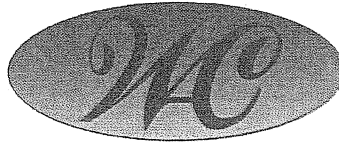


CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 216<sup>th</sup> Meeting held on 25<sup>th</sup> of May 2011

**Members Present:**

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

**Call to Order**

The Chairman welcomed members and called the meeting to order at 1:41pm after ascertaining that there was a quorum. The Chairman then opened the meeting with prayer and acknowledged apologies on behalf of Mr C McLaughlin and Mr W Scott as well as for Mr T Hydes who would be late.

**Minutes of the 215<sup>th</sup> held on 11<sup>th</sup> of May 2011**

The Chairman asked for confirmation of the Minutes of the 215<sup>th</sup> Meeting held on 11 May 2011.

Mr O Watler moved the motion to accept the Minutes, Mr J Banks seconded the motion and the motion passed unanimously.

**Declaration of Conflicts of Interest**

None were declared.

**Matters Arising****a) Divestment of Water Authority Sewerage - Update on WTC.**

The Chairman reported that on 20 May 2011, the Authority received notification that Government had appointed a new Chairman and a new member to the Wastewater Technical Committee (WTC). The membership of the WWTC is now as follows:

Mr Isaac Rankin	Chairman
Mr Matthew Leslie	Member
Mr Peterkin Berry	Member
Mr Darrel Rankin	Member
Ms Jeana Ebanks	Member
Mr Paul Parchment	Member
Mr Derek Tibbetts	Member
Financial Secretary	Ex-Officio
Mr K Jefferson ( <i>or designate</i> )	
Permanent Secretary of DAWLA Ministry	Ex-Officio
Mr K Gomez ( <i>or designate</i> )	
Mr Tom van Zanten	Ex-Officio/Technical Asst/Secretary
Ms Vicki Ellis	Ex-Officio (in an Advisory/Resource Capacity)

The Chairman noted his and the Board's concern that the validity of the proposals will expire on 09 July 2011 therefore it is critical that the WTC makes a decision soon.

The Chairman reported that the WTC Chairman, Mr Rankin had a preliminary meeting with the Deputy Director on 25 May 2011 and was briefed on the process thus far. He was provided with all relevant information and the Authority's expectation is that Mr Rankin will call a meeting of the WTC very shortly.

**b) Randyke Gardens - Update.**

The Chairman reported that there had been no further instruction on this matter. The Chairman reported again that the Ministry of DAWLA was advised that the delay in moving forward will result in the systems further deteriorating and with the onset of the rainy season the public health hazard will increase. The Ministry has not been able to get further instructions from the Ministry of Finance. The contract documents and proposal remain with the Ministry of Finance for completion.

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

The Chairman noted that as reported at the last Board meeting, the Honourable Minister (Ministry of District Administration, Works, Lands & Agriculture (DAWLA)) provided a comprehensive response to Cayman Water Company's questions/concerns in her letter of 04 May 2011. This letter confirmed Government's position on several issues and formed the basis to continue the negotiations. CWC did not provide all responses as requested by the Minister; instead they continue to challenge the legal position of Government in respect of the new legislation and the role of the Water Authority as the chief negotiating agency and the regulator under the new legislation. CWC has requested a meeting between the legal counsels of both parties to discuss the legal issues. Although the Authority does not view the challenge of legal issues as valid, it has advised the Minister that it would be best to deal with the legal issues first.

The Chairman noted that regardless of the varying understandings of the last CWC meeting on the provision of a complete rate proposal, the Minister clearly instructed CWC to provide a proposal under the RCAM model.

