



Water and Sewer Bipartisan Committee

Report to Town Council

March 12, 2026

The dispute between the Town of Watertown and the City of Waterbury centered on increased rates for water and sewer services provided by Waterbury to Watertown. Originating from a 2018 rate hike that eliminated discounts for out-of-city customers, the conflict led to a multi-year legal battle, culminating in Watertown owing over 36 million in unpaid bills and interest. The matter was resolved in late 2025 with Watertown making a full payment of \$36.1 million to Waterbury, funded in part by a voter-approved bond. Watertown's Town Council created a 5 member bipartisan committee to make recommendations:

Charge of Water and Sewer Bipartisan Committee:

1. To recommend safeguards that will help prevent situations from arising in the future.
2. To recommend policies and/or procedures to ensure the public remains informed
3. To examine the business relationship between the Town Council and the Water and Sewer Authority and recommend any appropriate changes.

Background:

Waterbury has supplied water services to Watertown since 1939 and sewer services since 1951, under longstanding agreements. Historically, Watertown benefited from discounted rates as an out-of-city customer. In 2018, Waterbury discontinued these discounts, resulting in a doubling of water prices and a more than 300% increase in sewer rates for Watertown. Watertown contested the hikes, arguing they were unjustified, and continued paying at the previous rates while challenging the increases

legally. Watertown ultimately lost the lawsuit to Waterbury, owing approximately 36m in charges and interest broken out as follows:

	A	B	C	D	E	F
1		Town Council Table				
2	Year	Unpaid Water Charges Fern	Unpaid Water Charges Straits	Unpaid Sewer Charges	Interest Accrued	Total
3	2018	\$1,967.67	\$8,420.92	\$14,790.98	0.00	
4	2019	\$130,727.20	\$511,879.61	\$1,940,139.24	113,315.20	
5	2020	\$142,341.35	\$570,495.02	\$1,500,785.32	571,510.19	
6	2021	\$167,281.16	\$548,175.52	\$1,472,907.35	1,445,692.81	
7	2022	\$195,048.13	\$482,189.52	\$1,845,079.06	2,683,743.00	
8	2023	\$253,432.66	\$529,340.16	\$2,792,270.50	4,538,752.10	
9	2024	\$174,680.90	\$538,960.21	\$3,735,186.31	4,686,586.25	Moved to Judgement
10	2024-A				408,862.38	Continued short pay monthly bills
11	2025	\$188,810.49	\$487,509.35	\$2,380,005.85	1,382,738.50	Monthly bills only
12	Total	\$1,254,289.56	\$3,676,970.31	\$15,681,164.61	15,831,200.43	\$36,443,624.91

Process:

Meetings were held weekly beginning November 24, 2025 and continuing through March, 2026.

People interviewed were:

Franklin Pilicy (attorney), Paul Jessell (attorney), Joe Masi (WSA), John Gavallas (former Town Manager, former police chief), Jonathan Ramsey (Town Council), Jerry Lukowski (Department Head Public Works, WSA), Dave McMahon (WSA asst), Mark Raimo (Town Manager), Maria Guerrero (Finance Director 10/25- current), Bill Hedburg (WSA Commission 2014-2020) via email, Mary Ann Rosa (Town Council)

The following were asked to interview, but either were unable to attend or did not want to be interviewed: Vincent Catarino (WSA superintendent 2008-January 2023), Jim Sugden (WSA Commission 2015-current), Deb Desena (finance), Ray Primini (WSA Commission 12/23-current), Rachael Ryan and Bob Scanell (TM- 2004-2020).

WATER AND SEWER BIPARTISAN COMMITTEE RECOMMENDATIONS

Recommendations:

1. To recommend safeguards that will help prevent situations from arising in the future.
 - ❖ Development of a Risk Management Policy (attachment 1,2,3)
 - ❖ Development of a WSA Risk Management policy (to follow)
 - ❖ Budget multi-year forecasting (attachment 4)

2. To recommend policies and/or procedures to ensure the public remains informed
 - ❖ Adopting executive session best practices for all town boards and commissions (attachment 5)
 - ❖ TC and TM establish strong multi modal communication plan, especially for critical issues – email, website, podcasts, printed material to accompany tax/water-sewer bills
 - ❖ Move WSA meetings to TC chambers, allowing for more attendees and easier presentation/recording

3. To examine the business relationship between the Town Council and the Water and Sewer Authority and recommend any appropriate changes.

