

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

STAFF REPORT

**Agenda Item 4: Final Fiscal Year 2023-2024 Budget and Rate Setting
Monday, August 7, 2023**

The Strategic Plan relevant priority is **Administration** ensuring sound and sustainable management of District finances.

Background

At the July 18, 2023 Special Board meeting, the Board adopted an Interim Fiscal Year 2023-2024 Budget that included an interim rate increase from \$47 per acre foot to \$61 per acre foot to cover the operating deficit for the fiscal year. The Board further discussed water supply reliability project expenses and the use of funds from the Water Supply Reliability Reserve, directing Staff and the Ad Hoc Committee to present a suggested option at the August 7, 2023 Board Meeting that would use \$100,000 from the LAIF Water Supply Reliability Reserve and a price per acre foot rate increase for the remainder. Staff and the Ad Hoc Committee prepared a second option that allocates some of the savings account funds to the Water Supply Reliability Fund Reserve and further offsets rate increases. Both options are presented in this staff report.

Discussion

Option 1:

The Board asked for an option to be developed that would use some funds from the LAIF Water Supply Reliability Fund and some funds through additional water rate increases.

Option 2:

Current Board Policy #18-01 indicates that SBMC Savings Account funds in excess of \$50,000 shall be transferred to the LAIF Water Supply Reliability Fund. As of June 30, 2023, the SBMC Savings Account balance was \$250,110.49, therefore according to Policy, \$200,110.49 of that is actually part of the Water Supply Reliability Fund and will be referred to as the “Savings Account Water Supply Reserve Fund.” Staff is recommending an update to Policy #18-01 in Consent Calendar Item 6c.

| Option 1: | Option 2: |
|--|---|
| <ul style="list-style-type: none">• The operational budget deficit required a \$14 per acre foot increase (from \$47 to \$61 per acre foot.)• Water supply reliability projects are projected to cost \$250,000 with \$100,000 funded from the LAIF Water Supply Reliability Fund and \$150,000 funded from an additional \$20 per acre foot rate increase, bringing the total price per acre foot to \$81. | <ul style="list-style-type: none">• The operational budget deficit required a \$14 per acre foot increase (from \$47 to \$61 per acre foot.)• Water supply reliability projects are projected to cost \$250,000 with \$100,000 funded from the LAIF Water Supply Reliability Fund, \$100,000 of the Savings Account Water Supply Reliability Reserve Fund, & \$52,500 funded from an additional \$7 per acre foot rate increase, bringing the total price per acre foot to \$68. |

Calculators are shown on the following pages with projections for 2024-2027 for general planning purposes only.

(Continued...)

Option 1:

A) Rate setting to cover operational expenses: DOES NOT ADDRESS ANY WATER SUPPLY PROJECTS

| EXPENSES: | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|-------------|-------------|-------------|-------------|-------------|
| Est Total Operating Expenses (5% CPI) | \$ 511,700 | \$ 537,285 | \$ 564,149 | \$ 592,357 | \$ 621,975 |
| REVENUE: | | | | | |
| Annual water rate increase per af | \$ 14 | \$ 3 | \$ 4 | \$ 3 | \$ 3 |
| Total per af rate for operational expenses | \$ 61 | \$ 64 | \$ 68 | \$ 71 | \$ 74 |
| Water Sales Revenue w/rate increase | \$ 457,500 | \$ 480,000 | \$ 510,000 | \$ 532,500 | \$ 555,000 |
| Est Tax Revenue | \$ 55,000 | \$ 57,750 | \$ 60,638 | \$ 63,669 | \$ 66,853 |
| Est Revenue Subtotal | \$ 512,500 | \$ 537,750 | \$ 570,638 | \$ 596,169 | \$ 621,853 |

