

**ANNUAL MEETING
MINUTES**

**THE ISLAND WATER ASSOCIATION, INC.
April 12, 2010**

DIRECTORS PRESENT:

Timothy A. Gardner, Vice President
William W. Fenniman, President
William D. Carr, Vice President
Robert E. Lindman, Vice President/Treasurer
Robert J. Wigley, Vice President/Secretary (Not Present)

OTHERS PRESENT:

William E. Isler, General Manager
Richard Roosa, IWA Attorney
David Platt, Future IWA Attorney
Jack R. Cunningham, Board of Directors Nominee
Jack E. Thomas, Merrill Lynch Senior Financial Advisor
Cliff Chaipel, Larson Allen (auditor)
Beau A. Stanley, Board Recording Secretary

IWA President, William W. Fenniman, opened the meeting by calling upon Vice President/Treasurer, Robert E. Lindman, to provide proof of notice of the meeting and to establish a quorum. Mr. Lindman stated that notice of the meeting had been advertised twice in the local press and that the Annual Meeting package had been mailed to the Membership on March 16, 2010, in accordance with IWA Bylaw requirements. He then called upon Head Teller, Karen Warrick, who stated that there were five members present in person, and 610 by proxy, for a total of 615. As the meeting was properly noticed and a quorum established, the meeting was officially called to order by President Fenniman at 10:05 a.m. on April 12th, 2010.

Mr. Fenniman introduced the Board of Directors, Attorney Richard Roosa, Merrill Lynch Senior Financial Advisor Jack Thomas, and Cliff Chaipel Larson Allen Auditor. Mr. Fenniman also introduced Board member elect Jack Cunningham and David Platt, who will be IWA's attorney beginning May 1st, 2010.

Copies of the Minutes of the last Annual Meeting, held on April 13th, 2009, were made available to all Members present. A motion was made, seconded and passed dispensing with reading of the Minutes. A second motion was then made, seconded and passed approving the Minutes as presented.

Mr. Fenniman then presented his President's Report regarding the state of the Company. He first commented on the adverse effects of IWA's rising energy prices which has risen 10% over the last three years. He reflected on the rate increase that took effect in 2009 mostly due to water conservation and increased O&M expenditures. Mr. Fenniman then discussed the issue of IWA's aging employees. He stated as of March 1, 2010 IWA had 11 employees over 50 years old, 9 over 40 years old. IWA only has 8 employees under 40 years of age, and the average employee age is now 46 years old.

Mr. Fenniman concluded his report by honoring Robbie Smith who has worked diligently for IWA for the past 20 years, and William “Rusty” Isler, who is the first IWA employee to dedicate 30 years to the company.

Next, Vice President/Treasurer, Robert E. Lindman, presented the Treasurer’s report. He indicated that IWA remains a financially sound company. Mr. Lindman went on to say that IWA’s total revenue in 2009 was up from that in 2008, to \$6.8 million, while operating costs increased to \$4.8 million, primarily as a result of the rate increase that went into effect in March of 2009. Cash reserves, at \$6.0M exceed total debt, at \$3.5M, by \$2.5 million. He then discussed IWA’s cash flow balance for 2008, as follows:

| |
|------------------------------|
| <u>\$7.1M Revenue</u> |
| -\$5.0M Operating Costs |
| -\$1.7M Capital Expenditures |
| <u>-\$0.7M Debt Service</u> |
| - 0.3M Net Loss |

Finally, Mr. Lindman stated that IWA is still a financially sound company and that copies of IWA’s 2009 Audit and 2010 Budget were available in the lobby.

General Manager, William “Rusty” Isler, then presented his annual report on operations and accomplishments in 2009. Rusty started his presentation by thanking the Board of IWA for their recognition of his 30 years of service. Rusty then highlighted IWA’s exemplary safety record, 3,381 days worked without a lost time incident. Rusty pointed out that produced water has declined in the previous years, revenue has remained relatively flat due to the rate increase in 2009. Rusty then detailed why produced water has declined in recent years, mostly due to water conservation, re-use water expansion by the city of Sanibel, dramatic decrease of car traffic over the causeway leading to less visitors on the islands, poor economy, and much higher than normal rainfall so far in 2010. Mr. Isler reminded members of the water restrictions currently in place by South Florida Water Management District. Mr. Isler concluded his report by detailing capital projects budgeted for 2010. IWA’s 2010 Capital projects include; 16” well line, Blind Pass bridge crossing, Sanibel Bayous main replacement, and the Badger Orion AMR meters. Mr. Isler then took some time to explain how the tiered rate structure works and how it is affected with higher than normal rainfall and water restrictions. Mr. Isler also took some time to discuss online account management and online bill payments. Rusty encouraged all IWA members to use ACH for their monthly bill payment. Finally, Mr. Isler invited Members to join IWA’s employees for a tour of the facilities after the meeting was concluded.

General Manager, William “Rusty” Isler, then opened the floor to questions and comments by Members in the audience. The matters raised were as follows:

- **Member:** How does IWA monitor members to see if they are adhering to water restrictions ?

Response: Mr. Isler stated that IWA’s mission is to make water available to it’s members and that the city of Sanibel and SWFMD are ultimately responsible for enforcing those restrictions.

- **Member:** Why does IWA not harvest rain water to blend with the R.O. water to reduce cost ?

Response: Mr. Isler explained that harvesting and storing rain water would not be economically feasible due to the large amount area that would be required to harvest sufficient water to have any substantial impact on water production. The rain water would also require treatment to remove biological contaminants as well.

- **Member:** What month do you plan on doing the Blind Pass crossing project, how long will the project be going on and what kind of service interruptions could be expected?

Response: Mr. Isler explained that the time frame for that project is being considered in conjunction with the other two large capital projects and a temporary crossing will be in place while the main crossing is being replaced as to minimize service interruptions.

- **Member:** You mentioned re-use water, What is it and how do you produce it?

Response: Mr. Isler explained that the city of Sanibel administers the re-use water system. Re-use water is the waste water from the waste water treatment plant. Re-use water is treated so it is not dangerous, but it is not treated to the point that it is potable water.

- **Member:** Have you considered adding fluoride to the water to reduce tooth decay?

Response: Mr. Isler pointed out that fluoride is a controversial topic. The GM also stated that our water has an amount of naturally occurring fluoride in it, most of which is removed by the Reverse Osmosis process but a small amount is left.

- **Member:** Is IWA's pension plan an annuity plan and is it fully funded?

Response: Mr. Isler explained that all IWA employee's retirement plans are 401k plans and IWA does not fund them outside of the employee matching.

Finally, Directors Robert Lindman was re-elected for his second two year term, and Jack Cunningham was elected to his first two year term on the Board of Directors.

The meeting was adjourned at 10:59 a.m.

Approved:

William D. Carr, Vice President/Secretary