

## MINUTES

### **Board of Directors of the Houston Ship Channel Security District Deer Park, Texas January 13, 2015**

The regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on January 13, 2015, open to the public, at the Mustang Building, 2<sup>nd</sup> Floor, Shell Learning Center, 4400 Highway 225, Deer Park, Texas, in accordance with the duly posted Notice of Public Meeting. The roll was called of the officers and members of the Board as follows:

Todd Adamec, Assistant Secretary  
Lewis Brown  
Jimmy Burke  
Clayton Curtis, Treasurer  
Richard Henderson  
Chuck King  
Gary Scheibe, Chair  
Tom Schroeter, Secretary  
Steve Stewart, Vice Chair

and all said persons were present, except Directors Brown, Scheibe, and Stewart, thus establishing a quorum. Also present were Daniel Ringold of Schwartz, Page & Harding, LLP (“SPH”), legal counsel for the District, and CAPT Bill Diehl, USCG (Ret.), P.E., Albert Cusick, and Patrick Seeba of the Greater Houston Port Bureau (GHPB), administrators and program manager for the District.

#### **Call to Order**

Assistant Secretary Adamec called the meeting to order at 2:10 PM. He announced that Chair Scheibe and Vice-Chair Stewart would both be absent for today’s meeting.

#### **Appointment of a Chair Pro Tem**

As the first order of business, Assistant Secretary Adamec noted that it would be necessary to appoint a Chair Pro Tem to preside over today’s meeting in the absence of the Chair and Vice Chair. Following discussion on the matter, Secretary Schroeter moved that Mr. Adamec be appointed Chair Pro Tem. Director King seconded the motion, which passed unanimously.

## **Appearances**

Mr. John Walker announced that the next annual Maritime Awareness, Security, and Terrorism Training on June 16, 2015 would be held at the Zlotz Center, with details to follow.

## **Approval of Minutes of December 9, 2014 Meeting**

Chair Pro Tem Adamec noted that an advance draft of the proposed minutes of the December 9, 2014 Board meeting was included in the Directors' meeting materials. Director Burke moved for the acceptance of said Minutes. Director King seconded the motion, which passed unanimously without further discussion.

## **Report on Zone Director Appointments by Harris County Commissioners Court**

Mr. Cusick reported that Harris County Commissioners Court, at their December 16, 2014 meeting, had appointed the nominated persons receiving the most votes in the recent election to two (2) year terms as Directors of the District. Mr. Ringold reminded the Board that the voting process is just a means to develop a list of proposed nominees, and it is the Harris County Commissioners Court who is vested with the statutory authority to either accept and appoint said nominees to the Zone Director positions or reject one or more of the nominees and seek submission of a different list.

## **Acceptance of Statements of Elected/Appointed Officer, Bond, Oaths of Office and Election Not to Disclose Certain Information and Swearing in of Directors Brian Blanchard (Zone 1), George Paruch (Zone 2), Gary Scheibe (Zone 3), Todd Adamec (Zone 4), and Marcus Woodring (Port of Houston Appointee)**

Mr. Ringold reported that he had distributed and reviewed the Statements of Elected/Appointed Officer, Bonds, and Election Not to Disclose Certain Information with the new Directors. Director Burke moved the acceptance of such documents from the new Directors. The motion was seconded by Director Schroeter, which passed unanimously.

Secretary Schroeter then administered the Oath of Office to Directors Brian Blanchard, Todd Adamec, George Paruch and Marcus Woodring.

Directors Blanchard, Paruch and Woodring then were seated replacing Directors Henderson, King and Schroeter, whose terms of office were expiring.

## **Quarterly Financial Report and Investment Officer's Report**

Director Curtis presented the financial report for the final quarter of 2014. Director Blanchard move the acceptance of the quarterly financial and the investment officer's reports. Director Paruch seconded the motion which passed unanimously.

### **Accept the Resignation of Director Curtis from the Board**

Director Curtis submitted his resignation from the Board on account of his retirement from Oiltanking. Director Woodring moved to accept the resignation of Director Curtis. The motion was seconded by Director Blanchard, which passed unanimously.

