



**TOWN COUNCIL
FINANCE SUBCOMMITTEE
WATERTOWN, CONNECTICUT**

**SPECIAL MEETING NOTICE
FEBRUARY 24, 2026 - 7:00 P.M.**

**WATERTOWN TOWN HALL
TOWN COUNCIL CHAMBERS
61 ECHO LAKE RD.
WATERTOWN, CT 06795**

1. Pledge of Allegiance.
2. Call Meeting to Order.
3. Roll Call. (All members of the Town Council are members of the Finance Subcommittee)
4. Review proposed FY 2026/2027 budgets:
 - a. Water and Sewer Budgets
5. Adjourn

**THIS MEETING WILL BE AN IN-PERSON MEETING AND WILL ALSO BE AVAILABLE
VIA ZOOM IN LISTEN ONLY MODE**

**A LINK WILL BE POSTED ON THE DAY OF THE MEETING
PLEASE SEE WWW.WATERTOWNCT.ORG UNDER THE CALENDAR OF MEETINGS**



TOWN OF WATERTOWN CONNECTICUT

OFFICE OF THE TOWN MANAGER

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MEMORANDUM

To: Watertown Town Council

From: Mark A. Raimo, Town Manager *MAR*

Date: February 20, 2026

Re: Town Manager Budget FY 2026-2027 - Water and Sewer
Town Council Presentation Summary

FY 2026–2027 Budget Overview & Key Changes

Purpose of This Document

This summary provides the Town Council with a clear, consolidated overview of the FY 2026–2027 Department Recommended budget for the **Watertown Water & Sewer Authority**.

It is designed to accompany the detailed operating budgets, financial worksheets, and technical exhibits provided within this document package. These documents contain the supporting calculations and assumptions; this summary explains how they fit together, highlights material changes from the prior year, and frames the policy considerations for Council review.

Enterprise Utility Context

The Water & Sewer Authority operates as an enterprise utility and is fully funded through user fees rather than the Town's General Fund. The FY 2026–2027 budget continues this structure and is intended to:

- Fund daily water and sewer operations
- Meet obligations for purchased water and sewer disposal
- Incorporate debt service associated with long-term infrastructure/debt financing
- Maintain transparency and defensibility through documented planning assumptions

The budget does **not** reflect an expansion of service levels. Instead, it reflects a transition toward more complete recognition of known costs and obligations.

How the FY 2026–2027 Budget Was Built

Across all funds, the FY 2026–2027 Department Recommended budget relies on **normalized multi-year historical averages** rather than any single year of activity. This approach:

- Reduces distortion from weather-driven or anomalous consumption
- Improves consistency between years
- Supports rate stability and long-term planning
- Aligns with enterprise utility best practices

Differences in averaging periods between water and sewer are driven by data availability and system reporting characteristics, not policy choices.

What Changed from FY 2025–2026 to FY 2026–2027

High-Level Summary

The FY 2026–2027 budget represents a **structural inflection point** compared to FY 2025–2026. The most material changes are financial and methodological, not operational.

1. Full Recognition of External Cost Drivers

- Sewer disposal costs payable to the City of Waterbury are recalculated using current rates and a corrected, normalized multi-year system flow baseline.
- Purchased water costs are re-baselined using current rates and a seven-year historical average rather than recent-year consumption.

These changes improve accuracy and transparency and replace prior assumptions that understated long-term cost exposure.

2. Introduction of Material Debt Service into Operating Budgets

A major change from FY 2025–2026 is the inclusion of **significantly higher debt service allocations** flowing through Fund 019 from both operating funds:

- Reflects the Authority’s share of BAN and bonded obligations
- Represents a structural cost shift rather than a discretionary increase
- Becomes a primary driver of operating pressure in both water and sewer funds

This debt service was present in earlier years at a much lower level and now meaningfully affects annual operating results.

3. More Conservative and Defensible Revenue Assumptions

- Usage-based revenues for both water and sewer are aligned with long-term average consumption rather than favorable recent-year usage.
- Flat-fee revenues remain stable and continue to support fixed costs such as administration, billing, and system readiness.

This reduces the risk of overestimating revenue and improves long-term fiscal reliability.

Fund-Level Impacts

Fund 015 — Sewer Operations

Compared to FY 2025–2026, the FY 2026–2027 Department Recommended budget for sewer operations reflects:

- Higher recognized sewer disposal expense driven by rate increase and normalized system flow assumptions
- Updated usage-based revenue aligned with the current differentiated rate structure
- A substantial increase in debt service allocations related to infrastructure and debt financing

The result is a tighter operating margin than in FY 2025–2026. The budget remains balanced for enterprise fund purposes but clearly demonstrates that sewer disposal costs and debt service are now dominant financial drivers.

Fund 017 — Water Operations

For water operations, the FY 2026–2027 Department Recommended budget reflects:

- Re-baselined purchased water costs due to rates and using a seven-year historical usage average
- More conservative usage-based revenue projections
- The introduction of materially higher debt service allocations

While the fund remains balanced in FY 2026–2027, rate increases and debt service—not operating expense growth—is now the primary source of financial pressure.

Cross-Fund Observations for Council

- The most significant changes are **structural and financial**, not service-related
- Both water and sewer operations are entering a higher debt service phase
- Cost recognition is more complete and transparent than in prior years
- Revenue assumptions are intentionally conservative and defensible
- The FY 2026–2027 budget signals the need for future rate and financial policy discussions

Policy Framing and Next Steps

The FY 2026–2027 Department Recommended budget is a **planning framework**, not a final rate action. It establishes a clearer picture of:

- Ongoing operating costs
- External contractual/non-contractual obligations
- Debt service requirements associated with long-term infrastructure investment

As the budget process continues, the Authority will need to:

- Monitor actual usage and financial performance
 - Reassess capital priorities and reserve strategies
 - Evaluate future rate adjustments informed by updated financial data and independent analysis
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How This Document Fits with the Full Budget Package

- **This summary** provides the narrative and policy context for Council review
- **The operating budgets (Funds 015 & 017)** show detailed line items and balances
- **Exhibits A–D** document cost and revenue methodologies
- **Fund 019 materials** explain debt service assumptions and allocations

Together, these documents form a complete, transparent, and defensible FY 2026–2027 Water & Sewer Authority budget package.

TOWN OF WATERTOWN					
FINANCE BUDGET BOOK - Revenue					
				2.9.2026	
Account	Description	2024-2025	2025-2026	2025-2026	2026-2027
		Adoped Budget	Adopted Budget	Received to Date	Estimated Revenue
Water Extension Fund - 013					
013.40218.460.0000.0000	WATER MAIN LEDGE TO ECHO	-	-	-	-
013.40600.460.0000.0000	INTEREST ON INVESTMENTS	400	400	-	-
013.40625.460.0000.0000	FUND BALANCE	181,924	290,000	-	-
013.40756.460.0000.0000	WATER CONNECTION FEE	-	-	-	-
013.40771.460.0000.0000	DWSRF / CWSRF PROGRAMS	92,000	-	-	-
013.40826.460.0000.0000	NON-GENERAL FUND TRANSFER	248,000	-	-	-
Water Extension Fund Totals		522,324	290,400	-	-

TOWN OF WATERTOWN					
FINANCE BUDGET BOOK - Revenue					
				2.9.2026	
Account	Description	2024-2025	2025-2026	2025-2026	2026-2027
		Adoped Budget	Adopted Budget	Received to Date	Estimated Revenue
Sewer Extention Fund - 014					
014.40600.460.0000.0000	INTEREST ON INVESTMENTS	5,000	5,000	-	-
014.40770.460.0000.0000	SEWER PERMITS	-	-	-	-
014.40771.460.0000.0000	DWSRF / CWSRF PROGRAMS	80,000	-	-	-
014.40781.460.0000.0000	SEWER CONNECTION FEE	-	-	-	-
014.40826.120.0000.0000	NON-GENERAL FUND TRANSFER	-	-	-	-
014.40826.460.0000.0000	NON-GENERAL FUND TRANSFER	20,000	40,000	-	-
Sewer Extention Totals		105,000	45,000	-	-

