

MINUTES

Board of Directors of the Houston Ship Channel Security District January 14, 2020

A regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on January 14, 2020, open to the public, at the offices of the Greater Houston Port Bureau, 4400 Highway 225 East, 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, Assistant Secretary
Brian Blanchard, Treasurer
Jimmy Burke
Carl Holley
Craig Nelson
Clayton Pace, Assistant Secretary
Gary Scheibe, Chair
Marcus Woodring, Vice Chair

and all said persons were present, except Director Blanchard, thus establishing a quorum. Also, present were Eric Finck, a director elect, Daniel Ringold 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. Basil Alkoussari, a director elect, entered the meeting after it had been called to order as noted in these minutes.

1. Call to Order

Chair Scheibe called the meeting to order at 2:00 PM.

2. Appearances

There were no appearances.

3. Recognition of Raymond Russell for Services Rendered as a Director for Security Zone 3

Mr. Russell was not present at the meeting.

4. Approval of Minutes of December 17, 2019 Board of Directors Meeting

Secretary Bass noted that the draft minutes of the December 17, 2019 Board of Directors meeting had been 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. Director Holley moved to approve the minutes, as presented. Director Aalund seconded the motion, which passed unanimously without further discussion.

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

Chair Scheibe noted that the Seafarers Act was approved by Congress and must now be accounted for in Facility Security Plans. He further noted there was nothing new on the Rand Study as it relates to the TWIC Reader requirements.

6. Report on the Election of Candidates for 2020-2021 Zone Directors and Submission of Nominations to Harris County Commissioners Court

Mr. Cusick advised the Board that the Harris County Commissioners Court approved the nominations as submitted and appointed the following Directors for a two year term: Zone 1 - Basil Alkoussari, Texas Mooring; Zone 2 – Carl Holley, Intercontinental Terminals; Zone 3 – Eric Finck, Lubrizol; Zone 4 – Eric Bass, INEOS. Chair Scheibe congratulated the newly appointed Directors in attendance/.

7. Acceptance of Qualifications Statements, Bond, Oaths of Office and Election Not to Disclose Certain Information and Swearing in of Directors

Mr. Ringold advised the Board he discussed each of the qualification documents with the newly appointed directors in attendance and had obtained signatures from such directors on the required documents. Mr. Ringold administered the Oath of Office. Director Woodring moved to accept the Qualification Statements, Bonds, Oaths of Office and Elections Not to Disclose Certain Information of Directors Holley, Bass and Finck. Director Burke seconded the motion, which passed unanimously. Director Finck participated in the remainder of the meeting.

8. 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 already spoken to each of the new Directors in attendance relative to training requirements.

9. Discuss Conflicts Disclosure Statement Reporting Requirements Memorandum for Directors

Mr. Ringold advised the Board he had already discussed conflict of interest reporting requirements with each of the new Directors in attendance.

10. Election of Officers to the Board: Chairman, Vice Chairman, Treasurer, Secretary, Assistant Secretary.

Chair Scheibe advised that Director Blanchard had expressed a willingness to remain in the Treasurer position, but was willing to step down if another Director wished to fill the position. Director Aalund moved and Director Holley seconded the election of Director Blanchard as Treasurer. The motion passed unanimously. Vice Chair Woodring called for a nomination for Chairman. Director Aalund moved and Director Bass seconded the election of Director Scheibe as Chairman. The motion passed unanimously. Chair Scheibe called for nominations for Vice Chair. Director Pace moved and Director Bass seconded the election of Director Woodring as Vice Chairman. The motion passed unanimously. Chair Scheibe called for a nomination for Secretary. Director Woodring moved and Director Pace seconded the election of Director Bass as Secretary. The motion passed unanimously. Chair Scheibe called for a nomination of Assistant Secretary. Director Aalund moved and Director Nelson seconded the election of Director Pace as Assistant Secretary. The motion passed unanimously.

11. Presentation by Texas Oil & Gas Association (TxOGA) on HB 3557

The representative from TxOGA was not available to attend the meeting.

