



AGENDA MEMORANDUM
City Council Meeting of October 21, 2025

DATE: October 21, 2025

TO: Peter Zaroni, City Manager

FROM: Nicholas Winkelmann, P.E.
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Option Contract to Reserve 50 MGD of water from Harbor Island Seawater Desalination Plant

CAPTION:

Motion authorizing a Short-term non-refundable Option for Potable Water Reservation and Diversion Contract with the Nueces River Authority to reserve 56,007-acre feet per year (50 MGD) from the Harbor Island Seawater Desalination Plant in the amount of \$2,737,622.16, with FY 2026 funding available from the Water Fund.

SUMMARY:

The non-refundable Option Contract with the Nueces River Authority (NRA) for future purchase and diversion of up to 56,007 acre-feet (50 MGD) of potable water from the Harbor Island Seawater Desalination Plant for municipal use.

BACKGROUND AND FINDINGS:

The Nueces River Authority (NRA) was established by the Texas Legislature in 1935. The enabling statute gave the NRA the authority to preserve, protect and develop water resources. This includes flood control, irrigation, navigation, water supply, wastewater treatment and water quality control. NRA is responsible for these resources in the 17,500 square mile Nueces River Basin. The Authority can also provide services outside the Nueces Basin as requested. NRA is governed by a 21-member board of directors appointed by the Governor of Texas with consent of the Texas Senate.

To assist South Texas in meeting the water supply needs, NRA developed the "New Water for South Texas Plan." The plan entails a seawater desalination water treatment plant and conveyance system. The initial Phase is planned for 100 MGD with expansion as needed up to 450 MGD. The proposal is congruent with the Texas Legislature's emphasis on larger regional projects that address multiple cities and water districts which offer fewer treatment facilities and lower cost due to economies of scale.

To accomplish the project, NRA plans include a Public Private Partnership (P3). NRA will seek a

private partner with over 20 years of seawater desalination experience to finance, design, build, operate, maintain, and transfer the operations of the plant to NRA at a future date. The P3 partner will operate the treatment facility under a water pricing agreement. The plant is proposed as a reverse osmosis plant with offshore marine works.

Water conveyance will be financed and managed by NRA. The initial phase of the water conveyance system includes 178 miles of pipe, with an 84-inch main line, a 72-inch eastern transmission main, a 48-inch western transmission main, one main water pumping station and 2 booster pumping stations. The NRA expects to issue a Request for Qualifications (RFQ) for the design of this conveyance system by the end of September. NRA has stated that CCW would have the ability to provide input into this project to ensure that the City's future connection to this conveyance line will be taken into consideration.

NRA leased approximately 30 acres of land from the Port of Corpus Christi to construct the treatment plant. The July 2025 executed lease allows NRA to own and operate a seawater desalination facility under fifty-year agreement with an option for renewal. The lease includes pipeline easements and conveyance of the permits needed to operate the facility.

The reservation fee option contract between the City and NRA is non-refundable and does not provide a guarantee regarding the delivery date. Additional infrastructure would be required for CCW to accept the delivery of this water. This additional infrastructure would require design and construction.

Estimated Timeline for the Project:

September 2025	Permit from US Corps of Engineers for Diversion and Brine Dispersion Structures Issued
September 2025	Issue Request for Qualifications – Water Conveyance Design
October 2025	Issue Request for Proposals for Private Partner – Desal Treatment
December 2025	Evaluate responses from Water Conveyance and Private Partners
January 2026	Board of Director consideration of staff review and recommendation of Water Conveyance Engineers and Private Partners
Jan – Dec 2026	Work with Private Partner on Modeling Plant design; Work with Contracted Engineers on Water Conveyance design
Jan – March 2027	Bid Conveyance Construction and work with P3 Partner on Plant Construction Bid
April – June 2027	Begin Construction
December 2029	Initiate Commissioning of initial phase of project
December 2029	Begin Operation of initial phase of project

ALTERNATIVES:

The alternative is not to pursue an option for this project. Other options would be to reserve a lesser amount as shown in the table below.

Water Purchase Agreement Amount		Option Fee
56,007 ac.ft/yr	50 MGD	\$2,737,622.16
44,806 ac.ft/yr	40 MGD	\$2,190,117.28
33,604 ac.ft/yr	30 MGD	\$1,642,563.52

FINANCIAL IMPACT:

The fiscal impact for the FY 2026 is an amount up to \$2,737,622.16 with funding available from Water Fund.

Since this item was not included in the FY 2026 Water Fund budget, funding will be sourced from the Capital Improvement Program (CIP) Cash Funding, also known as the Pay-Go account. This allocation will reduce the available cash funding for the capital water line replacement projects. CCW remains optimistic that some of the scheduled projects may be completed under budget. However, if cost savings do not materialize during the fiscal year, the total amount of revenue bonds required for the line replacement initiative may need to be increased. Given that this is a one-time, non-refundable expenditure, staff does not recommend adjusting the adopted rate or utilizing debt financing.

Funding Detail

Fund: 4010 – Water Fund
Org/Activity: 30230 – Water Supply Development
Department: 45 – Water
Account: 530040 – Water rights/royalty/row expenses
Amount: \$2,737,622.16

RECOMMENDATION:

Staff recommend entering into the Option Contract.

LIST OF SUPPORTING DOCUMENTS:

Contract
COF