The Chairman noted that CWC's actions are not moving the process forward and that as the Authority is clearly, with the enactment of the relevant laws, going to be the regulator of the water and wastewater industry, it is peculiar that they would choose to behave so unreasonable.

d) **Miscellaneous Updates.**

a) *In-House Pipelaying Crews* - The chairman reported that one crew had commenced the upgrade (to 12-inch) of the 6-inch pipeline in South Sound, starting at Old Crewe Road towards Cayman Crossing. To date 1,120 feet of pipes had been installed. The other crew continued the installation of 6-inch and 3-inch pipes in Arlington Road and its side roads (off Frank Sound Road). To date 1,300 feet of pipes had been installed.

b) *Water Supply Division* - The Chairman reported that on 17 May 2011 Operations started the work on the replacement of the 12-inch pipe along Bodden Town Road, between Kipling Street and Midland Acres. All temporaries were installed and the crew averaged 120 feet of pipeline installation daily.

c) *Red Gate Water Works - Inspection of Reservoir #1* - The Chairman reported that after the repair work on the 1.2 MG fibreglass reservoir at the Red Gate site was completed, it was disinfected (currently at 1.9 ppm free chlorine) and filled. It has not yet been returned back into service as some leaks remain. The Engineering Services Department is presently determining the extent of the leaks to determine how successful the repairs have been. The reservoir will be made operational soon and will be used throughout the upcoming hurricane season.

- d) *Red Gate Water Works* - The Chairman reported that on 23 May 2011 confirmation was received from the Planning Department that the Master Plan for the Red Gate Facility had been approved. This plan includes a Vehicle Maintenance Building, a File Storage Building and a Pumping Station. The approval is valid for 5 years. The approval was subject to two conditions: building set-back from boundary must be at least 20 feet (already indicated on drawings as nearly 30 feet) and a landscaping plan must be provided.

Installation of the electronic gate at Wren Lane entrance and security cameras commenced on 18 May 2011, and is scheduled to be completed in two weeks.

Ocean Conversion Ltd (OCL) plans to install a new degassifier at the Red Gate plant to replace the existing under-sized equipment. Upon completion this will eliminate the regular malodour (hydrogen sulphide) emissions.

- e) *Lower Valley Water Production Facility* - The Chairman reported that after the inspection and refurbishment of reservoir #1 (1 MG bolted steel tank) at the Lower Valley site was completed, this tank was filled and disinfected. With the exception of one very minor weep in one panel, the reservoir is fine. This reservoir should be returned back into service on 24 May 2011.

The Red Bay booster station is currently pumping from West to East to reduce the demand on Lower Valley (due to the reduced storage capacity and also because the North Side Pumping Station cannot assist due to the work on the main line along Bodden Town Road, between Kipling Street and Midland Acres).

- f) *Cayman Brac Site* - The Chairman reported that the conduits etc. for the security cameras had been installed; the cameras will be installed after the Red Gate security equipment has been installed and will be accessible in the Grand Cayman office. A new Automatic Transfer Switch (ATS) for the emergency generator had been installed, but not yet completed as the Authority awaits the phase monitor. Additionally 3 surge suppressors will be installed.

Carlos Vargas, Electrical Engineer, met with Cayman Brac Power & Light (CB P&L) to discuss the potential lease of an emergency stand-by generator. CB P&L is currently reviewing the sizing requirements for the emergency generator and is expected to respond during the week of 25 May 2011.

It is anticipated that the contract with NanoH<sub>2</sub>O, a new membrane manufacturer based out of Los Angeles, CA will be signed during the week of 25 May 2011. Under the agreement NanoH<sub>2</sub>O will supply 36 new SWRO membranes at no up-front cost. The Authority will pay NanoH<sub>2</sub>O a monthly payment for 36 months.

- g) *Mr John Masters' Court Case* - The Chairman reported that the Authority's case is now scheduled to be heard in Summary Court on 06 October 2011.
- h) *East End Seaport - Environmental Impact Report* - The Chairman reported that during the week of 16 May 2011 the developer of the East End Seaport released the Environmental Impact Report (EIR) to the public and to Government agencies. The Authority commenced its review of the report; the main issues for the Authority are the projected impact on the East End freshwater lens. The review is carried out in conjunction with other Government agencies, with the Department of the Environment being the lead agency.

