



May 20, 2026 | Town of Watertown | Water and Sewer Rate Study | Presentation to the Water & Sewer Authority

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## Study Findings



**Nick Short, Manager**  
**Connor Drucis, Senior Consultant**



# Presentation Agenda

- Business Fundamentals
- Revenue Requirement
- Financial Projections
- Bill Impacts and Comparisons
- Recommendations

# Business Fundamentals



## Revenue Sufficiency

Revenues should match or exceed expenses



## Reserves

Prepare for a rainy day



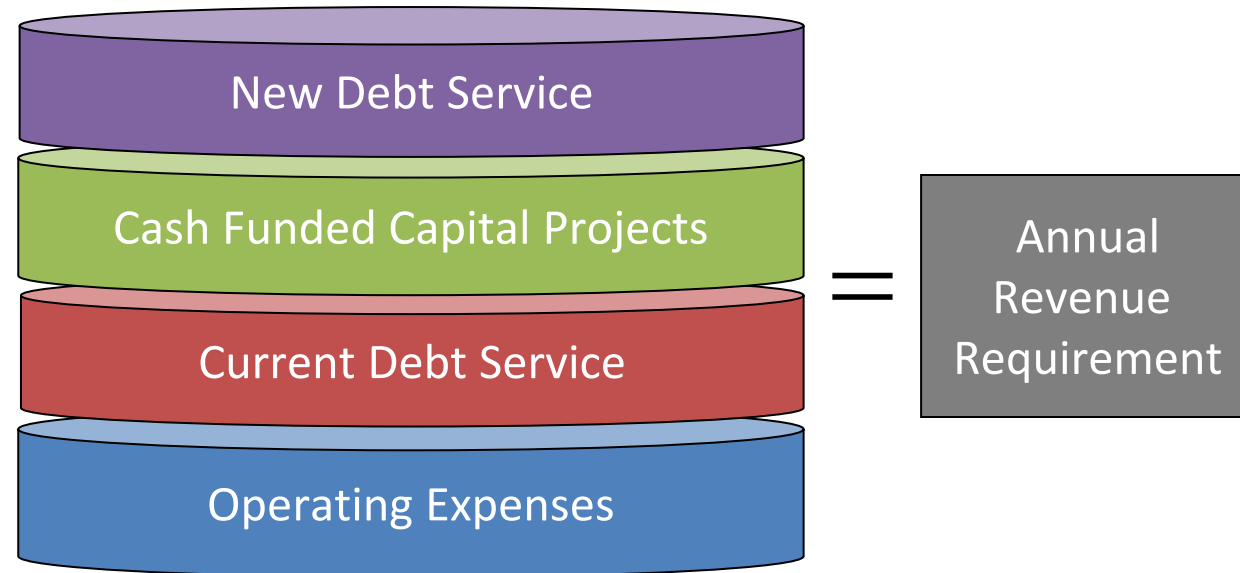
## Reinvestment

Repair, replace, and reinvest in infrastructure

# Factors Affecting Watertown's Charges and Rates

- **Operating and maintenance expense increases**
  - Wholesale water purchases were increased by 49% in FY 2027 and escalated 4.2% for the rest of the 5-year period
  - Wholesale sewer purchases were increased by 170% in FY 2027 and escalated 2.2% for the rest of the 5-year period
  - Majority of expenses were escalated by 3% (based on CPI over the past 20 years)
- **Debt service**
  - Current and new debt
  - New bond issuance of \$30 million to pay for judgment owed to Waterbury
- **Capital improvement plan**
  - investment in the distribution and collection systems
  - Focus on immediate needs, regulatory compliance, and system monitoring and security
- **Customer changes**
  - No future growth anticipated
- **Water usage and sewage generation changes**
  - No future growth anticipated
- **Miscellaneous revenue changes**
  - No increase in ancillary fees or services
- **Reserve target**
  - Achieve and maintain minimum operating reserve balance target of operating expenses at 90 days (25%)

