



August 26, 2026 | Town of Watertown | Water and Sewer Rate Study | Public Hearing - Water and Sewer Authority

Study Findings and Recommendations



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Presentation Agenda

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

Business Fundamentals



Revenue Sufficiency

Revenues should match or exceed expenses



Reserves

Prepare for a rainy day



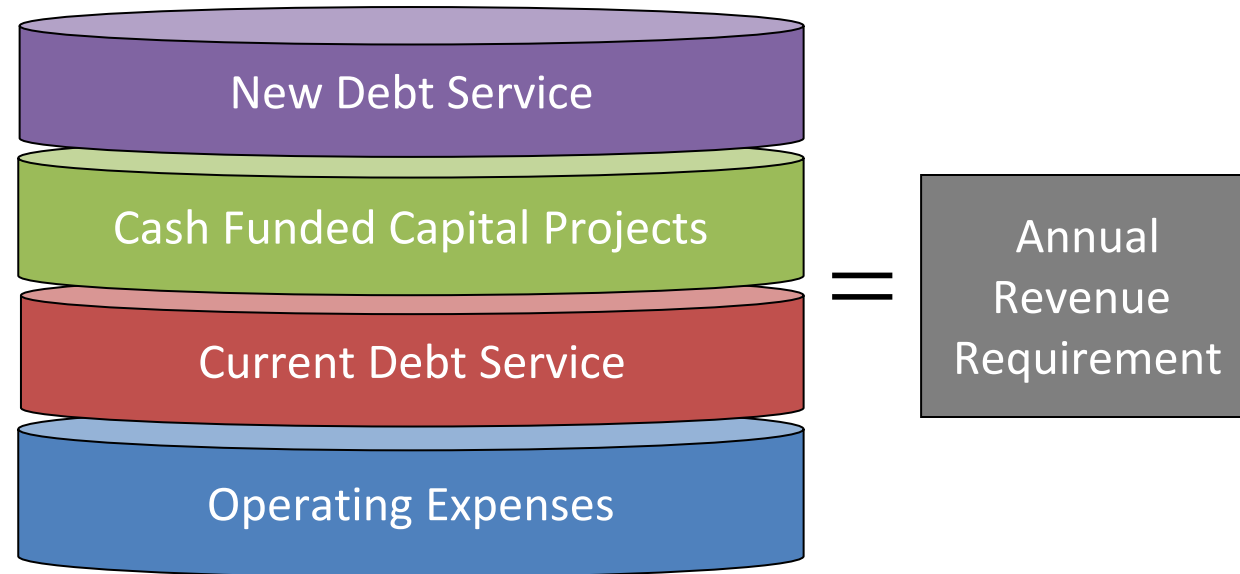
Reinvestment

Repair, replace, and reinvest in infrastructure

Factors Affecting Watertown's Charges and Rates

- **Operating and maintenance expense increases**
 - Wholesale water purchases were increased by 49% in FY 2027 and escalated 4.2% for the rest of the 5-year period
 - Wholesale wastewater treatment services were increased by 170% in FY 2027 and escalated 2.2% for the rest of the 5-year period
 - Majority of expenses were escalated by 3% (based on CPI over the past 20 years)
- **Debt service**
 - Current and new debt, including CIP borrowings of \$6.1M (FY 2027) and \$3.3M (FY 2028)
 - New bond issuance of \$30 million (\$30.6M par) to pay for judgment owed to City of Waterbury
- **Capital improvement plan**
 - investment in the distribution and collection systems
 - Focus on immediate needs, regulatory compliance, and system monitoring and security
- **Customer changes**
 - No future growth anticipated
- **Water usage and sewage generation changes**
 - No future growth anticipated
- **Miscellaneous revenue changes**
 - No increase in ancillary fees or services
- **Reserve target**
 - Achieve and maintain minimum operating reserve balance target of operating expenses at 90 days (25%)

Revenue Requirement



Waterbury Judgment

Option 1: \$30.6M Bond / Level Principal (May 2026 pricing)

