

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 235th Meeting held on 20th of February 2013

Members Present:

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

Call to Order

The Chairman welcomed members and called the meeting to order at 1:39pm after ascertaining that there was a quorum and acknowledging apologies from Ms A Owens, Ms R Sharma Mrs I Simms, and the absence of Mr C McLaughlin. The Chairman then proceeded to open the meeting with a prayer written specially for Board members. Members thanked the Chairman for the very appropriate prayer.

Minutes of the 234th Meeting held on 20th of January 2013

The Chairman asked for confirmation of the Minutes of the 234th Meeting held on 20th January 2013.

Mr W Scott moved the motion to accept the Minutes, Mrs P McGaw-Lumsden seconded the motion and the motion passed unanimously.

Declaration of Conflicts of Interest

The Secretary advised that she had a conflict with item (f) in the Donation Requests section of the Agenda. Mrs P McGaw-Lumsden advised that she had a conflict with item (i) in the Donation Requests section of the Agenda.

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

The Chairman reported that the Senior Operator, Mr Allenger McLaughlin, assisted by Mr Matthew Thompson from Engineering Services Department (ESD), is dealing with the regular operational issues associated with the 17-year old plant. As indicated in the report, several pieces of equipment are in need of replacement, and all attempts are being made to ensure that any new equipment that will be purchased can be utilised in the final, upgraded plant.

The Chairman reported ESD met with Mr Scott Shumway of Industrial Services Inc (ISI) from Vermont, USA on 29 January 2013 to discuss the possible involvement of his firm with the re-design of the Lower Valley RO Plant. Mr Shumway was the design engineer for most of the RO plants installed by Ocean Conversion (Cayman) Ltd (OCL) on Grand Cayman, but no longer has no affiliations with Consolidated Water or any of its subsidiaries.

The Chairman reported that during the period 13 January - 08 February 2013, the Lower Valley RO Plant produced on average 2,842 cubic metres per day. In mid-January the ESD decided to de-rate the plant to 3,000 cubic metres per day to reduce operating pressures, thus limiting stresses on some of the equipment. This decision was made easier as the Lower Valley plant is not critical to the operation of the overall water distribution system at this time. Since 08 February 2013 the plant is running on one train only (out of two) as there are some issues with the second pass pump, which needs to be replaced. Production rate since 08 February 2013 averaged 1,374 cubic metres per day.

b) 30 June 2012 Audit - Update.

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

The Chairman reported that the Financial Controller carried out the final review of the statements with KPMG and was comfortable on the allocation of

expenses. As there were no material changes the required documentation (Financial statements, Management Representation letter, Summary of Audit Differences, Minute Certification) was then signed off by the Chairman, Director and Financial Controller on 14 February 2013. Final copies of the divisional financial statements are expected to be delivered to the Authority later this week.

The Chairman noted that this section of the 30 June 2012 audit is complete. Board members requiring a copy of these signed financial statements for their files were asked to advise the Secretary.

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 most recent email from the Ministry dated 06 February 2013 indicated that the reports may be tabled at the next sitting of the LA, hopefully in March 2013.

Annual Report 2011/2012

The Chairman reported that the 2011/2012 annual report was forwarded to the Ministry on 31 December 2012 for the Honourable Premier and Minister's comments and signature if agreed. The most recent email from the Ministry dated 06 February 2013 indicated that the document is in the Honourable Premier and Minister's Office.

KPMG Engagement – Strategic Option Analysis (SOA)

The Chairman reported that this project is expected to resume now that the divisional financial statements have been finalised. The budget as approved in January 2013 will be provided to KPMG as backup, however it is noted that the official government 2013/2014 budget process has yet to start and hence some changes may need to be considered to incorporate the government of the day mandates.

c) Cayman Water Company (CWC) Negotiations Update.

The Chairman reported that on 24 January 2013 the Ministry forwarded a letter dated 17 January 2013 from Consolidated Water Company to the Honourable Premier, with reference to a meeting with Government on 16 January 2013, and asked the Water Authority to comment. Based on the letter from Consolidated, present at the meeting were Deputy Honourable Premier, Rolston Anglin and Honourable Minister Dewayne Seymour representing Government and representing CWC were Mr Raymond Whittaker, Mr Clarence Flowers and Mr Carson Ebanks.

The Chairman reported that in addition to confirming that all three parties had consented to an extension of time until late March 2013 for filing affidavits

for the Judicial Review Proceedings, the letter provided some additional information (i.e., a five yearly review of the price of water) to CWC's proposal dated 29 November 2012. In the letter reference was also made to an earlier letter from CWC dated 11 January 2013, a copy of which was not provided to the Authority until 20 February 2013.

