



IWA PIPELINE

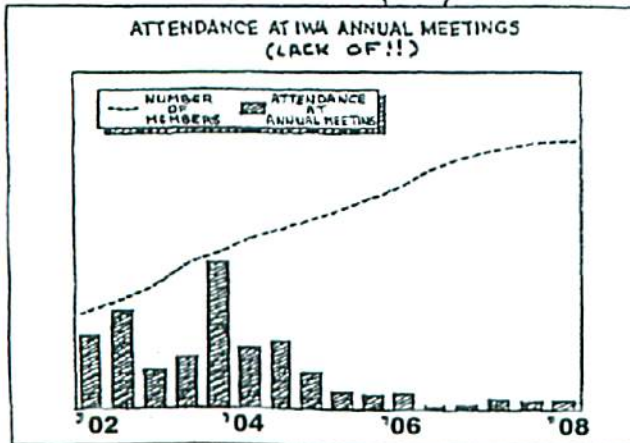


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3651 Sanibel-Captiva Road, Sanibel, FL 33957 • <http://www.islandwater.com>

Office Hours: 8:30 a.m. – 4:30 p.m. • Phone: (239) 472-1502

Y'ALL COME, Y'HEAR!



This year, IWA's Annual Meeting will be held on Monday, **April 13, 2009** at 10 a.m. in our offices at 3651 Sanibel Captiva Road. Those wishing to participate in person and/or cast ballots at the meeting must register at the tellers' table between the hours of 9:00 a.m. and 10:00 a.m. at the meeting location. In the event you will not be in attendance, please sign, date, and mail your proxy to the Head Teller. It must be received by Friday, April 10, 2009. Further materials relating to this meeting are enclosed with this Newsletter. **PLEASE** vote your proxy and return it to us as soon as possible.

The Nominating Committee met on January 22, 2009 to select candidates for the three vacancies on the Board of Directors this year. William D. Carr, Timothy A. Gardner, and William W. Fenniman, currently serving Board members, were nominated for their respective second and third two-year terms. Brief resumes for the nominees are

enclosed on a separate sheet.

We will have the customary coffee and doughnuts available before the meeting begins. Also, as has been the case at the last few Annual Meetings, we'll be happy to give everyone a tour of our facilities after the meeting is over. We encourage all attending Members to take advantage of this opportunity to see where and how our drinking water is made on the islands and to meet some of our dedicated employees.

So mark your calendars for April 13th and plan to attend. We'd like to see **YOU** at our Annual Meeting this year! It will be a great opportunity to learn about your water company and the issues and challenges we face in providing safe and reliable drinking water to Sanibel and Captiva Islands. All of our Members own a part of IWA, and this is your chance to participate in its operation and to ask whatever questions you may have.

MARCH 1st RATE INCREASE...



In the last two issues of this newsletter, we noted that we have not increased our water rates for 16 years. Our cost reduction/containment efforts over

those years had enabled us to do this, despite various factors driving our costs higher.

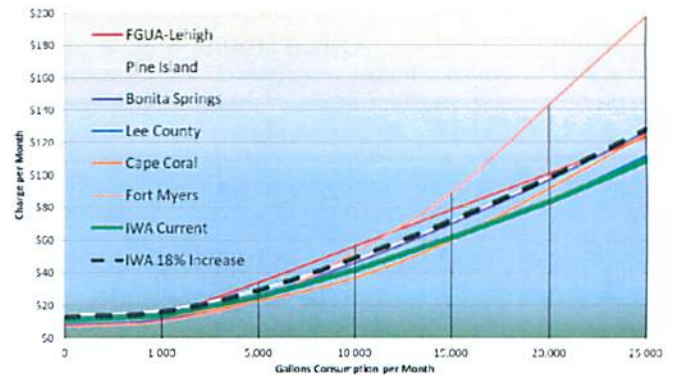
However, a tsunami of events began in 2007 -- including: (1) an unanticipated capital expenditure of almost 2.7 million dollars (a large failing water main). (2) sharply lower water consumption due to the return of normal rainfall, reuse water, water restrictions, and conservation. (3) sharply higher fuel, chemical and electric prices. (4) a failing economy. On January 6th, we went before the Sanibel City Council in a public meeting, as the Council read and passed resolution #09-002 granting IWA an 18% rate increases effective 3/1/2009. We arrived at the 18% number by doing our best to forecast future revenues and expenditures and then determining the minimum rate necessary to balance our books. We are a not-for-profit corporation, so balanced books means as close to zero profit as possible. This is the first rate change we have had since 1992.

The old and new rate structures are shown in the chart below.

tiered rates to encourage conservation and conserve a valuable natural resource.

Even with the 18% increase, our rate structure is about in the middle of the pack, compared to other local utilities, as shown on the following chart. The chart also indicates that our old rates were among the lowest in the area, and not sufficient to run our business in a fiscally responsible manner in 2009.

Local Rate Comparisons



A reliable supply of high quality potable water with adequate pressure at the faucet, with reserve capacity for emergencies including fire-fighting, and supplied at a reasonable cost, should be at the very top of priorities for living anywhere, but especially on our barrier islands.

