

**CONFIDENTIAL**



**Water Authority of the Cayman Islands**

**Minutes of 228<sup>th</sup> Meeting held on 06<sup>th</sup> of June 2012**

**Members Present:**

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

**Call to Order**

The Chairman welcomed members and called the meeting to order at 1:36pm after ascertaining that there was a quorum and acknowledging apologies from Mrs I Simms, and the absence of Mr C McLaughlin. The Chairman then opened the meeting with prayer.

**Minutes of the 227<sup>th</sup> Meeting held on 09<sup>th</sup> of May 2012**

The Chairman asked for confirmation of the Minutes of the 227<sup>th</sup> Meeting held on 09<sup>th</sup> May 2012.

Ms R Sharma noted the following corrections:

Page 5, 4<sup>th</sup> paragraph last line should read "...favourable to the Authority, especially from a ....."

Page 5, item (d), 2<sup>nd</sup> line, should read "...were being made to temporarily ...."

Page 7, 2<sup>nd</sup> to last paragraph should read "...Conyers Dill & Pearman (CD&P) wrote the ...."

Mr J Banks moved the motion to accept the Minutes as amended, Ms A Owens seconded the motion and the motion passed unanimously.


**Declaration of Conflicts of Interest**

None were declared.

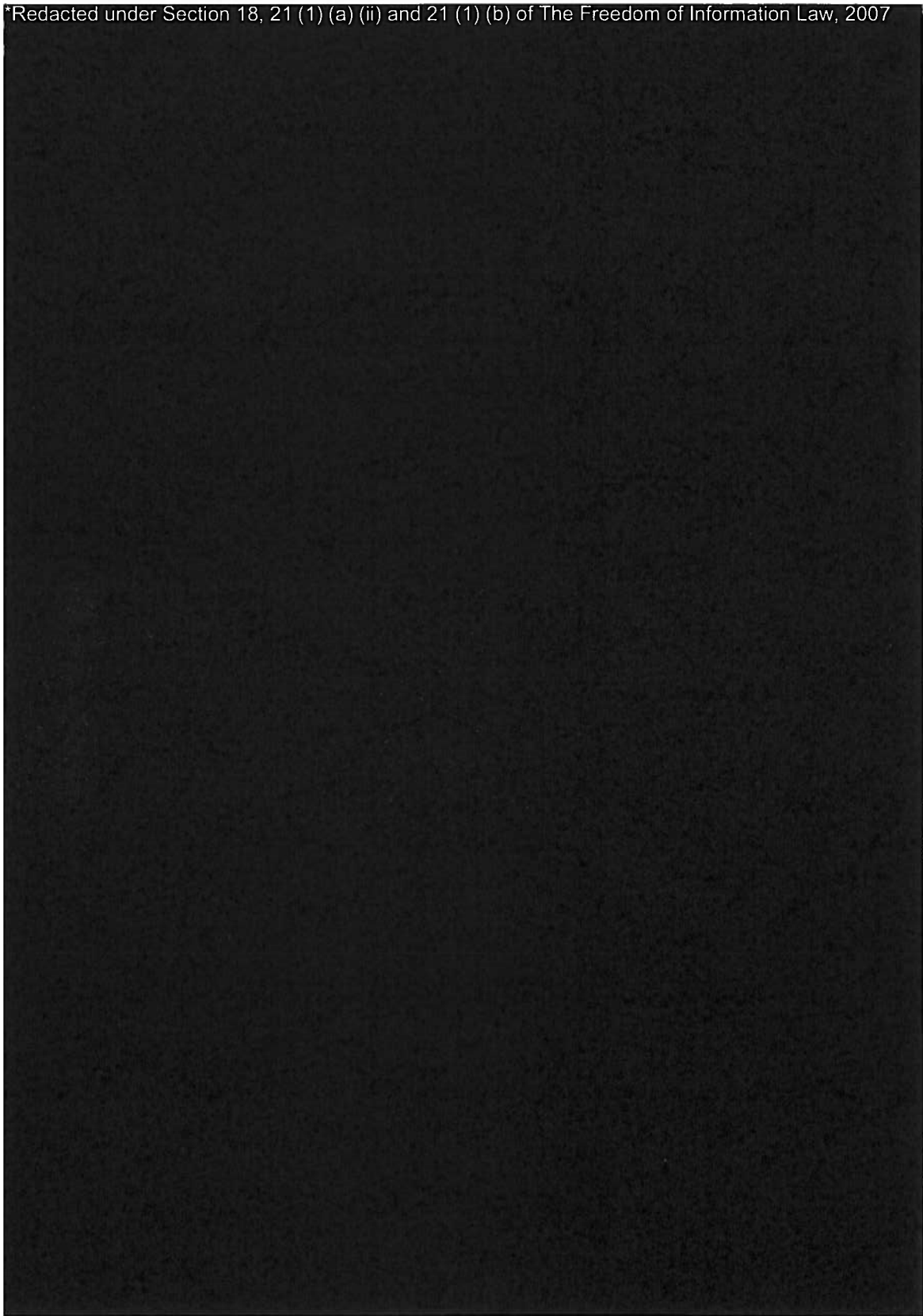
**Matters Arising**

a)


\*Redacted under Section 18, 21 (1) (a) (ii) and 21 (1) (b) of The Freedom of Information Law, 2007



Redacted under Section 18, 21 (1) (a) (ii) and 21 (1) (b) of The Freedom of Information Law, 2007



\*Redacted under Section 18, 21 (1) (a) (ii) and 21 (1) (b) of The Freedom of Information Law, 2007



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

The Chairman reported that KPMG provided draft financial statements in early 2012 for the water and statutory divisions of the Water Authority. Management reviewed these statements and provided feedback to KPMG. These statements provide the foundation for the Strategic Options Analysis project. The Chairman advised that to get these statements formally released by KPMG the following documentation needed to be reviewed and approved by the Board:

- 1) Amended Engagement Letter.
- 2) Management Representation Letter – Water Division.
- 3) Management Representation Letter – Statutory.
- 4) Audited Financial Statements – Water Division.
- 5) Audited Financial Statements – Statutory Division.
- 6) Re-confirmation that Minutes from the period 01 July 2009 through to 28 March 2012 contain a true and correct record of business and are a record of all meetings held during that period. KPMG required this as part of their due diligence process.

The Chairman advised that the Secretary had the documents available for review by members and copies would be provided as requested. The Chairman noted that upon the Board's agreement of the above, the Chairman and Secretary would require authorisation from the Board to sign the documents. Members briefly discussed the matter and gave authorisation for the Chairman and Secretary to sign all of the above documents.

