THE ISLAND WATER ASSOCIATION, INC.
Proposed Water Rate & Fee Adjustments

Sanibel City Council Meeting, Public Hearing – March 3, 2026

Diana Wilson, IWA General Manager

Knowing Your Utility:

IWA by the Numbers

- 61 Years of service to Sanibel & Captiva
- Over 5200 service connections
- 4,720,000 Gal/Day – Peak month - average day demand
- 60% - Estimated water used for irrigation
- 5,000 Gal/Month – Typical household indoor water use
- 105 Miles of water main, 2” – 20” diameter
- 32 Employees
- 16 Years since last rate increase in 2009

What do your water rates fund?

OPERATIONS & MAINTENANCE
(CHEMICALS, POWER, LABOR, COMPLIANCE)

CAPITAL IMPROVEMENTS
(INFRASTRUCTURE RENEWAL, EXPANSION & RESILIENCY)

DEBT SERVICE

RESERVES
(INCLUDING EMERGENCY RESERVES)

Why are increases needed now?

Inflationary Impacts on O&M

- Power costs
- Treatment chemicals
- Employee compensation & benefits
- Regulatory compliance costs

10-Year Capital Improvement Plan

- Storm resiliency
- System reliability
- Renewal & replacement
- Capacity increases driven by growth in water demand

Financial Best Practices

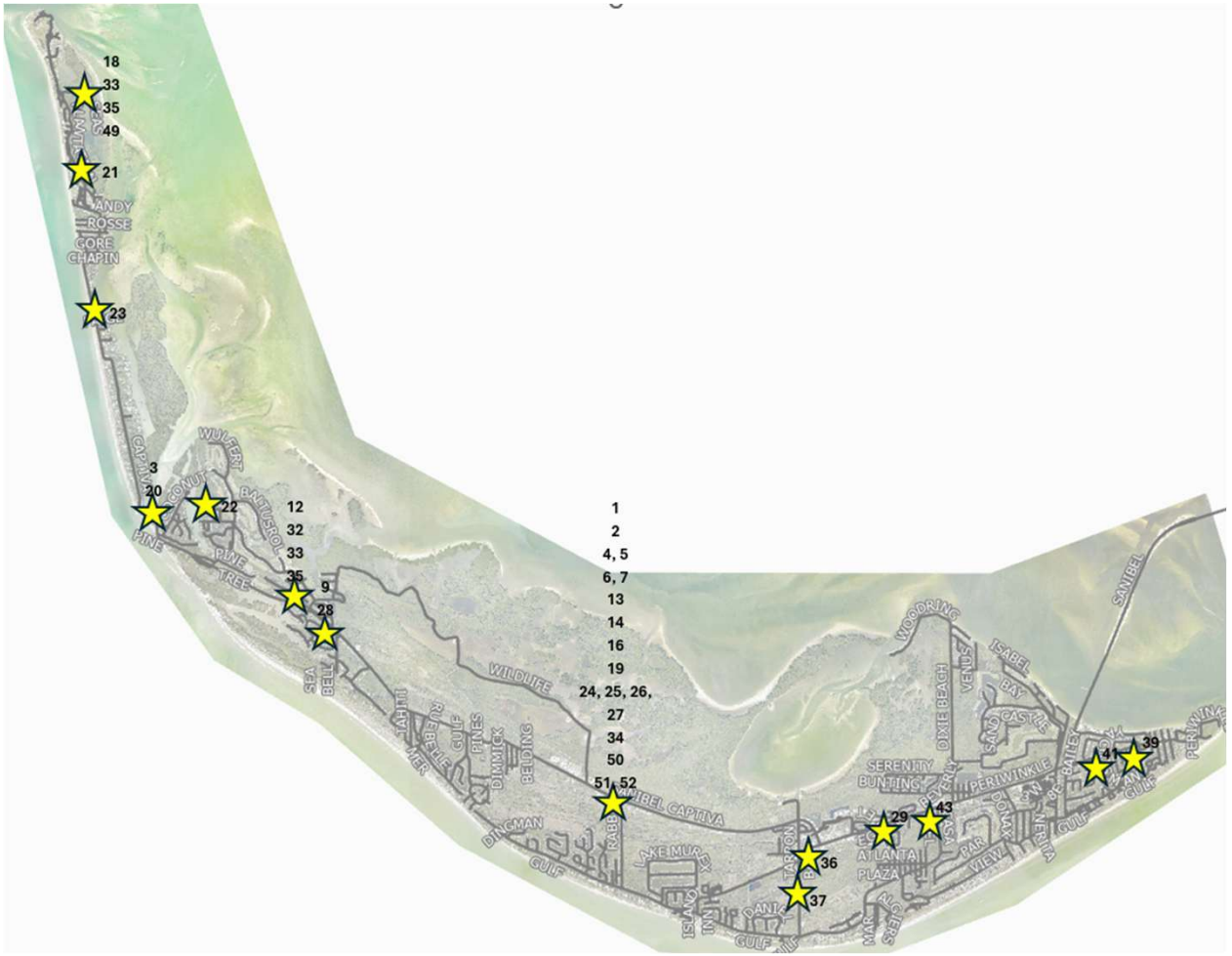
- Establish an emergency reserve fund
- Provide future debt service coverage
- Ensure future financial readiness

10-Year, $122 Million Capital Improvement Plan Overview

Investing Today to Ensure Reliable Service Tomorrow

- **Chlorination System Upgrade**
  Resiliency, modernization, safety, efficiency
- **RO Treatment Electrical Resiliency & Capacity Upgrades**
  Reliability, modernization, safety, resiliency, expansion
- **Sanibel Transmission Main Interconnections**
  Reliability, resiliency
- **North Sanibel and Captiva Distribution and Transmission Improvements**
  Reliability, resiliency
- **Additional source water wells**
  Expansion, reliability
- **Water main replacement**
  Replacement, reliability, expansion, increased fire protection

10-YEAR CIP PROJECT LOCATIONS



External Funding Awards Reduce Member Impact

- $8.5 million forgivable loan from Florida DEP Drinking Water State Revolving Fund (DWSRF) Supplemental Appropriations for Hurricanes Fiona and Ian (SAHFI)
- $17.3 million forgivable loans from Florida DEP DWSRF Supplemental Appropriations for Hurricane Milton (SAHM)
- $17.3 million zero-interest loans from Florida DEP DWSRF SAHM
- $1.562 million in State Legislative Grant awards

Total: More than **$44.7 million** in grant, forgivable loan, or zero-interest loans awarded to IWA.

These awards will fund 37% of the planned $122 million Capital Program.

IWA will pursue additional funding opportunities.

Independent Financial Review

Water Rate & Fee Study

Raftelis Financial Consultants, a professional utility rate advisor, was selected to conduct an independent Rate and Fee Study, evaluating:

- Revenue requirements
- Funding strategy for the 10-year CIP
- Debt service coverage
- Reserve policies and financial stability
- Rate design and affordability

Island Water Association

Water Rate Study

Presented March 3, 2026

RAFTELIS

Agenda

- Water Revenue Sufficiency Study
- Membership Fees
- Miscellaneous Fees
- Recommendations

Water Revenue Sufficiency Study

Background

- The Island Water Association, Inc (IWA) is a non-profit, member-owned water utility on Sanibel and Captiva Islands
- IWA is governed by a five member Board of Directors elected by the members served by the utility
- IWA's primary goals and objectives include:
  - Maintain public health and safety
  - System reliability and resiliency
  - Continuing IWA's high-quality level of service standard at a reasonable price
  - Enhancing hurricane preparedness

Background (cont.)

