

**BOARD OF DIRECTORS MEETING**  
**Port Authority of the Cayman Islands**  
**45A Harbour Drive**  
**March 31, 2016**  
**393**

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A meeting of the Port Authority of the Cayman Islands Board of Directors was held on Thursday, March 31, 2016 at the Port Administration Building, 45A Harbour Drive, Grand Cayman, Cayman Islands. Chairman Errol Bush called the meeting to order at 1:00 p.m. and welcomed attendees.

- **Board Member Attending:**

- Mr Errol Bush, MBE - Chairman
- Mr. Gerald Kirkconnell – Deputy Chairman
- Mr. Stran Bodden – (Ministry of DAT&T)
- Mr. Ashton Bodden, JP
- Ms. Jacqueline Scott
- Mr. Michael Nixon – (Ministry of Finance)
- Mr. Robert Foster
- Mr. Arek Joseph, OBE
- Mr. Woodward DaCosta
- Mr. Clement Reid – Secretary

- **Other Attendees:**

- Mr. Garnett Harrison – Office of Auditor General
- Mr. Winston Sobers – Office of Auditor General
- Mr. Afane Kwame – Office of Auditor General
- Mr. Micho Schumann – KPMG via SKYPE
- Mr. Paul Matthews – KPMG
- Mr. James Parson – PACI
- Mr. Donovan Hutchinson – PACI

1. **Apologies for Absence(s):**

- Mr. Charles Clifford – (Customs)

2. **Confirmation of minutes:**

Minutes for Meeting # 392 were approved by the Board and a motion to accept the minutes was moved by Mr. Woodward DaCosta and seconded by Mr. Ashton Bodden.

**3. Declaration of Conflict of Interest:**

None noted.

**4. Matters arising from Previous Minutes:**

Matters arising from previous minutes were dealt with in the Updates on Various subjects.

**5. Port Director's Monthly Report:**

**(a) PD Report:** - Members approved the Port Director's report for March 2016 and a motion to accept the report was moved by Mr Woodward DaCosta and seconded by Mr Robert Foster.

**(b) Operations Report:** - Members approved the Operations Report for February 2016 and a motion to accept was moved by Mr. Woodward DaCosta and seconded by Mr. Ashton Bodden.

The month of February saw 22 ships trading and making 40 port calls. There was a 50% and 25% change respectively when compared to the same period last year. There were 28 working days for the month which totalled 165 working hours. There was a 12.2% change when comparing the hours worked last year for the same period. Overtime (OTS) increased by 77.1% (62/35) compared to last year. This was due to late arrivals of the vessels and inclement weather that affected them docking.

Cargo tonnage increased by 18.5% (20,352/17,179) and as a result the tons of cargo handled per hour increased by 5.5% (123/117) compared to the same period last year. Aggregate imports increased to 45.6% (21,671/14,887). Bulk cement imports increased by 0.2% tons (2882/2877) compared to same period last year.

The number of dry imported containers measured in TEU's, increased by 6.5% (1289/1210). Vehicle imports also increased by 152.4% (477/189). Total TEU's imported (dry, reefer, flatracks, trailers & tanks) increased by 6.1% (2022/1898) compared to the same period last year.

Imports from Port Everglades decreased by 5.5% when compared to the other Florida ports. Other Florida port imports are 7,101 tons compared to Port Everglades at 6,731 tons. Port Everglades imports increased 69.6% (6731/3969) tons compared to same period last year. Imports from Jamaica increased 29.9% (3416/2629) tons, from Palm Beach decreased by 6.2% (7097/7568) tons compared to same period last year.

The American crane was sold and exported to Houston, Texas. A vessel, Industrial Aim, operated by Intermarine from Mobile, Alabama, arrived on March 15 and the operations to load the disassembled crane was a full success.

A Gasboy automated fuel dispenser has been installed at the Cargo Distribution Centre for the refuelling of PACI vehicles.

All PACI vehicles have been outfitted with GPS tracking capability that covers the entire Grand Cayman.

**(c) Security and Cruise Report:** - Members approved the Security and Cruise Report for February 2016 and a motion to accept was moved by Mr. Woodward DaCosta and seconded by Mr Robert Foster.

Cruise arrivals increased by 8% from 1,096,849 passengers for the first eight months of the fiscal year 2015 to 1,180,678 passengers for the first eight months of fiscal year 2016.

