

***Mendocino County Russian River Flood Control &
Water Conservation Improvement District***

STAFF REPORT

**Agenda Item 8: Preliminary Draft of Fiscal Year 2026-2027 Budget
Monday, April 6, 2026**

The Strategic Plan relevant priority is **Governance and Operational Excellence** - ensuring sound and sustainable management of District finances.

- An annual budget sharpens understanding and provides reflection on the progress of District strategic plan goals.
- The budget helps to avoid surprises and maintain fiscal control of the public resources managed by the District.
- The budget is how the District Board sets the annual price per acre foot and manages adequate and responsible reserves.

Discussion

The following table shows the preliminary draft of Fiscal Year 2026-2027 Budget, beginning July 1, 2026. Attached is the more detailed Preliminary Draft Budget Worksheet. The Board is invited to provide comments and questions.

SUMMARY	FY 2025/26	FY 2025/26	FY 2025/26	FY 2026/27	Change	Change
	APPROVED Budget	APPROVED Adjustment	Actuals Projected to 6/30/26	PROPOSED Budget 4/5/26	from previous year budget in \$	from previous year budget in %
TOTAL REVENUE	\$ 616,040	\$ 616,040	\$ 672,258	\$ 673,300	\$ 57,260	9%
less TOTAL EXPENSE	\$ 616,000	\$ 616,000	\$ 367,287	\$ 673,300	\$ 57,300	9%
equals	\$ 40	\$ 40	\$ 304,971	\$ -		

The budget intends to highlight the importance of continuing to build reserves, particularly as future projects come into clearer focus. The District recognizes the stress on the agricultural community in the current market and in previous years has prioritized rate stability by leaning on reserves if/when necessary. While raising rates can be undesirable, prioritizing the building and maintaining reserves helps to position the District to act more effectively over the long term. The Board is asked to discuss priorities and rate setting goals.

The Board is also asked to consider an increase by five percent (5%) of the Trustee Stipend.

Recommended Action:

Provide feedback and direction to GM in preparation of the Workshop Draft of the Fiscal Year 2026-2027 Budget at the May 3, 2026 Board Meeting.

Attachment:

Preliminary Budget Worksheet with explanations and historical charts

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Prepared and submitted to the Board of Trustees by: Elizabeth Salomone, General Manager

Preliminary Budget Worksheet for April 6, 2026 Board Meeting, Pg 1 of 7

ORDINARY REVENUE		FY 2025/26	FY 2025/26	FY 2025/26	FY 2026/27	Change	Change
		APPROVED Budget	APPROVED Adjustment	Actuals Projected to 6/30/26	PROPOSED Budget 4/5/26	from previous year budget in \$	from previous year budget in %
4001	Water Sales, Contracted	\$ 524,040	\$ 524,040	\$ 524,040	\$ 568,300	\$ 44,260	8%
4050	Property Taxes	\$ 65,000	\$ 65,000	\$ 65,000	\$ 70,000	\$ 5,000	8%
4080	Interest, LAIF	\$ 18,000	\$ 18,000	\$ 17,800	\$ 19,000	\$ 1,000	6%
4082	Interest, CA CLASS	\$ 9,000	\$ 9,000	\$ 15,000	\$ 16,000	\$ 7,000	78%
TOTAL ORDINARY REVENUE		\$ 616,040	\$ 616,040	\$ 621,840	\$ 673,300	\$ 57,260	9%
OTHER REVENUE							
4002	Surplus Water Sales			\$ 49,500			
4010	Water Application Fees			\$ -			
4100	Other income			\$ 918			
TOTAL OTHER REVENUE				\$ 50,418			
TOTAL REVENUE		\$ 616,040	\$ 616,040	\$ 672,258	\$ 673,300	\$ (1,042)	0%

- Water Sales: As shown, the cost per acre foot (af) would be \$72 for FY 26/27, a \$6 per af increase (FY 25/26 was \$66 per af.)
- Property Taxes: difficult to predict final numbers County will issue; based on historical increases.
- Surplus sales to Redwood Valley CWD are not considered in the budget because they are not guaranteed but are expected to be similar to FY 25/26. The Board could take this into account.
- Other income was insurance dividend.
- See end of report for historical rate setting.

