

**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**

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 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.

The District has 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 and will be monitored annually for 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 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 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 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

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

The projected operating expenses shown below are based on the District budget and actual information for fiscal years 2023-24 and 2024-25 and projected revenue requirements through FY 2030-31. The 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

The District has 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 these projections use fiscal years and the proposed rates use calendar years, the figures are not directly comparable by column to the estimated annual revenue projections shown in Section 6. The January 1 implementation date delays projected revenue increases, resulting in up to a \$300,000 to \$400,000 annual shortfall. This will be monitored closely by the District and may need to be addressed by future rate increases.

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. It applies the same annual percentage adjustment to each charge. This produces predictable bills and avoids abrupt reallocations among customers.

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.
- District projections show continued operating-cost escalation and \$2.914 million in identified capital improvements.
- The package retains the existing revenue allocation.

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