

MINUTES

Board of Directors of the Houston Ship Channel Security District October 15, 2019

A regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on October 15, 2019, open to the public, at the offices of the Greater Houston Port Bureau, 4400 Highway 225, Suite 200, 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
Eric Bass, Secretary
Brian Blanchard, Treasurer
Jimmy Burke
Carl Holley
Craig Nelson
Raymond Russell
Clayton Pace, Assistant Secretary
Gary Scheibe, Chair
Marcus Woodring, Vice Chair

and all said persons were present, except Directors Aalund, Blanchard and Holley, thus establishing a quorum. Also, present were Daniel Ringold and Diana Miller 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 2:00 PM.

2. Public Comments/Appearances

There were no appearances.

3. Approval of Minutes of September 10, 2019 Board of Directors Meeting

Chair Scheibe noted that the draft minutes of the September 10, 2019, Board of Directors meeting were distributed to the Board members in advance of today's meeting. Directors were asked if there were any comments or suggested revisions to the minutes. There being none, Director Woodring moved to approve the minutes, as presented. Director Nelson seconded the motion, which passed unanimously without further discussion.

4. Chair's Comments on Industry Regulations and Related Matters

Chair Scheibe noted the RAND study on the new TWIC reader rule has been completed, but is still publicly unavailable. He noted that the complete study must be approved by Congress following a 60-day review and comment period before public release and implementation. He noted the protest incident on the Fred Hartman Bridge resulted in the ship channel being closed for over 14-hours. Chair Scheibe commented on how newly passed state legislation, which

prohibits interfering with the operation of or causing damage to critical infrastructure facilities and provides criminal penalties for same, might be applied in this instance.

5. Recess Regular Meeting to Conduct Public Hearing on 2019 Plan of Assessment

Chair Scheibe recessed the regular meeting at 2:05 PM and opened a public hearing on the District's proposed 2019 Plan of Assessment. Mr. Cusick confirmed that written notice of today's public hearing was provided at least 30 days in advance to facility owners in accordance with the applicable requirements of state law. Mr. Ringold noted that the public hearing provides facility owners and interested members of the public with an opportunity to provide comments and objections to the proposed assessment plan, including the projects and services included therein and the methodology for allocating the cost to facilities within the District. Chair Scheibe called for any comments from the facility representatives and members of the public in attendance at the meeting. There being none, the public hearing was closed.

6. Reconvene and Call to Order of Regular Meeting.

Chair Scheibe called the regular meeting back to order at 2:08 PM.

7. Consider and Rule on Any Objections to 2019 Plan of Assessment.

Chair Scheibe noted that there were no objections voiced to the 2019 Plan of Assessment.

8. Adoption of Resolution Adopting Plan of Assessment.

Mr. Ringold advised the Board that a draft of the Resolution was in their board books. Director Russell moved that the 2019 Plan of Assessment be approved and the Resolution be adopted, as presented. Director Burke seconded the motion, which passed unanimously.

9. Authorize the Greater Houston Port Bureau to Prepare the 2019 Assessment Roll and Mail Assessment Invoices.

Director Woodring moved that the Greater Houston Port Bureau be authorized to prepare the 2019 Assessment Roll and to prepare and mail the 2019 Assessment Invoices. Director Bass seconded the motion, which passed unanimously.

10. Appointment of Appeals Sub-Committee

Mr. Ringold outlined the appeal process and noted that facilities have 30 days from today (the date the 2019 Plan of Assessment was adopted) to appeal their assessment. After soliciting volunteers to serve on an Assessment Appeals committee, Chair Scheibe appointed Directors Bass, Blanchard, Burke and Nelson, along with Mr. Ringold and Mr. Cusick to serve on the committee.

11. Consider a Request by Harris County to Approve a Line Item Budget Reallocation for the FY2017 PSGP IJ5 – Marine Unit Standardization Project – Requiring No Change in Funding.

Lt. Jeffrey Easthagen addressed the Board and request approval of a change to the FY 2017 PSGP HCSO Marine Unit Standardization Project. He explained that the desired revision will move the travel cost associated with training from the training line to the travel line in the budget. Lt. Easthagen and Ms. LaKenya Wilson advised the Board that the requested change has

already been approved by DHS/FEMA. Director Woodring move to approve the request. Director Burke seconded the motion, which passed unanimously.

12. Consider Request by Harris County Universal Services to Use Available Emergency and Routine Maintenance Funds for the Relocation of Cameras from the Battleship Texas.

Mr. Patrick Gonzales advised the Board the Battleship Texas is being relocated outside of the District and the cameras located on the ship need to be relocated. He noted that the District approved certain maintenance funds for the camera system for 2019 that have not been expended because such funds allocated for emergency maintenance, such as following hurricanes, were not used, and preventative maintenance precluded the need for expenditure of all of the routine maintenance funds. He requested that the remaining funds previously allocated for 2019 maintenance be reallocated for use in removal and relocation of the cameras on the Battleship Texas to a fixed, land-based monopole nearby. Director Burke moved that the request be approved. Director Russell seconded the motion, which passed unanimously.

