

BOARD OF DIRECTORS MEETING
Port Authority of the Cayman Islands
383 Channel Rd, Cayman Brac
July 29, 2016
398

A meeting of the Port Authority of the Cayman Islands Board of Directors was held on Friday, July 29, 2016 at the Cayman Brac Beach Resort, 383 Channel Road, Cayman Brac, Cayman Islands. Chairman Errol Bush called the meeting to order at 10:08 am and welcomed attendees.

- **Board Member Attending:**

Mr Errol Bush, MBE – Chairman
Mr. Stran Bodden, JP – (Ministry of DAT&T)
Mr. Michael Nixon – (Ministry of Finance)
Mr. Ashton Bodden, JP
Ms. Jacqueline Scott
Mr. Robert Foster
Mr. Woodward DaCosta
Mr. Charles Clifford, JP – (Customs)

Mr. Clement Reid – Secretary

- **Other Attendees:**

Hon. Deputy Premier – Moses Kirkconnell, JP
Mr. Will Jacobs - PACI
Mr. Joseph Woods – PACI
Mr. James Parsons – PACI

- **Apologies for Absence(s):**

Mr. Arek Joseph, OBE
Mr. Gerald Kirkconnell – Deputy Chairman

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- **Confirmation of minutes:**

Minutes for Meeting # 397 were approved by the Board with the following changes and a motion to accept the minutes was moved by Ms. Jacqueline Scott and seconded by Mr. Robert Foster.

Page 4, last paragraph, TEU's should be in the reverse order, 45,260 to 50,294.
Page 6, 2nd paragraph change the word "reduction" to "improvement".

- **Declaration of Conflict of Interest:**

None noted.

- **Matters arising from Previous Minutes:**

Page 3, Section 5(c), Members requested that the Plan form part of the agenda for Meeting #399.

Page 3, Section 5(c), Members requested that the Draft Letter form part of the agenda for Meeting #399.

- **Port Director's Monthly Report:**

- **PD Report:**

Members approved the Port Directors Report for June/July 2016 and a motion to accept was moved by Mr. Michael Nixon and seconded by Mr. Charles Clifford. The motion passed unopposed.

The Port Director report forms part of these Minutes.

- (b) Operations Report:**

Members approved the Operations Report for June 2016 and a motion to accept was moved by Mr. Woodward DaCosta and seconded by Mr. Robert Foster. The motion passed unopposed.

The month of June saw 20 ships trading and making 43 port calls. There was a 42.9% and 26.5% change respectively when compared to the same period last year. There were 29 working days for the month which totaled 127 working hours.

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The working hours for the month decreased by 20.1% when compared to the same period last year. Overtime (OTS) decreased by 25.0% (33/44) 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 0.8% (19,544/19,380) with the tons of cargo handled per hour increased by 26.3% (154/122) compared to the same period last year. Aggregate imports increased by 81.2% (19,564/10,798) from the same period last year. The number of dry imported containers measured in TEU's, decreased by 0.3% (1,290,1,294). Vehicle imports decreased by 61.3% (135/349). Total TEU's imported (dry, reefer, flat rack, trailer & tank) increased by 1.8% (2,001/1,966) compared to the same period last year. Bulk cement imports decreased by 100% (0/2,872) tons compared to same period last year.

Imports from Port Everglades increased by 41.4% (8,175/5,781) when compared same period last year. Palm Beach decreased by 8.0% (6,051,6,579) tons compared to same period last year. Imports from Jamaica decreased 58.6% (1,683/4,064) compared to same period last year.

A few samples of "Loading Cargo Safely" signs were collected and will for a customized sign that will be displayed at the CDC and Dock to inform customers and staff of the correct procedures to be employed when loading cargo on private vehicles.

Cargo operations in Cayman Brac were normal.

(c) Security and Cruise Report:

Members approved the Security and Cruise Report for June 2016 and a motion to accept was moved by Mr. Woodward DaCosta and seconded by Mr. Charles Clifford. The motion passed unopposed.

