

MINUTES

**Board of Directors of the
Houston Ship Channel Security District**

**Houston, Texas
January 14, 2014**

The regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on January 14, 2014, at 2:00 p.m. The meeting was held, open to the public, at West Gulf Maritime Association, Board Room, 3rd Floor, 1717 Turning Basin Drive, Portway Plaza Building, Houston, 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
Lewis A. Brown
Bobby Clement
Clayton Curtis, Treasurer
Richard Henderson
Jake Leavins
Robin Riley, Chairman
Gary Scheibe
Tom Schroeter, Secretary
Mike Stewart, Assistant Secretary
Steve Stewart, Vice Chairman

and all of said persons were present, except Director Clement, Director Leavins and Director Henderson, thus establishing a quorum. Also present were Daniel Ringold of Schwartz, Page & Harding, LLP ("SPH"), counsel for the District, and CAPT. Bill Diehl, Patrick Seeba and Al Cusick of the Greater Houston Port Bureau ("GHPB").

Item 1: Call to Order

The meeting was called to order at 2:00 p.m.

Item 2: Appearances

Chair Riley asked if anybody wished to address the Board. Nobody wished to do so.

Item 3: Approval of Minutes

Director Brown moved and Director Steve Stewart seconded that the November 12, 2013, Minutes of the Board meeting be approved as presented. Motion passed unanimously.

Item 4: Results of Zone Director position appointments

Mr. Cusick gave the Board the following Report regarding facility voting for zone director position appointments:

Zone 1

- Clayton Curtis – Oiltanking Houston – Vice President Regulatory Affairs – 73%
- Anthony Hunter – Kirby Inland Marine – Fleet and Facility Manager – 27%

Zone 2

- Lewis A. Brown – Enterprise Products-Pasadena Refining Terminal – Site Manager – 45%
- Chris Matthews – LyondellBassell – HSE Manger – Houston Refinery Complex – 36%
- George Paruch – Valero – Security Manager – 18%

Zone 3

- Randy Black – INEOS Olefins & Polymers USA, LLC – Corporate Security Manager – 100%

Zone 4

- No candidates

Total turnout – 12%

Mr. Cusick also reported that the persons receiving the highest number of votes for each zone had been approved and appointed as Directors for a term of 2 years by Harris County Commissioners Court.

Item 5: Acceptance of Qualification Statements, Oaths of Office and Elections Not to Disclose Certain Information and swearing in of Directors Randy Black (Zone 3), Lewis A.Brown (Zone 2), and Clayton Curtis (Zone 1), Steve Stewart (Harris County Appointee)

Director Schroeter administered the Oaths of Office to the new Directors, and Mr. Ringold advised them of the requirements for accepting the position of Director of the District. Mr. Ringold noted that each of the newly appointed or re-appointed directors in attendance at today's meeting had signed the necessary paperwork to accept the position of Director of the District. Mr. Black, Mr. Brown, Mr. Curtis and Mr. Steve Stewart participated in the rest of the meeting in their capacity as appointed Directors of the District.

Item 6: Interview candidates for current vacancies on the Board of Directors (Zone 2 and Zone 4)

The following candidates had submitted their resumes to the Board for consideration of the position of Director:

Zone 2

- Charles H. King, Jr. – Buffalo Marine Service Inc., - Vice President – Vessel Maintenance and Repair, Security, Safety and Environmental Compliance
- George Paruch – Valero – Security Manager

Zone 4

- Didier Auber – Arkema Inc. Clear Lake – Site Plant Manager
- Everett L. Smith – Kaneka North America LLP – Director of Safety, Health, Security & PSM
- Jerry Volkin – ChemQuest Chemical, LLC – President

Chair Riley asked each candidate to please leave the room and called each one in separately to provide the Board with a brief statement as to why they wished to be a Director. Mr. Everett L. Smith was not present at the meeting, and Mr. Dale Blake spoke on his behalf. The Directors were given an opportunity to ask questions of the candidates, which they did. Following interview of each of the candidates, the Board discussed each and input received from industry partners relative to the filling of the zone director vacancies.

Item 7: Discussion and possible action regarding appointment of director to fill the unexpired term of Robert Clement (Zone 2)

Chair Riley asked the candidates to fill the vacancy for the Zone 2 Director position to re-enter the room.