Mr O Watler expressed concern regarding the predictions about the East End freshwater lens indicated by the EIR. The Secretary noted that the Department of Environment (DOE) would be consolidating the comments on the EIR from the relevant government agencies such as the Water Authority, National Roads Authority, and the Planning Department.

- i) *Workshop for Service Providers for Onsite Wastewater Treatment Systems* - The Chairman reported that the Water Authority continues to advance its Onsite Wastewater Management Programme that addresses the management of onsite aerobic wastewater treatment systems. The 500+ onsite systems treat approximately 24% of all wastewater generated in the Cayman Islands compared to 18% being treated by the central system of the Authority and the remaining 58% being treated by septic tanks. On 24 May 2011, the second workshop was held with all service providers to introduce them to the website that manages all data and information for the 500 onsite systems. The purpose is that service providers are registered with the Authority and that service reports are logged on the website. Service reports are essential to track the history of these systems and to take corrective actions. Service reports and sampling results are also available to system owners. The workshop was well received and signifies another milestone in the Authority's Onsite Wastewater Management Programme.

### Current Business

- a) **2011/2012 Estimates of Revenue & Expenditure.**  
The Chairman reported that the Secretary had prepared a brief overview of the 2011/12 Estimates of Revenue and Expenditure. The Secretary proceeded to make a PowerPoint presentation of the highlights of the budget. A copy of the slides presented is attached as part of the record of these minutes. The Secretary noted that the budget document was in a similar format as the 2010/11 budget presented last year.

The Secretary noted that the financial data was prepared, presented and approved by the Board at the February 2011 meeting in the 2011/12 Ownership Agreement. The document as presented incorporated the already approved financial data.

The Secretary advised that there was no solid foundation for the comparison of the 2010/11 revised budget and the 2011/12 budget, as the 2011/12 budget does not include any revenue or direct expenses from the wastewater assets. The budget was prepared on the premise that the sale of the wastewater assets would have been finalised by the end of the current fiscal period. As the divestment process has not been completed, the wastewater (WW) assets are "held for sale". As long as the WW continues to be a part of the Authority as a whole the financial presentation will be presented in the same way as historically done. As there are no budgeted figures for 2011/12 for WW, the Authority will roll forward 2010/11 revised budget figures for comparison purposes until the divestment is complete.

Some of the 2010/11 budget highlights are as follows:

1. The Authority expects the wastewater divestment process to move forward with the WWTC being reactivated.
2. The CWC negotiations are at a stalemate over financial, technical legal and contractual matters. With the meeting of the legal counsels from both teams, the Authority hopeful some progress is possible.
3. Regarding the water utility operations, the Authority will provide the Terms of Reference (TOR) for the Strategic Options Analysis (SOA) for Board review in the June 2011 meeting.
4. The Authority was also requested, as explained at the 215<sup>th</sup> Meeting, by the Honourable Minister to review the water situation in the Sister Islands. A high level review of the projects indicates preliminary cost \$1.7 million. To fund this the Authority's proposes that the Authority seek approval from CIG to return an additional \$1.7 million of the revenue realised from the sale of the wastewater assets to fund the preliminary infrastructure to assist the Sister Islands' water supply situation.
5. Projected Net Income for 2011/12 is expected to decrease significantly (\$2.1 million) from the revised 2010/11 Estimates. This reduction is primarily attributed to the fact that overheads costs previously shared between water and wastewater are now 100% for water.
6. Water Sales are expected to increase by approximately 8-9% from 2010/11's revised budget. However with the uncertainty about the economy and planned projects, this forecast may need to be adjusted lower should future consumption not meet the Authority's expectation.
7. Projected operating expenses for the water portion of the business have increased, with the largest increase in recognition of rising fuel prices and the implications that generates for water production and distribution. This increase is not visibly reflected on the Statement of Comprehensive