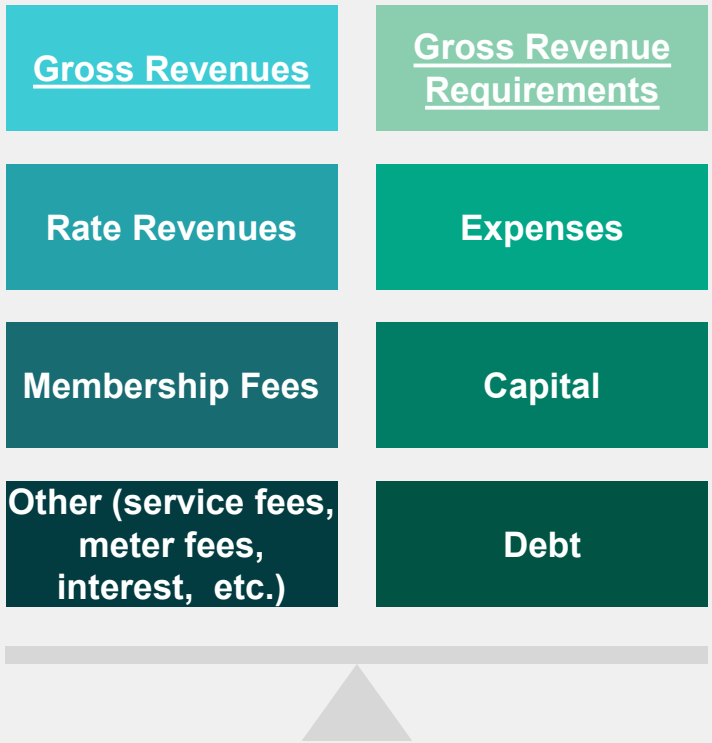
- As required by Florida Administrative Code FAC 62-555.348(3)(a) there is a need to address the increased demand for water service due to post-storm redevelopment and irrigation demands
- Longterm planning resulting in a multiyear capital plan which identified large scale capital projects related to:
  - Supply and treatment capacity limitations
  - Increased needs for renewals and replacements of aging infrastructure
  - Regulatory compliance
- Enhancing hurricane preparedness
- IWA's monthly service rates were last adopted in 2009
  - Rate increases delayed due to economic disruptions such as COVID and Hurricane Ian
- Impacts of inflation on the cost of operations and capital projects
  - Construction Materials Index – 81% increase since 2009
  - Industrial Chemicals Index – 23% increase since 2009
    - Chlorine cost per ton for Association went from $491 per ton in 2019 to $2,062 per ton in 2025
    - Caustic Chemicals for Association went from $0.24 per pound in 2019 to $0.37 per pound in 2025

Proposed Monthly Rate Adjustments

Description	2025	2026	2027	2028
Proposed Rates Rate Adjustments	N/A	18.0%	18.0%	18.0%
Monthly Bill at 5,000 Gallons	$29.50	$34.79	$41.05	$48.46
Change in Bill	N/A	$5.29	$6.26	$7.41
Monthly Bill at 10,000 Gallons	$49.25	$58.09	$68.55	$80.91
Change in Bill	N/A	$8.84	$10.46	$12.36
Monthly Bill at 15,000 Gallons	$72.25	$85.24	$100.60	$118.71
Change in Bill	N/A	$12.99	$15.36	$18.11

Study Tasks and Approach

- Develop financial forecast to estimate the cost of water system operations for Fiscal Years 2025 through 2035
- Analyze and develop funding strategies for capital improvement plan
- Project revenues and revenue requirements
- Determine adequacy of revenues at existing rates
- Evaluate financial performance requirements
  - Positive cash flows: inflows > outflows
  - Liquidity: 120 days target of O&M
  - Debt Service Coverage: 115% required / 150% targeted
- Recommend rate adjustments for Fiscal Years 2026 through 2028 (3-year rate plan)

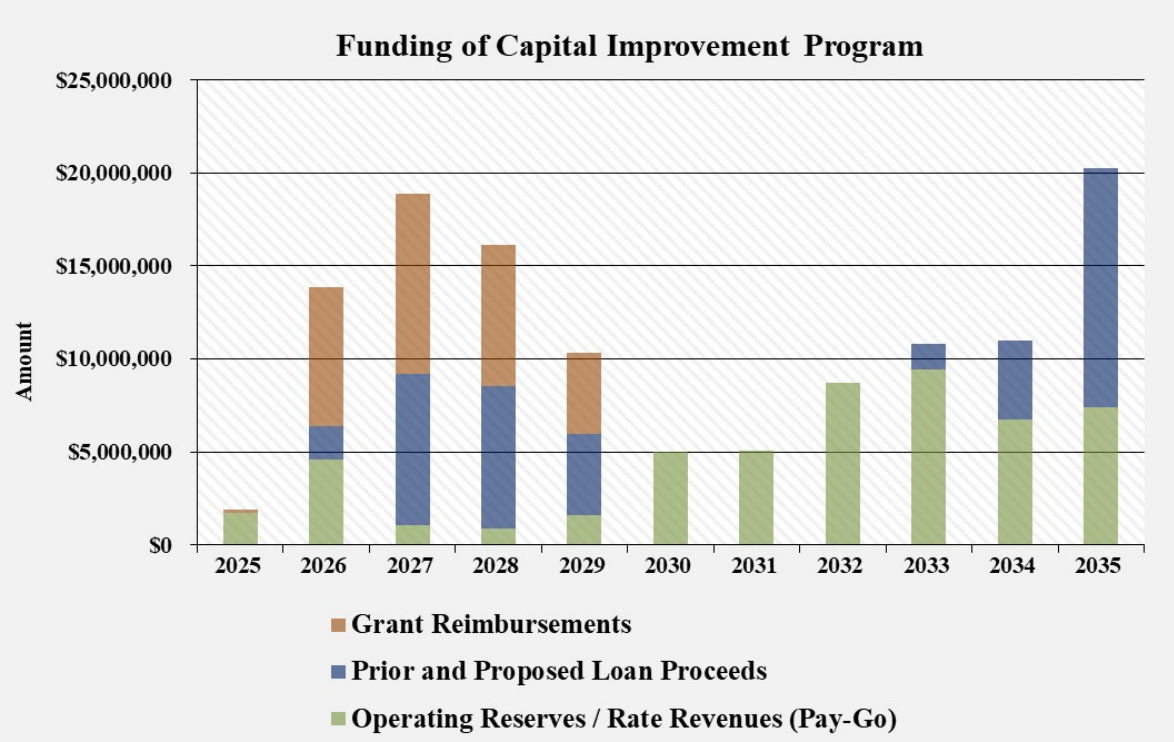


Revenues and Operating Expenses

- System rate revenues at existing rates of approximately $8.1 million in FY 2025 increasing to $9.7 million by FY 2035
  - Based on water sales growth of approximately 2.05% per year
- Other revenues of approximately $328,000 per year
  - Misc. charges (account turn on, tap / connection fees, project reimbursement, etc.)
  - Projected interest income on reserve fund balances
- Operating expenses increasing from $8.3 million in 2025 to $13.8 million by 2035 – average rate of change of approximately 5.3% per year
  - Major escalation factors: labor & benefits – 5.5% per year / CPI – 2.2% per year / repair – 4.0% per year
  - Includes 46%, or approximately $460,000, annual reduction in chemical costs associated with the chlorine alternative project in 2028

