

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH50065-BAxf-9B*

Short Title: Water/Wastewater Public Enterprise Reform. (Public)

Sponsors: Representatives McGrady and Hanig (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO IMPROVE VIABILITY OF THE WATER AND WASTEWATER SYSTEMS OF
3 CERTAIN UNITS OF LOCAL GOVERNMENT BY REQUIRING LOCAL
4 GOVERNMENT COMMISSION APPROVAL OF GRANT APPLICATIONS; TO
5 REQUIRE CERTAIN WATER AND WASTEWATER SYSTEMS TO UNDERGO A
6 REVIEW OF INFRASTRUCTURE MANAGEMENT, ORGANIZATIONAL
7 MANAGEMENT, AND FINANCIAL MANAGEMENT; TO CREATE THE VIABLE
8 UTILITY RESERVE TO PROVIDE GRANT MONEY FOR LOCAL GOVERNMENT
9 UNITS; TO CREATE A MONTHLY SURCHARGE TO FUND THE VIABLE UTILITY
10 RESERVE; TO PROVIDE A STATUTORY PROCESS FOR MERGER AND
11 DISSOLUTION OF WATER AND WASTEWATER SYSTEMS ESTABLISHED UNDER
12 CHAPTER 162A OF THE GENERAL STATUTES; TO PROMOTE THE IMPORTANCE
13 OF INTERLOCAL AGREEMENTS TO THE OPERATION OF WATER AND
14 WASTEWATER SYSTEMS; AND TO STUDY SUB-BASIN TRANSFERS AND
15 HISTORICAL CHARTERS.

16 The General Assembly of North Carolina enacts:

17 **SECTION 1.(a)** G.S. 159G-20 reads as rewritten:

18 "**§ 159G-20. Definitions.**

19 The following definitions apply in this Chapter:

20 ...

21 (4a) Distressed unit. – A public water system or wastewater system operated by a
22 local government unit exhibiting signs of failure to identify or address those
23 financial or operating needs necessary to enable that system to become or to
24 remain a local government unit generating sufficient revenues to adequately
25 fund management and operations, personnel, appropriate levels of
26 maintenance, and reinvestment that facilitate the provision of reliable water
27 or wastewater services.

28 ...

29 (13) Local government unit. – Any of the following:

- 30 a. A city as defined in G.S. 160A-1.
31 b. A county.
32 c. A consolidated city-county as defined in G.S. 160B-2.
33 d. ~~A county water and sewer district created pursuant to Article 6 of~~
34 ~~Chapter 162A of the General Statutes.~~ Any of the following entities
35 created pursuant to Chapter 162A of the General Statutes:
36 1. A water and sewer authority created pursuant to Article 1.



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- 1 2. A metropolitan water district created pursuant to Article 4.
- 2 3. A metropolitan sewerage district created pursuant to Article 5.
- 3 4. A metropolitan water and sewerage district created pursuant to
- 4 Article 5A.
- 5 5. A county water and sewer district created pursuant to Article
- 6 6.
- 7 ~~e. A metropolitan sewerage district or a metropolitan water district~~
- 8 ~~created pursuant to Article 4 of Chapter 162A of the General Statutes.~~
- 9 ~~f. A water and sewer authority created under Article 1 of Chapter 162A~~
- 10 ~~of the General Statutes.~~
- 11 g. A sanitary district created pursuant to Part 2 of Article 2 of Chapter
- 12 130A of the General Statutes.
- 13 h. A joint agency created pursuant to Part 1 or Part 5 of Article 20 of
- 14 Chapter 160A of the General Statutes.
- 15 i. A joint agency that was created by agreement between two cities and
- 16 towns to operate an airport pursuant to G.S. 63-56 and that provided
- 17 drinking water and wastewater services off the airport premises before
- 18 1 January 1995.

19 ...
 20 (22a) Viable Utility Reserve. – The Viable Utility Reserve established in
 21 G.S. 159G-22 as an account in the Water Infrastructure Fund.

22 "
 23 **SECTION 1.(b)** G.S. 159G-21 is amended by adding a new subdivision to read:
 24 "(3) Revenue received under G.S. 162A-221 to provide grants to be administered
 25 in accordance with this Chapter."

