CRESTLINE VILLAGE WATER DISTRICT

FIVE-YEAR WATER RATE STUDY

Calendar Years 2027-2031

15 Percent Initial Adjustment
9 Percent Annual Adjustments Thereafter

Prepared for the Board of Directors
November 2026

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 monthly minimum (readiness-to-serve) charges, meter-size relationships, and two-tier consumption structure. Each existing charge would increase by 15 percent on February 1, 2027, followed by a 9 percent increase on January 1 of each succeeding year from 2028 through 2031.

The phased approach 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 15 percent in 2027 and approximately 9 percent in each subsequent year.

Calendar year	Annual adjustment	Estimated annualized rate revenue
2027	15.0%	$4,000,816
2028	9.0%	$4,361,167
2029	9.0%	$4,754,389
2030	9.0%	$5,182,640
2031	9.0%	$5,648,241

Estimated annualized rate revenue rises from approximately $3.476 million under current rates to $4.001 million at the 2027 rates and $5.648 million at the 2031 rates, assuming the billing determinants and customer usage in the District's rate model remain constant. Because the first adjustment becomes effective February 1, 2027, actual calendar-year 2027 revenue will be lower than the annualized amount shown.

Over the last five years, the combination of operating and nonoperating revenues received by the District have not covered the District's actual operating expenses. While nonoperating revenues (taxes and assessments) received by the District have increased, operating revenues have remained static, with no water rate increase since 2020. This has resulted in a three-year combined shortfall in excess of $760,000.

The proposed rate increases in this study will not completely restore the shortfall of the past few years. However, imposition of these proposed rates will help put an end to the unsustainable trend of District expenses exceeding revenues, allowing the District to maintain its five-year capital program to upgrade District facilities and restore depleted reserves. The District will continue to annually monitor and report actual revenue, expenses, water purchases, capital spending, customer counts, consumption, and reserves.

Recommended Action

The Board should consider adopting the maximum five-year rate schedule shown in Section 5, effective February 1, 2027 for the first adjustment and January 1 of each succeeding year from 2028 through 2031. 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 minimum (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 1990s. The last rate increase was adopted by the District in 2020.

Study Purpose

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

2. Existing Rates, Revenues, and Expenses

Existing Rates

The District's last rate increase, adopted in 2020, included scheduled increases over a five-year period. The existing rates are shown below.

Meter size	Current monthly minimum (readiness-to-serve) charge
5/8 x 3/4 inch	$35.50
3/4 inch	$36.50
1 inch	$39.75
1 inch - residential fire service	$41.50
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

Revenue Under Current Rates

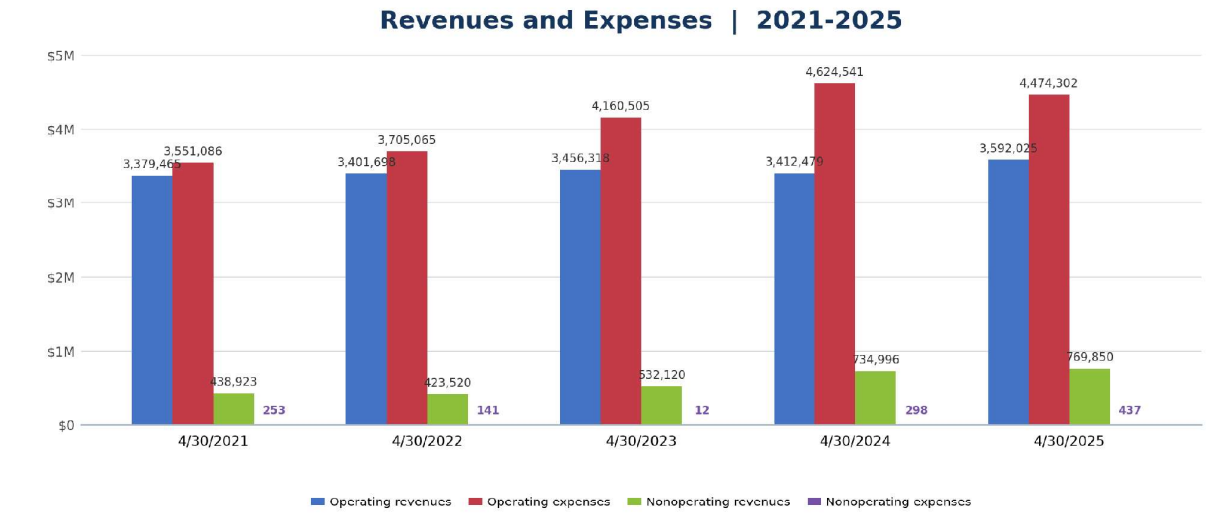
The District's expected water use model estimates annual rate revenue of $3,475,507.50 under current rates. Approximately 61.2 percent is generated by readiness-to-serve charges and 38.8 percent by consumption charges.

