

MINUTES

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

**Houston, Texas
April 10, 2012**

The regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on April 10, 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 Chair Riley, Director Henderson, Director Scheibe, and Director Yellig, 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, Chuck Wolf of Media Consultants, administrator of the District’s Request for Proposals, Dennis Storemski of the City of Houston, member of the District’s Security Council, and Michael McCall of McCall Gibson Swedlund Barfoot PLLC (“McCall”).

Item 1: - Call to Order

The meeting was called to order at 2:06 p.m. Secretary Schroeter announced that Chairman Riley was out of state and had asked that Secretary Schroeter chair the meeting in the absence of the Chair and Vice Chair. Director King moved and Director Brown seconded that Secretary Schroeter be appointed Chair Pro-Tem for the April 10, 2012 meeting. Motion passed unanimously.

Item 2: - Appearances

Chair Pro-Tem Schroeter asked if anybody wished to address the Board. Nobody wished to do so.

Item 3: - Approval of Minutes

Chair Pro-Tem Schroeter asked for the approval of the minutes of the March 13, 2012 regular meeting. Director Steve Stewart moved that the minutes of said meeting be approved, as presented, and Director Brown seconded the motion, which passed unanimously.

Item 4: - Update on March 23, 2012 Request for Proposals (RFP) Meeting with Proposers

Mr. Wolf informed the Board that there were 21 qualified proposers. He stated that the audio of the RFP meeting and powerpoint presentation had been posted on a secure website. He advised the Board that that they would need to obtain a password to enter the secure website, which he would be happy to provide to them. Chair Pro-Tem Schroeter suggested that the members of the Board should be notified of the questions and answers presented by the proposers, as they occur. He also thanked the directors that attended the Meeting with Proposers, namely: Chair Riley, Director Steve Stewart, Director Scheibe, Director King, and Director Mike Stewart. Chair Pro-Tem Schroeter also thanked Mr. Wolf for his work. Director King commented that Mr. Wolf and Director Scheibe did an outstanding job on their presentations and that the vendors had very few questions. Director Steve Stewart reiterated Director King's comments.

Item 5: - Discussion and possible action regarding evaluation criteria for RFP

Chair Pro-Tem Schroeter asked Mr. Wolf to give the Board an overview of the evaluation criteria. Mr. Wolf did so, and Chair Pro-Tem Schroeter informed the Board that he welcomed questions regarding the point systems and percentages proposed. The following evaluation criteria proposal was presented to the Board (i) Benefits to the District, (ii) Qualifications and (iii) Price. The proposed percentages were (i) Benefits to the District – 30%; (ii) Qualifications – 35%; (iii) Price – 35%. Chairman Pro-Tem Schroeter indicated that the thinking behind this proposal was that, if you obtain the right team for price, the benefits will flow. For the purposes of discussion, Director Mike Stewart moved that the Board accept the proposal as written, Director King seconded the motion. Director King stated that he appreciated the proposal presented, but he felt that the benefits should be higher than the price. Mr. Wolf stated that the Board needed to keep in mind that the benefits to the District would include all six deliverables. He also stated that the qualifications of all proposers had been vetted and they would be high. After a lengthy discussion Director Mike Stewart withdrew his motion. Director King moved and Director Mike Stewart seconded that the following point system be adopted: (i) Benefits to the District - 50%; (ii) Qualifications – 25%; (iii) Price – 25%. Motion passed unanimously. Mr. Wolf asked if he should notify the proposers of the point system. Chair Pro-Tem Schroeter advised him that he should.

Item 6: - Status Report – Greater Houston Port Bureau

CAPT. Diehl gave his monthly status report to the Board. He reminded the Board that the Harris County Contract will be expiring at the end of the year and the Board needs to be thinking about its renewal. CAPT. Diehl informed the Board that he had neglected to place the GHPB's monthly statement for services performed in his report, and that same would be presented to the Board at the May meeting. Chair Pro-Tem Schroeter thanked CAPT. Diehl and asked if there were any questions of the Board. There were none.

Item 7: - Discussion and possible action regarding Round 12 Port Security Grant Program

Mr. Cusick informed the Board that he was making progress with the Department of Homeland Security (DHS) regarding registration of the District to apply for grants. He informed the Board that the deadline for registration was April 27, 2012, and the deadline for submitting an application for the Round 12 Port Security Grant program was May 4, 2012. He felt that there would be no problem in meeting either of these dates. Round 12 grants require a 25% matching amount by the grantee. He indicated to the Board that he would like a committee to assist him in

the preparation of the District's grant application and also asked for input as to the amount of grant funds the Board desired to be included in the application.

After discussion regarding the items to be included in the District's application for the Round 12 Port Security Grant Program, Director King moved that the GHPB be authorized to prepare and submit an application on behalf of the District seeking grant funds in the approximate amount of \$1,000,000, subject to revision of such amount, if any, by the sub-committee to be appointed by the Chair Pro-Tem. Director Curtis seconded the Motion. Motion passed unanimously.

Chair Pro-Tem Schroeter asked for volunteers to serve on the grant sub-committee. Directors Steve Stewart, Leavins and Brown volunteered to serve on the sub-committee. Chair Pro-Tem Schroeter asked Mr. Dennis Storemski if he would ask if one or two Security Council members would also volunteer to serve on the committee. Mr. Storemski stated that he would check with the Security Council members.