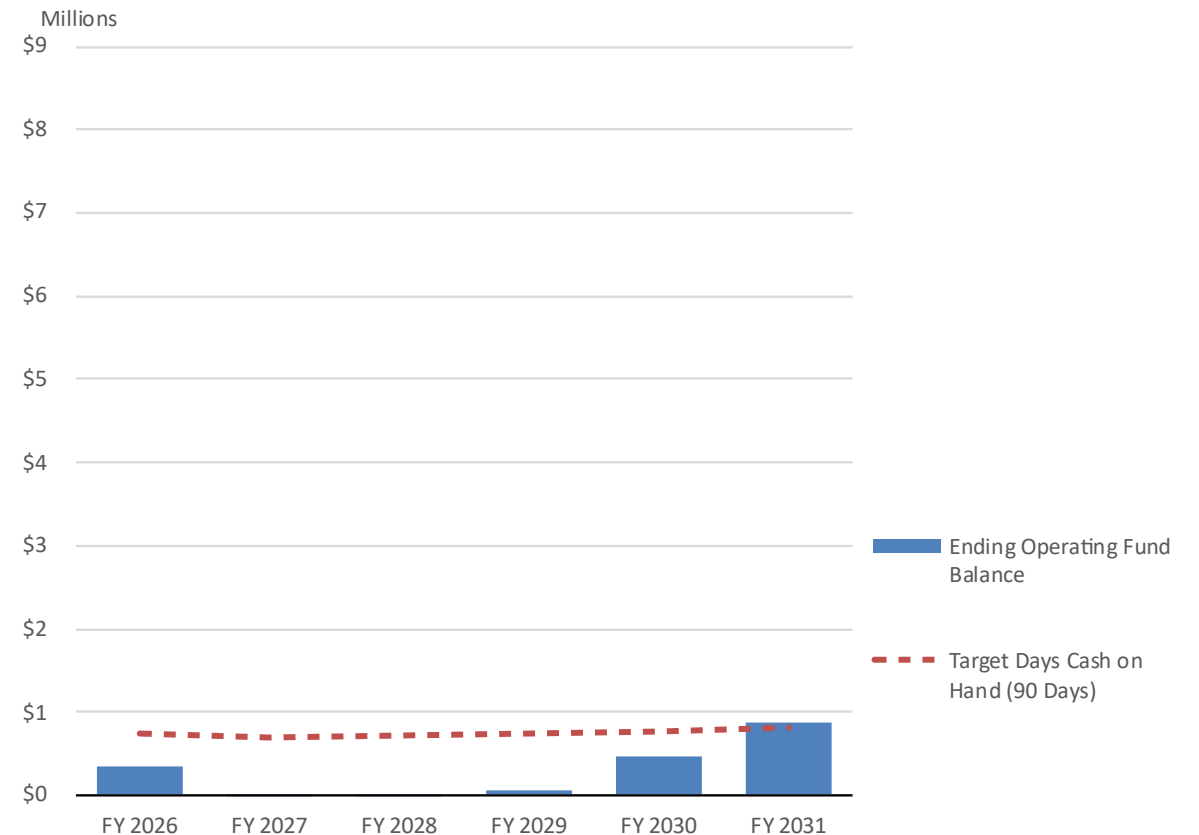
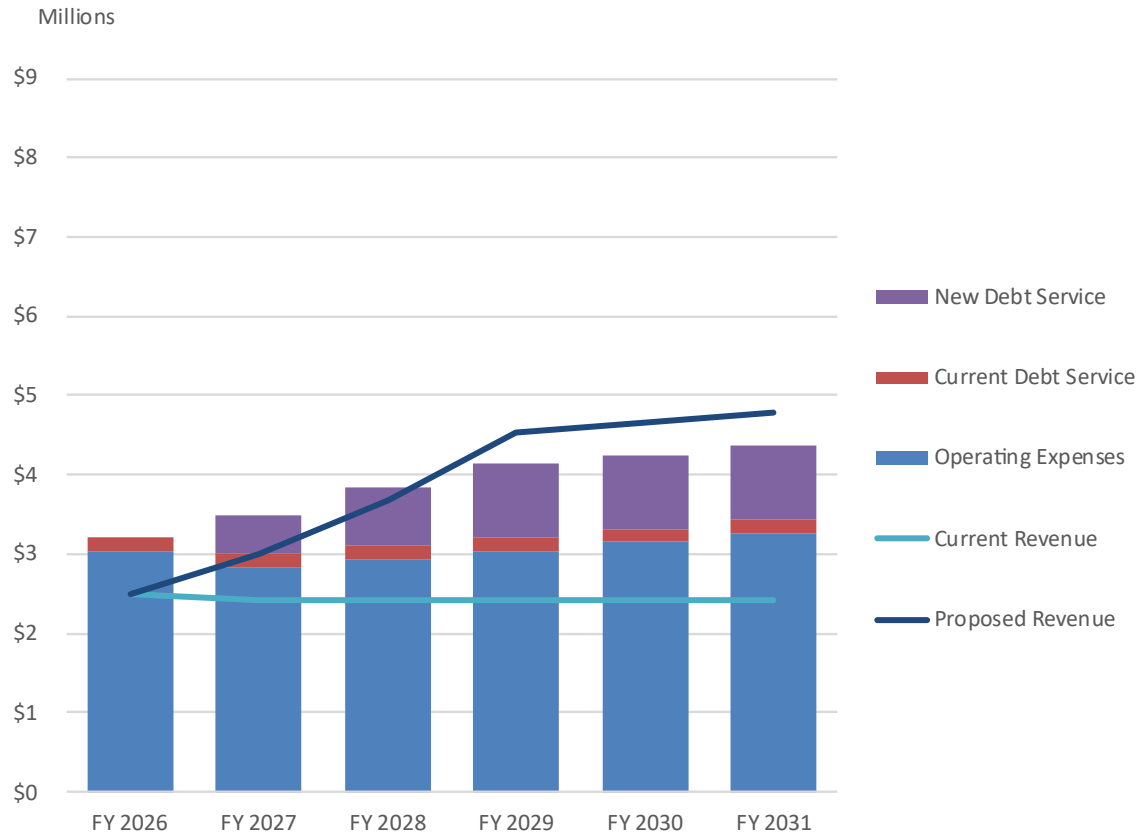
# Revenue Requirement



# Waterbury Judgment Options

- **Options:**
  - Option 1 – borrowing of \$30.0M (with \$1.5 million premium kept as cash)
  - Option 2 – effective borrowing of \$28.5M by paying down \$1.5 million in principal
  - Both level payment at 4.25%
- **FY 2027–2031 debt service:**
  - Option 1 debt service totals \$10.9M
  - Option 2 debt service totals \$10.3M
  - Option 1 is ~\$0.55M higher for FY 2027- FY 2031
- **Annual profile:** Both front-load interest (level payment)
- **Lifetime cost:**
  - Option 1 pays \$16.5M interest / \$46.5M total debt service
  - Option 2 pays \$15.7M interest / \$44.2M total debt service
  - \$2.3M more total cost for Option 2 over life of bond
- **Tradeoff:**
  - Option 1 = \$1.5M liquidity today (lower rate increases in short term), ~\$2.3M more paid over time
  - Option 2 = Reduces borrowing, no upfront cash, lowest total cost