This relationship was established by Town Charter and CT State Statute to prevent politics from interfering with rate setting

- ❖ Add ex officio member from TC to WSA board
- ❖ WSA representative presents to TC monthly at TC meetings. Presentation should follow guidelines established in WSA Risk Management policy.
- ❖ Clarify the role of the Water and Sewer Authority, Town Council, and Town Manager based on the Charter

Attachments:

1. Litigation Policy Briefing
2. Litigation Policy Executive Version
3. Litigation Risk Oversight Policy – Council Resolution
4. Five Year Financial Forecast Policy
5. Recommendation Standardizing Executive Session Procedures
6. Water and Sewer Risk Management Policy DRAFT
7. Business Relationship Clarification

Attachment 1: - Litigation Policy Briefing

Litigation Risk Management Policy

Problem

Municipal litigation can create large and unpredictable financial liabilities through judgments, settlements, legal fees, statutory interest, and borrowing costs.

Recent litigation has demonstrated that without structured oversight, legal disputes can escalate into significant taxpayer obligations before the Town Council has full visibility of financial exposure.

Goal

The goal of a Litigation Risk Oversight Policy is to ensure that major legal decisions are made with clear financial analysis, independent legal evaluation, and appropriate governance oversight.

Key Safeguards

1. Exposure Forecasting – Every major case includes a full financial risk estimate.
2. Independent Legal Review – Outside counsel review begins at defined cost thresholds.
3. Supermajority Oversight – Major litigation decisions require broad Council approval.
4. Reserve Planning – Litigation liabilities are treated like financial obligations and planned for in advance.
5. Settlement Review – High-risk cases must evaluate settlement options before continuing litigation.
6. Appeal Safeguards – Appeals require independent review of the probability of success.
7. Litigation Dashboard – Quarterly reporting keeps the Council informed of all active cases.
8. Early Warning System – Potential claims are reported before they escalate into costly lawsuits.

Benefits to the Town

1. Protects taxpayers from unexpected financial exposure
2. Ensures transparent decision-making
3. Improves fiscal planning and budgeting
4. Provides early warning of major legal risks
5. Aligns litigation decisions with responsible governance practices

Bottom Line

This policy does not restrict the Town's ability to defend itself in court.

Instead, it ensures that litigation decisions are made with full understanding of the financial risks and with appropriate oversight by elected officials responsible for protecting taxpayer resources.

Attachment 2: Litigation Policy Executive Version

Municipal Litigation Risk Oversight Policy

Executive Governance Version

Purpose

This policy establishes governance controls for municipal litigation to protect taxpayers, ensure responsible fiscal planning, and provide the Town Council with structured oversight of legal risk.

Municipal litigation can create significant financial exposure through judgments, interest, legal fees, and settlements. This policy ensures that litigation risks are evaluated with the same discipline applied to other major financial obligations.

1. Litigation Exposure Forecasting

For any litigation matter involving the Town, the Town Attorney shall provide a Total Exposure Forecast that identifies the full potential financial risk to the municipality.

The forecast must include:

- Estimated damages or claim amount
- Estimated statutory penalties
- Projected post-judgment interest
- Estimated legal defense costs
- Estimated settlement range

The forecast must also include a written legal recommendation identifying whether settlement, trial, or appeal is the recommended course of action.

2. Litigation Oversight Thresholds

Oversight of litigation shall be triggered based on the amount of taxpayer funds committed.

Tier 1 – \$25,000

Initial case assessment.

Requires:

- Summary of legal merits

- Initial exposure forecast

Tier 2 – \$75,000

Milestone review.

Requires:

- Updated exposure forecast
- Evaluation of settlement vs trial
- Independent Legal Review

Tier 3 – \$150,000

Escalation threshold.

Requires:

- Formal Council briefing in Executive Session
- Updated fiscal impact analysis

Supermajority Requirement

Any action advancing litigation beyond Tier 3 thresholds requires approval by a two-thirds supermajority vote of the Town Council.