26 **SECTION 1.(c)** G.S. 159G-22 is amended by adding two new subsections to read:
 27 "(h) Viable Utility Reserve. – The Viable Utility Reserve is established as an account
 28 within the Water Infrastructure Fund. The account is established to receive amounts collected
 29 under G.S. 162A-221, as well as any appropriated State funds, to be used for grants to local
 30 government units for those purposes authorized under this Article. Revenue credited to the Viable
 31 Utility Reserve is neither received from the federal government nor provided as a match for
 32 federal funds.

33 (i) Viable Utility Accounts. – The Department is directed to establish accounts within
 34 the Viable Utility Reserve to administer grants for public water systems or wastewater systems
 35 owned by local government units."

36 **SECTION 1.(d)** G.S. 159G-30 reads as rewritten:
 37 "**§ 159G-30. Department's responsibility.**
 38 The Department, through the ~~Division of Water Infrastructure, Division,~~ administers ~~loans~~
 39 the following:

- 40 (1) Loans and grants made from the CWSRF, the DWSRF, the Wastewater
- 41 Reserve, and the Drinking Water Reserve and shall administer the Reserve.
- 42 (2) The award of funds by the State Water Infrastructure Authority from the
- 43 Community Development Block Grant program to local government units for
- 44 infrastructure projects.
- 45 (3) Grants made from the Viable Utility Reserve."

46 **SECTION 1.(e)** G.S. 159G-31 is amended by adding a new subsection to read:
 47 "(d) A local government unit is eligible to apply for a grant from the Viable Utility
 48 Reserve."

49 **SECTION 1.(f)** G.S. 159G-32 is amended by adding a new subsection to read:
 50 "(d) Viable Utility Reserve. – The Department is authorized to make grants from the
 51 Viable Utility Reserve to do any of the following:

- 1 (1) Provide physical interconnection and extension of public water or wastewater
 2 infrastructure to provide regional service.
 3 (2) Rehabilitate existing public water or wastewater infrastructure.
 4 (3) Decentralize an existing public water system or wastewater system into
 5 smaller viable parts.
 6 (4) Fund a study of any one or more of the following:
 7 a. Rates.
 8 b. Asset inventory and assessment.
 9 c. Merger and regionalization options.
 10 (5) Fund other options deemed feasible which results in local government units
 11 generating sufficient revenues to adequately fund management and
 12 operations, personnel, appropriate levels of maintenance, and reinvestment
 13 that facilitate the provision of reliable water or wastewater services."

14 **SECTION 1.(g)** Article 2 of Chapter 159G of the General Statutes is amended by
 15 adding a new section to read:

16 **"§ 159G-34A. Grant types available from Viable Utility Reserve.**

17 (a) The Department is authorized to make the following types of grants from the Viable
 18 Utility Reserve:

- 19 (1) Asset assessment and rate study grant. – An asset inventory and assessment
 20 grant is available to inventory the existing public water or wastewater system,
 21 or both, document the condition of the inventoried infrastructure, and conduct
 22 a rate study to determine a rate structure sufficient to prevent the local
 23 government unit from becoming a distressed unit.
 24 (2) Merger/regionalization feasibility grant. – A merger/regionalization grant is
 25 available to determine the feasibility of consolidating the management of
 26 multiple utilities into a single utility operation or to provide regional treatment
 27 or water supply and the best way of carrying out the consolidation or
 28 regionalization. The Department shall not make a grant under this subdivision
 29 for a merger or regionalization proposal that would result in a new surface
 30 water transfer regulated under G.S. 143-215.22L.
 31 (3) Project grant. – A project grant is available for a portion of the costs of a public
 32 water system or wastewater system project as defined in G.S. 159G-32(d).

33 (b) Each type of grant must be administered through a separate account within the Viable
 34 Utility Reserve.

35 (c) The Department of Environmental Quality, through the Division of Water
 36 Infrastructure, may budget and commit to grants based upon estimates of collections remitted in
 37 accordance with G.S. 162A-222 provided by the Office of State Budget and Management and
 38 the Fiscal Research Division of the Legislative Services Commission. If the actual remittance of
 39 collections in accordance with G.S. 162A-222 is less than the estimate for that given year, no
 40 grant shall be awarded and priority shall be given to that local government unit in the next
 41 subsequent year."

