

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

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HOUSE BILL 538  
Committee Substitute Favorable 4/16/15  
PROPOSED SENATE COMMITTEE SUBSTITUTE H538-PCS40488-STxr-77

Short Title: Water and Sewer Service Related Changes. (Public)

Sponsors:

Referred to:

April 6, 2015

1 A BILL TO BE ENTITLED  
2 AN ACT TO AMEND AND CLARIFY THE POWERS OF WATER AND SEWER  
3 AUTHORITIES, TO AUTHORIZE COUNTIES AND CITIES TO PLEDGE A  
4 SECURITY INTEREST IN AN ESCROW ACCOUNT UNDER CERTAIN  
5 CONDITIONS, AND TO ALLOW THE LOCAL GOVERNMENT COMMISSION TO  
6 AUTHORIZE A THIRTY-YEAR MATURITY DATE FOR THE FINANCING OF  
7 CERTAIN WATER SYSTEM PROJECTS.

8 The General Assembly of North Carolina enacts:

9 SECTION 1. G.S. 162A-6(a)(14c) reads as rewritten:

10 "(14c) To adopt ordinances concerning any of the following:

- 11 a. ~~to regulate~~ The regulation and control of the discharge of sewage or  
12 stormwater into any sewerage system owned or operated by the  
13 authority, to adopt ordinances concerning stormwater authority.  
14 b. The regulation and control of a water system owned or operated by  
15 the authority.  
16 c. Stormwater management programs designed to protect water quality  
17 by controlling the level of pollutants in and the quantity and flow of  
18 stormwater, and to adopt ordinances to regulate stormwater.  
19 d. The regulation and control of structural and natural stormwater and  
20 drainage systems of all types.

21 Prior to the adoption of any such ordinance or any amendment to any such  
22 ordinance, the authority shall first pass a declaration of intent to adopt such  
23 ordinance or amendment. The declaration of intent shall describe the  
24 ordinance which it is proposed that the authority adopt. The declaration of  
25 intent shall be submitted to each governing body for review and comment.  
26 The authority shall consider any comment or suggestions offered by any  
27 governing body with respect to the proposed ordinance or amendment.  
28 Thereafter, the authority shall be authorized to adopt such ordinance or  
29 amendment to it at any time after 60 days following the submission of the  
30 declaration of intent to each governing body."

31 SECTION 2. G.S. 162A-6(a) is amended by adding two new subdivisions to read:

32 "(17) To enter into reimbursement agreements to be paid by the authority to a  
33 private developer or property owner for the design and construction of  
34 infrastructure that is included on the authority's capital improvement plan  
35 and serves the developer or property owner. An authority shall enact



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1 ordinances setting forth procedures and terms under which such agreements  
2 may be approved. An authority may provide for such reimbursements to be  
3 paid from any lawful source. Reimbursement agreements authorized by this  
4 paragraph shall not be subject to Article 8 of Chapter 143 of the General  
5 Statutes, except as provided by this subsection. A developer or property  
6 owner who is party to a reimbursement agreement authorized under this  
7 paragraph shall solicit bids in accordance with Article 8 of Chapter 143 of  
8 the General Statutes when awarding contracts for work that would have  
9 required competitive bidding if the contract had been awarded by the  
10 authority. For the purpose of this subdivision, infrastructure includes,  
11 without limitation, water mains, sanitary sewer lines, lift stations, water  
12 pump stations, stormwater lines, and other associated facilities.

13 (18) To offer and pay rewards in an amount not exceeding five thousand dollars  
14 (\$5,000) for information leading to the arrest and conviction of any person  
15 who willfully defaces, damages or destroys, or commits acts of vandalism or  
16 larceny of any authority property. The amount necessary to pay said rewards  
17 shall be an item in the current expense budget of the authority."

18 **SECTION 3.** Article 1 of Chapter 158 is amended to add a new section to read:

19 **"§ 158-7.5. Security interests in rural economic development loans.**

20 (a) A county or municipality that enters into an interest-free loan agreement whereby  
21 the county or municipality borrows money in connection with an economic development  
22 incentive arrangement entered into under this Article may pledge a security interest in an  
23 escrow account to secure repayment or a certificate of deposit of the interest-free loan.

24 (b) An interest-free loan agreement entered into under this section is subject to approval  
25 by the Local Government Commission under Article 8 of Chapter 159 of the General Statutes,  
26 unless exempted in G.S. 159-148(b).

27 (c) No deficiency judgment may be rendered against any county or municipality in any  
28 action for breach of a contractual obligation authorized by this section. The taxing power of a  
29 county or municipality is not and may not be pledged directly or indirectly to secure any  
30 moneys due under a contract authorized by this section."

31 **SECTION 4.** G.S. 159G-40(b) reads as rewritten:

32 "(b) Interest Rate and Maturity. – The interest rate payable on and the maximum  
33 maturity of a loan are subject to the following limitations:

34 (1) Interest rate. – The interest rate for a loan may not exceed the lesser of four  
35 percent (4%) or one half the prevailing national market rate for tax-exempt  
36 general obligation debt of similar maturities derived from a published  
37 indicator. When recommended by the Department, the Local Government  
38 Commission may set an interest rate for a loan for a targeted interest rate  
39 project at a rate that is lower than the standard rate to achieve the purpose of  
40 the target.

41 (2) Maturity. – ~~The~~ Except as provided in this subsection, the maximum  
42 maturity for a loan for a project that is not a high-unit-cost-targeted interest  
43 rate project may not exceed 20 years or the project's expected life, whichever  
44 is shorter. The maximum maturity for a loan for a high-unit-cost project is  
45 30 years or the project's expected life, whichever is shorter. Upon approval  
46 of the Local Government Commission, the maximum maturity for a loan that  
47 is not a targeted interest rate project may extend to 30 years. Such approval  
48 is explicitly limited to local government units that meet all of the following  
49 criteria:

50 a. The project serves a system that is ranked as Tier I on the 2007-08  
51 Tier Drought Vulnerability List developed by the Department.

1                            b.     The loan amount is at least as great as eight times the amount of the  
2                            operating revenue of the unit's system for which the loan is being  
3                            granted."

4                    **SECTION 5.** This act is effective when it becomes law.