

MINUTES

Board of Directors of the Houston Ship Channel Security District August 9, 2016

A regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on August 9, 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
Chris Bennett
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 Adamec 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 2:01 PM.

2. Appearances

Chair Scheibe called for appearances. There were no appearances by members of the public.

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

Chair Scheibe noted that the draft minutes of the July 12, 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 Boehme moved to approve said minutes, as presented. Director Burke seconded the motion, which passed unanimously without further discussion.

4. Assessment & Budget Committee Report

Director Blanchard reported that the Assessment & Budget Committee had no additions to the written report of its July 26, 2016 meeting included in the Board Book, and that the GHPB is continuing to collect information for the Committee so that it can prepare a 2016 Plan of Assessment for presentation to the Board for review and approval.

5. Presentation and Possible Action on Harris County Engineering Funding Request for Operations and Maintenance for 2017

Mr. Seeba presented to the Board a funding request received from Harris County Engineering in the amount of \$333,300 for continuing operations and maintenance support, emergency maintenance costs, construction phase services, and the construction of fiber paths. Director Blanchard made a motion to approve said funding and, with Director Woodring seconding the motion, the Board voted unanimously to include funding for such project in the District's 2016 Plan of Assessment.

6. Presentation and Possible Action on Texas Parks and Wildlife Department Funding Request for Operations and Maintenance for 2017

Mr. Seeba presented to the Board a funding request received from Texas Parks and Wildlife Department in the amount of \$200,000 for continuing operations and maintenance support. Director Blanchard made a motion to approve said funding and, with Director Burke seconding the motion, the Board voted unanimously to include funding for such project in the District's 2016 Plan of Assessment.

7. Presentation and Possible Action on US Customs and Border Protection (CBP) Funding Program

Mr. Seeba presented to the Board a funding request in the amount of \$152,222.80 to support the US Customs and Border Protection Donation Program. He explained that all work done on the Program would be done at CBP's direction and under CBP oversight; however, the District would receive invoices for the services rendered. Director Woodring informed the Board that the assessment committee had discussed this item and wanted to be clear that at no time would the District take ownership of any hardware or equipment. Director Bass made a motion to approve said funding and, with Director Burke seconding the motion, the Board voted unanimously to include funding for such project in the District's 2016 Plan of Assessment.

8. Presentation and Possible Action on Harris County Sherriff's Office Funding Request for Training Expense for 2016

Mr. Seeba presented to the Board a funding request received from the Harris County Sheriff's Office in the amount of \$13,956 for training on a UASI-funded Pro-4 digital underwater remotely operated vehicle (ROV). At Chair Scheibe's request, Sgt. Jeffery Easthagen, HCSO provided the Board with a brief of the ROV's technical capabilities. Director Woodring asked if the Board would be able to view a demonstration of the equipment, and Sgt. Easthagen indicated that it would be possible. Director Blanchard made a motion to approve said funding and, with Director Boehme seconding the motion, the Board voted unanimously to approve the financial support.

9. Review and Discussion of the Draft Expense Budget to be Used in Arriving at the Assessment Plan

Director Blanchard presented a revised draft expense budget for the District's fiscal year ending December 31, 2017, which includes the items approved by the Board at today's meeting. Mr. Blanchard advised that the draft expense budget would be used to develop the 2016 Plan of

Assessment and asked the Board to review for any additions or changes before said Plan is drafted.

10. Legal Report

Mr. Ringold advised the Board that he had nothing additional to report of a legal nature. Mr. Ringold noted that a monthly report of collection efforts on delinquent assessment accounts had been requested from Perdue Brandon Fielder Collins and Mott, LLP ("PBFCM") for today's meeting, but the report had not yet been issued by PBFCM. Mr. Ringold advised that he would forward the report to the Board members upon his receipt of same.

11. 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 two invoices for Board approval:

- (1) an invoice received from Harris County in the amount of \$48,315.26, and
- (2) an invoice received from the Greater Houston Port Bureau in the amount of \$17,184.82

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 \$50,767.50, and were referred to Perdue, Brandon, Fielder, Collins & Mott, LLP, the District's delinquent assessment collection attorneys, on July 1, 2014, and July 1, 2015 respectively for further collection efforts.

Mr. Cusick advised the Board that six companies have 2015 assessment receivables totaling \$34,907.00. Six companies have accrued unpaid penalty & interest totaling \$5,082.78. 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 upcoming CFATS compliance training. Chair Scheibe requested that the administrative staff look into rescheduling the social media risk training held last year.

C. Management and Outreach Report

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

12. Status Report – City of Baytown

Mr. Russell White from the City of Baytown reported that Baytown has received its 2014 port security grant program funded equipment and is in the process of training personnel on said

equipment. He noted that the number of personnel assigned to the marine unit will increase from 5 persons to 10 persons.

13. 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.

