

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 237th Meeting held on 17th of April 2013

Members Present:

Chairman: Mr J L Hurlston

Members: Mr T Hydes
Ms A Owens
Mr W Scott
Mrs I Simms
Mr M Smith
Mr O Watler

Secretary: Dr G Frederick-van Genderen

Apologies: Mr J Banks
Mrs P McGaw-Lumsden
Mr C McLaughlin
Ms R Sharma

Call to Order

The Chairman welcomed members and called the meeting to order at 1:32pm after ascertaining that there was a quorum and acknowledging apologies from Mr J Banks, Ms R Sharma, Mrs P McGaw-Lumsden, and the absence of Mr C McLaughlin. The Chairman then proceeded to open the meeting with prayer.

Minutes of the 236th Meeting held on 20th of March 2013

The Chairman asked for confirmation of the Minutes of the 236th Meeting held on 20th March 2013.

Mr W Scott moved the motion to accept the Minutes, Ms A Owens 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 the replacement pump arrived on island during the week of 08 April 2013 and will be installed shortly. The water production rate of the LVRO plant since 08 February 2013 has averaged 1,301 cubic metres per day.

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



b) 30 June 2013 Audit of Consolidated and Divisional Statements.

30 June 2013 Audit of Consolidated and Divisional Financial Statements for Water, Wastewater and Statutory

The Chairman reported that the Authority received approval from the CTC on 08 April 2013 for the use of KPMG as a single source supplier for the audit of the consolidated and divisional financial statements for the period ending 30 June 2013, a copy of the approval letter was available for members' perusal.

The Chairman reports that the Financial Controller had contacted KPMG to inform them of this decision and both KPMG and the Authority had confirmed their commitment to meeting the prescribed deadlines. The Authority expects to meet with KPMG during the week of 22 April 2013 to schedule interim testing of the IT environment and also to confirm the field work timing.

Annual Report 2010/2011

The Chairman reported that the 2010/2011 annual report was tabled at the 13 March 2013 sitting of the Legislative Assembly however the Authority awaits official confirmation from the Ministry before publishing the document on the Authority's website.

Annual Report 2011/2012

The Chairman reported that the Secretary awaits confirmation on the status of this report with the Ministry.

KPMG Engagement – Strategic Option Analysis (SOA)

The Chairman reported that KPMG and the Authority are working diligently to get an executive summary to the Board for the May meeting. The Authority provided the required documentation/information as requested and received the first draft from KPMG on 16 April 2013. This document will require significant review by Management as it is imperative that this document is accurate and realistically presents and analyses each and every option available for the water assets of the Authority

c) Cayman Water Company (CWC) Negotiations Update.

The Chairman reported that in a letter dated 25 March 2013 the Honourable Premier responded to CWC's letter dated 13 March 2013 in which they reiterated their position that the current pricing model should be part of the new licence and refuted Government's position regarding a rate structure within the framework of the RCAM model. Copies of both letters were made available for members' review.

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

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



The Chairman reported that on 11 April 2013 Cabinet granted approval to the 10th extension of the License to produce potable water from seawater to Cayman Water Company Limited (CWC) until 30 September 2013.

d) Miscellaneous Updates.

a) In-House Pipelaying Crews - The Chairman reported that one of the pipelaying crews continues 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 is being carried out in six phases. The first phase (2,120 feet) was completed (tested and disinfected), and customers were expected to be connected to the new pipeline by the end of the week 15 April 2013. Work will then start on the second phase.

On 28 March 2013 the second pipelaying crew completed the installation of 320 feet of 4-inch pipe at Chime Street (off Spotts Newlands Road) to accommodate a new development. This pipeline had now been fully commissioned. On 12 April 2013 this same crew completed the installation of 160 feet of 3-inch pipe off John McLean Drive (East End). This pipeline will be tested, disinfected, and commissioned by the end of the week 15 April 2013.

b) Water Supply Division - The Chairman reported that by 21 March 2013 Operations had completed the replacement of the 4-inch pipeline in Lyndhurst Avenue, and all customers had been connected to the new pipeline.

