



AGENDA MEMORANDUM
City Council Meeting of July 29, 2025

DATE: July 24, 2025

TO: Peter Zaroni, City Manager

FROM: Brett Van Hazel P.E., Inner Harbor Program Management Office Director
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Contract Amendment
Inner Harbor Water Treatment Campus Amendment No. 5 -
60% Design and Guaranteed Maximum Price Development

CAPTION:

Motion authorizing amendment No. 5 to the Design-Build Contract with Kiewit Infrastructure South Co. of Westlake, Texas to continue design development to a 60% design and develop a guaranteed maximum price proposal for the Inner Harbor Water Treatment Campus (IHWTC) Project, on a cost reimbursable basis for a not to exceed amount of \$50,000,000.00, for a total contract price up to \$97,635,177.98, located in Council District 1, with FY 2025 funding available from the Water Capital Fund.

SUMMARY:

Kiewit Infrastructure South Co. Inc. originally planned on submitting amendment No. 5 as a lump sum proposal but have since agreed to executing the amendment on a cost reimbursable basis for a not to exceed amount of \$50,000,000. Kiewit Infrastructure South Co. Inc. and City staff believe a cost reimbursable amendment provides for the highest-level transparency for the design development process and provides increased accountability for all design expenses.

This amendment authorizes additional funding for Kiewit Infrastructure South Co. Inc. to continue design development to a 60% design and development of a detailed guaranteed maximum price (GMP)(i.e. a not to exceed price) based on the completed 60% design. The GMP would be presented at City Council for a vote to commit to project construction in December 2025.

BACKGROUND AND FINDINGS:

On June 25, 2024 City Council approved Resolution 033396 authorizing the execution of a contract and subsequent amendment(s), following the Request for Proposals (RFP), with the selected design-build firm for design services for the Inner Harbor Seawater Desalination Treatment Plant Project in the estimated amount of \$68,000,000, authorizing execution of Phase 1A, Phase 1B, and early work packages in the estimated amount of \$69,250,000, and authorizing funds for the acquisition of property in the estimated amount up to \$5,000,000, for a total amount not to exceed \$138,000,000; and determining all costs attributable to Raw Water; with funding available from the State Water Implementation Fund for Texas (SWIFT).

In addition, on June 25, 2024, City Council approved an ordinance authorizing amendment number three to the Master Services Agreement (MSA) with Freese and Nichols in an amount up to \$12,000,000 for to the Inner Harbor Seawater Desalination Treatment Plant Project for Procurement Support Services for a total amount of \$21,033,994. This approved MSA amendment authorized efforts for preconstruction phase services.

On December 2, 2024, the City executed an agreement with Kiewit Infrastructure South Co. Inc., naming them the Design-Builder for the IHWTC. As the Design-Builder they shall perform all design and construction services, and provide all material, equipment, tools and labor necessary to complete work as specified or indicated in the Contract Documents. The project scope is broken up into three phases, Phase 1(A and B): 1A - Planning, Pilot Protocol, and Basis of Design and 1B – Design (10 – 60%), Early Works, and GMP, Phase 2: Construction and Final Design (60 – 100%), and Phase 3: Operation and Maintenance (1 Year). As part of Phase 1 the Design-Builder shall submit design documents at the 10%, 30%, 60% and final construction document intervals.

On June 24, 2025 City Council authorized an amendment to Resolution 033396 instructing the City Manager to follow normal procurement procedures for all future purchases, contracts, and amendments for the Inner Harbor Desalination Treatment Plant Project. The intent of this amendment is to require that all future contracts and amendments exceeding \$50,000 be brought back to City Council for authorization prior to execution.

Previously executed amendments include:

- Amendment No. 1: Main process technology supplier support, medium voltage transformer support and hold, GHD intake and discharge modeling
- Amendment No. 2: Demonstration Construction and Operation
- Amendment No. 3: Critical Procurement Development
- Amendment No. 4: Design Development Time and Material

Future amendments requiring City Council authorization include:

- Amendment No. 5: Design Development (up to 60% Design + GMP)
- Amendment No. 6: Utility Relocation/Demolition Early Work Package
- Amendment No. 7: Site Grading Early Work Package
- Amendment No. 8: Underground Utilities Early Work Package
- Amendment No. 9: Foundations/Pipeline Early Work Package

PROJECT TIMELINE:

Amendment No. 5 adds 169 calendar days to the contract duration. The new Phase 1 contract completion date is January 16, 2026.

