

To: The Port Authority Cayman Islands Board

From: Clement Reid, Port Director

Written responses to the Auditor General's Report ("AGR")

References in square brackets [...] refer to page numbers in the Appendices section at the end of these responses.

Responses have been provided in the order set out in the AGR and references contained therein, have been adopted here.

Act #1: *The HR Manager being excluded from New Hires process is a departure from the PACI employee handbook and (effective 1 June 2017) is also a breach of the Public Authorities Law*

Breach of PACI employee handbook (or Manual)

1. Like most service providers that employ staff, PACI incorporates an employee handbook into the contract of employment with its employees. This 'manual', sets out and includes information about the organisation, its culture, policies and procedures. However, it envisages flexibility so as to adjust to changes in material circumstances where the introduction of new policies and procedures are necessary, from time to time.
2. At page 5 (Port Organisation), it is clear that it is not the 'manual' which dictates the policies to be adopted by PACI, but its Board of Directors (the "Board"):

[29] *"The Port is owned by the Cayman Islands Government and operated by a Board of Directors who sets out the policies for management"*

3. The inherent flexibility of the 'manual' and the relevant powers conferred on the Board, is further exemplified in the 'Acknowledgments' signed by each employee and separately, human resources:

[30] *"I also appreciate that the Port Authority of the Cayman Islands may from time to time; change its policies, procedures and practices outlined in this Manual".*

4. It should also be noted that the employee manual is subordinate to my prescribed functions under statute as Port Director. Section 7 of the Port Authority Law (1999 Revision) states that:

[31] *The duties of the Director in addition to carrying out the functions of the Authority as set forth in section 6 shall, subject to the exclusion of any officer seconded from the public service and subject to the general supervision of the Authority, include the control, recruitment, testing, grading and disciplining of officers. [emphasis added]*

5. In October 2015, Deloitte presented its report to the Port Authority: Organisational Structure Evaluation & Refinement (the "Deloitte Report"). Specifically to strategic human resources management, the report states:

[32] *"A Human Resources department that is administratively focused, with little to no strategic direction, has led to several employee relations, and training development issues. Employees feel that there is no effective performance management system or procedures to assist with career development and no set performance benchmarks to clarify performance expectations across the organisation. Further, the lack of an incentive or rewards programme to motivate and / or recognize staff leads to a workforce that is unmotivated to excel. Feedback from internal stakeholders also revealed a need for a long term recruitment/retention or succession plan, comprehensive disciplinary procedures as well as job descriptions and job titles representative of employees' current role."*

6. Against the background critique of the HR Department, at the Board meeting convened on December 16, 2015¹, the Board resolved to depart from stated policy contained in the manual, for the recruitment of:

- 6.1 A Deputy Director of Cargo Operations;
- 6.2 Office Manager; and,
- 6.3 Manager - Facilities and Special Projects.

7. In short, the Board decided to 'outsource' the recruitment of the above posts to Deloitte, whereby, the role of the HR Manager was simply to draft and send, offers of employment and resultant employment contracts.

8. The Minutes of the meeting state as follows at section 9(h) ("Other Business"):

[34] *"Members agreed to the Addendum to provide Recruitment Services in relation to the Deputy Director of Cargo Operations, Office Manager and Manager – Facilities and Special Projects that was submitted by Deloitte. The offer letters and employment contracts will be handled by PACI's HR Manager".*

9. The Addendum states, *"The Board is seeking Deloitte's assistance in this regard due to a lack of current capacity internally, and to ensure objectivity in the process".*

10. Enclosed, is a copy of the engagement letter between PACI and Deloitte **[35]**.

11. In recognising the problems identified within human resources, it is respectfully submitted that the Board intended that going forward, the HR Manager would not be involved in 'shortlisting' or interview stages, but her role was to be limited to that of sending offer letters and employment contracts, *post* the initial recruitment process and to exercise the formalities of the employment relationship only. This process was adopted for all recruitments following the December 16 meeting, with the exception of the Senior Project Manager - Cruise Berthing; in that instance, I requested her to assist in the recruitment due to my heavy work load at the time.

12. In June 2016, I presented a report to the Board which included an update in the implementation of a strategic plan, which would ultimately circumvent the outsourcing of recruitment from Deloitte and return such a role within PACI ("Port Director's Report"). It is clear in the following extract of that report, that the current HR Manager was simply not up to the task of delivering various components contained within the Deloitte Report and that the recruitment of an experienced Office Manager, was well under way:

Update on strategic plan implementation

[41] *"The Job Evaluation Committee has encountered significant issues relating to the completion of updating and creating job descriptions.*

In order to complete the areas of the Organisation Review that fall outside the scope of [the] Deloitte contractual agreement, PACI will have to employ an experienced HR professional. The current HR Manager *has admitted to the Port*

Director that she does not have any experience in executing and delivering the missing components of the organizational review.²

Following a rigorous recruitment process, the following vacancies have been filled: Facilities Manager; Cruise Berthing Special Projects Manager; and, Receptionist. It is anticipated that an Office Manager will commence work on September 1, 2016."

13. It is abundantly clear, that with the absence of a sufficiently experienced and competent individual to take the helm of HR Management and drive the department towards the strategic goals contained within the adopted Deloitte Report, I had little choice but to assume the role of HR Manager (with the assistance of the Deputy Director) until such time, that an individual could be recruited. The assistance at times from Deloitte, undoubtedly resulted in increasing additional costs for PACI and I used every effort to be prudent and curtail these expenses to a minimum.

General breach of the Public Authorities Law ("PAL")

14. I am unable to respond to this general allegation. Any breaches have not been particularised to enable me to answer any specific allegation.
15. Notwithstanding, the Board is respectfully referred to Section 31(2) which states **[43,44]:**
A chief executive officer shall be responsible for –
(c) *the day-to-day management of the public authority including –*
(i) *the hiring, management and dismissal of staff, and other personnel management functions;*
(ii) *the assignment of duties to staff of the public authority as the chief executive officer sees fit, subject to job descriptions relevant to the staff;*

Act # 2: Contracting of salary in excess of advertised salary range.

(Office Manager)

16. It is correct to say that the role of Office Manager was advertised within a salary band between CI\$42,564 to CI\$63,912. As stated above, the recruitment of an Office Manager, was delegated to Deloitte under the authorisation of the Board (paragraphs 6,7,8 & 9 above).
17. A first round of advertising did not result in any suitable candidate. Upon a second attempt, an offer of employment was made to /; however, after having explained to her the broader duties of her role and responsibilities otherwise contained in the job description contained within the advertisement, she requested a higher salary during the negotiation phase with Deloitte.
18. In giving consideration to the requested increase in salary, I took guidance from the existing PACI Salary bands. The maximum monthly salary as advertised was CI\$5,326³. By reference to the PACI Salary Bands set out in the table below, it is difficult to justify the advertised salary levels when on an assessment of the Officer Manager's duties, more than suggests the appropriate level should be between CI\$8,000 and CI\$14,500 per month.
19. In all the circumstances, I considered the small increase outside of the advertised salary figure to be reasonable and the monthly salary of CI\$5,833 was agreed accordingly.

Existing PACI Salary Bands

Band	Minimum (CI\$ p/month)	Maximum (CI\$ p/month)
Director	15,000	17,000
Management	8,000	14,500
Professional	4,000	8,000
Technical	3,000	6,000
Clerical	2,500	5,000
Band	Minimum (CI\$ p/hour)	Maximum (CI\$ p/hour)
Skilled/Unskilled Labour	15.31	22.95

Table 1

Act # 3: *Not including the HR Manager in the recruitment process is in contravention of the PACI employee handbook. The hiring of new staff by the Board Director without allowing other applicants to be considered was done in contravention of the PACI employee handbook.*

Not including the HR Manager in the recruitment process is in contravention of the PACI employee handbook.

20. The Board is respectfully referred to the responses contained in paragraphs 1-13 above.

The hiring of new staff by the Board Director without allowing other applicants to be considered was done in contravention of the PACI employee handbook. [in this, particular mention is made to Robynette Hera]

21. The previous recruitment of Joanne Berry did not meet expectations. Within two months of her commencement of employment (end of October 2016), she resigned and cited her reasons as 'personal'.

22. By chance, I discussed PACI's difficulties in finding an appropriately qualified and reliable Office Manager with [redacted]. He indicated that [redacted] he had a staff member [redacted], whom would likely meet and exceed all the necessary qualifications and experience for the post and, had passed through MACI's succession planning by receiving cross training in all its departments.

23. The reason she had not been promoted, was that none of the existing managers had retired or resigned; the existing management structure at MACI was fairly young so the potential for her to advance would be a long way off.

24. In the circumstances that there had already been two recent unsuccessful attempts to recruit for an Office Manager with the assistance of Deloitte's, I took the decision to have a preliminary meeting with [redacted] and assess her potential for the Office Manager's role; I specifically asked [redacted] to join me in that preliminary meeting. Her response was "It would appear that you have already made up your mind on who you want for the position as you don't need me in the meeting".

25. Taking into account the lack of cooperation from the HR Manager, in combination with the findings of the Deloitte Report, I took the decision to initiate a first meeting with [redacted] as quickly as possible; during which, she presented her curriculum vitae and we discussed the

requirements of the role. Suitably impressed by [redacted]'s qualifications and experience, I met with her a second time, whereupon I further assessed her abilities and took the initiative to make her an offer of employment.

26. The fact is, PACI and Deloitte had already made recent efforts to advertise and recruit a suitable Office Manager, but those attempts had resulted in a limited response and ultimately, in the hiring of [redacted], had not produced a long-term solution. The role was broader than originally described and therefore, it is correct that I made the decision to expand the remit of responsibilities and duties, therefore changing the job title to Operations Manager - Administration.

27. In the recruitment of [redacted], I took account of the fact that not only was she a suitably qualified and experienced Caymanian, but also had the advantage of already working within government administration and, being highly recommended by the relevant authority's CEO. In the situation of the immediate need for PACI to replace [redacted], it made every sense to expedite [redacted]'s appointment against the backdrop of recent recruitment efforts.

28. By my monthly report to the Board⁴, I informed that a suitable candidate had been identified to replace [redacted] and was hopeful that she would accept an offer of employment, expected to commence in January 2017:

[46] [redacted] commenced employment as Office Manager on September 1, 2016 and resigned on October 31, 2016 citing personal reasons. A candidate with the requisite qualifications has been identified, interviewed and given an offer for the vacated post. If the offer is accepted it is anticipated the candidate will commence employment on January 3rd, 2017"

Act # 4: *Increasing the salary of [redacted] without an evaluation and prior to the end of the fiscal year end contravenes the PACI employee handbook and the terms of the contract.*

29. There are two mechanisms in the employee handbook for salary increases:

29.1 Position re-evaluation⁵; and

29.2 Structural performance pay⁶.

30. The employee manual does not provide for any prescribed procedure for position evaluation⁷ and currently relies on the subjective opinion and discretion of the Port Director. Further, whilst the employment contract refers to salary reviews at 'fiscal year end', this is the minimum binding contractual term on the part of PACI towards the employee and can be varied in favour of the employee, without breach.

31. As a result of completing her probationary period, I initially sent an email to the HR Manager requesting that she send a letter to Ms. [redacted] confirming her appointment as Operations Manager. However, I later retracted this email (which was noted by [redacted]) and followed up subsequently on June 16, 2017 in which I confirmed that I had offered [redacted] a promotion to that of Deputy Director and Chief Operating Officer with a new job description and corresponding salary increase to CI\$120,00 per annum. [49]

32. I took the decision to re-evaluate [redacted] position due to the exceptional way in which she performed during her probationary period; she simply demonstrated the aptitude to assist with moving PACI forward.

33. Ms. Hera took on multiple roles under my directive and on her own initiative, worked on areas that PACI was lacking. Having her onboard, alleviated some of my workload to focus on other areas.

34. Some of her duties and main projects included:

34.1 Administration Manager;

34.2 HR duties;

34.3 Rebranding of the Port;

34.4 writing research papers for overseas and local conferences that I had to attend;

34.5 writing speeches for the Chief Officer and Minister, for Port related conferences;

5

[47]

6

[48]

7

This is an area which needs to be formulated by the HR Department

- 34.6 assisting with the logistics and event planning of the PMAC 20th AGM and Port's 40th Anniversary; and,
- 34.7 writing the contents of the Port's 40th Anniversary magazine.
35. Additionally, [redacted] took the lead initiative in the implementation of the Strategic Plan, guiding other managers in SWOT analysis and developing key performance indicators. Without doubt, her knowledge in ISO and MARPOL requirements - gained from her significant experience in the shipping industry - is fundamental in the Port obtaining ISO 9001 certification and assisting the Port in meeting future legislative requirements e.g. Ballast Water Waste Management. Furthermore, she is a young Caymanian with a Masters' degree and is qualified to carry out her duties as COO. My decision to promote her was based on her demonstrated performance.
36. It follows that there was a full evaluation of [redacted] position and promotion, undertaken by me in my designated role under the employee manual.
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Act # 5: *The Port Director's promotion of A _____ was in direct contravention of the Public Authorities Law, and his actions occurred following formal notification from the CO via email on 1 June 2017 of the law being in effect, and 1 day after the implementation of the Law was discussed at the PACI Board meeting, at which he was present.*

37. Although there is no specific or particularised breach of PAL, I can only assume that the alleged breach is one under Section 41 (the open and fair processes in personnel management decisions) in respect of 'promotions'. Certainly, in this regard, I refute any allegation that my decision to promote _____ was made *with patronage, favouritism or consideration of political factors*. As stated above, her promotion was based entirely on merit and her demonstration of appropriate skill sets, appropriate to the role of COO; a position which had been previously lacking, thereby jeopardising PACI's administrative and operational performance.

