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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2013

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A N A C T

TO CREATE THE SMITHFIELD CONSOLIDATED WATER DISTRICT AND TO PROVIDE
FOR ITS POWERS AND DUTIES

Introduced By: Senator Stephen R. Archambault

Date Introduced: June 05, 2013

Referred To: Senate Housing & Municipal Government

It is enacted by the General Assembly as follows:

1 SECTION 1. [Short Title](#). This act shall be known as the "Smithfield Consolidated Water
2 District Act."

3 SECTION 2. [Legislative Findings and Intent](#). It is hereby found and declared that:

4 (1) Water is vital to life and comprises an invaluable natural resource which is not to be
5 abused by any segment of the state's population or its economy. It is the policy of the state to
6 restore, enhance, and maintain the chemical, physical, and biological integrity of its waters to
7 protect health.

8 (2) It is further found and declared that the waters of this state are a critical renewable
9 resource which must be protected to insure the availability of safe and potable drinking water for
10 present and future needs.

11 (3) It is further found and declared that public water supply systems have the
12 responsibility to provide safe and potable drinking water to the state's population.

13 (4) It is further found and declared that financial and regulatory pressures may force some
14 small public water supply systems into economically losing positions.

15 (5) It is further found and declared that economy and efficiency make it desirable to
16 combine some small public water supply systems into one larger, more viable entity.

17 (6) It is further found that, with the approval of the qualified voters and governing bodies
18 of the Smithfield water district and the East Smithfield water district, it is in the best interests of

1 public health, safety and welfare that the water districts serviced by the Smithfield water supply
2 board and the East Smithfield water district be consolidated into a new, independent water district
3 known as the Smithfield consolidated water district.

4 SECTION 3. Definitions. As used in this act, the following words and terms shall have
5 the following meanings, unless the context shall indicate another or different meaning or intent:

6 (1) "Authorized areas" means areas within and without the towns of Smithfield and North
7 Providence, except areas directly provided water service by the Greenville water district or the
8 Providence water supply board.

9 (2) "Board" means the board of directors of the Smithfield consolidated water district.

10 (3) "Bonds and notes" means the bonds, notes, securities or other obligations or
11 evidences of indebtedness issued by the district pursuant to this act, or which were issued by the
12 town of Smithfield, the Smithfield water supply board or the East Smithfield water district and
13 which were lawfully assumed by the district, all of which shall be obligations of the Smithfield
14 consolidated water district.

15 (4) "District" means the public corporation and instrumentality authorized, created and
16 established pursuant to Section 4 hereof which is known as the Smithfield consolidated water
17 district.

18 (5) "District voter" means a resident and registered voter of the town of Smithfield or the
19 town of North Providence whose residence receives direct water service from the Smithfield
20 consolidated water district.

21 (6) "Municipality" means any city or town now existing or hereafter created, or any state
22 agency.

23 (7) "North Providence" means the town of North Providence, Rhode Island.

24 (8) "Personal property" means all tangible and intangible personal property, including,
25 without limitation, contract rights, accounts receivable, rights and privileges of all kinds, all
26 machinery, equipment, transportation equipment, pipelines, pipes, tools, hydrants, meters, assets,
27 franchises, and all other personal property incidental to and included or necessary for the
28 operation of a water supply and distribution system or water supply facility. Personal property
29 shall also mean and include any and all interests in such property which are less than full title,
30 such as leasehold interests, security interests and every other interest or right, legal or equitable.

31 (9) "Real property" means land, structures, new or used, franchise and interests in land,
32 including lands under water, riparian rights, space rights and air rights, and all other things and
33 rights included within said term. Real property shall also mean and include any and all interest in
34 such property less than fee simple, such as in easements, incorporeal hereditaments and every

1 estate, interest or right, legal or equitable, including terms for years and liens thereon by way of
2 judgments, mortgages or otherwise, and also claims for damages to such real property.

3 (10) "Smithfield" means the town of Smithfield, Rhode Island.

4 (11) "State" means the State of Rhode Island and Providence Plantations.

5 (12) "Water supply facility" means any real or personal property, or any combination
6 thereof, related to or incidental or intended or utilized for the furnishing of water for domestic,
7 commercial, industrial, irrigation, fire protection, or other purposes, and including artesian wells,
8 reservoirs, dams, related equipment, pipelines, treatment plants and other similar facilities.

9 SECTION 4. Creation. Subject to the requirements of section 31 and section 32 hereof,
10 there is hereby authorized, created and established a public corporation of the state, having a
11 distinct existence from the state and any municipality, and not constituting a department of state
12 government or any municipality, which is a public instrumentality of the state to be known as the
13 "Smithfield consolidated water district" with such powers as set forth in this act for the purposes
14 of acquiring, constructing, developing, managing, maintaining, repairing, replacing, and
15 disposing of water supply facilities to service the water needs of people within its authorized
16 areas.

17 SECTION 5. Purposes. The district is authorized, created and established for the
18 following purposes: to acquire, own, develop, operate, maintain, repair, improve, enlarge, and
19 extend water supply facilities within and without the towns of Smithfield and North Providence,
20 except in areas which are directly provided water service by the Greenville water district or the
21 Providence water supply board, for the purposes of meeting the present and future water
22 requirements within its authorized areas.

