

**CONFIDENTIAL**



**Water Authority of the Cayman Islands**

**Minutes of 281<sup>st</sup> Meeting held on 17<sup>th</sup> May 2017**

**Members Present:**

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

**Call to Order**

The Chairman welcomed members and then called the meeting to order at 1:31pm ascertaining that there was a quorum. He then offered a special prayer for guidance and subsequently the meeting was declared open. The Chairman acknowledged apologies from Ms T Mortimer, Ms R Sharma, Mr H B Ebanks, Mr J Gill, and Mr O Watler.

**Confirmation of Minutes of the 279<sup>th</sup> Meeting held on 15<sup>th</sup> March 2017**

The Chairman asked for confirmation of the Minutes of the 279<sup>th</sup> Meeting held on 15<sup>th</sup> March 2017. Mr A Wright moved the motion to accept the Minutes as amended, Mr M Jacques seconded the motion and the motion passed unanimously.

**Confirmation of Minutes of the 280<sup>th</sup> Meeting held on 19<sup>th</sup> April 2017**

The Chairman asked for confirmation of the Minutes of the 280<sup>th</sup> Meeting held on 19<sup>th</sup> April 2017. Mr A Wright moved the motion to accept the Minutes as amended, Ms A Owens seconded the motion and the motion passed unanimously.

**Declaration of Conflicts of Interest**

Mr A Wright indicated that he has conflict with an item on the list requesting donations.

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

The Chairman reported that the LVRO plant has run uninterrupted since 04 February 2017, albeit on one RO train only. During the month of April 2017 the LV RO Plant has produced, on average, 1,173 cubic metres per day, which is nearly 40% of its design water production capacity.

The Engineering Services Department (ESD) continues to work on setting up a pilot test to pretreat the feed water in a sand filter before it goes to the pre-filters to control/limit biofouling of the pre-filters.

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

The Chairman reported that on 04 May 2017 the Amendments to the Contract Documents for the North Sound Reverse Osmosis Plant and the Red Gate Reverse Osmosis Plant, detailing the modifications to the terms and conditions of the existing operating contracts, were signed by the relevant Water Authority Board members and sent to Ocean Conversion Cayman Ltd for their signatures and seals. Both operating contracts will be extended for an additional twelve month period to 01 April 2018 and 01 July 2018 respectively.

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

The Chairman reported that the Authority's pipelaying crew returned to Cayman Brac on 25 April 2017, and resumed the installation of the 200mm (8-inch) diameter main pipeline. The pipelaying rate has picked up with the new trencher. As of 16 May 2017 pipelaying had progressed to Ryan's Drive, Stake Bay. Approximately 2,800m (9,300 feet) of 200mm (8-inch) diameter pipe has now been installed on Phase 2 of this project. (This represents 65% of the total length of the main pipeline to Faith Hospital). It is anticipated that piped water will be available to Faith hospital by late August 2017.

The Chairman reported that requests for new water service connections are continuing to be made. There are currently 18 outstanding water service

connections (which include 7 road crossings) within the area provided with piped water. The pipelaying crew typically reserves two days in each two week period to install new service connections, to ensure these connections are being made relatively quickly but without significantly affecting pipelaying progress.

*Extension of Waiver of Connection Fees in Cayman Brac*

The Chairman noted that the Secretary was respectfully requesting members' consideration regarding the extension of the waiver for connection fees in the main and side roads in the area of the last (up to the Faith Hospital) and next (up to Aston Reid Drive) Phases of the Cayman Brac Piped Water Expansion Project. The current approval expires on 30 June 2017. There were 37 new connections made since 31 December 2016 and to date, the total number of piped water customers is 294 (of which 253 are active). Members agreed to extend the period for the waiver of connection fees in the area of the on-going Phases of the Cayman Brac Piped Water Expansion Project (currently up to the Faith Hospital and in the next phase up to Aston Reid Drive and beyond) until 31 December 2017.

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

The Chairman reported that there remains an issue with the suction pipework which needs to be increased in size, before the final commissioning can take place. That work will be carried out later this month and the final commissioning of the pump station has now been scheduled for early June 2017.

**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 divisional statements are complete and the Authority is waiting on the island statements. All information is with KPMG.

*Annual Report 2015/2016*

The Chairman reported that there is nothing new to report.

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

The Chairman reported that the last MERCER report (Pension) remains outstanding and the Authority continues to follow-up with the PSPB. KPMG has requested some additional information in relation to the 31 December 2016 audit. These requests are within expectation as the representatives from KPMG have changed several times over the course of this audit and it is inevitable that additional information will be required as they familiarise themselves with the engagements. The Authority is providing all requested information.



