

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 247th Meeting held on 19^h of March 2014

Members Present:

Chairman:	Mr J L Hurlston
Members:	Mr H B Ebanks Mr J Gill Mr M Jacques Ms A Owens Mr C Randall Ms R Sharma Mr O Watler Mr A Wright
Secretary:	Dr G Frederick-van Genderen
Apologies:	Ms T Mortimer

Call to Order

The Chairman welcomed members and called the meeting to order at 1:35pm after ascertaining that there was a quorum and acknowledging apologies from Ms T Mortimer. The Chairman extended sincere condolences on behalf of the Board, management and staff to Mr C Randall on the recent, sudden passing of his wife, Mrs Claire Randall. The Chairman then proceeded to offer a special prayer and the meeting was then opened.

Minutes of the 246th Meeting held on 19th February 2014

The Chairman asked for confirmation of the Minutes of the 246th Meeting held on 19th February 2014. The following correction to the Minutes was noted:

Page 3, 1st paragraph, 3rd line should read "Feedback was received from..."

Mr O Watler moved the motion to accept the Minutes as amended, Mr HB Ebanks seconded the motion and the motion passed unanimously.

Declaration of Conflicts of Interest

Mr HB Ebanks declared a potential conflict with the donation request from the Wesleyan Academy.

Matters Arising

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

The Chairman reported that water production (with one train) during the period 05 February – 26 February 2014 averaged 1,480 cubic metres per day. Water production ceased on 26 February 2014 as shipment of the replacement filters was delayed by the manufacturer and subsequently it was determined that due to other on-going issues there was little value in continuing to run the plant. The focus will now be on dismantling the facility in preparation for the new plant.

The Chairman reported that on 19 February 2014 the Central Tenders Committee opened five returned tenders for the Design and Build Contract for the LVRO Plant. A tender evaluation report has been prepared, a copy of which was provided to members.

The report noted that the works comprise the design and construction of a Sea Water Reverse Osmosis Plant and the operation of the Plant for a period of 90 days following the First Delivery Date. The Plant must be designed to produce 3,000 cubic metres of potable water per day (800,000 US gallons per day) which shall be achieved by two (2) independent, and identical, process trains.

The Chairman confirmed that the Authority's conservative cost estimate of US\$2,000,000 for this project was included in the Water Authority's revised 2013/2014 Budget. The estimate was based on OCL's cost estimate for the capital work, as per their proposal dated 06 September 2012; and Industrial Services Inc's cost estimate, as included in their technical and commercial proposal dated 12 April 2013.

The report details the pre-tender and tender activities. Five tenders were returned, and the individual tender amounts differed considerably ranging from US\$960,000 to US\$8,100,000. The Specific Energy Consumption varied from 2.35 kWh/m³ to 3.53 kWh/m³.

The Chairman noted that the tender evaluation process is detailed in the tender evaluation report. A Technical Committee comprising the Deputy

Director, Senior Engineering Manager and Engineering Manager was established to review and score each returned tender independently.

Based on the review, OCL's lump sum tender amount was 52% less than the Engineer's Cost Estimate. The second lowest tender amount, although nearly 28% less than the Engineer's Cost Estimate, was just over 50% higher than OCL's lump sum tender amount.

Additionally, OCL's proposal also indicated the lowest Specific Energy Consumption of the Plant, which will result in significant (electricity cost) savings over the lifetime of the Plant. Ocean Conversion (Cayman) Ltd had the highest combined score of Tender Assessment Criteria 2 and 3 (Costing Analysis and Technical Assessment respectively).

The Chairman stated that the Authority's management was respectfully requesting members to consider recommending to CTC to award this contract to Ocean Conversion (Cayman) Ltd with a Tender Amount of US\$960,000.00.

Members discussed the evaluation report. Concern was expressed regarding the dramatic reduction in price by OCL compared to what was proposed in September 2012. Members reconfirmed their decision that the Water Authority undertakes operation and management of the RO plants. The Secretary noted that human resources was the main limiting factor as due to the limitations on the salary scale the Authority is having difficulty attracting the level of competency required for the position of Water Production Engineer. The Chairman advised that after the loss of the Authority's RO Engineer to Consolidated Water (parent company of OCL) in December 2013, the Authority remained in the process of recruiting a suitable person for the Water Production Engineer position with three preliminary interviews planned during the week of 19 March 2014 via Skype.