The Chairman reported that the Authority met with KPMG regarding the Strategic Options Analysis on 10 May 2012 and provided the requested information on 17 May 2012. The initial draft copy of the SOA was provided to the Authority and reviewed together with KPMG, this review/discussion resulted in modifications being made in both assumptions and presentation.

Work continues on the document and the first formal draft is expected by end of June /early July. With other pending projects and scheduled senior management leave it is reasonable that the Board may see the first draft of the document in September 2012. Members acknowledged that the timeline for the PPWULP will have to subsequently be revised.

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

The Chairman reported that 5 of the 8 pumping stations are now operational. During the week of 28 May 2012 the Authority discovered that again one of the CUC accounts had not been paid and service was terminated. This caused a delay in connecting the 5<sup>th</sup> pumping station. It is disheartening that the Strata allowed this bill to lapse whilst the Authority is still in the process of rehabilitating the systems. The remaining replacement parts are expected to be shipped from Miami by 08 June 2012.

The blowers have been cleaned and repaired, some are operational, but some tend to seize up due to accumulation of dirt around the vanes. Replacement pumping stations also have to be installed; this will require coordination to ensure separation from pre-tanks. Based on the current situation it appears this project will probably be completed by the end of June 2012.

**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 was complete and the tank placed in service. The next Customer Newsletter will have a write up about the new reservoir. There are some minor issues with the external surface of tank that will be rectified by Florida Aquastore, this will not impact the operation of the reservoir.

**e) Cayman Water Company (CWC) Negotiations Update.**

The Chairman reported that on 11 May 2012 the Authority met with the Authority's lawyer from Mourant and Mrs Suzanne Bothwell, acting Deputy Solicitor General, to discuss the way forward with the licence negotiations with Cayman Water Company. It was agreed that the Water Production and Supply Law (2011) clearly defines the Authority as the entity that issues the licence to CWC, whereas Government grants concessions under the WPSL, as such negotiations are with the Authority and not with CI Government. The Honourable Minister responded on 29 May 2012 to the outstanding communication from CWC, clearly stating that Government's position is that the Authority is the principal negotiator and that all communication from CWC on the licence negotiations should be with the Authority. Mourant replied on 30 May 2012 to CWC in respect of the various legal matters that CWC continues to bring up. In essence the legal issues were discussed at the meeting in July 2011 between the legal teams of CWC and the Authority and as far as the Authority is

concerned the conclusions of that meeting were clear. Copies of the two letters referred to above were provided to members.

