

MINUTES

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

**Deer Park, Texas
April 8, 2014**

The regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on April 8, 2014, open to the public, at The Mustang Building, 2nd 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
Didier Auber
Randy Black
Lewis A. Brown
Jimmy Burke
Clayton Curtis, Treasurer
Richard Henderson
Chuck King
Gary Scheibe, Chair
Tom Schroeter, Secretary
Steve Stewart, Vice Chair

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

Call to Order

Chair Scheibe called the meeting to order at 2:02 p.m.

Appearances

Chair Scheibe called for any appearance by the public. There were none.

Approval of Minutes

The Board considered the approval of the minutes of its meetings held on March 3, 2014 and March 11, 2014. After review of the draft minutes presented, Director Brown motioned, with Director Stewart seconding, for approval of the minutes of the March 3, 2014. The motion

passed unanimously. And after review of the draft minutes presented, Director Brown motioned, with Director King seconding, for approval of the minutes of March 11, 2014, meetings. The motion passed unanimously.

Acceptance of Qualification Statement, Oath of Office, Election Not to Disclose Certain Information and swearing in of Director Jimmy Burke (Harris County Mayors' and Councils' Association Appointee)

Mr. Ringold advised the Board that Jimmy Burke had executed and provided a Qualification Statement and Election Not to Disclose Certain Information in connection with his appointment by the Harris County Mayors and Councils Association to serve on the Board of Directors of the District, that all such documentation appeared to be in order, and that Mr. Burke had been administered the Oath of Office. Director King motioned said paperwork be accepted and that Director Burke be seated as a member of the Board. Director Schroeter seconded the motion, which passed unanimously.

Discussion Regarding Training Requirements for Directors pursuant to the Texas Open Meetings Act and Public Information Act

Mr. Ringold advised the Board that he had explained the training requirements to Director Burke and the time limits for completing same.

Discussion Regarding Conflicts Disclosure Statement Reporting Requirements

Mr. Ringold advised the Board that he had reviewed the applicable conflict of interest disclosure reporting requirements with Director Burke and that no action was necessary at this time relate to same.

Public Hearing on proposed Security Plan for a Marine Unit Command and Control Facility

At 2:10 PM Chair Scheibe adjourned the regular meeting and opened a Public Hearing on the District's proposed Security Plan for a Marine Unit Command and Control Facility.

Mr. Ringold advised the Board that the GHPB had timely provided the required 30 day Notice of the Public Hearing, a copy of which is attached hereto as Exhibit "A", to all facilities on the District's Assessment Roll via certified mail. He further reviewed the details of the proposed Security Plan, noting that it includes use of \$355,054 in surplus funds from the District's first assessment to provide the 25% matching funds requirement for the grant secured by Harris County for a Marine Unit Command and Control Facility. Mr. Ringold noted that no additional assessments will be imposed as a part of this Security Plan. He then stated that the public hearing is to provide an opportunity for the public to provide comments regarding the proposed Security Plan for the Board's consideration.

Receive public comments regarding proposed Security Plan

Maj. Wong, HCSO, briefly explained the project and the benefits expected to be derived from locating the storage and maintenance of the boats closer to the USCG launch facilities and the centralization of the Marine Unit Command. He said the facility would include a base of operations for the County's Dive Team at some point in the future.

Director King asked if the project included a boat ramp. Maj. Wong pointed out that the project does not include a boat ramp at this time, but the County anticipates seeking additional grant funding to install a boat ramp in the future.

Chair Scheibe asked Maj. Wong to expand on the functions of the County's Dive Team. Maj. Wong said the Marine Unit will be housed at the project facility. However, currently the Dive Team is an on-call unit. They will be able to store their equipment at the facility, and hopefully they will eventually become a full time unit that can be housed at the facility.

A representative from Targa Resources asked if the Dive Team would be responsive to requests from industry for assistance following spills or incidents. Maj. Wong responded that the Dive Team is only used for law enforcement operations.

Chair Scheibe ask if the HCSO had any plans for the project if the District did not provide the 25% matching funds. Maj. Wong said that without the 25% match, the project would probably be abandoned.

Close Public Hearing and reconvene Regular Meeting

With no further comments from the floor, Chair Scheibe closed the public hearing at 2:17 PM and reconvened the regular meeting.

Consider and rule upon objection presented to proposed Security Plan

There were no objections presented to the proposed Security Plan.

Discussion and possible action regarding request for matching grant funding for the Development and Construction of a Marine Unit Command and Control Facility Project, including the adoption of a resolution relative to the proposed Security Plan

There being no further discussion, Director Schroeter motioned the Order Adopting Security Plan, a copy of which is attached hereto as Exhibit "B", be adopted, and that the District provide the 25% matching funds in the amount not to exceed \$355,054 for the Marine Unit Command and Control Facility. Director King seconded the motion, which passed unanimously.

Discussion and possible action regarding an agreement with the City of Baytown for matching grant funds for their 2013 PSGP grant to purchase a prime mover

Mr. Ringold said the final version of the agreement had been provided to the Directors for their review, a copy of which is attached hereto as Exhibit "C". Director Schroeter asked if the 25% matching funds for the grant equaled the \$36,000 being requested. Mr. Ringold and Mr. Cusick confirmed the amounts. Director Schroeter motioned that the agreement be approved, that the Chair be authorized to execute same on behalf of the District, and that the District provide grant

matching funds to the City of Baytown in an amount not to exceed \$36,000 in accordance with the Agreement. Director Brown seconded the motion. The motion passed unanimously.

Director Auber asked how the District could gain access to the Baytown equipment. Chair Scheibe explained the existing call-down procedures between the local municipalities, Harris County, and the Coast Guard. Mr. Ringold said the Captain Of The Port and the District's other law enforcement partners will be provided with a copy of the executed agreement such that they are aware of the terms and conditions upon which the Baytown assets may be called upon to respond to incidents occurring within the District.