Assumptions

- \$30.6M par borrowing at 4.25% (rates as of May 2026)
- Level principal; keep \$1.5M premium as cash
- Dated October 2026; first interest payment April 2027, first principal payment October 2027

Annual Debt Service (FY 2027–2031)

- FY 2027: \$1.95M | FY 2028: \$2.80M | FY 2029: \$2.73M | FY 2030: \$2.67M | FY 2031: \$2.60M
- FY 2027 is interest only: ~\$1.2M BAN interest + ~\$0.77M bond interest
- \$1,530,000 level principal annually through FY 2047, with declining interest each year

Lifetime Cost

- Total principal \$30.6M | total interest \$15.0M | total debt service \$45.6M

Waterbury Judgment Alternative Issuance Option

Option 1A: \$30.6M Bond / Level Principal Hybrid (August 2026 pricing)

Assumptions

- \$30.6M par borrowing at 4.25% (rates as of August 2026)
- Reduced principal in the first few years, stepping up to a level \$1,575,000 thereafter; \$1.5M premium retained as cash to soften early-year debt service
- Dated October 2026; first interest payment 4/15/27, first principal payment 10/15/27

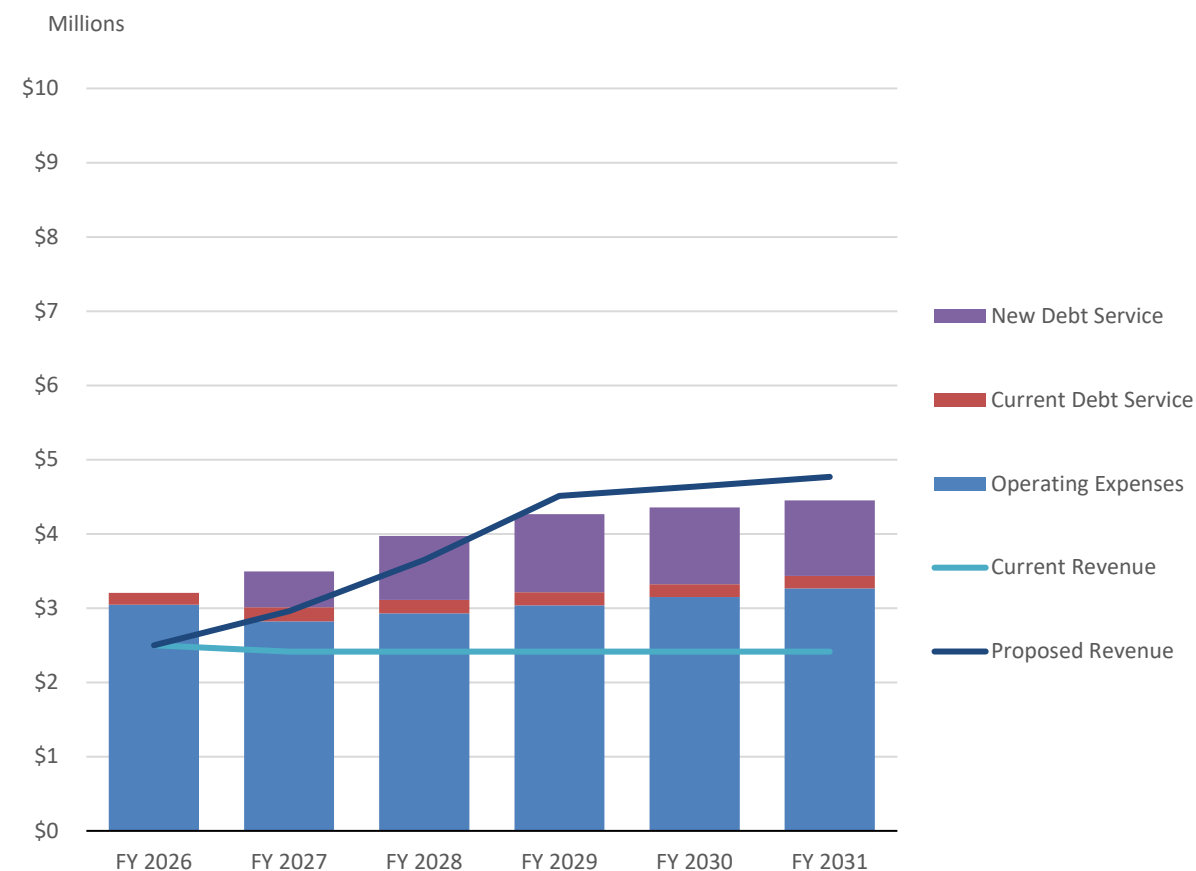
Annual Debt Service (FY 2027–2031)