23 SECTION 6. Powers. Except to the extent inconsistent with any specific provision of this
24 act, the district shall have the power:

25 (1) To sue and be sued, complain and defend, in its corporate name;

26 (2) To have a seal which may be altered at pleasure and to use the same by causing it, or
27 a facsimile thereof, to be impressed or affixed or in any other manner reproduced;

28 (3) To purchase, take, receive, lease or otherwise acquire, own, hold, improve, operate,
29 maintain and repair, use or otherwise deal in and with, both real and personal property, or any
30 interest therein, wherever situated;

31 (4) To sell, convey, mortgage, pledge, lease, exchange, transfer, and otherwise dispose of,
32 all or any part of its real and personal property and assets for such consideration and upon such
33 terms and conditions as the district shall determine;

34 (5) To produce, distribute and sell water within or without its authorized areas;

1 (6) To sell water to and purchase water from a municipality, any municipal or quasi-
2 municipal corporation, any public or private water company and/or water company owned or
3 operated by a municipality, and all such selling or purchasing agencies and companies are
4 authorized to enter into such contracts with the district;

5 (7) To fix rates and collect charges for the use of its water supply facilities, or for services
6 rendered by, or any commodities furnished by, the district;

7 (8) To make such contracts and guarantees, to incur liabilities, and to borrow money at
8 such rates of interest as the district may determine;

9 (9) To make and execute agreements of lease, conditional sales contracts, installment
10 sales contracts, loan agreements, mortgages, construction contracts, operation contracts and other
11 contracts and instruments necessary or convenient in the exercise of the powers and functions of
12 the district granted by this act;

13 (10) To lend money for its purposes, invest and reinvest its funds and at its option to take
14 and hold real and personal property as security for the funds so loaned or invested;

15 (11) To acquire, or contract to acquire, from any person, firm, corporation, municipality,
16 the federal government or the state, or any agency of either the federal government or state by
17 grant, purchase, lease, gift, condemnation or otherwise, or to obtain options for the acquisition of
18 any property, real or personal, improved or unimproved, and interests in land less the fee thereof;
19 and to own, hold, clear, develop, maintain, operate and rehabilitate, sell, assign, exchange,
20 transfer, convey, lease, mortgage, or otherwise dispose or encumber the same for the purposes of
21 carrying out the provisions and intent of this act for such consideration as the district shall
22 determine;

23 (12) To conduct its activities, carry on its operations and have offices and exercise the
24 powers granted by this act within or without the state;

25 (13) To elect or appoint officers and agents of the district, to hire employees and
26 independent contractors, and to define their duties and fix their compensation, except as
27 otherwise expressly limited herein;

28 (14) To make and alter bylaws not inconsistent with this act, for the administration and
29 regulation of the affairs of the district, including the annual and special meetings of the district,
30 and the election of directors. Such bylaws may contain provisions which authorize the
31 indemnification of any person who is or was a director, officer, employee or agent of the district,
32 or who is or was serving at the request of the district as a director, officer, employee or agent of
33 another corporation, partnership, joint venture, trust or other enterprise, provided said
34 indemnification conforms with Rhode Island law;

1 (15) To be a promoter, partner, member, associate or manager of any partnership,
2 enterprise or venture;

3 (16) To enter into cooperative agreements with cities, counties, towns or water companies
4 within or without the state for the interconnection of water facilities or for any other lawful
5 corporate purpose necessary or desirable to effect the purposes of this act; and

6 (17) To have and exercise all powers generally incident to municipal corporations or
7 which are necessary or convenient to effect the purposes of this act.

8 SECTION 7. Directors, Officers and Employees. (a) The powers of the district shall be
9 vested in a board of directors which shall consist of seven (7) members, at least four (4) of whom
10 must be residents of the town of Smithfield, and at least two (2) of whom must be residents of the
11 town of North Providence. Directors shall be elected by the district voters at the annual meeting
12 to serve three (3) year terms, except that at the initial election, two (2) directors from Smithfield
13 and one director from North Providence shall be elected to three (3) three (3) year terms; one
14 director from Smithfield and one director from North Providence shall be elected to two (2) two
15 (2) year terms; and one director from Smithfield and the remaining director shall be elected to one
16 one-year terms. The longer terms shall be awarded to the candidates with the higher vote totals, as
17 determined by the bylaws. Directors shall be eligible for reelection. A director shall continue to
18 serve until a successor is elected and qualified, or until the position becomes vacant.

19 (b) Only resident and registered voters of the towns of Smithfield or North Providence
20 whose residence receives direct water service from the district shall be eligible to serve on the
21 board.

22 (c) The board shall meet at least monthly, shall organize annually, and shall at its first
23 meeting elect officers from among its members who shall have the titles of chair, vice-chair,
24 secretary and treasurer, each of whom shall serve at the pleasure of the board. The chair shall
25 preside at meetings of the board. The vice-chair shall act as chair during the absence or disability
26 of the chair and, if a vacancy in the position of chair should occur, shall become chair and serve
27 at the pleasure of the board. The chair and vice-chair shall have a voice and vote in the
28 proceedings of the board. The board may adopt any rules of procedure it deems necessary or
29 appropriate for the proper discharge of its duties.

30 (d) Meetings of the board shall be conducted in accordance with chapter 46 of title 42 of
31 the general laws of Rhode Island, "The Rhode Island Open Meetings Act," or any successor
32 thereto, as the same may be amended from time to time.

33 (e) The compensation, if any, to be paid to the district directors and the officers of the
34 board shall be determined by the district voters at the annual meeting of the district.

1 (f) The office of a director shall become vacant upon the director's death, resignation,
2 removal from office or forfeiture of office in any manner authorized by law or when the director
3 ceases to be a registered voter and resident of the district. A director shall forfeit that office if the
4 director:

5 (1) Lacks at any time during the term of office any qualification for the office prescribed
6 by this act or other applicable law;

7 (2) Is convicted of a crime involving moral turpitude; or

8 (3) Fails to attend three (3) consecutive regular meetings of the board without being
9 excused by the board, including a regular meeting at which a quorum is not present.

