GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

HOUSE BILL 238

Short Title:	Maintaining Water & Sewer Fiscal Health.	(Public)
Sponsors:	Representatives Cleveland and Dockham (Primary Sponsors). *For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.*	
Referred to:	Health and Human Services, if favorable, Environment, if favorable, Finance.	

March 7, 2013

A BILL TO BE ENTITLED

AN ACT TO PROTECT THE FISCAL HEALTH OF NORTH CAROLINA'S WATER AND SEWER SYSTEMS.

The General Assembly of North Carolina enacts:

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

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

SECTION 2. This act becomes effective July 1, 2013.