

MINUTES

Board of Directors of the Houston Ship Channel Security District January 10, 2017

A regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on January 10, 2017, open to the public, at the Shell Deer Park Learning Center, 2nd 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
Chris Bennett
Brian Blanchard, Treasurer
Jarrod Boehme
Jimmy Burke
Duane Campbell
Kelley Hicks (outgoing Director)
Craig Nelson (incoming Director)
Gary Scheibe, Chair
Steve Stewart
Marcus Woodring, Vice Chair

and all said persons were present, except Directors Hicks and Stewart, thus establishing a quorum. Also present were Daniel Ringold of Schwartz, Page & Harding, LLP (“SPH”), legal counsel for the District, and Bill Diehl and Al Cusick of the Greater Houston Port Bureau (“GHPB”), administrators for the District.

1. Call to Order

Chair Scheibe called the meeting to order at 2:04 PM.

2. Appearances

Chair Scheibe called for appearances.

Gary Messmer advised the Board that the January 26, 2017 Area Maritime Security Council (AMSC) meeting was being canceled in favor of an AMSC executive steering committee meeting to be held on February 14, 2017.

Mr. Messmer also advised there would be a strategic planning meeting in preparation for the annual United States Coast Guard (USCG) security exercise. Information is available on houstoncgexercisupport@uscg.mil

Chair Scheibe requested that Mr. Rick Retz report on the status of the dissolution of the PIER System and the migration to a new platform. Mr. Retz advised that Houston Police Department (HPD) had received an extension until the end of March to discontinue its use of the PIER

System. All others must discontinue use of the system by January 31, 2017. He encouraged and current PIER users to start archiving their data now.

3. Approval of Minutes of December 13, 2016 Annual Board of Directors Meeting

Secretary Adamec noted that the draft minutes of the December 13, 2016, meeting had been distributed to the Board members in advance of today's meeting and asked if there were any comments or suggested revisions to the said minutes. Director Boehme moved to approve said minutes, as presented. Director Blanchard seconded the motion, which passed unanimously without further discussion.

4. Report on Zone Directors Appointments by Harris County Commissioners Court

Al Cusick advised the Board of Harris County Commissioners Court appointments as follows: Zone 1 – Brian Blanchard; Zone 2 – Craig Nelson; Zone 3 – Gary Scheibe; Zone 4 – Todd Adamec. Mr. Cusick explained an administrative error resulted in Mr. Raymond Russell being announced as the election winner in Zone 2; however, Mr. Russell is employed by a facility located in Zone 3, and therefore not eligible to represent Zone 2. Mr. Nelson was the candidate receiving the next most votes in Zone 2. Mr. Doug Adkinson verified Commissioner's Court had appointed all 4 nominees to the Board.

5. Acceptance of Qualification Statements, Bond, Oaths of Office and Election Not to Disclose Certain Information and Swearing in of Directors Blanchard, (Zone 1), Craig Nelson (Zone 2), Gary Scheibe (Zone 3), and Todd Adamec (Zone 4)

Mr. Ringold advised the Board that each of the newly appointed or re-appointed Board members had taken their official oath and executed the necessary bonds and director qualification documentation. Director Bennett moved that said oaths, bonds, and other qualification documentation be accepted and each of said Directors be seated for their 2 year terms. Director Boehme seconded the motion which passed unanimously without further discussion.

6. Discuss Training Requirements for Directors Pursuant to the Texas Open Meeting Act and the Texas Public Information Act.

Mr. Ringold advised the Board he had already discussed the open government training requirements with Director Nelson and provided him with the educational materials.

7. Discuss Conflicts Disclosure Statement Reporting Requirements Memorandum for Directors.

Mr. Ringold advised he had already provided a memorandum on conflicts disclosure reporting requirements to the directors and discussed same with each.

8. Election of Officers of the Board.

Mr. Ringold advised the Board of the necessity to consider election of officers each time the Board seats newly appointed members. Chair Scheibe asked if any Director, not currently an officer, was interested in serving as an officer. Chair Scheibe likewise asked whether there were any current officers that did not wish to continue as an officer of the Board. There being no Directors seeking to acquire new office nor relinquish their current office, Director Boehme moved that all officers maintain their current offices.. The motion was seconded Director Campbell and passed unanimously without further discussion.

9. Quarterly Financial Report

Treasurer Blanchard advised the Board that a copy of the Financial Statements were in the Board Book and there was nothing further to be added. There were no questions or suggested revisions from the Board members.

