

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 233rd Meeting held on 12th of December 2012

Members Present:

Chairman: Mr J L Hurlston

Members: Mr J Banks
Mr T Hydes
Ms A Owens
Ms R Sharma
Mr W Scott
Mr M Smith
Mr O Watler

Secretary: Dr G Frederick-van Genderen

Apologies: Mrs P McGaw-Lumsden
Mr C McLaughlin
Mrs I Simms

Call to Order

The Chairman welcomed members and called the meeting to order at 1:28pm after ascertaining that there was a quorum and acknowledging apologies from Mrs P McGaw-Lumsden, Mrs I Simms and the absence of Mr C McLaughlin. The Chairman then proceeded to open the meeting with prayer.

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

The Chairman asked for confirmation of the Minutes of the 232nd Meeting held on 21st November 2012. The following corrections to the Minutes were noted:

Page 4, 1st paragraph 2nd line should read "...in the press to date....."

Page 8, 6th paragraph last line should read "...this should be filed within 56 days....."

Mr J Banks moved the motion to accept the Minutes, Mr T Hydes seconded the motion and the motion passed unanimously.

Declaration of Conflicts of Interest

None were declared.

Matters Arising**a) Lower Valley Reverse Osmosis Plant (LVRO) - Update.**

The Chairman reported that a meeting was held on 29 November 2012 to further discuss the details of the handing-over process of the LVRO Plant upon expiration of the contract with OCL in order to have a smooth transition with the plant operation. Primarily practical issues were discussed (e.g., change-over of utility billing (CUC, telephone), availability of spares and chemicals, transfer of software licences).

The Chairman advised that the possibility of taking over some of the (now obsolete to OCL) staff (e.g., plant manager) was also discussed. The present plant manager expressed an interest in continuing to work at the Lower Valley plant. This is a rather urgent matter as the operating contract with OCL ends on 12 January 2013. The Authority has remained transparent with OCL and is in the process of drafting a job description, and as soon as this position is evaluated, an offer will be made to him.

b) 30 June 2012 Audit - Update.

The Chairman reported that the 30 June 2012 consolidated financial statements audit process was complete.

30 June 2012 Divisional Financial Statements for Water, Wastewater and Statutory

The Chairman reported that the divisional financial statements had been completed and copies provided to members. The Authority's intention to maintaining these statements is to provide timely and comprehensive information on the three unique divisions of the Authority. These statements are for internal use only and not intended to be in the public forum as the

divisions are not legal entities. The Divisional statements are subject to one more partner review at KPMG; however no material changes are expected to be recommended.

The Chairman advised that the Secretary respectfully requested the Board's approval of the draft divisional financial statements for the three unique divisions of the Authority and provided that there was no material changes, for permission for the Chairman, the Director and the Financial Controller to sign the statements and associated documentation upon their completion. Members agreed accordingly. Final copies of these statements will be made available to members once they have been officially issued.

The Chairman reported that the Strategic Option Analysis engagement with KPMG would resume upon completion of the revised Ownership Agreement (budget) for 2012/2013 as well as the 2013/2014 Ownership Agreement (budget) both of which are required to be done in January 2013. The Authority has commenced work on the 2012/2013 revised and 2013/14 document for presentation to the Board in early 2013. To date the Authority has not heard anything from the Budget Management Unit or the Ministry regarding the timing to submit this document so the Authority is going on last year's deadlines. The Authority will use 30 November 2012 figures for the revised budget. Ms A Owens confirmed that the submission would be on schedule based on the timetable proposed. The Ministry representative confirmed that based on his understanding and the Honourable Minister's announcement at the recent Authority's Staff Christmas Social, the sale or lease of the Water Authority operations was now off the table. Notwithstanding, the Chairman noted that the Authority awaited the formal policy statement from government on the divestment of the wastewater operations.

Annual Report 2010/2011

The Chairman reported that the 2010/2011 annual report was sent over 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 Authority awaits feedback from the Ministry on when the reports will be tabled.