10 (g) If a vacancy shall occur on the board, it shall be filled until the next annual meeting of
11 the district by the remaining members of the board, provided that the person chosen by the board
12 to fill such vacancy shall be a resident of the same town as the prior incumbent. The district
13 voters at the next annual meeting after the occurrence of the vacancy shall fill the vacancy for the
14 unexpired term.

15 (h) Except as otherwise provided herein, four (4) directors shall constitute a quorum
16 provided that at least two (2) members of the quorum reside in Smithfield and at least one
17 member of the quorum resides in North Providence. A vacancy in the membership of the board
18 shall not impair the right of a quorum to exercise all rights and to perform all duties of the district.

19 (i) Notwithstanding the provisions of the foregoing subdivision (h), the following actions
20 may be authorized only by the affirmative vote of not less than five (5) directors:

21 (1) Adoption or amendment of the district bylaws;

22 (2) Selection, appointment, setting the salary, or termination of the chief executive officer
23 of the district, who shall have the title of general manager;

24 (3) The sale of all, or substantially all, of the real and personal property of the district;

25 (4) The exercise of the power of eminent domain by the district;

26 (5) The setting of proposed rates for the district's products or services;

27 (6) The issuance of bonds, notes, or the borrowing of amounts in excess of, or the entry
28 into any one or more of a series of contracts calling for the expenditure of, one hundred thousand
29 dollars (\$100,000) or more; and

30 (7) The adoption of a proposed annual budget.

31 (j) The board shall appoint a general manager and such additional officers, staff members
32 and employees as it shall deem appropriate, and shall determine the amount of reasonable
33 compensation, if any, each shall receive. The board may, in its discretion, vest in the general
34 manager the authority to appoint additional staff members or employees, and to determine the

1 amount of compensation such individuals shall receive.

2 (k) Employees of the district shall not, by reason of such employment, be deemed to be
3 employees of the state nor any municipality for any purpose.

4 SECTION 8. Fiscal Year. The fiscal year of the district shall begin on the first day of July
5 and end on the last day of June. The board may establish a different fiscal year for the district in
6 the bylaws.

7 SECTION 9. Budget and Annual Meeting. (a) The board shall conduct a public hearing
8 on the proposed budget for the upcoming fiscal year no more than sixty (60) days prior to the
9 district annual meeting. The date, time and place of the budget hearing shall be determined by the
10 board, but said hearing must be held at a location within the boundaries of the district. All district
11 voters shall have the right to be heard at said public hearing. The board shall publish in one or
12 more newspapers of general circulation in the towns of Smithfield and North Providence a
13 general summary of the budget including the proposed water rates and rate structure. The notice
14 shall state the times and places where the proposed budget is available for public inspection, and
15 the date, time and place of the public hearing, which shall be at least two (2) weeks after said
16 publication.

17 (b) After the public hearing, the board shall adopt a proposed budget for the upcoming
18 fiscal year including the proposed water rates and rate structure, with or without amendment. No
19 amendment to the proposed budget may increase authorized expenditures to an amount greater
20 than total estimated income, less any required reserves.

21 (c) The annual meeting of the district shall be held at least ten (10) days prior to the
22 commencement of each fiscal year. The date, time, and place of the annual meeting shall be
23 determined by the board, but said annual meeting must be held at a location within the boundaries
24 of the district. The board shall publish notice of the annual meeting not less than two (2) weeks
25 prior to said meeting in one or more newspapers of general circulation in the towns of Smithfield
26 and North Providence. All district voters shall be entitled to be heard and to vote at the annual
27 meeting.

28 (d) District voters at the annual meeting shall adopt a budget, including water rates and a
29 rate structure, for the upcoming fiscal year. No budget adopted by district voters may authorize
30 expenditures in a total amount greater than estimated revenues, less any required reserves.

31 (e) District voters at the annual meeting shall also elect members of the board, as
32 required, in accordance with procedures set forth in the district bylaws.

33 (f) If the annual meeting fails to adopt a budget before the last day of the current fiscal
34 year, the amounts appropriated for the current fiscal year and the current water rates shall be

1 deemed adopted for the ensuing fiscal year on a month-to-month basis, with all budget items
2 prorated accordingly, until such time as the district voters adopt a budget and water rates for the
3 ensuing fiscal year.

4 (g) The board may call a special meeting of the district voters in accordance with
5 procedures set out in the district by-laws in order to act on any budgetary issues facing the
6 district.

7 SECTION 10. Condemnation Power. The district shall possess all the powers of
8 condemnation for water supply purposes as are set forth in chapter 15 of title 39 of the general
9 laws of Rhode Island, or any successor thereto, as the same may be amended from time to time.

10 SECTION 11. Bonds and Notes of the district. (a) The district shall have the power and is
11 hereby authorized to issue from time to time its negotiable bonds and notes in one or more series
12 in such principal amounts as, in the opinion of the district shall be necessary to provide sufficient
13 funds for achieving its purposes, including the payment of interest on bonds and notes of the
14 district, the establishment of reserves to secure such bonds and notes (including the reserve funds
15 created pursuant to Section 14 hereof), and the making of all other expenditures of the district
16 incident to and necessary or convenient to carrying out its corporate purposes and powers.

17 (b) All bonds and notes issued by the district may be secured by the full faith and credit
18 of the district and may be payable solely out of the revenues, earnings and receipts of the district.
19 Such bonds and notes may be executed and delivered by the district at any time from time to
20 time, may be in such form and denominations, including interest coupons, if any, to be attached to
21 them, and of such tenor and maturities, and may be in bearer form or in registered form, as to
22 principal and interest, or at such discount in lieu of interest, or as to principal alone, all as the
23 district may determine. Such bonds and notes may provide for authentication of bonds and notes
24 by a trustee or fiscal agent.

