

Adaptive-Reuse of
The Old Historic 1926 Yacht Club
REGIONAL CULINARY ARTS
& HOSPITALITY SCHOOL

Report of Hales-Bradford, L.L.P.

Our firm was retained on October 24, 2016 by the City of Port Isabel to at minimum investigate the following items related to The Port Isabel Economic Development Corporation **The Culinary Arts Institute (The Yacht Club)** project.

The engagement was performed in accordance with the Statement on Standards for Consulting Services issued by the AICPA. Procedures related to this engagement include gathering relevant facts by examining financial statements, programmatic documents, board minutes, and personnel inquiry related to the projects in question for the purpose of assisting the client in answering the following:

1. If the city prepared a plan of finance prior to beginning the project, and if so, were the projections contained in such a plan reasonable and supported by documentation?
2. If the city properly procured professional services related to the project?
3. If the city expended funds borrowed for the project for the stated purpose?
4. If the city received monetary value for the expenditures made as part of the project?
5. Did city officials make accurate statements to the public about the project?
6. Did city officials receive payments, gifts or gratuities from any person connected with the program?

History

In the early part of 2014, Petra Reyna was providing the City of Port Isabel with consulting services on a variety of issues, and presented City officials with a proposal, which would (1) *restore, reuse and rescue the endangered 1926 building "The Yacht Club"* and (2) *build a Culinary Arts Institute with supporting restaurant and hospitality suites*. In addition, she introduced Teresa Fonseca of STAR Consulting (Laredo, TX) who represented herself as an expert in "old structures".

Reyna suggested petitioning Preservation Texas, Inc. and the Texas Historic Commission in hopes of including the building as a historical landmark.

City authorities decided that the best way to start this project was through attempts to acquire the Yacht Club Hotel property. The property had been used in a limited fashion, for numerous years. At the time, the property was on the Cameron County tax rolls at the appraised value of \$477,770 (Cameron County Appraisal was \$463,770), current property taxes (as per appraisal report) were \$11,395.

The consensus of the city authorities, at the time was that they would agree to pursue the plan of developing the "Culinary Arts Institute".

Petra Reyna had been rendering her services to City of Port Isabel Economic Development Corporation since 2009, at the time of the events; she was being paid management fees of \$3,000 per month as underwriter of the Revolving Loan Program, and as a consultant (an additional \$3,000 per month) for the following services:

1. Establishment and /or enhancement of city parks and green areas.
2. Historical preservation
3. Establishment of a medical facility
4. Revitalization of the Port Isabel Navigation District
5. Maintain a transportation partnership with TX Dot

On February 4, 2014, (shortly after being introduced by Petra Reyna), Teresa Fonseca entered an into a **pro-bono services contract** with PIEDC, the purpose of the contract was to provide an initial plan of action for the building restoration and search of funding sources. Pro-bono services up to 480 total hours, (FMV \$48,000) 200 hours were **designated** to Petra Reyna to assist in **obtaining project financing**, meeting deadlines, communications with authorities as needed, and Fonseca's 280 hours for study, **pre-design services**, surveys, **programming**, tenant relations, coordination of owner's consultants, and historical preservation.

The payments under this agreement were proposed to be a donation with a monetary value for the hours worked, assigned at a pro-rated average rate of \$100/hour. However, at the same time, Petra Reyna had arranged a **separate agreement** with PIEDC for \$16,000 to **help obtain funding** by applying for a \$1.2 Million grant at Economic Development Administration (EDA).

On August 20, 2014, Fonseca submitted her only invoice for donated services provided from February to June 2014, under the pro bono contract signed on February 4, 2014. The invoice reflected approximately 20 hours of pro-bono work performed at a FMV of \$1,997.

There was no evidence of any hours worked at pro-bono rate by Petra Reyna, related to project financing or other matter.

At the request of Teresa Fonseca, Solorio Engineering presented a study on February 20, 2014 that indicated extensive structural damage in the building, due to water infiltration. The study also found rotten wood in the roof area, structural framing, and the foundation due to the water infiltration during the previous years. Page 9 of the report indicates, **"The structure is deteriorating at an increase rate"**.

Despite this report, Fonseca presented the initial investigative study and research on the Yacht Club property. The report included preliminary construction cost of \$4,158,495 for preservation, rehabilitation, and culinary school modifications. The pro-formas prepared by Fonseca AIA, STAR Consulting for EGV Architects, Inc.

Typically, architects are hired to design and then as a matter of course protect the interest of the organization that has hired them. In seven months, STAR Consulting received from the City of Port Isabel, \$324,881 for her services from (November 07, 2014 to May 06, 2015).

The chronological order of events following this section shows that Teresa Fonseca was involved in the project from the beginning, well in advance of the formal bid process. Further review indicates that she had submitted the majority of her analysis by June 6, 2014.

In order to make this project a reality, City authorities were able to obtain financing from the Texas Leverage Fund. The application was delivered on August 19, 2014 and on August 28, 2014, the loan for \$2,484,500 was approved; proceeds were funded on October 6, 2014. Repayment terms called for a variable-fund rate of plus 3% payable for fifteen (15) years.

On August 30, 2014, the City issued its required Request for Qualifications and the deadline to submit proposals was September 23, 2014. One day after the deadline for receipt, STAR Consulting was selected to be the architectural firm in charge of the project.

The City awarded the contract to STAR Consulting on September 24, 2014.

