

MINUTES

Board of Directors of the Houston Ship Channel Security District 14 June 2016

A regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on June 14, 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
Chris Bennett
Gary Scheibe, Chair
Steve Stewart
Marcus Woodring, Vice Chair

and all said persons were present, except Directors Burke, Hicks 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 and Patrick Seeba 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. David Johnson, plant manager for Chicago Bridge & Iron on Bay Area Boulevard expressed his appreciation for the Board and the projects that the District has supported. He advised that he would be retiring on 1 July 2016, and that, in his opinion, his company’s relationship with the District had been a fruitful one during his tenure.

3. Recognition of CAPT Brian Penoyer and Welcome for CAPT Peter Martin

Chairman Scheibe spoke to the assembled group noting that the partnership between the Houston Ship Channel Security District and the United States Coast Guard was one based on dialogue, respect, and mutual duty to the region. He noted that the Coast Guard was one of many partners with which the District was privileged to work and that CAPT Penoyer would be missed as he moves on to take a job as the Chief of Staff for USCG District 13 in Honolulu.

Vice Chair Woodring presented CAPT Penoyer with a USCG-themed Aloha shirt as a token of appreciation on behalf of the Board of the District. CAPT Penoyer introduced his relief, CAPT

Martin, and thanked Chair Scheibe, Vice Chair Woodring, and the assembled group for their support and friendship. CAPT Martin expressed his compliments for work done by the District and stated that he looked forward to assuming his command and continuing the good work in the region that has been undertaken by CAPT Penoyer and his predecessors.

4. Approval of Minutes of May 10, 2016 Board of Directors Meeting

Chair Scheibe noted that the draft minutes of the May 10, 2016 regular 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. Director Blanchard moved to approve said minutes, as presented. Director Campbell seconded the motion, which passed unanimously without further discussion.

5. Assessment & Budget Sub-Committee Report

Director Blanchard reported that the Budget Sub-Committee composed of Directors Adamec, Blanchard, Campbell and Hicks, with the assistance of Al Cusick and Daniel Ringold, met to discuss various items, including (i) investigation of additional facilities to be added to the assessment roll, (ii) statistical breakdowns of facility mergers, bankruptcies and consolidations, and (iii) review of comments received from facility owners during the 2016 Assessment process. Director Blanchard submitted a proposed schedule to the Board for the next two sub-committee meetings, and advised that the sub-committee will continue to report on its activities and progress to the Board, as appropriate.

6. Legal Report

Mr. Ringold advised the Board that he had nothing to report of a legal nature.

7. Status Report – Greater Houston Port Bureau

A. Financial and Investment Reports

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

Mr. Seeba presented five invoices for Board approval:

- (1) an invoice received from Harris County in the amount of \$82,240.98,
- (2) an invoice received from the Greater Houston Port Bureau in the amount of \$25,350.86,
- (3) an invoice received from the Greater Houston Port Bureau in the amount of \$17,226.75,
- (4) an invoice received from the City of Houston for \$142,069.84, and
- (5) an invoice received from the City of Houston for \$13,083.80.

Upon review of the invoices presented, Director Woodring moved that the financial report be approved and that said invoices be approved for payment. Director Blanchard seconded the motion, which passed unanimously.

Mr. Seeba advised that two (2) companies remain delinquent in payment of their 2013 & 2014 base assessment, penalties and interest totaling \$50,032.50, 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. Seeba advised the Board that six companies have 2015 assessment receivables totaling \$46,191.00. Eight companies have accrued unpaid penalty & interest totaling \$5,418.46. To date \$2,652,309.00 has been received. Two 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 upcoming Facility Security Officer ("FSO") training to be conducted by the Chemical Security Group LLC.

Mr. Seeba also advised that he attended a meeting with the US Customs & Border Protection's ("CBP") technology group to assess the equipment necessary and associated cost with connecting the Inter-agency Operations Center with the United States Department of Homeland Security OneNet platform. He advised the Board that the total project cost would likely approach \$100,000 for initial equipment, with a recurring \$25,000 annual cost. He noted that this information was an update and not a project request, and that the full briefing would be presented to the Board upon CBP's completion of an engineering survey and a detailed list of the equipment and costs involved. He also explained that CBP representatives had strongly suggested that the District consider purchasing and installing the equipment directly, then transferring the equipment to CBP, as such procedure would be much more efficient administratively than the direct funding of CBP for the purposes of the project.

C. Management and Outreach Report

CAPT. Diehl updated the Board on preparations for the Annual Meeting on November 8, 2016, as well as meetings with Directors Hicks and Bennett as part of their introduction to the District.

8. Status Report – City of Baytown

No one was present from the City of Baytown.

9. Status Report – City of Houston

Richard Retz from the Mayor's Office of Homeland Security and Emergency Management noted that Houston was the awardee of a national readiness program for Radiological/Nuclear Detection/Interdiction, and that facility managers may begin seeing an MD500 flying low for the purposes of mapping background radiation. He noted that these flights were not aimed at regulatory compliance, but looking for radiation sources, soil density gauges, and developing a regional baseline. He explained that notification would go out to FSOs through the appropriate channels.

