

MINUTES

Board of Directors of the Houston Ship Channel Security District September 8, 2020

A regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on September 8, 2020, open to the public, via telephone conference call pursuant to Texas Government Code, Section 551.125, as amended, and as modified by the temporary suspension of various provisions thereof effective March 16, 2020, by the Governor of Texas in accordance with the Texas Disaster Act of 1975, all as related to the Governor's proclamation on March 13, 2020, certifying that the COVID-19 pandemic poses an imminent threat of disaster and declaring a state of disaster for all counties in 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
Basil Alkoussari
Eric Bass, Secretary
Brian Blanchard, Treasurer
Jimmy Burke
Eric Finck
Carl Holley
Craig Nelson
Clayton Pace, Assistant Secretary
Gary Scheibe, Chair
Marcus Woodring, Vice Chair

and all said persons were present, except Directors Aalund, Alkoussari, Finck and Woodring, thus establishing a quorum. Also present were Daniel Ringold and Diana Miller of Schwartz, Page & Harding, L.L.P. ("SPH"), legal counsel for the District; Bill Diehl and Al Cusick of the Greater Houston Port Bureau ("GHPB"), administrators for the District.

The following persons also announced they were present on the conference call:

LaKenya Wilson, Sgt. Carlton Horton, Patrick Gonzales, Bo Garces, Vince Palumbo, and Lori Hempen representing Harris County and the Harris County Sheriff's Office.

Scott Berry and Sgt. Gerald Welsh representing the City of Houston.

Russell White representing the City of Baytown.

Capt. Jennifer Weaver and Maj. Eddie Tanuz representing Texas Parks and Wildlife Department.

Marisa Brusuelas and Hilary Martinez representing Texas Department of Public Safety

Gary Messmer and Tyson Muniz representing the US Coast Guard

Julio Gonzales representing DHS/CISA

Jessica Thomas representing Port Houston.

Susan Newman representing Hexion

Randy Condra representing Houston Fuel Oil Terminal

Drew Scroggins, representing Galena Park Police Department.

1. Explanation of Telephonic Meeting Procedures and Call to Order

Mr. Ringold reminded all in attendance of the requirements of the Texas Open Meetings Act, as modified by the Governor's Disaster Proclamation, relative to the conduct of meetings by telephone. In connection therewith, he informed the participants that the meeting would be recorded and requested that each participant clearly state his or her name before speaking, including when making or seconding a motion. Mr. Ringold stated that a full roll call of all participants would be conducted at the start of the meeting for attendance purposes. Mr. Ringold proceeded to perform a roll call to establish attendance of Board members, consultants, facility representatives, law enforcement partners, and members of the public, if any.

Following such roll call, Chair Scheibe called the meeting to order at 2:11 pm.

2. Public Comment

There were no comments from the public.

3. Approval of Minutes of August 11, 2020 Board of Directors Regular Meeting

Director Bass advised the Board that a draft of the minutes of the August 11, 2020 meeting were distributed in advance of today's meeting and asked if there were any comments. Director Blanchard moved to approve the minutes of the August 11, 2020 meeting, as presented. Chair Scheibe seconded the motion. The motion passed unanimously.

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

Chair Scheibe advised that he did not have anything specific to report and asked if any Board Member had any comments. None were presented.

5. Report from the 2020 Operations & Maintenance Committee

Director Burke reported to the Board that the Operations and Maintenance Committee met on September 1, 2020, and the only item on the agenda was a review of the request by Texas Parks and Wildlife Department (TPWD) for funding in the amount of \$69,880 for FY2021. The committee reviewed the materials presented by TPWD and took into consideration several factors unique to TPWD. He noted that the Committee was unable to validate certain of the operating conditions, fuel consumption rates, and oil consumption rates used by TPWD in the calculation of the requested rates. Taking all this into consideration, the Committee is recommending the District reimburse TPWD at 1.65 times the standard reimbursement rates adopted by the Board for the appropriate vessels, resulting in annual funding for FY2021 of \$38,544 based on TPWD's proposed patrol hours.

Director Blanchard moved to accept and approve of the recommendation of the Operations and Maintenance Committee, as presented. Director Bass seconded the motion, which passed unanimously.

6. Report of the 2020 Assessment and Budget Committee

Director Blanchard advised that the Assessment and Budget Committee met several times over the past month and summarized the findings of the Committee. He noted that surplus funds have been used and spent down over the past 7 years to keep the assessment rate low, and such surplus will be completely depleted by 2022 if the Board continues to use such funds to subsidize its funding commitments. He advised that the Committee is therefore recommending that the 2020 Plan of Assessment include a 25% increase in assessments, which will require the use of approximately \$1,048,500 in surplus funds, with the goal to make further adjustments to projects supported or assessment amounts as part of the 2021 Plan to further reduce or eliminate the use of surplus to balance the budget. He further noted that, in response to anticipated uncertain economic conditions facing some of the facilities within the District as a result of the effects of the COVID-19 pandemic, the Committee is recommending that the District provide additional flexibility to facility owners in paying their 2020 Assessments, allowing for payment in 2 equal installments if a company so desires. Following discussion, Director Bass moved to accept the report from the 2020 Assessment & Budget Committee. Director Nelson seconded the motion, which passed unanimously.

