

**BOARD OF DIRECTORS MEETING**  
**Port Authority of the Cayman Islands**  
**45A Harbour Drive**  
**23<sup>rd</sup> February, 2017**  
**Meeting No. 405**

A meeting of the Port Authority of the Cayman Islands Board of Directors was held on Thursday, 23<sup>rd</sup> February, 2017, at the Port Administration Building, 45A Harbour Drive, Grand Cayman, Cayman Islands.

**1. Welcome and Call to Order**

Chairman Errol Bush welcomed attendees and called the meeting to order at 1:28pm.

**2. Attendance and Apologies**

**Members Present**

Mr. Errol Bush, MBE – Chairman

Mr. Stran Bodden – (Ministry of DAT&T)

Mr. Arek Joseph, OBE

Ms. Jacqueline Scott

Mr. Michael Nixon – (Ministry of Finance)

Mr. Woodward DaCosta

Mr. Charles Clifford – (Customs)

Mr. Robert Foster

**Apologies for Absence(s):**

Mr. Ashton Bodden, JP

Mr. Gerald Kirkconnell – Deputy Chairman

**Other Attendees**

Mr. Clement Reid – Port Director

Ms. Robynette Hera – Recording Secretary

Mr. James Parsons – Deputy Port Director, Finance



### 3. Quorum

**IT WAS RESOLVED** that in accordance with Section 3 (5) of the Port Authority Law (1999 Revision), a quorum of five Members was present and that the business would proceed.

### 4. Review and Approval of Minutes dated 26<sup>th</sup> January, 2017

**IT WAS NOTED** that the Minutes of the Meeting held on 26<sup>th</sup> January, 2017 were approved by the Board; moved by Mr. Michael Nixon and seconded by Ms. Jacqueline Scott.

### 5. Matters arising from Previous Minutes

- a) Safehaven Marina Easement – Mr. George Loutas, Associate from Maples and Calder, drafted the response for negotiating the agreement.

### 6. Port Director's Monthly Reports

The Port Director's (PD) Report for January 2017 encompasses all other reports for the purpose of this meeting and forms part of these Minutes.

The PD presented the following highlights:

#### **Financial**

The Port Authority of the Cayman Islands' (PACI) financial performance for the seven months ending 31 January, 2017 indicates an improvement in comparison to 2016. PACI recorded a profit of KYD\$704K for the seven-month period in comparison to a loss of KYD\$746K for the period July 2015 to January 2016, and the seven-month budgeted profit of KYD\$266K. This is an improvement of KYD\$1.4M or 194%.

This was mainly due to the recording of defined benefit expense which only the estimated amount can be booked in the current year. The remeasurements are done after the financial year end and could potentially significantly increase the annual expense amount. PACI recorded \$1.6M for defined benefit expense for the seven months of this financial year. This was based on the Mercer estimated \$4.16M for the 18-month period ending 31 December, 2017. The actual total expense for 2016 was \$5.86M or \$1.46M per quarter.

Overall operating expenses saw a 10% reduction from the 2016 period. The single largest contributor of this decrease was the reduction of defined benefit expense



booked. The actual OPEX was KYD\$996K below budget or 9%. The major contributing factor for this was the slower pace of hiring than expected, resulting in a positive employee cost variance of KYD\$1.27M or 16%.

The major categories of expenditure had mixed results for the seven-month period. Repairs and maintenance; contracted services; travel conventions and training; advertising and entertainment increased over the prior period's levels, while diesel, insurance, finance charges, miscellaneous and utilities all had positive variances with the budget.

PACI still has a healthy cash reserve of KYD\$5.74M, KYD\$600K of which is reserved in a sinking fund towards meeting the defined health care benefit liability. Accounts receivable is currently at KYD\$1.8M. The current liabilities have declined to KYD\$1M from KYD\$3.6M reported for the previous period.

Current liabilities have declined to KYD\$1M from KYD\$3.6M. The insurance premiums that are owed CIG is scheduled to be paid off by April 2017.

The bank loan for the Royal Watler Cruise Terminal construction is currently KYD\$908K and is scheduled to be paid off in August 2017.

### **Matters for Approval**

The PD sought and received approval from the Board to / for:

- a) The ESTAR for RTG Tender.
- b) The proposal from Management Solutions to develop the Strategic Plan.
- c) Send the top rated impacts to PACI from the Public Authorities Bill (2016) out of the legal opinion to the Ministry of DAT&T.
- d) The PD to be on official travel from 13<sup>th</sup> – 16<sup>th</sup> March, 2017, to attend the Seatrade Cruise Global Conference in Fort Lauderdale, Florida. The Deputy Port Director, Finance, Mr. James Parsons to the Acting Port Director in his absence.
- e) 2017/2018 Business Development, Conference and Events calendar, as at 23 February, 2017.

