

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 287th Meeting held on 18th April 2018

Members Present:

Chairman:	Mr K Gomez
Members:	Ms T Ebanks Mr J Gill Ms S Mitchell Ms A Owens Mr M Rankine Mr C Randall Ms L Ryan
Secretary:	Dr G Frederick-van Genderen
Apologies:	Mr H B Ebanks Ms R Sharma Mr A Wright

Call to Order

The Chairman welcomed members to the meeting and acknowledged apologies from Mr H B Ebanks, Ms R Sharma, and Mr A Wright. After ascertaining that there was a quorum, the meeting was declared open and called to order at 1:29pm. Ms L Ryan then offered a word of prayer.

Confirmation of Minutes of the 286th Meeting held on 21st March 2018

The Chairman asked for confirmation of the Minutes of the 286th Meeting held on 21st March 2018. Mr J Gill moved the motion to accept the Minutes as amended, Ms S Mitchell seconded the motion and the motion passed unanimously.

Declaration of Conflicts of Interest

No declarations were made.

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

The Chairman reported that during the month of March 2018 the plant produced on average 1,399 cubic metres per day, which is approximately 47% of its design water production capacity.

The Chairman noted that the Engineering Services Department (ESD) has focused on preparing the operating contract for the North Sound and Red Gate RO Plants and therefore the preparation of tender documents for the provision of a low flow media filtration system for the LVRO plant was temporarily put on hold.

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

The Chairman reported that the Authority's crew has now nearly completed all pipelaying work in the side roads up to Faith Hospital; the only outstanding area is the remainder of Ryan's Drive (to be completed after the next shipment of 150mm (6-inch) PVC pipe has arrived on island). Work has commenced on the next phase (towards Ashton Reid Drive). The Authority's pipelaying crew will continue to alternate the pipeline installation with the installation of new water services. Mr C Randall complimented the Cayman Brac New Works Crew on the complicated work they did to complete the loop of the water distribution on Kirkconnell Street.

The Chairman reported that on 18 April 2018 the Authority will cut a trench (approximately 100 metres (350 feet) in length, and 600 mm (24-inches) deep) from a Flow manhole outside the Aston Ruddy Centre to the radio bunker. As reported at the last Board meeting, this work will be done at the request of Hazard Management Cayman Islands (HMCI), the trench is required to be able to install a fibreoptic cable, and once completed this will strengthen the Public Safety Radio System and help keep Radio Cayman and Rooster on air during any future event. The Water Authority's involvement will be the trenching only, Cayman Brac Public Works Department (PWD) will install the conduit and reinstate the road.

c) Supply of Sewer Cleaning Truck (Vac-Truck) - Update.

The Chairman reported that on 26 March 2018 the Water Authority confirmed the purchase of a combination sewer cleaning truck with Vac-Con, Inc for the amount of US\$ 404,113.00.

Vac-Con agreed to different payment terms than included in the tender documents. In order to avoid the irrevocable international Letter of Credit and the irrevocable letter of guarantee, they accepted to being paid 90% of the Tender Total by wire transfer, just prior to shipping the combination sewer cleaner. The remaining 10% is to be paid after the equipment has been delivered to the Water Authority's facilities and it has been confirmed that the equipment fully meets the agreed specifications and has successfully met the requirements of the Contract. The Secretary will provide the estimated delivery date at the next Board meeting.

d) North Sound & Red Gate RO Plants Operating Contracts - Update.

The Chairman reminded members that the present operating agreements between OCL and the Water Authority for the North Sound Reverse Osmosis Plant and the Red Gate Reverse Osmosis Plant will terminate on 01 July 2018.

The tender documents for a combined operating contract for the two RO Plants at the Red Gate Water Works (i.e., the North Sound Reverse Osmosis Plant and the Red Gate Reverse Osmosis Plant) will be sent to interested contractors on 18 April 2018. This contract was advertised in the Cayman Compass of 13 April 2018. A second advertisement will be placed in the Cayman Compass of 18 April 2018. A notice regarding this tender was placed in the 13 March 2018 edition of the Water Desalination Report, to which expressions of interest were received from eight companies.

