CRESTLINE VILLAGE WATER DISTRICT

FIVE-YEAR WATER RATE STUDY

Calendar Years 2027-2031

10 Percent Initial Adjustment
5 Percent Annual Adjustments Thereafter

Prepared for the Board of Directors
September 2026
BOARD WORKING DRAFT

This draft incorporates financial and cost-of-service information from Webb Municipal Finance's May 28, 2026 draft study and the District's five-year rate model. District staff and the rate consultant should validate the final schedule before the Proposition 218 notice is issued.

Executive Summary

The Crestline Village Water District (District) proposes a five-year water rate package for calendar years 2027 through 2031. The package retains the District's existing readiness-to-serve charges, meter-size relationships, and two-tier consumption structure. Each existing charge would increase by 10 percent on January 1, 2027, followed by a 5 percent increase on January 1 of each succeeding year through 2031.

The phased approach begins below the previously evaluated 20 percent first-year option. It provides predictable annual adjustments while addressing rising operating, purchased-water, maintenance, and capital costs. If meter size and consumption do not change, each customer's bill would increase approximately 10 percent in 2027 and approximately 5 percent in each later year, subject to cent rounding.

Calendar year	Annual adjustment	Estimated rate revenue	Change from current
2027	10.0%	$3,823,250.33	10.0%
2028	5.0%	$4,014,271.24	15.5%
2029	5.0%	$4,213,972.74	21.2%
2030	5.0%	$4,424,729.70	27.3%
2031	5.0%	$4,645,141.52	33.7%

Estimated annual rate revenue rises from approximately $3.476 million under current rates to $3.823 million in 2027 and $4.645 million in 2031, assuming the billing determinants and customer usage in the District's rate model remain constant.

Webb Municipal Finance projected operating expenses of $4.188 million for FY 2026-27, increasing to $5.080 million for FY 2030-31, and identified $2.914 million of capital improvements. The proposed package responds to that cost trend but should be updated annually for actual revenue, expenses, water purchases, capital spending, customer counts, consumption, and reserves.

> *Important limitation: Webb recommended a different allocation and rate design. The Board-selected package retains the existing structure and applies uniform percentage adjustments. The rate consultant should confirm in writing that each final charge is supported by, and does not exceed, the proportional cost of service attributable to the affected parcels before notice.*

Recommended Action

Subject to consultant validation and completion of the Proposition 218 process, the Board should consider adopting the maximum five-year rate schedule shown in Section 5, effective January 1 of each listed calendar year. The Board may implement rates at or below the authorized maximums if supported by then-current financial information.

1. Background and Purpose

The District was formed in 1954 to provide potable water service to the Crestline area. The Lake Gregory area was annexed in 1979, and additional areas have been annexed over time. Water rates fund operation, maintenance, repair, replacement, water production and acquisition, and the continued availability of the system.

The current rate structure includes a monthly readiness-to-serve charge based on meter size, a Basic Allocation Rate for monthly use from 0 through 1,300 cubic feet, and an Excess Consumption Rate for use above 1,300 cubic feet. The structure has been in place since the rate schedule adopted in 2020.

In 2026, the District retained Webb Municipal Finance to prepare a five-year study. Webb recommended changing the allocation among rate components, changing certain meter-size charges, and moving the consumption breakpoint to 800 cubic feet. The Board declined that design and elected to retain the existing structure while phasing in uniform percentage increases over five calendar years.

Study Purpose

This study documents the selected five-year schedule, evaluates its revenue and customer-bill effects, and compares the package with the financial and cost-of-service information in Webb's draft. It is intended to support Board review, consultant validation, public notice, and the administrative record.

Rate-Setting Standard

Article XIII D, section 6 of the California Constitution requires that water-rate revenues not exceed the funds required to provide service, not be used for another purpose, and not impose on any parcel an amount exceeding the proportional cost attributable to that parcel. The District bears the burden of demonstrating compliance. The final record should connect the total revenue requirement and each rate component to the costs of providing water service.

Legal authority: Cal. Const., art. XIII D, § 6(b), (e); Capistrano Taxpayers Assn., Inc. v. City of San Juan Capistrano (2015) 235 Cal.App.4th 1493; Coziahr v. Otay Water District (2024) 103 Cal.App.5th 785.

2. Existing Rates and Revenue

Meter size	Current monthly charge
5/8 x 3/4 inch	$35.50
3/4 inch	$36.50
1 inch	$37.50
1 inch - residential fire service	$39.75
2 inch	$46.50
3 inch	$52.50
4 inch	$73.50

Monthly consumption	Current rate per 100 cubic feet
0-1,300 cubic feet	$5.10
Over 1,300 cubic feet	$7.65

District staff should confirm that the final schedule contains every active meter category and special rate in the operative rate resolution.

