

## MINUTES

**Board of Directors of the  
Houston Ship Channel Security District**

**Deer Park, Texas  
February 11, 2014**

The regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on February 11, 2014, at 2:09 p.m. The meeting was held, open to the public, at The Mustang Building, 2<sup>nd</sup> Floor, Shell Learning Center, 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, Assistant Secretary  
Didier Auber  
Randy Black  
Lewis A. Brown  
Clayton Curtis, Treasurer  
Richard Henderson  
Chuck King  
Gary Scheibe, Chair  
Tom Schroeter, Secretary  
Steve Stewart, Vice Chair

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

### **1. Call to Order**

Chair Scheibe called the meeting to order at 2:09 PM.

Chair Scheibe gave a safety brief to attendees in accordance with Shell company/building policy.

Chair Scheibe noted the change in meeting location and said it was his desire to centralize the location of the monthly meetings to make it more convenient for facility owners and their representatives to attend.

## **2. Chair's Recognitions**

Chair Scheibe asked Niels Aalund from the West Gulf Maritime Association to come forward and presented him with a plaque of appreciation from the District for WGMA's assistance in providing the District a regular meeting location during the past several years. Mr. Aalund thanked him for the recognition.

Noting that Jan Park, Port of Houston Authority, was not present, Chair Scheibe recognized her dedication and service to the Board since the District's inception. He explained that the Greater Houston Port Bureau would be absorbing her administrative duties. Chair Scheibe asked Director Schroeter to deliver a plaque of appreciation to Ms. Park.

## **3. Appearances**

The Board called for non-scheduled appearances. There were none.

## **4. Approval of Minutes**

Director Brown motioned, with Director Stewart seconding, that the Board approve the minutes of the November 21, 2013, and January 14, 2014 Board meetings. The motion passed unanimously.

## **5. Chair's Remarks – 2014 goals for Security District**

Chair Scheibe gave remarks to the Board with a focus on his vision for the District in the upcoming years, goals to be achieved, and projects and services that should be the focus of the Board to achieve those goals.

### **Liaison position to Board of Directors**

Chair Scheibe outlined his intention to ensure that the Board increased its involvement with the USCG Area Maritime Security Committee (AMSC), and stimulated subject-matter expert discussion at the Advisory Council level. After brief discussion, the Board decided to table the matter for discussion later in the meeting.

## **6. Opportunity for industry partners to address the Board regarding Grant requests**

Mr. Douglas Adkinson, Harris County, introduced Dr. Andrew Yang, University of Houston-Clear Lake ("UH-CL"), to discuss the joint Harris County ITC/UH-CL request for District support on a cybersecurity project.

Dr. Yang gave a PowerPoint presentation (Appendix A) before taking questions from Board Members. Director Brown asked if this proposal represented a complete project or phase I of an ongoing process, and Dr. Yang replied that the proposal was just for phase I.

Director Adamec inquired as to deliverables upon completion of phase I and upon completion of all phases of the project. Dr. Yang responded this grant might not even financial support all of phase I.

Director Stewart asked about the end-state of the proposed project and what success would look like, especially to a non-IT professional. Dr. Yang explained that cyber-security is a constantly evolving realm and that, much like traditional security, there isn't an end-state that represents completion.

Director King noted that Dr. Yang had said that some people considered the project overly aggressive, and asked whether UH-CL and the County currently possessed adequate staff to timely and adequately fulfill the initiatives outlined. Dr. Yang noted that Harris County Information Technology Center possesses appropriate staff to carry out the project, and that UH-CL would work with current faculty, staff, and students to develop the educational curriculum. A separate grant (Operation Hero) to San Jacinto College would fund interns.

Chair Scheibe asked what connection this project had with existing initiatives such as the FBI's InfraGard program. Dr. Yang indicated that there were many common aspects between the two programs, and that the proposed program would maintain a local focus.

Director Schroeter asked that a detailed budget for the project and the 25% match be submitted to the Board.

Chair Scheibe noted that the discussion suggested that the Board should appoint an *ad hoc* subcommittee to review the proposal further and called for volunteers. Directors Auber and Black joined Chair Scheibe on the subcommittee, and Chair Scheibe requested that the Port Bureau schedule a meeting of the sub committee once it had received additional information and documentation from the requestors relative to the program.