- FY 2027: \$1.95M | FY 2028: \$2.33M | FY 2029: \$2.53M | FY 2030: \$2.67M | FY 2031: \$2.65M
- Principal rises from \$1,050,000 (FY 2028) to \$1,575,000 by FY 2032, then level through FY 2047

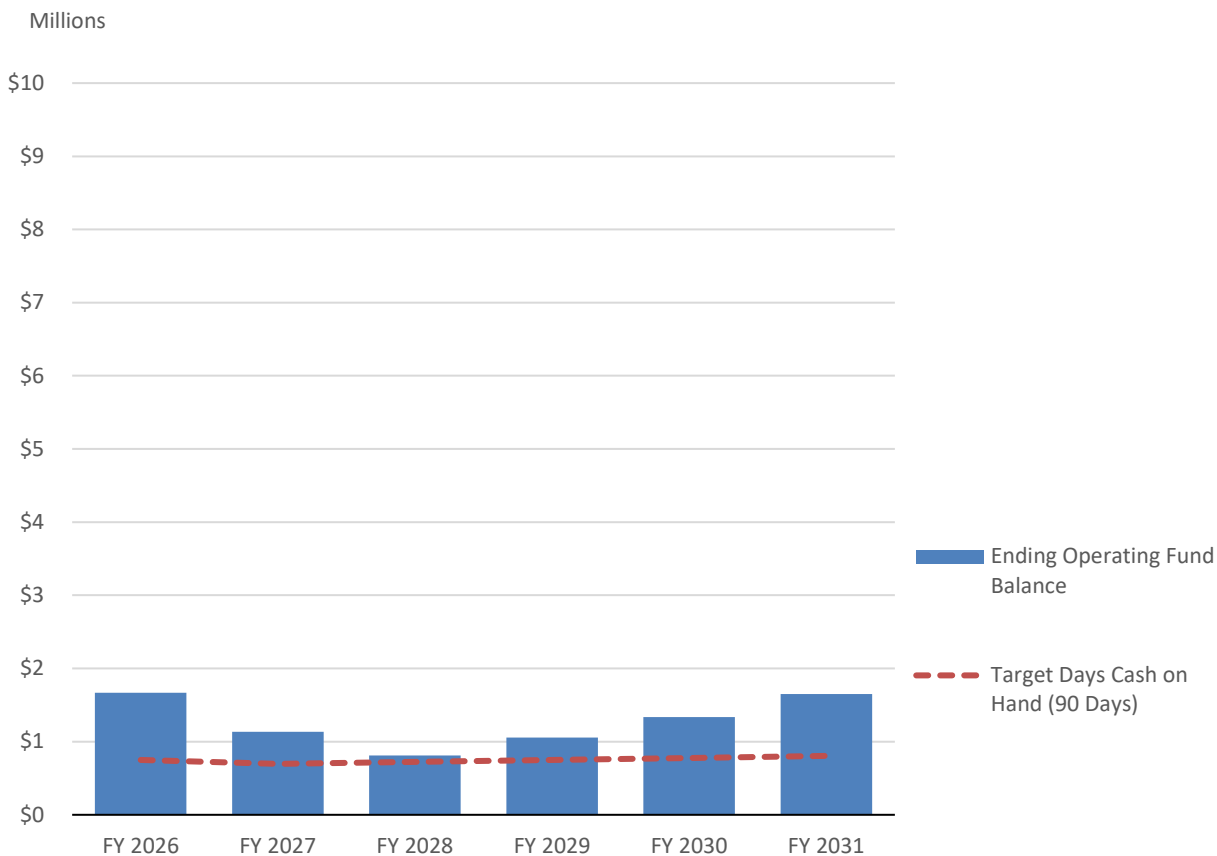
Lifetime Cost