TOWN OF WATERTOWN					
FINANCE BUDGET BOOK - Revenue					
Account	Description	2024-2025	2025-2026	2025-2026	2026-2027
		Adoped Budget	Adopted Budget	Received to Date	Estimated Revenue
Sewer Operations - 015					
015.40600.460.0000.0000	INTEREST ON INVESTMENTS	3,000	66,336	-	-
015.40755.460.0000.0000	LIEN FEES	-	1,200	20	100
015.40760.460.0000.0000	SEWER CHARGES	4,190,413	3,072,000	2,201,755	6,721,190
015.40761.460.0000.0000	SEWER INTEREST @ DELINQUENTS	35,000	35,000	24,968	35,000
015.40763.460.0000.0000	MISCELLANEOUS	5,000	-	3,575	1,000
015.40763.460.3164.0000	PERMITS, CONNECTION FEES, & INSPECTIONS	4,250	3,500	7,575	3,500
015.4821.460.0000.0000	TRANSFER FROM W&S DEBT 019	-	-	23,642,723	-
Sewer Operations Totals		4,237,663	3,178,036	25,880,617	6,760,790

				2.9.2026				
		<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>
<u>Account</u>	<u>Description</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2025-2026</u>	<u>2025-2026</u>	<u>2026-2027</u>	<u>2026-2027</u>	<u>2026-2027</u>
		<u>Actual</u>	<u>Adopted</u>	<u>Expended</u>	<u>1 Year</u>	<u>Department</u>	<u>Town Manager</u>	<u>Town Council</u>
		<u>Expenditures</u>	<u>Budget</u>	<u>To Date</u>	<u>Estimate</u>	<u>Recommended</u>	<u>Recommended</u>	<u>Recommended</u>
015 - Sewer Operations								
501 - Personnel Services								
015.50110.074.0037.9015	BOOKKEEPER II	-	-	-	-	24,516	24,516	
015.50110.074.0038.9015	BOOKKEEPER I	20,374	20,721	14,133	20,721	-	-	
015.50110.074.0091.9015	WAGE BENEFIT ADJUSTMENT	-	8,500	-	8,500	5,299	5,299	
015.50110.074.0259.9015	UTILITY MAINTAINER	104,198	108,506	53,649	108,506	111,790	111,790	
015.50110.074.0726.9015	W & S SUPERVISOR	46,809	48,320	56,162	48,320	44,455	44,455	
015.50110.074.1702.9015	ASST SUPERINTENDENT	5,407	-	-	-	-	-	
015.50110.074.1784.9015	SUPT/ENGINEER	50,868	59,500	-	-	59,167	59,167	
015.50110.074.2110.9015	ADMIN ASST	21,868	22,241	10,287	22,241	24,239	24,239	
015.50110.074.3111.9015	OFFICE MANAGER	-	-	-	-	-	-	
015.50110.074.3160.9015	WSA CONTROLLER	35,035	35,718	21,327	35,718	37,525	37,525	
015.50110.074.3163.9015	WSA BUSINESS ANALYST	-	27,094	-	27,094	-	-	
New Line	DIRECTOR OF PUBLIC WORKS - STIPEND	-	-	-	-	6,000	6,000	
015.50120.074.0043.9015	MINUTES SECRETARY	-	1,000	-	1,000	1,000	1,000	
015.50120.074.0077.9015	CUSTODIAN	1,426	2,215	957	2,215	2,296	2,296	
015.50120.074.0247.9015	PART TIME INSPECTOR	8,702	-	-	-	-	-	
015.50130.074.0000.9015	OVERTIME	15,139	25,000	11,740	25,000	25,000	25,000	
015.50135.074.0000.9015	STANDBY SALARIES	3,675	4,000	2,325	4,000	4,000	4,000	
015.50146.074.0000.9015	UNIFORM ALLOWANCE	391	600	-	600	600	600	
015.50146.074.1274.9015	SHOE ALLOWANCE - ORGANIZED	450	450	150	450	450	450	
502 - Employee Benefits								
015.50210.074.0000.9015	SOCIAL SECURITY	19,092	24,085	10,900	24,085	20,899	20,899	
015.50210.074.0270.9015	MEDICARE	4,358	5,633	2,462	5,633	4,888	4,888	
015.50220.074.0000.9015	EMPLOYEE'S RETIREMENT	11,259	27,571	6,401	27,571	10,262	10,262	
015.50230.042.0000.9015	HEALTH AND DENTAL	-	91,185	52,261	91,185	104,863	104,863	
015.50232.074.0000.9015	LIFE INSURANCE	1,750	1,165	923	1,165	1,395	1,395	
015.50243.074.0000.9015	DISABILITY INSURANCE	510	600	258	600	600	600	

<u>015 Sewer Operations</u>		
<u>Account Number</u>	<u>Account Description</u>	<u>Includes</u>
<u>Sewer Operations</u>	<u>Inactivated</u>	
<u>Account Number</u>	<u>Account Description</u>	
<u>Sewer Operations</u>	<u>Brand New Line Items Added in GL</u>	
<u>Account Number</u>	<u>Account Description</u>	
New Line Item	DIRECTOR OF PUBLIC WORKS - STIPEND	

TOWN OF WATERTOWN						
FINANCE BUDGET BOOK - Revenue						
Account	Description	2024-2025	2025-2026	2025-2026	2026-2027	
		Adoped Budget	Adopted Budget	Received to Date	Estimated Revenue	
Sewer Capital - 016						
016.40600.460.0000.0000	INTEREST ON INVESTMENTS	-	100	-		
016.40771.460.0000.0000	DWSRF / CWSRF PROGRAMS	144,000	-	-	-	
016.40826.460.0000.0000	NON-GENERAL FUND TRANSFER	414,500	497,500	-	-	
Sewer Capital Totals		558,500	497,600		-	
				-		

TOWN OF WATERTOWN					
FINANCE BUDGET BOOK - Revenue					
Account	Description	2024-2025	2025-2026	2025-2026	2026-2027
		Adoped Budget	Adopted Budget	Received to Date	Estimated Revenue
Water Operations - 017					
017.40600.460.0000.0000	INTEREST ON INVESTMENTS	-	75,498	-	0
017.40625.460.0000.0000	FUND BALANCE	-	714,730	-	-
017.40666.460.0000.0000	TRANS FROM GEN FUND	-	-	-	-
017.40750.460.0000.0000	WATER RENTS	2,772,004	1,975,324	1,111,849	2,823,734
017.40751.460.0000.0000	WATER INTEREST @ DELINQUENTS	48,830	24,000	97,488	20,000
017.40752.460.0000.0000	WATER A/R & MISC CHARGES	25,000	20,000	10,550	18,000
017.40753.460.0000.0000	HYDRANT RENTALS	228,500	228,604	189,882	228,000
017.40754.460.0000.0000	WATER APPLICATIONS	-	-	-	500
017.40755.460.0000.0000	LIEN FEES	3,000	2,000	300	250
017.40763.460.0000.0000	MISCELLANEOUS	-	-	-	250
017.40763.460.3164.0000	PERMITS, CONNECTION FEES, & INSPECTIONS	4,250	4,000	6,125	1,000
Water Operations Totals		3,081,584	3,044,156	1,416,194	3,091,734