Director Schroeter noted that the District now has a new partner in the City of Baytown.

Discussion and possible action regarding Interlocal Agreement with the City of Houston for Security Projects and Services, including provision of matching grant funding, provision of marine patrol services, and extension of term of current air support services

Mr. Ringold advised that he had received a revised proposed Interlocal Agreement from the City of Houston and has recently provided the City with comments to same. Mr. Storemski said that the current agreement for funding the helicopter flights expires April 24, 2014, and continuation of the flights is dependent on the approval of this Interlocal Agreement. Mr. Ringold discussed with the Board an amendment to the current air support agreement with the City of Houston, a copy of which is attached hereto as Exhibit "D", to ensure continuity of flights while the District negotiates the proposed comprehensive Interlocal Agreement with the City of Houston. After discussion on the matter, Director King motioned to approve the amendment to the Air Patrol agreement. Director Auber seconded the motion, and upon vote, the motion passed unanimously.

Mr. Storemski asked if the requested 25% matching funds for the grant to procure specialized equipment for the Bell 412EP helicopter could be approved separately. He noted that the lead time to purchase the equipment makes it imperative to begin the procurement process immediately in order to meet the grant deadline. Director Brown motioned the approval of the 25% matching funds in the amount \$141,852 for the 2013 grant. Director Stewart seconded the motion. The motion passed unanimously.

Discussion and possible action regarding a change order to expand scope of engagement of Witt O'Brien relative to preparation of update to Port-wide Strategic Risk Mitigation Plan

Mr. Seeba advised that, at the request of the Board, the GHPB had contacted the Federal Emergency Management Agency ("FEMA") Department of Homeland Security ("DHS") Grant Coordinator and received approval to expand the scope of the Port-wide Risk Mitigation Plan in accordance with input received from the Captain of the Port. The overall budget for the grant has not changed from the original \$1,000,000. Mr. Seeba noted that the District has received a change order from Witt O'Brien's and Shrader Engineering reflecting the additional cost for the expanded scope of the project. Director King motioned to approve the change order to the Witt O'Brien's contract. Director Auber seconded the motion. The motion passed unanimously.

Discussion and possible action regarding potential projects for funding through the 2014 Federal Port Security Grant Program (PSGP)

Chair Scheibe advised the Board that he had recently attended a seminar on the Portstar training program. He discussed the general nature of the program, noted that the price was very reasonable, and suggested that it might be a good idea for the District to seek grant funding to make the various training modules available to District facilities at no cost. CAPT Woodring said the Port of Houston Authority had purchased access to the program for training of its security personnel. He said that PHA was very pleased with the results of the program. A discussion ensued as to whether the aggregate cost of purchasing access to the training modules for District facilities was enough to justify a grant application.

Chair Scheibe requested that the GHPB research the cost and options and bring information relative to same to the next meeting of the Board, including a grant request if the cost justified applying for a grant.

Status Report from Harris County

Mr. Doug Adkinson of Harris County said that representatives from FEMA are coming to Houston the week of April 14th to investigate the effectiveness of the port security programs financed through grant funds. He also noted that the Assistant Administrator of FEMA would be coming for a one day visit that just happened to correspond with the workshop visit. He asked if any of the Directors would like to attend the meeting and lunch with the Assistant Administrator. Chair Scheibe said he and Director Stewart would attend.

Status Report from City of Houston

Mr. Storemski said the helicopters flew a total of 99 hours in March. He noted that the amount of hours flown were a bit lower than normal as a result of certain maintenance to the helicopters performed during the month.

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 was \$230,701.73 following disbursements of \$83,868.26 and deposits of \$1,323.00 during the month of March. He noted that the District's money market account balance was \$7,525,446.27 following receipts during the month of March totaling \$13,724.20. Mr. Cusick presented four (4) invoices for Board approval: (1) an invoice received from Harris County for \$49,184.27; (2) an invoice from Harris County for \$6,736.00; (3) an invoice received from the Greater Houston Port Bureau for \$29,164.62; and (4) an invoice from the City of Houston for \$17,633.10. Director Auber moved that the invoices presented be approved for payment. Director Stewart seconded the motion, which passed unanimously.

Mr. Cusick presented an update as to the collections of the District's 2013 Assessment payments. He advised that three (3) facilities have not responded to any communications and are delinquent on payment of their base assessment, penalties and interest. One facility is in the process of attempting to set up a meeting with the District to discuss its assessment and inclusion in the District. Two other companies have paid their base assessment amount, but still owe penalties and interest. The total uncollected assessments, penalties and interest total \$48,427.25

Mr. Cusick said he has contacted the law firm of Perdue Brandon Fielder Collins and Mott LLP for assistance in collecting the unpaid assessments. An item relative to engaging the firm for collection efforts will be included on the agenda for next month's meeting.

Mr. Seeba briefed the Board on the GHPB's project management efforts on behalf of the District. He updated the Board on the status of the proposed Memorandum of Understanding between USCG and HCSO relative to mutual support on the waterways, which is currently under review by USCG's legal department. Mr. Seeba noted that updates on Harris County's Security Project Surveillance System and the 5 year update to the Port-wide Risk Mitigation Plan would be addressed in Executive Session. Mr. Seeba also announced that, with City of Houston assistance, the District hosted a Vehicle Based IED workshop on March 27, 2014, at the Shell Learning Center and would be hosting an IED workshop on May 7, 2014, at the Port of Houston Authority's Port Command Center.

Mr. Seeba reported on the Port Bureau's efforts to keep the District Members informed during the Texas City Y Incident. Director Adamec said that he and other facilities not located on the water appreciated being made aware of the status. Chair Scheibe thanked CAPT Woodring for allowing the GHPB to sit in the daily updates.

Mr. Seeba said that USCG Chief Pelland thanked the City of Houston and Harris County marine units for the support they provided during the Texas City Y incident. It allowed the Coast Guard to allocate their units where needed and also give them time off the water to rest.

