

MINUTES

Board of Directors of the Houston Ship Channel Security District May 9, 2017

A regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on May 9, 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
Craig Nelson
Gary Scheibe, Chair
Marcus Woodring, Vice Chair

and all said persons were present, except Directors Bass, Scheibe, Campbell and Adamec, thus establishing a quorum. Directors Campbell and Adamec entered later in the meeting as reflected in these minutes. Also present were Daniel Ringold of Schwartz, Page & Harding, LLP ("SPH"), legal counsel for the District, and CAPT Bill Diehl, Gary Krause and Al Cusick of the Greater Houston Port Bureau ("GHPB"), administrators for the District.

1. Call to Order

In the absence of the Chair, Vice Chair Woodring called the meeting to order at 2:01 P.M.

2. Appearances

Vice Chair Woodring called for appearances. CAPT Diehl introduced Gary Krause to the Board and stated that Mr. Krause will handle project management oversight responsibilities for the GHPB on behalf of the District. He advised the Board that Mr. Krause is a retired US Army Transportation Corps Lt. Colonel and seasoned logistician. A copy of Mr. Krause's resume was included in the materials provided to the Board members prior to the meeting.

3. Approval of Minutes of April 11, 2017, Board of Directors Meeting

Vice Chair Woodring noted that the draft minutes of the April 11, 2017, 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 Burke moved to approve said minutes, as presented. Director Blanchard seconded the motion, which passed unanimously.

4. Adoption of Order Calling Hearing on Security Plan

Mr. Ringold reminded the Board that it had considered at its last meeting a request from the Harris County Sheriff's Office to provide grant matching funding for additional projects approved through the 2016 federal Port Security Grant Program, and indicated it was amenable to same. He then reminded the Board that, prior to providing such funding, the District needs to hold a public hearing on the advisability of the Security Projects and Services proposed for funding and the amount and source of funding for same. In connection therewith, he reviewed with the Board a proposed Order Calling Hearing on Security Plan and noted the proposed date of the public hearing and the notice of same to be provided to all facilities on the District's Assessment Roll. After discussion, Director Blanchard moved for the adoption of the Order as presented. Director Bennett seconded the motion, which passed unanimously.

5. Brief on the 2017 Port Security Grant Program and Schedule for Submission to United States Coast Guard – Sector Houston-Galveston, Review and Forwarding to FEMA

Mr. Gary Messmer, USCG, indicated that CAPT Kevin Oditt, the new Captain of the Port for Sector Houston-Galveston, is beginning to make introductory visits within the Port area and will be coming to a District Board meeting in the near future. He also reported that Homeport, the Coast Guard web based communication tool, will be replaced with a newer version of Homeport portal in the near future.

He reported that the total funds available through the 2017 Port Security Grant Program ("PSGP") has been capped at \$100 Million. The exact dates for notice, submission, review, and award are still being finalized. Projects submitted for approval through the 2017 PSGP will still be evaluated based upon the same criteria and five areas of priority as has been used in previous years. The Captain of the Port's local priorities also remain the same for this year. Vice Chair Woodring reminded all of the e-mail from Mr. Cusick with the June 5th deadline for submission of requests for matching funds to the District, which must include a fully completed District Funding Request Form, Letter of Support and FEMA Investment Justification (IJ) form with budget worksheet. He stressed the importance of ensuring that applications are timely submitted and complete if the applicant wants the District to consider its funding request, as the Board intends on acting on such requests at its June 13th meeting.

Director Campbell entered during the discussion on timing of submittal of funding requests. Director Adamac entered the meeting at the end of such discussion.

6. Update from the National Maritime Security Advisory Committee (NMSAC) Meeting.

Vice Chair Woodring provided the Board with a summary of the items addressed at the recent NMSAC meeting, including:

- a. Status of promulgation of cyber security guidelines. Vice Chair Woodring such rules will be released once the USCG releases its Navigation and Vessel Inspection Circular regarding same. It is expected that the guidelines will specify what topics are required to be in all facility security plans, in addition to recommended profiles for specific industries.
- b. Transportation Worker Identification Credential reader rule. He advised that the Transportation Security Administration is adding facilities that handle Certain

Dangerous Cargo (CDC) and any ship that may have CDC as cargo that lands at their dock.

