

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 260th Meeting held on 20th of May 2015

Members Present:

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

Call to Order

The Chairman welcomed members and called the meeting to order at 1:42pm after ascertaining that there was a quorum. He acknowledged apologies from Ms T Mortimer, Ms A Owens, Mr HB Ebanks, and Mr A Wright and then proceeded to offer a special prayer and subsequently declared the meeting open.

Confirmation of Minutes of the 258th Meeting held on 18th March 2015

The Chairman asked for confirmation of the Minutes of the 259th Meeting held on 15th April 2015. Mr J Gill moved the motion to accept the Minutes as amended, Mr O Watler 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 was producing water using one train since 01 April 2015 as one of the feed water well pumps is out of commission. Water production during the period 01 April 2015 – 15 May 2015 averaged 1,388 cubic metres per day. On 19 May 2015 an order was placed for three submersible pumps. The replacement of the existing feed water well pumps was anticipated, and their purchase cost is included in the 2015/2016 Budget. Unfortunately the delivery period for these pumps is 24 weeks.

Ocean Conversion Cayman (OCL) has not yet received a commitment from Dow-Filmtec (the membrane manufacturer) how to resolve the issue regarding the membranes not performing as well as expected.

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

The Chairman reported that a few pipeline sections were lined in the last few weeks. To date, 57 pipeline sections out of 79, totaling approximately 6,350 linear feet (or just over 66% of the total length of 9,600 linear feet of pipeline) have now been lined. 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.

The contractor has identified equipment to remove the failed liner from the pipeline sections. An appropriate cutter is expected to arrive on island on 25 May 2015. It is anticipated that it will take at least another 6-8 weeks to complete the remaining work on this contract, and 3 of the 4 current work permits may expire before the contract can be completed. The contractor has been advised to quickly identify suitable replacement staff for the remainder of the contract. Members queried the types of technical failures that had been experienced. The Secretary indicated that she would have the Deputy Director available at the next Board meeting to update members in more detail on the technical challenges.

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

The Chairman reported that one out of three main pipeline sections (to just past the West End Primary School) have been successfully tested, the remaining two will be tested soon, after which the pipelines will be disinfected, flushed and then commissioned. Service connections on the main line will then be made.

The Chairman reported that pipelaying in the side roads commenced on 13 April 2015. To date the pipelaying crew has installed pipelines in 4 out of 9 side roads (between Cross Road and West End Primary School), comprising nearly 1,500 feet of 4-inch pipe. The rate of progress has been less than expected due to the amount of hard rock encountered, much more than on the main road.

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

The Chairman reminded members that on 23 March 2015 OCL confirmed that they were interested in continuing the operation of the North Sound RO Plant for an additional period of 2 years, but had also indicated that additional capital refurbishments were urgently needed to improve plant safety and to ensure reliable operational performance.

The Engineering Services Department prepared a report evaluating OCL's proposal that indicated that (i) the monthly fees will result in cost savings compared to the present agreement, and (ii) the costs for the proposed capital upgrades offer good value for money under the circumstances. On 05 May 2015 the Water Authority Board accepted OCL's proposal by round robin. On 08 May 2015 a letter explaining the necessity of extending the operating contract with OCL, together with the evaluation report, was sent to the Central Tenders Committee (CTC) for their approval, as per the requirements of the Financial Regulations (2013 Revision). The Central Tenders Committee is expected to discuss the Water Authority's request at their meeting on 20 May 2015.

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 this process was complete.

Island Statements - The Chairman reported the Financial Controller is nearing completion of the process of cross checking the islands statements with the working papers/allocations from KPMG.

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

Annual Report 2013/2014

The Financial Controller continued communication with the Office of the Auditor General (OAG) and expects to have agreement on the contents with both the OAG and KPMG before the end of May 2015.

2015/2016 Budget Process

The Chairman noted that the Cayman Islands Government's National Budget was released to the public on 15 May 2015. The Water Authority's Ownership

Agreement 2015/2016 was laid on the table in the Legislative Assembly by the Minister of Finance on 15 May 2015 as submitted.

