



Cayman Islands Government

LoGB's Statements on CIG Finances



Speaking Notes for The Honourable Premier Designate

Press Briefing, 3 September

Need for Responsible Reporting of Adverse Financial Information

There is a delicate art to presenting financial information that is less than favourable in a manner that is level-headed and responsible.

Responsible and mature reporting is critical to having an informed public without any accompanying undue alarm. The 1st September article on the Cayman Islands that appeared in the Guardian newspaper in the UK, does not fit into the category of 'responsible and mature' reporting of financial information by the media. I trust that the media in the Cayman Islands will demonstrate maturity in reporting.

The reasons Government is experiencing difficulties presently which are more acute than previous years are twofold:

1. Our cash outflows have ballooned greatly in this financial year because of huge capital expenditures that have to be met in respect of projects such as the two (2) new high schools and the new Government Administration Building. The UDP Government believes that the schools could have been far more modest and less costly - this would have significantly alleviated much of our cash outflows on capital projects; and
2. The cash balance in Government's operating bank account at the start of this financial year, on 1st July, was very low - which meant that there was little cash available to help us get through the summer months when Government usually experiences operating deficits.

The amount of cash in our operating bank account on 1st July 2009 was approximately CI\$14.4 million.

In contrast, when we left office in 2005, the financial year that started 1st July 2005 saw approximately \$49 million in Government's operating bank account.

Operating Results for August 2009

Chief Financial Officers in Ministries and Portfolios are currently making closing month-end adjustments to August 2009 results - which will undoubtedly show an operating deficit.

As soon as these adjustments are completed, the August results will be made known via a Press Briefing.

Operating Bank Account Cash Balance at Close of Business on 1 September 2009

At the close of business on 1 September 2009, Government's operating bank account was over drawn by approximately CI\$4.3 million. I would stress that this is the operating bank account balance - not the total cash balance of Government - because Government has positive bank account balances in respect of its Reserve or Restricted Funds. The maximum over draft Government can incur is CI\$15 Million: such a limit has been in existence for many years.

Possible Cash Outflows in September 2009 Equal CI\$79 Million

Ministries and Portfolios have made submissions to Treasury which indicate that the possible cash outflows of Government during the month of September 2009 in respect of operating Expenditures (such as amounts due in respect of the new high school) and loan repayments, could total CI\$79 million.

Government expects to collect approximately CI\$30 million in revenues during the month of September.

How We Will Meet the Cash Outflows in September 2009

We will meet our required Cash Outflows during the month of September 2009 using a combination of:

1. continuing to utilize our overdraft facility as a source of funding to complement revenues to be received during September;
2. seeking approval from the UK Government to use some of the loan funds facility that we have in place with a local bank. In this respect Government will be making the submission requested by the UK FCO, next week; and
3. advancing our discussions that we have already commenced on 'private financing initiatives' in respect of the two (2) new high schools and the new Government Administration Building.

A successful conclusion to these discussions will:

- at minimum, remove the need for Government itself to fund future Capital outlays to complete these projects; and
- result in Government receiving cash back in respect of the amounts it has expended on the projects and payment for the value of the Crown lands on which those projects are located.

Revenue Measures

Over the past week or so, Government's consideration of Revenue Measures for this financial year, have intensified.

This afternoon the UDP administration will continue those discussions with a cross-section of the financial services industry.

This financial year will see the introduction of some new revenue measures as well as enhancements to existing revenue sources.

The final decision will be made known when the 2009/10 Budget is presented to the Legislative Assembly later this month.

What I can announce at this point is that the Government has decided that the implementation of a property tax is not in the Islands' best interest and this measure will not be implemented.

Call Again for Mature and Responsible Media Reporting

I will end this section of the Briefing where I began: I call on the media to be mature and non-sensational in its reporting of frank and open provision of sobering financial information. This is a jurisdiction in which we all earn a decent living and therefore a place we should seek to protect and enhance.

