

MINUTES

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

**Houston, Texas
August 14, 2012**

The regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on August 14, 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 Director Henderson, Director Leavins and Director Scheibe, 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, RADM Tim Sullivan and Jonathan Hoffman from The Chertoff Group, and Bob Schoen from AcuTech Consulting.

Item 1: - Call to Order

The meeting was called to order at 2:02 p.m.

Prior to the items on the Agenda being read, Chair Riley signed the Advisory Agreement between The Chertoff Group and Houston Ship Channel Security District, as had been previously approved by the Board.

Item 2: - Appearances

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

Item 3: - Approval of Minutes

Chair Riley asked for the approval of the minutes of the May 22, June 5, June 12 and July 10, 2012 Minutes. Director Brown moved that the minutes of said meetings be approved, as presented, and Director King seconded the motion, which passed unanimously.

Item 4: - Update on air support patrols by City of Houston

Mr. Dennis Storemski stated that air patrols had started and that the pilots had assisted the United States Coast Guard in investigating suspicious activity. He stated that the air patrols were

operating both during the day and night time hours. Mr. Storemski advised the Board that he would submit a monthly report to the Board and that the City would bill the District for fuel in arrears on a quarterly basis.

Item 5: - Status Report – Greater Houston Port Bureau

CAPT. Diehl gave his monthly written status report to the Board, a copy of which is attached hereto as EXHIBIT A. He informed the Board that his office is working on the Annual Luncheon and have contacted three alternate venues to obtain availability, menus and cost, as Brady's Landing was unable to accommodate the District on the desired date for the Luncheon. CAPT. Diehl advised the Board that Commissioner Steve Stewart had obtained commitments from Judge Emmett and Commissioner Morman to speak at the Annual Luncheon. Chair Riley informed the Board that he had received a commitment from former Secretary of Homeland Security Michael Chertoff to deliver the keynote speech at the Annual Luncheon.

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, relative to remote monitoring of the security cameras at the new USCG facility at Ellington Field.

CAPT. Diehl next advised the Board that the GHPB would be sending out 2012 assessments installment statements to facility owners on August 15, 2012.

CAPT. Diehl reviewed the financials with the Board and presented invoices for payment. CAPT. Diehl stated that the GHPB's administrative charges for July totaled \$8,531.05. Chair Riley thanked CAPT. Diehl and asked if there were any questions of the Board. There were none. Director Michael Stewart moved and Director King seconded that the Board approve CAPT. Diehl's monthly report and pay the invoices presented. Motion passed unanimously.

Item 7: - Approval of Annual Report

Al Cusick asked the Board if they had any comments on the Annual Financial Report, a copy of which is attached hereto as EXHIBIT B. There were none. Mr. Cusick asked all Board Members to sign the letter acknowledging that they had received and read the Report and agreed with same. Director Curtis moved and Director Brown seconded that the Board accept the Annual Audit Report. Motion passed unanimously.

Item 8: - Update regarding Round 12 Port Security Grant Program

Mr. Al Cusick stated that he would attempt to contact FEMA regarding the option of applying for deferral of the 25% match on the grant. Mr. Storemski stated it was premature to seek a waiver at the present time. He advised waiting until the funds have been issued, and offered to assist Mr. Cusick in applying for the deferral on behalf of the District.

Item 9: – Discussion and possible action regarding entering into and signing of the Advisory Agreement and Statement of Work between Houston Ship Channel Security District and The Chertoff Group for the Development and Implementation of a Strategic Plan for the Houston Ship Channel Security District and approval of initial payment for first deliverable.

The Agreement was signed at the beginning of the meeting as is reflected in these Minutes. Director Schroeter moved and Director King seconded that the Board pay the initial payment to the Chertoff group in the amount of \$80,000.00. Motion passed unanimously.

Item 10:- Discussion and possible action regarding priorities for the Chertoff Group to attain goals of the RFP.

RADM Sullivan stated that The Chertoff Group has been working for the past 2-3 weeks on the first deliverable relative to suggestions regarding revisions to the District's boundaries and would like to schedule interviews with all the Board members within the next week to discuss the goals of Chertoff's engagement. RADM Sullivan stated that within two weeks a survey was to be sent out to all District members and the United States Coast Guard and Harris County asking what they felt was priority regarding security. It was decided that Ms. Gail Miller of Harris County, Precinct 2 would talk to EHCMA to find out what their priorities were. All zone directors were encouraged to inform the facilities in their zone that the survey would be sent to them and ask them to complete it in order to assist the Board.

Item 11: - Discussion and possible action regarding request from Pat Younger regarding a representative from the District to speak at the Gulf Ports Association Meeting on November 14, 2012 in New Orleans.

Director Schroeter asked that this matter be tabled until the September meeting, as Director Scheibe had an interest in this matter and was unable to attend the meeting.

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

Mr. Ringold advised the Board that, under the current assessment plan, 2012 is the third and final year for payment of installments on the current assessment. He indicated that, in order for the Board to impose a new assessment, there would need to be 30-days advance notice sent out to all District facilities regarding a public hearing. The notices would need to be sent Certified Mail Return Receipt Requested. The Board would need to draft an acceptable Plan of Assessment prior to mailing such notice, hold a public hearing on such Plan, and then, after having considered the comments received at the hearing, adopt the Plan of Assessment. He advised that the Board will need to decide which projects they want to undertake, the cost of same, and over how many years they wish to allow the assessment to be paid, if it is to be paid in installments. Director Yellig suggested that this matter should be discussed in Executive Session.

