

MINUTES

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

**Houston, Texas
December 11, 2012**

The regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on December 11, 2012 at 2:00 p.m. The meeting was held, open to the public, at West Gulf Maritime Association (WGMA), Board Room, Third Floor, 1717 Turning Basis Drive, Portway Plaza Building, Houston, Texas 77029 in accordance with the duly posted Notice of Public Meeting. The roll was called of the officers and members of the Board, as follows:

Lewis A. Brown
Clayton Curtis, Treasurer
Richard Henderson
Charles (Chuck) King
Jake Leavins
Robin Riley, Chair
Gary Scheibe
Tom Schroeter, Secretary
Mike Stewart – Assistant Secretary
Steve Stewart
Ray Yellig, Vice Chair

and all of said persons were present, except Director Henderson, Director Leavins and Director Scheibe, thus constituting a quorum. Also present were Daniel Ringold of Schwartz, Page & Harding, LLP (“SPH”), counsel for the District, CAPT. Bill Diehl and Al Cusick of the Greater Houston Port Bureau (“GHPB”), Administrator for the District, also present was Robert Schoen from ACU Tech Consulting.

Item 1: - Call to Order

The meeting was called to order at 2:07 p.m.

Item 2: - Appearances

Chair Riley asked if anybody wished to address the Board, nobody wished to do so.

Item 3: - Approval of Minutes

Director King moved and Director Steve Stewart seconded that the Minutes of November 6, 2012 be approved. Motion passed unanimously.

Item 16:

Discussion and possible action on the appointment of McCall Gibson Swedlund Barfoot PLLC as auditors for fiscal year 2012 (Al Cusick)

At the request of Chair Riley, Item 16 was moved in the Agenda. Mr. Al Cuscik presented to the Board an Engagement Letter from McCall Gibson Swedlund Barfoot PLLC, Certified Public Accounts. Mr. Al Cusick introduced Mr. Brian Toldman from the firm. Mr. Toldman gave a brief introduction regarding procedure of the audit for the Security District and informed the Board that the cost of said audit would be approximately \$8,000.00 - \$9,500.00. He informed the Board regarding the questionnaire process that they would be required to fill out prior to the commencement of the audit. After a brief discussion, Director Michael Stewart moved and Director King seconded that that the Board retain the services of McCall Gibson Swedlund Barfoot PLLC to perform the annual audit for the Security District. Motion passed unanimously.

Item 4: - Status Report – Greater Houston Port Bureau

4.1 CAPT. Diehl gave his monthly status report to the Board. The District had collected assessments from all companies with the exception of one company. He informed the Board that this particular company always pays their assessment in March of each year with the applicable late fees.

4.2 CAPT. Diehl stated that the felt that the Annual Meeting and luncheon went very well and that the presentations were excellent. He received good feedback from the company representatives that attended. He also informed the Board that there was a very nice article in the Houston Chronicle regarding the Security District and that for next year's Annual Meeting and Luncheon he would attempt to have more media coverage present. CAPT. Diehl stated that the VIP reception before the luncheon went very smoothly. 310 persons responded that they would be attending the luncheon and 240 persons were present. Director Schroeter commented that the day had gone extremely well and the focus for future Annual Meetings and Luncheon should be to have more representatives from the membership to attend the Board Meeting as the presentations given were excellent. CPT. Diehl stated that the newsletter prepared for distribution at the luncheon was costly (between \$5,000 - \$6000.) and time consuming. He suggested that the Board may wish to consider having a newsletter in the Spring and Fall, rather than four times a year as was previously suggested. Ms. Gail Miller suggested that the Port Bureau could give a presentation regarding the District at East Harris County Manufacturer's Association (EHCMA) quarterly breakfasts. Director Steve Stewart moved and Director King seconded that the Newsletter be printed and mailed twice a year with a \$20,000.00 cap for the year. Motion passed unanimously. Director King stated that he would prefer to receive the Newsletter electronically.

4.3 Update regarding Round 12 Port Security Grant Program and Request for Proposals (RFP): CAPT. Diehl advised the Board that that a Bidder's Conference regarding the RFP has been set for January 11, 2013. The RFP had been advertised in the Houston Chronicle on December 12 and December 19, 2012. Responses to the RFP would be due by March 13, 2013. As the Port Bureau was not planning on bidding on the current RFP it was decided that they would be responsible for holding the Bidder's Conference and tabulating the responses for the Board.

Director Schroeter moved and Director Curtis seconded that the Board approve the report and pay the invoice in the amount of \$13,414.90. Chair Riley reminded the Board that only invoices over \$15,000.00 needed to be approved by the Board, but that it was certainly permissible to approve invoices under this amount. Motion passed unanimously.

Item 14: Discussion of items and possible action pertaining to 2013 Texas Legislative Session (Robin Riley/Tom Schroeter)

5.0 The Chertoff Group - Chertoff Group Report; discussion; possible setting of workshop and other action relative to report and recommendations: Chair Riley asked for a Motion to approve the Report. Director King stated that it was his understanding that the report was a “Draft” Report. He asked if changes recommended by the Board had been made. This matter was postponed until Executive Session. Director Schroeter recommended that the Board conduct a workshop to review the report and recommendations of The Chertoff Group. He also recommended that the Advisory Council be included.

