

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 253rd Meeting held on 15th of October 2014

Members Present:

Chairman:	Mr J L Hurlston
Members:	Mr H B Ebanks Mr J Gill Ms T Mortimer Mr C Randall
Secretary:	Dr G Frederick-van Genderen
Apologies:	Mr M Jacques Ms A Owens Ms R Sharma Mr A Wright Mr O Watler
Guests:	Mr Tom van Zanten, WA Deputy Director Ms Lori Bergman, WA Financial Controller Mr Ernie Scott, <i>District Administration Commissioner</i> Mr Mark Tibbetts, <i>Deputy District Administration Commissioner</i>

Call to Order

The Chairman welcomed members and called the meeting to order at 9:19am after ascertaining that there was a quorum and acknowledging apologies from Mr M Jacques, Ms A Owens, Ms R Sharma, Mr A Wright, and Mr O Watler. The Chairman then proceeded to offer a special prayer and he subsequently declared the meeting

open. The Chairman suggested that the Board Agenda be revised to reflect the items in the Minutes. It was agreed by all that Board Agenda would show the following sequence of items:

Call to Order
Confirmation of Minutes
Declaration of Conflicts of Interest
Matters Arising
Current Business
Any Other Business

Confirmation of Minutes of the 252nd Meeting held on 18th September 2014

The Chairman asked for confirmation of the Minutes of the 252nd Meeting held on 18th September 2014. The following correction to the Minutes was noted:

Page 1, Members Present should include Board member, Mr M Jacques.”

Mr C Randall moved the motion to accept the Minutes as amended, Ms T Mortimer 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 in September 2014 Edgewater Development Ltd completed the few remaining problems with the roof repair. During the week of 06 October 2014 Consolidated Water (CWCO) commenced the installation of the RO plant equipment. Most of the equipment has been installed and presently the electrician is installing the wiring.

The Water Authority reviewed the various submittals by OCL, and made its comments. However there are still several items outstanding on the submittals and the Chairman noted that the Authority awaits formal responses from CWCO to previous comments/queries.

During the week of 06 October 2014 the first (out of an anticipated three) shipment to be used by Industrial Services, Inc on the contract for the rehabilitation of the feed water wells at Lower Valley were received. It is anticipated that, barring unforeseen circumstances, this project will be completed by late November/early December 2014.

b) West Bay Beach Sewerage System Pipeline Rehabilitation Project (2013) - Update.

The Chairman reported that as of 14 October 2014, 25 pipeline sections, totalling approximately 2,800 linear feet (or approximately 30% of the total) have been lined.

Progress over the last few weeks has been erratic, due to both equipment problems and installation issues. On 13 October 2014 the contractor submitted a revised method statement, using PolyThix(®) resin with the structural liner. The manufacturer recommends this product where extreme conditions are present such as high infiltration, high water tables and significantly deteriorated pipe. The manufacturer considers the condition on the West Bay Beach Sewerage System as 'extreme', and recommends using the PolyThix.

US Sewer & Drain offered this method at the direct costs from the manufacturer and without any mark-up, and assert that this proposal offers considerable cost savings compared to grouting, in addition to it being faster to install. The Authority has requested more details to verify that statement.

Based on the recent rate of progress, and the contractor's estimate, the revised estimated completion of this project is mid-January 2015.

- c) **Cayman Brac Infrastructure Upgrade & Expansion Project - Update.**
Members agreed to wait to deal with this item on the Agenda when the Deputy Director, Financial Controller, District Commissioner, and Deputy District Commissioner would join the meeting.
- d) **30 June 2014 Audit of Consolidated and Divisional Statements - Update.**
Members agreed to wait to deal with this item on the Agenda when the Deputy Director and Financial Controller would join the meeting.
- e) **Cayman Water Company (CWC) Negotiations Update.**
CWC – Rate Structure Proposal
The Chairman reported that on 11 September 2014 the Water Authority advised CWC that their final submission did not include any specific recommendations regarding a more appropriate water rate model, and that the Water Authority would proceed to prepare the licence with the inclusion of RCAM. In their letter dated 22 September 2014 CWC refuted Water Authority's position, suggesting that the Authority was acting out of self-interest, and making various other allegations.

