

TO: Board Members

THROUGH: Kevin Patteson, Executive Administrator
Jeff Walker, Deputy Executive Administrator,
Water Supply and Infrastructure
Les Trobman, General Counsel

FROM: Joe Reynolds, Assistant General Counsel
Mireya Loewe, Team Lead

DATE: March 28, 2016

SUBJECT: Olmito Water Supply Corporation Request for Partial Release of Lien

ACTION REQUESTED

Consider approving by resolution a request from the Olmito Water Supply Corporation (Corporation) for a partial release of lien and consent to convey easement and right-of-way.

BACKGROUND

The Texas Water Development Board (TWDB) currently holds the following debt of the Corporation:

Loan ID	Original Principal	Principal Remaining	Call Date	Program	Type of Proceeds
L1000163	\$1,720,000	\$1,650,000	06/01/2024	RWAF	Taxable
L1000162	\$1,040,000	\$970,000	06/01/2024	WDF	Taxable

On February 16, 2016, the Corporation submitted a request to the Board to consent to a partial release of lien for the sale of a 40 foot-wide easement and right-of-way out of a tract of land that is subject to the TWDB’s lien. The Corporation sold the easement and right-of-way to the City of Brownsville for the use and benefit of the Brownsville Public Utilities Board.

As part of the pledged security for the loans listed above, the TWDB holds a Deed of Trust and Security Agreement that creates a security interest in the real property of the Corporation as well as the personal property of the Corporation necessary to operate the Corporation’s water supply system. By letter dated February 16, 2016, the Corporation indicated its interest in selling a strip of land adjacent to its treatment plant identified in the Deed of Trust as out of Block 23 out of the Delta Farms Co. Subdivision, Shares 12 and 22. The Corporation does not use this property currently and cannot use it for any expansion of its facilities because to do so would infringe on

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To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas :

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Kevin Patteson, Executive Administrator

the 200 foot buffer the Corporation is required to maintain around its plant. The City of Brownsville could, however use the property for an easement and right-of-way without affecting the Corporation's operations.

Under the May 23, 2014 Loan Agreements between the Corporation and the TWDB and Condition No. 37 of Board Resolution No. 13-52, the Corporation may not impair its title to the land used for the water system or the improvements and facilities of the system without prior TWDB approval.

KEY ISSUES

The Executive Administrator's (EA) staff has reviewed the request, the outstanding balances on the loans, and the impact of the limited release of lien on the remaining asset base of the Corporation. Staff has confirmed the location and condition of the tract being conveyed, and has determined that the property is not essential to the operation of the system nor does it represent a significant amount of the Corporation's total fixed assets.

Consequently, the remaining security pledged by the Corporation will be sufficient to ensure that the debt obligations of the Corporation are met and the limited release of lien for this tract will neither compromise the security offered by the Corporation under the Deed of Trust and Security Agreement nor impair the Corporation's ability to meet its debt obligations.

The attached Resolution provides the Board's approval of the partial release of lien, consents to the conveyance of the easement, and authorizes the EA to take actions necessary to give effect to the Resolution. The Resolution also requires the Corporation to: (1) pay any and all costs of documentation and filing of the partial release of lien, and (2) provide to the TWDB all relevant documents regarding the conveyance of the easement and right-of-way.

RECOMMENDATION

The EA recommends approving, by resolution, the request from Olmito Water Supply Corporation for a partial release of lien and consent to the conveyance of real property. The EA further recommends that the Board authorize the EA to take all actions necessary to give effect to the Resolution

Attachment(s):

1. Resolution 16-
2. Description of Property Conveyed
3. Letter (sent by email) from the Corporation dated February 16, 2016

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

(16-)

WHEREAS, in Resolution No. 13-52, the Texas Water Development Board (the “Board”), approved a financial assistance commitment of \$2,760,000 to the Olmito Water Supply Corporation (the “Corporation”), consisting of a loan in the amount of \$1,040,000 from the Financial Assistance Account of the Texas Water Development Fund II and a loan in the amount of \$1,720,000 from the Rural Water Assistance Fund (together, the Obligations) to finance the design and construction of certain water system improvements, as evidenced by Loan Agreements dated May 23, 2014; and

WHEREAS, the Corporation’s Obligations are secured by a Deed of Trust and Security Agreement dated April 30, 2014, on the Corporation’s water system assets; and

WHEREAS, the Corporation conveyed to the City of Brownsville a 40-foot wide easement and right-of-way out of a tract of land located in Block 23 out of Delta Farms Co. Subdivision, Shares 12 and 23, in Cameron County, Texas, covered under the Deed of Trust; and

WHEREAS, the Board finds that in its opinion the security pledged by the Corporation will be sufficient to meet the debt obligations of the Corporation, and that a limited release of this property from the Deed of Trust will not compromise the security offered by the Corporation nor impair the Corporation’s ability to meet its obligations under the Loan Agreement; and

WHEREAS, Resolution No. 13-52 and the Loan Agreements between the Corporation and the Board prohibit the Corporation from conveying the tract of land without prior Board approval; and

WHEREAS, the Board further finds that it is in the public interest for the Board to grant a partial release of lien and to permit the Corporation to convey the tract of land.

