

BOARD OF DIRECTORS MEETING
Port Authority of the Cayman Islands
45A Harbour Drive
May 26, 2016
396

A meeting of the Port Authority of the Cayman Islands Board of Directors was held on Thursday, May 26, 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
- Dr. Dalton Watler – (Ministry of DAT&T)
- Mr. Ashton Bodden, JP
- Ms. Jacqueline Scott
- Mr. Robert Foster
- Mr. Arek Joseph, OBE
- Mr. Woodward DaCosta
- Mr. Charles Clifford – (Customs)
- Mr. Clement Reid – Secretary

- **Other Attendees:**

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

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

- Mr. Michael Nixon – (Ministry of Finance)
- Mr. Stran Bodden – (Ministry of DAT&T)

2. **Confirmation of minutes:**

Minutes for Meeting # 395 were approved by the Board and a motion to accept the minutes was moved by Mr. Woodward DaCosta and seconded by Mr. Arek Joseph.

Amendments to the Minutes should reflect the apologies tendered by the Collector of Customs, Mr. Charles Clifford, for his absence.

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 April 2016 and a motion to accept the report was moved by Mr. Arek Joseph and seconded by Mr. Robert Foster.

(b) Operations Report: - Members approved the Operations Report for April 2016 and a motion to accept was moved by Mr. Robert Foster and seconded by Mr. Ashton Bodden. The motion passed unopposed.

The month of April saw 24 ships trading and making 48 port calls. There was a 50.0% and 37.1% change respectively when compared to the same period last year. There were 30 working days for the month which totalled 194 working hours. There was a 16.2% change when comparing the hours worked last year for the same period. Overtime (OTS) decreased by 21.9% (25/32) compared to last year.

Cargo tonnage increased by 23% (26,420/21,476) and as a result the tons of cargo handled per hour increased by 5.9% (136/129) compared to the same period last year. Aggregate imports increased to 9.0% (22,093/20,274). Bulk cement imports decreased by 11.1% tons (5,123/5,766) compared to same period last year.

The number of dry imported containers measured in TEU's, increased by 31.5% (1,677/1,275). Vehicle imports also increased by 4.4% (403/386). Total TEU's imported (dry, reefer, flatracks, trailers & tanks) increased by 6.9% (2446/2278) compared to the same period last year.

Imports from Port Everglades decreased by 20.8% when compared to the other Florida ports. Other Florida port imports are 6,695 tons compared to Port Everglades at 8,795 tons. Port Everglades imports

increased 92.6% (8,795/4,566) tons compared to same period last year. Imports from Jamaica increased 60.4% (5,450/3,397) tons, from Palm Beach decreased by 9.1% (6,695/7,666) tons compared to same period last year.

Cargo operations in Cayman Brac were normal.

- (c) Security and Cruise Report:** - Members approved the Security and Cruise Report for April 2016 and a motion to accept was moved by Mr. Robert Foster and seconded by Mr Ashton Bodden. The motion passed unopposed.

Cruise arrivals increased by 6% from 1,471,319 passengers for the first ten months of the fiscal year 2015 to 1,562,826 passengers for the first ten months of fiscal year 2016.

Cruise passenger arrivals fell below projections by (29,686) passengers. This was mainly due to bad weather and resulted in lost income of \$176k. The future outlook also seems positive based on robust bookings projected by the cruise lines.

No security incidents were reported during the month of March.

The layout for organized tour and excursion vehicles has been revised to take advantage of the additional space gained from relocating the Royal Watler Tenant parking on the dock. Further refinement to this new layout is required and will include dedicated pedestrian traffic lanes.

On April 11th, 2016, a taxi operator was involved in an accident with a pedestrian in the excursion tour vehicle area. The matter has been sent to the Police and Public Transport Unit for investigation. Pending the outcome of the investigation the taxi operator will be suspended from conducting business on Port property.

- (d) Financial Report:** - Members approved the Financial Report for April 2016 and a motion to accept was moved by Mr. Arek Joseph and seconded by Mr Ashton Bodden. The motion passed unopposed.

Members instructed the Deputy Port Director – Finance to produce a report on new revenue streams for PACI.

Profit performance

The Port Authority's financial performance for the ten months ended April 30, 2016 shows improved results over 2015. The PACI recorded a profit of \$3.8M for the ten month period in comparison with \$2.8M for the period July 2014 to April 2015, and the ten month budgeted profit of \$2.7M. This is an improvement over the 2015 actual of \$1M or 36% (as evidenced on page 9). The result was also \$1.2M or 44% above the budgeted profit of \$2.7M for the ten month period. Overall Gross Income increased by \$2.2M or 12%, while Operating Expenses increased by 8%. This 4% positive gap indicates income increased by 33% more than expenses increased.

