

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 294th Meeting held on 12th December 2018

Members Present:

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

Call to Order

Prior to the call to order, the Chairman asked Ms L Ryan to bless with prayer the Christmas Luncheon and the meeting.

After the luncheon, the Chairman welcomed members to the meeting and acknowledged apologies from Honourable Minister O'Connor-Connolly, Mr H B Ebanks, and Ms R Sharma. After ascertaining that there was a quorum, the meeting was declared open and called to order at 1:58pm.

At this time the Chairman brought forward item (c) under Matters Arising to deal specifically with the *Policy for the Payment of Annual Dividends by Statutory Authorities and Government Companies (SAGCs)*.

Matters Arising

c) **31 December 2017 Audit of Consolidated & Divisional Statements – Update.**

Policy for the Payment of Annual Dividends by Statutory Authorities and Government Companies (SAGCs).

The Secretary reported that subsequent to the November 2018 Board meeting Ms A Owens requested, via email on 23 November 2018, copies of the most recent actuarial reports for post-retirement benefits as well as the Authority's 10-year capital development plan. A copy of the email was previously provided to members. The reports were provided as requested and Ms Owens was advised that, as it had been awhile since the plan was analytically evaluated in detail, the Authority's management would like the opportunity to discuss with the Board as the timing of some projects had shifted due to demand, market conditions, etc. After this discussion, the plan will more accurately reflect the Authority's short- and long-term projected needs.

The Secretary reported that the Authority had prepared and was ready to present the revised 10-year development plan for Board members discussion and feedback. She noted that the information being presented is to highlight the numerous important projects that are expected to commence in the near future. It is also imperative to acknowledge that the cost figures provided are the best professional estimate at this time and are subject to modification once the projects commence and more information is available. It will become evident the vast scope of work that is in the planning stages and the importance of having sufficient financial resources to complete the identified projects.

The Secretary respectfully requested members' permission to ask the Deputy Director and Financial Controller to join the meeting for the presentation. Tom van Zanten, Deputy Director and Lori Bergman, Financial Controller joined the meeting at this point. The Secretary proceeded to present the Ten-Year Capital Development & Maintenance Plan. The presentation provided members with a high-level overview of short- and long-term development and maintenance plans over the next ten years. The Secretary noted that the Authority's objective is to ensure that the Authority remains financially independent and able to meet the water and wastewater infrastructure needs of the country. The presentation provided an overview of existing infrastructure in Grand Cayman and Cayman Brac. The Secretary outlined the major projects and requirement for funds in two five-year segments up to 2028. Members discussed the projects and noted that the known planned developments and growth requires the Water Authority to continuously be ready to meet its operational, maintenance and capital needs. All of this whilst being financially independent. It is therefore important for the Board to ensure the Authority has sufficient reserve balances to meet the

challenges of rapid development, aging infrastructure, daily operating costs and legal obligations. During the discussion the Deputy Director explained the challenges the Authority is experiencing in identifying suitable and affordable well drillers for the Brac project. Members requested that the Authority explore the establishment of a small water production facility in Little Cayman, to also be included in the plan prior to the completion of the Bluff Water Works due to the lack of sufficient potable water resources in Little Cayman. Members recognised and accepted the works projected in the time period and requested that the plan be summarised in a document for the Board at the next meeting.

The Chairman thanked the Secretary and support staff and at this point the Deputy Director and Financial Controller left the meeting. The Chairman then returned to the sequence of items on the agenda.

Confirmation of Minutes of the 293rd Meeting held on 21st November 2018

The Chairman asked for confirmation of the Minutes of the 293rd Meeting held on 21st November 2018. Mr A Wright moved the motion to accept the Minutes as amended, Mr M Rankine seconded the motion and the motion passed unanimously by members able to vote.

Declaration of Conflicts of Interest

Mr C Randall advised that he has a conflict with one of the items (National Trust Cayman Brac) in the donations request.

Matters Arising

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

The Chairman reported that during the month of November 2018, albeit on one RO train only, the plant produced on average 1,227 cubic metres per day, which is approximately 41% of its total design water production capacity.