Cruise passenger arrivals were also within projections by (30,087) passengers. Our worst two months for cruise were January and February 2016 which saw cruise numbers underperforming by a combined (76,172) passengers. This was mainly due to bad weather and resulted in lost income of \$187,383. The future outlook also seems positive based on robust bookings projected by the cruise lines.

Three security incidents were reported during the month of February:

- An arrest on PACI property for unauthorized solicitation of cruise guest and disorderly conduct.
- Cruise guest involved in a tripping accident that resulted in a cut to forehead but refused medical treatment.

- Drone spotted close to cruise ships at anchor and reported to the relevant authorities.

The Manager of Security and Cruise Operations attended the American Association of Port Authorities annual Security Committee Meeting in Ft. Lauderdale, FI from February 25-26, 2016.

- (d) Financial Report:** - Members approved the Financial Report for February 2016 and a motion to accept was moved by Mr. Arek Joseph and seconded by Mr Gerry Kirkconnell.

The Port Authority's financial performance for the eight months ended February 29 2016 shows an improved result over 2015. The PACI recorded a profit of \$3.2M for the eight month period in comparison with \$2M for the period July 2014 to February 2015, and the eight month budgeted profit of \$1.97M. This is an improvement over 2015 of \$1.2M or 60%. This was mainly due to the result of 6% increased cargo activity over the previous financial year, and 8% improvement in passenger arrivals (as evidenced on pages 15-16). Cargo income increased by 13% for the eight month period due to steady monthly increases in cargo volume imports. Cruise passenger income increased by 8%, the same movement in passenger numbers for the comparative period. Overall gross income increased by 12%.

Cruise arrivals increased by 8% from 1,096,849 passengers for the first eight months of the fiscal year 2015 to 1,180,678 passengers for the first eight months of fiscal year 2016. The related income from cruise passengers for the period July 2015 to February 2016 increased from \$2.68M in 2015 to \$2.9M in 2016. This is an improvement of \$ 219K or 8%. PACI's actual cruise passenger income was within (\$74K) of the budgeted \$2.98M. Cruise passenger arrivals were also within projections by (30,087) passengers. Our worst two months for cruise were January and February 2016 which saw cruise numbers underperforming by a combined (76,172) passengers. This was mainly due to bad weather and resulted in lost income of \$187,383. The future outlook also seems positive based on robust bookings projected by the cruise lines.

Overall operating expenses increased by \$381k or 3% over the 2015 period. PACI has continued the trend from the last financial year of overall positive performance. The major categories of expenditure had mixed results for the first eight months of the financial year. Staff costs, repairs and maintenance, Miscellaneous, travel conventions and training, advertising and entertainment, and Stationery & computer supplies increased over 2015 levels, while Contracted services, diesel,

insurance, finance charges and utilities all had reductions.

The Branch accounts continue to show the Grand Cayman operation carrying the bulk of the positive performance. The Grand Cayman Operation made \$3.66M in profits while the Cayman Brac operation sustained a (\$402K) loss for the eight month period.

The Consolidated statement of financial position reveals a similar trend. Equity improved by \$2.2M or 5%, caused mainly by the \$3.2M profit performance and \$3M increase in cash balances, and offset by the reduction in fixed assets due to depreciation, and the loan repayment of \$1.6M.

Included in Accounts Payable/Accrued Expenses is insurance premiums owed to CIG of \$2.7mil, exclusive of the proposed \$1.384mil for the property SWAP with Customs and a few reconciling differences with RMU invoicing. PACI began its monthly payments of \$150k this month (to liquidate this debt by the 3rd quarter of 2017) and is reflected in the above balance

Grand Cayman continues to subsidize the Cayman Brac operation on a monthly basis, totaling \$402k for the first eight months of the financial year. This is on target to exceed the \$500,000 losses last year

Overall equity for Grand Cayman shows an improvement of \$2.92M, while Cayman Brac had a deterioration of (\$636K).

### **Audit for the financial year ended 30 June 2015**

The audit for the financial year ended 30 June 2015 is still outstanding. The auditor general's office has repeatedly enquired as to the status of our financial statements. The next financial year ends in the next three (3) months, so it is imperative that we have the 2015 accounts signed off to prevent the port authority from becoming seriously delinquent in the presentation of our accounts to the Legislative Assembly.