- Total principal \$30.6M | total interest \$15.3M | total debt service \$45.9M

Expenses/Revenues and Cash Balance - Water

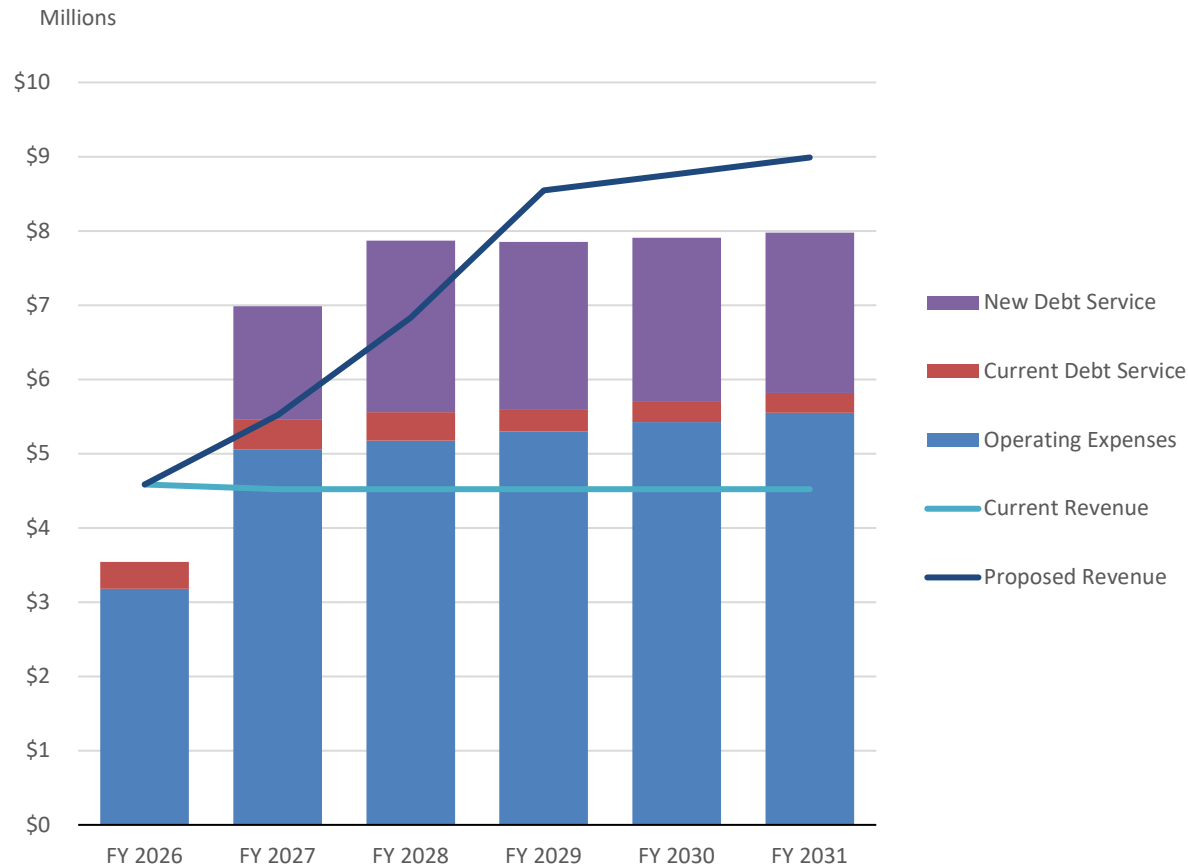


Proposed Revenue reflects a 25.5% increase in water revenue in FY 2027, FY 2028, and FY 2029 and 3% in FY 2030 and FY 2031

