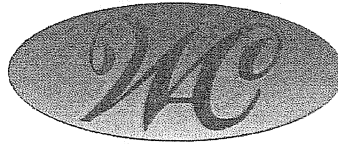


CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 207th Meeting held on 18th of August 2010

Members Present:

Chairman:	Mr J Piercy
Members:	Mr J Banks Mr T Hydes Mrs P McGaw-Lumsden Mr C McLaughlin Mr W Scott Mr O Watler
Secretary:	Dr G Frederick-van Genderen
Apologies:	Ms A Owens Ms R Sharma Mrs I Simms Mr M Smith
Special Guests	Mrs Jennifer Dilbert, <i>Information Commissioner</i> Mr Jan Liebers, <i>Deputy Information Commissioner</i> Mrs Wendy Whittaker, <i>Information Manager WA</i> Ms Pat Bell, <i>Information Manager-Designate WA</i>

Call to Order

The Chairman welcomed members and called the meeting to order at 1:40pm after ascertaining that there was a quorum. The Chairman then opened the meeting with prayer. After the prayer, the Chairman gave apologies on behalf of Ms A Owens, Ms R Sharma, Mrs I Simms, and Mr M Smith. The Chairman advised members that in July 2010 changes were made to the composition of the Water Authority Board. The Chairman informed members that Mr A Bodden and Mr G Bodden were removed from the Board, Mr J Banks was made a full member and Mr Miguel Smith was

added to the membership. The Chairman noted that these changes were made without his knowledge as Chairman. His information of the membership changes came via a memorandum "after the fact" from the Ministry. Additionally, the Chairman said that he understood that Mr A Bodden, who was a long standing Board member, was informed via a letter. The Chairman stated that in his opinion notification such as this was not the appropriate way to inform Board members and/or him of such significant changes. The Chairman noted for the record that there was no discussion or consultation with himself as Chairman on the changes to members of the Board.

Minutes of the Extraordinary Meeting held on 12th of March 2010

The Chairman asked for confirmation of the Minutes of the Extraordinary Meeting held on 12th of March 2010.

Mrs P McGaw-Lumsden moved the motion to accept the Minutes, Mr T Hydes seconded the motion and the motion passed unanimously.

Minutes of the 206th Meeting held on the 16th of June 2010

The Chairman asked for confirmation of the Minutes of the 206th Meeting held on 16th June 2010.

The Chairman pointed out the following corrections:

-page 5 - 3rd line from the bottom of the page should be corrected to read "...she is a well-rounded ...".

-page 6 - 3rd paragraph, 3rd sentence should be corrected to read "...as a Compliance Assistant providing ...".

Mrs P McGaw-Lumsden moved the motion to accept the Minutes as amended, Mr W Scott seconded the motion and the motion passed unanimously.

Declaration of Conflicts of Interest

None were declared.

Matters Arising

a) **Red Gate & North Side Reservoirs Project (2009).**

The Chairman advised that all construction work was completed by Florida Aquastore on 07 July 2010. Filling of the tanks, including the sterilisation and water tightness tests, was completed on 17 July 2010. This project has now been completed.

b) **North Side Water Works.**

The Chairman reported that during the week of 16 August 2010 Massive Equipment Rental and Sales Limited resumed work on the remainder of the

security fence installation. It is anticipated that this work will be completed by 20 August 2010.

The Chairman reported that as of 16 August 2010, there were 671 active accounts, 109 inactive and 3 new accounts pending in the North Side/Queen's Highway area.

c) **30 June 2010 Audit.**

On 29-30 June 2010 the WA conducted a comprehensive inventory count at both the Lower Valley and Red Gate stores sites in the presence of a representative from the Auditor General's (AG) office. The Authority is in a strong position and supplied the AG's office with the draft trial balance for 30 June 2010, well in advance of the 31 August 2010 deadline. Based on discussions with the AG's office the Authority expects that representatives from the AG's office will be on site to conduct the audit on 31 August for approximately two - three weeks.

The interim audit was completed and no comments were brought to the attention of management. The Finance Department is finalising the final year end audit working papers.

