

MINUTES

Board of Directors of the Houston Ship Channel Security District July 12, 2016

A regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on July 12, 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 Director 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. Though no members of the public appeared, Chair Scheibe spoke on the challenges faced by law enforcement personnel in connection with recent events in the United States.

3. Approval of Minutes of June 14, 2016 Board of Directors Meeting

Chair Scheibe noted that the draft minutes of the June 14 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 Bass seconded the motion, which passed unanimously without further discussion.

4. Presentation of the 2015 Annual Audit Conducted by McCall, Gibson, Swedlund, Barfoot, PLLC

Mr. Brian Tolden of McCall, Gibson, Swedlund, Barfoot PLLC (“McCall”) reviewed with the Board a draft of the District’s 2015 Annual Audit report. He noted that while McCall had tested transactions, analyzed controls, and interfaced with the District’s Administrators to collect information, the Board is ultimately responsible for the contents of the Audit. He noted that McCall is issuing an unmodified opinion in connection with the report, which is the highest opinion possible. Upon completion of his remarks, Director Blanchard moved to accept the report, subject to any comments provided by Board members or District consultants, which motion was seconded by Director Boehme and approved by a unanimous vote of the Board.

5. Quarterly Investment Officer’s Report

Director Blanchard noted that while Mr. Tolden had covered many of the highlights of the quarterly Investment Officer’s report, the District’s investments and deposits are in compliance with District’s Investment Policy as well as the requirements of the Public Funds Investment Act. He explained that investment training for the District Administrative officer as well as the Board Investment Officer would be required in 2017. In addition, deposits in the previous 12 months have offset bank fees, and all deposits through the end of June had been properly collateralized.

6. Quarterly Treasurer’s Report

Director Blanchard reported that all grant-match funds are now being paid on a reimbursement basis. In addition, the first Harris County Sheriff’s Office (HCSO) air support and Texas Parks and Wildlife Department (TPWD) marine support invoices had been received by the District.

7. Assessment & Budget Committee Report

Director Blanchard reported that the Assessment & Budget Committee had no additions to their report of 14 June, and that the GHPB is continuing to collect information for the Committee such that it can prepare a 2016 Plan of Assessment.

8. Presentation and Possible Action on US Customs and Border Protection (CBP) Donation Program

Mr. Seeba reported to the Board that he met with representatives the CBP Office of Information & Technology, who requested that the District provide funds for a project to connect the Department of Homeland Security OneNet Network to the United States Coast Guard’s Interagency Operations Center located at Ellington Field. He noted that the proposed scope of work for the project is included in the Board Book materials provided to the Directors, and includes cabling in the USCG building, as well as recurring charges for an initial year of internet connection. He noted that the request is that the District cover the cost of such expenses; however, the District would not own any equipment or be responsible for the maintenance or operation of the system. Mr. Seeba noted that no action was required by the Board at this time.

9. Adoption of Resolution Authorizing an Additional Penalty on Delinquent Assessment

Mr. Ringold explained to the Board that statutory provisions of the Texas Water Code and Tax Code allow the District to impose an additional penalty on delinquent 2015 assessments beginning 1 July 2016. The additional penalty assessed offsets the cost of collecting the unpaid assessments. Following discussion, Director Woodring motioned that the Board adopt the Resolution imposing an additional penalty on delinquent assessments. Director Blanchard seconded the motion, which passed unanimously.

10. Legal Report

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

11. Report on the Texas Private Sector Advisory Council (PSAC) and National Maritime Security Advisory Council (NMSAC) Meetings

Director Woodring reported to the Board that he, upon appointment by the Secretary of Homeland Security, serves on the NMSAC advising the Coast Guard on upcoming rules as a representative of industry. In addition, he reported on his appointment as the maritime representative by the Texas Governor to the PSAC, a group that advises the State on homeland security issues. He gave an account of the two meetings and solicited input from the assembled body as well as the Board, noting that the groups addressed such topics as TWIC redesign, cybersecurity, developing policies to stop especially hazardous cargoes from being used as weapons in the maritime realm, seafarer access, the Port Security Grant Program and others.

12. Status Report – Greater Houston Port Bureau

A. Financial and Investment Reports

Al Cusick 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. Cusick presented three invoices for Board approval:

- (1) an invoice received from Harris County in the amount of \$175,666.33,
- (2) an invoice received from the Greater Houston Port Bureau in the amount of \$16,141.32, and
- (3) an invoice received from the City of Houston for \$16,398.50.

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

Mr. Cusick advised that two companies remain delinquent in payment of their 2013 & 2014 base assessment, penalties and interest totaling \$50,400.00, 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 five companies have 2015 assessment receivables totaling \$46,057.00. Seven companies have accrued unpaid penalty & interest totaling \$6,084.78. To date \$2,652,443.00 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 of a Facility Security Officer ("FSO") training conducted by the Chemical Security Group LLC, and recommended the approval of two further trainings by the

same vendor, focused on CFATS and MTSA compliance. A motion to that effect was made by Directory Blanchard, seconded by Director Hicks, and passed unanimously.