In order to have adequate time to review the returned tenders (which will be opened on 27 June 2018) and to ensure a smooth transition from the current operator to the new plant operator, the Water Authority asked Ocean Conversion (Cayman) Ltd to operate both plants until 01 February 2019. The Chairman advised that the Authority will have to request the Central Tenders Committee's permission to extend the current operating contract with Ocean Conversion (Cayman) Ltd for both RO plants by seven months, i.e., from 01 July 2018 until 01 February 2019.

Members agreed for the Water Authority to request permission from the Central Tenders Committee (CTC) to extend the current North Sound and Red Gate RO Plants Operating Contracts with OCL for 7 months from 01 July 2018 to 01 February 2019 in order for the Water Authority to have adequate time to review the returned tenders and to ensure a smooth transition from the current operator to the new plant operator.

e) Red Gate Water Works - Supply & Erection of Bolted Steel Tank for Water Storage 2017 - Update.

The Chairman reported that it is anticipated that site works, comprising preparing the foundation, and installing formwork and rebar will be started in early May 2018. Florida Aquastore must complete the contract for the supply and erection of a 2.0 MG glass-fused-to-steel bolted tank in August 2018.

f) **31 December 2016 & 31 December 2017 Audit of Consolidated & Divisional Statements, 2018-2019 Ownership Agreement - Update.**

31 December 2017 Audit – Consolidated, Divisional and Island Financial Statements for Water, Wastewater and Statutory

The Chairman reported that as the audit continues, there has been some discussion over the inclusion of plant rates into Construction In Progress (CIP). The Deputy Director and Financial Controller met with KPMG last week and another discussion was held on 17 April 2018 inclusive of representatives from the Office of the Auditor General (OAG), KPMG and Water Authority to discuss this issue. After discussion amongst the 3 parties it was confirmed that the Authority has practiced the current methodology of recording plant costs into CIP, which was accepted by the OAG and also KPMG for over 20 years. The Accounting Standard had not changed in the last several years, however the issue was being evaluated differently and the estimates used by the Authority have come into question.

The draft financial statements were not ready for the meeting today so the Chairman advised that they will need to be Board approved via round robin. KPMG has requested that the Authority and OAG “save the date” of 27 April 2018 as the closing date upon which the financial statements will be signed off.

Annual Report 2016/2017

As previously reported, the document is in progress and will be finalised after the completion of the 18-month consolidated audit and the intent is to include it with the Financial Statements for round robin approval on or around 27 April 2018.

Public Service Pension Board (PSPB) – Defined Benefits Pension Plan – 31 December 2017

The above report was reviewed by KPMG and incorporated into the financial statements.

Public Service Pension Board – Defined Post-Retirement Healthcare – 31 December 2017 - CINICO for Defined Benefits Pension Plan Employees

The above report was reviewed by KPMG and incorporated into the financial statements.

Public Service Pension Board – Defined Post-Retirement Healthcare – 31 December 2017 - Generali

The above report was reviewed by KPMG and incorporated into the financial statements. The Authority requested an explanation for the significant increase

*Redacted under section 21 (1)(b) of the Freedom of Information Law (2018 Revision)

from both Mercer and KPMG to help management understand the reasoning behind the significant increase from last year. Approximately ^{*} [REDACTED] of the adjustment is attributed to an increase in the discount rate, which, in layman's terms means that the actuaries expect that the interest rates to increase in the foreseeable future, which increases the cost of the future liability.

The Authority understands that these are long term estimates and are expected to fluctuate as interest rates fluctuate and the work force grows older. The

[REDACTED]

In summary, the Authority is relying on the expertise of both Mercer and KPMG to provide their opinion on the accuracy of the reports and given the Authority's limited knowledge of the expected rise in interest rates the assumptions appear reasonable and the report was accepted as stated. Members noted that the explanation from KPMG was understood.

