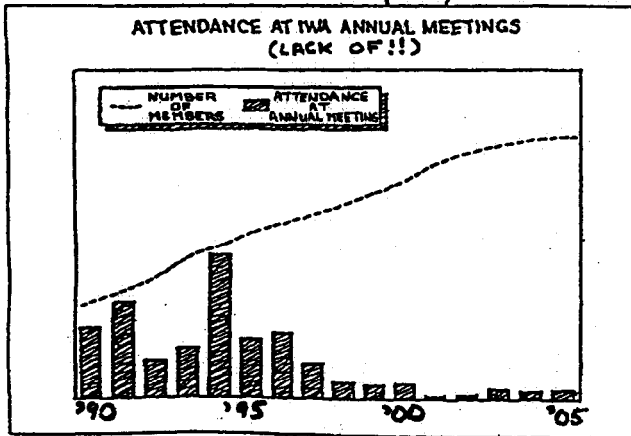


IWA PIPELINE



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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 10, 2006 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 7, 2006. 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 February 7, 2006 to select candidates for the two vacancies on the Board of Directors this year. Robert Wigley, currently Board Vice President/Secretary, was nominated for his second two-year term. Robert Lindman was nominated to serve his first term. Brief resumes for both of the nominees are en-

closed 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 10th and plan to attend. Attendance at our Annual meetings has dwindled to almost zero. While we would like to believe that is because we are doing such a great job, we suspect that there may be other less "pleasing" reasons behind the lack of attendance. We'd like to see **YOU** at our Annual Meeting this year! 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.

THEY'RE BACK!!

The home water treatment peddlers are back on the islands again. It's the same old story ... "Let us test your water for free, and we'll tell you if you have a problem." The last time they were on the islands, they offered a free case of bottled water if you let them run their tests on your water. This time, they made no such offer. Wonder if someone asked them to run their tests on the bottled water and the results raised "uncomfortable" questions about their sales pitch?

If you decide to take them up on their "free offer," normally a company representative will arrive and perform a few tests, which include dumping unknown chemicals into samples of your (IWA's) water and also into samples the representative brings with him, representing "their water." Amazingly, the test results usually indicate that your water contains some type(s) of impurities that require

the installation of multiple home treatment units.

A common claim of these companies is that your water is high in hardness. That is laughably incorrect on our islands. Our water is classified as "slightly hard", just above the minimum, or "soft" category. We struggle to add a little hardness to the water from our RO treatment plant to minimize its corrosiveness and to make it taste a little better. The company will then inevitably suggest that you install a water softener unit. That recommendation is not only unnecessary, but also potentially dangerous, health-wise. Water softeners remove the Calcium and Magnesium in the water and replace it with Sodium. IWA's water is already fairly high in Sodium (135-140 ppm, versus an allowable level of 160 ppm), since our water source is brackish, meaning moderately high in salt, or Sodium Chloride. Further increasing the Sodium level is not a "good thing" (to quote Martha), if you are fighting high blood pressure. Often, the companies recommend a whole-house softener, which even softens the water you use to flush toilets and maybe even irrigate your landscaping, where soft water is clearly of no value what-so-ever.

Another common recommendation is to install a whole-house carbon filter that never needs media replacement, plus a Reverse Osmosis (RO) unit under the sink. A carbon filter will remove Chlorine, thereby possibly improving taste, but also removing bacteriological protection, possibly leading to health problems. The claim of permanent media is similar to a claim of a perpetual motion machine ... a physical impossibility. The RO unit is a duplication of IWA's treatment process.

Bottom line ... home treatment units are somewhere between unnecessary and dangerous, in addition to being very expensive. Call our Engineering Manager, Rich Calabrese on (239) 472-2113 (extension 129), if you have any questions.

If you want to read more about water quality and home treatment fraud, visit the following internet address on the Better Business Bureau's website: <http://www.bbb.org/alerts/article.asp?ID=440>.

NEW ROOFS FINALLY UNDERWAY!

