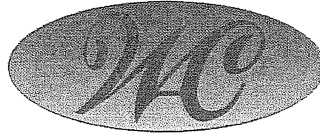


CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 208th Meeting held on 15th of September 2010

Members Present:

Acting Chairman:	Mr T Hydes
Members:	Mrs P McGaw-Lumsden Ms A Owens Mr W Scott Mr O Watler
Secretary:	Dr G Frederick-van Genderen
Apologies:	Mr J Banks Mr C McLaughlin Ms R Sharma Mrs I Simms Mr M Smith

Call to Order

Mr T Hydes informed members that Cabinet had accepted Mr Piercy's resignation as Chairman of the Water Authority Board and that they had not yet decided on who would be appointed as Chairman of the Water Authority. However, as there were a number of critical matters that need to continue, the Ministry had requested that he act as Chairman for this meeting if members had no objection. There was no objection and Mr T Hydes as Acting Chairman welcomed members and called the meeting to order at 2:00pm. The Acting Chairman gave apologies on behalf of Mr J Banks, Mr C McLaughlin, Ms R Sharma, Mrs I Simms, and Mr M Smith.

The Secretary noted that the Ministry had not been able to provide contact information for the new member Mr M Smith therefore the Authority had not been able to get in contact with him. Mrs P McGaw-Lumsden offered to obtain a contact number and shortly thereafter a mobile contact number was provided for Mr M Smith.

Minutes of the Extraordinary Meeting held on 11th of August 2010 and Minutes of the 207th Meeting held on the 18th of August 2010

The Acting Chairman advised that minutes for the meetings held on 11 August and on 18 August 2010 would be available at the next meeting.

Declaration of Conflicts of Interest

None were declared.

Matters Arising

a) **30 June 2010 Audit.**

The Acting Chairman reported that on 31 August 2010 representatives from the Auditor General's (AG) office came to the Water Authority to commence the audit of the 30 June 2010 financial statements. The Authority is allocating sufficient resources to the completion of the audit to facilitate a timely issuance of final statements, ideally well in advance of the 31 October 2010 deadline as prescribed in Public Management and Finance Law (PMFL).

To date, nothing has come to the attention of management that would suggest an early completion is unobtainable.

Annual Reports

2008/2009 Annual Report

The Acting Chairman reported fifty-seven copies of the 2008/2009 Annual Report were provided to the Ministry in August 2010. The Ministry has advised that the report will not be laid on the table in the Legislative Assembly (LA) in September 2010 but should make the November 2010 sitting of the LA.

2009/2010 Annual Report

The Acting Chairman reported that the Authority had originally planned to provide the 2009/2010 annual report to the auditors during their site visit to review, however resources had been temporarily re-allocated to the Compilation and Vendor Due Diligence (VDD) engagements with KPMG.

The Authority's management remains committed to ensure that the 2009/2010 annual report is prepared, reviewed and issued within PMFL guidelines.

Compilation and VDD Engagements with KPMG

The Acting Chairman reported that as the Board agreed at the last meeting, the Authority explored the possibility of preparing a unique set of accounts for the Water and Wastewater segments of the Authority's operation separately. After confirmation from the AG's office that they did not have sufficient resources to assist, they provided their support for engaging an outside audit firm.

The Water Authority met with KPMG and secured their services to provide three distinct reports;

1. IFRS compliant financial statements for the Water Utility Operations
2. IFRS complaint financial statements for the Wastewater Utility Operations
3. Vendor Due Diligence (VDD) report on the Wastewater Utility Operations

The Acting Chairman reported that the first two engagements were well under way, the third engagement had yet to commence as it is imperative that audited financial data be made available to increase the reliability of the VDD report.

The Acting Chairman reported that consistent with comments made under audit above the Authority is working diligently to complete the 30 June 2010 audit with the AG's office to allow KPMG to commence and conclude their separate engagements. The Secretary noted that the AG's office had been requested to commit to completing the 30 June 2010 audit by 30 September 2010 in light of the urgency of the Government's financial situation and need to realise the sale of the wastewater assets.

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

Sewerage Assets

The Acting Chairman reported that on 30 August 2010, the Ministry forwarded the first draft of the Wastewater (Collection and Treatment) Bill prepared by the Legal Drafting Department (LDD) to the Authority. This legislation is one of the requirements to allow the divestment of the wastewater assets.