The Chairman reported that after consultation with the Authority's lawyers and the Chairman via letter dated 03 October 2014, the Authority denied the various suggestions and allegations and advised CWC that in accordance with its statutory duty, the Water Authority will prepare the licence and will provide an updated draft licence in due course. CWC was reminded that in

accordance with Clause 4.2 of the current Licence, it will have the right of first refusal.

On 09 October 2014 CWC indicated that they have requested a meeting with the Electricity Regulatory Authority (ERA) in order to better understand the RCAM and how it has worked with CUC over the past eight years, and that soon thereafter they would present a proposal.

OAG - CWC Review Engagement

The Chairman reported the Authority had not received an update on this matter from the OAG to date.

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

The Chairman reported that on 25 September 2014 the Director and Deputy Director met with the Honourable Minister of Planning, Lands, Agriculture, Housing, & Infrastructure (PLAHI) and his Chief Officer and it was confirmed that the Authority is to proceed with preparing the draft amendment to the Water Authority Regulations, with anticipated implementation by early 2015. There is nothing new to report further.

g) Review of Public Services - Phase 5 Rationalisation - Update.

The Chairman reported that at the Legislative Luncheon on 09 October 2014, the Premier announced in reference to the E&Y Report that the government would not sell the Water Authority, however the government will be embarking on an RFP to deal with the development of a national sewerage system. The Chairman reported that on 06 October 2014 the Secretary was requested by the Honourable Minister Tibbetts to provide a summary for the way forward on the wastewater system (national sewerage system). The Authority will provide the information requested.

h) Debt Recovery of Scholarship - Update.

The Chairman reported that the HR Department will continue to address this matter later in the month of October 2014 and thus there is no further development.

i) Miscellaneous Updates.

a) In-House Pipelaying Crews - The Chairman reported that all customers have been connected to the new pipeline in the last phase of the pipeline upgrade (from 6-inch to 12-inch) in South Sound (between the San Sebastian development and the intersection with Walker's Road). This crew then installed a 3-inch diameter pipeline in Breakers (including a road crossing in Bodden Town Road on 05 October 2014).

Both New Works pipelaying crews are currently installing large diameter pipework at the Red Gate Water Works, necessary to connect

the new bolted-steel storage tank, and in anticipation of the new water distribution pump station (to be constructed in early 2015).

The National Roads Authority (NRA) has indicated that the widening and straightening of Red Gate Road will commence on 03 November 2014. Both New Works pipelaying crews will be used to quickly install the pipework between the Water Authority office and Red Gate garage, and thus limit the period traffic will be affected and avoid any delays to NRA's activities. However it is unclear whether NRA had received the final approval from Government and/or whether all issues with neighbouring and affected property owners had been resolved.

- b) **Water Supply Division** - The Chairman reported that on 23 September 2014 the problems with the emergency generator at the North Side Water Works were resolved with three parts being replaced. These parts were the 550 relay board, the engine control unit (ECU), and the ECU 24V DC relay. Last week the trickle charger was found to be defective, and was replaced on 14 October 2014.

Operations WS continues the hot mix asphalt road reinstatement at various locations throughout the water distribution system.

- c) **Wastewater Division** - The Chairman reported that during the month of September 2014 the design hydraulic capacity of the plant (2.5 mgd) was exceeded for 28 days. The average daily influent for September 2014 was 2.99 mgd (or nearly 120% of design capacity). This daily average influent was 10% more than the average influent measurement during the same period last year (2.71 mgd). (Note: September 2014 was a wet month with several downpours).

The Authority has finally been able to recruit a wastewater engineer and is optimistic that he will be able to commence work before the end of the calendar year pending approval of his work permit.

- d) **Informal Housing (now referred to as Sub-standard Housing) - Sanitation Issues (update)** - The Chairman reported that further to earlier reports to the Board, to date two meetings have taken place about the sanitation issues at informal housing. The Ministry of PLAHI has taken the lead in this matter, and the other entities involved are the Ministry of Health, Sports, Youth and Culture, the Planning Department, MRCU, Public Health, Environmental Health and the Water Authority.