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 reported that on 04 May 2015 the Financial Controller received verbal confirmation from the PSPB's Director - Financial Reporting that all information that will be sent to Mercer for the annual actuary valuation will be sent first to the corresponding organizations for their verification. At this time it is expected that this information will be forwarded to the relevant agencies in early July with the request to have the information verified and back to the PSPB by mid-July 2015. The Authority is therefore optimistic that the Water Authority will have access to view and verify the information sent to Mercer and be in a position to offer the same information to KPMG.

Insurance for 2015/2016

The Deputy Director and the Financial Controller met with the Authority's account manager at BritCay on 07 May 2015 to discuss the insurance coverage for the 2015/2016 fiscal period. The Authority had anticipated several of the large additions to the list of insurable assets for the current fiscal period (Lower Valley Plant, CYB Generator etc.) therefore no new large additions are anticipated for the 2015/2016 period. The BritCay representative indicated that he would seek to offer the Authority reduced premium rates; however he had yet to confirm this. The Financial Controller will send over the revised list of insurable assets by 22 May 2015, allowing sufficient time for the re-insurance process to be completed prior to 30 June 2015.

f) Cayman Water Company (CWC) Negotiations Update.

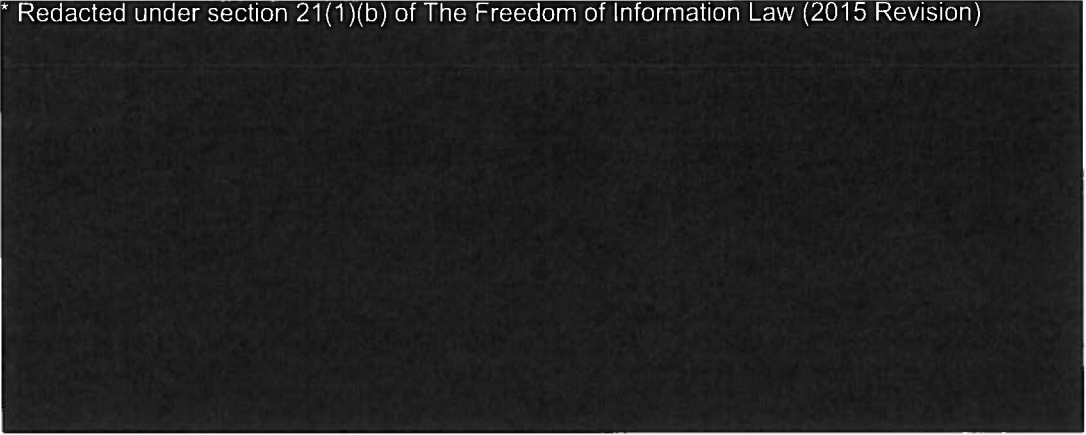
The Chairman reported that the Honourable Minister requested the Water Authority to draft a letter on his behalf summarising the previous negotiation process and the areas agreed at the time.

g) JR Holdings Ltd/RC Estates Ltd Application for 30ft deep Quarry Excavation in South Sound - Update.

The Chairman reported that the Board's decision taken at the 259th meeting held on 15 April 2015 to "*grant a quarry permit to the developer (JR Holdings Ltd/RC Estates Ltd) for the 30ft deep quarry excavation as requested with the terms and conditions as outlined in the report provided to the Board as well as any other conditions the Water Authority deems necessary and appropriate*" had been communicated to the developers and the objectors. Neither the developers and objectors had appealed the decision. The Water Authority responded to requests from the Caymanian Compass and Cayman 27 for comments and