After the Easter break Operations continued the replacement of the 6-inch pipeline in Denham Thompson Way (off Walker's Road). Approximately 50% of the remaining section had now been completed. It is anticipated that the pipelaying will be completed by the end of the week of 22 April 2013. Similar to the work on the first section, the work will be carried out during the day (between 9:00 am and 3:00 pm to avoid interfering with school traffic).

c) Wastewater Division - The Chairman reported that during the month of March 2013 the amount of rainfall was minimal, and the design hydraulic capacity of the plant (2.5 mgd) was exceeded only for three days during the month. The average daily inflow was just over 2.27 mgd (or 91% of design capacity), which was slightly less than the average inflow during March 2012.

Over the last few weeks the Operations - Wastewater Division completed the repair of one deteriorated manhole (near Public Beach), and changed the elevation of two manholes (to accommodate the re-alignment of West Bay Road near Public Beach).

The Chairman reported that at their meeting on 20 March 2013, the CTC opened the returned tenders for the West Bay Beach Sewerage Rehabilitation Project (2013). This project comprises the closed-circuit television (CCTV) 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.

A tender evaluation report was prepared and circulated by round-robin to the Water Authority Board members, and on 11 April 2013 the Water Authority Board accepted the recommendation to award this contract to the lowest tenderer being US Sewer & Drain, Inc, with a (revised) Tender Amount of US\$1,007,438.50 (which was nearly 33% less than the Engineer's Cost Estimate). It is expected that the CTC will discuss the Tender Evaluation report at its meeting on 17 April 2013.

The Chairman reported that on 03 April 2013 the Water Authority awarded the contract for the design and fabrication of a new pump control panel for PS1 to Automation & Control Engineering in the amount of US\$31,035.00. Total 2012/13 Budget amount for this item, which includes the construction of new block wall and installation, is CI\$50,000.

d) For Cayman Investment Alliance - George Town Landfill Closure and new Waste Management Facility in Bodden Town - Since the last Board meeting in March 2013 the following has taken place:

- The Environmental Advisory Board (EAB) completed the review of the draft Environmental Assessment (EIA) for the proposed Waste Management Facility. The draft EIA includes all technical reports, data, studies and summaries that were required by the Terms of Reference. Water Authority staff that serves on the EAB has reviewed specific sections that relate to the Water Authority's statutory responsibilities to manage and protect groundwater (e.g. groundwater, hydrogeology, surface water, storm water, climate change and operational plans).
- Cardno Entrix (CE), DRCL's consultant has prepared a revised draft EIA that has been made available on Department of Environment's website (www.doe.ky) to the public for review. Public meetings to review and discuss the draft EIA will take place on 17 April 2013 in Bodden Town and on 18 April 2013 in George Town. The public has until 29 April 2013 to comment in writing on the draft EIA. CE will then prepare a final EIA on behalf of the Proponent (DRCL). The EAB will review the final EIA and prepare a review for Government and DRCL. If the project goes ahead, it will need Planning permission and DRCL will submit the Final EIA with the EAB's

review to the Planning Department as part of the process to apply for Planning Permission for the Waste Management Facility.

- In the meantime, CDM Smith, an international environmental consulting company, has completed its independent third party review of the For Cayman Investment Alliance proposal for the Waste Management Facility and the closure of the George Town Landfill. This review is carried out on behalf of Government. The draft report has been made available to members of the EAB.

e) *FOI updates* – The Chairman reported that as noted in the April 2013 Freedom of Information (FOI) Report, two requests were closed.

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 26 March 2013 (but received by fax on 05 April 2013), [REDACTED] wrote to the Water Authority requesting the Authority to waive two years' worth of sewer charges incurred at their commercial property. The customer requested the Board's consideration because some of their old tenants were no longer there and it would be impossible for them to collect the funds from the previous tenants. A copy of the correspondence 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 in May 2012, an audit carried out at this revealed that the property was connected to the Water Authority's sewerage system but there was no account showing in the system. The customer was advised verbally to submit an application on several occasions without success by the Utility Auditor.

The Authority wrote to the customer on 18 February 2013 advising the customer to submit an application for the location. The customer admitted that use had been effective since March 2010 when the rebuilding was completed. The Authority did not receive an application from the current owner and therefore a bill was never issued. This location had therefore been illegally connected to the sewer line. On 06 March 2013, an agent for the company, [REDACTED] agreed that charges should be retroactive to March 2010 through to March 2013. The customer owes \$17,641.59 due to retroactive charges. Subsequently the owners of the company wrote to the Board seeking a waiver of the first 2 years charges.