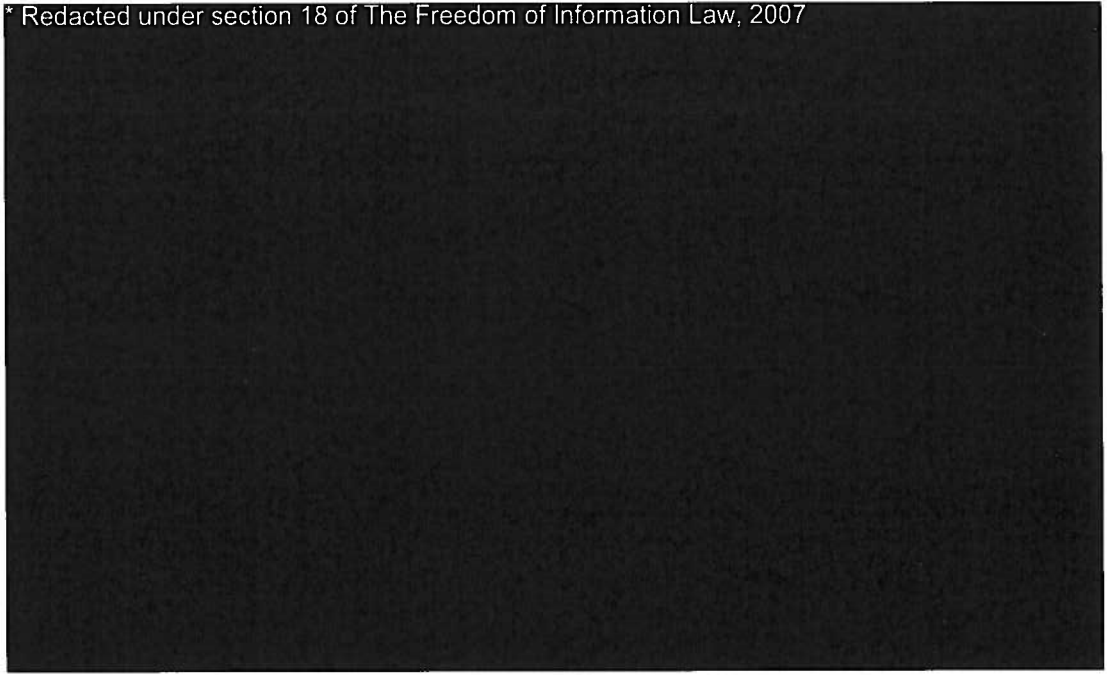
The Chairman reported that in the Water Authority's response letter to the Hon Premier, dated 25 January 2013, it was noted that CWC's latest letter appeared to provide some additional items to their proposal, and the Ministry was reminded that the Authority's letter dated 11 December 2012 (to which the Authority has not yet received a response) provided a detailed response to Cayman Water Company's proposal, and that its earlier comments and concerns on CWC's proposal still applied. Copies of both letters were provided for Water Authority Board members' information.

* Redacted under section 21 (1) (b) of The Freedom of Information Law, 2007



a)

* Redacted under section 18 of The Freedom of Information Law, 2007



e) **Miscellaneous Updates.**

a) *In-House Pipelaying Crews* - The Chairman reported that on 24 January 2013 one of the pipelaying crews commenced work on the pipeline upgrade (from 6-inch to 12-inch) in South Sound, between the boat ramp

and the intersection with Walker's Road. This work comprises the installation of approximately 9,200 feet of 12-inch pipeline, and will be carried out in six phases. The work is being carried out during the day (between 9:00 am and 4:00 pm to avoid interfering with commuters). All customers on the first phase were connected to temporary services, and pipeline upgrade work is progressing.

The remaining staff of the other pipelaying crew continues to carry out much needed maintenance of the pipe storage rack at the Lower Valley site. All preparatory work (cleaning, rust removal) has been completed and the rack is being repainted. This work should be completed by the end of this month.

b) *Water Supply Division* - The Chairman reported that on 18 January 2013 Operations started the replacement of the 6-inch pipeline in Denham Thompson Way (off Walker's Road). Work on this first section (approximately 50% of the total length) is complete, and all customers will be connected to this pipeline section during the week of 20 February 2013. The work is carried out during the day (between 9:00 am and 3:00 pm to avoid interfering with school traffic). It is still anticipated that all work will be completed by the end of March 2013.

c) *Wastewater Division* - The Chairman reported that during the month of January 2013 as the amount of rainfall was minimal, the design hydraulic capacity of the plant (2.5 mgd) was exceeded only twice during the month. The average daily inflow was nearly 2.2 mgd (or 88% of design capacity).

The Chairman reported that over the last four weeks the Operations - Wastewater Division replaced two deteriorated manholes (at Helen Drive and Laguna Del Mar); repaired a leaking wet well in Crystal Harbour; and replaced 2 corroded manhole covers and frames.