B) Funding Water Supply Projects: DOES NOT ACCOUNT FOR OPERATIONAL EXPENSE BUDGET

| EXPENSES: | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|-------------|-------------|-------------|-------------|-------------|
| Est Annual Water Supply Project Expenses | \$ 250,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 |
| REVENUE: | | | | | |
| Annual water rate increase per af for projects | \$ 20.00 | \$ 27.00 | \$ 27.00 | \$ 27.00 | \$ 27.00 |
| Water Sales Revenue w/rate increase for projects | \$ 150,000 | \$ 202,500 | \$ 202,500 | \$ 202,500 | \$ 202,500 |
| Use of Savings Acct Water Supply Reserve Fund | \$ - | \$ - | \$ - | \$ - | \$ - |
| Use of LAIF Water Supply Reserve Fund | \$ 100,000 | \$ - | \$ - | \$ - | \$ - |
| Est Revenue Subtotal | \$ 250,000 | \$ 202,500 | \$ 202,500 | \$ 202,500 | \$ 202,500 |

| | |
|---------------------------------------|------------|
| Est LAIF Water Supply Reserve Balance | \$ 32,583 |
| Est Savings Account Balance | \$ 250,000 |

C) Final FY 2023-24 Budget Proposal

| EXPENSES: | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|-------------|-------------|--------------|--------------|--------------|
| Est Total Operating Expenses (5% CPI) | \$ 511,700 | \$ 537,285 | \$ 564,149 | \$ 592,357 | \$ 621,975 |
| Est Annual Water Supply Project Expenses | \$ 250,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 |
| Est Expenses Subtotal | \$ 761,700 | \$ 737,285 | \$ 764,149 | \$ 792,357 | \$ 821,975 |
| REVENUE: | | | | | |
| Total Annual water rate increase per af | \$ 34.00 | \$ 30.00 | \$ 31.00 | \$ 30.00 | \$ 30.00 |
| Total per af rate | \$ 81 | \$ 111 | \$ 142 | \$ 172 | \$ 202 |
| Total Water Sales Revenue w/rate increase | \$ 607,500 | \$ 832,500 | \$ 1,065,000 | \$ 1,290,000 | \$ 1,515,000 |
| Est Tax Revenue (5% CPI) | \$ 55,000 | \$ 57,750 | \$ 60,638 | \$ 63,669 | \$ 66,853 |
| Est Revenue Subtotal | \$ 662,500 | \$ 890,250 | \$ 1,125,638 | \$ 1,353,669 | \$ 1,581,853 |
| Use of Savings Acct Water Supply Reserve Fund | \$ 100,000 | \$ - | \$ - | \$ - | \$ - |
| Use of LAIF Water Supply Reserve Fund | \$ 100,000 | \$ - | \$ - | \$ - | \$ - |
| Total Funds available for FY 23-24 Expenses: | \$ 862,500 | \$ 890,250 | \$ 1,125,638 | \$ 1,353,669 | \$ 1,581,853 |

| | |
|---------------------------------------|------------|
| Est LAIF Water Supply Reserve Balance | \$ 32,583 |
| Est Savings Account Balance | \$ 150,000 |

(Continued...)

| Rate setting to cover operational expenses: DOES NOT ADDRESS ANY WATER SUPPLY PROJECTS | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| EXPENSES: | 2023 | 2024 | 2025 | 2026 | 2027 |
| Est Total Operating Expenses (5% CPI) | \$ 511,700 | \$ 537,285 | \$ 564,149 | \$ 592,357 | \$ 621,975 |
| REVENUE: | | | | | |
| Annual water rate increase per af | \$ 14 | \$ 3 | \$ 4 | \$ 3 | \$ 3 |
| Total per af rate for operational expenses | \$ 61 | \$ 64 | \$ 68 | \$ 71 | \$ 74 |
| Water Sales Revenue w/rate increase | \$ 457,500 | \$ 480,000 | \$ 510,000 | \$ 532,500 | \$ 555,000 |
| Est Tax Revenue | \$ 55,000 | \$ 57,750 | \$ 60,638 | \$ 63,669 | \$ 66,853 |
| Est Revenue Subtotal | \$ 512,500 | \$ 537,750 | \$ 570,638 | \$ 596,169 | \$ 621,853 |

