

**CONFIDENTIAL**



**Water Authority of the Cayman Islands**

**Minutes of 250<sup>th</sup> Meeting held on 18<sup>th</sup> of June 2014**

**Members Present:**

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

**Call to Order**

The Chairman welcomed members and called the meeting to order at 1:08pm after ascertaining that there was a quorum and acknowledging apologies from Mr H B Ebanks, Mr J Gill, Ms T Mortimer, Ms R Sharma, and Mr O Watler. The Secretary then proceeded to offer a special prayer and the meeting was then opened.

**Minutes of the 249<sup>th</sup> Meeting held on 21<sup>st</sup> May 2014**

The Chairman asked for confirmation of the Minutes of the 249<sup>th</sup> Meeting held on 21<sup>st</sup> May 2014. There being no corrections, Ms A Owens moved the motion to accept the Minutes, Mr M Jacques 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 removal of the existing equipment from the RO building (e.g., RO vessels, pumps, pipework, support frame etc.) has been completed. Additionally, Edgewater Development Ltd completed the following works:

- Exterior roof works, comprising the removal of the existing roof membrane and painting the roof with a waterproof membrane.
- Interior wall painting, comprising cutting out and repair of cracks in wall and paint with masonry paint.

The Chairman noted that Edgewater Development Ltd will complete the following work once input from OCL is received with reference to new RO plant frames:

- Interior floor painting, comprising the etching of the concrete floor surface, application of a bonding primer and painting the concrete floors with a floor paint

The Chairman reported that it is anticipated that all work should be completed by mid-July 2014, significantly in advance of providing OCL access to the RO building (as per contract to occur no later than 26 August 2014).

**b) Red Gate Water Works – Bolted Storage Tank – Update.**

The Chairman reported that the construction of the glass-fused-to-steel bolted-steel storage tank was completed on 23 May 2014. Sterilisation commenced on 27 May 2014. The filling of the reservoir with water was completed on 09 June 2014. The leakage test is pending.

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

The Chairman reported that by 13 June 2014 approximately 34,800 feet of sewers had been cleaned and televised (representing approximately 75% of the total length under the contract).

US Sewer & Drain (USS&D) were informed of the decision that the safety stand-down was lifted on 23 May 2014. Work did not progress well for the next few days as there were equipment failure issues.

The Chairman reported that on 30 May USS&D began preparation for the first liner installation. Progress was slow, pipe connectors were the wrong size, and

there were clearance issues to an overhead CUC line. At mid-afternoon the work was abandoned for the day and re-scheduled for 31 May 2014. Poor planning and equipment mishaps meant that the liner was not completed until 10.30 pm on 31 May 2014.

On 02 June 2014 a 280 ft section of pipeline MH1825 to MH1824 was lined, the installation was not completed in accordance with the specifications and will have to be addressed by a separate, not yet defined, process. The Secretary noted the Authority's management had concerns regarding the contractor's performance and the amount of very intense supervision required by the Water Authority. Members agreed and requested that the Authority continue to ensure close oversight and keep the Board informed.

**d) Cayman Brac Infrastructure Upgrade & Expansion Project - Update.**

The Chairman reported that to date the crew has installed approximately 2,400 feet of 6-inch pipe along the south coast between the intersection with Gerrard Smith Avenue and the Brac Reef hotel (out of a total of 8,800 feet, or around 20%).

In total 12,100 feet of pipework has been installed since early November 2013 (or approximately 66% of the entire project for 2013-2014). While 2,600 feet of temporary services are currently being installed for Phase 5 of the works.

The Chairman reported that the Vermeer RTX750 rock wheel trencher was expected to be delivered to the Port in Miami on 16 June 2014, and should arrive on Grand Cayman towards the end of this week and transferred directly to Cayman Brac. The installation of new water service connections on Cayman Brac is therefore expected to commence in early July 2014.

*Cayman Brac Emergency Generator Contract*

The Chairman reported that Corporate Electric Ltd has confirmed that the new 200 kW emergency generator will be shipped from the factory on 14 July 2014. Installation should be completed by mid-August 2014. The new transformer has arrived at Cayman Brac Power & Light Co Ltd (CBP&L) and could be installed in mid-July 2014, after the electrical wire and fittings (which have been ordered) have been received and installed.