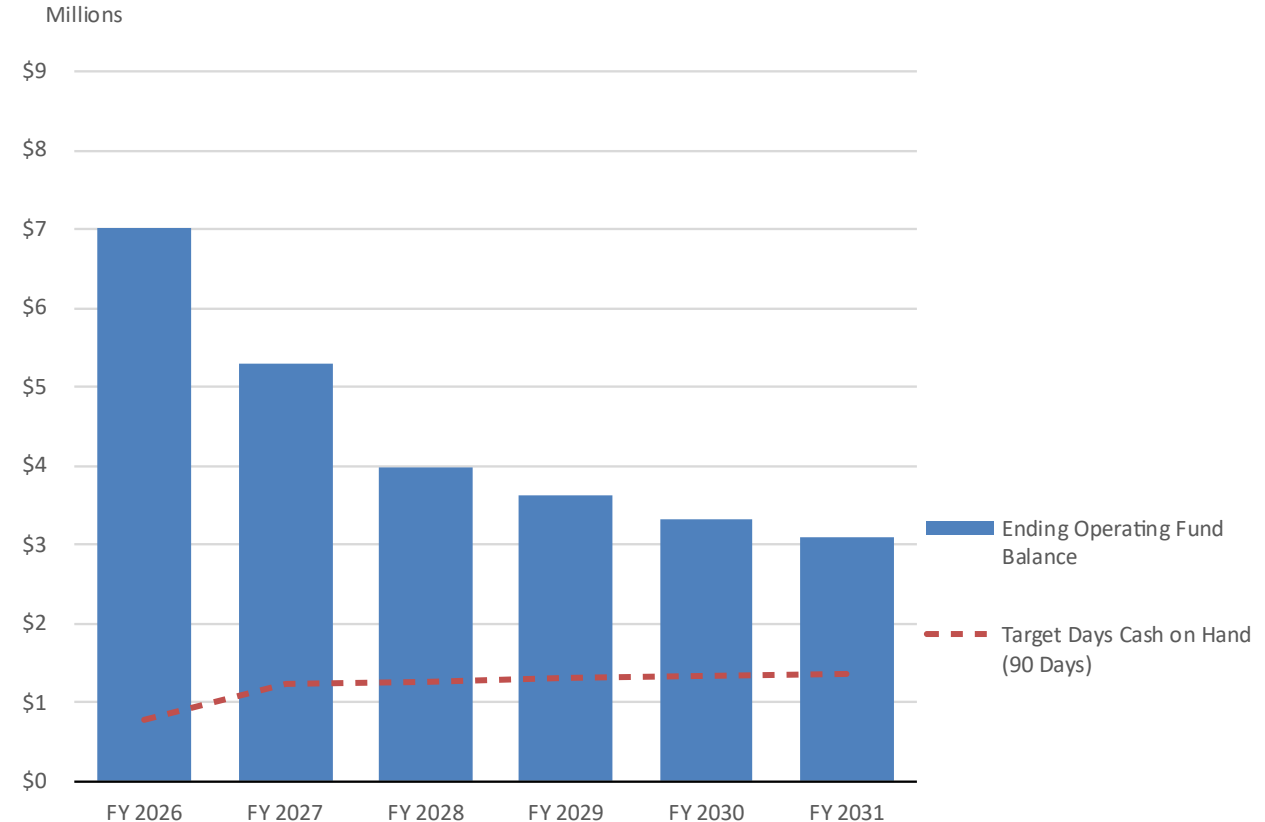
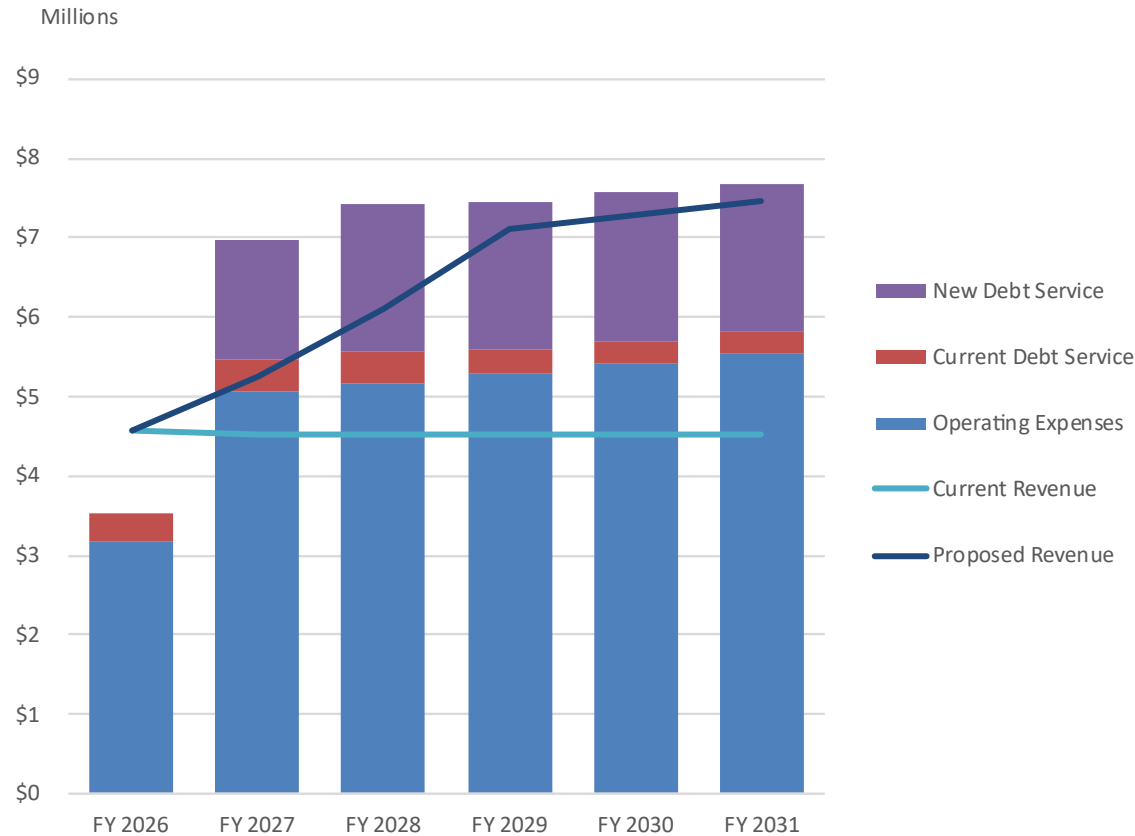
# Expenses/Revenues & Cash Balance (Premium Kept as Cash)- Water