- e) **Website Redevelopment** - The Chairman reported that the Authority engaged the services of a new vendor, NetClues [REDACTED] on 02 October 2014 following an evaluation report which was completed on 16 September 2014. This is a budgeted project and it is expected that the new website site will be delivered within the next 2 months. The current website is cumbersome and no longer considered user-friendly. The new vendor is required to deliver a website that is fast, easy to read, user-friendly, provide for simple navigation with content that is well-organised on each page and easy to search. The redesign will entail a revised layout, new image/modern and clean look, new features to

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

include functionality to push one source of data to social media (Facebook, Twitter, YouTube), fillable forms and also content revision including updated content; website must be compatible with all Android and Apple smartphones and tablets (including iPad). Members asked whether the website would be compatible with Blackberry phones, the Secretary advised that she expected it would be the same with all smart phones but would confirm at the next meeting.

NetClues provided the first draft of the website "look" on 02 October and a second draft is expected to be presented in the next week. In conjunction with this project the Authority is in the process of filling the long vacant position of corporate communications officer.

The Authority excluded the delivery of a customised App as this is being pursued with the Authority's billing software vendor, Cogsdale. This App will allow Water Authority customers to link to the Cogsdale web portal to display information currently available to online users. This will eventually include acceptance of payments.

- f) **Geology Education** - The Chairman reported that the week of geology education started on 13 October 2014 with a one-day geology course for high school teachers, 18 persons participated in the course and it was well received. During the rest of the week, geology lessons will be given at the high schools in Grand Cayman and Cayman Brac. On 15 October 2014 Dr Jones will be in the Brac at the Layman Scott High School. In addition public lectures will be given in Grand Cayman and in Cayman Brac, the public lectures have been organised by the National Trust. The Secretary noted special thanks to Board member, Mr C Randall for his assistance in organising the National Trust event in the Brac.
- g) **Quarry Permit Fees Midland Acres** - The Chairman reported that Midland Acres Ltd will be advised in the week of 20 October 2014 regarding the Board's decision.
- h) **FOI updates** - The Chairman reported that one request was received and is being processed as shown in the FOI Report dated 14 October 2014 and provided to members.