### **Interview Candidates for Current Vacancies on the Board of Directors (Zone 1, Zone 3, and Zone 4)**

Mr. Ringold explained that filling a vacancy on the Board is accomplished by the remaining members of the Board appointing a qualified person to fill the unexpired term.

Mr. Cusick noted that 4 individuals had expressed interest in representing their respective security zones as directors and that their resumes were included in the Board materials. Three of the individuals were present and were asked to introduce themselves and give a brief statement as to why they wanted to serve on the Board. Jarrod Boehme introduced himself, provided his credentials and advised that he is interested in filling the vacant Zone Director position for Zone 1. Duane Campbell introduced himself, provided his credentials and advised that he is interested in filling the vacant Zone Director position for Zone 3. Eric Bass introduced himself, provided his credentials and advised that he is interested in filling the vacant Zone Director position for Zone 4.

### **Discussion and Possible Action to fill the Unexpired Term of Director Curtis**

Director Woodring moved the appointment of Jarrod Boehme to fill the vacancy in the Zone 1 Director position resulting from the resignation of Director Curtis and serve out the unexpired term for such position. Director Blanchard seconded the motion, which passed unanimously.

### **Discussion and Possible Action to fill the Unexpired Term of Director Black**

Director Woodring moved the appointment of Duane Campbell to fill vacancy in the Zone 3 Director position resulting from the resignation of Director Black and serve out the unexpired term for such position. Director Paruch seconded the motion, which passed unanimously.

### **Discussion and Possible Action to fill the Unexpired Term of Director Auber**

Director Woodring moved the appointment of Eric Bass to fill the vacancy in the Zone 4 Director position resulting from the resignation of Director Auber and serve out the unexpired term for such position. Director Blanchard seconded the motion, which passed unanimously.

**Acceptance of Qualifications Statements, Bond, Oaths of Office and Election Not to Disclose Certain Information and Swearing in of Directors Jarrod Boehme (Zone 1), Duane Campbell (Zone 3), and Eric Bass (Zone 4).**

Mr. Ringold distributed and reviewed the Statements of Elected/Appointed Officer, Bonds and Election Not to Disclose Certain Information with the new Directors. Director Blanchard moved the acceptance of the documentation from the new Directors. The motion was seconded by Director Paruch, which passed unanimously.

Chair Pro Tem Adamec then administered the Oath of Office to Directors Jarrod Boehme, Duane Campbell, and Eric Bass.

Directors Boehme, Campbell and Bass then were seated filling the vacancies left by Directors Curtis, Black and Didier, who had resigned as Directors.

**Presentations to Outgoing Officers**

Certificates of Appreciation were presented by Chair Pro Tem Adamec to Didier Auber and Chuck King for their service as Directors of the District. Randy Black was not present. The recognition of Directors Curtis, Henderson and Schroeter was rescheduled for the February meeting.

**Election of Officers**

Mr. Ringold explained the need to elect new officers upon appointment of new Zone Directors by Harris County Commissioners Court. He advised that the Board had historically opened up officer nominations to anyone on the Board, including self-nominations.

Director Burke nominated Director Scheibe for Chair. There being no further nominations for said position, the nominations were closed. Upon motion by Director Burke, seconded by Director Paruch, Director Scheibe was unanimously elected as Chair of the Board.

Director Burke nominated Director Stewart for Vice Chair. There being no further nominations for said position, the nominations were closed. Upon motion by Director Burke, seconded by Director Blanchard, Director Stewart was unanimously elected as Vice Chair of the Board.

Director Adamec nominated himself for Secretary. There being no further nominations for said position, the nominations were closed. Upon motion by Director Adamec, seconded by Director Woodring, Director Adamec was unanimously elected as Secretary of the Board.

Director Bass nominated himself for Assistant Secretary. There being no further nominations for said position, the nominations were closed. Upon motion by Director Bass, seconded by Director Burke, Director Bass was unanimously elected as Assistant Secretary of the Board.

No one was nominated for the office of Treasurer of the Board, so the position was left open until the next meeting.