### **Strategic Plan Implementation Update**

- a) The RFP for the procurement of RTG's has been advertised in the local media and PACI's website. The submission deadline was 27<sup>th</sup> January, 2017. Two tenders were received, Kalmar and Konecranes and have been evaluated and a ESTAR report prepared for Board approval.
- b) Deloitte issued a status update on the Human Capital Services for PACI. The new completion date for this project is now 31<sup>st</sup> March, 2017. Deloitte has encountered



- delays in obtaining information on salary scales from local and overseas companies in the region that provide a similar service as PACI.
- c) PACI has contracted with Aegir Port Property Advisers to prepare a comprehensive assessment and analysis of all relevant factors impacting PACI's property portfolio and infrastructure values in order to determine appropriate lease rates, and port service and tariff charges that will produce reasonable returns on asset values. The report will identify areas of revenue diversification and will fulfill one of the mandates in the SPA.
  - d) The final concept has been handed over to APEC Consulting Engineers to finalize the masterplan and commence the engineering drawings and specifications. APEC will have the Masterplan concept completed by end of February 2017 and it will be sent to the Central Planning Authority for review and approval. It is anticipated that we will be able to break ground in Q3 of 2017, and completion will be at the end of Q4 of 2017 for the RTG foundations. The construction of the entrance and maintenance building is estimated to commence in October 2017 and be completed in September 2018. The Ministry of DAT&T's contract with Royal HaskoningDHV has a USD\$300k credit that will be used to assist APEC with the engineering design for the CDC. This will contract the delivery timeline for the project without costing the PACI additional resources.
  - e) A local company, Management Solutions, who are currently engaged by the Portfolio of Civil Service (POCS) to write a strategic plan for the Civil service and training management, has prepared a business proposal for PACI to assist with the developing and implementing its Strategic Plan. The contract sum is KYD\$19K.

#### **Risk and Compliance Update:**

#### **Risk and Compliance Management**

- a) The Manager of Cruise and Security Operations is preparing an Operational Manual to manage the servicing and repairs of the channel markers and buoys in the Cayman Islands.
- b) The Acting Deputy Port Director – Cargo Operations is creating an Operational Manual for the Operations department that will cover the cargo dock and CDC.
- c) The contracts with Mac Iron for the procurement and installation of the channel markers in the North Sound have been revised with an addendum to use a different methodology for the installation of the markers. Installation of the markers is scheduled for April 2017 when the weather will be more cooperative.
- d) A contract with KPMG to develop a Disaster Recovery and Business Continuity Plan was signed on 18<sup>th</sup> January, 2017. The completion date for the project is March 2017.
- e) The CFO and PD reviewed two bids for Mobile Services from Digicel Cayman and Cable & Wireless Business. No advantage gained by switching to Digicel Cayman as the pricing structure that is utilised by PACI is similar for both companies. It was unanimously agreed to resign a two-year contract with Cable & Wireless Business.
- f) Resigned tenant lease with Tortuga Rum for Royal Watler Cruise Terminal (RWT) rental units.



- g) Ritch and Conolly were engaged to perform a comprehensive legal review on the impacts to PACI should the Public Authorities Bill (2016) become law. The full document forms part of the meeting agenda.

#### **Risk and Compliance Incidents:**

- a) The 20' container consigned to Lawrence Paul Williams that was detached from the container handling equipment while suspended in midair and free fell to the ground has not been resolved with the insurance company. The matter has been turned over to Ritch and Conolly by the underwriter who is advising the Risk Management Unit on behalf of PACI. The investigation is ongoing.
- b) The Royal Watler Tenants Association has engaged legal counsel and are challenging the decision of the PACI Board not to amend their existing leases by inserting a First Right of Refusal clause. Our legal counsel has prepared and disseminated a response to their challenge. The matter is ongoing.
- c) The owners of the m/v Saga that ran around in the Port of George Town on 25<sup>th</sup> November, 2016 have requested an extension on section 27 of the Port Authority Law (1999 Revision) to bring legal proceedings against PACI. Ritch and Conolly in consultation with the Attorney General's Chambers have recommended granting the requested extension.
- d) Azavedo v Port Authority of the Cayman Islands and another – Cause No:122 of 2009 has been settled through the Risk Management Unit for a road accident that occurred on 5<sup>th</sup> March, 2007 between Mrs. Azavedo and a PACI truck driver. The settlement sum was KYD\$700K.
- e) A live round of ammunition was discovered on one of Caribbean Marine Services vessel during their operational pre-checks. The round was handed over to the Police for investigation.

#### **Matters for noting**

- a) The Deputy Port Director, Finance presented the Financial Report.
- b) The lease for Tortuga Rum Co. Ltd. at RWT has been resigned.
- c) It was noted that there is currently no space available at RWT for requests received from M Souvenirs & Crafts Cayman Ltd. and Cayman Adventure Moments.

#### **7. New Business**

- a) Legal proceedings against PACI
  - i. M/V Saga – Ritch and Conolly in consultation with the Attorney General's Chambers have recommended granting the requested extension on section 27 of the Port Authority Law (1999) to bring legal proceedings against PACI.
  - ii. Azavedo v Port Authority of the Cayman Islands and another – settled through the Risk Management Unit for a road accident that occurred on 5<sup>th</sup> March, 2007 between Mrs. Azavedo and a PACI truck driver.

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- b) The Public Authorities Bill and possible implications for PACI – from the legal opinion received, the Board agreed on top impacts to PACI to be forwarded to the Ministry of DAT&T.

**8. Any Other Business**

**9. Adjournment and Date of Next Meeting**

There being no further business the meeting was adjourned at 4:40pm. The next meeting is scheduled for 30 March, 2017.



Mr. Errol L. Bush – Chairman



Ms. Robynette Hera – Recording Secretary