This includes:

- Authorization to proceed to trial
- Authorization to file or continue an appeal
- Authorization of litigation spending beyond Tier 3 thresholds

3. Independent Legal Review

Beginning at Tier 2 (\$75,000), the Town must obtain an independent legal review from outside counsel not previously involved in the matter.

The review must provide:

- Independent assessment of legal strategy
- Evaluation of financial exposure
- Probability of success at trial

- Settlement evaluation
- Appeal viability assessment (if applicable)

The independent review must be provided to the Town Council before further litigation expenditures are authorized.

4. Litigation Financial Reserve Planning

All litigation matters must include a Litigation Reserve Estimate identifying:

- Estimated maximum exposure
- Recommended reserve funding level
- Potential budget impact

If estimated exposure increases by 20% or more, an updated reserve estimate must be presented to the Council.

This requirement ensures litigation liabilities are recognized early and do not create unexpected taxpayer burdens.

5. Mandatory Settlement Review

A formal settlement review shall occur when any of the following conditions occur:

- Total projected exposure exceeds \$250,000
- Probability of adverse outcome exceeds 40%
- Independent legal review recommends settlement consideration
- Estimated litigation costs exceed 50% of expected settlement value

The Town Council must review settlement options before authorizing continued litigation.

Continuation requires a supermajority vote of the Council.

6. Appeal Authorization Safeguard

Before filing any appeal, the Town must obtain an Independent Appeal Viability Review.

This review must analyze:

- Grounds for reversal
- Applicable standard of review
- Supporting legal precedent
- Estimated probability of success
- Estimated appellate costs
- Updated exposure analysis

Appeals should generally not be pursued unless the independent review indicates a reasonable likelihood of success, typically 40% or greater.

Authorization to file an appeal requires a supermajority vote of the Town Council.

7. Litigation Transparency Dashboard

The Town Attorney shall present a Quarterly Litigation Dashboard summarizing all active litigation matters.

The dashboard must include:

- Case name and type
- Litigation phase
- Defense costs to date
- Estimated exposure range
- Probability of loss
- Settlement status
- Litigation reserve status

Cases experiencing significant exposure increases or entering Tier 3 thresholds must be flagged for immediate Council notification.

8. Litigation Early Warning System

The Town Attorney must notify the Town Council when the Town becomes aware of potential claims that could expose the Town to \$50,000 or more in liability.

Within 30 days, the Town Attorney shall provide a Pre-Litigation Risk Assessment including:

- Description of the dispute
- Preliminary exposure estimate
- Legal merits analysis
- Recommended resolution strategy

This early warning system allows the Town to evaluate settlement or mitigation options before litigation costs escalate.

Policy Objective

This policy establishes a structured framework to ensure:

- litigation risk is evaluated transparently
- financial exposure is forecast and reserved
- major litigation decisions receive appropriate governing oversight

The policy promotes responsible stewardship of taxpayer resources while ensuring the Town can effectively defend its legal interests.

Attachment 3: Litigation Risk Oversight Policy - Council Resolution

TOWN OF WATERTOWN

RESOLUTION ESTABLISHING A MUNICIPAL LITIGATION RISK OVERSIGHT POLICY

WHEREAS, municipal litigation can create significant financial exposure through legal fees, judgments, settlements, statutory penalties, and post-judgment interest; and

WHEREAS, responsible governance requires that the Town Council maintain oversight of litigation risks that may materially affect taxpayers and municipal finances; and

WHEREAS, the Town Council seeks to establish a structured framework to ensure that litigation exposure is evaluated, disclosed, and managed with appropriate fiscal discipline;

NOW, THEREFORE, BE IT RESOLVED that the Town Council hereby adopts the following Municipal Litigation Risk Oversight Policy.

Section 1 – Litigation Exposure Forecast

For all litigation matters involving the Town, the Town Attorney shall provide a Total Exposure Forecast identifying the full potential financial risk to the municipality.

The forecast shall include:

- Estimated damages or claim amount
- Estimated statutory penalties
- Estimated post-judgment interest
- Estimated legal defense costs
- Estimated settlement range

The Town Attorney shall also provide a written recommendation identifying whether settlement, continued litigation, or appeal is the recommended course of action.

Section 2 – Litigation Oversight Thresholds

Litigation oversight shall be triggered based on the amount of taxpayer funds committed.