**Proposed Revenue reflects a 27% increase in water revenue in FY 2027, a 25% increase in FY 2028, and FY 2029 and 3% in FY 2030 and FY 2031**

**The red line represents target equal to operating fund balance of 90 days (25%) of operating expenses**

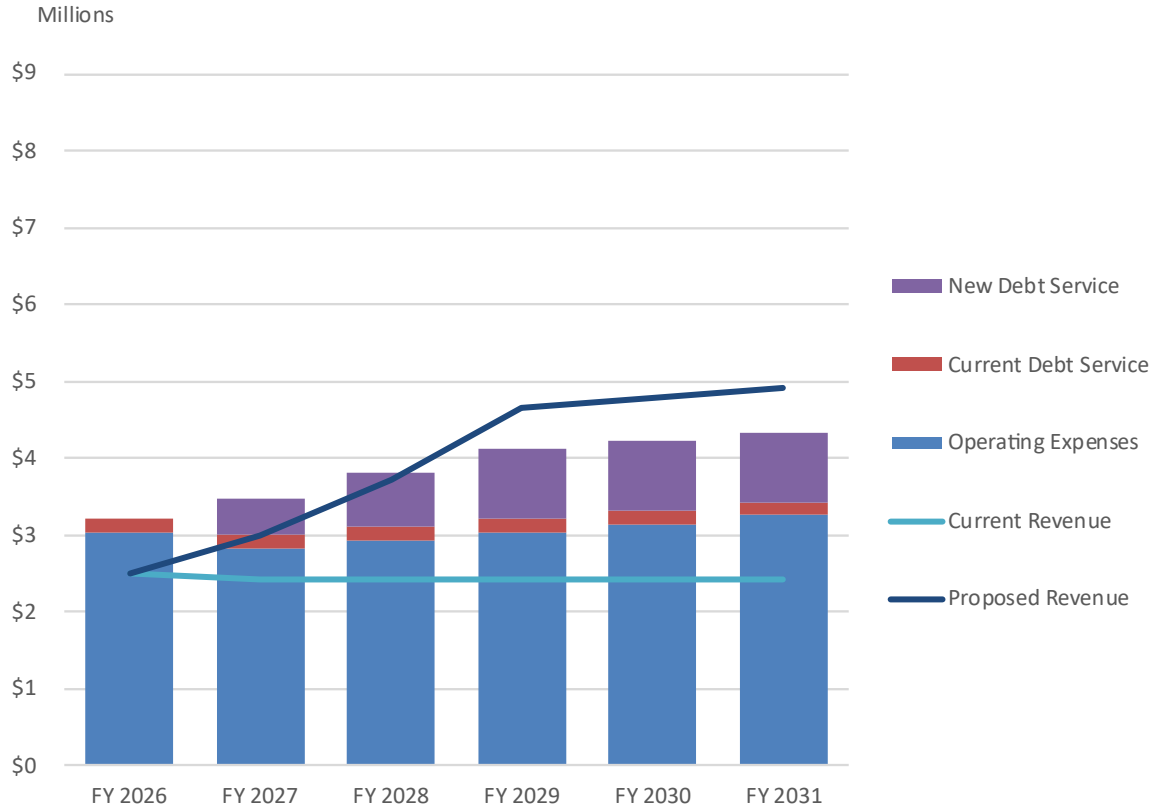
# Expenses/Revenues & Cash Balance (Premium Kept as Cash)- Sewer



