

MINUTES

Board of Directors of the Houston Ship Channel Security District August 11, 2015

A regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on August 11, 2015, 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
Lewis Brown
Jimmy Burke
Duane Campbell
George Paruch
Gary Scheibe, Chair
Steve Stewart, Vice Chair
Marcus Woodring

and all said persons were present, except Directors Paruch 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, USCG (Ret.), P.E. and Elizabeth Sandefur of the Greater Houston Port Bureau (“GHPB”), administrators for the District.

Call to Order

Chair Scheibe called the meeting to order at 2:03 PM.

Appearances

Chair Scheibe called for any appearances from the public before the Board. Mr. John Walker gave an update on Port Security Grant application results: FEMA bulletin 405 issued on July 28th approved \$7.1 million out of the original \$14.6 million requested.

Mr. Rick Deel gave updates on recent training courses, as well as announcing plans for future training classes in 2016.

Approval of Minutes of June 9, 2015 Meeting

Chair Scheibe noted the draft minutes of the June 9, 2015, meeting had just recently been distributed and noted that the approval of the minutes would be deferred until the next meeting.

Presentation of the Fiscal Year Ending December 31, 2014 Annual Audit Report

Mr. Brian Toldan of McCall Gibson Swedlund Barfoot PLLC (“McCall”) presented and reviewed with the Board independent draft annual audit report for the District’s fiscal year ending December 31, 2014, as well as a single audit in connection with the funds received by the District relative to the periodic update of the Port-wide Risk Mitigation and Business Continuity Plan. Mr. Tolden advised the Board that McCall was issuing a unqualified opinion in connection with the District’s finances for the applicable period, with over \$3.4 million in revenue, contract revenue, and grant revenue. The audit reported \$3.8 million in expenditures from grant matching and maintenance expenses. Director Blanchard moved for the acceptance of the draft audit report. Director Boehme seconded the motion.

Legal Report – Schwartz, Page & Harding, LLP

Mr. Ringold presented to the Board a delinquent assessment collection report prepared by Perdue Brandon Fielder Collins & Mott LLP, the District’s collection attorneys. Mr. Ringold noted that no action was necessary by the Board.

Status Report – Sub-committee for Assessment Planning

Secretary Adamec briefed the Board on the findings and recommendations of the sub-committee relative to review of potential facilities to be included on the assessment roll. He noted that the GHPB has identified 47 additional companies with 59 facilities within the boundaries of the District that are located along or with access to the ship channel, thereby meeting the statutory criteria of being a facility subject to assessment.

Status Report – Greater Houston Port Bureau

CAPT Bill Diehl briefed the Board on funding requests received by the GHPB on behalf of the District, along with the GHPB’s recommendations for proposed FY2016 projects. All projects were recommended for full funding with the exception of the UAV System proposed by Black Wolf Marine, and the Harris County Sheriff’s Office (“HCSO”) Security Monitoring and Analysis Group (“SMAG”) third shift personnel funding requests. CAPT Diehl noted that Black Wolf Marine’s UAV proposal was determined by the GHPB to be beyond the current purview of the District. He further noted that GHPB is recommending that the third shift SMAG funding request be approved, but at a reduced level of \$120,000, all in accordance with previous discussions with Harris County in a multi-year effort to return personnel funding responsibilities to Harris County.

Ms. Sandefur 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*.

Ms. Sandefur presented two (2) invoices for Board approval: (1) an invoice received from Harris County in the amount of \$63,907.88, and (2) an invoice received from the Greater Houston Port Bureau in the amount of \$27,083.96. Upon review of the invoices presented, Director Blanchard moved that the financial report be approved and that said invoices be approved for payment. Director Adamec seconded the motion, which passed unanimously.

Ms. Sandefur advised that two (2) companies remain delinquent in payment of their 2013 base assessment, penalties and interest totaling \$28,140.00, 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.

Ms. Sandefur advised the Board that, as of August 1, 2015, \$2,583,000.00 in 2014 Assessment payments had been received, representing a 99.29% collection rate. An additional \$16,383.80 in penalties and interest has been collected. Two (2) companies still owe 2014 assessments in the aggregate amount of \$15,750 and \$2,835.00 in P&I. One (1) company has filed for bankruptcy, owing the District \$2,625.00. No penalties or interest will accrue following the date the company filed for bankruptcy until the proceedings are complete. A copy of the Assessment Collection Report is included in *Attachment B*.