## **7. Status report – City of Houston**

Mr. Richard Retz, City of Houston ("City"), presented the City's report to the Board of District-supported flight time. He noted that the City was using their large helicopter for new response training, including firefighting aboard vessels and long-line haul of large equipment. He explained that, although the City's grant proposal for a new SAFE boat was rejected, the Houston Police Department ("HPD") would be purchasing said boat using their own funds. Mr. Retz confirmed the United States Department of Homeland Security's ("DHS") tentative

approval of Facility Safety Officer education courses focusing on bombing prevention, and explained that he would work with the District's administrative staff to schedule the classes once the City received final approval from DHS for same. Finally, Mr. Retz announced that the City would be opening up a new liaison position within the regional fusion center at the Coast Guard to help communication between the fusion center, HPD and industry.

#### **8. Status report – Harris County**

Mr. Adkinson, Harris County, deferred the County reports regarding implementation and deployment of security personnel and equipment to executive session.

#### **9. Status report - Legal**

Mr. Daniel Ringold gave the Board an update on District legal matters. He advised that SPH has provided comment to the proposed Interlocal Agreement with the City relative to ongoing air support, marine support and grant matching funds. SPH is still finalizing the Baytown Interlocal Agreement.

#### **10. Status report Greater Houston Port Bureau**

##### **10.1 Financial and Investment Reports – Al Cusick**

Mr. Cusick advised that he will file the final grant reports and request the final FEMA payment for the Port-wide Risk Management and Business Continuity Plan ("Plan") once the final Plan update is received from Witt O'Brien.

Mr. Cusick directed the Board Members to their Board books for copies of the financial statements, Balance Sheet and Income Statement, Operating Account Reconciliation and Cash Flow Statement report. He noted that January disbursements were \$506,341.44, and the Money Market Account Reconciliation showed a balance of \$9,008,625.60. Deposits for the month of January were \$183,000.10, with an additional \$24,850 in transit.

Mr. Cusick presented to the Board a quotation for renewal of the Directors & Officers Insurance, received from Ames & Gough, for a premium cost of \$7,058.35. He noted that the quoted premium increased by \$68.85 over last year. The term is from March 1, 2014 to March 1, 2015, and the policy coverage limits of \$5,000,000 is the same as the District's current policy. No additional responses were received from the advertised request for D&O Insurance proposals.

Mr. Cusick presented the following invoices requiring Board Approval for payment:

Harris County – \$1,289,563.00

Witt O'Brien's – Progress Payment #4 – \$89,724.80

Witt O'Brien's – Final Payment – \$89,724.80

Greater Houston Port Bureau – \$25,310.87

City of Houston – December 2013 - \$15,596.70

City of Houston – January 2014 – \$22,330.70

It was moved by Director Brown and seconded by Director King that the invoices be approved for payment. The motion passed unanimously.

### **10.2 Assessments Update**

Mr. Cusick said the Monthly Assessment Analysis report followed in the Board Books. He noted that 4 companies are delinquent, owing both the assessment and the penalty and interest. He said 6 companies have paid their assessments, but still owe some or all of the accrued penalty and interest. Mr. Cusick suggested initiation of additional collection efforts for those outstanding accounts.

Chair Scheibe asked if these numbers included the appeals that were approved last month. Mr. Cusick responded that it did not. He said there are 12 companies in total that have outstanding receivables with the District.

Mr. Cusick said the final Appeals summary followed in the Board Books. The Assessment Roll has been reduced from 166 companies to 160 companies, and the total 2013 Assessment amount has been reduced from \$3,528,000 to \$3,307,500. This is a net reduction of \$220,500.

### **10.4 Project Management – Patrick Seeba**

Mr. Seeba reported to the Board that the Waterside Law Enforcement Memorandum of Understanding (MOU) was adapted from a template by HCSO and the initial draft was being reviewed by United States Coast Guard legal staff. He explained the process recommended by SPH for providing notice, holding a public hearing and adopting a Security Plan relative to the Harris County Sheriff's Office's Request for Support for a Marine Command Center. Mr. Seeba deferred reporting on specific security equipment, personnel and programs to executive session, but announced that the District would be hosting a project completion brief relative to the Plan update for participating entities, District Members, and community partners on February 24, 2014, at the Shell Learning Center.

