

**INTERLOCAL COOPERATION AGREEMENT
TO ESTABLISH THE
KENTUCKY LEAGUE OF CITIES INSURANCE SERVICES**

This INTERLOCAL COOPERATION AGREEMENT (Interlocal Agreement), dated as of the 15th day of April, 1987, is made and entered into by and among such cities, urban-county governments, and other public agencies of the Commonwealth of Kentucky as shall become signatories hereto.

WITNESSETH:

WHEREAS, the cities and urban-county governments of the Commonwealth of Kentucky (Commonwealth) and their governmental boards, agencies, authorities, commissions, and institutions are facing rising insurance costs and the increasing unavailability of traditional insurance coverage and are desirous of finding a stable, long-term solution to this problem; and

WHEREAS, cities, urban-county governments and other public agencies are authorized by Section 304.1-120(6) of the Kentucky Revised Statutes (KRS) to create a bona fide association in order to provide self-insurance coverage against professional and public liability risks; and

WHEREAS, cities and urban-county governments are authorized by KRS 82.082, 83.420, 67A.060, and 65.150 to expend funds to insure public properties and their officers and employees against any liability or damage; and

WHEREAS, KRS 342.350(4) authorizes employers, including cities, urban-county governments, and other public agencies, to join together to self-insure against workers' compensation liability; and

WHEREAS, KRS 341.281(4) authorizes governmental employers, including cities, urban-county governments, and other public agencies, to join together to self-insure against unemployment compensation liability; and

WHEREAS, cities, urban-county governments, and their agencies are authorized to establish and operate plans to provide life and health insurance coverage's for their officers and employees pursuant to KRS 79.080; and

WHEREAS, KRS 66.480 authorizes cities and urban-county governments to form investment pools for the joint investment of public funds; and

WHEREAS, pursuant to the Kentucky Interlocal Cooperation Act (Act), KRS 65.210 to 65.300, inclusive, any power or powers, privileges or authority exercised or capable of exercise by a public agency (including a city or urban-county government) may be exercised jointly with another public agency under an agreement (an "Interlocal Cooperation Agreement") with

one another for joint or cooperative action and such public agencies may acquire, construct, maintain, add to, and improve the necessary property, real and personal, which is required in order to accomplish the purposes of the Interlocal Cooperation Agreement; and

WHEREAS, the Act authorizes any one (1) or more of the cities, urban-county governments or other public agencies, acting jointly or separately, to borrow money and issue negotiable revenue bonds on behalf of all the public agencies which are parties to an Interlocal Cooperation Agreement in order to provide funds to accomplish the purposes of the Interlocal Cooperation Agreement; and

WHEREAS, the Act further authorizes the public agencies which are parties to an Interlocal Cooperation Agreement to create a "separate legal or administrative entity," which may be delegated powers for conducting and administering the joint or cooperative undertaking on behalf of and for the benefit of the participating public agencies.

NOW, THEREFORE, in consideration of the premises stated and the mutual benefits to be derived by each party, the parties hereto agree as follows:

SECTION 1. EFFECTIVE DATE AND DURATION. This Interlocal Agreement shall be effective from and after [i] its execution, [ii] the approval of this Interlocal Agreement by the Attorney General of the Commonwealth as required by KRS 65.260(2) and any other officer or agency of the state government whose approval may be required by virtue of KRS 65.300, and [III] the filing of a certified copy of this Interlocal Agreement with the County Clerk of the county in which each of the parties hereto is located and with the Secretary of State of the Commonwealth as required by KRS 65.290.

This Interlocal Agreement is intended to be perpetual in duration and shall continue in effect from and after its effective date until the final payment and retirement, or the completion of satisfactory arrangements for the final payment and retirement, of any revenue bonds which may be issued or other debt which may be incurred under the terms of this Interlocal Agreement, and until each and every self-insurance, insurance, and investment trust which may be created pursuant to this Interlocal Agreement has been dissolved and terminated in accordance with the provisions hereof and the Articles of Association and Bylaws of the legal and administrative entity created hereunder.

SECTION 2. KENTUCKY LEAGUE OF CITIES INSURANCE SERVICES. There is hereby established the KENTUCKY LEAGUE OF CITIES INSURANCE SERVICES (Association) which shall be an unincorporated, nonprofit association with the following purpose, membership and structure:

- (A) **PURPOSE.** The purpose of the Association is to provide a legal and administrative entity within the meaning of KRS 65.250 to create and administer, on behalf of and for the benefit of the public agencies and political subdivisions which become parties to this Agreement, joint and cooperative

self-insurance and insurance trusts, loss prevention and risk management programs, and investment pools.