				2.9.2026				
		<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>
<u>Account</u>	<u>Description</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2025-2026</u>	<u>2025-2026</u>	<u>2026-2027</u>	<u>2026-2027</u>	<u>2026-2027</u>
		<u>Actual</u>	<u>Adopted</u>	<u>Expended</u>	<u>1 Year</u>	<u>Department</u>	<u>Town Manager</u>	<u>Town Council</u>
		<u>Expenditures</u>	<u>Budget</u>	<u>To Date</u>	<u>Estimate</u>	<u>Recommended</u>	<u>Recommended</u>	<u>Recommended</u>
017 - Water Operations								
501 - Personnel Services								
017.50110.074.3163.9017	WSA BUSINESS ANALYST	-	27,094	-	27,094	-	-	-
017.50110.075.0038.9017	BOOKKEEPER I	20,374	20,721	14,133	20,721	-	24,516	-
017.50110.075.0091.9017	WAGE BENEFIT ADJUSTMENT	-	8,500	-	8,500	-	5,299	-
017.50110.075.0258.9017	UTILITY MAINTAINER/METER READER	-	-	-	-	-	111,790	-
017.50110.075.0259.9017	UTILITY MAINTAINER	104,199	108,506	53,649	108,506	-	-	-
017.50110.075.0726.9017	W & S SUPERVISOR	46,809	48,424	-	-	-	44,455	-
017.50110.075.1702.9017	ASST SUPERINTENDENT	5,407	-	-	-	-	-	-
017.50110.075.1784.9017	SUPT/ENGINEER	50,868	59,500	907	59,500	-	59,167	-
017.50110.075.2110.9017	ADMIN ASST	21,868	22,241	10,287	22,241	-	24,239	-
017.50110.075.3160.9017	WSA CONTROLLER	35,027	35,718	21,327	35,718	37,525	37,525	-
New Line	DIRECTOR OF PUBLIC WORKS - STIPEND			-	-	6,000	6,000	-
017.50120.075.0043.9017	MINUTES SECRETARY	-	1,000	-	1,000	1,000	1,000	-
017.50120.075.0077.9017	CUSTODIAN	1,426	2,215	957	2,215	2,296	2,296	-
017.50120.075.0247.9017	PART TIME INSPECTOR	8,702	-	-	-	-	-	-
017.50130.075.0000.9017	OVERTIME	14,978	25,000	11,751	25,000	25,000	25,000	-
017.50135.075.0000.9017	STANDBY SALARIES	3,675	4,000	2,325	4,000	4,000	4,000	-
017.50146.075.0000.9017	UNIFORM ALLOWANCE	391	600	-	600	600	600	-
017.50146.075.1274.9017	SHOE ALLOWANCE - ORGANIZED	450	450	150	450	450	450	-
502 - Employee Benefits								
017.50210.000.0000.0000	SOCIAL SECURITY - MEDICARE	398	-	319	-	-	-	-
017.50210.000.0270.0000	SOCIAL SECURITY - MEDICARE	93	-	75	-	-	-	-
017.50210.075.0000.9017	SOCIAL SECURITY	18,623	24,085	10,527	24,085	24,085	24,085	-
017.50210.075.0270.9017	MEDICARE	4,356	5,633	2,462	5,633	5,633	5,633	-
017.50220.075.0000.9017	EMPLOYEE'S RETIREMENT	11,257	27,571	6,351	27,571	10,262	10,262	-
017.50230.042.0000.9017	HEALTH AND DENTAL	-	91,185	52,264	91,185	104,863	104,863	-
017.50232.075.0000.9017	LIFE INSURANCE	1,750	1,165	923	1,165	1,395	1,395	-
017.50243.075.0000.9017	DISABILITY INSURANCE	510	600	258	600	600	600	-

504 - Supplies & Materials								
017.50401.075.0000.9017	OFFICE SUPPLIES	1,969	3,500	901	3,500	3,000	3,000	
017.50410.075.0000.9017	BUILDING MAINT SUPPLIES	2,645	3,500	606	3,500	35,000	35,000	
017.50415.075.0474.9017	EQUIPT. PARTS - AUTOMOTIVE	474	1,500	264	1,500	1,500	1,500	
017.50425.075.0000.9017	SMALL TOOLS & APPARATUS	3,151	3,000	118	3,000	3,000	3,000	
017.50480.075.0000.9017	FUEL - GASOLINE	3,590	3,500	1,591	3,500	3,500	3,500	
505 - Equipment & Improvements								
017.50561.075.2865.9017	COMPUTER EQUIPMENT	2,210	-	7,722	-	-	-	
017.50561.075.3083.9017	IT	26,248	65,000	-	65,000	30,000	30,000	
017.50580.075.0000.9017	TRANSFER TO WATER CAPITAL	-	637,500	-	637,500	-	-	
017.50581.075.0000.9017	TRANSFER TO WATER EXTENSION	-	-	-	-	-	-	
506 - Other Expenditures								
017.50605.075.0000.9017	TRANSFER TO 019_W&S_DEBT	-	-	-	-	564,355	564,355	
507 - FUND TRANSFERS								
017.50710.075.0165.9017	ADMINISTRATIVE REIMBURSEMENT	48,698	48,698	-	48,698	58,884	58,884	
017.50720.075.1447.9017	MISC/REFUNDS	1,133	-	-	-	-	-	
Water Operations Total		1,992,596	3,044,156	1,149,711	2,995,732	2,811,698	3,081,166	-

<u>017 Water Operations</u>		
<u>Account Number</u>	<u>Account Description</u>	<u>Includes</u>
<u>Water Operations</u>	<u>Inactivated</u>	
<u>Account Number</u>	<u>Account Description</u>	
<u>Water Operations</u>	<u>Brand New Line Items Added in GL</u>	
<u>Account Number</u>	<u>Account Description</u>	
New Line Item	DIRECTOR OF PUBLIC WORKS - STIPEND	

TOWN OF WATERTOWN					
FINANCE BUDGET BOOK - Revenue					
Account	Description	2024-2025	2025-2026	2025-2026	2026-2027
		Adoped Budget	Adopted Budget	Received to Date	Estimated Revenue
Water Capital Fund - 018					
018.40763.460.0000.0000	MISCELLANEOUS	-	-	3,275	-
018.40771.460.0000.0000	DWSRF / CWSRF PROGRAMS	224,000	-	-	-
018.40826.460.0000.0000	NON-GENERAL FUND TRANSFER	456,000	637,500	-	-
Water Capital Fund Totals		680,000	637,500	3,275	-

				2.9.2026				
		<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>
<u>Account</u>	<u>Description</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2025-2026</u>	<u>2025-2026</u>	<u>2026-2027</u>	<u>2026-2027</u>	<u>2026-2027</u>
		<u>Actual</u>	<u>Adopted</u>	<u>Expended</u>	<u>1 Year</u>	<u>Department</u>	<u>Town Manager</u>	<u>Town Council</u>
		<u>Expenditures</u>	<u>Budget</u>	<u>To Date</u>	<u>Estimate</u>	<u>Recommended</u>	<u>Recommended</u>	<u>Recommended</u>
018 - Water Capital								
505 - Equipment & Improvements								
018.50500.077.0711.9018	LAWN MOWER	-	-	-	-	-	-	-
018.50500.077.3106.9018	ECHO LAKE RD: REMOVE PRV VAULT	-	5,000	-	5,000	-	-	-
018.50500.077.3107.9018	RECOAT FLOOR: STRAITS TANK	-	-	-	-	-	-	-
018.50510.077.2278.9018	SCADA UPGRADE	-	10,000	-	10,000	-	-	-
018.50523.077.1782.9018	FIRE HYDRANT	3,305	60,000	-	60,000	-	-	-
018.50523.077.1999.9018	WATER MAIN MATERIALS	-	40,000	-	40,000	-	-	-
018.50523.077.2014.9018	WATER METERS	-	-	-	-	-	-	-
018.50529.077.1984.9018	CARVEL PIT FLOW METER	-	25,000	-	25,000	-	-	-
018.50529.077.2572.9018	3R (REPAIR, REPLACE AND REHAB RESER	48,563	100,000	2,567	100,000	-	-	-
018.50529.077.2657.9018	DAVIS ST. WATER MAIN REPLACEMENT	-	-	-	-	-	-	-
018.50529.077.2709.9018	PARK ROAD AND JERICO	-	-	-	-	-	-	-
018.50529.077.2866.9018	BUNKER HILL BOOSTER PUMP STATION	-	50,000	52,614	50,000	-	-	-
018.50529.077.2908.9018	FERN HILL PUMP STATION	11,566	65,000	3,945	65,000	-	-	-
018.50529.077.3014.9018	BUNKER HILL 500' WATER MAIN	-	10,000	-	10,000	-	-	-
018.50529.077.3027.9018	FREDERICK ST. 475' REPLACE 2 WITH	-	-	-	-	-	-	-
018.50529.077.3057.9018	FALLS AVE CULVERT 8" WATER MAIN RELOCATION	-	-	-	-	-	-	-
018.50529.077.3105.9018	EMERGENCY WATER PUMP	-	-	-	-	-	-	-
018.50529.077.3167.9018	FACILITY SECURITY FENCING - PHASE I	-	25,000	-	25,000	-	-	-
018.50529.077.3168.9018	FACILITY SECURITY CAMERAS - PHASE I	-	25,000	-	25,000	-	-	-
018.50529.077.3169.9018	WATER METER AMI PROJECT - PHASE I	19,799	50,000	13,202	50,000	-	-	-
018.50529.077.3171.9018	LCRR - LEAD&COPPER RULE REVISION - PHASE I	-	25,000	6,836	25,000	-	-	-
018.50529.077.3172.9018	WATER STORAGE TANKS MAINTENANCE & REPAIRS	-	30,000	-	30,000	-	-	-
018.50529.077.3173.9018	NEUTRAL OUTPUT DISCHARGE ELIMINATION SYSTEM	-	5,000	-	5,000	-	-	-
018.50529.077.3174.9018	FERN HILL - WTBY 36" MAIN - VALVE - PHASE I	-	5,000	-	5,000	-	-	-
018.50529.077.3175.9018	ECHO LAKE - BOOSTER PUMP STATION - PHASE I	-	25,000	-	25,000	-	-	-
018.50529.077.3176.9018	REPLACEMENT OF 2" MAIN WITH 6" MAIN - PHASE I	-	75,000	-	75,000	-	-	-
018.50553.077.3165.9018	VEHICLE REPLACEMENT OF TRANSIT	25,031	-	23,007	-	-	-	-
018.50553.077.3166.9018	VEHICLE REPLACEMENT OF FORD FUSION SEDAN	-	-	20,801	-	-	-	-
018.50561.077.2278.9018	SCADA UPGRADE	-	-	-	-	-	-	-
018.50562.077.2324.9018	REMODEL WSA OFFICE	-	7,500	-	7,500	-	-	-
Water Capital Total		108,264	637,500	122,972	637,500	-	-	-