42 **SECTION 1.(h)** G.S. 159G-35 reads as rewritten:

43 **"§ 159G-35. Criteria for loans and grants.**

44 (a) CWSRF and DWSRF. – Federal law determines the criteria for awarding a loan or
 45 grant from the CWSRF or the DWSRF. An award of a loan or grant from one of these accounts
 46 must meet the criteria set under federal law. The Department is directed to establish through
 47 negotiation with the United States Environmental Protection Agency the criteria for evaluating
 48 applications for loans and grants from the CWSRF and the DWSRF and the priority assigned to
 49 the criteria. The Department must incorporate the negotiated criteria and priorities in the
 50 Capitalization Grant Operating Agreement between the Department and the United States
 51 Environmental Protection Agency. The criteria and priorities incorporated in the Agreement

1 apply to a loan or grant from the CWSRF or the DWSRF. The priority considerations in
2 G.S. 159G-23 do not apply to a loan or grant from the CWSRF or the DWSRF.

3 (b) Certain Reserves. – The priority considerations in G.S. 159G-23 apply to a loan or
4 grant from the Wastewater Reserve or the Drinking Water Reserve. The Department may
5 establish by rule other criteria that apply to a loan or grant from the Wastewater Reserve or the
6 Drinking Water Reserve.

7 (c) Viable Utility Reserve. – The Local Government Commission and the Authority shall
8 jointly develop evaluation criteria for grants from the Viable Utility Reserve. This evaluation
9 criteria shall be used to review applications and award grants as provided in G.S. 159G-39."

10 **SECTION 1.(i)** G.S. 159G-36 reads as rewritten:

11 "**§ 159G-36. Limits on loans and grants.**

12 (a) CWSRF and DWSRF. – Federal law governs loans and grants from the CWSRF and
13 the DWSRF. An award of a loan or grant from one of these accounts must be consistent with
14 federal law.

15 (b) Certain Reserve Cost Limit. – The amount of a loan or grant from the Wastewater
16 Reserve or the Drinking Water Reserve may not exceed the construction costs of a project. A
17 loan or grant from one of these Reserves is available only to the extent that other funding sources
18 are not reasonably available to the applicant.

19 (b1) Viable Utility Reserve Cost Limit. – The amount of a grant from the Viable Utility
20 Reserve may not exceed the construction costs of a project. A grant from this Reserve is available
21 only to the extent that other funding sources are not reasonably available to the applicant.

22 (c) Certain Reserve Recipient Limit. – The following limits apply to the loan or grant
23 types made from the Wastewater Reserve or the Drinking Water Reserve to the same local
24 government unit or nonprofit water corporation:

- 25 (1) The amount of loans awarded for a fiscal year may not exceed three million
26 dollars (\$3,000,000).
- 27 (2) The amount of loans awarded for three consecutive fiscal years for targeted
28 interest rate projects may not exceed three million dollars (\$3,000,000).
- 29 (3) The amount of project grants awarded for three consecutive fiscal years may
30 not exceed three million dollars (\$3,000,000).
- 31 (4) The amount of merger/regionalization feasibility grants awarded for three
32 consecutive fiscal years may not exceed fifty thousand dollars (\$50,000).
- 33 (5) The amount of asset inventory and assessment grants awarded for three
34 consecutive fiscal years may not exceed one hundred fifty thousand dollars
35 (\$150,000).

36 (d) Viable Utility Reserve Recipient Limit. – Grants under the Viable Utility Reserve
37 shall not exceed fifteen million dollars (\$15,000,000) to any single local government unit. Where
38 two or more local government units are merging into a single utility, the total grant awarded shall
39 not exceed thirty million dollars (\$30,000,000)."

