

MINUTES

Board of Directors of the Houston Ship Channel Security District

Houston, Texas
July 16, 2013

The regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on July 16, 2013, at 2:00 p.m. The meeting was held, open to the public, at Port of Houston Authority, 4th Floor Board Room, 111 East Loop North, 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, Chair
Gary Scheibe
Tom Schroeter, Secretary
Mike Stewart, Assistant Secretary
Steve Stewart, Vice Chair

and all of said persons were present, except Director Adamec, Director Scheibe and Director Henderson, thus establishing 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 2:00 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 Leavins seconded that the approval of the Minutes of the June 11, Board of Directors meeting be tabled. Motion passed unanimously.

Item 4: Update on Port Security Grant Program grant applications

Mr. Dennis Storemski of the Houston Ship Channel Security District Advisory Council advised the Board that 21 grant applications relative to the Port of Houston were submitted in connection with the FY 2013 Federal Port Security Grant Program. The projects were reviewed by the local

coordinating body and ranked according to the United States Department of Homeland Security's (DHS) standards, then submitted to the Captain of the Port for approval. He advised that the top ranked grant applications have been forwarded to the DHS and the Captain of the Port's grant committee is now waiting to hear from DHS as to which grants have been approved.

Item 5: Presentation regarding MSRAM (Maritime Security Risk Assessment Model)

Mr. John Manganaro of the United States Coast Guard gave an informative presentation to the Board regarding the Maritime Security Risk Assessment Model.

Item 6: Greater Houston Port Bureau

6.1 Status Report:

CAPT. Bill Diehl gave a written status report to the Board, a copy of which is attached hereto as Exhibit "A". He gave an update on the financials, advised the Board that he had confirmed the availability of the Houston Marriott South for the Annual Meeting and Luncheon, and that the GHPB had updated the District's website with Meeting Notices and Minutes of Board meetings. He also advised the Board that the GHPB had attended the MASTT Conference on behalf of the District.

6.2 3rd Quarter newsletter

No report was given regarding this item.

6.3 Witt O'Brien status update

CAPT. Diehl advised the Board that the contract with Witt O'Brien's regarding the Port-wide Risk Management and Business Continuation Plan had been fully executed and that a kickoff meeting was held with the Witt O'Brien group on July 15. The meeting was attended by Chair Riley, Vice Chair Steve Stewart, Secretary Tom Schroeter, Al Cusick, John Walker and John Manganaro. Anticipated completion date is calendar 190 days (late January 2014). Mr. Cusick will attend the advisory meetings so that he can give periodic updates to the Board. Representatives from the Ports of Freeport, Galveston and Texas City will be invited to the advisory meetings also.

6.4 Status on new members

Al Cusick advised the Board that he had followed up with the Zone Directors on vetting of the 50 potential facilities identified to the Commissioners Court as additions to the District as a result of the boundary revisions. Ten (10) facilities from the original list were removed and eight (8) different facilities were added upon further investigation and research. A letter welcoming the new facilities to the District was mailed on June 20, 2013 to the companies with facilities on the revised list. To date nineteen (19) facilities remain with unidentified contact information. He has checked company web sites, the Texas Secretary of State's web site, corporate 10-K records, Google search, and Online Yellow Pages to identify contact information. He has received twelve (12) responses with the Facility Information Form completed. Three (3) of the letters were returned as undeliverable. Verification of current member contact information has resulted in 52 of 123 replies, with 23 changes/corrections. He stated that a follow-up letter will be sent this week.

6.5 Discuss and take action on payment of invoices for maintenance, operation and administrative expenses

Mr. Cusick presented various invoices for approval, as listed and detailed in the GHPB's monthly administrative report, attached hereto as Exhibit "A". Upon review and discussion of same, Director Leavins moved and Director Schroeter seconded that the monthly administrative report be approved and that the invoices listed therein be approved for payment. Motion passed unanimously.

Item 7: City of Houston

7.1 Update of air support patrols by City of Houston

Mr. Storemski gave a report and current update on the City's air support patrols, stating that 90.3 flight hours had been logged at a total fuel cost of \$13,377.30. A copy of the City of Houston's air support patrol report is included as Exhibit "B".

7.2 Status of Agreement between City of Houston and HSCSD regarding air support patrols

Mr. Storemski advised the Board that a fully executed First Amendment to the Air Support Agreement between the City of Houston and the District has been provided to Mr. Ringold today.

Mr. Storemski asked the Board if they would be willing to fund \$38,000.00 to cover expenses associated with the video download and sharing of video feed. He explained that this will enable the City of Houston to receive and monitor the video feed from Harris County's security cameras within the District. The amount requested would support the cost of the licenses and necessary equipment to enable the City to receive the video feed. He stated that this is a one-time charge. Chairman Riley advised Mr. Storemski that the Board could not vote on this issue as it was not listed on the Agenda. He suggested that the Board approve in principle to assist the City and then vote on the provisions to be inserted in the contract. Mr. Ringold suggested that the request be put in the Assessment Plan. Director Brown moved and Director Schroeter seconded that the HSCSD consider funding an additional \$38,000.00 to cover costs of downloading and sharing video feed for the City of Houston. Motion passed unanimously.