38. As regards _____ terms, conditions and remuneration, Section 47 of the Public Authorities Law is not in force until June 2018.

39. It is important to put some perspective on the alleged breach of PAL. It is correct that I received a brief email on June 1, 2017 to inform me that PAL had been passed and at the Board meeting on June 15, 2017, members were furnished with copies. Whilst the Board 'noted its contents', this was nothing more than an acknowledgment that the law had passed. In fact, the Chief Officer recognised and indicated to the Board that training would be required to fully understand how the law was meant to be executed. Whilst the law may have been promulgated on June 1, 2017, no official training or explanatory consultation was provided to me or the Board until December 8, 2017.

40. The passage into law of PAL, requires significant revisions to the employee handbook to align it to the legislation as required by Section 41(2) PAL. This is clearly a step which needs urgent attention to avoid any further confusion or misunderstanding. At all times, I acted in good faith and in accordance with my discretionary functions, in the employment of _____

Act # 6: The Port Director hiring of [redacted] was in direction contravention of the Public Authorities Law, and his actions occurred following formal notifications from the CO via email on 1 June 2017 of the law being in effect, and after the implementation of the Law was discussed at a PACI Board meeting, at which he was present. The Port Director's directive that a medical examination and references were not required is a breach of the PACI employee handbook and the Public Authorities Law (2017).

Initial recruitment of [redacted]

41. The Board is respectfully referred to the general responses contained in paragraphs 38 & 39 above.
42. On November 24, 2016, the Board ratified a proposal that PACI would host the annual general meeting of PMAC, due to take place in June 2017. [51].
43. As PACI did not have an Events Coordinator on staff who could handle a conference of this magnitude, I contacted Joel Walton (CEO of MACI) and requested a secondment of [redacted] (as MACI's Events Coordinator), to assist PACI by taking the lead on this project; to which he approved. For the avoidance of doubt [redacted] had no involvement in this arrangement which was agreed between the heads of MACI and PACI.
44. Having [redacted] on board at PACI to coordinate the PMAC Conference, I was also able to use her organisational skills to take the lead on PACI's 40th year Anniversary week of celebrations. This event had to be planned simultaneously to the PMAC AGM, as it had to be executed by July 2017.
45. With the office of Operations Manager being recently vacated due to the promotion of [redacted] I took the decision to offer [redacted] the vacated role. In all the circumstances, this seemed to me to be a sensible recruitment decision in light of [redacted] months' secondment with PACI, which had been highly successful. I also took account of the fact that she was the former Office Manager at MACI, and therefore had demonstrable skills and experience in the tasks required.

Directive that a medical examination and references were not required

46. It is correct to say that I emailed the HR Manager stating that there was no need for a medical exam, references or police clearance certificate; this was my interpretation of both the employee handbook and the new Public Authorities Law (2017) and, underpins the fact that

there had been no formal training of the legislation, it having come into effect just 6 weeks' before.

47. In truth, because [redacted] was already a long-term Government employee, I did not consider her to be a 'new hire' and was of the honest opinion that:

47.1 a background check was unnecessary (as she was, in effect, transferring from one Government department/authority to another); — [redacted]

47.2 references were superfluous on the basis that she had been recommended by the CEO of MACI and had already worked within PACI for 6 months'; and,

47.3 a medical examination would be unnecessary as both PACI and MACI shared the same Government medical insurer, with whom she was already insured.

48. In the event my interpretation of the handbook and PAL is incorrect, I can only present a genuine and honest mistake in that regard.

Act # 7: Contracting of salary in excess of advertised salary range and the PACI 2016/17 budget.

Alleged breach of Section 47(6)(c) as set out in PA 25 and Act # 7

49. By referring to the wording of Section 47(6)(c) of PAL as identified in PA 25, the Auditor General is alleging a further breach of PAL. With respect, the section of the law referred to is not in force until June 2018.

The appointment of [redacted] (Deputy Director – Human Resources)

50. In my monthly report to the Board in March 2017 [54], I presented the need for the following personnel and informed that a recruitment process was underway:-

- 50.1 Deputy Director - Commercial and Customer Service;
- 50.2 Deputy Director - Human Resources;
- 50.3 Finance Manager;
- 50.4 Fleet Manager;
- 50.5 Harbour Patrol Officers; and,
- 50.6 a Safety and Crisis Management Manager.

51. At the Board meeting on April 21, 2017, the Board adopted and ratified the contents of my report [56]. The Deloitte Report had also recommended (as part of the proposed organisational restructure), the appointment of a Deputy Director - Security, Safety and Crisis Management.

52. [redacted] was properly appointed as the Deputy Director of Human Resources. However, his previous experience included his role as the former Director of Labour for Government and in that capacity, had full oversight for Occupational Safety. As a result, it made every sense to include that additional responsibility, within his duties as Deputy Director of Human Resources.

53. Obviously, with the added duties consumed within his appointment, a proposed separate position for safety was no longer necessary, and in my view, justified an increase to the advertised salary. In so doing, PACI avoided the need for secondary recruitment thereby saving the costs of an additional salary + benefits package, going forward.

Non-consultation with CFO

54. The contracted salary of [redacted] falls within the appropriate band of Table 1 (Management) and therefore in my view, did not warrant consultation with the CFO.

Act # 8: Contracting of salary in excess of the PACI 2016/17 budget.

(promotion to Deputy Director of Operations and Chief Logistics Officer)

Appointment was not considered under PAL

55. It is correct to say that I gave no consideration to PAL in respect of the appointment of Mr. [redacted]. He was offered a contract of employment on June 1, 2017 (the day PAL came into law)

The post was not included in the 2016/17 budget and, exceeded the budget salaries for Deputy Directors

56. Through an open recruitment process conducted by Deloitte commencing in March 2016, [redacted] was shortlisted as a candidate for the post of Deputy Director - Cargo Operations; this was after two attempts at advertising locally and internationally.

57. Additional to [redacted], a candidate from the USA was shortlisted but ultimately this individual, withdrew his interest in the advertised role. As a consequence, [redacted] was the sole candidate who made a presentation to the interviewing panel which, after careful consideration, concluded that although he possessed the aptitude to perform the role, he lacked the experience to fulfil his potential.⁸

58. As an existing and respected employee of PACI - and believing in the notion that the development of human capital is a key strategic area for PACI - I sought ways to develop [redacted] in this regard, he was seconded to Kingston Wharves, Kingston, Jamaica, through an arrangement with the Caribbean Shipping Association ("CSA") in order to obtain further experience in port operations at a large regional centre; [redacted] successfully completed his assignment.

59. As a result of not filling the post of Deputy Director of Cargo Operation, I had to assume the functions of that role in addition to my duties as Port Director. This clearly added significant responsibilities to my work load although [redacted] was appointed as 'acting' Deputy Director until such time as PACI could successfully recruit for the full-time position.⁹

⁸ It should be noted that [redacted] was PACI's Manager of Cargo Operations at the time of his application for the post of Deputy Director

⁹ See Port Director's monthly report to the Board dated January 2017, [59] At the Board meeting in February 2017, the Board adopted and ratified the contents of my report. [61]

60. Despite not initially offering the full-time position to [redacted], he had developed significantly after completing his assignment in Jamaica with the CSA. Furthermore, he continually demonstrated to both the Board and myself, his maturity and understanding to assume the role on a permanent basis, by successfully delivering and having approved:

- 60.1 the Business Justification Case for Fleet Replacement;
- 60.2 numerous presentations to the Board of Directors;
- 60.3 procuring the new Rubber Tyred Gantry cranes;
- 60.4 overseeing the development of the new master plan for the Cargo Distribution Centre; and,
- 60.5 designing and implementing a shift system for wage workers that resulted in considerable budget savings to PACI, by not having to recruit additional staff.

61. It was by these achievements, that I was satisfied that [redacted] was ready to assume the role of Deputy Director, having gone through the previous open recruitment process and thereafter, fulfilling all the demands of the Board and myself, to show his suitability for the post.

62. In my monthly report to the Board dated June 2017 [64], I stated as follows:

[redacted] has successfully completed his six months' probation as Acting Deputy Director of Cargo Operations and has been confirmed to this post".

63. To reflect industry standards, the post was renamed 'Deputy Director - Chief Logistics Officer'. Notwithstanding, his functions remained the same as the previously titled post. During his probation, [redacted] received the salary of the former post holder and that continued upon his full appointment.

64. The post vacated by [redacted] Manager Cargo Operations, was not filled and there is no intention to do so. It follows that as a result of [redacted]'s promotion from 'within', PACI has saved budgetary cost savings for an additional member of staff.

Act # 9: *The recruitments approved and in some instances initiated by the Port Director has increased the PACI annual payroll cost by \$1.7 million per annum. This amount exceeds the budgeted annual increase by \$400,000 per year.*

65. In my report to the Board in September 2017 [66], I advised that projected spending on new hires to December 2017, would be in the region of \$1.150m. This sum was to be compared to the forecast in the 2016/17 budget, which was expected to be \$2m. On its face, therefore, actual recruitment was only 57.5% of the sum actually budgeted for, which significantly increased the expected cash retained by PACI.

66. In my decision making process regarding recruitment and salary terms, I was guided by monthly Financial Reports produced by the Chief Financial Officer ("CFO"), dating back to June 2017. In each report, there was a summary section¹⁰ which consistently reported that actual spending of 'new hires', fell below that which was projected in the 2016/17 budget. At all times, I fully informed the CFO of all staff salaries.

67. For ease of reference, the relevant summary section of each of the financial reports from June 2017, are as follows:-

June 2017: *"The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.075M by December 2017."* [67]

July 2017: *"The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.150M by December 2017."* [68]

August 2017: *"The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.075M by December 2017."* [69]

¹⁰

The summary of each financial report is contained in a section titled "Highlights from six-month cash flow projection"

September 2017: *"The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.075M by December 2017."* [70]

October 2017: *"The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.075M by December 2017."* [71]

November 2017: *"The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.150M by December 2017."* [72]

68. Based on the above information provided to me by the CFO, I provided corresponding monthly updates in my report to the Board.
69. I cannot explain why the auditors are reporting an excess spend from the 2016/17 budget, in the amount of \$400,000. As a result of a decision by the Board in the meeting on August 31, 2017, there has been no further recruitment by PACI.¹¹ I can only surmise, that the Auditors have been presented with different financial information, from that which I received and contained in the monthly reports of the CFO. The last Financial Report was produced for the month ending November 2017 (two months' after the Board directive) and no new recruitment took place during this period.
70. When making decisions regarding recruitment, operational and/or capital expenditure, I rely entirely on the financial reports provided by the CFO. All recruitment appointments made by me, occurred between March and July 2017 except that of [REDACTED]. And yet, throughout that period - and beyond to November 2017 - the CFO reported that the costs of new hires were well under budget.

71. On August 31, 2017, the CFO presented his own authored August Financial Report to the Board, in person. As seen at paragraph 68 above, the contents are entirely consistent with the facts as I represented and believed them to be.
72. At no time did the CFO alert me as to whether there were any errors or inaccuracies in his monthly reports.
73. It is also worthy to note, that the CFO, who also acts in the capacity of FOI Manager, reviewed all minutes of Board meetings to ensure that any sensitive information was removed before they were posted on the "Caymanport" website. If the Auditors are correct, then it follows that the CFO has failed to alert me (or indeed the Board) that my monthly Reports were inaccurate and that they should be corrected so as not to mislead the Board and/or, the public at large.
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Act # 10: *The granting of paid leave for 63 days by the Port Director contravenes the PACI Employee handbook.*

Mr. _____

74. It is correct that I granted _____ 63 days' paid leave to accompany and assist the Leader of the Opposition who requested the same, in what he classified as, official business.
75. My only explanation is that I was placed in a difficult position, to which I felt compelled to agree and was not entirely comfortable. In view of his public standing, I assumed that _____ requests were matters of significant importance and simply felt bound to agree.
76. When in May 2017, _____ was charged with drug offences, I sought legal advice as to the proper procedure in which PACI could suspend him from his employment. I also took the opportunity of raising the previous absences from work as a result of the frequent requests from the now Hon. Speaker of the House for _____ services. As a result, I was advised to bring the matter before the Board and request a new policy on handling such request
77. At the Board Meeting on September 6, 2017, I consulted the Board accordingly as to how I should deal with the situation that I was placed in and similar situations going forward. The Board adopted a policy that such requests from MLAs for PACI staff services, must be initiated by the Protocol Office. [74]
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Act # 11: Release of wrecked vessel to Port Authority employee without proper & clear evidence of rights to owner of vessel.

78. The concerned 'wrecked vessel' was a Contender model with serial number JDJ27153J899 (the Vessel"). On July 31, 2015, the Vessel was towed back to shore, having capsized in waters off East End.

79. This matter first came to my attention on January 8, 2016 when I was copied into an email from [redacted] (Manager of Cruise Operations & Security (PACI)) which was in response to an enquiry from [redacted], Senior Customs Officer.

80. In short, it is clear that [redacted]'s cited [redacted] as finding the Vessel and being solely responsible for towing it to shore. The content of [redacted]' email was as follows [76]:

Morning sir,

Last year in July 2015 [redacted] found a vessel overturn off East End. He towed the vessel to the East End launching ramp and turned it over and placed it on a trailer the was provided by the Marine Unit and taken to the Marine Base where it was stored. Enquires was made to try to locate the owners of the vessel but was unsuccessful. The vessel is a Contender gray in color with twin Yamaha outboard motors. The vessel needs to be handed over to the receiver of wrecks, can you instruct where the vessel should be taken and who will receive it.

