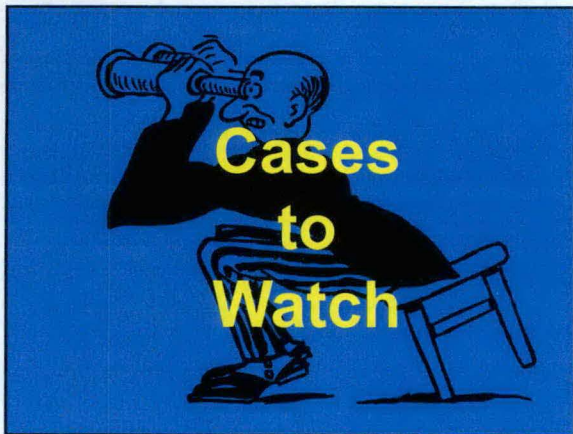
Filed: 3-27-2019
Utility: Meade County WD
Type: ARF
Issue: ARF vs. PWA
Rate Increase
Decided: 4-09-2019

73

PSC Case No. 2018 - 166

Filed: 5-29-2018
Utility: Hardin Co. WD No. 1
Type: Deviation
Issue: Daily Inspection of
Sewer Lift Stations
Decided: 3-08-2019

74



75

PSC Case No. 2019 - 115

Filed: 4-11-2019
Utility: Grayson Co. WD
Type: Deviation
Issue: 15 Year Meters
Sample Testing
Decided: Pending

76

PSC Case No. 2019 - 080

Filed: 02-21-2019
Seller: Pikeville
Buyer: Mountain WD
Type: Municipal Wholesale
Rate increase
Hearing: 09-11-2019
Decided: Pending

77

PSC Case No. 2019 - 080
(continued)


Issues:

- COSS: M1 vs. M54 Manual
- Discovery
- Rate Case Expense

78

PSC Case No. 2018 - 394


Filed: 12-18-2018
Utility: All Water Utilities
Type: Investigation
Issue: Water Loss, Measuring,
& Reporting



79

PSC Case No. 2019 - 041

Filed: 03-12-2019
Utility: 12 Water Utilities
Type: Investigation
Issue: Excessive Water Loss
Hearings: 11 Separate Hearings




80


QUESTIONS?

damon.talley@skofirm.com
270-358-3187




81




OLDHAM COUNTY
water DISTRICT

**WATER COMMISSIONER
TRAINING**

March 10, 2020



1




**STOLL
KEENON
OGDEN**

**ALL YOU EVER WANTED TO
KNOW ABOUT DEPRECIATION
.... AND THEN SOME**

Katelyn Brown
Stoll Keenon Ogden PLLC
katelyn.brown@skofirm.com
(502) 568-5711

2




**STOLL
KEENON
OGDEN**

ORDER OF PRESENTATION

- What is Depreciation?
- What Does it Mean to "Fully Fund" Depreciation?
- Consequences of Not Fully Funding Depreciation
- Reading Financial Statements


3



ORDER OF PRESENTATION


- PSC Concerns with Depreciation
- Analysis of Various WDs and Cities
- How to Increase or Improve Depreciation Funding

4



WHAT IS DEPRECIATION?

5



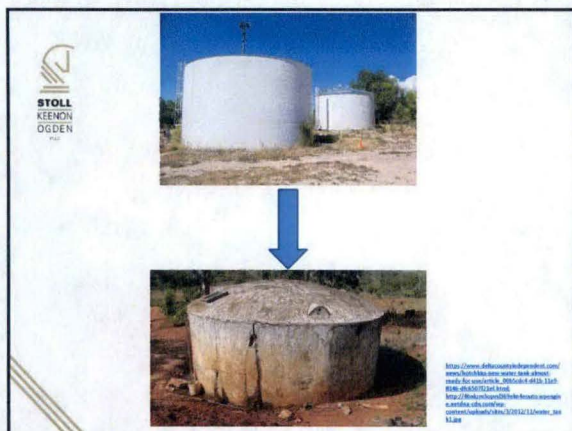
Definition of Depreciation

- The process of allocating the cost of a utility plant asset to expense over its service (useful) life in a rational and systematic manner
- Think of initial capital investment as a prepaid expense with a portion of that expense systematically recorded as Depreciation Expense in subsequent accounting periods


6



7




8



Why is Depreciation Important?