- (B) **MEMBERSHIP.** Membership in the Association shall be limited to cities and urban-county governments within the Commonwealth, which are members in good standing of the Kentucky League of Cities (KLC), and their governmental boards, agencies, authorities, commissions, and institutions which qualify as "public agencies," as defined in KRS 65.230, and which join herein and become signatories to this Interlocal Agreement.
- (C) **STRUCTURE.** The Association shall be governed by a Board of Trustees and shall be organized and operated in accordance with its Articles of Association and Bylaws, a copy of which is attached hereto as EXHIBIT A. The execution of this Interlocal Agreement by a city, urban-county government or other public agency shall constitute the ratification and acceptance of the attached Articles of Association and Bylaws.

SECTION 3. POWERS AND AUTHORITIES. The Association, in furtherance of its purposes, shall have the following powers and authorities:

- (A) To create and administer on behalf of and for the benefit of its members any of the following trusts:
 - (1) **GENERAL INSURANCE TRUST.** A joint and cooperative arrangement whereby the participating members pool their funds to provide self-insurance and/or third party insurance coverage's against various public liability exposures, including, but not limited to, general, professional, and auto liability and related claims.
 - (2) **UNEMPLOYMENT COMPENSATION REIMBURSEMENT TRUST.** A joint and cooperative arrangement whereby the participating members operate as a pool of self-insured employers to provide self-insurance coverage against unemployment compensation liability.
 - (3) **WORKERS' COMPENSATION TRUST.** A joint and cooperative arrangement whereby the participating members pool their funds to provide self-insurance coverage against workers' compensation liability.
 - (4) **LIFE AND HEALTH INSURANCE TRUST.** A joint and cooperative arrangement whereby the participating members pool their funds to provide life, health, and health-related insurance coverage's for their officers and employees.

- (5) **INVESTMENT TRUST.** A joint and cooperative arrangement whereby the participating members pool public funds for the purpose of maximizing investment return.
- (B) To establish and enforce for each self-insurance, insurance, and investment trust it may create policies, rules, regulations, standards, and procedures to govern the relationship between the participating members and each trust.
 - (C) To employ agents, service companies, and persons, firms, associations, and corporations as necessary or desirable for the sound and efficient operation of the Association and its self-insurance, insurance, and investment trusts.
 - (D) To make and enter into, acknowledge, deliver, and record any and all contracts, leases, agreements, deeds, indentures, and other instruments necessary or desirable to carry out any of the powers granted or duties imposed under this Interlocal Agreement, the Association Articles of Association and Bylaws or any applicable law or regulation.
 - (E) To prepare and submit reports and other documents to governmental authorities as may be required by law.
 - (F) To establish the duties and responsibilities of the Administrator of the Association.
 - (G) To purchase aggregate and specific excess insurance and other types of insurance or letters of credit, lines of credit or other funding facilities as necessary to supplement the self-insurance trusts.
 - (H) To purchase fidelity, performance, and surety bonds as necessary or as required by law.
 - (I) To purchase errors and omissions and other types of insurance coverages as necessary.
 - (J) To purchase and hold in the name of the Association, sell, lease, pledge, exchange, and encumber real and personal property.
 - (K) To borrow and raise money in the name of the Association.
 - (L) To receive the disbursement of any money borrowed or the proceeds from any sale of revenue bonds pursuant to this Interlocal Agreement and to apply such money or proceeds in furtherance of the purposes and objectives of the Association.
 - (M) To pledge all or any part of the revenues of a self-insurance trust as security for the payment of the principal of, premium, if any, and interest on any revenue

bonds which may be issued or other debt which may be incurred pursuant to this Interlocal Agreement to fund the operations of the self-insurance trust.

- (N) To invest or cause to be invested all funds of the Association and its self-insurance, insurance and investment trusts.
- (O) To act as agent and attorney-in-fact of each of the members to the extent necessary to fulfill the purposes of the Association.
- (P) To carry out all other duties necessary for the proper operation and administration of the Association and to that end exercise all powers and perform all acts authorized by law which are necessary and desirable for the effective administration of the business and affairs of the Association.

