



IWA PIPELINE



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INJECTION WELL UPDATE

Construction of our new injection well and associated monitor well is essentially complete, with only minor electrical/instrumentation work and painting remaining. Our IWA Maintenance and Production Departments will be handling this final work in-house to be sure that we get what we want at the lowest possible cost. We still have a couple of permit hurdles to clear before the well can be used, but we anticipate no problems in that regard and hope to have the well in service before the end of March.

Actual construction of the injection well was concluded late last year with a number of important tests, the most important of which was a 12-hour injection test. This test was intended to determine whether the well met its design capacity of 6 million gallons per day. As mentioned in our last newsletter, the geology we found in the well resulted in our injection zone being deeper than anticipated, and we were a little apprehensive concerning its capacity. However, the injection test confirmed that the well meets all our design requirements, with only a modest increase in the required injection pressure, which is still just over 40 pounds per square inch when both the City and IWA are using the well simultaneously. That is about 2/3 of the pressure in our distribution system, and at your kitchen sink faucet. Many other tests were run to confirm the integrity of the steel well casings and the cement layers sealing the casings in the ground. These tests confirmed that the well was constructed in such a way as to prevent any leakage of the injected fluids into our drinking water aquifers.

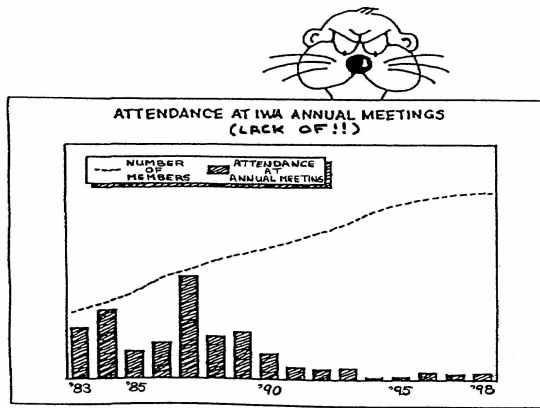
After the injection well was complete, the drill rig was moved over to construct the adjacent deep monitor well. This operation went quite rapidly, and the well was completed in just a few weeks, to a depth of 1,700 feet. A 6 inch casing was

installed in the well to a depth of 1,610 feet, leaving a 90 foot deep open hole from which to take our samples. This well, which is over 800 feet deeper than our drinking water aquifers, will enable us to detect the extremely unlikely event of upward leakage from the injection zone, long before it would endanger our aquifers.

After the monitor well was completed, the drill rig was moved to an unused portion of the site and left in the upright position. Although this means we will have to look at it looming on the horizon a little longer, it enabled us to get on with building the above ground facilities (wellhead) sooner, without having to wait for the rig to be dismantled. In this way, we can ensure that the well is available as soon as possible, just in case the City needs it for excess treated effluent in the event of a heavy rainfall period. We expect that the well will be ready for use and the rig removed from the site before the end of March.

The injection well has been a very successful project from every perspective. Aside from delays in getting the construction permit and a couple of weeks additional drilling to reach our deeper than expected injection zone, we completed this very large project on schedule. In addition, we expect to complete it around \$680,000 under the budget of \$4 million. We had included in the budget around \$525,000 for "contingency," to ensure that we had enough money to cover the unknowns that we might encounter as we drilled over 3,000 feet below the surface of our island. Although we did find some surprises, we found other ways to save money. As a result, we not only used none of our contingency, but we expect to come in over \$155,000 below the raw, no contingency, budget. We owe our drilling contractor, Youngquist Brothers, Inc., and our hydrogeologist, Missimer International (CDM), Inc. a great big thanks for their excellent performance on this project!! In addition, a large number of IWA employees have worked on various aspects of this project and

contributed to its success. Thanks to them also!!



IT'S THAT TIME AGAIN!

IWA's Annual Meeting time that is!