The ESD, together with the Operations Department - Wastewater Division, is continuing the detailed and systematic investigation of the manholes within the wastewater collection system. Approximately 15% of the total number of manholes still requires inspection. The refurbished CCTV camera was returned by the manufacturer in early February 2013 and this will be used to inspect the remaining (deeper) manholes over the next few weeks.

The Chairman reported that on 08 February 2013 the ESD completed the tender documents for the West Bay Beach Sewerage Rehabilitation Project (2013) comprising the closed-circuit television inspection of approximately 46,000 linear feet of 6 and 8-inch diameter sewer pipelines and the structural liner repair of damaged pipeline sections, identified by the CCTV survey. (This project is similar, but with some modifications, to the project that was bid in late 2009, but never awarded due to the proposed sale of the wastewater assets.).

The Chairman reported that the Central Tenders Committee's approval of this document was received on 14 February 2013. The first advertisement seeking contractors interested to bid on this project was placed in 15 February's edition of the Caymanian Compass. A second advertisement will be placed in the same newspaper on 22 February 2013. In the meantime, several US-based contractors were contacted by e-mail regarding this upcoming project and to date the Water Authority has received confirmation of interest from six US-based contractors for this project.

On 01 February 2013 a quote for the design and fabrication of a new pump control panel for PS1 was received from Polytron from Georgia, USA (Polytron has provided nearly all pump control panels for the Water Authority). An alternative proposal from Automation & Control Engineering from Wisconsin, USA was requested to ensure that the Authority receives value for money. This alternative proposal should be received by the end of the week of 18 February 2013, at which time they will be evaluated.

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 January 2013 the following had taken place:

- The final Terms of Reference (TOR) for the Environmental Impact Assessment (EIA) of the new Waste Management Facility in Bodden Town were accepted by the Environmental Advisory Board (EAB) on 29 January 2013. The document is available on Department of Environment's website: www.doe.ky and on the For Cayman Investment Alliance website: www.forcayman.com.
- DRCL's consultants are working on the EIA and several draft chapters have already been submitted to the EAB for review. Upon completion and acceptance by the EAB of the draft report, it will be made available for public review and comment.
- The contract for Government's independent third party review of the proposed Waste Management Facility and the proposed closure of the George Town Landfill has been awarded, through the Ministry of FDAWL&A, to CDM Smith, a large US based consultancy firm that has global expertise in waste management. The consultants were in Grand Cayman in early February and have met with relevant agencies, including the EAB.

e) FOI updates - The Chairman pointed out that in the 15 February 2013 Freedom of Information (FOI) Report provided to members, two new requests were received since 11 January 2013.

f) Cayman Water Company - Annual Base Water Rate Adjustment - The Chairman reported that Cayman Water Company's (CWC) retail water

rates are adjusted annually in accordance with the 1990 licence as extended. The current licence determines that the base water rates are adjusted in January each year as follows: 20% of the rate is adjusted for the annual change in the CICPI (Cayman Islands Consumer Price Index), 35% of the rate is adjusted for the annual change in the USPPPI (United States Producer Consumer Price Index) and 45% of the rate remains unchanged. It should be noted that the base water rates do not include fluctuations in electricity rates; this is covered separately by the Energy Adjustment Factor. Under the licence CWC submits the calculations for the base rate adjustments early in January; the Water Authority verifies the calculations and approves the rate adjustment.

The CICPI decreased by 0.12% and the USPPPI decreased by 0.44% (during the period September 2011 and September 2012). As a result CWC's retail base rates for 2013 decreased by 0.22% over the 2012 rates. In 2013 a single residential customer of CWC will have a monthly bill of \$105.06 plus energy charges and a Water Authority customer will pay \$92.11 per month plus energy charges, a difference of approximately 14%. This charge is based on the average monthly water consumption of Water Authority's single residential customers; this is 19.1 cubic metres or approximately 5,000 gallons.

- g) *Ocean Conversion Cayman (OCL) - Annual Adjustment (of Monthly Overheads and Quantity Fees)* - The Chairman reported that OCL's base rates are adjusted annually as per the individual operating agreements (for Red Gate, North Sound and North Side RO Plants). The monthly overhead fees and quantity fees reduced by 0.44% for the US\$ portion and by 0.12% for the CI\$ portion, resulting in savings to the Water Authority of approximately CI\$315.00 per month for all three plants combined (compared to 2012).

Current Business

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

[REDACTED].

The Chairman reported that in an email dated 24 January 2013, [REDACTED] wrote to the Water Authority regarding high water bills incurred in 2011. A copy of the correspondence and the report from Customer Service were provided to members.

A review of the account was undertaken and the Authority's findings were that on 25 July 2011, the account was turned off as the bill for the period March to July 2011 was unpaid. A Demand Notice for payment was mailed to the customer requesting payment and informing him that the deposit had been applied to the account.

