

Water Facility Loans

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Reference Number: MTAS-1748

State loans funded by state bonds may be made to cities for constructing waterworks under the Waterworks Construction Loan Act of 1974. Water facility loans are administered by the Department of Environment and Conservation, which is given authority to issue necessary rules and regulations and to enter into agreements with cities with respect to such loans. T.C.A. §§ 68-221-501, *et seq.*

Drinking Water State Revolving Fund

T.C.A. §§ 68-221-1201, *et seq.*, do the following:

- Create a Drinking Water State Revolving Fund in the state treasury;
- Provide for loans from the fund to water systems;
- Establish that water systems serving areas in the lower economic scale are eligible for lower interest rates on loans;
- Give priority to projects that address the most severe health problems;
- Provide for affordability criteria for loans based primarily on an area's per capita income and property values;
- Place certain restrictions on using revolving funds, including changes in the system's method of operation;
- Require the water system obtaining the loan to establish dedicated revenue sources to repay the loan, periodically adjust fees and charges, and maintain financial records in accordance with governmental accounting standards;
- Provide that the loans may be interest free; and
- Under certain conditions, allow extended terms for loans to disadvantaged communities.

T.C.A. §§ 68-221-1007–1015 place water systems under the water and wastewater financing board's jurisdiction. Loans under this program also are available to entities created by cooperating local governments, such as water authorities.

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

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