Annual Report 2011/2012

The Chairman reported that the 2011/2012 annual report had been drafted by management and is before both KPMG and the OAG for their review. No material changes are expected from their reviews. The Chairman advised that the Secretary respectfully requested the Board's approval of the 2011/2012 annual report and provided that there were no material changes as a result of the pending reviews that the document be accepted and forwarded to the Ministry for their comments and signature. Members agreed accordingly.

d) Cayman Water Company (CWC) Negotiations Update.

The Chairman reminded members that on 23 October 2012, Mourant was served with an Order that CWC had been granted leave to apply for judicial review. As reported previously the Deputy Director, as the Chairman of the Government negotiation team, had prepared and forwarded the first draft of his affidavit to the Water Authority's lawyers, Mourant. The final affidavit must be completed with the assistance of the Authority's lawyers on or before 18 December 2012. 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 Water Authority's role as a dispassionate regulator seeking only to comply with its statutory obligations.

On 30 November 2012, the Ministry advised the Water Authority that on 29 November 2012 CWC had made a proposal directly to the Honourable Premier for an extension of the existing licence, and which also included suggestions to amend the Water Authority Law (2011 Revision) and Water (Production and Supply) Law, 2011. The Ministry asked the Authority to advise on the proposal. The Water Authority, assisted by its lawyers, Mourant, prepared a response which was sent to the Ministry on 11 December 2012. The relevant documentation was made available for members' review.

The Chairman advised that as members are aware the Authority has been negotiating with CWC on the renewal of their licence to produce and supply water to the exclusive franchise area consisting of West Bay Road and the district of West Bay since October 2008.

Since negotiations began the current licence was extended eight times:

- 1) 11 July 2010–10 October 2010
- 2) 11 October 2010–10 November 2010
- 3) 11 November 2010–04 January 2011
- 4) 05 January 2011–04 April 2011
- 5) 05 April 2011–04 July 2011
- 6) 05 July 2011–31 January 2012
- 7) 01 February 2012–30 June 2012
- 8) 01 July 2012–31 December 2012

The Chairman reminded members that the negotiations had not yet been completed. It would therefore be necessary to further extend the licence issued under The Water (Production & Supply) Law 2011 in order to allow the negotiations to be finalised.

The Chairman reported that on 05 December 2012 the Authority was advised verbally by the Deputy Chief Officer of the Ministry of District Administration, Works, Lands, & Agriculture that the Ministry is prepared to extend the current licence until 30 March 2013. It is important to deal with this without delay to ensure that there are no regulatory issues with CWC being in breach of The Water (Production and Supply) Law 2011. An extension would be required to ensure that CWC is operating within the stated law.

After the Water Authority Board has approved the extension, the documents for an interim extension of the current licence would be prepared.

The Board was respectfully asked to recommend to Government that Government grants CWC an amendment to their licence to process Seawater to Water for sale and to distribute and sell Water by means of pipes during the additional period through consideration of the following resolution:

Resolution

It is hereby resolved that the Water Authority recommends to Government that an Amendment to the Licence dated 11 July 1990 To Produce Potable Water From Seawater be granted to Cayman Water Company Limited (CWC) by the Government under the Water Production (Production and Supply) Law 2011 to allow for an extension until 31 March 2013. The Water Authority further authorises Mr John Lemuel Hurlston CVO MBE JP, Chairman and Mr Otto Watler, Board Member to sign the Amendment of the Licence on behalf of the Authority.

The above resolution was moved by Mr T Hydes, seconded by Ms A Owens and passed unanimously.

e) Miscellaneous Updates.

a) In-House Pipelaying Crews - The Chairman reported that one of the pipelaying crews, together with some additional staff from the other crew for traffic management, continued work on the pipeline upgrade (from 6-inch to 12-inch) in South Sound, between Crewe Road and Old Crewe Road. By the end of the week of 10 December 2012 this last section should be completed (installed, tested, disinfected and flushed). It is anticipated that all customers will be connected to the new pipeline before the Christmas break. The remaining staff of the other pipelaying crew carried out some much needed maintenance (cleaning, rust removal and repainting) on their equipment.

b) Water Supply Division - The Chairman reported that by 22 November 2012 Operations had reconnected all customers to the new pipeline in Ella Ray Gardens Road (off Crewe Road).