Non-Revenue Water (NRW) Calculations

The Chairman reported that the Deputy Director had prepared a report regarding the NRW calculations for the fiscal period January 2017-December 2017, a copy of which has been provided to members. In summary, the report highlights that the Board approved an Infrastructure Leakage Index (ILI) of 3.0 as a benchmarking leakage performance indicator for the Water Authority at the 213th Board Meeting held on 16 March 2011. However, the calculation for the current fiscal period (January 2017-December 2017) shows an ILI of 3.25, that is 0.25 in excess of the agreed upon ceiling. In response to the high ILI the Authority proposes to continue with 3 strategic plans in process of implementation, 1) install bulk meters within specific zones to compare the water flowing through those areas as compared to water sales. The Authority is working with a 3rd party to assist with meter communication issues, 2) continue replacing all water meters with accumulated registered consumption in excess of 1,800 cubic meters to ensure accurate water meter reads and 3) continue to work with Cogsdale to ensure the integrity of the data. After discussion Members accepted the Water Authority's Non-Revenue Water Report and requested that all efforts be made towards reducing the ILI.

Adjustment of Rates 2018

The Secretary advises that the water rate adjustment mechanism provided for in the Water Authority (Amendment) Regulations 2012 that came into effect on 01 November 2012 has a review date of 15 May of each year as part of a general consultation. This Automatic Annual Rate Adjustment mechanism is based on inflation indices, the CICPI and USPPPI. At that same meeting Cabinet stipulated that the Automatic Annual Rate Adjustment mechanism be replaced with the Rate Cap Adjustment Mechanism (RCAM) as soon as practically possible.

The Chairman reported that subsequent events have resulted in the creation of a multisector regulator (Office of Regulation & Competition, referred to as OfReg) which merges the regulation of the electricity, telecoms, fuel, and water sector service providers. It is anticipated that in due course OfReg and the Authority will finalise the details of RCAM and an Administrative Determination will be issued to that effect.

The Chairman reported that the Authority had reviewed the options with regards to the 2018 rate adjustment and calculated that in accordance with the current formula in the Water Authority Regulations, the Water Authority would be entitled to increase its Base Prices (i.e., sewerage charges, septage charges and water charges) by 2.56%, effective 01 July 2018. A copy of the report, Adjustment of Water Authority Rates, was prepared for and provided to the Board. This document details the calculations.

The Chairman advised that in view of several factors, the Authority's management respectfully suggests that the Water Authority Board carefully considers whether to proceed with the application of the adjustment as per the current regulations or whether to forego the rate adjustment calculated in accordance with the current Water Authority Regulations (i.e., a 2.56% increase, effective 01 July 2018) considering that a rate adjustment mechanism based on RCAM may be made effective very soon by OfReg.

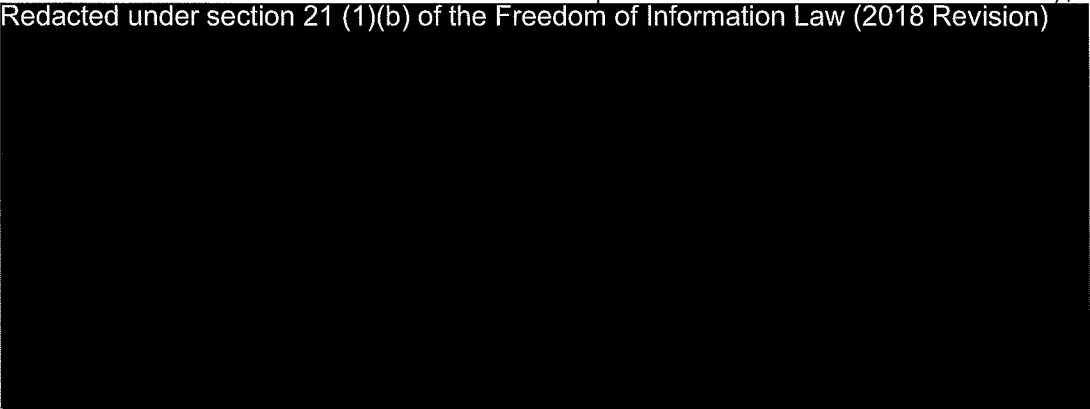
The Secretary respectfully sought members' guidance on the rate adjustment matter. Members discussed the options and decided to accept the Water Authority's Adjustment of Rates 2018 and decided to proceed with the rate adjustment effective 01 July 2018 as it is now almost 6 years since the Authority's rates were adjusted. Members were concerned that further delays in adjusting rates would result in a higher percentage adjustment being required in the future. The Ministry and OfReg will be informed as required. Ms T Ebanks noted that she would brief the Honourable Minister as well. Mr J McGill moved the motion to accept the Adjustment of Rates 2018 report and for the Authority to proceed with the process to implement the rate adjustment. The motion was seconded by Mr M Rankine and passed unanimously by Board members present and able to vote.

g) The Utility Regulation and Competition Office (OfReg) – Update.