The Chairman reported that due to other commitments the review of the quotation for the media filtration pilot project, in anticipation of ordering the dual media filter pilot skid in January 2019, has not yet been completed

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

The Chairman reported that the Authority continues to work on the West End Road (West) pipeline upgrade and replacement project. As previously reported, due to various leaks on the pipeline in West End Road (West) a decision was made to replace and upgrade this pipeline as a matter of urgency. To date the sections between James Scott Road the West End Road/Cross Road intersection have been completed and have been commissioned. Last week work commenced on the remaining sections west of James Scott Road (i.e., James Scott Road, Georgiana Drive and the side roads off West End Road West).

During the week of 03 December 2018, the Authority contacted the Works Manager at the Cayman Brac Public Works Department (PWD) requesting PWD to reinstate the road surfaces between the West End Road/Cross Road intersection (near CNB) and Leitch Drive, which were affected by the Authority's trenching works, at the earliest opportunity. The Water Authority will have limited resources available between 20 December 2018 and 06 January 2019 to maintain/patch the temporary road surfaces. The area in front of the airport was reinstated using cold mix patch which should stand up to heavy traffic. Unfortunately, the asphalt plant is currently down for repairs. PWD hopes to have it back in operation by the end of the week of 10 December 2018, at which time the Authority's request will be dealt with (hopefully before Christmas).

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 up to the West End Primary School, up to Faith Hospital and further Phases of the Cayman Brac Piped Water Expansion Project up to Ashton Reid Drive. The current approval expires on 31 December 2018. Members able to vote 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 2019. There were eight new connections made in October 2018, one in November 2018 and one in December 2018. Currently there are 23 outstanding applications. The total number of active piped water customers is 327.

Brac Bluff Water Works

As previously reported, the return date for the tender document issued in September 2018 for the Exploratory Drilling Contract at the Cayman Brac Bluff site and on Little Cayman was extended. By the revised deadline of 30 November 2018 only two tenders had been received. Although a formal tender evaluation report has not yet been prepared, both tenders were significantly (90-315%) higher than the budgeted amount. Additionally, the lowest of the two tenders did not comply with the requirements of the tender. The Authority is presently considering its options as this work is critical for the design of the abstraction and disposal wells for the future Reverse Osmosis plant at the Cayman Brac Water Works.

c) **31 December 2017 Audit of Consolidated & Divisional Statements - Update.**

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

The Secretary reported that there are 8 sets of financial statements pending, one that is ready for sign off (#1), five that are in for final review and two that are waiting for completion of the 31 December 2017 divisionals. These are:

- 1) 31 December 2017 - 12-month - Completed - ready for Chairman sign-off

- 2) 31 December 2017 - 12-month - Water - in for final QAR at KPMG
- 3) 31 December 2017 - 12-month - Wastewater - in for final QAR at KPMG
- 4) 31 December 2017 - 12-month - Statutory - in for final QAR at KPMG
- 5) 31 December 2016 - 6-month - Island - GCM - in for final QAR at KPMG
- 6) 31 December 2016 - 6-month - Island - CYB - in for final QAR at KPMG
- 7) 31 December 2017 - 12-month - Island - GCM - awaiting Divisional Water
- 8) 31 December 2017 - 12-month - island - CYB - awaiting Divisional Water

Provided that there are no material modifications to the 2017 Divisional and 2016 Island statements, Board members were respectfully requested to approve the statements and confirm that the Chairman, Director and Financial Controller are able to sign them off once they are finalised. Members able to vote agreed that the Chairman, Director and Financial Controller can sign the statements off once they are finalised and there are no material modifications.

Annual Report 2016/2017

The Secretary reported that it was the Authority's expectation that the annual report would be tabled in the Legislative Assembly (LA) later in December 2018. Ms T Ebanks indicated that she was not sure if the annual report was on the Order Paper for the LA as the meeting is scheduled for only one day.

31 December 2018 Audit – Consolidated, Divisional and Island Financial Statements for Water, Wastewater and Statutory

Audit Preparation

The Secretary advised that the Financial Controller confirmed that Water Authority is ready for the audit in anticipation of when KPMG is able to confirm dates.

Accounting Reporting Standards – IFRS 9 and 15

The Secretary reported that the Authority is awaiting formal feedback from Grant Thornton to provide the support and guidance through the new reporting standards.