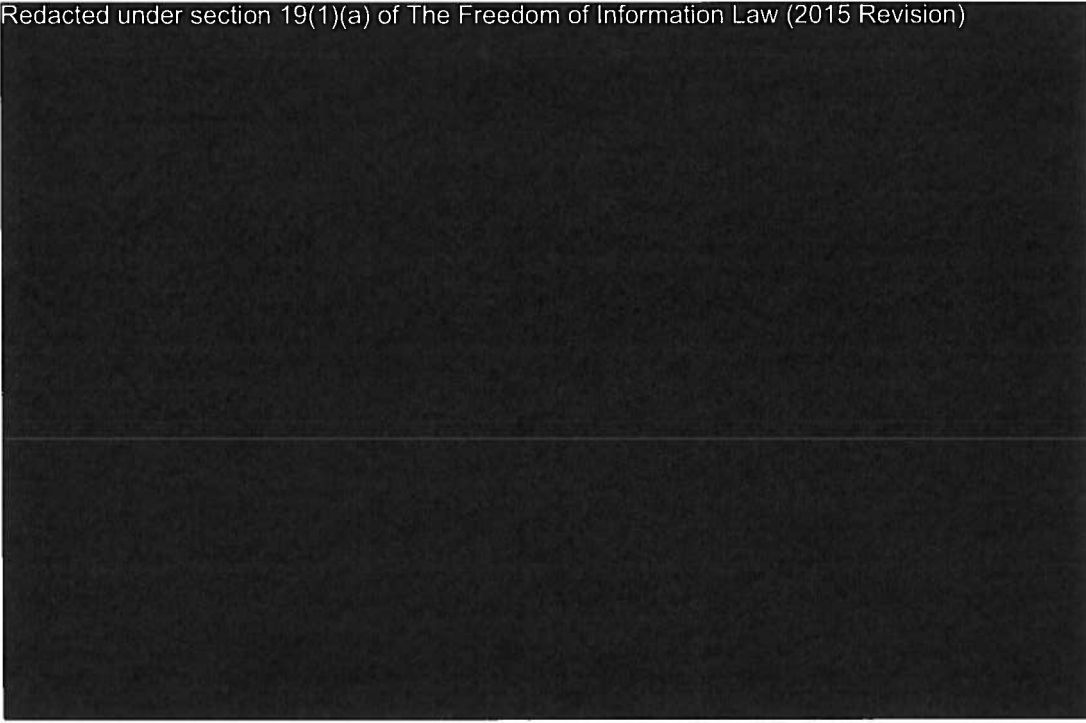
explanation on the decision that was taken. Both media published articles on the project.

* Redacted under section 21(1)(b) of The Freedom of Information Law (2015 Revision)



h)

Redacted under section 19(1)(a) of The Freedom of Information Law (2015 Revision)



i) **Miscellaneous Updates.**

- a) *In-House Pipelaying Crews* - The Chairman reported that on 30 March 2015 the New Works pipelaying crew started the installation of the 12-inch diameter pipeline in Red Gate Road, from the Owen Roberts Airport side. To date approximately 2,025 feet of pipe has been installed. The work should be completed and the new pipeline commissioned by the end of May 2015.
- b) *Water Supply Division* - The Chairman reported that on Monday 27 April 2015 Operations WS started the process of replacing the 12-inch water main in Bodden Town, between the Pease Bay Cemetery and Manse Road. Work will be carried out in two sections. The first section

will be from the Cemetery to Gun Square. The entire project, comprising 4,300 feet of pipeline installation, is expected to take up to 4 months to complete.

Work will be between the hours of 9 am and 4 pm. Although through-traffic will be diverted along Anton Bodden Road, one lane will be kept open for local access (to residences and businesses) as much as possible.

- c) *Red Gate Admin Building External Painting* - The Chairman reported that the contractor First Impressions Ltd completed the contract for the external painting of the Authority's Administration and Operations buildings on 16 April 2015.
- d) *Red Gate Admin Building Internal Painting* - The Chairman reported that the contractor Paint Pros Ltd was awarded the contract for the internal painting of the Red Gate Admin and Operations Building on 23 April 2015 in the amount of \$35,055 being the lowest bidder. This was below budget. The contractor commenced the internal painting of the Authority's Administration and Operations buildings on 11 May 2015. They completed the work in the Operations Building on 19 May 2015. Work on the Administration Building started on 19 May 2015. It is anticipated that this contract will be completed no later than mid-June 2015.
- e) *Red Gate Admin Building Parking Lot Expansion* - The Chairman reported that by mid-April 2015 the contractor CMEC had completed the contract for the expansion of the car park at the Authority's Administration building. However soon thereafter it was discovered that the asphalt paving was failing in several locations and the contractor was asked to remedy this.

The sub-contractor Island Paving's proposal to simply patch areas of defective asphalt was deemed unacceptable as the problem may be more widespread than the localised areas identified so far, which would mean an on-going maintenance issue.

