

## MINUTES

### **Board of Directors of the Houston Ship Channel Security District Annual Meeting November 8, 2016**

The annual meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on November 8, 2016, open to the public, at the Pasadena Convention Center, 7902 W Fairmont Pkwy, Pasadena, TX 77507, 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 Director Stewart, and thus establishing a quorum. Also present were Daniel Ringold of Schwartz, Page & Harding, LLP (“SPH”), legal counsel for the District, and 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 11:50 AM.

#### **2. Welcome and Introduction of the Board of Directors**

Chair Scheibe recognized the elected officials and public dignitaries present and thanked them for their support of the District and its mission. Chair Scheibe then introduced the Board members to those in attendance.

#### **3. Approval of Minutes of October 18, 2016 Board of Directors Meeting**

Chair Scheibe noted that the draft minutes of the October 18, 2016, 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 Woodring moved to approve said minutes, as presented. Director Blanchard seconded the motion, which passed unanimously without further discussion.

#### **4. Discussion and Possible Approval of the 2017 Annual Budget**

Treasurer Blanchard presented a proposed annual budget for the District's fiscal year ending December 31, 2017, and explained that such budget includes the revenues and expenses reflected in the recently adopted 2016 Plan of Assessment, as well as all other income and expenses expected to be collected and disbursed during the coming year. A copy of the annual budget is attached as Exhibit "A" hereto. Treasurer Blanchard moved to adopt the annual budget for fiscal year ending December 31, 2017, as presented. The motion was seconded by Director Adamec and passed unanimously without further discussion.

#### **5. Discussion and Possible Appointment of McCall Gibson Swedlund Barfoot, PLLC as Auditor for Fiscal Year 2016**

Treasurer Blanchard referred to the engagement letter received from McCall Gibson Swedlund Barfoot PLLC that was previously distributed. He noted the proposed cost of \$10,500 for the audit was the same as was paid for the 2015 audit. Treasurer Blanchard moved the appointment of McCall Gibson Swedlund Barfoot PLLC as auditor for the year ending December 31, 2016. The motion was seconded by Director Woodring and passed unanimously without further discussion.

#### **6. Discussion and Possible Approval of November Invoices**

Treasurer Blanchard presented 4 invoices for payment requiring Board approval:

1. City of Houston \$135,459.66 for 2015 Port Security Grants local matching funds
2. City of Houston \$49,220.60 for 2014 Port Security Grant local matching funds
3. Greater Houston Port Bureau \$25,258.54 for October administrative services
4. Harris County \$43,116.32 for support of operating and maintenance support

Treasurer Blanchard moved to approve and pay each of the above listed invoices. The motion was seconded by Director Woodring and passed unanimously without further discussion.

#### **7. Treasurer's Annual Report**

Chair Scheibe asked Treasurer Blanchard to provide the annual Treasurer's Report. Treasurer Blanchard reviewed the report with the Board. A copy of which is attached hereto as Exhibit "B"

#### **8. Update on Nominations for Zone Directors**

Vice Chair Woodring advised the Board that the nomination process was underway for the zone director positions with terms expiring at the end of 2016. He stated that all incumbent directors in such positions were seeking reappointment, and currently one position is contested. He encouraged the members present to become active in the affairs of the District and to seek a position on the Board. He reminded everyone that zone director nominations close on Friday November 11, 2016.

#### **9. Chairman's Annual Report**

Chair Scheibe thanked the Facility representatives present for their attendance at the meeting and interest in and support of the District. He briefly discussed the District's relationship with local, regional, state and federal law enforcement partners, noting the scope and complexity of projects undertaken by such partners and supported by the District. He also explained that the Board makes every effort to remain focused on the core mission of protecting the Houston Ship Channel's waterside and landside facilities and associated supply chain and support industries supporting the region, while being good stewards of the District's funds.