Annual Reports

2008/2009 Annual Report

The Chairman reported that a copy of the 2008/2009 Annual Report was presented to and approved by the Board at the 16 June 2010 meeting and signed off by the Honourable Minister and the Chairman. The report is expected to be laid on the table in the Legislative Assembly in September 2010.

2009/2010 Annual Report

The Chairman reported that the Authority had originally hoped to revert to the original Annual Report format with provides considerable more information than the format required under Public Management & Finance Law (PMFL), however with that additional data comes a requirement for significant human resources. The Authority currently plans to present to the auditors the required format under PMFL during their site visit, allowing them to audit the information at the same time as the financial statements. The intent is to ensure that the Authority provide the 2009/2010 annual report to the Board and subsequently the Ministry within 30 days after the financial statements are signed off, thereby meeting the PMFL requirements. Should the resources be available in coming months to generate the original format then the PMFL required document will be inserted as an appendix. The Chairman noted though that the Authority's resources are likely to be dedicated to the Cayman Water Company (CWC) Licence negotiations, disposal of the sewerage assets and the leasing of the Authority's water utility functions.

Audit of Accounts

The Chairman reported that the Authority was exploring the opportunity to prepare unique audited accounts for the Water and Wastewater segments of the Authority's operation separately. Discussions are currently underway with the AG's office; however it appeared that they may not have the human resources to provide the requested statements in a timely manner. Hence, the Authority requests permission to seek outside expertise (i.e. KPMG) to conduct this specialised audit in the event that the AG's office is unable to assist. The intention of the Authority is to have on hand and readily available the audited position of water, wastewater and peripheral functions of the Authority to ensure that relevant financial data is available during the sale/lease process of the Wastewater and Water functions respectively. Although specific figures are not available the estimate for these services are expected to be around \$35-40k. Members agreed that the Authority should proceed with obtaining the unique compilation accounts each for the water and wastewater operations and the Vendor Due Diligence report.

Unannounced Cash Count Audit

The Chairman reported that on Wednesday 16 June 2010, Ms Georgina Seymour of the Internal Audit Unit arrived unannounced at the Authority to conduct an "Unannounced Cash Count Audit", whereby she requested that one of the cashiers prove to her that what was under their control (Cash, Cheques and Credit Card Receipts) balanced to what was showing in the system. It was 3:15pm and Mrs Clarie Wilson, the Accounts Receivable Supervisor, assisted Ms Seymour. Ms Janice Dixon, one of the Authority's most experienced cashiers was requested to balance her day which showed that that equity she had in her cash drawer balanced to what showed in the system. This was all completed within ½ hour and by 3:45pm Ms Seymour was on her way. There were no discrepancies noted.

d) **Divestment of Water Authority Sewerage Assets & Lease of Potable Water Service.**

The Chairman reported that to date the Legal Drafting Department (LDD) had not contacted the Ministry or the Water Authority with any update on the status of the draft Wastewater (Collection and Treatment) Law, and the required modifications to the Water Authority Law, and possibly other laws and regulations, as required for the divestment of the wastewater assets. Mr T Hydes updated that the Ministry had been in communication with the LDD and it was his expectation that drafts would be forthcoming within a week or so.

The Chairman reported that on 26 July 2010, the Secretary was informed in a meeting at the Glass House that the Government had made the decision to divest the Water Authority's water utility assets as mandated by the CI and UK Governments in the Throne Speech as well as in the Budget Address. The meeting was conducted by the Honourable Deputy Premier and Minister

responsible for the Water Authority. Present at the meeting were the Permanent Secretary and the Deputy Permanent Secretary of the DAWLA Ministry. As the CIG is very eager to see the process completed due to obligations of the 2010/2011 National Budget, the Secretary was requested to have KPMG attend a meeting at the Ministry as quickly as possible. As KPMG had gone through the valuation process with the Authority's wastewater assets earlier this year it was believed that they would be able to progress with the project much quicker than a new firm.