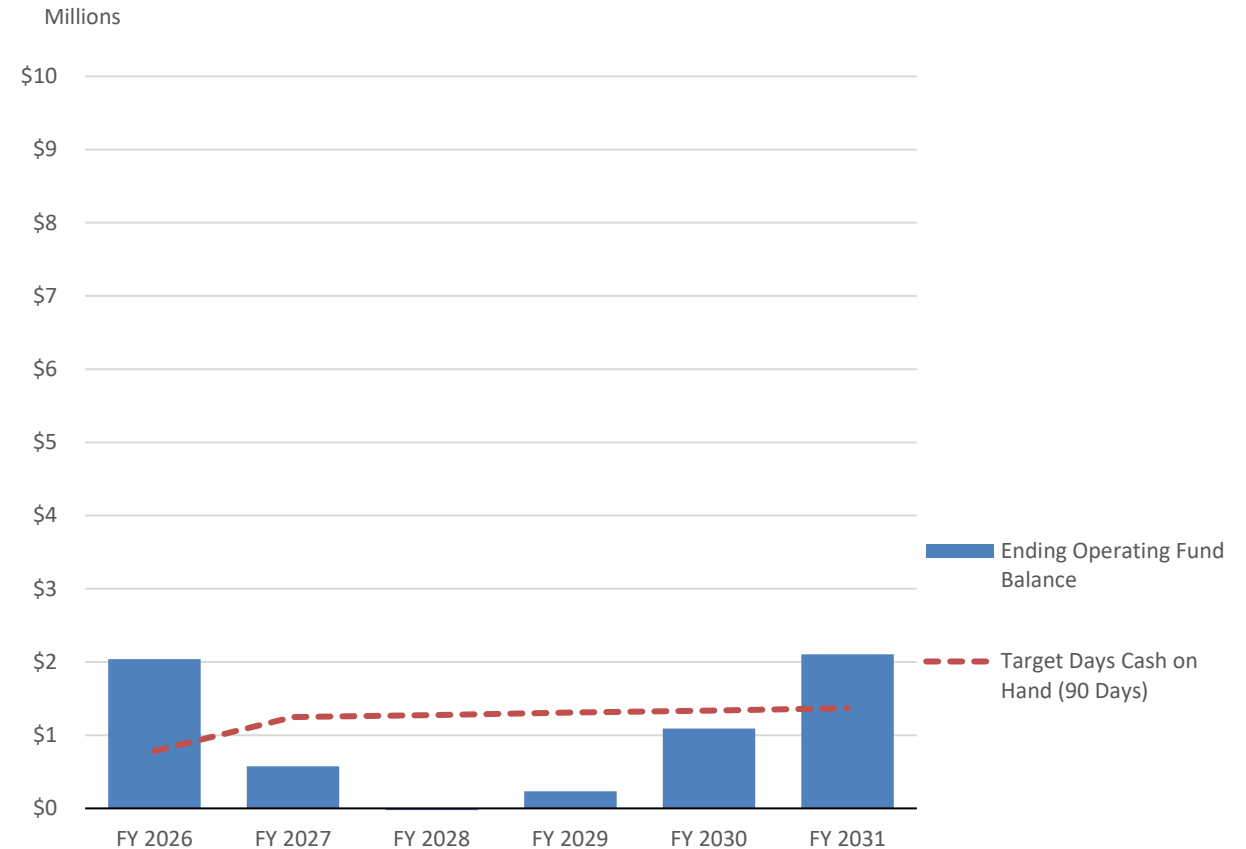


The red line represents target equal to operating fund balance of 90 days (25%) of operating expenses