On October 8, 2014, the City sent a wire transfer for \$745, 557 to Franke Law firm to pay for the property in full. The initial earnest money contract (April 2014) had suggested that previous owner John Hiller might be providing some financing associated with the sale.

In February 2015, **(almost one year after initial conversations regarding the project)** STAR Consulting contacted ECM Brenda Jenkins requesting a third-party review and independent analysis on the cost feasibility of the project. On February 19, 2015, ECM toured the property with Ed Meza and Petra Reyna and requested documents in order to perform the analysis.

ECM received the requested documents, the week of June 22, 2015 **(four (4) months after the request was made)** ECM prepared and revised estimate of potential costs based on the assumptions provided in those documents and conference calls with Fonseca and Reyna.

The report was presented on July 17, 2015. Page four from ECM report **“This due diligence would also have been valuable information for decision-makers prior to the purchase of the property”**. Also, on page four **“based upon 30 years of experience in construction, development, management and appraisal of commercial property these values substantially exceed what could be considered a commercially viable project”**.

In October 2015, Port Isabel Commission voted to request termination for convenience of EDA project.

Chronological Order of Events

- February 3, 2014 - Petra Reyna presents an invoice dated 2-4-14 for \$8,000 as 50% of Total of \$16,000 grantsmanship service for preparation and submittal of EDA Grant application requesting \$1.2 Million for property property acquisition for the construction of the culinary training facility. Check request date 2-3-14 approved by Edward Meza. Paid from City’s operational account, check # 15490 on 2-3-14.
- February 4, 2014 - Petra Reyna presented Teresa Fonseca (STAR Consulting) as an expert on the preservation and rescue of endangered historic buildings, as a result, the City came to an agreement with Fonseca in which she will perform studies and be in charge of The Yacht Club remodeling, preservation and re-use of the building. The services would be pro-bono with compensation limited to reimbursement expense, acknowledged as contribution to the city at a pro- rated average value of \$100 per hour. Approved by PIEDC Commission on February 11, 2014.
- February 13, 2014 - Teresa Fonseca sends email on behalf of the City to The Texas Historical commission expressing the City’s interest in buying the Yacht Club.
- February 20, 2014 - Solorio Engineering submits a Structural Report of the Port Isabel Yacht Club to Teresa Fonseca with the objective of providing structure status of the building. The conclusion from Solorio indicated **“structure deteriorating at an increase rate”**.
- February 25, 2014 - The Alex Group performed a Mechanical, Electrical, and Plumbing (MEP) Inspection. The recommendations design a new roof top unit system and design a new electrical system with energy-efficient light fixtures and general modifications to the water and sanitary systems.

- March 3, 2014 - STAR Consulting (for EGV Architects) presented a preliminary construction cost pro-forma for the Yacht Club's preservation, rehabilitation and conversion into a culinary school.
- March 10, 2014 - STAR Consulting presents the preliminary Adaptive Re-use of 1926 Yacht Club floor plan layout.
- March 11, 2014 - The Port Isabel Economic Development Corporation sends a commitment letter to the Economic Development Administration in Austin, Texas certifying a \$300,000 allocation representing the non-federal share for the project.
The city's resolution 03-11-2014-01 authorized the City of Port Isabel to submit an application for acquisition and improvement of the Yacht Club and the commitment for \$300,000 20% required match by EDA. Approved by PIEDC Commission.
- March 21, 2014 - Texas Most Endangered List 2014 Nomination form submitted by Edward Meza. The building was condemned in 2005. The owner was willing to cooperate with the city on its efforts to re-use it. The property was in the market for sale at this time and in negotiations with the city for the acquisition.
- March 24, 2014 - The Reyna Network started the application for \$1.2 Million to EDA on February 4, 2014. The application was submitted on June 10, 2014. Reyna charged \$16,000 to submit the application.
Grant application included requesting support of community leaders to get the Yacht Club recognized as a historical building.
- April 29, 2014 - City of Port Isabel Commercial contract signed between the City of Port Isabel, Edward Meza representative and Mr. John Hiller to purchase the Yacht Club property for \$450,000 cash portion payable by buyer at closing, "owner financing" addendum for \$300,000 payable in 5 years for a total of \$750,000, the realtor representing the seller was Dennis A. Franke from Franke realtors who was entitled to received 5% commission from this sale. \$10,000 earnest money (check 15824 from City's operational account) was given to John P. Franke from The Franke Law firm Escrow agent on May 1, 2014.
- June 6, 2014 - STAR Consulting presented the preliminary pro-forma analysis for "Management of rental property, funding-sources, planning and preliminary construction cost".
- June 10, 2014 - The city's resolution 06-10-14-01 authorized the Port Isabel Economic Development to submit a Texas Leverage Fund application for \$1.8 Million. Approved by PIEDC Commission on June 6, 2014.

June 12, 2014 -

The City of Port Isabel sends a letter to the Economic Development Administration in Austin, TX requesting \$1.2 Million for the acquisition and restoration of the hotel (Yacht Club) the facility to serve as the Port Isabel Culinary Arts Institute, training facility and kitchen incubator.

The Port Isabel Economic Development Corporation sends a letter to the Economic Development Administration to certify the allocation of \$2.1 /Million non-federal funds as a 20% matching funds required for a project under EDA Public Works and Economic Development facility.

STAR presents the preliminary pro-forma analysis for management of rental property estimated net projected rental income of \$531,983.

