

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 259<sup>th</sup> Meeting held on 15<sup>th</sup> of April 2015

**Members Present:**

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

**Call to Order**

The Chairman welcomed members and called the meeting to order at 1:39pm after ascertaining that there was a quorum. He acknowledged apologies from Ms A Owens, Ms R Sharma, Mr O Watler, and Mr M Jacques and then proceeded to offer a special prayer and subsequently declared the meeting open. The Chairman noted that the Deputy Director's mother-in-law had passed away and on behalf of Board members requested that the Secretary convey their condolences to his family.

**Confirmation of Minutes of the 258<sup>th</sup> Meeting held on 18<sup>th</sup> March 2015**

The Chairman asked for confirmation of the Minutes of the 258<sup>th</sup> Meeting held on 18<sup>th</sup> March 2015. The following corrections were noted:

Page 4, second to last paragraph, line 4 should read "...to approve the document. The audited 30 June 2014...."

Page 6, second to last paragraph, line 2 should read "...it would be prudent for the Secretary to...."

Page 13, third paragraph, line 1 should read "...loan interest is expected to...."

Mr A Wright moved the motion to accept the Minutes as amended, Mr H B Ebanks 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 LVRO plant continues to meet the contractual requirements with the exception of the electrical conductivity (EC). However the water quality still meets that of water produced by the other plants (EC less than 400  $\mu\text{S}/\text{cm}$ ). The Chairman advised that Ocean Conversion Cayman (OCL) has not yet received a commitment from Dow-Filmtec (the membrane manufacturer) regarding a resolution for the membranes that are not performing as expected.

The anticipated first 24-hour 'performance test' has not yet been carried out, initially due the fact that OCL's engineer was in Cayman Brac for the commissioning of the containerised RO plant, and thereafter due to the problems with one of the feed water well pumps.

The Chairman reported that on 01 April 2015 one of the feed water well pump motors (well#1) burnt out, and consequently the plant could only produce water using one train (averaging 1,444 cubic metres per day). The Authority has requested and awaits a price and delivery time for a replacement submersible pump motor, and also a complete pump/motor assembly. On 12 April 2015, another feed water well pump failed (well #3) and the plant was shut down. This pump was removed on 13 April 2015 from the well to investigate why it stopped pumping. It was determined that the spline of the pump was broken. The pump section of well#1 was connected to the pump motor of well #3 and the pump/motor combination was reinstalled into well #3. Water production was resumed using one train by the same day. The 2015/2016 Budget includes an amount to replace all three well pumps as the current ones are up to 20 years old.

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

The Chairman reported that no new pipeliner has been installed since mid-January 2015. Immigration approved 3-month temporary work permits for three staff, for the period 09 March 2015 until 07 June 2015. An application for a fourth 3-month temporary work permit, which was to be submitted last week, was not submitted as the contractor indicated that this was not required.

During the week of 07 April 2015 the contractor's staff arrived on island, and after checking out the status of the equipment, work commenced on the previously installed liner behind The Grand Pavilion. The contractor has been advised that before an attempt can be made to line additional pipeline sections; all pipeline sections where the liner installation had been unsuccessful must be rectified.

It is optimistically anticipated that it will take at least another 4-6 weeks to complete the remaining work on this contract, and the current work permits may expire before the contract can be completed.

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

The Chairman reported that the installation of the 8-inch diameter main line (to just past the West End Primary School) was completed 26 March 2015, just prior to the crew leaving for a 2-week break over Easter. So far, 6,815 feet of 8-inch pipe has been installed. Pipelaying in the side roads commenced 13 April 2015.

*Cayman Brac Containerised RO Plant Contract*

The Chairman reported that the West End Water Works containerised RO plant was commissioned (after a successful performance test) on 23 March 2015. To date the new RO plant has produced slightly more water per day than the design production capacity and the specific energy consumption has been better than contractually required.

**d) North Sound RO Plant (NSRO) - Update.**

As members are aware, the Authority wrote to OCL on 26 February 2015 enquiring whether they would consider continuing the operation of the NSRO for an additional period. On 13 March 2015 OCL responded positively to this request, but indicated that additional capital refurbishments are urgently needed to improve plant safety and to ensure reliable operational performance.

Following the decision by the Board at the March 2015 meeting, OCL was asked to extend the additional operating period to 24 months (from the initial 12 months), and have the Water Authority reimburse OCL the capital cost in full immediately after the capital improvements have been made (instead of

having it amortised). OCL accepted these modifications to their original proposal.

