

MINUTES

Board of Directors of the Houston Ship Channel Security District Deer Park, Texas August 12, 2014

The regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on August 12, 2014, open to the public, at the Mustang Building, 2nd 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 Brown
Jimmy Burke
Clayton Curtis, Treasurer
Richard Henderson
Chuck King
Gary Scheibe, Chair
Tom Schroeter, Secretary
Steve Stewart, Vice Chair

and all said persons were present, except Directors Adamec, Black, and Brown, thus establishing a quorum. Also present were Chris Skinner of Schwartz, Page & Harding, LLP ("SPH"), counsel for the District, and CAPT Bill Diehl, USCG (Ret.), P.E., Albert Cusick, and Patrick Seeba of the Greater Houston Port Bureau (GHPB), administrators and program manager for the District.

Call to Order

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

Appearances

Chairman Scheibe called for any appearances by the public. There were none.

Approval of Minutes

The Board considered the approval of the minutes for the meeting held on June 10, 2014. After review of the draft minutes presented, Director Stewart motioned, with Director King seconding, for approval of the minutes of the June 10, 2014 meeting. The motion passed unanimously.

Auditors Report

Brian Toldan of McCall Gibson Swedlund Barfoot PLLC, CPA's, presented the Management Letter and findings of the audit and distributed the letter for Director signatures. He advised the District had again received an unqualified audit. Director King moved the acceptance of the audit subject to legal review by SPH. Director Stewart seconded the motion which passed unanimously.

Trap Wire, Inc Presentation

Trap Wire, Inc. gave a 30 minute presentation of their product and services. Director Schroeter asked that the company supply the District with references of other ports where the Trap Wire system was in operation.

Status Report from the Greater Houston Port Bureau

Mr. Cusick presented the financial and investment reports to the Board and reported that the District's checking account balance for its general operating fund was \$98,246.57 following disbursements of \$179,923.98 during the month of June, and \$360,176.35, in the month of July. There was a total of \$500,000.00 transferred from the Money Market account to the Checking account to cover the disbursements. He noted that the District's money market account balance was \$7,065,553.37 following receipts during the 2 month period totaling \$27,117.12, and interest totaling \$621.44.

Mr. Cusick presented nine (9) invoices for Board approval: (1) invoices received from Harris County for June of \$44,995.52; (2) and for July of \$40,751.82; (3) invoices received from the Greater Houston Port Bureau for June of \$22,812.69; (4) and for July of \$32,127.01; (5) invoices received from the City of Houston for April of \$17,647.20; (6) for May of \$7,700.10; (7) for June of \$7,800.00; (8) and for July of \$9,063.30; and (9) an invoice received from Witt O'Brien's of \$301,752.30; Director Henderson moved that the financial and investment reports be approved and the invoices presented be approved for payment. Director Curtis seconded the motion, which passed unanimously.

Mr. Cusick presented an update as to the collections of the District's 2013 Assessment payments and reported that 158 companies have paid \$3,286,500.00 in assessments and \$67,703.65 in penalty and interest. He advised the two (2) companies that are delinquent in payment of their base assessment, penalties and interest totaling \$24,990.00 were referred to the collection attorney on July 1, 2014.

Mr. Seeba briefed the Board on current project updates. Regarding the District's hosting of Department of Homeland Security Office of Bombing Prevention classes, he noted that DHS had approved a Vehicle Based IED workshop for 27 August 2014, and that the class would be held at the Port of Houston Authority's Port Coordination Center. He also informed the Board that a Protective Measures class had been approved for 9-10 September 2014, and that the Houston Pilots Association had agreed to allow the District to utilize their facility with space for the

potential 75 attendees. Mr. Seeba also advised of the provisional approval of a Surveillance Detection Course for 2-4 December.

Mr. Seeba relayed to the Board that the District's announcement of the PortStar Training System availability to District members had seen a response from 46 users at 18 companies, and that at the present time, 22 had already signed up for the program.

Mr. Seeba explained that the USCG-HCSO Memorandum of Understanding for Waterside Security Enforcement had been returned from Sector Houston-Galveston Command and is moving forward to legal review by those entities. He noted that USCG Station Houston continues to press for ratification of the MOU to assist in waterside operations.

