

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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SENATE DRS75140-RW-3 (02/07)

Short Title: LGC Oversight of Water and Sewer Finances.

(Public)

Sponsors: Senator Bingham (Primary Sponsor).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO PROTECT THE FISCAL HEALTH OF NORTH CAROLINA'S WATER AND
3 SEWER SYSTEMS BY GRANTING THE LOCAL GOVERNMENT COMMISSION
4 ADDITIONAL AUTHORITY TO OVERSEE THE FINANCIAL MANAGEMENT OF
5 WATER AND SEWER SYSTEMS OF LOCAL GOVERNMENTS OR OTHER PUBLIC
6 AUTHORITIES.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** G.S. 159-181 is amended by adding a new subsection to read:

9 "(d) The Local Government Commission shall have authority to impound the books and
10 records associated with the water or sewer enterprise system of any unit of local government or
11 public authority, assume full control of all its affairs, or take any lesser actions deemed
12 necessary by the Commission when, for three consecutive fiscal years, the audited financial
13 statements of the unit or public authority demonstrate that the unit or public authority meets
14 any one of the following three criteria: (i) the enterprise system experienced negative working
15 capital; (ii) the enterprise system experienced a quick ratio of less than 1.0; or (iii) the unit or
16 public authority experienced a net loss of revenue in the enterprise system using the modified
17 accrual budgetary basis of accounting. Before the Local Government Commission assumes
18 control as described herein, it must find that the impact of items (i) through (iii) threatens the
19 financial stability of the unit of local government or public authority, and that the unit of local
20 government or public authority has failed to make corrective changes in its operation of the
21 enterprise system after having received notice and warning from the Commission. The notice
22 and warning contemplated hereby may occur prior to the expiration of the three-year period.
23 When the Commission takes action under this section, the Commission is vested with such
24 powers of the governing board as the Commission shall deem necessary, which may include all
25 powers of the governing board, as to the operation of the enterprise system, including, but not
26 limited to, setting rates, negotiating contracts, collecting payments that are due, suspending
27 service to nonpaying customers, resolving disputes with third parties, and transferring the
28 ownership of the enterprise system. "Working capital" is defined as current assets, such as cash,
29 inventory, and accounts receivable, less current liabilities, determined in accordance with
30 generally accepted accounting principles. A "quick ratio of less than 1.0" means that the ratio of
31 liquid assets (cash and receivables) to current liabilities is less than 1.0."

32 **SECTION 2.** This act is effective when it becomes law.



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