Regards,

81. The first time I became aware that there was any dispute as regards a salvage claim for the Vessel, was by an email received from a [redacted] on July 29, 2016. The content of [redacted] email was as follows [77]:

Good Morning Mr. Reid,

FYI, in regards to the 28' Contendor boat that was pulled in last year 31 July 2015 by my son [redacted] He has been in contact with the police and port members to

show interest in the salvage of this boat. The police has informed him they have no more interest in this boat and it was left up to the port authority to release this craft. Can you please inform him on the procedures for this action to commence? Thank you again.

82. As a result of Mr. Sherieff's email, I sent an email to [redacted] and [redacted] on August 1, 2016, seeking further information. At a meeting in his office, [redacted] updated me verbally and confirmed that there were conflicting reports as to whom had salvaged the Vessel.
83. Accordingly, I contacted Inspector [redacted] (RCIPS) by telephone on October 11, 2016, and requested a statement from the officer who attended the scene when the Vessel was received on shore; the purpose of which, was to clarify what actually transpired on the day.
84. Upon the instruction of Inspector [redacted] I received an email from PC [redacted] on October 12, 2016. He attached a separate document in which he reported that when he arrived on the scene, he observed [redacted] towing the subject vessel to shore who subsequently turned over the vessel to him, for onward transport to the Marine Base [78].
85. Notwithstanding my referred to conversation with [redacted] (paragraph 83 above), I requested that he send me a written response as I was receiving further telephone calls about the matter, from [redacted]. Accordingly, on November 9, 2016, I received an email response from him in which he included a chain of email correspondence between PACI & senior officers in the RCIPS and Customs. These emails contained conflicting statements between Police Constable [redacted] and Senior Customs Officer [redacted] on who had found, recovered and towed the vessel to shore.
86. In coming to the decision to release the Vessel to [redacted] (in my capacity as 'Receiver of Wrecks') I took into account that neither PC [redacted] nor [redacted] were present at the scene when the Vessel was towed back to shore; and, that both Inspector [redacted] and PC [redacted] (who were present) had informed (by the agreed statement of PC [redacted]) that it was [redacted] who recovered the Vessel to shore. I also took account

of the original email from [redacted] paragraph 80 above) which further corroborated their version of the facts.

87. I gave authority to release the Vessel to [redacted] on March 17, 2017, fourteen months after receiving the first correspondence on this matter.

Other evidence (presented in the AGR)

Police report

88. I have only now been presented with the official police report. Consequently, the contents were not considered by me when taking the decision to release the Vessel to [redacted]
89. The report identifies that it was [redacted] who towed the Vessel to the East End playfield launch ramp but by comments made by PC Cunningham (who also appears to have been present at the scene), it is reported that [redacted] was in attendance and provided some background circumstances in the recovery of the Vessel.
90. At no stage prior to receiving the full AGR, was I made aware that an official Police Report was available for my review; this was despite full prior liaison with the RCIPS. From the conversations with, and emails received from [redacted], I have to conclude that he too, was completely unaware of the existence of the police report.

Wreck Index

91. Again, the first time I saw the content of the Wreck Index, was upon presentation of the AGR. Entry into this register, was delegated to [redacted] by my predecessor, [redacted]. The entry is dated January 8, 2016 and clearly references [redacted]
92. Had I received the 'other evidence' set out above, I am likely to have made further inquiries and investigation, which may have concluded an alternative decision to release the Vessel to [redacted]
93. The issue raised by the AGR has clearly identified the need for a formal policy for the disposal of wrecks. Towards this end, a draft policy is currently being developed for the Board's consideration.
-

Act # 12: Ongoing

Release of used boat engines housed at

94. This is an ongoing matter under investigation. Four boat engines, which were housed at [redacted] were removed in or around February 2016. This was reported in an email to [redacted] from [redacted] General Manager of [redacted] on February 20, 2016 [79].
95. I immediately received a copy of the above email from [redacted], in which he inquired whether I had given authorisation to release the used engines, to the PACI employee concerned.
96. In response, I confirmed that no such authorisation or approval had been given by me. I further stated that it was my understanding that [redacted] was contracted to replace the used engines with new ones and dispose of the old ones together with the AC and generator units [80].
97. Although this matter is ongoing, it clearly identifies the need for an asset management policy. Asset management is the responsibility of the CFO and as such, that office will be accountable for developing and delivering a draft Asset Management Policy for the Board's consideration.
-

Act # 13: Incurrence of expenditures in excess of \$100,000 on renovations with no evidence provided of business case and tendering

98. The original size of my office was 388.25ft², which included a lounge area with sofas; the new office space has been reduced to 256ft² or by 34%.
99. As there was no discrete area for management meetings, I informed the Board of my intention to downsize my office space, so that a common area for management meetings could be created; such information being provided over three subsequent months¹² within my corresponding monthly Director's Reports [81,82,83].
100. The initial plan was to restrict the immediate refurbishment to this area but after meeting with the designer/architect, it was recommended to include the main office area as it shared a common wall with my office. Further, there had already been approved plans to refurbish the entire second floor (on which my office was located), which was necessary to ensure adequate office space accommodation for the intended 'new' personnel.
101. Consequently, I agreed to the recommendation to include the main office area, as not to do so, would have caused disruption in the future, when the main office was scheduled to be refurbished.
102. Unfortunately, in the 2016/17 budget, no account had been taken of the fact that the recruitment of new staff would necessarily require renovations to the second level floor space, to accommodate sufficient offices for the new 'hires'; consequently, no specific funds had been allocated.
103. The renovation of my office, main office area and the creation of a management meeting area resulted in an additional 'room' which required furniture. Furthermore, during the assessment of the project, it was also discovered that the patio door in my office, had deteriorated over the years' and needed replacement. Unfortunately, these additional expenses escalated the costs beyond what is required for tender.¹³

¹² January, February & March 2016

¹³ Under the Public Management and Finance Law (2017 Revision)

104. During the period of this renovation I was performing the role of Port Director, Deputy Director, Cargo Operations, Port Engineer, Facilities Manager and Project Manager. This resulted in me being conflicted, having in effect, to authorise and certify my own work.
105. Having since employed a Facilities Manager, no such conflicts will reoccur in the future and business cases are now required for all projects, including tendering.
-

Final conclusions and comment

106. Despite the fact that AGR raises concerns about my personal decisions and actions, it is to be welcomed in the interests of good governance going forward. When I was appointed to the position of Port Director in November 2015, the authority was faced with significant recommendations as identified by the Deloitte Report (produced in the preceding month), which I have endeavored to embrace and implement as approved by the Board.
107. Upon receipt of the Deloitte Report, it was clear that for the overall strategic plan of the Port Authority to be adopted and executed appropriately, there had to be radical solutions particularly, in the recruitment of suitable senior personnel, within various departments of the Authority. The 2017 'new recruits', have already demonstrated and proved themselves equal to their respective responsibilities, which has now allowed me to properly focus on my own duties and functions as Port Director.
108. In my responses, I have set out the background to my decisions. The points raised by the AGR and my responses, can be summarised in the following and in conclusion, I make final comment:
- 108.1 Lack of experience within the Human Resources Department;
 - 108.2 Clear guidance on the impact of the PAL;
 - 108.3 The reliance on monthly financial reports presented by the CFO;
 - 108.4 The absence of formal policies for asset management and the disposal of wrecks;
and,
 - 108.5 The previous absence of a Facilities Manager

Lack of experience within the Human Resources Department

109. In the interests of brevity, I do not propose to rehearse the specific contents of the inexperience of the current HR manager and the reasons why her role in recruitment during 2017 was marginalised; these are set out in the body of these responses.
110. The recruitment of [redacted] as Deputy Director of Human Resources, has ensured that future recruitment and other HR matters have been properly delegated to him. Whilst I retain ultimate responsibility for the department as a whole and, specifically recruitment under the Port Authority Law, his experience in these matters are fundamental to incorporating the recommendations in respect of Human Resources, as contained in the Deloitte Report.

111. Notwithstanding, as regards the new appointments in 2017 generally, I was at all times particular in the suitability of each candidate; and where possible, if demonstrated by previous experience, engaged individuals who could assume multiple disciplines in order to minimise duplicity of secondary roles, thereby obviating the need for recruiting separate employment positions.

Clear guidance on the impact of PAL

112. There has been criticism that in certain instances, I was in breach of PAL. The fact that most of my decisions regarding recruitment took place before the law came into force, is highly relevant for explanation. Further, this is a 'new' piece of legislation (not a revision of a previous law) and neither myself nor other members of the Authority, had any training until December 2017.
113. Most importantly, the employee manual was drafted in about 2007. It needs to be updated significantly, so as to comply with the new law under section 41(2) particularly, when the provisions of Section 47 come into force in June 2018; this is the section pertaining to the *Terms and Conditions and remuneration of staff*.

The reliance on monthly financial reports presented by the CFO

114. In the above paragraphs 65-73, I have set out the background circumstances to the allegation that in my recruitment of staff for 2017, salaries and appointments exceeded the 2016/17 budget. As the ultimate decision maker in those appointments, it cannot be correct that monthly financial statements prepared and presented to me by the CFO, should not be relied on, in the decision making process to hire staff.

The absence of formal policies for asset management and the disposal of wrecks

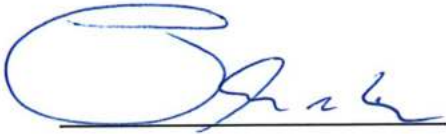
115. Although the release of used engines is an ongoing matter (to which I never authorised), this concern together with the disposal of the Vessel to : highlights the need for requisite policies and procedures going forward.

The previous absence of a Facilities Manager and office renovations

116. It is agreed that strict formalities in vendor quotations were not adhered to. There was a business case for the renovations - that there was a lack of office space for new hires and absence of a dedicated Directors' meeting room - but this was not sufficiently clear in presentation and therefore, unsatisfactory.

117. In its Financial Management Audit (August 2017) [85], the Internal Audit Service made various recommendations in respect of purchases, which have been accepted by PACI.

The contents of these responses are true to my best knowledge and belief.



Clement Reid
Director of the Port Authority
January 25, 2017

PORT AUTHORITY OF THE CAYMAN ISLANDS

PORT ORGANIZATION

The Port Authority of the Cayman Islands is a very dynamic organization, with every operation there is a unique but effective reporting hierarchy. The Port is owned by the Cayman Islands Government and operated by a Board of Directors who sets out the policies for management. The Port Director is assisted by two Deputies who are assisted by various departmental managers who carry out the day to day management of the Port operations. For a further review of the chain of command ask your manager to provide you with the organizational chart if one is not already displayed at your location.

EMPLOYEE COPY

Acknowledgements

I understand that this Manual forms part of my contract of employment. I have read and understand the information contained herein. I also appreciate that the Port Authority of the Cayman Islands may from time to time; change its policies, procedures and practices outlined in this Manual.

Employee signature: _____

Print name: _____

Date: _____

I hereby acknowledge having received a copy of the Employee Manual of the Port Authority of the Cayman Islands.

Employee Signature: _____

Print name: _____

Date: _____

- the control of the Collector of Customs, the Chief Immigration Officer or the Chief Medical Officer;
- (f) the general supervision of territorial waters and of vessels and wrecks located therein;
- (g) the loading and unloading of vessels;
- (h) the establishment and supervision of safety measures in respect of vessels or classes of vessels in ports and in territorial waters;
- (i) the enforcement of this Law and the Act wherever they have application; and
- (j) the inspection of vessels for the purpose of checking and enforcing compliance with this Law.

Duties of the Director

7. The duties of the Director in addition to carrying out the functions of the Authority as set forth in section 6 shall, subject to the exclusion of any officer seconded from the public service and subject to the general supervision of the Authority, include the control, recruitment, testing, grading and disciplining of officers.

Port officers

8. Port officers, who may be members of the public service on secondment, are officers of the Authority and have within a port or port area the powers of constables and may be employed upon a full or part time basis in such grades and at such rates of pay as may from time to time be determined by the Authority.

Constables as officers

9. All constables shall be *ex-officio* officers, and constables may be seconded to port duties but constables so seconded shall remain under the authority of the Commissioner of Police for disciplinary purposes.

Labourers

10. The Authority may employ casual labourers under such conditions and at such rates of pay as it may from time to time determine.

Masters to comply with this Law and the directions of the Director and to pay dues

11. All masters present in the jurisdiction and owners of vessels which are within the jurisdiction shall comply with this Law and the directions of the Director as to navigation, berthing and as to such compliance with this Law and shall pay such port dues as may be prescribed for their classes of vessels.

Lien on vessels in respect of dues

12. The Director has a lien on every vessel for the recovery of port dues.

Regulations

13. The Governor in Council may make regulations prescribing-

- (a) ports;
- (b) tariffs of port dues;
- (c) fire precautions in ports and port areas;
- (d) permitted ballast which may be taken on and discharged by ships in territorial waters;

7. Strategic human resource management

A Human Resources department that is administratively focused, with little to no strategic direction, has led to several employee relations, and training and development issues. Employees feel there is no effective performance management system or procedures to assist with career development, and no set performance benchmarks to clarify performance expectations across the organisation. Further, the lack of an incentive or rewards programme to motivate and / or recognise staff leads to a workforce that is unmotivated to excel. Feedback from internal stakeholders also revealed a need for a long term recruitment / retention or succession plan, comprehensive disciplinary procedures as well as job descriptions and job titles representative of employees' current role.

8. Training and development opportunities for employees

Some employees perceive Managers do not want to provide them with training and development as they will become a threat to managerial level jobs. Employees feel they need training, cross-training and refresher courses to continue to effectively and efficiently perform their duties and cover additional responsibilities when required. Some employees are paying for their training out of pocket.

9. Tools and resources

Lack of tools and resources that would allow jobs to be performed safely, efficiently and effectively leads to inefficiencies and safety risks. For example, it is reported that the machinery / equipment currently being used for operations at the dock and Cargo Distribution Centre is often required to lift containers that are above safe operating weight for the equipment which places stress and wear on the machinery.