After further discussion, members agreed to recommend to CTC that the contract for the Lower Valley RO Plant be awarded to Ocean Conversion (Cayman) Ltd with a Tender Amount of US\$960,000.00. The motion to recommend to CTC that the contract for the Lower Valley RO Plant be awarded to Ocean Conversion (Cayman) Ltd with a Tender Amount of US\$960,000.00 was moved by Mr J Gill, seconded by Mr C Randall and passed unanimously with the exception of the abstention of Mr O Watler.

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

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

The Chairman reported that the divisional financial statements and the island statements were before the Board for their review, however there are still several review processes to be completed at KPMG. Members agreed that

provided that there are no material changes that authorisation be granted to the Chairman, Director and Financial Controller to sign the statements when they are finalised. These statements are not required under law and hence the OAG does not need to be involved. Members were offered hard copies upon request.

OAG - RFP for 30 June 2014 Audit (Statutory, Divisional and Island)

The Chairman reported that there was no further discussion concerning the above during the last several weeks; however the Financial Controller sent the Deputy Auditor General an email on 03 February 2014, 17 February 2014 and on 10 March 2014 inquiring as to the status of this project. The OAG's office indicated that it had been the plan to send it out the second week of March. The Authority will continue to follow-up as it is now getting time sensitive as it is near the end of the 3rd quarter and the RFP has not been sent out to interested parties. The Chairman noted that if there is no further development from the OAG by 31 March 2014 that the management would request permission to work with the CTC to award the contract to KPMG again. In informal discussion with KPMG, the Authority learnt that, based on their inquiries, the OAG still plans on sending out the RFP at some point in April 2014.

Annual Report 2011/2012

Mr M Jacques advised that he believed that the Annual Report for 2011/2012 had already been laid on the table in the LA.

Annual Report 2012/2013


The Chairman reported that the Authority sent the 2012/2013 Annual Report to the OAG for final approval on 28 February 2014. The report was provided to members for their review and approval. Members approved the report and agreed for sign off of the report by the Chairman.