The Chairman reported that during the weekend of 15 December 2012 Operations will commence the installation of a 4-inch pipeline across

Eastern Avenue to the Watler's Road area. The existing 4-inch pipe, between the 6-inch pipeline in West Bay Road (just south of Merren's Plaza) and Watler's Road is partly under the sidewalk and also partly within the Community Park. Recent activities by WestStar and Logic have compromised this pipeline as detailed information on its actual location was unavailable (this pipeline was installed in the early 1990s prior to the availability of GPS equipment). A decision was made to abandon this pipeline section and feed the Watler's Road area directly from Eastern Avenue thus avoiding any conflict with other underground utilities. It is anticipated that all work will be completed before the Christmas break.

- c) ***Wastewater Division*** – The Chairman reported that the Operations - Wastewater Division continued to deal with electrical issues at the wastewater treatment plant (due to breakdown of the insulation of the electrical wires).

On 23 November 2012 the Engineering Services Department (ESD), together with the Operations Department-Wastewater Division, started the detailed and systematic investigation of the manholes within the wastewater collection system. Some set-backs were experienced (i.e., CCTV camera failed and has been sent to the manufacturer for repair), the emphasis has now shifted to the shallower manholes which can be inspected reasonably well from the surface. To date approximately 250 manholes (out of approximately 500 in the entire collection system) have been inspected, and it appears that in general the structural integrity of the manholes is reasonable, although it is apparent that rehabilitation is necessary.

During the month of November 2012 the amount of rainfall was minimal, and for the first time since April 2012 the design hydraulic capacity of the plant (2.5 mgd) was not exceeded in any day during the month. The average daily inflow was 2.1 mgd (or 84% of design capacity).

- d) ***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 November 2012 the following had taken place:

- Public meetings were held in Bodden Town and George Town on 20 and 21 November respectively to present the project to the public and to give the public an opportunity to provide input on the draft Terms of Reference (TOR) for the Environmental Impact Assessment (EIA) for the proposed Waste Management Facility in Bodden Town. The period for feedback closed on 29 November and several, fairly extensive comments were received. The EAB and Cardno Entrix, the consultant selected by DRCL to carry out the Environmental Impact Assessment, are now reviewing the comments with the aim to finalize the TOR before Christmas.

- The Authority is not sure whether the contract for Government's independent third party review of the landfill proposals has been formally awarded yet. The Ministry representative indicated that it was possible the contract would be signed by 14 December 2012.
- e) *Internal Audit of Water Authority Laboratory* - The Chairman reported that Dr Jennifer Clancy conducted the internal audit of the Water Authority on 28-29 November 2012. The laboratory is subject to annual internal audits to maintain its accreditation from the American Association for Laboratory Accreditation (A2LA). Dr Clancy has carried out the internal audit for many years. She determined 7 deficiencies, which need to be responded to by the laboratory in 30 days. Overall she was very positive about the laboratory and credited a dedicated team and the improvements that have been realised as a result of the implementation of the Laboratory Information Management System, which went live in 2011. Board members asked that their congratulation passed on to the laboratory staff.
- f) *FOI updates* - The Chairman reported that as shown in the attached report, only one new request had been received since the Freedom of Information report provided to members at the September 2012 meeting.

Current Business

a) **Request for Bill Adjustment re Customer Account** [REDACTED]

* Redacted under section 23 of The Freedom of Information Law, 2007

The Chairman reported that in a letter dated 28 November 2012, [REDACTED] and [REDACTED] wrote to the Water Authority regarding a high water bill incurred by a past tenant. A copy of the letter and the report from Customer Service were provided to members.

A review of the account was undertaken and the Authority's findings showed that on 04 September 2012, high usage of 1140.3 cubic metres was recorded for the period 27 July 2012 - 31 August 2012. This usage generated a bill of \$7,035.44. During the fail audit check, the meter reader identified a possible leak and turned the valve off. A notice was left at the premises. The Authority's Customer Service called to advise the customer of the possible leak. However no contact was made as the numbers were out of service. An email was then sent on 04 September 2012 advising the customer of the possible leak.

On 23 November 2012, the customer contacted the Authority and requested assistance from the Utility Services Auditor in finding the leak. Major movements were identified on the meter and the customer confirmed that the leaks were downstream of the meter. The customer then made a payment of \$4,500 towards the bill.

