

7. PRESENTATION(S)

- a. Presentation by Rusty Isler, Island Water Association (IWA) regarding the proposed IWA rate increase



Island Water Association, Inc.

Rate Study Review
Tuesday, November 18th, 2008




The Island Water Association, Inc. (IWA)

- Incorporated in 1965 - Not-for-profit, member-owned Corporation
- Franchised from 1965 to 1995 by Lee County
- New twenty-year franchise In 1995 jointly with City of Sanibel and Lee County
- Lee County also delegated rate approval for Captiva, based on non-discrimination between islands



Historical Perspective On IWA Water Rates

- One rate increase since 1978
- Last rate increase of 29% in 1992 (followed by a 7% rate decrease in 1994).
- Inflation increased by around 55% since 1992.
- Now requesting an 18% rate increase effective March 1st 2009



Why Now?

- Revenue Shortfall
- Expenses Increasing
- Continuing Need for Capital Expenditures
- Cash Reserves Declining

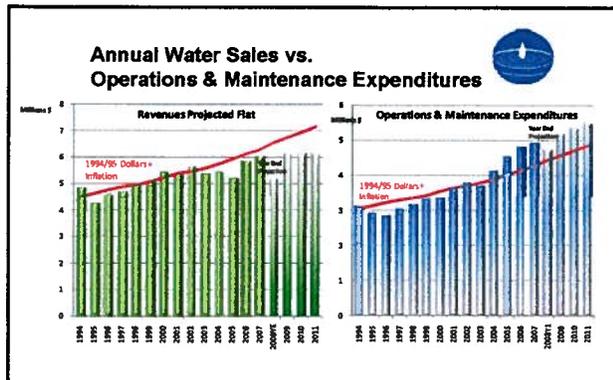
Current Financial Situation

	2005	2006	2007	2008 (Provisional)	2009	2010	2011
REVENUES							
Water Sales	\$5,254,027	\$5,810,005	\$6,045,332	\$5,212,480	\$5,212,480	\$5,212,480	\$5,212,480
Connection Receipts	343,230	125,785	155,844	100,000	182,240	184,511	168,815
Other Revenues	269,490	343,244	329,607	315,522	330,757	366,098	361,483
Total Revenue	\$5,852,627	\$6,278,998	\$6,527,843	\$5,747,992	\$5,724,477	\$5,762,979	\$5,742,783
EXPENDITURES							
O & M Expense	4,274,077	4,587,070	4,847,425	4,837,718	\$4,882,840	\$5,132,335	\$5,288,305
Debt Service	749,026	707,845	748,262	705,000	605,130	685,308	875,863
Capital Costs	1,183,538	823,154	2,388,758	664,835	2,200,000	200,000	200,000
Total Expenditures	\$6,206,641	\$6,118,069	\$7,984,445	\$6,207,553	\$7,687,970	\$5,917,733	\$6,364,168
NET CASH INCOME (LOSS)	(1,116,252)	(390,345)	(1,456,602)	(1,459,561)	(1,963,493)	(1,154,754)	(1,281,385)
Plus: Restrictive Cash Balance	\$9,877,395	\$9,781,093	\$7,121,432	\$5,576,872	\$5,107,254	\$3,894,732	\$7,730,028
Ending Cash Balance	\$8,761,083	\$9,121,432	\$5,566,822	\$5,107,254	\$3,894,732	\$2,730,000	\$1,338,778



Revenue Shortfall Due to:

- Reduced Water Use Due to Water Restrictions, Reuse Water, and Conservation
- Return of Normal Rainfall
- Economic Downturn

