

MINUTES

Board of Directors of the Houston Ship Channel Security District November 8, 2022

The annual meeting of the Board of Directors (“Board”) of the Houston Ship Channel Security District (“District”) was convened on November 8, 2022, open to the public, at the Houston Marriott South at Hobby Airport, 9100 Gulf Freeway, 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:

Eric Bass, Secretary
Jimmy Burke
Raymond Espinosa
Eric Finck
Mark Griffin
Tim Krietemeyer
Craig Nelson, Vice Chair
Clayton Pace, Treasurer
Gary Scheibe, Chair
Jessica Thomas, Assistant Secretary
LaKenya Wilson

and all said persons were present, except Director Griffin, thus establishing a quorum. Also present were Daniel Ringold of Schwartz, Page & Harding, L.L.P. (“SPH”), legal counsel for the District; and Al Cusick and Bill Diehl of the Greater Houston Port Bureau (“GHPB”), administrators for the District.

1. Call to Order

Chair Scheibe called the meeting to order at 10:04 AM

2. Public Comment

There were no comments from the public.

3. Welcome and Opening Comments to the 13th Annual Meeting

Chair Scheibe thanked everyone present for attending the annual meeting and encouraged them to attend the lunch scheduled for after the meeting and listen to the presentations that will be given by the District’s partners to get a better understanding of how the assessment funds provided by local industry are being utilized, as well as to meet the people who are working to secure the area of the District.

4. Approval of Minutes of October 18, 2022, Board of Directors Meeting

Secretary Bass advised the Board that the draft minutes of October 18, 2022, were distributed as part of the Board Book materials and asked if there were any comments on said minutes. There being none, Director Thomas moved to approve the minutes of the October 18, 2022, meeting, as presented. Director Burke seconded the motion, which passed unanimously.

5. Engage McCall Gibson Swedlund and Barfoot PLLC as Auditor for Fiscal Year 2022

Mr. Cusick advised the Board that Brian Toldan was not able to attend today's meeting and asked that Mr. Cusick present the proposed engagement letter for consideration. Mr. Cusick advised the Board that a copy of the engagement letter was in their Board Book. He explained that the engagement was to audit the District's 2022 fiscal year financials and to file the Texas SB 625 report. The proposed fees are consistent with the fees proposed for last year's audit. Director Thomas moved to accept the proposal from McCall Gibson Swedlund and Barfoot PLLC to prepare the District's fiscal year 2022 audit report and authorize the Chair to sign the engagement letter for same on behalf of the District. Director Burke seconded the motion, which passed unanimously.

6. Chairman's Annual Report to the Board

Chair Scheibe noted that securing the Port requires the efforts and cooperation of a number of different persons and entities, and stressed the importance of the partnership of industry and law enforcement through the District. He added that such partnership is unique and, to his knowledge, an entity like the District does not exist anywhere else in the United States. He then presented the Chairman's report, a copy of which is attached as Exhibit A.

10. A Proposal by Sam Houston State University Institute for Homeland Security (SHSU-IHS) to Develop Professional Development Training Programs for Maritime Professionals Responsible for protecting the Critical Infrastructure

Chair Scheibe advised the Board that the Sam Houston State University Institute of Homeland Security has submitted a proposal to the District to design and provide an advanced education course of study for infrastructure managers. The proposal includes a Phase I no-cost pilot program designed as a proof of concept for the training. Phase II would then be the creation of professional development training modules. SHSU-IHS would develop these modules and offer them at \$199.99 per student per module. Following discussion on the matter, Director Krietemeyer moved to proceed with Phase I of the SHSU-IHS proposal at no cost to the District. Director Thomas seconded the motion, which passed unanimously.

7. Treasurer's Annual Report

Director Pace presented the Treasurer's annual report. A copy of the report is attached to these minutes as Exhibit B.

8. Approval of the Fiscal Year 2023 Annual Operating Budget

Director Pace explained to composition of the annual budget and amounts involved in each of the

sections of the budget. A copy of the annual budget report is attached as Exhibit C, and the budget as Exhibit D. Director Thomas moved to approve the 2023 operating budget as presented. Director Krietemeyer seconded the motion, which passed unanimously.

