

BOARD OF DIRECTORS MEETING
Port Authority of the Cayman Islands
45A Harbour Drive
June 30, 2016
397

A meeting of the Port Authority of the Cayman Islands Board of Directors was held on Thursday, June 30, 2016 at the Port Administration Building, 45A Harbour Drive, Grand Cayman, Cayman Islands. Chairman Errol Bush called the meeting to order at 1:14 p.m. and welcomed attendees.

• **Board Member Attending:**

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

Mr. James C. Parsons, Jr – Acting Secretary

• **Other Attendees:**

Mr. Will Jacobs - PACI
Mr. Joseph Woods – PACI

1. Apologies for Absence(s):

Mr. Charles Clifford – (Customs)
Mr. Arek Joseph, OBE

2. Confirmation of minutes:

Minutes for Meeting # 396 were approved by the Board and a motion to accept the minutes was moved by Mr. Gerald Kirkconnell and seconded by Mrs. Jacqueline Scott.



3. Declaration of Conflict of Interest:

None noted.

4. Matters arising from Previous Minutes:

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

5. Port Director's Monthly Report:

(a) PD Report: - Deferred until next regular meeting.

(b) Operations Report:

Members approved the Operations Report for May 2016 and a motion to accept was moved by Mr. Robert Foster and seconded by Mr. Ashton Bodden. The motion passed unopposed.

Rehabilitation work on the Cargo Pier began as scheduled on May 9, 2016. Three sections are now completed and the fourth section demolition began on Monday June 27, 2016. This final section will be poured on Friday July 8, 2016. This will complete the scope of the current project.

The month of May saw 22 ships trading and making 41 port calls. There was a 46.7% and 10.8% change respectively when compared to the same period last year. There were 30 working days for the month which totaled 175 working hours. The working hours for the month decreased by 12.4% when compared to the same period last year. Overtime (OTS) decreased by 31.8% (45/66) compared to last year. Vessels have a much better time of arrival due to their own operational changes at other ports.

Cargo tonnage increased by 5.8% (24,005/22,690) with the tons of cargo handled per hour increased by 20.8% (137/114) compared to the same period last year. Aggregate imports increased by 29.4% (17,131/13,243) from the same period last year. The number of dry imported containers measured in TEU's, decreased by 9.7% (1,483/1,642). Vehicle imports increased by 92.5% (541/281). Total TEU's imported (dry, reefer, flat rack, trailer & tank) decreased by 8.7% (2236/2450) compared to the same period last year. Bulk cement imports increased by 99.7% tons (5,759/2,884) compared to same period last year.

Imports from Port Everglades decreased by 0.5% (7,336/7,370) when compared same period last year. Palm Beach decreased by 19.9%



(6,869/8,573) tons compared to same period last year. Imports from Jamaica increased 7.1% (4,027/3,759) compared to same period last year.

The 84 precast concrete beams for Decco Ltd (Camana Bay) tunnel arrived and were transported directly from the Dock to construction site on West Bay Road by specialized chassis. All operations went smooth with no issues reported. Decco Ltd was very grateful and impressed with the performance of dock crew/staff.

Commendation was received from Decco Ltd general manager expressing, "Excellent night work, many thanks to all the Port Authority staff. Thanks."

The Members asked that the Cargo Operations Manager erect signs at the Cargo Distribution Centre advising customers to secure their cargo before leaving the compound. Additionally, someone must be appointed to oversee the securing of the cargo on the customer vehicle before it leaves the CDC compound and compliance with these rules must be enforced.

Cargo operations in Cayman Brac were normal.

[c] Security and Cruise Report:

Members approved the Security and Cruise Report for May 2016 and a motion to accept was moved by Mr. Michael Nixon and seconded by Mr Robert Foster. The motion passed unopposed.

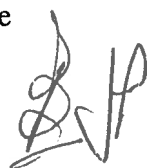
Cruise arrivals increased by 6% from 1,566,391 passengers for the first eleven months of the fiscal year 2015 to 1,659,256 passengers for the first eleven months of fiscal year 2016.

Cruise passenger arrivals fell below projections by (38,189) passengers. This was mainly due to bad weather and resulted in lost income of \$176k. The projected future outlook is positive based on robust bookings projected by the cruise lines. No security incidents were reported during the month of May.

Members were apprised on the status of the channel markers for the Main Channel located in the North Sound. Of the 6 markers, 5 were replaced and the remaining had green reflective tape applied to the pole. Mac Iron Marine is contracted to replace all 6 markers and work is to commence in July 2016.

In the absence of the Port Director, Members requested that a channel marker maintenance plan be put together and presented to the Port Director at the most convenient time.

In the absence of the Port Director, Members requested the Manager of Security and Cruise Operations to contact the PACI's legal counsel and have



them draft a warning letter to the solicitors of business on the PACI premises who are causing disturbances and harassing cruise passengers.

Members were updated on the status of the incident that occurred in the harbour that resulted in the cruise ship, Disney Fantasy, losing its anchor and chain.