Cargo performance

The improvement in profit was in part due to a 7% increase in cargo activity over the previous period. Cargo income increased by \$1.6M or 14% for the ten month period due to steady monthly increases in cargo import volume. Cargo volumes processed this period was 223,298 tons in comparison with the 207,774 tons handled for the comparative period which resulted in an increase of 15,524 tons or 7%. The 223,298 tons surpassed the budgeted 211,929 tons for the ten month period. Cargo movement is performing 7% better than last year and 5% better than expected so far this year. TEU's or 20 foot equivalent container units increased from 40,232 units for the previous period to 45,775 units this period. This is an increase of 5,543 units or 14%. Note the correlation between the growth in TEU levels and the growth in cargo income. This has been consistent for the year indicating that the primary driver of cargo income appears to be the TEU movement rather than cargo volumes.

Cruise passenger Performance

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 1,471,319 passengers for the first ten months of the fiscal year 2015 to 1,562,826 passengers for the first ten months of fiscal year 2016. The related income from cruise passengers for the 2016 period increased from \$3.6M in 2015 to \$3.8M in 2016. This is an improvement of \$ 240K or 6%. PACI's actual cruise passenger income was within (\$73K) or 2% of the budgeted \$3.9M.

Cruise passenger arrivals fell below projections by (29,686) passengers. As a result of bad weather between January and March 2016 the PACI loss 71,724 passengers and \$176. However, the future outlook seems positive based on robust projected bookings by the cruise lines.

If projections hold for the rest of this fiscal year, the PACI will close out the fiscal 2016 with 1,782,765 passengers as compared to the expected 1,800,831. This is 18,066 or 1% less than projections, and 121,863 or 7% more passengers than fiscal 2015. In addition, the projections for the next financial year – 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 2017 budget.

Operating Expenses

Overall operating expenses increased by \$1.2M or 8% over the 2015 period. The major categories of expenditure had mixed results for the April 2016 period. Staff costs, Repairs and Maintenance, Miscellaneous, travel conventions and training, advertising and entertainment, and stationery & computer supplies all increased over 2015 levels, while diesel, Contracted Services, Insurance, finance charges and utilities all had reductions. Other operating costs increased by \$661K due to the recognition of the impairment loss on our cranes. Depreciation reduced by \$77K due to some assets being fully depreciated and the disposals booked last year.

The increase in Staff costs is due mainly to the 3% COLA and the 5% increase in Health Insurance premiums. The increase in other expenses is due mainly to the increase in cargo and cruise activities. The decrease in utilities and diesel costs were due to the favourable oil prices this year, and efficiencies from the energy conservation program 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 that the Grand Cayman operation is carrying the bulk of the positive performance. The Grand Cayman Operation made \$4.135M in profits while the Cayman Brac operation sustained a (\$312K) loss for the ten month period.

Grand Cayman continues to subsidize the Brac operation on a monthly basis to the tune of \$313k for the first ten months of the financial year. However, the yearend results will show a reduction by the \$84K revaluation gain on the Crane in Cayman Brac.

Overall equity for Grand Cayman shows an improvement of \$2.5, while Cayman Brac had a decline of (\$441K).

Statement of Financial Position

The Consolidated Statement of Financial Position showed an overall Equity improved by \$2M or 4%. This is caused mainly by the \$3.8M profit performance and \$2.7M increase in cash balances and offset by the reduction in fixed assets due to depreciation, and the loan repayment of \$1.6M.

The Port has healthy Cash balances of \$6.2M and Accounts Receivable of \$1.7M as a result of the increase in business activity. The balance in Accounts Payable/Accrued Expenses remain a bit high due to the insurance premiums owed to the CIG of \$3.1M, exclusive of the proposed \$1.384M for the property Swap with Customs and a few reconciling differences with RMU invoicing. Also included in this outstanding insurance balance is \$600K for estimated premiums for the twelve month period to March 31st 2017.

PACI began its monthly payments of \$150k in February 2016 (to liquidate this debt by the 3rd quarter of 2017). These payments are reflected in the \$3.1M outstanding amount. The MOF has indicated by email that the Land swap was approved by Cabinet. The PACI is following up with them to obtain the official documentation, in order to book the relevant amounts in our accounting records. We expect that we will have these documents in hand before the end of this fiscal year.

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

The Ministry of Finance advised that Cabinet had approved the land swap for the insurance debt and the related documentation will be forwarded shortly. The Port Authority has reached out to the Ministry of Finance regarding the documentation for this transaction but, the related documentation is yet to be received.

