

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 232nd Meeting held on 21st of November 2012

Members Present:

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

Call to Order

The Chairman welcomed members and called the meeting to order at 1:40pm after ascertaining that there was a quorum and acknowledging apologies from Ms A Owens, Mrs I Simms, Mr O Watler and the absence of Mr C McLaughlin. The Chairman then opened the meeting with prayer. The Secretary advised members that the Chairman had recently been awarded an Honourary Doctorate from UCCI in recognition of his public and community service. Members congratulated the Chairman on this very significant achievement. The Chairman thanked members for their kind words.

The Chairman inquired of the Secretary whether there were any significant milestones for the Authority in the near future. The Secretary confirmed that the Authority would be into the 30th year of its existence in 2013/2014. The Chairman noted that this is something the Authority should recognise and the Secretary confirmed that the 2013/2014 budget would include plans to celebrate this milestone.

Minutes of the 231st Meeting held on 17th of October 2012

The Chairman asked for confirmation of the Minutes of the 231st Meeting held on 17th October 2012.

Mr W Scott noted the following corrections:

Page 5, 4th paragraph 7th line should read "...however it would be more transparent....."

Mr W Scott moved the motion to accept the Minutes, Mr M Smith seconded the motion and the motion passed unanimously.

Declaration of Conflicts of Interest

Mrs P McGaw-Lumsden declared conflict of interest with item (k) under the Donations Requests section of the agenda.

Matters Arising

a) Lower Valley Reverse Osmosis Plant - Update.

The Chairman reminded members that on 31 October 2012 Ocean Conversion Cayman Ltd (OCL) was advised of the decision by the Water Authority to take on the management and operation of the LVRO Plant upon expiration of the contract with OCL.

A meeting will be held with OCL on 29 November 2012 to further discuss the details of the handing-over process in order to have a smooth transition with the plant operation. Unfortunately due to various other commitments by OCL and the Thanksgiving holidays this meeting could not be arranged earlier.

b) 30 June 2012 Audit.

The Chairman reported that the Authority completed the 30 June 2012 consolidated financial statements on 31 October 2012 and therefore met the deadlines as outlined in the Public Management & Finance Law (PMFL). As agreed at the last Board meeting (17 October 2012) the Chairman, Director and Financial Controller signed off on the statements as there were no material changes to their content. Signed original copies were received by the

Authority on 16 November 2012. The Chairman and Ms R Sharma requested copies of the signed statements which the Secretary promised to provide.

The Chairman reported that KPMG had provided the Authority with feedback on the audit in the form of the Management Letter. A copy of the Management Letter was provided to members. Management drafted responses to the raised queries and respectfully requested the Board's approval of the responses prior to sending these back to KPMG. Once this document is returned to KPMG they will issue the final report. Members noted that there were no major issues with the Management Letter and that the Management responses were appropriate. Members unanimously approved the Management Letter.

The Chairman reported that the divisional financial statements were nearly complete. The Authority's intention in maintaining these statements is to provide timely and comprehensive information on the three unique divisions of the Authority. This information has traditionally not been provided and therefore some assumptions have had to be made by Management (i.e. allocation percentages, etc.). The Authority's Management is of the opinion that each year these statements are produced, more accurate and relevant information is reflected. For example, the allocation of expenses and appropriate coding is better as time goes on, and staff members become more familiar and diligent in allocations. The divisional accounts should be ready to be presented to the Board via round robin within the next two weeks. The Chairman reported that the Strategic Option Analysis engagement with KPMG will resume upon completion of the divisional financial statements and the revised budget for 2012/2013 as well as the 2013/2014 budget both of which are required to be done in January 2013.

Annual Report 2010/2011

The Chairman reported that the 2010/2011 annual report was sent to the Ministry on 09 December 2011. The Authority received signed copies back from the Ministry on 13 January 2012. The Authority made 57 copies and sent them to the Ministry for Cabinet approval and presentation in the Legislative Assembly. The Secretary again followed up with the Ministry on 08 November 2012, they indicated that they would advise the Authority of the status of the report shortly.

Annual Report 2011/2012

The Chairman reported that the 2011/2012 annual report is currently being drafted and should be available by end November/early December 2012.

c) Rates Adjustment Request - Update.

