

## MINUTES

### Board of Directors of the Houston Ship Channel Security District September 8, 2015

A regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on September 8, 2015, open to the public, at The Shell Learning Center, 2<sup>nd</sup> 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  
Marcus Woodring, Vice Chair

and all said persons were present, except Directors Brown, Burke, Campbell, Scheibe and Stewart, thus establishing a quorum. Director Scheibe entered later in the meeting, as reflected in these minutes. Also present were Daniel Ringold of Schwartz, Page & Harding, LLP ("SPH"), legal counsel for the District, and CAPT Bill Diehl, USCG (Ret.), P.E., Patrick Seeba, Albert Cusick, and Elizabeth Sandefur of the Greater Houston Port Bureau ("GHPB"), administrators for the District.

#### **Call to Order**

In the absence of the Chair, Vice Chair Woodring called the meeting to order at 2:00 P.M. and asked those present to introduce themselves.

#### **Appearances**

Vice Chair Woodring called for any appearances from the public. No appearances were made.

#### **Approval of Minutes of July 14, 2015 and August 11, 2015 Meetings**

Vice Chair Woodring noted that advance copies of the draft minutes of the July 14, 2015 and August 11, 2015, meetings were distributed and asked if there were any comments to either of

said minutes. Treasurer Blanchard moved to approve the minutes of the July 14, 2015 meeting and the August 11, 2015, each as presented. Director Boehme seconded the motion, which passed unanimously without further discussion.

### **Houston UASI and USCG Presentation on the Launch of a Cyber Assessment Program**

Discussion of USCG/UASI cyber assessment program was deferred until the October 13, 2015 Board meeting.

### **Discussion and Possible Action on the 2016 Annual Budget**

Treasurer Blanchard presented to and discussed with the Board a proposed budget for the District's fiscal year ending December 31, 2016. A discussion ensued relative to expected amounts of assessment revenue, contract revenue, and use of surplus funds. Mr. Ringold suggested that the approval of the 2016 budget be deferred until later in the meeting such that the Board could first consider the funding proposal from Texas Parks & Wildlife in connection with the 2015 Plan of Assessment.

At this point Director Scheibe arrived and assumed the chair for the remainder of the meeting.

### **Discussion and Possible Adoption of Proposed 2015 Plan of Assessment**

Mr. Ringold noted that this item could be considered along with the next agenda item.

### **Discussion and Possible Adoption of Order Calling Hearing on 2015 Plan of Assessment**

Mr. Ringold reviewed with the Board a proposed 2015 Plan of Assessment and a draft Order calling a public hearing on such Plan of Assessment. In connection therewith, Vice Chair Woodring asked the Board to consider the proposal submitted by the Texas Parks & Wildlife ("TP&W"), which would provide for 1,800 hours of marine patrol and law enforcement on the portions of the Houston Ship Channel within the boundaries of the District by TP&W's game wardens based upon \$200,000 in funding by the District. Following discussion on the matter, Director Paruch moved that the District include \$200,000 in the 2015 Assessment Plan to fund the additional security patrols and law enforcement efforts by TP&W, with such funds to come from existing retained surpluses. Treasurer Blanchard seconded said motion, which carried unanimously. The Board requested that the agreement with TP&W contain language to ensure coordination between TP&W, the Coast Guard, and the other law enforcement agencies providing marine patrols along the channel to ensure that the services are provided in the most efficient and useful way for the District and its constituents.

**Discussion and Possible Adoption of a revised District Code of Ethics and other Policies and authorize preparation and maintenance of local government officers list in connection with recent statutory changes in conflict of interest disclosure requirements**

Mr. Ringold noted that a draft Order Adopting a Code of Ethics and Fees and Expense Policy has been provided to the Board along with a memorandum prepared by SPH explaining recent revisions to Chapter 176 of the Texas Local Government Code relative to disclosure of certain potential conflicts of interest by local government officers, including the Board members. Mr. Ringold reviewed the memorandum in detail with the Board and discussed the new requirement for the District to maintain a list of local government officers. Following discussion, Chair Scheibe asked for a motion to adopt the revised Code of Ethics and authorize the preparation and maintenance of a list of local government officers of the District, which was made to by Treasurer Blanchard and seconded by Director Boehme. The motion passed unanimously.