- Although non-cash, depreciation expense creates cash flow in regulated entities (like WDs & WAs) and municipal utilities
- Informs management, creditors, investors, and others of the utility's cost of operating
- Helps to more accurately match revenues with expenses
- Who determines your utility's depreciation?


9



Typical Ways that Useful Lives are Determined


- Rural Development (RD)
- Kentucky Infrastructure Authority (KIA)
- CPA
- Engineer
- PSC (NARUC Guidelines)
- Board

10



WHAT DOES IT MEAN TO “FULLY FUND” DEPRECIATION?


11



“Fully Funding” Depreciation means....


- Setting aside cash equivalent to the utility's annual depreciation expense in order to purchase replacement assets in the future
- Set aside in a safe investment (CD or money market account)

12



CONSEQUENCES OF NOT FULLY FUNDING DEPRECIATION


13



Not Fully Funding Depreciation will....

- Cause the utility to have to borrow \$\$ to purchase the replacement asset
- Cause the utility to seek outside funding (added interest)
- Cause the utility to use funds budgeted for other purposes

14



READING FINANCIAL STATEMENTS

15

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION			
YEARS ENDED DECEMBER 31, 2018 AND 2017			
	2018	2017	
OPERATING REVENUES:			
Water sales	\$ 11,458,174	\$ 13,040,932	
Other operating income	802,811	639,782	
TOTAL OPERATING REVENUES	12,260,985	13,680,714	
OPERATING EXPENSES:			
Power purchased	878,260	808,228	
Purchased water	772,882	802,824	
Pumping and treatment labor	1,365,183	1,291,392	
Purification supplies and expense	823,771	838,287	
Transmission and distribution labor	1,887,879	1,888,446	
Transmission and distribution supplies and expense	548,776	574,767	
Transmission and distribution maintenance and repairs	79,388	72,363	
Transmission and distribution equipment	17,253	5,614	
Equipment rental	165,722	151,224	
Transmission supplies	187,891	179,874	
Water treatment maintenance and expense	3,088,233	2,878,888	
General and administrative expense	2,853,859	2,835,482	
Depreciation	11,987,698	10,463,886	
TOTAL OPERATING EXPENSES	26,412,369	23,993,874	
OPERATING INCOME	(14,151,384)	(10,313,160)	
NON OPERATING REVENUES (EXPENSES):			
Investment income	268,808	669,726	
Other income	592,258	546,386	
Gain on disposal of capital assets	21,144	20,079	
Loss on acquisition of	(173,491)		
Investment in long-term debt	(651,748)	(673,888)	
Amortization of issue costs and utility acquisition	(29,812)	(17,876)	
TOTAL NON OPERATING REVENUES (EXPENSES)	(125,742)	(58,581)	
CAPITAL CONTRIBUTIONS	39,813,182	851,238	
CHANGE IN NET POSITION	13,612,541	3,971,149	
NET POSITION, beginning of year	77,872,867	73,899,638	
NET POSITION, end of year	\$ 91,485,408	\$ 77,870,787	

16


STATEMENTS OF CASH FLOWS			
YEARS ENDED DECEMBER 31, 2018 AND 2017			
	2018	2017	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 14,148,328	\$ 13,242,491	
Payments to utilities	(8,708,548)	(8,281,155)	
Payments to employees	(3,857,886)	(3,517,443)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,581,894	1,443,893	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of investments	(881,000)	(881,000)	
Proceeds from bonds	2,394,029	—	
Principal payments on notes	(282,423)	(243,878)	
Acquisition of capital assets	(13,723,889)	(6,872,131)	
Contributions in full of capital stock	3,380,442	895,426	
Interest on long-term debt	(481,748)	(572,888)	
Redeem of capital assets	71,144	(38,682)	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(14,023,873)	(7,011,149)	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(11,917)	(464,782)	
Other income	198,780	548,789	
Investment income	883,130	883,882	
NET CASH PROVIDED BY INVESTING ACTIVITIES	869,793	967,899	
NET INCREASE IN CASH AND CASH EQUIVALENTS	478,814	(500,357)	
CASH AND CASH EQUIVALENTS, beginning of year	3,888,232	4,408,631	
CASH AND CASH EQUIVALENTS, end of year	\$ 4,367,046	\$ 3,908,274	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 2,453,186	\$ 2,339,874	
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	8,022,942	7,619,442	
Provision for bad debts	48,537	48,001	
Change in accounts receivable	(4,477,985)	(176,386)	
Increase (decrease) in accounts payable	(52,226)	3,789	
Increase (decrease) in deferred revenue payable	809,482	19,121	
Increase (decrease) in customer deposits	(14,719)	27,283	
Increase (decrease) in accrued liability	14,880	4,021	
Increase (decrease) in accrued liability	(2,885)	(2,541)	
Increase (decrease) in non-current liabilities	(72,876)	(12,902)	
Increase in self-insurance payable	27,252	3,967	
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,789,111	\$ 6,184,873	

