

## MINUTES OF SPECIAL MEETING AND WORKSHOP

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

**Houston, Texas  
February 12, 2013**

A special meeting and workshop of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on February 12, 2013 at 12:00 p.m. (noon). The meeting was held, open to the public, at the offices of Schwartz, Page & Harding, LLP, 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056-3012 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  
Lewis A. Brown  
Bobby Clement  
Clayton Curtis, Treasurer  
Richard Henderson  
Jake Leavins  
Robin Riley, Chair  
Gary Scheibe  
Tom Schroeter, Secretary  
Mike Stewart – Assistant Secretary  
Steve Stewart

and all of said persons were present, except Director Henderson and Director Scheibe, thus constituting a quorum. Also present were Daniel Ringold of Schwartz, Page & Harding, LLP (“SPH”), counsel for the District, and CAPT. Bill Diehl, Al Cusick and Patrick Seeba of the Greater Houston Port Bureau (“GHPB”), Administrator for the District. Mr. Jayson Ahern from the Chertoff Group was present to discuss the report prepared by the Chertoff Group.

Also present were the following individuals for the Workshop

Doug Adkinson	Harris County Judge’s Office
Robert Cavazos	Harris County ITC
John Chaney	Harris County ITC
John Dyess	Harris County Sheriff’s Office
Rick Deel	Lubrizol
LT. Godfrey Eta	Harris County Sheriff’s Office
Greg Karr	Harris County PID
Adrian Garcia	Harris County Sheriff
Richard Retz	City of Houston
John Walker	United States Coast Guard
Kenya Wilson	Harris County Judge’s Office
CAPT. James Whitehead	Captain of the Port, United States Coast Guard
CAPT. Marcus Woodring	Port of Houston Authority

**Item 1: Call to Order**

The meeting was called to order at 12:10 p.m.

**Item 2: Appearances**

Chair Riley asked if anybody wished to address the Board. No one requested to make an appearance.

**Item 3: Approval of Minutes**

Director Brown moved and Director Steve Stewart seconded that the Minutes of the January 8, 2013, Board of Directors meeting be approved. Motion passed unanimously.

**Item 4: Election of Officers (Chair, Vice-Chair, Treasurer, Secretary, Assistant Secretary)**

Chair Riley advised the Board that the present officers were as follows:

Chair	Robin Riley
Vice-Chair	Vacant
Secretary	Thomas Schroeter
Treasurer	Clayton Curtis
Assistant Secretary	Michael Stewart

Chair Riley asked the Board members if there were any new nominations for officer positions. No new nominations were made to replace current officers. Chair Riley then asked for volunteers for the Vice Chair position. Director Steve Stewart volunteered for the position of Vice Chair. Director Brown moved and Director Adamec seconded that the slate of officers as presented (consisting of each of the above-named officers and with Director Steve Stewart as the nominee for Vice-Chair) be approved. Motion passed unanimously.

**Item 5: Receipt and possible action on written reports received by**

Greater Houston Port Bureau: update on status of RFP and e-note pads  
City of Houston  
Harris County

**Greater Houston Port Bureau** CAPT. Diehl informed the Board that responses to the RFP for the Port-wide Security Plan Update are due on March 1, 2013. He next advised that the 2012 assessment installments payments are fully collected. Last, he advised that McCall Gibson Sweedlund and Barfoot, PLLC will begin performing their audit of the District for its Fiscal Year Ending December 31, 2012 in the near future and the GHPB will prepare the District’s Spring Newsletter next month.

**City of Houston** Mr. Richard Retz informed the Board that the City of Houston’s helicopter patrol flights and water patrols were continuing along the Ship Channel.

**Harris County** LT. Godfrey Eta informed the Board that the Harris County Sheriff's Office was conducting land and water patrols covering the Bayport Cruise Terminal, Turning Basin, Barbours Cut and other locations along the Ship Channel. Director Michael Stewart advised LT. Eta that he appreciated him defining what was being patrolled.

Chairman Riley next advised the Board that he had attended the Harris County Commissioner's Court Meeting this morning, at which the public hearing on the proposed revision to the District's boundaries was held, and, following such hearing, the Commissioners voted unanimously to revise its order creating the District to adopt the new boundaries for the District. He thanked the many people that have been involved in the work on the new boundaries for the District.

**Item 6: Update and potential action on legislative matters, including**

- a. Review and approval of proposed legislation for introduction in the 83<sup>rd</sup> Texas Legislative Session;
- b. Authorize solicitation of sponsors for proposed legislation
- c. Consider engagement of professional services to provide legislative support

Discussion ensued regarding the above items. Director Adamec informed the Board that the ad hoc legislative sub-committee has developed proposed revisions to Section 68.051 of the Texas Water Code to further refine the types of industries to which Chapter 68 of the Water Code should apply.