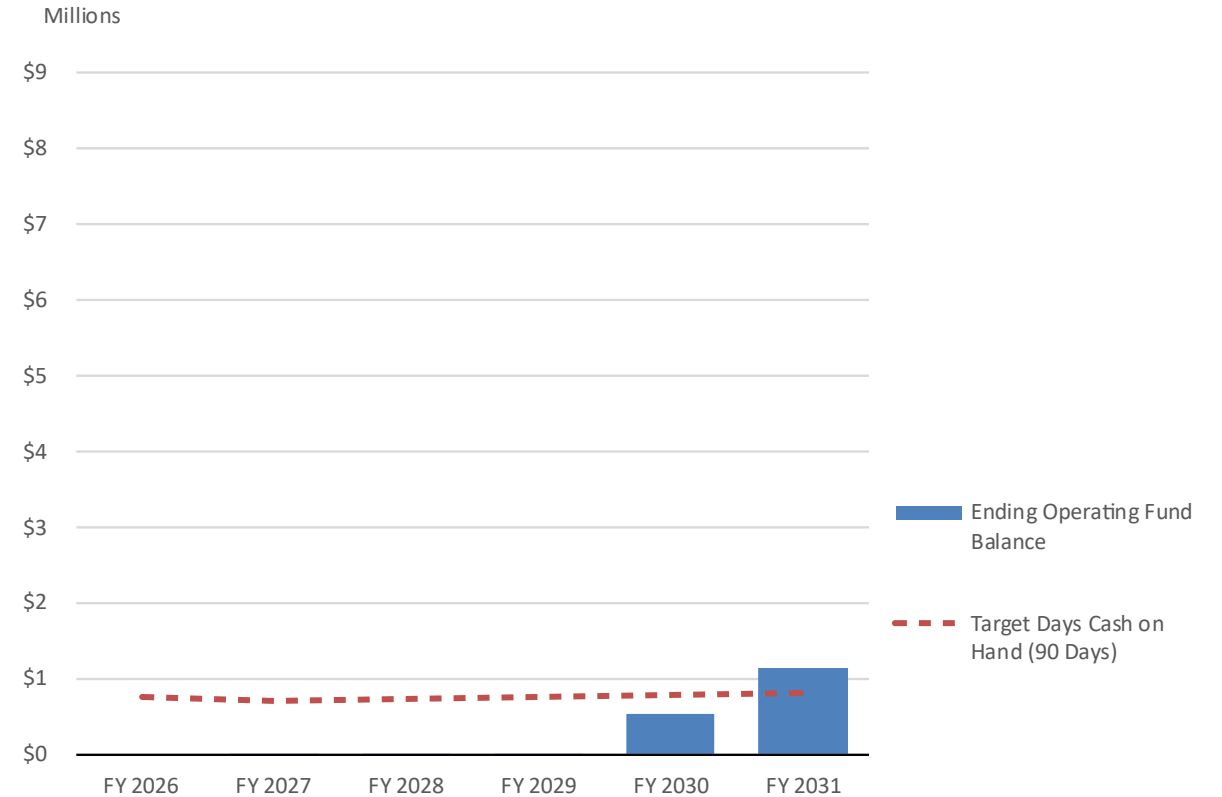
**Proposed Revenue reflects a 23% increase in sewer revenue in FY 2027, a 21% increase in FY 2028, and FY 2029 and 3% in FY 2030 and FY 2031**

