

MINUTES

Board of Directors of the Houston Ship Channel Security District September 12, 2017

A regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on September 12, 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 Director Bennett, thus establishing a quorum. Also, present were Daniel Ringold and Diana Miller of Schwartz, Page & Harding, LLP ("SPH"), legal counsel for the District, and CAPT Bill Diehl, CAPT Mike Cunningham 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

Harris County Sheriff's Office Lieutenant Harrison thanked CIMA for their response to the request for use of the central command vehicle and equipment during Hurricane Harvey.

3. Acceptance of Qualification Statement, Bond, Oath of Office and Election Not to Disclose Certain Information and Swearing In of Director Niels Aalund (Harris County)

Mr. Ringold advised the Board that Mr. Aalund had signed all the required documents and only needed to be sworn in. Secretary Adamec administered the oath of office.

4. Discuss training requirements for Directors pursuant to the Texas Open Meetings Act and the Texas Public Information Act

Mr. Ringold advised the Board he had advised Mr. Aalund that he had 90-days to complete the required training and submit completion certificates to the District.

5. Discuss conflicts disclosure statement reporting requirements memorandum for Directors

Mr. Ringold advised the Board that Mr. Aalund was provided the conflicts disclosure documents to be reviewed, signed and returned to the District.

6. Approval of Minutes of July 11, 2017, Board of Directors Meeting

Secretary Adamec noted that the draft minutes of the July 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 thereto. There being none, Director Boehme moved to approve said minutes, as presented. Director Blanchard seconded the motion, which passed unanimously.

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

Chair Scheibe advised he had sought counsel from the District's attorneys regarding the carrying of knives on private property outside the restricted area of the facility. He also noted the laws affecting the use of drones were recently changed and suggested they be reviewed by each facility.

8. Discussion regarding funding and criteria for maritime security analyst position(s) with the Texas Department of Public Safety State Fusion Center

Chair Scheibe briefly described the discussions taking place to fund two maritime security analysts and the desire to have one located in Houston while the other would be in Austin at the fusion center. Because the analysts would be the only ones tracking maritime security and basically working on their own, he was suggesting the positions be upgraded to Criminal Intelligence Analyst II. Director Burke moved the Chair/Vice-Chair and the District's attorney be authorized to negotiate a MOU for 3-years with the Texas Department of Public Safety. Director Blanchard seconded the motion, which passed unanimously.

9. Report from the 2017 Assessment & Budget Committee

Treasurer Blanchard reported on the activities of the Assessment and Budget Committee. A copy of the report is attached as Exhibit "A".

10. Discussion and Possible Adoption on Order Calling Hearing on 2017 Assessment Plan, Including Proposed Plan of Assessment, and Authorize Provision of Notice to Facility Owners of October 17, 2017 Hearing Date

Mr. Ringold presented the Order Calling Hearing on 2017 Assessment Plan to the Board, noting that the projects for which the proposed 2017 Assessment Plan allocated funds are those that the Board has previously indicated its intention to support. He further noted that the proposed Assessment Plan includes a detailed matrix that breaks down the methodology by which assessments will be calculated. He explained that upon approval of the Order Calling Hearing on the 2017 Assessment Plan, the Board would direct the Greater Houston Port Bureau to send out notices of the public hearing on the proposed Assessment Plan along with the proposed Assessment Plan. Director Boehme moved to approve the Order Calling Hearing on the 2017 Assessment Plan, a copy of which is attached hereto as Exhibit "B" and authorize the Port Bureau to send out the notices. The motion was seconded by Director Nelson and approved unanimously.

11. Discussion and Possible Action on Request from Harris County Central Technology Services for \$139,676.40 in Funds for Solid State Thermoelectric Air Conditioners

Patrick Gonzales, Harris County CTS, advised the Board of the deterioration of 27 thermal coolers at 14 sites. He requested the unused funds from 2016 be carried over to 2017 to pay for the thermal cooling units. Director Campbell asked for an explanation of the term "sidecar," the preventive maintenance plans for the new coolers, and how many more were bad, requiring replacement. Chair Scheibe explained there was no such thing as carry-over funds, and if approved would require a special public hearing. Mr. Ringold suggested, if the Board were to approve the request for the funds, the \$139,676.40 could be added to the 2017 Plan of Assessment and funded from surplus funds without increasing the assessment rate. Director Blanchard moved the funding of the project and that the requested funds be added to Security Services (O&M) in the 2017 Plan of Assessment and that an equal amount be added to the Use of Surplus Funds. Director Boehme seconded the motion which passed unanimously.