6.0 City of Houston - Update on air support patrols by City of Houston: Dennis Storemski stated that he had given a detailed report to Mr. Cusick regarding the flight patterns of the air patrol and flight hours for the month of October. Total flight hours were 83.8 for a total fuel cost of \$19,681.20. For the month of November total flight hours were 61.4. Mr. Storemski stated that the pilots had requested graphics and a map of the facilities in the District to be made available for their in-flight instruments. The cost to develop the software by KeyMaps, Inc. for the helicopters would cost approximately \$2,100.00. City of Houston Boat patrols on the Ship Channel started in December. Patrols were carried out for six hours a day, seven days a week. The City of Houston Police department was coordinating their patrols with the United States Coast Guard and the Harris County Sheriff’s Office. Mr. Storemski stated that the estimated cost for fuel for the boats is \$190,000.00 annually. Mr. Storemski also mentioned to the Board that grant funds were available through the UASI Homeland Security Funds regarding a video network. He stated that the Houston Police Department could have access to the Harris County Sheriff’s Office cameras. He stated that there are approximately 100 cameras on the water and the licensing costs per camera is \$100.00. Chair Riley suggested that Mr. Storemski work with the Budget Committee on the issue of whether the cost for the patrol boat fuel might be paid for by the District and included in the next assessment.

Director King moved and Director Michael Stewart seconded that the invoice in the amount of \$19,681.20 for the City of Houston helicopter fuel cost be approved. Motion passed unanimously.

Ms. Gail Miller advised the Board that this would be the last meeting she would be attending as she was changing positions in the County. Chair Riley thanked her on behalf of the Board for all her work and efforts on behalf of the District and wished her well in her future endeavors. Director Steve Stewart similarly thanked her for her leadership and guidance over the years.

Item 7 – Harris County – Update of vehicle transfer from Harris County to surround agencies (Deputy Tommy Diaz)

Deputy Diaz stated that he had received all the Memorandum of Understanding’s (MOU’s) from the agencies involved and had placed approval of same on the Commissioner’s Court Agenda for December 18, 2012.

Item 8: - Update of nomination for Zone Directors and possible action (Al Cusick)

Mr. Cusick informed the Board of the election results as follows:

Zone 1:

George Browning, ZXP Technologies	5
Richard Henderson*, Exxon	18

Zone 2:

Robert Clement, Albemarle Corporation	9
Chuck King*, Buffalo Marine Services, Inc.	6

Zone 3:

Carl Holly, Intercontinental Terminals Company	7
Gary Scheibe*, Shell	11

Zone 4:

Todd Adamec, The Lubrizol Corporation	22
Everett smith, Kaneka North America, LLP	7

* incumbent

He advised that Harris County would be notified of the results of the election and anticipated that those receiving the prevailing votes would receive their appointment at the next Commissioners Court Meeting.

Chair Riley signed the correspondence to the Commissioner's Court stating that this was the official results of same and stated that this matter was on the Commissioner's Court Agenda for December 18th, 2012 and that the new Board Members, if approved by Commissioner's Court, would take their position in January.

Chair Riley thanked Director Yellig and Director King for their outstanding service and dedication to the District. Director Yellig introduced to the Board his replacement, Director Elect Todd Adamec.

Director Michael Stewart moved and director Yellig seconded that the election results be approved. Motion passed unanimously.

Item 9: - Request from USCG regarding upcoming AMSC Maritime Security Exercise and consideration of the District to sponsor lunch for same (John Walker)

John Walker advised the Board that the exercise date would be March 6, 2013 and it would be a table top scenario. In 2011 approximately 120 persons participated in the exercise at the Jimmy Burke Center. He stated that he estimated lunch would cost \$2,000 and that the District logo would be placed on all advertising materials regarding this exercise. Mr. Walker also stated that notification of this exercise would be placed on the USCG Homeport Portal. Director King suggested that all Board members have access to Homeport. Mr. Walker was asked to furnish

the Board with a price of the luncheon at the next scheduled Board Meeting in January. Director Schroeter suggested that the Advisory Council as well as the Board members be invited to attend this exercise. Director Yellig moved and Director Steve Stewart seconded that the Security District pay for the luncheon and the item be expensed under training and operational expenses. Motion passed unanimously.

Item 10: - District Boundary/Membership Revisions – Status and Potential Action including approval of petition to be submitted to Harris County Commissioners Court (Daniel Ringold/Robin Riley)

This matter will be discussed in Executive Session.

Item 11: – Discussion of 2013 Budget (Clayton Curtis)

Director Curtis requested of the Chair that a Committee be formed to assist him in this endeavor. The following members agreed to be on the Committee:

Director Elect Adamec
Director Brown
Director Michael Stewart
Director Steve Stewart

Chair Riley requested that this item be placed on the January 8, 2013 Agenda.