The Chairman reported that further to the March 2018 Board meeting, the Authority received a request from OfReg for updated contact information and was invited through consultation to provide comments on the document "Consultation on Proposed Draft Customer Complaints Appeals Draft Procedure Guidelines". The Authority will provide comments by or before the deadline of 15 June 2018.

Redacted under section 21 (1)(b) of the Freedom of Information Law (2018 Revision)

The economic regulation of water and wastewater utilities was transferred from the Water Authority to the Utility Regulation and Competition Office (OfReg) in 2017. However, under the Water Authority Law and the Water (Production and Supply) Law, the Authority retained its duty to advise Cabinet on the issue of concessions. The Honourable Minister responsible for the Water Authority, Redacted under section 21 (1)(b) of the Freedom of Information Law (2018 Revision)



h) Public Authority Law (PAL)- Update.

The Chairman reported that the Chairman and Authority were able to meet the Honourable Minister regarding the issue of Deeds of Indemnity or similar protection for members of the Water Authority Board as was recently granted to the members of the Cayman Islands Monetary Board by the Legislative Assembly. The Honourable Minister advised that she understands that the Attorney General's Office is considering making amendments to the Public Authority Law to address this and similar concerns expressed by many SAGCs. The Minister requested that the Authority assist to fast-track the amendments by asking the Authority's lawyers to draft the amendments to the PAL.

Regarding the guidance and clarification sought by the Ministry through Ms T Ebanks on these matters from the Attorney General's Office as well as the Deputy Governor's Office, no feedback had provided to the Authority. Ms T Ebanks advised that she had not received any guidance from the AG's office but would follow up.

i) Miscellaneous Updates.

a) In-House Pipelaying Crews - The Chairman reported that on 16 March 2018 the crew completed the installation of approximately 300 metres (1,000 feet) of a 150mm (6-inch) diameter pipeline in Colby Drive (off Hirst Road) to connect a new 30-lot sub-division.

Other works carried out by this crew are noted in comments under Esterley Tibbetts Highway and Linford Pierson Highway below.

b) Linford Pierson Highway Widening - The Chairman reported that the NRA advises that it will soon complete the construction of the roundabout at the intersection with Agnes Way. This will result in traffic being diverted away from the area where the Water Authority crews will have to work to complete

the connection of the existing 150mm (6-inch) pipeline from Agnes Way to the new 300mm (12-inch) water main in Linford Pierson Highway.

As soon as the crew has completed the pipelaying along the Esterley Tibbetts Highway they will mobilise to complete this last portion of the Water Authority's work on this phase of the Linford Pierson project.

- c) *Esterley Tibbetts Highway Widening* – The Chairman reported that on 09 April 2018 the Water Authority resumed the installation of the remainder (approximately 300 metres (1,000 feet) of 300mm (12-inch) pipe) along Esterley Tibbetts Highway towards the Butterfield Roundabout. It is anticipated that this work will be completed by the end of this month.
- d) *Water Supply Division* – The Chairman reported that Florida Aquastore completed the preventative maintenance service on the glass-fused-to-steel water storage tanks in Lower Valley (#2) and Red Gate (#4) (erroneously reported as a reservoir at the North Side Water Works last month). The first tank has already been returned into service, the latter will be returned into service later this week.

Florida Aquastore has inspected the other tank (#1) at the Lower Valley Water Works and installed new sacrificial anodes therein. Later this week they will inspect tank #1 at the North Side Water Works and install new sacrificial anodes therein.

- e) *Wastewater Division* – The Chairman reported that during the month of March 2018, the design hydraulic capacity of the plant (2.5 mgd) was exceeded for nine days. The average daily wastewater inflow from West Bay Road during that period was 2.46 mgd (or approximately 98% of design capacity). This amount was approximately 18% more than the average influent measurement during the same period the previous year (2.07 mgd).