PAYROLL EXPENSES		FY 2025/26	FY 2025/26	FY 2025/26	FY 2026/27	Change	Change
		APPROVED Budget	APPROVED Adjustment	Actuals Projected to 6/30/26	PROPOSED Budget 4/5/26	from previous year budget in \$	from previous year budget in %
5001	Gross Wages	\$ 145,000	\$ 145,000	\$ 150,000	\$ 155,000	\$ 10,000	7%
5002	CalPERS Employer Expense	\$ 13,000	\$ 13,000	\$ 9,500	\$ 13,000	\$ -	0%
5003	CalPERS 457 Expense	\$ 5,000	\$ 5,000	\$ 4,500	\$ 5,000	\$ -	0%
5004	Health Insurance	\$ 17,000	\$ 17,000	\$ 17,000	\$ 18,000	\$ 1,000	6%
5005	Medicare	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,500	\$ 500	25%
5006	FICA (Federal Taxes)	\$ 10,000	\$ 10,000	\$ 10,000	\$ 11,000	\$ 1,000	10%
5007	CalPERS 1959 Survivor Billing	\$ 100	\$ 100	\$ 100	\$ 100	\$ -	0%
5008	CalPERS GASB-68 Fees	\$ 900	\$ 900	\$ 430	\$ 600	\$ (300)	-33%
5009	Unfunded Pension Liability	\$ 9,000	\$ 9,000	\$ 9,000	\$ 10,000	\$ 1,000	11%
5011	Employee Bonus	\$ 5,000	\$ 5,000	\$ 2,800	\$ 5,000	\$ -	0%
TOTAL PAYROLL EXPENSES		\$ 207,000	\$ 207,000	\$ 205,330	\$ 220,200	\$ 13,200	6%

- CalPERS line and tax items are calculated from gross wages.
- Unfunded pension liability is difficult to predict – set by CalPERS after start of fiscal year.

(Continued...)

Preliminary Budget Worksheet for April 6, 2026 Board Meeting, Pg 2 of 7

WATER SUPPLY EXPENSES		FY 2025/26	FY 2025/26	FY 2025/26	FY 2026/27	Change	Change
		APPROVED Budget	APPROVED Adjustment	Actuals Projected to 6/30/26	PROPOSED Budget 4/5/26	from previous year budget in \$	from previous year budget in %
5020	Water Rights - Compliance TOTAL:	\$ 28,000	\$ 21,500	\$ 17,800	\$ 31,000	\$ 9,500	44%
5020.01	Annual Fees	\$ 18,000	\$ 17,000	\$ 17,000	\$ 18,000	\$ 1,000	6%
5020.02	Legal Counsel	\$ 3,000	\$ 2,000	\$ -	\$ 5,000	\$ 3,000	150%
5020.03	Engineering	\$ 3,000	\$ 2,000	\$ -	\$ 3,000	\$ 1,000	50%
5020.04	Meter Maintenance	\$ 2,000	\$ 500	\$ 300	\$ 1,000	\$ 500	100%
5020.05	Meter & Data Mgmt	\$ 2,000	\$ -	\$ 500	\$ 4,000	\$ 4,000	
5030	USGS Streamflow Gage	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	0%
5031.01	Inland Water & Power Commission JPA	\$ 10,000	\$ 5,000		\$ 100,000	\$ 95,000	1900%
5040	Channel Maintenance	\$ 20,000	\$ 20,000	\$ 6,000	\$ 10,000	\$ (10,000)	-50%
5050	Water Supply Projects Total	\$ 237,000	\$ 248,500	\$ 48,457	\$ 212,000	\$ (36,500)	-15%
5031.00	Grants & Funding Analysis	\$ 5,000	\$ 3,000	\$ -	\$ -	\$ (3,000)	-100%
5056	License Change Petition	\$ 10,000	\$ 35,000	\$ 35,000	\$ 7,000	\$ (28,000)	-80%
5057	LAFCo Applications	\$ 10,000	\$ 10,000		\$ 5,000	\$ (5,000)	-50%
5058	Demand Management Pilot	\$ 2,000	\$ -	\$ -	\$ -	\$ -	
5059	Trans Basin Diversion	\$ 110,000	\$ 110,000		\$ 125,000	\$ 15,000	14%
5060	Coyote Valley Dam Modernization	\$ 100,000	\$ 90,500		\$ 50,000	\$ (40,500)	-45%
	IWPC Special Projects		\$ -	\$ 13,457	\$ 25,000	\$ 25,000	
TOTAL WATER SUPPLY EXPENSES		\$ 310,000	\$ 310,000	\$ 87,257	\$ 368,000	\$ 280,743	-16%