10. Compensation practices

Some groups feel the compensation practices are not fair due to variances in paid vacation hours versus hours actually worked, the assumption of responsibilities outside of their current role, and overtime reports not being reviewed or submitted in a timely manner.

Additionally, some groups do not believe their compensation is internally equitable or externally competitive.

11. Department staffing levels

In trying to balance between having the resources to perform effectively when activity at the port is at peak levels, due to an increased numbers of ships in port at one time and other factors, and when port activity is at a minimal level, has resulted in a lack of appropriate staffing levels which leads to sub-optimal job execution performance as employees are required to assist in many areas and cannot focus on their core competencies. This places constraints on staff especially during vacation or sick leave. The understaffing further compromises safety.

BOARD OF DIRECTORS MEETING
Port Authority of the Cayman Islands
45A Harbour Drive
December 16, 2015
388

A meeting of the Port Authority of the Cayman Islands Board of Directors was held on Wednesday, December 16, 2015 at the Port Administration Building, 45A Harbour Drive, Grand Cayman, Cayman Islands. Chairman Errol Bush called the meeting to order at 1:10 p.m. and welcomed Charles Clifford to his first meeting as Collector of Customs and all other attendees.

• **Board Member Attending:**

Mr. Errol Bush, MBE – Chairman
Mr. Gerald Kirkconnell – Deputy Chairman
Dr Dalton Watler, PhD – (Ministry of DAT&T)
Mr. Ashton Bodden, JP
Ms. Jacqueline Scott
Mr. Robert Foster
Mr. Arek Joseph, OBE
Mr. Woodward DaCosta
Mr. Charles Clifford, JP – (Customs)
Mr. Clement Reid – Secretary

• **Other Attendees:**

None

1. Apologies for Absence(s):

Mr. Michael Nixon – (Ministry of Finance)

2. Confirmation of minutes:

Minutes for Meeting # 386 were approved by the Board and a motion to accept the minutes was moved by Mr. Gerry Kirkconnell and seconded by Ms. Jacqueline Scott.

Minutes for Meeting # 387 were approved by the Board and a motion to accept the minutes was moved by Ms. Jacqueline Scott and seconded by Mr. Ashton Bodden.


of the License and terminate it by given Ktone ltd. 30 days' notice.

- (h) Members Agreed to the Addendum to provide Recruitment Services in relation to the Deputy Director of Cargo Operations, Office Manager and Manager - Facilities and Special Projects that was submitted by Deloitte. The offer letters and employment contracts will be handled by PACI's HR Manager.
- (i) Members Agreed to grant permission to the Port Director to use his PACI issued credit card to cover the cost of the Directors dinner at Luca Restaurant on December 17th, 2015.
- (j) Members Agreed to the request from HM Customs to allow them access to PACI's CCTV on the cargo dock and cruise terminals.

Adjournment:

There being no further business the meeting was adjourned at 3:25 pm until the next regular meeting.



Errol Bush - Chairman

Clement Reid – Secretary



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CAYMAN ISLANDS

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December 22, 2015

Mr. Clement Reid
Port Director
Port Authority of the Cayman Islands
Port Authority Administration Building
45A Harbour Drive
P.O. Box 1358
Grand Cayman, KY1-1108
CAYMAN ISLANDS

Dear Mr. Reid:

Re: Addendum to Provide Recruitment Services in relation to the Deputy Director of Cargo Operations, Manager of Facilities and Special Projects, and Office Manager Positions for the Port Authority of the Cayman Islands

Deloitte & Touche ("Deloitte") is pleased to provide the Port Authority of the Cayman Islands (the "PACI") with this addendum to the original engagement letter dated January 14, 2015 relating to the human capital consulting services.

As per discussion with yourself and members of the Board of Directors (the "Board") on November 16, 2015, the PACI is requesting assistance from Deloitte to assist with the recruitment process for the Deputy Director of Cargo Operations, Manager of Facilities and Special Projects, and the Office Manager positions ("the Services"). The Board is seeking Deloitte's assistance in this regard due to a lack of current capacity internally, and to ensure objectivity in the process. Additionally, it is expected, per discussions with the Port Director, that the PACI Human Resources Manager will also be involved to ensure a transfer of knowledge on the recruitment process.

This engagement letter addendum is broken down into the following areas:

- Engagement Scope and Objectives;
- Terms and Conditions; and
- Timing and Estimated Investment.

ENGAGEMENT SCOPE AND OBJECTIVES

Our Consulting Services practice in the Cayman Islands uses Deloitte's global methodologies to undertake the Services outlined in this engagement letter addendum. Our proven methodologies will ensure that we address your requirements in a comprehensive manner.

The objective of this project is to assist the PACI with the Services. The proposed scope of the Services, for each position, will consist of the following:

- Assist the PACI with finalising the job descriptions using a standard template provided by the PACI;
- Draft the job advertisements to be featured in the local newspaper;
- Track applications submissions;
- Review and short-list applications submitted for the positions;
- Develop a formal guide and scorecard which will be followed during the first round interview process for each candidate;
- Facilitate a one (1) hour Targeted Selection Interview training session for those individuals who will participate on the interview panels for the recruitment;
- Participate in the first round of interviews for selected candidates (assume a maximum of 5 interviews to be performed for each position);
- Prepare a relevant case-based scenario for those applicants selected for second round interview, if required;
- Participate in second round interview presentations (assume a maximum of 3 presentations for each position), if required;
- Document and summarise scorings of the interview process and results;
- Facilitate debrief sessions with interview panel; and
- Facilitate ongoing negotiations and discussions between the incumbents and the PACI, as well as the Project Steering Committee and legal counsel, if necessary.

TERMS AND CONDITIONS

The specific terms and conditions and general business terms defined in the Professional Services engagement letter dated January 14, 2015 will be applicable to this engagement addendum.

TIMING AND ESTIMATED INVESTMENT

The total professional fees for the Services are estimated to be **US\$21,750** plus any expenses we incur related to the Services. Expenses such as postage, printing, telephone, costs relating to the adverts, etc. will be billed based on actual costs incurred. Fees will be billed monthly and are payable upon receipt. We will notify you promptly of any circumstances we encounter that could significantly affect the fee noted above. Additional services beyond the described scope of services will be billed separately using an hourly rate of US\$235 per hour. Please note that the rate includes a significant discount due to our continued working relationship with the PACI – our Partner hourly rate is US\$775 per hour and a Director is US\$645 per hour.

Any changes to this agreement will be communicated through written communication after discussions between the PACI and Deloitte.

CONCLUSION

If you are in agreement with the terms of reference described in this engagement letter addendum, please sign and return a copy as an indication for us to proceed.

Yours truly,



Taron Jackman
Partner – Enterprise Risk and Consulting Services

I have read and accept, on behalf of the Port Authority of the Cayman Islands the Terms of Reference set out in this letter.



Signed

JAN 6 2016

Date

Clement Reid

Name

Port Director

Title

Subject: Re: Notes from Meeting with HR Manager
Date: Wednesday, July 20, 2016 at 2:52:53 PM Eastern Standard Time
From: Clement Reid
To: Sandra Barnett
CC: James C Parsons, Jr.

Hi Sandra,

Your email has been received and noted.

I wish to clarify the last paragraph of your email. This was not discussed at the last Board of Directors meeting due to my absence but will be on July 29th for this month's meeting.

Rgds,

From: Sandra Barnett <SBarnett@caymanport.com>
Date: Wednesday, July 20, 2016 at 2:28 PM
To: Clement Reid <creid@caymanport.com>
Cc: "James C Parsons, Jr." <JParsons@caymanport.com>
Subject: RE: Notes from Meeting with HR Manager

Hi Clement,

Thank you for laying it out for me. Especially your last bullet point noting that I have not done anything like this on my own before. However you have given me a hard deadline of Friday July 22nd, at 12 noon. Not even a full 3 days to give you a strategic plan of how to get this all accomplished.

You have also made it quite clear that you know nothing of HR and I need not come to you to ask questions. James has also said that he has his own projects to accomplish. So I am on my own.

I have also surmise that this was discussed at the last board meeting and this was one of the points to be discussed at the next. I will do my best to pull this together by then, but please bear in mind that 2 days may be unrealistic to achieve it in.

Kind regards,

Sandra

Sandra Barnett - Human Resource Manager/FOI Deputy Information Manager

From: Clement Reid
Sent: Wednesday, July 20, 2016 1:09 PM
To: Sandra Barnett
Cc: James C Parsons, Jr.

Subject: Notes from Meeting with HR Manager

Hi Sandra,

Further to our meeting this morning I have drafted the following that encapsulates what we discussed.

- On May 23rd, 2016 we had a meeting which included the Deputy Port Director – James Parsons and yourself where you indicated that you were tired, unmotivated and looking forward to your retirement in December 2017. A discussion followed where I laid out at a high level what would be required from the HR Manager prior to your pending retirement. Deloitte has been contracted to deliver Phase I of the restructuring of the PACI organization and the subsequent phase(s) will be managed and delivered by the PACI HR Manager.
- Today you have been presented in writing with a list of deliverables that is expected to be completed by the end of December 2017 (see attached). As the HR Manager you will be responsible and accountable for the delivery of this project.
- You have been given a hard deadline of Friday, July 22nd, 2016, 12 pm to present to James and I a project schedule based on these deliverables. Included in this schedule should be the milestones and resources required to deliver the final phase(s) of this project.
- As project Manager you will be required to submit monthly written progress updates and make presentations to Members of PACI.
- I appreciate your candidness and honesty when you informed us of your lack of prior experience in delivering a HR project of this magnitude and scope. This project is being driven from a policy that was approved by the Board of Directors and oversight is provided by a steering committee which comprises the Chairman, Mr. Errol Bush, Members Mr. Woodward DaCosta and Mr. Michael Nixon.

I look forward to receiving your project schedule for this important project on Friday, July 22nd, 2016 by 12 pm.

Warm regards,

Clement Reid - Port Director



The Port Director's Report

Prepared by:

Clement Reid
45A Harbour Drive
PO Box 1358
Grand Cayman, KY1-1108

Phone: (345) 949-2055
Fax: (345) 949-5820
Email: creid@caymanport.com
Website: www.caymanport.com

1. Current Significant Issues

PACI's financial performance for the financial year ended June 30, 2016 and resulted in a loss of \$1.4M for the twelve-month period in comparison to profit of \$350k that was realized at the end of the 2015 fiscal year. The reason for the financial loss is a result of unexpected increase in the Defined Benefit expense for fiscal 2016. Due to reduction in the discount rate from 4.40% to 4.20% at the end of June 30, 2016 caused a loss of \$1.2M.

Even though PACI sustained a loss of \$1.4M, after recognizing the Defined Benefit expense of \$5.9M, the Gross Operating Surplus is \$5.95M for the year. Compared to 2015, this is positive 69% improvement and 25% better than what was budgeted.

The recognition of the Defined Benefit Expense will have no effect on the liquidity or the liquidity ratios of the PACI.

2. Matters for Approval

- Approval is being sought to attend the upcoming FCCA Convention and Trade Show in Puerto Rico, September 26-30, 2016.
- The Port Director will be on annual leave from August 6-31, 2016. In my absence, Mr. James Parsons, will assume the role of Acting Port Director.
- Approval is being sought to enroll in the FIU/UCCI Executive Certificate in Executive Leadership programme. The programme provides participants with the knowledge and skills relevant to global leadership in business, organisations and government. The programme takes place over a weekend (Friday/Saturday) once every month from October through May.

3. Update on Strategic Plan Implementation

- The Job Evaluation Committee has encountered significant issues relating to the completion of updating and creating job descriptions.
- In order to complete the areas of the Organization Review that falls outside the scope of Deloitte contractual agreement PACI will have to employ an experience HR professional. The current HR manager has admitted to the Port Director that she does not have any experience in executing and delivering the missing components of the organizational review.
- Following a rigorous recruitment process the following vacancies have been filled: Facilities Manager, Cruise Berthing Special Projects Manager and Receptionist. It is anticipated that a Office Manager will commence work on September 1, 2016.
- A Business Justification Case ("BJC") has been completed with the assistance of the Port Operations Manager for the replacement and additions to PACI's operating fleet of vehicles and container handling machinery. The BJC is aligned with the Strategic Priority Areas ("SPA") for PACI and once adopted will fulfill some of the mandates in the SPA.
- PACI will be contracting 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.

CAYMAN ISLANDS



Supplement No.1 published with Gazette No. 10 dated
8 May, 2017.

THE PUBLIC AUTHORITIES LAW, 2017

(LAW 21 OF 2017)

and Chief Officer responsible for the public authority prior to entering into such agreement.

(5) When making comparisons as provided in subsection (2), a board shall take into account the value of non-contributory pension and health benefits of civil servants.

29. (1) A chief executive officer shall, prior to assuming the functions of office, make a declaration to the board of his or her interests. Conflicts of interest of a chief executive officer

(2) Where a chief executive officer has any actual or potential personal or commercial financial interest, either directly or indirectly, in a transaction or decision being considered by the board, the chief executive officer shall disclose the nature of the interest at a meeting of the board as soon as possible after the relevant circumstances have come to his or her knowledge.

30. (1) A board may discipline or dismiss a chief executive officer but may do so only on the basis of - Discipline or dismissal of a chief executive officer

- (a) the chief executive officer being found guilty of serious or gross misconduct; or
- (b) the inadequate performance of the chief executive officer over a reasonable period of time, provided that the board has given the chief executive officer adequate opportunity to improve his or her performance to the required level.

(2) A board shall determine inadequate performance by evaluating two or more consecutive performance agreements of the chief executive officer.