(d) Financial Report:

Members approved the Financial Report for May 2016 and a motion to accept was moved by Mr. Ashton Bodden and seconded by Mr Stran Bodden. The motion passed unopposed.

Profit Performance

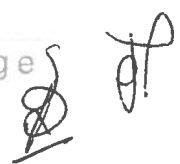
The Port Authority's financial performance for the eleven months ended May 31, 2016 shows an improved result over 2015. The PACI recorded a profit of \$4.1M for the eleven-month period in comparison with \$3.1M for the period July 2014 to May 2015, and the eleven month budgeted profit of \$2.8M. This is an improvement over 2015 actual of \$950K or 30%. The result was also \$1.3M or 48% above the budgeted profit of \$2.8M for the eleven month period. Overall Gross Income for 2016 increased by \$2.3M or 12% over 2015, while Operating Expenses increased by \$1.3M or 8% for the same period.

Cargo Performance

The improvement in profitability is due in part to a 7% increase in cargo activity over the previous period. Cargo income increased by \$1.6M or 13% for the eleven month period due to steady monthly cargo volume. Cargo processed this period was 247,303 tons compared with the 230,464 tons handled for the comparative period. This is an increase of 16,839 tons or 7%. The 247,303 tons surpassed the budgeted 235,073 tons for the eleven-month period. Cargo movement is doing 7% better than last year and 5% better than expected so far this year.

TEU or 20-foot equivalent container units also increased from 45,260 units for the previous period to 50,294 units this period. This is an increase of 5,034 units or 11%. Note the correlation between the 11% growth in TEU levels and the 13% growth in cargo income. This has been consistent for the year indicating that the primary driver of cargo income is TEU movement rather than cargo volumes.

Cruise Passenger Performance

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Cruise passenger income increased by 6%, and passenger numbers improved by the same margin for the comparative period. Cruise passenger arrivals increased by 6% from 1,566,391 passengers for the first eleven months of the fiscal year 2015 to 1,659,256 passengers for the first eleven months of fiscal year 2016. The related income from cruise passengers for the 2016 period increased from \$3.8M in 2015 to \$4.1M in 2016. This is an improvement of \$250K or 6%. PACI's actual cruise passenger income was within (\$85K) or 2% of the budgeted \$4.2M.

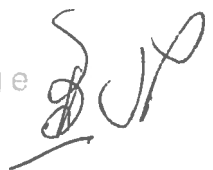
Cruise passenger arrivals fell below projections by (38,189) passengers. This was due in part to the 71,724 passengers lost due to bad weather between January and March 2016. The Authority did not realize \$176,441 from these passengers. However, the future outlook seems positive based on robust bookings projected by the cruise lines.

If the projections hold for June, the PACI will close out fiscal 2016 with 1,771,739 passengers vs. the expected 1,800,831. This is 29,092 or 2% less than projections, and 110,837 or 7% more passengers than fiscal 2015. In addition, the projections, for the next financial period – 18 months ending 31 Dec 2017, are 2,682,228 passengers or income of \$6.4M with a 3% loss provision. This is an improvement over the expected \$6M that was reported in the December 31 2017 Budget.

Operating Expenses

Overall operating expenses increased by \$1.3M or 8% over the same period in 2015. The major categories of expenditure that had mixed results for the May 2016 period are; staff costs, repairs and maintenance, contracted services, miscellaneous, travel conventions and training, advertising and entertainment, and Stationery & computer supplies which increased over 2015 levels. On the other hand insurance, finance charges, utilities and diesel all had reductions. Other operating costs increased by \$567K due to the recognition of the impairment loss on our cranes and the gain on the land swap with the MOF. Depreciation reduced by \$66K due to some assets being fully depreciated and the disposals booked last year.

The Increase in staff costs was due to the 3% COLA and the 5% increase in health insurance premiums. The increase in other expenses was due to increases in cargo and cruise activities. The decrease in utilities and diesel costs were due to the favorable oil prices this year, and efficiencies from energy conservation programs implemented by the PACI. Insurance costs



declined in line with general trends and the reduction in bank loan resulted in reduced interest expense.

Branch Accounts

The Branch accounts continue to show the Grand Cayman operation carrying the bulk of the positive performance. The Grand Cayman Operation made \$4.5M in profits while the Cayman Brac operation sustained a (\$398K) loss for the eleven-month period.

Grand Cayman continues to subsidize the Cayman Brac operation on a monthly basis, totaling \$398k for the first eleven months of the financial year. However, the yearend results will show a improvement by the \$84k revaluation gain on the Crane in Cayman Brac.

Overall equity for Grand Cayman shows an improvement of \$2.9M, while Cayman Brac had a deterioration of (\$503K).

Statement of Financial Position

The Consolidated Statement of Financial Position showed that overall Equity improved by \$2.4M or 5%, caused mainly by the \$4.1M profit performance and \$2.2M increase in cash balances, and offset by the reduction in fixed assets due to depreciation, and the decrease in the loan balance of \$1.4M.