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

The Chairman reported that at the request of the customer, the Utility Auditor visited the premises to check for leaks or movements. None were identified at the time and the meter reading was found to be correct. The customer subsequently sent an email on 22 November 2011 contesting the charges on the bill. The customer was advised by a Customer Service Representative that the queried amount of \$516.54 was a culmination of unpaid bills for the months of March-July 2012.

On 23 November 2011, the Customer Service Supervisor followed up with an email to the customer re-stating the findings of the Utility Auditor's visit. A payment agreement was also offered. The customer responded the same date via email making allegations of aggregate removal from his property by the Water Authority. These allegations are unfounded.

The Chairman reported that on 13 January 2013 the Authority wrote to the customer advising that the balance of \$532.15 had been transferred to the active account 71490.07 and that payment was due. On 24 January 2013, the Authority received an email from the customer requesting that the matter be passed on to the Board. Subsequently on 31 January 2013 the Customer Service Manager received notification of the complaint by the customer from the Complaints Commissioner's Office (CCO) who indicated in her response that she would give the Authority the opportunity to address the matter. The customer was advised on 01 February 2013 that the matter would be brought to the Board's attention.

The Chairman noted that the customer did not request a disconnection of service and service therefore continued until it was disconnected for non-payment. The meter readings were verified to be correct and thus the outstanding balance is payable. The customer refused the offer to have the meter tested and ignored the offer of a payment agreement. 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 to reverse the charges.

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. Additionally, it was noted that the customer did not request a disconnection of service and subsequently service continued until it was disconnected for non-payment. It was also noted that the customer refused the offer of a payment agreement and had decided not to have the meter tested. Members agreed that the Water Authority has no basis upon which to discount the bill.

b) 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 09 January 2013, [REDACTED] wrote to the Water Authority regarding a high water bill incurred in December 2012. A copy of the letter and the report from Customer Service were provided to members.

The Chairman reported that a review of the account was undertaken and the Authority's findings were that on 29 November 2012, the customer requested that two services be reconnected; account #23301 and account# 23411. The meter reader attended the premises and removed the locks from both accounts and recorded that he left both valves in the "off" position. On 18 December 2012 the customer called to say that the meter dials were turning and that he had turned the valve off. The Metering staff checked the meter for account #23301 and found that the valve was in the "off" position.

On 21 December 2012 a bill in the amount of \$818.58 was sent to the customer. This bill represented usage of 120.9 cubic metres and was for the period 30 November 2012 -19 December 2012. The customer subsequently wrote to the Board requesting that the bill for account# 23301 be waived as he believed the meter reader left the valve in the "on" position. Also, no one called him to let him know when the meter reader was coming to turn the valves on. The Customer Service Supervisor advised there were no instructions to that effect from the customer in the work order system. In addition to the request for a waiver on the water bill, the customer also requested that penalties of \$936.89 be waived on an outstanding sewage account. The customer was advised that upon completion of the payment plan for the sewage bill the penalties would be waived.

The Authority can only make an adjustment to the bill if an error was made on its part or if the meter is found to be faulty. In this regard, the customer does not dispute that there was a leak but does not believe he should be responsible because he said that he asked for someone to call him when the meter reader went on site. This request of the customer was not supported by the Authority's documentation neither does the Customer Service Supervisor have any recollection of this request. The meter reader documented that he left the valve in the "off" position. A leak such as described by Mr Wright is down-stream of the meter and due to customer action. The property is undergoing repairs and Mr Wright acknowledged that there were several other leaks identified by him. The Secretary respectfully sought the Board's decision on the request from the customer to adjust his bill.

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. Additionally, the

Authority's records show that the meter valve was left in the "off" position. Members agreed that the payment plans that are in place should remain and late penalties waived providing the payments are made regularly.

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

The Chairman reported that in a letter received on 22 January 2013 [REDACTED] wrote to the Water Authority regarding a high water bill. 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 were that on 15 November 2012 a fail audit check was carried out by the Authority on this account. Slow movement indicative of a leak was identified. The meter reader noted that no one answered the door even though a radio could be heard. He then proceeded to leave a door hanger notice on the door. The meter reader failed to immediately advise his supervisor and consequently the customer was not contacted via phone or letter as per the Customer Service procedures.

On 30 November 2012, the usual bill was generated. This was for the period 15 October 2012 - 15 November 2012. This bill was in the amount of \$1133.08 for 167.6 cubic metres. The meter was read again on 06 December 2012 during the normal December meter reading and showed usage of 244.4 cubic metres.