(3) A chairperson shall consult with the relevant Minister or Official Member prior to dismissing the chief executive officer.

(4) A board may require a chief executive officer to take early retirement where the chief executive officer has a permanent physical or mental disability which prevents the chief executive officer from performing the required duties and such disability is certified by the Chief Medical Officer of the Health Services Authority, after an assessment of the chief executive officer has been made by a medical board convened by the Chief Medical Officer.

31. (1) A chief executive officer shall be accountable to a board in the management of a public authority. Responsibilities of chief executive officer

(2) A chief executive officer shall be responsible for -

- (a) the delivery of outcomes as specified by the board;
- (b) the achievement of the ownership performance, and, where relevant, output delivery performance agreed by the board with the Cabinet shall be set out in budget documents required under section 34;
- (c) the day-to-day management of the public authority including –
 - (i) the hiring, management and dismissal of staff, and other personnel management functions;
 - (ii) the assignment of duties to staff of the public authority as the chief executive officer sees fit, subject to job descriptions relevant to the staff;
 - (iii) output production and delivery management; and
 - (iv) strategic and financial management;
- (d) implementing decisions of the board;
- (e) providing written and verbal technical advice and guidance to the board on matters of policy and strategic direction;
- (f) the preparation of the draft budget, ownership agreement and purchase agreement, where applicable, for consideration by the board;
- (g) procurement in accordance with the policy framework established by the board and the Government's procurement legislation and policies;
- (h) the preparation of financial statements and presentation of annual audited statements to the board in accordance with the Public Management and Finance Law (2013 Revision);
- (i) the submission of the Annual Report in the prescribed form to the relevant Ministry or Portfolio as soon as approved by the board; and
- (j) any other responsibilities as provided in writing by the board.

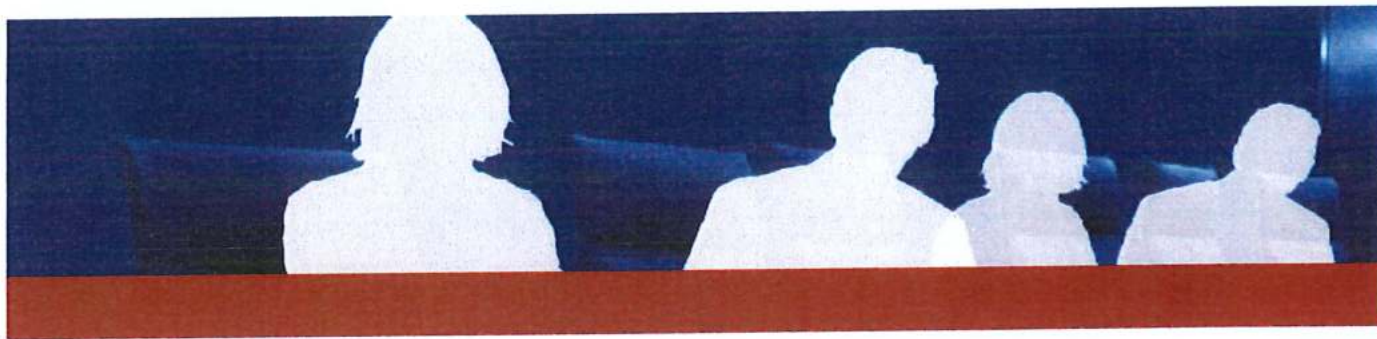
(2013 Revision)

(3) In the event of the absence or inability to act of the chief executive officer, the board may appoint an acting chief executive officer to discharge the chief executive officer's duties during the period of his or her absence or inability.

Power of chief executive officer to delegate

32. (1) A chief executive officer may delegate any of the responsibilities under section 31(2) to a staff member in accordance with this section.

(2) Unless the terms and conditions of the delegation otherwise provide, a person to whom duties or powers are delegated by a chief executive officer under this section shall not sub-delegate those duties or powers to another staff member.



The Port Director's Report

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Risk and Compliance Update

5.1 Update on risk and compliance management

PACI received the draft IT Operating Policies from KPMG on October 28th, 2016 and it has been internally reviewed and approved by Management. A copy is included in your package.

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.

The contracts for the procurement and installation of the channel markers in the North Sound will have to be revised due to difficulty encountered by the contractor to drill the hard subsurface. The revision will result in the contract for the North Sound Main Channel increasing from CI\$29,880 to CI\$60,480 for the procurement and fabrication on 6 steel bases to support the channel markers. The contract for the Deep Stingray City Channel increases from CI\$9,960 to CI\$20,160 for the procurement and installation of 2 steel bases to support the channel markers. The life expectancy of these steel bases is 15 years with proper maintenance and can be installed in early January 2017. In the interim red and green buoys, have been deployed as channel markers.

PACI has received two proposals from Deloitte and KPMG to develop a Disaster Recovery and Business Continuity Plan. The proposals are being reviewed additional information has been sought from the two vendors to assist with the comparison of their proposals.

5.2 Risk and Compliance Incidents

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 who is advising the Risk Management Unit on behalf of PACI. The investigation is ongoing.

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.

6. Matters for Noting

_____ commenced employment as Office Manager on September 1, 2016 and resigned on October 31, 2016 citing personal reasons. A candidate with the requisite qualifications has been identified, interviewed and given an offer for the vacated post. If the offer is accepted it is anticipated the candidate will commence employment on January 3rd, 2017.

The PD represented PACI at the Fort Lauderdale Yacht Show and MARE Forum that was held in Fort Lauderdale, Florida September 26-29th, 2016. PACI and MACI made a joint announcement of the installation of permanent moorings for large yachts in Grand Cayman and Cayman Brac. Delegates welcomed the news.

PACI will be the host of the 2016 AAPA Port Directors Seminar to held at the Westin Grand Cayman Seven Mile Beach Resort & Spa, December 14-15, 2016. We are anticipating 10-20 Port Directors to be in attendance. PACI will also be sponsoring a dinner for the delegates at Luca Restaurant, Seven Mile Beach on December 14th, 2016.

The annual PACI Board Christmas dinner will take place on December 6th, 2016 at the Kimpton Hotel, Seven Mile Beach.

The annual PACI Staff party will take place on December 9th, 2016 at the White House, Bodden Town.

Position Re-evaluation

- a) Where an employee occupies a position which is re-evaluated, resulting in its having a higher pay range, the employee shall receive not less than the minimum rate of the new pay range.
- b) Where his/her salary falls within the new pay range, any adjustment shall be done at the discretion of the Port Director.
- c) Where an employee's salary exceeds the maximum of the applicable salary/wage Band, the employee shall not be entitled to received further pay increases until such time as the maximum salary assigned to the applicable Salary/Wage Band exceeds the employee's present salary.

Where the re-evaluation of a position takes place there will be no retroactive salary adjustment.

Structural Performance Pay

Increases in salary will be awarded to employees based on merit as determined during the employees' performance appraisal.

Merit increases are awarded as a percentage of the salary base, and are in addition to Cost of Living increases, and Incidental Performance Pay. Merit increases are determined by management annually, based on the total salary budget for the year, and on the expected outcomes of the end of year performance appraisal, and as such are subject to change each year.

At no time will an employee receive a salary greater than the maximum of the pay range for his/her Salary/Wage Band.

Where the awarding of a merit increase would result in a salary above the Salary/Wage Band, the amount of the merit increase is limited to an amount which would result in a salary equal to the maximum of the Salary/Wage Band.

When an employee reaches the maximum salary for his/her Salary/Wage Band, no further merit increase will be awarded. Those employees will be rewarded for their performance through incidental performance pay.

From: Clement Reid
Sent: Friday, June 16, 2017 11:00 AM
To: Sandra Barnett <SBarnett@caymanport.com>
Subject: Employment Confirmation and New Title

Hi Sandra,

has completed her probation at PACI, I am pleased to offer her a promotion to Deputy Director & Chief Operating Officer (COO) effective June 25th, 2017. A copy of the new JD is attached.

Her new salary will be CI\$120, 000 per annum and CI\$175 per month for car allowance. As a Deputy Director, she will also receive 30 days per year for annual vacation.

Please create a new Employment Contract for our signatures prior to the close of business today.

Rgds,

Clement Reid - Port Director

**BOARD OF DIRECTORS MEETING
Port Authority of the Cayman Islands
45A Harbour Drive
November 24th, 2016
Meeting No. 402**

A meeting of the Port Authority of the Cayman Islands Board of Directors was held on Thursday, November 24th, 2016 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 1:10 p.m. A moment of silence was observed in remembrance for the passing of Mr. Robert Foster's mother.

2. Attendance and Apologies

Members Present

Mr. Errol Bush, MBE – Chairman
Mr. Gerald Kirkconnell – Deputy Chairman
Mr. Stran Bodden, JP – (Ministry of DAT&T)
Mr. Ashton Bodden, JP
Ms. Jacqueline Scott
Mr. Woodward DaCosta

Apologies for Absence(s):

Mr. Robert Foster
Mr. Arek Joseph, OBE
Mr. Michael Nixon – (Ministry of Finance)

Other Attendees

Ms. Ana Fernandez
Mr. Clement Reid – Port Director/Secretary

to steady gains in cargo volumes and TEU imports. Cargo income increased by 9% for the comparative period, with overall operating revenue increasing by 5%. Year to date cruise income has declined by \$36K or 4% over the prior period.

Gross operating surplus is up 6% over the prior period.

Overall operating expenses saw a 10% reduction from the 2015 period. The single largest contributor of this decrease was the reduction of defined benefit expense booked. Total defined benefit expense booked for the first four (4) months of this year was \$924K compared to the prorated amount of \$1.95M booked for the same period last year. The major categories of expenditure had mixed results for the four-month period. Staff costs, repairs and maintenance, contracted services, training, advertisement and miscellaneous all had increases, while the other categories of expenditure declined.

Matters for Approval

The Port Director sought and received approval from the Board to:

- Approval is being sought to host the Port Managers Association of the Caribbean (PMAC) Annual General Meeting in 2017 for approximately 50-60 delegates.
- Approval is being sought for the Tender Documents that will be advertised in the local media for the procurement of six (6) Rubber Tire Gantry cranes. The procurement of this equipment will be phased over three (3) financial years.

Strategic Plan Implementation Update

- The Business Justification Case (BJC) for the procurement of service vehicles and container handling equipment has commenced with the tender package for phase one of the service vehicles being advertised in the local media. Central Tenders Committee has approved the procurement process and the Department of Vehicle and Equipment Services has awarded the contract to Vampt Motors.
- The Tender Package for the procurement of RTG's is seeking Board approval.
- The Job Evaluation Committee has completed the updating and creation of new job descriptions. The committee is currently ranking the job descriptions using a points system and will complete their work on Friday, November 25th, 2016.
- Deloitte issued a status update on the Human Capital Services for PACI. The new completion date for this project is now January 31st, 2017.
- PACI will be contracting Aegir Port Property Advisers to prepare a comprehensive assessment and analysis of all relevant factors impacting PACI's

delegates. A motion to accept the proposal was moved by Mr. Woodward DaCosta and seconded by Mr. Ashton Bodden.

b. Proposal to amend Empty Container Storage Tariff

Members reviewed a proposal from the Caribbean Ship Owners Association that requested PACI to review its current grace period for empty containers and adopt a 3-day period which would make it more competitive with other regional ports. Section 123(2) of Port Regulations (2016 Revision) only allows a 24-hour grace period.

Members deferred the matter to the December 12th, 2016 meeting.

c. Tender Document for Procuring RTG Equipment

Members reviewed the tender document for the procurement of Rubber Tire Gantry cranes and was approved by the Board. A motion to accept the tender document was moved by Ms. Jacqueline Scott and seconded by Mr. Ashton Bodden.

d. Six Senses Cayman Adventure Ltd

Members reviewed the proposal from Six Senses Cayman Adventure Ltd and unanimously denied the request.

8. Any Other Business

No other business.

9. Adjournment and Date of Next Meeting

There being no further business the meeting was adjourned at 3:30 p.m. until the next meeting scheduled for December 12th, 2016.



Mr. Errol L. Bush – Chairman



Clement Reid – Secretary



The Port Director's Monthly Report

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distribution centre;

- Attending a meeting with Hyde Shipping in Port Everglades, FL to update them on changes to the Port Regulations on empty container storage and the status of the developments planned for the cargo dock and distribution centre;
- Attending a dinner hosted by Bermello Ajamil & Partners, Inc in Ft Lauderdale, FL.
- Attending meeting with the Attorney General, Governor's Office, Risk Management Unit and Ministry of DAT&T to review the claim from Lawrence Paul Williams for full compensation of his cargo that was allegedly damaged at CDC. The Attorney General office has proposed settling the claim out of court and will send instructions to the Board on the way forward.

11. Personnel Matters

The post of Senior Project Manager for the Cruise Berthing Project was advertised and expired on February 17, 2017. A number of applications were received and are being vetted by the Chief Project Manager. Upon completion interviews will commence with the shortlisted candidates. The current project manager will be leaving the post in mid-April 2017 and to avoid loss of project momentum while the search for a replacement is in motion, the former retired project manager from the airport project was be hired on a 3-month contract to ensure a smooth transition between the existing and future project manager. She commenced employment of March 17, 2017

PACI is currently advertising for the recruitment of the following: Deputy Director – Commercial and Customer Service, Deputy Director – Human Resources, Finance Manager, Fleet Manager, Harbour Patrol Officers, and a Safety and Crisis Management Manager. The deadline for applications in March 31, 2017.

A Customer Service Representative that works in the administrative offices at the Cargo Distribution Centre was suspended from work without pay for two weeks for leaking confidential client information.