Director Schroeter moved to nominate Mr. Charles King to fill the vacancy for the Zone 2 Director position. Director Steve Stewart seconded the nomination. Motion passed unanimously. Chairman Riley thanked the candidates for their interest in the Board.

Item 8: Discussion and possible action regarding appointment of director to fill vacant position in Zone 4

Chairman Riley asked the candidates for Zone 4 to re-enter the room.

Director Adamec moved to nominate to Didier Auber to fill the vacancy for the Zone 4 Director position. Director Brown seconded the nomination. Motion passed unanimously. Chairman Riley thanked the candidates for their interest in the Board.

Mr. King and Mr. Auber participated in the remainder of the meeting in their capacity as appointed Directors of the District.

Item 9: Acceptance of Qualifications Statements, Oaths of Office and Elections Not to Disclose Certain Information and swearing in of new Directors (Zone 2 and Zone 4)

Director Schroeter administered the Oaths of Office to Mr. Charles King (Zone 2) and Mr. Didier Auber (Zone 4) and Mr. Ringold advised them of the requirements for accepting the position of Director of the District. Mr. Ringold presented and explained the necessary paperwork for Mr. King and Mr. Auber to execute to accept the position of Director on the District.

Item 10: Presentation to outgoing Directors

Chairman Riley presented a plaque and coasters to Director Mike Stewart and thanked him for his invaluable service to the Board. He stated that he was sorry to see him leave the Board and wished him well in his future endeavors.

Director Schroeter, Director Steve Stewart and Director Curtis presented Chairman Riley with a gavel plaque and coasters. Director Schroeter commended Chairman Riley for his leadership on the Board for the past four years and stated that he had done a phenomenal job of leading the Board and helping secure the Ship Channel. Director Schroeter stated that he was proud to served as a Board member under Chair Riley's leadership and wished him well in his future endeavors.

Director Stewart and Curtis reiterated Director Schroeter's remarks. Chairman Riley informed the Board he had enjoyed his time as Chair and felt that the District had come a long way in the four years that it has been in existence. He stated that he would be present at the next meeting to introduce his successor and wished the Board and District future success.

Item 11: Recess meeting for Appreciation Reception

At 2:40 p.m. Chairman Riley called for a recess for an appreciation reception for the outgoing Directors and so that the new Directors could introduce themselves to the current Board members and take their place at the table.

Item 12: Reconvene Meeting

At 3:02 p.m. Chairman Riley reconvened the Meeting. At this point Mr. John Walker asked if he could address the Board, and Chair Riley recognized him.

Mr. Walker stated that the Area Maritime Security Council Steering Group had recently met and prepared a road map for the next year that addressed the areas waterborne, airborne, cyber, cruise, and landside security, intelligence, Port Security Grants, public affairs, law enforcement and general facility security.

Mr. Walker advised the Board that the Coast Guard offices have moved to Ellington Field and that new phone numbers would be issued. Director Stewart suggested a tour or possibly holding a Board Meeting at the new facilities. Mr. Walker said that that would not be a problem, as they had numerous training rooms for that purpose, and that John Magnanaro would be the contact person to set up such a meeting.

Item 13: Status report from Witt O'Brien regarding five (5) year Security Study

Mr. McHugh advised the Board that the project was progressing in a timely manner and that the Port-Wide Risk Mitigation Plan update was scheduled to be presented to the Board on February 14, 2014 and presented to a group of Facility Safety Officers on February 27, 2014.

Item 14: Public Hearing on Appeals of Assessments; discussion and possible action on appeals submitted and correction of Assessment Roll

Mr. Al Cusick gave the following report regarding the appeals of assessments

14.1 Walton Barge Terminal

Walton Barge Terminal (“WBT”) requested that the District impose a \$0 assessment and petition Harris County Commissioners Court to revise the District’s boundaries to exclude WBT from the District. The stated rationale from WBT was that, due to their location and own site specific security efforts, they do not feel like they are benefitted from the District and its efforts. Mr. Cusick noted that WBT does meet the qualifications of being a facility subject to assessment, and set forth the conditions relating to same. He noted that, based on the foregoing, the appeals committee recommendation was to deny the appeal. After discussion on the matter, Director Adamec moved and Director Brown seconded that the request of WBT to have their assessment eliminated be denied. Motion passed unanimously.