| B) Funding Water Supply Projects: DOES NOT ACCOUNT FOR OPERATIONAL EXPENSE BUDGET | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| EXPENSES: | 2023 | 2024 | 2025 | 2026 | 2027 |
| Est Annual Water Supply Project Expenses | \$ 250,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 |
| REVENUE: | | | | | |
| Annual water rate increase per af for projects | \$ 7.00 | \$ 27.00 | \$ 27.00 | \$ 27.00 | \$ 27.00 |
| Water Sales Revenue w/rate increase for projects | \$ 52,500 | \$ 202,500 | \$ 202,500 | \$ 202,500 | \$ 202,500 |
| Use of Savings Acct Water Supply Reserve Fund | \$ 100,000 | \$ - | \$ - | \$ - | \$ - |
| Use of LAIF Water Supply Reserve Fund | \$ 100,000 | \$ - | \$ - | \$ - | \$ - |
| Est Revenue Subtotal | \$ 252,500 | \$ 202,500 | \$ 202,500 | \$ 202,500 | \$ 202,500 |
| Est LAIF Water Supply Reserve Balance | \$ 32,583 | | | | |
| Est Savings Account Balance | \$ 150,000 | | | | |

| C) Final FY 2023-24 Budget Proposal | | | | | |
|---|-------------|-------------|--------------|--------------|--------------|
| EXPENSES: | 2023 | 2024 | 2025 | 2026 | 2027 |
| Est Total Operating Expenses (5% CPI) | \$ 511,700 | \$ 537,285 | \$ 564,149 | \$ 592,357 | \$ 621,975 |
| Est Annual Water Supply Project Expenses | \$ 250,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 |
| Est Expenses Subtotal | \$ 761,700 | \$ 737,285 | \$ 764,149 | \$ 792,357 | \$ 821,975 |
| REVENUE: | | | | | |
| Total Annual water rate increase per af | \$ 21.00 | \$ 30.00 | \$ 31.00 | \$ 30.00 | \$ 30.00 |
| Total per af rate | \$ 68 | \$ 98 | \$ 129 | \$ 159 | \$ 189 |
| Total Water Sales Revenue w/rate increase | \$ 510,000 | \$ 735,000 | \$ 967,500 | \$ 1,192,500 | \$ 1,417,500 |
| Est Tax Revenue (5% CPI) | \$ 55,000 | \$ 57,750 | \$ 60,638 | \$ 63,669 | \$ 66,853 |
| Est Revenue Subtotal | \$ 565,000 | \$ 792,750 | \$ 1,028,138 | \$ 1,256,169 | \$ 1,484,353 |
| Use of Savings Acct Water Supply Reserve Fund | \$ 100,000 | \$ - | \$ - | \$ - | \$ - |
| Use of LAIF Water Supply Reserve Fund | \$ 100,000 | \$ - | \$ - | \$ - | \$ - |
| Total Funds available for FY 23-24 Expenses: | \$ 765,000 | \$ 792,750 | \$ 1,028,138 | \$ 1,256,169 | \$ 1,484,353 |
| Est LAIF Water Supply Reserve Balance | \$ 32,583 | | | | |
| Est Savings Account Balance | \$ 150,000 | | | | |

Recommended Action:

The Board has several options regarding adoption of the final Fiscal Year 2023-24 Budget.

- (1) Move to approve Resolution #23-03 Approving Fiscal Year 2023-23 Budget using Option 1;
or
- (2) Move to approve Resolution #23-03 Approving Fiscal Year 2023-23 Budget using Option 2;
or
- (3) Move to approve Resolution #23-03 Approving Fiscal Year 2023-23 Budget using an alternative option;
or
- (4) Provide direction to Staff to return to the Board with a Final Budget for approval at a later date;

and
- (5) Disband the 2023 Strategic Plan Implementation Budget Ad Hoc Committee.

Attachments:

- DRAFT Resolution #23-03 Approving Fiscal Year 2023-23 Budget using Option 1
- DRAFT Resolution #23-03 Approving Fiscal Year 2023-23 Budget using Option 2

DRAFT Resolution #23-03 – OPTION 1

of the

Mendocino County Russian River Flood Control & Water Conservation Improvement District

Adopting the Final Budget for Fiscal Year 2023-2024

WHEREAS, the Mendocino County Russian River Flood Control & Water Conservation Improvement District Board of Trustees, hereinafter referred to as the “Board of Trustees,” annually adopts a final budget; and

WHEREAS, the Board of Trustees heard and fully considered all oral and written public comment including the Strategic Plan Implementation Budget Ad Hoc and General Manager’s report and recommendations for consideration of the Budget at a Regular Board Meeting on June 5, 2023, a Special Board Meeting on July 18, 2023, and a Regular Board Meeting on August 7, 2023;

