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THE GAGE CANAL COMPANY

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September 15, 2022

Todd Corbin

General Manager

Riverside Public Utilities

3750 University Avenue, 3rd Floor

Riverside, CA 92501

Re: Capital Expenditure Budget

Mr. Corbin,

On September 13, 2022 The Gage Canal Company Board of Directors approved the fiscal year 2022/2023 budget of \$4,304,631. The budget includes revenues and expenditures for company operations. The share price increases from \$205 to \$230 with the use of reserves. The company currently has a restricted reserve of \$1 million dollars and additional unrestricted reserves of \$1 million dollars. Had the Board of Directors decided against using the reserves the share price would have increased to \$255.

OPERATING AGREEMENT – CAPITAL EXPENDITURE BUDGET

Exhibit "F", Section 15 - Lines 4 through 17 of the Operating Agreement states the following:

"All capital improvements, additions and replacements necessary to fully exercise the water rights condemned to the use of the City and necessary to the Company's performance of this agreement shall be paid for by the Company, installed only on former Gage properties condemned to the City and shall be the property of the City. The Company shall submit an annual capital expenditure budget for approval by the City; costs of such improvements necessary to efficient performance of this agreement shall be borne by all shareholders, including the City, and/or contractual obliges as

operating expenses in accordance with previous practices and existing agreements; except the City shall assume the shareholders' allocation of expense for canal covering instigated by the City."

The annual capital expenditure budget for 2022/2023 is as follows:

1. Vehicle \$50,000
2. Metal Canopy \$30,000
3. Haul Trailer \$16,000
4. Line Locator \$7,000

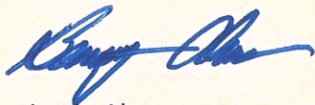
The total annual capital expenditure budget to be submitted to the City of Riverside: \$103,000.

SUMMARY

The preparation of the 2022/2023 fiscal year budget has been a collaborative and cooperative process that involved all of the Board Committees and staff throughout our organization. We recognize the continued challenges with ongoing legal circumstances, aging infrastructure and protecting company assets.

On behalf of the Board of Directors I am recommending that the City of Riverside approve the FY 2022/2023 Capital Expenditure Budget.

Sincerely,



Benjamin Alms

General Manager