The Chairman reported that is now established that the Authority leads the negotiations and the Honourable Minister fully supports this role of the Authority. In order to move forward, the Ministry will provide the Authority with the expectations that Government has regarding the issues that the Authority has to address in the negotiations.

f) **Miscellaneous Updates.**

a) ***In-House Pipelaying Crews*** - The Chairman reported that one of the in-house pipelaying crews work continued work on the pipeline upgrade in Mangrove Avenue between Grape Avenue and Orange Avenue. By 06 June 2012 approximately 2,000 feet of 8-inch pipeline had been installed (of a total of approximately 3,800 feet). The pipeline section between Shamrock Road and Grape Avenue was commissioned and all properties connected to the new pipeline. The crew completed the temporary connections on Almond Ave and pipelaying commenced on 05 June 2012.


The missing sprocket and the sprocket wear plate for the new cutting chain for one of the trenchers arrived and the trencher should be ready for the crew by 13 June 2012. The installation of a 3-inch pipeline off South Sound (for Mr Marco Miranda), will be carried out as soon as the trencher is repaired. Additionally a new sub-division off the Queen's Highway will have to be connected.

b) ***Water Supply Division*** - The Chairman reported that the pipeline replacement in Glen Eden Road, off South Church Street has been completed (tested, disinfected and commissioned) and it is expected that all customers will be connected to the new pipeline by 22 June 2012.

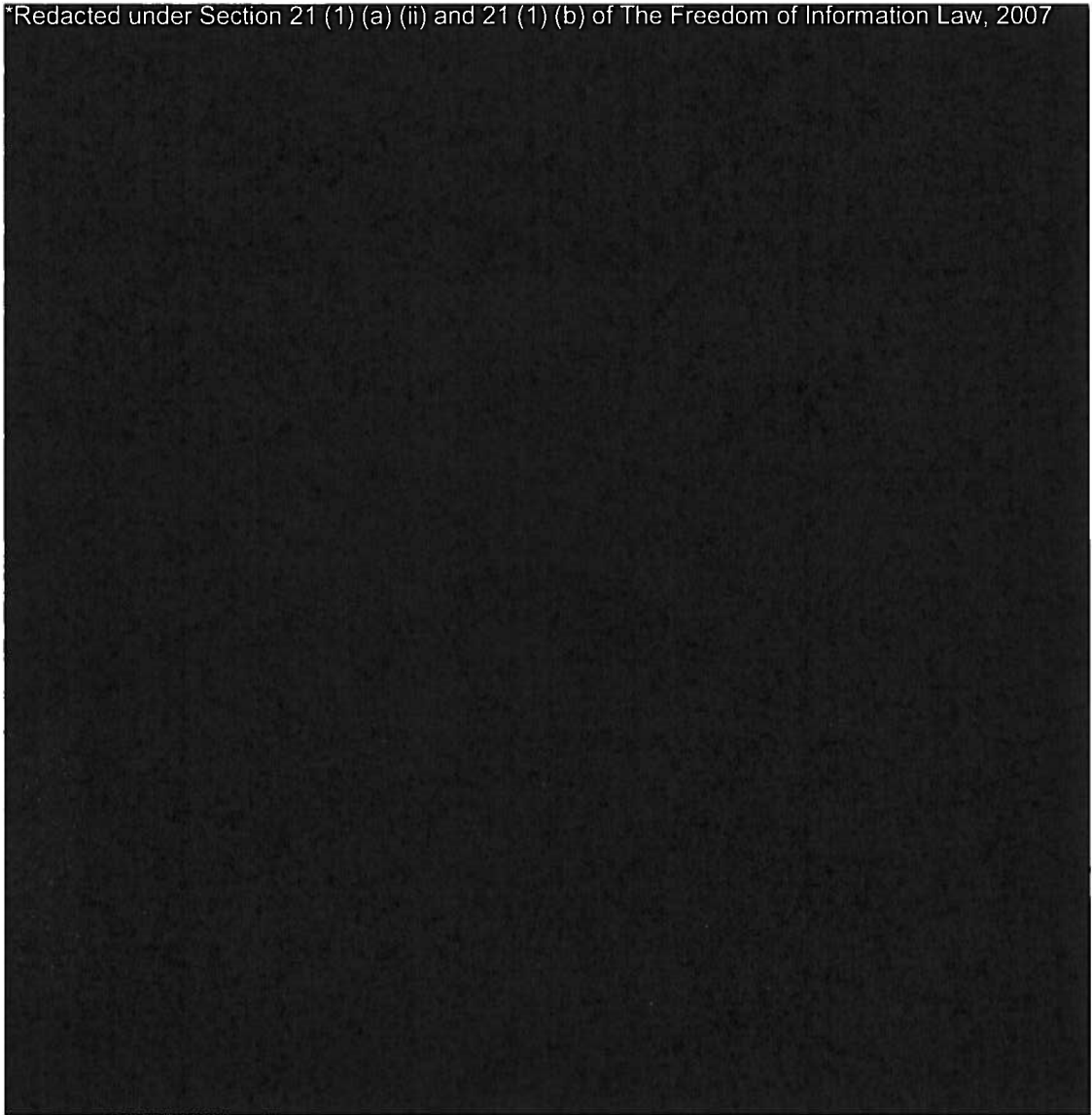
The next major replacement and upgrade of water mains is slated in Shedden Road from Dr Roy's Drive to the waterfront. The moratorium is expected to be lifted in July 2012. The Water Authority never received a response to its memorandum to the Chief Officer of the Ministry earlier this year requesting consideration to lift the moratorium.

