

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 279th Meeting held on 15th of March 2017

Members Present:

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

Call to Order

The Chairman welcomed members and then called the meeting to order at 1:33pm. He acknowledged apologies from Ms A Owens and Mr O Watler. The Chairman then offered a special prayer for guidance and well-being of members and subsequently the meeting was declared open.

Confirmation of Minutes of the 278th Meeting held on 22nd February 2017

The Chairman asked for confirmation of the Minutes of the 278th Meeting held on 22nd February 2017. 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

No conflicts were declared.

Matters Arising

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

The Chairman reported that the RO plant has run uninterrupted since 04 February 2017, albeit on one RO train only. During the month of February 2017 the LV RO Plant produced on average 1,123 cubic metres per day.

Regarding the issues with the feed water abstraction wells, samples were taken from the three feed water abstraction wells at Lower Valley (as well as, for comparison, composite feed water samples of the Red Gate, North Sound and North Side RO plants) and these were sent to an overseas laboratory for analysis. The results are expected back during the week of 20 March 2017.

b) **North Sound and Red Gate RO Plants - Update.**

The Chairman reported that the current operating agreements for the North Sound Reverse Osmosis Plant (NSROP) and the Red Gate Reverse Osmosis Plant (RGROP) will expire on 01 April 2017 and 01 July 2017 respectively. On 16 January 2017 Ocean Conversion Cayman Ltd (OCL) submitted four proposals (RGROP only for 12 months, NSROP only for 12 months, both plants for 12 months), and to extend the operation and maintenance contracts of both plants for 24 months.

The Chairman reported that the Engineering Services Department (ESD) completed the analysis of the various proposals and completed the full report yesterday. Members have been provided with a copy of the report. The Chairman noted apologies from the Secretary that for various reasons it was not available earlier. He also advised that members may prefer to review the report and provide their decision via round robin later in the week.

As shown in the Executive Summary of the report, the Chairman noted that it has always been and is the Water Authority's intention to operate the SWRO plants that were built, operated and maintained by OCL. The main reason for this being, water purchased under an operating contract with a third party, such as OCL, will generally be more expensive than produced by a plant operated by Water Authority in-house resources.

The Chairman reported that the Authority's management advised that the Water Authority is currently not in the ideal position to assume the responsibility to operate and maintain additional SWRO Plants as of 01 April 2017. The reason for this is the inadequate number of experienced, long-term

staff; lack of the relevant spare parts inventory; and the outstanding, but pressing, issues at the Lower Valley and Cayman Brac SWRO plants.

The Chairman noted that the report evaluates in detail the Authority's options with regards to the future operation and maintenance of the two identified water production plants, taking into account cost-benefit and risk analyses. Members were advised that the Deputy Director was available to guide members through the technical evaluation report and assist with answering any questions if necessary.

The Chairman advised that the Secretary was respectfully recommending that members consider accepting the proposal from Ocean Conversion (Cayman) Ltd to extend the operating contract of both the North Sound Water Production Plant and the Red Gate RO Plant for an additional 12 months with the option for an additional 12-month period under conditions no less favourable. The total amount per annum would be [REDACTED] for Offer C from OCL. Under this proposal the annual savings are estimated to be around [REDACTED] compared to the fees paid under the current Operating Agreements, and assuming both plants are operating at their current average output levels. If members agree, the Authority will approach OCL to determine if they will further reduce the cost or be willing to include the membranes.

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

The Chairman advised that in order to prepare the Water Authority to take over these plants, the Authority must immediately resume the recruiting process for an experienced Water Production Engineer as the current engineer is employed for a fixed term of 2-years, expiring in October 2018. This will improve the possibility that by the end of the 12-month extension the Water Authority will be much better positioned to assume the responsibility to operate and maintain additional SWRO Plants.

Members discussed the recommendation and considered various matters related to the Authority being prepared to take on management of these RO plants. In principle Members agreed with the recommendation but requested additional time to further study the report and that a round robin be circulated the next day to finalise their decision.

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

The Chairman reported that the pipelaying crew returned to Cayman Brac on 06 March 2017. Last week several outstanding water service connections were installed. The pipeline section that was installed prior to Christmas (up to Heights Road) is presently being pressure tested, after that it will be disinfected, flushed and commissioned. Pipelaying will soon resume beyond the current termination point at Sheldon Way (just west of Horizon Building Supply).

The start-up training for the new Vermeer T755 III Commander track trencher (to Water Authority's heavy equipment operator, superintendent and mechanics) will likely be scheduled towards the end of March 2017.

d) Water Distribution Pump Station Project 2016 - Red Gate Water Works - Update.

The Chairman reported that on 10 March 2017 electrical approval was obtained for the new pump station and the water distribution pumps have been aligned. On 14 March 2017 the short section of pipework (250mm and 400mm (10-inch and 16-inch) diameter pipe) just outside the pump station, connecting the pump station pipework to the water distribution system, was disinfected and flushed.