Expenses/Revenues and Cash Balance - Sewer



Proposed Revenue reflects a 31% increase in sewer revenue in FY 2027, FY 2028, and FY 2029 and 3% in FY 2030 and FY 2031



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

Current Water Rates

Quarterly Customer Charges - Under 12,000 Gallons

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

Quarterly Customer Charges - Over 12,000 Gallons

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

Watertown Housing rates are at a 27% discount

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

Current Sewer Rates

Quarterly Customer Charges - Under 12,000 Gallons

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

Quarterly Customer Charges - Over 12,000 Gallons

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

Projected Water Rates

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Quarterly Service Charge (by meter size) - Under 12,000 Gallons						
5/8"	\$35.38	\$44.40	\$55.72	\$69.93	\$72.03	\$74.19
3/4"	\$58.67	\$73.63	\$92.41	\$115.97	\$119.45	\$123.03
1"	\$97.85	\$122.80	\$154.12	\$193.42	\$199.22	\$205.19
1 1/2"	\$195.69	\$245.59	\$308.22	\$386.81	\$398.42	\$410.37
2"	\$313.05	\$392.88	\$493.06	\$618.79	\$637.36	\$656.48
3"	\$587.07	\$736.77	\$924.65	\$1,160.44	\$1,195.25	\$1,231.11
4"	\$978.45	\$1,227.95	\$1,541.08	\$1,934.06	\$1,992.08	\$2,051.84
Quarterly Service Charge (by meter size) - Over 12,000 Gallons						
5/8"	\$54.48	\$68.37	\$85.81	\$107.69	\$110.92	\$114.25
3/4"	\$90.43	\$113.60	\$142.57	\$178.92	\$184.29	\$189.82
1"	\$150.67	\$189.09	\$237.30	\$297.81	\$306.75	\$315.95
1 1/2"	\$301.35	\$378.21	\$474.66	\$595.70	\$613.57	\$631.98
2"	\$482.21	\$605.37	\$759.74	\$953.48	\$982.08	\$1,011.54
3"	\$904.17	\$1,134.94	\$1,424.36	\$1,787.57	\$1,841.19	\$1,896.43
4"	\$1,506.99	\$1,891.68	\$2,374.05	\$2,979.44	\$3,068.82	\$3,160.88
Quantity Rates (per 1,000 gallons)						
All Usage	\$4.59	\$5.76	\$7.23	\$9.07	\$9.35	\$9.63

Projected Sewer Rates

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Quarterly Service Charge (by meter size) - Under 12,000 Gallons						
All	\$71.19	\$93.26	\$122.17	\$160.04	\$164.84	\$169.79
Quarterly Service Charge (by meter size) - Over 12,000 Gallons						
All	\$109.52	\$143.47	\$187.95	\$246.21	\$253.60	\$261.21
Quantity Rates (per 1,000 gallons)						
All Usage	\$6.09	\$7.98	\$10.45	\$13.69	\$14.10	\$14.52