Cruise arrivals increased by 7% from 1,660,902 passengers for the 2015 fiscal year to 1,781,240 passengers for the 2016 fiscal year.

Cruise passenger arrivals fell below projections by (19,591) passengers. This was mainly due to bad weather and resulted in lost income of \$176,441. The projected future outlook is positive based on robust bookings projected by the cruise lines. No security incidents were reported during the month of June.

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On June 21st, 2016, the fishing vessel Wahoo, reported engine problems near the Frank Sound Channel. Two souls were rescued but the vessel sank.

There are twelve cruise ship calls scheduled for Cayman Brac during the 2016/17 cruise season. PACI will liaise with District Administration to arrive at the best solution for receiving guests from these cruise visits.

(d) Financial Report:

Members approved the Financial Report for June 2016 and a motion to accept was moved by Ms. Jacqueline Scott and seconded by Mr. Ashton Bodden. The motion passed unopposed.

Profit Performance

The Port Authority's reported a Gross Operating Surplus of \$5.95M for the year. This is 25% better than the budget and 69% better than the June 30, 2015.

Cargo Performance

Cargo performed creditably, with Income showing a \$1.8M or 13% improvement over the previous year. Cargo volumes increased by 7% for the fiscal year due to steady monthly increases in cargo volume imports. Cargo volumes processed this period was 266,847 tons in comparison with the 249,844 tons handled for the comparative period. This is an increase of 17,003 tons or 7%. The 266,847 tons surpassed the budgeted 254,841 tons for the fiscal year. PACI's Cargo movement is doing 7% better than last year and 5% better than expected this year.

TEU or 20-foot equivalent container units also increased from 47,226 units for the fiscal year 2015 to 52,295 units this fiscal year. This is an increase of 5,069 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

Cruise passenger income increased by 7%, and passenger numbers improved by the same margin for the comparative period. Cruise passenger arrivals increased by 7% from 1,660,902 passengers for the 2015 fiscal year to 1,781,240 passengers for the 2016 fiscal year.

The related income from cruise passengers for the 2016 period increased from \$4.07M in 2015 to \$4.38M in 2016. This is an improvement of \$ 309K or 7%. PACI's actual cruise passenger income was within (\$48K) or 1% of the budgeted \$4.4M.



Cruise passenger arrivals fell below projections by (19,591) passengers. This was due to the 71,724 passengers lost to bad weather between January and March 2016. As a result of the loss in passengers, the Authority did not realize \$176,441. However, the future outlook seems positive based on robust bookings projected by the cruise lines.

Operating Expenses

Overall operating expenses increased by \$4.8M or 24% over the 2015 period. The major categories of expenditures that had mixed results for the year ending June 30 2016 were: Defined Benefit Expense, Staff costs, Repairs and Maintenance, Miscellaneous, Travel, Conventions and Training, Advertising and Entertainment, and Stationery & Computer supplies which increased over the 2015 levels, while Contracted services, Insurance, Finance charges, Utilities and Diesel all had reductions. Depreciation decreased by \$124K due to some assets being fully depreciated and the assets written off the books last year and this year, and there was a loss on disposal of \$471K for 2016.

There was a marked increase in the defined benefit expense due to the reduction in the discount rate from 4.40% to 4.20% at June 30 2016. This resulted in the estimated annual expense moving from \$4,671,000 to \$5,868,000. Given that PACI forecasted \$4,000,000 for the annual expense the total movement based on forecast was \$1,868,000.

The Staff costs increased due to the 3% COLA and 2.2% bonus, paid in June 2016 and the 5% increase in health insurance premiums, as well as increased year end accruals such as untaken vacation leave and payroll costs up to June 30, 2016. The other expenses increased 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 projects at the PACI. Insurance costs declined in line with general trends and the reduction in bank loan has reduced the interest expense. The contracted services reduced due to the write off of cruise berthing consultancy fees in 2015.

Branch Accounts

The Branch accounts continue to show the Grand Cayman operation carrying the bulk of the positive performance.