The commissioning of the pump station commenced on 15 March 2017. It is anticipated that the actual commissioning, including troubleshooting, will take approximately one week to complete.

e) 30 June 2016 Audit of Consolidated and Divisional Statements - Update.

30 June 2016 Audit – Consolidated, Divisional and Island Financial Statements for Water, Wastewater and Statutory

30 June 2016 - Supplemental Financial Statements (Divisions and Islands)

The Chairman reported that the Authority is waiting for KPMG to complete the statements. There is nothing outstanding from the Water Authority. The Financial Controller will continue to follow up.

Annual Report 2015/2016

The Chairman reported that feedback regarding the annual report was received from KPMG on 07 March 2017 and from the Office of the Auditor General (OAG) on 10 March 2017. There were some cosmetic and grammatical feedback provided, but overall the layout and content were approved. The minor modifications were made to the document and on 15 March 2017 the final document was sent to the Ministry as well as to the OAG for inclusion into their audit report.

31 December 2016 Audit – Consolidated, Divisional and Island Financial Statements for Water, Wastewater and Statutory

The Chairman reported that the audit is ongoing; KPMG continues to work primarily from their office as the majority of the information can be sent electronically. The Authority is cognizant of the 31 March deadline for SEC reporting which is known to be a busy time for auditors. At this time there is nothing that KPMG is waiting on the Authority for, the Financial Controller will continue to follow-up on their progress. The audit of the Authority will require a more comprehensive plan for the 12-month period ending 31 December 2017 as the PMFL clearly defines deadlines which will need to be

met. This year there is some flexibility in regards to timing and an excellent opportunity to determine what works and what does not.

Public Service Pension Board – Defined Benefits Pension Plan – 31 December 2016

The Chairman advises that this report is still outstanding, PSPB confirmed that it will be ready in early April. The Financial Controller will continue to follow-up.

Public Service Pension Board – Defined Post-Retirement Healthcare – 31 December 2016 – - CINICO for Defined Benefits Pension Plan Employees

The Chairman advises that this report remains with KPMG for auditing.

Public Service Pension Board – Defined Post-Retirement Healthcare – 31 December 2016 - Generali

The Chairman advised that this report is still outstanding, the Financial Controller will continue to follow-up.

f) The Utility Regulation and Competition Office Bill (URCO) – Update.

The Chairman reported that on 12 March 2017 the Authority received an email from the CEO of OfReg with the last version of the proposed Committee stage amendments of the bills to regulate the water sector. It is not clear yet when the bills will be discussed in the Legislative Assembly, but it is scheduled for the current sitting. Copies of the amendments were provided to members.

The Committee stage amendments prepared by the legislative drafters were reviewed and generally the majority of the Authority's recommendations were included. There are a few issues that were identified and these will be brought to the attention of the Minister.

g) Miscellaneous Updates.

a) In-House Pipelaying Crews – The Chairman reported that the in-house pipelaying crew continued the relocation of the 300mm (12-inch) water main in Esterley Tibbetts Highway.

b) Linford Pierson Highway Widening – The Chairman reported that Operations-WS reinstalled a portion of the 80mm (3-inch) pipeline at the end of Harmony Lane on 14 March 2017. This pipeline is now situated in the widened portion of Linford Pierson Highway and due to regrading of the area the cover over the pipe was reduced by 450mm (18 inches) forcing the Authority to deepen this section (approximately 2 pipe lengths).

c) Esterley Tibbetts Highway Widening – The Chairman reported that the Authority's in-house pipelaying crew continues work on the relocation of the 300mm (12-inch) water main along the eastern side of the widened road corridor of the Esterley Tibbetts Highway, i.e., in the shoulder of the southbound carriageway, between the MRCU dyke road and the Butterfield Roundabout. As of 15 March 2017 approximately 600m (2,000 feet) has been

installed, or approximately 45% of the total pipe length of approximately 1,400m (4,500 lin ft). It is anticipated that this work will be completed by the end of April 2017.