July 11, 2014 -

Petra Reyna presents an invoice for the remaining 50% grantsmanship for preparation and submittal of an EDA grant for \$1.2 Million. Check request approved by Edward Meza on 7-16-14. Paid from City's operational account check number #16758 on 7-18-14

July 24, 2014 -

Appraisal Associates \$2,800 fee (paid check 16804 from operational account on 7-30-14) for appraisal on The Yacht Club Hotel & Restaurant. The market value as of July 10, 2014 as per Yves de Diesbach and Adelaido Gonzales Jr. appraisers was \$760,000. The appraisal analysis gave the property an additional value because it was considered to be historic landmark for Port Isabel, indicated as placed on the list of the endangered historical buildings, also based on projections of rental income and improvement cost.

Cost approach value of \$460,000 was mentioned in the report, yet appraiser used income approach to estimate value of \$760,000 on anticipated earnings of \$75,000 per year.

Page 28 of appraisal states at the time of the appraisal **“all the bedrooms were leased and the appraisers were not allowed to inspect them”**.

August 7, 2014 -

Port Isabel Development Corporation resolution 08-07-14-01 to authorize and approve the loan from the Texas Leverage Fund, approved at PIEDC meeting.

August 14, 2014 -

Environmental report, presented by Fred L. Kurt and prepared by Melden & Hunt, evaluated land use, floodplains, wetlands, historic properties, biological resources, water quality, costal resources, socio-economic and environmental justice issues, related to the ongoing

project. No significant observations other than special attention to the biological resources (trees, native materials).

August 19, 2014 -

The City submitted the loan application to the Texas Leverage Fund for \$2, 484,500 signed by Joe Vega, Mayor, and Edward Meza, City Manager.

Application details projected capital investment as follows:

Infrastructure	\$ 481,434
Building	750,000
Labor on Construction	3,209,561
Machinery & Equipment	467,500

Loan amount requested	2,484,500
Grants	\$1,200,000

August 20, 2014 -

Port Isabel Economic Development Corporation certifies receipt of Texas Leverage Fund program guidelines. Signed by Rene Nava, City of Port Isabel Finance Director.

The projected dates and milestones on the application:

Begin Construction: November 1, 2014

Construction Complete: February 1, 2017

Purchase Machinery and Equipment: February 1, 2016

Teresa Fonseca submits Invoice 1 for \$1,997 as recognized contribution for pro-bono services provided from February 14- June 10 2014 as per contract dated February 4, 2014.

August 21, 2014 -

W-9 PIEDC signed by Rene Nava, Finance Director.

August 22, 2014 -

Direct deposit authorization form to receive loan proceeds in the City of Port Isabel operational account.

August 22, 2014 -

City of Port Isabel certificate of election to designate one-half of one percent Local Sales & Use Tax for EDC, will serve as collateral for the Texas Leverage Fund loan.

August 28, 2014 -

Texas Leverage Fund approved the loan for \$2,484,500 for fifteen (15) years, variable-federal funds interest paid at rate plus 3%.

August 30, 2014 -

Request for Statement of Qualifications Architectural and Engineering design services for Historical project RFQ# PICAI-2014-01:

Issue Request for Qualifications	8-30-2014
Pre-submittal conference	9-9-2014 at 10 AM CT
Deadline for receipt of SOQ	9-23-2014 Tuesday at 4:00 PM

“Sealed responses should be submitted in writing to Edward Meza”.

- September 3, 2014 - Robert Collins City attorney certifies he has fully examined the Texas Leverage Fund loan agreement, acceptance and execution.

- September 4, 2014 - Office of the Governor Economic Development and Tourism Division Texas Leverage Fund loan agreement and promissory notes signed by the Port Isabel Economic Development Corporation, City Manager Edward Meza and City Mayor Joe Vega.

- September 9, 2014 - Pre-submittal conference. No evidence found that conference took place.

- September 12, 2014 - Texas Historical Commission unable to make determination on registering the building in the list of historical places due to lack of construction documents, photographs and proof that the building has been rehabilitated.

- September 22, 2014 - U.S Department of Commerce, Economic Development Administration (EDA) granted financial assistance for \$1,200,000 to the City of Port Isabel, the special award specified standard terms and conditions, allowable cost and authorized budget and project development time schedule:

Return of executed documents	30 days after forms received
Start Construction	24 months from date of award
Construction Completed	36 months from date of award

Grant administration plan delivered within 60 days of acceptance, among other conditions NOT MET by the City.

- September 23, 2014 - Deadline for Receipt SOQ. See **Exhibit 1** of SOQ reviewed.

- September 24, 2014 - STAR Consulting was the architectural firm chosen to do the “Culinary Arts Institute” project. (See **Exhibit 1** for recap of proposals reviewed).

- October 6, 2014 - Origination Fee Invoice for the Texas Leverage Fund Loan due date:

\$17,457 First monthly payment due on loan	November 1, 2014
\$24,845 Origination fee due (1% from loan)	November 5, 2014

- October 8, 2014 - Wire Transfer for \$745,557 to pay for the property in full was sent from the City’s operational account to John Franke, escrow agent.