The Grand Cayman Operation made \$1.1M in losses while the Cayman Brac operation sustained a (\$347K) loss for the fiscal year, culminating in a total loss of \$1.4M for fiscal 2016. This contrasts unfavorably with the prior period for Grand Cayman, with a \$988K profit in 2015 and favorably with Cayman Brac that reported a \$638K loss in 2015.



Grand Cayman continues to subsidize the Cayman Brac operation on a monthly basis, totalling \$347k for the financial year. This is an improvement over the \$638k loss for the last financial year. However, there could be some changes and this may increase when all the entries are made for the 2016 financial year.

Overall equity for Grand Cayman shows a reduction of \$183K, while Cayman Brac had a deterioration of (\$347K). These are draft numbers and could change when the final adjustments are completed for 2016.

Statement of Financial Position

The Consolidated Statement of Financial Position showed that overall Equity deteriorated by \$382K or 2%, caused mainly by the reduction in fixed assets due to depreciation, write offs, the increase liability for the defined benefit health care, and the decrease in the loan balance of \$1.4M.

The Port still has healthy cash balances of \$6.3M, and accounts receivable of \$1.5M. Included in Accounts Payable/Accrued Expenses is insurance premiums owed to CIG of \$1.5M. This outstanding insurance obligation will be repaid by June 2017. Monthly payments of \$150k began in February 2016 (to liquidate this debt by the June 2017). These payments are reflected in the \$1.5M.

The increase in the defined benefit liability [from \$24.7M to \$30.2M], over the prior year, was 22% while the reduction in the Loan [from \$3.2M to \$1.8M] was 45%.

Audit for the financial year ended 30 June 2015

The audit for the financial year ended 30 June 2015 is still being finalized. The auditor general's office has indicated that they are near completion. The PACI has submitted revised drafts for their review and comment. We expect this to be finalized in August 2016. Additionally, the OAG had submitted an invoice for \$35,000 to cover additional work performed on the 2015 audit. This is in addition to the \$50,000 audit fee already paid.

Update on Various:

- **IT Audit:** - KPMG has commenced work on the operational manuals and a draft will be ready for circulation in two weeks. Members will receive copies of the Draft Manual for comment.



- **Recruitment of Staff – Deloitte:** - The Deputy Port Director – Cargo (“DDCO”) remains vacant and will have to be re-advertised. The position of Office Manager (“OM”) and Manager of Facilities (“MOF”) has been filled.
- **Spotts Terminal Refurbishment:** - Phases I & II of the Spotts Terminal Refurbishment has been completed.
- **Cargo Pier Rehab and CDC Masterplan:** - The contract for the Cargo Pier concrete deck replacement has been completed and the area made operational for cargo related activities. The asphalt pavement along the south berth was also milled and a new 4” layer of asphalt placed.

APEC Consulting Engineers continue to work on the CDC Masterplan.

- The proposal that was received from Franc Pigna of Aegir Port Property Advisors has been sent to Ritch and Conolly for review and comment prior to executing the contract.
- **Right of First Refusal – RWCT Tenants –** Deferred until next meeting.
- Members agreed to instruct Ritch and Conolly to proceed with court proceedings to recover the outstanding rent from IT’s Sugar (Sugar Rush Ltd.).
- **New Business:**
 - A presentation of the Business Justification Case (“BJC”) was made to the Members that outline the capital expenditure already approved in the 2016/17 budget. It outline the procurement of five vehicles/machinery and six additions to the PACI fleet. The BJC creates a Master Plan for complete replacement of vehicles and machinery over the next three fiscal years (2018-20).

Members approved the BJC and a motion to accept was moved by Mr. Woodward DaCosta and seconded by Mr. Robert Foster. The motion passed unopposed.

- **Other Business:**

No other business.

Adjournment:

There being no further business the meeting was adjourned at 3:30 pm until the next regular meeting scheduled for August 25th, 2016.



Mr. Errol L. Bush – Chairman



Clement Reid – Secretary