

MINUTES

Board of Directors of the Houston Ship Channel Security District November 9, 2021

The annual meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on November 9, 2021, open to the public, at the Houston Marriott South at Hobby Airport, Pasadena Room, 9100 Highway 45 South, Houston, TX, 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
Jimmy Burke, Assistant Secretary
Eric Finck
Mark Griffin
Carl Holley
Craig Nelson, Vice Chair
Clayton Pace, Treasurer
Gary Scheibe, Chair
Jessica Thomas

and all said persons were present, except Directors Finck and Nelson, 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; 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 10:03 a.m.

2. Public Comment

There were no comments from the public presented.

3. Approval of Minutes of October 26, 2021, Board of Directors Regular Meeting.

Secretary Bass advised the Board that the draft minutes of the October 26, 2021 meeting were distributed as part of the Board Book materials and asked if there were any comments to said minutes. There being none, Director Holley moved to approve the minutes of the October 26, 2021 meeting, as presented. Director Thomas seconded the motion, which passed unanimously.

4. Engage McCall Gibson Swedlund and Barfoot PLLC as Auditor for Fiscal Year 2021.

Ms. Michelle Roenz advised the Board McCall Gibson Swedlund Barfoot was pleased to again be given the opportunity to submit an engagement letter for the Fiscal Year 2021 audit. She noted the estimated fee for the audit and preparation of the report is in the same range as last year. Director Holley moved to

accept the terms of the engagement of McCall Gibson Swedlund Barfoot for the Fiscal Year 2021 audit. Director Pace seconded the motion, which passed unanimously.

5. Treasurer's Annual Report

Director Pace presented the Annual Treasurer's Report, a copy of which is attached as Exhibit "A". Director Burke moved to accept the Treasurer's Report. Director Nelson seconded the motion, which passed unanimously.

6. Chairman's Annual Report to the Board

Chair Scheibe presented his annual report, a copy of which is attached as Exhibit "B"

7. Approval of the 2022 Annual Operating Budget

Director Pace reviewed the proposed annual operating budget for 2022 with the Board. A copy of the proposed budget is attached as Exhibit "C" along with a narrative summary relative thereto. Director Aalund moved to approve the annual operating budget, as presented. Director Holley seconded the motion, which passed unanimously.

8. Approval of October Invoices

Director Pace advised the Board there was one (1) check for the City of Houston for \$273,404.00 for FY 2018 & FY 2019 PSGP and September fuel reimbursement that required approval by the Board. Director Holley moved that the check be approved for payment. Director Bass seconded the motion, which passed unanimously.

9. Approval of Sixth Amended and Restated Interlocal Agreement with the City of Baytown.

Mr. Ringold noted that a draft of the proposed Sixth Amended and Restated Interlocal Agreement with the City of Baytown was included in the Board Book materials and advised the Board the purpose of this amendment and restatement of the agreement was to incorporate the FEMA approved 2021 PSGP Dive Team project and the direct funding of the training project approved by the Board. Director Thomas moved to approve the agreement, as presented. Director Burke seconded the motion, which passed unanimously.

10. Approval of Letter Agreement with the City of Houston for 2021 Security Projects and 2022 Security Services.

Mr. Ringold noted that a draft of the proposed Letter Agreement with the City of Houston was included in the Board Book materials and explained that the letter agreement covers the 2021 Port Security Grant Programs that were awarded to the City and the fuel reimbursement approved by the Board. Director Nelson moved to approve the agreement. Director Holley seconded the motion, which passed unanimously.

11. Approval of the Tenth Amendment to the Interlocal Agreement with Harris County for 2021 Security Projects and 2022 Security Services.

Mr. Ringold noted that a draft of the proposed Tenth Amendment to the Interlocal Agreement with Harris County was included in the Board Book materials. He further advised that the draft had recently been forwarded to the County for its review, and requested that the Board defer consideration of the item until the December Board meeting.

