

MINUTES

Board of Directors of the Houston Ship Channel Security District October 17, 2017

A regular meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on October 17, 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:

Niels Aalund
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, Bass, Campbell (who entered later in the meeting, as reflected in these minutes), Nelson (who entered later in the meeting, as reflected in these minutes), and Scheibe thus establishing a quorum. Also, present were Daniel Ringold of Schwartz, Page & Harding, LLP (“SPH”), legal counsel for the District, and CAPT Mike Cunningham 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 2:00 P.M.

In the absence the Secretary and Assistant Secretary Bass, Vice Chair Woodring called for the appointment of a Secretary Pro-Tem. Director Aalund moved that Director Boehme be appointed Secretary Pro-Tem, which motion was seconded by Director Burke and passed unanimously.

2. Appearances

There were no appearances.

3. Approval of Minutes of September 12, 2017, Board of Directors Meeting

Vice Chair Woodring noted that the draft minutes of the September 12, 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 Blanchard moved to approve said minutes, as presented. Director Bennett seconded the motion, which passed unanimously.

4. Chair's comments on industry regulations and related matters.

Vice Chair Woodring briefed the Board on the status of the District's efforts to contract with the Texas Department of Public Safety ("DPS") for the funding of two maritime industry analyst positions, advising that the Con-Ops was revised to reflect positioning one analyst each in Austin and in Houston. He further advised that the revised Con-Ops and proposed agreement are currently under review by DPS's legal department.

5. Recess Regular Meeting to Conduct Public Hearing on 2017 Plan of Assessment

Vice Chair Woodring recessed the regular meeting of the Houston Ship Channel Security District at 2:04 PM and opened a Public Hearing on the proposed 2017 Plan of Assessment. Mr. Cusick confirmed that the Notice of the Public Hearing and a copy of the proposed 2017 Assessment Plan was mailed to the owner of each facility subject to assessment at least thirty (30) days prior to today's public hearing. Mr. Ringold reviewed with the Board and the members of the public in attendance the procedures for development of the plan, the public hearing on said plan, the making and ruling on any objections thereto, and the assessment appeals process. Vice Chair Woodring then called for any public comments or objections to the plan. There being none presented, Vice Chair Woodring closed the public hearing at 2:07 PM.

6. Reconvene and call to order of Regular Meeting

Vice Chair Woodring called the Regular meeting of the Houston Ship Channel Security District back to order at 2:07 PM.

7. Consider and Rule on any Objections to 2017 Plan of Assessment

No objections to the 2017 Plan of Assessment were presented.

8. Adoption of Resolution Adopting 2017 Plan of Assessment

Mr. Ringold reviewed the Resolution Adopting the 2017 Plan of Assessment with the Board. Following discussion regarding same, Director Burke moved that the 2017 Plan of Assessment be adopted and that the Chair or Vice Chair and Secretary or Assistant Secretary be authorized to execute same on behalf of the Board and the District. Director Blanchard seconded the motion. Director Burke asked the minutes to reflect that assessments have been reduced by 72% over the last 5 years, reflecting good stewardship on the part of the Board and the District. The motion passed unanimously. Vice Chair Woodring noted the 30-day period for filing of appeals starts today, and that any appeals that are not presented in that time period are waived.

At 2: 12 PM, Directors Campbell and Nelson arrived for the meeting.

9. Authorize the Greater Houston Port Bureau to Prepare the 2017 Assessment Roll and Mail Assessment Invoices.

Director Blanchard moved to authorize the Greater Houston Port Bureau to prepare the Assessment Roll and to mail the Assessment Invoices. Director Boehm seconded the motion, which passed unanimously.

10. Appointment of Appeals Committee

Vice Chair Woodring appointed Directors Aalund, Bennett, Blanchard and Campbell to the Assessment Appeals Committee. The Directors accepted their appointments. Vice Chair Woodring noted Mr. Ringold and Mr. Cusick would participate with the committee.