25 (c) Bonds may be payable in such installments, and at such times not exceeding fifty (50)
26 years from the date thereof, as shall be determined by the district.

27 (d) Except for notes issued pursuant to section 12, notes, and any renewals thereof, may
28 be payable in such installments and at such times not exceeding ten (10) years from the date of
29 the original issue of such notes, as shall be determined by the district.

30 (e) Bonds and notes may be payable at such places, which may be any bank or trust
31 company, whether within or without the state, may bear interest at such rate or rates payable at
32 such time or times and at such place or places, and evidenced in such manner, and may contain
33 such provisions not inconsistent herewith, all as shall be provided in the proceedings of the
34 district under which they shall be authorized to be issued. Bonds shall bear the seal of the district

1 or a facsimile of the seal.

2 (f) There may be retained by provision made in the proceedings under which any bonds
3 or notes of the district are authorized to be issued an option to redeem all or any part thereof at
4 such prices and upon such notice, and on such further terms and conditions as shall be set forth in
5 the record of such proceedings and on the face of the bonds or notes.

6 (g) Any bonds or notes of the district may be sold from time to time at such prices, at
7 public or private sale, and in such manner as shall be determined by the district, and the district
8 shall pay all expenses, premiums and commissions that it shall deem necessary or advantageous
9 in connection with the issuance and sale thereof.

10 (h) Moneys of the district, including proceeds from the sale of bonds or notes, and
11 revenues, receipts and income from any of its water supply facilities, may be invested and
12 reinvested in such obligations, securities and other investments consistent herewith as shall be
13 specified in the resolutions under which such bonds or notes are authorized.

14 (i) Issuance by the district of one or more series of bonds or notes for one or more
15 purposes shall not preclude it from issuing other bonds or notes, but the proceedings whereunder
16 any subsequent bonds or notes may be issued shall recognize and protect a prior pledge or
17 mortgage made for a prior issue of bonds or notes unless in the proceedings authorizing such
18 prior issue the right is reserved to issue subsequent bonds or notes on a parity with such prior
19 issue.

20 (j) The district is authorized to issue bonds or notes for the purpose of refunding its bonds
21 or notes then outstanding, including the payment of any redemption premium thereon and any
22 interest accrued or to accrue to the earliest or subsequent date of redemption, purchase or maturity
23 of such bonds or notes, payment of any expenses of issuance of such bonds or notes, payment of
24 any expenses of redeeming bonds or notes being refunded, reserves for debt service, and, if
25 deemed advisable by the district, for the additional purpose of paying all or part of the cost of
26 acquiring, constructing, reconstructing, rehabilitating, or improving any water supply facility. The
27 proceeds of any issuance of bonds or notes for the purpose of refunding outstanding bonds or
28 notes may be applied, in the discretion of the district, to the purchase, retirement at maturity, or
29 redemption of such outstanding bonds or notes either on their earliest or a subsequent redemption
30 date, and may, pending such application, be placed in escrow. Any such escrowed proceeds may
31 be invested and reinvested in obligations of or guaranteed by the United States of America, or in
32 certificates of deposit or time deposits secured or guaranteed by the state or the United States, or
33 an instrumentality of either, maturing at such time or times as shall be appropriate to assure the
34 prompt payment, as to principal, interest and redemption premium, if any, of the outstanding

1 bonds or notes to be so refunded. The interest, income and profits, if any, earned or realized on
2 any such investment may also be applied to the payment of the outstanding bonds or notes to be
3 so refunded. After the terms of the escrow have been fully satisfied and carried out, any balance
4 of such proceeds and interest, income and profits, if any, earned or realized on the investments
5 thereof may be returned to the district for use by it in furtherance of its purposes. The portion of
6 the proceeds of bonds or notes issued for the additional purpose of paying all or part of the cost of
7 acquiring, constructing, reconstructing, rehabilitating, developing or improving any water supply
8 facility, may be invested and reinvested in such obligations, securities and other investments
9 consistent herewith as shall be specified in the resolutions under which such bonds or notes are
10 authorized and which shall mature not later than the times when such proceeds will be needed for
11 such purpose. The income, interest, and profits, if any, earned or realized on such investments
12 may be applied to the payment of all parts of such costs, or to the making of such loans, or may
13 be used by the district otherwise in furtherance of its purposes. All such bonds or notes shall be
14 issued and secured and shall be subject to the provisions of this act in the same manner and to the
15 same extent as any other bonds or notes issued pursuant to this act.

16 (k) The directors, the general manager of the district and other persons executing such
17 bonds or notes shall not be subject to personal liability by reason of the issuance thereof.

18 (l) Bonds or notes issued under any of the provisions of this act shall require the approval
19 of the annual or a special meeting of the district voters, but otherwise shall not require the consent
20 of any department, division, commission, board, body, bureau or agency of the state, and may be
21 issued without any other proceedings or the happening of any conditions or things other than
22 those proceedings, conditions or things which are specifically required by this act and by the
23 provisions of the resolution authorizing the issuance of such bonds or notes or the trust agreement
24 securing the same.

25 (m) The district, subject to such agreements with noteholders or bondholders as may then
26 be in force, shall have the power out of any funds available therefor to purchase bonds or notes of
27 the district, which shall thereupon be cancelled, at a price not exceeding:

28 (1) If the bonds or notes are then redeemable, the redemption price then applicable plus
29 accrued interest to the next interest payment date; or

30 (2) If the bonds or notes are not then redeemable, the redemption price applicable on the
31 earliest date that the bonds or notes become subject to redemption, plus the interest that would
32 have accrued to such date.

