

MINUTES

Board of Directors of the Houston Ship Channel Security District July 11, 2017

A regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on July 11, 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 Adamec and Bennett, thus establishing a quorum. Also, present were Daniel Ringold and Diana Miller of Schwartz, Page & Harding, LLP (“SPH”), legal counsel for the District, Mr. Brian Tolden of McCall Gibson Swedlund and Barfoot, PLLC (“McCall”), and CAPT 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 2:00 P.M.

2. Appearances

There were no appearances.

3. Approval of Minutes of June 13, 2017, Board of Directors Meeting

Chair Scheibe noted that the draft minutes of the June 13, 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 thereto. There being none, Director Boehme moved to approve said minutes, as presented. Director Burke seconded the motion, which passed unanimously.

4. Presentation of the 2016 Annual Audit by McCall Gibson Swedlund Barfoot PLLC

Mr. Tolden reviewed with the Board a draft of the District’s 2016 Annual Audit report. He noted that while McCall had tested transactions, analyzed controls, and interfaced with the District’s Administrators to collect information, the Board is ultimately responsible for the contents of the Audit. He noted that McCall is issuing an unmodified opinion relating to the report, which is the

highest opinion possible. Upon completion of his remarks, Director Blanchard moved to accept the report, subject to any comments provided by Board members or District consultants, which motion was seconded by Director Boehme, and approved by a unanimous vote of the Board.

5. Review and Possible Action on Revised 2017 Annual Operating Budget

Treasurer Blanchard advised the Board that a revised 2017 operating budget was being presented to reflect the additional \$142,052.40 in funding approved at the June Board Meeting for the Harris County Sheriff's Office Supplemental 2016 Port Security Grant Program matching funds. Director Blanchard moved the approval of the revised 2017 Annual Budget. Director Boehme seconded the motion, which passed unanimously.

6. Quarterly Investment Officer's Report

Investment Officer Blanchard advised the Board that the Investment Reports were contained in the Board materials provided in advance of the meeting, and that he and Mr. Cusick had completed the required bi-annual training in May. Director Boehme moved to accept the Investment Report and authorize the Investment Officer to execute same. Director Campbell seconded the motion, which passed unanimously.

7. Quarterly Treasurer's Report

Treasurer Blanchard advised the Board the current financial statements were provided as part of the Board materials for today's meeting. He reminded all in attendance of the July 24, 2017 deadline for receipt of requests for 2018 Operations and Maintenance (O&M) funding assistance. Director Boehme moved to accept the Treasurer's report. Director Nelson seconded the motion, which passed unanimously.

8. Adoption of Resolution Authorizing an Additional Penalty on Delinquent Assessments

Mr. Ringold explained to the Board that statutory provisions of the Texas Water Code and Tax Code allow the District to impose an additional penalty on delinquent 2016 assessments beginning on July 1, 2017. The additional penalty assessed offsets the cost of collecting the unpaid assessments. Following discussion, Director Blanchard motioned that the Board adopt the Resolution imposing an additional penalty on delinquent assessments. Director Woodring seconded the motion, which passed unanimously.

9. Approval of Fourth Addendum to Agreement with Harris County Relative to Funding of Supplemental 2016 Port Security Grant Program Projects.

Mr. Ringold advised the Board that this addendum formalizes the agreement with the County to fund the local matching share for the Supplemental 2016 Port Security Grant Projects. Director Burke moved approval of the Addendum. Director Boehme seconded the motion, which passed unanimously.

10. Legal Report – Schwartz, Page & Harding, LLP

Mr. Ringold advised the Board he had nothing additional to report.

11. 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 – \$17,500.43 for June Administrative Services
2. Harris County – \$98,171.13 for April and May Operation & Maintenance reimbursement
3. Harris County – \$16,441.25 for 2016 PSGP match for CTS refresh

Upon review of the invoices presented, Director Blanchard moved that said invoices be approved for payment. Director Bass 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

CAPT Diehl advised the Board CAPT Mike Cunningham (USCG Retired) was hired full time by the Greater Houston Port Bureau, and would be filling the Program Manager position on a part-time basis for the District.

D. Management and Outreach Report

CAPT Diehl advised the Board following the Port Commission meeting, CAPT Oditt toured the GHPB and the HSCSD Offices.

12. Status Report – City of Baytown

No one was present from the City of Baytown.

13. Status Report – City of Houston

Mr. Dennis Storemski advised that monthly activity reports had been provided, and there was nothing additional to report.

14. Status Report – Harris County

Mr. Patrick Gonzalez advised the Board that monthly activity reports had been provided, and he had noting additional to report.

Greg Karr from Harris County Engineering advised the SARFN 6 fiber construction project was on schedule. He advised that some delays have been experienced obtaining TWIC Cards for the vendor contractors.

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**.