- a. Mr. Ringold presented to the Board a red-lined version of the proposed changes to Section 68.051 regarding categories and codes of the 2007 North American Industry Classification System ("NAICS"), a copy of which is attached hereto as Exhibit "A".

Director Adamec advised the Board that he had spoken to representatives of the East Harris County Manufacturers Association regarding the desired revisions to Section 68.051, and had received that entity's informal approval of introduction of proposed legislation to accomplish same. Chair Riley advised the Board that he had provided a draft of the proposed legislation to representatives of the Texas Chemical Council and the Texas Oil and Gas Association and was waiting on formal responses from both. Chair Riley next advised the Board that he has spoken with Representative Wayne Smith's and Senator Larry Taylor's offices regarding the proposed legislation and asked both to consider introducing same into their respective chambers of the legislature. Mr. Ringold informed the Board that the deadline to submit draft non-local bills to the Legislative Council was February 15. He also explained the process and relevant deadlines relating to bill introduction, hearings and passage, and Chair Riley suggested that the Board seek professional support to monitor and report on the progress of this matter. Mr. Cusick advised the Board regarding the proposed changes to the NAICS Codes and the expected impact on District membership. Directors Curtis and Schroeter each stated concerns about substantially increasing the number of members through the District boundary revisions. Mr. Cusick responded that, based on his analysis, the membership should not increase by more than 200 companies. He also stated that facilities within the newly

revised boundaries will be reviewed in accordance with governing legislation to confirm their inclusion in the District, which process may take some time.

- b. Director Schroeter asked Mr. Ringold to step out of the room while this item was discussed, with which Mr. Ringold complied. After discussion by the Board, it was decided that a Scope of Work be prepared and presented to Mr. Howard Cohen of Schwartz, Page and Harding, L.L.P. to see what the cost would be for the minimal amount of work required to file and monitor, and keep the Board advised as to the proposed change in the legislation. Director Steve Stewart suggested that it should cost the District no more than \$20,000.00, for the monitoring of this Bill, plus reasonable expenses.

After further discussion the following motions were made:

- a. Director Brown moved and Director Leavins seconded that the Board accept the proposed changes to Section 68.051 of the Water Code. Motion passed unanimously.
- b. Director Schroeter moved and Director Steve Stewart seconded that the Board contact the appropriate legislators to introduce the Bill. Motion passed unanimously.
- c. Director Schroeter moved that, at the discretion of the Chair or Vice Chair the Board, the District engage the services of Schwartz, Page & Harding LLP for legislative support services, at a cost not to exceed \$5,000.00 per month, and \$20,000.00 in total, plus reasonable expenses. Director Adamec seconded the Motion. Motion passed unanimously. After the Motion was voted upon, Director Schroeter asked Mr. Ringold to return to the room.

#### **Item 7: Status report regarding Congressman McCaul's visit to Houston**

Director Schroeter commented that the recent visit of Congressman McCaul, Chairman of the House Homeland Security Committee, to the Port of Houston Authority went very well. He asked CAPT. Woodring to report on this matter. CAPT. Woodring, who was the moderator at the event, stated that the Harris County Sheriff's Department along with the other law enforcement agencies had done an outstanding job. He stated that there were some eight congressional representatives accompanying Congressman McCaul at the briefing and that Congressman McCaul, along with his counterparts, were very interested in hearing from members of industry that attended the briefing. CAPT. Woodring also commented that Congressman McCaul is a strong supporter of the Federal Port Security Grant program. He informed the Board that the efforts of the District were acknowledged by Congressman McCaul and are recognized nationally.

#### **Item 8: Discuss and take action on payment of invoices for maintenance, operation and administrative expenses**

Chair Riley called for a Motion to pay the invoices that had been presented to the Board for consideration, copies of which are attached hereto as Exhibit "B". Director Michael Stewart moved and Director Jake Leavins seconded the Motion. Motion passed unanimously.

**Item 9: Consider adoption of Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment transactions with District**

The Board considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Ringold advised that pursuant to the Public Funds Investment Act, the Board is required to review such list at least annually. He presented and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto, together with a comparison of the list submitted and the list previously adopted by the Board, copies of which are attached hereto as Exhibit "C". 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 Leavins moved that: (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board and the District, and (ii) that the Chair and Secretary be authorized to execute same. Director Schroeter seconded said motion, which unanimously carried.

**Item 10: Discussion of renewal of District insurance coverages and authorize solicitation of proposals for same**

Mr. Ringold noted that the District's current insurance coverages are set to expire on March 1, 2013, and inquired about the status of the securing one or more quotes for renewal policies. Mr. Cusick informed the Board that he was seeking a bid from the District's current insurance broker. Director Schroeter stated the insurance coverage should be kept current and should be periodically reviewed. Director Schroeter moved and Director Stewart seconded that Mr. Cusick be authorized to secure insurance policies for the District for the current year in a manner to ensure no lapse in coverages.