SECTION 4. MANNER OF FINANCING. The operations of the Association shall be financed through the annual and supplementary contributions established by the board of Trustees and paid to the various self-insurance, insurance, and investment trusts by the participating members, through moneys earned from the investment of these contributions, and through all other moneys which may be lawfully received by the Association in connection with its operations. All annual and supplementary insurance and insurance trusts described in Section 3(A) (1)-(4) of this Interlocal Agreement shall be established by the Board of Trustees based on actuarial and other evaluations of the amounts necessary for the payment of claims and losses, the payment of premiums for insurance and re-insurance policies, the establishment and maintenance of reserves, the payment of the principal of, premium, if any, and interest on any debt incurred by the Association, including the principal of, premium, if any, and interest on any revenue bonds which may be issued and sold to fund the operations of any self-insurance trust, and the payment of any and all expenses of the Association reasonably and lawfully incurred in connection with its operations.

The amounts contributed to any investment trust described in Section 3(A) (5) of the Agreement shall be at the discretion of the participating members, subject to any rules and regulations established by the Board of Trustees, and provided that each participating member shall be responsible for its proportionate share of expenses, as determined by the Board of Trustees.

SECTION 5. AUTHORIZATION TO ISSUE REVENUE BONDS AND BORROW MONEY. If the Board of Trustees in its discretion finds that the assets of any self-insurance trust are inadequate to pay claims, losses or expenses, or that additional funds are necessary to establish or maintain adequate reserves, or that additional funds are required for the repayment of any letter of credit, line of credit or other funding facility which may have been utilized to pay any claims, losses or expenses of any self-insurance trust, the Board of Trustees is hereby authorized to select any one or more of the cities, urban-county governments or other public agencies which are participating in the self-insurance trust to issue negotiable revenue bonds or borrow money in order to fund the operations of the trust, including any and all claims, losses and expenses of the trust.

Any city, urban-government or other public agency selected by the Board of Trustees is hereby authorized to issue negotiable revenue bonds or borrow money, pursuant to KRS 65.270 and any other applicable law, on behalf of all the public agencies which are parties to this Interlocal Agreement, and to approve, execute, and deliver all indentures, agreements, certificates, and other documents related to the issuance of the revenue bonds or necessary to borrow money, and to take any and all other actions necessary to effect the issuance and sale of the revenue bonds or to borrow money, including pledging of all or any part of the revenues of the self-insurance trust for which the revenue bonds are issued or the debt is incurred as security for the revenue bonds or other debt, subject to the following limitations:

- (A) The principal amount of the revenue bonds and other debt shall not exceed Two Million Dollars (\$2,000,000).
- (B) The maturities of the revenue bonds or other debt shall not exceed thirty (30) years.
- (C) The interest rate on the revenue bonds or other debt shall not exceed twenty-two percent (22%).
- (D) The principle amount of the revenue bonds or other debt and the interest thereon shall be payable solely from and secured solely by the revenues of the self-insurance trust for which the revenue bonds are issued or the debt is incurred, which is derived as set forth in Section 4 of this Interlocal Agreement, and shall never constitute a general obligation or an indebtedness, within the meaning of the Constitution and laws of the Commonwealth, of any city, urban-county government or other public agency which is a party to this Interlocal Agreement, of the Commonwealth or any political subdivision of the Commonwealth.
- (E) Any and all borrowed money and the proceeds received from the issuance of any revenue bonds shall be applied solely to fund the operations of the self-insurance trust for which the revenue bonds are issued or the debt is incurred and to pay the expenses associated with the financing of the issuance and sale of the bonds, or to advance the payment of interest on the bonds during the first three (3) years following the date of issuance of the bonds.
- (F) The issuance of the revenue bonds or the incurrence of other debt shall be pursuant to a duly enacted order, resolution or ordinance of the governing body of the public agency selected by the Board of Trustees, which complies with the terms of KRS 65.270 and any other applicable law.
- (G) The issuance and sale of the revenue bonds or the incurrence of other debt and the arrangements for the repayment of the debt shall comply in all other respects with the requirements of KRS 65.270 and any other applicable law.