On 28 November 2013, the customer wrote to the Authority requesting consideration of the Board in discounting the remaining amount owed on the account. The Authority informed the customer of the leak as soon as it was discovered. The Chairman reminded members that the customer is fully responsible to pay for water registered through the meter. The Secretary respectfully sought the Board's decision on the request from the Customer.

Members agreed that the customer should be advised that they had reviewed the request and decided not to discount or waive the bill as the customer is responsible for all usage downstream of the meter.

b) Management Accounts October and November 2012.

The Chairman reported that given the early date for the December Board meeting the Finance Department was unable to produce comprehensive statements for either October or November. The Secretary apologised for the delay.

c) Policy for Pipeline Installations in New-Subdivisions.

The Chairman reported that the Authority had reviewed the current policy applied for pipeline installations in new-subdivisions and had prepared a detailed report for members' review and consideration. Members decided to defer discussion and a decision on this Agenda item until the January 2013 Meeting.

Donation Requests

The Chairman advised that the remaining amount available for donations is \$17,720 for the fiscal period 2012/2013. At the November 2012 meeting the Board respectfully requested a revised charitable contribution allocation to accommodate for the KyStar Athletics' sponsorship and funds for the Pines' Room sponsorship request. The Chairman advised that the Authority's Management was respectfully seeking guidance on the amount so as to incorporate into the 2012/2013 revised budget. Members discussed the matter and agreed that the amount available for charitable contribution should be revised upward by \$14,000 to allow sponsorship of the Pines and the KyStar Athletics 2013 Track Invitational.

a) Ratification - Peter "Lightening" Lewis.

Members agreed to ratify the sponsorship of Peter "Lightening" Lewis in his latest boxing event last week in the amount of \$500. The motion was moved by Mr O Watler, seconded by Mr W Scott and passed unanimously.

b) CI National Trust Cayman Brac District Committee.

Members agreed to donate 5 gift certificates for 1000 gallons of trucked water each to the CI National Trust Cayman Brac District Committee Fundraiser. The motion was moved by Mr J Banks, seconded by Mr M Smith and passed unanimously.

c) CI Health Services Authority - Faith Hospital Staff Christmas Tree Lighting.

Members agreed to donate 5 gift certificates for 1000 gallons of trucked water each to the CI Health Services Authority - Faith Hospital Staff Christmas Tree Lighting function. The motion was moved by Mr J Banks, seconded by Mr O Watler and passed unanimously.

d) DAWLA Ministry Annual Cayman Brac Christmas Party.

Members decided to donate 5 gift certificates for 1000 gallons of trucked water each to the DAWLA Ministry Annual Cayman Brac Christmas Party. The motion was moved by Mr O Watler, seconded by Mr W Scott and passed unanimously.

Any Other Business**a) Offer of sale of "Cayman" Trademark in the Water Category.**

The Chairman reported that the Water Authority received an email from Mr Peter Polack asking the Authority to consider purchasing the "Cayman" trademark in the "water category" from his company. A copy of the document sent by Mr Polack has been provided to members. Members considered the offer of the sale of the trademark "Cayman" in the water category and decided that although it was an interesting prospect and had potential commercial value, they did not believe the Water Authority was in the position to seek ownership at this time. Additionally, the Chairman reported that at this time the Authority's management does not see a need to pursue this offer due to the uncertainty of whether the Authority's assets will be put out for lease.

b) Director's Leave Request.

The Chairman reported that the Secretary has to accompany her mother to the States for fairly urgent open-heart surgery 21 January 2013 through to 10 February 2013. She is the only family member able to be with her mother for this very serious operation and is humbly asking members to allow her the time to be by her mother's side as compassionate leave. She will be able to keep in touch and work remotely using a laptop computer. Members agreed that the Secretary be allowed to take the time as compassionate leave. The Secretary thanked members for their kind consideration.

There being no other business the Chairman thanked members for their support and cooperation throughout the year and wished everyone all the best for the New Year. Members exchanged Christmas and New Year's wishes and the Chairman then adjourned the meeting at 2:34pm.

This is a true and accurate account of the proceedings.



The Chairman

The Secretary