TOWN OF WATERTOWN					
FINANCE BUDGET BOOK - Revenue					
2.9.2026					
Account	Description	2024-2025	2025-2026	2025-2026	2026-2027
		Adoped Budget	Adopted Budget	Received to Date	Estimated Revenue
Water & Sewer Debt - 019					
019.40600.460.0000.0000	INTEREST ON INVESTMENTS	600	600	-	-
019.40775.460.0000.0000	WATER ASSESSMENTS	-	-	-	-
019.40775.460.2257.0000	CROSTOWN TIE IN WATER	-	-	-	-
019.40775.460.2732.0000	GORHAM/PORTLAND SEWER ASSESSMENT	-	-	-	-
019.40775.460.2740.0000	ICE HOUSE ROAD ASSESSMENTS	-	-	-	-
019.40775.460.3012.0000	CONCORD AND LEXINGTON	-	34,000	13,903	-
019.40780.460.0000.0000	SEWER ASSESSMENTS	-	-	-	-
019.40780.460.2258.0000	CROSTOWN TIE IN SEWER	-	-	-	-
019.40780.460.3012.0000	CONCORD AND LEXINGTON	-	78,000	29,294	-
019.40780.460.3177.0000	OAK DRIVE - SANITARY SEWER	-	3,200	2,608	-
019.40826.460.0000.0000	NON-GENERAL FUND TRANSFER	416,990	204,540		2,244,742
Water & Sewer Debt Totals		417,590	320,340	45,804	-

		<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>2.9.2026</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>	<u>FISCAL YEAR</u>
<u>Account</u>	<u>Description</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2025-2026</u>	<u>2025-2026</u>	<u>2026-2027</u>	<u>2026-2027</u>	<u>2026-2027</u>
		<u>Actual</u>	<u>Adopted</u>	<u>Expended</u>	<u>1 Year</u>	<u>Department</u>	<u>Town Manager</u>	<u>Town Council</u>
		<u>Expenditures</u>	<u>Budget</u>	<u>To Date</u>	<u>Estimate</u>	<u>Recommended</u>	<u>Recommended</u>	<u>Recommended</u>
019 - Water & Sewer Debt								
506 - Other Objects								
019.50610.073.2924.9019	2018 BOND SERIES A	58,000	-	-	-	-	-	-
019.50610.073.3008.9019	2019 BOND (Sewer Project Principal)	120,000	120,000	-	120,000	86,500	86,500	-
019.50610.073.3078.9019	2021 BOND SERIES A	132,000	132,000	-	132,000	-	-	-
019.50620.073.2924.9019	2018 BOND SERIES A	16,358	-	-	-	-	-	-
019.50620.073.3008.9019	2019 BOND (Sewer Project Interest)	71,100	65,100	-	65,100	-	42,601	-
019.50620.073.3078.9019	2021 BOND SERIES A	2,640	2,640	-	2,640	-	-	-
019.506010.073.XXXX.XXX	2015 REF - Series C (Wattles Brook Sewer Principal)	-	-	-	-	-	50,000	-
019.506010.073.XXXX.XXX	2019 Bonds (Water Projects Principal)	-	-	-	-	-	55,000	-
019.506010.073.XXXX.XXX	2022 Bonds (Sewer Principal)	-	-	-	-	-	47,000	-
019.506010.073.XXXX.XXX	2024 Refunding (Sewer Principal)	-	-	-	-	-	101,000	-
019.506010.073.XXXX.XXX	2024 Refunding (Water Principal)	-	-	-	-	64,000	64,000	-
019.50620.073.XXXX.XXX	2015 REF - Series C (Wattles Brook Sewer Interest)	-	-	-	-	2,100	2,100	-
019.50620.073.XXXX.XXX	2019 Bonds (Water Projects Interest)	-	-	-	-	27,088	27,088	-
019.50620.073.XXXX.XXX	2022 Bonds (Sewer Interest)	-	-	-	-	4,240	4,240	-
019.50620.073.XXXX.XXX	2024 Refunding (Sewer Interest)	-	-	-	-	64,775	64,775	-
019.50620.073.XXXX.XXX	2024 Refunding (Water Interest)	-	-	-	-	41,100	41,100	-
New Line Item	26/27 BAN WSA INTEREST JUDGEMENT PAYMENT	-	-	-	-	1,186,695	1,186,695	-
New Line Item	26/27 PROPOSED 2026 BOND ISSUE - WSA	-	-	-	-	765,467	765,467	-
Water & Sewer Debt Total		400,098	319,740	-	319,740	2,241,965	2,537,566	-

<u>019 W&S Debt</u>		
<u>Account Number</u>	<u>Account Description</u>	<u>Includes</u>
<u>W&S Debt</u>	<u>Inactivated</u>	
<u>Account Number</u>	<u>Account Description</u>	
019.50610.073.2924.9019	2018 BOND SERIES A	
019.50610.073.3078.9019	2021 BOND SERIES A	
019.50620.073.2924.9019	2018 BOND SERIES A	
019.50620.073.3078.9019	2021 BOND SERIES A	

<u>W&S Debt</u>		<u>Brand New Line Items Added in GL</u>
<u>Account Number</u>	<u>Account Description</u>	
019.506010.073.XXXX.XXX	2015 REF - Series C (Wattles Brook Sewer Principal)	
019.506010.073.XXXX.XXX	2019 Bonds (Water Projects Principal)	
019.506010.073.XXXX.XXX	2022 Bonds (Sewer Principal)	
019.506010.073.XXXX.XXX	2024 Refunding (Sewer Principal)	
019.506010.073.XXXX.XXX	2024 Refunding (Water Principal)	
019.50620.073 XXXX.XXX	2015 REF - Series C (Wattles Brook Sewer Interest)	
019.50620.073 XXXX.XXX	2019 Bonds (Water Projects Interest)	
019.50620.073 XXXX.XXX	2022 Bonds (Sewer Interest)	
019.50620.073 XXXX.XXX	2024 Refunding (Sewer Interest)	
019.50620.073 XXXX.XXX	2024 Refunding (Water Interest)	
New Line Item	26/27 BAN WSA INTEREST JUDGEMENT PAYMENT	
New Line Item	26/27 PROPOSED 2026 BOND ISSUE - WSA	
<u>Water & Sewer</u>		
<u>Account Number</u>	<u>Changed Account Description</u>	
019.50610.073.3008.9019	2019 BOND (Sewer Projects Principal)	Changed name from 2019 Bond to 2019 BOND (Sewer Projects Principal)
019.50620.073.3008.9019	2019 BOND (Sewer Projects Interest)	Changed name from 2019 Bond to 2019 BOND (Sewer Projects Interest)



TOWN OF WATERTOWN CONNECTICUT


OFFICE OF THE TOWN MANAGER

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MEMORANDUM

To: Watertown Town Council

From: Mark A. Raimo, Town Manager 

Date: February 20, 2026

Re: Town Manager Budget FY 2026-2027
Executive Summary – Water and Sewer Budget

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

Fund	Description	Unaudited Ending Balance
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.