**The red line represents target equal to operating fund balance of 90 days (25%) of operating expenses**

# Expenses/Revenues & Cash Balance (Premium Reduces Borrowing)- Water

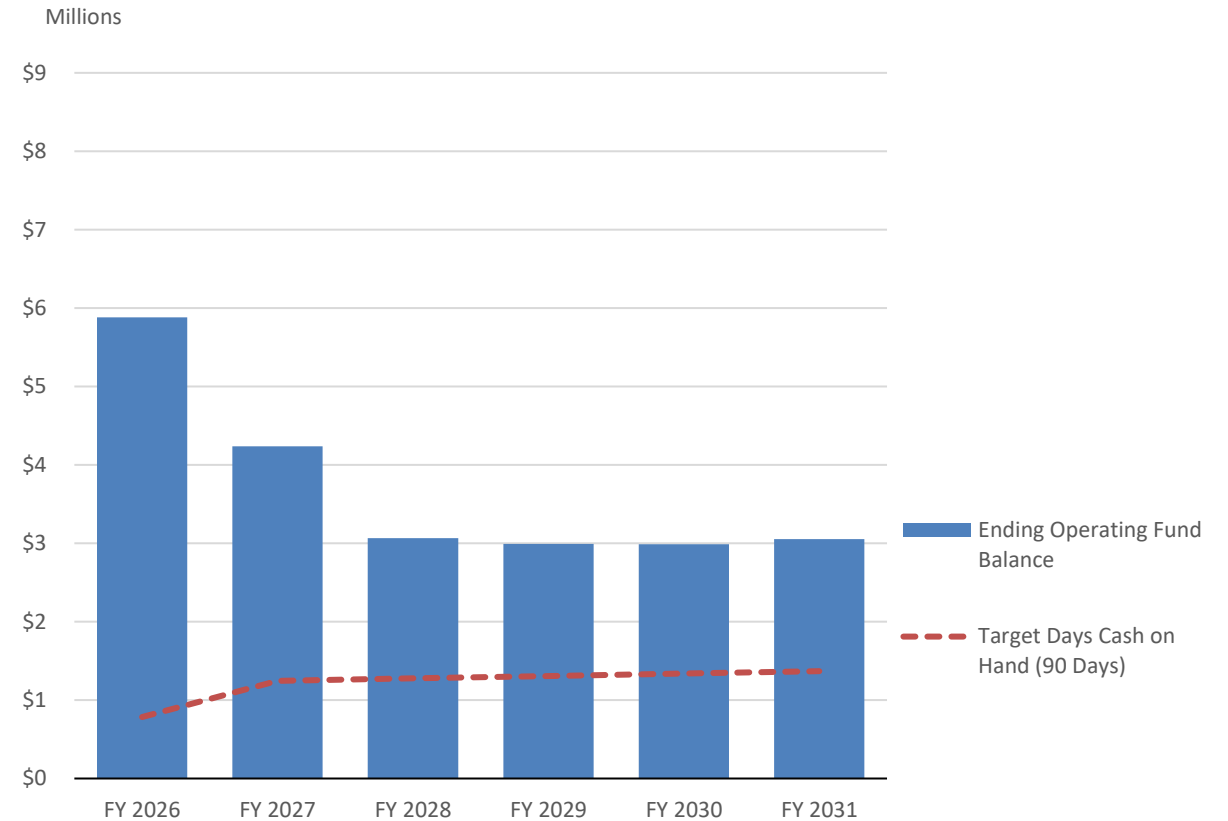
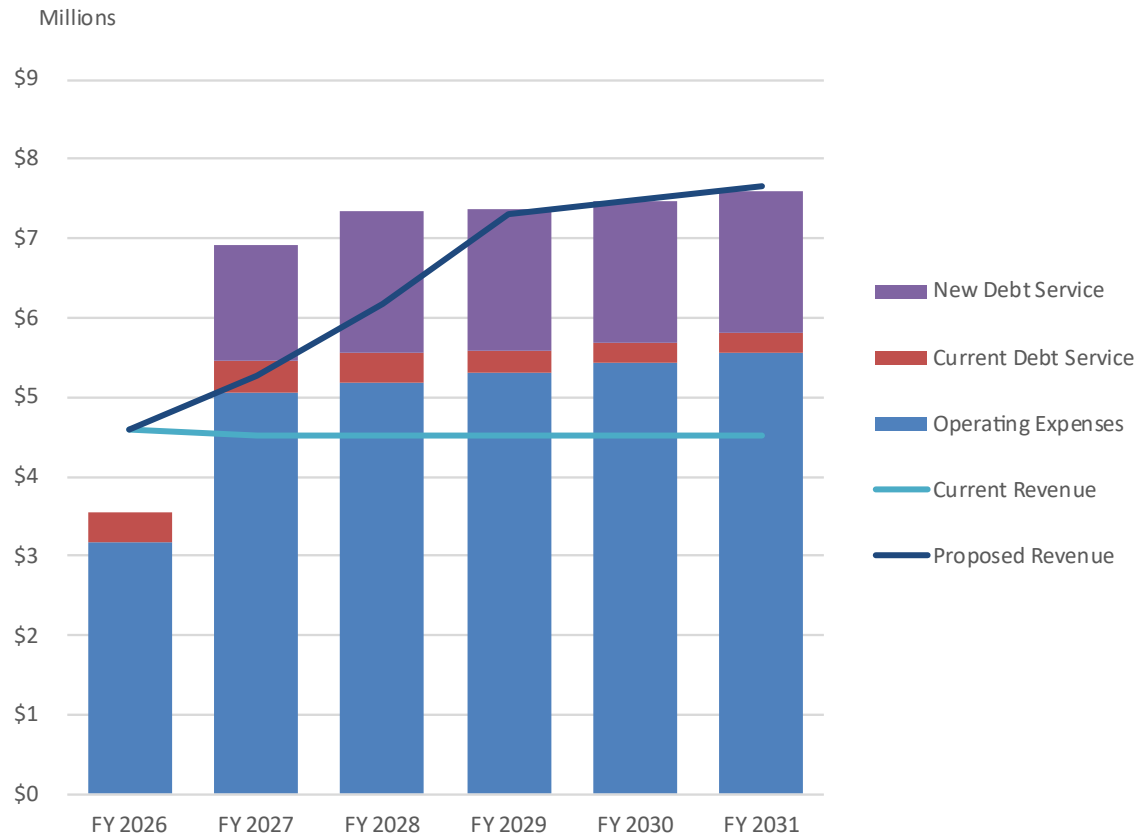


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# Expenses/Revenues & Cash Balance (Premium Reduces Borrowing)- Sewer



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# Current Water Rates

## Quarterly Customer Charges Under 12,000 Gallons

	FY 2026
<b>Quarterly Service Charge (by meter size)</b>	
5/8"	\$35.38
3/4"	\$58.67
1"	\$97.85
1 1/2"	\$195.69
2"	\$313.05
3"	\$587.07
4"	\$978.45
<b>Quantity Rates (per 1,000 gallons)</b>	
All Usage	\$4.59

## Quarterly Customer Charges Over 12,000 Gallons

	FY 2026
<b>Quarterly Service Charge (by meter size)</b>	
5/8"	\$54.48
3/4"	\$90.43
1"	\$150.67
1 1/2"	\$301.35
2"	\$482.21
3"	\$904.17
4"	\$1,506.99
<b>Quantity Rates (per 1,000 gallons)</b>	
All Usage	\$4.59

Watertown Housing rates are at a 27% discount

Westgate customers pay \$9.84 per 1,000 gallons for the quantity rate

# Current Watertown Sewer Rates

## Quarterly Customer Charges Under 12,000 Gallons

	FY 2026
<b>Quarterly Service Charge (by meter size)</b>	
All	\$71.19
<b>Quantity Rates (per 1,000 gallons)</b>	
All Usage	\$6.09