The Port still has healthy cash balances of \$5.9M, and accounts receivable of \$1.7M. Included in Accounts Payable/Accrued Expenses is insurance premiums owed to CIG of \$1.4M, after the accounting for the land swap of \$1.384M and a few reconciling differences with RMU invoicing. Included in this \$1.4M insurance outstanding balance is \$600K for estimated insurance coverage for the 2016/17 period. The outstanding insurance obligations will be repaid by June 2017.

PACI began its monthly payments of \$150k in February 2016 (to liquidate this debt by June 2017). These payments are reflected in the \$1.4M outstanding amount.

PACI received a letter from the MOF echoing Cabinets authorization of the land SWAP between PACI and Customs. The land swapped is 20B Parcels 386, 387 and a subdivided portion of 379. The value of this SWAP, \$1,384,000, will be applied to reduce the payable to CIG. Subsequent to the May 31, 2016 month end a request was sent to First Caribbean International Bank Limited for a Discharge of Charge on the property. On receipt of this

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document the Port will forward it to the Land & Survey who will conclude the transfer.

2015 Audited Financial Statements

- (a) The amended Financial Report for 2015 was presented to the Members and approval was granted for the presentation to the Office of the Auditor General. A motion to accept the amended report was moved by Mr. Stran Bodden and seconded by Mr. Michael Nixon. The motion passed unopposed.
- (b) Members wish to have it noted that although they have approved the reclassification for the amount in WIP relating to the cruise berthing consultancy fees to an expense in the 2015 financials, they are not pleased with the OAG's rational for the reclassification of the consultancy fees when the cruise project remains ongoing and moving into a final planning phase.

6. Update on Various:

- (a) **IT Audit:** - KPMG is working on the operational manuals and the Board will be apprised further at the July meeting.
- (b) **Recruitment of Staff – Deloitte:** - The Deputy Port Director – Cargo (“DDCO”) interviews concluded on Tuesday June 28. The position of Office Manager (“OM”) was re-advertised and 5 candidates were shortlisted from amongst the applicants. Interviews for the OM position are to begin in mid-July. The Manager of Facilities (“MOF”) was chosen and a formal job offer is to be made in the first week of July.
- (c) **Spotts Terminal Refurbishment:** - The construction contract with Ron Wilson’s Equipment has been executed and work commenced on February 18th on the project. All works has been completed with the exception of the gates which will be completed by the weekend.
- (d) **Cargo Pier Rehab and CDC Masterplan:** - The contract for the rehabilitation of the Cargo Pier is still ongoing. Section 1 and 2 has been demolished and refurbished and section 3 is being worked on and completion is anticipated by July 8th.

APEC Consulting Engineers continue to work on the CDC Masterplan.

- (e) Proposal was received from Franc Pigna of Aegir Port Property Advisors on the:



- i. Scope of works covered under proposal include:
 - a. *Determination of lease rates for rental properties*
 - b. *Development of "opinion of values" for port properties and port infrastructure*
 - c. *Assessment of non- leasable port common areas, infrastructure values and other issues impacting rental rates*
 - d. *Determination of appropriate capitalization rates*
 - e. *Commentary and recommendations on port service and tariff charges*
- ii. Cost of proposed work is US\$27,600 plus incidental expenses.

7. New Business:

Members of the Board unanimously ratified their round-robin approval, given to the Port Director, for the payment of a 2.2% one-time bonus to the staff, effective June 2016 pay period.

8. Other Business:

- (a) IT's Sugar (Sugar Rush Ltd.) moved out of their store at RWCT on June 20th. They have refuted their rental charges of CI\$128,561.42 and PACI's Management has engaged it's legal counsel to collect outstanding debt.
- (b) Port Director extends a warm welcome to all Members of the Board and their families to attend the PACI first family fun beach day, Saturday July 2nd at the public beach on 7MB from 12pm until.
- (c) The RWCT Tenants Association in conjunction with its chairman, Mr. Hamaty, requested an audience with Members of the Board to discuss their First-Right of Refusal request. Members unanimously agreed to adopt the legal advice that it received from Ritch and Conolly. This will be communicated to the Tenant's Association chairman.
- (d) The subject on the collection of vessel fees for government was deferred.
- (e) Members were apprised on the new summer internship program that the PACI embarked on for high school and college students. Members expressed good wishes on the program's success and asked that management make headlines with successfully recruiting 5 students for the initiation of the program.
- (f) Members were apprised by the sitting Chamber of Commerce member on having to report on the meetings prior to the ratification of the minutes. Members unanimously agreed that the dissemination of information from the Board minutes cannot be made until they were approved and ratified by the Board at a subsequent meeting.

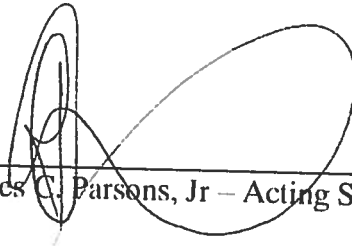
Adjournment:

There being no further business the meeting was adjourned at 3:50 pm until the next regular meeting scheduled for July 28th, 2016.





Mr. Errol E. Bush – Chairman



James C. Parsons, Jr – Acting Secretary