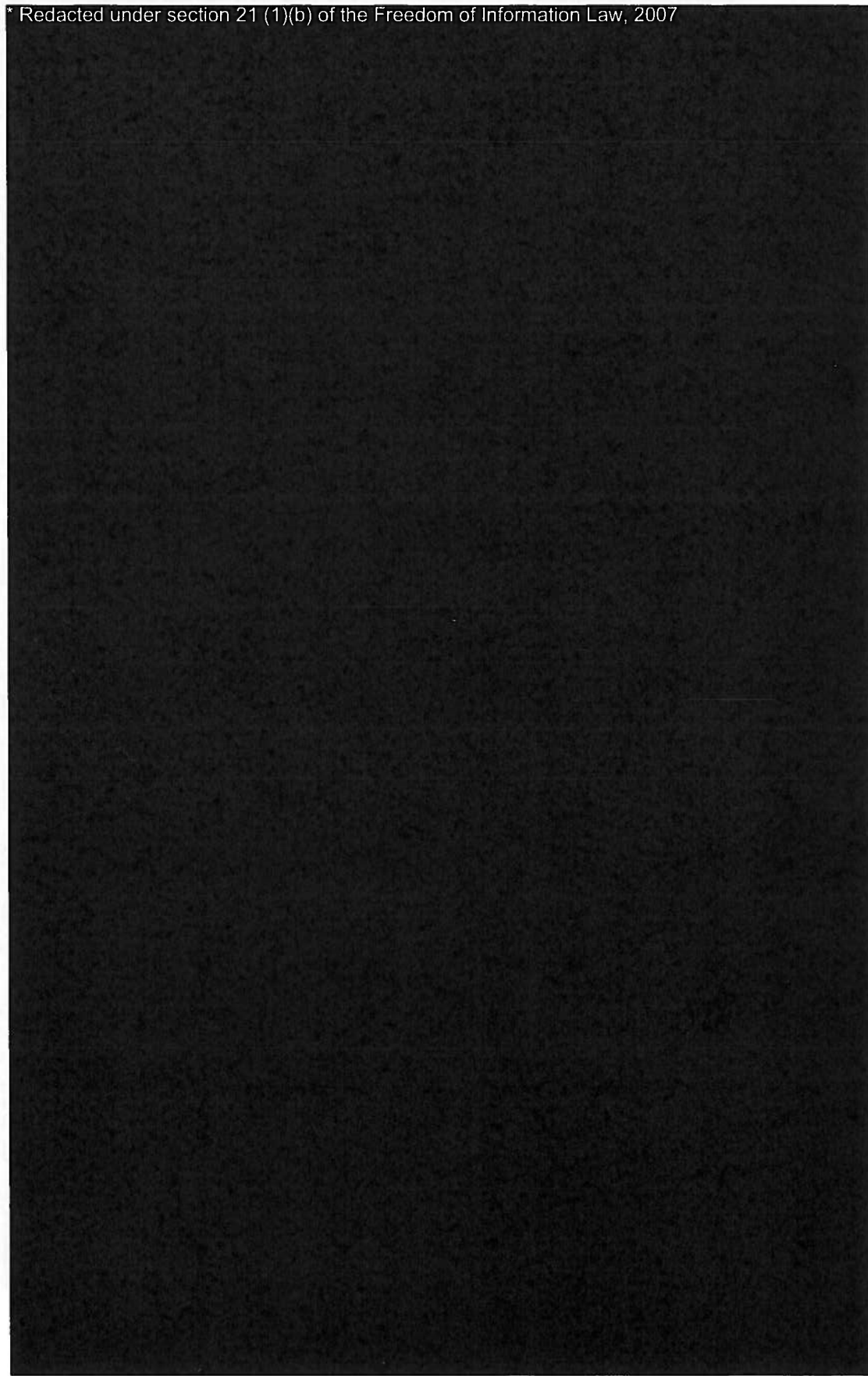
Current Business

- a) **Management Accounts August 2014.**

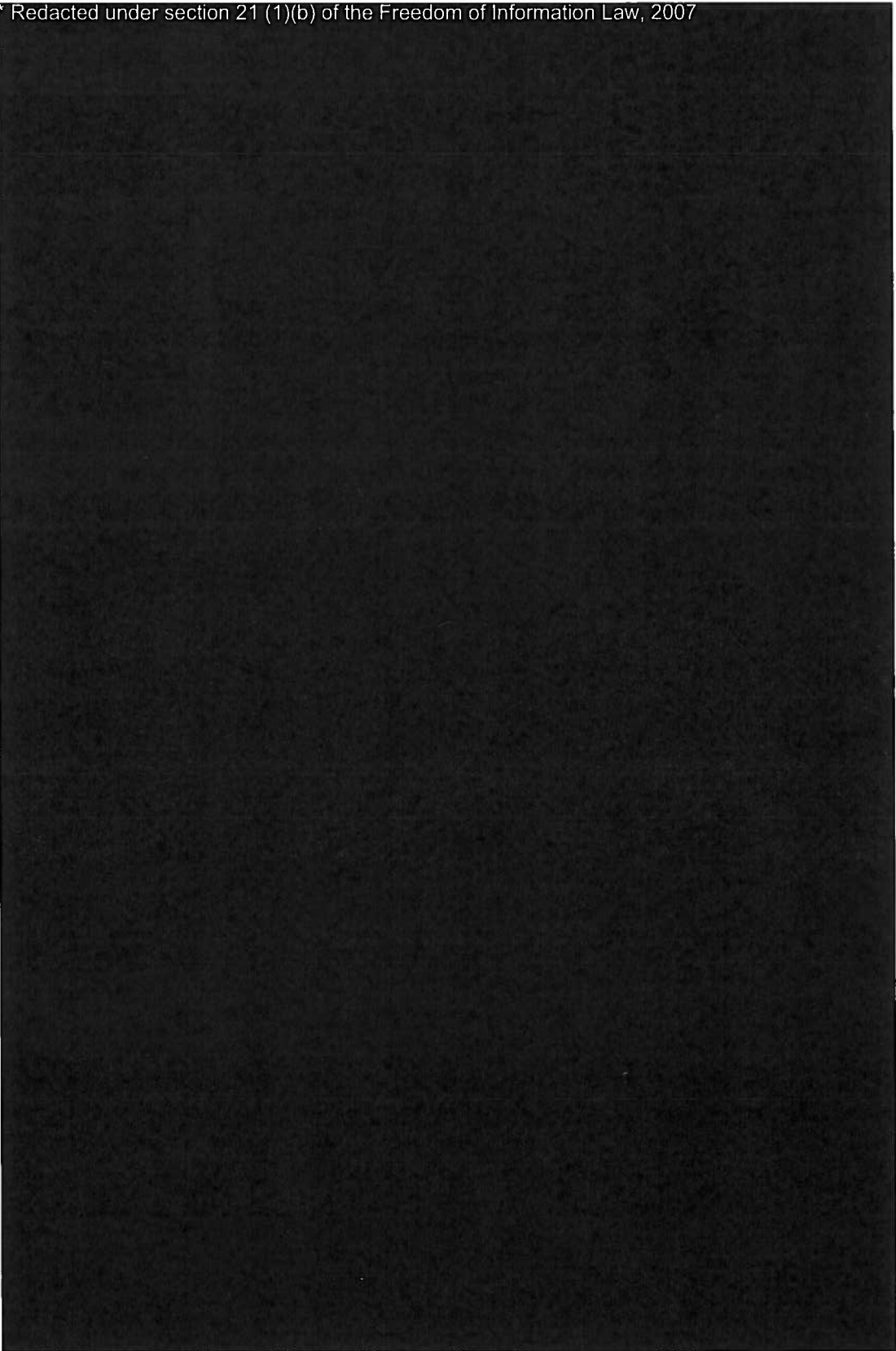
Members agreed to wait to deal with this item on the Agenda when the Deputy Director and Financial Controller would join the meeting.