c) ***Wastewater Division*** - The Chairman reports that further to the Board's

\*Redacted under Section 21 (1) (a) (ii) and 21 (1) (b) of The Freedom of Information Law, 2007



\*Redacted under Section 21 (1) (a) (ii) and 21 (1) (b) of The Freedom of Information Law, 2007



*Operational issues*

There have been a series of technical/mechanical and electrical issues with pumping stations (PS) on the wastewater collection system. Electrical issues continue to be a concern at PS1 and consideration should be given to replacing the control panel. This is expected to cost in excess of \$50k. Firm estimates will be prepared. It is unfortunate the divestment process has been protracted as the system needs intensive maintenance. The Authority will have little choice but to spend significant sums to ensure the collection and treatment system is in reasonable working condition in the coming fiscal year even as the Authority awaits the sale of the assets.

The newer of the Vac-Con trucks was rusting very badly and the collection team has spent several days removing the rust and repainting it. The large (older) Vac-Con truck is out of service, the conclusion to the issues being experienced is that the on-board computer is defective and needs to be replaced, approximate cost \$5,700. This will need to be done as the equipment

is critical especially during the hurricane season. Members noted the situation with the wastewater system and what needed to be done.

- d) *Red Gate Administration Building-AC Replacement* - The Chairman reported that the shutdown of the existing system and the installation of the new a/c system for the Administration Building over the long weekend in May (Discovery Day) went smoothly. The UV disinfection lights will be installed shortly, equipment has been ordered and expected to be shipped shortly.
- e) *Red Gate Administration Building- Security & Hurricane* - The Chairman reported that the security cameras for the Administration Building are under review in light of the recent spate of robberies. Island Electronics will be installing a demo digital IP camera.

The Authority's Operations department completed the usual Hurricane exercise on 01 June 2012 with no issues reported. On 08 June 2012 the Authority will provide a Hurricane Breakfast for staff with various reminders regarding personal preparation as well as the usual hurricane supplies gift certificate from Priced Right.

- f) *Cogsdale Billing System* - The Chairman reported that the month-end bill run as far as Cogsdale is concerned went fairly well. All the bills were printed and ebill notifications were sent out. There was a complaint from a customer who received 4 ebill notifications all for the same account. The Information Systems (IS) Department is addressing this. The remaining issue with the bill run appears to be with the hardware. The Authority's staff is working with Xerox to address the printing issues which may mean exchanging the current printers.


The largest challenge to date for the Finance Department has been the file imports from the banks, the Authority encourages customers to pay online and also through the web site, however the file format that is available from banks requires considerable manual manipulation in order to get it into a format that can be downloaded into the system. Given the intricate nature of this manipulation it has to be done by senior members of staff. Therefore a task previously done by the front line cashiers is now being done in the back office. Management is working with the banks to get the account numbers and amounts in separate fields which will facilitate efficient and error free imports. This will be a great feature once it is all set up.

The second largest challenge is the time for each customer transaction. The time that it takes for the cashiers to search a customer and apply a payment is longer than on the previous system, partially due to the amount of required information. For example, payments have to be applied to specific balances, in the previous system the amounts were entered and was applied automatically to the oldest outstanding balances. This is how the new system is set up and there is no resolution being actively sought, the new system provides considerable more information and hence that information has to be



inputted. It is expected that the speed of the cashiers will improve once they are more comfortable and experienced in the system.

