



TOWN OF WATERTOWN CONNECTICUT

OFFICE OF THE TOWN MANAGER

Watertown Town Hall • 61 Echo Lake Road • Watertown, CT 06795

Tel: 860.945.5255 • Fax: 860.945.4974 • www.watertownct.org

Town of Watertown, Connecticut

Frequently Asked Questions (FAQ)

Water & Sewer Litigation, Referendum, and Strategic Options Overview

Updated: July 2025

Part I: Why Did Watertown Challenge the Waterbury Rate Increases?

1. Why did the Town of Watertown dispute the City of Waterbury's rate increases?

Watertown challenged the rate increases because the City of Waterbury attempted to unilaterally impose water and sewer rates on Watertown residents after the expiration of formal contracts. The Town believed this action violated long-standing legal norms and exceeded Waterbury's statutory authority.

2. What was the Town's legal basis for the challenge?

Watertown relied on several core legal principles:

- **Special Act of 1921:** Established the legal relationship between the two municipalities, requiring formal agreements for setting rates.
- **Decades of Contractual Practice:** For over 50 years, rates were negotiated and formalized through written agreements.
- **Connecticut General Statutes (§§ 7-239 and 7-255):** These statutes govern rate-setting procedures for the owners of lots or buildings but do not permit one municipality to impose rates on another unilaterally.
- **Watertown invested millions of dollars:** Watertown made significant investments in the Water Treatment Plant and the Sewer Treatment Plant.
- **Standard Rate Making Procedures:** Longstanding processes used nationwide for setting water and sewer rates dictate that a municipal bulk purchaser pay only an amount necessary to recompense the providing utility for its actual cost in providing the services

3. What did the Town argue in court?

Watertown argued that:

- Waterbury had no statutory or legal authority to impose rates without a contract.
- The longstanding history of mutual agreements confirmed that consent was essential.
- Allowing unilateral rate-setting could set a dangerous precedent affecting all Connecticut municipalities relying on intermunicipal services.

4. What was at stake for the Town?

Beyond the financial liability, the case involved critical issues of:

- **Local Control:** Preserving Watertown's ability to negotiate future service terms.
- **Statewide Precedent:** Preventing a legal framework that could erode municipal autonomy.
- **Financial Exposure:** Millions of dollars in back charges and statutory interest were at risk.

5. Why is Watertown still pursuing the case in the Connecticut Supreme Court?

Although the Appellate Court ruled in Waterbury's favor, Watertown has petitioned the Connecticut Supreme Court for review. The Town believes the appellate ruling misapplied statutory interpretation and ignored legislative history, long-standing practice, and equitable municipal governance.

6. Was this about avoiding payment or protecting future interests?

Both. Watertown:

- Acknowledged that services were delivered.
- Objected to the rate-setting process as unlawful.
- Sought to shield ratepayers from unchecked rate hikes.
- Continued financial planning for repayment while preserving its right to appeal.

Part II: Town of Watertown – Referendum FAQ (Fall 2025)

Addressing Water & Sewer Judgment and Road Infrastructure Investment

7. What is this referendum about?

The Town seeks voter approval for bonding to fund:

- Repayment of a court-ordered judgment related to water and sewer rate litigation with Waterbury.
- Investment in essential road infrastructure projects across the community.

8. Why is the Town facing a judgment from Waterbury?

Following a legal dispute, the court ruled that Waterbury could unilaterally set rates after contract expiration. Watertown was ordered to pay approximately \$18.8 million in back charges and interest. A petition has been filed with the Connecticut Supreme Court, but the Town must proactively address this financial obligation.

9. How much is the Town proposing to bond?

A total of **≈\$43 million**:

- ≈\$33+ million for litigation-related costs (judgment, interest, legal fees).
- \$10 million for critical road infrastructure improvements (paving, drainage, sidewalks, etc.).

10. Who is responsible for repaying the bonded debt?

- The \$34 million litigation bond will be repaid by **Water & Sewer Authority (WSA) ratepayers** (via water/sewer bills).
- The \$10 million road bond will be funded through the **Town's General Fund** debt service and is not expected to increase taxes, due to structured financial planning.
- The **Watertown Fire District** is expected to contribute toward the litigation bond, further reducing the impact on WSA ratepayers.

11. Why bond?

Waterbury is entitled to:

- 18% statutory interest on the judgment.
- 8% post-judgment interest on accumulating interest.

Bonding locks in significantly lower interest rates, lowering overall cost to the community and preserving the Town's fiscal flexibility.

12. Why include road improvements in the same referendum?

Including road projects:

- Avoids the need for a separate referendum.
- Implements priorities identified in the 2022 BETA Group study.
- Supports level debt service, maintaining stable long-term capital investment without creating sudden tax increases.