- Grey cells are a breakdown of the total above, yellow cells are unknown at this time or TBD.
- Line 5031.01 IWPC: This is for basic operations including staff. IWPC is considering hiring dedicated staff. This is an estimate; the draft IWPC budget has not been thoroughly reviewed nor approved by the Commission.
- Line 5040 Channel Maintenance: Additional funds of \$20,000 from operational reserve account for staff and legal counsel expenses could be used. Triggers: Board direction to implement research, surveys, staff time, legal time, etc.
- Line 5031 Grants & Funding Analysis: all work is currently happening at the Groundwater Sustainability Agency and IWPC JPAs and none in-house.
- Line 5056 License Change Petition: Additional funds of \$5,000 from operational or water supply reliability reserve accounts for staff and legal counsel expenses could be used. Triggers: SWRCB timing. Could be no action from SWRCB in the FY or could come back with clarifying questions.
- Line 5057 LAFCo Applications: Additional funds of \$20,000 from operational reserve account for staff and legal counsel expenses could be used. Trigger: LAFCo action on annexation. This project is cost shared with RVCWD: 40 RRFC/60 RVCWD and budget/estimates are RRFC only.
- Line 5059 Trans Basin Diversion: Includes contributions to IWPC and District internal costs (legal.) This is an estimate; the draft IWPC budget has not been thoroughly reviewed nor approved by the Commission.
- Line 5060 Coyote Valley Dam Modernization: Includes contributions to IWPC and District internal costs (legal.) This is an estimate; the draft IWPC budget has not been thoroughly reviewed nor approved by the Commission.
- Line unassigned IWPC Special Projects: Includes contributions to IWPC for other projects such as Potter Valley expanded storage. This is an estimate; the draft IWPC budget has not been thoroughly reviewed nor approved by the Commission.

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Preliminary Budget Worksheet for April 6, 2026 Board Meeting, Pg 3 of 7

