

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 213th Meeting held on 16th of March 2011

Members Present:

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

Call to Order

As agreed at the February 2011 meeting when the Chairman informed members that he would be away during the March 2011 meeting, the Acting Chairman was Mr T Hydes. The Acting Chairman welcomed members and called the meeting to order at 2:03pm after ascertaining that there was a quorum. The Acting Chairman acknowledged apologies on behalf of Mr J L Hurlston, Mr C McLaughlin, Mrs I Simms, and Mr O Watler.

Mrs P McGaw-Lumsden requested through the Acting Chairman that donations be dealt with before the other items on the agenda as she and another Board member would need to leave at 3:00pm. Members agreed and the Acting Chairman commenced with the Donations items on the agenda.

Donation Requests

The Chairman reported that the amount remaining for donations out of the \$39k budgeted is \$12.9k with the contribution to Valencia Football Club being added back.

a) Big Brothers Big Sisters.

Members agreed to sponsor the Big Brothers Big Sisters Programme in the amount of \$1,000. The motion was moved by Mr M Smith, seconded by Mr J Banks and passed unanimously.

b) NORCECA Beach Volleyball Circuit 2011.

Members agreed to sponsor the NORCECA Beach Volleyball Circuit 2011 in the amount of \$500. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr J Banks and passed unanimously.

c) Special Needs Foundation of Cayman.

Members agreed to sponsor the Special Needs Foundation of Cayman Dress Down up to a maximum amount of \$250 matching staff donations. The motion was moved by Ms A Owens, seconded by Mrs P McGaw-Lumsden and passed unanimously. Ms R Sharma joined the meeting at this point.

d) Knockout Productions – ‘Ambush’ event 28 May 2011.

Members agreed to sponsor the Knockout Productions – ‘Ambush’ event scheduled for 28 May 2011 in the amount of \$500. The motion was moved by Mr M Smith, seconded by Mr W Scott and passed by a majority vote with Ms A Owens abstaining.

e) Clifton Hunter High School Flight Club.

Members agreed to sponsor the Clifton Hunter High School Flight Club in the amount of \$500. The motion was moved by Mrs P McGaw-Lumsden, seconded by Ms A Owens and passed unanimously.

f) Che (Jeremay) Watler – Request for Assistance to Purchase a new Wave Runner.

Members decided not to make any donation to assist with this request, however requested that the Secretary’s response to Mr Watler should include encouragement to join a formal team such as “Tony’s Toys”, “2Frenzy”, “WesTec”, or “Halfway Pond Racing” as in doing so he would be able to access wave runners.

g) Lions Club of Cayman Brac – Miss Teen Cayman Brac Sponsorship.

Members decided not to make any donation to assist with this request.

h) Trinity Track Performance Club – First Fundraiser Raffle.

Members agreed to donate a \$100 Grand Cayman water gift certificate for the Trinity Track Performance Club’s First Fundraiser Raffle. The motion was moved by Mrs P McGaw-Lumsden, seconded by Ms A Owens and passed unanimously.

The meeting then reverted to the normal flow of items on the agenda.

Minutes of the Extraordinary Meeting held on 11th of August 2010

The Acting Chairman asked for confirmation of the Minutes of the Extraordinary Meeting held on 11 August 2011.

Ms R Sharma moved the motion to accept the Minutes, Mrs P McGaw-Lumsden seconded the motion and the motion passed unanimously.

Minutes of the 212th held on 16th of February 2011

The Acting Chairman noted that confirmation of the Minutes of the 212th Meeting held on 16th of February 2011 would take place at the April 2011 meeting when the Chairman will be back on island.

Declaration of Conflicts of Interest

None were declared.

Matters Arising

a) Divestment of Water Authority Sewerage – Update on WTC.

The Acting Chairman reported that since the new Chairman and two new members were appointed to the Wastewater Technical Committee on 11 February 2011, no meetings of the Government-appointed Wastewater Technical Committee have been held. The last meeting of the previous WTC was on 16 January 2011 (5th meeting). The Acting Chairman advised that the Ministry was trying to determine if the WTC would meet and that he expected to be able to update the Authority by 18 March 2011. Members noted that bidders had requested more time to prepare their proposals and it will be difficult to explain why after it is taking so long to have a decision made.

b) Randyke Gardens – Update.

