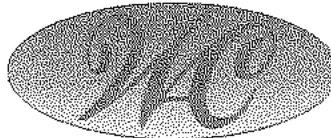


CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 226th Meeting held on 18th of April 2012

Members Present:

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

Call to Order

The Chairman welcomed members and called the meeting to order at 1:33pm after ascertaining that there was a quorum and acknowledging apologies from Mrs P McGaw-Lumsden, Mr O Watler, and the absence of Mr C McLaughlin. The Chairman then opened the meeting with prayer.

The Chairman mentioned that he had been appointed as Deputy Chairman of the committee planning the celebrations for Her Majesty the Queen's Diamond Jubilee in June 2012.

Minutes of the 225th Meeting held on 28th of March 2012

The Chairman apologised on behalf of the Secretary for the late delivery of the Minutes.

The Chairman asked for confirmation of the Minutes of the 225th Meeting held on 28th Page 4, in the 2nd paragraph, 2nd line should read as follows "...committed to follow...."

Page 4, in the last paragraph, 1st line should read as follows "...the Authority met with..."

Page 4, in the last paragraph, 3rd line should read as follows "...informed by the Ministry that they had now...."

Page 7, in item (b), 3rd line should read as follows "...in late February 2012."

Page 9, in the 2nd paragraph, 8th line should read as follows "...are represented on this board. Additionally, Mr Darrel Rankine, the Ministerial Councilor, also...."

Mr J Banks moved the motion to accept the Minutes as amended, Mr M Smith seconded the motion and the motion passed unanimously.

Declaration of Conflicts of Interest

None were declared.

Matters Arising

a) Divestment of Water Authority Wastewater Assets - Update.

The Chairman reported that the Water Authority had received a response to the Water Authority Board Chairman's letter to the MINISTER of District Administration, Works, Lands, and Agriculture (DAWLA) dated 17 November 2011 on 16 April 2012. A copy of the Honourable Minister's response dated 13 April 2012 was provided to members.

In the response, the Ministry of DAWLA directed that the Authority proceed with the re-tendering process to divest the wastewater assets. The process of divestment is to remain with the Authority. The Ministry's expectation is that the process is completed by end of July 2012.

Mr T Hydes joined the meeting at this point. The Chairman noted that he appreciated the response from the Minister and the indication that the process of the divestment would remain with the Authority. The Chairman pointed out that the Authority would continue to do its best to carry out the Government's wishes however timelines need to be realistic and practical. Members discussed the timeline for the wastewater divestment and agreed

that 12 weeks for the tender period would be the optimum to ensure companies had reasonable time to prepare and submit their bids.

The Chairman reported that the Water Authority's management completed the business case for selling the wastewater assets, as per the new Central Tenders Committee (CTC) Chairman's instructions. This report provides the rationale for a Centralised Wastewater Collection and Treatment System on Grand Cayman and how to achieve this. It describes the urgency to modify the existing situation, the available options, and the implications of those options, taking into account the environmental, financial and social impacts and risks, both immediately and long term, as well as the economic needs of the country.

As requested by the Board, Ms A Owens and Mrs P McGaw-Lumsden had reviewed the document and provided their comments prior to presentation to the Board. A copy of this report was provided to Board members. The Chairman gave members time to read the document during the meeting. After some further discussion members agreed to send any further comments or changes they wished by 23 April 2012 to the Secretary. If there were no changes to the document required at that stage, the Secretary was authorised by the Board to release the Business Case to the Ministry. It was agreed that a letter from the Chairman would accompany the Business Case.

b) Public Piped Water Utility Lease Project (PPWULP) - Update.

The Chairman reported that in the Honourable Minister's response to the Chairman's letter regarding the wastewater assets divestment dated 13 April 2012, reference is made to the Board approved timeline for the PPWULP. The Ministry expects that the Authority will divest both assets concurrently and requests that "Sale of the Utility Asset" is completed by December 2012.

The Chairman advised that the Authority will continue to do its best to meet Government's requirements however Government is asked to understand that during the months of May, June and July, key senior management will be on planned leave (at separate times) and out of the country. The Authority has to continue to run the business operations as well as participate in critical reviews of the ForCayman Alliance agreement, ICC Codes, etc. Members agreed that for the sake of the success of each project, the Authority should be allowed to complete the wastewater divestment and then re-focus on the PPWULP with the goal to complete the PPWULP by end of January 2013.