The Chairman reported that the Secretary arranged for KPMG to attend a meeting (as a courtesy since there is no formal engagement) on 28 July 2010 at the Glass House so that the Honourable Deputy Premier and Minister responsible for the Water Authority could explain what the CIG is looking to do regarding the divestment/sale of the Authority's utility functions. Present at that meeting besides the Honourable Deputy Premier was the Water Authority Chairman, Acting Permanent Secretary, Acting Deputy Permanent Secretary, Water Authority Director, Water Authority Financial Controller with Mr Roy McTaggart, Mr Tully Cornick and Mr Sam Story representing KPMG. At the meeting it was determined that further clarification of CIG's objectives and requirements was necessary and the Honourable Deputy Premier agreed to write to the Honourable Premier for further clarification. Additionally, KPMG agreed to informally submit a number of questions that if answered would help in narrowing the scope of the project. A copy of the questions submitted was provided to each member.

The Chairman reported that at the meeting the Water Authority was requested to seek permission from the Central Tenders Committee (CTC) to use KPMG for this project without going out to competitive bid as the CIG needed the process to start urgently. The Chairman advised that it would be best to narrow the scope of the work to be done by KPMG in order to ensure that the cost does not get out of hand. The Secretary noted at the meeting that costs could likely run above the \$250,000 which is the limit government entities are allowed to accept tenders without involving the CTC.

The Chairman reported that subsequently, the Authority was instructed on 09 August 2010 to write to CTC although the scope of potential work by KPMG had not been narrowed. This was done on 10 August 2010 and members were provided with a copy of the letter as well as the CTC's response. The Chairman subsequently wrote to the Ministry asking that the matter be further addressed. Mr T Hydes advised that regarding the CTC's response the Ministry met with the Financial Secretary and expected to have a response from him shortly regarding the Authority's options.

On 09 August 2010, the Chairman and Director wrote to the Honourable Deputy Premier and Minister responsible for the Water Authority providing advice on options and considerations that should be addressed in the process

of divesting/sale of the Authority's assets. A copy of this memo was provided to members. No feedback had been received as yet.

On 10 August 2010 the Water Authority requested the Ministry to ask the Legal Drafting Department (currently working on drafting the Wastewater (Collection and Treatment Law) and revising other laws) to look at the possibility of adding clauses to the Water Authority Law to include the functions of monitoring/regulating tariffs, rate structures and terms and conditions for water and wastewater similar to the ERA Law. This would allow for the Water Authority to properly regulate the new owner of the wastewater business.

At an Extraordinary Meeting on 11 August 2010, the Water Authority Board met with the Honourable Premier, Honourable Deputy Premier and Minister responsible for the Water Authority, Honourable Deputy Speaker and Ministerial Councillor. The Honourable Premier, Honourable Deputy Premier and Minister responsible for the Water Authority informed the Water Authority Board that contrary to rumours the Government had decided to "lease" for 25 years the water utility assets of the Authority and had no intentions of "selling" the assets. The Honourable Premier indicated that the sewerage assets are to be sold separately. The Honourable Premier said that he would not allow the Authority's water utility functions to be leased unless the following terms were met - no staff would lose jobs or benefits; the CIG would get value for money; Cayman Brac & Little Cayman would be taken care off, all terms and conditions were acceptable. He also noted that there would have to be a regulatory body and that there would be open bid competition for the operating lease. The Honourable Premier made clear that the country's financial state made it urgent that all government assets be utilised fully.

The Chairman reported that as members are aware, the Government Leaders also spoke to Water Authority staff after the Extraordinary Board meeting on 11 August 2010 to inform them of CIG's intentions. The Chairman reported that as encouraged at the meeting, staff was given the opportunity to submit their ideas and feedback on the process. The Chairman reported that the Secretary will consolidate these and send to the Chairman and Honourable Deputy Premier and Minister responsible for the Water Authority by 20 August 2010.

The Chairman reported that as at 30 June 2010 the Authority had approximately \$25 million in debt, 18% (\$4.5 million) is attached to the wastewater (WW) assets and the remaining 82% (\$20.5 million) is assigned against the water assets. The WW debt is held completely by the bank (FCIB), however the water debt is held by Government (\$2.0 million or 10% of total debt), FCIB (\$8.9 million or 42% of total debt) and OCL (\$9.6 million or 48% of total debt). The Chairman advised that the Authority intends to notify all relevant parties (with the exception of CIG) of the Government's intention to

lease the assets of the Water Authority and hence will confirm the debt repayment instructions. The Secretary will formally notify the Board of each entity's position at the next Board meeting.

e) **Miscellaneous Updates.**

a) *In-House Pipelaying Crews* - The Chairman reported that on 23 June 2010 one pipelaying crew completed the installation of the 12-inch pipeline along Anton Bodden Road in Bodden Town, from the Bodden Town Police Station to Belford Estates.