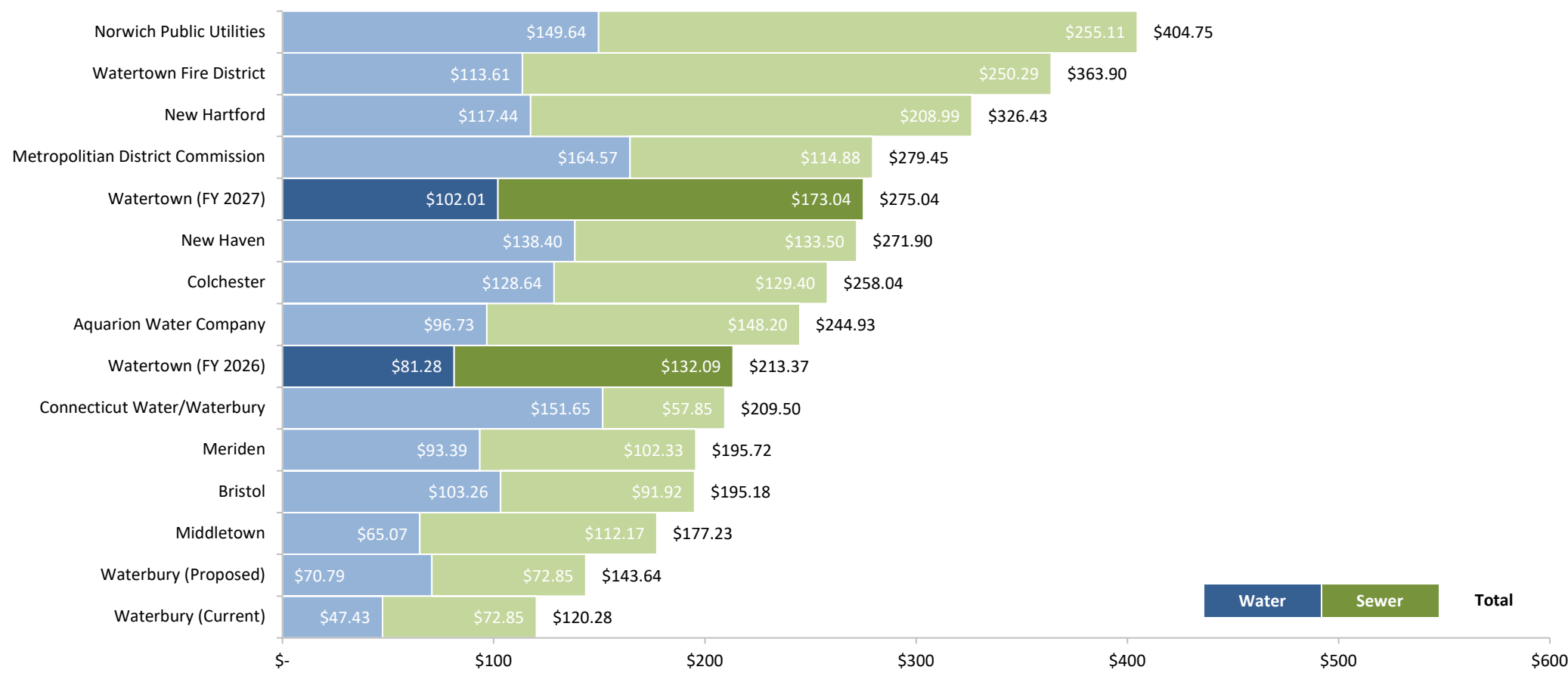
FY 2027 Quarterly Bill Impact

5/8" meter size

User (Percentile)	Quarterly Usage (gallons)	Current Bill	FY 2027 Bill	FY 2027 Bill \$ Inc.	FY 2027 Bill % Inc.
Small Residential User (25th)					
Water Bill	5,000	\$58.33	\$73.20	\$14.87	26%
Sewer Bill		\$101.64	\$133.15	\$31.51	31%
Combined Bill		\$159.97	\$206.35	\$46.38	29%
Median Residential User (50th)					
Water Bill	10,000	\$81.28	\$102.01	\$20.73	26%
Sewer Bill		\$132.09	\$173.04	\$40.95	31%
Combined Bill		\$213.37	\$275.04	\$61.67	29%
Large Residential User (75th)					
Water Bill	16,000	\$127.92	\$160.54	\$32.62	26%
Sewer Bill		\$206.96	\$271.12	\$64.16	31%
Combined Bill		\$334.88	\$431.66	\$96.78	29%
Excess Residential User (90th)					
Water Bill	26,000	\$173.82	\$218.14	\$44.32	26%
Sewer Bill		\$267.86	\$350.90	\$83.04	31%
Combined Bill		\$441.68	\$569.04	\$127.36	29%