The Chairman reported that the required amendment to the Water Authority Regulations was published on 31 October 2012 and the Authority released a

press release and informational advertisement in the local media. There were some comments in the press but to date there has not been a major outcry. It is possible that people will react more after they receive their November bills. The Chairman reported that a letter will be sent to all customers along with the November bill as the Authority prefers to ensure it is upfront and in good communication with customers about the changes.

The Chairman noted that as soon as possible after the completion of the audited divisional financial statements and completion of the 2012/2013 budget revision, 2011/2012 annual report, and 2013/2014 budget, the Authority's management will work on preparing the details to utilise the RCAM method for rate adjustment. The Authority will endeavour to ensure the RCAM method is in place before May 2013.

d) Miscellaneous Updates.

a) In-House Pipelaying Crews - The Chairman reported that one of the pipelaying crews completed the pipeline installation off Scarf Lane (Northward), which was required to connect a new sub-division. This crew also carried out some work around the water storage reservoirs at Red Gate Water Works (installation of weed block material and top soil) to prevent weed growth and to better accommodate grass cutting immediately adjacent to these reservoirs.

The other pipelaying crew completed the installation of an 8-inch pipeline in Lake Destiny Drive to extend piped water service to the proposed National Housing Development Trust sub-division just east of Belford Estates. In total 942 feet of pipeline was installed.

Now that the delayed shipment of 12-inch pipe has arrived, work will resume on the pipeline upgrade (from 6-inch to 12-inch) in South Sound, between Crewe Road and Old Crewe Road. This remaining work (west of the Sunrise Phase 1 entrance) comprises approximately 700 feet of pipe. This should be completed by mid-December 2012.

b) Water Supply Division - The Chairman reported that on 31 October 2012 Operations commenced the replacement of approximately 700 feet of 4-inch pipeline in Ella Ray Gardens Road (off Crewe Road). This work was deemed necessary due to the age of the water main resulting in numerous breaks. This work was completed on 19 November 2012, one week ahead of schedule. It is anticipated that all customers will be connected to the new pipeline within one week.

c) Wastewater Division - The Chairman reported that the Engineering Services Department (ESD) had finalised the inspection report sheets and the logistics of the actual manhole investigations (i.e., staff requirements, traffic management, etc.). During the week of 21 November 2012 the ESD, together with the Operations Department-Wastewater Division will start

the detailed and systematic investigation of the condition of all manholes within the wastewater collection system.

During the month of October 2012 the amount of rainfall was minimal, but the design hydraulic capacity of the plant (2.5 mgd) was still exceeded nearly 33% of the time (10 days out of 31 days).

- d) *Cogsdale Billing System* - The Chairman reported that the Cogsdale Pre-Conference and Conference was held 05-06 and 07-09 November 2012. The Authority sponsored several staff members to attend as it was great opportunity for staff to meet Cogsdale developers and support staff, network with other users of the system as well as the opportunity for training.

The first 2 days (Pre-conference) were packed with training on different processes such as best practices for collections, billing, service orders, reporting. The Cogsdale Conference highlighted the roll out of Dynamics 2013, new features of Cogsdale such as communication module, rebilling features, customer web interface and case escalation/resolution.

The Chairman noted that besides the great opportunity to meet Cogsdale staff (put a face to the name) and build relationships etc., the Conference also provided the opportunity for Authority staff to network and liaise with users on issues. It was very gratifying to hear that the Authority is currently the only organisation using the wireless service order system which was the envy of many while we envied the AMR set-up of others. Other users were also impressed by the volume of service orders our meter readers do per day.

As the Authority works on the 2012/2013 utility/financial data without the restrictive time constraints of the audited financial statements the Finance team is able to look at the unique accounts and gain a better understanding of the extraction of data. It also appears that the "fixes" run by Cogsdale in July/August have taken effect and appear to be working so the Authority is able to put through the majority of the entries without having to inspect each individual one, which is a huge time savings. With the receipt of the audited signed off financial statements we are able to close these two years (2010/2011 and 2011/2012) and utilise "opening numbers".

- e) *Staffing Issues* - The Chairman reported that Mr Carlos Vargas, Electrical Engineer with the Water Authority has tendered his resignation after 5 years of service as he has accepted a position with Caribbean Utilities Company (CUC). The Authority is very sorry to lose Mr Vargas as he has developed into a valuable member of the Engineering Services team. The Authority sponsored Mr Vargas to complete his Bachelor's degree and to attain his Engineer-in-Training (EIT) qualification. The vacuum left by Mr Vargas will need to be filled as the Authority requires significant electrical and programming skills for several sophisticated areas of operations such as the wastewater treatment plant.

