

## MINUTES

### Board of Directors of the Houston Ship Channel Security District October 13, 2020

A regular meeting of the Board of Directors ("Board") of the Houston Ship Channel Security District ("District") was convened on October 13, 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 Director Alkoussari, thus establishing a quorum. Also present were Daniel Ringold of Schwartz, Page & Harding, L.L.P. ("SPH"), legal counsel for the District; and 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. Steve Twitty, Patrick Gonzales, Bo Garces, Vince Palumbo, and Lori Hempen representing Harris County and the Harris County Sheriff's Office.

Scott Berry representing the City of Houston.

Russell White representing the City of Baytown.

Game Warden Mark Bane representing Texas Parks and Wildlife Department.

Hilary Martinez representing Texas Department of Public Safety.

Gary Messmer, Larry Johnson, and Tyson Muniz representing the US Coast Guard.

Julio Gonzales representing DHS/CISA.

Chief Mark Smith and Jessica Thomas representing Port Houston.

Tim Krietemeyer representing Intercontinental Terminals.

Michael Perez representing the Lynchburg Ferry.

### **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 participants 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 2:11pm.

### **2. Public Comment**

There were no comments from the public.

### **3. Approval of Minutes of September 8, 2020 Board of Directors Regular Meeting**

Director Bass advised the Board the draft minutes of the September 8, 2020 meeting were distributed as part of the Board Book materials and asked if there were any comments to said minutes. Director Woodring moved to approve the minutes of the September 8, 2020 meeting, as presented. Director Blanchard seconded the motion, which passed unanimously.

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

Chair Scheibe advised that he did not have anything specific to report of a regulatory nature.

### **5. Recess Regular Meeting to Conduct Public Hearing on 2020 Plan of Assessment.**

Chair Scheibe recessed the regular meeting at 2:13 p.m. and opened a public hearing on the proposed 2020 Plan of Assessment ("Plan"). Mr. Ringold noted that the GHPB had mailed the Notice of Hearing on the Plan to each facility owner or owners representative at least 30 days prior to today's hearing as required by the Water Code, which Notice included a copy of the proposed Plan. Mr. Ringold further advised that any interested member who has questions, comments, or objections regarding the Plan, the proposed projects included for funding thereunder, the overall method of assessment, or any other matter has the opportunity to appear in front of the Board at the hearing. Mr. Ringold noted that any questions, comments or objections to how the Plan, once approved, is applied to a particular facility can be addressed through the appeals process, and noted that facility owners have 30 days from the date of adoption of the Plan to file an appeal with the District. Chair Scheibe then asked whether there was anyone who wanted to speak at the public hearing. There being no response, Chair Scheibe closed the public hearing at 2:15 p.m.

### **6. Reconvene and Call to Order Regular Meeting**

Chair Scheibe called the regular meeting back to order at 2:15 p.m.

**7. Consider and Rule on Any Objections to 2020 Plan of Assessments**

There were no objections to be considered.

**8. Adoption of Resolution Adopting 2020 Plan of Assessment**

Director Woodring moved to adopt the 2020 Plan of Assessment. Director Blanchard seconded the motion, which passed unanimously.

**9. Authorize the Greater Houston Port Bureau to Prepare the 2020 Assessment Roll and Mail Assessment Invoices**

Director Woodring moved to authorize the GHPB to prepare the 2020 Assessment Roll and mail the assessment invoices to the facility owners or their designated representatives. Director Blanchard seconded the motion, which passed unanimously.

**10. Appointment of Appeals Committee**

Mr. Ringold explained the right of facility owners to appeal their assessment and the process the District has historically implemented of designating an Appeals Committee to informally meet with the facility representatives prior to presentation of the appeal and recommended resolution to the Board at the December meeting. Chair Scheibe asked for volunteers for the Appeals Committee. Directors Blanchard, Burke, Fink and Pace advised they would be willing to serve on the Committee. Chair Scheibe so appointed them to the Appeals Committee, with the assistance of Mr. Ringold and Mr. Cusick.

**11. Consider Engagement of an Auditor for the FY2020 Annual Financial Audit of the District**

Mr. Cusick asked if there were any objections to seeking a letter of engagement from the current auditor, McCall Gibson Swedlund Barfoot PLLC, or if he should seek bids from other firms. Chair Scheibe and Director Blanchard indicated that they were satisfied with the current firm. There were no other comments presented.

**12. Consider the Seconded Amended and Restated Agreement with the Greater Houston Port Bureau for Administrative Services**

Mr. Ringold advised the Board that the proposed Second Amended and Restated Agreement includes the one-time 2% rate increase for administrative services approved at the Board's prior meeting, which language included allowing for future rate adjustments through formal action of the Board, but not requiring additional amendment to the Agreement. CAPT Diehl advised that the annual limit of 1,200 hours for administrative services should be increased to 1,500 to more accurately reflect the actual administrative hours worked over the past few years as a result of the increased responsibilities of Mr. Cusick. Director Woodring moved to approve the Second Amended and Restated Agreement with the change in maximum annual administrative hours from 1,200 hours to 1,500 hours. Director Blanchard seconded the motion, which passed unanimously.