13. Consider Engagement of an Auditor for the 2019 Annual Fiscal Audit of the District.

Mr. Cusick reminded the Board that it is time to seek proposals for a third party auditing firm to conduct an annual audit of the District, and that McCall Gibson Swedlund Barfoot PLLC has provided such services to the District in the past. Following discussion on the matter, Chair Scheibe instructed Mr. Cusick to proceed with obtaining a proposal from McCall Gibson Swedlund Barfoot PLLC.

14. Quarterly Investment Officers Report.

Treasurer Blanchard was not present. Chair Scheibe noted the Investment Report was in the Board Book. Director Woodring moved to approve the report and authorize the Investment Officer to sign said report on behalf of the District. Director Russell seconded the motion, which passed unanimously.

15. Quarterly Treasurers Report.

Treasurer Blanchard was not present. Chair Scheibe noted the Treasurers Report was in the Board Book. Director Woodring moved to approve the report. Director Russell seconded the motion, which passed unanimously.

16. Report on Election of Directors Schedule for 2020-2022.

Mr. Cusick advised the Board the schedule for the election was in the Board Book, culminating with the election results being reported to the Board at the December Board meeting. The results will then be forwarded to Commissioners Court for their consideration at their December meeting.

17. Report on Arrangements and Schedule for the Annual Meeting and Annual Luncheon.

Mr. Cusick advised the Board that the schedule for the annual meeting and luncheon was included in their Board Books, and that invitations will be mailed out this week. A separate Notice of Meeting and Agenda will be published for the Annual Board Meeting which would be held before the lunch and presentations. Director Woodring asked that the presenters be reminded to limit their presentations to 5-minutes each in consideration of the overall time required for everyone to make a presentation.

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

Mr. Ringold advised the Board that the Texas Oil and Gas Association is willing to provide a presentation on HB3557 at the December 10, 2019, Board meeting.

19. Status Report – Greater Houston Port Bureau

a. Financial and Administrative Reports

Mr. Cusick advised the Board that the administrative and financial reports for September were in the Board Book, which include the following checks that require Board approval:

- i. City of Baytown - \$76,038.28 for 2018 Direct Funding of Dive Team Trailer & Prime Mover.
- ii. Chemical Security Group - \$53,100 including \$45,000 for the USCG AMSA study and \$8,100 for CFATS FSO Training Course.
- iii. City of Houston - \$17,423.50 for September O&M
- iv. Greater Houston Port Bureau - \$18,010.18 for September Administrative Services
- v. Harris County - \$123,120.00 including \$88,034.5 for June O&M reimbursement and \$40,085.43 for FY2016, FY2017, & FY 2018 PSGP Matching Funds

Director Woodring moved to approve payment of the checks. Director Russell seconded the motion, which passed unanimously. The Administrative and Financial reports are attached hereto as Exhibit “A”.

b. Assessment Update

Mr. Cusick advised that the Assessment Analysis Report for September was previously distributed to the Board. The Assessment Analysis Report is attached hereto as Exhibit “B”.

c. Education Report

Mr. Cusick advised an ABS FSO Cyber Security Courses will be held on October 17, 2019, and a MTSA FSO Refresher course will be held on October 29, 2019;

d. Project Management Update

Nothing to report.

e. Management and Outreach Update

CAPT Diehl advised the Board that Ms. Kyle Tarpley would not be available to work on updating presentations and promotional material.

20. Status Report – City of Baytown

Russell White advised the Board the new Baytown Dive Team prime mover and trailer will be at the Annual Luncheon for display.

21. Status Report – City of Houston

Mr. Rick Retz advised that the City of Houston patrol activity reports for September are in the Board Book. The Shipboard Firefighting Unit open house was a success and he thanked the Board for their support of the project.

22. Status Report – Harris County

a. Universal Services.

Mr. Gonzales advised the Board that the Universal Services report was included in the Board’s written materials. He noted that all cameras are operating. He also advised the

Board they Universal Services is working with Port Houston to collaborate on interfacing their two camera networks.

b. Engineering.

Mr. Greg Karr advised the Board there was nothing new to report.

c. Sheriff's Office.

Lt. Jeffery Easthagen reported that the HCSO Marine Unit participated in the operations during the protests at the Fred Hartman Bridge. He said the visibility provided by the cameras and support from the SMAG was a great help to law enforcement at the scene.

23. Status Report – Texas Game Wardens – TPWD

Capt. Weaver reported TPWD also had assets on the water during the protests. She further reported on the 600 rescues and 14 patrols of the Houston Ship Channel during the month of September.

24. Status Report – Texas Department of Public Safety

Kathryn Watson and Megan Monroe reported they will be analyzing data from the Fred Hartman Bridge protest incident and monitoring intelligence relative to same received from all sources to determine how to better identify and respond to such incidents in the future. They advised the Board that they will be presenting at the October 24, 2019 AMSC Meeting and at the National Fusion Center Annual Conference in Washington, DC on November 5, 2019.