Actuarial Reports

Public Service Pension Board (PSPB)- Defined Benefits Pension Plan - 31 December 2018 - will follow up with the PSPB closer to the end of year.

Public Service Pension Board - Defined Post-Retirement Health Care - 31 December 2018 - CINICO for Defined Benefits Pension Plan Employees - will follow up with the PSPB closer to the end of year.

Public Service Pension Board - Defined Post-Retirement Health Care - 31 December 2018 - Generali - will follow up with the PSPB closer to the end of year.

Public Service Pension Board - Defined Post-Retirement Health Care - 31

December 2018 - CINICO for Remaining Employees. This is an additional report requested for 31 December 2018 to understand what the liability would be for healthcare for employees who are not on the defined benefit pension plan. This report was discussed at the October 2018 Board meeting where the Board agreed to commission this report. At this time, it is not expected that the report will be adopted, but rather to understand and quantify the liability.

Ms A Owens suggested that the Water Authority consider requesting a funding report for post-retirement benefits from Mercer through the PSPB.

Notice of Interest

As in the past, Board members were respectfully requested to complete a Notice of Interest in conjunction with the completion of the 31 December 2018 audit. Members were provided with copies and are requested to review, complete and sign the document.

Re-valuation of Fixed Assets

The Secretary reported that the Authority sent numerous emails to the Department of Lands and Survey requesting assistance to ascertain what assets were included in the valuations. The Financial Controller has kept the CFO of the Ministry informed, and will continue to follow-up. Ms A Owens noted that the Government will require all SAGCs to use re-valued amounts for fixed assets.

Redacted under section 18 and 21 (1)(b) of the Freedom of Information Law (2018 Revision)

Redacted under section 16 (b) of the Freedom of Information Law (2018 Revision)

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

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



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



e) **Miscellaneous Updates.**

- a) ***In-House Pipelaying Crews*** - The Chairman reported that the recently installed 1,900 ft. section of 300mm (12-inch) pipeline in the Elgin Avenue to Shedden Road Extension will be disinfected, flushed and commissioned during the week of 10 December 2018.
- This crew completed the upgrade of the first section of 150mm (6-inch) pipeline in Owen Robert Drive to 300mm (12-inch), between Breezy Way and Cayman Airways. This pipeline has been tested, and will be disinfected, flushed and commissioned this week (all services will be reconnected to the new water main before the Christmas break). The remaining section (between Cayman Airways and Dorcy Drive) will be carried out in early January 2019.
- b) ***Water Supply Division*** - The Chairman reported that no major projects are planned to start for the remainder of this year. The upgrade of the pipeline in Butterfly Circle, off Hirst Road will be started in early 2019.
- c) ***North Side Water Works*** - The Chairman reported that the Water Authority had no success seeking quotations to clear approximately 2.5 acres at the Authority's North Side Water Works by the advertised deadline of 24 September 2018. Later this week the Authority will contact various companies directly to determine their interest in carrying out this work.

- d) *Red Gate Water Works - Supply & Erection of Bolted Steel Tank for Water Storage 2017* - The Chairman reported that the new 2-million US gallon capacity glass-fused-to-steel water storage tank was commissioned on 20 November 2018.
- e) *Wastewater Division* - The Chairman reported that during November 2018, the design hydraulic capacity of the wastewater treatment plant (2.5 mgd) was exceeded for five days. The average daily wastewater inflow from West Bay Road during that period was 2.35 mgd (or approximately 94% of design capacity). This amount was 4.5% less than the average influent measurement during the same period the previous year (2.46 mgd).
- f) *FOI updates* - The Chairman reported that no FOI questions were received since the October 2018 FOI Report.
- g) *Water Authority's 35th Anniversary* - The Chairman reported that the Secretary advised that the Water Authority is winding down its 35th Anniversary activities. The event at Pedro St James was enjoyed by those that attended. The Secretary thanked the Chairman and Board members for coming out to offer their support. Members requested that the Authority proceed with presenting the cheque of CI\$50,000 to the Cayman Islands National Museum for the Water Authority's 35th Anniversary Legacy Sponsorship before the end of the 2018 fiscal year. The attendance of the Honourable Minister and HE the Acting Governor as well as their kind words was appreciated by all.
- h) *Laboratory - Internal Audit* - The Chairman reported that the internal audit of the laboratory was carried out on 06-07 December 2018 by Dr Jennifer Clancy. Dr Clancy has been involved with laboratory audits from the early stages of the accreditation, which was granted by the A2LA (American Association for Laboratory Accreditation) in 2002. The internal audit is mandatory under the accreditation standard. Two deficiencies were identified, to which the laboratory will need to provide a deficiency response within 30 days. In the course of 2019 the laboratory will have to comply with the updated accreditation ISO 17025 - 2017 standard, which replaces the ISO 17025 - 2005 standard. There is a substantial volume of preparation involved to ensure that the laboratory meets and complies with the updated standard.

