

MINUTES

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

**Houston, Texas
July 10, 2012**

The regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on July 10, 2012 at 2:00 p.m. The meeting was held, open to the public, at West Gulf Maritime Association (WGMA), Board Room, Third Floor, 1717 Turning Basis Drive, Portway Plaza Building, Houston, Texas 77029 in accordance with the duly posted Notice of Public Meeting. The roll was called of the officers and members of the Board, as follows:

Lewis A. Brown
Clayton Curtis, Treasurer
Richard Henderson
Charles (Chuck) King
Jake Leavins
Robin Riley, Chair
Gary Scheibe
Tom Schroeter, Secretary
Mike Stewart – Assistant Secretary
Steve Stewart
Ray Yellig, Vice Chair

and all of said persons were present, except Chair Riley, Director Henderson, Director Brown, Director Mike Stewart and Director Yellig, thus constituting a quorum. Also present were Daniel Ringold of Schwartz, Page & Harding, LLP (“SPH”), counsel for the District, CAPT. Bill Diehl and Al Cusick of the Greater Houston Port Bureau (“GHPB”), administrator for the District.

Item 1: - Call to Order

The meeting was called to order at 2:10 p.m. Secretary Schroeter announced that Chairman Riley was out of state and had asked that Secretary Schroeter chair the meeting in the absence of the Chair and Vice Chair. Director Curtis moved and Director Steve Stewart seconded that Secretary Schroeter be appointed Chair Pro-Tem for the July 10, 2012 meeting. Motion passed unanimously.

Item 2: - Appearances

Chair Pro-Tem Schroeter asked if anybody wished to address the Board. Nobody wished to do so.

Item 3: - Approval of Minutes

Chair Pro-Tem Schroeter asked for the approval of the minutes of the May 8, 2012 regular meeting. Director Steve Stewart moved that the minutes of said meeting be approved, as presented, and Director King seconded the motion, which passed unanimously. Chair Pro-Tem Schroeter informed the Board that the Minutes of the May 22, 2012 and June 5, 2012 special meetings and the June 12, 2012 regular meeting will be presented to the Board for approval at the August 14, 2012 meeting.

Item 4: - Discussion and possible action regarding awarding contract for Development and Implementation of a Strategic Plan for the District

Chair Pro-Tem Schroeter gave a brief overview on the background for developing a strategic plan for the District and thanked all the companies for their efforts in providing excellent responses to the Request for Proposals (RFP). Director Scheibe commented that all the proposals received were thorough and of a high quality. Director Steve Stewart commented that he was very comfortable with the process of choosing a company and that a good deal of work was put into all proposals. Director Leavins stated that he felt all the proposals were very strong and beneficial to the District. He stated that he felt confident that the Board would reach the correct conclusion in its choice of firm. The Board members also commented that they appreciated Media Consultants' work on the RFP project and its good communications with the vendors and providing good feedback and transparency in the process.

Director Schiebe next moved that the Board:

- (a) Authorize the negotiation, award and execution of a contract with The Chertoff Group, (with AcuTech Consulting Group as its subcontractor) subject to the agreement of The Chertoff Group to contract terms acceptable to the District and its legal counsel; and
- (b) Grant authority, if contract terms acceptable to the District cannot be reached with The Chertoff Group, to terminate such negotiations and to negotiate, award and execute a contract with any other qualified proposer that the Board determines, in its sole discretion, will lead to the most advantageous result for the District, upon terms acceptable to the District and its legal counsel; and
- (c) Authorize a sub-committee consisting of Chair Riley, Director Scheibe, Secretary Schroeter and up to two other members to be decided by the Chair, to work to facilitate the foregoing, present same to the Chair for execution, and otherwise to do any and all things in their opinion reasonable or necessary to give effect to the foregoing.

Director Leavins seconded the motion. The Directors commented that The Chertoff Group appears to be an excellent firm to assist the District in developing its strategic plan for the next 3-5 years. Motion passed unanimously, with the Chair Pro-Tem also voting. Chair Pro-Tem Schroeter stated that he felt this was a momentous moment for the District. The following Directors indicated that they would like to be on the sub-committee for the contract terms: Director Steve Stewart and Director Clayton Curtis. Pro-Tem Chair Schroeter named such Board members to the sub-committee in accordance with their request.