Tier 1 – \$25,000

Initial case assessment requiring a written summary of legal merits and initial exposure estimate.

Tier 2 – \$75,000

Milestone review requiring:

- Updated exposure forecast
- Evaluation of settlement versus trial
- Independent Legal Review

Tier 3 – \$150,000

Escalation threshold requiring:

- Formal briefing to the Town Council in Executive Session
- Updated financial exposure analysis

Section 3 – Supermajority Authorization

Any action advancing litigation beyond Tier 3 thresholds shall require approval by a two-thirds supermajority vote of the Town Council.

Actions requiring supermajority approval include:

- Authorization to proceed to trial
- Authorization to file or continue an appeal
- Authorization of litigation expenditures exceeding Tier 3 thresholds

Section 4 – Independent Legal Review

Beginning at Tier 2 (\$75,000), the Town shall obtain an independent legal review from outside counsel not previously involved in the matter.

The review shall provide:

- Independent assessment of legal strategy
- Evaluation of estimated financial exposure
- Assessment of probability of success at trial
- Settlement evaluation
- Appeal viability assessment when applicable

The independent review shall be provided to the Town Council prior to authorization of further litigation activity.

Section 5 – Litigation Financial Reserve Planning

All litigation matters shall include a Litigation Reserve Estimate identifying:

- Estimated maximum financial exposure
- Recommended reserve level
- Potential impact on municipal budgets

If projected exposure increases by more than 20 percent, the Town Attorney shall provide an updated reserve estimate to the Town Council.

Section 6 – Mandatory Settlement Review

A formal settlement review shall occur when any of the following conditions occur:

- Projected total exposure exceeds \$250,000
- Probability of adverse outcome exceeds 40 percent
- Independent legal review recommends settlement consideration
- Estimated litigation costs exceed 50 percent of the expected settlement value

Continuation of litigation beyond this review shall require supermajority approval of the Town Council.

Section 7 – Appeal Authorization Safeguard

Prior to filing any appeal, the Town shall obtain an Independent Appeal Viability Review.

The review shall analyze:

- Grounds for reversal
- Applicable standard of review
- Relevant legal precedent
- Estimated probability of success

- Estimated appellate costs
- Updated financial exposure

Authorization to file or continue an appeal shall require a two-thirds supermajority vote of the Town Council.

Section 8 – Litigation Transparency Dashboard

The Town Attorney shall provide the Town Council with a Quarterly Litigation Dashboard summarizing all active litigation matters.

The report shall include:

- Case name and type
- Current litigation phase
- Defense costs to date
- Estimated exposure range
- Probability of adverse outcome
- Settlement status
- Litigation reserve status

Cases experiencing significant exposure increases or entering Tier 3 thresholds shall be flagged for immediate Council notification.

Section 9 – Litigation Early Warning Requirement

The Town Attorney shall notify the Town Council when the Town becomes aware of potential claims that may expose the Town to \$50,000 or more in liability.

Within 30 days, the Town Attorney shall provide a Pre-Litigation Risk Assessment describing:

- Nature of the dispute
- Preliminary exposure estimate
- Legal merits assessment

- Recommended resolution strategy

Section 10 – Implementation

All outside legal counsel retained by the Town shall comply with the requirements of this policy.

This policy shall apply to all litigation matters initiated after the adoption of this resolution.

Adopted by the Watertown Town Council this ___ day of _____, 2026.

Attachment 4: Five Year Financial Forecast Policy

Five-Year Financial Forecast Policy

Purpose

The purpose of this policy is to promote the long-term financial stability and responsible management of the Watertown water and sewer utilities. Preparing a multi-year financial forecast allows the Water and Sewer Authority to anticipate capital needs, evaluate financing options, and maintain appropriate user rates while protecting the system's infrastructure and financial health.

Policy

As part of each annual budget cycle, the Watertown Water & Sewer Authority shall prepare and review a Five-Year Financial Forecast for the water and sewer utilities. The forecast shall encompass the entire revenue requirement, demonstrating the revenue that must be raised by the Authority to meet its obligations.

At a minimum, the Five-Year Financial Forecast shall include:

1. Operating Revenue Projections

Estimated revenues for each class of customers based on their projected usage of the system.