12. Approval of an agreement with the Port of Houston Authority for a Port Security Donation of \$61,675 and to Maintain an Information Sharing Hub for physical and Cyber Security.

Mr. Ringold reviewed with the Board the proposed agreement with the Port of Houston Authority covering the Port Authority's donation for fiscal year 2022. Following discussion, Director Nelson moved to approve the agreement. Director Holley seconded the motion, which passed unanimously with the exception of Director Thomas, who abstained from voting.

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

Mr. Ringold advised the Board there was nothing further to report.

14. Adjourn

Director Thomas moved to adjourn the meeting. Director Nelson seconded the motion, which passed unanimously at 10:34 am.

Next Meeting.

The next regular meeting of the Board will be on December 14, 2021, at 2:00 P.M.

The above is a correct copy of the Minutes of November 9, 2021, meeting of the Board of Directors of the Houston Ship Channel Security District.



Eric Bass, Secretary

LIST OF EXHIBITS:

- A. Annual Treasurer's Report
- B. Chairman's Report
- C. 2022 Operating Budget Report and Budget

Exhibit A

Treasurer's Annual Report 2021

I am happy to report that the District remains in a strong financial position while supporting all existing Security Projects and Services, as well as continuing to evaluate and facilitate additional projects and services that provide benefit to our member facilities.

The District began the current fiscal year with \$8,461,336 in funds on-hand and is projected to end the current fiscal year with \$9,000,000 in the bank. The District collected 99% of FY2020 assessment. The Corona Virus pandemic has slowed the receipt of reimbursement invoices from our security partners. Therefore, expenses are behind budget for the current year to date. The District has collected approximately 2% of the 2021 assessments.

All District funds remain continuously secured, either through insured bank deposits or on deposit with a Public Funds Investment Act (PFIA) approved investment pool backed by the Texas State Comptroller.

Both Mr. Cusick and I remain current with required Investment Officer training requirements. A copy of the written report is included in your Board materials for today's meeting.

Exhibit B

Chairman's Annual Report November 9, 2021

What is the Houston Ship Channel Security District? It is a unique public-private partnership dedicated to improving the security of the region's waterside and landside supply chain. This is accomplished by

1. Providing the local matching share funds for federal grants for security projects
2. Providing funding assistance to state and local law enforcement agencies for security monitoring and patrols, and
3. Providing security training classes for personnel employed by the facilities of the District

Yearly Highlights

You will soon hear from our Law Enforcement partners. Each will be making a presentation today briefly describing their accomplishments and their plans. These accomplishments and plans are made possible, in part, by the funding mentioned earlier. This funding is obtained through our annual assessments of the industries which make up the Houston Ship Channel Security District.

Port Security Grant Program

- Through industry's 25% cost matching support for Port Security Grants, our partners obtain almost **\$3 million** for Security Projects in 2021. Put another way, for 25 cents our members receive a dollars' worth of services to ensure our cargo keeps moving in the Port area.
- The HSCSD Board approved matching requests for port security grants for:
 - **City of Houston over \$1.25 million** to update the firefighting simulator; Replace hazmat firefighting equipment and Continue the build of a new Marine Tactical Operations Center.
 - **Harris County CTS over \$1.25 million** for upgrades to Port Security Surveillance System
 - **HCSO over \$.5 million** for improvements and upgrades to the existing marine dive unit boats and equipment.
- The Security District also helped fund almost **\$1 million** in operations and maintenance of equipment and assets purchased with current and previous PSGP awards.

Training

- The Security District training early this year was limited by the Corona Virus. We were not able to hold classes in person because of State and City/County orders. MTSA FSO and CFATS FSO trainings were conducted in-person in the final quarter of the year.
- The District also funded 3 new Cyber Boot Camp courses for FSO's in keeping with the growing emphasis on cybersecurity

- We conducted a workshop on the TWIC Reader Rule in August. Plans are underway for another workshop on the TWIC reader rule next year.
- The HSCSD continued the **funding of \$215,180** for the continued support of two maritime intelligence analyst positions within Texas DPS to focus on maritime security threats. One position is based in Austin at the State Fusion Center and one is based in Houston with DPS's intelligence center, to include work at locations within the Security District. We are very pleased with the work we have seen produced by them so far this year.

