

# **Executive Summary — FY 2026–2027 WSA Budget Framework**

The Watertown Water & Sewer Authority (WSA) operates as an enterprise utility intended to be fully self-supporting through user fees rather than the Town’s general tax base. The FY 2026–2027 budget framework is built around two complementary revenue streams: (1) variable, usage-based charges tied to metered consumption, and (2) fixed customer charges (flat fees) that support system readiness, billing, administration, and other costs that do not vary with usage. Together, these revenues are designed to fund day-to-day operations, regulatory compliance, debt service, and long-term capital reinvestment in the Town’s water and sewer infrastructure.

## **Water and Sewer Planning Methodology**

For FY 2026–2027 budget development, the Authority relied on multi-year historical averages rather than any single year of activity in order to avoid distortion from weather variability, billing timing, or other anomalies. This approach provides a stable and defensible foundation for estimating both costs and revenues and is consistent with best practices for enterprise utilities.

For water operations, a seven-year historical average of actual metered usage from 2019–2025 was used to establish the annual planning baseline for projecting purchased water costs. This average reflects core system demand over multiple operating cycles and smooths the effects of short-term fluctuations related to weather, billing timing, or anomalous consumption patterns. The approach supports rate stability and aligns with best practices for enterprise utility forecasting.

For sewer operations, historical system flows from 2019–2024 were aggregated and normalized to a one-year equivalent planning baseline. Total system flow of 6,132,135 CCF over the six-year period was divided by six to establish an annual baseline of approximately 1,022,022 CCF. This normalized approach mitigates year-to-year variability and provides a stable basis for projecting operating costs. Differences in averaging periods between sewer and water operations reflect data availability and system reporting structure rather than policy differences.

## **Projected FY 2026–2027 Water Cost and Revenue**

Based on the seven-year average usage and the adopted water supply rate of \$3.90 per 1,000 gallons, the Authority projects total purchased water cost of approximately \$1.32 million for FY 2026–2027 (Exhibit A). This estimate reflects usage-based supply charges only and excludes fixed customer charges, adjustments, or reconciliations.

Water revenue projections (Exhibit B) include both usage-based charges and flat fees. Usage-based revenue is modeled under two scenarios: (1) FY 2024–2025 actual usage, presented as a sensitivity case, and (2) a seven-year historical average, presented as the primary planning baseline. Under these scenarios, projected usage-based water revenue ranges from approximately \$1.55 million to \$1.80 million. In addition, water flat-fee revenue has demonstrated steady growth over time and currently averages approximately \$800,000 annually. Flat fees are budgeted separately from usage revenue, but included within the Water Rents line item, and

support fixed operating costs such as administration, billing, customer service, regulatory compliance, and system readiness.

## **Projected FY 2026–2027 Sewer Cost**

Based on the normalized one-year system flow baseline and the current sewer disposal rate of \$5.285 per 1,000 gallons, the Authority projects a total FY 2026–2027 sewer disposal cost payable to the City of Waterbury of approximately \$4.04 million (Exhibit C). Of this amount, WSA retail customers are projected to account for approximately \$2.65 million, while the Watertown Fire District (WFD), treated as a single wholesale customer, is projected at approximately \$1.39 million based on its long-term average flow.

These projections represent planning estimates only and will vary with realized system flows.

## **Projected FY 2026–2027 Sewer Revenue**

Sewer revenue projections (Exhibit D) reflect a differentiated rate structure. WSA retail customers are modeled at the proposed FY 2026–2027 rate of \$6.09 per 1,000 gallons, generating projected usage-based revenue of approximately \$3.06 million. The WFD remains at its existing contractual rate of \$5.285 per 1,000 gallons, generating projected usage-based revenue of approximately \$1.39 million. Combined, total projected sewer usage revenue is approximately \$4.44 million.

In addition to usage-based charges, sewer flat-fee revenue provides a stable funding source for fixed sewer operating costs. Historical billing data shows sewer flat-fee revenue averaging approximately \$1.5 million annually. Flat fees are budgeted alongside usage revenue but are not sensitive to annual flow variability, helping to stabilize the overall revenue structure.

## **Enterprise Fund Structure and Alignment**

The FY 2026–2027 budget workbooks confirm that metered water and sewer rents, together with flat fees, are the dominant revenue sources in the Authority’s enterprise funds. Minor revenues such as interest, penalties, and miscellaneous receipts are present but represent a small share of total funding.

The operating structures of Fund 017 (Water Operations) and Fund 015 (Sewer Operations) are intentionally aligned for consistency and transparency. Shared administrative and support costs are allocated evenly between the two funds, while costs unique to either utility—such as supplier charges or treatment-related expenses—are budgeted directly to the appropriate fund. This structure promotes equity between utilities while accurately reflecting distinct cost drivers.

At a summary level, both enterprise funds are budgeted to cover projected operating expenditures and maintain balance, with the potential for modest operating surpluses that may be directed toward reserves, capital needs, or future rate stability, subject to Authority direction.

## Fund Balances and Timing Considerations

Unaudited ending balances as of January 9, 2026, across all WSA-related funds indicate that the Water and Sewer enterprise, when viewed on a consolidated basis, remains solvent and positive. Individual fund balances reflect timing differences, prior payments, and accounting presentation rather than operational deficits. The negative balance shown in **Fund 017 (Water Operations)** reflects a payment made to the City of Waterbury to reduce outstanding obligations and is presented for reporting and tracking purposes only; it does not indicate a cash shortfall or an overall deficit within the Water and Sewer enterprise. Collectively, these funds comprise a single, integrated Water and Sewer enterprise for accounting and financial planning purposes, which remains positive on a consolidated basis.

### Unaudited WSA Fund Balances as of *January 9, 2026*

Fund	Description	Unaudited Ending Balance
015	Sewer Operations	\$5,959,186.68
017	Water Operations	\$(4,546,866.79)
013	Water Extension	\$684,725.47
014	Sewer Extension	\$1,140,815.43
016	Sewer Capital	\$229,035.41
018	Water Capital	\$460,340.22

As the budget process continues, the Authority will revisit fund allocations, reserve strategies, and capital priorities as permitted. At this stage, no transfers to capital accounts are recommended until the capital program is reprioritized and a new Superintendent is in place. In parallel, the Authority and Finance staff continue to evaluate **Fund 019** and the longer-term structuring of WSA-related debt, including the planned BAN-to-bond conversion, which will be developed and presented over the coming months.

## Policy Framing and Next Steps

The FY 2026–2027 budget is a draft and is designed to ensure stable, legally compliant, and fiscally responsible management of Watertown’s water and sewer systems rather than to generate profit. Some adjustments are anticipated as employee benefit costs are finalized and debt service assumptions are refined.

By aligning rates with long-term average usage and documented cost drivers, the Authority seeks to balance equity, reliability, and intergenerational fairness. In this context, it is the Town Manager’s recommendation that all relevant financial, operational, and usage data be provided to NewGen Strategies & Solutions for an update to the 2025 WSA Rate Study. An updated rate study will provide an independent framework to evaluate future rate scenarios, assess financial impacts of alternative strategies, and inform policy decisions as the Authority moves forward.