- Income as the increase in water expenses are offset by the elimination of wastewater expenses.
8. Administrative expenses are expected to increase by about 1.3% due mainly to, license fees (immigration work permit fees), depreciation, health insurance, scholarship grants, training, and legal fees. Management paid particular attention to keeping these expenses down where possible but recognises that in particular the Legal and Professional fees will be significantly higher than in prior years as a result of the divestment, CWC licence negotiations and lease of the water utility functions.
  9. There is no increase to staff's compensation in the 2011/12 budget, however the Authority's estimates includes a performance award allowance in recognition of diligence and hard work.
  10. Throughout 2011/12, The Authority will make minimal investment in capital works, limited to the new works and operations crews only. The Authority will spend approximately \$3.6 million upgrading various sections of the water distribution system, miscellaneous pipeline extensions and a few other small capital projects. A further \$100k is proposed for additions to the fleet and various essential equipment.
  11. Regarding the \$3.6 million noted above, \$2.8 million will be from available cash balances (i.e. 0% in traditional debt / bank financing); the remaining portion (\$0.8 million) will be for the construction of a vehicle maintenance building and will be funded from proceeds from the sale of the wastewater assets. It is expected that there will be just enough available cash to manage the East-West Arterial Highway supply extension, various pipeline upgrades and extensions, and establishment of district metering areas (DMA). All other projects have been put on hold. A full description of projects on hold is available on page 75 of the budget document.
  12. As written in the Authority's Estimates for the 2011/12 period, the Authority is proposing to provide a Government contribution of \$100,000.
  13. As per the directive from the CIG, the Authority has no planned borrowing until 2016/17. Many projects will remain in an "on hold" status until the borrowing freeze implemented by Government has been raised.

The Secretary noted that finances will continue to be strictly monitored, all management staff had been advised of this and any capital expenditure or expenses that may be delayed without compromising the efficient operation of the Authority will be postponed. The Secretary noted that the 2011/12 fiscal period may see several transitions such as the wastewater divestment process gets underway.

Members discussed various points in the business plan and expressed satisfaction with the document. Ms A Owens expressed concern that the

Authority's detailed budget was not available at the same time as the ownership agreement. There was further general discussion on the budget and members indicated their agreement with the business plan and proposed financials. The Secretary was asked to thank all staff involved with the preparation of the document and the PowerPoint presentation. The Secretary noted that she would pass on the appreciation to the Financial Controller who played a large role as well as the other senior managers.

The Chairman stated that the Board was respectfully asked to approve the 01 July 2011 - 30 June 2012 Estimates of Revenue & Expenditure. Mr T Hydes moved the motion to approve the 01 July 2011 - 30 June 2012 Estimates of Revenue & Expenditure. Mrs P McGaw-Lumsden seconded the motion and it was passed with Ms A Owens abstaining.

**b) 30 June 2011 Audit.**

The Chairman reported that there was no further update on this item since the last meeting.

**c) Lower Valley Property Offered for Sale - Mr Charlie Watler.**

The Chairman advised that Mr Charles Watler wrote to the Authority in June 2009 regarding property both his cousin Mrs Carolyn Watler and himself have for sale. The properties are adjacent to the Authority's Lower Valley Water Works.

The Chairman advised that from an operational point there is no benefit to the purchase of the two small lots situated at the north side of the Water Authority's Lower Valley Water Works as each lot is less than 4,000 square feet. The lots, separately or combined cannot be developed based on the zoning and set back requirements.

The Chairman noted that Mr Watler has, on the basis of his verbal consultation with the Senior Valuator (Mr Uchi Obi) at Lands & Survey, indirectly indicated (email dated 17 May 2011 provided to members) that he is willing to sell the property for \$4-\$5 per square foot. At the 199<sup>th</sup> Meeting of the Water Authority Board, it was decided to make an offer of \$2.76 per square foot (for a total of \$22,080) as per the copy of the Water Authority letter dated 05 January 2010 (copy provided to members). Mr Watler did not contact the Water Authority until he emailed on the matter about 2 months ago.