40 **SECTION 1.(j)** G.S. 159G-37 reads as rewritten:

41 "**§ 159G-37. Application to CWSRF, Wastewater Reserve, DWSRF, and Drinking Water**
42 **Reserve. Reserve, and Viable Utility Reserve.**

43 (a) Application. – An application for a loan or grant from the CWSRF, the Wastewater
44 Reserve, the DWSRF, or the Drinking Water Reserve, or a grant from the Viable Utility
45 Reserve, must be filed with the ~~Division of Water Infrastructure of the Department.~~ Division. An
46 application must be submitted on a form prescribed by the Division and must contain the
47 information required by the Division. An applicant must submit to the Division any additional
48 information requested by the Division to enable the Division to make a determination on the
49 application. An application that does not contain information required on the application or
50 requested by the Division is incomplete and is not eligible for consideration. An applicant may
51 submit an application in as many categories as it is eligible for consideration under this Article.

1 (b) Certification. – The Division of ~~Water Infrastructure~~ shall require all local
2 governments applying for loans or grants for water or wastewater purposes to certify that no
3 funds received from water or wastewater utility operations have been transferred to the local
4 government's general fund for the purpose of supplementing the resources of the general fund.
5 The prohibition in this section shall not be interpreted to include payments made to the local
6 government to reimburse the general fund for expenses paid from that fund that are reasonably
7 allocable to the regular and ongoing operations of the utility, including, but not limited to, rent
8 and shared facility costs, engineering and design work, plan review, and shared personnel costs."

9 **SECTION 1.(k)** G.S. 159G-39 is amended by adding a new subsection to read:

10 "(e) Viabale Utility Reserve Terms. – The Department may not award a grant from the
11 Viabale Utility Reserve Fund unless the Local Government Commission approves the award of
12 the grant and the terms of the grant. The Department and the Local Government Commission
13 may, in their discretion, impose specific performance measures or conditions on any grant
14 awarded from the Viabale Utility Reserve."

15 **SECTION 1.(l)** Article 2 of Chapter 159G of the General Statutes is amended by
16 adding a new section to read:

17 "**§ 159G-45. Assessment of local government units; assistance.**

18 (a) The Authority and the Local Government Commission shall develop criteria to
19 determine how local government units should be assessed and reviewed in accordance with this
20 section, and such criteria shall address at least all of the following:

- 21 (1) Whether the public water or wastewater system that serves less than 10,000
22 customers.
- 23 (2) Whether the public water or wastewater system has an established,
24 operational, and adequately funded program for its repair, maintenance, and
25 management.
- 26 (3) Whether the annual debt service is disproportionate to the public water or
27 wastewater system's annual revenue.
- 28 (4) Whether the local government unit has appropriated monies from its utility or
29 public service enterprise fund in accordance with G.S. 159-13(b)(14) in two
30 or more of the preceding five fiscal years without maintaining a reserve fund
31 sufficient to provide for operating expenses, capital outlay, and debt service.
- 32 (5) Whether the local government unit has appropriated monies to supplement the
33 operating expenses, capital outlay, or debt service on outstanding utility or
34 enterprise bonds or notes in excess of the user fees collected in two or more
35 of the preceding five fiscal years.

36 (b) Utilizing the assessment and review process, the Authority and Local Government
37 Commission shall identify distressed units. Each distressed unit identified under this subsection
38 shall do all of the following:

- 39 (1) Conduct an asset assessment and rate study, as directed and approved by the
40 Authority and the Local Government Commission.
- 41 (2) Participate in a training and educational program approved by the Authority
42 and the Local Government Commission for that distressed unit. Attendance
43 shall be mandatory for any governing board members and staff whose
44 participation is required by the Authority and Local Government Commission.
45 The scope of training and education, and its method of delivery, shall be at the
46 discretion of the Authority and Local Government Commission.
- 47 (3) Develop an action plan, taking into consideration all of the following:
 - 48 a. A short-term and a long-term plan for infrastructure repair,
49 maintenance, and management.
 - 50 b. Continuing education of the governing board and system operating
51 staff.

1 c. Long-term financial management to ensure the public water system or
 2 wastewater system will generate sufficient revenue to adequately fund
 3 management and operations, personnel, appropriate levels of
 4 maintenance, and reinvestment that facilitate the provision of reliable
 5 water or wastewater services.