The Acting Chairman reported that significant corrections and changes were required, this was done and the Authority met with the Ministry and LDD to review and discuss the document on 09 September 2010.

On 10 September 2010, the LDD sent a revised version taking into account the Ministry's and the Authority's comments. On 13 September 2010, the Authority sent back the draft Bill with a few minor corrections to the Ministry. The Acting Chairman advised that the Authority would receive the final draft from the LDD shortly. A copy of this revision with the Authority's comments was provided to members.

The Acting Chairman reported that the Water Authority is currently preparing suggestions for amending the Water Authority Law to include the functions of monitoring/regulating tariffs, rate structures and terms and conditions for water and wastewater concessionaires/licensees similar to the ERA Law. The revisions to the Water Authority Law will be provided to the Ministry by end of this week. When the final drafts have been prepared copies will be provided for member's review.

Both the new legislation Wastewater Collection and Treatment Bill and the revisions to the Water Authority Law need to be in final draft form to allow the Water Authority's lawyers and CIG lawyers to complete the final review of the RFP.

On 31 August 2010, the Ministry informed the Authority that the Caucus required a powerpoint presentation on the sale of the wastewater assets and lease of the water assets to be prepared and presented on 02 September 2010. The presentation was prepared and the Authority's Deputy Director and Financial Controller attended the meeting of the Caucus on 02 September 2010 as the Secretary was away on leave. The Authority commenced but did not complete the powerpoint presentation as the Caucus requested all non-elected members to leave so that elected members could discuss matters privately. The Authority's staff waited but was not asked to return to the meeting. The Acting Chairman reported that the Deputy Director subsequently met with the Permanent Secretary of the Ministry, who based on his meeting with the Honourable Deputy Premier and Minister responsible for the Water Authority, advised that the Caucus had decided that:

1. The WW Assets sale will be conducted under the provisions of Financial Regulations (2008 Revision) Section 37 (2), (3) and (4), and not by the normal CTC procedure.
2. An emergency paper will be prepared to go Cabinet appointing a tender evaluation committee, as prescribed by Financial Regulations (2008 Revision) Section 41.
3. A meeting would be arranged with the Financial Secretary to prepare the terms of reference for the tender evaluation committee.
4. Advertisements for the RFP should be placed in the local newspaper on 10 September and 20 September to meet the CTC requirements for the Open Tender Process (i.e., 2 advertisements over 2 weeks).

Subsequently on 13 September 2010 the Authority received a memo dated 09 September 2010 from the Ministry with Cabinet directives outlining the members of the tender evaluation committee and the timeline that CIG expects. A copy of the memo was provided to members. The Acting Chairman reported that the Secretary had provided a memo to the Ministry dated 14 September 2010 in which she respectfully advised the Ministry that:

1. Unless the tender period is deemed reasonable no reputable company will be interested in spending any resources preparing an offer, as they will not have sufficient time to do their individual due diligence. An unrealistic time frame will also cause them to lose confidence in the process and the Cayman Islands Government and the Authority. This is not only our advice but also guidance from KPMG that value for money will not be received within an unrealistic time frame.

2. The Request for Proposal (RFP) document is not yet at a point where it is ready for release and is also dependent on the finalisation of the appropriate legislation. After that it will need to be vetted by the Authority's and Government's lawyers before it goes to the Water Authority Board for approval as per the Water Authority statutory and fiduciary responsibility.
3. Additionally the Water Authority has engaged KPMG to produce a Vendor Due Diligence report (VDD) on the Wastewater Assets which cannot be completed until the 30 June 2010 audited financial statements are released, which is realistically October 2010. Reason why we need to use audited financial statements is that the assurance associated with the VDD increases and prospective bidders can gain increased comfort over the accuracy of the information provided. If it has to be released earlier, KPMG will have to note that the information is based on unaudited 30 June 2010 financial statements.
4. The Legal Department has reviewed the draft RFP document and they had several comments and suggestions. However they also confirmed that no regulatory framework currently exists to allow a wastewater concession being issued. A draft Wastewater (Collection & Treatment) Bill, prepared by the Legal Drafting Department, was received late last Friday 10 September. This document was reviewed and the annotated Bill was returned to the Ministry on Monday 13 September 2010. Additionally the Water Authority Law will need to be amended to allow it to regulate the concessionaire, and our staff is presently working diligently to identify the necessary amendments.