- October 22, 2014 - **Programming** agreement begins between owner and STAR Consulting for Yacht Club renovation project.
- Compensation: \$63,000 fixed fee
 \$60,000 for services of specialized consultants
 \$20,000 for reimbursable expenses
- October 24, 2014 - **Without a Predefined Scope of Architect's Services** agreement begins between owner and architect STAR Consulting, compensation as follows:
- | | |
|---|------------------|
| Pre-design services and stabilization design for construction | \$238,100 |
| Services of specialized Consultants and additional services | 313,000 |
| Reimbursable Expenses | <u>77,000</u> |
| | \$628,100 |
- November 4, 2014 - First draw request received from STAR, total of \$82,927 for services paid on 11-7-14 from City's operational account check 17497 under contract October 22, 2014.
- December 9, 2014 - Proclamation by the City of Port Isabel, Texas for Dennis Franke In appreciation in support of acquiring the Historic Port Isabel Yacht Club for a Culinary Institute.
- December 23, 2014 - Second draw request received from STAR, total of \$77,921 paid on 1-5-15 from City's operational account, check 17872 under contract October 22, 2014.
- January 7, 2015 - Texas Historical commission sends a letter to Petra Reyna stating the design proposal for Yacht Club Culinary Institute must be approved by the agency before any construction or remodeling starts. The project proposal form due date to submit February 27, 2017.
- January 14, 2015 - Third draw received from STAR, total of \$40,156 paid on 1-16-15 from City's operational account check 17966 under contract dated on October 22, 2014.
- February 2, 2015 - STAR Consulting (EGV Architects) presents the Yacht Club Culinary Arts Institute preliminary proposed floor plan. At this time, STAR contacted ECM International (Brenda Jenkins) to conduct a third party review and independent analysis of the cost feasibility of the project.
- February 9, 2015 - Fourth draw request received from STAR, total of \$48,773.73 paid on 2-10-15 from City's operational account check # 18144 under contract dated on October 22, 2014.

- February 19, 2015 - Brenda Jenkins and Terry Whitman, representatives from ECM, met with Fonseca, the following day they toured the property with Ed Meza and Petra Reyna. Based on communications with Fonseca, Reyna and Meza review of existing documentation and site observations, ECM was tasked with developing an initial estimate of cost to stabilize and renovate the existing building in order to being marketed as a commercial enterprise. ECM requested related documents from Fonseca and Reyna.
- February 27, 2015 - Petra Reyna prepares submission of the request to the Texas Preservation Fund for second attempt to get the Yacht Club recognized and included in the list of historical buildings.
- March 17, 2015 - Fifth draw request received from STAR total of \$20,041 paid on 3-19-15 from City's operational account check # 18412 under contract October 22, 2014.
- March 25, 2015 - Sixth draw request received from STAR total of \$21,890 paid on 3-26-15 from City's operational account check #18446 under contract October 22, 2104.
- May 5, 2015 - Seventh draw request received from STAR total of \$33,171 paid on 5-6-15 from City's operational account check #18725 under contract October 22, 2014.
- May 26, 2015 - Capital One Commercial Banking request documents related to the Yacht Club Culinary Arts Project.
- June 3, 2015 - Petra Reyna presents a work plan to accomplish the projects under her role as a consultant, including the Yacht Club.
- June 22, 2015 - Documents requested by ECM to Fonseca and Reyna provided this week. ECM worked on analysis of documents and delivered a report comparing facility assessment, design options, financial options and cost with Fonseca's reports.
- June 23, 2015 - Teresa Fonseca and Petra Reyna gave a summation of the progress on The Yacht Club project to the City commission.

July 17, 2015 -

ECM presented a report comparing ECM vs Fonseca:
Economic Model
Total Project Cost (TPC) Budget by Phase
ECM conclusion was that the scenario under Fonseca's planning and projections was not feasible.

October 15, 2015 -

Port Isabel City commission voted to request termination for convenience of EDA Project Number 08-0105001 for the port Isabel Yacht Club Culinary School, due to difficulties in securing tenants for the space yet to be renovated, signed by Jared Hockema.
This decision as well protects the City of Port Isabel from be out of compliance under the EDA terms for the use of grants.

Questions/Responses

1. Did the City prepare a plan of finance prior to beginning the project, and if so, were the projections contained in such a plan reasonable and containing supported documentation?

Response:

The City did not prepare a detailed plan of finance prior to beginning the project. Teresa Fonseca submitted to the City a very broad estimate of project cost in addition to projected rental income (annual) from the following sources (**June 6, 2014**):

<u>Source</u>	<u>Estimated rental income</u>
<i>Culinary Arts School-</i>	\$125,225
<i>Restaurant-</i>	171,078
<i>Catering Kitchen and Guest Suites-</i>	225,000
<i>Economic Development Offices-</i>	<u>10,680</u>
<i>Total rental income</i>	<u>\$531,983</u>

Her analysis does not contain a business plan that would either explain or answer many of the questions that need to be addressed before a project of this magnitude would begin. For example:

1. Who is going to look for possible tenants?
2. Does the City have a budget and a plan to reach potential tenants?
3. Has the City talked to experts in all fields related to the project? E.g., colleges, universities, national chain restaurants, economic development offices, catering services, and national hotel chains.
4. Who is going to negotiate and create the lease agreements?
5. What is the timeframe to lease 100% of the project?
6. What if the city is not able to get any tenants?
7. What is the minimum amount of rent that the City can accept in case they are unable to lease the property?
8. Does the City have letters of intent of possible tenants, such as colleges, restaurants, hotels, or any other possible tenants?