**13. Consider Request by the City of Houston to Amend the First Amended and Restated Interlocal Agreement**

Scott Berry advised the Board that the current Interlocal Agreement between the City of Houston and the District specifically designates certain watercraft and aircraft, which precludes fuel reimbursement for subsequently acquired water and air assets. Mr. Ringold noted that the proposed First Amended and

Restated Interlocal Agreement allows for use of subsequently acquired assets to carry out the City's air and marine security patrol services. Following discussion on the matter, Director Woodring moved to approve the First Amended and Restated Interlocal Agreement with the City of Houston. Director Blanchard seconded the motion, which passed unanimously.

**14. Approval of Fifth Amended and Restated Interlocal Agreement with the City of Baytown**

Mr. Ringold advised the Board that the Fifth Amended and Restated Interlocal Agreement with the City of Baytown includes all prior year projects, as well as the \$132,000 in direct funding for 2 projects in the upcoming year that were previously approved by the Board and included in the 2020 Plan of Assessment. Director Woodring moved to approve the Fifth Amended and Restated Interlocal Agreement with the City of Baytown. Director Blanchard seconded the motion, which passed unanimously.

**15. Quarterly Treasurers Report**

Treasurer Blanchard advised the Board that the Treasurer's Report is in the Board Book. The Treasurer's Report is attached as Exhibit "A". Director Woodring moved to approve the Treasurer's Report. Director Blanchard seconded the motion, which passed unanimously.

**16. Quarterly Investment Officers Report**

Treasurer Blanchard advised the Board that the Investment Officer's Report is in the Board Book. The Investment Officer's Report is attached as Exhibit "B". Director Woodring moved to approve Investment Officer's Report. Director Blanchard seconded the motion, which passed unanimously.

**17. Election of Directors Schedule of the 2021-2023 Term**

Mr. Cusick advised the Board that the request for nominations for candidates went to all facilities in each zone and October 1, 2020. A copy of the Election Schedule is attached as Exhibit "C".

**18. Legal Report**

Mr. Ringold advised the Board that he did not have anything additional to report of a legal nature that was not covered elsewhere on the agenda.

**19. 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) the Greater Houston Port Bureau for \$22,005.48 for September Administrative Services and 50% of the Professional Liability Insurance policy; and 2) Harris County for \$80,872.34 for FY2017 & FY2018 PSGP match reimbursement. The Administrative and Financial Report is attached as Exhibit "D". Director Woodring moved to approve the checks. Director Blanchard seconded the motion, which passed unanimously.

**b. Assessment Update**

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

**c. Education Report**

Mr. Cusick advised the Board that all education classes are cancelled for the remainder of the year. The education report is attached as Exhibit "F".

**d. Management and Outreach**

CAPT Diehl advised the Board that the reservation for the Pasadena Convention Center was cancelled and a full refund was received. All in attendance were advised of the virtual webinar format of the annual meeting and a discussion ensued regarding the preferred format of presentations by law enforcement and technology partners.

**20. Status Report – City of Baytown**

No one was present from the City of Baytown

**21. Status Report – City of Houston**

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

**22. Status Report – Harris County**

**a. Central Technology Services.**

Bo Garces reported on the operational status of the cameras and the Command Bridge situational software. He also advised the Board of the status of routine and preventative maintenance on the cameras and related infrastructure.

**b. Engineering.**

No one was present from Harris County Engineering.

**c. Sheriff's Office.**

Sgt. Steve Twitty advised the Board he had nothing to report.

**23. Status Report – Texas Department of Public Safety**

Hilary Martinez reported she and Marisa Brusuelas are continuing to monitor threats and work with law enforcement and private sector partners to identify intelligence products.

**24. Status Report – Texas Game Wardens – TPWD**

Game Warden Mark Bane advised there was nothing significant to report.

**25. Status Report – U.S. Coast Guard**

Gary Messmer introduced Mr. Larry Johnson a new Port Security Specialist. Mr. Messmer reported that Sector Houston-Galveston has been supporting Louisiana in the wake of Hurricane Laura and Tropical Storm Beta. He announced that the next Area Maritime Security Committee (AMSC) meeting will be held on October 22, 2020. He further noted that the annual AMSC Exercise will be held on October 29, 2020. It will an instructive seminar on the Area Maritime Security Plan.

**26. Status Report DHS/CISA**

Julio Gonzales highlighted 3 CISA documents and noted that they had been distributed to the District's facility owners and partners through the GHPB.

**27. 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.

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

There was no Executive Session.

**29. Consider Items for Future Meeting Agendas**

There were no items requested.

**30. Adjourn**

Director Woodring moved that the meeting be adjourned. Director Blanchard seconded the motion. The motion passed unanimously, and the meeting was adjourned at 2:56pm

**Next Meeting – November 10, 2020**

The next regular meeting of the Board is scheduled for November 10, 2020 at 2:00 P.M.

