

MINUTES

Board of Directors of the Houston Ship Channel Security District May 10, 2016

A regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on May 10, 2016, open to the public, at The Shell Learning Center, 2nd Floor, Mustang Building, 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, Secretary
Eric Bass, Assistant Secretary
Brian Blanchard, Treasurer
Jarrod Boehme
Jimmy Burke
Duane Campbell
Kelley Hicks
Gary Scheibe, Chair
Steve Stewart
Marcus Woodring, Vice Chair

and all said persons were present, except Directors Boehme and Stewart, thus establishing a quorum. Also present were Daniel Ringold of Schwartz, Page & Harding, LLP (“SPH”), legal counsel for the District, and CAPT Bill Diehl, Patrick Seeba, and Al Cusick of the Greater Houston Port Bureau (“GHPB”), administrators for the District.

1. Call to Order

Chair Scheibe called the meeting to order at 2:00 PM.

2. Appearances

Chair Scheibe called for appearances. Mr. John Walker advised the Board on the status of the 2016 Port Security Grant Program (PSGP) application, review and award calendar. He advised that 38 applications were received from applicants in the region, with 12 from industry applicants and the remainder from governmental entities. He further advised that the local review board would rank the grant requests and forward its recommendation to the Captain of the Port (COTP). The process would conclude with the COTP sending his recommendations to FEMA. Mr. Walker asked those receiving grant awards to notify the Coast Guard regarding same, as the Coast Guard does not receive that information directly from FEMA.

Chair Scheibe announced that this would be Mr. Walker’s final attendance at a District Board Meeting before he retires from the Coast Guard and moves to Colorado. He thanked Mr. Walker for his support of the District.

3. Approval of Minutes of April 12, 2016 Board of Directors Meeting

Chair Scheibe noted the draft minutes of the April 12, 2016 Board meeting had been distributed to the Board members in advance of today's meeting and asked if there were any comments or suggested revisions to the said minutes. Chair Scheibe asked if the projects listed under item #19 in said draft minutes comprised all of the projects for which the Board indicated preliminary approval. Mr. Cusick confirmed that was correct. Director Woodring noted that he sits on the PSGP review committee and had seen where some submitted funding requests were greater than the amounts approved by the Board. He noted that, absent further action by the Board, only the amount that was presented to the Board at the April meeting would be eligible for potential funding by the District, regardless of the amount that might be approved by FEMA. Director Blanchard motioned to approve said minutes, as presented. Director Campbell seconded the motion, which passed unanimously without further discussion.

4. Discussion and Possible Action Regarding Filling Vacancy on the Board of Directors

Mr. Ringold reminded the Board that zone director position vacancies are filled by appointment by the remaining board members, and that a vacancy currently exists in a zone director position for Zone 2. Mr. Cusick advised that Mr. Christopher Bennett of Intercontinental Terminals, Mr. Craig Nelson of Albemarle Corporation, and Mr. Frank Rodriguez of PCI Nitrogen have expressed an interest in filling the current vacancy. Messers. Bennett and Nelson each introduced themselves and provided a brief statement of interest and qualifications to the Board. Mr. Cusick noted that Mr. Rodriguez was not present at the meeting. Following discussion, each of the Board members indicated their preference of candidate to fill the vacancy. A motion to appoint Mr. Bennett as a Zone Director to fill the unexpired term of the position held by Aaron Smith was made by Director Blanchard, seconded by Director Bass seconded the motion, and carried unanimously.

Chair Scheibe thanked Mr. Nelson for his willingness to volunteer and asked him to remain active with the District and consider seeking election in November.

5. Acceptance of Qualifications Statements, Bond, Oaths of Office and Election Not to Disclose Certain Information and Swearing in of Director

Mr. Ringold reviewed the Qualifications Statement, Bond, Oath of Office and Election Not to Disclose Certain Information with Mr. Bennett. Mr. Bennett next executed such paperwork, took his Constitutional Oath of Office, and was sworn in as a member of the Board by Secretary Adamec. Director Bennett participated in the remainder of the meeting.

6. Legal Report

Mr. Ringold advised the Board there was nothing further of a legal nature to report.

7. Consultation with Attorney on Contract Terms

Deferred to Executive Session

8. Status Report – Greater Houston Port Bureau

A. Financial and Investment Reports

Mr. Cusick presented the financial and investment reports for the month of April to the Board and reported on the District's account balances and financial and investment activities. A copy of the bookkeeping report is attached hereto as *Attachment A*.

Mr. Cusick presented three (3) invoices for Board approval, as follows: (1) an invoice received from Harris County in the amount of \$28,464.55; (2) an invoice received from the Greater Houston Port Bureau in the amount of \$28,074.62; and (3) an invoice received from the City of Houston for \$14,239.10. Upon review of the invoices presented, Director Woodring moved that the financial report be approved and that the invoices for Harris County and the City of Houston be approved for payment, but that approval of the invoice from the GHPB be deferred. Director Blanchard seconded the motion, which passed unanimously.