12. Other Matters of Interest

- McAlpine Ltd commenced the repairs to the pile cap on the cargo dock.
- We lost 13 cruise ship calls in February 2017; 4 due to cold fronts and one that had been redeployed elsewhere on a charter. The total number of guests from these lost calls totaled 11,715. February saw the arrival of 189,704 cruise guests compared to 166,539 from the same period in 2016, a 7% increase.
- Cruise operations were impacted on February 22nd, 2017 due to a severe weather system that occurred around 2 pm that resulted in the suspension of tendering operations for approximately one hour. A tendered was beached in Hog Sty Bay during this period but was safely removed by one of CMS tenders. No injuries or fatalities were reported as a result of this severe weather but the departure of vessels was delayed approximately 2 hours.

BOARD OF DIRECTORS MEETING
Port Authority of the Cayman Islands
45A Harbour Drive
21st April, 2017
Meeting No. 407

A meeting of the Port Authority of the Cayman Islands Board of Directors was held on Friday, 21st April, 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 8:45am.

2. Attendance and Apologies

Members Present

Mr. Errol Bush, MBE – Chairman
Mr. Stran Bodden – (Ministry of DAT&T)
Mr. Arek Joseph, OBE
Mr. Woodward DaCosta
Mr. Kevin Walton – (HM Customs)
Mr. Robert Foster
Mr. Michael Nixon (Ministry of Finance)

Apologies for Absence(s):

Mr. Ashton Bodden, JP
Mr. Gerald Kirkconnell – Deputy Chairman
Ms. Jacqueline Scott

Other Attendees

Mr. Clement Reid – Port Director
Ms. Robynette Hera – Recording Secretary
Mr. James Parsons – Deputy Port Director - Finance
Mr. Rich Dyer – Massive Media
Mr. David Kirkaldy – Massive Media

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 30th March, 2017

IT WAS NOTED that the Minutes of the Meeting held on 30th March, 2017 were approved by the Board; moved by Mr. Woodward DaCosta and seconded by Mr. Stran Bodden.

5. Matters arising from Previous Minutes

- a) There has been no response to date from the Attorney General's Chambers or Mr. Lawrence Paul Williams with respect to PACI's response to the AG advising that Mr. Williams should submit a detailed claim.

6. Port Director's Monthly Reports

The Port Director's (PD) Report for March 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 nine months ending March 31, 2017 indicates an improvement in comparison to 2016. PACI recorded a net profit of KYD\$1M for the nine-month period in comparison to a loss of KYD\$433K for the period ending March 2016. The third quarter profit of \$1M exceeded the \$521K budgeted net profit for the period by \$558K or 107%. The \$1.7M underspending on staff costs was the major contributor to the variance, as the expected pace of recruitment and salary adjustments have not materialized to date. Income also underperformed by \$587K.

On the operating expenditure side, PACI spent \$319K or 3% more than the 2016 period (See page 23). When combined with the 2% overall increase in income there was a flat 1% increase in gross profit this year of \$25K. When compared with Budget, we did 17% better or \$651K more gross profit than expected for the nine-month period. This was a mix of the 3% or (\$587K) lower revenues than expected and 9% or \$1.2M less spending than projected.

All the income categories did worse than expected, with rental income of (\$120K) and maritime services (\$117K) accounting for the major negative variances. Budgeted total

Ritch and Conolly who is advising the Risk Management Unit on behalf of PACI. The investigation is ongoing.

- b) The Attorney General's office has requested from the PACI Board to pay Mr. Williams an ex-gratia payment of C\$5,000 for the damages, but the Board voted unanimously that Mr. Williams should present a detailed itemised claim in order to ensure that Mr. Williams is adequately compensated. A written response was sent to the AG to this effect.
- c) The owners of the m/v Saga that ran around in the Port of George Town on 25 November, 2016 have filed a Writ in the courts to pursue claims against PACI.

Matters for noting

- a) Safehaven Marina – George Loutas, Associate at Maples, was advised to follow up with Appleby. However, there has been no response to date.
- b) Strategic Plan development commenced with Management Solutions on 20th April, 2017 with Management Solutions. Managers were very involved and engaged in the meeting.
- c) Disaster Recovery and Business Continuity – KPMG met with Managers early April, and KPMG will compile a report and send to PACI.

7. New Business

- a) Rebranding – presentation by Massive Media
Rich Dyer and David Kirkaldy presented the rebranding concepts to the Board.
- b) Labour Pool Proposal for Day and Night Wage Employees - The Chairman commended the PD and employees on this proposal that offers cost savings, and benefits employees' work-life balance and improves workforce utilisation.

8. Any Other Business

a)

9. Adjournment and Date of Next Meeting

There being no further business the meeting was adjourned at 12:20pm. The next meeting is scheduled for 27th April, 2017.



Mr. Errol L. Bush – Chairman



Ms. Robynette Hera – Recording Secretary



The Port Director's Monthly Report

Prepared by:

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- Attending a meeting with Caribbean Marine Services to discuss the logistics of adding their new tender to the rotation on North Terminal;
- Attending a meeting with AAPA Port Directors that was hosted by PACI at the Westin Resort – Grand Cayman;
- Attending a presentation on the new changes to the Pension Law at the Grand Cayman Marriott that was hosted by Silver Thatch Pensions;
- Attending a meeting with the CO of DAT&T and the Director of DOT to discuss future partnerships in advancing cruise tourism in the Cayman Islands;

I am also on the MACI Board, but I was unable to attend the regular meeting in December due to a scheduling conflict. I did however receive the meeting package and was given an update from the CEO. This is a great opportunity to be engaged in discussions around leading practices in the maritime sector and to talk to leaders in this field on a regular basis. The primary focus of the meeting was the presentation from the CEO on MACI Targets and Achievements Overview 2015/16.

11. Personnel Matters

The Manager of Cargo Operations is currently the Acting Deputy Port Director, Cargo Operations, effective December 25th, 2016. He will continue in this role until the recruitment for this position is concluded.

The title of Office Manager has been changed to Operations Manager – Administration, to accurately reflect the job description. Robynette Hera has been employed as the Operations Manager – Administration, effective January 3rd, 2017, reporting directly to the PD.

During the month of February 2017, the following positions will be filled via external recruitment:

- Human Resource Manager
- Deputy Port Director – Customer Service and Commercial Services
- Fleet Manager
- Health and Safety Manager
- Operations Manager – Cargo
- Senior Project Manager – Cruise Berthing

12. Other Matters of Interest

- The extended hours for warehouse operations to facilitate the collection of cargo during the Christmas holidays was well received by the public.
- During the week of January 8th, the harbour experienced inclement weather and cruise ships were diverted to Spotts Terminal with others choosing to bypass Cayman.
- Two panel vans that form part of the fleet replacement project were delivered and put into service.
- Caribbean Marine Services has purchased two new tenders and the first will be delivered in late April 2017.
- Two new gangways will be constructed at the North Terminal to facilitate the additional tenders.

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

A meeting of the Port Authority of the Cayman Islands Board of Directors was held on Thursday, 23rd 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 26th January, 2017

IT WAS NOTED that the Minutes of the Meeting held on 26th 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




- 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



The Port Director's Monthly Report

Prepared by:

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Services Ltd and Thompson Shipping where the Deputy Port Director – Cargo Operations presented the 4-year Strategic Plan for PACI which included the Port Redevelopment Project, Fleet Modernization, Labour Workforce Improvements and CDC Yard Modernization.

11. Personnel Matters

Heavy Equipment Operator at CDC, was arrested May 30th, 2017 on suspicion of "Being concerned in the importation of ganja, possession of ganja with intent to supply" is currently on Police Bail and has not been charged. Given the seriousness nature of the arrest and his access to LCL, full and empty containers, I placed _____, on suspension with pay pending the outcome of the investigation. This was communicated to the Collector of Customs to ensure that there would be no interference during their investigation from _____. Legal advice has also been sought from Ritch and Conolly on this matter because situations like this are not addressed in the PACI Employee Handbook.

Successfully recruited the Deputy Director of Commercial and Customer Services, Finance Manager, Deputy Director of Human Resources, Safety and Crisis Manager and a Customer Service Representative. Commencement date for these posts will be August 1, 2017. Currently outstanding is the recruitment of a Fleet Manager and Harbour Patrol Officers.

_____ has successfully completed his six months' probation as Acting Deputy Director of Cargo Operations and has been confirmed to this post.

Mr. Courtney Wisdom, Facilities Manager, successfully completed his probationary period and has been confirmed to this post.

12. Other Matters of Interest

- PACI is hosting the 20th Annual Port Managers Association of the Caribbean General Meeting at the Grand Cayman Marriott Beach Resort on June 20-23rd, 2017.
- The 40th anniversary celebrations for PACI is planned for the week of July 14th – 16th, 2017.
- Massive Media has successfully implemented the new brief on the logo rebranding project.
- With the assistance of DEH, MACI and DOE, four sunken and abandoned vessels that were located next to the Cayman Islands Yacht Club have been successfully removed. There remains one abandoned vessel in this area, the m/v Aqua is currently moored next to the navigational channel. Numerous unsuccessful attempts have been made to locate the owner(s) of this vessel. The last registered owners were Hon. Bernie Bush and David Watler, both have since said they no longer have any ownership in the vessel.



The Port Director's Monthly Report (August - September 2017)

Prepared by:

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Based on these projections, within a few years, the equity of PACI may be seriously compromised. This will not be isolated to PACI but all SAGC's will experience a similar situation.

PACI should pursue strategies to mitigate these eventualities.

Mitigation strategies for Defined Benefit Liability

- Revalue the assets to increase equity (*Ongoing Project*)
- Increase funds allocated towards meeting the liability
- Consider financial products other than savings and fixed deposits as a part of the investment mix to meet the liability over time
- Restructure the revenue recovery apparatus of PACI to ensure that our fees reflect the cost of providing the services, with a premium for further investment in the infrastructure
- Diversify revenue streams to provide increased revenue

Highlights from six - month cash flow projection:

- Cash generated from operations each month ranged from \$225K in September to \$655K in December.
- The projected cash generated plus cash balances are above the minimum operating cash holdings of around \$2M, which represents less than two months' operating expenditure.
- The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2m in budget for new hires, PACI will spend about \$1.150M by December 2017.
- The CAPEX of \$4.6M in August 2017 includes the entire amount of US\$2.85M for the first set of RTG's from Konecranes.
- The existing bank financing for Royal Watler Cruise Terminal has been fully extinguished at the end of September 2017.
- The bank balance of \$5.6M in August 2017 will be reduced to \$2.3M at the end of February 2018. Of this amount, \$1.1M represents the monthly savings to offset the DBE, leaving \$1.2M in operating accounts.
- CDC Redevelopment funding could pose a challenge in late 2017 or early 2018 depending on the bids from contractors.

Highlights from Six - month cash flow projection:

- ❖ Cayman Port appears to be headed for difficult financial times if things continue on the present trajectory, without additional revenues either directly from Government or fee increases/ new business within the next six to eight months.
- ❖ The projected cash generated plus cash balances are below the minimum operating cash holdings of around \$2M, which represents less than two months' operating expenditure.
- ❖ Cash generated from operations each month ranged from \$132K in June to \$477K in December.
- ❖ These projections did not include any unforeseen shocks such as hurricane, and indicate that the sinking fund established for the Defined Benefit Liability will be utilized as operating cash.
- ❖ Cayman Port needs an injection to finance further capital spending.
- ❖ The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.075M by December 2017.
- ❖ The CAPEX of \$4.4M in June 2017 includes the entire amount of US\$2.85M. for the first set of RTG's from Kone Crane.
- ❖ The Insurance loan was fully repaid in May 2017. The \$150K will increase the cash balances going forward as indicated on page 12.
- ❖ The Bank loan will be repaid by September 2017. The savings from the monthly payments will be reflected in the subsequent month's cash balances, as indicated on page 12.
- ❖ A total of \$299K is projected for loan payments for the next three months.
- ❖ The bank balance of \$5.8M in June 2017 will be reduced to \$2.2M at the end of December 2017. Of this amount, \$1.35M represents the monthly savings to offset the Defined Benefit Liability.
- ❖ CDC development funding could pose a challenge in late 2017 or early 2018, since no cash will be available for CAPEX by the end of December, should things remain as they are. A total of \$1M was budgeted for CDC expansion between October and December.

CAPEX SCHEDULE FOR THE REST OF 2017 FINANCIAL YEAR

Asset	Up to June	July	August	September	October	November	December	Total
Konecranes	2,336,900							2,336,900
Other asset purchases	1,672,393							1,672,393
Deposit on assets	141,156							141,156
Work In Progress	282,914							282,914
25% Yard Mgmt System		123,000		123,000				246,000
Customs and Immigration fit out			\$50,000	\$50,000		150,000	150,000	300,000
IT Renovation				50,000	50,000	60,000		160,000
It's Sugar Renovation								
Trucks on order - Arrived July		240,000			250,000	375,000	375,000	1,000,000
CDC RTG Runway					250,000		100,000	350,000
HR / Accounting system								
Totals	4,433,363	363,000	50,000	223,000	550,000	585,000	625,000	6,829,363
Breakdown:								
RTG's and Other	3,263,119							
Deposit on Assets	887,330							
Work in Progress	282,914							
Total	4,433,363							

Thirteen (13) Months Financial Report (July 31 2017) Port Authority of the Cayman Islands

Highlights from Six - month cash flow projection:

- ❖ Cayman Port appears to be headed for difficult financial times if things continue on the present trajectory, without additional revenues either directly from Government or fee increases/ new business within the next six to eight months.
- ❖ The projected cash generated plus cash balances are just around the minimum operating cash holdings of around \$2M, which represents less than two months' operating expenditure.
- ❖ Cash generated from operations each month ranged from \$258K in August to \$235K in January.
- ❖ These projections did not include any unforeseen shocks such as hurricane, and indicate that the sinking fund established for the Defined Benefit Liability will be utilized as operating cash.
- ❖ Cayman Port needs an injection to finance further capital spending.
- ❖ The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.150M by December 2017.
- ❖ The CAPEX of \$4.4M in July 2017 includes the entire amount of US\$2.85M. for the first set of RTG's from Kone Crane.
- ❖ The Insurance loan was fully repaid in May 2017. The \$150K will increase the cash balances going forward as indicated on page 13.
- ❖ The Bank loan will be repaid by September 2017. The savings from the monthly payments will be reflected in the subsequent month's cash balances, as indicated on page 13.
- ❖ A total of \$177K is projected for loan payments for the next two months.
- ❖ The bank balance of \$5.5M in July 2017 will be reduced to \$2.1M at the end of December 2017 & January 2018. Of this amount, \$1.35M represents the monthly savings to offset the Defined Benefit Liability.
- ❖ CDC development funding could pose a challenge in late 2017 or early 2018, since no cash will be available for CAPEX by the end of January should things remain as they are. A total of \$1.4M was budgeted for CDC expansion between October and January.