2. Did the City properly procure professional services related to the project?

Response:

Although the City technically followed procurement procedures, the manner in which the city chose the architectural firm appears to indicate a pre-determined outcome. STAR had been involved in the project for several months before the RFQ was submitted to the public.

The Request for Qualifications (Bid) was submitted to the public on August 30, 2014, and the deadline for receipts of RFQs was September 23, 2014. After receiving all bids from the participating firms, the City officials decided that STAR Consulting was the best option.

This decision was made one day after all applications were received. To properly study, review and analyze all eight (8) bids received, the City would have needed substantially more time.

Teresa Fonseca was involved in the project since February of 2014. The request of qualifications to award the contract was made public on August 30, 2014 and awarded to Fonseca on September 23, 2014. When this process started, she had material information and had been participating in the project for months, an advantage that other candidates did not have.

STAR submitted its first draw request on November 4 14 for \$82,927. It is doubtful that all work involved was performed after contract award.

3. Did the City expend funds borrowed for the project for the stated purpose?

Response:

The City did not expend borrowed funds entirely for the stated purpose. Estimates and actual funding for the project were as follows:

	<u>Estimates</u>	<u>Actual Funding</u>
1. Texas Leverage Fund(loan)	\$1,800,000	\$2,484,500
2. EDA Grant	1,200,000	-0-
3. EDA local match	300,000	-0-
4. Texas Historical Commission CLG	80,000	-0-
5. Texas Historical Commission TPTF	620,000	-0-
6. Private foundation Grants	<u>1,000,000</u>	<u>-0-</u>
	<u>\$5,000,000</u>	<u>\$2,484,500</u>

Out of the six sources mentioned above, the City was only awarded funding from two:

1. A loan from the Texas Leverage fund for \$2,484,500, payable in 15 years, with a variable-federal funds rate 3% plus.
2. A grant from the Department of Commerce Economic Development Administration (EDA) for \$1,200,000.

Ultimately, the City made a request to the Department of Commerce Economic Development Administration (EDA) for the voluntary termination of the grant because the City concluded it would not be possible to comply with the EDA's requisites (See 9-22-14 and 10-15-17).

With an original estimated cost of \$5,000,000, total actual disbursements were \$1,187,185 and the only funding source was the Texas Leverage Fund loan for \$2,484,500. The difference between the amounts (\$1,297,315), were commingled into the City's accounts.

4. Did the City receive value for expenditures made as part of the project? (See Exhibit-2)

Response:

The major expenditures for this project were the following:

1. Purchase of the building	\$ 750,000
2. STAR Consulting – Architectural firm (See Exhibit-3 and 4)	326,879
3. Reyna and Associates – Consulting services	16,000
4. Other expenses (fees, appraisal, utilities, etc.)	<u>94,306</u>
	<u>\$1,187,185</u>

Purchase of the building

The City purchased the building for slightly less than its appraised value of \$760,000. After the purchase, the property was removed from the tax base resulting in an opportunity loss for the City. Ultimately, the property sold for \$430,000 resulting in a loss on sale of \$330,000.

The appraisal was provided to the City on July 22, 2014, this was almost 3 months after officials executed a sales contract on April 29, 2014. It valued the property in two ways utilizing the (1.) cost approach without improvements (\$470,000) and (2.) The income approach (\$760,000)

The appraiser (Appraisal Associates) ultimately selected the income approach and valued the property at \$760,000, even though it had been valued by the Cameron County appraisal district at \$463,000 in 2014.

These are serious questions about the chosen methodologies used to value the property with obvious implication being that the appraiser simply matched the value of the contract executed months before.

In 2018 the City sold the property for \$430,000, strongly suggesting that the more accurate valuation in 2014 would have been the appraisal district value of \$460,000. The City did not receive value for the \$750,000 used to purchase the building.

STAR Consulting

The City paid STAR Consulting \$326,879 for services performed as follows:

Pro-bono Services Contract - From February 4, 2014 to July 16, 2014 (\$1,997) invoiced, paid on August 20, 2014.

Architects Services Contract - From September 2014 to April 2015 (\$324,882) invoiced, paid from November 7, 2014 to May 6, 2015.

Based upon our review of documentation, it appears that most of the work performed by STAR Consulting actually took place during the period of time governed by the “pro-bono services contract” between STAR and the City. It was not reflected as such on invoices submitted.

After the “architects services contract” was awarded on September 24, 2014 and signed on October 22, 2014, STAR invoiced the City a total of \$324,882 (September 2014 – April 2015). We have not been able to identify any work product that equates to this amount of architectural work performed during this period of time.

As a result, the City did not receive value for expenditures paid to STAR Consulting.

Reyna and Associates

In addition to her monthly consulting contract with the City, Reyna and Associates invoiced the City \$16,000 for submitting a grant application to the EDA, requesting \$1.2 million for property acquisition. The grant was ultimately awarded but never utilized because the City fell out of compliance with grant requirements for project completion. Coincidentally, the City had a grant writer on staff during this period of time.

The City did not receive value for these expenditures paid to Reyna and Associates.

Other Expenses

Other expenditures incurred during this period of \$94,306, were primarily for an appraisal, basic maintenance, pest control and utilities for the facility; up until the time it became apparent that the project never had merit.

With the exception of the appraisal, the city did receive value for maintenance, pest control and utility expenditures.