6 d. Any other matters identified by the Authority, the Department, or the
 7 Local Government Commission.

8 (c) Once an identified distressed unit has completed all of the requirements of subsection
 9 (b) of this section, that unit shall no longer be identified as a distressed unit for the remainder of
 10 that assessment and review cycle.

11 (d) The Authority and the Local Government Commission shall establish the frequency
 12 of the cycle for assessment and review of local government units under this section, which shall
 13 be no less than every two years."

14 **SECTION 1.(m)** This section becomes effective October 1, 2019.

15 **SECTION 2.(a)** Chapter 162A of the General Statutes is amended by adding a new
 16 Article to read:

17 "Article 9.

18 "Water and Wastewater Surcharge.

19 **"§ 162A-220. Definitions.**

20 The following definitions apply in this Article:

21 (1) Local government unit. – Defined in G.S. 159G-20.

22 (2) Public water system. – Defined in G.S. 130A-313.

23 (3) Wastewater system. – Defined in G.S. 159G-20.

24 **"§ 162A-221. Surcharge for water and wastewater services.**

25 (a) A monthly surcharge is imposed on each active account of a public water system or
 26 wastewater system, payable by the account holder, as follows:

27 (1) One dollar (\$1.00) per residential account receiving water service from a local
 28 government unit.

29 (2) One dollar (\$1.00) per residential account receiving wastewater service from
 30 a local government unit.

31 (3) One dollar (\$1.00) per nonresidential account receiving water service from a
 32 local government unit.

33 (4) One dollar (\$1.00) per nonresidential account receiving wastewater service
 34 from a local government unit.

35 (b) Local government units are responsible for billing and collecting the monthly
 36 surcharges established in subsection (a) of this section based on the local government unit's
 37 billing schedule.

38 (c) Local government units may deduct and retain from the monies collected an amount
 39 to cover the administrative expenses of collecting the monthly surcharges established in
 40 subsection (a) of this section not to exceed two percent (2%) of the amount collected by the local
 41 government unit.

42 **"§ 162A-222. Transfer of collections.**

43 Local government units shall remit the amounts collected to the Viable Utility Reserve
 44 established in G.S. 159G-22 on a quarterly basis.

45 **"§ 162A-223. Sunset.**

46 This Article expires June 30, 2029."

47 **SECTION 2.(b)** G.S. 130A-64 is amended by adding a new subsection to read:

48 "(c) The district board shall collect any applicable monthly surcharges required under
 49 G.S. 162A-221."

50 **SECTION 2.(c)** G.S. 153A-277 is amended by adding a new subsection to read:

1 "(a3) A county shall collect any applicable monthly surcharges required under
2 G.S. 162A-221."

3 **SECTION 2.(d)** G.S. 160A-314 is amended by adding a new subsection to read:

4 "(h) A city shall collect any applicable monthly surcharges required under
5 G.S. 162A-221."

6 **SECTION 2.(e)** G.S. 160A-317 is amended by adding a new subsection to read:

7 "(a5) A city shall collect any applicable monthly surcharges required under
8 G.S. 162A-221."

9 **SECTION 2.(f)** G.S. 162A-6(a) is amended by adding a new subdivision to read:

10 "(9b) To collect any applicable monthly surcharges required under G.S. 162A-221."

11 **SECTION 2.(g)** G.S. 162A-9 is amended by adding a new subsection to read:

12 "(a6) An authority shall collect any applicable monthly surcharges required under
13 G.S. 162A-221."

14 **SECTION 2.(h)** G.S. 162A-36(a) is amended by adding a new subdivision to read:

15 "(8b) To collect any applicable monthly surcharges required under G.S. 162A-221."

16 **SECTION 2.(i)** G.S. 162A-49 is amended by adding a new subsection to read:

17 "(c) The district board shall collect any applicable monthly surcharges required under
18 G.S. 162A-221."

19 **SECTION 2.(j)** G.S. 162A-69 is amended by adding a new subdivision to read:

20 "(8b) To collect any applicable monthly surcharges required under G.S. 162A-221."

21 **SECTION 2.(k)** G.S. 162A-72 is amended by adding a new subsection to read:

22 "(c) The district board shall collect any applicable monthly surcharges required under
23 G.S. 162A-221."