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

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

13. Annual review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer, and adoption of Resolution in connection therewith;

Mr. Ringold reviewed each of the changes made to the Public Funds Investment Act during the last session of the Texas Legislature, explaining why each should be incorporated into the District's Investment Policy. Director Woodring moved the acceptance of the changes and the resolution to adopt the new investment policy. Director Nelson seconded the motion, which passed unanimously.

14. Status Report – Greater Houston Port Bureau

A. Financial and Administrative Reports

Mr. Cusick advised the Board there was nothing to add to the July and August reports previously distributed. Copies of the bookkeeping reports are attached hereto as Exhibit "C" and "D".

Mr. Cusick presented the following three invoices for approval:

1. Greater Houston Port Bureau – \$ 15,093.45 for August Administrative Services
2. City of Houston – 4 invoices totaling \$17,408.40 for July & August O&M; and 1 invoice of \$13,035.55 for 2015 PSGB reimbursement for a total of \$30,443.95
3. Harris County – \$83,547.18 for 2015 & 2016 PSGP reimbursement

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 "E".

C. Program Management

CAPT Cunningham advised the Board on his familiarization activities with the District partners, and his plans forward.

D. Management and Outreach Report

CAPT Diehl advised the Board of the activities of the Port Bureau to keep the all District facilities informed of the effects of Hurricane Harvey, by sending the Port Coordination Team (PCT) summaries to the facilities.

15. Status Report – City of Baytown

No one was present from the City of Baytown.

16. Status Report – City of Houston

No one was present from the City of Houston

17. Status Report – Harris County

Mr. Patrick Gonzalez advised the Board that monthly activity reports had been provided, and he had nothing additional to report.

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 "F".

18. Status Report – Texas Game Wardens – TPWD

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

19. Status Report – U.S. Coast Guard

Gary Messmer reported on the Port Security Grant Program funding for the area. He said the area received 44 requests for approximately \$20 million in grants. The area received \$8.9 million in grant approvals.

20. 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.

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

No Executive Session was held

22. Consider Items for Future Meeting Agendas

No items were suggested other than customary and ongoing matters.


23. Adjourn

The meeting adjourned at 3:38 P.M., upon a motion by Director Adamec, seconded by Director Blanchard, which passed unanimously.

Next Meeting & Public Hearing on the 2017 Plan of Assessment– October 17, 2017

The next regular meeting of the Board is scheduled for October 17, 2017 at 2:00 P.M. at the Shell Deer Park Learning Center, Suite 280, Mustang Building, 4400 Highway 225, Deer Park, Texas

The above is a correct copy of the Minutes of the September 12, 2017, regular meeting of the Board of Directors of the Houston Ship Channel Security District.



Todd Adamec, Secretary

LIST OF EXHIBITS

- A. Assessment and Budget Committee Report
- B. Order Calling Hearing on 2017 Plan of Assessment
- C. Administrative and Financial Report for July
- D. Administrative and Financial Report for August
- E. Assessment Update
- F. Harris County Sheriff's Office Report



Exhibit A

Houston Ship Channel Security District

Assessment and Budget Committee Report

Background

The 2017 Assessment and Budget Committee met on July 25, August 10, and August 22, 2017.

The committee members were Directors Brian Blanchard, Duane Campbell, Eric Bass and Jarrod Boehme. Also attending the meetings were Daniel Ringold, Diana Miller and Al Cusick.

The committee reviewed each of the funding requests for operating and maintenance (O&M) received from the City of Houston, Harris County Central Technology Services (CTS), Harris County Public Infrastructure Department, Harris County Sheriff's Office, and Texas Parks and Wildlife Department. The committee also reviewed the remaining committed amounts on the 2015 and 2016 Port Security Grant Program projects to determine expected payments on those existing grants to be made in calendar year 2018.