The Board discussed the offer and instructed the Secretary to advise Mr Watler that the amount offered for the property in the letter dated 05 January 2010 remains the same, that is, at \$2.76 per square foot.



d) **Request for Reverse of Penalties re Customer Account** [REDACTED] - [REDACTED]

\* Redacted under  
Section 23 of the  
Freedom of Information  
Law, 2007

The Chairman reported that [REDACTED] of customer account [REDACTED] had written to the Authority requesting adjustment of her account by the reversal of late penalties totaling \$1,051.29. [REDACTED] letter and a summary memo from the Customer Service Manager were provided to members. The customer had high water bills during the period November 2008 through to February 2009. She had a payment agreement that was paid off in January 2011. [REDACTED] did not request a waiver of penalties at the time and most likely would have lost the privilege as payments on the payment agreement were not consistent. As the account has been paid off and the account is inactive, the customer would like the penalties credited and then she wishes to have the credit transferred to her [REDACTED] account to help reduce the outstanding amount owed there.

Members discussed the customer's situation and agreed that there should be no reversal of the late penalties with the refund being applied to another overdue account as these properties are all for business/rental purposes.

e) **Request for Waiver of November 2010 Bill re Customer Account** [REDACTED] - [REDACTED]

\* Redacted under  
Section 23 of the  
Freedom of Information  
Law, 2007

The Chairman reported that the [REDACTED] customer account [REDACTED] had written to the Authority requesting waiver of their November 2010 water bill. [REDACTED] letter and a summary memo from the Customer Service Manager were provided to members. The customer complained about the amount billed for November 2010 and requested that the meter be tested. The meter was tested by an independent company and the results indicated that the meter had passed the testing criteria. Subsequently the customer was advised of the results and that the bill needed to be paid. The customer has since requested that the matter be brought to the Board. As the meter was tested by an independent 3<sup>rd</sup> party as required under the Water Authority Law & Regulations and found to be operating within the standard criteria, [REDACTED] is responsible for the bill.

Members discussed the customer's situation and agreed that the bill should be paid in full as the meter was not faulty.

**Donation Requests**

The Chairman advised that the amount remaining for donations is \$8.2k.

a) **Cayman Islands Volleyball Federation.**

Members agreed to sponsor the Cayman Islands Volleyball Federation in the amount of US\$1,500 in support of the National Team's upcoming

participation in the Island Games this summer. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr M Smith and passed unanimously.

**b) Cayman Islands Table Tennis Association.**

Members agreed to sponsor the Cayman Islands Table Tennis Association in the amount of US\$500 in support of the National players' upcoming participation in the Island Games this summer. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr O Watler and passed unanimously.

**Any Other Business**

**a. Director's Leave.**

The Secretary advised that she would be on annual leave during the period 24 June 2011 through to 23 July 2011.

**b. Feature in Energy + Infrastructure Magazine.**

The Secretary advised that the Energy + Infrastructure magazine would be doing a feature on the Water Authority in its summer 2011 issue. The online magazine can be found at [www.energyandinfrastructure.com](http://www.energyandinfrastructure.com). The main focus of Energy + Infrastructure is promoting and highlighting effective utility management, underground solutions, and infrastructure development. There is no cost to the Water Authority as the magazine is financed through advertisements by vendors of the Authority.

**c. Regional Infrastructure Summit.**

The Secretary also advised that she had been asked by KPMG to be on a panel discussion at the planned to be held in Miami, Florida next year. Members had no problem with the Secretary's participation.

There being no other business the Chairman thank members for their cooperation and adjourned the meeting at 3:30pm.

This is a true and accurate account of the proceedings.

  
\_\_\_\_\_  
The Chairman

  
\_\_\_\_\_  
The Secretary