The Chairman reported that the foundation works for the installation of the new equipment in Cayman Brac was carried out by Campbell's Welding & Construction Services. The foundation works contract commenced on 13 May 2014 and was completed on 03 June 2014. The contract sum was CI\$34,760.88.

**e) 30 June 2014 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 final divisional and island statements were provided via email to the Authority on 21 May 2014. Hard copies are expected, however the Authority considers this engagement complete.

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



*30 June 2014 Audit of Consolidated and Divisional Financial Statements for Water, Wastewater and Statutory*

The Chairman reported that the Finance Department is working diligently on keeping the audit working papers up to date and, barring unforeseen circumstances, does not expect any problem with meeting the 31 August 2014 deadline for submission to the OAG in compliance with the PMFL.

Inventory Count – the Stores Buildings will be closed on 30 June 2014 and 01 July 2014 in order to conduct the year-end inventory count. In anticipation of this count the Procurement officer and Stores Clerk have printed “test count sheets” to ensure that all information is reflected properly. The Water Authority expects that KPMG will be present for this count.

*Annual Report 2012/2013*

The Chairman reported the Authority awaits notification of when the 2012/2013 Annual Report will be sent to the Legislative Assembly.

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

*Judicial Review*

The Chairman reported that the Water Authority is awaiting the Chief Justice’s decision regarding the three issues raised at the Judicial Review hearing, which was held at the Grand Court on 01 April 2014. On 30 May 2014 the Authority’s lawyers Mourant were informed by the personal assistant of the Chief Justice that the ruling was still in the drafting stage.

*CWC – Rate Structure Proposal*

As agreed with CWC during the period leading up to the judicial review, CWC requested the opportunity to present an alternate proposal (specific to CWC) to the RCAM model as proposed by the Water Authority on behalf of Government during the negotiations. CWC asked for a 2 week extension from the 30 May 2014 deadline to which the Authority agreed. CWC’s proposal was received on 10 June 2014. It consists of a 3 part report prepared by their consultant, Amane Water:

1. A review of the proposed RCAM model
2. Review of the current rate model of CWC
3. Review of alternative regulatory models

The Authority has not reviewed the documentation in depth yet, be it that from the initial review it is clear that CWC's position remains that they reject the Authority's proposed RCAM model. The submitted documentation does however not include an alternative model, rather a general discussion of possible options and an overview of various regulatory models.

*OAG – CWC Review Engagement*

The Chairman reported that on 20 May 2014 CWC responded to the Office of the Auditor General (OAG) regarding the OAG's notification that it had been engaged to conduct an evaluation of CWC's licence and regulation. Although CWC's licence includes a provision for the OAG to inspect CWC's accounts, CWC questioned the OAG's objectives, method of publication of findings, the engagement by the Authority and right to carry out their review.

On 04 June 2014 the OAG responded to CWC that it was engaged by the Water Authority, that the review is similar to the 2003 review of the then CUC licence and that the OAG will decide when to make their findings public. In addition the OAG stated that this review is carried out under the specific provisions of CWC's licence.

The Chairman reported that CWC responded on 05 June 2014 challenging the OAG's right to carry out the review on several grounds: the OAG cannot act as an agent of the Water Authority, further under the Constitution the OAG's powers and responsibilities are limited to the audit of public entities. The CUC review was carried out with CUC's consent and in a different constitutional and contractual context. Furthermore CWC is of the view that the provisions in their licence do not provide a carte blanche to conduct investigations and demand information from CWC. In discussion with the OAG the Authority's lawyers have been invited to review this issue and will meet to discuss with the Authority.

*Licence expiry*

The Chairman reported that in the meantime CWC's 11<sup>th</sup> licence extension will expire on 30 June 2014. As the decisions of the judicial review as well as the OAG's review remain pending the Authority will need to recommend that the licence be extended again. Tentatively, the Authority would recommend a 9 month extension. The Secretary will communicate with the Ministry to determine the amount of time the Hon Minister will be willing to consider for the extension.