A copy of the memo to the Ministry dated 14 September 2010 was provided to members.

Members discussed the timeline and it was agreed that the timeline sent by CIG was not feasible in light of the complexity of the project and the various due diligence procedures that are necessary to ensure that CIG received the best value for money and that the appropriate framework was in place. The Secretary advised that providing parties outside the Water Authority did their part, it was likely that the RFP document would be ready for issue by 18 October 2010.

The Acting Chairman reported that on 01 September 2010, the Authority sent a copy of the draft RFP "work in progress" to the Authority's lawyers for comment. A response was received on 06 September 2010 indicating a number of issues that need to be addressed as well as confirming that the enabling legislation is necessary to ensure the RFP is workable. A copy of the RFP as well as the Authority's lawyer's response was provided to members.

The Acting Chairman reported that on 03 September 2010 a copy of the same RFP was sent to the Ministry which then forwarded to the Legal Department for feedback. Subsequently the Authority met with the Ministry and the Legal

Department to discuss the RFP and legislation issues. The Authority received written feedback on the RFP and the issues with legislation on 08 September 2010. A copy of the legal department's feedback was provided to members.

The Acting Chairman reported that on 08 September 2010, General Electric (GE) representatives visited the Authority to indicate their keen interest in placing bids for the wastewater assets as well as the lease of the water utility operations of the Authority. The Ministry was unable to arrange a visit with the Honourable Deputy Premier as she left the island on 07 September 2010 for a Cayman Islands Government (CIG) related trip. GE indicated that they will write to the Honourable Deputy Premier indicating their interest.

The Secretary advised that with all due respect the timeline expected by the Cabinet was not workable. The Secretary advised that at least 8 weeks should be allowed between the placing of the advertisement in the papers and the submission of the tenders. In a project this significant the Authority would hold a mandatory pre-tender conference for all potential bidders to allow questions and to visit the facilities. After the bids come in they would be evaluated by the Authority, approved by the Water Authority Board and then go to the committee set up by CIG. Subsequently, the recommendation would be made to the CTC. There would then be a period of negotiating the fine points of the licence with the successful bidder. The entire process would take about 12 weeks. The Acting Chairman advised that the Authority had been requested to meet with Caucus to provide an update on progress and that the timeline would be discussed. The Acting Chairman noted that it was hoped that Caucus would understand the reasoning for the Authority's proposed timeline. Members agreed with the Authority's stated timeline.

The Secretary noted that it was also imperative that the legislation to facilitate the regulatory framework be well on its way to being final. It was noted that although the request had been made to the Legal Drafting Department from March 2010 it was not until the end of August 2010 that the Ministry received the very first draft of the new WCT Bill.

Lease of Potable Water Service

The Acting Chairman reported that subsequent to the last Board meeting, on 20 August 2010 the Authority sent a memo to the Ministry providing comparison between the investment and operational data of Water Authority and CWC. On the same date a memo was sent to the Honourable Deputy Premier providing feedback from Water Authority employees regarding the lease of the Authority's potable water services. Copies of both memos were provided to members.

The Acting Chairman reported that on 30 August 2010, the Authority received answers to the questions submitted to the Honourable Premier (via the Ministry) regarding the CIG criteria for leasing of the piped water assets. A

copy has been provided to members. The Authority will utilise this information to prepare the terms of reference to engage the services of KPMG with permission from CTC to go to a single supplier. The Authority hopes to commence work on this during the week of 20-27 September 2010.

The Acting Chairman noted that all projects are considered a priority but the Water Authority understood from the 02 September 2010 meetings that the sale of wastewater assets and CWC negotiations are the highest priority at this time. For the last 3-4 weeks, the Acting Chairman reported that the Authority had been totally dealing with sale of wastewater assets and CWC. The Authority is also working on preparing financial documentation using KPMG as per the Water Authority meeting on 18 August 2010. This information will be available to potential bidders. This will save them a significant amount of time in reviewing the Water Authority's financial history and performance.