9. Approval of October Checks

Director Pace advised the Board that there were two checks over \$15,000, therefore requiring approval by the Board, as follows: (1) payable to Harris County in the amount of \$120,788.77 for Universal Services Port Security Grant reimbursement and Harris County Sheriff's Office for September fuel reimbursement; and (2) payable to Texas Department of Public Safety for \$176,694.73 for reimbursement for Maritime Security Analysts' salaries and expenses. Director Krietemeyer moved to approve the checks as presented. Director Nelson seconded the motion, which passed unanimously.

11. Approval of the Seventh Amended and Restated Interlocal Agreement with the City of Baytown

Mr. Ringold advised the Board that the proposed Seventh Amended and Restated Interlocal Agreement with Baytown incorporates the terms and conditions of the existing agreement and adds in provisions to include the 2022 PSGP projects approved by FEMA with the 25% cost match by the District and the 2023 security services approved by the Board. Following discussion, Director Krietemeyer moved to approve the Seventh Amended and Restated Interlocal Agreement with the City of Baytown and authorize the Chair to sign same on behalf of the District. Director Pace seconded the motion, which passed unanimously.

12. Approval of Letter Agreement with the City of Houston for 2022 Security Projects and 2023 Security Services

Mr. Ringold reminded the Board that the Amended and Restated Interlocal Agreement with the City of Houston provides that annual amendments to said agreement may be made by a letter agreement. He then presented and discussed a proposed letter agreement between the City of Houston and the District that incorporates the 2022 PSGP projects approved by FEMA with the 25% cost match by the District and the 2023 security services approved by the Board into the Interlocal Agreement. He noted that the letter agreement is still under review by the City, and there may be minor adjustments thereto based upon the City's comments, if any. Following discussion, Director Burke moved to approve the Letter Agreement, subject to minor revisions thereto which are approved by the Chair. Director Thomas seconded the motion, which passed unanimously.

13. Approval of Eleventh Amendment to the Interlocal Agreement with Harris County for 2022 Security Projects and 2023 Security Services)

Consideration of this item was deferred until the December meeting.

14. 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 reminded the Board that the Port Authority is exempt from the annual assessment. However, since the first assessment in 2010, the Port Authority has made a voluntary donation to the District equivalent to the second highest assessment amount each year. Also, for the last several years, the Port Authority has agreed to maintain an information sharing hub for the security of the District, with the District utilizing a portion of the funds committed by the Port Authority to defray the costs of that information sharing hub. He then reviewed the terms and conditions of the proposed Agreement with the Port of Houston Authority for calendar year 2023. Following same, Director Pace moved to approve the agreement with the Port of Houston Authority, as presented. Director Bass seconded the motion, which passed with Director Thomas abstaining from discussion and participation in the vote.

15. Approval of Second Amendment to Agreement with Texas Department of Public Safety for Security Analysts Salary and Expenses

This item was deferred until the December meeting.

16. Approval of a Request by Harris County Universal Services to Extend the Completion Date of FY2018 IJ #1 to November 30, 2022, as Approved by FEMA

Mr. Vince Palumbo of Harris County Universal Services advised the Board that supply chain issues have delayed the completion of the project beyond the August 31, 2022 deadline. Therefore, the County requested an extension of the performance period, which request has been granted by FEMA. Director Bass then moved to approve the request for an extension on behalf of the District. Director Thomas seconded the motion, which passed unanimously. Mr. Palumbo noted that the project has since been successfully completed within the extension period.

17. Approval of a Request by Harris County Sheriff's Office to Modify the FY2020 PSGP IJ #2, Marine & Dive Equipment and Training, Substituting Line Item Funds Between Equipment and Training, as Approved by FEMA with no Change in the Overall Cost.

Lieutenant David Jasper explained that the modification request was to eliminate multiple diving classes in favor of a single hard hat diving course, which will result in no additional cost. Director Thomas moved to approve the request. Director Nelson seconded the motion, which passed unanimously.

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

Mr. Ringold advised there was nothing additional to be covered today under the legal report.

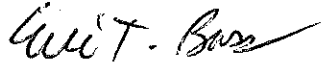
19. Adjourn.

Director Thomas moved to adjourn the meeting at 10:42 AM. Director Krietemeyer seconded the motion, which passed unanimously.

Next Meeting.

The next meeting of the Board will be on December 13, 2022, at 2:00 PM.

The above is a correct copy of the Minutes of the November 8, 2022, annual meeting of the Board of Directors of the Houston Ship Channel Security District.