Current Business

a) **Management Accounts November 2018.**

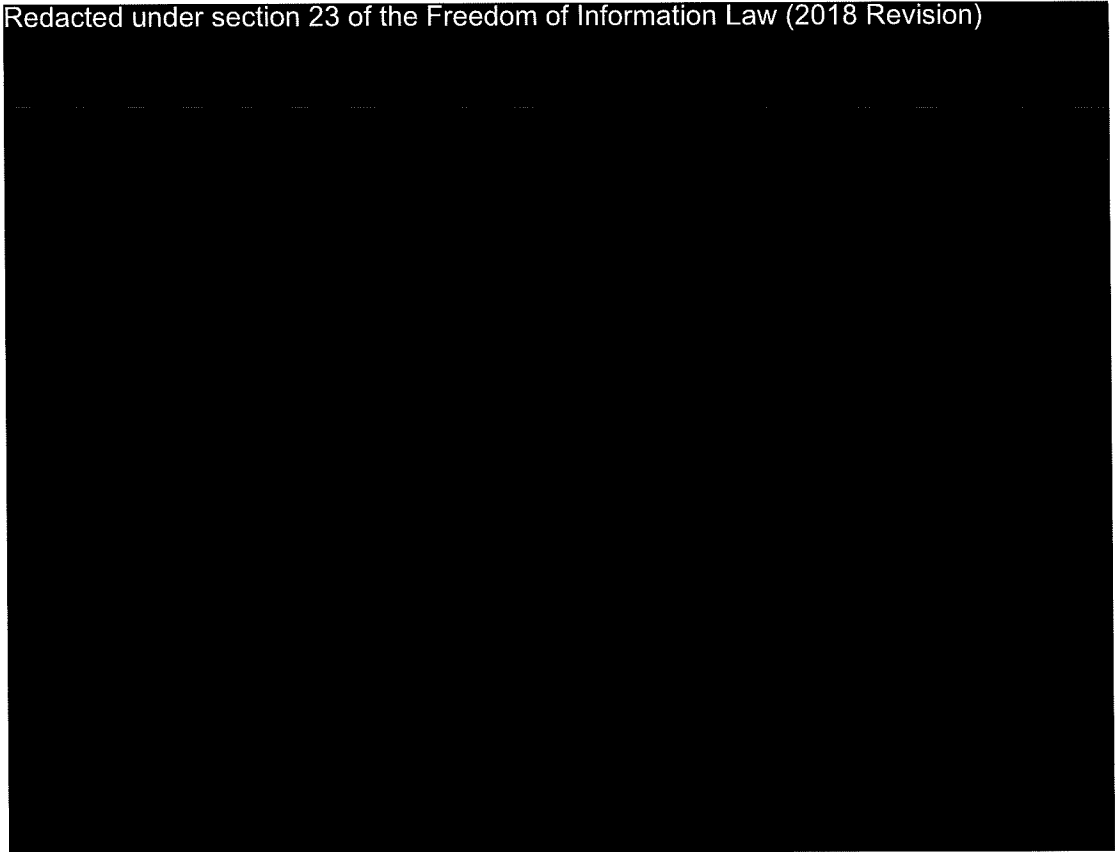
The Secretary reported that due to the timing of the December meeting and focus of the Finance Department towards the preparation of the audit working papers the Finance Department apologised that a full set of management accounts was not available for members' review. The Financial Controller confirmed that revenue continues to be strong and [REDACTED] (9%) higher than for the first 11-months of 2017 and it is expected that the operating expenses will reflect the increased sales.

