

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 264th Meeting held on 14<sup>th</sup> of October 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 Ms R Sharma Mr O Watler
Guests:	Mr Tom van Zanten, WA Deputy Director

**Call to Order**

The Chairman welcomed members and called the meeting to order at 9:20am after ascertaining that there was a quorum. He welcomed Mr Ernie Scott, District Administration Commissioner, Mr Mark Tibbetts, Deputy District Administration Commissioner, and Mr Tom van Zanten, Water Authority Deputy Director. The Chairman then proceeded to offer a special prayer and subsequently declared the meeting open.

The Chairman offered additional opening remarks regarding the progress of the Cayman Brac Infrastructure Upgrade and Expansion Project. He noted that he was pleased with the progress and to know that the water distribution network expansion was welcome in Cayman Brac as it brings new services and the Authority's activities bring in additional revenue to the island. The Chairman also reminded members of

the Authority's plans to develop water production, storage and distribution infrastructure on the Bluff and upon completion of the Bluff facility, the Authority will relocate the containerised RO plant to Little Cayman. The Chairman also noted that it is a challenging project but the Authority's News Works Crew was working hard and he trusts that the Brac population would continue to have patience as the project proceeded steadily.

Mr E Scott expressed appreciation to the Chairman and Water Authority Board for having a meeting in Cayman Brac once a year as it gives the District Administration Office (DAO) the opportunity to ask questions and better understand how the project is proceeding. One of the questions raised by the Authority was regarding the asphalt plant on the Brac and when it is expected to be operational again. Mr Scott advised that it was expected to be up and running by the end of October/early November. The Brac Public Works Department (PWD) will be able to give some priority to the road reinstatement work needed by the Water Authority. In view of the expressed need for a better water tanker truck in Little Cayman PWD, the Water Authority Board agreed to donate the 2 water tanker trucks that are in the process of being replaced by new trucks in Cayman Brac. On behalf of the DAO, Mr E Scott expressed sincere appreciation as this will assist them to provide better assistance for people in Little Cayman.

The Chairman noted that apologies had been received from Ms A Owens, Ms R Sharma, Mr M Jacques, and Mr O Watler.

#### **Confirmation of Minutes of the 263<sup>rd</sup> Meeting held on 23<sup>rd</sup> September 2015**

The Chairman asked for confirmation of the Minutes of the 263<sup>rd</sup> Meeting held on 23<sup>rd</sup> September 2015. Mr J Gill moved the motion to accept the Minutes as amended, Mr A Wright seconded the motion and the motion passed unanimously.

#### **Declaration of Conflicts of Interest**

None.

#### **Matters Arising**

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

The Chairman reported that in order to maintain adequate water storage volume, particularly during the upgrade work at the North Sound RO Plant which requires interruption of its operation capacity, the working submersible pump was moved from well #3 to well #1, as well #3 is most likely the main culprit in the fouling of the pre-filters, and water production was started on 02 October 2015 using the other train (train #1). After 6 days this pump burnt out and the LVRO plant was shut down again. During the period it operated the plant averaged 1,499 cubic metres per day. The membranes will be treated to preserve them until water production can be resumed.

The Engineering Services Department finalised the design of the external pipework to allow the feed water to be pumped directly to the brine disposal well (bypassing the RO plant). Advertisements will be placed in the Cayman Reporter during the week of 14 October 2015, and invitations to tender will be sent to interested contractors the following week. It is anticipated that the work can be done within 10 days, but the main delay will be to bring the HDPE pipe and the specialised equipment (butt-fusion machine) to Grand Cayman.

The external pipework will be removed this week by one of the in-house pipelaying crews (the Cayman Brac crew) in anticipation of its replacement by a contractor. The new submersible feed water pumps are expected to arrive in early November 2015, and will be installed after the wells have been treated to remove the iron-reducing bacteria from the wells, before water production is resumed.

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

The Chairman reported that the contractor US Sewer & Drain intends to remobilise on site on 01 November 2015, and complete the remaining work on this project (i.e., the 7 pipeline sections not in dispute) by early December 2015. Members noted that they are eager to see this project completed.

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

The Chairman reported that the pipelaying crew returned to Grand Cayman on 24 September 2015.

The design for the next phase of this project (up to Faith hospital) has been finalised and the required materials will be shipped to Cayman Brac before the end of October 2015.

In early November 2015 the pipelaying crew will return to Cayman Brac to continue the project.

*West End Water Works*

The Chairman reported that on 14 October 2015 the Deputy Director will meet with Scott Development Co Ltd to agree on the timing for the construction of the 10-inch diameter well at the West End Water Works site, as well as an additional storm water disposal well. It is likely that this work will be done later this month.