Mr. Cusick advised that two (2) companies remain delinquent in payment of their 2013 & 2014 base assessment, penalties and interest totaling \$49,665.50, and were referred to Perdue, Brandon, Fielder, Collins & Mott, LLP, the District's delinquent assessment collection attorneys, on July 1, 2014, for further collection efforts.

Mr. Cusick advised the Board that eight (8) companies have assessment receivables totaling \$50,706.61. Twelve (12) companies have accrued unpaid penalty & interest totaling \$4,884.55. To date \$2,647,793.39.00 has been received. Two (2) companies have filed for bankruptcy. A copy of the Assessment Analysis Report is included in *Attachment B*.

B. Project Management Report

Mr. Seeba advised the Board on the activity of the integration of the HCSO SMAG unit and the USCG VTS.

Mr. Seeba reported on a barge accident occurring on April 28, 2016, and noted that the County's security cameras that have been supported financially by the District recorded the incident.

Mr. Seeba advised the Board that, following a survey of the member Facility Safety Officers (FSO), it was recommended that a FSO Refresher Course be offered to facilities within the District. After discussion on the content of the class and the cost, Director Woodring moved that such a class be offered to facility FSOs. Director Blanchard seconded the motion, which passed without further discussion.

C. Management and Outreach Report

CAPT. Diehl updated the Board on preparations for the Annual Meeting on November 8, 2016.

9. Status Report – City of Baytown

No one was present from the City of Baytown.

10. Status Report – City of Houston

No one was present from the City of Houston.

11. Status Report – Harris County

Deputy Lee reported on the activities of the Harris County Sheriff's Department. A copy of the report is attached as *Attachment C*. Mr. Greg Karr reported on the activities of the Harris County Public Infrastructure Department and advised that construction of fiber to WARFN-K had been completed and would be removed from further reports to the Board.

12. Status Report – Houston Ship Channel Security System

Mr. Patrick Gonzalez reported that the County now has 96 total cameras in place, of which 55 are viewable, and 30 more will be fully functional following completion of microwave communication configuration. In addition, the County has issued a purchase order for three (3) thermal cameras to use as a proof of concept in the system.

13. Status Report – Texas Game Wardens – TPWD

Warden Jonathan Griffin advised the Board on the activities of the Texas Parks and Wildlife Department. He noted activity in the area was low because of the weather and the temporary reassignment of personnel to the border in South Texas.

14. Recess to Executive Session to discuss matters relating to 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 §418.183(f), Texas Government Code; and to consult with the District's attorney pursuant to matters authorized by §551.071, Texas Government Code

The meeting recessed to executive session at 2:45 PM. Secretary Adamec read aloud a notice that the District would convene in closed session pursuant to sections 551.076, 551.071 and 418.183(f) of the Texas Government Code.

15. Reconvene in Open Session and Take Any Action Regarding Items Discussed in Executive Session

Chair Scheibe reconvened the meeting at 3:34 PM. There were no items from the closed session that required Board action.

16. Consider Items for Future Meeting Agendas

No items were suggested for future agendas.

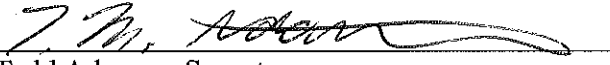
17. Adjourn

The meeting adjourned at 3:38 PM upon a motion by Director Blanchard, seconded by Director Adamec, which passed unanimously.

Next Meeting – June 14, 2016

The next regular meeting of the Board is scheduled for June 14, 2016 at 2:00 PM at the Shell Learning Center, 4400 Highway 225, Deer Park, Texas, subject to availability.

The above is a correct copy of the Minutes of the May 10, 2016, regular meeting of the Board of Directors of the Houston Ship Channel Security District


Todd Adamec, Secretary

LIST OF ATTACHMENTS

- A. Administrative and Financial Report
- B. Assessment Analysis
- C. Harris County Sheriff's Office Report

GREATER HOUSTON PORT BUREAU, INC.