### **10.3 Outreach – CAPT. Bill Diehl**

CAPT Diehl reported on his outreach schedule for January/February, including his meeting with the Silver Fox Group on January 27, 2014, the LA Porte Plant Managers Network on February 11, 2014, and the upcoming meeting with the Houston Maritime Arbiters Association on February 27, 2014. He noted that two pending interviews with the *Pasadena Reporter* and *Houstonian* were on hold, and that feedback from the *Pasadena Reporter* was that the involvement of former District Chairman Riley in the TX-36 Representative race meant that the paper wanted to hold off on a feature about the District for the moment. CAPT Diehl noted that outreach priorities for GHPB included setting up personal briefings with the new Board Members about GHPB services and developing a 2014 District newsletter.

### **11. Adoption of Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District**

Mr. Ringold presented the Board with a list of qualified institutions that the District can use for the purposes of investing District funds. Mr. Ringold advised that pursuant to the Public Funds Investment Act, the Board is required to review such list at least annually. He presented to and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, attached hereto as **Exhibit \_\_\_**. Mr. Ringold further noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions compiled with the input of the District's Investment Officer, but it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion, Director Schroeter motioned to adopt the resolution adopting the list of qualified brokers authorized to engage in investment transactions. Director King seconded the motion, and the Board signified its unanimous approval.

### **12. Review and approval of proposals relative to renewal of District insurance coverage**

Mr. Cusick noted that the Directors and Officers insurance was presented earlier in the meeting as part of the administrative report. Director King moved and Director Black seconded that the insurance quote be accepted and the premium payment be made. The motion passed unanimously.

### **13. Annual review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer, and adoption of Resolution in connection therewith**

Mr. Ringold advised the Board that the Public Funds Investment Act requires the District to review its investment policy and investment strategies included within its Order Establishing Policy for Investment of District Funds and Appointing Investment Officer ("Investment Policy Order") on an annual basis. In that regard, Mr. Ringold advised the Board that SPH is not recommending that the District make any changes to the Investment Policy Order at this time. A motion to accept the resolution approving

the annual review of the Investment Policy Order was made by Director Stewart, seconded by Director King, and approved unanimously by the Board.

#### **14. Adoption of Order Calling Hearing on Security Plan relative to funding of Maritime Security Risk Mitigation Facility and scheduling of public hearing regarding same**

Following up from the January Board meeting, Mr. Seeba presented the Board with a Notice of Public Hearing drafted by SPH. The notice included details of the proposed Harris County Marine Unit Maritime Security facility, and included an indication that no new assessments were proposed to finance the local matching share funding for same. Mr. Ringold noted that the assessment plan did not call for any new assessments, and that the proposed funding would consist of surplus funds remaining from the 2010 assessment. Director Schroeter made a motion to adopt the order calling a hearing on the security plan relative to funding of a Maritime Security Risk Mitigation Facility and scheduling of a public hearing on the matter. Director Auber seconded the motion, which passed unanimously. After a brief discussion regarding scheduling, Chair Scheibe directed the Port Bureau to coordinate with the Harris County Sheriff's Office to find an acceptable time for the hearing and ensure that District Members were properly notified.

#### **15. Executive Session**

At 3:15 PM, Chairman Scheibe called for a five minute recess. Director Schroeter read the following statement:

"The Board of Directors of the Houston Ship Channel Security District will now convene in a closed meeting, as permitted by the Texas Open Meetings Act and Government Code Section 551, Subchapter D, to deliberate regarding any of the following: 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 §418.182(f), Texas Government Code; and to consult with the District's attorney pursuant to matters authorized by §551.071, Texas Government Code."

**16. Reconvene in Open Session and take action regarding items discussed in Executive Session**

The Board reconvened in Open Session at 5:13 PM.

Chair Scheibe noted that he would serve as the Board's Representative to the AMSC. The Chair also expressed his enthusiastic support for the HSCSD Advisory Council and encouraged a Director to consider stepping forward to Chair that group.

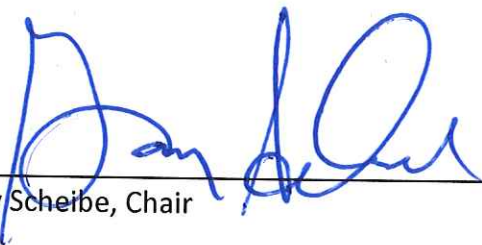
**17. Consider Items for Future meeting agenda**

No items were presented

**18. Adjourn**

The meeting adjourned at 5:20 PM

The above is a correct copy of the Minutes of the February 11, 2014 regular meeting of the Board of Directors of the Houston Ship Channel Security District.

  
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Gary Scheibe, Chair

ATTEST:

  
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Thomas G. Schroeter, Secretary