Mr. Seeba reported that he was in the process of mapping facilities located within the District and had physically driven to every facility and marked it on a map. A wall map will be developed and mounted in the District offices.

Captain Diehl updated the group on his management and outreach efforts on behalf of the District, which include discussions with industry representatives and Board member briefings.

Legal Report – Schwartz, Page & Harding, LLP

Mr. Ringold noted that the status of the Baytown Agreement and the proposed new Interlocal Agreement with the City of Houston had been discussed earlier in the meeting.

Quarterly Financial Report

Mr. Cusick gave the Quarterly Financial Report in the absence of Treasurer Curtis.

Quarterly Investment Officer Report

Mr. Cusick presented the Quarterly Investment Officers Report, including the signed compliance statement by Investment Officer Curtis. Director Auber moved the acceptance of the Investment Officers Report as presented. Director Brown seconded the motion. The motion passed unanimously.

Executive Session

At 3:39 P.M., Chair Scheibe called for a five minute recess. Director Schroeter read the following statement:

“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: security devices and personnel, or security audits pursuant to §551.076, Texas Government Code; emergency response providers, risk or 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 §418.182(f), Texas Government Code; and to consult with the District’s attorney pursuant to matters authorized by §551.071, Texas Government Code.”

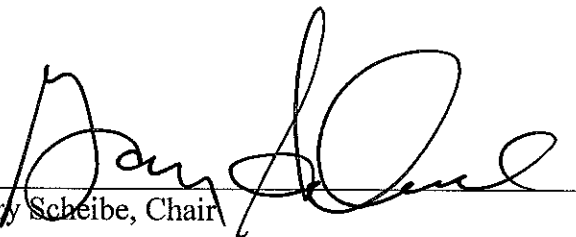
All persons other than the Board members in attendance, Mr. Ringold, CAPT. Diehl, Mr. Seeba, and the necessary representatives of Harris County exited the meeting at this time.

At 3:45 PM Chair Scheibe called the Executive Session to order.

At 4:02 P.M., the Board reconvened in open session. No further action was taken and, upon motion by Director Schroeter, seconded by Director Adamec, and which passed unanimously, the meeting was immediately adjourned at 4:03 PM.


The next meeting of the Board is scheduled for Tuesday, May 13, 2014, at 2:00 P.M. 1400 at the Shell Learning Center, 4400 Highway 225, Deer Park, Texas.

The above is a correct copy of the Minutes of the April 8, 2014 regular meeting of the Board of Directors of the Houston Ship Channel Security District.



Gary Scheibe, Chair

ATTEST:



Thomas G. Schroeter, Secretary

Exhibit A

ORDER CALLING HEARING ON SECURITY PLAN

WHEREAS, the Houston Ship Channel Security District (the "District") has been heretofore duly created and organized pursuant to the provisions of Chapter 68, Texas Water Code (the "Act"), and by an order of the Harris County Commissioners Court, dated June 9, 2009; and

WHEREAS, the primary purposes of the District are to plan, establish, develop, construct, renovate, maintain, repair, replace, operate or contract with other public or private persons for the joint use and implementation of security projects and security services which promote or aid security within the District; and

WHEREAS, Harris County, the City of Houston, the Port of Houston Authority ("POHA") and other governmental entities, have heretofore secured and received federal grant funding and have developed and implemented a plan for enhanced security improvements and infrastructure for the Houston Ship Channel's waterside and landside facilities, as well as for associated supply chain and support industries supporting the Houston Ship Channel region (the "Existing Projects"); and

WHEREAS, Harris County, through the Harris County Sheriff's Office, has secured more than \$1,000,000 in additional federal grant funding through the Port Security Grant Program for the construction of a Marine Unit Command and Control Facility (the "Marine Facility") that is designed to further enhance the security of the Houston Ship Channel and the associated waterside and landside facilities located within the District;

WHEREAS, the District and Harris County entered into that certain agreement dated March 8, 2011, as supplemented and amended (the "Project Agreement") pursuant to the authority of the Act, the Interlocal Cooperation Act and the general and special laws of the State of Texas, whereby Harris County, in cooperation with the District, POHA, and other public and private entities, implemented the Existing Project and is responsible for the ongoing operation and maintenance of same (the "County Security Services") for the joint use and benefit of Harris County and the District, and the facilities located within and adjacent to the District; and

WHEREAS, pursuant to the Project Agreement, and in order to leverage such federal grant funding, the District provided the local matching funds required for infrastructure and improvement construction and acquisition of the Existing Projects and has heretofore provided funds to the County to defray a portion of the cost of operation, maintenance, upkeep and administration of the Existing Projects; and

WHEREAS, the County has requested that the District provide additional financial assistance in the form of local matching funds in order to leverage the federal grant funding for the Marine Facility; and

WHEREAS, the County has represented that the County, through the Harris County Sheriff's Office, will provide the funding for all items necessary for the construction and

completion of the Marine Facility that are not eligible for grant funding, including, without limitation, furniture, computer equipment, office supplies, utilities, and all ongoing personnel, maintenance and operational costs of the Marine Facility; and

WHEREAS, the Board of Directors (the "Board") of the District has heretofore reviewed and considered in detail the estimated cost to the District of the Marine Facility; and

WHEREAS, the Board has heretofore adopted that certain Resolution Adopting Security Plan and Establishing Procedures for the Disposition of Excess Funds dated March 13, 2012 (the "Excess Funds Resolution"), whereby the District established procedures for the use or refund of excess assessment funds in accordance with Section 68.307(f), Texas Water Code.