The Board is therefore respectfully asked to recommend to Government that Government grants CWC an amendment to their licence to process Seawater

to Water for sale and to distribute and sell Water by means of pipes during the additional period through consideration of the following resolution:

**Resolution**

*It is hereby resolved that the Water Authority recommends to Government that an Amendment to the Licence dated 11 July 1990 To Produce Potable Water From Seawater be granted to Cayman Water Company Limited (CWC) by the Government under the Water Production (Production and Supply) Law 2011 to allow for an extension until 31 March 2015. The Water Authority further authorises Mr John Lemuel Hurlston CVO MBE JP, Chairman and Mr J Gill, Board Member to sign the Amendment of the Licence on behalf of the Authority*

Members approved the resolution with the flexibility for CIG to determine the time period for the extension. The Board resolved and unanimously approved the motion. The Water Authority will consult with CIG and prepare the documents for the interim extension of the current licence accordingly.

*Non-potable issues*

The Chairman reported that CWC wrote to the Honourable Minister of PLAHI to express their concerns about the current and intended production of non-potable water by third parties within their franchise area, CWC's concerns are that:

1. Other concessionaires do not contribute to the capital investments of CWC and the Authority, and as a result the cost of these investments shift disproportionately towards household consumers.
2. CWC is obligated to provide sufficient supply to meet customer demand, without the larger commercial customers it will be hard to forecast demand and plan capital improvements. However these commercial customers rely on the public system as back-up.
3. It will impact the royalties paid to Government by CWC and increase the Authority's monitoring and compliance costs.

The Chairman advised that the Authority had not responded to CWC on this letter, as it was addressed to the Honourable Minister however the Authority will communicate with the Ministry on the matter.

**g) Rate Cap Adjustment Mechanism (RCAM) - Update.**

The Chairman reported that the Authority's management is coordinating with Mr M Jacques to arrange a time for presentation to Caucus. However due to budget preparations, Finance Committee, and senior management leave, a time will not be feasible until the last week in July 2014.

**h) Review of Public Services - Phase 5 Rationalisation - Update.**

The Chairman reported that the Ernst & Young (E&Y) consultant is going through the next stage of their review and 1 hour meetings are planned with

all government entities in the next few weeks with the Authority being scheduled for 24 June 2014.

i) [REDACTED] - Request for Fee Reduction - Update.

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

The Chairman reported that further to the Board's decision at the meeting of 21 May 2014 regarding the payment plan to renew the quarry permits for the [REDACTED] the decision was communicated to both operators. Payment of 65% of the outstanding quarry permit fee was due by Friday 30 May 2014 with the 35% balance to be paid by 31 May 2015.

The Chairman reported that [REDACTED] paid the 65% fee by the due date and the permit will be granted accordingly. [REDACTED] submitted a letter and a cheque of \$3,000 (approximately 10% of the total fee of \$30,174.44). The letter explained that they have difficulty to pay their bills as a result of poor business and outstanding payments from their customers and that the \$3,000 payment is a sign of their good faith. [REDACTED] subsequently called the Water Resources Engineer to verify that the letter and payment had been received and he reiterated his position that the quarry business is very tough and that [REDACTED] is trying to do everything to stay in business. The Board is respectfully asked for a decision on this matter, pending a decision the cheque has not been cashed.