24 **SECTION 2.(l)** G.S. 162A-85.13 is amended by adding a new subsection to read:

25 "(a2) The district board shall collect any applicable monthly surcharges required under
26 G.S. 162A-221."

27 **SECTION 2.(m)** G.S. 162A-88 is amended by adding a new subsection to read:

28 "(c) The district board shall collect any applicable monthly surcharges required under
29 G.S. 162A-221."

30 **SECTION 2.(n)** This section becomes effective October 1, 2019.

31 **SECTION 3.(a)** Chapter 162A of the General Statutes is amended by adding a new
32 Article to read:

33 "Article 10.

34 "Dissolution and Merger of Units.

35 **"§ 162A-850. Definitions.**

36 For purposes of this Article, the following definitions shall apply:

37 (1) Unit. – Any of the following entities created pursuant to this Chapter:

38 a. A water and sewer authority created pursuant to Article 1.

39 b. A metropolitan water district created pursuant to Article 4.

40 c. A metropolitan sewerage district created pursuant to Article 5.

41 d. A metropolitan water and sewerage district created pursuant to Article
42 5A.

43 e. A county water and sewer district created pursuant to Article 6.

44 **"§ 162A-855. Information needed to merge or dissolve.**

45 (a) Prior to any action by the Environmental Management Commission under this
46 Article, for any unit to merge or dissolve all of the following information must be supplied to the
47 Environmental Management Commission:

48 (1) The name of the unit to be merged or dissolved.

49 (2) The names of the district board members of the unit to be merged or dissolved.

50 (3) The proposed date of the merger or dissolution.

51 (4) A map or description of the jurisdiction of the unit to be merged or dissolved.

- 1 (5) The name of the entity with whom the unit will be merged, if applicable.
2 (6) The names of the governing board members or district board members of the
3 entity with which the unit is proposed to be merged, if applicable.
4 (7) A map or description of the jurisdiction of the entity with which the unit is
5 proposed to be merged.
6 (8) Resolutions adopted by each district board or governing board requesting the
7 merger or dissolution.
8 (9) A request from each chair of a district board requesting a merger or dissolution
9 that a representative of the Environmental Management Commission hold a
10 public hearing in that district to discuss the proposed merger or dissolution
11 and to receive public comment. The date, time, and place of the public hearing
12 shall be mutually agreed to by the chair of the Environmental Management
13 Commission and the chair of each requesting district board.
14 (10) A copy of the most recent audit performed in accordance with G.S. 159-34 for
15 the unit to be merged or dissolved.
16 (11) A copy of any permits issued by the Department of Environmental Quality to
17 the unit to be merged or dissolved.
18 (12) A copy of any grant awarded under Article 2 of this Chapter involving the unit
19 to be merged or dissolved, and any conditions thereof, if applicable.
20 (13) Any other information deemed necessary by the Department of Environmental
21 Quality, the Local Government Commission, or the Environmental
22 Management Commission.
23 (b) Upon receipt of a request to dissolve or merge, the Environmental Management
24 Commission shall provide a copy of all information submitted in accordance with this section to
25 the Department of Environmental Quality and the Local Government Commission.
26 (c) Upon confirmation of the time and place of the public hearing, each district board of
27 an affected unit and any other governing board affected shall do all of the following:
28 (1) Cause notice of the public hearing to be posted, at least 30 days prior to the
29 hearing, at the courthouse in any county within which the affected unit lies.
30 (2) Publish the notice at least once a week for four successive weeks in a
31 newspaper having general circulation in the affected unit, the first publication
32 to be at least 30 days prior to the public hearing.
33 (3) Publish notice in any other manner required by the Environmental
34 Management Commission.