A draft assessment budget was prepared that takes into account the above maintenance and operation funding assistance items, matching share funding requirements for FY 2017 Port Security Grant Program projects approved by the Board, direct funding requirements approved by the Board (Baytown project and Fusion Center Security Analysts), and anticipated District administrative and operating expenses. Based upon the assessment budget, the committee developed a proposed Plan of Assessment, taking into consideration use of surplus funds to defray the amount of assessment revenue needed to meet expenses. The committee continued to follow the District's ongoing approach of seeking to minimize the amount of the assessments to facilities, while maintaining a sufficient operating and contingency reserve.

Recommendation

The committee recommends approval of the proposed Plan of Assessment for 2017. This plan provides for an overall assessment rate reduction of 20% from last year's assessment rates. Overall the assessment rate has been reduced 72% since 2012.

Other Actions

The committee also developed new forms for use by entities to which the District is providing funding support in connection with their periodic requests to the District for provision of funds. No Board action is necessary in connection with use of the new forms.

Exhibit B

NOTICE OF PUBLIC HEARING


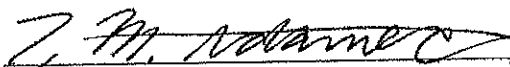
Notice is hereby given that the Board of Directors of the Houston Ship Channel Security District (the "District") has called and will hold and conduct a public hearing on Tuesday, October 17, 2017, at 2:00 p.m., at The Mustang Building, 2nd Floor, Shell Learning Center, 4400 HWY 225, Deer Park, Texas 77536, within the boundaries of the District, on the advisability of the District's proposed Security Project and Security Services and the proposed assessments to be made by the District against facilities within the District to finance the costs of same.

The general nature of the Security Project and Security Services are described in Attachment I hereto, which is hereby incorporated by reference and made a part hereof for all purposes.

The estimated costs of the Security Project and Security Services are set forth in Attachment II hereto, which is hereby incorporated by reference and made a part hereof for all purposes.

The proposed method of assessment against facilities within the District to finance the costs of the Security Project and Security Services is set forth in Attachment III hereto, which is hereby incorporated by reference and made a part hereof for all purposes.

YOU WILL THEREFORE TAKE NOTICE OF THE FOREGOING.



Secretary, Board of Directors
Houston Ship Channel Security District

ATTACHMENT I

GENERAL NATURE OF SECURITY PROJECT AND SECURITY SERVICES

Includes blanket intruder detection, incident mitigation, response and recovery, and enhanced security coverage for waterside and landside facilities along the Houston Ship Channel and the associated supply chain and support industries located within the boundaries of the Houston Ship Channel Security District.

Deliverables include: (i) increased air patrols and incident management by virtue of (a) fuel and maintenance support, (b) acquisition of navigation and mapping systems, (c) acquisition of high definition low light and thermal imaging systems, (d) acquisition of search and rescue equipment and supplies, and (e) acquisition of personal protective equipment and aircraft replacement equipment; (ii) increased waterside patrol and response capabilities through (a) fuel and maintenance support, (b) acquisition of personal protective and operational equipment to enhance incident prevention and response capabilities of waterborne units of law enforcement partners, (c) acquisition of thermal imaging, air quality detection, vessel identification, radar, and sonar systems, (d) acquisition of personal protective and communications equipment, and (e) acquisition of replacement equipment for patrol vessels; (iii) increased landside patrols and incident management by virtue of (a) fuel and maintenance support, (b) acquisition of x-ray, radiation detection, and related equipment, and (c) acquisition of chemical detection and hazardous material response equipment; (iv) recapitalization, enhancements, expansions, upgrades and repairs to existing wireless and fiber optic-wired communications system that features closed circuit video cameras and radar detection systems along waterways, roadways and bridges; (v) enhanced intelligence, threat detection and communications capabilities and interoperability among first responders and law enforcement partners through provision of dedicated maritime sector specific analyst positions within the State fusion center; (vi) associated support systems, technology, law enforcement, management and administrative services and personnel, including information sharing, alerts and notifications through a consolidated, multi-agency operational and strategic command and control emergency response structure; and (vii) training programs to promote or aid in security within the District, including, but not limited to, programs addressing incident prevention, management and response.