2. Expense Projections

Estimated operating expenses, including projected payments for water and sewer wholesale providers, for the current fiscal year and the following five fiscal years.

3. Capital Improvement Plan

A five-year schedule of anticipated capital projects, including estimated costs and expected timing of expenditures.

4. Financing Assumptions

Identification of how major capital projects may be financed, which may include:

- Pay-as-you-go funding from operating revenues
- Use of reserves
- Bond or loan financing
- State or federal funding programs
- Other available financing mechanisms

5. Debt and Reserve Projections

Estimated impacts on system debt levels, debt service requirements, and reserve balances.

6. Rate Implications

Identification of potential impacts on water and sewer user rates necessary to maintain system financial stability and meet capital needs.

The Five-Year Financial Forecast is intended as a planning tool. It should be updated annually to reflect changes in system needs, project costs, regulatory requirements, or financial conditions.

Rationale

Water and sewer utilities require significant long-term investment to maintain pipes, treatment facilities, pumps, storage, and other critical infrastructure. Many of these assets have long lifespans but require periodic replacement or major rehabilitation.

Developing a five-year financial forecast during each budget process helps the Committee:

- Identify upcoming infrastructure needs before they become urgent
- Plan for large capital expenditures in an orderly and transparent manner
- Evaluate and debate financing strategies
- Minimize the likelihood of sudden rate increases
- Maintain adequate reserves and responsible debt levels
- Provide better financial information to elected officials and the public
- Support sustainable and reliable utility service for the community

Regular multi-year financial planning is considered a best practice for municipal utilities and supports sound fiscal management of the Town's water and sewer systems.

Recommendation: Standardizing Executive Session Procedures

Best Practices and Policy Recommendations for Executive Sessions

Executive Summary

This document provides a formal framework for how Watertown boards and commissions convene and conduct executive sessions in compliance with Connecticut law. The Watertown Home Rule Charter requires that Town Council sessions remain open to the public and the press, except where closure is permitted by FOIA or other applicable law.

These recommendations are designed to ensure the Town Council and boards such as the Water and Sewer Authority (WSA) follow the required procedures for entering executive session, protect legitimately sensitive town business, and uphold public trust.

1. The Statutory Framework for Closure

Under Connecticut General Statutes § 1-200(6), public agencies in Watertown may only enter executive sessions for five specific reasons :

- **Personnel Matters:** Discussion of appointment, employment, performance, or evaluation of a public officer or employee (unless the individual requests a public hearing).
- **Litigation Strategy:** Strategy and negotiations regarding pending claims or litigation to which the agency is a party.
- **Public Security:** Matters concerning security strategy or the deployment of security personnel/devices.
- **Real Estate Transactions:** Selection of a site or the lease, sale, or purchase of real estate when publicity would likely increase the price.
- **Exempt Records:** Discussion of any matter which would result in the disclosure of public records exempt from FOIA under § 1-210(b).

2. Procedural Standards for Convening Sessions

To avoid legal challenges or the nullification of board actions, the following procedural steps must be followed :

- **The Two-Thirds Vote:** An executive session may only be initiated by an affirmative vote of two-thirds of the members present and voting at a public meeting.
- **Specificity of Motion:** The motion must identify the reason for the session with "sufficient particularity". Vague descriptions such as "personnel" or "legal matters" are legally inadequate.
 - *Correct Example:* "I move to enter executive session to discuss the performance evaluation of the Town Manager per CGS § 1-200(6)(A)."
- **Prohibition on Voting:** No votes or formal actions may be taken during an executive session. All final decisions must occur in the public portion of the meeting.
- **Attendance Limits:** Attendance is limited to board members and invited persons necessary to provide testimony or opinion. Invited guests must leave as soon as their testimony is concluded.

4. Best Practices for Modern Governance

The shift toward hybrid and digital meetings requires enhanced security and transparency protocols:

- **Public Comment Standards:** To maintain order, a standardized three-minute limit for public comments is recommended, as seen in other municipal frameworks.
- **Electronic Participation:** For hybrid meetings, roll call votes must be taken unless the vote is unanimous to ensure clear records for the minutes.
- **Digital Security:** Boards must ensure "waiting room" technology is used for executive sessions to prevent unauthorized public access to private deliberations.
- **Email Communication:** Board members must avoid "Reply All" chains or substantive debates via email, as these can constitute "illegal meetings" and are subject to public record disclosure.