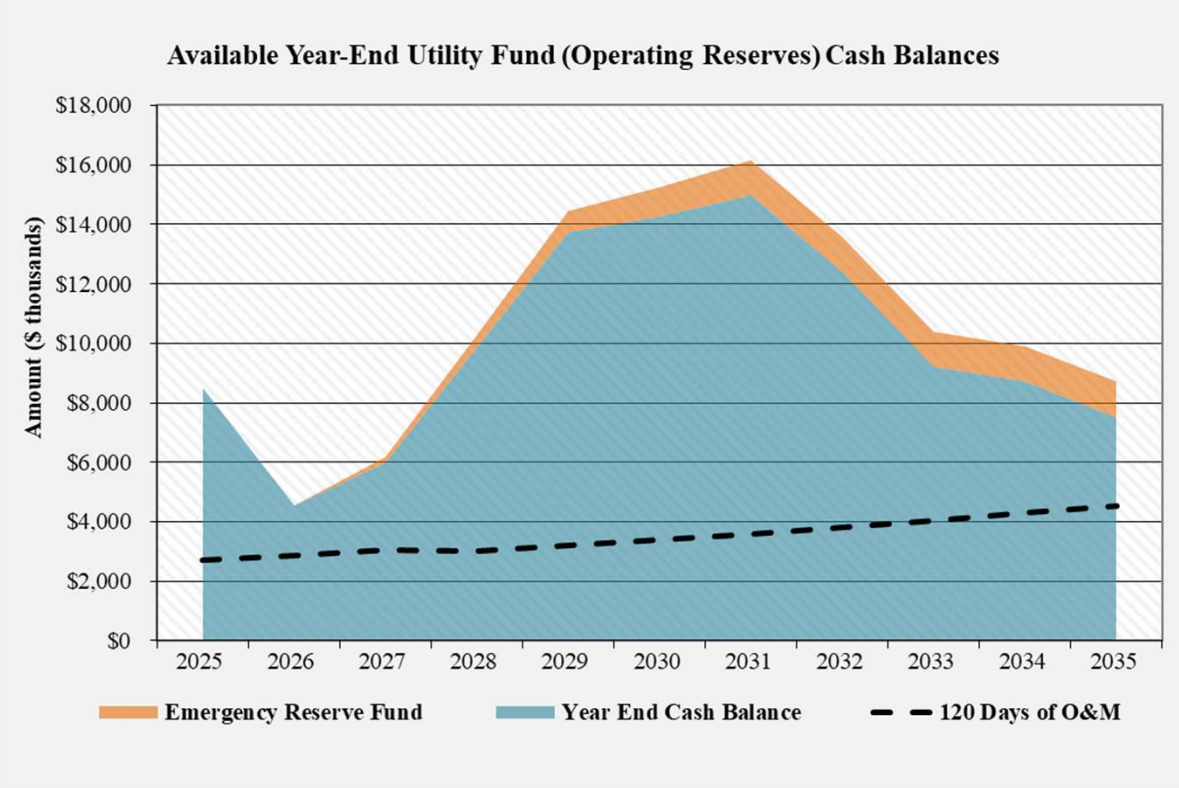
Cash Requirements – Capital Improvement Plan

- Total ten-year capital improvement plan of $122 million
- $29.4 million in existing and future grant funded projects (24% of plan)
- $40.4 million in proposed debt funded projects (33% of plan)
- $52.1 million in rate and reserve funded projects (43% of plan)



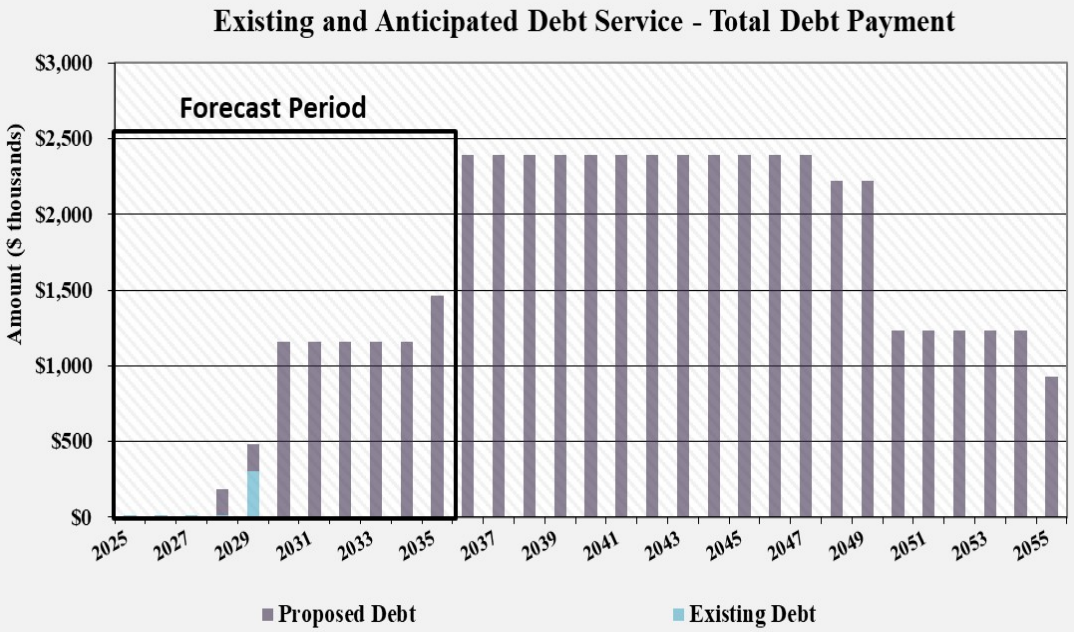
Ending Operating Position (End of Year Cash)

- Adequate reserves provide financial flexibility and ending cash position
- Additional debt payments coming online in 2036
- Emergency Reserve Fund
  - › Immediate funds available for emergencies including hurricane restoration
  - › Funded at $1.2 million over 5 years

