

Mr. Tom Weddle, General Manager

Crestline Village Water District

777 Cottonwood Drive

Crestline, CA 92325

**Re: Crestline Village Water Rate Study for Fiscal Years 2026-27 Through 2030-31**

Dear Mr. Weddle:

Webb Municipal Finance (WMF) is pleased to submit the water rate study for fiscal years 2026-27 through 2030-31 to Crestline Village Water District (District). Our recommendations are briefly summarized as follows:

- Proposed Water Revenue increases:
  - Jul 1, 2026: Various rate increases, depending on connection size, to better align with cost of service.
  - July 1, 2027: 6%
  - July 1, 2028: 6%
  - July 1, 2029: 2%
  - July 1, 2030: 2%
- Readiness-to-serve charge modifications – The costs allocated to the capacity portion of the monthly readiness-to-serve charge have been reapportioned to each account based on each account’s metered capacity ratio. While current monthly charges range from \$35.50 for a 5/8 x 3/4-inch connection to \$52.50 for a 4-inch connection, the proposed monthly charges would range from \$37.00 for a 5/8 x 3/4-inch connection to \$750 for a 4-inch connection.
- Consumption rate structure – The number of tiers should be reduced from two tiers to a single tier.

## Introduction

The following documents the process by which the water rates were updated for Crestline Village Water District (District). This study covers water rates for fiscal years beginning 2026-27 through 2030-31.

### Projected Revenue Requirements

To determine the revenue requirements for the years covered this in this study, a projection of the annual operating and capital expenses of the District were prepared. Based on current adopted rates, impacts to changes in the District’s reserve balances and the District’s capital improvement program were analyzed. The resulting information was used to determine the additional revenue needed through increased rates. The following table summarizes the results of this analysis.

**Table 1: Schedule of Projected Revenue Requirements and Projected Ending Reserve Balance**

Fiscal Year	2026-27	2027-28	2028-29	2029-30	2030-31
<b>Rate Increase</b>	<b>Various</b>	<b>6%</b>	<b>6%</b>	<b>2%</b>	<b>2%</b>
Revenues	\$ 4,732,895	\$ 6,010,183	\$ 5,503,775	\$ 5,431,962	\$ 6,063,820
Expenses	\$ 4,176,550	\$ 4,385,378	\$ 4,604,646	\$ 4,834,879	\$ 5,076,623
<b>Net Income</b>	<b>\$ 556,345</b>	<b>\$ 1,624,806</b>	<b>\$ 899,129</b>	<b>\$ 597,083</b>	<b>\$ 987,197</b>
<b>CIP Expenses</b>	<b>\$ 700,000</b>	<b>\$ 2,000,000</b>	<b>\$ 400,000</b>	<b>\$ 500,000</b>	<b>\$ 1,000,000</b>
Beginning Reserve Balance	\$ 3,384,920	\$ 3,241,265	\$ 2,866,071	\$ 3,365,200	\$ 3,462,283
Impacts from CIP and Operations	\$ (143,655)	\$ (375,195)	\$ 499,129	\$ 97,083	\$ (12,803)
<b>Ending Reserve Balance</b>	<b>\$ 3,241,265</b>	<b>\$ 2,866,070</b>	<b>\$ 3,365,200</b>	<b>\$ 3,462,283</b>	<b>\$ 3,449,480</b>

The projections show increases in revenue requirements needed to fund projected expenses and to maintain adequate reserves. Proposed rate increases are projected to cover both increases in revenue requirements and reserve balances when taking into account all projected operating expense increases and projected capital project expenses during the period of the study.

### Water Rate Structure

The District has a single customer class and all customers are subject to the same rate structure. The District’s current water rate structure comprises two components: readiness-to-serve charge rates and consumption charge rates. Readiness-to-serve charges are charged monthly. Consumption charges are billed monthly based on a two-tier consumption charge structure, which increases based on ranges of consumption. The District’s current rate structure, which includes periodic rate increases, has been in place since July 1, 2020 as adopted by board resolution no. 460.

## Rate Structure Modifications

The following modifications are proposed to the rate structures. No modification to customer class is proposed.