HSCSD Administrative Report

May 10, 2016

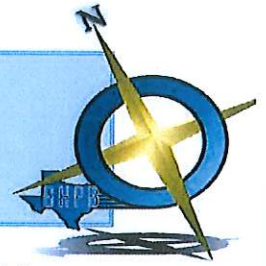
Financial and Investment Reports

- **Bank Statements as of April 29, 2016**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$263,866.17
 - Deposits were \$66,950.00
 - Transfers from Money Market were \$0.00
 - Cleared Checks were \$60,551.96
 - Checks Outstanding were \$500.25
 - Money Market Account Reconciliation shows:
 - The invested balance was \$10,109,237.25
 - Deposits were \$14,663.04
 - Transfers to Checking were \$0.00
 - Deposits In Transit were \$0.00
 - Interest earned was \$401.46
- **Disbursements for April**
 - Disbursements totaled \$60,685.04
- **Invoices Requiring Board Approval**
 - Harris County – \$28,464.55
 - Greater Houston Port Bureau – \$28,074.62
 - City of Houston - \$14,239.10

Assessments Update

- 2013 & 2014 Assessment – Two companies were turned over to the collection attorney for delinquent 2013 & 2014 Assessments on July 1 of 2014 and 2015 respectively. Current outstanding assessment balance, including penalty & interest, is \$50,032.50.
- 2015 Assessment
 - The 2015 Assessment total after appeals is \$2,698,500.00.
 - Assessment receipts through April 29, 2016 total \$2,647,793.39 (98%)
 - 8 companies have assessment receivables totaling \$50,706.61
 - 12 companies have accrued and unpaid penalty & interest totaling \$5,676.68
 - 1 of the 8 companies has filed for chapter 11 bankruptcy owing \$12,153.50 including penalty and interest to the date of filing for bankruptcy.

GREATER HOUSTON PORT BUREAU, INC.



- 1 of the 12 companies owing only penalty & interest has filed for chapter 11 bankruptcy owing the District \$1,463.28

Membership Database Update

- 67% response to requests to verify company and facility information. Two requests have been sent. Another mailing will be sent around the middle of May. So far 72% of the responding companies report changes to their information.



Houston Ship Channel Security District

<http://www.hscsecurity.com>

Assessment Analysis as of April 30, 2016

2013 Assessment Analysis

Receivables	Delinquent – 2 Companies	21,000.00	
	Accrued Penalty & Interest (P & I) – 2	8,820.00	
Total Receivables			\$29,820.00

Both companies were turned over to the collection attorney on July 1, 2014. Interest continues to accrue on these accounts.

2014 Assessment Analysis

Receivables	Delinquent – 2 Companies	15,750.00	
	Accrued Penalty & Interest (P & I) – 2	4,095.00	
Total Receivables			\$19,845.00

Both companies were turned over to the collection attorney on July 1, 2015. Interest continues to accrue on these accounts. Legal action is being combined with the 2013 receivables. **Court proceedings were May 20, 2015. Frederick Trucking judgement entered August 11, 2015. Port Packaging hearing was March 5, 2016, but no judgement has been delivered.**

Combined Delinquent Receivables for the 2 Assessment Years = \$49,665.50

2015 Assessment Analysis

2015 Assessment Roll 192 Companies (after appeals) \$2,698,500.00

Receipts to Date	Assessments – 184 Companies	\$2,647,793.39	
	Penalty & Interest (P & I)	10,824.24	
Total Related Receipts			\$2,658,617.63

Receivables	Current – 0 Companies	0.00	
	Delinquent – 8 Companies	\$50,706.61	
	Accrued Penalty & Interest (P & I) – 12	4,884.55	
Total Receivables			\$55,591.16

One company filed for Chapter 11 bankruptcy on March 4, 2016 owing the District \$12,153.50 including accrued penalty and interest to that date. A second company filed for Chapter 11 bankruptcy on April 27, 2016 owing \$1,463.28 in penalty & interest. No further penalty and interest can be accrued or collection activity taken. The accounts have been referred to Perdue, Brandon, Fielder, Collins & Mott L.L.P. to file proof of claim on behalf of the District.



Attachment C

Harris County Sheriff's Office HSCSD Monthly Report: April 2016
Public Release

<u>Waterside (April 2016)</u>		<u>HSCSD Expenses (March 2016)</u>	
Hours Deployed	100	Fuel	\$5,928.46
		Maintenanc	\$0.00
			\$5,928.46 *
<u>Landside (April 2016)</u>		<u>HSCSD Expenses (March 2016)</u>	
Patrols:	328	Fuel	\$1,699.04
		Maintenanc	\$5,432.48
			\$7,131.52 *
<u>Air Side (April 2016)</u>		<u>HSCSD Expenses (March 2016)</u>	
Patrol Hours	8.00	Fuel:	\$170.55
		Mainenanc	\$185.00
		Personnel	\$0.00
		Equipment	\$0.00
			\$355.55

* = Unavailable at time of Report

HCSO Industry Deputy

Coordination Meetings	10
OEM/Drills/Events and Inspections	18
CIKR Visits	26
	54

HCSO District Deputy

Coordination Meetings	16
OEM/Drills/Events and Inspections	16
CIKR Visits	61
	93

<u>SMAG (April 2016)</u>		<u>HSCSD Expenses (April 2016)</u>	
Hours Worked	671	Hrs. Personnel	\$10,000.00

As requested by the Houston Ship Channel Security Distirct (HSCSD) the Harris County Sheriff's Office