Item 8: - Update regarding American Bar Association 7th Annual Homeland Security Law Institute Conference, March 22 and March 23, 2012, Washington DC

Chair Pro-Tem Schroeter updated the Board on the security conference he attended in Washington DC. In his report, he said that although overall grant funding is down, DHS and FEMA are looking for good projects to fund. DHS, Coast Guard and other officials in Washington, DC are very interested in the Security District and its projects.

Item 9: -Update regarding NICE Situators working group meeting

Mr. John Chaney was not present at the meeting to give an update. Mr. Cusick informed the Board that 5 members of the District had participated in the work group meeting.

Item 10:- Review and approval of Annual Audit Report

Mr. McCall reviewed with the Board a Draft of the District's Annual Audit Report for the District's fiscal year ending December 31, 2011. Mr. McCall advised the Board that his firm had conducted the audit in accordance with generally accepted auditing standards within the United States of America. These standards require that they plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. As a result, he said the District had received a clean audit. Mr. McCall further presented a letter to the Board in accordance with the requirements of Statement on Auditing Standards No. 115 ("SAS 115"). A discussion followed on how audits are typically performed and prepared for special districts in Texas through the use of a single accounting firm, and that this is generally the accepted norm. Mr. Ringold volunteered to draft language for use, if desired, as a response to the letter. Chair Pro-Tem Schroeter thanked Mr. McCall for his presentation and suggested that the Board cast its vote on accepting Mr. McCall's report when the final audited report is prepared and distributed to the Board next month.

Item 11: - Investment Officers Quarterly Report.

Mr. Cusick presented his quarterly report to the Board. Director Steve Stewart moved that the Board accept the report and that the Investment Officer be authorized to sign same on behalf of the District. Director Curtis seconded the Motion. Motion passed unanimously.

Item 12: – Quarterly Unaudited Financial Statements.

Mr. Cusick presented the District’s quarterly unaudited financial statements. There were no questions from the Board members.

Item 13: - Status of contract with City of Houston for air support

Mr. Richard Retz of the City of Houston informed the Board that the contract between the City of Houston and the District for funding of fuel for the City’s helicopters to provide air support in and over the District will be presented to City Council on April 17-18 for their approval.

Item 14: - Discussion and possible action regarding expenditure of purchase of decals for patrol vehicles.

Deputy Tommy Diaz from Harris County Sheriff’s Office informed the Board that the redistribution of patrol vehicles was in process. He asked if the District would be willing to fund the purchase of decals for the vehicles and outfit equipment for same. He stated that it would cost approximately \$10,000 for the decals. He did not have an approximate cost for the outfitting of equipment for the vehicles. He stated he is still waiting on approval from FEMA for the transfer of vehicles. It was decided that this item be tabled until next month.

Item 15 –Discussion and possible action regarding 25% match for Harris County equipment

This item was tabled until next month.

Item 16 – Discussion and possible action of operation and maintenance invoices from Harris County

Invoices in the total amount of \$10,612.85 for fuel costs and maintenance for the patrol boats and patrol vehicles were presented by Harris County. Director Curtis moved and Director Brown seconded that said invoices be paid. Motion passed unanimously.

Item 17 – Discussion and possible action on adoption of Records Retention Schedules, appointment of a Records Management Officer, and adoption of a Resolution in connection therewith

Chair Pro Tem Schroeter requested that this matter be tabled until next month.

Item 18 - Executive Session

At 3:59 p.m. the following statement was read by Director Mike Stewart:

“The Houston Ship Channel Security District Board of Directors will now convene in a closed meeting, as permitted by the Texas Open Meetings Act and Government Code, to deliberate regarding the following:

- A. Consultation with attorneys, including legal issues concerning (i) discussion of RFP and potential action thereon and (ii) requirements for assessments and (iii) for applications for grant funding including Round 12 of Port Security Grant Program; and
- B. Deliberation regarding deployment and implementation of security services and projects, including:

- i. Update on Harris County Security Projects including Operations Monthly
 - a. Report from Harris County Sheriff's Office
 - b. Report from ITC Department
- ii. Status of redistribution of grant-funded vehicles to partner agencies
- iii. Deliberation regarding implementation of security matters with City of Houston and
- iv. Request for Proposals (RFP) for development and implementation of strategic plan for the District
- v. Potential security projects under Round 12 of the DHS/FEMA Port Security Grant Program

Pursuant to the Government Code, Section 551, subchapter E, the closed meeting shall be recorded. The Houston Ship Channel Security District Board of Directors will reconvene in public session after the closed meeting is adjourned.”

Item 19: - Other business

At 4:12 p.m. the Board reconvened in open session. Chair Pro-Tem Schroeter asked the Board if there were any matters that would be coming out of closed session. There were none. Chair Pro-Tem Schroeter thanked Deputy Tommy Diaz and Greg Karr their support and for following through on providing the information requested by the Board.

Item 20: Adjourn

There being no further business coming out of Executive Session, Director Steve Stewart moved and Director Curtis seconded the meeting adjourn. Motion passed unanimously. Meeting adjourned at 4:33 p.m.

The next regularly scheduled meeting of the Houston Ship Channel Security District Board of Directors is Tuesday, May 8, 2012, at the Port of Houston Authority at 2:00 p.m.

The above is a correct copy of the Minutes of the April 10, 2012 meeting of the Board of Directors of the Houston Ship Channel Security District.



Thomas G. Schroeter, Chairman Pro-Tem

ATTEST:



Michael Stewart, Assistant Secretary