WHEREAS, the Board has determined that the District has sufficient excess funds from one or more prior assessments to provide the local matching funds in order to leverage the federal grant funding for the Marine Facility without the necessity of imposing any additional assessments for such purpose; and

WHEREAS, the Board has determined that the Marine Facility will be of a general benefit to the District and the facilities located therein; and

WHEREAS, pursuant to Section 68.302 of the Act, before the District may finance the local matching funding requirement of the Marine Facility, the Board must first call and conduct a public hearing on the advisability of said security project; Now, therefore,

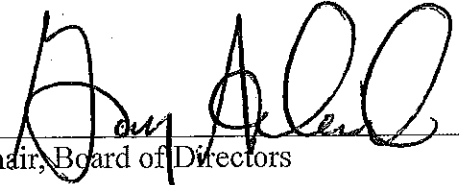
BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE HOUSTON SHIP CHANNEL SECURITY DISTRICT, THAT:

Section 1: A public hearing is hereby called for and shall be held and conducted on Tuesday, April 8, 2014, at 2:00 P.M., at the Mustang Building, 2nd Floor, Shell Learning Center, 4400 Highway 225, Deer Park, Texas 77536, within the boundaries of the District, to consider the advisability of the proposed Marine Facility, and the proposed use of excess funds to be made by the District to finance said security project. Such hearing shall be open to the public and shall be conducted by the Board. Any interested person, including, without limitation, any owner of any facility within the District, or any such owner's representative(s), shall have the right to appear and offer testimony or documentary evidence for, against or on the advisability of the Marine Facility and the District's proposed use of excess funds to finance such security project.

Section 2: Not later than the thirtieth (30th) day before the date of such public hearing, notice shall be provided of such hearing by certified mail, return receipt requested, to each owner of a facility within the District at the current address of each facility, according to the appraisal record maintained by the Harris County Appraisal District for such facility under Section 25.02, Texas Tax Code. Such notice shall be in substantially the form set forth in Exhibit "A" attached hereto.


the nature, advisability and estimated costs of the proposed security project, the facilities within the District to be benefitted, and the source of funding to finance such costs.

PASSED and ADOPTED this 11th day of February, 2014.



Chair, Board of Directors

ATTEST:



Secretary, Board of Directors

(SEAL)

EXHIBIT "A"

NOTICE OF PUBLIC HEARING

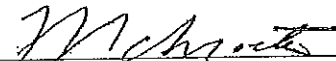
Notice is hereby given that the Board of Directors of the Houston Ship Channel Security District (the "District") has called and will hold and conduct a public hearing on Tuesday, April 8, 2014, at 2:00 P.M., at the Mustang Building, 2nd Floor, Shell Learning Center, 4400 Highway 225, Deer Park, Texas 77536, within the boundaries of the District, on the advisability of the District's proposed security project (Marine Facility) and the proposed source of funding to finance the costs of same. **The District is not proposing any additional assessments or other fees or charges on facilities in connection with this security project (Marine Facility).**

The general nature of the security project is described in Attachment I hereto, which is hereby incorporated by reference and made a part hereof for all purposes.

The estimated costs of the security project is set forth in Attachment II hereto, which is hereby incorporated by reference and made a part hereof for all purposes.

The proposed method of funding of the security project is set forth in Attachment III hereto, which is hereby incorporated by reference and made a part hereof for all purposes.

YOU WILL THEREFORE TAKE NOTICE OF THE FOREGOING.



Secretary, Board of Directors
Houston Ship Channel Security District

ATTACHMENT I

GENERAL NATURE OF SECURITY PROJECT

Development and construction of a Marine Unit Command and Control Facility (the "Project") located on the Houston Ship Channel and within the boundaries of the Houston Ship Channel Security District at 3100 Federal Road (the "Project Site"). The first phase of the Project includes demolition of existing improvements on and preparation of the Project Site, design engineering and architectural services, environmental services, project management, installation of utilities, Project Site drainage, parking, and construction of a building foundation. The second phase of the Project includes the construction of a command center building and boat storage building.

Upon completion, the Project will be used by the Harris County Sheriff's Office ("HCSO") as an on-site command center and base of operations for the HCSO marine unit. The Project is designed to expand the capabilities of the HCSO marine unit, increase collaboration between local law enforcement agencies, and extend the useful life of equipment through storage of same in a controlled environment. Increased coordination and collaboration of marine patrol activities among law enforcement agencies will aid security within and adjacent to the District through enhanced prevention and deterrence of terroristic activities. The Project is further designed to enhance response capabilities and decrease response times by providing a coordination and storage facility located in close proximity to the United States Coast Guard Station Houston marine launching location for more efficient deployment of assets to respond to incidents along the Houston Ship Channel and its tributaries. The Project will also provide a facility for on-site storage of marine assets and equipment, as well as on-site maintenance of such assets and equipment.

ATTACHMENT II

ESTIMATED COSTS

The total estimated capital cost of the Marine Facility is approximately \$1,420,216. The estimated District share of such capital cost is \$355,054, and represents the 25% local matching share requirement for federal Port Security Grant Program grant funds. The balance of the capital costs for the Marine Facility will be funded by federal grant funds or other sources, persons or agencies. Harris County will provide the project site and any other real property or property rights necessary to develop and construct the Marine Facility. Harris County, through the Harris County Sheriff's Office, will be responsible for funding of all expenses not covered by grant funding, including, without limitation, all assets, equipment and personnel necessary to adequately outfit and staff the Marine Facility such that it operates in accordance with intended purpose, as well as all ongoing maintenance and operational cost of the Marine Facility.