*30 December 2016 - Supplemental Financial Statements (Divisions and Islands)*

The Chairman reported that these are still pending as the Authority is unable to move forward with providing this information until consolidated statements are finalised.

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

The Chairman advised that as mentioned earlier, this report is still outstanding from MERCER, 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 advised that there is no change from what was reported at the April 2017 Board meeting, this report remains with KPMG for auditing.

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

The Chairman advised that a revised report was received 05 May 2017 and has been sent to KPMG for their review.

*Voluntary Pension – Consideration for Reclassification*

The Chairman reported that after receiving positive feedback from the Board, the Authority is moving forward with this initiative and is scheduled to meet with BritCay on 19 May 2017. All affected members of staff have been invited to this presentation and will hopefully provide their support. In anticipation of full staff participation the Finance Department has taken the initiative and commenced the undertaking of accumulating and quantifying the information needed for the reclassification.

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

The Chairman reported that further to the April 2017 Board meeting, the legislation to transfer the regulatory role for the water and wastewater sector from the Authority to the Office for Regulation and Competition (OfReg) was gazetted on 10 May 2017. The relevant laws are:

- The Water (Production and Supply) (Amendment) Law, 2017
- The Wastewater Collection and Treatment (Amendment) Law, 2017
- The Water Authority (Amendment) Law, 2017
- The Utility Regulation and Competition (Amendment) Law, 2017
- The Water Sector Regulation Law, 2017

Members were provided with copies of the Laws.

The Chairman noted that to the Secretary's knowledge, Cabinet had not yet issued the Commencement Order for the above legislation. However, in anticipation of the transfer of the Authority's regulatory duties to OfReg, the

Authority and OfReg had an initial meeting on 02 May 2017 to discuss the licensing of CWC and other matters. The next meeting with OfReg is scheduled for 31 May 2017.

The Chairman reported that the Authority and OfReg also initiated reviewing the options for regulatory and statutory fees. Regulatory fees cover the cost for regulating the water and wastewater sector, this function will be exercised by OfReg. Statutory fees cover the cost of the Authority's statutory function to protect groundwater, this function remains with the Authority.

Whereas the Water Authority Regulations provide fees for licences and permits issued by the Authority and fees for the analytical services provided by the Laboratory, the revenue from these fees is insufficient to cover the Authority's statutory functions. Historically the Authority's expenses for its statutory activities have been supplemented by revenue from the Authority's water and wastewater utility functions and from royalties paid by licensees operating under the Water Production and Supply Law, such as the Cayman Water Company.

The Chairman noted that the legislation to transfer the Authority's regulatory function for the water and wastewater sector to OfReg recognizes that the Authority's statutory functions were partially funded from royalties and the Authority's utility revenue and therefore the principle of a statutory fee for the Authority's statutory functions is enshrined in the legislation. The statutory fee applies to water and wastewater licences issued by OfReg.

As reported at the last Board meeting, the Authority wrote to the Dart Group to get an update and clarification on the status of various water plants that they operate or plan to operate so that various outstanding issues can transfer to OfReg. To date the Authority has had no response from the Dart Group. Members requested that the Authority write to the Dart Group again to reiterate that are consequences under the current legislation for non-compliance.

**g) Miscellaneous Updates.**

*a) In-House Pipelaying Crews* – Refer to sections b) and c) below.

*b) Linford Pierson Highway Widening* – The Chairman reported that during the week of 08 May 2017 the Authority's in-house pipelaying crew installed 76 metres (250 feet) of 150mm (6-inch) pipe between the partially completed new roundabout on Linford Pierson Highway (east of Halifax Road) and the existing (100mm (4-inch) pipeline) in Alamo Drive. This work was done to take advantage of having no traffic on this part of the Linford Pierson Highway (i.e., the east bound lanes) until NRA has completed (paved) the remainder of the roundabout.

*c) Esterley Tibbetts Highway Widening* – The Chairman reported that after the finishing work on the Linford Pierson Highway, near the end of the



week of 08 May 2017, the pipelaying crew returned to Esterley Tibbetts Highway to relocate the 300mm (12-inch) water main along the eastern side of the widened road corridor after it had completed pipelaying work (in Wylde Street, Belford Estates). NRA/DECCO has not yet completed the road construction works between the end of the installed pipe and the Butterfield Roundabout (e.g., relocation of CUC poles, fences, roughing-in of the road, installation of kerbs, etc) but the in-house pipelaying crew is continuing work until it becomes impossible again.

- d) *Water Supply Division* - The Chairman reported that Island Paving advised that they will not be able to do the final road reinstatement of the area affected by the installation of the new 300mm (12-inch) water main along Bodden Town Road, between Gun Square Road and Manse Road until sometime in June 2017.

