



Other Funding Sources

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-1381

City water and sewer operations need to make capital purchases and improvements. Some of these, such as a small line installation or a vehicle, may be of relatively low cost and paid for out of normal operating funds. Some capital projects, a new water plant for example, may cost several million dollars. For these types of projects the city will need to obtain grants and loans and repay these costs over a number of years. Cities should apply for grants to help lower the amount that has to be borrowed. Interest costs are a major consideration, so cities should “shop around” for the best available rate. In recent years many cities have refinanced their debt to take advantage of declining interest rates. Remember also that interest expense is a part of the statement of revenues, expenses and changes in net position of the utility operation. Certainly any time a city is going to incur a major new debt, it should complete a revenue/rate study to be sure it can pay the principal and interest.

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.

Source URL (retrieved on 11/15/2019 - 4:13pm): <https://www.mtas.tennessee.edu/reference/other-funding-sources>



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