- g) **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 meetings on the review and update of the codes that Planning Department uses, in early May 2012 the Authority wrote a memorandum to the Director of Planning suggesting that clear lines of jurisdiction over wastewater treatment and disposal be defined in the codes and that the Authority, as intended under the Water Authority Law, is the code official for wastewater collection, treatment and disposal. This approach would address the current ambiguous approach where this responsibility is shared between Planning and the Authority. On 30 May 2012 the Director of Planning responded that given the tight timeline, the Planning Department will adopt the 2009 International Residential Code and the 2009 International Plumbing Code. Planning does not intend to adopt the 2009 International Private Sewage Disposal Code at this stage and decided to defer discussion on the jurisdiction issue until the majority of the codes have been adopted. Planning has not provided a timeline for further review of the jurisdiction issue.

- h) \*Redacted under Section 19 (1) (a) and 21 (1) (b) of The Freedom of Information Law, 2007
- 

- i) **FOI updates** - The Chairman reported that two new requests were received as of 05 June 2012 as shown in the Freedom of Information report provided to members.

- j) *Governance Survey - Office of the Auditor General (OAG)* - The Chairman reported that the Authority completed the Governance Survey and submitted to the OAG on 28 May 2012.
- k) *Annual Report 2010/2011* - The Chairman reported that the Water Authority sent 57 copies of the approved annual reports to the Ministry on 23 March 2012. To date, the documents have not been tabled in the Legislative Assembly. The Ministry representative advised the Board that the reports should go to the Legislative Assembly in two weeks.
- l) *Management Accounts* - The Chairman reported that the Financial Controller expressed apologies that current management accounts were not yet available. The Finance Team experienced a steep learning curve and some hiccups with the implementation of the new billing software in early April and also the upgraded accounting program and has hence fallen behind with respect to preparation of the monthly financial accounts. A temporary employee will be hired for a period of approximately 3 months to alleviate some of the workload in the back office. This will allow all members of the team to ensure that the audit working papers are up to date for the 31 August 2012 deadline.
- m) *Fuel Card Audit Report* - The Chairman reported that the OAG issued a follow-up report to the one done in 2010. The Water Authority had no issue with the report. The Secretary offered to provide copies for members if they wish although it is available online.