Regarding the request of Walton Barge to have a petition submitted to Harris County Commissioners Court to change the District’s boundaries to exclude WBT, Director Schroeter moved and Director Adamec seconded that this request be denied. Motion passed unanimously.

14.2 Cletex Trucking

Cletex Trucking appealed their 2013 Assessment on the basis that they were assessed as having 99 employees when in fact they only had 30 employees.

Mr. Cusick advised the Board that State Legislation requires that companies must appeal the assessment within thirty (30) days of the Board’s adoption of its assessment order, and failure to timely file within such period results in the loss of the right to appeal. Mr. Cusick advised that Cletex Trucking did not meet the thirty (30) day requirement.

Based upon the information presented, the Board noted that, per applicable statute, Cletex Trucking had lost its right to appeal its 2013 Assessment. Upon motion by Director Brown and second by Director Steve Stewart, the Board instructed the Port Bureau to advise Cletex Trucking that its appeal was not timely filed and, therefore, can not be considered; however, the District would update its records as to the number of Cletex Trucking’s employees for the purpose of future assessments. Motion passed unanimously.

14.3 Equilon Enterprises

Mr. Cusick advised the Board that, despite its best efforts, the Port Bureau has been unable to locate a physical facility within the boundaries of the District for Equilon Enterprises. He noted that said company should not have been included on the Assessment Roll and needs to be removed. Director Brown moved and Director Black seconded that Equilon Enterprises be removed from the Assessment Roll. Motion passed unanimously.

14.4 NewPark Drilling Fluids

Mr. Cusick advised that NewPark Drilling Fluids is the parent company of NPF Qualitex, Inc., which is separately listed on the Assessment Roll for the same facility. Mr. Cusick recommended that the Board make an administrative adjustment to the Assessment Roll to remove New Park Drilling Fluids, but retain Qualitex. Director King moved and Director Brown seconded that NewPark Drilling Fluids be removed from the Assessment Roll. Motion passed unanimously.

14.5 Qualitex, Inc.

Mr. Cusick advised that Qualitex, Inc. appealed their assessment on the basis that they were assessed as having 99 employees when, in fact, they only have 9 employees.

Mr. Cusick advised the Board that State Legislation requires that companies must appeal the assessment within thirty (30) days of the Board's adoption of its assessment order, and failure to timely file within such period results in the loss of the right to appeal. Mr. Cusick advised that Qualitex, Inc. did not meet the thirty (30) day requirement.

Based upon the information presented, the Board noted that, per applicable statute, Qualitex, Inc. had lost its right to appeal its 2013 Assessment. Upon motion by Director King, which was seconded by Director Brown, the Board instructed the Port Bureau to advise Qualitex, Inc. that its appeal was not timely filed and, therefore, can not be considered; however, the District would update its records as to the number of Qualitex Inc.'s employees for the purpose of future assessments. Motion passed unanimously.

14.6 Rockwood Lithium, Inc.

Mr. Cusick advised the Board that Rockwood Lithium Inc. has provided evidence that the company was not in existence at the time of the Board's adoption of the District's 2013 Plan of Assessment, and recommended that the company be removed from the Assessment Roll.

Director Steve Stewart moved and Director King seconded that Rockwood Lithium, Inc. be removed from the Assessment Roll. After discussion, Motion passed unanimously.

14.7 USA Environment, LP

Mr. Cusick advised the Board that the Port Bureau incorrectly keyed in the estimated number of employees for USA Environment, LP, resulting in a higher 2013 assessment than should have been applied assuming no appeal. He further noted that USA Environment, LP provided information as to their number of employees, but beyond the deadline for submittal of appeals. He recommended that, due to the administrative error, the assessment for USA Environment, LP be adjusted based upon the estimated head count applied to all facilities for which information was not timely provided.

Director Brown moved and Director Auber seconded to adjust the assessment for USA Environment, LP. Motion passed unanimously.

14.8 PolyOne, Inc.

Mr. Cusick advised that PolyOne, Inc. provided documentation showing that they do not meet any of the requirements of a facility subject to assessment within the District. It was recommended that PolyOne, Inc. be removed from the Assessment Roll and that the assessment, accrued penalty and interest previously paid of \$18,725.00 be fully refunded to PolyOne, Inc.