During the week of 08 May 2017 week Operations-WS completed the cleaning of two water storage tanks (one at Lower Valley Water Works and one at Red Gate Water Works) in anticipation of preventative maintenance services to be carried out by representatives of Florida Aquastore, commencing on 16 May 2017 and which will take approximately 2 weeks to complete.

These services comprise the visual inspection of the glass-fused-to-steel water storage tanks' condition, the installation of new sealant and replacement of sacrificial zinc anodes. This work is necessary to maximize the useful life of these tanks and to protect the Water Authority's investment. It is anticipated that each year two or three of the Authority's tanks will be inspected this way, thus ensuring that each tank is properly inspected once every 4-5 years.

- e) *Wastewater Division* - The Chairman reported that during the month of April 2017, the design hydraulic capacity of the plant (2.5 mgd) was exceeded on three days. The average daily wastewater inflow from West Bay Road was 2.22 mgd (or approximately 89% of design capacity). This amount was 1.6% less than the average influent measurement during the same period the previous year (2.25 mgd).
- f) *West Bay Road New Force Main* - The Chairman reported that as previously reported, DECCO continues the construction of the new, approximately 25 feet deep wastewater pump station along West Bay Road, just south of Burger King. Construction started on 03 February 2017, and the structure must still be lowered by another 12-18 inches. Progress continues to be very slow, particularly over the last six weeks, due to the conditions encountered (e.g., hardness of the material that has to be removed (by hand) and the large inflow of ground water).
- g) *Public Authorities Bill* - The Chairman reported that the Public Authorities Bill was passed in the Legislative Assembly in March 2017 however it has not been gazetted as yet into Law.
- h) *Fuel Standards Committee* - The Chairman reported that on 03 May 2017 the Authority received a notice, dated 16 February 2017 from OfReg that the

Director of the Authority or her designate had been appointed to the Fuel Standard Committee, established under the Dangerous Substances Handling and Storage (Amendment) Law, 2015. The Director nominated the Water Resources Engineer to serve on this committee as he has worked for many years for the Authority on the regulatory aspects of groundwater pollution caused by hydrocarbon spills.

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

### Current Business

#### a) **Management Accounts April 2017.**

The Chairman noted that the Board had been provided with the management accounts for the period ending 30 April 2017. As reported in April 2017, finalisation of the 31 December 2016 financial statements are taking longer than expected and thus the Finance Department does not have official "opening numbers" as at 01 January 2017. Even though official opening numbers are not available the Finance Department has prepared the statements using comparative numbers, whilst a manual exercise for this financial period it is useful information to have comparatives for the same months as in the prior year.

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

The balance sheet continues to reflect good cash balances, ongoing debt reduction together with the recognition of Retirement and Pension obligations. Members were respectfully reminded that these numbers will change significantly once the Post-Retirement Health - Generali is booked for the period ending 31 December 2016<sup>\*</sup> and will therefore roll-forward into the current fiscal period.

As before, there were no surprises in the statements; revenue continues to be strong, up 5.7% from prior year with the associated operating expenses increasing by 3.7% most notably due to increased depreciation (North Sound Plant and Vehicles) and new employees. Loan interest continues to decrease, reflective of early debt settlement and no new borrowings, this trend will continue until the loan interest is nil. Administrative expenses are consistent with prior year, showing a slight decrease of 3.7% over the first 4-months.

In summary, the Authority is in a sound financial position after the first 4-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) **Credit Card Standing Orders.**

The Chairman advised that the credit/debit card standing order process was adopted many years ago by the Authority in an attempt to help customers pay



their monthly invoices, a (temporary) solution as automated features were limited and not widely available. This system has worked over the years, but is increasingly becoming obsolete in light of new international security features, availability of e-billing and internet payments.

The Chairman reported that the current procedure is cumbersome, time consuming and does not conform to the security guidelines defined in PCI DSS (Payment Card Industry Data Security Standards) as card details are being stored in unencrypted files that are not password protected. At this point in time, the Water Authority is not PCI compliant which is why First Atlantic Commerce (FAC) (which is PCI compliant) was engaged to collect the Authority's online web payments and Butterfield Merchant Services to manage the security of debit and credit card payments on the front line.

The Chairman reported that research carried out by the Authority's management noted that CUC and LIME in the Cayman Islands provide their customers with the ability to pay online via their websites (as does the Authority) and an automated phone payment option (which the Authority does not currently have), but both CUC and LIME offer Direct Debit. It was not clear whether either company is PCI compliant; however the Authority is seeking to confirm this.

#### *Current Challenges*

The Chairman reported that the Authority researched incorporating and automating the credit card payments within Cogsdale with the intention to make the process more user-friendly, however there were limitations and the current process is not fully supported by the Utility Billing Software and would require significant customisation. While the Authority is confident that Cogsdale is able to customise, there is also the issue of security with regards to requesting confidential information from our customers (Credit/debit card information, copy of Drivers Licences etc.). For Cogsdale to store credit card information in the database then Water Authority would need to be PCI compliant.