## Quarterly Customer Charges Over 12,000 Gallons

	FY 2026
<b>Quarterly Service Charge (by meter size)</b>	
All	\$109.52
<b>Quantity Rates (per 1,000 gallons)</b>	
All Usage	\$6.09

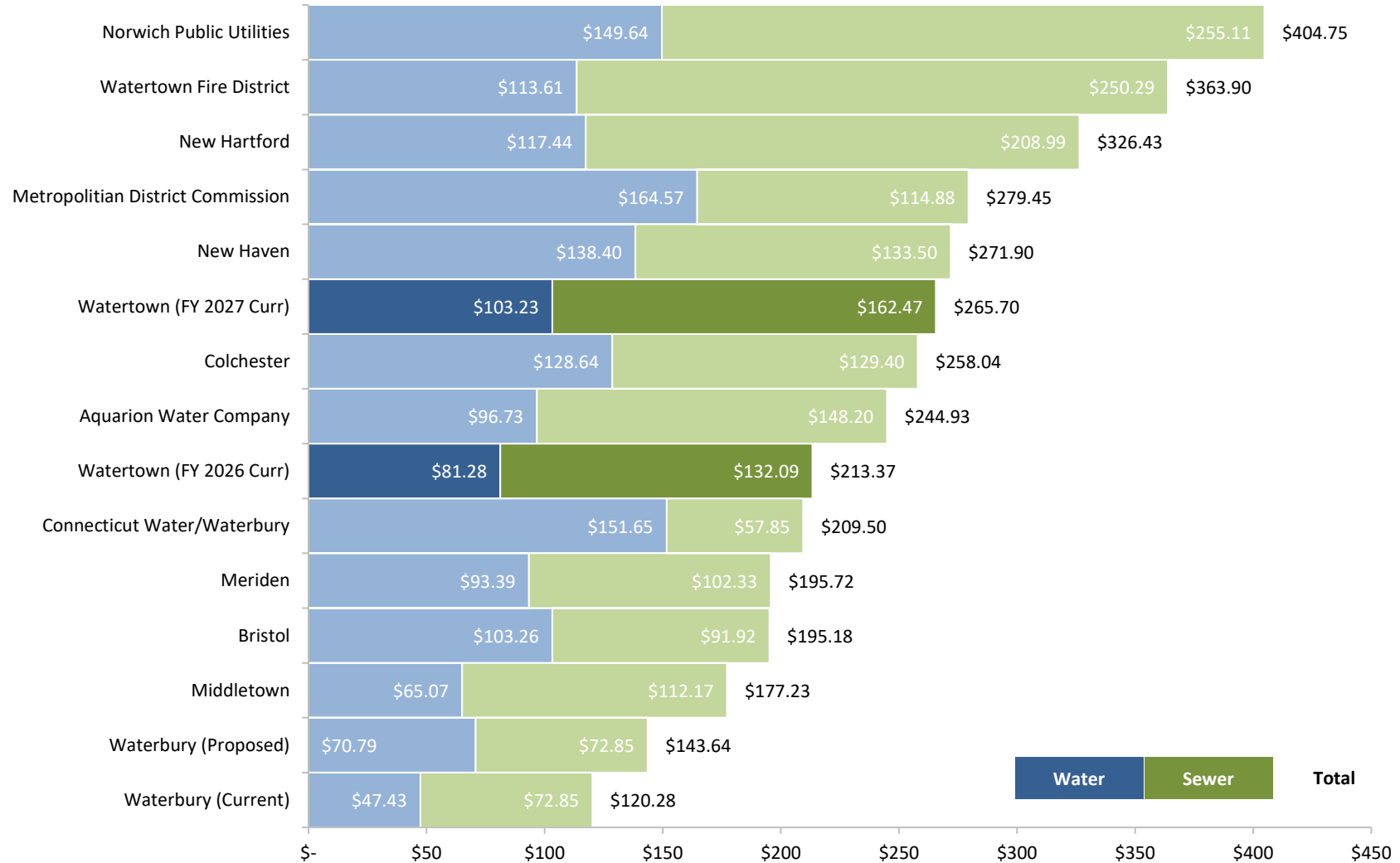
# FY 2027 Quarterly Bill Impact

5/8" meter size

User (Percentile)	Quarterly Usage (gallons)	Current Bill	Curr Rate FY 2027 Bill	Curr Rate FY 2027 Bill \$ Inc.	Curr Rate FY 2027 Bill % Inc.
<b>Small Residential User (25th)</b>					
Water Bill	5,000	\$58.33	\$74.08	\$15.75	27%
Sewer Bill		\$101.64	\$125.02	\$23.38	23%
<b>Combined Bill</b>		<b>\$159.97</b>	<b>\$199.10</b>	<b>\$39.13</b>	<b>~25%</b>
<b>Median Residential User (50th)</b>					
Water Bill	10,000	\$81.28	\$103.23	\$21.95	27%
Sewer Bill		\$132.09	\$162.47	\$30.38	23%
<b>Combined Bill</b>		<b>\$213.37</b>	<b>\$265.70</b>	<b>\$52.33</b>	<b>~25%</b>
<b>Large Residential User (75th)</b>					
Water Bill	16,000	\$127.92	\$162.46	\$34.54	27%
Sewer Bill		\$206.96	\$254.56	\$47.60	23%
<b>Combined Bill</b>		<b>\$334.88</b>	<b>\$417.02</b>	<b>\$82.14</b>	<b>~25%</b>
<b>Excess Residential User (90th)</b>					
Water Bill	26,000	\$173.82	\$220.75	\$46.93	27%
Sewer Bill		\$267.86	\$329.47	\$61.61	23%
<b>Combined Bill</b>		<b>\$441.68</b>	<b>\$550.22</b>	<b>\$108.54</b>	<b>~25%</b>

