

AGENDA ITEM MEMO

BOARD MEETING DATE: February 2, 2022

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Daniel Palacios, Director, Financial Compliance
Ashley Harden, General Counsel

FROM: Joe Reynolds, Assistant General Counsel

SUBJECT: North Alamo Water Supply Corporation Request for Partial Release of Lien on its Certificate of Convenience and Necessity

ACTION REQUESTED

Consider approving by resolution a request from the North Alamo Water Supply Corporation (NAWSC) for a partial release of lien on a portion of its Certificate of Convenience and Necessity (CCN), approval of the sale of land, and authorization of the Executive Administrator to take all necessary actions to give effect to this approval.

BACKGROUND

The Texas Water Development Board (TWDB) currently holds four NAWSC loans as follows:

Debt	Balance After Last Release	Final Payment
\$646,000 Economically Distressed Area Program, #L1000335	\$ 448,100	08/01/2035
\$3,055,000 Clean Water State Revolving Fund, #L1000927	\$2,745,000	08/01/2039
\$1,440,000 Clean Water State Revolving Fund #L1000928	\$1,320,000	08/01/2039
\$4,390,000 Drinking Water State Revolving Fund, #LM201121	\$4,191,000	08/01/2041
TOTAL AMOUNT	\$8,704,100	

Our Mission

Leading the state's efforts in ensuring a secure water future for Texas and its citizens

Board Members

Brooke T. Paup, Chairwoman | Kathleen Jackson, Board Member

Jeff Walker, Executive Administrator

A RESOLUTION OF
THE TEXAS WATER DEVELOPMENT BOARD
APPROVING A REQUEST OF
NORTH ALAMO WATER SUPPLY CORPORATION
FOR A PARTIAL RELEASE OF LIEN

(22-)

WHEREAS, the Texas Water Development Board (TWDB), currently owns the following debt obligations of North Alamo Water Supply Corporation (Corporation):

L1000335 in the amount of \$646,000;
L1000927 in the amount of \$3,055,000;
L1000928 in the amount of \$1,440,000; and
LM201121 in the amount of \$4,390,000; and

WHEREAS, the Corporation's debt obligations are secured by an executed and recorded Deed of Trust and Security Agreement (Deed of Trust), pursuant to which the Corporation granted to the TWDB a security interest in its properties and assets, including all improvements, and any other property, both real and personal described in the Deed of Trust; and

WHEREAS, the Corporation is the holder of Certificate of Convenience and Necessity No. 10553 (CCN) issued by the Texas Commission on Environmental Quality (TCEQ), and maintained by the Texas Public Utility Commission (PUC), an agency of the State of Texas, which authorizes the Corporation to provide retail water and wastewater services to the lands described in the CCN; and

WHEREAS, the Corporation has entered into an Agreement for Buyout of Service Area (Buyout Agreement) with the City of Edinburg, and has applied to the PUC for authorization to amend both parties' CCNs to transfer a portion of the Corporation's service area to the City; and

WHEREAS, the Deed of Trust prohibits the transfer or sale by the Corporation of any real or personal property, including equipment, subject to the lien and security interest granted to the Board without the prior written consent of the Board; and

WHEREAS, the Corporation requests the Board consent to the transfer of a 6.57 acre tract identified as the Vela & Flores Subdivision (the Property) to the City of Edinburg, Hidalgo County, Texas and authorize a release of lien limited to this piece of real property; and

WHEREAS, the Board finds the remaining security pledged by the Corporation will be sufficient security to ensure that the debt obligations of the Corporation are met and the limited release of the Property from the Deed of Trust will neither compromise the security

offered by the Corporation nor impair the Corporation's ability to meet its obligations under the Corporation's debt obligations; and

WHEREAS, the Board further finds it is in the public interest for the Board to grant a partial release of lien and to approve the Corporation's transfer or sale of the Property.

NOW THEREFORE, based on said considerations and findings, the Texas Water Development Board resolves as follows:

1. The TWDB approves the release of lien and security interest created under the Deed of Trust and consents to the sale of the land to the City of Edinburg.
2. The TWDB authorizes the Executive Administrator or his designate to execute the documents necessary to give effect to this Resolution.

Such approval is conditioned as follows:

1. The Corporation shall pay all costs of documentation and filing of the partial release of lien; and
2. The Corporation must provide to the TWDB copies of all relevant documents regarding the partial release of lien and the amendment of the Corporation's CCN; and
3. The Corporation shall deposit any proceeds of the sale thereof in the Corporation's Interest and Sinking Fund.

APPROVED and ordered of record this the 2nd day of February 2022.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

September 21, 2021

Via Email: Joe.reynolds@twdb.texas.gov

& via U. S. Postal Service Certified :

70201810000203699406
Mr. Joe P. Reynolds, Assistant General Counsel
Texas Water Development Board ("TWDB")
Stephen F. Austin Building
1700 N. Congress Avenue, Room 511-B
Austin, Texas 78701

RE: North Alamo Water Supply Corporation ("North Alamo") - Request for TWDB's Consent to a Buyout of a portion of North Alamo's CCN Service Area by the City of Edinburg, Texas – Star Moulding – Vela Flores Subdivision.

Dear Mr. Reynolds:

North Alamo Water Supply Corporation ("***North Alamo***") and the City of Edinburg, Texas have entered into a **Master Agreement for Buyout and Transfer of Service Areas ("*Master Agreement*")** and a **Counter-part Agreement for Buyout and Transfer of Service Area ("*Counter-Part Agreement*")** per the copies enclosed. Accordingly, North Alamo is requesting TWDB's consent to the release of a part of its CCN Service Area as described in the attached Counter-Part Agreement in accordance with the terms stated therein.

Accordingly, this letter is to provide assurance to the TWDB that:

- 1) the transaction will not adversely affect the agency's security position; and
- 2) the transaction will not prevent North Alamo from carrying out the purposes of its loan(s) from TWDB.

The service area to be released is in satisfaction of North Alamo WSC's obligations under the terms of the above referenced Agreement. The expected net proceeds from the sale are:

Nine Thousand Five Hundred Seventy-six and no/100ths (\$9,576.00) dollars.

North Alamo WSC further requests TWDB approval reflecting that any proceeds remaining after paying the reasonable and necessary administrative expenses, if any, be used for one or more of the following purposes:

- (1) to purchase or acquire property more suited to the borrower's needs; or

- (2) to develop or enlarge its facilities, if necessary, to improve the borrower's debt-paying ability, place the operation on a more sound financial basis, or further the objectives and purposes for its loans; or
- (3) to pay on debts secured by a prior lien and/or pay on debts secured by a parity or subsequent lien.

Specifically, North Alamo WSC requests consent to utilize the funds acquired from the sale towards internal upgrades, refurbishment and expansion of its infrastructure to assist it in servicing its members.

Any written instrument of conveyance executed by North Alamo WSC in connection with this transaction, if applicable, will contain the civil rights covenant.

If you have any questions regarding this matter, please do not hesitate to contact our offices. Otherwise, we will look forward to receiving TWDB's consent/approval of North Alamo's request as soon as possible. Thank you.

Very truly yours,



Steven P. Sanchez, General Manager