Item 8: Harris County

8.1 Status Report

Mr. Doug Adkinson stated that he hoped to hear from FEMA within the next three to four weeks as to whether the County's request for an extension of time to complete the projects included in its Round 10 (FY 2010) Port Security Grant Program funding had been approved.

Item 9: Legal

9.1 Status of Video Contract with Harris County and HSCSD

Mr. Ringold advised the Board that SPH had prepared a draft of the proposed agreement and provided same to the County Attorney's Office. He further advised that the County Attorney's Office suggested revisions to the draft agreement to structure the individual video access agreements between the facilities and the District, not the County. Following a discussion on the matter, the Board instructed Mr. Ringold to proceed with preparing a form of agreement between the District and the individual facilities. Mr. Ringold anticipates that the final agreement should be ready for approval at the August Board meeting. With respect to getting video access to the initial facilities on a test basis, Mr. John Chaney was asked to work directly with the Board members to provide web based video access as soon as possible. Mr. Doug Adkinson was asked to assist in expediting this matter.

Item 10: Update, status and possible action regarding General Manager Search

Chairman Riley informed the Board that several directors had interviewed a number of candidates, and he complimented Mr. Cusick on the job he did in lining up the interviews. Discussion regarding choice and compensation would be presented to the Board in Executive Session, as both relate to personnel matters.

Item 11: Update, status and possible action regarding Budget and Assessments

Director Curtis advised that he has worked with SPH to develop a one-year plan of assessment to fund the District's anticipated activities during fiscal year 2014, and informed the Board that he anticipates there will be an approximate 30% reduction in annual assessment amounts paid by District facilities. He stated that the Harris County Sheriff's Office (HCSO) was asking for additional funding to increase maritime patrols, with the additional monies to be used for fuel and boat maintenance. He noted that HCSO would cover the additional personnel cost in their budget. Deputy Diaz addressed the Board regarding HCSO's request. No action was taken on the matter at this time.

Item 12: Discussion and possible action regarding development of proposed Assessment Plan and scheduling of public hearing regarding same

Mr. Ringold presented to the Board for their review and consideration the following documents:

1. Order calling Hearing on Assessment Plan
2. Notice of Public Hearing (Exhibit "A")
3. General Nature of Security Project and Security Services (Attachment I)
4. Estimated Costs (Attachment II)
5. Proposed Plan and Method of Assessment (Attachment III)

Copies of the proposed Order and attachments are included as Exhibit "C". He emphasized that this proposed Assessment Plan was for one year only. It was suggested that certain minor

revisions be made to some of the language of the proposed Plan. No action was taken on this matter at this time.

Item 13: Executive Session

At 3:37 p.m. Chair Riley 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:

- A. Consultation with attorneys, including legal issues concerning discussion of contract terms in contracts with Harris County and City of Houston
- B. Deliberation regarding assessments and security projects regarding same
- C. Discuss general manager resumes and recommendations regarding same

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

At 5:22 p.m. the Board of Directors meeting reconvened in open session. Chair Riley asked the Board if there were any matters that would be coming out of closed session.

Director Michael Stewart moved that the Order Calling Hearing on Assessment Plan be adopted and that the date and time of the assessment hearing be inserted in the Notice, with the following notations and revisions: (i) the additional HCSO funding for increased maritime patrols be included, to be funded out of additional funds on hand; (ii) that the date and time of the public hearing be set for the District’s regular September meeting; and (iii) that the minor revisions to the working of the Assessment Plan discussed earlier in open session be incorporated. Director Steve Stewart seconded the motion, which passed unanimously.

Mr. Cusick was asked to seek additional information from the City of Houston regarding their video downlink funding request for \$38,000.

Director Michael Stewart moved and Director Steve Stewart seconded that the Board support the Harris County ITC extension request and that a letter be written to FEMA informing them of the support. Motion passed unanimously.

Director Brown moved and Director Leavins seconded that Chairman Riley be authorized to contact a General Manager candidate and to negotiate terms and compensation, as discussed in

closed session. Director Schroeter abstained from the vote. All other directors present voted in the affirmative.

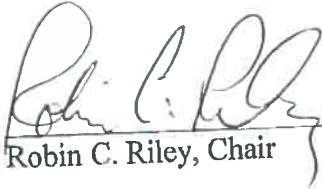
Item 15: Other business

None

Item 16: Adjourn

There was no other business to come before the Board. Meeting adjourned at 5:25 p.m.

The above is a correct copy of the Minutes of the July 16, 2013, regular meeting of the Board of Directors of the Houston Ship Channel Security District.



Robin C. Riley, Chair

ATTEST:



Thomas G. Schroeter, Secretary