SECTION 6. TRUST PARTICIPATION. Any city, urban-county government or other public agency which joins in the creation of and becomes a member of the Association

by executing this Interlocal Agreement shall be eligible to participate in any of the self-insurance, insurance and investment trust upon the terms and conditions set forth in this Interlocal Agreement, the Association Articles of Association and Bylaws, and the rules and regulations adopted by the Board of Trustees. However, no member shall be required to participate in any trust.

SECTION 7. MEMBER WITHDRAWAL. Any city, urban-county government or other public agency may, upon sixty (60) days written notice to the Board of Trustees, withdraw from this Interlocal Agreement and cease to be a member of the Association, provided that the withdrawing member has discharged all of its obligations to the Association and any self-insurance, insurance or investment trust in which it has participated in accordance with the Association Articles of Association and Bylaws and all applicable trust documents.

SECTION 8. TERMINATION. This Interlocal Agreement shall terminate upon the payment in full, or the adequate provision for payment in full, of the principal of, premium, if any, and interest on any revenue bonds which may be issued, or other debt which may be incurred under the terms of this Interlocal Agreement, and upon the dissolution, in accordance with the Articles of Association and Bylaws, of each and every self-insurance, insurance, and investment trust which may be created hereunder.

SECTION 9. DISTRIBUTION OF ASSETS UPON TERMINATION. In the event of termination of this Interlocal Agreement, all of the then remaining assets of the Association, if any, shall be distributed and/or transferred as required or contemplated by any applicable law and, to the extent not so required or contemplated, shall be distributed to the members of the Association as of the date of termination in accordance with a formula to be established by the Board of Trustees. The Board of Trustees shall continue to serve for such period of time and to the extent necessary to effectuate the complete termination and dissolution of the Association by the distribution of all remaining assets.

SECTION 10. NATURE OF AGREEMENT. The parties to this Interlocal Agreement agree hereby to engage in a joint and cooperative undertaking only within the scope herein set out and do not intend to create as between the parties any relationship of surety, indemnification or responsibility for the debts or claims against any other party. Furthermore, the parties do not intend that the execution of this Interlocal Agreement or any action taken pursuant to this Interlocal Agreement shall constitute a waiver of any defense or immunity that the parties would otherwise be entitled to under any applicable law.

SECTION 11. LIABILITY OF OFFICERS AND EMPLOYEES OF PARTICIPATING PUBLIC AGENCIES. No officer or employee of any of the cities, urban-county governments or other public agencies which become parties to this Interlocal Agreement shall be subject to any personal liability for any debt or contract created pursuant to this Interlocal Agreement.

SECTION 12. AUTHORIZATION OF SIGNATURE PAGE. This Agreement may be executed in any number of counterparts (each of which shall be an original) upon [i] due authorization by an ordinance, resolution or order of the governing body of the city, urban-county government or other public agency and [ii] the execution, acknowledgment, and

delivery by the chief executive officer of the city, urban-county government or other public agency of a counterpart Signature Page in the form attached hereto, which together with this Interlocal Agreement and all other duly executed Signature Pages shall constitute the complete agreement among all the parties hereto.

SECTION 13. FURTHER ACTS AND DEEDS. Each city, urban-county government and other public agency signatory hereto authorizes and directs its chief executive officer and such other officers as may be necessary to execute, acknowledge, and deliver any and all documents, certificates or instruments necessary or required to effectuate this Interlocal Agreement.

SECTION 14. CONSTRUCTION. This Interlocal Agreement shall be governed by and construed in accordance with the laws of the Commonwealth.

SECTION 15. SEVERABILITY. If any provision of this Interlocal Agreement is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable, the invalidity of such provision shall not affect any or all of the remaining portions of this Interlocal Agreement.

SIGNATURE PAGE

IN WITNESS WHEREOF, the undersigned a public agency and political subdivision of the Commonwealth of Kentucky, has caused this signature page to be executed as of this _____ day of _____, 20____ and hereby becomes a party to the INTERLOCAL COOPERATION AGREEMENT TO ESTABLISH THE KENTUCKY LEAGUE OF CITIES INSURANCE SERVICES, dated as of April 15, 1987, among the cities, urban-county governments, and other public agencies and political subdivisions of the Commonwealth of Kentucky parties thereto.

Sign/Date

Kentucky Municipal Energy Agency
(Name of Public Agency)

By: _____
(Name and Title of Chief Executive Officer)

Attest:

(Name and Title of Attesting Officer)

(SEAL)

March 13, 2008