7. Consider Request by Texas Parks and Wildlife Department for up to \$69,880 for Operational Support of Marine Security Patrols for 2021

Capt. Weaver advised the Board that TPWD's ability to continue to provide waterborne patrol security services to the District in 2021 and beyond is dependent upon the District paying the full rate proposed by TPWD, and that the rate approved by the District (1.65 times standard rates) is not acceptable. She advised that TPWD will fulfill its commitments through the end of calendar year 2020 but will not enter into an agreement with the District to provide services in 2021.

8. Request by The Greater Houston Port Bureau for a 2% Annual Increase in Administrative Service Fees Beginning FY2021

CAPT Diehl advised the Board that the GHPB has not had a rate adjustment since 2010; however, the operating costs of the GHPB in serving as the District's contract administrator have increased over that time. He requested that the Board consider approving an annual increase of 2% per year for 3 years beginning in FY 2021. The Board expressed its desire that the annual increases be considered on a year by year basis rather than having an automatic annual escalation over a period of time. Following discussion of the request presented, Director Blanchard moved to approve a 2% increase to the GHPB's contract administration rates for the year 2021 and instructed SPH to negotiate the specific language of a contract amendment with the GHPB to be presented to the Board of approval at its October meeting. Director Bass seconded the motion which passed unanimously.

9. Adoption of Order Calling Hearing on 2020 Plan of Assessment, Including Proposed Plan of Assessment, and Authorize Provision of Notice to Facility Owners of October 13, 2020 Hearing Date

Mr. Ringold reviewed with the Board the planning process and the steps necessary before adopting a plan of assessment. He then reviewed in detail with the Board a proposed Order Calling Hearing on the 2020 Plan of Assessment, as well as the form of the Notice of Hearing and the proposed 2020 Plan of Assessment. Following discussion, Director Blanchard moved that the Order Calling a Hearing on the

2020 Plan of Assessment be adopted and that the GHPB be authorized to mail the Notice of the public hearing on October 13, 2020 to all facility owners in accordance with the applicable legal requirements. Director Bass seconded the motion, which was passed unanimously.

10. Legal Report

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

11. Status Report – Greater Houston Port Bureau

a. Administrative and Financial Reports

Mr. Cusick advised the Board that the administrative and financial reports are in the Board Books. He advised the Board that there are two (2) checks requiring Board Approval: 1) payable to the GHPB for \$17,671.03 for August Administrative Services; and 2) payable to Harris County for \$15,513.95 for February 2020 operation and maintenance expenses. The Administrative and Financial Report is attached as Exhibit "A". Director Blanchard moved to approve the checks. Director Bass seconded the motion, which passed unanimously.

b. Assessment Update

Mr. Cusick advised that the Board the Assessment Analysis report is in the Board Book. The Assessment Analysis Report is attached as Exhibit "B".

c. Education Report

Mr. Cusick advised the Board that all education classes are cancelled through September. The education report is attached as Exhibit "C".

d. Management and Outreach

CAPT Diehl asked the Board to consider cancellation of the October 27, 2020 reservation of the Pasadena Convention Center for the Annual Meeting because of the current coronavirus situation. He suggested that the Board continue with the Annual Meeting, but that such meeting and the presentations from the District's partners be presented in the virtual environment. He also advised the Board that the GHPB has webinar hosting facilities that can host up to 500 attendees. if the Board should desire to hold the meeting virtually. Chair Scheibe asked if there were any objections to holding the annual meeting virtually. It was agreed, the face-to-face annual meeting would be cancelled, and a virtual meeting be held on November 10, 2020, in its place.

12. Status Report – City of Baytown

Russell White reported there was nothing significant to report. He noted that Baytown Police Department is waiting for Baytown City Council to approve the projects for which the District has committed funding for the upcoming year, at which time the Police Department will place the orders for acquisition of the equipment.

13. Status Report – City of Houston

Scott Berry reported on the activities of the City of Houston's airborne and marine units. He also reported on the status of the purchase for the grant supported projects.

14. Status Report – Harris County

a. Central Technology Services.

Bo Garces reported on the status of the cameras and the Command Bridge Situational Software. He also advised the Board of the status of routine and preventative maintenance.

b. Engineering.

No one was present from Engineering.

c. Sheriff's Office.