2014/2015 Ownership Agreement

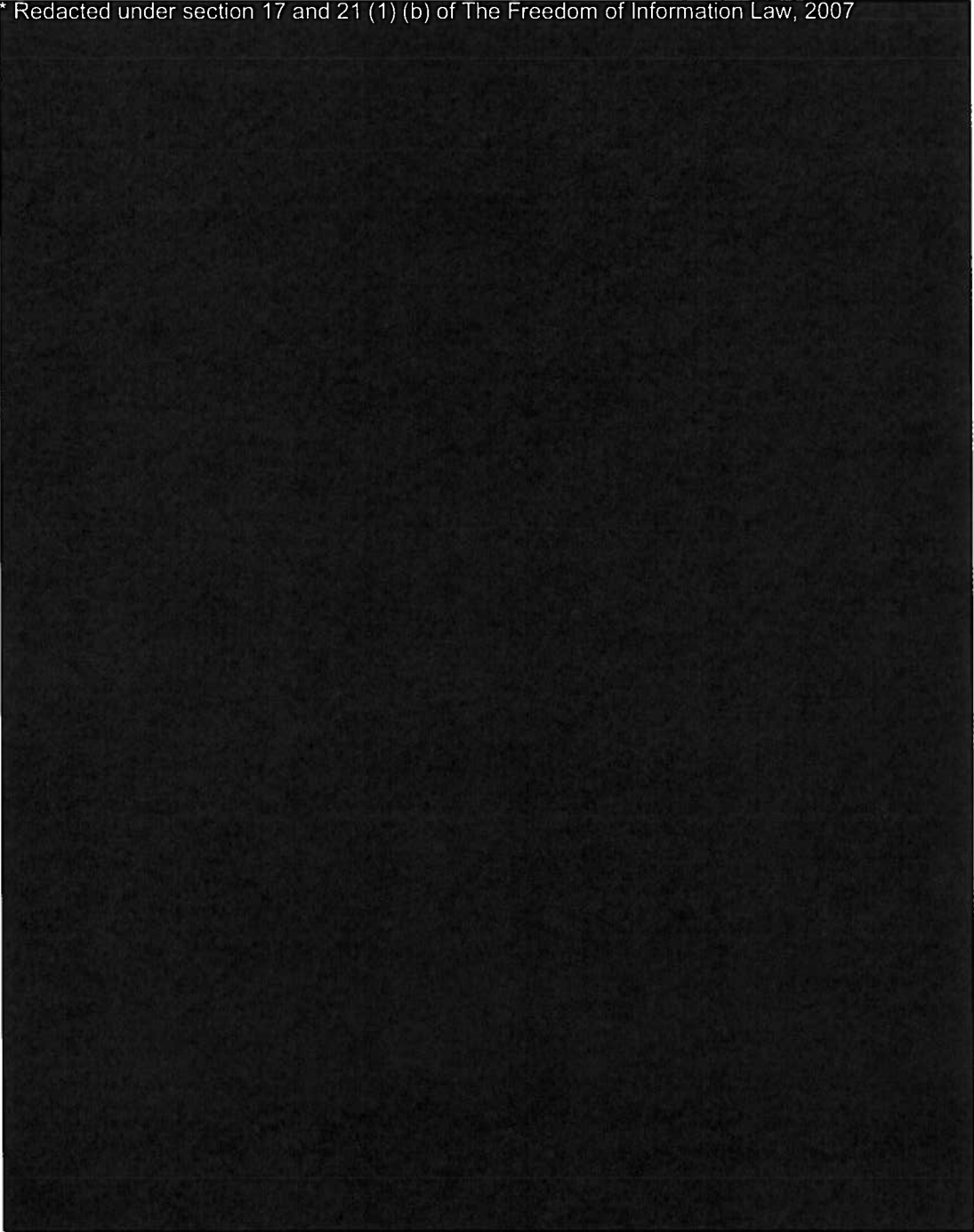
The Chairman reported that the Board approved Ownership Agreement and the associated Financial Statements were provided to the Chief Financial Officer (CFO) of the Ministry of Planning, Lands, Agriculture, Housing and Infrastructure (PLAHI) on 21 February 2014, prior to the 22 February 2014 deadline. Receipt was confirmed by the CFO on the same day.

c)


* Redacted under section 17 and 21 (1) (b) of The Freedom of Information Law, 2007



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Cayman Water Company - Leak Detection

The Chairman reported that CWC provided information to the public before commencing the project and that the project is now underway.

d) West Bay Beach Sewerage System Pipeline Rehabilitation Project (2013) – Update.

The Chairman reported that although the initial progress on this project had been slow, and in spite of the contractor not having the full staff complement on island and experiencing equipment issues, over the last few weeks the pace has picked up such that by 07 March 2014 nearly 20,000 feet of sewers had been cleaned and televised (representing approximately 43% of the total length under the contract).

e) Cayman Brac Infrastructure Upgrade & Expansion Project - Update.

The Chairman reported that it is anticipated that during the week of 19 March 2014 all pipeline sections installed to date (along Gerrard Smith Avenue and in all its side roads) will have been commissioned (tested, disinfected and flushed), after which work will commence on the pipeline replacement/upgrade on the South Coast.

The Chairman advised that once the new pipeline sections have been commissioned, new service connections will be installed, particularly in all side roads off Gerrard Smith Avenue). The Water Authority anticipates starting the water service crossings in May 2014 after the recently ordered rubber-tire rock wheel trencher and vibratory plate compactor have arrived on island.

The Chairman advised that the Secretary was respectfully requesting the Board to consider waiving the connection fees for all customers in this area who apply for water service before the end of April 2014. This will save new customers \$80.00 per meter (similarly as was done for the customers in North Side and East End in late 2009). This will encourage property owners to sign up for service and may assist in ensuring that all service crossings can be made in a relatively short period of time (thus avoiding having to mobilise often). This will affect around 50 properties situated in the following streets: Warbler Road, Bertrand Avenue, Bluff Boulevard, Marie Avenue, and an unnamed road. Members unanimously agreed to the waiver of the connection

fees for customers applying for service before the end of April 2014 in the streets noted.

