



AlaFile E-Notice

02-CV-2023-901332.00

Judge: MICHAEL A YOUNGPETER

To: SARAH BRUCE JACKSON
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NOTICE OF ELECTRONIC FILING

IN THE CIRCUIT COURT OF MOBILE COUNTY, ALABAMA

SYNOVUS CORPORATE TRUST V. WATER WORKS AND SEWER BOARD OF CITY OF PRIC
02-CV-2023-901332.00

The following matter was FILED on 8/7/2024 9:20:41 PM

C001 SYNOVUS CORPORATE TRUST
NOTICE OF FILING DRAFT MASTER PLAN
[Filer: JACKSON SARAH BRUCE]

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SHARLA KNOX
CIRCUIT COURT CLERK
MOBILE COUNTY, ALABAMA
CIRCUIT CIVIL DIVISION
205 GOVERNMENT STREET 9TH FLOOR, N TOWER
MOBILE, AL, 36644

251-574-8420

IN THE CIRCUIT COURT OF MOBILE COUNTY, ALABAMA

SYNOVUS BANK,)	
)	
Plaintiff,)	
)	
vs.)	CIVIL ACTION NO. CV-2023-901332
)	
THE WATER WORKS AND SEWER)	
BOARD OF THE CITY OF PRICHARD,)	
)	
Defendant.)	
)	

**STATEMENT OF TRUSTEE
IN RESPONSE TO RECEIVER’S DRAFT MASTER PLAN**

Plaintiff Synovus Bank (“Synovus” or the “Trustee”) acting not in its individual capacity but solely in its capacity as Trustee for the Water and Sewer Revenue Bonds, Series 2019 (the “Series 2019 Bonds”) issued by the Water Works and Sewer Board of the City of Prichard (the “PWWSB”), through its undersigned counsel, submits this Statement in response to the Draft Master Plan filed with this Court by Receiver John S. Young, Jr., LLC, on July 31, 2024.

The Court’s November 10, 2023 Order Appointing Receiver (Doc. 167) (“Order”) directed the Receiver “to develop, on or before July 31, 2024, a draft master plan acceptable in form and substance to the Trustee, to address the stabilization of the water system and to address the capital improvement and infrastructure needs of the System to ensure compliance with the Rate Covenant (as defined in the Indenture) through the term of the Bonds (the ‘Draft Master Plan’).” In paragraph 10(a), the Order further specified that the Draft Master Plan must contain:

- (i) a detailed plan to repair and replace existing System assets and undertake capital improvements of the System to the extent necessary to ensure (A) safe and affordable access to water and (B) sufficient revenues of the System to pay Operating Expense and Debt Service (each as defined in the Indenture), and to meet the Rate Covenant throughout the term of the Bonds (as defined in the

Indenture); (ii) a timeline for the implementation of any repairs, replacements, or capital improvements contemplated by the Draft Master Plan, including specific deadlines for the initiation, intermediate deadlines, and completion of individual projects; and (iii) a budget of expenses, and to the extent possible, projected revenues, for the System (the “Budget”) which shall be acceptable in form and substance to the Trustee and include (A) Operating Expenses and, to the extent possible, System Revenues; (B) the aggregate amount required by the Indenture to be paid into Indenture Funds; (C) capital improvements to the System, including estimated costs and proposed sources of funding for each contemplated project included in the Draft Master Plan; and (D) a plan for the disposition and use of the funds remaining on deposit in the 2019 Construction Fund.

The Trustee initiated this litigation because the PWWSB breached the terms of the Indenture governing the Series 2019 Bonds and was in default of several Indenture provisions. The Trustee sought the appointment of a Receiver to prevent further waste and dissipation of the PWWSB’s assets and to ensure the PWWSB’s performance of its obligations under the Indenture, including compliance with the Rate Covenant, making monthly debt service payments, making semi-annual interest and principal payments, replenishing the Reserve Fund, and paying the Trustee’s fees and expenses.

The Trustee recognizes the significant progress the Receiver has made toward the objectives of stabilizing the System, addressing the capital improvement and infrastructure needs of the System, and identifying options for the long-term survival of the System upon conclusion of the Court’s supervision over the System. The Trustee appreciates the complexity involved in preparing the items required in paragraph 10(a)(iii) of the Order and, consequently, the need for direction regarding the selection of ownership, governance, operating, and source of supply options for the System before the paragraph 10(a)(iii) items can be prepared. Nevertheless, because the Draft Master Plan filed with the Court on July 31, 2024 (the “Draft Master Plan”), does not include all the elements specified in paragraph 10(a), which are fundamental to the

resolution of the Trustee's claims in this matter, the Draft Master Plan is not acceptable to the Trustee in form and substance.

As of July 31, 2024, the Trustee had not received any monthly debt service payments since a partial payment of \$150,000 made on January 11, 2024. Monthly debt service payments of \$280,448.95 are required to be deposited into the Bond Fund so that interest and principal payments may be made from the Bond Fund on the due dates designated by the Indenture (interest payments are due on May 1 and interest and principal payments due on November 1). According to the Draft Master Plan, currently there is \$16.77 in the Bond Fund. Draft Master Plan at 5. The Reserve Fund, from which interest and principal payments can be made in the absence of sufficient funds in the Bond Fund, is underfunded by over \$2 million. *Id.* The Receiver estimates that the proposed MAWSS alternative will not come to fruition until 2026. *Id.* at 8. Given the dire financial situation of PWWSB, the Trustee, and the bondholders who the Trustee represents, are unlikely to receive full interest and principal payments in the interim.

To date, the Trustee has exercised significant patience to allow the Receiver to stabilize the System and has not exercised any additional remedies to which the Trustee is entitled under the Indenture. In so doing, the Trustee has contributed to the Receiver's ability to pursue the objective of stabilizing the System and seeking alternative options for the ownership, governance, operations, and source of supply for the System over the long-term. The Trustee acknowledges the progress made by the Receiver in pursuing these objectives. However, as currently constructed, the Draft Master Plan does not contain sufficient information or deadlines regarding when debt service payments may begin again, when the long-term solution for payment of the bonds will be determined, or how operating expenses and capital expenditures will be funded—

whether by government grants or otherwise—during the bridge period to when a particular path forward for the System is chosen.

The Trustee supports and urges this Court to promptly provide, as requested by the Receiver, direction as to the selection and initiation of ownership, governance, operating, and source of supply options for the System. The Trustee requests that such direction include deadlines for the various milestones, including completion of the TMF, a Final Master Plan that includes how capital projects will be funded, selection of an alternative for the System, and also address when debt service payments will be received or when a proposed resolution of the bond debt will be provided to the Trustee.

/s/ Sarah B. Jackson

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CERTIFICATE OF SERVICE

I hereby certify that on August 7, 2024, the foregoing document was filed using the Alafile electronic filing system and served upon all parties electronically or by U.S. Mail as follows:

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