



MARITIME AUTHORITY OF THE CAYMAN ISLANDS (MACI or the Authority)

Minutes of Board of Directors' Meeting

Held on 13 December 2023 at 10:00 a.m.
Via Zoom and Ugland House, Board Room D
George Town, Grand Cayman

Members Present:

Ian Wight, Chairperson
Caroline Barton, Deputy Chairperson
Stefano Rosina, Director
Jennifer Stein, Director
Bruce Rosenblatt, Director
Joel Walton, CEO

Invited:

Philip Barnes
Kenrick Ebanks

1. CALL TO ORDER

The Meeting was called to order at 10:07 a.m.

2. APOLOGIES

Charles Clifford, Director
John MacKenzie, Director

3. QUORUM

IT WAS RESOLVED that notice of the meeting had been sent to all of the members of the board of MACI (Members) and in accordance with Schedule I, Section 7 (9) of the Maritime Authority Act (2013 Revision), a quorum of a simple majority of the Members was present and that business would proceed.

4. REVIEW AND APPROVAL OF PREVIOUS MINUTES

IT WAS RESOLVED that the Minutes of the Meeting held on 12 July 2023 be approved.

5. AUDITED FINANCIALS 31 DECEMBER 2022

The audited financials for the year ended 31 December 2022 were approved and received the following comments that are all being addressed and should be completed by the end of 1st quarter 2024:

- Employee handbook not updated for the new post-retirement healthcare entitlement.
- IT service provided not monitored, and its SLA with CSD has expired and not renewed.
- Privileged user access reviews and monitoring.
- Password configuration weaknesses.
- Deficiencies in User Access reviews.

IT WAS NOTED that Baked Tilly was appointed as new auditors.

The CEO addressed the matter of the Independent Contractors that was noted in the Cayman Compass. The CEO advised that due to the specialized nature of the work of the Independent Contractors the Authority sets a specific rate for the individuals they are seeking to provide the service along with the required qualifications required for the nature of the job as selecting the lowest bidder will not work for what is needed or required by the flag state. The rate is based on the market. The board has suggested that the CEO speaks to the Minister for a dispensation on the matter to avoid future criticisms on the procurement process for Independent Contractors.

6. UNAUDITED ACCOUNTS TO 31 OCTOBER 2023



Q4 - October 2023 resulted with an operating profit of KYD1.8m. Total assets and liabilities were respectively at KYD13.6m an increase of 19% and KYD6.7m a decrease of 24% over (YOY) financial period ended 31 October 2022. YTD Revenues rose to KYD10.4m (increase of 14% YOY), against expenses of KYD8.6m, an increase of 4% YOY. Total equity increased to KYD6.9m or 35% over the financial year ended 31 December 2022.

MACI Annual Report and audited financials have been submitted to the Ministry of Financial Services to be laid on the table in Parliament in the November 2023 sitting. Baker Tilly, newly appointed financial auditors by the Office of the Attorney General had kickoff meeting with audit field work schedule and PBC list to follow.

Meanwhile, MACI is undergoing an Internal Accounting Review by Deloitte, objective is to review our established internal controls processes and obtain recommendations to enhance current system. The IAR is progressing on scheduled with observation report anticipated by first week of January 2024.

Based on MACI's current trajectory, management estimates there will be a potential CIG dividend liability of between \$800k to \$1m as at 31 December 2023.

7. BOARD PAPER – HARBOUR WALK

a. Background

In July 2021, the Board granted approval to proceed with negotiations to secure permanent Office Space at Harbour Walk. MACI signed a Lease Agreement to secure permanent office space approximately 1,872 sq ft. at a monthly cost of CI\$8,520.00 (eight thousand, five hundred and twenty dollars)

In December 2021, the Board approved a Budget capped at CI\$250,000.00 (Two Hundred and Fifty Thousand Dollars) for fit-out of the Harbour Walk Office Space with the developer.

In September 2022 MACI issued a Request for Proposal (RFP): Space planning, design, fit-out, furniture and installation services to which all companies declined due to the budget being limited.

In December 2022, the Board approved a single source supplier, Design Cayman, to fit-out the Harbour Walk Office Space and an Agreement was signed February 2023 to secure and commence work.

b. Harbour Walk Office Space – Office Fit-Out

Having secured Design Cayman for the re-fit, the project commenced in March 2023.

The re-fit is based on a Design and Build Contract structured in 2 parts:

Part 1 – Design and Approval Phase

- Design and development
- Planning and Submission and Approval
- Specifications and development
- Procurement – If required

Part 2 – Construction Phase

- Procurement
- Site mobilisation
- Construction and construction monitoring
- Completion and handover.

c. Office fit-out deliverables

In October 2023, Build Cayman highlighted some things that had arisen as they progressed with the fit-out of the Office Space at HW, and these have cost increases:

Perimeter / shared side walls were not finished/completed and the landlord's representative has indicated this will NOT be done, it is up to MACI – these are the "outside" office walls i.e. perimeter walls which are between MACI office and the HW tenants on each side as well as the corridor wall.

- This will add a cost of CI\$ 6,364.62

Electrical and Mechanical quote estimates have come in substantially more than the initial budget - the HVAC systems at HW are designed based on a geothermal cooling system which Design/Build Cayman (DCL/BCL) were made aware of after the initial budgeting. The requirements for fitting out this system are substantially more expensive than a conventional HVAC system.