Cayman Brac Emergency Generator Contract

The Chairman reported that on 28 January 2014 the Tender Documents for this contract were sent to six local electrical contractors. On 11 March 2014 the contract to supply, deliver, install, commission and test a 200 KW (250KVA) generator with sound enclosure, integral 1,000 US gallon fuel tank and 400 amp rated Automatic Transfer Switch was awarded, following a competitive tendering procedure, to Corporate Electric Ltd who submitted the lowest tender amount (CI\$69,315.00) of the three received, and which was 18.5% less than the Engineer's Estimate.

Cayman Brac Containerised RO Plant Contract

The Chairman reported that on 28 January 2014 the Tender Documents for this contract were sent to fourteen companies. By the tender submission deadline (4:00 pm on 12 March 2014) six proposals had been received. The tenders were opened on 13 March 2014 at 8:00 am by the Deputy Director in the presence of the Engineering Manager (no tenders were opened prematurely) so the integrity of the process was maintained.

The Chairman advised that all tender amounts exceeded the Engineer's estimate of CI\$250,000. Unfortunately this also means that this contract should have gone through the CTC process (i.e., returned tenders opened by the CTC). The Water Authority intends to prepare a tender evaluation report and make recommendations regarding the award and, will ask the Water Authority Board to review this report, before forwarding the report and its recommendation to the CTC, at which time we will ask the CTC to accept this process, as retendering this contract will not be beneficial as it will (i) delay a decision by at least 2 more months, (ii) may reduce the number of interested contractors, and (iii) will likely not change the outcome anyway. Members agreed to this course of action.

f) Rate Cap Adjustment Mechanism (RCAM) - Update.

The Chairman reported that the Authority's management had prepared the draft timeline as requested for implementation of the RCAM for the Water Authority. Members were provided with a copy of the draft timeline. Members agreed that the Authority proceed to advise the Ministry.

g) Miscellaneous Updates

a) In-House Pipelaying Crews - The Chairman reported that during the week of 10 March 2014 the pipelaying crew completed the installation of a 4-inch pipeline in Printer's Way (upgrade from the existing 2-inch). Simultaneously this crew also worked on the removal of all the material

(concrete and rebar) from the demolition of (part of) the concrete base of reservoir #2 at Red Gate.

Work will resume during the week of 19 March 2014 on the pipeline upgrade (from 6-inch to 12-inch) in South Sound: the remaining portion between the Venetia development and the intersection with Walker's Road.

- b) ***Water Supply Division*** - The Chairman reported that on 19 February 2014 Operations completed the replacement of approximately 800 feet of pipeline in Oak Mill Street, Windsor Park (between Anthony Drive and Fairfax Way). All customers should be reconnected to the new pipeline by the end of the week of 19 March 2014.
- c) ***Wastewater Division*** - The Chairman reported that during the month of February 2014 the design hydraulic capacity of the plant (2.5 mgd) was exceeded for all 28 days (although precipitation had been significantly less than the preceding months). The average daily inflow for February 2014 was 2.807 mgd (or 112% of design capacity). This average daily inflow is more than 30.3% higher than the average inflow during the same month a year earlier (2.154 mgd).


During the week of 19 March 2014 an invoice will be sent to Logic to recover the costs incurred by the Water Authority as a result of Logic (actually their contractor Trenchless Technology) cutting through the sewer pipeline near The Pavilion.
- d) ***Red Gate Water Works Reservoir Demolition of Existing Fibreglass Tank*** - The Chairman reported that on 04 March 2014 the contractor A&A Heavy Equipment (Alfredo Powery) substantially completed the demolition of (part of) the concrete base of reservoir #2. Last week Water Authority staff completed the removal of all the material (concrete and rebar). There are still some minor areas that need to be trimmed up, but have not yet been tackled due to mechanical problems with the contractor's breaker. It is anticipated that this work will be completed later this week.
- e) ***Red Gate Water Works - Bolted Storage Tank*** - The Chairman reported that during the week of 10 March 2014 Florida Aquastore's local sub-contractor (Lalev Construction, Ltd) confirmed that the first shipment with construction materials (e.g., starter ring) would arrive shortly and it is expected that construction of the concrete base will commence early during the week of 24 March 2014. The contract (to supply and construct one glass-fused-to-steel bolted-steel storage tank with a storage capacity of 1.9 million US gallons) must be completed on or before 04 June 2014.
- f) ***Informal housing - sanitation issues*** - The Chairman reported that as reported at the last Board meeting, the Authority is challenged by inadequate sanitation issues at informal housing complexes i.e. residential development that does not meet Planning and Building Code requirement. Since 01 January 2014, eight new cases have been brought to the

Authority's attention, compared to five per year since tracking of these cases started in 2002.