Island Paving maintains that the installed asphalt pavement is structurally sound and they have submitted lab test results indicating that the mix was in accordance with NRA standards. However the Water Authority is not satisfied and has requested the NRA to take one or more cores and have them independently tested.

- f) *Wastewater Division* - The Chairman reported that during the month of April 2015 the design hydraulic capacity of the plant (2.5 mgd) was exceeded for 29 days. The average daily influent was 2.89 mgd (or approximately 116% of design capacity). This daily average influent was nearly identical to the average influent measurement during the same period last year (2.91 mgd).

On 19 May 2015 CMEC completed the minor remedial work to the elevated generator support at the wastewater treatment plant. Campbell's Welding and Construction Services will commence the

construction of the access platform around the elevated emergency generator on 20 May 2015.

The contract documents for the sewer force main replacement were sent to the six (2 local and 4 international) 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. Tender opening is on 20 May 2015.

g) *FOI updates* - The Chairman reported that no new requests were received as shown in the FOI Report dated 20 May 2015 and provided to members.

h) Redacted under section 21(1)(b) and 23 of The Freedom of Information Law (2015 Revision)

i) * [Redacted] - *Forged Journeyman Plumbers Licence* - The Chairman reported that at the 258th Board meeting in March 2015, the Board was informed that the Authority had notified the Police and Immigration Department about [Redacted]; using a forged journeyman plumber licence identification card to obtain work as a licensed plumber.

By the end of April it came to the Authority's attention that, since the matter was reported, another contractor had proceeded to hire [Redacted] [Redacted] as a journeyman plumber on a job. When this company found out that [Redacted] did not have a valid plumber licence, they fired him. This matter was reported by the Secretary on 04 May 2015 as a follow up to the March 2015 report to the Police and Immigration. An officer from the Financial Crime Unit contacted the

* Redacted under section 23 of The Freedom of Information Law (2015 Revision)

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Authority and obtained affidavits from the Secretary, the Plumbers Examination Board (PEB) Chairman and the PEB Secretary. She also obtained affidavits from the persons who were involved in employing

The Immigration Department confirmed that [REDACTED] was arrested on 05 May 2015 by Immigration Enforcement Officers for various Immigration offences. He was later released on bail and the investigation continues. The Police confirmed on 07 May 2015 that [REDACTED]. [REDACTED] was arrested in connection to forgery/making of false document. The allegations are that [REDACTED] forged a Journeyman Plumber's licence and conducted work which he benefited thereof.

j) *Plumbers Examination Board - Adoption of Policy for Plumbers Licensing* - The Chairman reported that the Plumbers Examination Board (PEB) at its quarterly meeting held on 30 April 2015 adopted a policy for the licensing of plumbers. In the course of the last few years the PEB took several policy decisions regarding the licensing of plumbers, but these decisions were not consolidated in one comprehensive policy. Over the last 6 months a number of applications were received that tested the applicability of these policy decisions. Board members agreed that it would be prudent to consolidate the decisions in a comprehensive policy. The policy adopted addresses:

- The procedures and the eligibility of candidates to apply for the categories of apprentice, journeyman and master plumber;
- Procedures for renewal of permits and payment of back charges when permits have expired;
- Immigration/work permit status and eligibility for a plumber licence;
- Which businesses are considered by the PEB to be in the business of plumbing; and,
- Supervision of apprentice plumbers.

A copy of the policy was provided to members; it has been published on the Water Authority's website and will also be advertised in the newspaper.

k) *Complaints Commissioner - Wastewater Disposal on Private Property* - The Chairman reported that on 05 May 2015 the Water Authority received a letter from the acting Complaints Commissioner about a complaint from [REDACTED]

The complaint was also addressed to the Department of Planning and the Department of Environmental Health. On 21 May 2015 the investigator from the Office of the Complaints Commissioner (OCC) will meet with the 3 agencies to discuss the complaint.

The particular situation was included as a case study in the report titled "Sanitation Issues at Informal Housing Developments" presented at the Water Authority Board meeting held on 16 April 2015. The report

* Redacted under section 23 of The Freedom of Information Law (2015 Revision)

highlighted the Authority's challenges with improper wastewater treatment and disposal at informal housing development and the Board supported the recommendation: *"The sanitation issues at informal housing developments require a coordinated approach from multiple Government agencies; currently a coordinated approach is absent, resulting in inadequate and ineffective solutions. It is recommended that the relevant chief officers determine a comprehensive and coordinated strategy to address the challenges at informal housing developments"*.

