



Rathbun Regional Water Association, Inc.

Spring 2011

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RRWA ANNOUNCES RATE ADJUSTMENT

John Glenn, CEO/COO of Rathbun Regional Water Association, Inc. (RRWA), announced during the Annual Membership Meeting on February 24, 2011 that effective July 1, 2011, the first water rate adjustment in five years would be implemented, as approved by the RRWA Board of Directors. The new rate will be in effect for bills paid on or after August 1, 2011.

“... The first water rate adjustment in five years ...”

Mr. Glenn explained to the membership that the price adjustment was necessary in order to maintain RRWA's high standard of providing customers with safe, quality drinking water and related services. During the past five years virtually all aspects of RRWA's operations have experienced steady cost increases. RRWA has seen some of the largest increases from its main vendors, including; increases of 80% for chemicals used to treat the water and 25% for purchased water; 45% increases for electricity to treat as well as pump water and 30% increases for other fuel costs such as gasoline and diesel. This rate increase can also be attributed to wetter-than-average

weather over the past 4 years, which has led to decreased demand and lower water sales.

In 2007 RRWA's Board of Directors and staff made the decision to expand the Association's water treatment capacity. This decision was based on long-term planning which determined the future drinking water needs of RRWA's customers may exceed 14 million gallons per day. RRWA's board and staff also believed that it was essential for the Association to be able to supply the quantity of potable water needed to support future economic development in our service territory. RRWA has started construction on a project which includes a caisson-type intake in Rathbun Lake capable of supplying up to 17.5 million gallons per day, two 24 inch raw water transmission mains, and a second water treatment plant with a production capacity of 6 million gallons per day. Projects remaining to be bid this year include water distribution improvements and a one million gallon water tower. RRWA has factored the cost of these projects into the rate adjustment and believes that with our projected growth the impact on rates will be minimal.

RRWA's primary goal is to provide high quality drinking water and dependable service at the most

affordable price possible while ensuring the financial stability of our Association. As a member-owned utility, RRWA is asking our customers to share the cost of accomplishing this goal. The new rate structure will increase the typical RRWA customers water bill, using 5000 gallons of water per month, by \$5 to \$6 per month before sales tax.

We believe it is important to note that, even when the new rate structure is in place, the water rates at RRWA will continue to be one of the lowest in the state of Iowa.

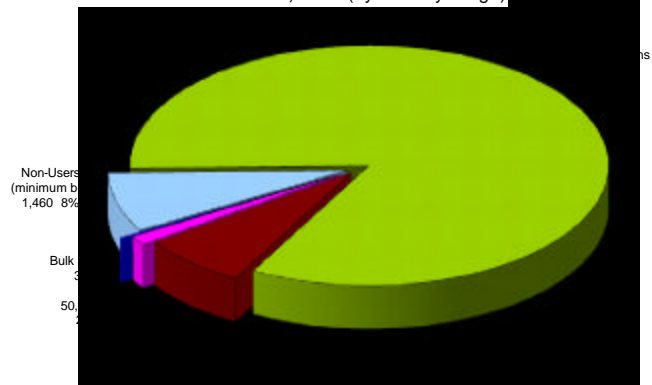
“... Primary goal is to provide high quality drinking water and dependable service at the most affordable price possible ...”

During the month of July, a new rate chart and letter regarding the adjustment will be mailed to all of our customers. If you do not receive the letter or have questions, please feel free to contact our office by phone at 1-800-233-8849 or email rrwainc@rrwa.net.

2010 Financial Summary of RRWA

The number of meters that RRWA customers had in service increased by only 40 during the year and totaled 18,300 by the end of 2010. Water usage during the year decreased by 1% or about 33 million gallons from the previous year and totaled 2.4 billion gallons. These lower than expected numbers for 2010 were primarily attributed to above average precipitation the last few years. Since 2007, Iowa has continued to have some of the wettest years on record and last year, Southeast Iowa experienced its wettest year ever in state history.