CAPEX SCHEDULE FOR THE REST OF 2017 FINANCIAL YEAR

Asset	Up to July	August	September	October	November	December	Total	January 2018
Konecranes	2,337,000						2,337,000	
Other asset purchases	1,542,231						1,542,231	
Deposit on assets	142,192						142,192	
Work In Progress	350,644						350,644	
25% Yard Mgmt System	61,295		61,295				122,590	
Cutoms and Immigration fit out		50,000	\$50,000				100,000	
NT Renovation					150,000	150,000	300,000	
It's Sugar Renovation			50,000	50,000	60,000		160,000	
Trucks on order - Arrived July		240,000					240,000	
CDC RTG Runway				250,000	375,000	375,000	1,000,000	400,000
HR / Accounting system				250,000		100,000	350,000	
Totals	4,433,363	290,000	161,295	550,000	585,000	625,000	6,644,658	400,000

Fourteen (14) Months Financial Report (August 31 2017) Port Authority of the Cayman Islands

Highlights from Six - month cash flow projection:

- ❖ The level of CAPEX may strain the financial resources at current projections between six to eight months.
- ❖ The projected cash generated plus cash balances are just above the minimum operating cash holdings of around \$2M, which represents less than two months' operating expenditure.
- ❖ Cash generated from operations each month ranged from \$225K in September to 665K in December.
- ❖ These projections did not include any unforeseen shocks such as hurricane, and indicate that the sinking fund established for the Defined Benefit Liability may need to be broken and utilized as operating cash.
- ❖ Cayman Port has to monitor capital spending closely with cash forecasts in mind.
- ❖ The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.150M by December 2017.
- ❖ The CAPEX of \$4.6M in August 2017 includes the entire amount of US\$2.85M. for the first set of RTG's from Kone Crane.
- ❖ The Insurance loan was fully repaid in May 2017. The \$150K will increase the cash balances going forward.
- ❖ The Bank loan will be repaid by September 2017. The savings from the monthly payments will be reflected in the subsequent month's cash balances,
- ❖ A total of \$56K is projected for loan payments for the next two months.
- ❖ At current projections, the bank balances of \$5.6M in August 2017 will be reduced to \$2.3M at the end of February 2018. Of this amount, \$1.1M represents the monthly savings to offset the Defined Benefit Liability. Leaving \$1.2M in operating accounts.
- ❖ CDC development funding could pose a challenge in late 2017 or early 2018, depending on the final costs for the agreed model for the facility.

CAPEX SCHEDULE FOR THE REST OF 2017 FINANCIAL YEAR							
Asset	Up to August	September	October	November	December	Total	January 2018
Konecranes	2,337,000					2,337,000	
Other asset purchases	1,790,236					1,790,236	347,000
Deposit on assets		84,433				84,433	
Work In Progress	400,399					400,399	
Yard Mgmt System	61,295	61,295				122,590	123,000
Renovation of Admin Bldg H/D						-	25,000
Safety Management System						-	24,000
Cust Rel'ship Mgmt System						-	12,100
VMware 6.5 update & sup contract						-	
CDC RTG Runway			250,000	375,000	375,000	1,000,000	1,000,000
HR / Accounting system			250,000			250,000	
Totals	4,588,930	145,728	500,000	375,000	375,000	5,984,658	1,184,100
							427,000

Highlights from Six - month cash flow projection:

- ❖ The level of CAPEX may strain the financial resources at current projections between six to eight months.
- ❖ The projected cash generated plus cash balances are just above the minimum operating cash holdings of around \$2M, which represents less than two months' operating expenditure – from about February 2018
- ❖ High cash generated from operations each month as peak season is in earnest. Sept – Dec net cash earnings expected to climb to \$1.7M. Between Jan – Mar PACI expects to earn net cash of \$1.3M.
- ❖ These projections did not include any unforeseen shocks such as hurricane, and indicate that the sinking fund established for the Defined Benefit Liability may need to be broken and utilized as operating cash.
- ❖ Cayman Port has to monitor capital spending closely with cash forecasts in mind.
- ❖ The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.150M by December 2017.
- ❖ The CAPEX of \$4.6M in Sept 2017 includes the entire amount of US\$2.85M. for the first set of RTG's from Kone Crane.
- ❖ The Insurance loan was fully repaid in May 2017. The \$150K will increase the cash balances going forward.
- ❖ The Bank loan was fully repaid in Sept 2017. The savings from the monthly payments will be reflected in the subsequent month's cash balances,
- ❖ At current projections, the bank balances of \$5.6M in August 2017 will be reduced to \$2.4M at the end of February 2018. Of this amount, \$1.2M represents the monthly savings to offset the Defined Benefit Liability. Leaving \$1.2M in operating accounts.
- ❖ CDC development funding could pose a challenge in late 2017 or early 2018, depending on the final costs for the agreed model for the facility, which currently estimates to between \$2.8M - \$3.8M

Asset	Up to September	October	November	December	Total	January 2018	February 2018	March 2018	Total Jan - Mar '18
Konecranes	2,337,000				2,337,000		347,000		347,000
Other asset purchases	1,681,672				1,681,672				-
Deposit on assets	84,433				84,433				-
Work in Progress	400,399				400,399				-
Yard Mgmt System	122,590				122,590	123,000	55,000		178,000
Renovation of Admin Bldg H/D					-	25,000	25,000		50,000
Safety Management System					-	24,000			24,000
Cust Rel'ship Mgmt System					-	12,100			12,100
Rental of crane for RTG assembly					-		200,000		200,000
CDC RTG Runway			750,000	750,000	1,500,000	500,000	500,000	300,000	1,300,000
HR / Accounting system				200,000	200,000				
Totals	4,626,095	-	750,000	950,000	6,326,095	684,100	1,127,000	300,000	2,111,100

Sixteen (16) Months Financial Report October 31 2017) Port Authority of the Cayman Islands

Highlights from Six - month cash flow projection:

- ❖ The level of CAPEX may strain the financial resources at current projections within the next four (4) months. Note the **red highlights** on page 15.
- ❖ Operating cash holdings will reduce to \$2.7M in January. After that, further capital spending will put the finances in an untenable situation as the cash will not be generated fast enough to meet the levels of CAPEX planned
- ❖ High cash generated from operations each month as peak season is in earnest. Nov – Dec net cash earnings expected to be \$1M. Between Jan – April 2018 PACI expects to earn net cash of a further \$1.7M, bringing the **6 month's net cash earnings to \$2.7M**
- ❖ This contrasts with **expected CAPEX for the six-month period of \$5.2M. This is without any provision for cost overruns, which are unfortunately almost inevitable for large infrastructure projects of this nature**
- ❖ This is a very tight operating space within the forecast period, which exposes PACI to grave working capital risk, **meaning we may not be able to pay our obligations in a timely manner.**
- ❖ These projections did not include any unforeseen shocks such as hurricane, and indicate that the sinking fund established for the Defined Benefit Liability may need to be broken and utilized as operating cash.
- ❖ Cayman Port has to monitor capital spending closely with cash forecasts in mind.
- ❖ The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.150M by December 2017.
- ❖ The CAPEX of \$4.77M in Oct 2017 includes the entire amount of US\$2.85M. for the first set of RTG's from Kone Crane.
- ❖ The Bank loan was fully repaid in Sept 2017. The savings from the monthly payments will be reflected in the subsequent month's cash balances.
- ❖ At current projections, the bank balances of \$5M in Oct 2017 will be reduced to \$2.4M at the end of February 2018. Of this amount, \$1.2M represents the monthly savings to offset the Defined Benefit Liability. Leaving ~\$1.2M in the operating accounts in GCM and CYB, which reduces to ~\$385K operating cash in April 2017
- ❖ CDC development funding will pose a challenge in early 2018 given the likely cost of the CDC project of between \$3.5M - \$3.8M, **excluding variations and overruns.**

Asset	Up to October	November	December	Total	January 2018	February 2018	March 2018	April 2018	Total Jan-Apr '18
Konecranes	2,337,000			2,337,000					-
Other asset purchases	2,206,805			2,206,805					-
Deposit on assets	84,433			84,433					-
Work in Progress	88,842			88,842					-
Yard Mgmt System	61,295	43,460	61,295	166,050	80,000	137,590	108,010	163,770	489,370
Spare parts inventory						75,000			
Renovation of Admin Bldg H/D					25,000	25,000			50,000
Safety Management System					24,000	40,000			24,000
Safety Management Equipment									
Cust Rel'ship Mgmt System					12,100				12,100
IT Dept :									
2x Cisco routers (one CDC one HD)									
Ruggedized Tablets							30,000		
Security Information and Event Management System							15,000		
Facilities Management System								35,000	
Rental of crane for RTG assembly						200,000			200,000
CDC RTG Runway			1,000,000	1,000,000	700,000	1,000,000	500,000	600,000	2,800,000
APEC consultancy/Fees		13,000	25,000	38,000	25,000	25,000	25,000	25,000	100,000
HR / Accounting system					100,000	100,000			200,000
Totals	4,778,375	56,460	1,086,295	5,921,130	966,100	1,602,590	678,010	853,770	3,875,470

Highlights from Six - month cash flow projection:

- ❖ The level of CAPEX may strain the financial resources at current projections within the next three (3) to four (4) months. Note the **red highlights** on page 15.
- ❖ Operating cash holdings may reduce to \$1.3M in February. After that, further capital spending will put the finances in an untenable situation as the cash may not be generated fast enough to meet the levels of CAPEX planned.
- ❖ High cash generated from operations during peak season which tapers off in April. Net cash earnings expected to be **\$2.7M** for the **6 month's forecast period**.
- ❖ This contrasts with *expected CAPEX for the six-month period of \$5.3M. This is with a \$500K provision for cost overruns, which may be incurred for the CDC yard development project.*
- ❖ This is a very tight operating space within the forecast period, which exposes PACI to grave working capital risk, *meaning we may not be able to pay our obligations in a timely manner.*
- ❖ These projections did not include any unforeseen shocks such as weather disruptions, and indicate that the sinking fund established for the Defined Benefit Liability may need to be broken and utilized as operating cash.
- ❖ Cayman Port has to monitor capital spending closely with cash forecasts in mind.
- ❖ The decline in projected spending for new hires has significantly bolstered the expected cash retained by PACI. Of the \$2M in the 2017 budget for new hires, PACI will spend about \$1.150M by December 2017.
- ❖ The CAPEX of \$4.8M in Nov 2017 includes the entire amount of US\$2.85M for the first set of RTG's from KoneCrane.
- ❖ The Bank loan was fully repaid in Sept 2017.
- ❖ At current projections, the bank balances of \$5.2M in Nov 2017 will be reduced to \$2.5M at the end of February 2018. Of this amount, \$1.2M represents the monthly savings to offset the Defined Benefit Liability. Leaving ~\$1.3M in the operating accounts in GCM and CYB, which reduces to ~\$500K operating cash in May 2017.
- ❖ The fees estimated for Apex consultancy services is \$263K. There is no finite contracted amount that management is aware of at this time for their services.
- ❖ No provision has been made for emergency situations which may require immediate funding. This poses serious operational risk that management and the board must address urgently.

Asset	Up to November	December	Total	January 2018	February 2018	March 2018	April 2018	May 2018	Total Jan -May '18
Konecranes	2,337,000	-	2,337,000	-	-	-	-	-	-
Other asset purchases	2,234,159	-	2,234,159	-	-	-	-	-	-
Deposit on assets	41,114	-	41,114	-	-	-	-	-	-
Work in Progress	88,842	-	88,842	-	-	-	-	-	-
Yard Mgmt System	104,614	-	104,614	80,000	137,590	108,010	163,770	-	489,370
Spare parts inventory	-	-	-	25,000	75,000	-	-	-	75,000
Renovation of Admin Bldg H/D	-	-	-	24,000	25,000	-	-	-	50,000
Safety Management System	-	-	-	-	-	-	-	-	-
Safety Management Equipment	-	-	-	-	-	-	-	-	-
Cust Rel'ship Mgmt System	-	-	-	12,100	-	-	-	-	12,100
IT Dept:	-	-	-	-	-	-	-	-	-
2x Cisco routers (one CDC one HD)	-	-	-	-	-	-	30,000	-	30,000
Ruggedized Tablets	-	-	-	-	-	-	15,000	-	15,000
Security Information and Event Management System	-	-	-	-	-	-	-	35,000	35,000
Facilities Management System	-	-	-	-	-	-	-	30,000	30,000
Rental of crane for RTG assembly	-	-	-	-	200,000	-	-	-	200,000
CDC RTG Runway	-	-	-	1,700,000	1,000,000	500,000	600,000	-	3,800,000
APCC consultancy Fees	-	-	-	63,000	50,000	50,000	50,000	50,000	263,000
HR / Accounting system	-	-	-	100,000	100,000	-	-	-	200,000
Totals	4,805,729	-	4,805,729	2,004,100	1,627,590	658,010	858,770	115,000	5,263,470



CAYMAN PORT

BOARD OF DIRECTORS MEETING
Port Authority of the Cayman Islands
45A Harbour Drive
6th September, 2017
Meeting No. 415b

A meeting of the Port Authority of the Cayman Islands Board of Directors was held on Thursday, 6th September, 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 1:17pm.