The Chairman noted that the accrued charges are as a result of an illegal connection. The customer has had service since March 2010 and was advised in May, 2012 of his requirement to open an account when the illegal connection was identified. After initially agreeing to pay the back charges, the customer asked the Board to reduce the amount owed. The Secretary respectfully sought the Board's decision on the request from the customer to reduce the charges.

Members discussed the customer's request and 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 was responsible to ensure that he informed the Water Authority when his property was restored and became operational in May 2010. A payment plan may be offered if necessary for a short period.

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

[REDACTED].

The Chairman reported that in a letter dated 10 April 2013, [REDACTED], wrote to the Water Authority regarding a high water bill she received for 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 16 January 2012 the customer's account was disconnected for non-payment and the meter was locked off. Subsequently, the customer paid off the outstanding bill and requested on 07 December 2012 that the count be reconnected. On the day of the reconnection, the meter was read and registered usage of 58.9 cubic meters for the time between the disconnection and reconnection periods was discovered. This amounted to a bill of \$417.78.

The Chairman reported that the Meter Reader had noted that the location had an older model gate valve that can only be locked by a chain. The chain can allow some movement of the lock making it possible for some water to pass through the meter without removing the lock. The Chairman advised that the Water Authority changed out the majority of the old gate valves in the system but a few remain in the system. The customer was offered the option to have the meter tested however she declined to do so. A payment agreement was also offered to the customer.

The Chairman reports that the customer indicated in her letter that she had worked on the property and during that time there was no water to the unit. The Secretary respectfully sought the Board's decision on the request from the customer to reduce the charges on her bill.

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

Based on the Authority's terms of agreement - "*the customer is solely responsible for all works done downstream of the outlet side of the meter, and is solely responsible for any water lost through failure and/or damage of those works, regardless of whether the failure and /or damage was the fault of the applicant or a third party.*"

Members discussed the request from the customer and agreed that the customer should be advised that they reviewed the request and decided not to discount or waive the bill as the customer is responsible for all usage downstream of the meter. Members agreed that a payment plan should be offered as well as waiver of the late penalties providing the payments are made regularly.

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

The Chairman advised that [REDACTED] wrote to the Chairman on 02 April 2013 requesting that the Board consider lowering her high water bills as she is unable to make the payments. A copy of the letter and the report from Customer Service were provided to members.

The Chairman reports that a review of the account was undertaken and the Authority's findings were that on 31 October 2011, the meter box was found to be covered with debris and therefore meter reading was not possible. In a letter dated 09 November 2011, the customer was informed of the situation regarding the debris on the meter box and that as a result the water bill for October 2011 had to be estimated. On 28 November 2011, the Metering Supervisor had Operations clear the debris from the meter box. On the same day the customer complained that Water Authority staff had carried out work and left pipe exposed in and around her meter box. The Water Authority staff cleared the debris from the meter. There is a video of the status of the location on 28 November 2011 as well as of the leak. The customer was advised of the leak and on 30 November 2011, the customer received a bill in the amount of \$3241.42 as a result of a leak. The customer acknowledges that she had a leak and subsequently had it repaired.

The Chairman reports that on 30 June 2011 the customer signed a payment plan to address the bill of \$4136.11. The customer was unable to maintain her agreement. Partial payments were being made by the Department of Family & Children Services. The account was disconnected several times for non-payment however to assist her as she has small children, the service was reconnected. Unfortunately the customer has continued to incur very high bills each month with partial payment. On 03 April 2013, the account was disconnected and customer was advised to bring the payment agreement current. On the same day the customer emailed the Chairman concerning her

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

situation and requested assistance as she is now unemployed. The Chairman noted that the charges accrued are all legitimate therefore any assistance offered would be at the Board's discretion. The Secretary respectfully sought the Board's decision on the request from the customer for assistance with her high water bills.

Members discussed the request from the customer and agreed that the customer should be advised that they reviewed the request and decided not to discount or waive the bill as the customer is responsible for all usage downstream of the meter. Members sympathised with the customer's situation and agreed that a payment plan starting with \$50 per month for one year with evaluation to at least double the payments after the first 12 months should be offered as well as waiver of the late penalties providing the payments are made regularly. Additionally, the Board requested that the Water Authority carry out a water audit, providing the customer gives permission, on the customer's property to assist in assessing water usage at the property.

