



TOWN OF WATERTOWN CONNECTICUT

OFFICE OF THE TOWN MANAGER

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Town of Watertown, Connecticut

Frequently Asked Questions (FAQ)

Water & Sewer Litigation, Referendum, and Strategic Options Overview

Updated: August 12, 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):** Govern rate-setting procedures for the owners of lots or buildings but do not permit one municipality to impose rates on another unilaterally outside of an agreed upon contract.
- **Watertown's Capital Investments:** The Town made significant investments in the Water Treatment Plant and the Sewer Treatment Plant, as well as some of the infrastructure for conveying water to Watertown and sewage to the Waterbury Sewer treatment plant.
- **Standard Rate-Making Procedures:** Longstanding processes used nationwide dictate that a municipal bulk purchaser pay only an amount necessary to cover the actual cost of providing services. What this means is that Watertown, which takes the water from the main trunk line before it gets to Waterbury and conveys its sewage directly to the treatment plant, should pay only for the cost of those services. Watertown does not use any of the City's infrastructure or most of its overhead for distribution of water and collection of sewage and should therefore not pay those costs.

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 for all Connecticut municipalities that rely on intermunicipal services. Watertown has no vote or say in Waterbury governance so as to impact water and sewer rate making.

4. What was at stake for the Town?

Beyond 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. In addition, Watertown can be held liable for deferred maintenance on Waterbury's infrastructure unrelated to services used by Watertown.

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.
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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 by the trial court to pay approximately \$18.8 million in back charges and interest and that number increased during the appeal to the Appellate Court. A petition has been filed with the Connecticut Supreme Court, but the Town must proactively address this financial obligation to avoid further cost increases.

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.

10. Who is responsible for repaying the bonded debt?

- The \$34 million litigation bond will be repaid by the Water & Sewer Authority (WSA) ratepayers. (Refer to Item #13 for additional information).
- The \$10 million road bond will be funded through the Town's General Fund debt service and is not expected to increase taxes.
- The Watertown Fire District is expected to contribute toward the litigation bond.
- The litigation bond could be reduced or eliminated under the strategic options being explored by the Town.

11. Why bond?

Waterbury is entitled to 18% statutory interest on the judgment and 8% post-judgment interest. Bonding locks in a much lower interest rate, significantly reducing cost. The estimated monthly accrual in interest is \$355,000. Bonding can result in the immediate payment of the debt and can do so at much lower interest rates.

12. Why include road improvements in the same referendum?

Combining projects avoids a separate referendum, implements priorities from the 2022 BETA Group study, and supports stable long-term debt service.

13. Will this referendum raise my taxes?

No direct property tax increase is anticipated. If costs exceed budgets, they may flow into the municipal budget, potentially affecting property taxes. 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 Waterbury-related bonding or rate increases. If costs exceed budgets, they may flow into the municipal budget, potentially affecting property taxes.

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

Rate adjustments will be determined through Fire District governance, coordinated with the Town.

16. What happens if the referendum fails?

- The judgment remains due, with interest accruing monthly.
- Road work may be deferred.
- The Town may use less favorable short-term financing.

Part III: WSA Strategic Options, Operational Impacts, and Ratepayer Implications

17. What strategic options is the Town evaluating for the WSA?

Options include retaining full ownership, leasing operations, entering a public-private partnership, or selling the system to a qualified utility provider. Each option will be analyzed for financial viability, service reliability, and ratepayer impact.

18. How will WSA staffing be affected?

Staffing impacts will depend on the selected strategic option. If operations are transferred to another entity, employee retention, severance, or relocation assistance provisions will be negotiated to ensure fairness and minimize disruption.

19. How will the system be valued?

A professional valuation will consider physical assets, infrastructure condition, regulatory

compliance, and projected revenues and expenses. This will inform negotiations and decision-making.

20. How will the Town ensure local control if ownership changes?

Any agreement will include enforceable service quality standards, rate-setting protocols, and provisions for public accountability to protect Watertown residents and businesses. Also, any private purchaser of the system will be subject to the Public Utilities Regulatory Authority (PURA) in setting rates which will offer some level of protection to the Town.

21. How will each ratepayer's portion be determined?

Based on historical water and sewer usage over the past 12–24 months, divided proportionally according to each customer's share of system consumption.

22. When will rate increases occur?

After WSA and, if applicable, Fire District adoption, and completion of public notice/hearings. Earliest appearance: 2–6 months post-approval.

23. Is there an estimated amount or percentage increase?

For a \$34 million, 20-year bond at 4.25% interest:

- Annual cost: ≈\$2.56 million
- Equal-share illustration: ≈\$568/year, \$142/quarter, \$47/month per account

Actual increases will be proportional to usage. (See attached estimated impact chart.)

24. How will the taxpayers' portion be handled for municipal buildings?

Billed directly; if costs exceed budgets, they may flow into the municipal budget, potentially affecting property taxes.

25. Will the Fire District's payments be handled by WSA?

Yes — per the 1976 Agreement, plus O&M costs, with payments applied to its share of the obligation.

26. Should former ratepayers or taxpayers be obligated to pay now?

General Rule: If a person or business is no longer a ratepayer or taxpayer and there is no enforceable legal obligation (such as a contractual liability), they cannot be compelled to pay a share of a new court-imposed obligation that arises after they left.

Key Points:

- Utility charges are tied to service received, not to past residency in general.
- The only exception is if an unpaid balance from their time as a ratepayer was already subject to a lien or collectible debt against the individual. Water and sewer liens are filed against the real estate and therefore become the obligation of the purchaser.
- Connecticut law does not allow retroactive assessments on people who are no longer property owners or service users unless specifically authorized by statute or contract.

Precedent:

- **CGS §§ 7-239, 7-258, 12-172** — Allow liens for unpaid water/sewer charges but do not permit assessment of people who are no longer account holders for new obligations.

Municipal Parallel:

In property tax overpayment cases, refunds go to the owner during the overpayment year; if processed after ownership changes, the municipality has no obligation to pay former owners unless a contract requires it.

27. How will large businesses' portions be determined?

Proportional to their share of total system usage.

28. What if bonding fails at referendum?

Options include accelerated direct ratepayer assessments or seeking state legislation for alternative solutions. During the time necessary for exploring and affecting other options, the debt continues to grow. If we pay off now, we can and will continue to explore options in an effort to reduce or eliminate a large portion of the bonded debt.

29. What is the Town's long-term plan to manage rates?

Implement a structured rate stabilization plan, invest in infrastructure to reduce operating costs, and explore supplemental revenue sources to reduce future rate burdens.