12. Quarterly Financial Report

Treasurer Blanchard was not available for the meeting. Vice Chair Woodring read the report prepared by Treasurer Blanchard. The report is attached as Exhibit "A"

13. Quarterly Investment Report

Treasurer Blanchard was not available for the meeting. Vice Chair Woodring read the report prepared by Treasurer Blanchard. The report is attached as Exhibit "A"

14. Discussion of Renewal of District D&O Insurance Coverage.

Mr. Cusick advised the Board that a proposal for the 2020 Director and Officer insurance was received from McDonald & Wessendorff Insurance. The coverage and cost are the same as last year. Director Burke moved to accept the proposal for Director & Officer insurance. Director Nelson seconded the motion, which passed unanimously.

15. Status of the Eighth Amendment to the Agreement with Harris County for 2019 Security Projects & 2020 Security Services

Mr. Ringold advised the Board of continuing discussions with Harris County regarding the proposed language of the Eighth Amendment. The Board provided Mr. Ringold with direction regarding their position relative to the County's proposed revisions to the Agreement.

16. Adoption of Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transaction with the District.

Mr. Ringold advised the Board the annual review and adoption of a list of qualified brokers was required by the Public Funds Investment Act. A redlined copy of the proposed approved brokers was made available to the Directors. Director Holley moved and Director Aalund seconded the approval of the List of Authorized Brokers. A copy is attached as Exhibit "B".

Director Alkoussari arrived at 2:30 PM. Chair Scheibe paused the meeting while Mr. Ringold presented Director Alkoussari with his qualification documentation and obtained the required signatures. Mr. Ringold administered the oath of office to Director Alkoussari. Director Aalund moved to accept the Qualification Statements, Bonds, Oaths of Office and Elections Not to Disclose Certain Information of Directors Alkoussari. Director Burke seconded the motion, which passed unanimously. Director Alkoussari participated in the remainder of the meeting.

17. Authorize preparation and submission of District information to Texas Comptroller of Public Accounts as required by Section 403.0241, Texas Government Code, and Chapter 203, Texas Local Government Code, for inclusion in the Special Purpose District Public Information Database

Mr. Ringold explained the requirement to prepare and file the report and recommended authorizing the auditor to prepare and file the report. Director Holley moved and Director Aalund seconded to authorize McCall, Gibson, Swedlund, Barfoot, PLLC to prepare and file the report.

18. Legal Report

Mr. Ringold advised the Board there was nothing of a legal matter to be reported

19. Status Report – Greater Houston Port Bureau

a. Financial and Administrative Reports

Mr. Cusick advised the Board that the administrative and financial report was in the Board Book, which includes the following check that requires Board approval:

1. Harris County – \$253,440.87 including \$72,773.92 for FY2017 & FY2018 PSGP matching funds and \$180,666.95 for September and December 2019 O&M reimbursement

The Administrative and Financial report is attached hereto as Exhibit “C”. Director Burke moved and Director Holley seconded the approval of the bookkeeping report and payment of the aforementioned amounts to Harris County.

b. Assessment Update

Mr. Cusick advised the Assessment Analysis Report was previously distributed to the Board. Exactly 50% of the companies have paid their 2019 Assessment invoices. The Assessment Analysis Report is attached as Exhibit “D”.

c. Management and Outreach

CAPT Diehl advised he would be inviting the new Directors to visit the GHPB and the offices of the District for an overview of the operation. He noted that with the new Directors now on board, their names and photos will be incorporated into the Annual Magazine. He also advised the Board that Judge Lina Hidalgo will be the speaker at the February Commerce Club luncheon and invited the Board to attend.

20. Status Report – City of Baytown

Assistant Chief Victor Medrano reported the fire boat approved with the 2018 PSGP was in production at the assembly plant.

21. Status Report – City of Houston

Mr. Rick Retz advised there was nothing specific to report.

22. Status Report – Harris County

a. Central Technology Services.

Mr. Patrick Gonzales advised the Board the camera issues are addressed and 100% of the cameras are operational. He noted that all the O&M funds for 2019 were expended.

b. Engineering.