Mr. Ringold advised the Board he had a conversation with Deputy D’Abbraccio, in which he was informed that the Sheriff’s Office was able to complete the training identified under the 2016 Port Security grant for a significant discount from what was originally anticipated, allowing HCSO to

receive additional training that is of a benefit to the District and stay within the approved funding amounts. Mr. Ringold advised that the additional training is within the scope of the 2016 Plan of Assessment, such that no additional hearings would be necessary relative to approval of same. The Board members indicated their concurrence with the HCSO undertaking the additional training programs.

15. Status Report – Texas Game Wardens – TPWD

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

16. Status Report – U.S. Coast Guard

No one was present from the Coast Guard.

16. 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 To consult with the District’s attorney pursuant to matters authorized by §551.071, Texas Government Code**

No Executive Session was held.

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

No Executive Session was held

18. Consider Items for Future Meeting Agendas

No items were suggested other than customary and ongoing matters.

19. Adjourn

The meeting adjourned at 2:38 P.M., upon a motion by Director Boehme, seconded by Director Blanchard, which passed unanimously.

Next Meeting – September 12, 2017

The next regular meeting of the Board is scheduled for September 12, 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 July 11, 2017, regular meeting of the Board of Directors of the Houston Ship Channel Security District.



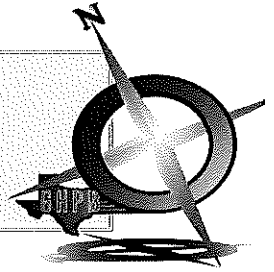
Eric Bass, Assistant Secretary

LIST OF EXHIBITS

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

Exhibit A

GREATER HOUSTON PORT BUREAU, INC.



HSCSD Administrative Report July 11, 2017

Financial and Investment Reports

- **Bank Statements as of June 30, 2017**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$47,604.31
 - Deposits were \$0.00
 - Transfers from Money Market were \$400,000.00
 - Cleared Checks were \$399,759.95
 - Checks Outstanding were \$3,445.66
 - Money Market Account Reconciliation shows:
 - The invested balance was \$10,124,707.06
 - Deposits were 1,062.00
 - Transfers to Checking were \$400,000.00
 - Deposits in Transit were \$1,198.08
 - Interest earned was \$423.19
- **Disbursements for June 2017**
 - Disbursements totaled \$399,254.81
- **Invoices Requiring Board Approval**
 - Greater Houston Port Bureau – \$17,500.43 for June Administrative Services
 - Harris County – \$98,171.13 for April & May O&M
 - Harris County – \$16,441.25 2016 PSGP match for CTS Refresh

Education Report

- CFATS Compliance Workshop July 13, 2017.

2016 Assessment Update as of June 30, 2017

- 2016 Assessment – 190 companies were assessed \$2,135,100.00/ 187 companies have paid \$2,116,472, as of June 30, 2017. Outstanding receivables, including penalties and interest, are \$21,871.43 owed by 3 companies.

Delinquent Assessments Update as of May 31, 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 \$55,335.00
- 2015 Assessment
 - 3 companies have assessment receivables totaling \$14,807.00 with accrued and unpaid penalty & interest totaling \$1,734.78
 - 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



Exh. B + B

Houston Ship Channel Security District

Delinquent Assessment Analysis

as of
June 30, 2017

2016 Assessment Analysis

2016 Assessment Roll 190 Companies (after appeals)			\$2,135,100.00
Receipts to Date	Assessments – 187 Companies	2,116,472.40	
	Penalty & Interest	6,836.68	
Total Related Receipts			\$2,123,309.08
Receivables	Current – 1 Company (Installments)	727.60	
	Delinquent Assessment – 2 Companies	\$17,900.00	
	Accrued Penalty & Interest – 3	3,243.83	
Total 2016 Receivables			\$21,871.43

2015 Assessment Analysis

Receivables	Delinquent – 3 Companies	\$14,807.00	
	Accrued Penalty & Interest – 3	1,734.78	
Total 2015 Receivables			\$16,541.78

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	6,615.00	
Total 2014 Receivables			\$22,365.00

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.

2013 Assessment Analysis

Receivables	Delinquent – 2 Companies	21,000.00	
	Accrued Penalty & Interest – 2	11,970.00	
Total 2013 Receivables			\$32,970.00

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 \$71,876.78

Exhibit C

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

Waterside (June 2017)

Hours Deployed 124.5

HSCSD Expenses (March 2017)

Fuel \$4,178.20

Maintenance \$0.00

\$4,178.20

Landside (June 2017)

Patrols: 544

HSCSD Expenses (March 2017)

Fuel \$2,929.23

Maintenance \$2,199.74

\$5,128.97

Air Side (June 2017)

Patrol Hours 51.70

HSCSD Expenses (March 2017)

Fuel: \$242.46

Maintenance \$0.00

Equipment \$0.00

\$242.46

HCSO Industry Deputy

Coordination Meetings 10

OEM/Drills/Events
and Inspections 21

CIKR Visits 64

95

HCSO District Deputy

Coordination Meetings 4

OEM/Drills/Events
and Inspections 18

CIKR Visits 57

79

SMAG (June 2017)

Hours Worked 647 Hrs. Personnel \$7,500.00

HSCSD Expenses (March 2017)

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