5. Did City officials make accurate statements to the public about the project?

Response:

Information contained in the application for funds to the Texas Leverage Fund and the Department of Commerce Economic Development Administration (EDA) , was inaccurate.

Public forums held throughout the process, routinely made the project appear much more feasible than it was in reality.

6. Did City officials receive payments, gifts or gratuities from people connected with the program?

Response:

Our work as well as interviews with City employees strongly indicate a very close and personal relationship between Petra Reyna and Ed Meza, and many employees indicated knowledge of gifts being exchanged between the two. Without access to personal records of the various consultants involved, it would be difficult to affirmatively verify.

This report is the summary of our consulting engagement and it is issued for the internal administrative use of the City of Port Isabel. Our findings are based on limited documentation provided as part of the analysis and should not be used by outside parties.

RESERVATION OF RIGHT TO AMEND

In the event additional documents and/or other discovery material are made available to me after the submission of this report, I respectfully reserve the right to amend this writing, as appropriate



Billy R. Bradford, Jr.

August 27, 2018

<u>Proposals received</u>	<u>Reviewers</u>	<u>Points assigned</u>
1. STAR Consulting (Laredo, TX)	Ed Meza	100
	Petra Reyna	100
	Robert Salinas	95
	Mari Galvan	<u>100</u>
		395
2. VOH Architects (Austin, TX)	Ed Meza	80
	Petra Reyna	100
	Robert Salinas	100
	Mari Galvan	<u>97</u>
		377
3. NEGRETE & KOLAR (Edinburg, TX)	Ed Meza	78
	Petra Reyna	77
	Robert Salina	100
	Mari Galvan	<u>80</u>
		335
4. RUIZ ROBERTO J. RUIZ (Brownsville, TX)	Ed Meza	62
	Petra Reyna	57
	Robert Salina	74
	Mari Galvan	<u>58</u>
		251
5. ICE-International Consulting Engineers (Edinburg, TX) *See Bid submitted	Ed Meza	50
	Petra Reyna	28
	Robert Salina	29
	Mari Galvan	<u>27</u>
		134
6. GMS ARCHITECT (Brownsville, TX)	Ed Meza	30
	Petra Reyna	60
	Robert Salina	54
	Mari Galvan	<u>46</u>
		190
7. ROFA ARCHITECTS (McAllen, TX)	Ed Meza	47
	Petra Reyna	69
	Robert Salina	85
	Mari Galvan	<u>51</u>
		252
8. GIGNAC 7 ASSOCIATES (Brownsville, TX)	Ed Meza	50
	Petra Reyna	40
	Robert Salina	70
	Mari Galvan	<u>45</u>
		205
9. SAM GARCIA ARCHITECT (McAllen, TX)	Ed Meza	17
	Petra Reyna	17
	Robert Salina	15
	Mari Galvan	<u>12</u>
		61