- c. Port Security Grant Program – no new information.
- d. New Federal Aviation Administration rules on Unmanned Aerial Vehicles.
- e. New CBP radiation portals are appearing at the borders. These arc shaped portals detect radiation and X-ray the cargo container.

7. Legal Report/Delinquent Assessment Collections Attorney Report

Mr. Ringold provided the delinquent assessment collection report. He advised that he has been in contact with Perdue Brandon Fielder Collins & Mott LLP (“PBFCM”) regarding the status of collection efforts relative to Port Packaging. The Sheriff’s Office previously reported there were no assets of said company to seize to satisfy their delinquent assessments. Mr. Ringold noted that Port Packaging’s website implies they do have assets; therefore, PBFCM will ask the HCSO to look into the matter again.

8. Status Report – Greater Houston Port Bureau

A. Financial and Administrative 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.

Mr. Cusick presented the following three invoices for approval:

- 1. Greater Houston Port Bureau – \$14,038.03 for April Administrative Services
- 2. Harris County – \$48,404.77 for February and March Operation & Maintenance reimbursement
- 3. Texas A&M Forest Service - \$26,000.00 for O-305 AHIMT Course

Upon review of the invoices presented, Director Blanchard moved that said invoices be approved for payment. Director Burke seconded the motion, which passed unanimously.

B. Assessment Update

Mr. Cusick advised the Board there was nothing to add to the reports previously distributed. A copy of the Assessment Analysis Report is included as Exhibit B.

C. Program Management/Education Update

Mr. Cusick advised the Board that GHPB has coordinated a USCG Certified MTSA FSO training course to be open to facility owners and employees, which is scheduled for May 21 through May 23. He noted that this course is already oversubscribed, so the GHPB will schedule another USCG Certified class in August.

D. Management and Outreach Report

CAPT Diehl advised the Board he continues to be in communication with representatives of the University of Houston Borders-Trade-Immigration Institute (BTI). He indicated he has reviewed a recent report from said group, and there is nothing in the report that applies to the District.

9. Status Report – City of Baytown

No one was present from the City of Baytown.

10. Status Report – City of Houston

Mr. Richard Retz noted that a written report had been provided to the Board members and advised the Board there was nothing additional of significance to report.

11. Status Report – Harris County

Mr. Patrick Gonzalez reported that the City of Houston and Harris County completed their video sharing link during April. He further advised that CTS is continuing its discussions with TxDOT to identify the proper placement of cameras on the Fred Hartman Bridge.

Mr. Greg Karr reported that a fiber optic pathway is in the process of being installed to SARFN 6 site.

Deputy Jay D'Abbraccio advised that the Harris County Sheriff's Office report is in the Board Book. A copy of the report is attached as Exhibit C.

12. Status Report – Texas Game Wardens – TPWD

No one was present from the Texas Parks and Wildlife Department.

13. Status Report – U.S. Coast Guard

Mr. Messmer advised the Board his report was included earlier in the meeting.

14. Recess to Executive Session to deliberate regarding any of the following:

- a. **Matters relating to security devices and personnel or security audits pursuant to §551.076 Texas Government Code;**
- b. **Emergency response providers, risk of 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**
- c. **To consult with the District's attorney pursuant to matters authorized by §551.071, Texas Government Code**

Vice Chair Woodring recessed the meeting at 2:38 PM for Executive Session; Secretary Adamec read the required notice indicating the sections of the Government Code under which closed session would be held.

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

Vice Chair Woodring reconvened the meeting at 2:46. Director Burke then made a motion to retain litigation counsel to advise the Board on threatened litigation, as discussed in Executive session. Director Adamec seconded the motion, which passed unanimously.

16. Consider Items for Future Meeting Agendas

No items were suggested other than customary and ongoing matters.

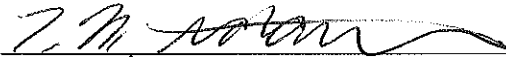
17. Adjourn

The meeting adjourned at 2:48 P.M., upon a motion by Director Blanchard, seconded by Director Boehme, which passed unanimously.

Next Meeting – June 13, 2017

The next regular meeting of the Board is scheduled for June 13, 2017 at 2:00 P.M. 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 May 9, 2017, regular meeting of the Board of Directors of the Houston Ship Channel Security District.