Combined Quarterly Bill Comparison

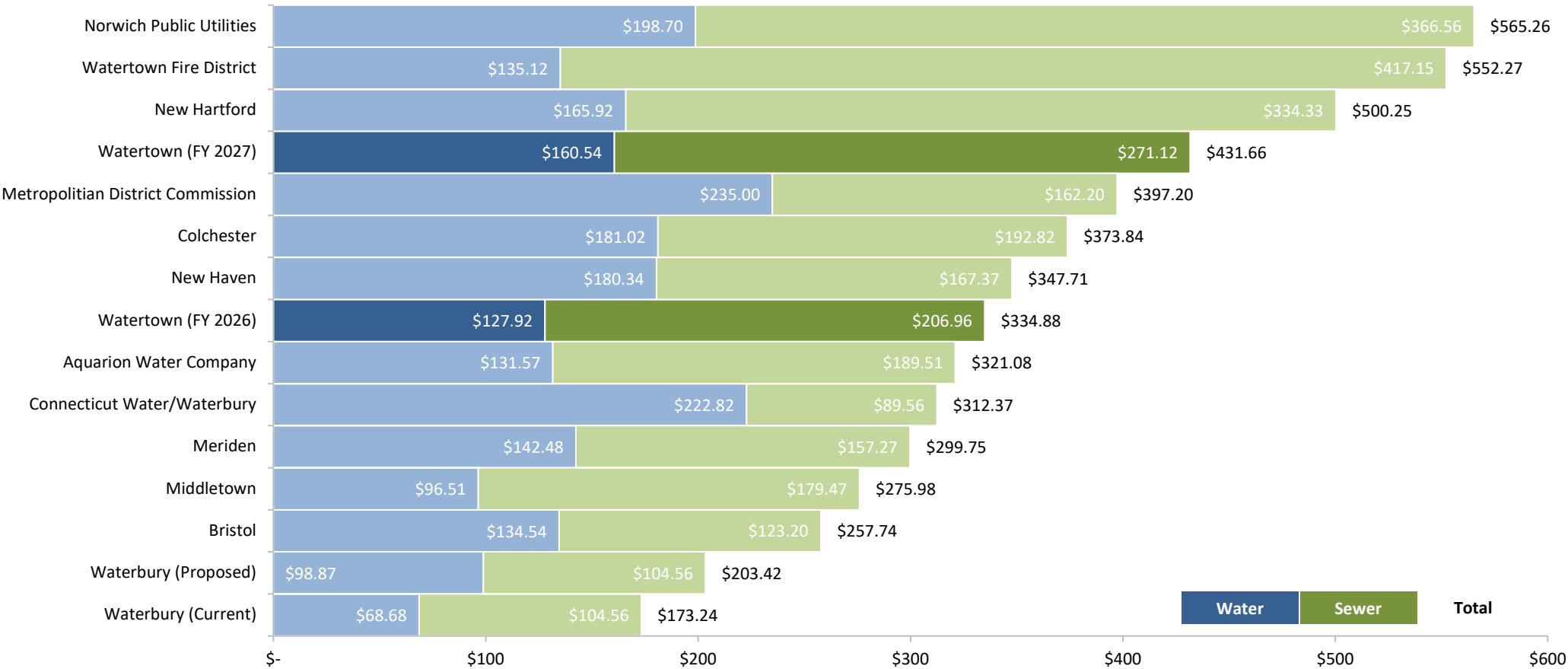
smallest meter size, 10,000 gallons



Bills reflect latest available rates published on websites

Combined Quarterly Bill Comparison

smallest meter size, 16,000 gallons



Bills reflect latest available rates published on websites

Recommendations

- Adopt the Proposed Rate Increases
 - Water 25.5% and sewer 31% in FY 2027-2029, leveling to 3% thereafter
 - Water meets the 90-day (25%) reserve target every year; sewer reaches it in FY 2031
- Continue Reinvestment in the System
 - Fund the CIP for distribution and collection needs, compliance, and system monitoring
 - Protects long-term reliability and defers costlier emergency repairs
- Review Rates Annually
 - Refresh the model for actual O&M, wholesale water and sewer charges, capital, and debt service
 - Revise the multi-year plan as conditions change



QUESTIONS?

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