The Chairman noted that on 27 December 2012, the customer contacted the Water Authority to find out her account balance and was informed of her November 2012 bill and the pending December 2012 bill. The customer was not pleased that she had not been contacted in November 2012 when the meter reader had recorded that there was slow movement on her meter. She requested that someone come out to verify that there was no longer movement on her meter indicative of a leak. She acknowledged that a leak had been discovered and repaired on 05 December 2012 on her premises. The customer is willing to pay the November bill however has requested that the Authority waive most of her December 2012 bill as our procedures were not properly applied. During the billing period of 15 November - 06 December 2012, 244.4 cubic metres were used. During the period 06 December 2012 - 27 December 2012, 32.2 cubic metres were used indicating that the leak was repaired.

The Chairman reminded members that the fail audit check is an internal process by which the Authority re-checks a high usage reading to ensure that an incorrect bill is not mailed. As a courtesy, the customer is notified if movement indicative of a leak is identified on the meter. If contact is not made with the customer, the meter reader **should contact** the Customer Service

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Supervisor who will make contact with the customer based on contact details on file.

Even though customer is responsible for all plumbing downstream of the meter, since the meter reader did not follow procedure the Board may wish to consider some relief to the customer. The Secretary respectfully sought the Board's decision on the request from the customer to adjust her bill.

Members agreed that the customer should be advised that they reviewed the request and decided to discount the December 2012 bill by 50% because the Water Authority's procedures were not followed properly. The customer should however be reminded that the customer is responsible for all usage downstream of the meter.

d) Request for Bill Adjustment re multiple Customer Accounts - [REDACTED]

The Chairman reported that the Water Authority had received a request dated 30 January 2013 from the [REDACTED] regarding late fees owed by accounts under this [REDACTED]. The [REDACTED] is respectfully requesting of the Water Authority Board that the amount of late fees on these accounts in the amount of \$2,193.33 be retracted for past and pending invoices. The [REDACTED] explained that payments were not timely due to overarching issues affecting [REDACTED] that were outside control of the [REDACTED]. The Secretary respectfully sought the Board's decision on the request from the customer.

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

Members agreed that the customer should be advised that they reviewed the request and decided not to waive the late penalties but would offer a payment plan to assist.

e) Request to waive requirement for meter installation on property served re Customer Account# [REDACTED].

The Chairman reported that there had been correspondence with representatives of [REDACTED] regarding the process of getting piped water to the above location. Subsequently, [REDACTED] in a letter dated 06 February 2013 to the Water Authority Chairman, requested the Board's consideration to waive the policy for the meter to be installed on the property served.

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

The Chairman noted that the Water Authority's policy is that the water meter must be installed inside the property it serves. This policy was developed more than 10 years ago, with input from the Authority's legal advisors, after several incidents where water meters had been installed on adjacent properties and there was no recourse on the owners of the served properties in the event of unpaid water bills. The current policy allows the Authority to put

a lien on the property, which will be much more difficult if the water meter is installed on an adjacent property.

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

In accordance with the well-established policy, The Chairman reported that the developer was advised that the water meter for this development (temporary or permanent) must be installed just inside parcel [REDACTED] and therefore a pipeline must be installed between [REDACTED] and the above property.

The Chairman noted, however that the developer has requested that the water meter be installed just off [REDACTED] in the access easement (vehicular right of way (VROW)) on [REDACTED]. It must be noted that the VROW only gives the right to pass over one property [REDACTED] to gain access to another property [REDACTED], but does not transfer ownership to [REDACTED] nor does it convey any other rights.

The Chairman reported that the developer was therefore advised by the Authority that if a water meter was to be installed just off [REDACTED] the owner of the parcel on which the meter will be installed must apply for a water meter in his name, and that it would be up to the developer to make arrangements with the owner of the adjacent parcel (i.e., [REDACTED]) to indemnify him of any demands by the Water Authority (for payment for water that has passed through and registered by the water meter), but the developer has indicated that this is not an option, and that his commitment to pay the monthly water bills should be sufficient to minimise default risk amounts.

The Chairman advised that there is a significant risk to the Water Authority as the developer has indicated that he intends to lay the pipeline downstream of the water meter on top of the rock (i.e., this pipe will not be installed in a trench, which would provide some protection against damage). This relatively long (600+ feet) unprotected pipeline combined with the anticipated heavy construction traffic along this road increase the risk of frequent broken pipes with associated high water losses (i.e., high water bill).

Additionally, the Chairman reminded members that the Water Authority does not generally install water meters in Rights Of Way (even if this VROW is on the property the water meter serves) but insists that the water meters are situated away from traffic, thus limiting the potential for damage.

The Chairman reported that the developer was therefore advised that, if the owners of Parcel [REDACTED] are not willing to apply for a water meter in their name, a pipeline must be installed between [REDACTED] and the above property, along one of the VROW's, so that the water meter can be installed on [REDACTED] off of the VROW. However the developer will need to meet the cost thereof. This pipeline must be installed under the supervision of the Water

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Authority's Quality Assurance inspector, and in strict accordance with the Authority's "Guidelines for constructing potable water mains" as, upon completion, the pipeline would become the responsibility of the Water Authority to maintain.