Statement by The Leader of Government Business (Premier Designate)**and Minister of Financial Services, Tourism and Development**

The Hon. McKeeva Bush, OBE, JP

10 a.m. Thursday, 3 September 2009, GIS Conference Room

Cayman Brac Development Initiatives

With regards to development initiatives for the Sister Islands, I'd like to talk about the application for the development of Denis Point Pond, on Crown Land adjacent to the Alexander Hotel, in Cayman Brac.

The application, recently submitted by the Brac Development Company, proposes converting the pond into a safe harbour and marina, and building the infrastructure to support it.

There is also a proposal to expand Mr. Dervin Scott's landing facility into a proper dock.

To help stimulate the Brac's economy, government supports the application in principle. However, before taking it any further, we are following procedure and considering environmental and other implications the

project may present.

Government Spending

Turning to government spending, members of the public have asked government about three matters associated with spending: office rental, contracts secured by the previous government for the port development project, and travel costs for the recent Miss Universe Pageant.

I. OFFICE RENTAL

It has come to my attention that government has been paying rent for several unoccupied locations.

This includes 2,200 sq. ft. that had been intended for the Public Transport Unit, rented since June 2008. Since then, government has paid \$168,189.53 for furniture and fittings, computer equipment, office equipment, and rent.

There is also 9,000 sq. ft. which has been rented by the Immigration Department, and today remains unoccupied for over a year.

There are a number of other office locations that the previous government entered into lease contracts with, that the government continue to pay monthly rent to, and yet they remain unoccupied. We have asked Lands and Survey for a report on all such rentals, and we will update the public once this has been completed.

But please note that some of these leases are for three years, and subsequently there are penalties for early termination. And as I said, furniture, equipment and fit-out costs have already been incurred for some. Therefore, to make the best use of these spaces, and to make the best use of government money, we are moving ahead with plans to occupy as quickly as possible.

We are looking into the possibility of relocating staff that are in cramped quarters to some of these locations. However, this too may take some time to finalise, since we may need to renegotiate the leases of any locations from which the staff is being moved.

II. PORT CONTRACTS

Moving on to the Port Authority contracts, those totalled approximately US\$287,000.00. That money was allocated as follows:

- \$29,000 to Deloitte, for a review of project financing options in October 2006;
- \$232,930 to KPMG, for development of the financial models associated with the Cayman Port Re-development Plan in October 2008; and
- \$24,360 for CH2M Hill, for research done to inform the environmental impact assessment, in December 2008.

III. MISS UNIVERSE PAGEANT

The final matter I'd like to address concerns the travel costs for the recent Miss Universe Pageant in the Bahamas, on which the talk shows and blogs have been spreading misinformation.

The total cost incurred by the ministry was CI\$5,946.98 which covered the cost of ministry staff. Other individuals, who attended on the invitation of the Ms. Cayman Committee, paid for their own expenses.

Financial Report on the Port Authority - 31 May 2005 and 31 May 2009

The Port Authority of the Cayman Islands was very profitable in May 2005.

This was driven mainly by record imports as a result of the rebuilding and new construction after Hurricane Ivan. As the rebuilding process slowed, so did port revenues. Operating costs have increased in response to inflation.

- As at 31 May 2005, the Port Authority had cash of just more than \$7 million; revenues of \$19.5 million; and expenses of \$11.1 million.
- As at 31 May 2009, the Port had cash of \$2.8 million; revenues of \$18.3 million; and expenses of \$16.6

million.

During the four years from May 2005 to May 2009, the Port made some major investments in human capital and fixed assets.

The following are the capital investments made by the Port during that four-year period.

- Land purchases in Grand Cayman and Cayman Brac;
- purchased trucks, and large and small forklifts;
- purchase of a crane; and
- contribution to the further development of the Royal Watler Cruise Terminal, beyond the loan given by the Florida Caribbean Cruise Association;

The following are operating costs incurred by the Port during that same four-year period.

- increase in personnel cost from day to night operations and the increase in number of personnel from approximately 95 members to 157 members;
- distribution to central government of \$2.4 million;
- increase in operating costs, such as fuel, lubricants, parts, repairs and maintenance.

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