During the week of 16 April 2018 the contractor Wharton-Smith will start the relining of the main wastewater pumping station PS1 (located at the intersection of West Bay Road and Marbel Drive). This project comprises the complete removal of the existing Ameron® liner, which was installed in the early 1990s, and install new Ameron® Arrow-Lok liner material. This work will be carried out on a time and materials basis.

The existing liner separated from the wet well walls at various locations, thus allowing sewer gases to be in direct contact with the concrete walls, which eventually will cause its deterioration due to chemical attack.

- f) *Sewer Force Main Installation* - The Chairman reported that during the week of 16 April 2018 the contractor Wharton-Smith, Inc will complete the contract this week for the installation of approximately 245 metres (800 linear feet) of 150mm (6-inch) nominal diameter High Density Polyethylene (HDPE) pipe, using the traditional open-cut method, along Helen Drive from the pump station PS12 at the end of Watler's Drive. The only outstanding item is the installation of FRP (Fiberglass reinforced plastic) grating over the pump station valve chamber.
- g) *FOI updates* – The Chairman reported that no new requests were received since the 21 March 2018 Board meeting.

- h) *Water Authority's 35th Anniversary* - The Chairman reported that the Water Authority continues with its 35th Anniversary activities. On 26 April 2018 the Water Authority will host a Business After Hours event in conjunction with the Chamber of Commerce. The event will commence at 5:30pm and will conclude at 7:30pm. Appetisers and drinks will be served throughout the evening. The Chairman and Honourable Minister will speak. The Authority will also soon launch its 35th Anniversary Local Scholarship. This scholarship will provide for a young Caymanian to study fulltime at UCCI for an Associate's Degree relevant to the Authority's business. In addition to full tuition costs, the recipient will receive a bursary to assist with living costs as he/she attends school fulltime. This scholarship is valued at \$25,000.
- i) *Building Water Quality Workshop - Friday 23 March 2018* - The Chairman reported that the Building Water Quality Workshop held on 23 March 2018 was a success. The Water Authority sponsored event, which addressed the importance of building water management plans in modern commercial buildings, was attended by about 100 representatives from local businesses and Government agencies. The Authority received positive feedback from participants. The Authority is considering following up with specific training by Dr Jennifer Clancy and Dr Sheldon Masters on managing building water quality. Owners and facility managers of large commercial buildings will be the target group for such training.
- j) *Procurement Law 2017* - The Chairman reported that the Procurement Law 2017 will come into effect on 01 May 2018. The Water Authority's senior management staff and other relevant staff have attended or will attend before the end of April 2018 presentations by the Procurement Office that explains the changes and how the law will operate. Although the law will require additional documenting and reporting, the Authority does not expect any significant difficulty in complying with the requirements. A copy of the presentation is available for members' records if so desired.

Current Business

a) **Management Accounts March 2018.**

The Finance department continued to work closely with KPMG and the OAG to ensure a timely completion of the 31 December 2017 audit and as such a complete set of financial statements was not yet available for members' review. A draft set of the Statement of Financial Position (income statement) was prepared and copies provided to members.

Sales continue to be in line with that of the first 3-months in 2017, showing a slight increase of 4.7%. Members noted at the meeting in March 2018 the significant decrease in the water revenue for Cayman Brac. Whilst the variance is decreasing (Mar - (11.7%) and Feb (20.2%)), trucked water sales are still lower than in 2017. It is expected that trucked water sales would continue to decrease as residential piped water increases; however the discrepancy for this period is primarily due the very dry period in late 2016-early 2017 which significantly

increased trucked water sales. This has now returned to normal as the sales for Jan-Feb in 2016 were similar (slightly lower, in fact) as the first 2 months of this year.

Overall operating and administration expenses are slightly higher than 2017 due to computer hardware purchases and increasing staff compliment. Loan interest continues to decrease as loans are being paid off and no new debt instruments are taken out. Other income is up slightly due to the recognition of the quarry permits (Midland Acres).

The Authority will produce a full set of Financial Statements upon the completion and final sign off of the audit.

In summary, the Authority continues to show strong sales and has maintained a stable net income in the first 3-months of the 2018 financial period.