NOW, THEREFORE, BE IT RESOLVED that the District Board of Trustees hereby approves the Final Budget for Fiscal Year 2023-2024 as set forth in Exhibit A, attached hereto with revenue in the amount of \$665,369, expenses in the amount of \$761,700;

BE IT FURTHER RESOLVED that the District Board of Trustees hereby authorizes the use of up to \$100,000 from the LAIF Water Supply Reliability Reserve Fund;

BE IT FURTHER RESOLVED that the District Board of Trustees hereby sets the water rate at \$81 per acre foot for the contract term of 2023 Calendar year.

ADOPTED 7th of August, 2023 by the Board of Trustees of the Mendocino County Russian River Flood Control & Water Conservation Improvement District, by the following vote:

| | |
|------------------|----------------------------|
| Christopher Watt | Yes/ No / Abstain / Absent |
| Alfred White | Yes/ No / Abstain / Absent |
| John Bailely | Yes/ No / Abstain / Absent |
| Tyler Rodrigue | Yes/ No / Abstain / Absent |
| John Reardan | Yes/ No / Abstain / Absent |

Signed:

Christopher Watt, Board of Trustees President

Date

Attest:

Elizabeth Salomone, General Manager

Date

A copy of this resolution, the agreement, and any attachments thereto shall be on file in the office of Mendocino County Russian River Flood Control & Water Conservation Improvement District, 304 N. State Street #2, Ukiah, CA 95482.

Exhibit A: OPTION 1
Mendocino County Russian River Flood Control
Water Conservation Improvement District
Fiscal Year 2023-2024 Final Budget

| REVENUE | Approved |
|---|-------------------|
| Water Sales, Contracted (7,497.15 af at \$81per af) | \$ 607,269 |
| Property Taxes | \$ 55,000 |
| Interest, LAIF & Savings | \$ 3,100 |
| TOTAL REVENUE | \$ 665,369 |

| EXPENSES | Approved |
|---|-------------------|
| Consulting (General other than legal) | \$ 28,000 |
| Groundwater Sustainability Agency | \$ 100,000 |
| Insurance | \$ 7,800 |
| Inland Water & Power Commission JPA | \$ 3,300 |
| Legal Counesl (General) | \$ 20,000 |
| Local Agency Formation Commission (LAFCo) | \$ 2,000 |
| Memberships | \$ 6,000 |
| Payroll Expenses | \$ 262,600 |
| Property Tax Administration Fees | \$ 1,000 |
| Rent, Utilities, Office Operating | \$ 12,000 |
| Stream flow gage (USGS) | \$ 16,000 |
| Stipends | \$ 13,500 |
| Training, Conferences, Associated Costs | \$ 6,000 |
| Unfunded Pension Liability | \$ 9,500 |
| Vehicle | \$ 2,000 |
| Water Rights | \$ 22,000 |
| Water Supply Reliabilty Projects | \$ 250,000 |
| TOTAL EXPENSES | \$ 761,700 |

| | Approved |
|--|--------------------|
| TOTAL REVENUE | \$ 665,369 |
| less TOTAL OPERATING EXPENSES | \$ 761,700 |
| EQUALS | \$ (96,331) |
| less USE OF WATER SUPPLY RELIABILTY RESERVE FUNDS | \$ 100,000 |
| EQUALS | \$ 3,669 |

| RESERVES | Approved |
|--|-------------------|
| Capital (15% of fixed assets + 10% operating expense budget) | \$ 73,670 |
| Emergency (Emergency: 25% of fixed assets) | \$ 37,500 |
| Operating (Operating: 50% of operating expense budget) | \$ 255,850 |
| Water Supply Reliability (Remainder) | \$ 29,238 |
| TOTALS: | \$ 396,258 |

DRAFT Resolution #23-03 – OPTION 2

of the

Mendocino County Russian River Flood Control & Water Conservation Improvement District

Adopting the Final Budget for Fiscal Year 2023-2024

WHEREAS, the Mendocino County Russian River Flood Control & Water Conservation Improvement District Board of Trustees, hereinafter referred to as the “Board of Trustees,” annually adopts a final budget; and