### Readiness-To-Serve Charge Rates

Low readiness-to-serve charge rates shift more revenue generation to consumption charges, thereby making customer bills more responsive to customer demands. Increases or decreases in demand are more noticeable on bills with low readiness-to-serve charges. It is critical that the readiness-to-serve charges generate sufficient revenue so that they are consistent with the fixed costs associated with cost of service. While the District's current readiness-to-serve charges are low for connections across all capacity ratings, they do not currently reflect the cost of service for each capacity rating. The proposed readiness-to-serve charge rates maintain the District's desire to maintain low readiness-to-serve charges, while more accurately reflecting the cost of service for each connection's capacity rating. Proposed changes to these rates can be seen in the table below:

**Table 2: Proposed Monthly Readiness-To-Serve Rates**

Connection Size	Current Rates	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
5/8" x 3/4"	35.5	37.00	39.22	41.57	42.40	43.25
3/4"	36.5	45.00	47.70	50.56	51.57	52.60
1"	37.5	60.00	63.60	67.42	68.77	70.15
1" (Residential Fire Service)	39.75	60.00	63.60	67.42	68.77	70.15
2"	41.5	175.00	185.50	196.63	200.56	204.57
3"	46.5	500.00	530.00	561.80	573.04	584.50
4"	52.5	750.00	795.00	842.70	859.55	876.74

### Consumption Charge Rates

For years, CVWD has been charging its customers for water consumption on a two-tier rate structure. However, recent court decisions indicate that tiered rates violate Proposition 218 of the California Constitution unless the water utility is able to prove the source of each tier of water and demonstrate the higher cost of additional sources of water needed to supply the higher tiers.

The recommended consumption charge rates change the rate structure of the CVWD to a single tier. These rates can be seen in the table below:

**Table Proposed Consumptions Rates Per Hundred Cubic Feet (HCF)**

Tier	Current Rates	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Tier 1	\$ 5.10	\$ 7.05	\$ 7.47	\$ 7.92	\$ 8.08	\$ 8.24
Tier 2	\$ 7.65					

The proposed rates in the table above are appropriate for years of normal water supply. During droughts, it is recommended that the CVWD implement a water shortage rate. These adjustments would be applied only when regional water supply reductions during droughts or for prolonged emergency outages are implemented. Applying those factors to rates used in normal years will minimize the revenue shortfall caused by significant or prolonged conservation, which could jeopardize CVWD’s reserves.

**Customer Bill Impact**

The impact on customer bills due to these modifications in fiscal year 2026-27 will vary depending on the size of customers’ meters and their monthly water use. The overall revenue increase proposed for July 1, 2026 will vary with each bill. The following table summarizes monthly costs for representative customers.

	Low Use	Medium Use	High Use	2" Connection
Assumptions				
Flow per month (HCF)	3	24	43	46
Meter Size	5/8 "x 3/4"	5/8 "x 3/4"	5/8 "x 3/4"	2"
Bill With Current Rates				
Readiness-To-Serve Charge	\$ 35.50	\$ 35.50	\$ 35.50	\$ 46.50
Consumption Charge	\$ 15.30	\$ 150.45	\$ 295.80	\$ 300.60
Total Bill	\$ 50.80	\$ 185.95	\$ 331.30	\$ 347.10
Bill With Proposed Rates				
Readiness-To-Serve Charge	\$ 37.00	\$ 37.00	\$ 37.00	\$ 175.00
Consumption Charge	\$ 21.15	\$ 169.20	\$ 303.15	\$ 324.30
Total Bill	\$ 58.15	\$ 206.20	\$ 340.15	\$ 499.30
Change In Bill (proposed less current)	\$ 7.35	\$ 20.25	\$ 8.85	\$ 152.20
Change In Readiness-To-Serve Charge	4%	4%	4%	276%
Change In Consumption Charge	38%	12%	2%	8%
Total Percent Change	14.5%	10.9%	2.7%	43.8%

With the proposed modifications to rates and rate structure, customers whose connections have larger capacity ratings will see a larger portion of the increase in their bill from readiness-to-serve charges, while a vast majority of customers with the 5/8 x 3/4-inch connection will see a 4% increase in their readiness-to-serve charge in year one. Total percentage change in customer bills are dependent on consumption.