



FY2027 Operating and Capital Budgets

The purpose of this memorandum is to present the proposed FY2027 Operating and Capital Budgets for the Board's review and consideration. A detailed budget presentation will be provided at the Board meeting on Wednesday, June 24, where we will discuss the proposed budgets in greater detail, including the key assumptions, methodologies, and analysis that informed their development.

While our approach to developing the FY2027 budget was largely consistent with last year's process, improvements in donor stewardship and the strategic use of technology have given us a clearer understanding of our donors' capacity and willingness to support the organization. In addition, the conservative assumptions we applied to government revenue projections for FY2026 ultimately proved more cautious than necessary. Although government funding has not returned to the levels seen in prior years, the significant reductions that many anticipated did not materialize.

FY2027 Operating Budget

We are presenting our FY2027 budget in comparison to a modified (proforma) FY2026 projected results. During FY2026 we had several revenue streams (one with significant expense offset) that will not be present in FY2027. A breakdown of the changes from the year-end projection is outlined on the following pages.

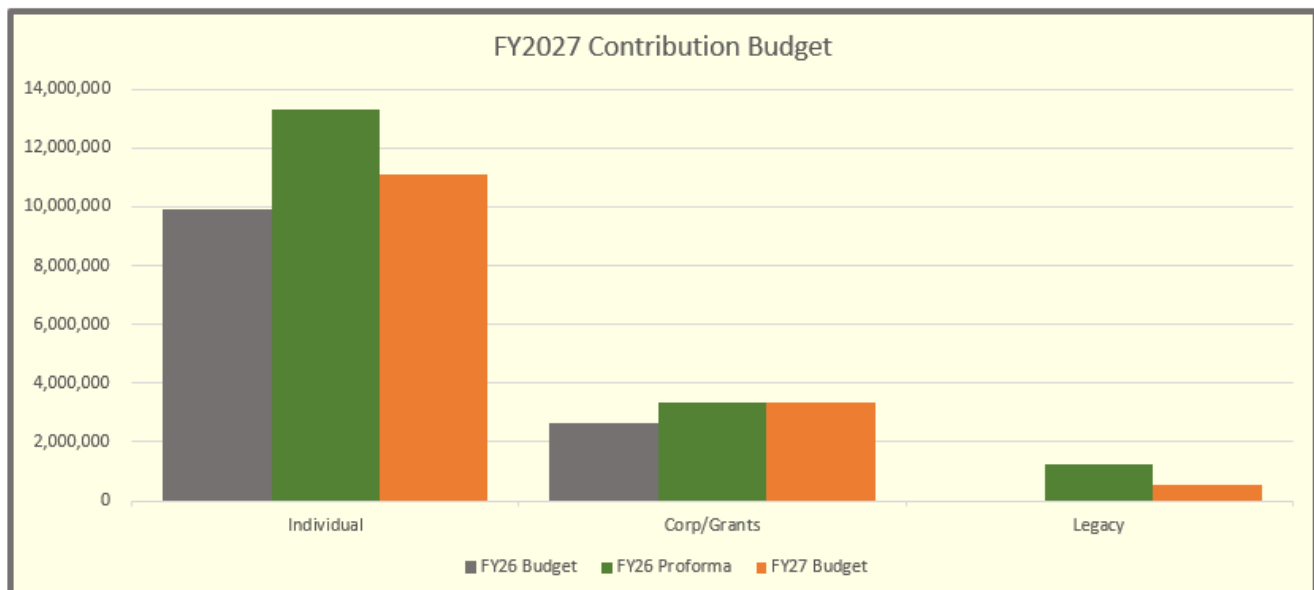
	FY26 Budget	FY26 Proforma	FY27 Budget	FY27 to FY26 Proforma	
				Var \$	Var %
Contributions	12,500,000	17,904,800	15,000,000	(2,904,800)	(16%)
Government	1,480,000	3,301,100	3,247,000	(54,100)	(2%)
Program	1,383,600	1,392,400	1,426,000	33,600	2%
Investment	1,110,800	1,476,500	1,356,000	(120,500)	(8%)
Total Revenue	16,474,400	24,074,800	21,029,000	(3,045,800)	(13%)
Food Costs	6,915,700	7,091,200	8,502,300	1,411,100	20%
Payroll	8,769,259	8,674,700	9,078,100	403,400	5%
Other	3,524,341	3,448,000	3,448,600	600	0%
Total Expense	19,209,300	19,213,900	21,029,000	1,815,100	9%
Net Revenue	(2,734,900)	4,860,900	-		