Director King moved and Director Curtis seconded that PolyOne, Inc. be removed from the Assessment Roll and that they be refunded the amount of \$18,725.00. Director Brown noted that PolyOne, Inc. is a subsidiary of the Enterprise Products, by which he is employed. Accordingly, he abstained from discussion and voting on the matter. All other members voted in the affirmative.

Item 15: Status report Greater Houston Port Bureau

15.1 Status of Assessments and Collections

Mr. Al Cusick gave the following report:

2013 Assessment Roll 165 Companies*			\$3,374,000.00
Receipts to Date	Assessment – 150 companies **	\$3,209,500.00	
	Penalty & Interest (P & I)	\$ 26,565.00	
Total Related Receipts			\$3,236,065.00
Receivables	Current *** - 7 companies	\$ 98,000.00	
	Delinquent – 8 companies	\$ 77,000.00	
	Penalty & Interest (P & I)	\$ 13,320.73	
Total Receivables			\$ 188,320.73

* Includes 5 companies to be removed from Assessment Roll upon successful appeal

** Includes payment of \$17,500 to be refunded because of a successful appeal

*** Companies that are appealing

15.2 Administrative Report

Mr. Cusick stated that he was continuing to monitor the progress of Witt O'Brien's preparation of the five year update to the Port-Wide Security and Risk Mitigation Plan; reviewed and verified invoices from the City of Houston Police Department and Harris County for project costs and services performed and invoiced in the prior month; obtained renewal bids for expiring insurance coverages; and continued to work on collection of outstanding assessments.

15.3 HSCSD Project Management Update

Mr. Patrick Seeba stated that, with District facilitation, USCG, HCSO, and HPD were in the process of developing a Law Enforcement Memorandum of Understanding to increase the level of communication, coordination and mutual support during waterside patrol and response operations.

The District received a request from Seabrook Police Department for District support of a Radio/Telecommunications Project, Repeaters, Consolettes, Mobile Units, Chargers and Programming Costs. Mr. Seeba gave a brief description of the project and the Harris County regional radio upgrade requirements which engendered the request.

The District received a request from the Harris County Sheriff's Office asking the District to supply \$355,054.04 in grant-match funding for a maritime security risk mitigation facility. Mr. Seeba gave a brief description of the project which is designed as a base of operations for the HCSO Marine Unit, maintenance facility for HCSO boats, and storage facility for Marine Unit equipment. Brief discussion ensued regarding the project as well as potential future developments at the site.

Mr. Seeba provided a brief report on the current status of District-Funded Initiatives, including HSCD Security Project Surveillance System and Witt O'Brien's Portwide Risk Management Plan before deferring further discussion on specific performance issues to Executive Session.

15.4 Public Outreach Summary

CAPT Bill Diehl informed the Board that he had met with Silver Fox Group on January 17, would meet with La Port Plant Managers Network on February 11, and would meet with Houston Maritime Arbitrators Association on February 27. He also stated that he had pending interviews with the Pasadena Reporter and the Houstonian Magazine to discuss the District. In the next month he would be working on new Board Member briefing and the spring District newsletter.

Director Steve Stewart moved and Director Brown seconded that the Greater Houston Port Bureau report be approved. Motion passed unanimously.

Item 16: Status report City of Houston

Mr. Storemski stated that flight hours for the MD 800E were 62.5 and the Bell 412 EP were 24.9 hours. He also stated that the City of Houston's legal department has drafted and provided Mr. Ringold with a proposed Interlocal Agreement to reduce bureaucratic delay with future HPD-District cooperation. Mr. Ringold noted that he had discussed said draft agreement with Mr. Retz and both agreed that revisions thereto were necessary. Mr. Storemski also noted that the City of Houston had secured an opportunity to provide District Members with IED/Bomb identification/disposal/prevention classes, and that that Mr. Retz would work with GHPB to finalize preparations and inform District members.

Item 17: Status report Harris County

Mr. Greg Karr reported that the Railway Permit to allow fiber to cross under the rail lines next to Ellington Field had been approved and that Harris County crews were working to install fiber down Old Galveston Road, as well as take advantage of TXDOT fiber on Beltway 8. Mr. Karr also noted that the District-approved \$1.6 million brocade hardware package was, for internal invoicing reasons, split into two separate purchase orders.