This year's Annual Meeting will be held on Monday, April 10, 2000 at 10 a.m. in our offices at 3651 Sanibel-Captiva Road. Materials relating to this meeting are enclosed with this newsletter. **PLEASE** vote your proxy and return it to us as soon as possible!!

As has been the case at the last few meetings, we'll be happy to give anyone a tour of our facilities after the meeting is over. We will also be happy to show you the new injection and monitor wells, which are located on the rear portion of our property. Of course we will also have the customary coffee and doughnuts before the meeting begins. So mark your calendars and plan to attend. Attendance at our Annual Meetings is almost always less than we would like, so we'd like to see **YOU** there this year! All of our members own a part of IWA, and this is your chance to participate in its operation.

The Nominating Committee met on January 19, 2000 to select candidates for the two vacancies on the Board this year. Mr. Richard A. Calabrese,

~~currently Board Vice President/Secretary, was nominated for his second two-year term. Mr. Harley R. (Lee) Derleth, who has served as Board President for the last year, has completed his third term and is therefore ineligible for re-election. Mr. Andy Schroder has been nominated to fill Lee's seat on the Board. The Board and all of the employees and members of IWA join in thanking Lee for his many contributions to IWA over the last seven years. Lee served one more year than the normal maximum tenure, due to having filled the open seat of a resigned Director before being elected to his first term.~~

Brief resumes of the nominees are enclosed on a separate sheet.

THE Y2K EVENT THAT WASN'T

At IWA, we spent a lot of time, effort and money over the last year or so to ensure that your water supply would be secure at the dawn of the new millennium, an event commonly known in the media as "Y2K." Many computers were expected to fail as a result of using only two digits to represent years, and hence misinterpreting "00" as the year 1900, instead of 2000. Some of our customers were more than a little apprehensive about their water supply, and local merchants here, as well as around the world, did a booming business in bottled water as midnight on 12/31/1999 approached.

We checked and rechecked all our computer systems to ensure that they would work flawlessly. We found that a lot of our computer hardware and software would in fact not work in the year 2000, so we replaced and/or upgraded it, as necessary. Our Information Services Department expended a lot of effort on these activities, which at times seemed to be never-ending. We would no sooner update a program to be "Y2K compliant," when the software vendor would issue another update, correcting still more problems. This went on right up until the end, which was a little unnerving.

On the evening of 12/31/1999, a group of around 10 essential IWA employees converged on our facilities to spend the night, in order to be able to respond quickly in the event of any problems. Since they were spending this important (once in a lifetime) holiday at work, we invited their families to join us as well, and we offered to cook them a good meal in repayment for their dedicated service. Amazingly, in light of the fact that the General Manager had volunteered to be the cook, several families did join us, and a good meal was had by all.

One of our biggest concerns was the reliability of the electric power grid, since without electricity we can not produce or distribute water. As midnight approached, we took the precaution of totally disconnecting from the electric grid and Lee Electric Co-op. We switched-over to our own generators and isolated ourselves from this uncertainty

Of course, as everyone now knows, it was all an anti-climax. Midnight came and went with no problems. We switched back over to the electric



power grid around 3 AM, and most of our employees went home to get a little sleep.

There have been some in the media who have said that the whole Y2K effort was a scam, and that a lot of money was spent for nothing. At IWA, we can absolutely say that was not the case. Had we not done our homework and prepared extensively, we definitely would have had some serious problems. We suspect that was also the case elsewhere as well. From the almost total lack of problems throughout the world, it is apparent that everyone treated "Y2K" seriously, as well they should have.

THIS IS HOW WE SPEND OUR (YOUR) MONEY

At their meeting on January 25, 2000, the IWA Board of Directors approved our year 2000 budget. Normally we would not bore the readership of this newsletter with such mundane matters, but we felt that at the start of the new millennium, perhaps it would be appropriate to briefly tell you how we spend your money.