## **10. Presentations**

Chair Scheibe called on each of the District's law enforcement partner agencies to provide a presentation to those in attendance of the security projects, services and initiatives provided by those agencies in furtherance of the goals of the District. Such presentations were as follows:

- City of Baytown – Chief Bill Baylis discussed the activities of the Baytown Police and Fire Department, with a focus on how the capabilities and utilization of the shallow draft DIVE Team and Regional Bomb Squad equipment and training supported by the District.
- City of Houston – Rick Retz presented the activities of the City of Houston Police Department (HPD), highlighting the mission of the HPD helicopters and boats providing security and training within the District. Mr. Retz also identified and discussed other projects undertaken by the City in 2016 and to be undertaken in 2017, including a new foam firetruck and training facilities for vessel firefighting, helicopter rescue and shipboard intrusion.
- Harris County – Patrick Gonzales reviewed the interaction of the Harris County Central Technology Services department with the Harris County Sheriff's Office, other local law enforcement agencies and the Coast Guard in providing interagency communications throughout the District. Major Daryl Coleman of the Harris County Sheriff's Office (HCSO) explained the County's video monitoring program with resulting situational awareness brought about by the HCSO Situation Monitoring & Awareness Group. Major Coleman discussed the activities of the HCSO Marine Unit and Dive Teams, giving statistics on the hours spent patrolling and securing the Houston Ship Channel.
- Texas Parks and Wildlife Department – Captain Fred Ruiz discussed all of the resources that Texas Parks and Wildlife Department brings to the security of the Ship Channel. He explained the broad law enforcement powers and jurisdictional authority of the Department.
- U.S. Coast Guard Interagency Command Center – LCDR Attanasio discussed the interagency command center and the law enforcement agencies that operate side-by-side and in cooperation with each other in that space. He explained how the interagency Command Center fits into the Coast Guard Maritime Tactical Operations Group (MTOG).

## **11. National Maritime Security Advisory Council (NMSAC) Update**

Vice Chair Woodring reported on the activities of NMSAC. He stressed the importance of receiving feedback from industry and asked those present to contact him with their concerns.

## **12. Texas DPS Intelligence & Counterterrorism Division – Critical Infrastructure Protection Program Overview**

Kim Jones, an oil and natural gas analyst from the Texas Department of Public Safety's Intelligence and Counterterrorism Division gave a presentation on the intelligence and security

analysis work being done by DPS and the State Fusion Center. She described the potential for the creation of a position that will focus on the maritime domain and intelligence produced for companies who depend on Texas waterways.

### **13. U.S. Coast Guard Sector Houston-Galveston Comments**

CAPT Rob McLellan described the work performed by the US Coast Guard and the District's involvement in assisting by supporting projects designed to foster interagency coordination. He noted that the work supported by the District makes the Interagency Operations Center a key part of the federal maritime security picture for the greater Houston-Galveston region.

### **14. Questions From the Floor**

There were no questions on District-supported projects or initiatives from the floor.

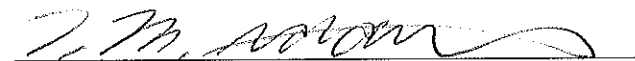
### **15. Adjourn**

At 1:08 PM Chair Scheibe asked for a motion to adjourn. Director Woodring moved the meeting be adjourned and Director Adamec seconded the motion, which passed unanimously.

### **Next Meeting – December 13, 2016**

The next regular meeting of the Board is scheduled for December 13, 2016 at 2:00 PM at the Shell Deer Park Learning Center, 4400 Highway 225, Mustang Building, Second Floor, Deer Park, Texas 77536

The above is a correct copy of the Minutes of the November 8, 2016, annual meeting of the Board of Directors of the Houston Ship Channel Security District



Todd Adamec, Secretary

## LIST OF EXHIBITS

- A. Adopted Budget for Fiscal Year Ending December 31, 2017;
- B. Treasurer's Annual Report.

Exhibit "A"