33 (n) Whether or not the bonds and notes are of such form and character as to be negotiable
34 instruments under Rhode Island law, the bonds and notes are hereby made negotiable instruments

1 within the meaning of and for all the purposes of Rhode Island law, subject only to the provisions
2 of the bonds and notes for registration.

3 (o) If a director or officer of the district whose signature appears on bonds, notes or
4 coupons shall cease to be a director or officer before the delivery of such bonds or notes, such
5 signature shall, nevertheless, be valid and sufficient for all purposes, the same as if such director
6 or officer had remained in office until such delivery.

7 (p) Any bonds or notes issued under authority of this act may be issued by the district in
8 the form of lines of credit, loans or other banking arrangements and under such terms and
9 conditions not inconsistent with this act, and under such agreements with the purchasers or
10 makers thereof, as the district may determine to be in the best interest of the district.

11 (q) The district may at any time deposit with a trustee, a sum sufficient, with amounts
12 then on deposit, including the debt service reserve fund, to purchase direct or guaranteed
13 obligations of the United States of America which are adequate to pay the entire principal amount
14 of the bonds or notes of a series, together with the interest to maturity, or to an applicable
15 redemption date specified by the district to the trustee and any applicable redemption premium; or
16 the district may deposit direct or guaranteed obligations of the United States of America in lieu of
17 money for their purchase. The obligations are deemed adequate if the principal and interest
18 payable on them are sufficient to pay the previously mentioned sums when due. Upon any deposit
19 of money and a request by the district, the trustee shall purchase direct or guaranteed obligations
20 of the United States of America. When adequate direct or guaranteed obligations of the United
21 States of America are held by the trustee pursuant to this section, the bond resolution or indenture
22 shall cease to be in effect with respect to such series of bonds or notes. The obligations and their
23 proceeds shall be held in trust for the benefit of the bondholders or noteholders, and the trustee
24 shall, on behalf of the district, call bonds or notes for redemption on the applicable redemption
25 date. Any compensation or expenses of the trustee in carrying out this section shall be paid by the
26 district, and any surplus funds held by the trustee under this section shall be remitted by the
27 trustee to the district.

28 (r) The district may covenant in any resolution, trust indenture or other agreement that as
29 long as any bonds or notes are outstanding the district shall establish and maintain its rates and
30 charges adequate at all times to pay and provide for all operating expenses of the district, all
31 payments of principal, redemption premium, if any, and interest on bonds, notes or other
32 evidences of indebtedness of or assumed by the district, all renewals, repairs, or replacements to
33 the property of the district deemed necessary, and all other amounts which the district may by
34 law, resolution or contract be obligated to pay. On or before the last day of the district's fiscal

1 year, the district shall review the adequacy of its rates and charges to satisfy the above
2 requirements for the next succeeding fiscal year. If the review indicates that the rates and charges
3 are, or are likely to be, insufficient to meet the requirements of this act, the district shall promptly
4 take such steps as are necessary to cure or avoid the deficiency, including but not limited to,
5 raising its rates and charges.

6 (s) It shall be lawful for any bank or trust company to act as a depository or trustee of the
7 proceeds of bonds, notes, revenues or other moneys under any such trust agreement or resolution
8 and to furnish such indemnification or to pledge such securities and issue such letters of credit as
9 may be required by the district. Any pledge of revenues or other property made by the district
10 under this act shall be valid and binding and shall be deemed continuously perfected from the
11 time when the pledge is made; the revenues, moneys, rights and proceeds so pledged and then
12 held or thereafter acquired or received by the district shall immediately be subject to the lien of
13 such pledge without any physical delivery or segregation thereof or further act; and the lien of
14 any such pledge shall be valid and binding against all parties having claims of any kind in tort,
15 contract or otherwise against the district, irrespective of whether such parties have notice thereof.
16 Neither the resolution, any trust agreement nor any other agreement by which a pledge is created
17 need be filed or recorded except in the records of the district.

18 SECTION 12. [Short Term Notes](#). Money borrowed by the district for the purpose of
19 providing temporary financing of the district operations pending the issuance of bonds or other
20 notes shall be evidenced by notes or other obligations. The principal and interest of all notes or
21 other obligations of the district so issued under the provisions of this section 12 shall be payable
22 no later than the fifth anniversary of the date of issue thereof, and shall be payable from the
23 following:

24 (1) From the proceeds of bonds subsequently issued; or

25 (2) From the proceeds of subsequent borrowings which comply with the provisions
26 hereof; or

27 (3) From general revenues of the district which may be equal and proportionate with but
28 not superior to that securing bonds then outstanding or subsequently issued. Notwithstanding any
29 other provisions of this act, all such notes shall be deemed to be negotiable instruments under the
30 laws of the state subject only to the provisions for registration contained therein. Such notes or
31 other obligations or any issue thereof shall be in a form and contain such other provisions as the
32 district may determine and such notes or resolutions or proceedings authorizing such notes or
33 other obligations or any issue thereof may contain, in addition to any provisions, conditions,
34 covenants or limitations authorized by this act, any provisions, conditions, covenants or

1 limitations which the district is authorized to include in any resolution or resolutions authorizing
2 bonds or notes or in any trust indenture relating thereto. The district may issue such notes or other
3 obligations in such manner either publicly or privately on such terms as it may determine to be in
4 its best interests.

5 SECTION 13. [Security for Bonds or Notes](#). (a) The principal of and interest on any bonds
6 or notes issued by the district may be secured by a pledge of any revenues and receipts of the
7 district and may be secured by a mortgage or other instrument covering all or any parts of one or
8 more water supply facilities, including all or part of any additions, improvements, extensions to
9 or enlargements of such facilities thereafter made.