Item 13: - Discussion and possible action regarding Amendment to District ByLaws

Mr. Ringold reminded the Board that the District's Bylaws need to be updated to comply with the revisions to Chapter 68 of the Water Code passed by the Texas Legislature in 2011. He stated that proposed revised Bylaws also address the District's policy with respect to diversity of representation amongst Zone Directors, as had been discussed during the 2011 Zone Director nomination and appointment process. Mr. Ringold suggested that the Board members review the proposed revisions to the Bylaws and contact him with comments to same prior to the Board's next meeting. Director Schroeter moved and Director Michael Stewart seconded that this matter be tabled until the September meeting. Motion passed unanimously.

Item 14: - Discussion and possible action on adoption of Records Retention Schedules; appointment of a Records Management Officer, and adoption of a Resolution in connection therewith

Mr. Ringold provided the Board members with drafts of the proposed Records Management Program Order, Records Retention Schedule, and associated documents. He suggested that the Board members review same and contact him with any comments thereto prior to the next Board meeting. Director Michael Stewart and Director Schroeter seconded that this item be tabled until the September Board meeting. Motion passed unanimously.

Item 15: - Update of vehicle transfer from Harris County to surrounding agencies

Deputy Diaz stated that seven law enforcement agencies have been contacted regarding reallocation of several vehicles obtained by the County through Port Security Grant funds. He stated that Pasadena, Deer Park and LaPorte were not interested in receiving any vehicles. Galena Park and Baytown indicated that they would be interested in obtaining one sedan each and Port of Houston Authority would be interested in obtaining five pick-up trucks. Deputy Diaz stated that Memoranda of Understanding have been sent to the three entities interested in obtaining vehicles.

Item 16: - Discussion and possible action regarding expenditure of purchase of decals for patrol vehicles

After discussion it was decided that the ensign of the Houston Ship Channel Security Districts decals for the loaned vehicles would be 10' in diameter and would be placed strategically on the vehicles. Deputy Diaz stated that the agencies were willing to place the decals on the vehicles and he would work with the three agencies regarding this and report his progress at the September Board Meeting.

Director Yellig expressed concern that Port of Houston Authority was obtaining five pick-up trucks and wondered why no other agencies wanted to participate. Major Wong stated that no agencies wanted the pick-up trucks. Director Schroeter moved that the Board approve the sum of \$5,000.00 to purchase decals for the vehicles to be re-allocated to other law enforcement agencies. Director Steve Stewart seconded the Motion. Director Mike Stewart suggested that the motion be amended to state that the dollar amount not exceed \$5,000.00. Motion was so amended and passed unanimously. Director Yellig stated that he was pleased that the vehicles were going to be utilized. Director Schroeter stated that it costs approximately \$5,000.00 to outfit the vehicles with the necessary equipment to make them functional for law enforcement purposes.

Item 17: - Discussion and possible action regarding 25% match for Harris County equipment

The Board was informed that the United States Coast Guard has a different system than the District relative to funding match requirements. It was decided that this matter would be moved to Executive Session. No further discussion was held on this matter.

Item 18: - Discussion and possible action on operation and maintenance invoices from Harris County

The District current funding contract with Harris County expires on December 31, 2012. Mr. Ringold stated that the Board might want to consider executing an Amendment to the current

contract to allow for funding of several pre-paid maintenance and service agreements the County is seeking to enter into with various vendors to support the security project covered by the agreement between the District and the County. He noted that the term of such service agreements extend beyond the December 31, 2012 termination date of the District's funding agreement with the County. After discussion it was decided that Mr. Ringold would work with Gail Miller and Doug Adkinson of the County to draft a proposed amendment to extend the term of the District's funding agreement with the County. Director Michael Stewart moved that Mr. Ringold do so and Director Steve Stewart seconded the motion. Motion passed unanimously.

Invoices from Harris County were presented to the Board in the amount of \$81,914.67. Director King moved and Director Schroeter seconded that said invoices be approved for payment. Motion passed unanimously.

Item 13 - Executive Session

At 3:07 p.m. Chair Riley called for a ten minute recess followed by an Executive Session. The following statement was read by Director Schroeter:

“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 (i) discussion of contract terms in contracts with Harris County and regarding potential new contract for development and implementation for a strategic plan for the District, potential action thereon and (ii) requirements for assessments.
- B. Deliberation regarding deployment and implementation of security services and projects, including:
 - i. 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
 - ii. 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 and Plan of Assessment

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

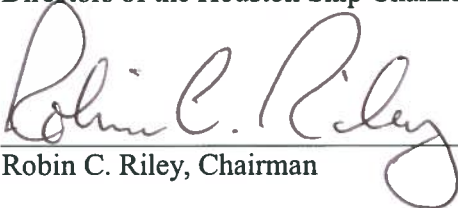
At 4:10 p.m. the Board of Directors meeting reconvened in open session. Chair Riley asked the Board if there were any matters that would be coming out of closed session. There were none.

Item 20: Adjourn

There being no further business coming out of Executive Session, Director Schroeter moved and Director Curtis seconded the meeting adjourn. Motion passed unanimously. Meeting adjourned at 4:15 p.m.

The next regularly scheduled meeting of the Houston Ship Channel Security District Board of Directors is Tuesday, September 11, 2012, at West Gulf Coast Maritime Association at 2:00 p.m.

The above is a correct copy of the Minutes of the August 14, 2012 meeting of the Board of Directors of the Houston Ship Channel Security District.



Robin C. Riley, Chairman

ATTEST:



Thomas G. Schroeter, Secretary

List of Attachments

- Exhibit A Greater Houston Port Bureau Monthly Administrative Report
- Exhibit B Annual Financial Report