The Chairman advised Mr T Hydes that he would like to have a meeting set up with the Honourable Minister to discuss some of the issues including the timelines. The Chairman noted that the Water Authority is working to meet Government's objectives to get the projects done as fast as humanly possible, and that he hoped a meeting would be the opportunity to ensure everyone

was on the same page and operating in a professional manner. Additionally, the Minister's letter of 13 April 2012 referred to the "Sale of the Utility Asset" therefore clarification is required on whether it is to be a lease or divestment via sale of the water utility assets or if the final decision will be based on the results of the Strategic Options Analysis.

The Chairman reported that on 12 April 2012 the Secretary was directed by the Ministry to amend a Cabinet Paper (originally prepared and submitted in October 2009) with up-to-date information data regarding Water Authority Rate Adjustments. The Chairman advised that Authority's management is not sure of the reasoning to re-submit this paper however the Authority is in the process of revising the data and will provide the updated information to the Board and Ministry by 20 April 2012.

The Chairman advised that earlier this month the Authority provided additional information requested by KPMG for the Strategic Options Analysis (SOA). They have subsequently put the information into the various models. The Authority plans to meet with KPMG on Friday 20 April to discuss the alternatives and answer any additional questions that have arisen as they progress through the engagement.

c) **Randyke Gardens - Emergency Repair of Wastewater Treatment Systems - Update.**

The Chairman reported that the Water Authority's Electrical Engineer continues to inspect the electrical portion of the system (pumps, blowers, float switches, etc.). Replacement electrical parts will be ordered the week of 18 April 2012.

The Chairman reported that some of the previously ordered replacement parts (e.g., cast iron access covers and frames) had arrived. The 3 concrete tanks (which will replace the cracked/leaking pump tanks) and the concrete extension rings (for pre-tank access covers), which were ordered through CI Precast, will be delivered to site by 20 April 2012.

Barring unforeseen circumstances most of the 8 Randyke Gardens wastewater systems should be operational, although not necessarily fully restored, by the end of this month.

d) **New Red Gate Reservoir (2012) - Update.**

The Chairman reported that construction of the 1.8 million US gallon capacity bolted steel water storage tank is progressing well. The reinforced concrete slab and foundation was poured on 05 April 2012. To date, nearly one

complete ring of panels have been installed. Construction of the dome roof is expected to commence later this week.

e) **Miscellaneous Updates.**

a) *In-House Pipelaying Crews* - The Chairman reported that both crews were on leave during the week of Easter, and returned back to work on Monday 16 April.

One of the in-house pipelaying crews continued work on the pipeline upgrade in Mangrove Avenue. By 05 April 2012 approximately 1000 feet of 8-inch pipeline has been installed (of a total of approximately 3,800 feet). The pipeline section between Almond Avenue and Siberia Avenue has now been commissioned and by 20 April 2012 all properties should be connected to the new pipeline.

The second pipeline crew has been assisting with the pipeline upgrade in Mangrove Avenue and installed a new tee and valve at the entrance with Shamrock Road. Just before Easter, the temporary service pipelines for the first section (up to Grape Avenue) were installed. During the week of 16 April 2012 customers will be connected to the temporary pipelines, after which the 3-inch pipeline will be upgraded to 8-inch, and for some pipe lengths will also be moved further into the road as some of the pipeline was erroneously installed in private property, as at that time of original installation (late 1989-early 1990), the paved road encroached on private property, and in some instances it still does.

The new cutting chain for one of the trenchers arrived on island last week, and this machine should therefore be available by the end of next week.

The first work will be the installation of a 3-inch pipeline off South Sound (for [REDACTED]), after which the installation of an 8-inch pipeline in the new road to the Blue Iguana Reserve will be continued.

b) *Water Supply Division* - The Chairman reported that the pipeline replacement on Apollo Link/East Boulevard (Windsor Park area, off Walker's Road) was completed (tested, disinfected and commissioned) by 13 April 2012. All customers will be connected to the new pipeline by 20 April 2012.

The Water Authority has not yet received a response to their request made in December 2011 to commence the pipeline upgrade work in Shedden Road. As indicated previously work in Shedden Road will now start in early July 2012. In the meantime the pipeline in Glen Eden, off South Church Street, will be upgraded to 4-inch (currently 3-inch and 2-inch). In particular the 2-inch portion is significantly undersized for the number of properties it serves.

c) *Wastewater Division* - The Chairman reported that on 02 April 2012 a letter was received from Appleby, CUC's lawyers, regarding their claim of \$487,283.78 for the electricity account at the Grand Cayman Wastewater

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Treatment Plant, resulting from a mistake with the billing multiplier for the period December 2004 through May 2011.