10 (b) The resolution under which the bonds or notes are authorized to be issued and any
11 such mortgage, lease, sales agreement or loan agreement, or other instrument may contain
12 agreements and provisions respecting the maintenance of the facilities covered thereby, the fixing
13 and collection of rents, payments or repayments or other revenues therefrom, including moneys
14 received in repayment of loans, and interest thereon, the creation and maintenance of special
15 funds from such rents or other revenues and the rights and remedies available in the event of
16 default, all as the district shall deem advisable.

17 (c) Each pledge, agreement, mortgage or other instrument made for the benefit or security
18 of any of the bonds or notes of the district shall continue in effect until the principal of and
19 interest on the bonds or notes for the benefit of which the same was made shall have been fully
20 paid, or until provision shall have been made for such payment in the manner provided in the
21 resolutions under which such bonds or notes were authorized.

22 (d) The district may provide in any proceedings under which bonds or notes may be
23 authorized that any water supply facility or part thereof may be constructed, reconstructed,
24 rehabilitated or improved by the district, or any lessee, vendee, obligor or any designee of the
25 district and may also provide in such proceedings for the time and manner of and requisitions for
26 disbursements to be made for the cost of such construction, and for all such certificates and
27 approvals of construction and disbursements as the district shall deem necessary and provide for
28 in such proceedings.

29 (e) Any resolution under which bonds or notes of the district are authorized to be issued
30 (and any trust indenture established thereby) may contain provisions for vesting in a trustee or
31 trustees such properties, rights, powers and duties in trust as the district may determine including
32 any or all of the rights, powers and duties of the trustee appointed by the holders of any issue or
33 bonds or notes pursuant to Section 19; in which event the provisions of section 19 authorizing the
34 appointment of a trustee by such holders of bonds or notes shall not apply.

1 SECTION 14. Reserve Funds and Appropriations. To assure the contained operation and
2 solvency of the district for the carrying out of its corporate purposes:

3 (1) The district may create and establish one or more special funds (herein referred to as
4 "capital reserve funds"), and may pay into each such capital reserve fund:

5 (i) Any moneys appropriated and made available by the state, or any municipality for the
6 purpose of such fund;

7 (ii) Proceeds from the sale of notes or bonds to the extent provided in the resolution or
8 resolutions of the district authorizing the issuance thereof; and

9 (iii) Any other moneys that may be made available to the district for the purpose of such
10 fund from any other source. All moneys held in a capital reserve fund, except as hereinafter
11 provided, shall be used solely for the payment of the principal of bonds secured in whole or in
12 part by such fund or of the sinking fund payments hereinafter mentioned with respect to such
13 bonds, the purchase or redemption of such bonds, the payment of interest on such bonds or the
14 payment of any redemption premium required to be paid when such bonds are redeemed prior to
15 maturity, provided that moneys in such fund shall not be withdrawn therefrom except for the
16 purpose of making (with respect to bonds secured in whole or in part by such fund) payment
17 when due of principal, interest, redemption premiums and the sinking fund payments hereinafter
18 mentioned, for the payment of which other moneys of the district are not available if such
19 withdrawal would reduce the amount of such fund to less than the minimum capital reserve
20 requirement established for such fund as hereinafter provided. Any income or interest earned by,
21 or incremental to, any capital reserve fund due to the investment of the funds thereof may be
22 transferred by the district to other funds or accounts of the district if such transfer would not
23 reduce the amount of the capital reserve fund below the minimum capital reserve fund
24 requirement for such fund.

25 (2) The district shall not at any time issue bonds secured in whole or in part by a capital
26 reserve fund if, upon the issuance of such bonds, the amount of such capital reserve fund would
27 be less than the minimum capital reserve required for such fund, unless the district, at the time of
28 issuance of such bonds, shall deposit in such fund from the proceeds of the bonds so to be issued,
29 or from other sources, an amount that, together with the amount then in such fund, is not less than
30 the minimum capital reserve fund requirement for such fund. For the purpose of this section, the
31 term "minimum capital reserve fund requirement" shall mean, as of any particular date of
32 computation, an amount of money, as provided in the resolution or resolutions of the district
33 authorizing the bonds or notes with respect to which such fund is established, equal to not more
34 than the greatest of the respective amounts, for the current or any future fiscal year of the district,

1 of annual debt service on the bonds of the district secured in whole or in part by such fund, such
2 annual debt service for any fiscal year being the amount of money equal to the sum of:

3 (i) The interest payable during such fiscal year on all bonds secured in whole or in part by
4 such fund outstanding on the date of computation; plus

5 (ii) The principal amount of all such bonds and bond anticipation notes outstanding on
6 said date of computation that mature during such fiscal year; plus

7 (iii) All amounts specified in any resolution of the district authorizing such bonds as
8 payable during such fiscal year as a sinking fund payment with respect to any of such bonds that
9 mature after such fiscal year, all calculated on the assumption that such bonds will after said date
10 of computation cease to be outstanding by reason, but only by reason, of the payment of bonds
11 when due and application in accordance with the resolution authorizing those bonds of all of such
12 sinking fund payments payable at or after said date of computation.

13 (3) In computing the amount of the capital reserve funds for the purpose of this section,
14 securities in which all or a portion of such funds shall be invested, shall be valued as provided in
15 the proceedings under which the bonds are authorized but in no event shall be valued at a value
16 greater than par.

17 (4) The district may create and establish such other fund or funds as may be necessary or
18 desirable for its corporate purposes.