17

Financial Statements


- Depreciation Expense is an Income Statement account
 - But Income Statement only accounts for Interest Expense, does not take into account the principal of loans/bonds that must be paid
- Accumulated Depreciation is a Balance Sheet account
 - Shown on Statement of Net Position
- Statement of Cash Flows
 - Reflects principal payments

18



PSC CONCERNS WITH DEPRECIATION


19



The PSC is concerned with:


- Long-term financial health of utilities
- Utility's aging infrastructure
- Frequency of rate cases

20



ANALYSIS OF VARIOUS WATER DISTRICTS AND CITIES

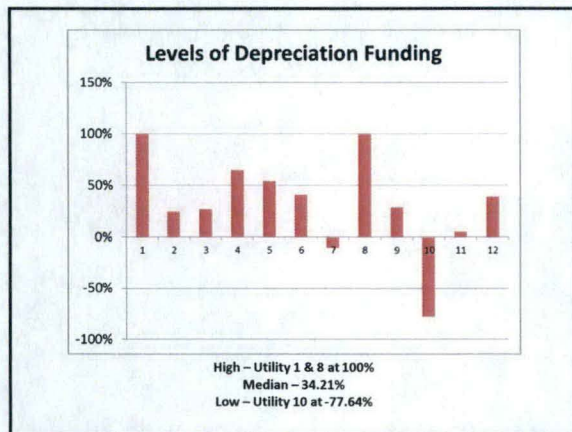
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Analyzed 12 WDs and Cities

- Labeled utilities #s 1-12 for anonymity
- Based on 2018 numbers
- Looked at:
 - Level of Depreciation Funding (% and \$)
 - # of customers
 - Depreciation Expense compared to other operating expenses
 - \$ of Debt Service Expense (P & I) and Debt Service Coverage

22




23



Utility	Depreciation Expense
1	\$ 941,370
2	\$ 390,702
3	\$ 576,885
4	\$ 404,238
5	\$ 272,221
6	\$ 309,108
7	\$ 923,626
8	\$ 2,935,452
9	\$ 151,146
10	\$ 404,363
11	\$ 228,085
12	\$ 217,039

High – Utility 8 at \$2,935,452
 Median - \$397,470
 Low – Utility 9 at \$151,146


24



Utility	Customer Count
1	8,285
2	3,436
3	4,625
4	3,391
5	5,158
6	7,348
7	6,855
8	26,878
9	3,517
10	3,785
11	2,663
12	1,180

High – Utility 8 at 26,878
 Median – 4,205
 Low – Utility 12 at 1,180


25



Depreciation Expense Compared to Other Operating Expenses

- For 9 of 12 of the WDs and cities analyzed, Depreciation Expense was either the highest operating expense or 2nd highest operating expense behind Water Purchased


26



Debt Service Expense vs. Debt Service Coverage

- Bond Ordinance or Bond Authorizing Resolution dictates the DSC
- Different funding agencies have different DSC requirements
 - KIA: 1.1
 - RD: 1.2
 - Some cities: 1.25 or higher
 - LWC: 1.5

27



Utility	Debt Service Expense	Debt Service Coverage
1	\$ 1,312,780	\$ 262,556
2	\$ 189,317	\$ 37,863
3	\$ 331,621	\$ 66,324
4	\$ 213,469	\$ 42,694
5	no debt	no debt
6	no debt	no debt
7	\$ 1,129,780	\$ 225,956
8	\$ 1,674,372	\$ 334,874
9	\$ 70,701	\$ 14,140
10	\$ 314,767	\$ 62,953
11	\$ 78,531	\$ 15,706
12	\$ 95,231	\$ 19,046