- b) * 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



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



At this point the Deputy Director, Mr Tom van Zanten and Financial Controller, Ms Lori Bergman joined the meeting and both were welcomed by the Chairman.

Members then agreed to return to item d) under Matters Arising on the Agenda.

Matters Arising *(continued in order discussed)*

d) 30 June 2014 Audit of Consolidated and Divisional Statements - Update.

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

The Chairman reported that the Finance Department, together with KPMG have worked diligently on the completion of the 30 June 2014 audit. At this point there are several outstanding issues to deal with, the availability of information from the Public Service Pensions Board (PSPB); additional fee associated with the audit of the actuarial report; final verification of the Allowance for Bad Debt; and the write-off of the remaining balance of the old LVRO Plant.

The Authority had anticipated having a solid draft for members to look at and approve, however the delays in getting information hampered this objective.

Availability of information from the PSPB

The Chairman explained that in prior years the actuary information was never audited as the statements were always qualified; however the updated information is available from Mercer this year and the Authority's aim was to clear the qualification for 30 June 2014 from the consolidated statements. The challenge is between KPMG, PSPB and Mercer with regards to who the custodian of the original information is and who is able to provide KPMG with the requested information. The Financial Controller explained that she had been in touch with the Office of the Auditor General (OAG) and is optimistic that this information can be provided in a timely manner in order to meet the 31 October 2014 deadline.

The Financial Controller reported that given that the information had been provided for the periods ending 30 June 2013 and 30 June 2014 there is a strong possibility to remove the qualification for the 2013/2014 fiscal period; however that will only be possible provided that KPMG is able to audit the actuarial report. As at 14 October 2014 there was some confusion over who will be able to provide the information to KPMG. It is the opinion of KPMG, as well as the Water Authority that the information should be available from the PSPB, as they had previously provided the information to Mercer. As it stands now the information for 30 June 2014 will be unqualified and in order not to re-state the 30 June 2013 information there will remain a qualification for the 2012/2013 fiscal period.

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

Additionally the Financial Controller explained that with the new information available from the PSPB's Mercer report, the Authority's past service liability has increased significantly and will impact the Authority's net surplus for 2013/2014 reducing it by approximately [REDACTED] Members noted and agreed it would be better to take the "hit" this year.

Additional Fee associated with the audit of the actuarial report

In conjunction with pension data, KPMG had not budgeted for the audit of the Actuary Report into their original fee estimate as it was not envisioned that this information would be available, and have proposed an amount of [REDACTED] in additional fees in relation to this review. The Chairman noted that the Authority's Management is of the opinion that this fee will allow the Authority to eliminate the qualification and hence respectfully sought the Board permission to pay this amount. Members agreed with the additional fees.