11. Quarterly Investment Officer's Report

Treasurer Blanchard advised the Board there was nothing to add to the reports previously submitted.

12. Quarterly Financial Officer's Report

Treasurer Blanchard advised the Board there was nothing to add to the reports previously submitted.

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

Vice Chair Woodring advised he is Vice Chair of NMSAC and had attended the September meeting. He stated that a draft Navigation and Vessel Inspection Circular on cyber security has been released by the US Coast Guard and recommended all in the maritime industry review same. He further advised that the United States Department of Homeland Security has released proposed regulations for cruise ships, seafarers access, and facility security officers, but such regulations have not yet been published. He noted that release of the Transportation Workers Identification Credential Reader Rule has been delayed until August 2021.

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

Mr. Ringold advised the Board he had nothing additional of a legal nature to report.

15. 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. Copies of the bookkeeping reports are attached hereto as Exhibit "A".

Mr. Cusick presented the following two invoices for approval:

1. Greater Houston Port Bureau – \$ 17,282.86 for September Administrative Services
2. Harris County – \$46,502.94 for September O&M Invoice, 2015& 2016 PSGP match reimbursement, and Fire Marshal training.

Upon review of the invoices presented, Director Blanchard moved that said invoices be approved for payment. Director Nelson 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 Cunningham advised the Board on his familiarization activities with the District partners, and his plans on a going forward basis.

D. Management and Outreach Report

Mr. Cusick reminded the Board next month's meeting will be the annual meeting and all logistics for the meeting have been confirmed. He reminded the Board that nominations for directors for the 2018-2019 term close November 10, 2017. He noted that training and education courses for 2018 have been confirmed, but the location of the classes has yet to be determined.

16. Status Report – City of Baytown

No one was present from the City of Baytown.

17. Status Report – City of Houston

No one was present from the City of Houston.

18. Status Report – Harris County

Mr. Patrick Gonzalez advised the Board that monthly activity reports had been provided, and current activities were focused on Maintenance

Greg Karr from Harris County Engineering was not present.

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". He advised the Board the Sheriff's Office had received FEMA approval for grant applications the Board had not approved. He advised they were preparing requests for matching funds to be brought to the Board.

19. Status Report – Texas Game Wardens – TPWD

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

20. Status Report – U.S. Coast Guard

Gary Messmer reported that the Homeport 2.0 website has been rolled-out, but is presently not working well and advised everyone to wait until further notice before utilizing same. He stated the public side of Homeport is currently functional, and this is where most users will find the information they are seeking.

Mr. Messmer advised that he is trying to arrange for a Grant Writing Workshop to be held locally.

21. 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.

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

No Executive Session was held.

23. Consider Items for Future Meeting Agendas

No items were suggested other than customary and ongoing matters.

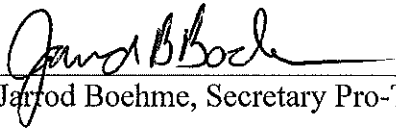
24. Adjourn

The meeting adjourned at 2:44 P.M., upon a motion by Director Blanchard, seconded by Director Boehme, which passed unanimously.

Annual Meeting and Luncheon will be November 14, 2017

The annual meeting of the Board is scheduled for November 14, 2017 at 12:00 P.M. at Pasadena Convention Center, 7902 W Fairmont Parkway, Pasadena, TX 77507

The above is a correct copy of the Minutes of the October 17, 2017, regular meeting of the Board of Directors of the Houston Ship Channel Security District.



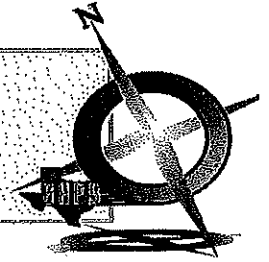
Jarrod Boehme, Secretary Pro-Tem

LIST OF EXHIBITS

- A. Assessment and Budget Committee Report
- B. Administrative and Financial Report for July
- C. Harris County Sheriff's Office Report

Exhibit A

GREATER HOUSTON PORT BUREAU, INC.