The Water Authority is currently awaiting a more detailed pricing breakdown from OCL for the various capital improvements, as with the limited information provided to date it would be very difficult to make the argument of value for money to the CTC and justify entering into an agreement with OCL.

e) **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*

*Divisional Statements* - The Chairman reported that final drafts were received by the Authority on 20 March 2015, signed and returned to KPMG on 23 March 2015. Finals were received on 08 April 2015, which concludes this section of the 30 June 2014 audit.

*Island Statements* - The Chairman reported that on 07 April 2015 the Financial Controller received a copy of the working papers/allocations from KPMG and is in the process of cross checking to verify that the information provided and produced for the islands statements is consistent.

*30 June 2015 Audit* - The Chairman reported that there has been no formal communication concerning this audit.

*Annual Report 2013/2014*

The Chairman reported the OAG responded on 08 April 2015 indicating that the report has been reviewed and that he had a couple of queries. The Financial Controller will answer these queries, return the information to the OAG and will continue to follow-up with KPMG to provide their comments. This report cannot be issued to the Ministry until both KPMG and the OAG have provided their comments.

*2015/2016 Budget Process*

The Chairman noted that the 2014/2015 revised and 2015/2016 budget was presented to the Board on 04 February 2015. Subsequent to the Board's approval the Ownership Agreement was sent to the Ministry of Planning, Lands, Agriculture, Housing, & Infrastructure (PLAHI) on 05 February 2015.

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



2015/2016 fiscal period. It is the opinion of Management that these are reasonable adjustments and it is expected that they are achievable and will again be analysed in the revised budget in January 2016.

The Chairman reported that on 10 April 2015 the Financial Controller received a phone call from Mr Ronnie Dunn, Director, Budget and Management Unit  
Redacted under section 21 (1)(b) of The Freedom of Information Law, 2007

been drafted the Board would need to approve the revisions to the previously approved 2015/2016 budget document prior to sending the modifications to the BMU. Upon direction from the Board the Authority will formally notify the BMU of the increase to the 2015/2016 projected net income.

The Chairman stated that the Board was respectfully asked to approve the revised 2015/2016 budget/ownership agreement. Mr J Gill moved the motion to approve the revised 2015/2016 Ownership Agreement. Mr C Randall seconded the motion and it was passed unanimously. The document will be forwarded to the BMU and as well as to the PLAHI Ministry for the Honourable Minister's signature.

*Review Options to Pay-off Outstanding Debts* - The Chairman reported that the Authority's management is working on this project.

*Public Service Pension Board (PSPB)* - The Chairman reminded members that one of the management letter points issued during the course of the 30 June 2014 audit identified verification of data provided to the PSPB's actuarial consultant as an area that could be improved. To satisfy the management letter concern, the Authority contacted Mr Trevor Gibbs at the PSPB on 07 April 2015 and requested that the Authority be provided with the same information as that provided to Mercer. The intention behind this request for information is that the Authority would like to verify the data against internal data and be able to confirm to KPMG the accuracy of the data provided by PSPB to Mercer. To date no response has been received from the PSPB, the Financial Controller will continue to follow-up.

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

The Chairman reported that in response to CWC's letters dated 21 November 2014 and 10 February 2015, the Honourable Minister responded on 23 March 2015. A copy was made available for members' information.

g) **Redacted under section 21 (1)(b) of The Freedom of Information Law, 2007 for 30ft deep Quarry Excavation**

The Chairman reported that further to the Board's decision at the 25 February 2015 meeting that "*the Water Resources Staff should arrange to hear the objectors and developer with Mr Hansen B Ebanks representing the Board. The Water Resources Staff is to then prepare a report for the Board's review and decision making*"

the meeting was held on 09 April 2015. The report on the application submitted by the developer to excavate part of the quarry to 30ft depth, including the meeting notes, was provided to Board members. Board member, Mr H B Ebanks gave substantial amount of his time to get a good understanding of the specific issues relating to this application and to the large issues relating to the excavation of quarries and canals. Mr H B Ebanks' report was also provided to Board members.