Revenue Under Current Rates

The District's model estimates annual rate revenue of $3,475,507.50 under current rates. Approximately 61.2 percent is generated by readiness-to-serve charges and 38.8 percent by consumption charges.

Component	Estimated annual revenue	Share
Readiness-to-serve	$2,126,736.00	61.2%
Consumption	$1,348,771.50	38.8%
Total	$3,475,507.50	100.0%

3. Revenue Requirements

Webb analyzed District budget and actual information for fiscal years 2023-24 and 2024-25 and projected revenue requirements through FY 2030-31. Its principal escalation assumptions were no account growth, 3 percent annual increases for wages and benefits, 5 percent for construction and maintenance, and 9.5 percent for purchased water from CLAWA.

Fiscal year	Projected operating expenses
2026-27	$4,188,090.00
2027-28	$4,393,276.00
2028-29	$4,609,837.00
2029-30	$4,838,495.00
2030-31	$5,080,021.00

Webb also identified the following five-year capital improvement program:

Capital project	Estimated cost
Paint three tanks and replace level indicators	$300,000.00
Generators - Horst and Pioneer	$150,000.00
Generator - District office	$50,000.00
Crane truck replacement	$80,000.00
Brooks Tank Road shoring and paving	$84,000.00
Seal interior of water truck	$25,000.00
Brookside pressure-relief-valve vault	$25,000.00
Replace Wylerhorn Drive water main	$500,000.00
Oil Mill Springs vertical well and garage	$500,000.00
Saxon Tank interior repairs	$200,000.00
Water meter replacement	$1,000,000.00
Total	$2,914,000.00

Because Webb's projections use fiscal years and the proposed rates use calendar years, the figures are not directly comparable by column. The District should prepare a final calendar-year or monthly cash-flow reconciliation showing the January 1 implementation dates, projected non-rate revenues, operating costs, capital expenditures, and reserve balances.

4. Cost of Service and Rate Design

Webb allocated approximately 42 percent of the FY 2025-26 revenue requirement to consumption-related demand and 58 percent to readiness-to-serve functions. Its comparison indicated that current rates under-recover consumption-related costs and recover a larger share through readiness-to-serve charges.

Component	Current-rate revenue	Webb allocated revenue	Difference
Consumption charges	$1,348,772.00	$1,761,258.00	$412,486.00
Readiness-to-serve charges	$2,126,484.00	$2,295,588.00	$169,104.00
Total	$3,475,256.00	$4,056,846.00	$581,590.00

Board-Selected Structure

The selected package does not change customer classes, meter categories, the 1,300-cubic-foot breakpoint, or the ratio between the basic and excess consumption rates. It applies the same annual percentage adjustment to each charge. This produces predictable bills and avoids abrupt reallocations among customers.

In 2027, the package is estimated to produce $1,483,836 from consumption charges and $2,339,414 from readiness-to-serve charges, for total rate revenue of $3,823,250. This remains approximately $233,596 below Webb's allocated total of $4,056,846. Estimated rate revenue reaches approximately $4,014,271 in 2028 and $4,213,973 in 2029. These comparisons do not include non-rate revenues and do not reconcile the fiscal-year timing of Webb's analysis with the calendar-year rate schedule.

The consultant should document why retaining the existing allocation is reasonable, identify the costs and reserves recovered through each component, and confirm that no proposed charge exceeds proportional cost. If that showing cannot be made, the rate design should be revised before notice.

5. Proposed Five-Year Rate Schedule

The following maximum rates would become effective on January 1 of each calendar year. Rates are rounded to the nearest cent after each annual adjustment.

Monthly readiness-to-serve charge	2027	2028	2029	2030	2031
5/8 x 3/4 inch	$39.05	$41.00	$43.05	$45.21	$47.47
3/4 inch	$40.12	$42.13	$44.23	$46.44	$48.77
1 inch	$41.25	$43.31	$45.48	$47.75	$50.14
1 inch - residential fire service	$43.73	$45.92	$48.21	$50.62	$53.15
2 inch	$51.15	$53.71	$56.39	$59.21	$62.17
3 inch	$57.75	$60.64	$63.67	$66.85	$70.20
4 inch	$80.85	$84.89	$89.14	$93.59	$98.27

Consumption rate per 100 cf	2027	2028	2029	2030	2031
0-1,300 cf	$5.61	$5.89	$6.19	$6.49	$6.82
Over 1,300 cf	$8.42	$8.84	$9.28	$9.75	$10.23

Annual and Cumulative Adjustments

Effective date	Annual adjustment	Approx. cumulative adjustment
January 1, 2027	10.0%	10.0%
January 1, 2028	5.0%	15.5%
January 1, 2029	5.0%	21.3%
January 1, 2030	5.0%	27.3%
January 1, 2031	5.0%	33.7%

Actual cumulative percentages for individual charges may vary slightly because each annual rate is rounded to cents.