The above is a correct copy of the Minutes of the October 13, 2020 regular meeting of the Board of Directors of the Houston Ship Channel Security District.



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Eric Bass, Secretary

## LIST OF ATTACHMENTS

- A. Treasurer's Report
- B. Investment Officer's Report
- C. Election of Directors Schedule for 2021-2023 Term
- D. Administrative and Financial Report
- E. Assessment Analysis Report
- F. Education Report



Exhibit 'A'

Houston Ship Channel Security District

October 13, 2020

Treasurer's Report Q3 2020 – ending September 30, 2020

Total funds available on September 30, 2020 were \$8,752,324.18 all of which has same day availability if needed.

FY2019 Assessment Collections thru the third quarter totaled \$1,640,680 or 99.85% of assessments. Penalty & interest cash collected thru September totals \$26,572 or 1.62% of assessments.

Year to date expenses continue to be down due in part to the Corona Virus resulting in the City of Houston and Harris County having some of their personnel working from home. Invoices are not being submitted in a timely manner.

The District closed out the Third Quarter of 2020 with O&M expenses \$1,622,179 under budget. Some of the larger amounts under budget are:

- Harris County - \$782,000 under budget
- City of Houston - \$120,000 under budget
- TPWD - \$54,000 under budget
- Travel & Education - \$40,000 under budget
- FY2017 PSGP Projects expired 8/31/20 with \$20,700 still to be invoiced

The Year-to-Date Financials are in your Board Books



Exhibit 'B'

Houston Ship Channel Security District

October 13, 2020

Investment Officer's Report Q3 2020 – September 30, 2020

The Investment Officers Statement of Compliance is in your Board Books.

The Invested Balance in TexPool Prime investments as of September 30, 2020 is \$7,808,218.35. There were no deposits and \$400,000 in transfers out during the quarter. The Interest earned for the quarter totaled \$6,884.07. The interest paid continues to be 50-times greater than the current bank rate.

The detail investment activity for the quarter are included in your books.

With our money invested in an investment pool that meets the requirements of the Texas Public Funds Investment Act, we no longer are required to collateralize these investments.

## Exhibit 'C'

### 2021-2023 Zone Director Nomination Schedule

Director's Terms that are Expiring:

- Zone 1 – Brian Blanchard
- Zone 2 – Craig Nelson
- Zone 3 – Gary Scheibe
- Zone 4 – Clayton Pace

10/01/20 – Email Request for Candidates for Zone Director to companies and facilities.

10/15/20 – 11/12/20 – Email reminder requesting the submission of names for candidates.

10/30/20 – 11/13/20 – Follow-up to obtain resumes from candidates, as necessary.

11/10/20 – Annual Meeting – Remind of elections and seek nominations for candidates

11/13/20 – Deadline for receipt of candidate names for Zone Director.

11/16/20 – Email candidate resumes; instructions for voting; and unique ballots by zone to the facilities.

11/30/20 – Email current Zone Directors a list of facilities, in their zone that have not voted, so the facilities can be contacted and reminded to vote.

12/04/20– Deadline for receipt of ballots from facilities – 11:59 p.m.

12/08/20 – Announce winning candidates at the HSCSD Board meeting for Board approval

12/08/20 – Provide Letter to Judge Hidalgo with Candidates for posting to Commissioners Court agenda

12/15/20 – Goal is to have Commissioners Court approve and appoint the Zone Directors at their December 15, 2020 meeting.



Exhibit 'D'

## HSCSD Administrative Report

October 13, 2020

### Financial and Investment Reports

- **Investment Statements as of September 30, 2020**
  - Operating Account Reconciliation and Cash Flow Statements show:
    - The bank balance was \$14004.49
    - Deposits were \$0.00
    - Transfers from Money Market were \$50,000.00
    - Transfers from TexPool were \$0.00
    - Cleared checks were \$59,065.23
    - Service Charge was \$162.16
    - Checks outstanding were \$0.00
  - Money Market Account Reconciliation shows:
    - The invested balance was \$47,906.14
    - Deposits were \$ 0.00
    - Transfers to Checking were \$50,000.00
    - 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 \$7,808,218.35
    - Deposits were \$0.00
    - Transfers in were \$0.00
    - Interest earned was \$1,680.64– 0.2619%
  - Disbursements totaled \$58,919.01
- **Incumbered and Committed PSGP Matching Funds**
  - \$4,243,361.12 outstanding as of 09/30/20/20
- **Checks Requiring Board Approval**
  - Greater Houston Port Bureau - \$22,005.48 for September Administrative Services.
  - Harris County – \$80,872.34 for FY2017 & FY2018 PSGP Match reimbursement



Exhibit 'E'

Houston Ship Channel Security District

**Assessment Analysis  
as of  
September 30, 2020**

**2019 Assessment Analysis**

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

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

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**Accounts with Collection Agency**

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

- 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 'F'

Houston Ship Channel Security District

Education Report

October 13, 2020

All in person educations classes for the remainder of the year have been cancelled.