14. Status Report – Harris County

Mr. Doug Atkinson reported that there had been, to date, no guidance from FEMA on the County’s 2016 port security grant. Deputy Lee reported on the activities of the Harris County Sheriff’s Department. A copy of the report is attached as *Attachment C*.

15. Status Report – Houston Ship Channel Security System

Mr. Patrick Gonzalez reported that the County’s Central Technology Services (CTS) department was continuing work on the Houston Ship Channel Security System.

16. Status Report – Texas Game Wardens – TPWD

Captain Fred Ruiz noted that TPWD had conducted 11 patrols for a total of 120 waterfront hours, which included 48 vessel boardings.

17. 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.

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

The Board of Directors did not meet in executive session.

19. Consider Items for Future Meeting Agendas

Director Campbell asked what preparations the region is taking for the Super Bowl coming up in January, and Mr. Retz described several of the ongoing actions be taken by regional committees and coordination teams.

20. Adjourn

The meeting adjourned at 2:41PM upon a motion by Director Blanchard, seconded by Director Hicks, which passed unanimously.

Next Meeting – September 13, 2016

The next regular meeting of the Board is scheduled for September 13, 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 August 9, 2016, regular meeting of the Board of Directors of the Houston Ship Channel Security District

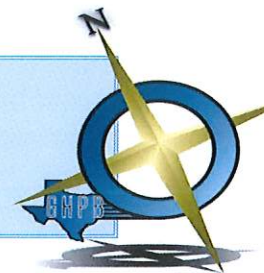
Eric T. Bass

Eric Bass, Assistant 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

August 9, 2016

Financial and Investment Reports

- **Bank Statements as of July 29, 2016**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$48,234.60
 - Deposits were \$0.00
 - Transfers from Money Market were \$250,000.00
 - Cleared Checks were \$226,600.69
 - Checks Outstanding were \$143.12
 - Money Market Account Reconciliation shows:
 - The invested balance was \$9,781,594.14
 - Deposits were \$15,788.40
 - Transfers to Checking were \$250,000.00
 - Deposits In Transit were \$0.00
 - Interest earned was \$392.07
- **Disbursements for July 2016**
 - Disbursements totaled \$226,668.81
- **Invoices Requiring Board Approval**
 - Harris County – \$23,284.01; 2014 Grant Match - \$25,031.25 = \$48,315.26
 - Greater Houston Port Bureau – \$17,184.82

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 \$50,767.50.
- 2015 Assessment
 - 6 companies have assessment receivables totaling \$34,907.00
 - 6 companies have accrued and unpaid penalty & interest totaling \$5,082.78
 - One company has filed for chapter 11 bankruptcy owing \$12,153.50 including penalty and interest to the date of filing for bankruptcy.
 - One company owing only penalty & interest has filed for chapter 11 bankruptcy owing the District \$1,463.28
 - All delinquent accounts were referred to PBFC&M for collection on July 1, 2016



Attachment B

Houston Ship Channel Security District

<http://www.hscsecurity.com>

Assessment Analysis as of July 31, 2016

2013 Assessment Analysis

Receivables	Delinquent – 2 Companies	21,000.00	
	Accrued Penalty & Interest (P & I) – 2	9,450.00	
Total Receivables			\$30,450.00

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	4,567.50	
Total Receivables			\$20,317.50

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 = \$50,767.50

2015 Assessment Analysis

Receivables	Delinquent – 6 Companies	\$34,907.00	
	Accrued Penalty & Interest (P & I) – 6	5,082.78	
Total Receivables			\$39,989.78

Total Accounts with collection attorney – 7 companies owing \$90,757.28

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: July 2016
Public Release

Waterside (July 2016)

Hours Deployed 145.2

HSCSD Expenses (May 2016)

Fuel \$3,504.90
Maintenance \$145.30
Supplemental \$6,744.47

\$10,394.67

Landside (July 2016)

Patrols: 354

HSCSD Expenses (May 2016)

Fuel \$1,307.01
Maintenance \$1,504.22

\$2,811.23

Air Side (July 2016)

Patrol Hours 12.9

HSCSD Expenses (May 2016)

Fuel: \$78.11
Mainenance \$0.00
Personnel \$0.00
Equipment \$0.00

\$78.11

HCSO Industry Deputy

Coordination Meetings 8
OEM/Drills/Events
and Inspections 19
CIKR Visits 16

43

HCSO District Deputy

Coordination Meetings 8
OEM/Drills/Events
and Inspections 24
CIKR Visits 34

66

SMAG (July 2016)

Hours Worked 592 Hrs.

HSCSD Expenses (July 2016)

Personnel \$10,000.00

As requested by the Houston Ship Channel Security Distirct (HSCSD) the Harris County Sheriff's Office (HCSO) is providing the following information for release to the HSCSD members. This information is not considered Sensitive Security Information (SSI) and is therefore authorized to be released to the Public. All other information in the HSCSD Monthly Report provided by the HCSO is considered SSI and therefore is not for public release or information.