

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 254th Meeting held on 19th of November 2014

Members Present:

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

Call to Order

The Secretary thanked members for coming and sought their support for Mr M Jacques to be Acting Chairman as had been suggested by Chairman, Mr J L Hurlston before he went on leave. Members had no objection and the Acting Chairman proceeded to welcome members and called the meeting to order at 1:35pm after ascertaining that there was a quorum. The Acting Chairman and acknowledged apologies from Mr H B Ebanks, Mr J L Hurlston, and Ms T Mortimer. The Acting Chairman then proceeded to offer a special prayer and subsequently he declared the meeting open.

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

The Acting Chairman asked for confirmation of the Minutes of the 253rd Meeting held on 15th October 2014. The following corrections to the Minutes were noted:

Page 4, item (g), line 5 should read "...that on 06 October 2014 the Secretary...."

Page 4, item (i), line 2 should read "...have been connected...."

Page 7, third paragraph, line 6 should read "...meter rental for a 3/4-inch water meter)."

Page 7, fourth paragraph, line 6 should read "... (approximately 5 feet off the ground)..."

Page 11, first paragraph, last line should read "...that none had been received as yet."

Page 11, third paragraph, first line should read "Loan interest is expected...."

Page 11, last paragraph, first line should read "The Acting Chairman reported...."

Page 11, last paragraph, last sentence should read "...services were installed and...."

Page 12, second paragraph, line 6 should read "...Brac during the week of 20 October 2014."

Mr C Randall moved the motion to accept the Minutes as amended, Mr J Gill seconded the motion and the motion passed unanimously. The Secretary noted that the corrections would be made and the Minutes signed off by the Chairman when he returns. The Acting Chairman will sign the Minutes for the November 2014 meeting.

Declaration of Conflicts of Interest

None were declared.

Matters Arising

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

The Acting Chairman reported that Ocean Conversion Cayman Ltd. (OCL) had nearly completed the installation of the RO plant equipment with the electrician installing all wiring (electrical and control).

The Water Authority reviewed all submittals by OCL, and made its comments. However there are still some items outstanding on the submittals, which will be responded to by the end of this week.

During the week of 12 November 2014 Industrial Services, Inc from Vermont, USA started work on the rehabilitation of the feed water wells at Lower Valley (by removing the limestone build-up in the feed water well the draw-down will be reduced, thus increasing the feed water pressure). As of 19 November 2014, 2 of the 3 wells had been treated, and the last well will be completed by the end of the week of 19 November 2014.

The Acting Chairman reported that a temporary 8-inch divert line will be installed so that the feed water well pumps can pump directly into the existing brine pipeline in order to remove any remaining fines from the wells. This will take another week to complete. Scholarship recipient, Alexander Walton has been assisting with this project since he returned home in October 2014.

It is anticipated that the refurbished Lower Valley RO Plant will produce water by mid-December 2014.

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

The Acting Chairman reported that to date 31 pipeline sections, totalling approximately 3,870 linear feet (or approximately 40% of the total length of 9,600 linear feet of pipeline) had been lined.

On 17 October 2014 the Water Authority agreed to reimburse US Sewer & Drain the total landed cost of materials (PolyThix(®) resin and Trigonox C catalyst only), i.e., without any mark-up, however it is an additional cost to the project. The manufacturer had recommended using these materials as it considered the condition on the West Bay Beach Sewerage System as 'extreme'.

This method offers considerable cost savings compared to the previously suggested method of grouting, in addition to it being faster to install.

Based on the recent rate of progress, and keeping in mind Thanksgiving Day and Christmas, the Acting Chairman reported that the Authority was optimistic that this project would be completed by February 2015.

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

The Acting Chairman reported that the Water Authority in-house pipelaying crew will return to Cayman Brac on 24 November 2014 to commence the first phase of the extension of the Cayman Brac water distribution system. The first item will be to pressure test the pipework at the West End Water Works in anticipation of the arrival of the containerised RO plant.

The Acting Chairman reported that materials for the first phase of the extension of the Cayman Brac water distribution system (along the north coast) were purchased and shipped to Cayman Brac. Work will commence during the week of 24 November 2015. One of the first activities will be to cross West End Road East (from the south) after which an 8-inch main will be installed along the north side of West End Road East. This road crossing will be reinstated almost immediately using cold mix asphalt, to ensure this trench will not deteriorate over the Christmas period. These plans have been communicated to the District Commissioner's Office.

Cayman Brac Containerised RO Plant Contract

The Acting Chairman reported that CWCO indicated that due to the priority given to the installation of the RO Plant in Lower Valley, work on the containerised SWRO plant has temporarily halted. After discussions with

CWCO it was agreed that the container is to be shipped to Cayman Brac in early January 2015.

