

Watertown Water and Sewer Bipartisan Committee Report (DRAFT)

Michele McHugh (R,TC, Chair)

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Executive Summary



A long-running dispute between the **Town of Watertown** and the **City of Waterbury** over water and sewer rates escalated into a multi-year legal battle — ultimately costing Watertown approximately **\$36.4 million**.

The matter was resolved in late 2025 with a full payment to Waterbury, funded in part by a **voter-approved bond**. In response, the Town Council formed a 5-member bipartisan committee charged with preventing future occurrences and strengthening governance.

How We Got Here: Background



	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
13						34

Committee Process

Weekly Meetings

Nov 24, 2025 through
March 2026

5 Members

Bipartisan committee
appointed by Town
Council

13 Interviews

Attorneys, officials, WSA members, and Town staff

Interviewed

- Franklin Pilicy & Paul Jessell (attorneys)
- Jerry Lukowski, Dave McMahon (WSA)
- John Gavallas (former Town Manager)
- Jonathan Ramsey & Mary Ann Rosa (Town Council)
- Mark Raimo (Town Manager), Maria Guerrero (Finance)
- Bill Hedburg , Joe Masi (WSA Commission)

Unable or Declined

- Vincent Catarino, Jim Sugden, Ray Primini (WSA)
- Deb Desena (Finance), Bob Scanell & Rachael Ryan (former TM staff)

The Three Charges

The Town Council tasked the bipartisan committee with addressing three core areas of concern.



Charge 1: Recommending safeguards that will help prevent situations from arising in the future

Develop safeguards and risk management policies to identify and address financial and operational risks before they escalate.



Charge 2: Recommending policies and/or procedures to ensure the Public remains informed

Establish robust, multi-channel communication policies so residents are never left in the dark on critical municipal issues.



Charge 3: To examine the relationship between the Town Council and the WSA and recommend any appropriate changes

Clarify and improve the working relationship between the Town Council and the Water & Sewer Authority.

Charge 1: Recommending Safeguards that will help prevent situations from arising in the future

RECOMMENDATIONS:

Town-Wide Risk Management Policy

Develop and adopt a formal Risk Management Policy (Attachments 1, 2, 3) to proactively identify, monitor, and mitigate operational and financial risks across all town departments.

WSA-Specific Risk Management Policy

Create a dedicated WSA Risk Management Policy (draft in progress as Attachment 6) tailored to the unique responsibilities of the Water & Sewer Authority.

Multi-Year Budget Forecasting

Implement multi-year financial forecasting (Attachment 4) so that long-term rate pressures, infrastructure costs, and contractual obligations are visible well in advance.



Charge 2: Recommend policies and/or procedures to ensure the public remains informed

RECOMMENDATIONS:

Executive Session Best Practices

Adopt clear guidelines for all town boards and commissions (Attachment 5) to ensure transparency and appropriate use of closed sessions.

Multi-Modal Communication Plan

TC and Town Manager establish a robust plan for critical issues — email, town website, podcasts, and printed inserts with tax and water/sewer bills.

Relocate WSA Meetings

Move WSA meetings to Town Council chambers to accommodate more attendees, improve accessibility, and enable easier recording and presentation.

Charge 3: To examine the business relationship between the Town Council and the WSA and recommend any appropriate changes

The relationship between the Town Council, Town Manager, and WSA is established by Town Charter and CT State Statute — specifically designed to keep politics out of rate-setting. The committee recommends targeted improvements without undermining that independence.

RECOMMENDATIONS:



Add Ex Officio TC Member

Appoint a Town Council ex officio member to the WSA board to improve coordination and information flow between the two bodies.



Monthly WSA Presentations

Require a WSA representative to present monthly TC meetings, following guidelines established in the WSA Risk Management Policy.



Clarify Roles by Charter

Formally document and communicate the distinct roles of the WSA, Town Council, and Town Manager as defined in the Town Charter (Attachment 7).



Water Sewer Bipartisan Committee Attachments

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

Exposure Forecasting

Every major case includes a full financial risk estimate.

Independent Legal Review

Outside counsel review begins at defined cost thresholds.

Supermajority Oversight

Major litigation decisions require broad Council approval.

Reserve Planning

Litigation liabilities are treated like financial obligations and planned for in advance.

Settlement Review

High-risk cases must evaluate settlement options before continuing litigation.

Appeal Safeguards

Appeals require independent review of the probability of success.

Litigation Dashboard

Quarterly reporting keeps the Council informed of all active cases.

Early Warning System

Potential claims are reported before they escalate into costly lawsuits.