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

Revenue and Expenses Over the Previous Five Fiscal Years

For reporting purposes, the District's fiscal year begins on May 1 and ends the following April 30. As shown in audited financial reporting for the last five fiscal years, the District's annual operating expenses have increased from approximately $3.5 million to approximately $4.5 million. In each of these five previous fiscal years, the District's operating expenses have exceeded operating revenues, which have remained relatively flat at approximately $3.5 million per year. The District also receives a relatively smaller amount of nonoperating revenue from taxes and assessments each year. Over the past five fiscal years, nonoperating revenue received by the District has increased from approximately $440,000 to $770,000. In FY 2020-21 and FY 2021-22, the District's overall operating shortfall (the difference between operating expenses and operating revenues) was minimal, and covered by the nonoperating revenues received by the District. However, in the last three fiscal years, the combination of operating and nonoperating

revenues received by the District have not covered the District's actual operating expenses. This has resulted in a three-year combined shortfall in excess of $760,000.



Source: Rogers, Anderson, Malody & Scott, LLP

Based on unaudited financial data, the District experienced an operating deficit of approximately $600,000 in FY 2025-26. The District's FY 2026-27 budget projects total operating expenses of $4,555,100, a slight increase over the previous year. Because the proposed water rate increase would not take effect until February 1, 2027, with only three months remaining in FY 2026-27, operating revenue from current water rates is expected to remain near $3.5 million, which could result in another $200,000-$300,000 shortfall.

3. Revenue Requirements

The projected operating expenses shown below are based on actual audited information for the last five fiscal years, the District budget for fiscal year 2026-27 and projected revenue requirements through FY 2030-31. The principal escalation assumptions were no account growth, 5 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	$4,700,000.00
2027-28	$5,100,000.00
2028-29	$5,300,000.00
2029-30	$5,600,000.00
2030-31	$6,000,000.00

In addition to the operating expenses as projected above, the District has identified $3,414,000 of capital improvements necessary over the next five years.

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	$1,000,000.00
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	$3,414,000.00

4. Cost of Service and Rate Design

The proposed rate increase does not change customer classes, meter categories, the 1,300-cubic-foot breakpoint, or the ratio between the basic and excess consumption rates. The monthly minimum (readiness-to-serve) charge supports fixed costs of maintaining the system and keeping service available, while the consumption charges support costs associated with producing, purchasing, treating, and delivering water. The proposed schedule applies the same annual percentage adjustment to each charge, preserving the existing allocation between fixed and variable rate components. This produces predictable bills and avoids abrupt reallocations among customers.

5. Proposed Five-Year Rate Schedule

The following maximum rates would become effective February 1, 2027 for the first adjustment and January 1 of each succeeding year from 2028 through 2031. Rates are rounded to the nearest cent after each annual adjustment.

Monthly minimum (readiness-to-serve) charge	2027	2028	2029	2030	2031
5/8 x 3/4 inch	$40.83	$44.50	$48.50	$52.87	$57.63
3/4 inch	$41.98	$45.75	$49.87	$54.36	$59.25
1 inch	$45.71	$49.83	$54.31	$59.20	$64.53
1 inch - residential fire service	$47.73	$52.02	$56.70	$61.81	$67.37
2 inch	$53.48	$58.29	$63.53	$69.25	$75.48
3 inch	$60.38	$65.81	$71.73	$78.19	$85.22
4 inch	$84.53	$92.13	$100.42	$109.46	$119.31

Consumption rate per 100 cf	2027	2028	2029	2030	2031
0-1,300 cf	$5.87	$6.40	$6.98	$7.61	$8.29
Over 1,300 cf	$8.80	$9.59	$10.45	$11.39	$12.42

Annual Adjustments by Percentage

Effective date	Annual adjustment
February 1, 2027	15.0%
January 1, 2028	9.0%
January 1, 2029	9.0%
January 1, 2030	9.0%
January 1, 2031	9.0%

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	$40.83	$44.50	$48.50	$52.87	$57.63
500	$70.18	$76.50	$83.40	$90.92	$99.08
800	$87.79	$95.70	$104.34	$113.75	$123.95
1,100	$105.40	$114.90	$125.28	$136.58	$148.82
1,300	$117.14	$127.70	$139.24	$151.80	$165.40
1,500	$134.74	$146.88	$160.14	$174.58	$190.24

For example, a customer using 500 cubic feet per month would pay approximately $70.18 in 2027, increasing to $99.08 in 2031. A customer using 1,300 cubic feet would pay approximately $117.14 in 2027 and $165.40 in 2031.

Estimated Annual Rate Revenue

Annualized revenue component	2027	2028	2029	2030	2031
Basic allocation	$1,222,398.15	$1,332,768.00	$1,453,550.10	$1,584,744.45	$1,726,351.05
Excess consumption	$329,824.00	$359,433.20	$391,666.00	$426,897.20	$465,501.60
Readiness-to-serve	$2,448,593.65	$2,668,965.99	$2,909,172.93	$3,170,998.49	$3,456,388.36
Total	$4,000,815.80	$4,361,167.19	$4,754,389.03	$5,182,640.14	$5,648,241.01

Revenue estimates are annualized and assume 208,245 annual basic-allocation billing units, 37,480 excess-consumption units, the District model's annualized 2027 monthly minimum (readiness-to-serve) revenue, no account growth, and unchanged consumption. Because the first increase becomes effective February 1, 2027, actual calendar-year 2027 revenue will be lower. Actual revenue will vary.