Cayman Brac Emergency Generator Contract

The Acting Chairman reported the new 200 kW emergency generator was commissioned by Corporate Electric Ltd on 28 October 2014

By the end of October 2014 the building which houses the RO plant and the water distribution pumps was switched to the new transformer. Due to some issues with the dry transformer the office building has not yet been switched over. This will be completed within the next few weeks.

Further to the Board's visit to the Brac in October 2014, the Secretary advised that members' concerns regarding the high voltage weatherhead were investigated and it was confirmed that the work had all been done in accordance with the electrical code and normal practice.

Bluff Site for Future Cayman Brac Water Works

The Acting Chairman reported that by the end of October 2014 Scott's Development Co Ltd had completed the installation of the approximately 400 feet long, 15 feet wide temporary access road into the Bluff site. Early next year more of the site will be cleared in anticipation of the drilling of a pilot well to collect hydrogeological data which are needed to determine the depths of the (feed water abstraction and brine disposal) wells. Mr C Randall noted that he had visited the location and observed that it appears that the workmen had left their garbage along the access road.

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 Acting Chairman reported that the consolidated Finance Statements for the Water Authority were signed off on 31 October 2014, it was a tight finish but the deadline as prescribed in the Public Management & Finance Law (PMFL) was met. The reason for the delay in signing off the statements was the desire of the Office of the Auditor General (OAG) to remove the qualification surrounding pension for the period ending 30 June 2014. This objective was realised when KPMG's internal actuaries were able to review and confirm the information as provided by Mercer (the consultant used by the Public Service Pension Board (PSPB)) and gain comfort over the numbers.

The Acting Chairman reported that during the course of the audit the Authority generated the year-end Accounts Receivable Historical Aged Trial Balance (HATB), which was balanced to the General Ledger and used for the 30 June 2014 audit.

The Financial Controller plans to generate a list of potential write-offs for review by the Customer Service Manager, it is expected that this information will be available in the 3rd quarter of 2014/2015.

The management letter is expected to be available for the December 2014 Board meeting.

The Acting Chairman reported that as the Authority continues its commitment to providing accurate and timely financial information, and while not prescribed by law, the divisional statements are proving to be an integral part of the Authority's internal reporting and will be relied upon heavily in the up and coming RCAM formulation. The supporting financial data and allocations were provided to KPMG on 14 November 2014 and the draft financial statements for all 7 "entities" are expected to be provided by 21 November 2104. Given this timeframe, it is the expectation of the Authority that the statements will be ready for presentation to the Board at the December 2014 meeting.

Annual Report 2013/2014

The Acting Chairman reported that the Authority expects to complete the 2013/2014 Annual Report in time for the December 2014 Board meeting.

e) Cayman Water Company (CWC) Negotiations Update.

CWC - Rate Structure Proposal

The Acting Chairman reported that the Authority understands from the Electricity Regulatory Authority (ERA) that they did meet with CWC and answered specific questions they had regarding the utilisation of the RCAM methodology in relation to CUC.

OAG - CWC Review Engagement

The Acting Chairman reported there is no further information to report to date.

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

The Acting Chairman reported that the Water Authority will return focus to this project but to date there was nothing new to report.

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

The Acting Chairman reported that, as requested, the Water Authority provided the Ministry of PLAHI with a summary for the way forward on the divestment of the wastewater system (provision of central sewerage) on 20 October 2014 as well as additional clarifications on 05 November 2014. Based on the processes required a Business case will need to be generated. A copy of information sent to the Ministry was provided to members.

h) Debt Recovery of Scholarship - Update.

The Acting Chairman reported that the Authority's lawyer sent the revised agreement reflecting the Board's wishes on 04 November 2014 and the Authority awaits a response.

i) Miscellaneous Updates.

a) In-House Pipelaying Crews – The Acting Chairman reported that over the last few weeks both New Works pipelaying crews had been installing large diameter pipework at the Red Gate Water Works, necessary to connect the new bolted-steel storage tank to the main system, and in anticipation of the new water distribution pump station (to be constructed in third quarter 2014/2015).

Additionally a 12-inch diameter pipeline was installed within the Authority's Red Gate Water Works in order to limit the amount of pipeline installation in Red Gate Road, and thus minimise affecting traffic once National Roads Authority (NRA) starts work on the widening and straightening of Red Gate Road. The NRA had originally indicated that this would commence on 03 November 2014. The latest update suggests that work will not commence until 03 December 2014. Once NRA commences work, one of the New Works pipelaying crews will commence the installation of the 12-inch diameter pipeline between the Water Authority office and Owen Roberts Airport, in order to avoid any delays to NRA's activities.

b) Water Supply Division – The Acting Chairman reported that Operations WS recently connected a new sub-division off the East-West Arterial, and continues the HMA road reinstatement of various small areas throughout the water distribution system.

c) Wastewater Division – The Acting Chairman reported that during the month of October 2014 the design hydraulic capacity of the plant (2.5 mgd) was exceeded for 25 days. The average daily influent for October 2014 was 2.63 mgd (or approximately 105% of design capacity). This daily average influent was 1% more than the average influent measurement during the same period last year (2.60 mgd). (Note: October 2014 was a relatively dry month with occasional brief showers).