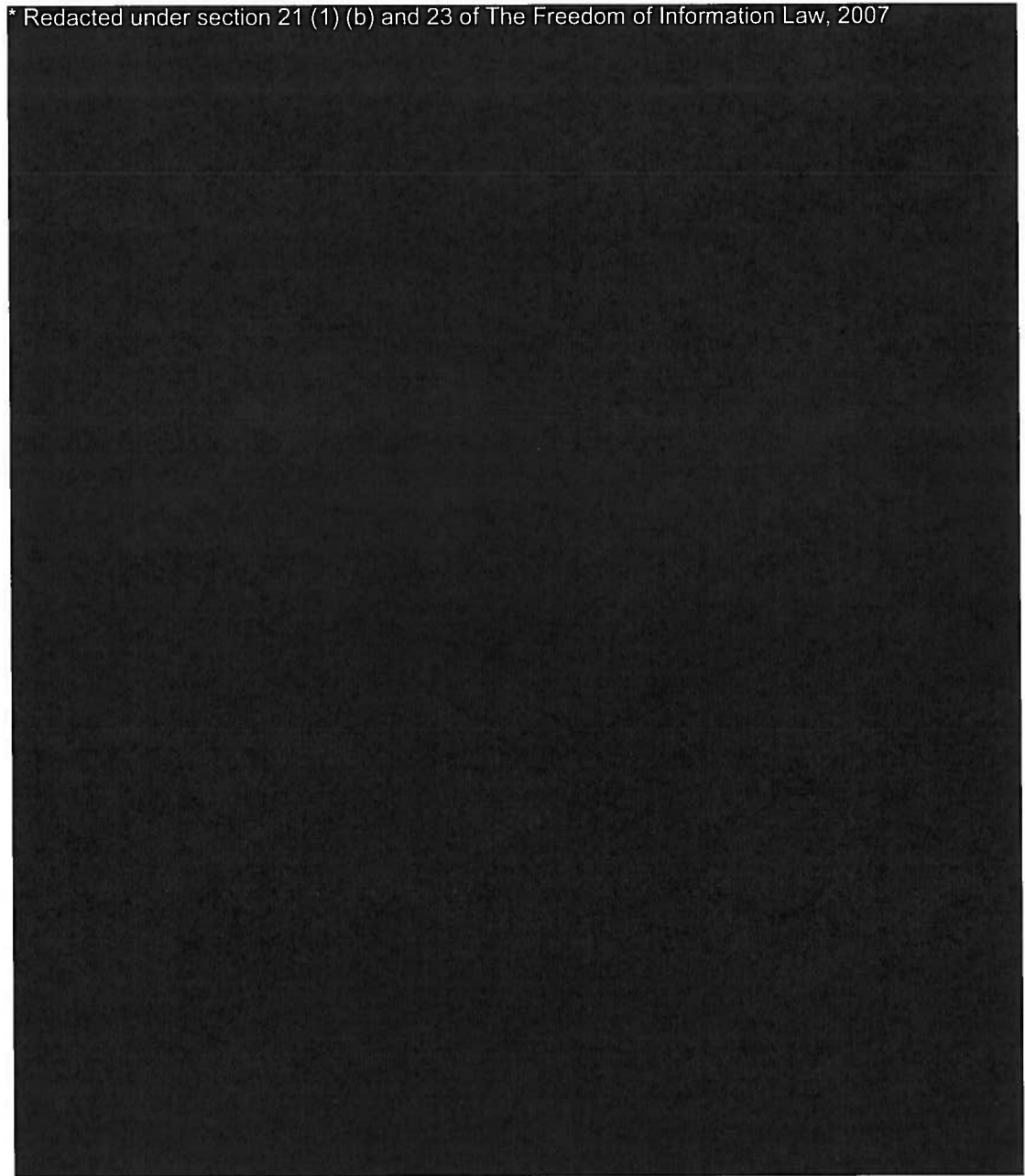
Members discussed the request of [REDACTED] and agreed that the [REDACTED] should be advised that they had considered the request in [REDACTED] to the Water Authority Board and decided that the initial decision remained in place. That is, 65% (less \$3,000) of the outstanding fee is payable within two weeks of the notice being sent (\$16,613.39), and that the balance (\$10,561.05) be paid a year later. Additionally, [REDACTED] should be informed that the Water Authority has not cashed the \$3,000 cheque sent by [REDACTED] and will not do so unless the outstanding amount is paid. Failure to make the payment as requested in two weeks will result in the quarry being considered as an illegal operation and the matter will be referred to the Department of Public Prosecutions. Furthermore, it should be explained to [REDACTED] that there was no discrimination as the rate of payment was applied equally. [REDACTED] is subject to the fees as per the amendments to the Water Authority Regulations in 2012.

j) Request for Indefinite Forgiveness of Bond Obligations - [REDACTED] - Update.