All the hurricanes during the last couple of years took their toll on the metal roofs on our office and maintenance building complex. Minor parts of the roofs were blown off in hurricane Charley and subsequently reattached, even if slightly mangled. We worried that major portions of the roofs might have been loosened by all the storms, and we therefore had the metal refastened with thousands of additional screws after Charley, and before

Wilma. Later last year, we learned that the roofs had sustained severe rust/corrosion damage over the last 12 years, unrelated to recent storms. We decided that was the last straw. We bit the proverbial bullet and signed a contract to replace them, at a cost of nearly \$100,000. As many of our Members are well aware from their personal experiences with roof repairs, just finding a contractor who would do the job was a "challenge," at any price.



Our Engineering Manager, Rich Calabrese wrote the specifications for the new roof, and he "left no shingle unturned." The roof plywood is now glued, nailed and screwed to the trusses. The asphalt shingles we used are rated for 130 mph, with 6 nails per shingle. Under the shingles is a layer of fiber-reinforced "peel and stick," which we used in place of the more common nailed tarpaper. Even if the shingles all blow off, the peel and stick should be a water-tight covering. Additional layers of peel and stick were applied at the eaves, ridges and valleys of the roof.

Maintaining the integrity of our office and maintenance building roofs after a hurricane is essential in our efforts to maintain and, if necessary, restore water service after a storm. We have taken every step we can think of to ensure that our new roofs will survive whatever upcoming hurricane seasons bring our way. If you want more information on any of the roof design features mentioned above, just give Rich a call on (239) 472-2113 (extension 129).

THAT CONFUSING POSTCARD

IWA bills all its Members once a month for their water usage. Our bills are printed and mailed on a postcard. From time to time, Members have asked why we don't send our bills in an envelope and enclose a return envelope. The answer to that ques-

tion is quite simple ... we are trying to save money and to keep our water rates as low as possible. Stuffing 5,000 envelopes every month would be expensive, plus we save over \$10,000 a year in postage by using postcards versus envelopes, not to mention the additional cost of the envelopes.

In addition to the "Why a postcard?" question, we also get a number of questions regarding the actual information on the bill. Following are some of the more common questions (and answers), which we hope will help you to better understand your water bill:

What is the Cycle number in the upper left-hand portion of the bill?

Ans: The first digit in the Cycle number denotes which week of the month your water meter is read. For examples: Cycle 10-03 is read on the first week, and Cycle 40-03 is read on the fourth week.

What are the "reading" numbers in the upper right-hand portion of the bill?

Ans: "Reading" refers to your water meter reading. All readings are in 1,000's of gallons. As an example, if the Current (most recent) Read is 2345, and the Previous (last month's) Read is 2335, then the monthly Usage will be the difference, or 10 (10,000 gallons).

How is the dollar amount of the bill calculated?

Ans: First there is an \$11.00 fixed charge to cover the cost of providing water service to your house (or condo) and reading your meter. In addition, there is a variable charge based on your water usage. In order to encourage conservation, the more water you use, the more each gallon costs. Our rates range from a low of \$2.80 per 1,000 gallons for the first 5,000 gallons to a high of \$5.55 per 1,000 gallons for all usage over 25,000 gallons. See our website at www.islandwater.com for more details, or call Karen at (239) 472-1502.

What does "Avg IWA Member Usage = 12" on the left middle portion of the bill mean?

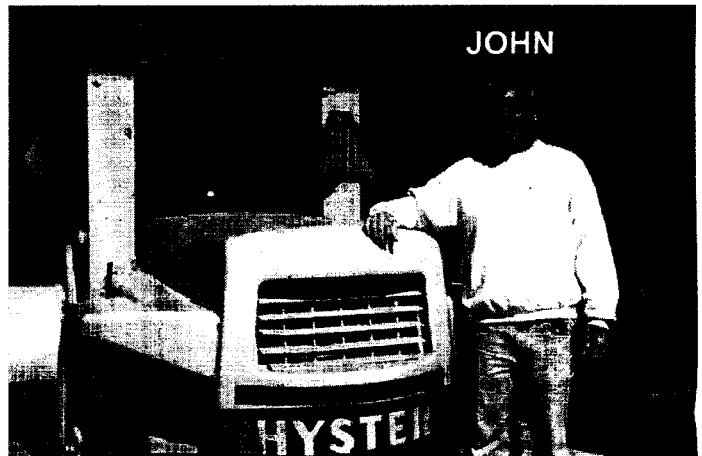
Ans: The average IWA Member uses 12,000 gallons of water a month. If you use less than that amount, thanks for helping conserve water and helping us to keep our rates as low as possible. If you use more than that amount, please try to use less. Thanks!