Work was also carried out connecting various sub-divisions in East End (National Housing Development Trust, and off Austin Connolly Drive) and Savannah (Fig Tree Rd).

On 22 June 2010 the other pipelaying crew commenced work on the installation of a 12-inch main along the East-West Arterial, between Lantern Point and the Red Bay roundabout. This work was completed and commissioned on 13 August 2010.

Both crews also connected the pipework to the new reservoirs at the North Side and Red Gate site.

b) *Water Supply Division* - The Chairman reported that on 14 July 2010 Operations successfully completed the pipeline replacement in Sound Way (between AL Thompson's and Eastern Avenue/Shedden Road).

During the week of 09 August 2010 Operations started the pipeline upgrade in South Church Street, between the Harbour Drive/Shedden Road intersection and Denham Thompson Way. This work comprises the replacement of the 8-inch pipeline with a 12-inch pipeline. Initially work will be carried out at night to avoid effecting cruise ship passengers, but later (south of Uglan House) work will be done during the day to avoid disturbing residents. It is anticipated that this work will take approximately 6 months to complete and will be carried out in four separate sections.

c) *Red Gate Water Works -demolition of 0.8MG bolted steel tank* - The Chairman reported that on 29 June 2010 Phoenix Construction completed the demolition of the existing bolted steel tank. The entire Work Area was cleaned and was filled and patched to match the surrounding area.

d) *Red Gate RO Plant - O&M Agreement* - The Chairman reported that on 02 July 2010 Ocean Conversion completed the performance test for the refurbished plant. The performance tests, of which the first one was carried out on 31 May 2010 and which was resumed after the issues with the degassifier were resolved, indicated a production rate in excess of the 5,000 cubic meters per day (208 m³/hr) nameplate water production capacity: The test indicated that the refurbished plant can remove the sulphides to the specified concentration of less than 0.01 mg/l.

- e) *Red Gate Administration Building* - The Chairman reported that on 12 July 2010 Edgewater Development Ltd. started the refurbishment of the Laboratory. All demolition work was done and the additional door opening provided. The container with the new Laboratory furniture arrived and is temporarily stored at the Lower Valley site.

The contractor submitted a modified programme, as due to delays in providing the approvals on the Air Conditioning proposal, the anticipated completion date was revised to 15 October 2010, which is still within the time period allowed for in the Contract (100 calendar days).

During the renovation of the Laboratory, the Authority continues to provide services from its temporary laboratory. A number of analyses have been suspended for the duration of the renovation, however the essential tests and especially those that relate to the continued monitoring of the public water supply is being continued. It is expected that the renovation will be completed by the second part of October, at which time the Laboratory will be in a position to provide full service.

- f) *Operations - Buildings & Equipment* - The Secretary reported that on 23 July 2010 the contract for the landscaping maintenance at the Water Authority facilities (Red Gate site, Lower Valley site, and the Wastewater Treatment plant) was awarded, following a competitive tendering procedure, to Solomon's Gardening and Landscaping Services. These services will commence on 01 September 2010, and will result in approximately 18% cost savings over the existing provider.

- g) *Water Delivery Policy in Cayman Brac* - The Chairman reported that Customer Service had numerous issues with trying to prepare a list of recipients for the letters based on the criteria that trucked water customer must also be the property owner. It may be necessary to re-evaluate who receives the letter so that the letters can be sent out. Customer Service and Engineering have tried hard to prepare a list for mail merge but found it almost impossible as most residents and landowners have General Delivery addresses only. It was suggested that the idea of sending letters is abandoned and that instead fliers are dropped in all mailboxes and additional fliers be distributed with all future trucked water deliveries. The Chairman suggested that the Authority coordinate with Board member Mr J Banks for assistance with this project.