The Acting Chairman reported that the Authority had advertised to fill the position of wastewater treatment plant operator as additional, skilled support is urgently needed at the wastewater treatment plant.

d) Substandard Housing - Sanitation Issues (update) – The Acting Chairman reported that further to earlier reports to the Board, to date three meetings have taken place about the sanitation issues at informal housing, now referred to as "Substandard Housing". At the last meeting, the Terms of Reference for the committee were discussed.

e) Website Redevelopment – The Acting Chairman reported that the site layout for the website project is currently being worked on by NetClues.

The new Corporate Communications Officer is scheduled to start work on 24 November 2014.


- f) **Complaints Commissioner Officer (CCO) Investigation -** [REDACTED] [REDACTED] - The Acting Chairman reported that this matter came before the Board at the 245th Meeting on 05 February 2014. The daughter of [REDACTED] had requested adjustment on her father's bill which was the result of a leak on the customer's side. The Board decided not to waive/discount bill as it was clear that customer was responsible for usage as leak was downstream of the meter; additionally this customer did not have valid contact numbers on file therefore contact could not be made with the owner and was made with persons found at the premises. The customer was informed of the Board's decision on 25 February 2014 and staff reprimanded as directed by the Board. The Water Authority was informed of the complaint with CCO on 28 August 2014. The customer was claiming that the leak was the responsibility of the Authority as the meter box was not on the customer's property and that WAC should have informed the customer of the leak when it was identified. An investigation was carried out by Mr Daniel Lee of the CCO. The investigation was extensive and required interviews with all staff members involved including the Operations Crew. The findings of the investigation were completed in favour of the Water Authority on 23 October 2014. The CCO made the same recommendations as the Board, i.e., staff involved in such matters should ensure that names of person contacted are recorded; this was already done but was reiterated to all Customer Service staff again.
- g) **Geology Education** - The Acting Chairman reported that the geology education sponsored by the Water Authority during the week of 13 October through 17 October 2014 went very well. The one day teacher workshop was attended by 19 persons, including two high school teachers from Cayman Brac. 17 Geology lessons were given at 7 high schools to a total of 478 students. The different subjects were the rock cycle, coral reefs and plate tectonics. All high schools were invited to participate and the schools that decided to participate were Triple C, Cayman Prep & High School, Cayman Brac High School, Wesleyan Christian Academy, John Gray High School, Clifton Hunter High School, St. Ignatius High School and Hope Academy (Hope teacher course only). Public lectures on the geology of the Cayman Islands were organised by the National Trust in Grand Cayman and Cayman Brac, both public lectures were well attended and well received. Government Information Services produced a video of the lecture held in Grand Cayman; this is shown at the GIS television channel and is available via YouTube on the Internet. The geology tour in Cayman Brac organised for the Board was very well received and provided an ideal opportunity to show the Board some of the geological challenges that the Authority will face when it develops the Water Works on the Bluff site.

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

The project was budgeted at \$3,000, however the total budget was exceeded because of the additional travel to Cayman Brac, total expense was \$4,078. The Secretary noted that the funds were available in the training budget and members had no objection. Dr Jones donated his time free of charge and was reimbursed for travel expenses.


Dr Jones was pleased with the entire week, and noted that especially the afternoon with the Board in Cayman Brac went very well as Board members showed great interest. Some initial discussion has been held with the Water Resources Engineer for a repeat of the geology education in 2015. An evaluation form was sent to the teachers who participated in the course and in the lessons, their feedback was very positive and they provided a number of good suggestions. One of the considerations is to organize a 1 day teacher course in Cayman Brac as that island has so many geological features to illustrate the geology of the Cayman Islands. The Secretary noted that this would be proposed in the 2015/2016 budget.

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



i) **FOI updates** - The Acting Chairman reported that one new request was received and being processed as shown in the FOI Report dated 18 November 2014 and provided to members.

j) * 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

- k) **HSBC** - The Acting Chairman reported that the Account at HSBC was formally closed in early November 2014; the Authority expects a cheque for the outstanding amount at time of closing and that will conclude the relationship with HSBC. Again, while this is a transition for our customers using HSBC online to pay their Water Authority invoices, we do not expect any hurdles as the number of customers was minimal and the online payment service will be available from Butterfield Bank.