Debt Service Coverage
 High – Utility 8 at \$334,874
 Median - \$40,279
 Low – Utility 9 at \$14,140


28



How to Increase or Improve Depreciation Funding

- Create a separate fund in which to deposit depreciation expense for future replacement of utility assets
 - FDIC concerns
- Evaluate whether or not you need to request a rate increase
- Discuss useful life of assets with the person/entity who decides your annual Depreciation Expense

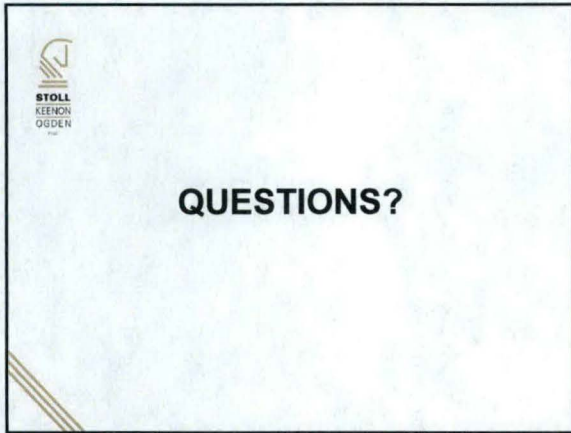
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CONCLUSION/SUMMARY

- Evaluate your own water utility's depreciation practices
- Determine whether or not current rates are sufficient
- Board Commissioners/Members must be good stewards

30




31

OLDHAM COUNTY
water DISTRICT

**Duties & Responsibilities
of Board Members**

March 10, 2020



1

**Duties &
Responsibilities of
Board Members**

Damon R. Talley, General Counsel
Kentucky Rural Water Association, Inc.
Stoll Keenon Ogden PLLC
damon.talley@skofirm.com
270-358-3187



2



3



4



5

DISCUSSION TOPICS

1. Paying Bills
2. Budget
3. Borrowing Money
4. Board Meeting
5. Indemnification

Continued . . .

6

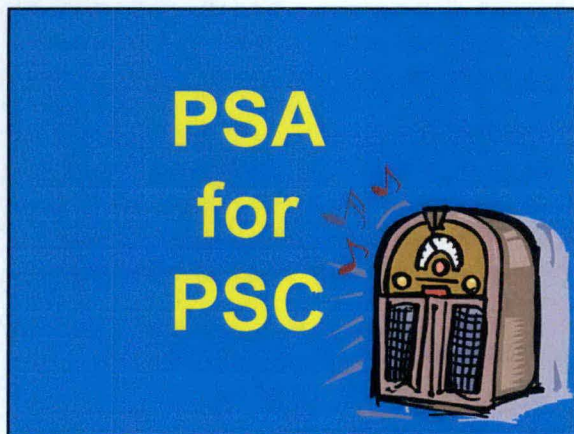
DISCUSSION TOPICS

- 6. Oversight Role
- 7. Auditor's Recommendations
- 8. Specific Duties

7



8



9

Reporting Requirements

- Must Notify PSC . . .
 - After Vacancy
 - After Appointment
- When? Within 30 Days

10

Vacancy

- Inform CJE 60 Days Before Term Ends (KRS 65.008)
- CJE / Fiscal Court – 90 Days
- Then, PSC Takes Over
 - CJE Loses Right To Appoint

11

Paying Bills



12

Paying Bills

- KRS 74.050 Handout
- Board Adopts Policy
- Minimum Requirement
 - Treasurer and
 - One Other Commissioner

13

Paying Bills

- Who Signs Checks?
 - KRS Is Silent
 - Board Has Discretion
- One or Two Signatures?
- Review by Full Board

14

Budget

15

Budget

- Required by KRS 65A.080(1)
- Post on DLG Website
- Periodic Review of Budget
- Amend as Necessary
- Post Amended Budget on DLG Website

16

Budget

“No moneys shall be expended from any source except as provided in the originally adopted or subsequently amended budget.”