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

The Chairman reported that OCL commenced the work on the capital refurbishments of the North Sound RO Plant. Initially the ERI energy recovery vessels will be installed (replacing the ageing DWEER units), followed by the

membrane replacement and the pre-filters. During the upgrade, water production will have to be interrupted from time to time, thus reducing the overall water production capacity. The Water Authority has been able to maintain adequate storage volume, even with the Lower Valley RO plant out of commission.

e) **West Bay Beach Sewerage System (WBBSS) Force Sewer Main Installation Project - Update.**

The Chairman reported that a pre-construction meeting for the sewer force main replacement contract was held on 06 October 2015. It was agreed that the contractor Wharton-Smith, Inc will ship all materials and equipment to the Cayman Islands before the end of the calendar year. Actual construction will commence on 04 January 2016. The whole of the Works must be completed within 18 weeks from that date, or on or before 09 May 2016.

f) **30 June 2015 Audit of Consolidated and Divisional Statements - Update.**

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

*Island Statements* - The Chairman reported that the focus has been on completing the June 2015 audit and these statements will be delivered before or at the December 2015 meeting.

*Annual Report 2013/2014*

The Chairman noted that it is expected that the complete 2013/2014 annual report will be tabled in the Legislative Assembly at the October 2015 sitting.

*30 June 2015 Audit of Consolidated and Divisional Financial Statements for Water, Wastewater and Statutory*

The Chairman reported that KPMG has been working diligently to get the audit complete and with the support of the Water Authority's Finance Team, the audit appears to be going smooth. The main part of the audit testing is complete and the file is in for manager review. Nothing has come to the attention of the Water Authority that would suggest any delays in getting the statement signed off prior to the deadline of 31 October 2015. The Divisional and Island statements (2013/2014 & 2014/2015) will be completed subsequent to the consolidated, with both the Water Authority and KPMG working to have them done in December 2015.

*Accounts Receivable Trial Balance - Identification of Potential Write-Offs 2014/2015*

The Chairman reported that the Finance Department processed the accounts for write-off as approved by the Board at the September 2015 meeting.

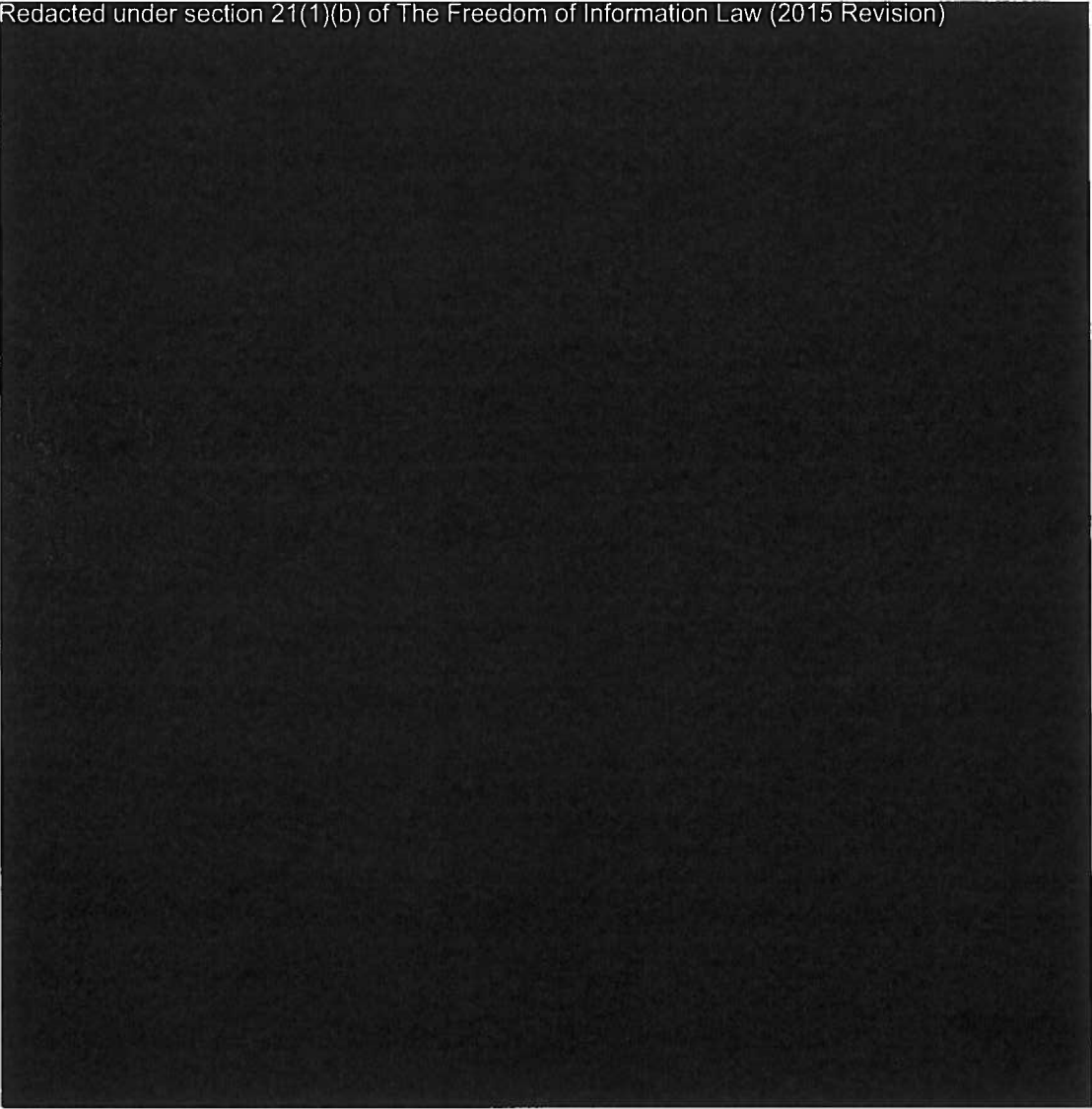
The Chairman reported that the Finance Department is working with the Customer Service Department to prepare the recommendation of utility

