

MINUTES

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

**Houston, Texas
April 9, 2013**

The regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on April 9, 2013 at 2:00 p.m. The meeting was held, open to the public, at West Gulf Maritime Association, Board Room, 3rd Floor, 1717 Turning Basin Drive, Portway Plaza Building, Houston, 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
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, Vice Chair

and all of said persons were present, except Director Clement, Director Curtis, Director Henderson, Director Schroeter and Director Scheibe. Director Adamec arrived at 2:15 p.m., thus establishing 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.

Item 1: Call to Order

The meeting was called to order at 2:15 p.m.

Item 2: Appearances

Chair Riley asked if anybody wished to address the Board. Dan Pennington, Interim Chief, Freeport Police Department gave a presentation to the Board regarding BMAT Grant Allocation from the 2010 Federal Port Security Grant Program. He stated that he is currently overseeing two 2010 grants. One for \$1.7 million, for which the Port of Freeport is the fiduciary agent, and one for \$4.5 million, for which Harris County is the fiduciary agent. The grants are to be used to build a Port Information Network (PIN). Funds for both grants were released on January 29, 2013, and the grant requires substantial completion by May 31, 2013. Extension requests were submitted to the Federal Emergency Management Agency (FEMA) and, to date, Chief Pennington has not received a response regarding the extension requests. Chair Riley suggested that Chief Pennington contact John Chaney with Harris County’s Information Technology Center to discuss this matter with him. Chair Riley also suggested that Chief Pennington may

want to contact the Brazoria County Judge to discuss the creation of a ship channel security district in Brazoria County to support projects for the Port of Freeport.

Item 3: Approval of Minutes

Director Brown moved and Director Steve Stewart seconded that the Minutes of the March 19, 2013, Board of Directors meeting be approved, as presented. Motion passed unanimously.

Item 4: Non-classified briefing from Houston Division's Counterintelligence (FBI)

Special Agent Stan Strauss introduced Special Agent Eric DeCarlos, who gave a power point presentation to the Board regarding cyber security. Special Agent DeCarlos also made recommendations regarding best practices to minimize the potential of a cyber attack and answered questions from the Board regarding same. Chair Riley thanked Special Agents Strauss and DeCarlos for their presentation and asked them if they would be willing to give a presentation to the membership at some time in the future. They indicated that they would be happy to do so.

Item 5: Greater Houston Port Bureau

5.1 Status Report Greater Houston Port Bureau: CAPT. Diehl gave the monthly status report to the Board. He advised that the insurance invoice for Directors and Officers insurance had been paid and a copy of the insurance binder was sent to all Directors. He further advised that McCall Gibson Swedlund & Barfott, PLLC is in the process of performing their annual audit of the District's financial records and plan to present a draft report to the Board for approval at the May meeting. The newsletter has been completed and is available to directors for their review. A copy of the newsletter will be mailed to each member in the District and will be included with the April Greater Houston Port Bureau newsletter. CAPT. Diehl noted that Mr. Cusick is continuing to research companies within the revised boundaries of the District that qualify as "facilities" per the appropriate provisions of Chapter 68 of the Water Code, as are proposed to be amended in the pending legislative proposal.

Director Leavins moved and Director Brown seconded that the Board approve the report. Motion passed unanimously.

Item 6: Zone Board Members report on vetting of facilities within revised boundaries

Directors Brown, Leavins and Mike Stewart advised the Board that they had not completed vetting of potential new facilities within their respective zones as a result of the boundary revision. Chair Riley asked that this be placed on the May Agenda for a report from the zone directors.

Item 7: City of Houston - Update on Air Patrols

Mr. Storemski advised the Board that the patrol flights were on-going and that the City of Houston has teamed up with the United States Forest Service to conduct training using the larger helicopter for firefighting on the water.

Item 8: Amendment to Air Support Agreement with the City of Houston

Mr. Ringold advised the Board that the current air support agreement with the City of Houston (“City”) expires on April 24, 2013. An amendment to the Agreement was presented to the Board to extend the term of the agreement for an additional year, with the annual cost to the District for fuel and lubricants to remain at \$270,000. Mr. Storemski stated that he had just received an e-mail from the City Legal Department requesting one additional non-substantive change to the Agreement. Director Stewart moved and Director Leavins seconded that the Agreement with the City be extended for one more year, subject to Mr. Ringold’s review and acceptance of the non-substantive change to the amendment. Motion passed unanimously.

Item 9: Discuss and take action on payment of invoices for maintenance, operation and administrative expenses

Invoices in the amount of \$27,834.31 from Harris County, \$27,854.10 from the City of Houston and \$8,359.20 from the Greater Houston Port Bureau were presented for payment. Director Steve Stewart moved and Director Brown seconded that the invoices be paid. Motion passed unanimously.

Item 10: Investment Officer’s Quarterly Report

Mr. Cusick presented his Quarterly Investment Report for the period ending March 31, 2013. He also advised the Board that pursuant to Texas Government Code – Section 2256.008, he is required to take ten (10) hours of training every two years. He will be taking the training May 16 and May 17. Director Brown moved and Director Leavins seconded that the quarterly report be approved. Motion passed unanimously.

Item 11: Quarterly Financial Report

Director Curtis was not at the meeting. No report was given.

