



AGENDA MEMORANDUM

Action Item for the City Council Meeting of May 21, 2024

DATE: May 10, 2024

TO: Peter Zaroni, City Manager

FROM: Drew Molly, Interim Chief Operations Officer for Corpus Christi Water
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Resolution authorizing the City Manager to execute a “Third Amendment to the Contract between the City of Corpus Christi and San Patricio Municipal Water District for Supply of Treated Water”

CAPTION:

Resolution authorizing execution of a Third Amendment to the Contract between the City of Corpus Christi and San Patricio Municipal Water District for the Supply of Treated Water to reduce the Take-or-Pay contracted amount of 15,000-acre feet per year to 12,760-acre feet per year, as requested by the designated customer, Gulf Coast Growth Ventures.

SUMMARY:

The resolution authorizes the City Manager to execute the third amendment to the contract between the City and SPMWD for treated water with changes as approved by the City Attorney.

On August 11, 2023, Gulf Coast Growth Ventures (GCGV) submitted a letter to SPMWD requesting to reduce the Take-or-Pay contracted amount of 15,000-acre feet per year (13.4 MGD) to 12,760-acre feet per year (11.4 MGD). The primary reason for the request in the reduction of the Take-or-Pay amount is due to GCGV water conservation efforts based in technology design enhancements observed in their cooling tower.

BACKGROUND AND FINDINGS:

On March 17, 1997, the City and SPMWD entered into a treated water supply contract. Then on September 5, 2018, the City and SPMWD agreed on a second amended to the water supply contract.

The City agreed to allow SPMWD to divert and use 37,000-acre feet (33 MGD) (10,000-acre feet (8.92 MGD) of which shall be designated as "Reserve Capacity" in a calendar year) treated water for municipal and industrial purposes. The remaining 37,000-acre feet (33 MGD) of treated water being 27,000-acre feet (24 MGD) shall be made available to the SPMWD by the City only for the time during which the contract between SPMWD and GCGV is in effect.

As described in the second amendment starting on January 1, 2023, SPMWD is obligated to purchase a minimum of 15,000-acre feet (13.4 MGD) per calendar year (Take-or-Pay Amount) of the 27,000-acre feet. The second amendment it allows SPMWD to request a reduction in their Take-or-Pay amount, if GCGV makes technological or other improvements or changes to operations of its facility that results in a reduced anticipated water usage, and provided GCGV can document such a change. The City and SPMWD then agree to review and negotiate changes to the contract to reduce the 27,000-acre feet (24 MGD) commitment and the minimum take or pay purchase amount.

In a letter from GCGV to SPMWD, GCGV states their request on August 11, 2023, to reduce the Take-or-Pay contracted amount of 15,000-acre feet per year (13.4 MGD) to 12,760-acre feet per year (11.4 MGD).

Based on this request SPMWD treated water amount for municipal and industrial purposes would be reduced. SPMWD total treated water capacity would be reduced from 37,000-acre feet (33 MGD) to 34,760-acre feet (31 MGD) with 10,000-acre feet designated as "Reserve Capacity", being 24,760-acre feet (22.08 MGD) can be made available to SPMWD by the City. In addition, starting on January 1, 2024, SPMWD is obligated to purchase a minimum of 12,760-acre feet (11.4 MGD) Take-or-Pay Amount at the monthly pay rate for public agency for resale.

The request for the reduction is being made due to water conservation technology design enhancements observed in GCGV cooling tower.

ALTERNATIVES:

The alternative would be to not allow SPMWD to reduce their treated water amount or their Take-or-Pay Amount. SPMWD would be obligated to purchase a minimum of 15,000-acre feet (13.4 MGD) of treated water per calendar year and SPMWD would not reduce their treated water capacity of 37,000-acre feet per year (33 MGD).

FISCAL IMPACT:

There is no fiscal impact for FY 2024 for Corpus Christi Water (CCW) associated with this item. Revenues projected for FY24 were based on actual usage that did not exceed 11.5MGD based on billing reports.

RECOMMENDATION:

Staff recommends approving the resolution authorizing the City Manager to execute a Third Amendment to the contract between the City and SPMWD for supply of treated water.

LIST OF SUPPORTING DOCUMENTS:

Resolution

Redline City and SPMWD third amendment for supply of treated water