- f) *For Cayman Investment Alliance - George Town Landfill Closure and new Waste Management Facility in Bodden Town* - The Chairman reported that since the last Board meeting in October 2012 the following had taken place:
- The Environmental Advisory Board (EAB) and DRCL agreed on the draft Terms of Reference (TOR) for the Environmental Impact Assessment (EIA) for the proposed Waste Management Facility in Bodden Town. The draft TOR is available for public consultation at DOE's website: www.doe.ky. The closure date for submitting comments is 29 November 2012. Public Meetings/Open House sessions to review, discuss and comment on the draft TOR were held on 20 November 2012 in Bodden Town and on 21 November 2012 in George Town. The Water Authority, as member of the EAB, was present at both meetings.
 - DRCL continued the hydrogeological fieldwork for the EIA at the proposed site. The hydrogeological investigation had been reviewed and agreed to by the Water Authority.
 - The Authority is not sure whether the contract for Government's independent third party review of the landfill proposals has been formally awarded yet.
- g) *Sterlin Estates (14E520) Failing Onsite Wastewater Treatment System* - The Chairman reported that Sterlin Estates proposed to replace their failed wastewater treatment system with a Cromaglass wastewater treatment plant. The manufacturer provided information to guarantee that the new system will operate properly under the conditions specific for the Cayman Islands and the Authority accepted the proposal for replacement.
- h) *FOI updates* - No new requests were received since the Freedom of Information report provided to members at the September 2012 meeting.
- i) *Incorporation of Water Authority requirements for wastewater treatment and disposal in Planning Permission* - As reported at the last Board meeting the Director and senior staff of the Authority met on 23 October 2012 with the Director of Planning to discuss the incorporation of Water Authority requirements for water and wastewater in Planning Permissions. The Planning Director explained that Planning/CPA no longer communicates these requirements in the CPA approval letter; however compliance with these conditions is required to obtain a Building Permit. Now that this new approach is clear, the Water Authority can and will work with it. The Planning Director agreed that developers are obliged to comply with the Water Authority's requirements for water and wastewater for new developments, change of use and after-the-fact applications.
- In respect of excavations, there are inconsistencies between CPA approvals and the technical conditions communicated by the Authority at Planning stage. The Authority determines its specific technical conditions for

excavations on its obligation to protect groundwater. These conditions are communicated at Planning stage, so that the developer and the CPA are aware of specific technical conditions that the Authority will incorporate in its quarry or canal permit. However some recent CPA decisions have not taken account of the Water Authority's technical conditions communicated at Planning stage. As a result the CPA approved deeper quarry excavations in areas where this was not supported by the Authority. This issue was discussed with the Director of Planning, who explained that the CPA grants approval if the development is compatible with zoning and land use requirements but that incorporating specific requirements from other agencies (e.g. a maximum depth of excavation that is different from what the CPA sees fit) would create an '*appealable decision*'. The CPA based its approach on legal representation from developers that they should not be in the business of dealing with conditions imposed by other agencies. The CPA is therefore reluctant to incorporate technical requirements for excavations from the Water Authority in the Planning Permission. The Authority has asked Planning to provide further background on this issue so that the Authority can follow up to resolve which agencies have the final say on this matters and that both agencies do not take contradictory decisions for proposed excavations.

- j) ***National Roads Authority (NRA) Issues*** - The Chairman reports that following the Authority's letter to the Acting Managing Director of the NRA dated 12 September 2012 regarding various issues related to work in and reinstatement of public roads, a meeting was finally held on 24 October 2012.

The following was agreed:

- The NRA will not charge the \$175.00 fee per application (for road crossings etc.) until the appropriate NRA regulations are in place.
- The NRA will respond within 2 working days after the Authorisation Form has been submitted by the Water Authority, to ensure the work can be properly scheduled and is not delayed.
- The NRA (or its subcontractor) will continue to notify the Water Authority before stormwater wells are drilled, to ensure that their proposed work does not interfere with the Water Authority's underground works.
- The Water Authority is allowed to carry out temporary reinstatement of public roads using either spray and chip or cold mix asphalt. The NRA will notify the Water Authority whenever any temporary reinstatement is failing before final reinstatement is applied and the Water Authority will remedy those areas in a timely manner.
- The Water Authority is only allowed to carry out final reinstatement of water service crossings in public roads with spray and chip surfaces. All other final reinstatement is to be carried out by the private paving companies.