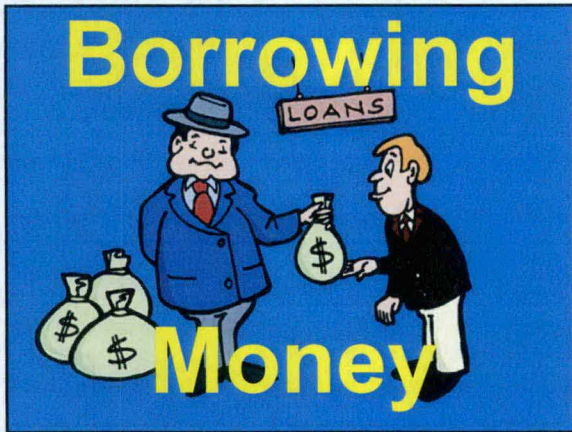
KRS 65A.080(1)

17

Budget

- Review Actual \$ to Budget \$
- Amend Budget if Needed
- When?
 - October Meeting
 - December Meeting
- Upload to DLG Website

18



19

KRS 278.300(1)

No utility shall issue any securities or evidences of indebtedness . . . until it has been authorized to do so by order of the Commission.

20

Practical Effect

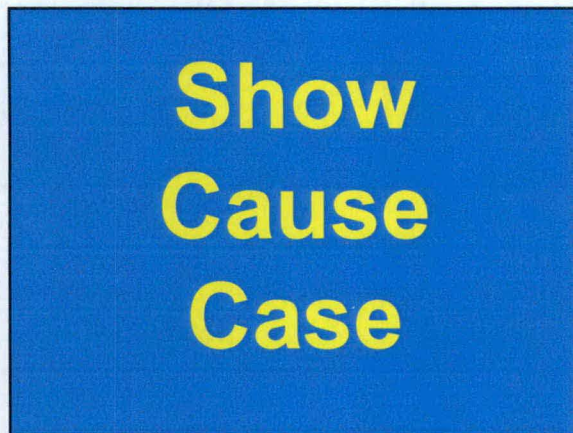
- Must Obtain PSC Approval Before Incurring Long-term Debt (Over 2 Years)

- Exception:
 - 2 Years or Less
 - 2 Renewals
(3 X 2 = 6 Years)

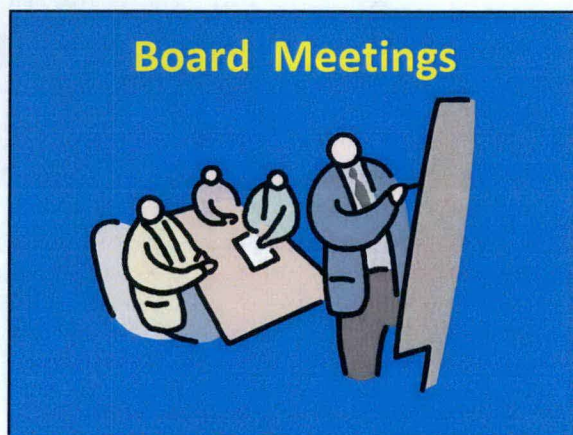
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22



23



24

Board Meetings

- Preparing for . . .
- Conducting . . .
- Documenting . . .
(Minutes)

25

Regular Meetings

- Adopt a regular meeting schedule
 - Set time, date and location
- Inform the Media (radio, print, television)
- Inform the Public (bills, website, newsletter)

26

**Preparing
for
Meetings**

27

“Give me six hours to chop down a tree and I will spend the first four sharpening the axe.”

Abraham Lincoln

28

Preparing for Meetings

- Develop an Agenda
 - Chairman
 - Manager
- Prepare an Information Packet for Board Members
 - Delivered in advance (between two days and one week)

29

Board Packet

- Contents
 - Meeting Agenda
 - Minutes of prior meeting
 - Operational, Managerial & Financial Reports
 - Other information

30

Conduct of Meetings

- Follow the Agenda
- Use Parliamentary Procedure
- Voting by Chairman or President
- Abstaining from Voting
- Public Comments
- Closed (Executive) Session

31

ABSTAINING FROM VOTING

32

WHY Abstain?

- Avoid conflict of interest
- Avoid being removed from office for violating KRS 74.020(3)
(Participating in official action which results in direct financial benefit to Commissioner)
- Avoid appearance of impropriety

33

HOW to Abstain

1. Alert Chairman or Presiding Officer in advance
2. Announce intent to abstain and a brief reason as soon as Chairman announces the agenda item [**Disclose Conflict**]
3. Leave the room before discussion starts

Cont.

34

HOW to Abstain ...

