



Memo

To: Board of Directors
From: Tom Weddle, General Manager
Date: 10/13/26
Subject: Manager's Reports

Operations Manager

The Crestline area has a new County roads inspector. He is by the book and because of all the new gas services and main replacements, he is carefully inspecting each road. He informed us that none of our patches meet the county requirements. We are required to grind 12" around each hole at a depth of 2". Since we didn't have an asphalt planer for this type of work, and would be too costly to hire out, we had to purchase one. Luckily, we found one for our skid steer that was a demo unit only used a handful of times. We are now working with the county to catch up all our current patches to "T" cuts before permanently paving them. We are catching up on all of our permits as well.

We just did our second quarter of PFAS testing. We noticed the required sampling was different, and they are focusing on different sites instead of all our sites. Hydrant maintenance is still on going and almost completed.

Legislative Update

Gov. Gavin Newsom last week acted on several bills of interest to ACWA members, including signing the association's two sponsored bills and vetoing two bills that, while well-intentioned, would have negatively impacted members', water rights, and infrastructure work.

The two sponsored bills — SB 1153 and AB 2180 — will provide new clarity for water agencies related to wildfire liability and water rate-setting.

SB 1153 - establishes that limitations in water supply or pressure during wildfires are not a substantial cause of damage. It also bolsters wildfire preparedness by requiring urban retail water suppliers in high fire risk areas to include wildfire response procedures in their existing emergency response plans by 2028.

The new law recognizes that while water systems may be available to aid firefighting activities, they are designed to meet state and federal safe drinking water standards and provide water to aid in extinguishing structural fires — not to serve as wildfire suppression systems.

AB 2180 - clarifies how water agencies comply with Proposition 218 when setting water rates, helping to minimize unnecessary legal disputes and providing greater predictability for agencies while supporting California's water-use conservation goals. The successful passage and signing of AB 2180 builds on ACWA's previous advocacy efforts to clarify and improve Proposition 218 requirements for water agencies.

Rate Study

Based on the discussions at the last Board meeting, several rate increase scenarios were evaluated using different percentages. The current approach proposes a 15% increase in the first year, an 8% increase in the second year, and 7% increases in each of the following three years.

The District's projected revenue shortfall for 2026 is approximately \$650,000. A 15% rate increase would generate approximately \$400,000 in additional revenue, leaving a shortfall of about \$250,000. By the third year, the proposed increases are intended to bring annual revenues in line with annual operating costs. However, this does not account for the cumulative deficits incurred during the first two years. The 7% increase in the third year is intended to address those prior-year shortfalls and put the District on more stable financial footing.

The increases proposed for years four and five are intended to provide a buffer against inflation and other unforeseen expenses. Although the original goal was to match anticipated inflation of approximately 5% annually, actual inflation over the next four years cannot be predicted with certainty. For this reason, the proposed increases for years four and five have been set at 7% to provide the District with additional financial flexibility. If actual budget requirements do not warrant the full increase, the Board can consider a lower percentage in either year. This approach establishes a financial safeguard while allowing future increases to be adjusted based on the District's actual revenue requirements and operating costs.

Sanitation Agreement with Hesperia Venture I LLC

Crestline Sanitation has formalized an agreement that has been over six years in the works to provide 100 ac/ft of water annually to Hesperia Venture I, LLC. This water amounts to roughly 15% of their total discharge water.