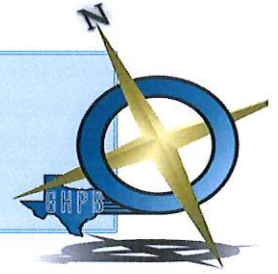


Todd Adamec, Secretary

LIST OF ATTACHMENTS

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

GREATER HOUSTON PORT BUREAU, INC.



HSCSD Administrative Report May 9, 2017

Financial and Investment Reports

- **Bank Statements as of April 30, 2017**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$60,297.73
 - Deposits were \$3,375.00
 - Transfers from Money Market were \$100,000.00
 - Cleared Checks were \$64,359.20
 - Checks Outstanding were \$14,167.00
 - Money Market Account Reconciliation shows:
 - The invested balance was \$10,622,744.81
 - Deposits were \$12,181.00
 - Transfers to Checking were \$100,000.00
 - Deposits In Transit were \$0.00
 - Interest earned was \$408.86
- **Disbursements for April 2017**
 - Disbursements totaled \$77,134.26
- **Invoices Requiring Board Approval**
 - Greater Houston Port Bureau – \$14,038.03 April Administrative Services
 - Harris County – \$48,404.77 February & March O&M
 - Texas A&M Forest Service - \$26,000 O-305 AHIMT Course

2016 Assessment Update as of April 30, 2017

- 2016 Assessment – 190 companies were assessed \$2,135,100.00/ 186 companies have paid \$2,114,312.72, as of April 30, 2017. Outstanding receivables, including penalties and interest, are \$23,085.84 owed by 4 companies.

Delinquent Assessments Update as of April 30, 2017

- 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 \$54,232.50
- 2015 Assessment
 - 3 companies have assessment receivables totaling \$14,807.00 with accrued and unpaid penalty & interest totaling \$1,667.78
 - 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



Exhibit B

Houston Ship Channel Security District

Delinquent Assessment Analysis as of April 30, 2017

2016 Assessment Analysis

2016 Assessment Roll 190 Companies (after appeals)			\$2,135,100.00
Receipts to Date	Assessments – 186 Companies	2,114,312.72	
	Penalty & Interest	6,736.28	
Total Related Receipts			\$2,121,049.00
Receivables	Current – 1 Company (Installments)	2,761.28	
	Delinquent Assessment – 3 Companies	\$18,026.00	
	Accrued Penalty & Interest – 4	2,298.56	
Total 2016 Receivables			\$23,085.84

2015 Assessment Analysis

Receivables	Delinquent – 3 Companies	\$14,807.00	
	Accrued Penalty & Interest – 3	1,667.78	
Total 2015 Receivables			\$16,474.78

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.

2014 Assessment Analysis

Receivables	Delinquent – 2 Companies	15,750.00	
	Accrued Penalty & Interest – 2	6,142.50	
Total 2014 Receivables			\$21,892.50

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.

2013 Assessment Analysis

Receivables	Delinquent – 2 Companies	21,000.00	
	Accrued Penalty & Interest – 2	11,340.00	
Total 2013 Receivables			\$32,340.00

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

Total Accounts with collection attorney – 4 companies owing \$70,706.78

Exhibit C

Harris County Sheriff's Office HSCSD Monthly Report: April 2017 Public Release

Waterside (April 2017)

Hours Deployed 132.8

HSCSD Expenses (April 2017)

Fuel \$4,512.15

Maintenance \$0.00

\$4,512.15

Landside (April 2017)

Patrols: 600

HSCSD Expenses (April 2017)

Fuel \$2,285.57

Maintenance \$1,217.49

\$3,503.06

Air Side (April 2017)

Patrol Hours 29.80

HSCSD Expenses (February 2017)

Fuel: \$450.97

Maintenance \$0.00

Equipment \$0.00

\$450.97

HCSO Industry Deputy

Coordination Meetings 10

OEM/Drills/Events
and Inspections 15

CIKR Visits 65

90

HCSO District Deputy

Coordination Meetings 6

OEM/Drills/Events
and Inspections 20

CIKR Visits 58

84

SMAG (February 2017)

Hours Worked 531 Hrs. Personnel \$7,500.00

HSCSD Expenses (February 2017)

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