The Marine Facility will be deliverable in a single phase, as follows:

| Income: | 2014 |
|--|-------------|
| Assessments | \$ 0 |
| Use of Surplus Funds /Carry Forward | \$ 335,054 |
| Interest Earnings | \$ 0 |
| Subtotal | \$ 335,054 |
| Expenses: | |
| Security Project (Equipment, Infrastructure & Improvements) | \$ 335,054 |
| Security Services (O&M, Training & Gap analysis) | \$ 0 |
| (District Administration) | \$ 0 |
| Subtotal | \$ 335,054 |
| Net | \$ 0 |

ATTACHMENT III

PROPOSED PLAN OF FINANCING

Pursuant to Section 68.306(f), Texas Water Code, and the provisions of the District's written procedures relative to use of refund of excess assessment proceeds, the Board of Directors of the District proposes to use and apply up to \$335,054.04 in excess funds derived from one or more prior assessments to fund the local matching share requirement for the development and construction of the Marine Facility. The District's contribution and financial responsibility for the Marine Facility under this proposed plan of financing shall be limited solely to provision of local matching share funding for the federal grant funds awarded to Harris County out of the 2013 Port Security Grant Program for the creation of the Marine Facility and shall not exceed \$335,054.04.

The District is not proposing any additional assessments for the purpose of financing local matching share funding for the Marine Facility.

Exhibit B

RESOLUTION ADOPTING SECURITY PLAN

WHEREAS, the Houston Ship Channel Security District (the "District") was created and organized pursuant to an Order of the Commissioners Court of Harris County, Texas, dated June 9, 2009, and operates pursuant to Chapter 68, Texas Water Code, as amended (the "Act");

WHEREAS, the District is empowered to accomplish the purposes for which it was created, including acquiring, constructing, completing, developing, owning, operating, maintaining and leasing security projects or providing security services inside or outside of the District's boundaries;

WHEREAS, the District is likewise empowered to contract with the State of Texas, a municipality, a county or other political subdivision of the State of Texas to accomplish any District purpose;

WHEREAS, the District may contract with and accept from a governmental entity assessment payments, which funds may be used for any District purpose that the District and governmental entity may mutually agree upon, including for the purpose of financing security projects or security services;

WHEREAS, the District is empowered to impose an assessment against facilities located within the boundaries of the District for any District purpose, and the District has imposed such an assessment for the purpose of financing a security project and security services administered by Harris County as set forth in detail in the District's Resolution Adopting Plan of Assessment dated August 17, 2010 (the "Initial Assessment");

WHEREAS, the District is further empowered to establish procedures for the use or refund of assessment funds collected by the District determined to be in excess of those necessary to finance a security project or security service for which they were collected, and, by Resolution of the District's Board of Directors dated March 13, 2012, so established procedures for the use or refund of excess funds held by the District;

WHEREAS, the Board of Directors of the District has determined that excess funds have been derived from assessment payments received pursuant to a contract or contracts with the Port of Houston Authority, the Initial Assessment, and/or penalty and interest income derived therefrom;

WHEREAS, the Board of Directors of the District has proposed to use a portion of said excess funds to provide grant matching funding for the proposed security project and security services described in Attachment I hereto (the "Project"); and

WHEREAS, the District has provided notice of its intent to hold a public hearing on the advisability of the Project pursuant to the requirements of the Act and Chapter 551, Texas Government Code, as amended; Now, therefore:

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE HOUSTON SHIP CHANNEL SECURITY DISTRICT, THAT:

Section 1: There was conducted a hearing on April 8, 2014, on the advisability of the Project, which hearing was open to the public.

Section 2: Based upon the public comments and objections received at such hearing, all of which have been heard and ruled upon by the Board, the Board hereby makes the following findings:

- (i) The Project is necessary and appropriate to accomplish the purpose or purposes for which the District was created and organized;
- (ii) The nature of the Project is described in Attachment I, which is attached hereto and incorporated herein;
- (iii) The estimated cost of the Project is set forth in Attachment II, which is attached hereto and incorporated herein; and
- (iv) All facilities located within the District will derive benefit from the Project.

Section 3: The Project duration shall not exceed two (2) years from commencement (the "Initial Term"). The District may adopt a new security plan if it determines to extend the Project beyond the Initial Term.

Section 4: The District shall finance the Project, in whole or in part, solely from the funding sources identified in Attachment III, and only to the extent sufficient funds from such sources are available. The District's portion of the funding for the Project is in accordance with the District's duly adopted Resolution dated March 13, 2012 setting forth procedures for the use or refund of excess funds held by the District.

PASSED AND ADOPTED this the 8th day of April, 2014.

Chair, Board of Directors

ATTEST:

Secretary, Board of Directors

(Seal)

ATTACHMENT I

GENERAL NATURE OF SECURITY PROJECT

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Upon completion, the Project will be used by the Harris County Sheriff's Office ("HCSO") as an on-site command center and base of operations for the HCSO marine unit. The Project is designed to expand the capabilities of the HCSO marine unit, increase collaboration between local law enforcement agencies, and extend the useful life of equipment through storage of same in a controlled environment. Increased coordination and collaboration of marine patrol activities among law enforcement agencies will aid security within and adjacent to the District through enhanced prevention and deterrence of terroristic activities. The Project is further designed to enhance response capabilities and decrease response times by providing a coordination and storage facility located in close proximity to the United States Coast Guard Station Houston marine launching location for more efficient deployment of assets to respond to incidents along the Houston Ship Channel and its tributaries. The Project will also provide a facility for on-site storage of marine assets and equipment, as well as on-site maintenance of such assets and equipment.

ATTACHMENT II

ESTIMATED COSTS

The total estimated capital cost of the Marine Facility is approximately \$1,420,216. The estimated District share of such capital cost is \$355,054, and represents the 25% local matching share requirement for federal Port Security Grant Program grant funds. The balance of the capital costs for the Marine Facility will be funded by federal grant funds or other sources, persons or agencies. Harris County will provide the project site and any other real property or property rights necessary to develop and construct the Marine Facility. Harris County, through the Harris County Sheriff's Office, will be responsible for funding of all expenses not covered by grant funding, including, without limitation, all assets, equipment and personnel necessary to adequately outfit and staff the Marine Facility such that it operates in accordance with intended purpose, as well as all ongoing maintenance and operational cost of the Marine Facility.