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

Allowance for Bad Debt

Calculation for the Bad Debt Allowance is in for review with KPMG and expected to be finalised in the next day or so. Members noted the Authority's expectation is that it will be in the region of [REDACTED]

Write-Off of the old LVRO Plant

The Financial Controller explained that there is a residual value associated with the original LVRO Plant; this will be written off as the asset has not produced water since February 2014, and the approximate value is [REDACTED]

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

The Chairman noted in summary that there are several outstanding entries to be completed prior to the figures being finalised, however the Finance Department is confident that the 31 October 2014 deadline will be met. Members will be provided with a draft of the consolidated statements as soon as they are prepared for approval via round robin.

The Chairman and members thanked the Financial Controller and her team for their work on the audit and ensuring that the Authority meets the PMFL deadline.

Current Business (continued)

a) Management Accounts August 2014.

The Chairman reported that upon completion and final sign off of the audit the Authority will be in a position to provide a full set of comprehensive statements for the period ending 31 October 2014 to members at the next meeting.

Based on estimates for the first three months of the 2014/2015 fiscal period, Operating Revenue continues to be higher than in prior years by approximately 8.5% but below budget by about 5.3%. A strong increase over the previous year is shown in Cayman Brac sales, with 23% of the increase attributable to commercial accounts and 21% to trucked water. Members queried whether the Authority had received payment from CWC for the legal fees; the Financial Controller advised that none had been received as yet.

Operating expenses for the first three months increased by 9.4% over prior year, primarily as a result of increased water purchases. Repairs and maintenance was consistent with prior years, however still slightly below budget figures, attributable to the delay in the CCTV survey project which was expected to be completed in the first quarter of 2014/2015, but the Authority now expects that the project will be completed in January 2015.

Loan interest is expected to decrease and be within budget expectations as there are no new borrowings and the interest rate has been relatively stable over the last couple of years. The stability in Royalties indicates that Cayman Water Company has shown consistent sales with that of prior years.

Administrative expenses continue to be below budget and prior years, by 27.7% and 3.3% respectively. The explanation is consistent with that of last month, whereby there has been a delay in implementing the new security features (additional monitoring etc.), and lower than expected legal fees as a result of no additional costs associated with CWC after the favourable judicial review outcome. The Authority is expecting that legal fees will surpass that of last year and come within budget expectations as the 2014/2015 year will see the resumption of the CWC licencing process as well as the continuation of the OAG review of the CWC accounts.

The Authority continues to be in a very strong financial position, with sufficient cash reserves to commence the Cayman Brac Piped Water Supply and WW CCTV projects as well as meet day-to-day operational and administrative expenses.

The District Commissioner and Deputy District Commissioner joined the meeting at this point and were welcomed by the Chairman.

Matters Arising (continued in order discussed)

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

The Chairman reported that by late September 2014 the Water Authority's in-house pipelaying crew completed the installation of all new water service crossings (in the various side roads off Gerrard Smith Avenue). As of 15 October 2014, 10 existing services were reinstalled as these were previously serviced across adjacent properties. Fourteen new services were installed and

it is estimated that around 12 properties in these side roads have yet to make an application. The Chairman advised that the Secretary had respectfully suggested that the waiver be extended until the end of the year, to give an incentive to those people (in the side roads off Gerrard Smith Avenue) that have not yet applied for a water service connection. Members agreed to extend the incentive to 31 December 2014 for persons in this specific area.

The Deputy Director explained that the Engineering Services Department had completed the design work for the first phase of the extension of the Cayman Brac water distribution system along the north coast, i.e., between the West End Crossroads and the West End Primary School, including all side roads. Materials for this phase are being collected and will be shipped to Cayman Brac during the week of 20 October 2014. It is anticipated that this work will be started later this year (maybe in early November). The Chairman noted that in the event that the NRA will go forward with the widening and straightening of Red Gate Road, work in Cayman Brac will be postponed as both New Works pipelaying crews will be needed to quickly install the pipework between Water Authority office and Red Gate garage. The Deputy Director explained that it will take approximately 1 year to complete the main pipeline to West End Primary School and all side roads up to that point. It is expected that in three years the water main will be in Stake Bay.