If we are unable to obtain these documents and record the transaction, the Financial Statements could be qualified due to PACI having land on its books that have been effectively passed on to another entity.

6. Update on Various:

- (a) Port Authority Marina at Safehaven:** - Maples is awaiting acceptance of the revised boundaries and water easements from Ritz Carlton and Dragon Bay.

- (b) IT Audit:** - KPMG commenced the project to produce Usage Policies and Operational Manuals for the IT Department. The project is expected to span 2-3 weeks for Phase I and II.
- (c) Recruitment of Staff – Deloitte:** - Deloitte has advertised in the local media and internally for the recruitment of a Deputy Port Director – Cargo (“DDCO”), Office Manager (“OM”) and Manager of Facilities and Special Projects (“MOFSP”). The first round of interviews commenced for the DDCO and MOFSP. It is anticipated that these positions will be filled in July/August 2016. Interviews for the OM have not yet commenced.
- (d) 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 have been completed with the exception of the chain link fence which has been ordered.
- (e) Cargo Pier Rehab and CDC Masterplan:** - The contract for the rehabilitation of the Cargo Pier has been awarded by CTC to McAlpine and work is to commence the first week in May 2016. Section 1 has been demolished and refurbished.

APEC Consulting Engineers continue to work on the CDC Masterplan.

- (f) Cruise Berthing Facility:** - The Major Projects Office of Public Works Department (“PWD”) has carried out a bidder pre-qualification process for civil engineering design works of the proposed cruise berthing facility.

The Major Projects Office has issued a Request for Proposals Document to Pre-qualified Consultants in May 2016 for the civil engineering design works.

The Government continues to engage with cruise lines on the commercial terms regarding usage of the proposed berthing facility.

7. New Business:

- (a) Addendum to McAlpine Contract for Cargo Pier Rehabilitation:** - Members reviewed the report on the state of the remaining portion of concrete deck on the cargo pier. The depth of the rebar varies from 2-4” inches from the surface and will result in concrete spalling in the foreseeable future.

APEC Consulting Engineers have estimated that to remove and

replace this section will cost approximately C\$70k.

Members approved the additional cost estimate and a motion to accept was moved by Mr. Arek Joseph and seconded by Mr Ashton Bodden. The motion passed unopposed.

(b) Waiving of PACI Fees: - Members approved the executive decision made by the Port Director to waive the fees for a container that was imported and exported for the Cayman Invitational Track and field event on May 14th, 2016. A motion was moved by Mr. Arek Joseph and seconded by Mr. Gerald Kirkconnell. The motion passed unopposed.

(c) IT'Sugar (Sugar Rush Ltd.) submitted a request for space reduction and rent abatement for their rental unit in Royal Water Cruise Terminal.

Members agreed to seek legal advice on the collection of the outstanding debt and seek payment in full from IT'Sugar (Sugar Rush Ltd.)

A motion was moved to pursue the legal advice, request full payment for outstanding rent and terminate relationship with IT'Sugar should they fail to make full payment, by Mr. Charles Clifford and seconded by Ms. Jacqueline Scott. The motion passed unopposed.

8. Other Business:

(a) PACI received a letter from the Florida-Caribbean Cruise Association that has requested notification to their 19 Member lines for the booking request for fourth vessel in the Port of George Town.

Members requested clarity and instructions from the Ministry of District Administration, Tourism and Transport on the letter. The Port Director was instructed to execute this request.

(b) Members agreed to grant permission to the Port Director to sign the following documents to finalize the transfer of property to the Crown at the Cargo Distribution Centre:

i) Letter to CIBC Cayman Limited to transfer charge to Lot 2.

ii) Letter to Lands and Survey to amend the register for Block 20B Parcels 379, 386 and 387 with the correct name *Port Authority of the Cayman Islands*.

iii) Registered Land Law (2004 Revision) Form 32, Application to Combine/Sub-divide/Reparcel (Block 20B Parcels 379, 386 & 387).

A motion was moved to accept by Mr. Arek Joseph and seconded by Mr. Ashton Bodden. The motion passed unopposed.

- (c) Members reviewed the legal opinion tendered by Ritch & Conolly Attorneys-at-Law for the Royal Watler Cruise Terminal tenants request for first right of refusal when the Cruise Berthing Facility is completed.

Members agreed with the opinion and a decision was made not to include the First Right of Refusal clause in existing tenant's leases. Tenants will be notified of the decision in writing.

Adjournment:

There being no further business the meeting was adjourned at 3:50 pm until the next regular meeting scheduled for June 30th, 2016.



Errol Bush - Chairman



Clement Reid – Secretary