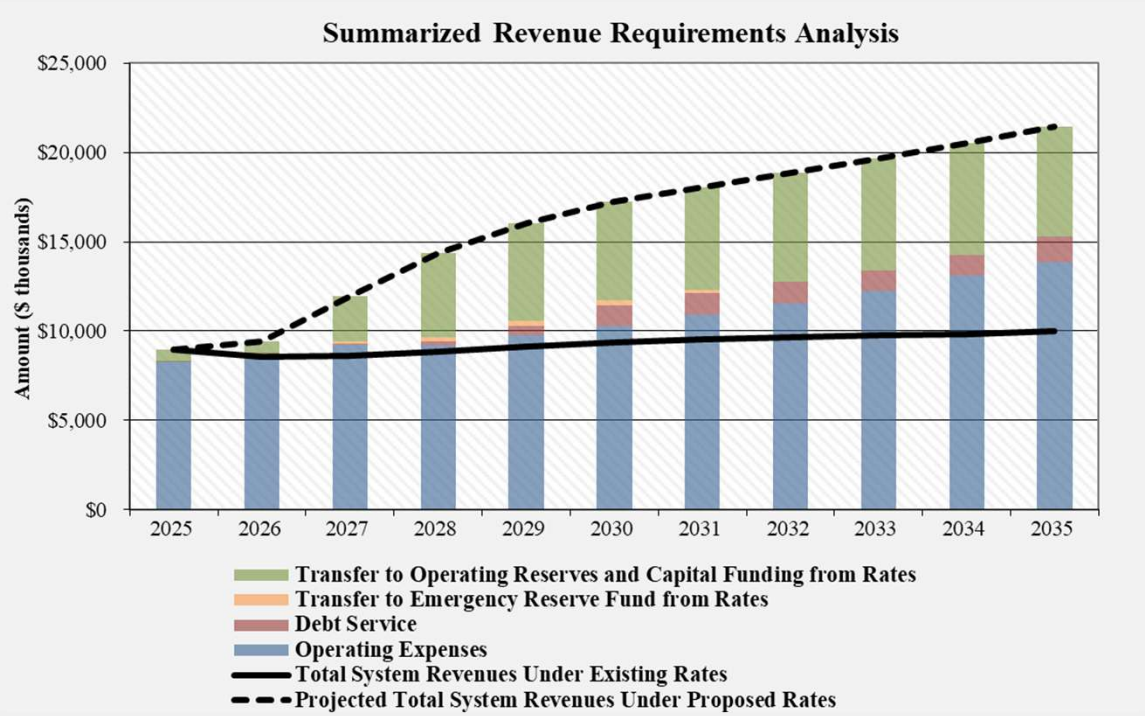


Revenue Requirements – Debt Service

- Existing debt service of approximately $11,850 per year
  - › Balloon Payment of $300,000 in 2029
- Proposed new annual debt service of $1.2 million per year starting in FY 2031 and increasing to $1.5 million by FY 2035 to fund major capital improvements included in the CIP
- Additional $900,000 annual payments anticipated to start outside of forecast period in 2036



Adequacy of Existing Rates



- Reasons for rate increases:
  - Impacts of inflation on the cost of operations and capital projects
  - Significant multiyear capital improvement plan (expansion related projects and renewals and replacements)
  - Debt service payments associated with the funding strategy for the capital plan
  - Establish Emergency Reserve Fund