accounts for write-offs and it expected these will be submitted to the Board by the December 2015 meeting.

*Public Service Pension Board (PSPB)*

The Chairman reported that communication has continued between the PSPB, Mercer, KPMG and the Water Authority. The Authority booked the public service pension entry as requested by KPMG. KPMG expects to have a secure telephone conference call with Mercer to confirm the last few of the details for both the Water Authority and the Turtle Farm. At this point it appears that the Authority will be able to accept the report as presented and book the necessary entry.

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



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

The Chairman reported that on 26 September 2015 CWC forwarded their suggested changes to the draft CWC licence. The Water Authority is presently

reviewing these changes and will meet with CWC on 23 October 2015 to discuss the suggested changes.

**h) Rate Cap Adjustment Mechanism (RCAM).**

The Chairman reported that the final KPMG report was received by the Water Authority making the first part of this engagement complete. Timing of the introduction of RCAM to the Water Authority Regulations, CWC Licence and PUC will determine when the next step is done.

**i) Public Utilities Commission (PUC) - Update.**

The Chairman advised that on 28 September 2015 the Chairman, the Water Authority Director, the Deputy Director, and Water Resources Engineer met with the PLAHI Chief Officer, Mr Alan Jones, Mr J P Morgan, and with Mr Miguel Jacques to discuss the issues related to the development of the regulator for the water sector. The discussion was helpful to all parties. The Authority was provided with some information and suggestions to consider and review. The Ministry advised that a meeting would be convened in a few weeks to keep the process moving forward. The Water Authority is preparing a position paper on the PUC and the implications for the Authority. The Ministry is preparing a business case that will document the evidence to support the Government's decision to establish the PUC.

The Chairman reminded members that at the September 2015 meeting members were informed that the Ministry of PLAHI will not have funds available post-October 2015 to retain Mr J P Morgan, who has been employed on a temporary basis to set up the Public Utilities Commission and the accompanying legislative structure. The Ministry is seeking funding in the amount of \$30,000 each from ERA, ICTA and the Water Authority for a total of \$90,000 to cover the cost of retaining Mr Morgan for another 4-6 months. As requested, the Ministry provided a formal request, a copy of Mr Morgan's employment contract with Government as well as his resume. Members discussed the Ministry's request and noted that they did not object to providing the funds but respectfully asks that the request/directive for the funds come via Cabinet. The Secretary understands the process will be similar as the other two authorities (ERA, ICTA) plan to deal with the request. The Secretary will advise the Ministry accordingly.

**j) Miscellaneous Updates.**

**a) In-House Pipelaying Crews** - The Chairman reported that during the week of 05 October 2015 the New Works pipelaying crew completed the pipeline installation in the completed portion of the proposed link road between Smith Road and Elgin Avenue. This pipeline is now being tested and will be commissioned later this week, after which customers will be connected to this new 12-inch main.

During the week of 12 October 2015 the New Works pipelaying crew will resume work on the replacement of nearly 4,000 feet of 6-inch diameter pipeline in Mahogany Way. A few weeks ago temporary pipework to customers was installed in anticipation of this work, but this had to be stopped due to the urgent work needed at Smith Road.

