



AGENDA MEMORANDUM

Action Item for the City Council Meeting of April 8, 2025

DATE: April 8, 2025

TO: Peter Zanoni, City Manager

FROM: Nicholas Winkelmann, P.E, Director of Water Systems and Support Services
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Raw Water Sales Contract
Temporary Untreated Raw Water Sales Contract with Formosa Plastics Corp.

CAPTION:

Resolution to authorize City Manager or designee to execute a Temporary Untreated Raw Water Sales Contract with Formosa Plastics Corporation, for City to purchase up to 10,000 acre feet of untreated raw water from Lake Texana through December 31, 2025 at price of \$900 per acre-foot of water with take-or-pay quantity of 2500 acre feet; and authorizing execution of one-year mutual extension for City to purchase additional 10,000 acre feet of Lake Texana water in calendar year 2026, at \$900 per acre-foot rate and 2500 acre feet take-or pay quantity.

SUMMARY:

Additional water would be made available through this agreement with Formosa Plastics Corporation to supplement the current contractual supply from the Lavaca Navidad River Authority (LNRA) and the City's water rights on the Colorado River. Approval of this resolution would authorize City Manager to execute a Temporary Untreated Raw Water Sales Contract with Formosa Plastics Corporation, Texas (Formosa) for City to purchase up to 10,000-acre feet of untreated raw water from Lake Texana as provided through the Lavaca Navidad River Authority (LNRA) at price of \$900 per acre-foot with take-or-pay quantity of 2500 acre feet each year.

BACKGROUND AND PURPOSE:

Formosa Plastics Corporation, Texas (Formosa) owns and operates a petrochemical manufacturing facility in Point Comfort, Texas, and requires the use of untreated raw water for the operations of its facility. Formosa and the City of Corpus Christi both purchase water from the Lavaca-Navidad River Authority (“LNRA”). The City of Corpus Christi has an existing Water Delivery and Conveyance Contract, whereby LNRA agrees to convey up to 31,440 acre-feet of firm, untreated raw water from Lake Texana, on an annual basis, from an intake structure, pipeline, and pumping system. This existing contract also allows for LNRA to provide additional water referred to as interruptible water in the amounts of 4,500- and 7,500-acre feet if LNRA deems it to be available.

Formosa has agreed to make available to the City of Corpus Christi for diversion a portion of their unused, untreated raw water that is available under its contract with LNRA. Previously the City of Corpus Christi had a similar agreement with Formosa, making water available from its contract in 2011 and 2012. The agreement in 2011 was to divert 1,000-acre foot at a unit price of \$1,000 per acre foot. The 2012 agreement was to divert 2,000-acre feet at a unit price of \$1,000 per acre-foot.

This agreement with Formosa includes the opportunity for the City of Corpus Christi to divert up to 10,000 acre-feet annually at a unit cost of \$900 per acre-foot. This price equates to a cost of \$2.76 per 1,000 gallons of water. The first 2,500 acre-feet diverted per calendar year will be at take or pay basis while the remaining amount will only be charged as diverted.

The agreement provides for a one-year contract extension with approval from LNRA. There is also an early termination clause that can be exercised by either party with a forty-five (45) day notice. Corpus Christi Water will also provide a rolling three-month water diversion request that will be updated on a monthly basis.

The water made available from this agreement will provide additional supply in the event that the contractual interruptible water is not available from LNRA. The contract will also provide supply if there are periods of water unavailability from the Lower Colorado River due to drought and/or low flow conditions. If the interruptible water from the LNRA contract is not available, then this additional water from Formosa will be needed to allow for the MRP to be operated at Schedule 4 for much of the remainder of the year.

ALTERNATIVES:

City Council could choose not to authorize this motion but this would eliminate the ability to obtain additional water from Lake Texana.

FISCAL IMPACT:

The fiscal impact to Corpus Christi Water for FY 2025 is an amount of \$4,500,000.00 with funding available through the Water Fund. CCW will utilize half of the FY25 budgeted operating transfer to CIP to fund the water purchase, the transfer shortfall will be replaced by savings identified in the capital improvement annual close-out process.

FUNDING DETAIL:

Fund: Water Fund (Fund 4010)
Department: Water (45)
Org: Water purchased – LNRA (30260)
Project: N/A
Account: Water purchases, firm yield (520190)
Activity: N/A
Amount: \$4,500,000.00

RECOMMENDATION:

Staff recommends approval of the resolution.

LIST OF SUPPORTING DOCUMENTS:

Resolution
Agreement
Presentation