The history and background of this application began with the Water Authority objecting at Planning stage in early 2012 to the Central Planning Authority (CPA) granting Planning Permission for this non-commercial quarry to be excavated beyond 20ft depth. The CPA took a decision contrary to the Authority's position. In planning and applying for the 30ft deep excavation, the developer consulted with the Authority to determine a lake design that would address the Water Authority's concerns. The Authority has allowed commercial quarries to excavate to 30ft, and up to 50ft depth, provided the excavation is outside of a radius of 1,000ft from existing effluent disposal wells. The developers requested the same approach be applied to this project. The objections related to specific concerns about water quality, should the lake be excavated to 30ft instead of to 20ft depth, in addition concerns were raised over the impacts caused by the use of explosives in a residential area.

Over the years, the requirements in excavation permits have evolved, recognising that long-term water quality maintenance in excavations is an issue of concern. Also, based on consultation and legal advice, excavation permits include specifics to address the Authority's liability from issues related to the use of explosives. Excavation permits include specific conditions relating to the use of explosives and maintaining water quality:

- Requirement for liability insurance if explosives are used (based on legal advice)
- Specific requirements how explosives are to be used (based on input from the NRA)
- Specifics for storage of fuels and lubricants to protect groundwater
- Installation of monitoring wells if so required by the Authority
- Requirement for quarry surveys to be conducted by a licensed surveyor
- Stormwater management requirements
- Water Quality Management Plan, including Best Management Practices

Based on the investigations conducted by the Authority and its experiences with commercial deeper quarry excavations, it supports the excavation plan for this quarry. An important issue is that the developer/owner/strata adhere to best management practices to maintain the lake, so that in the long term no pollutants are introduced into the lake. A significant issue is the presence of nearby shallow effluent disposal wells within 1,000ft of the lake. Permitting

excavation over 20ft depth requires that existing and future nearby effluent disposal wells within a radius of 1,000ft from the lake are installed with casing at least 30ft deeper than the lake; the Authority has a process with the well drilling companies to ensure that this is done. The main concern is that if the water quality in the lake deteriorates the developer/owner/strata should be the primary entity responsible to take corrective measures rather than that this falls back on the Authority or the Government at large. The Secretary respectfully sought members' feedback on the Authority's excavation plan in view of the report and the views of the objectors contained therein.

Mr H B Ebanks spoke to his experience in reviewing this project and noted that in the process he had learned a lot about the management of quarries and the concerns that are very real. He had conducted his own research regarding various aspects and was supportive of the team's recommendation to support the excavation plan for this quarry.

Significant discussion emanated on the various points and issues in the documents as members expressed their opinions. Subsequently Ms T Mortimer moved the motion to accept the recommendation made by the team to allow the excavation with appropriate terms and conditions determined by the Water Authority. The motion was seconded by Mr A Wright and passed with one abstention.

The Chairman thanked Mr H B Ebanks for his representation of the Board, his report and feedback that was very helpful in assisting members in making their decision.

h)

\* Redacted under section 19 (1)(a) of The Freedom of Information Law, 2007



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i) **Miscellaneous Updates.**

- a) *In-House Pipelaying Crews* - The Chairman reported that just before Easter the New Works crew installed a 16-inch water main from the edge of Red Gate Road into the Red Gate Water Works and installed new underground power ducts between one of the relocated electricity poles and the transformer (adjacent to the Red Gate RO Plant) in anticipation of the switch of electrical power to this new pole.
- The NRA has significantly completed the road base on the section closest to Owen Roberts Airport. During the week of 15 April 2015 the New Works pipelaying crew expects to commence the installation of the 12-inch diameter pipeline from the Owen Roberts Airport side.
- b) *Water Supply Division* - The Chairman reported that over the last 4 weeks Operations WS repaired 7 pipeline leaks, installed 27 new service connections, and applied 14 tons of hot mix asphalt to patch roads at various locations.
- c) *Red Gate Admin Building External Painting* - The Chairman reported that the contractor First Impressions Ltd has made good progress on the contract for the external painting of the Authority's Administration and Operations buildings, and is on target to complete this contract well before the end of May 2015.
- d) *Red Gate Admin Building Parking Lot Expansion* - The Chairman reported that the contractor CMEC has nearly completed the contract for the expansion of the car park at the Authority's Administration building, except for some minor (mainly cosmetic) touch-ups. Paving was completed last week. The expanded customer parking is expected to be available early next week.



- e) **Wastewater Division** - The Chairman reported that during the month of March 2015 the design hydraulic capacity of the plant (2.5 mgd) was exceeded for 27 days. The average daily influent was 2.69 mgd (or approximately 108% of design capacity). This daily average influent was nearly 10.3% less than the average influent measurement during the same period last year (3.00 mgd).