10. Quarterly Investment Officers Report

Treasurer Blanchard advised the Board that a copy of the Investment Officers Report was in the Board Book and there was nothing further to be added. There were no questions or suggested revisions from the Board members.

11. Discussion and Possible Action on Agreement with JAG Investigations for *Internet Profiling and Intelligence Gathering Security Training Course*

Mr. Cusick advised the Board he received a proposal for a repeat presentation of the Internet Profiling and Intelligence Gathering security training course that was provided last year and led by JAG Investigations. The tentative date for the course is March 28-29, 2017. The cost for the course is \$9,000, plus \$75 per diem, travel, lodging and meal expenses. Director Burke moved to approve the proposal and authorize the Chair to execute same. Director Woodring seconded the motion, which passed unanimously without further discussion.

12. Discussion of Renewal of District D&O Insurance Coverage and Authorize Solicitation of Proposal for Same.

Mr. Ringold advised the Board a proposal had been received from the District's current insurance broker, McDonald & Wessendorff Insurance, for renewal of the current D&O insurance coverages for another year at the same cost as 2016. He inquired whether the Board was satisfied with the proposal presented or whether it desired that additional proposals be solicited. Director Boehme moved to accept the proposal for renewal of the Director and Officer Insurance received from McDonald & Wessendorff Insurance for \$5,500. Director Blanchard seconded the motion, which passed unanimously without further discussion.

13. Consider Approval of Interlocal Agreement with Texas Parks and Wildlife Department

Mr. Ringold presented the First Amendment to the Interlocal Agreement with Texas Parks and Wildlife Department for calendar year 2017. He advised the Board the amendment extends the term of the agreement, but does not change any of the other terms. Director Burke seconded the motion, which passed unanimously without further discussion.

14. Consider Approval of Interlocal Agreement with Port of Houston Authority

Mr. Ringold presented a proposed Interlocal Agreement with the Port of Houston Authority for the funding of an Video Downlink Antenna for the Mobile Command Center, which expenditure was approved by the Board at its December meeting. He advised the Board that the legal department for the Port Authority had not yet provided their comments to the proposed agreement. Director Burke moved to approve the agreement subject to any non-substantive revisions, provided those revisions be agreed to by the Chair. Director Boehme seconded the motion, which passed unanimously (with the sole exception of Director Woodring, who abstained from discussion or taking any action on this matter), without further discussion.

15. Adoption of Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District

Mr. Ringold distributed a proposed list of qualified brokers with which the District may engage in investment transactions and explained that the Public Funds Investment Act requires that the Board review and update the list at least annually. Director Blanchard moved to adopt the Resolution adopting said list as presented. Director Boehme seconded the motion, which passed unanimously without further discussion.

16. Legal Report

Mr. Ringold advised the Board that the Fifth Amendment to the funding agreement with Harris County was approved in December by Harris County Commissioners Court. Subsequently, an inconsistency between the sum of the detailed line item amounts listed in the Exhibit to the Fifth Amendment and aggregate funding amount listed in the body of the Amendment was discovered by the County Auditor's Office, and the Commissioners Court approved a corrected version that reconciled the two amounts on January 10, 2017.

17. Status Report – Greater Houston Port Bureau

A. Financial and Investment Reports

Mr. Cusick advised the Board there was nothing to add to the reports previously distributed. A copy of the bookkeeping report is attached hereto as Exhibit A, and a copy of the Assessment Analysis Report is included as Exhibit B.

B. Project Management Report

Mr. Cusick advised the CBP/DHS agreement relative to connectivity for the Customs and Border Patrol Department is still under review by the Department of Homeland Security.

Mr. Cusick advised the Board that a Facility Security Officer training course sponsored by the District would be held at the Shell Learning Center on January 19, 2017. He further advised that 9 additional training classes have been scheduled for 2017 for both Maritime Transportation Security Act and Chemical Facility Anti-Terrorism Standards update. Consideration is being given to offer a class on the new Transportation Worker Identification Credential rules and a Facility Security Officer Certification course.

The All Hazards Incident Management Team Training course has been scheduled by the East Harris County Manufacturers Association (ECHMA) on April 3-7, 2017. The District will again be asked by ECHMA to provide funding for the course. The funding request will be presented to the Board for consideration next month.

