

## HOUSE BILL No. 2282

By Committee on Energy and Utilities

2-5

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9 AN ACT concerning water districts; relating to lands annexed by cities;  
10 amending K.S.A. 12-527 and repealing the existing section.

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12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. K.S.A. 12-527 is hereby amended to read as follows: 12-  
14 527. (a) *Whenever a city annexes land located within a rural water district*  
15 *organized pursuant to the provisions of K.S.A. 82a-612 et seq., and*  
16 *amendments thereto, the boundaries of the district shall be redefined so*  
17 *as not to include any portion of the land annexed by the city. The docu-*  
18 *ment shall be filed by the city with the register of deeds and shall: (1)*  
19 *Define by metes and bounds including the boundaries of lands to be de-*  
20 *tached from the district; and (2) shall state the name of the district to*  
21 *which land is to be detached.*

22 (b) *Except as provided in subsection (d), whenever a city annexes land*  
23 *located within a rural water district organized pursuant to the provisions*  
24 *of K.S.A. 82a-612 et seq., and amendments thereto, the city shall ~~nego-~~*  
25 *~~tiate with the district to~~ acquire from such district title to all facilities*  
26 *owned by the water district and used for the transportation or utilization*  
27 *of water distribution to the water district benefit units within the area*  
28 *annexed by the city and the district shall sell the water distribution system*  
29 *to the governing body of such city for which such district shall be fairly*  
30 *compensated. Title shall vest in or become the property of the city upon*  
31 *payment by the city to the water district of the reasonable value of such*  
32 *property, as agreed upon by the governing body of the city and the board*  
33 *of directors of the district. If the district is unable to reach agreement*  
34 *with the city on The reasonable value shall be an amount mutually agreed*  
35 *upon by the parties, or for such facilities, then the reasonable value shall*  
36 *be determined in the following manner by applying the following*  
37 *formula:*

38 (1) The district and the city shall each select one qualified appraiser  
39 and the two appraisers so selected shall then select a third appraiser for  
40 the purpose of conducting appraisals so as to determine reasonable value  
41 of the property, facilities and improvements of the district annexed by  
42 the city.

43 (2) The ~~agreement or~~ decision of at least two of the three appraisers

1 shall be the fair market value presented ~~to~~ by the city for payment ~~and~~  
2 to the district ~~for acceptance~~.

3 (3) *The reasonable value shall be determined by such appraisers ap-*  
4 *plying the following formula:*

5 (A) *The depreciated replacement cost for the district's facilities in the*  
6 *territory in which the service rights have been terminated;*

7 (B) *the depreciated replacement cost for the district facilities outside*  
8 *the affected territory used in providing service to existing customers*  
9 *within the annexed area multiplied by the percentage of the district's total*  
10 *sales to existing customers in the affected area during the 12 months pre-*  
11 *ceding the effective date of the annexation;*

12 (C) *all reasonable and prudent costs of detaching the district facilities*  
13 *to be sold, including the reasonable costs of studies and inventories made*  
14 *to determine the facility's value and all reasonable and prudent costs of*  
15 *reintegrating the remaining water system facilities of the district supplier*  
16 *whose service rights are terminated;*

17 (D) *an amount equal to two times the net revenues received during*  
18 *the 12 months preceding the date of termination of the service rights from*  
19 *the customers within the annexed area of the district whose service rights*  
20 *are terminated; and*

21 (E) *an amount equal to the state and federal tax liability created by*  
22 *the taxable income pursuant to the provisions of this paragraph and par-*  
23 *agraphs (A), (B), (C) and (D) by the district whose service rights are*  
24 *terminated, calculated without regard to any tax deductions or benefits*  
25 *not related to the sale of assets covered pursuant to this section.*

26 (4) *If either the district or the city is dissatisfied with the decision of*  
27 *the appraisers, then ~~the district or the city may institute an action in the~~*  
28 *district court to challenge the reasonableness of the value determined by*  
29 *the appraisers after 60 days following the date of annexation either party*  
30 *may apply to the district court having jurisdiction where any portion of*  
31 *the facilities are located for determination of compensation. Such deter-*  
32 *mination shall be made by the court sitting without a jury.*

33 ~~(b)~~ (c) *The compensation required by this section shall be paid to the*  
34 *district whether or not the city actually utilizes the facilities of the district*  
35 *for the delivery of water to property within the city and shall be paid at*  
36 *a time not later than 120 days following the date upon which the fair*  
37 *market value of the facilities are certified to the city and to the district,*  
38 *or at such later date as may be mutually agreed upon by the city and the*  
39 *water district or as may be determined by the district court. The city, as*  
40 *part of its service extension plan required under the provisions of K.S.A.*  
41 *12-520b and 12-521c, and amendments thereto, shall notify each affected*  
42 *rural water district of its future plans for the delivery of water in areas*  
43 *proposed for annexation currently being served by the district.*

1       (d) So as not to curtail or limit the area served by a district and to  
2 prevent loss of existing customers to districts indebted to the United States  
3 department of agriculture through farmer's home administration loans,  
4 and to increase the security of such loans:

5       (1) The indebted district shall have the option to maintain any cus-  
6 tomers within the annexed land to which the district is currently providing  
7 water service at the time of annexation. The district is not required to  
8 secure from the annexing municipality any franchise, license or permit as  
9 a condition to continuing to serve customers in the area existing at the  
10 time of annexation.

11       (2) to increase the security of farmer's home administration loans, the  
12 governing body of a city annexing land located within a district indebted  
13 to the United States department of agriculture shall pay to the district a  
14 reasonable value, as defined in paragraph (b)(3) of this section, to dis-  
15 charge some or all of the farmer's home administration loan debt assumed  
16 by the district. The compensation described pursuant to this section shall  
17 be held in trust for the benefit of the district, and the trustee shall be  
18 directed to make payments in installments consistent with the obligations  
19 of the district to the United States department of agriculture. Any interest  
20 accumulated and all compensation remaining in trust after the federal  
21 debt of the district is discharged shall be paid in a timely manner by the  
22 trustee to the district.

23       ~~(e)~~ (e) The governing body of the city and board of directors of the  
24 district may provide, on such terms as may be agreed upon, that water  
25 transmission facilities owned by the district and located within the city  
26 may be retained by the district for the purpose of transporting water to  
27 benefit units outside the city.

28       ~~(f)~~ (f) Except for nonpayment of bills, the district shall not diminish  
29 service to benefit units who were supplied water by the district at the  
30 time of annexation during the period of negotiations conducted pursuant  
31 to this section.

32       ~~(g)~~ (g) Nothing in this section shall be construed as limiting in any  
33 manner the authority of a city to select water service suppliers to areas  
34 within the city limits, or to limit in any manner the authority of a city to  
35 adopt and enforce regulations for the operation of a water service sup-  
36 plier, including but not limited to standards of water quality, classification  
37 of water customers, capacity of water system, water system connections  
38 to sanitary sewer systems, *fire protection* rates and billing practices and  
39 other regulations for protection of the public health, safety and welfare.

40       (h) As used in this section:

41       (1) "Depreciated replacement cost" means the original installed cost of  
42 the facilities adjusted to present value.

43       (2) "Not revenues" means the total revenues received by the district

- 1 *for water service within the annexed area less franchise and sales taxes*
- 2 *collected, including labor, maintenance, administration and insurance.*
- 3     Sec. 2. K.S.A. 12-527 is hereby repealed.
- 4     Sec. 3. This act shall take effect and be in force from and after its
- 5 publication in the statute book.