Fern Valley Water District

Rate Study
2026

Fern Valley Water District Expenses

- ## Operating Expenses

Expenses for the Operation and Maintenance of the District's Facilities and Water System

- Utilities
- Services to the District
- Supplies
- Employee Salaries and Benefits

- ## Capital Improvement Expenses

Expenses for Capital Improvements Projects as well as Equipment and Fleet Replacement

- Fire Hydrant Upgrade Project
- Pipeline Replacement Projects
- Equipment and Vehicle Replacement

- ## Reserve Funding Expenses

Expenses Associated with Funding the Various Reserve Funds

- Operating Reserve
- Capital Improvements Reserve
- Rate Stabilization Reserve
- Equipment and Fleet Reserve

Operating Expenses

- Operating expenses increase annually and are projected to continue to increase over the next five years.
- These expenses include the majority of the District's expenses, such as utilities, services provided to the District, supplies and materials for the day to day operations, and employee salaries and benefits. The following chart is a summary of total expenses, while the following page contains a detailed chart of the many different expenses included in the District's operating budgets over the next ten years.

Projected Five Year Operating Budgets					
Fiscal Year	26/27	27/28	28/29	29/30	30/31
Operating Expenses	$1,412,000	$1,422,000	$1,519,000	$1,529,000	$1,631,000

Operating Expenses

The chart below is a breakdown of the majority of the District's annual expenses projected over the next five years.

Fern Valley Water District Proposed Budget Projection 2027-2031

	2027 Budget	2028 Budget	2029 Budget	2030 Budget	2031 Budget
Office Expense	50,000	51,000	52,020	53,060	54,122
Permits & Fees	27,000	27,540	28,091	28,653	29,226
Telephone Expense	12,000	12,720	13,483	14,292	15,150
Conservation & Rebate Program	2,000	2,040	2,081	2,122	2,165
Water Quality monitoring	20,000	20,400	20,808	21,224	21,649
General Insurance	35,000	35,700	36,414	37,142	37,885
Workers Comp Insurance	20,000	20,400	20,808	21,224	21,649
Legal Expense	10,000	10,200	10,404	10,612	10,824
Audit Expense	14,000	14,280	14,566	14,857	15,154
Repairs & Maintenance	35,000	35,700	36,414	37,142	37,885
Safety/Apparel	3,000	3,060	3,121	3,184	3,247
Education/Training/Seminars	15,000	15,300	15,606	15,918	16,236
Well Operation/Electricity	30,000	31,500	33,075	34,729	36,465
Filter & Chlorination Operation	60,000	20,000	65,000	22,000	67,500
Truck & Equipment Expense	45,000	46,800	48,672	50,619	52,644
Waste Disposal Service	4,200	4,284	4,370	4,457	4,546
Salaries	713,973	742,532	772,233	803,123	835,247
FICA	54,711	56,899	59,175	61,542	64,004
Employee Benefits	251,000	261,040	271,482	282,341	293,634
Directors' Fees & Expenses	5,500	5,610	5,722	5,837	5,953
Contingency	5,000	5,100	5,202	5,306	5,412
TOTAL OPERATING EXPENSES	1,412,384	1,422,105	1,518,747	1,529,384	1,630,598
Projected CIP Budget	500,000	525,000	555,000	580,000	610,000
Annual Totals	$1,912,384	$1,947,105	$2,073,747	$2,109,384	$2,240,598

Capital Improvement Expenses

Capital improvement expenses are those expenses associated with infrastructure and equipment replacement of the District. The District has over $5,000,000 of capital improvement projects projected over the next five years.

Included is replacement of aging water mains and upsizing most of the undersized water mains that currently prohibit the use of six-inch commercial hydrants. Full size commercial hydrants greatly improve the system's fire-fighting capabilities.

Year	27	28	29	30	31
Capital Improvement Expenses	$500,000	$525,000	$555,000	$580,000	$610,000

Reserve Funding Expenses

Reserve funding expenses include the expenses associated with developing and maintaining adequate reserves to deal with unforeseen emergencies. The Board of Directors sets reserve policies in accordance with industry standards to always ensure that adequate capital is available to the District to deal with the unforeseen.

- *Operating Reserve* - The purpose of the Operating Reserve is to maintain working capital for current operations and to meet routine cash flow needs for the general operations and debt service payment obligations of the District. The District's goal is to maintain the Operating Reserve at eighty-five percent (85%) of Annual Operating Expenses.

- *Capital Improvement Reserve* - The purpose of this Reserve is to support capital projects that improve, repair, rehabilitate or replace the capital assets of the District. The District's goal is to maintain the Capital Improvement Reserve at three percent (3%) of Net Capital Assets.

- *Rate Stabilization Reserve* - The purpose of this Reserve is to mitigate year-to-year fluctuations in revenues or expenses. The Rate Stabilization Reserve should not be used to artificially suppress rates (i.e., to sustain rates at levels below the costs of service), but to enable smooth or level annual adjustments to rates despite uneven changes in underlying costs or variations in annual revenue received. The District's goal is to maintain the Rate Stabilization Reserve at ten percent (10%) of Annual Fixed Charges.