Proposed Monthly Rate Adjustments

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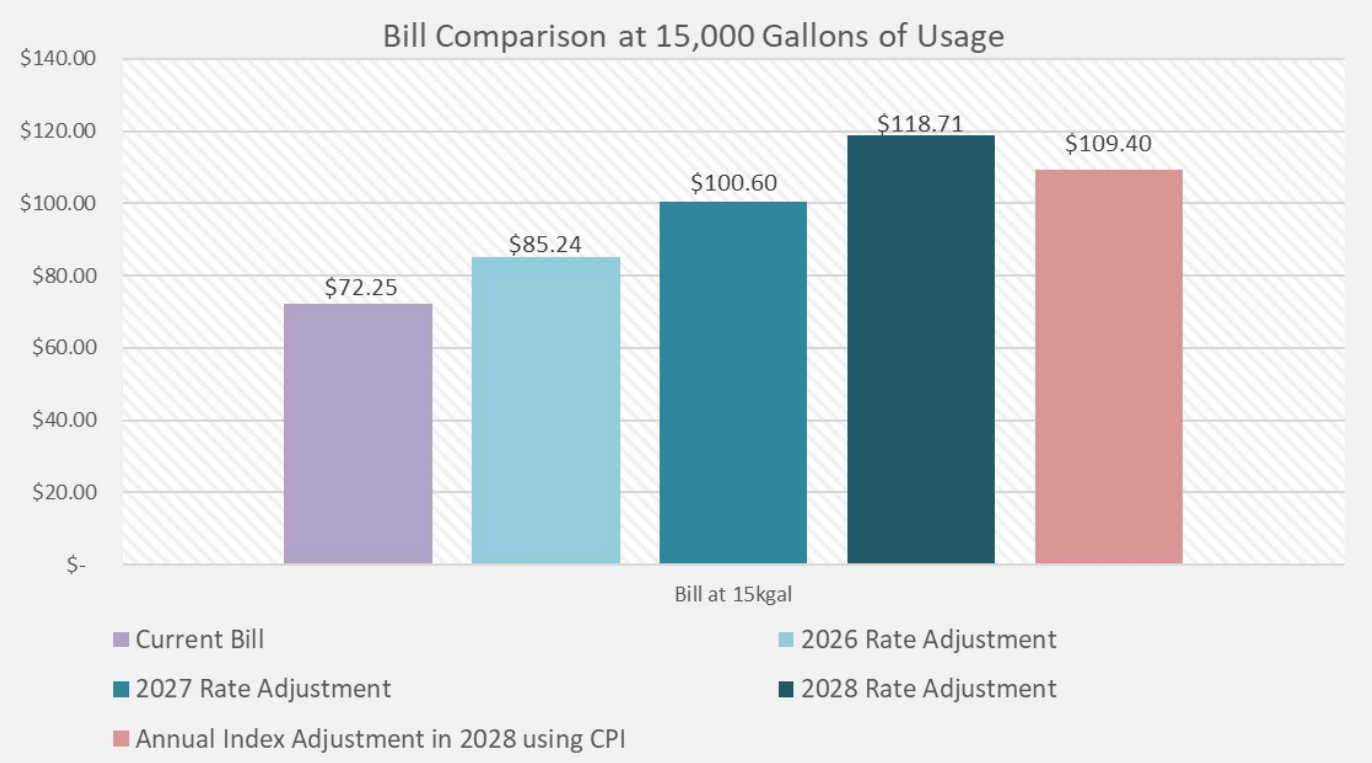
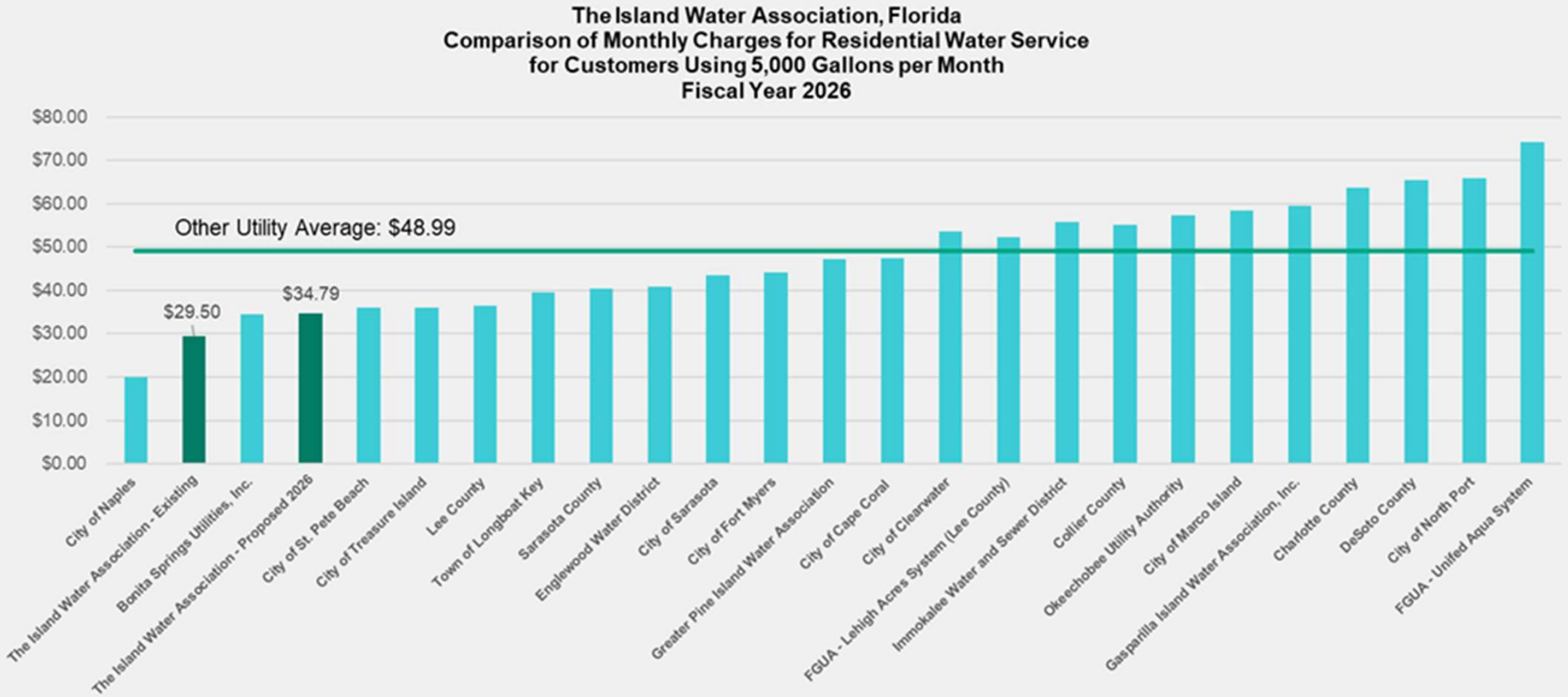
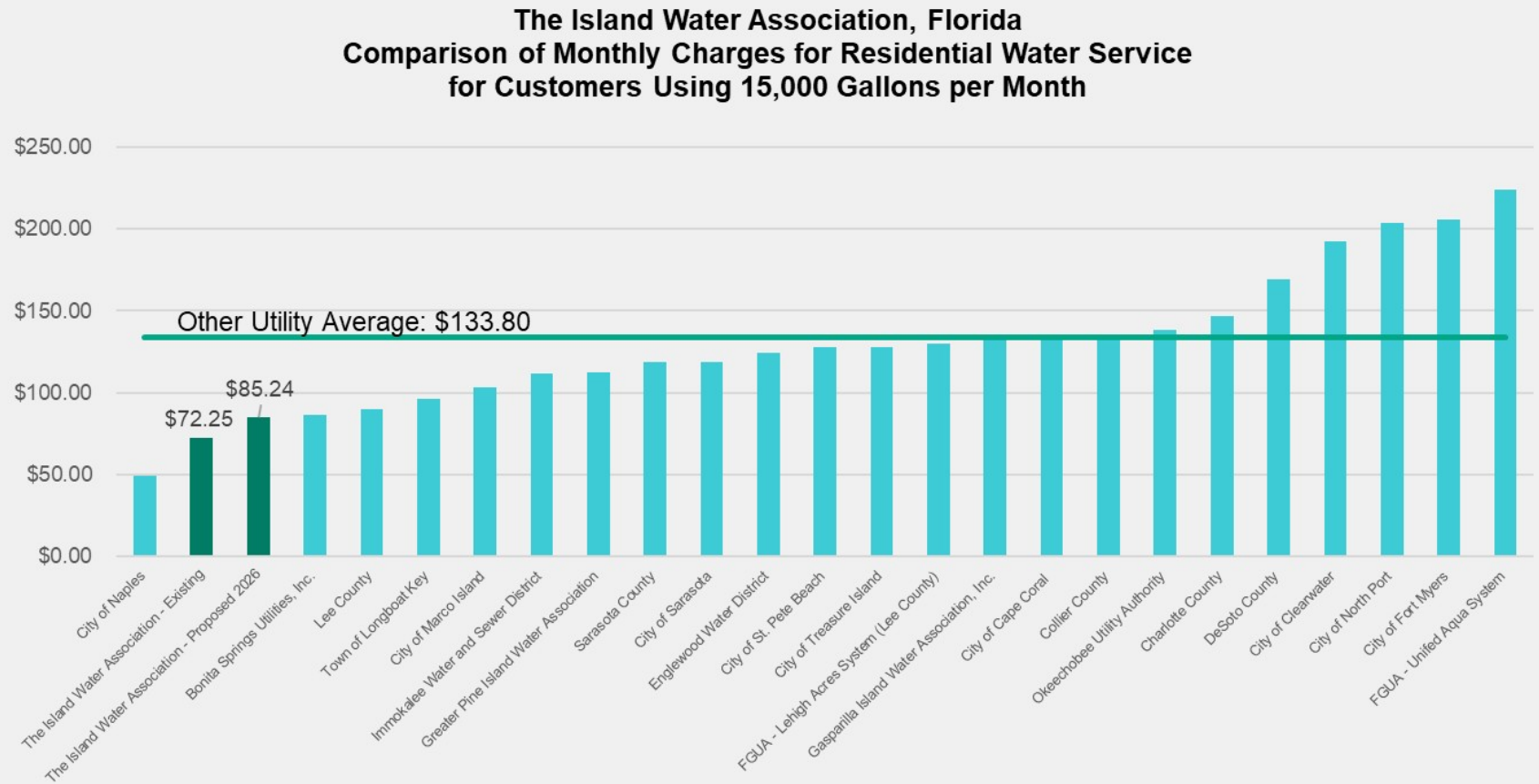
Comparison of Current Rates vs Past Inflationary Indexing and 2026-2028 Rate Adjustments



Rate Comparison at 5,000 Gallons of Residential Usage – Existing and Proposed 2026 Rates



Rate Comparison at 15,000 Gallons of Residential Usage – Existing and Proposed 2026 Rates



Revenue Sufficiency Study Conclusions

- Existing rates are not anticipated to be sufficient to cover future cash rate revenue requirements
- Recommended Rate Adjustments of
  - 18% effective June 1, 2026
  - 18% effective January 1, 2027
  - 18% effective January 1, 2028
- Rate increases needed to:
  - Address impact of inflation on cost of operations
  - Future capital needs associated with long term planning outcomes
  - Achieving IWA's goals and objectives related to:
    - Maintaining public health and safety
    - System reliability and resiliency
    - Continuing to provide high-quality level of service at a reasonable price
    - Enhancing hurricane preparedness