19 (5) The district may by resolution permit the issuance of bonds and notes to carry out the
20 purposes of this act without establishing a capital reserve fund pursuant to this section and
21 without complying with the limitations set forth in this section. Bonds and notes issued pursuant
22 to this paragraph may be secured by such other funds or methods as the district may in its
23 discretion determine by resolution.

24 SECTION 15. [Trust Funds](#). All moneys received as proceeds from the sale of bonds or
25 notes or as revenues, receipts or income therefrom, shall be trust funds to be held and applied
26 solely as provided in the proceedings under which such bonds or notes are authorized. Any
27 officer with whom or any bank or trust company with which such moneys shall be deposited as
28 trustee hereof shall hold and apply the same for the purposes thereof, subject to the applicable
29 provisions of this act, the proceedings authorizing the bonds or notes and the trust agreement
30 securing such bonds or notes, if any.

31 SECTION 16. [Notes and Bonds as Legal Investments](#). The notes and bonds of the district
32 are hereby made securities in which all public officers and bodies of this state and all
33 municipalities and municipal subdivisions, all insurance companies and associations, and other
34 persons carrying on an insurance business, all banks, bankers, trust companies, saving banks and

1 saving associations, including savings and loan associations, building and loan associations,
2 investment companies and other persons carrying on a banking business, all administrators,
3 guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now
4 or may hereafter be authorized to invest in bonds or other obligations of the state, may properly
5 and legally invest funds, including capital, in their control or belonging to them.

6 SECTION 17. [Agreement of the State](#). The state does hereby pledge to and agree with the
7 holders of any bonds or notes issued under this act, that the state will not limit or alter the rights
8 hereby vested in the district to fulfill the terms of any agreements made with the holders until
9 such bonds or notes, together with the interest thereon, with interest on any unpaid installments of
10 interest, and all costs and expenses in connection with any action or proceeding by or on behalf of
11 such holders, are fully met and discharged. The district is authorized to include this pledge and
12 agreement of the state in any agreement with the holders of such bonds or notes.

13 SECTION 18. [Credit of State](#). Obligations issued under the provisions of this act, shall
14 not constitute a debt, liability or obligation of the state or of any political subdivision thereof
15 other than the district or a pledge of the faith and credit of the state or any political subdivision
16 thereof other than the district, but shall be payable solely from the revenues or assets of the
17 district. Each obligation issued under this act shall contain on the face thereof a statement to the
18 effect that the district shall not be obligated to pay the same or interest thereon except from
19 revenues or assets pledged therefor and that neither the faith and credit nor the taxing power of
20 the state or any political subdivision thereof other than the district is pledged to the payment of
21 the principal of or the interest on such obligation.

22 SECTION 19. [Remedies of Bondholders and Noteholders](#). Any holder of a bond or note
23 issued by the district under the provisions of this act or of any of the coupons appertaining thereto
24 and any trustee under a trust agreement or resolution securing the same, except to the extent the
25 rights herein given may be restricted by such trust agreement or resolution securing the same,
26 may bring suit upon the bonds or notes or coupons and may, either at law or in equity, by suit,
27 action, mandamus, or other proceedings for legal or equitable relief, including proceedings for the
28 appointment of a receiver to take possession and control of the business and properties of the
29 district, to operate and maintain the same, to make any necessary repairs, renewals and
30 replacements in respect thereof and to fix, revise and collect fees and charges, protect and enforce
31 any and all rights under such trust agreement, resolution or other agreement, and may enforce and
32 compel the performance of all duties required by this act or by such trust agreement or resolution
33 to be performed by the district or by any officer thereof.

34 SECTION 20. [Authorization to Accept Appropriated Moneys](#). The district is authorized

1 to accept such moneys as may be appropriated from time to time by the general assembly, any
2 municipality, or any other source, for effectuating its corporate purposes including, without
3 limitation, the payment of the initial expenses of administration and operation and the
4 establishment of reserves or contingency funds to be available for the payment of the principal of
5 and the interest on any bonds, notes or other obligations of the district.

6 SECTION 21. [Exemption from Taxation](#). The exercise of the powers granted by this act
7 will be in all respects for the benefit of the people of this state, the increase of their commerce,
8 welfare and prosperity and for the improvement of their health, safety and welfare and will in all
9 respects constitute the performance of an essential governmental function. Therefore, the district
10 shall not be required to pay taxes or assessments of any kind upon or in respect to any of its
11 operations, real or personal property, or any water supply facilities, or on account of instruments
12 recorded by it or on its behalf, or upon any earnings, revenues, moneys or other income derived
13 by the district. The bonds and notes of the district and the income therefrom shall at all times be
14 exempt from taxation.

15 Bonds and notes issued by the district and their transfer and the income therefrom,
16 including any profit made on the sale or exchange thereof, shall at all times be exempt from
17 taxation by the state and all political subdivisions of the state. The district shall not be required to
18 pay any transfer tax of any kind on account of instruments recorded by it or on its behalf.

19 SECTION 22. [Water Charges as a Lien Against Property](#). The district's charges for the
20 provision of water shall constitute a lien upon the estates to which the water is provided in
21 accordance with section 39-15-12, or any successor thereto, as it may be amended from time to
22 time.

23 SECTION 23. [Right to Alter, Remand or Repeal](#). The right to alter, amend or repeal this
24 act is hereby expressly reserved to the general assembly, but no such alteration, amendment or
25 repeal shall operate to impair the obligation of any contract made by the district under any power
26 conferred by this act.