The Acting Chairman advised that the Authority notified all relevant parties holding loans for the Authority of the Government's intention to lease the assets of the Water Authority and hence will confirm the debt repayment instructions. The Secretary will notify the Board of each entity's position at the next Board meeting.

c) Request for reduction on payment agreement re Customer Account [REDACTED]

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

The Acting Chairman reported that [REDACTED] of customer account [REDACTED] wrote to the Authority requesting that the Board approved payment agreement of \$100 per month be reduced to \$50 per month as that is all she can afford. Members were provided with a copy of the customer's letter. Members agreed to reduce the monthly payment on the outstanding bill to \$50 after a brief discussion.

d) Miscellaneous Updates.

a) *In-House Pipelaying Crews* - The Acting Chairman reported that one pipelaying crew completed the connection of the pipelines at the North Side Water Works and the Red Gate Water Works to the two new reservoirs. Both reservoirs were put into service earlier this week.

The installation of an 8-inch main was then started at the end of Manse Road (Bodden Town). The Acting Chairman mentioned that there had been a query to the Ministry from a Manse Road resident that he would forward to the Authority.

On 25 August 2010 the other pipelaying crew commenced work on the installation of a 12-inch pipeline along Shamrock Road between the Red Bay roundabout and the Authority's booster pump station at the Red Bay School. Additionally a road crossing was installed for the proposed Auto Spa near the Red Bay roundabout.

- b) *Water Supply Division* - The Acting Chairman reported that on 10 September 2010 Operations completed the pressure testing, chlorination and flushing of the first upgraded pipeline section in South Church Street (between the Harbour Drive/Shedden Road intersection and just south of Uglan House II). All customers along this pipeline section should be connected to the new pipeline by early next week.

It is anticipated that the remainder of the work will be done during the day to avoid disturbing residents. Temporary road reinstatement on the backfilled trench using spray and chip will be installed regularly to prevent wash-out due to heavy rains. Once each section is completed and commissioned, the National Roads Authority (NRA) will carry out the final road reinstatement using hot mix asphalt.

- c) *Wastewater Division* - The Acting Chairman reported that the Senior Operator WWTP resigned effective immediately on 14 September 2010. He was hired less than a month ago. His resignation was due to an incident over the weekend that was not tolerable to the Water Authority. He opted to resign immediately as opposed to being terminated. In light of the upcoming sale of the wastewater assets the Authority will not be filling this position. The Senior Engineering Manager for Operations commenced work on 01 September; this will provide valuable relief to the Engineering Department.
- d) *North Side Water Production Facility* - The Acting Chairman reported that on 26 August 2010 Massive Equipment Rental and Sales Limited completed the installation of the security fence at the North Side site.
- e) *Red Gate Administration Building Lab Renovation* - The Acting Chairman reported that the contractor is in the process of installing the air conditioning ducts and related equipment. When this portion of the work has been completed (anticipated completion week of 20 September 2010), work will commence on installing the drywall ceiling.
- The contractor remains on target to complete the contract by early October 2010.
- f) *Water Delivery Policy in Cayman Brac* - The Acting Chairman reported that Customer Service is working on getting the customer listing ready. An evaluation report on the 1000 gallon storage water tanks should be completed next week.
- g) *FOI updates* - No new requests were received as of 13 September 2010 as shown in the Freedom of Information report provided to members.

Current Business

None.

Donation Requests

a) Cayman Crisis Centre.

Members agreed to sponsor the Cayman Crisis Centre Jiggle Balls Walk/Run in the amount of \$1,000 to support their fundraiser. The motion was moved by Mrs P McGaw-Lumsden, seconded by Ms A Owens and passed unanimously.

b) Valencia Football Camp - Grand Cayman.

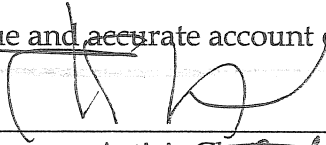
Members agreed that based on the information provided this appeared to be a good programme. The Secretary was requested to advise the facilitators that the Water Authority would consider some level of sponsorship when the appropriate information is provided by the facilitators.

c) Teen Wet Fete.

Members decided not to sponsor this event.

There being no other business the Acting Chairman adjourned the meeting at 2:50pm.

This is a true and accurate account of the proceedings.



Acting Chairman



The Secretary