Closing

- What makes the HSCSD work is that it is a public-private partnership, created by industry for industry. Our success is owed to you as great partners.
- We're constantly engaging to make sure we're being good stewards, and if you have any comments, questions, or concerns, please contact me directly or your zone representative.
- This only works if you continue to see the benefit of supporting this partnership.

Exhibit C

Approval of the 2022 Annual Operating Budget

Included in your Board Book materials for today's meeting is the proposed annual operating budget for the District's fiscal year ending December 31, 2022. The proposed budget reflects anticipated income of \$2,423,225 against anticipated expenses of \$4,877,120. The difference between income and expenses will be covered with surplus funds on hand from prior years' revenues.

Projected income consists of:

- \$2,356,750 in assessment revenue; and
- \$61,675 in contract revenue received from the Port Authority.
- \$4,800 in Interest Income accounts for the remainder.

Projected expenses consist of:

- \$3,296,213 in grant matching funds.
- \$34,500 in direct funding for capital projects by law enforcement partner agencies.
- \$901,719 in funding to law enforcement partner agencies for enhanced security services within the District.
- \$100,000.00 for training available to District facility employees and law enforcement personnel.
- 19,000 in funding for the Cyber ISAC at Port Houston
- \$215,930. in funding for the State security analysts; and
- \$309,758 in general operating and administrative expenses of the District.

Several highlights of the proposed budget are:

- The assessment rate was increased this year to maintain the surplus funds to a 2-year balance.
- The District has committed to provide \$802,000 in support of new security projects in the upcoming year, compared to \$1.0 Million 2020. The vast majority of that Million Dollars is in grant matching funds, meaning the District is getting a 3 to 1 return on that investment. That means the District is facilitating approximately \$3.2 Million in benefit to our member facilities in the upcoming year. Port Security Grant Program requests and federal approvals were less this year than previous years. There continues to be \$2,529,247 committed to Port Security Grant Program (PSGP) funding for FY2017 thru FY2020 existing security projects.

- The District has committed to provide almost \$1 Million in support of enhanced security services within the District for 2022, which is about the same as the current year. There are no material reductions in the proposed scope of enhanced services being provided by our law enforcement partners, despite rising operating costs. In fact, in several areas, there are additional services being provided.
- Budgeted General Operating expenses remain steady from last year. Further, operating expenses represent just 6% of the overall budgeted expenditures. That means we are putting more than 94 cents of every dollar received by the District to work towards security projects and services, with 68% of that returning a 4x multiple on actual security investment through leveraging federal grant funding.
- In short, we continue to focus on providing the greatest benefit to our member facilities in the way of keeping the channel and surrounding areas secure to minimize threats to persons and property and disruptions to business operating conditions, all the while being fiscally responsible with the funds with which we have been entrusted.