Item 18: Discussion and possible action of Request for Support – Harris County Sheriff’s Office, Grant Match, Marine Unit Command and Control Facility

After discussion on this matter, Director Schroeter moved and Director Adamec seconded that the Greater Houston Port Bureau and SPH proceed with preparation of the necessary documentation and making the necessary arrangements to hold a public hearing on this matter. Motion passed unanimously.

Item 19: Discussion and possible action of Request for Support – Harris County ITC Department, Grant Match, Cyber Security

Director Steve Stewart moved and Director Curtis seconded that this item be tabled until the February Board Meeting. Motion passed unanimously.

Item 20: Discussion and possible action of Request for Support – Seabrook Police Department radio project

After discussion, Director Curtis moved and Director Adamec seconded that the request be denied and that Seabrook Police Department be encouraged to apply for grant funds for this project. Motion passed unanimously.

Item 21: Legal Report

21.1 Status of Amendment to Agreement between City of Houston and the District regarding air support patrols and District funded projects

This item was handled under the City of Houston status report.

21.2 Status of Interlocal Agreement between City of Baytown and the District regarding FY 2013 Port Security Grant Program grant match funding

Mr. Ringold stated that the Agreement has been drafted; however, it has not yet been sent to Baytown. Mr. Ringold would be discussing this matter with Mr. Seeba regarding reporting requirements.

Item 22: Discussion and possible action on payment of invoices for maintenance, operation and administration expenses

Mr. Cusick presented the following invoices for approval:

Harris County (December)	\$ 30,073.58
Harris County (January)	\$453,547.87
City of Houston (October)	\$ 17,791.80
City of Houston (November)	\$ 5,019.60
Greater Houston Port Bureau (November)	\$ 32,316.75
Greater Houston Port Bureau (December)	\$ 14,339.80
Schwartz, Page & Harding, LLP (November)	\$ 8,408.95
Schwartz, Page & Harding, LLP (December)	\$ 11,477.70

Director Curtis moved and Director Scheibe seconded that the invoices presented be paid. Motion passed unanimously.

Item 23: Quarterly Financial Report

Director Curtis presented to the Board the Quarterly Financial Report for the period ending December 31, 2013. Director Steve Stewart moved and Director Scheibe seconded that the report be approved. Motion passed unanimously.

Item 24: Quarterly Investment Officers Report

Director Curtis presented to the Board the Quarterly Investment Officers Report for the period ending December 31, 2013. Director King moved and Director Black seconded that the report be approved and the investment officer be authorized to execute same on behalf of the Board and the District. Motion passed unanimously.

Item 25: Executive Session

The Board did not meet in Executive Session.

Item 26: Reconvene in Open Session and take any action regarding items discussed in Executive Session

The Board did not meet in Executive Session

Item 27: Election of Officers

Chairman Riley asked if the current officers holding the positions of Vice Chair, Secretary and Treasurer, were seeking re-appointment to their position and if there were any Board members that would be interested in any of those positions. No Board members indicated that they wished to fill those positions. Director Steve Stewart indicated that he would be willing to continue the role of Vice Chair. Director Schroeter indicated that he would be willing to continue the role of Secretary and Director Curtis indicated that he would be willing to continue the role of Treasurer. Director King moved that the positions of Vice Chair, Secretary and Treasurer be reaffirmed for Director Stewart, Schroeter and Curtis, respectively. Director Scheibe seconded the Motion. Motion passed unanimously.

Chairman Riley then asked for volunteers for the position of Assistant Secretary. Director Adamec stated that he would be willing to serve in such position. Director Auber seconded that Director Adamec be nominated as Assistant Secretary. Director King moved that nominations be closed and Director Adamec be appointed Assistant Secretary. Motion passed unanimously.

Director Scheibe informed the Board that he is interested in serving as the Chair of the Board. Director Schroeter nominated Director Scheibe for the position of Chair and moved that he be appointed to that position, Director Steve Stewart seconded the nomination and motion. There being no further nomination for the position, the nominations were closed. Motion passed unanimously.

Item 28: Consider items for future meeting agendas

None

Item 29: Adjourn


There was no other business to come before the Board. Director Adamec moved and Director Brown seconded that the meeting adjourn. Motion passed unanimously. Meeting adjourned at 5:00 p.m.

The above is a correct copy of the Minutes of the January 14, 2014, regular meeting of the Board of Directors of the Houston Ship Channel Security District.



Gary Scheibe, Chairman

ATTEST:



Thomas G. Schroeter, Secretary