



## **AGENDA MEMORANDUM**

Action Item for the City Council Meeting of September 2, 2025

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**DATE:** August 26, 2025

**TO:** Peter Zaroni, City Manager

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Authorization of a Financial Agreement to accept a loan from the Texas Water Development Board for the design and construction of a Seawater Desalination Plant to provide a future water supply.

### **CAPTION:**

Resolution of a Financing Agreement between the City of Corpus Christi and the Texas Water Development Board (TWDB) related to the City's issuance, sale, and delivery of City Utility System Junior Lien Revenue Improvement Bonds in an amount not to exceed \$210,045,000.00 to the TWDB with proceeds of said bonds for the Inner Harbor Water Treatment Campus and other matters in connection therewith.

### **SUMMARY:**

On July 23, 2024, the City of Corpus Christi was approved to receive funding through the State Water Implementation Fund for Texas (SWIFT) loan program in an amount not to exceed \$535,110,000 from the Texas Water Development Board (TWDB) to fund the design and construction of a Seawater Desalination Plant within the Inner Harbor of the Corpus Christi Ship channel to provide a future water supply. On November 14, 2024, the City issued the first two tranches of bonds in the principal amounts of \$10,000,000 and \$211,050,000, respectively. This resolution authorizes a financing agreement related to the third tranche of bonds in a principal amount of an \$210,045,000.

### **BACKGROUND AND FINDINGS:**

The SWIFT loan program was created by the Texas Legislature to provide affordable, ongoing state financial assistance for projects in the state water plan. The program helps communities develop cost-effective water supplies by providing low-interest loans, extended repayment terms, deferral of loan repayments, and incremental repurchase terms.

To apply for funding, entities must first submit an abridged loan application for their projects to be evaluated. The projects are ranked and only the top projects that are within the limits of available funding are invited to submit a full application. Once the full application is evaluated and approved, TWDB offers financing through the loan program. The interest rate charged by the TWDB is based on the TWDB's cost of funds sold with the State of Texas' General Obligation AAA rating. The lending rate balances reasonable rates for TWDB customers that cover TWDB's cost of funds and risk exposure. Utilization of the TWDB funding option is being recommended especially since the interest rate that will be charged for these obligations is based on a AAA rating -- which is a higher rating than the City's AA-/Aa3 rating for its utility priority lien bonds and junior lien utility bonds -- therefore resulting in a lower interest rate. In addition, the SWIFT loan program provides a percentage subsidy further reducing the interest rate.

The next step in the process is for the City to sign the Financing Agreement with the Texas Water Development Board for the loan, which is due September 5, 2025.

Once the financing agreement is received by TWDB, the City's financing will be included in TWDB's bond sale (currently anticipated for early October 2025). The City's debt sale will be a private placement with Texas Water Development Board and the debt will be issued at a lower interest rate than the City could receive if the debt was sold on the open market. The City will bring the ordinance to issue the debt in October 2025, and anticipates issuing the debt in November 2025.

### **ALTERNATIVES:**

The alternative to approving the TWDB financing agreement is not to not approve the agreement resulting in no funding for the Inner Harbor Water Treatment Campus. Design and construction of the Inner Harbor Water Treatment Campus will not move forward.

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 Inner Harbor Water Treatment Campus, of which \$232,000,000 in bonds has been sold. If the project does not move forward, 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 \$50,000,000. 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 \$182,000,000 (\$232,000,000 sold bonds minus the \$50,000,000 already spent). In summary, cancelling the project now would cost the City approximately a \$122,500,000 over the next 10 years in interest payment plus the principal already spent.

### **FISCAL IMPACT:**

The approval of this resolution will commit the City to issue \$210,045,000 in bonds for use on the Inner Harbor Desalination Water Treatment Plant. The impact of the debt issuance is accounted for in Corpus Christi Water's rate model.

After execution of the financing agreement, failure to cancel the commitment and/or deliver the City bonds in accordance TWDB's timing requirements will result in financial penalties for the City.

**RECOMMENDATION:**

Staff recommends approval of the Financing Agreement with TWDB for funding of a Seawater Desalination Facility within the Inner Harbor to provide a future water supply through the SWIFT loan program.

**LIST OF SUPPORTING DOCUMENTS:**

Resolution