



## AGENDA MEMORANDUM

Future Agenda Item for the City Council Meeting of May 13, 2014  
Action Item for the City Council Meeting of May 20, 2014

**DATE:** May 8, 2014

**TO:** Ronald L. Olson, City Manager

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**Approval of a reservation agreement with Flint Hills Resources Corpus Christi, LLC for use of recycled water**

**CAPTION:**

Motion authorizing the City Manager or designee to execute an Agreement for Exclusive Reservation of Recycled Water (the "Reservation") with Flint Hills Resources Corpus Christi, LLC (FHR) for 2 million gallons per day (MGD) of recycled water.

**PURPOSE:**

- (a) Obtain Council's review and decision on the question of whether to grant FHR an exclusive reservation for 2 MGD of recycled water; and
- (b) Obtain Council's authority to execute the Reservation Agreement

**BACKGROUND AND FINDINGS:**

FHR is interested in exploring the possibility of receiving and using the City's recycled water for cooling tower and other industrial use applications at both of its local Industrial District refineries doing business as the FHR Corpus Christi West Refinery and the FHR Corpus Christi East Refinery.

FHR proposes a period of time for evaluation, equipment pilot testing and water quality testing to confirm suitability of the Recycled Water and any onsite treatment cost for the intended industrial applications.

To allow FHR time to perform the necessary evaluations and testing, FHR proposes an Agreement for Exclusive Reservation of Recycled Water (the "Reservation"). Under the Reservation, FHR would pay the City a reservation fee of \$50,000 and, in exchange, the City would reserve, for FHR's exclusive benefit, the capacity for delivery of up to 2 MGD of recycled water from the Allison Wastewater Treatment Plant (AWWTP), or 2 MGD recycled water from any of other City wastewater treatment plants, in the event that the City is no longer operating the AWWTP and subject to availability and permitted by law.

Under the terms of the Reservation, the City agrees not to enter into any other agreement or reservation for the 2 MGD of recycled water from the Allison Wastewater Treatment Plant (AWWTP) or

an amount of recycled water that would in any way restrict the City's ability to furnish FHR 2 MGD of recycled water. Before the Reservation expires, FHR agrees that it will inform the City if it intends to enter into one or more recycled water agreements for either or both of its local refineries.

**ALTERNATIVES:**

1. Authorize the Reservation as proposed.
2. Request changes to the proposed Reservation.
3. Deny authority to execute the Reservation.
4. Deny authority to execute the Reservation and motion to direct staff to issue an RFP for industrial use of the City's recycled water

**OTHER CONSIDERATIONS:**

The City's wastewater treatment plants produce recycled water that is classified as Type II reclaimed water. TCEQ has granted the City certain authority to deliver its recycled water for the Type II uses allowed under Chapter 210 of the Texas Administrative Code (TAC).

Some of the City's golf course and cemetery customers use the City's recycled water for the Type II-allowable use of irrigating their golf courses and cemeteries. Although the law also allows for the use of Type II for cooling towers and other industrial applications, none of the City's industrial district customers are using the City's recycled water at this time.

**CONFORMITY TO CITY POLICY:**

This item conforms to City's policy to obtain Council's approval and authority to grant an interest in real property or the city asset of water, which is considered to be a real property-like asset. For our purposes here, the term water as used in this section includes treated wastewater, also known as "effluent," or "recycled water."

An industrial water customer's use of the City's recycled water for allowable industrial uses is consistent with the City's water conservation policies.

**EMERGENCY / NON-EMERGENCY:**

Non-emergency

**DEPARTMENTAL CLEARANCES:**

Legal & Bond Counsel

**FINANCIAL IMPACT:**

Operating       Revenue       Capital       Not applicable

<b>Fiscal Year 2013-2014</b>	<b>Project to Date Expenditures (CIP only)</b>	<b>Current Year</b>	<b>Future Years</b>	<b>TOTALS</b>
Line Item Budget				
Encumbered / Expended Amount				

This item		\$50,000.00		\$50,000.00
Future Anticipated Expenditures				
BALANCE				\$50,000.00

**COMMENTS:**

FHR will pay the City a non-refundable Reservation payment of \$50,000.

**RECOMMENDATION:**

Approval of the Reservation as proposed.

**LIST OF SUPPORTING DOCUMENTS:**

Agreement for Exclusive Reservation of Recycled Water FHR