13. Will this referendum raise my taxes?

- **No direct property tax increase is anticipated.**
- Water and sewer rates will increase as part of a planned recovery strategy.

14. What if I have a well and septic system?

You will not be affected by the Waterbury-related bonding or rate increases, as you are not a WSA ratepayer.

15. What if I live in the Fire District or receive partial service from it?

If you are serviced by the Watertown Fire District, any rate adjustments will come through Fire District governance. The Town is coordinating with the District to reconcile billing and obligations consistent with existing agreements.

16. What happens if the referendum fails?

If the referendum is rejected:

- The judgment remains due, and interest will continue to accrue.
 - Infrastructure improvements may be deferred or canceled.
 - The Town may need to rely on short-term or emergency financing, which is often less favorable than bonding.
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Part III: What Else Can Watertown Do to Manage the WSA Lawsuit?

17. What is Watertown doing to explore the possible sale of the Water & Sewer Authority (WSA)?

The Town is preparing a formal Request for Qualifications (RFQ) to evaluate interest from qualified firms in conducting a comprehensive valuation of the WSA system and advising on the feasibility of a sale.

18. Why consider a sale of the WSA system?

The sale is being considered to:

- Offset approximately \$34 million in liabilities from the Waterbury litigation.
- Avoid or reduce future infrastructure need costs estimated to be millions to the Waterbury system that will affect rates in the future.
- Evaluate long-term ratepayer protections and ensure redundancy.
- Determine whether a sale would yield proceeds exceeding the Town's water/sewer debt, allowing surplus funds to be returned to ratepayers or the General Fund if there was an initial investment from the Fund.

19. Will Watertown lose control over its water and sewer services if it sells the WSA?

Yes. Rate-setting and service oversight would fall under PURA. However, the Town may establish a local advisory board as part of the agreement.

Notably, under the current arrangement with Waterbury, there is no appeal mechanism for imposed rates.

20. What will happen to the staff of the Watertown Water & Sewer Authority (WSA)?

The future of WSA personnel is a key consideration in any decision related to reorganization, sale, or operational restructuring. Staff retention, reclassification, or transition assistance will be

prioritized to ensure continuity of service, preserve institutional knowledge, and maintain regulatory compliance. Depending on the chosen path:

- **If the WSA is sold**, employment terms would be subject to negotiations with the acquiring entity. The Town will seek to include provisions for the fair treatment of employees, such as retention offers, severance benefits, or opportunities for employment with the new utility provider or consider employees being absorbed into the Town.
- **If a public-private partnership or lease is pursued**, staffing models may be adjusted, but efforts would be made to integrate existing personnel into the new structure where possible.
- **If the Town retains ownership**, internal reorganization or rate restructuring could involve modifications to roles or departmental alignment to ensure financial and operational sustainability.

In all cases, the Town is committed to transparent communication with WSA staff and will work closely with labor representatives, human resources, and legal counsel to manage the transition responsibly.

21. What other models are being considered besides an outright sale?

Watertown is also exploring:

- Public-Private Partnerships (PPPs)
- Regional partnerships
- System leasing
- Retaining ownership with operational restructuring

22. Will there be a public vote on whether to sell the system?

While not automatically required, a referendum is highly likely due to requirements under state law, Town Charter, and existing bond covenants.

23. How will the Town determine the value of the WSA?

Through the RFQ process, a firm will be selected to:

- Conduct an asset and financial valuation.
- Review liabilities and bond obligations.
- Assess potential net proceeds after transaction costs.

24. How would customer water and sewer rates be affected by a sale?

Under private ownership, rates are regulated by PURA and may increase to include capital recovery costs and investor returns. However, rate protections could be negotiated into the sales agreement.

25. What are the financial consequences if Watertown does not sell the WSA?

The Town must:

- Fund approximately \$34 million in liabilities.
- Finance future infrastructure upgrades.
- Increase rates internally and possibly issue additional bonds.
- Adjust other capital project timelines.

26. Is the Town considering contingency plans in case a sale is not viable?

Yes. Contingency strategies include:

- Bonding to cover liabilities.
- Phased infrastructure investments.
- Incremental rate adjustments.

27. How can I learn more?

- Attend public meetings (posted on the Town's website/social media).
- Review the "Final Comprehensive Report on WSA Response."
- Contact the Town Manager's Office at (860) 945-5255.

28. When will the vote take place?

The referendum is scheduled for **September 2025**. Details will be posted following the public hearing and ordinance adoption.

29. How can residents stay informed or participate in the decision-making process?

Watertown encourages civic engagement through:

- Town Council and WSA joint meetings.
- Public forums on the RFQ and sale process.
- The Citizens Academy education program.
- Participating in any referendum vote.