Any Other Business

- a) Redacted under section 23 of the Freedom of Information Law (2018 Revision)
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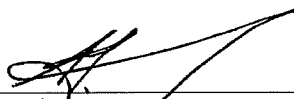
Donation Requests

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


- a) Ratification - The Annual DG 5K Walk/Run Cayman Brac.
- b) Kiwanis Club of Grand Cayman - Breakfast for Dinner Event.
- c) The Department of Children and Family Services - Child Month CYB 2018.
- d) Clifton Hunter High School - Global Young Leaders Conference 2018.
- e) The Lions Club of Grand Cayman - White Cane Week 2018.
- f) Wind of Hope - Annual 5K Walk/Run.

There being no other business the Chairman thanked members and the meeting was adjourned at 2:40pm.

This is a true and accurate account of the proceedings.



The Chairman



The Secretary

**FOREX GAIN/(LOSS) ON EXCHANGE - FIRST CALCULATION
FOR THE PERIOD 1-31 May 2018**

Date	Description	USD Per Bk Stat	In Cogsdale Checks	Correct Amt Posted	KYD @ .825	Difference
1-May-18	Deposit - Credit Card	94.51	77.50	75.61	77.97	2.36
1-May-18	Commission	(2.36)	(1.94)	(1.94)	(1.95)	(0.01)
7-May-18	Deposit - Cheque	91.76	75.24	75.24	75.70	0.46
8-May-18	Deposit - Credit Card	97.99	80.35	78.39	80.84	2.45
8-May-18	Commission	(2.45)	(2.01)	(2.01)	(2.02)	(0.01)
22-May-18	Deposit - Cheque	3,547.74	2,909.15	2,909.15	2,926.89	17.74
22-May-18	Deposit - Cheque	100.00	80.00	80.00	82.50	2.50
30-May-18	Deposit - Credit Card	47.93	39.30	38.34	39.54	1.20
30-May-18	Commission	(1.20)	(0.98)	(0.98)	(0.99)	(0.01)
1-May-18	Stamp duty	(0.30)	(0.25)	(0.25)	(0.25)	(0.00)
7-May-18	Foreign chq/draft preprocessing	(10.00)	(8.20)	(8.20)	(8.25)	(0.05)
31-May-18	Merchant charge	(40.00)	(32.80)	(32.80)	(33.00)	(0.20)
31-May-18	May -18 month service fee	(14.16)	(11.61)	(11.61)	(11.68)	(0.07)
		<u>\$ 3,909.46</u>	<u>\$ 3,203.76</u>	<u>\$ 3,198.95</u>	<u>\$ 3,225.30</u>	<u>\$ 26.36</u>

AGREE BALANCE TO THE BANK STATEMENT

	USD	KYD
Closing Balance on Bank Statement @ 30 April 2018	5,709.67	4,710.48
Account Activity for the Month	3,909.46	3,198.95
Balance on Bank Statement @ 31 May 2018	<u>9,619.13</u>	<u>7,909.43</u>

AGREE BALANCE TO THE BANK REC BEFORE XCHNG GAIN

	USD	KYD
Balance on Bank Statement @ 31 May 2018	9,619.13	7,909.43
30-Mar-18 Outstanding Deposit Not Cleared		0.00
Balance on Bank Reconciliation @ 31 May 18	<u>9,619.13</u>	<u>7,909.43</u>

AGREE BALANCE TO THE GENERAL LEDGER

	USD	KYD
Balance on Bank Reconciliation @ 31 May 18	9,619.13	7,909.43
Exchange Gain on Bank Deposits	0.00	26.36
KYD Balance in General Ledger @ 31 May 2018	<u>9,619.13</u>	<u>7,935.78</u>

AGREE BALANCE TO THE BANK REC AFTER XCHNG GAIN

	USD	KYD	
Balance on Bank Statement @ 31 May 2018	\$9,619.13	\$7,935.78	Revalued @ .825
30-Mar-18 Outstanding Deposit Not Cleared	\$0.00	\$0.00	
Balance on Bank Reconciliation @ 31 May 18	<u>\$9,619.13</u>	<u>\$7,935.78</u>	