4. Stay out of the room until **AFTER** vote has been taken and announced
5. Follow-up with Secretary to ensure that Minutes disclose your conflict and document your abstention

35

Duties of a Board

1. Specific
2. General

36

Example of Specific Duties

- Adopt Budget
- Periodically Review Budget
- Amend Budget as Necessary

37

General Duties of a Board

1. Oversight
2. Oversight
3. Oversight

38

Oversight

- Method
 - Stay Informed
 - Adopt Policies
 - Require Reports

39

Reports

- Different Types
- Tailored to Fit
- Board Action Required?

40

Types of Reports

- Financial
- Operational
- Managerial
- Other

41

Financial Reports

- Check Register
- Monthly Income & Expense
 - Debt Service Transfer
 - Depreciation Transfer
- Comparisons & Trends
 - Prior Year
 - Budget
- Balance Sheet

42

Operational Reports

- Water Production (Purchases)
- Line Loss
- New Customers
- Turn-Offs
- Others

43

Managerial Reports

- Safety
- Human Resources
- Special Projects
- Policy Implementation
- Others (e.g. Overtime Hours)

44

Reports Tailored to Fit

- Line Loss
 - Actual Cost in \$
- Specific Needs
- Understandable
- You Are The Boss

45

Board Action Required?

- Usually Not
 - Manager Presented
 - Board Received
- Sometimes Yes
 - Audit
 - Committee Report

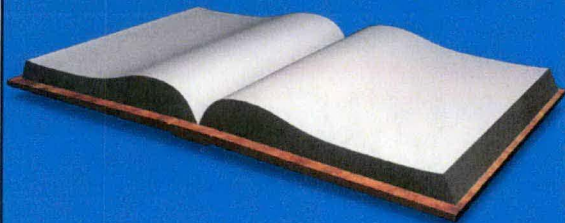
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Special Meetings

- Who calls a special meeting?
- Notice of meeting
 - Board Members, Media, General Public
- Agenda – action limited to agenda items
- How much advance notice is required?

47

MINUTES



48

What Are MINUTES?

- Official Record
- Much, Much More . . .

49

Excerpt From Minutes

"Motion was made by Commissioner X and seconded by Commissioner Y to hire Commissioner Z to perform water line inspections on the Knob Hill Project at an hourly rate of \$20."

50

AN OUNCE
OF
PREVENTION = A POUND
OF CURE



51

Board Minutes

- A Board "speaks only through its minutes."
- War Stories:
 - Ownership of water line and service of disputed territory
 - Careless Conversations

52

Preparation of Minutes

- Who prepares minutes?
 - Board Secretary or Staff
- Who edits minutes?
 - Staff or legal counsel
- Are meetings recorded on audio and/or video?
- Signing of Minutes
- Approval of Minutes

53

ADJOURNMENT

There being no further business to come before the meeting, motion was made by Commissioner Steven Douglas and seconded by Commissioner Henry Clay to adjourn the meeting. Motion carried unanimously.

Respectfully submitted,

BY: _____
Henry Clay, Secretary
ABRAHAM LINCOLN WATER DISTRICT

DATE APPROVED: _____

BY: _____
Jefferson Davis, Chairman

54

Approval Of Minutes

I hereby certify that the foregoing Minutes were duly approved by the Board of Commissioners of the Abraham Lincoln Water District at a meeting held on the date shown below:

ABRAHAM LINCOLN WATER DISTRICT
BY: _____
JEFFERSON DAVIS, CHAIRMAN
DATE APPROVED: _____

55

Board Minutes

A complete set of APPROVED Minutes SHALL be maintained at the utility office for inspection by the general public, regulators, customers, and the media.

56

Board Minutes

When are the Minutes considered in "final form" and available for public inspection?

**After Approval at
Next Meeting**

57

Resolution

- Resolution vs. Minutes
 - Time is of Essence
 - Bond Resolution
 - Rate Increase
 - 3rd Party Needs Copy
 - Avoid Incrimination

58

Minutes

What **MUST** Be Included?

- Board Member Attendance
- Official Actions

59

Minutes

What **SHOULD** Be Included?

- Board Member Attendance
- Acknowledge Guests (Visitors)
- Official Actions
- Acknowledge Receipt of Reports
 - PSC Inspection Report

Cont.

60

Minutes
What SHOULD Be Included?