Houston Ship Channel Security District  
2017 Annual Budget

Account	Account Description	Total
4000	Assessments	2,144,000.00
4001	Assessments Refund	0.00
4100	Interest Income	4,000.00
4310	Penalty & Interest income	0.00
4350	Contract Revenue	53,600.00
4800	Assessment Reduced on Appeal	0.00
6425	Postage & Delivery	4,200.00
6450	Office Supplies Expense	1,800.00
6460	Administrative Services	300,000.00
6470	Legal Fees	60,000.00
6475	Audit Fees	13,500.00
6480	Education & Training	48,000.00
6500	Telephone Expense	264.00
6550	Other Office Expense	3,600.00
6575	News Letter	2,000.00
6600	Advertising Expense	500.00
6700	Meeting Expense	9,550.00
6725	Travel	10,000.00
6741	Collection Agency Fees	0.00
6750	Meals & Entertainment	1,200.00
6850	Service Charge Expense	0.00
6950	Insurance Expense	8,500.00
7000	<b>County Grant Matching Funds</b>	
7000.003	Technology Refresh	287,500.00
7000.004	HCSO Marine Unit M&O	77,766.00
7000.005	36' Safe Boat & Training	245,975.00
	<b>City Grant Matching Funds</b>	
7001.005	Shipboard Firefighting	75,000.00
7001.006	Enhanced Airborne Response	51,474.55
7001.007	Hazardous Materials Response	212,625.00
7001.008	Maritime Domain Awareness	49,844.14
7001.009	Special Response Teams	113,655.65
7001.010	Radio System Prime Site	129,500.00
7001.013	Marine Unit Training & Equipme	23,375.00
	<b>Baytown Grant Matching Funds</b>	
7002.001	Prime Mover 2015 Grant	16,250.00
	<b>Capital Projects</b>	
7003.001	CBP Network Installation	124,885.00
7003.002	PID - SARFIN 6	170,000.00
	<b>Security Project Operation &amp; Maintenance</b>	
7011	HCSO O&M Marine Fuel & Maint	244,700.00
7012	HC-CTS O&M	216,000.00
7013	HC-PID O&M	163,300.00
7014	HCSO Air Assets Support	35,000.00
7020	HCSO SMAG Staffing Agreement	90,000.00
7030	HPD Helicopter Fuel Agreement	270,600.00
7031	HPD Boat Fuel Agreement	344,100.00
7041	TPW Warden Marine Support	200,000.00
7051	CBP/DHS Network O&M	27,337.80
	<b>Revenue</b>	<b>2,201,600.00</b>
	<b>- Expenses</b>	<b>-3,632,002.14</b>
	<b>Net Income</b>	<b>-1,430,402.14</b>

Exhibit "B"



Houston Ship Channel Security District  
Annual Meeting  
Annual Financial Report  
November 8, 2016

- The 2015 Fiscal Year Audit
  - The Fiscal Year 2015 audit was conducted by McCall Gibson Swedlund Barfoot, PLLC and approved by the Board of Directors on August 9, 2016. A copy of the 2015 Annual Audit is posted on the District website [www.hscsd.org](http://www.hscsd.org) for public review.
- Grant Projects
  - Over the years the District's partners have received approval for \$31,397,554 in grants for port security projects. The District has agreed to pay the 25% local cost matching funds for these grants totaling \$7,824,787. Not all of the expenses related to these projects have been submitted to the District for reimbursement and thus, the District has outstanding commitments of \$1,512,769 to pay these grant cost matches. You will see this reflected in the budget vs actual of the 2016 Year to Date budget report later.
  - You will hear more about these security projects from each of the partners later in this meeting.
- 2015 Assessment
  - Last Year the 2015 assessment totaled \$2,698,500. This assessment was to fund the 2016 budget of \$3,384,524. The Board authorized the use of surplus funds to make up the difference of \$614,874.
- 2016 Year to Date Budget
  - For 2016 the budget amounts and actual expenditures through October are as follows:
    - Revenue – Budget \$2,214,450; Actual \$2,238,516
    - Expenses – Budget \$2,699,020; Actual \$1,524,593

- 2016 Assessment
  - The 2016 Assessment totaled \$2,144,000.
  - The 2016 assessment rate is 20% less than the 2015 assessment rate.
  - Again this year the intent of the Board is to fund the administrative and O&M cost with the assessment, while surplus funds of up to \$1,430,400 will cover the remaining local match for 2016 grants and security projects.
  - A reminder that any appeals of the assessments must be received by a week from Friday, November 18, 2016
- 2017 Budget.
  - The 2017 budget was just approved earlier in this annual meeting. A copy of the 2017 Operating Budget will be available on the District's website.
- Secured Funds on Deposit
  - All District deposits are secured by pledged collateral with the Federal Home Loan Bank of Des Moines in excess of 110% of deposits at AmegyBank
- Public Funds Investment Act
  - The Investment Officer attended the required Public Funds Investment Act (PFIA) training in May of 2015 and will attend again in 2017 as required by the act.
  - All of the requirements of the PFIA are currently being met by the District.