**Item 11: Discuss meeting location for March**

It was decided that the regular meeting of the Board of Directors would be held in the Board Room of the Port of Houston Authority due to the fact that WGMA board room is not available on the date for the regularly scheduled March meeting.

Chairman Riley called for a 10 minute recess at 1:05 p.m.

At 1:15 p.m. the meeting reconvened.

**Item 12: Joint Workshop with Board of Directors and Houston Ship Channel Security Advisory Council regarding Chertoff report and recommendations**

Mr. Jayson Ahern from the Chertoff Group informed the Board that they had made recommendations on the following five deliverables:

1. Boundaries and Membership of the District
2. Baseline Evaluation of Existing Security Initiatives
3. Gap Analysis
4. Initiatives to Address Remaining Gaps
5. Recommendations on Management and Operations

The following items were discussed:

- Cyber Security – the Board was advised that Cyber Security poses a credible threat to the District. It was suggested that the District endeavor to periodically provide information to its members in this area. Mr. Ahern further reiterated that the Board take caution in making additional technological capital investments, as the life cycle of such assets is extremely short and it they are costly to operate and maintain.
- Mr. Ahern informed the Board that the response received from the surveys that the Chertoff Group had sent out indicated that the stakeholders were not getting enough information through the Zone Director system alone. The stakeholders wanted to be kept informed and wished to receive information in a timely manner. Director Michael Stewart and Director Todd Adamec advised the Board that the most common concern received from their stakeholders was that they were receiving good value from the District in exchange for the assessment payments. Mr. Ahern suggested that the Board endeavor to increase the manner and frequency in which it advises its membership and the public about the District, its functions, and its successes. It was suggested that the District communicate more regularly with the Facility Security Officer (FSO's) of the stakeholders and ask them what area of region-wide security they would most like addressed.
- Mr. Ahern also recommended that the appropriate number and frequency of security patrols within various areas of the District should be ascertained, and consideration should be given to what further investments and security projects should be undertaken or curtailed to ensure security gaps are properly addressed. A discussion ensued regarding better coordination amongst the various law enforcement agencies providing security patrol details within the District's boundaries to eliminate unnecessary duplication of efforts and endeavor to fill gaps. CAPT. James Whitehead advised the Board that security patrols is an area where the District can provide coordinating efforts and significantly help the region.

At 2:40 p.m. Chairman Riley called for a 15 minute recess.

Meeting reconvened at 2:55 p.m.

- Mr. Ahern recommended that the Board look at possible grant funds for training for law enforcement and industry leaders.

- Mr. Ahern recommended that the Board form the following committees, or in the alternative, have a person responsible for each of the following topics
  - a. Crime Report
  - b. Training
  - c. Public Affairs

Training was again emphasized along with cyber security and table-top exercises for companies. The Board was advised that there is currently in the planning stages a Cyber Security Collaboration Forum to be presented by University of Houston, Clear Lake, which would be held at Johnson Space Center on April 4. Director Schroeter is assisting the organizer in identifying speakers for this forum. As soon as the Agenda has been confirmed the Board would be advised of same and were encouraged to attend the Forum.

At 4:30 p.m. Chair Riley called for a recess and asked CAPT. Bill Diehl to leave the room so that the position of Executive Director could be discussed.

Meeting reconvened at 4:45 p.m.

Mr. Ahern strongly recommended that the Board hire an Executive Director. He suggested that the Board talk to the Port of Texas City Security Council regarding their Executive Director as they had just recently gone through the process of hiring for that position. He also informed the Board that he and the Chertoff Group would be willing to assist in this matter and recommended that the Board do the following regarding the hiring of an Executive Director:

- a. Prepare a Budget
- b. Prepare Job Description
- c. Decide the relationship and type of contract required – e.g. employee or independent contractor for professional services
- d. Develop an RFP

He suggested that an Ad Hoc committee be appointed to address these issues.

Chair Riley asked for volunteers to be on the Ad Hoc Committee. The following persons volunteered:

Chair Riley  
Director Curtis  
Director Jake Leavins  
Director Michael Stewart

Director Schroeter moved and Director Steve Stewart seconded that the Ad Hoc Committee report back to the Board at the March 12 meeting and report on their progress and recommendations. Motion passed unanimously.

**Item 13: Executive Session**

There was no Executive Session held.

**Item 14: Reconvene in Open Session and take any action regarding items discussed in Executive Session**

No Executive Session held.


**Item 15: Other Business**

There was no other business to come before the Board.

**Item 16: Adjourn**

There being no further business to come before the Board, Director Steve Stewart moved and Director Michael Stewart seconded that the meeting adjourn. Motion passed unanimously. Meeting adjourned at 5:30 p.m.

The above is a correct copy of the Minutes of the February 12, 2013 Special Meeting and Workshop of the Board of Directors of the Houston Ship Channel Security District.

  
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Robin C. Riley, Chairman

ATTEST:

  
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Thomas G. Schroeter, Secretary