- This will add a cost of CI\$ 44,520.88

Further to these cost overruns, the specialized material and equipment required for HVAC and Electrical have long lead times – BCL are waiting to find out how long.

MACI Management engaged BCQS to review the Change Orders from Build Cayman for the walls, electrical and mechanical:

Change Order No.001 – Supply and Install of the Demising Walls: -

The scope of works is for the completion of the demising walls to the MACI office space. In BCQS' opinion, unless otherwise stated in the lease agreement, these fire rated walls are usually the responsibility of the Landlord and not the Tenant. Assuming the lease agreement does not say otherwise, BCQS recommends MACI provide entitlement to the Design-Builders claim on the basis that these works would not normally be considered a fit-out cost, and therefore BCQS assumes would not be included in the CI\$ 250,000 budget provided at RFP stage.

BCQS does not consider the claimed cost to be unreasonable. In this instance they recommend that MACI (tenant) contact the Landlord and provide them with the option of either completing the walls directly (with coordination with Build Cayman) or have Build Cayman complete the works with the cost compensated by the Landlord.

Change Order No.002 – Electrical, Plumbing & Mechanical Changes: -

As a result of the Design-Build procurement method at RFP stage, it would be unreasonable to assume that the Design-Builder would have been aware of the geothermal infrastructure at Harbour Walk. Although the technology has existed for several years, a geothermal system is rarely seen here in the Cayman Islands. The RFP provided the Design-Builders' a very basic floor plan for a portion of the development. This drawing did not provide any indication or clues that the infrastructure included a geothermal system. BCQS recommends MACI provide entitlement to the Design-Builders claim on the basis that the landlord base build includes geothermal works not normally considered by any Design-Builder, in the Cayman Islands, at RFP stage when the budget of CI\$250,000 was conceived.

At a high level, if you remove the Data Cabling works and Smoke Detection Works from the extra-over cost of CI\$ 44,520.88 (they are considered Owners allowances and not included in the CI\$ 250,000), then the extra over cost for the installations associated with the geothermal are CI\$ 23,163.88.

BCQS do not consider the claimed cost of CI\$ 44,520.88 to be unreasonable. With regards to the trade contractor quotations provided we recommend MACI & Build Cayman explore all avenues of negotiation to determine if any further reductions in cost can be realized for the Owner.

d. Actions Taken based on BCQS Report

Having engaged BCQS to review the Cost Orders 001 and 002, and based on the findings that the costs are not unreasonable, MACI Management is satisfied and has accepted the BCQS Report that Cost Orders 001 and 002 are reasonable in order to complete the fit-out.

The actions taken upon acceptance of the BCQS Report:

- Change Order No.001 – Supply and Install of the Demising Walls: -
MACI contacted the Landlord and Design Cayman and advised the findings of the Report. A meeting is being organized between the two for clarification.
- Change Order No.002 – Electrical, Plumbing & Mechanical Changes
Build Cayman will explore all avenues of negotiation to determine if any further reductions in cost can be realized.

e. Recommendation

The Maritime Authority Cayman Islands (MACI) Management recommends that the Board:

- Approve the fit-out Change Orders 1 & 2:
 1. Supply and Install of the Demising Walls - CI\$ 6,364.62
 2. Electrical, Plumbing & Mechanical Changes - CI\$ 44,520.88
- Approve cost increase of CI\$ 50,885.50

IT WAS RESOLVED that the additional funds in the amount of CI\$80,855.50 be approved and paid according to the board paper provided.

8. REGISTRY PERFORMANCE

- a. The registry still maintains a great position in the market. Merchant vessels that have left the flag are going to Panama, Liberia and Marshall Islands.
- b. YETS continue to increase and there are currently 526 vessels that can offer commercial services registered to the flag.
- c. New builds portfolio is still very health and is approximately 50% of the global market share.

9. OTHER BUSINESS

a. Appointment of Audit Committee

- i. Ian Wight – Chairperson
- ii. Caroline Barton
- iii. Bruce Rosenblatt
- iv. Kenrick Ebanks – Ex Officio

b. Corporate Governance

- i. Jennifer Stein
- ii. Stefano Rosina
- iii. Joel Walton – Ex Officio

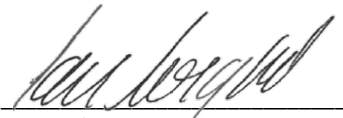
- c. John McKenzie's term limit ends on 31 December 2023 and the CEO and Board would like to extend thanks for years of services. Mr. McKenzie will be invited to the next meeting as a guest to say thanks personally. The new potential Board Member will be Sherice Arman.
- d. The board may also lose Mr. Charles Clifford with his upcoming retirement.
- e. It is planned for the Merchant Shipping Act to be filed early next year.
- f. Mr. Walton has begun his pre-retirement.

10. NEXT MEETING

- a. 17 January 2024 – 3pm
- b. 28 February 2024 – 3 pm zoom
- c. 17 April 2024 – 3pm
- d. 17 July 2024 – 3pm
- e. 11 December 2024 – 10 am

11. ADJOURNMENT OF MEETING

The Meeting adjourned at 12:06 pm



Ian Wight
Chairman

Date 07 January 2024