Houston Ship Channel Security District  
Balance Sheet  
October 31, 2016

ASSETS

Current Assets		
AmegyBank	\$	85,122.30
Amegy Bank Money Market		9,336,352.42
Accounts Receivable		2,058,200.00
Accounts with Collection Atty		76,181.23
		<hr/>
Total Current Assets		11,555,855.95
Property and Equipment		<hr/>
Total Property and Equipment		0.00
Other Assets		<hr/>
Total Other Assets		0.00
Total Assets	\$	<u>11,555,855.95</u>

LIABILITIES AND CAPITAL

Current Liabilities		
Accounts Payable	\$	270,930.76
VISA Credit Card - AI		140.30
		<hr/>
Total Current Liabilities		271,071.06
Long-Term Liabilities		<hr/>
Total Long-Term Liabilities		0.00
Total Liabilities		271,071.06
Capital		
Retained Earnings		10,570,866.99
Net Income		713,917.90
		<hr/>
Total Capital		11,284,784.89
Total Liabilities & Capital	\$	<u>11,555,855.95</u>

Houston Ship Channel Security District  
YTD Income & Expense vs. Budget Statement  
For the Ten Months Ending October 31, 2016

	Year to Date Actual	Year to Date Budget	Year to Date Variance
<b>Revenues</b>			
Assessments	\$ 2,144,000.00	\$ 2,698,500.00	(554,500.00)
Interest Income	4,103.00	3,500.00	603.00
Penalty & Interest income	23,462.87	0.00	23,462.87
Contract Revenue	66,950.00	66,950.00	0.00
<b>Total Revenues</b>	<b>2,238,515.87</b>	<b>2,768,950.00</b>	<b>(530,434.13)</b>
<b>Expenses</b>			
Postage & Delivery	2,047.45	14,800.00	(12,752.55)
Office Supplies Expense	346.83	1,000.00	(653.17)
Administrative Services	185,572.50	300,000.00	(114,427.50)
Legal Fees	54,637.78	60,000.00	(5,362.22)
Audit Fees	10,500.00	12,000.00	(1,500.00)
Education & Training	3,084.69	98,000.00	(94,915.31)
Telephone Expense	216.50	1,000.00	(783.50)
Other Office Expense	3,693.22	6,000.00	(2,306.78)
News Letter	0.00	1,500.00	(1,500.00)
Advertising Expense	99.00	3,000.00	(2,901.00)
Meeting Expense	6,562.21	15,000.00	(8,437.79)
Travel	3,040.74	20,000.00	(16,959.26)
Meals & Entertainment	1,078.40	5,000.00	(3,921.60)
Service Charge Expense	39.00	0.00	39.00
Insurance Expense	5,676.00	8,000.00	(2,324.00)
County Grant Matching Funds	(106.25)	0.00	(106.25)
Technology Refresh	229,838.34	236,658.33	(6,819.99)
HCSO Marine Unit M&O	0.00	77,766.00	(77,766.00)
Expand Air Support & Main	241,010.22	241,250.00	(239.78)
Radiological Detection	40,500.00	0.00	40,500.00
Shipboard Firefighting	0.00	25,000.00	(25,000.00)
Enhanced Airborne Response	96,339.45	0.00	96,339.45
Maritime Domain Awareness	36,776.86	27,500.00	9,276.86
Special Response Teams	2,343.35	0.00	2,343.35
HCSO O&M Marine Fuel & Maint	92,520.96	191,833.34	(99,312.38)
HC-ITC O&M	19,261.63	187,500.00	(168,238.37)
HC-PID O&M	199,563.37	291,875.00	(92,311.63)
HCSO Air Assets Support	1,647.07	95,500.00	(93,852.93)
HCSO SMAG Staffing Agreement	90,000.00	100,000.00	(10,000.00)
HPD Helicopter Fuel Agreement	41,001.90	225,500.00	(184,498.10)
HPD Boat Fuel Agreement	127,907.80	286,667.00	(158,759.20)
TPW Warden Marine Support	29,398.95	166,670.00	(137,271.05)
<b>Total Expenses</b>	<b>1,524,597.97</b>	<b>2,699,019.67</b>	<b>(1,174,421.70)</b>

Actual Expenses from Harris County are delayed 2-3 months before invoiced  
For Management Purposes Only