27 SECTION 24. [Transfer of Assets and Liabilities](#). Upon the effective date of this section
28 24 as set forth in section 32 hereof, the district shall acquire and take legal title to all real
29 property, personal property, and all water supply facilities then held by the Smithfield water
30 supply board and the East Smithfield water district and shall assume all outstanding liabilities,
31 debts, bonds, notes and other obligations of the Smithfield water supply board and the East
32 Smithfield water district. The Smithfield town council and the East Smithfield water district
33 board of directors are hereby authorized to assign, sell or otherwise transfer the same to the
34 district, and in the case of the assignment, sale or transfer of water supply facilities pursuant to

1 this provision, it shall be lawful to dissolve such transferring entity, any other provisions of law to
2 the contrary notwithstanding.

3 SECTION 25. [Other Statutes](#). (a) Nothing herein contained shall restrict or limit the
4 powers of the district arising under any laws of this state, except if such powers are expressly
5 contrary to the provisions of this act.

6 (b) All provisions of state law relating to conflict of interest and ethics, including chapter
7 14 of title 36 of the general laws of Rhode Island, "The Rhode Island code of ethics" and all
8 applicable regulations of the Rhode Island ethics commission, shall apply to the district and its
9 officials and employees. The board may in its discretion adopt additional conflict of interest and
10 ethics regulations by resolution which are not in conflict with state law.

11 (c) All records of the district shall be governed by "The Rhode Island Access to Public
12 Records Act," chapter 2 of title 38, of the general laws of Rhode Island, or any successor thereto,
13 as the same may be amended from time to time.

14 (d) The district shall not be considered a "public utility" within the meaning of section
15 39-1-2, or any successor thereto, and the district shall not be subject to regulation by the public
16 utilities commission, or any successor thereto.

17 (e) All purchases and contract awards of the district shall be governed by chapter 55 of
18 title 45 of the Rhode Island general laws, "Award of Municipal Contracts," or any successor
19 thereto, as the same may be amended from time to time.

20 (f) All functions of the district are governmental in nature and the sovereign immunity
21 provisions contained in chapter 31 of title 9 of the general laws of Rhode Island, "Governmental
22 Tort Liability," or any successor thereto, as the same may be amended from time to time, shall
23 apply to the district.

24 SECTION 26. [Inconsistent Provisions](#). Insofar as the provisions of this act are
25 inconsistent with the provisions of any other law or ordinance, general, special or local, the
26 provisions of this act shall be controlling.

27 SECTION 27. [Liberal Construction](#). This act being necessary for the welfare of the state
28 and its inhabitants shall be liberally construed so as to effect its purposes.

29 SECTION 28. [Severability](#). If any clause, sentence, paragraph, section, or part of this act
30 shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not
31 affect, impair, or invalidate the remainder thereof, but shall be confined in its operation to the
32 clause, sentence, paragraph, section, or part directly involved in the controversy in which such
33 judgment shall have been rendered.

34 SECTION 29. [Repeals](#). All acts or parts of acts inconsistent with the provisions of this

1 act are hereby repealed to the extent of such inconsistency, including Acts and Resolves, 1934,
2 pp. 313-322 (Vol. 101 #13); Public Laws 1936, Chapter 2445; Public Laws 1939, Chapter 794;
3 Acts & Resolves, 1952, pp. 626-628 (Vol. II #24), Public Laws 1953, Chapter 3079; Public Laws
4 1957, Chapter 137; Public Laws 1958, Ch. 10; and Public Laws 1963, Chapter 57. All portions of
5 said acts which authorized bonds or notes which remain outstanding shall remain in full force and
6 effect. Until this act shall become fully effective in accordance with section 32 hereof, said
7 inconsistent acts and parts of acts and the powers and duties of the Smithfield water supply board
8 and the East Smithfield water district shall remain in full force and effect.

9 SECTION 30. [Transfer on dissolution](#). If the district shall be dissolved, title to all funds
10 and other properties of the district, not required for the payment of bonds or other debts of the
11 district, the disposition of which is not otherwise governed by contracts to which the district may
12 be party, shall vest in the municipalities wherein the properties lie, with such allocation of funds
13 as may be determined by the board.

14 SECTION 31. [Special Election](#). After the adoption of a joint resolution by the Smithfield
15 town council and the East Smithfield water district board of directors approving this act and
16 establishing an election date and procedure, the question of the approval of this act shall be
17 submitted to the qualified voters of the towns of Smithfield and North Providence who receive
18 water service from the Smithfield water supply board or the East Smithfield water district at a
19 special election. The question shall be submitted substantially in the following form:

20 "Shall an Act passed at the 2013 session of the general assembly entitled 'An Act to
21 Create the Smithfield Consolidated Water District and to Provide for Its Powers and Duties' be
22 approved," and the warning for the election shall contain the question to be submitted. From the
23 time the election is warned and until it is held, it shall be the duty of the town clerks of Smithfield
24 and North Providence to keep a copy of the act available for public inspection, but the failure of a
25 clerk to perform this duty shall not affect the validity of the election.

26 SECTION 32. [Effective Date](#). This section 32 and section 31 hereof shall take effect
27 upon the passage of this act. If this act is approved by said qualified voters at the special election,
28 then the Smithfield town council and the East Smithfield water district board of directors shall by
29 joint resolution appoint an interim district board of directors whose members must satisfy the
30 qualifications set forth in section 7 hereof. Said interim board shall serve until the election of
31 directors at the first district annual meeting. Sections 1 through 30 of this act shall take effect
32 when said interim board of directors has been duly appointed, qualified and has taken office.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

TO CREATE THE SMITHFIELD CONSOLIDATED WATER DISTRICT AND TO PROVIDE
FOR ITS POWERS AND DUTIES

1 This act would repeal the public laws which created the Smithfield and East Smithfield
2 water districts serving Smithfield and a portion of North Providence and would create a single
3 consolidated district.

4 This act would take effect upon passage and by approval by the voters within the district.

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