Subsequently 3 monthly meetings have been held with staff from the Ministry of PLAH, the Ministry of HSY&C, Water Authority, Dept of Env Health, Dept of Planning, Dept of Public Health and MRCU to determine a collective approach to the challenges of substandard housing, however since the last meeting in November 2014, the meetings have discontinued.

The specific challenge that resulted in the complaint to the OCC is that several additions/extensions comprising of 7 connected dwellings within one structure straddling two properties have resulted in the property being built up to the extent that there is no place for an adequate wastewater treatment system, as a minimum a septic tank and disposal well. There is a septic tank located in a child's bedroom, but that septic tank is no longer accessible as it has been tiled over; this septic tank needs to be condemned as it is inadequate and is a risk to public health. Wastewater continues to be discharged on adjacent property, resulting in the complaint to the OCC. The Authority has served Notices of Violation and has tried to find a practical solution, but key to the solution is finding space for a properly designed septic tank and disposal well. The cooperation from other agencies, especially Planning and Public Health, to find a solution or pursue prosecution for violations of several laws is crucial.

- 1) **Green Throne - Water Saver** - The Chairman reported that the Cayman Compass of 07 May 2015 included an advertorial for the product Green Throne Water Saver. This product promises to reduce water used for toilet flushing; it is marketed by Mr Robert Hamaty. It is placed in the toilet tank and colours the water in the toilet bowl green and neutralizes the smell of ammonia, so that it is not necessary to flush the liquid human waste. The advertisement and webpage included the following text: *"The Water Authority conducted two separate tests, requested by Green Throne, on the product with the results showing there are no effects on the septic tank or plumbing and that it is safe to use"*. In reviewing the testing conducted by the Water Authority Laboratory and related communication, there were indeed 2 tests performed on the product dissolved in water. These tests were for basic water quality parameters: ammonia, free and total chlorine, pH and sulphide. The Laboratory Manager had communicated explanations on the results, however no product endorsement was given by the Authority, in fact under the accreditation requirements of the Laboratory it cannot

endorse products or services. The Authority communicated with Mr Hamaty and asked him to withdraw the statements in the promotional material that the product had been endorsed by the Water Authority. He has responded that he will do so.

Current Business

a) **Management Accounts – April 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 ten-month period ending 30 April 2015.

Based on estimates for the first ten months of the 2014/2015 fiscal period, operating revenue continues to be higher than in prior years (5.4% above prior year) but below budget (3.0%). A strong increase is shown in Cayman Brac, with total sales 25.7% higher than prior year.

Operating expenses for the first ten months increased by 4.6% over prior year, primarily as a result of increased water purchases and repairs and maintenance, however still below budgeted figures by almost 12%. This estimated increase is within expectation as the water sales have increased and the CCTV survey is still in progress. The decrease in the actual versus budget continues to be caused by the slow progress of the CCTV survey.

