



Deposits

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,

The University of Tennessee
Municipal Technical Advisory Service
1610 University Avenue
Knoxville, TN 37921-6741
865-974-0411 phone
865-974-0423 fax
www.mtas.tennessee.edu

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Customers can be charged a deposit adequate to ensure that the city will not lose appreciable amounts of money from unpaid bills and bad debts. A deposit should be sufficient to cover the amount that would be outstanding before the service would be cut off for non-payment. In calculating deposit amounts remember that the customer is still using the water/sewer service from the time the meter is read through whatever time period the city uses for cut offs. The deposit amount needs to be enough to cover this usage period as much as possible.

Some utilities have policies that provide for the waiver or refund of deposits if the customer meets certain requirements. For instance a homeowner who provides a notice of good payment history from a previous utility provider may have the deposit waived, or all residential customers who maintain a good payment record for two consecutive years of service will have their deposits refunded. If you establish these types of policies, remember that the purpose of a deposit is to ensure payment for outstanding bills if the customer is unwilling or unable to pay.

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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