A full set of draft 31 December 2018 financial statements are expected to be available at the February meeting.

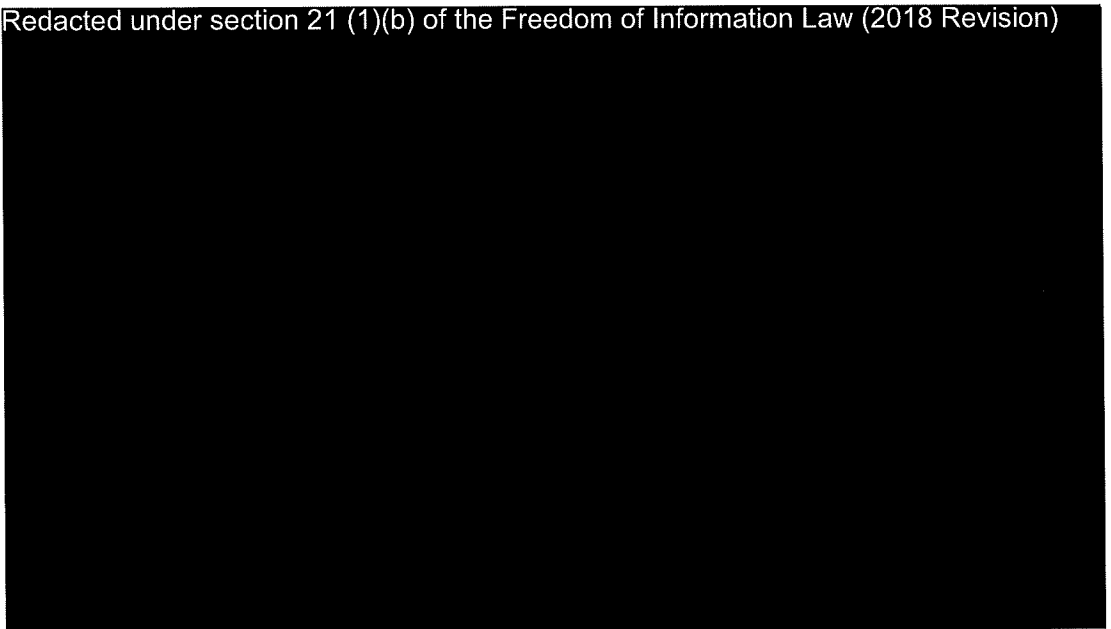
* Redacted under section 21 (1)(b) of the Freedom of Information Law (2018 Revision)

Any Other Business

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



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



- b) High Level Forum for Ministers at CWWA 2018.

The Secretary advised that she will report further at the January 2019 Board meeting.

c) American Water Summit 2018.

The Secretary advised that she will report further at the January 2019 Board meeting.

Donation Requests

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

- (a) *Ratify* - Spot Bay Committee- Spot Bay Christmas Homecoming 2018.
- (b) *Ratify* - CI Crisis Centre -Jingle Bell Walk/Run.
- (c) *Ratify* - CI Health Services - Staff Appreciation December 2018.
- (d) Cayman Airways - Cayman Airways Christmas Staff Party.
- (e) National Trust Cayman Brac - Habitat Protection Fund.
- (f) District Administration Cayman Brac - Christmas Luncheon.

The Chairman advised that the Board members' time of service would expire on 31 December 2018. Ms T Ebanks noted the Ministry expects to submit the Cabinet Paper for the reappointment of members in December 2018 but as there will not be any Cabinet meetings until the new year it is possible that the reappointments will not take place until sometime in January 2019. The Chairman then suggested that the January 2019 meeting be delayed until near the end of the month. Members all agreed to shift the meeting to 30 January 2019.

The Chairman thanked members for their service on the Board and wished everyone well for the Christmas and New Year. Everyone exchanged greetings of the season. There being no other business the Chairman thanked members. The meeting was adjourned at 3:54pm.

This is a true and accurate account of the proceedings.



The Chairman



The Secretary