- *Equipment and Fleet Reserve* - The purpose of this Reserve is to improve, repair, rehabilitate or replace the District's equipment and/or fleet of vehicles. The District's goal is to increase the Equipment/Fleet Reserve to one hundred seventy-five thousand dollars ($175,000) over the next five years by reserving thirty-five thousand dollars ($35,000) annually.

Reserve Funding Expenses

The following chart illustrates the funding necessary to fulfill the District's Reserve Policies for the next five years.

- Operating Reserves increase annually to maintain 85% of annual operating expenses.
- Capital Improvement Reserves are determined to increase as net capital assets increase. Net Capital Assets will increase due to the annual system improvements.
- Rate Stabilization Reserves will increase annually to maintain 10% of the annual fixed charges.
- Equipment and Fleet Reserves increase by $35,000 annually to provide $175,000 by 2031.

Estimated Reserve Funding Needed to Fulfill Reserve Policies					
Fiscal Year	2027	2028	2029	2030	2031
Operating Reserve	$1,200,000	$1,250,000	$1,300,000	$1,350,000	$1,400,000
Capital Improvement Reserve	$315,000	$325,000	$335,000	$345,000	$355,000
Rate Stabilization Reserve	$58,000	$61,000	$64,000	$67,000	$70,000
Equipment and Fleet Reserve	$35,000	$70,000	$105,000	$140,000	$175,000
Total Reserve Funding	$1,608,000	$1,706,000	$1,804,000	$1,902,000	$2,000,000

FERN VALLEY WATER DISTRICT

REVENUES

Water Sales Revenue

- Bi-Monthly Service Charges (fixed charges)
- Bi-Monthly Commodity Charges (variable charges)

Property Tax Revenue

- Ad Valorem Property Tax

Water Sales Revenue

Bi-Monthly Service Charge Revenue (fixed charges)

These charges below reflect a 9.68% increase to the current rates which have not increased since January 1, 2022, and are designed to help recover a portion of the annual operating costs of the District and are determined based on the size of the meter serving a parcel. The District has certain expenses which remain constant whether the District produces and delivers a small or large amount of water. These fixed expenses include the majority of the District's expenses other than utilities for production and chemicals for treatment.

Proposed Bi-Monthly Capacity Based Meter Charges					
	Jan. 1, 2027	Jan. 1, 2028	Jan. 1, 2029	Jan. 1, 2030	Jan. 1, 2031
3/4"	$80.00	$84.00	$88.20	$92.61	$97.24
1"	$133.60	$140.28	$147.3029	$154.66	$162.39
1.5"	$266.40	$279.72	$293.70	$308.39	$323.81
2"	$426.40	$467.72	$470.10	$493.61	$518.29
3"	$800.00	$840.00	$882.00	$926.10	$972.41
4"	$1333.60	$1400.28	$1470.29	$1543.80	$1620.99
6"	$2666.40	$2799.72	$2939.71	$3086.70	$3241.04

Water Sales Revenue

Bi-Monthly Commodity Charges (variable charges)

These charges are designed to recover a portion of the annual operating costs, all of the variable portion of the annual operating costs, nominal portions of the capital improvement expenses and nominal contributions to the various reserve funds.

Proposed Bi-Monthly Commodity Charges - 1 CCF = 748 Gallons						
Tier	Quantity	Jan. 1, 2027	Jan. 1, 2028	Jan. 1, 2029	Jan. 1, 2030	Jan. 1, 2031
Tier I	0-7 CCF	$5.10/CCF	$5.36/CCF	$5.63/CCF	$5.91/CCF	$6.21/CCF
Tier II	Over 7 CCF	$14.42/CCF	$15.14/CCF	$15.90/CCF	$16.70/CCF	$17.54/CCF

Commodity Charge Calculation for Tiers I and II									
Surface Water (S/W) = 58 A/F Total Funding Needed from Commodity Charges	$418,000.00	Percentage of Revenue Needed 30%	Revenue from S/W	CCF Surface Water	Fixed Cost Surface Water	Electrical Chemical Costs S/W	CCF Surface Water	Variable Cost Surface Water	Total S/W Cost/CCF
Less Electrical/Chemical Expenses	$17,000								
Total Funding Needed from Surface Water	$125,000		$125,000	24,540	$4.41	$17,000	24,540	$0.69	$5.10
Ground Water (G/W) = 45 A/F Total Funding Needed from Commodity Charges	$418,000.00	Percentage of Revenue Needed 70%	Revenue from G/W	CCF Ground Water	Fixed Cost Ground Water	Electrical Chemical Costs G/W	CCF Ground Water	Variable Cost Ground Water	Total G/W Cost/CCF
Less Electrical/Chemical Expenses	$30,000								
Total Funding Needed from Ground Water	$293,000		$293,000	20,330	$12.94	$30,000	20,330	$1.48	$14.42

The Tiers were calculated by taking the commodity revenue needed and determining the fixed cost to produce the water from the two distinct sources, then dividing the fixed and variable portion of cost by the CCF of each source and adding the fixed and variable portions for each respective source, as depicted in the above chart.