Sgt. Carlton Horton advised the Board that the Harris County Sheriff's Office's activity report was in the Board book and reported on the activities of the Sheriff's Office in preparation for and during Tropical Storm Marco & Hurricane Laura. He also reported on the status of outstanding grant funded projects.

15. Status Report – Texas Department of Public Safety

Marisa Brusuelas reported that she and Hilary Martinez continue to support maritime partners with shared information and are developing intelligence and informational products for distribution to same.

16. Status Report – Texas Game Wardens – TPWD

Capt. Jennifer Weaver advised there was nothing significant to report.

17. Status Report – U.S. Coast Guard

Gary Messner introduced Mr. Tyson Muniz, a new Port Security Specialist with the Coast Guard, who will be handling Port Security and Recovery. Mr. Messmer also introduced Mr. Larry Johnson as another Port Security Specialist. He announced that the next Area Maritime Security Committee (AMSC) meeting will be held on October 22, 2020. The annual AMSC Exercise will be held on October 29, 2020. It will be an instructive seminar on the Area Maritime Security Plan.

18. Status Report DHS/CISA

Julio Gonzales advised that CISA released a joint international cyber security advisory. He also announced the annual CISA security summit will be on September 16-October 7. Information on both items will be provided to Mr. Cusick for distribution to facility owners, security offices, and law enforcement partners within the District.

19. 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

There was no Executive Session

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

There was no Executive Session

21. Consider Items for Future Meeting Agendas

There were no items requested.

22. Adjourn

Director Blanchard moved the meeting be adjourned. Director Bass seconded the motion. The motion passed unanimously, and the meeting was adjourned at 3:18pm

Next Meeting – October 13, 2020

The next regular meeting of the Board is scheduled for October 13, 2020 at 2:00 P.M.

The above is a correct copy of the Minutes of the September 8, 2020 regular meeting of the Board of Directors of the Houston Ship Channel Security District.



Eric Bass, Secretary

LIST OF ATTACHMENTS

- A. Administrative and Financial Report
- B. Assessment Analysis Report
- C. Education Report



Exhibit 'A'

HSCSD Administrative Report

September 8, 2020

Financial and Investment Reports

- **Investment Statements as of August 01, 2020**
 - Operating Account Reconciliation and Cash Flow Statements show:
 - The bank balance was \$23,069.72
 - Deposits were \$0.00
 - Transfers from Money Market were \$0.00
 - Transfers from TexPool were \$400,000.00
 - Cleared checks were \$415,626.97
 - Service Charge was \$162.13
 - Checks outstanding were \$0.00
 - Money Market Account Reconciliation shows:
 - The invested balance was \$97,905.88
 - Deposits were \$ 15,222.00
 - Transfers to Checking were \$0.00
 - Transfers to TexPool Investments were \$0.00
 - Deposits in Transit were \$0.00
 - Interest earned was \$0.38 - 0.005%
 - TexPool Account Reconciliation shows:
 - The invested balance was \$7,806,537.71
 - Deposits were \$0.00
 - Transfers in were \$0.00
 - Interest earned was \$2,292.12– 0.3404%
 - Disbursements totaled \$157,586.80
- **Incumbered and Committed PSGP Matching Funds**
 - \$2,914,920.00 outstanding as of 08/31/20
- **Checks Requiring Board Approval**
 - Greater Houston Port Bureau - \$17,671.03 August Administrative Services.
 - Harris County – \$15,513.95 for February Marine O&M expenses



Exhibit 'B'

Houston Ship Channel Security District

**Assessment Analysis
as of
August 31, 2020**

2019 Assessment Analysis

2019 Assessment Roll – 184 Companies			\$1,643,100.00
Receipts to Date	182 Companies 07/31/20	1,640,680.00	
Receivables	2 Companies		\$2,420.00
Penalty & Interest	Accrued P&I as of 09/01/20	26,631.18	
P&I Receipts to Date		26,362.00	
P&I Write-Off		210.00	
P&I Receivables			\$ 59.18
Total Receivable			\$2,479.18

Both accounts were referred to Perdue, Brandon, Fielder, Collins & Mott on August 5, 2020. Interest continues to accrue on both accounts.

Accounts with Collection Agency

Receivables	Delinquent – 2 Companies	\$26,999.52	
	Bankruptcy – 1 Company	11,150.00	
	Accrued Penalty & Interest as of 08/01/20	23,251.10	
Total at Collections			\$61,400.62

- 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.
 - An additional amount for a company was referred to Perdue, Brandon, Fielder, Collins & Mott L.L.P. July 1, 2019. Interest continues to accrue on this account.
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Exhibit 'C'

Houston Ship Channel Security District

Education Report

September 8, 2020

- All in person education classes through September have been cancelled.
- A virtual MTSA FSO Certification Class will be held on September 25, 2020
- The Cyber Boot Camp Agreement with aeSolutions is signed.