- d) Water Supply Division* - The Chairman reported that as reported previously the new 300mm (12-inch) water main along Bodden Town Road, between Gun Square Road and Manse Road was commissioned on 22 February 2017, and all customers have now been connected to this new pipeline. Island Paving is expected to complete the reinstatement by the end of this month.
- e) Wastewater Division* - The Chairman reported that during the month of February 2017, the design hydraulic capacity of the plant (2.5 mgd) was not exceeded on any day. The average daily wastewater inflow from West Bay Road was 1.95 mgd (or approximately 78% of design capacity). This amount was 16.5% less than the average influent measurement during the same period the previous year (2.33 mgd).
- f) West Bay Road New Force Main* - The Chairman reported that as previously reported the excavation for the new, approximately 25 feet deep pump station commenced on 03 February 2017. To date DECCO Ltd has installed four of the five reinforced concrete wet well sections. Progress over the last few weeks has been very slow due to the hardness of the material that has to be removed (by hand) and the large inflow of ground water.
- g) Fuel spill at former Rubis Service Station Shedden Road* - The Chairman reported that developments since the February 2017 Board meeting are:
- The Authority carried out water quality testing to verify that the replaced water supply pipework provides safe drinking water to Willow House. Tests were carried out by an overseas laboratory for specific fuel related constituents of concern. The laboratory report, received on 09 March 2017, showed that all results were below the analytical method detection limit. The developer has been provided with the results and the Authority's interpretation that based on the results there is no concern to use the water for potable purposes.
 - On 12 March 2017 the trench in Shedden Road was reinstated with hot mix.
- h) Fuel spill at Rubis Savannah Service Station* - The Chairman reported that further to the report at the last Board meeting that in mid-February 2017 the Authority had conducted repeat testing of the piped water supply system in the vicinity of the service station to determine whether the piped water supply had been impacted by the spill. Tests were carried out by an overseas laboratory for specific fuel related constituents of concern. The laboratory report, which was received last week, showed that the piped water supply system in the vicinity of the fuel station had not been compromised by the spill.

The Authority will continue to work with Rubis and Arcadis, their environmental consultant on the remediation of the spill.

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

- j) *FOI updates* - The Chairman reported that no new requests have been received since the last Water Authority Board meeting.

Current Business

- a) **Management Accounts February 2017.**

The Chairman reported that the Board had been provided with the management accounts for the period ending 28 February 2017. The Authority provided comparatives for the first two months of the calendar 2016 against January and February of 2017.

The Authority is working with KPMG to close the 6-month period 01 July - 31 December 2016 and hence does not yet have opening numbers upon which to present the Balance Sheet. The balance sheet is expected to reflect strong cash balances, ongoing debt reduction together with the recognition of Post-Retirement Health for all employees and the Defined Benefit Pension expense.

As before there were no surprises in the statements, revenue continues to be strong, up 7.3% from prior year with the associated operating expenses reducing by 2.2% most notably in repairs and maintenance and wages. Expectation is that loan interest continues to decrease, reflective of early debt settlement and no new borrowings, this trend will continue until the loan interest is at zero.

Administrative expenses were slightly below that of the prior year for the same period, coming in at 5.6% lower than in 2016, the majority of this difference is attributable to the Cogsdale Infrastructure review commissioned in early 2016 as well as the payment of the Wastewater-Engineer's work permit being paid in January 2016 as compared to December 2016.

In summary, the Authority continues to generating revenue and is in a sound financial position after the first 2-months of the fiscal period, with sufficient cash flows to continue with the CYB extension project, the CYB Site development and daily operational and administrative costs.

b) **Request for Bill Adjustment re Customer Account** [REDACTED]

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

The Chairman reported that on 09 March 2017 the Authority received a letter from [REDACTED] requesting that consideration be given to reducing her water bill. A copy of the correspondence and the report from Customer Service was provided to members.

A review of the account was undertaken and the Authority's findings are that on 08 December 2016 a service order was issued to the Operations Department on the customer's complaint regarding a water leak near the meter box. The customer claimed repairs on the meter had been carried out that morning by the Water Authority however the water was leaking out again. Operations responded and made the necessary repairs to a leak that was on the Authority's side. As this leak was on the Water Authority's side of pipeline, this leak would not have impacted the customer's bill. The Water Authority has no record of work done in the morning.

On 31 December 2016 a bill was generated for the period 09 November 2016 to 08 December 2016 for the amount of \$318.13.

The meter was read again on 12 January 2017 and was flagged on 16 January 2017 during the fail audit process. A service order was created for the reading to be rechecked and this service order was executed on 20 January 2017. The meter reader reported that there was slow movement on the meter and advised a Customer Service Representative. The customer was informed the same day. However, the customer told the Customer Service Representative that the meter dial was no longer moving and she was then advised by the Customer Service Representative to continue to monitor the meter for possible leak.

On 31 January 2017, a bill was generated for the period 08 December 2016 to 20 January 2017 for the amount of \$744.26.

From the customer's letter it appears that she is concerned that the delay she experienced in reporting a leak at her meter box due to problems with the Authority's phone system on 08 December 2016 contributed to her higher than

normal water bill in January 2017. The repair at the meter box on 08 December 2016 was to the Authority's side and therefore would not have impacted the customer's bill.

It was noted that the bill in question is the January 2017 bill and it was during this period that a possible leak was identified. The customer was informed of this possible leak as per the fail audit procedure on 20 January 2017. When informed of the possible leak due to movement observed by the Meter Reader, the customer advised that the meter dial was no longer moving. As all plumbing downstream of the meter is the customer's responsibility, the bill is payable. The Secretary respectfully sought the Board's decision on the request from the customer.