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

\* Redacted under section 21 (1) (b) and 23 of The Freedom of Information Law, 2007

\* Redacted under section 21 (1) (b) and 23 of The Freedom of Information Law, 2007



k) **Miscellaneous Updates.**

- a) ***In-House Pipelaying Crews*** - The Chairman reported that during the week of 10 June 2014 the in-house pipelaying crew completed Phase 5 of the pipeline upgrade (from 6-inch to 12-inch) in South Sound between The Venetia and San Sebastian. Customers in this section have been reconnected connected. Phase 6 (approximately 1,500 feet between the San Sebastian development and the intersection with Walker's Road) is currently underway with the temporary services being installed.
- b) ***Water Supply Division*** - The Chairman reported that Operations WS are installing new services and service lines for a new subdivision on Pedro Castle Rd. As soon as permission is received from the owner to use some

land for storing material Operations WS will commence replacement of the 3" main on Fairlawn Rd. (approximately 700ft), this has become necessary due to numerous leaks.

- c) **Wastewater Division** - The Chairman reported that during the month of May 2014 the design hydraulic capacity of the plant (2.5 mgd) was exceeded for all 31 days. The average daily influent for May 2014 was 2.95 mgd (or 116% of design capacity). This daily average influent was 30% higher than the average influent measurement this time a year earlier. (2.20mgd).
- d) **Informal Housing - Sanitation Issues (update)** - The Chairman reported that further to the report and discussion on sanitation issues at informal housing, no feedback has been received since the report was forwarded on 25 April 2014 to the Chief Officer of the Ministry of PLAHI for review and consideration. However the Secretary understands that the PLAHI Ministry has attempted to have the relevant Chief Officers meet to discuss the report.
- e) **Solid Waste Management Committee** - The Chairman reported that staff from the Water Resources and Quality Control Department was involved in the preparation of the Request for Proposal (RFP) for the consultancy for the Integrated Solid Waste Management System. Interested parties could obtain the RFP from 04 June 2014 by payment of a tender bond of \$5,000. The tender is due by 12 noon on 16 July 2014. Tendering procedures are in accordance with the Public Management & Finance Law and given that the expected contract price will exceed \$250,000, the tendering will take place through the Central Tenders Committee.

The consultant that will be selected through the competitive tendering process will provide consulting services throughout the solid waste project:

- 1) An initial risk assessment of the 3 current landfills in Grand Cayman, Cayman Brac and Little Cayman;
- 2) Preparation of a National Solid Waste Strategy;
- 3) Preparation of an Outline Business Case;
- 4) Procurement support for the Integrated Solid Waste Management System (ISWM): preparation of design, preparation of RFP for the ISWM, tender review, and contract management during construction.

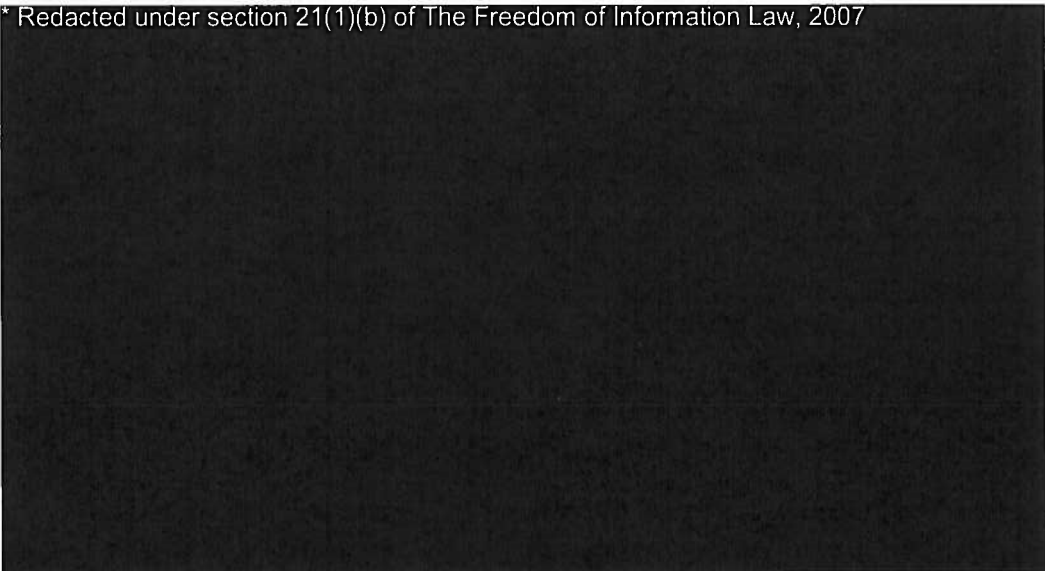
The project will be managed through the Ministry of Health by the Capital Projects Team of the Public Works Department, which will include a dedicated senior project manager – solid waste. Throughout the project cycle the technical committee, of which the Water Authority is a member, will have input in the project.