Membership / Connection Fees

Membership / Connection Fee Criteria

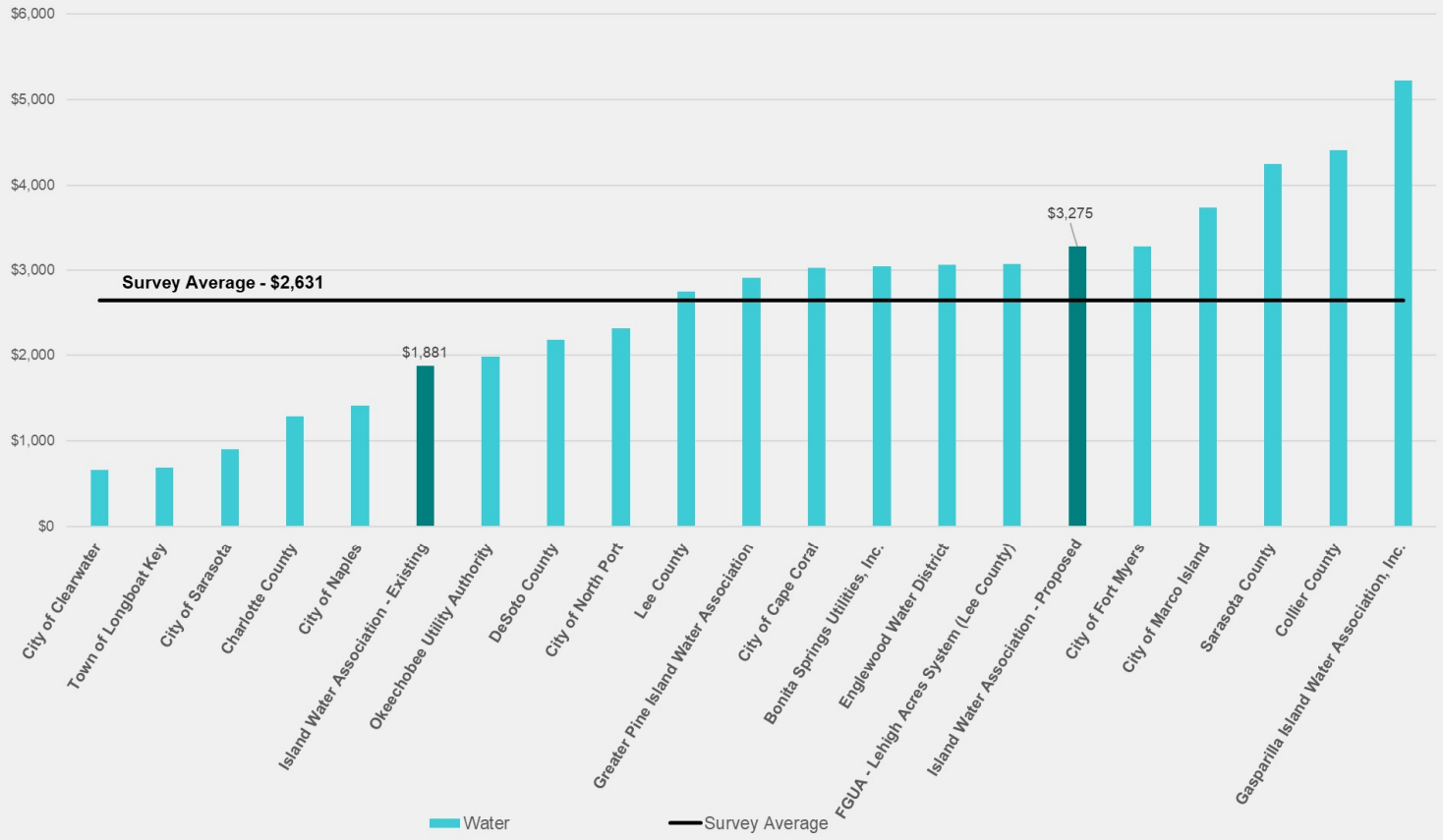
- Commonly referred to as "Connection Fees"
- Connection fees are used to charge new development / members their pro-rata share of the capital costs associated with facilities that provide service capacity
- Connection fees cannot be used to pay for utility system operating costs
  - Connection fees cannot be used to cure system deficiencies
- Growth pays for growth
- Case law requires the utility to establish a rational nexus between the benefit provided by utility service capacity and the cost of facilities included in the fee

Proposed Membership / Connection Fees

Description	Meter Size	LOS	Factor*	Fee Per ERU	Calculated Fee
Residential	5/8 Inch	500	1	$3,275.00	$3,275.00
Residential	1 Inch	1,250	2.5	$3,275.00	$8,188.00
Master Meter (per unit)	All Sizes	200	.40	$3,275.00	$1,410.00
Non-Residential	5/8 Inch	275	.55	$3,275.00	$1,801.00
Non-Residential	1 Inch	378	1.38	$3,275.00	$4,503.00
Non-Residential	1.5 Inch	756	2.75	$3,275.00	$9,006.00
Non-Residential	2 Inch	1,210	4.40	$3,275.00	$14,410.00
Non-Residential	3 Inch	2,269	8.25	$3,275.00	$27,019.00
Non-Residential	4 Inch	3,781	13.75	$3,275.00	$45,031.00

* Master Meter and Non-Residential Customers factor based on relationship in usage to residential service. For Non-Residential customers meters above 5/8” are weighted based on hydraulic capacity based on meter size

Rate Comparison of Connection Fees for Residential Single-Family Residents per ERU



Miscellaneous Fees

Miscellaneous Fee Overview

- Recovers cost for specific customer requests customary in the industry
  - Meter installation and tap charges
  - Customer field and service charges (e.g., turn-ons, reactivations, etc.)
  - Tampering fees
- Proposed rates – recover the direct and allocated cost of service

Existing and Proposed Miscellaneous Fees

Fee Description	Existing Fee	Proposed Fee
Service Disconnect (Business Hours Only)	$25	$90
Service Reconnect (Business Hours)	$25	$90
Service Reconnect (After Hours)	$40	$325
Meter Testing (Business Hours Only)	$50	$135
Site Visit	Free	Free
Project Reimbursement	At Cost	Minimum of $175 or actual cost, whichever is greater
Meter and Tap In (5/8” Meter)	N/A	$3,315
Meter and Tap In (1” Meter)	N/A	$3,420
Meter and Tap In (All Meters Above)	Actual Cost	Actual Cost
Meter Upgrade	Difference in Membership Fee and Meter Deposit	Difference in Membership Fee and Meter Deposit