No one was in attendance from Harris County Engineering.

c. Sheriff’s Office.

Lt. Jeff Easthagen reported the HCSO Marine Unit was undergoing specialized Training.

23. Status Report – Texas Game Wardens – TPWD

Capt. Weaver reported that patrol hours for December 2019.

24. Status Report – Texas Department of Public Safety

Megan Munroe reported on the activities of the District funded security analysts. Kathryn Watson resigned last month. The Department will be internally posting for a replacement next week. If no candidate is found, the search will expand. Chair Scheibe advised there may be fully qualified candidates in the Houston area.

25. Status Report – U.S. Coast Guard

Mr. Gary Messmer advised the January and April AMSC meeting were canceled. He also advised a change in the Sectors list and priorities in the wording of the TSI which should be of interest to all PSGP grant writers.

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

No Executive Session was necessary.

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

No Executive Session was held.

28. Consider Items for Future Meeting Agendas

No items were presented.

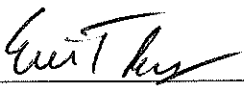
29. Adjourn

The meeting was adjourned at 3:07 P.M. upon a motion by Director Woodring, seconded by Director Bass, which passed unanimously.

Next Meeting – February 11, 2020

The next regular meeting of the Board is scheduled for February 11, 2020 at 2:00 P.M.

The above is a correct copy of the Minutes of the January 14, 2020 regular meeting of the Board of Directors of the Houston Ship Channel Security District.



Eric Bass, Secretary

LIST OF ATTACHMENTS

- A. Treasurer and Investment Officer Report
- B. List of Authorized Brokers
- C. Administrative and Financial Report
- D. Assessment Analysis Report

January 14, 2020

TREASURER'S REPORT

- The 2016 Port Security Grant Program performance period ended August 31, 2019.
- Not all invoices for expenses incurred by our partners have been received. The final numbers for FY 2019 most likely will not be available until March 2020.
- All-in-all the District is in solid financial condition.

INVESTMENT OFFICER'S REPORT

- All monies are fully collateralized as required by the Public Funds Investment Act and our agreement with Amegy Bank.
- Interest rates are now at a point where the delta between bank Money Market rates and Pooled Trust rates makes considering different investments worthwhile. We will explore other investment options this year.

EXHIBIT "A"

LIST OF AUTHORIZED BROKERS

Allegiance Bank
 Amegy Bank, ~~N.A.~~,
 a division of Zions Bancorporation N.A.
 American Bank of Commerce (ABC Bank)
 Austin Capital Bank SSB
 BanCorpSouth ~~Bank~~
 Bank of America N.A./~~Merrill Lynch~~ BofA Securities
 Bank of Texas, a division of BOKF, N.A.
 Bank OZK
~~Bank of the West~~
 BBVA — ~~Compass Bank~~ USA
 Beal Bank SSB / Beal Bank USA
~~Blackrock Investments, Inc.~~
 BOK Financial Securities, Inc. / BOSCO, Inc.
~~Branch Banking and Trust Company (BB&T)~~
 Business Bank of Texas, N.A.
 Cadence Bank, N.A.
 Capital Bank of Texas
 Capital One, N.A.
 Central Bank
 Chasewood Bank
 Citibank N.A./Citigroup
 Comerica Bank
 Commercial State Bank
~~Community Bank~~ CommunityBank of Texas, N.A.
 East West Bank
~~Edward Jones~~
~~Federated Investors Inc.~~
~~Fidelity Investments~~
 First Citizens Bank
 First Financial Bank, N.A.
 First National Bank Texas/First Convenience Bank
 First Texas Bank
 First United Bank
 Frontier Bank of Texas
 Frost Bank
 FTN Financial
 Guaranty Bank & Trust, N.A.
 Hancock Whitney Bank
 Heritage Bank, N.A.
 Herring Bank
 Hilltop Securities, Inc.
 HomeTown Bank, N.A.
 IberiaBank
 Independent ~~Bank~~ Financial
 International Bank of Commerce (IBC Bank)/
Commerce Bank
 J.P. Morgan Chase & Co./J.P. Morgan Securities/
 JPMorgan Chase Bank, N.A.
~~Legacy Texas Bank~~
~~Legg Mason, Inc.~~
 LOGIC (Local Gov't. Investment Cooperative)
 Lone Star Bank
 Lone Star Investment Pool/First Public, LLC
~~Lowery Bank, a division of Huntington State Bank~~

