



A Message to Our Western Hills Water District Customers

On September 5, 2026, at a special meeting of the Western Hills Water District (WHWD) Board of Directors, the Board voted to approve a further reduction in water rates, establishing a new **base rate of \$354**, beginning with the September billing cycle.

This is an important accomplishment for our District and our customers.

As a result of our recently renegotiated wholesale water agreement with the **Kern County Water Agency (KCWA)**, WHWD's cost for wholesale water will be approximately one-third of what the District was historically required to pay. This significant reduction in our wholesale water costs creates an opportunity for additional rate reductions in the future.

However, any further reduction must be balanced against the District's responsibility to maintain adequate financial reserves, meet future obligations, maintain our treatment facilities and infrastructure, and protect the financial stability of the District.

Understanding WHWD's Financial Position

It is important for our customers to understand the financial realities of operating the Water District.

Historically, WHWD's operating revenues were insufficient to fully support the cost of providing water and wastewater services. For many years, the District was able to continue operating because the previous owner and developer, World International, had a contractual obligation under the Master Agreement to provide financial subsidies to the District.

That financial support continued for approximately nine years before it ended.

WHWD subsequently determined that the circumstances surrounding the transfer of certain Diablo Grande property to Angels Crossing raised significant legal and financial concerns. In April 2024, the District filed a civil action alleging, among other matters, breach of contract and fraud against World International and Angels Crossing.

In May 2025, the Superior Court ruled that the District's case could proceed to trial. The defendants appealed that ruling, and in August 2026, the California Court of Appeal unanimously ruled in favor of WHWD.

This appellate decision represents an important step forward in the District's effort to protect the interests of WHWD and the Diablo Grande community. The litigation remains an ongoing matter, and the District will continue to pursue the remedies available to it through the legal process.

The Numbers Matter

WHWD believes our customers deserve to understand the actual cost of operating their Water District.

The District's financial information is publicly available on the WHWD website.

WHWD currently has approximately **582 residential customer accounts**. Of those accounts, approximately 500 are currently generating regular bill payments, while others are delinquent or have experienced water shutoff.

The number of customers who consistently pay their bills directly affects the amount each paying customer must contribute toward the District's fixed operating costs.

Here are the operating figures:

Fiscal Year 2026

- Total operating expenses: **\$2,357,692**
- Average monthly operating expenses: approximately **\$196,474**
- Based on approximately 500 paying accounts: approximately **\$392 per customer per month**

July 2026

- Total operating expenses: **\$269,413**
- Based on approximately 500 paying accounts: approximately **\$538 per customer per month**

August 2026

- Total operating expenses: **\$211,324**
- Based on approximately 500 paying accounts: approximately **\$422 per customer per month**

These figures demonstrate an important point: **lowering the water rate does not automatically lower the District's cost of operating the water and wastewater systems.**

Our objective is to reduce rates whenever financially responsible while ensuring that WHWD remains financially stable and capable of providing reliable service.

Why WHWD Must Maintain Financial Reserves

As we move forward, the District must build an adequate financial reserve.

Among the anticipated financial obligations and potential costs are:

- Approximately **\$600,000** for banked water obligations required under applicable California law;
- Approximately **\$350,000** in prepayment of wholesale water to KCWA for calendar year 2027, subject to changes in State Water Project wholesale water costs;

- Potential treatment-facility repairs and maintenance that could approach **\$500,000**; and
- Emergency repairs, infrastructure needs, inflationary increases, and other unforeseen operating expenses.

Maintaining a reasonable reserve is not excessive spending. It is responsible financial management.

Before last year's rate increase, WHWD's financial position was extremely constrained. The District was operating essentially month-to-month and faced significant difficulty meeting its financial obligations.

The good news is that WHWD has made significant progress.

We have turned an important financial corner, and the District is now positioned to move toward long-term financial self-sustainability.

Can Water Rates Go Lower?

I believe the answer may be **yes**, but we must proceed responsibly.

Future rate reductions will depend on several factors, including:

1. The District's ability to establish and maintain appropriate financial reserves;
2. The outcome of the District's ongoing civil litigation;
3. Future development within Diablo Grande;
4. Wholesale water costs;
5. Customer payment compliance; and
6. The District's ongoing operating and infrastructure costs.

Our goal should not simply be to establish the lowest possible rate today. Our goal should be to establish a rate that is **affordable for our customers while ensuring WHWD can continue providing reliable service tomorrow.**

As rates become more affordable, we also expect customers who are currently delinquent to make every effort to bring their accounts current. A financially healthy Water District benefits every customer.

An Important Clarification Regarding Diablo Grande Properties

I also want to clarify an important issue regarding the Diablo Grande property that WHWD foreclosed upon in 2023.

The Diablo Grande Community Facilities District (CFD) is not owned by WHWD.

WHWD serves in its role as **Custodian and Trustee** of the CFD. The CFD properties are assets associated with the Mello-Roos bond financing and the interests of the bondholders.

There is currently more than **\$40 million in debt associated with these properties and obligations.**

The financial operations of WHWD and the CFD are legally and financially separate. WHWD cannot simply sell CFD properties and use the proceeds to fund WHWD's water utility operations.

Our responsibilities as Custodian and Trustee require us to protect and manage those assets for their intended purpose while working toward a long-term solution for Diablo Grande.

Our Commitment to You

I understand that water rates are an important concern for every household.

As Board of Directors, our responsibility is to make decisions based on the long-term interests of our customers and the financial stability of the District, not on short-term political pressure.

We have made significant progress, and I am optimistic about the future of WHWD.

We have reduced the base rate to \$354. We have substantially improved our wholesale water agreement. We have strengthened the District's financial position. And we are continuing to pursue every legitimate opportunity to reduce costs and protect our customers.

There is still work to do, and it will take time.

My door is always open to our customers. I encourage you to contact me or the District directly whenever you have questions about WHWD, our finances, water rates, or our operations.

There is a great deal of information circulating on social media. Some of it is accurate, and some of it is not. I encourage every customer to seek information directly from the District, review our publicly available financial records, and ask questions before reaching conclusions.

WHWD's commitment is simple: transparency, fiscal responsibility, reliable service, and doing what is in the best long-term interest of the Diablo Grande community.

Thank you for your continued support and for being a valued customer of the Western Hills Water District.

Mark Kovich – Homeowner/Resident/Volunteer

Board President

Western Hills Water District