C. Management and Outreach Report

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

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 reported that there was nothing of significance to report to the Board this month; however, the City's Bell MD412 helicopter was back in service within the District, and that the City of Houston's radio site and marine unit Port Security Grant Program applications had been approved by FEMA.

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's Central Technology Services (CTS) department was working on putting additional cameras on the Fred Hartman Bridge, working with the Texas Department of Transportation, and preparing to put cameras on the HCSO Safe boats.

12. Status Report – Texas Game Wardens – TPWD

Captain Fred Ruiz noted that TPWD were responding to flood control events across the state, conducted 41 vessel boardings, and had no significant issues.

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.

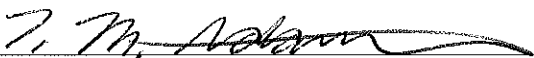
16. Adjourn

The meeting adjourned at 2:58PM upon a motion by Director Adamec, seconded by Director Burke, which passed unanimously.

Next Meeting – August 9, 2016

The next regular meeting of the Board is scheduled for August 9, 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 July 12, 2016, regular meeting of the Board of Directors of the Houston Ship Channel Security District

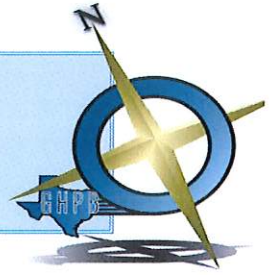


Todd Adamec, Secretary

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

July 12, 2016

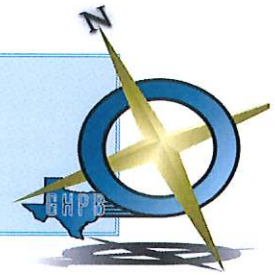
Financial and Investment Reports

- **Bank Statements as of June 30, 2016**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$24,835.29
 - Deposits were \$0.00
 - Transfers from Money Market were \$100,000.00
 - Cleared Checks were \$283,655.15
 - Checks Outstanding were \$75.00
 - Money Market Account Reconciliation shows:
 - The invested balance was \$10,015,413.67
 - Deposits were \$140.36
 - Transfers to Checking were \$100,000.00
 - Deposits In Transit were \$0.00
 - Interest earned was \$413.35
- **Disbursements for June 2016**
 - Disbursements totaled \$283,494.79
- **Invoices Requiring Board Approval**
 - Harris County – \$175,666.33
 - Greater Houston Port Bureau – \$16,141.32
 - City of Houston – \$16,398.50

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 \$50,400.00.
- 2015 Assessment
 - The 2015 Assessment total after appeals is \$2,698,500.00.
 - Assessment receipts through June 30, 2016 total \$2,652,443.00 (98%)
 - 5 companies have assessment receivables totaling \$46,057.00
 - 7 companies have accrued and unpaid penalty & interest totaling \$6,084.78
 - 1 of the 5 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 7 companies owing only penalty & interest has filed for chapter 11 bankruptcy owing the District \$1,463.28

Membership Database Update

- 89% response to requests to verify company and facility information. Four (4) requests have been sent. Another mailing will be sent around the middle of July. So far 75% of the responding companies report changes to their information.



Houston Ship Channel Security District

<http://www.hscsecurity.com>

Assessment Analysis as of June 30, 2016

2013 Assessment Analysis

Receivables	Delinquent – 2 Companies	21,000.00	
	Accrued Penalty & Interest (P & I) – 2	9,240.00	
Total Receivables			\$30,240.00

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	4,410.00	
Total Receivables			\$20,160.00

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.

Combined Delinquent Receivables for the 2 Assessment Years = \$50,400.00

2015 Assessment Analysis

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

Receipts to Date	Assessments – 187 Companies	\$2,652,443.00	
	Penalty & Interest (P & I)	11,049.67	
Total Related Receipts			\$2,663,492.67

Receivables	Current – 0 Companies	0.00	
	Delinquent – 5 Companies	\$46,057.00	
	Accrued Penalty & Interest (P & I) – 7	6,084.78	
Total Receivables			\$52,141.78

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: June 2016
Public Release

<u>Waterside (June 2016)</u>		<u>HSCSD Expenses (April 2016)</u>	
Hours Deployed	142.3	Fuel	\$2,927.11
		Maintenance	\$2,293.61
			\$5,220.72

<u>Landside (June 2016)</u>		<u>HSCSD Expenses (April 2016)</u>	
Patrols:	391	Fuel	\$1,428.85
		Maintenance	\$343.54
			\$1,772.39

<u>Air Side (June 2016)</u>		<u>HSCSD Expenses (April 2016)</u>	
Patrol Hours	6.30	Fuel:	\$268.79
		Maintenance	\$0.00
		Personnel	\$0.00
		Equipment	\$0.00
			\$268.79

HCSO Industry Deputy

Coordination Meetings	17
OEM/Drills/Events and Inspections	16
CIKR Visits	36
	69

HCSO District Deputy

Coordination Meetings	4
OEM/Drills/Events and Inspections	21
CIKR Visits	30
	55

SMAG (June 2016)

<u>SMAG (June 2016)</u>		<u>HSCSD Expenses (June 2016)</u>	
Hours Worked	556 Hrs.	Personnel	\$10,000.00

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