**Legal Report – Schwartz, Page & Harding, LLP**

Mr. Ringold advised the Board that he did not have anything additional to report.

**Status Report from the Greater Houston Port Bureau**

Mr. 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 (2) invoices for Board approval: (1) an invoice received from Harris County in the amount of \$27,687.09 and (2) an invoice received from the Greater Houston Port Bureau in the amount of \$22,416.85. 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 (2) companies remain delinquent in payment of their 2013 base assessment, penalties and interest totaling \$28,350.00, 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.

Mr. Cusick 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 \$15,390.83 in penalties and interest has been collected. Two (2) companies still owe 2014 assessments in the aggregate amount of \$21,367.50 including penalties and interest. One (1) additional 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*.

Mr. Seeba briefed the Board members on the status on the completed migration of the Harris County Sheriff's Office ("HCSO") Security Monitoring and Analysis Group ("SMAG") to the USCG Interagency Operations Center at Ellington Field. He advised that feedback received from the County and Coast Guard relative to the housing of the SMAG unit at Ellington has been positive thus far.

Mr. Seeba next advised the Board of the GHPB's efforts to continue providing relevant quarterly training in Chemical Facility Anti-Terrorism Standards for Facility Safety Officers within the District through the Moran Institute of Port Security.

Mr. Seeba also advised the Board that he attended a presentation relative to introduction of aerial drones as a means to provide increased security monitoring for the Port of Houston region. Mr. Seeba recommended that the District not look to be a testing ground for this technology. Vice Chair Woodring and Chair Scheibe both echoed Mr. Seeba's recommendation.

CAPT Diehl noted that he is continuing to make presentations to industry groups and interested members of the public regarding the District, its functions and activities, and had secured CAPT Penoyer as the speaker for the annual luncheon. CAPT Diehl passed out informational notes from a presentation given to the Pasadena Security Council, and made suggestions for a future SMAG ribbon cutting ceremony.

### **Schedule for Zone Director Nominations and Balloting**

Mr. Cusick noted that the annual zone director election is coming in November. He advised the Board the goal was to have completed the elections in time for the December Board meeting and to send the result to Commissioners Court for action at their December meeting.

### **Status Report – City of Baytown**

Mr. White from the city of Baytown noted that the proposal for equipment was bumped from last month's City Council meeting. He is hoping to place an order for equipment at the first part of October.

### **Status Report – City of Houston**

No comments were provided by the City of Houston.

### **Status Report – Harris County**

HCSO Deputy Chris Lee reported to the Board regarding waterside hours deployed, landside hours deployed, air hours deployed, and efforts of HCSO Deputies involved with industry meetings, the County Office of Emergency Management, drills, events and inspections. He also

reported regarding hours worked by the SMAG Unit relative to monitoring of cameras throughout the District.

### **Houston FBI Briefing on WMD Response Assessment**

Report deferred to executive Session.

### **Status Report – Houston Ship Channel Security System**

There was no report presented.

### **Recess to Executive Session**

At 2:56 P.M., Secretary Adamec read aloud the following notice:

“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:

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 of 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.

Pursuant to the Government Code, Section 551, Subchapter E, a Certified Agenda of the closed meeting shall be prepared. The Board will reconvene in public session after the closed meeting is adjourned.”

### **Reconvene in Open Session and Take Any Action Regarding Items Discussed in Executive Session**

The open meeting was reconvened by Chair Scheibe at 3:46 P.M. There was no action to be taken.

### **Consider Items for Future Meeting Agendas**

No items were suggested.