### **Discussion of Open Government Training**

Mr. Ringold explained the requirements for completing required training courses on the Open Meeting Act and Public Information Act. He explained how, once the training course is completed, to print the certificates and send them to Mr. Cusick for the District's Records. Mr. Ringold emphasized the importance of following the requirements of the Open Meetings Act and noted that violations may involve fines and criminal penalties.

### **Discussion of Conflicts of Interest**

Mr. Ringold provided the new members of the Board with a memorandum from SPH regarding potential conflicts of interest and reporting requirements relative to same. He requested that each new Board member complete the questionnaire included in the memo and reminded all the Board members that anything that might be considered a conflict of interest should be brought to his immediate attention.

### **Discussion and Possible Action on Agreement with the Port of Houston Authority**

Director Woodring reported that the agreement between the District and the Port of Houston Authority had been finalized and signed by the Port Authority. He explained that although the Port Authority, as a governmental entity, was not subject to mandatory assessment, it had voluntarily contributed funds to the District each year. Director Burke moved for the approval of the Agreement with the Port of Houston Authority. Director Paruch seconded the motion, which passed with all Directors present voting in favor with the exception of Director Woodring, who abstained from debate or voting on the matter.

### **Appointment of Ad Hoc Assessment Appeals Sub-Committee**

Mr. Ringold explained that all timely filed appeals of District assessments must be heard and action taken by the Board. He noted that it has been the practice of the District to provide for a preliminary hearing of timely submitted appeals by a sub-committee, who reviews the appeals in detail and recommends action to the Board. Directors Adamec, Blanchard, Campbell, and Woodring volunteered to serve on the sub-committee. As acting Chair pro tem, Director Adamec appointed each of those Directors volunteering to the sub-committee.

## **Status Report from the Greater Houston Port Bureau**

Mr. Cusick presented the financial and investment reports to the Board and reported that the District's checking account balance for its general operating fund at the end of December was \$113,820.30, following direct deposits of \$94,500.00 and disbursements of \$69,204.03. He noted that the District's money market account balance was \$6,957,422.78 following deposits of \$643,125.00, and interest earned of \$302.41.

Mr. Cusick presented two (2) invoices for Board approval: (1) an invoice received from Harris County of \$38,632.84; and (2) an invoice received from the Greater Houston Port Bureau of \$19,133.64. Upon review of the invoices presented, Director Woodring moved that the financial report be approved and that said invoices be approved for payment. Director Campbell seconded the motion, which passed unanimously.

Mr. Cusick advised that two (2) companies that are delinquent in payment of their 2013 base assessment, penalties and interest totaling \$24,990.00 were referred to Perdue, Brandon, Fielder, Collins & Mott, LLP, the District's delinquent assessment collection attorneys, on July 1, 2014 for further collection efforts.

Mr. Cusick advised the Board that as of January 9, 2015 \$1,430,625.00 had been received. Also, to date, five (5) appeals have been received. Mr. Cusick noted that, pursuant to Chapter 68 of the Water Code, only appeals received by December 18, 2014 were eligible for consideration by the Board.

Mr. Seeba briefed the Board members on the status of moving the HSCO SMAG to the USCG Interagency Operations Center.

CAPT Diehl reported that he would invite the new Directors out for turnover briefs at the Port Bureau to ensure that each incoming Director was prepared for their new duties. He also advised that he would solicit the participation of CAPT Brian Penoyer to the HSCSD February meeting so as to hear the Captain of the Port's vision for cooperation with the Security District.

## **Status Report – City of Houston**

Mr. Richard Retz of the City of Houston ("City") advised the Board of aerial and marine patrols completed by the City during December of 2014. He noted that the District pays for fuel for the helicopters and boats to complete such patrols over the District and the City covers all other costs, including equipment and personnel. He reiterated the joint workshop with DHS/DNDO to be held tentatively on February 13, 2015.

## **Status Report – Harris County**

Mr. Doug Adkinson said that Harris County's Information Technology Center (ITC) personnel would report in executive session. Mr. Greg Karr reported that Harris County's Public

Infrastructure Department was on schedule with the current projects it is undertaking that are being partially funded by the District. Major Wong, HCSO, introduced Lt. Coleman and Deputy Lee, who gave the monthly HCSO report. He reported to the Board regarding waterside hours deployed, landside hours deployed, air hours deployed, and efforts of Deputies involved with industry meetings, OEM, drills, events and inspections. He also reported regarding hours worked by the SMAG Unit relative to monitoring of District cameras.