2. Attendance and Apologies

Members Present

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

Apologies for Absence(s):

None

Other Attendees

Ms. Robynette Hera – Recording Secretary

3. Quorum

IT WAS RESOLVED that in accordance with Section 17 (1) (g) of the Public Authorities Law 2017, a quorum of the simple majority of the Members who are entitled to vote were present and that the business would proceed.

4. Review and Approval of Minutes

IT WAS NOTED that the Minutes of the Meeting #415 held on 31st August, 2017 would be confirmed at the next meeting, citing the corrections in the Other Business section – reference to the Deloitte Human Capital project and update on the Cruise Berthing and CDC upgrade projects.

5. Updates from Previous Minutes

6. Port Director's Monthly Report

The Port Director's (PD) Report for August encompasses all other reports for the purpose of this meeting. The PD presented updates on the financial performance, strategic plan implementation, and risk and compliance management.

Matters for noting

- a) The Board discussed representations relating to the new shift system for night workers that was implemented on Monday, 21st August, 2017. Ms. Jacqueline Scott-Rankine suggested PACI conduct an engagement survey.
- b) A policy is to be drafted regarding MLA's requests for PACI employee services.
- c) Training for the new yard management system commenced on Monday, 4th September, 2017.
- d) The Port Director updated the Board on the recent recruitment of staff.

7. New Business

- a) Draft Budget –
The Board was presented with the Draft 2018-19 Budget documents and will reconvene on Tuesday, 12th September, 2017 to discuss and review its contents before approving it.

8. Other Business (continued from the last meeting)

- ii) Letter from Mr. Robert Hamaty, Tortuga Rum Co -
The Board discussed Mr. Hamaty's request for a bonded warehouse at the Royal Watler Cruise Terminal. The Board decided that the request would be revisited pending his approval from Customs / CI Government and his ability to comply with standards that PACI has set.
- iii) Letter from Ms. Caren Wight -
After a lengthy discussion, the Board was in agreement to deny Ms. Wight's request for PACI to reduce her rent for the awning, as it would result in loss of revenue because the price reduction would have to be applied to all tenants with awnings. PACI, however, would take into consideration her mention of the Royal Watler Terminal's unattractive appearance due to some tenants not complying with tenant agreements, such as moving beyond their current footprint, and address these issues.
- iv) Letter from the Hon. Attorney General (AG), dated 12 July, 2017 -
The Board agreed to accept the advice from the AG on his proposed ex gratia award. A letter is to be drafted to the AG on the decision.
- v) Photographs from the Brac Office -
The Board reviewed the photographs of the Brac Office server room. The PD confirmed that the situation has been taken care of.
- vi) Email from Ms. Darlene Manzanares -
The Board discussed Ms. Manzanares' request to hand out flyers / coupons at the Port. It was resolved that she be advised of the opportunity to advertise through Discount Tours, the advertising avenue already in place at RWT.

9. Adjournment and Date of Next Meeting

The Chairman adjourned the meeting at 6:02pm. It was noted that the Board would reconvene at 12:30pm on Tuesday, 12th September, 2017 to discuss the draft budget.


Mr. Errol Bush - Chairman
Ms. Robynette Hera - Recording Secretary

From: [redacted]
Sent: Friday, January 08, 2016 8:28 AM
To: [redacted]
Cc: [redacted]
Subject: Vessel recovered by [redacted]

Morning sir,

Last year in July 2015 [redacted] found a vessel overturn off East End. He towed the vessel to the East End launching ramp and turned it over and placed it on a trailer the was provided by the Marine Unit and taken to the Marine Base where it was stored. Enquires was made to try to locate the owners of the vessel but was unsuccessful. The vessel is a Contender gray in color with twin Yamaha outboard motors. The vessel needs to be handed over to the receiver of wrecks, can you instruct where the vessel should be taken and who will receive it.

Regards,

[redacted] | Senior Customs Officer/Deputy Marine Commander

Subject: Salvage on Boat

Date: Friday, July 29, 2016 at 11:23:54 AM Eastern Standard Time

From:

To: Clement Reid

Good Morning Mr. Reid,

FYI, in regards to the 28' Contendor boat that was pulled in last year 31 July 2015 by my son . He has been in contact with the police and port members to show interest in the salvage of this boat. The police has informed him they have no more interest in this boat and it was left up to the port authority to release this craft. Can you please inform him on the procedures for this action to commence? Thank you again.

457 North Sound Road
P.O Box 38
Grand Cayman KY1-1101
CAYMAN ISLANDS
345-914-1189 (direct) | 345-949-5200 (main) | 345-949-5203 (fax)

Good Afternoon,

On July 31st 2015 at about 9 o'clock in the morning I was informed by Inspector [redacted] that a vessel was found overturned in the waters off East end, and a local vessel was towing it to the East End Launching Ramp. I connected one of the Joint Marine Unit trailers to the Police truck and with Insp. [redacted] we transported the trailer to the East End Launching ramp. On my arrival at the launching ramp I observed [redacted] towing the overturned vessel which was grey & white in color with two outboard motors. [redacted] brought the overturned vessel to the launching ramp, then he attached other ropes to the overturned vessel and by using his vessel he up righted the overturned vessel and then placed the vessel on the Joint Marine Unit trailer.

I transported the vessel to the Joint Marine Unit Base where it was secured so that further enquires could be made regarding the vessel.

Regards,

From:

Date: February 20, 2016 at 12:06:45 PM EST

To:

Cc:

<

Subject: Old engines

Hi Joey

Linton has come to me today saying that CJ has been asking where the old engines went off the Port Boats. Linton said that a man that works for the Port Authority came and picked up and took both sets of engines. I have attached the photos.

Apparently the engines were taken to [redacted] for installation on other vessels, one of which we have heard is owned by [redacted] and the other by [redacted] who apparently owns [redacted]. Both engines are apparently sprayed white now.

I just wanted to pass this information on as we would not release engines without authorization from Port Authority Staff. We don't know where the other set went after they were removed from HHM.

Please let us know if you have any questions.

Best regards

Direct: 345 640 4700

Cell: 345 326 4700

Fax: 345 947 7844

[www.](#)

m

On Feb 22, 2016, at 7:34 AM, Clement Reid <creid@caymanport.com> wrote:

Dear All:

_____ was contracted to replace engines, generators, AC units and refurbish both Harbour Patrol Vessels.

I have been informed that this has been completed with the exception of one boat requiring some additional work. Both vessels received new parts that are under warranty and the old parts were left with Harbour House Marina for them to dispose of including the engines in question.

I do not know what arrangement/sale occurred between _____ Marina for the engines in question. It is obvious someone at _____ authorized the removal of the engines otherwise the driver in the picture would not have been allowed to load and drive away with them.

The disposal of engine parts is no different at a mechanic shop (i.e. whenever the Ford F250 truck is taken to Vampt Motors to have parts replaced, they do not return the old parts but are responsible for their disposal). I do not authorize or approve to whom a repair shop can give or sell the old parts removed from PACI machinery.

There appears to be great interest from a number of staff in the old engines that were left at HHM, can someone enlighten me on the whereabouts of the AC's and generators that were also removed from these boats?

Warm regards,

Clement Reid - Port Director



PO Box 1358, Harbour Drive, Grand Cayman, KY1-1108, Cayman Islands
(345) 949 2055, Fax (345) 949 5820

- H. Spotts Terminal upgrades are entering into phase II which will include a 3' high retaining wall, new chain-link boundary fence, new seating areas and refurbishment of the terminal building. Four bids have been received and evaluated by the Tender Select Committee. One bid was discarded because it was not complete. The lowest bidder was Ron Wilson Equipment at CI\$165,655.00 and completion expected 11 weeks from signing of contract. The revised budget for this project was CI\$164,000. The contract has been executed and works commenced on February 19th 2016.
- I. Joint project with Carnival Cruise Lines, PACI and Caribbean Marine Services (CMS) to review the feasibility of fabricating and installing additional ramps for top deck loading of tenders.
- J. Rehabilitation of the cargo pier concrete deck and replacement of anodes on the sheet piles. Tender has been placed in the local media and three bids received ranging from CI\$270,000 - \$380,000. APEC Consulting Engineers are the project managers and are preparing an ESTAR Report for Board approval and subsequent submission to Central Tenders Committee (CTC).
- K. Design and costing for the upgrades to the container yard at Cargo Distribution Centre (CDC).
- L. Job Evaluations with Deloitte.
- M. Recruitment of a Deputy Director of Cargo Operations, Senior Project Manager and an Office Manager.
- N. Redrafting of the Port Regulations Section 146, Watersports Areas.
- O. Drafting Legislation on the Licensing and Regulation of Local Vessels and Craft.
- P. Drafting legislation for the Receiver of Wrecks which will become the Port Director.
- Q. Downsizing the Port Director's office and creating a common meeting room to be shared by Management.
- R. Repairs to existing asphalt at the CDC container yard.



PO Box 1358, Harbour Drive, Grand Cayman, KY1-1108, Cayman Islands
(345) 949 2055, Fax (345) 949 5820

- I. Design and costing for the upgrades to the container yard at Cargo Distribution Centre (CDC).
- J. Job Evaluations with Deloitte.
- K. Recruitment of a Deputy Director of Cargo Operations, Senior Project Manager and an Office Manager.
- L. Redrafting of the Port Regulations Section 146, Watersports Areas.
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- O. Repairs to existing asphalt at the CDC container yard.

3. Meetings Attended

- A. American Association of Port Authorities (AAPA) Spring Conference in Washington, DC – 4-7 April 2016.
- B. David Collier of Ritch and Conolly update on various matters - 11 April 2016.
- C. Deloitte, Staff Recruitment – 13 April 2016
- D. Franc Pigna of Aegir Port Property Advisers, Teleconference call to discuss property valuations – 14 April 2016
- E. Emile Hamilton, Tropical Shipping, Discussion on weight limits for containers and flatracks – 18 April 2016
- F. Deloitte, JEC, Meeting update and answer session on status of Organizational Review – 19 April 2016
- G. Digicel Cayman to discuss Business Continuity Planning – 26 April 2016



PO Box 1358, Harbour Drive, Grand Cayman, KY1-1108, Cayman Islands
(345) 949 2055, Fax (345) 949 5820

K. Drafting Legislation on the Licensing and Regulation of Local Vessels and Craft.

L. Downsizing the Port Director's office and creating a common meeting room to be shared by Management.

M. Repairs to existing asphalt at the CDC container yard – contract to commence on May 10, 2016.

3. Meetings Attended

A. American Association of Port Authorities (AAPA) Spring Conference in Washington, DC – 4-7 April 2016.

B. David Collier of Ritch and Conolly update on various matters - 11 April 2016.

C. Deloitte, Staff Recruitment – 13 April 2016

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F. Deloitte, JEC, Meeting update and answer session on status of Organizational Review – 19 April 2016

G. Digicel Cayman to discuss Business Continuity Planning – 26 April 2016

4. Other Business

A. Communication between tenants on issues surrounding the lease payments, change in usage of tenancy, and renewal of Leases.

B. Royal Watler Tenants presenting their business plan/change in current usage:

Internal Audit Report

PORT AUTHORITY OF THE CAYMAN ISLANDS

FINANCIAL MANAGEMENT AUDIT

Audit Reference 1516-16

FINAL REPORT – AUGUST 2017



**INTERNAL
AUDIT SERVICE**

CAYMAN ISLANDS GOVERNMENT

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Internal Audit Report 1516-16
PORT AUTHORITY OF THE CAYMAN ISLANDS - FINANCIAL MANAGEMENT AUDIT

Control Area	Finding & Consequence	Recommendation	Action Plan
Collections for deposit are safeguarded.	<p>Collections for deposit are picked up by PACI's messenger, who drives alone to the bank on a daily basis.</p> <p>The Authority is at risk of robbery, financial losses and/or workmen's compensation claims in the event that the messenger is injured during a robbery.</p>	<p>Recommendation 9</p> <p>The Port Director should utilize an armored car service to handle all pick-ups and deposits of the Authority's collections.</p>	<p>Recommendation Accepted? Yes.</p> <p>Recommendation Owner: Accountant</p> <p>Target implementation date: Already implemented</p>
PRIORITY RECOMMENDATIONS			
Two vendor quotes are obtained for purchases that exceed C\$1,000. (Financial Circular No. 001).	<p>Two vendor quotes were not obtained for local purchases above \$1,000 but below \$50,000. Additionally, there was no evidence available to support that quotes had been requested from a second set of vendors. Moreover, the Authority defaulted to getting quotes from just one foreign vendor in the absence of any local suppliers.</p> <p>Value for money was not ensured in the above instances.</p>	<p>Recommendation 10</p> <p>The Port Director should obtain at least two vendor quotes, either from local or foreign vendors, for purchases in excess of \$1,000 and retain the quotes on file.</p>	<p>Recommendation Accepted? Yes.</p> <p><i>This is not always practical. However, the Port Authority will endeavor to comply with its own circular as the spirit of it encourages competition and ensures evidentiary support for value for money.</i></p> <p>Recommendation Owner: Accountant</p> <p>Target implementation date: Already implemented</p>