FISCAL YEAR 2026 ROSSMOOR WALNUT CREEK

BUDGET PRINCIPLES

In order to provide direction to the General Manager, the Chief Financial Officer, and RWC staff as they prepare the draft 2026 budget, the Board of Directors has adopted the following Budget Principles:

1. The budget will be prepared as a “base line” budget reflecting a program service like fiscal year 2025 budget. This “base line” budget may be subject to adjustments but only after any proposed change has been evaluated by the Board and taking into consideration all the information developed as a result of the following principles.

2. The budget will include a line-item expenditure summary for each operating department.

3. The budget will utilize price projections prepared by the CFO for common commodities, e.g., fuel, utilities, and postage, for use by all operating departments and divisions as they prepare their individual budgets.

4. For any proposed new program or program augmentation, including programs initiated by Board action, the responsible department or division must prepare a memorandum to describe and justify the new program and quantify the cost. In addition, this process will be used to justify/document one time or limited duration increases in program, e.g., undertaking a study, preparing a report or a plan, or conducting a special event.

5. The budget will include sufficient funds for facility/property maintenance programs as identified in the Long-Range Comprehensive Capital Improvement plan.

6. To the extent such opportunities are identified by staff, the Finance Committee, or the RWC Board, the budget process will explore opportunities for increasing revenue or developing new sources of revenue which could accrue to the operations budget and, in turn, reduce the annual RWC coupon amount.

7. To the extent such opportunities are identified by staff, the Finance Committee, or the RWC Board, the budget process will explore opportunities to more fully recover program activity costs, implementation of which would increase revenue and thereby reduce the annual RWC coupon amount.

8. To the extent such opportunities are identified by staff, the Finance Committee, or the RWC Board, the budget process will explore opportunities to improve productivity or modify or eliminate program activities, implementation of which would reduce operation costs which, in turn, could reduce the amount of the annual RWC coupon. The budget process will also review any prior year's program changes, to evaluate the effectiveness of those changes.

9. Insurance premium costs will be based on estimates provided by our broker, Gallagher, including workers' compensation insurance projections.

10. The budget will include background information to explain any major factors driving significant year-over-year change in personnel costs.

11. The budget will discuss, in the line-item budget narrative, any significant anticipated 2025 year-end (over or under) differences.

12. There can be an increase in the RWC staffing level in 2026: 1) if the Board approves new or expanded programs or additional staff, or 2) an emergency arises.

13. The budget will include the following wage adjustment pools for non-union employees:
    1. A wage increase amount as recommended by the Compensation Committee and approved by the RWC board will be incorporated into the budget.
    2. A merit/market salary adjustment pool to be used in accordance with the Compensation Management Structure as approved by the RWC Board.

14. The budget will include any possible bonus or compensation adjustment for the General Manager.

15. The budget will include any wage or benefit adjustments to comply with union contract provisions.

16. Evaluate the year-end operating fund cash balance currently targeted at $2.0 million.

17. Projected operating cash in excess of the amount targeted in Principle 16 may be used as a source of funds to offset operation costs or to fund the Trust Maintenance Operating Fund which shall have the effect of minimizing future Trust Maintenance expense fluctuations.

18 The budget may include a contribution for the Trust Maintenance Fund in excess of the projected 2026 Trust Maintenance expense in order to build up the Fund to minimize future expense fluctuations.

19. The budget shall include TV and broadband services.