C. Management and Outreach Report

CAPT Diehl advised the Board that a new District web site would be launched this month prior to the discontinuation of the PIER System. He said the Port Bureau was contacted by Texas A&M researchers to provide the number of employees in the port area. The only data available is the number of employees reported by District companies. Chair Scheibe asked that the A&M researcher be referred to him for further discussions. Mr. Ringold recommended that no specifics be provided with respect to numbers of workers at any one facility or on a facility-by-facility basis, and that any information on aggregate number of employees at facilities within the

District be accompanied by a disclaimer that such numbers are the product of a self-reporting system, that the District has made no independent investigation to verify said numbers, and that such data should not be relied upon to be comprehensive, as only certain types of facilities qualify as being subject to assessment by the District and report headcount information in connection therewith. CAPT Diehl updated the Board on a conversation he had with Commissioner Morman regarding Director Stewart's continued service on the Board. The 2017 HSCSD Magazine will be printed as soon as the Directors and Officers are updated.

Director Woodring reminded Mr. Cusick that 2 invoices required Board approval:

1. Greater Houston Port Bureau for Administrative Services in the amount of \$15,688.23;
2. Harris County for Operation and Maintenance reimbursement in the amount of \$25,893.72

Upon review of the invoices presented, Director Woodring moved that the financial report be approved and that said invoices be approved for payment. Director Blanchard seconded the motion, which passed unanimously without further discussion.

18. Status Report – City of Baytown

No one was present from Baytown for a report.

19. Status Report – City of Houston

Richard Retz from the Mayor's Office of Homeland Security and Emergency Management reported that there was nothing of significance from the City of Houston to report to the Board this month beyond what was already provided in the Board materials.

20. Status Report – Harris County

Deputy Christopher Lee reported on the activities of the Harris County Sheriff's Department. A copy of the report is attached as Exhibit C.

Deputy Lee also announced that Maj. Darrel Colman was promoted to Chief Deputy and would no longer be within the Homeland Security Division of the Sheriff's Office.

Mr. Patrick Gonzalez reported that CTS is continuing work on the Harris County Port Security Camera Network and has adequate funding in place to complete said work.

21. Status Report – Texas Game Wardens – TPWD

Capt. Ruiz said there was nothing additional to report.

22. 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 or 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

No Executive Session was necessary.

23. Reconvene in Open Session and Take Any Action Regarding Items Discussed in Executive Session

No Executive Session was held.

24. Consider Items for Future Meeting Agendas

No items were suggested other than customary and ongoing matters.

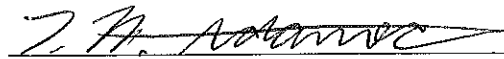
25. Adjourn

The meeting was adjourned at 2:55 PM upon a motion by Director Blanchard, seconded by Director Boehme, which passed unanimously.

Next Meeting – February 14, 2017

The next regular meeting of the Board is scheduled for February 14, 2017 at 2:00 PM at the Shell Deer Park Learning Center, 2nd Floor, Mustang Building, 4400 Highway 225, Deer Park, Texas

The above is a correct copy of the Minutes of the January 10, 2017, regular meeting of the Board of Directors of the Houston Ship Channel Security District.



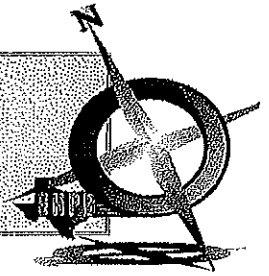
Todd Adamec, Secretary

LIST OF ATTACHMENTS

- A. Bookkeeping Report
- B. Assessment Collection Report
- C. Harris County Sheriff's Office Report

Exhibit A

GREATER HOUSTON PORT BUREAU, INC.



HSCSD Administrative Report January 10, 2017

Financial and Investment Reports

- **Bank Statements as of December 31, 2016**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$116,819.43
 - Deposits were \$78,806.25
 - Transfers from Money Market were \$100,000.00
 - Cleared Checks were \$129,504.76
 - Checks Outstanding were \$0.00
 - Money Market Account Reconciliation shows:
 - The invested balance was \$10,088,897.96
 - Deposits were \$404,747.35
 - Transfers to Checking were \$100,000.00
 - Deposits In Transit were \$0.00
 - Interest earned was \$409.10
- **Disbursements for December 2016**
 - Disbursements totaled \$129,838.06
- **Invoices Requiring Board Approval**
 - Greater Houston Port Bureau – \$15,688.23 December Administrative Services
 - Harris County – \$25,893.72 October & November O&M