The Acting Chairman reported that at the last Board meeting members were informed that the wastewater treatment systems at Randyke Gardens were failing due to lack of maintenance. Raw sewage is being discharged on the ground posing a public health and environmental hazard. The Strata has no funds to pay for regular maintenance and repairs of the systems. The Strata chairperson had resigned as she got little cooperation from the other owners. As a result the Authority requested the Ministry to bring the matter to the attention of the Attorney General to initiate prosecution for violation of the Water Authority Law.

The Acting Chairman reported that upon suggestion of the Permanent Secretary (PS), Mr Kearney Gomez, this matter was discussed in Cabinet; as a result the Ministry, Department of Environmental Health (DEH) and the

Authority were asked to find a workable solution rather than prosecuting the Strata. Cabinet agreed to provide funding to repair the systems, provided the fees are acceptable and that the Strata makes a commitment to ensure that the systems are properly maintained once repaired. The Acting Chairman reported that on 04 March 2011 the PS, Deputy PS met at Randyke Gardens with the Water Authority and DEH senior staff to assess the situation. The new Strata chairman was present as well.

The Acting Chairman reported that it was agreed that the Water Authority, on behalf of the Ministry, would seek competitive bids from private sector wastewater service providers for the initial assessment and repairs of the 8 systems serving Randyke Gardens and separate bids for a regular maintenance contract. The request for bids was sent to 2 service providers. Although there are more service providers, the Authority limited the request to only those providers who have committed to send the standard service reports to the Strata and the Authority. The Acting Chairman advised that the closing date and time for bids was Tuesday 15 March 2011, 4:00 pm. Only one bid was received at that point. The Authority will review the bid and communicate with the other company to determine their interest.

c) Update on Negotiations of Cayman Water Company Licence (CWC).

The Acting Chairman reported that at the last Board meeting members were informed that the negotiations between the Government team and Cayman Water Company (CWC) for the renewal of Cayman Water Company's licence reached a stalemate at the last negotiation meeting on 08 February 2011. Details on the issues on which no agreement could be reached were provided at the last Board meeting

The Acting Chairman advised that as reported at the last meeting, CWC formally requested an annual rate adjustment for 2011, as in their opinion they are entitled to the adjustment. However, Cabinet's decision to extend the licence to 04 April 2011 with the provision of no further adjustment to the base rate, does not entitle CWC to such a rate adjustment. CWC has challenged this matter, it was referred to Legal Department, which provided advice that if the original licence was extended under the same terms and conditions and by agreement with CWC and HE Governor on the same terms only then they would be entitled to the 2011 rate adjustment. An issue is that CWC has only signed the formal document for the first extension for 10 July-10 October 2010, but that they have not signed the 3 extensions for the periods of respectively 10 October-10 November 2010, 10 November 2010-04 January 2011 and 04 January 2011-04 April 2011. As the advice from Legal Department resulted in a number of additional legal questions, the Authority requested that Legal review the matter further, however no response has been provided to date.

The Acting Chairman advised that in view of the current state of the negotiations where there is a stalemate due to irreconcilable disagreement on legal, contractual, financial and technical issues, the Authority, with the consent of the Ministry, requested that Maurant Ozannes, the law firm that

does other legal work for the Authority, provides legal advice. The initial request to the lawyers, which will be sent later this week, asks for a high level review of several key issues. The advice will provide guidance to the Authority/Government where it stands legally in the negotiations and what options it can pursue to deal with CWC's licence renewal. Members discussed the situation and agreed that it was necessary for the Authority to retain its own legal counsel to participate on the negotiating team especially in light of the new legislation. The Acting Chairman advised that the Ministry had requested that the Authority and Government Team provide an update in a presentation to Caucus on 21 March 2011.

d) Miscellaneous Updates.