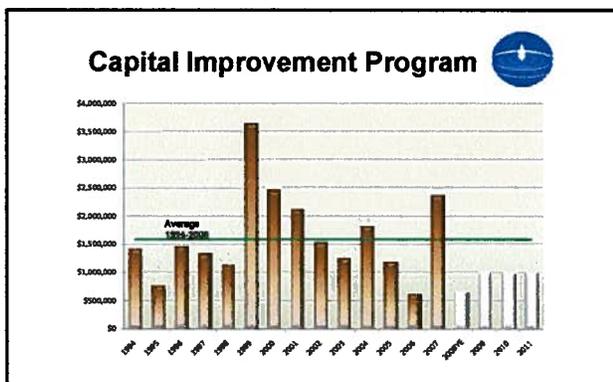


- ### Operation & Maintenance Expenditure Increases
- Energy Costs
 - Chemical Costs
 - Health Insurance Cost
 - Materials and Equipment Costs
 - Labor Cost

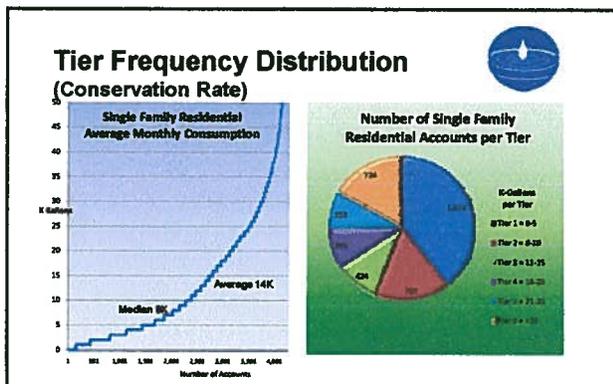
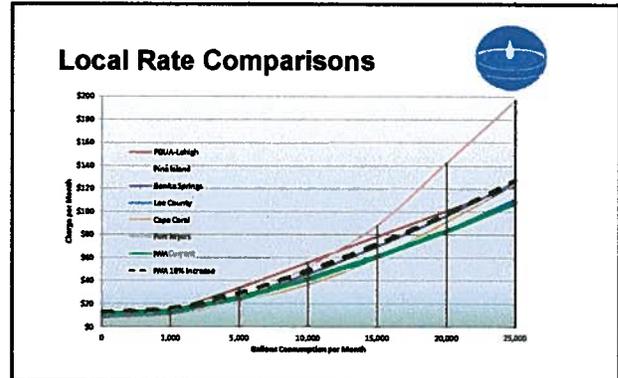
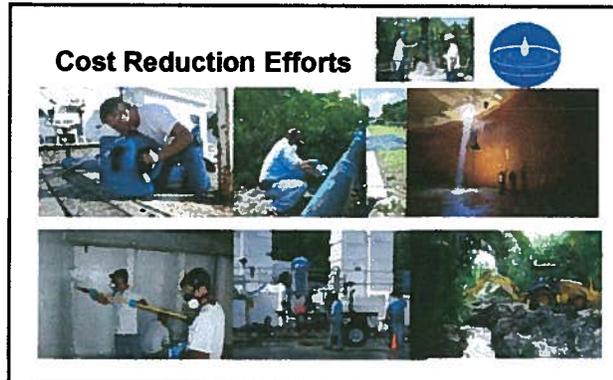
Operation & Maintenance Cost Increases

Item	1994 Cost	2008 Cost	% Increase
Diesel Fuel (Gallon)	1.03	3.98	284%
Caustic Soda (Ton)	\$240	\$372	55%
Electricity (KWH)	6.7Cents/KWH	9.5Cents/KWH	42%
First Class Postage Stamp	29 Cents	43 Cents	48%
Medical Insurance (Employee)	\$2,175	\$7,958	265%
IWA 8K Gal Monthly Water Bill	\$35.05	\$35.05	0%

- ### Capital Expenditures
- Needed to Upgrade our Infrastructure
 - Plant Capacity, Water Mains, and New Technology Needs to be Supported as an Ongoing Process
 - Capital Expenditures Should Equal or Exceed Depreciation