6. Customer Bill Impacts

The following examples assume a 5/8 x 3/4-inch meter, a 30-day billing period, and no change in water use. They exclude penalties and charges outside the regular water-rate schedule.

Monthly use (cf)	2027	2028	2029	2030	2031
0	$39.05	$41.00	$43.05	$45.20	$47.46
500	$67.10	$70.45	$73.95	$77.65	$81.51
800	$83.93	$88.12	$92.49	$97.12	$101.94
1,100	$100.76	$105.79	$111.03	$116.59	$122.37
1,300	$111.98	$117.57	$123.39	$129.57	$135.99
1,500	$128.82	$135.25	$141.95	$149.05	$156.45

For example, a customer using 500 cubic feet per month would pay approximately $67.10 in 2027, increasing to $81.51 in 2031. A customer using 1,300 cubic feet would pay approximately $111.98 in 2027 and $135.99 in 2031.

Estimated Annual Rate Revenue

Revenue component	2027	2028	2029	2030	2031
Basic allocation	$1,168,254.45	$1,226,563.05	$1,286,954.10	$1,351,510.05	$1,418,148.45
Excess consumption	$315,581.60	$331,323.20	$347,814.40	$365,055.20	$383,420.40
Readiness-to-serve	$2,339,414.28	$2,456,384.99	$2,579,204.24	$2,708,164.45	$2,843,572.67
Total	$3,823,250.33	$4,014,271.24	$4,213,972.74	$4,424,729.70	$4,645,141.52

Revenue estimates assume 208,245 annual basic-allocation billing units, 37,480 excess-consumption units, the District model's 2027 readiness-to-serve revenue, no account growth, and unchanged consumption. Actual revenue will vary.

7. Findings and Implementation Conditions

Findings

- The proposed package covers calendar years 2027 through 2031 and begins January 1, 2027.
- The initial adjustment is 10 percent; each of the four later annual adjustments is 5 percent.
- The package is estimated to increase annual rate revenue from $3.476 million under current rates to $3.823 million in 2027 and $4.645 million in 2031.
- The approximate cumulative increase by 2031 is 33.7 percent, subject to cent rounding.
- Webb's projections show continued operating-cost escalation and $2.914 million in identified capital improvements.
- The package retains the existing revenue allocation even though Webb recommended a different functional allocation and rate design.

Conditions Before Notice

- Validate current rates, meter categories, customer counts, consumption units, billing determinants, and all five annual schedules.
- Reconcile calendar-year rate revenue with fiscal-year operating and capital requirements, non-rate revenues, and reserve targets.
- Obtain consultant confirmation supporting the proportional allocation of each readiness-to-serve and consumption charge.
- Confirm that the noticed amounts are maximum rates and describe how the Board may implement rates at or below those maximums during the five-year period.
- Have District counsel review the final study, notice, protest procedure, hearing record, and adopting resolution.

Annual Review

Before each January 1 adjustment, the District should compare projected and actual revenues, expenses, customer counts, consumption, water purchases, capital spending, and reserves. The Board may implement a lower rate than the authorized maximum when supported by current information. The District should not exceed the noticed maximum without completing any additional legally required process.

Appendix A - Source Reconciliation

Source	Information used	Treatment
District five-year rate model	Selected 10 percent first-year scenario, 5 percent annual escalation, billing determinants, and rate revenue	Converted from fiscal-year headings to calendar years 2027-2031 and recalculated with annual cent rounding.
District 2020 Water Rate Study	District history, existing rate concepts, and report organization	Used as the structural model; dated operating and consumption facts were not carried forward.
Webb Municipal Finance Draft, May 28, 2026	Expense assumptions, capital plan, revenue requirement, functional allocation, and current rate information	Used as technical support and to identify allocation and timing issues requiring final reconciliation.

Items Requiring Final Confirmation

- Complete operative meter and special-rate schedule
- Updated account counts and annual billing units
- Calendar-year operating, capital, non-rate revenue, and reserve projection
- Treatment of any water-shortage adjustment
- Consultant proportional-cost confirmation
- Final Proposition 218 notice and adopting resolution