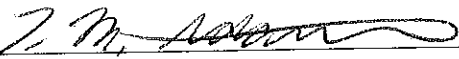
## **Adjourn**

At 3:47 PM Director Adamec moved the meeting be adjourned. Director Boehme seconded the motion, which passed unanimously.

## **Next Meeting**

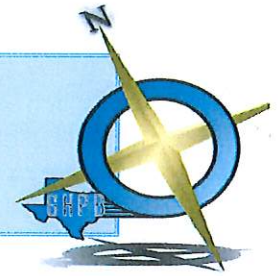
The next regular meeting of the Board is scheduled for Tuesday October 13, 2015, at 2:00 PM at the Shell Learning Center, 4400 Highway 225, Deer Park, Texas, subject to availability.

The above is a correct copy of the Minutes of the September 8 2015, regular meeting of the Board of Directors of the Houston Ship Channel Security District

  
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Todd Adamec, Secretary

## LIST OF ATTACHMENTS

- A Bookkeeping Report
- B Assessment Collection Report



## HSCSD Administrative Report

September 8, 2015

### Financial and Investment Reports

- **Financial Statements as of August 31, 2015**
  - Operating Account Reconciliation and Cash Flow Statement shows:
    - The bank balance was \$73,933.27
    - Deposits were \$0.00
    - Transfers from Money Market were \$100,000.00
    - Cleared Checks totaled \$101,638.35
    - Disbursements totaled \$101,638.35
  - Money Market Account Reconciliation shows:
    - The invested balance was \$8,111,690.07
    - Deposits were \$0.00
    - Transfers to Checking were \$100,000.00
    - Interest earned was \$345.82
- **Invoices requiring Board Approval**
  - Harris County – \$27,687.09
  - Greater Houston Port Bureau – \$22,416.85

### 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 Principal & Interest, is \$28,350.00
- 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 \$21,367.50, 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 \$2,992.50 in accrued penalty & interest, both were turned over to the collection attorney on July 1, 2015. Interest continues to accrue on these accounts.
- 2015 Assessment Notice of Hearing on Plan of Assessment certified letters will be mailed tomorrow.





# Houston Ship Channel Security District

<http://www.hscsecurity.com>

## Assessment Analysis as of September 1, 2015

### 2013 Assessment Analysis

<b>2013 Assessment Roll 160 Companies</b>			<b>\$3,307,500.00</b>
<b>Receipts to Date</b>	Assessments – 158 companies	\$3,286,500.00	
	Penalty & Interest (P & I)	67,703.65	
<b>Total Related Receipts</b>			<b>\$3,354,203.65</b>
<b>Receivables</b>	Current –	0.00	
	Delinquent – 2 Companies	21,000.00	
	Accrued Penalty & Interest (P & I) – 2	7,350.00	
<b>Total Receivables</b>			<b>\$28,350.00</b>

Both companies were turned over to the collection attorney on July 1, 2014. Interest continues to accrue on these accounts. **Court proceedings were May 20, 2015. Frederick Trucking judgement entered August 11, 2015. Port Packaging trial delayed to October 21, 2015 to give their attorney time to respond.**

### 2014 Assessment Analysis

<b>2014 Assessment Roll 160 Companies</b>			<b>\$2,601,375.00</b>
<b>Receipts to Date</b>	Assessments – 157 Companies	2,583,000.00	
	Penalty & Interest (P & I)	16,383.80	
<b>Total Related Receipts</b>			<b>\$2,599,383.80</b>
<b>Receivables</b>	Current* – 1 Company in bankruptcy	2,625.00	
	Delinquent** – 2 Companies	15,750.00	
	Accrued Penalty & Interest (P & I) – 2	2,992.50	
<b>Total Receivables</b>			<b>\$21,367.50</b>

\*Interest cannot be charged on the account while in bankruptcy.

\*\*Both companies were turned over to the collection attorney on July 1, 2015. Interest continues to accrue on these accounts

Combined Receivables for the 2 Assessment Years = \$49,717.50