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

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

The Chairman reported that the customer wrote to the Chairman on 23 March 2013 requesting assistance in resolving the dispute she has with high water bill. The Chairman noted that this matter was reviewed by the Board in August 2010 and the Board's decision was that the bills need to be paid. A copy of the letter, relevant documentation, and the report from Customer Service were provided to members.

The Chairman reports that a review of the account was undertaken and the Authority's findings are that on 13 May 2010 the Water Authority received a complaint of a high water bill. No indication of a leak was identified at the time of the Meter Reader's visit to investigate the complaint. On 24 May 2010, upon the request of the customer the meter was replaced and sent for testing. The results indicated that the meter was operating in accordance with the ISO specifications and the customer was so informed on 23 July 2010. A payment agreement was offered at the same time the Board's decision was communicated to the customer on 23 August 2010.

The Chairman reports that there was a second leak in July 2011, the customer was made aware of the leak and the customer's plumber was also met onsite and shown the movement on the meter. On 17 August 2011 the account was disconnected for non-payment. Previous agreements had been established and defaulted on.

The Chairman reports that the customer has 3 accounts with the Water Authority. Both [REDACTED] and [REDACTED] are currently active while location [REDACTED] is inactive. The bill that the customer refers to in her letter dated 23 March 2013 is a bill from the February 2013 bill run for the inactive location [REDACTED]. In the Cogsdale billing system, all customers get bills regardless of the account status. As account# [REDACTED] was disconnected since 17 August 2011, it is possible that the customer maybe confused in thinking that this is a new leak. The Water Authority has no evidence of the customer paying off this bill which is from usage back in August 2011. If customer has evidence that she paid off this bill, then she should be able to produce the relevant receipts and the Finance Department will review the matter. At this time the account balance is \$3112.45. The Secretary respectfully sought the Board's decision on the request from the customer.

Members discussed the customer's request and agreed that the customer should be advised that they reviewed the request and decided not to discount or waive the bill as the customer is responsible for all usage downstream of the meter and there is no proof that the meter was defective. Members sympathised with the customer's frustration and asked that the customer be contacted and requested to provide evidence that the bill she claimed to have paid was actually paid off. A visit to the office with the Customer Service Manager was suggested to ensure that the customer understands what the February 2013 bill was for. Members agreed that a payment plan should be offered as well as waiver of the late penalties providing the payments are made regularly.

e) **Management Accounts March 2013.**

The Chairman reported that the Finance Department had prepared the summary financial statements for the period ending 31 March 2013 which includes comparison with prior year as well as budget.

Based on estimates for the first nine months of the 2012/2013 financial period Operating Revenue increased over the same period as last year, showing a modest increase over the same nine month period in 2012/2013 (increase of 8.3%). This is reasonable as the Authority had the rate adjustment effective 01 November 2012.

Operating Expenses were up from last year, due primarily to the increase in water sales and hence the increase in water production costs, increase in repairs and maintenance as the Authority begins to remediate the wastewater (WW) assets as well as the inclusion of the New Works Crews remuneration, which was not included in Prior Year numbers. Even though the operating expenses are higher than prior year (7.3%), they are still well under the estimated figures (-9.3%), primarily due to the delay in commencing the WW remediation projects.

Administrative Expenses were slightly higher than last year at approximately 3.7%. This increase is not unexpected as staff at the Authority diligently worked the hours required to learn the new utility billing system and experienced some overtime in the process, well in line with budgeted figures.

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

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, upcoming election, pending remediation projects etc.

f) * Redacted under section 21 (1) (a) (ii) and 23 of The Freedom of Information Law, 2007

g) **Adjustment of Rates 2013.**

The Chairman reminded members that on 21 September 2012 Cabinet approved the amendment to the Water Authority Regulations 2007, which included an Automatic Annual Rate Adjustment mechanism based on inflation indices, the CICPI and USPPPI. At that same meeting Cabinet stipulated that the Automatic Annual Rate Adjustment mechanism be replaced with the Rate Cap Adjustment Mechanism (RCAM) as soon as practically possible. The Water Authority (Amendment) Regulations 2012 came into effect on 01 November 2012.

The Chairman reported that the Authority had reviewed the options with regards to the 2013 rate adjustment and had calculated that in accordance with the current formula in the Water Authority Regulations, the Water Authority is entitled to increase its Base Prices (i.e., sewerage charges, septage charges and water charges) by 0.73%, effective 01 July 2013. A copy of the report Adjustment of Water Authority Rates was prepared for and provided to the Board. This document detailed the calculations.