The contract to construct the access platform around the elevated emergency generator at the wastewater treatment plant was awarded to Campbell's Welding and Construction Services on 16 March 2015. However this contract has not yet started as the contractor, who constructed the elevated generator support (CMEC) still needs to complete some minor remedial work on their contract.

The Chairman reported that the contract documents for the sewer force main replacement have been completed and are available to interested contractors. The Works comprise the installation of approximately 4,300 linear feet of 24" nominal diameter High Density Polyethylene (HDPE) pipe, using the traditional open-cut method, between the main sewage pumping station on West Bay Road and the Water Authority's Grand Cayman Wastewater Treatment Plant. This project was advertised in the Caymanian Compass on 02 April and 10 April 2015. The cost of this sewer force main replacement project is included in the revised 2014/2015 Budget, although it is unlikely that actual work will start before the end of this fiscal year (end of June 2015). The contract requires a 100% performance bond which may restrict the number of bids but in consideration of the experience with the relining contractor it was felt that this was a prudent requirement.

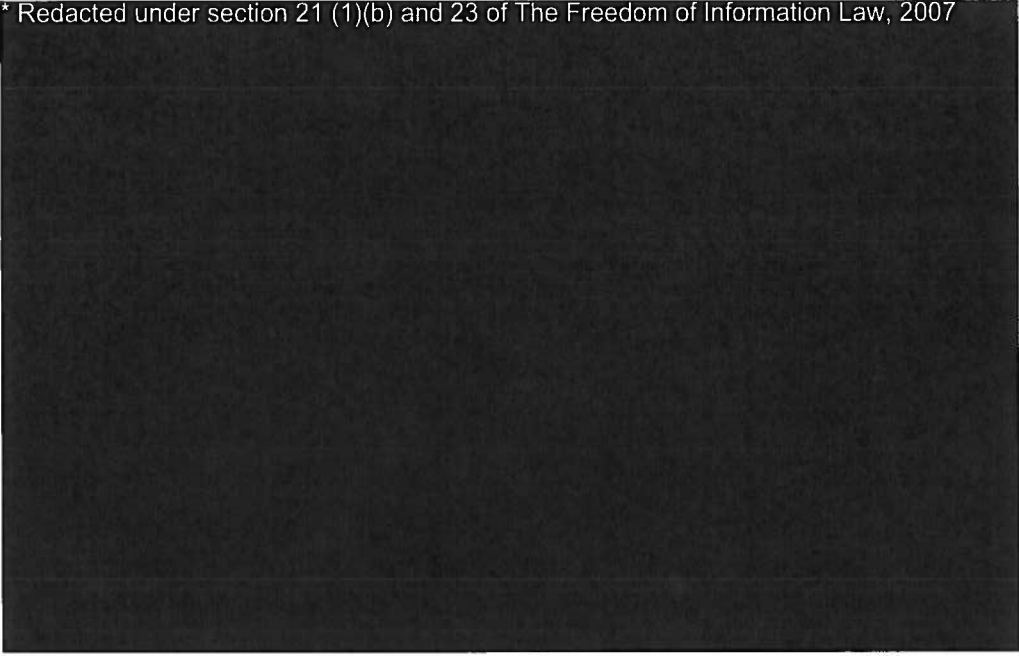
- f) **FOI updates** - The Chairman reported that one new request was received and is being processed as shown in the FOI Report dated 15 April 2015 and provided to members.
- g) **Non-Potable Water Production and Supply Concession for [REDACTED]** - The Chairman reported that on 23 March 2015 the Water Authority received a memorandum from the Ministry that Cabinet, in its meeting held on 10 March 2015, had granted approval to:

- a) *Recommend that Water Authority grant a licence to [REDACTED] for the production of non-potable water; and*
- b) *Issue a 10 year concession to [REDACTED] for the supply of non-potable water restricted for use within the development. The concession should provide for two additional periods of 5 year extensions and granting [REDACTED] the opportunity to extend its licence if the Water Authority is still unable to supply the development with non-potable water subsequent to the licence extension.*

To date, due to several other stressing issues, the Authority has not been in a position to draft the licence and the concession under the Water Production and Supply Law. It is expected that this will commence

shortly, with the intention to have a draft ready for review by the Authority's lawyers in the course of May 2015.