What is all that nonsense on the back of the card entitled "IWA By-Laws"?

Ans: The By-Laws are the Member-approved rules by which IWA operates. The specific sections of the By-Laws quoted on the back of the bill card define when delinquent accounts will be assessed a penalty (10% after 60 days) and when water service may be shut-off for non-payment (after 65 days). Also covered is the fact that the Membership will be cancelled if the bill is not paid within 90 days. Our delinquency rules are very lenient, but they are necessary for the fair allocation of our costs among our Members.

MEET JOHN SPURRIER

Late last November, Distribution Technician Bill Epranian decided to leave employment at IWA for the good life on Pine Island, perhaps our first "commuting casualty" since causeway reconstruction started. Our Senior Maintenance Technician, Nic Weber, decided that he would like to try his hand at reading water meters and repairing water main breaks, so he transferred to our Distribution Department to fill Bill's vacated position, and we began recruiting for a replacement for Nic.



In early January, John Spurrier reported for work as our new Maintenance Technician. John is a recent transplant from Maryland, where he was a licensed Master Plumber for many years. John and his wife Robin, who have two sons (John and Jeff), live in Fort Myers, where he enjoys motorcycles, fishing, boating, and just quiet time with his family. At IWA, John's duties will extend far beyond just plumbing, although he is likely to find a bit of use for his plumbing skills as well, since we do have a "bit" of piping. He will be involved in all aspects of maintaining our facilities and equipment.

John says he is enjoying his work at IWA. He enjoys his co-workers and the fact that he is doing something different every day. He says he also

appreciates our great benefits package. He has not said much yet about the causeway and the commute, but we suspect those aspects of the job probably fall in a different category than "benefits"!

AT LAST!!!

After what seemed like an endless hurricane season, we finally removed our storm shutters late last year. All IWA employees enjoyed once again being able to see out of our windows. Lizzie, our office kitty, took a break from her very hectic work schedule to soak up a little sun on her belly, as shown below.



2006 BUDGET APPROVED

After reviewing our financial performance in 2005 and our resulting overall financial condition, the IWA Board approved a new budget for 2006.

For 2005, our expenditures totaled \$6.2 million, versus income of \$6.1 million. The difference of around \$100,000 came from our reserves, which

still totaled \$6.8 million at the end of the year. The IWA Board believes that the reserves level is about right, considering the fact that many experts are predicting several more active hurricane seasons. The primary reason for the modest budget shortfall in 2005 was the continuing closure of South Seas Resort on Captiva, which resulted in water sales that were about \$200,000 less than in 2004.

The approved 2006 budget is very similar to the 2005 financial performance discussed above. Income next year has been estimated to be \$6.0 million. That number is highly dependent on many factors which are out of our control, such as rainfall (less rain means more water for irrigation, and vice versa) and hurricanes. We have made the assumption that all weather factors in 2006 will be about the same as in 2005, although we certainly hope that this year's hurricane season is much less severe than last year.

2006 expenditures, which will be heavily impacted by rapidly increasing energy prices, have been estimated at \$6.1 million, which will again lead to a modest budget shortfall of around \$100,000. In order to keep the shortfall to that level, we had to defer \$700,000 worth of capital projects until at least mid-year, when we will have a better handle on water sales and income. The two deferred projects are underground piping upgrades, which are not critical, but which should be completed in the next couple of years.

These continuing, modest budget shortfalls are yet another indication that we are going to have to increase our water rates in the not too distant future. Our rates have not been increased since 1992, and they were decreased in 1994.

If you want to learn more about IWA's budget and finances, you can/should attend our Annual Meeting on April 10th.

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