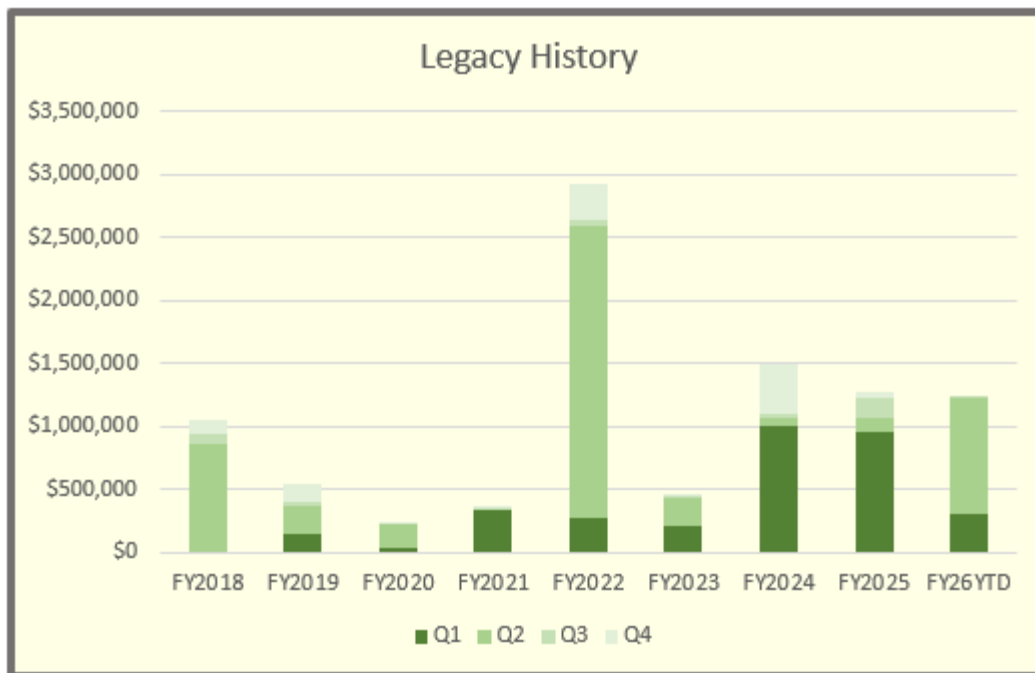
Revenue Assumptions

Contributions

- The spike in contributed revenue in FY26 was crisis driven and only a portion is expected to be sustained into FY27; therefore, the FY27 budget must remain conservative.
- \$15M revenue forecast assumes \$1M in retention revenue (based on nonprofit HHS benchmarks and calculations, likely to materialize in Nov/Dec), added to reasonably expected revenue of \$12.5M (based on 5-year average of actuals) and conservative growth revenue of \$1.5M (based on upgrades and strategic activities).
- Development leaders of food banks across the country unanimously report that FY27 revenue forecasts are lower than FY26 actuals but equal to or slightly higher than FY26 forecasts.
- Nationwide philanthropic giving projections for FY27 are generally flat or declining. Our revenue budget goal of a nearly 20% increase over last year's goal (budget of \$12.5 million) is ambitious.
- Monthly revenue projections increased due to growth in FPP revenue, which now exceeds \$100K/mo.
- The forecast excludes any potential additional revenue from unplanned events or possible crisis campaign communications and includes only minimal legacy revenue, therefore unexpected infusions are still possible.
- We've built in the assumption of (conservative) revenue associated with a Spring event (Empty Bowls).
- We included a very conservative line item for Legacy revenue this year (though that revenue ultimately rolls up to the expectation for Individual revenue).