- Summarize **Some** Discussions
- Toot Your Own Horn



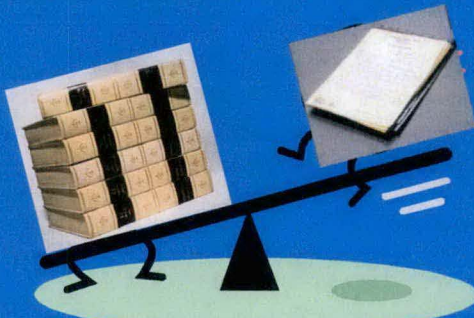
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Minutes
Tooting Your Own Horn

- Give Yourself Credit
 - "Best Tasting Water"
 - Wooden Bucket Award
 - AWOP Award
 - Governor's Safety Award

62

How much information **SHOULD** be included in the **MINUTES**?



63

Minutes

How MUCH is too MUCH?

- No definitive answer
- Art not a science

Cont.

64

Minutes ...

How MUCH is too MUCH?

- Guidelines . . .
 - Minutes are **NOT** a transcript
 - Minutes are **NOT** the Congressional Record
 - Include rationale for action taken if it might avoid lawsuit

65

“Conversations are **NOT official actions of the Board.”**

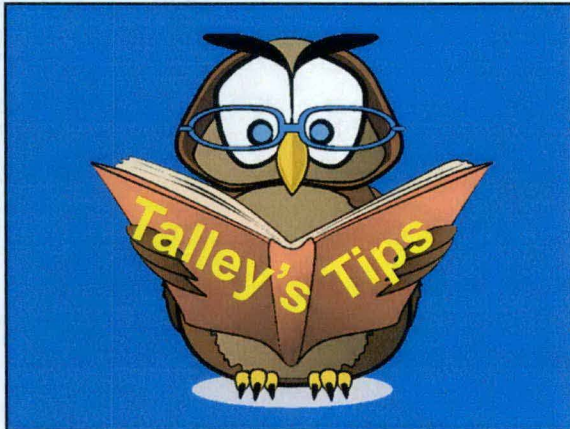
Virginia W. Gregg
Former PSC Staff Attorney

66

WHY Include Summary of Conversations in Minutes?

- Document Board's Due Diligence
(e.g. Use of safety equipment; Training of Staff re confined space entry)
- Document Board's Oversight Role
(e.g. Implementation of ID Theft Prevention Program)
- Avoid or Win Litigation

67



68

Talley's Tips

Prepare Minutes for a Reader ...

1. Who did not attend the meeting.
2. Who will not read the Minutes until at least one year later.
3. Who will access Minutes via www.

69

Indemnification

70

KRS 411.200 Immunity
Any person who serves as a director, officer, volunteer or trustee of a nonprofit organization . . . , and who is **not compensated** for such services on a salary or prorated equivalent basis, shall be **immune from civil liability** for any act or omission resulting in damage or injury . . . , if such person was acting in **good faith** and **within the scope** of his official functions and duties, **unless** such damage or injury was caused by the **willful or wanton misconduct** of such person.

71

Indemnification

- Adopt Resolution
- Hold Harmless
 - Legal Fees
 - Judgments
 - Fines
 - Court Costs

Handout

72

Indemnification


- Requirements
 - Good Faith
 - Best Interests of District
- Exceptions
 - Willful Misconduct
 - Wanton Misconduct

73

**Oversight
Role**

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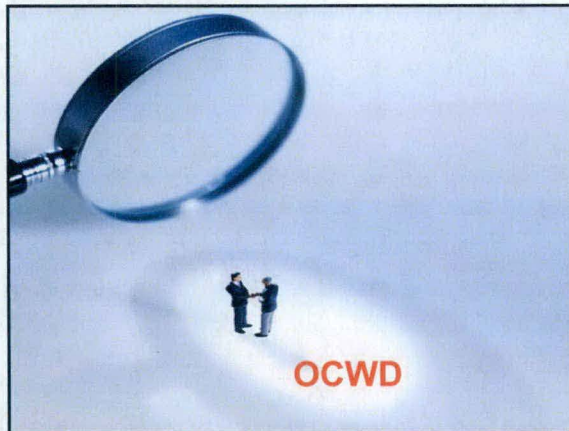
**AVOIDING THE
HEADLINES**