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.

Municipal Litigation Risk Oversight Policy: Executive Version

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.



Tier 1 — \$25,000

Initial case assessment. Summary of legal merits + initial exposure forecast.



Tier 2 — \$75,000

Milestone review. Updated exposure forecast + settlement vs. trial evaluation + Independent Legal Review.



Tier 3 — \$150,000

Escalation threshold. 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.

Mandatory Settlement Review

A formal settlement review shall occur when: total projected exposure exceeds **\$250,000**; probability of adverse outcome exceeds **40%**; independent legal review recommends settlement consideration; or 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.

Appeal Authorization Safeguard

Before filing any appeal, the Town must obtain an Independent Appeal Viability Review analyzing: 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 requires a supermajority vote.

Litigation Transparency Dashboard

The Town Attorney shall present a **Quarterly Litigation Dashboard** summarizing all active litigation matters including: case name and type; litigation phase; defense costs to date; estimated exposure range; probability of loss; settlement status; and litigation reserve status.

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.

Council Resolution: Municipal Litigation Risk Oversight Policy

Town of Watertown

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.

01

Section 1 – Litigation Exposure Forecast

For all litigation matters, the Town Attorney shall provide a Total Exposure Forecast including: estimated damages; statutory penalties; post-judgment interest; legal defense costs; and settlement range, plus a written recommendation on settlement, continued litigation, or appeal.

03

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, including authorization to proceed to trial, file or continue an appeal, or authorize expenditures exceeding Tier 3 thresholds.

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

02

Section 2 – Oversight Thresholds

Tier 1 (\$25,000): written summary of legal merits and initial exposure estimate. Tier 2 (\$75,000): updated forecast, settlement vs. trial evaluation, Independent Legal Review. Tier 3 (\$150,000): formal Council briefing in Executive Session and updated financial exposure analysis.

04

Sections 4–10 – Full Policy Framework

Independent Legal Review (Tier 2+); Litigation Financial Reserve Planning (20% exposure increase triggers update); Mandatory Settlement Review; Appeal Authorization Safeguard; Quarterly Transparency Dashboard; Early Warning Requirement (\$50,000+ potential claims within 30 days).

Five-Year Financial Forecast Policy

Watertown Water & Sewer Authority

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.

Operating Revenue Projections

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

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.

Capital Improvement Plan

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

Financing Assumptions

Identification of how major capital projects may be financed: pay-as-you-go; use of reserves; bond or loan financing; state or federal funding programs; or other available financing mechanisms.

Debt & Reserve Projections

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

Rate Implications

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

- ❑ **Rationale:** Regular multi-year financial planning is considered a best practice for municipal utilities. It helps 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, and support sustainable and reliable utility service for the community.

Standardizing Executive Session Procedures

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.

Statutory Framework — CGS § 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).

Procedural Standards

- **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.

Best Practices for Modern Governance

- **Public Comment Standards:** A standardized three-minute limit for public comments is recommended.
- **Electronic Participation:** For hybrid meetings, roll call votes must be taken unless the vote is unanimous.
- **Digital Security:** Boards must ensure "waiting room" technology is used for executive sessions to prevent unauthorized public access.
- **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.

 **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.

**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

Clarification of the Business Relationship

Town Council, WSA, & Town Manager

The Town's water and sewer utility operates within the overall structure of Town government, not as a separate entity. The Charter outlines distinct, yet complementary, roles for the Town Council, Water and Sewer Authority, and Town Manager.

Town Council

Holds legislative authority over municipal finances, including budget adoption and fund appropriation.

Town Manager

Serves as the chief administrative officer, overseeing day-to-day operations and implementation of all town departments.

Water and Sewer Authority (WSA)

Designated body for establishing user rates and charges, responsible for determining the revenue required for utility operations.

This framework ensures a coordinated financial approach where the Authority sets rates to fund utility plans, and the Council approves necessary expenditures through the budget process. Regular coordination between these bodies maintains financial balance.

Path Forward

The bipartisan committee's recommendations aim to ensure Watertown never faces a preventable crisis of this magnitude again.



Adopt Policies

Formalize risk management and forecasting policies at the Town and WSA level without delay.

Communicate Openly

Launch a multi-modal communication strategy and relocate WSA meetings to foster greater public engagement.

Govern Clearly

Strengthen the TC–WSA relationship with an ex officio seat, monthly reporting, and clarified Charter roles.

- ❑ The committee thanks all participants for their time and candor. These recommendations reflect a shared commitment to transparent, accountable, and financially sound municipal governance.