- f) **National Laboratory Policy** - The Chairman reported that the Water Authority was invited to participate in a workshop from 9-12 June 2014 to develop a National Laboratory Policy. The workshop targeted medical laboratories and as the Water Authority's Laboratory provides drinking water quality testing, it was deemed a relevant stakeholder in the scheme

of health and medical laboratories. Ms Marcela Martinez-Ebanks, the Laboratory Manager, participated on behalf of the Authority. The workshop was very useful to work towards the policy and for professional networking. As the policy is developed further, the Authority will be provided with the opportunity for further input.

- g) *request for approval of Wastewater Systems* - The Chairman reported that further to the last Board meeting of 21 May 2014 and the Board's decision that [REDACTED] must agree in writing to specific conditions to supply, install and maintain [REDACTED] wastewater treatment plants in the Cayman Islands, [REDACTED] was asked to provide details on [REDACTED] who co-signed the letter. An information package on [REDACTED] has been received, he holds Caymanian Status and is employed by [REDACTED] since 2007 as a draughtsman and assists [REDACTED] in the operation and maintenance of wastewater systems. He is a shareholder of [REDACTED]. [REDACTED] confirmed in his letter that as a central principle of the company, [REDACTED] will attend training at the company that designs and supplies the treatment systems. Currently the Water Resources and Quality Control Department is preparing the agreement. Members agreed for the Water Authority to allow [REDACTED] to supply customized systems from [REDACTED] under very specific conditions provided by the Authority's management, which are in accordance with points 2 and 3 of the policy. Members noted the credentials of [REDACTED].

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

- h) \* Redacted under section 21(1)(b) of The Freedom of Information Law, 2007
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- i) *FOI updates* - The Chairman reported that one request was received and processed as shown in the FOI Report dated 11 June 2014 and provided to members.

**Current Business****b) Management Accounts April 2014.**

The Chairman reported that the Finance Department had prepared the 31 May 2014 management accounts for the Board review and feedback.

Based on estimates for the first eleven months of the 2013/14 financial period Operating Revenue stayed in line with prior year figures, however was below budget by 1.7%. With no large developments pending revenue is expected to continue to follow the historical trend, as the "rainy" season has started it is expected that the consumption will fall into line with that of prior years.

Throughout the fiscal period operating expenses were consistently lower when compared to prior year and also to the 2013/2014 budgeted figures, showing a decrease of 1.8% over prior year and 5.9% 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 this project to continue into 2014/2015. The Authority also expects to see an increase in road reinstatement under supplies as invoices for work completed are paid and completed upgrade and replacement projects are completed and transferred from CIP as part of the 30 June 2014 audit preparation.

Administrative expenses continue to be slightly higher than last year, showing an increase of 6.8%. Consistent with prior explanations the variance with prior year was 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 30<sup>th</sup> Anniversary celebration. The actual figure for the first eleven months was still 11.4% lower than budgeted, primarily as the Past Service Pension Expense [REDACTED] and bad debt expense [REDACTED] have yet to be calculated and posted combined with the lower than anticipated legal fees. If there is a favourable outcome to the judicial review this would minimize the anticipated legal fees, however these savings may be offset if it is deemed appropriate to have legal representation on the negotiating team.