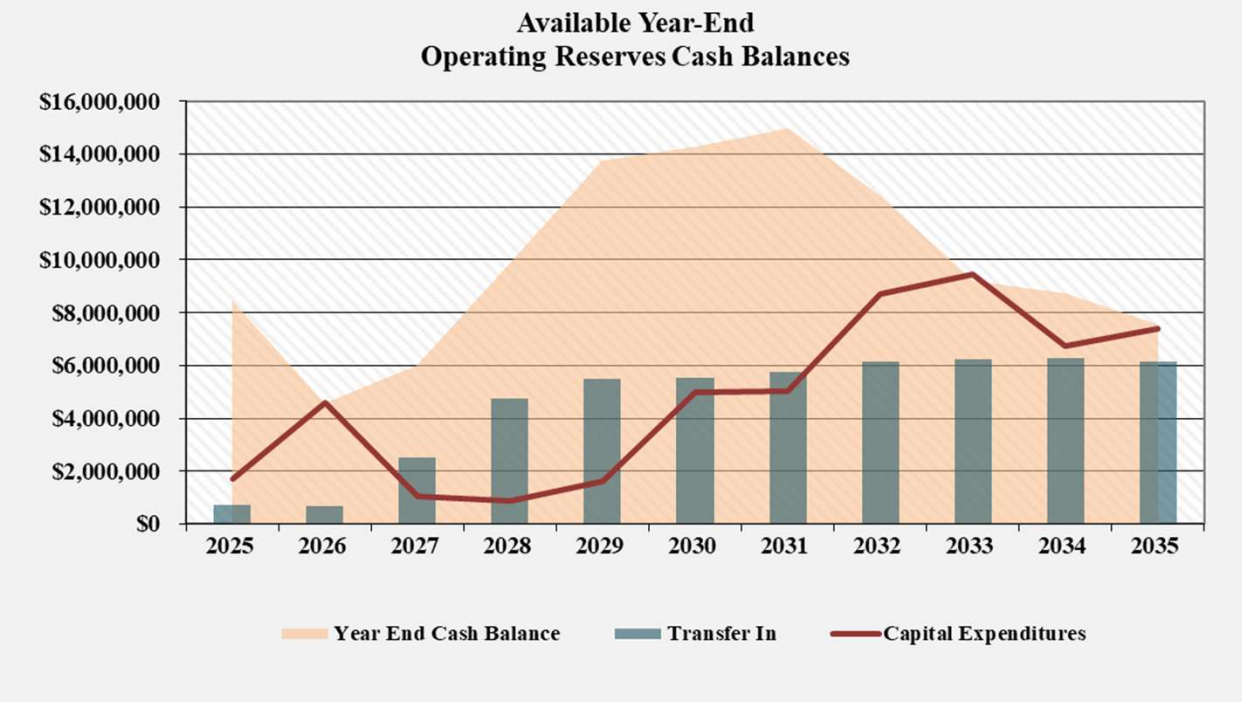
Study Conclusions and Recommendations

- Adopt proposed monthly user rate adjustments for Fiscal Years 2026 – 2028
- Adopt proposed membership fees and miscellaneous fees
- Establish an Emergency Reserve Fund
- Continue to update forecast plan periodically
  - Changes in capital project costs and timing
  - Changes in operations and related costs
  - Potential additional grant funding for CIP – could mitigate future debt and rates


Q&A

Operating Reserves Inflows and Outflows

- Ending cash function of capital expenditure plan
- Rate revenues transferred annually to operating reserves to fund capital
- Transfers in of approximately $4.6 million annually to reserves
- Expenditures of approximately $4.7 million annually



Industry Trends in Rate Adjustments

Utility	Status	Water
City of Fort Lauderdale	Adopted – September 2023	• 8.60% – FY2024 • 22.50% – FY2025 • 9.00% – FY2026 & FY2027 • 5.00% – annually beginning FY2028
Manatee County	Adopted – March 2023	• 9.80% – June 1, 2023 • 5.10% – June 1, 2024 • Index – annually beginning June 1st FY 2025 (W/S Maint. Index)
Sarasota County	Adopted – January 2025	• 5.24% – FY2025 • FPSC Index – annually FY2026 through FY2029
Lee County	Adopted – June 2023	• 8.00% – annually FY2023 through FY2027
Hillsborough County	Adopted – September 2023	• 7.05% – FY2025 • Est. 8.15% (5.00% Fixed Rate + Price Index) – annually FY2026 through FY2032
City of Riviera Beach Utility Special District	Adopted – January 2025	• 10.00% – FY2025 • 31.85% – FY2026 & FY2027 • 29.78% – FY2028 • 26.00% – FY2029
City of Fort Lauderdale	Adopted – September 2023	• 8.60% – FY2024 • 22.50% – FY2025 • 9.00% – FY2026 & FY2027 • 5.00% – annually beginning FY2028

Industry Trends in Rate Adjustments (cont'd)

Utility	Status	Water
City of Winter Garden	Adopted – November 2024	• 3.24% – 10/1/2024 • 17.00% – 1/1/2025 • 20.00% – FY2026 & FY2027 • 7.00% – FY2028 & FY2029 • Greater of FPSC Index or 2.00% – annually beginning FY 2030
City of Palm Coast	Adopted – March 2025	• 8.00% – 4/1/2025 • 8.00% – 10/1/2025 • Greater of W/S Maint. Index or 4.00% – annually beginning FY 2027
City of Groveland	Adopted – August 2024	• 40.00% – FY2025 • 10.00% – FY2026 through FY2028
City of Wilton Manors	Adopted – September 2024	• 7.00% – FY2025
City of LaBelle	Adopted – September 1, 2024 Presented – FY 2026 – FY 2028	• 50.00% – FY2025 • 3.50% – FY2026 • 3.50% – FY2027 • 3.50% – FY2028
City of Lake Worth Beach	Adopted – September 2024	• 5.25% – FY2025
Clay County Utility Authority	Adopted – September 2024	• 6.50% – FY2025

Industry Trends in Rate Adjustments (cont'd)

Utility	Status	Water
City of Oviedo	Adopted – February 2025	• 9.00% - FY 2025 through FY 2029
Village of Wellington	Adopted – February 2025	• 10.00% FY 2026; estimated 3.5% thereafter
Town of Manalapan	Adopted – May 2025	• 80.00% FY 2026 • 6.00% FY 2027 to FY 2029

Connection Fee Analysis

- Cost Methodology
  - Recovers the cost of water treatment and backbone transmission (lines 8” or greater)
  - Excludes local distribution system costs
    - Generally contributed by developer
  - Based on existing assets with available capacity to serve new growth and proposed new capital projects that provide additional capacity
  - Reflects the Association’s planned expansion-related improvements
  - Excludes system renewals and replacements as well as meters, service lines, and minor equipment
- Fees based on the existing residential single-family level of service
  - Average Water Use – 500 gallons per day

Why Fees Differ Among Utilities

- Source of Supply
- Proximity to Source of Supply
- Type of Treatment
- Availability of Grant Funding
- Utility Life Cycle (growth-oriented vs. mature)
- Level of Service per ERC
- Age of System
- Density / Size of System

Development of Proposed Membership Fees

Description	Total
Existing Treatment/Transmission Facilities	$21,237,602
Other Applicable Planned Improvements	25,461,574
Total Applicable Investment in System	$46,699,176
Total Existing/Planned Capacity (MMADF-MGD)	7.09
Cost per Gallon*	$6.59
Level of Service (GPD)	500
Calculated Fee per ERC (rounded)	$3,275.00
Existing Fee	$1,881.00
Increase / (Decrease) in Fee	$1,394.00

Development of Membership Fees

- Three major components:
  - The amount of expansion-related capital costs to be recovered
  - Capacity of the expansion-related capital
  - The level of service (LOS) apportioned to the applicant requesting capacity