Members agreed that the customer should be advised that they reviewed the request and decided not to discount or waive the bill as the Authority's records show that the bill is valid and payable. The Authority brought the existence of a possible leak to the customer's attention as part of the Fail Audit inspection. All plumbing downstream of the meter is the customer's responsibility. Members agreed that a Special Payment Plan Agreement be offered with the usual discounting of late fees (provided payments are made regularly according to the agreement).

Any Other Business

a) Crown Property - Rum Point.

The Chairman advised that the Ministry of Planning, Lands, Agriculture, Housing & Infrastructure (PLAHI) reviewed surplus Crown land holdings and a list of Crown properties was compiled for recommendation to Cabinet that they be declared surplus and potentially available for sale. The Statutory Authorities and Government Companies (SAGCs) were consulted and subsequently the Authority's management reviewed the list.

The Chairman explained that the Water Authority will need to construct a small water storage and re-pumping facility in the Rum Point area within the next 2 years to improve the flexibility and reliability of service in the event of leaks and/or natural disasters such as hurricanes. The Water Authority had identified two properties on the list that might be suitable:

1. Block 39E Parcel 17 (1.25 acres), Registration Section Rum Point
2. Block 40A Parcel 17 (2.0 acres), Registration Section Rum Point

The Chairman reported that site visits of both properties were carried out to determine which would be more suitable for the Authority's purposes. It was determined that Block 39E Parcel 17 (1.25 acres) would be the most suitable as it has direct access to the main road. The Chairman reported that the Ministry

has been advised of the Authority's interest in acquiring the property. Members were respectfully requested to allow the Authority to enter into discussions with the Ministry regarding either purchasing the property from Government or the property being vested in the Authority.

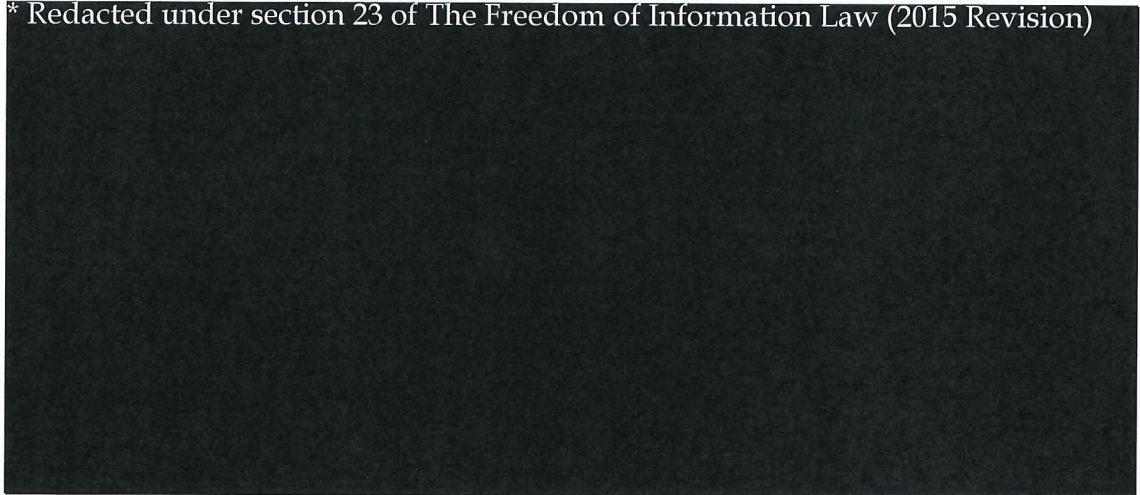
Members discussed the matter and gave their approval for the Authority to enter into discussions with the Ministry regarding either purchasing the property from Government or the property being vested in the Authority.

b) Administrative Procedures for Enrolment in Post-retirement Healthcare Plan.

The Chairman advised that the Authority's management had determined procedures for retired employees to enroll in the Generali Post-retirement Healthcare Plan. The documentation was provided to members for their information.

The Chairman reported that due to changes to the National Pensions Law that came into effect in December 2016, employees who turn 60 between 01 January 2017 and 31 December 2029 may opt for the "normal age of pension retirement" of 60, with early retirement at 50. The "normal age of pension entitlement" for all other employees is 65, with early retirement eligibility at age 55. The Authority's retirement policy originally referred to retirement at age 60, but adjusted to 65 when the National Pensions Law was initially changed last year.

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



Donation Requests

The Chairman advises that no requests for financial assistance have been submitted for the Sponsorship Assessment Sub-committee to consider.

There being no other business the Chairman thanked members and the meeting was adjourned at 2:24pm.

This is a true and accurate account of the proceedings.



The Chairman



The Secretary