Robert Schoen from AcuTech Consulting Group was present at the meeting and the members of the Board congratulated him and asked him to express the Board's congratulations to all members of The Chertoff Group and AcuTech Consulting Group teams.

Item 5: - Update on air support patrols by City of Houston

Dennis Storemski stated that the City of Houston (the "City") would commence its air support flights over the District this week. He noted that the commencement date had been slightly delayed to allow for scheduled maintenance to the helicopters to occur within the City's

appropriate fiscal year period, and that the amount of flights per week would increase over the next few weeks until the City is flying an normal flight schedule. He advised that there have been a few preliminary flights flown to date so that pilots could map the District. Mr. Storemski advised that that the Houston Police Department's helicopter division will meet with Harris County Sheriff's Office and other law enforcement agencies on Monday, July 16, 2012 to coordinate and advise them about the air support patrols. He stated that the District will be billed in arrears on a quarterly basis for fuel.

Item 6: - Status Report – Greater Houston Port Bureau

CAPT. Diehl gave his monthly status report to the Board. He informed the Board that his office is awaiting a reply from Secretary Napolitano regarding the invitation that was extended to her to be the guest speaker at the Annual Luncheon. CAPT. Diehl suggested that consideration be given to inviting Judge Emmett to speak at the annual luncheon if Secretary Napolitano is unavailable, and that Commissioner Morman might be asked to introduce Judge Emmett. The Board requested that CAPT. Diehl contact Chair Riley or Director Schroeter on July 20, 2012 if he had not heard from Secretary Napolitano's office by that date. CAPT. Diehl advised that Al Cusick has been working on identifying a list of facilities that might be affected by a revision to the District's boundaries. CAPT. Diehl informed the board that Mr. Cusick would be on vacation from July 30 through August 14, 2012 and would transfer all paperwork regarding the boundary issue to The Chertoff Group. He also stated that the assessment notices would be mailed out the latter part of August.

CAPT. Diehl informed the Board the United States Coast Guard (USCG) is currently in the process of working with Harris County regarding USCG Sector Building requirements for security equipment for monitoring purposes. He stated that the USCG had not been able to connect with the appropriate Harris County personnel. Greg Karr, Harris County IT Department, stated that he is currently working with the USCG. Gail Miller stated that if there are any problems connecting with the correct personnel at the County, the USCG personnel should call either herself or Doug Adkinson of Judge Emmett's office.

CAPT. Diehl reviewed the bookkeeping report with the Board, including a list of checks presented for approval and payment. Chair Pro-Tem Schroeter thanked CAPT. Diehl and asked if there were any questions of the Board. There were none. Chair Pro-Tem Schroeter asked CAPT. Diehl to confirm the amount of the statements for payment (Chairman Pro-Tem Schroeter read \$8,287.00 for April services and \$8,164.32 for May services) and that the Board's approval of his report includes approval of the statements. CAPT. Diehl did so. Director King moved and Director Cutis seconded that the Board approve CAPT. Diehl's monthly report and pay invoices. Motion passed unanimously.

Item 7: - Discussion and possible action regarding Round 12 Port Security Grant Program

CAPT. Diehl informed the Board that the grant request for Round 12 in amount of \$750,000.00 with the District to contribute \$250,000.00 had been approved by FEMA. CAPT. Diehl advised that a Request for Proposals (RFP) would need to be prepared for the whole Houston/Galveston Sector. Mr. Dennis Storemski for the City of Houston suggested that the District may be able to apply for a waiver of matching funds. Chair Pro-Tem Schroeter thanked CAPT. Diehl and his staff and John Walker from the USCG for their efforts in assisting the District is applying for and obtaining the grant .

During the discussion John Walker introduced Commander Fitts, who was present at the meeting and has replaced Commander John Leonard of the USCG. Chair Pro-Tem Schroeter welcomed Commander Fitts, encouraged her to attend the District's meetings, and advised that the District appreciates the opportunity work with her on security matters.

Item 8: - Quarterly Investment Report

Mr. Al Cusick presented the Quarterly Investment Report and advised the Board that he attended all classes necessary under the Public Funds Investment Act for compliance training as the District's Investment Officer. Director Curtis moved and Director Scheibe seconded that the Board accept the Quarterly Investment Report. Motion passed unanimously.