10. 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*.

11. Status Report – Houston Ship Channel Security System

Mr. Patrick Gonzalez reported that the County is now up to 94 cameras, of which 47 are viewable with 27 waiting on microwave communication configuration.

12. Status Report – Texas Game Wardens – TPWD

Captain Eric Mentor noted that TPWD engaged in 18 patrols between Barbours Cut and the end of the Ship Channel during the month of May at a cost to the District of \$9,000.

13. 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

Chair Scheibe announced that it would not be necessary for the Board to convene in executive session.

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

The Board of Directors did not meet in executive session.

15. Consider Items for Future Meeting Agendas

Director Scheibe discussed and advocated for continued vigilance in light of recent national and international security incidents.

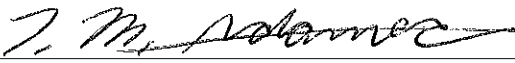
16. Adjourn

The meeting adjourned at 2:38PM upon a motion by Director Boheme, seconded by Director Blanchard, which passed unanimously.

Next Meeting – July 12, 2016

The next regular meeting of the Board is scheduled for July 12, 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 June 14, 2016, regular meeting of the Board of Directors of the Houston Ship Channel Security District

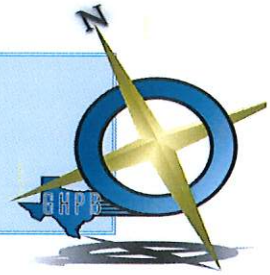


Todd Adamec, Secretary

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

June 14, 2016

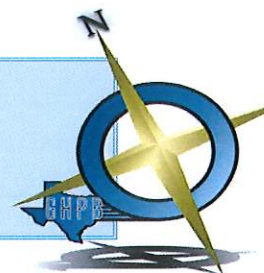
Financial and Investment Reports

- **Bank Statements as of May 31, 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 May 2016**
 - Disbursements totaled \$60,685.04
- **Invoices Requiring Board Approval**
 - Harris County – \$82,240.98 – PSGP match interim bill
 - Greater Houston Port Bureau – \$25,350.86 (April)
 - Greater Houston Port Bureau – \$17,226.75 (May)
 - City of Houston – \$142,069.84 – Grant match interim bill
 - City of Houston – \$13,083.80

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 May 31, 2016 total \$2,652,309.00 (98%)
 - 6 companies have assessment receivables totaling \$46,191.00
 - 8 companies have accrued and unpaid penalty & interest totaling \$5,418.46

GREATER HOUSTON PORT BUREAU, INC.



- 1 of the 6 companies has filed for chapter 11 bankruptcy owing \$12,153.50 including penalty and interest to the date of filing for bankruptcy.
- 1 of the 8 companies owing only penalty & interest has filed for chapter 11 bankruptcy owing the District \$1,463.28

Membership Database Update

- 84% response to requests to verify company and facility information. Three (3) requests have been sent. Another mailing will be sent around the middle of June. So far 73% of the responding companies report changes to their information.



Attachment B

Houston Ship Channel Security District

<http://www.hscsecurity.com>

Assessment Analysis

as of

May 31, 2016

2013 Assessment Analysis

Receivables	Delinquent – 2 Companies	21,000.00	
	Accrued Penalty & Interest (P & I) – 2	9,030.00	
Total Receivables			\$30,030.00

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	4,252.50	
Total Receivables			\$20,002.50

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.

Combined Delinquent Receivables for the 2 Assessment Years = \$50,032.50

2015 Assessment Analysis

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

Receipts to Date	Assessments – 186 Companies	\$2,652,309.00	
	Penalty & Interest (P & I)	11,054.31	
Total Related Receipts			\$2,663,363.31

Receivables	Current – 0 Companies	0.00	
	Delinquent – 6 Companies	\$46,191.00	
	Accrued Penalty & Interest (P & I) – 8	5,417.46	
Total Receivables			\$51,608.46

One company filed for Chapter 11 bankruptcy on March 4, 2016 owing the District \$12,153.50 in assessment and 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: May 2016
Public Release

Waterside (May 2016)

Hours Deployed 99.5

HSCSD Expenses (April 2016)

Fuel \$2,927.11

Maintenanc \$28.94

\$2,956.05 *

Landside (May 2016)

Patrols: 262

HSCSD Expenses (April 2016)

Fuel \$1,428.85

Maintenanc \$343.54

\$1,772.39 *

Air Side (May 2016)

Patrol Hours 4.60

HSCSD Expenses (April 2016)

Fuel: \$231.63

Mainenanc \$0.00

Personnel \$0.00

Equipment \$0.00

\$231.63

* = Unavailable at time of Report

HCSO Industry Deputy

Coordination Meetings 10

OEM/Drills/Events
and Inspections 19

CIKR Visits 66

95

HCSO District Deputy

Coordination Meetings 10

OEM/Drills/Events
and Inspections 16

CIKR Visits 19

45

SMAG (May 2016)

Hours Worked 648 Hrs. Personnel \$10,000.00

HSCSD Expenses (May 2016)

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