HSCSD Administrative Report October 17, 2017

Financial and Investment Reports

- **Bank Statements as of September 30, 2017**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$44,901.41
 - Deposits were \$0.00
 - Transfers from Money Market were \$200,000.00
 - Cleared Checks were \$197,025.69
 - Checks Outstanding were \$0.00
 - Money Market Account Reconciliation shows:
 - The invested balance was \$9,780,466.12
 - Deposits were \$0.00
 - Transfers to Checking were \$200,000.00
 - Deposits in Transit were \$0.00
 - Interest earned was \$391.54
- **Disbursements for September 2017**
 - Disbursements totaled \$197,025.69
- **Checks Requiring Board Approval**
 - Greater Houston Port Bureau – \$17,282.86 for September Administrative Services
 - Harris County – \$46,502.94 for September O&M invoice, 2015 & 2016 PSGP match reimbursements, and Fire Marshal training

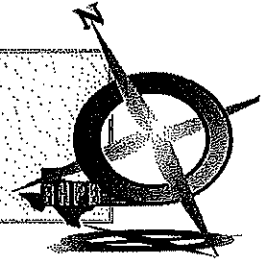
Education Report

- CFATS Compliance Workshop was held on Sept. 28, 2017
- MTSA FSO USCG Certified Training Course will be Oct 31-Nov 2, 2017.

Delinquent Assessments Update as of September 30, 2017

- 2016 Assessment – 190 companies were assessed \$2,135,100.00. 189 companies have paid \$2,119,000.00, as of August 31, 2017. Outstanding receivables, including penalties and interest, are \$19,320.00 owed by 1 company. The company was referred for collection on July 1, 2017.
- 2015 Assessment
 - 3 companies have assessment receivables totaling \$14,807.00 with accrued and unpaid penalty & interest totaling \$1,779.78
 - 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

GREATER HOUSTON PORT BUREAU, INC.



- 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 \$56,070.00



Exhibit 'B'

Houston Ship Channel Security District

Delinquent Assessment Analysis

as of

September 30, 2017

2016 Assessment Analysis

2016 Assessment Roll 190 Companies (after appeals)			\$2,135,100.00
Receipts to Date	Assessments – 189 Companies	2,119,000.00	
	Penalty & Interest	7,227.69	
Total Related Receipts			\$2,126,227.69
Receivables	Current –	0.00	
	Delinquent Assessment – 1 Company	\$16,100.00	
	Accrued Penalty & Interest	3,220.00	
Total 2016 Receivables			\$19,320.00

The company was turned over to the collection attorney on July 1, 2017.

2015 Assessment Analysis

Receivables	Delinquent – 3 Companies	\$14,807.00	
	Accrued Penalty & Interest	1,779.78	
Total 2015 Receivables			\$16,586.78

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	6,930.00	
Total 2014 Receivables			\$22,680.00

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	12,390.00	
Total 2013 Receivables			\$33,390.00

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 \$91,976.78

Exhibit C

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

Waterside (September 2017)

Hours Deployed 104

HSCSD Expenses (June 2017)

Fuel \$4,942.43

Maintenance \$0.00

\$4,942.43

Landside (September 2017)

Patrols: 318

HSCSD Expenses (June 2017)

Fuel \$2,193.73

Maintenance \$4,585.03

\$6,778.76

Air Side (September 2017)

Patrol Hours 55.40

HSCSD Expenses (June 2017)

Fuel: \$509.44

Maintenance \$0.00

Equipment \$0.00

\$509.44

HCSO Industry Deputy

Coordination Meetings 5

OEM/Drills/Events
and Inspections 21

CIKR Visits 35

HCSO District Deputy

Coordination Meetings 8

OEM/Drills/Events
and Inspections 102.5

CIKR Visits 38

148.5

SMAG (September 2017)

Hours Worked 634 Hrs. Personnel \$7,500.00

HSCSD Expenses (September 2017)

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