35 **"§ 162A-860. Merger of units.**

36 (a) Any unit may merge with any other unit, any county, any city, any consolidated
37 city-county, any sanitary district created pursuant to Part 2 of Article 2 of Chapter 130A of the
38 General Statutes, any joint agency created pursuant to Part 1 or Part 5 of Article 20 of Chapter
39 160A of the General Statutes, or any joint agency that was created by agreement between two
40 cities and towns to operate an airport pursuant to G.S. 63-56 and that provided drinking water
41 and wastewater services off the airport premises before January 1, 1995, if such merger is a
42 condition of receiving a grant from the Viable Utility Reserve as provided in Article 2 of Chapter
43 159G of the General Statutes. The Environmental Management Commission shall adopt a
44 resolution transferring the assets, liabilities, and other obligations to the entity with which the
45 unit is being merged and dissolving the unit as provided for in this Article.

46 (b) Any unit may merge with any other unit, any county, any city, any consolidated
47 city-county, any sanitary district created pursuant to Part 2 of Article 2 of Chapter 130A of the
48 General Statutes, any joint agency created pursuant to Part 1 or Part 5 of Article 20 of Chapter
49 160A of the General Statutes, or any joint agency that was created by agreement between two
50 cities and towns to operate an airport pursuant to G.S. 63-56 and that provided drinking water
51 and wastewater services off the airport premises before January 1, 1995, on approval by the

1 Environmental Management Commission, upon consultation with the Department of
2 Environmental Quality and the Local Government Commission. The Environmental
3 Management Commission may adopt a resolution transferring the assets, liabilities, and other
4 obligations to the entity with which the unit is being merged and dissolving the unit as provided
5 for in this Article, if the Environmental Management Commission deems the merger in the best
6 interest of the people of the State.

7 (c) The Environmental Management Commission shall adopt a resolution dissolving a
8 unit and transferring the assets, liabilities, and other obligations of the unit to another unit when
9 the procedures set forth in G.S. 162A-855 have been completed and all of the following apply:

10 (1) Both units are created pursuant to Article 5 of this Chapter.

11 (2) Both units are located in the same county.

12 (3) The jurisdiction of the units are contiguous.

13 (4) The unit to be merged and dissolved does not directly provide sewerage
14 services to any customers.

15 (5) The unit to be merged and dissolved leases its assets to the unit with which it
16 is proposed to be merged.

17 (6) The unit to be merged and dissolved has no outstanding debts.

18 **"§ 162A-865. Dissolution of units.**

19 (a) Any unit may be dissolved, if such dissolution is a condition of a grant from the Viable
20 Utility Reserve as provided in Article 2 of Chapter 159G of the General Statutes. The
21 Environmental Management Commission shall adopt a resolution transferring the assets,
22 liabilities, and other obligations as provided for in the grant conditions imposed under Article 2
23 of Chapter 159G of the General Statutes.

24 (b) Any unit may be dissolved in order to merge that unit with any other unit, any county,
25 any city, any consolidated city-county, any sanitary district created pursuant to Part 2 of Article
26 2 of Chapter 130A of the General Statutes, any joint agency created pursuant to Part 1 or Part 5
27 of Article 20 of Chapter 160A of the General Statutes, or any joint agency that was created by
28 agreement between two cities and towns to operate an airport pursuant to G.S. 63-56 and that
29 provided drinking water and wastewater services off the airport premises before January 1, 1995,
30 and establish a new entity created under the General Statutes, on approval by the Environmental
31 Management Commission, upon consultation with the Department of Environmental Quality and
32 the Local Government Commission. The Environmental Management Commission may adopt a
33 resolution transferring the assets, liabilities, and other obligations to the new entity and dissolving
34 the unit as provided for in this Article, if the Environmental Management Commission deems the
35 merger in the best interest of the people of the State.

36 **"§ 162A-870. Effective date of merger or dissolution.**

37 Upon the adoption of a resolution of merger or dissolution by the Environmental
38 Management Commission as provided in this Article, the effective date for merger and
39 dissolution shall be fixed as of June 30 following the adoption of the resolution or the second
40 June 30 following adoption of the resolution.

41 **"§ 162A-875. Effect of merger or dissolution.**

42 (a) Upon adoption of the resolution of merger or dissolution by the Environmental
43 Management Commission, all of the following shall apply on the effective date set forth in the
44 resolution:

45 (1) All property, real, personal, and mixed, including accounts receivable,
46 belonging to the dissolving unit shall be transferred, disposed of, or otherwise
47 accounted for as provided in the resolution of merger or dissolution.