5. Conclusion

Adopting these recommendations will provide the Town of Watertown with a robust defense against Freedom of Information Commission (FOIC) complaints, which can result in civil fines or the voiding of town contracts. By standardizing the "particularity"

of motions and securing the lifecycle of confidential documents, the Town Council and ancillary boards will ensure that Watertown remains a model of municipal transparency and efficiency.

Appendix A - Executive Session Best Practices Exemplars

1) Town of Canton: FOI Guidelines for Boards/Commissions/Committees (BCC) is a 2 page hand out that guides all town compliance around FOI and executive sessions.

Key provisions to lift (verbatim concepts, not necessarily word-for-word):

Agenda must anticipate executive session: Canton explicitly lists “executive sessions (if needed)” as a standard agenda component. Executive session entry + voting threshold: Enter executive session by a two-thirds vote of members present. No action in executive session: Canton states no action (votes) should be taken in executive session.

Tight minutes discipline for executive session: Minutes for the executive session should only reflect:

- the vote to enter executive session
- the time it began
- the people present
- the time it concludes and the public meeting reconvenes

Scope of allowable topics (plain-language list): employees; strategy/negotiations on pending claims/litigation; security; certain real estate; exempt public record discussions. Minutes posting expectations (town operational standard): draft regular-meeting minutes posted within 7 calendar days (and special meetings within 7 business days) as a local practice standard.

*Written for boards and commissions (like WSA), not just a council, this can have wide application in Watertown.

2) Town of Enfield: Town Council Policy & Procedures (PDF) Guide.

Key provisions to lift:

FOIA-aligned definition of executive session purposes: Enfield lists the five classic FOIA categories (personnel re an individual; pending claims/litigation; security; certain real estate; exempt records). Explicit vote threshold schedule (“vote math”): Enfield includes a table mapping members present > votes required (e.g., 11 present requires 8 votes, 10 present requires 7, etc.).

Attendance limitation plus minutes disclosure: Attendance is limited to council members and invited persons only for the time needed, and the minutes must disclose who attended and the matters considered. Procedural placement: Enfield’s special meeting order of business explicitly includes Executive Session as a discrete agenda element.

3) Town of South Windsor: Town Council Rules & Procedures (PDF)

Key provisions to lift:

Open meetings rule plus required executive-session vote mechanics: Executive session only by two-thirds vote of members present and voting, taken at a public meeting, and the motion must state the reason; executive sessions must conform to FOI laws/CGS.

Confidentiality rule anchored to Code of Ethics: ***South Windsor states that discussions/communications in executive session are confidential pursuant to its Charter Code of Ethics, and that confidentiality continues after someone leaves office.*** No official action outside open meeting: “No official action...unless during an open public meeting with a quorum present.” **Written legal opinions process: “All requests for legal opinions shall be submitted in writing...”** (to Town Manager and/or Clerk).

Why it’s strong as an exhibit: The TCR & P explicitly connects executive session to (a) ethics/confidentiality and (b) written legal opinions - exactly the larger safeguards we are trying to initiate.

4) Town of Wethersfield: Town Council Rules of Procedure

Key provisions to lift:

Executive session purposes (FOIA list) written into local rules: Wethersfield codifies the standard FOIA categories for executive session (personnel; pending claims/litigation strategy; security; certain real estate; exempt records).

Agenda discipline: Their order of business includes “Executive Session (if required). (Provide reason and attendees).” Open-meeting constraint on official action: Wethersfield includes a charter-based rule that ordinances/resolutions/appointments/removals occur only in meetings open to the public.

Why it’s strong as an exhibit: That parenthetical—“Provide reason and attendees”—is a simple, powerful compliance hook.

5) Town of Farmington: Rules of Procedure

Key provisions to lift:

Order of business includes executive session: Farmington lists “Executive session (by 2/3 vote)” right in the agenda sequence.

Confidentiality / nondisclosure obligation: Farmington states it’s a council member’s obligation not to divulge any aspect of matters considered/discussed in executive session.

Why it's strong as an exhibit: Very "board-ready" -simple language and enforceable expectations.