In 1999, IWA spent a total of \$7.4 million, a figure that was considerably skewed on the high side by the large expenditures for the new injection well. That project alone accounted for \$2.5 million. Subtracting the injection well expenditures brings the total down to \$4.9 million, which is close to

what our annual expenses have been running in recent years. Of the total \$7.4 million we spent, capital expenditures, which are a way of putting our money back into our facilities to keep them in top shape, accounted for \$3.7 million. The next largest expenditure category, of \$1.9 million, went for payroll and benefits for our employees. Debt service (principal and interest) totaled \$0.5 million. Next in line was our electricity bill, which totaled just under \$0.4 million. The remaining \$0.9 million was spent in many smaller categories including repairs/maintenance, fuel, chemicals, postage, etc.

On the revenue side of the equation, we brought in a total of \$6.2 million in 1999. The \$1.2 million shortfall between our expenditures and revenue was covered from the proceeds of a \$3.0 million loan for the injection well, which was booked as revenue in 1998, when the loan was processed. Of the total \$6.2 million that we brought in, by far the largest portion obviously came from water sales, totaling \$5.1 million. Referring back to the previous paragraph, it can be seen that this portion of revenue would cover all but the expenditures for the injection well, with just \$0.2 million left over. That is the situation in a normal year without a large project like the injection well. Our second largest source of income in 1999 was \$0.5 million in payments from the City of Sanibel for their share of the injection well construction. We expect additional City payments of roughly \$0.4 million in 2000, when the well is completed. The only other significant revenue source was the interest we received on our reserve funds. This interest totaled \$0.4 million in 1999, which was about 3 times the normal level, due to interest paid on loan proceeds which will be spent on the injection well. The remaining \$0.2 Million was received from a multitude of small income sources.

In the 2000 budget recently approved by the Board, revenue falls to \$6.0 million, a decrease of 3.5%, reflecting decreased injection well payments from the City and decreased interest income, as the injection well loan proceeds are expended. On the expenditures side, non-capital expenditures are forecast to increase by 7.9%, reflecting normal inflation in most expenditure categories, plus higher than normal inflation in some categories, such as insurance. Capital expenditures are forecast to remain essentially unchanged from 1999, as we complete the injection well and expend a considerable sum of money upgrading our distribution system piping in advance of City sewer work in many neighborhoods on the island. We hope to be able to complete a record number of over 60 individual capital projects next year.

That should keep our Engineering Department very



busy, with the necessary design, permitting and construction management activities!

All in all, IWA remains very strong financially. We expect to end the year 2000 with reserves which are slightly in excess of the Board-set maximum. This reserve level is a little higher than normal due to the fact that we were able to construct the injection well for less than we thought (see the first article in this newsletter). The last time IWA raised water rates was in 1992. In 1994, we reduced them. We do not foresee the need for another rate increase in the near to medium term future. We think that clearly demonstrates that your water company is being well run by your Board of Directors!

LIZZIE UPDATE

In the Fall 1999 edition of this newsletter, we ran an article about our "Employee of the Month," Lizzie the cat. Of all the articles we have run over the last few years, we got the most response from

that one. People called in and sent us notes with their water bills commending us for giving Lizzie a good home. A lot of people took us up on our invitation to stop into our offices to see Lizzie. One member actually gave us a contribution toward her care and keeping.

It has been about a year now since we rescued Lizzie from the cold (?) cruel world outside our office building, and we thought maybe you'd like to know how she is doing. In four words, "VERY WELL, THANK YOU!" Lizzie has grown quite a bit over the last few months, about as much sideways as lengthwise. She is getting close to being as broad as she is long. She definitely is not undernourished! Yet at lunchtime, you would think she hadn't been fed in a month. She has become an accomplished beggar, as is the case with most of her feline relatives. Her favorite treats seem to be leftover tuna, salmon and spaghetti, or whatever



else we accidentally drop on the floor in the lunchroom.

Lizzie has developed into the perfect office



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