#### *Recommendations*

The Chairman reported that after internal management review, it was felt that the original justifications for offering this service are no longer valid. This takes into account the fact that the Authority has implemented full online access to customer accounts and coupled with online payment options eliminates the justification that information is not readily available. Now that the Authority's customers have the ability to view and pay their water bill electronically via the website and the expanded options available from retail banks, it is recommended that the standing order process be strategically phased out. The Chairman noted that should the Board agree to proceed then a strategic phase out period would need to be developed and adopted.



*Possible Phase-out Period*

The Chairman advised that the phase-out process proposed as:

1. Effective immediately no longer accept new applications.
2. All standing order customers are contacted via email indicating that, effective 31 December 2017 this payment method will no longer be available.
3. Finance Department to start to personally reach out to individual customers:
  - a. Whose cards expire in 2017 and indicate that the Authority will not be renewing instructions (personalised emails, phone calls etc.).
  - b. To all affected people, a courtesy call to explain decision and answer questions, etc. Promote the availability and accessibility of the website; assist with the transition to other payment options.

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

The Chairman reported that the Authority's Finance Department processed 697 payments (CI\$ Debit Cards #427 and US\$ Credit and Debit Cards #270) for a total value of \* in April 2017. This equates to approximately 3.8% of the Authority's March 2017 billed revenue (\$2.5 million). This process is managed manually by the Finance Department.

*Direct Debit*

Noting that the Authority does not offer Direct Debit, the Chairman advised however, that Cogsdale has an EFT (Electronic Funds Transfer) module which would expand the payment options available and it is recommended to aggressively research this payment option. The Water Authority will explore this as an option and report back to the Board. The Authority will need to migrate to the accounting platform Great Plains 2016 which is planned for later this year.

*Summary*

The Chairman summarised that it is proposed to eliminate standing orders as a payment option to new customers, grandfather the existing clients, and gracefully phase the service out over the next 7 months, allowing ample time to make alternate arrangements, sign up for e-billing etc.

The Chairman also reported that the Authority's management proposed that the Authority continue to accept credit and debit card payments of Post-Retirement Health Care Premiums for past staff members, and that this would be a standalone service.

The Secretary respectfully sought the Board's feedback on the above. Members discussed the pros and cons of the recommendation and subsequently approved for the Water Authority to eliminate standing orders as a payment option to new customers, grandfather the existing clients, and gracefully phase the service out over the next 7 months (end Dec2017), allowing ample time to make alternate arrangements, sign up for e-billing etc. Members requested that

consideration be given to the communication with current customers using the standing order payment option to ensure they are courteously advised of the change and the options available for payment. Additionally, members requested that the Water Authority explore the option of Direct Debit as soon as possible.

Members noted that the Authority would continue to accept credit and debit card payments of Post-Retirement Health Care Premiums for past staff members, and that this would be a standalone service.

### **Any Other Business**

**a) Crown Property - Rum Point.**

The Chairman reported that the Authority awaits feedback from the Ministry on this matter. Mr M Jacques said that he would follow up with the Ministry staff dealing with the matter.

**b) Global Water Summit.**

The Chairman reported that the Secretary will report on this at the June 2017 meeting.

**c) Staff Matters.**

*Retirement Function - Larry Washburn*

The Chairman reported that Mr Washburn's retirement event will be held on 02 June 2017 in the evening at the George Town Yacht Club Restaurant. The Secretary advised that additional information is to be provided in the coming weeks.

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



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



d) **Cogsdale User-group Conference.**

The Chairman reported that on 02 June 2017 the Water Authority will host the first Caribbean Cogsdale User-group Conference. There will be users from 3 other Caribbean countries (8-10 persons) as well as staff from the Water Authority and Cayman Water Company (up to 10 persons). The only contribution from the Water Authority is the venue; Cogsdale is providing refreshments for breaks and lunch. Members noted that this would be good exposure for Water Authority staff.

**Donation Requests**

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

- a) Lions Club of Grand Cayman - Miss Teen Cayman Islands Pageant.
- b) Cayman Islands Taekwondo School - 2017 II Elite Cup Taekwondo Competition in Honduras.
- c) Ratification - Central Scranton Community Committee - Mother's Day Luncheon.

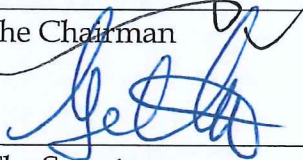


There being no other business the Chairman thanked members and the meeting was adjourned at 2:30pm.

This is a true and accurate account of the proceedings.



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The Chairman



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The Secretary