The Chairman noted that at the Authority's first meeting on 24 July 2012 with the developer, he was informed that they would be responsible to install the pipeline from the main road [REDACTED] to the development, and that the pipeline installation must be in accordance with the Authority's Guidelines and must be performed under the Authority's supervision. Based on the Site Plan (Master Plan) a layout of the water infrastructure for the development can be prepared. and the pipeline can be sized for the completed development and installed in its final position, and the first section [REDACTED] to the property boundary with [REDACTED] can be installed now and used to provide the temporary water supply during construction (with the water meter installed on the property it serves), and still be part of the final water infrastructure, thus saving any unnecessary expense.

The Chairman advised that the Authority's ESD has a meeting planned with [REDACTED] in the afternoon of 20 February 2013 to discuss this matter. However the developer indicated in his letter to the Board that the access road will not be finalised until summer of this year (or 6+ months from now).

The Chairman advised that the Water Authority Board can decide to deviate from well-established policy in this specific instance. However it should be considered, that it will set a precedent that will most likely generate future [REDACTED]-type arguments and it could expose the Authority to significant risks. The Secretary respectfully sought the Board's direction on the request from [REDACTED].

Members discussed the options available to the customer and in light of the significance of this development, subsequently decided to temporarily waive the requirement for meter installation on property served providing the following conditions are met:

- -the customer produces a signed agreement between the property owner and himself that allows for the meter to be temporarily located on this property.
- -the agreement must clearly indicate who is responsible for the account and any water used.
- -the pipeline laid by the customer in the temporary location must be laid in accordance with the Authority's policies and guidelines.
- -the meter is removed from the temporary location to the permanent location on the customer's property no later than 31 October 2013.

- -customer is informed that this decision is not precedent setting.

f) **Management Accounts January 2013.**

The Chairman reported that although the Finance Department is not yet completely up to date with all the audit working papers, it had made significant progress in getting the financial data current and consequently he was pleased to present the summary financial statements for the period ending 30 January 2013. The Chairman pointed out that the comparison is with prior year and not with the budget. The Finance Department is working diligently and plans to have the current year comparison with prior year and budget for the March 2013 meeting.

Based on estimates for the first seven months of the 2012/2013 financial period Operating Revenue increased slightly over last year, showing a modest increase over the same seven month period in 2011/2012 (increase of 6.0%), which is a result of the rate increase in November and slightly increased consumption.

Chairman noted that Operating Expenses were up from prior year, primarily as a result of the increase in repairs as part of the wastewater remediation expenses, transfer of new works crew from CIP to the income statement, increase in supplies as the Authority proactively transferred the upgrade projects accumulated in CIP mid-year rather than wait till year end, resulting in an increased comparison for road re-instatement and repair balances. Administrative Expenses were slightly higher than last year (\$135k, 4.3% increase). This increase is moderate and within expectation.

The Chairman reported that overall earnings for first seven-month period in 2012/2013 were estimated at \$1.7 million which is consistent with prior years. 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.

g) **30 June 2013 Audit of Consolidated and Divisional Statements.**

The Chairman advised that in preparation for the 30 June 2013 audit of the consolidated and divisional financial statements the Authority's management was seeking guidance on how to proceed. The Central Tenders Committee (CTC) provided the Authority with permission to use KPMG for the audit of the 30 June 2012 Financial Statements as a case was made under the provision of Regulation 37.2 and Regulation 41 of the Public Management & Finance Law (PMFL). The Authority received a letter from the OAG in June of 2012 indicating the intention of the OAG to outsource the majority of audits for the 2012/2013 fiscal period and the foreseeable future. The Authority would like

to be proactive and work together with the OAG to ensure a quality and timely audit.

The Chairman reported that the Authority's management was therefore respectfully seeking the Board's approval to request OAG and CTC approval to use KPMG for a term of five years (subject to termination terms), after which the engagement will be re-evaluated. This would allow both parties the opportunity to gain financial and human resource efficiencies and also secure the timing of the information. Members discussed this matter and approved for the Authority's management to seek the OAG's and CTC's approval to use KPMG. However, the request for proposal from KPMG should include or demonstrate the benefit of savings over multiple years and not for a specific period.

h) Randyke Gardens - Notice of Violation.

The Chairman reported that in early February 2013 the Water Authority was notified by the Department of Environmental Health that illegal discharge of untreated sewage onto the ground occurred from 1 of the 8 buildings at the Randyke Gardens Strata development (each building has 10 apartments). On 05 February 2013 a Notice of Violation (NOV) was served on the Strata to address the discharge, which is a violation of the Water Authority Law. A copy of the NOV was provided to members. The Strata asked the authorities (Water Authority, Planning and Department of Environmental Health) for help, the Water Authority responded that it was not in a position to assist and that the current problems do not relate to the wastewater treatment system but to the building sewer (this is the collection system within the building). The Authority specifically requested that the Planning Department urgently assess the status of the sewer plumbing within the buildings.