### **Valuation of Container Cranes**

The Port Authority currently has three cranes in operation, two in Grand Cayman and one in Cayman Brac. Over the years we refurbished them to extend their useful lives. This has resulted in the values on our books being out of touch with what they are worth. This has negatively impacted our insurance costs in the past as we normally insure equipment for their estimated replacement cost. Consequently it was necessary to obtain the market value of the

cranes to better reflect them in the books as well as to adequately insure them.

The valuation was done by Cleveland Crane and Shovel, with the results showing that the cranes are overvalued in the books. Essentially, the valuation shows that our cranes have a market value of \$1.95M, while we have them on our books at \$2.53M, a difference of \$577K. This difference will have to be written off to comply with accounting standards.

In addition, we have insured the cranes for \$4.85M, while the replacement cost according to the valuation is \$6M. We have therefore insured 80% of the replacement cost of the cranes. In doing this we have self- insured up to \$1.14M.

### **Valuation exercise for PACI Marine assets**

A meeting was held in March 2016 with a specialist Marine/ Port valuator who operate out of Florida to conduct a valuation of the Dock and other marine assets at the Port Authority. This was already discussed and agreed with the Board that we would get this valuation done as a means to align the Port assets with the valuation model now being used by central government.

We are now to present the documents requested such as recent valuations done, maps and surveys of the port land and sea assets, and asset listing, among other things. Once the firm reviews this information they will prepare a plan of action and present us with a proposal which will be taken to the board for review and approval before the contract is signed.

### **Proposed \$1.384 M debt write off/property swap with Customs**

Discussions were held with the Ministry of Finance with regard to the above but so far things have not progressed. It is crucial that this matter be moved forward, culminating in a written agreement and concrete timeline for its execution. The 2016 budget was prepared on the basis of this transaction being completed during this fiscal year.

## **6. Update on Various:**

- (a) Port Authority Marina at Safehaven:** - Mr. George Loutas of Maples submitted updated proposals from Ritz Carlton and Dragon Bay for water easements over their properties.

Members agreed with the revised proposals and instructed Maples to have them easements executed accordingly.

- (b) **IT Audit:** - KPMG presented their findings from their recently concluded audit of the IT systems. The findings were consistent with other organizations that do not have information policies in place.

The next steps are to create an Information Security Policy and Acceptable User Policy for the IT Department. Step 2 would involve creating an Operations Policy and Procedures Manual.

KPMG was requested to formally submit a proposal to execute these two steps.

- (c) **Recruitment of Staff – Deloitte:** - Deloitte has advertised in the local media and internally for the recruitment of a Deputy Port Director – Cargo, Office Manager and Manager of Facilities and Special Projects. Interviews for the shortlisted candidates are expected to commence during the month of April.

- (d) **Spotts Terminal Refurbishment:** - The construction contract with Ron Wilson's Equipment has been executed and work commenced on February 18<sup>th</sup> on the project. It is estimated that the project will be completed in 11 weeks. The project is tracking to schedule and should be completed on time and budget.

- (e) **Cargo Pier Rehab and CDC Masterplan:** - The Central Tenders Committee has approved the award of contract to McAlpine for the repairs to the Cargo Pier. Work is progressing on the CDC Masterplan and the project is expected to be completed at the end of June 2016.

## 7. Other Business:

- (a) A discussion ensued with the OAG on the way forward to address the Defined Health care Benefits. Members asked several questions on the impact of booking this liability in the 2014/15 Financials. The OAG replied that booking the liability, PACI would be in compliance with International Financial Reporting Standards.
- (b) A motion was moved by Mr. Arek Joseph and seconded by Mr. Robert Foster for the Port Director Entertainment Allowance of CI\$25,000.
- (c) A motion was moved by Mr. Arek Joseph and seconded by Mr. Gerry Kirkconnell to adopt a resolution to increase the credit card limits for the Port Director and Deputy Port Directors. The resolution forms part

of these Minutes

**Adjournment:**

There being no further business the meeting was adjourned at 5:15 pm until the next regular meeting scheduled for April 28<sup>th</sup>, 2016.



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Errol Bush - Chairman



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Clement Reid - Secretary