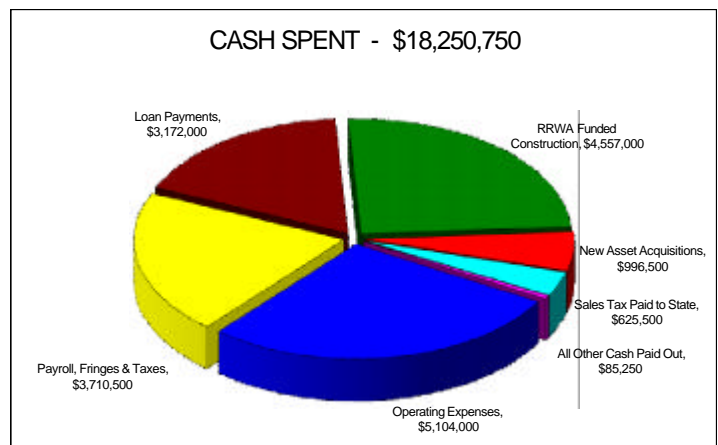
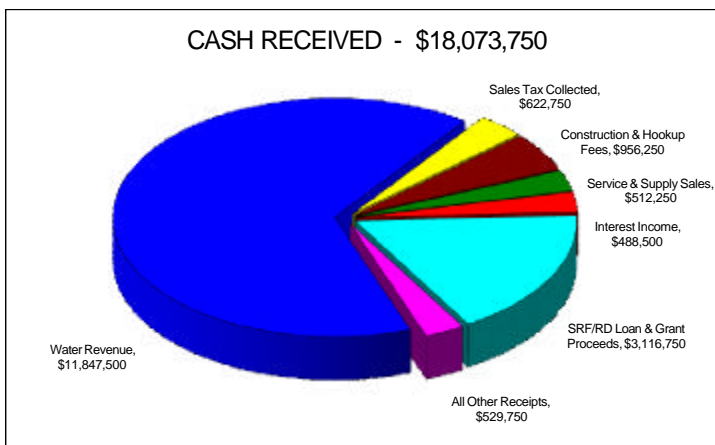
METERS IN SERVICE - 18,300 (by monthly usage)



The 2.4 billion gallons in water sales generated revenues of \$11.6 million for the company and when combined with \$200,000 collected from almost 800 Waste Water customers, accounted for 65% of the total cash received during 2010. Another \$620,000 in sales tax associated with water sales was collected for the State. Construction income and hookup fees charged to 205 new additions to the distribution system brought in \$550,000 while fees charged to the communities of Montrose and Mediapolis generated \$400,000 in reimbursed costs. Additional construction services and material sales provided to members, customers and other entities brought in \$512,000. Income from RRWA's cash investments generated almost \$490,000 in interest income throughout the year and all other cash received during 2010 totaled \$530,000. Additionally, RRWA received almost \$1.9 million in grant funds (forgivable loans) from the State Revolving Fund as well as borrowed \$1.2 million from USDA-Rural Development from low interest loan proceeds as construction on the expansion project at the Rathbun Treatment Plant begins (construction update article in newsletter).

Daily operating expenses of the company during 2010 required \$5.1 million and included in this segment was everything from the chemicals and electricity used to purify and pump the water to the fuel and repair costs associated with RRWA's trucks and equipment, or the office supplies and postage expenditures incurred throughout the year. These costs represented a \$500,000 increase (11%) over 2009 costs as RRWA experienced significant increases in electrical, chemical and purchased water expenditures. Another \$3.7 million in expenditures was spent on salaries, fringes and payroll taxes for the company's 58 full-time employees. The next segment of cash expenditures was loan payments which required \$3.2 million of cash. Interest payments totaled \$1.4 million on an average loan balance of \$34 million throughout the year and principal payments made up the remaining \$1.8 million. Construction projects and improvements to the distribution system totaled \$4.5 million and included expenditures to connect Mediapolis and Montrose as well as construction work associated with the lake intake, raw water main and new treatment plant. New capital purchases equaled \$996,500; payments made to the State for sales tax totaled \$625,000; and all other uses of cash totaled \$85,000.

Total cash expenditures for the year added up to \$18,250,750, which when compared with total cash receipts of \$18,073,750, resulted in a negative cash flow during the year of \$177,000. However, even with this decrease of cash, the company's balance sheet and financial ratios remained strong in 2010. Total assets of RRWA increased by roughly \$5 million during the year, long term debt decreased by 500,000 and the company's net worth or members equity increased by \$5.25 million over numbers reported last year.