- The NRA will allow the Water Authority to carry out hot mix asphalt reinstatement of small areas (up to 25 square feet), which are most likely the result of leak repairs.
- The Water Authority is allowed to solicit cost estimates from and enter into contracts with the private paving companies for the reinstatement of trenches in public roads, all work to be carried out in accordance with the NRA specification. Prior to soliciting these cost estimates the Water Authority will meet with NRA on site to verify the extent of the required reinstatement. The Water Authority will reimburse the NRA for a site supervisor to ensure that the reinstatement is installed in accordance with the NRA specification.

The Chairman noted that it is expected that based on the NRA and the Water Authority coordinating as agreed the Authority will save on having to pay the significant on-costs assessed by the NRA in the past (20% on outsourced work).

- k) **Draft National Energy Policy** - The Chairman reported that about a year ago the Water Authority played an active role in the Electricity, Renewable Energy, Water and Wastewater Subcommittee (EREWW) of the National Energy Policy Committee (NEPC). Board members may recall that the subcommittee's report was endorsed by the Board. In October 2012 the draft report for the development of a National Energy Policy was provided to the NEPC. This report is based on the 4 subcommittees of the NEPC. The Authority, as member of the EREWW Subcommittee, takes an active role in the review of the draft report.

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

The Chairman reported that on 23 October 2012, the Authority's lawyers Mourant were served with an Order that CWC had been granted leave to apply for judicial review. This Order included Mr Frederick McTaggart's affidavit with exhibits (which up to that point the Authority had not been provided with).

The Chairman reported that the next step is for an *inter partes* directions hearing, for which the Government, the Water Authority and their respective lawyers are now preparing. The rules state that if respondents wish to rely on an affidavit, this should be filed as within 56 days after service of the motion.

The Deputy Director, as the Chairman of the Government negotiation team, has prepared and forwarded the first draft of his affidavit to the Water Authority lawyers, Mourant. Over the next few weeks Mourant will assist in the drafting of the final affidavit, which will set out the Deputy Director's position and qualifications, and the role and duties at the Authority. The affidavit will set out the history of the negotiations and will explain in an approachable way what RCAM is and how it best serves both the interests of

consumers and CWC. The affidavit will also reflect the WA's role as a dispassionate regulator seeking only to comply with its statutory obligations.

The Authority's response will be co-ordinated with that of the Government, as they are the First Respondent. A meeting has been arranged by the Ministry for 22 November 2012 to discuss this matter.

Current Business

a) **Management Accounts September 2012.**

The Chairman reported that the Finance Department had prepared the summary financial statements for the period ending 30 September 2012. Copies were provided to members. The statements were considered draft as the Financial Controller had a few minor reviews to carry out. Only comparisons to prior year actual were presented as the Authority still has to update the 2012/2013 budget with the updated budget figures presented to BMU in August 2012. Until the updated 2012/2013 budget is completed it would not be reasonable to show comparisons with the old budget figures.

The Chairman reported that based on estimates for the first three months of the 2012/2013 financial period Operating Revenue had decreased slightly over last year comparatives, by approximately 1%. The stagnation of sales was within expectation when viewed in conjunction with the amount of water produced; however with the implementation of the new rate structure effective 01 November 2012 the Authority expects to see an increase in revenue, but not necessarily consumption. Rainy season is almost over and the Authority expects future monthly revenue to reflect this.

The Chairman noted that Operating Expenses were 2.9% above last year's figures. This increase is due primarily to the re-allocation of all employees from Construction in Progress (CIP) accounts to the income statement, EAF in water purchases and electricity costs as a result of the CUC recalculation. In prior years the Authority would track the new works crew in the CIP accounts, with the expectation that this crew would be working on new works and hence their salaries would be capitalised, however the Authority is doing minimal new extensions and a prudent decision was made to put the new works crews' compensation into the income statement. As new extensions are completed the actual labour cost will be transferred from the income statement and capitalised appropriately.

Administrative Expenses were 4.5% higher than last year. This increase was expected as the Authority paid Cogsdale invoices in the first quarter and the regular increase in the cost of doing business.

Overall earnings for the first 3-month period in 2012/2013 were estimated at \$550k which was lower than prior years by \$209k. 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.