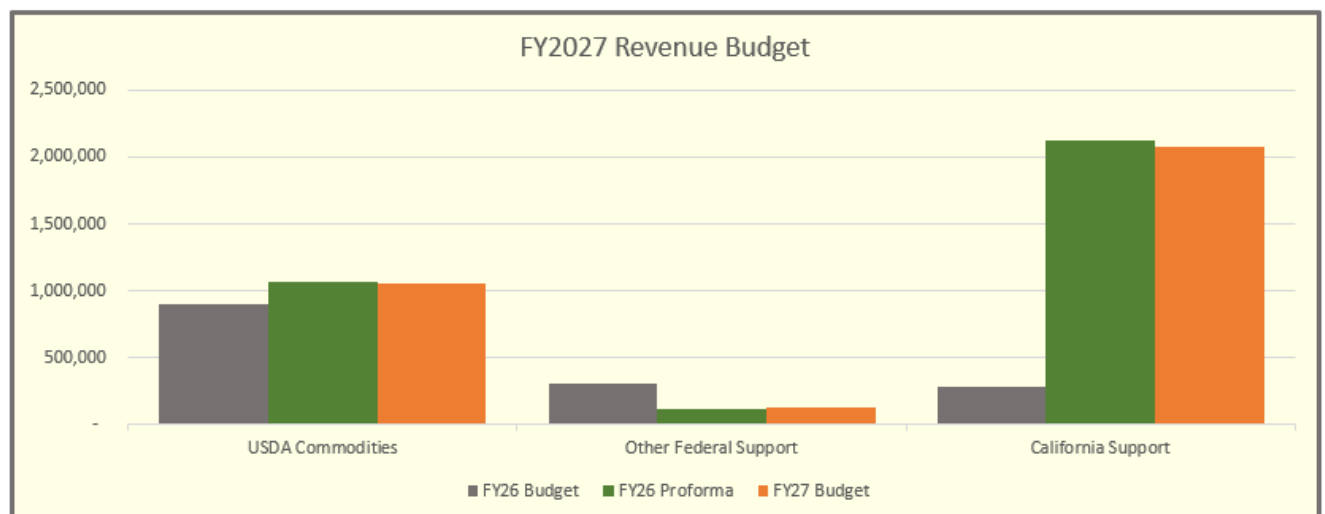
	FY26 Budget	FY26 Proforma	FY27 Budget	FY27 to FY26 Proforma	
				Var \$	Var %
Individual	9,875,000	13,326,200	11,125,000	(2,201,200)	(17%)
Corp/Grants	2,625,000	3,348,000	3,335,000	(13,000)	(0%)
Legacy	0	1,230,000	540,000	(690,000)	(56%)
Total	12,500,000	17,904,200	15,000,000	(2,904,200)	(16%)





Government Revenue and Other Income

- Our contract with California Department of Social Services (CDSS) for the USDA meal program (After School Café) will shift to our long-time vendor, Santa Rosa City Schools (SRCS), effective FY2027. The REFB will support SRCS with distribution and compliance matters. This revenue stream had an expense offset of 90% (\$392,000 for FY2026).
- Notification of unexpected government funding may occur throughout the year for USDA Commodity support. Revenue presented in this budget is a typical or expected level of funding.
- Investment income presented on the FY2027 budget is estimated by Morgan Stanley and adjusted internally based on anticipated transfer from the Short-term Reserve to the Operating account.
- The table below the chart shows the changes by funding stream from FY2026 to FY2027.



Government/Investment Funding	FY26 Proj	FY26 Proforma	FY27 Budget	FY27 Budget to Proforma	Var \$	Var %	Comment
USDA Commodities							
:: CSFP (Senior Basket)	710,600	710,600	725,500	14,900	2%		No changes expected
:: TEFAP (Supplemental Groceries)	349,800	349,800	325,000	(24,800)	(7%)		No changes expected
Other Federal Support							
:: Meal Program	401,300	19,400	21,500	2,100	11%		REFB program support only
:: Food Connections (SNAP)	100,000	100,000	100,000	-			No changes expected
California Support							
:: CalFood - Food purchase grant	947,200	947,200	900,000	(47,200)	(5%)		Final allocation TBD
:: Diaper Bank Grant	999,100	999,100	1,000,000	900	0%		Final allocation TBD
:: Senior Basket Grant	175,000	175,000	175,000	-			No changes expected
:: Capital Capacity Grant	134,200			-			End of a multi-year grant
Other Government Support							
:: Lake County (Partner Support)	127,000						Likely one-time funding
:: Town of Windsor	1,400						Funding level uncertain
Government Revenue	3,945,600	3,301,100	3,247,000	(54,100)	698,600		
Investment Revenue	1,845,600	1,514,100	1,356,000	(158,100)			Removed \$331,500 Realized Gain
Gov't & Investment Revenue	5,791,200	4,815,200	4,603,000	(212,200)	1,188,200		

Meal Program revenue of \$401,300 had an expense offset of \$392,000 that was removed from projected expenses.

Participation Assumptions

- FY2026 was built on FY2025 participation data. During this year, we ran about 20% underbudget through March. We will likely end the year about 15% underbudget.
- Due to the timing in which we begin the food budget, we used the March 2026 participation activity to build our distribution expense model for FY2027. Our budget assumes an increase of about 10% over FY2026 expected results

Expense Assumptions

- POH content of purchased food was developed to closely the enhancement level during the last months of FY2026. Our goal is to maintain a similar mix of protein and staples we offered with our enhanced POH. For FY27, we assumed a slightly lower level of purchased food than the enhanced spending level and use of USDA and donated inventory. If appropriate to maintain the mix of food offered and subject to Board approval, we will seek incremental funding to enhance our POH, similar to what was done in FY26
- The cost of produce was increased from our current average of \$0.25 to \$0.29. This small increase was nearly \$600,000.
- We assumed an average 3% salary increase and 10% benefit increase. Our workers compensation increased about 18%. We plan to add one additional FTE in development by January 2027.
- We assumed elevated cost of fuel through the end of the calendar year.