Development Control staff prepared a map of Grand Cayman to show members the locations of 40 properties documented by the Authority since 2002. The map only shows the locations where the Authority received complaints such as referrals from other agencies, complaints from next door neighbours and complaints from tenants. The same problem exists in Cayman Brac; however the Authority has no formal documentation. It is likely that the actual volume of informal housing with inadequate wastewater treatment and discharge is substantially higher than what the map shows. A complaint or referral to the Authority results in a site investigation to document the issue and subsequently notices of violations are issued to property owners. Often, due to the complexity of problems at these properties, most of these violations take a long time to resolve, if resolved at all. To provide more comprehensive information to the Board a report is being prepared for the next meeting, this report will review several specific cases to illustrate the complexity of this issue and the fact that for a successful resolution there needs to be a comprehensive approach from a wide range of Government agencies.

- g) *Proposal to transfer Plumbers Licensing to the Planning Department* - The Chairman reported that further to the proposal at the November 2013 Board meeting and the Board's agreement to transfer the licensing of plumbers from the Authority to the Planning Department, the Secretary advised the PLAHI Ministry accordingly in December 2013. On 26 February 2014 the Ministry replied that it is in support of the proposed transfer and asked the Authority to meet with the relevant persons and agencies in Government to facilitate the logistics of the move. A meeting has not taken place yet, but it is expected that this will be scheduled in the next few weeks.

h) * Redacted under section 17 and 21 (1) (b) of The Freedom of Information Law, 2007



Water Authority staff has since visited both DRCL plants to record details and to take water samples.

- i) *FOI updates* - The Chairman reported that one request that was outstanding had been processed as shown in the FOI Report dated 14 March 2014 and provided to members.

Current Business

a) **Management Accounts February 2014.**

The Chairman reported that the Finance Department had prepared the 28 February 2014 management accounts for the Board's Review.

Based on estimates for the first eight months of the 2013/2014 financial period Operating Revenue stayed in line with prior year figures, however was below budget by 4.3%. Revenue is expected to continue on a solid track as it is the traditional dry season, however it should be noted that the Cayman Islands has received an unusually heavy rainfall during this "dry season" and hence that could affect the sales in the above noted period.

Throughout the fiscal period, operating expenses were consistently lower when compared to prior year and also to the 2012/2013 budgeted figures, showing a decrease of 2.6% over prior year and 7.2% under budget, this is reasonable as there was a delay in commencing work on the CCTV survey. The CCTV work has begun and the Authority expects to see an increase in future operating expenses over prior year, but still within budgeted figures.

Administrative expenses were higher than last year, showing an increase of 8%. Consistent with prior explanations the variance with prior year is due to the administrative cost of the Brac in July/August, whereby GCM staff went to CYB to assist, interview, train, orientate etc., and the cost of the 30th Anniversary celebration, plus \$50k National Gallery Contribution, and the \$50k that was invoiced from KPMG for the SOA project. The actual figure for the first 8 months was still 14.7% lower than the revised 2013/2014 revised budget, primarily as the Past Service Pension Expense (\$150k) and bad debt expense (\$134k) have yet to be calculated and posted combined with the lower than anticipated legal fees (which are expected to rise in the last quarter of this fiscal period as the CWC Judicial Review gets underway in early April 2014).

The Authority continues to be in a very strong financial position, with sufficient cash reserves to commence the CYB and WW CCTV projects and meet day-to-day operational and administrative expenses.

Mr J Gill queried the level of receivables and the Secretary promised to ensure an explanation from the Financial Controller was forthcoming.

b) North Sound RO Plant.

The Chairman reported that the contract with OCL for the North Sound RO Plant expires on 01 April 2014. One of the Authority's long term goals is to regain control over the various RO plants and operate them in house rather than outsource. On 03 March 2014 the hands-on training for some of the Authority's staff related to the operation and maintenance of the North Sound RO Plant started.