- b) *Water Supply Division* - The Chairman reported that Operations WS continues to patch roads at various locations. The delayed shipment of 4-inch pipe arrived earlier this week and Operations WS will now resume work on replacing approximately 1,300 ft of 4-inch pipe in Fairview Road.
- c) *Wastewater Division* - The Chairman reported that during the month of September 2015 the design hydraulic capacity of the plant (2.5 mgd) was exceeded for 10 days. The average daily influent was 2.43 mgd (or approximately 97% of design capacity). This daily average influent was approximately 18.7% less than the average influent measurement during the same period last year (2.99 mgd).
- d) *Hurricane Debris Site at Block 55A Parcels 57 and 111* - The Chairman reported that further to the information provided at previous Board meetings, the International Centre for Environmental and Nuclear Sciences (ICENS) in conjunction with the Pan American Health Organization (PAHO) submitted the report on the arsenic investigation of the hurricane debris site in Frank Sound on 01 October 2015. Representatives from both agencies visited the Cayman Islands on 05 and 06 October to meet with the various Government agencies involved and the families who lived close to the site and the press.

The clinical and health survey of the people who live and lived close to the debris site determined that there is no health concern in the levels of arsenic found in the potentially exposed groups as compared to the control group. Baseline ranges of arsenic exposure used in the Cayman Islands are conservative. In respect of the environmental investigations, some work remains outstanding. The report indicated that generally speaking, levels of arsenic in the environment are not at an alarming level.

- e) *Laboratory Audit* - The Chairman reported that the Laboratory audit, conducted by American Association for Laboratory Accreditation (A2LA), was carried out 28-30 September 2015. The auditor found a number of deficiencies, to which a response needs to be provided in 30 days. There were no major deficiencies. The Laboratory is working diligently on the response.
- f) *Geology Education Week 12 - 16 October 2015* - The Chairman reported that the Geology Education Week, organised by the Authority and Dr Brian Jones, commenced this week and so far it is a great success. The one day geology course for high school teachers, held on 12 October 2015, was well attended and well received. On 13-14 and 16 October geology lessons will be given at the high schools and on 15 October a geology field trip will be held in Cayman Brac. On the evening of 13 October 2015 a public lecture, organised by the National Trust was held. The book "*Origin of*

*Carbonate Sedimentary Rocks*” has been presented to Mr Winston Conolly, the Councillor for Education and will be given to every school that participates in the education programme. The various activities have been well covered in the media.

- g) *FOI updates* - The Chairman reported that no new requests were received since the FOI Report dated 20 May 2015.
- h) *Public Authorities Bill (PAB) Consultation Process* - The Chairman reported that there is no further update on this matter.

### Current Business

#### a) **Management Accounts – August 2015.**

The Chairman reported that as the financial department is in the process of the year-end audit the “opening” numbers had not been rolled forward. A very draft statement of comprehensive income was made available to members for their review. As can be seen in the draft statement, the net income position is in line with prior years. Members are reminded that the numbers are draft as the current emphasis is on the audit and the 2015/2016 numbers are subject to change. Members noted that they were pleased with the financial performance of the Authority.

### **Any Other Business**

#### a) **Strategic Policy Statement Retreat for 2016/2017 Budget Period.**

The Chairman reported that the Secretary attended the Retreat for the half-day session specifically for SAGCs on 08 October 2015. The group were briefed on government’s financial performance and made aware of the challenges ahead to ensure the Government remains in compliance with the FFR. Upcoming legislative changes to the PMFL were also explained. The major change is to the financial year, all government entities will be required to return to the calendar year for the fiscal budget period. The 2016/2017 fiscal period will span 18 months and thereafter the government will prepare 2-year budgets but these will be audited on an annual basis.

#### b) **American Water Summit 2015.**

The Chairman reported that the Secretary has been invited again this year by Global Water Intelligence (GWI) at their cost (airfare and two nights’ accommodation, two additional nights will be needed in order to arrive for activities on 19 October and return on 22 October) to attend the American Water Summit in Denver, Colorado 19-21 October 2015. The Secretary is a member of The Water Leaders Group which includes senior executives and decision makers from the public and private water industry sectors in



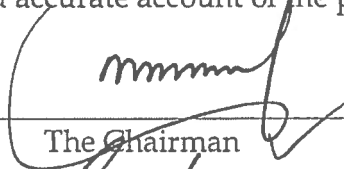
North America and provides access to leaders in the industry around the world. Global Water Intelligence provides news and analysis of the global water and desalination industry. Attending the Summit will be delegates from public and private water utilities, various government levels, equipment suppliers, new technology companies, financiers and academics. The Chairman and members noted that they had no objection to the Secretary's participation in the Summit providing that on-going projects were not delayed as a result.


**Donation Requests**

The Chairman advised that the Sponsorship Assessment Sub-committee would not be meeting as there are no donation requests for this month.

The Chairman thanked the District Commissioner and the Deputy Commissioner for their attendance at the Board Meeting and their support of the Authority's water supply projects in the Sister Islands. The Chairman also thanked the Deputy Director for his contribution to the meeting. There being no other business the Chairman thanked members and the meeting was adjourned at 10:50am.

This is a true and accurate account of the proceedings.

  
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The Chairman

  
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The Secretary