The Secretary inquired regarding assistance from the District Commissioner's Office in road reinstatement as well as re-surfacing the West End Water works site. It was agreed that the Deputy Director would communicate with the District Commissioner's Office to ensure they were kept briefed on the different phases of the expansion.

The Chairman reported that by 03 October 2014 the Water Authority's in-house pipelaying crew had completed the installation of the necessary infrastructure (pipework, electrical conduit) at the West End Water Works to accommodate the padmount transformer, the emergency generator and the containerised RO plant.

Cayman Brac Containerised RO Plant Contract

The Chairman reported that it is anticipated that the container will be shipped to Cayman Brac in November 2014. The Deputy Director noted that commissioning of the plant was tentatively anticipated to occur prior to year-end.

Cayman Brac Emergency Generator Contract

The Chairman reported the construction of the platform around the emergency generator was completed by late September 2014. On 09 October 2014 the electrical inspector approved the installation (panel, underground wiring etc.). Cayman Brac Power & Light connected the power to the new pad-mount transformer on 14 October 2014, after which the Water Authority's

in-house Electrician began the process to switch the various buildings (RO building, pump building, and office building) to the new transformer. It is anticipated that the new 200 kW emergency generator will be commissioned by Corporate Electric Ltd during the week of 20 October 2014.

Bluff Site for Future Cayman Brac Water Works

The Chairman reported that the Authority arranged for a foot path access into an area of the Bluff property for the Cayman Brac Water Works as part of the preliminary work for this project. The Authority will utilise the advice and guidance of geologist, Dr Brian Jones in designing the wells and layout on the site. This site will present challenges due to the presence of fissures and cavities typical of the geography in the area. The Chairman noted that Board members will have the opportunity to walk through the property on the tour in the afternoon after the Board meeting based on the afternoon's itinerary.

The Chairman thanked the District Commissioner and his Office for their continued support and assistance with the Cayman Brac Piped Water Supply Project.

Any Other Business

a) Caribbean Development Bank (CDB) CEO Workshop, CAWASA Annual General Meeting, & Caribbean Water Leaders Group 26-29 November 2014.

The Chairman reported that CDB is sponsoring a series of online courses; one on sanitation and the other on utility reform. The Water Authority has 3 staff members following the online courses. The CEO workshop is offered in partnership with the utility reform course. CDB will cover all costs of the travel and accommodation in Barbados with the exception of the per diem which is to be borne by the participating utility. The Water Authority is one of the original members of the Caribbean Association of Water and Sewerage Authorities (CAWASA). The Director of the Authority is a member of the CAWASA Board. CAWASA plans to hold their AGM in conjunction with the CEO workshop. Additionally, the Global Water Leaders Group is developing the Caribbean chapter and will hold the inaugural workshop the same weekend. The cost of the hotel night to attend the Caribbean Water Leaders Workshop will be borne by CAWASA with the per diem by the attendee's utility to which members agreed. The Chairman reported that she has been asked to contribute to the session on "Improving Tariff Structures for a Sustainable Future".


The Chairman reported that she attended the High Level Ministerial Forum 9-10 October 2014 in Bahamas on behalf of the Honourable Minister. This was a very interesting experience and she will provide a summary of the events for the Minister and Board members.

Donation Requests

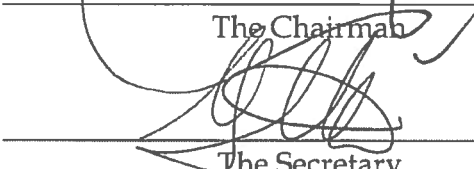
The Secretary advises that the Sponsorship Assessment Sub-committee (SAS) met on 18 September 2014 and a copy of the minutes was provided to members. As there will not be a quorum of the SAS at the 15 October 2014 meeting, the Secretary will inquire whether members will be able to deal with the time sensitive requests via email and arrange to meet on 27 October 2014.

There being no other business the Chairman thanked members and guests and the meeting was adjourned at 11:25am.

This is a true and accurate account of the proceedings.



The Chairman



The Secretary