Item 12: Update on proposed Legislative changes to Chapter 68 of the Water Code

Mr. Ringold stated that there was a hearing today on House Bill 2635. Senate Bill 1225 had been viewed favorably and was recommended to be placed on the consent calendar. Mr. Ringold advised the Board that he would keep them apprised of movements regarding these legislative bills that pertain to the amendment of Chapter 68 of the Water Code, which sets forth the criteria to be considered a facility within the District.

Item 13: Receive report and recommendations from the sub-committee relative to Proposals received for the update of the Port-wide Risk Analysis/Mitigation and Business Continuity Plan

CAPT. Marcus Woodring reported to the Board that 11 proposals for the update of the Port-wide Risk Analysis/Mitigation and Business Continuity Plan had been received, and the sub-

committee had met on April 5, 2013, to evaluate same. Members present at the sub-committee meeting were Al Cusick, CAPT. Peter Simon, CAPT. Marcus Woodring, Rick Deel, John Walker and Mike Stewart. CAPT. Woodring also noted that Chris Hogan and Gary Sc eibe were unable to attend the meeting, but both had communicated to Al Cusick their evaluations and rankings of the submitted proposals. Two proposals were found to present best value to the District. They centered on the factors that were considered in the selection, which included experience in similar projects, the project team, overall cost, average cost per project day, and time to completion.

In response to Director Leavins' request, CAPT. Woodring expounded upon the factors distinguishing the two top firms including the amount of time that would be spent "on the ground" of the actual project. CAPT. Woodring stated that he would be happy to answer any questions the Board may have regarding the committee's recommendation. Chair Riley felt that the Board members should have an opportunity to review the two top proposals (and if desired hear presentations from them) and requested that this item be placed on the May agenda for a decision. Chair Riley thanked CAPT. Woodring for his very informative presentation.

Item 14: Discussion and possible action regarding the posting of job description for Executive Director position

Director Adamec advised the Board that he and Gary Schiebe had attended the most recent East Harris County Manufacturer's Association (EHCMA) Board of Directors meeting. The EHCMA Board indicated concerns with the District's announcement that it intended to hire an Executive Director. He suggested that the Board should publicize to key groups, including EHCMA, the Board's reasons for seeking to hire an Executive Director.

Chair Riley distributed to and discussed with the Board a written draft job description for the position. He noted that he, Director Mike Stewart, Director Leavins and Director Curtis assisted in the preparation of the description. Mr. Ringold noted that he had recently reviewed and provided comments to the job description, but that Director Schroeter had not yet had an opportunity to review and respond to such comments. Accordingly, he noted there may still be some minor revisions to the description that are appropriate. It was suggested that the Port Bureau should advertise for the position, receive resumes and do the initial vetting of applications. After discussion on the matter, Director Leavins moved and Director Brown seconded that the job description be approved, subject to minor modifications by legal counsel in consultation with Director Schroeter, which revisions are to be presented to the committee that developed the description, and that the Port Bureau be authorized to advertise for the job and update the Board at the June meeting regarding the applicants. Director Michael Stewart asked that the motion be modified to have the job close at the end of May. Directors Leavins and Brown favorably accepted the suggested amendment to the motion. CAPT. Diehl asked what the salary range would be. Chair Riley stated that the committee would provide feedback as to the salary. The motion passed unanimously with the changes that Director Michael Stewart had requested.

Item 15: Discussion and possible action regarding request from Harris County PID/ITC Department regarding request for additional funding

This item was moved to Executive Session.

Item 16: Report from Houston Ship Channel Security District Advisory Council and update on development of Council Charter

Mr. Deel advised the Board that the Security Council had drafted a Charter for the Board's review. Mr. Ringold noted that he had reviewed and provided suggested revisions to the Charter. It was requested that this matter be placed on the May Agenda.

At 3:50 p.m. Chair Riley called for a ten minute recess prior to the Executive Session.

Item 17: Executive Session

At 4:01 p.m. Director Michael Stewart read the following statement:

“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, potential boundary/membership revisions, and potential legislative items; Discussion regarding United States Coast Guard scheduling of patrols

B. Deliberation regarding deployment and implementation of security services and projects including updates from City of Houston and Harris County regarding Security Projects including Operations Monthly (to include reports on water and land patrols)

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

C. Discussion regarding security with United States Coast Guard

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 18: Reconvene in Open Session and take any action regarding items discussed in Executive Session

At 5:06 p.m. the Board of Directors meeting reconvened in open session. Chair Riley asked the Board if there were any matters that would be coming out of closed session. There were none.

Item 19: Update and possible action regarding 2013 Budget

No action was taken on this Agenda item and was requested to be placed on the May Agenda.

Item 20: Suggested items for May Agenda

No items were suggested for the May agenda.

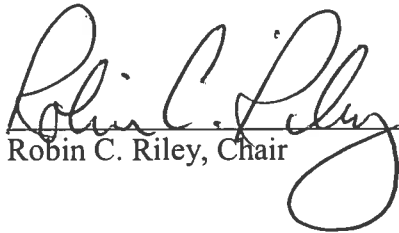
Item 21: Other business

None

Item 22: Adjourn

There was no other business to come before the Board. Director Adamec moved and Director Steve Stewart seconded that the meeting be adjourned. Motion passed unanimously. Meeting adjourned at 5:09 p.m.

The above is a correct copy of the Minutes of the April 9, 2013, regular meeting of the Board of Directors of the Houston Ship Channel Security District.



Robin C. Riley, Chair

ATTEST:



Michael Stewart, Assistant Secretary

309590.1