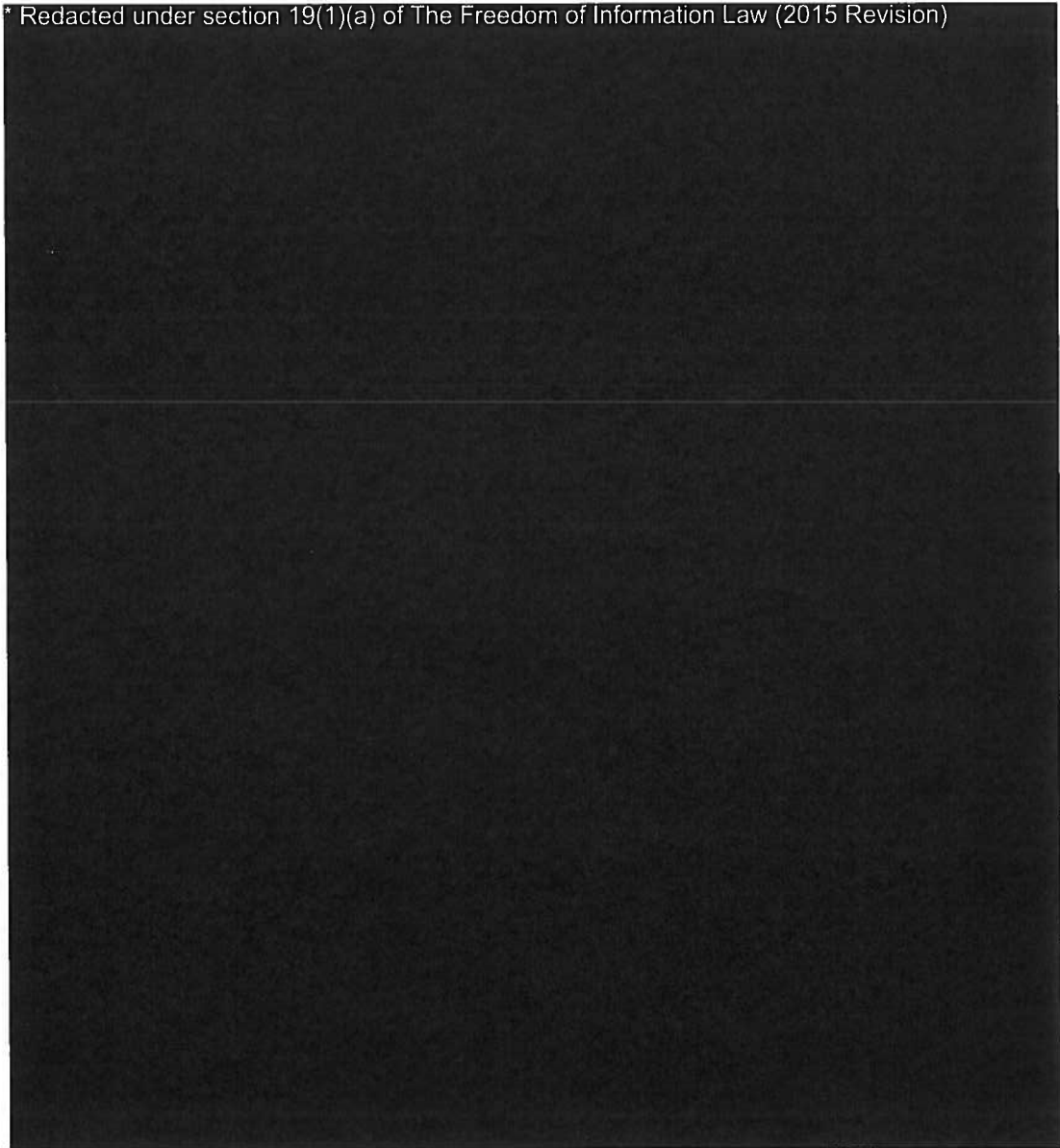
Consistent with prior explanations, loan interest is expected to decrease as there are no new borrowings and to be within budgeted expectations.

Administrative expenses continue to be below budget and prior years, 18.0% and 2.9% respectively. The decrease from prior years 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 for the first ten months of 2015/2016 is stronger than prior years 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 year-end expenses, the Authority continues to be in a very strong financial position, with sufficient cash reserves to continue the CYB extension project, complete the WW CCTV projects, commence administrative remediation projects and meet day-to-day operational and administrative expenses.

b) Public Utilities Commission.

The Chairman reported that the Ministry of PLAHI had engaged the services of a consultant, Mr J P Morgan to advise and assist the Government in the formation of a Public Utilities Commission to deal with the economic regulations of the electricity, telecommunications, fuel, and water industries. The Water Authority met twice with Mr Morgan and Board member, Mr M Jacques to discuss the Water Authority's operations and to assist in the collection of information. Meetings have also been held with the ICTA, ERA and the Chief Petroleum Inspectorate as it is likely that these entities will also fall under the Public Utilities Commission. Mr M Jacques reported that the consultant had prepared his report which had been accepted by Caucus and was next slated to go to Cabinet. Mr M Jacques also confirmed that it is expected that the required legislation is expected to be in place around October 2015.

c) * Redacted under section 19(1)(a) of The Freedom of Information Law (2015 Revision)

The Board's guidance on the rate adjustment matter was respectfully sought. Members accepted the recommendations of the Adjustment of Water Authority Rates Report and resolved to forego the rate adjustment calculated in accordance with the current WAR (which, if implemented would have resulted in 1.69% increase, effective 01 July 2015). This decision is in consideration that a rate adjustment based on the RCAM will likely be made effective 01 January 2016 or shortly thereafter pending Cabinet's acceptance of the required amendments to the WAR.