City of Port Isabel
Yacht Club

Extracted from: General Ledger Fund 308 Yacht Club

Date Paid	Check request \$	City acct./description	Invoice #	Memo
Teresa Fonseca/STAR Consulting				
41873	1,997.95	308.0.0.62160/Professional Services	1	Reimbursed expenses
41950	82,927.40	308.0.0.69100/Engineering Architecture	1	Pre design services and Project mgmt
42009	77,921.33	308.0.0.69100/Engineering Architecture	2	Pre design services and Project mgmt
42020	40,156.25	308.0.0.69100/Engineering Architecture	3	Pre design services and Project mgmt
42045	48,773.72	308.0.0.69100/Engineering Architecture	4	Pre design services and Project mgmt
42082	20,041.15	308.0.0.69100/Engineering Architecture	5	Pre design and reimbursed expenses
42089	21,890.00	308.0.0.69100/Engineering Architecture	6	Pre design services and Project mgmt
42130	33,171.61	308.0.0.69100/Engineering Architecture	7	Pre design services and Project mgmt
	326,879.41			
Repairs and Maintenance				
41948	3,369.60	308.0.0.69100/		Hurricane Fence , Co, -24 month temporary fence
41961	410.00	308.0.0.63190/		AAA Island Lock & Key- Service call 8 pick locks + Drill lock NOB entry
41961	85.00	308.0.0.62620/		Marine Electric-troubleshooting
41968	560.00	308.0.0.63190/		Ralph Ayers- Prints for Yacht Club
41991	1,650.00	308.0.0.66220/		Waldo Guajardo Roofing-repairs of leaks
42003	3,850.00	308.0.0.66220/		Waldo Guajardo Roofing-repairs of leaks
42063	50.01	308.0.0.63150		Janitorial Supplies
42065	16,625.97	308.0.0.63095		Janitorial Supplies
42087	7,060.02	308.0.0.62620		American Express-DCON Rat Posion
42101	1,000.00	308.0.0.66220/		Waldo Guajardo Roofing-repairs of leaks
42207	11,193.09	308.0.0.66220/		American Express-DCON Rat Posion
42220	1,950.00	308.0.0.62160		Esparza Pest Control-Flea-bee-wasp
42277	50.01	308.0.0.14500		Janitorial Supplies
42397	79.00	308.0.0.62620		Paredes Pest Control
42481	69.54	308.0.0.62160		Sutherlands flea hornet pest supplies
42566	40.79	308.0.0.62160		The light house, light bulbs
42641	1,036.80	308.0.0.69100		Fence for yacht club
42712	1,500.00	308.0.0.62160		SPI Pest Flea control
42726	82.16	308.0.0.62620		Sutherlands repair supplies
42753	143.17	308.0.0.62160		White Lumber & Supply
42779	79.00	308.0.0.62620		Paredes Pest Control
42800	79.00	308.0.0.62620		Paredes Pest Control
42815	2,950.00	308.0.0.62160		SPI Pest Flea control
42838	79.00	308.0.0.62621		Paredes Pest Control
42866	525.00	308.0.0.62160		SPI Pest Flea control
42871	79.00	308.0.0.62621		Paredes Pest Control
42901	79.00	308.0.0.62622		Paredes Pest Control
42926	79.00	308.0.0.62620		Paredes Pest Control
42933	29.99	308.0.0.63150		Sutherlands cleaning supplies
42935	525.00	308.0.0.62160		SPI Pest Flea control
42935	31.98	308.0.0.63150		Sutherlands cleaning supplies
42936	67.93	308.0.0.63151		Sutherlands cleaning supplies
42965	79.00	308.0.0.62620		Paredes Pest Control
42995	79.00	308.0.0.62620		Paredes Pest Control
43018	1,500.00	308.0.0.69100		Fence for yacht club
43019	79.00	308.0.0.62620		Paredes Pest Control
43054	79.00	308.0.0.62621		Paredes Pest Control
43081	79.00	308.0.0.62622		Paredes Pest Control
43109	79.00	308.0.0.62623		Paredes Pest Control
43142	375.00	308.0.0.62620		Raul Loera Roof repairs
43146	79.00	308.0.0.62624		Paredes Pest Control
	57,837.06			
Accounting-Legal				
41882	2,900.00	308.0.0.62160		Melden Hunt-Environment report Yacht Club
41943	439.35	308.0.0.62160		D. Marty Bogart- work on FSS-1 Filed EIN started on F1023 and Review Initial
41973	828.75	308.0.0.62160		D. Marty Bogart- Clarifying threshold amounts for EZ & Gross Revenue
42064	146.25	308.0.0.62160		D. Marty Bogart Non profit Yacht Club
42185	438.75	308.0.0.62161		D. Marty Bogart Non profit Yacht Club
42198	3,093.75	308.0.0.62160		Kennedy Sutherland-New Market Tax Credits
42417	395.00	308.0.0.62161		Riverzedge collectibles personal property appraisal
42417	1,950.00	308.0.0.62160		Riverzedge collectibles personal property appraisal
	10,191.93			
EDA Grant				
41673	8,000.00	017.00.000.74846/Grantmanship Services		Grantmanship Service 50% of 16,000-EDA Grant \$1.2Million
41839	8,000.00	017.00.000.74846/Grantmanship Services		Grantmanship Service 50% of 16,000-EDA Grant \$1.2Million
	16,000.00			

		Building acquisition		
41761	10,000.00	308.0.0.66110		John P. Franke/Earnest Money sell
41849	2,800.00	308.0.0.66110		Appraisal Associates/appraisal report
41920	745,557.49	115.0.0.66110		John P. Franke/Balance to buy Yacht Club
	758,357.49			
		Texas Leverage Fund		
41871	500.00	307.0.064760		Texas Economic Development Bank
		Media -Advertising		
41882	2,391.50	308.0.0.62160		AIM Media The Monitor
41894	2,391.50	308.0.0.62160		AIM Media The Monitor
42033	584.04	308.0.0.62600		Delta Specialties Signs & Supplies
42041	584.04	308.0.0.62600		Delta Specialties Signs & Supplies
42397	99.24	308.0.0.69000		Full color banners
42892	576.00	308.0.0.62160		Sign solution, signs
43159	272.18	308.0.0.63200		Advertising February
	6,898.50			
		Utilities		
42019	98.41	308.0.0.62750		Allied Waste Services
42025	140.93	308.0.0.62730		TXU Energy
42050	1,330.30	308.0.0.62750		Allied Waste Services
42055	116.73	308.0.0.62730		TXU Energy
42083	113.60	308.0.0.62620		TXU Energy
42114	113.79	308.0.0.62730		TXU Energy
42146	303.35	308.0.0.62730		TXU Energy
42179	173.16	308.0.0.62730		TXU Energy
42199	107.04	308.0.0.62730		TXU Energy
42209	231.55	308.0.0.62730		TXU Energy
42227	128.52	308.0.0.62730		TXU Energy
42236	233.97	308.0.0.62730		TXU Energy
42257	128.52	308.0.0.62730		TXU Energy
42270	192.46	308.0.0.62730		TXU Energy
42286	107.38	308.0.0.62730		TXU Energy
42315	115.71	308.0.0.62730		TXU Energy
42348	114.39	308.0.0.62730		TXU Energy
42473	155.46	308.0.0.62730		TXU Energy
42501	147.88	308.0.0.62730		TXU Energy
42532	135.32	308.0.0.62730		TXU Energy
42563	172.45	308.0.0.62730		TXU Energy
42593	129.53	308.0.0.62730		TXU Energy
42622	129.25	308.0.0.62730		TXU Energy
42654	143.82	308.0.0.62730		TXU Energy
42682	138.43	308.0.0.62730		TXU Energy
42713	135.63	308.0.0.62730		TXU Energy
42748	142.81	308.0.0.62731		TXU Energy
42766	655.90	308.0.0.62750		Republic Services/ garbage
42780	158.79	308.0.0.62730		TXU Energy
42781	279.35	308.0.0.62751		Republic Services/ garbage
42808	119.40	308.0.0.62730		TXU Energy
42842	114.22	308.0.0.62730		TXU Energy
42865	110.99	308.0.0.62730		TXU Energy
42905	112.21	308.0.0.62730		TXU Energy
42929	111.58	308.0.0.62730		TXU Energy
42958	113.06	308.0.0.62730		TXU Energy
42991	117.78	308.0.0.62730		TXU Energy
43020	114.79	308.0.0.62730		TXU Energy
43052	113.97	308.0.0.62730		TXU Energy
43083	119.53	308.0.0.62730		TXU Energy
43117	121.84	308.0.0.62730		TXU Energy
43144	138.36	308.0.0.62730		TXU Energy
43173	125.28	308.0.0.62730		TXU Energy
	7,807.44			
		Miscellaneous		
42026	250.00	308.0.0.63130		American Express-Yacht Club membership
42035	86.34	308.0.0.63095		American Express- Meals and Entertainment
42042	318.60	308.0.0.62160		E&F Audio Visual Rental Services
42065	289.05	308.0.0.62160		American Express-charrette dinner
42065	321.65	308.0.0.62160		American Express-charrette dinner
42065	313.05	308.0.0.62160		American Express-charrette dinner
42065	10.33	308.0.0.62160		American Express-charrette dinner
42065	697.54	308.0.0.62160		American Express-charrette dinner
42065	78.73	308.0.0.62160		American Express-charrette dinner
42065	161.92	308.0.0.62160		American Express-charrette dinner
42065	17.80	308.0.0.62160		American Express-charrette dinner
42087	44.28	308.0.0.62620		Deon Rat Poison
42207	34.44	308.0.0.62620		American Express-charrette dinner
42207	89.80	308.0.0.62620		American Express-charrette dinner
	2,713.53			
STAR	326,879.41			
Other payments	860,305.95			
Total	1,187,185.36			