GENERAL & ADMINISTRATIVE EXPENSES		FY 2025/26	FY 2025/26	FY 2025/26	FY 2026/27	Change	Change
		APPROVED	APPROVED	Actuals	PROPOSED	from	from
		Budget	Adjustment	Projected to	Budget	previous year	previous year
				6/30/26	4/5/26	budget in \$	budget in %
5100	Consulting - General	\$ 43,000	\$ 40,000	\$ 27,700	\$ 31,500	\$ (8,500)	-27%
5101	Accounting	\$ 10,000	\$ 8,000	\$ 4,000	\$ 4,000	\$ (4,000)	-50%
5102	Audit	\$ 10,000	\$ 10,000	\$ 9,500	\$ 11,000	\$ 1,000	10%
5103	Engineering	\$ -	\$ 2,000	\$ 1,000	\$ 2,000	\$ -	0%
5104	Administrative Support	\$ 8,000	\$ 5,000	\$ 1,500	\$ 3,000	\$ (2,000)	-40%
5105	Legal-general	\$ 5,000	\$ 5,000	\$ 7,000	\$ 10,000	\$ 5,000	100%
5109	Human Resources	\$ 2,000	\$ 2,000	\$ 1,700	\$ 1,500	\$ (500)	-25%
5110	Strategic Planning	\$ 8,000	\$ 8,000	\$ 3,000	\$ -	\$ (8,000)	-100%
5120	Vehicle: Fuel, Repairs, Maintenance	\$ 2,000	\$ 2,000	\$ 1,500	\$ 3,000	\$ 1,000	50%
5130	Insurance	\$ 14,000	\$ 14,000	\$ 8,000	\$ 10,000	\$ (4,000)	-29%
5140	Local Agency Formation Commission	\$ 1,500	\$ 1,500	\$ 1,000	\$ 1,100	\$ (400)	-27%
5150	Memberships, ACWA & CSDA	\$ 7,000	\$ 3,000	\$ 2,500	\$ 2,500	\$ (500)	-17%
5160	Office Operating Expenses	\$ 7,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ -	0%
5161	Rent & Utilities	\$ 5,000	\$ 5,000	\$ 5,000	\$ 8,000	\$ 3,000	60%
5170	Training & Conferences	\$ 5,000	\$ 5,000	\$ 3,500	\$ 1,000	\$ (4,000)	-80%
5180	Stipends, meetings	\$ 13,000	\$ 13,000	\$ 10,000	\$ 12,000	\$ (1,000)	-8%
5190	Property Tax Admin Fees	\$ 1,500	\$ 1,500	\$ 1,500	\$ 2,000	\$ 500	33%
5200	Election	\$ 0.00	\$ 0.00	\$ -	\$ -	\$ -	
TOTAL GENERAL & ADMINISTRATIVE EXPENSES		\$ 99,000	\$ 99,000	\$ 74,700	\$ 85,100	\$ (13,900)	16%

- Line 5104: Administrative support: would include use of temp agency.
- Line 5150 memberships: FY 2026-27 budget only includes CSDA since District is no longer an ACWA member.
- Line 5160 Office Operating Expenses: includes new ADA Compliant tool for website and all other website and software subscription costs.
- Line 5161 Rent: budgets for possible office move.
- Line 5180 Trustee Stipends: Ordinance 24-01, Section 5. “On December 2nd of each year the per diem compensation shall increase by five percent (5%) consistent with Water Code Section 20202. The Board shall make a determination annually during the Fiscal Year Budget approval if it wishes to accept the annual increase in per diem compensation.” The Board can institute an increase or choose to hold the stipends at the current rate of \$50 for up to 4 hours and \$100 for 4+ hours. See Ordinance for more information. <https://rrfc.specialdistrict.org/district-ordinances>

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Preliminary Budget Worksheet for April 6, 2026 Board Meeting, Pg 4 of 7

OTHER EXPENSES		FY 2025/26	FY 2025/26	FY 2025/26	FY 2026/27	Change	Change
		APPROVED Budget	APPROVED Adjustment	Actuals Projected to 6/30/26	PROPOSED Budget 4/5/26	from previous year budget in \$	from previous year budget in %
5710	Use of Capital Reserves	\$ -	\$ -	\$ 12,000	\$ -	\$ 12,000	
TOTAL OTHER EXPENSES		\$ -	\$ -	\$ 12,000	\$ -	\$ 12,000	