### **Legal Report – Schwartz, Page & Harding, LLP**

Mr. Ringold explained in detail the proposed third amendment to the project funding agreement with Harris County, which amendment extends the term of the agreement to December 31, 2015, and identifies all current projects and those previously undertaken, their status, unexpended funds, and proposed requests for funds through December 31, 2015. Mr. Ringold noted that Harris County ITC is unable at this time to provide detailed scoping or cost information for its District related projects for 2015, as they are currently being defined based on the Witt O'Brien's/Shrader Engineering Study; therefore, such projects are not included in the Third Amendment. He noted that Harris County has indicated its desire to further amend the Agreement to include such projects once additional information is available relative to same.

Mr. Ringold next provided an update regarding efforts by Perdue Brandon Fielder Collins & Mott LLP, the District's delinquent assessment collections firm, relative to the two (2) delinquent 2014 assessment accounts. He advised that Port Packaging has been serviced with notice of a lawsuit, and Frederick Trucking will be served through the Texas Secretary of State.

### **Status Report – Houston Ship Channel Security System**

Report deferred to executive Session

### **Adopt Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District**

The Board considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Ringold advised that pursuant to the Public Funds Investment Act ("PFIA"), the Board is required to review such list at least annually. He presented and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto, together with a comparison of the list submitted and the list previously adopted by the Board, copies of which are attached hereto as Exhibit . Mr. Ringold further noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions compiled with the input of the District's Investment Officer, but it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion, Director Woodring moved that: (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be

approved by the Board and the District, and (ii) that the Chair and Secretary be authorized to execute same. Director Paruch seconded said motion, which unanimously carried.

### **Discussion and Possible Action Regarding Renewal of District Insurance Coverage**

Mr. Cusick advised the Board that the Districts Directors and Officers (D&O) Insurance would expire on March 1, 2015. A renewal application has been received from the current broker. Mr. Ringold has provided the names of 2 additional brokers who might be interested in working with the District to obtain D&O insurance. Mr. Cusick said he would seek proposals from each of these brokers. Director Burke asked when the District last requested bids on the D&O insurance. Mr. Cusick advised that a formal request for bids and public advertising for bids was done last year.

### **Recess to Executive Session**

At 4:10 P.M., Assistant Secretary Bass read aloud the following notice:

“The Board of Directors of the Houston Ship Channel Security District will now convene in a closed meeting, as permitted by the Texas Open Meetings Act and Government Code Section 551, Subchapter D, to deliberate regarding any of the following:

Recess to Executive Session to discuss matters relating to security devices and personnel or security audits pursuant to §551.076, Texas Government Code; emergency response providers, risk of vulnerability assessments, encryption codes and security keys for communications systems, information prepared for the United States, Information relating to critical infrastructure, and information relating to security systems, all pursuant to §418.183(f), Texas Government Code; and to consult with the District’s attorney pursuant to matters authorized by §551.071, Texas Government Code.

Pursuant to the Government Code, Section 551, Subchapter E, a Certified Agenda of the closed meeting shall be prepared. The Board will reconvene in public session after the closed meeting is adjourned.”

At 4:30 P.M., the Board reconvened in open session. No action was taken relative to matters discussed in executive session

### **Consider Items for Future Meeting Agendas**

No items were suggested.




## **Adjourn**

At 4:31 PM Chair Pro Tem Adamec asked for a motion to adjourn. Director Woodring moved and Director Campbell seconded that the meeting be adjourned. The motion passed unanimously.

## **Next Meeting**

The next regular meeting of the Board is scheduled for Tuesday February 10, 2015, at 2:00 PM at the Shell Learning Center, 4400 Highway 225, Deer Park, Texas.

The above is a correct copy of the Minutes of the January 13, 2015, regular meeting of the Board of Directors of the Houston Ship Channel Security District



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Eric Bass, Assistant Secretary