



Rates

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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Rates

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Several factors should be considered when determining the rate schedule for water and sewer services:

- Operating and maintenance costs;
- Depreciation;
- Debt principal and interest; and
- Capital requirements (this would include new lines, equipment, etc.).

Rates should be put in place sufficient to generate revenues to fund these items and to build a cash reserve to handle emergencies and other fund needs.

One of the most important points to consider is the necessity of planning and monitoring water and sewer fund needs. Cities often wait until they are in financial distress before increasing rates. Then large rate increases are necessary. These increases upset customers and hurt the public perception of the utility operation. A planned program of much smaller, gradual rate increases will help provide the needed income and prevent the city from getting into financial distress.

MTAS consultants can assist you with rate issues or perform a rate study for your city to help you determine exactly what your water/sewer rates need to be.

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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