Budget Adherence Strategies

To ensure budget targets are achieved, the following initiatives will be maintained and enhanced throughout the fiscal year:

Revenue Monitoring and Review

- Expected contributed revenue volume varies by season/campaign, and the timing of event/grant revenue is unpredictable. Both the Development team and the Leadership team will monitor the revenue budget-to-actuals monthly.
- Revenue results will be shared with the Finance Committee monthly and with the full Board of Directors quarterly.
- Following Q2, we will conduct an in-depth review of the revenue budget-to-actuals to determine necessary plan adjustments.

Cost Monitoring and Review

- Review monthly cost and operational activities with internal stakeholders and the Finance Committee.
- Using early warning metrics, monitor both costs and the underlying operational or participation drivers to maintain appropriate food costs oversight.
- Maintain ongoing budget-to-actual variance analysis by the Finance Team to identify and communicate deviations in a timely manner to internal stakeholders and the Finance Committee.

Key Cost Management Areas

Food Costs

- Adjust POH content and purchasing levels based on distribution volumes and participant demand to support cost control and minimize waste.
- Include monthly participation by the CFO in forecasting meetings to strengthen oversight and strategic alignment.

Future Opportunities

The following opportunities will be evaluated to improve operational efficiency, strengthen long-term sustainability, and align expenses with organizational resources and service priorities:

Contribution Revenue

- Return of Director and new Associate have increased development capacity, which will further increase with the addition of another fundraising professional (included in FY27 budget following positive holiday performance).
- Recently implemented technology provides greater donor insights and has exponentially increased processing efficiency, allowing for greater capacity for stewardship and focus on personalized stewardship queues and reporting.
- Team members now have defined portfolios with personalized moves management queues to focus outreach and track performance.
- Intentionally focusing on Full Plate Partner strategies and stewardship will build sustainable funding, with a long-term goal of \$500K/mo.

- New/increased planned giving communications will open new opportunities for lifetime giving and engagement.
- New tools and strategies for grant research are expected to yield increased funding opportunities.
- Greater budget allocation for campaign acquisition data will expand reach to new donors through direct mail marketing.
- Leveraging the 40th Anniversary may allow for special promotions and additional donor touchpoints.
- Possible new/additional benefit events (Guy Fieri, etc.) may produce unplanned revenue.
- Unexpected legacy gifts can significantly impact revenue results.
- Developing a strategic plan will strengthen the case for support and donor relationships.

Operational Efficiency

- Develop metrics and strategies to identify and monitor operational efficiency opportunities
- Engage staff in reviewing existing processes and resource utilization to identify efficiencies and operational improvements
- Assess staffing models and resource allocation opportunities while maintaining appropriate service levels
- Define expense structures that can flex appropriately with varying funding levels
- Implement and evaluate new secure AI-based PDF reading solution to streamline check donation processing workflows

Distribution and Service Delivery

- Investigate factors contributing to declining participation levels and identify opportunities to adjust distribution sites or schedules to improve participant access and engagement.
- Continue expanding partner-led distribution sites to increase food availability throughout the service area while minimizing operational impact on existing staff resources.

FY2027 Capital Budget

The proposed FY2027 Capital Budget includes investments in new assets and improvements to existing assets that enhance operational efficiency, safety, and long-term sustainability. In addition, ongoing repairs and maintenance to our fleet and facilities help extend the useful life of these assets, protect prior investments, and support reliable day-to-day operations.

FY2027 Capital Expenditures Planned

Category	Schedule Description	Estimate	Timing
Facilities	Baler (cardboard/plastic)	\$24,000	Q1
Facilities	Cooler and Freezer Monitoring	\$68,000	Q1
Facilities	Comm Room Technology	\$11,000	Q1
Facilities	Market Entry Door	\$25,000	Q3
Facilities	Parking Lot Stripe & Seal	\$10,000	Q4
		\$138,000	
Fleet	Vehicle Painting	\$15,000	Q3
Fleet	Capital Repair	\$15,000	Q3
		\$30,000	
IT	Computers (Laptops/Desktops)	\$13,000	Q2
IT	Computers (Switches)	\$5,000	Q2
IT	Wireless Access Points	\$20,000	Q2
		\$38,000	
Eqpt	Capital Repair - battery replacement	\$11,000	Q3
IT	Satellite Communication	\$7,800	Q4
Facilities	First Aide/AED Kit Refresh	\$8,800	Q2
Facilities	Surveillance Monitoring Retention	\$18,000	Q3
		\$34,600	
	FY2027 Planned Total	\$251,600	
	Funding Summary		
	Grant Funding Secured	\$40,000	
	Grant Funding Expected	\$52,000	
	REFB Funding	\$125,000	
	Grant Funding to Seek	\$34,600	
		\$251,600	