CUC offered to accept payment of \$417,997.02, representing the outstanding amount for the period April 2006 to April 2011, to be paid in 36 monthly instalments, but the offer would only remain open for acceptance until 4 pm on 02 April 2012. Following email correspondence between the Authority and Appleby, CUC has agreed to extend the validity of their offer until 4 pm on Friday 20 April 2012, to allow this matter to be discussed at the Water Authority Board meeting on 18 April 2012.

Although there is no dispute whether or not the Authority used the electricity, the Authority's position is that there should be some limitation on how far back CUC can go to correct their errors. Mr T Hydes suggested that the Authority contact the Electricity Regulatory Authority regarding the extent of any limitations with regards to errors or if there are any. Mourant Ozannes, the Water Authority lawyers, will prepare a response to CUC's claim and offer guidance on how to proceed. The Authority is of the opinion that this has been outstanding for a long time and does not deem it necessary to be rushed into a decision by CUC's legal team. The Authority is working towards an equitable solution, but that may take some time.

- d) *Red Gate Administration Building-AC Replacement* - The Chairman reported that just before Easter, Andro completed all work related to the stand-alone AC unit for the Lobby Area. Most of the preliminary work required for the new air-conditioning system for the administration building has now been completed. The shutdown of the existing system and the installation of the new AC system for the Administration Building will be carried out over the long weekend in May (Discovery Day), thus minimising the impact on the Authority's customers.
- e) *Cogsdale Billing System* - The Chairman reported that the Go-Live on 10 April 2012 with Cogsdale went relatively smooth as far as the conversion was concerned. The major hurdle now is the learning curve for staff. There were inactive accounts with deposits as liabilities that were not brought across into Cogsdale during the conversion. Both the Cogsdale project team and Finance are working to get these accounts refunded outside of the Cogsdale system. All other financial reports were found to convert and balance correctly. Transactions are being entered into the new system and seem to be going well.

The GCM office staff is working relatively confidently with the system and the Cayman Brac office looks to be taking a bit more time to attain the same level of confidence as they are not used to doing service orders for trucked water deliveries.

The export for meter reading of cycle 1 has been done without any issues. Meter readings have been collected from the field and are now in the

process of being imported back into Cogsdale. The plan is to finish cycle 1 and 2 exports and imports with just cycle 3 left to do before the Cogsdale representative leaves this weekend. Rugged laptops have been deployed to the Meter Readers and service orders are being delivered wirelessly in the field.

The Chairman reported that so far, 208 applications for online access had been received. The Cogsdale Web Portal has been set up and is being tested for rollout of the online payment features, online account access and e-billing with several staff and these all look to be working well. The Cogsdale representative will complete the 2-week support for the roll out by 20 April 2012 and will return to Cayman on 29 April 2012 in time to work with the Authority on the month end billing on 30 April 2012. Board members are encouraged to sign up for online access.

- f) *Review of Plumbing Code, Private Sewage Disposal Code and the Building Code* - The Chairman reported that further to the information provided at the last Board meeting, the Authority has commenced the review of the International Plumbing Code, International Private Sewage Disposal Code and the International Existing Building Code with the Building Control Unit (BCU). These codes need some amendments to make them suitable for the practices and specifics of the Cayman Islands. For example the Plumbing Code defines a cistern as a storage tank for non-potable water; in the Cayman context this is not applicable as cisterns are normally used to store potable water. The implications of using cisterns for potable water need to be reflected in various parts of the code so that proper construction, disinfection and maintenance practices are observed for use of cisterns. After the Government agencies have completed their reviews the draft codes will be made available for public review.

The issue that will be most challenging in this review is to ensure that the first chapter of each code, which deals with scope and administration, properly reflects the Water Authority's and BCU's role and jurisdiction. The WA Law and Regulations place the plumbing inspection with the Authority, but allows for a mechanism to delegate this to BCU. The Law charges the Authority with the duty to protect groundwater and as such it is charged with determining the requirements for wastewater treatment and disposal. Early on in its existence the Authority and Planning agreed to transfer the plumbing inspections to the BCU. There is however no proper record or memorandum of understanding how this task was transferred and now that the Plumbing Code is adopted it is important to properly document the respective role of the Authority and the Building Control Unit, so that the Authority does not abdicate its statutory responsibility.