75



76



77



78

General Duties of a Board

1. Oversight
2. Oversight
3. Oversight

79

Oversight

- Good Board Members
 - Do **Not** Run the District
 - **See** That It Is Well Run
 - Avoid Making Day-to-Day Decisions
 - Give Friendly Counsel & Advice to Manager (CEO)

80

State Auditor's Role

81

New Sheriff in Town



82

AUDITOR OF PUBLIC ACCOUNTS

- ~~Crit Luallen~~
- ~~Adam Edelen~~
- Mike Harmon

83

Auditor's Recommendations

- When?
May 11, 2009 & Revised 3-4-10
- What:
 - Recommendations
 - Lessons Learned
- Applies to . . .
All Public & Nonprofit Boards

84

Auditor's Recommendations

- 32 Specific Recommendations:
 - Credit Card Policy
 - Lavish Gifts
 - Board's Oversight Role
 - Board Minutes
 - Many, Many More

85

Auditor's Recommendations

- Why Important?
 - Minimum Legal Standard
 - PSC Financial Examination
 - Minimum Practices from Industry

86

Auditor's Recommendations

- How?
 - www.auditor.ky.gov
 - www.krwa.org

Handout

87

Role of Commissioners

88

- ### Specific Duties of a Board
- Hire, evaluate and compensate a Manager (CEO)
 - Adopt Policies
 - Adopt and Amend Budgets
 - Adopt Long-range Plans
 - Adopt Rates, Rules & Regulations (Tariffs)

89

Individual Board Members...

... act in the best interest of the utility.

90

Specific Duties of Board Members

- Stay informed
- Attend meetings regularly
- Perform tasks assigned by Board
- Support decisions of the Board
- Keep Board matters confidential
- Avoid Conflict of Interest

91

Board Officers

Offices of a Water District

KRS 74.020(5)

- Chairman
- Vice Chairman
- Secretary
- Treasurer
- Others



92

Duties of Officers

Chairman

- Preside over meetings
- Prepare meeting agendas
- Call special meetings
- Execute documents approved by Board
- Perform other duties assigned by Board
- Approve Disbursements (KRS 74.050)
- Perform other duties specified in Bylaws

93

Duties of Officers

Vice Chairman

- No statutory duties (Water District)
- Preside over meetings in absence of Chairman
- Perform other duties assigned by Board
- Approve Disbursements (KRS 74.050)
- Perform other duties specified in Bylaws

94

Duties of Officers

Secretary

- Cause the Minutes of all meetings to be prepared
- Act as custodian of official records
- Authenticate official records
- Perform other duties assigned by Board
- Approve Disbursements (KRS 74.050)
- Perform other duties specified in Bylaws

95

Duties of Officers

Treasurer

- Cause all funds to be disbursed according to law and procedures adopted by Board (KRS 74.050)
- Perform other duties assigned by Board
- Perform other duties specified in Bylaws

96

Action By Individual Board Members Outside of Meetings

- Officers
- Other Board Members

97

Legal Standard of Care

The "PIG" Rule

If it seems "piggish" to you, it probably is!
...so keep your snout in your own trough!



98

Legal Standard of Care Water District

No statutory standard of care but the case law standard requires...

- Good faith
- Reasonable care and diligence
- Acting within the scope of authority

The statutory standard of care for water association directors is instructive for water districts and utility commissions.

99

Legal Standard of Care

Water Associations (KRS 273.215)

A Director shall discharge his duties:

- In good faith
- On an "informed basis"
- In the best interests of the Association

100

"Informed Basis" KRS 273.215(2)

A director shall be considered to discharge his duties on an informed basis if he makes, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, inquiry into the business and affairs of the corporation or into a particular action to be taken or decision to be made.

101

Legal Standard of Care

Reliance on Information KRS 273.215(3)

A director is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by:

- Officers or employees of the corporation whom the director honestly believes to be reliable and competent;

Cont.

102

Legal Standard of Care

Reliance on Information KRS 273.215(3)

- Legal counsel, public accountants or other experts as to matters the director honestly believes to be within that expert's area of expertise; or
- A committee of the board of directors of which he is not a member if the director honestly believes the committee merits confidence.

103

Legal Standard of Care

Exceptions may be made in instances where a director possesses special knowledge that indicates alternative action is prudent and necessary.

104



QUESTIONS?

damon.talley@skofirm.com
270-358-3187

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