EXHIBIT A — FY 2026–2027 PROJECTED WATER COST

Watertown Water & Sewer Authority (Seven-Year Historical Average Methodology)

1. Purpose

This exhibit presents the FY 2026–2027 projected cost of purchased water supply for the Watertown Water & Sewer Authority (“Authority”) using a **single, consistent planning benchmark** based on documented historical system usage. The purpose of this exhibit is to support budget adoption with a methodology that is transparent, repeatable, and grounded in multi-year operational data.

This exhibit addresses **water supply cost (expense) only**. Projected water revenues are presented separately in Exhibit B.

2. Planning Methodology

For FY 2026–2027, the Authority has elected to use a **seven-year historical average of actual metered usage** as the sole planning benchmark for water cost estimation.

The seven-year average approach:

- Smooths year-to-year variability caused by weather and consumption patterns;
 - Avoids over-reliance on any single anomalous year;
 - Reflects long-term system demand rather than short-term fluctuations; and
 - Supports rate stability and defensible budget planning.
-

3. Historical Usage Basis

Actual metered water usage from the Authority’s **Fern Hill** and **Straits Hill** systems was reviewed for the seven most recent completed years (2019–2025). These systems comprise the core of the Authority’s retail water demand.

Combined Fern Hill and Straits Usage

Year	Total Amount Billed	Usage (100 cu. ft.)
2025	\$1,479,138.11	373,431
2024	\$1,331,210.60	456,676
2023	\$1,366,735.70	466,806
2022	\$1,406,283.52	493,595
2021	\$1,187,296.67	433,396
2020	\$1,356,674.05	465,556
2019	\$1,319,719.26	474,982

Seven-Year Average Usage:
452,063 CCF per year (rounded)

This average represents the Authority’s long-term retail water demand and forms the sole basis for the FY 2026–2027 water cost projection.

4. Rate and Conversion Standards

Water Supply Rate (FY 2026–2027 Planning Assumption)

- \$3.90 per 1,000 gallons (full-year equivalent rate)

Utility Conversion Standards

- 1 unit of 100 cubic feet (CCF) = 748 gallons
- 1,000 gallons = 1 billing unit

These standards are applied consistently across all calculations.

5. Cost Calculation Method

The projected annual water supply cost is calculated as follows:

1. **Convert CCF to gallons**
 $452,063 \text{ CCF} \times 748 = 338,143,231 \text{ gallons}$

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

2. **Convert gallons to billing units**
 $338,143,231 \div 1,000 = 338,143.23$ units
3. **Apply adopted water supply rate**
 $338,143.23 \times \$3.90 = \$1,318,759$

(Rounded to the nearest dollar.)

6. FY 2026–2027 Projected Water Cost

Item	Amount
Seven-Year Average Usage	452,063 CCF
Annual Gallons	338,143,231
1,000-Gallon Billing Units	338,143.23
Rate per 1,000 Gallons	\$3.90
Estimated FY 26–27 Water Cost	\$1,318,759

7. Budget Interpretation

The projected FY 2026–2027 water supply cost of **approximately \$1.32 million** reflects the Authority’s long-term average system demand rather than short-term consumption variability. This approach supports stable budgeting and minimizes the risk of over- or under-estimating water supply expense in any single fiscal year.

This estimate reflects **usage-based water supply charges only** and excludes fixed customer charges, billing adjustments, penalties, credits, or future reconciliations.

All projections presented herein represent planning estimates only and exclude adjustments, penalties, credits, reconciliations, or extraordinary events.

8. Customer Scope

This analysis reflects **WSA retail system usage only**.

Water usage attributable to the **Watertown Fire District** is excluded from this exhibit.

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

Exhibit A
Water and Sewer Executive Summary
February 20, 2026
Page 4

Prepared for:
Watertown Water & Sewer Authority
FY 2026–2027 Budget Deliberations

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

EXHIBIT B — PROJECTED WATER RATE REVENUE

(FY 2026–2027) Watertown Water & Sewer Authority

Purpose

The purpose of this exhibit is to estimate projected FY 2026–2027 **water revenue**, including usage-based charges and flat fees, under reasonable consumption scenarios using a single, full-year adopted water rate. This exhibit is intended to support budget deliberations by illustrating the sensitivity of **usage-based revenue** to different consumption assumptions while clearly distinguishing between **variable, usage-based revenue** and **fixed, non-usage revenue sources** that support stable operations.

Rate and Methodology

Rate Used:

\$4.59 per 1,000 gallons (full year)

Unit Definition:

1 billing unit = 1,000 gallons

Projected revenue in this exhibit reflects **usage-based water charges and flat fees only** and excludes penalties, adjustments, non-collections, and other non-volumetric billing components.

In addition to usage-based rates, the Authority generates recurring revenue through **flat fees assessed as part of the regular billing process**. These flat charges provide a stable and predictable revenue stream that is largely insulated from year-to-year fluctuations in water consumption and support fixed operating costs that do not vary with usage.

Flat Fee Revenue

Historical water flat-fee revenue has demonstrated steady growth over time, as summarized below:

Fiscal Year	Billed Water Flats
2018–2019	\$675,846.38
2019–2020	\$722,085.96
2020–2021	\$787,909.10
2021–2022	\$802,786.38

Fiscal Year	Billed Water Flats
2022–2023	\$803,658.87
2023–2024	\$803,953.84
2024–2025	\$810,416.22

Water flat-fee revenue has increased by approximately 20 percent over the seven-year period and currently averages roughly \$800,000 annually. This revenue is budgeted separately from volumetric water revenue and is used to support fixed operating costs such as administration, billing, customer service, regulatory compliance, and system readiness.

Methodology (applied consistently to all usage scenarios):

- Convert total annual gallons to 1,000-gallon billing units
- Multiply total units by the adopted rate of \$4.59 per unit

Projected FY 2026–2027 Water Usage Revenue by Scenario

Usage Basis	Annual Gallons	1,000-Gallon Units	Estimated FY 26/27 Revenue
Scenario 1 — FY 2024–2025 Actual Usage Basis	392,696,260	392,696.26	\$1,802,265
Scenario 2 — Seven-Year WSA Average Usage	338,166,608	338,166.61	\$1,551,354

(Rounded to the nearest dollar.)

How the Estimates Were Derived (Summary Calculations)

Scenario 1 — FY 2024–2025 Actual Basis (Sensitivity Case)

- $524,995 \text{ CCF} \times 748 \text{ gallons per CCF} = 392,696,260 \text{ gallons}$
- $392,696.26 \text{ units} \times \$4.59 = \mathbf{\$1,802,265}$

Scenario 2 — Seven-Year Average Basis (Planning Baseline)

- $338,166,608 \text{ gallons} \div 1,000 = 338,166.61 \text{ units}$

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

- $338,166.61 \text{ units} \times \$4.59 = \mathbf{\$1,551,354}$

Budget Sensitivity and Planning Considerations

- Projected annual usage-based revenue for FY 2026–2027 ranges from approximately **\$1.55 million to \$1.80 million**, depending on the consumption assumption selected. The resulting revenue swing of approximately **\$327,900 per year** highlights the sensitivity of water revenue to usage variability.
- For planning purposes, the seven-year average usage scenario provides a more stable and defensible baseline, smoothing short-term fluctuations driven by weather, economic conditions, or atypical consumption patterns. Higher recent usage levels are presented as an upper-bound sensitivity scenario to illustrate potential upside but are not relied upon as the primary budget assumption.
- Fixed costs are supported by flat-fee revenue, which has historically demonstrated stability and gradual growth and is currently budgeted at **\$772,380 within the Water Rents line item**.