ATTACHMENT II

ESTIMATED COSTS

The total estimated costs of the Security Project are approximately \$5,580,443 for infrastructure, improvements, equipment and training course materials and costs. The estimated District share of such infrastructure, improvements, equipment and materials is \$1,422,768. The total estimated costs of the Security Services are approximately \$1,487,019. The estimated District share of the Security Services, including operations, maintenance, upkeep, and training, is \$1,415,019. The balance of the Security Project and Security Services costs, if any, will be funded by federal grant funds or other sources, persons or agencies. The total estimated District administration costs are \$418,264.

The Security Project and the Security Services will be deliverable in a single phase, as follows:

Income (\$1,000's):	2017-2018
Assessments	\$ 1,674.5
Use of Surplus Funds /Carry Forward	\$ 1,533.6
Interest Earnings	\$ 5.1
Contract Revenue	\$ 42.9
<i>Subtotal</i>	<i>\$ 3,256.1</i>
Expenses (\$1,000's):	
Security Project (Equipment, Infrastructure, Improvements, and Training Materials and Programs)	\$ 1,422.8
Security Services (O&M)	\$ 1,415.0
District Administration	\$ 418.3
<i>Subtotal</i>	<i>\$ 3,256.1</i>
Net (\$1,000's)	\$ 0.0

ATTACHMENT III

PROPOSED PLAN AND METHOD OF ASSESSMENT

The security and protection of human life, including employees, contractors and other personnel of the owners of facilities within the District, may require different methods, equipment, tactics and technology, implemented at different cost levels, than the security and protection of facility sites with direct or indirect water access from the Houston Ship Channel and/or subject to the Maritime Transportation Security Act ("MTSA"). Similarly, the costs of protection of personnel may increase disproportionately in areas of higher population concentration, while the costs of protecting such facility sites with water access may decrease disproportionately with the size of the land area. Equitable apportionment of the costs of the proposed Security Project and Security Services, taking into account these varying circumstances, requires a comparison of these factors to determine the benefits to each facility and, therefore, the proper resulting allocation of costs proportionate to the benefits to be realized. Accordingly, the proposed method and plan of assessment apportions costs to a facility based upon the greater of the costs incurred and benefits received through each approach, as follows:

Landside Facility Assessment Table

Employees/Contract Personnel	Assessment
<40	1,400
<100	4,300
<250	7,100
<500	12,900
<1000	18,600
<1500	27,100
<2500	42,900
<3500	57,100
>3499	71,300

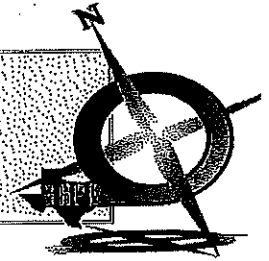
MTSA/Waterside Facility Assessment Table

		Acreage							
		<10	<25	<50	<150	<500	<1000	<5000	>5000
Headcount	<40	1,400	4,300	7,100	12,900	18,600	27,100	42,900	57,100
	<100	4,300	4,300	7,100	12,900	18,600	27,100	42,900	57,100
	<250	7,100	7,100	7,100	12,900	18,600	27,100	42,900	57,100
	<500	12,900	12,900	12,900	12,900	18,600	27,100	42,900	57,100
	<1000	18,600	18,600	18,600	18,600	18,600	27,100	42,900	57,100
	<1500	27,100	27,100	27,100	27,100	27,100	27,100	42,900	57,100
	<2500	42,900	42,900	42,900	42,900	42,900	42,900	42,900	57,100
	<3500	57,100	57,100	57,100	57,100	57,100	57,100	57,100	57,100
	>3499	71,300	71,300	71,300	71,300	71,300	71,300	71,300	71,300

- Multiple facilities within the District under one ownership or holding company may, but need not, be aggregated by number of personnel and acreage by the District for purposes of assessment and/or security and collection of such assessment.
- The number of personnel associated with each facility will be determined by the District on the basis of the best and most reliable information available to the District, including information from self-reporting by owners, and other sources or estimates.
- The acreage of facility sites within the District will be determined by the District on the basis of the best and most reliable information available to the District, including information from self-reporting by owners, public records and/or the Harris County Appraisal District.
- The **Landside Facility Assessment Table** will be applied to facilities or aggregated facilities in which no portion of any of the facility or facilities are located on a site with access to the Houston Ship Channel or its navigable tributaries and waterways and/or a "facility" as defined in §70101 of MTSA. All other facilities or aggregated facilities shall be assessed per the **MTSA/Waterside Facility Assessment Table**.

