WHITEHAWK RANCH MUTUAL WATER COMPANY P.O. BOX 147 CLIO, CA 96106

Board Members: Steve Ursenbach, President Pauline Hecker, VP Taylor Carr, Secretary Ken Hyatt, CFO Jack Miller, Director

Tom Vannoy, Operations Manager Joleen Cline, Administrative Manager

November 15, 2023

Subject: 2024 Water and Wastewater Service Fees Increase

Dear Whitehawk Ranch Mutual Water Company Shareholders,

In 2024, we anticipate a 12.5% increase in water and wastewater service fees. Allow me to provide you with an in-depth understanding of the reasons behind this increase.

2024 poses some unique challenges that have compelled us to make this adjustment. Several factors are at play, including recent high inflation rates, heightened competition for skilled employees in our local job market, stringent State of CA Treatment Plant Operator Certification requirements, and a complex multi-year management transition program. These elements collectively contribute to a significant increase in the company's annual expenses.

As we've previously shared in our newsletters and budget updates, the post-COVID economy has exerted significant pressure on our local labor market, driving up operational expenses. Over the past two years, our Board has diligently worked to provide competitive compensation to our dedicated employees, ensuring we attract and retain individuals who are committed to delivering exceptional customer service and maintaining the high standards our community expects.

For context, the 4% rate increase in 2022 and the subsequent 8% increase in 2023 were the first adjustments since 2018. Despite the 8% increase, we find ourselves playing catch-up with the cumulative effects of recent inflationary pressures.

The impending semi-retirement of Tom Vannoy, after 35 years of dedicated service, presents a substantial challenge for the Board. Identifying his successor has proven to be no small task and will pose financial management challenges in the coming years. Our multi-year operations management transition plan introduces unavoidable personnel expenses to the 2024 budget and beyond, as outlined below.

In August, we welcomed Ian Wright, a certified Water Treatment Specialist, as a Facilities Manager in Training. Ian comes to us with over 15 years' experience specializing in Water Treatment and Distribution. Over the next few years, Ian will obtain State Wastewater Operator Certifications, familiarize himself with all aspects of our ranch's operations, and eventually assume full responsibility for operations and regulatory oversight. Tom Vannoy will reduce his weekly hours and compensation while maintaining ultimate responsibility for overseeing the ranch and water company's treatment operations, as well as regulatory filings, until this transition is complete.

For the past 15 years, our water company has provided contract support services to various community organizations, meeting their maintenance requirements, such as snow removal, landscaping, and pool services. More recently, we expanded our scope to include administrative support services for all management organizations at the ranch, including the HOA, CSD, TOA, and Hawk Ridge. These service contracts, carried out by our skilled water company personnel, operate on a breakeven basis. Consequently, any increases in payroll and benefit expenses are passed along with the annual contract renewals. Therefore, shareholders should anticipate fee increases in the coming year from these organizations.

In a more positive light, the maintenance and replacement reserves fund for the Mutual Water Company has been meticulously managed since the inception of the ranch. Currently, the cash balance exceeds \$850,000. Recognizing the limited reserve expenditures expected in the coming year, the Board has decided not to increase the reserves contribution in 2024, and instead, allocate those funds to offset expenses.

In closing, we understand that this news may raise concerns and questions. Rest assured, we remain committed to transparency and fiscal responsibility in managing your water company. We encourage you to reach out to us with any inquiries or clarifications you may need as we navigate these changes together. Your continued support and understanding are greatly appreciated as we work towards maintaining the high-quality service you expect from Whitehawk Ranch Mutual Water Company.

Thank you for your attention and trust in us.

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Steve Ursenbach, Board President Whitehawk Ranch Mutual Water Co. sgursenbach@att.net

Whitehawk Ranch Mutual Water Company 2024 Budget (approved 11-13-2023)

ADMIN & OPERATING INCOME/EXPENSE

Income	
Contract Svs. Income	274,485.00
Honor Dumpster	6,000.00
Interest Operating Act.	50.00
Monthly Dues	588,568.71
Non-Contract Svs. Income	2,000.00
Total Income	871,103.71
Expense	
ADMINISTRATIVE COSTS	
Bank Charges	410.00
Education	3,000.00
Insurance	15,000.00
Office Supplies/Postage/Print	1,470.00
Personnel	
Contract Janitorial Svs.	5,460.00
Dental/Optical	7,250.00
Employee Benefits (Ins/Retmt)	74,583.62
Payroll Tax	40,084.31
State Comp Insurance	19,042.83
Payroll Expenses	498,634.00
Total Personnel	645,054.76
Subscriptions	650.00
Tax Preparation	4,000.00
Taxes	900.00
Telephone/Internet	5,731.72
Transfer Into Reserves	0.00
Unscheduled Expense	1,575.78
Total ADMINISTRATIVE COSTS	677,792.26
OPERATING EXPENSE	
Building Maintenance & Security	1,150.00
Chemicals	19,418.52
Electricity	45,099.18
Equipment	3,000.00
Equipment Maintenance	34,516.00
Honor Dumpster	6,000.00
Lab Fees & Engineering Rpts.	17,311.50
Meter Materials	0.00
Minor System repair & Maint	5 170 00
	5,173.00
Permits and fees	5,173.00 18,717.50
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Whitehawk Ranch Mutual Water Company 2024 Budget (approved 11-13-2023)

Sludge Removal	18,000.00
Supplies	1,840.00
Snow Removal Expense	9,000.00
Unscheduled Expense	4,096.00
Total OPERATING EXPENSE	189,336.70
Total Expense	867,128.96
Net Income	3,974.75
RESERVE ACCOUNTS	
Reserve Act. Income	
Connection Fees	13,000.00
Stock Sales	2,000.00
Transfer into Reserves	0.00
Reserve Interest Earned	25,000.00
Total Reserve Income	40,000.00
Reserve Act. Expense	
Paid from Reserves	0.00
Net Reserve Income	40,000.00