

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

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HOUSE BILL 1743*
Committee Substitute Favorable 5/26/10
Committee Substitute #2 Favorable 6/9/10

Short Title: DENR/LGC Evaluate Water System Operations.

(Public)

Sponsors:

Referred to:

May 18, 2010

A BILL TO BE ENTITLED

AN ACT TO DIRECT THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES AND THE LOCAL GOVERNMENT COMMISSION OF THE DEPARTMENT OF STATE TREASURER TO JOINTLY EVALUATE THE POTENTIAL BENEFITS OF MONITORING THE FINANCIAL CONDITION OF PUBLIC WATER SYSTEMS AND WASTEWATER SYSTEMS, AS RECOMMENDED BY THE LEGISLATIVE STUDY COMMISSION ON WATER AND WASTEWATER INFRASTRUCTURE.

The General Assembly of North Carolina enacts:

SECTION 1. The Department of Environment and Natural Resources and the Local Government Commission of the Department of State Treasurer shall jointly evaluate the costs and benefits of requiring each public water system or wastewater system in the State to demonstrate that the system raises sufficient revenue to cover the costs associated with proper operation of the system, including the costs of maintenance, repair, and replacement of collection, treatment, and distribution infrastructure.

- (1) The Department of Environment and Natural Resources and the Local Government Commission shall specifically consider increasing their oversight role to include the following actions:
 - a. Review grant applications submitted by a system to determine the portion of the proposed grant match that is funded from local revenues as opposed to another grant.
 - b. Develop benchmarks that a system must meet to ensure that the system is operating in a financially sound manner.
- (2) The Department of Environment and Natural Resources and the Local Government Commission shall specifically evaluate the desirability of requiring each public water system and wastewater system in the State to conduct the following actions:
 - a. Submit an annual audit statement to State water and wastewater infrastructure funding agencies to which the system is applying for loan or grant funds for the purpose of reporting on the operation of the system and to demonstrate whether the water or wastewater rates of each system are sufficient to maintain system operations and meet debt service obligations.
 - b. Implement remedial measures in the event that the audit statement indicates a shortfall, including the submission of a written explanation for the revenue shortfall from the governing body of the



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1 system and the development of a plan to ensure that system revenues
2 cover system costs.
3 c. Maintain a capital reserve fund.
4 d. Provide notification to funding agencies when a system is failing to
5 operate in compliance with applicable State and federal water quality
6 standards.

7 (3) The Department of Environment and Natural Resources and the Local
8 Government Commission shall identify and consider other actions or
9 measures that would improve the oversight of the financial condition of
10 public water systems and wastewater systems.

11 **SECTION 2.** For the purposes of this act, "public water system" has the same
12 meaning as in G.S. 130A-313(10), and "wastewater system" has the same meaning as in
13 G.S. 159G-20(25).

14 **SECTION 3.** The Department of Environment and Natural Resources and the
15 Local Government Commission shall jointly report their findings and recommendations to the
16 Legislative Study Commission on Water and Wastewater Infrastructure no later than November
17 1, 2010.

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