The Marine Facility will be deliverable in a single phase, as follows:

| Income: | 2014 |
|--|-------------|
| Assessments | \$ 0 |
| Use of Surplus Funds /Carry Forward | \$ 335,054 |
| Interest Earnings | \$ 0 |
| Subtotal | \$ 335,054 |
| Expenses: | |
| Security Project (Equipment, Infrastructure & Improvements) | \$ 335,054 |
| Security Services (O&M, Training & Gap analysis) (District Administration) | \$ 0 |
| Subtotal | \$ 335,054 |
| Net | \$ 0 |

ATTACHMENT III

PROPOSED PLAN OF FINANCING

Pursuant to Section 68.306(f), Texas Water Code, and the provisions of the District's written procedures relative to use of refund of excess assessment proceeds, the Board of Directors of the District proposes to use and apply up to \$355,054.04 in excess funds derived from one or more prior assessments to fund the local matching share requirement for the development and construction of the Marine Facility. The District's contribution and financial responsibility for the Marine Facility under this proposed plan of financing shall be limited solely to provision of local matching share funding for the federal grant funds awarded to Harris County out of the 2013 Port Security Grant Program for the creation of the Marine Facility and shall not exceed \$335,054.04.

The District is not proposing any additional assessments for the purpose of financing local matching share funding for the Marine Facility.

Exhibit C

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

**INTERLOCAL AGREEMENT
BETWEEN THE CITY OF BAYTOWN AND
THE HOUSTON SHIP CHANNEL SECURITY DISTRICT**

THIS AGREEMENT is made and entered into on the countersignature date below (the "Effective Date") pursuant to the Interlocal Cooperation Act, TEX. GOV'T CODE ANN. §§ 791.001 – 791.030, as amended, and TEX. WATER CODE, §68.209, by and between the **City of Baytown**, a home rule city of the State of Texas, situated in Harris and Chambers Counties, acting by and through its City Council (the "City"), and **The Houston Ship Channel Security District**, a special district and political subdivision of the State of Texas, acting by and through its Board of Directors (the "District").

RECITALS

WHEREAS, by an Order of the Commissioners Court of Harris County, Texas dated June 9, 2009, the District was created under Chapter 68 of the Texas Water Code (the "Code"); and

WHEREAS, among the primary purposes of the District are to plan, establish, develop, construct, renovate, maintain, repair, replace, operate or contract with other public or private persons for the joint use and implementation of security projects and security services which promote or aid security within the District; and

WHEREAS, the City, through the Baytown Police and Fire Departments ("BPD/BFD"), maintains an active Type I Regional Bomb Squad, a Type HazMat Response Team, and a Type III Structural Collapse & Search and Technical Rescue team (collectively, the "Response Teams") which serve, among other areas, portions of eastern Harris County, including the District; and

WHEREAS, the City has been awarded grant funding through the Fiscal Year 2013 Port Security Grant Program for the purchase of a prime mover, including a trailer, and personal protective equipment (PPE) to ensure rapid deployment of a patrol vessel/response boat equipped to address chemical, biological, radiological, nuclear and explosive (CBRNE) threats and incidents and provide necessary dive team equipment to conduct underwater operations in response to such threats and incidents (the "Security Project"); and

WHEREAS, certain local matching funds are required under the federal Port Security Grant Program for the Security Project, and the City has requested that the District provide such local matching funds; and

WHEREAS, in order to leverage such federal grant funding and to further promote and aid security within the District, the District is willing to provide such local matching funds subject to the terms and conditions set forth herein; and

WHEREAS, the District and the City desire to enter into this Agreement pursuant to the authority of the Interlocal Cooperation Act, the Code, and the general and special laws of the State of Texas, whereby the District will provide the City with the local matching funds necessary

for the acquisition of the Security Project with FY 2013 PSGP funds, and the City, through BPD/BFD will, at all times during its useful life, make the Security Project and the services of the Response Teams available for deployment within the District to respond to incidents, situations or conditions that the District, the United States Coast Guard (through its Captain of the Port of Houston), or the District's other local law enforcement partners may deem necessary or appropriate for one or more of the Response Teams to respond to or support response efforts of others; and

WHEREAS, on September 10, 2013, the Board of Directors of the District (the "Board") approved a general plan for Security Plan and Security Services, a copy of which is attached hereto as Exhibit "A", in order to accomplish the foregoing.

AGREEMENT

NOW, THEREFORE, the City and District (each a "Party" and together, the "Parties") agree as follows:

1. UNDERTAKINGS BY CITY

1.1. Response Team Support.

Subject to the terms and conditions of this Agreement, the City shall make its Response Teams personnel and assets available for deployment within the District. Except as provided in 1.1 (iv) hereinbelow, the City shall cause the Response Teams personnel and assets to be promptly deployed as follows:

- i. Upon request by or instruction from the United States Coast Guard, through its Captain of the Port of Houston or other authorized individual, the City shall deploy the Response Teams personnel and assets in accordance with said request or instructions.
- ii. Upon request by the City of Houston Police Department, Harris County Sheriff's Office, Port of Houston Authority Health, Safety, Security and Environment (Port Police) or any of the District's other local law enforcement partners, the City shall deploy the Response Teams personnel and assets to respond to or support the requesting law enforcement agency's or agencies' efforts in accordance with such request.
- iii. Upon request of the Board of Directors of the District or its contract administrator/project manager, the City shall use its best efforts to make the Response Teams personnel and assets available for training exercises, safety programs, and visual display at District functions, provided that the District provides the City with at least five (5) business days advance notice of any such request.
- iv. The City shall not be required to deploy the Response Teams personnel and assets, or any portion thereof, upon a request or instruction received under (i) through (iii) of this Section 1.1 if it is determined by the City that it has insufficient resources to do so based on current or reasonably anticipated events

within the City's service area at the same time the request or instruction is received. To the extent personnel and resources are available as provided herein, the City shall deploy all or any portion of the Response Teams personnel and assets or other law enforcement personnel or equipment in accordance with the request received. In the event of simultaneous emergencies, the City will use its best efforts, under the circumstances, to remain in communication with the Captain of the Port and other local law enforcement officials relative to deployment of the Response Teams personnel and assets and the City's other law enforcement, disaster prevention and recovery assets to ensure such assets are efficiently and effectively prioritized and utilized; provided, however, nothing herein shall be construed to obligate the City to commit its assets or personnel outside the City or its service area at such time the City determines they are required within the City or its service area.