The Chairman advised that unfortunately, in a similar manner as during earlier crises, residents had resorted to opening clean-outs and short-circuiting of the building sewer to avoid the back up of raw sewage into their apartments. On 18 February 2013 a second Notice of Violation was served on the Strata for the illegal wastewater discharge onto the ground from another building. The current episode is a repeat of previous wastewater crises at Randyke Gardens, be it that at this time the wastewater treatment systems remain functional, but the buildings' sewer systems are failing. The Chairman noted that to date the Strata had not resolved the issue, so if there is no tangible action on the Strata's part, the Authority's management sees no option but to refer this matter to the Attorney General for prosecution under the Water Authority Law (i.e. discharge of raw sewage onto the ground).

The Chairman reported that the information below was provided to give Board members a historical overview of the chronic wastewater violations at Randyke Gardens:

- The wastewater issues go back as far as 1992, shortly after the completion of this housing development.
- In June 2007 after several wastewater crises Government financed the replacement of the failing wastewater collection and treatment system at a cost of \$440,000, and directed the Authority to manage the contract for the provision and installation of the new system.
- The system became operational in December 2007 and, after being operated successfully for 1 year by the Authority, was handed over to the Strata.
- The Authority strongly recommended that the Strata contract with a qualified service provider to maintain the systems.
- Due to the Strata's lack of funds no maintenance was carried out and the systems fell in disrepair, the Strata also did not pay electricity bills and the power was cut off, this meant that the blowers and wastewater pumps did not operate and the property became flooded again with raw sewage, also residents bypassed the building sewer to discharge raw sewage directly onto the ground so it would not back up in their apartments.
- In January 2011 this led to a crisis with raw wastewater pooling around the buildings. The Authority served Notices of Violation to force the Strata to address the discharge of raw sewage onto the ground or to face prosecution for violation of the Water Authority Law (i.e. discharge of raw sewage onto the ground).
- In response to the Strata's request for assistance, Government decided that it would be better to assist the Strata with the necessary repairs to the systems, with the understanding that upon completion of the repairs the Strata would again be responsible for operation and maintenance of the systems.
- Due to substantial administrative delays beyond the Authority's control the release of funds by Government was delayed and the original plan for a private sector company to carry out the repairs was not feasible any longer.
- During the rainy season of 2011 the situation had deteriorated to such an extent that the health of Water Authority's meter readers was at risk as they could not access water meters without coming in contact with raw sewage. The Board at its September 2011 meeting decided that the Authority should carry out the repairs to the wastewater treatment systems as a matter of urgency.
- However work could not commence until March 2012 when the Strata had finally arranged for the restoration of electrical service to the systems.
- The systems were restored to full operation in June 2012 at an approximate cost of \$90,000 (\$40,000 provided by Government and \$50,000 provided by the Authority).
- On 03 September 2012, after 2 months of successful operation, the systems were formally handed back over to the Strata. The Strata has contracted the maintenance of the systems to Mac Plumbing, a private service provider. The current discharges are not caused by failure of the wastewater treatment systems, but by failure of the building sewer.

- During the 2011-2012 wastewater crisis it was noted that several of the original apartments had additional structures built on and the problem of the illegal discharges was exacerbated by the additional flows from these structures.
- At the time residents had resorted to opening clean-outs and short-circuiting the building sewer to avoid the back up of raw sewage into their apartments, so apart from the failing wastewater treatment systems, the building sewers were also surcharged and by-passed resulting in direct discharge of raw sewage onto the ground.
- In the various meetings and communications with other Government agencies it was agreed that Planning Department would deal with the additional structures as these had not gone through the Planning process. The Authority has asked Planning for an update on their enforcement process.

The Chairman advised that the Authority's management remained very concerned about the situation at Randyke as there is an obvious and significant risk to public health as well as the health of the environment. Recently a new housing development has been constructed to the east of Randyke therefore the wetland in the surrounding area that facilitated some runoff from the Randyke property had been developed and filled in. Randyke has very limited elevation above the local groundwater table so as a result of the new development sewage will pool quicker and take longer to soak away in the area.

Additionally, the recent outbreak of dengue fever is of great concern as the mosquito that transfers dengue thrives in the environment created by the sewage overflows ponding and pooling. The situation at Randyke is clearly an acute public health hazard. It is therefore necessary to take swift action, and no one will benefit from a protracted response. At this point Cayman does not have an outbreak of cholera or other highly contagious water borne diseases however if situations as happening at Randyke persist without resolution the potential for such outbreaks increase. It is the opinion of the Authority's management that serious consideration needs to be given to condemning the Randyke Gardens Strata development if it is verified that the buildings and internal sewer plumbing are structurally compromised. However, it was noted that this is not a decision for the Authority to take. Members discussed this situation and informed the Secretary that if the NOV's served on the Randyke Gardens Strata and individual owners did not lead to action to address illegal discharge situation, the matter should be referred to the Attorney General or the Director of Public Prosecutions' Office for prosecution under the Water Authority Law 2011.