A handwritten signature in black ink, appearing to read "Eric T. Bass", written in a cursive style.

Eric Bass, Secretary

LIST OF EXHIBITS:

- A. Chairman's Report to the Board
- B. Treasurer's Annual Report
- C. FY2023 Annual Operating Budget Report
- D. FY2023 Operating Budget

**Chairman's Annual Report
November 8, 2022**

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 obtained over **\$2.5 million** for Security Projects in 2022. 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** almost **\$.75 million** to update the firefighting simulator; Port patrol and dive unit training and equipment enhancements; and Continue the build of a new Marine Tactical Operations Center.
 - **Harris County CTS** over **\$1 million** for upgrades to Port Security Surveillance System
 - **City of Baytown** over **\$.75 million** for improvements and upgrades to the Bomb Squad/SAR Teams training 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

- Attendance at the Security District training early this year continued to be limited by industry restrictions on employee attendance at large group meetings. Attendance picked up as the year went on and by the last quarter of the year, classes were at capacity.

- The District also sponsored in-person meetings and virtual webinars including:
 - a TWIC Reader Rule workshop;
 - an information sharing meeting with the CFATS Associate Director Kelly Murray; and
 - a CFATS Risk Tiering presentation.

- We are looking at other education and training opportunities, with institutions of higher learning, for the employees of the companies and facilities of the District.

- The HSCSD continued the **funding of \$177,000** 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 incredibly pleased with the work we have seen produced by them so far over the past years.

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 are constantly engaging to make sure we are 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.

Treasurer's Annual Report 2022

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 \$8,034,355.27 in funds on-hand and is projected to end the current fiscal year with \$8,500,000 in the bank. The District collected 99.19% of FY2021 assessment. The supply chain delays and remnants of the impact of last year's system changes and the pandemic continue to slow project completions and reimbursement requests. Therefore, expenses are behind budget for the current year to date. The District has collected approximately 12% of the 2022 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.

Approval of the 2023 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, 2023. The proposed budget reflects anticipated income of \$2,518,125 against anticipated expenses of \$4,563,178. The difference between income and expenses will be covered with surplus funds on hand from prior years' revenues.

Projected income consists of:

- \$2,356,450 in assessment revenue; and
- \$61,675 in contract revenue received from the Port Authority.
- \$100,000 in Interest Income accounts for the remainder.

Projected expenses consist of:

- \$2,565,736 in grant matching funds.
- \$267,231 in direct funding for capital projects by law enforcement partner agencies.
- \$848,802 in funding to law enforcement partner agencies for enhanced security services within the District
- \$200,000 for training available to District facility employees and law enforcement personnel.
- \$20,000 in funding for the Cyber ISAC at Port Houston
- \$220,000 in funding for the State security analysts; and
- \$311,000 in general operating and administrative expenses of the District.

Several highlights of the proposed budget are:

- The assessment rate was not increased this year, still allowing us to maintain the surplus funds at a 2-year balance.
- The District has committed to provide \$630,046 in support of new security projects in the upcoming year, compared to \$802,000 in 2021. All the \$630,046 is in grant matching funds, meaning the District is getting a 4 to 1 return on that investment. That means the District is facilitating over \$2.5 Million in benefit to our member facilities in the upcoming year. Port Security Grant Program requests and federal approvals were less this year than precious years There continues to be \$2,202,921 committed to Port Security Grant Program (PSGP) funding for FY2018 thru FY2021 existing security projects.
- The District has committed to provide over \$1 Million in support of enhanced security services within the District for 2023, 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 7% of the overall budgeted expenditures. That means we are putting more than 93 cents of every dollar received by the District to work towards security projects and services, with 65% 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 Exhibit D
Operating Budget
For FY 2023