- g) *For Cayman Investment Alliance - George Town Landfill Closure and new Waste Management Facility in Bodden Town* - The Chairman reported that as reported at the last Board meeting, the Authority participates in the

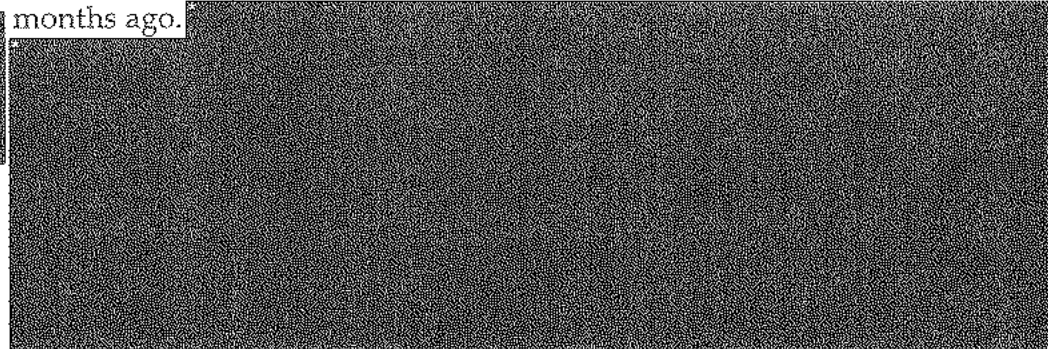
review of the ForCayman Investment Alliance (FCIA) proposals for the closure and remediation of the George Town Landfill (GTLF) and the Waste Management Facility in Bodden Town (WMF). This review is carried out by the Environmental Advisory Board EAB, under chairmanship of the Department of the Environment (DOE). Government has given priority to the review of the landfill proposals, so that they can be executed as soon as possible. The EAB meets weekly and the Authority's staff members involved in the review dedicate a substantial part of their time on this task. To date the EAB has reviewed Dart Realty Cayman Limited's (DRCL) draft Terms of Reference (ToR) for the Environmental Impact Assessment (EIA) of the WMF and provided feedback to DRCL, who has produced a revised draft ToR. DRCL will employ an outside consultant to work with its local team on the study for the EIA. The EAB has accepted the 3 consultants that DRCL proposed for the EIA and DRCL will select one of these 3. The public will be provided with an opportunity to review and comment on the draft ToR and on the draft Environmental Report. When this is completed the complete application will go to the CPA.

The EAB has also reviewed the proposed closure and remediation plan for the GTLF. Initially a memorandum with the EAB's high level technical comments has been provided to DRCL, to ask for more clarity on the objectives of the proposal and on the technical and environmental approach of the remediation and closure of the GTLF.

- h) *Cayman Water Company Negotiations* - The Chairman reported that on 17 April 2012 the Authority received a copy of Cayman Water Company Ltd's 10 April 2012 letter to the Honourable Minister, copied to the Honourable Premier and Honourable Minister Anglin. CWC states that the last negotiation meeting about legal matters was held 9 months ago and that the last completed negotiations meeting was held in February 2011, over 14

months ago.

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The Authority has not completed a draft response for the Honourable Minister to the letter from CWC yet, however it should be noted that the 08 February 2011 negotiations meeting ended in a stalemate as there were substantial disagreements about the licence. The meeting in July 2011, upon request from CWC, was limited to discussion of legal matters. In respect of the follow up on the meeting of February 2011, CWC has

repeatedly been asked (including in correspondence from the Hon Minister) to provide a complete rate proposal. CWC has not provided a proposal as they claim that it was agreed at the meeting in February 2011 that the Hon Minister would first provide them with an acceptable rate of return, Government's team disagrees that this was agreed. No progress has been made on this specific matter. In respect of the July 2011 meeting, no follow up has been made due to the recent departure of Ms Vicki Ellis, the Deputy Solicitor General, who worked closely with the Authority on the legal aspects of the negotiations.

- i) *Caribbean Utilities Company cooling water discharge* - The Chairman reported that in June 2011 the Authority granted CUC the abstraction licence and discharge permit for the abstraction of cooling water from several wells at its property and the discharge of the cooling water into the Sound. This cooling water is used for engine cooling of several generators, the maximum permitted discharge volume is 12.7 million US gallon per day at a maximum temperature of 42° C (107.6° F). The permits and licences include a detailed monitoring programme to ensure that the discharge is in compliance with the licences.