Ms. Sandefur briefed the Board members on the status of the migration of the SMAG to the USCG Interagency Operations Center at Ellington Field, noting that, as of August 5th, the SMAG unit has been fully integrated into the USCG command center. Requests for camera and fiber replacement have been noted, with a specific request to provide fiber to a new tower located on Sims Bayou.

Ms. Sandefur next advised the Board of the GHPB's efforts on behalf of the District to arrange Department of Homeland Security Maritime Transportation Security Act and Chemical Facility Anti Terrorism education classes to be held in late 2015 or early 2016. She advised that such classes will be open to District members and the GHPB would publicize same in a manner consistent with past practices.

CAPT Bill Diehl advised the Board of recent GHPB outreach efforts with the Houston Technology Center to facilitate a hackathon on behalf of the Security District. Planning is still ongoing.

Status Report – City of Baytown

Russell White of the city of Baytown had no status updates.

Status Report – City of Houston

Mr. Rick Retz of the City of Houston (“City”) advised the Board of aerial and marine patrols completed by the City during July 2015.

Status Report – Harris County

Mr. Doug Adkinson introduced LT. Coleman to provide the monthly HCSO report. He reported to the Board regarding waterside hours deployed, landside hours deployed, air hours deployed, and efforts of Deputies involved with industry meetings, OEM, drills, events and inspections. He also reported regarding hours worked by the SMAG Unit relative to monitoring of cameras throughout the District.

Status Report – Houston Ship Channel Security System

Report deferred to next meeting.

Recess to Executive Sessin

No Executive Session was convened

Consider Items for Future Meeting Agendas

No items were suggested.

Adjourn

At 3:07 PM Director Woodring moved the meeting be adjourned. Director Brown seconded the motion, which passed unanimously.

Next Meeting

The next regular meeting of the Board is scheduled for Tuesday September 8, 2015, 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 11 2015, regular meeting of the Board of Directors of the Houston Ship Channel Security District



Todd Adamec, Secretary

LIST OF ATTACHMENTS

Exhibit A – Bookkeeping and Assessment Collection Report

GREATER HOUSTON PORT BUREAU, INC.



HSCSD Administrative Report

August 11, 2015

Financial and Investment Reports

- **Financial Statements as of July 31, 2015**
 - Operating Account Reconciliation and Cash Flow Statement shows:
 - The bank balance was \$75,571.62
 - Deposits were \$0.00
 - Transfers from Money Market were \$100,000.00
 - Cleared Checks totaled \$138,905.97
 - Disbursements totaled \$138,905.97
 - Money Market Account Reconciliation shows:
 - The invested balance was \$8,211,344.25
 - Deposits were \$0.00
 - Transfers to Checking were \$100,000.00
 - Interest earned was \$350.59
- **Invoices requiring Board Approval**
 - Harris County – \$63,907.88
 - Greater Houston Port Bureau – \$27,083.96

Assessments Update

- 2013 Assessment – Two companies were turned over to the collection attorney for delinquent 2013 Assessments on July 1, 2014.
 - Current outstanding balance, including P&I, is \$28,140.00
 - Hearing was held on May 20, 2015 for Frederick Trucking and a judgement submitted. Port Packaging's trial was set for July 29, 2015, but was postponed 60 days to give the defendant's attorney time to respond. Interest continues to accrue on these accounts.
- 2014 Assessments – As of August 1, 2015, we had received assessment payments of \$2,583,000.00 (99.29%); and \$16,383.80 in penalty and interest payments.
 - 3 companies remain unpaid owing \$21,210.00, including P&I.
 - 1 company is in bankruptcy owing an assessment of \$2,625.00. A claim has been filed. No interest is accruing on this account.
 - 2 companies owe assessments of \$15,750.00, plus \$2,835.00 in accrued penalty & interest (Frederick Trucking & Port Packaging), both were turned over to the collection attorney on July 1, 2015. Interest continues to accrue on these accounts.