



Beginning Steps

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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“Where do we begin?”

The staff had completed step one of the water/sewer rate study – deciding who is going to conduct it. Cities have several options, including hiring an engineering firm, hiring other consultants, or doing it in-house. Sometimes bringing in someone from the outside is the best option. A third party may have fresh perspectives and ideas and may lend credibility to the staff’s recommendations in the eyes of the governing body and customers. If the city has staff with the expertise and time to devote to the task, it may choose to conduct the study in-house.

Next, city staff talked with the mayor to gain more specific information on his expectations for the study. With any utility rate study, it is important to establish what is to be accomplished. Goals may include:

- Generating additional revenues to keep up with inflation. The costs of operations may have risen due to inflation, and the city merely needs additional revenues to cover those costs.
- Obtaining new loans. The city may need to borrow money for capital improvements and, therefore, needs to generate additional revenue to cover debt service (i.e., principal and interest). This could include items such as the infrastructure improvements and replacement described above or updating treatment plants or pump stations. It may include new infrastructure to meet growth requirements or be a combination of several things.
- Examining the rate structure. This involves an evaluation of rates by customer class to see if various customer classes are paying fairly. It may involve simplifying a complicated rate structure or, if the city wants to encourage water conservation, changing the rate structure to charge higher rates for large volume users may be a goal.

The mayor and staff of *Any City* outlined the following goals:

- Generate additional revenues to fund needed infrastructure improvements and expansions. Funds would come from a combination of user fees, loans, and grants.
- Make water and sewer rate structures fair for all users.
- Comply with professional and regulatory requirements.
- Examine and modify (if needed) water and sewer policies, including extension policies, connection and tap fees, etc., to ensure that “new” customers were not being allowed to connect onto the system at the expense of existing customers.
- Develop rate and policy information that is easy to explain to rate payers.
- Develop a communications plan to inform customers.

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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