



# TOWN OF WATERTOWN CONNECTICUT


OFFICE OF THE TOWN MANAGER

Watertown Town Hall • 61 Echo Lake Road • Watertown, CT 06795

Tel: 860.945.5255 • Fax: 860.945.4974 • www.watertownct.org

## 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.