Industry Trends in Rate Adjustments

Utility	Status	Water (per ERC)
Collier County	Adopted August 27, 2024	$4,411 – Dec 2024 $5,411 – Dec 2025 $6,470 – Dec 2026
City of Mt. Dora	Adopted June 4, 2024 Effective September 2024	$1,340
Polk County	Ph. 1 Effective January 1, 2025 Ph. 2 Effective October 1, 2025	Ph. 1 -$2,941 / Ph. 2 $3,038
Groveland	Adopted July 15, 2024	$3,830
Lake Alfred	Effective March 6, 2023	$6,333
City of Auburndale (Inside)	Effective September 2023	$3,127
Hernando County	Adopted July 2024	$2,397
City of Palm Coast	Effective May 1, 2024	$3,497; increasing to $4,378 by May 1, 2027
Florida Community Services Corp. of Walton County	Effective March 1, 2024	$3,092.66
South Walton Regional Utilities, Inc.	Effective October 1, 2023	$2,733.53
Port St. Lucie	Adopted September 2024	$5,705
Lakeland	Effective October 1, 2024	$3,603
Davenport	Effective January 1, 2024	$6,300
Winter Haven	Adopted September 10, 2024	$3,671
Sarasota County	Effective March 1, 2025	$4,250
Brooksville	Adopted January 27, 2025	$765

Development of Miscellaneous Fees

- Three major components evaluated:
  - FTE hours and hourly rate of pay
  - Vehicles and equipment hourly rates
  - Materials, parts and supply costs

Customer Field and Service Visits

- Meter Testing
  - If test results show an inaccurate meter the customer is not charged
- Currently site visit is customary per Association policy, however cost may be incurred if necessary

Fee Description	Existing Fee	Proposed Fee
Service Disconnect (Business Hours Only)	$25	$90
Service Reconnect (Business Hours)	$25	$90
Service Reconnect (After Hours)	$40	$325
Meter Testing (Business Hours Only)	$50	$135
Site Visit	Free	Free

Project Reimbursement

- Minimum set to cost to send FTE and vehicle out for minimum 2 hours
- Includes some of the following:
  - Damage to distribution systems
  - Meter relocation
  - Obstructed meter

Fee Description	Existing Fee	Proposed Fee
Project Reimbursement	At Cost	Minimum of $175 or actual cost, whichever is greater

Meter & Tap-In Charge

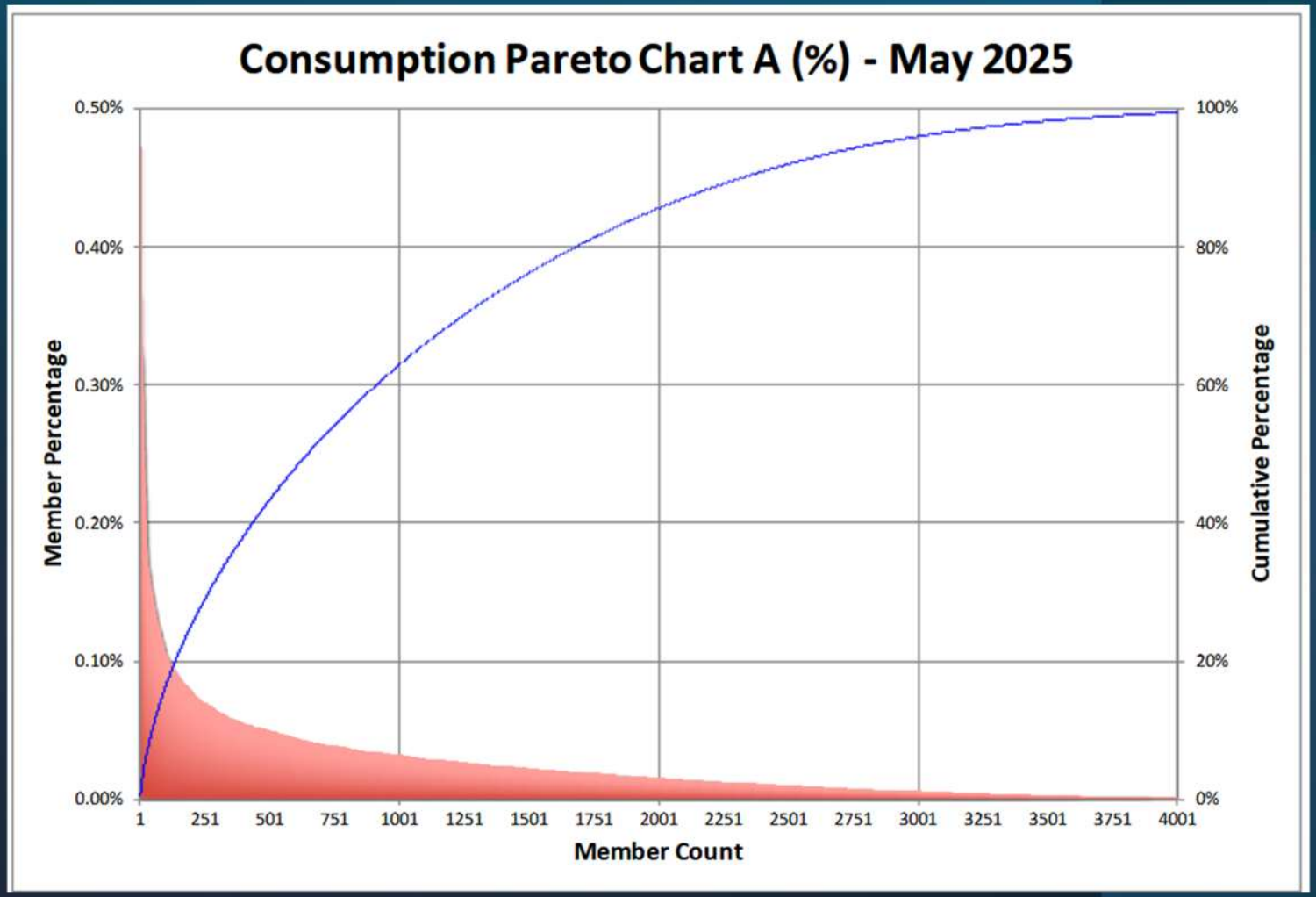
- Cost to physically connect to utility system
  - Not a connection (membership) fee (recovery of system capacity)
  - Connection from distribution line to house
- Typically, only charged to new development (one-time fee)
- Costs include labor, equipment and materials (backhoe, boring, etc.)

Fee Description	Existing Fee	Proposed Fee
5/8” Meter	N/A	$3,315
1” Meter	N/A	$3,420
All Meters Above	Actual Cost	Actual Cost

Meter Upgrade Charge

- Customer requested upsizing of meter from 5/8” to 1”
- Minimum fee set to typical meter upgrade costs
  - If costs go over, Association to collect remainder of fee at cost

Fee Description	Existing Fee	Proposed Fee
Meter Upgrade	Difference in Membership Fee and Meter Deposit	Difference in Membership Fee and Meter Deposit


Consumption Pareto Chart A (%) - May 2025
0.50%
0.40%
0.30%
0.20%
0.10%
0.00%
Member Percentage
100%
80%
60%
40%
20%
0%
Cumulative Percentage
1
251
501
751
1001
1251
1501
1751
2001
2251
2501
2751
3001
3251
3501
3751
4001
Member Count