All revenue projections reflect planning estimates only and exclude adjustments, penalties, credits, reconciliations, or extraordinary events.

Prepared For

Watertown Water & Sewer Authority
FY 2026–2027 Budget Deliberations

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

EXHIBIT C — FY 2026–2027 PROJECTED SEWER COST

Watertown Water & Sewer Authority (Budget Projection)

1. Purpose

This exhibit presents a FY 2026–2027 projection of **sewer disposal cost payable to the City of Waterbury** based on historical system data, standardized utility conversions, and the current rate.

This exhibit addresses **cost (expense)** only. Projected sewer **revenue** is presented separately in **Exhibit D**.

2. Rate and Conversion Standards

Rate (FY 2026–2027 planning assumption)

- Sewer disposal charge: **\$5.285 per 1,000 gallons**

Utility Conversion Standard

- 1 unit of 100 cubic feet (CCF) = **748 gallons**
 - 1,000 gallons = **1 billing unit** for rate application
-

3. Historical Basis for Projection

For transparency, the table below summarizes actual annual sewage flows based on aggregated monthly metered data. These annual totals provide context for the multi-year averaging used to develop the FY 2026–2027 planning baseline.

YEAR	TOTAL AMOUNT BILLED	USAGE 100CU.FT.
2025	\$3,066,714.69	779,650
2024	\$4,021,722.92	1,018,340
2023	\$4,624,555.42	1,170,751
2022	\$2,515,885.37	806,845
2021	\$2,886,245.39	1,168,541
2020	\$2,435,515.75	956,634
2019	\$2,497,164.96	1,011,024

The figure **6,132,135 CCF** represents a **six-year average of system flow (2019–2024)** — not a single year.

To create a one-year FY 26–27 budget baseline:

$$6,132,135 \div 6 = \mathbf{1,022,022.5 \text{ CCF (annual baseline)}}$$

This corrected baseline is used for all subsequent calculations.

A six-year averaging period is used for sewer cost projections due to data availability and system reporting structure and is consistent with the multi-year planning methodology applied across all water and sewer exhibits.

4. System Baseline Calculation (One-Year Equivalent)

Step 1 — Convert to gallons

$$1,022,022.5 \text{ CCF} \times 748 = \mathbf{764,468,830 \text{ gallons}}$$

Step 2 — Convert to 1,000-gallon units

$$764,468,830 \div 1,000 = \mathbf{764,468.83 \text{ units}}$$

Step 3 — Apply rate

$$764,468.83 \times \$5.285 = \mathbf{\$4,040,218 \text{ (approx.) total system cost baseline}}$$

(Rounded for presentation.)

5. Customer Allocation

The system baseline is allocated between:

- **WSA Retail Customers** — the primary cost base for the Authority
- **Watertown Fire District (WFD)** treated as one wholesale customer

WFD Contextual Baseline (Single Customer)

- Historical seven-year average flow: **262,313,414 gallons**
- Convert to CCF: $262,313,414 \div 748 \approx \mathbf{350,686 \text{ CCF}}$
- Convert to units: 262,313.414
- Projected WFD cost at \$5.285: $\approx \mathbf{\$1,386,326}$

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

WSA Retail Customers (System Less WFD)

Step 1 — Remove WFD from system baseline

$1,022,022.5 \text{ CCF} - 350,686 \text{ CCF} = 671,336.5 \text{ CCF (retail)}$

Step 2 — Convert to gallons

$671,336.5 \times 748 = 502,172,942 \text{ gallons}$

Step 3 — Convert to units

$502,172.942 \div 1,000 = 502,172.94 \text{ units}$

Step 4 — Apply rate

$502,172.94 \times \$5.285 = \approx \$2,653,984, \text{ (approx.) retail share of cost}$

6. FY 2026–2027 Sewer Cost Allocation Summary

Item	Usage (CCF)	Equivalent gallons	1,000-gal units	Rate	Projected FY 26–27 Cost
WSA Retail Customers	671,336.5	502,172,942	502,172.94	\$5.285	≈ \$2.65M
WFD (Single Customer)	350,686	262,313,414	262,313.41	\$5.285	≈ \$1.39M
Total System	1,022,022.5	764,468,830	764,468.83	Mixed	≈ \$4.04M

(Totals may not sum exactly due to rounding.)

7. Budget Interpretation

- The projection is based on a **one-year equivalent of a six-year historical average (2019–2024)**.
- This cost baseline represents a planning estimate rather than a guaranteed annual expense and is intended to support budget development using normalized historical system flow.

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

- WSA retail customers represent the majority of the system baseline.
- WFD is treated as a single wholesale customer at the current contract rate.
- *Actual FY 26–27 cost will vary with realized flow*; this exhibit represents a reasonable planning estimate grounded in historical data.
- All projections presented herein exclude fixed charges, adjustments, credits, penalties, reconciliations, or extraordinary events.

(Usage charge only; excludes fixed charges, adjustments, credits, penalties, or reconciliations.)

Prepared for:

Watertown Water & Sewer Authority — FY 2026–2027 Budget & Financial Review

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

EXHIBIT D – FY 2026–2027 PROJECTED SEWER REVENUE

Watertown Water & Sewer Authority (Budget Projection)

Purpose

To project anticipated FY 2026–2027 **sewer revenue**, including both **usage-based charges and flat fees**, based on historical metered flows and differentiated rates, and to present:

1. A revenue projection for WSA retail customers (primary revenue base) at \$6.09 per 1,000 gallons; and
 2. A separate, contextual revenue estimate for the Watertown Fire District (WFD) as a single wholesale customer at \$5.285 per 1,000 gallons; so the Authority can clearly understand relative revenue contributions and the balance between **variable and fixed revenue sources** for budgeting and rate planning.
-

Rate Assumptions (FY 2026–27)

- **WSA Retail Customers:** \$6.09 per 1,000 gallons
- **Watertown Fire District (WFD):** \$5.285 per 1,000 gallons

(WFD remains on the current Waterbury rate; retail customers are modeled at the rate set in August 2025.)

Utility Conversion Standard

- 1 unit of 100 cubic feet (CCF) = **748 gallons**
-

Corrected Historical Basis for Projection

The figure of **6,132,135 CCF** represents a **six-year average of system flow (2019–2024)** rather than a single year. To create a one-year budget projection, this amount is divided by six:

$$6,132,135 \div 6 = \boxed{1,022,022.5 \text{ CCF per year}}$$

This becomes the **systemwide annual baseline** for FY 2026–27 projections.

Systemwide Flow Baseline (One-Year Equivalent)

Convert to gallons:

$$1,022,022.5 \times 748 = 764,472,830 \text{ gallons}$$

Convert to 1,000-gallon units:

$$764,472,830 \div 1,000 = 764,472.83 \text{ units}$$

This volume is then allocated between WFD (single customer) and WSA retail customers.

In addition to usage-based sewer charges, the Authority generates recurring revenue through sewer flat fees assessed as part of the regular billing process. These flat charges provide a stable and predictable revenue source that is independent of annual sewer flow volumes and supports fixed operating costs that do not vary with usage, including administration, billing, regulatory compliance, and system readiness expenses.

Historical sewer flat-fee revenue has remained relatively stable over time, as summarized below:

Fiscal Year	Billed Sewer Flats
2018–2019	\$1,604,856.77
2019–2020	\$1,593,333.80
2020–2021	\$1,565,444.56
2021–2022	\$1,478,047.72
2022–2023	\$1,472,916.43
2023–2024	\$1,476,425.46
2024–2025	\$1,495,393.65

Sewer flat-fee revenue averages approximately \$1.5 million annually and is budgeted with usage-based sewer revenue presented in this exhibit.