6) Town of Windsor; Rules of Order for Town Council (PDF)

Key provisions to lift:

Executive session requires an affirmative vote (Windsor specifies six members), the motion must state the reasons consistent with CGS 1-225(f), and no subject not specified in those reasons may be discussed. Attendance limitation and minutes disclose attendees: Attendance limited to members plus invited persons only as needed; minutes must disclose all persons in attendance. Written legal opinions distribution practice: Any council member requesting an opinion of the Town Attorney should advise others; all written opinions distributed to all council members.

48-hour vote record discipline: Votes reduced to writing and made available within 48 hours (excluding weekends/holidays), and minutes availability timing is also specified as a practice standard.

Why it's strong as an exhibit: It's a textbook model for scope control (stay within the stated reason) plus written legal advice distribution.

TOWN OF WATERTOWN

WATER & SEWER AUTHORITY

Risk Analysis & Financial Sustainability Policy

(In preparation to proposed for Adoption)

I. Purpose

The purpose of this policy is to establish a structured framework for identifying, evaluating, monitoring, and mitigating risks affecting the Watertown Water & Sewer Authority (WSA).

As an enterprise fund utility, the WSA must operate in a financially sustainable, legally compliant, and operationally resilient manner. This policy promotes:

- Financial stability
- Rate predictability
- Infrastructure reliability
- Regulatory compliance
- Transparent governance

This policy reflects recognized municipal best practices, including principles endorsed by the Government Finance Officers Association (GFOA) and Connecticut municipal utility standards.

II. Scope

This policy applies to:

- Water operations
- Sewer operations
- Capital planning
- Debt issuance and financing
- Rate setting
- Enterprise fund reserves
- Contractual obligations

III. Risk Categories

The Authority recognizes the following primary risk categories:

1. Financial Risk

- Revenue volatility due to usage fluctuations (How often to report to WSA)
- Debt service obligations (Annual Review?)
- Bond Anticipation Note (BAN) (conversion exposure Ongoing)
- Inadequate reserves
- Rate instability

2. Operational Risk (Technical evaluation)

- Infrastructure failure
- Equipment obsolescence
- Deferred maintenance
- Staffing capacity constraints
- Emergency response readiness

3. Regulatory & Legal Risk

- Environmental compliance requirements
- Consent orders or enforcement actions
- Inter-municipal contractual obligations
- Changes in state or federal law

4. Capital & Infrastructure Risk

- Aging system components
- Inflow and infiltration
- Unfunded capital replacement needs
- Grant dependency or reimbursement delays

5. Governance & Public Trust Risk (Being addressed need to update)))

- Insufficient transparency
 - Inconsistent communication
 - Unclear policy direction
 - Rate shock due to delayed planning
-

IV. Risk Assessment Framework

The WSA shall conduct structured risk review at least annually during the budget development process and additionally when major financial decisions are contemplated.

Each identified risk shall be evaluated using the following criteria:

1. **Likelihood** (Low / Moderate / High)
2. **Financial Impact** (Dollar magnitude or operational consequence)
3. **Time Horizon** (Immediate / Short-term / Long-term)
4. **Mitigation Options Available**
5. **Impact on Rates**

Significant risks shall be documented in a Risk Register maintained by staff and presented during budget deliberations.

V. Financial Risk Management Standards

To promote sustainability, the Authority shall adhere to the following principles:

A. Multi-Year Forecasting

- Maintain at least a three- to five-year financial projection.
- Incorporate debt service, capital planning, and usage sensitivity scenarios.

B. Usage Normalization

- Use multi-year historical averages when projecting revenue and cost baselines.
- Avoid reliance on single-year anomalies.

C. Reserve Targets

The Authority shall maintain appropriate enterprise fund reserves to address:

- Operating contingencies
- Emergency repairs
- Revenue volatility
- Debt service stability

Target reserve levels shall be reviewed annually.

D. Debt Management

- Evaluate total debt burden prior to issuance.
 - Assess BAN-to-bond conversion impacts over the full amortization period.
 - Model rate impacts before long-term borrowing decisions.
-

VI. Capital Risk Management

The Authority shall:

- Maintain a rolling multi-year capital improvement plan (CIP).
- Distinguish clearly between capital tracking and spending authorization.
- Identify funding sources for each capital project.
- Evaluate lifecycle costs prior to project approval.