~~MidSouth Bank, N.A.~~
 Moody National Bank
 Morgan Stanley
 NewFirst National Bank
 Pioneer Bank
 PlainsCapital Bank
 Plains State Bank
~~Preferred Bank~~
 Prosperity Bank
 Raymond James Financial, Inc.
 R Bank
 RBC Capital Markets/RBC Investments
 Regions Bank
 Robert W. Baird & Company, Inc.
 Simmons Bank
 Southside Bank
 SouthStar Bank, SSB
 Spirit of Texas Bank SSB
 State Street Bank & Trust Co.
 Texan Bank
 Texas Capital Bank, N.A.
 Texas Citizens Bank
 Texas C.L.A.S.S.
 Texas Exchange Bank
 Texas First Bank
 Texas Gulf Bank, N.A.
 Texas Regional Bank
 TexPool/TexPool Prime
~~Tex Star~~ TexSTAR Investment Pool
~~The Bank of New York Mellon~~
 The Bank of New York Mellon Trust Company, N.A.
 The First National Bank of Bastrop
 The Independent ~~Bankers Bank~~ BankersBank, N.A.
 (TIB)
 Third Coast Bank S.S.B.
Trust Financial Corporation
 Trustmark National Bank
~~UBS Financial Services, Inc.~~
UBank
 UBS Securities LLC.
 United Bank of El Paso del Norte
 United Texas Bank
 Unity National Bank
 Vantage Bank Texas
 Veritex Community Bank
 Wallis Bank
 Wells Fargo Advisors
 Wells Fargo Bank, N.A.
~~Wells Fargo Investments, LLC~~
 Wells Fargo Securities, LLC
 WestStar Bank
 Woodforest National Bank

Effective as of January 1, ~~2019~~ 2020



HSCSD Administrative Report

January 14, 2020

Financial and Investment Reports

- **Bank Statements as of December 31, 2019**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$75,873.54
 - Deposits were \$38,600.00
 - Transfers from Money Market were \$500,000.00
 - Cleared checks were \$494,299.74
 - Service Charge was \$168.40
 - Checks outstanding were \$0.00
 - Money Market Account Reconciliation shows:
 - The invested balance was \$8,462,437.26
 - Deposits were \$ 175,800.00
 - Transfers to Checking were \$500,000.00
 - Deposits in Transit were \$0.00
 - Interest earned was \$9,445.98
- **Disbursements for December 2019**
 - Disbursements totaled \$493,656.91
- **Incumbered and Committed PSGP Matching Funds**
 - \$3,682,276.31 outstanding as of 01/14/20
- **Checks Requiring Board Approval**
 - Harris County – \$253,440.87, including \$72,773.92 for FY2017 & FY2018 PSGP Matching Funds, and \$180,666.95 for September & December O&M



Exhibit 'D'

Houston Ship Channel Security District

Assessment Analysis
as of
December 31, 2019

2019 Assessment Analysis

2019 Assessment Roll – 184 Companies			\$1,643,100.00
Receipts to Date	92 Companies 12/30/19	783,800.00	
Receivables	92 Companies		\$859,300.00
Penalty & Interest	Accrued P&I as of 12/01/19		
P&I Receipts to Date		0.00	
P&I Receivables		0.00	\$ 0.00
Total Receivable			\$859,300.00

2018 Assessment Analysis

Receivables	Delinquent Assessment – 1 Company	1,400.00	
	Accrued P&I as of 12/01/19	322.00	
Total 2018 Receivable			\$1,722.00

2013-2015 Assessment Analysis

Receivables	Delinquent – 3 Companies	\$36,749.52	
	Accrued Penalty & Interest as of 12/01/19	20,484.16	
Total 2015 Receivables			\$57,233.68

- 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.