Exhibit C

GREATER HOUSTON PORT BUREAU, INC.



HSCSD Administrative Report August 8, 2017

Financial and Investment Reports

- **Bank Statements as of July 31 2017**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$42,759.46
 - Deposits were \$0.00
 - Transfers from Money Market were \$150,000.00
 - Cleared Checks were \$154,844.85
 - Checks Outstanding were \$0.00
 - Money Market Account Reconciliation shows:
 - The invested balance was \$9,977,080.47
 - Deposits were 1,947.51
 - Transfers to Checking were \$150,000.00
 - Deposits in Transit were \$0.00
 - Interest earned was \$425.90
- **Disbursements for July 2017**
 - Disbursements totaled \$151,822.34
- **Invoices Requiring Board Approval**
 - Greater Houston Port Bureau – \$16,938.55 for July Administrative Services
 - Harris County – \$17,038.30 for July Invoice

Education Report

- CFATS Compliance Workshop July 13, 2017. FSO Training Course Aug 21-23, 2017

2016 Assessment Update as of July 31, 2017

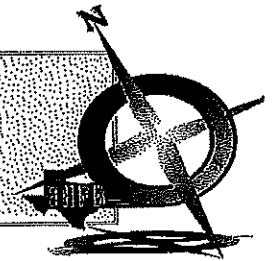
- 2016 Assessment – 190 companies were assessed \$2,135,100.00/ 188 companies have paid \$2,117,200.00, as of July 31, 2017. Outstanding receivables, including penalties and interest, are \$21,301.00 owed by 2 companies. Both companies were referred to collection on July 1, 2017.

Delinquent Assessments Update as of July 31, 2017

- 2015 Assessment
 - 3 companies have assessment receivables totaling \$14,807.00 with accrued and unpaid penalty & interest totaling \$1,757.28
 - 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
- 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 \$55,702.50

Exhibit D

GREATER HOUSTON PORT BUREAU, INC.



HSCSD Administrative Report September 12, 2017

Financial and Investment Reports

- **Bank Statements as of August 31 2017**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$41,927.10
 - Deposits were \$0.00
 - Transfers from Money Market were \$0.00
 - Cleared Checks were \$832.36
 - Checks Outstanding were \$0.00
 - Money Market Account Reconciliation shows:
 - The invested balance was \$9,980,074.58
 - Deposits were 2,570.50
 - Transfers to Checking were \$0.00
 - Deposits in Transit were \$0.00
 - Interest earned was \$423.71
- **Disbursements for August 2017**
 - Disbursements totaled \$0.00
- **Invoices Requiring Board Approval**
 - Greater Houston Port Bureau – \$ 15,093.45 for August Administrative Services
 - City of Houston – 4 invoices totaling \$17,408.40 for July & August O&M; and 1 invoice of \$13,035.55 for 2015 PSGB reimbursement for a total of \$30,443.95
 - Harris County – \$83,547.18 for 2015 & 2016 PSGP reimbursement.

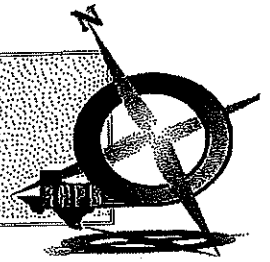
Education Report

- MTSA FSO USCG Certified Training Course held Aug. 21-22, 2017.

Delinquent Assessments Update as of August 31, 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 \$19,159.00 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 \$55,702.50



Exhibit E

Houston Ship Channel Security District

Delinquent Assessment Analysis as of August 31, 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 Companies	\$16,100.00	
	Accrued Penalty & Interest – 1	3,059.00	
Total 2016 Receivables			\$19,159.00

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 – 3	1,757.78	
Total 2015 Receivables			\$16,564.78

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	6,772.50	
Total 2014 Receivables			\$22,522.50

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	12,180.00	
Total 2013 Receivables			\$33,180.00

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 \$91,425.78