The Chairman reported that the Authority had written to eight tank suppliers/manufacturers in the USA, to the four companies that responded to the advertisement in the 30 July 2010 Compass and the invitation letter and questionnaire were given to Operations Manager-Cayman Brac to forward to the two individuals he knew supplied tanks on Cayman Brac. The deadline for responses/proposals is 20 August 2010.

- h) *Carmody Web-based Database System* - The Chairman reported that the web-based database to manage on-site wastewater treatment system is now being used effectively by the Water Resources and Quality Control

department. The next stage in the on-site wastewater management programme is a workshop/training for the established service providers, early September 2010. Objective of this training is to introduce the service providers to the database, and how they can use it. The advantage of the system that the Authority has adopted is that information that was difficult to manage in spreadsheets can now be managed easier and as such the Authority monitoring function has improved.

- i) *Cogsdale Customer Billing Software* - The Chairman reported that the Water Authority received the "detailed walk-through" document from Cogsdale, however the document required reorganisation and more detail. The Authority revised the document and the next step is to review with Cogsdale. The first data conversion of GP8 to GP10 seems to have been a success as the few identified issues have been resolved.
- j) *Permit renewal of Cayman Turtle Farm and Dolphin Cove Cayman* - The Chairman reported that both the Cayman Turtle Farm and Dolphin Cove Cayman were issued discharge permits by the Authority to discharge the wastewater from their marine exhibits into the marine environment. The permit for the Cayman Turtle Farm was granted in October 2008 and the permit for Dolphin Discovery was granted in August 2005. These permits are up for renewal. In accordance with the Water Authority Regulations, the request for renewal has been advertised by both entities in the newspaper to provide the public with the opportunity to review the application and to put comments in writing. The period to comment has expired now and the Authority has not received representation from the public. The Water Resources and Quality Control Department will now proceed with preparing the new permits.
- k) *FOI updates* - The Chairman reported that no new requests were received as of 13 August 2010 as shown in the Freedom of Information report provided to members.
- l) [REDACTED] - The Chairman reported that the matter is listed for 27 August 2010 in order to fix a trial date. The Magistrate had indicated that she would prefer a date which post-dates the matter concerning John Masters so that the Court will have the benefit of any precedent arising out of that, factually similar, matter. However, the Authority's lawyer is optimistic of the success based on the evidence as the alleged leak in the sight-glass cannot explain the high readings from the meter as implied by [REDACTED]
- m) *John Masters Case* - The Chairman reported that the Water Authority attended court 3 times in June/July for the case. Mr Masters presented his case with one witness thus far and case has been adjourned until October 2010.

* Redacted under Section 23
of The Freedom of
Information Law, 2007

Current Businessa) **FOI Presentation.**

The Chairman reported that the Information Commissioner (IC) had requested to make a presentation to the Board regarding the Freedom of Information (FOI) Law and the responsibilities of Board members. At this point the FOI related guests were brought into the meeting, introduced and welcomed by the Chairman. Representing the Information Commissioner's Office was Mrs Jennifer Dilbert, Information Commissioner and Mr Jan Liebers, Deputy Information Commissioner. Mrs Wendy Whittaker, the Water Authority's Information Manager and Ms Pat Bell, Information Manager-Designate were also present.

The IC thanked Board members for the opportunity to come and speak directly to them. Members were provided with a copy of the handout from which Mrs Dilbert spoke. Mrs Dilbert briefed members on the basics of the FOI Law as outlined on the handout. She explained that the FOI Law was there to promote and encourage transparency throughout the CIG and that the majority of records held by Government entities are releasable under the FOI Law. She noted that as the wastewater segment of the Water Authority was slated to be privatised there may be increased interest in related records. Additionally, Mrs Dilbert advised that Section 3.2(b) of the FOI Law allowed for private essential services to be subject to FOI.

Both Mrs Dilbert and Mr Leibers complimented the Water Authority in its handling of FOI requests noting that the Authority was always within time and was very participative in workshops and seminars.