"CONSTRUCTION UPDATE"



December 2010 Concrete Pour

Rathbun Regional Water's Board of Directors in 2007 made the decision to expand the Association's treatment capacity. This decision was based on long-term planning which determined that the future drinking water needs of RRWA's customers will exceed 14 million gallons per day (MGD). RRWA's



Effluent Pipe Channel Footing

board and staff also believed that it was essential for the Association to be able to supply the quantity of potable water needed to support future economic development in our service territory.



Beginning of Pulsator Walls

In our Spring 2010 Newsletter photos of the construction of the new caisson at Lake Rathbun, which will enable RRWA to pump up to 17.5 MGD to our two treatment plants and the two 24-inch raw water transmission mains were included with an article about the progress. The intake portion of the caisson will be completed this spring and the raw water lines are installed.

The third phase of the project is the construction of a new 6 MGD water treatment plant. Grooms and



Finished Five Foot Wall

Company Construction, Inc. of Ottumwa, Iowa is the general contractor and work began last fall. The project is approximately 20% complete at this time with much of the dirt work complete and 25% of the cement poured. The completion date for the treatment plant is summer of 2012.



Pipes in Trench Drain

Choose & Use "E-Pay"

Win a Chance for a \$25 Credit on Water Payment!

Sign up for e-pay today, pay your bill online and qualify for a chance to win a \$25 credit on your next water bill. Beginning on May 31, 2011 RRWA will randomly choose a customer who pays their bill utilizing RRWA's online e-pay program. That lucky customer will receive a \$25 credit on their account for the next month. The convenience of online bill pay along with a chance to win a \$25 credit, you can't afford not to do it!

With any computer and Internet access, RRWA customers are able to access their accounts; view payment history, prior usage and meter information; receive e-mail payment reminders; enter current meter readings to calculate the monthly bill; and approve the bill to be paid from a bank account or credit card of choice all in a matter of minutes. E-Pay, through a secure log-on process, will provide customers a quick and convenient quality service, consolidating all of their accounts in one easily accessible online site. And although prior registration will be necessary, the customer will be able to pay bills online through the simple click of a mouse, yet still have the same control over when to pay as well as the ability to return to the option of paying by mail at any time.

If you are interested in this payment option please log onto our web site at rrwa.net and click on the E-Pay option. You will need to print the authorization form, fill it out and return it to our office. After we have received your form you will be provided with a user name and password to use when paying your bill.



**Rathbun Regional Water
Association, Inc.
Mission Statement**

Rathbun Regional Water Association, Inc. strives to improve the quality of life in our region by providing our customers with safe, high quality drinking water and related services.

We believe the success of our organization depends on our commitment to the following values:

- **Good communication and cooperation between our customers, employees, management, and board.**
- **Innovative, dependable, highly trained employees that take pride in their work and are dedicated to serving our customers.**
- **Responsibility as a team for the efficient and reliable delivery of reasonably priced product and services to our region.**
- **Equal opportunity for growth and excellence for every employee.**
- **Proactive involvement with economic growth and environmental stewardship.**

RRWA 34th ANNUAL MEETING HELD

The 34th Annual Membership meeting was held at the RRWA Treatment Plant, 16166 Hwy J29, Centerville, IA on February 24, 2011 at 7:30 p.m.

Three directors were re-elected to serve a three-year term on the RRWA Board:

District 2: Joe Hollinrake who resides at 1324 515th Avenue, Lovilia, Iowa.

District 3: Marvin Ryan who resides at 2386 Hwy S60, Seymour, Iowa.

District 7: Mike Fesler who resides at 11301 Danville Road, Danville, Iowa.

RRWA would like to thank all of the those members of the nominating committee for their willingness to serve. Members of the nominating committee appointed by the Board of Directors were: Bruce Frevert-Centerville, Arlene Jacobs-Albia, Larry Moore-Bonaparte, Gary Runyon-Corydon, Rodney Sturdivant-Donnellson, Richard Rickelman-Bloomfield, and Bill Hillyard-Burlington.

Other items discussed at the meeting were:

- The 2010 Financial Report of RRWA
- A report on the progress of projects at RRWA
- A report on "Protecting Rathbun Lake "
- Tour of the RRWA Treatment Plant



Back Row: Max Proctor, Mike Fesler, Randy Eddy, John Glenn (CEO/COO) & Marvin Ryan
Front Row: Floyd Hohl, Joe Hollinrake and Charles Warner