Any Other Business

a) **Global Water Leader Summit 2015.**

The Chairman reported that the Secretary indicated that she was pleased to attend and participate in the above Summit in Athens, Greece 26-28 April 2015. The theme for the event was "The Water Value Revolution". The Chairman reported that the Secretary attended a pre-Summit workshop on "Beating the burn rate". This workshop explored the issue of the conservatism of water utilities and their resistance to accept innovation and new technology. The workshop was facilitated by the founder and former CEO of Nano H2O which has successfully designed and marketed nanocomposite membranes for bench-scale research to next generation commercial technology. The company was acquired last year by LG Chem. In fact, the Water Authority participated in the testing of these membranes in Cayman Brac and they are still in use at the West End RO Plant. The Managing Partner of Amane Advisors also facilitated the workshop. There were general and roundtable discussions amongst participants about how to encourage utilities to embrace new technology but also to critically evaluate the risks.

The sessions the following day were varied with presentations, panel and roundtable discussions on the value of water as one of the top three development risks. There were panel discussions on the strategies to address climate change, developing technologies, bringing investment in to sector and new models for financing. As a member of the Global Water Leaders Group, the Secretary participated in two workshops entitled New Models for Access 1 & 2. The workshops were done jointly with the Global Agenda Council of the World Economic Forum which has the mandate to develop new economic models to accelerate access to improved water and sanitation utility services. The aim of the exercise was to recommend solutions that will be put forward to the 2016 World Economic Forum in Davos. There was significant discussion on innovative structures for financing water and wastewater services, developing technologies to reduce capital costs and establishing governance models for maximizing water services and utility performance. Of interest were various presentations by large utilities in Ghana, Senegal, Uganda and Cambodia that had been able to make impressive turnarounds in

the performance of their utilities in the last 10 years. Some of the new technology presented included the “Omni-processor” developed with funding from the Bill Gates Foundation which claims to be able to treat 100,000 gallons of wastewater, generate energy to run itself, and produces potable water. There was another presentation by a company operating in the Maldives that desalinates seawater and produces its own electricity. This company has expressed interest in bidding on the new plant that will be needed at the Bluff Water Works site in the coming years. Discussion was also had on waterless toilets and whether the capital intensive centralised gravity sewer systems were the answer to accelerate better sanitation services and facilitate environmental protection.

The Chairman reported that the Secretary was also asked to participate in a small select group of 15 persons that discussed “Water as Driver for Economic Development”. The objective of the discussion was to determine whether greater international coordination would improve the case for water as a driver of economic growth. The discussion in this group centered on examining the ways in which water is linked to growth; through job creation; technology development; and, support of commercial development. Members also spoke to development and support of regional clusters that facilitate the exchange of experiences and information that is mutually beneficial to utilities and related industries.

The Secretary was able to meet with several representatives of technology that the Authority will continue to explore, specifically Advanced Metering Infrastructure and Smart Grids for Water. The Secretary thanked the Board for supporting her participation.

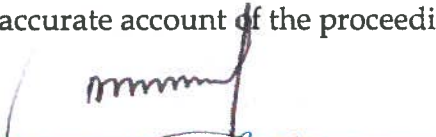
Donation Requests

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

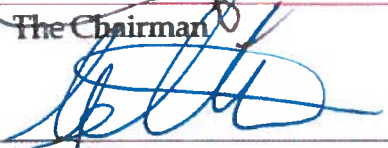
- a) *Ratify* - Cayman Brac Braccanal Committee - Annual Parade.
- b) Cayman 27 / Special Olympics Cayman Islands - World Summer Games 2015).
- c) Central Scranton Community Committee - Mother’s Day Luncheon.
- d) Triple C School - Marine Science Backpack Lab for Science Class.
- e) Lions Club of Grand Cayman - White Cane Week.

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

This is a true and accurate account of the proceedings.



The Chairman



The Secretary