Contextual Baseline — WFD as a Single Customer

Historical WFD seven-year average flow:

262,313,414 gallons per year

Convert to CCF for system comparison:

$$262,313,414 \div 748 = \approx 350,686 \text{ CCF}$$

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

Convert to 1,000-gallon units:
 $262,313,414 \div 1,000 = 262,313.414$ units

Projected FY 2026–27 WFD revenue (at \$5.285 per gallon):

$262,313.414 \times 5.285 = \approx \$1,386,326$

This represents WFD's **typical annual revenue contribution** based on its long-term average flow and its existing rate.

Primary Revenue Source — WSA Retail Customers

Step 1 — Remove WFD from System Baseline

System baseline: **1,022,022.5 CCF**
Less WFD equivalent: **350,686 CCF**

671,336.5 CCF (WSA retail projection)

Step 2 — Convert Retail Flow to Revenue

Convert to gallons:
 $671,336.5 \times 748 = 502,172,942$ gallons

Convert to 1,000-gallon units:
 $502,172,942 \div 1,000 = 502,172.94$ units

Projected FY 2026–27 retail revenue (at \$6.09):

$502,172.94 \times 6.09 = \approx \$3,058,233$

Budget significance:

$\approx \$3.06$ million represents the projected core revenue base from WSA retail customers in FY 2026–27.

Total Projected FY 2026–27 Sewer Revenue

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

Item	WSA Retail Customers	WFD (Single Customer)	Total System
Usage (CCF basis)	671,336.5	350,686	1,022,022.5
Equivalent gallons	502,172,942	262,313,414	764,468,830
1,000-gal units	502,172.94	262,313.414	764,468.83
Applied rate	\$6.09	\$5.285	Mixed
Projected FY 26–27 revenue	≈ \$3,058,233	≈ \$1,386,326	≈ \$4,444,559

(Totals may not sum exactly due to rounding.)

Budget Interpretation and Planning Considerations for the Authority

- The projection is properly based on a **one-year equivalent of a six-year historical average (2019–2024)**.
- **WSA retail customers are the primary revenue source** for FY 2026–27 under the proposed \$6.09 rate.
- **WFD is treated as one large wholesale customer** and remains at **\$5.285 per 1,000 gallons**, consistent with its existing rate.
- Fixed costs are supported by flat-fee revenue, which has historically demonstrated stability and gradual growth and is currently budgeted at **\$1,526,631 within the Sewer Charges line item**.
- This differential rate structure explains why total projected revenue is not simply the system flow multiplied by a single rate.
- *Actual FY 2026–27 revenue will vary with realized flow*; this exhibit represents a reasonable planning estimate grounded in historical data.

All revenue projections reflect planning estimates only and exclude adjustments, penalties, credits, reconciliations, or extraordinary events.

Prepared for:

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

Exhibit D
Water and Sewer Executive Summary
February 20, 2026
Page 5

Watertown Water & Sewer Authority
FY 2026–27 Budget & Financial Review

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.



TOWN OF WATERTOWN CONNECTICUT


OFFICE OF THE TOWN MANAGER

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MEMORANDUM

To: Watertown Water and Sewer Authority

From: Mark A. Raimo, Town Manager 

Date: February 18, 2026

Re: Town Manager Budget FY 2026-2027 - Executive Summary

Executive Summary

Watertown Water and Sewer Authority

Fund 019 – Debt Service (Bonds)

FY 2026–2027 Budget Development Methodology

Fund 019 captures the Water and Sewer Authority's debt service obligations associated with bonded capital improvements and long-term debt financing. The FY 2026–2027 budget recommendation was developed using a structured, two-step methodology that combines (1) scheduled principal and interest requirements by bond series and (2) policy-based allocation assumptions documented in the supporting analytical tables within the attached worksheet.

Historical Context and Baseline

For FY 2023–2024, total debt service expenditures were **\$426,490**, with adopted, working, and actual expenditures fully aligned, reflecting a stable and predictable debt profile. In FY 2024–2025, total debt service decreased to approximately **\$417,590**, reflecting the maturation of existing bond issuances and/or refinancing activity.

FY 2026–2027 Budget Determination

The FY 2026–2027 Department Recommended debt service of approximately \$2.54 million reflects the combined repayment obligations associated with existing bonded debt issued between 2018 and 2024, together with the Authority's proportional share of a \$40 million Bond

Anticipation Note (BAN) and was derived through a structured allocation approach documented in the analytical section of the worksheet.

Key elements of the methodology include:

Bond Planning Assumptions:

The worksheet reflects planning assumptions associated with a **2025 Bond Anticipation Note (BAN) issuance** totaling \$40 million and an **anticipated 2026 bond conversion** of \$40 million, recognizing that final principal, interest rates, and amortization schedules may evolve as the Authority advances formal bond conversion decisions.

Enterprise Allocation (WSA vs. Town):

The 2025/2026 BAN/BOND issuance is allocated **85%** (\$34 million) to the Water and Sewer Authority and **15%** (\$6 million) to the Town, reflecting shared cost participation.

System Allocation (Water vs. Sewer):

The Authority's \$34 million share of debt service was further allocated between operating systems based on established proportional usage assumptions:

- **Sewer Operations:** approximately **77.27%**
- **Water Operations:** approximately **22.73%**

Application to Budget Development:

These allocation percentages were applied to projected debt service totals to determine the portion of Fund 019 costs attributable to water and sewer operations for FY 2026–2027. This approach ensures consistency with enterprise-fund accounting principles and provides a transparent linkage between debt service obligations, system usage, and future rate-setting considerations.

Planning Considerations

The layering of projected debt service obligations into the operating budgets results in an estimated **operating deficit of \$478,491.15 in Fund 017 – Water Operations** and **\$736,575 in Fund 015 – Sewer Operations** for FY 2026–2027. In order to present balanced enterprise fund budgets, **anticipated revenue was incorporated into both operating budgets** to offset these projected shortfalls. This budgeting approach reflects that, once operating expenses and debt service are fully trued-up, the Authority will be required to **evaluate future rate adjustments** to maintain fiscal balance and compliance with enterprise fund requirements. Additionally, this analysis does not eliminate the need to separately consider **ongoing and future infrastructure investment needs**, which will further inform long-term financial planning and rate deliberations.

These operating impacts are reflected in the **FY 2026–2027 operating budget exhibits for Fund 015 – Sewer Operations and Fund 017 – Water Operations**, which incorporate the associated debt service allocations and balancing revenue assumptions.

The worksheet further notes that certain assumptions may change in future years as bond structures are finalized and premium treatment decisions are made. Accordingly, the FY 2026–2027 figures represent a **planning benchmark**, not a final debt service schedule.

Summary

Fund 019 reflects the Authority’s transition into a higher, but planned, debt service phase driven by necessary long-term financing of debt and system infrastructure. The FY 2026–2027 budget recommendation is grounded in scheduled debt requirements and policy-based allocation assumptions, providing a defensible and transparent framework to support financial planning, risk management, and future rate-setting decisions.

These assumptions and allocations are tracked and monitored through the Authority’s **Bond Conversion Risk Register** and will be revisited as part of ongoing financial oversight as additional information becomes available.