1.2. Use of Security Project; Approval of Changes

For the duration of this Agreement, the City shall use the Security Project for its intended purpose, as set forth herein and in the City's Budget Detail Worksheet for the PSGP application submitted to secure the federal funding for the Security Project. Prior to reallocating any equipment used in connection with the Security Project or otherwise funded by the District, the City shall secure the District's written consent to same, which shall be given at the discretion of the District.

1.3. Coordination of Security Efforts; Cooperation

The City acknowledges that its corporate limits and service area overlap and are adjacent to the boundaries of portions of the District, the District's local law enforcement partner agencies, and the area falling under the jurisdiction of the Captain of the Port. The Parties will, throughout the term of this Agreement, communicate, share information and work with each other on security matters of common interest, and the parties agree to provide to each other any other mutually agreed upon service and support in furtherance of the intent of this Agreement and the purposes and missions of the City and the District relating to security matters and law enforcement. Without limiting the foregoing, the parties will cooperate in communications and exchanges of information during emergency periods.

1.4. Reports

The City shall, within ninety (90) days following its acquisition of the equipment purchased with the grant funds secured for the Security Project, provide the District with an accounting of all local matching funds provided by the District and all grant funds expended in connection therewith. The City shall also, upon written request from the District or its authorized representatives, provide the District with a written report detailing Response Teams activities and use of the Security Project within the boundaries of the District. The written reports shall additionally describe any incidents, observations, or other matters relative to security within the District. Such reports shall be made in Public and/or Executive Session of the Board's meetings, as mutually agreed by the Parties and in accordance with the Texas Open Meetings Act, TEX. GOV'T CODE ANN. §§ 551.001 et. seq., as amended, and regulations pertaining to sensitive security information.

2. UNDERTAKINGS BY DISTRICT

2.1. Local Matching Share Funding

Subject to the remaining provisions of this Section, the District will undertake to make certain payments to the City for grant matching funds for capital acquisitions in connection with the Security Project; provided, however, that the District's undertaking to make payments to the City are conditioned on the following:

- (i) The City's ongoing compliance with this Agreement and its timely provision of support in accordance with Section 1.1 hereof (the "Security Services");
- (ii) Receipt of sufficient funds from the District's assessments of its members, after payment and/or setting aside of sufficient funds to pay for the District's operating and administrative expenses and other contractual obligations during the term of this Agreement; and
- (iii) The maximum that the District is undertaking to pay to the City hereunder shall not exceed \$36,000.

The District shall have no obligation under this Agreement to fund any portion of the ongoing maintenance and operation costs and expenses of the Security Project or Security Services. As between the City and the District, all such costs and expenses shall be borne exclusively by the City.

Payment may be made directly by the District through its Board or, in the Board's discretion, through the Greater Houston Port Bureau or other third party, as directed by the Board.

Notwithstanding anything in this Agreement or elsewhere to the contrary, it is understood and agreed that:

- (i) The Board of the District and its individual members shall have no liability to the City or any other person or entity under or by virtue of this Agreement for any failure to assess or collect assessments sufficient in amount to pay the City the sums set forth herein;
- (ii) The District shall have no obligation to assess its members and/or make further payments to the City beyond the express scope and term of this Agreement, or to continue or to enter into any extension(s) of the term of this Agreement or any similar or continuing agreements; and
- (iii) This Agreement shall not be deemed or construed to create a constitutional debt of either party or to obligate (a) the City to make expenditures or to incur costs in excess of Available Revenues, or (b) the District to make payments to the City from any sources or in any amounts in excess of the limits set forth herein.

3. TERM AND TERMINATION

3.1. Term.

This Agreement is effective on the Effective Date and expires one (1) year thereafter unless sooner terminated according to the terms of this Agreement; provided, however, the City will continue to provide the Security Services during the useful life of the Security Project.

3.2. Termination.

3.2.1.1. A Party may only suspend or terminate its performance under this Agreement upon default by the other Party. Default by a Party occurs if the Party fails to perform or observe any of the terms and conditions of this Agreement. Should such a default occur, the Party claiming such default shall have the right to terminate this Agreement as of the 30th day following the mailing of written notice describing the default and intended termination. Such termination shall be deemed withdrawn if, within the 30-day period, the defaulting Party cures the default, or such termination may be stayed, at the sole option of the Party claiming that such default has occurred, pending cure of the default, provided that such cure shall be commenced and completed within a reasonable time under the circumstances.

3.2.1.2. Upon termination of this Agreement by the District due to continuing default by the City, the District shall be entitled to a refund of its payments to the City (to the extent not expended or committed by the City).

4. NOTICES

Notices under this Agreement shall be sent as follows:

To the City
{name}
{title}
{address}
Baytown, Texas {zip}

To the District
Chair, Board of Directors
Houston Ship Channel Security District
111 East Loop North
Houston, Texas 77029

With a copy to:

Daniel Ringold
Schwartz, Page & Harding, LLP
1300 Post Oak Blvd., Suite 1400
Houston, Texas 77056

5. INDEPENDENT ENTITIES

It is understood and agreed that the City and the District are independent governmental entities and neither has authority to bind the other or to act as agent for the other.