48 (2) All judgments, liens, rights of liens, and causes of action of any nature in favor
49 of the dissolving unit shall vest in and remain and inure to the benefit of the
50 merged district.

- 1 (3) All taxes, assessments, sewer charges, and any other debts, charges, or fees
2 owing to the dissolving unit shall be owed to and collected as provided in the
3 resolution of merger or dissolution.
- 4 (4) All actions, suits, and proceedings pending against, or having been instituted
5 by, the dissolving unit shall not be abated by merger, but all such actions,
6 suits, and proceedings shall be continued and completed in the same manner
7 as if merger had not occurred, and the merged entity shall be a party to all
8 such actions, suits, and proceedings in the place and stead of the dissolving
9 unit and shall pay or cause to be paid any judgments rendered against the
10 dissolving unit in any such actions, suits, or proceedings. No new process is
11 required to be served in any such action, suit, or proceeding.
- 12 (5) All obligations of the dissolving unit, including outstanding indebtedness,
13 shall be assumed as provided in the resolution of merger or dissolution, and
14 all such obligations and outstanding indebtedness shall constitute obligations
15 and indebtedness as provided in the resolution of merger or dissolution.
- 16 (6) All ordinances, rules, regulations, and policies of the dissolving unit shall
17 continue in full force and effect until repealed or amended by the governing
18 body of the merged entity.
- 19 (7) The dissolving unit shall be abolished, and shall no longer be constituted a
20 public body or a body politic and corporate, except for purposes of carrying
21 into effect the provisions and intent of this section.
- 22 (8) Governance of the district shall be as specified in the resolution of merger or
23 dissolution, which may be amended by the Environmental Management
24 Commission as needed.

25 (b) All governing boards and district boards are authorized to take the actions and execute
26 the documents necessary to effectuate the provisions and intent of this section."

27 **SECTION 3.(b)** This section becomes effective October 1, 2019.

28 **SECTION 4.** Article 20 of Chapter 160A of the General Statutes is amended by
29 adding a new Part to read:

30 "Part 5. Water and Wastewater Systems.

31 **"§ 160A-481.1. Definitions.**

32 The words defined in this section shall have the meanings indicated when used in this Part:

33 (1) Local government unit. – Defined in G.S. 159G-20.

34 (2) Undertaking. – Defined in G.S. 160A-460.

35 (3) Unit of local government. – Defined in G.S. 160A-460.

36 **"§ 160A-481.2. Interlocal cooperation authorized.**

37 Interlocal cooperation, as provided in Part 1 of this Article, is authorized between any local
38 government unit and any other unit of local government in this State for any purpose. When two
39 or more local government units agree to contract for one or more undertakings under this Part,
40 the provisions of Part 1 of this Article apply."

41 **SECTION 5.(a)** The Department of Environmental Quality shall study the statutes
42 and rules governing subbasin transfers and make recommendations as to whether the statutes and
43 rules should be amended. The study shall specifically examine whether transfers of water
44 between subbasins within the same major river basin should continue to be required to comply
45 with all of the same requirements under G.S. 143-215.22L as transfers of water between major
46 river basins. In conducting this study, the Department shall consider whether the costs of
47 complying with specific requirements, including financial costs and time, are justified by the
48 benefits of the requirements, including the production of useful information and public notice
49 and involvement.

1 **SECTION 5.(b)** No later than October 1, 2019, the Department of Environmental
2 Quality shall report its findings and recommendations to the Environmental Review
3 Commission.

4 **SECTION 6.(a)** The Treasurer and Secretary of State shall study and make
5 recommendations as to the feasibility of authorizing historical charters for units of local
6 government that have become, or are on the brink of becoming, defunct. The study shall
7 specifically examine whether such historical charters are needed, the impact of such charters on
8 the bond rating of the State and its political subdivisions, and the consequences of such historical
9 charters.

10 **SECTION 6.(b)** No later than March 1, 2020, the Treasurer and Secretary of State
11 shall report their findings and recommendations to the General Assembly.

12 **SECTION 7.** Except as otherwise provided, this act is effective when it becomes
13 law.