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

1. The Board approves the conveyance of the 40-foot wide tract of land identified as being out of “Tract Seven” in the June 4, 2014 Deed of Trust recorded in Vol. 1417, Page 447 of the Cameron County property records.
2. The Board approves a release of lien for this tract of land.
3. The Board authorizes the Executive Administrator to take all actions necessary to give effect to this resolution.

The Resolution is conditioned as follows:

1. The Corporation will pay any and all costs of documentation and filing of the release of lien.
2. The Corporation must provide to the Board all relevant documents regarding the conveyance.

APPROVED and ordered of record this the 11th day of April 2016.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Kevin Patteson
Executive Administrator

TRACT VII:

Being a 100.00 acres of land comprising of 14.098 acres of Block Number Seventeen (17); 24.227 acres of Block Number Eighteen (18), all of Block Number Twenty Three (23) (40.3 Ac. Map) 40.579 Acres Calc. and 21.096 acres out of Block Number Twenty Four (24), DELTA FARMS COMPANY SUBDIVISION, according to Volume 2, Page 8, Cameron County, Map Records, Shares 21 and 22, Espiritu Santo Grant, Cameron County, Texas, more definitely described by metes and bounds as follows:

BEGINNING at a point at the intersection of the approximate centerline of existing drain ditch and the new West right-of way of Old Alice Road, that bears North 83 degrees 32 minutes 14 seconds West, 210.44 feet, from the Southeast corner of Block 24, DELTA FARMS COMPANY SUBDIVISION, for the Southeast corner of the tract herein described;

THENCE, along the South line of said Blocks 24 and 23, same being the centerline of existing drain ditch, North 83 degrees 32 minutes 14 seconds West, 1,955.54 feet calculated (North 83 degrees 18 minutes West MAP), 1,955.54 feet to a point for the Southwest corner of tract herein described;

THENCE, along the West line of said Blocks 23 and part of 18, North 06 degrees 30 minutes East, and the approximate centerline of existing drain ditch, 2,139.00 feet to a point for the Northwest corner of tract herein described;

THENCE, parallel with the North line of said Blocks 18 and 17, South 83 degrees 30 minutes E. 81.92 feet to an iron pin set, at a total of 2,188.62 feet to an iron pin set, for the Northeast corner of tract herein described;

THENCE, South 10 degrees 51 minutes 43 seconds West, 2,046.82 feet to an iron pin set, at a total of 2,143.94 feet to a point on the approximate centerline of existing drain ditch and the POINT OF BEGINNING, Containing 100.00 acres of land, more or less.

TRACT VIII:

A 0.750 acre tract of land consisting of 0.489 acre out of Block Number Thirty Seven (37) and 0.261 acre out of Block Number Thirty Eight (38) of RINCON SUBDIVISION, in Cameron County, Texas; said subdivision being as recorded in Volume 8, Page 8, of the Map Records of Cameron County, Texas; said 0.750 acre tract being more particularly described as follows:

COMMENCING at the Southwest corner of Block 10 of said subdivision, said point lying 20 feet East of the centerline of Old Alice Road (120 feet wide r.o.w.);

THENCE South 83° 30' East, along the South line of Block 10, a distance of 40.00 feet to a point on the East right-of-way line of Old Alice Road;

Olmito Water Supply Corporation, Inc.

101 Clara Bennett Drive

P.O. Box 36

Olmito, Texas 78575

February 16, 2016

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Mr. Joe P. Reynolds, Attorney
Legal Services
Texas Water Development Board
1700 North Congress Avenue
P. O. Box 13231
Austin, Texas 78711-3231

Re: Request for Release of Lien on Easement and Right-of-Way Sold to the City
of Brownsville, Texas by Olmito Water Supply Corporation

Dear Mr. Reynolds:

The Texas Water Development Board (TWDB) holds a lien on real estate owned by Olmito Water Supply Corporation, including a tract of land out of Block 23 out of Delta Farms Co. Subdivision, Shares 12 and 22, Espiritu Grant as recorded in Volume 2, Page 8 of the Map of Cameron County, Texas, and further being out of a 100.00 acre tract conveyed to Olmito Water Supply Corporation as recorded in Volume 3868, Page 292, of the Official Records of Cameron County, Texas.

Olmito Water Supply Corporation sold a 40ft-wide strip of land, more or less, as an easement and right-of-way to the City of Brownsville for the use and benefit of the Brownsville Public Utilities Board. The strip of land being out of Block 23 out of Delta Farms Co. Subdivision, Shares 12 and 23, Espiritu Grant as recorded in Volume 2, Page 8 of the Map of Cameron County.

As you are aware, all previously requested documentation, including copy of said easement, by the TWDB has been submitted. The one pending item is the below statement:

Olmito Water Supply Corporation hereby officially requests of the TWDB to release the lien on above described 40ft-wide easement.

Thank you for your attention to this matter and please contact me at (956) 456-1155 for any questions.

Sincerely,



Victor G. Trevino
General Manager

xc: Joyce E. Rutan, Davidson Troilo Ream & Garza