Delinquent Assessments Update as of December 31, 2016

- 2013 & 2014 Assessment – Two companies were turned over to the collection attorney for delinquent 2013 & 2014 Assessments on July 1 of 2014 and 2015 respectively. Current outstanding assessment balance, including penalty & interest, is \$52,605.00
- 2015 Assessment
 - 4 companies have assessment receivables totaling \$17,057.00
 - 4 companies have accrued and unpaid penalty & interest totaling \$2,139.78
 - One company has filed for chapter 11 bankruptcy owing \$12,153.50 including penalty and interest to the date of filing for bankruptcy.
 - One company owing only penalty & interest has filed for chapter 11 bankruptcy owing the District \$1,463.28
 - All delinquent accounts were referred to PBFC&M for collection on July 1, 2016
- Total with collection attorney is \$71,801.78 owed by 5 companies

2016 Assessment Update as of December 31, 2016

- 2016 Assessment – 190 companies were assessed \$2,135,100.00/ 111 companies have paid \$1,213,500, as of December 31, 2016. Outstanding receivable is \$921,600.00 owed by 79 companies.



Exhibit B

Houston Ship Channel Security District

<http://www.hscsecurity.com>

Delinquent Assessment Analysis as of December 31, 2016

2013 Assessment Analysis

Receivables	Delinquent – 2 Companies	21,000.00	
	Accrued Penalty & Interest (P & I) – 2	10,500.00	
Total 2013 Receivables			\$31,500.00

Both companies were turned over to the collection attorney on July 1, 2014. Interest continues to accrue on these accounts.

2014 Assessment Analysis

Receivables	Delinquent – 2 Companies	15,750.00	
	Accrued Penalty & Interest (P & I) – 2	5355.00	
Total 2014 Receivables			\$21,105.00

Both companies were turned over to the collection attorney on July 1, 2015. Interest continues to accrue on these accounts. Legal action is being combined with the 2013 receivables.

2015 Assessment Analysis

Receivables	Delinquent – 5 Companies	\$17,057.00	
	Accrued Penalty & Interest (P & I) – 4	2094.78	
Total 2015 Receivables			\$19,151.78

Total Accounts with collection attorney – 5 companies owing \$71,756.78

One company is paying monthly.

One company filed for Chapter 11 bankruptcy on March 4, 2016 owing the District \$12,153.50 in assessment and accrued penalty and interest to that date. A second company filed for Chapter 11 bankruptcy on April 27, 2016 owing \$1,463.28 in penalty & interest. No further penalty and interest can be accrued or collection activity taken. The accounts have been referred to Perdue, Brandon, Fielder, Collins & Mott L.L.P. to file proof of claim on behalf of the District.





Houston Ship Channel Security District

<http://www.hscsecurity.com>

2016 Assessment Analysis as of December 31, 2016

2016 Assessment Roll 190 Companies			\$2,135,100.00
Receipts to Date	Assessments –111 Companies	\$1,213,500.00	
	Penalty & Interest (P & I)	0.00	
Total Related Receipts			\$1,213,500.00
Receivables	Current – 79 Companies	\$921,600.00	
	Delinquent – 0 Companies	0.00	
	Accrued Penalty & Interest (P & I) – 0	0.00	
Total 2016 Assessment Receivables			\$921,600.00



Exhibit C

Harris County Sheriff's Office HSCSD Monthly Report: December 2016
Public Release

<u>Waterside (December 2016)</u>		<u>HSCSD Expenses (October 2016)</u>	
Hours Deployed	91.25	Fuel	\$4,481.44
		Maintenance	\$0.00
			\$4,481.44

<u>Landside (December 2016)</u>		<u>HSCSD Expenses (October 2016)</u>	
Patrols:	324	Fuel	\$1,969.15
		Maintenance	\$5,433.34
			\$7,402.49

<u>Air Side (December 2016)</u>		<u>HSCSD Expenses (October 2016)</u>	
Patrol Hours	4.00	Fuel:	\$197.90
		Maintenance	\$0.00
		Equipment	\$0.00
			\$197.90

HCSO Industry Deputy

Coordination Meetings	3
OEM/Drills/Events and Inspections	14
CIKR Visits	14
	31

HCSO District Deputy

Coordination Meetings	3
OEM/Drills/Events and Inspections	19
CIKR Visits	41
	63

<u>SMAG (December 2016)</u>		<u>HSCSD Expenses (December 2016)</u>	
Hours Worked	443	Hrs. Personnel	\$10,000.00

As requested by the Houston Ship Channel Security District (HSCSD) the Harris County Sheriff's Office