

**ANNUAL MEETING  
MINUTES**

**THE ISLAND WATER ASSOCIATION, INC.  
April 11, 2011**

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**DIRECTORS PRESENT:**

Timothy A. Gardner, Vice President  
William W. Fenniman, President  
William D. Carr, Vice President/Secretary  
Robert E. Lindman, Vice President/Treasurer  
Jack R. Cunningham, Vice President

**OTHERS PRESENT:**

William E. Isler, General Manager  
David Platt, IWA Attorney  
James M. Griffith, Board of Directors Nominee  
Lewis Garrett Dutton Jr., Board of Directors Nominee  
Jack E. Thomas, Merrill Lynch Senior Financial Advisor  
Marty Redovan, Larson Allen (auditor)  
Beau A. Stanley, Board Recording Secretary

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IWA President, William W. Fenniman, opened the meeting by calling upon Vice President/Secretary, William D. Carr, to provide proof of notice of the meeting and to establish a quorum. Mr. Carr 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 11, 2011, in accordance with IWA Bylaw requirements. He then called upon Head Teller, Karen Warrick, who stated that there were two members present in person, and 578 by proxy, for a total of 580. As the meeting was properly noticed and a quorum established, the meeting was officially called to order by President Fenniman at 10:01 a.m. on April 11<sup>th</sup>, 2011.

Mr. Fenniman introduced the Board of Directors, Attorney David Platt, Merrill Lynch Senior Financial Advisor Jack Thomas, and Marty Redovan of Larson Allen Auditor. Mr. Fenniman also introduced Board members elect James M. Griffith and Lewis Garrett Dutton Jr.

Copies of the Minutes of the last Annual Meeting, held on April 12<sup>th</sup>, 2010, 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 cost which have risen 3% over the last three years. This number reflects the energy saving efforts of IWA such as the new transfer pumps, transfer line and well line replacement projects. Mr. Fenniman highlighted that our revenues increased to sustainable levels after the rate increase in 2009 and still remain strong. 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, 11 over 40 years old. IWA only has 6 employees under 40 years of age, and the average employee age is now 47 years old.

Mr. Fenniman concluded his report by reflecting on his 6 years as a part of the IWA Board of Directors. He also recognized Timothy Gardner for his many years of service to IWA. Mr. Gardner has served 12 years on the IWA Board of Directors and has completed his 3<sup>rd</sup> and final term.

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 2010 was up from that in 2009, to \$6.9 million, primarily as a result of the rate increase that went into effect in March of 2009 while operating costs increased to \$4.7 million. Cash reserves, at \$6.5M, exceed total debt, at \$3.1M, by \$3.4 million. He then discussed IWA's Cash Flow budgeted for 2011, as follows:

<u>\$6.9M Revenue</u>
-\$5.1M Operating Costs
-\$1.1M Capital Expenditures
<u>-\$0.7M Debt Service</u>
0.0M No Net Gain/Loss

Finally, Mr. Lindman stated that IWA is still a financially sound company and that copies of IWA's 2010 Audit and 2011 Budget were available in the lobby.

General Manager, William "Rusty" Isler, then presented his annual report on operations and accomplishments in 2010. Rusty began by highlighting IWA's exemplary safety record, 3,737 days worked without a lost time incident. Rusty pointed out that produced water has decreased since 2009 but 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, significant decrease of car traffic over the causeway leading to less visitors on the islands and weak economy. Mr. Isler reminded members of the recently imposed 2 day a week water restrictions from South Florida Water Management District. Mr. Isler concluded his report by detailing capital projects budgeted for 2011. IWA's 2011 Capital projects include; 16 inch Transfer Line, Sanibel Bayous Completion, 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. 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:** I heard that IWA is currently involved in a lawsuit, how is that going to affect our water bills and what is the lawsuit about ?

**Response:** Mr. Isler stated that IWA is currently involved in two separate lawsuits. The first involves a woman who tripped over a valve box that was sticking up above the pavement. The second lawsuit is an employment practices suit. Both lawsuits have been turned over to the insurance companies and will have no impact on IWA water bills.

- **Member:** I noticed the SCCF is buying up land on the islands. Can IWA handle the increased demand if the SCCF did not acquire these undeveloped properties?

**Response:** Mr. Isler explained that a major increase in developed properties could result in enough increase in demand to force IWA into expanding the R.O. plant. Expansion is very expensive and not having to expand the plant will help keep IWA's water rates low.

- **Member:** Does the city of Sanibel have any plans to take control of the Island Water Association?

**Response:** Mr. Isler stated that to get an answer to that question, the member would need to ask the city of Sanibel, but to the best of his knowledge there was no plan in place for the city to acquire IWA.

Finally, Directors William D. Carr was re-elected for his third two year term, and James M. Griffith and Lewis Garrett Dutton Jr., were elected to their first two year terms on the Board of Directors.

The meeting was adjourned at 10:41 a.m.

Approved:

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Jack R. Cunningham, Vice President/Secretary