- ### Cost Reduction Efforts
- Energy Savings
 - Low Pressure Membranes (Reduced Energy Consumption)
 - Energy Recovery Turbine (Reduced Energy Consumption)
 - LCEC Interruptible Rate (Reduced Energy Cost)
 - Efficient Use of Technology
 - In-House Projects
 - 36 employees in 1992 – Currently 33 Positions



IWA Monthly Billing Schedule

Current Rate Schedule Base Charges	Proposed Rate Schedule (1.8% Increase) Base Charges	Increase
\$1.30 Reading Charge	\$1.50 Reading Charge	\$0.20
\$9.70 Demand Charge	\$11.90 Demand Charge	\$1.80
Consumption Charges	Consumption Charges	Increase
\$2.80/KG for First 5K	\$3.30/KG for First 5K	\$0.50
\$3.35/KG for 6K-10K	\$3.95/KG for 6K-10K	\$0.60
\$3.90/KG for 11K-15K	\$4.60/KG for 11K-15K	\$0.70
\$4.45/KG for 16K-20K	\$5.25/KG for 16K-20K	\$0.80
\$5.00/KG for 21K-25K	\$5.90/KG for 21K-25K	\$0.90
\$5.55/KG for over 25K	\$6.55/KG for over 25K	\$1.00

IWA Monthly Bill Comparison

If Your Usage Is (Gal/Mo)	Current Bill	New Bill (1.8% Increase)	Increase Will Be
0	\$11.00	\$13.00	\$2.00
5K	25.00	29.50	4.50
8K	35.05 Median	41.35	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



Why 18%?



- Revenues forecast flat for next 3 years, consistent with continuing conservation.
- Operating/maintenance expenditures forecast to increase at 3% per year, consistent with average inflation rate for prior 5 years.
- Annual capital expenditures held at 70% of historical average and 83% of annual depreciation.
- 18% rate increase balances the books in 2009 with above forecasts.
- 25% would be needed if capital expenditures were increased to match depreciation.
- Decided on lower, 18% number in light of current economic situation.

Summary Financial Plan

	2005	2006	2007	2008 (Historical)	2009	2010	2011
REVENUES							
Water Sales	\$5,254,827	\$5,810,005	\$6,045,332	\$5,212,480	\$6,150,726	\$6,150,726	\$6,150,726
Commission Receipts	240,280	125,785	195,844	180,000	182,240	194,511	189,815
Other Receipts	595,490	241,248	138,867	175,000	340,757	338,068	361,453
Total Revenue	6,090,607	6,177,038	6,380,043	5,567,480	6,673,723	6,683,305	6,702,004
EXPENDITURES							
O & M Expense	4,274,877	4,587,670	4,947,425	4,837,718	4,962,849	5,132,335	5,288,305
Debt Service	749,004	707,845	748,282	705,000	695,130	685,349	675,903
Capital Costs	1,185,332	675,254	2,325,326	884,832	1,000,000	1,000,000	1,000,000
Total Expenditures	6,209,213	5,970,769	8,021,033	6,427,550	6,658,079	6,817,733	6,964,208
NET CASH INCOME (LOSS)	(118,606)	206,269	(1,640,990)	(860,070)	15,744	(134,428)	(262,204)
Plus: Beginning Cash Balance							
	\$5,877,895	\$5,781,054	\$7,121,431	\$5,208,622	\$5,107,254	\$5,122,826	\$5,658,581
Ending Cash Balance	\$5,759,289	\$5,987,323	\$5,480,441	\$4,348,552	\$5,123,000	\$4,988,398	\$5,396,377

Timeline



- Introduced at Annual Meeting - 4/14/08
- Published in Fall Pipeline Newsletter - 8/1/08
- Approved by IWA Board - 10/14/08
- Petition Presented to Sanibel City Council - 11/1/08
- Sanibel City Council Public Meetings
- New Rates Go Into Effect - 3/1/09

Island Water Association, Inc.

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Rate Study Review