- a) *In-House Pipelaying Crews*** – The Acting Chairman reported that one crew had completed the installation of a 12-inch main along Shamrock Road, between Red Bay Roundabout and South Sound Road (a total of 2500 ft was installed). This section has been pressure tested and disinfected. The crew will soon start work to connect this pipeline to the main near South Sound. Additionally this crew is working to upgrade the pipeline into the Red Bay Booster Station. Upon completion this will allow more flexibility in the operation of the water distribution system.

The Acting Chairman reported that the other crew completed the installation of 4-inch pipes in the Washington Road area; a total of 2500 ft was installed. Two major road crossings, in Eastern Avenue and Esterley Tibbetts Highway, were completed. Nearly all pipelines were commissioned, except for the pipeline in Washington Road, between Crackle Road and Eastern Avenue.

- b) *Water Supply Division*** – The Acting Chairman reported that all customers on the third section of the South Church Street pipeline upgrade (from Melmac Avenue to Texaco terminal) were reconnected to the new main. NRA carried out hot mix asphalt road reinstatement on that section during the week of 7 March 2011. The Acting Chairman noted that there have been complaints from two residents in the area regarding the noise and dust. The Secretary communicated the Authority's apologies to the complaining residents and advised them that the project is nearing completion.

The Acting Chairman reported that Operations had installed the temporary services for the fourth, and final, phase (i.e., up to Denham Thompson Way). It is anticipated that there are approximately two weeks of actual pipe laying left, with all work expected to be completed by the Water Authority by early April 2011.

- c) *Red Gate Water Works - Inspection of Reservoir #1*** – The Acting Chairman reported that during the week 07 March 2011 the repair work on the 1.2 MG fibreglass reservoir at the Red Gate site was started. In-house resources completed the cleaning of the concrete base using a pressure washer. During the week of 21 March 2011 the flanges of the fibreglass panels will be cleaned and degreased. The requisite materials (Sikadur

combiflex seal system components) have arrived, and it is anticipated that its actual installation will be started before the end of March 2011.

- d) *Red Gate Water Works Site* - The Acting Chairman reported that the Revised Master Plan for the Red Gate Facility was sent to the Planning department for approval. Process notifications were also sent to 126 people, and a notice was placed in the local newspaper on Monday 21 February 2011. To date, one objection from a neighbour and one comment from the Department of Environmental Health have been received; both refer to the potential noise pollution. Although this site is zoned "Heavy Industrial", and the proposed development fits the criteria, the Authority will have to defend its plans for the site at the Central Planning Authority, but a date has not yet been set.

The preparation of the temporary vehicle maintenance building (to be set up at the Red Gate site after the sale of the wastewater assets) continues.

- e) *Cayman Brac Site* - The Acting Chairman reported that the recently employed civil engineer, who has experience with commissioning and operation of Seawater RO plants visited Cayman Brac and identified an operational problem with the RO plant. Since this problem was rectified, the plant performance has improved. The engineer will evaluate other options to improve performance and reduce energy consumption, without negatively affecting water quality.
- f) *Constitution Implementation Advisory Group (CIAG)* - The Acting Chairman reported that the Authority was advised via the Ministry of DAWLA that it would have to appoint a staff member to be a liaison officer with the above group. A copy of the communication from the Deputy Governor's Office was provided to members. The Acting Chairman reported that the Authority's Chief HR Manager will take on the duties with assistance of the Authority's Information and Records Manager.
- g) *Mr John Masters' Court Case* - The Acting Chairman reported that the Authority's lawyers were informed of the Board's decision at the 212th Meeting in February 2011 to proceed with the matter to Court. The Authority has been given a Court date of 05 May 2011. Mr Masters has threatened that if he is successful, he will along with his wife and son lodge individual damages in the Small Claims division for having their water cut off "unlawfully". Mr Masters has also indicated that regardless of the outcome he wants the matter elevated: if he is successful, "to review the conduct of all involved in the decision making process", and if he is not successful, "the conduct will need to be looked at to see if there is a need for law reform". The Secretary read the relevant parts of the email communication between Mr Masters and the Authority's lawyer.
- h) *FOI updates* - The Acting Chairman reported that no request had been received as of 15 March 2011 as shown in the Freedom of Information report provided to members.