25. Status Report – U.S. Coast Guard

LCDR Murray reported he really appreciated the cooperation of all the local and state law enforcement agencies and the ability to have real time monitoring of the Fred Hartman Bridge incident. He also reported there were 3 security violations during the month of September. Mr. Messmer informed the Board that the next AMSC meeting will be October 24, 2019. He also thanked the Board for the District's support of the Drone Operator Training Course.

26. 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

Chair Scheibe adjourned the open meeting at 2:43PM. Director Bass announced that the Board would meet in closed session.

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

Chair Scheibe reconvened the open meeting at 2:53PM.

28. Consider Harris County Audit Request

Mr. Ringold distributed a copy of a letter received from the Harris County Auditor's office advising the District of the Auditor's intent to audit the District in accordance with the agreement between Harris County and the District. Mr. Ringold advised the Board the agreement between

Harris County and the District requires the County to periodically perform internal audits on the County side and report the results to the District and allow for the District to audit the County, upon request, but do not appear to authorize the County to audit the District. Director Burke asked if there was anything in the State legislation that would authorize an audit. Mr. Ringold replied that Chapter 68 of the Water Code is silent on the subject.

Mr. Ringold distributed a draft of a letter responding to the Harris County Auditor. Mr. Ringold noted that the District has engaged a recognized independent auditing firm with expertise in governmental accounting to audit the District's financial records annually since the inception of the District and recommended providing a hard copy of the most recent annual audit report to the County along with the URL to the District's website where electronic links to all annual audits can be found. Following review of the draft letter, receipt of comments from a representative of the County Auditor's office, and discussion on the matter by the Board, Chair Scheibe asked if there was any objection to the proposed response or authorizing SPH to send same to the County Auditor's Office. There being no objections, Chair Scheibe asked Mr. Ringold to provide the response.

29. Consider Items for Future Meeting Agendas

No items were presented.

30. Adjourn

The meeting was adjourned at 3:15 P.M. upon a motion by Director Russell, seconded by Director Nelson, which passed unanimously.

Next Meeting – November 5, 2019

The Annual meeting of the Board is scheduled for November 5, 2019 at 10:30AM.

The above is a correct copy of the Minutes of the October 15, 2019, regular meeting of the Board of Directors of the Houston Ship Channel Security District.



Eric Bass, Secretary

LIST OF EXHIBITS

- A. September Administrative and Financial Report
- B. September Assessment Analysis Report



Exhibit 'A'

HSCSD Administrative Report

October 15, 2019

Financial and Investment Reports

- **Bank Statements as of September 30, 2019**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$26,394.14
 - Deposits were \$0.00
 - Transfers from Money Market were \$425,000.00
 - Cleared checks were \$639,024.12
 - Service Charge was 0.00
 - Checks outstanding were \$0.00
 - Money Market Account Reconciliation shows:
 - The invested balance was \$8,602,543.71
 - Deposits were \$ 0.00
 - Transfers to Checking were \$425,000.00
 - Deposits in Transit were \$0.00
 - Interest earned was \$12,626.89
- **Disbursements for September 2019**
 - Disbursements totaled \$423,414.77
- **Checks Requiring Board Approval**
 - City of Baytown – \$76,038.28 for 2018 Direct Funding of Trailer & Prime Mover
 - Chemical Security Group – \$53,100 for AMSP Study and CFATS FSO Training
 - City of Houston – \$17,423.50 for September O&M
 - Greater Houston Port Bureau - \$18,010.18 for September Administrative Services
 - Harris County - \$123,120.00 including \$88,034.57 for June O&M reimbursement and \$40,085.43 for FY2016, FY2017, & FY 2018 PSGP Matching Funds



Exhibit 'B'

Houston Ship Channel Security District

**Delinquent Assessment Analysis
as of
September 30, 2019**

2018 Assessment Analysis

Receivables	Delinquent Assessment – 1 Company	1,400.00	
	Accrued P&I as of 09/01/19	280.00	
Total 2018 Receivable			\$1,680.00

2017 Assessment Analysis

Total 2017 Receivables			\$ 0.00
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2016 Assessment Analysis

Total 2016 Receivables			\$ 0.00
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2013-2015 Assessment Analysis

Receivables	Delinquent – 3 Companies	\$36,749.52	
	Accrued Penalty & Interest as of 09/01/19	19,716.17	
Total 2015 Receivables			\$56,465.69

Two companies were turned over to the collection attorney on July 1, 2014. Interest continues to accrue on these accounts. Legal action is being combined for 2013, 2014 and 2015.

One 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 account has been referred to Perdue, Brandon, Fielder, Collins & Mott L.L.P. to file proof of claim on behalf of the District.

One delinquent company was referred to Perdue, Brandon, Fielder, Collins & Mott L.L.P. July 1, 2019. Interest continues to accrue on this account.