Item 12: - Status report from Director Schroeter regarding presentation at Gulf Ports of the Americas Association (GPAA)

Director Schroeter informed the Board that he attended the GPAA meeting in New Orleans, LA. and gave a presentation on the District to the GPAA members. He stated that there was substantial discussion and interest in the District, and that other ports along the Gulf Coast may be interested in forming a similar security district(s).

Item 13: – CPM East Conference, Washington DC May 13-15, 2013 (Robin Riley)

Chair Riley requested that this item be tabled until the January 8, 2013 Board Meeting.

Item 14: - Discussion of items and possible action pertaining to 2013 Texas Legislative Session (Robin Riley/Tom Schroeter)

Director Schroeter informed the Board that the Texas Senate Committee on Transportation was holding a special meeting on December 18th, 2012. Included on the Agenda was the following item:

“Examine the implementation of the Houston Ship Channel Security District and determine if additional security districts are needed for other ports”

Director Schroeter stated that Port of Houston Authority Executive Director, COL. Leonard Waterworth has been requested by the Senate Committee to speak on behalf of the Port of

Houston Authority at this meeting on several issues including the Security District. Chair Riley stated that he would be willing to attend the meeting in Austin and speak on behalf of the Security District if he was called on to do so, if the Board was willing to pay for his expenses. Director Yellig emphasized that he wanted it to be made clear to the Committee that the Houston Ship Channel Security District was not part of the Port of Houston Authority. Director King moved and Director Schroeter seconded that the Board pay for Chair Riley's expenses to attend the hearing at the Texas Legislature. Motion passed unanimously.

Chair Riley also mentioned that there was some wording that should be changed in the Water Code regarding the Security District. It was suggested that Director Elect Adamec contact Chris Hext of EHCMA to work on this matter.

Item 15: - Update regarding Texas Congressman Mike McCaul being named by the House Steering Committee to become Chairman of the Homeland Security Committee (Tom Schroeter)

Director Schroeter advised the Board that Congressman McCaul was knowledgeable of the Security District and had conducted a hearing of his Homeland Security Subcommittee in 2011 regarding the formation of the District and security through the Houston Ship Channel. Director Schroeter recommended that the Board reach out to him in the future and advise him regarding the status of the District on a regular basis.

Item 16: - was reported on earlier in these Minutes

Item 17: - Discuss and take action on payment of invoices for maintenance, operation and administrative expenses.

Invoices were presented by Harris County Sheriff's Office and PID totaling \$32,858.38. Mr. Cusick asked the Board if they would like the back-up for the invoices placed in their Meeting Books. Director Mike Stewart stated he would like the back-up and asked if everything had been double checked by Mr. Cusick as to accuracy. Mr. Cusick stated that it had. Director Curtis moved and Director Brown seconded that the invoices in the amount of \$32,858.38 be paid. Motion passed unanimously.

Item 18: - Executive Session:

At 3:48 p.m. Chair Riley called for a ten minute recess followed by an Executive Session. The following statement was read by Director Michel Stewart:

"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:

- A. Consultation with attorneys, including legal issues concerning discussion of contract terms in contracts with Harris County and potential boundary/membership revisions
- B. Deliberation regarding deployment and implementation of security services and projects, including

C. Update on Harris County Security Projects including Operations Monthly (to include reports on water and land patrols)

- i. Report from Harris County Sheriff's Office
- ii. Report from ITC Department
- iii. Status of cameras – Harris County PID Department

D. Deliberation regarding security audits, including:

Report by Chertoff Group regarding its security assessment work and findings

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

Item 19: - Reconvene in Open Session and take any action regarding items discussed in Executive Session

At 4:50 p.m. the Board of Directors meeting reconvened in open session. Chair Riley noted that there would be a workshop meeting of the Board of Directors and the Advisory Council on January 16th commencing at 1:00 p.m. at a place to be determined for the purpose of reviewing the Chertoff Report.

Chair Riley asked the Board if there were any matters that would be coming out of closed session. Director Curtis moved and Director Steve Stewart seconded that the Board approve the Petition to revise the boundaries of the District provided to them today by the District's attorney, Daniel Ringold, and authorize that said Petition be submitted to Harris County Commissioners Court for inclusion on their Agenda. Motion passed unanimously.

Item 20: - Other business

There was no other business to come before the Board.

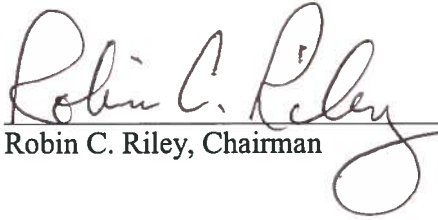
Item 21: - Suggested items for future Agendas

Due to time constrains this item was not discussed.

Item 22: Adjourn

There being no further business coming out of Executive Session, Director Schroeter moved and Director Yellig seconded the meeting adjourn. Motion passed unanimously. Meeting adjourned at 5.05 p.m.

The above is a correct copy of the Minutes of the December 11, 2012 meeting of the Board of Directors of the Houston Ship Channel Security District.


Robin C. Riley, Chairman

ATTEST:


Thomas G. Schroeter, Secretary