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

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

\* [REDACTED]

The Chairman reported that on 09 June 2014 the Authority received a letter dated 06 June 2014 from [REDACTED] requesting that consideration be given to reducing her bill. A copy of the correspondence and the report from Customer Service was provided to members.

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

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

A review of the account was undertaken and the Authority's findings were that on 29 January 2013 the account was identified as having a high consumption and flagged for the fail audit check. The meter was checked on 31 January 2013 and no leaks or movements were detected. However, the meter reader noted on the records that the area around the meter box had been dug up and it appeared that a pipe may have been changed on the customer's side of the meter box. The reading indicated a total consumption of 200.8 cubic meters which generated a bill of \$1,345.74.

On 29 March 2013 the customer established a payment plan to address the balance. The customer received normal bills for the period February-August 2013. However during the period of September-November 2013, the amount billed reduced to the minimum of \$5.00. The meter was checked to determine whether it was stuck. On 03 December 2013, the meter was confirmed to be stuck and the minimum bills received for September-November 2013 were averaged in accordance with the Authority's policy. The customer was advised of this via letter dated 06 December 2013.

The customer queried the averaged bills and was advised of the policy again by the customer service supervisor. The customer requested that the high bill she received in January 2013 be reduced in the same manner by averaging a normal bill and thus she wishes the Water Authority to give her a refund.

The Chairman advised that based on the details provided all bills generated to this account are valid and payable. Additionally the customer paid the account in full. The Board's decision on the request from the customer was respectfully sought. Members discussed the customer's request and agreed that the customer should be advised that they reviewed the request and decided not to issue a refund on the account as the Water Authority had followed the stuck meters and high water bill policies correctly. The customer is responsible for all usage downstream of the meter and additionally the customer acknowledged that she had a leak.

#### **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 there is \$4.6k that is available for disbursement during the current fiscal period.

a) **Layman E Scott, Sr High School – Raffle Prize for Annual Music Concert Fundraiser.**

Members agreed to provide 5 gift certificates each for 1000gals of trucked water as raffle prizes for the Layman E Scott, Sr High School's for Annual Music Concert Fundraiser. The motion was moved by Ms A Owens, seconded by Mr M Jacques and passed unanimously.

b) **Mystical Youth Domino Club of East End, Cayman Islands Dominoes Association – Assistance to attend Tournament.**

Members agreed to sponsor Mystical Youth Domino Club of East End, Cayman Islands Dominoes Association – Tournament attendance in Jamaica in the amount of \$500. The motion was moved by Ms A Owens, seconded by Mr M Jacques and passed unanimously.

c) **CI National Flag Football Team – Women's Team to participate in 2014 Fallen Warriors Tournament in Atlanta, GA, USA.**

Members agreed to sponsor the CI National Flag Football Team – Women's Team's participation in the 2014 Fallen Warriors Tournament in Atlanta, GA, USA in the amount of \$500. The motion was moved by Ms A Owens, seconded by Mr M Jacques and passed unanimously.

d) **CI Seafarers Association Annual Calendar.**

Members agreed to sponsor the CI Seafarers Association Annual Calendar in the amount of \$500. The motion was moved by Mr A Wright, seconded by Mr C Randal and passed unanimously.

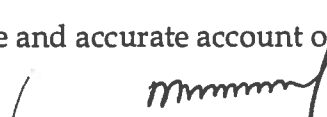
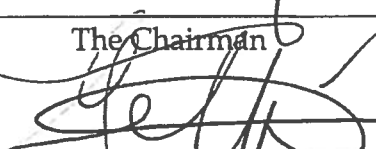
**Any Other Business**

a) **Director's Leave.**

The Secretary advised that she would be on annual leave during the period 03 July 2014 through to 25 July 2014.

There being no other business the Chairman thanked members and adjourned the meeting at 2:50pm.

This is a true and accurate account of the proceedings.

  
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The Chairman  
  
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The Secretary