### Current Business

a) **30 June 2012 Audit.**

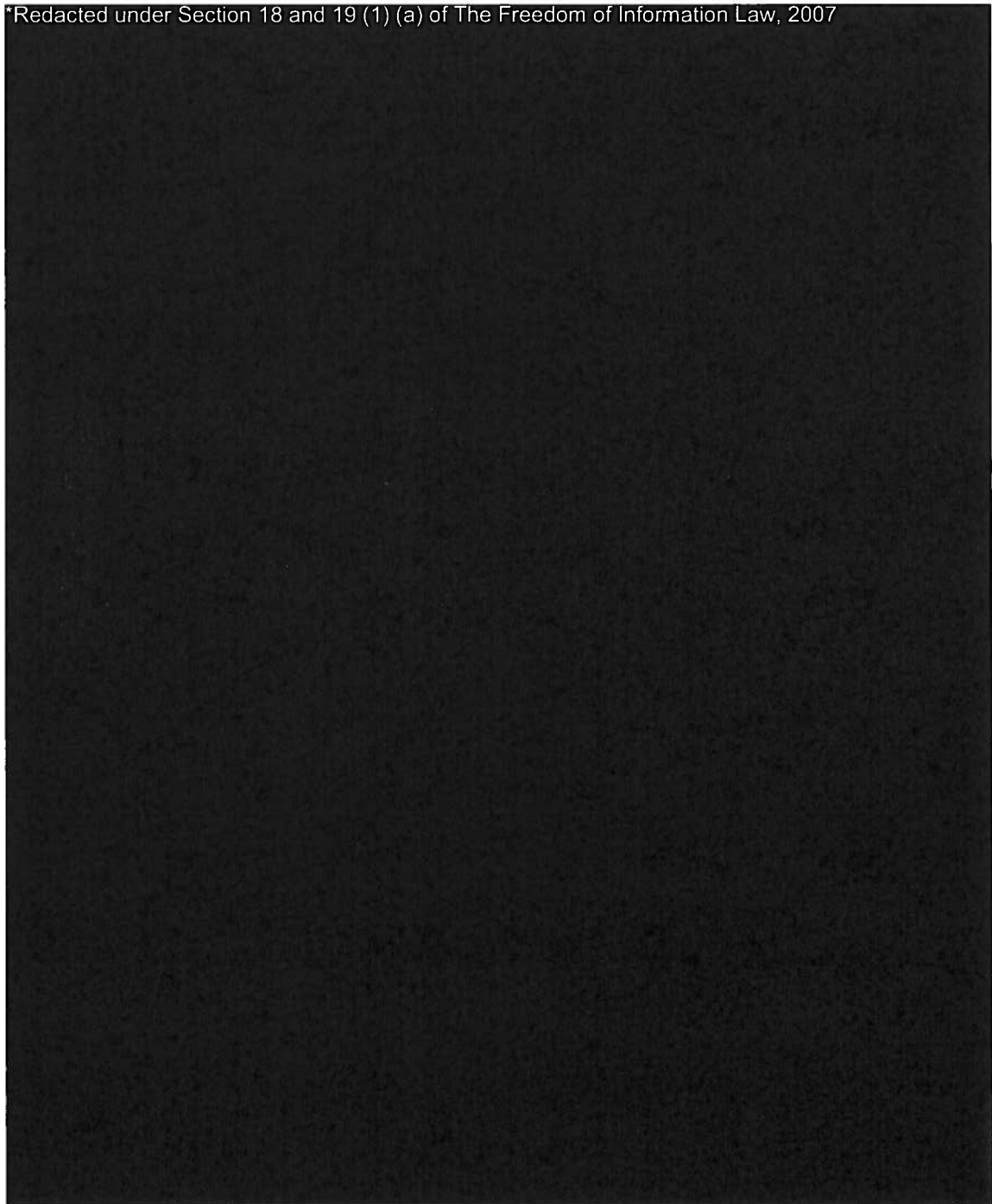
The Chairman reported that the Authority received the letter of engagement from the OAG dated 23 May 2012. Management has since been in contact with the OAG with regards to suggesting KPMG to do the annual year end audit, with the AOG signing off on the final statements (as required under the PMFL). This scenario (KPMG doing the consolidated and special purpose audits) will alleviate the "double audit" that the Authority faces this year with the OAG and KPMG coming in and auditing the same information, simply so that KPMG could prepare the audited special purpose statements. The Authority's management advised that it is important to maintain the audited special purposes statements with the intention of using them as a foundation for any required documentation/Vendor Due Diligences to be used in conjunction with the PPWULP. If the Authority maintains these statements then it would be most efficient and cost effective to develop a relationship with KPMG to conduct this work. It is also an added bonus to have the "seal of approval" from one of the big accounting firms, as the PPWULP is very likely to gain international exposure. Members discussed management's suggestion regarding the audit and gave

approval for the Authority to seek the permission of the OAG and from CTC to go to KPMG as a single source provider.

The Chairman reminded members that consistent with prior year, the Authority will request notice of interests from all Board Members as part of the 30 June 2012 audit. The information requested is expected to be the same as last year.

b)

\*Redacted under Section 18 and 19 (1) (a) of The Freedom of Information Law, 2007



**Donation Requests**

The Chairman advised that the amount available for donations is Zero therefore all applications for sponsorship/ assistance have been advised that the donation funds have been utilised for fiscal period 2011/2012.

**a) Ratification of donation for Cayman Brac’s Queen’s Jubilee Celebrations.**

Members ratified the Honourable Minister’s (DAWLA) request to donate 6 gift certificates for 1000gal each of trucked water in Cayman Brac for prizes at the Cayman Brac Queen’s Jubilee Celebrations, District Commissioner’s Office Cayman Brac. The motion was moved by Mr T Hydes, seconded by Ms R Sharma and passed by majority vote.

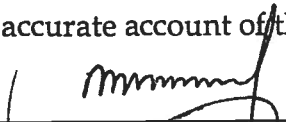
**Any Other Business**


**a. Director’s Leave.**

The Secretary advised that she would be on annual leave during the period 22 June 2012 through to 13 July 2012. She noted that she would also be on leave during the period 30 July 2012 through to 03 August 2012. The Secretary advised that the Financial Controller would be on leave 23 July 2012 through to 20 August 2012.

There being no other business the Chairman thanked members for their cooperation and adjourned the meeting at 2:36pm.

This is a true and accurate account of the proceedings.

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

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