Watertown Water and Sewer Authority Fund 019 - Debt Service (Bonds)

Account	Description	2023-2024 Adopted	2023-2024 Working	2023-2024 Actuals	2024-2025 Adopted	2025-2026 Expended-	2026-2027
		Budget	Budget		Budget	To-Date	Department
019.50610.073.2924.9019	2018 BOND SERIES A	\$58,000.00	\$58,000.00	\$58,000.00	\$58,000.00	\$0.00	\$0.00
019.50610.073.3008.9019	2019 BOND (Sewer Projects)	\$120,000.00	\$120,000.00	\$120,000.00	\$120,000.00	\$0.00	\$86,500.00
019.50610.073.3078.0000	2021 BOND SERIES A	\$132,000.00	\$0.00	\$0.00	\$132,000.00	\$0.00	\$0.00
019.50610.073.3078.9019	2021 BOND SERIES A	\$0.00	\$132,000.00	\$132,000.00	\$0.00	\$0.00	\$0.00
019.50620.073.2924.9019	2018 BOND SERIES A	\$36,750.00	\$36,750.00	\$36,750.00	\$33,850.00	\$0.00	\$0.00
019.50620.073.3008.9019	2019 BOND (Sewer Projects)	\$77,100.00	\$77,100.00	\$77,100.00	\$71,100.00	\$0.00	\$42,601.26
019.50620.073.3078.0000	2021 BOND SERIES A	\$2,640.00	\$0.00	\$0.00	\$2,640.00	\$0.00	\$0.00
019.50620.073.3078.9019	2021 BOND SERIES A	\$0.00	\$2,640.00	\$2,640.00	\$0.00	\$0.00	\$0.00
019.506010.073.XXXX.XXX	2015 REF - Series C (Wattles Brook Sewer Principal)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$50,000.00
019.506010.073.XXXX.XXX	2019 Bonds (Water Projects Prinicpal)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$55,000.00
019.506010.073.XXXX.XXX	2022 Bonds (Sewer Principal)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$47,000.00
019.506010.073.XXXX.XXX	2024 Refunding (Sewer Principal)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$101,000.00
019.506010.073.XXXX.XXX	2024 Refunding (Water Principal)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$64,000.00
019.50620.073 XXXX.XXX	2015 REF - Series C (Wattles Brook Sewer Interest)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,100.00
019.50620.073 XXXX.XXX	2019 Bonds (Water Projects Interest)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$27,087.50
019.50620.073 XXXX.XXX	2022 Bonds (Sewer Interest)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,240.00
019.50620.073 XXXX.XXX	2024 Refunding (Sewer Interest)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$64,775.00
019.50620.073 XXXX.XXX	2024 Refunding (Water Interest)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$41,100.00
New Line Item	26/27 BAN WSA INTEREST JUDGEMENT PAYMENT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,186,695.00
New Line Item	26/27 PROPOSED 2026 BOND ISSUE - WSA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$765,467.00
		\$426,490.00	\$426,490.00	\$426,490.00	\$417,590.00	\$0.00	\$2,537,565.76

Attached Worksheet - Analysis

Older Bonds Total 2018 - 2024			
Water	\$187,187.50		
Sewer	\$398,216.26		
26/27 BAN WSA INTEREST JUDGMENT			
WSA - 85%	\$1,008,690.75		
Town 15%	\$178,004.25		
26/27 PROPOSED 2026 BOND ISSUE			
WSA 85%	\$650,646.95	Will change in 2028	
TOWN 15%	\$114,820.05	Will change in 2028	
Water & Sewer % Break out for Ban			
77% Sewer	\$779,415.34		
23% Water	\$229,275.41		
Water & Sewer % Break out for Bond			
77% Sewer	\$502,754.90		
23% Water	\$147,892.05		
WSA 019 Budget Debt			
Sewer - 77%	\$1,680,386.50		
Water - 23%	\$564,354.96		
Executive Summary			



TOWN OF WATERTOWN CONNECTICUT


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MEMORANDUM

To: Watertown Water and Sewer Authority

From: Mark A. Raimo, Town Manager 

Date: February 18, 2026

Re: Executive Summary – Rate Setting

Executive Summary

Information Framework to Support Future Rate-Setting Parameters

The Watertown Water and Sewer Authority is entering a transitional financial period in which near-term budget controls, recent rate actions, infrastructure reinvestment needs, and future debt obligations must be evaluated together to establish clear and defensible rate-setting parameters. This executive summary is intended to frame the information-gathering process necessary to support upcoming Authority discussions and long-term financial planning.

Near-Term Financial Controls and Available Resources

In February 2026, the Authority implemented a budget freeze as a temporary fiscal control measure. This action, together with reserves carried forward from 2025, has created a limited pool of funds that can be strategically deployed to manage near-term financial pressures. Based on current projections, these resources may be sufficient to support the **initial interest-only payment associated with the Bond Anticipation Note (BAN)**, allowing the Authority to mitigate immediate rate impacts related specifically to this cost.

Additionally, the **August 2025 rate increase** generated incremental revenue that is now fully reflected in the **FY 2026–2027 budget cycle**. This additional revenue provides short-term operating stability and supports continued system operations while longer-term rate and debt analyses are developed.

Infrastructure Reinvestment as a Core Rate-Setting Consideration

In parallel with debt planning, the Authority must consider ongoing infrastructure repair and replacement needs. Industry best practices for enterprise water and sewer utilities indicate that

annual infrastructure reinvestment should generally equal 8%–15% of total operating revenues once systems are mature and fully inventoried.

For a **\$10 million combined water and sewer operating budget**, this equates to an annual reinvestment target of approximately **\$800,000–\$1.5 million**. This benchmark range is widely cited in GFOA guidance, EPA asset-management frameworks, and state utility oversight practices as necessary to sustain system reliability and avoid accelerated asset deterioration.

Because Watertown purchases water from an external supplier, water-side infrastructure exposure is lower than that of a fully independent system, allowing water reinvestment to trend toward the lower end of the benchmark range if assets are well documented and maintained. Additionally, external supplier metered sewer system carries medium long-term risk due to underground asset aging, inflow and infiltration exposure, and regulatory compliance obligations, indicating a need for reinvestment levels closer to the mid-range of the benchmark range.

Medium- and Long-Term Debt Considerations

While the budget freeze, reserves, and incremental revenue provide short-term flexibility, it is anticipated that the **full cost of debt service will be realized beginning in 2028**, following bond conversion and the transition from interest-only payments to full principal and interest obligations. This represents a structural change to the Authority's cost profile and must be explicitly incorporated into future rate modeling.

Bond proceeds are appropriately used for major capital investments but do not replace the need for ongoing infrastructure reinvestment funded through operations. As debt service increases, the Authority must ensure that rates support **both long-term debt obligations and annual reinvestment targets**, rather than allowing one to crowd out the other.

Purpose of Information Gathering

To support informed and transparent decision-making, upcoming Authority discussions should focus on assembling and validating information related to:

- Projected debt service schedules following BAN conversion, including timing of full principal and interest payments
- Duration and appropriate use of budget-freeze capacity and reserves without undermining long-term stability
- Alignment of operating budgets with infrastructure reinvestment benchmarks

References:

1. U.S. EPA, *Asset Management: A Best Practices Guide* (Office of Water, 2008).
2. AWWA, *Principles of Water Rates, Fees, and Charges* (AWWA Manual M1, 6th ed., 2012).
3. Utility Rate Setting Best Practices (CGFOA, 2020).

- Development of rate-setting parameters that balance near-term mitigation strategies with long-term financial sustainability

Methodology Note – Percentage Allocation

- The percentage calculations shown are the result of a **preliminary, cursory analysis** prepared solely to help frame and begin discussion regarding potential rate changes. These figures are provided **for informational purposes only** and should not be relied upon for decision-making.
- Any future rate adjustments for the Watertown Water and Sewer Authority will be guided by the formal **Rate Study prepared by NewGen Strategies**, which serves as the Authority’s primary analytical and policy document. The Rate Study evaluates system costs, debt obligations, infrastructure needs, and long-term financial sustainability in a comprehensive and methodologically sound manner.
- The preliminary calculations presented here are intended to illustrate general concepts and order-of-magnitude impacts only and do not represent final recommendations, adopted rates, or official Authority action.

Conclusion

The combined effect of the February 2026 budget freeze, revenue from the August 2025 rate adjustment, and available reserves provides the Authority with a **limited but meaningful planning window** to sequence future rate adjustments responsibly. However, as full debt service obligations are expected to materialize in 2028 and infrastructure reinvestment requirements persist annually, proactive information gathering and scenario analysis are essential.

This executive summary is intended to serve as the foundation for Authority discussion and direction regarding the scope, timing, and priorities of the information needed to establish future rate-setting parameters that are equitable, sustainable, and consistent with enterprise-fund best practices.

References:

1. U.S. EPA, *Asset Management: A Best Practices Guide* (Office of Water, 2008).
2. AWWA, *Principles of Water Rates, Fees, and Charges* (AWWA Manual M1, 6th ed., 2012).
3. Utility Rate Setting Best Practices (CGFOA, 2020).