TOTAL EXPENSES		FY 2025/26	FY 2025/26	FY 2025/26	FY 2026/27	Change	Change
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TOTAL PAYROLL EXPENSES		\$ 207,000	\$ 207,000	\$ 205,330	\$ 220,200	\$ 13,200	6%
TOTAL WATER SUPPLY EXPENSES		\$ 310,000	\$ 310,000	\$ 87,257	\$ 368,000	\$ 58,000	19%
TOTAL GENERAL & ADMINISTRATIVE EXPENSES		\$ 99,000	\$ 99,000	\$ 74,700	\$ 85,100	\$ (13,900)	-14%
TOTAL OTHER EXPENSES		\$ -	\$ -		\$ -	\$ -	
TOTAL EXPENSES		\$ 616,000	\$ 616,000	\$ 367,287	\$ 673,300	\$ 57,300	9%

SUMMARY		FY 2025/26	FY 2025/26	FY 2025/26	FY 2026/27	Change	Change
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TOTAL REVENUE		\$ 616,040	\$ 616,040	\$ 672,258	\$ 673,300	\$ 57,260	9%
less TOTAL EXPENSE		\$ 616,000	\$ 616,000	\$ 367,287	\$ 673,300	\$ 57,300	9%
equals		\$ 40	\$ 40	\$ 304,971	\$ -		

- Line 5710 Use of Capital Reserves: Purchase of new meters is not budgeted. The Board can direct that these expenses (a) be budgeted; (b) be shown as an unbudgeted line item expense in the water rights reliance expenses; (c) be expensed from capital reserves, as shown above; or (d) an alternative way.
- The preliminary budget presented is fully balanced, relying on reserves for unexpected expenses as shown in the following pages.

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Preliminary Budget Worksheet for April 6, 2026 Board Meeting, Pg 5 of 7

Reserves and Bank Accounts

RESERVES	FY 2025/26	FY 2026/27	Change	Change
	Actuals as of 3/30/26	PROPOSED Budget 4/5/26	from previous year budget in \$	from previous year budget in %
Capital (15% of fixed assets + 10% operating expense budget)	\$ 92,000	\$ 97,000	\$ 5,000	5%
Emergency (Emergency: 25% of fixed assets)	\$ 50,000	\$ 50,000	\$ -	0%
Operating (Operating: 50% of operating expense budget)	\$ 308,000	\$ 336,650	\$ 28,650	9%
Water Supply Reliability (Remainder)				
Water Supply Reliability held in LAIF	\$ 110,622	\$ 110,622	\$ -	0%
Water Supply Reliability held in CLASS	\$ 255,258	\$ 255,258	\$ -	100%
RESERVES TOTALS:	\$ 815,880	\$ 849,530	\$ (33,650)	-4%
OTHER ACCOUNTS	Actuals as of 3/30/26			
SBMC Checking	\$ 268,116			
CLASS Operating Savings	\$ 118,258			
Accounts Receivable - outstanding invoices	\$ 298,848			
OTHER ACCOUNTS TOTALS:	\$ 685,222			

- Capital, Emergency, and Operating Reserve target minimums are set based on policy as captured in the worksheet above.
- Water Supply Reliability Reserve has no target minimum but consists of “overflow” funds not used to meet the other three accounts.
- The annual target minimum increases in three accounts are managed by moving funds from the Water Supply Reliability Reserve, which may not be a sustainable practice. The Board should consider a target minimum or other guiding policies for the Water Supply Reliability Reserve.

Additional information on following page.

(Continued...)

Preliminary Budget Worksheet for April 6, 2026 Board Meeting, Pg 6 of 7

Reserves – Points for consideration:

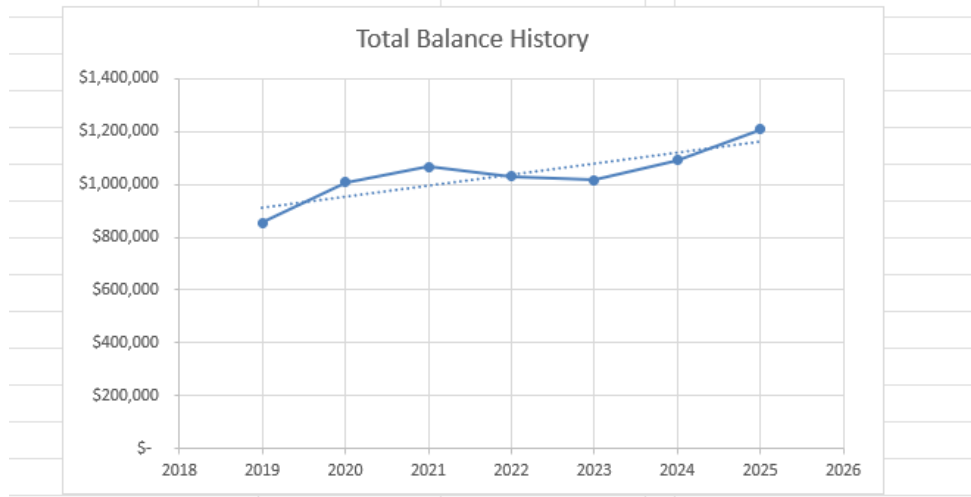
- This budget moderates near-term pricing by deferring or reducing certain cost assumptions, increasing project contributions, and utilizing reserves to balance the gap. Line items relying on reserves, estimated full-cost range for each, and triggers for using reserves:
 - Channel Maintenance
\$10,000 budgeted.
Additional funds of \$20,000 from operational reserve account for staff and legal counsel expenses could be used.
Triggers: Board direction to implement research, surveys, staff time, legal time, etc.
Work currently minimal due to lack of staff time.
 - Change Petition
\$7,000 budgeted.
Additional funds of \$5,000 from operational or water supply reliability reserve accounts for staff and legal counsel expenses could be used.
Triggers: SWRCB timing. Could be no action from SWRCB in the FY or could come back with clarifying questions.
Currently, staff is preparing mapping amendments to petition that are expected to be minor.
Project can be put on hold until next FY if expenses reach budgeting limits.
 - LAFCo Applications
\$5,000 budgeted.
Additional funds of \$20,000 from operational reserve account for staff and legal counsel expenses could be used.
Trigger: LAFCo action on annexation.
Currently, pending lawsuit on hold but could reactivate post-LAFCo approval. Also waiting for Tax Sharing Agreement with County to be settled (County progressing on its work.)
This project is cost shared with RVCWD: 40 RRFC/60 RVCWD and budget/estimates are RRFC only.
Project can be put on hold through request to LAFCo.
- While cost reduction/deferring and relying on reserves to bridge gaps is a practical approach, it is important the Board clearly communicate these dynamics to ensure the budget is transparent and well-supported. This can be done in the resolution adopting the budget.
- If all three projects exceed budgeted expenses in the fiscal year, the total exposure is approximately \$45,000 (to \$60,000 if overestimating.)
- The District has no policy or cap on reserve drawdown in a given year.
- Since 2019, \$297,250 of expenses have been covered by reserves
 - IWPC contributions \$197,000
 - GSA contributions \$98,750
 - Grant for trails group: \$1,500
- It is unknown how many years the practice of deferring or reducing certain cost assumptions, increasing project contributions, and utilizing reserves to balance the gap can be maintained. Additional analysis would be required.

(Continued...)

Preliminary Budget Worksheet for April 6, 2026 Board Meeting, Pg 7 of 7

Total Account Balance History

Year	Operations	Reserves	Total Balance
2019	\$ 381,368	\$ 474,440	\$ 855,808
2020	\$ 521,167	\$ 485,605	\$ 1,006,772
2021	\$ 576,677	\$ 489,718	\$ 1,066,395
2022	\$ 488,866	\$ 541,140	\$ 1,030,006
2023	\$ 315,565	\$ 699,713	\$ 1,015,278
2024	\$ 423,108	\$ 668,793	\$ 1,091,901
2025	\$ 410,476	\$ 798,072	\$ 1,208,548



Price Per Acre Foot of Water History