After a brief discussion and questions from Board members, the Chairman thanked the FOI team for the enlightening presentation and discussion. The FOI related guests then departed the meeting.

b) **Request for Bill Adjustment re Customer Account [REDACTED] - [REDACTED]**

* Redacted under Section 23 of The Freedom of Information Law

The Chairman reported that [REDACTED] of customer account [REDACTED] wrote to the Authority on 27 July 2010 concerning the high water bills she received for her April and May 2010 water bills. Members were provided with the customer's letter as well as other supporting documentation.

The Chairman reported that a review of the account determined that when the meter was read during the April 2010 meter reading process, the reading was identified as unusual and was rechecked during the fail audit process. Movement was also identified at that time and notice left on the door for the customer. Two days later on 06 May 2010, the Authority's Customer Service contacted the customer to ensure that the notice was received. On 13 May the

customer requested that the meter be rechecked which was done on 14 May. At the time of the meter reader's check no movement was seen on the meter. The Chairman and members noted that they were pleased to see that a notice had been left for the customer regarding the unusual reading and that the Customer Service Department had followed up.

As the customer did not agree with the previous high bills, she chose the option to have the meter tested. On 24 May 2010 the customer signed a payment agreement to pay \$50 per month until the bill was paid. The meter was taken out on 26 May 2010 and at that time it was noted that only 9.6m³ had passed through the meter since it was checked on 14 May 2010.

A work order was generated on 30 June 2010 to have a reading done to generate the bill for June. The reading was done on 08 July 2010 and at that time 41.3m³ had passed through the meter for a billed amount of \$232.85.

The meter testing report indicated that the meter was in good working order and a letter was sent to the customer on 23 July 2010 indicating that the bill was therefore payable. The account was disconnected on 26 July 2010 for non-payment of the payment agreement and current bill. As the disconnection was done before the customer had the opportunity to receive the letter of 23 July 2010, she was reconnected the same day. On 27 July 2010 the customer delivered her letter to the Board disputing the high water bills for April and May.

The Chairman noted that the meter in question was independently tested and found to be in good working order. After brief discussion members decided that the customer should be offered a payment agreement to pay \$100 per month and that the late penalties should be waived.

Mr J Banks and Mr Corlan McLaughlin were excused from the meeting at this point to catch their return flight to the Brac.

Donation Requests

- a) **Jambrac Choral - Annual Independence/Emancipation Weekend August 7/8.**
Members decided not to sponsor this time as the event had already occurred.
- b) **Leadership & Resiliency Programme.**
Members decided not to make any donation to assist with this request. Members noted though that the Authority should commend the organisation for a very good programme.
- c) **Breast Cancer Foundation - Gala Dinner.**

Members agreed to sponsor the Remax Breast Cancer Foundation - Gala Dinner in the amount of \$1,000 to support their fundraiser for the fight against breast cancer. The motion was moved by Mr T Hydes, seconded by Mrs P McGaw-Lumsden and passed unanimously.

d) Lions Club Breast Cancer Programme.

Members agreed this was a worthy cause but decided not to sponsor this time. Members noted though that the Authority should commend the organisation for a very good programme.

Any Other Business

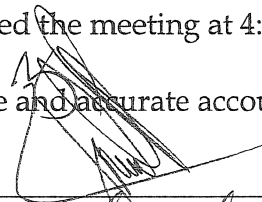
The Secretary advised members that the Authority had employed seven summer students during the summer and shared the list of students with members. Members noted that they were pleased to see that the Authority had taken on these young people even though it was a complicated time for the Authority.

At this point Mr W Scott excused himself from the meeting as he had another important commitment that he needed to attend in East End.

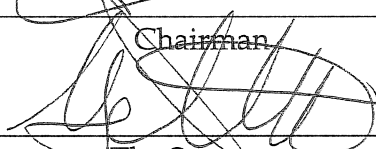
The Chairman stated that he wished to make a personal announcement and proceeded to inform members that he had tendered his resignation as Chairman of the Board effective 31 August 2010. He explained to members that his reasons for resigning were personal as he was moving on to do other things and would not have the time available to provide the Authority with the leadership and guidance it required. He noted that it had been his pleasure to work with members and that the Authority was at a very important time in its history. The Chairman proceeded to wish the all Board members and the Water Authority all the best for the future.

The Chairman then adjourned the meeting at 4:35pm.

This is a true and accurate account of the proceedings.



Chairman



The Secretary