Capital risk evaluation shall include:

- Asset condition assessment
 - Regulatory compliance exposure
 - Service interruption risk
 - Long-term replacement scheduling
-

VII. Rate Stability & Shock Prevention

To reduce sudden rate increases, the Authority shall:

- Monitor cost trends annually.
- Use gradual adjustments when feasible.
- Model alternative rate scenarios.
- Communicate anticipated changes early and transparently.

Rate decisions shall consider both immediate budget balance and long-term sustainability.
(Should language be added that a rate study be completed years?)

VIII. Monitoring & Reporting (Report to Council for established oversight?)

The Authority shall:

- Review financial performance monthly.
- Compare actual revenue and flow to projections.
- Monitor debt service coverage.

- Report material variances during public meetings.

Significant deviations from projections shall trigger review and corrective planning.

IX. Transparency & Public Communication

Risk evaluation and financial planning discussions shall occur in publicly noticed meetings.

The Authority shall:

- Post financial summaries in plain language.
- Publish supporting technical documents.
- Conduct formal public hearings prior to final rate action. (Reference statute)

Limitations on discussion (e.g., litigation, contract negotiation) shall comply with applicable law.

X. Roles & Responsibilities

Water & Sewer Authority

- Set policy direction
- Approve budgets and rates
- Review risk assessments
- Authorize debt and capital planning

Town Manager / Staff

- Prepare financial analyses
 - Maintain risk register
 - Monitor performance metrics
 - Provide transparent reporting
-

XI. Policy Review

This policy shall be reviewed at least every two years, or sooner if significant financial or regulatory changes occur.

XII. Conclusion

This Risk Analysis & Financial Sustainability Policy establishes a structured, disciplined approach to managing enterprise fund risk.

The Authority recognizes that:

- Water and sewer utilities require long-term planning.
- Infrastructure obligations span decades.
- Financial stability protects both ratepayers and the Town.
- Transparency strengthens public confidence.

Through consistent application of this policy, the Watertown Water & Sewer Authority will promote responsible governance, rate stability, and long-term system sustainability.

DRAFT

Attachment 7. Business Relationship Clarification

Clarification of the Business Relationship between Town Council, Water and Sewer Authority, and Town Manager

Under the Charter, the Town's water and sewer utility operates within the overall structure of Town government rather than as a separate or independent entity. The Charter vests legislative authority in the Town Council and administrative authority in the Town Manager, who is designated as the "chief administrative officer of the Town" and is responsible for the supervision and direction of all departments, offices, and agencies. Because the water and sewer system is staffed, budgeted, and operated through this structure, it functions in practice as a department of the Town under the Town Manager's oversight.

At the same time, the Charter establishes a Water and Sewer Authority and assigns it specific powers related to the utility. Most notably, the Authority is designated as the body responsible for establishing user rates and charges for water and sewer services. This allocation of authority is consistent with Connecticut law, including Connecticut General Statutes § 7-255 and related provisions, which authorize a water pollution control authority or similar body to set rates sufficient to support the financial needs of the system.

The respective roles of the Authority and the Town Council are complementary rather than overlapping. The Authority is responsible for determining the level of revenue required to operate, maintain, and invest in the utility system, and it sets rates accordingly. The Town Council, by contrast, retains its core legislative role over municipal finances, including the adoption of the Town's annual budget and the appropriation of funds. Even where utility operations are accounted for separately, expenditures are still subject to the Town's budget and appropriation process under the Charter.

In practice, this creates a coordinated financial framework. The Authority develops and supports a proposed operating and capital plan for the utility and sets rates intended to generate sufficient revenue to fund that plan. The Town Council then acts on the budget by approving (or denying) the proposed necessary expenditures. If adjustments are made on either side—whether to planned spending or projected revenues—there is a corresponding need for coordination between the Authority and the Council to ensure the system remains financially balanced.

Taken together, these Charter provisions establish a clear structure: the Water and Sewer Authority serves as the policy and rate-setting body for the utility; the Town Manager, as chief administrative officer, oversees implementation and day-to-day operations; and the Town Council exercises legislative oversight through the budget and appropriation process. This framework confirms that, while the Authority holds important and

independent powers, the water and sewer utility remains fully integrated into Town government and operates as a municipal department.