The Chairman advised that in view of several factors, the Authority's management respectfully suggested that the Water Authority Board consider foregoing the rate adjustment calculated in accordance with the current Water Authority Regulations (0.73% increase, effective 01 July 2013) considering that a rate adjustment based on the RCAM will likely be made effective 01 January 2014.

The Chairman pointed out that it should also be considered that the RCAM needs to be properly defined, and this will require substantial work by the Water Authority and subsequent liaising with the Legal Drafting Department as the introduction of the RCAM will require an amendment of the Water Authority Regulations (WAR).

The Chairman also noted that the Cayman Islands Legislative Assembly was dissolved on 26 March 2013, and elections will be held on 22 May 2013, thus any changes to the Water Authority Regulations are therefore not likely to be made until several months after a new Government is in place.

Members discussed the options and resolved to forego the rate adjustment calculated in accordance with the current WAR (which, if implemented would result in 0.73% increase, effective 01 July 2013). This decision is in consideration that a rate adjustment based on the RCAM will likely be made effective 1 January 2014 in light of the upcoming elections. The following resolution was proposed:

Resolution

It is hereby resolved that the 0.73% increase in Water Authority base rates for water, sewerage, and groundwater due to be implemented 01 July 2013 in accordance with the Water Authority Regulations 2012 be deferred and incorporated in the Rate Cap Adjustment Mechanism (RCAM) calculated rate adjustment expected to take effect 01 January 2014.

The resolution above was moved by Mr O Watler, seconded by Mr M Smith and passed unanimously.

Mr O Watler spoke regarding the interaction of politics and the Water Authority's operations over the last four years. Mr O Watler said that he was

dismayed that over the last several years the Water Authority had had to utilise extensive time and funds dealing with matters relating to divestment. Whilst, in his opinion, that time, funds and energy should have been spent addressing the operational and capital needs critical to the Authority's services. He noted that delays to carry out necessary maintenance on the instructions of the political arm placed the Authority's investments, especially in wastewater infrastructure, in danger of failure and in his opinion, was risky. Mr O Watler said that these past years were very worrisome to him as he felt that Board was influenced by the political will and that Board decisions made were overturned to the detriment of the organisation. He also recognised the Director and complimented the Authority's management for all that had been accomplished as well as the financial status of the Authority during these last several years even though he knows the management was under significant strain and pressure. Members agreed that it is important in light of the nature of the Water Authority's functions that there is respect afforded to the technical knowledge and advice provided by management and that these are taken into account when policy decisions are made. The Chairman thanked members for speaking their minds and providing their guidance and support through the Board. It was noted that in the midst of all the challenges faced by the Board and management, the Water Authority remained a successful organisation.

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 \$3,975.

a) Prospect Primary School PTA Annual 5K Walk-A-Thon.

Members agreed to sponsor the Prospect Primary School PTA Annual 5K Walk-A-Thon in the amount of \$500. The motion was moved by Mrs I Simms, seconded by Ms A Owens and passed unanimously.

b) Mustang Track Club - 22nd Annual Baytaf Track and Field Championship.

Members decided to defer a decision on this request until more information is provided (such as confirmation that organisation is registered as non-profit and recognised by the CIAA).

c) Feed Our Future - Child Month Dress Down Day.

Members agreed to sponsor the Feed Our Future-Child Month Dress Down Day by matching the Water Authority's staff donations for Dress Down Day.

d) Cayman Brac Annual Braccanal.

Members agreed to sponsor the Cayman Brac Annual Braccanal by providing four gift certificates for 1000 gallons each of trucked water. The