* CCF = 100 Cubic Feet of Water or 748 Gallons of Water

Water Production

The District has delivered an average of 103 acre feet of water annually over the past ten years. Of the 103 acre feet of water, an average of approximately 58 acre feet of surface water has been available to the District. The District analyzed the last ten years of available records in determining water deliveries to ensure that along with the drought years, an equal number of non-drought years was included.

The chart below illustrated how both the quantity of water delivered and the percentage of surface water vs. ground water was calculated for the billing Tiers to be determined. Analysis of billing records determined that the average surface water available, (58 acre feet), would be completely utilized with a 7 CCF Tier 1. Ground water will supply the remaining demand, which is all water delivered in excess of 7 CCF, and proposed to be Tier II..

Tier I - Surface Water

Tier II - Ground Water

Total Water Billed Fiscal Years 2016 to 2025											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Average
Acre Foot	107	109	109	107	113	110	96	100	103	99	103
CCF	43,410	47,693	47,538	46,667	49,076	48,069	41,976	43,486	44,801	43,173	45,870
Surface %	62%	77%	33%	62%	66%	27%	65%	75%	75%	59%	56%
Ground %	38%	23%	67%	38%	34%	73%	35%	25%	25%	41%	44%

Property Tax Revenue

Ad Valorem Property Tax is tax that is assessed on properties in the District and is disbursed through the County of Riverside. The District utilizes this tax disbursement to fund its capital improvement projects and as available, a portion of the other District expenses.

The District has projected conservatively at $975,000 annual tax revenue, because there is no way of knowing what the future holds as far as property values are concerned.

Projected Ten Year Property Tax Revenue										
Fiscal Year	16	17	18	19	20	21	22	23	24	25
Property Tax Revenue	$578,000	$607,000	$634,000	$665,000	$728,000	$730,000	$907,000	$921,000	$1,008,000	$1,041,000

Rate Study Overview

In developing the proposed rate increase the District reviewed the historical data available and projected future expenses from that data; forecasting future expenses for all District activities. The District has not implemented a rate increase in nearly five years and proposes rates that will meet the District's revenue needs; the District is proposing a five year rate increase.

The goal is to stay ahead of expenses, so as to avoid having to implement large increases in any future years to meet the District's needs, while keeping rates as low as possible.

The chart below shows the different components considered in the rate study and presents a summary of the expenses and revenues which form the foundation of the District's rate study.

Projected 5 Year Revenues and Expenses Summary					
Fiscal Year	2027	2028	2029	2030	2031
Meter Service Charge Revenue	$606,000	$637,000	$668,000	$702,000	$737,000
Commodity Charge Revenue	$418,000	$439,000	$461,000	$485,000	$509,000
Property Tax Revenue	$975,000	$975,000	$975,000	$975,000	$975,000
Operating Expenses	$1,412,000	$1,422,000	$1,519,000	$1,529,000	$1,631,000
Capital Improvement Expenses	$500,000	$525,000	$555,000	$580,000	$610,000
Total Annual Revenue	$1,999,000	$2,051,000	$2,104,000	$2,162,000	$2,221,000
Total Annual Operating Expenses	$1,912,000	$1,947,000	$2,074,000	$2,109,000	$2,241,000
Revenue to Reserves	$87,000	$104,000	$30,000	$53,000	-$20,000

Rate Study Summary and Conclusion

In developing the rate study, the District's goal was to evaluate existing rates and expenses and to forecast future expenses upon which to determine future revenue needs. The current rates are not sufficient to sustain the District's current operation and certainly insufficient to fund future operations. The current rates have not increased in almost five years, therefore the rates require a nominal adjustment. The proposed rates are projected to provide the District's revenue needs from water sales and tax revenue and reflect a true cost to produce and distribute water.

The reduction from 10CCF to 7 CCF for Tier I is to accurately define the Tiers as a Surface Water Tier (Tier I) and a Ground Water Tier (Tier II). The data analysis has shown that, historically the surface water available for delivery equates to a Tier I of 7 CCF. Water demand above that would be ground water which is proposed to comprise Tier II. The difference in energy and chemical costs as well as labor is what defines the difference between Tiers I and II. The increase from $4.86 CCF to $5.10 CCF for Tier I is a 5% increase for surface water and the increase from $13.73 CCF to $14.42 CCF for Tier II also reflects a 5% increase for ground water.

The District and its Board of Directors has determined that the proposed rate increase will adequately provide the necessary revenue required to sustain the District and allow the District to provide reliable and safe water to its customers while keeping the rates as low as possible.

As described in the Public Notification sent out by the District, written or oral protests may be submitted to the District before the conclusion of the Public Hearing to be held at the District Office, 55790 South Circle Drive, Idyllwild, CA 92549, on December 17, 2026.

The District's goal is to be the best District it can be and transparency in its operations is paramount to that goal. If the District can be of any assistance in clarifying this study and how the proposed rates were determined or how they will affect you as a customer, or to discuss conservation measures that might benefit you as a customer and help reduce excess water use, please contact the District at 951-659-2200.

* CCF = 748 Cubic Feet of Water or 748 Gallons thus 10 CCF = 7,480 Gallons