City of Port Isabel
 Port Isabel Culinary Arts Institute
 Analysis of Payment requests

S.T.A.R. Consulting
 South Texas Architectural Architect

Teresa Fonseca

Contract date
 October 22, 2014

	Period ending 11/4/14 Invoice 1	Period ending 12/23/14 and Charrette 2/6/15 Invoice 2	Period ending 1/13/15 and Charrette 2/6/15 Invoice 3	Period ending 2/6/15 and Charrette 2/6/15 Invoice 4	Period ending 3/6/15 Invoice 5	Period ending 3/25/15 Invoice 6	Period ending 4/30/15 Invoice 7
Original Contract Sum:	238,100.00	238,100.00	238,100.00	238,100.00	238,100.00	238,100.00	238,100.00
1 Pre-design Fixed Fee	313,000.00	313,000.00	313,000.00	313,000.00	313,000.00	313,000.00	313,000.00
2 Allowance 1 - Reimbursement for Services Specialized Consultants	77,000.00	77,000.00	77,000.00	77,000.00	77,000.00	77,000.00	77,000.00
3 Reimbursable Expenses	628,100.00	628,100.00	628,100.00	628,100.00	628,100.00	628,100.00	628,100.00
Contract sum to date	298,424.00	33,215.00	40,156.25	17,360.00	8,500.00	-	21,498.50
Total earned from 1	49,785.00	43,675.00	-	21,290.53	8,720.00	21,890.00	3,740.00
Total earned from 2	3,300.00	1,031.33	-	10,175.20	2,820.35	-	7,933.11
Total earned from 3	82,927.40	77,921.33	40,156.25	48,773.73	20,041.15	21,890.00	33,171.61
Current payment due	# 17497	# 17872	# 17966	# 18144	# 18412	# 18446	# 18725
Amount paid							
Less previous certificates for payment							
Balance	545,172.60	82,927.00	160,848.33	201,004.58	249,778.31	269,819.46	291,709.46
		467,251.67	427,095.42	378,321.69	358,280.54	336,390.54	303,218.93
Paid on	11/7/2014	1/5/2015	1/16/2015	2/10/2015	3/19/2015	3/26/2015	5/6/2015
Signed by	Teresa Fonseca	Teresa Fonseca	Teresa Fonseca	Teresa Fonseca	Teresa Fonseca	Teresa Fonseca	Teresa Fonseca
	11/4/2014	12/23/2014	1/14/2015	2/9/2015	3/17/2015	3/25/2015	5/5/2015

1 Pre-design Fixed Fee	150,572.15
2 Allowance 1 - Reimbursement for Services Specialized Consultants	149,049.33
3 Reimbursable Expenses	25,259.99
Total paid by the City from Operational account	\$ 324,881.47

**City of Port Isabel
Port Isabel Culinary Arts Institute
Analysis of Payment Request**

Contract date
February 4, 2014

	<u>Period ending July 16 Invoice 1</u>	
1 Basic Pre-design services	\$	48,000.00
Pro bono pre-design services plus reimbursable expenses		-
2 Contract sum to date		<u>48,000.00</u>
Site Visit-February 14, 2014		489.59
EDC meeting & presentation-May 14, 2014		489.59
Workshop/joint meeting & presentation- June 4, 2014		509.39
City council meeting- June 10, 2014		509.39
3 Contribution to be shown in the City Financials	\$	<u>1,997.96</u>

Signed by Teresa Fonseca

8/20/2014