The Chairman noted that the Financial Controller had expressed her sincere appreciation of all the hard work and dedication shown by the Finance team during the Cogsdale transition, it has been a long road to be able to present 2012/2013 financial data to management and the Board. While the information is not 100% current strives are being made to get all financial data up to date with the goal that 30 November 2012 financial statements will be ready for the December meeting.

Donation Requests

The Chairman advised that the remaining amount available for donations was \$20,000 for the fiscal period 2012/2013.

- a) **Ratification - Veteran's & Seaman's Society of Cayman Brac and Little Cayman.**
Members agreed to ratify the donation of 5 gift certificates for 1000 gallons of trucked water each to the Veteran's & Seaman's Society of Cayman Brac and Little Cayman for their recent fundraiser.
- b) **International Men's Day - Family Resource Centre.**
Members decided not to make a donation to the Family Resource Centre's celebration of International Men's Day as the event had already passed.
- c) **Business and Professional Women's Club of Cayman Brac - Annual Christmas Fundraiser.**
Members agreed to donate 5 gift certificates for 1000 gallons of trucked water each to the Business and Professional Women's Club of Cayman Brac for their Annual Christmas Fundraiser. The motion was moved by Mr J Banks, seconded by Mrs P McGaw-Lumsden and passed unanimously.
- d) **CI Cancer Society - On-going Financial Aid Programme.**
Members decided to donate 5 gift certificates for \$50 worth of piped water each to the CI Cancer Society - On-going Financial Aid Programme. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr J Banks and passed unanimously.
- e) **The Pines Retirement Home - Sponsor a Room.**
Members agreed to consider the request for sponsorship of a new room at the Pines Retirement Home in the amount of \$5,000 in January 2013 in the revised 2012/2013 Budget.
- f) **Lions Club of Grand Cayman - Monetary Donation for Christmas Annual Giving.**

Members decided to sponsor the Lions Club of Grand Cayman - Monetary Donation for Christmas Annual Giving in the amount of \$500. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr M Smith and passed unanimously.

g) Cayman Heart Fund & Cayman Music School - Christmas Fundraising Concert.

Members decided to sponsor the Cayman Heart Fund & Cayman Music School - Christmas Fundraising Concert in the amount of \$250. The motion was moved by Mr J Banks, seconded by Mr W Scott and passed unanimously.

h) CI National Dance Company - Assistance with Season of Dance 25th Anniversary 2013.

Mr T Hydes Joined the meeting at this point. Members decided to defer the request of the CI National Dance Company - Assistance with Season of Dance 25th Anniversary 2013 until February 2013.

i) Cayman Thanksgiving 2012 - Homecoming concert.

Members decided to sponsor the Cayman Thanksgiving 2012 - Homecoming concert in the amount of \$1,000. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr M Smith and passed unanimously.

j) East End United Church - Annual Christmas fundraising Bazaar.

Members decided to donate 5 gift certificates for \$50 worth of piped water each to the East End United Church - Annual Christmas fundraising Bazaar. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr J Banks and passed unanimously.

k) Presentation KySTAR.

Mrs P McGaw-Lumsden excused herself from the meeting at this point due to a conflict of interest. Ms Cydonnie Mothersill was welcomed to the meeting to discuss and present her plans for the 2nd Cayman Invitational in May 2013. She advised that her company was now seeking "non-profit" status through Cabinet. Members agreed to consider the request for support from Ms Cydonnie Mothersill's of KySTAR Cayman Invitational Event in May 2013 in the minimum amount of \$9,000 in January 2013 in the revised 2012/2013 Budget.

Mrs P McGaw-Lumsden returned to the meeting after the KySTAR matter was dealt with.

Any Other Business

a) Future of Cayman Forum.

The Secretary reported that the Authority had been asked by the Ministry to assist with sponsorship promotion of the Future of Cayman Forum and the Authority had been invited to participate on two of the panel discussion session relating to infrastructure.

b) Water Authority Christmas Social.

The Secretary invited members to come to the Authority's Annual Christmas Social for Staff on 07 December 2012 from 2:30pm. She advised that members would be contacted in the next two weeks with further details.

c) Director off island.

The Secretary advised that she would be off-island from 25 November 2013 to 30 November 2013 to attend to some family medical matters.

There being no other business the Chairman thanked members for their cooperation and adjourned the meeting at 3:06pm.

This is a true and accurate account of the proceedings.



The Chairman



The Secretary