6. ALLOCATION OF LIABILITY

Pursuant to Section 791.006(a) of the Interlocal Cooperation Act, the Parties acknowledge and agree that, as between the Parties, the City shall bear sole responsibility for any civil liability that

arises in connection with the Security Project and provision of Security Services under this Agreement within the City and its service area. No party waives or relinquishes any immunity or defense (on behalf of itself, its directors, officers, employees and agents) as to third party claims as a result of its execution of this Agreement and the performance of the covenants contained herein.

7. ASSIGNMENT; PARTIES BENEFITED

Neither party hereto shall sell, assign, or transfer any of its rights or obligations under this Agreement in whole or in part, without the prior written consent of the other party. This Agreement shall bind and benefit the City and the District and shall not bestow any rights upon any third party.

8. GOVERNING LAW AND VENUE

This Agreement is governed by and construed according to the laws of the State of Texas. Exclusive venue of any action or claim arising out of this Agreement is Harris County, Texas. Failure of either party hereto to insist on the strict performance of any of the agreements herein or to exercise any rights or remedies accruing hereunder upon the default or failure by an appropriate remedy, shall not be considered a waiver of strict compliance with any other obligation hereunder, and shall not be considered a waiver of any rights or remedies occurring as a result of any future development or failure of performance.

9. ENTIRE AGREEMENT

This instrument contains the entire agreement between the Parties relating to the rights granted and obligation assumed. Any modifications concerning this Agreement are of no force and effect unless in writing and executed by both Parties.

This Agreement may be executed in multiple counterparts, each having equal force and effect of an original. This Agreement shall become binding and effective only after it has been authorized and approved by the governing bodies of each governmental entity, as evidenced by the signature of the appropriate authority.

10. COMPLIANCE WITH LAWS

The Parties shall observe and comply with all federal, state, and local laws, rules, ordinances, and regulations in any manner affecting the conduct of the services herein provided and performance of all obligations undertaken by this Agreement.

11. SEVERABILITY

In the event that one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability of this Agreement shall be construed as if such invalid, illegal or unenforceable provision has never been contained herein, but shall not affect the remaining provisions of this Agreement, which shall remain in force and effect.

12. WRITTEN AMENDMENT

This Agreement may not be amended except in a written instrument specifically referring to this

agreement and signed by the Parties hereto.

The Parties have executed this Agreement in multiple copies, each of which is an original.

DISTRICT:
HOUSTON SHIP CHANNEL SECURITY
DISTRICT

CITY:
THE CITY OF BAYTOWN, TEXAS

By: _____
Name:
Title:

By: _____
{Mayor}{City Manager}

ATTEST/SEAL:

ATTEST/SEAL:

By: _____
Secretary

By: _____
City Secretary

APPROVED AS TO FORM:

City Attorney

COUNTERSIGNED

City Controller

DATE COUNTERSIGNED

Exhibit D

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

**SECOND AMENDMENT
TO
INTERLOCAL AGREEMENT
BETWEEN THE CITY OF HOUSTON AND
THE HOUSTON SHIP CHANNEL SECURITY DISTRICT**

This SECOND AMENDMENT TO INTERLOCAL AGREEMENT (this "Second Amendment") is made and entered into effective on the date of countersignature by the City Controller, by and between THE CITY OF HOUSTON, a home rule city of the State of Texas, principally situated in Harris County, acting by and through its City Council (the "City"), and HOUSTON SHIP CHANNEL SECURITY DISTRICT, a special district and political subdivision of the State of Texas (the "District").

RECITALS

WHEREAS, pursuant to Ordinance No. 2012-0339, the City and the District entered into that certain Interlocal Agreement dated April 24, 2012 (the "Original Agreement"), pursuant to which the City agreed, in part, to conduct training and patrol helicopter flights over the Houston Ship Channel and related areas within the boundaries of the District to promote and aid security within the District, and the District agreed to finance certain portions of the fuel costs necessary for the City to conduct such training and patrol flights; and

WHEREAS, pursuant to that certain First Amendment to Interlocal Agreement dated _____, 2014 (the "First Amendment"), the City and the District extended the term of the Original Agreement to April 24, 2014.

WHEREAS, the City and the District now desire to further amend the Original Agreement to extend the term thereof to continue the air patrol services provided by the City and the funding of certain fuel costs in connection therewith by the District for an additional year;

NOW, THEREFORE, in consideration of the premises, mutual promises, covenants, obligations and benefits herein contained, the City and the District agree as follows:

ARTICLE I

Pursuant to Section 3.1 of the Original Agreement, as amended by the First Amendment, the parties hereby extend the term of the Original Agreement from April 24, 2014 to April 24, 2015.

ARTICLE II

- A. Agreement to Remain in Effect. All terms and provisions of the Original Agreement, except as amended by the First Amendment or hereby, shall remain in full force and effect and shall apply to this Second Amendment. In the event of a conflict between the Original Agreement, as amended by the First Amendment, and this Second Amendment, this Second Amendment shall prevail.
- B. Entire Agreement. The Original Agreement, as amended by the First Amendment, together with this Second Amendment, constitutes the entire agreement between the parties hereto relating to the subject matter hereof and all prior agreements, proposals, negotiations, understandings and correspondence between the parties, whether written or oral, are hereby superseded and merged herewith.

[Signature Pages Immediately Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment in multiple copies, each of which shall be an original, as of the date of countersignature by the Controller of the City of Houston.

DISTRICT:
HOUSTON SHIP CHANNEL SECURITY
DISTRICT

CITY:
THE CITY OF HOUSTON, TEXAS

By: _____
Name: Gary Scheibe
Title: Chair, Board of Directors

By: _____
Mayor

ATTEST/SEAL:

ATTEST/SEAL:

By: _____
Name: Thomas G. Schroeter
Title: Secretary, Board of Directors

By: _____
City Secretary

APPROVED:

Chief of Police, Houston Police Department

APPROVED AS TO FORM:

Assistant City Attorney
L.D. File No. 0421100102002

COUNTERSIGNED

City Controller

DATE COUNTERSIGNED