City Council has notified the Lee County Board of County Commissioners of our rate increase, consistent with the requirements of our Franchise, in order to make sure our Captiva Members are not left out.

WATER RESTRICTIONS UPDATE...

Here on Sanibel we have had less than one inch of rain this year. The South Florida Water Management District is currently working on their proposed permanent two-day-a-week water restrictions. At Page Field in Fort Myers, it's the fourth driest start to a dry season since 1932, according to the Fort Myers News-Press (2/19). For updates on current conditions, water conservation, and watering restriction schedules go to the SFWMD website at www.sfwmd.gov.

2009 BUDGET APPROVED...

After reviewing our financial performance in 2008 and our resulting overall financial condition, the IWA Board approved a new budget for 2009.

For 2008, our expenditures totaled \$6.1 million, versus income of \$5.7 million. The difference of around \$400,000 came from our reserves, which

IWA Monthly Billing Schedule



Current Rate Schedule: Base Charges	Proposed Rate Schedule (18% Increase): Base Charges	Increase:
\$1.30 Reading Charge	\$1.50 Reading Charge	\$.20
\$9.70 Demand Charge	\$11.50 Demand Charge	\$1.80
Consumption Charges	Consumption Charges	Increase:
\$2.80/KG for First 5K	\$3.30/KG for First 5K	\$.50
\$3.35/KG for 6K-10K	\$3.95/KG for 6K-10K	\$.60
\$3.90/KG for 11K-15K	\$4.60/KG for 11K-15K	\$.70
\$4.45/KG for 16K-20K	\$5.25/KG for 16K-20K	\$.80
\$5.00/KG for 21K-25K	\$5.90/KG for 21K-25K	\$.90
\$5.55/KG for over 25K	\$6.55/KG for over 25K	\$1.00

The following chart shows the monthly increase for different water consumption levels. As can be seen from the chart, low users will only see an increase of \$6 per month, while higher users will see higher monthly increases, consistent with our

IWA Monthly Bill Comparison



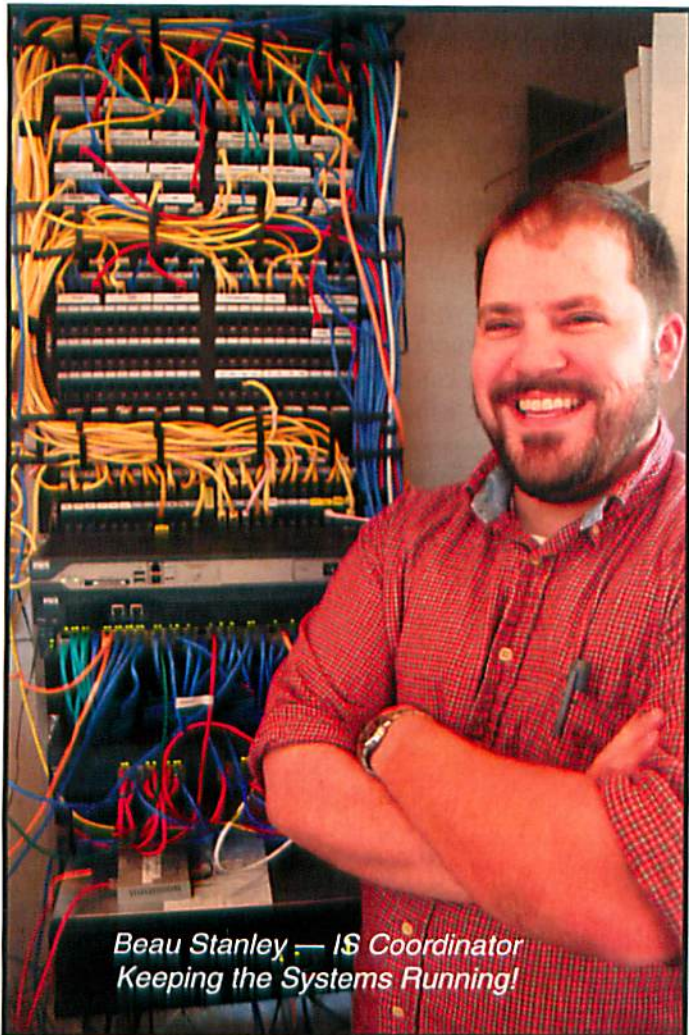
If Your Usage is: (Gal/Mo)	Current Bill:	New Bill: (18% Increase)	Increase Will Be:
0	\$11.00	\$13.00	\$2.00
5K	25.00	29.50	4.50
8K	35.05	41.35 Median	6.30
10K	41.75	49.25	7.50
15K	61.25	72.25	11.00
20K	83.50	98.50	15.00
25K	108.50	128.00	19.50
50K	247.25	291.75	44.50

still totaled \$5.2 million at the end of the year. The IWA Board believes that the reserves level is about right, considering the condition of our current economy. The approved 2009 budget estimates revenues at \$6.5M and expenditures of \$6.4M. In order to achieve a balanced budget we have reduced our workforce by 10% and deferred some of our capital projects. These numbers are highly dependent on many factors which are out of our control, such as rainfall, fuel, energy, chemical costs and of course the current condition of the economy. We also have the wild card of hurricanes.