WHEREAS, the Board of Trustees heard and fully considered all oral and written public comment including the Strategic Plan Implementation Budget Ad Hoc and General Manager’s report and recommendations for consideration of the Budget at a Regular Board Meeting on June 5, 2023, a Special Board Meeting on July 18, 2023, and a Regular Board Meeting on August 7, 2023;

NOW, THEREFORE, BE IT RESOLVED that the District Board of Trustees hereby approves the Final Budget for Fiscal Year 2023-2024 as set forth in Exhibit A, attached hereto with revenue in the amount of \$567,906, expenses in the amount of \$761,700;

BE IT FURTHER RESOLVED that the District Board of Trustees hereby authorizes the use of up to \$100,000 from the LAIF Water Supply Reliability Reserve Fund and up to \$100,000 from the Savings Account Water Supply Reliability Reserve Fund;

BE IT FURTHER RESOLVED that the District Board of Trustees hereby sets the water rate at \$68 per acre foot for the contract term of 2023 Calendar year.

ADOPTED 7th of August, 2023 by the Board of Trustees of the Mendocino County Russian River Flood Control & Water Conservation Improvement District, by the following vote:

| | |
|------------------|----------------------------|
| Christopher Watt | Yes/ No / Abstain / Absent |
| Alfred White | Yes/ No / Abstain / Absent |
| John Bailely | Yes/ No / Abstain / Absent |
| Tyler Rodrigue | Yes/ No / Abstain / Absent |
| John Reardan | Yes/ No / Abstain / Absent |

Signed:

Christopher Watt, Board of Trustees President

Date

Attest:

Elizabeth Salomone, General Manager

Date

A copy of this resolution, the agreement, and any attachments thereto shall be on file in the office of Mendocino County Russian River Flood Control & Water Conservation Improvement District, 304 N. State Street #2, Ukiah, CA 95482.

Exhibit A: OPTION 2

Mendocino County Russian River Flood Control
Water Conservation Improvement District
Fiscal Year 2023-2024 Final Budget

| REVENUE | Approved |
|--|-------------------|
| Water Sales, Contracted (7,497.15 af at \$68per af) | \$ 509,806 |
| Property Taxes | \$ 55,000 |
| Interest, LAIF & Savings | \$ 3,100 |
| TOTAL REVENUE | \$ 567,906 |

| EXPENSES | Approved |
|---|-------------------|
| Consulting (General other than legal) | \$ 28,000 |
| Groundwater Sustainability Agency | \$ 100,000 |
| Insurance | \$ 7,800 |
| Inland Water & Power Commission JPA | \$ 3,300 |
| Legal Counesl (General) | \$ 20,000 |
| Local Agency Formation Commission (LAFCo) | \$ 2,000 |
| Memberships | \$ 6,000 |
| Payroll Expenses | \$ 262,600 |
| Property Tax Administration Fees | \$ 1,000 |
| Rent, Utilities, Office Operating | \$ 12,000 |
| Stream flow gage (USGS) | \$ 16,000 |
| Stipends | \$ 13,500 |
| Training, Conferences, Associated Costs | \$ 6,000 |
| Unfunded Pension Liability | \$ 9,500 |
| Vehicle | \$ 2,000 |
| Water Rights | \$ 22,000 |
| Water Supply Reliabilty Projects | \$ 250,000 |
| TOTAL EXPENSES | \$ 761,700 |

| | Approved |
|--|---------------------|
| TOTAL REVENUE | \$ 567,906 |
| less TOTAL OPERATING EXPENSES | \$ 761,700 |
| EQUALS | \$ (193,794) |
| less USE OF LAIF WATER SUPPLY RELIABITLIY RESERVE FUNDS | \$ 100,000 |
| less USE OF SAVINGS ACCT WATER SUPPLY RELIABITLIY RESERVE FUNDS | \$ 100,000 |
| EQUALS | \$ 6,206 |

| RESERVES | Approved |
|--|-------------------|
| Capital (15% of fixed assets + 10% operating expense budget) | \$ 73,670 |
| Emergency (Emergency: 25% of fixed assets) | \$ 37,500 |
| Operating (Operating: 50% of operating expense budget) | \$ 255,850 |
| Water Supply Reliability (Remainder) | \$ 29,238 |
| TOTALS: | \$ 396,258 |