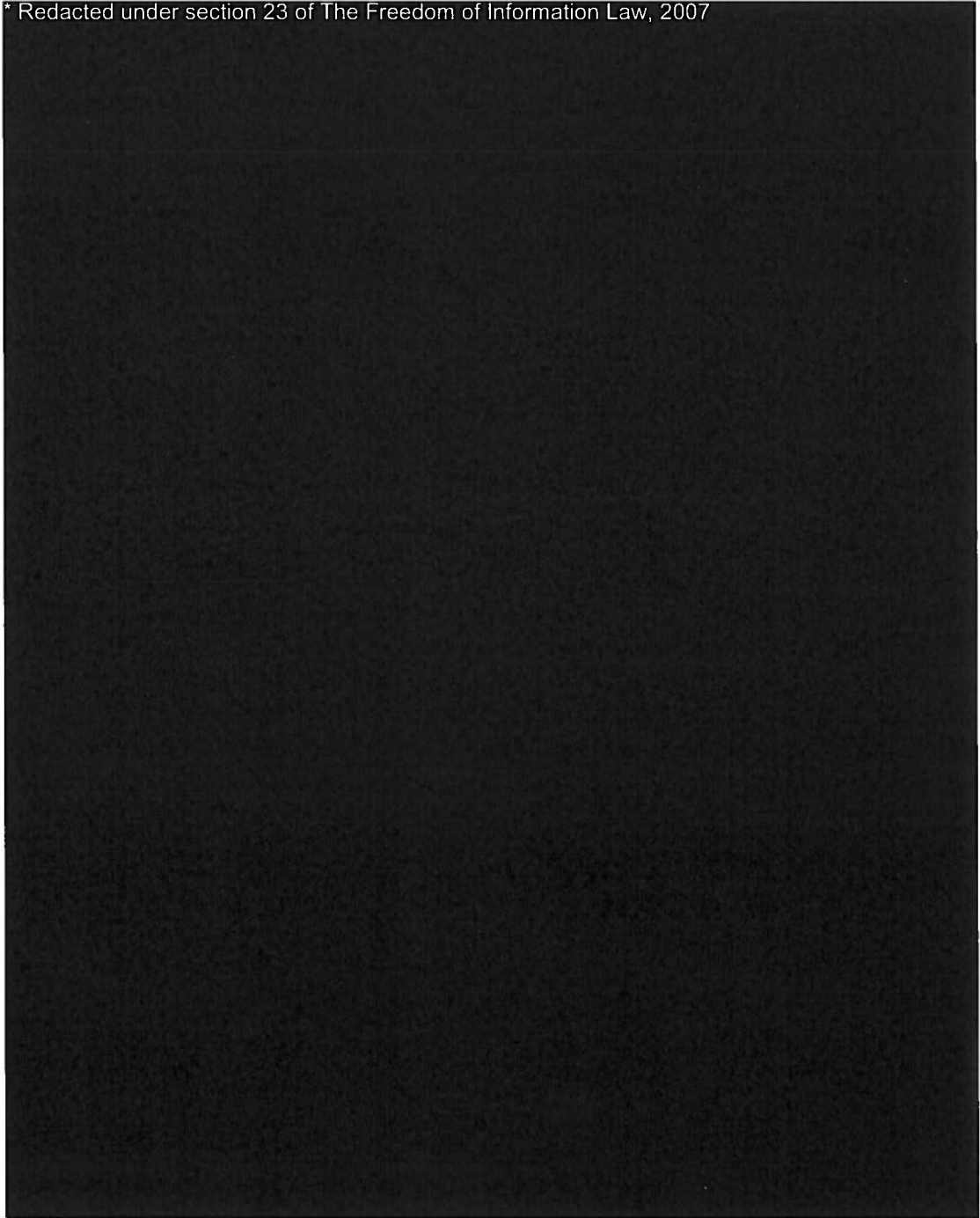
motion was moved by Mrs I Simms, seconded by Ms A Owens and passed unanimously.

Any Other Business

a) **Employee slated for retirement.**





The Chairman reported that there are several employees reaching the point where they may need to consider retirement. However, the Authority's oldest employee will be retiring on 01 May 2013:

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



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

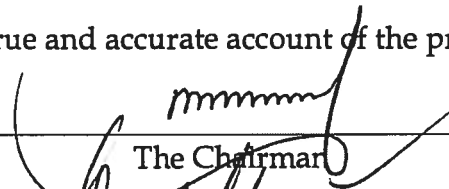


- b) **Request for Extension - Scholarship Student, *****.**
The Chairman reported that  has written to request until December 2013 to complete  studies and return to work. The Authority's management has no objection to  request. Members indicated that they had no objections either.

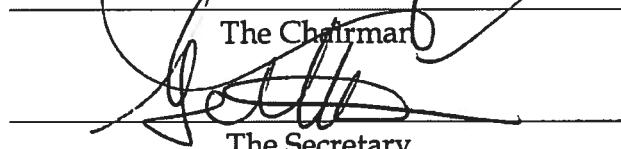
* Redacted under section 23 of The Freedom of Information Law, 2007

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