**Houston Ship Channel Security District
Assessment Budget
For FY 2022**

Filter Criteria includes: 1) Types: Income Statement Accounts; 2) Active Account

Account ID	Account Description	Total	
	INCOME		
4000	Assessments	2,356,750.00	
4100	Interest Income	4,800.00	
4350	Contract Revenue	61,675.00	2,423,225.00
	Expenses		
6425	Postage & Delivery	2,400.00	
6450	Office Supplies Expense	1,800.00	
6460	Administrative Services	180,000.00	
6470	Legal Fees	75,000.00	
6475	Audit Fees	15,000.00	
6500	Telephone Expense	408.00	
6550	Other Office Expense	3,600.00	
6575	News Letter	2,000.00	
6600	Advertising Expense	500.00	
6700	Meeting Expense	9,550.00	
6725	Travel	5,000.00	
6750	Meals & Entertainment	2,000.00	
6850	Service Charge Expense	2,500.00	
6950	Insurance Expense	10,000.00	309,758.00
7000	County Grant Match		
7000.171	Port Security Surveillance System	2,751.94	
7000.175	Marine Unit Standardization	11,641.12	
7000.181	Port Security Surveillance System	165,318.49	
7000.182	Marine Unit Multi-mission Interceptor	222,754.17	
7000.183	Air & SWAT Units Response Capabilities	3,281.61	
7000.184	Dive Unit Defender ROV and Training	8,890.14	
7000.191	Network Infrastructure Upgrade	203,947.26	
7000.193	HCSO Marine Asset Upgrade	91,875.35	
7000.194	HCSO Bomb Unit Robot and Accessories	403.58	
7000.201	Port Security Surveillance System	316,667.00	
7000.202	HCSO Marine & Dive Unit Upgrade	200,390.59	
7000.204	HCSO Helicopter Downlink & Rescue Equipment	69,449.00	
7000.211	Port Security Surveillance System	316,667.00	
7000.212	HCSO Marine & Dive Unit Equipment & Training	95,532.00	1,709,569.25
7001	City Grant Match		
7001.182	COH Wide Area Surveillance	1,286.00	
7001.183	COH Waterborne Patrol Enhance & Sustain	29,874.77	
7001.184	COH Interagency Marine Ops Center	50,334.55	
7001.185	COH HPD Specialized Teams Sustain	822.79	
7001.191	COH High Speed Patrol Boat	10,298.86	
7001.192	COH Multiagency Boat Service Bldg	66,517.54	
7001.193	COH Rapid Response Boat	17,158.55	
7001.194	COH Helicopter Camera & FLIR	173,076.65	
7001.201	COH Regional Backhaul Network Radio Upgrades	262,500.00	
7001.202	COH Air & Marine Unit Enhancements	83,525.00	
7001.203	COH Shipboard Firefighting Simulation Modules	171,250.00	
7001.204	COH HFD Replacement HazMat Response Vehicle	77,500.00	
7001.213	COH Emergency generator & Communications	66,059.00	
7001.215	COH Shipboard Firefighting Prop Enhancements	248,749.00	1,258,952.71
7002	Baytown Grant Match & Direct Funding		
7002.199	COB NASBLA & BOAT Training	156,300.00	
7002.208	COB High/Low Angle Rescue Equipment	76,431.00	
7002.209	COB Air Tank Compressor & Filling Station	55,000.00	
7002.211	Sustain TypeI BARBS & Type II Dive Team	12,500.00	
7002.218	Marine Firefighting Training	34,500.00	334,731.00
7004	Command Center Match		
7004.219	Command Center Video Wall	27,460.00	27,460.00
	Operational Expense Reimbursement		
7011.001	HCSO Marine Fuel	66,700.00	
7011.003	HCSO Vehicle Fuel	56,525.00	
7011.005	HCSO Aviation Fuel	41,340.00	
7012	HC-US O&M	594,600.00	
7013	HC-Engineering O&M	63,254.00	
7030	HPD Aviation Fuel	26,300.00	
7031	HPD Marine Fuel	53,000.00	901,719.00
	Security Project Support		
7071	Fusion Center Support	215,930.00	
7072	MTS-ISAC/Slack Licenses	19,000.00	
7073	Education & Training	100,000.00	334,930.00
	Revenue	2,423,225.00	
	- Expenses	-4,877,119.96	
	Net Income (Loss)	(2,453,894.96)	
	Prior Year Assessment funds used for 2017-2020 PSGP 25% Match	2,453,894.96	
	Balanced Budget	0.00	
	Administrative	309,758.00	
	O&M	901,719.00	
	PSGP Grants	3,330,712.96	
	Security Proj. Support	334,930.00	
	Total 2022 Expense	4,877,119.96	
	Total 2022 Revenue	2,423,225.00	
	Shortfall	(2,453,894.96)	