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

Account ID	Account Description	Account Type	Total	
	Income			
4000	Assessments	Income	2,356,450	
4002	Assessment Reduced on Appeal	Income	-	
4100	Interest Income	Income	100,000	
4350	Contract Revenue	Income	61,675	2,518,125
	Operations Expense			
6425	Postage & Delivery	Expenses	2,400	
6450	Office Supplies Expense	Expenses	2,000	
6460	Administrative Services	Expenses	180,000	
6470	Legal Fees	Expenses	75,000	
6475	Audit Fees	Expenses	15,000	
6500	Telephone Expense	Expenses	500	
6550	Other Office Expense	Expenses	3,600	
6575	News Letter	Expenses	2,000	
6600	Advertising Expense	Expenses	500	
6700	Meeting Expense	Expenses	10,000	
6725	Travel	Expenses	5,000	
6750	Meals & Entertainment	Expenses	2,000	
6850	Service Charge Expense	Expenses	3,000	
6950	Insurance Expense	Expenses	10,000	311,000
	PSGP Reimbursement			
7000	Harris County Grant Matching Funds			
7000.181	Port Security Surveillance System	Expenses	36,786	
7000.182	Marine Unit Multi-mission Interceptor	Expenses	20,427	
7000.183	Air & SWAT Units Response Capabilities	Expenses	3,282	
7000.184	Dive Unit Defender ROV and Training	Expenses	3,040	
7000.191	Network Infrastructure Upgrade	Expenses	198,360	
7000.193	HCSO Marine Asset Upgrade	Expenses	15,687	
7000.194	HCSO Bomb Unit Robot and Accessories	Expenses	404	
7000.201	Port Security Surveillance System	Expenses	316,667	
7000.202	HCSO Marine & Dive Unit Upgrade	Expenses	164,895	
7000.204	HCSO Helicopter Downlink & Rescue Equipment	Expenses	60,976	
7000.211	Port Security Surveillance System	Expenses	333,333	
7000.212	HCSO Marine & Dive Unit Equipment & Training	Expenses	93,692	
7000.221	Port Security Surveillance System	Expenses	268,372	1,515,920
7001	City of Houston Grant Matching Funds			
7001.182	COH Wide Area Surveillance	Expenses	1,286	
7001.183	COH Waterborne Patrol Enhance & Sustain	Expenses	29,875	
7001.184	COH Interagency Marine Ops Center	Expenses	48,885	
7001.185	COH HPD Specialized Teams Sustain	Expenses	823	
7001.192	COH Multiagency Boat Service Bldg	Expenses	66,518	
7001.193	COH Rapid Response Boat	Expenses	11,990	
7001.194	COH Helicopter Camera & FLIR	Expenses	35,329	
7001.202	COH Air & Marine Unit Enhancements	Expenses	60,279	
7001.203	COH Shipboard Firefighting Simulation Modules	Expenses	103,685	
7001.204	COH HFD Replacement HazMat Response Vehicle	Expenses	2,405	
7001.213	COH Emergency generator & Communications	Expenses	65,819	
7001.215	COH Shipboard Firefighting Prop Enhancements	Expenses	248,749	
7001.221	HPD Bomb Squar Render Safe Training	Expenses	12,500	
7001.222	HPD Dive Team Equipment Enhancements and Training	Expenses	48,076	
7001.223	HPD Port Patrol Training Supplies, Communications Equip Expen	Expenses	18,123	
7001.225	Shipboard Firefighting Prop Enhancements	Expenses	88,000	842,341
7002	City of Baytown Grant Matching Funds			
7002.199	COB NASBLA & BOAT Training	Expenses	156,300	
7002.208	COB High/Low Angle Rescue Equipment	Expenses	76,431	
7002.211	Sustain Typel BARBS & Type II Dive Team	Expenses	12,500	
7002.218	Marine Firefighting Training	Expenses	34,530	
7002.221	Sustain Bomb/SAR Team Maritime Operations	Expenses	174,500	

Houston Ship Channel Security District
Operating Budget
For FY 2023

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

Account ID	Account Description	Account Type	Total	
7002.222	Bomb Squad/USAR Team Maritime PPE	Expenses	20,475	474,736
				2,832,997
	Operational Expense Reimbursement			
7011.001	HCSO Marine Fuel	Expenses	83,584	
7011.003	HCSO Vehicle Fuel	Expenses	62,093	
7011.005	HCSO Aviation Fuel	Expenses	59,140	
7012	HC-US O&M	Expenses	515,600	
7013	HC-Engineering O&M	Expenses	41,365	
7030	HPD Aviation Fuel	Expenses	34,020	
7031	HPD Marine Fuel	Expenses	53,000	848,802
	Security Project Support			
7071	Fusion Center Support	Expenses	220,000	
7072	MTS-ISAC/Slack Licenses	Expenses	20,000	
7073	Education & Training	Expenses	200,000	440,000
	Revenue		2,518,125	
	- Expenses		(4,432,799)	
	Net Income (Shortfall to be funded by current surplus)		(1,914,674)	