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The Chairman reminded members that as the Authority had not been able as yet to recruit the appropriate human resources (Water Production Engineer) to oversee the operation and management of the facility, it was recommended that the Authority move forward with the 12-month proposal from OCL. This will allow additional time for recruitment and placing the refurbishment of the plant out to competitive bid. The Chairman sought members' feedback on this proposal. Members discussed the options available to the Water Authority and agreed that the one year extension was the best course of action in the circumstances. Members requested that the Authority ensure that in communication with OCL it was clear that the one year extension was to allow

the Water Authority time to review all options regarding the long term operation of the plant. Members unanimously gave approval to accept the proposal and request CTC to consider allowing the use of the single source supplier in view of the circumstances.

Donation Requests

The Chairman advised that the original 2013/2014 budget showed an amount of \$40k, revised budget to \$45k. With the proposed increase and the commitment to the Pines Retirement Home, \$8.4k would be available for disbursement during the current fiscal period.

a) Ratification Cayman Hospice Care - Matching Staff Donation.

Members agreed to ratify the donation of \$165 to match the Water Authority staff donation during a Dress Down Day. The motion was moved by Mr C Randall, seconded by Mr J Gill and passed unanimously.

b) Ratification Chamber of Commerce Earth Day Road Side Clean-up Sponsorship.

Members agreed to ratify the sponsorship of the Chamber of Commerce Earth Day Road Side Clean-up Sponsorship in the amount of CI\$1000. The motion was moved by Mr C Randall, seconded by Mr J Gill and passed unanimously.

c) Cayman Islands Red Cross - Cayman Brac & Little Cayman Chapter - Annual Karaoke Contest Red Cross Fundraiser.

Members agreed to donate five gift certificates for 1000gal each of trucked water in Cayman Brac to be used as prizes at the Cayman Islands Red Cross - Cayman Brac & Little Cayman Chapter - Annual Karaoke Contest Red Cross Fundraiser. The motion was moved by Mr M Jacques, seconded by Mr C Randall and passed unanimously.

d) Cayman Brac Agriculture Show.

Members agreed to donate five gift certificates for 1000gal each of trucked water in Cayman Brac to be used as prizes at the Cayman Brac Agriculture Show. The motion was moved by Mr M Jacques, seconded by Mr C Randall and passed unanimously.

e) George Town Primary School - Performing Arts Center Wall of Honour.

Members decided not to sponsor the George Town Primary School - Performing Arts Center Wall of Honour as support had been provided late in 2013.

f) Wesleyan Christian Academy - Regional Student Convention in Michigan, USA.

Mr HB Ebanks acknowledged that the student's name on one of the request letters was a family member. Members agreed that he should not take part in the deliberations. Members decided to support the

participation of Wesleyan Christian Academy in a Regional Student Convention in Michigan, USA to take place in May 2014. The sponsorship is in the "Gold" category in the amount of \$250.00. The motion was moved by Mr A Wright, seconded by Ms R Sharma and passed unanimously.

g) Tropical Promotions - Choral Competition.

Members decided not to sponsor the request for financial support from Tropical Promotions regarding a Choral Competition.

h) Water Authority Staff Dress Down Days.

Members agreed to support the next three Dress Down Days over the next three months with matching of Staff donations.

Any Other Business

a) National Gallery Sculpture Competition.

The Secretary advised that the competition had taken place and the winner was decided upon. The Secretary apologised that the notification of the unveiling reception at the National Gallery had been sent to members late. The winner was Mr Davin Ebanks and the title of his piece was 'Adjacent'. The Secretary thanked Board member Mr A Wright for participating on the jury along with two Water Authority staff members and the National Gallery. Mr A Wright explained to members how the process unfolded. He noted that the final choice was incredibly difficult and the submissions were very good. However the jury felt that Mr Ebanks' submission better demonstrated the theme of: "*showing a connection to either/or both the historic and contemporary cultural environment of the Cayman Islands*", and being "*reflective of our country's unique cultural identity.*" Mr Ebanks is a very talented Caymanian artist whose work captures our maritime heritage. It is expected that the unveiling of the full size sculpture will be on or before 01 July 2014.

There being no other business the Chairman thanked members and adjourned the meeting at 3.00pm.

This is a true and accurate account of the proceedings.



The Chairman



The Secretary