If you want to learn more about IWA's budget and finances, you can/should attend our Annual Meeting on April 13th.

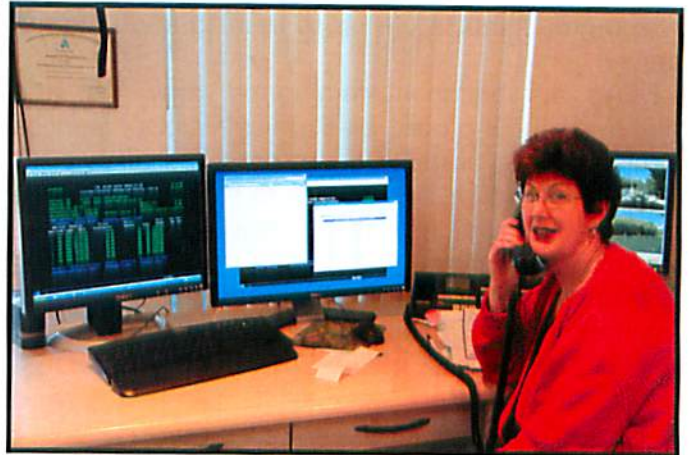
TECHNOLOGY UTILIZATION AT IWA...

In the past we have talked about how IWA has reduced production costs in the RO plant by using the latest automation technologies and the newest generation of RO membranes. The use of cutting edge technology here at IWA is not just limited to the plant itself. IWA has managed to trim its workforce and cut expenses overall over the last ten



*Beau Stanley — IS Coordinator
Keeping the Systems Running!*

years on the administration side of the business as well by taking advantage of software and hardware advances.



Karen Warrick — Membership Coordinator

The latest upgrade of our telephone system software allows us to forward voice mail messages via e-mail directly to an employee's workstation, laptop, home computer, or smart phone. The next generation of telephone system at IWA will utilize VoIP (Voice over IP (Internet)). This will reduce the amount of hardware we now have to maintain while greatly enhancing the capabilities of the system.



Taylor Musburger — Plant Operator

We are continually updating our Utility Management software supplied by SunGard Public Sector. We are currently up to date with their latest version, which takes advantage of improvements on existing features, and some new features as well. We are now working on giving our members access to their account and consumption information accessible to them via our web site (www.islandwater.com) and the Internet.

For our general administration programs we are

using Microsoft Office 2007 and Microsoft Exchange Server (E-mail host). The servers that host these applications are behind our firewall and backed up nightly. Everyone at IWA is proficient in the use of our standardized computer system which greatly helps our cross training and data access.

IWA's distribution system maps, drawings, and plans are now stored electronically. Our service vehicle based portable computer atlas allows our distribution technicians access to a large amount of customer data along with pipe, meter, valve, and hydrant information.

Not only do IWA employees have access to the Internet, an invaluable business tool these days, but we also have an Intranet (Internal network) that allows the sharing of critical documents and spreadsheets, as well as instant e-mailing. All of our much used forms, personnel manual, policy manual, and institutional knowledge are available in electronic form via our intranet. Key personnel can access the intranet by establishing a secure connection from anywhere in the world; even when they are on vacation!

Security is a top priority here at IWA, as it has been for all utilities since 9/11. Gone are the days when it would not be uncommon for tourists to drive into our property, stop one of our guys and ask "Which way to the beach?" We now have over two dozen security cameras that cover every corner, gate, and outside door on our property. Also covered are the inside of the plant and chlorine room, and the inside of our main lobby. Our three booster stations are also covered inside and out, and a high speed data circuit brings this video (and other data) back to the plant. All cameras can be viewed on a single software program, available from any workstation or laptop, and the video is digitally recorded.

We are proud of the fact that the people at IWA are technology savvy, which makes the job of our IT department easier when it comes to keeping our people up-to-speed. We like to think we stay on the leading edge, but not the bleeding edge, of technology. Utilizing these tools has allowed us to trim workforce by six positions over the past decade, and helps keep our rates comparable to those in the area, despite the expense and complexity of the reverse osmosis desalination process.

GET WITH THE PROGRAM!!



Tired of mailing us your payment every month? Join many of your fellow IWA Members and enroll in our direct debit program. We will automatically debit your bank account each month, after you have had a chance to review your bill. You will save a stamp, envelope and aggravation. IWA will save the cost of opening your payment and inputting it into our computer, thereby keeping our costs and your water rates as low as possible. Call our Membership Coordinator, Karen, on (239) 472-1502 to enroll. She will be happy to discuss the program with you and to answer whatever questions you may have. To us, it seems like a real win-win proposition!

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The Island Water Association, Inc.
P.O. Box 509
Sanibel, FL 33957