ALTERNATIVES:

In lieu of an amendment authorizing additional funding for Kiewit Infrastructure South Co. Inc. to continue design development to a 60% design and development of a detailed GMP, a new amendment authorizing Kiewit Infrastructure South Co. Inc. to continue design development to a 30% design is an option for City Council for consideration and approval. The estimated not to exceed value of the 30% design amendment is between \$20,000,000 and \$25,000,000. If approved, City staff would return to City Council after completion of the 30% design with a request for authorization to continue the design development to a 60% design and development of a detailed GMP. The estimated not to exceed value of the 60% design amendment is between

\$25,000,000 and \$30,000,000. If this alternative option is selected the combined total of both amendments will not exceed \$50,000,000.

Another alternative is that the City Council could choose not to approve the Amendment No. 5 to Kiewit Infrastructure South Co. Inc. and pursue no further design development efforts. Not approving the amendment or alternative amendment options will require the City to notify Kiewit Infrastructure South Co. Inc. and Freese and Nichols (City owner's agent) of the City's intent to terminate their contracts. The City will identify all work that has already commenced and needs to be completed prior to the effective date of termination. Both Kiewit Infrastructure South Co. Inc. and Freese and Nichols would submit a final invoice for work performed within 45 days of notice of termination.

A total of \$757,000,000 in low interest loans from the Texas Water Development Board (TWDB) through the State Water Implementation Fund for Texas (SWIFT) program has been committed to the City for the IHWTC, of which \$232,000,000 in bonds has been sold. If the project is cancelled the City would be responsible for approximately \$72,500,000 in interest payments until the outstanding bonds could be called at 10 years. The City would also need to pay back all principal already spent, which is approximately \$40,000,000. At the 10-year call date, the City would pay back the unspent funding, or defease, the bonds. The total unspent funding that would be paid back is approximately \$192,000,000 (\$232,000,000 sold bonds minus the \$40,000,000 already spent). In summary, cancelling the project now would cost the City a total of \$112,500,000 over the next 10 years in interest payment plus the principal already spent.

A legal consideration is the Internal Revenue Service (IRS) has "spend down" requirements for tax-exempt bonds. If no spending is reported, the city would be subject to an audit and non-compliant with state and federal tax laws related to the bonds.

FISCAL IMPACT:

The fiscal impact for Corpus Christi Water in FY 2025 is \$50,000,000, with funding available from the Water Capital Fund.

The utilization of TWDB low-interest loans is projected to save approximately \$130,000,000 in debt repayment over the 30-year loan period. These loans are not transferable to other City projects, according to TWDB.

In 2018, the City Council approved the implementation of the Voluntary Drought Surcharge Exemption Fee that is charged to Large Volume Users at a rate of \$0.31 per 1,000 gallons. To date, the fee has generated over \$30,000,000 and is projected to generate an additional \$180,000,000 over the next 30 years, which will be utilized for the debt repayment. This fee was designed to pay for the development of a drought-proof supply and cannot be used to pay for water leases or take-or-pay contracts.

All TWDB Loan applications are competitive and not guaranteed. To receive a SWIFT loan, the applicant must first submit an Abridged (or preliminary) application to be eligible to apply for the funding. If the applicant is selected, they are then invited to submit a full application. The City has been selected and invited to apply for all loan requests. For SWIFT III, the City competed against dozens of cities around Texas and was ultimately awarded the loan. The same process was followed for SWIFT I and SWIFT II.

TWDB could have loaned these funds to other projects across the State of Texas. The City Council has received presentations and taken affirmative votes to apply for permits, execute contracts, and issue debt related to the desalination project.

FUNDING DETAIL:

Fund: **Water CIP SWIFT Loan 2 (Fund 4488)**
Department: Water (45)
Organization: Grants & Capital Projects Funds (89)
Project: Inner Harbor Water Treatment Campus (Project E15117)
Account: Outside Consultant (550950)
Activity: E15117014488EXP
Amount: \$50,000,000

RECOMMENDATION:

Staff recommends approval of Amendment No. 5 in a not to exceed amount of \$50,000,000 with Kiewit Infrastructure South Co. Inc., of Westlake, Texas, for the Inner Harbor Water Treatment Campus (IHWTC) Project.

LIST OF SUPPORTING DOCUMENTS:

Amendment No. 5 Design Proposal
COF - Inner Water Treatment Campus Amendment No. 5
Contract Amendment No. 5