

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

STAFF REPORT

Agenda Item 8: Reserves Policy Review

Monday, July 6, 2026

The Strategic Plan relevant priority is: **Governance and Operational Excellence** by fostering sound and sustainable management of District finances. Performance metric: Develop policy for budgeting, investing, and rate setting.

Background

Over the course of a few meetings, the Board will be presented with information on and an opportunity to discuss the District's Reserve Policy, providing direction to the General Manager on policy updates. Any final changes to policy will be presented for Board consideration at a public Board Meeting.

In June the Board reviewed and discussed the following:

- Why does the District have Reserves?
- What is the current Reserves Policy?
- How much does the District currently have in Reserve accounts?
- What is the District's historical balance and use of Reserves?

The Board directed the GM and Treasurer to explore the total costs of such projects as the New Eel Russian Facility and Expanding Storage at Lake Mendocino to extrapolate potential District contributions and set reserve targets to meet these future costs.

Establishing Potential Project Costs – New Eel Russian Facility (NERF)

Sonoma Water has engaged Jacobs (consultant) to support the Eel-Russian Project Authority (ERPA) in carrying out a business case analysis of approaches to pay for the NERF. The goal of this revenue strategy is to determine feasible approaches to pay for capital costs, bond financing costs, and ongoing maintenance and operation costs of the project over the debt repayment period, based on beneficiary pays principles.

Phase one includes developing a funding baseline, beneficiaries list, and revenue approaches including identifying 2 options to move forward for further analysis.

Funding baseline for NERF Preliminary Costs (as of March 2025)

- Design and permitting \$5-10 million
- Construction \$50 million
- Annual O&M \$7-12 million

Examples of funding sources include grants, bonds, special/local assessments, service fees and charges, tax increment financing, impact fees, public-private partnership, etc.

Jacobs is expected to have a draft NERF Revenue Options Analysis Report to the advisory committee in late June and a final draft presented at an ERPA meeting in August 2026.

(Continued...)

Establishing Potential Project Costs – Expanding Storage at Lake Mendocino

The Mendocino County Inland Water & Power Commission (IWPC) is working to increase the storage capacity of Lake Mendocino. Currently, the US Army Corp of Engineers (USACE) is undertaking a General Investigation Study with IWPC and the Lytton Band of Pomo Indians as co non-Federal Sponsors. USACE paused the study in October 2025 while awaiting additional funding. IWPC and Lytton Band of Pomo Indians have been working with other regional partners to identify Federal funding for the USACE. IWPC is also now considering alternative paths forward and presenting these to the Commission over a series of meetings.

If funded, a USACE study could extend for a 3 year period with a \$3 million budget. This would have a more limited range of options considered than originally planned. A locally funded study could extend for a 5 year period with estimated study costs of \$6-\$8 million. Additional options are still being developed and presented to IWPC, and local partners are being identified that may share in the local costs.

Discussion

The Board is invited to consider the information provided and present comments and questions. Since Staff is unable to narrow down expected project costs, further direction from the Board is requested for reserve policy development.

Recommended Action:

Provide feedback to General Manger on presented items and topic(s) for next meeting.

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