Donation Requests

The Chairman advised that with the inclusion of all gift certificates that had not yet been redeemed and the increase in the revised budget, the remaining amount available for donations in the revised 2012/2013 budget was \$15,570.

a) Ratification - Donation of water gift certificates for Agriculture Show.

Members agreed to ratify the donation of four water gift certificates worth \$25 each and four water \$50 gift certificates for the Grand Cayman Agriculture Show. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr J Banks and passed unanimously.

b) Previously Deferred: CI National Dance Co.

Members agreed to sponsor the Cayman Islands National Dance Company in the amount of \$300. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr J Banks and passed unanimously.

c) Previously Deferred: HM Northward Prison Football Team.

Members agreed to sponsor HM Northward Prison Football Team in the amount of \$300. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr M Smith and passed unanimously.

d) Family Resource Centre - Honouring Women Month Calendar 15th Anniversary.

Members agreed to sponsor the Family Resource Centre - Honouring Women Month 15th Anniversary Calendar in the amount of \$500. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr T Hydes and passed unanimously.

e) World Down Syndrome Day Event.

Members agreed to sponsor the World Down Syndrome Day Event in the amount of \$500. The motion was moved by Mr T Hydes, seconded by Mrs P McGaw-Lumsden and passed unanimously.

f) CI Equestrian Federation.

The Secretary was excused for discussion on this item. Members agreed to sponsor the Cayman Islands Equestrian Federation with the donation of twenty-five 55-gal used drums. The motion was moved by Mr M Smith, seconded by Mr O Watler and passed unanimously.

g) Stake Bay Baptist Church Youth CYB - Youth camp in NYC.

Members agreed to sponsor the attendance of one youth to attend the Stake Bay Baptist Church Youth CYB - Youth camp in New York in the amount of \$1500. The motion was moved by Mr T Hydes, seconded by Mr J Banks and passed unanimously.

h) CYB Annual Agriculture Show.

Members agreed to donate 5 trucked water gift certificates worth 1000gals each to the Cayman Brac Annual Agriculture Show. The motion was

moved by Mr O Watler, seconded by Mr T Hydes and passed unanimously.

i) CI Chamber of Commerce Earth Day Annual Roadside Clean Up.

Members agreed to sponsor the Cayman Islands Chamber of Commerce Earth Day Annual Roadside Clean Up in the amount of \$1000. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr W Scott and passed unanimously.

j) West Bay Sports Foundation – Youth Football.

Members did not sponsor this organisation because the date of the event was past.

k) Cayman Rugby Union.

Members agreed to sponsor the Cayman Rugby Union Youth Programme in the amount of \$200. The motion was moved by Mrs P McGaw-Lumsden, seconded by Mr O Watler and passed unanimously.

l) CI Aids Foundation Gala.

Mrs P McGaw-Lumsden was excused for discussion on this item. Members agreed to sponsor the Cayman Islands Aids Foundation Gala in the amount of \$2500. The motion was moved by Mr T Hydes, seconded by Mr J Banks and passed unanimously.

Any Other Business

a) Request for extension – Scholarship Student, [REDACTED]

The Chairman reported that [REDACTED] was expected to return to the Water Authority to commence work in the [REDACTED]. [REDACTED] had however written to the Board to request and extension for an additional five months to allow [REDACTED] time to complete [REDACTED] Master's degree in [REDACTED] was a Bachelor degree scholarship recipient and requested leave to obtain valuable work experience and complete [REDACTED] Master's degree (at [REDACTED] own cost). The Chairman noted that the Authority's management supported [REDACTED] request and look forward to her joining the Authority in January 2014. The Secretary respectfully sought the Board's decision on the request from [REDACTED]. Members approved [REDACTED] request for an extension of 5 months to allow [REDACTED] to complete [REDACTED] Master's Degree before reporting to the Water Authority for work.

b) Request to change Major – Scholarship Student, [REDACTED].

The Chairman reported that the Authority's [REDACTED] recipient, [REDACTED] had written to the Authority seeking approval to change [REDACTED] major from Business Administration to Finance. The Authority's management had no objection and was pleased to support [REDACTED] request. The Secretary respectfully sought the Board's decision on the

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

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request from [REDACTED]. Members approved [REDACTED] request to change [REDACTED] major to from Business Administration to Finance.


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



There being no other business the Chairman thanked members for their support and then adjourned the meeting at 3:22pm.

This is a true and accurate account of the proceedings.



The Chairman


The Secretary