In December 2011 CUC notified the Authority that low level of petroleum hydrocarbons had been detected in the discharge. The Authority asked that CUC reviewed this matter further. Testing results of the individual cooling water supplies (i.e. 6 individual wells) for each generator were provided in the week before Easter. These results confirmed the presence of low level petroleum hydrocarbons in 4 of the 6 supply wells that had been tested. CUC, the Department of the Environment and the Authority met on 17 April 2012 to discuss and review the results. The 3 parties agreed that although the levels of petroleum hydrocarbons were low, there is reason for concern. At this stage however it is not clear where these contaminants come from and it was agreed to continue with further testing and to review historical information on spills at CUC and other industrial activities within the vicinity of CUC. A follow up meeting will be held in mid-June 2012 when further test results will be available.

- j) *FOI updates* - The Chairman reported that two new requests were received as of 16 April 2012 as shown in the Freedom of Information report provided to members.

Current Business

- a) **Management Accounts February 2012.**

The Secretary apologises that the figures for March 2012 are not ready for the Board to review, however with the Great Plains accounting package upgrade

from V.8 to V.10 and the conversion from the Diamond Utility Billing software to Cogsdale the Finance Department were unable to finalise the March figures. The Finance team is working diligently to ensure that all financial data is brought current to ensure timely information to the board as well as preparation for the 30 June 2012 audit.

The Chairman reported that the Finance Department had prepared the summary financial statements for the period ending 29 February 2012.

The revised 2011/2012 budget includes the Wastewater (WW) division. As the budgeted figures were approved by the Board, no adjustments were made to the budgeted figures and hence the net income of the period is significantly above budgeted figures.

Based on estimates for the first eight months of the 2011/2012 financial period Operating Revenue increased slightly over last year, showing a modest increase over the same eight month period in 2010/2011 (increase of 3.5%).

Operating Expenses were consistent with prior year primarily due to the significant decrease in depreciation expense, which was a result of the one-time adjustment made in 2010/2011 to move all water storage tanks from 50 years to 25 year amortisation periods.

Administrative Expenses were slightly higher than last year by approximately 2.8%. This increase is expected as the Authority has paid the first KPMG invoice of \$92k offset by lower training expenses; hence the increase over last year is reasonable. As the KPMG projects continue the Authority expects that the administrative expenses will rise above prior year figures.

Overall earnings for first 8-month period in 2011/12 were estimated at \$2,084k which is higher than prior years by \$468k. 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, pending WW sale and KPMG consultancy engagements.

b) 30 June 2012 Interim Audit.

The Chairman reported that the Authority has been in touch with the Office of the Auditor General (OAG) regarding the Utility Billing conversion and upgrade from v.8 to v.10 on Great Plains. The OAG will be sending a team to audit the process and also to do system documentation and tests. To date the Authority has not been advised on when they plan on coming to the Water Authority's office, but expect it to be in the next month.

Donation Requests

The Chairman advised that the amount available for donations was \$0 (including the commitment to the Pines).

It was agreed that the requestors below should be advised accordingly with the exception of the George Town Primary School. Board members contributed personally a further \$240 to the George Town Primary School's playground fund. This makes a total contribution of \$1000 from Water Authority Board, Management and Staff.

- a) George Town Primary School.
- b) Lean on Me.
- c) Tyleisha Galbraith - Request for Sponsorship to attend Global Young Leadership Conference.