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



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



### Current Business

#### a) **Management Accounts - March 2015.**

The Chairman reported that the Finance Department had completed a comprehensive review of the financial position and provided a detailed set of management accounts for the nine-month period ending 31 March 2015.

At the end of the third quarter operating revenue continues the trend to be above that of last year (5.7% above prior year) but below budget (4.4%). Cayman Brac, and more specifically the Brac trucked water continues to show a strong increase over last year (28.8% higher than last year) and 14.3% above budget.

Operating expenses for the first nine months are well within expectation, coming in 10.0% lower than budgeted but still 5.6% higher than prior year. Explanation is consistent with last month in that water production costs have risen in tandem with increased sales over prior year and repairs and maintenance are higher than prior years as a result of the CCTV project.

Loan interest is expected to decrease as there are no new borrowings; the amount is lower than the prior year (18.9%) and slightly higher than budgeted (2.8%).

Administrative expenses continue to be below budget and prior year at 21.5% and 5.4% respectively. The decrease from last fiscal period is reasonable, and consistent with previous explanations. The Authority expects to be below budgeted figures for 2014/2015 as it conservatively estimated legal and professional fees (pending CWC negotiations), bad debt expense (evaluation to be done year-end) and Past Service Pension Liability (2014/2015 unknown).

In summary, the Authority's estimated net income at the end of the third quarter of 2015/2016 is stronger than the same period last year and well above expectation. This is reasonable as there are significant expenses that are expected to be incurred prior to year-end that will directly affect the bottom line, specifically bad debt expense, past service pension liability, audit fees and pending professional fees. Even with the expected up and coming expenses the Authority continues to be in a very strong financial position, with sufficient cash reserves to continue the Cayman Brac extension project, complete the wastewater CCTV projects, commence administrative remediation projects and meet day-to-day operational and administrative expenses.

#### **Any Other Business**

a) **Presentation of Revised Website.**

The Customer Service Manager, Mrs Joanna Welcome-Martinez and the Corporate Communications Officer, Ms Hannah Reid joined the meeting to present the Authority's revised website to the Board.

Both staff members demonstrated the various aspects of the revised website and explained the reasoning behind the changes that were made. Members were asked to comment on the new feature where requests for donations could be made via an online form. Members had no objection to the form being used and agreed to the adjustments suggested by the Secretary.

The Chairman thanked the Water Authority staff for the presentation and noted that it was a very good improvement over the old website. The Chairman and Mr J Gill left the meeting at this point to attend other obligations.

There was brief discussion amongst remaining members about the website and subsequently members expressed their pleasure at the improved site and offered their compliments to Mrs Welcome-Martinez and Ms Reid.

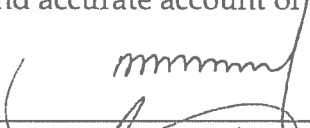
#### **Donation Requests**

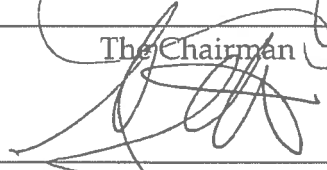
The Secretary advised that the Sponsorship Assessment Sub-committee planned to meet after the Board meeting to deal with the following requests for assistance:

- a) *Ratify* – Cayman Prep & High School GeoRocks Club Spelling Bee CI\$500 as per emails on 27-30 March 2015.
- b) Cayman Invitational Track Meet 2015.
- c) NCVO – Caring Cousins Lunch Support.
- d) All Nations United Pentecostal Church – Funds for important projects (building a new church in WB, Pre-school/nursery in Swamp and National Convention).
- e) Mustang Track Club – 24<sup>th</sup> Annual Baytaf Track and Field Championship.
- f) Cayman Islands Motorcycle Riders Association – Motorcycle safety and driver awareness campaign.
- g) The New Testament Church of God – Annual Women’s Ministries Prayer Breakfast.
- h) Feed our Future – Dress Down Day.
- i) Lighthouse School (April is Autism Awareness Month) – Dress Down Blue Day & 5K Walk/Run for Autism.
- j) Lions Club of Grand Cayman – 3<sup>rd</sup> Annual Delano Hislop Memorial 3 Day Journey For Life Walk/Run.

There being no other business the Secretary thanked members and the meeting was adjourned at 3:15pm.

This is a true and accurate account of the proceedings.

  
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The Chairman

  
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The Secretary