Current Business

The Acting Chairman brought forward item (c) on the agenda under Current Business as Mrs P McGaw Lumsden and Mr M Smith needed to leave for other commitments.

c) Non-Revenue Water Report – request review and support for proposed methodology.

The Acting Chairman reported that in response to the 2009/2010 management letter, the Authority had done considerable research in conjunction with the Cayman Water Company licence negotiations with regards to an acceptable range of non-revenue water and had prepared a document for the Board's review that presents the industry standard with respect to NRW (Non-Revenue Water). The Acting Chairman noted that the Secretary was respectfully asking for the Board's review and approval on the report as the Authority would like to adopt the new methodology for the 30 June 2011 audit. Members discussed the report and the Secretary explained the process for the calculations. After the discussion, the Acting Chairman asked for a motion to accept the new methodology to calculate non-revenue water. Board members resolved that based on the report presented to the Water Authority Board regarding the method for the calculation of non-revenue water for the Water Authority, that the new methodology be adopted for the Authority. The motion was moved by Ms A Owens, seconded by Mr J Banks and passed unanimously.

Mrs P McGaw-Lumsden and Mr M Smith left the meeting at this point.

a) Management Accounts January 2011.

The Acting Chairman reported that the Finance Department had prepared the summary financial statements for the period ending 28 February 2011. The revised budget figures were in preparation of these monthly management accounts, hence why the variation from budget to actual is less than presented in the January 2011 accounts.

Based on estimates for the first eight months of the 2010/2011 financial period Operating Revenue continued to be flat from last year, showing 1.0% decrease over the same eight month period in 2009/2010, and approximately 2.5% below budget figures. The Authority continues to closely monitor sales and associated revenue as revenue continues to be below budget figures. As this calendar period is the middle of the dry season, revenue is not expected to fluctuate significantly in the next four months.

Operating Expenses were significantly higher than last year (2.3% and 8.3% above budget). This increase was due primarily to the increase in depreciation

expense. When Water Storage Tanks were installed over the years, they were included in plant costs and hence depreciated over 50 years, the same as the underground infrastructure. Fifty years does not accurately reflect the useful life of this asset as per the Authority's experience and therefore the decision was made to write off the older tanks in the same manner as the new tanks, which is 25 years rather than 50 years. In doing this calculation an additional \$860k of depreciation was booked. All water storage tanks are now treated the same, and will be depreciated over 25 years. Members acknowledged and agreed with this change.

Administrative Expenses were consistent with last year (0.4%) and approximately 9.8% under budget, the increase over last year was primarily attributable to the increase in legal and professional fees associated with the sale of the Wastewater assets and scholarships.

Overall earnings for first eight-month period in 2010/2011 were estimated at \$1.7 million which is slightly higher than expectation by \$1k. The Authority continues to be in a strong financial position and will continue to closely monitor operational and administrative expenses in light of the current economic situation, low budgeted revenue figures and pending Wastewater Assets sale.

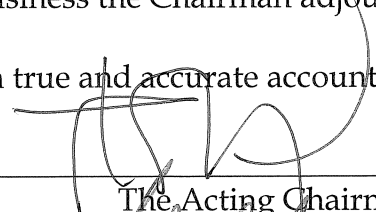
b) 30 June 2010 Management Letter.

The Acting Chairman reported that this letter accompanies the 30 June 2010 audit and is issued by the Auditor General's (AG) office. Essentially it highlights items that the AG's office found throughout the course of their audit and felt necessary to bring to Management's attention. The Authority drafted responses to send back to the AG's office; copies of which were provided for Board members. Members reviewed the letter and agreed with the responses Management provided. The letter as agreed will be sent back to the AG's office and they will subsequently issue the final copy of the letter.


Any Other Business

There being no other business the Chairman adjourned the meeting at 3:32pm.

This is a true and accurate account of the proceedings.



The Acting Chairman



The Secretary