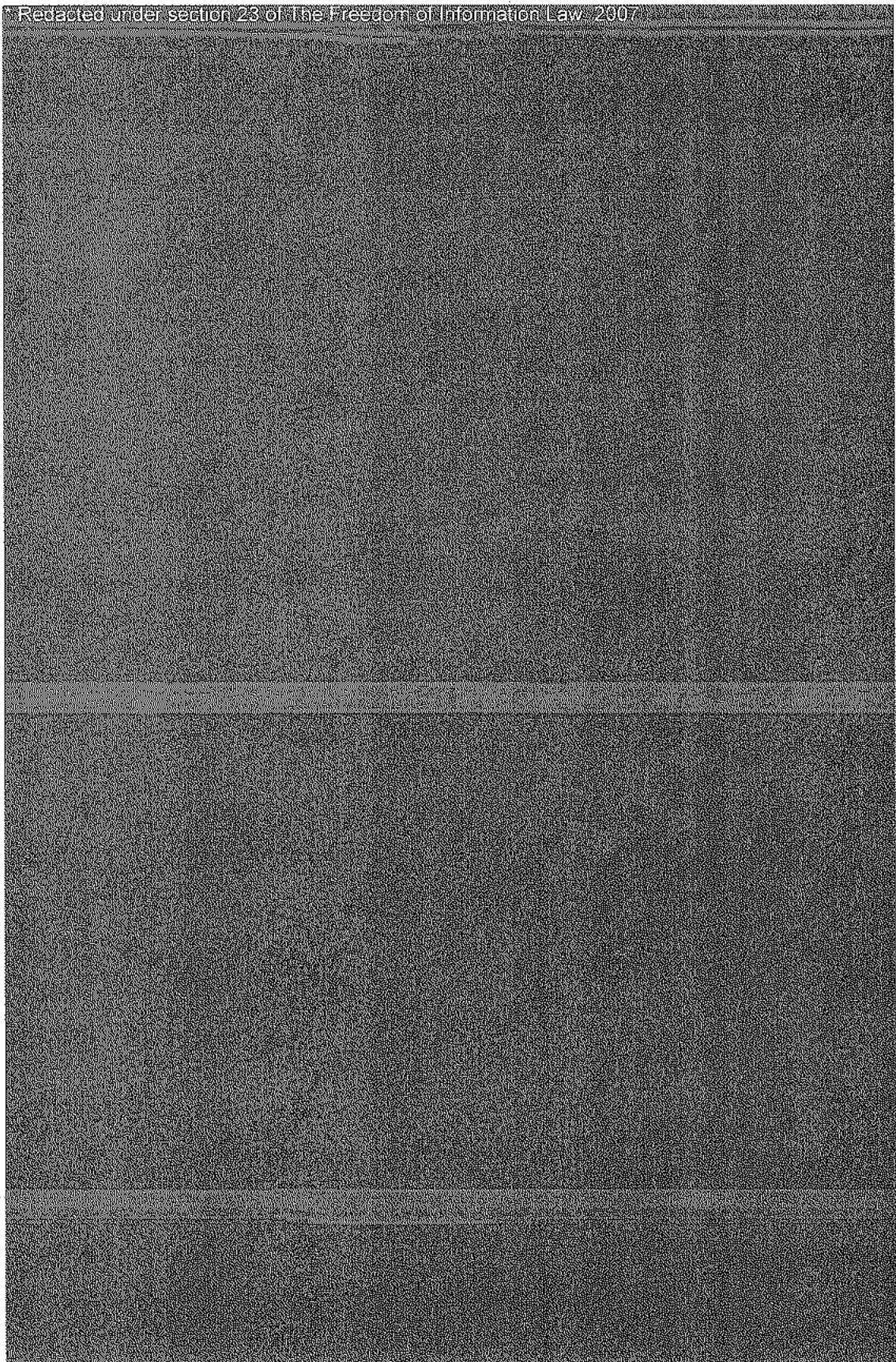
Any Other Business

- a) Employee slated for medical retirement.

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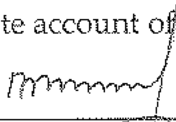


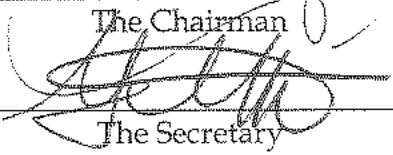
b) Board Minutes.

A Board member suggested that in light of Freedom of Information (FOI), whether the Board should consider asking the Secretary to limit the identification of Board members by name in the Minutes when attributing personal opinions. The Ministry representative indicated that the Ministry had the same desire. A Board member asked if the Authority should consider keeping two sets of Minutes one with names and the other without. The Secretary said she would not be able to do that as the Authority is the holder of the records and as such they are all subject to the FOI Law. Members requested that the Secretary record discussions between members as "Board member" unless a member specifically wished their name to be stated. The Secretary noted that names would have to be minuted for motions and that the Chairman and Secretary would be identified by virtue of their position.

There being no other business the Chairman thanked members for their cooperation and adjourned the meeting at 3:35pm.

This is a true and accurate account of the proceedings.



The Chairman


The Secretary