# Combined Quarterly Bill Comparison

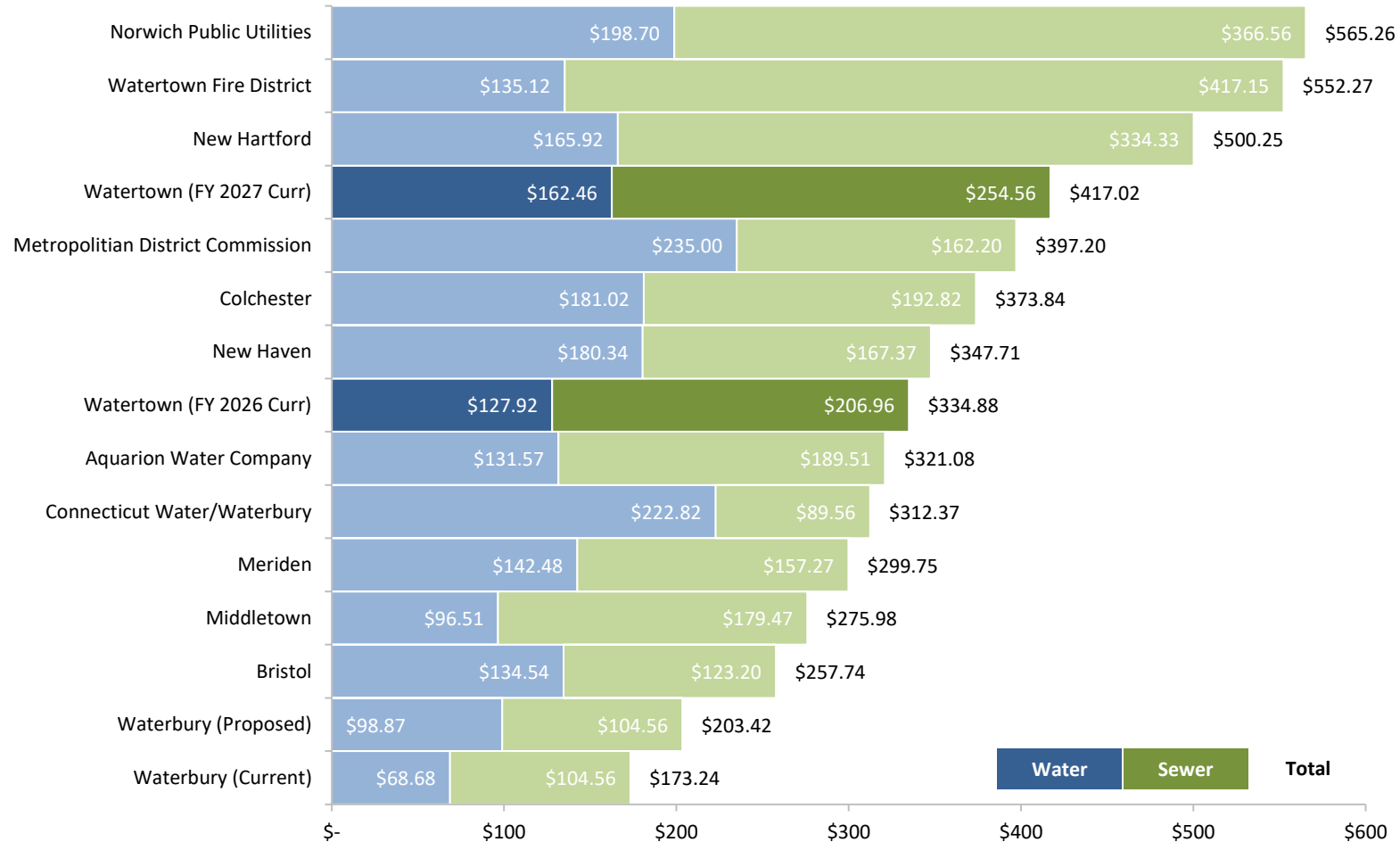
<1" inch meter size, 10,000 gallons



*Bills reflect latest available rates published on websites*

# Combined Quarterly Bill Comparison

<1" inch meter size, 16,000 gallons



*Bills reflect latest available rates published on websites*

# Recommendations

- Keep Bond Premium as Cash (Option 1)
  - Retain premium proceeds in reserves to strengthen cash balances and liquidity
  - Provides flexibility to fund capital needs or absorb unexpected cost increases without additional borrowing
- Implement Proposed Rate Increases
  - Generates revenue needed to cover rising O&M, debt service, and capital funding requirements
  - Maintains target reserve balances and supports strong credit metrics
- Continue Reinvestment in the System
  - Fund the CIP to address aging infrastructure and regulatory requirements
  - Protects long-term system reliability and defers costlier emergency repairs



# QUESTIONS?

**NEWGEN STRATEGIES AND SOLUTIONS, LLC**  
**900 BESTGATE ROAD, SUITE 402**  
**ANNAPOLIS, MD 21401**

**MIKE MAKER**  
**PARTNER**  
**(443) 951-0355**  
**[mmaker@newgenstrategies.net](mailto:mmaker@newgenstrategies.net)**