Item 9: – Quarterly Financial Report

Director Curtis presented the Quarterly Financial Report to the Board. There were no questions. Director Scheibe moved and Director King seconded that the Board accept the Quarterly Financial Report. Motion passed unanimously.

Item 10:- Update of vehicle transfer from Harris County to surround agencies

Deputy Tommy Diaz informed the Board that seven law enforcement agencies with borders overlapping the District had been given the opportunity to request reallocation of vehicles obtained with grant funds to their departments. Subject to working out acceptable agreements, the Port of Houston Authority is to receive five pick-up trucks, Baytown is to receive one pick-up truck and one sedan, and Galena Park Police Department stated they are interested in obtaining one or two sedans. Deputy Diaz advised that HSCO and the County Attorney's Office will work with the various agencies to reach mutually acceptable agreements relative to the reallocation of the vehicles.

Item 11: - Discussion and possible action of operation and maintenance invoices from Harris County

Director Curtis moved and Director Leavins seconded the Board approve the total amount of \$20,735.78 be paid to Harris County pursuant to invoices received from the County that are part of the District's standing agreement with the County.

Item 12: – Discussion regarding procedural requirements for adoption of a plan of assessment

Mr. Ringold advised the Board that under the current assessment plan, the third and final installment of the assessments will be invoiced and due in 2012. He reviewed with the Board the procedural process for imposition of assessments, including the development of a plan of assessment and provision to all facility owners of notice of the plan and a public hearing regarding same at least 30 days prior to the hearing. Mr. Ringold noted that the Board will need to first determine the projects it deems advisable to undertake and the period of time over which to complete such projects in order develop a plan of assessment, and that it may be advisable to consult with Harris County and the City of Houston in development of same. Director Steve Stewart stated that, in considering development of plan of assessment and the timing of adoption of same, County Commissioner Morman would like the boundaries of the District to remain unchanged for the next year (2014). Discussion was held regarding developing a plan of assessment to fund current projects for one additional year. No action was taken on this matter.

Several Board members advised that they had heard concerns from industry personnel in surrounding counties that the District was seeking to expand its boundaries into Galveston and/or Chambers counties. . Mr. Ringold advised that current statutory provisions do not allow for expansion of District boundaries outside of the County in which the District was created. Mr. John Walker (USCG) stated that there was going to be an AMSC (Area Maritime Security Council) meeting at the Galveston Cruise Terminal on July 25, and it might be beneficial if a Board Member was present at that meeting to answer any questions and quash any rumors of annexation. Chair Pro-Tem Schroeter said that this would be done.

Item 13 - Executive Session

At 3:34 p.m. Chair Pro Tem Schroeter called for a ten minute recess followed by an Executive Session. The following statement was read by Director Jake Leavins:

“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:

- A. Consultation with attorneys, including legal issues raised in connection with award of contract for Development and Implementation of a Strategic Plan for the District.
- B. Deliberation regarding deployment and implementation of security personnel and devices, including:
 - i. Update from City of Houston regarding air support patrols
 - ii. Update on Harris County Security Projects including Operations Monthly (to include reports on water and land patrols)
 - a. Report from Harris County Sheriff’s Office
 - b. Report from ITC Department
 - iii. Status of redistribution of grant-funded vehicles to partner agencies
 - iii. Potential security projects under Round 12 of the DHS/FEMA Port Security Grant Program
 - iv. Potential contract for development and implementation for a strategic plan for the District

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

Item 14: - Other business

At 4:13 p.m. the Board reconvened in open session. Chair Pro-Tem Schroeter asked the Board if there were any matters that would be coming out of closed session. There were none.

Item 20: Adjourn

There being no further business coming out of Executive Session, Director Scheibe moved and Director King seconded the meeting adjourn. Motion passed unanimously. Meeting adjourned at 4:14 p.m.

The next regularly scheduled meeting of the Houston Ship Channel Security District Board of Directors is Tuesday, August 14, 2012, at West Gulf Coast Maritime Association at 2:00 p.m.

The above is a correct copy of the Minutes of the July 10, 2012 meeting of the Board of Directors of the Houston Ship Channel Security District.



Thomas G. Schroeter, Chairman Pro-Tem

ATTEST:



Jake Leavins, Assistant Secretary