

## MEMORANDUM

TO: Mayor and Board of Commissioners

FROM: Bryan Gruesbeck, Town Manager

**SUBJECT: G.S. 159-181 An Act to Protect the Fiscal Health of North Carolina's Water and Sewer Systems**

DATE: August 26, 2013

**Background:** The State of North Carolina recently passed a law (see attached) to protect municipal water and sewer funds from becoming financially insolvent. The law empowers the Local Government Commission (LGC) to take over the finances of a local municipal water and/or sewer system, including operations, rate setting, collections, etc., if it determines the enterprise system has consistently underperformed based a number of measurements. Staff forwards information as a cautionary measure against the general practice of operating our enterprise fund at an overall loss.

**Action Requested:** Receive the memorandum and law.