Current Business

a) **Management Accounts August 2014.**

The Acting Chairman reported that with the completion and final sign-off of the audit the Authority was able to put through all the final entries, cross check with the information in the statements as provided by KPMG and officially close the 30 June 2014 year-end. This internal transaction has allowed the opening balances to be brought across and sets the foundation for the provision of a comprehensive set of financial statements. Members were provided with a comprehensive (draft) set of financial statements for the period ending 31 October 2014 for their review and feedback.

Based on estimates for the first four months of the 2014/2015 fiscal period, operating revenue continues to be higher than in prior years (8.6%), but below budget (6.3%). A strong increase continues to show in Cayman Brac, with 18.4% higher than last year, and 9% above budget.

Operating expenses for the first four months increased by 9.2% over prior year, primarily as a result of increased water purchases. Repairs and maintenance was above that of prior years, but still within expectation and below budget as a result of the ongoing CCTV project. Supplies also increased over prior year by * as a direct result of the increase in road re-instatement that has been done.

Loan interest was below that of prior years, but well within expectation. It is expected to decrease as there are no new borrowings and the interest rate has been relatively stable over the last couple of years. Royalties were slightly lower than that of last fiscal period, as a direct result of only 3 months being reflected when it should have reflected 4, this oversight will be corrected in the next month.

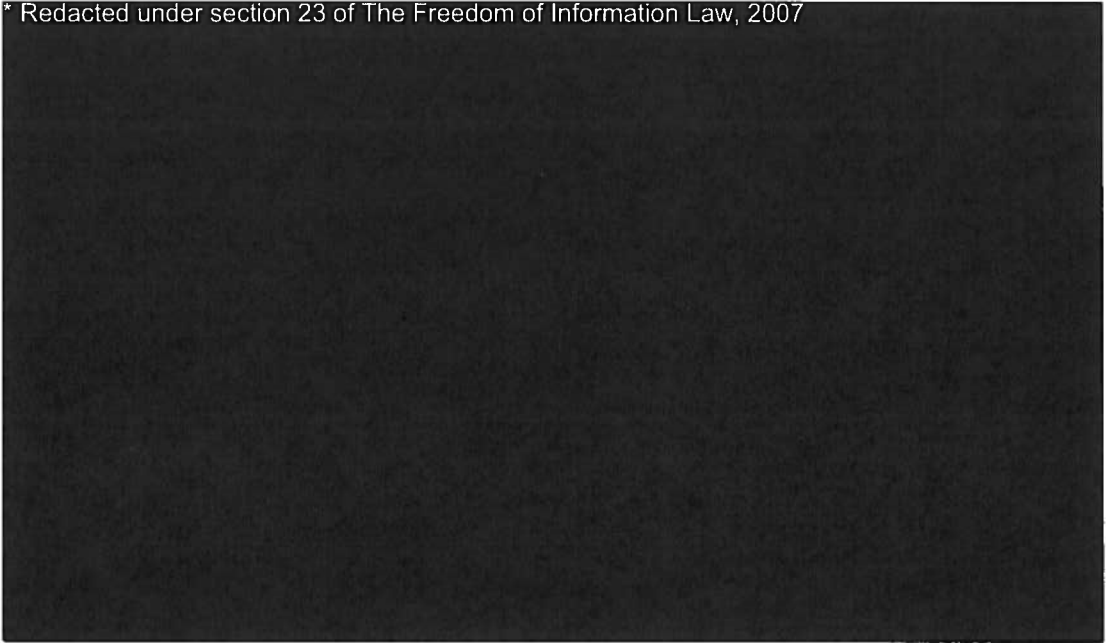
Administrative expenses continue to be below budget and prior years, 25.8% and 2.4% respectively. The explanation is consistent with that of last month, whereby there has been a delay in implementing the new security features (additional monitoring etc.), and lower than expected legal fees as a result of

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

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 new 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 continue the Cayman Brac Piped Water Supply, WW CCTV projects and meet day-to-day operational and administrative expenses.

Any Other Business

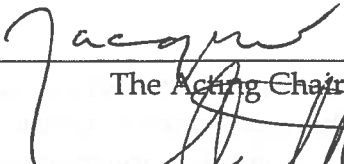
- a) * Redacted under section 23 of The Freedom of Information Law, 2007
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Donation Requests

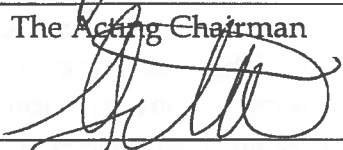
The Secretary advised that the Sponsorship Assessment Sub-committee would meet after the meeting to deal with the requests for assistance.

There being no other business the Chairman thanked members and the meeting was adjourned at 3:10pm.

This is a true and accurate account of the proceedings.



The Acting Chairman



The Secretary