CAPT. Diehl reported that the Houston Marriott South at Hobby Airport is confirmed for the Annual Meeting and Luncheon on Wednesday, November 12, 2014. He reported that the District received 2 bids from public relations firms for publicity via radio, TV and printed media. They are being evaluated.

CAPT. Diehl advised that Patrick Seeba would present on behalf of the District at the Secured Cities Conference in Baltimore, MD on November 4-6, 2014.

CAPT. Diehl advised the next issue of the District News Letter was scheduled for the 3rd Quarter and would be available for distribution at the Annual Meeting and Luncheon.

Second Quarter Financial Report

Director Curtis presented the Quarterly Financial Report. Director Auber moved that the financial and investment reports be approved. Director Schroeter seconded the motion, which passed unanimously.

Second Quarter Investment Officer's Report

Director Curtis presented the Quarterly Investment Officers Reports. Director Auber moved that the financial and investment reports be approved. Director Stewart seconded the motion, which passed unanimously.

Budget and Assessment Schedule for 2014

Director Curtis advised the rest of the Board members that the approval of the annual budget and the setting of an assessment rate for 2014 is scheduled to be considered at the September Board of Directors meeting.

Status Report – Harris County

Mr. Jon Chaney noted that Harris County ITC and PID's reports were submitted to the GHPB. Deputy Chris Lee reported that the Harris County Sheriff's Office Report covering hours worked and expenditures were correct as seen in the Board's documentation.

Major Michael Wong introduced Deputies Brown and Kimbell.

Status Report – City of Houston

Richard Retz reported on behalf of the City of Houston. He noted June flight hours for the City's helicopters as 38 hours and July hours of 59.9 hours. He also advised the Board of Advanced Regional Cyber Disruption Planning Workshops to be held on September 10, 2014 and November 18, 2014.

Approval of Letter Agreement with City of Houston

Chris Skinner of SPH advised the Board that the prior Interlocal Agreement with the City of Houston for air patrol services expired prior to the effective date of the recent comprehensive Interlocal Agreement between the District and the City of Houston. He explained that the City, at the request of the District, continued to provide air patrol services during the interim period and the proposed Letter Agreement is to address the provision of those services and the District's payment for same. Director Schroeter moved the approval of the Letter Agreement and the payment of invoices not to exceed \$20,500. Director Auber seconded the motion which passed unanimously.

Status Report – Witt O'Brien's / Shrader Engineering

Mr. Seeba reported that the Witt O'Brien's / Shrader Engineering team were in a meeting putting the final touches on the project report.

Legal Report

Mr. Skinner said he had nothing further to report.

Status of review of companies for potential new members

Mr. Cusick described the approach taken to identify potential members of the District. He noted there were currently 95-100 companies that appear to be meet the criteria set forth be the application provisions of Chapter 68, Texas Water Code. After discussion on the matter, the Board members concurred that all companies meeting the legal criteria for being a facility subject to Chapter 68 within the District boundaries be treated equitably. The Board further concurred that the GHPB should have sufficient time to complete the screening vetting process, and that such review period not be truncated to meet the current year's assessment schedule.

Potential Funding for Port Security Grant Program Projects

Mr. Seeba presented the Board with a series of his preliminary recommendations on funding of requested projects and policy matters for consideration in connection with same.

Chair Scheibe appointed Directors Curtis, Didier, and Stewart to a budget committee to meet before the next regularly scheduled board meeting.

Executive Session

There was no Executive Session

Consider Items for Future Meeting Agendas

No items were suggested

Adjourn

At 4:25 PM Director King moved that the meeting be adjourned. Director Stewart seconded the motion which passed unanimously.

Next Meeting

The next regular meeting of the Board is scheduled for Tuesday September 9, 2014, at 2:00 PM at the Shell Learning Center, 4400 Highway 225, Deer Park, Texas.

The above is a correct copy of the Minutes of the August 12, 2014 regular meeting of the Board of Directors of the Houston Ship Channel Security District



Thomas G. Schroeter, Secretary